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February 8, 2022

Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Q3 FY2021) (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 2607
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 Scheduled date to file quarterly securities report: February 8, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 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 nine months ended December 31, 2021 (April 1, 2021 – December 31, 2021)

(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	%
Nine months ended								
December 31, 2021	319,936	17.1	11,923	△11.8	11,752	△8.7	9,368	8.8
December 31, 2020	273,144	△6.3	13,522	△18.7	12,865	△14.9	8,613	△28.4

(Note) Comprehensive income For the nine months ended December 31, 2021: ¥19,500 million [373.2%]
 For the nine months ended December 31, 2020: ¥4,121 million [△16.8%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2021	108.98	—
December 31, 2020	100.21	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
December 31, 2021	402,502	177,792	43.4	2033.82
March 31, 2021	358,511	162,890	44.6	1,861.67

(Reference) Shareholder's equity As of December 31, 2021: ¥174,831million
 As of March 31, 2021: ¥160,023 million

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, 2021	—	26.00	—	26.00	52.00
Fiscal year ending March 31, 2022	—	26.00	—		
Fiscal year ending March 31, 2022 (Forecast)				26.00	52.00

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

3. Consolidated forecasts for the fiscal year ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2022	430,000	17.9	15,000	△16.3	14,500	△17.5	11,500	4.4	133.79

(Note) Revisions to the consolidated forecast most recently announced: Yes

Please refer to the "Notice of Revisions to Full-Year Earnings Forecast" released today for further details.

* Notes

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

Note: Please refer to "2. Quarterly Consolidated Financial Statements and Key Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 10 of the Accompanying Materials for details.

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2021	87,569,383 shares
As of March 31, 2021	87,569,383 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2021	1,607,191 shares
As of March 31, 2021	1,612,196 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2021	85,959,667shares
Nine months ended December 31, 2020	85,957,488shares

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

* Explanations and other special notes concerning the appropriate use of business results forecasts

The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable. Actual results may differ materially from the forecast depending on a range of factors.

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1. Qualitative Information on Results for the Nine Months Ended December 31, 2021

The reported segments have been changed from the first quarter of the fiscal year. Please refer to “2. Quarterly Consolidated Financial Statements and Key Notes (4) Notes to Quarterly Consolidated Financial Statements (Segment Information)”. The following comments are based on a comparative analysis of the figures for the same period of the previous fiscal year on the basis of the reclassified reported segments.

(1) Details of Operating Results

The consolidated first nine months of the fiscal year under review saw a trend towards economic recovery due to the resumption of economic activities following restrictions related to COVID-19. However, the emergence of a new COVID-19 variant triggered an increase in infections and global inflation advanced due to supply chain disruption and rising raw material costs. These factors worked to create an environment lacking transparency concerning the future of the global economy. Our mainstay products, palm and soybeans, were subject to high raw material costs due to the resumption of economic activities and expectations on increased demand associated with the impact of US clean energy policies. Additionally, factors such as labor shortages and supply chain delays in producing countries also contributed to higher raw material costs.

Amid these conditions, we conducted appropriate price revisions to reflect rising material costs and implemented policies to address conditions in each area. Although we saw delays in demand recovery in Japan and Southeast Asia, we made proposals to address diversifying demand. In China, we increased our product line for the growing bakery market. In the Americas, although we were impacted by issues such as labor shortages, supply chain disruption, and currency depreciation in Brazil, we worked to improve productivity and initiate policies aimed at supporting our next stage of growth. In Europe, we engaged in aggressive sales promotions in response to recovering demand.

We position this consolidated fiscal year as a critical time during which we will follow-up unachieved goals from Towards a Further Leap 2020, our previous Medium-Term Management Plan for 2017 through 2020 that ended with the previous consolidated fiscal year. We are also a year away from launching a new Medium-Term Management Plan. As such, our Group is committed to a united effort towards advancing plans that promote increases in our short, medium, and long-term corporate value.

As a result of the above, the operating results for the nine months ended December 31, 2021 under review are as follows.

