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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

February 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: February 13, 2023

Scheduled date of commencing dividend payments: —

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 Nine Months Ended December 31, 2022 (April 1, 2022 to December 31, 2022)

(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	%
Nine months ended December 31, 2022	425,092	35.5	14,701	58.8	14,755	43.7	10,972	49.7
December 31, 2021	313,634	24.7	9,254	(26.0)	10,266	(21.4)	7,331	(18.4)

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥6,564 million [(37.3)%]

Nine months ended December 31, 2021: ¥10,475 million [1.1%]

	Basic earnings per share	Diluted earnings per share
Nine months ended December 31, 2022	Yen 338.55	Yen -
December 31, 2021	226.22	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of December 31, 2022	Million yen 395,348	Million yen 168,023	% 40.3
March 31, 2022	344,506	164,314	45.3

(Reference) Equity: As of December 31, 2022: ¥159,354 million

As of March 31, 2022: ¥156,225 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2022	Yen -	Yen 45.00	Yen -	Yen 45.00	Yen 90.00
Fiscal year ending March 31, 2023	-	45.00	-	-	-
Fiscal year ending March 31, 2023 (Forecast)	-	-	-	45.00	90.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% 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	550,000	27.1	14,700	26.0	15,000	18.6	9,800	14.0	302.37

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

For consolidated financial results forecast, please refer to the "Announcement of Revision of Consolidated Earnings Forecast" made today (February 9, 2023).

■ Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2022 (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 p. 15 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 shares)

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

December 31, 2022: 33,716,257 shares

March 31, 2022: 33,716,257 shares

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

December 31, 2022: 1,305,611 shares

March 31, 2022: 1,307,629 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 32,409,763 shares

Nine months ended December 31, 2021: 32,407,192 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 9 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 Web conference (audio only) on Thursday, February 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 are based on management's judgment as of December 31, 2022.

(1) Overview of Business Performance

During the first nine months of the fiscal year ending March 31, 2023, the Japanese economy showed signs of gradual recovery due to balanced promotion of the prevention of the spread of COVID-19 and economic activities. On the other hand, the pace of recovery remained sluggish, especially in the food service and tourism industries, as the number of newly infected persons increased at one time. Furthermore, there are concerns about deterioration in corporate earnings and weak consumer confidence due to rising prices caused by soaring prices of crude oil and other international commodities.

As for the global economy, the impact of COVID-19 has been limited, but there are concerns about the risk of recession due to significant monetary tightening to curb inflation against the backdrop of disruptions in supply chains caused by the Russian invasion of Ukraine and rising energy 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 consolidated financial results for the nine months of the fiscal year ending March 31, 2023, were as detailed below.

(Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change	YoY (%)
Net sales	313,634	425,092	+111,458	135.5%
Operating profit	9,254	14,701	+5,446	158.8%
Ordinary profit	10,266	14,755	+4,488	143.7%
Profit attributable to owners of parent	7,331	10,972	+3,641	149.7%

Overview by Segment

<< Oil and Fat >>

In the oil and fat segment, in addition to increasing demand for oils and fats due to global economic recovery from the COVID-19 pandemic, concerns over the supply of raw materials linked to Russia's invasion of Ukraine as well as the ongoing depreciation of the yen against the dollar caused by differences in monetary policy in Japan and the U.S., caused the raw materials prices to rise even further. Such conditions prompted thorough efforts to raise productivity and reduce costs, along with the formation of appropriate sales prices. In addition to expanding sales of value-added products, the Company focused on creating new markets and strengthening solution proposals. As a result, both net sales and operating profit increased over the same period of the previous year.

◆ **Oil and Meal**

(Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change	YoY (%)
Net sales	197,076	266,390	+ 69,314	135.2%
Operating profit	3,616	7,969	+ 4,353	220.4%

Procurement environment of raw materials

In procurement of raw materials, market prices for major raw materials rose over the same period of the previous fiscal year. In the dollar-yen market, the yen weakened against the dollar compared to the same period of the previous fiscal year. This led to broad increases in both soybean and rapeseed prices from the same period of the previous fiscal year.

