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Consolidated Financial Statements

Year ended March 31, 2022
with Independent Auditor's Report

Idemitsu Kosan Co.,Ltd.

CONSOLIDATED BALANCE SHEET

Idemitsu Kosan Co.,Ltd. and Consolidated Subsidiaries
March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	**2022**	**2022**
ASSETS			
Current assets:			
Cash and cash equivalents (Note 21)	¥130,956	**¥139,030**	**$1,135,958**
Notes and accounts receivable, trade (Note 21)	602,661	**870,483**	**7,112,375**
Inventories (Note 7)	694,522	**1,060,205**	**8,662,517**
Accounts receivable, other	180,336	**244,790**	**2,000,085**
Short-term loans	12,106	**10,783**	**88,111**
Other (Notes 21 and 22)	46,455	**43,821**	**358,047**
Less: Allowance for doubtful accounts	(1,521)	**(1,026)**	**(8,384)**
Total current assets	1,665,516	**2,368,088**	**19,348,711**
Property, plant and equipment,net (Notes 8, 10, and 20):			
Buildings and structures	266,693	**268,941**	**2,197,414**
Machinery and equipment	309,885	**286,611**	**2,341,790**
Land (Note 9)	808,037	**779,921**	**6,372,428**
Construction in progress	58,815	**24,204**	**197,763**
Other	78,468	**78,131**	**638,381**
Total property, plant and equipment,net	1,521,899	**1,437,810**	**11,747,778**
Intangible fixed assets:			
Goodwill	159,006	**149,691**	**1,223,071**
Other	160,245	**158,937**	**1,298,611**
Total intangible fixed assets	319,252	**308,628**	**2,521,683**
Investments and other assets:			
Investments in securities (Notes 5 and 21)	25,117	**19,837**	**162,081**
Investments in nonconsolidated subsidiaries and affiliates (Notes 5 and 21)	214,079	**241,258**	**1,971,226**
Long-term loans (Note 21)	37,720	**12,301**	**100,506**
Guarantee deposits	25,847	**60,684**	**495,829**
Long-term prepaid expenses	14,881	**15,784**	**128,966**
Exploration and development expenditures	10,871	**4,863**	**39,739**
Deferred tax assets (Note 18)	21,019	**10,597**	**86,590**
Other	100,398	**123,889**	**1,012,254**
Less: Allowance for doubtful accounts	(2,160)	**(2,561)**	**(20,930)**
Total investments and other assets	447,774	**486,655**	**3,976,264**
Total assets	¥3,954,443	**¥4,601,183**	**$37,594,439**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	**2022**	**2022**
LIABILITIES AND EQUITY			
Current liabilities:			
Notes and accounts payable, trade (Note 21)	¥530,697	**¥840,834**	**$6,870,123**
Short-term borrowings (Notes 11 and 21)	277,686	**284,837**	**2,327,297**
Commercial paper (Notes 11 and 21)	188,005	**237,000**	**1,936,439**
Current portion of long-term debt (Notes 11 and 21)	76,622	**94,205**	**769,719**
Accounts payable, other (Note 21)	406,890	**390,920**	**3,194,054**
Accrued expenses	24,799	**23,642**	**193,173**
Income taxes payable	18,422	**39,908**	**326,077**
Accrued bonuses to employees	11,392	**13,942**	**113,919**
Other (Notes 11, 21 and 22)	86,769	**135,980**	**1,111,042**
Total current liabilities	1,621,286	**2,061,273**	**16,841,847**
Long-term liabilities:			
Long-term debt (Notes 11 and 21)	737,468	**720,767**	**5,889,104**
Deferred tax liabilities (Note 18)	9,643	**34,468**	**281,627**
Deferred tax liability related to land revaluation (Notes 9 and 18)	84,993	**84,211**	**688,060**
Liability for employees' retirement benefits (Notes 2(T) and 12)	49,232	**71,648**	**585,408**
Reserve for repair work	73,197	**67,527**	**551,738**
Asset retirement obligations (Note 13)	77,647	**44,914**	**366,981**
Other (Notes 21 and 22)	85,836	**79,859**	**652,498**
Total long-term liabilities	1,118,019	**1,103,397**	**9,015,419**
Total liabilities	2,739,306	**3,164,670**	**25,857,267**
Contingent liabilities (Note 14)			
Equity (Note 15):			
Shareholders' equity:			
Common stock:	168,351	**168,351**	**1,375,533**
Authorized, 436,000,000 shares in 2021 and 2022			
Issued, 297,864,718 shares in 2021 and 2022			
Capital surplus	461,635	**460,507**	**3,762,625**
Retained earnings	400,579	**645,330**	**5,272,741**
Treasury stock-at cost, 596,197 shares in 2021 and 561,317 shares in 2022	(2,008)	**(1,883)**	**(15,390)**
Total shareholders' equity	1,028,559	**1,272,306**	**10,395,509**
Accumulated other comprehensive income (loss):			
Surplus from land revaluation (Note 9)	159,585	**157,154**	**1,284,045**
Deferred (losses) on hedging activities, net (Notes 19 and 22)	(1,209)	**(5,236)**	**(42,788)**
Unrealized gains on available-for-sale securities	5,792	**3,443**	**28,136**
Foreign currency translation adjustments	(47,207)	**(26,762)**	**(218,669)**
Defined retirement benefit plans	5,410	**11,196**	**91,485**
Total accumulated other comprehensive income	122,371	**139,795**	**1,142,210**
Noncontrolling interests in consolidated subsidiaries	64,206	**24,410**	**199,451**
Total equity	1,215,136	**1,436,512**	**11,737,171**
Total liabilities and equity	¥3,954,443	**¥4,601,183**	**$37,594,439**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Idemitsu Kosan Co.,Ltd. and Consolidated Subsidiaries
Year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	**2022**	**2022**
Net sales	¥4,556,620	**¥6,686,761**	**$54,634,869**
Cost of sales (Note 6)	3,997,591	**5,802,585**	**47,410,620**
Gross profit	559,028	**884,175**	**7,224,248**
Selling, general, and administrative expenses (Note 16)	418,965	**449,722**	**3,674,503**
Operating income	140,062	**434,453**	**3,549,745**
Non-operating income (expenses):			
Interest income	9,935	**9,083**	**74,215**
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	—	**15,029**	**122,800**
Gain (loss) on foreign exchange, net	(81)	**2,842**	**23,227**
Dividend income	4,237	**4,284**	**35,010**
Interest expense	(11,982)	**(11,207)**	**(91,568)**
Subsidy income	4,655	**3,528**	**28,828**
Gain on sales of fixed assets	13,081	**16,114**	**131,668**
Gain on sales of investments in securities	59	**3,546**	**28,978**
Gain on sales of shares of subsidiaries and affiliates	362	**221**	**1,805**
Gain on amortization of past service cost	—	**2,144**	**17,518**
Equity in losses of nonconsolidated subsidiaries and affiliates, net	(39,789)	—	—
Impairment loss on fixed assets (Note 10)	(20,164)	**(15,907)**	**(129,973)**
Loss on sales of fixed assets	(1,121)	**(4,246)**	**(34,694)**
Loss on disposals of fixed assets	(6,863)	**(9,752)**	**(79,681)**
Loss on valuation of investments in nonconsolidated subsidiaries and affiliates	(56)	**(130)**	**(1,062)**
Loss on valuation of investment securities	(6,193)	**(209)**	**(1,707)**
Loss from money transfer scam at foreign subsidiary	(3,672)	—	—
Loss on valuation of long-term loans	(18,114)	**(55,916)**	**(456,874)**
Other, net	230	**(5,817)**	**(47,536)**
Non-operating income(expenses), net	(75,479)	**(46,391)**	**(379,044)**
Income before income taxes	64,582	**388,062**	**3,170,700**
Income taxes - Current (Note 18)	17,756	**71,821**	**586,828**
- Deferred (Note 18)	11,586	**39,437**	**322,224**
Total income taxes	29,343	**111,258**	**909,053**
Net income	35,239	**276,803**	**2,261,647**
Net income (loss) attributable to noncontrolling interests	319	**(2,695)**	**(22,025)**
Net income attributable to owners of the parent	¥34,920	**¥279,498**	**$2,283,672**
Basic net income per share (in yen and dollars) (Notes 2(V) and 23)	¥117.47	**¥940.15**	**$7.68**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Idemitsu Kosan Co.,Ltd. and Consolidated Subsidiaries
Year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	**2022**	**2022**
Net income	¥35,239	**¥276,803**	**$2,261,647**
Other comprehensive income (loss) (Note 19)			
Unrealized gains (losses) on available-for-sale securities	4,033	**(1,841)**	**(15,042)**
Deferred gains (losses) on hedging activities, net	5,220	**(1,889)**	**(15,434)**
Foreign currency translation adjustments	(11,267)	**28,453**	**232,482**
Defined retirement benefit plans	8,917	**6,109**	**49,919**
Surplus from land revaluation	825	**(201)**	**(1,648)**
Share of other comprehensive income (loss) in associates	1,151	**(7,319)**	**(59,808)**
Total other comprehensive income (loss)	8,881	**23,311**	**190,467**
Comprehensive income (loss) (Note 19)	¥44,120	**¥300,114**	**$2,452,115**
Total comprehensive income (loss) attributable to (Note 19):			
Owners of the parent	¥42,367	**¥301,008**	**$2,459,421**
Noncontrolling interests	1,753	**(894)**	**(7,305)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Idemitsu Kosan Co.,Ltd. and Consolidated Subsidiaries
Year ended March 31, 2022

	Thousands	Millions of yen				
		Shareholders' equity				
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2020	297,261	¥168,351	¥461,636	¥408,064	(¥2,042)	¥1,036,010
Cumulative effect of accounting change						
Capital surplus (goodwill)			**(0)**			**(0)**
Cash dividends, ¥120.0 per share				**(41,697)**		**(41,697)**
Net income attributable to owners of the parent				**34,920**		**34,920**
Net adjustment to retained earnings due to change in scope of consolidation				**218**		**218**
Acquisitions of treasury stock	**(10)**				**(25)**	**(25)**
Disposals of treasury stock	**17**			**(0)**	**59**	**59**
Adjustment due to sales and revaluation of land (Note 9)				**(925)**		**(925)**
Items other than changes in shareholders' equity						
Balance at March 31, 2021	**297,268**	**¥168,351**	**¥461,635**	**¥400,579**	**(¥2,008)**	**¥1,028,559**
Cumulative effect of accounting change				**1,054**		**1,054**
Balance at the beginning of current period reflecting changes in accounting policies		**168,351**	**461,635**	**401,633**	**(2,008)**	**1,029,613**
Capital surplus (goodwill)			**(1,128)**			**(1,128)**
Cash dividends, ¥170.0 per share				**(35,739)**		**(35,739)**
Net income attributable to owners of the parent				**279,498**		**279,498**
Net adjustment to retained earnings due to change in scope of consolidation				**(2,291)**		**(2,291)**
Acquisitions of treasury stock	**11**				**(33)**	**(33)**
Disposals of treasury stock	**(46)**		**0**		**158**	**158**
Adjustment due to sales and revaluation of land (Note 9)				**2,229**		**2,229**
Items other than changes in shareholders' equity						
Balance at March 31, 2022	**297,303**	**¥168,351**	**¥460,507**	**¥645,330**	**(¥1,883)**	**¥1,272,306**

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2021	**$1,375,533**	**$3,771,841**	**$3,272,979**	**($16,407)**	**$8,403,947**
Cumulative effect of accounting change			**8,612**		**8,612**
Balance at the beginning of current period reflecting changes in accounting policies	**1,375,533**	**3,771,841**	**3,281,591**	**(16,407)**	**8,412,559**
Capital surplus (goodwill)		**(9,216)**			**(9,216)**
Cash dividends, $1.38 per share			**(292,016)**		**(292,016)**
Net income attributable to owners of the parent			**2,283,672**		**2,283,672**
Net adjustment to retained earnings due to change in scope of consolidation			**(18,720)**		**(18,720)**
Acquisitions of treasury stock				**(274)**	**(274)**
Disposals of treasury stock				**1,291**	**1,291**
Adjustment due to sales and revaluation of land (Note 9)			**18,213**		**18,213**
Items other than changes in shareholders' equity					
Balance at March 31, 2022	**$1,375,533**	**$3,762,625**	**$5,272,741**	**($15,390)**	**$10,395,509**

(Continued)

	Millions of yen							
	Accumulated other comprehensive income							
	Surplus from land revaluation	Deferred gains (losses) on hedging activities, net	Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income	Noncontrolling interests in consolidated subsidiaries	Total equity
Balance at March 31, 2020	**¥157,834**	**(¥7,667)**	**¥1,524**	**(¥34,370)**	**(¥3,321)**	**¥113,999**	**¥50,555**	**¥1,200,564**
Cumulative effect of accounting change								
Capital surplus (goodwill)								**(0)**
Cash dividends, ¥120.0 per share								**(41,697)**
Net income attributable to owners of the parent								**34,920**
Net adjustment to retained earnings due to change in scope of consolidation								**218**
Acquisitions of treasury stock								**(25)**
Disposals of treasury stock								**59**
Adjustment due to sales and revaluation of land (Note 9)	**925**					**925**		—
Items other than changes in shareholders' equity	**825**	**6,457**	**4,268**	**(12,836)**	**8,731**	**7,446**	**13,651**	**21,097**
Balance at March 31, 2021	**¥159,585**	**(¥1,209)**	**¥5,792**	**(¥47,207)**	**¥5,410**	**¥122,371**	**¥64,206**	**¥1,215,136**
Cumulative effect of accounting change								**1,054**
Balance at the beginning of current period reflecting changes in accounting policies	**159,585**	**(1,209)**	**5,792**	**(47,207)**	**5,410**	**122,371**	**64,206**	**1,216,190**
Capital surplus (goodwill)								**(1,128)**
Cash dividends, ¥170.0 per share								**(35,739)**
Net income attributable to owners of the parent								**279,498**
Net adjustment to retained earnings due to change in scope of consolidation								**(2,291)**
Acquisitions of treasury stock								**(33)**
Disposals of treasury stock								**158**
Adjustment due to sales and revaluation of land (Note 9)	**(2,229)**					**(2,229)**		—
Items other than changes in shareholders' equity	**(201)**	**(4,027)**	**(2,348)**	**20,444**	**5,786**	**19,652**	**(39,795)**	**(20,142)**
Balance at March 31, 2022	**¥157,154**	**(¥5,236)**	**¥3,443**	**(¥26,762)**	**¥11,196**	**¥139,795**	**¥24,410**	**¥1,436,512**

