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Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]

August 05, 2022

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 09, 2022

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, 2022 (April 1, 2022 to June 30, 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	%
Three months ended June 30, 2022	138,224	45.2	4,967	50.0	5,036	27.6	4,395	56.1
June 30, 2021	95,175	17.4	3,311	(29.3)	3,948	(17.9)	2,815	(16.7)

(Note) Comprehensive income: Three months ended June 30, 2022: ¥ 9,325 million [130.8%]
Three months ended June 30, 2021: ¥ 4,039 million [24.0%]

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2022	Yen 135.61	Yen -
June 30, 2021	86.88	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of June 30, 2022	Million yen 370,597	Million yen 171,798	%
March 31, 2022	344,506	164,314	45.3

(Reference) Equity: As of June 30, 2022: ¥ 163,104 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	45.00	-	45.00	90.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		45.00	-	45.00	90.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 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	500,000	15.5	13,000	11.4	13,300	5.1	9,200	7.0	283.88

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

Notes:

(1) Changes in significant subsidiaries during the period under review (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. 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 shares)

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

June 30, 2022: 33,716,257 shares
 March 31, 2022: 33,716,257 shares

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

June 30, 2022: 1,307,732 shares
 March 31, 2022: 1,307,629 shares

3) Average number of shares during the period:

Three months ended June 30, 2022: 32,408,568 shares
 Three months ended June 30, 2021: 32,404,956 shares

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

- The Quarterly Consolidated Financial Results are not subject to quarterly review by certified public accountants or audit firms.
- Explanation of the appropriate use of earnings forecasts and other notes: The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended as a promise by the Company that they will be achieved. Actual results may differ materially due to a variety of factors. Please refer to "1. Qualitative Information on the Quarterly Consolidated Financial Results, (3) Explanation of the Forecast Data, including Consolidated Results Forecast" on page 10 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 to analysts and institutional investors via Web conference (audio only) on Friday, August 05, 2022. 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 June 30, 2022.

(1) Overview of Business Performance

During the first three months of the fiscal year ending March 31, 2023, signs of recovery surfaced in consumer spending and certain other sectors. This occurred against the backdrop of reduced impact from the COVID-19 pandemic. Russia's invasion of Ukraine, however, caused disruption and insecurity in the supply chain for energy and grain. The expanding gap between Japanese and U.S. interest rates, meanwhile, produced a swift advance in the depreciation of the yen. Such factors led to steep rises in energy and raw materials prices, raising concerns about potential decline in corporate profits and consumer confidence.

The overall global economy also continues to gradually recover from the stagnant business activity caused by COVID-19. However, with the persistent pressure of rising international tensions from the Russian invasion of Ukraine and suppressed economic activity in China, there is uncertainty linked to the risks of an economic downturn caused by monetary tightening and higher prices in countries worldwide.

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 its 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.

As a result, the consolidated financial results for the first three months of the fiscal year ending March 31, 2023 were as detailed below.

	Three months ended June 30, 2021	Three months ended June 30, 2022	Change	YoY (%)
Net sales	95,175	138,224	+43,048	145.2%
Operating profit	3,311	4,967	+1,655	150.0%
Ordinary profit	3,948	5,036	+1,088	127.6%
Profit attributable to owners of parent	2,815	4,395	+1,579	156.1%

Overview by Segment

<< Oil and Fat >>

In the oil and fat segment, there was a redoubled steep rise in raw materials prices. Key factors behind this included the global economic recovery from the COVID-19 pandemic, concerns over the supply of raw materials linked to Russia's invasion of Ukraine, and the swift decline of the yen on foreign exchange markets. These conditions prompted thorough efforts to raise productivity and reduce costs, along with the formation of appropriate sales prices. Keen energies were also channeled into expanding sales of value-added products, developing new markets, and resolving user issues. As a result, both net sales and operating profit increased over the same period of the previous year.

