



Summary of Consolidated Financial Results

For the Year Ended March 31, 2017 (Based on Japanese GAAP)

May 15, 2017

Company name: Mitsui Sugar Co., Ltd. Stock exchange listings: Tokyo
 Stock code: 2109 <http://www.mitsui-sugar.co.jp/>
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Planned date for ordinary general meeting of shareholders: June 27, 2017
 Planned date to start dividend payment: June 28, 2017
 Planned date for submission of annual securities report: June 27, 2017
 Preparation of supplementary material for financial statements: Yes
 Briefing session for financial statements: Yes (For institutional investors and analysts)

(Amounts are rounded down to the nearest one million yen.)

1. Consolidated Financial Results for the Year Ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated Results of Operations (Percentages are year-over-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	103,177	1.8	5,215	(5.0)	12,494	(2.4)	7,482	(1.3)
Year ended March 31, 2016	101,379	5.5	5,490	42.3	12,796	34.5	7,581	32.8

(Note) Comprehensive income

Year ended March 31, 2017: 8,366 million yen (14.5%) Year ended March 31, 2016: 7,305 million yen (0.5%)

	Earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
Year ended March 31, 2017	280.19	—	10.1	10.3	5.1
Year ended March 31, 2016	283.88	—	11.1	10.9	5.4

(Reference) Equity in earnings of affiliates Year ended March 31, 2017: 76 million yen

Year ended March 31, 2016: 326 million yen

*The Company conducted a 1-for-5 reverse stock split of common shares with an effective date of October 1, 2016. Earnings per share has been calculated assuming the reverse stock split was conducted at the start of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	121,549	83,682	63.1	2,872.96
As of March 31, 2016	120,500	77,401	58.9	2,657.25

(Reference) Equity capital As of March 31, 2017: 76,717 million yen As of March 31, 2016: 70,962 million yen

*The Company conducted a 1-for-5 reverse stock split of common shares with an effective date of October 1, 2016. Net assets per share has been calculated assuming the reverse stock split was conducted at the start of the previous fiscal year.

(3) Consolidated Cash Flow

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at period end
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2017	13,065	(7,572)	(4,471)	18,566
Year ended March 31, 2016	13,946	(11,026)	(1,545)	17,544

2. Cash Dividends

	Annual dividend					Total dividends (Total)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2016	—	6.00	—	8.00	14.00	1,869	24.7	2.7
Year ended March 31, 2017	—	7.00	—	65.00	—	2,670	35.7	3.6
Year ending March 31, 2018 (forecast)	—	50.00	—	50.00	100.00	—	33.4	—

*The Company conducted a 1-for-5 reverse stock split of common shares with an effective date of October 1, 2016. The per share year-end cash dividend for the fiscal year ended March 31, 2017 takes into account the impact of the reverse stock split, and the total for the annual dividend has been left blank. Based on the number of shares after the reverse stock split, the annual dividend is ¥70.00 per share for the fiscal year ended March 31, 2016, and ¥100.00 per share for the fiscal year ended March 31, 2017.

3. Consolidated Business Forecasts for the Year Ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Percentages are year-over-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2017	51,000	(0.5)	2,800	25.5	6,600	13.8	4,300	18.3	161.03
Full year	108,000	4.7	5,200	(0.3)	12,500	0.0	8,000	6.9	299.59

*Notes

(1) Significant changes in subsidiaries during period

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

(2) 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

(Note) For details, please refer to (5) Notes on consolidated financial statements (Change in accounting policy) in "4. Consolidated Financial Statements and Important Notes" on page 17 of the Attachments.

(3) Number of outstanding shares (common shares)

(i) Number of outstanding shares at period end (including treasury stock)	As of March 31, 2017	28,333,480 shares	As of March 31, 2016	28,333,480 shares
(ii) Number of treasury stock at period end	As of March 31, 2017	1,630,251 shares	As of March 31, 2016	1,628,181 shares
(iii) Average number of shares during period	Year ended March 31, 2017	26,704,149 shares	Year ended March 31, 2016	26,706,060 shares

*The Company conducted a 1-for-5 reverse stock split of common shares with an effective date of October 1, 2016. Number of outstanding shares at period end, number of treasury stock at period end and average number of shares during period have been calculated assuming the reverse stock split was conducted at the start of the previous fiscal year.

(Reference) Overview of Financial Results on a Non-consolidated Basis

1. Financial Results on a Non-consolidated Basis for the Year Ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Non-consolidated Results for Operations

(Percentages are year-over-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	65,504	(0.4)	3,281	(16.2)	10,842	(3.1)	7,569	7.0
Year ended March 31, 2016	65,789	(1.2)	3,916	63.6	11,191	36.8	7,071	34.1

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2017	283.44	—
Year ended March 31, 2016	264.78	—

*The Company conducted a 1-for-5 reverse stock split of common shares with an effective date of October 1, 2016. Net income per share has been calculated assuming the reverse stock split was conducted at the start of the previous fiscal year.

(2) Financial Position on a Non-consolidated Basis

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	84,967	63,560	74.8	2,380.26
As of March 31, 2016	83,244	57,706	69.3	2,160.85

(Reference) Equity capital As of March 31, 2017: 63,560 million yen As of March 31, 2016: 57,706 million yen

*The Company conducted a 1-for-5 reverse stock split of common shares with an effective date of October 1, 2016. Net assets per share has been calculated assuming the reverse stock split was conducted at the start of the previous fiscal year.

2. Business Forecasts on a Non-consolidated Basis for the Year Ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Percentages are year-over-year changes.)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2017	33,300	3.1	5,100	3.2	3,500	1.8	131.07
Full year	67,000	2.3	10,400	(4.1)	7,200	(4.9)	269.63

* The kessan tanshin document is outside the scope of audit procedures.

* 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 greatly differ due to various factors. For preconditions for business forecasts and notes in using such forecasts, please see “(1) Analysis of operating results” in “1. Operating Results and Other” on page 2 of the appendix.

○ Appendix

1. Operating Results and Other.....	2
(1) Analysis of operating results.....	2
(2) Analysis of financial position	4
(3) Fundamental policy for profit allocation and dividends for fiscal 2016 and 2017	5
(4) Business risk.....	5
2. Corporate Group.....	6
3. Basic Stance on Selection of Accounting Standards.....	6
4. Consolidated Financial Statements and Important Notes.....	7
(1) Consolidated balance sheets	7
(2) Consolidated statements of income and consolidated statements of comprehensive income	9
(Consolidated statements of income)	9
(Consolidated statements of comprehensive income).....	10
(3) Consolidated statements of changes in net assets.....	11
(4) Consolidated statements of cash flows	13
(5) Notes on consolidated financial statements.....	15
(Notes on assumptions of a going concern)	15
(Important matters concerning preparation of consolidated financial statements).....	15
(Change in accounting policy)	17
(Consolidated balance sheets).....	18
(Consolidated statements of income)	20
(Consolidated statements of changes in net assets)	20
(Consolidated statements of cash flows).....	24
(Segment information, etc.)	25
(Per-share information)	29
(Important subsequent events).....	29
5. Non-consolidated Financial Statements and Important Notes.....	30
(1) Balance sheets	30
(2) Statements of income	32
(3) Statements of changes in net assets	33
(4) Notes on non-consolidated financial statements.....	35
(Notes on assumptions of a going concern)	35
(Important subsequent events).....	35
6. Other.....	35
(1) Transfer of officers.....	35
(2) Other	35

1. Operating Results and Other

(1) Analysis of operating results

1) Overview of fiscal 2016

In fiscal 2016, the Japanese economy recovered at a moderate pace amid signs of an upturn in employment and income conditions, supported by economic and monetary policies implemented by the government and the Bank of Japan. However, the outlook remained unclear due to growing uncertainties in the global economy, such as slowing momentum in China and other emerging economies in Asia, the United Kingdom's decision to leave the European Union (EU), and currency and equity market fluctuations since November 2016 following the change of administration in the United States. Also, despite signs of a pickup in some areas, consumer spending remained sluggish, with no full-fledged recovery taking hold.

Against this backdrop, the Mitsui Sugar Group launched its sixth medium-term management plan, "Mitsui Sugar Revolution Phase 3 – The Road to 2022" (April 2016 to March 2018) in April 2016, and steadily implemented new initiatives in the first fiscal year of the plan. Supported by those initiatives, performance in each business segment was as follows.

