Report by the Board of Directors on the hostile takeover bid from the Japanese Sumida Corp.

Smart solutions for comfort and safety

Board of Directors

Saia-Burgess firmly rejects the hostile takeover bid from the Japanese Sumida Corp.

From left to right:
Dr. Peter Wirth, member
Richard Flury, chairman
Daniel Hirschi, delegate
Philipp Jacobi, member
Prof. Dr. Hans Caspar von der Crone, member

The offer of CHF 950 per share does not reflect a fair price. Saia-Burgess offers greater value as an independent company.

Dear Shareholders

The Board of Directors of Saia-Burgess Electronics Holding AG (“Saia-Burgess”), together with the Group Management and its advisers, has examined in detail the offer from the Japanese Sumida Corp. (“Sumida”) through a German subsidiary, to buy all publicly held registered shares and has compared it with the short and longterm prospects of Saia-Burgess as an independent company. Potential strategic and financial options were included in the evaluation.

As a result, the Board of Directors has unanimously decided to reject this bid because...

1. THE OFFER OF CHF 950 DOES NOT REFLECT A FAIR PRICE FOR THE SAIA-BURGESS SHARE

The premium offered by Sumida is only 2.6 per cent above the share price prior to the publication of the electronic preannouncement and 22 per cent above the average share price during the 30 trading days prior to the legally binding preannouncement. In the majority of cases the standard market premiums for acquiring a controlling interest are higher. For example, Danaher is offering a premium of more than 33 per cent for Leica Geosystems.

Sumida has recognized the value potential offered by Saia-Burgess and now wants to take over the company at a bargain price. The offer of CHF 950 per share, which may appear attractive at first sight, does clearly not reflect the value calculated on the basis of the Saia-Burgess five year plan which forecasts **sales of CHF 1 billion and an EBITA of CHF 100 million for 2008.** Group Management, which has been operating successfully in the past, has consistently demonstrated its ability to meet the targets communicated to the market.

Bank Sarasin sees the fair price for the Saia-Burgess share between CHF 1,050 and CHF 1,200

The Board of Directors commissioned Bank Sarasin & Cie AG, Zurich (“Bank Sarasin”), as an independent investment bank, to examine the fairness of the financial offer from Sumida to Saia-Burgess shareholders and to conduct a corresponding “fairness opinion”. Following a detailed review and analysis Bank Sarasin came to the

conclusion that the financial offer from Sumida does not reflect the fair price of the Saia-Burgess share. Bank Sarasin sets the fair price at CHF 1,050 to CHF 1,200 per share.
The “fairness opinion” established by Bank Sarasin, which is an integral part of this report, can be ordered from Saia-Burgess (T +41 26 672 72 04) or downloaded from the special website www.saia-burgess.com/shareholders.

2. BID PUTS IN DOUBT THE SUCCESSFUL IMPLEMENTATION OF THE GROWTH STRATEGY IN FUTURE

Saia-Burgess has a solid track record of generating internal as well as acquisition-related sales growth which has reached an annual average of 12.2 per cent since the stock market flotation in 1998. Every year Saia-Burgess has successfully acquired and integrated larger and smaller companies.

Board of Directors and Group Management are currently looking at a number of attractive cooperation and acquisition projects. For example, negotiations are well advanced in relation to an acquisition in the USA which would significantly strengthen the market position of Saia-Burgess in the automotive market. The acquisition, which would contribute approx. CHF 65 million in sales, could enable Saia-Burgess to increase its market share in a defined target segment in the USA to around 50 per cent. It has always been part of the Saia-Burgess acquisition strategy to only realize projects that add value to the company and for its shareholders.

However, such plans can only be financed on the basis of the existing, healthy balance sheet. Whether this will still be possible following a takeover by Sumida is questionable from the current viewpoint.

3. GOOD RESULTS FOR THE FIRST HALF OF 2005 CONFIRM THAT SAIA-BURGESS IS ON COURSE

The results of the 2005 first half-year and the prospects for the second half-year confirm that Saia-Burgess is on course to meet its targets. The consolidated sales increased by 13.8 per cent to CHF 314.6 million (same period in the previous year: CHF 276.5 million). The EBITA increased by 4.1 per cent by comparison with the same period in the previous year, to CHF 24.9 million (7.9 per cent of sales) with net income up by 11.2 per cent to CHF 17.8 million.

The integration of the acquisitions made in 2004 is proceeding on schedule and Saia-Burgess is confident to achieve the targets set for 2005, specifically sales growth of around 10 per cent and an improvement in profitability.

