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Consolidated Financial Statements

Year ended March 31, 2025
with Independent Auditor's Report

Idemitsu Kosan Co.,Ltd.

CONSOLIDATED BALANCE SHEET

Idemitsu Kosan Co., Ltd. and Consolidated Subsidiaries
March 31, 2025

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2024	**2025**	**2025**
ASSETS			
Current assets:			
Cash and cash equivalents (Note 19)	¥136,900	**¥164,251**	**$1,098**
Notes and accounts receivable, trade (Note 19)	919,011	**817,349**	**5,466**
Inventories (Note 5)	1,377,865	**1,266,953**	**8,473**
Accounts receivable, other (Note 19)	308,130	**298,776**	**1,998**
Other (Notes 19 and 20)	181,532	**106,155**	**709**
Less: Allowance for doubtful accounts	(6,595)	**(3,628)**	**(24)**
Total current assets	2,916,843	**2,649,858**	**17,722**
Property, plant and equipment (Notes 6, 8, and 18):			
Buildings and structures	239,549	**237,092**	**1,585**
Machinery and equipment	260,317	**258,139**	**1,726**
Land (Note 7)	751,345	**736,655**	**4,926**
Construction in progress	23,150	**55,220**	**369**
Other	88,217	**86,916**	**581**
Total property, plant and equipment	1,362,581	**1,374,024**	**9,189**
Intangible fixed assets:			
Goodwill	131,228	**124,348**	**831**
Other	140,798	**130,231**	**870**
Total intangible fixed assets	272,027	**254,580**	**1,702**
Investments and other assets:			
Investments in securities (Notes 4 and 19)	23,863	**19,666**	**131**
Investments in nonconsolidated subsidiaries and affiliates (Notes 4 and 19)	242,451	**286,097**	**1,913**
Long-term loans receivable(Note 19)	43,524	**56,490**	**377**
Guarantee deposits	20,374	**19,254**	**128**
Long-term prepaid expenses	16,415	**16,229**	**108**
Exploration and development expenditures	2,953	**2,972**	**19**
Deferred tax assets (Note 16)	14,410	**15,946**	**106**
Other	132,084	**134,594**	**900**
Less: Allowance for doubtful accounts	(35,234)	**(54,130)**	**(362)**
Total investments and other assets	460,844	**497,122**	**3,324**
Total assets	¥5,012,295	**¥4,775,586**	**$31,939**

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2024	**2025**	**2025**
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Notes and accounts payable, trade (Note 19)	¥793,760	**¥824,413**	**$5,513**
Short-term borrowings (Notes 9 and 19)	356,159	**392,384**	**2,624**
Commercial paper (Notes 9 and 19)	225,971	**166,853**	**1,115**
Current portion of long-term debt (Notes 9 and 19)	97,255	**117,258**	**784**
Accounts payable, other (Note 9)	479,783	**426,313**	**2,851**
Income taxes payable	56,942	**9,793**	**65**
Accrued bonuses to employees	16,677	**16,706**	**111**
Other (Notes 9, 19, and 20)	165,948	**143,684**	**960**
Total current liabilities	2,192,498	**2,097,407**	**14,027**
Long-term liabilities:			
Long-term debt (Notes 9 and 19)	619,056	**519,879**	**3,476**
Deferred tax liabilities (Note 16)	39,412	**53,175**	**355**
Deferred tax liability related to land revaluation (Notes 7 and 16)	84,840	**92,878**	**621**
Liability for employees' retirement benefits (Notes 2(U) and 10)	51,793	**49,064**	**328**
Reserve for repair work	81,997	**91,117**	**609**
Provision for losses related to contracts	—	**10,106**	**67**
Asset retirement obligations (Note 11)	26,815	**40,013**	**267**
Other (Notes 19 and 20)	103,348	**84,242**	**563**
Total long-term liabilities	1,007,265	**940,478**	**6,289**
Total liabilities	3,199,763	**3,037,886**	**20,317**
Contingent liabilities (Note 12)			
Equity (Note 13):			
Shareholders' equity:			
Common stock:	168,351	**168,351**	**1,125**
Authorized, 2,180,000,000 shares and issued, 1,392,642,290 shares in 2024			
Authorized, 2,180,000,000 shares and issued, 1,358,078,690 shares in 2025			
Capital surplus	390,341	**354,693**	**2,372**
Retained earnings	1,037,716	**1,111,225**	**7,431**
Treasury stock-at cost, 13,602,310 shares in 2024 and 133,441,170 shares in 2025	(11,006)	**(139,690)**	**(934)**
Total shareholders' equity	1,585,403	**1,494,580**	**9,995**
Accumulated other comprehensive income (loss):			
Surplus from land revaluation (Note 7)	155,282	**137,848**	**921**
Deferred losses on hedges (Notes 17 and 20)	(4,255)	**(1,014)**	**(6)**
Unrealized gains on available-for-sale securities	5,918	**4,184**	**27**
Foreign currency translation adjustments	31,652	**51,873**	**346**
Defined retirement benefit plans	25,895	**32,896**	**220**
Total accumulated other comprehensive income	214,492	**225,788**	**1,510**
Noncontrolling interests in consolidated subsidiaries	12,636	**17,330**	**115**
Total equity	1,812,531	**1,737,699**	**11,621**
Total liabilities and equity	¥5,012,295	**¥4,775,586**	**$31,939**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Idemitsu Kosan Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2025

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2024	**2025**	**2025**
Net sales (Note 23)	¥8,719,201	**¥9,190,225**	**$61,464**
Cost of sales (Note 5)	7,872,080	**8,500,812**	**56,854**
Gross profit	847,121	**689,412**	**4,610**
Selling, general, and administrative expenses (Note 14)	500,804	**527,226**	**3,526**
Operating income	346,316	**162,185**	**1,084**
Non-operating income (expenses):			
Interest income	16,032	**17,085**	**114**
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	16,720	**22,604**	**151**
Gain on foreign exchange, net	17,019	**20,120**	**134**
Dividend income	4,233	**4,922**	**32**
Interest expense	(20,253)	**(16,731)**	**(111)**
Subsidy income	2,156	**2,075**	**13**
Gain on sales of fixed assets	7,655	**7,664**	**51**
Gain on sales of investments in securities	3,746	**70**	—
Gain on reversal of loss on valuation of shares of subsidiaries and affiliates	—	**3,239**	**21**
Gain on sales of shares of subsidiaries and affiliates	379	—	—
Impairment loss on fixed assets (Note 8)	(10,619)	**(27,219)**	**(182)**
Loss on sales of fixed assets	(514)	**(3,464)**	**(23)**
Loss on disposals of fixed assets	(6,842)	**(10,292)**	**(68)**
Loss on valuation of investments in nonconsolidated subsidiaries and affiliates	(3,285)	**(804)**	**(5)**
Loss on transfer of business	(4,818)	—	—
Provision of allowance for doubtful accounts	(41,095)	**(12,870)**	**(86)**
Provision for losses related to contracts	—	**(10,328)**	**(69)**
Other, net (Note 2(Y))	(77)	**105**	**0**
Non-operating income (expenses), net	(19,562)	**(3,824)**	**(25)**
Income before income taxes	326,754	**158,361**	**1,059**
Income taxes - Current (Note 16)	102,420	**51,234**	**342**
- Deferred (Note 16)	(2,509)	**5,114**	**34**
Total income taxes	99,911	**56,349**	**376**
Net income	226,843	**102,011**	**682**
Net loss attributable to noncontrolling interests	(1,675)	**(2,043)**	**(13)**
Net income attributable to owners of the parent	¥228,518	**¥104,055**	**$695**
Basic net income per share (in yen and dollars) (Notes 2(V) and 21)	¥161.32	**¥77.83**	**$0.52**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Idemitsu Kosan Co., Ltd. and Consolidated Subsidiaries

