

Summary of Consolidated Financial Results

For the 2nd Quarter Ended September 30, 2016(Japanese Accounting Standards)

October 28, 2016

Company name: Fuji Nihon Seito Corporation Listing: The 2nd Section of Tokyo Stock Exchange
 Stock code: 2114 <http://www.fnsugar.co.jp>
 Company Representative: Yoshikazu Funakoshi President and Chief Executive Officer
 Contact person in charge: Masahiro Sazuka, Director & Managing Executive Officer, Division Head of Administration
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 Planned date for submission of quarterly report: November 10, 2016
 Planned date to start dividend payment: N/A
 Preparation of supplementary material for quarterly financial statements: None
 Briefing session for quarterly financial statements: None

(Rounded down to millions of Japanese yen)

1. Consolidated Financial Results for the 2nd Quarter Ended September 30, 2016 (April 1, 2016 - September 30, 2016)

(1) Consolidated Results of Operations (Percentages are shown as year-on-year changes)

	Net sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2016	9,825	(1.4)	442	(26.9)	522	(10.7)	378	(1.9)
September 30, 2015	9,962	1.4	605	64.9	584	17.8	385	15.2

Note: Comprehensive income
 2nd quarter ended September 30, 2016: 89 million yen (-%)
 2nd quarter ended September 30, 2015: 61 million yen (-%)

	Net Profit per Share	Diluted net Profit per Share
	Yen	Yen
September 30, 2016	14.09	—
September 30, 2015	14.37	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2016	22,282	15,734	70.9
As of March 31, 2016	22,510	15,887	69.7

(Reference) Shareholders' Equity: As of September 30, 2016: 15,794 million yen As of March 31, 2016: 15,687 million yen

2. Cash Dividends

	Cash Dividend per Share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
For the year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2016	—	0.00	—	9.00	9.00
March 31, 2017	—	—	—	—	—
Year ended March 31, 2017(forecast)	—	0.00	—	10.00	10.00

Note: Revision of the dividend forecast announced most recently: None

3. Consolidated Financial Forecasts for the Fiscal Year Ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(Percentages are shown as year-on-year changes)

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owner of parent		Net Profit per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Year ending March 31, 2017	20,500	6.1	1,000	4.3	1,100	14.8	750	20.2	27.93

Note: Revision of the financial forecasts announced most recently: None

※ Notes

(1) Significant changes in subsidiaries during the 2nd quarter of fiscal year 2016

(Change in specified subsidiaries resulting in change of scope of consolidation): None

(2) Adoption of accounting method unique to present quarterly consolidated financial statements: None

(3) Changes in accounting policy, accounting estimates and restatement

(i) Changes in accounting policy due to any revision of accounting standards: Yes (See Page 3)

(ii) Changes in accounting policy other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of outstanding shares (common shares)

Unit: 1 share

(i) Number of outstanding shares at the period end (including treasury stocks)	As of September 30, 2016	29,748,200	As of March 31, 2016	29,748,200
(ii) Number of treasury stocks at the period end	As of September 30, 2016	2,895,793	As of March 31, 2016	2,895,754
(iii) Average number of shares during the period (from the beginning of fiscal year to the period end)	As of September 30, 2016	26,852,417	As of September 30, 2015	26,852,609

※ Summary of Consolidated Financial Results for the 2nd quarter is exempt from the quarterly audit review before this disclosure.

※ Explanation on appropriate use of business forecasts, and other special notes:

Business forecasts and other forward - looking statements contained in this report and supplementary materials are based on information currently available to the Company and on certain assumptions deemed as rational, and are not intended to guarantee the achievements by the Company. Actual results may differ significantly from such forecasts due to various volatile factors. For assumptions used for business forecasts and notes in using such forecasts, please refer to "(3) Qualitative information regarding consolidated business forecasts" in "1. Qualitative Information Regarding the Results for the 2nd Quarter of Fiscal Year 2016" on the page 3 of the Appendix.

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1. The Results for the 2nd Quarter of Fiscal Year 2016

(1) Operating Results (consolidated)

During the 2nd quarter of fiscal year 2016, the Japanese economy continued uncertain situation due to sluggish business earning recovery by continuing strong yen. However it moderate recovery because of improvement of employment and income supported by finance and monetary policy of Government and Bank of Japan.

