



Summary of Consolidated Financial Results

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

January 31, 2024

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: February 7, 2024
 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 Nine Months of the Year Ending March 31, 2024 (from April 1, 2023 to December 31, 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 nine months of FY2023	129,398	4.6	2,430	95.4	7,369	704.5	6,502	—
First nine months of FY2022	123,763	10.2	1,243	(67.0)	916	(74.9)	(269)	—

(Note) Comprehensive income: Nine months ended December 31, 2023: 7,910 million yen (222.9%)
 Nine months ended December 31, 2022: 2,450 million yen (-35.4%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
First nine months of FY2023	201.50		—	
First nine months of FY2022	(8.36)		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	196,431	115,698	56.1	3,415.05
As of March 31, 2023	196,123	112,578	54.6	3,321.09

(Reference) Equity capital: As of December 31, 2023: 110,207 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 December 31, 2023	32,639,780 shares	As of March 31, 2023	32,639,780 shares
(ii) Number of treasury shares at period end	As of December 31, 2023	368,582 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)	Nine months ended December 31, 2023	32,271,288 shares	Nine months ended December 31, 2022	32,270,743 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 December 31, 2022; 152,400 shares as of December 31, 2023). In addition, the average number of shares during period is calculated excluding treasury shares, which include those held by the trust (153,266 shares in the nine months ended December 31, 2022; 152,400 shares in the nine months ended December 31, 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 Nine 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 Nine Months of the Year Ending March 31, 2024

(1) Description of consolidated operating results

In the first nine months of fiscal 2023 (April – December 2023), the Japanese economy showed signs of recovery, supported by a pickup in inbound demand, among other factors. However, amid instability overseas stemming from concerns about geopolitical risk, consumer prices remained high, mainly due to soaring raw material prices and the yen's depreciation, leading to continued concerns about the outlook for the economy. 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 rising rapidly to the mid-27 cent level in late April amid forecasts of a large decline in production in Brazil, the world’s largest producer of sugarcane, due to poor weather conditions. While the price turned down at one point as a recovery in Brazilian supply eased concerns, prospects of a sugar export ban in the next fiscal year in India, a leading sugarcane producer affected by drought, and reports of cuts to production in Thailand, pushed the price up again in late August, when it reached the 28 cent level. However, a large upward revision to Brazilian sugar production in late November triggered a steep drop in the crude sugar price to the 20 cent level, before ending the period in the mid-20 cent range. In the domestic market, the refined sugar price started the fiscal year at 227-229 yen per kg before rising to 239-241 yen on high crude sugar prices overseas and the weak yen.

Despite weakening consumer sentiment caused by a rush of food product price hikes, domestic refined sugar sales increased year on year, supported by a recovery in inbound demand and sustained consumption of summer products such as beverages and frozen desserts amid record summer temperatures and warm autumn weather. However, with profits under significant pressure from higher raw material costs, marine freight rates, and packaging and logistics expenses, the Company raised shipment prices by 12 yen per kg in July and by 10 yen per kg in October.

In domestic sales of crude sugar, profits rose at a consolidated subsidiary in Hokkaido, but production declined at a consolidated subsidiary in Okinawa due to poor weather conditions. Along with an increase in repair costs, this led to a deterioration in the cost ratio, impacting profitability.

Overseas, profits declined at the Group’s consolidated subsidiary 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 107,230 million yen (up 1.7% year on year) and operating income of 1,260 million yen (up 196.5% 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: 28.14 cents, lowest price: 20.03 cents, closing price: 20.58 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 sugarcane extract remained firm for food applications in the domestic market and rose year on year for environmental deodorant applications. Higher profits from sales of nutritional foods and products, which were acquired from Terumo Corporation in the previous fiscal year, also supported earnings. In the second quarter of the fiscal year, 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. Muscle Deli changed its name to YOUR MEAL Co., Ltd. on December 18, 2023.

As a result, the Life Energy Business reported net sales of 20,374 million yen (up 23.5% year on year) and operating income of 510 million yen (up 14.0% year on year).

(Real Estate Business)

The Real Estate Business reported net sales of 1,793 million yen (down 2.1% year on year) and operating income of 660 million yen (up 78.0% year on year), supported by steady occupancy of leased real estate assets, including in the redeveloped Okayama and Nagata areas.

As a result, in the first nine months of the fiscal year, the Group recorded net sales of 129,398 million yen (up 4.6% year on year) and operating income of 2,430 million yen (up 95.4% year on year).