(Sugar Business)

In the overseas crude sugar market, prices started the fiscal year at the mid-15 cents per pound level before rising steadily to more than 20 cents in June amid forecasts for tightening supply-demand worldwide. Buoyed also by speculative funds flowing into commodities markets, the price surged to the 23 cents per pound level in October. Prices subsequently fell below 18 cents at one point but then recovered to around 20–21 cents due to concerns about falling output in India. However, from mid-February 2017, the price dropped sharply amid forecasts for a recovery in sugar supply-demand, falling past the 18 cents per pound level in mid-March and ending the fiscal year at the high end of 16 cents. Against this market backdrop, the Company worked to procure crude sugar while carefully watching market trends, but raw material costs increased sharply year on year. In Japan, retail prices for sugar started the fiscal year at around 187–188 yen per kg, then rose sharply on the back of surging crude sugar prices and ended the fiscal year at 195–196 yen per kg.

In production activities, the Company implemented energy efficiency measures and worked to improve unit costs. Those efforts, along with a drop in gas procurement costs amid weak crude oil prices, led to a reduction in variable manufacturing costs compared with the previous fiscal year.

In sales activities, sales of commercial-use products were largely steady compared with the previous fiscal year, supported by firm demand from beverage makers and other users, but sales of home-use products stalled amid rising shipment prices. As a result, sales volume overall declined year on year.

In sales promotion, we continued to hold cooking classes run by food experts, promote special features in magazines and use other approaches to raise awareness of the SPOON brand and encourage better understanding about sugar and how to use it as an ingredient. We also worked to stimulate greater demand for our products by using PR activities to highlight the appeal of sugar and its essential role in *washoku* (traditional dietary culture of the Japanese), which is attracting growing attention worldwide as an intangible cultural heritage recognized by UNESCO.

Profits increased year on year at consolidated subsidiaries on the back of higher sales volume and sales prices at Showa Sugar Co., Ltd. and contributions from Hokkaido Sugar Co., Ltd. and Hiranoya Corporation.

As a result, net sales of the Sugar Business amounted to 86,295 million yen (up 0.9% year on year) and operating income was 3,910 million yen (down 6.9% year on year).

Sugar market status during period

Domestic market price (listed in *Nippon Keizai Shimbun*, per kilogram of a large bag of superfine sugar, Tokyo)

Opening price: 187-188 yen, highest price: 195-196 yen, lowest price: 187-188 yen, closing price: 195-196 yen

Overseas crude sugar price (NY sugar current delivery, per pound)

Opening price: 15.40 cents, highest price: 23.90 cents, lowest price: 14.00 cents, closing price: 16.76 cents

(Food Science Business)

In the Food Science Business, despite slightly sluggish overall performance, operating income increased year on year, supported by an improvement in the profit margin for palatinose and palatinit. In the palatinose category, we continued to develop the Group's slow calorie project, backed up by joint development projects with partners and PR activities promoting the ingredient's ability to moderate changes in blood glucose due to a slower rate of digestion and absorption, which helped to raise awareness of palatinose through the media.

Consolidated subsidiaries reported lower profits year on year. Sales were strong at Taisho Technos Co., Ltd. and NUTRI Co., Ltd., but factors such as upfront investment for personnel recruitment related to business expansion weighed on profits.

As a result, net sales in the Food Science Business increased 4.3% year on year to 15,185 million yen, while operating income declined 2.1% to 568 million yen.

(Real Estate Business)

In the Real Estate Business, sales and profits both increased from the previous fiscal year due to the leasing of a new logistics center in Okayama and the start of power generation at a large-scale solar facility. As a result, net sales increased 26.9% year on year to 1,697 million yen and operating income rose 4.0% to 736 million yen.

As a result of the above, net sales in fiscal 2016 increased 1.8% year on year to 103,177 million yen and operating income declined 5.0% to 5,215 million yen.

In non-operating income and expenses, the Company booked royalty income of 7,505 million yen but recorded share of loss of entities accounted for using equity method, mainly reflecting a downturn in earnings at affiliates in Thailand, where sugar cane production was affected by a drought. As a result, ordinary income declined 2.4% year on year to 12,494 million yen and profit attributable to owners of parent decreased 1.3% to 7,482 million yen.

2) Future outlook

For fiscal 2017, ending March 31, 2018, we expect conditions in the Japanese economy to be largely unchanged from the previous fiscal year, including a continued recovery in corporate earnings and an upturn in the employment and income environment.

Business forecasts for fiscal 2017 and issues to work on at each segment are as follows:

Net sales	108,000 million yen (up 4.7% year on year)
Operating income	5,200 million yen (down 0.3% year on year)
Ordinary income	12,500 million yen (up 0.0% year on year)
Profit attributable to owners of parent	8,000 million yen (up 6.9% year on year)

(Sugar Business)

Domestic demand has shown signs of picking up, but the medium- and long-term downward trend in demand is unchanged. As such, the operating environment in the Sugar Business remains challenging.

Against that backdrop, we aim to improve profitability in the processed sugar business by effectively using our integrated production and inventory management system at our three domestic plants to create an optimum production framework.

In sales activities, we plan to introduce new value proposals to the market by developing new products and actively relaunching existing products that address the increasingly diverse needs of consumers.

In production activities, we will step up efforts to ensure safe and stable operations based on our new occupational health and safety management system (OHSAS 18001), which was certified during the fiscal year under review. We will also continue to pursue a high level of quality assurance and cost control.

In addition, we will work to generate greater synergies across the Group through closer cooperation with consolidated subsidiary Hokkaido Sugar Co., Ltd. and other domestic subsidiaries, in areas such as production, sales and distribution.

Overseas, we will implement strategic initiatives with affiliates in Thailand (The Kumphawapi Sugar Co., Ltd. and Kaset Phol Sugar Ltd.) and with Khonburi Sugar Public Co., Ltd., actively utilize our representative offices in Bangkok and Shanghai, and push ahead with concrete steps to launch new businesses in order to build a stable domestic and overseas operating base in the Sugar Business.

We will also develop our Group-wide quality control system to ensure the supply of safe products that offer peace of mind.

(Food Science Business)

In the Food Science Business, we will maintain and increase profits in existing categories and extend our business reach by developing sales channels in new fields and by using M&A. Our goal is to grow the Food Science Business into the Group's second key earnings pillar after the Sugar Business.

In the palatinose category, we will continue to raise awareness of the ingredient's ability to slow the rate of glucose digestion and absorption by the body, while also creating new products for elderly consumers as part of wider efforts to develop markets and expand the business. In the sugar cane extract category, we will implement aggressive sales promotion activities, aiming to boost sales of flavor improver and deodorant applications in domestic and overseas markets.

We plan to strengthen the earnings base at consolidated subsidiary Taisho Technos Co., Ltd., particularly in the food additive category. We will also fully utilize new capacity at consolidated subsidiary NUTRI Co., Ltd., which has tripled production output, to increase our presence in the promising growth category of medical and nursing care food. Also, we plan to reinforce NUTRI's operating base by rapidly integrating the nutrition business of Sanwa Kagaku Kenkyusho Co., Ltd., which was acquired on April 1, 2017.

(Real Estate Business)

In the Real Estate Business, we will continue to work on generating stable cash flow from our real estate portfolio, as well as further improve asset efficiency and strengthen earnings capabilities by pushing ahead with new development projects using idle land.

In non-operating income and expenses, we again expect to book royalty income in fiscal 2017.

(2) Analysis of financial position

1) Assets, liabilities and net assets

As of March 31, 2017, total assets were 121,549 million yen, an increase of 1,048 million yen compared with the end of the previous fiscal year.

This mainly reflected increases of 1,471 million yen for cash and deposits and 5,876 million yen for lease investment assets, versus declines of 2,172 million yen for merchandise and finished goods, 1,396 million yen for raw materials and supplies, and 3,291 million yen for property, plant and equipment.

Liabilities totaled 37,866 million yen, a decrease of 5,233 million yen compared with the end of the previous fiscal year.

This mainly reflected decreases of 2,126 million yen for notes and accounts payable – trade, 2,300 million yen for loans payable and 1,044 million yen for income taxes payable.

Total net assets increased 6,281 million yen from the end of the previous fiscal year to 83,682 million yen.

This was mainly due to profit attributable to owners of parent of 7,482 million yen and dividends from surplus of 2,002 million yen.

2) Cash flow

Cash and cash equivalents (hereinafter called “funds”) as of March 31, 2017 increased 1,021 million yen from the end of the previous fiscal year to 18,566 million yen. This was because cash from operating activities increased by 13,065 million yen while cash flow from investing and financial activities decreased by 12,043 million yen.

