



Summary of Consolidated Financial Results

For the Six Months Ended September 30, 2016 (Based on Japanese GAAP)

October 31, 2016

Company name:	Mitsui Sugar Co., Ltd.	Stock exchange listings:	Tokyo
Stock code:	2109	http://www.mitsui-sugar.co.jp/	
Company representative:	Daisuke Saiga, President and Chief Executive Officer		
Contact person in charge:	Hideaki Batori, General Manager, Corporate Planning Division		
		TEL. 81-3-3663-3111	
Planned date for submission of quarterly report:	November 8, 2016		
Planned date to start dividend payment:	December 2, 2016		
Preparation of supplementary material for quarterly financial statements:	None		
Briefing session for quarterly financial statements:	None		

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(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	%
First six months of FY2016	51,232	3.8	2,231	(14.1)	5,800	(7.3)	3,633	4.5
First six months of FY2015	49,332	7.2	2,597	46.5	6,254	47.3	3,478	34.1

(Note) Comprehensive income: First six months of FY2016: 3,359 million yen (-7.9%)
 First six months of FY2015: 3,647 million yen (33.5%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
First six months of FY2016	136.07		—	
First six months of FY2015	130.26		—	

*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 September 30, 2016	114,667	79,688	63.6	2,731.73
As of March 31, 2016	120,500	77,401	58.9	2,657.25

(Reference) Equity capital: As of September 30, 2016: 72,948 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.

2. Cash Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	—	6.00	—	8.00	14.00
Year ending March 31, 2017	—	7.00			
Year ending March 31, 2017 (forecast)			—	35.00	—

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

*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 forecast for the fiscal year ending March 31, 2017 takes into account the impact of the reverse stock split, and the total for the annual dividend has been left blank. Excluding the impact of the reverse stock split, the year-end dividend forecast for the fiscal year ending March 31, 2017 is ¥7.00 per share and the annual dividend forecast is ¥14.00 per share. For more details, please refer to “Explanation on appropriate use of business forecasts, and other special notes.”

3. Consolidated Business Forecasts for the Year Ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(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
Full year	104,000	2.6	4,500	(18.0)	11,000	(14.0)	6,800	(10.3)	254.64

(Note) Revision of the business forecasts announced most recently: Yes

*The Company conducted a 1-for-5 reverse stock split of common shares with an effective date of October 1, 2016. Earnings per share in the consolidated business forecasts for the fiscal year ending March 31, 2017 (full year) takes into account the impact of the reverse stock split. Excluding the impact of the reverse stock split, earnings per share in the consolidated business forecasts for the fiscal year ending March 31, 2017 (full year) is ¥50.93. For more details, please refer to “Explanation on appropriate use of business forecasts, and other special notes.”

* Notes

(1) Significant changes in subsidiaries during the period

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

New: — companies (company name): —

Excluded: — companies (company name): —

(2) Application of accounting method unique to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policy and accounting estimates and restatement

(i) Changes in accounting policy due to any revision of accounting standards: Yes

(ii) Changes in accounting policy other than i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For more details, please refer to “2. Matters Regarding Summary Information (Notes), (3) Changes in accounting policy and accounting estimates and restatement” on page 3 of the Appendix.

(4) Number of outstanding shares (common shares)

(i) Number of outstanding shares at period end (including treasury shares)	As of September 30, 2016	28,333,480 shares	As of March 31, 2016	28,333,480 shares
(ii) Number of treasury shares at period end	As of September 30, 2016	1,629,302 shares	As of March 31, 2016	1,628,181 shares
(iii) Average number of shares during period (from the beginning of fiscal year to period end)	Six months ended September 30, 2016	26,704,747 shares	Six months ended September 30, 2015	26,706,543 shares

Note: 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 shares 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.

* Implementation of quarterly review procedure

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

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

Business forecasts and other forward-looking statements contained in this report and supplementary materials are based on information currently available to the Company and on certain assumptions deemed as rational. They do not constitute a guarantee that the Company will achieve its forecasts or other forward-looking statements. Actual results may differ significantly from forecasts due to various factors. For assumptions and other criteria used to formulate business forecasts, please refer to “1. Qualitative Information Regarding the Results for the First Six Months Ended September 30, 2016, (3) Description of consolidated business forecasts and other information about future forecasts” on page 3 of the Appendix.

