

# SUMIDA CORPORATION

- Consolidated Results of the 2<sup>nd</sup> Quarter FY2009 -

3<sup>rd</sup> August, 2009

**Shigeyuki Yawata, CEO**

**Saburo Matsuda, CFO**

# 1. Forex Volatility

		End of FY2008 (4Q2008)	End of March 09 (1Q2009)	End of June 09 (2Q2009)
JPY/USD	Average	96.07	91.44	97.71
	End of term	90.35	97.70	96.15
JPY/Euro	Average	126.28	120.62	129.87
	End of term	127.65	128.91	135.67

## 2. Forecast of Consolidated Results FY2009



	<u>1<sup>st</sup> quarter 2009</u> <u>Actual</u>	<u>2<sup>nd</sup> quarter 2009</u> <u>Actual</u>	<u>Forecast of 2<sup>nd</sup> half</u> <u>year</u>	<u>Forecast of FY2009</u>
Net sales	8,579	10,066	24,455	43,100
			(23,555)	(42,200)
Cost of sales	7,715	8,276	19,666	35,657
Gross profit	864	1,790	4,789	7,443
Gross profit ratio	10.1%	17.8%	19.6%	17.2%
			(20.4%)	(17.6)
SGA expense	2,140	2,089	4,167	8,396
Amortization of goodwill	69	78	150	297
Operating income (loss)	(1,345)	(377)	472	(1,250)
Interest income (expense)	(125)	(170)	(340)	(635)
Exchange gain (loss)	50	21	—	71
Derivative gain (loss)	316	(136)	—	180
Others	47	22	(35)	34
Non-operating income (expense)	288	(263)	(375)	(350)
Ordinary gain (loss)	(1,057)	(640)	97	(1,600)
Extraordinary gain (loss)	(119)	(603)	—	(722)
Income (loss) before tax	(1,176)	(1,243)	97	(2,322)
Taxes	(84)	(257)	—	(341)
Minority interest	(21)	(8)	—	(29)
Net income (loss) (Excluding Concord)	(1,071)	(994)	65	(2,000)

### 3. Consolidated Results of 2<sup>nd</sup> quarter FY2009



(Unit: Millions of yen)

	2Q2009 Accounting period	2Q2008 Accounting period	Difference	2Q2009 Accumulated	2Q2008 Accumulated	Difference
Net Sales	10,066	15,479	65.0%	18,645	30,314	61.5%
Operating Income	(377)	1,051	-	(1,722)	2,093	-
Ordinary Income	(640)	517	-	(1,697)	1,327	-
Net Income	(994)	(17)	-	(2,065)	485	-

# 4. Analysis of Sales



(Unit: Millions of yen)

	FY2008				FY2009		Difference in 2Q
	1Q	2Q	3Q	4Q	1Q	2Q	
Asia-Pacific Business	8,401	8,826	8,773	6,136	4,644	5,721	65%
Magnetics	5,771	6,015	6,119	4,226	2,976	3,727	62%
Automotive	2,630	2,811	2,654	1,910	1,668	1,994	71%
EU Business	6,434	6,653	5,928	3,423	3,247	3,433	52%
		(€40.7M)				(€26.4M)	(65%)
Environment-Energy Business	—	—	—	1,160	688	912	
Total	14,835	15,479	14,701	10,719	8,579	10,066	

# 5. Information by segments



(Unit: Millions of yen)

		2Q2009	1Q2009	Difference
Asia-Pacific Business	Net Sales	5,721	4,644	1,077
	Operating Income	426	(174)	600
EU Business	Net Sales	3,433	3,247	186
	Operating Income	(319)	(481)	162
Environment-Energy Business	Net Sales	912	688	224
	Operating Income	149	(61)	210
Total	Net Sales	10,066	8,579	1,487
	Operating Income	256	(716)	972
Elimination		(633)	(629)	(4)
Consolidated	Operating Income	(377)	(1,345)	968

### Break-even Sales (Quarterly)

Asia-Pacific Business	5,000M yen
-----------------------	------------

EU Business	4,150M yen
-------------	------------

Environment- Energy Business	900M yen
---------------------------------	----------

# 7. Non-operating and Extraordinary Gain/Loss



## 1. Derivative (EIWA)

Loss

~ year 2017

(136M yen)

(Mitigating measure is under discussion)

## 2. Restructuring Expenses

Early Retirement in Japan

Total Expenses

330M yen

Provision in FY2008

150M yen

Expenses in FY2009

180M yen

Restructuring in EU

Shift outsourcing production to internal manufacturing

40M yen

Romania/VAT

35M yen

VOGT/Domination agreement

35M yen

110M yen

## 3. Revised loss from Sale of business

Revaluation of inventory assets/machinery & equipment etc.

