

Summary of Consolidated Financial Results

For the 2nd Quarter Ended September 30, 2020(Japanese Accounting Standards)

October 30, 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: November 10, 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 Six Months Ended September 30, 2020 (April 1, 2020- September 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	%
September 30, 2020	9,160	(5.2)	698	(20.1)	836	(18.5)	583	(20.8)
September 30, 2019	9,660	(3.9)	874	12.2	1,026	9.5	736	—

Note: Comprehensive income

2nd quarter ended September 30, 2020: 922 million yen (72.0%)

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

	Net Profit per Share	Diluted net Profit per Share
	Yen	Yen
September 30, 2020	21.72	—
September 30, 2019	27.41	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2020	22,638	17,481	77.7
As of March 31, 2020	21,490	16,853	78.9

(Reference) Shareholders' Equity: As of September 30, 2020: 17,593 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	—	0.00	—	—	—
Year ended March 31, 2021 (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, 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 six 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 September 30, 2020	29,748,200	As of March 31, 2020	29,748,200
As of September 30, 2020	2,896,020	As of March 31, 2020	2,896,020
As of September 30, 2020	26,852,180	As of September 30, 2019	26,852,244

(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 2020 on page 3 of the Appendix.

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1. The Results for the 2nd Quarter of Fiscal Year 2020

(1) Qualitative information regarding consolidated operating results

During the 2nd quarter of fiscal year 2020, the Japanese economy was extremely severe circumstances due to the impact of heavy braking of social and economic activity. After the declaration of emergency was lifted, social and economic activity is restarted with taking the measures of preventing infection. Although there is improvement in economic trends gradually, unpredictable situation has been continued with high uncertainty and opacity of the date of conclusion. The sugar refining industry has been continuously tough situation under the decreasing trend in sugar consumption, furthermore, the downturn in consumption from the spread 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 2nd quarter, net sales decreased 5.2% year on year to 9,160 million yen. Operating profit decreased 20.1% year on year to 698 million yen. Ordinary profit decreased 18.5% year on year to 836 million yen. Net profit attributable to owners of parent was decreased 20.8% year on year to 583 million yen.

Operating results of each segment is as follows:

① Sugar Business

Regarding the sugar business, the sales volume has been less than the previous same period caused by falling the demand before so-called Golden Week holidays and taking a long time to recover 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 slight decreased.

As a result of the above, the Sugar Business reported net sales decreased 7.6% year on year to 5,030 million yen, and operating profit decreased 0.5% year on year to 859 million yen.

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 3,718 million yen (down of 2.4% against the same period of last year) and operating profit of 130 million yen (down of 36.8% against the same period of last year).

③ Real Estate Business

In the Real Estate Business, net sales decreased 4.0% year on year to 294 million yen and operating profit decreased 23.2% year on year to 195 million yen due to an increase in costs with relocation of 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 21.5% to 116 million yen and operating losses of 8 million yen (operating losses on the same period of last year was 31 million yen).

(2) Qualitative information regarding consolidated financial position

Total assets as of September 30, 2020 increased 5.3% compared to the end of the previous fiscal year to 22,638 million yen.

The changes of financial position of the 2nd quarter of fiscal year 2020 are as follows

① Assets

Current assets increased by 4.2% compared to the end of previous fiscal year to 9,881 million yen. This was mainly due to an increase of raw materials and supplies and so on.

Non-current assets increased by 6.2% compared to the end of the previous fiscal year to 12,757 million yen. This was mainly due to an increase of investment securities and so on.

② Liabilities

Current liabilities increased by 15.3% compared to the end of the previous fiscal year to 3,634 million yen. This was mainly reflected an increase of notes and accounts payable-trade, income taxes payable and so on.

Non-current liabilities increased by 2.6% compared to the end of the previous fiscal year to 1,523 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 3.7% compared to the end of the previous fiscal year to 17,481 million yen. This was mainly due to an increase of Retained earnings by the recording of Profit for the year attributable to owners of parent.

(Overview of cash flows)

Cash and cash equivalents (hereinafter called "Funds") as of September 30, 2020 increased by 114 million yen from the end of the previous fiscal year to 3,053 million yen.

Changes in cash flow for the consolidated 2nd quarter of fiscal year 2020 and reasons are as follows.

① Cash flow from operating activities

The funds provided from operating activities amounted to 850 million yen for the consolidated 2nd quarter of fiscal year 2020 (the fiscal year 2019: increased by 144.3%). This mainly reflected an increase of notes and accounts payable-trade.