Changes in cash flow for fiscal 2016 and their reasons are as follows.

(Cash flow from operating activities)

The funds acquired from operating activities amounted to 13,065 million yen (fiscal 2015: increase by 13,946 million yen).

This mainly reflected cash provided by income before income taxes of 12,405 million yen and depreciation and amortization of 4,179 million yen, versus cash used for income taxes paid of 4,868 million yen.

(Cash flow from investing activities)

Investing activities caused funds to decrease in the amount of 7,572 million yen (fiscal 2015: decrease by 11,026 million yen).

This mainly reflected cash used of 6,947 million yen for the purchase of property, plant and equipment related to plant facilities.

(Cash flow from financing activities)

Financing activities caused funds to decrease in the amount of 4,471 million yen (fiscal 2015: decrease by 1,545 million yen).

This mainly reflected net decrease in loans payable of 2,300 million yen and 1,996 million yen for cash dividends paid.

(Reference) Changes in cash-flow-related indices

	FY2014	FY2015	FY2016
Capital adequacy ratio (%)	57.6	58.9	63.1
Market-price-based capital adequacy ratio (%)	49.5	55.6	59.5
Debt redemption period (years)	2.3	1.5	1.4
Interest coverage ratio (times)	75.6	123.79	142.41

Capital adequacy ratio: Equity capital ÷ Total assets

Market-price-based capital adequacy ratio: Value of shares ÷ Total assets

Debt redemption period: Interest-bearing debt ÷ Cash flow

Interest coverage ratio: Cash flow ÷ Interest payment

Notes:

1. Data on a consolidated basis is used for calculation.
2. Value of shares is calculated based on the number of outstanding shares excluding treasury stock.
3. Cash flow used is operating cash flow.
4. Interest-bearing debt includes all the debts recorded in the consolidated balance sheets for which the Company pays interest.

(3) Fundamental policy for profit allocation and dividends for fiscal 2016 and 2017

The Company's basic policy is to pay stable and continuous dividends to shareholders. Taking into account the need to replenish retained earnings to support future business growth and reinforce the business base, we will determine dividends based on a target dividend payout ratio of roughly 35%, while also considering current business conditions. We will also endeavor to implement a flexible capital policy aimed at increasing corporate value.

In line with this policy, we plan to pay a year-end dividend of 65 yen per share for fiscal 2016, an increase of 30 yen per share from our previous forecast. As a result, including the interim dividend, the full-year dividend will be 100 yen per share*. For fiscal 2017, we plan to pay a full-year dividend of 100 yen per share, comprising an interim dividend of 50 yen and a year-end dividend of 50 yen.

*The Company conducted a 1-for-5 reverse stock split of common shares with an effective date of October 1, 2016. The full-year dividend has been calculated assuming the reverse stock split was conducted at the start of the fiscal year under review.

(4) Business risk

The following are matters concerning risks generated in conducting the Group's businesses and others that may have a significant impact on judgments of investors. Descriptions regarding the future are based on the Company's judgments as of March 31, 2017.

1) Matters regarding food safety

The Group developed a thorough system of production and quality management in order to supply safe products stably. But when a serious quality problem occurs, operating results and the financial position of the Group may be affected; for example we may need to reinforce the management system and consequently there will be related costs.

2) Matters regarding business environment such as agricultural policies

The Sugar Business accounts for more than 80% of the Group's net sales, and therefore financial results of the Group are more exposed to changes in the business environment of the Sugar Business. We operate the Sugar Business under the government's agricultural policies and laws and regulations such as the "Act on Price Adjustment of Sugar and Starch." Therefore, changes in the government's agricultural policies and the progress of TPP (Trans-Pacific Partnership), EPA (Economic Partnership Agreement), and FTA (Free Trade Agreement) may affect the operating results and financial position of the Group.

3) Matters regarding changes in purchase prices of raw materials and selling prices of products

In the Sugar Business, the major business of the Group, the price of crude sugar, the raw material, is determined in the market, and the market conditions may fluctuate significantly. Product prices may also fluctuate due to competition and the market environment, and this may affect the operating results and financial position of the Group.

4) Matters regarding disasters

The Group conducts business activities throughout Japan as well as overseas. When a large-scale natural disaster such as an earthquake or any unexpected event occurs, and production and distribution are disrupted for a long time, the operating results and financial position of the Group may be affected.

5) Intellectual property assets

A large proportion of the Group's ordinary income is generated by royalty income from the basic patent for FTY720, a drug for the treatment of multiple sclerosis. Consequently, this earnings structure means the Group's operating results are exposed to changes in business conditions related to this drug. The Group's operating results and financial position may be affected if rival drugs to FTY720 are approved and launched in Japan or overseas.

2. Corporate Group

In fiscal 2016, there were no major changes in the operations of the Group (the Company and its affiliates).

3. Basic Stance on Selection of Accounting Standards

The Mitsui Sugar Group plans to continue using Japanese accounting standards for the time being, as they facilitate comparison with previous consolidated financial statements and the earnings of other companies. However, the Group intends to respond appropriately to the adoption of International Financial Reporting Standards (IFRS) based on developments in Japan and overseas.

4. Consolidated Financial Statements and Important Notes

(1) Consolidated balance sheets

(Million yen)

	FY2015 (As of March 31, 2016)		FY2016 (As of March 31, 2017)	
Assets				
Current assets				
Cash and deposits		17,601		19,072
Notes and accounts receivable-trade		7,967		8,447
Lease investment assets		269		264
Merchandise and finished goods		15,665		13,493
Work in process		1,651		1,891
Raw materials and supplies		5,508		4,111
Deferred tax assets		722		555
Other		2,234		2,407
Allowance for doubtful accounts		(30)		(36)
Total current assets		51,590		50,207
Non-current assets				
Property, plant and equipment				
Buildings and structures	*2, *4	35,321	*2, *4	36,976
Accumulated depreciation		(21,714)		(22,483)
Buildings and structures, net		13,607		14,493
Machinery, equipment and vehicles	*2, *4	73,767	*2, *4	76,484
Accumulated depreciation		(59,695)		(61,230)
Machinery, equipment and vehicles, net		14,072		15,253
Tools, furniture and fixtures		2,370		2,426
Accumulated depreciation		(2,053)		(2,035)
Tools, furniture and fixtures, net		317		391
Land	*2	18,436	*2	18,436
Lease assets		888		893
Accumulated depreciation		(216)		(310)
Lease assets, net		672		582
Construction in progress		5,441		97
Total property, plant and equipment		52,547		49,255
Intangible assets				
Goodwill		2,523		1,852
Other	*4	978	*4	761
Total intangible assets		3,501		2,614
Investments and other assets				
Investment securities	*1, *2	11,136	*1, *2	11,690
Long-term loans receivable		25		24
Net defined benefit asset		269		550
Deferred tax assets		713		690
Lease investment assets		—		5,880
Other		741		659
Allowance for doubtful accounts		(25)		(24)
Total investments and other assets		12,861		19,471
Total non-current assets		68,910		71,341
Total assets		120,500		121,549

(Million yen)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	*2 7,240	*2 5,114
Short-term loans payable	5,610	4,070
Current portion of long-term loans payable	*2, *5 1,760	*2, *5 1,213
Lease obligations	91	93
Accrued expenses	3,183	2,860
Income taxes payable	2,731	1,686
Provision for directors' bonuses	73	64
Other	2,448	2,586
Total current liabilities	23,139	17,689
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	*2, *5 2,817	*2 2,604
Lease obligations	606	517
Deferred tax liabilities	1,251	1,757
Provision for directors' retirement benefits	216	223
Net defined benefit liability	3,227	3,182
Asset retirement obligations	414	408
Other	1,426	1,482
Total non-current liabilities	19,960	20,176
Total liabilities	43,099	37,866
Net assets		
Shareholders' equity		
Capital stock	7,083	7,083
Capital surplus	1,291	1,291
Retained earnings	64,643	70,123
Treasury stock	(2,900)	(2,905)
Total shareholders' equity	70,118	75,592
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	639	931
Deferred gains or losses on hedges	4	(1)
Foreign currency translation adjustment	206	59
Remeasurements of defined benefit plans	(6)	134
Total accumulated other comprehensive income	844	1,124
Non-controlling interests	6,438	6,965
Total net assets	77,401	83,682
Total liabilities and net assets	120,500	121,549

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

(Consolidated statements of income)

(Million yen)