Year ended March 31, 2025

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2024	**2025**	**2025**
Net income	¥226,843	**¥102,011**	**$682**
Other comprehensive income (Note 17)			
Unrealized gains (losses) on available-for-sale securities	2,282	**(2,055)**	**(13)**
Deferred gains on hedges	38	**1,996**	**13**
Surplus from land revaluation	940	**(10,915)**	**(73)**
Foreign currency translation adjustments	34,109	**7,008**	**46**
Defined retirement benefit plans	13,229	**6,977**	**46**
Share of other comprehensive income in associates	4,101	**3,295**	**22**
Total other comprehensive income	54,701	**6,307**	**42**
Comprehensive income (Note 17)	¥281,544	**¥108,319**	**$724**
Total comprehensive income attributable to (Note 17):			
Owners of the parent	¥282,899	**¥110,281**	**$737**
Noncontrolling interests	(1,354)	**(1,962)**	**(13)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Idemitsu Kosan Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2025

	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, 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.**

Change of fiscal term of consolidated subsidiaries				**13,159**		**13,159**
Change in ownership interest of parent due to transactions with non-controlling interests			**851**			**851**
Cash dividends, ¥34 per share				**(46,140)**		**(46,140)**
Net income attributable to owners of the parent				**104,055**		**104,055**
Net adjustment to retained earnings due to change in scope of consolidation				**(4,084)**		**(4,084)**
Acquisitions of treasury stock	**(154,609)**				**(165,320)**	**(165,320)**
Disposals of treasury stock	**34,769**		**0**		**136**	**136**
Cancellation of treasury shares	**(34,563)**		**(36,499)**		**36,499**	**—**
Adjustment due to sale and revaluation of land (Note 7)				**6,519**		**6,519**
Items other than changes in shareholders' equity						
Balance at March 31, 2025	**1,224,636**	**¥168,351**	**¥354,693**	**¥1,111,225**	**(¥139,690)**	**¥1,494,580**

	Millions of U.S. Dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2024	**$1,125**	**$2,610**	**$6,940**	**($73)**	**$10,603**
Change of fiscal term of consolidated subsidiaries			**88**		**88**
Change in ownership interest of parent due to transactions with non-controlling interests		**5**			**5**
Cash dividends, $0.22 per share			**(308)**		**(308)**
Net income attributable to owners of the parent			**695**		**695**
Net adjustment to retained earnings due to change in scope of consolidation			**(27)**		**(27)**
Acquisitions of treasury stock				**(1,105)**	**(1,105)**
Disposals of treasury stock		**0**		**0**	**0**
Cancellation of treasury shares		**(244)**		**244**	**—**
Adjustment due to sale and revaluation of land (Note 7)			**43**		**43**
Items other than changes in shareholders' equity					
Balance at March 31, 2025	**$1,125**	**$2,372**	**$7,431**	**($934)**	**$9,995**

(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, 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**

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

Change of fiscal term of consolidated subsidiaries								**13,159**
Change in ownership interest of parent due to transactions with non-controlling interests								**851**
Cash dividends, ¥34 per share								**(46,140)**
Net income attributable to owners of the parent								**104,055**
Net adjustment to retained earnings due to change in scope of consolidation								**(4,084)**
Acquisitions of treasury stock								**(165,320)**
Disposals of treasury stock								**136**
Cancellation of treasury shares								**—**
Adjustment due to sale and revaluation of land (Note 7)	**(6,519)**					**(6,519)**		**—**
Items other than changes in shareholders' equity	**(10,915)**	**3,240**	**(1,734)**	**20,221**	**7,001**	**17,814**	**4,694**	**22,509**
Balance at March 31, 2025	**¥137,848**	**(¥1,014)**	**¥4,184**	**¥51,873**	**¥32,896**	**¥225,788**	**¥17,330**	**¥1,737,699**

	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, 2024	**$1,038**	**($28)**	**$39**	**$211**	**$173**	**$1,434**	**$84**	**$12,122**
Change of fiscal term of consolidated subsidiaries								**88**
Change in ownership interest of parent due to transactions with non-controlling interests								**5**
Cash dividends, $0.22 per share								**(308)**
Net income attributable to owners of the parent								**695**
Net adjustment to retained earnings due to change in scope of consolidation								**(27)**
Acquisitions of treasury stock								**(1,105)**
Disposals of treasury stock								**0**
Cancellation of treasury shares								**—**
Adjustment due to sale and revaluation of land (Note 7)	**(43)**					**(43)**		**—**
Items other than changes in shareholders' equity	**(73)**	**21**	**(11)**	**135**	**46**	**119**	**31**	**150**
Balance at March 31, 2025	**$921**	**($6)**	**$27**	**$346**	**$220**	**$1,510**	**$115**	**$11,621**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Idemitsu Kosan Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2025

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2024	**2025**	**2025**
Operating activities:			
Income before income taxes	¥326,754	**¥158,361**	**$1,059**
Adjustments for:			
Depreciation and amortization	99,158	**95,659**	**639**
Impairment loss on fixed assets (Note 8)	10,619	**27,219**	**182**
Loss on transfer of business	4,818	—	—
Amortization of goodwill	9,403	**9,415**	**62**
Increase in assets for employees' retirement benefits, net	(27,089)	**(16,249)**	**(108)**
(Decrease) increase in reserve for repair work	(3,601)	**9,119**	**60**
Increase in allowance for doubtful accounts	38,278	**15,229**	**101**
Increase in provision for losses related to contracts	—	**10,328**	**69**
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	(16,720)	**(22,604)**	**(151)**
Gain on sales of fixed assets, net	(7,140)	**(4,200)**	**(28)**
Gain on sale of investment securities	(3,724)	**(70)**	**(0)**
Loss on valuation of investments in nonconsolidated subsidiaries and affiliates	3,285	**804**	**5**
Gain on reversal of loss on valuation of shares of subsidiaries and affiliates	—	**(3,239)**	**(21)**
(Increase) decrease in notes and accounts receivable, trade	(60,385)	**148,469**	**992**
Increase in interest and dividends receivable	(20,266)	**(22,007)**	**(147)**
(Increase) decrease in inventories	(58,978)	**134,470**	**899**
Decrease in accounts receivable, other	20,229	**14,234**	**95**
Increase (decrease) in notes and accounts payable, trade	80,246	**(21,581)**	**(144)**
Decrease in interest payable	20,253	**16,731**	**111**
Increase (decrease) in accounts payable, other	100,409	**(71,868)**	**(480)**
Payment of income taxes	(115,334)	**(94,193)**	**(629)**
Other, net	(22,822)	**92,715**	**620**
Net cash provided by operating activities	377,391	**476,742**	**3,188**
Investing activities:			
Purchases of tangible fixed assets	(70,861)	**(86,552)**	**(578)**
Proceeds from sales of tangible fixed assets	13,856	**27,148**	**181**
Purchases of intangible fixed assets	(6,255)	**(8,670)**	**(57)**
Purchases of investment securities	(15,575)	**(29,657)**	**(198)**
Proceeds from sales of investment securities	8,079	**214**	**1**
Proceeds from transfer of business	33,192	—	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	**(13,603)**	**(90)**
Disbursements for long-term loans	(19,446)	**(19,463)**	**(130)**
Proceeds from collection of long-term loans receivable	1,942	**7,316**	**48**
(Increase) decrease in short-term loans receivable, net	(5,613)	**9,378**	**62**
Other, net	(5,124)	**(4,623)**	**(30)**
Net cash used in investing activities	(65,805)	**(118,514)**	**(792)**
Financing activities:			
(Decrease) increase in short-term borrowings, net	(24,056)	**11,200**	**74**
Decrease in commercial paper, net	(76,011)	**(59,118)**	**(395)**
Proceeds from long-term debt	48,279	**21,470**	**143**
Repayments of long-term debt	(124,293)	**(93,671)**	**(626)**
Redemption of bonds	—	**(10,000)**	**(66)**
Purchases of treasury stock	(57,360)	**(165,320)**	**(1,105)**
Disposal of treasury stock	113	**136**	**0**
Cash dividends paid	(40,218)	**(46,140)**	**(308)**
Proceeds from share issuance to non-controlling shareholders	—	**7,108**	**47**
Cash dividends paid to noncontrolling interests	(268)	**(895)**	**(5)**
Other, net	(6,690)	**(8,220)**	**(54)**
Net cash used in financing activities	(280,506)	**(343,450)**	**(2,297)**
Effect of exchange rate changes on cash and cash equivalents	2,740	**1,841**	**12**
Net increase in cash and cash equivalents	33,820	**16,619**	**111**
Cash and cash equivalents at the beginning of year	103,079	**136,900**	**915**
Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	—	**152**	**1**
Increase in cash and cash equivalents resulting from change of fiscal year-end of subsidiaries	—	**10,579**	**70**
Cash and cash equivalents at the end of year	¥136,900	**¥164,251**	**$1,098**

