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Consolidated Financial Statements

Year ended March 31, 2024
with Independent Auditor's Report

Idemitsu Kosan Co.,Ltd.

CONSOLIDATED BALANCE SHEET

Idemitsu Kosan Co., Ltd. and Consolidated Subsidiaries
March 31, 2024

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023	**2024**	**2024**
ASSETS			
Current assets:			
Cash and cash equivalents (Note 19)	¥103,079	**¥136,900**	**$904**
Notes and accounts receivable, trade (Note 19)	841,798	**919,011**	**6,069**
Inventories (Note 5)	1,308,570	**1,377,865**	**9,100**
Accounts receivable, other (Note 19)	323,439	**317,775**	**2,098**
Short-term loans	17,543	**23,280**	**153**
Other (Notes 19 and 20)	138,370	**148,605**	**981**
Less: Allowance for doubtful accounts	(733)	**(6,595)**	**(43)**
Total current assets	2,732,068	**2,916,843**	**19,264**
Property, plant and equipment (Notes 6, 8, and 18):			
Buildings and structures	250,997	**239,549**	**1,582**
Machinery and equipment	265,024	**260,317**	**1,719**
Land (Note 7)	755,014	**751,345**	**4,962**
Construction in progress	29,044	**23,150**	**152**
Other	89,933	**88,217**	**582**
Total property, plant and equipment	1,390,013	**1,362,581**	**8,999**
Intangible fixed assets:			
Goodwill	140,481	**131,228**	**866**
Other	149,753	**140,798**	**929**
Total intangible fixed assets	290,235	**272,027**	**1,796**
Investments and other assets:			
Investments in securities (Notes 4 and 19)	23,988	**23,863**	**157**
Investments in nonconsolidated subsidiaries and affiliates (Notes 4 and 19)	220,711	**242,451**	**1,601**
Long-term loans (Note 19)	23,944	**43,524**	**287**
Guarantee deposits	27,202	**20,374**	**134**
Long-term prepaid expenses	16,579	**16,415**	**108**
Exploration and development expenditures	2,929	**2,953**	**19**
Deferred tax assets (Note 16)	15,424	**14,410**	**95**
Other	124,879	**132,084**	**872**
Less: Allowance for doubtful accounts	(2,607)	**(35,234)**	**(232)**
Total investments and other assets	453,052	**460,844**	**3,043**
Total assets	¥4,865,370	**¥5,012,295**	**$33,104**

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023	**2024**	**2024**
LIABILITIES AND EQUITY			
Current liabilities:			
Notes and accounts payable, trade (Note 19)	¥697,307	**¥793,760**	**$5,242**
Short-term borrowings (Notes 9 and 19)	372,152	**356,159**	**2,352**
Commercial paper (Notes 9 and 19)	301,983	**225,971**	**1,492**
Current portion of long-term debt (Notes 9 and 19)	114,549	**97,255**	**642**
Accounts payable, other (Note 9)	390,189	**479,783**	**3,168**
Accrued expenses	41,116	**38,714**	**255**
Income taxes payable	67,978	**56,942**	**376**
Accrued bonuses to employees	17,122	**16,677**	**110**
Other (Notes 9, 19, and 20)	161,586	**127,234**	**840**
Total current liabilities	2,163,986	**2,192,498**	**14,480**
Long-term liabilities:			
Long-term debt (Notes 9 and 19)	669,232	**619,056**	**4,088**
Deferred tax liabilities (Note 16)	35,747	**39,412**	**260**
Deferred tax liability related to land revaluation (Notes 7 and 16)	85,912	**84,840**	**560**
Liability for employees' retirement benefits (Notes 2(T) and 10)	60,351	**51,793**	**342**
Reserve for repair work	85,599	**81,997**	**541**
Asset retirement obligations (Note 11)	29,979	**26,815**	**177**
Other (Notes 19 and 20)	105,253	**103,348**	**682**
Total long-term liabilities	1,072,076	**1,007,265**	**6,652**
Total liabilities	3,236,062	**3,199,763**	**21,133**
Contingent liabilities (Note 12)			
Equity (Note 13):			
Shareholders' equity:			
Common stock:	168,351	**168,351**	**1,111**
Authorized, 436,000,000 shares and issued, 297,864,718 shares in 2023			
Authorized, 2,180,000,000 shares and issued, 1,392,642,290 shares in 2024 *			
Capital surplus	451,642	**390,341**	**2,578**
Retained earnings	848,910	**1,037,716**	**6,853**
Treasury stock-at cost, 4,859,945 shares in 2023 and 13,602,310 shares in 2024 *	(14,788)	**(11,006)**	**(72)**
Total shareholders' equity	1,454,116	**1,585,403**	**10,470**
Accumulated other comprehensive income (loss):			
Surplus from land revaluation (Note 7)	154,641	**155,282**	**1,025**
Deferred gains (losses) on hedges (Notes 17 and 20)	(6,431)	**(4,255)**	**(28)**
Unrealized gains on available-for-sale securities	3,918	**5,918**	**39**
Foreign currency translation adjustments	(4,571)	**31,652**	**209**
Defined retirement benefit plans	12,853	**25,895**	**171**
Total accumulated other comprehensive income	160,410	**214,492**	**1,416**
Noncontrolling interests in consolidated subsidiaries	14,781	**12,636**	**83**
Total equity	1,629,308	**1,812,531**	**11,971**
Total liabilities and equity	¥4,865,370	**¥5,012,295**	**$33,104**

*Note: Idemitsu Kosan Co., Ltd. conducted a 1:5 stock split on its common shares with the effective date of January 1, 2024.

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Idemitsu Kosan Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2024

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023	**2024**	**2024**
Net sales	¥9,456,281	**¥8,719,201**	**$57,586**
Cost of sales (Note 5)	8,662,257	**7,872,080**	**51,991**
Gross profit	794,023	**847,121**	**5,594**
Selling, general, and administrative expenses (Note 14)	511,581	**500,804**	**3,307**
Operating income	282,442	**346,316**	**2,287**
Non-operating income (expenses):			
Interest income	4,884	**16,032**	**105**
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	25,981	**16,720**	**110**
Gain on foreign exchange, net	14,609	**17,019**	**112**
Dividend income	3,068	**4,233**	**27**
Interest expense	(15,289)	**(20,253)**	**(133)**
Subsidy income	3,757	**2,156**	**14**
Gain on sales of fixed assets	70,577	**7,655**	**50**
Gain on sales of investments in securities	585	**3,746**	**24**
Gain on sales of shares of subsidiaries and affiliates	102	**379**	**2**
Impairment loss on fixed assets (Note 8)	(25,824)	**(10,619)**	**(70)**
Loss on sales of fixed assets	(1,457)	**(514)**	**(3)**
Loss on disposals of fixed assets	(4,824)	**(6,842)**	**(45)**
Loss on valuation of investments in nonconsolidated subsidiaries and affiliates	(5,629)	**(3,285)**	**(21)**
Loss on transfer of business	—	**(4,818)**	**(31)**
Loss on step acquisitions	7,223	—	—
Provision of allowance for doubtful accounts	—	**(41,095)**	**(271)**
Other, net (Note 2(Y))	(11,935)	**(77)**	**(0)**
Non-operating income (expenses), net	65,828	**(19,562)**	**(129)**
Income before income taxes	348,270	**326,754**	**2,158**
Income taxes - Current (Note 16)	102,523	**102,420**	**676**
- Deferred (Note 16)	(5,030)	**(2,509)**	**(16)**
Total income taxes	97,492	**99,911**	**659**
Net income	250,777	**226,843**	**1,498**
Net loss attributable to noncontrolling interests	(2,868)	**(1,675)**	**(11)**
Net income attributable to owners of the parent	¥253,646	**¥228,518**	**$1,509**
Basic net income per share (in yen and dollars) (Notes 2(V) and 21)	¥170.67	**¥161.32**	**$1.06**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Idemitsu Kosan Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2024

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023	**2024**	**2024**
Net income	**¥250,777**	**¥226,843**	**$1,498**
Other comprehensive income (Note 17)			
Unrealized gains on available-for-sale securities	**523**	**2,282**	**15**
Deferred gains (losses) on hedges	**(164)**	**38**	**0**
Surplus from land revaluation	**(1,949)**	**940**	**6**
Foreign currency translation adjustments	**21,744**	**34,109**	**225**
Defined retirement benefit plans	**1,743**	**13,229**	**87**
Share of other comprehensive income in associates	**(267)**	**4,101**	**27**
Total other comprehensive income	**21,628**	**54,701**	**361**
Comprehensive income (Note 17)	**¥272,406**	**¥281,544**	**$1,859**
Total comprehensive income attributable to (Note 17):			
Owners of the parent	**¥274,824**	**¥282,899**	**$1,868**
Noncontrolling interests	**(2,418)**	**(1,354)**	**(8)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Idemitsu Kosan Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2024

	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 April 1, 2022	**1,486,517**	**¥168,351**	**¥460,507**	**¥645,330**	**(¥1,883)**	**¥1,272,306**
Capital surplus (goodwill)			**(8,865)**			**(8,865)**
Cash dividends, ¥34 per share*				**(50,629)**		**(50,629)**
Net income attributable to owners of the parent				**253,646**		**253,646**
Acquisitions of treasury stock	**(21,795)**				**(13,091)**	**(13,091)**
Disposals of treasury stock	**302**		**0**		**186**	**187**
Adjustment due to sale and revaluation of land (Note 7)				**562**		**562**
Items other than changes in shareholders' equity						
Balance at March 31, 2023	**1,465,023**	**¥168,351**	**¥451,642**	**¥848,910**	**(¥14,788)**	**¥1,454,116**
Capital surplus (goodwill)			**(272)**			**(272)**
Cash dividends, ¥28 per share*				**(40,218)**		**(40,218)**
Net income attributable to owners of the parent				**228,518**		**228,518**
Net adjustment to retained earnings due to change in scope of consolidation				**207**		**207**
Acquisitions of treasury stock	**(86,149)**				**(57,360)**	**(57,360)**
Disposals of treasury stock	**96,846**		**0**		**113**	**113**
Cancellation of treasury shares	**(96,681)**		**(61,028)**		**61,028**	**—**
Adjustment due to sale and revaluation of land (Note 7)				**299**		**299**
Items other than changes in shareholders' equity						
Balance at March 31, 2024	**1,379,039**	**¥168,351**	**¥390,341**	**¥1,037,716**	**(¥11,006)**	**¥1,585,403**

