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Consolidated Financial Results for the Six Months Ended September 30, 2023 (Under Japanese GAAP)

November 10, 2023

Company name: Fuji Oil Company, Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 5017
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 Scheduled date to file quarterly securities report: November 13, 2023
 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, 2023 (from April 1, 2023 to September 30, 2023)

(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, 2023	319,711	(28.1)	12,250	(25.6)	13,566	(21.5)	11,209	(22.6)
For the six months ended September 30, 2022	444,773	199.1	16,474	-	17,276	-	14,482	-

(Note) Total comprehensive income:

For the six months ended September 30, 2023: 12,662 million yen [-36.1%]

For the six months ended September 30, 2022: 19,807 million yen [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the six months ended September 30, 2023	145.27	-
For the six months ended September 30, 2022	187.84	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	394,967	83,547	21.1
As of March 31, 2023	336,985	71,658	21.2

(Reference) Equity: As of September 30, 2023: 83,355 million yen

As of March 31, 2023: 71,476 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	0.00	-	10.00	10.00
Fiscal year ending March 31, 2024	-	0.00			
Fiscal year ending March 31, 2024 (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, 2024 (from April 1, 2023 to March 31, 2024)

(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	736,800	(13.4)	13,600	170.4	14,800	214.6	12,100	238.4	156.81

(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, 2023 : 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)	As of September 30, 2023	78,183,677 shares	As of March 31, 2023	78,183,677 shares
(ii) Number of treasury shares at the end of the period	As of September 30, 2023	1,020,910 shares	As of March 31, 2023	1,020,910 shares
(iii) Average number of shares outstanding during the period (cumulative)	For the six months ended September 30, 2023	77,162,767 shares	For the six months ended September 30, 2022	77,098,645 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.

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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

Dubai crude oil prices for the second quarter of the current fiscal year started at the US\$84/bbl level. However, in early April, several OPEC-plus oil producing countries announced an additional reduction of oil production totaling 1.16 million barrels per day, causing concerns about tight supply and demand for crude oil, which led to an upward trend in the oil market. Subsequently, the price fell to the US\$71/bbl level in June due to growing concerns over an economic downturn as anxiety about the financial system spread in conjunction with the further interest raises by central banks in Europe and the U.S. and the collapse of U.S. regional banks. In July, Saudi Arabia and Russia announced a voluntary additional crude oil production cut, raising awareness of tighter supply and demand and creating an upward trend. In September, OPEC, IEA and others indicated their projection that the world's crude oil supply and demand would face a significant supply shortage toward the end of 2023, leading crude oil prices to further rise. The price finished trades in the second quarter at the US\$96/bbl level. As a result, the average Dubai crude oil price during the first six months ended September 30, 2023 was approximately US\$82/bbl.

On the other hand, in the foreign exchange market, the yen started the period at the lower ¥133/US\$ level. In April, the Bank of Japan decided to maintain the monetary easing policy and yield curve control measures at its monetary policy meeting. Even after the meeting, the Bank of Japan has continued to maintain the policies. In the U.S., the FOMC sent signals that the ongoing interest rate hiking cycle would be prolonged. Both incidents highlighted such situations as the difference in interest rates in the U.S. and Japan. Against this background, the U.S. dollar went up and up against the yen, and the yen ended the period at the mid ¥149/US\$ level. As a result, the average exchange rate during the first six months of the current fiscal year was at the lower ¥141/US\$ range.

Under such business environment, the volume of crude oil processed at the Sodegaura Refinery decreased 0.803 million kiloliters year on year to 3.127 million kiloliters mainly due to the execution of a minor periodic shutdown maintenance (SDM). The Company's sales volume of petroleum products, petrochemical products and others also decreased 0.742 million kiloliters to 3.276 million kiloliters.