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Surplus from land revaluation	Deferred gains (losses) on hedging activities, net	Unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income	Noncontrolling interests in consolidated subsidiaries	Total equity
Balance at March 31, 2021	**$1,303,908**	**($9,883)**	**$47,329**	**($385,712)**	**$44,206**	**$999,848**	**$524,604**	**$9,928,400**
Cumulative effect of accounting change								**8,612**
Balance at the beginning of current period reflecting changes in accounting policies	**1,303,908**	**(9,883)**	**47,329**	**(385,712)**	**44,206**	**999,848**	**524,604**	**9,937,012**
Capital surplus (goodwill)								**(9,216)**
Cash dividends, $1.38 per share								**(292,016)**
Net income attributable to owners of the parent								**2,283,672**
Net adjustment to retained earnings due to change in scope of consolidation								**(18,720)**
Acquisitions of treasury stock								**(274)**
Disposals of treasury stock								**1,291**
Adjustment due to sales and revaluation of land (Note 9)	**(18,213)**					**(18,213)**		**0**
Items other than changes in shareholders' equity	**(1,648)**	**(32,904)**	**(19,192)**	**167,042**	**47,278**	**160,575**	**(325,152)**	**(164,576)**
Balance at March 31, 2022	**$1,284,045**	**($42,788)**	**$28,136**	**($218,669)**	**$91,485**	**$1,142,210**	**$199,451**	**$11,737,171**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Idemitsu Kosan Co.,Ltd. and Consolidated Subsidiaries
Year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	**2022**	**2022**
Operating activities:			
Income before income taxes	¥64,582	**¥388,062**	**$3,170,700**
Adjustments for:			
Depreciation and amortization	98,158	**104,767**	**856,011**
Impairment loss on fixed assets (Note 10)	20,164	**15,907**	**129,973**
Amortization of goodwill	9,629	**9,510**	**77,703**
Decrease in liability for employees' retirement benefits	(20,021)	**(18,677)**	**(152,607)**
Increase in reserve for repair work	9,058	**(5,670)**	**(46,329)**
Equity in losses of nonconsolidated subsidiaries and affiliates, net	39,789	**(15,029)**	**(122,800)**
Gain on sales of fixed assets, net	(11,959)	**(11,868)**	**(96,974)**
Loss on valuation of investment securities, net	6,193	**209**	**1,707**
Loss on valuation of long-term loans	18,114	**55,916**	**456,874**
Increase in notes and accounts receivable, trade	(19,805)	**(250,351)**	**(2,045,519)**
Increase in inventories	(82,777)	**(354,270)**	**(2,894,601)**
Increase in accounts receivable, other	(40,455)	**(54,803)**	**(447,779)**
Increase in notes and accounts payable, trade	63,901	**290,740**	**2,375,523**
Increase (decrease) in accounts payable, other	59,129	**(17,190)**	**(140,455)**
Payment of income taxes	(7,620)	**(36,696)**	**(299,831)**
Other, net	(35,614)	**45,555**	**372,218**
Net cash provided by operating activities	170,466	**146,111**	**1,193,815**
Investing activities:			
Purchases of tangible fixed assets	(121,064)	**(94,741)**	**(774,098)**
Proceeds from sales of tangible fixed assets	27,669	**44,361**	**362,458**
Purchases of intangible fixed assets	(11,763)	**(12,710)**	**(103,855)**
Purchases of investment securities	(1,837)	**(9,462)**	**(77,313)**
Proceeds from sales of investment securities	2,538	**5,490**	**44,858**
Purchases of shares of subsidiaries resulting in change in scope of consolidation	―	**(2,180)**	**(17,816)**
Proceeds for sales of shares of subsidiaries resulting in change in scope of consolidation	1,061	**1,933**	**15,798**
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	―	**(851)**	**(6,953)**
Disbursements for long-term loans	(370)	**(250)**	**(2,049)**
Proceeds from collection of long-term loans receivable	2,025	**1,685**	**13,770**
(Increase) decrease in short-term loans receivable, net	1,419	**(3,478)**	**(28,424)**
Payments for investments in capital of subsidiaries and associates	(5,089)	**―**	**―**
Other, net	(4,440)	**(41,421)**	**(338,441)**
Net cash used in investing activities	(109,851)	**(111,628)**	**(912,068)**
Financing activities:			
Increase (decrease) in short-term borrowings, net	76,110	**(6,998)**	**(57,184)**
Increase (decrease) in commercial paper, net	(127,960)	**48,995**	**400,318**
Proceeds from long-term debt	121,034	**28,525**	**233,071**
Repayments of long-term debt	(124,444)	**(57,670)**	**(471,204)**
Proceeds from issuance of bonds	40,000	**40,000**	**326,824**
Redemption of bonds	―	**(20,000)**	**(163,412)**
Purchases of treasury stock	(25)	**(33)**	**(275)**
Disposal of treasury stock	59	**158**	**1,291**
Cash dividends paid	(41,697)	**(35,739)**	**(292,016)**
Proceeds from share issuance to non-controlling shareholders	14,039	**6,028**	**49,253**
Cash dividends paid to noncontrolling interests	(2,141)	**(22,006)**	**(179,802)**
Other, net	(11,200)	**(11,261)**	**(92,013)**
Net cash used in financing activities	(56,227)	**(30,003)**	**(245,148)**
Effect of exchange rate changes on cash and cash equivalents	(3,230)	**3,127**	**25,550**
Net increase in cash and cash equivalents	1,157	**7,606**	**62,148**
Cash and cash equivalents at beginning of year	129,335	**130,956**	**1,069,990**
Increase in cash and cash equivalents resulting from new consolidated subsidiaries	463	**467**	**3,819**
Cash and cash equivalents at end of year	¥130,956	**¥139,030**	**$1,135,958**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Idemitsu Kosan Co.,Ltd. and Consolidated Subsidiaries

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Idemitsu Kosan Co.,Ltd. (the "Company") is incorporated and operates. Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122.39 to $1, the approximate rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(A) Principles of Consolidation

The consolidated financial statements as of and for the year ended March 31, 2022, include the accounts of the Company and its significant subsidiaries (together, the "Group"). Under the control and influence concepts, those companies for which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method (see (C) below).

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated. The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over periods ranging from 5 years to 20 years. The account balance of investment costs over the net equity of subsidiaries acquired is included in goodwill in the accompanying consolidated balance sheet.

The number of consolidated subsidiaries as of March 31, 2021 and 2022 is as follows:

Consolidated subsidiaries	2021	**2022**
Domestic	28	**27**
Overseas	72	**89**
Total	100	**116**

Consolidation of the remaining subsidiaries would not have a material impact on the accompanying consolidated financial statements.

With regard to any consolidated subsidiary whose balance sheet date does not correspond to the consolidated balance sheet date, the financial statements for the fiscal year of such any consolidated subsidiary are used. However, with regard to any important transaction that took place after the end of the relevant fiscal year and prior to the consolidated balance sheet date, necessary adjustments are made for the purpose of preparation of the consolidated financial statements.

(B) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and the selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

(C) Investments in Nonconsolidated Subsidiaries and Affiliates

Investments in nonconsolidated subsidiaries and affiliates are, in principle, accounted for by the equity method. The number of nonconsolidated subsidiaries and affiliates to which the equity method is applied as of March 31, 2021 and 2022, is as follows:

Equity method entities	2021	**2022**
Nonconsolidated subsidiaries	4	**4**
Affiliates	21	**22**
Total	25	**26**

Investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the impact on the accompanying consolidated financial statements would not be material.

With regard to the equity method companies whose balance sheet dates do not correspond to the consolidated balance sheet date, the companies use the financial statements for the company’s respective fiscal years.

(D) Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss on pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

(E) Foreign Currency Translation

All monetary assets and liabilities in foreign currencies are translated into yen at the exchange rates prevailing at the respective balance sheet dates. With respect to translation of the foreign currency-denominated financial statements of overseas consolidated subsidiaries, all profits and losses of foreign subsidiaries are translated into yen using the average rate for the period. Also, all balance sheet items, except for equity, are translated at the current rates of foreign exchange prevailing at the balance sheet date, whereas equity items are translated at the historical rates. Differences arising from translation of foreign currency financial statements are recorded as foreign currency translation adjustments in the equity section of the consolidated balance sheet.

(F) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, and commercial paper, all of which mature or become due within three months of the date of acquisition.

(G) Allowance for Doubtful Accounts

The Group provides an allowance for doubtful accounts based on the percentage of bad debt losses written off against the balance of total receivables in addition to the amount deemed necessary to cover estimated future losses by reviewing individual accounts.

(H) Inventories

Inventories are principally stated at the lower of cost, determined by the average cost method, or net selling value. Losses resulting from application of the lower of cost or net selling value method are included in cost of sales in the accompanying consolidated statement of income.

(I) Securities

Securities are classified into three categories: "Held-to-maturity securities," "Equity securities issued by nonconsolidated subsidiaries and affiliates," and "Available-for-sale securities."

Held-to-maturity securities:

Shown as current assets if the maturity period is within one year, or as investments in securities if the maturity period is over one year and stated at amortized cost, which is determined using the straight-line method.

Equity securities issued by nonconsolidated subsidiaries and affiliates:

Carried at cost determined by the moving-average method, unless they are deemed impaired in value, but accounted for by the equity method for consolidation purposes.

Available-for-sale securities:

Shown as current assets if the maturity period is within one year or as investments in securities if the maturity period is over one year or undefined. Those with readily determinable market values are stated at fair market value and those without readily determinable market values are carried at cost determined by the moving-average method. The resulting unrealized gains/losses are recorded as "Unrealized gains (losses) on available-for-sale securities" in a separate component of equity, net of tax effects thereon. Where the values are considered impaired, such impairments are charged to income.

(J) Derivatives and Hedging Activities

Derivatives

The Group utilizes forward currency exchange contracts, foreign currency options, interest rate swaps and options, interest rate currency swaps, and crude oil and petroleum product swaps and forward contracts to hedge the risks of exchange rate fluctuations, interest rate fluctuations, and price fluctuations of crude oil and petroleum products, respectively. The Company borrows foreign currency-denominated loans to hedge the risks of exchange rate fluctuations of overseas investments in securities and foreign subsidiaries' equity. Purchases of derivative financial instruments are limited to the amounts of the hedged items and are not used for speculation or dealing purposes. Internal rules have been established with respect to the purposes, policies, procedures, approvals, and reporting for derivatives. Hedge effectiveness with respect to the hedged items is constantly monitored.

Hedge Accounting

Where the transactions do not satisfy the conditions for hedge accounting stipulated in the accounting standard for financial instruments, such derivative arrangements and financial instruments are valued at fair value and the resulting gains or losses are included in the consolidated statement of income for the current year, whereas the deferral method of accounting is applied to transactions which qualify for hedge accounting. Under hedge accounting, unrealized gains or losses on the hedge instruments are carried as a component of equity in the consolidated balance sheet, until the profits or losses on the corresponding hedged items are realized.

(K) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, less accumulated depreciation. Depreciation of property, plant, and equipment of the Company and its subsidiaries is mainly computed by the straight-line method.

(L) Intangible Fixed Assets

Software for internal use is amortized using the straight-line method over the estimated useful life of the software, generally five years. Customer-related assets are amortized using the straight-line method over the estimated useful life of 20 years. Other intangible fixed assets are amortized using the straight-line method over their respective estimated useful lives.

(M) Bond and Stock Issue Costs

Bond and stock issue costs are charged to income as incurred.

(N) Asset Retirement Obligations

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(O) Research and Development Costs

Research and development costs are charged to income as incurred.

(P) Leases

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet. All other leases are accounted for as operating leases.

(Q) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

(R) Reserve for Repair Work

The Company and its consolidated subsidiaries are required periodically to repair oil tanks, machinery and equipment, and vessels. A reserve for the repair work on oil tanks, machinery and equipment, and vessels is provided for the current portion of the estimated total cost of such work.

(S) Accrued Bonuses to Employees

Accrued bonuses to employees are provided based on the estimated amount to be paid to employees after the consolidated balance sheet date for their services rendered during the current period.

(T) Liability for Employees' Retirement Benefits

The employees of the Company and its subsidiaries are generally covered by point-based retirement benefit plans under which the retiring employees are entitled to lump-sum payments and/or pension payments. Also, certain subsidiaries have defined contribution plans.

The Company accounts for liabilities for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and are recognized in profit or loss over the period between 10 and 14 years, no longer than the expected average remaining service period of the employees. Past service costs are recognized in profit or loss in the period in which they are incurred.

(U) Appropriation of Retained Earnings

The Company may make dividend payments as an appropriation of retained earnings by resolution of the Board of Directors pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act of Japan (the "Companies Act").

(V) Net Income per Share

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

(W) Consumption Tax

Consumption tax is generally imposed at a flat rate of 10% in Japan on all domestic consumption of goods and services, with certain exceptions. Items in the consolidated statement of income are presented on a net basis of consumption tax. Net amounts of consumption tax to be recouped or paid are recorded as "Other" in current assets or current liabilities, as the case may be, in the consolidated balance sheet.

(X) Impairment of Fixed Assets

Fixed assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the consolidated statement of income by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price or value in use.

(Y) New Accounting Pronouncements

(a) The Company and consolidated subsidiaries

・Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)

(1) Summary

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31) has been revised and announced on June 17, 2021 which was expected to take approximately one year after the announcement "Accounting Standard for Fair Value Measurement" on July 4, 2019 as it was considered that a certain period of time would be needed for discussion about "Fair Value calculation of investment trusts" with related parties and consideration about disclosure of fair value of "Investments in partnerships that are measured at the Company's proportionate interest in their net assets in the balance sheet."

(2) Date of adoption

The Company will apply the accounting standard and guidance from the beginning of the fiscal year ending March 31, 2023.

(3) Effect from the application of this accounting standard

The Company is in the process of measuring the effects of applying the accounting standard in future applicable periods.

(b) Overseas consolidated subsidiaries

・Accounting Standards Update No. 2016-02 "Leases"

(1) Summary

This standard requires lessees under lease agreements to recognize the assets and liabilities arising from all leases on the balance sheet in principle.

(2) Date of adoption

US subsidiaries and certain subsidiaries will apply this accounting standard from the beginning of the fiscal year ended March 31, 2023.

(3) Effect from the application of this accounting standard

The application of this accounting standard does not have a material impact on the financial statements.

(Z) Change of Presentation

(Consolidated Balance Sheets)

In the previous fiscal year, the "accounts receivable" included in "other" of "current assets" was recorded separately from the current fiscal year due to the increased importance of the amount. In order to reflect the change of presentation, we restructured the consolidated financial statements of the previous fiscal year.