***Shares and per share figures have been restated, as appropriate, to reflect a five-for-one stock split effected January 1, 2024.**

	Millions of U.S. Dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2023	**$1,111**	**$2,982**	**$5,606**	**($97)**	**$9,603**
Capital surplus (goodwill)		**(1)**			**(1)**
Cash dividends, $0.18 per share*			**(265)**		**(265)**
Net income attributable to owners of the parent			**1,509**		**1,509**
Net adjustment to retained earnings due to change in scope of consolidation			**1**		**1**
Acquisitions of treasury stock				**(378)**	**(378)**
Disposals of treasury stock		**0**		**—**	**—**
Cancellation of treasury shares		**(403)**		**403**	**—**
Adjustment due to sale and revaluation of land (Note 7)			**1**		**1**
Items other than changes in shareholders' equity					
Balance at March 31, 2024	**$1,111**	**$2,578**	**$6,853**	**($72)**	**$10,470**

(Continued)

	Millions of Yen							
	Accumulated other comprehensive income							
	Surplus from land revaluation	Deferred gains (losses) on hedges	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 April 1, 2022	**¥157,154**	**(¥5,236)**	**¥3,443**	**(¥26,762)**	**¥11,196**	**¥139,795**	**¥24,410**	**¥1,436,512**
Capital surplus (goodwill)								**(8,865)**
Cash dividends, ¥34 per share*								**(50,629)**
Net income attributable to owners of the parent								**253,646**
Acquisitions of treasury stock								**(13,091)**
Disposals of treasury stock								**187**
Adjustment due to sale and revaluation of land (Note 7)	**(562)**					**(562)**		—
Items other than changes in shareholders' equity	**(1,949)**	**(1,194)**	**475**	**22,191**	**1,656**	**21,178**	**(9,629)**	**11,548**
Balance at March 31, 2023	**¥154,641**	**(¥6,431)**	**¥3,918**	**(¥4,571)**	**¥12,853**	**¥160,410**	**¥14,781**	**¥1,629,308**
Capital surplus (goodwill)								**(272)**
Cash dividends, ¥28 per share*								**(40,218)**
Net income attributable to owners of the parent								**228,518**
Net adjustment to retained earnings due to change in scope of consolidation								**207**
Acquisitions of treasury stock								**(57,360)**
Disposals of treasury stock								**113**
Cancellation of treasury shares								—
Adjustment due to sale and revaluation of land (Note 7)	**(299)**					**(299)**		—
Items other than changes in shareholders' equity	**940**	**2,176**	**1,999**	**36,223**	**13,041**	**54,381**	**(2,145)**	**52,236**
Balance at March 31, 2024	**¥155,282**	**(¥4,255)**	**¥5,918**	**¥31,652**	**¥25,895**	**¥214,492**	**¥12,636**	**¥1,812,531**

	Millions of U.S. Dollars (Note 1)							
	Accumulated other comprehensive income							
	Surplus from land revaluation	Deferred gains (losses) on hedges	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, 2023	**$1,021**	**($42)**	**$25**	**($30)**	**$84**	**$1,059**	**$97**	**$10,760**
Capital surplus (goodwill)								**(1)**
Cash dividends, $0.18 per share*								**(265)**
Net income attributable to owners of the parent								**1,509**
Net adjustment to retained earnings due to change in scope of consolidation								**1**
Acquisitions of treasury stock								**(378)**
Disposals of treasury stock								—
Cancellation of treasury shares								—
Adjustment due to sale and revaluation of land (Note 7)	**(1)**					**(1)**		—
Items other than changes in shareholders' equity	**6**	**14**	**13**	**239**	**86**	**359**	**(14)**	**344**
Balance at March 31, 2024	**$1,025**	**($28)**	**$39**	**$209**	**$171**	**$1,416**	**$83**	**$11,971**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Idemitsu Kosan Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2024

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2023	**2024**	**2024**
Operating activities:			
Income before income taxes	¥348,270	**¥326,754**	**$2,158**
Adjustments for:			
Depreciation and amortization	104,449	**99,158**	**654**
Impairment loss on fixed assets (Note 8)	25,824	**10,619**	**70**
Loss on transfer of business	—	**4,818**	**31**
Amortization of goodwill	9,463	**9,403**	**62**
Decrease in liability for employees' retirement benefits	(12,338)	**(27,089)**	**(178)**
Increase (decrease) in reserve for repair work	17,156	**(3,601)**	**(23)**
(Decrease) increase in allowance for doubtful accounts (Note 2(Z))	(611)	**38,278**	**252**
Equity in losses of nonconsolidated subsidiaries and affiliates, net	(25,981)	**(16,720)**	**(110)**
Gain on sales of fixed assets, net	(69,119)	**(7,140)**	**(47)**
Gain on sale of investment securities (Note 2(Z))	(576)	**(3,724)**	**(24)**
Loss on valuation of investments in nonconsolidated subsidiaries and affiliates (Note 2(Z))	5,629	**3,285**	**21**
Decrease (increase) in notes and accounts receivable, trade	61,361	**(60,385)**	**(398)**
Increase in inventories	(99,611)	**(58,978)**	**(389)**
(Increase) decrease in accounts receivable, other	(57,976)	**20,229**	**133**
(Decrease) increase in notes and accounts payable, trade	(171,193)	**80,246**	**529**
(Decrease) increase in accounts payable, other	(28,622)	**100,409**	**663**
Payment of income taxes	(74,796)	**(115,334)**	**(761)**
Other, net (Note 2(Z))	(64,173)	**(22,835)**	**(150)**
Net cash provided by (used in) operating activities	(32,844)	**377,391**	**2,492**
Investing activities:			
Purchases of tangible fixed assets	(85,570)	**(70,861)**	**(468)**
Proceeds from sales of tangible fixed assets	114,111	**13,856**	**91**
Purchases of intangible fixed assets	(4,908)	**(6,255)**	**(41)**
Purchases of investment securities	(2,071)	**(15,575)**	**(102)**
Proceeds from sales of investment securities	30,819	**8,079**	**53**
Proceeds from transfer of business	—	**33,192**	**219**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	555	—	—
Disbursements for long-term loans	(12,866)	**(19,446)**	**(128)**
Proceeds from collection of long-term loans receivable	1,761	**1,942**	**12**
Increase in short-term loans receivable, net	(5,119)	**(5,613)**	**(37)**
Other, net	33,369	**(5,124)**	**(33)**
Net cash provided by (used in) investing activities	70,079	**(65,805)**	**(434)**
Financing activities:			
Increase (decrease) in short-term borrowings, net	9,906	**(24,056)**	**(158)**
Increase (decrease) in commercial paper, net	64,982	**(76,011)**	**(502)**
Proceeds from long-term debt	13,740	**48,279**	**318**
Repayments of long-term debt	(102,363)	**(124,293)**	**(820)**
Proceeds from issuance of bonds	20,000	—	—
Redemption of bonds	(10,000)	—	—
Purchases of treasury stock	(13,091)	**(57,360)**	**(378)**
Disposal of treasury stock	319	**113**	—
Cash dividends paid	(50,629)	**(40,218)**	**(265)**
Proceeds from share issuance to non-controlling shareholders	4,736	—	—
Cash dividends paid to noncontrolling interests	(1,505)	**(268)**	**(1)**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(19,755)	—	—
Other, net	(6,755)	**(6,690)**	**(44)**
Net cash used in financing activities	(90,416)	**(280,506)**	**(1,852)**
Effect of exchange rate changes on cash and cash equivalents	17,230	**2,740**	**18**
Net increase (decrease) in cash and cash equivalents	(35,950)	**33,820**	**223**
Cash and cash equivalents at the beginning of year	139,030	**103,079**	**680**
Cash and cash equivalents at the end of year	¥103,079	**¥136,900**	**$904**

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 2023 consolidated financial statements to conform to the classifications used in 2024.

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 ¥151.41 to $1, the approximate rate of exchange at March 31, 2024. 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, 2024, 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 five 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, 2023 and 2024, is as follows:

Consolidated subsidiaries	2023	**2024**
Domestic	28	**25**
Overseas	92	**86**
(C) Business combinations Total	120	**111**

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 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, 2023 and 2024, is as follows:

Equity method entities	2023	**2024**
Nonconsolidated subsidiaries	4	**4**
Affiliates	20	**23**
Total	24	**27**

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, crude oil and petroleum products swaps and forward contracts, and coal swap to hedge the risks of exchange rate fluctuations, interest rate fluctuations, and price fluctuations of crude oil and petroleum products and coal, 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 hedging 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 Group is 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) Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(Z) Change on presentation

(Consolidated statement of cash flows)

Prior to April 1, 2023, "Increase (decrease) in allowance for doubtful accounts," "Loss (gain) on sale of investment securities," and "Loss on valuation of investments in nonconsolidated subsidiaries and affiliates" were included in “Other, net” among “Operating activities" section in the consolidated statement of cash flows. During this fiscal year ended March 31, 2024, the amount is disclosed separately in “Operating activities" section in the consolidated statement of cash flows for the year ended March 31, 2024 since the amount increased significantly. The amount included in “Other, net” for the year ended March 31, 2023, was ¥4,441 million.

In addition, prior to April 1, 2023, "Loss on valuation of investment securities, net" was disclosed separately in “Operating activities" section in the consolidated statement of cash flows. During this fiscal year ended March 31, 2024, the amount is included in “Other, net” among “Operating activities" section in the consolidated statement of cash flows for the year ended March 31, 2024 since the amount decreased significantly. The amount included in "Other, net" for the year ended March 31, 2023, was ¥122 million.

(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”, which is recorded in Note 11.

(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 Group 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, is presented in 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 Group will obtain the rights is 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) Sale of electricity:

The power and renewable energy segment mainly conducts power generation (thermal power, solar power, wind power, etc.) and sales of electricity.

Regarding the revenue pertaining to power generation and 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 is 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.