210M yen

Corporate value

190M yen


In light of

- Good relationship with buyer (partner)
- 2-3 years for settlement through arbitration
- 100M yen annually for legal fee etc.

# 8. Goodwill

- According to Japan GAAP, amortization has started from FY2009
- Equivalent amount of past years' amortization expenses deducted from the retained earnings at the beginning of year

Goodwill	Panta	15 years
	Stelco	4 years
	VOGT	15 years

Goodwill	<u>End of December</u> <u>2008</u>		<u>End of June</u> <u>2009</u>	
	5,275M yen		3,735M yen	(1,540M yen decrease)

## 9. Debt

(Unit:Millions of yen)

Decrease in short-term debt	(1,650)
Decrease in long-term debt	(1,193)
	<hr/>
	(2,843)
Repayment for convertible bond of Alpine	(8,000)
Long-term debt	3,900
Company bond issued	3,500
	<hr/>
	(600)

# 10. Cash Flow

(Unit: Millions of yen)

## Major reasons for increase of free cash flow:

1.	Decrease of goods and merchandises	
	Inventory assets (Automotive)	800
	Short lead-time	600
	Others	200
	<hr/>	
	Goods and merchandises	1,600
2.	Decrease of acquisition of tangible fixed assets	393

(Budget: 2,000)

# 11. Forecast for Fiscal Year 2009



(Unit:Millions of yen)

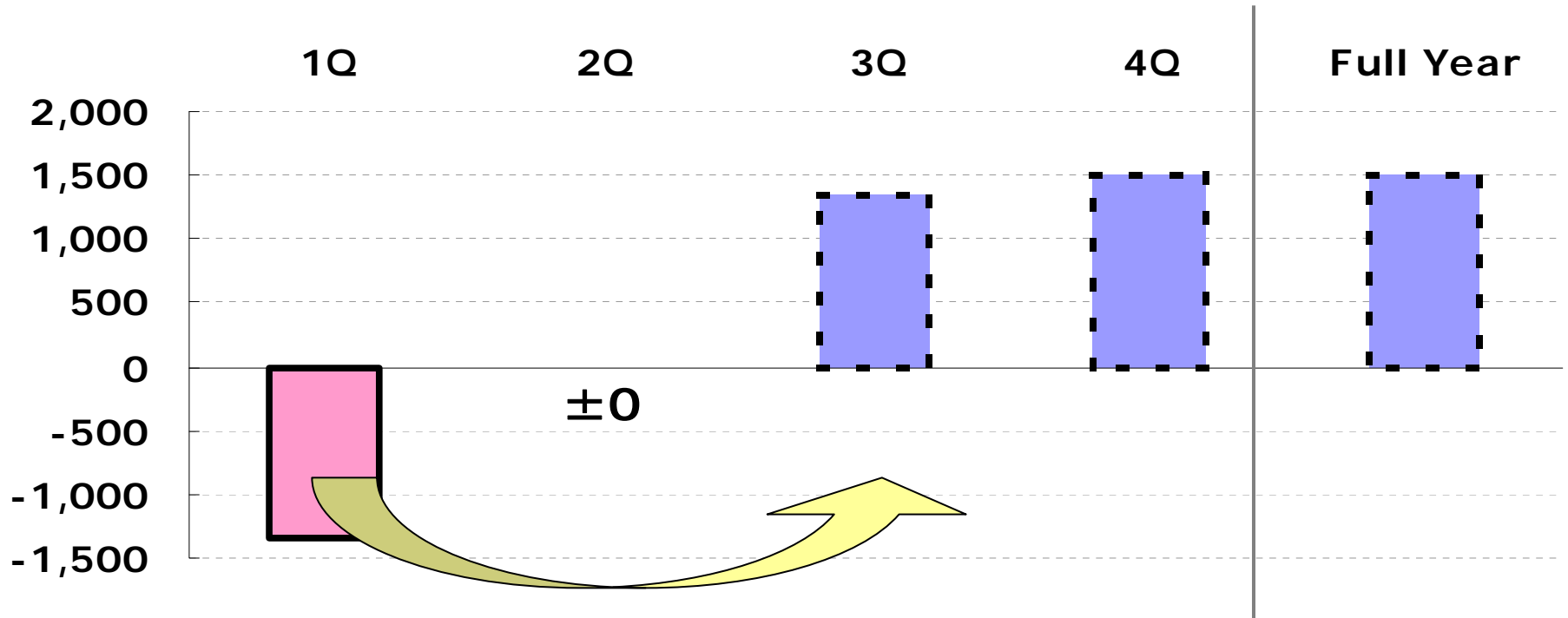
	Net Sales	Operating Income	Ordinary Income	Net Income
Forecast at the beginning of FY2009 (24 <sup>th</sup> Feb, 2009)	47,600	1,490	890	700
Revised Forecast (31 <sup>st</sup> July, 2009)	43,100	(1,250)	(1,600)	(2,000)
Difference	(4,500)	(2,740)	(2,490)	(2,700)

