



Summary of Consolidated Financial Results

For the Six Months of the Year Ending March 31, 2024 (Based on Japanese GAAP)

October 31, 2023

Company name: Mitsui DM Sugar Holdings Co., Ltd. Stock exchange listings: Tokyo
 Stock code: 2109 <https://www.msdm-hd.com/>
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Planned date for submission of quarterly report: November 6, 2023
 Planned date to start dividend payment: December 1, 2023
 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, 2024 (from April 1, 2023 to September 30, 2023)
 (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 FY2023	84,217	6.7	1,245	9.5	6,187	336.9	6,066	—
First six months of FY2022	78,961	9.4	1,137	(52.5)	1,416	(41.5)	469	(81.0)

(Note) Comprehensive income: Six months ended September 30, 2023: 7,168 million yen (185.4%)
 Six months ended September 30, 2022: 2,512 million yen (-20.1%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
First six months of FY2023	187.99		—	
First six months of FY2022	14.54		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2023	195,596	116,901	56.9	3,450.11
As of March 31, 2023	196,123	112,578	54.6	3,321.09

(Reference) Equity capital: As of September 30, 2023: 111,339 million yen As of March 31, 2023: 107,176 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, 2023	—	30.00	—	90.00	120.00
Year ending March 31, 2024	—	60.00			
Year ending March 31, 2024 (forecast)			—	60.00	120.00

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

3. Consolidated Business Forecasts for the Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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	173,300	6.1	5,000	354.5	10,000	(47.5)	7,500	(5.2)	232.40

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

* Notes

(1) Significant changes in subsidiaries during the period

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

(2) 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, 2023	32,639,780 shares	As of March 31, 2023	32,639,780 shares
(ii) Number of treasury shares at period end	As of September 30, 2023	368,575 shares	As of March 31, 2023	368,384 shares
(iii) Average number of shares during period (from the beginning of fiscal year to period end)	Six months ended September 30, 2023	32,271,333 shares	Six months ended September 30, 2022	32,270,353 shares

Note: The Company has introduced a trust-based stock compensation scheme for directors. The number of treasury shares at period end includes treasury shares held by the trust (152,400 shares as of September 30, 2022; 152,400 shares as of September 30, 2023). In addition, the average number of shares during period is calculated excluding treasury shares, which include those held by the trust (153,702 shares in the six months ended September 30, 2022; 152,400 shares in the six months ended September 30, 2023).

* The quarterly kessan tanshin document is outside the scope of audit procedures conducted by certified public accountants and the independent auditor.

* 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, 2024, (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, 2024

(1) Description of consolidated operating results

In the first six months of fiscal 2023 (April – September 2023), the Japanese economy showed signs of a moderate recovery, supported by increases in consumer spending and inbound demand. However, consumer prices remained high, mainly due to soaring raw material prices and the yen's depreciation amid instability overseas, stemming from concerns about geopolitical risks. Meanwhile, concerns about the impact of tighter monetary policy in the US and other factors are contributing to an uncertain outlook. Against this backdrop, the Mitsui DM Sugar Holdings Group ("the Group") continued to work towards the goals of its medium-term management plan, "2026 Diversify into Nutrition & Health." Based on the plan's growth strategy for the Group – "Transform the Group's business model" and "Reallocate management resources" – the Group is working to optimize its businesses by implementing measures across five areas: (1) reinforce the domestic Sugar Business, (2) grow overseas operations, (3) expand the Life Energy Business, (4) consolidate and strengthen the Group's R&D capabilities, and (5) contribute to the creation of a sustainable society.

(Sugar Business)

In the overseas crude sugar market, the sugar price started the fiscal year in the low-22 cent per pound range before surging to the mid-27 cent level in late April, the highest price in roughly 11 and a half years, amid forecasts of a large drop in production in Brazil, the world's largest producer of sugarcane, due to poor weather conditions. The sugar price started to fall back from mid-June as concerns eased on recovering supply volumes in Brazil, but in late August the price rose again amid reports that India, the world's second largest producer of sugarcane, was planning an export ban for the next fiscal year due to a drought. As result, the sugar price ended the first half of the fiscal year at the low-26 cent per pound level. In the domestic market, the refined sugar price started the period at 227-229 yen per kg before rising to 239-241 yen on persistently high crude sugar prices overseas and the weak yen.