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Net sales	101,379	103,177
Cost of sales	76,994	78,860
Gross profit	24,384	24,317
Selling, general and administrative expenses		
Sales commission	1,708	1,698
Distribution expenses	4,846	4,565
Salaries and bonuses	*1 3,502	*1 3,639
Provision for directors' bonuses	77	65
Retirement benefit expenses	*1 142	*1 177
Other	*1 8,617	*1 8,954
Total selling, general and administrative expenses	18,894	19,101
Operating income	5,490	5,215
Non-operating income		
Interest income	10	3
Dividends income	223	146
Equity in earnings of affiliates	326	76
Royalty income	7,406	7,505
Miscellaneous income	242	253
Total non-operating income	8,209	7,984
Non-operating expenses		
Interest expenses	112	91
Loss on retirement of non-current assets	214	86
Facilities removal expenses	245	258
Miscellaneous loss	331	268
Total non-operating expenses	903	705
Ordinary income	12,796	12,494
Extraordinary income		
Gain on sales of investment securities	36	—
Gain on bargain purchase	78	—
Gain on transfer of business	*2 45	—
Subsidy income	1,202	35
Total extraordinary income	1,363	35
Extraordinary loss		
Loss on step acquisitions	52	—
Impairment loss	*3 47	*3 96
Loss on reduction of non-current assets	1,186	28
Loss on valuation of investment securities	*4 501	—
Total extraordinary loss	1,788	124
Income before income taxes	12,371	12,405
Income taxes-current	4,339	3,756
Income taxes-deferred	(1)	559
Total income taxes	4,337	4,316
Profit	8,033	8,088
Profit attributable to non-controlling interests	452	606
Profit attributable to owners of parent	7,581	7,482

(Consolidated statements of comprehensive income)

(Million yen)

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Profit	8,033	8,088
Other comprehensive income		
Valuation difference on available-for-sale securities	42	288
Deferred gains or losses on hedges	10	(12)
Remeasurements of defined benefit plans	(297)	145
Share of other comprehensive income of entities accounted for using equity method	(482)	(144)
Total other comprehensive income	(727)	277
Comprehensive income	7,305	8,366
Comprehensive income attributable to:		
Owners of parent	6,910	7,762
Non-controlling interests	395	603

(3) Consolidated statements of changes in net assets

FY2015 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	7,083	1,291	58,665	(2,895)	64,144
Change of items during the period					
Dividends from surplus			(1,602)		(1,602)
Profit attributable to owners of parent			7,581		7,581
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total change of items during the period	—	0	5,978	(5)	5,974
Balance at the end of the period	7,083	1,291	64,643	(2,900)	70,118

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	581	(1)	690	263	1,535	5,904	71,584
Change of items during the period							
Dividends from surplus							(1,602)
Profit attributable to owners of parent							7,581
Purchase of treasury stock							(5)
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	57	6	(484)	(269)	(690)	533	(156)
Total change of items during the period	57	6	(484)	(269)	(690)	533	5,817
Balance at the end of the period	639	4	206	(6)	844	6,438	77,401

FY2016 (From April 1, 2016 to March 31, 2017)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	7,083	1,291	64,643	(2,900)	70,118
Change of items during the period					
Dividends from surplus			(2,002)		(2,002)
Profit attributable to owners of parent			7,482		7,482
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total change of items during the period	—	0	5,479	(5)	5,474
Balance at the end of the period	7,083	1,291	70,123	(2,905)	75,592

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of period	639	4	206	(6)	844	6,438	77,401
Change of items during the period							
Dividends from surplus							(2,002)
Profit attributable to owners of parent							7,482
Purchase of treasury stock							(5)
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	292	(6)	(146)	140	280	527	807
Total change of items during the period	292	(6)	(146)	140	280	527	6,281
Balance at the end of the period	931	(1)	59	134	1,124	6,965	83,682

(4) Consolidated statements of cash flows

(Million yen)

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Net cash provided by (used in) operating activities		
Income before income taxes	12,371	12,405
Depreciation and amortization	3,756	4,179
Impairment loss	47	96
Loss (gain) on disposal of non-current assets	(2)	(18)
Loss on retirement of non-current assets	214	86
Loss (gain) on valuation of investment securities	501	—
Loss (gain) on sales of investment securities	(36)	(2)
Equity in losses (earnings) of affiliates	(326)	(76)
Amortization of goodwill	670	670
Gain on bargain purchase	(78)	—
Loss (gain) on step acquisitions	52	—
Loss (gain) on transfer of business	(45)	—
Increase (decrease) in allowance for doubtful accounts	1	6
Increase (decrease) in provision for directors' bonuses	11	(8)
Increase (decrease) in net defined benefit liability	286	(116)
Interest and dividends income	(233)	(149)
Interest expenses	112	91
Subsidy income	(1,202)	(35)
Loss on reduction of non-current assets	1,186	28
Decrease (increase) in notes and accounts receivable-trade	(28)	(480)
Decrease (increase) in inventories	202	3,328
Increase (decrease) in notes and accounts payable-trade	(151)	(2,119)
Increase (decrease) in accrued consumption taxes	(266)	(470)
Other, net	(857)	427
Subtotal	16,185	17,842
Interest and dividends income received	234	149
Proceeds from subsidy income	1,202	35
Interest expenses paid	(112)	(93)
Income taxes paid	(3,562)	(4,868)
Net cash provided by (used in) operating activities	13,946	13,065

(Million yen)

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Net cash provided by (used in) investing activities		
Payments into time deposits	(50)	(500)
Proceeds from withdrawal of time deposits	—	50
Purchase of property, plant and equipment	(9,733)	(6,947)
Proceeds from sales of property, plant and equipment	3	29
Purchase of investment securities	(118)	(491)
Proceeds from sales of investment securities	11	435
Proceeds from transfer of business	45	—
Purchase of intangible assets	(425)	(146)
Purchase of goodwill	(814)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation ^{*2}	55	—
Other, net	(1)	(2)
Net cash provided by (used in) investing activities	(11,026)	(7,572)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	11,140	9,060
Decrease in short-term loans payable	(11,060)	(10,600)
Proceeds from issuance of commercial paper	1,000	—
Redemption of commercial papers	(1,000)	—
Proceeds from long-term loans payable	2,000	1,000
Repayment of long-term loans payable	(1,886)	(1,760)
Purchase of treasury stock	(5)	(4)
Cash dividends paid	(1,597)	(1,996)
Cash dividends paid to non-controlling shareholders	(42)	(76)
Other, net	(93)	(92)
Net cash provided by (used in) financing activities	(1,545)	(4,471)
Net increase (decrease) in cash and cash equivalents	1,374	1,021
Cash and cash equivalents at beginning of period	16,169	17,544
Cash and cash equivalents at end of period	^{*1} 17,544	^{*1} 18,566

(5) Notes on consolidated financial statements

(Notes on assumptions of a going concern)

None

(Important matters concerning preparation of consolidated financial statements)

1. Matters concerning scope of consolidation

I. Number and names of consolidated subsidiaries

Number of consolidated subsidiaries: 6

Names of consolidated subsidiaries:

Hokkaido Sugar Co., Ltd., Spoon Sugar Co., Ltd., Showa Sugar Co., Ltd., Hiranoya Corporation, Taisho Technos Co., Ltd., and NUTRI Co., Ltd.

II. Names, etc. of unconsolidated subsidiaries

Names of unconsolidated subsidiaries

Hokuseki Co., Ltd., Hokuee Co., Ltd., Hokuken Co., Ltd.

Reasons for exclusion from the scope of consolidation

All of these unconsolidated subsidiaries are small in size, and the total assets, net sales, net income (comparable to equity interest), retained earnings (comparable to equity interest) all do not have a significant impact on the consolidated financial statements.

2. Matters concerning application of equity method

I. Number of equity method affiliates and names of major companies

Number of equity method affiliates: 7

Names of major equity method affiliates:

Nansei Togyo Co., Ltd., The Kumphawapi Sugar Co., Ltd., and Kaset Phol Sugar Ltd.

II. Name, etc. of unconsolidated subsidiaries and affiliates that are not accounted for by the equity method

Names of major companies

Unconsolidated subsidiaries: Hokuseki Co., Ltd., Hokuee Co., Ltd., Hokuken Co., Ltd.

Affiliates: Ryutou Incorporation, Shin Chutoh Sangyo Co., Ltd., Seitokogyo-Kaikan Co., Ltd. and Murakami Shouten Co., Ltd.