(Assumption: Exchange rates are 1USD=95JPY, 1Euro=130JPY)

# Summary of Business Result – 2<sup>nd</sup> Quarter FY2009

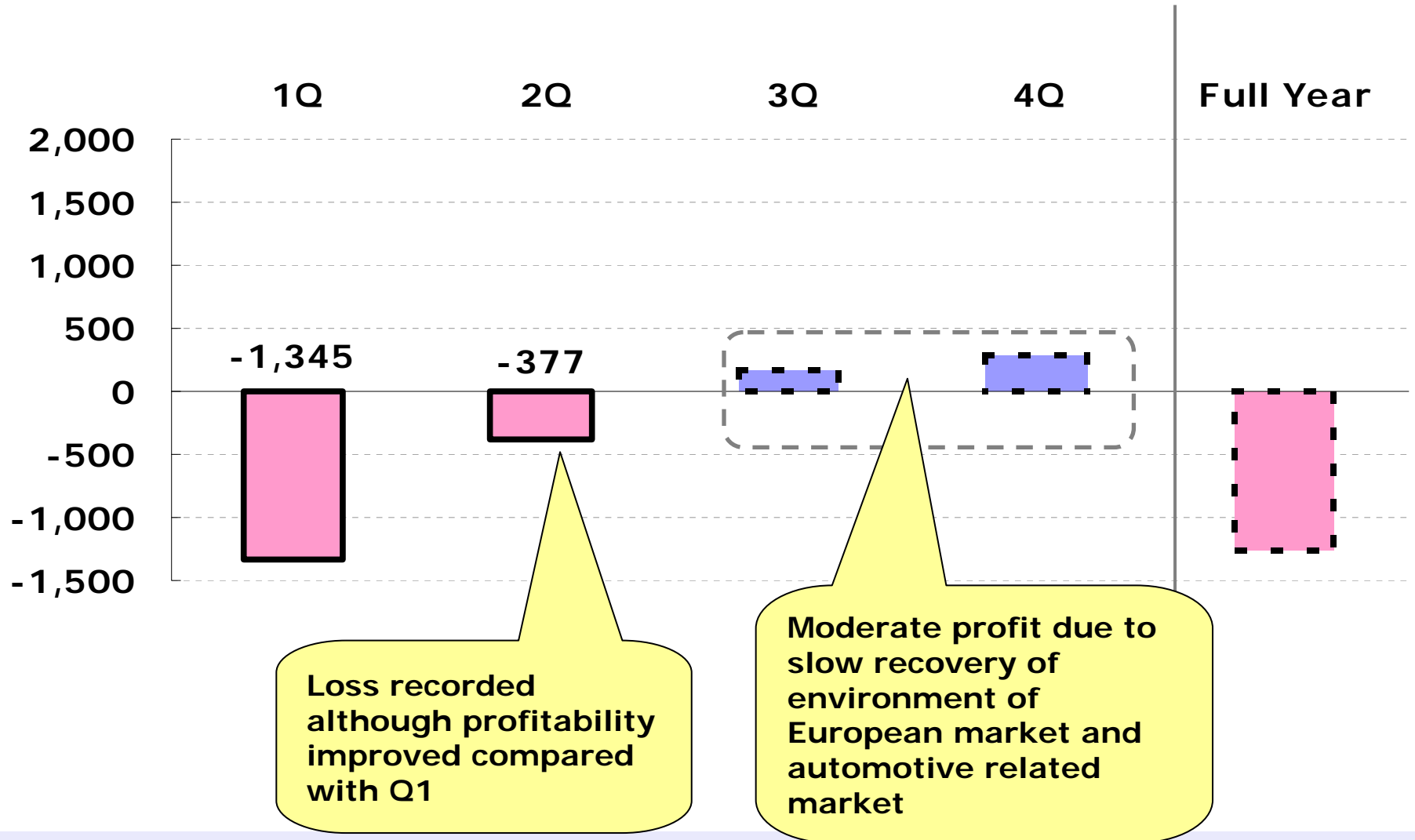
	(Mil Yen)	Summary
Net Sales	10,066	<p>Recovered 20 points from the worst term during Jan-Mar 09 (sales decreased by 50% from its peak)</p> <p>Increased by 17.3% (compared with Q1), decreased by 35.0% (y-o-y)</p> <p><b>【Positive Aspects】</b></p> <ol style="list-style-type: none"> <li>1. Asian market is in its recovery trend owing to economic stimulus measures implemented by governments</li> <li>2. Consumer electronics business started to recover after inventory adjustments run its course (20-30% increase compared with Q1)</li> </ol> <p><b>【Concerned Aspects】</b></p> <ol style="list-style-type: none"> <li>1. Recovery of European market (account for 50% of Sumida sales) is uncertain</li> <li>2. Recovery of automotive related market will take time</li> </ol>
Operating Income	(377)	<ol style="list-style-type: none"> <li>1. Break even sales was unachieved in 2Q (the profit was increased by 1 billion compared with Q1) <ul style="list-style-type: none"> <li>• Asia/Pacific &amp; Environment/Energy businesses made profit</li> <li>• EU business didn't make profit due to uncertain European market</li> </ul> </li> <li>2. 1<sup>st</sup> and 2<sup>nd</sup> cost reduction measures implemented as planned</li> </ol>
Net Income	(1,076)	<ol style="list-style-type: none"> <li>1. Non-operating loss (due to interest cost 170M yen, derivative loss 136M yen) was recorded</li> <li>2. Extraordinary loss 602M yen for implementation of fixed cost reduction measures</li> </ol>

(million yen)



Due to uncertain market situation, the forecast of recovering timing was inaccurate.

(million yen)