As a result, in the consolidated balance sheets of the previous fiscal year, replace the ¥238,511 million displayed on the "other" of "current assets" to ¥178,536 million of "accounts receivable" and ¥59,974 million of "other".

(AA) Changes in accounting estimates

There are no significant changes in accounting estimates.

In addition, a valuation change has been made to a part of "Asset Retirement Obligations" in Note13, and the content is recorded in Note13.

(AB) Standards for recognition of revenue and expense

The content of primary obligations in the major business in relation to revenue generated from contracts with customers of the Company and its consolidated subsidiaries, and the normal time when the obligations are fulfilled (the normal time when the revenue is recognized) are as follows:

(a) Sale of products:

The petroleum segment produces and sells refined petroleum products, the basic chemicals segment produces and sells olefin/aroma products, and the functional materials segment produces and sells lubricants, performance chemicals, etc. The resources segment explores, develops, produces, and sells crude oil, natural gas, and other energy resources such as coals. With respect to these sales, the legal ownership and physical possession right to the products, and important risks associated with owning the products, and economic values are transferred to customers when control over the products is transferred to the customers, i.e., upon delivery of the products to the customers. Furthermore, the Company obtains the right to receive consideration for the products from its customers; therefore, the revenue is recognized at that time. In addition, the revenue is recognized based on the transaction prices under the contracts with the customers; with respect to transactions in which the role of the Company and its subsidiaries is an agent, the transaction prices are calculated based on the net amount, namely the amount received from customers less payments to suppliers. The tax amount that is deemed to be collected as an agent such as those imposed at the time of sale, like value-added tax and the light oil delivery tax, are presented at net amount but not included in the sales. On the other hand, the tax amount, like gasoline tax, which is imposed in the process before sale and included in the sales amount, is included in the sales. Considerations for transactions include no material financial components because they are received within one year after delivery of the products. Regarding variable considerations including variable discounts, the amount of consideration to which the Company and its consolidated subsidiaries will obtain the rights are estimated using all reasonably available information including past, current, and expectation; and the sales are recognized only within the scope where material reversion is very unlikely to occur.

(b) Construction contract:
The petroleum segment designs and constructs oil-related facilities.
With respect to a construction contract whose obligations are fulfilled over a certain period, the control over the assets is transferred to customers in accordance with the progress of construction; therefore, the revenue is recognized over the relevant construction period. The degree of progress is measured based on the ratio of expenses incurred to fulfill the obligations to the total expenses expected to fulfill the obligations. If expenses incurred are expected to be collected while the degree of progress related to the fulfillment of the obligations cannot be reasonably estimated, the revenue is recognized based on the cost collection standards.

(c) Sale of electricity:
The power and renewable energy segment conducts power generation (thermal power, solar power, wind power, etc.), sales of electricity, and solar cell business.
Regarding the revenue pertaining to sales of electricity, fees are measured by monthly meter reading; and the fees then calculated are recognized as the revenue generated for the current month. In addition, the revenue generated between the date of the first date in the settlement month and the settlement date are estimated from the result of the meter reading conducted in the settlement month, and the revenue is recorded according to the accounting period. The revenue is recognized based on the transaction prices under contracts with customers; and the consideration for the transaction includes no material financial components because it is received within one year after delivery of the products.

3. Significant Accounting Estimates

The Company's consolidated financial statements include management's estimates and assumptions that affect the amounts of assets, liabilities, revenues, and expenses. These estimates and assumptions are based on management's best judgments, taking into account past financial results, various factors considered to be reasonable as of the end of the fiscal year, and other considerations. Due to their inherent nature, actual results may differ from these estimates and assumptions.
We consider that there will be no material impact of COVID-19 on our accounting estimates.
The items that may have a material impact on the Company's consolidated financial statements are as follows:

(A) Valuation of equity-method investments and loans to equity-method affiliates

Concerning Nghi Son Refinery and Petrochemical LLC ("NSRP"), an equity-method affiliate of the Company, the Company has an equity interest and provides funding through loans and disbursements on behalf of NSRP via overseas subsidiaries. NSRP's financial performance is reflected in the Company's consolidated financial statements through equity in earnings (losses) of affiliates. Also, NSRP's financial position and performance have an impact on the fair value of long-term loans and the collectability of receivables from the disbursements, whose changes are reflected in net income in the Company's consolidated financial statements. The amounts and the line items of the equity interest, the loans and the disbursements recorded in the consolidated balance sheet are as follows:

	Line item	Millions of yen	Thousands of U.S. dollars
Equity interest	Investments in nonconsolidated subsidiaries and affiliates	-	-
Loans	Long-term loans	-	-
Disbursements on behalf of NSRP	Accounts receivable, other	¥114,935	$939,093

NSRP had continuously recorded operating loss due to lower refinery utilization rates it initially experienced and unfavorable market conditions on product margins subsequent to the commencement of commercial operation. During the current fiscal year, although the market conditions and the utilization rates have improved, NSRP continued to record an operating loss and a net loss and experienced tighter cash flows. Since the history of the operating loss indicated that its fixed assets subject impairment test may be impaired, NSRP performed an impairment test on such assets. As the recoverable amount of the fixed assets, which had been calculated based on their value in use, exceeded their carrying amount of ¥738,379 million ($6,033,007 thousand) recorded in its balance sheet, NSRP did not record an impairment loss on the fixed assets.

As to the Company's consolidated financial statements, the Company recorded a loss on valuation of long-term loans of ¥55,916 million ($456,874 thousand) since their fair value, which had been based on estimated future cash flows, was less than their carrying amount.

The value in use and the fair value based on estimated future cash flows were calculated by applying NSRP's future business plan and involve the use of certain assumptions such as discount rates, product margins and asset utilization rates. These assumptions were determined based on NSRP's financial performance and forecasts on external factors such as supply-demand balance, geopolitical risks and response measures to climate change. The changes in these assumptions may have a material impact on the Company's consolidated financial statements.

(B) Valuation of fixed assets

With respect to tangible and intangible fixed assets, any indication of impairment loss is examined for each asset group; and if there is any indication, an impairment test is implemented.
In calculating the recoverable amount in the impairment test, estimates of future cash flows and discount rates are determined; the future cash flows were determined based on the business plan that was approved by management as well as the best estimate and judgment of management. The sales volume, product prices, and exchange rates included in the future cash flows are affected by changes in uncertain factors, such as future economic conditions, a shift to a low carbon society

towards climate change, a decrease in product demands associated with changes to Japan's population structure; therefore, if these estimates and recoverable amounts need to be reviewed, this may have a material impact on the Company's consolidated financial statements.

4. Accounting Change

(A) Application of accounting standards for revenue recognition

Effective April 1, 2021, the Idemitsu Group applied "Accounting Standards for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standards"). Under the Revenue Recognition Accounting Standards, revenue is recognized when the control of the promised goods or services is transferred to the customer at the amount expected to be received in exchange for the goods or services.
The main changes resulting from the application of the Revenue Recognition Accounting Standards are as follows.

(a) Revenue recognition for principal and agent transactions
Previously, the Group recognized revenue from certain transactions based on the total consideration received from customers. However, for transactions in which the Group's role in providing goods or services to customers is an agent, the Group recognizes revenue based on the net amount, namely the amount received from customers less payments to suppliers.

(b) Revenue recognition for amounts collected for third parties
Previously, some transactions were recorded as revenues without excluding the amount collected for third parties from the total amount of consideration. However, the amount collected for third parties is recorded as deposits received.

In accordance with the transitional provision provided in the provisory clause of Article 84 of the Standards, the cumulative effect at the end of last fiscal year from retrospective application of the Standard is treated as adjustment to retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from the adjusted beginning balance of retained earnings.

As a result, net sales for the fiscal year ended March 31, 2022 decreased by ¥58,415 million, cost of sales decreased by ¥52,059 million, selling, general and administrative expenses decreased by ¥7,102 million, operating income increased by ¥745 million and ordinary income and net income before income taxes increased by ¥632 million, respectively. The balance of retained earnings at the beginning of the fiscal year increased by ¥1,054 million.

However, in accordance with the transitional provision provided in Article 89-2 of Revenue Recognition Accounting Standards, the reclassification has not been made for the previous fiscal year according to the new presentation.
In addition, comparative information for the previous fiscal year has not been disclosed in accordance with the transitional provision provided in Article 89-3 of Revenue Recognition Accounting Standards in Note 26.

(B) Application of Accounting Standard for Fair Value Measurement

Effective April 1, 2021, the Idemitsu Group applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as "Fair Value Accounting Standards") and others. In accordance with the transitional provision set forth in Article 19 of the Fair Value Accounting Standards and Article 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Idemitsu Group applied prospectively a new accounting policy prescribed by the Fair Value Accounting Standards and others. This application has no impact on the consolidated financial statements.

In addition, financial instruments categorized by fair value hierarchy and others have been disclosed in Note 22. However, in accordance with the transitional provision provided in Article 7-4 of Implementation Guidance on Disclosures about Fair

Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019) , comparative information for the previous fiscal year has not been disclosed in Note 22.

5. Securities

Year ended March 31, 2021

(A) Available-for-sale securities with carrying value and acquisition cost as of March 31, 2021, are summarized as follows:

	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gains (losses)
(1) Securities with carrying values exceeding acquisition cost:			
Equity securities	¥17,676	¥9,318	¥8,357
(2) Securities with carrying values not exceeding acquisition cost:			
Equity securities	2,165	2,682	(516)
Total	¥19,842	¥12,001	¥7,841

Year ended March 31, 2022

(A) Available-for-sale securities with carrying value and acquisition cost as of March 31, 2022, are summarized as follows:

	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gains (losses)
(1) Securities with carrying values exceeding acquisition cost:			
Equity securities	**¥12,766**	**¥7,391**	**¥5,374**
(2) Securities with carrying values not exceeding acquisition cost:			
Equity securities	**2,059**	**2,460**	**(400)**
Total	**¥14,826**	**¥9,851**	**¥4,974**

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gains (losses)
(1) Securities with carrying values exceeding acquisition cost:			
Equity securities	**$104,306**	**$60,391**	**$43,915**
(2) Securities with carrying values not exceeding acquisition cost:			
Equity securities	**16,831**	**20,099**	**(3,268)**
Total	**$121,137**	**$80,490**	**$40,646**

Available-for-sale securities sold during the fiscal years ended March 31, 2021 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Proceeds from sales	¥2,615	**¥5,324**	**$43,506**
Total gains	¥59	**¥3,546**	**$28,978**
Total losses	¥205	**¥843**	**$6,888**

The impairment loss on valuation of investment securities and investment in associated companies for the years ended March 31, 2021 and 2022, were ¥6,193 million and ¥209 million ($1,707 thousand), respectively.

6. Consolidated Statement of Cash Flows

Major components of the assets and liabilities of companies that have been excluded from the scope of consolidation due to the sales of their shares.

Components of assets and liabilities related to INPEX Norway Co., Ltd. and its subsidiary, INPEX Idemitsu Norge AS, which changed from consolidated subsidiaries to equity-method affiliates due to transferring a portion of the shares and the relationship between the sales price of the shares and net payments for the sales of shares for the year ended March 31, 2022 are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥24,552	$200,605
Non-current assets	86,301	705,137
Current liabilities	(24,441)	(199,703)
Non-current liabilities	(44,089)	(360,240)
Noncontrolling interests in consolidated subsidiaries	(20,945)	(171,138)
Investment accounts after sales of shares	(20,796)	(169,919)
Gain on sales of shares of subsidiaries and affiliates, net	221	1,805
Sales price of shares	801	6,547
Cash and cash equivalents	(1,652)	(13,501)
Net payments for sales of shares	(851)	(6,953)

7. Inventories

Inventories as of March 31, 2021 and 2022, consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Merchandise and finished products	¥371,972	**¥534,183**	**$4,364,598**
Work in process	29,176	**1,193**	**9,749**
Raw materials and supplies	293,373	**524,829**	**4,288,169**
Total	¥694,522	**¥1,060,205**	**$8,662,517**

Write-downs, net of reversal of write-downs recognized during the prior fiscal year, of (¥81,776) million and ¥4,666 million ($38,124 thousand) are included in the cost of sales for the fiscal years ended March 31, 2021 and 2022, respectively.

8. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment is ¥2,274,205 million and ¥2,023,199 million ($16,530,755 thousand) as of March 31, 2021 and 2022, respectively.

(Investment Property)

The Company and certain subsidiaries own office buildings, crude oil storage tanks, and commercial facilities, including land for rental and unused assets, in areas such as Tokyo, Osaka, and overseas. The net of rental income and related expenses for those properties is ¥1,204 million and ¥69 million ($570 thousand) for the fiscal years ended March 31, 2021 and 2022, respectively. The rental income is included in net sales and the expenses are included in selling, general and administrative expenses in the consolidated statement of income. The net of losses on disposals and gains on sales of those properties is ¥434 million and ¥10,896 million ($89,031 thousand) for the fiscal years ended March 31, 2021 and 2022, respectively. The loss on disposals and gain on sales of those properties are included in non-operating income and expenses in the consolidated statement of income. The impairment loss on those properties were nil and (¥1,233) million (($10,076) thousand) for the fiscal years ended March 31, 2021 and 2022, respectively, and included in non-operating expenses in the consolidated statement of income. The amounts in the consolidated balance sheet of relevant investment properties as of March 31, 2021 and 2022, changes during the fiscal years then ended, and their fair values are as follows:

Millions of yen			
Carrying amount			Fair value
April 1, 2020	Changes during the fiscal year	March 31, 2021	March 31, 2021
¥138,984	(¥3,086)	¥135,897	¥142,446

Millions of yen			
Carrying amount			Fair value
April 1, 2021	**Changes during the fiscal year**	**March 31, 2022**	**March 31, 2022**
¥135,897	**(¥27,069)**	**¥108,828**	**¥114,685**

Thousands of U.S. dollars			
Carrying amount			Fair value
April 1, 2021	**Changes during the fiscal year**	**March 31, 2022**	**March 31, 2022**
$1,110,367	**($221,172)**	**$889,194**	**$937,052**

1. Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. Increase during the fiscal year ended March 31, 2021, primarily represents the acquisition of idle assets of ¥157 million and the decrease primarily represents sales and disposals of assets of ¥2,250 million. And decrease during the fiscal year ended March 31, 2022, primarily represents sales and disposals of assets of ¥27,069 million ($221,172 thousand).
3. Fair values of properties as of March 31, 2021 and 2022 are measured by the Group in accordance with its real estate appraisal standard.

