



Financial Results for the 2nd Quarter
ended 30 June 2005

SUMIDA CORPORATION

3-3-6 Nihonbashi Ningyocho
Chuo-ku, Tokyo
103-8589
Japan



CEO's Message for the Second Quarter of Fiscal 2005

At midnight of 1st July 2005, SUMIDA CORPORATION simultaneously issued a press release in Tokyo and Switzerland, announcing its intention to acquire a leading global company, Saia-Burgess Electronics Holding AG (hereafter referred as "SB"). SB is a well-known automotive components manufacturer in Switzerland. With sales turnover of JPY 48.7 billion and EBITDA ratio exceeding 10%, its business scale is similar to our company.

There are two big reasons behind this acquisition. Firstly, by creating this amicable partnership, SUMIDA hopes to develop and strengthen what it deems as its future core business, the automotive business, in the European market where we have relatively less presence currently. Secondly, SUMIDA also feels that it will be able to help SB to expand its market share for its products in the Asian region. As a result, both companies would benefit from these synergies. We know that this is a challenging and time-consuming acquisition but we are confident that with the understanding from the management of SB, a harmonious relationship would benefit all the stakeholders, including shareholders, employees, customers and local communities, of both companies.

Manufacturers all over the world are getting severer on selecting suppliers. I foresee that a lot of components suppliers will be weeded out and the so-called winners and losers will be clearly separated in the near future. Sumida aims to be part of the winners circle. With that in perspective, Sumida established **1B7** (1 billion dollar company with EBITDA maintained at 10% or above) as our mid term business goal. If the above-mentioned acquisition goes smoothly in a favorable direction, it would mean an early achievement of our mid-term goal. This matter aside, in the 2nd quarter of 2005, we achieved sales of JPY 9.7 billion, a 5.7% increase compared to last year. Operating profit however, was down 28.1% at JPY 704 million. Sales in automotive related products grew while sales in our legacy businesses such as power solution and signal dragged, affected by the little progress of the entire market and the shift of the importance to the share expansion strategy before market recovery.

Lastly, in June, Sumida has received a notice of tax assessment based on the tax haven adjustment from Tokyo Regional Tax Bureau. As a global company, Sumida has long been actively working on its overseas business activities and placing heavy importance on its Corporate Social Responsibilities; with each regional operation paying local taxes and providing scholarships in an effort to contribute to local communities. It is regrettable in any case that we should receive such a notice. Sumida disagrees with this assessment and will file an appeal to the tax tribunal.



Shigeyuki Yawata
Sumida Group CEO

Consolidated Financial Highlights for the 2nd Quarter ended 30 JUNE 2005

1. Consolidated Results of Operations

(Million yen, %)

Period Category	2nd Quarter					6-month period (January - June)				
	2005	% of Total	2004	% of Total	% Change	2005	% of Total	2004	% of Total	% Change
Net sales	9,700	100.0	9,179	100.0	5.7	19,124	100.0	17,367	100.0	10.1
Operating income	704	7.3	979	10.7	(28.1)	1,412	7.4	1,743	10.0	(19.0)
Ordinary income	513	5.3	917	10.0	(44.1)	1,123	5.9	1,542	8.9	(27.2)
Income before income taxes	610	6.3	904	9.8	(32.5)	1,151	6.0	1,529	8.8	(24.7)
Net income	318	3.3	645	7.0	(50.7)	692	3.6	1,120	6.4	(38.2)
Net income per common share (yen)										
Net income: (Basic)	16.55	---	40.87	---	---	36.04	---	71.50	---	---
Net income: (Fully diluted)	14.25	---	39.81	---	---	31.48	---	69.42	---	---

2. Consolidated Financial Conditions

(Million yen)

Period Category	2nd Quarter		
	2005	2004	Increase/Decrease
Total assets	42,439	31,759	10,680
Paid in capital	6,653	6,574	79
Total shareholders' equity	22,337	20,666	1,671
Total numbers of stock issued (thousand shares)	19,241	15,836	3,405
Shareholders' equity per share (yen)	1,160.90	1,305.03	(144.13)
Shareholders' equity ratio (%)	52.7	65.1	---

3. Consolidated Statements of Cash Flows

(Million yen)

Category	Period	2nd Quarter			6-month period (January - June)		
		2005	2004	Change	2005	2004	Change
Cash flows from operating activities		1,051	425	626	1,711	779	932
Cash flows from investing activities		(2,901)	(401)	(2,500)	(3,723)	(1,121)	(2,602)
Cash flows from financing activities		(661)	(54)	(607)	6,410	166	6,244
Cash and cash equivalents, end of period		9,500	4,355	5,145	9,500	4,355	5,145

