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Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]

February 9, 2024

Company name: The Nisshin Oillio Group, Ltd.
 Stock exchange listing: Tokyo
 Code number: 2602
 URL: <https://www.nisshin-oillio.com/english/>
 Representative: Takahisa Kuno, Representative Director and President
 Contact: Koji Miki, General Manager of Financial Dept.
 Phone: +81-3 (3206) 5036
 Scheduled date of filing quarterly securities report: February 14, 2024
 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, 2023 (April 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2023	390,542	(8.1)	19,457	32.4	18,711	26.8	13,834	26.1
December 31, 2022	425,092	35.5	14,701	58.8	14,755	43.7	10,972	49.7

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥17,105 million [160.6%]
 Nine months ended December 31, 2022: ¥6,564 million [(37.3)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended December 31, 2023	Yen 426.82	Yen -
December 31, 2022	338.55	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of December 31, 2023	Million yen 389,929	Million yen 184,103	% 44.8
March 31, 2023	374,453	171,418	43.4

(Reference) Equity: As of December 31, 2023: ¥174,622 million
 As of March 31, 2023: ¥162,559 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	45.00	-	75.00	120.00
Fiscal year ending March 31, 2024	-	60.00	-		
Fiscal year ending March 31, 2024 (Forecast)				90.00	150.00

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

For details regarding the revision of year-end dividend forecast, please refer to the "Announcement of Revisions to Full-Year Consolidated Earnings Forecasts and Year-End Dividend Forecast (Dividend Increase)" made today (February 9, 2024).

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	510,000	(8.4)	20,500	26.7	19,500	20.1	13,500	21.0	416.51

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

For details regarding the consolidated financial results forecast, please refer to the "Announcement of Revisions to Full-Year Consolidated Earnings Forecasts and Year-End Dividend Forecast (Dividend Increase)" made today (February 9, 2024).

Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2023 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New: - (Company name)

Exclusion: - (Company name)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Related Notes, (4) Notes to the Quarterly Consolidated Financial Statements (Application of accounting methods specific to the preparation of quarterly consolidated financial statements)" on page 18.

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common stock)

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

December 31, 2023: 33,716,257 shares

March 31, 2023: 33,716,257 shares

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

December 31, 2023: 1,303,873 shares

March 31, 2023: 1,305,677 shares

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

Nine months ended December 31, 2023: 32,412,410 shares

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

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

- The Quarterly Consolidated Financial Results are not subject to quarterly review by certified public accountants or audit firms.
- Explanation of the appropriate use of earnings forecasts and other notes: The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended as a promise by the Company that they will be achieved. Actual results may differ materially due to a variety of factors. Please refer to "1. Qualitative Information on the Quarterly Consolidated Financial Results, (3) Explanation of the Forecast Data, including Consolidated Results Forecast" on page 11 for the conditions that form the assumptions for the forecast of financial results and cautions concerning the use of the forecast of financial results.

Financial results briefing for analysts and institutional investors will be held as follows:

Date: February 9, 2024 (Fri) (Only available in Japanese)

Supplementary materials will be posted on the Company's website. An interactive conference call will be held to explain the overview of the results and answer questions.

[Reference]

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1. Qualitative Information on the Quarterly Consolidated Financial Results

Any forward-looking statement herein is based on management's judgment as of December 31, 2023.

(1) Overview of Business Performance

While the U.S. economy saw solid growth, mainly thanks to robust personal consumption during the first nine months of the fiscal year ending March 31, 2024, the outlook for the global economy remains unclear owing to multiple factors including the prolonged monetary tightening and emergence of geopolitical risks.

Meanwhile, the Japanese economy saw a recovery in consumption, led by the eating-out and travel sectors, and a substantial increase in inbound demand, triggered by the Japanese government's decision to relax COVID-19 responsive measures. On the other hand, there are concerns of deterioration in corporate earnings and possible slumping of consumption due to price hikes caused by soaring energy costs and raw material prices.

