

WELLNEO SUGAR Co., Ltd.

Medium-term Management Plan and Financial Results Briefing

May 30, 2024 | Securities Code 2117

2024

Agenda

Opening Remarks

01 Financial Results for FY3/24 and Forecast for FY3/25

- (1) FY3/24 Financial results
- (2) FY3/25 Financial forecasts

02 Medium-term Management Plan WELLNEO Vision 2027

- (1) Management Philosophy
- (2) Medium-term management plan WELLNEO Vision 2027
- (3) Priority strategy (i): Expansion of Food & Wellness
- (4) Priority strategy (ii): Strengthen Sugar's foundation
- (5) Priority strategy (iii): Promotion of human capital management
- (6) Priority strategy (iv): Promotion of sustainability management

03 Financial Strategy

- (1) Management with an awareness of cost of capital and stock price
- (2) Cash allocation
- (3) Shareholder returns

01

Financial Results for FY3/24 and Forecast for FY3/25

(1) FY3/24 Financial results -Summary-

- ITOCHU Sugar Group contributed to the full-year results for FY3/24
- In the Sugar Business, cost increases were increasingly reflected in selling prices

	FY3/24	FY3/23	Increase / decrease		FY3/24 Publication forecast	Publicly announced forecast increase / decrease	
			Amount	Change		Amount	Change
(Unit: million yen)							
Revenue	92,192	58,347	33,844	58.0%	90,000	2,192	2.4%
■ Sugar and Other Foodstuffs Business	87,953	53,941	34,012	63.1%	85,600	2,353	2.7%
■ Health Industry Business	2,601	2,614	-13	-0.5%	2,700	-98	-3.7%
■ Warehousing Business	1,637	1,791	-153	-8.6%	1,700	-62	-3.6%
Operating profit	5,802	1,606	4,196	261.2%	5,100	702	13.8
■ Sugar and Other Foodstuffs Business	6,015	1,680	4,335	258.1%	5,130	885	17.3%
■ Health Industry Business	128	-204	332	-	310	-181	-58.4%
■ Warehousing Business	244	333	-88	-26.7%	230	14	6.3%
■ Corporate expenses	-586	-203	-383	-	-570	-16	-
Profit before tax	7,627	1,804	5,823	322.8%	6,800	827	12.2%
Profit	5,524	1,062	4,461	420.0%	5,000	524	10.5%
profit attributable to owners of parent	5,524	1,062	4,461	420.0%	5,000	524	10.5%

*Profit before tax includes 1,552 million yen of dividends received from domestic business investees.

Sugar and Other Foodstuffs Business



Refined Sugar Business

- Shipment of souvenir confectioneries and food service-related products improved due to recovery of inbound demand
- Favorable raw material procurement and cost increases reflected in actual selling prices
- Although affected by sluggish consumption and decreased opportunities for cooking at home, shipments of original products, cane sugar, and cane oligos, remained strong
- ITOCHU Sugar Group's performance contributed to 12 months

Other Food Business

- Orders increased in the foil stamping, edible pure gold foil, and film businesses at Tsukioka Film Pharma

Health Industry Business

Nissin
Wellness



- Moderate recovery in fitness membership
- Cost savings through efficient operations
- Gain on remeasurement of lease liabilities of 235 million yen and impairment loss of 173 million yen

Warehousing Business

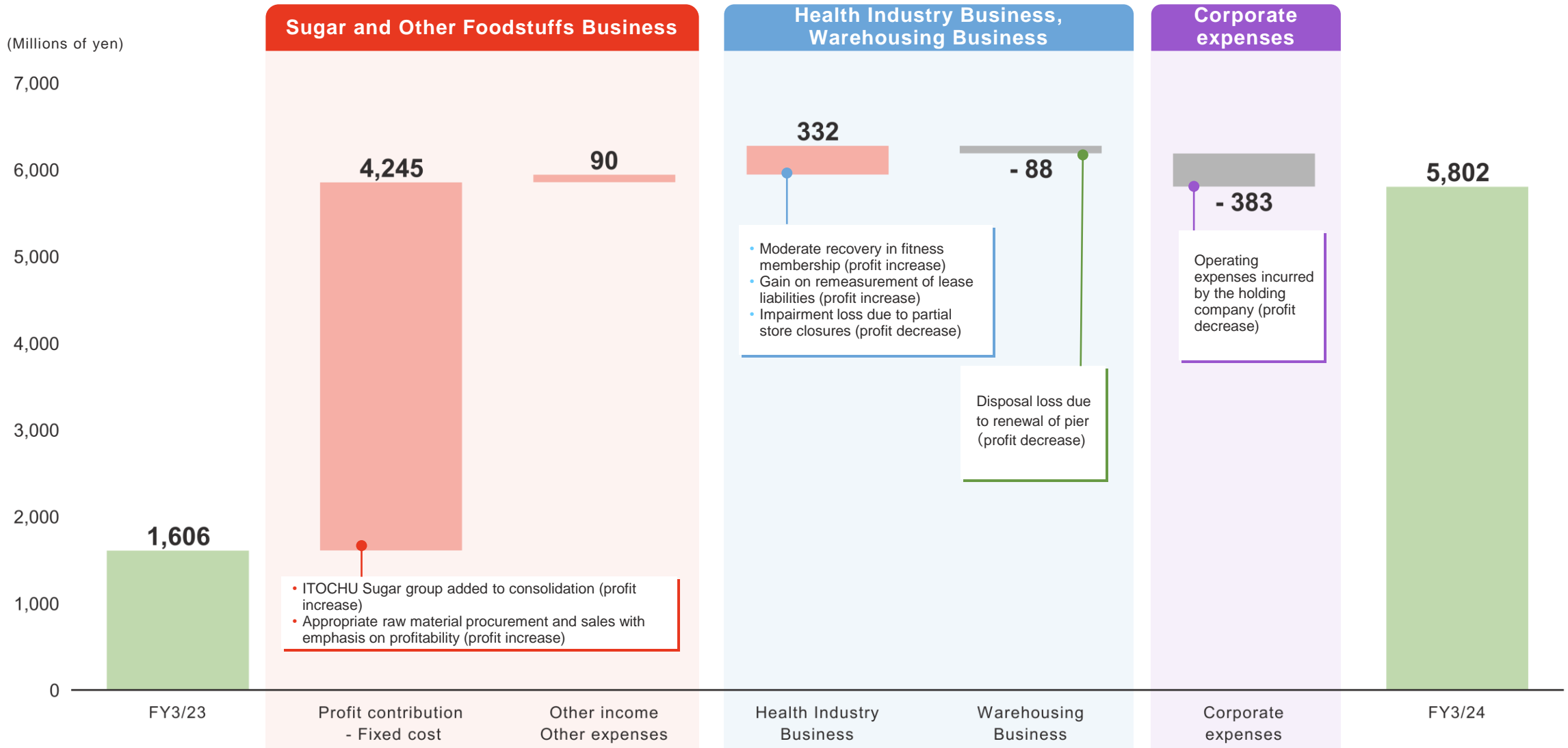
New Port
Industry



- Decrease in volume of imported plywood handled in port transport
- Loss on disposal due to pier renewal work

