



Financial Results for the 3rd Quarter  
ended 30 September 2005

**SUMIDA CORPORATION**  
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## CEO's Message for the Third Quarter of Fiscal 2005

At this year's CEATEC (Asia largest exhibition on imaging, information and communications technologies) held in Makuhari Messe, Chiba Prefecture, Sumida welcomed many visitors to its booth. Together with the CEO of Johnson Electric, Hong Kong, we attended the exhibition on the opening day. Many of the exhibits showcased the technological trends for the 21st Century and provided various useful hints for our future strategies.

Sumida has always strived to become not just simply a supplier of products to our customers but to achieve the customers' satisfaction by providing original and inspirational technology in the electronic industry. Already a leading company in the electronic industry ten years ago, Sumida entered the automotive parts market and has since grown to command the top market share position for automotive ABS coils. Speed in development and manufacturing are determining factors for success in the automotive industry. Borderless and dynamic changes continue to affect and reform the traditional "keiretsu" businesses both domestically and worldwide. In entering the automotive industry, Sumida has had to take on new business models; supplying previously unavailable new units / modules. It was also necessary to form alliances with other companies that had the necessary technologies that would facilitate us as a specialty unit manufacturer, to deal directly with car manufacturers and provide solutions and supply parts and units to Tier 1 suppliers.

With this background, it was only natural that we selected Saia-Burgess, a Swiss based manufacturer of automotive related parts for an acquisition target earlier this year. Unfortunately, another company, Johnson Electric, came into play and offered a higher bid than ours. The final outcome of the take over bid had positive effects as we were able to create good working relationships with both Saia-Burgess and Johnson Electric.

Our results for the 3rd Quarter showed sales grew 7.4% year on year to 10.225 billion yen. In addition to automotive business showing an average year on year growth of 26%, power solutions and signal sales also exceeded expectations, enabling us to achieve quarterly sales of more than 10 billion yen for the very first time. Operating profit was down 18.4% (year on year) to 845 million yen. While profit margin is down to 8.3% despite increased sales, it is in line with our strategy of increasing market share by lowering our profit margin to 7% in the first half of this year. Sumida will celebrate its 50<sup>th</sup> Anniversary in 2006, and to mark this milestone event, we are striving to get back to the basics of manufacturing, with quality and costs reduction as top priorities to improve profit margin.



Shigeyuki Yawata  
Sumida Group CEO

## Consolidated Financial Highlights for the 3rd Quarter ended 30 September 2005

### 1. Consolidated Results of Operations

(Million yen, %)

Category \ Period	3rd Quarter					9-month period (January - September)				
	2005	% of Total	2004	% of Total	% Change	2005	% of Total	2004	% of Total	% Change
Net sales	10,225	100.0	9,518	100.0	7.4	29,349	100.0	26,885	100.0	9.2
Operating income	845	8.3	1,036	10.9	(18.4)	2,257	7.7	2,779	10.3	(18.8)
Ordinary income	733	7.2	934	9.8	(21.5)	1,855	6.3	2,476	9.2	(25.1)
Income before income taxes	814	8.0	876	9.2	(7.1)	1,965	6.7	2,405	8.9	(18.3)
Net income	590	5.8	631	6.6	(6.4)	1,283	4.4	1,751	6.5	(26.7)
Net income per common share (yen)										
Net income: (Basic)	30.69	---	36.20	---	---	66.73	---	101.16	---	---
Net income: (Fully diluted)	26.53	---	35.44	---	---	60.67	---	98.24	---	---

### 2. Consolidated Financial Conditions

(Million yen)

Category \ Period	3rd Quarter		
	2005	2004	Increase/Decrease
Total assets	54,760	35,653	19,107
Paid in capital	6,654	6,597	57
Total shareholders' equity	24,080	21,355	2,725
Total numbers of stock issued (thousand shares)	19,242	17,440	1,802
Shareholders' equity per share (yen)	1,251.43	1,224.51	26.92
Shareholders' equity ratio (%)	44.0	59.9	---

### 3. Consolidated Statements of Cash Flows

(Million yen)

Category \ Period	3rd Quarter			9-month period (January - September)		
	2005	2004	Change	2005	2004	Change
Cash flows from operating activities	1,253	700	553	2,964	1,479	1,485
Cash flows from investing activities	(15,191)	(781)	(14,410)	(18,915)	(1,902)	(17,013)
Cash flows from financing activities	9,396	2,268	7,128	15,806	2,434	13,372
Cash and cash equivalents, end of period	5,130	6,615	(1,485)	5,130	6,615	(1,485)

### Estimation of 4th Quarter 2005

Category \ Period	2005 4Q (Estimation)	2004 4Q (Actual)	% Change
Net sales (million yen)	10,300	9,361	10.0
Operating income (million yen)	880	832	5.8
Ordinary income (million yen)	750	652	15.0
Net income (million yen)	850	56	1,417.9
Net income per share (yen)	44.17	3.21	---

### Consolidated Quarterly Business Results

(Million yen)

Category \ Period	2005			2004			2003			
	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
Net sales	10,225	9,700	9,424	9,361	9,518	9,179	8,188	8,140	8,033	7,162
Operating income	845	704	708	832	1,036	979	764	813	709	571
Ordinary income	733	513	610	652	934	917	625	559	607	488
Income before income taxes	814	610	541	220	876	904	625	95	472	440
Net income	590	318	374	56	631	645	475	374	402	481

### 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 Sheet

(Unit : thousand yen)

