

# BACK ON THE GROWTH PATH

Consolidated Results of the  
4<sup>th</sup> Quarter FY2010 / Full-Year 2010  
&  
Mid-Term Business Plan FY2010 – 2012 Update

21<sup>st</sup> February 2011

Presented by  
CEO – Shigeyuki Yawata & CFO – Saburo Matsuda

- ▶ Financial Performance in FY2010
  - 4Q 2010 Performance shows improvements in Net Income from 4Q 2009.
  - FY 2010 shows return to positive figures on Income Statement.
- ▶ Back on the growth path
  - Improvements in all market segments – Consumer, Automotive & Industrial.
  - Silk Road Strategy – Making a positive impact
- ▶ Looking Forward
  - Outlook for 2011
  - Annual Business Plan
  - Mid-term Business Plan Update

# 1. FY2010 CONSOLIDATED FINANCIAL RESULTS



(in JPY, millions)

	FY2009	FY2010						Change from Forecast
		1Q	2Q	3Q	4Q	Total	Forecast	
Sales	43,653	12,894	14,107	13,839	12,615	53,445	52,600	845
Operating Income	△233	1,027	1,037	1,113	404	3,569	3,700	△131
%	△0.5	8.0	7.4	9.0	3.2	6.7	7.3	
Ordinary Income	△774	789	444	963	45	2,241	2,730	△489
Net Income	△2,009	654	253	901	415	2,210	2,200	10

# 2. SUMMARY OF 4<sup>TH</sup> QUARTER RESULTS



(in JPY, millions)

	3Q-FY2010	4Q-FY2010	Change
Sales	13,839	12,615	Δ1,224
Operating Income	1,113	404	Δ709
%	9.0	3.2%	
Ordinary Income	963	45	Δ918
Net Income	901	415	Δ486

Change in Operating Income

Due to:

Sales decrease Δ410

Copper price increase Δ50

SGA. increase Δ249

(performance bonus & others)

Δ709

### 3. NON-OPERATING EXPENSES, EXTRAORDINARY EXPENSES & TAXES



(in JPY, millions)

	<u>FY2010</u>	<u>FY2009</u>
<b>Non-operating exp.</b>		
Interest exp. (Net)	569	609
Foreign exchange loss	507	146
Loss from derivatives	227	△189
<b>Extraordinary exp.</b>		
Impairment loss	94	—
Restructuring exp.	40	1,185
Loss from sale of fixed assets	32	112
<b>Taxes</b>		
Corporate income tax	460	309
Provision for income tax deferred	△702	△723
	<u>△242</u>	<u>△413</u>

# 4. SEGMENTS INFORMATION BY BUSINESSES



(in JPY, millions)		FY2010	FY2009	Change %
Asia-Pacific Business	Sales	29,536	24,113	122.4%
	Operating Income	4,648	2,630	176.7%
EU Business	Sales	18,688	15,092	123.8%
	Operating Income	1,368	△727	—
Environment /Energy Business	Sales	5,220	4,446	117.4%
	Operating Income	86	275	31.3%
TOTAL	Sales	53,445	43,652	122.4%
	Operating Income	6,013	2,178	276.1%
Elimination	Operating Income	△2,533	△2,412	—
Consolidated	Sales	53,445	43,652	122.4%
	Operating Income	3,569	△233	—

# 5. SEGMENT INFORMATION BY REGIONS



(in JPY, millions)

	<b>FY2010</b>	<b>FY2009</b>	<b>Change</b>	
			<b>%</b>	
Japan	11,302	8,013	3,289	141.0%
HK/China	14,155	13,062	1,093	108.4%
Taiwan/Korea	1,100	644	456	170.8%
ASEAN	4,275	4,760	△485	89.8%
North America	3,922	3,239	683	121.1%
Europe	18,688	13,933	4,755	134.1%
<b>TOTAL</b>	<b>53,445</b>	<b>43,652</b>	<b>9,793</b>	<b>122.4%</b>

# 6. CONSOLIDATED BALANCE SHEET



(in JPY, millions)

	As of Dec 31 2010	As of Dec 31 2009	Change
Current Assets	27,168	28,619	△1,451
Fixed Assets	22,145	25,790	△3,645
Deferred Assets	96	94	2
<b>TOTAL ASSETS</b>	<b>49,410</b>	<b>54,504</b>	<b>△5,094</b>
Current Liabilities	31,318	30,149	1,169
Fixed Liabilities	9,243	13,287	△4,044
<b>Total Liabilities</b>	<b>40,561</b>	<b>43,436</b>	<b>△2,875</b>
<b>Net Equity</b>	<b>19,673</b>	<b>17,847</b>	<b>1,826</b>
T/A, Minority Interests	△10,825	△6,779	△4,046
<b>Net Assets</b>	<b>8,848</b>	<b>11,068</b>	<b>△2,220</b>
<b>TOTAL CAPITAL &amp; LIABILITIES</b>	<b>49,410</b>	<b>54,504</b>	<b>△5,094</b>

(Translation  
Adjustments)