Given such circumstances, the consolidated financial results for the first six months ended September 30, 2023 were as follows: Net sales were 319.7 billion yen, down 125.0 billion yen from the same period a year earlier, due in large part to a decline in sales volumes caused by the minor periodic SDM. Looking at profit and loss for the period, operating profit was 12.2 billion yen, a decrease of 4.2 billion yen from the same period a year earlier, due to a year-on-year decline in the positive effect of inventory valuation (i.e., effect on cost of sales arising from inventory valuation using the gross average method and the lower of cost or market method), which pushed down the cost of sales by 9.0 billion yen (in the same period of a year earlier, the positive effect of inventory valuation pushed down the cost of sales by 12.6 billion yen). Ordinary profit was 13.5 billion yen, a decrease of 3.7 billion yen year on year, mainly due to the recording of 1.2 billion yen in equity in earnings of affiliates, and others. Profit attributable to owners of parent was 11.2 billion yen, a decrease of 3.2 billion yen from the same period a year earlier.

As for profit in real terms, operating profit and ordinary profit excluding the effect of inventory valuation amounted to 3.1 billion yen (a decrease of 0.6 billion yen year on year) and 4.4 billion yen (a drop of 0.1 billion yen year on year), respectively, primarily due to the minor periodic SDM.

(2) Explanation of Financial Positions

(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 265.4 billion yen, an increase of 54.4 billion yen compared with the end of the previous fiscal year. This was mainly due to a 23.6 billion yen increase in notes and accounts receivable - trade, a 23.4 billion yen increase in inventories, and an 11.7 billion yen increase in accounts receivable - other.

(Non-current assets)

At the end of the second quarter of the fiscal year under review, non-current assets were up 3.4 billion yen compared with the end of the previous fiscal year to 129.4 billion yen. This was mainly due to a 3.5 billion yen increase in investment securities.

(Current liabilities)

At the end of the second quarter of the fiscal year under review, current liabilities totaled 275.4 billion yen, an increase of 48.9 billion yen compared with the end of the previous fiscal year. This was mainly due to a 29.9 billion yen increase in accounts payable - trade, a 10.2 billion yen increase in excise taxes payable on gasoline and other fuels, and a 6.6 billion yen increase in short-term loans payable.

(Non-current liabilities)

At the end of the second quarter of the fiscal year under review, non-current liabilities totaled 35.9 billion yen, a decrease of 2.8 billion yen compared with the end of the previous fiscal year. This was mainly due to a 2.0 billion yen decrease in long-term loans payable, and a 0.7 billion yen decrease in provision for repairs.

(Net assets)

At the end of the second quarter of the fiscal year under review, net assets totaled 83.5 billion yen, an increase of 11.8 billion yen compared with the end of the previous fiscal year. This was mainly due to a 10.4 billion yen increase in retained earnings.

(ii) Status of cash flows

Cash and cash equivalents at the end of the first six months ended September 30, 2023, totaled 8.7 billion yen, an increase of 0.3 billion yen compared with the end of the previous fiscal year.

(Cash flows from operating activities)

In the first six months ended September 30, 2022, net cash used in operating activities was 32.7 billion yen, mainly because cash used, such as an increase in inventories of 62.7 billion yen and an increase in trade receivables of 15.6 billion yen, exceeded cash provided by profit before income taxes of 17.2 billion yen, among others.

Meanwhile, in the first six months ended September 30, 2023, net cash used in operating activities was 1.3 billion yen, also mainly because cash used, such as an increase in trade receivables of 23.6 billion yen and an increase in inventories of 23.4 billion yen, exceeded cash provided by an increase in trade payables of 29.9 billion yen and profit before income taxes of 13.5 billion yen, among others.

(Cash flows from investing activities)

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 related to refinery facilities and others of 1.1 billion yen. These investments were financed by borrowings and own funds.

Meanwhile, in the first six months ended September 30, 2023, net cash used in investing activities was 1.6 billion yen, also mainly due to the purchase of property, plant and equipment related to refinery facilities and others of 1.3 billion yen. These investments were financed by borrowings and own funds.

(Cash flows from financing activities)

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

Meanwhile, in the first six months ended September 30, 2023, net cash provided by financing activities was 3.1 billion yen, also mainly due to cash provided by a net increase of 6.6 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 May 10, 2023).