(1) FY3/24 Financial results

-Analysis of factors affecting the financial results
(Reasons for increase/decrease in operating profit)-



(1) FY3/24 Financial results -Statements of cash flows-

Overview of the FY3/24

- Increase in operating cash flow mainly due to income before income taxes (7,627 million yen)
- Decrease in investment cash flow due to acquisition of fixed assets and shares of subsidiaries and affiliates
- Decrease in financing cash flow mainly due to dividend payments (2,717 million yen)

	(Unit: million yen)	FY3/24	FY3/23
Cash flows from operating activities		6,662	-1,625
Cash flows from investing activities		-822	4,609
Cash flows from financing activities		-4,593	-3,684
Net increase (decrease) in cash and cash equivalents		1,246	-699
Cash and cash equivalents at beginning of year		11,263	7,649
Increase (decrease) in cash and cash equivalents from newly consolidated subsidiaries		-	4,314
Cash and cash equivalents at end of the year		12,509	11,263

(1) FY3/24 Financial results -Statements of financial position-

Summary of changes from the end of the previous fiscal year

- Current assets: Inventories and trade receivables increased due to higher raw material prices and sales prices
- Non-current assets: Decreased due to amortization of right-of-use assets, despite an increase due to the acquisition of shares of Tsuruya Chemical Industries
- Current liabilities: Increase in income taxes payable despite repayment of short-term Borrowings
- Non-current liabilities: Decrease due to payment of lease obligations
- Equity: Profit 5,524 million yen, Dividends paid -2,719 million yen

	(Unit: million yen)	End of FY3/24	End of FY3/23	Increase / decrease
Current assets		37,927	34,983	2,943
Non-current assets		57,990	58,588	-597
Total assets		95,918	93,572	2,345
Current liabilities		20,847	20,028	818
Non-current liabilities		3,962	5,279	-1,316
Equity		71,107	68,264	2,843
Total liabilities and equity		95,918	93,572	2,345

Overseas raw sugar market

Despite continued uncertainty over geopolitical risks and financial markets, the sugar market is in an adjustment phase as concerns over production cuts in major producing countries have receded

1

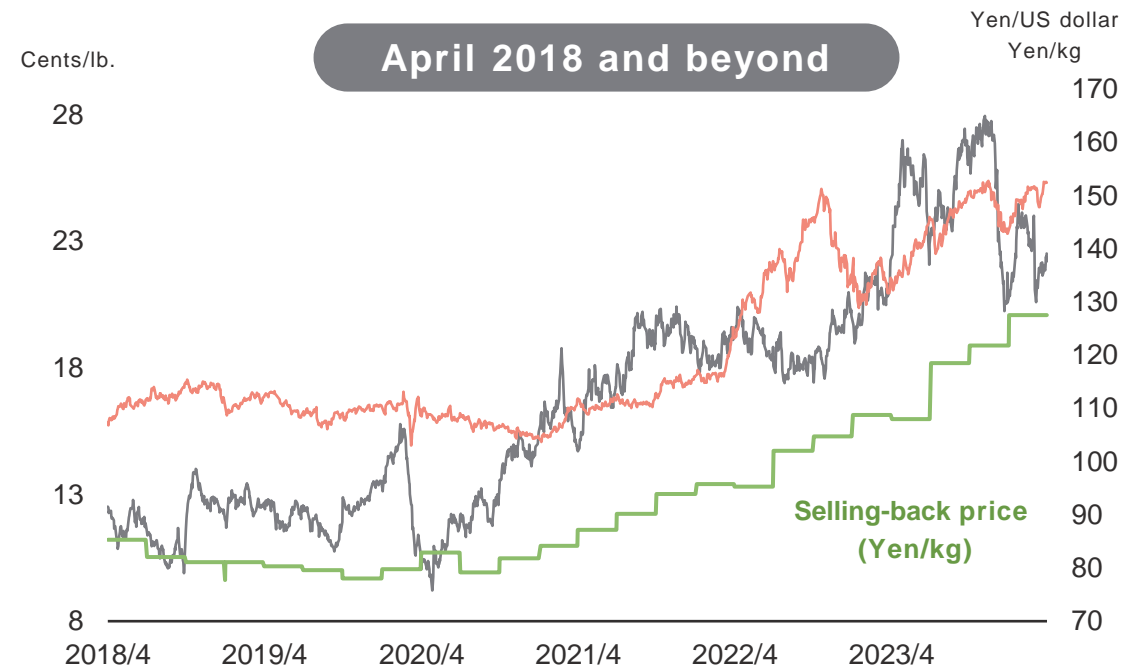
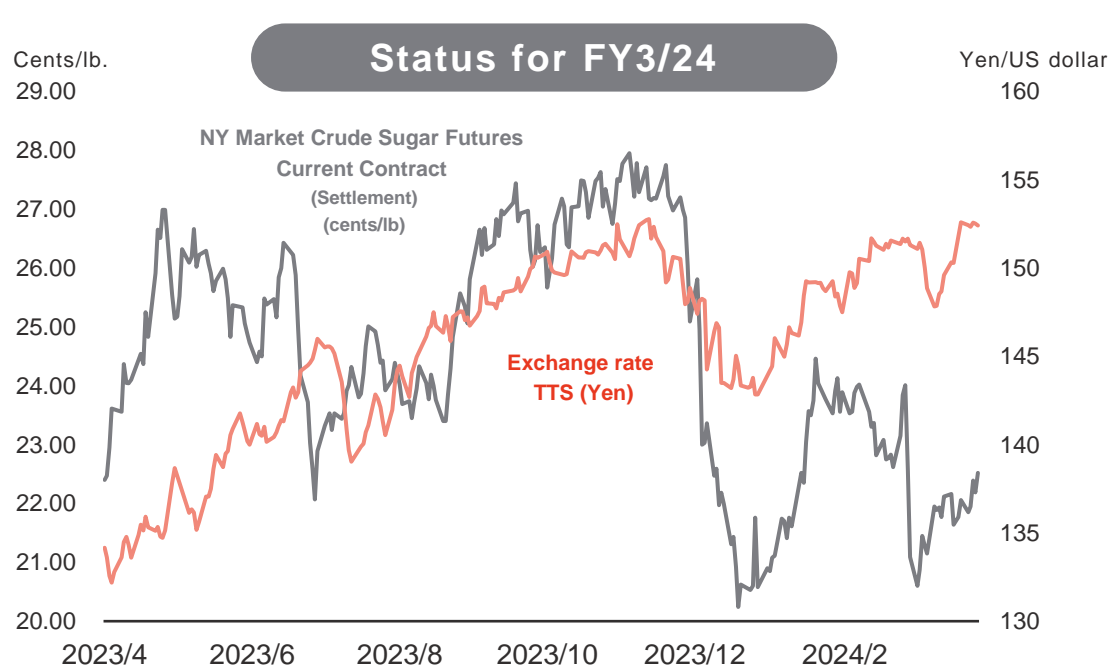
Opened at 22.35 cents per pound and rose to mid-27 cents per pound in late April, mainly due to concerns about logistical disruptions caused by increased grain exports in Brazil which is a major producing country.