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

As to Nghi Son Refinery and Petrochemical LLC ("NSRP"), an equity-method affiliate of the Company, the Company has an equity interest and loans receivable and provides funding through loans and disbursements on behalf of NSRP via consolidated 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 and the collectability of long-term loans, and the collectability of receivables from the disbursements. 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	Millions of U.S. Dollars
Equity interest	Investments in nonconsolidated subsidiaries and affiliates	-	-
Loans	Long-term loans receivable	¥35,051	$231
	Less: Allowance for doubtful accounts	(35,051)	(231)
	Net carrying amount	-	-
Disbursements on behalf of NSRP	Accounts receivable, other	¥139,023	$918
	Less: Allowance for doubtful accounts	(6,098)	(40)
	Net carrying amount	¥132,924	$877

Since NSRP recorded a large amount of operating losses in past fiscal years due to lower refinery utilization rates it initially experienced and unfavorable market conditions on product margins subsequent to the commencement of commercial operation, NSRP's equity has been negative since fiscal year 2020. During the current fiscal year, NSRP recorded an operating loss due to the impact from decreased product margins compared to the preceding fiscal year and the turnaround conducted this fiscal year. NSRP's financial performance was also affected by financial costs arising from increased amounts of borrowings. As a result, similar to the preceding fiscal year, NSRP recorded net loss during the current fiscal year. Since the history of the operating losses and negative equity indicated that its fixed assets subject to 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 ¥812,294 million ($5,364 million) recorded in its balance sheet, NSRP did not recognize an impairment loss on the fixed assets.

In preparing the Company's consolidated financial statements, the Company measured the fair value and assessed the collectability of the long-term loans and the receivables from the disbursements based on estimated future cash flows. As a result, the Company recorded losses on provision of allowances for doubtful accounts of ¥35,051 million ($231 million) and ¥6,044 million ($39 million), respectively, for all of the carrying amount of long-term loans and part of the receivable arising from the disbursements during the current fiscal year.

The value in use, and the measurement of the fair value and the assessment of the collectability 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, feasible measures to improve revenue and forecasts on external factors, such as supply-demand balance, product margins, geopolitical risks, and response measures to climate change. The details of the discount rate are disclosed in Note 19, "Financial Instruments and Related Disclosures." 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 are determined based on the business plan that is 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 due to 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. Securities

Year ended March 31, 2023

(A) Available-for-sale securities with carrying value and acquisition cost as of March 31, 2023, are summarized as follows:

	Millions of Yen		
	Carrying value	Acquisition cost	Unrealized gains (losses)
(1) Securities with carrying values exceeding acquisition cost:			
Equity securities	¥15,264	¥8,609	¥6,654
(2) Securities with carrying values not exceeding acquisition cost:			
Equity securities	2,645	3,059	(413)
Total	¥17,910	¥11,669	¥6,240

Year ended March 31, 2024

(A) Available-for-sale securities with carrying value and acquisition cost as of March 31, 2024, are summarized as follows:

	Millions of Yen		
	Carrying value	Acquisition cost	Unrealized gains (losses)
(1) Securities with carrying values exceeding acquisition cost:			
Equity securities	**¥15,681**	**¥8,745**	**¥6,936**
(2) Securities with carrying values not exceeding acquisition cost:			
Equity securities	**1,589**	**1,863**	**(274)**
Total	**¥17,271**	**¥10,608**	**¥6,662**

	Millions of U.S. Dollars		
	Carrying value	Acquisition cost	Unrealized gains (losses)
(1) Securities with carrying values exceeding acquisition cost:			
Equity securities	**$103**	**$57**	**$45**
(2) Securities with carrying values not exceeding acquisition cost:			
Equity securities	**10**	**12**	**(1)**
Total	**$114**	**$70**	**$43**

(B)Available-for-sale securities sold during the fiscal years ended March 31, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Proceeds from sales	¥803	**¥7,460**	**$49**
Total gains	¥585	**¥3,746**	**$24**
Total losses	¥8	**¥21**	**$0**

(C)The impairment loss on valuation of investment securities and investment in associated companies for the years ended March 31, 2023 and 2024, were ¥122 million and ¥352 million ($2 million), respectively.

5. Inventories

Inventories as of March 31, 2023 and 2024, consist of the following:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Merchandise and finished products	¥737,864	**¥746,360**	**$4,929**
Work in process	1,887	**1,343**	**8**
Raw materials and supplies	568,818	**630,162**	**4,161**
Total	¥1,308,570	**¥1,377,865**	**$9,100**

Write-downs, net of reversal of write-downs recognized during the prior fiscal year, of ¥17,983 million and (¥14,291) million (($94) million) are included in the cost of sales for the fiscal years ended March 31, 2023 and 2024, respectively.

6. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment is ¥2,061,428 million and ¥2,111,116 million ($13,943 million) as of March 31, 2023 and 2024, 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 ¥417 million and ¥513 million ($3 million) for the fiscal years ended March 31, 2023 and 2024, 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 ¥51,082 million and ¥5,455 million ($36 million) for the fiscal years ended March 31, 2023 and 2024, 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 was (¥1,025) million and (¥1,521) million (($10) million) for the fiscal years ended March 31, 2023 and 2024, 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, 2023 and 2024, changes during the fiscal years then ended, and their fair values are as follows:

Millions of Yen			
Carrying amount			Fair value
April 1, 2022	Changes during the fiscal year	March 31, 2023	March 31, 2023
¥108,828	(¥1,043)	¥107,785	¥99,417

Millions of Yen			
Carrying amount			Fair value
April 1, 2023	**Changes during the fiscal year**	**March 31, 2024**	**March 31, 2024**
¥107,785	**(¥5,958)**	**¥101,826**	**¥97,381**

Millions of U.S. Dollars			
Carrying amount			Fair value
April 1, 2023	**Changes during the fiscal year**	**March 31, 2024**	**March 31, 2024**
$711	**($39)**	**$672**	**$643**

1. Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal year ended March 31, 2023 and 2024, primarily represents sales of properties.
3. Fair values of properties as of March 31, 2023 and 2024, are measured by the Group in accordance with its real estate appraisal standard.

7. 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, 2023 and 2024, declined by ¥116,747 million and ¥106,382 million ($702 million), respectively, compared to the book value after the revaluation.

8. 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 each asset group in some refineries is estimated based on its value in use, which is calculated by discounting future cash flows at a discount rate of 3.9%.

(A) Loss on impairment of fixed assets for the fiscal year ended March 31, 2023, consists of the following:

			Impairment loss
Use	Location	Type of asset	Millions of Yen
(Idle assets)			
Factory	Chiba Factory (Ichihara, Chiba) and other	Machinery, equipment and others	**¥ 7,387**
Oil depot and others	Former Yokohama Office (Yokohama,Kanagawa) and others	Land	**1,274**
		Buildings and others	**10,598**
			11,872
(Business assets)			
Lubricants business assets and others	Manufacturing plant in China and others	Production equipment and others	**6,563**
Total			**¥ 25,824**

(B) Loss on impairment of fixed assets for the fiscal year ended March 31, 2024, consists of the following:

			Impairment loss	
Use	Location	Type of asset	Millions of Yen	Millions of U.S. Dollars
(Idle assets)				
Oil depot and others	Teizan Shiogama oil depot (Shiogama, Miyagi) and others	Land	**¥796**	**$5**
		Buildings and others	**3,178**	**20**
			¥3,974	**$26**
(Business assets)				
Refinery and others	Yamaguchi Refinery (Sanyo-onoda, Yamaguchi) and others	Machinery, equipment and others	**6,644**	**43**
Total			**¥ 10,619**	**$ 70**

9. 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, 2023 and 2024, are approximately 1.81% and 1.54%, respectively.

(B) Short-term borrowings, commercial paper, and the current portion of long-term debt as of March 31, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Loans from banks, insurance companies, and government agencies:			
Unsecured	¥372,152	**¥356,159**	**$2,352**
Commercial paper	301,983	**225,971**	**1,492**
Current portion of long-term debt	114,549	**97,255**	**642**
Current portion of lease obligations*	5,982	**6,391**	**42**
Total	¥794,667	**¥685,777**	**$4,529**

* 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, 2023 and 2024, are ¥258,070 million and ¥210,000 million ($1,386 million), respectively. This facility had not been utilized in either of the two fiscal years.

(C) Long-term debt as of March 31, 2023 and 2024, is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Loans from banks, insurance companies, and government agencies:			
Unsecured	¥633,781	**¥566,311**	**$3,740**
Unsecured straight bonds	150,000	**150,000**	**990**
Lease obligations*	45,479	**44,225**	**292**
	829,261	**760,536**	**5,023**
Less: Current portion of long-term debt	(114,549)	**(97,255)**	**(642)**
Less: Current portion of lease obligations	(5,982)	**(6,391)**	**(42)**
Net	¥708,729	**¥656,890**	**$4,338**

* 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, 2023 and 2024, are as follows:

	2023	**2024**
Short-term borrowings	1.81%	**1.54%**
Commercial paper	0.05%	**0.10%**
Current portion of long-term debt (excluding lease obligations)	0.81%	**1.34%**
Long-term debt (excluding current portion)	0.74%	**1.25%**

Annual maturities of loans within long-term debt outstanding as of March 31, 2024, are as follows:

Long-term loans

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2025	**¥87,255**	**$576**
2026	**92,287**	**609**
2027	**61,439**	**405**
2028	**78,479**	**518**
2029	**72,488**	**478**
2030 and thereafter	**174,362**	**1,151**
Total	**¥566,311**	**$3,740**

Straight bonds

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2025	**¥10,000**	**$66**
2026	**30,000**	**198**
2027	**20,000**	**132**
2028	**10,000**	**66**
2029	**10,000**	**66**
2030 and thereafter	**70,000**	**462**
Total	**¥150,000**	**$990**

Lease obligations

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2025	**¥6,391**	**$42**
2026	**5,574**	**36**
2027	**4,753**	**31**
2028	**2,113**	**13**
2029	**1,665**	**10**
2030 and thereafter	**23,726**	**156**
Total	**¥44,225**	**$292**

The net book value of assets pledged as collateral as of March 31, 2023 and 2024, is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
(i) Factory foundation mortgage:			
Land*	¥370,755	**¥362,575**	**$2,394**
Machinery and equipment	37,734	**30,801**	**203**
Other	27,788	**18,940**	**125**
(ii) Other pledges:			
Land	—	**8,077**	**53**
Investment securities	2,590	**3,008**	**19**
Capital contribution	242	**1,297**	**8**
Total	¥439,111	**¥424,700**	**$2,804**

As of March 31, 2023 and 2024, 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, 2023 and 2024.

