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In the event of any discrepancy between this document and the Japanese original, the original shall prevail.*

Securities code: 2109
June 8, 2020

To our shareholders:

Daisuke Saiga
President and CEO
Mitsui Sugar Co., Ltd.
36-2, Nihonbashi-Hakozakicho,
Chuo-ku, Tokyo

NOTICE OF THE 96th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Please take notice that the 96th Ordinary General Meeting of Shareholders of Mitsui Sugar Co., Ltd. (the “Company”) will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights by using one of the following methods. Please review the “Reference Documents for the Ordinary General Meeting of Shareholders” and exercise your voting rights no later than 5:30 p.m. on Monday, June 22, 2020 as described hereafter.

In the case that voting rights are exercised in duplicate, via both postal mail and the Internet, the voting via the Internet shall be deemed valid.

[Voting in Writing]

Please indicate your approval or disapproval in respect of the proposals on the enclosed Voting Rights Exercise Form and send the form back so that it reaches us by no later than the above mentioned exercise date.

[Voting via the Internet]

Please review the “Guidance of Exercise Voting Rights via the Internet, etc.” as described hereafter (Japanese only) and exercise your voting rights no later than the above mentioned exercise date.

Meeting Details

- 1. Date and Time:** Tuesday, June 23, 2020 at 10:00 a.m. (Japan Standard Time)
(The reception desk will open at 9:00 a.m.)
- 2. Venue:** Yamabuki (4F)
Palace Hotel Tokyo
1-1-1 Marunouchi, Chiyoda-ku, Tokyo

3. Purpose:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 96th Fiscal year (from April 1, 2019 to March 31, 2020) as well as audit results of Accounting Auditor and the Audit & Supervisory Board for the Consolidated Financial Statements
2. Non-Consolidated Financial Statements for the 96th Fiscal Year (from April 1, 2019 to March 31, 2020)

Items to be resolved:

- Proposal 1:** Appropriation of surplus
Proposal 2: Election of nine (9) Directors

**Reference Documents for
the Ordinary General Meeting of Shareholders**

Proposal 1: Appropriation of surplus

Details pertaining to the appropriation of surplus are as follows:

It is the basic policy of the Company to pay stable and continuous dividends to shareholders. With regard to the amount of dividends, the Company will set the level of dividends, taking into account business development for future growth and sufficient internal reserves essential for strengthening its management base, while considering the operating environment on a case-by-case basis, with the goal of a total return ratio of 50% combining cash dividends and its dynamic capital policy.

Based on the policy above and business results, etc., the Company plans to add commemorative dividend of 15 yen for the 60th anniversary of the SPOON brand to the ordinary dividend of 35 yen per share, for an annual dividend of 50 yen per share and a year-end dividend of 25 yen per share, after making a comprehensive consideration of returning profit to shareholders, securing sufficient internal reserves for strengthening the financial condition and management foundation of the Company, and investments to drive reproduction and growth.

Year-end dividends:

- (1) Type of dividend assets
Cash

- (2) Allocation and total amount of the dividend assets
25 yen per share of the Company's common stock
Total amount of dividends: 642,541,325 yen

- (3) Effective date of dividend payment
June 24, 2020

Proposal 2: Election of nine (9) Directors

The terms of office of all eight (8) Directors expire at the conclusion of the Meetings. This proposal requests the election of nine (9) Directors.