Account \ Period	3Q 2005	%	3Q 2004	%	Dec 2004	%
<b>ASSETS</b>						
<b>I Current assets</b>						
1. Cash and cash equivalents	5,130,286		6,614,718		4,900,291	
2. Trade receivables	9,493,768		8,879,937		9,085,372	
3. Inventories	3,901,614		4,184,076		4,048,675	
4. Deferred tax assets	1,368,240		864,704		1,432,466	
5. Others	3,049,148		1,012,080		845,971	
6. Allowance for doubtful accounts	(36,616)		(256,122)		(29,984)	
<b>Total current assets</b>	<b>22,906,440</b>	<b>41.8</b>	<b>21,299,393</b>	<b>59.7</b>	<b>20,282,791</b>	<b>59.4</b>
<b>II Fixed assets</b>						
<b>(1) Tangible fixed assets</b>						
1. Buildings	6,206,405		6,358,931		6,221,547	
2. Machinery and equipment	11,699,989		10,168,402		9,514,102	
3. Furniture and fixture	2,743,917		2,855,383		2,641,264	
4. Land	1,756,013		1,253,846		1,253,616	
5. Construction in progress	807,512		278,583		322,325	
6. Accumulated depreciation	(11,819,400)		(10,877,310)		(10,267,933)	
<b>Total tangible fixed assets</b>	<b>11,394,436</b>	<b>20.8</b>	<b>10,037,835</b>	<b>28.2</b>	<b>9,684,921</b>	<b>28.3</b>
<b>(2) Intangible fixed assets</b>						
1. Goodwill	805,041		-		839,460	
2. Leasehold rights	472,845		535,761		496,827	
3. Software	124,706		111,894		148,518	
4. Others	5,189		17,744		3,721	
<b>Total intangible fixed assets</b>	<b>1,407,781</b>	<b>2.6</b>	<b>665,399</b>	<b>1.9</b>	<b>1,488,526</b>	<b>4.4</b>
<b>(3) Investments and other assets</b>						
1. Investments in securities	16,776,699		178,627		194,570	
2. Deferred tax assets	1,383,589		2,349,522		1,536,667	
3. Others	890,659		1,122,408		983,004	
<b>Total investments and other assets</b>	<b>19,050,947</b>	<b>34.8</b>	<b>3,650,557</b>	<b>10.2</b>	<b>2,714,241</b>	<b>7.9</b>
<b>Total fixed assets</b>	<b>31,853,164</b>	<b>58.2</b>	<b>14,353,791</b>	<b>40.3</b>	<b>13,887,688</b>	<b>40.6</b>
<b>TOTAL ASSETS</b>	<b>54,759,604</b>	<b>100.0</b>	<b>35,653,184</b>	<b>100.0</b>	<b>34,170,479</b>	<b>100.0</b>

**Consolidated Balance Sheets**

(Unit : thousand yen)

Account	Period	3Q 2005	%	3Q 2004	%	Dec 2004	%
<b>LIABILITIES</b>							
I	Current liabilities						
1.	Trade payables	3,635,059		3,488,983		3,571,556	
2.	Short-term borrowings	14,175,008		6,646,009		5,524,508	
3.	Bond	---		-		1,200,000	
4.	Others	2,374,970		2,148,258		2,509,914	
	Total current liabilities	20,185,037	36.9	12,283,250	34.5	12,805,978	37.5
II	Fixed liabilities						
1.	Bond	1,200,000		1,200,000		---	
2.	Convertible Bond	8,000,000		---		---	
3.	Long-term loans	28,294		503,302		370,800	
4.	Deferred tax liabilities	1,018,939		196,982		212,059	
5.	Others	193,764		114,567		221,463	
	Total fixed liabilities	10,440,997	19.0	2,014,851	5.6	804,322	2.3
	Total liabilities	30,626,034	55.9	14,298,101	40.1	13,610,300	39.8
	<b>MINORITY INTEREST</b>	53,934	0.1	-	-	49,196	0.2
<b>SHAREHOLDERS' EQUITY</b>							
I	Paid in capital	6,653,584	12.2	6,597,472	18.5	6,604,072	19.3
II	Capital reserve	6,465,724	11.8	6,409,582	18.0	6,416,181	18.8
III	Retained earnings	11,379,380	20.8	10,590,800	29.7	10,646,801	31.2
IV	Unrealized gains/losses on securities at market valuation	1,185,720	2.2	58,519	0.2	67,762	0.2
V	Cumulative translation adjustments	(1,542,269)	(2.9)	(2,262,319)	(6.4)	(3,183,290)	(9.3)
VI	Treasury stock	(62,503)	(0.1)	(38,971)	(0.1)	(40,543)	(0.2)
	Total shareholders' equity	24,079,636	44.0	21,355,083	59.9	20,510,983	60.0
<b>TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY</b>		54,759,604	100.0	35,653,184	100.0	34,170,479	100.0

**Consolidated Statements of Income**

(Unit : thousand yen)

