

## Summary of Consolidated Financial Results

### For the 3<sup>rd</sup> Quarter Ended December 31, 2016(Japanese Accounting Standards)

January 31, 2017

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  
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Planned date for submission of quarterly report: February 10, 2017  
 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 3<sup>rd</sup> Quarter Ended December 31, 2016 (April 1, 2016 - December 31, 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	%
December 31, 2016	14,717	(1.0)	699	(21.6)	875	(4.3)	621	4.2
December 31, 2015	14,860	1.6	893	27.4	914	1.6	596	1.9

Note: Comprehensive income

3<sup>rd</sup> quarter ended December 31, 2016: 641 million yen (65.9%)

3<sup>rd</sup> quarter ended December 31, 2015: 386 million yen (-63.5%)

	Net Profit per Share	Diluted net Profit per Share
	Yen	Yen
December 31, 2016	23.14	—
December 31, 2015	22.20	—

##### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of December 31, 2016	22,203	15,892	71.9
As of March 31, 2016	22,510	15,887	69.7

(Reference) Shareholders' Equity: As of December 31, 2016: 15,955 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
	Yen	Yen	Yen	Yen	Yen
For the year ended 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 3<sup>rd</sup> 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 December 30, 2016	29,748,200	As of March 31, 2016	29,748,200
(ii) Number of treasury stocks at the period end	As of December 30, 2016	2,895,754	As of March 31, 2016	2,895,576
(iii) Average number of shares during the period (from the beginning of fiscal year to the period end)	As of December 30, 2016	26,852,543	As of December 30, 2015	26,853,262

※ Summary of Consolidated Financial Results for the 3<sup>rd</sup> 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 3<sup>rd</sup> Quarter of Fiscal Year 2016” on the page 3 of the Appendix.

○Appendix

1. Qualitative Information Regarding the Results for the Nine months of Fiscal Year 2017.....	2-3
(1) Qualitative information regarding consolidated operating results.....	2
(2) Qualitative information regarding consolidated financial position.....	2
(3) Qualitative information regarding consolidated business forecasts.....	3
2. Matters regarding Summary Information (Notes).....	3
(1) Signification change in subsidiaries during the first Nine months of fiscal year 2016 .....	3
(2) Application of accounting method unique to preparation of quarterly consolidated financial statements .....	3
(3) Changes in accounting policy and accounting estimates and restatement.....	3
3. Quarterly Consolidated Financial Statements .....	4-8
(1) Quarterly consolidated balance sheets.....	4-5
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income .....	6-7
(3) Notes on consolidated financial statements.....	8
(Notes on assumptions of going concern) .....	8
(Notes on occurrence of significant changes to shareholder's equity) .....	8
(Segment information).....	8

## 1. The Results for the 3<sup>rd</sup> Quarter of Fiscal Year 2016

### (1) Operating Results (consolidated)

During the 3<sup>rd</sup> quarter of fiscal year 2016, the Japanese economy continued uncertain situation due to volatile stock market and exchange market. 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 though situation under the decrease in consumption due to market price rise of raw sugar at overseas market 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 1.0% year on year to 14,717 million yen. Operating profit decreased 21.6% year on year to 699 million yen. Ordinary profit decreased 4.3% year on year to 875 million yen. Net profit attributable to owners of parent has increased 4.2% year on year to 621 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 also sluggish movement of sales volume for yearend demand, 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 market even though saved energy cost.

As a result of above, the Sugar Business reported net sales of 9,357 million yen (rise of 1.0% against the same period last year) and operating income of 1,049 million yen (down 5.7% against the same period last year) and operating income of 1,049 million yen (down 5.7% against the same period last year) due to rise of unit selling price, even though 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 4,834 million yen (down 6.1% against the same period last year) and operating losses of 91 million yen (operating losses on the same period last year was 96 million yen).

#### ③ Real Estate Business

In the Real Estate Business, the sales revenue increase 0.1% year on year to 449 million yen and the operating profit increased 2.2% to 401 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 75 million yen and operating losses of 80 million yen.

### (2) Briefing on financial position

Total assets as of December 31, 2016 decreased 1.4% compared to the end of the previous fiscal year to 22,203 million yen.