* Accounts payable, other for which the land is pledged as collateral are ¥51,513 million and ¥84,903 million ($560 million) as of March 31, 2023 and 2024, respectively. Accounts payable, other for which the land is pledged as collateral for other mortgage is ¥7,583 million ($50 million) as of March 31, 2024.

In addition, the Company pledged as collateral of the 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, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Investments in nonconsolidated subsidiaries and affiliates	—	—	—
Long-term loans	—	—	—
Total	—	—	—

10. 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, 2023 and 2024, are as follows*:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Balance at beginning of year	¥170,007	**¥161,426**	**$1,066**
Current service cost	4,051	**3,728**	**24**
Interest cost	1,180	**1,752**	**11**
Actuarial losses	(4,614)	**(5,438)**	**(35)**
Benefits paid	(13,165)	**(12,859)**	**(84)**
Past service cost	―	**(718)**	**(4)**
Increase resulting from change in scope of consolidation	3,984	**―**	**―**
Others	(18)	**4**	**0**
Balance at end of year	¥161,426	**¥147,894**	**$976**

(*) 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, 2023 and 2024, are as follows*:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Balance at beginning of year	¥143,876	**¥146,607**	**$968**
Expected return on plan assets	2,756	**2,739**	**18**
Actuarial gains	225	**15,118**	**99**
Contributions from the employer	4,237	**2,593**	**17**
Benefits paid	(7,531)	**(6,987)**	**(46)**
Increase resulting from change in scope of consolidation	3,043	**―**	**―**
Balance at end of year	¥146,607	**¥160,070**	**$1,057**

(*) 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, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Balance at beginning of year	¥2,027	**¥2,124**	**$14**
Net periodic benefit costs	579	**330**	**2**
Benefits paid	(243)	**(264)**	**(1)**
Contributions from the employer	(239)	**(227)**	**(1)**
Increase resulting from change in scope of consolidation	―	**101**	**0**
Balance at end of year	¥2,124	**¥2,064**	**$13**

(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		Millions of U.S. Dollars
	2023	**2024**	**2024**
Funded defined benefit obligation	¥163,598	**¥150,409**	**$993**
Plan assets	(150,020)	**(163,611)**	**(1,080)**
Total	13,578	**(13,201)**	**(87)**
Unfunded defined benefit obligation	3,364	**3,090**	**20**
Net liability arising from defined benefit obligation	¥16,942	**(¥10,111)**	**($66)**

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Liabilities for employees' retirement benefits	¥60,351	**¥51,793**	**$342**
Assets for employees' retirement benefits	(43,408)	**(61,904)**	**(408)**
Net liabilities arising from defined benefit obligations	¥16,942	**(¥10,111)**	**($66)**

(*) 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, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Service cost	¥4,051	**¥3,728**	**$24**
Interest cost	1,180	**1,752**	**11**
Expected return on plan assets	(2,756)	**(2,739)**	**(18)**
Recognized actuarial losses	(2,301)	**(2,138)**	**(14)**
Amortization of past service cost	(20)	**(80)**	**(0)**
Net periodic benefit costs calculated using simplified method	579	**330**	**2**
Net periodic benefit costs	¥734	**¥853**	**$5**

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Past service cost	¥20	**(¥638)**	**($4)**
Actuarial (gains)	(2,538)	**(18,418)**	**(121)**
Total	(¥2,518)	**(¥19,056)**	**($125)**

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Unrecognized past service cost	(¥224)	**(¥862)**	**($5)**
Unrecognized actuarial losses	(18,902)	**(37,321)**	**(246)**
Total	(¥19,127)	**(¥38,183)**	**($252)**

(8) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2023 and 2024, consist of the following**:

	2023	**2024**
Debt investments	26%	**30%**
Equity investments	21	**21**
Alternative investments	32	**36**
Cash and deposits	17	**11**
Others	3	**2**
Total	100%	**100%**

(*) Total plan assets include 23% and 20% each of retirement benefit trust assets for certain corporate pension plans as of March 31, 2023 and 2024, 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, 2023 and 2024, are set forth as follows*:

	2023	**2024**
Discount rate	1.0%	**1.3%**
Expected rate of return on plan assets	2.5%	**2.4%**

(*)The discount rate and expected rate of return on plan assets for the years ended March 31, 2023 and 2024, 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, 2023 and 2024, are ¥1,383 million and ¥1,286 million ($8 million), respectively.

11. 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 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 coal mining. The discount rates to be applied for the fiscal years ended March 31, 2023 and 2024, vary from 0.0% to 4.6% and 0.0% to 5.4%, respectively.

(C) The changes in asset retirement obligations for the fiscal years ended March 31, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Balance at beginning of year	¥46,904	**¥34,479**	**$227**
Additional provisions associated with the acquisition of property, plant and equipment	2,151	**60**	**0**
Reconciliation associated with passage of time	1,232	**778**	**5**
Reduction associated with meeting asset retirement obligations	(1,082)	**(2,823)**	**(18)**
Changes in estimates*1	10,162	**(1,423)**	**(9)**
Other increases (decreases)*2	(24,888)	**1,099**	**7**
Balance at end of year	¥34,479	**¥32,171**	**$212**

Notes: *1 During the consolidated fiscal year under review, the Company changed the amounts of estimates due to its review of the expenses to be incurred upon termination of production or mining rights by some overseas consolidated subsidiaries and the discount rate. The breakdown of changes in estimates for the year ended March 31, 2023, is increase of ¥10,257 million and decrease of ¥95 million. The breakdown of changes in estimates for the year ended March 31, 2024, is increase of ¥121 million ($0 million) and decrease of ¥1,544 million ($10 million).

*2 Other increased (decreased) amount is, among others, a decrease as a result of a transfer to liabilities directly associated with assets held for sale for the fiscal year ended March 31, 2023. Other increases (decreases) primarily relate to changes in foreign currency exchange rates for the fiscal year ended March 31, 2024.

12. 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, 2023 and 2024:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Employees	¥135	**¥96**	**$0**
Nonconsolidated subsidiaries and affiliates	5,893	**3,267**	**21**
Other	11,853	**8,577**	**56**
Total	¥17,882	**¥11,941**	**$78**

(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, 2023 and 2024, is ¥144,605 million and ¥142,425 million ($940 million), 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.

13. 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.

On January 1, 2024, the Company made a five-for-one stock split based on the resolution of the Board of Directors' meeting held on November 14, 2023.

Changes in treasury stock are as follows:

(Thousands of Shares)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Balance at the beginning of the year	561	**4,859**
Increase during the year *1	4,359	**105,457**
Decrease during the year *2	(60)	**(96,714)**
Balance at the end of the year	4,859	**13,602**

(*1) Shares have been restated, as appropriate, to reflect a five-for-one stock split effective from January 1, 2024.

(*2) The Company canceled treasury stock by resolution of the Board of Directors for the fiscal year ended March 31, 2024.

14. Selling, General and Administrative Expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Freights	¥107,687	**¥102,215**	**$675**
Salaries	74,331	**77,143**	**509**
Provision for bonuses	12,230	**12,022**	**79**
Retirement benefit expenses	453	**1,331**	**8**
Operational costs	84,276	**93,440**	**617**

Research and development expenses charged to income for the fiscal years ended March 31, 2023 and 2024, are ¥23,640 million and ¥28,821 million ($190 million), respectively.

15. Related Party Transactions

Significant transactions of the Company and its subsidiaries with related parties for the years ended March 31, 2023 and 2024, are as follows:

(A) Transactions of the Company with related parties

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Collection of accounts receivable during the year*1	¥2,026,164	**¥1,039,973**	**$6,868**
Lease of building from Nissho Kosan K.K.*2	88	**88**	**0**

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Undertaking of project completion guarantee:			
NSRP on Nghi Son Refinery and Petrochemical Complex in Vietnam*3	¥144,605	**¥142,425**	**$940**

The balances due to or from related parties at March 31, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Accounts receivable, other*1	¥48,760	**¥52,427**	**$346**
Prepaid rent to Nissho Kosan K.K.*2	8	**8**	**0**
Deposit receivable from Nissho Kosan K.K.*2	45	**45**	**0**

(B) Transactions of subsidiaries with related parties:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Disbursement on behalf of:			
NSRP*3	¥11,966	**¥10,119**	**$66**
Electricity sales to Nissho Kosan K.K.*5	26	**25**	**0**
Electricity sales to Mita Kosan K.K. *6	12	**24**	**0**

The balances due to or from related parties at March 31, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Accounts receivable, other:			
NSRP*3	¥120,520	**¥139,023**	**$918**
Electricity sales to Nissho Kosan K.K. *5	2	**2**	**0**
Electricity sales to Mita Kosan K.K. *6	2	**2**	**0**

(*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, it 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, a director of the Company, and his relatives hold a majority stake 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, 2024, the Company holds a 35.1% equity interest in NSRP. In addition to the above, the Company pledged investments in securities of NSRP amounting to ¥- million and ¥- million as of March 31, 2023 and 2024, respectively, and long-term loans from NSRP amounting to ¥- million and ¥- million as of March 31, 2023 and 2024, respectively, as collateral for NSRP's borrowings from financial institutions.

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

(*5) The collection of accounts receivable represents transactions with Nissho Kosan K.K. ("Nissho Kosan"). Masakazu Idemitsu, a director of the Company, and his relatives hold a majority stake in Nissho Kosan. Transaction amounts and other transaction amounts are based on the same terms and conditions as those generally applied. The balance of accounts receivable represents outstanding receivables from Nissho Kosan at year-end.

(*6) The collection of accounts receivable represents transactions with Mita Kosan K.K. ("Mita Kosan"). A close relative of Masakazu Idemitsu, a director of the Company, holds a majority of the voting rights in Mita Kosan. Transaction amounts and other transaction amounts are based on the same terms and conditions as those generally applied. The balance of accounts receivable represents outstanding receivables from Mita Kosan at year-end.

