

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Consolidated Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]

November 05, 2021

Company name: The Nisshin Oillio Group, Ltd.
 Stock exchange listing: Tokyo
 Code number: 2602
 URL: <https://www.nisshin-oillio.com>
 Representative: Takahisa Kuno President and Representative Director
 Contact: Osamu Kawabe General Manager, Financial Dept.
 Phone: +81-3 (3206) 5036
 Scheduled date of filing quarterly securities report: November 09, 2021
 Scheduled date of commencing dividend payments: December 02, 2021
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 01, 2021, to September 30, 2021)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2021	195,329	20.9	6,284	(20.1)	7,171	(9.9)	5,298	(4.9)
September 30, 2020	161,613	(3.6)	7,867	2.4	7,961	12.4	5,570	21.4

(Note) Comprehensive income: Six months ended September 30, 2021: ¥ 8,408 million [50.3 %]
 Six months ended September 30, 2020: ¥ 5,595 million [82.3 %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2021	163.49	-
September 30, 2020	167.01	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of September 30, 2021	318,865	160,434	47.9
March 31, 2021	292,154	153,259	49.8

(Reference) Equity: As of September 30, 2021: ¥ 152,768 million
 As of March 31, 2021: ¥ 145,552 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	40.00	-	40.00	80.00
Fiscal year ending March 31, 2022	-	45.00			
Fiscal year ending March 31, 2022 (Forecast)			-	45.00	90.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 01, 2021, to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	400,000	18.9	11,500	(6.7)	12,000	(13.3)	7,700	(16.7)	237.63

(Note) Revision to the financial results forecast announced most recently: No

Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2021

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2021: 33,716,257 shares

March 31, 2021: 34,667,857 shares

2) Total number of treasury shares at the end of the period:

September 30, 2021: 1,307,081 shares

March 31, 2021: 2,263,963 shares

3) Average number of shares during the period:

Six months ended September 30, 2021: 32,406,428 shares

Six months ended September 30, 2020: 33,355,797 shares

* The Company's shares held by the Trust Account for Stock Delivery to Directors are included in treasury shares.

- The Quarterly Consolidated Financial Results are not subject to quarterly review by certified public accountants or audit firms.
- Explanation of the appropriate use of earnings forecasts and other notes: The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended as a promise by the Company that they will be achieved. Actual results may differ materially due to a variety of factors. Please refer to "1. Qualitative Information on the Quarterly Consolidated Financial Results, (3) Explanation of the Forecast Data, including Consolidated Results Forecast" on page 10 of the Reference for the conditions that form the assumptions for the forecast of financial results and cautions concerning the use of the forecast of financial results.

The Company will hold a financial results briefing for analysts and institutional investors via live webcast on Friday, November 12, 2021 (Financial Results Briefing for Analysts and Institutional Investors). Language used: Japanese only. Materials to be used in this briefing will be posted on the Company's website on the same day as the briefing.

[Reference]

Table of Contents

1. Qualitative Information on the Quarterly Consolidated Financial Results	5
(1) Overview of Business Performance	5
(2) Overview of Financial Position	9
(3) Explanation of the Forecast Data, including Consolidated Results Forecast	10
2. Quarterly Consolidated Financial Statements and Related Notes	11
(1) Quarterly Consolidated Balance Sheets	11
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	13
(3) Quarterly Consolidated Statements of Cash Flows	15
(4) Notes to the Quarterly Consolidated Financial Statements	16
Going concern assumption	16
Notes on any significant fluctuation in the amount of shareholders' equity	16
Changes in accounting policies	16
Additional information	16
Segment information	18
Revenue recognition	20

1. Qualitative Information on the Quarterly Consolidated Financial Results

Any forward-looking statement herein are based on management's judgment as of September 30, 2021.

(1) Overview of Business Performance

During the first half of the fiscal year ending March 31, 2022, Japanese economy continued to be in a tough circumstance despite the progress of COVID-19 vaccinations. Personal consumption was sluggish, particularly in the industries of restaurant, lodging, and entertainment, due to the continued restrictions as the number of COVID-19 cases was on the rise.