The sugar refining industry has been tough situation under the decrease in consumption due to market price rise of raw sugar at overseas markets and hitting popularity of alternative sweetened preparations, isomerized sugar and other sweeteners.

Under these economic environments, our Group made effort to maintain stable supply on sugar, with maintain quality management and improve of customer satisfaction, and for functional materials business, we have been concentrating on pursuing high-value added on sales activity.

As a result, consolidated net sales decrease 1.4% year on year to 9,825 million yen. Operating profit decreased 26.9% year on year to 442 million yen. Ordinary profit decreased 10.7% year on year to 522 million yen. Net profit attributable to owners of parent has decreased 1.9% year on year to 378 million yen.

Operating results of each segment is as follows:

① Sugar Business

Regarding the Sugar Business, the sales volume is less than the same period last year due to extreme heat, heavy rain and typhoon in the summer, however demand was heading start well because of long holiday season in May. Also regarding the cost of manufacturing, it increased due to rising price of low sugar at overseas markets.

As a result of above, the Sugar Business reported net sales of 6,217 million yen (rise of 0.3% against the same period last year) and operating income of 690 million yen (down 2.1% against the same period last year) due to rise of unit selling price, even decreased sales volume.

② Functional Materials Business

As for the functional dietary fiber Inulin decreased sales due to not showing much growth of sales volume for major users although number of new user and volume of Inulin made in Thailand increase. For UNITEC Foods Co., Ltd., a consolidated subsidiary decreased sales volume year on year due to the sluggish sales expansion of main products gelatin and less OEM business.

As a result of the above, the Functional Materials Business reported net sales of 3,256 million yen (down 0.6% against the same period last year) and operating loss of 50 million yen (operating losses on the same period last year was 14 million yen).

③ Real Estate Business

In the Real Estate Business, the sales revenue increased 1.0% year on year to 300 million yen and the operating profit increased 2.7% to 267 million yen. It has contributed to stable profit overall.

④ Other Food Business

In the other food business such as bakery business of DAY PLUS (THAILAND) Co., Ltd., has become consolidated subsidiary at the previous year end so there is no year to year comparison. Operation result of this second quarter is sales revenue 51 million yen and operating losses of 54 million yen.

(2) Briefing on financial position

Total assets as of September 30, 2016 decreased 1.0% compared to the end of the previous fiscal year to 22,282 million yen.

The changes of financial position of the 2nd quarter of fiscal year 2016 are as follows:

① Assets

Total assets increased by 4.2% compared to the end of previous fiscal year to 9,673 million yen. This was mainly due to an increase of cash, cash equivalent and deposits, raw materials and supplies and so on.

Fixed assets decreased 4.7% compared to the end of previous fiscal year to 12,609 million yen. This was mainly due to decrease of buildings and structures, machinery, equipment and vehicles and so on.

② Liabilities

Current liabilities increased 0.6% compared to the end of the previous fiscal year to 4,111 million yen. This was

mainly reflected an increase of notes and accounts payable-trade, short-term loans payable and so on.

Non-current liabilities decreased by 4.0% compared to the end of the previous fiscal year to 2,436 million yen. This was mainly due to a decrease of provision for directors' retirement benefits by reversed provision for directors' retirement benefit phased out the program for new appointed directors and so on.

③ Net assets

Net assets decreased by 1.0% compared to the end of the previous year to 15,734 million yen. This was mainly reflected a decrease of valuation difference on available-for-sales securities while booked profit for the year attributable to owners of parent and so on.

(Over view of cash flows)

Cash and cash equivalents (hereinafter called "Funds" as of September 30, 2016 increased by 157 million yen from the end of the previous fiscal year to 2,965 million yen.

Changes in cash flow for the 2nd quarter of fiscal year 2016 and the reasons are as follows:

① Cash flow from operating activities

During the 2nd quarter of fiscal year 2016, the fund provided by operating activities amounted to 252 million yen (the fiscal year 2015: decreased by 69.8%). This mainly reflected to book profit before income taxes, an increase of inventories and so on.

