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Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

November 10, 2022

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 Listing: Tokyo Stock Exchange
 Securities code: 5017
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 Scheduled date to file quarterly securities report: November 14, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary materials on quarterly financial results: Yes (Japanese only)
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the six months ended September 30, 2022	444,773	199.1	16,474	-	17,276	-	14,482	-
For the six months ended September 30, 2021	148,681	(8.6)	(1,083)	-	(1,359)	-	(302)	-

(Note) Total comprehensive income:
 For the six months ended September 30, 2022: 19,807 million yen (- %)
 For the six months ended September 30, 2021: 1,118 million yen ([72.3]%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the six months ended September 30, 2022	187.84	-
For the six months ended September 30, 2021	(3.93)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	425,856	83,607	19.6
As of March 31, 2022	352,842	64,539	18.2

(Reference) Equity:
 As of September 30, 2022: 83,429 million yen
 As of March 31, 2022: 64,369 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2022	Yen -	Yen -	Yen -	Yen -	Yen -
	-	0.00	-	10.00	10.00
Fiscal year ending March 31, 2023	-	0.00			
Fiscal year ending March 31, 2023 (forecast)			-	10.00	10.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial results forecast for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen -
Full year	921,400	89.9	22,500	44.8	21,900	36.2	18,100	19.0	234.57

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

*Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2022 : None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements : None
- (3) Changes in accounting policies and accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations : None
 - (ii) Changes in accounting policies due to reasons other than (i) : None
 - (iii) Changes in accounting estimates : None
 - (iv) Restatement : None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)
- (ii) Number of treasury shares at the end of the period
- (iii) Average number of shares outstanding during the period

As of September 30, 2022	78,183,677 shares	As of March 31, 2022	78,183,677 shares
As of September 30, 2022	1,020,909 shares	As of March 31, 2022	1,121,198 shares
For the six months ended September 30, 2022	77,098,645 shares	For the six months ended September 30, 2021	77,062,479 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements such as financial results forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual financial results may differ significantly from the forecasts due to various factors. For the assumptions underlying the financial results forecasts and cautions concerning the use thereof, please refer to "Explanation of Consolidated Financial Results Forecasts and Other Forward-Looking Statements" on page 3 of the attachment.

The Company will hold a financial results briefing for institutional investors and analysts. Financial results materials used in this briefing will be disclosed on TDnet on the same day and posted on our company website. In addition, a transcript of the financial results briefing and a summary of questions and answers will be disclosed on our company website within a few days after the financial results briefing.

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1. Qualitative Information on Financial Results for the First Six Months of the Current Fiscal Year

(1) Explanation of Operating Results

In the first six months ended September 30, 2022, the Dubai crude oil price, at the level of US\$101/bbl in the beginning of the fiscal year, rose to the US\$118/bbl level in mid-June. This was because of the perception that supply and demand would tighten as the European Union announced its policy of gradually banning imports of Russian crude oil and petroleum products. After that, as China went into a lockdown again, and countries continued to raise interest rates, the perception that demand for crude oil would decline prevailed. In late June, the crude oil price entered a downward trend. In late September, when the FRB decided to raise interest rates by 0.75 percentage points for the third consecutive meeting, concerns about a global economic downturn led to a further decline in price, ending the quarter at the US\$89/bbl level. As a result, the average Dubai crude oil price during the first six months ended September 30, 2022 was approximately US\$102/bbl.

On the other hand, the exchange rate, which started at the lower ¥122/US\$ range, saw a growing trend for a weaker yen and stronger dollar due to the interest-rate hikes accelerated by the U.S. that rushed to contain inflation. The rate maintained a range above ¥140/US\$ from September onward. In late September, the Japanese government and the Bank of Japan intervened in the foreign exchange market for the first time in about 24 years. However, the yen continued to depreciate against the dollar, which made the dollar-yen rate at the end of the six-month period in the higher ¥144/US\$ range. As a result, the average exchange rate during the first six months of the current fiscal year was at the lower ¥134/US\$ range.

Under such business environment, the recovery from the impact of the major periodic shut-down maintenance, conducted once in four years including the most recent operation done from May to July in the previous year, increased crude oil processing at the Sodegaura Refinery plant by 1.727 million kiloliters year on year to 3.930 million kiloliters. And the Company's sales volume of petroleum products and petrochemical products increased by 1.878 million kiloliters to 4.017 million kiloliters.