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 2024 consolidated financial statements to conform to the classifications used in 2025.

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 ¥149.52 to $1, the approximate rate of exchange at March 31, 2025. 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, 2025, 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, 2024 and 2025, is as follows:

Consolidated subsidiaries	2024	**2025**
Domestic	25	**25**
Overseas	86	**94**
(C) Business combinations Total	111	**119**

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

With regard to any consolidated subsidiary whose year-end 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.

Previously, for consolidated subsidiaries with year-end of December 31, financial statements as of that date were used, and any significant transactions that occurred between that date and the consolidated year-end were adjusted as necessary for consolidation. However, in order to ensure more accurate disclosure of consolidated financial statements, starting from the consolidated fiscal year under review, certain consolidated subsidiaries (a total of 28 companies, including IDEMITSU INTERNATIONAL (ASIA) PTE. LTD.) have either changed their balance sheet dates to March 31 or have changed to a method of consolidating financial statements by preparing a provisional settlement of accounts on March 31, which is the consolidated balance sheet date.

The income or loss of these consolidated subsidiaries from January 1, 2024 to March 31, 2024 has been adjusted as an increase of ¥13,159 million ($88 million) in retained earnings. The foreign currency translation adjustments of ¥12,537 million ($83 million) that arose during the same period was an adjustment to accumulated other comprehensive income and noncontrolling interests.

(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, 2024 and 2025, is as follows:

Equity method entities	2024	**2025**
Nonconsolidated subsidiaries	4	**4**
Affiliates	23	**26**
Total	27	**30**

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 year-end do not correspond to the consolidated year-end, 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 recorded 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) Provision for losses related to contract

To provide for possible future losses that may be incurred in the fulfillment of contracts, the Company records an estimated amount of reasonably calculated losses.

(U) 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.

(V) 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").

(W) 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.

(X) 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.

(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) 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:

(1) 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.

(2) 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.

(AA) Accounting principles and procedures adopted in cases where the relevant accounting standards are not clearly defined

Acquisitions of treasury stock:

The Company's Board of Directors approved a resolution at its February 12, 2025 meeting regarding the acquisition of treasury stock, and the acquisition was completed on March 19, 2025. Acquisition of treasury stock is conducted through the use of the Accelerated Share Repurchase (ASR) method (hereinafter the "Method"). The Method applies to cases where the relevant accounting standards are not clear, and the accounting treatment is as follows.

(1) Outline of the Method

The Company first acquired 60,737,500 shares of treasury stock, equivalent to ¥70 billion ($468 million), at ¥1,152.5 ($7.7) per share through ToSTNeT-3 (Tokyo Stock Exchange Trading NeTwork System-3) on March 19, 2025 (hereinafter the "Purchase").

For the Purchase, Daiwa Securities Co., Ltd. borrowed the shares and made the sell order.

After the execution of the sell order in the Purchase, Daiwa Securities Co. Ltd. and its subsidiaries and associates (hereinafter the "Daiwa Securities Group") intend to acquire the Company's shares in and out of the stock market at its own discretion and calculation for the purpose of repaying the borrowed shares (hereinafter the "Short Cover Transaction"). Next, with regard to the sales price (hereinafter the "Base Price") of the Company's common stock sold by Daiwa Securities Co., Ltd. in the Purchase, the Company will separately conduct an adjustment transaction using the Company's shares with Daiwa Securities Co., Ltd. (hereinafter the "Scheduled Allottee") which is the allottee of the stock acquisition rights (hereinafter the "Stock Acquisition Rights") issued by the Company in the ASR Transaction so that the effective acquisition unit price of the Company will be equal to the average share price. Specifically, (1) if the average share price is higher than ¥1,152.5 ($7.7), the Company will deliver to the Scheduled Allottee the number of shares of the Company's common stock calculated by deducting the "number of shares obtained by dividing the Base Price by the average share price" from the "number of shares of common stock of the Company sold by the Scheduled Allottee in the Purchase" (hereinafter the "Base Number of Shares") upon exercise of the Stock Acquisition Rights, and conversely, (2) if the average share price is lower than ¥1,152.5 ($7.7), the Company agrees to acquire from the Scheduled Allottee the number of Company shares calculated by deducting the Base Number of Shares from the "number of shares obtained by dividing the Base Price by the average share price" without compensation. The adjustment in the number of shares to be acquired is expected to take place between September 11, 2025 and March 16, 2026, after the completion of any Short Cover Transactions that Daiwa Securities Group deems necessary.

(2) Accounting principles and procedures

The Company's shares acquired through ToSTNeT-3 are recorded as "Treasury stock" under net assets in the consolidated balance sheet at the acquisition amount. The Company's shares acquired through this method are included in the treasury stock deducted in the calculation of the average number of shares during the period for the purpose of calculating net income per share.

In accordance with this accounting policy, ¥69,999 million ($468 million) was recorded as "Treasury stock" under the net assets in the consolidated balance sheet for the consolidated fiscal year under review.

(AB) 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.

(AC) New Accounting Pronouncements

Accounting Standard for Leases (ASBJ No. 34, September 13, 2024)

Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024)

(1) Summary

"The Accounting Standards Board of Japan (ASBJ), as part of its efforts to align Japanese standards with international standards, has developed an accounting standard for leases that requires lessees to recognize assets and liabilities for all leases. Based on the basic policy, the standard is grounded on the single accounting model of IFRS 16, but instead of adopting all provisions of IFRS 16, it incorporates only the key provisions. This approach aims to create a simplified and user-friendly standard and ensures that applying IFRS 16 to individual financial statements would generally not require significant adjustments.

For lessee accounting, the single accounting model applies to all leases, regardless of whether the lease is classified as a finance lease or an operating lease. Under this model, depreciation expense related to the right-of-use asset and interest equivalent related to the lease liability are recognized for all leases, in accordance with the approach under IFRS 16.

(2) Date of adoption

The Company will apply the accounting standard and guidance from the beginning of the fiscal year ending March 31, 2028.

