

Financial Results for the 1st Quarter
ended 31 March 2005

SUMIDA CORPORATION

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CEO's Message for the First Quarter of Fiscal 2005

Sumida managed to increase its sales by 15.1% to JPY9.424 billions and considering reduction of Opto-OEM business compared to 2004 1Q gives net 25% increase over 2004 1Q. Operational profit saw slight decrease over last year, JPY708 millions, due to close to 11% unit price reduction in our main product, power inductor. This is a strategic reduction in order to capture Power Inductor market which had been rather turbulent due to Market combination/restructuring of winding and non-winding type inductors. Sumida had not entered non-winding type inductors market in the past due to its non attractive unit price. Recent industry demand seem to have changed to require suppliers to offer both types and the low end non-winding type unit price started to increase due to higher technical characteristics demand. Our Power inductor company moved towards Market capture strategy in view of the combined demand. They are confident that the market capture strategy will pay off in 2 and 3Q 2005.

Net profit reduction over last year is accounted by booking increased Automotive initial cost for new product range which took off in 1Q. Also the booking of advisory fee is higher than the last year due to more aggressive activities in M&A/Alliance and Investment research. This level of expense is expected to be one of unavoidable cost but under our control and may continue until all M&A/Alliance and Investment are completed.

Recent raw material price increase has small impact on Sumida operation due to our vertical integrated operation. However, the effect is not zero and reducing or holding the raw material price is an on going challenge for our manufacturing operation.

As mentioned in earlier paragraph, several major and minor projects which support the Road to "1B7" (1 billion dollar company with EBITDA at 10% or above ,2007) are proceeding actively and the vision of 1B7 now can be focused on proceed.



Shigeyuki Yawata
CEO

SUMIDA CORPORATION

Consolidated Financial Highlights for the 1st Quarter ended 31 March 2005

1. Consolidated Results of Operations

(Million yen, %)

Category \ Period	1st Quarter				
	2005	% Of Total	2004	% Of Total	% Change
Net sales	9,424	100.0	8,187	100.0	15.1
Operating income	708	7.5	764	9.3	(7.3)
Ordinary income	610	6.5	625	7.6	(2.3)
Income before income taxes	541	5.7	625	7.6	(13.5)
Net income	374	4.0	475	5.8	(21.2)
Net income per common share					
(yen)					
Net income: (Basic)	19.49	-	30.55	-	-
Net income: (Fully diluted)	17.29	-	29.51	-	-

2. Consolidated Financial Conditions

(Million yen)

Category \ Period	1st Quarter		
	2005	2004	Increase/Decrease
Total assets	42,295	29,980	12,315
Paid in capital	6,639	6,378	261
Total shareholders' equity	21,416	19,177	2,239
Total numbers of stock issued (thousand shares)	19,226	15,633	3,593
Shareholders' equity per share (yen)	1,113.93	1,226.75	(112.82)
Shareholders' equity ratio (%)	50.6	64.0	-

3. Consolidated Statements of Cash Flows

(Million yen)

Category \ Period	1st Quarter		
	2005	2004	Increase/Decrease
Cash flows from operating activities	660	355	305
Cash flows from investing activities	(822)	(720)	(102)
Cash flows from financing activities	7,071	220	6,851
Cash and cash equivalents, end of period	11,919	4,223	7,696

Estimation of 2nd Quarter 2005

Category \ Period	2005 2Q (Estimation)	2004 2Q (Actual)	%Change
Net sales (million yen)	11,290	9,179	23.0
Operating income (million yen)	1,185	979	21.0
Ordinary income (million yen)	1,060	917	15.6
Net income (million yen)	700	645	8.5
Net income per share (yen)	36.41	40.87	(10.9)

Consolidated Quarterly Business Results

(Million yen)