Under such circumstances, the Group continues to mobilize its core policy, "Transform ourselves into a corporate group that continuously creates diverse values through customer centricity," in advancing the Value Up+ medium-term management plan (FY2021-FY2024). The Group will accelerate its path to growth through the CSV targets, which has six key priorities that serves as its growth driver. Leveraging the "Natural Power of Plants" as the basis for value creation, the Group will also pursue sustainable growth while cultivating diverse values that it can share with society.

The Group has set achieving an ROE level that exceeds equity cost as its material business goal. In FY2022, ROIC was added to the business performance metrics, and the Group has worked tirelessly to improve its profitability and asset efficiency. Furthermore, the Group has organized a framework ("Achievement Chart") of KPIs and concrete initiatives under the four pillars of "growth," "active investment," "sustainability," and "efficiency," and continues to work toward achieving its targets of 8.0% ROE and 4.6% ROIC for FY2024.

The consolidated financial results for the nine months of the fiscal year ending March 31, 2024 are as described below.

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change	YoY (%)
Net sales	425,092	390,542	(34,550)	91.9
Operating profit	14,701	19,457	+4,756	132.4
Ordinary profit	14,755	18,711	+3,956	126.8
Profit attributable to owners of parent	10,972	13,834	+2,861	126.1

Overview by Segment

<< Oil and Fat >>

In the oil and fat segment, in terms of oil and meal, raw material prices have been on a declining trend after peaking out, despite concerns over production cutbacks caused by unfavorable weather and the yen's depreciation against the dollar. In response, the Group worked to maintain and form appropriate sales prices. In addition to expanding sales of value-added products, the Company focused on creating new markets and strengthening solution proposals. Overall, the oil and fat segment reported a decrease in net sales caused by the decline in unit sales prices of overseas processed oil and fat, but operating profit increased mainly due to sales of domestic oils and fats at appropriate prices.

◆ Oil and Meal

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change	YoY (%)
Net sales	266,390	245,113	(21,277)	92.0
Operating profit	7,969	13,575	+5,605	170.3

Procurement environment of raw materials

Although the yen weakened against the dollar compared to the same period of the previous fiscal year, procurement costs of major raw materials, such as soybean and rapeseed, decreased owing to the factor that the prices of these materials declined compared with last year's historically high market prices.

Market prices of major raw materials

Regarding the market price for soybeans, from April onward, market prices remained bearish due to increased optimism over the prospect of a bumper harvest in Brazil and the successful planting of new crops in the U.S. In July, the market price went up to the US\$15 level due to a decrease in planting area in the U.S. and hot and dry weather in producing regions. However, prices fell to the US\$12 level in September, caused by selling pressures for the harvest season, and since October, the price has remained in the US\$13 range.

The market price for rapeseed had been soft since April due to improvement in global supply and demand including a recovery of production in Canada and a bumper crop in Australia. However, the price increased to mid-C\$800 in July due to hot and dry weather in Canada's rapeseed producing regions. Afterwards, the weather improved, and in connection with the bearish price decline of other oil markets, the price decreased to mid-C\$600 in December.

Exchange rates

The dollar-yen market saw the yen weaken against the U.S. dollar to the 150-yen level in October 2022, but the U.S. halting interest rate hikes and anticipation over Japan's large-scale monetary-easing policy shift caused the yen to temporarily appreciate and the dollar to weaken to below 130 yen. However, in June, the dollar reached the 140-yen level, as there were no changes in monetary policies by Japan or by the U.S. In October, the yen depreciated against the dollar to the 150-yen level due to strengthening views that higher interest rates in the U.S. would become prolonged. From late November, anticipations for additional interest rate hikes in the U.S. waned, and in December, expectations that the Bank of Japan would lift negative interest rates at an early stage increased, which caused the yen to appreciate against the dollar to the lower 140-yen range.