Given such circumstances, the consolidated financial results for the first six months ended September 30, 2022 were as follows. Net sales grew 296.0 billion yen year on year to 444.7 billion yen, mainly due to an increase in sales volume recovering from the impact of the major periodic shut-down maintenance. As for profit, operating profit was 16.4 billion yen, up 17.5 billion yen year on year, due to the effect of inventory valuation calculated by the average method and inventory write-downs based on a decrease in profitability, which drove down the cost of sales by 12.6 billion yen (compared with 7.1 billion yen in the same period of the previous fiscal year). Ordinary profit was 17.2 billion yen, up 18.6 billion yen year on year, due to recognizing foreign exchange gains of 1.5 billion yen and posting equity in earnings of affiliates of 1.6 billion yen, despite recording interest expenses of 2.2 billion yen. Profit attributable to owners of parent was 14.4 billion yen, up 14.7 billion yen year on year.

As for profit in real terms, excluding the effect of the inventory valuation, operating profit amounted to 3.8 billion yen, up 12.0 billion yen year on year, and ordinary profit was 4.6 billion yen, up 13.0 billion yen year on year, due to the recovery from the impact of the major periodic shut-down maintenance and other factors.

(2) Explanation of Financial Position

(i) Status of assets, liabilities and net assets

(Current assets)

At the end of the second quarter of the fiscal year under review, current assets totaled 296.7 billion yen, an increase of 71.7 billion yen compared with the end of the previous fiscal year. This was mainly due to a 62.7 billion yen increase in inventories, a 15.6 billion yen increase in notes and accounts receivable - trade, and contract assets, and a 7.2 billion yen decrease in accounts receivable - other.

(Non-current assets)

At the end of the second quarter of the fiscal year under review, non-current assets increased 1.2 billion yen compared with the end of the previous fiscal year to 129.1 billion yen. This was mainly due to a 4.8 billion yen increase in investment securities, a 2.1 billion yen decrease in machinery, equipment and vehicles, and a 0.5 billion yen decrease in construction in progress.

(Current liabilities)

At the end of the second quarter of the fiscal year under review, current liabilities totaled 302.7 billion yen, an increase of 55.5 billion yen compared with the end of the previous fiscal year. This was mainly due to a 38.5 billion yen increase in short-term loans payable, a 13.2 billion yen increase in excise taxes payable on gasoline and other fuels, a 6.9 billion yen increase in accounts payable - trade, and a 7.5 billion yen decrease in accounts payable - other.

(Non-current liabilities)

At the end of the second quarter of the fiscal year under review, non-current liabilities totaled 39.5 billion yen, a decrease of 1.5 billion yen compared with the end of the previous fiscal year. This was mainly due to a 3.8 billion yen decrease in long-term loans payable and a 1.5 billion yen increase in provision for repairs.

(Net assets)

At the end of the second quarter of the fiscal year under review, net assets increased 19.0 billion yen compared with the end of the previous fiscal year to 83.6 billion yen. This was mainly due to a 13.7 billion yen increase in retained earnings and a 4.4 billion yen increase in foreign currency translation adjustments.

(ii) Status of cash flows

Cash and cash equivalents at the end of the first six months ended September 30, 2022 totaled 9.0 billion yen, an increase of 1.1 billion yen compared with the end of the previous fiscal year.

(Cash flows from operating activities)

In the first six months ended September 30, 2021, net cash used in operating activities was 33.4 billion yen, mainly due to an increase in inventories of 17.0 billion yen and an increase in notes and accounts receivable-trade of 21.5 billion yen.

Meanwhile, in the first six months ended September 30, 2022, net cash used in operating activities was 32.7 billion yen, mainly as cash used, such as an increase in inventories of 62.7 billion yen and an increase in notes and accounts receivable-trade of 15.6 billion yen, exceeded profit before income taxes of 17.2 billion yen among others.

(Cash flows from investing activities)

In the first six months ended September 30, 2021, net cash used in investing activities was 1.5 billion yen, mainly due to the purchase of property, plant and equipment of 1.3 billion yen.

Meanwhile, in the first six months ended September 30, 2022, net cash used in investing activities was 0.4 billion yen, mainly due to the purchase of property, plant and equipment of 1.1 billion yen.

(Cash flows from financing activities)

In the first six months ended September 30, 2021, net cash provided by financing activities was 31.5 billion yen, mainly due to a net increase of 30.6 billion yen in short-term loans payable.

