

Summary of Consolidated Financial Results

For the 2nd Quarter Ended September 30, 2018(Japanese Accounting Standards)

October 31, 2018

Company name: Fuji Nihon Seito Corporation Listing: The 2nd Section of Tokyo Stock Exchange
 Stock code: 2114 <http://www.fnsugar.co.jp>
 Company Representative: Seiji Sakurada President and Chief Executive Officer
 Contact person in charge: Susumu Kifune, Director & Executive Officer, Division Head of Administration
 TEL.81-3-3667-7811
 Planned date for submission of quarterly report: November 9, 2018
 Planned date to start dividend payment: -
 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 Six Months Ended September 30, 2018 (April 1, 2018- September 30, 2018)

(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, 2018	10,047	1.4	779	45.6	937	25.2	(136)	-
September 30, 2017	9,913	0.9	535	21.0	748	43.4	495	31.0

Note: Comprehensive income

2nd quarter ended September 30, 2018: (361) million yen (up -%)

2nd quarter ended September 30, 2017: 688 million yen (670.9%)

	Net Profit per Share	Diluted net Profit per Share
	Yen	Yen
September 30, 2018	(5.07)	—
September 30, 2017	18.46	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2018	22,397	16,136	72.4
As of March 31, 2018	23,290	16,857	72.6

(Reference) Shareholders' Equity: As of September 30, 2018: 16,220 million yen As of March 31, 2018: 16,899 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, 2018	—	0.00	—	11.00	11.00
March 31, 2019	—	—	—	—	—
Year ended March 31, 2019(forecast)	—	0.00	—	11.00	11.00

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

3. Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2018 - March 31, 2019)

(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, 2019	20,500	3.3	1,350	45.3	1,600	30.5	300	(62.2)	11.17

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

※ Notes

(1) Significant changes in subsidiaries during the six months of fiscal year 2018

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

(2) Application of accounting method unique to preparation of quarterly consolidated financial statements: None

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

- (i) Changes in accounting policy due to any revision of accounting standards: None
- (ii) Changes in accounting policy other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of outstanding shares (common shares)

Unit: 1 share

(i) Number of outstanding shares at period end (including treasury stocks)	As of September 30, 2018	29,748,200	As of March 31, 2018	29,748,200
(ii) Number of treasury stocks at period end	As of September 30, 2018	2,895,867	As of March 31, 2018	2,895,808
(iii) Average number of shares during period (from the beginning of fiscal year to period end)	As of September 30, 2018	26,852,376	As of September 30, 2017	26,852,412

※ 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 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 2018” on page 3 of the Appendix.

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1. The Results for the 2nd Quarter of Fiscal Year 2018

(1) Operating Results (consolidated)

During the 2nd quarter of fiscal year 2018, the Japanese economy continued moderate recovery momentum as well as the 1st quarter, due to upside corporate earnings and improvement of employment. On the other hand, it has been continued uncertain economic situation due to ominous black clouds on protective USA trade policy and so on.

The sugar refining industry has been tough situation under the decrease in consumption due to continuous 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 business, with maintain quality management and improve of customer satisfaction, and for functional food materials business, we have been concentrating on high-value added sales activity.

As a result of the 2nd quarter, consolidated net sales increased 1.4% year on year to 10,047 million yen. Operating profit increased 45.6% year on year to 779 million yen. Ordinary profit increased 25.2% year on year to 937 million yen. Net loss attributable to owners of parent is 136 million yen (net profit attributable to owners of parent on the same period last year was 495 million yen).

Operating results of each segment is as follows:

① Sugar Business

Regarding the sugar business, sales was heading start well, but the sales volume has been less than the previous period due to stagnant sales of baking and beverage under over-heated of summer and typhoons hitting one after another. On the aspect of earnings, we have focused on liquid sugar manufacturing intensification and production rationalization. And they contributed of revenue increase

As a result of the above, the Sugar Business reported net sales of 5,726 million yen (down of 7.3% against the same period last year) and operating income of 884 million yen (rise of 25.3% against the same period last year).

② Functional Materials Business

As for the functional dietary fiber Inulin recorded revenue growth by increased sales volume due to strong demand of less sugar ingredient and rise numbers of new users by effective sales promotion as granted our application for presenting the potency three effects on label of products which are Regulating intestinal orders, Reducing blood fat and Reducing sugar level in the blood after meals. Regarding the sales volume of floral preservatives so-called "Keep Flower" had nearly same as last year, due to sluggishness of florist industry was stagnated sales volume, even advertising on television and had sales promotion for floral retailers. The UNITEC Foods Co. Ltd., a consolidated subsidiary, operating profit increased with growth sales of gelatin and pectin as main products.

