

Summary of Consolidated Financial Results

For the 2nd Quarter Ended September 30, 2019(Japanese Accounting Standards)

October 31, 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
 Contact person in charge: Susumu Kifune, Director & Executive Officer, Division Head of Administration

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Planned date for submission of quarterly report: November 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 Six Months Ended September 30, 2019 (April 1, 2019- September 30, 2019)

(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, 2019	9,660	(3.9)	874	12.2	1,026	9.5	736	—
September 30, 2018	10,047	1.4	779	45.6	937	25.2	(136)	—

Note: Comprehensive income

2nd quarter ended September 30, 2019: 536 million yen (—%)

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

	Net Profit per Share	Diluted net Profit per Share
	Yen	Yen
September 30, 2019	27.41	—
September 30, 2018	(5.07)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2019	21,604	16,367	76.3
As of March 31, 2019	22,162	16,209	73.6

(Reference) Shareholders' Equity: As of September 30, 2019: 16,480 million yen

As of March 31, 2019: 16,304 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, 2019	—	0.00	—	11.00	11.00
March 31, 2020	—	0.00	—	—	—
Year ended March 31, 2020(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, 2020 (April 1, 2019 - March 31, 2020)

(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, 2020	20,500	4.4	1,300	(3.6)	1,400	(11.0)	950	176.1	35.38

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

※ Notes

(1) Significant changes in subsidiaries during the six months of fiscal year 2019

(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 (Ref : P.10)

(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 end of period (including Treasury Shares)

As of September 30, 2019	29,748,200	As of March 31, 2019	29,748,200
As of September 30, 2019	2,895,956	As of March 31, 2019	2,895,956
As of September 30, 2019	26,852,244	As of September 30, 2019	26,852,376

(ii) Number of Treasury Shares at the end of period

(iii) Average number of shares during the period

※ 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 condition and 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 six months of Fiscal Year 2019” on page 3 of the Appendix.

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1. The Results for the 2nd Quarter of Fiscal Year 2019

(1) Operating Results (consolidated)

During the 2nd quarter of fiscal year 2019, the Japanese economy continued recovering slowly in total due to firm performance in the industrial sectors and improvement in the employment. On the other hand, it has been continued uncertain economic situation due to concerns about the impact of trade-friction issues between the United States and China. 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 maintaining quality management and improvement 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 decreased 3.9% year on year to 9,660 million yen. Operating profit increased 12.2% year on year to 874 million yen. Ordinary profit increased 9.5% year on year to 1,026 million yen. Net profit attributable to owners of parent was 736 million yen (net loss attributable to owners of parent on the same period last year was 136 million yen).

Operating results of each segment is as follows:

① Sugar Business

As for the movement of products, the beginning of the fiscal year was a good start because of strong demand to prepare for the so-called Golden Week that was ten days consecutive holidays in this year, however, it remained sluggish in beverages mainly due to the reaction of rush in demand, long and chilly rainy season, and extremely hot days in the summer. In addition, the sales volume resulted in a decline in the previous same period by the impact of alternative sweetened preparations and other sweeteners. On the aspect of earnings, the decrease of sales volume has come to the operating profit less than previous same period.

As a result of the above, the Sugar Business reported net sales of 5,445 million yen (down of 4.9% against the same period last year) and operating income of 863 million yen (down of 2.3% against the same period last year).

② Functional Materials Business

As for the functional dietary fiber Inulin, the sales revenue increased due to the growth of domestic sales by adoption for use in new label of products as regulate intestinal orders, control sugar level in the blood and reduce blood fat, over and above, it was boosted by the trend towards low sugar and intestinal improvement. In the floral preservatives so-called "Keep Flower", the sales revenue remind the similar level of the same period last year due to continuous advertising on television and launching of new products for business use. Regarding the UNITEC FOODS Co. Ltd., a consolidated subsidiary, the sales revenue decreased due to sluggishness of collagen and gelatin as leading products despite strong sales of blends and functional materials.

On the aspect of earnings, we accelerated depreciating the full amount of fixed assets of Fuji Nihon Thai Inulin Co., Ltd., a consolidated subsidiary, during the 2nd quarter of fiscal year 2018, and the company's performance turned to recover.

As a result of the above, the Functional Materials Business reported net sales of 3,812 million yen (down of 2.0% against the same period last year) and operating income of 207 million yen (rise of 75.9% against the same period last year).