The major factors profit attributable to owners of parent increase compared to the previous fiscal year are gain on sales of non-current assets in Singapore and extraordinary income from refunded tax in Brazil, both of which were recorded in the first quarter of the fiscal year.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Nine months ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2021	319,936	11,923	11,752	9,368
December 31, 2020	273,144	13,522	12,865	8,613
Year-on-year change (Year-on-year change rate)	+46,791 (+17.1%)	△1,598 (△11.8%)	△1,113 (△8.7%)	+754 (+8.8%)

The operating results by reported segment are shown below.

	Net sales			Operating profit		
	Millions of yen	Year-on-year change		Millions of yen	Year-on-year change	
	Millions of yen	Millions of yen	%	Millions of yen	Millions of yen	%
Vegetable Oils and Fats	96,435	+24,272	+33.6%	5,665	+79	+1.4%
Industrial Chocolate	137,822	+15,727	+12.9%	5,241	△203	△3.7%
Emulsified and Fermented Ingredients	59,488	+5,894	+11.0%	1,648	△559	△25.4%
Soy-based Ingredients	26,189	+896	+3.5%	2,102	△835	△28.4%
Adjustment	—	—	—	△2,735	△78	—
Total	319,936	+46,791	+17.1%	11,923	△1,598	△11.8%

(Vegetable Oils and Fats)

Net sales increased significantly on sales price hikes to reflect cost increases for palm, a major raw material. Additionally, sales volume grew on demand recovery from the impact of COVID-19. Operating profit increased on a recovery in sales volume due to the resumption of economic activities and growth in sales volume for vegetable fats for chocolate in Southeast Asia and Europe, overcoming the impact of declining profitability due to rising raw material costs and increased depreciation and other expenses associated with the launch of operations at a new plant in North America.

(Industrial Chocolate)

Net sales increased significantly on increased sales volume and sales price hikes to reflect rising raw material costs. Operating profit decreased despite increased income from higher sales volume due to the removal of futures gains recorded by Blommer Chocolate Company during the previous fiscal year.

(Emulsified and Fermented Ingredients)

Net sales increased on sales price hikes to reflect rising raw material costs and the recovery of sales, overcoming the impact of decreased sales due to the removal of a domestic subsidiary from the scope of consolidation. Operating profit decreased due to increased expenses associated with a plant merger in Southeast Asia and declining profitability in China due to rising raw material costs despite increase factors such as the recovery of sales volume in Japan.

(Soy-based Ingredients)

Net sales increased on sales price hikes to reflect rising raw material costs and firm sales of soy protein ingredients. Operating profit decreased due to a decline in profitability attributable to higher raw material costs and increased expenses associated with the Chiba Plant and new plant construction in Europe.

(2) Details of Financial Position

Total assets at the end of the nine months of the fiscal year under review were 402,502 million yen, an increase of 43,990 million yen from the end of the previous fiscal year. We will continue to improve the financial position and management efficiency by improving the balance sheet through the reduction of working capital and the sale of non-core assets, as well as by improving the Group financing scheme.

The consolidated financial position at the end of the nine months of the fiscal year under review is as follows

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021	Year-on-year change
Current assets	160,736	192,645	+31,908
Property, plant and equipment	129,435	136,804	+7,369
Intangible assets	52,712	54,352	+1,640
Other	15,626	18,699	+3,072
Assets	358,511	402,502	+43,990
Interest-bearing debt	131,309	148,293	+16,983
Other	64,311	76,416	+12,104
Liabilities	195,621	224,709	+29,088
Net assets	162,890	177,792	+14,902

(Assets)

At the end of the nine months of the fiscal year under review, current assets increased due to the increase of raw material price and increase of working capital resulting from sales volume growth associated with recovery from the impact of COVID-19 pandemic. Compared to the end of the previous fiscal year (March 31, 2021), property, plant and equipment increased due to investments in new plants and renewal of existing facilities. As a result, the total assets increased by 43,990 million yen compared to the end of the previous fiscal year to 402,502 million yen.

(Liabilities)

Total liabilities at the end of the nine months of the fiscal year under review increased by 29,088 million yen compared to the end of the previous fiscal year to 224,709 million yen, due to an increase in interest-bearing debt as a result of increased working capital and capital investment even the decrease of Provision for bonuses and Income taxes payable.