Estimation of 3rd Quarter 2005

Category	Period	2005 3Q (Estimation)	2004 3Q (Actual)	% Change
Net sales (million yen)		10,200	9,518	7.2
Operating income (million yen)		820	1,036	(20.8)
Ordinary income (million yen)		720	934	(22.9)
Net income (million yen)		460	631	(27.1)
Net income per share (yen)		23.91	36.20	---

Consolidated Quarterly Business Results

(Million yen)

Category	Period	2005		2004				2003			
		2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net sales		9,700	9,424	9,361	9,518	9,179	8,188	8,140	8,033	7,162	7,202
Operating income		704	708	832	1,036	979	764	813	709	571	301
Ordinary income		513	610	652	934	917	625	559	607	488	306
Income before income taxes		610	541	220	876	904	625	95	472	440	(934)
Net income		318	374	56	631	645	475	374	402	481	(942)

Consolidated Yearly Business Results

(Million yen)

	2004	2003	2002	2001	2000
Net sales	36,246	30,537	34,796	31,558	33,575
Operating income	3,611	2,394	2,171	1,112	3,318
Ordinary income	3,128	1,960	2,116	82	2,967
Income before income taxes	2,625	73	1,653	(1,779)	2,632
Net income	1,807	315	1,118	(1,037)	1,973
Shareholders' equity	20,511	18,809	18,910	19,534	18,581
Total assets	34,170	29,941	30,666	32,340	32,000
Per share (yen)					
EPS	104.25	21.21	83.64	(78.11)	163.43
Shareholders' equity	1,175.67	1,220.14	1,408.72	1,471.29	1,539.48

Consolidated Balance Sheets

(Unit : thousand yen)

Account	Period	2Q 2005	%	2Q 2004	%	Dec 2004	%
ASSETS							
I Current assets							
1. Cash and cash equivalents		9,499,701		4,354,904		4,900,291	
2. Trade receivables		9,420,659		8,071,853		9,085,372	
3. Inventories		4,136,347		3,893,926		4,048,675	
4. Deferred tax assets		1,399,789		905,465		1,432,466	
5. Others		1,579,529		764,828		845,971	
6. Allowance for doubtful accounts		(37,754)		(234,855)		(29,984)	
Total current assets		25,998,271	61.3	17,756,121	55.9	20,282,791	59.4
II Fixed assets							
(1) Tangible fixed assets							
1. Buildings		6,187,710		6,283,401		6,221,547	
2. Machinery and equipment		10,662,446		9,541,082		9,514,102	
3. Furniture and fixture		2,557,027		2,767,900		2,641,264	
4. Land		1,756,638		1,253,387		1,253,616	
5. Construction in progress		871,769		196,054		322,325	
6. Accumulated depreciation		(11,152,239)		(10,306,812)		(10,267,933)	
Total tangible fixed assets		10,883,351	25.6	9,735,012	30.7	9,684,921	28.3
(2) Intangible fixed assets							
1. Goodwill		788,940		---		839,460	
2. Leasehold rights		460,486		525,142		496,827	
3. Software		134,580		119,657		148,518	
4. Others		5,245		20,720		3,721	
Total intangible fixed assets		1,389,251	3.3	665,519	2.1	1,488,526	4.4
(3) Investments and other assets							
1. Investments in securities		1,799,265		236,574		194,570	
2. Deferred tax assets		1,384,772		2,346,761		1,536,667	
3. Others		983,684		1,019,254		983,004	
Total investments and other assets		4,167,721	9.8	3,602,589	11.3	2,714,241	7.9
Total fixed assets		16,440,323	38.7	14,003,120	44.1	13,887,688	40.6
TOTAL ASSETS		42,438,594	100.0	31,759,241	100.0	34,170,479	100.0

(Unit : thousand yen)

