

Consolidated Financial Statements

**SUMIDA CORPORATION
and Consolidated Subsidiaries**

*Years ended December 31, 2003 and 2004
with Report of Independent Auditors*

SUMIDA CORPORATION and Consolidated Subsidiaries

Consolidated Financial Statements

Years ended December 31, 2003 and 2004

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Report of Independent Auditors

The Board of Directors
SUMIDA CORPORATION

We have audited the accompanying consolidated balance sheets of SUMIDA CORPORATION and consolidated subsidiaries as of December 31, 2003 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of SUMIDA CORPORATION and consolidated subsidiaries at December 31, 2003 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

March 12, 2005

Consolidated Balance Sheets

December 31, 2003 and 2004

	December 31,		
	2003	2004	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S.dollars)</i>
			<i>(Note 2)</i>
Assets			
Current assets:			
Cash and cash equivalents	¥4,471	¥4,900	\$47,573
Trade receivables:			
Notes	595	1,004	9,748
Accounts	6,285	8,081	78,456
Allowance for doubtful accounts	(19)	(30)	(291)
	<u>6,861</u>	<u>9,055</u>	<u>87,913</u>
Inventories <i>(Note 3)</i>	3,138	4,049	39,311
Deferred income taxes <i>(Note 11)</i>	1,309	1,432	13,903
Prepaid expenses and other current assets	790	847	8,222
Total current assets	<u>16,569</u>	<u>20,283</u>	<u>196,922</u>
Property, plant and equipment: <i>(Note 4)</i>			
Land	1,252	1,254	12,175
Buildings	6,211	6,222	60,408
Machinery and equipment	8,843	9,514	92,369
Furniture and fixtures	2,660	2,641	25,641
Construction in progress	145	322	3,126
	<u>19,111</u>	<u>19,953</u>	<u>193,719</u>
Accumulated depreciation	(9,524)	(10,268)	(99,689)
Property, plant and equipment, net	<u>9,587</u>	<u>9,685</u>	<u>94,030</u>
Investment and other assets:			
Intangible assets	656	1,488	14,447
Investment in securities <i>(Note 10)</i>	386	195	1,893
Investment in affiliate	513	681	6,612
Deferred income taxes <i>(Note 11)</i>	1,913	1,537	14,922
Other assets	317	301	2,922
Total investment and other assets	<u>3,785</u>	<u>4,202</u>	<u>40,796</u>
Total assets	<u>¥29,941</u>	<u>¥34,170</u>	<u>\$331,748</u>

Consolidated Balance Sheets

December 31, 2003 and 2004

	December 31,		
	2003	2004	2004
	<i>(Millions of yen)</i>	<i>(Thousands of U.S.dollars)</i>	
		<i>(Note 2)</i>	
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank borrowings <i>(Note 4)</i>	¥3,150	¥4,850	\$47,087
Current portion of long-term debt <i>(Note 4)</i>	967	1,875	18,204
Trade payables:			
Notes	355	-	-
Accounts	2,168	3,572	34,680
	2,523	3,572	34,680
Income taxes payable <i>(Note 11)</i>	112	232	2,252
Deferred income taxes <i>(Note 11)</i>	122	142	1,379
Accrued expenses and other current liabilities	1,602	2,135	20,728
Total current liabilities	8,476	12,806	124,330
Long-term liabilities:			
Long-term debt <i>(Note 4)</i>	2,245	371	3,602
Deferred income taxes <i>(Note 11)</i>	232	212	2,058
Others	179	221	2,146
Total long-term liabilities	2,656	804	7,806
Total liabilities	11,132	13,610	132,136
Minority interests	-	49	476
Shareholders' equity <i>(Note 5)</i> :			
Common stock:			
Authorized-35,000,000 shares in 2003 and 2004			
Issued-2003-15,425,425 shares	6,165	-	-
2004-17,462,143 shares	-	6,604	64,117
Additional paid-in capital	5,971	6,416	62,291
Retained earnings	9,231	10,647	103,369
Net unrealized holding gain on securities	91	68	660
Translation adjustments	(2,626)	(3,183)	(30,903)
	18,832	20,552	199,534
Treasury stock, at cost:			
2003- 8,786 shares	(23)	-	-
2004-15,881 shares	-	(41)	(398)
Total shareholders' equity	18,809	20,511	199,136
Total liabilities and shareholders' equity	¥29,941	¥34,170	\$331,748