As a result of the above, the Functional Materials Business reported net sales of 3,891 million yen (rise of 15.7% against the same period last year) and operating income of 117 million yen (rise of 1,027.0% against the same period last year).

③ Real Estate Business

In the Real Estate Business, sales revenue increased 0.4% year on year to 307 million yen and operating profit decreased 2.0% to 266 million yen. It has contributed to stable profits overall.

④ Other Food Business

In the other food business such as bakery business in Thailand mainly, sales revenue increased 89.9% to 121 million yen and operating losses of 47 million yen (operating losses on the same period last year was 70 million yen).

(2) Briefing on financial position

Total assets as of September 30, 2018 decreased 3.8% compared to the end of the previous fiscal year to 22,397 million yen.

The changes of financial position of the 2nd quarter of fiscal year 2018 are as follows

① Assets

Total assets increased by 7.1% compared to the end of previous fiscal year to 10,150 million yen. This was mainly due to an increase of cash, cash equivalent and deposits, increase in accrued receivable-other and so on.

Fixed assets decreased 11.3% compared to the end of the previous fiscal year to 12,246 million yen. This was mainly due to decrease of buildings and structures and so on.

② Liabilities

Current liabilities increased 0.7% compared to the end of the previous fiscal year to 4,461 million yen. This was mainly reflected an increase of income taxes payable and so on.

Non-current liabilities decreased by 10.2% compared to the end of the previous fiscal year to 1,799 million yen. This was mainly due to a decrease of long-term loans payable and so on.

③ Net assets

Net assets decreased by 4.3% compared to the end of the previous fiscal year to 16,136 million yen. This was mainly reflected a decrease of retained earnings by booking loss for the year attributable to owners of parent.

(Over view of cash flows)

Cash and cash equivalents (hereinafter called "Funds") as of September 30, 2018 increased by 412 million yen from the end of the previous fiscal year to 3,055 million yen.

Changes in cash flow for the consolidated 2nd quarter of fiscal year 2018 and reasons are as follows.

① Cash flow from operating activities

The funds provided from operating activities amounted to 833 million yen for the consolidated 2nd quarter of fiscal year 2018 (the fiscal year 2017: decreased by 36.0%). This mainly reflected to book Profit before income taxes and a decrease of inventories.

② Cash flow from investing activities

The funds used in by investing activities amounted to 60 million yen for the consolidated 2nd quarter of fiscal year 2018 (the fiscal year 2017: decreased by 89.5%). This mainly reflected cash used of purchase of property, plant and equipment.

③ Cash flow from financing activities

Financing activities caused funds used in the amount of 414 million yen for the consolidated 2nd quarter of fiscal year 2018 (comparing with the fiscal year 2017: increased by 2.1%). This mainly reflected of dividends paid of parent company.

(3) Forecasts on our group business (consolidated)

In line with annual plans for the fiscal 2018 are as follows full-year forecasts released on October 19, 2018.

The financial forecasts are based on information available at the time of the above release. Actual results may differ from such forecasts due to various volatile factors toward the end of fiscal year 2018.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Yearend FY 2017 (As of March 31, 2018)	2 nd Q end FY 2018 (As of September 30, 2018)
Assets		
Current assets		
Cash, cash equivalent and deposits	2,343,407	2,755,735
Notes and accounts receivable-trade	2,806,196	2,762,636
Marketable securities	300,000	300,000
Merchandise and finished goods	2,055,612	1,946,193
Work in process	131,970	104,275
Raw materials and supplies	700,988	663,928
Other current assets	1,143,077	1,622,516
Allowance for doubtful debts	(4,708)	(4,415)
Total current assets	9,476,545	10,150,869
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	809,036	482,809
Machinery, equipment and vehicles(net)	898,690	111,729
Land	2,527,435	2,527,435
Construction in progress	90,750	4,385
Other non-current assets (net)	92,129	77,034
Total property, plant and equipment	4,418,042	3,203,394
Intangible assets		
Goodwill	253,842	199,847
Other intangible assets	112,890	105,231
Total intangible assets	366,732	305,079
Investment and other assets		
Investment securities	7,000,310	6,773,774
Long-term loans receivable from subsidiaries	1,773,240	1,706,600
Others	270,421	277,890
Allowance for doubtful debts	(15,278)	(20,444)
Total investments and other assets	9,028,694	8,737,819
Total non-current assets	13,813,469	12,246,293
Total assets	23,290,014	22,397,162

(Thousand yen)

