

## Summary of Consolidated Financial Results For the Six Months Ended September 30, 2017(Japanese Accounting Standards)

October 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  
 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, 2017  
 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, 2017 (April 1, 2017- September 30, 2017)

#### (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, 2017	9,913	0.9	535	21.0	748	43.4	495	31.0
September 30, 2016	9,825	(1.4)	442	(26.9)	522	(10.7)	378	(1.9)

Note: Comprehensive income

2<sup>nd</sup> quarter ended September 30, 2017: 688 million yen (up 670.9%)

2<sup>nd</sup> quarter ended September 30, 2016: 89 million yen (-%)

	Net Profit per Share	Diluted net Profit per Share
	Yen	Yen
September 30, 2017	18.46	—
September 30, 2016	14.09	—

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2017	22,682	16,400	72.5
As of March 31, 2017	22,231	16,006	72.2

(Reference) Shareholders' Equity: As of September 30, 2017: 16,445 million yen As of March 31, 2017: 16,042 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, 2017	—	0.00	—	11.00	11.00
March 31, 2018	—	—	—	—	—
Year ended March 31, 2018(forecast)	—	0.00	—	10.00	10.00

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

Breakdown of dividend for the fiscal year ending March 31, 2017: Ordinary dividend 10.00 yen, 15<sup>th</sup> anniversary commemorative dividend 1.00 yen.

### 3. Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 - March 31, 2018)

(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, 2018	20,000	3.4	850	37.0	1,000	16.8	620	(13.2)	23.09

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

※ Notes

(1) Significant changes in subsidiaries during the six months of fiscal year 2017

(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: Yes
- (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, 2017	29,748,200	As of March 31, 2017	29,748,200
(ii) Number of treasury stocks at period end	As of September 30, 2017	2,895,793	As of March 31, 2017	2,895,754
(iii) Average number of shares during period (from the beginning of fiscal year to period end)	As of September 30, 2017	26,852,412	As of September 30, 2016	26,852,571

※ Summary of Consolidated Financial Results for the 2<sup>nd</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 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 2<sup>nd</sup> Quarter of Fiscal Year 2017” on page 3 of the Appendix.

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## 1. The Results for the 2<sup>nd</sup> Quarter of Fiscal Year 2017

### (1) Operating Results (consolidated)

During the 2<sup>nd</sup> quarter of fiscal year 2017, the Japanese economy continued moderate recovery momentum as well as the 1<sup>st</sup> quarter, due to upside corporate earnings and improvement of employment and income supported by various policy effect of the Government. On the other hand, it has continued uncertain situation due to concern of government administration and unstable North Korea situation.

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, with maintain quality management and improve of customer satisfaction, and for functional materials business, we have been concentrating on pursuing high-value added in sales activity.

As a result of the 2<sup>nd</sup> quarter, consolidated net sales increased 0.9% year on year to 9,913 million yen. Operating profit increased 21.0% year on year to 535 million yen. Ordinary profit increased 43.4% year on year to 748 million yen. Net profit attributable to owners of parent was increased 31.0% year on year to 495 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 mainly. On the aspect of earnings, we have focused on efficient raw procurement and reduce manufacturing cost. And it contributed of revenue growth.

As a result of the above, the Sugar Business reported net sales of 6,180 million yen (down of 0.6% against the same period last year) and operating income of 705 million yen (rise of 2.2% 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 rise numbers of new users by effective sales promotion as granted our application for presenting the potency effect on label of products and low-sugar boom. Regarding the floral preservatives so-called "Keep Flower", it has been in revenue growth because of expanding selling opportunity and development market of gift and infomercial. About UNITEC Foods Co. Ltd., a consolidated subsidiary, keep unchanged net sales from the previous quarter, even sales volume of gelatin as main products grow at sluggish pace.

As a result of the above, the Functional Materials Business reported net sales of 3,362 million yen (rise of 3.3% against the same period last year) and operating income of 10 million yen (operating losses on the same period last year was 50 million yen).