(3) Effect from the application of this accounting standard

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

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 consolidated financial statements of the Company 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 receivable, 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	Investment securities	—	—
Loans	Long-term loans receivable	**¥53,913**	**$360**
	Less: Allowance for doubtful accounts	**(53,913)**	**(360)**
	Net carrying amount	—	—
Advance of funds	Accounts receivable, other	**¥143,739**	**$961**

In addition, as disclosed in Note 12, "Contingent Liabilities", the Company provides construction completion guarantees of ¥110,272 million ($737 million) (the Company's share) for NSRP's bank borrowings. No provision for loss on these construction completion guarantees is recorded.

Since NSRP recorded a large amount of operating losses in past fiscal years due to the suboptimal asset utilization rates during the initial years following the start of commercial production and the subsequent deterioration of the product market conditions, NSRP has had negative equity since fiscal year 2020. During the current fiscal year, although NSRP was able to maintain high asset utilization rates, NSRP recorded an operating loss due to deteriorating product margins. In addition, similar to the preceding fiscal year, NSRP recorded a net loss due to financial expenses associated with substantial borrowings.

When preparing its consolidated financial statements, the Company assesses the fair value and the recoverable amount of long-term loans receivable and Accounts receivable, other from NSRP based on the DCF method, using estimated future cash flows and expected return rate (discount rate). The Company also evaluates the necessity of recording a provision for loss on construction completion guarantees. As a result, the Company recorded an allowance for doubtful accounts amounting to ¥12,870 million ($86 million) for long-term loans receivable during the current fiscal year.

The estimation of future cash flows is prepared using NSRP's future business plan, reflecting the latest projection of product margins. The future business plan also incorporates such assumptions as asset utilization rates. These assumptions are based on operational performance and external environmental factors, including supply-demand trends, product margins, geopolitical circumstances, and climate change considerations. The discount rate applied reflects uncertainties associated with global decarbonization initiatives and international trade measures, as well as inherent risks linked to investments in NSRP.
An increase (or decrease) in product margin contributes to an increase (or decrease) in fair value and recoverable amount, and an increase (or decrease) in discount rate contributes to a decrease (or increase) in fair value and recoverable amount. The changes in these assumptions may have a material impact on the Company’s consolidated financial statements.

The summarized financial statements of NSRP are disclosed in Note 15. "Related Party Transactions "

(B) Valuation of fixed assets

With respect to property, plant and equipment 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 was approved by management as well as the best estimate and judgment of management. The sales volume, product prices, and exchange rates included in the future cash flows are affected by changes in uncertain factors, such as future economic conditions, a shift to a low carbon society towards climate change, a decrease in product demands associated with changes to Japan’s population structure; therefore, if these estimates and recoverable amounts need to be reviewed, this may have a material impact on the Company’s consolidated financial statements.

4. Securities

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

Year ended March 31, 2025

(A) Available-for-sale securities with carrying value and acquisition cost as of March 31, 2025, are summarized as follows:

	Millions of Yen		
	Carrying value	Acquisition cost	Unrealized gains (losses)
(1) Securities with carrying values exceeding acquisition cost:			
Equity securities	**¥9,573**	**¥4,915**	**¥4,658**
(2) Securities with carrying values not exceeding acquisition cost:			
Equity securities	**1,841**	**2,369**	**(528)**
Total	**¥11,415**	**¥7,285**	**¥4,130**

	Millions of U.S. Dollars		
	Carrying value	Acquisition cost	Unrealized gains (losses)
(1) Securities with carrying values exceeding acquisition cost:			
Equity securities	**$64**	**$32**	**$31**
(2) Securities with carrying values not exceeding acquisition cost:			
Equity securities	**12**	**15**	**(3)**
Total	**$76**	**$48**	**$27**

(B)Available-for-sale securities sold during the fiscal years ended March 31, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Proceeds from sales	¥7,460	**¥214**	**$1**
Total gains	¥3,746	**¥70**	**$0**
Total losses	¥21	—	—

(C)The impairment loss on valuation of investment securities and investment in associated companies for the years ended March 31, 2024 and 2025, were ¥352 million and ¥887 million ($5 million), respectively.

5. Inventories

Inventories as of March 31, 2024 and 2025, consist of the following:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Merchandise and finished products	¥746,360	**¥748,715**	**$5,007**
Work in process	1,343	**1,800**	**12**
Raw materials and supplies	630,162	**516,437**	**3,453**
Total	¥1,377,865	**¥1,266,953**	**$8,473**

Write-downs, net of reversal of write-downs recognized during the prior fiscal year, of (¥14,291) million and ¥9,640 million ($64 million) are included in the cost of sales for the fiscal years ended March 31, 2024 and 2025, respectively.

6. Property, Plant and Equipment

Accumulated depreciation of property, plant and equipment is ¥2,111,116 million and ¥2,160,895 million ($14,452 million) as of March 31, 2024 and 2025, 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 ¥513 million and (¥237) million (($1) million) for the fiscal years ended March 31, 2024 and 2025, 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 ¥5,455 million and (¥1,582) million (($10) million) for the fiscal years ended March 31, 2024 and 2025, 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 (¥1,521) million and (¥1,052) million (($7) million) for the fiscal years ended March 31, 2024 and 2025, 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, 2024 and 2025, changes during the fiscal years then ended, and their fair values are as follows:

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 Yen			
Carrying amount			Fair value
April 1, 2024	**Changes during the fiscal year**	**March 31, 2025**	**March 31, 2025**
¥101,826	**(¥19,332)**	**¥82,493**	**¥103,157**

Millions of U.S. Dollars			
Carrying amount			Fair value
April 1, 2024	**Changes during the fiscal year**	**March 31, 2025**	**March 31, 2025**
$681	**($129)**	**$551**	**$689**

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, 2024 and 2025, primarily represents sales of properties.
3. Fair values of properties as of March 31, 2024 and 2025, 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, 2024 and 2025, declined by ¥106,382 million and ¥96,954 million ($648 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. During the fiscal year ended March 31, 2024, the recoverable amount of each asset group in some refineries was estimated based on its value in use, which was calculated by discounting future cash flows at a discount rate of 3.9%.During the fiscal year ended March 31, 2025, the recoverable amounts of each asset group in some petrochemical plants and biomass power plants were estimated based on their value in use, which was calculated by discounting future cash flows at discount rates ranging from 4.7% to 13.5%.

(A) 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
(Idle assets)			
Oil depot and others	Teizan Shiogama oil depot (Shiogama, Miyagi) and others	Land	¥796
		Buildings and others	3,178
			3,974
(Business assets)			
Refinery and others	Yamaguchi Refinery (Sanyo-onoda, Yamaguchi) and others	Machinery, equipment and others	6,644
Total			¥10,619

(B) Loss on impairment of fixed assets for the fiscal year ended March 31, 2025, consists of the following:

Use	Location	Type of asset	Impairment loss Millions of Yen	Impairment loss Millions of U.S. Dollars
(Idle assets)				
Oil depot and others	Former oil refinery site (Kawasaki, Kanagawa) and others	Land	**¥68**	**$0**
		Buildings and others	**1,638**	**10**
			1,707	**11**
(Business assets)				
Factory and others	Petrochemical plant (Malaysia) and others	Machinery, equipment	**12,057**	**80**
		Building and others	**2,511**	**16**
			14,568	**97**
Power plant and others	Keihin biomass power plant (Kawasaki, Kanagawa) and others	Machinery, equipment	**7,186**	**48**
		Building and others	**3,756**	**25**
			10,943	**73**
Total			**¥27,219**	**$182**

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. Not agreed upon contract though, it is customary in Japan for such borrowings to be rolled over each year. The weighted-average annual interest rates as of March 31, 2024 and 2025, are approximately 1.54% and 1.42%, respectively.

