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Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]

August 9, 2023

Company name: The Nisshin Oillio Group, Ltd.

Stock exchange listing: Tokyo

Code number: 2602

URL: <https://www.nisshin-oillio.com/english/>

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Scheduled date of filing quarterly securities report: August 14, 2023

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)**(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	%
Three months ended June 30, 2023	128,740	(6.9)	6,334	27.5	6,554	30.1	5,037	14.6
June 30, 2022	138,224	45.2	4,967	50.0	5,036	27.6	4,395	56.1

(Note) Comprehensive income: Three months ended June 30, 2023: ¥10,941 million [17.3%]
Three months ended June 30, 2022: ¥9,325 million [130.8%]

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2023	Yen 155.41	Yen -
June 30, 2022	135.61	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of June 30, 2023	Million yen 371,979	Million yen 179,897	% 45.8
March 31, 2023	374,453	171,418	43.4

(Reference) Equity: As of June 30, 2023: ¥170,507 million
As of March 31, 2023: ¥162,559 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, 2023	-	45.00	-	75.00	120.00
Fiscal year ending March 31, 2024	-				
Fiscal year ending March 31, 2024 (Forecast)		60.00	-	60.00	120.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% 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	540,000	(3.0)	16,000	(1.1)	16,000	(1.5)	11,500	3.1	354.82

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

▪ Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2023 (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: Yes

(Note) For details, see page 17 under "Application of special accounting methods in the preparation of quarterly consolidated financial statements."

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

1) Changes in accounting policies due to the revision of accounting standards: No

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 stock)

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

June 30, 2023: 33,716,257 shares

March 31, 2023: 33,716,257 shares

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

June 30, 2023: 1,303,323 shares

March 31, 2023: 1,305,677 shares

3) Average number of shares during the period (quarterly cumulative):

Three months ended June 30, 2023: 32,411,992 shares

Three months ended June 30, 2022: 32,408,568 shares

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

- 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 11 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 teleconference on Wednesday, August 9, 2023. Language used: Japanese.

Supplementary materials will be posted on the Company's website on the same day as the briefing.

[Reference]

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1. Qualitative Information on the Quarterly Consolidated Financial Results

Any forward-looking statement herein is based on management's judgment as of June 30, 2023.

(1) Overview of Business Performance

Although the global economy during the first three months of the fiscal year ending March 31, 2024, saw a gradual recovery due to economic activities resuming in China and the rise in energy prices easing off, etc., the future outlook remains unclear owing to factors such as the invasion of Ukraine by Russia continuing for an extended period. Furthermore, monetary tightening to curb inflation in many countries is weighing on economic growth, raising concerns about the risk of recession.

Meanwhile, the Japanese economy showed signs of recovery both in terms of consumption, led by the eating-out and travel sectors, and demand for inbound tourism, triggered by the Japanese government's decision to lower the classification of COVID-19 to Class 5 under the Infectious Diseases Act. On the other hand, there are concerns about the deterioration in corporate earnings and weak consumer confidence due to rising prices caused by soaring energy costs and raw material prices.

Within this environment, the Group continues to mobilize its core policy, "Transform ourselves into a corporate group that continuously creates diverse value through customer centricity," in advancing the "Value Up+" medium-term management plan (FY2021-FY2024). This includes accelerating the Group's growth route with the creation of shared values in six priority sectors as the drivers to growth, while leveraging the "Natural Power of Plants" as the basis for value creation. The aim is to sustain growth through cultivation of diverse values to be shared with society.

The Group has set achieving an ROE level that exceeds equity cost as a material business goal. In FY2022, in addition to making ROIC a business goal, the Group has worked to improve its profitability and asset efficiency. Furthermore, the Group has organized a framework ("Achievement Chart") of KPIs and concrete initiatives under the four perspectives of "growth," "active investment," "sustainability," and "efficiency," and continues to work toward achieving its targets of 8.0% ROE and 4.6% ROIC for FY2024.

The consolidated financial results for the first three months of the fiscal year ending March 31, 2024, were as detailed below.

(Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023	Change	YoY (%)
Net sales	138,224	128,740	(9,483)	93.1
Operating profit	4,967	6,334	+1,367	127.5
Ordinary profit	5,036	6,554	+1,517	130.1
Profit attributable to owners of parent	4,395	5,037	+641	114.6

Overview by Segment

<< Oil and Fat >>

In the oil and fat segment, in terms of oil and meal, although the cost of raw materials peaked out, the Group worked to maintain and form appropriate sales prices, with the cost of raw materials remaining high due to concerns over decreased production caused by poor weather conditions, as well as the ongoing depreciation of the yen against the dollar caused by differences in monetary policy in Japan and the U.S. In addition to expanding sales of value-added products, the Company focused on creating new markets and strengthening solution proposals. Overall, the oil and fat segment reported a decrease in net sales due to the significant impact of the decline in unit sales prices of overseas processed oil and fat, but an increase in operating profit due to the rise in unit sales prices of domestic oils and fats.

◆ Oil and Meal

(Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023	Change	YoY (%)
Net sales	84,611	84,046	(564)	99.3
Operating profit	2,041	4,842	+2,800	237.2

Procurement environment of raw materials

In the procurement of raw materials, there was a fall from last year's historically high market prices of both soybean and rapeseed prices, which are major raw materials. However, the price of soybeans was up from the same period of the previous fiscal year due to the dollar-yen market where the yen weakened against the dollar compared to the same period of the previous fiscal year.

Market prices of major raw materials

The market price for soybeans has risen since the end of last year due to the drought in South America, amid growing concern about a decrease in production in Argentina, to a high of US\$14-15 per bushel between January and March. From April onward, despite the market price's temporarily remaining bearish due to increased optimism over the prospect of a good harvest in Brazil and favorable weather in the U.S. contributing to the successful planting of new crops, the market price shot back up to US\$15 due to droughts in the U.S.

The market price for rapeseed saw the downward trend continue due to an improvement in global supply and demand resulting from the recovery in Canadian production, a good harvest in Australia, and an increase in exports from Ukraine. In May, the market price fell to the C\$600 level for the first time in about two years.

Exchange rates

The dollar-yen market saw the yen continue to weaken against the U.S. dollar to the 150-yen level in October last year for the first time in 24 years. The yen's depreciation against the dollar was then corrected with the U.S. halting interest rate hikes and anticipation over Japan's large-scale monetary easing policy shift causing the yen to temporarily fall below 130 yen to the U.S. dollar. However, in June, the yen recovered to the 140-yen level because there was no change in the direction of monetary policies by both Japan and the U.S., resulting in the depreciation of the yen against the U.S. dollar in contrast to the same period of the previous fiscal year.

Sales of oil and fat

In commercial-use products, despite the price of raw materials falling from a historic high, but remaining high due to concerns over decreased production of soybeans and the continuing depreciation of the yen, the Group worked to maintain and form appropriate sales prices. Also, through “collaborative-sales-to-identify-needs marketing,” continuous efforts were made to enhance and improve solution proposals for issues such as improving the quality of end products, reducing costs, and improving productivity. Efforts were likewise made to expand sales through active proposals with value-added products as priority categories, such as “customer-solution-type frying oil” with long-lasting functions, *Nisshin Oil for Steamed-Rice*, and other functional oil and fat. However, despite COVID-19 being reclassified as Class 5 under the Infectious Diseases Act in May, demand for food services and tourism has yet to be fully recovered, and net sales decreased due to a reduction in sales volume.

For the food processing sector, net sales rose with the efforts to advance sales at appropriate prices in view of costs, against the backdrop of the market price of raw materials falling from the peak price.

As for household-use products, with the market shrinking due to the impact of rising belt-tightening behavior among consumers due to continued rise in the cost of living, including food price hikes, efforts were made to increase the value of edible oils and to form a new price equilibrium point by increasing sales of products, such as *Nisshin Healthy Off*, which curtails the absorption of oil when deep-frying foods. With the price of raw materials such as olive oil, sesame oil, and rice bran oil continuing to rise steeply, efforts were made to revise sales prices and to continue to embed value-added products such as “pour-and-enjoy fresh edible oil” and “flavored oil” into the market. However, net sales decreased due to the sales volume falling below that of the same period of the previous fiscal year.