The changes of financial position of the 3<sup>rd</sup> quarter of fiscal year 2016 are as follows:

#### ① Assets

Total assets decreased by 1.8% compared to the end of previous fiscal year to 9,114 million yen. This was mainly due to a decrease of cash, cash equivalent and deposit, work in process and so on.

Fixed assets decreased 1.0% compared to the end of previous fiscal year to 13,088 million yen. This was mainly due to decrease of buildings and structures, machinery, equipment and vehicles and so on.

② Liabilities

Current liabilities increased 10.0% compared to the end of the previous fiscal year to 3,678 million yen. This was mainly reflected a decrease of notes and accounts payable-trade, income taxes payable and so on.

Non-current liabilities increased by 3.7% compared to the end of the previous fiscal year to 2,632 million yen. This was mainly due to an increase of deferred tax liability under other non-current liabilities.

③ Net assets

Net assets slightly increased by 0.03% compared to the end of the previous year to 15,892 million yen. This was mainly reflected an increase of retained earnings due to booked profit for the year attributable to owners of parent and so on.

(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 changed to the full-year forecasts issues 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 nine 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

The 3<sup>rd</sup> quarter consolidated accounting period (From April 1, 2016 to December 31, 2016)

(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 third 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 December 31, 2016)
<b>Assets</b>		
Current assets		
Cash, cash equivalent and deposit	2,485,325	2,195,144
Notes and accounts receivable-trade	2,402,539	2,575,996
Marketable securities	323,111	301,037
Merchandise and finished goods	1,612,323	2,029,420
Work in process	204,095	139,897
Raw materials and supplies	945,201	925,874
Other current assets	1,315,968	951,707
Allowance for doubtful debts	(3,620)	(4,287)
<b>Total current assets</b>	<b>9,284,945</b>	<b>9,114,792</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	969,309	806,425
Machinery, equipment and vehicles (net)	1,370,199	996,719
Land	2,048,834	2,046,860
Construction in progress	38,599	151,671
Other non-current assets (net)	97,010	92,551
<b>Total property, plant and equipment</b>	<b>4,523,952</b>	<b>4,094,228</b>
Intangible assets		
Goodwill	512,640	423,619
Other intangible assets	76,023	81,275
<b>Total intangible assets</b>	<b>588,663</b>	<b>504,895</b>
Investments and other assets		
Investment securities	5,805,342	6,289,854
Long-term loans receivable from subsidiaries	2,078,347	1,959,079
Others	267,457	271,614
Allowance for doubtful debts	(37,806)	(31,006)
<b>Total investments and other assets</b>	<b>8,113,341</b>	<b>8,489,542</b>
<b>Total non-current assets</b>	<b>13,225,958</b>	<b>13,088,665</b>
<b>Total assets</b>	<b>22,510,903</b>	<b>22,203,458</b>

(Thousand yen)

	FY 2015 (As of March 31, 2016)	FY 2016 (As of December 31, 2016)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	1,451,251	1,347,121
Short-term loans payable	1,296,387	1,306,232
Income taxes payable	317,892	165,885
Provision for bonuses	104,783	53,682
Other current liabilities	915,418	805,445
Total current liabilities	4,085,732	3,678,367
Non-current liabilities		
Long-term loans payable	1,258,468	1,217,171
Provision for directors' retirement benefits	172,354	-
Retirement benefits liabilities	59,102	56,772
Liabilities on assets disposal	64,686	65,170
Other non-current liabilities	983,076	1,293,672
Total non-current liabilities	2,537,688	2,632,787
Total liabilities	6,623,420	6,311,154
<b>Net equity</b>		
Shareholder equity		
Share capital	1,524,460	1,524,460
Capital surplus	2,530,171	2,117,075
Retained earnings	10,773,108	11,152,872
Treasury stock	(716,921)	(717,003)
Total shareholder equity	14,110,817	14,077,404
Cumulative other comprehensive income		
Valuation difference on available-for-sales-securities	1,525,527	1,834,920
Foreign currency translation adjustment	93,726	79,925
Re-measurements of Defined Benefit Plans	(42,712)	(36,795)
Total cumulative other comprehensive income	1,576,540	1,878,049
Non-controlling interests	200,123	(63,150)
Total Equity	15,887,482	15,892,303
Total Liabilities and Equity	22,510,903	22,203,458