Market prices of major raw materials

The market price for soybeans rose to a historical high of US\$16-17 per bushel in June, due to uncertain supply in grain, fat and oil caused by Russia's invasion of Ukraine and a drop in soybeans production in South America caused by dry weather. It continued to remain significantly higher than in the same period of the previous year, due to the concern for reduced production of soybeans in the U.S. caused by high temperature and dry weather.

The market price for rapeseed also continued to chart an all-time high range due to tightening global supply and demand. Uncertainty over the supply of grain, fat and oil with Russia's invasion of Ukraine, as well as delays in planting new crops in Canada as a consequence of the unseasonable weather, prompted further such increases. In April, the price of rapeseed rose to a new record high of C\$1,200 per metric ton and otherwise moved into an elevated pricing range. After July, the price dropped to the C\$800 level due to expectations of a good harvest in Canada and Australia. The price, however, remained significantly higher than in the same period of the previous year.

Exchange rates

The dollar-yen exchange rate depreciated against the yen sharply from March onward due to the divergence between the monetary policies of Japan and the U.S. and other factors. The yen continued to weaken against the U.S. dollar to the 150-yen level in October due to continued monetary tightening in the U.S. and the expansion of Japan's trade deficit against the backdrop of soaring resource prices. From November, the yen appreciated against the dollar due to expectations for a change in U.S. monetary policy and the Bank of Japan's monetary policy revisions. However, the yen weakened significantly against the U.S. dollar compared to the same period of the previous year.

Sales of oil and fat

In commercial-use, initiatives were taken to revise sales price in the midst of further soaring raw materials prices. Also, continuous efforts were made to respond to changes in consumer behavior, labor shortages, and rising costs, and to enhance the quality of solution proposals to address customers' issues through sales initiatives, such as "collaborative-sales-to-identify-needs marketing."

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. Nevertheless, as demand for food services and tourism have yet to fully recover from the impact of COVID-19, sales volume decreased, but unit sales prices rose, resulting in higher net sales.

For food processing sector as well, net sales were raised with the efforts to advance sales at appropriate prices in view of costs, with the backdrop of further price hikes in raw materials.

Sales prices for household-use products were also revised. This was accompanied by ongoing efforts to

accelerate sales of value-added products by establishing a solid position for “pour-and-enjoy fresh edible oil” in the market and creating of a “flavored oil” market, among others. Despite a decrease in sales promotion opportunities following the revision of sales prices, sales volume of supplement-type oil surpassed that in the same period of previous fiscal year. Although the market for sesame oil and olive oil contracted, sales volumes were flat from the same period of previous fiscal year. In addition, efforts were made to increase sales of strategic products such as *Nisshin Healthy Off*, which curtails the absorption of oil by fried foods. As a result of these developments, net sales increased due to an increase in sales volume and higher sales unit prices in the main categories.

As a result, net sales of oils and fats rose overall, with operating profit also increasing.

Meal sales

As for soybean meal, sales volume increased significantly due to efforts to expand sales of soybean meal in line with the increase in soybean crushing volume against the backdrop of the profitability gap between soybeans and rapeseed. In addition, unit sales prices rose due to higher market prices for key raw materials and the weaker yen against the U.S. dollar, resulting in an increase in net sales.

Sales of rapeseed meal increased, despite a decrease in sales volume due to a decrease in the crushing volume compared to the same period of the previous year in an environment of soybean-milling dominance, as sales prices rose due to the impact of higher soybean meal prices and other factors.

◆ Processed Oil and Fat

(Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change	YoY (%)
Net sales	59,794	92,884	+33,090	155.3%
Operating profit	3,264	5,380	+2,116	164.8%

As for overseas processed oil and fat, overall sales volume decreased due to a decline in sales volume of commodity products, although Intercontinental Specialty Fats Sdn. Bhd. in Malaysia shifted to sales of high value-added chocolate oils and fats amid a recovery from the impact of COVID-19 mainly in Europe. However, higher sales prices due to soaring palm oil market prices and the impact of weaker yen against the ringgit resulted in higher net sales. In addition, operating profit increased due to higher sales volumes of high value-added products, increase of sales prices, and the impact of foreign currency translation.

Intercontinental Specialty Fats (Italy) S.r.l. in Italy reported higher sales and profits mainly due to increased sales volume on the back of the full-scale operation of new production facilities.

