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## Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

November 8, 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: November 14, 2023

Scheduled date of commencing dividend payments: December 4, 2023

Availability of supplementary briefing material on quarterly financial results: Yes

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 Six Months Ended September 30, 2023 (April 1, 2023 to September 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	%
Six months ended September 30, 2023	254,839	(7.5)	11,545	22.4	11,132	12.5	7,976	2.5
September 30, 2022	275,621	41.1	9,436	50.2	9,895	38.0	7,784	46.9

(Note) Comprehensive income: Six months ended September 30, 2023: ¥14,216 million [8.4%]  
Six months ended September 30, 2022: ¥13,115 million [56.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2023	Yen 246.09	Yen -
September 30, 2022	240.20	-

**(2) Consolidated Financial Position**

	Total assets	Net assets	Capital adequacy ratio
As of September 30, 2023	Million yen 382,964	Million yen 183,170	%
March 31, 2023	374,453	171,418	43.4

(Reference) Equity: As of September 30, 2023: ¥173,715 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	-	60.00			
Fiscal year ending March 31, 2024 (Forecast)			-	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	510,000	(8.4)	18,000	11.2	17,500	7.7	12,500	12.0	385.65

(Note) Revision to the financial results forecast announced most recently: Yes

For consolidated financial results forecast, please refer to the "Announcement of Revision of Full-Year Consolidated Earnings Forecasts" made today (November 8, 2023).

▪ Notes:

(1) Changes in significant subsidiaries during the six months ended September 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: 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: 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):

September 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:

September 30, 2023: 1,303,458 shares

March 31, 2023: 1,305,677 shares

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

Six months ended September 30, 2023: 32,412,361 shares

Six months ended September 30, 2022: 32,409,347 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 live webcast on Thursday, November 16, 2023. Language used: Japanese.

Materials to be used in this briefing 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 September 30, 2023.

### (1) Overview of Business Performance

Although the global economy showed signs of resilience in personal consumption, primarily in the U.S., during the first half of the fiscal year ending March 31, 2024, the future outlook remains unclear owing to factors such as the prolongation of monetary tightening, the emergence of geopolitical risks, and others.

Meanwhile, the Japanese economy saw a recovery in consumption, led by the eating-out and travel sectors, and an increase in inbound demand, 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 possible slumping of consumption 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, ROIC was added to the business performance metrics, and, more than ever before, 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 six months of the fiscal year ending March 31, 2024, were as detailed below.

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	YoY (%)
Net sales	275,621	254,839	(20,781)	92.5
Operating profit	9,436	11,545	+2,109	122.4
Ordinary profit	9,895	11,132	+1,237	112.5
Profit attributable to owners of parent	7,784	7,976	+191	102.5

## Overview by Segment

### << Oil and Fat >>

In the oil and fat segment, in terms of oil and meal, although raw material prices have exceeded their one-time peak, they remained high due to concerns about production cutbacks caused by unfavorable weather and the yen's depreciation against the dollar, among other factors. In response, the Group worked to maintain and form appropriate sales prices. 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 operating profit increased due to sales of domestic oils and fats at appropriate prices.

### ◆ Oil and Meal

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	YoY (%)
Net sales	170,311	162,110	(8,200)	95.2
Operating profit	4,188	8,839	+4,651	211.0

### 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 flat 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 main raw materials*

Regarding the market price for soybeans, from April onward, despite market prices remaining bearish due to increased optimism over the prospect of a bumper harvest in Brazil and the successful planting of new crops in the U.S., the market price went up to US\$15 range in July due to projections of decrease in area under cultivation and high temperatures and dry weather in growing areas. Later, prices fell to the US\$12 range in September due to selling pressures for the harvest season.

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. As a result of high temperatures and dry weather in the growing areas of Canada, however, the price increased to the mid-C\$800 range in July. Later, however, the weather improved, and joining the bearish price decline of other oil markets, the price fell to the C\$700 range.

#### *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, but the U.S. halting interest rate hikes and anticipation over Japan's large-scale monetary easing policy shift caused the yen to temporarily appreciate and the dollar weaken to below 130 yen. However, in June, the dollar reached the 140-yen level, because there was no change in the direction of monetary policies by both Japan and the U.S., and in September, the yen depreciated against the dollar to around 150 yen, due to strengthening views that higher interest rates in the U.S. would become prolonged.

