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2006

Financial Results for the 1st Quarter ended 31 March 2006

SUMIDA CORPORATION
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CEO's Message for the First Quarter of Fiscal 2006

The 51st Annual General Meeting of Shareholders was held in Palace Hotel, Tokyo, on the 18th of March, this year. The highlight of this meeting was the amendment of Articles of Incorporation in order to comply with the new Corporate Law which was enacted on 1st May. In the amendment, the change that is related directly to shareholders, first of all, is the allowance of quarterly dividend payment. Sumida has been paying dividends twice a year, interim and end-of-term, up until now. However, by the newly provided article, we are planning to start quarterly dividend payments once all preparation work is done. Secondly, due to several share splits that caused many shareholders to hold less than number of shares required for one tradable unit (100 shares), shareholders requested and amendment which would enable them to purchase the remaining shares in order to make those shares tradable. For this reason, we are pleased to take this opportunity to announce that the respective article was modified and the requested policy has been adopted.

After completion of the acquisition, VOGT has become our consolidated subsidiary. As it is the first consolidation of VOGT, we made a conservative estimate of its business achievement. However, since no significant problems occurred, our results for the 1st Quarter was beyond the expectations. Sales grew 57.1% year on year to 14.806 billion yen and operating profit grew 52.7% year on year to 1.081 billion yen respectively. In addition, Sumida had retained Euro as funding for the acquisition of VOGT that, due to the depreciation of yen against the Euro during the period, caused non-operating revenue to increase. This resulted in a 97.5 % increase in recurring profit to 1.205 billion yen compared with the previous year,

From this quarter, we have VOGT as a new addition to the Sumida Group. VOGT's 70-year-old history in Europe and Sumida's 50-year-old history in Asia has resulted in a group with 20,000 employees, in 34 different locations over 19 countries. For the future integration, it is very important that each company maintains their organic growth. In late March, a total of 91 key members of both companies gathered in Hong Kong, staying in a 3 day 2 night camp resembling a business school forum where members discussed and exchanged opinions until the early hours. Finally, eight concrete projects that aimed to achieve the goal of 1B7 and target next steps of integration were worked out, providing a good start to our collaboration and synergy. In the future, Sumida and VOGT will strive, with sufficient recognition of cultural differences between the two companies, to become one big family (1BF). We will maintain information exchange and open communication throughout the company, and at the same time, work towards the maximum synergic effect with VOGT in order to achieve the group-wide targets of a 10% profit ratio and 1B7.

Shigeyuki Yawata
CEO
SUMIDA CORPORATION

Consolidated Financial Highlights for the 1st Quarter ended 31 March 2006

1. Consolidated Results of Operations

(million yen, %)

Period / Category	1st Quarter				
	2006	% Of Total	2005	% Of Total	% Change
Net sales	14,806	100.0	9,424	100.0	57.1
Operating income	1,082	7.3	708	7.5	52.7
Ordinary income	1,206	8.1	610	6.5	97.6
Income before income taxes	1,206	8.1	541	5.7	123.0
Net income	727	4.9	374	4.0	94.3
Net income per common share (yen)					
Net income: (Basic)	37.44	—	19.49	—	—
Net income: (Fully diluted)	31.67	—	17.29	—	—

2. Consolidated Financial Conditions

(million yen)

Period / Category	1st Quarter		
	2006	2005	Increase/Decrease
Total assets	62,267	42,295	19,972
Paid in capital	6,874	6,639	235
Total shareholders' equity	25,458	21,416	4,042
Total numbers of stock issued (thousand shares)	19,508	19,226	282
Shareholders' equity per share (yen)	1,305.01	1,113.93	191.08
Shareholders' equity ratio (%)	40.9	50.6	—

3. Consolidated Statements of Cash Flows

(million yen)

Category \ Period	1st Quarter		
	2006	2005	Increase/Decrease
Cash flows from operating activities	577	660	(83)
Cash flows from investing activities	(4,667)	(822)	(3,845)
Cash flows from financing activities	(6,639)	7,071	(13,710)
Cash and cash equivalents, end of period	7,704	11,919	(4,215)

Estimation of 2nd Quarter 2006

Category \ Period	2006 2Q (Estimation)	2005 2Q (Actual)	%Change
Net sales (million yen)	15,200	9,700	56.7
Operating income (million yen)	1,200	704	70.5
Ordinary income (million yen)	1,050	513	104.7
Net income (million yen)	600	318	88.7
Net income per share (yen)	30.76	16.55	85.9