The candidates for Directors are as follows:

No.	Name		Current positions in the Company	Attendance at Board of Directors' meetings
1	Daisuke Saiga	Reappointment	President & CEO	13/13
2	Junichi Nomura	Reappointment	Director, Executive Vice President, General Manager of Sugar Production Group	13/13
3	Hideyuki Mikayama	Reappointment	Director, Senior Executive Managing Officer & CFO	13/13
4	Junichi Handa	Reappointment Outside Independent	Outside Director	13/13
5	Yusuke Kawamura	Reappointment Outside Independent	Outside Director	13/13
6	Yuko Tamai	Reappointment Outside	Outside Director	13/13
7	Taku Morimoto	New appointment	Advisor	–
8	Takuya Tsuda	New appointment	Executive Managing Officer, General Manager of Sugar Business Group	–
9	Takaaki Kakudoh	New appointment Outside	–	–

No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and important concurrent positions	Number of the Company's shares held
1	<p>Daisuke Saiga (March 16, 1955)</p> <p>Reappointment</p>	<p>April 1977 Joined Mitsui & Co., Ltd.</p> <p>April 2008 Managing Officer, General Manager of Human Resources & General Affairs Division, Mitsui & Co., Ltd.</p> <p>April 2010 Executive Managing Officer, Chief Compliance Officer, Mitsui & Co., Ltd.</p> <p>June 2010 Representative Director, Executive Managing Officer, Chief Compliance Officer, Mitsui & Co., Ltd.</p> <p>April 2012 Representative Director, Senior Executive Managing Officer, Mitsui & Co., Ltd.</p> <p>April 2014 Representative Director, Executive Vice President, Mitsui & Co., Ltd.</p> <p>April 2016 Director, Mitsui & Co., Ltd.</p> <p>June 2016 President and CEO of the Company (to present)</p> <p>In charge of Internal Auditing Division and Quality Management Division</p>	5,400
<p>(Reasons for nomination as candidate for Director)</p> <p>The Company expects that he can continue to make use of his experience and proven track record as a corporate manager of a trading firm as well as his knowledge and oversight capability necessary to faithfully perform duties for its management.</p>			
2	<p>Junichi Nomura (October 26, 1958)</p> <p>Reappointment</p>	<p>April 1981 Joined the Company</p> <p>April 2008 General Manager of Chiba Factory, Sugar Production Group of the Company</p> <p>April 2010 Executive Officer, General Manager of Kobe Factory, Sugar Production Group of the Company</p> <p>April 2013 Executive Officer, General Manager of Kobe Factory, Sugar Production Group of the Company</p> <p>April 2014 Executive Managing Officer, General Manager of Sugar Production Group of the Company</p> <p>June 2014 Director, Executive Managing Officer, General Manager of Sugar Production Group of the Company</p> <p>April 2016 Director, Senior Executive Managing Officer, General Manager of Sugar Production Group of the Company</p> <p>April 2020 Director, Executive Vice President, General Manager of Sugar Production Group of the Company (to present)</p>	2,260
<p>(Reasons for nomination as candidate for Director)</p> <p>The Company expects that he can continue to make use of his many years of experience and insight in the Company's production department for its management.</p>			