Meanwhile, in the first six months ended September 30, 2022, net cash provided by financing activities was 34.5 billion yen, mainly due to a net increase of 39.2 billion yen in short-term loans payable.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-Looking Statements

The financial results forecasts for the full year are revised to reflect the trend of financial results and other factors after the previous forecasts (announced on August 10, 2022).

The assumptions for the revised forecast are an average Dubai crude oil price of US\$90/bbl in the third quarter and later (previous forecast: US\$90/bbl) and an exchange rate of ¥145/US\$ (previous forecast: ¥130/US\$).

Net sales for the full year are expected to increase by 49.7 billion yen from the previous forecast to 921.4 billion yen.

As for profit, the Company expects that despite a more substantive effect of inventory valuation on lowering the cost of sales due to the revision of the assumed exchange rate, profit decreasing factors such as falling product margins and rising home fuel costs associated with the weak yen will exceed the said effect. As a result, operating profit is expected to decrease by 3.4 billion yen from the previous forecast to 22.5 billion yen, ordinary profit by 2.2 billion yen to 21.9 billion yen, and profit attributable to owners of parent by 1.9 billion yen to 18.1 billion yen.

As for profit in real terms, excluding the effect of the inventory valuation, for the full year, operating profit is expected to fall 12.5 billion yen from the previous forecast to 5.8 billion yen, and ordinary profit by 11.3 billion yen to 5.2 billion yen.

The above forecasts are based on information available as of the date of publication of this document. Actual results may differ from the forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	As of the end of the previous fiscal year (March 31, 2022)	As of the end of the second quarter of the fiscal year under review (September 30, 2022)
Assets		
Current assets		
Cash and deposits	11,388	13,285
Notes and accounts receivable - trade, and contract assets	78,707	94,377
Short-term investment securities	100	-
Inventories	117,862	180,566
Accounts receivable - other	13,345	6,078
Other	3,567	2,402
Total current assets	224,971	296,710
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,653	12,368
Storage tanks, net	2,974	2,844
Machinery, equipment and vehicles, net	34,409	32,292
Land	51,542	51,542
Construction in progress	1,956	1,446
Other, net	529	452
Total property, plant and equipment	104,065	100,946
Intangible assets		
Software	624	512
Other	134	134
Total intangible assets	758	646
Investments and other assets		
Investment securities	21,130	25,951
Long-term loans receivable	679	679
Net defined benefit asset	859	838
Other	785	490
Allowance for doubtful accounts	(408)	(407)
Total investments and other assets	23,047	27,553
Total non-current assets	127,871	129,146
Total assets	352,842	425,856

(Unit: Millions of yen)

	As of the end of the previous fiscal year (March 31, 2022)	As of the end of the second quarter of the fiscal year under review (September 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	67,145	74,061
Short-term loans payable	112,018	150,559
Current portion of long-term loans payable	14,133	14,332
Accounts payable - other	30,323	22,769
Excise taxes payable on gasoline and other fuels	16,370	29,592
Income taxes payable	944	2,974
Provision for bonuses	470	661
Other	5,778	7,775
Total current liabilities	247,184	302,727
Non-current liabilities		
Long-term loans payable	25,943	22,048
Deferred tax liabilities	8,760	9,301
Provision for special repairs	2,452	2,474
Provision for repairs	1,510	3,020
Net defined benefit liability	1,849	1,874
Provision for directors' retirement benefits	20	21
Other	582	782
Total non-current liabilities	41,118	39,521
Total liabilities	288,302	342,249
Net assets		
Shareholders' equity		
Capital stock	24,467	24,467
Capital surplus	25,495	25,495
Retained earnings	15,977	29,688
Treasury stock	(1,431)	(1,399)
Total shareholders' equity	64,508	78,252
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	612	498
Deferred gains or losses on hedges	(591)	428
Revaluation reserve for land	1	1
Foreign currency translation adjustments	(950)	3,513
Remeasurements of defined benefit plans	789	735
Total accumulated other comprehensive income	(139)	5,177
Non-controlling interests	170	177
Total net assets	64,539	83,607
Total liabilities and net assets	352,842	425,856

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly consolidated statement of income

First six months

(Unit: Millions of yen)

