



Summary of Consolidated Financial Results

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

October 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		
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Planned date for submission of quarterly report:	November 7, 2017		
Planned date to start dividend payment:	December 1, 2017		
Preparation of supplementary material for quarterly financial statements:	None		
Briefing session for quarterly financial statements:	None		

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

1. Consolidated Financial Results for the Six Months of the Year Ending March 31, 2018 (from April 1, 2017 to September 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 six months of FY2017	52,409	2.3	3,591	60.9	8,090	39.5	5,324	46.5
First six months of FY2016	51,232	3.8	2,231	(14.1)	5,800	(7.3)	3,633	4.5

(Note) Comprehensive income: Six months ended September 30, 2017: 5,871 million yen (74.8%)
Six months ended September 30, 2016: 3,359 million yen (-7.9%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
First six months of FY2017	199.38		—	
First six months of FY2016	136.07		—	

*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, 2017	125,536		87,816		64.1	3,011.97
As of March 31, 2017	121,549		83,682		63.1	2,872.96

(Reference) Equity capital: As of September 30, 2017: 80,428 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				
Year ended March 31, 2017	—	7.00	—	65.00	—
Year ending March 31, 2018	—	50.00	—	—	—
Year ending March 31, 2018 (forecast)	—	—	—	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
Full year	106,000	2.7	6,000	15.0	13,600	8.8	8,800	17.6	329.55

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

* 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 September 30, 2017	28,333,480 shares	As of March 31, 2017	28,333,480 shares
(ii) Number of treasury shares at period end	As of September 30, 2017	1,630,555 shares	As of March 31, 2017	1,630,251 shares
(iii) Average number of shares during period (from the beginning of fiscal year to period end)	Six months ended September 30, 2017	26,703,096 shares	Six months ended September 30, 2016	26,704,747 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 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.

* This Summary of Consolidated Financial Results 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 Six 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.

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

(1) Description of consolidated operating results

In the first six months of fiscal 2017 (April – September 2017), the Japanese economy recovered at a moderate pace, supported by an upturn in corporate earnings and improving employment and income conditions. Consumer spending was also firm. Overseas economies picked up amid a more promising outlook, but uncertainties remain, such as policy trends in the US and rising geopolitical risk related to the situation in North Korea and other developments.

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 six months of the fiscal year is as follows:

(Sugar Business)

In the overseas crude sugar market, prices started the period at the high-16 cents per pound level before falling sharply to the mid-12 cents level at end-June amid forecasts that global supply-demand conditions would ease. Sugar traded in a range of 13-15 cents thereafter, gradually weakening due to a favorable harvest in Brazil and other factors and ending the period 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, the Company worked to ensure stable operations by appropriately controlling manufacturing processes to suit the quality of crude sugar procured from different producing regions, but variable manufacturing costs increased slightly year on year due to higher fuel costs.

In sales activities, the Company reduced shipment prices from early July to pass on lower raw material procurement costs. However, weak shipments to beverage makers amid unfavorable summer weather and a drop in sales to volume retailers led to a decline in sales volume compared with the same period a year earlier.

At consolidated subsidiaries, Hokkaido Sugar Co., Ltd. reported lower profits year on year due to a drop in sales volume, but Showa Sugar Co., Ltd. performed well, reporting an increase in production volume and sales volume compared with the same period a year earlier.

As a result of the above, the Sugar Business reported overall net sales of 41,670 million yen and operating income of 2,623 million yen.

Sugar market status during period

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

Opening price: 195-196 yen, highest price: 195-196 yen, lowest price: 189-190 yen, closing price: 189-190 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: 13.54 cents

(Food Science Business)

Sales were slightly weak in the palatinose and palatinit category, but operating income increased year on year, partly 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 9,791 million yen and operating income was 527 million yen.

On July 31, 2017, the Company announced plans to transfer the production of food additives to subsidiary Taisho Technos Co., Ltd. Through close cooperation, the Company and Taisho Technos Co., Ltd. are making good progress on consolidating production.

(Real Estate Business)

The Real Estate Business reported net sales of 947 million yen and operating income of 439 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.