As a result, net sales of overall domestic oils and fats increased, and unit sales prices also increased from the same period of the previous year, resulting in an increase in operating profit.

Meal sales

As for soybean meal, sales volume decreased due to a reduction in soybean crushing volume compared to the same period of the previous fiscal year. On the other hand, sales prices rose significantly due to a rise in Chicago Board of Trade prices for soybean meal and the weaker yen against the U.S. dollar, resulting in net sales being more or less the same as the same period of the previous fiscal year.

Sales volume of rapeseed meal also decreased due to a decrease in crushing volume compared to the previous year. However, as sales prices rose due to the impact of higher soybean meal prices and other factors, net sales increased.

◆ Processed Oil and Fat

(Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023	Change	YoY (%)
Net sales	32,318	22,418	(9,899)	69.4
Operating profit	2,412	1,053	(1,358)	43.7

As for overseas processed oil and fat, overall sales volume decreased due to reasons such as a reduction in export sales at Intercontinental Specialty Fats Sdn. Bhd. in Malaysia caused by a shift in the shipment timing. Furthermore, net sales fell due to sales prices falling as a result of a decline in the market price of palm oil, and this combined with factors such as the lower mark-to-market valuation gains on palm oil transactions, led to a decrease in operating profit.

Net sales at Intercontinental Specialty Fats (Italy) S.r.l. increased thanks to increasing sales to new customers. However, operating profit fell because of backlash of the increased demand for palm oil brought about by Russia's invasion of Ukraine during the same period of the previous fiscal year.

In the domestic processed oil and fat sector, despite the continuation of the difficult circumstances of consumers opting to save money due to the rise in the cost of living and clients reducing the amount of oils and fats they use by making their products smaller, sales volume increased due to capturing new users and existing customers adopting new products proposed by us. Also, both net sales and operating profit increased as a result of price revisions against the backdrop of rising costs of raw materials, utilities, and packaging materials.

<< Processed Food and Materials >>

(Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023	Change	YoY (%)
Net sales	15,441	17,010	+1,568	110.2
Operating profit	66	194	+128	292.5

In the processed food and materials segment, despite the impact of rising raw material prices and energy costs, efforts such as the revision to appropriate sales prices for mainly chocolate products allowed net sales and operating profit to increase.

In chocolate products, although sales volume of Daito Cacao Co., Ltd. was almost the same as the previous fiscal year, with rising raw material prices and energy costs, sales and operating profit rose due to advancing the revision to appropriate sales prices commensurate with costs. T.&C. Manufacturing Co., Pte. Ltd. of Singapore remained affected by continuing decline in demand for premixed products in Japan as in last year, and as a result, its sales volume decreased. At PT Indoagri Daitocacao of Indonesia, its sales volume decreased due to factors such as prioritizing improvement of profitability. The chocolate category as a whole saw net sales and operating profit increase, in part thanks to the performance of Daito Cacao Co., Ltd.

In seasonings, sales volume of dressings was firm, and net sales increased, but operating profit declined due to the significant impact of the rise in the cost of sales ratio and increased SG&A expenses.

In functional materials and foods, the Company continued to market the functionality of MCTs under the concept of "shifting to a body-fat-burning constitution." the Company worked to expand the size of the market by promoting the launch of MCT (medium-chain triglyceride) products in collaboration with processed food manufacturers. However, despite striving for sales at appropriate prices in response to the rising price of raw materials, net sales increased but operating profit fell due to increased SG&A expenses and other factors.

In soybean materials and foods, net sales and operating profit both increased due to selling soybean protein and other products at appropriate prices in response to rising raw material prices.

<< Fine Chemical >>

(Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023	Change	YoY (%)
Net sales	5,235	4,643	(591)	88.7
Operating profit	542	312	(229)	57.7

In the fine chemical segment, net sales and operating profit fell due to a decrease in sales volume at our European subsidiary caused by economic stagnation in Europe and rising energy costs, etc.

As for fine chemical products, although domestic demand for cosmetics is showing signs of a recovery, in China, a major sales destination, sales volume fell due to sluggish consumption caused by uncertainty about the future, as well as excessive inventory of end products. Demand is also stagnant in Europe and the U.S. due to reasons such as the rise in the cost of living. Sales volume at our European subsidiary, which performed well last year, reduced significantly. Although the cost of raw materials is on a downward trend, net sales and operating profit fell due to issues such as the continuing surge in energy costs.