In the global economy, China, Europe and the United States. are normalizing their economic activities. However, some emerging countries in Southeast Asia and other regions are taking time to recover from the coronavirus pandemic, as strict behavioral regulations are being in force due to the spread of infection caused by mutated strains.

The Group's business in Japan and overseas have also been significantly affected by changes in demand due to behavioral alteration and restrictions on consumption activities. On the cost front, the business environment remains challenging, with market prices for grains, key raw material, at historically high levels, and resource prices soaring due to a surge in energy demand accompanying the global economic recovery from the pandemic.

In this setting, under the medium-term management plan "Value Up +" (2021-2024), the Group aims to achieve sustainable growth through the creation of diverse shared value with society, bearing the "Natural Power of Plants®" as the basis for value creation.

During the six months ended September 30, 2021, net sales was ¥195,329 million, 120.9% year on year. In terms of earnings, operating profit decreased 20.1% to ¥6,284 million, ordinary profit decreased 9.9% to ¥7,171 million, and profit attributable to owners of parent was ¥5,298 million, 95.1% of the previous year. The effect of the adoption of the new revenue recognition standard on net sales was a decrease of ¥2,872 million, while the effect on profit and loss for the six months ended September 30, 2021, was immaterial.

Results by segment are as follows.

Previously, the Company used three reporting segments: "Oil, Meal, and Processed Food," "Processed Oil and Fat," and "Fine Chemical." However, in line with the business strategies in the medium-term management plan, "Value Up +," the Company has changed its reporting segments to "Oil and Fat," "Processed Food and Materials," and "Fine Chemical."

This change in business segments is intended to accurately reflect the actual state of The Nisshin Oillio Group's management and administration.

Segment information for the six months ended September 30, 2020 has been restated based on the classification method after the change.

Furthermore, as stated in the section regarding change in accounting policies, the Company has applied the accounting standard for revenue recognition from the beginning of the first quarter of the fiscal year ending March 31, 2022, changing the accounting methods regarding revenue recognition. The impact of the change on each segment is negligible.

Net sales

(Million yen)

		Six months ended Sept. 30, 2020	Six months ended Sept. 30, 2021	Change	YoY (%)
Oil and Fat	Oil and Meal	101,233	123,269	+22,036	121.8
	Processed Oil and Fat	26,191	36,752	+10,561	140.3
	Subtotal	127,424	160,022	+32,597	125.6
Processed Food and Materials		25,713	25,739	+26	100.1
Fine Chemical		7,129	8,265	+1,136	115.9
Other		1,345	1,302	(43)	96.8
Total		161,613	195,329	+33,716	120.9

Operating profit

(Million yen)

		Six months ended Sept. 30, 2020	Six months ended Sept. 30, 2021	Change	YoY (%)
Oil and Fat	Oil and Meal	4,743	2,607	(2,135)	55.0
	Processed Oil and Fat	2,643	2,489	(154)	94.2
	subtotal	7,386	5,096	(2,290)	69.0
Processed Food and Materials		497	630	+132	126.6
Fine Chemical		436	787	+351	180.5
Other		(94)	114	+209	—
Intersegment eliminations and adjustments		(359)	(345)	+13	—
Total		7,867	6,284	(1,583)	79.9

Overview by Segment**<< Oil and Fat >>**

Net sales increased year on year, mainly due to sales price revisions against the backdrop of soaring raw material prices. On the other hand, operating profit declined, as the Company was unable to absorb the surge in raw material prices despite its efforts to revise prices.

■ Procurement Environment of Raw Materials

Although compared to the same period of the previous fiscal year, the U.S. dollar-yen exchange rate remained at almost the same level, both soybean and rapeseed prices were significantly higher due to considerable increase in the market prices of major raw materials.

Market Prices of Major Raw Materials

The market price of soybeans rose to the US\$16 per bushel level in mid-May against the backdrop of tight supply

and demand for U.S. soybeans due to vigorous purchasing by China, and expectations of increased demand for biofuels. After that, there were times when the prices fell, but they continued to be traded in the US\$13 to US\$14 range owing to concerns about production cuts caused by high temperature and dryness in the United States. As the weather in the United States improved from August and the prospects for the improvement of U.S. production increased, the price dropped to the US\$12 level, however, remained significantly higher compared to the same period of the previous year.

