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



February 10, 2022

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 Listing: Tokyo Stock Exchange
 Securities code: 5017
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 Scheduled date to file quarterly securities report: February 14, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary materials on quarterly financial results: Yes (Japanese only)
 Holding of quarterly financial results briefing: No

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

1. Consolidated financial results for the nine months ended December 31, 2021 (from April 1, 2021 to 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	%
For the nine months ended December 31, 2021	315,979	21.1	5,181	1.2	4,824	(16.2)	5,461	27.7
For the nine months ended December 31, 2020	260,972	(23.8)	5,118	-	5,758	-	4,277	-

(Note) Total comprehensive income:
 For the nine months ended December 31, 2021: 7,023 million yen (84.6%)
 For the nine months ended December 31, 2020: 3,805 million yen (-%)

	Basic earnings per share		Diluted earnings per share	
	Yen	-	Yen	-
For the nine months ended December 31, 2021	70.87	-	-	-
For the nine months ended December 31, 2020	55.51	-	-	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	324,987	54,439	16.7
As of March 31, 2021	253,007	48,188	19.0

(Reference) Equity: As of December 31, 2021: 54,267 million yen
 As of March 31, 2021: 48,031 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	0.00	-	10.00	10.00
Fiscal year ending March 31, 2022	-	0.00	-		
Fiscal year ending March 31, 2022 (Forecast)					

(Note) Revisions to the forecast of cash dividends most recently announced: None
 At present, the year-end dividend for the fiscal year ending March 31, 2022 has not been determined.

3. Consolidated financial results forecast for the fiscal year ending March 31, 2022
(from April 1, 2021 to March 31, 2022)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen -
Full year	470,500	36.5	5,800	(18.3)	5,100	(38.5)	5,400	(17.3)	70.07

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

*Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2021 : None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements : None
- (3) Changes in accounting policies and accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations : Yes
 - (ii) Changes in accounting policies due to reasons other than (i) : None
 - (iii) Changes in accounting estimates : None
 - (iv) Restatement : None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)	As of December 31, 2021	78,183,677 shares	As of March 31, 2021	78,183,677 shares
(ii) Number of treasury shares at the end of the period	As of December 31, 2021	1,121,198 shares	As of March 31, 2021	1,121,198 shares
(iii) Average number of shares outstanding during the period (quarterly cumulative)	As of December 31, 2021	77,062,479 shares	As of March 31, 2021	77,062,479 shares

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

* Proper use of earnings forecasts, and other special matters

The forward-looking statements such as financial results forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual financial results may differ significantly from the forecasts due to various factors. For the assumptions underlying the financial results forecasts and cautions concerning the use thereof, please refer to "Explanation of Consolidated Earnings Forecasts and Forward-Looking Statements" on page 2 of the attachment.

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

(1) Explanation of Operating Results

In the first nine months ended December 31, 2021, the Dubai crude oil price hovering at the level of \$61 per barrel at the beginning of the fiscal year reached the \$75 level in early July on an upward trend due to expectations of economic recovery underpinned by the rollout of COVID-19 vaccinations in the United States and Europe since April, among other factors. The price subsequently fell to the \$65 level over concerns about the global spread of the Delta variant of COVID-19; however, the price turned upward against the backdrop of a major hurricane approaching oil production facilities along the U.S. Gulf Coast and tighter supply and demand caused by supply disruptions from some oil-producing countries, and reached the \$84 level in late October. Nevertheless, in late November, there were signs of another price adjustment due to a risk aversion move induced by the spread of a new COVID-19 variant, Omicron. However, the market subsequently recovered and ended the quarter at the \$77 level, underpinned by extremely resilient economic recoveries, especially in the U.S., and the underlying robust energy demand. As a result, the average Dubai crude oil price during the first nine months ended December 31, 2021 was approximately \$72.