No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and important concurrent positions	Number of the Company's shares held
3	Hideyuki Mikayama (August 21, 1955) Reappointment	<p>April 1979 Joined Mitsui & Co., Ltd.</p> <p>April 1999 General Manager of Finance Department, MITSUI & CO. (U.S.A.), INC.</p> <p>April 2007 General Manager of Financial Planning and Administrative Division, Mitsui & Co., Ltd.</p> <p>April 2009 General Manager of Finance Division, Mitsui & Co., Ltd.</p> <p>April 2011 Managing Officer, General Manager of Finance Division, Mitsui & Co., Ltd.</p> <p>April 2012 Managing Officer, General Manager of Nagoya Office, Mitsui & Co., Ltd.</p> <p>April 2013 Executive Managing Officer, General Manager of Nagoya Office, Mitsui & Co., Ltd.</p> <p>June 2014 Outside Director, Resona Bank, Limited. (to present)</p> <p>June 2014 Director, Executive Managing Officer & CFO General Manager of Finance & Accounting Division of the Company</p> <p>April 2015 Director, Executive Managing Officer & CFO of the Company</p> <p>April 2017 Director, Senior Executive Managing Officer & CFO of the Company (to present)</p> <p>In charge of compliance, Legal and Internal Control Division, General Affairs and Personnel Division, and Finance & Accounting Division</p> <p>(Important concurrent positions) Outside Director, Resona Bank, Limited.</p>	3,300
(Reasons for nomination as candidate for Director) Since he has broad experience and knowledge gained through finance-related operations at a trading firm, the Company expects that he can continue to make use of the experience and knowledge for its management.			
4	Junichi Handa (February 13, 1957) Reappointment Outside Independent	<p>April 1979 Joined Toa Nenryo Kogyo Co., Ltd.</p> <p>February 2002 Representative Director, Booz Allen Hamilton</p> <p>April 2005 President & CEO, Management Wisdom Partners, Japan</p> <p>April 2013 Senior Vice President, Human Resources Department, Takeda Pharmaceutical Co., Ltd.</p> <p>June 2013 Corporate Officer, Senior Vice President, Human Resources Department, Takeda Pharmaceutical Co., Ltd</p> <p>October 2014 Global Human Resources, Takeda Pharmaceutical, Co., Ltd.</p> <p>June 2015 Outside Director of the Company (to present)</p> <p>July 2015 President & CEO, Management Wisdom Partners, Japan (to present)</p> <p>April 2016 Project Professor, Graduate School of Economics, The University of Tokyo (to present)</p> <p>(Important concurrent positions) Project Professor, Graduate School of Economics, The University of Tokyo President & CEO, Management Wisdom Partners, Japan</p>	0
(Reasons for nomination as candidate for Outside Director) Since he has a profound knowledge of corporate strategy, particularly in the field of formulating human resources strategy with a proven track record, the Company expects that he can appropriately perform his duties as Outside Director from an objective perspective.			

No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and important concurrent positions	Number of the Company's shares held
5	<p>Yusuke Kawamura (December 5, 1953)</p> <p>Reappointment Outside Independent</p>	<p>April 1977 Joined Daiwa Securities Co. Ltd.</p> <p>January 1997 General Manager of Syndicate Department, Capital Market Division, Daiwa Securities Co. Ltd.</p> <p>June 2007 Public Board Member, Self-regulation Board, Japan Securities Dealers Association</p> <p>April 2010 Director, Japan Securities Research Institute</p> <p>January 2011 Commissioner, Fiscal System Council, Ministry of Finance (to present)</p> <p>April 2012 Deputy Chairman of the Institute, Daiwa Institute of Research, Ltd.</p> <p>February 2013 Commissioner, Business Accounting Council, Financial Services Agency (to present)</p> <p>May 2013 Commissioner, Ministerial Meeting on Promotion of Utilization of Public-Private Funds (to present)</p> <p>November 2013 Outside Director, Cool Japan Fund (to present)</p> <p>May 2016 Visiting professor, Nankai University (to present)</p> <p>January 2017 Visiting research fellow, Guangdong Academy of Social Sciences (to present)</p> <p>June 2017 Outside Director of the Company (to present)</p> <p>June 2018 Trustee, Japan Securities Research Institute (to present)</p> <p>April 2019 Special Chairman of the Institute, Daiwa Institute of Research, Ltd.</p> <p>Adviser, Japan Securities Dealers Association (to present)</p> <p>Visiting professor, KYOTO SAGA UNIVERSITY OF ARTS. (to present)</p> <p>April 2020 Representative Director, Glocal Policy Institute (to present)</p> <p>(Important concurrent positions) Adviser, Japan Securities Dealers Association</p>	0
<p>(Reasons for nomination as candidate for Outside Director) Since he has abundant experience and insight in the field from which he originates, the Company expects that he can appropriately perform his duties as Outside Director from an objective perspective.</p>			
6	<p>Yuko Tamai (November 28, 1965)</p> <p>Reappointment Outside</p>	<p>April 1994 Registered as an Attorney at Law Joined Nagashima & Ohno</p> <p>September 2000 Joined Covington & Burling LLP (Washington, D.C.)</p> <p>January 2001 Registered as an Attorney at Law in New York State</p> <p>April 2001 Rejoined Nagashima Ohno & Tsunematsu</p> <p>January 2003 Partner, Nagashima Ohno & Tsunematsu (to present)</p> <p>June 2015 Outside Audit & Supervisory Board Member, Japan Bank for International Cooperation (to present)</p> <p>June 2017 Outside Director of the Company (to present)</p> <p>April 2019 Commissioner, Certified Public Accountants and Auditing Oversight Board (to present)</p> <p>(Important concurrent positions) Partner, Nagashima Ohno & Tsunematsu Outside Audit & Supervisory Board Member, Japan Bank for International Cooperation</p>	0
<p>(Reasons for nomination as candidate for Outside Director) Since she has a high degree of specialized knowledge and abundant experience as an attorney, the Company expects that she can appropriately perform her duties as Outside Director from an objective perspective.</p>			