2

The price temporarily fell to 21 cents due to steady production and exports by Brazil but rose again when a sugar export ban was announced due to concerns over production cuts in India. It reached 28.14 cents in early November, the highest price this period

3

The price then plunged to 20.03 cents, the low for the period, on the expectation of a significant increase in Brazilian exports, and closed the period at 22.52 cents as buying by real demanding countries supported the price at the low, while the easing of production cutbacks in India and Thailand also restrained the upward movement



FY3/25 Forecast summary

- Change of reportable segment from FY3/25

(Unit: million yen)

	FY3/25
Revenue	95,000
■ Sugar	82,000
■ Food & Wellness	13,000
Operating profit	7,000
■ Sugar	7,900
■ Food & Wellness	500
■ Corporate expenses	-1,400
Income before income taxes	7,100
Profit	5,000
Profit attributable to owners of parent	5,000

Sugar

Former Sugar and Other Foodstuffs Business was divided into Sugar and F&W based on product grouping

F&W

Functional Materials, Health Industry Business, Warehousing Business, etc. consolidated into F&W

(Unit: million yen)

	FY3/24
Revenue	92,192
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■ Warehousing Business	1,637
Operating profit	5,802
■ Sugar and Other Foodstuffs Business	6,015
■ Health Industry Business	128
■ Warehousing Business	244
■ Corporate Expenses	-586
Income before income taxes	7,627
Profit	5,524
Profit attributable to owners of parent	5,524

(2) FY3/2025 Forecast -Key points-

- **Moderate economic recovery** expected due to normalization of social and economic activities, increased inbound demand, etc.
- Expect difficult conditions due to **rising energy and logistics costs and the impact of yen depreciation**, amid concerns about unstable international conditions and declining consumer confidence due to rising prices

Food & Wellness



Food Science Business

- Promotion of functional materials business, including sales of oligosaccharide products and capital investment to increase production of Cyclodextran
- Expanded handling of sweetener materials and food additives in cooperation with Tsuruya Chemical Industries
- Tsukioka Film Pharma to further deepen existing markets and increase profits through sales expansion

Fitness Business

- Moderate recovery in fitness membership
- Strengthen children's school business in general merchandising stores

Sugar



Refined Sugar Business

- Reflection of cost increases in actual selling prices
- Increase in energy costs, logistics costs, etc.
- Early realization of synergies from business integration and mergers
- Strengthen product and sales capabilities through segments such as promotion of sales of high value-added products such as cane sugar

Corporate Expenses



- Recognize expenses not allocated to reportable segments

02



Medium-term Management Plan WELLNEO Vision 2027

Purpose

Achieving "Well-being" by opening up the power and potential of sugar

Values

Challenge

Always young, always setting high aspirations for ourselves, and always taking on new challenges day by day

Diversity

We will continue to be an organization that embraces diverse values and has a sense of unity while maintaining individual differences and individuality as strengths

Sustainability

We will continue contributing to realizing a sustainable society through responsible business activities



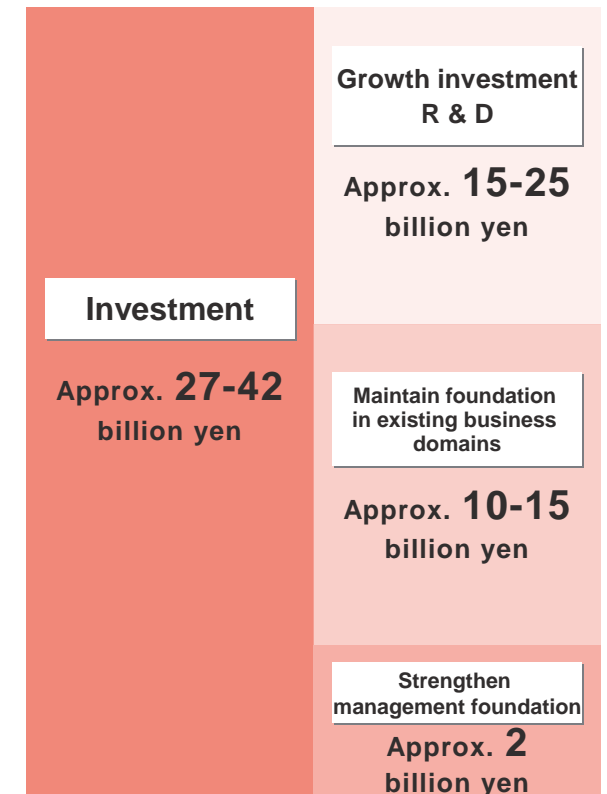
(2) Medium-term management plan WELLNEO Vision 2027 -Basic policy, Quantitative targets-

WELLNEO SUGAR Co., Ltd.

- The period covered is the four-year period from FY3/25 to FY3/28
- Strengthen and expand both Sugar Segment and Food & Wellness Segment businesses to realize "Well-being".

(Unit: million yen)	FY3/25 (Plan)	FY3/28 (Plan)	Increase/ Decrease
Operating profit + Equity in earnings of affiliated companies	7,100	10,100	+3,000
■ Sugar	8,000	9,000	+1,000
■ Food & Wellness	500	2,400	+1,900
■ Corporate expenses	-1,400	-1,300	+100
Profit	5,000	7,000	+2,000
ROE (Cost of equity FY3/2024:6.1%)	7%	9%	+2%

Investment Strategy



(2) Medium-term management plan WELLNEO Vision 2027 -Priority strategies-



WELLNEO SUGAR Co., Ltd.

- Aiming to realize "Well-being" through four priority strategies

Expansion of Food & Wellness business



- Business Strategy (1)
Aggressive expansion of flora design materials
(existing expansion)
- Business Strategy (2)
Grow food science business through M&A
(new expansion)

Strengthening Sugar's foundation



- Expand integration synergies
- Promote further infrastructure expansion
measures in response to industry
restructuring

Promotion of Human capital management



- Maximize employees' "Well-being" and
engagement
- Ensure diversity of human resources and
open environment

Promotion of sustainability management



- Contributing to consumers' "Well-
being" by providing products and
services that help them achieve both
good taste and good health
- Coexistence with Nature



- The Food & Wellness segment provides a wide variety of materials and services used in a wide range of situations

Food & Wellness

Food Science Business

Functional materials

(Flora design material enhancement)



R&D, manufacturing and sales at Neo-functional Ingredients Department

Food additive



Joint R&D, manufacturing and sales with Tsuruya Chemical Industries

Edible film



R&D, manufacturing and sales at Tsukioka Film Pharma

Sugar-derived and sweetener-related



Procurement, storage, logistics, and sales utilizing the Sugar segment

Fitness Business

Providing a place for health and body development



Operates fitness gym at Nisshin Wellness

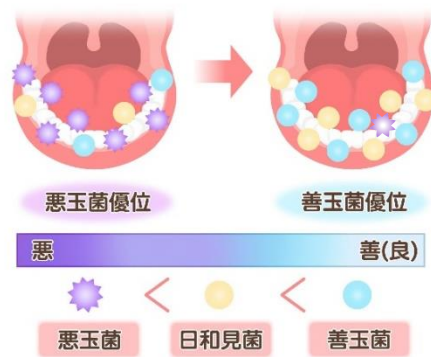
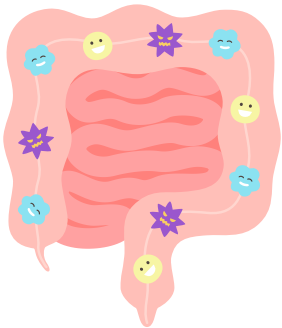


- Aiming for aggressive expansion, the flora design market has various possibilities for expansion

What are intestinal and oral flora?