Environment and hygiene-related products saw a drop in sales volume due to a reduced demand for alcohol preparations, and despite advancing sales price revision efforts, net sales and operating profit declined under the heavy impact of soaring raw materials prices and energy costs.

<< Other >>

(Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023	Change	YoY (%)
Net sales	617	621	+3	100.6
Operating profit	113	166	+52	146.5

In the other business segment including information systems, net sales and operating profit increased year on year.

Net sales by region

(Million yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023	Change	YoY (%)
Japan	103,056	105,181	+2,124	102.1
Asia	17,740	12,885	(4,854)	72.6
Other	17,427	10,673	(6,753)	61.2
Overseas sales ratio	25.4%	18.3%	—	(7.1P)

Net sales to Malaysia, China and other Asian markets, and other markets, such as Europe and the US, fell due to the impact of factors such as lower sales prices of overseas processed oil and fat products against the backdrop of a decline in the market price of palm oil.

Reference: Net sales (non-consolidated)

(Million yen)

		Three months ended June 30, 2022	Three months ended June 30, 2023	Change	YoY (%)
Oil and Fat	Oil and Meal	75,492	76,211	+719	101.0
	Commercial-use and food processing	31,849	32,653	+804	102.5
	Household-use	18,927	18,561	(366)	98.1
	Meal	24,715	24,996	+281	101.1
	Processed Oil and Fat	2,962	3,625	+663	122.4
	Subtotal	78,455	79,837	+1,382	101.8
Processed Food and Materials		4,825	5,510	+685	114.2
Fine Chemical		1,451	1,646	+194	113.4
Other		85	96	+10	112.7
Total		84,818	87,091	+2,272	102.7

(2) Overview of Financial Position

1) Assets, liabilities and net assets

Total assets on June 30, 2023, stood at ¥371,979 million, down by ¥2,474 million from the previous fiscal year-end. The main reasons for this decrease were decreases of ¥2,125 million in accounts receivable—trade and ¥8,267 million in inventories. This decrease in total assets was partially offset by increases of ¥1,051 million in cash and deposits, ¥3,395 million in property, plant and equipment, and ¥2,370 million in investment securities.

Liabilities stood at ¥192,082 million, down by ¥10,952 million from the previous fiscal year-end. The main reasons for the decrease were decreases of ¥5,683 million in trade payables, ¥3,871 million in short-term borrowings, and ¥1,027 million in income taxes payable.

Net assets stood at ¥179,897 million, an increase of ¥8,478 million from the previous fiscal year-end. The main factors in the increase were increases of ¥2,593 million in retained earnings and ¥5,347 million in accumulated other comprehensive income.

2) Status of cash flows

Cash and cash equivalents as of June 30, 2023, stood at ¥11,893 million, an increase of ¥994 million from the previous fiscal year-end.

<< Cash Flows from Operating Activities >>

Operating activities provided net cash of ¥11,467 million (¥11,787 million used in the same period of the previous fiscal year). The main factors increasing cash were profit before income taxes of ¥7,371 million, depreciation of ¥2,319 million, a decrease in trade receivables of ¥2,669 million, and a decrease in inventories of ¥9,048 million. The main factors decreasing cash were a decrease in trade payables of ¥6,227 million and income taxes paid of ¥3,139 million.

<< Cash Flows from Investing Activities >>

Investing activities used net cash of ¥4,050 million (¥1,102 million used in the same period of the previous fiscal year). The main factor increasing cash was proceeds from sale of property, plant, and equipment of ¥1,277 million. There was also a decrease in cash due to purchase of property, plant, and equipment of ¥4,986 million.

<< Cash Flows from Financing Activities >>

Financing activities used net cash of ¥6,818 million (¥11,567 million provided in the same period of the previous fiscal year). The main factors decreasing cash were net decrease in short-term borrowings of ¥4,208 million and dividends paid of 2,432 million.

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

With regard to the consolidated results, there is no change in the figures of full-year consolidated earnings forecasts for FY2023 (fiscal year ending March 31, 2024), originally announced on May 12, 2023.

