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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 9, 2024

Company name: The Nisshin Oillio Group, Ltd.

Stock exchange listing: Tokyo

Code number: 2602

URL: <https://www.nisshin-oillio.com/english/>

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Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on financial results: Available

Schedule of financial results briefing session: Available (for analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024, to June 30, 2024)**(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	%
Three months ended June 30, 2024	128,488	(0.2)	5,738	(9.4)	5,137	(21.6)	5,125	1.8
June 30, 2023	128,740	(6.9)	6,334	27.5	6,554	30.1	5,037	14.6

(Note) Comprehensive income: Three months ended June 30, 2024: ¥7,151 million [(34.6)%]
Three months ended June 30, 2023: ¥10,941 million [17.3%]

	Basic earnings per share	Diluted earnings per share
Three months ended June 30, 2024	Yen 158.13	Yen -
June 30, 2023	155.41	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of June 30, 2024	Million yen 403,490	Million yen 196,682	% 46.2
March 31, 2024	393,382	192,562	46.4

(Reference) Equity: As of June 30, 2024: ¥186,369 million
As of March 31, 2024: ¥182,622 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2024	Yen -	Yen 60.00	Yen -	Yen 110.00	Yen 170.00
Fiscal year ending March 31, 2025	-	-	-	-	-
Fiscal year ending March 31, 2025 (Forecast)	-	90.00	-	90.00	180.00

(Note) Revision to the dividend forecast announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024, to March 31, 2025)

(% 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	535,000	4.2	21,000	0.8	20,000	(0.2)	14,500	(4.3)	447.36

(Note) Revision to the financial results forecast announced most recently: None

■ Notes:

(1) Significant changes in the scope of consolidation during the period under review: None

(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, Notes on special accounting methods in the preparation of quarterly consolidated financial statements" on page 15.

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

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

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

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

June 30, 2024: 33,716,257 shares

March 31, 2024: 33,716,257 shares

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

June 30, 2024: 1,303,675 shares

March 31, 2024: 1,304,040 shares

3) Average number of shares during the period:

Three months ended June 30, 2024: 32,412,475 shares

Three months ended June 30, 2023: 32,411,992 shares

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

■ Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or audit firms: None

■ 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. Overview of Business Performance, (3) Explanation of the Forecast Data, including Consolidated Results Forecast" on page 9 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: August 9, 2024 (Fri.) (Only available in Japanese)

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

[Reference]

Table of Contents

1. Overview of Business Performance	4
(1) Overview of the Quarterly Financial Results	4
(2) Overview of Quarterly Financial Position	9
(3) Explanation of the Forecast Data, including Consolidated Results Forecast.....	9
2. Quarterly Consolidated Financial Statements and Related Notes	10
(1) Quarterly Consolidated Balance Sheets	10
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	12
(3) Quarterly Consolidated Statements of Cash Flows	14
(4) Notes to the Quarterly Consolidated Financial Statements	15
Notes on changes in accounting policies	15
Notes on special accounting methods in the preparation of quarterly consolidated financial statements.....	15
Notes on segment information	16
Revenue recognition	18
Notes on any significant fluctuation in the amount of shareholders' equity.....	18
Notes on going concern assumption	18
3. Other	18
On-Site Inspection by the Fair Trade Commission	18

1. Overview of Business Performance

Any forward-looking statement herein is based on management's judgment as of June 30, 2024.

(1) Overview of the Quarterly Financial Results

During the first three months of the fiscal year ending March 31, 2025, personal consumption and other demand slowed due to effects from cumulative monetary tightening measures in a number of countries, particularly in the U.S., and the slowdown of the global economy continued.

The Japanese economy experienced weak personal consumption due to soaring energy costs and raw material prices, but did undergo a moderate recovery as a result of an expansion of inbound consumption resulting from an increase in the number of foreign visitors and higher consumption unit prices against the backdrop of the decline in the value of the yen as well as other factors.

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 is accelerating its growth trajectory through its CSV targets that serve as growth drivers within each of the six key priorities. Leveraging the "Natural Power of Plants" as a foundation for value creation, the Group will also pursue sustainable growth while cultivating diverse values that can be shared with society.

