

CONSOLIDATED FINANCIAL STATEMENTS

(for the Third quarter of fiscal year 2016)

October 28, 2016

Name of Company: **SUMIDA CORPORATION**
 Stock Listing: Tokyo
 Security Code No.: 6817
 (URL <http://www.sumida.com>)

Representative: Shigeyuki Yawata, CEO
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Date of Submission of Quarterly Marketable Securities Filings: November 11, 2016

Date on which Dividend Payments to Commence: November 30, 2016

Supplementary Materials Prepared for the Financial Statements: Yes

Presentation Held to Explain the Quarterly Financial Statements : Yes (for institutional investors and analysts)

(Amounts of less than one million yen are omitted.)

1. Consolidated Operating Results for the Third quarter of FY 2016 (January 1, 2016–September 30, 2016)

(1) Consolidated Operating Results (cumulative)

(Percentages represent changes compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended Sep. 30, 2016	61,401	(6.5)	4,551	22.6	3,870	27.9	2,360	28.7
Nine months ended Sep. 30, 2015	65,698	13.4	3,712	34.1	3,025	28.0	1,834	37.2

	Net income per share (Basic)		Net income per share (Fully diluted)	
	Yen		Yen	
Nine months ended Sep. 30, 2016	101.69		—	
Nine months ended Sep. 30, 2015	79.03		—	

Note: Comprehensive income for the year ended September 30, 2016 : -1,993 million yen (-)

Comprehensive income for the year ended September 30, 2015 : 1,369 million yen (-24.5%)

(2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2016	59,271	16,215	25.1	640.19
As of Dec. 31, 2015	67,876	18,669	25.5	746.93

Reference: Shareholders' equity at September 30, 2016: 14,859 million yen

Shareholders' equity at December 31, 2015: 17,337 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of Third quarter	End of third quarter	End of fiscal year	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended Dec.2015	5.00	5.00	5.00	11.00	26.00
FY ended Dec.2016	6.00	6.00	6.00	-	-
FY ended Dec.2016 (forecast)	-	-	-	6.00	24.00

Note: Whether the dividend forecast under review has been revised: No

3. Forecast of Consolidated Results for FY 2016 (January 1, 2016–December 31, 2016)

(% change figures for revenues, operating income, recurring profit, and net income is presented in comparison with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit Attributable to Owners of Parent		Net income per share
	Millions of yen	%change	Millions of yen	%change	Millions of yen	%change	Millions of yen	%change	yen
Fully year of FY2016	88,000	2.0	4,800	13.3	4,200	26.9	2,500	23.0	107.71

Note: Whether the forecasts for consolidated figures under review have been revised: No

4. Others

(1) Changes in the state of material subsidiaries during the period (changes regarding specific subsidiaries attendant with change in scope of consolidation): None

Newly added: —

Excluded: —

(2) Application of simplified accounting methods and/or special accounting method for preparation of the quarterly consolidated financial statements: Yes

(3) Changes in accounting principles and changes in accounting estimates

(a) Changes in accounting principles: Yes

(b) Changes other than those in (a) above: Yes

(c) Changes in accounting estimates : Yes

(d) Restatement : None

(4) Number of shares issued (common shares)

(a) Number of shares issued at the end of the period (including treasury stock)

Third quarter of FY 2016	23,944,317 shares
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FY 2015	23,944,317 shares
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(b) Number of treasury stock at the end of the period

Third quarter of FY 2016	733,521 shares
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FY 2015	733,166 shares
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(c) Average number of shares issued during the period (six months)

Third quarter of FY 2016	23,210,945 shares
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Third quarter of FY 2015	23,211,248 shares
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Note:

Items related to the status of the implementation of quarterly reviews

At the time of disclosure of these quarterly consolidated financial statements, review procedures were in progress for the quarterly financial statements based on the Financial Instruments and Exchange Act.

Note:

Explanation of the appropriate use of performance forecasts and other related items

Portions of this report that refer to performance forecasts or any other future events are believed to be reasonable under information available at the time of the forecasts. Actual financial results may materially differ from these forecasts due to potential risks and uncertainties.