(C) Significant affiliates for the year ended March 31, 2024, were NSRP and INPEX Norway, and a summary of its financial information is as follows:

	Nghi Son Refinery and Petrochemical LLC			**INPEX Norway**		
	Millions of Yen		Millions of U.S. Dollars	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**	2023	**2024**	**2024**
Current assets	¥239,722	**¥254,512**	**$1,680**	¥97,582	**¥117,154**	**$773**
Non-current assets	805,512	**823,341**	**5,437**	96,317	**82,693**	**546**
Current liabilities	493,458	**577,935**	**3,817**	51,868	**41,012**	**270**
Long-term liabilities	748,399	**840,100**	**5,548**	50,257	**56,413**	**372**
Equity	(196,562)	**(340,182)**	**(2,246)**	91,774	**102,422**	**676**
Net sales	995,081	**883,447**	**5,834**	163,469	**127,766**	**843**
(Losses) gains before income taxes	(44,233)	**(128,931)**	**(851)**	122,694	**85,436**	**564**
Net (losses) gains	(44,233)	**(128,931)**	**(851)**	28,250	**21,126**	**139**

16. 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, 2023 and 2024.

(A) The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Tax loss carryforwards	¥45,691	**¥51,578**	**$340**
Impairment loss on fixed assets	23,771	**33,887**	**223**
Reserve for repair work	26,170	**25,029**	**165**
Liability for employees' retirement benefits	13,589	**15,166**	**100**
Non-deductible impairment in values of investment securities	15,477	**14,042**	**92**
Allowance for doubtful accounts	983	**10,902**	**72**
Asset retirement obligations	18,705	**10,518**	**69**
Withdrawal of accounts payable	6,905	**7,044**	**46**
Estimated sales discounts for the year	7,034	**6,977**	**46**
Retirement benefit trust	9,217	**6,641**	**43**
Accrued bonuses to employees	4,653	**4,507**	**29**
Deferred losses on hedging activities	3,582	**2,781**	**18**
Business taxes for previous years	1,412	**2,493**	**16**
Depreciation in excess	1,075	**1,671**	**11**
Loss on penalty for LPG business	1,837	**1,531**	**10**
Unrealized losses on available-for-sale securities	90	**86**	**0**
Amortization of software	39	**35**	**0**
Value difference arising from business combinations	9,641	**—**	**—**
Other	15,792	**17,885**	**118**
Subtotal deferred tax assets	205,672	**212,782**	**1,405**
Less valuation allowance for tax loss carryforwards	(41,714)	**(41,735)**	**(275)**
Less valuation allowance for temporary differences	(46,511)	**(59,119)**	**(390)**
Total valuation allowance	(88,225)	**(100,855)**	**(666)**
Total deferred tax assets	117,446	**111,926**	**739**
Value difference arising from business combinations	(65,593)	**(61,407)**	**(405)**
Special tax reserve on property, plant and equipment	(22,592)	**(21,625)**	**(142)**
Special amortization of overseas development costs, etc.	(24,626)	**(19,662)**	**(129)**
Asset for employees' retirement benefits	(8,063)	**(17,527)**	**(115)**
Deferred gains on hedging activities	(3,414)	**(3,450)**	**(22)**
Unrealized gains on available-for-sale securities	(1,902)	**(2,184)**	**(14)**
Retained earnings in subsidiaries and affiliates	(1,268)	**(1,324)**	**(8)**
Adjustment amount of change in the valuation method for inventories	(1,362)	**(438)**	**(2)**
Other	(8,944)	**(9,306)**	**(61)**
Total deferred tax liabilities	(137,769)	**(136,928)**	**(904)**
Net deferred tax liabilities	(¥20,322)	**(¥25,001)**	**($165)**

The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2024, were as follows:

	Millions of Yen						
March 31, 2024	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	¥4,220	¥ 5,052	¥ 4,007	¥178	¥1,879	¥36,240	¥51,578
Less valuation allowances for tax loss carryforwards	(4,220)	(5,052)	(4,007)	(178)	(1,879)	(26,397)	(41,735)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	9,843	*2 9, 843

	Millions of U.S. Dollars						
March 31, 2024	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	$ 33	$ 26	$ 1	$ 12	$ 239	$ 340
Less valuation allowances for tax loss carryforwards	(27)	(33)	(26)	(1)	(12)	(174)	(275)
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	65	*2 65

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, 2024, with the corresponding figures for 2023, is as follows:

	2023	**2024**
Statutory tax rate	30.62%	**30.62%**
Increase (decrease) in taxes resulting from:		
Valuation allowance	2.07	**4.26**
Differences in tax rates applied to foreign subsidiaries	(2.50)	**(1.67)**
Equity in earnings and losses of nonconsolidated subsidiaries and affiliates, net	(2.28)	**(1.57)**
Tax credits	(1.02)	**(1.24)**
Amortization of goodwill	0.77	**0.82**
Non-deductible expenses for tax purposes	0.36	**0.73**
Other	(0.01)	**(1.37)**
Effective income tax rate	27.99%	**30.58%**

17. Other Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Unrealized gains (losses) on available-for-sale securities:			
Gains arising during the year	¥477	**¥6,269**	**$41**
Reclassification adjustments to profit or loss	224	**(3,603)**	**(23)**
Amount before income tax effect	701	**2,665**	**17**
Income tax effect	(178)	**(383)**	**(2)**
Total	¥523	**¥2,282**	**$15**
Deferred gains (losses) on hedging activities, net:			
Gains (losses) arising during the year	(¥4,116)	**¥479**	**$3**
Reclassification adjustments to profit or loss	4,050	**(295)**	**(1)**
Amount before income tax effect	(66)	**184**	**1**
Income tax effect	(98)	**(145)**	**0**
Total	(¥164)	**¥38**	**$0**
Surplus from land revaluation:			
Income tax effect	(¥1,949)	**¥940**	**$6**
Foreign currency translation adjustments:			
Adjustments arising during the year	¥23,808	**¥32,487**	**$214**
Reclassification adjustments to profit or loss	(2,064)	**1,622**	**10**
Amount before income tax effect	21,744	**34,109**	**225**
Income tax effect	—	**—**	**—**
Total	¥21,744	**¥34,109**	**$225**
Defined retirement benefit plans:			
Adjustments arising during the year	¥4,839	**¥21,275**	**$140**
Reclassification adjustments to profit or loss	(2,321)	**(2,218)**	**(14)**
Amount before income tax effect	2,518	**19,056**	**125**
Income tax effect	(774)	**(5,827)**	**(38)**
Total	¥1,743	**¥13,229**	**$87**
Share of other comprehensive income (loss) in affiliates:			
Gains arising during the year	¥1,388	**¥8,211**	**$54**
Reclassification adjustments to profit or loss	(1,656)	**(4,109)**	**(27)**
Total	(¥267)	**¥4,101**	**$27**
Total other comprehensive income	¥21,628	**¥54,701**	**$361**

18. Lease Transactions

(A) Lessee

(1) Finance leases

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

(2) Operating leases

The minimum rental commitments under noncancelable operating leases at March 31, 2024, were as follows:

	Millions of Yen	Millions of U.S. Dollars
Due within one year	**¥7,791**	**$51**
Due after one year	**31,899**	**210**
Total	**¥39,690**	**$262**

Note: The unamortized lease payments related to operating lease transactions are calculated using the straight-line method.

(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.

19. 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. The Group is exposed to foreign currency exchange risk arising from import trade receivables denominated in foreign currencies.

Investments in security without market value is exposed to fluctuation risk of market value.

Debt is mainly for affiliated companies and exposed to credit risk of lenders. The Group regularly monitors the financial situation and strives to manage it appropriately.

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 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 General Affairs department centrally monitors the status of credit management for the entire group and reports monthly to the Credit Committee. 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). The Company and certain consolidated subsidiaries also enter into crude oil and petroleum product, etc., swaps and forward contracts in order to mitigate the risk of price fluctuations of crude oil and petroleum products.

For 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

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 20 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 sheet as of March 31, 2023 and 2024, their fair values, and unrealized gains (losses) are as follows:

March 31, 2023

	Millions of Yen		
	Carrying amount	Fair value	Unrealized losses
Accounts receivable, other	¥319,483	¥319,483	—
Investments in securities *3	17,910	17,910	—
Long-term loans	23,944		
Allowance for doubtful accounts *2	(2,285)		
	21,659	21,659	—
Total assets	¥359,052	¥359,052	—
Bonds payable	150,000	147,624	(¥2,376)
Long-term debt	519,232	508,923	(¥10,309)
Total liabilities	¥669,232	¥656,547	(¥12,685)
Derivative transactions *4	¥7,729	¥7,729	—

Notes: *1 Notes on cash, cash equivalents, notes and accounts receivable, trade, short-term borrowings, commercial paper, and accounts payable-other are omitted because cash equivalents are settled in a short period and the market value approximates to 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 consolidated balance sheet are omitted as well.

*2 Allowance for doubtful accounts provided individually for long-term loans receivable is deducted.

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

*4 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, 2024

	Millions of Yen		
	Carrying amount	Fair value	Unrealized losses
Accounts receivable, other	**¥308,130**		
Allowance for doubtful accounts *2	**(6,098)**		
	¥302,031	**¥302,031**	—
Investments in securities *3	**17,271**	**17,271**	—
Long-term loans	**43,524**		
Allowance for doubtful accounts *2	**(35,136)**		
	¥8,388	**¥8,378**	**(¥9)**
Total assets	**¥327,690**	**¥327,681**	**(¥9)**
Bonds payable	**150,000**	**147,174**	**(2,826)**
Long-term debt	**479,056**	**470,793**	**(8,262)**
Total liabilities	**¥629,056**	**¥617,967**	**(¥11,088)**
Derivative transactions *4	**¥20,641**	**¥20,641**	—

	Millions of U.S. Dollars		
	Carrying amount	Fair value	Unrealized losses
Accounts receivable, other	**$2,035**		
Allowance for doubtful accounts *2	**(40)**		
	$1,994	**$1,994**	—
Investments in securities *3	**114**	**114**	—
Long-term loans	**287**		
Allowance for doubtful accounts *2	**(232)**		
	$55	**$55**	**($0)**
Total assets	**$2,164**	**$2,164**	**($0)**
Bonds payable	**990**	**972**	**(18)**
Long-term debt	**3,163**	**3,109**	**(54)**
Total liabilities	**$4,154**	**$4,081**	**($73)**
Derivative transactions *4	**$136**	**$136**	—

Notes: *1 Notes on cash, cash equivalents, notes and accounts receivable, trade, short-term borrowings, commercial paper, and accounts payable-other are omitted because cash equivalents are settled in a short period and the market value approximates to 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 consolidated balance sheet are omitted as well.