(Net assets)

Net assets at the end of the nine months of the fiscal year under review increased by 14,902 million yen from the end of the previous fiscal year to 177,792 million yen due to changes in foreign currency translation adjustments as a result of the weaker yen, despite the payment of dividends.

As a result, the total net assets per share increased by 172.15 yen compared to the end of the previous fiscal year to 2,033.82 yen. The percentage of shareholders' equity to total assets decreased by 1.2 points from the end of the previous fiscal year to 43.4%.

(Details of Cash Flows)

In order to maintain and improve our financial discipline, we recognize that we need to reduce interest-bearing debt and earn more than 10 billion yen of free cash flows every year through steady profit growth and CCC improvements. Therefore, cash flows are being controlled by restraining capital expenditure, withdrawing from non-core businesses and further selling cross-holding shares for strategic purposes.

The consolidated cash flows during the nine months of the fiscal year under review are as follows.

	(Millions of yen)		
	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Year-on-year change
Cash flows from operating activities	26,475	1,680	△24,795
Cash flows from investing activities	△10,885	△12,883	△1,998
Free Cash flows	15,590	△11,203	△26,793
Cash flows from financing activities	△7,628	10,407	+18,036
Cash and cash equivalents at end of period	26,865	20,154	△6,710

(Cash flows from operating activities)

Cash flows from operating activities in the nine months of the fiscal year under review were 1,680 million yen. Compared with the nine months of the previous fiscal year, the cash flows from operating activities decreased by 24,795 million yen, mainly due to an increase in working capital from higher sales volume as a result of recovery from the influence of COVID-19, in addition to higher raw material prices.

(Cash flows from investing activities)

Cash flows from investing activities in the nine months of the fiscal year under review were △12,883 million yen, mainly due to capital expenditure on the construction of a new vegetable oils and fats business plant in the USA and a new functional ingredients business plant in Germany.

The cash outflows increased by 1,998 million yen compared to the nine months of the previous fiscal year. Although there was a decrease in expenditures for capital investment, the collection of loans and income from stock transfers of domestic and overseas subsidiaries that occurred in the nine months of the previous fiscal year have disappeared.

(Cash flows from financing activities)

Cash flows from financing activities in the nine months of the previous fiscal year were △7,628million yen, by dividend payment and loan payment. On the other hand, Cash flows from financing activities in the nine months of the fiscal year under review were 10,407 million yen due to the increase of loan with the increase of working capital and capital investment even the dividend payment.

(3) Information on the Future Outlook, Including Consolidated Business Results Forecasts

The consolidated business results forecasts for the full year has been revised from the previous forecast announced on 9 November 2021. Please refer to the "Notice of Revisions to Full-Year Earnings Forecast" released today for further details.

2. Quarterly Consolidated Financial Statements and Key Notes
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	20,463	20,165
Notes and accounts receivable - trade	65,954	82,139
Merchandise and finished goods	31,832	38,309
Raw materials and supplies	36,960	46,040
Other	5,746	6,241
Allowance for doubtful accounts	△221	△251
Total current assets	160,736	192,645
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	37,468	38,918
Machinery, equipment and vehicles, net	49,472	55,962
Land	17,719	20,445
Construction in progress	17,810	14,669
Other, net	6,963	6,809
Total property, plant and equipment	129,435	136,804
Intangible assets		
Goodwill	25,590	26,215
Customer-related assets	16,046	16,776
Other	11,075	11,359
Total intangible assets	52,712	54,352
Investments and other assets		
Investment securities	7,411	7,077
Retirement benefit asset	4,670	5,310
Deferred tax assets	642	662
Other	2,778	5,568
Allowance for doubtful accounts	△61	△61
Total investments and other assets	15,441	18,557
Total non-current assets	197,589	209,715
Deferred assets		
Bond issuance costs	185	141
Total deferred assets	185	141
Total assets	358,511	402,502