#### ③ Real Estate Business

In the Real Estate Business, sales revenue increased 1.8% year on year to 306 million yen and operating profit increased 1.5% to 272 million yen due to acquisition of land for rent at Ogikubo Sugunami City. It has contributed to stable profits overall.

#### ④ Other Food Business

In the other food business such as baking business of DAY PLUS (THAILAND) Co. Ltd., operation result is sales revenue increased 25.6% to 64 million yen and operating losses of 70 million yen (operating losses on the same period last year was 54 million yen).

### (2) Briefing on financial position

Total assets as of September 30, 2017 increased 2.0% compared to the end of the previous fiscal year to 22,682 million yen.

The changes of financial position of the 2<sup>nd</sup> quarter of fiscal year 2017 are as follows:

#### ① Assets

Total assets decreased by 3.2% compared to the end of previous fiscal year to 9,020 million yen. This was mainly due to a decrease of inventory in raw materials and supplies and so on.

Fixed assets increased 5.8% compared to the end of the previous fiscal year to 13,662 million yen. This was mainly due to increase of land under property, plant and equipment.

② Liabilities

Current liabilities decreased 1.3% compared to the end of the previous fiscal year to 3,772 million yen. This was mainly reflected a decrease of notes and accounts payable-trade, Short-term loans payable and so on.

Non-current liabilities increased by 4.6% compared to the end of the previous fiscal year to 2,509 million yen. This was mainly due to an increase of deferred tax liabilities under others.

③ Net assets

Net assets increased by 2.5% compared to the end of the previous year to 16,400 million yen. This was mainly reflected an increase of Valuation difference on available-for-sales securities by increasing market value and an increase retained earnings by booking of Profit for the year attributable to owners of parent.

(Over view of cash flows)

Cash and cash equivalents (hereinafter called "Funds") as of September 30, 2017 increased by 329 million yen from the end of the previous fiscal year to 2,413 million yen.

Changes in cash flow for the consolidated 2<sup>nd</sup> quarter of fiscal year 2017 and reasons are as follows.

① Cash flow from operating activities

The funds provided from operating activities amounted to 1,301 million yen for the consolidated 2<sup>nd</sup> quarter of fiscal year 2017 (the fiscal year 2016: increased by 416.5%). 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 572 million yen for the consolidated 2<sup>nd</sup> quarter of fiscal year 2017 (the fiscal year 2016: provided by 148 million yen). 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 405 million yen for the consolidated 2<sup>nd</sup> quarter of fiscal year 2017 (comparing with the fiscal year 2016: increased by 69.5%). This mainly reflected cash used of Net increase (decrease) in short-term loans payable.

(3) Forecasts on our group business (consolidated)

In line with annual plans for the fiscal year 2017, there are no changes to full-year forecasts released on April 28, 2017.

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 2017.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Yearend FY 2016 (As of March 31, 2017)	2 <sup>nd</sup> Q end FY 2017 (As of September 30, 2017)
<b>Assets</b>		
Current assets		
Cash, cash equivalent and deposits	1,782,586	2,112,301
Notes and accounts receivable-trade	2,558,594	2,645,786
Marketable securities	301,047	301,090
Merchandise and finished goods	1,824,765	2,014,679
Work in process	154,957	135,698
Raw materials and supplies	1,472,434	711,611
Other current assets	1,223,667	1,103,672
Allowance for doubtful debts	(4,109)	(4,520)
<b>Total current assets</b>	<b>9,313,943</b>	<b>9,020,320</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	839,796	825,984
Machinery, equipment and vehicles(net)	995,180	944,714
Land	2,046,860	2,527,435
Construction in progress	47	15,873
Other non-current assets (net)	92,498	83,939
<b>Total property, plant and equipment</b>	<b>3,974,384</b>	<b>4,397,946</b>
Intangible assets		
Goodwill	393,946	334,599
Other intangible assets	80,250	117,953
<b>Total intangible assets</b>	<b>474,196</b>	<b>452,553</b>
Investment and other assets		
Investment securities	6,348,699	6,751,590
Long-term loans receivable from subsidiaries	1,876,709	1,830,140
Others	267,900	248,628
Allowance for doubtful debts	(24,710)	(18,516)
<b>Total investments and other assets</b>	<b>8,468,598</b>	<b>8,811,843</b>
<b>Total non-current assets</b>	<b>12,917,179</b>	<b>13,662,343</b>
<b>Total assets</b>	<b>22,231,123</b>	<b>22,682,663</b>