9. Land Revaluation

The Company revalued its land used for business activities in accordance with the “Law of Land Revaluation” on March 31, 2002. The difference between the revalued amount and the book value is stated as “Surplus from land revaluation” in equity after deducting the related deferred tax liability. “Surplus from land revaluation” is not available for dividend payments.
The fair value as of March 31, 2021 and 2022, declined by ¥99,401 million and ¥107,110 million ($875,158 thousand), respectively, compared to the book value after the revaluation.

10. Impairment Loss on Fixed Assets

For the purposes of applying the accounting standard for impairment of fixed assets, the Group categorizes operating assets by business segment, whereas idle assets are assessed on an individual basis. The Group writes down the carrying amount of assets or asset groups where there has been a significant decline in profitability and value compared to the recoverable amount, and records the impairment losses as non-operating expenses.

The recoverable amounts of idle assets are determined by their net selling price at disposition. The net selling price of idle assets with certain significance is based on the appraisal value determined in accordance with real estate appraisal standards. The recoverable amount of the respective asset group is estimated based on the value in use, which is estimated by discounting future cash flows projected by qualified professionals based on the remaining reserve at a discount rate of 6.5% (post-tax) in the coal mining business as of March 31, 2022.

(A) Loss on impairment of fixed assets for the fiscal year ended March 31, 2021, consists of the following:

			Impairment loss
Use	Location	Type of asset	Millions of yen
(Idle assets)			
Oil depot and others	Oil depot		
	(Akigunsakacho, Hiroshima) and other	Land	**¥18**
		Buildings and others	**103**
			121
(Business assets)			
Oil exploration and production	Licensed blocks located in Norway Continental Shelf	Machinery and equipment	**12,379**
Coal mining business and others	Licensed blocks located in Australia and others	Machinery and equipment and buildings and others	**7,664**
Total			**¥20,164**

(B) Loss on impairment of fixed assets for the fiscal year ended March 31, 2022, consists of the following:

			Impairment loss	
Use	Location	Type of asset	Millions of yen	Thousands of U.S. dollars
(Idle assets)				
Oil depot and others	Aichi Refinery	Machinery and equipment		
	(Minahama, Chita , Aichi) and other	Buildings and others	**¥10,776**	**$88,052**
			10,776	**88,052**
(Business assets)				
Solar cell business	Kunitomi Factory (Higashimo, Miyazaki Prefecture)	Production equipment and others	**2,127**	**17,383**
Coal mining business and others	Licensed blocks located in Australia, and others	Machinery and equipment and buildings and others	**3,003**	**24,542**
Total			**¥15,907**	**$129,973**

11. Short-Term Borrowings and Long-Term Debt

(A) Short-term borrowings

Short-term borrowings are principally unsecured bank borrowings and notes maturing within one year. It is customary in Japan for such borrowings to be rolled over each year. The weighted-average annual interest rates as of March 31, 2021 and 2022, are approximately 0.43% and 0.35%, respectively.

(B) Short-term borrowings, commercial paper, and the current portion of long-term debt as of March 31, 2021 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Loans from banks, insurance companies, and government agencies:			
Unsecured	¥277,686	**¥284,837**	**$2,327,297**
Commercial paper	188,005	**237,000**	**1,936,439**
Current portion of long-term debt	76,622	**94,205**	**769,719**
Current portion of lease obligations*	9,545	**5,461**	**44,621**
Total	¥551,860	**¥621,505**	**$5,078,078**

* Current portion of lease obligations is included in "Other" current liabilities.

To raise working capital efficiently, the Company entered into commitment line contracts with five banks. Total credit lines as of March 31, 2021 and 2022, are ¥249,855 million and ¥254,060 million ($2,075,826 thousand), respectively. This facility had not been utilized in either of the two fiscal years.

(C) Long-term debt as of March 31, 2021 and 2022, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Loans from banks, insurance companies, and government agencies:			
Unsecured	¥694,091	**¥674,973**	**$5,514,938**
Unsecured straight bonds	120,000	**140,000**	**1,143,884**
Lease obligations*	29,074	**28,074**	**229,386**
	843,165	**843,048**	**6,888,210**
Less: Current portion of long-term debt	(76,622)	**(94,205)**	**(769,719)**
Less: Current portion of lease obligations	(9,545)	**(5,461)**	**(44,621)**
Net	¥756,997	**¥743,380**	**$6,073,869**

* Lease obligations (excluding current portion) are included in "Other" long-term liabilities.

The weighted-average annual interest rates applicable to short-term borrowings, commercial paper, and long-term debt as of March 31, 2021 and 2022, are as follows:

	2021	**2022**
Short-term borrowings	0.43%	**0.35%**
Commercial paper	(0.02)%	**(0.00)%**
Current portion of long-term debt (excluding lease obligations)	0.57%	**0.36%**
Long-term debt (excluding current portion)	0.47%	**0.44%**

Annual maturities of loans within long-term debt outstanding as of March 31, 2022, are as follows:

Long-term loans

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2023	**¥84,205**	**$688,013**
2024	**103,808**	**848,179**
2025	**82,645**	**675,267**
2026	**81,761**	**668,040**
2027	**61,067**	**498,960**
2028 and thereafter	**261,483**	**2,136,477**
Total	**¥674,973**	**$5,514,938**

Straight bonds

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2023	**¥10,000**	**$81,706**
2025	**10,000**	**81,706**
2026	**30,000**	**245,118**
2027	**20,000**	**163,412**
2028 and thereafter	**70,000**	**571,942**
Total	**¥140,000**	**$1,143,884**

Lease obligations

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2023	**¥5,461**	**$44,621**
2024	**4,003**	**32,713**
2025	**3,473**	**28,382**
2026	**4,384**	**35,820**
2027	**2,499**	**20,420**
2028 and thereafter	**8,252**	**67,428**
Total	**¥28,074**	**$229,386**

The net book value of assets pledged as collateral as of March 31, 2021 and 2022, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Land*	¥415,201	**¥433,059**	**$3,538,359**
Investments in securities	2,519	**2,732**	**22,329**
Total	¥417,720	**¥435,792**	**$3,560,688**

As of March 31, 2021 and 2022, the land in the table above is pledged to a bank as collateral for a revolving mortgage. No borrowing secured by the collateral is outstanding at March 31, 2021 and 2022.

* Accounts payable, other for which the land is pledged as collateral are ¥91,843 million and ¥51,635 million ($421,890 thousand) as of March 31, 2021 and 2022, respectively.

In addition, the Company pledged as collateral of borrowings by NSRP from financial institutions, investments in securities of NSRP, the Company's equity method affiliate and long-term loans receivable from NSRP. The amounts recognized in the consolidated balance sheet as of March 31, 2021 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Investments in nonconsolidated subsidiaries and affiliates	-	-	-
Long-term loans	¥30,110	-	-
Total	¥30,110	-	-

12. Retirement Benefits to Employees

The Company and its subsidiaries maintain a corporate pension fund system and lump-sum retirement payment plans, which are defined benefit retirement plans covering substantially all employees. The benefit amounts are primarily calculated based on a point system. The Company and certain subsidiaries also maintain a defined contribution pension plan. A retirement benefits trust is set up for certain defined benefit corporate pension plans. The simplified method is used to calculate defined benefit obligation for the defined benefit plans of certain subsidiaries in accordance with applicable accounting standards.

(A) Defined benefit plans

(1) The changes in defined benefit obligation for the years ended March 31, 2021and 2022 are as follows*:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Balance at beginning of year	¥192,286	**¥184,574**	**$1,508,087**
Current service cost	4,761	**3,925**	**32,074**
Interest cost	858	**910**	**7,436**
Actuarial losses (gains)	686	**(3,564)**	**(29,125)**
Benefits paid	(13,382)	**(11,570)**	**(94,534)**
Past service cost	-	**(2,407)**	**(19,672)**
(Decrease) resulting from change in scope of consolidation	-	**(2,832)**	**(23,141)**
Others	(634)	**972**	**7,944**
Balance at end of year	¥184,574	**¥170,007**	**$1,389,067**

(*) The defined benefit obligation of the plans for which the Group uses the simplified method is not included in this table (see (3) below).

(2) The changes in plan assets for the years ended March 31, 2021and 2022 are as follows*:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Balance at beginning of year	¥126,823	**¥139,289**	**$1,138,082**
Expected return on plan assets	2,295	**2,373**	**19,392**
Actuarial gains	12,976	**5,770**	**47,146**
Contributions from the employer	5,048	**4,041**	**33,019**
Benefits paid	(7,452)	**(5,953)**	**(48,642)**
(Decrease) resulting from change in scope of consolidation	-	**(1,787)**	**(14,602)**
Others	(401)	**142**	**1,161**
Balance at end of year	¥139,289	**¥143,876**	**$1,175,556**

(*) The plan assets of the plans for which the Group uses the simplified method are not included in this table (see (3) below).

(3) The changes in liabilities for employees' retirement benefits of the plans for which the Group uses the simplified method for the years ended March 31, 2021 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Balance at beginning of year	¥1,582	**¥1,795**	**$14,666**
Net periodic benefit costs	584	**443**	**3,627**
Benefits paid	(175)	**(134)**	**(1,099)**
Contributions from the employer	(267)	**(126)**	**(1,032)**
Increase resulting from change in scope of consolidation	71	**49**	**404**
Balance at end of year	¥1,795	**¥2,027**	**$16,565**

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets is as follows*:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Funded defined benefit obligation	¥186,900	**¥172,178**	**$1,406,802**
Plan assets	(142,565)	**(146,916)**	**(1,200,394)**
Total	44,334	**25,262**	**206,407**
Unfunded defined benefit obligation	2,714	**3,016**	**24,646**
Net liability arising from defined benefit obligation	¥47,048	**¥28,278**	**$231,054**

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Liabilities for employees' retirement benefits	¥49,232	**¥71,648**	**$585,408**
Assets for employees' retirement benefits	(2,183)	**(43,369)**	**(354,354)**
Net liabilities arising from defined benefit obligations	¥47,048	**¥28,278**	**$231,054**

(*) The amounts in the above tables include the balances of the plans for which the Group uses the simplified method.

(5) The components of net periodic benefit costs for the years ended March 31, 2021 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Service cost	¥4,761	**¥3,925**	**$32,074**
Interest cost	858	**910**	**7,436**
Expected return on plan assets	(2,295)	**(2,373)**	**(19,392)**
Recognized actuarial losses (gains)	529	**(406)**	**(3,319)**
Amortization of past service cost	-	**(2,162)**	**(17,669)**
Net periodic benefit costs calculated using simplified method	584	**443**	**3,627**
Net periodic benefit costs	¥4,438	**¥337**	**$2,755**

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Past service cost	-	**(¥245)**	**($2,002)**
Actuarial (gains)	(¥12,819)	**(8,928)**	**(72,952)**
Total	(¥12,819)	**(¥9,173)**	**($74,954)**

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Unrecognized past service cost	-	**(¥245)**	**($2,002)**
Unrecognized actuarial (gains)	(¥7,435)	**(16,363)**	**(133,703)**
Total	(¥7,435)	**(¥16,609)**	**($135,705)**

(8) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2021 and 2022, consist of the following**:

	2021	**2022**
Debt investments	41%	**34%**
Equity investments	31	**32**
Alternative investments	21	**23**
Cash and deposits	3	**9**
Others	4	**2**
Total	100%	**100%**

(*) Total plan assets include 18% and 25% each of retirement benefit trust assets for certain corporate pension plans as of March 31, 2021 and 2022, respectively.

(**) The plan assets for which the Group uses the simplified method are not included in this table.

(ii) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2021 and 2022, are set forth as follows*:

	2021	**2022**
Discount rate	0.4%	**0.7%**
Expected rate of return on plan assets	1.9%	**2.4%**

(*)The discount rate and expected rate of return on plan assets for the years ended March 31, 2021 and 2022, are shown as a weighted average.

In calculating benefit obligations, the Group primarily uses the salary increase index by age based on the point system.

(B) Defined contribution retirement benefit plans

Required contributions to the defined contribution plans for the years ended March 31, 2021 and 2022 are ¥3,671 million and ¥2,890 million ($23,614 thousand), respectively.

13. Asset Retirement Obligations

Asset retirement obligations recognized in the consolidated balance sheet are as follows:

(A) Outline of the relevant asset retirement obligations

The Group has recognized the costs of restoration to the original state resulting from real estate leasing agreements on land for service station facilities and the removal costs for petroleum and coal production facilities on the expiry of production or period of mining rights as asset retirement obligations based on a reasonable estimation.

(B) Calculation method for the relevant asset retirement obligations

The estimated periods for the actual expenditure of costs are based on the useful life of the principal facilities for service station facilities and the estimated effective mining period from the startup of operations for oil exploration and production and coal mining. The discount rates to be applied for the fiscal years ended March 31, 2021 and 2022, vary from 0.2% to 3.9% and 0.0% to 3.9%, respectively.

(C) The changes in asset retirement obligations for the fiscal years ended March 31, 2021 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Balance at beginning of year	¥63,603	**¥78,726**	**$643,241**
Additional provisions associated with the acquisition of property, plant and equipment	4,678	**65**	**532**
Reconciliation associated with passage of time	1,884	**1,775**	**14,510**
Reduction associated with meeting asset retirement obligations	(1,750)	**(1,223)**	**(9,997)**
Changes in estimates*1	9,903	**435**	**3,560**
Other increases (decreases)*2	407	**(32,875)**	**(268,610)**
Balance at end of year	¥78,726	**¥46,904**	**$383,237**

Notes: *1 The Company changed the estimates of asset retirement costs after review of the costs to be borne upon termination of the production ceases or the exploration rights at certain overseas subsidiaries, which resulted in a change in the estimated amount of future cash flows due to newly identified increases in future cash flows. The breakdown of changes in estimates for the year ended March 31, 2021, is: increase of ¥9,950 million and decrease of ¥47 million. The breakdown of changes in estimates for the year ended March 31, 2022, is: increase of ¥595 million ($4,861 thousand) and decrease of ¥159 million ($1,301 thousand).

*2 Other increases (decreases) primarily relate to changes in foreign currency exchange rates for the fiscal year ended March 31, 2021. Other increases (decreases) primarily relate to decrease is due to became an equity method affiliate following the partial transfer of shares of a consolidated subsidiary for the fiscal year ended March 31, 2022.