In the domestic processed oil and fat sector, under the difficult circumstances of sluggish demand, sales volume increased from the same period of the previous year due to the acquisition of new users and the adoption of new products by existing customers. Also, sales prices were revised in stages, resulting in an increase in net sales. Operating profit decreased due to further increases in raw material costs as well as higher costs for utilities and packaging materials.

<< Processed Food and Materials >>

(Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change	YoY (%)
Net sales	42,226	48,107	+5,880	113.9%
Operating profit	1,529	460	(1,068)	30.1%

In the processed food and materials segment, although net sales increased due to the impact of sales price revisions in Japan and foreign currency translation of overseas subsidiaries, operating profit decreased due to the significant impact of a rise in the cost of sales ratio.

In chocolate products, sales volume of Daito Cacao Co., Ltd. was flat year-on-year as a result of efforts to discover new customers amidst delayed recovery in demand for confectionaries. T.&C. Manufacturing Co., Pte. Ltd. of Singapore was affected by the decline in demand for premixed products in Japan, and as a result, sales volume decreased compared to the same period of the previous year. Sales volume increased at PT Indoagri Daitocacao of Indonesia, backed by invigorated transaction with new clients, which had been delayed under the impact of COVID-19. Operating profit decreased, however, due to the significant impact of a rise in the cost of sales ratio.

In seasonings, in spite of higher sales prices amid declining demand due to price revisions, sales increased but profits declined due to the significant impact of a rise in the cost of sales ratio and increased SG&A expenses.

In functional materials and foods, 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. In addition, despite efforts to sell products at appropriate prices in response to rising raw material prices, the impact of cost increases and higher SG&A expenses resulted in higher sales and lower earnings.

In soybean materials and foods, efforts were made to sell products at appropriate prices in response to rising raw material prices. Thus sales increased. Nevertheless, profits decreased, due to the effect of the sale of a consolidated subsidiary in the previous fiscal year and other factors.

<< Fine Chemical >>

(Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change	YoY (%)
Net sales	12,620	15,743	+3,123	124.7%
Operating profit	1,165	1,252	+86	107.4%

In the fine chemical segment, sales volumes declined mainly in commodity products due to delayed recovery of demand in Japan and overseas, but both sales and operating profit increased as a result of strong sales by subsidiaries in Europe and efforts to sell at appropriate prices in response to rising raw material prices.

Fine chemical business has yet to make a full-scale recovery due to the effects of the COVID-19 pandemic on domestic demand and export demand for China. Thus sales volume was down from the same period of the previous year. In contrast, Industrial Química Lasem, S.A.U. of Spain reported increases in sales as a result of strong sales in the European region, especially in cosmetic ingredients. As a result, sales and operating profit increased for fine chemical segment as a whole.

In environment and hygiene-related products, net sales rose on the strength of higher sales volume backed by strong demand for alcohol preparations. In contrast, operating profit declined under the heavy impact of soaring raw materials prices and energy costs.

<< Other >>

(Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change	YoY (%)
Net sales	1,916	1,965	+49	102.6%
Operating profit	217	328	+111	151.1%

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

Net sales by region

(Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change	YoY (%)
Japan	249,213	325,201	+75,988	130.5%
Asia	36,178	50,833	+14,654	140.5%
Other	28,242	49,057	+20,815	173.7%
Overseas sales ratio	20.5%	23.5%	—	+3.0%

Net sales to Malaysia, China and other Asian markets, and other markets such as Europe and the US advanced on the strength of higher sales prices, reflecting the sharp rise in raw materials prices, and currency conversion.

Reference: Net sales (non-consolidated)

(Million yen)

		Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change	YoY (%)
Oil and Fat	Oil and Meal	173,643	240,804	+67,160	138.7%
	Commercial-use and food processing	70,129	99,681	+29,552	142.1%
	Household-use	44,913	58,001	+13,088	129.1%
	Meal	58,600	83,120	+24,519	141.8%
	Processed Oil and Fat	7,381	10,028	+2,647	135.9%
	Subtotal	181,024	250,832	+69,808	138.6%
Processed Food and Materials		13,232	14,526	+1,293	109.8%
Fine Chemical		4,151	4,383	+232	105.6%
Other		253	256	+2	100.8%
Total		198,662	269,998	+71,336	135.9%

(2) Overview of Financial Position

1) Assets, liabilities and net assets

Total assets on December 31, 2022, stood at ¥395,348 million, up by ¥50,841 million from the previous fiscal year-end. The main reasons for this increase were increases of ¥4,354 million in cash and deposits, ¥32,320 million in accounts receivable—trade, ¥20,084 million in inventories, and ¥1,225 million in property, plant and equipment. These were partially offset by a decrease of ¥2,650 million in investment securities.