The assumptions for the revised forecast are an average Dubai crude oil price of US\$85/bbl in the third quarter and later (previous forecast: US\$80/bbl) and an exchange rate of ¥145/US\$ (previous forecast: ¥130/US\$).

Net sales for the full year are expected to increase 48.8 billion yen from the previous forecast to 736.8 billion yen.

As for profit, the Company expects a more substantive effect of inventory valuation on lowering the cost of sales due to the revision of the assumed crude oil price and exchange rate, although operating profit, ordinary profit and profit attributable to owners of parent for the second half are expected to be lower than the previous forecasts mainly due to an increase in home fuel costs. As a result, for the full year, operating profit is expected to increase by 6.0 billion yen from the previous forecast to 13.6 billion yen, ordinary profit by 8.0 billion yen to 14.8 billion yen, and profit attributable to owners of parent by 6.5 billion yen to 12.1 billion yen.

As for profit in real terms, excluding the effect of the inventory valuation, operating profit is expected to fall 4.3 billion yen from the previous forecast to 0.1 billion yen, and ordinary profit by 2.3 billion yen to 1.3 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

(Millions of yen)

	As of the end of the previous fiscal year (March 31, 2023)	As of the end of second quarter of the fiscal year under review (September 30, 2023)
Assets		
Current assets		
Cash and deposits	12,463	13,352
Notes and accounts receivable - trade	69,461	93,148
Securities	-	200
Inventories	119,288	142,709
Accounts receivable - other	1,929	13,688
Other	7,827	2,369
Total current assets	210,970	265,468
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,056	11,813
Storage tanks, net	2,651	2,676
Machinery, equipment and vehicles, net	29,862	29,584
Land	51,541	51,541
Construction in progress	1,152	1,743
Other, net	590	526
Total property, plant and equipment	97,855	97,886
Intangible assets		
Software	478	434
Other	134	134
Total intangible assets	612	569
Investments and other assets		
Investment securities	26,169	29,703
Long-term loans receivable	641	641
Net defined benefit asset	761	739
Other	380	366
Allowance for doubtful accounts	(407)	(407)
Total investments and other assets	27,545	31,043
Total non-current assets	126,014	129,499
Total assets	336,985	394,967

(Millions of yen)

	As of the end of the previous fiscal year (March 31, 2023)	As of the end of second quarter of the fiscal year under review (September 30, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	35,792	65,762
Short-term loans payable	130,316	137,003
Current portion of long-term loans payable	10,949	10,409
Accounts payable - other	26,402	24,593
Excise taxes payable on gasoline and other fuels	16,482	26,762
Income taxes payable	213	2,072
Provision for bonuses	336	350
Other	6,052	8,497
Total current liabilities	226,545	275,451
Non-current liabilities		
Long-term loans payable	19,793	17,739
Deferred tax liabilities	8,854	8,689
Provision for special repairs	2,387	2,585
Provision for repairs	5,080	4,371
Net defined benefit liability	1,740	1,795
Provision for directors' retirement benefits	23	24
Other	900	763
Total non-current liabilities	38,780	35,969
Total liabilities	265,326	311,420
Net assets		
Shareholders' equity		
Capital stock	24,467	24,467
Capital surplus	25,495	25,495
Retained earnings	18,653	29,091
Treasury stock	(1,271)	(1,271)
Total shareholders' equity	67,345	77,783
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	842	1,191
Deferred gains or losses on hedges	155	(1,436)
Revaluation reserve for land	1	1
Foreign currency translation adjustments	2,571	5,290
Remeasurements of defined benefit plans	560	524
Total accumulated other comprehensive income	4,130	5,572
Non-controlling interests	182	191
Total net assets	71,658	83,547
Total liabilities and net assets	336,985	394,967

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
Quarterly consolidated statement of income
First six months

(Millions of yen)