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Investments in partnerships that are measured at the Company's proportionate interest in their net assets in the consolidated balance sheet	**¥9,671**	**¥11,376**	**$75**

*2 Allowance for doubtful accounts provided individually for accounts receivable and long-term loans receivable is deducted.

*3 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		Millions of U.S. Dollars
	2023	**2024**	**2024**
Unlisted equity instruments	¥226,789	**¥249,044**	**$1,644**

*4 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, 2023 and 2024

March 31, 2023

	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	¥841,798	—	—	—
Accounts receivable, other	319,483	—	—	—
Long-term loans	—	¥8,309	¥15,505	¥129
Total	¥1,161,281	¥8,309	¥15,505	¥129

March 31, 2024

	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	**¥919,011**	—	—	—
Accounts receivable, other	**308,130**	—	—	—
Long-term loans	—	**¥7,375**	**¥36,113**	**¥35**
Total	**¥1,227,141**	**¥7,375**	**¥36,113**	**¥35**

	Millions 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	**$6,069**	—	—	—
Accounts receivable, other	**2,035**	—	—	—
Long-term loans	—	**$48**	**$238**	—
Total	**$8,104**	**$48**	**$238**	—

2. The redemption schedule for long-term debt is presented in Note 9.

(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 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, 2023	Level 1	Level 2	Level 3	Total
Investment in securities	¥17,910	—	—	¥17,910
Long-term loans	—	—	—	—
Derivative transactions	—	¥7,729	—	7,729
Total assets	¥17,910	¥7,729	—	¥25,640

	Millions of Yen			
March 31, 2024	Level 1	Level 2	Level 3	Total
Investment in securities	**¥17,271**	**—**	**—**	**¥17,271**
Long-term loans	**—**	**—**	**—**	**—**
Derivative transactions	**—**	**¥20,641**	**—**	**20,641**
Total assets	**¥17,271**	**¥20,641**	**—**	**¥37,912**

	Millions of U.S. Dollars			
March 31, 2024	Level 1	Level 2	Level 3	Total
Investment in securities	**$114**	**—**	**—**	**$114**
Long-term loans	**—**	**—**	**—**	**—**
Derivative transactions	**—**	**$136**	**—**	**136**
Total assets	**$114**	**$136**	**—**	**$250**

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

	Millions of Yen			
March 31, 2023	Level 1	Level 2	Level 3	Total
Accounts receivable-other	—	¥319,483	—	¥319,483
Long-term loans	—	21,659	—	21,659
Total assets	—	¥341,142	—	¥341,142
Bonds payable	—	¥147,624	—	¥147,624
Long-term debt	—	508,923	—	508,923
Total liabilities	—	¥656,547	—	¥656,547

	Millions of Yen			
March 31, 2024	Level 1	Level 2	Level 3	Total
Accounts receivable-other	**—**	**¥169,106**	**¥132,924**	**¥302,031**
Long-term loans	**—**	**8,378**	**—**	**8,378**
Total assets	**—**	**¥177,485**	**¥132,924**	**¥310,410**
Bonds payable	**—**	**¥147,174**	**—**	**¥147,174**
Long-term debt	**—**	**470,793**	**—**	**470,793**
Total liabilities	**—**	**¥617,967**	**—**	**¥617,967**

March 31, 2024	Millions of U.S. Dollars Level 1	Level 2	Level 3	Total
Accounts receivable-other	—	**$1,117**	**$887**	**$1,995**
Long-term loans	—	**55**	—	**55**
Total assets	—	**$1,172**	**$887**	**$2,050**
Bonds payable	—	**$972**	—	**$972**
Long-term debt	—	**3,109**	—	**3,109**
Total liabilities	—	**$4,081**	—	**$4,081**

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

Accounts receivable-other

As the fair value approximates the book value in principle due to the short maturities, the book value is used as the fair value.

The fair value of receivables for which an allowance for doubtful accounts has been established is the amount that would be required to be paid by the debtor.

The fair value of accounts receivable with allowance for doubtful accounts is based on the discounted present value of future cash flows using an expected rate of return (discount rate) that reflects the inherent risk of the debtor, and is classified as Level 3 fair value if the impact of unobservable inputs on the fair value is significant, and Level 2 fair value if it is not. If the impact of unobservable inputs on fair value is significant, the fair value is classified as Level 3 fair value.

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 (items recorded in the consolidated balance sheet at fair value)

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.

Long-term loans (items other than the above)

Long-term loans receivable are measured at the present value of future cash flows discounted at the interest rate that would be applicable to a similar new loan. Long-term loans receivable are classified as Level 2.

The fair value of doubtful receivables is calculated based on the discounted present value of future cash flows using an expected rate of return (discount rate) that reflects the borrower's inherent risk, or the amount expected to be collected through collateral and guarantees, etc. If the impact of unobservable inputs on the fair value is significant, the fair value is classified as Level 3, otherwise it is classified as level 2.

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.

Bonds payable

The fair value of the bonds issued by the Company is determined using quoted market prices and is classified as 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 during the fiscal years ended March 31, 2023 and 2024, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Balance at beginning of year	—	—	—
Gains and losses recorded for the current period *1	—	—	—
Balance at end of year	—	—	—

Notes: *1 There were no gains or losses recognized in the current fiscal year due to the fair value assessment.

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.

20. Derivatives and Hedging Activities

March 31, 2023

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

(1) Currency related

March 31, 2023	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.	¥72,397	—	(¥224)	(¥224)
Buying U.S. dollars, etc.	387,288	¥27,255	1,612	1,612
Total	¥459,686	¥27,255	¥1,388	¥1,388

(2) Interest rate related

March 31, 2023	Millions of Yen			
	Notional amount		Fair value	Unrealized gains
	Contract amount	Maturing after one year		
Interest rate swap contracts: Pay-fixed, receive-variable	¥5,308	¥5,308	¥459	¥459
Total	¥5,308	¥5,308	¥459	¥459

(3) Commodity related

March 31, 2023	Millions of Yen			
	Notional amount		Fair value	Unrealized Gains (losses)
	Contract amount	Maturing after one year		
Commodity swap contracts:				
Selling petroleum products	¥368,195	—	¥3,955	¥3,955
Buying petroleum products	272,699	¥2,738	(2,334)	(2,334)
Total	¥640,894	¥2,738	¥1,621	¥1,621

(B) Derivative transactions to which hedge accounting is applied

(1) Currency related

March 31, 2023	Millions of Yen			
	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	¥19,083	—	¥77
Buying U.S. dollars, etc.	Notes and accounts payable, trade	22,673	—	—
Total		¥41,756	—	¥77

(2) Interest rate related

March 31, 2023	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	¥176,353	¥143,773	¥4,313
Total		¥176,353	¥143,773	¥4,313

(3) Commodity related

March 31, 2023	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	¥1,239	―	(¥157)
Buying petroleum products		755	―	26
Total		¥1,994	―	(¥131)

March 31, 2024

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

(1) Currency related

March 31, 2024	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.	**¥65,036**	**―**	**(¥1,156)**	**(¥1,156)**
Buying U.S. dollars, etc.	**290,680**	**¥28,122**	**12,068**	**12,068**
Total	**¥355,717**	**¥28,122**	**¥10,911**	**¥10,911**

March 31, 2024	Millions 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.	**$429**	**―**	**($7)**	**($7)**
Buying U.S. dollars, etc.	**1,919**	**$185**	**79**	**79**
Total	**$2,349**	**$185**	**$72**	**$72**

(2) Interest rate related

March 31, 2024	Millions of Yen			
	Notional amount		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Interest rate swap contracts: Pay-fixed, receive-variable	**¥5,673**	**¥5,673**	**¥351**	**¥351**
Total	**¥5,673**	**¥5,673**	**¥351**	**¥351**

March 31, 2024	Millions of U.S. Dollars			
	Notional amount		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Interest rate swap contracts: Pay-fixed, receive-variable	**$37**	**$37**	**$2**	**$2**
Total	**$37**	**$37**	**$2**	**$2**

(3) Commodity related

March 31, 2024	Millions of Yen			
	Notional amount		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Commodity swap contracts:				
Selling petroleum products	**¥353,253**	**¥102**	**¥8,185**	**¥8,185**
Buying petroleum products	**285,214**	**—**	**(3,548)**	**(3,548)**
Total	**¥638,468**	**¥102**	**¥4,636**	**¥4,636**

March 31, 2024	Millions of U.S. Dollars			
	Notional amount		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Commodity swap contracts:				
Selling petroleum products	**$2,333**	**$0**	**$54**	**$54**
Buying petroleum products	**1,883**	**—**	**(23)**	**(23)**
Total	**$4,216**	**$0**	**$30**	**$30**

(B) Derivative transactions to which hedge accounting is applied

(1) Currency related

March 31, 2024	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	**¥10,070**	—	**¥164**
Buying U.S. dollars, etc.	Notes and accounts payable, trade	**—**	—	—
Total		**¥10,070**	—	**¥164**

March 31, 2024	Hedged item	Millions 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	**$66**	—	**$1**
Buying U.S. dollars, etc.	Notes and accounts payable, trade	**—**	—	—
Total		**$66**	—	**$1**

(2) Interest rate related

March 31, 2024	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	**¥150,601**	**¥108,660**	**¥4,577**
Total		**¥150,601**	**¥108,660**	**¥4,577**

March 31, 2024	Hedged item	Millions 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	**$994**	**$717**	**$30**
Total		**$994**	**$717**	**$30**

(3) Commodity related

March 31, 2024	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	—	—	—
Buying petroleum products		—	—	—
Total		—	—	—

March 31, 2024	Hedged item	Millions 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	—	—	—
Buying petroleum products		—	—	—
Total		—	—	—

21. 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, 2023 and 2024, 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, 2023:				
Basic EPS:				
Net income attributable to common shareholders	¥253,646	1,486,140	¥170.67	
Effect of dilutive securities:				
Dilution of subsidiary stock	–			
Diluted EPS:				
Net income for computation	¥253,646	1,486,140	—*	
Year ended March 31, 2024:				
Basic EPS:				
Net income attributable to common shareholders	**¥228,518**	**1,416,552**	**¥161.32**	**$ 1.06**
Effect of dilutive securities:				
Dilution of subsidiary stock	**–**			
Diluted EPS:				
Net income for computation	**¥228,518**	**1,416,552**	—*	—*

*Shares and per share figures have been restated, as appropriate, to reflect a five-for-one stock split effective from January 1, 2024.