Liabilities stood at ¥227,325 million, up by ¥47,132 million from the previous fiscal year-end. The main reasons for the increase were increases of ¥7,670 million in trade payables, ¥20,116 million in short-term borrowings, and ¥14,560 million in long-term borrowings.

Net assets stood at ¥168,023 million, an increase of ¥3,709 million from the previous fiscal year-end. The main factor in the increase was an increase of ¥7,335 million in retained earnings. This was partially offset by a decrease of ¥4,202 million in accumulated other comprehensive income.

2) Status of cash flows

Cash and cash equivalents as of December 31, 2022, stood at ¥12,236 million, an increase of ¥2,173 million from the previous fiscal year-end, in addition to an increase of ¥2,187 million due to changes in the accounting period of consolidated subsidiaries.

<< Cash Flows from Operating Activities >>

Operating activities used net cash of ¥22,348 million (¥34,406 million used in the same period of the previous fiscal year). The main factors increasing cash were profit before income taxes of ¥15,416 million, depreciation of ¥7,072 million and increase in trade payables of ¥5,820 million. The main factors decreasing cash were an increase in trade receivables of ¥30,574 million, an increase in inventories of ¥18,799 million, and income taxes paid of ¥1,749 million.

<< Cash Flows from Investing Activities >>

Investing activities used net cash of ¥4,586 million (¥7,483 million used in the same period of the previous fiscal year). The main factor decreasing cash was purchase of property, plant, and equipment of ¥5,897 million.

<< Cash Flows from Financing Activities >>

Financing activities provided net cash of ¥29,053 million (¥42,885 million provided in the same period of the previous fiscal year). The main factors increasing cash were net increase in short-term borrowings of ¥18,231 million and proceeds from long-term borrowings of ¥15,017 million. There was also a decrease in cash due to repayment of long-term borrowings of ¥1,376 million and dividends paid of ¥2,919 million.

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

With regard to the consolidated results, we have revised the figures of full-year consolidated earnings forecasts for FY2022 (fiscal year ending March 31, 2023), originally announced on May 11, 2022

Please refer to the "Announcement of Revision of Consolidated Earnings Forecasts" made today (February 9, 2023) for details.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	9,977	14,331
Notes and accounts receivable - trade	88,200	120,520
Inventories	84,811	104,896
Other	18,937	13,415
Allowance for doubtful accounts	(86)	(211)
Total current assets	201,840	252,953
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,959	31,653
Machinery, equipment and vehicles, net	36,081	33,877
Land	27,736	27,757
Other, net	5,452	9,167
Total property, plant and equipment	101,230	102,456
Intangible assets		
Goodwill	227	207
Other	1,443	1,777
Total intangible assets	1,671	1,985
Investments and other assets		
Investment securities	30,393	27,743
Retirement benefit asset	5,318	6,276
Other	4,016	3,907
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	39,701	37,901
Total non-current assets	142,603	142,342
Deferred assets		
Bond issuance costs	63	52
Total deferred assets	63	52
Total assets	344,506	395,348

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	44,855	52,525
Short-term borrowings	35,370	55,487
Income taxes payable	626	2,592
Provisions	57	46
Other	24,981	29,064
Total current liabilities	105,891	139,716
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	38,195	52,755
Provisions	493	456
Retirement benefit liability	1,949	2,037
Other	13,662	12,358
Total non-current liabilities	74,300	87,608
Total liabilities	180,192	227,325
Net assets		
Shareholders' equity		
Share capital	16,332	16,332
Capital surplus	21,665	21,663
Retained earnings	110,379	117,714
Treasury shares	(4,071)	(4,073)
Total shareholders' equity	144,305	151,636
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,715	7,194
Deferred gains or losses on hedges	2,565	(2,860)
Foreign currency translation adjustment	1,642	4,059
Remeasurements of defined benefit plans	(1,003)	(676)
Total accumulated other comprehensive income	11,919	7,717
Non-controlling interests	8,088	8,668
Total net assets	164,314	168,023
Total liabilities and net assets	344,506	395,348