◆ Oil and Meal

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Change	YoY (%)
Net sales	59,779	84,611	+24,832	141.5%
Operating profit	1,309	2,041	+732	155.9%

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 shifted to an upward trend from the beginning of the new calendar year, as expectations for a bumper crop from South America retreated due to dry weather from the La Nina phenomenon. The Russian invasion of Ukraine in February further intensified uncertainty over the supply of grain, fat and oil. The market price of soybeans rose to a historical high of US\$16-17 per bushel and has continued to hold at that range thereafter.

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 the invasion of Ukraine, as well as delays in planting new crops in Canada due to 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.

Exchange rates

From March, the yen weakened sharply against the dollar under the impact of the expanding gap between U.S. and Japanese monetary policy, with this trend continuing thereafter as well. This reflected the accelerated move to normalization of monetary policy linked to strong employment statistics and the rising consumer price index in the U.S., along with Japan's expanding trade deficit prompted by elevated resource prices. As a result, in June the yen weakened to the 136-yen level against the dollar for the first time since 1998.

Sales of oil and fat

In commercial-use, initiatives were taken to revise sales price in the midst of further soaring raw materials prices. Sales initiatives included strengthening of solution proposals through "collaborative sales to identify needs" marketing. Efforts were likewise made to expand sales through active proposals for value-added products, which is a priority category, including "customer-solution-type frying oil" with long-lasting functions, *Nisshin Oil for Steamed-Rice*, and other functional oil and fat. Other contributing factors included partial recovery from sluggish demand for dining out under the impact of COVID-19, as sales volume increased, and unit sales price rose. As a result, net sales increased over the same period of the previous year.

For food processing sector as well, within the soaring rise in raw materials prices, efforts to advance sales at appropriate prices in view of costs helped raise net sales above the performance for the same period of the previous year.

This stance also extended to household-use products, with revised sales prices timed with the announcement of those revisions. This was accompanied by "greater acceptance of pour-and-enjoy fresh edible oil," "development of the flavored oil market," and other ongoing efforts to expand sales of value-added products. These and other initiatives led to increased sales volume of sesame oil, olive oil, and supplement-type value-added products, supporting higher net sales.

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

Meal sales

Soybean meal sales volume recorded a major increase as a result of efforts to expand sales accompanying the increase in oil crushing volume. In addition to decreased production in South America, unit sales prices rose accompanying higher feed material prices caused by tightened global supply and demand for soybeans and corn. As a result, sales finished above the same quarter of the previous fiscal year.

As for rapeseed meal, while oil crushing volume decreased, the selling price, as with soybean meal, increased in line with higher sales prices of feed ingredients. As a result, sales increased year on year.

◆ Processed Oil and Fat

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Change	YoY (%)
Net sales	17,604	32,318	+14,714	183.6%
Operating profit	1,289	2,412	+1,122	187.0%

In the overseas sector for processed oil and fat, sales rose at Intercontinental Specialty Fats Sd. Bhd. of Malaysia on the strength of increased sales prices accompanying soaring palm oil market prices, as well as greater export-focused sales volume. Operating profit also grew, linked to the rise in unit sales prices and the impact of the mark-to-market valuation of palm oil transactions.

In the domestic processed oil and fat sector, under the difficult circumstances of sluggish demand, sales volume was at the same level as the same period of the previous fiscal year and net sales increased, due to efforts to revise sales prices to deal with rapidly rising costs, propose new products and otherwise expand sales to existing customers and develop new clients. Nevertheless, operating profit declined under the heavy effects of soaring raw materials prices.

<< Processed Food and Materials >>

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Change	YoY (%)
Net sales	13,096	15,441	+2,344	117.9%
Operating profit	440	66	(373)	15.1%

In the processed food and materials segment, the sales volume for chocolate gained ground, while the move to revise sales prices helped increase net sales. However, under the heavy impact of soaring raw materials prices, operating profit declined.

