

CONSOLIDATED FINANCIAL STATEMENTS

(for the fiscal year 2016.12 ended December 31, 2016)

February 6, 2017

Name of Company: **SUMIDA CORPORATION**
 Stock Listing: Tokyo
 Security Code No.: 6817
 (URL <http://www.sumida.com>)
 Representative: Shigeyuki Yawata, CEO
 Contact: Yoshiyuki Honda, CFO
 Phone: +81-(0) 3-6758-2743
 Date of Annual General Meeting of Shareholders: March 26, 2017
 Date of Submission of Marketable Securities Filings: March 27, 2017
 Date on which Dividend Payments to Commence: March 3, 2016
 Supplementary Materials Prepared for the Financial Statements: Yes
 Presentation Held to Explain the Financial Statements : Yes (for institutional investors and analysts)

(Note: Amounts of less than one million yen are omitted)

1. Consolidated Operating Results for the FY 2016.12 Ended December 31, 2016

(1) Consolidated Operating Results

(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	%
FY ended Dec. 2016	81,052	(6.0)	5,696	34.4	4,805	45.2	3,087	51.9
FY ended Dec. 2015	86,236	11.2	4,237	26.7	3,309	18.2	2,032	50.9

Note: Comprehensive income for the year ended December 31, 2016 : 1,809 million yen (25.4%)
 Comprehensive income for the year ended December 31, 2015 : 1,442 million yen (-61.6%)

	Net income per share (Basic)		Net income per share (Fully diluted)	
	Yen		Yen	
FY ended Dec. 2016	133.02		130.30	
FY ended Dec. 2015	87.55		-	

	Ratio of Net income attributable to owners of parent to Shareholders' Equity		Ratio of Ordinary income to Total Assets		Ratio of Operating Income to Net sales	
	Yen		Yen		Yen	
FY ended Dec. 2016	17.3		7.1		7.0	
FY ended Dec. 2015	12.0		4.8		4.9	

(2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2016	67,034	19,903	27.4	790.14
As of Dec. 31, 2015	67,876	18,669	25.5	746.93

Reference: Shareholders' equity at December 31, 2016: 18,339 millions of yen
 Shareholders' equity at December 31, 2015: 17,337 millions of yen

(3) Results of cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Balance of Cash and Cash Equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY ended Dec. 2016	7,774	(4,445)	(3,016)	3,546
FY ended Dec. 2015	5,515	(4,366)	(1,054)	3,538

2. Dividends

	Dividends per Share					Total Dividends (Annual)	Dividend Ratio (Consolidated)	Ratio of Dividends to Net Assets
	End of First Quarter	End of Second	End of Third Quarter	End of Fiscal Year	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY ended Dec. 2015	5.00	5.00	5.00	11.00	26.00	603	29.7	3.0
FY ended Dec. 2016	6.00	6.00	6.00	16.00	34.00	789	25.6	4.4
FY ending Dec. 2017 (Forecast)	6.00	6.00	6.00	6.00	24.00		16.9	

Note: Whether the dividend forecast under review has been revised: Yes

*The dividend of 4th quarter FY2016 is decided in the board of directors of February 21, 2017.

3. Forecast of Consolidated Results for FY 2017.12 (January 1, 2017–December 31, 2017)

(% 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
FY2017	86,700	-	5,900	-	5,100	-	3,300	-	142.18

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) 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
- (3) Number of shares issued (common shares)
 (a) Number of shares issued at the end of the period (including treasury stock)
 FY 2016 23,944,317 shares
 FY 2015 23,944,317 shares
 (b) Number of treasury stock at the end of the period
 FY 2016 733,599 shares
 FY 2015 733,166 shares
 (c) Average number of shares issued during the period:
 FY 2016 23,210,897 shares
 FY 2015 23,211,227 shares

(Additional Information)

Non-Consolidated Operating Results for the FY 2016.12 Ended December 31, 2016

(1) Non-consolidated results of operations

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

	Net sales		Operating income		Ordinary income		Net income	
	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%
FY ended Dec. 2016	1,524	(44.1)	686	(66.1)	589	(67.7)	1,120	(34.0)
FY ended Dec. 2015	2,727	17.5	2,024	12.9	1,828	17.4	1,698	33.6