The Group has set achieving an ROE level that exceeds the equity cost as its material business goal. ROIC has been used as a business performance metric since FY2022, and the Group has tirelessly worked to enhance its profitability and asset efficiency. Furthermore, the Group has developed a framework ("Achievement Chart") of KPIs and specific initiatives under the four pillars of "growth," "active investment," "sustainability," and "efficiency," and will continue to make progress to achieve its management targets at ROE of 8.0% or higher and ROIC of 5.0% or higher in FY2024.

The consolidated financial results for the first three months of the fiscal year ending March 31, 2025, are as follows:

(Million yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Change	YoY (%)
Net sales	128,740	128,488	(252)	99.8
Operating profit	6,334	5,738	(595)	90.6
Ordinary profit	6,554	5,137	(1,417)	78.4
Profit attributable to owners of parent	5,037	5,125	+88	101.8

Overview by Segment

<< Oil and Fat >>

In the oil and fat segment, in terms of oil and meal, demand for eating out and tourism increased as inbound demand recovered against the backdrop of yen depreciation and heightened domestic flows of people, resulting in higher sales volumes for commercial-use products. However, the impacts of falling unit sales prices were substantial due to effects from higher olive oil costs and falling raw material prices for soybeans and rapeseed, and sales and profit were down. Although there were factors that supported higher sales and profit in processed oil and fat, the oil and fat segment overall reported decreases in net sales and operating profit.

◆ Oil and Meal

(Million yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Change	YoY (%)
Net sales	84,046	77,060	(6,986)	91.7
Operating profit	4,842	2,784	(2,057)	57.5

Procurement environment of raw materials

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

Market prices of major raw materials

Regarding soybeans, market prices were held down due to steady progress in soybean planting operations in the U.S. The large-scale flooding that occurred in southern Brazil in May raised concerns about soybean supplies in that country, and prices rose to the mid-US\$12 level, but as the view that the impact would be limited strengthened, prices fell below the US\$12 level.

The market price for rapeseed fluctuated around C\$650 due to concerns of reduced production based on hot and dry weather in Australia and other factors, and later rose to nearly C\$700 when prices on the Chicago Board of Trade rose in May. Later, prices fell below C\$650 due to steady rapeseed planting in Canada.

Exchange rates

The dollar-yen market saw the yen trading against the U.S. dollar in the low 150-yen range in April, but the outlook for interest rate reductions in the U.S. was pushed back due to strong employment and economic results, and steady dollar purchasing continued. In late April, the yen depreciated to the 160-yen level against the dollar, and subsequently dollar buying and yen selling continued with a focus on the disparity between interest rates in Japan and the U.S., and the value of the dollar was higher against the yen than in the same period of the previous fiscal year.

Sales of oil and fat

In commercial-use products, the Group continuously made efforts to improve the quality of solutions offered through collaborative-sales-to-identify-needs marketing, such as improving the quality of end products, reducing costs, and boosting productivity. Active proposals were made to expand sales of value-added products, such as customer-solution-type frying oil, which reduces the acid value and coloration of the frying oil, and functional oils

and fats which enhance the quality of menu items including cooked-rice-solution oil and functional-solution oil for noodle products. In terms of sales, sales volume increased due to the recovery of demand for dining out and tourism resulting from the recovery of inbound demand against the backdrop of the weak yen and more active domestic travel. However, although we made efforts to maintain and set appropriate sales prices amidst the downward trend in raw material prices, net sales declined due to lower unit sales prices.

In the food processing sector, the sales volume of oils and fats for food processing decreased due to declines in production across various industries, triggered by diminished consumer sentiment amid rising prices. In addition, we promoted sales in line with market prices for raw materials, but unit sales prices decreased due to effects from falling raw material prices, and as a result, net sales decreased.

For household-use products, in addition to *Nisshin Healthy Off*, which curtails oil absorption during deep-frying, we launched *Nisshin Healthy Clear*, an oil that reduces the oxidation of cooking oil and prolongs the flavor, in an effort to increase the value of edible oils and to form a new price equilibrium point. While the price of raw materials remained high for olive oil and other oils, continuous efforts were made to revise sales prices for these products and boost recognition of value-added products such as “pour-and-enjoy fresh edible oil” and “flavored oil” into the market. Despite these efforts, unit sales prices for major products decreased due to lower raw material prices for soybeans and rapeseed. Also, sales volume dropped due to defensive spending patterns among consumers against a backdrop of price hikes, and as a result, net sales decreased.