Category \ Period	2005	2004				2003			
	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net sales	9,424	9,361	9,519	9,179	8,187	8,140	8,033	7,162	7,202
Operating income	708	832	1,036	979	764	813	709	571	301
Ordinary income	610	652	934	917	625	559	607	488	306
Income before income taxes	541	220	876	904	625	95	472	440	(934)
Net income	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		1Q 2005		1Q 2004		Dec 2004	
				%		%		%
ASSETS								
Current assets								
1. Cash and cash equivalents			11,918,803		4,223,344		4,900,291	
2. Trade receivables			9,432,142		6,957,136		9,085,372	
3. Inventories			4,103,816		3,273,457		4,048,675	
4. Deferred tax assets			1,431,639		1,312,264		1,432,466	
5. Others			1,224,044		983,765		845,971	
6. Allowance for doubtful accounts			(35,105)		(224,677)		(29,984)	
Total current assets			28,075,339	66.4	16,525,289	55.1	20,282,791	59.4
Fixed assets								
(1) Tangible fixed assets								
1. Buildings			6,039,034		6,127,359		6,221,547	
2. Machinery and equipment			10,088,577		8,832,582		9,514,102	
3. Furniture and fixture			2,644,628		2,632,764		2,641,264	
4. Land			1,255,453		1,252,354		1,253,616	
5. Construction in progress			507,966		230,979		322,325	
6. Accumulated depreciation			(10,626,161)		(9,601,016)		(10,267,933)	
Total tangible fixed assets			9,909,497	23.4	9,475,022	31.6	9,684,921	28.3
(2) Intangible fixed assets								
1. Goodwill			831,600		---		839,460	
2. Leasehold rights			445,946		503,755		496,827	
3. Software			143,424		124,969		148,518	
4. Others			4,955		19,140		3,721	
Total intangible fixed assets			1,425,925	3.4	647,864	2.2	1,488,526	4.4
(3) Investments and other assets								
1. Investments in securities			193,958		231,230		194,570	
2. Deferred tax assets			1,533,599		1,912,548		1,536,667	
3. Others			1,156,798		1,187,921		983,004	
Total investments and other assets			2,884,355	6.8	3,331,699	11.1	2,714,241	7.9
Total fixed assets			14,219,777	33.6	13,454,585	44.9	13,887,688	40.6
TOTAL ASSETS			42,295,116	100.0	29,979,874	100.0	34,170,479	100.0

Consolidated Balance Sheets

(Unit : thousand yen)

Account \ Period	1Q 2005	%	1Q 2004	%	Dec 2004	%
LIABILITIES						
Current liabilities						
1. Trade payables	3,893,316		2,422,251		3,571,556	
2. Short-term borrowings	4,952,808		4,271,808		5,524,508	
3. Bond	1,200,000		---		1,200,000	
4. Others	2,182,511		1,700,377		2,509,914	
Total current liabilities	12,228,635	28.9	8,394,436	28.0	12,805,978	37.5
Fixed liabilities						
1. Bond	8,000,000		1,200,000		---	
2. Long-term loans	238,298		841,106		370,800	
3. Deferred tax liabilities	218,771		211,265		212,059	
4. Others	144,638		155,764		221,463	
Total fixed liabilities	8,601,707	20.4	2,408,135	8.0	804,322	2.3
Total liabilities	20,830,342	49.3	10,802,571	36.0	13,610,300	39.8
MINORITY INTEREST	48,373	0.1	---	---	49,196	0.2
SHAREHOLDERS' EQUITY						
Paid in capital	6,638,943	15.7	6,377,628	21.3	6,604,072	19.3
Capital reserve	6,451,071	15.3	6,186,755	20.6	6,416,181	18.8
Retained earnings	10,759,237	25.4	9,552,191	31.9	10,646,801	31.2
Unrealized gains/losses on securities at market valuation	66,082	0.1	78,758	0.3	67,762	0.2
Cumulative translation adjustments	(2,440,760)	(5.8)	(2,993,491)	(10.0)	(3,183,290)	(9.3)
Treasury stock	(58,172)	(0.1)	(24,538)	(0.1)	(40,543)	(0.2)
Total shareholders' equity	21,416,401	50.6	19,177,303	64.0	20,510,983	60.0
TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY	42,295,116	100.0	29,979,874	100.0	34,170,479	100.0