	First six months of the previous fiscal year (From April 1, 2021 to September 30, 2021)	First six months of the fiscal year under review (From April 1, 2022 to September 30, 2022)
Net sales	148,681	444,773
Cost of sales	147,683	425,646
Gross profit	997	19,126
Selling, general and administrative expenses	2,080	2,652
Operating profit (loss)	(1,083)	16,474
Non-operating income		
Interest income	11	15
Dividends income	89	127
Foreign exchange gains	-	1,511
Equity in earnings of affiliates	678	1,614
Rent income from storage tanks	120	108
Other	72	159
Total non-operating income	973	3,537
Non-operating expenses		
Interest expenses	663	2,270
Foreign exchange losses	77	-
Rent expenses on storage tanks	134	106
Other	373	359
Total non-operating expenses	1,248	2,735
Ordinary profit (loss)	(1,359)	17,276
Extraordinary income		
Gain on sale of non-current assets	18	0
Insurance income	711	-
Total extraordinary income	730	0
Extraordinary losses		
Loss on retirement of non-current assets	64	21
Total extraordinary losses	64	21
Profit (loss) before income taxes	(693)	17,254
Income taxes - current	25	2,693
Income taxes - deferred	(427)	69
Total income taxes	(402)	2,763
Profit (loss)	(291)	14,490
Profit attributable to non-controlling interests	11	8
Profit (loss) attributable to owners of parent	(302)	14,482

Quarterly consolidated statement of comprehensive income

First six months

(Unit: Millions of yen)

	First six months of the previous fiscal year (From April 1, 2021 to September 30, 2021)	First six months of the fiscal year under review (From April 1, 2022 to September 30, 2022)
Profit (loss)	(291)	14,490
Other comprehensive income		
Valuation difference on available-for-sale securities	67	(113)
Deferred gains or losses on hedges	-	1,020
Foreign currency translation adjustments	265	853
Remeasurements of defined benefit plans, net of tax	(29)	(53)
Share of other comprehensive income of associates accounted for using equity method	1,106	3,610
Total other comprehensive income	1,409	5,316
Comprehensive income	1,118	19,807
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,106	19,799
Comprehensive income attributable to non-controlling interests	11	8

(3) Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	First six months of the previous fiscal year (From April 1, 2021 to September 30, 2021)	First six months of the fiscal year under review (From April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	(693)	17,254
Depreciation and amortization	3,242	3,878
Increase (decrease) in provision for repairs	(4,881)	1,510
Increase (decrease) in net defined benefit liability	51	(7)
Increase (decrease) in provision for special repairs	116	21
Interest and dividends income	(101)	(143)
Interest expenses	663	2,270
Equity in earnings of affiliates	(678)	(1,614)
Insurance income	(711)	-
Foreign exchange losses (gains)	68	(698)
Decrease (increase) in notes and accounts receivable-trade	(21,569)	(15,669)
Decrease (increase) in inventories	(17,014)	(62,704)
Increase (decrease) in notes and accounts payable-trade	6,903	6,916
Increase (decrease) in excise taxes payable on gasoline and other fuels	4,018	13,222
Increase (decrease) in accrued consumption taxes	(1,299)	2,193
Other	(535)	3,463
Subtotal	(32,422)	(30,107)
Interest and dividends income received	316	389
Interest expenses paid	(719)	(2,259)
Proceeds from insurance claims	711	-
Income taxes paid	(1,371)	(786)
Income taxes refund	3	0
Net cash provided by (used in) operating activities	(33,481)	(32,762)
Cash flows from investing activities		
Payments into time deposits	(3,350)	(3,829)
Proceeds from withdrawal of time deposits	3,133	4,488
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(1,380)	(1,142)
Proceeds from sale of property, plant and equipment	45	0
Purchase of intangible assets	(38)	(49)
Payments of loans receivable	(1)	(0)
Collection of loans receivable	0	0
Other	0	92
Net cash provided by (used in) investing activities	(1,591)	(439)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	30,608	39,239
Proceeds from long-term loans payable	6,000	-
Repayments of long-term loans payable	(4,021)	(3,695)
Cash dividends paid	(772)	(772)
Cash dividends paid to non-controlling interests	(1)	(1)
Other	(274)	(183)
Net cash provided by (used in) financing activities	31,538	34,586
Effect of exchange rate changes on cash and cash equivalents	118	(262)
Net increase (decrease) in cash and cash equivalents	(3,415)	1,122
Cash and cash equivalents at beginning of period	12,336	7,912
Cash and cash equivalents at end of period	8,920	9,035

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Additional Information)

(Impact of COVID-19)

Although the outlook for demand is uncertain due to the COVID-19 pandemic, we believe that the impact on the future operation rates of machinery and equipment will be limited and that the impact on accounting estimates will be immaterial.

(Segment Information, etc.)

Segment information is omitted as the Group has only one segment consisting of the petroleum refining and sales business.