€136M × ¥24.3

= ¥3,300M

US\$85M × ¥7.7

= ¥654M

# 7. CONSOLIDATED CASH FLOW STATEMENTS



	FY2010	FY2009		FY2010	FY2009
Cash Flow from Operating Activities	3,095	1,888	Profit before Income Tax	2,056	△2,365
			Depreciation	2,515	3,035
			Increase of A/R	△835	△1,283
			Increase of Inventory	△2,193	1,690
			Increase of A/P	698	767
Cash Flow from Investing Activities	△1,794	△128	Acquisition of tangible fixed assets	△2,177	△1,100
			Acquisition of intangible fixed assets	△126	△99
			Collection of loans	262	251
Cash Flow from Financing Activities	△2,191	△3,529	Long/Short term loans	2,222	8,088
			Repayment of loans	△3,976	△11,134
			Dividend payment	△384	△480
Cash & Cash Equivalent at year-end	7,275	9,064			

(in JPY, millions)

# 8. BUSINESS PLAN FOR FY2011



(in JPY, millions)	<b>FY2011</b>	<b>FY2010</b>	<b>Change</b>	
<b>Sales</b>	<b>55,000</b>	<b>53,445</b>	<b>102.9%</b>	<b>【Assumptions】</b>
<b>Operating Income</b>	<b>4,000</b>	<b>3,569</b>	<b>112.0%</b>	Foreign Exchange US\$1.00 = ¥82.00
<b>Operating Income ratio</b>	<b>7.3%</b>	<b>6.7%</b>		Euro1.00 = ¥112.00
<b>Ordinary Income</b>	<b>3,330</b>	<b>2,241</b>	<b>148.6%</b>	<b>【Reference】</b> FY2010 Average US\$1.00 = ¥88.30 Euro1.00 = ¥118.30
<b>Net Income</b>	<b>2,600</b>	<b>2,210</b>	<b>117.6%</b>	
<b>Earnings per share (yen)</b>	<b>135.32</b>	<b>115.05</b>		

# 9. CAPEX, DEPRECIATION AND R&D EXPENDITURE



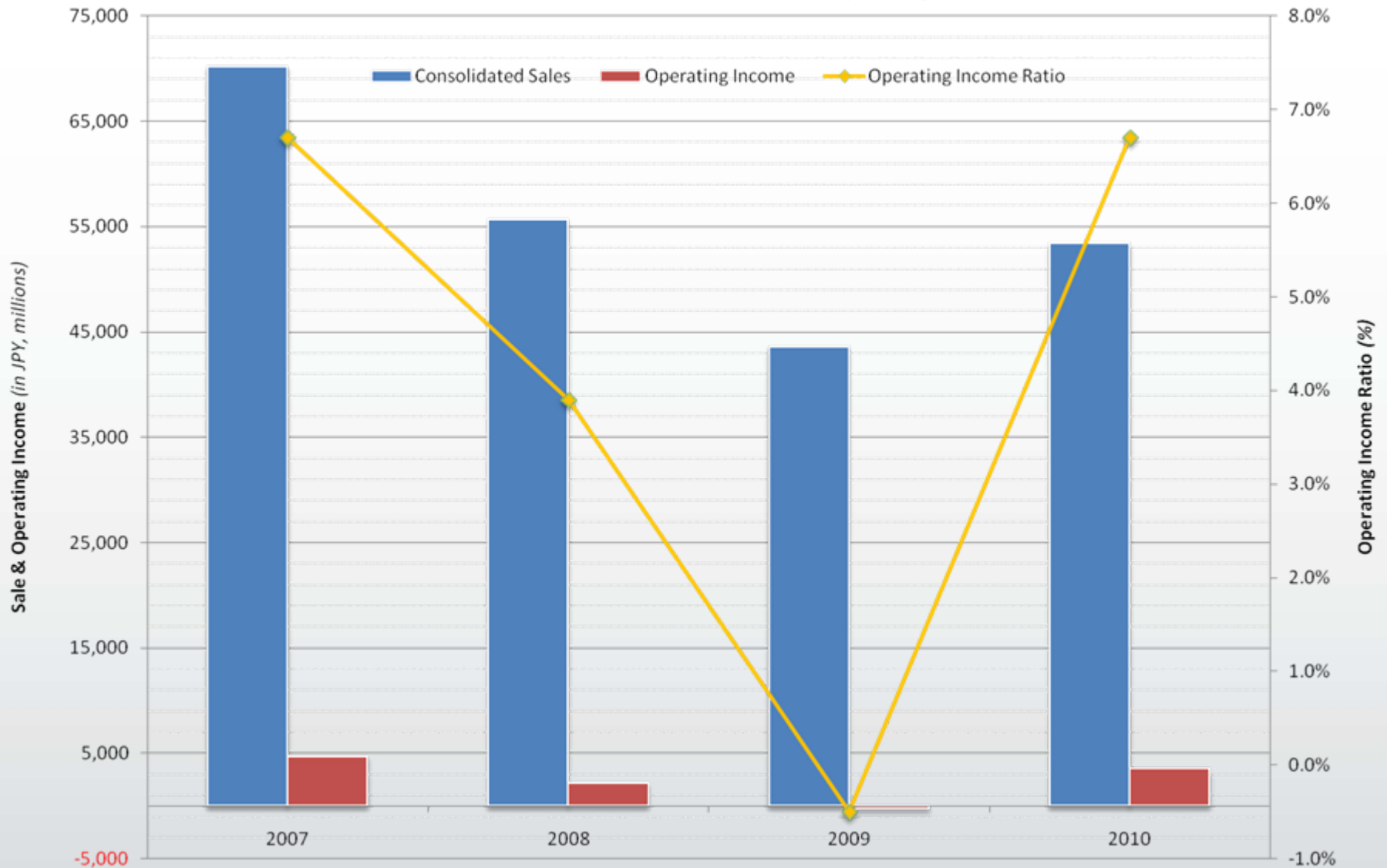
(in JPY, millions)