### Sales of oil and fat

In commercial-use products, amid a downward trend in the prices of raw materials falling from historic highs, 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” that curtails oxidation and coloration of the frying oil. COVID-19 was reclassified as Class 5 under the Infectious Diseases Act, bringing a recovery trend to demand for food services and tourism, but sales volume and unit sales prices were both down, resulting in a decline in net sales from the same period of the previous fiscal year.

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 foods are deep-fried. With the price of raw materials such as olive oil and sesame 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. As a result, while sales volume was on a par with the same period of the previous fiscal year, unit sales prices were higher, leading to an increase in net sales.

Hence, net sales of overall domestic oils and fats were flat and unit sales prices increased from the same period of the previous year, resulting in an increase in operating profit.

### Meal sales

As for soybean meal, sales prices rose due to a rise in Chicago Board of Trade prices for soybean meal and the weaker yen against the U.S. dollar, but sales volume decreased due to lower soybean crushing volume compared to the same period of the previous fiscal year, resulting in lower net sales.

Sales prices of rapeseed meal rose due to the impact of higher soybean meal prices and other factors, but the crushing volume was down from the same period of the previous fiscal year, and thus sales volume and net sales decreased.

### ◆ Processed Oil and Fat

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	YoY (%)
Net sales	63,403	49,306	(14,097)	77.8
Operating profit	4,621	2,195	(2,426)	47.5

As for overseas processed oil and fat, despite an impact on sales at Intercontinental Specialty Fats Sdn. Bhd. in Malaysia caused by a shift in the shipment timing to major European customers, sales to domestic customers were strong and overall sales volume was flat from the same period of the previous fiscal year. Furthermore, net sales decreased due to sales prices dropping 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 expanded sales to new customers.

In terms of profit, despite a reaction to the increase in demand for palm oil due to Russia's invasion of Ukraine in the same period of the previous year, an increase in operating profit was achieved owing to stable sales to existing customers as well as the acquisition of new customers.

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 measures to set appropriate sales prices commensurate with costs.

**<< Processed Food and Materials >>**

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	YoY (%)
Net sales	30,366	32,864	+2,498	108.2
Operating profit	56	121	+65	214.5

In the processed food and materials segment, despite effects from rising prices of raw materials and energy costs, net sales and operating profit increased due to higher sales volume of chocolate products and revision to appropriate sales prices.

In chocolate products, Daito Cacao Co., Ltd. had higher sales volume compared to the same period of the previous fiscal year due to a recovery in demand in the souvenir market and for premixed products in the bakery industry in conjunction with the reclassification of COVID-19 as Class 5 under the Infectious Diseases Act. Also, amid rising raw material prices and energy costs, progress was made in setting appropriate sales prices commensurate with costs, and as a result, net sales and operating profit increased. 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, sales volume was flat year on year as a result of maintaining firm sales to existing customers while 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 up from the same period of the previous fiscal year, 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 MCT (medium-chain triglyceride) under the concept of "shifting to a body-fat-burning constitution." The Company also worked to expand the size of the market by promoting the launch of MCT products in collaboration with processed food manufacturers. However, despite striving for sales at appropriate prices in response to the rising prices 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.



## &lt;&lt; Fine Chemical &gt;&gt;

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	YoY (%)
Net sales	10,234	9,301	(932)	90.9
Operating profit	848	622	(226)	73.3

In the fine chemical segment, net sales and operating profit fell due to a decrease in sales volume at our European subsidiary caused by the effects from the stagnant markets in Europe and other factors.

As for fine chemical products, although domestic demand for cosmetics is showing signs of a recovery, in China, a major sales destination, economic recovery was sluggish and excessive inventories of end products persisted. In Europe, personal consumption was stagnant due to effects from prolonged inflation and other factors, and sales volume at our European subsidiary, which performed well last year, decreased 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.