③ Real Estate Business

In the Real Estate Business, sales revenue decreased 0.1% year on year to 307 million yen and operating profit decreased 4.7% to 254 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 decreased 21.4% to 95 million yen and operating losses of 31 million yen (operating losses on the same period last year was 47 million yen).

(2) Briefing on financial position

Total assets as of September 30, 2019 decreased 2.5% compared to the end of the previous fiscal year to 21,604 million yen.

The changes of financial position of the 2nd quarter of fiscal year 2019 are as follows

① Assets

Current assets decreased by 7.1% compared to the end of previous fiscal year to 9,822 million yen. This was mainly due to a decrease of cash, cash equivalent and deposits and so on.

Non-current assets increased 1.7% compared to the end of the previous fiscal year to 11,781 million yen. This was mainly due to increase of long-term loans receivable under others and so on.

② Liabilities

Current liabilities decreased 13.1% compared to the end of the previous fiscal year to 3,710 million yen. This was mainly reflected a decrease of notes and accounts payable-trade, income taxes payable and so on.

Non-current liabilities decreased by 9.4% compared to the end of the previous fiscal year to 1,526 million yen. This was mainly due to a decrease of long-term loans payable and so on.

⑤ Net assets

Net assets increased by 1.0% compared to the end of the previous fiscal year to 16,367 million yen. This was mainly reflected increase of retained earnings due to the posting 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, 2019 decreased by 640 million yen from the end of the previous fiscal year to 3,033 million yen.

Changes in cash flow for the consolidated 2nd quarter of fiscal year 2019 and reasons are as follows.

① Cash flow from operating activities

The funds provided from operating activities amounted to 348 million yen for the consolidated 2nd quarter of fiscal year 2019 (the fiscal year 2018: decreased by 58.3%). This mainly reflected to book profit before income taxes and a decrease of notes and accounts receivable-trade.

② Cash flow from investing activities

The funds used in by investing activities amounted to 547 million yen for the consolidated 2nd quarter of fiscal year 2019 (the fiscal year 2018: increased by 809.4%). This mainly reflected payments of long-term loans receivable.

③ Cash flow from financing activities

Financing activities caused funds used in the amount of 441 million yen for the consolidated 2nd quarter of fiscal year 2019 (comparing with the fiscal year 2018: increased by 6.6%). This mainly reflected of dividends paid.

(3) Forecasts on our group business (consolidated)

In line with annual plans for the fiscal year 2019, there are no changes to full-year forecasts released on April 26, 2019.

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 2019.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Yearend FY 2018 (As of March 31, 2019)	2nd Q end FY 2019 (As of September 30, 2019)
Assets		
Current assets		
Cash, cash equivalent and deposits	3,373,473	2,733,227
Notes and accounts receivable-trade	2,702,826	2,459,972
Marketable securities	300,000	300,000
Merchandise and finished goods	2,118,084	2,106,043
Work in process	139,172	88,305
Raw materials and supplies	909,946	1,123,867
Other current assets	1,035,346	1,012,500
Allowance for doubtful debts	(1,964)	(1,540)
Total current assets	10,576,885	9,822,376
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	466,637	448,577
Machinery, equipment and vehicles(net)	116,644	123,733
Land	2,527,435	2,527,435
Construction in progress	-	15
Other non-current assets (net)	89,643	90,600
Total property, plant and equipment	3,200,360	3,190,362
Intangible assets		
Goodwill	145,853	91,858
Other intangible assets	128,231	138,771
Total intangible assets	274,084	230,630
Investment and other assets		
Investment securities	6,163,389	5,873,495
Long-term loans receivable from subsidiaries	1,689,800	1,720,200
Others	280,907	791,161
Allowance for doubtful debts	(22,594)	(24,028)
Total investments and other assets	8,111,502	8,360,828
Total non-current assets	11,585,948	11,781,821
Total assets	22,162,833	21,604,198

(Thousand yen)