Consolidated Statements of Income

(Unit : thousand yen)

Account	Period	1st Quarter			
		2005		2004	
		Amount	% of Sales	Amount	% of Sales
Net sales		9,424,208	100.0	8,187,828	100.0
Cost of sales		7,021,596	74.5	5,909,479	72.2
Gross profit on sales		2,402,612	25.5	2,278,349	27.8
Selling, general & administrative		1,694,226	18.0	1,514,177	18.5
Operating income		708,386	7.5	764,172	9.3
Non-operating income (expenses)					
Interest and dividends received		10,308		6,636	
Interest paid		10,156		12,317	
Exchange gain (losses)		5,811		(46,358)	
Investment loss on equity method		121,660		54,165	
Other non-operating income (expenses)		17,490		(33,357)	
Non-operating income (expenses)		(98,207)	(1.0)	(139,561)	(1.7)
Ordinary income		610,179	6.5	624,611	7.6
Extraordinary income (losses)					
Gain on sales of fixed assets		300		1,844	
Loss on disposal of fixed assets		854		---	
Structural reorganization expenses		68,764		---	
Other extraordinary income (losses)		163		(1,330)	
Extraordinary income (losses)		(69,155)	(0.8)	514	0.0
Income before income taxes		541,024	5.7	625,125	7.6
Income taxes		167,717	1.7	150,191	1.8
Income on minority shareholders		823	0.0	---	---
Net income		374,130	4.0	474,934	5.8

Consolidated Statements of Cash Flows

(Unit : thousand yen)

Account	Period	1st Quarter	
		2005	2004
I. Cash flows from operating activities			
Net income		374,130	474,934
Depreciation and amortization		364,024	353,427
Gain on sales of fixed assets		(300)	(1,844)
Loss on disposal of fixed assets		854	---
Changes in account receivable		(103,580)	(156,940)
Changes in inventories		134,535	(213,214)
Changes in account payable		174,286	(55,503)
Others		(284,053)	(46,039)
Cash flows from operating activities		659,896	354,821
II. Cash flows from investing activities			
Purchase of tangible fixed assets		(480,852)	(304,062)
Proceeds from sales of tangible fixed assets		877	2,249
Investment in related company		(308,790)	(415,950)
Others		(33,487)	(2,439)
Cash flows from investing activities		(822,252)	(720,202)
. Cash flows from financing activities			
Changes in short-term borrowings		(500,000)	155,000
Changes in long-term borrowings		(204,202)	(204,202)
Cash dividends paid		(261,924)	(154,156)
Proceeds from bond issuance		8,000,000	---
Revenue from issuance of stocks		69,700	425,885
Others		(32,952)	(2,155)
Cash flows from financing activities		7,070,622	220,372
. Effect of exchange rate changes on cash and cash equivalents		110,246	(102,816)
. Net increase (decrease) in cash and cash equivalents		7,018,512	(247,825)
. Cash and cash equivalents at beginning of year		4,900,291	4,471,169
. Cash and cash equivalents at end of period		11,918,803	4,223,344

Sales by Company

(unit:thousand yen, %)

Company \ Period		1st quarter				
		FY2005	%	FY2004	%	% Change
Legacy	Power Solution	606,689	6.4	878,617	10.7	(30.9)
	Power Inductor	2,703,189	28.7	2,249,624	27.5	20.2
	Signal	849,625	9.0	888,063	10.9	(4.3)
	Sub-total	4,159,503	44.1	4,016,304	49.1	3.6
Inverter		2,818,560	29.9	1,708,267	20.9	65.0
Automotive		1,866,928	19.8	1,333,673	16.3	40.0
Others		579,217	6.2	1,129,584	13.7	(48.7)
Total		9,424,208	100.0	8,187,828	100.0	15.1

Quarterly Sales by Company

(unit:million yen)