Sales of oil and fat

In commercial-use products, amid a downward trend in the prices of raw materials falling from historic highs, the Group worked to maintain and form appropriate sales prices. Also, through “collaborative-sales-to-identify-needs marketing,” continuous efforts were made to refine the quality of solutions the Group could offer, such as improving the quality of end products, reducing costs, and improving productivity. Efforts were also made to expand sales through active proposal-making with value-added products, such as “customer-solution-type frying oil” that curtails oxidation and coloration of the frying oil, functional oils and fats that enhance the quality of menu items including “cooked-rice-solution oil,” and “functional-solution oil” used with noodle products. The relaxing of COVID-19 measures resulted in a recovery of demand for food services and tourism, and sales volume was up year on year. However, unit sales prices were down which resulted in a decline in net sales from the same period of the previous fiscal year.

In the food processing sector, the sales volume of oils and fats for food processing was down year on year. This was mainly due to declines in production in various industries triggered by lower consumer sentiment against the backdrop of rising prices. As a result, net sales also decreased.

As for household-use products, efforts were made to increase the value of edible oils and to form a new price equilibrium point by expanding sales of products, such as *Nisshin Healthy Off*, which curtails the absorption of oil when foods are deep-fried. While the price of raw materials for olive oil and sesame oil remained high, continuous efforts were made to revise sales prices and to boost recognition of value-added products such as “pour-and-enjoy fresh edible oil” and “flavored oil” into the market. Though unit sales prices were at the same levels year on year, sales volume was down due to defensive spending patterns of consumers triggered by price hikes. As a result, net sales decreased.

Net sales of overall domestic oils and fats, therefore, were down from the same period of the previous year, but as costs of oils and fats decreased, gross profit per unit improved, resulting in an increase in operating profit.

Meal sales

As for soybean meal, although prices decreased on the Chicago Board of Trade year on year, sales prices remained at the same level compared with the same period of the previous fiscal year due to the weaker yen against the U.S. dollar. Sales volume decreased due to lower soybean crushing volume year on year which resulted in lower net sales.

Sales prices of rapeseed meal also remained at the same level compared with the same period of the previous fiscal year. Sales volume decreased due to lower crushing volume year on year which resulted in lower net sales.

◆ Processed Oil and Fat

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change	YoY (%)
Net sales	92,884	78,042	(14,841)	84.0
Operating profit	5,380	4,099	(1,281)	76.2

As for overseas processed oil and fat, overall sales volume increased year on year. This was due to resuming shipments by Intercontinental Specialty Fats Sdn. Bhd. in Malaysia to major European customers, which had been delayed in the first half, as well as strong sales to domestic customers. However, net sales decreased due to a drop in sales prices caused by the decline in market price for palm oil. Such factor, combined with the lower mark-to-

market valuation gains on palm oil transactions, led to a decrease in operating profit.

Net sales at Intercontinental Specialty Fats (Italy) S.r.l. increased thanks to expanded sales to new customers. In terms of profit, despite a reactionary decline in palm oil from the increase in demand during the same period of the previous year due to Russia's invasion of Ukraine, operating profits increased owing to stable sales to existing customers as well as acquisition of new customers.

In the domestic processed oil and fat sector, despite the continued difficult circumstances of defensive spending among consumers due to the rise in the cost of living, and customers' reducing the amount of oils and fats they use by downsizing their products, sales volume increased thanks to acquisition of new customers as well as adoption of new products by existing customers. Also, both net sales and operating profit increased as a result of efforts of setting appropriate sales prices against costs and continuous cost-efficiency improvements.

