

Summary of Consolidated Financial Results

For the 1st Quarter Ended June 30, 2020(Japanese Accounting Standards)

July 31, 2020

Company name: Fuji Nihon Seito Corporation Listing: The 2nd Section of Tokyo Stock Exchange
 Stock code: 2114 <https://www.fnsugar.co.jp>
 Company Representative: Seiji Sakurada, President and Chief Executive Officer
 Contact person in charge: Atsuko Yoshimizu, Director & Executive Officer, Division Head of Administration

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Planned date for submission of quarterly report:

August 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 Three Months Ended June 30, 2020 (April 1, 2020- June 30, 2020)

(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	%
June 30, 2020	4,449	(10.5)	306	(21.6)	412	(8.8)	279	(10.8)
June 30, 2019	4,968	(2.2)	391	7.1	452	12.9	313	18.4

Note: Comprehensive income

1st quarter ended June 30, 2020: 362 million yen (up 372.0%)

1st quarter ended June 30, 2019: 76 million yen (down 81.8%)

	Net Profit per Share	Diluted net Profit per Share
	Yen	Yen
June 30, 2020	10.42	—
June 30, 2019	11.69	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of June 30, 2020	22,091	16,921	77.1
As of March 31, 2020	21,490	16,853	78.9

(Reference) Shareholders' Equity: As of June 30, 2020: 17,037 million yen As of March 31, 2020: 16,964 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, 2020	—	0.00	—	11.00	11.00
March 31, 2021	—	—	—	—	—
Year ended March 31, 2021 (forecast)	—	0.00	—	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, 2021 (April 1, 2020 - March 31, 2021)

(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, 2021	19,000	0.2	1,150	(22.9)	1,300	(21.0)	900	(24.8)	33.52

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

※ Notes

(1) Significant changes in subsidiaries during the three months of fiscal year 2020

(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

(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 June 30, 2020	29,748,200	As of March 31, 2020	29,748,200
(ii) Number of Treasury Shares at the end of period	As of June 30, 2020	2,896,020	As of March 31, 2020	2,896,020
(iii) Average number of shares during the period	As of June 30, 2020	26,852,180	As of June 30, 2019	26,852,244

※ Summary of Consolidated Financial Results for the 1st 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 three months of Fiscal Year 2020” on page 3 of the Appendix.

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1. The Results for the 1st Quarter of Fiscal Year 2020

(1) Qualitative information regarding consolidated operating results

During the 1st quarter of fiscal year 2020, the Japanese economy was going extremely severe circumstances under the declaration of emergency by the spread of COVID-19. After the declaration of emergency was lifted, Japanese economic activity restarted and be expected to be recovery. However, the situation still remains unpredictable and we have to pay attention continuously to the change in situation of COVID-19, policy trends, and influence by financial markets.

The sugar refining industry has continued to be tough sales environment under the further decrease in consumption especially due to the impact of COVID-19.

Under these economic environments, our Group made effort to maintain stable supply on sugar business and continued to be concentrating on high-value added sales activity on functional food materials business for maintaining quality management and improvement of customer satisfaction.

As a result of the 1st quarter, net sales decreased 10.5% year on year to 4,449 million yen. Operating profit decreased 21.6% year on year to 306 million yen. Ordinary profit decreased 8.8% year on year to 412 million yen. Net profit attributable to owners of parent was decreased 10.8% year on year to 279 million yen.

Operating results of each segment is as follows:

① Sugar Business

Regarding the Sugar Business, the sales volume has been much less than the previous same period due to decrease the orders of sugar for golden week holidays by the declaration of emergency due to the spread of COVID-19. On the aspect of earnings, the cost of raw materials could reduce by solid purchase of raw sugar, however, they could not supply the decrease of sales volume and the operating profit was less than the previous same period.

As a result of the above, the Sugar Business reported net sales of 2,387 million yen (down of 12.3% against the same period of last year) and operating profit of 376 million yen (down of 7.2% against the same period of last year).

② Functional Materials Business

As for the functional dietary fiber Inulin, the number of new adoptions as health food materials increased overseas due to high-value added sales, and the net sales increased year on year. Regarding the UNITEC FOODS Co. Ltd., a consolidated subsidiary, net sales decreased because the sales of main products was sluggish under the influence of COVID-19.