	Net income per share (Basic)		Net income per share (Fully diluted)	
	<i>Yen</i>		<i>Yen</i>	
FY ended Dec. 2016	48.27		47.29	
FY ended Dec. 2015	73.16		-	

(2) Non-consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	<i>Millions of yen</i>	<i>Millions of yen</i>	%	<i>Yen</i>
As of Dec. 31, 2016	44,100	19,834	44.6	847.13
As of Dec. 31, 2015	45,682	19,283	42.1	827.63

Reference: Shareholders' equity at December 31, 2016: 19,662 millions of yen
 Shareholders' equity at December 31, 2015: 19,210 millions of yen

*Items related to the status of the implementation of auditing procedures

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

*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 December 31, 2016
Assets		
Current assets		
Cash and deposits	3,569	3,577
Notes and accounts receivable - trade	16,998	17,026
Merchandise and finished goods	7,776	7,058
Work in process	1,632	1,724
Raw materials and supplies	4,853	4,834
Deferred tax assets	569	428
Income taxes receivable	98	191
Other	2,650	2,465
Allowance for doubtful accounts	(172)	(157)
Total current assets	37,978	37,148
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,128	13,514
Machinery, equipment and vehicles	41,244	41,915
Tools, furniture and fixtures	4,946	5,006
Land	1,368	1,356
Leased assets	1,275	1,203
Construction in progress	2,201	1,980
Accumulated depreciation	(41,488)	(41,385)
Total property, plant and equipment	22,676	23,591
Intangible assets		
Goodwill	1,966	1,505
Leasehold right	618	688
Software	154	250
Software in progress	5	—
Other	167	163
Total intangible assets	2,912	2,608
Investments and other assets		
Investment securities	241	232
Deferred tax assets	2,882	2,285
Other	1,288	1,281
Allowance for doubtful accounts	(123)	(121)
Total investments and other assets	4,289	3,678
Total non-current assets	29,877	29,877
Deferred assets		
Business commencement expenses	5	2
Share issuance cost	2	0
Bond issuance cost	12	5
Total deferred assets	20	8
Total assets	67,876	67,034

(Units: Millions of yen)

	As of December 31, 2015	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,042	8,221
Short-term loans payable	6,445	3,672
Current portion of bonds	420	420
Current portion of long-term loans payable	6,104	8,666
Accounts payable - other	1,360	1,321
Accrued expenses	2,505	2,831
Income taxes payable	695	422
Deferred tax liabilities	6	—
Other	1,033	973
Total current liabilities	25,614	26,529
Non-current liabilities		
Bonds payable	480	60
Long-term loans payable	19,720	17,196
Deferred tax liabilities	649	622
Net defined benefit liability	1,413	1,406
Lease obligations	634	523
Other	695	792
Total non-current liabilities	23,593	20,602
Total liabilities	49,207	47,131
Net assets		
Shareholders' equity		
Capital stock	8,143	8,143
Capital surplus	7,956	7,956
Retained earnings	7,287	9,701
Treasury shares	(1,525)	(1,525)
Total shareholders' equity	21,862	24,276
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	68	62
Deferred gains or losses on hedges	(6)	0
Foreign currency translation adjustment	(4,561)	(5,908)
Remeasurements of defined benefit plans	(25)	(91)
Total accumulated other comprehensive income	(4,525)	(5,936)
Subscription rights to shares	73	172
Non-controlling interests	1,258	1,391
Total net assets	18,669	19,903
Total liabilities and net assets	67,876	67,034

Consolidated statements of income

(Unit: Millions of yen)

