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Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)

February 9, 2024

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 Listing: Tokyo Stock Exchange
 Securities code: 5017
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 Scheduled date to file quarterly securities report: February 13, 2024
 Scheduled date to commence dividend payments: -
 Preparation of supplementary materials on quarterly financial results: Yes (Japanese only)
 Holding of quarterly financial results briefing: None

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

1. Consolidated financial results for the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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 nine months ended December 31, 2023	535,893	(21.2)	8,134	206.6	10,126	357.4	8,768	385.8
For the nine months ended December 31, 2022	680,237	115.3	2,653	(48.8)	2,213	(54.1)	1,805	(66.9)

(Note) Total comprehensive income:
 For the nine months ended December 31, 2023: 13,047 million yen [56.0%]
 For the nine months ended December 31, 2022: 8,363 million yen [19.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
For the nine months ended December 31, 2023	113.64	-
For the nine months ended December 31, 2022	23.41	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	411,147	83,932	20.4
As of March 31, 2023	336,985	71,658	21.2

(Reference) Equity: As of December 31, 2023: 83,735 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	728,300	(14.4)	5,700	13.3	7,900	67.9	6,900	93.0	89.42

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

*Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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)
- (ii) Number of treasury shares at the end of the period
- (iii) Average number of shares outstanding during the period (cumulative)

As of December 31, 2023	78,183,677 shares	As of March 31, 2023	78,183,677 shares
As of December 31, 2023	1,020,911 shares	As of March 31, 2023	1,020,910 shares
For the nine months ended December 31, 2023	77,162,767 shares	For the nine months ended December 31, 2022	77,120,097 shares

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

* Proper use of financial results forecast, 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.

o Table of Contents of Attachment

1. Qualitative Information on Financial Results for the First Nine Months of the Current Fiscal Year.....	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Positions	2
(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-Looking Statements	3
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	4
(1) Quarterly Consolidated Balance Sheet.....	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on Going Concern Assumption).....	8
(Notes on Significant Changes in the Amount of Shareholders' Equity)	8
(Segment Information, etc.).....	8

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

(1) Explanation of Operating Results

Dubai crude oil prices for the first nine months of the current fiscal year started at the US\$84/bbl level. However, in early April, concerns about tight supply and demand for crude oil increased due to the additional reduction of oil production by OPEC-plus, which led to an upward trend in the oil market. Subsequently, however, the price fell to the US\$71/bbl level in June due to growing concerns over an economic downturn, mainly from the spread of anxiety about the financial system in conjunction with the further interest raises by central banks in Europe and the U.S. and the collapse of U.S. regional banks. Thereafter, Saudi Arabia and Russia announced a voluntary additional crude oil production cut, creating an upward trend from July onward. In September, the two said countries further announced that they would extend the voluntary production cut until the end of 2023, raising awareness of a still tighter supply and demand for crude oil, which caused the price level to be over US\$90/bbl continuously. In October, military conflict arose between Israel and the Islamic armed organization Hamas. Although strong awareness of increasing geopolitical risks arose, the crude oil prices instantly reversed to a decline as the conflict between the two had a limited impact on the crude oil supply to neighboring countries. Since then, with greater concern over the deterioration of economic sentiment indices for China and other countries, awareness of crude oil supply and demand slackness rose, consequently causing crude oil prices to fall significantly. The crude oil finished trading at the end of the third quarter at the US\$77/bbl level. As a result, the average Dubai crude oil price during the first nine months ended December 31, 2023 was at the US\$82/bbl level.

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. Against the background that the Bank of Japan continued to maintain the policies even after the meeting, and the inflation-controlling interest rate hiking cycle prolonged in the U.S. as the FOMC suggested, the yen weakened to the ¥151/US\$ level in November. Thereafter, the yen continued to swing back stronger against the backdrop of heightened expectations of policy revisions by the Bank of Japan and an indication of the end of the interest rate hiking cycle in the U.S., ending the period at the upper ¥141/US\$ level. As a result, the average exchange rate during the first nine months of the current fiscal year was at the lower ¥143/US\$ range.