In non-operating income and expenses, Mitsui DM Sugar Co., Ltd. recorded dividend income of 4,457 million yen from domestic investees and royalty income of 971 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 improved mainly at affiliates in Thailand. As a result, the Company recorded ordinary income of 7,369 million yen (up 704.5% year on year) and profit attributable to owners of parent of 6,502 million yen (compared with a loss of 269 million yen in the same period of the previous fiscal year).

(2) Description of consolidated financial position

Changes in consolidated financial position

As of December 31, 2023, total assets stood at 196,431 million yen, up 307 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 88,951 million yen, up 74 million yen from the end of the previous fiscal year. This mainly reflected increases of 3,321 million yen for accounts receivable – trade, 2,124 million yen for raw materials and supplies, 1,141 million yen for other current assets, and 123 million yen for notes receivable - trade, versus declines of 4,478 million yen for cash and deposits and 2,113 million yen for merchandise and finished goods.

(ii) Non-current assets

Non-current assets totaled 107,479 million yen, up 232 million yen from the end of the previous fiscal year. The main items were increases of 1,840 million yen for construction in progress and 276 million yen for investments in capital of subsidiaries and associates, versus decreases of 725 million yen for investments and other assets – other, 666 million yen for investment securities, and 527 million yen for deferred tax assets.

(iii) Liabilities

Liabilities totaled 80,732 million yen, down 2,812 million yen from the end of the previous fiscal year. This mainly reflected decreases of 1,468 million yen for notes and accounts payable – trade and 1,332 million yen for short-term loans payable.

(iv) Net assets

Net assets totaled 115,698 million yen, up 3,119 million yen from the end of the previous fiscal year. This was mainly due to profit attributable to owners of parent of 6,502 million yen, an increase in foreign currency translation adjustment of 1,289 million yen, and dividends from surplus of 4,863 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 nine months of FY2023 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	28,002	23,523
Notes receivable - trade	658	782
Accounts receivable - trade	13,928	17,250
Merchandise and finished goods	26,005	23,892
Work in process	2,572	2,527
Raw materials and supplies	11,955	14,080
Other	5,759	6,900
Allowance for doubtful accounts	(4)	(4)
Total current assets	88,877	88,951
Non-current assets		
Property, plant and equipment		
Buildings and structures	51,692	50,306
Accumulated depreciation	(33,071)	(31,527)
Buildings and structures, net	18,620	18,778
Machinery, equipment and vehicles	107,474	100,733
Accumulated depreciation	(92,588)	(85,951)
Machinery, equipment and vehicles, net	14,886	14,782
Tools, furniture and fixtures	4,042	4,136
Accumulated depreciation	(3,130)	(3,242)
Tools, furniture and fixtures, net	911	894
Land	28,120	28,107
Lease assets	2,631	2,774
Accumulated depreciation	(1,823)	(1,678)
Lease assets, net	807	1,095
Construction in progress	501	2,342
Total property, plant and equipment	63,848	66,001
Intangible assets		
Goodwill	5,226	5,119
Other	4,289	4,304
Total intangible assets	9,515	9,424
Investments and other assets		
Investment securities	16,022	15,355
Investments in capital of subsidiaries and associates	3,041	3,318
Long-term loans receivable	19	17
Net defined benefit asset	1,415	1,229
Deferred tax assets	2,079	1,552
Other	11,349	10,624
Allowance for doubtful accounts	(46)	(44)
Total investments and other assets	33,882	32,053
Total non-current assets	107,246	107,479
Total assets	196,123	196,431

(Million yen)

	FY2022 (As of March 31, 2023)	First nine months of FY2023 (As of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,320	13,852
Short-term loans payable	9,017	7,684
Current portion of long-term loans payable	2,070	1,568
Lease obligations	357	318
Accrued expenses	4,364	4,265
Income taxes payable	320	329
Provision for directors' bonuses	125	78
Asset retirement obligations	415	276
Other	6,213	7,479
Total current liabilities	38,205	35,853
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	16,060	15,071
Lease obligations	494	809
Deferred tax liabilities	3,361	3,594
Provision for retirement benefits for directors	103	95
Provision for share awards for directors	35	48
Net defined benefit liability	3,589	3,495
Asset retirement obligations	329	328
Other	1,365	1,436
Total non-current liabilities	45,340	44,879
Total liabilities	83,545	80,732
Net assets		
Shareholders' equity		
Capital stock	7,083	7,083
Capital surplus	8,540	8,583
Retained earnings	89,136	90,776
Treasury shares	(724)	(724)
Total shareholders' equity	104,036	105,717
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	846	869
Deferred gains or losses on hedges	53	179
Foreign currency translation adjustment	2,025	3,314
Remeasurements of defined benefit plans	213	126
Total accumulated other comprehensive income	3,139	4,489
Non-controlling interests	5,402	5,491
Total net assets	112,578	115,698
Total liabilities and net assets	196,123	196,431