	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011(Plan)</b>
<b>CAPEX</b>	<b>1,199</b>	<b>2,177</b>	<b>2,420</b>
<b>Depreciation</b>	<b>3,035</b>	<b>2,515</b>	<b>2,670</b>
<b>R &amp; D Exp.</b>	<b>1,110</b>	<b>1,069</b>	<b>1,330</b>

# 2010 IN REVIEW – “BACK ON THE GROWTH PATH”

# 2010 - A YEAR OF RECOVERY

### 2007-2010 Annual Consolidated Sales & Operating Income

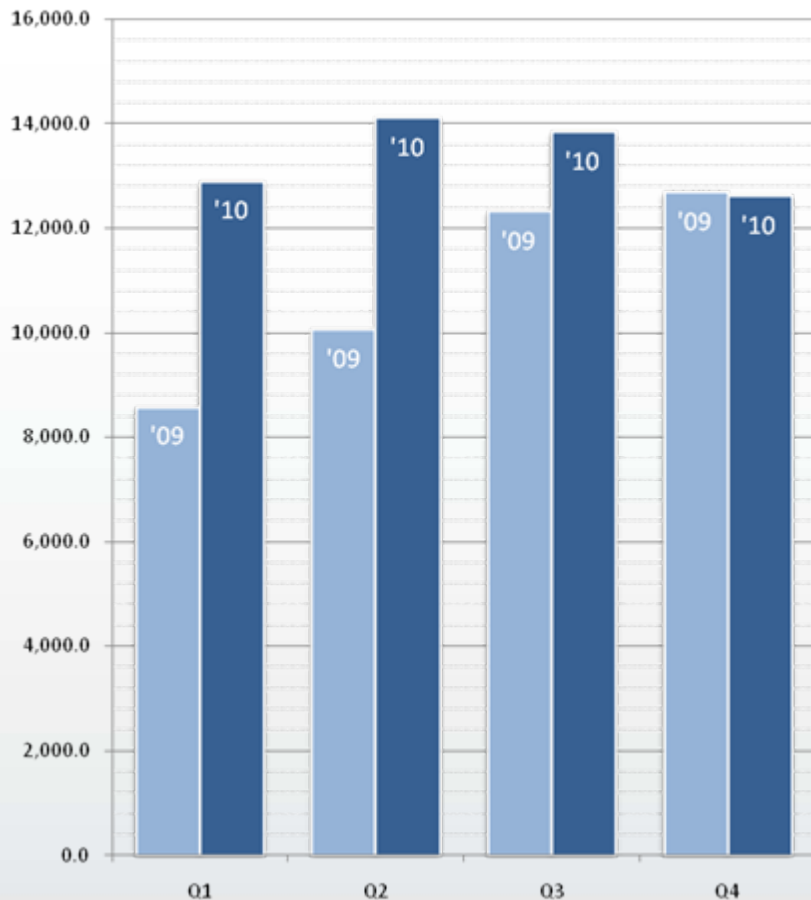


# 2010 IN REVIEW - ANNUAL SALES



**Total Sales by quarter - 2009 vs. 2010**

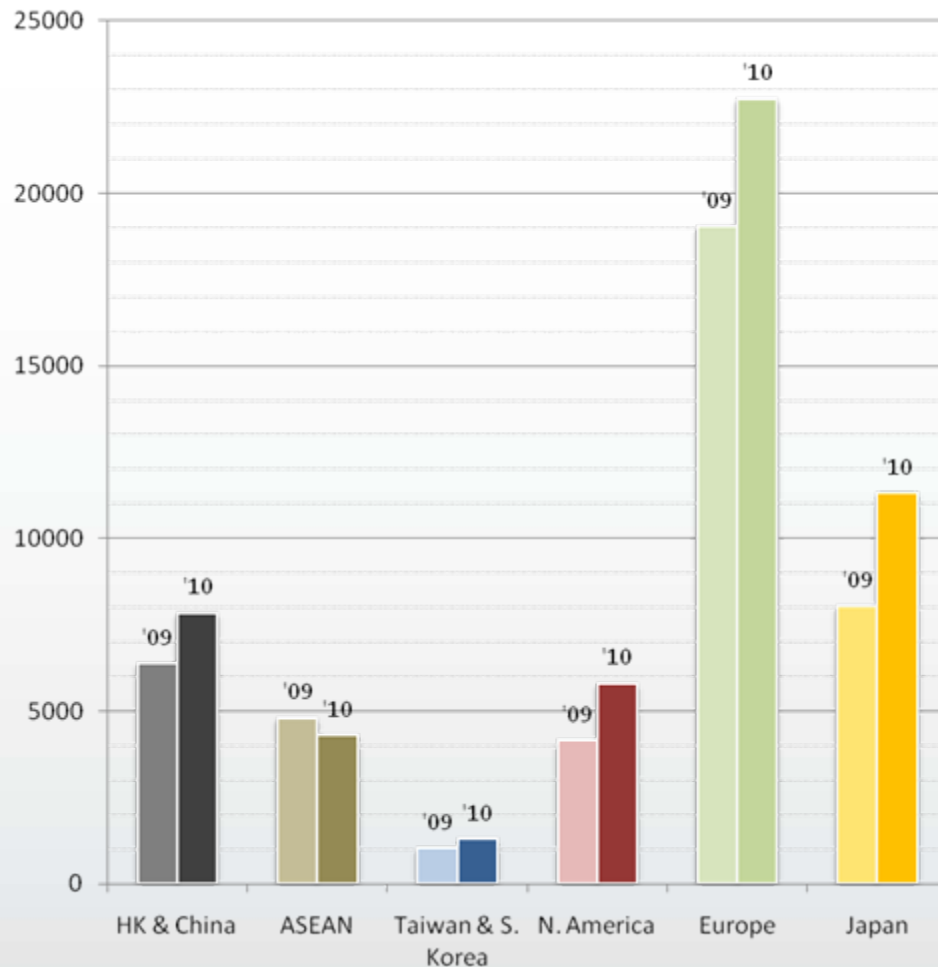
(in JPY, millions)