In terms of profit, in addition to effects from the deterioration of gross profit per unit for general-purpose products and rising costs for olive oil, higher logistics costs resulted in a decrease in operating profit overall in the domestic oils and fats business.

Meal sales

As for soybean meal, crushing volume was down slightly from the same period of the previous fiscal year and sales were conducted with an emphasis on price, and as a result, sales volume declined slightly. In addition, the yen was weak against the dollar, but unit sales prices decreased due to lower market prices for main raw materials, leading to a decrease in net sales.

As for rapeseed meal, the crushing volume increased from the same period of the previous fiscal year, and we made efforts to expand sales while maintaining appropriate prices. As a result, sales volume increased, but unit sales prices fell due to effects from lower prices for soybean meal, leading to a decrease in net sales.

◆ Processed Oil and Fat

(Million yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Change	YoY (%)
Net sales	22,418	27,598	+5,179	123.1
Operating profit	1,053	1,803	+749	171.1

As for overseas processed oil and fat, sales to Europe and to domestic customers by Intercontinental Specialty Fats Sdn. Bhd. in Malaysia were strong, and as a result, sales volume increased compared to the same period of the previous fiscal year, leading to an increase in net sales. In terms of profit, in addition to the increased sales volume, mark-to-market valuation gains on palm oil transactions also increased, resulting in higher operating profit.

In the processed oil and fat sector in Japan, despite the difficult circumstances characterized by continued defensive spending among consumers as well as reductions in the amount of oils and fats used by our customers, net sales and operating profit increased. This growth was due to acquisition of new customers, adoption of new

products by existing customers, sales at appropriate prices in line with costs, and continuous cost reduction initiatives.

<< Processed Food and Materials >>

(Million yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Change	YoY (%)
Net sales	17,010	17,905	+895	105.3
Operating profit	194	768	+574	394.6

In the processed food and materials segment, net sales and operating profit increased due to sales of chocolate products and functional materials and foods at appropriate sales prices.

In chocolate products, Daito Cacao Co., Ltd., had flat sales volume compared to the same period of the previous fiscal year, but progress was made in setting appropriate sales prices against costs amid rising raw material prices, leading to increases in net sales and operating profit. T.&C. Manufacturing Co., Pte. Ltd., of Singapore reported lower sales to existing customers compared to the same period of the previous fiscal year resulting from sluggish demand for premix products. Net sales increased, however, due to effects from currency conversion, and operating profit increased as a result of sales at appropriate prices. PT Indoagri Daitocacao of Indonesia reported higher net sales and operating profit due to a contribution from a recovery of sales to its major customers. Overall, the chocolate category saw net sales and operating profit increase, mainly due to the performance of Daito Cacao Co., Ltd.

In functional materials and foods, the Company continued to market the functionality of wellness foods under the concept of “shifting to a body-fat-burning constitution,” launched MCT products in collaboration with processed food manufacturers, and rolled out low-volume, high-energy food products for use in healthcare facilities. However, net sales decreased due to decreases in sales unit prices in response to lower costs and other factors. On the other hand, operating profit increased due to sales at appropriate prices.

<< Fine Chemical >>

(Million yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024	Change	YoY (%)
Net sales	4,643	5,282	+638	113.7
Operating profit	312	499	+187	159.8

In the fine chemical segment, sales of cosmetic raw materials were strong in both the domestic and overseas markets in conjunction with increased opportunities for people to spend time outside the home. As a result, net sales and operating profit increased.

As for fine chemical products, customer development continued as we launched new products for cosmetics and provided solution proposals through technical support globally. Also, growth in skincare products and steady recovery of demand for makeup products resulted in strong sales of our products in the Japanese and Chinese markets. Industrial Química Lasem, S.A.U. (IQL) of Spain also continued to experience a recovery from the end of the previous fiscal year and reported steady sales of its leading cosmetic ingredients and other products. As a result, net sales and operating profit increased.

