

CONSOLIDATED FINANCIAL STATEMENTS

(for the Second quarter of fiscal year 2016)

July 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: August 10, 2016

Date on which Dividend Payments to Commence: August 26, 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 Second quarter of FY 2016 (January 1, 2016–June 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	%
2nd Quarter of FY2016	41,525	(4.6)	2,845	27.7	2,339	23.2	1,581	47.8
2nd Quarter of FY2015	43,546	15.7	2,227	67.2	1,899	92.7	1,069	55.7

	Net income per share (Basic)		Net income per share (Fully diluted)	
	Yen		Yen	
2nd Quarter of FY2016	68.12		—	
2nd Quarter of FY2015	46.10		—	

Note: Comprehensive income for the year ended June 30, 2016 : -2,344 million yen (-)

Comprehensive income for the year ended June 30, 2015 : 1,279 million yen (-)

(2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Jun. 30, 2016	59,817	15,893	24.4	628.73
As of Dec. 31, 2015	67,876	18,669	25.5	746.93

Reference: Shareholders' equity at June 30, 2016: 14,539 million yen

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

2. Dividends

	Dividend per share				
	End of first quarter	End of second 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	-	-	-	-
FY ended Dec.2016 (forecast)	-	6.00	6.00	6.00	24.00

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

*The dividend of 2nd quarter FY2016 is decided in the board of directors of July 28, 2016.

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	14.2	4,200	25.0	2,500	27.6	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)

Second 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

Second quarter of FY 2016	733,350 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)

Second quarter of FY 2016	23,210,988 shares
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Second quarter of FY 2015	23,211,277 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 June 30, 2016
Assets		
Current assets		
Cash and deposits	3,569	3,575
Notes and accounts receivable - trade	16,998	15,511
Merchandise and finished goods	7,776	5,756
Work in process	1,632	1,453
Raw materials and supplies	4,853	4,334
Income taxes receivable	98	83
Other	3,220	2,546
Allowance for doubtful accounts	(172)	(147)
Total current assets	37,978	33,112
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,128	12,298
Machinery, equipment and vehicles	41,244	36,493
Tools, furniture and fixtures	4,946	4,469
Land	1,368	1,296
Leased assets	1,275	1,118
Construction in progress	2,201	1,404
Accumulated depreciation	(41,488)	(36,755)
Total property, plant and equipment	22,676	20,324
Intangible assets		
Goodwill	1,966	1,576
Other	945	996
Total intangible assets	2,912	2,573
Investments and other assets	4,289	3,783
Total non-current assets	29,877	26,680
Deferred assets	20	24
Total assets	67,876	59,817

(Units: Millions of yen)

	As of December 31, 2015	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,042	6,473
Short-term loans payable	6,445	6,456
Current portion of bonds	420	420
Current portion of long-term loans payable	6,104	5,603
Income taxes payable	695	217
Other	4,905	4,011
Total current liabilities	<u>25,614</u>	<u>23,181</u>
Non-current liabilities		
Bonds payable	480	270
Long-term loans payable	19,720	17,291
Net defined benefit liability	1,413	1,229
Other	1,979	1,951
Total non-current liabilities	<u>23,593</u>	<u>20,743</u>
Total liabilities	<u>49,207</u>	<u>43,924</u>
Net assets		
Shareholders' equity		
Capital stock	8,143	8,143
Capital surplus	7,956	7,956
Retained earnings	7,287	8,473
Treasury shares	(1,525)	(1,525)
Total shareholders' equity	<u>21,862</u>	<u>23,048</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	68	42
Deferred gains or losses on hedges	(6)	(9)
Foreign currency translation adjustment	(4,561)	(8,466)
Remeasurements of defined benefit plans	(25)	(21)
Total accumulated other comprehensive income	<u>(4,525)</u>	<u>(8,455)</u>
Subscription rights to shares	73	122
Non-controlling interests	1,258	1,177
Total net assets	<u>18,669</u>	<u>15,893</u>
Total liabilities and net assets	<u>67,876</u>	<u>59,817</u>

(2) Consolidated quarterly statements of income

(Units:Millions of yen)