**Percentage change in Sales by quarter – 2009 vs. 2010**

Q1	Q2	Q3	Q4	Year
50.3%	40.2%	12.3%	-0.6%	22.4%

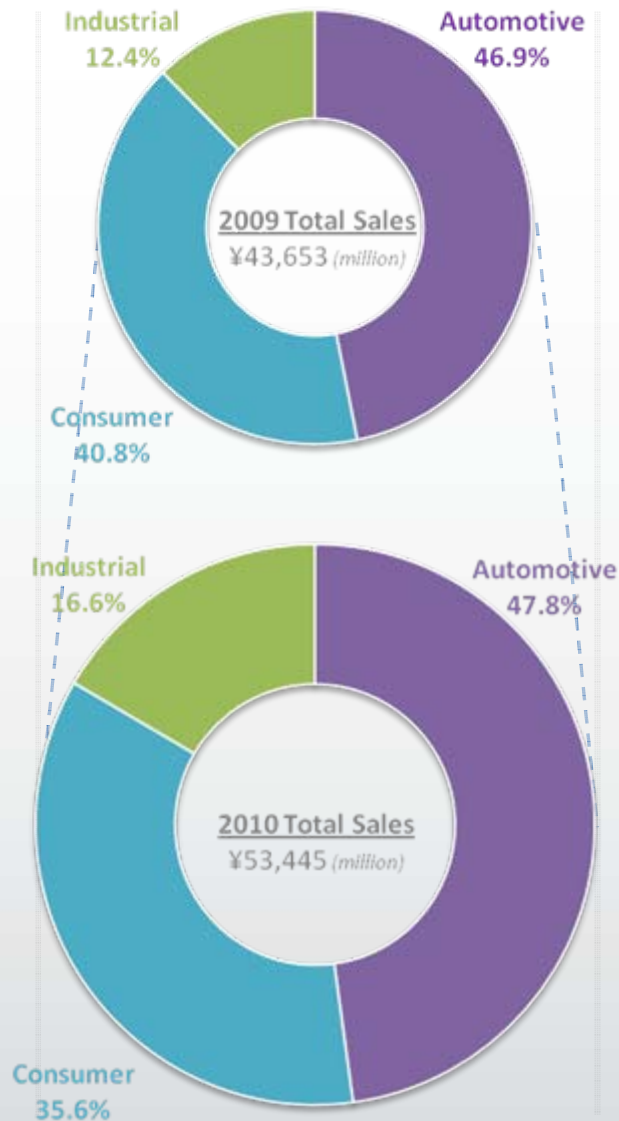
**Sales by Geographic Area (in JPY, millions)**



**Percentage change in Sales by Geographic Area – 2009 vs. 2010**

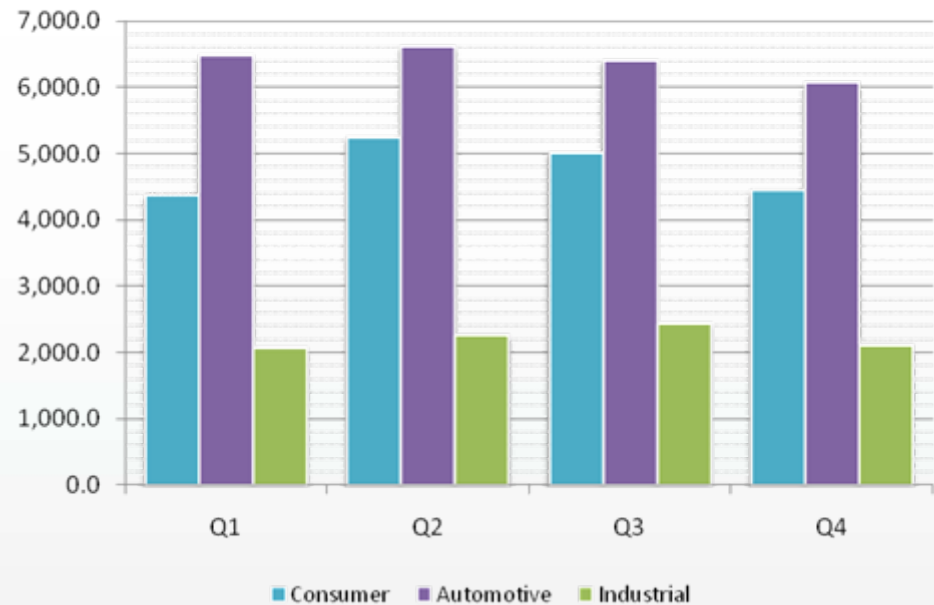
HK & China	ASEAN	Taiwan & S. Korea	N. America	Europe	Japan	Total
23.3%	-10.6%	23.2%	39.9%	19.4%	40.8%	22.7%

