

Summary of Consolidated Financial Results

For the 3rd Quarter Ended December 31, 2018(Japanese Accounting Standards)

January 29, 2019

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
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 Planned date for submission of quarterly report: February 8, 2019
 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 Nine Months Ended December 31, 2018 (April 1, 2018- December 31, 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	%
December 31, 2018	15,200	(0.4)	1,245	42.2	1,416	23.5	167	(77.6)
December 31, 2017	15,257	3.7	875	25.2	1,146	31.1	748	20.4

Note: Comprehensive income

3rd quarter ended December 31, 2018: (492) million yen (-%)

3rd quarter ended December 31, 2017: 1,393 million yen (117.2%)

	Net Profit per Share	Diluted net Profit per Share
	Yen	Yen
December 31, 2018	6.25	—
December 31, 2017	27.88	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of December 31, 2018	22,046	16,005	73.0
As of March 31, 2018	23,290	16,857	72.6

(Reference) Shareholders' Equity: As of December 31, 2018: 16,092 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	—	0.00	—		
Year ended March 31, 2019 (forecast)				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 nine 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 December 31, 2018	29,748,200	As of March 31, 2018	29,748,200
(ii) Number of treasury stocks at period end	As of December 31, 2018	2,895,956	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 December 31, 2018	26,852,347	As of December 31, 2017	26,852,410

※ Summary of Consolidated Financial Results for the 3rd 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 3rd Quarter of Fiscal Year 2018” on page 3 of the Appendix.

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1. The Results for the 3rd Quarter of Fiscal Year 2018

(1) Operating Results (consolidated)

During the 3rd quarter of fiscal year 2018, the Japanese economy has been on the trend of slow recovery due to upside corporate earnings. Nevertheless, uncertainty about the future continued due to a trade friction between the United States and China and the political about United States administration.

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 3rd quarter, consolidated net sales decreased 0.4% year on year to 15,200 million yen. Operating profit increased 42.2% year on year to 1,245 million yen. Ordinary profit increased 23.5% year on year to 1,416 million yen. Net profit attributable to owners of parent was decreased 77.6% year on year to 167 million yen.

Operating results of each segment is as follows:

① Sugar Business

Regarding the Sugar Business, sales to confectioneries and frozen dessert vendors were heading start well, but the sales volume has been less than the previous period due to stagnant sales of beverage under over-heated of summer and typhoons hitting one after another, and short of our expectation of year end demand increases. On the aspect of earnings, we have focused on liquid sugar manufacturing intensification and production rationalization. And they continued to contribute of revenue increase.

As a result of the above, the Sugar Business reported net sales of 8,684 million yen (down of 6.9% against the same period last year) and operating income of 1,350 million yen (rise of 19.8% 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 attempting to expand sales by advertising on television. The UNITEC Foods Co. Ltd., a consolidated subsidiary, operating profit increased with growth sales of gelatin and pectin as main products.

On the aspect of earnings, we booked impairment losses for fixed assets of Fuji Nihon Thai Inulin Co., Ltd. during the 2nd quarter of fiscal year 2018. Therefore the depreciation cost has been reduced and the company's performance has recovered.

As a result of the above, the Functional Materials Business reported net sales of 5,878 million yen (rise of 9.6% against the same period last year) and operating income of 211 million yen (operating income on the same period last year was 13 million yen).

③ Real Estate Business

In the Real Estate Business, sales revenue increased 0.2% year on year to 461 million yen and operating profit decreased 1.2% to 405 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 59.7% to 176 million yen and operating losses of 72 million yen (operating losses on the same period last year was 99 million yen).

(2) Briefing on financial position

Total assets as of December 31, 2018 decreased 5.3% compared to the end of the previous fiscal year to 22,046 million yen.

The changes of financial position of the 3rd quarter of fiscal year 2018 are as follows.

① Assets

Total assets increased by 11.5% compared to the end of previous fiscal year to 10,561 million yen. This was mainly due to an increase of cash, cash equivalent and deposits, and so on.

Fixed assets decreased 16.9% compared to the end of the previous fiscal year to 11,485 million yen. This was mainly due to decrease of property, plant and equipment, investment securities, and so on.

② Liabilities

Current liabilities increased 0.3% compared to the end of the previous fiscal year to 4,439 million yen. This was mainly reflected an increase of income taxes payable and so on.

Non-current liabilities decreased by 20.1% compared to the end of the previous fiscal year to 1,602 million yen. This was mainly due to a decrease of deferred tax liabilities under others and so on.

③ Net assets

Net assets decreased by 5.1% compared to the end of the previous fiscal year to 16,005 million yen. This was mainly reflected a decrease of valuation difference on available-for-sales securities by decline of market value.

(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)	3rd Q end FY 2018 (As of December 31, 2018)
Assets		
Current assets		
Cash, cash equivalent and deposits	2,343,407	3,642,865
Notes and accounts receivable-trade	2,806,196	2,813,762
Marketable securities	300,000	300,000
Merchandise and finished goods	2,055,612	2,061,420
Work in process	131,970	110,297
Raw materials and supplies	700,988	568,474
Other current assets	1,143,077	1,067,107
Allowance for doubtful debts	(4,708)	(2,301)
Total current assets	9,476,545	10,561,626
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	809,036	474,264
Machinery, equipment and vehicles(net)	898,690	112,696
Land	2,527,435	2,527,435
Construction in progress	90,750	272
Other non-current assets (net)	92,129	74,077
Total property, plant and equipment	4,418,042	3,188,745
Intangible assets		
Goodwill	253,842	172,850
Other intangible assets	112,890	125,109
Total intangible assets	366,732	297,959
Investment and other assets		
Investment securities	7,000,310	6,048,874
Long-term loans receivable from subsidiaries	1,773,240	1,706,600
Others	270,421	264,470
Allowance for doubtful debts	(15,278)	(21,420)
Total investments and other assets	9,028,694	7,998,523
Total non-current assets	13,813,469	11,485,228
Total assets	23,290,014	22,046,855