* 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, 2024, was approved at the Board of Directors' meeting held on May 14, 2024:

	Millions of Yen	Millions of U.S. Dollars
Year-end cash dividends, ¥16 ($0.10) per share	**¥22,117**	**$146**

22. Non-operating income (expenses)

Gain and loss on sales of fixed assets

Gain on sales of fixed assets is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Land and leasehold rights (former service station sites and others)	¥59,436	**¥2,458**	**$16**
Buildings and others	11,140	**5,196**	**34**
Total	¥70,577	**¥7,655**	**$50**

Loss on sales of fixed assets is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Land and leasehold rights (former service station sites and others)	(¥228)	**(¥241)**	**($1)**
Buildings and others	(1,229)	**(273)**	**(1)**
Total	(¥1,457)	**(¥514)**	**($3)**

Loss on transfer of business

The loss on transfer of business recorded for the consolidated fiscal year is due to the sale of the interests in the Ensham Coal Mine, Australia held by IDEMITSU AUSTRALIA PTY LTD., a consolidated subsidiary of the Company.

23. Revenue Recognition

(A) Disaggregation of revenue from contracts with customers

Year ended March 31, 2023

	Millions of Yen							
	Reportable segment							
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total
Japan	¥5,361,459	¥441,093	¥246,811	¥194,092	¥447,604	¥6,691,061	¥5, 375	¥6,696,437
Asia and Oceania	1,121,445	223,900	196,697	–	201,605	1,743,647	0	1,743,648
North America	742,909	1,691	43,521	2,978	3,516	794,617	–	794,617
Others	178,046	204	23,976	0	19,351	221,579	–	221,579
Revenues from contracts with customers	¥7,403,861	¥666,889	¥511,006	¥197,070	¥672,077	¥9,450,905	¥5,376	¥9,456,281

Year ended March 31, 2024

	Millions of Yen							
	Reportable segment							
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total
Japan	¥5,313,417	¥363,283	¥243,749	¥138,591	¥264,199	¥6,323,242	¥9,507	¥6,332,749
Asia and Oceania	933,535	236,037	194,489	–	89,115	1,453,177	7	1,453,185
North America	770,644	1,423	51,643	2,926	–	826,638	–	826,638
Others	63,155	829	25,495	3	17,144	106,628	–	106,628
Revenues from contracts with customers	¥7,080,754	¥601,574	¥515,377	¥141,521	¥370,458	¥8,709,686	¥9,514	¥8,719,201

	Millions of U.S. Dollars							
	Reportable segment							
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total
Japan	$35,092	$2,399	$1,609	$915	$1,744	$41,762	$62	$41,825
Asia and Oceania	6,165	1,558	1,284	–	588	9,597	0	9,597
North America	5,089	9	341	19	–	5,459	–	5,459
Others	417	5	168	0	113	704	–	704
Revenues from contracts with customers	$46,765	$3,973	$3,403	$934	$2,446	$57,523	$62	$57,586

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," and "Other long-term liabilities," respectively.

Year ended March 31, 2023 and 2024

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Receivables from contracts with customers:			
Balance at beginning of year	¥870,483	**¥841,798**	**$5,559**
Balance at end of year	841,798	**919,011**	**6,069**
Contract assets:			
Balance at beginning of year	171	**127**	**0**
Balance at end of year	127	**195**	**1**
Contract liabilities:			
Balance at beginning of year	61,433	**60,917**	**402**
Balance at end of year	60,917	**60,213**	**397**

"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.

(D) Transaction prices allocated to remaining performance obligations

The Group applies 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, 2023 and 2024

	Millions of Yen		Millions of U.S. Dollars
	2023	**2024**	**2024**
Within one year	¥4,391	**¥138,098**	**$912**
After one year	11,015	**351,402**	**2,320**
Total	¥15,406	**¥489,501**	**$3,232**

24. Segment Information

Years ended March 31, 2023 and 2024

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 Group and to evaluate their operating performance.

Taking into consideration the nature of the products and the business standing within the Group, the Company aggregates these business segments into the following five reportable segments. In addition, other business segments are summarized under Others.

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, functional paving material business, 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, etc.
Resources	Exploration, development, production and sales of crude oil, natural gas, and other energy resources, such as coals

Effective from the current consolidated fiscal year, the Company has changed the classification of assets attributable to each segment mainly in accordance with internal business management indices. The segment information for the previous fiscal year has been reclassified to conform with the current classification.

(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, 2023

	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	¥7,403,861	¥666,889	¥551,006	¥197,070	¥672,077	¥9,450,905	¥5,376	¥9,456,281	¥ −	¥9,456,281
Intersegment	43,507	33,625	24,695	4,863	5	106,696	2,238	108,935	(108,935)	−
Total	¥7,447,369	¥700,514	¥535,701	¥201,933	¥672,083	¥9,557,602	¥7,614	¥9,565,216	(¥108,935)	¥9,456,281
Operating income (loss)	¥60,137	¥10,157	¥17,669	¥2,074	¥217,166	¥307,205	¥1,187	¥308,393	(¥25,950)	¥282,442
Equity in earnings (losses) of non-consolidated subsidiaries and affiliates, net	12,883	(90)	(714)	(1,593)	13,733	24,218	−	24,218	1,763	25,981
Segment income (loss)	73,021	10,066	16,954	481	230,900	331,424	1,187	332,611	(24,187)	308,423
Segment assets	3,197,898	347,547	339,955	230,753	430,411	4,546,567	38,621	4,585,188	280,182	4,865,370
Other items:										
Depreciation and amortization	55,119	7,272	9,791	5,932	16,756	94,872	143	95,015	9,433	104,449
Amortization of goodwill	7,315	5	−	2,142	−	9,463	0	9,463	−	9,463
Impairment loss on fixed assets	8,316	−	14,865	338	1,444	24,965	−	24,965	859	25,824
Investment in equity method affiliates	84,245	41,013	7,517	11,582	38,127	182,486	−	182,486	(653)	181,832
Unamortized balance of goodwill	106,148	53	−	34,280	−	140,481	−	140,481	−	140,481
Capital expenditures	¥42,615	¥8,395	¥6,744	¥12,553	¥14,826	¥85,115	¥274	¥85,389	¥13,298	¥98,688

Year ended March 31, 2024

	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	¥7,080,754	¥601,574	¥515,377	¥141,521	¥370,458	¥8,709,686	¥9,514	¥8,719,201	¥ ―	¥8,719,201
Intersegment	30,463	40,631	24,832	5,280	8	101,215	7,475	108,691	(108,691)	―
Total	¥7,111,217	¥642,205	¥540,210	¥146,801	¥370,467	¥8,810,902	¥16,990	¥8,827,892	(¥108,691)	¥8,719,201
Operating income (loss)	¥209,742	¥26,071	¥27,224	(¥7,861)	¥106,707	¥361,884	¥519	¥362,404	(¥16,087)	¥346,316
Equity in earnings (losses) of non-consolidated subsidiaries and affiliates, net	9,910	(4,028)	349	253	10,241	16,726	―	16,726	(5)	16,720
Segment income (loss)	219,652	22,043	27,574	(7,608)	116,949	378,610	519	379,130	(16,093)	363,036
Segment assets	3,423,890	384,214	362,006	237,012	301,990	4,709,115	31,504	4,740,619	271,676	5,012,295
Other items:										
Depreciation and amortization	58,664	6,743	8,961	6,426	8,445	89,241	192	89,434	9,723	99,158
Amortization of goodwill	7,255	5	―	2,142	―	9,403	―	9,403	―	9,403
Impairment loss on fixed assets	8,606	92	778	137	―	9,615	―	9,615	1,004	10,619
Investment in equity method affiliates	87,405	36,154	7,766	14,611	51,248	197,186	―	197,186	(946)	196,240
Unamortized balance of goodwill	99,043	47	―	32,137	―	131,228	―	131,228	―	131,228
Capital expenditures	¥27,718	¥11,620	¥13,068	¥3,257	¥5,664	¥61,330	¥152	¥61,483	¥6,654	¥68,137

Year ended March 31, 2024

	Millions 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	$46,765	$3,973	$3,403	$934	$2,446	$57,523	$62	$57,586	$ －	$57,586
Intersegment	201	268	164	34	0	668	49	$717	(717)	－
Total	$46,966	$4,241	$3,567	$969	$2,446	$58,192	$112	$58,304	($717)	$57,586
Operating income (loss)	$1,385	$172	$179	($51)	$704	$2,390	$3	$2,393	($106)	$2,287
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates, net	65	(26)	2	1	67	110	－	110	(0)	110
Segment income (loss)	1,450	145	182	(50)	772	2,500	3	2,503	(106)	2,397
Segment assets	22,613	2,537	2,390	1,565	1,994	31,101	208	31,309	1,794	33,104
Other items:										
Depreciation and amortization	387	44	59	42	55	589	1	590	64	654
Amortization of goodwill	47	0	－	14	－	62	－	62	－	62
Impairment loss on fixed assets	56	0	5	0	－	63	－	63	6	70
Investment in equity method affiliates	577	238	51	96	338	1,302	－	1,302	(6)	1,296
Unamortized balance of goodwill	654	0	－	212	－	866	－	866	－	866
Capital expenditures	$183	$76	$86	$21	$37	$405	$1	$406	$43	$450

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 mainly represent 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 of the reportable segments is reconciled to the amount of operating income 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.
7. The amount of reconciliation for "Impairment loss on fixed assets" represents the impairment loss related to Company assets that are not allocated to reportable segments.

(D) Related Information

Year ended March 31, 2023

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
¥6,696,437	¥1,743,648	¥794,617	¥221,579	¥9,456,281

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., etc.

(2) Property, plant and equipment

Millions of Yen			
Japan	Asia and Oceania	Other	Total
¥1,191,312	¥106,841	¥91,860	¥1,390,013

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, 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 statements of income. As such, this information has been omitted.

Information Regarding Impairment Loss on Fixed Assets by Reportable Segment

The Company recorded an impairment loss of ¥8,316 million on the integration and closure of oil terminals in the petroleum segment, and ¥14,865 million on structural reforms in the performance chemicals business in the functional materials 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

No negative goodwill was recognized during the periods.