② Cash flow from investing activities

During the 2nd quarter of fiscal year 2016, the funds provided by investing activities amounted to 148 million yen (the fiscal year 2015: used in 130 million yen). This mainly reflected an increase of gain on sales of property, plant and equipment.

③ Cash flow from financing activities

During the 2nd quarter of fiscal year 2016, the financing activities caused funds used in the amount to 239 million yen (comparing with the fiscal year 2015: increased by 0.1%). This mainly reflected cash used of dividends paid and repayment of short-term loans payable.

(3) Forecast on our group business (consolidated)

Consolidated business is proceeding largely in line with plans during the six months of fiscal year 2016, we forecast no changes to the full-year forecasts issued on April 28, 2016.

The forecasted financial results described in based on information available at the time of announcement. Actual results may differ from such forecasts due to various volatile factors toward the end of fiscal year 2016.

2. Matters regarding Summary Information (Notes)

(1) Significant changes in subsidiaries during the first six months of fiscal year 2016

None

(2) Application of accounting policy and accounting estimates and restatement

None

(3) Changes in accounting policy and accounting estimates and restatement

(Changes in accounting policy)

Following revisions to the Corporation Tax Act, the Company has applied the Practical Solution on Change in Depreciation Method due to Tax Reform 2016 (Accounting Standards Board of Japan (ASBJ), PITF No.32, June 17, 2016), effective from the first quarter of the current fiscal year. As a result, the depreciation method of building fixtures and structures purchased on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The adoption of the new depreciation method had not material impact in the second quarter of the current fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	FY 2015 (As of March 31, 2016)	FY 2016 (As of September 30, 2016)
Assets		
Current assets		
Cash, cash equivalent and deposit	2,485,325	2,664,909
Notes and accounts receivable-trade	2,402,539	2,414,344
Marketable securities	323,111	300,929
Merchandise and finished goods	1,612,323	1,678,058
Work in process	204,095	175,020
Raw materials and supplies	945,201	1,137,547
Other current assets	1,315,968	1,305,947
Allowance for doubtful debts	(3,620)	(3,517)
Total current assets	9,284,945	9,673,240
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	969,309	794,000
Machinery, equipment and vehicles (net)	1,370,199	907,052
Land	2,048,834	2,046,860
Construction in progress	38,599	80,306
Other non-current assets (net)	97,010	113,799
Total property, plant and equipment	4,523,952	3,942,019
Intangible assets		
Goodwill	512,640	453,293
Other intangible assets	76,023	84,856
Total intangible assets	588,663	538,149
Investments and other assets		
Investment securities	5,805,342	5,795,613
Long-term loans receivable from subsidiaries	2,078,347	2,098,326
Others	267,457	266,482
Allowance for doubtful debts	(37,806)	(31,491)
Total investments and other assets	8,113,341	8,128,930
Total non-current assets	13,225,958	12,609,099
Total assets	22,510,903	22,282,340

(Thousand yen)

	FY 2015 (As of March 31, 2016)	FY 2016 (As of September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,451,251	1,578,273
Short-term loans payable	1,296,387	1,311,901
Income taxes payable	317,892	309,378
Provision for bonuses	104,783	108,001
Other current liabilities	915,418	804,115
Total current liabilities	4,085,732	4,111,670
Non-current liabilities		
Long-term loans payable	1,258,468	1,176,611
Provision for directors' retirement benefits	172,354	-
Retirement benefits liabilities	59,102	59,589
Liabilities on assets disposal	64,686	65,009
Other non-current liabilities	983,076	1,135,328
Total non-current liabilities	2,537,688	2,436,539
Total liabilities	6,623,420	6,548,210
Net equity		
Shareholder equity		
Share capital	1,524,460	1,524,460
Capital surplus	2,530,171	2,530,171
Retained earnings	10,773,108	10,909,862
Treasury stock	(716,921)	(716,978)
Total shareholder equity	14,110,817	14,247,515
Cumulative other comprehensive income		
Valuation difference on available-for-sales-securities	1,525,527	1,500,282
Foreign currency translation adjustment	93,726	85,004
Re-measurements of Defined Benefit Plans	(42,712)	(38,768)
Total cumulative other comprehensive income	1,576,540	1,546,519
Non-controlling interests	200,123	(59,904)
Total Equity	15,887,482	15,734,130
Total Liabilities and Equity	22,510,903	22,282,340