If we determine that changes in circumstances require us to revise the Group's earnings forecasts, we will disclose such revisions promptly.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	13,036	14,087
Notes and accounts receivable - trade	99,578	97,453
Inventories	106,041	97,774
Other	15,104	16,057
Allowance for doubtful accounts	(193)	(183)
Total current assets	233,567	225,189
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,819	30,345
Machinery, equipment and vehicles, net	34,635	34,318
Land	27,487	27,520
Other, net	8,303	12,458
Total property, plant and equipment	101,247	104,643
Intangible assets		
Goodwill	204	211
Other	1,916	2,029
Total intangible assets	2,121	2,240
Investments and other assets		
Investment securities	27,654	30,024
Retirement benefit asset	5,931	5,937
Other	3,908	3,925
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	37,467	39,859
Total non-current assets	140,836	146,743
Deferred assets		
Bond issuance costs	49	46
Total deferred assets	49	46
Total assets	374,453	371,979

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	51,073	45,389
Short-term borrowings	33,500	29,629
Income taxes payable	3,327	2,299
Provisions	71	87
Other	27,673	24,347
Total current liabilities	115,646	101,753
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	52,313	52,477
Provisions	443	459
Retirement benefit liability	2,062	2,084
Other	12,569	15,307
Total non-current liabilities	87,388	90,328
Total liabilities	203,034	192,082
Net assets		
Shareholders' equity		
Share capital	16,332	16,332
Capital surplus	21,663	21,663
Retained earnings	117,899	120,493
Treasury shares	(4,073)	(4,065)
Total shareholders' equity	151,821	154,422
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,199	8,754
Deferred gains or losses on hedges	349	2,639
Foreign currency translation adjustment	4,213	5,652
Remeasurements of defined benefit plans	(1,024)	(961)
Total accumulated other comprehensive income	10,737	16,084
Non-controlling interests	8,859	9,389
Total net assets	171,418	179,897
Total liabilities and net assets	374,453	371,979

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	138,224	128,740
Cost of sales	121,008	109,635
Gross profit	17,215	19,105
Selling, general and administrative expenses	12,248	12,771
Operating profit	4,967	6,334
Non-operating income		
Interest income	18	38
Dividend income	151	146
Share of profit of entities accounted for using equity method	38	-
Foreign exchange gains	299	202
Other	93	142
Total non-operating income	600	530
Non-operating expenses		
Interest expenses	193	228
Share of loss of entities accounted for using equity method	-	8
Loss on disposal of inventories	27	23
Provision of allowance for doubtful accounts	149	-
Other	161	49
Total non-operating expenses	531	310
Ordinary profit	5,036	6,554
Extraordinary income		
Gain on sale of non-current assets	-	872
Gain on sale of investment securities	1,216	-
Total extraordinary income	1,216	872
Extraordinary losses		
Loss on retirement of non-current assets	173	55
Total extraordinary losses	173	55
Profit before income taxes	6,078	7,371
Income taxes	1,686	2,278
Profit	4,392	5,093
Profit (loss) attributable to non-controlling interests	(2)	56
Profit attributable to owners of parent	4,395	5,037

Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	4,392	5,093
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,632)	1,553
Deferred gains or losses on hedges	2,719	2,395
Foreign currency translation adjustment	3,488	1,661
Remeasurements of defined benefit plans, net of tax	109	63
Share of other comprehensive income of entities accounted for using equity method	247	174
Total other comprehensive income	4,932	5,848
Comprehensive income	9,325	10,941
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,054	10,384
Comprehensive income attributable to non- controlling interests	270	557