No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and important concurrent positions	Number of the Company's shares held
7	Taku Morimoto (July 31, 1957) <div style="background-color: black; color: white; padding: 2px; display: inline-block;">New appointment</div>	April 1981 Joined Mitsui & Co., Ltd. April 2005 Senior Vice President, Divisional Operating Officer, Plastics & Inorganic Chemicals Division, MITSUI & CO. (U.S.A.), INC. April 2008 General Manager, Performance Plastics Division, Performance Chemicals Business Unit, Mitsui & Co., Ltd. March 2010 General Manager, Planning & Administrative Division, Performance Chemicals Business Unit, Mitsui & Co., Ltd. November 2011 Deputy Chief Operating Officer, Performance Chemicals Business Unit, Mitsui & Co., Ltd. April 2013 Managing Officer, General Manager, Planning & Administrative Division (Chemicals), Mitsui & Co., Ltd. April 2014 Managing Officer, Chief Operating Officer, Performance Chemicals Business Unit, Mitsui & Co., Ltd. April 2016 Executive Managing Officer, Chief Operating Officer, Performance Materials Business Unit, Mitsui & Co., Ltd April 2017 Senior Executive Managing Officer, Chief Operating Officer, Asia Pacific Business Unit, Mitsui & Co., Ltd. Chief Executive Officer, Mitsui & Co. (Asia Pacific) Pte. Ltd. April 2019 Executive Vice President, Chief Operating Officer, Asia Pacific Business Unit, Mitsui & Co., Ltd. May 2020 Advisor of the Company (to present)	0
(Reasons for nomination as candidate for Advisor) The Company expects that he can make use of his experience and proven track record as a corporate manager of a trading firm as well as his knowledge and oversight capability necessary to faithfully perform duties for its management.			

No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and important concurrent positions	Number of the Company's shares held
8	Takuya Tsuda (March 8, 1965) <div style="background-color: black; color: white; padding: 2px; display: inline-block;">New appointment</div>	April 1987 Joined the Company April 2010 General Manager of Business Operation, Management Planning Group of the Company April 2013 General Manager of Management Planning and General Manager of Sugar Business Promotion Division, Sugar Business Administrative Group of the Company June 2013 General Manager of Sugar Business Promotion Division, Sugar Business Administrative Group of the Company April 2014 Executive Officer, General Manager of Sugar Business Promotion Division, Sugar Business Administrative Group of the Company September 2015 Executive Officer, General Manager of Sugar Business Administrative Group and General Manager of Sugar Business Promotion Division of the Company December 2015 Outside Audit & Supervisory Board Member, Hokkaido Sugar Co., Ltd. (to present) April 2017 Executive Officer, General Manager of Business Creation Head Group and General Manager of Business Development Group of the Company July 2018 Executive Officer, General Manager of Sugar Business Group of the Company April 2020 Executive Managing Officer, General Manager of Sugar Business Group of the Company (to present) (Important concurrent positions) Outside Audit & Supervisory Board Member, Hokkaido Sugar Co., Ltd.	1,248
(Reasons for nomination as candidate for Director) The Company expects that he can continue to make use of his many years of experience and insight in the Company's sugar business group for its management.			