(Thousand yen)

	Yearend FY 2016 (As of March 31, 2017)	2 <sup>nd</sup> Q end FY 2017 (As of September 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	1,498,110	1,282,411
Short-term loans payable	1,430,302	1,286,703
Income taxes payable	161,347	253,351
Provision for bonuses	107,032	111,170
Other current liabilities	627,123	839,204
Total current liabilities	3,823,916	3,772,842
Non-current liabilities		
Long-term loans payable	1,000,750	1,059,071
Retirement benefits liabilities	63,122	34,682
Liabilities on assets disposal	65,331	65,659
Other non-current liabilities	1,271,056	1,350,294
Total non-current liabilities	2,400,261	2,509,709
Total liabilities	6,224,177	6,282,551
<b>Net Equity</b>		
Shareholder equity		
Share capital	1,524,460	1,524,460
Capital surplus	2,077,791	2,066,490
Retained earnings	11,245,427	11,445,850
Treasury stock	(717,003)	(717,024)
Total shareholder equity	14,130,675	14,319,775
Cumulative other comprehensive income		
Valuation difference on available-for-sales securities	1,869,283	2,089,429
Foreign currency translation adjustment	83,422	73,811
Re-measurements of Defined Benefit Plans	(41,319)	(37,092)
Total cumulative other comprehensive income	1,911,387	2,126,148
Non-controlling interests	(35,117)	(45,812)
Total Equity	16,006,946	16,400,111
Total Liabilities and Equity	22,231,123	22,682,663

## (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 <sup>nd</sup> Q of fy2016 (From April 1, 2016 to September 30, 2016)	2 <sup>nd</sup> Q of fy2017 (From April 1, 2017 to September 30, 2017)
Net sales	9,825,854	9,913,361
Cost of sales	7,671,304	7,652,476
Gross profit	2,154,549	2,260,884
Selling, general and administrative expenses	1,712,179	1,725,761
Operating profit	442,369	535,123
Non-operating income		
Interest income	18,425	15,694
Dividends received	40,244	39,336
Foreign exchange gains	-	32,026
Share of Equity in earnings of affiliates	78,218	114,623
Other non-operating income	21,496	27,165
Total non-operating income	158,385	228,846
Non-operating expenses		
Interest expenses	16,656	15,252
Foreign exchange loss	53,963	-
Other non-operating expense	7,956	40
Total non-operating expense	78,576	15,292
Ordinary profit or loss	522,179	748,677
Extraordinary income		
Gain on sales of non-current assets	143,959	-
Gain on sales investment securities	121,047	-
Total extraordinary income	265,006	-
Extraordinary loss		
Loss on disposal of fixed assets	0	20
Loss on sales of non-current assets	-	368
Impairment losses	338,081	15,285
Loss on valuation of investment securities	12,736	-
Total extraordinary losses	350,817	15,674
Profit before income taxes	436,368	733,002
Income taxes-current	301,986	246,096
Income taxes-deferred	9,247	11,321
Total income taxes	311,234	257,417
Profit for the six months	125,133	475,585
Loss attributable to non-controlling interests	(253,294)	(20,214)
Profit for the year attributable to owners of parent	378,428	495,799



Quarterly Consolidated Statements of Comprehensive Profit or Loss

(Thousand yen)

	2 <sup>nd</sup> Q of fy2016 (From April 1, 2016 to September 30, 2016)	2 <sup>nd</sup> Q of fy2017 (From April 1, 2017 to September 30, 2017)
Profit for the 2 <sup>nd</sup> Quarter	125,133	475,585
Other comprehensive income		
Evaluation at fair value on marketable securities	(25,244)	220,146
Foreign currencies translation adjustment	(14,514)	(11,393)
Re-measurements of defined benefit plans, (net of tax)	3,944	4,226
Total other comprehensive income for the 2 <sup>nd</sup> quarter	(35,815)	212,978
Comprehensive income for the 2 <sup>nd</sup> quarter	89,318	688,564
Comprehensive income attributable to:		
Owners of parent	348,886	709,289
Non-controlling interests	(259,567)	(20,725)

