
Press Release

July 31, 2008

Company Name	SUMIDA CORPORATION
Representative	Shigeyuki Yawata, Representative Executive Officer (CEO) (Code 6817, 1st Section, Tokyo Stock Exchange)
For Inquiries	Toru Fujinawa, Corporate Office Officer (Phone: 81-3-3272-7801)

Receipt of Notice of Tax Assessment based on Transfer Price Taxation and Tax Haven Adjustment

We, SUMIDA CORPORATION ("Sumida") hereby inform you of receiving the Notice of Tax Assessment from Tokyo Regional Tax Bureau ("the Bureau") on the income of Sumida and its subsidiaries which adopted consolidated tax system ("domestic subsidiaries") in light of transfer pricing taxation and tax haven adjustment. The details of which are described as follows.

1. Summary of Notice of Tax Assessment

Sumida and its domestic subsidiaries received the Notice of Tax Assessment ("Recent Assessment") of JPY 1,124 million in total due to the following reasons.

(1) In relation to Transfer Pricing Taxation

Regarding the transactions between domestic subsidiary and several overseas subsidiaries from FY2004 to FY2006, the Bureau claims that less profit has been distributed to the domestic subsidiary.

(2) In relation to Tax Haven Adjustment

Upon investigation of the transaction from FY2004 to FY2006, the Bureau claims that the profit of Sumida Electric (H.K.) Company Limited ("SHK") should be added up to that of Sumida and that unitary tax would be imposed, as they judge that SHK doesn't meet requirements as exempt from the unitary tax treatment in view of the provisions under the Japanese Tax Act.

2. Sumida's policy and action

(1) Background of Tax Haven Adjustment

Sumida received the notice of Tax Assessment based on the tax haven adjustment ("previous assessment") in June 2005 from the Bureau stating that unitary tax should be imposed to SHK and Sumida from fiscal year 2002 to 2003. (Please refer to "Receipt of the Notice of Tax Assessment based on the Tax Haven Adjustment" released at 1st July 2005 for details)

We have filed an appeal to the National Tax Tribunal for re-examination of the notice and endeavored to obtain agreement and understanding from the Tribunal in order for rescission of the previous assessment. However, Sumida received a written verdict from the Tribunal in January 2008, stating that Sumida's appeal has been declined. We have been considering seeking for the court decision since then.

(2) Transfer Price Taxation

This time, the main focus of the tax investigation was the transfer price between Sumida's Japanese subsidiary and overseas subsidiaries. As we are very confident that the transfer price among the subsidiaries is appropriate and we have paid our taxes properly in accordance with each country's tax regulations, we were puzzled as to why we received the assessment notice.

Nonetheless, as the profit sharing between SHK and a Japanese subsidiary was at the centre of the investigation, we needed to have a comprehensive review of both transfer price issue and tax haven adjustment issue together and negotiate with the Bureau so that we could work out appropriate solutions. In the taxation for those companies like Sumida that has its business structure under which main functions such as R&D, manufacturing and sales and distribution are located in Japan, China and Hong Kong respectively in different jurisdictions, the two tax regulations are in their interpretation related to and sometimes conflict with each other in respect of the distribution of profits among the locations concerned. As a consequence it gives rise to a trade off effect between the regulations and applying one of the regulations increases the domestic taxable income while it means a decrease of the income in view of the other regulation.

(3) Conclusion

We have been discussing with the Bureau to clarify that our inter-group transactions are in line with the regulations. As a result, although there are still some discrepancies in interpretation of the regulations with the Bureau, we came to the final decision not to argue the notices any further in order to concentrate the management resources on our major business activities. Accordingly, we will not seek the court decision regarding this issue.

3. Effect on Financial Results

We plan to record about JPY 400 million* as tax expense in the 2nd Quarter of FY 2008. In the consolidated result in the same period, net income will decrease about JPY 400 million. In case the consolidated business forecast needs to be revised, we will promptly disclose the information.

*	Prepaid tax (regarding tax haven)
+	Corporation tax, residence tax, enterprise tax (regarding transfer price taxation)
△	Differed tax
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=	about JPY 400 million

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Press Release

July 1, 2005

To Whom It May Concern

Company Name	SUMIDA CORPORATION
Representative	Shigeyuki Yawata, Representative Executive Officer(CEO) (Code 6817, 1st Section, Tokyo Stock Exchange)
For Inquires	Hitoshi Aizawa, Corporate Office Officer (TEL 03-3667-3382)

Receipt of the Notice of Tax Assessment based on the Tax Heaven Adjustment

Yesterday, SUMIDA CORPORATION (“Sumida”) received the notice of tax assessment based on the tax heaven adjustment from Tokyo Regional Tax Bureau stating that, in the Bureau's judgment, unitary tax will be imposed to the internal reserve of Sumida Electric (H.K.) Company Limited, subsidiary of Sumida, from fiscal year 2001 to 2003. The notice indicates that the amount should be adjusted upwards to JPY 1.8 billion and the additional tax will be approximately JPY 700 million. However, the amount of loss carried forward will be pulled down, so cash out will not be generated.

Sumida continues to promote the localization of the management of its regional operations. As a global company, Sumida also places heavy importance on its Corporate Social Responsibilities (CSR); each regional operations paying local taxes and providing scholarships in an effort to contribute to the local communities. Furthermore, Sumida also pays Japanese taxes on the dividends derived from its regional operations.

The Bureau states that, Hong Kong where Sumida Electric (H.K.) Company Limited is established, is considered as a “Tax Heaven” by Japanese Tax Law. This Hong Kong subsidiary adopted the “Commission on Processing” operation method which was strongly promoted by Hong Kong and China government since 1984. Sumida has consistently done honest and appropriate declaration in every countries including Japan up till now.

It is regrettable in any case that the Company has received such a notice. Sumida will endeavor to obtain agreement and understanding from the tax authority on

Sumida's view and the situation of its subsidiary in Hong Kong. Sumida disagrees with this assessment and will file an appeal to the tax tribunal.

Press release will be further issued for reporting the process of appeal and the influence to the business result of the current fiscal year.

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