② Cash flow from investing activities

The funds used in by investing activities amounted to 322 million yen for the consolidated 2nd quarter of fiscal year 2020 (the fiscal year 2019: decreased by 41.2%). This mainly reflected payments by the purchase of Investment Securities.

③ Cash flow from financing activities

Financing activities caused funds used in the amount of 413 million yen for the consolidated 2nd quarter of fiscal year 2020 (the fiscal year 2019: decreased by 6.5%). This mainly reflected of dividends paid.

(3) Qualitative information regarding consolidated business forecasts

In line with the consolidated results for the 2nd 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 of each economic activity resumed and move to recovery.

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)	2nd Q end FY 2020 (As of September 30, 2020)
Assets		
Current assets		
Cash, cash equivalent and deposits	2,638,735	2,753,287
Notes and accounts receivable-trade	2,569,323	2,489,466
Marketable securities	300,000	300,000
Merchandise and finished goods	2,115,006	2,152,015
Work in process	142,800	125,411
Raw materials and supplies	686,590	1,060,733
Other current assets	1,029,209	1,002,767
Allowance for doubtful debts	(2,406)	(2,050)
Total current assets	9,479,259	9,881,630
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	424,033	384,973
Machinery, equipment and vehicles(net)	120,163	137,573
Land	2,527,435	2,527,435
Construction in progress	5,380	1,623
Other non-current assets (net)	74,088	92,242
Total property, plant and equipment	3,151,100	3,143,848
Intangible assets		
Goodwill	37,864	8,150
Other intangible assets	129,230	116,657
Total intangible assets	167,094	124,807
Investment and other assets		
Investment securities	6,305,030	7,090,469
Long-term loans receivable	341,736	341,736
Long-term loans receivable from subsidiaries	1,757,700	1,756,300
Others	313,502	324,401
Allowance for doubtful debts	(24,430)	(24,410)
Total investments and other assets	8,693,538	9,488,496
Total non-current assets	12,011,734	12,757,153
Total assets	21,490,994	22,638,783

(Thousand yen)

	Yearend FY 2019 (As of March 31, 2020)	2nd Q end FY 2020 (As of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	977,866	1,341,518
Short-term loans payable	1,315,989	1,242,973
Income taxes payable	96,424	281,473
Provision for bonuses	116,663	114,515
Other current liabilities	645,370	653,931
Total current liabilities	3,152,314	3,634,411
Non-current liabilities		
Long-term loans payable	294,859	259,859
Retirement benefits liabilities	53,268	41,020
Liabilities on assets disposal	67,328	76,415
Other non-current liabilities	1,069,305	1,145,891
Total non-current liabilities	1,484,762	1,523,187
Total liabilities	4,637,076	5,157,599
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	12,845,395
Treasury stock	(717,161)	(717,161)
Total shareholder equity	15,414,123	15,702,036
Cumulative other comprehensive income		
Valuation difference on available-for-sales securities	1,525,792	1,863,187
Foreign currency translation adjustment	104,603	103,023
Re-measurements of Defined Benefit Plans	(80,165)	(75,162)
Total cumulative other comprehensive income	1,550,229	1,891,049
Non-controlling interests	(110,434)	(111,901)
Total Equity	16,853,917	17,481,184
Total Liabilities and Equity	21,490,994	22,638,783

(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 FY2019 (From April 1, 2019 to September 30, 2019)	The 2nd Q of FY2020 (From April 1, 2020 to September 30, 2020)
Net sales	9,660,626	9,160,689
Cost of sales	6,905,721	6,630,401
Gross profit	2,754,904	2,530,288
Selling, general and administrative expenses	1,880,728	1,831,988
Operating profit	874,176	698,300
Non-operating income		
Interest income	15,765	15,792
Dividends received	40,001	44,099
Foreign exchange gains	14,774	-
Share of Equity in earnings of affiliates	81,985	78,166
Other non-operating income	12,675	15,897
Total non-operating income	165,203	153,955
Non-operating expenses		
Interest expenses	11,576	8,086
Foreign exchange loss	-	7,620
Other non-operating expense	1,436	13
Total non-operating expense	13,012	15,720
Ordinary profit or loss	1,026,367	836,535
Extraordinary income		
Gain on sales investment securities	12	-
Total extraordinary income	12	-
Extraordinary loss		
Loss on disposal of non-current assets	-	431
Loss on sales of investment securities	14,381	-
Total extraordinary losses	14,381	431
Profit before income taxes	1,011,997	836,104
Income taxes-current	262,447	273,370
Income taxes-deferred	17,947	(19,077)
Total income taxes	280,395	254,292
Profit for the three months	731,602	581,811
Loss attributable to non-controlling interests	(4,478)	(1,475)
Profit for the year attributable to owners of parent	736,081	583,287

