



Summary of Consolidated Financial Results

For the Three Months of the Year Ending March 31, 2018 (Based on Japanese GAAP)

July 31, 2017

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, Executive Officer, General Manager, Corporate Planning Division		
		TEL.	81-3-3663-3111
Planned date for submission of quarterly report:		August 8, 2017	
Planned date to start dividend payment:		—	
Preparation of supplementary material for quarterly financial statements:		None	
Briefing session for quarterly financial statements:		None	

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

1. Consolidated Financial Results for the Three Months of the Year Ending March 31, 2018 (from April 1, 2017 to June 30, 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	%
First three months of FY2017	26,709	3.3	2,111	37.6	4,450	33.9	2,917	40.7
First three months of FY2016	25,860	4.4	1,534	18.4	3,323	7.2	2,073	8.5

(Note) Comprehensive income: Three months ended June 30, 2017: 3,263 million yen (58.6%)
 Three months ended June 30, 2016: 2,057 million yen (-8.7%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
First three months of FY2017	109.27		—	
First three months of FY2016	77.66		—	

*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 June 30, 2017	120,549	85,209	64.7	2,920.31
As of March 31, 2017	121,549	83,682	63.1	2,872.96

(Reference) Equity capital: As of June 30, 2017: 77,981 million yen As of March 31, 2017: 76,717 million yen

2. Cash Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	7.00	—	65.00	—
Year ending March 31, 2018	—	—	—	—	—
Year ending March 31, 2018 (forecast)	—	50.00	—	50.00	100.00

(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 amount shown for dividend per share for end-2Q in the fiscal year ended March 31, 2017 is the dividend before the reverse stock split, while the annual dividend for the fiscal year ended March 31, 2017 has been left blank. Based on the number of shares after the reverse stock split, the annual dividend for the fiscal year ended March 31, 2017 is ¥100.00 per share.

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
First six months	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

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

* Notes

(1) Significant changes in subsidiaries during the period

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

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: None

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of outstanding shares (common shares)

(i) Number of outstanding shares at period end (including treasury shares)

As of June 30, 2017	28,333,480 shares	As of March 31, 2017	28,333,480 shares
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(ii) Number of treasury shares at period end

As of June 30, 2017	1,630,341 shares	As of March 31, 2017	1,630,251 shares
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(iii) Average number of shares during period (from the beginning of fiscal year to period end)

Three months ended June 30, 2017	26,703,181 shares	Three months ended June 30, 2016	26,704,995 shares
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*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.

* The quarterly 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. 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 Three Months of the Year Ending March 31, 2018, (3) Description of consolidated business forecasts and other information about future forecasts” on page 3 of the Appendix.

○ Appendix

1.	Qualitative Information Regarding the Results for the First Three Months of the Year Ending March 31, 2018.....	2
	(1) Description of consolidated operating results	2
	(2) Description of consolidated financial position.....	3
	(3) Description of consolidated business forecasts and other information about future forecasts	3
2.	Quarterly Consolidated Financial Statements and Important Notes	4
	(1) Quarterly consolidated balance sheets	4
	(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	6
	(Quarterly consolidated statements of income)	6
	(Quarterly consolidated statements of comprehensive income).....	7
	(3) Notes on quarterly consolidated financial statements	8
	(Note on assumptions of a going concern)	8
	(Notes when the amount of the shareholders' equity significantly fluctuates).....	8
	(Segment information, etc.).....	8

1. Qualitative Information Regarding the Results for the First Three Months of the Year Ending March 31, 2018

(1) Description of consolidated operating results

In the first three months of fiscal 2017 (April – June 2017), the Japanese economy recovered at a moderate pace, supported by an upturn in employment and income conditions as well as in corporate earnings. Despite lacking momentum, consumer spending also improved to some extent. Overseas economies also picked up amid a more promising outlook, including firm conditions in the US and signs that the slowdown in China had bottomed. However, the situation overseas still requires caution amid developments such as policy trends in the US and the UK's decision to leave the European Union (EU).

Against this backdrop, the Mitsui Sugar Group actively implemented various initiatives to achieve the objectives of its sixth medium-term management plan, “Mitsui Sugar Revolution Phase 3 – The Road to 2022” (April 2016 to March 2018).

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

(Sugar Business)

In the overseas crude sugar market, prices started the first quarter at the high-16 cents per pound level before falling to the low-15 cents level at one point amid strong milling output in Brazil. In late May, forecasts for looser supply-demand conditions triggered a steep drop in prices. The crude sugar price continued to fall thereafter, tracking broader weakness in crude oil markets and other international commodities, ending the first quarter at the mid-13 cents per pound level. Against this backdrop, the Company worked to procure crude sugar at appropriate times and prices.

In production activities, variable manufacturing costs increased slightly year on year due to higher fuel costs, but the Company worked to ensure stable operations by appropriately controlling manufacturing processes to match the quality of crude sugar procured from different producing regions.