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,222	38,317
Short-term borrowings	36,965	47,179
Current portion of bonds payable	—	10,000
Commercial papers	10,000	10,000
Income taxes payable	2,608	1,109
Provision for bonuses	2,140	1,713
Provision for bonuses for directors (and other officers)	87	13
Other	10,993	13,714
Total current liabilities	91,017	122,048
Non-current liabilities		
Bonds payable	45,000	35,000
Long-term borrowings	39,344	46,114
Deferred tax liabilities	13,510	14,721
Retirement benefit liability	1,958	2,199
Other	4,790	4,626
Total non-current liabilities	104,604	102,661
Total liabilities	195,621	224,709
Net assets		
Shareholders' equity		
Share capital	13,208	13,208
Capital surplus	11,945	11,945
Retained earnings	152,675	157,528
Treasury shares	△1,968	△1,954
Total shareholders' equity	175,860	180,728
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,810	1,590
Deferred gains or losses on hedges	483	433
Foreign currency translation adjustment	△18,150	△8,026
Remeasurements of defined benefit plans	20	106
Total accumulated other comprehensive income	△15,837	△5,896
Non-controlling interests	2,866	2,960
Total net assets	162,890	177,792
Total liabilities and net assets	358,511	402,502

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (First nine-month period)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	273,144	319,936
Cost of sales	224,347	269,599
Gross profit	48,797	50,336
Selling, general and administrative expenses	35,274	38,412
Operating profit	13,522	11,923
Non-operating income		
Interest income	140	473
Dividend income	80	74
Foreign exchange gains	—	196
Share of profit of entities accounted for using equity method	148	71
Gain on valuation of derivatives	204	—
Other	354	381
Total non-operating income	929	1,196
Non-operating expenses		
Interest expenses	1,082	698
Foreign exchange losses	4	—
Other	499	668
Total non-operating expenses	1,586	1,367
Ordinary profit	12,865	11,752
Extraordinary income		
Gain on sale of non-current assets	12	749
Gain on sale of investment securities	526	385
Gain on sale of shares of subsidiaries and associates	530	—
Refunded taxes	—	744
Total extraordinary income	1,069	1,879
Extraordinary losses		
Loss on sale of non-current assets	—	50
Loss on retirement of non-current assets	184	410
Impairment losses	774	43
Loss on valuation of shares of subsidiaries and associates	102	—
Restructuring of affiliate company business	—	242
Total extraordinary losses	1,061	747
Profit before income taxes	12,874	12,884
Income taxes - current	2,910	3,149
Income taxes - deferred	1,186	282
Total income taxes	4,096	3,432
Profit	8,777	9,452
Profit attributable to non-controlling interests	163	84
Profit attributable to owners of parent	8,613	9,368

Quarterly Consolidated Statements of Comprehensive Income (First nine-month period)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	8,777	9,452
Other comprehensive income		
Valuation difference on available-for-sale securities	△562	△219
Deferred gains or losses on hedges	△350	△49
Foreign currency translation adjustment	△3,884	10,115
Remeasurements of defined benefit plans, net of tax	79	86
Share of other comprehensive income of entities accounted for using equity method	61	114
Total other comprehensive income	△4,656	10,047
Comprehensive income	4,121	19,500
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,786	19,308
Comprehensive income attributable to non-controlling interests	335	191