	FY 2015.12	FY 2016.12
	(Jan. 1, 2015 - Dec. 31, 2015)	(Jan. 1, 2016 - Dec. 31, 2016)
Net sales	86,236	81,052
Cost of sales	71,295	64,934
Gross Income	14,941	16,118
Selling, general and administrative expenses		
Freightage and packing expenses	1,106	931
Provision of allowance for doubtful accounts	1	1
Retirement benefit expenses	118	3
Employees' salaries and allowances	3,907	3,807
Depreciation	333	320
Research and development expenses	1,178	1,214
Other	4,057	4,142
Total selling, general and administrative expenses	10,703	10,421
Operating income	4,237	5,696
Non-operating income		
Interest income	13	14
Dividend income	2	1
Gain on valuation of derivatives	8	-
Gain on sales of investment securities	0	-
Subsidy income	10	-
Other	52	10
Total non-operating income	87	26
Non-operating expenses		
Interest expenses	550	470
Foreign exchange losses	188	217
Commission fee	85	84
Loss on valuation of derivatives	-	4
Other	191	140
Total non-operating expenses	1,016	917
Ordinary income	3,309	4,805
Extraordinary income		
Gain on sales of non-current assets	41	35
Insurance income	37	-
Subsidy income	52	-
Total extraordinary income	132	35
Extraordinary losses		
Loss on sales and retirement of non-current assets	73	35
Business structure improvement expenses	40	-
Loss on disaster	166	-
Loss on sales of investment securities	125	-
Other	103	-
Total extraordinary losses	508	35
Income before income taxes	2,932	4,805
Income taxes - current	1,164	1,011
Income taxes - deferred	(421)	527
Total income taxes	743	1,539
Income	2,188	3,265
Income attributable to non-controlling interests	156	178
Income attributable to owners of parent	2,032	3,087

Consolidated statements of comprehensive income

(units: Millions of yen)

	FY 2015.12	FY 2016.12
	(Jan. 1, 2015 - Dec. 31, 2015)	(Jan. 1, 2016 - Dec. 31, 2016)
Income	2,188	3,265
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(6)
Deferred gains or losses on hedges	(6)	6
Foreign currency translation adjustment	(870)	(1,394)
Remeasurements of defined benefit plans, net of tax	131	(62)
Total other comprehensive income	(746)	(1,456)
Comprehensive income	1,442	1,809
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,277	1,675
Comprehensive income attributable to non-controlling interests	164	133

Consolidated statements of changes in net assets

FY2015.12 (Jan. 1, 2015 - Dec. 31, 2015)

(Unit: Millions of yen)

	Net assets				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,143	7,956	5,719	(1,524)	20,294
Changes of items during period					
Dividends of surplus			(464)		(464)
Income attributable to owners of parent			2,032		2,032
Purchase of treasury share				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,567	(0)	1,567
Net assets	8,143	7,956	7,287	(1,525)	21,862

	Net assets							
	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	68	-	(3,687)	(152)	(3,770)	-	1,200	17,724
Changes of items during period								
Dividends of surplus								(464)
Income attributable to owners of parent								2,032
Purchase of treasury share								(0)
Net changes of items other than shareholders' equity	(0)	(6)	(874)	126	(754)	73	57	(622)
Total changes of items during period	(0)	(6)	(874)	126	(754)	73	57	944
Net assets	68	(6)	(4,561)	(25)	(4,525)	73	1,258	18,669

FY2016.12 (Jan. 1, 2016 - Dec. 31, 2016)

(Unit: Millions of yen)

	Net assets				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	8,143	7,956	7,286	(1,525)	21,862
Changes of items during period					
Purchase of shares of consolidated subsidiaries		(0)			(0)
Dividends of surplus			(673)		(673)
Income attributable to owners of parent			3,087		3,087
Purchase of treasury share				(0)	(0)
Disposal of treasury share			(0)	0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(0)	2,414	(0)	2,414
Net assets	8,143	7,956	9,701	(1,525)	24,276

	Net assets								
	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income				
Balance at beginning of current period	68	(6)	(4,561)	(25)	(4,525)	73	1,258	18,669	
Changes of items during period									
Purchase of shares of consolidated subsidiaries								(0)	
Dividends of surplus								(673)	
Income attributable to owners of parent								3,087	
Purchase of treasury share								(0)	
Disposal of treasury share								0	
Net changes of items other than shareholders' equity	(6)	6	(1,346)	(65)	(1,411)	98	133	(1,180)	
Total changes of items during period	(6)	6	(1,346)	(65)	(1,411)	98	133	1,233	
Net assets	62	0	(5,908)	(91)	(5,936)	172	1,391	19,903	