14. Contingent Liabilities

(A) Debt guarantees

The Group provided guarantees and items of a similar nature to financial institutions for indebtedness of the following parties as of March 31, 2021 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Employees	¥191	**¥158**	**$1,293**
Nonconsolidated subsidiaries and affiliates	5,421	**5,927**	**48,430**
Other	6,426	**17,059**	**139,383**
Total	¥12,039	**¥23,144**	**$189,107**

(B) Construction completion guarantee

The Company provides a construction completion guarantee for project financing regarding the project to construct the Nghi Son Refinery and Petrochemical Complex undertaken by NSRP in Vietnam. The amount of the guarantee obligation attributable to the Company as of March 31, 2021 and 2022, is ¥153,428 million and ¥162,806 million ($1,330,228 thousand), respectively.

Depending on changes in circumstances, there would be a possibility that NSRP's lenders demand that the Company fulfill all of the guarantee obligation attributable to the Company. The fulfillment of the guarantee obligation may have a material impact on the Company's financial position and cash flows.

15. Equity

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(A) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Statutory Auditors, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(B) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(C) Treasury stock

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Changes in treasury stock are as follows:

(Thousands of shares)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	603	**596**
Increase during the year	10	**11**
Decrease during the year	(17)	**(46)**
Balance at the end of the year	596	**561**

16. Selling, General and Administrative Expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2021 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Freights	¥96,388	**¥103,251**	**$843,631**
Salaries	72,688	**71,312**	**582,664**
Provision for bonuses	7,608	**9,508**	**77,690**
Retirement benefit expenses	2,239	**1,282**	**10,481**
Operational costs	72,138	**74,218**	**606,407**

Research and development expenses charged to income for the fiscal years ended March 31, 2021 and 2022, are ¥20,468 million and ¥26,016 million ($212,571 thousand), respectively.

17. Related Party Transactions

Significant transactions of the Company and its subsidiaries with related parties for the years ended March 31, 2021 and 2022, are as follows:

(A) Transactions of the Company with related parties

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Collection of accounts receivable during the year*1	¥981,547	**¥1,541,227**	**$12,592,758**
Lease of building from Nissho Kosan K.K.*2	200	**128**	**1,048**
Purchase of petroleum products, etc., from Seibu Oil Co., Ltd.*4	271,938	**262,953**	**2,148,491**

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Undertaking of project completion guarantee:			
Nghi Son Refinery and Petrochemical LLC on Nghi Son Refinery and Petrochemical Complex in Vietnam*3	¥153,428	**¥162,806**	**$1,330,228**

The balances due to or from related parties at March 31, 2021 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Accounts receivable, other*1	¥46,112	**¥51,581**	**$421,454**
Prepaid rent to Nissho Kosan K.K.*2	18	**8**	**67**
Deposit receivable from Nissho Kosan K.K.*2	109	**45**	**370**
Notes and accounts payable, trade*4	51,295	**65,087**	**531,804**

(B) Transactions of subsidiaries with related parties:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Disbursement on behalf of:			
Nghi Son Refinery and Petrochemical LLC*3	¥45,301	**¥4,612**	**$37,687**

The balances due to or from related parties at March 31, 2021 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Accounts receivable, other:			
Nghi Son Refinery and Petrochemical LLC*3	¥99,076	**¥114,935**	**$939,093**

(*1) The collection of accounts receivable represents transactions with Idemitsu Credit Co., Ltd. ("Idemitsu Credit"). When customers make payments at service stations operated by the Company's contracted retailers using credit card services provided by Idemitsu Credit, Idemitsu Credit collects credit service receivables from the customers at respective payment due dates. The collected cash is then paid to the Company after deducting the amount to be paid to the contracted retailers. The balance of accounts receivable represents outstanding receivables from Idemitsu Credit at year-end.

(*2) Masakazu Idemitsu, the Company's director, and his relatives have a 100% interest in Nissho Kosan K.K. The rent for the building is determined based on the rent prevailing in the area.

(*3) As of March 31, 2022, the Company holds a 35.1% equity interest in Nghi Son Refinery and Petrochemical LLC ("NSRP"). In addition to the above, the Company pledged investments in securities of NSRP amounting to ¥- million and ¥-million as of March 31, 2021 and 2022, respectively, and long-term loans from NSRP amounting to ¥30,110 million and ¥- million as of March 31, 2021 and 2022, respectively, as collateral for NSRP's borrowings from financial institutions.

(*4) The transaction amount is determined in view of market price, etc.

(C) A significant affiliate for the year ended March 31, 2022 was Nghi Son Refinery and Petrochemical LLC and a summary of its financial information is as follows:

	Nghi Son Refinery and Petrochemical LLC		
	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Current assets	149,105	**¥229,039**	**$1,871,394**
Non-current assets	720,428	**743,938**	**6,078,427**
Current liabilities	321,729	**466,357**	**3,810,418**
Long-term liabilities	602,184	**638,285**	**5,215,173**
Equity	(54,380)	**(131,663)**	**(1,075,770)**
Net Sales	342,473	**535,543**	**4,375,711**
(Loss)e before income taxes	(127,826)	**(67,997)**	**(555,579)**
Net (loss)	(127,826)	**(67,997)**	**(555,579)**

18. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30% for each of the fiscal years ended March 31, 2021 and 2022.

(A) The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2021 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Tax loss carryforwards	¥76,184	**¥47,202**	**$385,672**
Impairment loss on fixed assets	31,788	**21,867**	**178,670**
Reserve for repair work	22,354	**20,637**	**168,621**
Liability for employees' retirement benefits	25,760	**18,520**	**151,323**
Asset retirement obligations	39,606	**14,437**	**117,962**
Non-deductible impairment in values of investment securities	39,486	**9,998**	**81,692**
Accrued bonuses to employees	3,945	**4,464**	**36,481**
Estimated sales discounts for the year	5,028	**3,764**	**30,761**
Deferred losses on hedging activities	2,676	**2,667**	**21,793**
Withdrawal Accounts payable	2,560	**2,478**	**20,254**
Business taxes for previous years	2,015	**2,143**	**17,516**
Loss on penalty for LPG business	2,449	**2,143**	**17,512**
Depreciation in excess	69	**1,352**	**11,053**
Allowance for doubtful accounts	222	**573**	**4,682**
Amortization of software	567	**165**	**1,348**
Unrealized losses on available-for-sale securities	125	**109**	**894**
Accounts payable by transition to defined contribution pension plan	787	**—**	**—**
Other	19,464	**15,205**	**124,235**
Subtotal deferred tax assets	275,092	**167,732**	**1,370,477**
Less valuation allowance for tax loss carryforwards	(30,506)	**(33,651)**	**(274,952)**
Less valuation allowance for temporary differences	(75,280)	**(33,084)**	**(270,318)**
Total valuation allowance	(105,786)	**(66,735)**	**(545,270)**
Total deferred tax assets	169,306	**100,997**	**825,206**
Value difference arising from business combinations	(75,377)	**(67,251)**	**(549,488)**
Special tax reserve on property, plant and equipment	(23,789)	**(22,971)**	**(187,692)**
Special amortization of overseas development costs, etc.	(44,735)	**(21,336)**	**(174,330)**
Unrealized gains on available-for-sale securities	(2,373)	**(1,511)**	**(12,349)**
Adjustment amount of change in the valuation method for inventories	(1,737)	**(1,210)**	**(9,889)**
Retained earnings in subsidiaries and affiliates	(2,527)	**(980)**	**(8,012)**
Deferred gains on hedging activities	(1,829)	**(523)**	**(4,278)**
Reserve for loss on overseas investments	(58)	**(21)**	**(172)**
Other	(5,501)	**(9,060)**	**(74,029)**
Total deferred tax liabilities	(157,929)	**(124,867)**	**(1,020,244)**
Net deferred tax assets (liabilities)	¥11,376	**(¥23,871)**	**($195,037)**

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2022, were as follows:

	Millions of yen						
March 31, 2022	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards *1	¥27	41	3,791	3,987	4,639	34,715	47,202
Less valuation allowances for tax loss carryforwards	(27)	(14)	(3,791)	(3,828)	(4,514)	(21,475)	(33,651)
Net deferred tax assets relating to tax loss carryforwards	—	27	—	159	124	13,239	*2 13,550

	Thousands of U.S. dollars						
March 31, 2022	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards *1	$ 223	340	30,978	32,582	37,904	283,643	385,672
Less valuation allowances for tax loss carryforwards	(223)	(117)	(30,978)	(31,281)	(36,884)	(175,466)	(274,952)
Net deferred tax assets relating to tax loss carryforwards	—	222	—	1,300	1,019	108,176	*2 110,719

Notes: *1 Figures for the tax loss carryforward were the amounts multiplied by effective statutory tax rate.
*2 A part of tax loss carryforward was determined to be recoverable as future taxable income is anticipated, and therefore valuation allowance for the tax loss carryforward has not been recognized.

(B) A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2022, with the corresponding figures for 2021, is as follows:

	2021	**2022**
Statutory tax rate	30.62%	**30.62%**
Increase (decrease) in taxes resulting from:		
Differences in tax rates applied to foreign subsidiaries	12.22	**6.67**
Valuation allowance	(1.09)	**(7.79)**
Equity in earnings and losses of nonconsolidated subsidiaries and affiliates, net	18.86	**(1.19)**
Amortization of goodwill	4.57	**0.70**
Tax credits	(8.71)	**(0.56)**
Non-deductible expenses for tax purposes	2.29	**0.20**
Non-taxable benefits of sales of fixed assets in overseas subsidiaries	(12.72)	—
Other	(0.61)	**0.01**
Effective income tax rate	45.43%	**28.67%**

19. Other Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2021 and 2022, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Unrealized gains (losses) on available-for-sale securities:			
Gains (losses) arising during the year	¥5,467	**(¥632)**	**($5,169)**
Reclassification adjustments to profit or loss	140	**(2,019)**	**(16,501)**
Amount before income tax effect	5,607	**(2,652)**	**(21,671)**
Income tax effect	(1,574)	**811**	**6,628**
Total	¥4,033	**(¥1,841)**	**($15,042)**
Deferred gains (losses) on hedging activities, net:			
Gains (losses) arising during the year	¥5,952	**(¥9,732)**	**($79,519)**
Reclassification adjustments to profit or loss	2,216	**6,726**	**54,957**
Amount before income tax effect	8,169	**(3,006)**	**(24,562)**
Income tax effect	(2,949)	**1,117**	**9,128**
Total	¥5,220	**(¥1,889)**	**($15,434)**
Surplus from land revaluation:			
Income tax effect	¥825	**(¥201)**	**($1,648)**
Total	¥825	**(¥201)**	**($1,648)**
Foreign currency translation adjustments:			
Adjustments arising during the year	(¥11,256)	**¥29,984**	**$244,989**
Reclassification adjustments to profit or loss	(10)	**(1,530)**	**(12,506)**
Amount before income tax effect	(11,267)	**28,453**	**232,482**
Income tax effect	—	**—**	**—**
Total	(¥11,267)	**¥28,453**	**$232,482**
Defined retirement benefit plans:			
Adjustments arising during the year	¥12,065	**¥11,742**	**$95,944**
Reclassification adjustments to profit or loss	754	**(2,568)**	**(20,989)**
Amount before income tax effect	12,819	**9,173**	**74,955**
Income tax effect	(3,901)	**(3,064)**	**(25,035)**
Total	¥8,917	**¥6,109**	**$49,919**
Share of other comprehensive income (loss) in affiliates:			
Loss arising during the year	(¥2,409)	**(¥2,286)**	**($18,682)**
Reclassification adjustments to profit or loss	3,560	**(5,033)**	**(41,126)**
Total	¥1,151	**(¥7,319)**	**($59,808)**
Total other comprehensive income	¥8,881	**¥23,311**	**$190,467**

20. Lease Transactions

(A) Lessee

(1) Finance leases

Information regarding finance lease transactions has not been presented because it is not material.

(2) Operating leases

Information regarding operating lease transactions has not been presented because it is not material.

(B) Lessor

The Group operates a finance sublease business. Future lease income under finance leases that do not transfer the ownership of the leased assets to the sublessee has not been presented because it is not material.

21. Financial Instruments and Related Disclosures

(A) Policy for financial instruments

The Group raises funds for capital investment through bank borrowings and issuance of bonds. Cash surpluses, if any, are invested in low-risk and short-term instruments. Short-term working capital is generated through bank borrowings and issuance of commercial paper. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (B) below. The Company and certain consolidated subsidiaries have applied hedge accounting.

(B) Nature and extent of risks arising from financial instruments

Notes and accounts receivable, trade are exposed to credit risk in relation to customers. Short-term investments and investments in securities are exposed to market risk. The Group also has long-term loans receivable from Group companies, etc.

Substantially all notes and accounts payable, trade have payment due dates within six months. Although the Group is exposed to foreign currency exchange risk arising from import payables denominated in foreign currencies, foreign currency forward contracts are arranged to reduce the risk, after netting receivables in the same currencies.

Short-term borrowings are used mainly in connection with operating activities such as purchases of raw material, and long-term debt is used principally for the purpose of making capital investments. Long-term debt with variable interest rates is exposed to interest rate fluctuation risk, and long-term debt denominated in foreign currencies is exposed to foreign currency exchange risk; the Group utilizes interest rate swap transactions or currency swap transactions as a hedging instrument to reduce such risk.

Regarding derivatives, the Group enters into foreign exchange forward contracts and foreign currency option transactions to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies, and enters into interest rate swap transactions to reduce fluctuation risk arising from interest payable on long-term debts bearing interest at variable rates. The Group also enters into currency swap transactions to reduce fluctuation risk arising from interest payable and foreign currency exchange risk on long-term debt denominated in foreign currencies. In addition, the Group enters into crude oil and petroleum product swaps and forward contracts to hedge the risk of price fluctuations of crude oil and petroleum products. Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities is found in Note 2(J).

(C) Risk management for financial instruments

(1) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division of the Group monitors the creditworthiness of its customers and manages the terms and conditions of payment, price, and collateral and identifies the default risk of customers at an early stage. The Group believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

(2) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates, prices of crude oil and petroleum products, and others)

For trade receivables and payables denominated in foreign currencies, the Company and certain consolidated subsidiaries identify the foreign currency exchange risk for each currency on a monthly basis and enter into foreign exchange forward contracts and currency option transactions to hedge such risk. In order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Group enters into interest rate swap transactions (pay-fixed, received-variable), and in order to mitigate foreign currency exchange risk and fluctuation risk arising from interest payable on long-term debt denominated in foreign currencies, the Group enters into currency swap transactions. The Company and certain consolidated subsidiaries also enter into crude oil and petroleum product swaps and forward contracts in order to mitigate the risk of price fluctuations of crude oil and petroleum products.