No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and important concurrent positions	Number of the Company's shares held
9	Takaaki Kakudoh (January 11, 1964) New appointment Outside	<p>April 1988 Joined Mitsui & Co., Ltd.</p> <p>May 2005 General Manager of 7&i New Business Development Department, Food & Retail Business Unit, Mitsui & Co., Ltd.</p> <p>March 2010 General Manager of Strategic Planning Department, Food & Retail Business Unit, Mitsui & Co., Ltd.</p> <p>August 2012 General Manager of Multigrain Business Promotion Division, Food Resources Business Unit, Mitsui & Co., Ltd.</p> <p>January 2014 Deputy General Manager of Grain Project Division II, Food Resources Business Unit, Mitsui & Co., Ltd.</p> <p>January 2015 CEO of Multigrain Group</p> <p>July 2017 CEO of Multigrain S.A.</p> <p>April 2018 General Manager of Overseas Department, Corporate Planning & Strategy Division, Mitsui & Co., Ltd.</p> <p>April 2019 General Manager of Global Affairs & Solutions Department, Corporate Planning & Strategy Division, Mitsui & Co., Ltd.</p> <p>April 2020 Operating Officer of Food Business Unit, Mitsui & Co., Ltd. (to present)</p> <p>(Important concurrent positions) Operating Officer of Food Business Unit, Mitsui & Co., Ltd.</p>	0
<p>(Reasons for nomination as candidate for Outside Director) Since he has abundant experience and insight in the field from which he originates, the Company expects that he can appropriately perform his duties as Outside Director from an objective perspective.</p>			

- Notes:
- There are no vested interests between each of the candidates and the Company.
 - Mr. Junichi Handa, Mr. Yusuke Kawamura, Ms. Yuko Tamai and Mr. Takaaki Kakudoh are candidates for Outside Directors.
 - The Company designated Mr. Junichi Handa and Mr. Yusuke Kawamura as independent officers and registered them with the Tokyo Stock Exchange pursuant to the provisions of the Exchange. If the reelection of each of them is approved at this Meeting, the Company plans for their appointment as independent officers to continue.
 - Ms. Yuko Tamai is independent according to the Tokyo Stock Exchange's independence criteria and fulfills the qualifications of an independent officer. However, in accordance with the policy of the law office where she is a partner, the Company has no plans to register her as an independent officer with the Tokyo Stock Exchange.
 - Although Mr. Yusuke Kawamura and Ms. Yuko Tamai have not been involved in corporate management except for being an Outside Director in the past, the Company has judged that they can perform their duties as Outside Directors appropriately as described in "Reasons for nomination as candidate for Outside Director."
 - Mr. Takaaki Kakudoh has been serving as a business executive at Mitsui & Co., Ltd., which had specific relations with the Company during the past 5 years. He received salary and other compensation for the last 2 years from the company as well, and is expected to continue to receive salary and other compensation from the company.
 - Mr. Junichi Handa is currently the Company's Outside Director. His terms of office will be 5 years at the conclusion of this Meeting.
 - Mr. Yusuke Kawamura and Ms. Yuko Tamai are currently the Company's Outside Director. Their terms of office will be 3 years at the conclusion of this Meeting.
 - In accordance with Paragraph 1, Article 427 of the Companies Act, the Company has agreements with Mr. Junichi Handa, Mr. Yusuke Kawamura and Ms. Yuko Tamai to limit their liability for damages stipulated in Paragraph 1, Article 423 of the Companies Act to the minimum amount set forth in Paragraph 1, Article 425 of the Companies Act. If the reelection of each of them is approved at this Meeting, the Company will keep the said agreements with each of them while if the election of Mr. Takaaki Kakudoh is approved, the Company will have the same agreement with him.