Year ended March 31, 2024

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
¥6,332,749	**¥1,453,185**	**¥826,638**	**¥106,628**	**¥8,719,201**

Millions of U.S. dollars				
Japan	Asia and Oceania	North America	Other	Total
$41,825	**$9,597**	**$ 5,459**	**$704**	**$57,586**

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 : Germany, etc.

(2) Property, plant and equipment

Millions of Yen			
Japan	Asia and Oceania	Other	Total
¥1,158,448	**¥107,851**	**¥96,280**	**¥1,362,581**

Millions of U.S. Dollars			
Japan	Asia and Oceania	Other	Total
$7,651	**$712**	**$635**	**$8,999**

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, 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 statements 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 ¥8,606 million ($56 million) in the petroleum segment due to the shutdown of the refining function and other reasons.

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

No negative goodwill was recognized during the periods.

25. Subsequent Events

The Company adopted a resolution at the board held on May 14, 2024 to acquire treasury shares pursuant to the articles of incorporation in accordance with Article 459, Paragraph 1 of the Companies Act of Japan and to retire such shares pursuant to Article 178 of the Companies Act of Japan.

(A) Reason for the Acquisition and Retirement of Treasury Shares

Idemitsu's shareholder returns policy for the current medium-term management plan period (FY2023–FY2025) is to provide "a total payout ratio of 50% or more based on 3-year cumulative net income excluding inventory impact."
In addition, as stated in the "Presentation on Results for FY2023" announced on May 14, 2024, the Company announced its policy of acquiring treasury shares for a total of 100 billion yen during the current medium-term period to optimize shareholders' equity, in line with plans to pursue a target ROE of 10% in FY2025.
In light of the above, Idemitsu will acquire 70 billion yen's worth of treasury shares, of which 50 billion yen's worth is aimed at optimizing shareholders' equity. All acquired treasury shares will subsequently be canceled.

(B) Details on Acquisition of Treasury Shares

1.	Type of shares to be acquired	Common shares of the Company
2.	Aggregate number of shares to be acquired	90,000,000 shares (upper limit) (6.5% of total shares outstanding (excluding treasury shares))
3.	Aggregate amount of purchase price	70 billion yen (upper limit)
4.	Acquisition period	May 15, 2024–March 14, 2025
5.	Acquisition method	Market purchase

(C) Details of Cancellation

1.	Type of shares to be cancelled	Common shares of the Company
2.	Total number of shares to be cancelled	All treasury shares acquired through 2. Above
3.	Scheduled date of cancellation	April 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

<Audit of Consolidated Financial Statements>

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, 2024, 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, 2024, 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.

Assumptions used for valuation of investments in NSRP

Key Audit Matter Description

■ **Overview of Investments in NSRP**

Idemitsu Kosan Co., Ltd. (hereinafter, the "Company") holds a 35.1% equity interest and provides a loan to Nghi Son Refinery and Petrochemical LLC (hereinafter, "NSRP"), an entity-method affiliate of the Company, which operates the Nghi Son Refinery in Vietnam.

In addition, the Company provides funding through loans and disbursements on behalf of NSRP via Idemitsu Asia Pacific Pte. Ltd. (hereinafter, "IAP"), a consolidated subsidiary.

The equity method is applied to the investment in NSRP, and NSRP's performance is reflected through equity in earnings of investments.

The loan and disbursements are either measured at fair value or recoverable value in accordance with relevant accounting standards. As described in Note 3 "Significant Accounting Estimates," the carrying amount of the investment and loans to NSRP by Idemitsu Kosan Group as of March 31, 2024, in the consolidated balance sheet is as follows:

	Line item	Millions of Yen	Millions of U.S. Dollars
Equity interest	Investments in nonconsolidated subsidiaries and affiliates	-	-
Loans	Long-term loans receivable	¥35,051	$231
	Less: Allowance for doubtful accounts	(35,051)	(231)
	Net carrying amount	-	-
Disbursements on behalf of NSRP	Accounts receivable, other	¥139,023	$918
	Less: Allowance for doubtful accounts	(6,098)	(40)
	Net carrying amount	¥132,924	$877

■ **NSRP's Performance and Financial Position**

Since NSRP recorded a large amount of operating losses in past fiscal years due to lower refinery utilization rates it initially experienced and unfavorable market conditions on product margins subsequent to the commencement of commercial operation, NSRP's equity has been negative since fiscal year 2020. During the current fiscal year, NSRP recorded an operating loss due to the impact from decreased product margins compared to the preceding fiscal year and the turnaround conducted this fiscal year. NSRP's financial performance was also affected by financial costs arising from increased amounts of borrowings. As a result, similar to the preceding fiscal year, NSRP recorded net loss during the current fiscal year.

■ **Impacts on Accounting Estimates**

The Company continues discussions with NSRP and other equity holders and financial institutions in order to recover from negative equity position, taking into account the operation status of refinery facilities and product market environments. Through these discussions, the Company gains a thorough understanding of NSRP's business circumstances and is considering its future business plan.

Due to the recording of operating losses from past fiscal years and negative equity position, NSRP has identified an impairment indicator in its fixed assets and conducted an impairment test on its fixed assets. In addition, the Company is measuring the fair value and recoverable amount of long-term loans and the recoverable amount of outstanding receivables in the Idemitsu Kosan Group.

These accounting estimates are conducted in a basis of a consideration of cash flows derived from a future business plan, which includes management assumptions such as product margin and refinery utilization rates, established on the NSRP's going concern assumption.

An impairment test on NSRP's fixed assets was conducted, however, as the recoverable amount of the fixed assets, which had been measured at their value in use, exceeded their carrying amount of ¥812,294 million ($5,364 million) recorded in its balance sheet, an impairment loss had not been recorded on the fixed assets.

On the other hand, the Company measured the fair value and assessed the collectability of the long-term loans and the receivables from the disbursements in a basis of the discount rate that includes incremental credit risk on loans as a risk premium in addition to the risk that estimated future cash flows is diminished based on the future business plan. As a result, the Company recorded losses on provision of allowances for doubtful accounts of ¥35,051 million ($231 million) and ¥6,044 million ($39 million), respectively, for all of the carrying amount of long-term loans and part of the receivable arising from the disbursements during the current fiscal year.

In case impairment losses are recognized, there is a possibility that it could have a significant impact on the consolidated financial statements through equity method investment income/loss. Further, there is a possibility that long-term loans and accounts receivable could have a significant impact on the consolidated financial statements because the balance is material as described above.

■ **Key Audit Matter Description**

We determined that the significant management assumptions in the NSRP's future business plan utilized for the above accounting estimates, which includes product margin, refinery utilization rates, and discount rates, to be a key audit matter for the following reasons:

1. The product margin largely fluctuates due to changes in external environments, such as market supply and demand trends, geopolitical risks and responses to climate change. The estimate involves complexity and significant management's judgment.

2. The refinery utilization rates are estimates that do not have external data and have higher possibility that management bias is involved. Furthermore, an assessment is required on the extent to which changes in market supply and demand trends, geopolitical risks, responses to climate change, and diminishing cash flow affect the refinery utilization rates, adding a significant element of estimation.

3 Discount rates have a significant impact on the increase or decrease of discounted future cash flows. Evaluation of inherent risks of the project, such as deterioration in cash flow, is required when determining the discount rates. Also, the discount rate applied to the fair value measurement of long-term loans and the recoverability of outstanding receivables incorporates a credit risk as a risk premium, necessitating its evaluation.

How the Key Audit Matter Was Addressed in the Audit

We performed following procedures regarding each of the product margin, refinery utilization rate, and discount rate included in the future business plan of NSRP, which is the basis for the judgment on the necessity of recording impairment loss on NSRP's fixed assets and the measurement of the recoverable value of long-term loans and outstanding receivables from the Idemitsu Kosan Group to NSRP, through directing the auditors of NSRP and its consolidated subsidiary IAP, respectively:

- We verified the effectiveness of the internal controls related to the necessity of recording impairment losses on fixed assets, including the measurement of NSRP's value in use.

- We determined that it was appropriate to use valuation experts to evaluate product margins and discount rates. This is because product margins require long-term estimates and highly professional evaluations based on market analysis, and discount rates include many elements of estimation and require complex calculations.

<Product Margin>

- We verified the reliability of management's estimate by comparing the 2023 budget figures in NSRP's future business plan in 2022, with the 2023 actual product margins.
- In a basis of discussions with valuation experts, we evaluated the future product margin forecast reports issued by multiple external institutions that reflect changes in the external environment such as market supply and demand trends, geopolitical risks, and responses to climate change, and verified whether there was a significant discrepancy with the future forecast figures for product margins used by NSRP in its future business plan for fiscal 2023.

<Refinery Utilization Rate>

- We gained an understanding of the estimation process for the refinery utilization rate through interviews with NSRP's management.
- We verified the reliability of management's estimates by comparing the planned utilization rate for fiscal 2023 in NSRP's future business plan in 2022, with the 2023 actual utilization rate.
- Specifically, if the actual utilization rate for fiscal 2023 deviates from the plan, we gained an understanding of the factors causing the deviation.
- We also considered whether any unfavorable deviation factors that should be reflected in the estimate of refinery utilization rate in the future business plan for fiscal 2023 have been appropriately reflected in the estimate.
- In considering the reasonableness of the reflection in the estimate, we conducted a sensitivity analysis on the adequacy of the stress to be incorporated into the estimate in addition to the presence or absence of reflection.
- Through interviews with NSRP's management and review of external reports on the market, we considered the product supply-demand balance considering the impact of market supply and demand trends, geopolitical risks, and responses to climate change, and verified whether there was any inconsistency with the refinery utilization rate included in the future business plan.

<Discount Rate>

- We verified that the risk of cash flow diminishing due to changes in the business environment, etc. is appropriately reflected in the discount rate.
- For the discount rate used in the evaluation of investments and loans, we verified that the credit risk is appropriately reflected as a risk premium.
- In a basis of discussions with valuation experts, we independently calculated auditor's tolerance range for the discount rate, considering audit materiality, sensitivity to fair value and recoverable amount, and verified whether the discount rate used by the Company is within this range and the validity of the valuation technique.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the 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, actions taken to eliminate threats or safeguards applied.

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.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to Idemitsu Kosan Co., Ltd. and its subsidiaries were ¥753 million and ¥445 million, respectively.

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 25, 2024