On the other hand, the exchange rate started at the higher ¥110 range per dollar and temporarily got appreciated, hitting the mid-¥107 range due in part to the U.S. interest rate hike being put on hold. Still, the exchange rate subsequently got further weakened, reaching the higher ¥111 range as the FOMC noted the possibility of an early interest rate hike. Entering November, the yen weakened to the mid-¥115 range against the backdrop of growing concerns over inflation in the U.S. and the FRB's quantitative easing. In December, despite reverting to the higher ¥112 level at times in response to cautionary sentiment about the Omicron strain, the yen depreciated to ¥115 yen toward the end of the month due to the robust trend of the U.S. stock market and other factors. The trade as of the end of the first nine months of the current fiscal year closed at approximately ¥115. As a result, the average exchange rate during the first nine months of the current fiscal year was at the lower ¥111 range.

In such a business environment, the Company carried out major periodic shut-down maintenance, which is conducted once every four years, from May through July. Crude oil throughput at Sodegaura Refinery plant decreased by 1.029 million kiloliters from the same period of the previous fiscal year to 4.240 million kiloliters, and the Company's sales volume of petroleum products and petrochemical products decreased by 1.105 million kiloliters to 4.406 million kiloliters.

Given such circumstances, the consolidated financial results for the first nine months ended December 31, 2021, were as follows. Net sales increased 55.0 billion yen year on year to 315.9 billion yen, mainly due to higher unit sales prices associated with higher crude oil prices, despite a decrease in sales volume due to the major periodic shut-down maintenance. As for profit, operating profit was 5.1 billion yen (an increase of 0.0 billion yen year on year) due to the effect of inventory valuation (effect of inventory valuation calculated by using the average method and the influence of inventory write-downs based on decrease in profitability on cost of sales), which drove down the cost of sales by 12.4 billion yen (down 5.0 billion yen in the same period of the previous fiscal year). Ordinary profit was 4.8 billion yen, down 0.9-billion-yen year on year. Profit attributable to owners of parent was 5.4 billion yen, up 1.1 billion yen year on year.

As for profit in real terms, excluding the effect of the inventory valuation, operating loss amounted to 7.2 billion yen, a decrease of 7.3 billion yen year on year, and ordinary loss was 7.6 billion yen, a decrease of 8.3 billion yen year on year, due to the impact of the major periodic shut-down maintenance and other factors.

(2) Explanation of Financial Position

(Current assets)

At the end of the third quarter of the fiscal year under review, current assets totaled 196.8 billion yen, an increase of 63.3 billion yen compared with the end of the previous fiscal year. This was mainly due to a 50.6 billion yen increase in notes and accounts receivable - trade, and contract assets and a 19.6 billion yen increase in inventories.

(Non-current assets)

At the end of the third quarter of the fiscal year under review, non-current assets increased 8.6 billion yen compared with the end of the previous fiscal year to 128.1 billion yen. This was mainly due to a 7.4 billion yen increase in machinery, equipment and vehicles, and a 1.7 billion yen increase in investment securities.

(Current liabilities)

At the end of the third quarter of the fiscal year under review, current liabilities totaled 227.8 billion yen, an increase of 70.5 billion yen compared with the end of the previous fiscal year. This was mainly due to a 45.3 billion yen increase in short-term loans payable, an 18.6 billion yen increase in accounts payable, and a 10.4 billion yen increase in excise taxes payable on gasoline and other fuels.

(Non-current liabilities)

At the end of the third quarter of the fiscal year under review, non-current liabilities totaled 42.6 billion yen, a decrease of 4.8 billion yen compared with the end of the previous fiscal year. This was mainly due to a 6.9 billion yen decrease in provision for repairs and a 1.2 billion yen increase in long-term loans payable.

(Net assets)

At the end of the third quarter of the fiscal year under review, net assets increased 6.2 billion yen compared with the end of the previous fiscal year to 54.4 billion yen. This was mainly due to a 4.6 billion yen increase in retained earnings and a 1.6 billion yen increase in foreign currency translation adjustments.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-Looking Statements

The financial results forecasts (announced on November 10, 2021) are revised to reflect the trend of financial results after November 10, 2021.

The assumptions for the revised forecast are an average Dubai crude oil price of \$75 per barrel for the fourth quarter (previous forecast: \$70 per barrel) and an exchange rate of \$1:¥110 (previous forecast: \$1:¥110).