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	2 <sup>nd</sup> Q of fy2016 (From April 1, 2016 to September 30, 2016)	2 <sup>nd</sup> Q of fy2017 (From April 1, 2017 to September 30, 2017)
<b>Cash Flows from Operating Activities</b>		
Profit before income taxes	436,368	733,002
Depreciation and amortization	201,547	129,860
Amortization of goodwill	59,347	59,347
Impairment loss	338,081	15,285
Increase (decrease) in provision for bonuses	3,218	4,138
Increase (decrease) in allowance for doubtful debts	(6,417)	(5,783)
Increase (decrease) in provision for directors' retirement benefit	(172,354)	-
Increase (decrease) in retirement benefits liability	6,170	(8,159)
Interest earned and dividend income	(58,670)	(55,031)
Interest expenses	16,656	15,252
Foreign exchange losses (gains)	54,787	(32,026)
Share of Equity in (earning) losses of affiliates	(78,218)	(114,623)
Loss (gain) on sales of investment securities	(121,047)	-
Loss (gain) on valuation of investment securities	12,736	-
Loss on disposal of fixed assets	0	20
Loss (gain) on sales of non-current assets	(143,959)	368
Decrease (increase) in notes and account receivable-trade	(12,227)	(86,681)
Decrease (increase) in inventories	(238,686)	592,393
Decrease (increase) in other current assets	15,119	188,465
Increase (decrease) in notes and accounts payable-trade	128,945	(218,573)
Increase (decrease) in other current liabilities	(73,212)	198,940
Others (net amount)	145,892	(33,359)
Subtotal	514,077	1,382,836
Interest and dividends received	61,589	83,814
Interest expenses paid	(17,625)	(14,977)
Corporate income taxes paid	(306,006)	(149,927)
Net cash provided by (used in) operating activities	252,034	1,301,746

	(Thousand yen)	
	2 <sup>nd</sup> Q of fy2016 (From April 1, 2016 to September 30, 2016)	2 <sup>nd</sup> Q of fy2017 (From April 1, 2017 to September 30, 2017)
<b>Net Cash provided by (used in) Investing Activities</b>		
Purchase of Investment securities	(143,711)	(538,936)
Proceed from sales of property, plant and equipment	182,804	261
Purchase of intangible assets	(20,265)	(3,251)
Purchase of Investment securities	(711)	(673)
Proceeds from sales and redemption of securities	162,311	-
Collection of long-term loans receivable	500,170	352,850
Payments of long-term loans receivable	(530,793)	(383,041)
Others	(1,335)	-
Net cash provided by (used in) investing activities	148,468	(572,790)
<b>Net Cash provided by (used in) Financing Activities</b>		
Net increase (decrease) in short-term loans payable	45,600	(161,844)
Proceeds from long-term loans payable	54,112	150,000
Repayment of long-term loans payable	(97,379)	(98,640)
Purchase of treasury stock	(56)	(21)
Dividends paid	(241,673)	(295,376)
Net cash provided by (used in) financing activities	(239,397)	(405,882)
Effect of exchange rate change on Cash and Cash Equivalents	(3,702)	6,684
Net increase (decrease) in Cash and Cash Equivalents	157,403	329,758
Cash and Cash Equivalents at the beginning of period	2,808,436	2,083,633
Cash and Cash Equivalents at the end of quarter period	2,965,839	2,413,392

#### (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 2<sup>nd</sup> quarter consolidated accounting period (From April 1, 2016 to September 30, 2016)

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	6,217,362	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 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 2<sup>nd</sup> quarter consolidated accounting period, 338,081 thousand yen of impairment losses was booked under the Functional Materials Segment.

II The 2<sup>nd</sup> 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.