Operating income in all segments increased compared with the same period a year earlier. As a result of the above, in the first six months of the fiscal year, net sales increased 2.3% year on year to 52,409 million yen and operating income rose 60.9% to 3,591 million yen.

In non-operating income and expenses, the Group booked royalty income of 3,699 million yen and share of profit of entities accounted for using equity method of 791 million yen. As a result, ordinary income rose 39.5% year on year to 8,090 million yen and profit attributable to owners of parent increased 46.5% to 5,324 million yen.

(2) Description of consolidated financial position

Changes in consolidated financial position

As of September 30, 2017, total assets stood at 125,536 million yen, up 3,986 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 53,509 million yen, up 3,301 million yen from the end of the previous fiscal year. This mainly reflected increases in cash and deposits of 7,362 million yen and raw materials and supplies of 1,944 million yen, versus a decrease in merchandise and finished goods of 5,109 million yen.

(ii) Non-current assets

Non-current assets totaled 72,026 million yen, up 685 million yen from the end of the previous fiscal year. This mainly reflected increases of 461 million yen for construction in progress and 896 million yen for investment securities, versus decreases of 284 million yen for buildings and structures, 134 million yen for machinery, equipment and vehicles, and 322 million yen for goodwill.

(iii) Liabilities

Liabilities totaled 37,720 million yen, down 146 million yen from the end of the previous fiscal year. This mainly reflected increases of 1,218 million yen for notes and accounts payable – trade, 841 million yen for income taxes payable, and 2,240 million yen for other current liabilities such as accounts payable - other, versus a decrease of 4,476 million yen for loans payable.

(iv) Net assets

Net assets totaled 87,816 million yen, up 4,133 million yen from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of 5,324 million yen and dividends of surplus of 1,735 million yen.

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

In the first six months of the fiscal year, profits were higher than start-of-year forecasts due to weaker-than-expected prices in the overseas crude sugar market and strong earnings at consolidated subsidiaries Showa Sugar Co., Ltd. and NUTRI Co., Ltd. and at entities accounted for using the equity method. In the second half of the fiscal year, the crude sugar market typically becomes more unstable around the turn of the year, but in light of earnings performance in the first six months, the Company has revised up its consolidated business forecasts for the fiscal year ending March 31, 2018, announced on May 15, 2017.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheets

(Million yen)

	FY2016 (As of March 31, 2017)	First six months of FY2017 (As of September 30, 2017)
Assets		
Current assets		
Cash and deposits	19,072	26,435
Notes and accounts receivable-trade	8,447	9,741
Merchandise and finished goods	13,493	8,383
Work in process	1,891	1,393
Raw materials and supplies	4,111	6,055
Deferred tax assets	555	612
Other	2,671	922
Allowance for doubtful accounts	(36)	(36)
Total current assets	50,207	53,509
Non-current assets		
Property, plant and equipment		
Buildings and structures	36,976	36,765
Accumulated depreciation	(22,483)	(22,556)
Buildings and structures, net	14,493	14,209
Machinery, equipment and vehicles	76,484	76,547
Accumulated depreciation	(61,230)	(61,427)
Machinery, equipment and vehicles, net	15,253	15,119
Tools, furniture and fixtures	2,426	2,453
Accumulated depreciation	(2,035)	(2,046)
Tools, furniture and fixtures, net	391	406
Land	18,436	18,436
Lease assets	893	889
Accumulated depreciation	(310)	(353)
Lease assets, net	582	536
Construction in progress	97	559
Total property, plant and equipment	49,255	49,267
Intangible assets		
Goodwill	1,852	1,529
Other	761	685
Total intangible assets	2,614	2,215
Investments and other assets		
Investment securities	11,690	12,586
Long-term loans receivable	24	27
Net defined benefit assets	550	692
Deferred tax assets	690	658
Other	6,540	6,604
Allowance for doubtful accounts	(24)	(25)
Total investments and other assets	19,471	20,543
Total non-current assets	71,341	72,026
Total assets	121,549	125,536

(Million yen)