Flora = Bacterial Flora

Flora is a collection of a wide variety of bacteria (= about 1,000 species, 100 trillion) living in the intestines and oral cavity



It is expected to contribute to **physical and mental** health if the intestinal and oral flora environment is maintained so that the three types of bacteria (good bacteria, bad bacteria, and opportunistic bacteria) exist in good balance with a predominance of good bacteria

What is the flora design market?

Strict

Personalized dietary guidance

- Ex.) • Service for physical and mental health by designing flora (bacterial flora)
- Provide appropriate meal plans and supplements

Broad definition

Food (pre and probiotics for intestinal/oral flora, etc.)

Pet market

Beauty cosmetics (skin flora)

Quasi-drugs



- Flora design materials to become a revenue driver by developing products in the segment

Intestinal flora

Strategic sales expansion of cane oligos

- Reinforcement of advertising measures, including package design changes, based on customer needs
- Laying the foundation for the No. 1 brand to rival the industry's No. 1 mainstay "Kibi Sato" (cane sugar) as a solid sugar derived from the same sugarcane



Galactooligosaccharides Expansion of production capacity

- Oligosaccharides in human milk
- Further expand sales of galactooligosaccharides by increasing production capacity and promoting their functionality



Strengthening research and development in kestose

- Oligosaccharides that selectively multiply good bacteria in the intestine
- Joint research is ongoing with Fujita Health University focusing on the same material, aiming to acquire evidence and expand sales for maintaining human health and complementing disease treatment

Oral flora

Expanding the Cyclodextran business

- A product containing Cyclodextrin oligosaccharides with oral care functions, manufactured and sold exclusively by our company worldwide. It is a cyclic oligosaccharide with glucose chains and has a unique mechanism of action that specifically inhibits the GTF enzyme of dental caries bacteria. It is expected to strongly suppress plaque formation in small amounts and contribute to overall health maintenance
- Effective even when ingested with sugar, with expected synergies with the sugar business

Capital investment to increase production

- Capital investment at the Chiba Plant to increase production of Cyclodextran. Full production is scheduled to begin in FY2025.

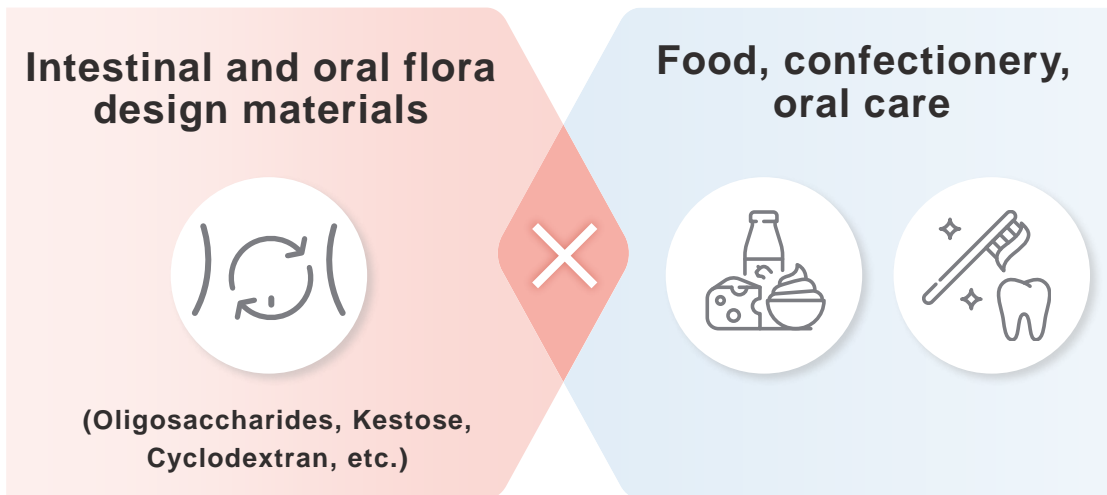




- Examples of cross-fertilization of flora design materials with food, confectionery, oral care, pet food, etc.

Flora design x Food and Oral care market

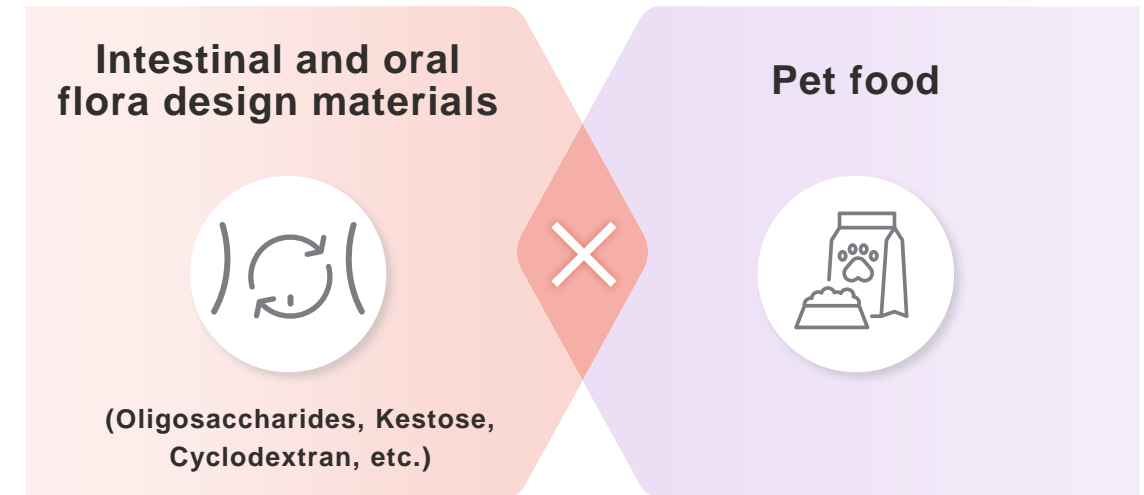
In recent years, health awareness through intestinal activities, etc., has been on the rise.
Demand for high-functionality products is increasing as the population ages



Expects to expand both domestically and internationally by leveraging our customer network and knowledge in the Sugar Business and crossing over into a wide range of business fields

Flora design x Pet food market

In recent years, health consciousness toward pets has been on the rise.
Demand for high-functionality products is increasing as pets live longer.