In chocolate products, sales volume rose at Daito Cacao Co., Ltd. as a result of efforts to expand sales to existing customers and develop new customers amidst the sluggish recovery in demand for confectionaries, primarily as souvenirs. T.&C. Manufacturing Co., Pte. Ltd. of Singapore was affected by the shift of use in Japan from premixed products to domestically produced butter and skim milk powder, but sales volume remained at the same level as the same period of the previous year due to an increase in sales volume of milk preparation products. Sales volume increased at PT Indoagri Daitocacao of Indonesia, backed by expanded transactions with current customers, as well as transaction startups with new clients delayed under the impact of COVID-19.

Reflecting these factors, net sales increased but operating profit decreased due primarily to a rise in the cost of sales ratio for chocolate products overall.

In seasonings, there was a decline in demand accompanying price revisions. At the same time, however, efforts to expand sales of the core products of *Nisshin Dressing "Diet,"* as well as those of *Nisshin Flaxseed Dressing* and *Nisshin MCT Dressing Sauce* featuring strengths in oil supported net sales on a par with the previous year. Operating profit, meanwhile, fell primarily under the impact of rising costs.

In functional materials and foods, the Group actively promoted the functions of medium-chain triglycerides (MCT) by working with the media, processed food producers and distribution channels (functional marketing). This stance contributed to increased sales volume for products such as Nisshin MCT Oil. The rise in raw materials prices was targeted by advancing sales based on appropriate pricing, with net sales exceeding the same period of the previous fiscal year as a result. On the profit front, the impact of higher costs and increased selling, general and administrative expenses due to promotional campaigns saw operating profit decline from the same period of the previous fiscal year.

In soybean materials and foods, higher raw materials prices were addressed by promoting sales at appropriate prices. Although this was a factor in raising net sales, the impact of selling a consolidated subsidiary in the previous fiscal year contributed to a decline in the operating profit column.

<< Fine Chemical >>

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Change	YoY (%)
Net sales	4,052	5,235	+1,182	129.2%
Operating profit	412	542	+129	131.3%

In the fine chemical segment, despite the decrease in sales volume due to delayed recovery in both domestic and overseas demand, revisions in selling prices led to higher net sales and operating profit.

Fine chemical products were impacted by the delayed recovery in domestic demand, as well as sluggish demand in China caused by the lockdown in that nation. For Industrial Química Lasem, S.A.U. of Spain, however, sales were buoyed by the resumption of economic activity within Europe. Results were particularly robust for cosmetic ingredients, with both net sales and operating profit recording increases for the 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 in this segment declined under the heavy impact of soaring raw materials prices.

<< Other >>

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Change	YoY (%)
Net sales	642	617	(25)	96.1%
Operating profit	59	113	+54	191.0%

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

Net sales by region

(Million yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022	Change	YoY (%)
Japan	76,512	103,056	+26,544	134.7%
Asia	10,887	17,740	+6,852	162.9%
Other	7,776	17,427	+9,651	224.1%
Overseas sales ratio	19.6%	25.4%	-	+5.8%

Net sales to Malaysia, China, and other Asian markets advanced on the strength of higher sales prices, reflecting the sharp rise in raw materials prices. In addition to such higher sales prices, another key factor was the increase in sales to Europe by Intercontinental Specialty Fats Sdn. Bhd. As a result, net sales to Europe, the United States and other regions also rose. Overseas sales accounted for 25.4% of consolidated net sales for the quarter under review, up by 5.8 percentage points from the same period of the previous fiscal year.