(Attached materials)

Business Report
(From April 1, 2019 to March 31, 2020)

Overview of the corporate group

1. Business progress and results

(1) Operating environment

In fiscal 2019, ended March 31, 2020, the Japanese economy continued to recover at a moderate pace, supported by improving employment and income conditions in the first half of the fiscal year. However, in the second half of the fiscal year, natural disasters and the hike to consumption tax weighed on consumer spending and there was a big concern about a negative impact on the economy from the widening COVID-19 outbreak.

Against that backdrop, the Mitsui Sugar Group focused on strengthening the earnings capabilities of existing businesses while remaining fully committed to its primary responsibility to society – the stable supply of safe and reliable sugar products and other food ingredients. In addition, the Company worked to reinforce its business base in both Japan and overseas. Specifically, in December 2019, the Company established a new joint venture called HANY SUGAR to manufacture and sell small home-use sugar packets and various types of processed sugar in China as part of ongoing efforts to tap into growth in overseas markets using sites in Asia.

At a meeting of the Board of Directors on March 25, 2020, the Company approved a number of moves aimed at further strengthening the Group's sugar business in Japan: (1) start discussions with Dai-Nippon Meiji Sugar Co., Ltd. regarding a business integration with an effective date of April 1, 2021, and (2) open discussions with Dai-Nippon Meiji Sugar and Nippon Beet Sugar Manufacturing Co., Ltd. about a capital and business alliance with an effective date to be determined separately. For more details about the board resolutions, please refer to the press release published on March 25, 2020: "Notice Regarding Commencement of Talks for Business Integration between Mitsui Sugar Co., Ltd. and Dai-Nippon Meiji Sugar Co., Ltd. and Capital and Business Alliance between Mitsui Sugar Co., Ltd., Dai-Nippon Meiji Sugar Co., Ltd. and Nippon Beet Sugar Manufacturing Co., Ltd."

(2) Summary of the Mitsui Sugar Group

(Sugar Business)

In the overseas crude sugar market, which affects raw material prices in the Sugar Business, the sugar price started the fiscal year at the 12 cents per pound level, before falling to around 10 cents at one point amid growing expectations that supply-demand conditions would ease worldwide. Amid a string of forecasts pointing to a drop in output in key producing countries in the coming fiscal year, the price subsequently rebounded, reaching the 13 cents per pound level at the end of December 2019. However, after reaching the high-15 cent level in February 2020, the sugar price fell back sharply to end the fiscal year at 10 cents per pound amid a downturn in macroeconomic conditions due to a slowdown in the global economy caused by the COVID-19 outbreak, which combined to create a range of factors that indirectly impacted the supply-demand environment for sugar. Meanwhile, in Japan, retail prices for refined white sugar trended at around 187-188 yen per kg during the fiscal year.

In sales activities, sales volume overall declined compared with the previous fiscal year, reflecting weak shipments to users in the beverage sector amid an unseasonably cold rainy season and wet summer, and delays to production at a factory in the fourth quarter of the fiscal year. Amid a downward trend in sales of home-use 1kg sugar packs, the Company expanded its range of resealable small sugar packets designed for better storage and worked to establish the packaging as the market standard by targeting volume retailers in the Tokyo Metropolitan area.

On the cost front, the Group faced higher fixed costs, reflecting rising logistics costs due to worker shortages and an increase in depreciation and amortization related to investment in new equipment and facilities to ensure stable operations. However, efforts to procure crude sugar at appropriate prices led to an improvement in raw material costs, supporting an increase in operating income compared with the previous fiscal year.

Overseas, the Group established a new joint venture in China called HANY SUGAR, which is preparing to start operations in autumn 2020, drawing on the Group's domestic expertise in small home-use sugar packets and the processing of various types of sugar.

