

# Summary of Consolidated Financial Results

## For the Six Months Ended September 30, 2014(Based on Japanese GAAP)

October 31, 2014

Company name:	Fuji Nihon Seito Corporation	Listing: Second Section of Tokyo Exchange
Stock code:	2114	<a href="http://www.fnsugar.co.jp">http://www.fnsugar.co.jp</a>
Company Representative:	Yoshikazu Funakoshi President and Chief Executive	
Contact person in charge:	Masahiro Sazuka Managing Executive Officer, Division General Manager of Administrative Division, General Manager of Corporate Planning Office	
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Planned date for submission of quarterly report:		November 7, 2014
Preparation of supplementary material for quarterly financial statements:	None	
Briefing session for quarterly financial statements:	None	

(Amounts are rounded down to the nearest 1 million yen)

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2014 (from April 1, 2014 to September 30, 2014)

#### (1) Consolidated Results of Operations

(Percentages are year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2014	9,826	(3.4)	366	(34.6)	496	(20.2)	335	(11.4)
Six months ended September 30, 2013	10,175	1.8	561	(6.4)	622	(2.0)	378	(6.6)

Note: Comprehensive income

Six months ended September 30, 2014: 518 million yen (down 1.7%) Six months ended September 30, 2013: 527 million yen (up 44.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2014	12.48	—
Six months ended September 30, 2013	14.07	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of September 30, 2014	21,556	15,146	68.7
As of March 31, 2014	21,370	14,821	67.6

(Reference) Equity capital: As of September 30, 2014: 14,807 million yen As of March 31, 2014: 14,435 million yen

### 2. Cash Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	—	0.00	—	9.00	9.00
Year ending March 31, 2015	—	0.00	—	—	—
Year ending March 31, 2015(forecast)	—	—	—	9.00	9.00

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

### 3. Consolidated Business Forecasts for Year Ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Percentages are year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
Full year	21,000	4.2	850	4.9	960	(3.1)	600	0.9	22.34

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

※ Notes

(1) Significant changes in subsidiaries during the six months of fiscal year 2015

(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)

(i) Number of outstanding shares at period end (including treasury stock)	As of September 30, 2014	29,748,200 shares	As of March 31, 2014	29,748,200 shares
(ii) Number of treasury stock at period end	As of September 30, 2014	2,890,022 shares	As of March 31, 2014	2,889,839 shares
(iii) Average number of shares during period (from the beginning of fiscal year to period end)	As of September 30, 2014	26,858,308 shares	As of September 30, 2013	26,884,479 shares

※ Implementation of quarterly review procedure:

This summary is not subject to quarterly review procedure under the Financial Instruments and Exchange Law. At the time of this document's release, review of the quarterly financial statements under the Financial Instruments and Exchange Law had not been completed.

※ 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 preconditions 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 First Six Months of Fiscal Year 2015" on page 3 of the Appendix.

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## 1. Qualitative Information Regarding the Results for the First Six Months of Fiscal Year 2015

### (1) Qualitative information regarding consolidated operating results

During the six months of fiscal year 2015, the Japanese economy continued modest recovery trend due to the continuance of weak yen and high stock price by the effect of the economic and financial policies by the government although shown the some economic downturn by the consumption tax increase.

Under these economic environments, the Group made efforts to maintain the stable and constant supply as the top priority. Our subsidiary, Fuji Nihon Thai Inulin Co., Ltd. for produce and sell “Inulin”, especially focused to improve and maintain quality and train the local staff for stable and constant supply.

As a result, consolidated net sales for the six months of fiscal year 2015, decreased 3.4 % year on year to 9,826 million yen, operating income decreased 34.6% year on year to 366 million yen, ordinary income decreased 20.2% year on year to 496 million yen, net income decreased 11.4% year on year to 335 million yen.

Operating results of each segment is as follows:

#### ① Sugar Business

Consolidated net sales decreased 5.2% year on year to 6,339 million yen. Operating income decreased 3.6% year on year to 585 million yen. The sales revenue decreased due to decrease of sales volume of soft white sugar and liquid sugar year on year because of the consumption tax increase and sluggish movement of products for confectionary and beverage due to unseasonable weather in summer. Operating income decreased due to decrease of sales volume although sales activity focused to maintain reasonable price.

#### ② Functional Materials Business

Consolidated net sales increased 0.0% year on year to 3,188 million yen. Operating loss was 144 million yen (previous fiscal year operating income 43 million yen). The sales revenue remained same with year on year. Sales volume of functional food “Inulin” remained same with year on year by sluggish sales growth for user. Under sluggish trend of flower business and by consumption tax increase, sales volume of floral preservatives “Keep Flower” decreased year on year. Unitec Foods Co., Ltd. (consolidated subsidiary) decrease sales volume year on year due to sluggish OEM consignment. The loss of Fuji Nihon Thai Inulin Co., Ltd. (consolidated subsidiary) increased due to further expense for the stable operation although production was started.