(Dividend and business forecasts after the reverse stock split)

In accordance with a resolution approved at the 92nd Ordinary General Meeting of Shareholders on June 22, 2016, the Company conducted a 1-for-5 reverse stock split of common shares with an effective date of October 1, 2016. Effective the same date, the Company changed the minimum trading unit from 1,000 shares to 100 shares. Excluding the impact of the reverse stock split, the Company’s dividend and consolidated business forecasts for the fiscal year ending March 31, 2017 are as follows:

1. Dividend forecast for the fiscal year ending March 31, 2017

Dividend per share

Second quarter ended September 30, 2016: ¥7.00 (Note 1)

Fiscal year ending March 31, 2017: ¥7.00 (Note 2)

2. Consolidated business forecasts for the fiscal year ending March 31, 2017

Earnings per share

Full year: ¥50.93

(Note 1) The dividend paid for the second quarter ended September 30, 2016 will be based on the number of shares outstanding before the reverse stock split.

(Note 2) The dividend forecast has been adjusted to exclude the impact of the reverse stock split.

The forecast for the annual dividend for the fiscal year ending March 31, 2017 is ¥14.00 (excluding the impact of the reverse stock split).

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1. Qualitative Information Regarding the Results for the First Six Months Ended September 30, 2016

(1) Description of consolidated operating results

In the first six months of fiscal 2016 (April – September 2016), the Japanese economy showed some signs of improvement in employment and income conditions, supported by economic and monetary policies implemented by the government and the Bank of Japan. However, concerns about a slowdown in the domestic economy intensified due to slowing momentum in China and other emerging economies, the UK's decision to leave the EU and the strengthening yen. Consumer spending also remained weak, adding to continued uncertainty about the economic outlook.

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 started steadily implementing new initiatives to achieve objectives in the plan's first year.

An overview of the business activities and performance in each business segment for the first six months of the fiscal year is as follows:

(Sugar Business)

In the overseas crude sugar market, the price started the period at the mid 15 cents per pound level, gradually rising to the high 20 cents level in June amid forecasts for tighter supply-demand worldwide and speculative funds flowing into commodities markets. The upward trend eased for a time from July due to forecasts for increased sugar output in Brazil, but the price began rising again, reaching as high as 23 cents amid signs that Brazilian production may have plateaued and buoyed by speculative fund inflows. The price subsequently dropped back slightly, ending the second quarter at the mid 22 cents per pound level. Against this backdrop, the Company worked to procure crude sugar while carefully watching market trends, but raw material costs increased year on year.

In production activities, variable manufacturing costs declined compared with the same period a year earlier, mainly reflecting a drop in gas procurement costs amid the weak crude oil price.

In sales activities, sales volume for home-use products declined year on year, but sales of commercial-use products rose slightly on the back of strong sales to beverage makers and other users. As a result, combined sales of home-use and commercial-use products were largely steady compared with the same period of the previous year. The Company also raised shipment prices in late September to pass on the higher raw material procurement costs.

Profits and sales increased year on year at consolidated subsidiaries. Sales were firm at Hokkaido Sugar Co., Ltd., sales volume and product prices rose at Showa Sugar Co., Ltd., and Hiranoya Corporation also contributed to growth.

As a result of the above, the Sugar Business overall reported net sales of 43,025 million yen and operating income of 1,774 million yen.

Sugar market status during period

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

Six months ended September 30, 2016: 187-188 yen

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

Opening price: 15.40 cents, highest price: 23.60 cents, lowest price: 14.00 cents, closing price: 22.53 cents

(Food Science Business)

In the Food Science Business, sales in the palatinose category increased year on year and procurement prices were stable, supporting an improvement in the gross margin.

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

As a result, net sales in the Food Science Business totaled 7,452 million yen and operating income was 183 million yen.

At a meeting of the Board of Directors on September 7, 2016, the Company approved the purchase of the nutrition business of Sanwa Kagaku Kenkyusho Co., Ltd. by NUTRI Co., Ltd. A contract agreeing the transfer of the business was concluded between the two companies on September 15, 2016. The business is scheduled to be transferred to NUTRI Co., Ltd. on April 1, 2017.

(Real Estate Business)

In the Real Estate Business, net sales totaled 754 million yen and operating income was 273 million yen. Sales rose year on year due to the leasing of a new logistics center in Okayama Prefecture and the start of power generation at a large-scale solar facility, but operating income declined, mainly due to startup costs related to those facilities.

As a result, in the first six months of the fiscal year, net sales increased 3.8% year on year to 51,232 million yen and operating income declined 14.1% to 2,231 million yen.

Summary of Consolidated Financial Results for the First Six Months Ended September 30, 2016

In non-operating income and expenses, the Company booked royalty income of 3,560 million yen, but share of profit of entities accounted for using equity method declined year on year, mainly reflecting deteriorating earnings at affiliates in Thailand. As a result, ordinary income fell 7.3% year on year to 5,800 million yen. Profit attributable to owners of parent increased 4.5% year on year to 3,633 million yen, reflecting the absence of loss on valuation of investment securities booked under extraordinary loss in the same period of the previous fiscal year.