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Years ended December 31, 2003 and 2004

	Year ended December 31,		
	2003	2004	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S.dollars) (Note 2)</i>
Net sales	¥30,537	¥36,246	\$351,903
Cost of sales	22,237	26,073	253,136
Gross profit	8,300	10,173	98,767
Selling, general and administrative expenses <i>(Note 6)</i>	5,906	6,562	63,709
Operating income	2,394	3,611	35,058
Other income (expense):			
Interest and dividend income	30	33	320
Interest expense	(69)	(58)	(563)
Foreign currency exchange loss	(261)	(32)	(311)
Other, net	(2,021)	(929)	(9,019)
Income before income taxes and minority interests	73	2,625	25,485
Income taxes: <i>(Note 11)</i>			
Current	559	524	5,087
Deferred	(798)	294	2,854
	(239)	818	7,941
Income before minority interests	312	1,807	17,544
Minority interests	3	-	-
Net Income	¥315	¥1,807	\$17,544

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2003 and 2004

	Year ended December 31,		
	2003	2004	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S.dollars)</i>
			<i>(Note 2)</i>
Cash flows from operating activities			
Income before income taxes and minority interests	¥73	¥2,625	\$25,485
Depreciation and amortization	1,509	1,564	15,184
Interest and dividend income	(30)	(33)	(320)
Interest expense	69	58	563
Loss on sales of subsidiaries	1,204	-	-
Other, net	338	334	3,243
Changes in operating assets and liabilities:			
Trade receivables	(1,219)	(2,131)	(20,689)
Inventories	(347)	(619)	(6,010)
Trade payables	717	1,075	10,437
Subtotal	2,314	2,873	27,893
Interest and investment dividend received	31	33	320
Interest paid	(69)	(59)	(573)
Income taxes paid	(1,136)	(434)	(4,214)
Net cash provided by operating activities	1,140	2,413	23,426
Cash flows from investing activities			
Purchases of property, plant and equipment	(1,565)	(1,703)	(16,534)
Proceeds from sales of property, plant and equipment	192	93	903
Other, net	(533)	(1,497)	(14,534)
Net cash used in investing activities	(1,906)	(3,107)	(30,165)
Cash flows from financing activities			
Increase (decrease) in short-term bank borrowings	(1,005)	1,700	16,505
Proceeds from long-term debt	1,986	-	-
Repayment of long-term debt	(1,079)	(967)	(9,388)
Proceeds from issuance of common stock and warrants	1,274	869	8,437
Cash dividends paid	(282)	(389)	(3,777)
Other, net	(17)	32	311
Net cash provided by financing activities	877	1,245	12,088
Effect of exchange rate changes on cash and cash equivalents	(428)	(133)	(1,291)
Net increase (decrease) in cash and cash equivalents	(317)	418	4,058
Cash and cash equivalents at beginning of year	4,789	4,471	43,408
Increase (decrease) in cash and cash equivalents resulting from inclusion (exclusion) of subsidiaries in (from) consolidation	(1)	11	107
Cash and cash equivalents at end of year	¥4,471	¥4,900	\$47,573

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2003 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

SUMIDA CORPORATION (the "Company") and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its overseas consolidated subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared from the accounts prepared by the Company in accordance with the provisions set forth in the Securities and Exchange Law of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and all of significant companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Investment in securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Marketable securities classified as other securities are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Non-marketable securities classified as other securities are stated at cost. Cost of securities sold is determined by the moving average method.

(d) Inventories

Inventories are stated principally at cost determined by average method.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost.

Depreciation of buildings (except for structures attached to the buildings) acquired subsequent to April 1, 1998 is calculated principally by the straight-line method over the estimated useful lives of the respective assets. Depreciation of other property, plant and equipment is computed by the declining-balance method for domestic companies and for the straight-line method for overseas subsidiaries over the useful lives of the respective assets.

The useful lives of property, plant and equipment are summarized as follows

Buildings and structures	3 to 65 years
Machinery and equipment	2 to 15 years
Furniture and fixtures	2 to 20 years

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income as incurred.