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

(Million yen)

	First nine months of FY2022 (From April 1, 2022 to December 31, 2022)	First nine months of FY2023 (From April 1, 2023 to December 31, 2023)
Net sales	123,763	129,398
Cost of sales	103,824	107,740
Gross profit	19,939	21,658
Selling, general and administrative expenses		
Distribution expenses	5,604	5,566
Salaries and bonuses	4,318	4,294
Provision for directors' bonuses	48	63
Retirement benefit expenses	158	154
Share-based payment expenses	10	12
Other	8,554	9,135
Total selling, general and administrative expenses	18,695	19,227
Operating income	1,243	2,430
Non-operating income		
Interest income	2	3
Dividend income	104	4,601
Royalty income	321	973
Miscellaneous income	271	256
Total non-operating income	700	5,835
Non-operating expenses		
Interest expenses	134	233
Bond issuance costs	43	-
Loss on retirement of non-current assets	9	25
Facilities removal expenses	82	69
Share of loss of entities accounted for using equity method	629	443
Miscellaneous loss	129	123
Total non-operating expenses	1,028	896
Ordinary income	916	7,369
Extraordinary income		
Gain on sale of investment securities	271	948
Gain on disposal of non-current assets	353	-
Subsidy income	412	26
Penalty income	46	-
Total extraordinary income	1,084	975
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	392	21
Impairment losses	472	-
Total extraordinary losses	864	21
Profit before income taxes	1,135	8,323
Income taxes—current	1,331	1,302
Income taxes—deferred	178	714
Total income taxes	1,509	2,017
Profit (loss)	(374)	6,305
Loss attributable to non-controlling interests	(104)	(196)
Profit (loss) attributable to owners of parent	(269)	6,502

(Quarterly consolidated statements of comprehensive income)

(Million yen)

	First nine months of FY2022 (From April 1, 2022 to December 31, 2022)	First nine months of FY2023 (From April 1, 2023 to December 31, 2023)
Profit (loss)	(374)	6,305
Other comprehensive income		
Valuation difference on available-for-sale securities	41	18
Deferred gains or losses on hedges	(79)	184
Foreign currency translation adjustment	2,314	1,134
Remeasurements of defined benefit plans	(60)	(88)
Share of other comprehensive income of entities accounted for using equity method	607	356
Total other comprehensive income	2,824	1,605
Comprehensive income	2,450	7,910
Comprehensive income attributable to:		
Owners of parent	2,144	7,852
Non-controlling interests	305	58

(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 December 31, 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 nine months of FY2022 (From April 1, 2022 to December 31, 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	105,428	16,503	—	121,931	—	121,931
Other revenue	—	—	1,832	1,832	—	1,832
Net sales to third-party customers	105,428	16,503	1,832	123,763	—	123,763
Intersegment net sales and transfer	54	112	418	585	(585)	—
Total	105,482	16,615	2,250	124,348	(585)	123,763
Segment profit	425	447	371	1,243	—	1,243

(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 nine months of the fiscal year is 472 million yen.

(Material changes in goodwill amounts)

The acquisition of assets related to nutritional foods and products from Terumo Corporation has resulted in a material change to the goodwill amount. In the first nine months of the fiscal year, goodwill in the Life Energy Business increased 1,836 million yen.

This amount of goodwill in the Life Energy Business reportable segment is a tentative figure based on currently available information and reasonable assumptions, as the allocation of acquisition costs for the assets has not been completed.

II. First nine months of FY2023 (From April 1, 2023 to December 31, 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	107,230	20,374	—	127,605	—	127,605
Other revenue	—	—	1,793	1,793	—	1,793
Net sales to third-party customers	107,230	20,374	1,793	129,398	—	129,398
Intersegment net sales and transfer	71	113	604	789	(789)	—
Total	107,301	20,488	2,398	130,188	(789)	129,398
Segment profit	1,260	510	660	2,430	—	2,430

(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.