(2) Description of consolidated financial position

Changes in consolidated financial position

As of September 30, 2016, total assets stood at 114,667 million yen, down 5,833 million yen from the end of the previous fiscal year. Significant changes in the main items on the consolidated balance sheet were as follows:

(i) Current assets

Current assets totaled 44,414 million yen, down 7,175 million yen from the end of the previous fiscal year. This mainly reflected an increase of 1,590 million yen for raw materials and supplies, versus decreases of 7,655 million yen for merchandise and finished goods and 1,184 million yen for cash and deposits.

(ii) Non-current assets

Non-current assets totaled 70,252 million yen, up 1,341 million yen from the end of the previous fiscal year. This mainly reflected increases of 6,014 million yen for lease assets and 737 million yen for machinery, equipment and vehicles, versus decreases of 4,242 million yen for construction in progress, 606 million yen for investment securities and 335 million yen for goodwill.

(iii) Liabilities

Liabilities totaled 34,978 million yen, down 8,121 million yen from the end of the previous fiscal year. This mainly reflected declines of 6,382 million yen for loans payable and 1,759 million yen for notes and accounts payable – trade.

(iv) Net assets

Net assets totaled 79,688 million yen, up 2,287 million yen from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of 3,633 million yen and dividends of surplus of 1,068 million yen.

(3) Description of consolidated business forecasts and other information about future forecasts

The Company has revised its consolidated business forecasts for the fiscal year ending March 31, 2017, announced on May 12, 2016. Raw material procurement costs have increased sharply due to a steep rise in prices in the overseas crude sugar market in the first half of the fiscal year. The Company raised shipment prices at the end of September, but given persistently high prices in the overseas crude sugar market, it now expects full-year operating income to decline year on year. The Company also forecasts a decline in ordinary income due to a drop in share of profit of entities accounted for using equity method, mainly due to deteriorating earnings at affiliates in Thailand. For more details, please refer to the separate disclosure released today, “Notice on Revision of Business Forecasts.” (Japanese only)

2. Matters Regarding Summary Information (Notes)

(1) Significant changes in subsidiaries during the period

None.

(2) Application of accounting method unique to preparation of quarterly consolidated financial statements

None.

(3) Changes in accounting policy and accounting estimates and restatement

(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 first quarter of the current fiscal year. 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 profit before income taxes in the second quarter of the current fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Million yen)

	FY2015 (As of March 31, 2016)	First six months of FY2016 (As of September 30, 2016)
Assets		
Current assets		
Cash and deposits	17,601	16,417
Notes and accounts receivable-trade	7,967	8,609
Merchandise and finished goods	15,665	8,010
Work in process	1,651	1,735
Raw materials and supplies	5,508	7,098
Deferred tax assets	722	600
Other	2,503	1,966
Allowance for doubtful accounts	(30)	(23)
Total current assets	51,590	44,414
Non-current assets		
Property, plant and equipment		
Buildings and structures	35,321	35,571
Accumulated depreciation	(21,714)	(22,082)
Buildings and structures, net	13,607	13,488
Machinery, equipment and vehicles	73,767	75,246
Accumulated depreciation	(59,695)	(60,436)
Machinery, equipment and vehicles, net	14,072	14,809
Tools, furniture and fixtures	2,370	2,395
Accumulated depreciation	(2,053)	(2,001)
Tools, furniture and fixtures, net	317	394
Land	18,436	18,436
Lease assets	888	893
Accumulated depreciation	(216)	(263)
Lease assets, net	672	629
Construction in progress	5,441	1,199
Total property, plant and equipment	52,547	48,957
Intangible assets		
Goodwill	2,523	2,188
Other	978	871
Total intangible assets	3,501	3,059
Investments and other assets		
Investment securities	11,136	10,529
Long-term loans receivable	25	25
Net defined benefit assets	269	261
Deferred tax assets	713	719
Other	741	6,724
Allowance for doubtful accounts	(25)	(24)
Total investments and other assets	12,861	18,235
Total non-current assets	68,910	70,252
Total assets	120,500	114,667

(Million yen)

	FY2015 (As of March 31, 2016)	First six months of FY2016 (As of September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	7,240	5,481
Short-term loans payable	5,610	110
Current portion of long-term loans payable	1,760	1,484
Lease obligations	91	93
Accrued expenses	3,183	2,904
Income taxes payable	2,731	1,771
Provision for directors' bonuses	73	27
Other	2,448	3,749
Total current liabilities	23,139	15,621
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	2,817	2,211
Lease obligations	606	561
Deferred tax liabilities	1,251	1,191
Provision for directors' retirement benefits	216	232
Net defined benefit liability	3,227	3,235
Asset retirement obligations	414	408
Other	1,426	1,517
Total non-current liabilities	19,960	19,357
Total liabilities	43,099	34,978
Net assets		
Shareholders' equity		
Capital stock	7,083	7,083
Capital surplus	1,291	1,291
Retained earnings	64,643	67,209
Treasury shares	(2,900)	(2,902)
Total shareholders' equity	70,118	72,680
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	639	666
Deferred gains or losses on hedges	4	2
Foreign currency translation adjustment	206	(396)
Remeasurements of defined benefit plans	(6)	(4)
Total accumulated other comprehensive income	844	267
Non-controlling interests	6,438	6,740
Total net assets	77,401	79,688
Total liabilities and net assets	120,500	114,667