The market price for rapeseed reached a record high of C\$1,000 per metric ton in May due to the tightening of global supply and demand caused by the impact of reduced production of rapeseed in Europe as well as expectations of increased demand for biofuels. Although the price subsequently fell in line with the soybean market, it remained in the high range of C\$800 to C\$900, owing to the heat wave that hit western Canada in late June, causing the production volume of Canadian rapeseed to decrease significantly. Also, the prospect of deteriorating quality of the product also kept the prices considerably high, compared to the same period of the previous year.

Exchange Rates

The yen weakened against the U.S. dollar, triggered by the rise in U.S. long-term interest rates and other factors resulting from the economic recovery in the United States with large-scale economic policies and expectations of convergence through COVID-19 vaccination. Subsequently, the yen continued to weaken against the U.S. dollar, against the same period of the previous fiscal year, hovering between ¥109 and ¥111 amid attention to the trend of the reduction of monetary easing in the United States.

■ Meal Sales

Net sales of soybean meal outperformed year on year, due to an increase in sales volume as a result of a recovery in the crushing volumes, strong demand for feedstuffs as a result of the subsidence of ASF (African swine fever) in China, and an increase in animal feed raw material prices driven by tight global supply and demand for soybeans and corn. Net sales of rapeseed meal exceeded year on year thanks to an increase in sales volume due to recovering crushing volumes and higher sales prices stemming from factors, such as a lack of supply capacity for competing feedstuff materials and solid compounding rates.

■ Sales of Oil and Processed Oil and Fat

Oil and Fat

In the commercial-use sector, the Group worked to find out new customers through "needs-collaboration discovery" marketing and proposals of value-added products including functional oils and fats such as "customer-solutions-type frying oil" with long-lasting functions and "Nisshin steamed-rice oil". As a result, sales increased year on year due also to a partial recovery in demand, which had fallen sharply in the wake of the coronavirus pandemic, and efforts to revise selling prices amid soaring prices of raw materials.

Sales of oils and fats for food processing also increased year on year as a result of sales at reasonable prices commensurate with costs.

In the household-use sector, the Company worked to revise sales prices and continued to nurture the market for value-added products and expand sales, particularly of sesame oil and supplementary oils. On the other hand, sales volume decreased compared with the same period of the previous fiscal year, when sales grew substantially in the backdrop of increased demand for "at-home" meals amidst the spread of the coronavirus. As a result, sales in the household-use sector decreased year on year.

As a result of the above, overall sales of oils and fats increased from the same period of the previous fiscal year, but operating profit decreased year on year due to the significant impact of soaring raw material prices.

Processed Oil and Fat

Despite the continuing impact of COVID-19, sales were firm in the overseas sector of processed oil and fat, namely at Intercontinental Specialty Fats Sdn. Bhd. in Malaysia. In addition, sales increased year on year as a result of a rise in selling prices in response to soaring prices of palm oil. In terms of profits, operating profit increased year on year, mainly due to the impact of the mark-to-market valuation of palm oil transactions.

In the domestic sector of processed oil and fat, sales increased from the same period in the previous year, resulting from efforts to formulate appropriate prices in line with costs and a recovery in sales volume. However, the operating profit declined due to the significant impact of soaring raw material prices.

<< Processed Food and Materials >>

In the Processed Food and Materials business segment, sales of seasonings and MCT (medium-chain triglyceride) related products increased, while chocolate products and other related products were affected by the adoption of the revenue recognition standards. As a result, net sales remained at the same level year on year, while operating profit outperformed.

With strong efforts to expand sales of chocolates in the face of continued sluggish demand for confectionery, mainly as souvenirs, the sales volume of chocolate products at Daito Cacao Co. remained at the same level year on year. T.&C. Manufacturing Co., Pte. Ltd. in Singapore experienced a decrease in sales of confectionary ingredients and other products (premixed products) to Japan. In addition, the sales volume increased in PT Indoagri Daitocacao by the new business transactions. As a result of these factors, overall chocolate sales were at the same level as the same period of the previous year, while operating profit was higher.