(B) Short-term borrowings, commercial paper, and the current portion of long-term debt as of March 31, 2024 and 2025, are as follows:

	Millions of Yen 2024	Millions of Yen 2025	Millions of U.S. Dollars 2025
Loans from banks, insurance companies, and government agencies:			
Unsecured	¥356,159	**¥392,384**	**$2,624**
Commercial paper	225,971	**166,853**	**1,115**
Current portion of long-term debt	97,255	**117,258**	**784**
Current portion of lease obligations*	6,391	**6,075**	**40**
Total	¥685,777	**¥682,570**	**$4,565**

* 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, 2024 and 2025, are ¥210,000 million and ¥210,000 million ($1,404 million), respectively. This facility had not been utilized in either of the two fiscal years.

(C) Long-term debt as of March 31, 2024 and 2025, is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Loans from banks, insurance companies, and government agencies:			
Unsecured	¥566,311	**¥497,137**	**$3,324**
Unsecured straight bonds	150,000	**140,000**	**936**
Lease obligations*	44,225	**40,625**	**271**
	760,536	**677,763**	**4,532**
Less: Current portion of long-term debt	(97,255)	**(117,258)**	**(784)**
Less: Current portion of lease obligations	(6,391)	**(6,075)**	**(40)**
Net	¥656,890	**¥554,429**	**$3,708**

* 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, 2024 and 2025, are as follows:

	2024	**2025**
Short-term borrowings	1.54%	**1.42%**
Commercial paper	0.10%	**0.61%**
Current portion of long-term debt (excluding lease obligations)	1.34%	**2.18%**
Long-term debt (excluding current portion)	1.25%	**0.55%**
Lease obligations (excluding current portion)	4.10%	**4.07%**

Annual maturities of loans within long-term debt outstanding as of March 31, 2025, are as follows:

Long-term debt

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2026	**¥87,258**	**$583**
2027	**60,809**	**406**
2028	**79,457**	**531**
2029	**74,788**	**500**
2030	**82,505**	**551**
2031 and thereafter	**112,318**	**751**
Total	**¥497,137**	**$3,324**

Straight bonds

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2026	**¥30,000**	**$200**
2027	**20,000**	**133**
2028	**10,000**	**66**
2029	**10,000**	**66**
2030	**10,000**	**66**
2031 and thereafter	**60,000**	**401**
Total	**¥140,000**	**$936**

Lease obligations

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2026	**¥6,075**	**$40**
2027	**6,365**	**42**
2028	**2,549**	**17**
2029	**2,114**	**14**
2030	**1,780**	**11**
2031 and thereafter	**21,740**	**145**
Total	**¥40,625**	**$271**

The net book value of assets pledged as collateral as of March 31, 2024 and 2025, is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
(i) Factory foundation mortgage:			
Land*	¥362,575	**¥362,575**	**$2,424**
Machinery and equipment	30,801	**27,392**	**183**
Other	18,940	**17,487**	**116**
(ii) Other pledges:			
Land	8,077	**8,077**	**54**
Investment securities	3,008	**3,218**	**21**
Capital contribution	1,297	**1,330**	**8**
Total	¥424,700	**¥420,081**	**$2,809**

The investment securities and capital contribution in the table above are pledged as collateral for borrowings by affiliated companies.

* Accounts payable, other for which the land is pledged as collateral for factory foundation mortgage are ¥84,903 million and ¥45,636 million ($305 million) as of March 31, 2024 and 2025, respectively. Accounts payable, other for which the land is pledged as collateral for other mortgage are ¥7,583 million and ¥13,548 million ($90 million) as of March 31, 2024 and 2025, respectively.

Accounts payable are related to the payment of gasoline tax. Additionally, a revolving mortgage is established on the factory foundation for bank transactions, but there are effectively no secured debts.

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, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Investments in nonconsolidated subsidiaries and affiliates	—	—	—
Long-term loans receivable	—	—	—
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. Among these, the calculation method for retirement benefit obligations of one domestic consolidated subsidiary was changed from the principle method to the simplified method during the current fiscal year.

(A) Defined benefit plans

(1) The changes in defined benefit obligation for the years ended March 31, 2024 and 2025, are as follows*:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Balance at beginning of year	¥161,426	**¥147,894**	**$989**
Current service cost	3,728	**3,356**	**22**
Interest cost	1,752	**2,065**	**13**
Actuarial losses	(5,438)	**(12,064)**	**(80)**
Benefits paid	(12,859)	**(12,843)**	**(85)**
Past service cost	(718)	**(15)**	**(0)**
Increase resulting from change in scope of consolidation	—	**1,180**	**7**
Decrease resulting from change from the principle method to the simplified method	—	**(1,531)**	**(10)**
Others	4	**0**	**0**
Balance at end of year	¥147,894	**¥128,041**	**$856**

(*) 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, 2024 and 2025, are as follows*:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Balance at beginning of year	¥146,607	**¥160,070**	**$1,070**
Expected return on plan assets	2,739	**3,242**	**21**
Actuarial gains	15,118	**2,756**	**18**
Contributions from the employer	2,593	**5,735**	**38**
Benefits paid	(6,987)	**(14,814)**	**(99)**
Increase resulting from change in scope of consolidation	—	**955**	**6**
Decrease resulting from change from the principle method to the simplified method	—	**(2,429)**	**(16)**
Balance at end of year	¥160,070	**¥155,516**	**$1,040**

(*) 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, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Balance at beginning of year	¥2,124	**¥2,064**	**$13**
Net periodic benefit costs	330	**596**	**3**
Benefits paid	(264)	**(195)**	**(1)**
Contributions from the employer	(227)	**(261)**	**(1)**
Increase resulting from change in scope of consolidation	101	**47**	**0**
Decrease resulting from change from the principle method to the simplified method	–	**(897)**	**(5)**
Balance at end of year	¥2,064	**¥1,356**	**$9**

(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
	2024	**2025**	**2025**
Funded defined benefit obligation	¥150,409	**¥131,971**	**$883**
Plan assets	(163,611)	**(161,337)**	**(1,079)**
Total	(13,201)	**(29,366)**	**(196)**
Unfunded defined benefit obligation	3,090	**3,248**	**22**
Net liability arising from defined benefit obligation	(¥10,111)	**(¥26,117)**	**($174)**

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Liabilities for employees' retirement benefits	¥51,793	**¥49,064**	**$328**
Assets for employees' retirement benefits	(61,904)	**(75,182)**	**(502)**
Net liabilities arising from defined benefit obligations	(¥10,111)	**(¥26,117)**	**($174)**

(*) 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, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Service cost	¥3,728	**¥3,356**	**$22**
Interest cost	1,752	**2,065**	**13**
Expected return on plan assets	(2,739)	**(3,242)**	**(21)**
Recognized actuarial losses	(2,138)	**(4,070)**	**(27)**
Amortization of past service cost	(80)	**(80)**	**(0)**
Net periodic benefit costs calculated using simplified method	330	**597**	**3**
Net periodic benefit costs	¥853	**(¥1,373)**	**($9)**

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Past service cost	(¥638)	**¥64**	**$0**
Actuarial (gains)	(18,418)	**(10,750)**	**(71)**
Total	(¥19,056)	**(¥10,685)**	**($71)**

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Unrecognized past service cost	(¥862)	**(¥797)**	**($5)**
Unrecognized actuarial losses	(37,321)	**(48,069)**	**(321)**
Total	(¥38,183)	**(¥48,867)**	**($326)**

(8) Plan assets

(i) Components of plan assets

Plan assets as of March 31, 2024 and 2025, consist of the following**:

	2024	**2025**
Debt investments	30%	**32%**
Equity investments	21	**16**
Alternative investments	36	**37**
Cash and deposits	11	**12**
Others	2	**3**
Total	100%	**100%**

(*) Total plan assets include 20% and 18% each of retirement benefit trust assets for certain corporate pension plans as of March 31, 2024 and 2025, 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, 2024 and 2025, are set forth as follows*:

	2024	**2025**
Discount rate	1.3%	**2.0%**
Expected rate of return on plan assets	2.4%	**2.5%**

(*) The discount rate and expected rate of return on plan assets for the years ended March 31, 2024 and 2025, 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, 2024 and 2025, are ¥1,286 million and ¥1,322 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, 2024 and 2025, vary from 0.0% to 5.4% and 0.0% to 8.5%, respectively.