Summary of Consolidated Financial Results for the First Six Months Ended September 30, 2016

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

(Quarterly consolidated statements of income)

(Million yen)

	First six months of FY2015 (From April 1, 2015 to September 30, 2015)	First six months of FY2016 (From April 1, 2016 to September 30, 2016)
Net sales	49,332	51,232
Cost of sales	37,617	39,209
Gross profit	11,715	12,022
Selling, general and administrative expenses		
Distribution expenses	2,321	2,491
Provision for directors' bonuses	27	26
Retirement benefit expenses	67	119
Other	6,700	7,153
Total selling, general and administrative expenses	9,117	9,791
Operating income	2,597	2,231
Non-operating income		
Interest income	4	1
Dividend income	211	132
Royalty income	3,364	3,560
Share of profit of entities accounted for using equity method	342	64
Miscellaneous income	77	141
Total non-operating income	4,000	3,899
Non-operating expenses		
Interest expenses	55	46
Loss on retirement of non-current assets	66	44
Facilities removal expenses	139	72
Miscellaneous loss	80	167
Total non-operating expenses	343	331
Ordinary income	6,254	5,800
Extraordinary income		
Subsidy income	1,202	8
Gain on bargain purchase	78	—
Total extraordinary income	1,280	8
Extraordinary loss		
Impairment loss	—	50
Loss on reduction of non-current assets	1,186	1
Loss on valuation of investment securities	506	—
Loss on step acquisitions	52	—
Total extraordinary loss	1,745	51
Profit before income taxes	5,789	5,756
Income taxes — current	1,994	1,744
Income taxes — deferred	48	54
Total income taxes	2,043	1,799
Profit	3,745	3,957
Profit attributable to non-controlling interests	267	323
Profit attributable to owners of parent	3,478	3,633

Summary of Consolidated Financial Results for the First Six Months Ended September 30, 2016
 (Quarterly consolidated statements of comprehensive income)

(Million yen)

	First six months of FY2015 (From April 1, 2015 to September 30, 2015)	First six months of FY2016 (From April 1, 2016 to September 30, 2016)
Profit	3,745	3,957
Other comprehensive income		
Valuation difference on available-for-sale securities	99	23
Deferred gains or losses on hedges	(79)	(0)
Remeasurements of defined benefit plans, net of tax	(48)	(12)
Share of other comprehensive income of entities accounted for using equity method	(70)	(608)
Total other comprehensive income	(98)	(598)
Comprehensive income	3,647	3,359
Comprehensive income attributable to:		
Owners of parent	3,442	3,056
Non-controlling interests	204	302

Summary of Consolidated Financial Results for the First Six Months Ended September 30, 2016

(3) Notes on quarterly consolidated financial statements

(Note on assumptions of a going concern)

None.

(Notes when the amount of the shareholders' equity significantly fluctuates)

None.

(Segment information, etc.)

Segment information

I. First six months of FY2015 (From April 1, 2015 to September 30, 2015)

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

(Million yen)

	Reportable segment				Adjustments	Amount recorded in quarterly consolidated statements of income
	Sugar Business	Food Science Business	Real Estate Business	Total		
Net sales						
Net sales to third-party customers	41,314	7,339	678	49,332	—	49,332
Intersegment net sales and transfer	20	43	20	83	(83)	—
Total	41,335	7,382	698	49,416	(83)	49,332
Segment profit	2,027	211	358	2,597	—	2,597

(Note) Some adjustments were made between segment profit and operating income recorded in the quarterly consolidated statements of income.

II. First six months of FY2016 (From April 1, 2016 to September 30, 2016)

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

(Million yen)

	Reportable segment				Adjustments	Amount recorded in quarterly consolidated statements of income
	Sugar Business	Food Science Business	Real Estate Business	Total		
Net sales						
Net sales to third party customers	43,025	7,452	754	51,232	—	51,232
Intersegment net sales and transfer	16	63	20	100	(100)	—
Total	43,042	7,515	774	51,332	(100)	51,232
Segment profit	1,774	183	273	2,231	—	2,231

(Note) Some adjustments were made between segment profit and operating income recorded in the quarterly consolidated statements of income.