Combining collaborative research with universities and evidence obtained from the pet market can lead to expectations of expansion both domestically and internationally



- Expanding the Food Science business through M&A

M&A Policy



Investment objective

To strengthen and expand the Food Science business, the core of the Food & Wellness segment



Amount of investment

Approximately 10 to 20 billion yen set as the period of the medium-term management plan



Investment targets

Companies with the resources needed to accelerate growth in Food Science business, particularly in the areas of functional ingredients and food additives

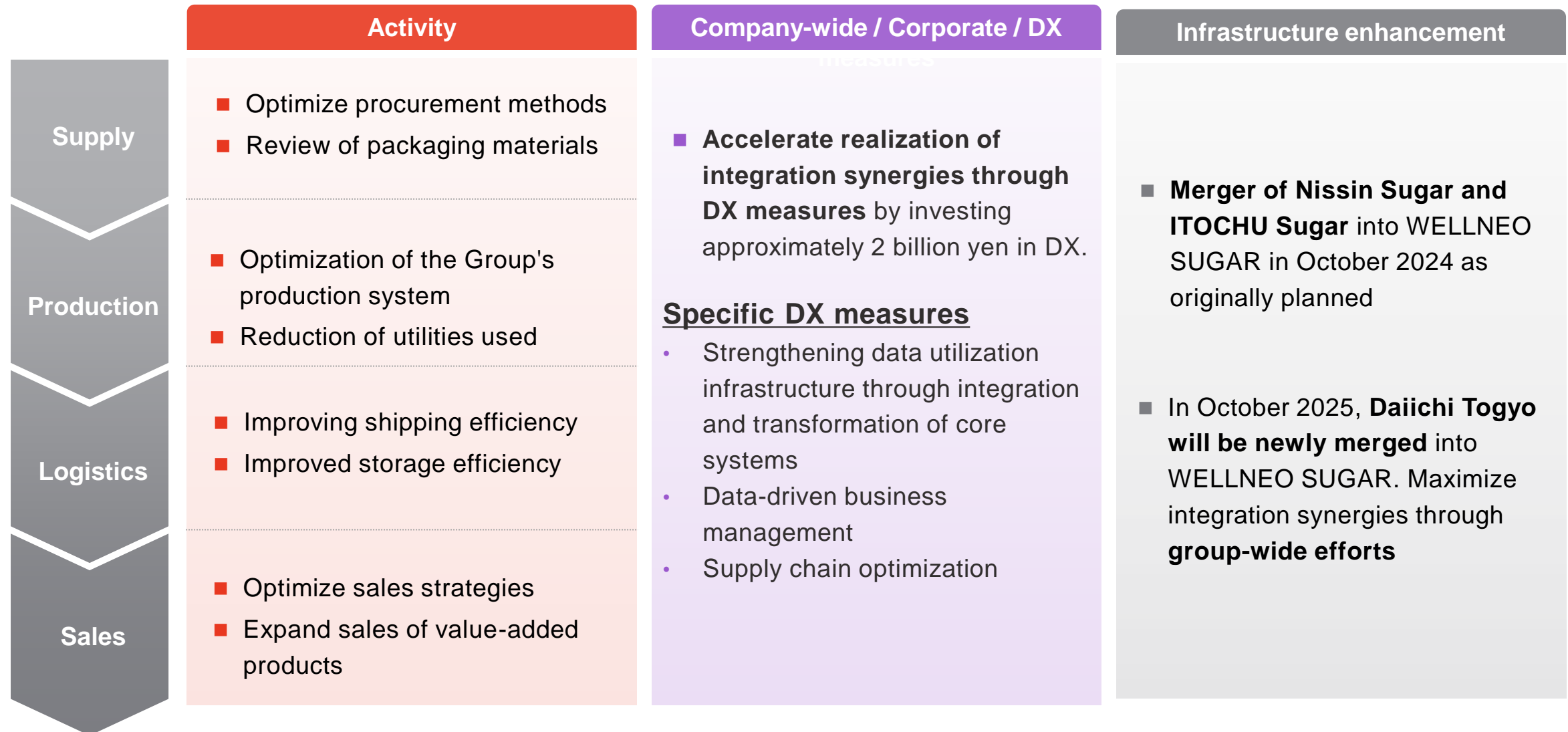


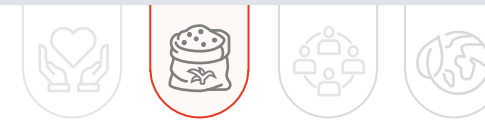
Financial discipline

M&A financing will be provided in the order of free C/F and debt to achieve ROIC above our cost of capital (WACC)



- Aiming to increase operating profit by approximately 1.5 billion yen as a result of integration synergies





- The sugar industry continues to see alliances and plant consolidation. We will continue to pursue further strengthening of our foundation in this context

■ Movement of industry restructuring

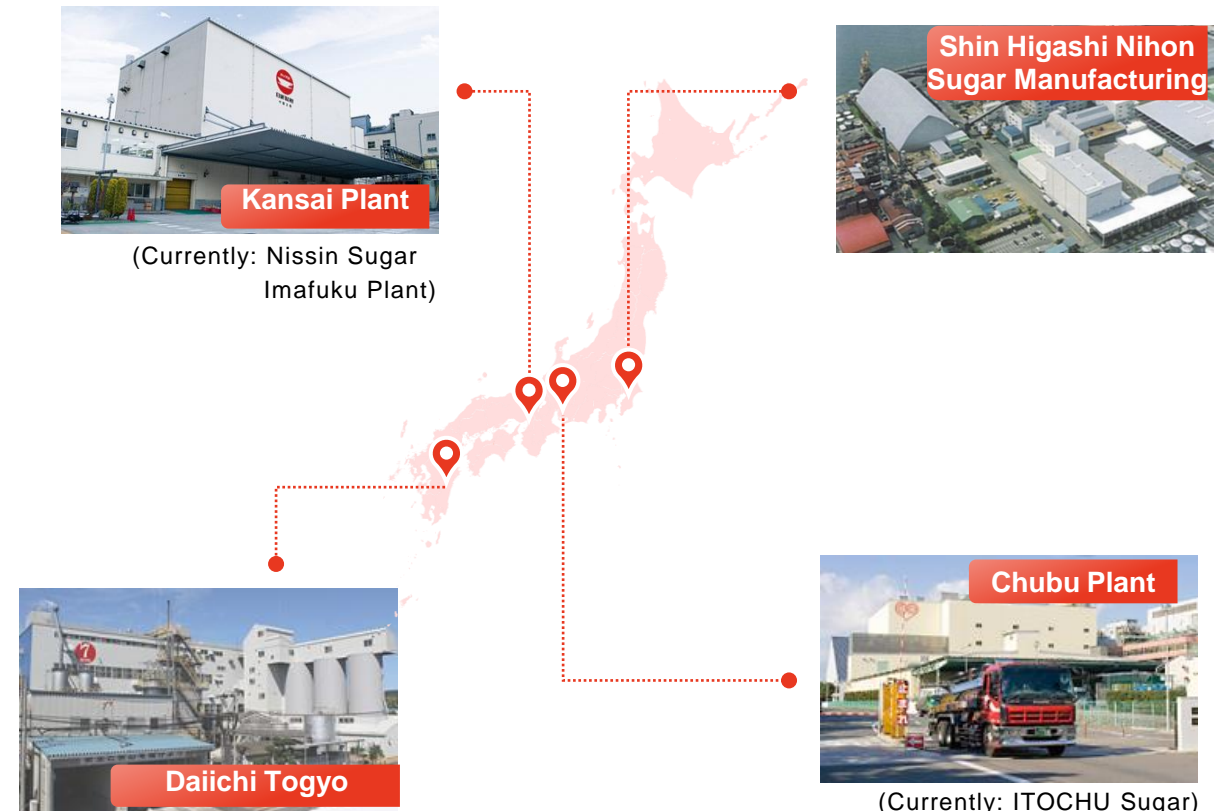
The sugar industry continues to see alliances and plant consolidation