Account	Period	3rd Quarter				9-month Period (January - September)			
		2005		2004		2005		2004	
		Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
I	Net sales	10,225,167	100.0	9,518,551	100.0	29,349,358	100.0	26,885,323	100.0
II	Cost of sales	7,565,645	74.0	6,732,057	70.7	21,702,739	73.9	19,237,128	71.6
	Gross profit	2,659,522	26.0	2,786,494	29.3	7,646,619	26.1	7,648,195	28.4
III	Selling, general & administrative expenses	1,814,431	17.7	1,750,643	18.4	5,389,556	18.4	4,869,466	18.1
	Operating income	845,091	8.3	1,035,851	10.9	2,257,063	7.7	2,778,729	10.3
IV	Non-operating income (expense)								
	Interest and dividend received	12,547		7,911		35,019		21,639	
	Interest paid	(19,318)		(13,284)		(39,366)		(36,761)	
	Exchange gain (loss)	5,989		35,492		(12,671)		4,239	
	Investment loss on equity method	(75,265)		(94,617)		(306,121)		(212,947)	
	Other non-operating income (expense)	(36,375)		(37,497)		(78,514)		(79,173)	
	Non-operating income (expense)	(112,422)	(1.1)	(101,995)	(1.1)	(401,653)	(1.4)	(303,003)	(1.1)
	Ordinary income	732,669	7.2	933,856	9.8	1,855,410	6.3	2,475,726	9.2
V	Extraordinary income (loss)								
	Gain on sale of fixed assets	0		491		42,728		2,531	
	Gain on sale of Golf club membership	---		---		162		---	
	Gain on sale of securities	81,385		---		81,385		---	
	Gain on warrant deposits received	---		---		---		102,595	
	Loss on disposal of fixed assets	---		(8)		(14,880)		(356)	
	Unrealized loss on golf club membership	---		---		---		(1,150)	
	Loss on factory removal	---		---		---		(116,379)	
	Structural reorganization expenses	---		(57,795)		---		(57,795)	
	Extraordinary income (losses)	81,385	0.8	(57,312)	(0.6)	109,395	0.4	(70,554)	(0.3)
	Income before income taxes	814,054	8.0	876,544	9.2	1,964,805	6.7	2,405,172	8.9
	Income taxes	222,670	2.2	245,431	2.6	677,180	2.3	654,095	2.4
	Minority interest	913	0.0	---	---	4,738	0.0	---	---
	Net income	590,471	5.8	631,113	6.6	1,282,887	4.4	1,751,077	6.5

**Consolidated Statements of Cash Flows**

(Unit:thousand yen)

Account	Period	3rd Quarter		9-month Period (January - September)	
		2005	2004	2005	2004
<b>I. Cash flows from operating activities</b>					
Net income		590,471	631,113	1,282,887	1,751,077
Depreciation and amortization		400,805	404,832	1,150,531	1,139,829
Gain on sale of fixed assets		---	(491)	(42,728)	(2,531)
Loss on disposal of fixed assets		---	8	14,880	356
Changes in account receivable		21,587	(686,810)	85,703	(1,804,484)
Changes in inventories		295,578	(213,748)	410,710	(920,639)
Changes in account payable		(113,363)	429,411	(217,001)	857,731
Others		57,961	135,249	279,488	457,690
Cash flows from operating activities		1,253,039	699,564	2,964,470	1,479,029
<b>II. Cash flows from investing activities</b>					
Purchase of tangible fixed assets		(709,638)	(563,927)	(2,383,489)	(1,259,484)
Proceeds from sale of tangible fixed assets		1,294	1,660	61,595	4,209
Acquisition of new subsidiary		---	---	(292,161)	---
Investment in affiliated company		---	---	(308,790)	---
Investment in securities		(13,873,283)	---	(15,185,188)	---
Proceeds from sale of securities		459,855	---	459,855	---
Purchase of intangible assets		(1,356)	---	(36,927)	---
Others		(1,068,253)	(219,035)	(1,229,544)	(647,073)
Cash flows from investing activities		(15,191,381)	(781,302)	(18,914,649)	(1,902,348)
<b>III. Cash flows from financing activities</b>					
Changes in short-term borrowings		9,850,000	2,714,801	8,850,000	2,714,801
Changes in long-term borrowings		(154,602)	(239,202)	(542,006)	(727,606)
Cash dividends paid		(288,852)	(237,533)	(550,458)	(391,690)
Proceeds from bond issuance		1,188,600	---	9,171,276	---
Repayment of bond		(1,200,000)	---	(1,200,000)	---
Revenue from issuance of stocks		2,039	44,403	98,963	856,627
Others		(1,215)	(14,453)	(21,959)	(17,672)
Cash flows from financing activities		9,395,970	2,268,016	15,805,816	2,434,460
<b>IV. Effect of exchange rate differences on cash and cash equivalents</b>					
		172,957	73,536	374,358	121,010
<b>V. Net increase (decrease) in cash and cash equivalents</b>					
		(4,369,415)	2,259,814	229,995	2,132,151
<b>VI. Cash and cash equivalents at beginning of year</b>					
		9,499,701	4,354,904	4,900,291	4,471,169
<b>VII. Increase in cash and cash equivalents on new subsidiary</b>					
		---	---	---	11,398
<b>VIII. Cash and cash equivalents at end of period</b>					
		5,130,286	6,614,718	5,130,286	6,614,718

## **Overview of Consolidated Business Results for the Third Quarter of 2005**

In the Third Quarter of 2005, while the price of crude oil had continued to spike, the economy of Europe remained stagnant. The federal government policies as to slow down the housing bubble and worrisome inflation had somewhat decelerated the economic growth in the U.S. despite the recovery driven by the impact of Hurricane. The continual exercise of the China Authority to moderate investments had been carried out well ending up in stable growth. Increasing exports from corporate sectors in Japan after the completion of inventory adjustment relating to IT field had pushed up the demand of household sectors stimulating the domestic consumer spending. The Middle East, Russia and Brazil experienced remarkable development in light of the soaring price of the primary commodities like crude oil, copper, iron ore and so on. India with its open policy had been able to attract aggressive investments abroad resulting in expansion to the manufacturing and servicing industries.

Demand of electronic equipments was though cloudy when the set manufacturers were holding off production to ease the inventory-building in the latter half of 2004; it is expected to hop at any time upon the completion of inventory adjustment in conjunction with the robust consumer spending on information-oriented investments and imminent purchasing power from the emerging markets.

Shipment for audiovisual equipments like analog products including radios and stereos was weakened despite the growth of liquid crystal display (LCD) TV and iPod of domestic and abroad. Shipment for personal computer increased 10.3% to 50 million sets in the 1<sup>st</sup> quarter, 14.8% to 49 million sets in the 2<sup>nd</sup> quarter and 17.2% to 55 million sets in the 3<sup>rd</sup> quarter of 2005 compared with the corresponding terms last year. Shipment volume for cellular phones increased 17.5% to 181 million pieces in the 1<sup>st</sup> quarter and 21.6% to 190 million pieces in the 2<sup>nd</sup> quarter compared with a year earlier and is predicted to leap forward with a favorable growth attributable to the desire for replacements in the U.S. and West Europe in addition to the increasing demand from the budding markets such as East Europe including Russia, Poland and Ukraine; Brazil and Central & South America including Mexico; the Middle East and Africa. Moreover, as the new car sales in the globe are undergoing high-level expansion, overall demand for automotive electronic parts and peripherals that optimize safety, comfort and fuel-effectiveness for cars is prospering.