In consolidated subsidiaries, production volume declined at Showa Sugar Co., Ltd. amid poor weather, and profits declined at Hokkaido Sugar Co., Ltd. due to a drop in sales prices and sales volume. However, SIS'88 Pte Ltd, which became a consolidated subsidiary at the end of the third quarter in the previous fiscal year, performed well

on the whole throughout the fiscal year, contributing to profits.

As a result, net sales of the Sugar Business amounted to 92,145 million yen (up 9.5% year on year) and operating income was 3,240 million yen (up 37.9% year on year).

Sugar market status during period

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

Fiscal year ended March 31, 2020: 187-188 yen

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

Opening price	Highest price	Lowest price	Closing price
12.53 cents	15.90 cents	10.42 cents	10.42 cents

(Food Science Business)

In the Food Science Business, sales of palatinose and palachinit were slightly weak, but operating income increased compared with the previous fiscal year due to an improvement in the profit margin for palatinose. Growing use of sugar cane extract for sanitation applications also contributed to higher sales and profits year on year. In July 2019, the Group's slow calorie sugar, which contains palatinose, received approval as a Food with Functional Claim for its ability to limit increases in blood sugar levels after meals. To coincide with the labelling approval, the Food Science Business ran a high-profile marketing campaign to raise consumer awareness about the product's functionality.

In consolidated subsidiaries, sales and profits from TAISHO TECHNOS CO., LTD. increased due to higher sales and an improvement in the cost ratio following the start of operations at a new plant. Nutri Co., Ltd. also reported higher sales and profits, due mainly to sales growth at a liquid food business acquired during the fiscal year under review.

As a result, net sales in the Food Science Business amounted to 19,766 million yen (up 2.9% year on year), while operating income was 679 million yen (up 44.3% year on year).

(Real Estate Business)

The Real Estate Business booked a full-year contribution from the leasing of a logistics center in Okayama City, which was leased out in November 2018. However, net sales of 1,942 million yen (down 0.7% year on year) and operating income of 928 million yen (up 0.7% year on year) were both flat compared with the previous fiscal year.

As a result of the above, net sales in fiscal 2019 increased 8.1% year on year to 113,854 million yen and operating income rose 29.5% to 4,848 million yen.

In non-operating income and expenses, the Group booked royalty income of 1,340 million yen based on a development and marketing rights agreement for fingolimod (FTY720). However, due to an ongoing arbitration process between Novartis Pharma AG and Mitsubishi Tanabe Pharma Corporation, which is the joint holder of the fingolimod patent with the Company, the Group continues to exclude the recognition of profits related to the portion of royalty income subject to the arbitration process by Novartis Pharma AG, which is challenging the enforceability of certain provisions under the agreement.

In addition, the Group recorded share of loss of entities accounted for using equity method, mainly reflecting a decline in sales prices and sales volume at affiliates in Thailand amid weakness in the overseas crude sugar market. As a result, ordinary income declined 51.7% year on year to 4,982 million yen and profit attributable to owners of parent fell 64.7% to 2,422 million yen, which also reflected an extraordinary loss of 234 million yen as environmental expenses related to the accidental leak of heavy fuel oil at Hokkaido Sugar Co., Ltd.

Given the current characteristics of the Group's financial position, which has seen a large increase in depreciation costs for goodwill and other items related to the acquisition of businesses and assets to drive future growth, the Company is focusing on EBITDA (*1) in conjunction with other profit measures to provide a clearer picture of the Group's cash generation capabilities. In the fiscal year under review, EBITDA was 11,132 million yen, showing that the Group's business activities remain in a healthy state.

*1 Simplified calculations for consolidated depreciation and amortization and other items added to consolidated operating income.

[Translation]

Net sales by business segment

Business segment	Net sales	Component ratio
	Million yen	%
Sugar Business	92,145	80.9
Food Science Business	19,766	17.4
Real Estate Business	1,942	1.7
Total	113,854	100.0

2. Issues to work on

<The Mitsui Sugar Group's Mission>

The Mitsui Sugar Group will contribute to healthy and diverse lifestyles for people everywhere through food by supplying safe and reliable food ingredients that harness the natural bounties of sugar cane and sugar beet.