	First six months of the previous fiscal year (From April 1, 2022 to September 30, 2022)	First six months of the fiscal year under review (From April 1, 2023 to September 30, 2023)
Net sales	444,773	319,711
Cost of sales	425,646	305,061
Gross profit	19,126	14,649
Selling, general and administrative expenses	2,652	2,399
Operating profit	16,474	12,250
Non-operating income		
Interest income	15	100
Dividend income	127	51
Foreign exchange gains	1,511	838
Equity in earnings of affiliates	1,614	1,249
Rent income from storage tanks	108	103
Other	159	203
Total non-operating income	3,537	2,548
Non-operating expenses		
Interest expenses	2,270	790
Rent expenses on storage tanks	106	105
Other	359	336
Total non-operating expenses	2,735	1,232
Ordinary profit	17,276	13,566
Extraordinary income		
Gain on sales of non-current assets	0	9
Total extraordinary income	0	9
Extraordinary losses		
Loss on retirement of non-current assets	21	5
Loss on cancellation of leases	-	0
Total extraordinary losses	21	5
Profit before income taxes	17,254	13,570
Income taxes - current	2,693	1,822
Income taxes - deferred	69	526
Total income taxes	2,763	2,349
Profit	14,490	11,220
Profit attributable to non-controlling interests	8	11
Profit attributable to owners of parent	14,482	11,209

Quarterly consolidated statement of comprehensive income
First six months

(Millions of yen)

	First six months of the previous fiscal year (From April 1, 2022 to September 30, 2022)	First six months of the fiscal year under review (From April 1, 2023 to September 30, 2023)
Profit	14,490	11,220
Other comprehensive income		
Valuation difference on available-for-sale securities	(113)	349
Deferred gains or losses on hedges	1,020	(1,592)
Foreign currency translation adjustments	853	502
Remeasurements of defined benefit plans, net of tax	(53)	(35)
Share of other comprehensive income of entities accounted for using equity method	3,610	2,217
Total other comprehensive income	5,316	1,441
Comprehensive income	19,807	12,662
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	19,799	12,650
Comprehensive income attributable to non-controlling interests	8	11

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of the previous fiscal year (From April 1, 2022 to September 30, 2022)	First six months of the fiscal year under review (From April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	17,254	13,570
Depreciation and amortization	3,878	3,788
Increase (decrease) in provision for repairs	1,510	(708)
Increase (decrease) in retirement benefit liability	(7)	41
Increase (decrease) in provision for special repairs	21	198
Interest and dividend income	(143)	(152)
Interest expenses	2,270	790
Share of loss (profit) of entities accounted for using equity method	(1,614)	(1,249)
Foreign exchange losses (gains)	(698)	-
Decrease (increase) in trade receivables	(15,669)	(23,686)
Decrease (increase) in inventories	(62,704)	(23,421)
Increase (decrease) in trade payables	6,916	29,969
Increase (decrease) in excise taxes payable on gasoline and other fuels	13,222	10,280
Increase (decrease) in accrued consumption taxes	2,193	(7,734)
Other	3,463	(2,807)
Subtotal	(30,107)	(1,121)
Interest and dividends received	389	422
Interest paid	(2,259)	(805)
Income taxes paid	(786)	(72)
Income taxes refund	0	258
Net cash provided by (used in) operating activities	(32,762)	(1,318)
Cash flows from investing activities		
Payments into time deposits	(3,829)	(4,504)
Proceeds from withdrawal of time deposits	4,488	4,205
Purchase of investment securities	(0)	(0)
Purchase of property, plant and equipment	(1,142)	(1,326)
Proceeds from sale of property, plant and equipment	0	15
Purchase of intangible assets	(49)	(24)
Loan advances	(0)	(0)
Proceeds from collection of loans receivable	0	0
Other	92	3
Net cash provided by (used in) investing activities	(439)	(1,632)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	39,239	6,687
Proceeds from long-term loans payable	-	1,500
Repayments of long-term loans payable	(3,695)	(4,094)
Dividends paid	(772)	(770)
Dividends paid to non-controlling interests	(1)	(1)
Other	(183)	(197)
Net cash provided by (used in) financing activities	34,586	3,123
Effect of exchange rate change on cash and cash equivalents	(262)	212
Net increase (decrease) in cash and cash equivalents	1,122	384
Cash and cash equivalents at beginning of period	7,912	8,329
Cash and cash equivalents at end of period	9,035	8,714

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Segment Information, etc.)

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