#### ③ Real Estate Business

Consolidated net sales decreased 0.3% year on year to 299 million yen, Operating income increased 2.4% year on year to 265 million yen. The rate of operation and maintenance cost of the Division remained same with year on year, contributed to obtaining stable profits.

### (2) Qualitative information regarding consolidated financial position

Total assets as of September 30, 2014 increased by 0.9% compared to the end of the previous year to 21,556 million yen.

The change situation of financial position of the first six months of fiscal year 2015 is as follows:

#### ① Assets

Current assets decreased by 3.7% compared to the end of the previous fiscal year to 8,267 million yen. This was mainly due to decrease of cash and deposits and raw materials and supplies.

Fixed assets, increased by 3.9% compared to the end of the previous fiscal year to 13,289 million yen. This was mainly due to increase of investment securities and so on.

## ②Liabilities

Current liabilities decreased by 8.0% compared to the end of the previous fiscal year to 3,437 million yen. This was mainly due to decrease of notes and accounts payable-trade.

Non-current liabilities increased by 5.7% compared to the end of the previous fiscal year to 2,972 million yen. This was mainly due to increase of long-term loans payable and deferred tax liability including in non-current liability "Other" and so on.

## ③Net assets

Net assets increased by 2.2% compared to the end of the previous fiscal year to 15,146 million yen. This was mainly due to increase of retained earnings by an increase of valuation difference on available-for-sales securities and net income was recorded.

## (Cash flow)

Cash and cash equivalents (hereinafter called "funds") as of first six months of fiscal year 2015 decreased by 281 million yen to 2,214 million yen.

Cash flow as of the first six months fiscal year 2015 and reasons are as follow:

### ①Cash flow from operating activities

Funds used for operating activities amounted to 44 million yen (previous fiscal year 689 million yen). This was mainly due to decrease of notes and accounts payable-trade and income taxes paid although income before income taxes recorded.

### ②Cash flow from investing activities

Funds used for investing activities was 129 million yen (down 75.7% compared with the same period of the previous year). This was mainly due to purchase of property, plant and equipment and payments of long-term loans receivable despite some collection of long-term loans receivable.

### ③Cash flow from financing activities

Funds used for financing activities was 111 million yen (up 241.2% compared with the same period of the previous year). This was mainly due to payment made for cash dividends and repayment of long-term loans despite proceeds of long-term loans.

## (3) Qualitative information regarding consolidated business forecasts

Business is proceeding largely in line with plans during the fiscal year 2015. There are no changes to full-year forecasts issued on April 30, 2014.

The forecasted financial results described in based on information available at the time of announcement. Actual results may differ from such forecasts due to various factors.

## 2. Matters Regarding Summary Information (Notes)

### (1) Significant changes in subsidiaries during the first six months of fiscal year 2015

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

(Changes in accounting policy)

The Company has applied the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No.26, May 17, 2012; the “Retirement Benefit Accounting Standard”) and Guidance on Accounting Standard for Retirement Benefit (ASBJ Guidance No.25, May 17, 2012; the “Retirement Benefit Accounting Guidance”), the stipulations of the body text of Article 35 of the Retirement Benefit Accounting Standard and the body text of Article 67 of the Retirement Benefit Accounting Guidance, from the fiscal year ended June 30, 2014, reconsider the method of calculation of retirement benefit and employment cost, changed period method for retirement benefit from fixed amount standard to benefit formula, changed decision method of discount rate from the decision method of the period of credit basis on discount rate as basis on the year approximation with the average remaining years of service of employees to the method of usage of single weighted average discount rate reflected the amount of estimate payment period of retirement benefit and per amount of estimate payment period of retirement benefit.

In accordance with the transitional treatment stipulated by Article 37 of the Retirement Benefit Accounting Standard, as of September 30, 2014, the amounts of impacts resulting from the application of Retirement Benefit Accounting Standard, etc., were added to, or deducted from, remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result, defined benefit liability for the end of fiscal year 2014 decreased 73,818 thousands yen, retained earnings increased 47,538 thousands yen. The influence of this changes to operating income, ordinary income and net income for the First Six Months of Fiscal Year 2015 was small.