Most recent industry restructuring

Apr. 2021	Mitsui Sugar and Dai-Nippon Meiji Sugar integrate operations. *Capital and business tie-up with Nippon Beet Sugar Manufacturing
Jan. 2023	Nissin Sugar and ITOCHU Sugar integrate their operations. →October 2024, Fully integrated as WELLNEO SUGAR
Jun. 2023	ENSUIKO Sugar Refining and Daito Seito announce business alliance
Mar. 2024	DM Mitsui Sugar and Wada Sugar refining announce business alliance.
May 2024	WELLNEO SUGAR Co., Ltd. announces absorption of Daiichi Togyo

■ Impact on our company

Promoting flexible reinforcement of the foundation in the midst of industry reorganization



(5) Priority strategy (iii): Promotion of human capital management



- Promoting human capital management that is unique to our company, showing the story of value creation while fulfilling the wishes of our employees

Value Creation Stories to Aim for

1. Linkage of management human resources strategies
2. Ensure, open, and foster diversity
3. Sustainability at work



1. Company of Choice
2. Creation of new commercial products and businesses
3. Realization of "Well-being"

Outcome indicators

(3 gender indicators and proprietary indicators)

- ① Ratio of female managers: 25% (by 2030)
- ② 100% male maternity leave taken by male employees
- ③ Correction of the wage gap between men and women
- ④ Decrease in turnover rate (increase in retention rate of new graduates and experienced hires)
- ⑤ Improve employee engagement scores

New Personnel System

Integrated HR system to unify the mindsets of employees of both companies

- ① Develop autonomous "professional human resources" ... Realize dynamic appointments that allow selection regardless of age
- ② Promoting "visualization" of skills and experience ... Employees self-analyze their skills and abilities, and the company supports skill development and provides opportunities for them to play an active role
- ③ Positive evaluation of "challenge" ... We offer a second chance in case of failure. At the same time, we value our best staff (those who work behind the scenes)

Soil for Synergy Creation

Forming strong teamwork to create integration synergies and fostering a sense of management participation

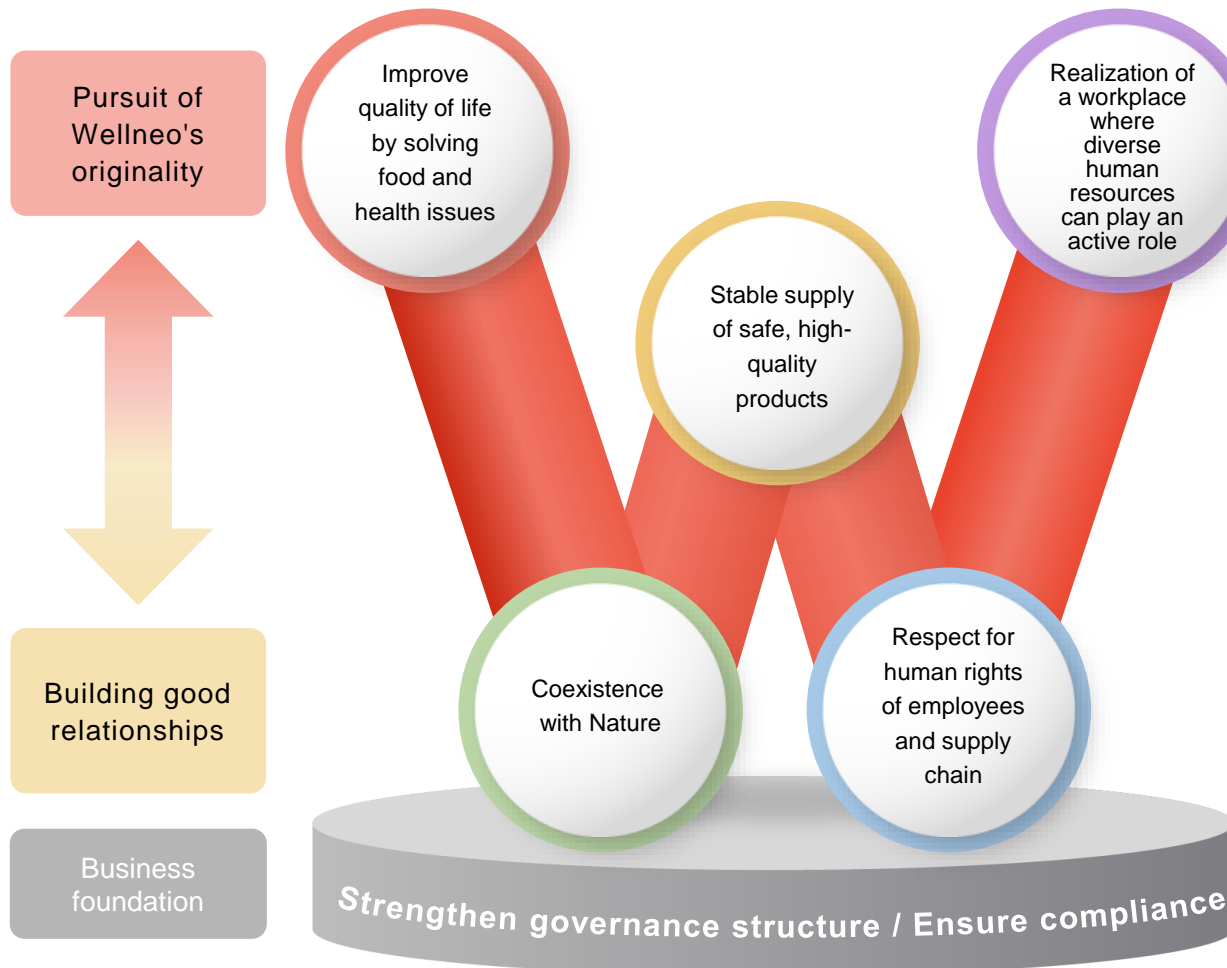
- ① Since the management integration in January 2023, top management has sent out messages, held roundtable discussions, and held 3-on-1 meetings.
- ② Active personal interaction (departmental introductions, work study sessions, and inter-departmental get-togethers for employees of both companies) to promote mutual understanding and cross-value/culture exchange.
- ③ At the start of the new company, a unit of shares is granted to employees who are members of the shareholding association. To foster a sense of participation in management and improve engagement.