Reference: Net sales (non-consolidated)

(Million yen)

		Three months ended June 30, 2021	Three months ended June 30, 2022	Change	YoY (%)
Oil and Fat	Oil and Meal	52,528	75,492	+22,964	143.7%
	Commercial-use and food processing	19,880	31,849	+11,968	160.2%
	Household-use	13,758	18,927	+5,169	137.6%
	Meal	18,889	24,715	+5,826	130.8%
	Processed Oil and Fat	2,229	2,962	+733	132.9%
	Subtotal	54,757	78,455	+23,697	143.3%
Processed Food and Materials		4,489	4,825	+336	107.5%
Fine Chemical		1,374	1,451	+76	105.6%
Other		85	85	(0)	99.9%
Total		60,707	84,818	+24,110	139.7%

(2) Overview of Financial Position

1) Assets, liabilities and net assets

Total assets on June 30, 2022, stood at ¥370,597 million, up ¥26,090 million from the previous fiscal year-end. The main reasons for this increase were increases of ¥1,101 million in cash and deposits, ¥11,551 million in accounts receivable—trade, ¥7,872 million in inventories, and ¥2,104 million in property, plant and equipment.

Liabilities stood at ¥198,799 million, up ¥18,606 million from the previous fiscal year-end. The main reason for the increase was increases of ¥995 million in short-term borrowings and ¥15,142 million in long-term borrowings.

Net assets stood at ¥171,798 million, an increase of ¥7,483 million from the previous fiscal year-end. The main factors in the increase were increases of ¥2,219 million in retained earnings and ¥4,659 million in accumulated other comprehensive income.

2) Status of cash flows

Cash and cash equivalents as of June 30, 2022, stood at ¥9,061 million. Although cash and cash equivalents decreased ¥1,001 million from the previous fiscal year-end, this decrease was partially offset by 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 ¥11,787 million (¥12,285 million used in the same period of the previous fiscal year). The main factors increasing cash were profit before income taxes of ¥6,078 million and depreciation of ¥2,328 million. The main factors decreasing cash were an increase in trade receivables of ¥9,232 million, an increase in inventories of ¥5,914 million, decrease in trade payables of ¥2,647 million, and income taxes paid of ¥926 million.

<< Cash Flows from Investing Activities >>

Investing activities used net cash of ¥1,102 million (¥4,281 million used in the same period of the previous fiscal year). The main factor increasing cash was the income of ¥1,505 million from the sale of investment securities, and the main factor decreasing cash was purchase of property, plant, and equipment of ¥2,488 million.

<< Cash Flows from Financing Activities >>

Financing activities provided net cash of ¥11,567 million (¥16,156 million provided in the same period of the previous fiscal year). The main factor increasing cash was proceeds from long-term borrowings of ¥15,017 million. There was also a decrease in cash due to net decrease in short-term borrowings of ¥2,169 million and dividends paid of ¥1,459 million.

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

There is no change in the consolidated earnings forecast for the fiscal year ending March 31, 2023, which was announced on May 11, 2022.

The impact of the spread of COVID-19 and the prolonged Russian invasion of Ukraine, both of which have brought serious consequences on economic and social activities in Japan and abroad, is described below. If we judge it necessary to revise our earnings forecast due to future changes in the situation, we will disclose it promptly.

Impact of the spread of COVID-19

Although the number of the infected in Japan and around the world is on the rise due to the outbreak of a highly contagious mutant strain of the virus, the introduction of strict behavioral restrictions such as lockdowns has been avoided except in some countries and regions at this point in time. The impact of COVID-19 and the timing of its

convergence are uncertain, but we expect that the future impact on the Group's business performance will be limited.

We believe that the introduction of behavioral restrictions in Japan and overseas, or restrictions on business activities due to the spread of infection among the Group's employees, could have an impact on the Group's earnings forecasts. The Group will continue to monitor the consequences of COVID-19 both in Japan and overseas and will work to maintain the health of its employees and their families.