	Yearend FY 2018 (As of March 31, 2019)	2nd Q end FY 2019 (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,461,566	1,198,003
Short-term loans payable	1,426,020	1,431,470
Income taxes payable	500,264	269,764
Provision for bonuses	114,408	110,927
Other current liabilities	765,120	699,931
Total current liabilities	4,267,380	3,710,099
Non-current liabilities		
Long-term loans payable	466,082	331,082
Retirement benefits liabilities	22,670	7,637
Liabilities on assets disposal	66,652	66,990
Other non-current liabilities	1,130,368	1,120,780
Total non-current liabilities	1,685,773	1,526,489
Total liabilities	5,953,153	5,236,589
Net Equity		
Shareholder equity		
Share capital	1,524,460	1,524,460
Capital surplus	2,049,343	2,049,343
Retained earnings	11,724,125	12,096,481
Treasury stock	(717,126)	(717,126)
Total shareholder equity	14,580,802	14,953,159
Cumulative other comprehensive income		
Valuation difference on available-for-sales securities	1,727,271	1,547,689
Foreign currency translation adjustment	41,938	22,714
Re-measurements of Defined Benefit Plans	(45,575)	(42,984)
Total cumulative other comprehensive income	1,723,634	1,527,419
Non-controlling interests	(94,757)	(112,970)
Total Equity	16,209,679	16,367,609
Total Liabilities and Equity	22,162,833	21,604,198

(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 2nd Q of fy2018 (From April 1, 2018 to September 30, 2018)	The 2nd Q of fy2019 (From April 1, 2019 to September 30, 2019)
Net sales	10,047,591	9,660,626
Cost of sales	7,416,986	6,905,721
Gross profit	2,630,604	2,754,904
Selling, general and administrative expenses	1,851,210	1,880,728
Operating profit	779,394	874,176
Non-operating income		
Interest income	13,755	15,765
Dividends received	39,720	40,001
Foreign exchange gains	31,627	14,774
Share of Equity in earnings of affiliates	79,846	81,985
Other non-operating income	18,870	12,675
Total non-operating income	183,819	165,203
Non-operating expenses		
Interest expenses	15,773	11,576
Foreign exchange loss	5,782	-
Other non-operating expense	4,607	1,436
Total non-operating expense	26,163	13,012
Ordinary profit or loss	937,050	1,026,367
Extraordinary income		
Gain on sales of non-current assets	4	-
Gain on sales investment securities	503,769	12
Total extraordinary income	503,773	12
Extraordinary loss		
Impairment loss	1,141,732	-
Loss on sales of investment securities	-	14,381
Total extraordinary losses	1,141,732	14,381
Profit before income taxes	299,092	1,011,997
Income taxes-current	466,067	262,447
Income taxes-deferred	10,339	17,947
Total income taxes	476,406	280,395
Profit for the three months	(177,314)	731,602
Loss attributable to non-controlling interests	(41,275)	(4,478)
Profit for the year attributable to owners of parent	(136,039)	736,081

Quarterly Consolidated Statements of Comprehensive Profit or Loss

(Thousand yen)

	The 2nd Q of fy2018 (From April 1, 2018 to September 30, 2018)	The 2nd Q of fy2019 (From April 1, 2019 to September 30, 2019)
Profit for the 2nd Quarter	(177,314)	731,602
Other comprehensive income		
Evaluation at fair value on marketable securities	(135,371)	(179,582)
Foreign currencies translation adjustment	(51,262)	(18,280)
Re-measurements of defined benefit plans, (net of tax)	2,562	2,591
Total other comprehensive income for the 2nd quarter	(184,070)	(195,272)
Comprehensive income for the 2nd quarter	(361,385)	536,330
Comprehensive income attributable to:		
Owners of parent	(317,615)	542,126
Non-controlling interests	(43,770)	(5,796)

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousand yen)	
	2 nd Q of fy 2018 (From April 1, 2018 to September 30, 2018)	2 nd Q of fy 2019 (From April 1, 2019 to September 30, 2019)
Cash Flows from Operating Activities		
Profit before income taxes	299,092	1,011,997
Depreciation and amortization	139,437	57,521
Amortization of goodwill	53,994	53,994
Impairment loss	1,141,732	-
Increase (decrease) in provision for bonuses	(2,695)	(3,506)
Increase (decrease) in allowance for doubtful debts	4,874	1,009
Increase (decrease) in retirement benefits liability	(9,013)	(11,307)
Interest earned and dividend income	(53,476)	(55,767)
Interest expenses	15,773	11,576
Foreign exchange losses (gains)	(31,627)	(14,774)
Share of Equity in (earning) losses of affiliates	(79,846)	(81,985)
Loss (gain) on sales of investment securities	(503,769)	14,369
Loss (gain) on sales of non-current assets	(4)	-
Decrease (increase) in notes and account receivable-trade	81,993	243,929
Decrease (increase) in inventories	181,185	(149,215)
Decrease (increase) in other current assets	8,575	20,079
Increase (decrease) in notes and accounts payable-trade	(214,911)	(264,331)
Increase (decrease) in other current liabilities	(29,822)	(61,743)
Others (net amount)	(38,994)	506
Subtotal	962,498	772,352
Interest and dividends received	71,345	72,414
Interest expenses paid	(15,805)	(12,697)
Corporate income taxes paid	(184,309)	(484,050)
Net cash provided by (used in) operating activities	833,728	348,018

