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November 9, 2022

Consolidated Financial Results for the Six Months Ended September 30, 2022 (Q2 FY2022) (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: November 9, 2022
 Scheduled date to commence dividend payments: December 12, 2022
 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 six months ended September 30, 2022 (April 1, 2022 – September 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2022	268,398	31.2	5,065	Δ36.0	5,363	Δ29.7	3,227	Δ46.3
September 30, 2021	204,503	18.5	7,913	7.8	7,631	11.6	6,015	39.3

(Note) Comprehensive income For the six months ended September 30, 2022: ¥28,730 million [148.3%]
 For the six months ended September 30, 2021: ¥11,572 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2022	37.55	—
September 30, 2021	69.98	—

(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				
September 30, 2022	496,322	223,973	43.3	2,502.39
March 31, 2022	416,617	189,495	44.7	2,168.13

(Reference) Shareholder's equity As of September 30, 2022: ¥215,117 million
 As of March 31, 2022: ¥186,377 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, 2022	—	26.00	—	26.00	52.00
Fiscal year ending March 31, 2023	—	26.00			
Fiscal year ending March 31, 2023 (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, 2023 (April 1, 2022 - March 31, 2023)

(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, 2023	550,000	26.8	16,500	9.9	15,800	10.0	10,500	△8.7	122.15

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

Please refer to the " Notice of Difference Between Forecast and Actual Earnings for the First Half and Revision 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): Yes
New: 1 company (Company Name) Fuji Oil International Inc.
Note: Please refer to "2. Quarterly Consolidated Financial Statements and Key Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in significant consolidated subsidiaries during the period under review)" on page 10 of the Accompanying Materials for details.
- (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 September 30, 2022	87,569,383 shares
As of March 31, 2022	87,569,383 shares

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

As of September 30, 2022	1,604,489 shares
As of March 31, 2022	1,607,211 shares

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

Six months ended September 30, 2022	85,963,058 shares
Six months ended September 30, 2021	85,958,397 shares

* 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 first six months Ended September 30, 2022

(1) Details of Operating Results

During the first six months of the current consolidated fiscal year, although the global economy began to move on from the impact of COVID-19 towards the normalization of economic activities, the future continued to lack transparency due to various countries successively raising key interest rates in response to global inflation.

Raw material prices for palm oil and soybeans, our main raw material, overall remain high due to the impact of the situation in Ukraine and Indonesian palm oil export restrictions from the beginning of the fiscal year. Palm oil price declined since June due to an expectation of recovery in production volume thanks to the resumption of Indonesian palm oil exports and the return of foreign laborers, while Soybean price temporary fell down but still remains high. In Japan, procurement costs remain high due to the effect of rapid yen depreciation in foreign exchange rates.

We formulated our new Mid-term Management Plan, Reborn 2024, for the three years from this fiscal year to FYE March 2025. This plan adopts the basic policies of "strengthening our business foundation", "strengthening global business management", and "enhancing sustainability". We are working to improve our corporate value by restoring basic profitability through initiatives such as optimizing sales prices, strengthening business-specific performance management, and market differentiation through sustainable procurement.

As a result of the above, earnings for the first six months of the consolidated fiscal year under review were as follows.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Six months ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2022	268,398	5,065	5,363	3,227
September 30, 2021	204,503	7,913	7,631	6,015
Year-on-year change (Year-on-year change rate)	+63,895 (+31.2%)	△2,848 (△36.0%)	△2,267 (△29.7%)	△2,787 (△46.3%)

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	101,360	+39,674	+64.3%	3,338	△924	△21.7%
Industrial Chocolate	105,505	+17,897	+20.4%	2,644	△166	△5.9%
Emulsified and Fermented Ingredients	44,648	+6,983	+18.5%	42	△912	△95.6%
Soy-based Ingredients	16,883	△659	△3.8%	935	△817	△46.6%
Adjustment	—	—	—	△1,895	△26	—
Total	268,398	+63,895	+31.2%	5,065	△2,848	△36.0%

(Vegetable Oils and Fats)

Net sales increased significantly on higher sales prices reflecting rising prices for palm oil, our main raw material, and other raw materials. Net sales also rose on the launch of operations at a new plant in North America and on the effect of yen depreciation. Despite the contribution of strong sales in Southeast Asia, operating profit decreased due to increased depreciation and other fixed costs associated with the launch of operations at a new plant in North America, as well as a decline in profitability due to rising raw material prices.

(Industrial Chocolate)

Net sales increased due to higher sales prices to reflect rising raw material prices and the effect of yen depreciation in foreign exchange rates. Operating profit decreased due to lower sales volume in Japan and North America.