Reference: Net sales (non-consolidated)

(Million yen)

		Three months ended June 30, 2023	Three months ended June 30, 2024	Change	YoY (%)
Oil and Fat	Oil and Meal	76,211	68,774	(7,437)	90.2
	Commercial-use and food processing	32,653	28,919	(3,734)	88.6
	Household-use	18,561	17,369	(1,192)	93.6
	Meal	24,996	22,484	(2,511)	90.0
	Processed Oil and Fat	3,625	3,815	+189	105.2
	Subtotal	79,837	72,589	(7,248)	90.9
Processed Food and Materials		5,510	5,467	(42)	99.2
Fine Chemical		1,646	2,116	+470	128.6
Other		96	108	+12	112.6
Total		87,091	80,282	(6,808)	92.2

(2) Overview of Quarterly Financial Position

1) Assets, liabilities and net assets

Total assets on June 30, 2024, stood at ¥403,490 million, up by ¥10,108 million from the previous fiscal year-end. The main reasons for this increase were increases of ¥10,172 million in inventories and ¥2,363 million in property, plant and equipment. This increase in total assets was partially offset by decreases of ¥798 million in cash and deposits, ¥298 million in trade receivables, and ¥3,042 million in investment securities.

Liabilities stood at ¥206,808 million, up by ¥5,988 million from the previous fiscal year-end. The main reasons for the increase were increases of ¥7,980 million in trade payables and ¥3,770 million in short-term borrowings. This increase in liabilities was partially offset by a decrease of ¥2,127 million in income taxes payable.

Net assets stood at ¥196,682 million, an increase of ¥4,120 million from the previous fiscal year-end. The main factors in the increase were increases of ¥1,958 million in retained earnings and ¥1,787 million in accumulated other comprehensive income.

2) Status of cash flows

Cash and cash equivalents as of June 30, 2024, stood at ¥15,354 million, a decrease of ¥1,129 million from the previous fiscal year-end.

<< Cash Flows from Operating Activities >>

Operating activities provided net cash of ¥624 million (¥11,467 million provided in the same period of the previous fiscal year). The main factors increasing cash were profit before income taxes of ¥7,699 million, depreciation of ¥2,513 million, a decrease in trade receivables of ¥1,241 million, and an increase in trade payables of ¥7,367 million. The main factors decreasing cash were gain on sale of investment securities of ¥2,651 million, an increase in inventories of ¥8,563 million, and income taxes paid of ¥4,380 million.

<< Cash Flows from Investing Activities >>

Investing activities used net cash of ¥1,644 million (¥4,050 million used in the same period of the previous fiscal year). The main factors decreasing cash were purchase of property, plant and equipment of ¥4,453 million and purchase of investment securities of ¥628 million. There was also an increase in cash due to proceeds from sale of investment securities of ¥3,609 million.

<< Cash Flows from Financing Activities >>

Financing activities used net cash of ¥791 million (¥6,818 million used in the same period of the previous fiscal year). The main factor decreasing cash was dividends paid of ¥3,568 million. The main factor increasing cash was net increase in short-term borrowings of ¥3,027 million.

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

With regard to the consolidated results, there is no change in the figures of full-year consolidated earnings forecasts for FY2024 (fiscal year ending March 31, 2025), originally announced on May 10, 2024.

If we determine that changes in circumstances require us to revise the Group's earnings forecasts, we will disclose such revisions promptly.

2. Quarterly Consolidated Financial Statements and Related Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	20,434	19,635
Notes and accounts receivable - trade	101,927	101,628
Inventories	97,615	107,787
Other	12,885	14,655
Allowance for doubtful accounts	(108)	(87)
Total current assets	232,753	243,620
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,224	30,754
Machinery, equipment and vehicles, net	34,092	36,494
Land	27,492	27,526
Other, net	15,523	12,919
Total property, plant and equipment	105,332	107,695
Intangible assets		
Goodwill	186	186
Other	2,480	2,384
Total intangible assets	2,667	2,570
Investments and other assets		
Investment securities	39,812	36,769
Retirement benefit asset	8,399	8,320
Other	4,378	4,480
Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	52,564	49,544
Total non-current assets	160,564	159,810
Deferred assets		
Bond issuance costs	64	59
Total deferred assets	64	59
Total assets	393,382	403,490