Company \ Period		FY2004					FY2005
		1Q	2Q	3Q	4Q	YTD	1Q
Legacy	Power Solution	878	846	857	748	3,329	607
	Power Inductor	2,250	2,732	2,871	2,626	10,479	2,703
	Signal	888	1,012	1,018	908	3,826	850
	Sub-total	4,016	4,590	4,746	4,282	17,634	4,160
Inverter		1,708	2,069	2,551	2,716	9,044	2,818
Automotive		1,334	1,404	1,558	1,795	6,091	1,867
Others		1,129	1,116	664	568	3,477	579
Total		8,187	9,179	9,519	9,361	36,246	9,424

Segment Information

	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

	1st Quarter FY2004						
	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	4,016,304	1,708,267	1,333,673	1,129,584	8,187,828	-	8,187,828
Operating expenses	2,013,137	1,467,508	877,018	989,635	5,347,298	2,076,358	7,423,656
Operating income	2,003,167	240,759	456,655	139,949	2,840,530	(2,076,358)	764,172

Sales by Area

(Unit:thousand yen, %)

Area	1st quarter				
	FY2005	%	FY2004	%	% Change
Japan	2,319,524	24.6	2,278,284	27.8	1.8
Hong Kong/China	1,639,553	17.4	1,595,484	19.5	2.8
ASEAN	705,998	7.5	627,839	7.7	12.4
Taiwan/Korea	2,334,017	24.8	1,587,775	19.4	47.0
NAFTA	622,182	6.6	991,670	12.1	(37.3)
EU	1,802,934	19.1	1,106,776	13.5	62.9
Total	9,424,208	100.0	8,187,828	100.0	15.1

Sales by Product Category

(Unit:thousand yen, %)

Category	1st quarter				
	FY2005	%	FY2004	%	% Change
Coil Business					
AV Coils	949,160	10.1	726,499	8.9	30.6
IT Communications Coils	4,954,091	52.6	3,925,111	48.0	26.2
Other Coils	616,816	6.5	460,273	5.6	34.0
Automotive Coils	2,302,995	24.4	1,976,301	24.1	16.5
Total Coils	8,823,062	93.6	7,088,184	86.6	24.5
Optoelectronics	55,747	0.6	688,562	8.4	(91.9)
Electromagnetics	122,044	1.3	411,082	5.0	(70.3)
New business	423,355	4.5	-	-	-
Total	9,424,208	100.0	8,187,828	100.0	15.1

Overview of Consolidated Business Results for the First Quarter of 2005

In the First Quarter of 2005, the international commodities price which had been mounting rapidly following the continual inflation of crude oil was eased with the recent rise of interest rates in the U.S. The global economy with a mixture of market adjustments illustrated a sign of orderly recovery.

The U.S. economy in the coming fourth quarter is predicted to restore despite its probable deceleration in the second and third quarters. The personal spending and plant investment by enterprises in Europe is also expected to grow at around the end of the year to push for a better economy in the face of the recent stagnancy. Japan is expected to record a slow growth in this summer through the efforts of structural reforms at financial institutions and inventory adjustments after the “Zero” growth in the last consecutive three quarters. Besides, the deliberate macroeconomic control by the China Government to relieve its overheating economy is likely to attain a soft landing.

Demand of electronics devices stayed on a downward trend after entering into the Silicon Cycle since the autumn of last year. However, with the recurrent growth of automotive parts forming the main pillar of the electronics industry, the market anticipates a quick end to the cycle since EMS (Electronics Manufacturing Services) with precise manufacturing and supply chain management system nowadays are able to regulate production volume more effectively in comparison with the last cycle which the inventory were stacked to an extreme level in the year of 2000.

Shipment for audiovisual equipments including radios, radio cassette tape recorders and the like conventional parts remained in the state of adjustment while demand for DVD recorders and other digital products had weakened than it was expected. Shipment for personal computer is estimated to boost continuously except anticipated lethargy in the U.S. Shipment volume for digital cameras grew less in Japan and the U.S. but bloomed favorably in Europe, China and ASEAN markets. Shipment volume for cellular phones was up 29.6 % in 2004 to 670 million sets compared with a year earlier and is expected to increase by 9.0% in 2005 to 730 million sets. In the automotive equipment field, the demand for automotive electronic parts and peripherals increased steadily.