4. SYNERGY POTENTIAL IS LACKING AND INDUSTRIAL LOGIC OF PLANNED TAKEOVER IS QUESTIONABLE

The intentions expressed by Sumida with regard to the takeover of Saia-Burgess lack plausibility and industrial logic. There is no identifiable synergy potential between Saia-Burgess and Sumida as there is no common ground between the two companies, neither in the markets they service nor the products they offer nor in the area of research and development.

In 2004 Sumida recorded sales of approx. CHF 425 million, around one quarter less than the sales generated by Saia-Burgess (CHF 568 million). Sumida posted only approx. CHF 60 million of its sales in Europe.

Sumida operates primarily in the consumer electronics area and only an irrelevant part of its sales is achieved in the automotive segment in Japan. Sumida is therefore hardly in a position to provide the contacts necessary to provide access to Japanese automotive manufacturers for Saia-Burgess. This access would have been of some specific value for Saia-Burgess.

In 2004 Sumida generated sales of around CHF 26,500 per employee, whilst the figure per employee for Saia-Burgess was approx. CHF 156,000. This clearly shows that the business models of Sumida and Saia-Burgess could not be more different. Sumida deploys a labour intensive production strategy in low wage countries, primarily in China, whereas Saia-Burgess operates fully automated production facilities for high unit volumes. These two different models are incompatible in the long term.

5. SUMIDA'S FINANCING AND ITS OWN PERFORMANCE EXPOSE SAIA-BURGESS TO HIGH RISK

Sumida has announced that it would finance the takeover exclusively through borrowings. It is difficult to explain how, in the event of a full takeover and with an EBITDA of approx. CHF 50 million (2004), Sumida intends to service debt of around CHF 600 million.

There is concern that the substantial debt service which Sumida would be required to support will also have a negative influence on the further development of Saia-Burgess. The contemplated growth by Saia-Burgess through acquisition appears to be difficult as additional financing capacities will be limited.

In addition, this type of financing can have a detrimental effect on the hard won position of Saia-Burgess as a technology leader since the resources for further developments would be limited. For this reason there are likely to be restrictions on investment in new product solutions for Saia-Burgess customers.

Sumida's financial results offer little comfort. Over the last five years Sumida has only managed an annual average growth rate of 1.9 per cent despite its declared growth strategy. At the same time, the operating income (EBIT) has shown a very inconsistent, volatile picture with falling margins and annual average growth of just 0.7 per cent.

Million JPY	2000	2001	2002	2003	2004	CAGR
Sales	33,575	31,558	34,796	30,537	36,246	1.9%
EBIT	2,574	–1,770	1,685	112	2,650	0.7%
Margin	7.7%	–5.6%	4.8%	0.4%	7.3%	

This has also dragged on the Sumida share price. Since the start of the year, the share has lost approx. 28 per cent and is currently being traded at a 52 week low.

6. SUMIDA'S FINANCING COULD LEAD TO UNEQUAL TREATMENT OF SHAREHOLDERS

As a result of the selected form of finance, Sumida is taking conscious account of the fact that the private shareholders could be faced with a significant tax disadvantage caused by the problem of indirect partial liquidation. Instead of a tax-free capital gain, the sales proceeds less the nominal value may be taxed in the same way as dividend income. This constitutes an unequal treatment of the shareholders since the private shareholder cannot tender his/her shares to Sumida without running the risk of a substantial tax related disadvantage.

7. SUMIDA'S APPROACH IS IRRITATING AND REFLECTS THE EXISTING CULTURAL DIFFERENCES

Sumida's method of approach of submitting a hostile bid for Saia-Burgess without having sought an active dialog with the Board of Directors or Group Management is irritating. Particularly when entering a new market from the geographic and product aspects and with the intention of taking over a company which is larger than its own, you would expect that it would first and foremost seek dialog. Despite public statements that it would seek talks, prior to publication of the offer Sumida avoided a meeting. Saia-Burgess cannot understand why this hostile approach was chosen.

8. SHARE BUY-BACK

In case Sumida withdraws its takeover bid and holds on to less than 33.3 per cent Saia-Burgess shareholding, Saia-Burgess will buy back its own shares up to the equivalent of CHF 50 million, in other words around 8 per cent of the share capital, and use these to finance acquisitions as part of its growth strategy. The buy-back programme will be able to start following the withdrawal of the bid by Sumida, but no later than 4 weeks after the bid has been withdrawn and will be conducted via the regular trading line. The offer will remain open for not more than 12 weeks.