In seasonings, sales increased due to sales expansion of *Nisshin Dressing "Diet"* and other core products, as well as of *Nisshin Flaxseed Dressing* and *Nisshin Green Perilla Dressing*, but operating profit declined year on year owing to an increase in selling, general and administrative expenses.

In functional materials and foods, sales and operating profit both increased compared with the same period of the previous fiscal year due to an increase in sales of MCT-related products.

In soybean materials and foods, efforts were made to launch new products and sell soybean meal at appropriate prices. As a result, operating profit outperformed year on year while net sales remained at the same level, due to the impact of the adoption of the revenue recognition standards.

<< Fine Chemical >>

In the Fine Chemical business segment, sales and operating profit both increased compared with the same period of the previous fiscal year, mainly as a result of a recovery in sales of cosmetic raw materials overseas, especially in China, Europe, and the United States.

With regard to fine chemical products, despite continued difficult domestic sales conditions of cosmetic ingredients, sales and operating profit both increased compared with the same period of the previous fiscal year, owing to a recovery in demand in China, Europe and the United States, and increase in overseas sales of products applied for cleansing and skincare.

In environment and hygiene-related products, sales were at the same level as the same period of the previous fiscal year due to steady sales of alcohol preparations, but operating profit fell short due to a decrease in sales of high-margin products.

<< Other >>

In the Other business segment including information systems, net sales were down, but operating profit

increased year on year.

Net sales by region

Sales to Asia, including Malaysia and China, increased 28.9% year on year to ¥21,861 million. Sales to other regions, including Europe and the United States, increased 52.8% year on year to ¥17,232 million, owing to the increased sales to Europe and North America by Intercontinental Specialty Fats Sdn. Bhd. Overseas sales accounted for 20.0% of consolidated net sales, up 2.5 percentage points from the same period of the previous fiscal year.

(2) Overview of Financial Position

1) Assets, liabilities and net assets

Total assets on September 30, 2021, stood at ¥318,865 million, up ¥26,711 million from the previous fiscal year-end. The main reasons for this increase were increases of ¥6,414 million in accounts receivable - trade, ¥16,580 million in inventories, ¥1,465 million in property, plant and equipment, and ¥2,841 million in investment securities. These were partially offset by a decrease of ¥1,475 million in cash and deposits.

Liabilities stood at ¥158,430 million, up ¥19,536 million from the previous fiscal year-end. The main reason for the increase was an increase of ¥9,038 million in short-term borrowings and ¥15,199 million in long-term borrowings. This was partially offset by decreases of ¥6,352 million in current liabilities-other (accounts payable).

Net assets stood at ¥160,434 million, an increase of ¥7,174 million from the previous fiscal year-end. The main factors in the increase were increases of ¥2,226 million in retained earnings, ¥3,009 million in treasury shares and ¥3,169 million in accumulated other comprehensive income. This was partially offset by a decrease of ¥1,188 million in capital surplus.

2) Status of cash flows

Cash and cash equivalents as of September 30, 2021, stood at ¥7,665 million, a decrease of ¥1,590 million from the previous fiscal year-end.

<< Cash Flows from Operating Activities >>

Operating activities used net cash of ¥17,251 million (¥2,670 million used in the same period of the previous fiscal year). The main factors increasing cash were profit before income taxes of ¥7,066 million, depreciation of ¥4,287 million, and increase in trade payables of ¥3,269 million. The main factors decreasing cash were an increase in trade receivables of ¥5,833 million, an increase in inventories of ¥15,640 million, and income taxes paid of ¥1,846 million.

<< Cash Flows from Investing Activities >>

Investing activities used net cash of ¥6,900 million (¥6,714 million used in the same period of the previous fiscal year). The main factor decreasing cash was purchase of property, plant, and equipment of ¥7,224 million.

<< Cash Flows from Financing Activities >>

Financing activities provided net cash of ¥22,736 million (¥778 million used in the same period of the previous fiscal year). The main factors increasing cash was a net increase in short-term borrowings of ¥14,283 million and proceeds from long-term borrowings of ¥15,152 million. This was partially offset by repayment of long-term borrowings of ¥5,129 million and a decrease in cash for dividends paid of ¥1,298 million.