(f) Research and development costs and computer software

Research and development costs are charged to income when incurred. Expenditures relating to computer software developed for internal use are charged to income as incurred unless these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over their useful lives, generally a period of 5 years.

(g) Goodwill

Goodwill which was recorded when overseas subsidiary acquired its subsidiary is not amortized according to International Financial Reporting Standards (IFRS) No.3 Business Combination.

(h) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and the gain or loss on each translation is credited or charged to income.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the average rates of exchange in effect during the year. Gain or loss on foreign exchange is credited or charged to income in the period in which such gain or loss is recognized for reporting purposes.

The financial statements of the overseas subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of shareholders' equity are translated at their historical exchange rates. Adjustments resulting from translating the foreign currency financial statements are not included in the determination of net income and have been reported as "translation adjustments" in shareholders' equity in the consolidated balance sheets.

(i) Allowance for doubtful accounts

The allowance for doubtful accounts has been provided based on the Company's and its consolidated subsidiaries' historical experience with respect to write-offs and an estimate of the amount of specific uncollectible accounts.

(j) Reserve for loss on factory relocation

Reserve for loss which may be incurred for factory relocation and shut-down of a consolidated subsidiary in the future is provided for possible loss and is included in accrued expenses and other current liabilities in the balance sheet.

(k) Leases

Non-cancelable leases related to the Company and the domestic consolidated subsidiaries are accounted for as operating lease (whether such leases are classified as operating or finance lease) except that lease which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(l) Derivative financial instruments

The Company and certain consolidated subsidiaries have entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. Derivative financial instruments are stated at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward

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foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

(m) Income taxes

Since fiscal year 2003, the Company has been permitted to file consolidated tax returns in Japan. Income taxes are calculated based on taxable income and charged to income on an accrual basis. Certain temporary differences exist between taxable income and income reported for financial statement purposes which enter into the determination of taxable income in a different period. The Company has recognized the tax effect of such temporary differences in the accompanying consolidated financial statements.

(n) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the Board of Directors held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations.

(o) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturity of three months or less when purchased.

2. U.S. DOLLAR AMOUNTS

Solely for the convenience of the reader and as a matter of arithmetic computation only, the amounts in the consolidated financial statements have been translated from Japanese yen into U.S. dollars, at the rate of ¥103=U.S.\$1, the approximate rate prevailing on December 31, 2004. The translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at this or any other rate.

3. INVENTORIES

Inventories as of December 31, 2003 and 2004 are summarized as follows:

	December 31,		
	2003	2004	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Finished products	¥1,544	¥2,019	\$19,602
Work in process	278	481	4,670
Raw materials and supplies	1,439	1,648	16,000
Reserve for obsolete inventories	(123)	(99)	(961)
	¥3,138	¥4,049	\$39,311

4. SHORT-TERM BANK BORROWINGS AND LONG-TERM DEBT

Short-term bank borrowings bore interest at rates ranging from 0.45% to 0.60% and from 0.43% to 0.60% per annum as of December 31, 2003 and 2004, respectively.

Long-term debt consisted of the followings:

	December 31,		
	2003	2004	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Bank borrowings	¥2,012	¥1,046	\$10,156
Unsecured bonds	1,200	1,200	11,650
	3,212	2,246	21,806
Less : current portion	(967)	(1,875)	(18,204)
	¥2,245	¥371	\$3,602

Due of bank borrowings is in installments through 2006 and its interest rates are ranging from 0.46% to 1.88% per annum as of December 31, 2003 and 2004.

Due of unsecured bonds is September 30, 2005, and its interest rate is 0.53% per annum.

The aggregate annual maturities of long-term debt subsequent to December 31, 2004 are summarized as follows:

Year ending December 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2005	¥1,875	\$18,204
2006	371	3,602
	¥2,246	\$21,806

Property, plant and equipment with a carrying value of ¥2,234 million (\$21,689 thousand) was pledged as collateral for bank borrowings of ¥1,618 million (\$15,709 thousand) as of December 31, 2004.