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	47,783	55,764
Short-term borrowings	15,313	19,084
Current portion of bonds payable	10,000	10,000
Income taxes payable	4,515	2,388
Provisions	81	95
Other	32,674	29,158
Total current liabilities	110,369	116,490
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term borrowings	56,632	56,740
Provisions	538	537
Retirement benefit liability	2,152	2,159
Other	16,127	15,880
Total non-current liabilities	90,451	90,318
Total liabilities	200,820	206,808
Net assets		
Shareholders' equity		
Share capital	16,332	16,332
Capital surplus	21,663	21,663
Retained earnings	128,650	130,609
Treasury shares	(4,068)	(4,068)
Total shareholders' equity	162,576	164,536
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,069	9,022
Deferred gains or losses on hedges	746	1,158
Foreign currency translation adjustment	7,271	10,753
Remeasurements of defined benefit plans	957	898
Total accumulated other comprehensive income	20,045	21,832
Non-controlling interests	9,940	10,313
Total net assets	192,562	196,682
Total liabilities and net assets	393,382	403,490

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	128,740	128,488
Cost of sales	109,635	109,142
Gross profit	19,105	19,345
Selling, general and administrative expenses	12,771	13,606
Operating profit	6,334	5,738
Non-operating income		
Interest income	38	61
Dividend income	146	190
Foreign exchange gains	202	-
Other	142	102
Total non-operating income	530	354
Non-operating expenses		
Interest expenses	228	305
Share of loss of entities accounted for using equity method	8	488
Foreign exchange losses	-	63
Loss on disposal of inventories	23	23
Other	49	74
Total non-operating expenses	310	955
Ordinary profit	6,554	5,137
Extraordinary income		
Gain on sale of non-current assets	872	-
Gain on sale of investment securities	-	2,651
Total extraordinary income	872	2,651
Extraordinary losses		
Loss on retirement of non-current assets	55	89
Total extraordinary losses	55	89
Profit before income taxes	7,371	7,699
Income taxes	2,278	2,426
Profit	5,093	5,272
Profit attributable to non-controlling interests	56	147
Profit attributable to owners of parent	5,037	5,125

Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	5,093	5,272
Other comprehensive income		
Valuation difference on available-for-sale securities	1,553	(2,106)
Deferred gains or losses on hedges	2,395	480
Foreign currency translation adjustment	1,661	3,292
Remeasurements of defined benefit plans, net of tax	63	(59)
Share of other comprehensive income of entities accounted for using equity method	174	271
Total other comprehensive income	5,848	1,878
Comprehensive income	10,941	7,151
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,384	6,739
Comprehensive income attributable to non- controlling interests	557	411

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	7,371	7,699
Depreciation	2,319	2,513
Amortization of goodwill	9	10
Interest and dividend income	(185)	(252)
Interest expenses	228	305
Share of loss (profit) of entities accounted for using equity method	8	488
Loss (gain) on sale and retirement of non-current assets	(817)	89
Loss (gain) on sale of investment securities	-	(2,651)
Decrease (increase) in trade receivables	2,669	1,241
Decrease (increase) in inventories	9,048	(8,563)
Increase (decrease) in trade payables	(6,227)	7,367
Decrease (increase) in retirement benefit asset	(5)	79
Increase (decrease) in retirement benefit liability	21	7
Other, net	248	(3,277)
Subtotal	14,690	5,058
Interest and dividends received	181	241
Interest paid	(265)	(295)
Income taxes paid	(3,139)	(4,380)
Net cash provided by (used in) operating activities	11,467	624
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,986)	(4,453)
Proceeds from sale of property, plant and equipment	1,277	0
Purchase of investment securities	(6)	(628)
Proceeds from sale of investment securities	-	3,609
Other, net	(335)	(171)
Net cash provided by (used in) investing activities	(4,050)	(1,644)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,208)	3,027
Repayments of long-term borrowings	(13)	(24)
Dividends paid	(2,432)	(3,568)
Proceeds from sale of treasury shares	2	1
Purchase of treasury shares	(0)	(2)
Dividends paid to non-controlling interests	(29)	(40)
Other, net	(135)	(185)
Net cash provided by (used in) financing activities	(6,818)	(791)
Effect of exchange rate change on cash and cash equivalents	395	681
Net increase (decrease) in cash and cash equivalents	994	(1,129)
Cash and cash equivalents at beginning of period	10,899	16,483
Cash and cash equivalents at end of period	11,893	15,354

(4) Notes to the Quarterly Consolidated Financial Statements

Notes on changes in accounting policies

[Application of the Accounting Standard for Current Income Taxes and other standards]

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; referred to as the “2022 Revised Accounting Standard”) and other standards from the start of the first quarter of the consolidated fiscal year under review.