(3) Explanation of the Forecast Data, including Consolidated Results Forecast

In terms of consolidated business results, there is no change in the forecast for the fiscal year ending March 31, 2022, which was announced on August 6, 2021.

The number of new cases of the COVID-19 in Japan and around the world has begun to decline, and the resumption of economic activities is proceeding at a rapid pace. On the other hand, economic recovery is expected to take some time due to stagnation and restrictions in global supply chains (supply networks), including those in Southeast Asia, and concerns about the spread of new mutant strains.

In this environment, in the oil and fat segment, which is the Group's core business, raw material prices have remained at historically high levels. Moreover, there are concerns about soaring prices of soybean oil and palm oil, especially against the backdrop of increasing global demand for oil, as well as reduced production and deteriorating raw material quality of new grain rapeseed from Canada due to unseasonable weather. In response to such deterioration in profitability from the second half of the fiscal year, the Company is focusing on revising selling prices and expanding sales of value-added products. The outlook, however, is expected to remain uncertain due to sluggish domestic consumer sentiment and delayed recovery in demand.

As mentioned above, uncertainties remain in the Group's full-year earnings forecasts. The Group will carefully assess future trends and promptly disclose earnings forecasts if it is determined that revisions are necessary.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	11,036	9,560
Notes and accounts receivable - trade	68,379	74,793
Inventories	60,154	76,734
Other	11,367	11,987
Allowance for doubtful accounts	(19)	(47)
Total current assets	150,918	173,029
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	27,630	32,083
Machinery, equipment and vehicles, net	28,192	36,566
Land	28,115	28,137
Other, net	17,010	5,626
Total property, plant and equipment	100,948	102,414
Intangible assets		
Goodwill	244	232
Other	1,459	1,203
Total intangible assets	1,703	1,436
Investments and other assets		
Investment securities	29,516	32,358
Retirement benefit asset	4,941	5,566
Other	4,074	4,017
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	38,505	41,914
Total non-current assets	141,158	145,765
Deferred assets		
Bond issuance costs	76	70
Total deferred assets	76	70
Total assets	292,154	318,865

(Million yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	38,984	42,615
Short-term borrowings	9,411	18,450
Income taxes payable	1,964	1,442
Provisions	53	30
Other	28,218	19,342
Total current liabilities	78,633	81,881
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	25,806	41,005
Provisions	531	463
Retirement benefit liability	1,962	1,993
Other	11,959	13,087
Total non-current liabilities	60,260	76,549
Total liabilities	138,894	158,430
Net assets		
Shareholders' equity		
Share capital	16,332	16,332
Capital surplus	22,849	21,660
Retained earnings	106,318	108,545
Treasury shares	(7,081)	(4,072)
Total shareholders' equity	138,418	142,465
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,670	10,230
Deferred gains or losses on hedges	662	457
Foreign currency translation adjustment	(1,555)	138
Remeasurements of defined benefit plans	(643)	(522)
Total accumulated other comprehensive income	7,133	10,303
Non-controlling interests	7,707	7,665
Total net assets	153,259	160,434
Total liabilities and net assets	292,154	318,865

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Net sales	161,613	195,329
Cost of sales	130,241	166,808
Gross profit	31,371	28,521
Selling, general and administrative expenses	23,503	22,237
Operating profit	7,867	6,284
Non-operating income		
Interest income	42	28
Dividend income	214	195
Share of profit of entities accounted for using equity method	140	955
Foreign exchange gains	—	27
Other	116	110
Total non-operating income	513	1,318
Non-operating expenses		
Interest expenses	213	234
Foreign exchange losses	30	—
Loss on disposal of inventories	46	49
Other	129	146
Total non-operating expenses	419	430
Ordinary profit	7,961	7,171
Extraordinary income		
Gain on sale of investment securities	79	311
Total extraordinary income	79	311
Extraordinary losses		
Loss on retirement of non-current assets	155	383
Loss on the spread of infectious disease	135	—
Loss on cancellation of business consignment agreement	—	33
Total extraordinary losses	291	417
Profit before income taxes	7,749	7,066
Income taxes	2,315	1,879
Profit	5,434	5,186
Loss attributable to non-controlling interests	(136)	(111)
Profit attributable to owners of parent	5,570	5,298