(1) Consolidated balance sheets

(Unit: Millions of yen)

	As of December 31, 2015	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	3,569	3,096
Notes and accounts receivable - trade	16,998	15,899
Merchandise and finished goods	7,776	5,475
Work in process	1,632	1,439
Raw materials and supplies	4,853	4,278
Income taxes receivable	98	83
Other	3,220	2,540
Allowance for doubtful accounts	(172)	(145)
Total current assets	37,978	32,667
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,128	12,178
Machinery, equipment and vehicles	41,244	36,506
Tools, furniture and fixtures	4,946	4,510
Land	1,368	1,299
Leased assets	1,275	1,108
Construction in progress	2,201	1,714
Accumulated depreciation	(41,488)	(36,791)
Total property, plant and equipment	22,676	20,526
Intangible assets		
Goodwill	1,966	1,479
Other	945	1,003
Total intangible assets	2,912	2,482
Investments and other assets	4,289	3,578
Total non-current assets	29,877	26,588
Deferred assets	20	15
Total assets	67,876	59,271

(Units: Millions of yen)

	As of December 31, 2015	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,042	6,649
Short-term loans payable	6,445	4,067
Current portion of bonds	420	420
Current portion of long-term loans payable	6,104	5,190
Income taxes payable	695	324
Other	4,905	4,218
Total current liabilities	<u>25,614</u>	<u>20,870</u>
Non-current liabilities		
Bonds payable	480	60
Long-term loans payable	19,720	18,848
Net defined benefit liability	1,413	1,217
Other	1,979	2,060
Total non-current liabilities	<u>23,593</u>	<u>22,186</u>
Total liabilities	<u>49,207</u>	<u>43,056</u>
Net assets		
Shareholders' equity		
Capital stock	8,143	8,143
Capital surplus	7,956	7,956
Retained earnings	7,287	9,113
Treasury shares	(1,525)	(1,525)
Total shareholders' equity	<u>21,862</u>	<u>23,688</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	68	50
Deferred gains or losses on hedges	(6)	(6)
Foreign currency translation adjustment	(4,561)	(8,852)
Remeasurements of defined benefit plans	(25)	(21)
Total accumulated other comprehensive income	<u>(4,525)</u>	<u>(8,829)</u>
Subscription rights to shares	73	147
Non-controlling interests	1,258	1,208
Total net assets	<u>18,669</u>	<u>16,215</u>
Total liabilities and net assets	<u>67,876</u>	<u>59,271</u>

(2) Consolidated quarterly statements of income

(Units:Millions of yen)

	Nine months ended Sep. 30, 2015	Nine months ended Sep. 30, 2016
	(Jan.1, 2015 - Sep.30, 2015)	(Jan.1, 2016 - Sep.30, 2016)
Net sales	65,698	61,401
Cost of sales	53,951	49,107
Gross profit	11,747	12,294
Selling, general and administrative expenses		
Freightage and packing expenses	835	710
Employees' salaries and allowances	2,930	2,880
Depreciation	246	208
Research and development expenses	864	953
Other	3,157	2,990
Total selling, general and administrative expenses	8,035	7,743
Operating income	3,712	4,551
Non-operating income		
Interest income	9	11
Gain on valuation of derivatives	1	1
Foreign exchange gains	7	—
Other	45	5
Total non-operating income	64	17
Non-operating expenses		
Interest expenses	413	350
Foreign exchange losses	165	188
Loss on valuation of derivatives	—	9
Other	173	150
Total non-operating expenses	752	698
Ordinary income	3,025	3,870
Extraordinary income		
Gain on sales of non-current assets	29	33
Subsidy income	52	—
Total extraordinary income	82	33
Extraordinary losses		
Loss on sales and retirement of non-current assets	6	24
Loss on disaster	122	—
Loss on sales of investment securities	125	—
Other	33	—
Total extraordinary losses	287	24
Income before income taxes and minority interests	2,820	3,879
Income taxes	860	1,363
Net income	1,960	2,515
Net income attributable to non-controlling interests	125	155
Net income attributable to owners of parent	1,834	2,360