5. SHAREHOLDERS' EQUITY

On November 12, 2002, the Board of Directors of the Company declared a 10% stock split of common stock, effective on February 20, 2003, for each share held of records at the close of business on December 31, 2002. As a result of the stock split, the number of shares of common stock issued increased by 1,342,550 shares. The historical weighted average number of shares and per share amounts presented in the accompanying consolidated financial statements have been adjusted to reflect the stock split.

On June 14 2004, CEO's decision of the Company declared a 10% stock split of common stock, effective on August 20, 2004, for each share held of records at the close of business on June 30, 2004. As a result of the stock split, the number of shares of common stock issued increased by 1,584,527 shares. The historical weighted average number of shares and per share amounts presented in the accompanying consolidated financial statements have been adjusted to reflect the stock split.

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amounts to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account. The Code also stipulates

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that, to the extent that the sum of additional paid-in capital account and the legal reserve account exceed 25% of the common stock account, the amount of the excess (if any) is available for appropriations by resolution of the Board of Directors of the Company.

Retained earnings include the legal reserve provided in accordance with the provisions of the Code. The legal reserve of the Company and its consolidated subsidiaries included in retained earnings at December 31, 2003 and 2004 amounted to ¥296 million (\$2,874 thousand), respectively.

6. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended December 31, 2003 and 2004 amounted to ¥1,372 million and ¥1,193 million (\$11,583 thousand), respectively.

7. SUPPLEMENTARY CASH FLOW INFORMATION

For the year ended December 31, 2003, the assets and liabilities of SRC Devices, Inc. and its four subsidiaries were excluded from consolidation due to the sale of shares.

The following summarizes the balances of the related assets and liabilities at sale:

	<i>Millions of yen</i>
Current assets	¥1,055
Non-current assets	650
Total assets	¥1,705
Current liabilities	¥1,130
Non-current liabilities	-
Total liabilities	¥1,130

8. ACQUISITION

The Company acquired all issued shares of STELCO GmbH (“STELCO”) from its existing shareholders on December 31, 2004. The aggregate purchase price was €10.5 million, or ¥1,469 million (\$14,263 thousand), and as a result of acquisition, goodwill of ¥839 million (\$8,146 thousand) was recognized in the balance sheet.

In order to vitalize the sales activities and increase the Company presence in the European market for future operating growth, the acquisition of STELCO is seen as a part of a very important corporate strategy to gain a firm foothold in capturing the European market. STELCO, in Germany, produces and sells passive electronic components such as ceramic chip coils. STELCO has maintained steady business growth in the severe environment of the European market since its establishment in 1999.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

The following is summary of assets and liabilities acquired, and reconciliation between acquisition cost of STELCO stock and cash flows at the date of acquisition.

	Year ended December 31,	
	<i>(Million of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Current assets	¥916	\$8,893
Fixed assets	134	1,301
Goodwill	839	8,146
Current Liabilities	(292)	(2,835)
Fixed Liabilities	(128)	(1,243)
Stock acquisition cost	1,469	14,262
Outstanding balance to be paid	(297)	(2,883)
Cash and cash equivalents in hands	(347)	(3,369)
Total : Payment of the acquisition	¥825	\$8,010

9. LEASE TRANSACTIONS

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets as of December 31, 2004, which would have been reflected in the consolidated balance sheet if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	December 31, 2004					
	<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥466	¥328	¥138	\$4,524	\$3,184	\$1,340
Furniture and fixtures	85	56	29	825	544	281
Total	¥551	¥384	¥167	\$5,349	\$3,728	\$1,621

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥14 million and ¥150 million (\$1,456 thousand) for the years ended December 31, 2003 and 2004, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms and the interest portion included in lease payments amounted to ¥14 million and ¥150 million (\$1,456 thousand) for the years ended December 31, 2003 and 2004, respectively.