Regarding revisions to the classification in which income taxes should be recorded (taxation of other comprehensive income), the Company follows the transitional treatment specified in the proviso to paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment specified in the proviso to paragraph 65-2(2) of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; referred to as the “2022 Revised Implementation Guidance”).

Also, for revisions relating to reviews of the accounting treatment for consolidated financial statements when gains and losses on sale of shares in subsidiaries and the like resulting from transactions between consolidated companies are deferred for tax purposes, the Company has applied the 2022 Revised Implementation Guidance from the start of the first quarter of the consolidated fiscal year under review.

These changes in accounting policies have no impact on the quarterly consolidated financial statements and the consolidated financial statements.

Notes on special accounting methods in 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.

Notes on 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

Three months ended June 30, 2023, (April 1, 2023, to June 30, 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	84,046	22,418	106,465	17,010	4,643	128,119	621	128,740	—	128,740
Intersegment sales and transfers	475	1,979	2,454	51	506	3,012	448	3,460	(3,460)	—
Total	84,521	24,398	108,920	17,061	5,150	131,132	1,069	132,201	(3,460)	128,740
Segment profit (loss)	4,842	1,053	5,896	194	312	6,403	166	6,570	(235)	6,334

Notes:

1. The Other category is for business segments that are not included in the reporting segments, such as information systems.
2. Adjustment for segment profit of - ¥235 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.

Three months ended June 30, 2024 (April 1, 2024, to June 30, 2024)

(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	77,060	27,598	104,658	17,905	5,282	127,846	641	128,488	—	
Intersegment sales and transfers	616	2,336	2,952	31	282	3,266	571	3,837	(3,837)	
Total	77,676	29,934	107,611	17,937	5,564	131,112	1,212	132,325	(3,837)	
Segment profit (loss)	2,784	1,803	4,587	768	499	5,856	126	5,982	(243)	

Notes:

1. The Other category is for business segments that are not included in the reporting segments, such as information systems.
2. Adjustment for segment profit of - ¥243 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

Three months ended June 30, 2023 (April 1, 2023, to June 30, 2023)

(Million yen)

	Japan	Asia	Other	Total
Net sales	105,181	12,885	10,673	128,740
Ratio to net sales	81.7%	10.0%	8.3%	100.0%

Note: Sales are classified into countries or regions based on customers' locations.

Three months ended June 30, 2024 (April 1, 2024, to June 30, 2024)

(Million yen)

	Japan	Asia	Other	Total
Net sales	98,357	17,304	12,826	128,488
Ratio to net sales	76.5%	13.5%	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:

Three months ended June 30, 2023 (April 1, 2023, to June 30, 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	Subtotal					
Japan	83,564	3,302	86,867	15,010	2,682	104,560	539	105,099
Asia	464	9,740	10,204	1,998	683	12,885	—	12,885
Other	17	9,375	9,393	1	1,278	10,673	—	10,673
Revenue arising from contracts with customers	84,046	22,418	106,465	17,010	4,643	128,119	539	128,659
Other revenue	—	—	—	—	—	—	81	81
Sales to external customers	84,046	22,418	106,465	17,010	4,643	128,119	621	128,740

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

Three months ended June 30, 2024 (April 1, 2024, to June 30, 2024)

(Million yen)

	Reporting segment						Other (Note)	Total
	Oil and Fat			Processed Food and Materials	Fine Chemical	Total		
	Oil and meal	Processed oil and fat	Subtotal					
Japan	76,071	3,495	79,567	15,566	2,581	97,715	544	98,260
Asia	969	12,707	13,677	2,336	1,290	17,304	—	17,304
Other	19	11,394	11,413	2	1,410	12,826	—	12,826
Revenue arising from contracts with customers	77,060	27,598	104,658	17,905	5,282	127,846	544	128,391
Other revenue	—	—	—	—	—	—	97	97
Sales to external customers	77,060	27,598	104,658	17,905	5,282	127,846	641	128,488

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

Notes on any significant fluctuation in the amount of shareholders' equity

There is no item to report.

Notes on going concern assumption

There is no item to report.

3. Other

On-Site Inspection by the Fair Trade Commission

On March 13, 2024, the Company was subjected to an on-site inspection by the Japan Fair Trade Commission for alleged violation of the Antimonopoly Act in connection with the sales of sesame oils. The Company is in earnest cooperation with this investigation.