(C) The changes in asset retirement obligations for the fiscal years ended March 31, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Balance at beginning of year	¥34,479	**¥32,171**	**$215**
Additional provisions associated with the acquisition of property, plant and equipment	60	**486**	**3**
Reconciliation associated with passage of time	778	**1,067**	**7**
Reduction associated with meeting asset retirement obligations	(2,823)	**(5,218)**	**(34)**
Changes in estimates*1	(1,423)	**8,708**	**58**
Other increases (decreases)*2	1,099	**8,991**	**60**
Balance at end of year	¥32,171	**¥46,207**	**$309**

Notes: *1 During the fiscal year ended March 31, 2024, the Company has 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 is increase of ¥121 million and decrease of ¥1,544 million. During the fiscal year ended March 31,2025, the Company has changed the amounts of estimates of the expenses to be incurred upon termination of production or mining rights mainly by consolidated subsidiaries and the cost of removing pipes at the site of the Company’s former oil refinery. The amount comprises an increase of ¥8,765 million ($58 million) and a decrease of ¥56 million ($0 million).

*2 Other increases (decreases) amount is, among others, an increase due to changes in foreign currency exchange rates for the fiscal year ended March 31, 2024. Other increases (decreases) amount is, among others, due to the recognition of the cost of removing pipes at the site of the former refinery as an asset retirement obligation for the fiscal year ended March 31,2025.

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, 2024 and 2025:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Employees	¥96	**¥73**	**$0**
Nonconsolidated subsidiaries and affiliates	3,267	**15,096**	**100**
Other	8,577	**107**	**0**
Total	¥11,941	**¥15,277**	**$102**

(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, 2024 and 2025, is ¥142,425 million and ¥110,272 million ($737 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, 2024	Fiscal year ended March 31, 2025
Balance at the beginning of the year	4,859	**13,602**
Increase during the year *1	105,457	**154,609**
Decrease during the year *2 *3 *4	(96,714)	**(34,769)**
Balance at the end of the year	13,602	**133,441**

(*1) The increase in the number of treasury shares for the fiscal year ended March 31, 2024, totaling 105,457 thousand shares, is attributable to the following: an increase of 75,415 thousand shares due to a stock split, an increase of 29,799 thousand shares through the acquisition of treasury shares based on resolutions of the Board of Directors, an increase of 239 thousand shares due to acquisitions by the executive compensation BIP trust, and an increase of 2 thousand shares through the purchase of fractional shares.

The increase in the number of treasury shares for the fiscal year ended March 31, 2025, totaling 154,609 thousand shares, is attributable to the following: an increase of 154,608 thousand shares through the acquisition of treasury shares based on resolutions of the Board of Directors, and an increase of 0 thousand shares through the purchase of fractional shares.

(*2) The Company canceled treasury stock by resolution of the Board of Directors for the fiscal year ended March 31, 2024 and 2025.

(*3) The number of treasury shares at the beginning and end of the fiscal year ended March 31, 2024, includes 459 thousand shares and 3,330 thousand shares, respectively, held by the executive compensation BIP (Board Incentive Plan) trust. The number of treasury shares at the beginning and end of the fiscal year ended March 31, 2025, includes 3,330 thousand shares and 3,124 thousand shares, respectively, held by the executive compensation BIP trust.

(*4) The decrease in the number of treasury shares for the fiscal year ended March 31, 2024, totaling 96,714 thousand shares, is attributable to the following: a decrease of 96,681 thousand shares due to the cancellation of treasury shares based on resolutions of the Board of Directors, a decrease of 32 thousand shares due to payouts from the executive compensation BIP trust, and a decrease of 0 thousand shares due to demands for additional purchases of fractional shares, respectively.

The decrease in the number of treasury shares for the fiscal year ended March 31, 2025, totaling 34,769 thousand shares, is attributable to the following: a decrease of 34,563 thousand shares due to the cancellation of treasury shares based on resolutions of the Board of Directors, a decrease of 206 thousand shares due to payouts from the executive compensation BIP trust, and a decrease of 0 thousand shares due to demands for additional purchases of fractional shares, respectively.

14. Selling, General and Administrative Expenses

Major elements of selling, general and administrative expenses for the years ended March 31, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Freights	¥102,215	**¥111,605**	**$746**
Salaries	77,143	**82,039**	**548**
Provision for bonuses	12,022	**11,812**	**78**
Retirement benefit expenses	1,331	**(36)**	**(0)**
Operational costs	93,440	**93,209**	**623**

Research and development expenses charged to income for the fiscal years ended March 31, 2024 and 2025, are ¥28,821 million and ¥33,915 million ($226 million), respectively.

15. Related Party Transactions

Significant transactions of the Company and its subsidiaries with related parties for the years ended March 31, 2024 and 2025, are as follows:

(A) Transactions of the Company with related parties

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Purchase of petroleum products, and others from Fuji Oil Company, Ltd	–	**¥404,267**	**$2,703**
Collection of accounts receivable during the year *1	¥1,039,973	**1,043,302**	**6,977**
Lending of funds to NSRP on Nghi Son Refinery and Petrochemical Complex in Vietnam *2	–	**19,456**	**130**
Lease of building from Nissho Kosan K.K. *3	88	**88**	**0**
Electricity sales from Nissho Kosan K.K. *4	–	**24**	**0**
Lease of building from Showa Kosan K.K. *3	–	**63**	**0**
Electricity sales from Mita Kosan K.K. *5	–	**27**	**0**

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Undertaking of project completion guarantee: NSRP on Nghi Son Refinery and Petrochemical Complex in Vietnam *2	¥142,425	**¥110,272**	**$737**

The balances due to or from related parties as of March 31, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Accounts payableb to Fuji Oil Company, Ltd	–	**¥51,890**	**$347**
Accounts receivable, other	¥52,427	**93,158**	**623**
Loan to NSRP on Nghi Son Refinery and Petrochemical Complex in Vietnam *2	–	**53,913**	**360**
Prepaid rent to Nissho Kosan K.K. *3	8	**8**	**0**
Deposit receivable from Nissho Kosan K.K. *3	45	**45**	**0**
Accounts receivable from Nissho Kosan K.K. *4	–	**2**	**0**
Prepaid rent to Nissho Kosan K.K. *3	–	**5**	**0**
Deposit receivable from Showa Kosan K.K. *3	–	**43**	**0**
Accounts receivable from Mita Kosan K.K. *5	–	**2**	**0**

(B) Transactions of subsidiaries with related parties:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Disbursement on behalf of:			
NSRP *2	¥10,119	**(¥2,879)**	**($19)**
Electricity sales to Nissho Kosan K.K. *4	25	—	—
Electricity sales to Mita Kosan K.K. *5	24	—	—

The balances due to or from related parties on March 31, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Accounts receivable, other:			
NSRP *2	¥139,023	**¥143,739**	**$961**
Electricity sales to Nissho Kosan K.K. *4	2	—	—
Electricity sales to Mita Kosan K.K. *5	2	—	—

(*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) As of March 31, 2025, 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, 2024 and 2025, respectively, and long-term loans from NSRP amounting to ¥- million and ¥- million as of March 31, 2024 and 2025, respectively, as collateral for NSRP's borrowings from financial institutions.