Under such circumstances, Sumida Group cut out unprofitable businesses last year including the magnetics division and OEM production of optical pickups by focusing upon and exploring prospective growing fields. Moreover, to implement completely the management-by-product concept initiated in 2004, four major fields namely Legacy, Inverter, Automotive and Other have been defined. Legacy handles parts that called for our core competency in wire-winding skill, and Inverter deals with inverter used for flat panel like notebook-sized PC, LCD monitor and liquid crystal TV. Automotive manages electronic parts used for automotive whereas Other includes magnetics of which the production had been transferred from Mexico to China, GDT (Gas Discharge Tube) with sales and production at JENSEN, and Chip inductor and Condenser with sales and production at STELCO. To further clarify the responsibility and to evaluate the performance of each designated field, the Presidents of each business had been granted kind of virtual capital to run his own business.

Overall sales of the First Quarter of 2005 were up 15.1% from the same term last year to ¥9,424 million. Although sales in businesses of magnetics and optical electronics reduced (despite the intake of sales from Jensen and STELCO), the expanding sales in legacy products especially power inductor plus the considerably growing sales in both inverter and automotive electronics parts made remarkably contribution to the sales.

Operating profit reduced to ¥708 million, down 7.3% from the year-before figure. The result was imputed to the substantial rise of labor cost at our China production for large number of new comers, overtimes, working on Chinese New Year holidays to cope with the sudden demand of power inductor in addition to the increase of selling and administrative cost following the expanded sales, though the operating profit from Inverter and Automotive increased. Ordinary profit declined 2.3% to ¥610 million resulted from the surge of investment loss from the equity method, improvement on finance income and exchange gain. Net profit that dropped 21.2% to ¥374 million had included an extraordinary loss on restructuring expense.

Business Segment Information

* Note:

In explanation of business results in the 1st 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, the Inverter business, the Automotive business and the Other business.

1. Legacy business

Sales in our legacy business reached ¥4,160 million, up 3.6% from the same term last year (or up 6.5% from the same term last year in the local currency) owing to the strength of power inductor despite the decline of power solution and signal. Operating profit recorded a 4.1% year-on-year decrease to ¥1,921 million as a result of the strategic price reduction as well as the significant rise of production costs caused by dramatic expansion of labor force including new employment and overtime working on even holidays to satisfy the sudden requests from the power-inductor customers with delivery after the Chinese New Year. Since new workers normally take 3 months to be trained as skilled labor delivering full-scale capacity that the total production output did not turn out in proportion to substantial upsurge of production wages.

a) Power Solution

Sales of power solution were ¥607 million, down 30.9% from the same term last year (or down 29.0% from the same term last year in the local currency).

In terms of area, sales increased slightly in Europe but decreased all in Japan, Hong Kong & China, Singapore 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 camera and DVD player, and the PC peripheral device and phone set oriented products declined.

b) Power Inductor

Sales of power inductor amounted to ¥2,703 million, up 20.2% from the same term last year (or up 23.6% from the same term last year in the local currency).

In terms of area, sales increased all in Japan, Europe, Hong Kong & China, Singapore and Taiwan despite reduction in America. For sales by product used, in addition to the mild boost for PC peripheral device and automotive related, products for PC, digital camera, AV equipment, cellular phone, security equipment and POS were on a remarkably upward trend.

c) Signal

Sales of signal totaled ¥850 million, down 4.3% (or down 1.6% from the same term last year in the local currency).

In terms of area, sales expanded greatly in Hong Kong & China but declined in Japan, Europe, Singapore and Taiwan with sustainable sales in America. For sales by product used, PC peripheral devices such as copy machine, printer, ADSL, Modem grew favorably while lens holder and actuator for DVD & CD and AV equipment like TV tuner reduced.