<< Processed Food and Materials >>

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change	YoY (%)
Net sales	48,107	51,252	+3,144	106.5
Operating profit	460	1,002	+541	217.6

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

In chocolate products, Daito Cacao Co., Ltd. had higher sales volume compared to the same period of the previous fiscal year due to a recovery in demand in the souvenir market and for premixed products in the bakery industry in response to the Government relaxing COVID-19 responsive measures. Also, amid rising raw material prices and energy costs, progress was made in setting appropriate sales prices against costs, and as a result, net sales and operating profit increased. T.&C. Manufacturing Co., Pte. Ltd. of Singapore remained affected by the decline in demand for premixed products in Japan, and as a result, sales volume decreased. At PT Indoagri Daitocacao of Indonesia, sales volume increased year on year as a result of maintaining firm sales to existing customers while prioritizing improvement of profitability. The chocolate category as a whole saw net sales and operating profit increase, in part, thanks to the performance of Daito Cacao Co., Ltd.

In seasonings, sales volume of dressings was up from the same period of the previous fiscal year, and net sales increased, but operating profit declined due to the significant impact of the rise in the cost of sales ratio and increased SG&A expenses.

In functional materials and foods, the Company continued to market the functionality of MCT (medium-chain triglyceride) under the concept of "shifting to a body-fat-burning constitution." The Company also worked to expand the size of the market by promoting the launch of MCT products in collaboration with processed food manufacturers. While net sales increased, operating profit decreased mainly due to increased SG&A expenses despite efforts of setting appropriate sales prices in response to the rise in raw material prices.

In soybean materials and foods, net sales and operating profit both increased due to selling soybean protein and other products at appropriate prices in response to rising raw material prices.

<< Fine Chemical >>

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change	YoY (%)
Net sales	15,743	14,197	(1,546)	90.2
Operating profit	1,252	1,045	(206)	83.5

In the fine chemical segment, net sales and operating profit decreased primarily due to the economic uncertainty in the European market, and as a result sales volume of our European subsidiary decreased.

As for fine chemical products, customer development progressed with launches of new products for cosmetics, and global provision of solution proposals through technical support. Domestic demand for cosmetics is gradually bouncing back. Net sales and operating profit in the Chinese market increased as sales volume grew from the economic recovery from COVID-19. Meanwhile in Europe, although the prolonged inflation is finally subsiding, the impact of the decrease in sales volume at our European subsidiary, which performed well last year, was substantial, and as a result, both net sales and operating profit decreased.

Environment and hygiene-related products saw a drop in sales volume due to a reduced demand for alcohol preparations, and despite making progress in efforts to revise sales prices, net sales and operating profit declined from significant impacts of soaring raw materials prices and energy costs.

<< Other >>

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change	YoY (%)
Net sales	1,965	1,936	(29)	98.5
Operating profit	328	366	+38	111.6

In the Other category, including information systems, operating profit increased while net sales decreased year on year.

Net sales by region

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change	YoY (%)
Japan	325,201	309,447	(15,753)	95.2
Asia	50,833	42,093	(8,739)	82.8
Other	49,057	39,000	(10,056)	79.5
Overseas sales ratio	23.5%	20.8%	—	(2.7) pts

Net sales to Asian markets including Malaysia and China, and Other markets, such as Europe and the U.S., fell primarily due to the impact of lower sales prices of overseas processed oil and fat products against the backdrop of a decline in the market price of palm oil.

Reference: Net sales (non-consolidated)

(Million yen)

		Nine months ended December 31, 2022	Nine months ended December 31, 2023	Change	YoY (%)
Oil and Fat	Oil and Meal	240,804	221,519	(19,284)	92.0
	Commercial-use and food processing	99,681	94,474	(5,207)	94.8
	Household-use	58,001	56,527	(1,474)	97.5
	Meal	83,120	70,517	(12,602)	84.8
	Processed Oil and Fat	10,028	11,144	+1,115	111.1
	Subtotal	250,832	232,663	(18,168)	92.8
Processed Food and Materials		14,526	16,337	+1,811	112.5
Fine Chemical		4,383	5,068	+685	115.6
Other		256	300	+44	117.3
Total		269,998	254,370	(15,628)	94.2

(2) Overview of Financial Position

1) Assets, liabilities and net assets

Total assets on December 31, 2023, stood at ¥389,929 million, up by ¥15,475 million from the previous fiscal year-end. The main reasons for this increase were increases of ¥11,520 million in trade receivables and ¥10,598 million in investment securities. This increase in total assets was partially offset by decreases of ¥4,177 million in inventories and ¥2,106 million in property, plant and equipment.