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Profit	5,434	5,186
Other comprehensive income		
Valuation difference on available-for-sale securities	1,400	1,569
Deferred gains or losses on hedges	197	(262)
Foreign currency translation adjustment	(1,452)	1,566
Remeasurements of defined benefit plans, net of tax	111	120
Share of other comprehensive income of entities accounted for using equity method	(95)	228
Total other comprehensive income	161	3,222
Comprehensive income	5,595	8,408
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,958	8,467
Comprehensive income attributable to non-controlling interests	(362)	(58)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	7,749	7,066
Depreciation	3,979	4,287
Amortization of goodwill	15	16
Interest and dividend income	(256)	(224)
Interest expenses	213	234
Share of loss (profit) of entities accounted for using equity method	(140)	(955)
Loss (gain) on sale and retirement of non-current assets	155	383
Loss (gain) on sale of investment securities	(79)	(311)
Decrease (increase) in trade receivables	(1,392)	(5,833)
Decrease (increase) in inventories	(1,399)	(15,640)
Increase (decrease) in trade payables	(5,295)	3,269
Decrease (increase) in retirement benefit asset	(481)	(624)
Increase (decrease) in retirement benefit liability	49	30
Other, net	(3,231)	(7,076)
Subtotal	(113)	(15,380)
Interest and dividends received	232	205
Interest paid	(213)	(229)
Income taxes paid	(2,575)	(1,846)
Net cash provided by (used in) operating activities	(2,670)	(17,251)
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,375)	(7,224)
Proceeds from sale of property, plant and equipment	0	0
Purchase of investment securities	(222)	(11)
Proceeds from sale of investment securities	94	515
Other, net	(211)	(180)
Net cash provided by (used in) investing activities	(6,714)	(6,900)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,629	14,283
Proceeds from long-term borrowings	24	15,152
Repayments of long-term borrowings	(128)	(5,129)
Dividends paid	(1,336)	(1,298)
Proceeds from sale of treasury shares	2	5
Purchase of treasury shares	(0)	(1)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(689)	—
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	2
Dividends paid to non-controlling interests	(35)	(13)
Other, net	(245)	(264)
Net cash provided by (used in) financing activities	(778)	22,736
Effect of exchange rate change on cash and cash equivalents	(238)	144
Net increase (decrease) in cash and cash equivalents	(10,401)	(1,271)
Cash and cash equivalents at beginning of period	23,552	9,256
Increase (decrease) in cash and cash equivalents due to changes in the accounting period of consolidated subsidiaries	(75)	(319)
Cash and cash equivalents at end of period	13,075	7,665

(4) Notes to the Quarterly Consolidated Financial Statements

Going concern assumption

No items to report

Notes on any significant fluctuation in the amount of shareholders' equity

The Company retired 951,600 shares of treasury stock on April 30, 2021, in accordance with a resolution of the Board of Directors meeting held on February 9, 2021. As a result, capital surplus, retained earnings, and treasury shares for the six months ended September 30, 2021 reduced by ¥1,179 million, ¥1,812 million, and ¥2,992 million, respectively.

Changes in accounting policies

◆ **Adoption of Accounting Standard for Revenue Recognition**

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, the "Accounting Standard for Revenue Recognition") from the beginning of the first quarter of the fiscal year ending March 31, 2022. Under the new standard, the Company recognizes as revenue the amount which it expects to receive in exchange for promised goods or services upon the transfer of control of the goods or services to the customer.

The Group has adopted the alternative treatment stipulated in paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" for sales of commodities or products in Japan, under which it will recognize revenue upon shipment in cases where the time period from shipment until control of the commodities or products is transferred to the customer is within an ordinary time period.

With the adoption of the Accounting Standard for Revenue Recognition, in transactions that were previously recorded as sales promotion expenses within selling, general and administrative expenses where the Group pays its customer, if the consideration paid to the customer is not payment for a separate good or service from the customer, the revenue is measured by deducting the consideration from the transaction price.

In adopting the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment stated in the proviso of Section 84 of the standard, the cumulative amount of impacts that would have accrued had the new accounting policies been adopted prior to the beginning of the first quarter of the fiscal year ending March 31, 2022 was added to or deducted from the balance of retained earnings at the beginning of the first quarter, and the new accounting policies applied from the balance at the beginning of the period.