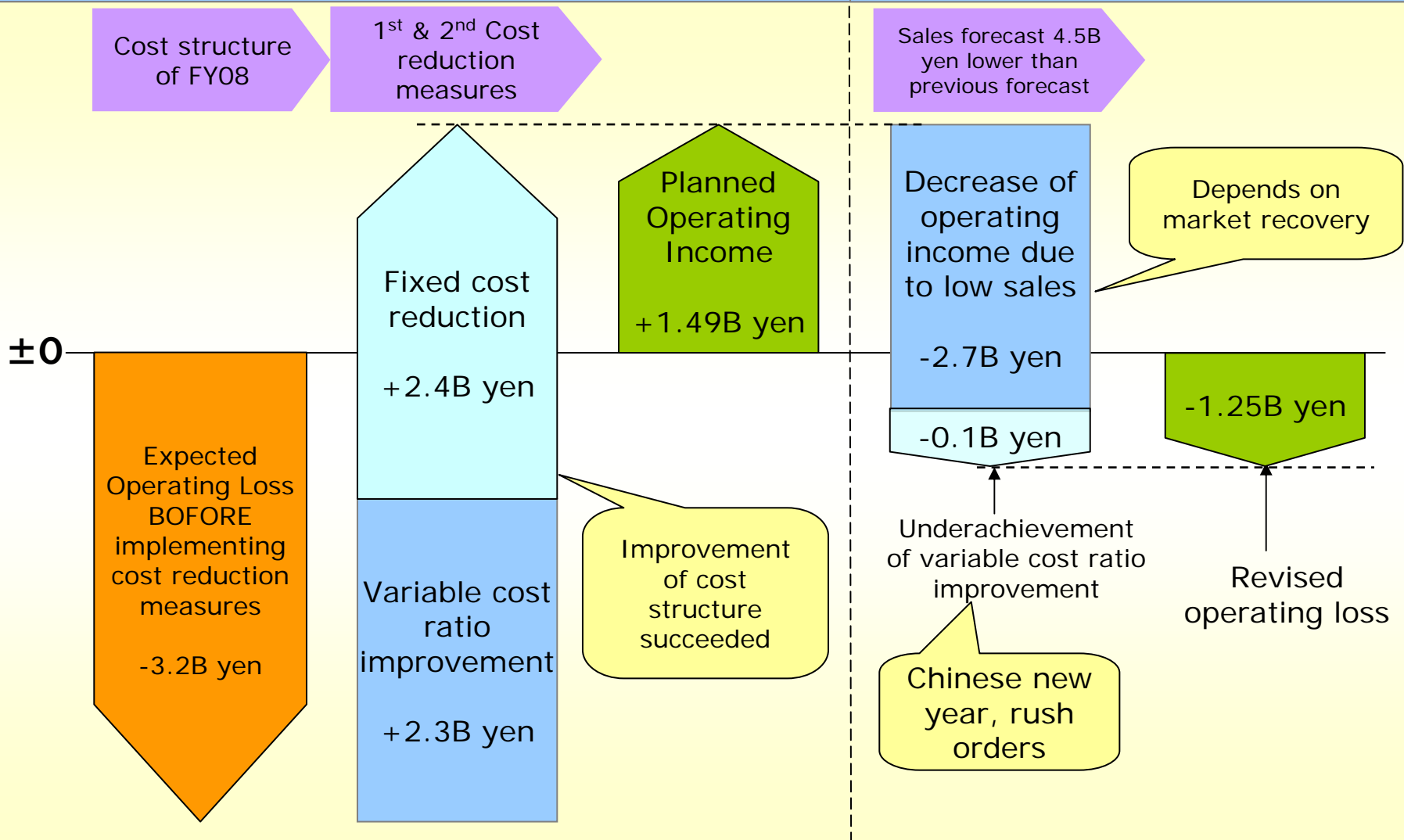


# Details of Revised Business Forecast FY2009

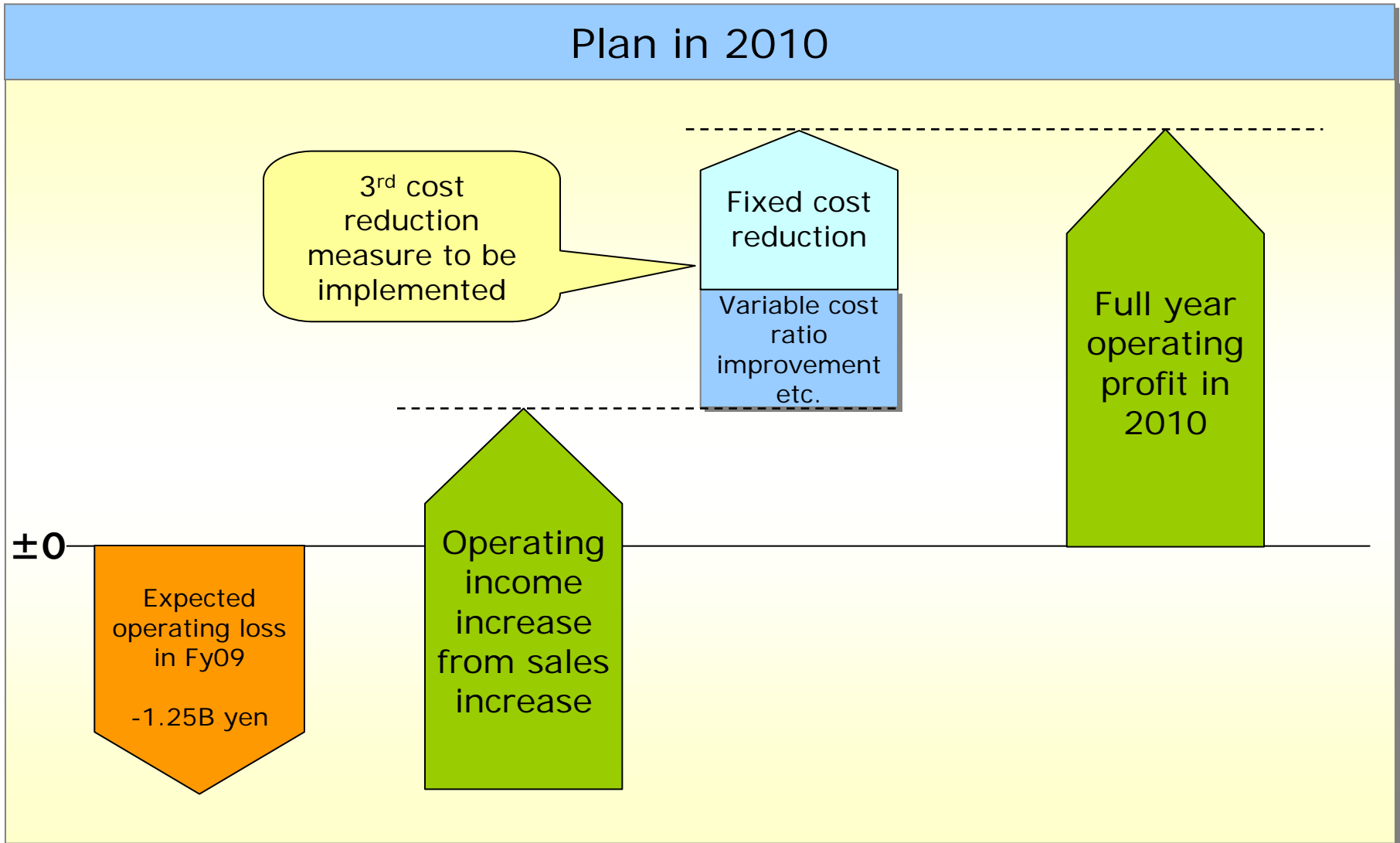


## Previous Forecast

## Revised Forecast



- Most of cost reduction measures have been implemented
- Full year operating loss is expected due to low sales



- Aims at full year operating profit through sales increase, fixed cost reduction and variable cost ratio improvement

## Prospects and measures to be taken from 3<sup>rd</sup> quarter

### 1. Measures for sales increase

Under "Global One Company" concept

- ⇒ Further promote cross sales
- ⇒ Expand and increase sales of new products

#### a. Asia-Pacific Business

/Sales has recovered quickly from a trough at which sales volume shrank by 50% from its peak due to sharp decrease in demand and inventory adjustments.

/Market situation esp. in China is in recovering trend owing to slowing down of inventory adjustment and economic stimulus measures by governments.

- ⇒ Further expand sales (inverter transformers, transformers and inductors for consumer electronics devices)
- ⇒ Further enhance our production efficiency and flexibility for increase of demand (utilize satellite factories)

#### b. EU Business

/As sales is mainly for automotive related products, the recovery will take more time.

/However some recovering trend can be seen owing to economic stimulus measures by governments. Sumida will flexibly correspond to the changing market.

- ⇒ Promote cross selling with other product fields

#### c. Environment-Energy Business

/Demand for electronic components would increase due to full scale approach to hybrid car, electric vehicles, solar energy generation etc. in the market.