(2) Quarterly Consolidated statements of Profit or Loss

And Quarterly Consolidated Statements of Comprehensive Profit or Loss

Quarterly Consolidated Statements of Profit or Loss

(Thousand yen)

	2 nd Q of fy 2015 (From April 1, 2015 to September 30, 2015)	2 nd Q of fy 2016 (From April 1, 2016 to September 30, 2016)
Net sales	9,962,862	9,825,854
Cost of sales	7,722,483	7,671,304
Gross profit	2,240,379	2,154,549
Selling, general and administrative expenses	1,635,237	1,712,179
Operating profit	605,142	442,369
Non-operating income		
Interest income	20,939	18,425
Dividends received	32,856	40,244
Share of Equity in earnings of affiliates	-	78,218
Other non-operating income	21,151	21,496
Total non-operating income	74,947	158,385
Non-operating expenses		
Interest expenses	18,139	16,656
Foreign exchange loss	63,952	53,963
Share of Equity in losses of affiliates	6,919	-
Other non-operating expenses	6,248	7,956
Total non-operating expenses	95,258	78,576
Ordinary profit or loss	584,831	522,179
Extraordinary income		
Gain on sales of non-current assets	-	143,959
Gain on sales of investment securities	1,770	121,047
Total extraordinary income	1,770	265,006
Extraordinary loss		
Loss on disposal of fixed assets	159	0
Impairment losses	-	338,081
Loss on valuation of investment securities	-	12,736
Total extraordinary losses	159	350,817
Profit or loss before corporate income taxes	586,441	436,368
Income taxes-current	298,295	301,986
Income taxes-deferred	(10,127)	9,247
Total income taxes	288,167	311,234
Profit for the six months	298,273	125,133
Loss attributable to non-controlling interests	(87,651)	(253,294)
Profit for the year attributable to owners of parent	385,925	378,428

Quarterly Consolidated Statements of Comprehensive Profit or Loss

	(Thousand yen)	
	2 nd Q of fy 2015 (From April 1, 2015 to September 30, 2015)	2 nd Q of fy 2016 (From April 1, 2016 to September 30, 2016)
Profit for the 2 nd Quarter	298,273	125,133
Other comprehensive income		
Evaluation at fair value on marketable securities	(278,831)	(25,244)
Foreign currencies translation adjustment	(80,908)	(14,514)
Re-measurements of defined benefit plans, (net of tax)	442	3,944
Total other comprehensive income for the 2 nd quarter	(359,298)	(35,815)
Comprehensive income for the 2 nd quarter	(61,024)	89,318
Comprehensive income attributable to:		
Owners of parent	63,036	348,886
Non-controlling interests	(124,060)	(259,567)

(3) Quarterly consolidated statement of cash flow

	(Thousand yen)	
	2 nd Q of fy 2015 (From April 1, 2015 to September 30, 2015)	2 nd Q of fy 2016 (From April 1, 2016 to September 30, 2016)
Net cash provided by (used in) operating activities		
Income before income taxes	586,441	436,368
Depreciation and amortization	168,000	201,547
Amortization of goodwill	53,994	59,347
Impairment losses	-	338,081
Increase (decrease) in provision for bonuses	4,002	3,218
Increase (decrease) in allowance for doubtful accounts	(5,912)	(6,417)
Increase (decrease) in provision for directors' retirement benefits	(22,830)	(172,354)
Net defined benefit liability	-	6,170
Net defined benefit asset	(11,595)	-
Interest and dividends income	(53,796)	(58,670)
Interest expenses	18,139	16,656
Foreign exchange losses (gains)	63,127	54,787
Equity (earnings) losses of affiliates	6,919	(78,218)
Loss (gain) on sales of investment securities	(1,770)	(121,047)
Loss (gain) on valuation of investment securities	-	12,736
Loss on retirement of non-current assets	159	0
Loss (gain) on sales of non-current assets	-	(143,959)
Decrease (increase) in notes and accounts receivable-trade	(22,768)	(12,227)
Decrease (increase) in inventories	526,878	(238,686)
Decrease (increase) in other current assets	(2,520)	15,119
Decrease (increase) in notes and accounts payable-trade	(303,306)	128,945
Increase (decrease) in other current liabilities	(19,648)	(73,212)
Other, net	5,608	145,892
Subtotal	989,124	514,077
Interest and dividends income received	78,345	61,589
Interest expenses paid	(16,934)	(17,625)
Income taxes paid	(216,202)	(306,006)
Net cash provided (used in) investing activities	834,332	252,034