Under such circumstances, Sumida Group has allocated its management resources to the fast-growing fields that include inverters used for flat panel of notebook-sized PC, LCD monitor and liquid crystal TV and electronic parts used for automotive. In the meantime, our Legacy business with many years of wire-winding competency is committed to score growth rates that beat all other players in the industry by introduction of new technology, new products and development of new application.

Overall sales of the Third Quarter of 2005 were up 7.4% from the same term last year to ¥10,225 million. The substantial increase in revenue of Inverter and Automotive plus the satisfactory sales growth of Power Inductor in Legacy were the main drivers of income regardless of the decline in magnetics and OEM production of optical pickups as well as Other including sales from Jensen and Stelco.

Operating income down 18.4% year-on-year to ¥845 million was explained by the additional costs for intake of machineries and new labor for Legacy and the decrease in sales of Automotive to major European customers derived from the depreciation of Euro with increasing R&D expenses despite the climbing operating profit from Inverter. Ordinary income down 21.5% to ¥733 million was imputed to the retreat in exchange gain facing the decreasing investment loss from the equity method. Net income decreased 6.4% to ¥590 million and special gain from the investment in securities.

### Sales by Company

(Million yen, %)

Period Category		3rd Quarter					9-month period (January - September)				
		2005	% of Total	2004	% of Total	% Change	2005	% of Total	2004	% of Total	% Change
Legacy	Power Solution	745	7.3	856	9.0	(13.0)	1,990	6.8	2,581	9.6	(22.9)
	Power Inductor	3,184	31.1	2,871	30.1	10.9	8,754	29.8	7,853	29.2	11.5
	Signal	1,016	9.9	1,018	10.7	(0.2)	2,792	9.5	2,918	10.9	(4.3)
	Sub-total	4,945	48.3	4,745	49.8	4.2	13,536	46.1	13,352	49.7	1.4
Inverter		2,784	27.3	2,551	26.8	9.1	8,254	28.1	6,328	23.5	30.4
Automotive		2,013	19.7	1,558	16.4	29.2	5,829	19.9	4,296	16.0	35.7
Others		483	4.7	664	7.0	(27.3)	1,730	5.9	2,909	10.8	(40.5)
Total		10,225	100.0	9,518	100.0	7.4	29,349	100.0	26,885	100.0	9.2

### Quarterly Sales by Company

(Million yen)

Period Category		2004					2005			
		1Q	2Q	3Q	4Q	YTD	1Q	2Q	3Q	YTD
Legacy	Power Solution	879	846	856	748	3,329	607	638	745	1,990
	Power Inductor	2,250	2,732	2,871	2,626	10,479	2,703	2,867	3,184	8,754
	Signal	888	1,012	1,018	908	3,826	850	926	1,016	2,792
	Sub-total	4,017	4,590	4,745	4,282	17,634	4,160	4,431	4,945	13,536
Inverter		1,708	2,069	2,551	2,716	9,044	2,819	2,651	2,784	8,254
Automotive		1,334	1,404	1,558	1,795	6,091	1,867	1,949	2,013	5,829
Others		1,129	1,116	664	568	3,477	578	669	483	1,730
Total		8,188	9,179	9,518	9,361	36,246	9,424	9,700	10,225	29,349

### Sales by Region

(Million yen, %)

Area \ Period	3rd Quarter					9-month period (January - September)				
	2005	% of Total	2004	% of Total	% Change	2005	% of Total	2004	% of Total	% Change
Japan	2,271	22.2	2,416	25.4	(6.0)	6,884	23.4	6,948	25.8	(0.9)
HK / China	1,946	19.0	2,009	21.1	(3.1)	5,302	18.1	5,533	20.6	(4.2)
ASEAN	789	7.7	748	7.9	5.5	2,202	7.5	2,148	8.0	2.5
Taiwan / Korea	2,379	23.3	1,961	20.6	21.3	7,034	24.0	5,402	20.1	30.2
NAFTA	739	7.2	937	9.8	(21.1)	1,992	6.8	3,040	11.3	(34.5)
EU	2,101	20.6	1,447	15.2	45.2	5,935	20.2	3,814	14.2	55.6
<b>TOTAL</b>	<b>10,225</b>	<b>100.0</b>	<b>9,518</b>	<b>100.0</b>	<b>7.4</b>	<b>29,349</b>	<b>100.0</b>	<b>26,885</b>	<b>100.0</b>	<b>9.2</b>

### Sales by Product Categories

(Million yen, %)

Category \ Period	3rd Quarter					9-month period (January - September)					
	2005	% of Total	2004	% of Total	% Change	2005	% of Total	2004	% of Total	% Change	
Coil Business	AV Coils	979	9.6	1,021	10.7	(4.1)	2,737	9.3	2,572	9.6	6.4
	IT Communications Coils	5,337	52.2	5,079	53.4	5.1	15,327	52.2	13,603	50.6	12.7
	Other Coils	647	6.3	625	6.6	3.5	2,009	6.9	1,732	6.4	16.0
	Automotive	2,663	26.1	2,114	22.2	26.0	7,403	25.2	6,139	22.8	20.6
	<b>TOTAL</b>	<b>9,626</b>	<b>94.2</b>	<b>8,839</b>	<b>92.9</b>	<b>8.9</b>	<b>27,476</b>	<b>93.6</b>	<b>24,046</b>	<b>89.4</b>	<b>14.3</b>
Optoelectronics	71	0.7	400	4.2	(82.3)	195	0.7	1,734	6.5	(88.8)	
Magnetics	86	0.8	279	2.9	(69.2)	330	1.1	1,105	4.1	(70.1)	
New business	442	4.3	---	---	---	1,348	4.6	---	---	---	
<b>TOTAL</b>	<b>10,225</b>	<b>100.0</b>	<b>9,518</b>	<b>100.0</b>	<b>7.4</b>	<b>29,349</b>	<b>100.0</b>	<b>26,885</b>	<b>100.0</b>	<b>9.2</b>	