Consolidated statements of cash flows

(units: Millions of yen)

	FY 2015.12	FY 2016.12
	(Jan. 1, 2015 - Dec. 31, 2015)	(Jan. 1, 2016 - Dec. 31, 2016)
Cash flows from operating activities		
Income before income taxes	2,932	4,805
Depreciation	3,830	2,700
Amortization of goodwill	376	343
Increase (decrease) in net defined benefit liability	(18)	49
Interest and dividend income	(15)	(16)
Interest expenses	550	470
Loss (gain) on sales of investment securities	125	(0)
Loss (gain) on valuation of derivatives	(8)	4
Business structure improvement expenses	40	-
Loss (gain) on sales and retirement of non-current assets	32	0
Decrease (increase) in notes and accounts receivable - trade	(653)	(723)
Decrease (increase) in inventories	(750)	17
Increase (decrease) in notes and accounts payable - trade	(646)	1,433
Decrease (increase) in accounts receivable - other	234	(103)
Increase (decrease) in accounts payable - other	154	(211)
Other, net	735	831
Subtotal	<u>6,919</u>	<u>9,600</u>
Interest and dividend income received	15	16
Interest expenses paid	(534)	(447)
Income taxes paid	(884)	(1,394)
Net cash provided by (used in) operating activities	<u>5,515</u>	<u>7,774</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,378)	(4,350)
Proceeds from sales of property, plant and equipment	141	96
Purchase of intangible assets	(70)	(157)
Purchase of shares of subsidiaries and associates	(106)	-
Purchase of investment securities	(3)	(3)
Proceeds from sales of investment securities	102	2
Other, net	(51)	(31)
Net cash provided by (used in) investing activities	<u>(4,366)</u>	<u>(4,445)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,081	(2,766)
Proceeds from long-term loans payable	8,112	6,879
Repayments of long-term loans payable	(6,168)	(5,955)
Repayments of finance lease obligations	(94)	(80)
Redemption of bonds	(4,520)	(420)
Cash dividends paid	(464)	(672)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	<u>(1,054)</u>	<u>(3,016)</u>
Effect of exchange rate change on cash and cash equivalents	(268)	(306)
Net increase (decrease) in cash and cash equivalents	<u>(174)</u>	<u>7</u>
Cash and cash equivalents at beginning of period	<u>3,713</u>	<u>3,538</u>
Cash and cash equivalents at end of period	<u>3,538</u>	<u>3,546</u>

【Business segment information】

	Year ended December 31, 2015				Consolidated
	Asia Pacific Business	EU Business	Total	Elimination or corporate	
	<i>(Millions of yen)</i>				
Sales					
Sales to third parties	52,794	33,442	86,236	-	86,236
Inter-segment sales or transfers	3,891	1,624	5,515	(5,515)	-
Total sales	56,685	35,066	91,752	(5,515)	86,236
Operating income(loss)	4,127	2,134	6,261	(2,024)	4,237
Total assets	43,776	29,426	73,202	(5,325)	67,876
Depreciation	2,558	1,164	3,723	106	3,830
Amortization of goodwill	37	338	376	-	376
Increase in property, plant and equipment and intangible assets	2,035	2,337	4,372	75	4,448

	Year ended December 31, 2016				Consolidated
	Asia Pacific Business	EU Business	Total	Elimination or corporate	
	<i>(Millions of yen)</i>				
Sales					
Sales to third parties	47,827	33,225	81,052	-	81,052
Inter-segment sales or transfers	4,305	1,537	5,842	(5,842)	-
Total sales	52,132	34,763	86,895	(5,842)	81,052
Operating income(loss)	5,227	2,596	7,824	(2,127)	5,696
Total assets	41,951	27,864	69,816	(2,782)	67,034
Depreciation	1,526	1,073	2,599	100	2,700
Amortization of goodwill	37	305	343	-	343
Increase in property, plant and equipment and intangible assets	2,579	1,850	4,429	78	4,508