## &lt;&lt; Other &gt;&gt;

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	YoY (%)
Net sales	1,306	1,255	(50)	96.2
Operating profit	211	233	+21	110.2

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

**Net sales by region**

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	YoY (%)
Japan	206,800	202,699	(4,100)	98.0
Asia	36,117	27,661	(8,455)	76.6
Other	32,703	24,478	(8,225)	74.8
Overseas sales ratio	25.0%	20.5%	—	(4.5P)

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)

		Six months ended September 30, 2022	Six months ended September 30, 2023	Change	YoY (%)
Oil and Fat	Oil and Meal	152,882	146,474	(6,407)	95.8
	Commercial-use and food processing	64,293	63,468	(824)	98.7
	Household-use	36,301	37,124	+823	102.3
	Meal	52,287	45,881	(6,406)	87.7
	Processed Oil and Fat	6,169	7,129	+960	115.6
	Subtotal	159,052	153,604	(5,447)	96.6
Processed Food and Materials		9,503	10,879	+1,375	114.5
Fine Chemical		2,923	3,301	+377	112.9
Other		169	191	+21	112.9
Total		171,648	167,976	(3,672)	97.9

## (2) Overview of Financial Position

### 1) Assets, liabilities and net assets

Total assets on September 30, 2023, stood at ¥382,964 million, up by ¥8,511 million from the previous fiscal year-end. The main reasons for this increase were increases of ¥5,170 million in cash and deposits, ¥1,667 million in trade receivables, ¥4,238 million in property, plant, and equipment, and ¥2,225 million in investment securities. This increase in total assets was partially offset by a decrease of ¥5,596 million in inventories.

Liabilities stood at ¥199,794 million, down by ¥3,240 million from the previous fiscal year-end. The main reason for the decrease was a decrease of ¥12,625 million in short-term borrowings. This decrease in liabilities was partially offset by an increase of ¥6,892 million in trade payables.

Net assets stood at ¥183,170 million, an increase of ¥11,752 million from the previous fiscal year-end. The main factors in the increase were increases of ¥5,532 million in retained earnings and ¥5,615 million in accumulated other comprehensive income.

### 2) Status of cash flows

Cash and cash equivalents as of September 30, 2023, stood at ¥15,958 million, an increase of ¥5,059 million from the previous fiscal year-end.

#### << Cash Flows from Operating Activities >>

Operating activities provided net cash of ¥27,203 million (¥12,703 million used in the same period of the previous fiscal year). The main factors increasing cash were profit before income taxes of ¥11,903 million, depreciation of ¥4,691 million, an increase in trade payables of ¥6,094 million, and a decrease in inventories of ¥6,973 million. The main factors decreasing cash were an increase in trade receivables of ¥789 million and income taxes paid of ¥2,966 million.

#### << Cash Flows from Investing Activities >>

Investing activities used net cash of ¥6,773 million (¥3,258 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 ¥1,285 million. There was also a decrease in cash due to purchase of property, plant, and equipment of ¥7,406 million.

#### << Cash Flows from Financing Activities >>

Financing activities used net cash of ¥16,025 million (¥14,914 million provided in the same period of the previous fiscal year). The main factors decreasing cash were net decrease in short-term borrowings of ¥13,254 million and dividends paid of 2,432 million.

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

With regard to the consolidated results, the Group has revised the figures of full-year consolidated earnings forecasts for FY2023 (fiscal year ending March 31, 2024), originally announced on May 12, 2023.

Please refer to the "Announcement of Revision of Full-Year Consolidated Earnings Forecasts" made today (November 8, 2023) for details.

## 2. Quarterly Consolidated Financial Statements and Related Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	13,036	18,206
Notes and accounts receivable - trade	99,578	101,246
Inventories	106,041	100,445
Other	15,104	15,620
Allowance for doubtful accounts	(193)	(158)
Total current assets	233,567	235,361
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,819	30,270
Machinery, equipment and vehicles, net	34,635	34,723
Land	27,487	27,522
Other, net	8,303	12,969
Total property, plant and equipment	101,247	105,485
Intangible assets		
Goodwill	204	201
Other	1,916	2,177
Total intangible assets	2,121	2,379
Investments and other assets		
Investment securities	27,654	29,880
Retirement benefit asset	5,931	5,941
Other	3,908	3,901
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	37,467	39,696
Total non-current assets	140,836	147,561
Deferred assets		
Bond issuance costs	49	42
Total deferred assets	49	42
Total assets	374,453	382,964

(Million yen)