As a result, the amount of net sales during the six months ended September 30, 2021, was decreased by ¥2,872 million. In addition, the impact on profit and loss and on retained earnings in the quarterly consolidated financial statements during the six months ended September 30, 2021, was negligible.

Furthermore, in accordance with the transitional treatment stipulated in Section 89-2 of the Accounting Standard for Revenue Recognition, the figures for the previous fiscal year have not been restated according to the new presentation method. In addition, in accordance with the transitional treatment stipulated in Section 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information breaking down revenue arising from contracts with customers pertaining to the six months ended September 30, 2020 has not been presented.

Additional information

◆ **Impact of the COVID-19 pandemic**

Although the number of people with COVID-19 is on a downward trend due to the progress of vaccination, it is difficult to predict the timing of its cessation and extent of the impact of the outbreak, as there are concerns that the infection

may spread again due to the emergence of new mutant strains. As for the impact on the Group, gradual recovery is expected in demand for commercial oils and fats, processed oils and fats, and chocolate products for the food service and tourism industries as the number of infected people decreases and measures to combat COVID-19 are eased. On the other hand, the growth rate of household-use products is expected to slow down due to the reaction to last year's sharp increase in demand for "at-home" meals and sluggish consumer confidence. Therefore, there has been no significant change in the assumptions, including the future spread of COVID-19 and the timing of its cessation, as presented in the "Impact of the spread of COVID-19" under "Additional Information" in the Annual Securities Report for the previous fiscal year. The impact of COVID-19 is expected to continue throughout the year.

◆ **Change of fiscal year closing date of consolidated subsidiaries**

From the first quarter of the fiscal year ending March 31, 2022, the fiscal year closing dates of Industrial Química Lasem, S.A.U., T. & C. Manufacturing Co., Pte. Ltd., and Intercontinental Specialty Fats (Italy) S.r.l. were changed from December 31 to March 31. For Shanghai Nisshin Oil & Fats, Ltd., The Nisshin Oillio (China) Investment Co., Ltd., Intercontinental Specialty Fats (Shanghai) Co., Ltd., and The Nisshin Oillio (Shanghai) International Trading Co., Ltd., the Company has changed to a method of consolidation by conducting a provisional closing of financial accounts on March 31, the consolidated closing date. Moreover, regarding profit and loss of the subsidiaries for the three-month period from January 1, 2021, to March 31, 2021, ¥29 million is added to retained earnings upon consolidation.

Segment information

1. Overview of Reporting Segments

The Company's products are divided between operating divisions at its headquarters, and each operating division formulates comprehensive domestic and overseas strategies for each of its assigned products and conducts business activities. As a result, the Company is composed of product segments based on the operating divisions, with three reporting segments: "Oil and Fat," "Processed Food and Materials," and "Fine Chemical."

Main products for each reporting segment can be found in the chart below:

Business Category		Main products
Oil and Fat	Oil and meal	Household-use (edible oils), edible oils for commercial use, oils and fats for food processing, oil meals
	Processed oil and fat	Processed palm oil products, oils and fats for chocolate, margarines, shortenings
Processed Food and Materials		Chocolate-related products, household-use (salad dressing), wellness foods (MCT high-energy food, elderly/nursing care food), MCT, lecithin, tocopherol, edible soybeans, soy protein, tofu
Fine Chemical		Raw materials for cosmetics and toiletries, chemical products, plant-based industrial oils, detergents, antibacterial agents, surfactants
Other		Information systems, sales promotions, sports facility operations, P&C insurance agency, real estate leasing

2. Changes in Reporting Segments

Previously, the Company used the following three reporting segments: "Oil, Meal, and Processed Food," "Processed Oil and Fat," and "Fine Chemical." However, in line with the business strategies in the in the medium-term management plan, "Value Up +," the Company has changed its reporting segments to "Oil and Fat," "Processed Food and Materials," and "Fine Chemical."

This change in business segments is intended to accurately reflect the actual state of the Group's management and administration.

Segment information for the six months ended September 30, 2020, has been restated based on the classification method after the change.