## Operating income or loss by Company

(Thousand yen, %)

Period & Company	<b>3rd Quarter 2005</b>						
	Legacy	Inverter	Automotive	Other	Total	Elimination	Consolidated
Net sales	4,945,228	2,784,306	2,012,738	482,895	10,225,167	-	10,225,167
Operating expense	2,728,686	2,233,605	1,617,217	404,803	6,984,311	2,395,765	9,380,076
Operating income (loss)	2,216,542	550,701	395,521	78,092	3,240,856	(2,395,765)	845,091
(%)	44.8	19.8	19.7	16.2	31.7	-	8.3

(Thousand yen, %)

Period & Company	<b>3rd Quarter 2004</b>						
	Legacy	Inverter	Automotive	Other	Total	Elimination	Consolidated
Net sales	4,745,903	2,551,459	1,557,952	663,237	9,518,551	-	9,518,551
Operating expense	2,412,368	2,201,596	1,077,418	559,753	6,251,135	2,231,565	8,482,700
Operating income (loss)	2,333,535	349,863	480,534	103,484	3,267,416	(2,231,565)	1,035,851
(%)	49.2	13.7	30.8	15.6	34.3	-	10.9

(Thousand yen, %)

Period & Company	<b>9-month period (January - September) 2005</b>						
	Legacy	Inverter	Automotive	Other	Total	Elimination	Consolidated
Net sales	13,535,821	8,253,913	5,829,141	1,730,483	29,349,358	-	29,349,358
Operating expense	7,345,671	6,931,536	4,395,650	1,404,680	20,077,537	7,014,758	27,092,295
Operating income (loss)	6,190,150	1,322,377	1,433,491	325,803	9,271,821	(7,014,758)	2,257,063
(%)	45.7	16.0	24.6	18.8	31.6	-	7.7

(Thousand yen, %)

Period & Company	<b>9-month period (January - September) 2004</b>						
	Legacy	Inverter	Automotive	Other	Total	Elimination	Consolidated
Net sales	13,352,618	6,328,274	4,295,918	2,908,513	26,885,323	-	26,885,323
Operating expense	6,743,635	5,295,429	2,958,183	2,522,006	17,519,253	6,587,341	24,106,594
Operating income (loss)	6,608,983	1,032,845	1,337,735	386,507	9,366,070	(6,587,341)	2,778,729
(%)	49.5	16.3	31.1	13.3	34.8	-	10.3

## **Business Segment Information**

\* Note:

In explanation of business results in the 3rd 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**

Sales in our legacy business increased 4.2% to ¥4,945 million from a year earlier (or up 3.8% from the same term last year in the local currency). This increase was contributed by the stably expanding sales of Power Inductor, the main pillar of Legacy in spite of limited demand for audiovisual equipments in the aftermath of the Athens Olympics of last year especially for Power Solution and Signal.

Operating income fell 5.0% year-on-year to ¥2,217 million due in part to the excessive depreciation and wages sprung from the installation of new production lines that included acquisition of machineries and equipment and recruitment of labor force to correspond to the imminent business expansion, and in part to the increase in utility and transportation cost resulting from the high crude oil price.

#### a) Power Solution

Sales of power solution were ¥745million, down 13.0% from the same term last year (or down 13.2% from the same term last year in the local currency).

In terms of area, sales improved in China and Europe but decreased in Japan, Hong Kong, the U.S, Singapore and Taiwan. For sales by product used, OA and communication devices increased while the digital cameras, DVD players, audiovisual equipment and automotive-related products declined.

#### b) Power Inductor

Sales of power inductors were up 10.9% year-on-year to ¥3,184 million (or up 10.4% from the same term last year in the local currency).

In terms of area, sales expanded in Japan, Europe, Hong Kong & China, Taiwan and Singapore except for the U.S. only. For sales by product used, PC & PC peripheral devices, AV equipments and digital cameras though increased automotive-related products and communication devices and POS related products declined.

#### c) Signal

Sales of signal totaled ¥1,016 million, down 0.2% from a year earlier (or down 0.6% from the same term last year in the local currency).

In terms of area, sales expanded in the U.S., Europe, Hong Kong and Singapore but reduced in Japan, China and Taiwan. For sales by product used, automotive equipment and animal tag related products increased whereas OA equipments, PC peripheral devices, AV equipments and communication related devices decreased.

### **2. Inverter business**

Sales of inverter leaped to ¥2,784 million, up 9.1% from the year-before figure (or up 8.7% from the previous term in the local currency).

In terms of area, sales advanced stably in China and greatly in Taiwan despite reduction in Japan, Hong Kong, Singapore and Europe. For sales by product used, notebook-sized PC, LCD monitors and was trended up despite the decrease of the recreational devices, automotive equipments and liquid crystal TV. Operating income recorded a 57.4% year-on-year noticeable growth to ¥551 million thanks to the reduction of production costs like raw materials and wages coupled with growing sales.

### **3. Automotive business**

Sales in automotive business reached ¥2,013 million, up 29.2% from the same term last year (up 28.6% from the same term last year in the local currency).

