

Summary of Consolidated Financial Results

For the 1st Quarter Ended June 30, 2024 (Japanese Accounting Standards)

July 31, 2024

Company name: Fuji Nihon Seito Corporation Listing: Standard Market of Tokyo Stock Exchange
 Stock code: 2114 <https://www.fnsugar.co.jp>
 Company Representative: Hidetoshi Soga, President and Chief Executive Officer
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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 1st Quarter of Fiscal Year 2024 (from April 1, 2024 to June 30, 2024)

(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	%
The 1st quarter ended								
June 30, 2024	6,747	12.0	824	77.2	980	(21.3)	720	(25.3)
June 30, 2023	6,026	12.9	465	(2.1)	1,251	105.8	963	100.4

Note: Comprehensive income

The 1st quarter ended June 30, 2024: 625 million yen (Δ 50.7%)

The 1st quarter ended June 30, 2023: 1,267 million yen (132.9%)

	Net Profit per Share	Diluted Net Profit per Share
The 1st quarter ended	Yen	
June 30, 2024	27.06	—
June 30, 2023	35.90	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
As of	Million yen	Million yen	%
June 30, 2024	33,138	24,109	72.5
March 31, 2024	32,419	23,851	73.5

(Reference) Shareholders' Equity: As of June 30, 2024: 24,032 million yen
 As of March 31, 2024: 23,825 million yen

2. Cash Dividends

	Cash Dividend per Share				
	1Q	2Q	3Q	4Q	Annual
Year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2024	—	15.00	—	17.00	32.00
March 31, 2024	—				
Year ending					
March 31, 2024 (forecast)		15.00	—	17.00	32.00

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

3. Consolidated Business Forecasts for the Fiscal Year 2024 (from April 1, 2024 to March 31, 2025)

(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, 2024	27,700	7.0	2,000	(8.0)	2,300	(28.2)	1,700	(28.3)	63.31

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

※ Notes

(1) Significant changes in subsidiaries during the period

(Changes in specified subsidiaries resulting in changes of scope of consolidation): None

(2) Adoption of accounting treatment specific to the 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

(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, 2024	29,748,200	As of March 31, 2024	29,748,200
(ii) Number of treasury shares at the end of period	As of June 30, 2024	2,866,893	As of March 31, 2024	2,896,393
(iii) Average number of shares during the period	As of June 30, 2024	26,616,557	As of March 31, 2024	26,851,846

※ Summary of Consolidated Financial Results is exempt from the audit review before this disclosure.

※ Explanation on appropriate use of business forecasts, and other special notes:

(Caution regarding forward-looking statements)

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 and notes in using such forecasts, please refer to “(3) Qualitative information regarding consolidated business forecasts” in “1. The Results for the Fiscal Year 2024” on page 3 of the Appendix.

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1. The Results for the Fiscal Year 2024

(1) Qualitative information regarding consolidated operating results for the fiscal year 2024

In the 1st quarter of fiscal year 2024, the company has observed a recovery trend in the country's economy due to the improvement in employment and income. However, the outlook for the economy is unclear because of the downside risks in the overseas economy, inflation in the domestic market and fluctuation in the monetary market.

Under this economic environments, our Group has formulated and started to advance the five-year medium-term management plan "CHANGE 2028" with the following five key focus areas ①Expansion of our business in South East Asia ②Create a new business in the food science area ③Growth investments centered on M&A ④Building a strong organization to achieve our vision ⑤Enhancing IR and shareholder returns.

As a result of the above, our consolidated net sales increased by 12.0% year on year to 6,747 million yen. Operating profit increased by 77.2% year on year to 824 million yen. Ordinary profit decreased by 21.3% year on year to 985 million yen due to receiving one -time dividend last year. Net profit attributable to owners of parent increased by 25.3% year on year to 720 million yen.

Operating results of each segment are as follows. Furthermore, from this consolidated fiscal year, the company has changed the report format from 4 segments "Sugar Business", "Functional Materials Business", "Real Estate Business", and "Other Food Business" to 3 segments "Sugar Business", "Functional Materials Business", and "Real Estate Business". Regarding the comparative information by segment, the company is comparing the adjusted figures to changed format above. The details on the reporting segments are described in (3) Notes on consolidated financial statements (Segment information, etc.).

① Sugar Business

The international raw sugar market began the period at 22.65 cents per pound on the New York Futures Market and had continued to decline to 17.95 cents due to the positive outlook for sugar production in Brazil. After that, the market experienced gradual rise to 20.31 cent at the end of June because of the speculative buying caused by announcement of the forecast for increased sugar demand due to climate problems in the key producing countries such as lack of rain in Brazil and Thailand, and extreme heat in India.