For short-term investments and investments in securities, the Group holds a minimum number of shares of the companies with which the Group has business relationships. The Group reviews the market prices of listed shares quarterly and the financial position of the issuers of unlisted shares annually. The Board of Directors annually approves the plan for derivative transactions under internal rules established with respect to the purposes, policies, procedures, approvals, and reporting for derivatives. In conducting derivative transactions, the division in charge of each derivative transaction follows the internal rules. Reports including actual transaction data are submitted monthly to the General Affairs department and at the time of finalization of the annual plan to the management committee. Consolidated subsidiaries have established similar internal rules and follow them in conducting derivative transactions in principle.

(3) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning by the Finance & Accounting department. Consolidated subsidiaries raise funds by using loans from the Company, based on their financing plan. A specific loan agreement with financial institutions in order to prepare for sudden demand for funds, commitment line contract, has been executed.

(D) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values. In addition, the notional amounts of derivatives in Note 23 are not necessarily indicative of the actual market risk involved in derivative transactions.

(Fair Value of Financial Instruments)

The carrying value of financial instruments recorded in the consolidated balance sheets as of March 31, 2021 and 2022, their fair values, and unrealized gains (losses) are as follows.

March 31, 2021

	Millions of yen		
	Carrying amount	Fair value	Unrealized gains (losses)
Notes and accounts receivable, trade	¥602,661	¥602,661	—
Accounts receivable, other	178,536	178,536	—
Investments in securities *2	25,078	27,525	¥2,446
Long-term loans	37,720	35,841	(1,878)
Total assets	¥843,996	¥844,564	¥568
Notes and accounts payable, trade	¥530,697	¥530,697	—
Short-term borrowings	277,686	277,686	—
Commercial paper	188,005	188,005	—
Current portion of long-term debt	76,622	76,622	—
Accounts payable, other	406,890	406,890	—
Long-term debt	737,468	738,623	¥1,154
Total liabilities	¥2,217,371	¥2,218,525	¥1,154
Derivative transactions *3	(¥10,694)	(¥10,694)	—

Notes: *1 Notes on cash and cash equivalents are omitted because cash equivalents are settled in a short period and the market value approximates the book value. In addition, notes on investments in partnerships that are measured at the Company's proportionate interest in their net assets in the balance sheet are omitted as well.

*2 Securities without market value are not included in "Investment in securities."

*3 Net debits and credits arising from derivative transactions are presented in each net value, and the values of net debits after totaling credits and debits are shown in parentheses.

March 31, 2022

	Millions of yen		
	Carrying amount	Fair value	Unrealized gains (losses)
Notes and accounts receivable, trade	**¥870,483**	**¥870,483**	—
Accounts receivable, other	**242,860**	**242,860**	—
Investments in securities *2	**14,826**	**14,826**	—
Long-term loans	**12,301**	**10,410**	**(¥1,890)**
Total assets	**¥1,140,471**	**¥1,138,580**	**(¥1,890)**
Notes and accounts payable, trade	**¥840,834**	**¥840,834**	—
Short-term borrowings	**284,837**	**284,837**	—
Commercial paper	**237,000**	**237,000**	—
Current portion of long-term debt	**94,205**	**94,205**	—
Accounts payable, other	**390,920**	**390,920**	—
Long-term debt	**720,767**	**718,150**	**(¥2,617)**
Total liabilities	**¥2,568,566**	**¥2,565,949**	**(¥2,617)**
Derivative transactions *3	**¥4,776**	**¥4,776**	—

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gains (losses)
Notes and accounts receivable, trade	**$7,112,375**	**$7,112,375**	—
Accounts receivable, other	**1,984,318**	**1,984,318**	—
Investments in securities *2	**121,137**	**121,137**	—
Long-term loans	**100,506**	**85,057**	**($15,448)**
Total assets	**$9,318,339**	**$9,302,890**	**($15,448)**
Notes and accounts payable, trade	**$6,870,123**	**$6,870,123**	—
Short-term borrowings	**2,327,297**	**2,327,297**	—
Commercial paper	**1,936,439**	**1,936,439**	—
Current portion of long-term debt	**769,719**	**769,719**	—
Accounts payable, other	**3,194,054**	**3,194,054**	—
Long-term debt	**5,889,104**	**5,867,719**	**($21,384)**
Total liabilities	**$20,986,738**	**$20,965,353**	**($21,384)**
Derivative transactions *3	**$39,022**	**$39,022**	—

Notes: *1 Notes on cash and cash equivalents are omitted because cash equivalents are settled in a short period and the market value approximates the book value. In addition, notes on investments in partnerships that are measured at the Company's proportionate interest in their net assets in the balance sheet are omitted as well. The carrying value of the instruments recorded in the consolidated balance sheet is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Investments in partnerships that are measured at the Company's proportionate interest in their net assets in the balance sheet	¥9,120	¥9,036	$73,836

*2 Securities without market value are not included in "Investment in securities." The carrying value of the financial instruments recorded in the consolidated balance sheet is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2021	2022	2022
Unlisted equity instruments	¥214,117	¥246,269	$2,012,170

*3 Net debits and credits arising from derivative transactions are presented in each net value, and the values of net debits after totaling credits and debits are shown in parentheses.

1. Redemption schedule for receivables and short-term investments with maturities at March 31, 2021 and 2022

March 31, 2021

	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Notes and accounts receivable, trade	¥602,661	—	—	—
Accounts receivable, other	178,536	—	—	—
Long-term loans	—	¥4,875	¥32,161	¥683
Total	¥781,197	¥4,875	¥32,161	¥683

March 31, 2022

	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Notes and accounts receivable, trade	**¥870,483**	—	—	—
Accounts receivable, other	**242,860**	—	—	—
Long-term loans	—	**¥5,089**	**¥6,707**	**¥503**
Total	**¥1,113,344**	**¥5,089**	**¥6,707**	**¥503**

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Notes and accounts receivable, trade	**$7,112,375**	—	—	—
Accounts receivable, other	**1,984,318**	—	—	—
Long-term loans	—	**$41,588**	**$54,804**	**$4,114**
Total	**$9,096,694**	**$41,588**	**$54,804**	**$4,114**

2. The redemption schedule for long-term debt is presented in Note 12.

(Financial Instruments Categorized by Fair Value Hierarchy)

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(1) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

	Millions of Yen			
March 31, 2022	Level 1	Level 2	Level 3	Total
Investment in securities	¥14,826	—	—	¥14,826
Derivative transactions	—	4,776	—	4,776
Total assets	¥14,826	¥4,776	—	¥19,602

March 31, 2022	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Investment in securities	$121,137	—	—	$121,137
Derivative transactions	—	39,022	—	39,022
Total assets	$121,137	$39,022	—	$160,160

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

March 31, 2022	Millions of Yen Level 1	Level 2	Level 3	Total
Long-term loans	—	¥10,410	—	¥10,410
Total assets	—	¥10,410	—	¥10,410
Long-term debt	—	¥718,150	—	¥718,150
Total liabilities	—	¥718,150	—	¥718,150

March 31, 2022	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Long-term loans	—	$85,057	—	$85,057
Total assets	—	$85,057	—	$85,057
Long-term debt	—	$5,867,719	—	$5,867,719
Total liabilities	—	$5,867,719	—	$5,867,719

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment in securities

Listed shares are valued using the quoted price. As listed shares are traded on active markets, their fair value is categorized as a Level 1 fair value.

Long-term loans

Long-term loans calculated from the present value of the future cash flow discounted at a rate supposing a similar loan is newly extended, are categorized as Level 2.

Long-term loans to NSRP are categorized as Level 3. For details of the calculation of the fair value, please see "(3) Financial instruments categorized as Level 3" below.

Derivatives

The fair value of derivatives is calculated based on the observable inputs, such as prices or exchange rates and interest rates presented by financial institutions, and categorized as a Level 2 fair value.

Long-term debt

The fair value of bonds issued by the Company is calculated using the market value, and categorized as a Level 2 fair value. The fair value of long-term loans payable is calculated from the present value of the total principal and interest discounted at a rate supposing similar borrowings are newly conducted, and categorized as a Level 2 fair value.

(3) Financial instruments categorized as Level 3

Increase and decrease in long-term loans categorized as Level 3 are as follows:

March 31, 2022

	Millions of Yen	Thousands of U.S. Dollars
	2022	2022
Balance at beginning of year	¥30,110	$246,022
Gains and losses recorded for the current period *1	(31,943)	(260,997)
Other increase and decrease *2	1,832	14,975
Balance at end of year	—	—

Notes: *1 Gains and losses recorded for the current period are those that are valued using the fair value and recorded in the loss on valuation of long-term loans in the "Consolidated Statement of Income". The loss on valuation of long-term loans of the "Consolidated Statement of Income" includes the loss on valuation of the accrued interest on the long-term loans from NSRP.

*2 Other increase and decrease includes the translation gains and losses related to the long-term loans in foreign currencies.

The fair value of long-term loans classified as Level 3 is measured by using the discounted cash flow method, based on estimated future cash flows by applying NSRP's future business plan and the expected rate of returns (discount rate) on investment in NSRP reflecting investee-specific risk. The fair value is calculated by the accounting department in accordance with the method described above and the appropriateness of inputs for fair value measurement and fair value level classification is reviewed and authorized within the department.

The significant unobservable inputs used in fair value measurement of long-term loans classified as Level 3 are asset utilization rates and expected rate of returns (discount rate). The changes in these input assumptions may have a material impact on the fair value. An increase (decrease) in the asset unitization rates would result in an increase (decrease) in the fair value and an increase (decrease) in the discount rate would result in a decrease (increase) in the fair value.

22. Derivatives and Hedging Activities

March 31, 2021

(A) Derivative transactions to which hedge accounting is not applied

(1) Currency related

	Millions of yen			
March 31, 2021	Notional amount		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Foreign currency forward contracts, etc.:				
Selling U.S. dollars, etc.	¥46,747	—	(¥1,174)	(¥1,174)
Buying U.S. dollars, etc.	134,711	29,845	1,937	1,937
Interest rate currency swap contracts: USD receive-variable, pay-fixed	1,328	—	(21)	(21)
Total	¥182,787	29,845	¥741	¥741

(2) Interest rate related

		Millions of yen		
March 31, 2021	Hedged item	Notional amount		Fair value
		Contract amount	Maturing after one year	
Interest rate swap contracts: Pay-fixed, receive-variable	Long-term debt	¥13,408	¥6,520	(¥476)
Total		¥13,408	¥6,520	(¥476)

(3) Commodity related

	Millions of yen			
March 31, 2021	Notional amount		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Commodity swap contracts:				
Selling petroleum products	¥161,415	—	(¥12,783)	(¥12,783)
Buying petroleum products	118,897	—	6,383	6,383
Total	¥280,313	—	(¥6,400)	(¥6,400)

(B) Derivative transactions to which hedge accounting is applied

(1) Currency related

		Millions of yen		
March 31, 2021	Hedged item	Notional amount		Fair value
		Contract amount	Maturing after one year	
Foreign currency forward contracts:				
Selling U.S. dollars, etc.	Notes and accounts receivable, trade	¥5,356	—	¥237
Buying U.S. dollars, etc.	Short-term borrowings	1,905	—	(7)
Total		¥7,261	—	¥230

(2) Interest rate related

March 31, 2021	Hedged item	Millions of yen		
		Notional amount		Fair value
		Contract amount	Maturing after one year	
Interest rate swap contracts:				
Pay-fixed, receive-variable	Long-term debt	¥156,819	¥136,092	(¥4,096)
Interest rate currency swap contracts:				
USD receive-variable, pay-fixed		1,328	—	(52)
Total		¥158,148	¥136,092	(¥4,148)

(3) Commodity related

March 31, 2021	Hedged item	Millions of yen		
		Notional amount		Fair value
		Contract amount	Maturing after one year	
Commodity swap contracts:				
Selling petroleum products	Crude oil and petroleum products	¥2,198	—	(¥695)
Buying petroleum products		—	—	—
Total		¥2,198	—	(¥695)

March 31, 2022

(A) Derivative transactions to which hedge accounting is not applied

(1) Currency related

March 31, 2022	Millions of yen			
	Notional amount		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Foreign currency forward contracts, etc.:				
Selling U.S. dollars, etc.	**¥106,944**	**—**	**(¥1,135)**	**(¥1,135)**
Buying U.S. dollars, etc.	**285,700**	**29,845**	**12,224**	**12,224**
Interest rate currency swap contracts: USD receive-variable, pay-fixed	**1,744**	**—**	**54**	**54**
Total	**¥394,389**	**29,845**	**¥11,143**	**¥11,143**

March 31, 2022	Thousands of U.S. dollars			
	Notional amount		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Foreign currency forward contracts, etc.:				
Selling U.S. dollars, etc.	**$873,801**	**—**	**($9,274)**	**($9,274)**
Buying U.S. dollars, etc.	**2,334,346**	**243,855**	**99,878**	**99,878**
Interest rate currency swap contracts: USD receive-variable, pay-fixed	**14,254**	**—**	**445**	**445**
Total	**$3,222,401**	**243,855**	**$91,050**	**$91,050**

(2) Interest rate related

March 31, 2022	Hedged item	Notional amount (Millions of yen)		Fair value
		Contract amount	Maturing after one year	
Interest rate swap contracts: Pay-fixed, receive-variable	Long-term debt	**¥22,153**	**¥21,642**	**¥283**
Total		**¥22,153**	**¥21,642**	**¥283**

March 31, 2022	Hedged item	Notional amount (Thousands of U.S. dollars)		Fair value
		Contract amount	Maturing after one year	
Interest rate swap contracts: Pay-fixed, receive-variable	Long-term debt	**$181,005**	**$176,828**	**$2,319**
Total		**$181,005**	**$176,828**	**$2,319**

(3) Commodity related

March 31, 2022	Notional amount (Millions of yen)		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Commodity swap contracts:				
Selling petroleum products	**¥254,269**	—	**(¥19,045)**	**(¥19,045)**
Buying petroleum products	**123,193**	—	**14,321**	**14,321**
Total	**¥377,462**	—	**(¥4,723)**	**(¥4,723)**

March 31, 2022	Notional amount (Thousands of U.S. dollars)		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Commodity swap contracts:				
Selling petroleum products	**$2,077,531**	—	**($155,609)**	**($155,609)**
Buying petroleum products	**1,006,563**	—	**117,012**	**117,012**
Total	**$3,084,094**	—	**($38,597)**	**($38,597)**