(3) Quarterly Consolidated Statements of Cash flows
(First nine-month period)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	12,874	12,884
Depreciation	10,659	11,269
Amortization of goodwill	1,561	1,607
Decrease (increase) in retirement benefit asset	△518	△640
Increase (decrease) in retirement benefit liability	140	343
Interest and dividend income	△221	△547
Interest expenses	1,082	698
Impairment losses	774	43
Share of loss (profit) of entities accounted for using equity method	△148	△71
Loss (gain) on sale of investment securities	△526	△385
Loss (gain) on disposal of non-current assets	171	△288
Loss (gain) on sale of shares of subsidiaries and associates	△530	—
Loss on valuation of shares of subsidiaries and associates	102	—
Decrease (increase) in trade receivables	△7,858	△14,632
Decrease (increase) in inventories	12,874	△12,017
Increase (decrease) in trade payables	2,038	8,895
Other, net	△1,322	△196
Subtotal	31,152	6,963
Interest and dividends received	226	291
Interest paid	△1,191	△796
Income taxes refund (paid)	△3,712	△4,778
Net cash provided by (used in) operating activities	26,475	1,680
Cash flows from investing activities		
Purchase of property, plant and equipment	△13,932	△12,714
Proceeds from sale of property, plant and equipment	37	1,240
Purchase of intangible assets	△589	△881
Proceeds from sale of investment securities	767	684
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	1,145	—
Proceeds from collection of long-term loans receivable	1,739	15
Purchase of long-term prepaid expenses	—	△764
Other, net	△52	△462
Net cash provided by (used in) investing activities	△10,885	△12,883
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	13,603	11,533
Proceeds from long-term borrowings	5,099	10,326
Repayments of long-term borrowings	△21,036	△6,436
Dividends paid	△4,730	△4,475
Dividends paid to non-controlling interests	△128	△105
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	79	—
Other, net	△515	△434
Net cash provided by (used in) financing activities	△7,628	10,407
Effect of exchange rate change on cash and cash equivalents	325	497
Net increase (decrease) in cash and cash equivalents	8,286	△297
Cash and cash equivalents at beginning of period	18,578	20,452
Cash and cash equivalents at end of period	26,865	20,154

(4) Notes to Quarterly Consolidated Financial Statements

(Notes Relating to Assumptions for the Going Concern)

Not applicable.

(Notes for Case Where Shareholders' Equity underwent Significant Changes in Value)

Not applicable.

(Changes in Accounting Policies)

(Adoption of Accounting Standard for Revenue Recognition)

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020,) and the Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) from the beginning of the first quarter of the fiscal year. And based on the following 5-step approach, the Company has decided to recognize revenue when control of promised goods or services to customers is transferred to the customer, at the amount that the Company expects to receive in exchange for such goods or services.

- Step 1: Identify the contracts with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The main changes due to the adoption of the revenue recognition accounting standard are as follows.
The Company and its group hereinafter referred to as "the Group".

(1) Revenue recognition from the sale of goods

The Group sells mainly vegetable oils and fats, industrial chocolates, emulsified and fermented ingredients, and soy-based ingredients. The Group's performance obligation is satisfied when the goods are delivered to the customer, thus satisfying the above revenue recognition requirements.

Previously, revenue from the sale of goods by some Group companies in Japan was recognized when the goods were shipped from the factory or warehouse, but now revenue is recognized when the goods are delivered to the customer.

(2) Revenue recognition on transactions with variable consideration (rebate transactions)

Previously, certain transaction volume rebates and target achievement rebates on sales of goods by some Group companies in Japan were expensed as selling, general and administrative expenses, but this has changed to a reduction from the transaction price.

(3) Revenue recognition for paid-for raw material transactions

Previously, some Group companies in Japan recognized the extinguishment of paid-for supplies of raw materials at the time of supply. However, if the Group is obliged to repurchase the supplied goods, the Group has changed to a method whereby the extinguishment of the supplied goods is not recognized at the time of supply.

In accordance with the transitional treatment set out in the proviso to paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative effect of adopting the new accounting policy retrospectively prior to the beginning of the first quarter of the fiscal year has been added to or deducted from retained earnings at the beginning of the first quarter of the fiscal year.

As a result of this change, net sales for the nine months of the fiscal year under review decreased by 673 million yen, and operating income, ordinary income and profit before income taxes decreased by 33 million yen. In addition, the balance of retained earnings at the beginning of the period decreased by 39 million yen.

(Adoption of Accounting Standard for Fair Value Measurement)

The Company has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the first quarter of the fiscal year. This change has no effect on the financial statements for the nine months of the fiscal year under review.

(Additional Information)

(Stock remuneration system for directors)

In accordance with the resolution of the 92nd Ordinary General Meeting of Shareholders held on June 18, 2020, the Company has established a stock remuneration system (hereinafter "the System") for its directors (excluding outside directors).

The purpose of the System is to make clearer the linkage between directors' remuneration and the value of the Company's stock, to enable directors to share the benefits and risks of share price fluctuations with shareholders, and to contribute to medium- to long-term performance and an increase in corporate value.

The accounting treatment for the System is in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trust" (Practical Issues Task Force No. 30, March 26, 2015).