Despite weakening consumer sentiment caused by a rush of food product price hikes related to surging raw material prices, domestic refined sugar sales were steady year on year, supported by a recovery in inbound demand and higher consumption of beverages amid record summer temperatures. However, profits remained under significant pressure from higher raw material costs, marine freight rates, and packaging and logistics expenses, forcing the Company to raise shipment prices by 12 yen per kg in July and by 10 yen per kg in October.

In domestic sales of crude sugar, sales volume fell at a consolidated subsidiary in Hokkaido and production declined at a consolidated subsidiary in Okinawa due to poor weather conditions. Along with an increase in repair costs, these factors led to a deterioration in the cost ratio, impacting profitability.

Overseas, profits declined in Singapore, mainly due to a deterioration in the cost ratio amid a drop in sales volume.

As a result, the Sugar Business reported net sales of 70,130 million yen (up 4.0% year on year) and operating income of 817 million yen (up 41.0% year on year).

Sugar market status during period

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

Opening price: 22.35 cents, highest price: 27.62 cents, lowest price: 21.81 cents, closing price: 26.27 cents

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

Opening price: 227-229 yen, closing price: 239-241 yen

(Life Energy Business)

Overseas sales of palatinose increased, while demand for palatinit for candy applications remained strong. Sales of sugar cane extract remained strong for food applications in the domestic market. In addition, higher profits from sales of nutritional foods and products, which were acquired from Terumo Corporation in the previous fiscal year, contributed to earnings, but weaker sales of gelatinizing agents and a drop in orders in the bio business impacted profits.

In the second quarter of the fiscal year, consolidated subsidiary Mitsui DM Sugar Co., Ltd. acquired shares in Muscle Deli Co., Ltd., which operates a lifestyle support business and home-delivery meal box business, making it a consolidated subsidiary. The aim of the acquisition is to reinforce the value chain in the Life & Energy Business by combining the Group's food materials and R&D capabilities with Muscle Deli's speed and marketing capabilities as a startup company.

As a result, the Life Energy Business reported net sales of 12,878 million yen (up 25.4% year on year) and operating income of 17 million yen (down 88.9% year on year).

(Real Estate Business)

The Real Estate Business reported broadly flat net sales of 1,208 million yen (down 2.4% year on year) and operating income of 410 million yen (up 3.4% year on year), supported by steady occupancy in the redeveloped area at the former Okayama and Nagata plant sites.

As a result, in the first six months of the fiscal year, the Group recorded net sales of 84,217 million yen (up 6.7% year on year) and operating income of 1,245 million yen (up 9.5% year on year).

In non-operating income and expenses, consolidated subsidiary Mitsui DM Sugar Co., Ltd. recorded dividend income of 4,457 million yen from domestic investees. The Group also booked royalty income of 604 million yen based on a development and marketing rights agreement for fingolimod (FTY720). In share of profit of entities accounted for using equity method, profitability deteriorated mainly at affiliates in Thailand, due to lower sales volumes. However, the Company recorded ordinary income of 6,187 million yen (up 336.9% year on year) and profit attributable to owners of parent of 6,066 million yen (up 1,193.2% year on year).

(2) Description of consolidated financial position

Changes in consolidated financial position

As of September 30, 2023, total assets stood at 195,596 million yen, down 527 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 88,478 million yen, down 399 million yen from the end of the previous fiscal year. This mainly reflected increases of 3,072 million yen for cash and deposits, 3,289 million yen for raw materials and supplies, and 2,246 million yen for other current assets, versus a decline of 9,983 million yen for merchandise and finished goods.

(ii) Non-current assets

Non-current assets totaled 107,117 million yen, down 128 million yen from the end of the previous fiscal year. The main items were an increase of 1,788 million yen for construction in progress, versus decreases of 963 million yen for machinery, equipment and vehicles, 356 million yen for deferred tax assets, and 531 million yen for investments and other assets – other.

(iii) Liabilities

Liabilities totaled 78,694 million yen, down 4,851 million yen from the end of the previous fiscal year. This mainly reflected a decrease of 4,833 million yen for short-term loans payable.

(iv) Net assets

Net assets totaled 116,901 million yen, up 4,323 million yen from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of 6,066 million yen, versus dividends from surplus of 2,918 million yen.