### 3. Quarterly consolidated Financial Statements

#### (1) Quarterly consolidated balance sheets

(Thousand yen)

	Fiscal 2014 (As of March 31, 2014)	Second quarter of Fiscal 2015 (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	2,111,695	1,843,066
Notes and accounts receivable-trade	2,451,842	2,369,311
Short-term investment securities	385,719	372,934
Merchandise and finished goods	1,279,058	1,514,440
Work in process	109,595	213,159
Raw materials and supplies	1,097,743	810,134
Other	1,152,281	1,148,013
Allowance for doubtful accounts	(3,282)	(3,403)
Total current assets	8,584,653	8,267,658
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	679,664	1,039,489
Machinery, equipment and vehicles, net	158,279	1,645,041
Land	2,048,834	2,048,834
Construction in progress	1,658,701	303
Other, net	91,041	107,108
Total property ,plant and equipment	4,636,521	4,840,777
Intangible assets		
Goodwill	685,798	631,804
Other	99,888	92,900
Total intangible assets	785,686	724,704
Investments and other assets		
Investment securities	5,153,069	5,488,915
Long-term loans receivable from subsidiaries and affiliates	1,980,852	2,011,052
Other	293,532	280,730
Allowance for doubtful accounts	(64,140)	(57,120)
Total investments and other assets	7,363,312	7,723,578
Total noncurrent assets	12,785,521	13,289,060
Total assets	21,370,175	21,556,718

(Thousand yen)

	Fiscal 2014 (As of March 31, 2014)	Second quarter of Fiscal 2015 (As of September 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,505,769	996,449
Short-term loans payable	1,182,696	1,215,226
Income taxes payable	203,136	208,671
Provision for bonuses	110,896	100,854
Provision for directors' bonuses	9,100	—
Other	725,019	916,316
Total current liabilities	3,736,618	3,437,518
Noncurrent liabilities		
Long-term loans payable	1,551,216	1,692,005
Provision for director's retirement benefits	183,175	170,593
Defined benefit liability	203,125	80,758
Asset retirement obligations	66,603	66,916
Other	807,716	962,699
Total noncurrent liabilities	2,811,837	2,972,973
Total liabilities	6,548,455	6,410,491
Net assets		
Shareholders' equity		
Capital stock	1,524,460	1,524,460
Capital surplus	2,530,171	2,530,171
Retained earnings	10,016,829	10,157,759
Treasury stock	(714,805)	(714,868)
Total shareholders' equity	13,356,655	13,497,521
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,020,619	1,221,078
Foreign currency translation adjustment	77,752	106,530
Remeasurements of defined benefit plans	(19,219)	(17,179)
Total accumulated other comprehensive income	1,079,152	1,310,430
Minority interests	385,910	338,275
Total net assets	14,821,719	15,146,227
Total liabilities and net assets	21,370,175	21,556,718



(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income  
Quarterly consolidated statements of income  
First Six months of fiscal year 2014 and 2015

(Thousand yen)

	First six months of fiscal year 2014 (From April 1, 2013 to September 30, 2013)	First six months of fiscal year 2015 (From April 1, 2014 to September 30 2014)
Net sales	10,175,273	9,826,474
Cost of sales	7,932,862	7,880,672
Gross profit	2,242,410	1,945,801
Selling, general and administrative expenses	1,680,999	1,578,864
Operating income	561,410	366,937
Non-operating income		
Interest income	24,213	21,821
Dividends income	27,366	31,495
Foreign exchange gains	—	30,027
Equity in earnings of affiliates	20,828	40,003
Other	5,561	25,753
Total non-operating income	77,969	149,102
Non-operating expenses		
Interest expenses	10,782	18,199
Foreign exchange losses	3,980	—
Other	2,087	1,260
Total non-operating expenses	16,850	19,460
Ordinary income	622,529	496,578
Extraordinary income		
Gain on sales of investment securities	11,540	—
Total extraordinary income	11,540	—
Extraordinary loss		
Loss on retirement of noncurrent assets	21	125
Loss on valuation of investment securities	—	355
Total extraordinary loss	21	480
Income before income taxes	634,048	496,098
Income taxes-current	257,395	213,831
Income taxes-deferred	11,490	17,673
Total income taxes	268,885	231,504
Income before minority interests	365,162	264,593
Minority interests in loss	(13,028)	(70,522)
Net income	378,191	335,115

Quarterly consolidated statements of comprehensive income  
First Six months of fiscal year 2014 and 2015

(Thousand yen)

	First six months of fiscal year 2014 (From April 1, 2013 to September 30, 2013 )	First six months of fiscal year 2015 (From April 1, 2014 to September 30, 2014 )
Income before minority interests	365,162	264,593
Other comprehensive income		
Valuation difference on available-for-sale securities	187,463	200,459
Foreign currency translation adjustment	(26,070)	50,858
Remeasurements of defined benefit plans	—	2,040
Share of associates accounted for using equity method	936	805
Total other comprehensive income	162,330	254,164
Comprehensive income	527,493	518,757
Comprehensive income attributable to:		
Owners of the parent	552,253	566,393
Minority interests	(24,760)	(47,635)