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	6,078	7,371
Depreciation	2,328	2,319
Amortization of goodwill	8	9
Interest and dividend income	(169)	(185)
Interest expenses	193	228
Share of loss (profit) of entities accounted for using equity method	(38)	8
Loss (gain) on sale and retirement of non-current assets	173	(817)
Loss (gain) on sale of investment securities	(1,216)	-
Decrease (increase) in trade receivables	(9,232)	2,669
Decrease (increase) in inventories	(5,914)	9,048
Increase (decrease) in trade payables	(2,647)	(6,227)
Decrease (increase) in retirement benefit asset	(320)	(5)
Increase (decrease) in retirement benefit liability	30	21
Other, net	(52)	248
Subtotal	(10,778)	14,690
Interest and dividends received	158	181
Interest paid	(241)	(265)
Income taxes paid	(926)	(3,139)
Net cash provided by (used in) operating activities	(11,787)	11,467
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,488)	(4,986)
Proceeds from sale of property, plant and equipment	61	1,277
Purchase of investment securities	(6)	(6)
Proceeds from sale of investment securities	1,505	-
Other, net	(174)	(335)
Net cash provided by (used in) investing activities	(1,102)	(4,050)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,169)	(4,208)
Proceeds from long-term borrowings	15,017	-
Repayments of long-term borrowings	(9)	(13)
Dividends paid	(1,459)	(2,432)
Proceeds from sale of treasury shares	0	2
Purchase of treasury shares	(0)	(0)
Dividends paid to non-controlling interests	(26)	(29)
Proceeds from share issuance to non-controlling shareholders	356	-
Other, net	(142)	(135)
Net cash provided by (used in) financing activities	11,567	(6,818)
Effect of exchange rate change on cash and cash equivalents	321	395
Net increase (decrease) in cash and cash equivalents	(1,001)	994
Cash and cash equivalents at beginning of period	7,875	10,899
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	2,187	-
Cash and cash equivalents at end of period	9,061	11,893

(4) Notes to the Quarterly Consolidated Financial Statements

Notes on going concern assumption

There is no item to report.

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

There is no item to report.

Application of special accounting methods in the preparation of quarterly consolidated financial statements

[Deferral of cost variances]

Cost variances arising from seasonally fluctuating operating rates are deferred as current liabilities (other), because such variances are expected to be mostly eliminated by the end of the cost accounting period.

Additional information

◆ Effects of Russia's prolonged invasion of Ukraine

The uncertainty over the grain supply and the disruption of the supply chain caused by Russia's invasion of Ukraine remain unresolved. Although the Group does not have any manufacturing or sales base in Russia or Ukraine, the disruption in the supply chain continues to have an indirect impact on the procurement of raw materials.

The Group will continue to closely monitor the situation and take appropriate risk management measures to minimize the impact on its business activities, such as by forming appropriate sales prices commensurate with costs, expanding sales of value-added products and focusing on stable procurement of raw materials.

In consideration of these factors, at the present time, it is the judgment that the potential is low for any serious impact on the recoverability of deferred tax assets or other accounting related estimates.

Segment information

1. Overview of Reporting Segments

The Company has established operating divisions by product; each division conducts business activities by formulating comprehensive domestic and overseas strategies for the products it handles. Therefore, the Company's business consists 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
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. Information Regarding Amounts of Net Sales and Profit and Loss by Reporting Segment

Three months ended June 30, 2022 (April 1, 2022, to June 30, 2022)

(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	84,611	32,318	116,930	15,441	5,235	137,606	617	138,224	—	138,224
Intersegment sales and transfers	413	2,519	2,933	21	421	3,375	446	3,821	(3,821)	—
Total	85,025	34,837	119,863	15,462	5,656	140,982	1,063	142,046	(3,821)	138,224
Segment profit (loss)	2,041	2,412	4,453	66	542	5,062	113	5,175	(208)	4,967

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 - ¥208 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.

Three months ended June 30, 2023 (April 1, 2023, to June 30, 2023)

(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	84,046	22,418	106,465	17,010	4,643	128,119	621	128,740	—	128,740
Intersegment sales and transfers	475	1,979	2,454	51	506	3,012	448	3,460	(3,460)	—
Total	84,521	24,398	108,920	17,061	5,150	131,132	1,069	132,201	(3,460)	128,740
Segment profit (loss)	4,842	1,053	5,896	194	312	6,403	166	6,570	(235)	6,334

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 - ¥235 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.