	As of March 31, 2023	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	51,073	57,965
Short-term borrowings	33,500	20,875
Current portion of bonds payable	-	5,000
Income taxes payable	3,327	3,827
Provisions	71	33
Other	27,673	27,444
Total current liabilities	115,646	115,145
Non-current liabilities		
Bonds payable	20,000	15,000
Long-term borrowings	52,313	52,044
Provisions	443	485
Retirement benefit liability	2,062	2,094
Other	12,569	15,023
Total non-current liabilities	87,388	84,648
Total liabilities	203,034	199,794
<b>Net assets</b>		
Shareholders' equity		
Share capital	16,332	16,332
Capital surplus	21,663	21,663
Retained earnings	117,899	123,432
Treasury shares	(4,073)	(4,066)
Total shareholders' equity	151,821	157,361
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,199	9,067
Deferred gains or losses on hedges	349	1,444
Foreign currency translation adjustment	4,213	6,740
Remeasurements of defined benefit plans	(1,024)	(898)
Total accumulated other comprehensive income	10,737	16,353
Non-controlling interests	8,859	9,455
Total net assets	171,418	183,170
<b>Total liabilities and net assets</b>	<b>374,453</b>	<b>382,964</b>

**(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, 2022	For the six months ended September 30, 2023
Net sales	275,621	254,839
Cost of sales	241,763	217,442
Gross profit	33,858	37,397
Selling, general and administrative expenses	24,422	25,851
Operating profit	9,436	11,545
Non-operating income		
Interest income	41	77
Dividend income	226	235
Share of profit of entities accounted for using equity method	130	-
Foreign exchange gains	740	93
Other	163	264
Total non-operating income	1,302	671
Non-operating expenses		
Interest expenses	417	496
Share of loss of entities accounted for using equity method	-	449
Loss on disposal of inventories	59	52
Provision of allowance for doubtful accounts	149	-
Other	215	85
Total non-operating expenses	843	1,084
Ordinary profit	9,895	11,132
Extraordinary income		
Gain on sale of non-current assets	-	872
Gain on sale of investment securities	1,144	-
Gain on sale of shares of subsidiaries and associates	48	-
Total extraordinary income	1,192	872
Extraordinary losses		
Loss on retirement of non-current assets	397	101
Total extraordinary losses	397	101
Profit before income taxes	10,690	11,903
Income taxes	2,949	3,827
Profit	7,741	8,076
Profit (loss) attributable to non-controlling interests	(43)	100
Profit attributable to owners of parent	7,784	7,976

## Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	7,741	8,076
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,181)	1,886
Deferred gains or losses on hedges	1,849	1,167
Foreign currency translation adjustment	3,946	2,661
Remeasurements of defined benefit plans, net of tax	218	125
Share of other comprehensive income of entities accounted for using equity method	541	298
Total other comprehensive income	5,373	6,139
Comprehensive income	13,115	14,216
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,743	13,592
Comprehensive income attributable to non- controlling interests	371	623

**(3) Quarterly Consolidated Statements of Cash Flows**

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	10,690	11,903
Depreciation	4,696	4,691
Amortization of goodwill	17	19
Interest and dividend income	(268)	(312)
Interest expenses	417	496
Share of loss (profit) of entities accounted for using equity method	(130)	449
Loss (gain) on sale and retirement of non-current assets	397	(770)
Loss (gain) on sale of investment securities	(1,144)	-
Loss (gain) on sale of shares of subsidiaries and associates	(48)	-
Decrease (increase) in trade receivables	(8,081)	(789)
Decrease (increase) in inventories	(25,737)	6,973
Increase (decrease) in trade payables	12,479	6,094
Decrease (increase) in retirement benefit asset	(639)	(9)
Increase (decrease) in retirement benefit liability	46	31
Other, net	(4,463)	1,589
<b>Subtotal</b>	<b>(11,765)</b>	<b>30,368</b>
Interest and dividends received	245	304
Interest paid	(464)	(502)
Income taxes paid	(718)	(2,966)
<b>Net cash provided by (used in) operating activities</b>	<b>(12,703)</b>	<b>27,203</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(4,969)	(7,406)
Proceeds from sale of property, plant and equipment	61	1,285
Purchase of investment securities	(20)	(20)
Proceeds from sale of investment securities	1,857	-
Proceeds from sale of shares of subsidiaries and associates	108	-
Other, net	(296)	(631)
<b>Net cash provided by (used in) investing activities</b>	<b>(3,258)</b>	<b>(6,773)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	1,566	(13,254)
Proceeds from long-term borrowings	15,017	-
Repayments of long-term borrowings	(445)	(28)
Dividends paid	(1,459)	(2,432)
Proceeds from sale of treasury shares	3	2
Purchase of treasury shares	(1)	(1)
Dividends paid to non-controlling interests	(26)	(29)
Proceeds from share issuance to non-controlling shareholders	553	-
Other, net	(293)	(282)
<b>Net cash provided by (used in) financing activities</b>	<b>14,914</b>	<b>(16,025)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>577</b>	<b>654</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(469)</b>	<b>5,059</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7,875</b>	<b>10,899</b>
<b>Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries</b>	<b>2,187</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	<b>9,593</b>	<b>15,958</b>