(Emulsified and Fermented Ingredients)

Net sales increased due to higher sales prices to reflect higher raw material prices and the effect of yen depreciation in foreign exchange rates. Operating profit decreased on factors such as lower profitability due to rising raw material prices.

(Soy-based Ingredients)

Net sales decreased due to a decline in the sales volume for soy protein ingredients in Japan and the deconsolidation of a soy protein food company in China in the previous fiscal year. Operating profit decreased due to factors such as a decrease in sales volume.

(2) Details of Financial Position

Total assets at the end of the first six months of the consolidated fiscal year under review increased by 79,704 million yen from the end of the previous consolidated fiscal year to 496,322 million yen. Under our Mid-term Management Plan, Reborn 2024, we are working to improve our financial structure by strengthening and rebuilding our business foundation. We will improve capital efficiency and strengthen our financial monitoring.

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

		(Millions of yen)		
		As of March 31, 2022	As of September 30, 2022	Year-on-year change
Assets	Current assets	201,334	248,795	+47,461
	Property, plant and equipment	140,628	159,847	+19,218
	Intangible assets	55,697	62,480	+6,783
	Other	18,958	25,199	+6,241
Assets		416,617	496,322	+79,704
Liabilities	Interest-bearing debt	148,769	181,231	+32,461
	Other	78,352	91,117	+12,764
Liabilities		227,122	272,349	+45,226
Net assets		189,495	223,973	+34,478

At the end of the first six months of the consolidated fiscal year under review,

(Assets)

Assets increased by 79,704 million yen from the end of the previous consolidated fiscal year to 496,322 million yen.

Current assets increased due to an operating capital attributable to rising raw material prices and the effect of yen depreciation in foreign exchange rate. Property, plant and equipment increased mainly due to right-of-use assets. The increase in other assets to 7,155 million yen was mainly due to the investment securities resulting from the acquisition of Oilseeds International, Ltd.

(Liabilities)

Liabilities increased by 45,226 million yen from the end of the previous consolidated fiscal year to 272,349 million yen on an increase in interest-bearing debt associated with an increase in operating capital and the effect of yen depreciation in foreign exchange rates.

(Net assets)

Net assets increased 34,478 million yen from the end of the previous year to 223,973 million yen due to an increase in foreign currency translation adjustments due to the yen depreciation against the US dollar, euro, and real, and an increase in capital surplus of 3,560 million yen due to in-kind contributions to Fuji Oil International Inc. of shares of Oilseeds International Ltd. and Fuji Vegetable Oil, Inc.

As a result, net assets per share increased by 334.26 yen from the end of the previous consolidated fiscal year to 2,502.39 yen. Equity ratio decreased by 1.4 points from the end of the previous fiscal year to 43.3%.

(Details of Cash Flows)

To maintain and improve our financial discipline, our fundamental policy is to generate free cash flow of 10 billion yen or more each year through steady profit growth and a shortened cash conversion cycle. However, due to the sharp rise in raw material procurement prices, operating capital procurement increased significantly in the second quarter of the consolidated fiscal year under review following the consolidated cumulative first quarter.

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

	(Millions of yen)		
	six months ended September 30, 2021	six months ended September 30, 2022	Year-on-year change
Cash flows from operating activities	3,116	△17,239	△20,356
Cash flows from investing activities	△8,192	△5,575	+2,616
Free Cash flows	△5,075	△22,815	△17,739
Cash flows from financing activities	254	22,430	+22,175
Cash and cash equivalents at end of period	15,857	18,369	+2,512

(Cash flows from operating activities)

Cash flows from operating activities for the first six months of the consolidated fiscal year under review resulted in expenditures of 17,239 million yen. Compared to the first six months of the previous fiscal year decreased by 20,356 million yen. This was mainly due to factors such as higher raw material prices, higher logistics and labor costs, as well as an increase in operating capital due to an increase in inventory assets attributable to a recovery from the impact of the COVID-19 pandemic.

(Cash flows from investing activities)

Cash flows from investing activities for the first six months of the consolidated fiscal year under review resulted in expenditures of 5,575 million yen. Compared to the first six months of the previous consolidated fiscal year, expenditures decreased by 2,616 million yen due to the collection of accounts receivable from the deconsolidation of a soy protein food company in China during the previous fiscal year.

(Cash flows from financing activities)

Cash flows from financing activities for the first three months of the consolidated fiscal year under review resulted in income of 22,430 million yen due to additional proceeds from short-term borrowings attributable to an increase in operating capital and the issuance of straight bonds in Japan.