3. Regional Information

Three months ended June 30, 2022 (April 1, 2022, to June 30, 2022)

(Million yen)

	Japan	Asia	Other	Total
Net sales	103,056	17,740	17,427	138,224
Ratio to net sales	74.6%	12.8%	12.6%	100.0%

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

Three months ended June 30, 2023 (April 1, 2023, to June 30, 2023)

(Million yen)

	Japan	Asia	Other	Total
Net sales	105,181	12,885	10,673	128,740
Ratio to net sales	81.7%	10.0%	8.3%	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

Three months ended June 30, 2022 (April 1, 2022, to June 30, 2022)

(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	82,861	2,679	85,541	14,083	2,814	102,439	545	102,985
Asia	1,735	13,952	15,687	1,352	699	17,740	—	17,740
Other	14	15,686	15,701	4	1,721	17,427	—	17,427
Revenue arising from contracts with customers	84,611	32,318	116,930	15,441	5,235	137,606	545	138,152
Other revenue	—	—	—	—	—	—	71	71
Sales to external customers	84,611	32,318	116,930	15,441	5,235	137,606	617	138,224

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

Three months ended June 30, 2023 (April 1, 2023, to June 30, 2023)

(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	83,564	3,302	86,867	15,010	2,682	104,560	539	105,099
Asia	464	9,740	10,204	1,998	683	12,885	—	12,885
Other	17	9,375	9,393	1	1,278	10,673	—	10,673
Revenue arising from contracts with customers	84,046	22,418	106,465	17,010	4,643	128,119	539	128,659
Other revenue	—	—	—	—	—	—	81	81
Sales to external customers	84,046	22,418	106,465	17,010	4,643	128,119	621	128,740

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

Significant subsequent events

◆ Formation of jointly controlled company

At a meeting held on August 9, 2023, the Board of Directors adopted a resolution and concluded a joint venture agreement with J-Oil Mills, Inc. to establish Oilseed Processing Partners Japan, Ltd. by means of a joint spinoff effective as of October 2, 2023. Based on this, the oilseed processing functions at the Company's Mizushima Plant and J-Oil Mills' Kurashiki Plant specified in the "Spinoff Joint Venture Plan" will be treated as oilseed processing contract services, and a portion of the related assets, liabilities, rights, and obligations will be assumed by Oilseed Processing Partners Japan.

1. Overview of the transaction

(1) Name and details of the subject business

Oilseed processing functions at the Nisshin Oillio Group's Mizushima Plant and J-Oil Mills' Kurashiki Plant (manufacturing and processing of fats and oil cake)

(2) Date of business combination

October 2, 2023

(3) Legal format of business combination

Newly established by the Company and J-Oil Mills, Oilseed Processing Partners Japan will be the succeeding company taking over the spinoffs from the two companies. The investment ratios of the two companies will be equal.

(4) Name of company after the business combination

Oilseed Processing Partners Japan, Ltd.

(5) Other matters relating to the overview of the transaction

In accordance with the common recognition of long-term challenges in the domestic edible oil industry, the Company and J-Oil Mills aim to support food and diet in Japan into the future and contribute broadly to society by realizing stable supplies of oil and meal, enhancing sustainable international competitiveness, and solving environmental and social issues. Both companies have been studying the establishment of an oilseed processing joint venture since May 2021, and from November 2022, held discussions regarding the establishment of a joint venture company in the western Japan area. Having obtained the approval of the Japan Fair Trade Commission for this spinoff, both companies decided to execute this spinoff in October 2023.

Oilseed Processing Partners Japan will seek to build a joint business structure to bolster the international competitiveness of the domestic oilseed processing industry and ensure stable supplies over the long term. It will also promote efforts toward the building of next-generation oilseed processing plants that lead to the solution of environmental and social issues with the creation of smart factories utilizing artificial intelligence and the Internet of Things (IoT) and initiatives to facilitate a decarbonized society.

(6) Reasons for the decision to form a jointly controlled company

In forming the jointly controlled company, the Company and J-Oil Mills concluded a joint venture agreement whereby they will jointly control Oilseed Processing Partners Japan. All consideration paid at the time of the business combination will be shares with voting rights. There are no other certain facts indicating a controlling relationship. Accordingly, we determined that the business combination constitutes the establishment of a jointly controlled company.

2. Overview of accounting procedures to be implemented

In accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), we plan to treat this transaction as the formation of a jointly controlled company. Since it is a jointly controlled company, Oilseed Processing Partners Japan will be treated as an equity-method affiliate of the Company.