	Yearend FY 2017 (As of March 31, 2018)	2 nd Q end FY 2018 (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,460,091	1,239,744
Short-term loans payable	1,809,568	1,857,200
Income taxes payable	195,792	477,550
Provision for bonuses	118,123	115,428
Other current liabilities	844,583	771,353
Total current liabilities	4,428,159	4,461,277
Non-current liabilities		
Long-term loans payable	548,097	430,306
Retirement benefits liabilities	18,251	5,501
Liabilities on assets disposal	65,987	66,319
Other non-current liabilities	1,371,962	1,297,364
Total non-current liabilities	2,004,298	1,799,492
Total liabilities	6,432,458	6,260,769
Net Equity		
Shareholder equity		
Share capital	1,524,460	1,524,460
Capital surplus	2,049,343	2,049,343
Retained earnings	11,743,913	11,244,066
Treasury stock	(717,035)	(717,072)
Total shareholder equity	14,600,682	14,100,798
Cumulative other comprehensive income		
Valuation difference on available-for-sales securities	2,255,650	2,120,278
Foreign currency translation adjustment	73,507	27,000
Re-measurements of Defined Benefit Plans	(30,555)	(27,992)
Total cumulative other comprehensive income	2,298,602	2,119,286
Non-controlling interests	(41,727)	(83,692)
Total Equity	16,857,556	16,136,393
Total Liabilities and Equity	23,290,014	22,397,162

(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)

	The 2 nd Q of fy2017 (From April 1, 2017 to September 30, 2017)	The 2 nd Q of fy2018 (From April 1, 2018 to September 30, 2018)
Net sales	9,913,361	10,047,591
Cost of sales	7,652,476	7,416,986
Gross profit	2,260,884	2,630,604
Selling, general and administrative expenses	1,725,761	1,851,210
Operating profit	535,123	779,394
Non-operating income		
Interest income	15,694	13,755
Dividends received	39,336	39,720
Foreign exchange income	32,026	31,627
Share of Equity in earnings of affiliates	114,623	79,846
Other non-operating income	27,165	18,870
Total non-operating income	228,846	183,819
Non-operating expenses		
Interest expenses	15,252	15,773
Provision of allowance for doubtful debts	26	5,782
Other non-operating expense	14	4,607
Total non-operating expense	15,292	26,163
Ordinary profit or loss	748,677	937,050
Extraordinary income		
Gain on sales of non-current assets	-	4
Gain on sales investment securities	-	503,769
Total extraordinary income	-	503,773
Extraordinary loss		
Loss on disposal of fixed assets	20	-
Loss on sales of non-current assets	368	-
Impairment losses	15,285	1,141,732
Total extraordinary losses	15,674	1,141,732
Profit before income taxes	733,002	299,092
Income taxes-current	246,096	466,067
Income taxes-deferred	11,321	10,339
Total income taxes	257,417	476,406
Profit for the six months or Loss for the six months	475,585	(177,314)
Loss attributable to non-controlling interests	(20,214)	(41,275)
Profit for the year attributable to owners of parent or Loss for the year attributable to owners of parent	495,799	(136,039)

Quarterly Consolidated Statements of Comprehensive Profit or Loss

(Thousand yen)

	The 2 nd Q of fy2017 (From April 1, 2017 to September 30, 2017)	The 2 nd Q of fy2018 (From April 1, 2018 to September 30, 2018)
Profit for the 2 nd Quarter	475,585	(177,314)
Other comprehensive income		
Evaluation at fair value on marketable securities	220,146	(135,371)
Foreign currencies translation adjustment	(11,393)	(51,262)
Re-measurements of defined benefit plans, (net of tax)	4,226	2,562
Total other comprehensive income for the 2 nd quarter	212,978	(184,070)
Comprehensive income for the 2 nd quarter	688,564	(361,385)
Comprehensive income attributable to:		
Owners of parent	709,289	(317,615)
Non-controlling interests	(20,725)	(43,770)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	2 nd Q of fy 2017 (From April 1, 2017 to September 30, 2017)	2 nd Q of fy 2018 (From April 1, 2018 to September 30, 2018)
Cash Flows from Operating Activities		
Profit before income taxes	733,002	299,092
Depreciation and amortization	129,860	139,437
Amortization of goodwill	59,347	53,994
Impairment loss	15,285	1,141,732
Increase (decrease) in provision for bonuses	4,138	(2,695)
Increase (decrease) in allowance for doubtful debts	(5,783)	4,874
Increase (decrease) in retirement benefits liability	(8,159)	(9,013)
Interest earned and dividend income	(55,031)	(53,476)
Interest expenses	15,252	15,773
Foreign exchange losses (gains)	(32,026)	(31,627)
Share of Equity in (earning) losses of affiliates	(114,623)	(79,846)
Loss (gain) on sales of investment securities	-	(503,769)
Loss on disposal of fixed assets	20	-
Loss (gain) on sales of non-current assets	368	(4)
Decrease (increase) in notes and account receivable-trade	(86,681)	81,993
Decrease (increase) in inventories	592,393	181,185
Decrease (increase) in other current assets	188,465	8,575
Increase (decrease) in notes and accounts payable-trade	(218,573)	(214,911)
Increase (decrease) in other current liabilities	198,940	(29,822)
Others (net amount)	(33,359)	(38,994)
Subtotal	1,382,836	962,498
Interest and dividends received	83,814	71,345
Interest expenses paid	(14,977)	(15,805)
Corporate income taxes paid	(149,927)	(184,309)
Net cash provided by (used in) operating activities	1,301,746	833,728