(*3) Masakazu Idemitsu, a director of the Company, and his relatives hold a majority stake in Nissho Kosan K.K ("Nissho Kosan") and Showa Kosan K.K.("Showa Kosan"). The rent for the building is determined based on the rent prevailing in the area.

(*4) The collection of accounts receivable represents transactions with Nissho Kosan K.K. 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.

(*5) The collection of accounts receivable represents transactions with Mita Kosan K.K. ("Mita Kosan"). Masakazu Idemitsu, a director of the Company, and his relatives hold a majority stake 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, 2025, 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
	2024	**2025**	**2025**	2024	**2025**	**2025**
Current assets	¥254,512	**¥232,812**	**$1,557**	¥117,154	**¥127,902**	**$855**
Non-current assets	823,341	**846,234**	**5,659**	82,693	**75,201**	**502**
Current liabilities	577,935	**639,581**	**4,277**	41,012	**35,610**	**238**
Long-term liabilities	840,100	**944,771**	**6,318**	56,413	**54,299**	**363**
Equity	(340,182)	**(505,305)**	**(3,379)**	102,422	**113,194**	**757**
Net sales	883,447	**1,175,031**	**7,858**	127,766	**107,839**	**721**
(Losses) gains before income taxes	(128,931)	**(120,653)**	**(806)**	85,436	**69,582**	**465**
Net (losses) gains	(128,931)	**(120,653)**	**(806)**	21,126	**18,884**	**126**

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, 2024 and 2025.

(A) The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of March 31, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Tax loss carryforwards	¥51,578	**¥51,200**	**$342**
Impairment loss on fixed assets	33,887	**36,564**	**244**
Reserve for repair work	25,029	**28,662**	**191**
Allowance for doubtful accounts	10,902	**17,932**	**119**
Liability for employees' retirement benefits	15,166	**14,794**	**98**
Tax effect related to investment	14,042	**12,078**	**80**
Asset retirement obligations	10,518	**11,379**	**76**
Estimated sales discounts for the year	6,977	**6,742**	**45**
Retirement benefit trust	6,641	**6,065**	**40**
Accrued bonuses to employees	4,507	**4,352**	**29**
Provision for losses related to contracts	−	**3,243**	**21**
Depreciation in excess	1,671	**3,143**	**21**
Deferred losses on hedging activities	2,781	**2,247**	**15**
Accrued removal cost	7,044	**1,417**	**9**
Loss on penalty for LPG business	1,531	**1,251**	**8**
Accrual of enterprise tax	2,493	**210**	**1**
Other	18,006	**18,601**	**124**
Subtotal deferred tax assets	212,782	**219,888**	**1,470**
Less valuation allowance for tax loss carryforwards	(41,735)	**(41,867)**	**(280)**
Less valuation allowance for temporary differences	(59,119)	**(68,113)**	**(455)**
Total valuation allowance	(100,855)	**(109,980)**	**(735)**
Total deferred tax assets	111,926	**109,907**	**735**
Value difference arising from business combinations	(61,407)	**(58,860)**	**(393)**
Asset for employees' retirement benefits	(17,527)	**(22,171)**	**(148)**
Special tax reserve on property, plant and equipment	(21,625)	**(21,250)**	**(142)**
Special amortization of overseas development costs, etc.	(19,662)	**(16,520)**	**(110)**
Retained earnings in subsidiaries and affiliates	(1,324)	**(11,929)**	**(79)**
Deferred gains on hedging activities	(3,450)	**(3,923)**	**(26)**
Unrealized gains on available-for-sale securities	(2,184)	**(1,396)**	**(9)**
Other	(9,744)	**(11,084)**	**(74)**
Total deferred tax liabilities	(136,928)	**(147,137)**	**(984)**
Net deferred tax liabilities	(¥25,001)	**(¥37,229)**	**($248)**

The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2025, were as follows:

	Millions of Yen						
March 31, 2025	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	**¥5,132**	**¥4,011**	**¥184**	**¥1,879**	**¥1,970**	**¥38,022**	**¥51,200**
Less valuation allowances for tax loss carryforwards	**(5,132)**	**(4,011)**	**(184)**	**(1,879)**	**(1,970)**	**(28,689)**	**(41,867)**
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	**9,333**	***2 9,333**

	Millions of U.S. Dollars						
March 31, 2025	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	**$34**	**$26**	**$1**	**$12**	**$13**	**$254**	**$342**
Less valuation allowances for tax loss carryforwards	**(34)**	**(26)**	**(1)**	**(12)**	**(13)**	**(191)**	**(280)**
Net deferred tax assets relating to tax loss carryforwards	—	—	—	—	—	**62**	***2 62**

Notes: *1 Figures for the tax loss carryforward were the amounts multiplied by effective statutory tax rate.
*2 Deferred tax assets were determined to be recoverable as future taxable income is anticipated.

(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, 2025, with the corresponding figures for 2024, is as follows:

	2024	**2025**
Statutory tax rate	30.62%	**30.62%**
Increase (decrease) in taxes resulting from:		
Valuation allowance	4.26	**10.79**
Differences in tax rates applied to foreign subsidiaries	(1.67)	**(8.51)**
Retained earnings of affiliates	0.02	**6.66**
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	(1.57)	**(4.37)**
Tax credits	(1.24)	**(2.62)**
Non-deductible expenses for tax purposes	0.73	**2.36**
Amortization of goodwill	0.82	**1.82**
Other	(1.37)	**(1.16)**
Effective income tax rate	30.58%	**35.58%**

17. Other Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Unrealized gains (losses) on available-for-sale securities:			
Gains arising during the year	¥6,269	**(¥2,787)**	**($18)**
Reclassification adjustments to profit or loss	(3,603)	**406**	**2**
Amount before income tax effect	2,665	**(2,380)**	**(15)**
Income tax effect	(383)	**325**	**2**
Total	¥2,282	**(¥2,055)**	**($13)**
Deferred gains (losses) on hedging activities, net:			
Gains arising during the year	¥479	**¥3,167**	**$21**
Reclassification adjustments to profit or loss	(295)	**(477)**	**(3)**
Amount before income tax effect	184	**2,690**	**17**
Income tax effect	(145)	**(693)**	**(4)**
Total	¥38	**¥1,996**	**$13**
Surplus from land revaluation:			
Income tax effect	¥940	**(¥10,915)**	**($73)**
Foreign currency translation adjustments:			
Adjustments arising during the year	¥32,487	**¥7,159**	**$47**
Reclassification adjustments to profit or loss	1,622	**(151)**	**(1)**
Amount before income tax effect	34,109	**7,008**	**46**
Income tax effect	—	**—**	**—**
Total	¥34,109	**¥7,008**	**$46**
Defined retirement benefit plans:			
Adjustments arising during the year	¥21,275	**¥14,836**	**$99**
Reclassification adjustments to profit or loss	(2,218)	**(4,150)**	**(27)**
Amount before income tax effect	19,056	**10,685**	**71**
Income tax effect	(5,827)	**(3,707)**	**(24)**
Total	¥13,229	**¥6,977**	**$46**
Share of other comprehensive income (loss) in affiliates:			
Gains arising during the year	¥8,211	**¥1,852**	**$12**
Reclassification adjustments to profit or loss	(4,109)	**1,443**	**9**
Total	¥4,101	**¥3,295**	**$22**
Total other comprehensive income	¥54,701	**¥6,307**	**$42**

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 as of March 31, 2025, were as follows:

	Millions of Yen	Millions of U.S. Dollars
Due within one year	**¥8,720**	**$58**
Due after one year	**33,079**	**221**
Total	**¥41,800**	**$279**

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 required funds (principally by bank loans and the issuance of bonds) according to capital expenditure plan, etc. The Group invests temporary surplus funds in high-security deposits and others and raises short-term operating funds through bank loans and commercial papers. The Group utilizes derivatives to avoid or mitigate risk relating to its actual demand, as described in (B) below, and engages in no speculative transaction. Additionally, the Company and some of its consolidated subsidiaries have adopted hedge accounting.