On the other hand, the domestic product market started at 249 yen to 251 yen per kilogram (quoted in the Nikkei newspaper) for large-sized bags of refined sugar. The sales volume slightly decreased comparing to same period last year due to adverse weather conditions in June even though the sales of confectioneries for souvenirs were strong in April. In terms of profit, despite the rise in prices of raw materials, energy, and logistics, the successful price adjustments resulted in increased profits.

As a result of the above, the Sugar Business reported net sales of 3,320 million yen (up 7.5% year on year) and operating profit of 609 million yen (up 69.0% year on year).

② Functional Materials Business

Regarding the sales of the functional dietary fiber "Inulin", because of adoption of the new products released in spring and summer, the domestic sales volume of "Inulin" increased compared to the same period last year. In overseas sales, the company achieved increased revenue and profit as a result of not only the stable sales of health foods in Thailand, but also the recovery of sales volume in Asian countries due to the expansion of new sales channels. In addition, the company commenced an online retail business to accumulate know-how through the sales of products acquired through a business transfer. Moreover, the company conducted new product development based on Inulin.

Regarding UNITEC FOODS Co. Ltd., a subsidiary under consolidation, the sales volume of its main product, pectin, gelatin, and collagen saw significant increase, leading to higher revenue and profits.

As a result of the above, the Functional Materials Business reported net sales of 3,193 million yen (up 17.5% year on year) and operating profit of 320 million yen (up 78.5% year on year).

③ Real Estate Business

The company has constructed and commenced the operation of the new business hotel "Toyoko Inn Tokyo Kayabacho Eki" at the former headquarters site as of September 1st. As a result, net sales of 163 million yen (up 14.3% year on year) and operating profit of 149 million yen (up 12.2% year on year), and it has continued to contribute to stable earnings.

(2) Qualitative information regarding consolidated financial position

Total assets as of June 30, 2024 increased by 2.2% compared to the end of the previous fiscal year to 33,138 million yen. The changes of financial position of the 1st quarter of fiscal year 2024 are as follows:

① Assets

Current assets increased by 5.0% compared to the end of previous fiscal year to 17,769 million yen. This was mainly due to an increase of Inventories and so on.

Non-current assets decreased by 0.8% compared to the end of the previous fiscal year to 15,368 million yen. This was mainly due to a decrease of investment securities and so on.

② Liabilities

Current liabilities increased by 7.5% compared to the end of the previous fiscal year to 6,986 million yen. This was mainly due to an increase of account payable and so on.

Non-current liabilities decreased by 1.3% compared to the end of the previous fiscal year to 2,042 million yen. This was mainly due to a decrease of deferred tax liabilities and so on.

③ Net assets

Net assets increased by 1.1% compared to the end of the previous fiscal year to 24,109 million yen. This was mainly due to an increase of retained earnings and so on.

(3) Qualitative information regarding consolidated business forecasts

The consolidated results for the 1st quarter of fiscal year 2024 are trending slightly upwards comparing to the original business forecasts released on April 30, 2024. Given the underperformance risks such as the downturn in the overseas economy and domestic inflation, and considering the rising costs of energy and logistics, the company has decided not to revise the consolidated earnings forecast for the fiscal year 2024.

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 2024.

2. Consolidated Financial Statements and Main Notes

(1) Consolidated balance sheets

(Thousand yen)

	FY 2023 (As of March 31, 2023)	FY 2024 (As of June 30, 2024)
Assets		
Current assets		
Cash, cash equivalent and deposits	5,274,800	5,125,471
Notes and accounts receivable – trade, and contract assets	4,145,574	4,219,313
Merchandise and finished goods	3,835,520	3,729,878
Work in process	152,729	250,747
Raw materials and supplies	1,475,543	2,057,188
Investments in leases	954,138	952,210
Other current assets	1,085,800	1,436,802
Allowance for doubtful accounts	(3,103)	(2,086)
Total current assets	16,921,003	17,769,526
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	356,558	362,111
Machinery, equipment, and vehicles(net)	370,402	368,442
Land	2,527,435	2,527,435
Construction in progress	4,083	10,685
Other non-current assets (net)	167,007	167,087
Total property, plant, and equipment	3,425,487	3,435,762
Intangible assets		
Other intangible assets	55,593	50,898
Total intangible assets	55,593	50,898
Investments and other assets		
Investment securities	9,654,764	9,535,163
Long-term loans receivable	2,163	2,267
Long-term loans receivable from subsidiaries and associates	1,902,500	1,902,500
Retirement benefit asset	126,532	133,413
Others	344,185	321,809
Allowance for doubtful accounts	(13,112)	(13,112)
Total investments and other assets	12,017,033	11,882,040
Total non-current assets	15,498,114	15,368,701
Total assets	32,419,118	33,138,227