	FY2016 (As of March 31, 2017)	First six months of FY2017 (As of September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	5,114	6,332
Short-term loans payable	4,070	200
Current portion of long-term loans payable	1,213	1,106
Lease obligations	93	122
Accrued expenses	2,860	2,829
Income taxes payable	1,686	2,528
Provision for directors' bonuses	64	33
Other	2,586	4,827
Total current liabilities	17,689	17,980
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	2,604	2,105
Lease obligations	517	439
Deferred tax liabilities	1,757	1,937
Provision for directors' retirement benefits	223	241
Net defined benefit liability	3,182	3,194
Asset retirement obligations	408	395
Other	1,482	1,427
Total non-current liabilities	20,176	19,739
Total liabilities	37,866	37,720
Net assets		
Shareholders' equity		
Capital stock	7,083	7,083
Capital surplus	1,291	1,291
Retained earnings	70,123	73,711
Treasury shares	(2,905)	(2,906)
Total shareholders' equity	75,592	79,180
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	931	947
Deferred gains or losses on hedges	(1)	7
Foreign currency translation adjustment	59	127
Remeasurements of defined benefit plans	134	165
Total accumulated other comprehensive income	1,124	1,248
Non-controlling interests	6,965	7,387
Total net assets	83,682	87,816
Total liabilities and net assets	121,549	125,536

Summary of Consolidated Financial Results for the First Six Months for the Year Ending March 31, 2018

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

(Quarterly consolidated statements of income)

(Million yen)

	First six months of FY2016 (From April 1, 2016 to September 30, 2016)	First six months of FY2017 (From April 1, 2017 to September 30, 2017)
Net sales	51,232	52,409
Cost of sales	39,209	39,449
Gross profit	12,022	12,960
Selling, general and administrative expenses		
Distribution expenses	2,491	2,261
Provision for directors' bonuses	26	33
Retirement benefit expenses	119	96
Other	7,153	6,978
Total selling, general and administrative expenses	9,791	9,369
Operating income	2,231	3,591
Non-operating income		
Interest income	1	1
Dividend income	132	98
Royalty income	3,560	3,699
Share of profit of entities accounted for using equity method	64	791
Miscellaneous income	141	120
Total non-operating income	3,899	4,710
Non-operating expenses		
Interest expenses	46	37
Loss on retirement of non-current assets	44	38
Facilities removal expenses	72	103
Miscellaneous loss	167	32
Total non-operating expenses	331	211
Ordinary income	5,800	8,090
Extraordinary income		
Gain on sales of investment securities	—	73
Subsidy income	8	—
Gain on bargain purchase	—	24
Total extraordinary income	8	97
Extraordinary loss		
Impairment loss	50	—
Loss on reduction of non-current assets	1	1
Total extraordinary loss	51	1
Profit before income taxes	5,756	8,186
Income taxes — current	1,744	2,397
Income taxes — deferred	54	64
Total income taxes	1,799	2,462
Profit	3,957	5,723
Profit attributable to non-controlling interests	323	399
Profit attributable to owners of parent	3,633	5,324

Mitsui Sugar Co., Ltd. (2109)

Summary of Consolidated Financial Results for the First Six Months for the Year Ending March 31, 2018
(Quarterly consolidated statements of comprehensive income)

(Million yen)

	First six months of FY2016 (From April 1, 2016 to September 30, 2016)	First six months of FY2017 (From April 1, 2017 to September 30, 2017)
Profit	3,957	5,723
Other comprehensive income		
Valuation difference on available-for-sale securities	23	17
Deferred gains or losses on hedges	(0)	15
Remeasurements of defined benefit plans, net of tax	(12)	44
Share of other comprehensive income of entities accounted for using equity method	(608)	69
Total other comprehensive income	(598)	147
Comprehensive income	3,359	5,871
Comprehensive income attributable to:		
Owners of parent	3,056	5,447
Non-controlling interests	302	423

Summary of Consolidated Financial Results for the First Six Months for the Year Ending March 31, 2018

(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 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.

II. First six months of FY2017 (From April 1, 2017 to September 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	41,670	9,791	947	52,409	—	52,409
Intersegment net sales and transfer	33	60	20	113	(113)	—
Total	41,703	9,851	968	52,523	(113)	52,409
Segment profit	2,623	527	439	3,591	—	3,591

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