

# Summary of Consolidated Financial Results

## For the 3rd Quarter Ended December 31, 2019(Japanese Accounting Standards)

January 31, 2020

Company name: Fuji Nihon Seito Corporation Listing: The 3rd Section of Tokyo Stock Exchange  
 Stock code: 2114 <https://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 7, 2020

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, 2019 (April 1, 2019- December 31, 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	%
December 31, 2019	14,497	(4.6)	1,343	7.9	1,585	11.9	1,123	569.5
December 31, 2018	15,200	(0.4)	1,245	42.2	1,416	23.5	167	(77.6)

Note: Comprehensive income

3rd quarter ended December 31, 2019: 1,006 million yen (—%)

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

	Net Profit per Share	Diluted net Profit per Share
	Yen	Yen
December 31, 2019	41.82	—
December 31, 2018	6.25	—

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of December 31, 2019	21,993	16,838	77.1
As of March 31, 2019	22,162	16,209	73.6

(Reference) Shareholders' Equity: As of December 31, 2019: 16,956 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 nine 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.8)

(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 December 31, 2019	29,748,200	As of March 31, 2019	29,748,200
(ii) Number of Treasury Shares at the end of period	As of December 31, 2019	2,895,956	As of March 31, 2019	2,895,956
(iii) Average number of shares during the period	As of December 31, 2019	26,852,244	As of December 31, 2019	26,852,347

※ 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 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 nine months of Fiscal Year 2019” on page 3 of the Appendix.

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## 1. The Results for the 3rd Quarter of Fiscal Year 2019

### (1) Operating Results (consolidated)

During the 3rd quarter of fiscal year 2019, the Japanese economy continued recovering slowly due to improvement in the employment and income supported on the back of upside corporate earnings. On the other hand, it has been continued uncertain economic situation due to ominous black clouds on the world economy by the instability in the Middle East, and 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 3rd quarter, consolidated net sales decreased 4.6% year on year to 14,497 million yen. Operating profit increased 7.9% year on year to 1,343 million yen. Ordinary profit increased 11.9% year on year to 1,585 million yen. Net profit attributable to owners of parent was increased 569.5% year on year to 1,123 million yen.

Operating results of each segment is as follows:

#### ① Sugar Business

As the Sugar Business, the sales for confectionery and frozen desserts showed a stable growth from the beginning of the fiscal year to so-called Golden Week holidays in Japan. On the other hand, the shipment remained sluggish in beverages mainly due to the long and chilly rainy season in June/July and then extremely hot days in the summer, and the sales volume resulted in a decline in the previous same period, which was not fully offset by the strong demand at the end of 2019. On the aspect of earnings, despite the sales volume decreased, the operating profit was maintained at the almost same level with previous year same period due to cost reduction by continuous effort to procure the raw sugar effectively.

As a result of the above, the Sugar Business reported net sales of 8,259 million yen (down of 4.9% against the same period last year) and operating income of 1,351 million yen (rise of 0.1% against the same period last year).

#### ② Functional Materials Business

As for the functional dietary fiber Inulin, the domestic sales was boosted by adoption for use in new bill of products as regulate intestinal orders, control sugar level in the blood and reduce blood fat, in addition, the persistent demand for a low sugar material in getting behind. In the floral preservatives so-called "Keep Flower", the sales revenue decreased due to market slump in spite of sales promotion such as advertising on television. Regarding the UNITEC FOODS Co. Ltd., a consolidated subsidiary, the sales revenue decreased due to sluggishness of collagen and gelatin as leading products.

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 5,639 million yen (down of 4.1% against the same period last year) and operating income of 264 million yen (rise of 24.9% against the same period last year).

#### ③ Real Estate Business

In the Real Estate Business, sales revenue decreased 1.4% year on year to 454 million yen and operating profit decreased 4.7% to 386 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 17.8% to 144 million yen and operating losses of 43 million yen (operating losses on the same period last year was 72 million yen).

## (2) Briefing on financial position

Total assets as of December 31, 2019 decreased 0.8% compared to the end of the previous fiscal year to 21,993 million yen.