Consolidated Quarterly Business Results

(million yen)

Period	2006	2005				2004			
Category	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net sales	14,806	10,317	10,225	9,700	9,424	9,361	9,518	9,179	8,188
Operating income	1,082	926	845	704	708	832	1,036	979	764
Ordinary income	1,206	997	733	513	610	652	934	917	625
Income before income taxes	1,206	1,964	814	610	541	220	876	904	625
Net income	727	1,153	590	318	374	56	631	645	475

Consolidated Yearly Business Results

(million yen)

	2005	2004	2003	2002	2001
Net sales	39,666	36,246	30,537	34,796	31,558
Operating income	3,183	3,611	2,394	2,171	1,112
Ordinary income	2,853	3,128	1,960	2,116	82
Income before income taxes	3,929	2,625	73	1,653	(1,779)
Net income	2,435	1,807	315	1,118	(1,037)
Shareholders' equity	24,920	20,511	18,809	18,910	19,534
Total assets	51,701	34,170	29,941	30,666	32,340
Per share（yen）					
EPS	126.54	104.25	21.21	83.64	(78.11)
Shareholders' equity	1,285.44	1,175.67	1,220.14	1,408.72	1,471.29

Consolidated Balance Sheets

（Unit ： thousand yen）

Account \ Period	1Q 2006	%	1Q 2005	%	Dec 2005	%
ASSETS						
Ⅰ Current assets						
1. Cash and cash equivalents	7,703,586		11,918,803		18,342,370	
2. Trade receivables	14,568,494		9,432,142		9,900,383	
3. Inventories	7,969,574		4,103,816		4,628,738	
4. Deferred tax assets	1,492,804		1,431,639		1,011,068	
5. Others	2,879,155		1,224,044		1,325,864	
6. Allowance for doubtful accounts	(39,494)		(35,105)		(39,577)	
Total current assets	34,574,119	55.5	28,075,339	66.4	35,168,846	68.0
Ⅱ Fixed assets						
(1) Tangible fixed assets						
1. Buildings	8,376,295		6,039,034		6,321,967	
2. Machinery and equipment	15,584,007		10,088,577		13,001,123	
3. Furniture and fixture	3,795,977		2,644,628		2,898,238	
4. Land	2,076,313		1,255,453		1,760,651	
5. Construction in progress	1,519,838		507,966		1,294,319	
6. Accumulated depreciation	(13,007,624)		(10,626,161)		(12,512,359)	
Total tangible fixed assets	18,344,806	29.5	9,909,497	23.4	12,763,939	24.7
(2) Intangible fixed assets						
1. Goodwill	870,085		831,600		848,272	
2. Leasehold rights	487,876		445,946		488,658	
3. Software	128,561		143,424		118,349	
4. Others	95,793		4,955		5,198	
Total intangible fixed assets	1,582,315	2.5	1,425,925	3.4	1,460,477	2.8
(3) Investments and other assets						
1. Investments in securities	251,323		193,958		123,795	
2. Deferred tax assets	4,446,932		1,533,599		1,352,281	
3. Others	3,067,677		1,156,798		831,843	
Total investments and other assets	7,765,932	12.5	2,884,355	6.8	2,307,919	4.5
Total fixed assets	27,693,053	44.5	14,219,777	33.6	16,532,335	32.0
TOTAL ASSETS	62,267,172	100.0	42,295,116	100.0	51,701,181	100.0