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

The Group's consolidated business forecasts for the fiscal year ending March 31, 2024 are unchanged from the forecasts released on May 15, 2023. The Company will make timely disclosures in the event of developments that require revisions to its consolidated business forecasts.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheets

(Million yen)

	FY2022 (As of March 31, 2023)	First six months of FY2023 (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	28,002	31,074
Notes receivable - trade	658	800
Accounts receivable - trade	13,928	14,771
Merchandise and finished goods	26,005	16,022
Work in process	2,572	2,562
Raw materials and supplies	11,955	15,245
Other	5,759	8,005
Allowance for doubtful accounts	(4)	(4)
Total current assets	88,877	88,478
Non-current assets		
Property, plant and equipment		
Buildings and structures	51,692	50,987
Accumulated depreciation	(33,071)	(32,056)
Buildings and structures, net	18,620	18,931
Machinery, equipment and vehicles	107,474	101,247
Accumulated depreciation	(92,588)	(87,324)
Machinery, equipment and vehicles, net	14,886	13,923
Tools, furniture and fixtures	4,042	4,109
Accumulated depreciation	(3,130)	(3,186)
Tools, furniture and fixtures, net	911	923
Land	28,120	28,107
Lease assets	2,631	2,337
Accumulated depreciation	(1,823)	(1,649)
Lease assets, net	807	687
Construction in progress	501	2,289
Total property, plant and equipment	63,848	64,863
Intangible assets		
Goodwill	5,226	5,187
Other	4,289	4,263
Total intangible assets	9,515	9,450
Investments and other assets		
Investment securities	16,022	15,788
Investments in capital of subsidiaries and associates	3,041	3,282
Long-term loans receivable	19	18
Net defined benefit asset	1,415	1,219
Deferred tax assets	2,079	1,722
Other	11,349	10,818
Allowance for doubtful accounts	(46)	(45)
Total investments and other assets	33,882	32,804
Total non-current assets	107,246	107,117
Total assets	196,123	195,596

(Million yen)

	FY2022 (As of March 31, 2023)	First six months of FY2023 (As of September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,320	15,247
Short-term loans payable	9,017	4,183
Current portion of long-term loans payable	2,070	1,790
Lease obligations	357	280
Accrued expenses	4,364	4,797
Income taxes payable	320	516
Provision for directors' bonuses	125	49
Asset retirement obligations	415	276
Other	6,213	6,978
Total current liabilities	38,205	34,122
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	16,060	15,371
Lease obligations	494	448
Deferred tax liabilities	3,361	3,470
Provision for retirement benefits for directors	103	89
Provision for share awards for directors	35	44
Net defined benefit liability	3,589	3,469
Asset retirement obligations	329	329
Other	1,365	1,348
Total non-current liabilities	45,340	44,571
Total liabilities	83,545	78,694
Net assets		
Shareholders' equity		
Capital stock	7,083	7,083
Capital surplus	8,540	8,583
Retained earnings	89,136	92,285
Treasury shares	(724)	(724)
Total shareholders' equity	104,036	107,227
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	846	918
Deferred gains or losses on hedges	53	116
Foreign currency translation adjustment	2,025	2,938
Remeasurements of defined benefit plans	213	138
Total accumulated other comprehensive income	3,139	4,111
Non-controlling interests	5,402	5,562
Total net assets	112,578	116,901
Total liabilities and net assets	196,123	195,596

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

(Million yen)

	First six months of FY2022 (From April 1, 2022 to September 30, 2022)	First six months of FY2023 (From April 1, 2023 to September 30, 2023)
Net sales	78,961	84,217
Cost of sales	65,755	70,342
Gross profit	13,205	13,874
Selling, general and administrative expenses		
Distribution expenses	3,597	3,573
Salaries and bonuses	2,911	2,852
Provision for directors' bonuses	43	41
Retirement benefit expenses	106	97
Share-based payment expenses	9	8
Other	5,398	6,054
Total selling, general and administrative expenses	12,067	12,629
Operating income	1,137	1,245
Non-operating income		
Interest income	1	2
Dividend income	91	4,587
Royalty income	213	605
Share of profit of entities accounted for using equity method	15	–
Miscellaneous income	175	180
Total non-operating income	498	5,375
Non-operating expenses		
Interest expenses	80	158
Loss on retirement of non-current assets	6	14
Facilities removal expenses	67	67
Share of loss of entities accounted for using equity method	–	121
Miscellaneous loss	66	71
Total non-operating expenses	220	434
Ordinary income	1,416	6,187
Extraordinary income		
Gain on sale of investment securities	227	912
Gain on disposal of non-current assets	1	–
Subsidy income	412	25
Total extraordinary income	641	937
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	392	20
Impairment losses	472	–
Total extraordinary losses	864	20
Profit before income taxes	1,192	7,104
Income taxes—current	1,028	671
Income taxes—deferred	(347)	413
Total income taxes	681	1,085
Profit	511	6,018
Profit (loss) attributable to non-controlling interests	42	(47)
Profit attributable to owners of parent	469	6,066