Future minimum lease payments subsequent to December 31, 2004 for finance leases accounted for as operating leases are summarized as follows:

<u>Year ending December 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2005	¥105	\$1,019
2006 and thereafter	62	602
Total	¥167	\$1,621

Future minimum lease payments subsequent to December 31, 2004 for non-cancelable operating leases are as follows:

<u>Year ending December 31,</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2005	¥88	\$854
2006 and thereafter	8	78
Total	¥96	\$932

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10. SECURITIES

Securities classified as other securities at December 31, 2003 and 2004 were as follows:

a) Marketable securities

December 31, 2003				
Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	
<i>(Millions of yen)</i>				
Securities whose fair value exceeds their carrying value				
Equity securities	¥79	¥159	-	¥238
Other	2	-	-	2
Subtotal	81	159	-	240
Securities whose carrying value exceeds their fair value				
Equity securities	13	-	¥3	10
Other	-	-	-	-
Subtotal	13	-	3	10
Total	¥94	¥159	¥3	¥250

December 31, 2004								
Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	
<i>(Millions of yen)</i>				<i>(Thousands of U.S. dollars)</i>				
Securities whose fair value exceeds their carrying value								
Equity securities	¥79	¥101	-	¥180	\$767	\$981	-	\$1,748
Other	2	-	-	2	19	-	-	19
Subtotal	81	101	-	182	786	981	-	1,767
Securities whose carrying value exceeds their fair value								
Equity securities	13	-	¥0	13	126	-	\$0	126
Other	-	-	-	-	-	-	-	-
Subtotal	13	-	0	13	126	-	0	126
Total	¥94	¥101	¥0	¥195	\$912	\$981	\$0	\$1,893

b) Unlisted securities

December 31,		
2003	2004	2004
<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Other securities:		
Unlisted equity securities	¥136	-

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11. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in statutory tax rates of approximately 43.9% for 2003 and 2004. The overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The effective tax rates for the years ended December 31, 2003 and 2004 differ from the statutory tax rates above for the following reasons:

	December 31,	
	2003	2004
Statutory tax rate	43.9 %	43.9 %
Dividends not taxable for income tax purposes	(106.0)	27.0
Investment loss on equity method	-	6.7
Effect of income tax rate change	(100.7)	-
Tax rate difference relating to overseas subsidiaries	(96.9)	(42.9)
Tax credits	(376.7)	(9.2)
Net changes in valuation allowances	282.2	-
Other	25.2	5.7
	(329.0) %	31.2 %

The significant components of deferred tax assets and liabilities at December 31, 2003 and 2004 were as follows:

	December 31,		
	2003	2004	2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
<i>(Deferred tax assets)</i>			
Foreign tax credits	¥992	¥1,366	\$13,262
Net operating loss carryforwards	3,635	2,950	28,641
Investments and advances	389	463	4,495
Depreciation	415	438	4,252
Other	324	168	1,631
Valuation allowance	(2,533)	(2,416)	(23,456)
Total differed tax assets	3,222	2,969	28,825
<i>(Deferred tax liabilities)</i>			
Undistributed earnings of overseas subsidiaries	122	132	1,282
Depreciation and amortization	175	204	1,981
Other	57	18	174
Total deferred tax liabilities	354	354	3,437
Net deferred tax assets	¥2,868	¥2,615	\$25,388

12. SEGMENT INFORMATION

a) Business segments

The business segment information for the Company and consolidated subsidiaries for the years ended December 31, 2003 and 2004 were as follows:

	Year ended December 31, 2003					
	Coil business	Optoelectronics	Electromagnetics	Total	Elimination	Consolidated
	<i>(Millions of yen)</i>					
1.Sales and operating income (loss)						
(1)Sales to third parties	¥26,166	¥2,837	¥1,534	¥30,537	-	¥30,537
(2)Inter-segment sales or transfers	-	-	-	-	-	-
Total sales	26,166	2,837	1,534	30,537	-	30,537
Operating expenses	21,245	2,814	1,947	26,006	¥2,137	28,143
Operating income (loss)	¥4,921	¥23	¥(413)	¥4,531	¥(2,137)	¥2,394
2.Assets, depreciation and capital expenditures						
Total assets	¥28,363	¥630	¥948	¥29,941	-	¥29,941
Depreciation	1,319	70	120	1,509	-	1,509
Capital expenditures	1,507	67	6	1,580	-	1,580
	Year ended December 31, 2004					
	Coil business	Optoelectronics	Electromagnetics	Total	Elimination	Consolidated
	<i>(Millions of yen)</i>					
1.Sales and operating income (loss)						
(1)Sales to third parties	¥32,811	¥1,967	¥1,468	¥36,246	-	¥36,246
(2)Inter-segment sales or transfers	-	-	-	-	-	-
Total sales	32,811	1,967	1,468	36,246	-	36,246
Operating expenses	27,193	1,960	1,691	30,844	¥1,791	32,635
Operating income (loss)	¥5,618	¥7	¥(223)	¥5,402	¥(1,791)	¥3,611
2.Assets, depreciation and capital expenditures						
Total assets	¥33,471	¥360	¥339	¥34,170	-	¥34,170
Depreciation	1,409	48	107	1,564	-	1,564
Capital expenditures	1,745	2	5	1,752	-	1,752