As a result of the above, the Functional Materials Business reported net sales of 1,849 million yen (down of 9.6% against the same period of last year) and operating profit of 72 million yen (down of 24.3% against the same period of last year).

③ Real Estate Business

In the Real Estate Business, net sales decreased 3.1% year on year to 148 million yen and operating profit decreased 17.2% year on year to 114 million yen because of leaving the head office. However, it has continued to contribute to stable earnings.

④ Other Food Business

In the Other Food Business such as bakery business in Thailand, net sales increased 36.3% to 63 million yen and operating losses of 2 million yen (operating losses on the same period of last year was 13 million yen).

(2) Qualitative information regarding consolidated financial position

Total assets as of June 30, 2020 increased 2.8% compared to the end of the previous fiscal year to 22,091 million yen.

The changes of financial position of the 1st quarter of fiscal year 2020 are as follows

① Assets

Current assets increased by 5.0% compared to the end of previous fiscal year to 9,953 million yen. This was mainly due to an increase of raw materials and supplies and so on.

Non-Current assets increased by 1.1% compared to the end of the previous fiscal year to 12,138 million yen. This was mainly due to an increase of investment securities and so on.

② Liabilities

Current liabilities increased by 15.6% compared to the end of the previous fiscal year to 3,644 million yen. This was mainly reflected an increase of notes and accounts payable-trade and so on.

Non-current liabilities increased by 2.8% compared to the end of the previous fiscal year to 1,525 million yen. This was mainly due to an increase of deferred tax liabilities under others and so on.

③ Net assets

Net assets increased by 0.4% compared to the end of the previous fiscal year to 16,921 million yen. This was mainly due to an increase of valuation difference on available-for-sales securities and so on.

(3) Qualitative information regarding consolidated business forecasts

In line with the consolidated results for the 1st quarter of fiscal year 2020 recorded negative growth against the original business forecasts because of the spread of COVID-19. However, we decide not to change the annual plans for the fiscal year 2020 released on May 20, 2020 at this time because this plan included the impact of COVID-19 and the present situation that each economic activity is resuming.

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 2020.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	Yearend FY 2019 (As of March 31, 2020)	1st Q end FY 2020 (As of June 30, 2020)
Assets		
Current assets		
Cash, cash equivalent and deposits	2,638,735	2,685,622
Notes and accounts receivable-trade	2,569,323	2,398,877
Marketable securities	300,000	300,000
Merchandise and finished goods	2,115,006	2,164,818
Work in process	142,800	146,696
Raw materials and supplies	686,590	1,203,449
Other current assets	1,029,209	1,055,549
Allowance for doubtful debts	(2,406)	(1,951)
Total current assets	9,479,259	9,953,062
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	424,033	380,528
Machinery, equipment and vehicles (net)	120,163	133,921
Land	2,527,435	2,527,435
Construction in progress	5,380	5,417
Other non-current assets (net)	74,088	77,686
Total property, plant and equipment	3,151,100	3,124,989
Intangible assets		
Goodwill	37,864	10,866
Other intangible assets	129,230	124,318
Total intangible assets	167,094	135,185
Investment and other assets		
Investment securities	6,305,030	6,501,392
Long-term loans receivable	341,736	341,814
Long-term loans receivable from subsidiaries	1,757,700	1,757,700
Others	313,502	301,677
Allowance for doubtful debts	(24,430)	(24,430)
Total investments and other assets	8,693,538	8,878,154
Total non-current assets	12,011,734	12,138,329
Total assets	21,490,994	22,091,391

(Thousand yen)