Consolidated Balance Sheets

（Unit ： thousand yen）

Account \ Period	1Q 2006	%	1Q 2005	%	Dec 2005	%
LIABILITIES						
Ⅰ Current liabilities						
1. Trade payables	5,121,557		3,893,316		3,705,758	
2. Short-term borrowings	6,952,607		4,350,000		9,800,000	
3. Bond	---		1,200,000		---	
4. Current portion of long term loan	1,438,298		602,808		370,800	
5. Others	5,248,401		2,182,511		2,131,347	
Total current liabilities	18,760,863	30.1	12,228,635	28.9	16,007,905	31.0
Ⅱ Fixed liabilities						
1. Bond	9,200,000		8,000,000		9,200,000	
2. Long-term loans	4,750,000		238,298		---	
3. Deferred tax liabilities	294,667		218,771		293,627	
4. Others	2,178,745		144,638		1,223,781	
Total fixed liabilities	16,423,412	26.4	8,601,707	20.4	10,717,408	20.7
Total liabilities	35,184,275	56.5	20,830,342	49.3	26,725,313	51.7
MINORITY INTEREST	1,625,099	2.6	48,373	0.1	55,458	0.1
SHAREHOLDERS' EQUITY						
Ⅰ Paid in capital	6,873,773	11.0	6,638,943	15.7	6,771,015	13.1
Ⅱ Capital reserve	6,687,247	10.7	6,451,071	15.3	6,584,612	12.7
Ⅲ Retained earnings	12,773,587	20.5	10,759,237	25.4	12,531,518	24.2
Ⅳ Unrealized gains/losses on securities at market valuation	58,352	0.1	66,082	0.1	52,215	0.1
Ⅴ Cumulative translation adjustments	(867,184)	(1.3)	(2,440,760)	(5.8)	(954,148)	(1.8)
Ⅵ Treasury stock	(67,977)	(0.1)	(58,172)	(0.1)	(64,802)	(0.1)
Total shareholders' equity	25,457,798	40.9	21,416,401	50.6	24,920,410	48.2
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY	62,267,172	100.0	42,295,116	100.0	51,701,181	100.0

Consolidated Statements of Income

(Unit : thousand yen)

Account	1st Quarter 2006 Amount	1st Quarter 2006 % of Sales	1st Quarter 2005 Amount	1st Quarter 2005 % of Sales
I Net sales	14,805,961	100.0	9,424,208	100.0
II Cost of sales	10,723,881	72.4	7,021,596	74.5
Gross profit	4,082,080	27.6	2,402,612	25.5
III Selling, general & administrative	3,000,420	20.3	1,694,226	18.0
Operating income	1,081,660	7.3	708,386	7.5
IV Non-operating income (expenses)				
Interest and dividends received	39,976		10,308	
Interest paid	(35,276)		(10,156)	
Exchange gain (loss)	242,319		5,811	
Investment loss on equity method	(77,904)		(121,660)	
Other non-operating income (expenses)	(44,891)		17,490	
Non-operating income (expenses)	124,224	0.8	(98,207)	(1.0)
Ordinary income	1,205,884	8.1	610,179	6.5
V Extraordinary income (losses)				
Gain on sales of fixed assets	546		300	
Gain on sales of golf club membership	---		163	
Loss on disposal of fixed assets	(156)		(854)	
Structual reorganization expenses	---		(68,764)	
Extraordinary income (losses)	390	0.0	(69,155)	(0.8)
Income before income taxes	1,206,274	8.1	541,024	5.7
Income taxes	402,831	2.7	167,717	1.7
Minority interest	76,708	0.5	(823)	(0.0)
Net income	726,735	4.9	374,130	4.0

Consolidated Statements of Cash Flows

(Unit : thousand yen)

Period / Account	1st Quarter	
	2006	2005
I. Cash flows from operating activities		
Net income	726,735	374,130
Depreciation and amortization	639,374	364,024
Gain on sales of fixed assets	(546)	(300)
Loss on disposal of fixed assets	156	854
Changes in account receivable	546,968	(103,580)
Changes in inventories	3,699	134,535
Changes in account payable	(647,535)	174,286
Others	(692,216)	(284,053)
Cash flows from operating activities	576,635	659,896
II. Cash flows from investing activities		
Purchase of tangible fixed assets	(567,977)	(480,852)
Proceeds from sales of tangible fixed assets	1,324	877
Acquisition of new subsidiary	(1,749,902)	---
Investment in affiliated company	(657,731)	(308,790)
Profit Participation Right	(1,678,171)	---
Investment in securities	(3,404)	---
Others	(10,975)	(33,487)
Cash flows from investing activities	(4,666,836)	(822,252)
Ⅲ. Cash flows from financing activities		
Changes in short-term borrowings	(7,389,909)	(500,000)
Changes in long-term borrowings	1,033,195	(204,202)
Cash dividends paid	(484,857)	(261,924)
Proceeds from bond issuance	---	8,000,000
Revenue from issuance of stocks	205,394	69,700
Others	(3,175)	(32,952)
Cash flows from financing activities	(6,639,352)	7,070,622
Ⅳ. Effect of exchange rate changes on cash and cash equivalents	90,769	110,246
Ⅴ. Net increase (decrease) in cash and cash equivalents	(10,638,784)	7,018,512
Ⅵ. Cash and cash equivalents at beginning of year	18,342,370	4,900,291
Ⅶ. Cash and cash equivalents at end of year	7,703,586	11,918,803