(6) Priority strategy (iv): Promotion of sustainability management



- Based on our management philosophy, business strategy, and purpose of existence, we have identified five materialities of our group

Five Materialities



KGIs and corresponding SDGs

Materiality	KGI	Corresponding SDGs
Improve quality of life by solving food and health issues	Contribute to consumers' "Well-being" by providing products and services that help them achieve both good taste and good health	1 食料をなくそう (Red icon with family), 3 すべての人に健康と福祉を (Green icon with heart and pulse)
Realization of a workplace where diverse human resources can play an active role	Realize employee "Well-being" through measures to improve the workplace environment and increase employee engagement	5 ジェンダー平等を實現しよう (Red icon with female symbol), 8 働きがいのある経済を実現しよう (Red icon with bar chart)
Stable supply of safe, high-quality products	Realizing "Well-being" of customers through stable supply of safe and high quality products	2 飢餓をゼロに (Yellow icon with bowl), 12 つくも責任 つかう責任 (Yellow icon with infinity symbol)
Respect for human rights of employees and supply chain	Protecting the "Well-being" of employees and the supply chain	5 ジェンダー平等を實現しよう (Red icon with female symbol), 10 人々の平等をなくそう (Pink icon with scales)
Coexistence with Nature	Aware of our responsibility for the "Well-being" of the natural environment	13 気候変動に具体的な対策を (Green icon with globe), 14 海の豊かさを守ろう (Blue icon with fish), 15 陸の豊かさも守ろう (Green icon with tree)

03



Financial Strategy

(1) Actions to realize the management conscious of cost of capital and stock price

-Awareness of the existing situation, Policy, Initiative-

Awareness of the existing situation

- Our **cost of equity is perceived to be around 5 - 6%**.
- ROE was 1.8% in FY3/2023, but reached 7.9% in FY3/24, **exceeding the cost of equity** due to business integration.
- PBR exceeded 1x in FY3/2024, and we recognize **the importance of promoting the medium-term management plan for further improvement.**

Policy

- Achievement of the medium-term plan to realize the long-term vision
- Achieve financial targets of **ROE of 9% and consolidated net income of 7 billion** yen in the final year of the plan.
- **Investment plan is 27-42 billion yen, and equity ratio is expected to be maintained above 60%**

Initiative

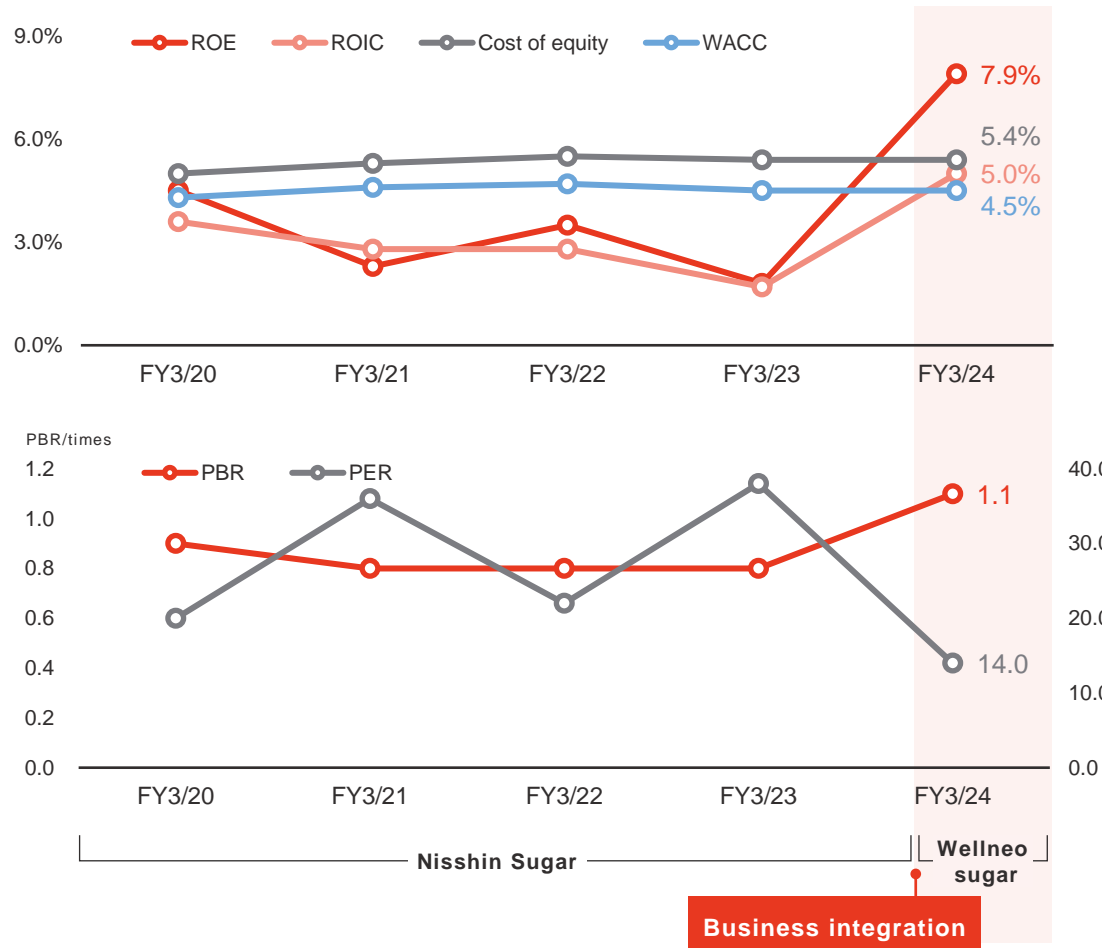
- Pursue **company-wide management with an awareness of capital efficiency** by introducing ROIC management
- Establish materiality and **promote sustainability management**
- Actively invest in growth areas and maintain a **high level of shareholder returns**
- Practice portfolio management and consider **further improvement of capital efficiency**
- **Introduction of executive compensation system** linked to ROE
- **Further expansion of the dialogues with the financial markets**, including information dissemination through the website and various information meetings, etc.

(1) Actions to realize the management conscious of cost of capital and stock price

-Achieve ROE in excess of cost of equity-

- Implement multifaceted measures to continue to achieve a level of ROE that exceeds the cost of equity