Liabilities stood at ¥205,825 million, up by ¥2,790 million from the previous fiscal year-end. The main reasons for the increase were increases of ¥8,092 million in trade payables, ¥10,000 million in current portion of bonds payable, ¥597 million in income taxes payable, and ¥4,625 million in long-term borrowings. This increase in liabilities was partially offset by decreases of ¥19,310 million in short-term borrowings and ¥5,000 million in bonds payable.

Net assets stood at ¥184,103 million, an increase of ¥12,685 million from the previous fiscal year-end. The main factors in the increase were increases of ¥9,436 million in retained earnings and ¥2,621 million in accumulated other comprehensive income.

2) Status of cash flows

Cash and cash equivalents as of December 31, 2023, stood at ¥13,454 million, an increase of ¥3,712 million from the previous fiscal year-end, despite a decrease of ¥1,156 million due to the corporate spin-off.

<< Cash Flows from Operating Activities >>

Operating activities provided net cash of ¥27,452 million (¥22,348 million used in the same period of the previous fiscal year). The main factors increasing cash were profit before income taxes of ¥20,193 million, depreciation of ¥6,972 million, a decrease in inventories of ¥4,891 million, and an increase in trade payables of ¥7,554 million. The main factors decreasing cash were an increase in trade receivables of ¥11,049 million and income taxes paid of ¥4,970 million.

<< Cash Flows from Investing Activities >>

Investing activities used net cash of ¥9,289 million (¥4,586 million used in the same period of the previous fiscal year). The main factor decreasing cash was purchase of property, plant and equipment of ¥9,647 million.

<< Cash Flows from Financing Activities >>

Financing activities used net cash of ¥14,696 million (¥29,053 million provided in the same period of the previous fiscal year). The main factors increasing cash were proceeds from long-term borrowings of ¥5,000 million and proceeds from bond issuance of ¥5,000 million. The main factors decreasing cash were net decrease in short-term borrowings of ¥19,336 million, repayments of long-term borrowings of ¥486 million, and dividends paid of 4,378 million.

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

With regard to the consolidated results, the Group has revised the figures of full-year consolidated earnings forecasts for FY2023 (fiscal year ending March 31, 2024), originally announced on November 8, 2023. For details, please refer to the "Announcement of Revisions to Full-Year Consolidated Earnings Forecasts and Year-End Dividend Forecast (Dividend Increase)" made today (February 9, 2024).

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	13,036	15,707
Notes and accounts receivable - trade	99,578	111,099
Securities	-	23
Inventories	106,041	101,863
Other	15,104	11,500
Allowance for doubtful accounts	(193)	(131)
Total current assets	233,567	240,062
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,819	27,279
Machinery, equipment and vehicles, net	34,635	30,263
Land	27,487	27,450
Other, net	8,303	14,147
Total property, plant and equipment	101,247	99,141
Intangible assets		
Goodwill	204	190
Other	1,916	2,292
Total intangible assets	2,121	2,482
Investments and other assets		
Investment securities	27,654	38,252
Retirement benefit asset	5,931	5,947
Other	3,908	4,000
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	37,467	48,173
Total non-current assets	140,836	149,797
Deferred assets		
Bond issuance costs	49	70
Total deferred assets	49	70
Total assets	374,453	389,929