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

The consolidated business performance forecast for the full year has been revised from the previous forecast announced on May 10, 2022. Please refer to the “Notice of Difference Between Forecast and Actual Earnings for the First Half and Revision 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, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	15,926	18,380
Notes and accounts receivable – trade	81,121	94,993
Merchandise and finished goods	40,786	50,938
Raw materials and supplies	55,249	71,046
Other	8,468	13,655
Allowance for doubtful accounts	△217	△219
Total current assets	201,334	248,795
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	39,485	41,271
Machinery, equipment and vehicles, net	58,137	61,406
Land	20,659	21,763
Construction in progress	15,283	19,506
Other, net	7,061	15,900
Total property, plant and equipment	140,628	159,847
Intangible assets		
Goodwill	27,008	30,141
Customer related assets	16,954	19,554
Other	11,734	12,784
Total intangible assets	55,697	62,480
Investments and other assets		
Investment securities	7,122	15,141
Retirement benefit asset	4,952	5,235
Deferred tax assets	708	761
Other	6,110	3,995
Allowance for doubtful accounts	△62	△63
Total investments and other assets	18,831	25,070
Total non-current assets	215,156	247,398
Deferred assets		
Bond issuance costs	126	128
Total deferred assets	126	128
Total assets	416,617	496,322

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	40,654	39,528
Short-term borrowings	44,518	68,981
Current portion of bonds payable	10,000	10,000
Commercial papers	10,000	10,000
Income taxes payable	1,727	1,742
Provision for bonuses	2,588	2,714
Provision for bonuses for directors (and other officers)	62	6
Other	11,290	14,330
Total current liabilities	120,840	147,303
Non-current liabilities		
Bonds payable	35,000	41,000
Long-term borrowings	49,251	51,250
Deferred tax liabilities	15,038	19,222
Retirement benefit liability	1,996	1,730
Other	4,995	11,841
Total non-current liabilities	106,282	125,045
Total liabilities	227,122	272,349
Net assets		
Shareholders' equity		
Share capital	13,208	13,208
Capital surplus	11,945	15,494
Retained earnings	159,664	160,643
Treasury shares	△1,954	△1,946
Total shareholders' equity	182,864	187,400
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,523	1,738
Deferred gains or losses on hedges	1,070	1,733
Foreign currency translation adjustment	1,079	24,338
Remeasurements of defined benefit plans	△161	△93
Total accumulated other comprehensive income	3,512	27,717
Non-controlling interests	3,117	8,855
Total net assets	189,495	223,973
Total liabilities and net assets	416,617	496,322

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (First six months period)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	204,503	268,398
Cost of sales	171,485	233,654
Gross profit	33,018	34,744
Selling, general and administrative expenses	25,105	29,679
Operating profit	7,913	5,065
Non-operating income		
Interest income	359	267
Dividend income	44	43
Foreign exchange gains	—	693
Share of profit of entities accounted for using equity method	85	251
Gain on valuation of derivatives	2	—
Other	202	512
Total non-operating income	695	1,767
Non-operating expenses		
Interest expenses	472	899
Foreign exchange losses	14	—
Other	489	568
Total non-operating expenses	976	1,468
Ordinary profit	7,631	5,363
Extraordinary income		
Gain on sale of non-current assets	737	74
Gain on sale of investment securities	385	—
Refunded taxes	750	142
Total extraordinary income	1,874	217
Extraordinary losses		
Loss on sale of non-current assets	49	—
Loss on retirement of non-current assets	334	208
Impairment losses	43	—
Restructuring of affiliate company business	234	—
Total extraordinary losses	662	208
Profit before income taxes	8,843	5,372
Income taxes - current	2,318	1,788
Income taxes - deferred	473	352
Total income taxes	2,791	2,141
Profit	6,052	3,230
Profit attributable to non-controlling interests	36	3
Profit attributable to owners of parent	6,015	3,227

Quarterly Consolidated Statements of Comprehensive Income (First six months period)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	6,052	3,230
Other comprehensive income		
Valuation difference on available-for-sale securities	△117	214
Deferred gains or losses on hedges	△212	662
Foreign currency translation adjustment	5,712	23,941
Remeasurements of defined benefit plans, net of tax	57	68
Share of other comprehensive income of entities accounted for using equity method	80	612
Total other comprehensive income	5,520	25,499
Comprehensive income	11,572	28,730
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,494	28,169
Comprehensive income attributable to non-controlling interests	77	561