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	313,634	425,092
Cost of sales	270,501	373,334
Gross profit	43,133	51,758
Selling, general and administrative expenses	33,878	37,057
Operating profit	9,254	14,701
Non-operating income		
Interest income	43	69
Dividend income	320	328
Share of profit of entities accounted for using equity method	1,011	222
Foreign exchange gains	121	162
Other	163	335
Total non-operating income	1,660	1,118
Non-operating expenses		
Interest expenses	375	655
Loss on disposal of inventories	77	83
Provision of allowance for doubtful accounts	-	122
Other	196	202
Total non-operating expenses	648	1,064
Ordinary profit	10,266	14,755
Extraordinary income		
Gain on sale of investment securities	783	1,270
Gain on sale of shares of subsidiaries and associates	-	48
Total extraordinary income	783	1,319
Extraordinary losses		
Loss on sale of non-current assets	38	-
Loss on retirement of non-current assets	470	658
Loss on cancellation of business consignment agreement	33	-
Total extraordinary losses	543	658
Profit before income taxes	10,506	15,416
Income taxes	3,037	4,362
Profit	7,469	11,053
Profit attributable to non-controlling interests	138	81
Profit attributable to owners of parent	7,331	10,972

Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	7,469	11,053
Other comprehensive income		
Valuation difference on available-for-sale securities	1,021	(1,849)
Deferred gains or losses on hedges	(70)	(5,524)
Foreign currency translation adjustment	1,745	1,974
Remeasurements of defined benefit plans, net of tax	180	326
Share of other comprehensive income of entities accounted for using equity method	128	583
Total other comprehensive income	3,006	(4,489)
Comprehensive income	10,475	6,564
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,238	6,515
Comprehensive income attributable to non- controlling interests	237	49

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	10,506	15,416
Depreciation	6,559	7,072
Amortization of goodwill	25	27
Interest and dividend income	(364)	(398)
Interest expenses	375	655
Share of loss (profit) of entities accounted for using equity method	(1,011)	(222)
Loss (gain) on sale and retirement of non-current assets	509	658
Loss (gain) on sale of investment securities	(783)	(1,270)
Loss (gain) on sale of shares of subsidiaries and associates	-	(48)
Decrease (increase) in trade receivables	(27,798)	(30,574)
Decrease (increase) in inventories	(14,093)	(18,799)
Increase (decrease) in trade payables	71	5,820
Decrease (increase) in retirement benefit asset	(936)	(958)
Increase (decrease) in retirement benefit liability	27	87
Other, net	(3,535)	2,219
Subtotal	(30,447)	(20,315)
Interest and dividends received	362	408
Interest paid	(379)	(691)
Income taxes paid	(3,942)	(1,749)
Net cash provided by (used in) operating activities	(34,406)	(22,348)
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,310)	(5,897)
Proceeds from sale of property, plant and equipment	53	61
Purchase of investment securities	(28)	(28)
Proceeds from sale of investment securities	1,202	2,028
Proceeds from sale of shares of subsidiaries and associates	-	108
Other, net	(400)	(859)
Net cash provided by (used in) investing activities	(7,483)	(4,586)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	32,373	18,231
Proceeds from long-term borrowings	18,838	15,017
Repayments of long-term borrowings	(5,127)	(1,376)
Dividends paid	(2,759)	(2,919)
Proceeds from sale of treasury shares	55	3
Purchase of treasury shares	(2)	(1)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(82)	-
Dividends paid to non-controlling interests	(13)	(26)
Proceeds from share issuance to non-controlling shareholders	-	553
Other, net	(395)	(427)
Net cash provided by (used in) financing activities	42,885	29,053
Effect of exchange rate change on cash and cash equivalents	230	55
Net increase (decrease) in cash and cash equivalents	1,226	2,173
Cash and cash equivalents at beginning of period	9,256	7,875
Increase (decrease) in cash and cash equivalents due to changes in the accounting period of consolidated subsidiaries	(319)	2,187
Cash and cash equivalents at end of period	10,163	12,236

(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

◆ Impact of the spread of COVID-19

At home and abroad, socio-economic activities are beginning to normalize as behavioral restrictions and border measures to prevent the spread of COVID-19 are being relaxed. Personal consumption has recovered and the flow of people across the countries have increased.