The changes of financial position of the 3rd quarter of fiscal year 2019 are as follows

### ① Assets

Current assets decreased by 4.7% compared to the end of previous fiscal year to 10,078 million yen. This was mainly due to a decrease of cash, cash equivalent and deposits and so on.

Non-current assets increased 2.8% compared to the end of the previous fiscal year to 11,915 million yen. This was mainly due to increase of long-term loans receivable under others and so on.

### ② Liabilities

Current liabilities decreased 16.2% compared to the end of the previous fiscal year to 3,575 million yen. This was mainly reflected a decrease of income taxes payable and so on.

Non-current liabilities decreased by 6.3% compared to the end of the previous fiscal year to 1,579 million yen. This was mainly due to a decrease of long-term loans payable and so on.

### ⑤ Net assets

Net assets increased by 3.9% compared to the end of the previous fiscal year to 16,838 million yen. This was mainly reflected increase of retained earnings due to the posting of profit for the year attributable to owners of parent.

## (3) Forecasts on our group business (consolidated)

As a consolidated result of the 3rd quarter of fiscal year 2019, operating profit and ordinary profit are increased over the previous forecast due to weakness in the raw sugar price at the New York Futures Market against our initial assumption, increase of equity in net income of affiliates, and unrealized foreign exchange profit on Thai bahts. However, for the 4th quarter of fiscal year 2019, there may be negative factors like rising the purchasing costs of raw sugar and increasing the logistic costs.

In light of this situation, at this stage, 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)	3rd Q end FY 2019 (As of December 31, 2019)
<b>Assets</b>		
Current assets		
Cash, cash equivalent and deposits	3,373,473	2,926,605
Notes and accounts receivable-trade	2,702,826	2,748,573
Marketable securities	300,000	300,000
Merchandise and finished goods	2,118,084	2,161,412
Work in process	139,172	109,005
Raw materials and supplies	909,946	822,095
Other current assets	1,035,346	1,013,398
Allowance for doubtful debts	(1,964)	(2,109)
Total current assets	10,576,885	10,078,980
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	466,637	441,356
Machinery, equipment and vehicles(net)	116,644	119,137
Land	2,527,435	2,527,435
Construction in progress	-	359
Other non-current assets (net)	89,643	81,585
Total property, plant and equipment	3,200,360	3,169,874
Intangible assets		
Goodwill	145,853	64,861
Other intangible assets	128,231	133,795
Total intangible assets	274,084	198,656
Investment and other assets		
Investment securities	6,163,389	6,070,596
Long-term loans receivable from subsidiaries	1,689,800	1,720,200
Others	280,907	780,258
Allowance for doubtful debts	(22,594)	(24,567)
Total investments and other assets	8,111,502	8,546,487
Total non-current assets	11,585,948	11,915,017
<b>Total assets</b>	<b>22,162,833</b>	<b>21,993,997</b>

(Thousand yen)

	Yearend FY 2018 (As of March 31, 2019)	3rd Q end FY 2019 (As of December 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	1,461,566	1,251,798
Short-term loans payable	1,426,020	1,445,266
Income taxes payable	500,264	67,146
Provision for bonuses	114,408	60,011
Other current liabilities	765,120	751,573
Total current liabilities	4,267,380	3,575,796
Non-current liabilities		
Long-term loans payable	466,082	336,359
Retirement benefits liabilities	22,670	1,331
Liabilities on assets disposal	66,652	67,160
Other non-current liabilities	1,130,368	1,175,143
Total non-current liabilities	1,685,773	1,579,994
Total liabilities	5,953,153	5,155,791
<b>Net Equity</b>		
Shareholder equity		
Share capital	1,524,460	1,524,460
Capital surplus	2,049,343	2,049,343
Retained earnings	11,724,125	12,483,447
Treasury stock	(717,126)	(717,126)
Total shareholder equity	14,580,802	15,340,125
Cumulative other comprehensive income		
Valuation difference on available-for-sales securities	1,727,271	1,679,621
Foreign currency translation adjustment	41,938	(21,915)
Re-measurements of Defined Benefit Plans	(45,575)	(41,688)
Total cumulative other comprehensive income	1,723,634	1,616,017
Non-controlling interests	(94,757)	(117,936)
Total Equity	16,209,679	16,838,206
Total Liabilities and Equity	22,162,833	21,993,997