Account	Period	2Q 2005	%	2Q 2004	%	Dec 2004	%
LIABILITIES							
I	Current liabilities						
1.	Trade payables	3,709,720		3,003,719		3,571,556	
2.	Short-term borrowings	4,402,108		4,015,808		5,524,508	
3.	Bond	1,200,000		---		1,200,000	
4.	Others	2,052,397		1,878,146		2,509,914	
	Total current liabilities	11,364,225	26.8	8,897,673	28.0	12,805,978	37.5
II	Fixed liabilities						
1.	Straight bond	---		1,200,000		---	
2.	Convertible bond	8,000,000		---		---	
3.	Long-term loans	105,796		657,904		370,800	
4.	Deferred tax liabilities	369,336		202,853		212,059	
5.	Others	209,309		134,858		221,463	
	Total fixed liabilities	8,684,441	20.4	2,195,615	6.9	804,322	2.3
	Total liabilities	20,048,666	47.2	11,093,288	34.9	13,610,300	39.8
	MINORITY INTEREST	53,021	0.1	---	---	49,196	0.2
SHAREHOLDERS' EQUITY							
I	Paid in capital	6,652,563	15.7	6,574,222	20.7	6,604,072	19.3
II	Capital reserve	6,464,674	15.2	6,386,331	20.1	6,416,181	18.8
III	Retained earnings	11,077,523	26.1	10,197,221	32.1	10,646,801	31.2
IV	Unrealized gains/losses on securities at market valuation	241,498	0.6	99,207	0.3	67,762	0.2
V	Cumulative translation adjustments	(2,038,064)	(4.8)	(2,564,984)	(8.0)	(3,183,290)	(9.3)
VI	Treasury stock	(61,287)	(0.1)	(26,044)	(0.1)	(40,543)	(0.2)
	Total shareholders' equity	22,336,907	52.7	20,665,953	65.1	20,510,983	60.0
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY		42,438,594	100.0	31,759,241	100.0	34,170,479	100.0

Consolidated Statements of Income

(Unit : thousand yen)

Account	Period	2nd Quarter				6-month Period (January - June)			
		2005		2004		2005		2004	
		Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
I	Net sales	9,699,983	100.0	9,178,944	100.0	19,124,191	100.0	17,366,772	100.0
II	Cost of sales	7,115,498	73.4	6,595,592	71.9	14,137,094	73.9	12,505,071	72.0
	Gross profit on sales	2,584,485	26.6	2,583,352	28.1	4,987,097	26.1	4,861,701	28.0
III	Selling, general & administrative	1,880,899	19.3	1,604,646	17.4	3,575,125	18.7	3,118,823	18.0
	Operating income	703,586	7.3	978,706	10.7	1,411,972	7.4	1,742,878	10.0
IV	Non-operating income (expenses)								
	Interest and dividends received	12,164		7,092		22,472		13,728	
	Interest paid	(9,892)		(11,160)		(20,048)		(23,477)	
	Exchange gain (losses)	(24,471)		15,105		(18,660)		(31,253)	
	Investment loss on equity method	(109,196)		(64,165)		(230,856)		(118,330)	
	Other non-operating income (expenses)	(59,629)		(8,319)		(42,139)		(41,676)	
	Non-operating income (expenses)	(191,024)	(2.0)	(61,447)	(0.7)	(289,231)	(1.5)	(201,008)	(1.1)
	Ordinary income	512,562	5.3	917,259	10.0	1,122,741	5.9	1,541,870	8.9
V	Extraordinary income (losses)								
	Gain on sales of fixed assets	42,428		196		42,728		2,040	
	Gain on warrant deposits received	---		102,595		---		102,595	
	Loss on disposal of fixed assets	(14,026)		(348)		(14,880)		(348)	
	Loss on factory removal	---		(116,379)		---		(116,379)	
	Other extraordinary income (losses)	68,763		180		162		(1,150)	
	Extraordinary income (losses)	97,165	1.0	(13,756)	(0.2)	28,010	0.1	(13,242)	(0.1)
	Income before income taxes	609,727	6.3	903,503	9.8	1,150,751	6.0	1,528,628	8.8
	Income taxes	286,793	3.0	258,473	2.8	454,510	2.4	408,664	2.4
	Income on minority shareholders	4,648	0.0	---	---	3,825	0.0	---	---
	Net income	318,286	3.3	645,030	7.0	692,416	3.6	1,119,964	6.4

Consolidated Statements of Cash Flows

(Unit : thousand yen)