Net sales are expected to increase by 30.4 billion yen from the previous forecast to 470.5 billion yen.

As for profit, the Company expects a more substantive effect on lowering the cost of inventory due to the increase in the forecast crude oil price. As a result, operating profit is expected to increase by 2.2 billion yen from the previous forecast to 5.8 billion yen, ordinary profit by 2.6 billion yen to 5.1 billion yen, and profit attributable to owners of parent by 2.1 billion yen to 5.4 billion yen.

Excluding the effect of inventory valuation, operating loss is expected to be 6.9 billion yen, a decrease of 2.3 billion yen from the previous forecast, and ordinary loss is expected to be 7.6 billion yen, a decrease of 1.9 billion yen from the previous forecast. The above forecasts are based on information available as of the date of publication of this document. Actual results may differ from the forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto
(1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	As of the end of the previous fiscal year (March 31, 2021)	As of the end of third quarter of the fiscal year under review (December 31, 2021)
Assets		
Current assets		
Cash and deposits	15,143	12,115
Notes and accounts receivable - trade	29,199	-
Notes and accounts receivable - trade, and contract assets	-	79,867
Securities	200	200
Inventories	80,661	100,340
Accounts receivable-other	3,564	2,701
Other	4,736	1,642
Total current assets	133,505	196,866
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,242	12,882
Storage tanks, net	3,085	2,777
Machinery, equipment and vehicles, net	27,891	35,311
Land	51,542	51,542
Construction in progress	2,875	2,403
Other, net	598	528
Total property, plant and equipment	99,236	105,446
Intangible assets		
Software	670	650
Other	134	134
Total intangible assets	805	785
Investments and other assets		
Investment securities	18,613	20,374
Long-term loans receivable	717	717
Net defined benefit asset	39	619
Other	500	584
Allowance for doubtful accounts	(409)	(408)
Total investments and other assets	19,461	21,888
Total non-current assets	119,502	128,120
Total assets	253,007	324,987

(Unit: Millions of yen)

	As of the end of the previous fiscal year (March 31, 2021)	As of the end of third quarter of the fiscal year under review (December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	21,982	28,666
Short-term loans payable	74,050	119,432
Current portion of long-term loans payable	10,046	9,477
Accounts payable-other	18,788	37,439
Excise taxes payable on gasoline and other fuels	17,674	28,136
Income taxes payable	1,600	1
Provision for bonuses	327	140
Other	12,815	4,572
Total current liabilities	157,285	227,868
Non-current liabilities		
Long-term loans payable	26,376	27,638
Deferred tax liabilities	9,038	9,055
Provision for special repairs	2,339	2,514
Provision for repairs	7,719	755
Net defined benefit liability	1,421	2,102
Provision for director's retirement benefits	18	19
Other	620	593
Total non-current liabilities	47,533	42,679
Total liabilities	204,819	270,547
Net assets		
Shareholders' equity		
Capital stock	24,467	24,467
Capital surplus	25,495	25,495
Retained earnings	1,543	6,234
Treasury stock	(1,431)	(1,431)
Total shareholders' equity	50,075	54,765
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	498	452
Revaluation reserve for land	1	1
Foreign currency translation adjustments	(3,194)	(1,559)
Remeasurements of defined benefit plans	651	606
Total accumulated other comprehensive income	(2,043)	(498)
Non-controlling interests	156	171
Total net assets	48,188	54,439
Total liabilities and net assets	253,007	324,987

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
Quarterly consolidated statement of income
First nine months

(Unit: Millions of yen)