## (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)	
	3 <sup>rd</sup> Q of fy 2015 (From April 1, 2015 to December 31, 2015)	3 <sup>rd</sup> Q of fy 2016 (From April 1, 2016 to December 31, 2016)
Net sales	14,860,213	14,717,594
Cost of sales	11,512,336	11,456,423
Gross profit	3,347,877	3,261,170
Selling, general and administrative expenses	2,454,692	2,561,323
Operating profit	893,184	699,847
Non-operating income		
Interest income	31,668	27,957
Dividends received	54,317	61,404
Foreign exchange gains	-	9,725
Share of Equity in earnings of affiliates	763	83,363
Other non-operating expenses	27,513	25,832
Total non-operating income	114,262	208,283
Non-operating expenses		
Interest expenses	27,111	24,507
Foreign exchange loss	53,253	-
Other non-operating expenses	12,870	8,588
Total non-operating expenses	93,235	33,096
Ordinary profit or loss	914,211	875,034
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	263
Impairment losses	-	340,305
Total extraordinary losses	159	340,568
Profit or loss before corporate income taxes	915,821	799,472
Income taxes-current	432,678	381,987
Income taxes-deferred	(14,499)	63,815
Total income taxes	418,179	445,803
Profit for the nine months	497,642	353,668
Loss attributable to non-controlling interests	(98,464)	(267,769)
Profit for the year attributable to owners of parent	596,107	621,437



Quarterly Consolidated Statements of Comprehensive Profit or Loss

	(Thousand yen)	
	3 <sup>rd</sup> Q of fy 2015 (From April 1, 2015 to December 31, 2015)	3 <sup>rd</sup> Q of fy 2016 (From April 1, 2016 to December 31, 2016)
Profit for the 3 <sup>rd</sup> Quarter	497,642	353,668
Other comprehensive income		
Evaluation at fair value on marketable securities	(33,408)	309,392
Foreign currencies translation adjustment	(73,715)	(27,526)
Re-measurements of defined benefit plans, (net of tax)	663	5,916
Share of other comprehensive profit or loss of associates accounted for applying equity method	(4,592)	-
Total other comprehensive income for the 3 <sup>rd</sup> quarter	(111,052)	287,782
Comprehensive income for the 3 <sup>rd</sup> quarter	386,590	641,451
Comprehensive profit or loss attributable to:		
Owners of parent	518,226	921,834
Non-controlling interests	(131,636)	(280,383)

### (3) Notes to Consolidated Financial Statements

(Notes on assumptions of a going concern)

The 3<sup>rd</sup> quarter consolidated accounting period (From October 1, 2016 to December 31, 2016)

None

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

None

(Segment Information)

I The 3<sup>rd</sup> quarter consolidated accounting period (From April 1, 2015 to December 31, 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	9,264,740	5,146,297	449,175	14,860,213	—	14,860,213
Intersegment net sales and transfer	—	—	1,240	1,240	(1,240)	—
Total	9,264,740	5,146,297	450,416	14,861,454	(1,240)	14,860,213
Segment profit (loss)	1,113,720	(96,341)	392,878	1,410,257	(517,072)	893,184

Notes: 1 Adjustment for segment loss of 517,072 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 3<sup>rd</sup> quarter consolidated accounting period (From April 1, 2016 to December 31, 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	9,357,230	4,834,914	449,639	75,809	14,717,594	—	14,717,594
Intersegment net sales and transfer	—	—	1,240	—	1,240	(1,240)	—
Total	9,357,230	4,834,914	450,880	75,809	14,718,835	(1,240)	14,717,594
Segment profit (loss)	1,049,906	(91,305)	401,636	(80,651)	1,279,586	(579,738)	699,847

Notes: 1 Adjustment for segment loss of 579,738 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

(Material impairment loss of fixed assets)

During the third quarter consolidated accounting period, 340,305 thousand yen of impairment loss was booked under the "Functional Materials" segment.