# 2010 IN REVIEW – MARKET SEGMENTS



**2010 Quarterly Sales by Market Segment**

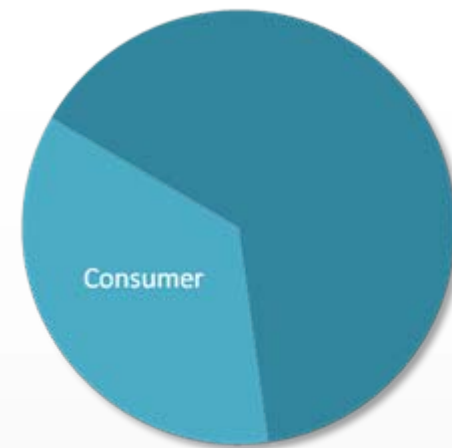
(in JPY, millions)



## Market Segment Definitions:

- ▶ Automotive – All Automotive related products including HVs & EVs.
- ▶ Consumer – AV, Computer, Communication, Amusement, Lighting, OA, White goods.
- ▶ Industrial -Potential High Growth Markets (Security, Medical, RFID, Renewable energy).

- ▶ Consumer Electronics segment - percentage increase in sales ('09-'10): 7%
- ▶ Demand has returned.
- ▶ Growth in Smart phones and tablet computers are driving the rebound and creating new opportunities.
- ▶ Prices pressures are ever increasing, but this is still our high margin product area.
- ▶ Our strategy is to remain the market leader in this segment.

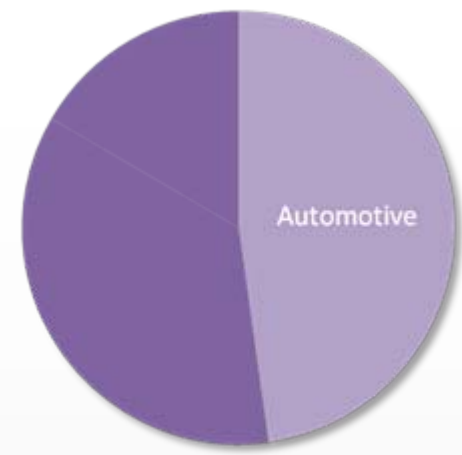


## Product Highlights:

- ▶ Power Inductor CDEIR85ME – for notebook computers, PDA and other portable devices.
- ▶ CDH20DxxD – for mobile phone, PDA, MP3, DSC/DVC, HDD.
- ▶ CDR910 – for communication devices.

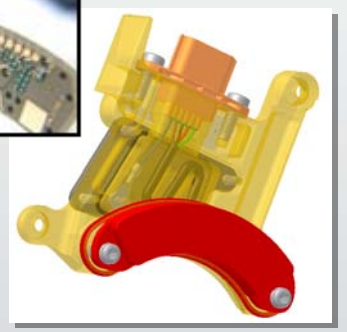


- ▶ Automotive segment - percentage increase in sales ('09-'10): **24.9%**
- ▶ ABS, keyless entry systems, Xenon igniters continue to be main contributors to our performance in 2010.



## Product Highlights:

- ▶ New design wins for next generation Xenon igniters.
- ▶ New design wins directly with OEMs.
- ▶ Cooperation and supply contract with key technology company – access to key players in HV/EV market.