In short, the Board of Directors reaffirms and recommends the following to the shareholders of Saia-Burgess Electronics Holding AG:

The offer of CHF 950 per share, which appears attractive at first sight, does not reflect the fair price for the Saia-Burgess share. This is demonstrated by the "fairness opinion" of Bank Sarasin, which sees the fair price at CHF 1,050 to CHF 1,200 per share.

The financing of the bid by Sumida exclusively through borrowings on the one side significantly jeopardizes the continued successful implementation of the Saia-Burgess growth strategy and, on the other, could lead to inequality of treatment for the shareholders from a tax aspect.

It is not only the financial components of this takeover bid that are unattractive. A takeover of Saia-Burgess by Sumida can also have a negative effect on the customers and employees of Saia-Burgess as well as on Switzerland as an industrial and technology centre.

On no account therefore sell your shares prior to the Extraordinary General Meeting of Shareholders and ensure that you attend this important event on August 30, 2005 in Murten.
Vote against Sumida's proposals or submit a proxy in support of the proposals by the Board of Directors. The aim in particular is to reject the lifting of the restriction on voting rights and to prevent the appointment of board members proposed by Sumida.

Continue to place your trust in the Board of Directors, Group Management and the 3,700 employees of Saia-Burgess and in this way you will be giving them the opportunity to continue pursuing the previous successful path as an independent company.

Richard Flury
Chairman of the Board of Directors

Daniel Hirschi
Delegate of the Board of Directors
and Chief Executive Officer

Additional Information pursuant to Swiss Stock Exchange Law

POSSIBLE CONFLICTS OF INTEREST

The Board of Directors of Saia-Burgess is composed as follows: Richard Flury (chairman and non-executive member), Daniel Hirschi (delegate with executive function), Prof. Dr. Hans Caspar von der Crone (non-executive member), Dr. Peter Wirth (non-executive member) and Philipp Jacobi (non-executive Board member).

The Group Management consists of: Daniel Hirschi (Chief Executive Officer), Preben Sundenaes (Chief Financial Officer), Valeria Poretti-Rezzonico (Director Communication, IR and Marketing), Peter-André Schmid (Director Corporate Services), Marc-Olivier Lorenz (Director Automotive Division), Anthony Smith (Director Industry Division) and Jürgen Lauber (Director Controls Division).

In accordance with Art. 31 O-TB the Board of Directors informs the shareholders as follows:

AGREEMENTS OR OTHER RELATIONSHIPS WITH THE BIDDER

None of the members of the Board of Directors or the Group Management of Saia-Burgess have any contractual agreements or other arrangements with Sumida nor have they entered into any other relationships with Sumida.

ELECTIONS

Neither the Board of Directors nor the Group Management were elected at the request of Sumida. On the contrary: According to the invitation of the extraordinary general meeting of August 30, 2005, Sumida requests that all current members of the Board of Directors resign or are removed by the general meeting and that they are replaced by at least three new Board members only proposed by Sumida.

If the extraordinary general meeting of August 30, 2005, resolves to lift the registration limitation for large shareholders and the Sumida offer becomes unconditional, the current Board will resign with effect as of the completion of the Sumida offer.

CONTRACTUAL ARRANGEMENTS WITH MEMBERS OF THE BOARD OF DIRECTORS OR THE GROUP MANAGEMENT

The agreements with the non-executive Board members and the Group Management remain unchanged independent of the outcome of the Sumida offer. The Board of Directors has no knowledge of possible financial consequences of the offer on the members of the Board of Directors or the Group Management which could constitute a conflict of interest except for the following:
The option plan of Saia-Burgess provides (see paragraph 7.2 of the corporate governance section of the annual report 2004) that if one or more persons acting in concert acquire more than 33 ⅓ per cent of the voting rights in Saia-Burgess, options held by members of the Board of Directors and the employees of Saia-Burgess become immediately exercisable regardless of the corresponding blocking periods and that additional taxes or duties incurred from such premature exercise are to be borne by Saia-Burgess. Blocked options can, therefore, be exercised and tendered into an offer or sold over the stock exchange during the additional acceptance period.

The non-executive members of the Board of Directors hold the following number of options:
Richard Flury: 500 options, of which 400 blocked, Dr. Peter Wirth: 400 options, of which 400 blocked, Prof. Dr. Hans Caspar von der Crone: 500 options, of which 400 blocked und Philipp Jacobi: 100 options of which 100 blocked.