(3) Quarterly Consolidated Statements of Cash flows
(First six months period)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	8,843	5,372
Depreciation	7,370	8,608
Amortization of goodwill	1,075	1,245
Decrease (increase) in retirement benefit asset	△426	△283
Increase (decrease) in retirement benefit liability	314	△230
Interest and dividend income	△403	△310
Interest expenses	472	899
Impairment losses	43	—
Share of loss (profit) of entities accounted for using equity method	△85	△251
Loss (gain) on sale of investment securities	△385	—
Loss (gain) on disposal of non-current assets	△353	133
Decrease (increase) in trade receivables	△3,822	△6,913
Decrease (increase) in inventories	△6,109	△15,211
Increase (decrease) in trade payables	1,124	△4,923
Other, net	△1,183	△1,599
Subtotal	6,475	△13,463
Interest and dividends received	146	524
Interest paid	△420	△841
Income taxes refund (paid)	△3,084	△3,458
Net cash provided by (used in) operating activities	3,116	△17,239
Cash flows from investing activities		
Purchase of property, plant and equipment	△8,570	△8,163
Proceeds from sale of property, plant and equipment	1,127	1,702
Purchase of intangible assets	△624	△331
Purchase of investment securities	△4	△293
Proceeds from sale of investment securities	683	—
Proceeds from sale of investments in capital of subsidiaries	—	1,394
Proceeds from collection of long-term loans receivable	11	2
Purchase of long-term prepaid expenses	△755	—
Other, net	△60	111
Net cash provided by (used in) investing activities	△8,192	△5,575
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,858	15,674
Proceeds from long-term borrowings	2,010	7,951
Repayments of long-term borrowings	△2,978	△4,409
Proceeds from issuance of bonds	—	5,967
Dividends paid	△2,237	△2,237
Dividends paid to non-controlling interests	△104	△91
Other, net	△293	△424
Net cash provided by (used in) financing activities	254	22,430
Effect of exchange rate change on cash and cash equivalents	226	1,040
Net increase (decrease) in cash and cash equivalents	△4,595	655
Cash and cash equivalents at beginning of period	20,452	15,915
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	1,798
Cash and cash equivalents at end of period	15,857	18,369

(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 significant consolidated subsidiaries during the period under review)

During the first three months of the consolidated fiscal year, we established Fuji Oil International Inc. and included it in the scope of consolidation. Fuji Oil International Inc. is classified as a specified subsidiary.

Although this does not constitute a change to specific subsidiaries, the following changes to major subsidiaries were conducted during the first six months of the consolidated fiscal year.

(1) Change in scope of consolidation

Fuji Oil International Inc. was included in the scope of consolidation during the first quarter of the current consolidated fiscal year, and its subsidiary Oilseeds International, Ltd. was also included in the scope of consolidation.

(2) Change in scope of application of equity method

In the first quarter of the current fiscal year, RITO Partnership, a subsidiary of Oilseeds International, Ltd. was included in the scope of equity-method affiliates due to the inclusion of Oilseeds International, Ltd. in the scope of consolidation. K&FS PTE.LTD. was excluded from the scope of equity method application due to its decreased materiality.

(Changes in Accounting Policies)

(Application of Accounting Standards Update (ASU) No. 2016-02, Leases)

The Company's foreign consolidated subsidiaries applying US-GAAP have adopted Accounting Standards Update (ASU) No. 2016-02, Leases ("the Standard") effective from the first quarter of the current fiscal year. In accordance with this standard, all leases transaction as lessee are generally record as lease assets (net) and lease liabilities. In applying this standard, we have adopted a transitional measure recognizing the cumulative effect of adopting this standard at the date of adoption.

As a result of the application of this standard, other tangible fixed assets, other current liabilities, and other long-term liabilities increased by 7,734 million yen, 624 million yen, and 6,145 million yen, respectively, in the consolidated balance sheet for the second quarter of the current fiscal year. The effect of this change on profit and loss for the second quarter of the current fiscal year was immaterial.

(Additional Information)

(Application of the Treatment of Accounting and Disclosure for the Application of the Group Tax Sharing System)

Effective from the first quarter of the current fiscal year, the Company and some of its domestic consolidated subsidiaries have shifted from the Consolidated Tax Return Filing System to the Group Tax Sharing System. In conjunction with this change, the Company and some of its domestic consolidated subsidiaries have adopted the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021; hereinafter referred to as "ASBJ PITF No. 42"), which stipulates accounting treatment and disclosure for corporate and local taxes and tax effect accounting. In accordance with Paragraph 32 (1) of the ASBJ PITF No. 42, the Company has deemed that there is no impact from the change in accounting policy due to the application of the ASBJ PITF No. 42.

(Segment Information)

First six months period of the fiscal year under review (April 1, 2022 - September 30, 2022)

1. 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	101,360	105,505	44,648	16,883	268,398	—	268,398
Transactions with other segments	12,171	1,183	3,007	67	16,429	△16,429	—
Total	113,532	106,689	47,656	16,950	284,828	△16,429	268,398
Segment profit	3,338	2,644	42	935	6,960	△1,895	5,065

(Note) 1. The segment income adjustment of △1,895 million yen includes corporate expenses of 1,895 million yen that are not allocated to each reportable segment. Corporate expenses are expenses related to group management at the submitting company and some area management companies.

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

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

Not applicable.