	(Thousand yen)	
	2 nd Q of fy 2015 (From April 1, 2015 to September 30, 2015)	2 nd Q of fy 2016 (From April 1, 2016 to September 30, 2016)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	2,000	-
Purchase of property, plant and equipment	(57,097)	(143,711)
Proceeds from sales of property, plant and equipment	-	182,804
Purchase of intangible assets	(1,700)	(20,265)
Purchase of investment securities	(654)	(711)
Proceeds from sales and redemption of securities	10,187	162,311
Collection of long-term loans receivable	506,722	500,170
Payments of long-term loans receivable	(573,232)	(530,793)
Other, net	(16,611)	(1,335)
Net cash provided by (used in) investing activities	(130,386)	148,468
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	182,310	45,600
Proceeds from long-term loans payable	-	54,112
Repayment of long-term loans payable	(179,097)	(97,379)
Purchase of treasury stock	(565)	(56)
Cash dividends paid	(241,689)	(241,673)
Net cash provided (used in) financing activities	(239,042)	(239,397)
Effect of exchange rate change on cash and cash equivalents	(3,435)	(3,702)
Net increase (decrease) in cash and cash equivalents	461,468	157,403
Cash and cash equivalents at beginning of period	2,191,450	2,808,436
Cash and cash equivalents at end of period	2,652,919	2,965,839

(4) Notes to Consolidated Financial Statements

(Notes on assumptions of a going concern)

None

(Note on occurrence of significant changes to shareholder's equity)

None

(Segment Information)

I The 2nd quarter consolidated accounting period (From April 1, 2015 to September 30, 2015)

1. Information on amount of net sales, income/loss, liabilities and other items by each reporting segment

(Thousand yen)

	Reporting Segment				Adjustments (Note:1)	Amount recorded in quarterly consolidated income statements (Note:2)
	Sugar Business	Functional Materials Business	Real Estate Business	Total		
Net sales						
Net sales to third-party customers	6,199,954	3,464,991	297,917	9,962,862	—	9,962,862
Intersegment net sales and transfer	—	—	827	827	(827)	—
Total	6,199,954	3,464,991	298,744	9,963,689	(827)	9,962,862
Segment profit (loss)	705,468	(14,245)	260,856	952,079	(346,936)	605,142

Notes: 1 Adjustment for segment income of 346,936 thousand yen is general and administrative expenses of administrative department and research and development department which do not belong to the reporting segment.

2 Segment incomes are adjusted against the operating income recorded in the consolidated income statement.

II The 2nd quarter consolidated accounting period (From April 1, 2016 to September 30, 2016)

1. Information on amount of net sales, income/loss, liabilities and other items by each reporting segment

(Thousand yen)

	Reporting Segment					Adjustments (Note:1)	Amount recorded in quarterly consolidate income statements (Note:2)
	Sugar Business	Functional Materials Business	Real Estate Business	Other Food Business	Total		
Net sales							
Net sales to third-party customers	6,217,362	3,256,495	300,926	51,070	9,825,854	—	9,825,854
Intersegment net sales and transfer	—	—	827	—	827	(827)	—
Total	6,217,362	3,256,495	301,753	51,070	9,826,681	(827)	9,825,854
Segment profit (loss)	690,410	(50,101)	267,994	(54,417)	853,886	(411,516)	442,369

Notes: 1 Adjustment for segment income of 411,516 thousand yen is general and administrative expenses of administrative department and research and development department which do not belong to the reporting segment.

2 Segment incomes are adjusted against the operating income recorded in the consolidated income statement.

2. Information of impairment loss of fixed assets or goodwill of each segment

(Important impairment loss of fixed assets)

During the second quarter consolidated accounting period, 338,081 thousand yen of impairment loss was booked under the "Functional Materials" segment.