2. Inverter business

Sales of inverter advanced to ¥2,818 million, up 65.0% from the year-before figure (or up 69.7% from the previous term in the local currency).

In terms of area, sales improved in all regions except Europe, among which Taiwan, Hong Kong & China recorded significant increases. For sales by product used, notebook-sized PC, LCD monitor and liquid crystal TV grew briskly despite the decrease of the amusement and automotive equipments. Operating profit recorded a 68.8% year-on-year growth to ¥406 million contributed by the escalating turnover in conjunction with the restrictive measures to control production costs like raw materials and wages.

3. Automotive business

Sales in automotive business reached ¥1,867 million, increased 40.0% from the same term last year (up 44.0% from the same term last year in the local currency).

In terms of area, sales showed stable expansion in Japan, Taiwan, Hong Kong & China, Europe

and Singapore but stagnant in America. For sales by product used, injection coil for the direct-injection engine formed gradually one of the integral parts of the sales aside from the sustainable expansion of ABS coil as the main source of income, keyless entry as well as 4V coil for switching between cooling and heating system. Operating profit marked a 13.4% year-on-year growth to ¥518 million attributed mostly to the increased sales revenue in spite of the price erosion to grabbing new orders and imperfect productivity at the incubation stage of new products.

4. Other business

Sales in other business reduced to ¥579 million, down 48.7% from the same term last year (down 47.3% from the same term last year in the local currency).

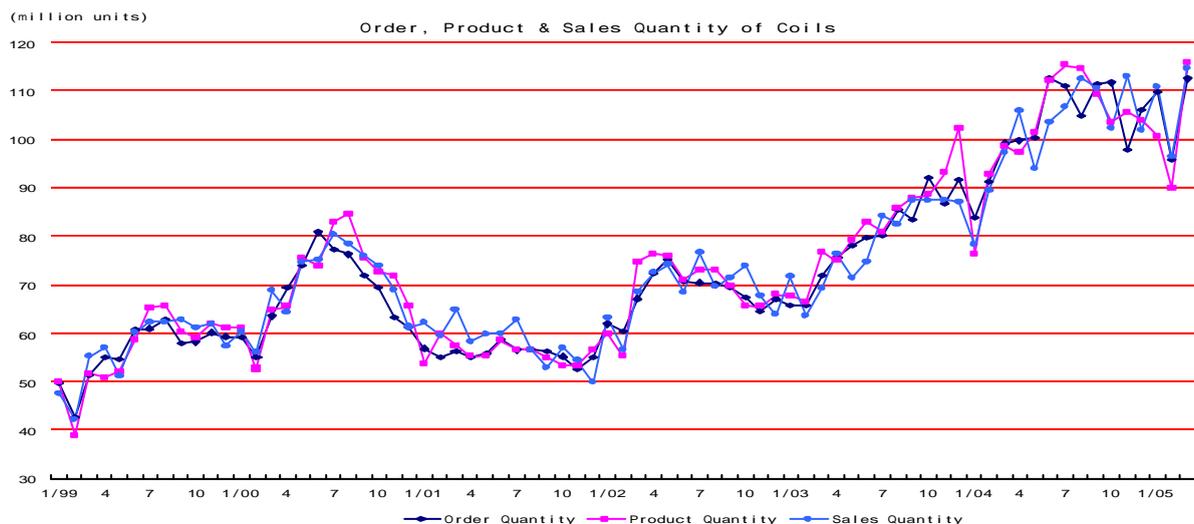
Sales of Jensen which had started since the second quarter of last year and of STELCO which Sumida acquired in last December did not come about to compensate the worn-out sales led by the production withdrawal in Mexico. Operating profit was low at ¥119 million, down by 14.7% from the year-before figure on account of the corroded revenue from the removal of magnetics division and OEM supply section of optical pickup despite a recovery of profitability.

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.