Reason for not applying the equity method

The influence that unconsolidated subsidiaries and affiliates which are out of the scope of equity method accounting have on consolidated financial statements is minimal, and their overall significance is low even if they are excluded from the scope of application of equity method, considering the amount of net income or loss (comparable to equity interest) and retained earnings (comparable to equity interest). Therefore, they are excluded from the scope of equity method accounting.

3. Matters concerning fiscal year of consolidated subsidiaries

The financial closing date of consolidated subsidiaries agrees with the consolidated financial closing date with the exception of Hokkaido Sugar Co., Ltd. (September 30) and Showa Sugar Co., Ltd. (June 30). As for Hokkaido Sugar Co., Ltd., the financial statements prepared as a result of the provisional financial closing process equivalent to the consolidated financial closing conducted as of the consolidated financial closing date are used as the base. Meanwhile, for Showa Sugar Co. Ltd., provisional financial results based on a fiscal year-end of December 31 have been used to prepare the consolidated financial statements. However, we make adjustments necessary for consolidation regarding important transactions executed with Showa Sugar Co., Ltd. between January 1 and the consolidated closing date.

4. Matters concerning accounting standard

I. Evaluation standard and evaluation method of important assets

(i) Securities

Available-for-sale securities

Securities with market value

Market value method based on market prices as of the closing date. (Valuation difference is reported as a component of shareholders' equity, and cost of securities sold is calculated by the moving-average method.)

Securities without market value

Cost method based on the moving-average method

(ii) Derivatives

Market value method in principle

(iii) Inventories

Evaluated by the cost method based on the gross average method

Amounts in the balance sheets are calculated by devaluating book values based on a decrease in profitability.

II. Method of depreciation of important depreciable assets

(i) Property, plant and equipment (excluding lease assets)

The Company and its consolidated subsidiaries mainly use the straight-line method.

Useful life of major categories is as follows:

Buildings and structures

15–47 years

Machinery, equipment and vehicles

4–10 years

(ii) Lease assets

Lease period is used as useful life, and the straight-line method is used with zero residual value.

III. Standard to record important allowance and provision

(i) Allowance for doubtful accounts

In preparation for bad debt, for general accounts receivable, a loan loss ratio is taken into account while for certain receivables such as doubtful accounts receivable, collectability of each receivable is considered in recording the estimated uncollectible amount.

(ii) Provision for directors' bonuses

In preparation for the payment of directors' bonuses, a provision thereof is recorded based on the estimated amount of payment in this fiscal year.

(iii) Provision for directors' retirement benefits

In preparation for the payment of directors' retirement benefits, some consolidated subsidiaries post 100% of the necessary amount to be paid at the end of the fiscal year in accordance with internal rules.

IV. Accounting treatment of retirement benefits

In preparation for the payment of employee retirement benefits, an amount is booked based on the projected amount of retirement benefit liabilities and pension assets as of the end of the fiscal year.

When calculating retirement benefit liabilities, the benefit formula method is used to allocate expected benefit payments to the period until this fiscal year end.

Past service cost is expensed by the straight-line method over a certain period (five years) up to a ceiling of employees' average remaining service period at the time of accrual.

Actuarial difference is first prorated by the straight-line method over a certain period (10 years) up to a ceiling of employees' average remaining service period in each fiscal year at the time of accrual, and the prorated amount is expensed from the fiscal year after the year of accrual.

Some consolidated subsidiaries use the compendium method.

V. Standard to record important income and expenses

Standard to record income from finance lease transactions

Net sales and cost of sales are recorded when a lease fee is received.

Of non-ownership-transfer finance lease transactions, income and expenses of those that started before March 31, 2008 are recorded by the method applied to regular lease transactions.

VI. Standard to convert important foreign-currency-denominated assets and liabilities into local currency

Foreign currency receivable and payable is converted into yen based on the spot exchange rate as of the consolidated closing date, and translation is recorded as income or expenses.

Assets and liabilities of foreign subsidiaries are converted into yen based on the spot exchange rate as of the consolidated closing date, and translation is included in the foreign currency translation adjustment in the net assets section.

VII. Method of important hedge accounting

(i) Method of hedge accounting

Deferred hedge accounting is adopted. The designation method is applied for foreign exchange contracts which meet the requirements.

(ii) Hedging instruments, hedged items and hedging policy

(Hedging instruments) (Hedged items)

Foreign exchange forwards Foreign-currency-denominated forecasted transaction and foreign currency receivable and payable

Commodity swap Commodity forecasted transaction

(Hedging policy)

Foreign exchange forwards are used to hedge the foreign currency risk within the range required based on the sales plan for export and import transactions.

Commodity swaps are used to hedge the commodity price fluctuation risk within the range required based on the sales plan.

(iii) Method to evaluate effectiveness of hedging

We assume that the effectiveness of hedging is secured with respect to foreign exchange forwards since they are used for a single currency and single amount and for commodity swaps as they are transacted for a single product and single period.

VIII. Method and period of goodwill amortization

Goodwill is amortized on a straight-line basis during the designated amortization period. However, immaterial goodwill is amortized in its entirety in the fiscal year of recognition.

IX. Scope of funds in the consolidated statements of cash flows

Funds consist of cash on hand, deposits cashable anytime and short-term investments (to be redeemed within three months from the date of acquisition) that are easily realizable and have limited risk of changes in value.

X. Other important matters for preparation of consolidated financial statements

Accounting for consumption taxes

Consumption taxes are recorded net of tax.

(Change in accounting policy)

(Application of Practical Solution on Change in Depreciation Method due to Tax Reform 2016)

Following revisions to the Corporation Tax Act, the Company has applied the Practical Solution on Change in Depreciation Method due to Tax Reform 2016 (Accounting Standards Board of Japan (ASBJ), PITF No. 32, June 17, 2016), effective from the fiscal year under review. As a result, the depreciation method for building fixtures and structures purchased on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The adoption of the new depreciation method had an immaterial impact on operating income, ordinary income and income before income taxes in the fiscal year under review.

(Consolidated balance sheets)

*1. Item concerning unconsolidated subsidiaries and the affiliates is as follows.

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Investment securities (shares)	7,958 million yen	8,132 million yen

*2. Collateral assets and secured liabilities

Assets pledged as collateral are as follows.

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Buildings and structures	3,305 million yen (2,584 million yen)	2,590 million yen (2,590 million yen)
Machinery, equipment and vehicles	4,343 (4,343)	4,277 (4,277)
Land	1,011 (730)	730 (730)
Investment securities	28 (-)	8 (-)
Total	8,688 (7,658)	7,606 (7,598)

Secured liabilities are as follows.

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Notes and accounts payable - trade	69 million yen (- million yen)	33 million yen (- million yen)
Current portion of long-term loans payable	825 (825)	825 (825)
Long-term loans payable	1,825 (1,825)	1,000 (1,000)
Total	2,719 (2,650)	1,858 (1,825)

Of the above, the figures in parentheses represent loans secured by the plant foundation and the respective amount of liability.

*3. Guarantee obligation

Joint guaranty for loans from financial institutions of a company other than consolidated subsidiaries is as follows.

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Hokuee Co., Ltd.	10 million yen	11 million yen

*4. Reduction entry of property, plant and equipment and intangible assets

With the receipt of sugar production promotion subsidy by our consolidated subsidiaries, reduction entries made that are deducted from the acquisition prices are as follows.

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Buildings and structures	44 million yen	44 million yen
Machinery, equipment and vehicles	2,098	2,125
Intangible assets, other	2	2

*5. Financial covenants

Financial covenants are contained in loan contracts of part of the loans payable of our consolidated subsidiary Hokkaido Sugar Co., Ltd. Should there be a conflict with any of the following terms, loans are to be repaid in full to the respective lender as per notified by the lender.

- (1) The amount in the net assets section at the end of the business year falls below 75% of the larger of either the amount in the net assets section as of the end of the previous business year or as of the end of the business year serving as the basis.
- (2) Ordinary loss is posted in the business year for the second consecutive year.
- (3) The total amount of interest-bearing liabilities (e.g., short-term loans payable, current portion of long-term loans payable, long-term loans payable and bonds) is more than 1.5 times as the amount in the net assets section.

Loans-payable with financial covenants are as follows.

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Current portion of long-term loans payable	325 million yen	325 million yen
Long-term loans payable	325	-
Total	650	325

(Consolidated statements of income)

*1. Research and development expenses included in selling, general and administrative expenses

FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
822 million yen	1,022 million yen

*2. Gain on transfer of business

FY2015 (From April 1, 2015 to March 31, 2016)

Gain on the transfer of a consolidated subsidiary's insurance agency business.