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	51,073	59,166
Short-term borrowings	33,500	14,190
Current portion of bonds payable	-	10,000
Income taxes payable	3,327	3,924
Provisions	71	49
Other	27,673	29,427
Total current liabilities	115,646	116,759
Non-current liabilities		
Bonds payable	20,000	15,000
Long-term borrowings	52,313	56,939
Provisions	443	512
Retirement benefit liability	2,062	2,127
Other	12,569	14,487
Total non-current liabilities	87,388	89,066
Total liabilities	203,034	205,825
Net assets		
Shareholders' equity		
Share capital	16,332	16,332
Capital surplus	21,663	21,663
Retained earnings	117,899	127,335
Treasury shares	(4,073)	(4,068)
Total shareholders' equity	151,821	161,263
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,199	9,389
Deferred gains or losses on hedges	349	(831)
Foreign currency translation adjustment	4,213	5,636
Remeasurements of defined benefit plans	(1,024)	(835)
Total accumulated other comprehensive income	10,737	13,359
Non-controlling interests	8,859	9,481
Total net assets	171,418	184,103
Total liabilities and net assets	374,453	389,929

(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, 2022	For the nine months ended December 31, 2023
Net sales	425,092	390,542
Cost of sales	373,334	331,509
Gross profit	51,758	59,032
Selling, general and administrative expenses	37,057	39,575
Operating profit	14,701	19,457
Non-operating income		
Interest income	69	122
Dividend income	328	354
Share of profit of entities accounted for using equity method	222	-
Foreign exchange gains	162	-
Other	335	346
Total non-operating income	1,118	823
Non-operating expenses		
Interest expenses	655	798
Share of loss of entities accounted for using equity method	-	327
Foreign exchange losses	-	205
Loss on disposal of inventories	83	93
Provision of allowance for doubtful accounts	122	-
Other	202	143
Total non-operating expenses	1,064	1,568
Ordinary profit	14,755	18,711
Extraordinary income		
Gain on sale of non-current assets	-	872
Gain on sale of investment securities	1,270	71
Gain on sale of shares of subsidiaries and associates	48	-
Gain on change in equity	-	729
Total extraordinary income	1,319	1,673
Extraordinary losses		
Loss on sale of non-current assets	-	23
Loss on retirement of non-current assets	658	168
Total extraordinary losses	658	192
Profit before income taxes	15,416	20,193
Income taxes	4,362	5,984
Profit	11,053	14,208
Profit attributable to non-controlling interests	81	374
Profit attributable to owners of parent	10,972	13,834

Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	11,053	14,208
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,849)	2,132
Deferred gains or losses on hedges	(5,524)	(1,169)
Foreign currency translation adjustment	1,974	1,300
Remeasurements of defined benefit plans, net of tax	326	188
Share of other comprehensive income of entities accounted for using equity method	583	443
Total other comprehensive income	(4,489)	2,896
Comprehensive income	6,564	17,105
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,515	16,455
Comprehensive income attributable to non-controlling interests	49	649

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	15,416	20,193
Depreciation	7,072	6,972
Amortization of goodwill	27	30
Interest and dividend income	(398)	(477)
Interest expenses	655	798
Share of loss (profit) of entities accounted for using equity method	(222)	327
Loss (gain) on sale and retirement of non-current assets	658	(680)
Loss (gain) on sale of investment securities	(1,270)	(71)
Loss (gain) on sale of shares of subsidiaries and associates	(48)	-
Loss (gain) on change in equity	-	(729)
Decrease (increase) in trade receivables	(30,574)	(11,049)
Decrease (increase) in inventories	(18,799)	4,891
Increase (decrease) in trade payables	5,820	7,554
Decrease (increase) in retirement benefit asset	(958)	(15)
Increase (decrease) in retirement benefit liability	87	65
Other, net	2,219	4,893
Subtotal	(20,315)	32,704
Interest and dividends received	408	488
Interest paid	(691)	(770)
Income taxes paid	(1,749)	(4,970)
Net cash provided by (used in) operating activities	(22,348)	27,452
Cash flows from investing activities		
Purchase of securities	-	(22)
Purchase of property, plant and equipment	(5,897)	(9,647)
Proceeds from sale of property, plant and equipment	61	1,351
Purchase of investment securities	(28)	(28)
Proceeds from sale of investment securities	2,028	217
Proceeds from sale of shares of subsidiaries and associates	108	-
Other, net	(859)	(1,159)
Net cash provided by (used in) investing activities	(4,586)	(9,289)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	18,231	(19,336)
Proceeds from long-term borrowings	15,017	5,000
Repayments of long-term borrowings	(1,376)	(486)
Proceeds from issuance of bonds	-	5,000
Dividends paid	(2,919)	(4,378)
Proceeds from sale of treasury shares	3	2
Purchase of treasury shares	(1)	(3)
Dividends paid to non-controlling interests	(26)	(29)
Proceeds from share issuance to non-controlling shareholders	553	-
Other, net	(427)	(464)
Net cash provided by (used in) financing activities	29,053	(14,696)
Effect of exchange rate change on cash and cash equivalents	55	245
Net increase (decrease) in cash and cash equivalents	2,173	3,712