(Thousand yen)

	Yearend FY 2017 (As of March 31, 2018)	3rd Q end FY 2018 (As of December 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,460,091	1,361,953
Short-term loans payable	1,809,568	1,843,793
Income taxes payable	195,792	402,544
Provision for bonuses	118,123	56,984
Other current liabilities	844,583	773,972
Total current liabilities	4,428,159	4,439,249
Non-current liabilities		
Long-term loans payable	548,097	426,445
Retirement benefits liabilities	18,251	-
Liabilities on assets disposal	65,987	66,486
Other non-current liabilities	1,371,962	1,109,459
Total non-current liabilities	2,004,298	1,602,390
Total liabilities	6,432,458	6,041,639
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	11,547,844
Treasury stock	(717,035)	(717,126)
Total shareholder equity	14,600,682	14,404,521
Cumulative other comprehensive income		
Valuation difference on available-for-sales securities	2,255,650	1,644,804
Foreign currency translation adjustment	73,507	70,014
Re-measurements of defined benefit plans	(30,555)	(26,711)
Total cumulative other comprehensive income	2,298,602	1,688,108
Non-controlling interests	(41,727)	(87,414)
Total Equity	16,857,556	16,005,215
Total Liabilities and Equity	23,290,014	22,046,855

(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 3rd Q of fy2017 (From April 1, 2017 to December 31, 2017)	The 3rd Q of fy2018 (From April 1, 2018 to December 31, 2018)
Net sales	15,257,315	15,200,210
Cost of sales	11,743,453	11,150,981
Gross profit	3,513,861	4,049,229
Selling, general and administrative expenses	2,637,961	2,803,283
Operating profit	875,900	1,245,945
Non-operating income		
Interest income	22,742	20,544
Dividends received	64,523	66,841
Foreign exchange income	51,883	2,593
Share of Equity in earnings of affiliates	120,823	88,649
Other non-operating income	33,364	30,706
Total non-operating income	293,337	209,335
Non-operating expenses		
Interest expenses	22,309	23,135
Other non-operating expense	61	15,570
Total non-operating expense	22,371	38,706
Ordinary profit or loss	1,146,866	1,416,574
Extraordinary income		
Gain on sales of non-current assets	264	-
Gain on sales investment securities	-	503,769
Total extraordinary income	264	503,769
Extraordinary loss		
Loss on disposal of fixed assets	433	43
Impairment losses	15,285	1,145,100
Loss on sales of investment securities	-	3,267
Loss on valuation of investment securities	-	23,163
Loss on redemption of investment securities	2,472	-
Total extraordinary losses	18,190	1,171,575
Profit before income taxes	1,128,939	748,768
Income taxes-current	369,149	583,045
Income taxes-deferred	38,504	45,266
Total income taxes	407,654	628,311
Profit for the nine months or Loss for the nine months	721,285	120,457
Loss attributable to non-controlling interests	(27,215)	(47,281)
Profit for the year attributable to owners of parent or Loss for the year attributable to owners of parent	748,500	167,738

Quarterly Consolidated Statements of Comprehensive Profit or Loss

(Thousand yen)

	The 3rd Q of fy2017 (From April 1, 2017 to December 31, 2017)	The 3rd Q of fy2018 (From April 1, 2018 to December 31, 2018)
Profit for the 3rd Quarter	721,285	120,457
Other comprehensive income		
Evaluation at fair value on marketable securities	681,339	(610,845)
Foreign currencies translation adjustment	(15,467)	(5,965)
Re-measurements of defined benefit plans, (net of tax)	6,340	3,844
Total other comprehensive income for the 3rd quarter	672,212	(612,965)
Comprehensive income for the 3rd quarter	1,393,497	(492,508)
Comprehensive income attributable to:		
Owners of parent	1,421,428	(445,015)
Non-controlling interests	(27,930)	(47,492)

(3) Notes to Consolidated Financial Statements

(Notes on assumptions of a going concern)

The 3rd quarter consolidated accounting period (From October 1, 2018 to December 31, 2018)

None

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

None

(Additional Information)

The 3rd quarter consolidated accounting period (From April 1, 2018 to December 31, 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 3rd quarter consolidated accounting period (From April 1, 2017 to December 31, 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	9,323,900	5,363,137	460,023	110,254	15,257,315	—	15,257,315
Intersegment net sales and transfer	3,867	—	2,833	—	6,701	(6,701)	—
Total	9,327,768	5,363,137	462,857	110,254	15,264,017	(6,701)	15,257,315
Segment profit (loss)	1,127,524	13,541	411,095	(99,312)	1,452,849	(576,949)	875,900

Notes: 1 Adjustment for segment income of (576,949) 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 3rd quarter consolidated accounting period (From April 1, 2018 to December 31, 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	8,684,339	5,878,701	461,107	176,061	15,200,210	—	15,200,210
Intersegment net sales and transfer	4,913	2,736	3,312	15,637	26,599	(26,599)	—
Total	8,689,253	5,881,437	464,419	191,699	15,226,810	(26,599)	15,200,210
Segment profit (loss)	1,350,292	211,692	405,988	(72,971)	1,895,001	(649,056)	1,245,945

Notes: 1 Adjustment for segment income of (649,056) 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 3rd quarter consolidated accounting period, impairment losses has booked 985,716 thousand yen under the Functional Materials Business Segment, and 159,318 thousand yen under the Other Food Business Segment.