The Group Management holds the following number of options:
Daniel Hirschi: 2,950 options, of which 2,200 blocked, Preben Sundenaes: 2,500 options, of which 1,750 blocked, Valeria Poretti-Rezzonico: 850 options, of which 850 blocked, Peter-André Schmid: 1,625 options, of which 1,250 blocked, Marc-Olivier Lorenz: 1,250 options, of which 1,250 blocked, Anthony Smith: 1,050 options, of which 1,050 blocked, Jürgen Lauber: 750 options, of which 750 blocked. One option entitles to one share. The weighted average exercise price of the options is CHF 518.

In the weeks and months prior to the announcement of the Sumida offer the situation on the capital market did not exclude the possibility that an investor could be interested in the acquisition of Saia-Burges or a substantial minority shareholding in Saia-Burgess. Since Saia-Burgess has a justified interest that the management does not leave the company prematurely and remains with the company for a sufficient time period in order to ensure a transition without friction, the notice periods in the employement agreements with the members of the Group Management have been extended from 12 months to 24 months. The amendment is effective until the second day preceding the 12th calendar month (but not later than June 30, 2007) after the obligation to disclose a shareholding in Saia-Burgess between 20 per cent and 33.3 per cent becomes effective, the obligation to submit a mandatory public tender offer has arisen or a voluntary public tender offer becomes unconditional. If in connection with a takeover an employee is assigned to a position which neither corresponds nor is comparable to the current position, powers, responsibilities or reporting obligations the employee has the right to request to be relieved from his duties after the notice of termination.

Further, none of the members of the Board of Directors and the Group Management are entitled to a severance payment.

MEASURES BY THE BOARD OF DIRECTORS

Since the Board of Directors has unanimously rejected the Sumida offer, no measures were required in respect of the above described possible conflict of interest. The Board of Directors has come to the conclusion that it has no conflict of interest with respect to the Sumida offer.

INTENTIONS OF MAJOR SHAREHOLDERS

According to the knowledge of the Board of Directors the following shareholders are holding more than 5 per cent of the shares in Saia-Burgess by August 4, 2005:

- Sumida 26.12 per cent, plus options for 3.26 per cent further shares
- Deutsche Bank AG 5.802 per cent
- Credit Suisse Group 5.09 per cent

The Board of Directors has no knowledge of the intentions of Deutsche Bank and Credit Suisse. Sumida has published its intentions in its offer prospectus.

As per July 29, 2005, the non-executive members of the Board of Directors and the executive member of the Board of Directors and the Group Management were holding respectively 1,090 and 9,365 Saia-Burgess shares, which corresponds to less than 2 per cent of the share capital of the company.

DEFENSIVE ACTIONS

The Board of Directors is convinced that Saia-Burgess has the best prospects as an indenpendent company in order to continue implement the continuing successful growth strategy. Nevertheless, it does not intend to restrict the shareholders' freedom of choice between the Sumida offer, a potential offer from any third party or the standalone strategy. For this reason, the Board of Directors has resolved not to propose to its shareholders any statutory defense measures which would require a shareholder vote.

FINANCIAL REPORTING

The Board of Directors is not aware of any material adverse change in the company's financial position since the publication of the interim report on August 2, 2005. The interim report is part of this report and can be obtained as German, English or French version from Saia-Burgess (T +41 26 672 72 04) or downloaded from our website www.saia-burgess.com/shareholders.

Richard Flury
Chairman of the Board of Directors

Daniel Hirschi
Delegate of the Board of Directors
and Chief Executive Officer

Indicative timetable

22.07.2005	Publication of the Sumida takeover bid
08.08.2005	Start of the offer period
11.08.2005	Publication of the report by the Saia-Burgess Board of Directors
30.08.2005	Latest date for the submission of a competitor bid
30.08.2005	Extraordinary General Meeting of Shareholders of Saia-Burgess in Murten
02.09.2005	Expiry of the offer period, if not extended
22.09.2005	Expiry of the additional acceptance period, if the offer period is not extended

Further information

If you would like a copy of the "fairness opinion" from Bank Sarasin or the printed 2005 half-year report, or should you have any further questions, or you would like a presentation or a guided tour of the plant, please contact
Valeria Poretti-Rezzonico, Director of Communication, IR and Marketing, Member of the Group Management
T +41 26 672 72 04, F +41 25 672 71 99, v.poretti@saia-burgess.com

Saia-Burgess Electronics Holding AG
Bahnhofstrasse 18, CH-3280 Murten, Switzerland
T +41 26 672 71 11, F +41 26 672 73 33, www.saia-burgess.com/shareholders

Smart solutions for comfort and safety