- ⇒ Strengthen partnerships with customers in order to take potential business chances

## Prospects and measures to be taken from 3<sup>rd</sup> quarter

### 2. Measures for cost reduction

#### a. Fixed cost

⇒ Maintain adequate numbers of staffs (timely review and adjust according to order trend)

#### b. Variable cost ratio

⇒ Promote low cost production - while making Punyu factory as center utilizing satellite factories incl. Nanning factory and expand the satellite network towards the western part of China

⇒ Promote production shift from Europe (Romania, Slovenia) to China

⇒ Lower material cost by strengthening purchasing power under "Global One Company"



**Aiming to achieve 48 billion yen of sales  
and maintain profit throughout FY2010**

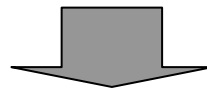
### 3. Aiming to become a consolidator of electronics components industry

Strengthen our position in electronics components industry as a consolidator and leading manufacturer based on coils

⇒ Keep on seeking for M&A chances following Eiwa, Mostec and Concord

## **Triple Ex --- 5 key areas:**

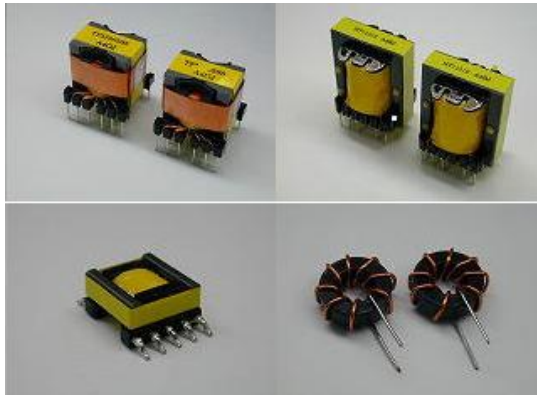
- 1. Sumida “Silk Road Concept”**
- 2. Making the most of our ability to respond to customer needs**
- 3. Investing in pioneering technology and progressive R&D**
- 4. Expanding global system for manufacturing, production and sales**
- 5. Developing and strengthening our global management system**



**/Sumida will continue challenging to the key areas  
/Achievement timing of the quantitative targets will be extended**

<b>Company Name</b>	<b>Concord Electronics Industries</b>
<b>Major Business</b>	<b>Development, manufacturing and sales of high current transformers and reactors</b>
<b>Major Operation Sites</b>	<b>Headquarter: Saku City, Nagano Japan: Nagano (R&amp;D, Manufacturing, Sales) Outside Japan: Vietnam (Manufacturing)</b>
<b>Employees</b>	<b>120</b>
<b>Net Sales</b>	<b>2,260 million yen (as of July 31, 2008)</b>

## Product Examples:



Transformers and choke coils for switching supplies (high-frequency)

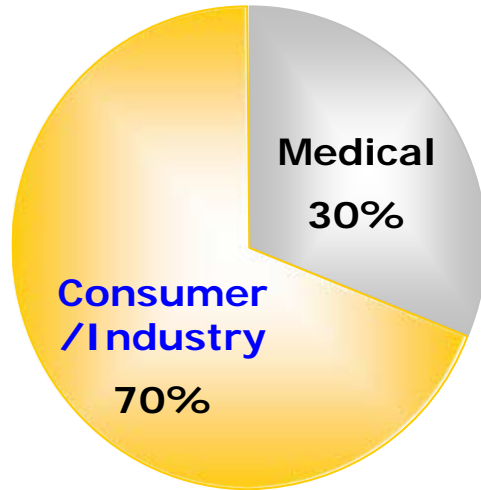


Coils for industry and medical equipments

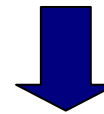
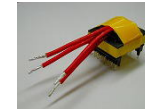


## 1. Acceleration of new product development speed

Sales Breakdown of Concord



Concord has similar product lineups with EIWA for Consumer and Industry

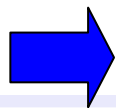


Enables to accelerate manufacturing speed of new products by utilizing the technologies