Under such business environment, the volume of crude oil processed at the Sodegaura Refinery decreased 0.739 million kiloliters year on year to 5.147 million kiloliters mainly due to the execution of minor periodic shutdown maintenance (SDM). The Company's sales volume of petroleum products, petrochemical products and others also decreased 0.834 million kiloliters to 5.393 million kiloliters.

Given such circumstances, the consolidated financial results for the first nine months ended December 31, 2023 were as follows: Net sales were 535.8 billion yen, down 144.3 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 8.1 billion yen, an increase of 5.4 billion yen from the same period a year earlier, due to a year-on-year increase 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 6.3 billion yen (in the same period of a year earlier, the positive effect of inventory valuation pushed down the cost of sales by 1.1 billion yen). Ordinary profit was 10.1 billion yen, an increase of 7.9 billion yen year on year, mainly due to the recording of 1.8 billion yen in equity in earnings of affiliates and 1.4 billion yen in foreign exchange gains. Profit attributable to owners of parent was 8.7 billion yen, an increase of 6.9 billion yen from the same period a year earlier.

As for profit in real terms, excluding the effect of inventory valuation, operating profit and ordinary profit amounted to 1.7 billion yen (an increase of 0.2 billion yen year on year) and 3.7 billion yen (an increase of 2.6 billion yen year on year), respectively, primarily due to the continuous firm product margins despite the impact of the minor periodic SDM.

(2) Explanation of Financial Positions

(i) Status of assets, liabilities and net assets

(Current assets)

At the end of the third quarter of the fiscal year under review, current assets totaled 281.6 billion yen, an increase of 70.6 billion yen compared with the end of the previous fiscal year. This was mainly due to a 37.5 billion yen increase in inventories and a 32.6 billion yen increase in notes and accounts receivable - trade.

(Non-current assets)

At the end of the third 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 4.8 billion yen increase in investment securities and a 1.0 billion yen decrease in machinery, equipment and vehicles.

(Current liabilities)

At the end of the third quarter of the fiscal year under review, current liabilities totaled 291.0 billion yen, an increase of 64.4 billion yen compared with the end of the previous fiscal year. This was mainly due to a 34.3 billion yen increase in short-term loans payable and a 25.4 billion yen increase in accounts payable - trade.

(Non-current liabilities)

At the end of the third quarter of the fiscal year under review, non-current liabilities totaled 36.1 billion yen, a decrease of 2.5 billion yen compared with the end of the previous fiscal year. This was mainly due to a 2.7 billion yen decrease in long-term loans payable.

(Net assets)

At the end of the third quarter of the fiscal year under review, net assets totaled 83.9 billion yen, an increase of 12.2 billion yen compared with the end of the previous fiscal year. This was mainly due to a 7.9 billion yen increase in retained earnings and a 3.7 billion yen increase in foreign currency translation adjustments.

(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 November 10, 2023).

The assumptions for the revised forecast are an average Dubai crude oil price of US\$75/bbl in the fourth quarter (previous forecast: US\$85/bbl) and an exchange rate of ¥145/US\$ (previous forecast: ¥145/US\$).

Net sales are expected to decrease 8.5 billion yen from the previous forecast to 728.3 billion yen.

As for profit, the Company expects a less substantive effect of inventory valuation on lowering the cost of sales due to the lowering of the assumed crude oil price, and operating profit is expected to decrease by 7.9 billion yen from the previous forecast to 5.7 billion yen, ordinary profit is expected to decrease by 6.9 billion yen to 7.9 billion yen, and profit attributable to owners of parent is expected to decrease by 5.2 billion yen to 6.9 billion yen.

As for profit in real terms, excluding the effect of the inventory valuation, operating profit is expected to increase 1.8 billion yen from the previous forecast to 1.9 billion yen, and ordinary profit by 2.8 billion yen to 4.1 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 third quarter of the fiscal year under review (December 31, 2023)
Assets		
Current assets		
Cash and deposits	12,463	13,745
Notes and accounts receivable - trade	69,461	102,142
Securities	-	400
Inventories	119,288	156,863
Accounts receivable - other	1,929	5,084
Other	7,827	3,412
Total current assets	210,970	281,647
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,056	11,646
Storage tanks, net	2,651	2,566
Machinery, equipment and vehicles, net	29,862	28,826
Land	51,541	51,541
Construction in progress	1,152	1,285
Other, net	590	574
Total property, plant and equipment	97,855	96,441
Intangible assets		
Software	478	520
Other	134	134
Total intangible assets	612	654
Investments and other assets		
Investment securities	26,169	31,010
Long-term loans receivable	641	641
Net defined benefit asset	761	728
Other	380	430
Allowance for doubtful accounts	(407)	(407)
Total investments and other assets	27,545	32,403
Total non-current assets	126,014	129,499
Total assets	336,985	411,147