In terms of area, sales marked substantial growth in Japan, Europe, the U.S. and Hong Kong in spite of contraction in China and Singapore. For sales by product used, ABS as the major revenue and keyless entry increased considerably and car air conditioners steadily. Injection coils for the direct-injection engine came to form gradually a very part in sales contribution.

Operating income reduced 17.7% year-on-year to ¥395 million imputed to the declining sales to major European customers derived from the depreciation of Euro, additional depreciation arising from the introduction of new production facilities and other increasing utilities and transportation expenses with respect to the rise of the crude oil price.

### **4. Other business**

Sales in other business decreased to ¥483 million, shrank 27.3% from the same term last year (down 27.6% from the same term last year in the local currency).

Jensen which had started sales since the 2<sup>nd</sup> 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 income dropped 24.5% to ¥78 million from the year-before figure on account of the reduction of revenue.

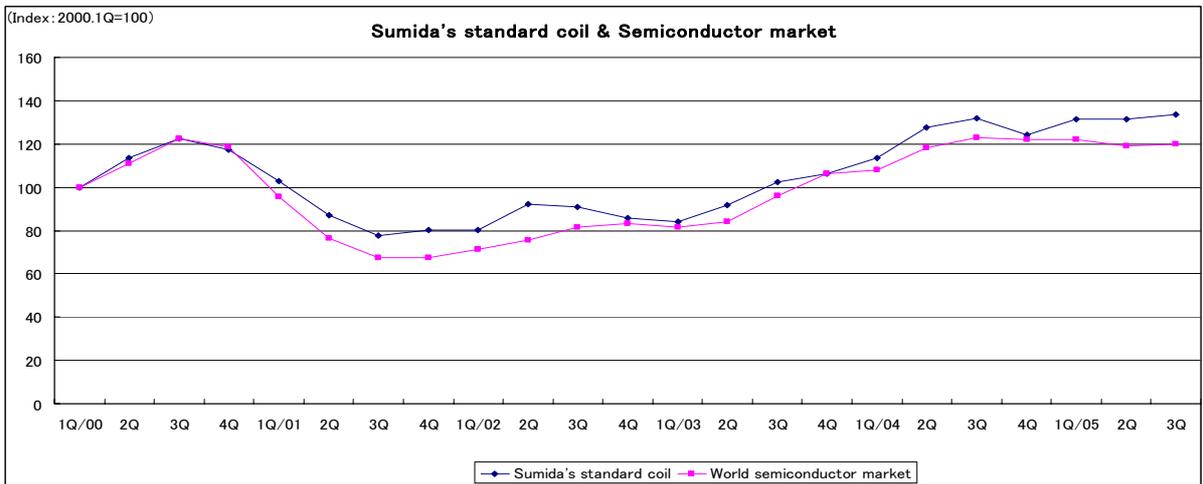
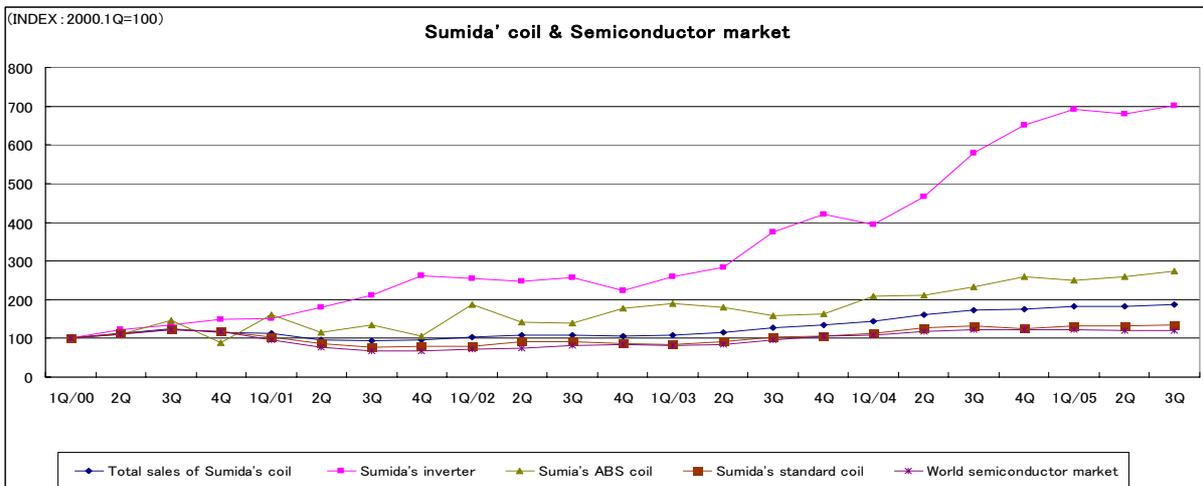
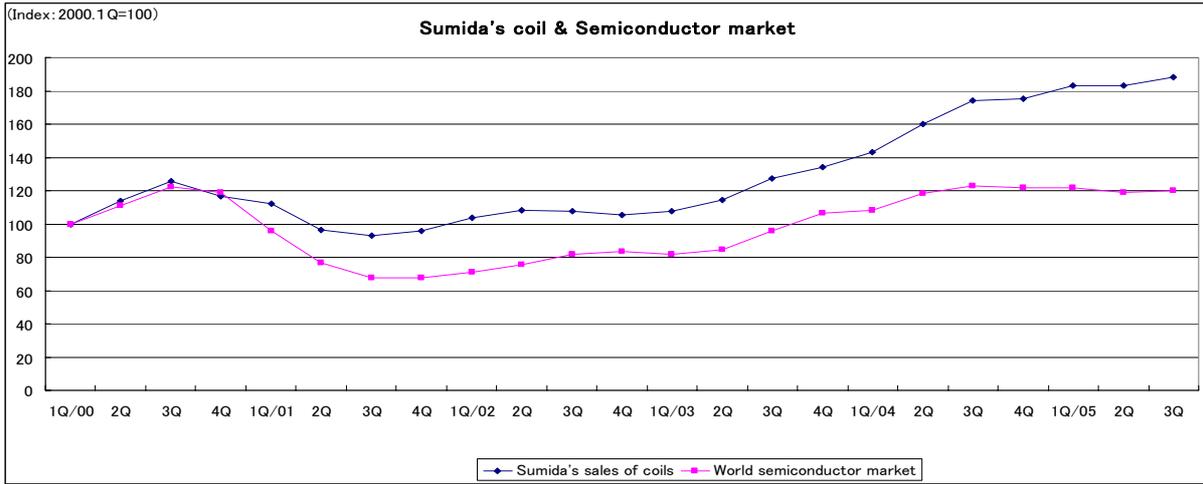
## **Consolidated Business Results for nine months ended September, 2005**