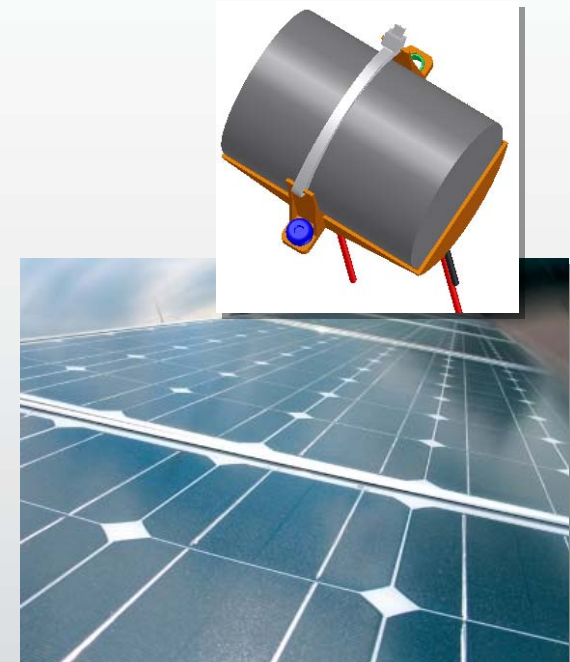
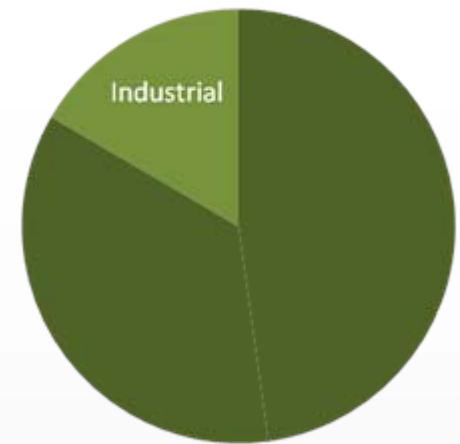
# INDUSTRIAL (HIGH-GROWTH MARKETS)



- ▶ Industrial segment - percentage increase in sales ('09 – '10): **63.9%**

## Product Highlights:

- ▶ Progress made in establishing business with modules for solar inverter companies in Japan and Germany.
  - Design wins resulting in contracts for renewable energy.
  - Especially Choke modules very popular and accepted by leading solar inverter companies in Germany.
- ▶ Components for Medical Equipment – an increasing pipeline of opportunities worldwide.
- ▶ Development of these markets – requires longer-term commitments.



# SILK ROAD STRATEGY – AHEAD OF THE GAME



- ▶ Continuing trends of increased labour wages in coastal areas of China.
- ▶ We have been shifting our manufacturing lines to less costly areas having anticipated these increases in minimum labour wages.



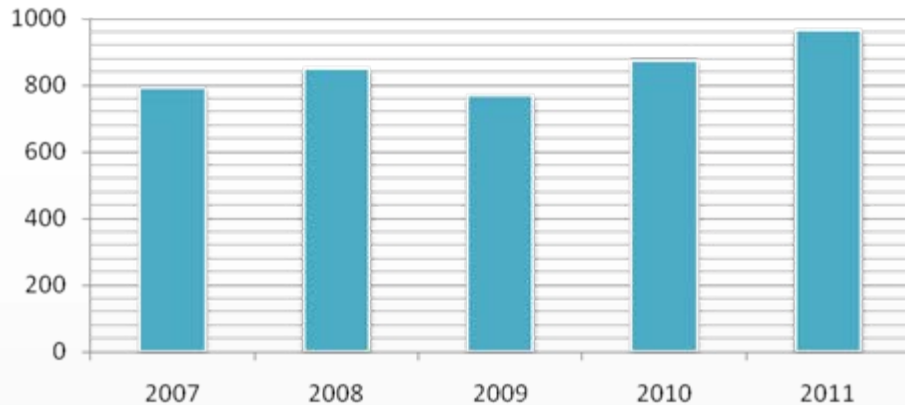
A light gray silhouette of a person standing in profile, facing right, with their arms crossed. The silhouette is positioned on the left side of the slide.

# LOOKING FORWARD

# WHAT WE EXPECT IN 2011

## Global Retail Consumer Electronics Sales

(in US\$, billions)



Source: Digital World – 2011 Global CE Sales & Forecast

## CE Year-on-Year Growth

2008	2009	2010	2011
7%	-9%	13%	10%

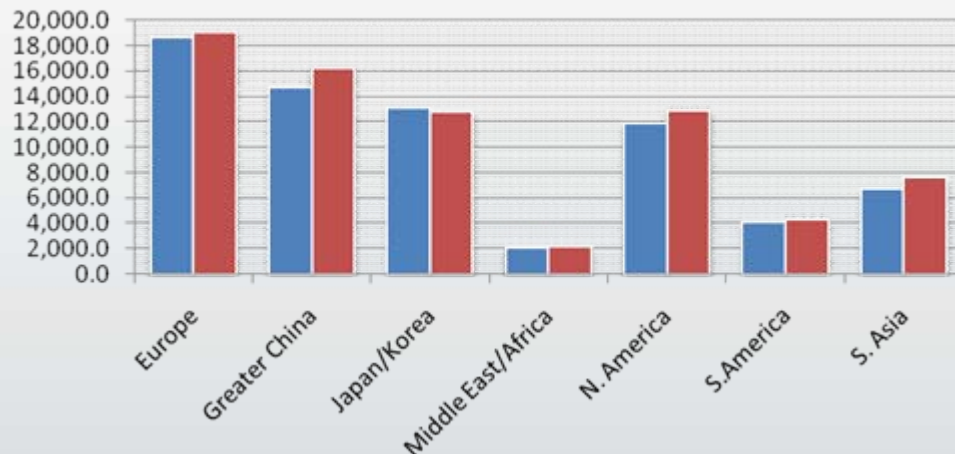
- ▶ Growth will continue, but at a slower pace.
- ▶ Risks in the external environment still plentiful.
- ▶ Consumer electronics now driven by tablet computers and smart phone.
- ▶ Automotive recovery will continue, with the balance of demand shifting to Asia.
- ▶ Renewable energy continues to be promising but requires long-term commitment.