	Yearend FY 2019 (As of March 31, 2020)	1st Q end FY 2020 (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	977,866	1,342,952
Short-term loans payable	1,315,989	1,364,020
Income taxes payable	96,424	106,460
Provision for bonuses	116,663	59,196
Other current liabilities	645,370	771,462
Total current liabilities	3,152,314	3,644,092
Non-current liabilities		
Long-term loans payable	294,859	298,221
Retirement benefits liabilities	53,268	46,458
Liabilities on assets disposal	67,328	67,500
Other non-current liabilities	1,069,305	1,113,724
Total non-current liabilities	1,484,762	1,525,904
Total liabilities	4,637,076	5,169,996
Net Equity		
Shareholder equity		
Share capital	1,524,460	1,524,460
Capital surplus	2,049,343	2,049,343
Retained earnings	12,557,481	12,541,890
Treasury stock	(717,161)	(717,161)
Total shareholder equity	15,414,123	15,398,532
Cumulative other comprehensive income		
Valuation difference on available-for-sales securities	1,525,792	1,675,485
Foreign currency translation adjustment	104,603	41,236
Re-measurements of Defined Benefit Plans	(80,165)	(77,664)
Total cumulative other comprehensive income	1,550,229	1,639,058
Non-controlling interests	(110,434)	(116,195)
Total Equity	16,853,917	16,921,395
Total Liabilities and Equity	21,490,994	22,091,391

(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 1st Q of FY2019 (From April 1, 2019 to June 30, 2019)	The 1st Q of FY2020 (From April 1, 2020 to June 30, 2020)
Net sales	4,968,893	4,449,625
Cost of sales	3,624,593	3,226,909
Gross profit	1,344,299	1,222,715
Selling, general and administrative expenses	953,057	915,922
Operating profit	391,242	306,792
Non-operating income		
Interest income	7,107	7,757
Dividends received	35,029	36,020
Foreign exchange gains	4,291	51,274
Share of Equity in earnings of affiliates	15,714	5,996
Other non-operating income	5,868	6,506
Total non-operating income	68,011	107,555
Non-operating expenses		
Interest expenses	5,399	1,567
Other non-operating expense	1,412	0
Total non-operating expense	6,812	1,567
Ordinary profit or loss	452,441	412,781
Extraordinary loss		
Loss on disposal of fixed assets	-	431
Total extraordinary losses	-	431
Profit before income taxes	452,441	412,349
Income taxes-current	97,041	113,213
Income taxes-deferred	43,937	19,984
Total income taxes	140,979	133,198
Profit for the three months	311,462	279,151
Loss attributable to non-controlling interests	(2,297)	(631)
Profit for the year attributable to owners of parent	313,760	279,782

Quarterly Consolidated Statements of Comprehensive Profit or Loss

(Thousand yen)

	The 1st Q of FY2019 (From April 1, 2019 to June 30, 2019)	The 1st Q of FY2020 (From April 1, 2020 to June 30, 2020)
Profit for the 1st Quarter	311,462	279,151
Other comprehensive income		
Evaluation at fair value on marketable securities	(231,482)	149,693
Foreign currencies translation adjustment	(4,398)	(68,496)
Re-measurements of defined benefit plans, (net of tax)	1,295	2,501
Total other comprehensive income for the 1st quarter	(234,584)	83,699
Comprehensive income for the 1st quarter	76,877	362,851
Comprehensive income attributable to:		
Owners of parent	79,520	368,611
Non-controlling interests	(2,643)	(5,760)

(3) Notes on quarterly consolidated financial statements

(Notes on assumptions of going concern)

The 1st quarter consolidated accounting period (From April 1, 2020 to June 30, 2020)

None

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

The 1st quarter consolidated accounting period (From April 1, 2020 to June 30, 2020)

None

(Segment information)

I The 1st quarter consolidated accounting period (From April 1, 2019 to June 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	2,722,886	2,046,126	153,603	46,276	4,968,893	—	4,968,893
Intersegment net sales and transfer	1,630	—	1,461	4,908	8,000	(8,000)	—
Total	2,724,517	2,046,126	155,065	51,185	4,976,894	(8,000)	4,968,893
Segment profit (loss)	405,126	96,088	137,925	(13,431)	625,708	(234,466)	391,242

Notes: 1 Adjustment for segment income of (234,466) 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.

II The 1st quarter consolidated accounting period (From April 1, 2020 to June 30, 2020)

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	2,387,898	1,849,748	148,895	63,083	4,449,625	—	4,449,625
Intersegment net sales and transfer	2,205	—	1,791	5,088	9,086	(9,086)	—
Total	2,390,104	1,849,748	150,687	68,172	4,458,711	(9,086)	4,449,625
Segment profit (loss)	376,012	72,706	114,168	(2,977)	559,910	(253,117)	306,792

Notes: 1 Adjustment for segment income of (253,117) 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.