(Millions of yen)

	As of the end of the previous fiscal year (March 31, 2023)	As of the end of third quarter of the fiscal year under review (December 31, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	35,792	61,204
Short-term loans payable	130,316	164,703
Current portion of long-term loans payable	10,949	9,619
Accounts payable - other	26,402	22,449
Excise taxes payable on gasoline and other fuels	16,482	23,981
Income taxes payable	213	1,466
Provision for bonuses	336	149
Other	6,052	7,449
Total current liabilities	226,545	291,023
Non-current liabilities		
Long-term loans payable	19,793	17,091
Deferred tax liabilities	8,854	9,132
Provision for special repairs	2,387	2,685
Provision for repairs	5,080	4,818
Net defined benefit liability	1,740	1,808
Provision for directors' retirement benefits	23	24
Other	900	629
Total non-current liabilities	38,780	36,190
Total liabilities	265,326	327,214
Net assets		
Shareholders' equity		
Capital stock	24,467	24,467
Capital surplus	25,495	25,495
Retained earnings	18,653	26,650
Treasury stock	(1,271)	(1,271)
Total shareholders' equity	67,345	75,342
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	842	1,095
Deferred gains or losses on hedges	155	462
Revaluation reserve for land	1	1
Foreign currency translation adjustments	2,571	6,327
Remeasurements of defined benefit plans	560	506
Total accumulated other comprehensive income	4,130	8,393
Non-controlling interests	182	197
Total net assets	71,658	83,932
Total liabilities and net assets	336,985	411,147

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

Quarterly consolidated statement of income

First nine months

(Millions of yen)

	First nine months of the previous fiscal year (From April 1, 2022 to December 31, 2022)	First nine months of the fiscal year under review (From April 1, 2023 to December 31, 2023)
Net sales	680,237	535,893
Cost of sales	674,021	524,257
Gross profit	6,216	11,635
Selling, general and administrative expenses	3,563	3,501
Operating profit	2,653	8,134
Non-operating income		
Interest income	41	161
Dividend income	172	93
Foreign exchange gains	1,070	1,452
Equity in earnings of affiliates	1,854	1,804
Rent income from storage tanks	162	155
Other	216	246
Total non-operating income	3,518	3,914
Non-operating expenses		
Interest expenses	3,268	1,261
Rent expenses on storage tanks	159	157
Other	530	503
Total non-operating expenses	3,958	1,922
Ordinary profit	2,213	10,126
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	23	6
Loss on cancellation of leases	-	0
Total extraordinary losses	23	6
Profit before income taxes	2,190	10,129
Income taxes - current	369	1,207
Income taxes - deferred	2	136
Total income taxes	372	1,344
Profit	1,818	8,785
Profit attributable to non-controlling interests	13	16
Profit attributable to owners of parent	1,805	8,768

Quarterly consolidated statement of comprehensive income

First nine months

(Millions of yen)

	First nine months of the previous fiscal year (From April 1, 2022 to December 31, 2022)	First nine months of the fiscal year under review (From April 1, 2023 to December 31, 2023)
Profit	1,818	8,785
Other comprehensive income		
Valuation difference on available-for-sale securities	(14)	252
Deferred gains or losses on hedges	509	306
Foreign currency translation adjustments	1,166	683
Remeasurements of defined benefit plans, net of tax	(80)	(53)
Share of other comprehensive income of entities accounted for using equity method	4,964	3,072
Total other comprehensive income	6,545	4,262
Comprehensive income	8,363	13,047
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	8,350	13,030
Comprehensive income attributable to non-controlling interests	13	16

(3) 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.