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Cash and cash equivalents at beginning of period	7,875	10,899
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	2,187	-
Decrease in cash and cash equivalents resulting from corporate spin-off	-	(1,156)
Cash and cash equivalents at end of period	12,236	13,454

(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.

Changes in the scope of consolidation or the scope of application of the equity method

Significant changes in the scope of consolidation

(1) Significant changes in the scope of consolidation:

In the third quarter of the fiscal year ending March 31, 2024, IQL-USA Inc. was newly established by Industrial Química Lasem, S.A.U., a consolidated subsidiary of the Company. IQL-USA is now included in the scope of consolidation.

(2) Number of consolidated subsidiaries after the change: 19

Significant changes in the scope of application of the equity method

(1) Significant changes in the scope of application of the equity method

In the third quarter of the fiscal year ending March 31, 2024, the Company established Oilseed Processing Partners Japan, Ltd. as a joint venture company. Oilseed Processing Partners Japan is now included in the scope of application of the equity method.

(2) Number of equity-method affiliates after the change: 7

Application of accounting methods specific to 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.

Business combinations, etc.

◆ Formation of jointly controlled company

At a meeting held on August 9, 2023, the Board of Directors adopted a resolution and concluded a joint venture agreement with J-Oil Mills, Inc. to establish Oilseed Processing Partners Japan, Ltd. by means of a joint spinoff. Based on this, the oilseed processing functions at the Company's Mizushima Plant and J-Oil Mills' Kurashiki Plant specified in the "Spinoff Joint Venture Plan" are now treated as oilseed processing contract services, and a portion of the related assets, liabilities, rights, and obligations thereto were transferred to Oilseed Processing Partners Japan on October 2, 2023.

1. Overview of the transaction

(1) Name and details of the subject business

Oilseed processing functions at the Company's Mizushima Plant and J-Oil Mills' Kurashiki Plant (manufacturing and processing of oils & fats and oil meal)

(2) Date of business combination

October 2, 2023

(3) Legal format of business combination

Newly established by the Company and J-Oil Mills, Oilseed Processing Partners Japan is the succeeding company taking over the spinoffs from the two companies. The investment ratios of the two companies are equal.

(4) Name of company after the business combination

Oilseed Processing Partners Japan, Ltd.

(5) Other matters relating to the overview of the transaction

In accordance with the common recognition of long-term challenges in the domestic edible oil industry, the Company and J-Oil Mills aim to support food and diet in Japan into the future and contribute broadly to society by realizing stable supplies of oil and meal, enhancing sustainable international competitiveness, and solving environmental and social issues. Both companies have been studying the establishment of an oilseed processing joint venture since May 2021. Since November 2022, the two companies have held discussions regarding the establishment of a joint venture company in the western Japan area. Having obtained the approval of the Japan Fair Trade Commission, both companies decided to execute this spinoff in October 2023.

Oilseed Processing Partners Japan will seek to build a joint business structure to bolster the international competitiveness of the domestic oilseed processing industry and ensure stable supplies over the long term. It will also promote building next-generation oilseed processing plants that contribute to environmental and social issues, including the adoption of smart factories utilizing AI and IoT as well as taking the initiative to realize a decarbonized society.