Overview of Consolidated Business Results for the First Quarter of 2006

In the First Quarter of 2006, both foreign and domestic demand accelerated in major euro-nations like England, Spain and Germany, evidencing a more strengthening economy in Europe. The relatively stable commodity prices, except for oil and food, in addition to the expanding employment resulted from sustainable business performance of the corporate sector in the U.S. are expected to boost personal spending. The tight monetary policy through 15 consecutive times of the benchmark-rate increase by the U.S. federal government to reduce housing investment had produced the anticipated effect. Views criticizing such excessive control are intensifying as the market features with the self-adjustment mechanism to direct its own future growth. The economic growth in China for the investment of fixed assets from public work projects and contribution from exports gained 10.2% from the same term last year. The high lending rate for enterprises and other macroeconomic control coupled with the promotion for personal spending by the China Authority to relieve the overheating investment is likely to attain a soft landing.

All industries in Japan, first from the real estate market and financial industry, and followed by all manufacturing, non-manufacturing and government-related organizations, have been eventually sneaking out from the long-lasting structural adjustment and stepping towards the growing track. Not only the financial position of the enterprises improves but the consolidated recurring profit also records twice as much as it was in the bubble mature stage. Satisfactory business achievement pushes the investment for plant and equipment and in turn drives the employment market giving rise to the upward personal spending.

The economic growth of the fourth quarter of 2005 in India climbed 7.6% from the same term of 2004 thanks to continual expansion of the finance, service and manufacturing industries and it has been the 5th successive quarter reporting a gain of over 7%. With governmental incentives like reduction of commodity tax and tariffs, and establishment of Special Economic Zones, the growth is expected to further reach 10% in 2006.

The demand for electronic equipment remained high in the 1st quarter, attributable to the popularization of digital home appliances, the desire for replacement of new models and the demand for cellular phones in the emerging markets, as well as the greater than before production of PC and PC peripherals since August of 2005.

Shipment for audiovisual equipment like liquid crystal display (LCD) TVs, PDP-TVs and portable music players was trending toward favorable expansion. Shipment for personal computers in 2005 was up 15.3% to 219 million sets from 2004 and added 13.1% to 57 million sets in the 1st quarter of 2006 from a year earlier. Shipment volume for cellular phones in 2005 rose 21.2% to 816 million pieces from 2004 and is expected to gain 26.0% to 227 million pieces in the 1st quarter of 2006 compared with same term of 2005. As the new car sales worldwide are undergoing high-level expansion, demand for automotive electronic parts and peripherals that optimize safety, comfort and fuel-economy for cars has been prospering.
Under such circumstances, Sumida Group has acquired a German principal coil manufacturer – VOGT Electronic which has accordingly become one of our subsidiaries contributing to our consolidated financials since January 1, 2006. Its Component Section engaging with traditional wire-winding expertise is categorized under our Legacy Business whereas its EMS section is integrated into our Other Business mainly focusing on new businesses. Along with Inverter business dealing with liquid crystal TVs and flat panels and the Automotive business handling automotive-related parts, we are committed to develop effectual mechanics to realize our mid-term goal of "**1B7"** – [Consolidated Sales to reach US$1 Billion in 2007].

Overall sales of the First Quarter of 2006 were up 57.1% from the same term last year to ¥14,806 million, attributable to the soaring revenue from existing business of Power Inductor, Power Solution and Signal, as well as from the participation of the Component Section of VOGT for Legacy, together

with the upward achievement of STELCO and the incorporation of EMS Section of VOGT for Other Business, in addition to the moderate growth of Automotive Company. This is despite the drastic downturn in the sales of the Inverter Company.

Operating income was up 52.7% year-on-year to ¥1,082 million and was rooted in the considerable sales of not only Legacy from existing business, and the new Components Section of VOGT but also Other Business from STELCO and new EMS Section of VOGT. The collectively increased margin was sufficient to write off the rising expenditures on R&D and general overhead in keeping up with the business capacity, the negative impact from the weak Euro due to sales to European customers of Automotive and the sale decline of the Inverter business. Ordinary income was up 97.6% to ¥1,206 million and was explained by exchange gain and decreasing investment loss derived from the equity method. Net income increased 94.3% to ¥727 million from the same term last year.