Account	Period	2nd Quarter		6-month Period (January - June)	
		2005	2004	2005	2004
I. Cash flows from operating activities					
Net income		318,286	645,030	692,416	1,119,964
Depreciation and amortization		385,702	381,570	749,726	734,997
Gain on sales of fixed assets		(42,428)	(196)	(42,728)	(2,040)
Loss on disposal of fixed assets		14,026	348	14,880	348
Changes in account receivable		167,696	(960,734)	64,116	(1,117,674)
Changes in inventories		(19,403)	(493,677)	115,132	(706,891)
Changes in account payable		(277,924)	483,823	(103,638)	428,320
Others		505,580	368,480	221,527	322,441
Cash flows from operating activities		1,051,535	424,644	1,711,431	779,465
II. Cash flows from investing activities					
Purchase of tangible fixed assets		(1,192,999)	(391,495)	(1,673,851)	(695,557)
Proceeds from sales of tangible fixed assets		59,424	300	60,301	2,549
Acquisition of new subsidiary		(292,161)	---	(292,161)	---
Investment in related company		---	---	(308,790)	(415,950)
Investment in securities		(1,311,905)	---	(1,311,905)	---
Purchase of intangible assets		(2,084)	(9,649)	(35,571)	(12,088)
Others		(161,291)	---	(161,291)	---
Cash flows from investing activities		(2,901,016)	(400,844)	(3,723,268)	(1,121,046)
III. Cash flows from financing activities					
Changes in short-term borrowings		(500,000)	(155,000)	(1,000,000)	---
Changes in long-term borrowings		(183,202)	(284,202)	(387,404)	(488,404)
Cash dividends paid		318	---	(261,606)	(154,157)
Proceeds from bond issuance		(17,324)	---	7,982,676	---
Revenue from issuance of stocks		27,224	386,339	96,924	812,224
Others		12,208	(1,065)	(20,744)	(3,219)
Cash flows from financing activities		(660,776)	(53,928)	6,409,846	166,444
IV. Effect of exchange rate changes on cash and cash equivalents					
		91,155	150,290	201,401	47,474
V. Net increase (decrease) in cash and cash equivalents					
		(2,419,102)	120,162	4,599,410	(127,663)
VI. Cash and cash equivalents at beginning of year					
		11,918,803	4,223,344	4,900,291	4,471,169
VII. Increase in cash and cash equivalents on new subsidiary					
		---	11,398	---	11,398
VIII. Cash and cash equivalents at end of period					
		9,499,701	4,354,904	9,499,701	4,354,904

Overview of Consolidated Business Results for the Second Quarter of 2005

In the Second Quarter of 2005, the economic stagnancy in Europe, the tight monetary control in the U.S. as well as the attempts of China to toning down inbound investments had been lasting in step with the continual price rises of crude oil.

Demand of electronic equipments was on the downside as the inventory-building in the latter half of 2004 coinciding with the Silicon Cycle after the Athens Olympics. Set manufacturers carried out relatively slight adjustment to production and appeared to defer mass production of new products. Hopefully, the market is expected to restore in the second half of this year in consideration of no explicit sign of decline in the consumer spending over on information-oriented investments following the completion of inventory adjustment.

Shipment for audiovisual equipments like analog products including radios and stereos, and digital home appliances like DVD recorders and digital cameras is weakened despite the growth of liquid crystal display (LCD) TV domestic and abroad. Shipment for personal computer increased 10.3% to 50 million sets in the 1st quarter and 14.8% to 49 million sets in the 2nd quarter of 2005 compared with the same terms last year and is estimated to go on with a double-digit growth. Shipment volume for cellular phones is expected to increase 13.0 % in 2005 to 750 million pieces compared with a year earlier attributable to the desire for replacements in the U.S. and Europe as well as demand from the budding markets such as East Europe, Middle East, Africa and South America. Furthermore, new car sales are moving greatly forward not only in developed countries but also steadily over the ASEAN Pacific and other regions. Overall demand for automotive electronic parts and peripherals increased constantly as a result of the evolution of digitalization.

To correspond with such circumstances, Sumida Group has achieved thoroughly the management-by-product concept since 2004. Legacy handles parts that called for our core competency in wire-winding skill while Inverter deals with inverters used for flat panel like notebook-sized PC, LCD monitor and liquid crystal TV. Automotive manages electronic parts used for automotive whereas other includes GDT (Gas Discharge Tube) with sales and production at JENSEN, and chip inductors and condensers with sales and production at STELCO. The regime that each Company President delegated with absolute authority is held fully accountable for its respective field always makes its contribution even more focused and dedicated.

Overall sales of the Second Quarter of 2005 were up 5.7% from the same term last year to ¥9,700 million. The substantial increase in sales of Inverter and Automotive just came to make amends for the decline in sales of Power Solution and Signal primarily for digital home appliances, reduction in Other including sales from Jensen and Stelco as well as from the retreat of the magnetics division and OEM production of optical pickups

Operating profit fell 28.1% year-on-year to ¥704 million was explained by the drastic surge in labor cost due to the intake of large scale of new workers for Legacy making provision for future expansion, pricing strategy for notebook-sized PC for Inverter as well as the increase of selling and administrative cost resulted from the expanded sales despite the better off operating profit from Automotive. Ordinary profit dropped 44.1% to ¥513 million down to the surge of investment loss from the equity method and other non-operating exchange loss. Net profit declined by 50.7% to ¥318 million.