#### **(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.

##### **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

Six months ended September 30, 2022 (April 1, 2022, to September 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	170,311	63,403	233,714	30,366	10,234	274,315	1,306	275,621	—	275,621
Intersegment sales and transfers	802	5,047	5,850	52	1,157	7,060	930	7,990	(7,990)	—
Total	171,113	68,451	239,565	30,418	11,392	281,376	2,236	283,612	(7,990)	275,621
Segment profit (loss)	4,188	4,621	8,809	56	848	9,715	211	9,926	(490)	9,436

Notes:

- The Other category is for business segments that are not included in reporting segments, such as information systems.
- Adjustment for segment profit of - ¥490 million includes unallocated expenses. These expenses mainly comprise general and administrative expenses that cannot be attributed to reporting segments.
- Segment profit is adjusted against the operating profit recorded in the quarterly consolidated statements of income.

Six months ended September 30, 2023 (April 1, 2023, to September 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	162,110	49,306	211,417	32,864	9,301	253,583	1,255	254,839	—	254,839
Intersegment sales and transfers	973	4,295	5,269	95	813	6,177	966	7,144	(7,144)	—
Total	163,084	53,601	216,686	32,959	10,115	259,761	2,222	261,984	(7,144)	254,839
Segment profit (loss)	8,839	2,195	11,035	121	622	11,779	233	12,012	(466)	11,545

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 - ¥466 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

Six months ended September 30, 2022 (April 1, 2022, to September 30, 2022)

(Million yen)

	Japan	Asia	Other	Total
Net sales	206,800	36,117	32,703	275,621
Ratio to net sales	75.0%	13.1%	11.9%	100.0%

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

Six months ended September 30, 2023 (April 1, 2023, to September 30, 2023)

(Million yen)

	Japan	Asia	Other	Total
Net sales	202,699	27,661	24,478	254,839
Ratio to net sales	79.5%	10.9%	9.6%	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, 2022 (April 1, 2022, to September 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	166,795	5,572	172,368	27,816	5,309	205,494	1,163	206,658
Asia	3,485	28,836	32,322	2,544	1,250	36,117	—	36,117
Other	29	28,994	29,023	5	3,674	32,703	—	32,703
Revenue arising from contracts with customers	170,311	63,403	233,714	30,366	10,234	274,315	1,163	275,479
Other revenue	—	—	—	—	—	—	142	142
Sales to external customers	170,311	63,403	233,714	30,366	10,234	274,315	1,306	275,621

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

Six months ended September 30, 2023 (April 1, 2023, to September 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	160,226	6,539	166,765	29,397	5,280	201,443	1,090	202,534
Asia	1,847	20,762	22,610	3,458	1,592	27,661	—	27,661
Other	36	22,004	22,040	8	2,429	24,478	—	24,478
Revenue arising from contracts with customers	162,110	49,306	211,417	32,864	9,301	253,583	1,090	254,674
Other revenue	—	—	—	—	—	—	165	165
Sales to external customers	162,110	49,306	211,417	32,864	9,301	253,583	1,255	254,839

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. 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" are now treated as oilseed processing contract services, and a portion of the related assets, liabilities, rights, and obligations thereto were transferred to Oilseed Processing Partners Japan on October 2, 2023.

#### 1. Overview of the transaction

##### (1) Name and details of the subject business

Oilseed processing functions at the Company'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 is the succeeding company taking over the spinoffs from the two companies. The investment ratios of the two companies are 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, 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 jointly control Oilseed Processing Partners Japan. All consideration paid at the time of the business combination are shares with voting rights. There are no other certain facts indicating a controlling relationship. Accordingly, the Company 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), the Company plans 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.