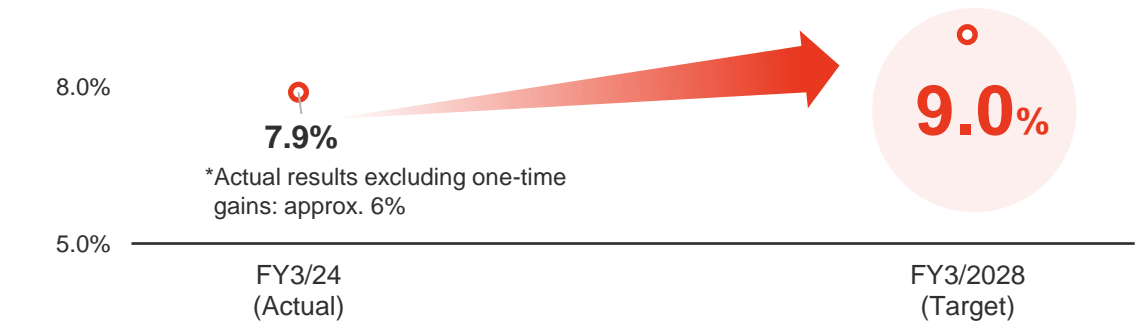
Changes in various indicators



To further achieve ROE in excess of cost of equity

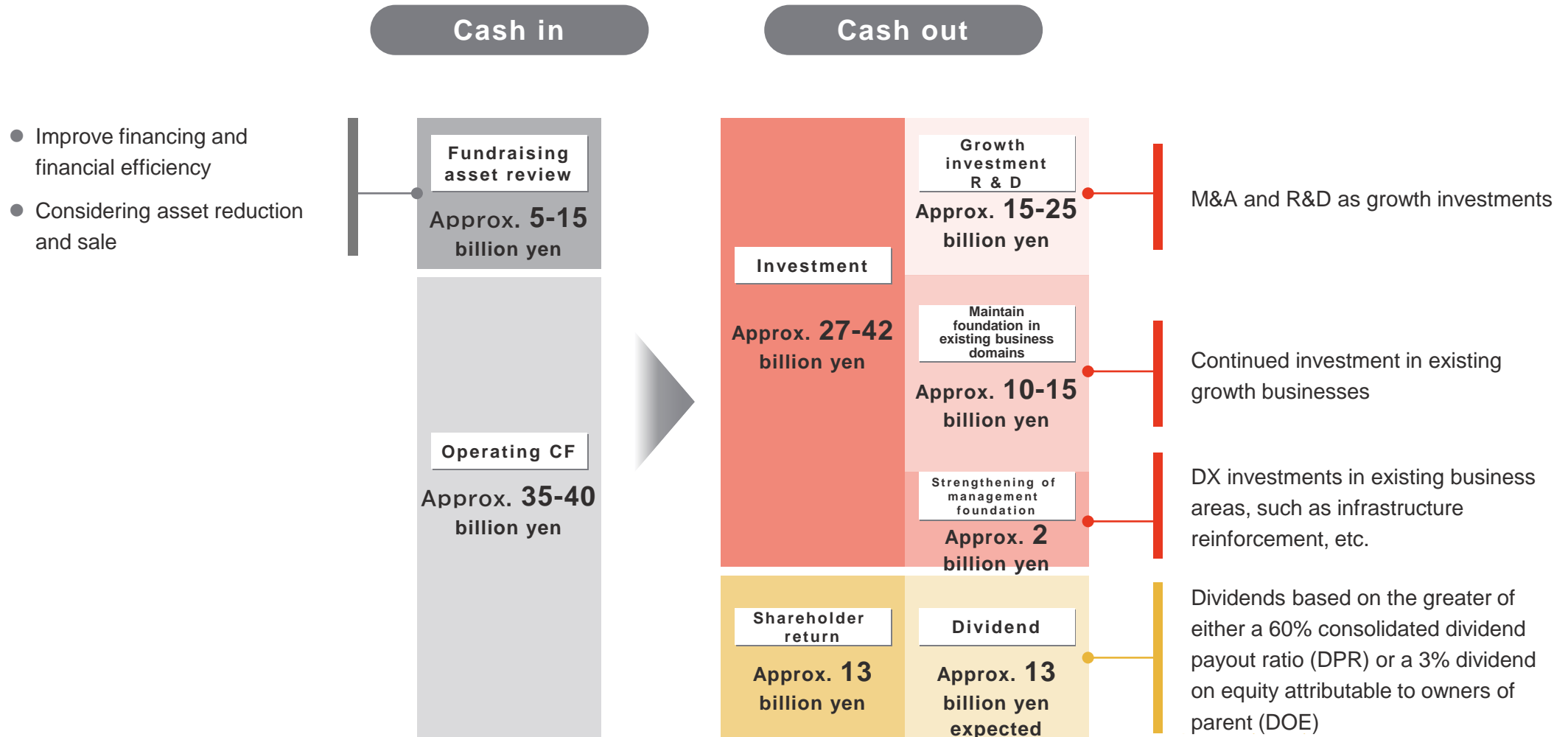
- **Improve profitability** by strengthening the foundation of the Sugar segment
- Aiming to **improve asset efficiency** by introducing ROIC management
- Driving **growth investments** in the Food & Wellness segment
- Strengthen corporate governance and promoting sustainability management

Aim to raise ROE to **9.0%** during the medium-term management plan period



(2) Cash allocation (Cumulative total for the four mid-term management plan periods)

- Strategically allocate funds from operating CF and fundraising to investments and shareholder returns



(3) Shareholder return

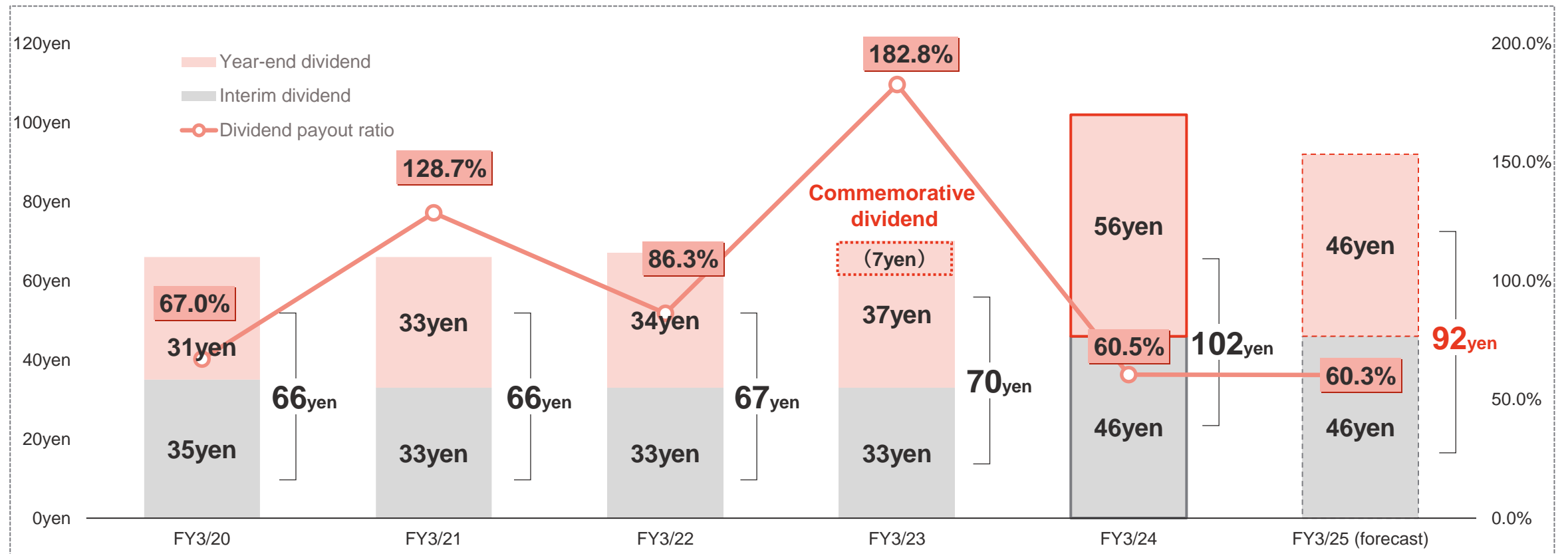
- Aiming to improve return on equity attributable to owners of parent (ROE) over the medium to long term and to achieve both investment in growth and enhanced shareholder returns

Dividend Policy

Dividends based on the greater of either a 60% consolidated dividend payout ratio (DPR) or a 3% dividend on equity attributable to owners of parent (DOE)

FY3/2025
Annual dividend per share
(Forecast)

92 yen
(Benchmark: DPR 60%)



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