## (3) Quarterly consolidated statement of cash flows

(Thousand yen)

	Fiscal 2014 (From April 1, 2013 to September 30, 2013)	Fiscal 2015 (From April 1, 2014 to September 30, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes	634,048	496,098
Depreciation and amortization	70,021	156,374
Amortization of goodwill	53,994	53,994
Increase (decrease) in provision for bonuses	(11,647)	(10,042)
Increase (decrease) in provision for directors' bonuses	(5,090)	(9,100)
Increase (decrease) in allowance for doubtful accounts	(46)	(6,899)
Increase (decrease) in provision for retirement benefits	(46,477)	-
Increase (decrease) in provision for directors' retirement benefits	4,658	(12,582)
Increase (decrease) in defined benefit liability	-	(45,380)
Interest and dividends income	(51,580)	(53,317)
Interest expenses	10,782	18,199
Equity in (earnings) losses of affiliates	(20,828)	(40,003)
Loss (gain) on sales of investment securities	(11,540)	-
Loss (gain) on valuation of investment securities	-	355
Loss on retirement of noncurrent assets	21	125
Decrease (increase) in notes and accounts receivable-trade	283,254	82,925
Decrease (increase) in inventories	230,780	(43,284)
Decrease (increase) in other current assets	70,653	6,028
Increase (decrease) in notes and accounts payable-trade	(248,502)	(511,095)
Increase (decrease) in other current liabilities	(132,327)	35,848
Other, net	2,067	(15,435)
Subtotal	832,242	102,809
Interest and dividends income received	78,935	78,924
Interest expenses paid	(11,554)	(17,387)
Income taxes paid	(210,113)	(209,083)
Net cash provided by (used in) operating activities	689,510	(44,737)

(Thousand yen)

	Fiscal 2014 (From April 1, 2013 to September 30, 2013)	Fiscal 2015 (From April 1, 2014 to September 30, 2014)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(613,478)	(88,233)
Purchase of intangible assets	(6,410)	(822)
Purchase of investment securities	(648)	(650)
Proceeds from sales and redemption of investment securities	133,000	–
Collection of long-term loans receivable	469,327	490,027
Payments of long-term loans receivable	(511,676)	(530,000)
Purchase of investments in subsidiaries	(3,155)	–
Other, net	398	–
Net cash provided by (used in) investing activities	(532,644)	(129,679)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(10,000)	29,200
Proceeds from long-term loans payable	366,450	172,624
Repayment of long-term loans payable	(119,848)	(71,348)
Purchase of treasury stock	(374)	(63)
Cash dividends paid	(268,847)	(241,725)
Net cash provided by (used in) financing activities	(32,620)	(111,312)
Effect of exchange rate change on cash and cash equivalents	(4,393)	4,315
Net increase (decrease) in cash and cash equivalents	119,852	(281,413)
Cash and cash equivalents at beginning of period	2,611,571	2,495,415
Cash and cash equivalents at end of period	2,731,423	2,214,001

(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 First six months of Fiscal 2014 (from April 1, 2013 to September 30, 2013)

1. Information on net sales, income/loss by each reportable segment

(Thousand yen)

	Reportable Segment				Adjustments ※1	Amount recorded in quarterly consolidated income statements ※2
	Sugar Business	Functional Materials Business	Real Estate Business	Total		
Net sales						
Net sales to third-party customers	6,687,177	3,188,004	300,091	10,175,273	—	10,175,273
Intersegment net sales and transfer	6,582	7,146	555	14,284	(14,284)	—
Total	6,693,760	3,195,150	300,646	10,189,557	(14,284)	10,175,273
Segment profit	607,126	43,898	259,553	910,579	(349,168)	561,410

Notes: 1 Adjustment for segment income of (349,168) thousand yen is general and administrative expenses of administrative department and research and development department which do not belong to the report segment.

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

II First six months of Fiscal 2015 (from April 1, 2014 to September 30, 2014)

1. Information on net sales, income/loss by each reportable segment

(Thousand yen)

	Reportable Segment				Adjustments ※1	Amount recorded in consolidated income statements ※2
	Sugar Business	Functional Materials Business	Real Estate Business	Total		
Net sales						
Net sales to third-party customers	6,339,046	3,188,281	299,146	9,826,474	—	9,826,474
Intersegment net sales and transfer	—	—	827	827	(827)	—
Total	6,339,046	3,188,281	299,973	9,827,301	(827)	9,826,474
Segment profit (loss)	585,495	(144,027)	265,821	707,289	(340,352)	366,937

Notes: 1 Adjustment for segment income of (340,352) thousand yen is general and administrative expenses of administrative department and research and development department which do not belong to the report segment.

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