	FY 2023 (As of March 31, 2023)	FY 2024 (As of June 30, 2024)
Current liabilities		
Accounts payable - trade	2,053,131	2,625,682
Short-term loans payable	3,096,800	3,142,800
Income taxes payable	349,434	231,588
Accrued consumption taxes	37,678	127,861
Provision for bonuses	173,538	91,369
Other current liabilities	787,936	767,120
Total current liabilities	6,498,520	6,986,423
Non-current liabilities		
Deferred tax liabilities	1,412,885	1,394,869
Asset retirement obligations	92,047	92,119
Other non-current liabilities	564,269	555,195
Total non-current liabilities	2,069,203	2,042,184
Total liabilities	8,567,723	9,028,607
Shareholders' equity		
Share capital	1,524,460	1,524,460
Capital surplus	2,102,408	2,124,513
Retained earnings	17,608,463	17,872,137
Treasury shares	(717,401)	(710,095)
Total shareholders' equity	20,517,930	20,811,015
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,280,889	3,177,618
Foreign currency translation adjustment	5,591	22,508
Remeasurements of defined benefit plans	20,907	21,358
Total accumulated other comprehensive income	3,307,388	3,221,484
Non-controlling interests	26,076	77,119
Total net assets	23,851,394	24,109,619
Total liabilities and net assets	32,419,118	33,138,227

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Thousand yen)

	FY 2023 (From April 1, 2023 to June 30, 2023)	FY 2024 (From April 1, 2024 to June 30, 2024)
Net sales	6,026,078	6,747,258
Cost of sales	4,652,424	4,900,128
Gross profit	1,373,654	1,847,130
Selling, general and administrative expenses	908,469	1,022,608
Operating profit	465,184	824,521
Non-operating income		
Interest income	8,373	9,695
Dividend income	755,992	121,932
Foreign exchange gains	6,302	-
Share of profit of entities accounted for using equity method	16,057	46,891
Other non-operating income	8,084	10,081
Total non-operating income	794,810	188,601
Non-operating expenses		
Interest expenses	8,541	10,405
Other non-operating expenses	-	14,140
Total non-operating expenses	8,550	27,924
Ordinary profit	1,251,444	985,198
Extraordinary losses		
Loss on retirement of non-current assets	2,924	22
Dismantlement expenses	3,932	-
Total extraordinary losses	6,856	22
Profit before income taxes	1,244,588	985,176
Income taxes-current	252,785	224,134
Income taxes-deferred	38,952	49,844
Total income taxes	291,737	273,979
Profit for the period	952,850	711,197
Loss for the period attributable to non-controlling interests	(11,016)	(8,957)
Profit for the period attributable to owners of parent	963,867	720,154

Consolidated statements of comprehensive income

(Thousand yen)

	FY 2023 (From April 1, 2023 to June 30, 2023)	FY 2024 (From April 1, 2024 to June 30, 2024)
Profit for the period	952,850	711,197
Other comprehensive income		
Valuation difference on available-for-sale securities	315,994	(103,270)
Foreign currency translation adjustment	177	13,942
Remeasurements of defined benefit plans	882	450
Share of other comprehensive income of entities accounted for using equity method	(2,497)	2,974
Total other comprehensive income for the year	314,557	(85,903)
Comprehensive income for the period	1,267,408	625,294
Comprehensive income for the period attributable to:		
Owners of parent	1,278,425	634,251
Non-controlling interests	(11,016)	(8,957)

(3) Notes on consolidated financial statements

(Changes in accounting policy)

(Application of Accounting Standard for Current Income Taxes)

The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (“ASBJ”) Standard No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”) from the beginning of the 1st quarter ended June 30, 2024.

Revisions to categories for recording Corporate Taxes, etc. (taxation on other comprehensive income) conform to the transitional treatment outlined in the proviso of Paragraph 20-3 of the Revised Accounting Standard of 2022 and “Guidance on accounting Standard for Tax Effect Accounting” (ASBJ Guidance No.28, October 28, 2022; the “Revised Application Guidance of 2022”) Paragraph 65-2. There is no impact on the quarterly consolidated financial statements resulting from the change in accounting policies.

Moreover, the revision regarding review of treatment on consolidated financial statement when the company defers for tax purposes the profit or loss resulting from the sale of subsidiary stock between consolidated companies, the company has applied the Revised Accounting Standard of 2022 from the beginning of the 1st quarter ended June 30, 2024. The change in accounting policy has been applied retroactively, and this retroactive application also extends to the previous quarterly and consolidated fiscal year financial statements. There is no impact on the previous quarterly consolidated financial statements or the consolidated financial statements for the previous fiscal year due to the change in accounting policies.