Sales by Business

(unit:thousand yen, %)

Period / Business		1st quarter				
		FY2006	%	FY2005	%	% Change
Legacy	Power Solution	764,921	5.1	606,689	6.4	26.1
	Power Inductor	3,341,852	22.6	2,703,189	28.7	23.6
	Signal	1,024,761	7.0	849,625	9.0	20.6
	Components	4,661,183	31.5	-	-	-
	Sub-total	9,792,717	66.2	4,159,503	44.1	135.4
Inverter		1,823,234	12.3	2,818,560	29.9	(35.3)
Automotive		1,949,593	13.1	1,866,928	19.8	4.4
Others		1,240,417	8.4	579,217	6.2	114.2
Total		14,805,961	100.0	9,424,208	100.0	57.1

Quarterly Sales by Business

(unit:million yen)

Period / Business		FY2004				FY2005					FY2006
		2Q	3Q	4Q	YTD	1Q	2Q	3Q	4Q	YTD	1Q
Legacy	Power Solution	846	856	748	3,329	607	638	745	804	2,794	765
	Power Inductor	2,732	2,871	2,626	10,479	2,703	2,867	3,184	3,925	12,679	3,342
	Signal	1,012	1,018	908	3,826	850	926	1,016	1,050	3,842	1,025
	Components	-	-	-	-	-	-	-	-	-	4,661
	Sub-total	4,590	4,745	4,282	17,634	4,160	4,431	4,945	5,779	19,315	9,793
Inverter		2,069	2,551	2,716	9,044	2,819	2,651	2,784	2,282	10,536	1,823
Automotive		1,404	1,558	1,795	6,091	1,867	1,949	2,013	1,763	7,592	1,950
Others		1,116	664	568	3,477	578	669	483	493	2,223	1,240
Total		9,179	9,518	9,361	36,246	9,424	9,700	10,225	10,317	39,666	14,806

Sales by Area

(unit:thousand yen, %)

Area	1st quarter				
	FY2006	%	FY2005	%	% Change
Japan	2,307,944	15.6	2,319,524	24.6	(0.5)
Hong Kong/China	2,278,978	15.4	1,639,553	17.4	39.0
ASEAN	671,513	4.5	705,998	7.5	(4.9)
Taiwan/Korea	1,385,797	9.4	2,334,017	24.8	(40.6)
NAFTA	1,286,543	8.7	622,182	6.6	106.8
EU	6,875,186	46.4	1,802,934	19.1	281.3
Total	14,805,961	100.0	9,424,208	100.0	57.1

Sales by Product Category

(Unit:thousand yen, %)

Category	1st quarter FY2006	%	1st quarter FY2005	%	% Change
Coil Business					
AV Coils	953,963	6.4	949,160	10.1	0.5
IT Communications	4,402,426	29.7	4,954,091	52.6	(11.1)
Other Coils	777,459	5.3	616,816	6.5	26.0
Automotive Coils	2,570,997	17.4	2,302,995	24.4	11.6
Total Coils	8,704,845	58.8	8,823,062	93.6	(1.3)
Optoelectronics	52,253	0.3	55,747	0.6	(6.3)
Electromagnetics	156,282	1.1	122,044	1.3	28.1
New business	5,892,581	39.8	423,355	4.5	1,291.9
Total	14,805,961	100.0	9,424,208	100.0	57.1

Segment Information

	1st quarter FY2006						
	Legacy (thousands of yen)	Inverter (thousands of yen)	Automotive (thousands of yen)	Others (thousands of yen)	Total (thousands of yen)	Elimination (thousands of yen)	Consolidated (thousands of yen)
Sales	9,792,717	1,823,234	1,949,593	1,240,417	14,805,961	-	14,805,961
Operating expenses	7,150,046	1,466,721	1,715,007	992,035	11,323,809	2,400,492	13,724,301
Operating income	2,642,671	356,513	234,586	248,382	3,482,152	(2,400,492)	1,081,660
	27.0%	19.6%	12.0%	20.0%	23.5%	-	7.3%