(B) Derivative transactions to which hedge accounting is applied

(1) Currency related

March 31, 2022	Hedged item	Millions of yen		
		Notional amount		Fair value
		Contract amount	Maturing after one year	
Foreign currency forward contracts:				
Selling U.S. dollars, etc.	Notes and accounts receivable, trade	**¥8,869**	**—**	**¥135**
Buying U.S. dollars, etc.	Short-term borrowings	**851**	**—**	**3**
Total		**¥9,720**	**—**	**¥138**

March 31, 2022	Hedged item	Thousands of U.S. dollars		
		Notional amount		Fair value
		Contract amount	Maturing after one year	
Foreign currency forward contracts:				
Selling U.S. dollars, etc.	Notes and accounts receivable, trade	**$72,470**	**—**	**$1,105**
Buying U.S. dollars, etc.	Short-term borrowings	**6,953**	**—**	**29**
Total		**$79,424**	**—**	**$1,134**

(2) Interest rate related

March 31, 2022	Hedged item	Millions of yen		
		Notional amount		Fair value
		Contract amount	Maturing after one year	
Interest rate swap contracts:				
Pay-fixed, receive-variable	Long-term debt	**¥142,698**	**¥105,628**	**(¥1,250)**
Interest rate currency swap contracts:				
USD receive-variable, pay-fixed		**1,101**	**—**	**(5)**
Total		**¥143,799**	**¥105,628**	**(¥1,256)**

March 31, 2022	Hedged item	Thousands of U.S. dollars		
		Notional amount		Fair value
		Contract amount	Maturing after one year	
Interest rate swap contracts:				
Pay-fixed, receive-variable	Long-term debt	**$1,165,930**	**$863,046**	**($10,218)**
Interest rate currency swap contracts:				
USD receive-variable, pay-fixed		**9,000**	**—**	**(47)**
Total		**$1,174,930**	**$863,046**	**($10,266)**

(3) Commodity related

March 31, 2022	Hedged item	Millions of yen Notional amount Contract amount	Maturing after one year	Fair value
Commodity swap contracts:				
Selling petroleum products	Crude oil and petroleum products	**¥3,841**	—	**(¥807)**
Buying petroleum products		—	—	—
Total		**¥3,841**	—	**(¥807)**

March 31, 2022	Hedged item	Thousands of U.S. dollars Notional amount Contract amount	Maturing after one year	Fair value
Commodity swap contracts:				
Selling petroleum products	Crude oil and petroleum products	**$31,384**	—	**($6,593)**
Buying petroleum products		—	—	—
Total		**$31,384**	—	**($6,593)**

23. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS")

Reconciliation of the differences between basic and diluted EPS for the years ended March 31, 2021 and 2022, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. Dollars
	Net income attributable to owners of the parent	Weighted-average shares	EPS	
Year ended March 31, 2021:				
Basic EPS:				
Net income attributable to common shareholders	¥34,920	297,269	¥117.47	
Effect of dilutive securities:				
Dilution of subsidiary stock	–			
Diluted EPS:				
Net income for computation	¥34,920	297,269	—*	
Year ended March 31, 2022:				
Basic EPS:				
Net income attributable to common shareholders	**¥279,498**	**297,290**	**¥940.15**	**$ 7.68**
Effect of dilutive securities:				
Dilution of subsidiary stock	–			
Diluted EPS:				
Net income for computation	**¥279,498**	**297,290**	—*	—*

* Diluted net income per share for the fiscal year ended is not calculated because dilutive shares do not exist.

The following appropriation of retained earnings at March 31, 2022, was approved at the Board of Directors' meeting held on May 10, 2022:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥110 ($0.90) per share	**¥32,760**	**$267,673**

24. Non-operating income (expenses)

Gain and Loss on sales of fixed assets

Gain on sales of fixed assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Land, leasehold rights (former SS sites and others)	¥1,609	**¥14,195**	**$115,982**
Buildings and others	11,471	**1,919**	**15,686**
Total	¥13,081	**¥16,114**	**$131,668**

Loss on sales of fixed assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	**2022**	**2022**
Land, leasehold rights (former SS sites and others)	(¥708)	**(¥3,455)**	**($28,237)**
Buildings and others	(413)	**(790)**	**(6,457)**
Total	(¥1,121)	**(¥4,246)**	**($34,694)**

Gain on amortization of past service cost

The gain on amortization of past service cost is due to the revision of the Company's retirement benefit plan.

25.Subsequent Events

On June 14, 2022, the Company's Board of Directors resolved that the Company would acquire shares of Seibu Oil Company Limited ("Seibu Oil") to make it a subsidiary, and will terminate its product purchase agreement (product sales agreement) with Seibu Oil effective March 31, 2024 on the assumption that the refinery operations at Seibu Oil's Yamaguchi Refinery will be terminated in March 2024. With the acquisition of the shares on June 14, 2022, Seibu Oil became a consolidated subsidiary of the Company. The Company intends to make Seibu Oil a wholly-owned subsidiary by negotiating with other shareholders than the counterparties from whom we acquired the shares.

(a) Outline of the Business Combination

a) Name and business description of the Acquiree

Name of the acquiree : Seibu Oil Company Limited

Business description: Manufacturing, sales, etc. of petroleum products

b) Primary reasons for the business combination

Domestic petroleum product demand is expected to decrease further due to structural issues such as the aging and decreasing population, the impact of the COVID-19 pandemic, and global trends towards decarbonization. In light of this operating environment, the Company determined that a revamping of the group's manufacturing and supply framework is inevitable and that making Seibu Oil a subsidiary of the Company, terminating the product purchase agreement, and terminating the refinery operations at Yamaguchi Refinery is the best course of action for the Company.

c) Date of the business combination

June 14, 2022

d) Legal form of the business combination

Acquisition of shares in return for cash

e) Company name after business combination

No change

f) Percentage of voting equity interests acquired

Percentage immediately before the business combination: 38.0%

Additional percentage acquired on the acquisition date: 28.9%

Percentage after the acquisition: 66.9%

g) Primary rationale for determining the acquirer

The Company acquired the shares for cash consideration.

(b) Matters Concerning Calculation of Acquisition Cost

a) Breakdown of acquisition cost of acquiree and consideration transferred

Undisclosed (to protect confidentiality)

b) Description and amount of acquisition-related costs

The Company is currently in the process of finalizing the acquisition-related costs.

c) Difference of the acquisition cost of the business combination from the aggregate amount of each of acquisition cost arising from the transactions resulting in the acquisition

The Company is currently in the process of finalizing the difference.

(c) Amount, amortization method and amortization period of goodwill and factors that make up the goodwill recognized

The Company is currently in the process of finalizing the goodwill.

(d) Amount of assets acquired and liabilities assumed and their major components

The Company is currently in the process of finalizing the amount of assets and liabilities.

26. Revenue Recognition

(A) Disaggregation of revenue from contracts with customers

Year ended March 31, 2022

	Millions of yen							
	Reportable segment							
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total
Japan	¥3,992,753	¥389,472	¥201,121	¥136,016	¥191,914	¥4,911,278	¥5,319	¥4,916,597
Asia and Oceania	752,326	174,023	170,317	—	84,310	1,180,976	0	1,180,976
North America	374,188	26	31,084	2,258	3,941	411,500	—	411,500
Others	100,144	3	18,914	14	58,609	177,686	—	177,686
Revenues from contracts with customers	¥5,219,413	¥563,526	¥421,437	¥138,289	¥338,776	¥6,681,442	¥5,319	¥6,686,761

	Thousands of U.S. dollars							
	Reportable segment							
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total
Japan	$32,623,203	$3,182,223	$1,643,284	$1,111,336	$1,568,056	$40,128,104	$43,460	$40,171,564
Asia and Oceania	6,146,957	1,421,873	1,391,595	—	688,864	9,649,292	0	9,649,292
North America	3,057,348	219	253,978	18,454	32,207	3,362,209	—	3,362,209
Others	818,240	31	154,540	115	478,875	1,451,802	—	1,451,802
Revenues from contracts with customers	$42,645,750	$4,604,349	$3,443,399	$1,129,906	$2,768,004	$54,591,408	$43,460	$54,634,869

Note: The segment "Others" refers to the total of other business segments that are not included in the reportable segments, including insurance businesses and intra-group service businesses.

(B) Basic Information to Understand Revenues from Contracts with Customers

Since "(AB) Standards for recognition of revenue and expense" of Note 2 includes the same information, descriptions have been omitted.

(C) Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year are as follows:

In the consolidated balance sheet, receivables from contracts with customers are included in "Notes and accounts receivable, trade," contract assets are included in "Other current assets," and contract liabilities are included in "Other current liabilities," respectively.

Year ended March 31, 2022

	Millions of Yen	Thousands of U.S. Dollars
Receivables from contracts with customers:		
Balance at beginning of year	¥602,661	$4,924,105
Balance at end of year	870,483	7,112,375
Contract assets:		
Balance at beginning of year	161	1,320
Balance at end of year	171	1,402
Contract liabilities:		
Balance at beginning of year	46,545	380,301
Balance at end of year	61,433	501,950

"Contract assets" are unpaid receivables arising primarily from construction contracts, and are transferred to "Receivables from contracts with customers" when the right to payment becomes unconditional. "Contract liabilities" are primarily consideration received in advance of performance under a contract, and are reversed upon recognition of revenues.
Due to performance obligations satisfied in prior periods, the amount of revenue recognized in the fiscal year under review (e.g., changes in transaction prices) is also immaterial.
Increases of contract liabilities primarily relate to increases of consideration received in advance of performance under a contract in oil products sales business for rising oil prices in for the fiscal year ended March 31, 2022.

(D) Transaction Prices Allocated to Remaining Performance Obligations

The Company and its consolidated subsidiaries apply the convenience method of practice to note the transaction prices allocated to the residual performance obligations, and do not include in the notes contracts with an initially anticipated contractual period of less than one year. The total amount of transaction prices allocated to the residual performance obligations and the period during which revenue is expected to be recognized are as shown below.
In addition, there are no significant amounts of consideration arising from contracts with customers that are not included in the transaction prices.

Year ended March 31, 2022

	Millions of Yen	Thousands of U.S. Dollars
Within one year	¥7,557	$61,750
After one year	1,627	13,293
Total	¥9,184	$75,044

27. Segment Information

<u>Years ended March 31, 2021 and 2022</u>

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(A) Description of reportable segments

The Company's business segments cover the Group's business units for which separate financial information is available on the business units for the whole Group and for which the Board of Directors carries out a periodic review in order to determine the allocation of management resources and to evaluate their operating performance.

Major businesses in each segment are shown in the following table.

Reportable segment	Major businesses
Petroleum	Production, sales, import/export, trading, etc., of refined petroleum products
Basic chemicals	Production, sales, etc. of olefin/aroma products
Functional materials	Lubricants, performance chemicals, electronic materials, high functional asphalt, agricultural biotechnology products business, etc.,
Power and renewable energy	Power generation (thermal power, solar power, wind power, etc.), sales of electricity and solar cell business
Resources	Exploration, development, production and sales of crude oil, natural gas and other energy resources such as coals

(B) Methods of measurement for the amounts of sales, income (loss), assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(C) Information about sales, income, assets, and other items:

Year ended March 31, 2021

	Millions of yen									
	Reportable segment									
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total	Recon-ciliation	Consoli-- dated
Net sales:										
Customers	¥3,593,399	¥329,044	¥332,592	¥123,745	¥171,977	¥4,550,760	¥5,860	¥4,556,620	¥ —	¥4,556,620
Intersegment	18,448	19,045	16,913	1,722	1,045	57,175	1,664	58,839	(58,839)	—
Total	¥3,611,848	¥348,089	¥349,505	¥125,468	¥173,022	¥4,607,935	¥7,524	¥4,615,459	(¥58,839)	¥4,556,620
Operating income (loss)	¥143,199	¥3,010	¥12,193	(¥17,229)	¥4,101	¥145,275	¥931	¥146,207	(¥6,144)	¥140,062
Equity in earnings (losses) of non-consolidated subsidiaries and affiliates, net	(41,093)	391	804	(75)	628	(39,344)	—	(39,344)	(444)	(39,789)
Segment income (loss)	102,105	3,401	12,998	(17,305)	4,729	105,931	931	106,862	(6,589)	100,273
Segment assets	2,510,048	347,851	265,906	202,789	341,652	3,668,249	157,929	3,826,178	128,264	3,954,443
Other items:										
Depreciation and amortization	57,274	6,141	7,857	2,215	24,119	97,608	27	97,635	523	98,158
Amortization of goodwill	7,162	34	289	2,142	—	9,628	0	9,629	—	9,629
Impairment loss on fixed assets	362	—	—	510	19,292	20,164	—	20,164	—	20,164
Investment in equity method affiliates	82,189	42,148	8,213	4,291	5,236	142,079	—	142,079	25,075	167,155
Unamortized balance of goodwill	120,288	79	72	38,565	—	159,006	0	159,006	—	159,006
Capital expenditures	¥55,958	¥13,075	¥10,155	¥32,013	¥35,475	¥146,678	¥26	¥146,704	¥4,709	¥151,414

Year ended March 31, 2022

	Millions of yen									
	Reportable segment									
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total	Recon-ciliation	Consoli-dated
Net sales:										
Customers	¥5,219,413	¥563,526	¥421,437	¥138,289	¥338,776	¥6,681,442	¥5,319	¥6,686,761	¥ —	¥6,686,761
Intersegment	29,865	30,041	18,298	3,364	3	81,573	1,780	83,354	(83,354)	—
Total	¥5,249,278	¥593,567	¥439,736	¥141,653	¥338,779	¥6,763,015	¥7,100	¥6,770,115	(¥83,354)	¥6,686,761
Operating income (loss)	¥360,446	¥6,936	¥15,521	(¥8,161)	¥75,389	¥450,132	¥805	¥450,938	(¥16,485)	¥434,453
Equity in earnings (losses) of non-consolidated subsidiaries and affiliates, net	9,249	1,235	1,609	(1,736)	5,625	15,983	—	15,983	(953)	15,029
Segment income (loss)	369,696	8,171	17,131	(9,897)	81,014	466,115	805	466,921	(17,438)	449,482
Segment assets	3,064,487	409,949	315,014	239,137	328,671	4,357,261	119,847	4,477,108	124,074	4,601,183
Other items:										
Depreciation and amortization	58,353	7,123	9,577	4,445	24,538	104,039	44	104,084	682	104,767
Amortization of goodwill	7,227	20	119	2,142	—	9,510	0	9,510	—	9,510
Impairment loss on fixed assets	11,658	615	307	2,127	1,198	15,907	—	15,907	—	15,907
Investment in equity method affiliates	86,401	41,775	8,014	17,984	23,830	178,007	—	178,007	25,602	203,610
Unamortized balance of goodwill	113,209	59	—	36,422	—	149,691	0	149,691	—	149,691
Capital expenditures	¥47,350	¥10,262	¥14,732	¥10,420	¥31,188	¥113,954	¥112	¥114,067	¥4,731	¥118,798