In sales activities, sales to beverage makers and other larger users were strong amid favorable weather, but demand for home-use products was weak due to rising retail prices and a sharp drop in overseas crude sugar prices, which raised prospects of lower retail prices going forward. As a result, sales volume overall declined year on year. Also, at the end of June, the Company announced reductions to its shipment prices to pass on lower raw material procurement costs.

At consolidated subsidiaries, Hokkaido Sugar Co., Ltd. reported lower profits year on year due to a drop in sales volume, but earnings at Showa Sugar Co., Ltd. were firm.

As a result of the above, the Sugar Business reported overall net sales of 21,315 million yen and operating income of 1,580 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)

Three months ended June 30, 2017: 195-196 yen

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

Opening price: 16.93 cents, highest price: 17.18 cents, lowest price: 12.53 cents, closing price: 13.68 cents

(Food Science Business)

In the palatinose and palatinit category, sales volume was largely steady year on year, but operating income increased due to a drop in selling, general and administrative expenses.

Consolidated subsidiaries reported higher sales and profits year on year, supported by firm sales at Taisho Technos Co., Ltd. and expansion at NUTRI Co., Ltd., which acquired a business at the start of the fiscal year. As a result, net sales in the Food Science Business totaled 4,913 million yen and operating income was 310 million yen.

At a meeting on July 31, 2017, the Board of Directors approved a resolution to integrate the production of food additives at a new manufacturing facility to be operated by consolidated subsidiary Taisho Technos Co., Ltd. The decision was made to further strengthen the operating base and improve operational efficiency in the food additives business and to optimize the Mitsui Sugar Group's operations. As a result of this decision, production activities at the Company's Nagata plant will end on February 28, 2019. For more details, please refer to the press release, “Production of Food Additives to be Integrated at Consolidated Subsidiary,” issued July 31, 2017 (Japanese only).

(Real Estate Business)

The Real Estate Business reported net sales of 480 million yen and operating income of 219 million yen, supported by rental income from a new logistics center in Okayama completed in the previous fiscal year and stable power generation at a large-scale solar facility.

As a result, in the first three months of the fiscal year, net sales increased 3.3% year on year to 26,709 million yen and operating income rose 37.6% to 2,111 million yen.

In non-operating income and expenses, the Group booked royalty income of 1,647 million yen and share of profit of entities accounted for using equity method of 592 million yen. As a result, ordinary income rose 33.9% year on year to 4,450 million yen and profit attributable to owners of parent increased 40.7% to 2,917 million yen.

(2) Description of consolidated financial position

Changes in consolidated financial position

As of June 30, 2017, total assets stood at 120,549 million yen, down 999 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 49,353 million yen, down 854 million yen from the end of the previous fiscal year. This mainly reflected an increase in notes and accounts receivable – trade of 402 million yen, versus a decrease in merchandise and finished goods of 1,563 million yen.

(ii) Non-current assets

Non-current assets totaled 71,195 million yen, down 145 million yen from the end of the previous fiscal year. This mainly reflected an increase of 745 million yen for investment securities, versus decreases of 499 million yen for machinery, equipment and vehicles, 246 million yen for buildings and structures, and 167 million yen for goodwill.

(iii) Liabilities

Liabilities totaled 35,340 million yen, down 2,525 million yen from the end of the previous fiscal year. This mainly reflected a decrease of 2,702 million yen for loans payable.

(iv) Net assets

Net assets totaled 85,209 million yen, up 1,526 million yen from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of 2,917 million yen and dividends of surplus of 1,735 million yen.

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

Consolidated business forecasts for fiscal 2017, announced on May 15, 2017, are unchanged.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheets

(Million yen)

	FY2016 (As of March 31, 2017)	First three months of FY2017 (As of June 30, 2017)
Assets		
Current assets		
Cash and deposits	19,072	20,952
Notes and accounts receivable-trade	8,447	8,850
Merchandise and finished goods	13,493	11,929
Work in process	1,891	1,632
Raw materials and supplies	4,111	4,318
Deferred tax assets	555	570
Other	2,671	1,134
Allowance for doubtful accounts	(36)	(36)
Total current assets	50,207	49,353
Non-current assets		
Property, plant and equipment		
Buildings and structures	36,976	36,628
Accumulated depreciation	(22,483)	(22,381)
Buildings and structures, net	14,493	14,247
Machinery, equipment and vehicles	76,484	76,649
Accumulated depreciation	(61,230)	(61,895)
Machinery, equipment and vehicles, net	15,253	14,754
Tools, furniture and fixtures	2,426	2,452
Accumulated depreciation	(2,035)	(2,064)
Tools, furniture and fixtures, net	391	388
Land	18,436	18,436
Lease assets	893	889
Accumulated depreciation	(310)	(330)
Lease assets, net	582	559
Construction in progress	97	156
Total property, plant and equipment	49,255	48,542
Intangible assets		
Goodwill	1,852	1,685
Other	761	726
Total intangible assets	2,614	2,411
Investments and other assets		
Investment securities	11,690	12,435
Long-term loans receivable	24	26
Net defined benefit assets	550	557
Deferred tax assets	690	688
Other	6,540	6,558
Allowance for doubtful accounts	(24)	(25)
Total investments and other assets	19,471	20,241
Total non-current assets	71,341	71,195
Total assets	121,549	120,549