Overall sales from Jan through Sept of 2005 were up 9.2% from the same term last year to ¥29,349 million. The massive sales expansion of Inverter and Automotive coupled with the moderate growth of Power Inductor of the Legacy pushed up the total revenue even with the lower sales from Jensen and Stelco and the removal of Magnetics division and OEM supply section of optical pickups.

Operating income was ¥2,257 million, reduced by 18.8% from the figure in the previous term. The income driven by the rise in sales for Inverter and Automotive businesses and by the improved cost structure specifically with Inverter was hard to compensate for the costs for taking in new machineries and labors, swelling wages, transportation and utility arising from the high crude oil price in Legacy business as well as other intensifying production overhead and selling and administrative expenses mounted with the sales expansion. Ordinary income slid 25.1% year-on-year to ¥1,855 million stemmed rather from the increase of investment loss from the equity method and exchange loss. Net income totaled ¥1,283 million, dropped 26.7% 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. 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.



\*The semiconductor market index based on the data of the Web page of Semiconductor Industry Association, SIA.  
Sumida's estimation for the 3<sup>rd</sup> quarter, 2005.

The comparison between the sales of Coils of Sumida and the worldwide shipment amount of Semi-conductors below is in an effort to explain the present situation of Sumida.

The sales of coils in Sumida Group have been outperforming the market with a growing deviation all these years.

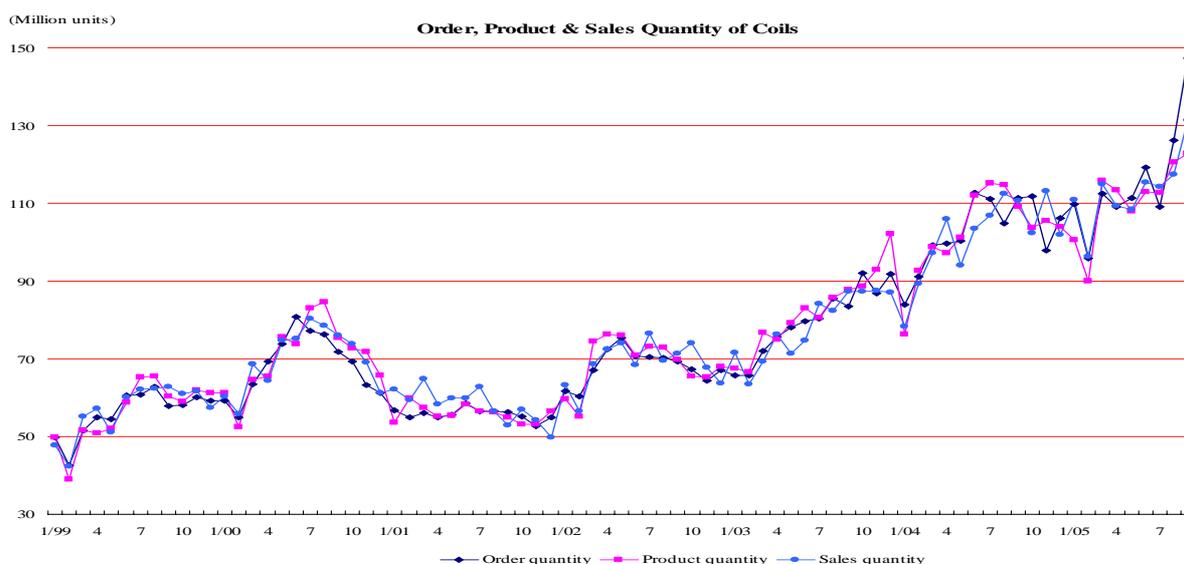
As the graph indicates, the worldwide shipment amount of semi-conductors and sales of Coils of Sumida were both referred to as at Index 100 at the 1<sup>st</sup> quarter of 2000 and moved in line until the 4<sup>th</sup> quarter of the same year. Sales of Coils showed not only relatively more resistant as compared with

the regression of semi-conductors from the 1<sup>st</sup> quarter of 2001 through the 4<sup>th</sup> quarter of 2002 but also performed rather in excess of the semi-conductors shipment after the 1<sup>st</sup> quarter of 2003 as long as the upward trend resumed. Further, the coils of Sumida had been divided into 3 main segments namely Inverter Unit from both Taiwan and Suzhou, ABS coil and General Coil with the purpose of setting up comparison in the like graphs. Sales of Inverter Units and ABS Coils were on the rise whereas General Coil declined during the time of downturn for Semi-conductor. Since the improvement of semi-conductor market from the 1<sup>st</sup> quarter of 2003, expanded sales of inverter units had contributed to the overall sales growth of the coil of Sumida in the background of the full-fledged production and sale in Suzhou of China following the boom of notebook-sized PC, LCD monitors and liquid crystal TV. Sales of ABS coils that once were hindered by the inventory adjustment of major customers in 2003 had been returned to the upward track from the 1<sup>st</sup> quarter of 2004.