Year ended March 31, 2022

	Thousands of U.S. dollars									
	Reportable segment									
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total	Recon-ciliation	Consoli-dated
Net sales:										
Customers	$42,645,750	$4,604,349	$3,443,399	$1,129,906	$2,768,004	$54,591,408	$43,460	$54,634,869	$ —	$54,634,869
Intersegment	244,017	245,457	149,512	27,487	28	666,502	14,551	$681,054	(681,054)	—
Total	$42,889,767	$4,849,806	$3,592,911	$1,157,393	$2,768,032	$55,257,911	$58,011	$55,315,923	($681,054)	$54,634,869
Operating income (loss)	$2,945,067	$56,674	$126,820	($66,681)	$615,973	$3,677,854	$6,584	$3,684,439	($134,694)	$3,549,745
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates, net	75,572	10,093	13,150	(14,185)	45,961	130,592	—	130,592	(7,792)	122,800
Segment income (loss)	3,020,639	66,767	139,970	(80,866)	661,935	3,808,447	6,584	3,815,032	(142,486)	3,672,545
Segment assets	25,038,710	3,349,534	2,573,858	1,953,897	2,685,445	35,601,446	979,225	36,580,672	1,013 ,766	37,594,439
Other items:										
Depreciation and amortization	476,785	58,206	78,256	36,323	200,496	850,068	366	850,435	5,576	856,011
Amortization of goodwill	59,054	164	977	17,505	—	77,702	1	77,703	—	77,703
Impairment loss on fixed assets	95,260	5,027	2,513	17,383	9,788	129,973	—	129,973	—	129,973
Investment in equity method affiliates	705,954	341,332	65,485	146,947	194,711	1,454,430	—	1,454,430	209,190	1,663,621
Unamortized balance of goodwill	924,989	484	—	297,597	—	1,223,071	0	1,223,071	—	1,223,071
Capital expenditures	$386,880	$83,850	$120,371	$85,140	$254,830	$931,073	$922	$931,996	$38,662	$970,658

Notes:

1. The segment "Others" refers to the total of other business segments that are not included in the reportable segments, including insurance businesses and intra-group service businesses.
2. The amounts of reconciliation for the operating income (loss) mainly represents research and development costs, which do not belong to reportable segments.
3. The amount of reconciliation for equity in earnings (losses) of nonconsolidated subsidiaries and affiliates and that for investment in equity method nonconsolidated subsidiaries and affiliates mainly represent those related to equity method nonconsolidated subsidiaries and affiliates, which do not belong to reportable segments.
4. The segment income (loss) of the reportable segments is reconciled to the amount of operating income (loss) and equity in earnings (losses) of nonconsolidated subsidiaries and affiliates in the consolidated statement of income.
5. The amount of reconciliation for the segment assets represents elimination among the reportable segments and the amount of Company assets that are not allocated to reportable segments.
6. The amounts of reconciliation for "Depreciation and amortization" and "Capital expenditures" mainly represent depreciation and increases in fixed assets for research and development that do not belong to the reportable segments.

Changes in reportable segments

(Application of Revenue Recognition Accounting Standards)

As stated in the "Change in accounting policy", effective April 1, 2021, the Idemitsu Group applied the Revenue Recognition Accounting Standards. Accordingly, the method of calculating net sales and income or loss by reportable segment was also changed in the same manner as the provisions under the Revenue Recognition Accounting Standards.

As a result of this change, for "Petroleum", net sales decreased by ¥30,088 million ($245,840 thousand) and segment income increased by ¥118 million ($968 thousand), and for "Power and renewable energy", net sales decreased by ¥16,383 million ($133,863 thousand)

and segment loss decreased by ¥513 million ($4,196 thousand) for the fiscal year ended March 31, 2022, compared with the previous method. This change does not have a material impact on net sales and segment income of other reportable segments.

(D) Related Information

Year ended March 31, 2021

1. Information for each product and service

Since the consolidated business segment information includes similar information, descriptions have been omitted.

2. Geographic segment information

(1) Sales

Millions of yen				
Japan	Asia and Oceania	North America	Other	Total
¥3,476,849	¥775,478	¥216,468	¥87,823	¥4,556,620

Notes: 1. Areas are segmented based on their geographical proximity.
2. The principal countries or regions included in each geographic segment are as follows:
Asia and Oceania : Singapore, Australia, China, South Korea, etc.
North America : USA and Canada
Other : U.K., Norway, South America, etc.

(2) Property, plant and equipment

Millions of yen			
Japan	Asia and Oceania	Other	Total
¥1,248,163	¥145,121	¥128,615	¥1,521,899

Notes: 1. Areas are segmented based on their geographical proximity.
2. The principal countries or regions included in each geographic segment are as follows:
Asia and Oceania : Australia, China, Indonesia, Malaysia, etc.
Other : Norway, USA, Canada, etc.

3. Principal customer information

Of the net sales to outside customers, no customer accounted for 10% or more of net sales in the consolidated statement of income. Thus, this information has been omitted.

Year ended March 31, 2022

1. Information for each product and service

Since the consolidated business segment information includes similar information, descriptions have been omitted.

2. Geographic segment information

(1) Sales

Millions of yen				
Japan	Asia and Oceania	North America	Other	Total
¥4,916,597	**¥1,180,976**	**¥411,500**	**¥177,686**	**¥6,686,761**

Thousands of U.S. dollars				
Japan	Asia and Oceania	North America	Other	Total
$40,171,564	**$9,649,292**	**$3,362,209**	**$1,451,802**	**$54,634,869**

Notes: 1. Areas are segmented based on their geographical proximity.
2. The principal countries or regions included in each geographic segment are as follows:
Asia and Oceania : Singapore, Australia, China, South Korea, etc.
North America : USA and Canada
Other : U.K., Norway, South America, etc.

(2) Property, plant and equipment

Millions of yen			
Japan	Asia and Oceania	Other	Total
¥1,209,118	**¥148,905**	**¥79,785**	**¥1,437,810**

Thousands of U.S. dollars			
Japan	Asia and Oceania	Other	Total
$9,879,228	**$1,216,651**	**$651,899**	**$11,747,778**

Notes: 1. Areas are segmented based on their geographical proximity.
2. The principal countries or regions included in each geographic segment are as follows:
Asia and Oceania : Australia, China, Indonesia, Malaysia, etc.
Other : USA, Canada, etc.

3. Principal customer information

Of the net sales to outside customers, no customer accounted for 10% or more of net sales in the consolidated statement of income. Thus, this information has been omitted.

Information Regarding Impairment Loss on Fixed Assets by Reportable Segment

The Company recorded an impairment loss of ¥11,658 million ($95,260 thousand) on certain of heavy oil power generating unit in the petroleum segment, ¥2,127 million ($17,383 thousand) on certain of solar-related assets in the power and renewable energy segment, and ¥1,198 million ($9,788 thousand) on certain of coal mining assets in the resources segment, respectively.

Information Regarding Impairment Loss on Fixed Assets by Reportable Segment

Since “Segment Information” includes similar information, descriptions have been omitted.

Information Regarding Amortization and Unamortized Balances of Goodwill by Reportable Segment

Since “Segment Information” includes similar information, descriptions have been omitted.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Idemitsu Kosan Co.,Ltd.:

Opinion

We have audited the consolidated financial statements of Idemitsu Kosan Co.,Ltd.. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

<table>
<tr><th colspan="2">Assumptions used for valuation of investments in NSRP</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
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■ **<u>Overview of investments in NSRP</u>**
Idemitsu Kosan Co.,Ltd. (hereafter referred to as the "Company") holds a 35.1% of the equity interest in Nghi Son Refinery and Petrochemical LLC (hereafter referred to as "NSRP") operating the Nghi Son Refinery and provides NSRP with a loan and a disbursement on behalf of NSRP through a consolidated subsidiary, Idemitsu Asia Pacific Pte. Ltd. The Group accounts for the equity interest in NSRP under the equity method and, accordingly, the performance of NSRP is reflected within income and loss from the equity method investment. The loan is measured at fair value and recoverability of the disbursement is assessed. As described in Note 3 "Significant Accounting Estimates," the amounts of these investments in NSRP by the Group recognized on the consolidated balance sheet as of March 31, 2022, are as follows:

<table>
<tr><th></th><th>Account Name on the Consolidated Balance Sheet</th><th>Balance on the Consolidated Balance Sheet (in Millions of Yen)</th></tr>
<tr><td>Equity interest</td><td>Investments in nonconsolidated subsidiaries and affiliates</td><td>—</td></tr>
<tr><td>Loan</td><td>Long-term loans</td><td>—</td></tr>
<tr><td>Disbursement on behalf of NSRP</td><td>Accounts receivable, other</td><td>¥114,935</td></tr>
</table>

In addition to the above investments, as described in Note 14 "Contingent Liabilities," the Company provides a construction completion guarantee related to project financing of NSRP (hereafter referred to as the "construction completion guarantee") of 162,806 million yen. The Company does not recognize any allowances for the construction completion guarantee at the year-end.

■ **<u>NSRP's situation</u>**
NSRP had continued recognizing operating losses from the past due to a decrease in asset utilization rates soon after the commencement of commercial operation and sluggish overseas product markets later, and NSRP's financial position turned into net liabilities last year. Although the product markets and asset utilization rates recovered during the current fiscal year, due to the continuous burden of large finance costs from the significant amounts of

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Taking into account the reasonableness of cash-flows forecast including payment schedules of external bank borrowings prepared based on NSRP's future business plan and financial supports provided by the equity holders and external banks, we assessed the appropriateness of the going concern assumption of NSRP.
With the assistance of the component auditors, we performed the following audit procedures, among others, over the "Product margin," "Asset utilization rates," and "Discount rates" included in the future business plan, which is used for the assessment of impairment of fixed assets of NSRP, the valuation of the long-term loan and the recoverability of the other receivables from NSRP and whether recognition of allowances for the construction completion guarantee is necessary.
In evaluating the "Product margin" and "Discount rates," we deemed it appropriate to utilize the assistance of valuation specialists due to the following: Evaluation of "Product margin" requires a high degree of expertise as it involves estimation over a long period and requires evaluation of market analyses. Evaluation of "Discount rates" involve several estimates and requires complex calculations.

<Product margin>
• We obtained multiple third parties' external reports of the forecasted future product margin, which reflected changes of external environments such as demand/supply situation in the market, geopolitical risks and climate change, and compared them with the estimation used by NSRP to determine whether there were any significant differences between the external data and NSRP's estimation.

• We compared the FY 2021 actual product margin against the budget to determine the reliability of the management estimate of product margin.

<Asset utilization rates>
• We inquired of NSRP management to gain an understanding of the management process for estimating the asset utilization rates.

• We compared the FY 2021 planned asset utilization rates against the actual rates and considered the reasonableness of the management estimate.

• Through inquiry with NSRP management and inspection of external reports related to market situation, we considered product demand and supply balances affected by changes of external

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</table>

borrowings, NSRP continued making operating and net losses since last fiscal year and the cash-flows became tighter.

■ **Impacts on accounting estimates**

Taking into account the refinery operation of NSRP and product market environments, the Company continues discussions about the tighter cash-flows of NSRP with the other equity holders and external banks to recover from the net liabilities position. Considering the situation, the Company evaluates NSRP's business circumstances in detail and assesses the appropriateness of the going concern assumption of NSRP based on NSRP's future business plan including payment schedules of the external bank borrowings. Also, due to the continuous operating losses from the past, there were indications of impairment of fixed assets of NSRP and the impairment assessment was conducted by the NSRP management. In addition, the Group evaluated the fair value of the long-term loan, the recoverability of the other receivables and whether allowances to the construction completion guarantee should be recognized. For the assessment of these accounting estimates, the future business plan in which management assumptions of asset utilization rates and product margin are included was used.

The balance of the fixed assets of NSRP subject to the impairment assessment was 738,379 million yen, and thus, there may be a significant impact on the consolidated financial statements through income/loss from the equity method investment if impairment losses on the fixed assets are recognized. Also, the Group recognized a loss on valuation of the long-term loan of 55,916 million yen (including losses on accrued interests of the long-term loan), which have significant impacts on the consolidated financial statements. Furthermore, the other receivables and the construction completion guarantee are quantitatively material so they may have significant impacts on the consolidated financial statements.

■ **Key Audit Matter Description**

We determined that the significant management assumptions in the future business plan were "Product margin," "Asset utilization rates," and "Discount rates," and thus, identified these assumptions as a key audit matter due to the following reasons:

① The "Product margin" largely fluctuates due to changes in external environments such as demand/supply situation in market, geopolitical risks and climate change, and the uncertainty is considered high.

② The "Asset utilization rates" are estimates for

environments such as demand/supply situation in market, geopolitical risks and climate change, and determined whether the asset utilization rates in the future business plan were consistent with such information.

- We compared the actual asset utilization rates for the period from January to March 2022 with the planned rates of the same period in the future business plan and determined whether the possibility that the asset utilization rates decrease due to the tightening of the cash-flows was appropriately reflected in the future business plan.

- We performed a sensitivity analysis to evaluate the reasonableness of the asset utilization rates prepared by management.

<Discount rates>

- We obtained an understanding of components of the discount rates and management's derivation process.

- We evaluated whether fluctuations of discount rates are consistent to changes in the business environment and tightening of the cash-flows.

- With the assistance of valuation specialists, we evaluated the management estimate and determined whether the applied discount rates were reasonable.

By performing the above procedures, we determined the reliability of the future business plan and the reasonableness of valuation of the investments in NSRP below:

- Impairment of fixed assets of NSRP
- Fair value of the long-term loan from NSRP
- Recoverability of other receivables from NSRP
- Assessment about whether recognition of allowances for the construction completion guarantee is necessary

which external data does not exist and the uncertainty is considered high because it is subject to management bias. Furthermore, estimation is required for impacts on the asset utilization rates arising from changes of the external environments such as demand/supply situation in market, geopolitical risks and climate change as well as tightening of the cash-flows. ③ "Discount rates" have large impacts on the fluctuation of discounted future cash flows and assessment of inherent risks of the project such as tightening of the cash-flows is necessary for the determination of discount rates. Also, a discount rate applied to fair value measurement of the long-term loan involves a collection risk, and the evaluation of the risk premium for such a risk is necessary.	

Other Information

The other information comprises the information included in the Group's disclosure documents accompanying audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 23, 2022