(3) Consolidated statements of comprehensive income

(Units: Millions of yen)

	Nine months ended Sep. 30, 2015 (Jan.1, 2015 - Sep.30, 2015)	Nine months ended Sep. 30, 2016 (Jan.1, 2016 - Sep.30, 2016)
Net income		
Other comprehensive income	1,960	2,515
Valuation difference on available-for-sale securities	(3)	(17)
Deferred gains or losses on hedges	—	(0)
Foreign currency translation adjustment	(671)	(4,495)
Remeasurements of defined benefit plans, net of tax	85	4
Total other comprehensive income	(590)	(4,509)
Comprehensive income	1,369	(1,993)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,243	(1,943)
Comprehensive income attributable to non-controlling interests	126	(49)

(4) Consolidated quarterly statements of cash flows

	(Units:Millions of yen)	
	Nine months ended Sep. 30, 2015	Nine months ended Sep. 30, 2016
	(Jan.1, 2015 - Sep.30, 2015)	(Jan.1, 2016 - Sep.30, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	2,820	3,879
Depreciation	2,824	1,991
Amortization of goodwill	283	260
Interest and dividend income	(11)	(12)
Interest expenses	413	350
Loss (gain) on sales of investment securities	125	(0)
Loss (gain) on valuation of derivatives	(7)	9
Decrease (increase) in notes and accounts receivable - trade	(573)	(1,283)
Decrease (increase) in inventories	(540)	1,186
Increase (decrease) in notes and accounts payable - trade	(771)	680
Other, net	1,287	78
Subtotal	5,849	7,142
Interest and dividend income received	11	12
Interest expenses paid	(433)	(342)
Income taxes paid	(584)	(1,302)
Net cash provided by (used in) operating activities	4,843	5,509
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,247)	(2,883)
Proceeds from sales of property, plant and equipment	79	74
Proceeds from sales of investment securities	100	2
Purchase of shares of subsidiaries and associates	(101)	-
Other, net	(120)	(137)
Net cash provided by (used in) investing activities	(3,289)	(2,944)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,782	(2,050)
Proceeds from long-term loans payable	5,091	4,042
Repayments of long-term loans payable	(5,506)	(3,344)
Redemption of bonds	(4,520)	(420)
Cash dividends paid	(347)	(533)
Other, net	(73)	(61)
Net cash provided by (used in) financing activities	(1,574)	(2,366)
Effect of exchange rate change on cash and cash equivalents	(245)	(669)
Net increase (decrease) in cash and cash equivalents	(266)	(470)
Cash and cash equivalents at beginning of period	3,713	3,538
Cash and cash equivalents at end of period	3,447	3,068

(5) Segment information

Nine months ended Sep. 30, 2015 (Jan. 1, 2015 - Sep. 30, 2015)

	Asia Pacific	EU	Total
	<i>(Millions of yen)</i>	<i>(Millions of yen)</i>	<i>(Millions of yen)</i>
Sales			
(1) Sales to third parties	40,350	25,348	65,698
(2) Inter-segment sales or transfers	2,898	1,270	4,169
Total	43,249	26,618	69,868
Segment profit	3,343	1,806	5,149

Operating income	Amount
	<i>(Millions of yen)</i>
Segment profit	5,149
Elimination or Corporation	(1,437)
Operating income	3,712

Nine months ended Sep. 30, 2015 (Jan. 1, 2016 - Sep. 30, 2016)

	Asia Pacific	EU	Total
	<i>(Millions of yen)</i>	<i>(Millions of yen)</i>	<i>(Millions of yen)</i>
Sales			
(1) Sales to third parties	35,746	25,655	61,401
(2) Inter-segment sales or transfers	3,048	1,174	4,223
Total	38,794	26,830	65,624
Segment profit	4,053	2,098	6,152

Operating income	Amount
	<i>(Millions of yen)</i>
Segment profit	6,152
Elimination or Corporation	(1,600)
Operating income	4,551