(Million yen)

	FY2016 (As of March 31, 2017)	First three months of FY2017 (As of June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	5,114	4,898
Short-term loans payable	4,070	1,670
Current portion of long-term loans payable	1,213	1,167
Lease obligations	93	122
Accrued expenses	2,860	2,597
Income taxes payable	1,686	1,328
Provision for directors' bonuses	64	17
Other	2,586	3,541
Total current liabilities	17,689	15,343
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	2,604	2,347
Lease obligations	517	460
Deferred tax liabilities	1,757	1,867
Provision for directors' retirement benefits	223	232
Net defined benefit liability	3,182	3,223
Asset retirement obligations	408	409
Other	1,482	1,455
Total non-current liabilities	20,176	19,997
Total liabilities	37,866	35,340
Net assets		
Shareholders' equity		
Capital stock	7,083	7,083
Capital surplus	1,291	1,291
Retained earnings	70,123	71,305
Treasury shares	(2,905)	(2,905)
Total shareholders' equity	75,592	76,774
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	931	978
Deferred gains or losses on hedges	(1)	2
Foreign currency translation adjustment	59	86
Remeasurements of defined benefit plans	134	139
Total accumulated other comprehensive income	1,124	1,206
Non-controlling interests	6,965	7,227
Total net assets	83,682	85,209
Total liabilities and net assets	121,549	120,549

Summary of Consolidated Financial Results for the First Three Months Ended June 30, 2017

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

(Quarterly consolidated statements of income)

(Million yen)

	First three months of FY2016 (From April 1, 2016 to June 30, 2016)	First three months of FY2017 (From April 1, 2017 to June 30, 2017)
Net sales	25,860	26,709
Cost of sales	19,458	19,869
Gross profit	6,401	6,839
Selling, general and administrative expenses		
Distribution expenses	1,256	1,149
Provision for directors' bonuses	13	16
Retirement benefit expenses	60	49
Other	3,537	3,513
Total selling, general and administrative expenses	4,867	4,728
Operating income	1,534	2,111
Non-operating income		
Interest income	0	0
Dividend income	105	75
Royalty income	1,630	1,647
Share of profit of entities accounted for using equity method	103	592
Miscellaneous income	39	86
Total non-operating income	1,879	2,402
Non-operating expenses		
Interest expenses	25	20
Loss on retirement of non-current assets	11	11
Facilities removal expenses	8	18
Miscellaneous loss	44	13
Total non-operating expenses	90	63
Ordinary income	3,323	4,450
Extraordinary income		
Subsidy income	8	—
Gain on bargain purchase	—	24
Total extraordinary income	8	24
Extraordinary loss		
Impairment loss	50	—
Loss on reduction of non-current assets	1	0
Total extraordinary loss	51	0
Profit before income taxes	3,280	4,473
Income taxes — current	939	1,268
Income taxes — deferred	77	27
Total income taxes	1,017	1,296
Profit	2,262	3,177
Profit attributable to non-controlling interests	188	259
Profit attributable to owners of parent	2,073	2,917

Mitsui Sugar Co., Ltd. (2109)

Summary of Consolidated Financial Results for the First Three Months Ended June 30, 2017
(Quarterly consolidated statements of comprehensive income)

(Million yen)

	First three months of FY2016 (From April 1, 2016 to June 30, 2016)	First three months of FY2017 (From April 1, 2017 to June 30, 2017)
Profit	2,262	3,177
Other comprehensive income		
Valuation difference on available-for-sale securities	17	58
Deferred gains or losses on hedges	(5)	(2)
Remeasurements of defined benefit plans, net of tax	7	4
Share of other comprehensive income of entities accounted for using equity method	(224)	26
Total other comprehensive income	(204)	86
Comprehensive income	2,057	3,263
Comprehensive income attributable to:		
Owners of parent	1,873	3,000
Non-controlling interests	184	263

Summary of Consolidated Financial Results for the First Three Months Ended June 30, 2017

(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 three months of FY2016 (From April 1, 2016 to June 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	21,821	3,709	329	25,860	—	25,860
Intersegment net sales and transfer	8	36	10	54	(54)	—
Total	21,829	3,745	339	25,915	(54)	25,860
Segment profit	1,277	86	170	1,534	—	1,534

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

II. First three months of FY2017 (From April 1, 2017 to June 30, 2017)

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	21,315	4,913	480	26,709	—	26,709
Intersegment net sales and transfer	17	34	10	61	(61)	—
Total	21,332	4,947	490	26,770	(61)	26,709
Segment profit	1,580	310	219	2,111	—	2,111

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