	1st quarter FY2005						
	Legacy (thousands of yen)	Inverter (thousands of yen)	Automotive (thousands of yen)	Others (thousands of yen)	Total (thousands of yen)	Elimination (thousands of yen)	Consolidated (thousands of yen)
Sales	4,159,503	2,818,560	1,866,928	579,217	9,424,208	-	9,424,208
Operating expenses	2,238,114	2,412,171	1,349,191	459,906	6,459,382	2,256,440	8,715,822
Operating income	1,921,389	406,389	517,737	119,311	2,964,826	(2,256,440)	708,386
	46.2%	14.4%	27.7%	20.6%	31.5%	-	7.5%

Business Segment Information

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

1. Legacy business
   Sales in our legacy business increased to ¥9,793 million, about 2.4 times as much as a year earlier, as a consequence of the steady growth of Power Inductor being the main pillar of Legacy accompanied by the upturn sales of Power Solution and Signal in addition to the new participation of the Component Section of VOGT. Operating income was up 37.5% year-on-year to ¥2,643 million which resulted from the increased revenue of existing businesses plus the contribution of the Component Section of VOGT.

   a) Power Solution
      Sales of power solution increased 26.1% to ¥765 million from a year earlier.
      In terms of area, sales improved in the U.S., Europe, Singapore, China and Japan but decreased in Hong Kong, and Taiwan. For sales by product used, in addition to the contribution of 4V coil for switching between cooling and heating which was removed from Automotive and classified into Legacy, OA and communication devices, automotive-related products and industrial equipments increased while audiovisual equipments declined.
   b) Power Inductor
      Sales of power inductors were up 23.6% year-on-year to ¥3,342 million.
      In terms of area, sales expanded in all areas like the U.S., Europe, Japan, Hong Kong & China

and Taiwan except Singapore. For sales by product used, PC & PC peripherals, AV equipments, automotive-related products, communication devices increased whereas digital cameras, security equipment and POS related products decreased.

c) Signal
Sales of signal totaled ¥1,025 million, up 20.6% from a year earlier.
In terms of area, sales expanded in the U.S., Europe, Singapore, Hong Kong, China and Taiwan except Japan. For sales by product used, AV equipments, communication devices and automotive-related devices expanded whereas OA equipments, PC peripherals, and animal tags declined.

d) Component
Sales of Component in this quarter increased 11.6% to ¥4,661 million compared with the 4th quarter of 2005 as a result of the enlarged production volume by the customers following the economic recovery of Europe.

2. Inverter business
Sales of inverter dived 35.3% to ¥1,823 million from the year-before figure.
In terms of area, sales dropped in all areas except Europe and China. For sales by product used, LCD monitors, liquid crystal TV, automotive equipments, other monitor (except PC) and recreational devices except notebook-sized PC all decreased. Operating income dropped 12.3% year-on-year to ¥356 million due mainly to the eroded revenue despite the reduction of production costs on raw materials and wages.

3. Automotive business
Sales in automotive business rose 4.4% to ¥1,950 million from the same term last year.
In terms of area, sales grew stably in Europe, Singapore and Hong Kong in spite of reduction in the U.S., Japan and China. For sales by product used, aside from the re-classification of 4V coil for switching between cooling and heating to Legacy Business; ABS, keyless entry, injection coils for the direct-injection engine, immobilizers and suspension-system-related coils all sharply increased.
Operating income lost 54.7% year-on-year to ¥235 million attributed in part to the declining sales to major European customers derived from the depreciation of Euro and, in part, to the increased raw-material cost caused by the surge of copper price.