(Segment information, etc.)

1. Notes on changes in Reporting Segment

The company has implemented a change in organization, and management division was changed. In line with this, “Flower Freshness Preservation Agent”, previously included in “Functional Food Materials”, has been recognized as single business segment and transferred it to the “Other” segment. In addition, “Other Food Business”, previously included in reporting segment, has been transferred to “Other” segment due to its insignificance.

Moreover, the segment information in the 1st quarter of Fiscal year 2023 is reported based on the updated classification method.

2. The 1st quarter of Fiscal year 2023 (from April 1, 2023 to June 30, 2023)

Information on amounts of net sales and profit/loss, and breakdown of profit by each reporting segment

	Reporting Segment				Other (Note:1)	Adjustments (Note:2)	Amount recorded in consolidated statements of income (Note:3)
	Sugar Business	Functional Materials Business	Real Estate Business	Total			
Net sales							
Sugar, Sugar related products, etc.	3,090,317	—	—	3,090,317	—	—	3,090,317
Food Additives	—	47,581	—	47,581	—	—	47,581
Functional Food Materials	—	2,671,405	—	2,671,405	—	—	2,671,405
Flower Freshness Preservation Agent	—	—	—	—	61,684	—	61,684
Baked goods, etc.	—	—	—	—	11,700	—	11,700
Income generated by Contracts with customers	3,090,317	2,718,986	—	5,809,304	73,384	—	5,882,689
Other income	—	—	143,389	143,389	—	—	143,389
Net sales to third-party customers	3,090,317	2,718,986	143,389	5,952,693	73,384	—	6,026,078
Intersegment net sales and transfer	3,541	—	1,499	5,040	9,932	(14,973)	—
Total	3,093,859	2,718,986	144,888	5,957,734	83,317	(14,973)	6,026,078
Segment profit (loss)	360,541	179,416	133,005	672,963	21,837	(229,616)	465,184

Notes: 1. "Other" is the division which is not included in the report segment

2. Adjustments for segment profit of (229,616) thousand yen are general and administrative expenses of administrative department and research and development, which don't belong to the reporting segment above.

3. Segment profits are adjusted against the operating profit recorded in consolidated statements of income.

The 1st quarter of Fiscal year 2024 (from April 1, 2024 to June 30, 2024)

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(Thousand yen)

	Reporting Segment				Other (Note:1)	Adjustments (Note:2)	Amount recorded in consolidated statements of income (Note:3)
	Sugar Business	Functional Materials Business	Real Estate Business	Total			
Net sales							
Sugar, Sugar related products, etc.	3,320,983	—	—	3,320,983	—	—	3,320,983
Food Additives	—	57,014	—	57,014	—	—	57,014
Functional Food Materials	—	3,136,455	—	3,136,455	—	—	3,136,455
Flower Freshness Preservation Agent	—	—	—	—	66,930	—	66,930
Baked goods, etc.	—	—	—	—	1,976	—	1,976
Income generated by Contracts with customers	3,320,983	3,193,469	—	6,514,453	68,906	—	6,583,359
Other income	—	—	163,899	163,899	—	—	163,899
Net sales to third-party customers	3,320,983	3,193,469	163,899	6,678,352	68,906	—	6,747,258
Intersegment net sales and transfer	3,777	—	1,499	5,277	8,429	(13,707)	—
Total	3,324,761	3,193,469	165,399	6,683,630	77,335	(13,707)	6,747,258
Segment profit (loss)	609,391	320,181	149,245	1,078,818	21,672	(275,969)	824,521

Notes: 1. "Other" is the division which is not included in the report segment

2. Adjustments for segment profit of (275,969) thousand yen are general and administrative expenses of administrative department and research and development, which don't belong to the reporting segment above.

3. Segment profits are adjusted against the operating profit recorded in consolidated statements of income.

(Notes on occurrence of significant changes to shareholders' equity)

None

(Notes on assumptions of going concern)

None

(Notes on statements of cash flows)

The statements of cash flows have not been prepared in the 1st quarter of Fiscal year 2024. Also, the depreciation expense (including amortization expense of intangible fixed assets, excluding goodwill) in the 1st quarter of Fiscal year 2024 are as follows.

(Thousand yen)

	FY 2023 (From April 1, 2023 to June 30, 2023)	FY 2024 (From April 1, 2024 to June 30, 2024)
Depreciation expense	47,413	45,734

(Notes on occurrence of significant subsequent events)

None