(1) Overview of the transaction

This is a stock remuneration system under which the Company's stock are granted to each Director through a trust (hereinafter "the Trust") established by the Company with monetary contributions. The Trust shall acquire the Company's stock and shall grant to the Directors the Company's stock which is equivalent to the number of points granted by the Company to each Director. Under the system, the Company's stock will be granted to the Company's directors who are in office during the three fiscal years ending on March 31, 2021 through March 31, 2023. In principle, directors will be granted the Company's stock at the time of their retirement.

(2) Company stock owned by the Trust

The Company records the Company's stock owned by the Trust as Treasury shares under net assets. The book value and number of those treasury shares were 343 million yen and 118,000 shares for the previous fiscal year, and 328 million yen and 112,900 shares for the nine months of the fiscal year under review.

(Impacts of COVID-19 on accounting estimates)

There have been no significant changes in accounting estimates regarding the impact of the spread of COVID-19 during the nine months of the fiscal year under review.

(Segment Information)

First nine-month period of the fiscal year under review (April 1, 2021 - December 31, 2021)

1. Overview of reported segment

The Company's reportable segments are the constituent units of the Company for which separate financial information is available and which are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate performance.

The Group is mainly engaged in the manufacture and sale of vegetable oils and fats products, industrial chocolate products, emulsified and fermented ingredients products and soy-based ingredients products, and is engaged in business activities in Japan and overseas for each product group handled.

Therefore, the Group is composed of business segments based on product groups, and the four reportable segments are "vegetable oils and fats business", "industrial chocolate business", "emulsified and fermented ingredients business" and "soy-based ingredients business".

"The vegetable oils and fats business" manufactures and sells edible processed oils and fats, edible oils and fats for chocolates, etc., using palm oil, palm kernel oil, etc. as basic materials. "The industrial chocolate business" manufactures and sells chocolate, compounds and cocoa products. "The emulsified and fermented ingredients business" manufactures and sells cream, margarine, fillings and other products. "The soy-based ingredients business" manufactures and sells soy protein ingredients, soy protein foods and water-soluble soy polysaccharides.

2. Information on net sales and profits or losses by reported segment

(Millions of yen)

	Reported segments					Adjustment (Note 1)	Amounts on Quarterly consolidated statements of income (Note 2)
	Vegetable Oils and Fats	Industrial Chocolate	Emulsified and Fermented Ingredients	Soy-based Ingredients	Total		
Net Sales							
Sales to external customers	96,435	137,822	59,488	26,189	319,936	—	319,936
Transactions with other segments	13,162	1,742	3,608	112	18,625	△18,625	—
Total	109,598	139,564	63,096	26,302	338,561	△18,625	319,936
Segment profit	5,665	5,241	1,648	2,102	14,658	△2,735	11,923

(Note) 1. Adjustment of segment profit △2,735 million yen includes corporate expenses of 2,735 million yen, which are not allocated to each reported segment. Corporate expenses are expenses related to group management at the submitting company and certain area management companies.

2. Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

3. Information on impairment losses on non-current assets and goodwill by reported segment

Not applicable.

4. Matters related to changes in reporting segments

From the first quarter of the fiscal year, the manufacturing and sales of soy milk and USS products business, which were previously included in the "soy-based ingredients" segment, have been changed to be included in the "emulsified and fermented ingredients" segment, due to a reclassification of management control categories.

(Adoption of Accounting Standard for Revenue Recognition)

As described in "Changes in Accounting Policies", the Company has adopted the Accounting Standard for Revenue Recognition from the beginning of the first quarter of the fiscal year and changed its accounting method for revenue recognition.

As a result of this change, net sales from external customers for the nine months of the fiscal year under review of "vegetable oils and fats", decreased by 871 million yen, while that of "industrial chocolate", "emulsified and fermented ingredients" and "soy-based ingredients" increased by 76 million yen, 53 million yen and 67 million yen respectively compared with the previous method. In addition, the segment profit of "vegetable oils and fats", "industrial chocolate", "emulsified and fermented ingredients" and "soy-based ingredients" increased by 10 million yen, 13 million yen, 0 million yen, and 9 million yen respectively.