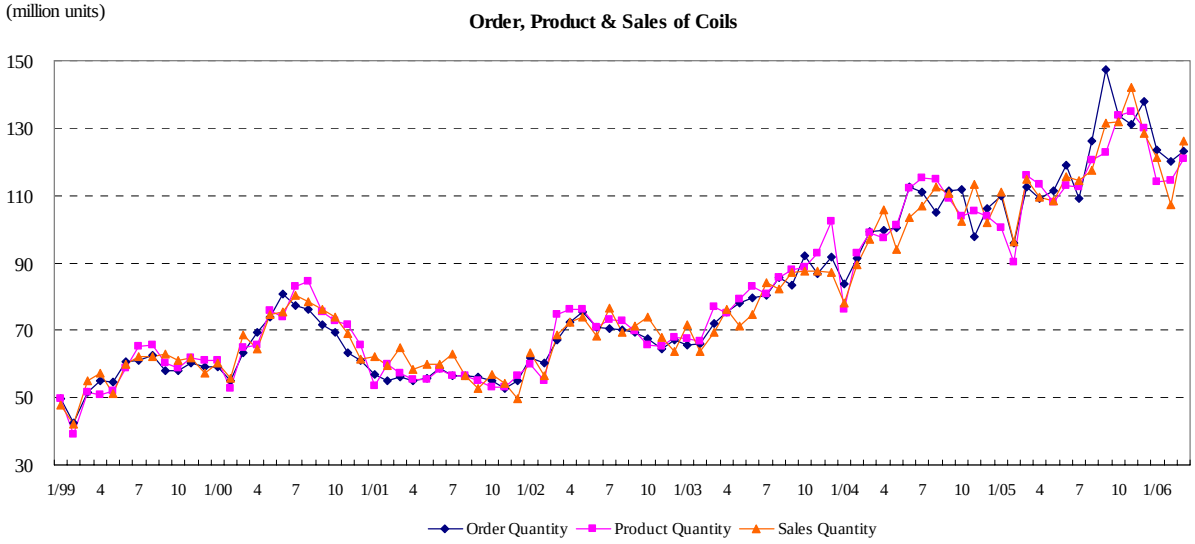
4. Other business
Sales in Other business were 2.1 times as much of the same term last year to ¥1,240 million thanks partly the revival of STELCO and partly to the incorporation of the EMS Section of VOGT. Operating income stood at 2.1 times as much of a year earlier to ¥248 million for the additional revenue of STELCO and contribution of EMS Section of VOGT.

The Future Management Environment and Business Development Policy

The discussion below is future management environment and our business development policy. 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.

Orders for coils received by Sumida Group remained at a high level.

The monthly volume of orders received for coils except VOGT (orders received during the current month = scheduled to sell during the current month) was 134 million pieces on average per month in the 4th quarter of 2005 and up 15.1% year-on-year to 122 million pieces per month in the 1st quarter of 2006 after the record high of 147 million pieces in last September.



The future demand for electronic parts is predicted to record a continual growth in a moderate level.

Shipment volume of personal computers worldwide kept a double-digit increase by 13.1% year-on-year to 57 million sets in the 1st quarter of 2006 following the rise of 15.3% to 219 million sets in 2005 compared with 2004. Demand in Asian Pacific, Latin American, Europe, Middle East and Africa all reported high growth rate where Europe, Middle East and Africa have developed to be the largest market in the globe. As the growth continues in the budding markets, the demand for personal computers in 2006 is expected to outperform by 11% than the previous year. The notebook-sized PC in particular is projected to achieve 31.4% increase from the last year.

Shipment volume of cellular phones in 2005 was up 21.2% to 816 million sets compared with 2004 and climbed 26.0% year-on-year to about 227 million pieces in the 1st quarter of 2006 showing a continual upward tendency. The volume is estimated to reach 920 million pieces and 1,010 million pieces respectively in 2006 and 2007 in view of the persistent demand from the emerging markets such as Asia Pacific, Middle East and Africa.

Shipment volume for liquid-crystal display (LCD) TVs increased by about 2.2 times as much of 2004 to 20 million sets in 2005. The volume in 2006 would have in all likelihood reached 40 million sets which exceeded the initial estimate of 36 million sets. With strong desire of the Panel Manufacturers to enlarge production in connection with the 2006 German World Cup and the 2008 Beijing Olympics, the upward trend of the electronics market is expected to go on for the medium to long term.

New car registration in the U.S., Europe and Japan boosted collectively 0.3% to 35,883 thousand sets and the increasing registration in the U.S. just paid off the shortfall in Europe and Japan. Shipment volume in the 1st quarter of 2006 gained 1.8% to 9,177 thousand sets due to stable demand in the U.S. and revival in Europe despite the lasting stagnancy in Japan. New car sales are expected to maintain at high level in the U.S., Europe and Japan and grow vigorously in China, Korea, India, Brazil, Russia and other developing areas. To raise the safety, comfort and fuel-economy performance, the electronic parts for automobile have been diversified with very advanced electronics. The demand for automobile related electronic parts like semi-conductor, various sensors, motor, actuator, relay, condenser, resistance and coils is therefore foreseen to record growth in long term.

Amid such business environment, Sumida group has acquired VOGT, a well-established German coil manufacturer. With VOGT being one of the consolidating subsidiaries commencing from the 1st quarter of 2006, Sumida aims toward a further growth that may outstrip the electronic parts market worldwide.