## 2. Chance to enter into new market (Medical)

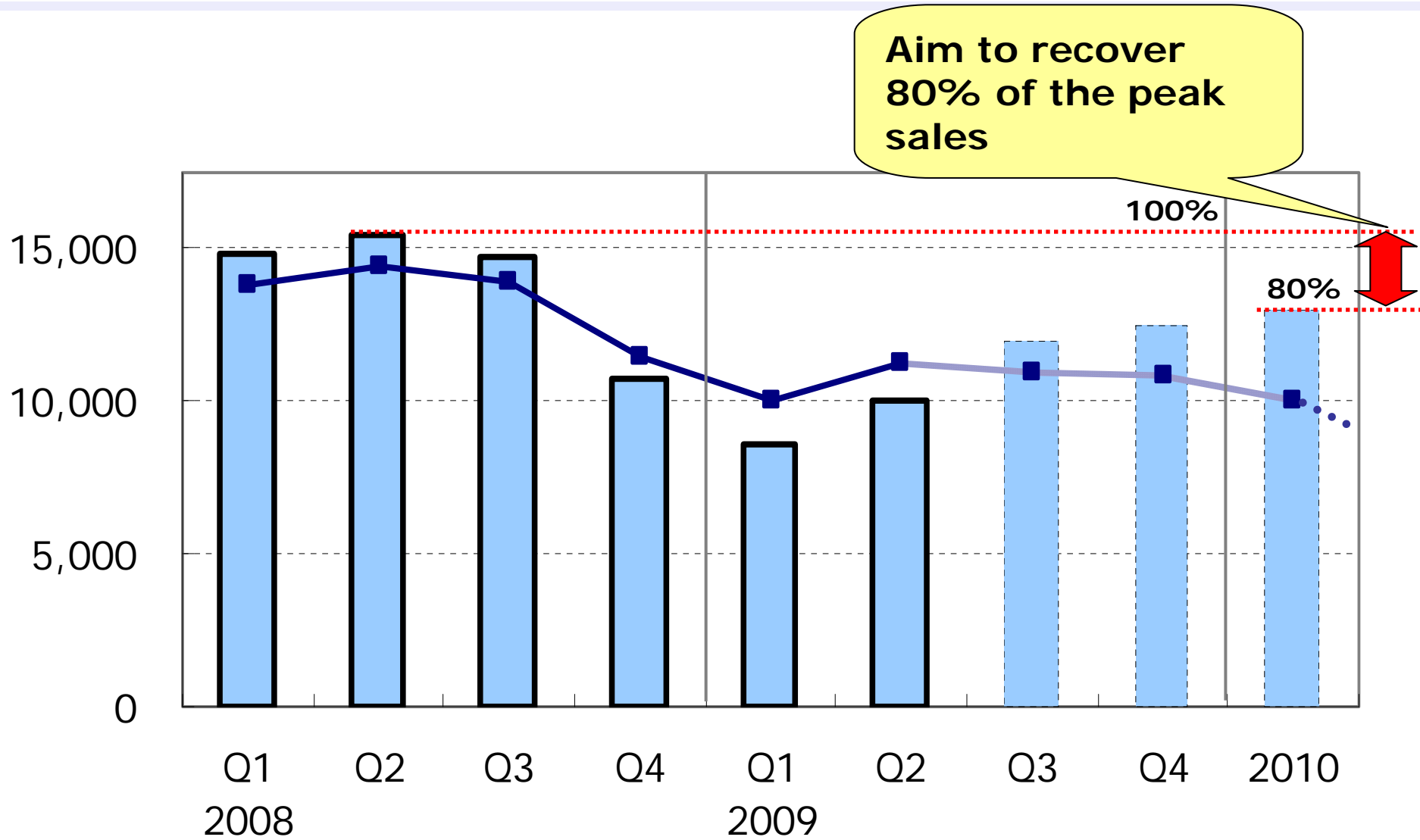
## 3. Enhancement of low-cost production capabilities (Sumida's core competence)

By utilizing Concord's production site in Vietnam under "Sumida Silk Road Concept"



Expected to be consolidated from 3<sup>rd</sup> quarter

# Trend of Consolidate Sales and Break Even Point



# End of the Report

## Disclaimer

The present slides are provided only to serve the purpose of disclosing information in your evaluation of the Company. Final decision on investments or similar decision is left to your absolute discretion. The Company disclaims responsibility or liability for any or all results arising from your investments. The Company shall make no guarantees nor assurances for the integrity and/or accuracy of the assessment figures and statement of forecasts set forth in the present slides which are based upon the actual and estimated figures as of the day of disclosure.