Although the end of the epidemic is still unforeseeable, we expect that the impact on the Group's performance will be limited.

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.

◆ Effects of Russia's prolonged invasion of Ukraine

Although the Group does not have any manufacturing or sales bases in Russia or Ukraine, the prolonged uncertainty over grain supply and disruption of the supply chain due to the worsening situation have had an impact on the procurement of raw materials, with energy and grain prices remaining at high levels.

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 forming appropriate sales prices commensurate with costs and 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.

◆ Change of fiscal year closing date of consolidated subsidiaries

From the first quarter of the fiscal year ending March 31, 2023, the fiscal year closing date of Intercontinental Specialty Fats Sdn. Bhd. was changed from December 31 to March 31. Regarding profit and loss of the subsidiary for the three-month period from January 1, 2022, to March 31, 2022, ¥713 million is subtracted from 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. 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

Nine months ended December 31, 2021 (April 1, 2021, to December 31, 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	197,076	59,794	256,870	42,226	12,620	311,718	1,916	313,634	—	313,634
Intersegment sales and transfers	1,313	4,383	5,697	91	850	6,639	1,221	7,860	(7,860)	—
Total	198,390	64,177	262,568	42,318	13,470	318,357	3,137	321,494	(7,860)	313,634
Segment profit (loss)	3,616	3,264	6,881	1,529	1,165	9,576	217	9,794	(539)	9,254

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 - ¥539 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.

Nine months ended December 31, 2022 (April 1, 2022, to December 31, 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	266,390	92,884	359,275	48,107	15,743	423,126	1,965	425,092	—	425,092
Intersegment sales and transfers	1,217	7,159	8,377	90	1,692	10,160	1,331	11,492	(11,492)	—
Total	267,608	100,044	367,652	48,197	17,436	433,287	3,297	436,584	(11,492)	425,092
Segment profit (loss)	7,969	5,380	13,350	460	1,252	15,063	328	15,392	(691)	14,701

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 - ¥691 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

Nine months ended December 31, 2021 (April 1, 2021, to December 31, 2021)

(Million yen)

	Japan	Asia	Other	Total
Net sales	249,213	36,178	28,242	313,634
Ratio to net sales	79.5%	11.5%	9.0%	100.0%

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

Nine months ended December 31, 2022 (April 1, 2022, to December 31, 2022)

(Million yen)

	Japan	Asia	Other	Total
Net sales	325,201	50,833	49,057	425,092
Ratio to net sales	76.5%	12.0%	11.5%	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

Nine months ended December 31, 2021 (April 1, 2021, to December 31, 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	193,355	6,776	200,132	39,377	7,786	247,296	1,711	249,008
Asia	3,709	27,484	31,193	2,842	2,142	36,178	—	36,178
Other	11	25,532	25,544	6	2,691	28,242	—	28,242
Revenue arising from contracts with customers	197,076	59,794	256,870	42,226	12,620	311,718	1,711	313,429
Other revenue	—	—	—	—	—	—	205	205
Sales to external customers	197,076	59,794	256,870	42,226	12,620	311,718	1,916	313,634

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

Nine months ended December 31, 2022 (April 1, 2022, to December 31, 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	261,929	9,126	271,055	43,826	8,353	323,235	1,746	324,982
Asia	4,421	39,978	44,399	4,274	2,159	50,833	—	50,833
Other	40	43,779	43,819	7	5,231	49,057	—	49,057
Revenue arising from contracts with customers	266,390	92,884	359,275	48,107	15,743	423,126	1,746	424,873
Other revenue	—	—	—	—	—	—	219	219
Sales to external customers	266,390	92,884	359,275	48,107	15,743	423,126	1,965	425,092

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