SUMIDA CORPORATION and Consolidated Subsidiaries

Year ended December 31, 2004

	Coil business	Optoelectronics	Electromagnetics	Total	Elimination	Consolidated
<i>(Thousands of U.S. dollars)</i>						
1. Sales and operating income (loss)						
(1) Sales to third parties	\$318,553	\$19,098	\$14,252	\$351,903	-	\$351,903
(2) Inter-segment sales or transfers	-	-	-	-	-	-
Total sales	318,553	19,098	14,252	351,903	-	351,903
Operating expenses	264,010	19,029	16,418	299,457	\$17,388	316,845
Operating income (loss)	\$54,543	\$69	(\$2,166)	\$52,446	\$(17,388)	\$35,058

2. Assets, depreciation and capital expenditures

Total assets	\$324,961	\$3,496	\$3,291	\$331,748	-	\$331,748
Depreciation	13,680	466	1,038	15,184	-	15,184
Capital expenditures	16,942	19	49	17,010	-	17,010

b) Geographical areas

The geographical segment information for the Company and consolidated subsidiaries for the years ended December 31, 2003 and 2004 were as follows:

Year ended December 31, 2003

	Japan	Hong Kong /China	ASEAN	Taiwan	NAFTA	Total	Elimination	Consolidated
<i>(Millions of yen)</i>								
1. Sales and operating income (loss)								
(1) Sales to third parties	¥8,712	¥10,366	¥2,298	¥5,788	¥3,373	¥30,537	-	¥30,537
(2) Inter-segment sales and transfers	2,161	10,593	14	395	1,400	14,563	¥(14,563)	-
Total sales	10,873	20,959	2,312	6,183	4,773	45,100	(14,563)	30,537
Operating expenses	11,582	17,957	2,308	5,846	5,019	42,712	(14,569)	28,143
Operating income (loss)	¥(709)	¥3,002	¥4	¥337	¥(246)	¥2,388	¥6	¥2,394
2. Total assets	¥13,513	¥14,794	¥1,349	¥2,434	¥2,399	¥34,489	¥(4,548)	¥29,941

Year ended December 31, 2004

	Japan	Hong Kong /China	ASEAN	Taiwan	NAFTA	Others	Total	Elimination	Consolidated
<i>(Millions of yen)</i>									
1. Sales and operating income (loss)									
(1) Sales to third parties	¥9,262	¥13,228	¥2,868	¥6,967	¥3,888	¥33	¥36,246	-	¥36,246
(2) Inter-segment sales and transfers	2,543	11,504	15	298	1,441	1	15,802	¥(15,802)	-
Total sales	11,805	24,732	2,883	7,265	5,329	34	52,048	(15,802)	36,246
Operating expenses	11,594	21,205	2,858	7,209	5,357	214	48,437	(15,802)	32,635
Operating income (loss)	¥211	¥3,527	¥25	¥56	¥(28)	¥(180)	¥3,611	-	¥3,611
2. Total assets	¥13,514	¥16,709	¥1,425	¥2,998	¥2,269	¥2,169	¥39,084	¥(4,914)	¥34,170