	(Thousand yen)	
	2 nd Q of fy 2018 (From April 1, 2018 to September 30, 2018)	2 nd Q of fy 2019 (From April 1, 2019 to September 30, 2019)
Net Cash provided by (used in) Investing Activities		
Purchase of property, plant and equipment	(107,197)	(65,518)
Proceeds from sales of property, plant and equipment	131	-
Purchase of intangible assets	(7,565)	(24,738)
Purchase of Investment securities	(684)	(720)
Proceeds from sales and redemption of securities	33,448	74,971
Collection of long-term loans receivable	431,650	458,400
Payments of long-term loans receivable	(410,000)	(990,000)
Net cash provided by (used in) investing activities	(60,216)	(547,605)
Net Cash provided by (used in) Financing Activities		
Net increase (decrease) in short-term loans payable	(18,771)	-
Proceeds from long-term loans payable	-	3,001
Repayment of long-term loans payable	(100,162)	(139,031)
Purchase of treasury stock	(36)	-
Repayment of lease obligations	-	(10,379)
Dividends paid	(295,376)	(295,374)
Net cash provided by (used in) financing activities	(414,347)	(441,784)
Effect of exchange rate change on Cash and Cash Equivalents	3,545	1,126
Net increase (decrease) in Cash and Cash Equivalents	362,709	(640,245)
Cash and Cash Equivalents at the beginning of period	2,643,407	3,673,473
Net increase in Cash and Cash Equivalents by new consolidation	49,617	-
Cash and Cash Equivalents at the end of quarter period	3,055,735	3,033,227

(3) Notes to Consolidated Financial Statements

(Notes on assumptions of a going concern)

The 2nd quarter consolidated accounting period (From April 1, 2019 to September 30, 2019)

None

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

The 2nd quarter consolidated accounting period (From April 1, 2019 to September 30, 2019)

None

(Changes in accounting policies)

(IFRS 16 "Leases")

Commencing the 1st quarter of fiscal year 2019, the subsidiaries which have been applied International Financial Reporting Standards (IFRS) have adopted IFRS 16 "Leases" (hereinafter, IFRS 16). In accordance with the application of this standard, the lessee will, in principle, recognize assets and liabilities for all lease transactions. Upon applying IFRS 16, our Group has adopted the method where the cumulative effect of applying this standard is recognized at the beginning of the 2nd quarter of fiscal year 2019, which is allowed as a transitional measure.

Under this change in accounting policies, we have recognized other non-current assets (net) of 785 thousand yen increase, other current liabilities of 21,035 thousand yen increase, and other non-current liabilities of 53,503 thousand yen increase at the end of the 2nd quarter of fiscal year 2019. The change on consolidated results is immaterial. Retained earnings at the beginning of the period decreased by 68,350 thousand yen.

Regarding quarterly consolidated statements of cash flows, net cash provided by (used in) operating activities decreased by 10,379 thousand yen, and net cash provided by (used in) financing activities increased by 10,379 thousand yen.

(Segment information)

I 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 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 of previous 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.

II The 2nd quarter consolidated accounting period (From April 1, 2019 to September 30, 2019)

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	5,445,548	3,812,096	307,173	95,808	9,660,626	—	9,660,626
Intersegment net sales and transfer	3,526	—	2,922	10,477	16,927	(16,927)	—
Total	5,449,074	3,812,096	310,096	106,286	9,677,553	(16,927)	9,660,626
Segment profit (loss)	863,533	207,120	254,165	(31,658)	1,293,161	(418,985)	874,176

Notes: 1 Adjustment for segment income of (418,985) thousand yen is general and administrative expenses of administrative department and research and development which do not belong to the reporting segment.

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