	First three month of FY2015 (Jan.1, 2015 - Jun.30, 2015)	First three month of FY2016 (Jan.1, 2016 - Jun.30, 2016)
Net sales	43,546	41,525
Cost of sales	36,034	33,466
Gross profit	7,512	8,058
Selling, general and administrative expenses		
Freightage and packing expenses	544	481
Employees' salaries and allowances	1,932	1,980
Depreciation	160	102
Research and development expenses	614	596
Other	2,032	2,053
Total selling, general and administrative expenses	5,284	5,213
Operating income	2,227	2,845
Non-operating income		
Interest income	6	6
Gain on valuation of derivatives	10	—
Foreign exchange gains	2	—
Other	35	3
Total non-operating income	55	11
Non-operating expenses		
Interest expenses	273	239
Foreign exchange losses	—	168
Loss on valuation of derivatives	—	8
Other	110	99
Total non-operating expenses	384	517
Ordinary income	1,899	2,339
Extraordinary income		
Gain on sales of non-current assets	23	21
Subsidy income	52	—
Total extraordinary income	76	21
Extraordinary losses		
Loss on sales and retirement of non-current assets	6	16
Loss on disaster	94	—
Loss on sales of investment securities	125	—
Other	33	—
Total extraordinary losses	260	16
Income before income taxes and minority interests	1,715	2,344
Income taxes	571	658
Net income	1,143	1,685
Net income attributable to non-controlling interests	73	104
Net income attributable to owners of parent	1,069	1,581

(3) Consolidated statements of comprehensive income

(Units: Millions of yen)

	First half of FY2015 (Jan.1, 2015 - Jun.30, 2015)	First half of FY2016 (Jan.1, 2016 - Jun.30, 2016)
Net income	1,143	1,685
Other comprehensive income		
Valuation difference on available-for-sale securities	11	(25)
Deferred gains or losses on hedges	—	(3)
Foreign currency translation adjustment	59	(4,005)
Remeasurements of defined benefit plans, net of tax	64	4
Total other comprehensive income	135	(4,030)
Comprehensive income	1,279	(2,344)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,152	(2,349)
Comprehensive income attributable to non-controlling interests	126	4

(4) Consolidated quarterly statements of cash flows

	(Units:Millions of yen)	
	First half of FY2015	First half of FY2016
	(Jan.1, 2015 - Jun.30, 2015)	(Jan.1, 2016 - Jun.30, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	1,715	2,344
Depreciation	1,948	1,357
Amortization of goodwill	187	178
Interest and dividend income	(7)	(7)
Interest expenses	273	239
Loss (gain) on sales of investment securities	125	(0)
Loss (gain) on valuation of derivatives	(10)	8
Decrease (increase) in notes and accounts receivable - trade	(1,406)	(694)
Decrease (increase) in inventories	(42)	979
Increase (decrease) in notes and accounts payable - trade	(126)	443
Other, net	505	(346)
Subtotal	3,163	4,503
Interest and dividend income received	7	7
Interest expenses paid	(271)	(231)
Income taxes paid	(398)	(892)
Net cash provided by (used in) operating activities	2,500	3,386
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,264)	(1,747)
Proceeds from sales of property, plant and equipment	53	57
Proceeds from sales of investment securities	100	2
Purchase of shares of subsidiaries and associates	(99)	-
Other, net	(75)	(79)
Net cash provided by (used in) investing activities	(2,285)	(1,767)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	231	317
Proceeds from long-term loans payable	5,091	1,500
Repayments of long-term loans payable	(3,288)	(2,140)
Redemption of bonds	(2,210)	(210)
Cash dividends paid	(231)	(393)
Other, net	(52)	(41)
Net cash provided by (used in) financing activities	(459)	(968)
Effect of exchange rate change on cash and cash equivalents	19	(643)
Net increase (decrease) in cash and cash equivalents	(225)	7
Cash and cash equivalents at beginning of period	3,713	3,538
Cash and cash equivalents at end of period	3,487	3,546

(5) Segment information

For the first half ended June 30, 2015 (Jan. 1, 2015 - Jun. 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	27,191	16,354	43,546
(2) Inter-segment sales or transfers	1,852	852	2,704
Total	29,043	17,207	46,251
Segment profit	2,129	1,002	3,131

Operating income	Amount
	<i>(Millions of yen)</i>
Segment profit	3,131
Elimination or Corporation	(903)
Operating income	2,227

For the first half ended June 30, 2016 (Jan. 1, 2016 - Jun. 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	23,985	17,540	41,525
(2) Inter-segment sales or transfers	1,934	797	2,732
Total	25,920	18,337	44,257
Segment profit	2,523	1,319	3,843

Operating income	Amount
	<i>(Millions of yen)</i>
Segment profit	3,843
Elimination or Corporation	(998)
Operating income	2,845