*3. Impairment losses

FY2015 (From April 1, 2015 to March 31, 2016)

(1) Summary of asset group for which impairment losses have been recognized

Location	Use	Type
Hokkaido Sugar Co., Ltd. (Kitami, Hokkaido)	Idle assets	Machinery, equipment and vehicles, tools, furniture and fixtures

(2) Background leading to the recognition of impairment losses

Impairment losses have been recognized on part of the manufacturing facilities of Hokkaido Sugar Co., Ltd., which have become idle and have no defined future use.

(3) Breakdown of impairment losses

Machinery, equipment and vehicles	44 million yen
Tools, furniture and fixtures	2 million yen
Total	47 million yen

(4) Method of grouping

Non-current assets are classified into the Sugar Business Group, the Food Science Business Group and the Real Estate Business Group, and the Sugar Business Group is further classified by production plant. The Food Science Business Group is mainly categorized into the Palatinose Group, the Food Coloring Group, the Agar and Gelatinizing Agent Group, the Sugar Cane Extract Group and the Bio Group. The Real Estate Business Group is classified by rental property. Idle assets are classified by property.

(5) Method of calculation for recoverable amount

Recoverable amount is based on net sales value. Market value is generally assessed as zero due to the difficulty in using facilities for other purposes.

FY2016 (From April 1, 2016 to March 31, 2017)

(1) Summary of asset group for which impairment losses have been recognized

Group (Location)	Use	Type
Food Coloring Group (Nagata Ward, Kobe)	Food coloring production facility	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, other intangible assets
Agar and Gelatinizing Agent Group (Nagata Ward, Kobe)	Agar and gelatinizing agent production facility	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, other intangible assets
Sugar Cane Extract Group (Higashinada Ward, Kobe, other)	Sugar cane extract production facility	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures

(2) Background leading to the recognition of impairment losses

Impairment losses have been recognized for asset groups related to the Food Coloring Group and the Agar and Gelatinizing Agent Group located in Nagata Ward, Kobe, due to an expected change arising from a material decline in recoverable value. Impairment losses have also been recognized for the Sugar Cane Extract Group located in Higashinada Ward, Kobe, due to limited prospects for a recovery in near-term earnings amid a deterioration in operating profitability.

(3) Breakdown of impairment losses

Buildings and structures	30 million yen
Machinery, equipment and vehicles	64 million yen
Tools, furniture and fixtures	1 million yen
Other intangible assets	0 million yen
Total	96 million yen

(4) Method of grouping

Non-current assets are classified into the Sugar Business Group, the Food Science Business Group and the Real Estate Business Group, and the Sugar Business Group is further classified by production plant. The Food Science Business Group is mainly categorized into the Palatinose Group, the Food Coloring Group, the Agar and Gelatinizing Agent Group, the Sugar Cane Extract Group and the Bio Group. The Real Estate Business Group is classified by rental property. Idle assets are classified by property.

(5) Method of calculation for recoverable amount

Recoverable amount is based on net sales value. Market value is generally assessed as zero due to the difficulty in using facilities for other purposes.

*4. Loss on valuation of investment securities

FY2015 (From April 1, 2015 to March 31, 2016)

Loss on valuation of investment securities is recorded for investment securities with significant declines in market value and real value.

(Consolidated statements of changes in net assets)

FY2015 (From April 1, 2015 to March 31, 2016)

1. Matters concerning type and total number of outstanding shares and treasury stock

	Number of shares at the beginning of FY2015 (Thousand shares)	Number of increased shares during FY2015 (Thousand shares)	Number of decreased shares during FY2015 (Thousand shares)	Number of shares at the end of FY2015 (Thousand shares)
Outstanding shares				
Common shares	141,667	–	–	141,667
Total	141,667	–	–	141,667
Treasury stock				
Common shares	8,130	10	0	8,140
Total	8,130	10	0	8,140

Notes:

- Ten thousand shares of increase in common shares of treasury stock are as a result of acquisition of fractional shares (+ ten thousand shares).
- The decrease of less than one thousand common shares of treasury stock is due to the request of purchase for less than one thousand fractional shares.

2. Matters concerning cash dividends

(1) Dividends paid

(Resolution)	Type of shares	Total dividends paid (Million yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary general meeting of shareholders held on June 23, 2015	Common shares	801	6.0	March 31, 2015	June 24, 2015
Board of directors' meeting held on November 5, 2015	Common shares	801	6.0	September 30, 2015	December 3, 2015

(2) Dividends whose base date is in fiscal 2015 and whose effective date falls on fiscal 2016

(Resolution)	Type of shares	Total dividends paid (Million yen)	Dividend resource	Dividend per share (Yen)	Base date	Effective date
Ordinary general meeting of shareholders held on June 22, 2016	Common shares	1,068	Retained earnings	8.0	March 31, 2016	June 23, 2016

FY2016 (From April 1, 2016 to March 31, 2017)

1. Matters concerning type and total number of outstanding shares and treasury stock

	Number of shares at the beginning of FY2016 (Thousand shares)	Number of increased shares during FY2016 (Thousand shares)	Number of decreased shares during FY2016 (Thousand shares)	Number of shares at the end of FY2016 (Thousand shares)
Outstanding shares				
Common shares	141,667	–	113,333	28,333
Total	141,667	–	113,333	28,333
Treasury stock				
Common shares	8,140	6	6,517	1,630
Total	8,140	6	6,517	1,630

Notes:

1. The decrease of 113,333 thousand common shares in outstanding shares is due to a decline of 113,333 thousand shares from the reverse stock split.
2. Six thousand shares of increase in common shares of treasury stock are as a result of acquisition of fractional shares (+ six thousand shares).
3. The decrease of 6,517 thousand common shares of treasury stock is due to a decrease of 6,517 thousand shares from the reverse stock split and a decrease of less than one thousand shares due to the request of purchase for less than one thousand fractional shares.

2. Matters concerning cash dividends

(1) Dividends paid

(Resolution)	Type of shares	Total dividends paid (Million yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary general meeting of shareholders held on June 22, 2016	Common shares	1,068	8.0	March 31, 2016	June 23, 2016
Board of directors' meeting held on October 31, 2016	Common shares	934	7.0	September 30, 2016	December 2, 2016

Note:

Since the base date for dividends paid based on the resolution of the Board of directors' meeting held on October 31, 2016 was September 30, 2016, the amount of dividend per share does not take into account the impact of the reverse stock split conducted on October 1, 2016.

(2) Dividends whose base date is in fiscal 2016 and whose effective date falls on fiscal 2017

(Resolution)	Type of shares	Total dividends paid (Million yen)	Dividend resource	Dividend per share (Yen)	Base date	Effective date
Ordinary general meeting of shareholders held on June 27, 2017	Common shares	1,735	Retained earnings	65.0	March 31, 2017	June 28, 2017

(Consolidated statements of cash flows)

*1. Relationship between ending balance of cash and cash equivalents and its amount in the consolidated balance sheets

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Cash and deposits	17,601 million yen	19,072 million yen
Time deposit whose deposit term exceeds three months	(56)	(506)
Cash and cash equivalents	17,544	18,566

*2. Major constituents of assets and liabilities of a company that newly became a consolidated subsidiary in fiscal 2015
Major constituents of assets and liabilities of Hiranoya Corporation when it was newly consolidated through the purchase of shares in fiscal 2015, and the relationship between the stock purchase price and proceeds (net) from the purchase are as follows.

Current assets	1,284 million yen
Non-current assets	277
Current liabilities	(964)
Non-current liabilities	(210)
Non-controlling interests	(180)
Stock purchase price	206
Amount required for control under the equity method	(161)
Gain on bargain purchase	(78)
Loss on step acquisitions	52
Acquisition price of additionally purchased shares	19
Cash and cash equivalents of the new consolidated subsidiary	(74)
Net: Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	(55)

(Segment information, etc.)

a. Segment information

1. Overview of reportable segments

Reportable segments of the Company are structural units of the Company whose separate financial information is available, and which are subject to regular review by the Board of Directors to evaluate a decision on allocation of management resources and financial results.

The Company and its consolidated subsidiaries are engaged in manufacturing and sales of sugar and food ingredients and lease of real estate. Organizations are established based on these products and services.

Therefore, reportable segments of the Company are the “Sugar Business,” “Food Science Business” and “Real Estate Business.”