<Current Business Environment>

The Sugar Business generates over 80% of the Group's sales and owns domestic sugar producing companies in Hokkaido, Kagoshima and Okinawa. As such, the Group's business structure is exposed to changes in the operating environment in the Sugar Business and agricultural and trade policies. In addition, domestic sugar demand is projected to decline due to factors such as Japan's aging society and falling population and competition from pre-sweetened products and high-fructose corn syrup. To address those challenges, the Group plans to strengthen the domestic Sugar Business and rapidly build a balanced earnings structure by implementing initiatives in the Food Science Business, Real Estate Business and overseas operations.

In fiscal 2020, ending March 31, 2021, the growing COVID-19 outbreak is likely to have a prolonged impact on the global economy, not only Japan. Given that outlook, the Mitsui Sugar Group will continue to conduct its business activities in order to meet its primary responsibility to society – the stable supply of safe and reliable sugar products and other food ingredients.

Over the last few years, royalty income based on a development and marketing rights agreement for fingolimod (FTY720) has contributed significantly to earnings. However, due to an ongoing arbitration process about the agreement between Novartis Pharma AG and Mitsubishi Tanabe Pharma Corporation, which is the joint holder of the fingolimod patent with Mitsui Sugar, the Group continues to exclude the recognition of profits related to the portion of royalty income that is subject to the arbitration process.

<Measures to Address Issues>

Against that backdrop, Mitsui Sugar will work closely with Group companies to strengthen existing businesses and expand businesses in growth fields, based on the recognition of the following specific issues and measures to address them.

In the domestic Sugar Business, we will (1) continue to invest to ensure stable supplies, while also investing in automation and labor-saving measures to address structural changes in Japanese society, such as the declining population, (2) pursue optimization across all areas of our supply chain, from production and sales through to logistics, in response to broader issues that affect Japan as a whole, such as labor shortages in manufacturing and logistics businesses, and (3) launch competitive products using the SPOON brand and roll out marketing activities tailored to changes in market needs from the perspective of customers.

In the overseas Sugar Business, we will (1) reinforce the competitiveness of SIS'88 Pte Ltd in Singapore, (2) build a sugar product supply chain in the China food products business serving both the BtoB market and the BtoC market, and (3) enhance cooperation with affiliates in Thailand to implement strategic initiatives.

In the Food Science Business, we aim to increase earnings capabilities by stepping up cooperation between Group companies and by using M&A and other external resources, targeting fields that extend healthy life expectancy, improve performance during exercise and combine health and flavor.

In the Real Estate Business, we aim to continue generating stable cash flow using assets in the real estate portfolio, and further improve asset efficiency and strengthen earnings capabilities by developing real estate in Minami Ward in Okayama City and Nagata Ward in Kobe City.

In research and development, we aim to create new businesses that maximize the sustained benefits of sugar cane as an environmentally friendly crop. Specifically, we plan to manufacture and develop applications for polyphenol and other valuable substances extracted from bagasse, a solid residue left after the extraction of sugar cane juice, and develop technology to improve cultivation techniques to make sugar cane farming more stable and highly profitable.

In addition, Mitsui Sugar disclosed on March 25, 2020 that it plans to start discussions with Dai-Nippon Meiji Sugar Co., Ltd. regarding a possible business integration, and with Nippon Beet Sugar Manufacturing Co., Ltd. regarding a possible capital and business alliance. Amid the increasingly challenging operating environment, the three parties will discuss ways of combining their extensive management expertise in production technology, quality and cost control, logistics and raw material procurement, accumulated over many years in the domestic sugar sector, in order to create a more stable supply framework in Japan and strengthen international competitiveness to support future growth.