Quarterly Consolidated Statements of Comprehensive Profit or Loss

(Thousand yen)

	The 2nd Q of FY2019 (From April 1, 2019 to September 30, 2019)	The 2nd Q of FY2020 (From April 1, 2020 to September 30, 2020)
Profit for the 2nd Quarter	731,602	581,811
Other comprehensive income		
Evaluation at fair value on marketable securities	(179,582)	337,395
Foreign currencies translation adjustment	(18,280)	(1,570)
Re-measurements of defined benefit plans, (net of tax)	2,591	5,003
Total other comprehensive income for the 2nd quarter	(195,272)	340,828
Comprehensive income for the 2nd quarter	536,330	922,640
Comprehensive income attributable to:		
Owners of parent	542,126	924,107
Non-controlling interests	(5,796)	(1,466)

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousand yen)	
	2nd Q of FY2019 (From April 1, 2019 to September 30, 2019)	2nd Q of FY2020 (From April 1, 2020 to September 30, 2020)
Cash Flows from Operating Activities		
Profit before income taxes	1,011,997	836,104
Depreciation and amortization	57,521	130,384
Amortization of goodwill	53,994	29,713
Increase (decrease) in provision for bonuses	(3,506)	(2,135)
Increase (decrease) in allowance for doubtful debts	1,009	(375)
Increase (decrease) in retirement benefits liability	(11,307)	(5,045)
Interest earned and dividend income	(55,767)	(59,891)
Interest expenses	11,576	8,086
Foreign exchange losses (gains)	(14,774)	7,620
Share of Equity in (earning) losses of affiliates	(81,985)	(78,166)
Loss (gain) on sales of investment securities	14,369	-
Loss on disposal of non-current assets	-	431
Decrease (increase) in notes and account receivable-trade	243,929	79,751
Decrease (increase) in inventories	(149,215)	(393,612)
Decrease (increase) in other current assets	20,079	4,674
Increase (decrease) in notes and accounts payable-trade	(264,331)	363,803
Increase (decrease) in other current liabilities	(61,743)	(332)
Others (net amount)	506	(52,240)
Subtotal	772,352	868,769
Interest and dividends received	72,414	85,368
Interest expenses paid	(12,697)	(8,623)
Corporate income taxes paid	(484,050)	(95,377)
Net cash provided by (used in) operating activities	348,018	850,136

	(Thousand yen)	
	2nd Q of FY2019 (From April 1, 2019 to September 30, 2019)	2nd Q of FY2020 (From April 1, 2020 to September 30, 2020)
Net Cash provided by (used in) Investing Activities		
Purchase of property, plant and equipment	(65,518)	(87,647)
Purchase of intangible assets	(24,738)	(5,903)
Purchase of Investment securities	(720)	(248,237)
Proceeds from sales and redemption of securities	74,971	-
Collection of long-term loans receivable	458,400	449,600
Payments of long-term loans receivable	(990,000)	(430,000)
Net cash provided by (used in) investing activities	(547,605)	(322,188)
Net Cash provided by (used in) Financing Activities		
Net increase (decrease) in short-term loans payable	-	28,560
Proceeds from long-term loans payable	3,001	-
Repayment of long-term loans payable	(139,031)	(136,436)
Repayment of lease obligations	(10,379)	(10,031)
Dividends paid	(295,374)	(295,373)
Net cash provided by (used in) financing activities	(441,784)	(413,281)
Effect of exchange rate change on Cash and Cash Equivalents	1,126	(115)
Net increase (decrease) in Cash and Cash Equivalents	(640,245)	114,551
Cash and Cash Equivalents at the beginning of period	3,673,473	2,938,735
Cash and Cash Equivalents at the end of quarter period	3,033,227	3,053,287

(4) Notes on quarterly consolidated financial statements

(Notes on assumptions of going concern)

The 2nd quarter consolidated accounting period (From April 1, 2020 to September 30, 2020)

None

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

The 2nd quarter consolidated accounting period (From April 1, 2020 to September 30, 2020)

None

(Segment information)

I 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.

II The 2nd quarter consolidated accounting period (From April 1, 2020 to September 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	5,030,506	3,718,910	294,913	116,359	9,160,689	—	9,160,689
Intersegment net sales and transfer	5,292	—	3,582	10,111	18,986	(18,986)	—
Total	5,035,798	3,718,910	298,496	126,470	9,179,676	(18,986)	9,160,689
Segment profit (loss)	859,621	130,866	195,158	(8,788)	1,176,858	(478,557)	698,300

Notes: 1 Adjustment for segment income of (478,557) 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.