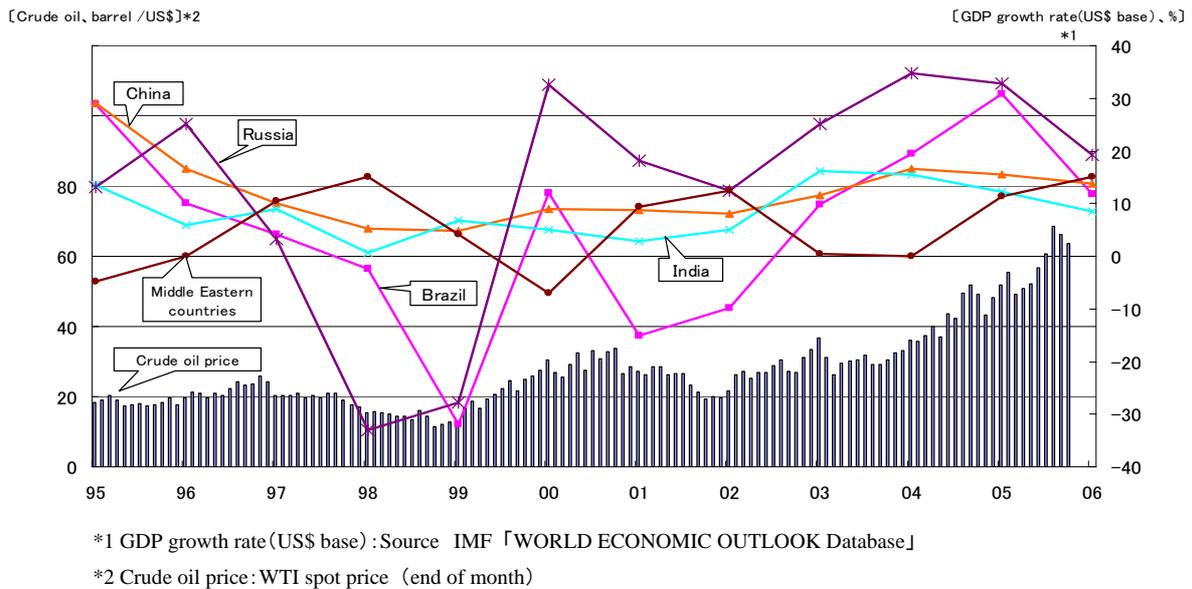
Sales of Inverter unit and general coil (Power Inductor, DC/DC Converter, IFT/RF coils and automotive related parts except ABS coil) though trend towards in line with that of the semi-conductor; sales of general coil appear to stay relatively more stable during the inactive periods for semi-conductor. Coils of Sumida tend to be the custom-made products that featured with capability to adjust electronic circuit and therefore are not so much influenced by market conditions as semi-conductors that compose majority of generic items. Coils of Sumida performed in sync with semi-conductors during the market upturn throughout the year of 2003 and have outstripped the market resulting in greater and greater deviations over time since the 1<sup>st</sup> quarter of 2004. Accordingly, the management-by-product concept, in which the R&D, Production and Sales are all integrated in terms of Power solution, Power Inductor, Signal, Automotive and Inverter, has been introduced in Sumida since 2003 in an attempt to identify the profit-making pillars and permit more effective strategy for individual fields.

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 4<sup>th</sup> quarter of 2004. It sustained at 106 million pieces per month in the 1<sup>st</sup> quarter, 113 million pieces per month in the 2<sup>nd</sup> quarter and 127 million pieces per month on average in the 3rd quarter of 2005. The volume stayed at 109 million pieces in this July, 126 million pieces in August and climbed further to 147 million pieces in September.



The future demand for electronic parts is barely predicted as the environment around the industry ever changes. The Europe market is now stagnant; the US economy decelerates under federal policies to slow down the housing market and inflation while China continues to dampen investment ending in stable growth.



Nevertheless, the consumption in Europe is expected to revive at the end of this year. Some views also supported that the federal government may relieve the tightening policies as a result of the deceleration in the US economy and that China may relax its investment-control extent. Besides, the economy of the emerging nations such as the Middle East, Russia and Brazil is being activated in light of the soaring price of the primary commodities like crude oil, copper, iron ore and so on. The electronic- component market is thus expected to be strongly underpinned by the cumulative purchasing power from these nations in addition to the optimized atmosphere around the globe. The upward trend of the market is estimated to sustain in mid to long term basis in view of the World Cup in Germany in 2006 and Beijing Olympics in 2008.

Amid such business environment, Sumida group, with the Revenue growth rates that outstripped the industrial yardstick, dedicates to focus its management resources on prospective growing fields

### 1. Legacy business

For power solution, sales declined owing to production adjustment on the equipment. 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 portable music player of which the demand is projected to boom especially for cellular phones and game devices. Furthermore, effort is also extended to PDP which integrates more number of Power Inductor. Relating to production, Legacy aims to launch the semi-automation of production by introduction to or development of fine 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. It is also a direction to expand sales of Signal used for animal tag which showed a rapid growth recently.

### 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 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 in future.

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, the vertical integration where some materials are made in-house and refined product design from which the number of parts mounted in a unit are greatly reduced.

### 3. Automotive business

For ABS coil, we are striving to develop new customers and expand sales concurrently to the existing customers. Keyless entry next to ABS coil has become the 2<sup>nd</sup> principal product and 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

STELCO - Consumer spending is expected to gradually resume in Europe starting the end of 2005 in spite of the recent gloomy economy. 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 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 Fourth 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 rapid 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.

Forecast of consolidated business results  
in the fourth quarter of 2005

(from Oct. 1 to Dec. 31, 2005)

Sales	¥10,300M
Ordinary income	750M
Net income	850M

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

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

(from Oct. 1 to Dec. 31, 2004)

Sales	¥9,361M
Ordinary income	652M
Net income	56M