1. Legacy business
   For power solution, sales of AV equipment declined for production adjustment in the 1st half and resumed from the 2nd half of 2005. Sumida is committed to seize extra market shares for digital camera, DVC, DVD player, printer related devices. It is also our direction to reinforce new developments in automotive-mounted products in expected demand.
   For power inductor, we seek to develop parts in new miniature designs with multi and power conserving traits to build the customer base. More effort will be extended to push sales on cellular phones, digital cameras, HDD, notebook-sized computers, automotive-mounted parts, game devices, printers and portable music player. We scheduled not only to reinforce the sales of cellular phones in Japan, Europe and the U.S. but also to increase sales to main customers for HDD related parts following the increased production of personal computers. The leading customer that had placed order of portable music player with us since the 2nd half of 2005 has entered into production adjustment starting this quarter and expected to resume full-fledged production for new products in the coming 3rd quarter. Samples of PDP which incorporates more units of Power Inductor in particular have been delivered to customers on schedule and are expected to make contribution to sales soon.
   For signal, the business intends to bolster sales of telecommunication products including modem and ADSL; automotive-related products including keyless entry and TPMS in addition to the major sales of toner sensors, and to reinforce the sales of Signals used for animal tags.

   The Components section of VOGT joins in the 1st quarter to form a part of Legacy Business. It sells coils, various modules, sensors and the like for a wide variety of applications such as automotive devices, communication equipment, industrial & medical equipment, recreational equipment, home appliances and lighting devices mainly to Europe, America and China. Sumida and VOGT has started the integration process in which resources and useful systems of both sides in respect of products, human resources, sales network, R&D, manufacturing know-how and other aspects would be effectively reshuffled to optimize the synergy effect.

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. Sales of notebook-sized PCs did not increase in the 1st quarter because of the change of model by the major customer but turnover for new model is likely to resume in the next quarter. To address the demand for simplified design and space-economy feature with LCD monitor, the adoption of the two-in-one system which unifies the functions of AC/DC converter on a primary power source and DC/AC inverter on a secondary power source has increased. The Business will endeavor to lift R&D capability on primary power source with the aim of grasping more market shares. Concurrently, we are striving for sales of inverters and transformers used for LCD TVs, mainly in

Taiwan and Japan.

3. Automotive business
   For ABS coils, we are continuing making all-out efforts to grow the sales. On the other hand, we have developed three customers for Keyless Entry with a wide range of models. Apart from struggling for new customers, the business also stresses expanding shares from existing clients. New product for injection coils used for the direct-injection engine will be established by the end of the 2nd quarter with mass production scheduled in the 3rd quarter of 2006. Dynamic activities have started in driving sales of coils for immobilizers, navigation systems, EPS (electronic power steering) and air bags in the worldwide market.

4. Other business
   STELCO, resuming from the stagnant economy in Europe last year, reported an in-excess-of-commitment result in the 1st quarter. As major customers in Europe have made positive business, more inquiries and business opportunities are expected. Sales, especially condensers for digital TVs STB (Set Top Box), and chip inductor for automobile, industrial equipment, transmitter and home appliance, are all projected to expand.

   JENSEN currently sells mainly surge arresters, and GDT used for projectors in Europe. Sales of the GDT for the automotive-related devices are expected to be actualized gradually in the latter half of 2006.

   The EMS Section of VOGT joins in the 1st quarter to form a part of the Other Business. It sells power steering control units, GPS antennas, theft-prevention control units, control units for the Diesel engine, and power supply products and others to mainly European customers. Besides, the restructuring programs have been thoroughly completed and immediate profits can be expected.

Forecast of Business Results in the Second Quarter of 2006

Sumida group is publishing the forecast of business results by compiling commitments submitted from each of our divisions covering the following quarter.

The following is our forecast at this point of business results in the second quarter of 2006.

Forecast of consolidated business results in the second quarter of 2006 (from Apr 1 to Jun 30, 2006)	
Sales	¥15,200M
Ordinary income	1,050M
Net income	600M

(Exchange rate is premised at ¥110 per U.S. $1)

Actual figures of consolidated business results in the second quarter of 2005 (from Apr 1 to Jun 30, 2005)	
Sales	¥9,700M
Ordinary income	513M
Net income	318M