The Sugar Business manufactures and sells raw sugar, processed sugar and sugar-related products. The Food Science Business manufactures and sells naturally-derived sweeteners, food colorings, flavorings, sugar cane extract, agar, bio-based products, nutritional care supplements and nutritional products for patients with dysphagia. The Real Estate Business mainly leases land, retail premises and offices.

2. Calculation method of net sales, income/loss, assets, liabilities and other items of each reportable segment

Accounting of reportable business segments is basically the same as those described in the “Important matters concerning preparation of consolidated financial statements.”

Income of reportable segments is on an operating-income basis.

Intersegment sales and transfer is based on the current market price.

3. Information on amounts of net sales, income/loss, assets, liabilities and other items by each reportable segment

FY2015 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Reportable Segment				Adjustments	Amount recorded in consolidated financial statements
	Sugar Business	Food Science Business	Real Estate Business	Total		
Net sales						
Net sales to third-party customers	85,487	14,554	1,337	101,379	—	101,379
Intersegment net sales and transfer	19	103	41	164	(164)	—
Total	85,507	14,657	1,378	101,543	(164)	101,379
Segment profit	4,201	580	708	5,490	—	5,490
Segment assets	71,004	14,290	16,058	101,353	19,147	120,500
Other items						
Depreciation and amortization	3,222	289	238	3,750	6	3,756
Increase of plant, property and equipment and intangible assets	2,261	652	4,850	7,765	967	8,733

Notes:

- Some adjustments were made between segment profit and operating income recorded in consolidated statements of income.
- Adjustments of segment assets of 19,147 million yen indicate assets of the entire Company not allocated to each reportable segment. They consist of invested assets using surplus fund (cash and deposits), long-term investment fund (investment securities) and assets concerning the administration department.
- Assets in the Sugar Business reportable segment increased by 1,415 million yen compared with the end of the previous fiscal year due to the consolidation of Hiranoya Corporation in the second quarter of the fiscal year.

FY2016 (From April 1, 2016 to March 31, 2017)

(Million yen)

	Reportable Segment				Adjustments	Amount recorded in consolidated financial statements
	Sugar Business	Food Science Business	Real Estate Business	Total		
Net sales						
Net sales to third-party customers	86,295	15,185	1,697	103,177	—	103,177
Intersegment net sales and transfer	60	120	41	221	(221)	—
Total	86,356	15,305	1,738	103,399	(221)	103,177
Segment profit	3,910	568	736	5,215	—	5,215
Segment assets	67,886	15,505	18,036	101,429	20,119	121,549
Other items						
Depreciation and amortization	3,535	363	279	4,179	0	4,179
Increase of plant, property and equipment and intangible assets	3,445	1,621	389	5,455	198	5,654

Notes:

1. Some adjustments were made between segment profit and operating income recorded in consolidated statements of income.
2. Adjustments of segment assets of 20,119 million yen indicate assets of the entire Company not allocated to each reportable segment. They consist of invested assets using surplus fund (cash and deposits), long-term investment fund (investment securities) and assets concerning the administration department.

b. Related information

FY2015 (From April 1, 2015 to March 31, 2016)

1. Information by each product and service

Description is omitted since it is explained in the segment information section.

2. Information by each region

(1) Net sales

Description is omitted since net sales to third party customers outside Japan account for less than 10% of the consolidated net sales.

(2) Plant, property and equipment

Not applicable since there is no plant, property and equipment located outside Japan.

3. Information by major customer

(Million yen)

Name of customer	Net sales	Relevant segment
Mitsui & Co., Ltd.	52,240	Sugar Business and Food Science Business
Sojitz Corporation	11,256	Sugar Business

FY2016 (From April 1, 2016 to March 31, 2017)

1. Information by each product and service

Description is omitted since it is explained in the segment information section.

2. Information by each region

(1) Net sales

Description is omitted since net sales to third party customers outside Japan account for less than 10% of the consolidated net sales.

(2) Plant, property and equipment

Not applicable since there is no plant, property and equipment located outside Japan.

3. Information by major customer

(Million yen)

Name of customer	Net sales	Relevant segment
Mitsui & Co., Ltd.	53,013	Sugar Business and Food Science Business
Sojitz Corporation	11,216	Sugar Business

c. Information on impairment loss on non-current assets by each reportable segment

FY2015 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Reportable segment				Corporate and eliminations	Amount recorded in consolidated financial statements
	Sugar Business	Food Science Business	Real Estate Business	Total		
Impairment loss	–	–	–	–	47	47

Note: Corporate and eliminations of 47 million yen indicate impairment losses recognized on part of the manufacturing facilities of Hokkaido Sugar Co., Ltd., which have become idle and have no defined future use.

FY2016 (From April 1, 2016 to March 31, 2017)

(Million yen)

	Reportable segment				Corporate and eliminations	Amount recorded in consolidated financial statements
	Sugar Business	Food Science Business	Real Estate Business	Total		
Impairment loss	–	96	–	96	–	96

d. Information on amortization of goodwill and unamortized balance of goodwill by each reportable segment

FY2015 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Reportable segment				Corporate and eliminations	Amount recorded in consolidated financial statements
	Sugar Business	Food Science Business	Real Estate Business	Total		
Amortization during the period	271	398	–	670	–	670
Balance at the end of current period	542	1,981	–	2,523	–	2,523

FY2016 (From April 1, 2016 to March 31, 2017)

(Million yen)

	Reportable segment				Corporate and eliminations	Amount recorded in consolidated financial statements
	Sugar Business	Food Science Business	Real Estate Business	Total		
Amortization during the period	271	398	–	670	–	670
Balance at the end of current period	270	1,582	–	1,852	–	1,852

e. Information on gain on negative goodwill by each reportable segment

FY2015 (From April 1, 2015 to March 31, 2016)

Due to the consolidation of Hiranoya Corporation, negative goodwill of 78 million yen was recorded in the Sugar Business reportable segment.

FY2016 (From April 1, 2016 to March 31, 2017)

None

(Per-share information)

FY2015 (From April 1, 2015 to March 31, 2016)		FY2016 (From April 1, 2016 to March 31, 2017)	
Net assets per share	2,657.25 yen	Net assets per share	2,872.96 yen
Earnings per share	283.88 yen	Earnings per share	280.19 yen
Diluted earnings per share is not mentioned since dilutive shares do not exist.		Diluted earnings per share is not mentioned since dilutive shares do not exist.	

Notes:

1. The Company conducted a 1-for-5 reverse stock split of common shares with an effective date of October 1, 2016. Net assets per share and earnings per share have been calculated assuming the reverse stock split was conducted at the start of the previous fiscal year.

2. The basis of calculation of net assets per share and earnings per share is as follows.

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Total of net assets section (million yen)	77,401	83,682
Amount deducted from total of net assets section (million yen)	6,438	6,965
(Of the above, non-controlling interests)	(6,438)	(6,965)
Net assets attributable to common shares at period end (million yen)	70,962	76,717
Number of common shares at period end used in calculating net assets per share (shares)	26,705,299	26,703,229

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Profit attributable to owners of parent (million yen)	7,581	7,482
Amount not attributable to common shareholders	—	—
Profit attributable to owners of parent attributable to common shares (million yen)	7,581	7,482
Average number of shares outstanding (shares)	26,706,060	26,704,149

(Important subsequent events)

None

(Omission of disclosure)

Notes on consolidated statements of comprehensive income, lease transactions, financial instruments, securities, derivatives trading, retirement benefit, tax effect accounting, business combination, etc., asset retirement obligation, real-estate leasing and information on related parties are omitted since the necessity of disclosure in the summary of consolidated financial results is not very high.