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.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	9,977	11,078
Notes and accounts receivable - trade	88,200	99,751
Inventories	84,811	92,684
Other	18,937	24,368
Allowance for doubtful accounts	(86)	(245)
Total current assets	201,840	227,638
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	31,959	32,394
Machinery, equipment and vehicles, net	36,081	35,937
Land	27,736	27,793
Other, net	5,452	7,209
Total property, plant and equipment	101,230	103,334
Intangible assets		
Goodwill	227	228
Other	1,443	1,535
Total intangible assets	1,671	1,763
Investments and other assets		
Investment securities	30,393	28,001
Retirement benefit asset	5,318	5,638
Other	4,016	4,187
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	39,701	37,800
Total non-current assets	142,603	142,899
Deferred assets		
Bond issuance costs	63	59
Total deferred assets	63	59
Total assets	344,506	370,597

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	44,855	44,295
Short-term borrowings	35,370	36,366
Income taxes payable	626	1,078
Provisions	57	73
Other	24,981	26,157
Total current liabilities	105,891	107,971
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	38,195	53,338
Provisions	493	426
Retirement benefit liability	1,949	1,980
Other	13,662	15,083
Total non-current liabilities	74,300	90,828
Total liabilities	180,192	198,799
Net assets		
Shareholders' equity		
Share capital	16,332	16,332
Capital surplus	21,665	21,665
Retained earnings	110,379	112,599
Treasury shares	(4,071)	(4,071)
Total shareholders' equity	144,305	146,525
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,715	7,106
Deferred gains or losses on hedges	2,565	5,257
Foreign currency translation adjustment	1,642	5,109
Remeasurements of defined benefit plans	(1,003)	(893)
Total accumulated other comprehensive income	11,919	16,579
Non-controlling interests	8,088	8,693
Total net assets	164,314	171,798
Total liabilities and net assets	344,506	370,597

(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, 2021	For the three months ended June 30, 2022
Net sales	95,175	138,224
Cost of sales	80,754	121,008
Gross profit	14,421	17,215
Selling, general and administrative expenses	11,109	12,248
Operating profit	3,311	4,967
Non-operating income		
Interest income	14	18
Dividend income	128	151
Share of profit of entities accounted for using equity method	402	38
Foreign exchange gains	175	299
Other	68	93
Total non-operating income	788	600
Non-operating expenses		
Interest expenses	108	193
Loss on disposal of inventories	17	27
Provision for doubtful accounts	-	149
Other	25	161
Total non-operating expenses	151	531
Ordinary profit	3,948	5,036
Extraordinary income		
Gain on sale of investment securities	48	1,216
Total extraordinary income	48	1,216
Extraordinary losses		
Loss on retirement of non-current assets	82	173
Loss on cancellation of business consignment agreement	34	-
Total extraordinary losses	116	173
Profit before income taxes	3,880	6,078
Income taxes	1,095	1,686
Profit	2,784	4,392
Profit (loss) attributable to non-controlling interests	(30)	(2)
Profit attributable to owners of parent	2,815	4,395

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

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	2,784	4,392
Other comprehensive income		
Valuation difference on available-for-sale securities	(34)	(1,632)
Deferred gains or losses on hedges	(223)	2,719
Foreign currency translation adjustment	1,300	3,488
Remeasurements of defined benefit plans, net of tax	60	109
Share of other comprehensive income of entities accounted for using equity method	151	247
Total other comprehensive income	1,254	4,932
Comprehensive income	4,039	9,325
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,084	9,054
Comprehensive income attributable to non- controlling interests	(45)	270