## Global Light Vehicle Production Summary by Region

(in thousands)

■ 2010

■ 2011



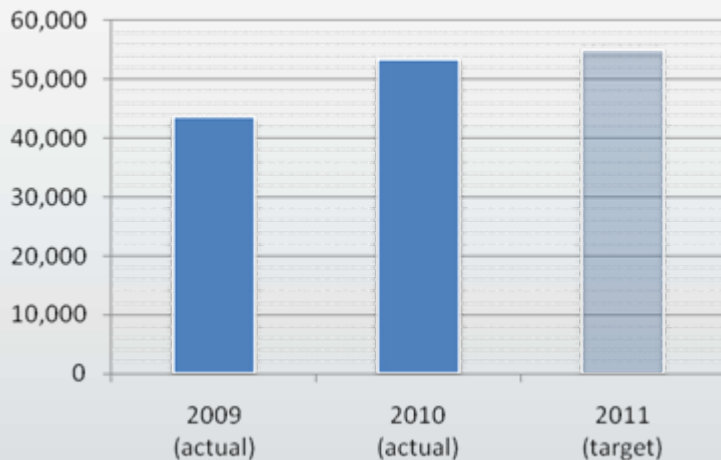
Source: HIS Automotive – Global Production Summary

# OUR ANNUAL BUSINESS PLAN 2011

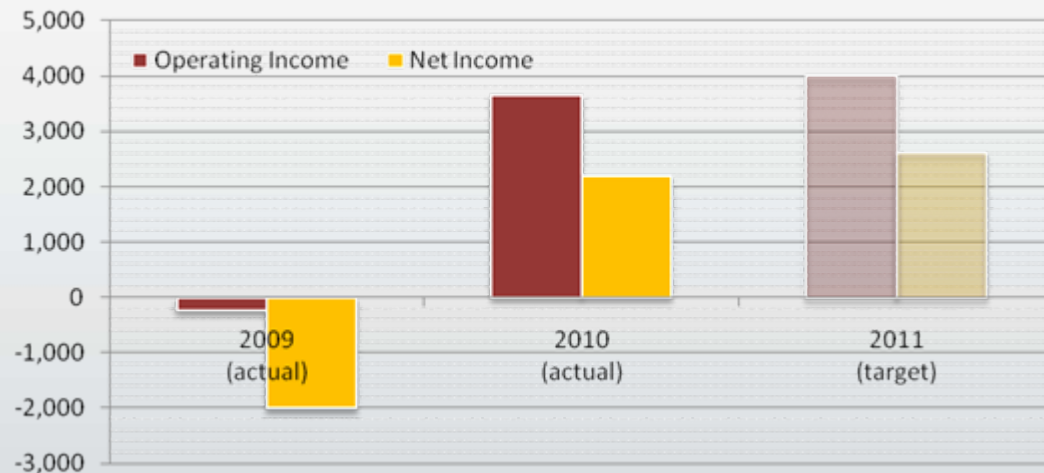


- ▶ Sales target of 55 billion JPY
  - Increase of 2.9% over 2010
- ▶ Operating income of 4 billion JPY
  - Increase of 12.1% over 2010
- ▶ Net income of 2.6 billion JPY
  - Increase of 17.6% over 2010
- ▶ Sales growth greater at about 7-8% in terms of local currency
  - Impact of high JPY valuation
- ▶ Profitability increases
  - Improved cost structure
  - Shift of production from Europe to Asia
  - Continuing shift to higher margin products

Sales - Historical Performance & 2011 Target



Operating & Net Income - Historical Performance & 2011 Targets



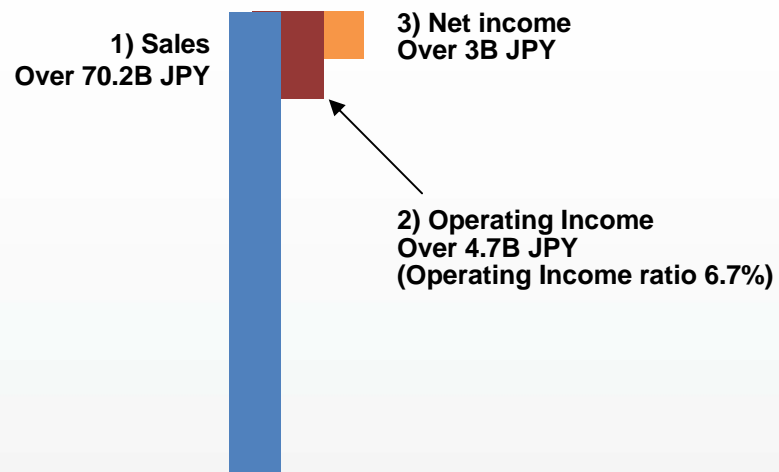
- ➔ Continued focus and optimisation of sales efforts.
  - ⇒ Focus on selected areas in Consumer segment.
  - ⇒ Aggressive foundation making in Industrial segment.
- ➔ Rebalancing of product portfolio towards higher revenues, higher margin products.
- ➔ Pursuing development efforts in key areas relevant to future high-growth areas.
- ➔ Accelerating Silk Road strategy to optimise manufacturing infrastructure.
- ➔ R&D improvements to widen material selection resources.