5. Non-consolidated Financial Statements and Important Notes

(1) Balance sheets

(Million yen)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	14,119	15,678
Notes receivable – trade	7	3
Accounts receivable – trade	2,994	3,310
Lease investment assets	269	264
Merchandise and finished goods	3,297	3,551
Goods in transit	52	98
Work in process	1,294	1,457
Raw materials and supplies	2,695	2,631
Raw materials in transit	1,392	–
Prepaid expenses	41	24
Deferred tax assets	454	281
Short-term loans receivable from subsidiaries and affiliates	2,300	700
Current portion of long-term loans receivable from subsidiaries and affiliates	180	180
Other	532	1,363
Total current assets	29,631	29,545
Non-current assets		
Property, plant and equipment		
Buildings	18,512	18,835
Accumulated depreciation	(10,510)	(10,934)
Buildings, net	8,001	7,900
Structures	2,463	2,498
Accumulated depreciation	(1,636)	(1,674)
Structures, net	827	823
Machinery and equipment	34,411	35,995
Accumulated depreciation	(25,752)	(26,483)
Machinery and equipment, net	8,659	9,511
Vehicles	39	39
Accumulated depreciation	(37)	(37)
Vehicles, net	1	1
Tools, furniture and fixtures	1,202	1,284
Accumulated depreciation	(994)	(1,031)
Tools, furniture and fixtures, net	207	253
Land	17,182	17,182
Lease assets	765	765
Accumulated depreciation	(167)	(244)
Lease assets, net	597	521
Construction in progress	4,887	–
Total property, plant and equipment	40,364	36,194
Intangible assets	1,456	956
Investments and other assets		
Investment securities	2,636	3,017
Stocks of subsidiaries and affiliates	8,549	8,916
Investments in capital	17	17
Long-term loans receivable from subsidiaries and affiliates	180	–
Long-term prepaid expenses	16	0
Prepaid pension cost	86	156
Lease investment assets	–	5,880
Other	322	298
Allowance for doubtful accounts	(17)	(17)
Total investments and other assets	11,792	18,270
Total non-current assets	53,613	55,422
Total assets	83,244	84,967

(Million yen)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Liabilities		
Current liabilities		
Accounts payable – trade	3,562	1,811
Current portion of long-term loans payable	843	368
Lease obligations	78	79
Accounts payable – other	477	729
Accrued expenses	2,413	2,102
Income taxes payable	2,435	1,339
Advances received	97	138
Deposits received	182	187
Provision for directors' bonuses	60	51
Other	520	136
Total current liabilities	10,672	6,944
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	932	564
Lease obligations	558	479
Deferred tax liabilities	1,272	1,257
Provision for retirement benefits	684	669
Asset retirement obligations	201	216
Other	1,216	1,276
Total non-current liabilities	14,866	14,462
Total liabilities	25,538	21,407
Net assets		
Shareholders' equity		
Capital stock	7,083	7,083
Capital surplus		
Legal capital surplus	1,177	1,177
Other capital surplus	0	0
Total capital surplus	1,177	1,177
Retained earnings		
Legal retained earnings	1,033	1,033
Other retained earnings		
Reserve for price fluctuation	200	200
Reserve for advanced depreciation of non-current assets	3,603	3,519
Reserve for special depreciation	4	–
General reserve	22,680	22,680
Retained earnings brought forward	24,272	29,927
Total retained earnings	51,794	57,360
Treasury stock	(2,900)	(2,905)
Total shareholders' equity	57,154	62,716
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	550	842
Deferred gains or losses on hedges	0	1
Total valuation and translation adjustments	551	844
Total net assets	57,706	63,560
Total liabilities and net assets	83,244	84,967

(2) Statements of income

(Million yen)

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Net sales	65,789	65,504
Cost of sales	51,201	51,356
Gross profit	14,588	14,147
Selling, general and administrative expenses	10,671	10,865
Operating income	3,916	3,281
Non-operating income		
Interest and dividend income	457	439
Interest on securities	6	1
Royalty income	7,406	7,505
Other	135	138
Total non-operating income	8,006	8,084
Non-operating expenses		
Interest expenses	29	20
Interest on bonds	27	27
Loss on retirement of non-current assets	205	53
Facilities removal expenses	215	233
Environmental expenses	—	57
Other	254	131
Total non-operating expenses	731	524
Ordinary income	11,191	10,842
Extraordinary income		
Total extraordinary income	—	—
Extraordinary loss		
Loss on valuation of investment securities	501	—
Impairment loss	—	96
Total extraordinary loss	501	96
Income before income taxes	10,690	10,745
Income taxes – current	3,661	3,100
Income taxes – deferred	(42)	75
Total income taxes	3,619	3,176
Net income	7,071	7,569

(3) Statements of changes in net assets

FY2015 (From April 1, 2015 to March 31, 2016)

(Million yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings			
						Reserve for price fluctuation	Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve
Balance at the beginning of current period	7,083	1,177	0	1,177	1,033	200	3,602	8	22,680
Changes of items during the period									
Reversal of reserve for advanced depreciation of non-current assets							(83)		
Adjustment to reserve due to change in tax rate							85	0	
Reversal of reserve for special depreciation								(4)	
Dividends from surplus									
Net income									
Purchase of treasury stock									
Disposal of treasury stock			0	0					
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	—	0	0	—	—	1	(3)	—
Balance at the end of current period	7,083	1,177	0	1,177	1,033	200	3,603	4	22,680

	Shareholders' equity				Valuation and translation adjustments			Total net assets
	Retained earnings		Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Other retained earnings	Total retained earnings						
	Retained earnings brought forward							
Balance at the beginning of current period	18,801	46,325	(2,895)	51,690	444	(0)	443	52,134
Changes of items during the period								
Reversal of reserve for advanced depreciation of non-current assets	83	—		—				—
Adjustment to reserve due to change in tax rate	(85)	—		—				—
Reversal of reserve for special depreciation	4	—		—				—
Dividends from surplus	(1,602)	(1,602)		(1,602)				(1,602)
Net income	7,071	7,071		7,071				7,071
Purchase of treasury stock			(5)	(5)				(5)
Disposal of treasury stock			0	0				0
Net changes of items other than shareholders' equity					106	1	107	107
Total changes of items during the period	5,471	5,468	(5)	5,464	106	1	107	5,571
Balance at the end of current period	24,272	51,794	(2,900)	57,154	550	0	551	57,706

FY2016 (From April 1, 2016 to March 31, 2017)

(Million yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			
						Reserve for price fluctuation	Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve
Balance at the beginning of current period	7,083	1,177	0	1,177	1,033	200	3,603	4	22,680
Changes of items during the period									
Reversal of reserve for advanced depreciation of non-current assets							(84)		
Adjustment to reserve due to change in tax rate									
Reversal of reserve for special depreciation								(4)	
Dividends from surplus									
Net income									
Purchase of treasury stock									
Disposal of treasury stock			0	0					
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	—	0	0	—	—	(84)	(4)	—
Balance at the end of current period	7,083	1,177	0	1,177	1,033	200	3,519	—	22,680

	Shareholders' equity				Valuation and translation adjustments			Total net assets
	Retained earnings		Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Other retained earnings	Total retained earnings						
	Retained earnings brought forward							
Balance at the beginning of current period	24,272	51,794	(2,900)	57,154	550	0	551	57,706
Changes of items during the period								
Reversal of reserve for advanced depreciation of non-current assets	84	—		—				—
Adjustment to reserve due to change in tax rate		—		—				—
Reversal of reserve for special depreciation	4	—		—				—
Dividends from surplus	(2,002)	(2,002)		(2,002)				(2,002)
Net income	7,569	7,569		7,569				7,569
Purchase of treasury stock			(5)	(5)				(5)
Disposal of treasury stock			0	0				0
Net changes of items other than shareholders' equity					291	1	293	293
Total changes of items during the period	5,654	5,566	(5)	5,561	291	1	293	5,854
Balance at the end of current period	29,927	57,360	(2,905)	62,716	842	1	844	63,560

(4) Notes on non-consolidated financial statements

(Notes on assumptions of a going concern)

None

(Important subsequent events)

None

6. Other

(1) Transfer of officers

1) New director candidates (resolution to be submitted to the General Meeting of Shareholders on June 27, 2017)

Name	New position	Current position
Yusuke Kawamura	Director (Outside)	Deputy Chairman of the Institute, Daiwa Institute of Research, Ltd.
Yuko Tamai	Director (Outside)	Partner, Nagashima Ohno & Tsunematsu
Miki Yoshikawa	Director (Outside)	Managing Officer, Chief Operating Officer of Food Business Unit, Mitsui & Co., Ltd.

2) Retiring directors (effective June 27, 2017)

Name	New position	Current position
Kaoru Maeda	Retiring	Director (Outside)
Haruyuki Hattori	Retiring	Director (Outside)
Masahiko Ohe	Retiring	Director (Outside)

3) New Audit & Supervisory Board Member candidate (resolution to be submitted to the General Meeting of Shareholders on June 27, 2017)

Name	New position	Current position
Toru Suzuki	Audit & Supervisory Board Member (Outside)	

2) Retiring corporate auditor (effective June 27, 2017)

Name	New position	Current position
Takashi Fukunaga	Retiring	Audit & Supervisory Board Member (Outside)

(2) Other

None