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	3,880	6,078
Depreciation	2,036	2,328
Amortization of goodwill	8	8
Interest and dividend income	(142)	(169)
Interest expenses	108	193
Share of loss (profit) of entities accounted for using equity method	(402)	(38)
Loss (gain) on sale and retirement of non-current assets	82	173
Loss (gain) on sale of investment securities	(48)	(1,216)
Decrease (increase) in trade receivables	(3,842)	(9,232)
Decrease (increase) in inventories	(6,497)	(5,914)
Increase (decrease) in trade payables	(2,832)	(2,647)
Decrease (increase) in retirement benefit asset	(314)	(320)
Increase (decrease) in retirement benefit liability	21	30
Other, net	(2,551)	(52)
Subtotal	(10,493)	(10,778)
Interest and dividends received	130	158
Interest paid	(113)	(241)
Income taxes paid	(1,808)	(926)
Net cash provided by (used in) operating activities	(12,285)	(11,430)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,331)	(2,488)
Proceeds from sale of property, plant and equipment	0	61
Purchase of investment securities	(5)	(6)
Proceeds from sale of investment securities	81	1,505
Other, net	(26)	(174)
Net cash provided by (used in) investing activities	(4,281)	(1,102)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	17,665	(2,169)
Proceeds from long-term borrowings	0	15,017
Repayments of long-term borrowings	(67)	(9)
Dividends paid	(1,298)	(1,459)
Proceeds from sale of treasury shares	2	0
Purchase of treasury shares	(1)	(0)
Dividends paid to non-controlling interests	(13)	(26)
Proceeds from share issuance to non-controlling shareholders	-	356
Other, net	(130)	(142)
Net cash provided by (used in) financing activities	16,156	11,567
Effect of exchange rate change on cash and cash equivalents	155	321
Net increase (decrease) in cash and cash equivalents	(254)	(1,001)
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	8,682	9,061

(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

Although the number of the infected in Japan and around the world is on the rise due to the outbreak of a highly contagious mutant strain of the virus, the introduction of strict behavioral restrictions such as lockdowns has been avoided except in some countries and regions at this point in time. The impact of COVID-19 and the timing of its convergence are uncertain, but we expect that the future impact on the Group's business performance will be limited.

We believe that the introduction of behavioral restrictions in Japan and overseas, or restrictions on business activities due to the spread of infection among the Group's employees, could have an impact on the Group.

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.

◆ Impact of Russia's prolonged invasion of Ukraine on our Group

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, tofu
Fine Chemical		Raw materials for cosmetics and toiletries, chemical products, plant-based industrial oils, detergents, antibacterial agents, surfactants
Other		Information systems, sales promotions, sports facility operations, P&C insurance agency, real estate leasing

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

Previous three months ended June 30, 2021 (April 1, 2021, to June 30, 2021)

	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	59,779	17,604	77,383	13,096	4,052	94,532	642	95,175	—	95,175
Intersegment sales and transfers	457	1,261	1,718	33	235	1,988	421	2,409	(2,409)	—
Total	60,237	18,865	79,102	13,130	4,288	96,521	1,064	97,585	(2,409)	95,175
Segment profit (loss)	1,309	1,289	2,598	440	412	3,451	59	3,511	(199)	3,311

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 - ¥199 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.

Current 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.

3. Regional Information

Previous three months ended June 30, 2021 (April 1, 2021, to June 30, 2021)

(Million yen)

	Japan	Asia	Other	Total
Net sales	76,512	10,887	7,776	95,175
Ratio to net sales	80.4%	11.4%	8.2%	100.0%

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

Current 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.

Revenue recognition

Information breaking down revenue arising from contracts with customers

Previous three months ended June 30, 2021 (April 1, 2021, to June 30, 2021)

(Million yen)

	Reporting segment						Other (Note)	Total
	Oil and Fat			Processed Food and Materials	Fine Chemical	Total		
	Oil and meal	Processed oil and fat	Total					
Japan	59,179	2,047	61,226	12,225	2,417	75,869	570	76,440
Asia	597	8,717	9,314	864	708	10,887	—	10,887
Other	2	6,839	6,842	6	927	7,776	—	7,776
Revenue arising from contracts with customers	59,779	17,604	77,383	13,096	4,052	94,532	570	95,103
Other revenue	—	—	—	—	—	—	71	71
Sales to external customers	59,779	17,604	77,383	13,096	4,052	94,532	642	95,175

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

Current 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.