Summary of Consolidated Financial Results for the First Six Months Ended September 30, 2023

(Quarterly consolidated statements of comprehensive income)

(Million yen)

	First six months of FY2022 (From April 1, 2022 to September 30, 2022)	First six months of FY2023 (From April 1, 2023 to September 30, 2023)
Profit	511	6,018
Other comprehensive income		
Valuation difference on available-for-sale securities	(10)	74
Deferred gains or losses on hedges	(25)	134
Foreign currency translation adjustment	1,690	847
Remeasurements of defined benefit plans	(40)	(76)
Share of other comprehensive income of entities accounted for using equity method	386	170
Total other comprehensive income	2,000	1,149
Comprehensive income	2,512	7,168
Comprehensive income attributable to:		
Owners of parent	2,169	7,038
Non-controlling interests	342	130

(3) Notes on quarterly consolidated financial statements

(Notes on assumptions of a going concern)

None.

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

None.

(Additional information)

(Earnings-linked stock compensation scheme for directors)

In accordance with a resolution approved by the Board of Directors on May 20, 2021, the Company has introduced a stock compensation scheme for directors (excluding directors who are members of the audit & supervisory committee and outside directors) to increase the motivation of these directors to improve the Group's medium- to long-term earnings performance and increase corporate value.

1. Overview of transactions

Funds are entrusted to a trust set up by the Company ("the trust"), which is used to purchase common shares in the Company ("the Company's shares"). Through the trust, directors receive the Company's shares as compensation in exchange for points granted to them in accordance with stock distribution regulations established by the Company's Board of Directors. In principle, directors receive the shares on retirement from their positions.

2. Company's shares retained by the trust

The Company's shares retained by the trust are included in net assets as treasury shares at book value (excluding associated expenses). As of March 31, 2023, there were 152,400 shares held by the trust with a book value of 296 million yen. As of September 30, 2023, there were 152,400 shares held by the trust with a book value of 296 million yen.

(Segment information, etc.)

Segment information

I. First six months of FY2022 (From April 1, 2022 to September 30, 2022)

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

(Million yen)

	Reportable segment				Adjustments	Amount recorded in quarterly consolidated statements of income
	Sugar Business	Life Energy Business	Real Estate Business	Total		
Net sales						
Revenue from contracts with customers	67,449	10,273	—	77,723	—	77,723
Other revenue	—	—	1,237	1,237	—	1,237
Net sales to third-party customers	67,449	10,273	1,237	78,961	—	78,961
Intersegment net sales and transfer	46	70	278	395	(395)	—
Total	67,496	10,344	1,516	79,357	(395)	78,961
Segment profit	579	161	396	1,137	—	1,137

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

2. Information related to non-current asset impairment losses and goodwill etc. in each reportable segment

(Material impairment losses related to non-current assets)

In the Sugar Business reportable segment, the Company recognized impairment losses on non-current assets at consolidated subsidiary Hokkaido Sugar Co., Ltd., reflecting unrecoverable investments in assets to be idled at its Honbetsu Sugar Refinery. This impairment loss amount in the first six months of the fiscal year is 472 million yen.

II. First six months of FY2023 (From April 1, 2023 to September 30, 2023)

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

(Million yen)

	Reportable segment				Adjustments	Amount recorded in quarterly consolidated statements of income
	Sugar Business	Life Energy Business	Real Estate Business	Total		
Net sales						
Revenue from contracts with customers	70,130	12,878	—	83,008	—	83,008
Other revenue	—	—	1,208	1,208	—	1,208
Net sales to third-party customers	70,130	12,878	1,208	84,217	—	84,217
Intersegment net sales and transfer	58	77	393	529	(529)	—
Total	70,189	12,955	1,601	84,746	(529)	84,217
Segment profit	817	17	410	1,245	—	1,245

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

(Revenue recognition-related items)

Information on the breakdown of revenue generated from contracts with customers is shown in “Notes (Segment information, etc.)”

(Important subsequent events)

None.