Sales by Company

(Million yen, %)

Period Category		2nd Quarter					6-month period (January - June)				
		2005	% of Total	2004	% of Total	% Change	2005	% of Total	2004	% of Total	% Change
Legacy	Power Solution	638	6.6	846	9.2	(24.6)	1,245	6.5	1,725	9.9	(27.8)
	Power Inductor	2,867	29.6	2,732	29.8	4.9	5,570	29.1	4,982	28.7	11.8
	Signal	926	9.5	1,012	11.0	(8.5)	1,776	9.3	1,900	11.0	(6.5)
	Sub-total	4,431	45.7	4,590	50.0	(3.5)	8,591	44.9	8,607	49.6	(0.2)
Inverter		2,651	27.3	2,069	22.5	28.1	5,470	28.6	3,777	21.7	44.8
Automotive		1,949	20.1	1,404	15.3	38.8	3,816	20.0	2,738	15.8	39.4
Others		669	6.9	1,116	12.2	(40.1)	1,247	6.5	2,245	12.9	(44.5)
Total		9,700	100.0	9,179	100.0	5.7	19,124	100.0	17,367	100.0	10.1

Sales by Product Categories

(Million yen, %)

Period Category		2nd Quarter					6-month period (January - June)				
		2005	% of Total	2004	% of Total	% Change	2005	% of Total	2004	% of Total	% Change
Coil Business	AV Coils	809	8.4	824	9.0	(1.8)	1,758	9.2	1,551	8.9	13.3
	IT Communications Coils	5,036	51.9	4,599	50.1	9.5	9,990	52.3	8,524	49.1	17.2
	Other Coils	745	7.7	646	7.1	15.3	1,362	7.1	1,106	6.4	23.1
	Automotive	2,437	25.1	2,050	22.3	18.9	4,740	24.8	4,026	23.2	17.7
	TOTAL	9,027	93.1	8,119	88.5	11.2	17,850	93.4	15,207	87.6	17.4
Optoelectronics		68	0.7	645	7.0	(89.5)	124	0.6	1,334	7.7	(90.7)
Magnetics		122	1.2	415	4.5	(70.6)	244	1.3	826	4.7	(70.5)
New business		483	5.0	-	-	-	906	4.7	-	-	-
TOTAL		9,700	100.0	9,179	100.0	5.7	19,124	100.0	17,367	100.0	10.1

Sales by Region

(Million yen, %)

Area \ Period	2nd Quarter					6-month period (January - June)				
	2005	% of Total	2004	% of Total	% Change	2005	% of Total	2004	% of Total	% Change
Japan	2,294	23.6	2,254	24.6	1.8	4,613	24.1	4,532	26.1	1.8
HK / China	1,716	17.7	1,929	21.0	(11.0)	3,356	17.6	3,524	20.3	(4.8)
ASEAN	707	7.3	772	8.4	(8.4)	1,413	7.4	1,400	8.1	0.9
Taiwan / Korea	2,321	23.9	1,853	20.2	25.3	4,655	24.3	3,441	19.8	35.3
NAFTA	631	6.5	1,111	12.1	(43.2)	1,253	6.6	2,103	12.1	(40.4)
EU	2,031	21.0	1,260	13.7	61.2	3,834	20.0	2,367	13.6	62.0
TOTAL	9,700	100.0	9,179	100.0	5.7	19,124	100.0	17,367	100.0	10.1

Business Segment Information

* Note:

In explanation of business results in the 2nd quarter of 2005, the year-on-year increase/decrease is expressed in Japanese Yen and also in the local currency. When any single local currency is applicable, figures in such single local currency are adopted, and when multiple local currencies are applicable, figures converted into the U.S. dollar are adopted.

Sumida group's business is composed of the Legacy business, Inverter business, Automotive business and Other business.

1. Legacy business

In consequence of the decline in Power Solution and Signal in the background of production adjustment toward the digital home appliances, sales in our legacy business decreased 3.5% to ¥4,431 million compared with the same term last year (or down 0.6% from the same term last year in the local currency). The increasing sales of Power Inductor, being the main pillar, of Legacy failed to offset the erosion. Operating profit recorded a 9.7% year-on-year decrease to ¥2,052 million owing in part to the increase labor force dragged out from the 1st quarter for incoming business expansion and in part to the strategic price reduction to gain market share.

a) Power Solution

Sales of power solution were ¥638 million, down 24.6% from the same term last year (or down 22.3% from the same term last year in the local currency).