(6) Reasons for the decision to form a jointly controlled company

In forming the jointly controlled company, the Company and J-Oil Mills concluded a joint venture agreement whereby they jointly control Oilseed Processing Partners Japan. All consideration paid at the time of the business combination are shares with voting rights. There are no established facts indicating a controlling relationship. Accordingly, the Company determined that the business combination constitutes the establishment of a jointly controlled company.

2. Overview of accounting procedures to be implemented

In accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), the Company is treating this transaction as the formation of a jointly controlled company. Since it is a jointly controlled company, Oilseed Processing Partners Japan is being treated as an equity-method affiliate of the Company.

Segment information

1. Overview of Reporting Segments

The Company has established operating divisions by product; each division conducts business activities by formulating comprehensive domestic and overseas strategies for the products it handles. Therefore, the Company's business consists of product segments based on the operating divisions, with three reporting segments: "Oil and Fat," "Processed Food and Materials," and "Fine Chemical."

Main products for each reporting segment can be found in the chart below:

Business category		Main products
Oil and Fat	Oil and meal	Household-use (edible oils), edible oils for commercial use, oils and fats for food processing, oil meals
	Processed oil and fat	Processed palm oil products, oils and fats for chocolate, margarines, shortenings
Processed Food and Materials		Chocolate-related products, household-use (salad dressing), wellness foods (MCT high-energy food, elderly/nursing care food), MCT, lecithin, tocopherol, edible soybeans, soy protein
Fine Chemical		Raw materials for cosmetics and toiletries, chemical products, plant-based industrial oils, detergents, antibacterial agents, surfactants
Other		Information systems, sales promotions, sports facility operations, P&C insurance agency, real estate leasing

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

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:

- The Other category is for business segments that are not included in reporting segments, such as information systems.
- 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.
- Segment profit is adjusted against the operating profit recorded in the quarterly consolidated statements of income.

Nine months ended December 31, 2023 (April 1, 2023, to December 31, 2023)

(Million yen)

	Reporting segment						Other (Note 1)	Total	Adjustments (Note 2)	Amount in the quarterly consolidated statements of income (Note 3)
	Oil and Fat			Processed Food and Materials	Fine Chemical	Total				
	Oil and meal	Processed oil and fat	Subtotal							
Net sales										
Sales to external customers	245,113	78,042	323,155	51,252	14,197	388,606	1,936	390,542	—	390,542
Intersegment sales and transfers	1,508	6,942	8,451	126	1,154	9,732	1,442	11,174	(11,174)	—
Total	246,622	84,985	331,607	51,379	15,352	398,338	3,378	401,717	(11,174)	390,542
Segment profit (loss)	13,575	4,099	17,675	1,002	1,045	19,722	366	20,089	(632)	19,457

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 -¥632 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, 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.

Nine months ended December 31, 2023 (April 1, 2023, to December 31, 2023)

(Million yen)

	Japan	Asia	Other	Total
Net sales	309,447	42,093	39,000	390,542
Ratio to net sales	79.2%	10.8%	10.0%	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, 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.

Nine months ended December 31, 2023 (April 1, 2023, to December 31, 2023)

(Million yen)

	Reporting segment						Other (Note)	Total
	Oil and Fat			Processed Food and Materials	Fine Chemical	Total		
	Oil and meal	Processed oil and fat	Total					
Japan	242,924	10,223	253,147	46,232	8,131	307,511	1,673	309,184
Asia	2,133	32,357	34,491	5,007	2,595	42,093	—	42,093
Other	55	35,462	35,517	12	3,470	39,000	—	39,000
Revenue arising from contracts with customers	245,113	78,042	323,155	51,252	14,197	388,606	1,673	390,279
Other revenue	—	—	—	—	—	—	263	263
Sales to external customers	245,113	78,042	323,155	51,252	14,197	388,606	1,936	390,542

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