Furthermore, as stated in the section regarding change in accounting policies, the Company has applied the Accounting Standard for Revenue Recognition from the three months ended June 30, 2021, changing the accounting methods regarding revenue recognition. The impact of the change on each segment is negligible.

3. Information Regarding Amounts of Net Sales and Profit and Loss by Reporting Segment

Six months ended September 30, 2020 (April 1, 2020, to September 30, 2020)

(Million yen)

	Reporting segment						Other (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statements of income (Note 3)
	Oil and Fat			Processed Food and Materials	Fine Chemical	Total				
	Oil and meal	Processed oil and fat	Subtotal							
Net sales										
Sales to external customers	101,233	26,191	127,424	25,713	7,129	160,267	1,345	161,613	—	161,613
Intersegment sales and transfers	1,000	2,055	3,056	40	511	3,608	829	4,437	(4,437)	—
Total	102,233	28,247	130,480	25,753	7,641	163,875	2,175	166,050	(4,437)	161,613
Segment profit (loss)	4,743	2,643	7,386	497	436	8,321	(94)	8,226	(359)	7,867

Notes:

1. The Other category is for business segments that are not included in reporting segments, such as information systems.
2. Adjustment for segment profit of - ¥359 million includes unallocated expenses. These expenses mainly comprise general and administrative expenses that cannot be attributed to reporting segments.
3. Segment profit is adjusted against the operating profit recorded in the quarterly consolidated statements of income.

Six months ended September 30, 2021 (April 1, 2021, to September 30, 2021)

(Million yen)

	Reporting segment						Other (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statements of income (Note 3)
	Oil and Fat			Processed Food and Materials	Fine Chemical	Total				
	Oil and meal	Processed oil and fat	Subtotal							
Net sales										
Sales to external customers	123,269	36,752	160,022	25,739	8,265	194,027	1,302	195,329	—	195,329
Intersegment sales and transfers	881	2,710	3,591	56	489	4,138	821	4,959	(4,959)	—
Total	124,150	39,463	163,614	25,796	8,755	198,166	2,123	200,289	(4,959)	195,329
Segment profit (loss)	2,607	2,489	5,096	630	787	6,515	114	6,630	(345)	6,284

Notes:

1. The Other category is for business segments that are not included in reporting segments, such as information systems.
2. Adjustment for segment profit of - ¥345 million includes unallocated expenses. These expenses mainly comprise general and administrative expenses that cannot be attributed to reporting segments.
3. Segment profit is adjusted against the operating profit recorded in the quarterly consolidated statements of income.

4. Regional Information

Six months ended September 30, 2020 (April 1, 2020, to September 30, 2020)

(Million yen)

	Japan	Asia	Other	Total
Net sales	133,373	16,962	11,277	161,613
Ratio to net sales	82.5%	10.5%	7.0%	100.0%

Note: Sales are classified into countries or regions based on customers' locations.

Six months ended September 30, 2021 (April 1, 2021, to September 30, 2021)

(Million yen)

	Japan	Asia	Other	Total
Net sales	156,235	21,861	17,232	195,329
Ratio to net sales	80.0%	11.2%	8.8%	100.0%

Note: Sales are classified into countries or regions based on customers' locations.

Revenue recognition

Information breaking down revenue arising from contracts with customers

Six months ended September 30, 2021 (April 1, 2021, to September 30, 2021)

(Million yen)

	Reporting segment						Other (Note)	Total
	Oil and Fat			Processed Food and Materials	Fine Chemical	Total		
	Oil and meal	Processed oil and fat	Total					
Japan	121,399	4,210	125,610	24,293	5,030	154,933	1,164	156,097
Asia	1,864	17,158	19,022	1,439	1,399	21,861	—	21,861
Other	6	15,383	15,389	6	1,835	17,232	—	17,232
Revenue arising from contracts with customers	123,269	36,752	160,022	25,739	8,265	194,027	1,164	195,192
Other revenue	—	—	—	—	—	—	137	137
Sales to external customers	123,269	36,752	160,022	25,739	8,265	194,027	1,302	195,329

Note: The Other category is for business segments that are not included in reporting segments, such as information systems.