In terms of area, sales increased barely in Hong Kong & China but decreased all in the U.S., Japan, Singapore, Europe and Taiwan. For sales by product used, residential equipments such as hot water supply vessel and door phone though increased, the digital home appliances such as digital cameras and DVD players, and the PC peripheral devices and phone set oriented products declined.

b) Power Inductor

Sales of power inductors amounted to ¥2,867 million, up 4.9% from the same term last year (or up 8.1% from the same term last year in the local currency).

In terms of area, sales expanded in Japan, Europe, Hong Kong & China and Singapore except for the U.S. and Taiwan. For sales by product used, digital cameras and cellular phones

rose whereas PC & PC peripheral devices, AV equipments, and automotive related products declined.

c) Signal

Sales of signal totaled ¥926 million, down 8.5% (or down 5.8% from the same term last year in the local currency).

In terms of area, sales improved in Hong Kong & China and Europe but reduced in the U.S., Japan, Singapore and Taiwan. For sales by product used, POS and FA related equipments improved while information processing equipments, AV equipments and car tuners for automotive equipment decreased.

2. Inverter business

Sales of inverter jumped to ¥2,651 million, up 28.1% from the year-before figure (or up 32.0% from the previous term in the local currency).

In terms of area, sales leaped greatly forward in Hong Kong & China, Taiwan and steadily in Europe despite reduction in Japan and Singapore. For sales by product used, notebook-sized PC was sustainable; LCD monitors and liquid crystal TV grew rapidly despite the decrease of the recreational and automotive equipments. Operating profit recorded a 17.4% down year-on-year to ¥365 million on account of the strategic sales with relatively lower margin despite reduction of production costs like raw materials and wages coupled with growing volume.

3. Automotive business

Sales in automotive business reached ¥1,949 million, increased 38.8% from the same term last year (up 43.0% from the same term last year in the local currency).

In terms of area, sales showed stable expansion in the U.S. and brisk increase in both Japan and Europe. For sales by product used, car air conditioners turned into one of the leading products in addition to ABS and keyless entry coils as the main sources of income. Injection coils for the direct-injection engine also played gradually a very part in sales contribution. Operating profit marked a 29.9% year-on-year growth to ¥520 million credited to volume development including acquisition of new product orders at strategic sales prices with great growing potential along with improved productivity.

4. Other business

Sales in other business reduced to ¥669 million, shrank 40.1% from the same term last year (down 38.4% from the same term last year in the local currency).

Jensen has started sales since the 2nd quarter of last year and STELCO which Sumida acquired in last December did not come about to contribute as much to offset the worn-out sales caused by the production withdrawal of the optical pickups and the electromagnetics product. Operating profit fell 10.3% to ¥129 million from the year-before figure on account of the corroded revenue from the removal of Magnetics division and OEM supply section of optical pickup.

Consolidated Business Results for First Half of 2005

Overall sales of the first half of 2005 were up 10.1% from the same term last year to ¥19,124 million. The sales expansion of Inverter and Automotive businesses pushed the total revenue up despite the decline sales of Legacy led mainly by the reduction of Power Solution and Signal, decreased sales from Jensen and Stelco as well as the removal of Magnetics division and OEM supply section of optical pickups.

Operating profit was ¥1,412 million, lower by 19.0% compared with the same term last year. The profit driven by the rise in sales for Inverter and Automotive businesses was inadequate to offset the considerable increase in labor cost, production overhead and selling and administrative expenses mounted with the sales expansion. Ordinary income slid 27.2% year-on-year to ¥1,123 million