## Back to Peak Performance of 2007

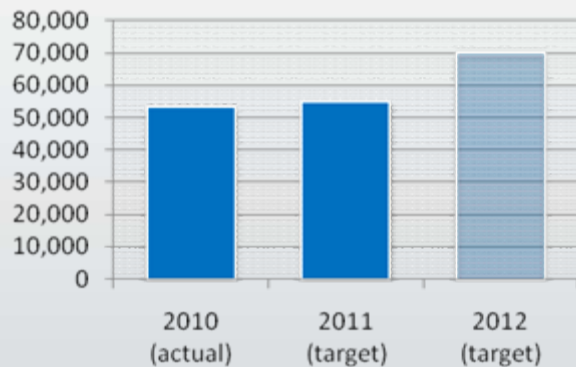
## Status

### Three key targets

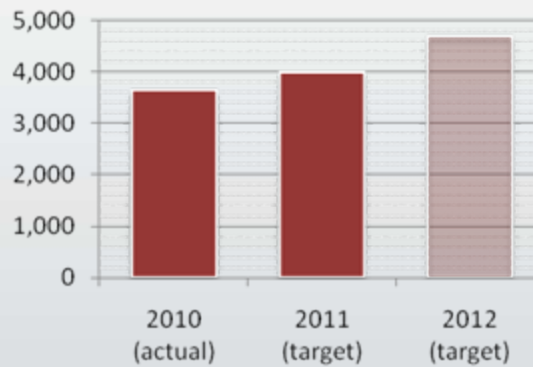


- ▶ In terms of profitability we have made good progress and with continued commitment can be achieved.
- ▶ Sales target remains, however our focus is heavier on achieving our profit target.

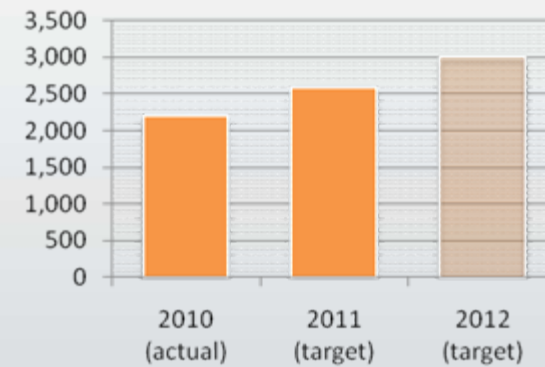
Sales Targets

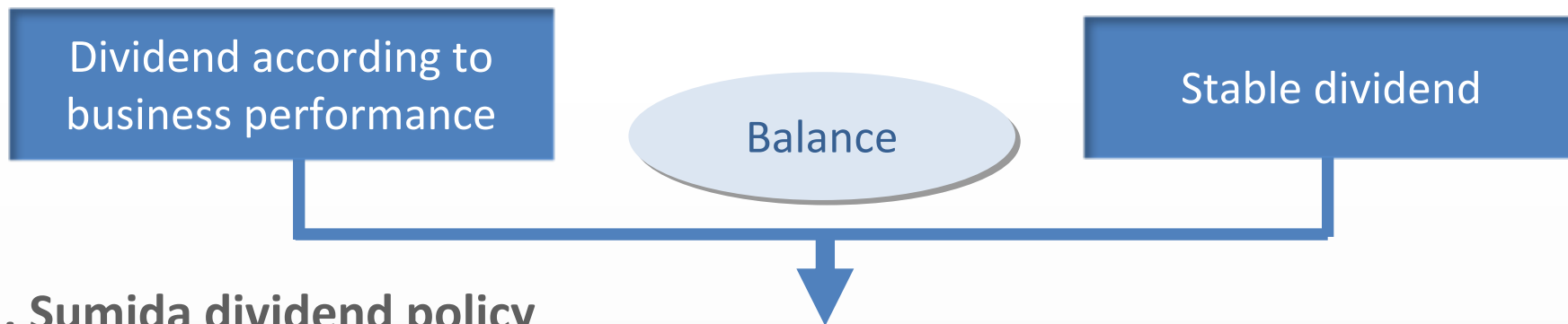


Operating Income Targets



Net Income Targets





## 1. Sumida dividend policy

Consolidated Net Income (Forecast)  $\times$  Dividend payout ratio (25~30%)  
 $\Rightarrow$  Target annual dividend = **28JPY** /share (minimum 20JPY)

## 2. Year end adjustment

Target annual dividend for 2011 + Year end adjustment (“ $\alpha$ ”)

	1Q	2Q	3Q	4Q	Total
FY2010 (Actual)	5 JPY	5 JPY	5 JPY	10 JPY	25 JPY
FY2011 (Plan)	7 JPY	7 JPY	7 JPY	7 JPY+ $\alpha$	28 JPY+ $\alpha$

- ✍ In 2010 a leaner and more cost-efficient Sumida emerged from the Lehman crisis, much better prepared for the future.
- ✍ 2011 External environment is promising but still fraught with risks.
- ✍ 2011 can and will be a year of opportunity and with markets primed for growth.

# End of the Report

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