SUMIDA CORPORATION and Consolidated Subsidiaries

	Year ended December 31, 2004								
	Japan	Hong Kong /China	ASEAN	Taiwan	NAFTA	Others	Total	Elimination	Consolidated
1. Sales and operating income (loss)	<i>(Thousands of U.S. dollars)</i>								
(1)Sales to third parties	\$89,922	\$128,427	\$27,845	\$67,641	\$37,748	\$320	\$351,903	-	\$351,903
(2)Inter-segment sales and transfers	24,689	111,689	146	2,893	13,990	10	153,417	\$(153,417)	-
Total sales	114,611	240,116	27,991	70,534	51,738	330	505,320	(153,417)	351,903
Operating expenses	112,563	205,874	27,748	69,990	52,010	2,077	470,262	(153,417)	316,845
Operating income (loss)	\$2,048	\$34,242	\$243	\$544	\$(272)	\$(1,747)	\$35,058	-	\$35,058
2.Total assets	\$131,204	\$162,223	\$13,835	\$29,107	\$22,029	\$21,058	\$379,456	\$(47,708)	\$33,748

c) Overseas sales

Overseas sales, which include export sales of the Company and domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiaries, for the years ended December 31, 2003 and 2004 are summarized as follows:

	Year ended December 31, 2003					
	Hong Kong /China	ASEAN	Taiwan/Korea	NAFTA	EU	Total
	<i>(Millions of yen)</i>					
Overseas sales	¥5,903	¥2,298	¥6,304	¥3,373	¥3,947	¥21,825
Consolidated net sales						30,537
Overseas sales as a percentage of consolidated net sales	19.3%	7.5%	20.7%	11.1%	12.9%	71.5%

	Year ended December 31, 2004					
	Hong Kong /China	ASEAN	Taiwan/Korea	NAFTA	EU	Total
	<i>(Millions of yen)</i>					
Overseas sales	¥7,435	¥2,868	¥7,504	¥3,888	¥5,289	¥26,984
Consolidated net sales						36,246
Overseas sales as a percentage of consolidated net sales	20.5%	7.9%	20.7%	10.7%	14.6%	74.4%

	Year ended December 31, 2004					
	Hong Kong /China	ASEAN	Taiwan/Korea	NAFTA	EU	Total
	<i>(Thousands of U.S. dollars)</i>					
Overseas sales	\$72,184	\$27,845	\$72,854	\$37,748	\$51,350	\$261,981
Consolidated net sales						351,903
Overseas sales as a percentage of consolidated net sales	20.5%	7.9%	20.7%	10.7%	14.6%	74.4%

13. AMOUNTS PER SHARE

	Year ended December 31,		
	2003	2004	2004
	(Yen)		(U.S. dollars)
Net income :			
Basic	¥21.21	¥104.25	\$1.01
Diluted	20.56	101.49	0.99
Cash dividends applicable to the year	¥20.00	¥30.00	\$0.29
Net assets	¥1,220.14	¥1,175.67	\$11.41

Basic net income per share was computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share was computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock options for the year ended December 31, 2004.

Amounts per share of net assets were computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

14. SUBSEQUENT EVENTS

1) Issuance of Convertible Bond with Stock Acquisition Rights

The Company issued the following convertible bond with stock acquisition rights (the "Bond") base on the determination of the CEO on January 6, 2005.

Summary of Convertible Bond with Stock Acquisition Rights:

- | | |
|--------------------------|--|
| (1) Type: | Japanese Yen convertible bonds |
| (2) Number: | 1,600 |
| (3) Issue price: | 100 per cent. of the principal amount of the Bonds, and the issue price of the Stock Acquisition Rights being zero |
| (4) Amount issued: | ¥8 billion (\$78 million) |
| (5) Coupon: | The Bonds bear no interest |
| (6) Maturity date: | January 26, 2009 |
| (7) Date of issuance: | January 25, 2005 |
| (8) Pledge or Guarantee: | Not applicable |
| (9) Use of funds: | Capital expenditure, redemption of outstanding bonds and repayment of borrowing |

Stock acquisition rights

- | | |
|-------------------------------|---|
| (1) Number: | 1,600 |
| (2) Issue price: | Zero |
| (3) Initial conversion price: | ¥2,856 (\$28) per share (subject to adjustment or revision in certain events). |
| (4) Conversion period: | As a general rule, each Stock Acquisition Right may be exercised at any time during a period (the "Exercise Period") from and including February 1, 2005 (Switzerland time) and prior to the close of banking business in Geneva on January 13, 2009. |

2) Stock Split

On December 6, 2004, CEO's decision of the Company declared a 10% stock split of common stock, effective on February 21, 2005, for each share held of records at the close of business on December 31, 2004. As a result of the stock split, the number of shares of common stock issued increased by 1,746,214 shares.