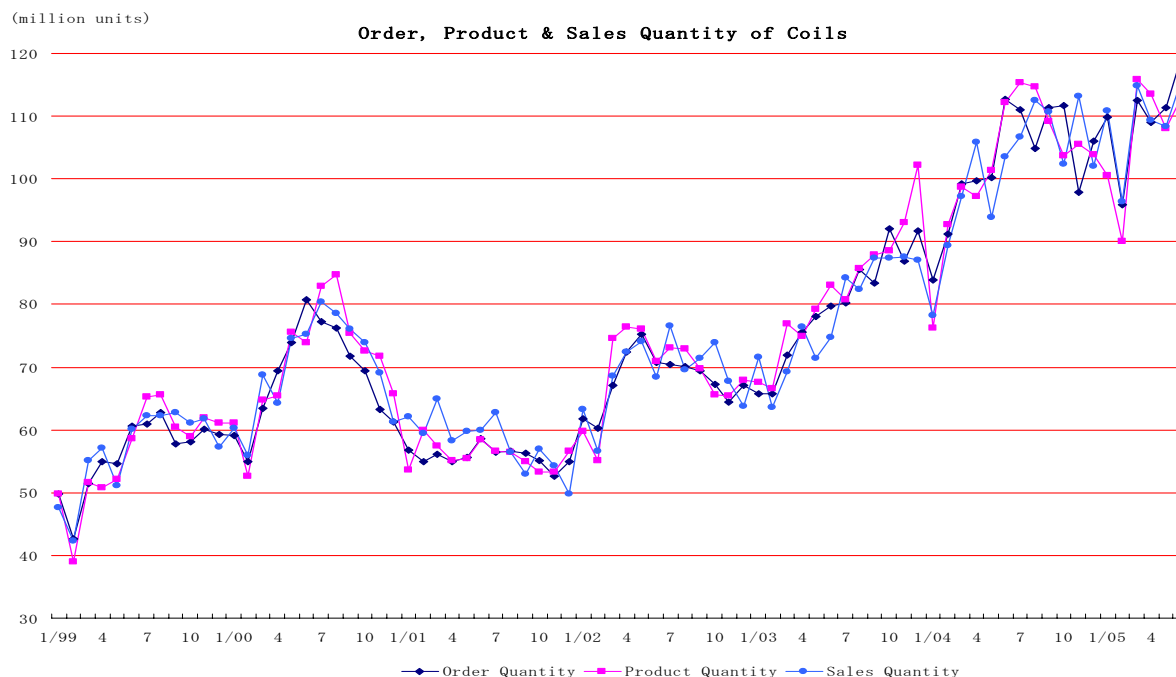
stemmed rather from the increase of investment loss from the equity method. Net income totaled ¥692 million, dropped 38.2% from the year-before figure.

The Future Management Environment and Business Development Policy

The discussion below is future management environment and our business development policy for each of business segments. 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.

Sumida Group is about to welcome a new stage toward the incoming coil orders.

The monthly volume of orders received for coils (orders received during the current month and scheduled to sell during the current month), after a breakthrough of 100 million pieces in May of 2004, hit average 109 million pieces per month in the 3rd quarter, remained high at 105 million pieces per month in the 4th quarter of 2004. It sustained at 106 million pieces per month in the 1st quarter and 113 million pieces per month on average in the 2nd quarter of 2005. The volume in this June reached 119 million pieces per month marching toward another record high of 120 million pieces.



Shipment volume of personal computers in the globe rose 10.3% to 50 million sets in the 1st quarter and 14.8% to 49 million sets in the 2nd quarter of 2005 compared with the same terms of last year. Apart from the robust growth of notebook-sized PC, demand for low-price desktop PC has showed signal of recovery. Countries like Asia, the Middle East and Africa except Japan have all experienced an agreeable growth. Shipment volume of digital cameras worldwide is expected to increase 10.7% from approximately 70 million sets in 2004 to 77 million sets in 2005. Manufacturers have been all set to react from time to time to the revival in the face of the protracting inventory adjustment.

Sales of cellular phones increased to 181 million pieces in the 1st quarter of 2005, up 17.5% exceeding the last record high of 154 million pieces in the 1st quarter of last year. Shipment volume is expected to increase 13.0 % year-on-year to 750 million pieces in 2005 in proportion to the desire for replacements in the U.S. and Europe as well as demand from the budding markets such as East Europe, Middle East, Africa and South America.

Demand for liquid-crystal display (LCD) TV is estimated to reach 15 million sets in 2005 from 8 million sets in 2004. The diffusion rate of LCD and PDP TV in Japan accelerates and has surpassed the industrial benchmark of 10% to 11.5% of the household. The penetration is anticipated to further expand. With the target to discontinue analog broadcast by January of 2009 in the U.S., the demand from the relatively wealthy stratum is predicted to first prosper.

The number of new cars registration dropped 1.9% in the 1st quarter to 1,186 K units but rose 8.7% to 893 K units in the 2nd quarter of 2005 in Japan from the same terms of last year. Correspondingly, it fell 2.4% to 3,817 K units but up 1.7% to 3,991 K units in Europe, and increased 0.1% to 3,998 K units and 3.5% to 4,757 K units in the U.S. New car sales are expected to develop at high level in the U.S. and Europe, stably in Japan, ASEAN Pacific and other areas.