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

The monthly volume of orders received for coils (orders received during the current month and scheduled to sell during the current month) was 104 million pieces in the second quarter of 2004 recording a breakthrough of 100 million pieces, 109 million pieces in the third quarter, remained high at 105 million pieces in the fourth quarter and sustained at 106 million pieces on average in the first quarter of 2005. The volume in this March rebounding to 112 million pieces which leveled the record high of last June following a decline to 96 million pieces in the preceding month for the Chinese New Year.



Shipment volume of personal computers in the globe increased stably by 10.3% in the first quarter of 2005 compared with the same term last year. The expansion is expected to go on with a year-round growth to reach 6% and notebook-sized PC to 16% in 2005.

Shipment volume of digital cameras is expected to increase 10.7% from approximately 70 million sets in 2004 to 77 million sets in 2005. The growth is predicted to last by the incoming new users from

Europe, China and ASEAN countries.

Sales of cellular phones reached 674 million sets in 2004, up 29.6% from the previous year, and are estimated to climb 8.3% to 730 million sets this year.

Demand for liquid-crystal display TVs (10 models or more) in the globe reached 8 million sets in 2004 and is estimated to increase to 23 million sets in 2006 and 59 million sets in 2009. The U.S. and Europe market is expected to grow corresponding to the price reduction and suppress the Japanese market in 2006 despite leading expansion first in Japan.

The number of new cars registration dropped 1.9% from the same term of 2004 to 1,186 K units in Japan, declined 2.5% to 3,813 K units in Europe and down 0.9% to 3,959 K units in the U.S. implying a downward trend. The scandal in the car industry last year has prompted the manufacturers to focus actively on new models of compact cars in Japan. New car sales are predicted to restore to a high level when the market atmosphere in the U.S. and Europe recovers from summer through the end of the year.

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 quarter of 2005 as a result of production adjustment. As a high growth in notebook-sized PC, LCD monitor and liquid crystal TV is projected, we would focus on Taiwan and Korean enterprises to explore and assure sales. For power inductor, we seek to develop parts in new designs with thin body and power saving traits for notebook-sized computers, digital cameras and HDD to grasp additional market shares. Related to Cellular phones, with the emerging demand for feature-rich and high-performance models associated with LSI logic, we are dedicating efforts to strengthen our sales to meet increasing needs for LSI-driven power inductors in addition to electronic parts for miniature types with superior anti-drop capability. Meanwhile, we are aggressively attacking the market for both automotive and game device. For signal, efforts will be devoted to strengthen sales on different fields including modem, ADSL telecommunication, security and automotive.

2. Inverter business

At the same time as to capture additional market share of notebook-sized PC and LCD monitor, we would accelerate all-out sales of the latest models of inverters and leakage transformers. From 2005, we have been focusing and starting intensive sales activities of inverters for notebook-sized PC and would extend endeavor to LCD monitor and liquid crystal TV in the near future in Korea where Sumida has less market shares in.

3. Automotive business

For ABS coils, delivery to the 4th new customer has begun in 2004 and mass production for the 5th new customer has been scheduled to set off in 2005. For automotive electronic parts other than ABS coils, our sales force is at top gear to drive sales of coils for intelligent-key entry, 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 will dedicate efforts to strengthen the procurement capability to lower the pressure of raw material for mass production.

4. Other business

Consumer spending is expected to pick up in summer through the end of 2005 although the new car sales were sluggish in Europe in the first quarter of 2005. The rating of the electronic parts used for automotive at STELCO in Germany is regarded high. 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.

Because of the production transfer to China from Mexico, the profitability in Magnetics improves. Our next move would stress on the overall cost management.

Fore cast of Business Results in the Second 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 second quarter of 2005.

Forecast of consolidated business results
in the second quarter of 2005

(from Apr 1 to Jun 30, 2005)

Sales	¥11,290M
Recurring profit	1,060M
Current term net income	700M

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

Actual figures of consolidated business results
in the first quarter of 2004

(from Apr 1 to Jun 30, 2004)

Sales	¥9,179M
Recurring profit	917M
Current term net income	645M