	(Thousand yen)	
	2 nd Q of fy 2017 (From April 1, 2017 to September 30, 2017)	2 nd Q of fy 2018 (From April 1, 2018 to September 30, 2018)
Net Cash provided by (used in) Investing Activities		
Purchase of Investment securities	(538,936)	(107,197)
Proceed from sales of property, plant and equipment	261	131
Purchase of intangible assets	(3,251)	(7,565)
Purchase of Investment securities	(673)	(684)
Proceeds from sales and redemption of securities	-	33,448
Collection of long-term loans receivable	352,850	431,650
Payments of long-term loans receivable	(383,041)	(410,000)
Net cash provided by (used in) investing activities	(572,790)	(60,216)
Net Cash provided by (used in) Financing Activities		
Net increase (decrease) in short-term loans payable	(161,844)	(18,771)
Proceeds from long-term loans payable	150,000	-
Repayment of long-term loans payable	(98,640)	(100,162)
Purchase of treasury stock	(21)	(36)
Dividends paid	(295,376)	(295,376)
Net cash provided by (used in) financing activities	(405,882)	(414,347)
Effect of exchange rate change on Cash and Cash Equivalents	6,684	3,545
Net increase (decrease) in Cash and Cash Equivalents	329,758	362,709
Cash and Cash Equivalents at the beginning of period	2,083,633	2,643,407
Net increase in Cash and Cash Equivalents by new consolidation	-	49,617
Cash and Cash Equivalents at the end of quarter period	2,413,392	3,055,735

(3) Notes to Consolidated Financial Statements

(Notes on assumptions of a going concern)

The 2nd quarter consolidated accounting period (From April 1, 2018 to September 30, 2018)

None

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

None

(Additional Information)

The 2nd quarter consolidated accounting period (From April 1, 2018 to September 30, 2018)

The company commences to adopt the Partial Revisions to Accounting Standard for Tax Effect Accounting (Corporate Accounting Standards No.28, February 16, 2018) as of the first three months of the current consolidated accounting period. As such, deferred tax assets are stated under Investments and other assets, and deferred tax liabilities are stated under fixed liabilities.

(Segment information)

I The 2nd quarter consolidated accounting period (From April 1, 2017 to September 30, 2017)

1. Information on amounts 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	6,180,016	3,362,867	306,319	64,157	9,913,361	—	9,913,361
Intersegment net sales and transfer	2,743	—	1,889	—	4,632	(4,632)	—
Total	6,182,759	3,362,867	308,208	64,157	9,917,993	(4,632)	9,913,361
Segment profit (loss)	705,770	10,447	272,139	(70,135)	918,220	(383,097)	535,123

Notes: 1 Adjustment for segment income of 383,097 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, 2018 to September 30, 2018)

1. Information on amounts 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	5,726,898	3,891,419	307,416	121,856	10,047,591	—	10,047,591
Intersegment net sales and transfer	3,146	1,362	2,128	10,092	16,729	(16,729)	—
Total	5,730,045	3,892,781	309,544	131,948	10,064,320	(16,729)	10,047,591
Segment profit (loss)	884,012	117,737	266,808	(47,847)	1,220,711	(441,316)	779,394

Notes: 1 Adjustment for segment income of 441,316 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 on amounts of Impairment losses of fixed assets and goodwill and other items by each reporting segment
(Important Impairment losses of fixed assets)

During the 2nd quarter consolidated accounting period, impairment losses has booked 982,817 thousand yen under the Functional Materials Business Segment, and 158,914 thousand yen under the Other Food Business Segment.