	First nine months of the previous fiscal year (From April 1, 2020 to December 31, 2020)	First nine months of the fiscal year under review (From April 1, 2021 to December 31, 2021)
Net sales	260,972	315,979
Cost of sales	252,617	307,558
Gross profit	8,354	8,421
Selling, general and administrative expenses	3,236	3,239
Operating profit	5,118	5,181
Non-operating income		
Interest income	39	16
Dividends income	30	132
Foreign exchange gains	79	168
Equity in earnings of affiliates	1,855	726
Rent income from storage tanks	158	181
Other	216	246
Total non-operating income	2,379	1,470
Non-operating expenses		
Interest expenses	1,071	1,072
Rent expenses on storage tanks	161	201
Other	506	554
Total non-operating expenses	1,739	1,828
Ordinary profit	5,758	4,824
Extraordinary income		
Gain on sale of non-current assets	2	18
Gain on sale of securities	77	-
Insurance income	-	711
Total extraordinary income	79	730
Extraordinary losses		
Loss on retirement of non-current assets	110	64
Impairment losses	125	-
Total extraordinary losses	235	64
Profit before income taxes	5,602	5,489
Income taxes - current	897	27
Income taxes - deferred	410	(15)
Total income taxes	1,307	11
Profit	4,294	5,477
Profit attributable to non-controlling interests	17	16
Profit attributable to owners of parent	4,277	5,461

Quarterly consolidated statement of comprehensive income
First nine months

(Unit: Millions of yen)

	First nine months of the previous fiscal year (From April 1, 2020 to December 31, 2020)	First nine months of the fiscal year under review (From April 1, 2021 to December 31, 2021)
Profit	4,294	5,477
Other comprehensive income		
Valuation difference on available-for-sale securities	138	(45)
Foreign currency translation adjustments	(136)	317
Remeasurements of defined benefit plans, net of tax	28	(44)
Share of other comprehensive income of entities accounted for using equity method	(519)	1,317
Total other comprehensive income	(489)	1,545
Comprehensive income	3,805	7,023
(Profit attributable to)		
Comprehensive income attributable to owners of parent	3,787	7,006
Comprehensive income attributable to non-controlling interests	17	16

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020: hereinafter, the "Revenue Recognition Accounting Standard"), etc. from the beginning of the three-month period ended June 30, 2021, and decided to recognize revenue in the amount expected to be received in exchange for goods and services at a point in time when control of the goods and services is transferred to the customer.

In accordance with the transitional treatment prescribed in the proviso of paragraph 84 of the Revenue Recognition Accounting Standard for the application of Accounting Standard for Revenue Recognition, etc., the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year was adjusted in retained earnings at the beginning of the first quarter of the current fiscal year, and thus the beginning balance of the current fiscal year is accounted under the new accounting policy. However, the Company has not retrospectively applied the new accounting policy to contracts for which almost all revenue amounts were recognized by adopting the method prescribed in paragraph 86 of the Revenue Recognition Accounting Standard in accordance with which, the previous treatment that the Company had applied prior to the beginning of the first quarter of the current fiscal year has been applied. In addition, the Company adopted the method prescribed in paragraph 86 and paragraph 86 (1) of the Revenue Recognition Accounting Standard to account for any contractual changes made prior to the beginning of the first quarter of the current fiscal year under the terms and conditions reflecting all the contractual changes.

As a result, the impact of the change on the accounting treatment for the first nine months of the fiscal year under review is immaterial.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., "Notes and accounts receivable - trade," presented in "Current assets" on the consolidated balance sheet for the previous fiscal year has been restated in "Notes and accounts receivable - trade, and contract assets" from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 89-2 of the Accounting Standard for Revenue Recognition, consolidated financial statements for the previous fiscal year have not been restated under the new classification method.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019: hereinafter, the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the first quarter of the fiscal year under review. In accordance with the transitional treatment prescribed in paragraph 19 of the Fair Value Measurement Accounting Standard and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company decided to apply the new accounting policy prescribed in the Accounting Standard for Fair Value Measurement, etc. prospectively.

The application of the accounting standard, etc. has no impact on the quarterly consolidated financial statements.

(Additional information)

(Impact of COVID-19)

Although the outlook for demand is uncertain due to the COVID-19 pandemic, we believe that the impact on the future operation rates of machinery and equipment will be limited and that the impact on accounting estimates will be immaterial.

(Segment Information, etc.)

Segment information is omitted as the Group has only one segment consisting of the petroleum refining and sales business.