Amid such business environment, Sumida group devotes to correspond widely to customer needs and is promoting its business activities by focusing on prospective growing fields.

1. Legacy business

For power solution, sales declined in the first half of 2005 due to production adjustment mainly on the digital products. Sumida is committed to its product competitiveness through material-cost cutting and productivity improvement and is well equipped to seize extra market shares for digital camera, DVC, DVD player, printer for line filter and switching transformer as soon as the market resumes. It is also our direction to reinforce new developments apart from home appliances in automotive-mounted products with emerging demand and focus to explore and fortify the sales system in Taiwan and Korea.

For power inductor, we seek to develop parts in new miniature designs with multi and power conserving traits to build the customer base. Accordingly, we would be in full force to push sales on cellular phones, digital cameras, HDD, notebook-sized computers, automotive-mounted parts, game devices, printers and MP3 of which the demand is projected to boom especially for cellular phones and game devices. Relating to production, Legacy aims to launch the semi-automation of production by introduction to or development of cost effective and efficient automatic machines at the site in company with the cost strategy on materials.

For signal, the business intends to bolster sales of modem, ADSL telecommunication, and automotive-related products including antenna coils for keyless entry system in addition to toner sensors.

2. Inverter business

The Inverter business deals with the inverter transformers and inverter units used for of notebook-sized PC, LCD monitors, liquid-crystal display (LCD) TV and recreational devices, and aims to capture more market shares especially for notebook-sized PC and LCD monitors which we have been handling for quite some time. To stay the foothold in the growing LCD TV market, we are moving faster than others to turn our focus with extensive sales activities to 32-inch type of LCD TV which is likely to be the mainstay of the incoming sales.

With respect to production, the economic effect from the procurement strategy since the latter half of last year has come forward. The profitability is expected to improve on account of the ongoing material-cost cut driven by procurement capability, vertical integration where some materials are made in-house and product design from which the number of parts required in a unit has been greatly reduced.

3. Automotive business

Automotive-mounted electronic parts and devices have deserved increasing importance as the key technology of which influences the evolution of the automotive. The digitalization, networking and clean energy system for cars pushes up the general demand for its electronic parts.

For ABS coils, delivery to the 4th new customer has begun in 2004 and mass production for the 5th new customer has been programmed to set off in 2005. 4V coils for switching between cooling and heating and coils for keyless entry in addition to ABS coils have come to form the principal sales whereas car air conditioners have been expanding quickly. Following the full-fledged

production of injection coils for the direct injection engine in this year, we have started making efforts in driving sales of coils for immobilizer, navigation system, direct-injection engine, EPS (electronic power steering) and air bag in the worldwide market.

With respect to production, in addition to the productivity improvement, the business dedicates efforts to strengthen the procurement capability to lower the pressure of raw material for mass production.

4. Other business

Consumer spending is expected to resume around this summer through the end of 2005 though the new car sales in Europe were rather lethargic. The rating of the electronic parts at STELCO in Germany is regarded high for automotive. It is a direction of Sumida to expand sales through its entire network. Products from Europe, apart from sales via its own system, would be distributed through Asian network whereas products from Asia would be promoted through European network. JENSEN in Sweden sells mainly GDT used for projector in Europe and has steadily delivered samples for automotive. However, it usually takes time for automotive customers to grant approval on suppliers so that we expect the automotive related sales to be reflected in the year of 2006. Besides, the business has also started making efforts to explore customers in Japan and Korea.

Forecast of Business Results in the Third Quarter of 2005

Sumida group is publishing the forecast of business results by compiling commitments submitted from each of our divisions covering the following quarter. Under the unstable and sudden changing economic environment, it is difficult for us to forecast business results for the full term correctly as there might arise a substantial deviation of the actual figures from the figures forecasted at the beginning of the term according to circumstances. Thus, it is our policy to disclose the contents of our forecast covering the coming quarter only as it is our foremost consideration to provide appropriate and correct information to our investors.

The following is our forecast at this point of business results in the third quarter of 2005.

Forecast of consolidated business results in the third quarter of 2005 (from Jul 1 to Sept 30, 2005)	Actual figures of consolidated business results in the third quarter of 2004 (from Jul 1 to Sept 30, 2004)
Sales ¥10,200M	Sales ¥9,518M
Recurring profit 720M	Recurring profit 934M
Current term net income 460M	Current term net income 631M

(Exchange rate is premised at ¥107.5 per U.S. \$1)