(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 fy2018 (From April 1, 2018 to December 31, 2018)	The 3rd Q of fy2019 (From April 1, 2019 to December 31, 2019)
Net sales	15,200,210	14,497,933
Cost of sales	11,150,981	10,325,911
Gross profit	4,049,229	4,172,022
Selling, general and administrative expenses	2,803,283	2,828,089
Operating profit	1,245,945	1,343,932
Non-operating income		
Interest income	20,544	24,295
Dividends received	66,841	65,405
Foreign exchange gains	2,593	54,649
Share of Equity in earnings of affiliates	88,649	98,623
Other non-operating income	30,706	18,750
Total non-operating income	209,335	261,724
Non-operating expenses		
Interest expenses	23,135	16,419
Other non-operating expense	15,570	3,901
Total non-operating expense	38,706	20,320
Ordinary profit or loss	1,416,574	1,585,336
Extraordinary income		
Gain on sales of investment securities	503,769	12
Total extraordinary income	503,769	12
Extraordinary loss		
Loss on disposal of fixed assets	43	108
Impairment loss	1,145,100	-
Loss on sales of investment securities	3,267	15,341
Loss on valuation of investment securities	23,163	-
Total extraordinary losses	1,171,575	15,450
Profit before income taxes	748,768	1,569,898
Income taxes-current	583,045	401,871
Income taxes-deferred	45,266	51,136
Total income taxes	628,311	453,008
Profit for the three months	120,457	1,116,890
Loss attributable to non-controlling interests	(47,281)	(6,156)
Profit for the year attributable to owners of parent	167,738	1,123,047



Quarterly Consolidated Statements of Comprehensive Profit or Loss

	(Thousand yen)	
	The 3rd Q of fy2018 (From April 1, 2018 to December 31, 2018)	The 3rd Q of fy2019 (From April 1, 2019 to December 31, 2019)
Profit for the 3rd Quarter	120,457	1,116,890
Other comprehensive income		
Evaluation at fair value on marketable securities	(610,845)	(47,650)
Foreign currencies translation adjustment	(5,965)	(66,198)
Re-measurements of defined benefit plans, (net of tax)	3,844	3,887
Total other comprehensive income for the 3rd quarter	(612,965)	(109,962)
Comprehensive income for the 3rd quarter	(492,508)	1,006,928
Comprehensive income attributable to:		
Owners of parent	(445,015)	1,017,690
Non-controlling interests	(47,492)	(10,762)

(Notes on assumptions of a going concern)

The 3rd quarter consolidated accounting period (From April 1, 2019 to December 31, 2019)

None

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

The 3rd quarter consolidated accounting period (From April 1, 2019 to December 31, 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 1st 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 689 thousand yen increase, other current liabilities of 21,665 thousand yen increase, and other non-current liabilities of 49,600 thousand yen increase at the end of the 3rd 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.

(Segment information)

I 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 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 of previous consolidated accounting period, impairment losses has booked 985,716 thousand yen under the Functional Materials Business Segment, and 159,383 thousand yen under the Other Food Business Segment.

II The 3rd quarter consolidated accounting period (From April 1, 2019 to December 31, 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	8,259,605	5,639,014	454,514	144,798	14,497,933	—	14,497,933
Intersegment net sales and transfer	5,508	—	4,384	16,451	26,343	(26,343)	—
Total	8,265,113	5,639,014	458,899	161,250	14,524,277	(26,343)	14,497,933
Segment profit (loss)	1,351,658	264,406	386,834	(43,742)	1,959,157	(615,225)	1,343,932

Notes: 1 Adjustment for segment income of (615,225) 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.