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

Notes and accounts receivable, trade, which are trade receivables, are exposed to customer credit risk. In addition, trade receivables denominated in foreign currencies associated with product exports, etc. are exposed to the risk of fluctuations in exchange rates.

Among securities and investment securities, listed stocks that are other securities, excluding securities other than tho se without market value, are exposed to the risk of fluctuations in market price.

Among borrowings, commercial papers, and corporate bonds, short-term borrowings and commercial papers are primarily used to raise funds for the purchase of raw materials and operating expenses, while long-term loans payable and corporate bonds are primarily used to raise funds for capital investment. Borrowings with floating interest rates are exposed to the risk of fluctuations in interest rates, and borrowings denominated in foreign currencies are exposed to the risk of fluctuations in exchange rates. The majority of long-term debt are hedged using interest rate swap transactions.

Derivatives transactions consist of foreign currency forward exchange contracts to hedge the risk of foreign currency exchange fluctuations related to trade receivables and payables denominated in foreign currencies; interest rate swaps to hedge the risk of interest rate fluctuations related to borrowings; and crude oil and petroleum product swaps and futures transactions to hedge the risk of market price fluctuations related to crude oil and petroleum products, etc. For details regarding hedging instruments and hedged items, hedging policies, and methods for evaluating hedge effectiveness, etc., please refer to Note 2(J).

(C) Risk management framework for financial instruments

(1) Management of credit risk (the risk of contractual counterparty default)

In accordance with the receivables management regulations and guidelines established by each business division, the Company regularly monitors the position of its business partners by business division with respect to trade receivables and manages payment terms, balances, collateral, etc. with business partners, while also working to quickly identify and mitigate concerns about recovery due to deterioration of financial position, etc. Consolidated subsidiaries are also managed in the same way in accordance with the Company's regulations. The General Affairs Department centrally monitors the status of credit management across the entire Group and reports monthly to the Credit Committee.

When engaging in derivatives transactions, there is almost no credit risk as transactions are limited to financial institutions, trading companies, and members of futures exchanges with internationally high credit ratings.

(2) Management of market risk (risk of fluctuations in exchange rates, interest rates, crude oil or petroleum product prices, etc.)

The Company and some of its consolidated subsidiaries use forward exchange contracts to hedge against the risk of fluctuation in exchange rates, measured monthly, within the scope of actual demand, with respect to foreign currency receivables and payables.

The Company also uses interest rate swap transactions (fixed payment/fluctuating rate) to hedge the risk of fluctuations in interest rates payable on long-term loans payable.

The Company and some of its consolidated subsidiaries use swaps and futures transactions for crude oil and petroleum products within the scope of actual demand in order to hedge against the risk of fluctuations in market prices of crude oil and petroleum products.

With regard to investment securities, which are principally stocks of client companies with which the Group has business ties that are held in the minimum amount necessary, the market prices of listed stocks are recognized for each quarter, and with regard to unlisted stocks, the Company obtains information to recognize the financial positions, etc. of the issuers for each fiscal year.

With regard to derivatives transactions, each department that handles derivatives prepares a trading policy and plan every year based on the Derivatives Management Regulations, which stipulate the purpose of use, trading policy, authority, and procedures related to transactions, reporting systems, etc., and these are approved following review by the General Affairs Department and deliberation by the Derivatives Committee. Transactions are executed and managed separately by the Finance & Accounting Department for foreign exchange and interest rate-related transactions and the Integrated Supply & Trading Department and other departments for commodity-related transactions.

The General Affairs Department monitors the status of transactions and management from the internal control perspective, and reports monthly to the Derivatives Committee. Consolidated subsidiaries also execute and manage transactions based on internal management rules established in accordance with the Company's Derivatives Management Regulations.

(3) Management of liquidity risk associated with financing (the risk that the Group will be unable to pay by the due date)

Accounts payable - trade, borrowings, and corporate bonds are exposed to liquidity risk, but the Finance & Accounting Department creates and updates cash flow plans in a timely manner based on information from each department, and manages liquidity risk by maintaining an appropriate level of liquidity on hand. Consolidated subsidiaries are financed by Group financing from the Company and other sources based on cash flow plans prepared by each company. In addition, the Company has entered into specified credit line agreements (commitment line agreements) with financial institutions to provide for unexpected demand for funds.

(D) Supplementary explanation of fair value, etc. of financial instruments

Since the calculation of the fair value of financial instruments takes into account variable factors, such values may change due to the adoption of different assumptions and other factors.

(Fair Value of Financial Instruments)

The carrying value of financial instruments recorded in the consolidated balance sheet as of March 31, 2024 and 2025, their fair values, and unrealized gains (losses) are as follows:

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 receivable	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 loans payable	479,056	470,793	(8,262)
Total liabilities	¥629,056	¥617,967	(¥11,088)
Derivative transactions *5	¥20,641	¥20,641	—

March 31, 2025

	Millions of Yen		
	Carrying amount	Fair value	Unrealized losses
Investments in securities *3*4	**¥23,369**	**¥16,611**	**(¥6,757)**
Long-term loans receivable	**56,490**		
Allowance for doubtful accounts *2	**(53,942)**		
	¥2,547	**¥2,547**	—
Total assets	**¥25,917**	**¥19,159**	**(¥6,757)**
Bonds payable	**140,000**	**134,625**	**(5,375)**
Long-term loans payable	**409,879**	**398,379**	**(11,499)**
Total liabilities	**¥549,879**	**¥533,004**	**(¥16,874)**
Derivative transactions *5	**¥9,921**	**¥9,921**	—

	Millions of U.S. Dollars		
	Carrying amount	Fair value	Unrealized losses
Investments in securities *3*4	**$156**	**$111**	**($45)**
Long-term loans receivable	**377**		
Allowance for doubtful accounts *2	**(360)**		
	$17	**$17**	—
Total assets	**$173**	**$128**	**($45)**
Bonds payable	**936**	**900**	**(35)**
Long-term loans payable	**2,741**	**2,664**	**(76)**
Total liabilities	**$3,677**	**$3,564**	**($112)**
Derivative transactions *5	**$66**	**$66**	—

Notes: *1 "Cash and cash equivalents", "Notes and accounts receivable-trade", "Notes and accounts payabl- 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
	2024	**2025**	**2025**
Investments in partnerships that are measured at the Company's proportionate interest in their net assets in the consolidated balance sheet	¥11,376	**¥13,072**	**$87**

*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".

*4 The carrying value of the financial instruments recorded in the consolidated balance sheet is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Unlisted equity instruments	¥249,044	**¥282,394**	**$1,888**

*5 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 as of March 31, 2024 and 2025

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 receivable	—	¥7,375	¥36,113	¥35
Total	¥1,227,141	¥7,375	¥36,113	¥35

March 31, 2025

	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	**¥817,349**	—	—	—
Accounts receivable, other	**298,776**	—	—	—
Long-term loans receivable	—	**¥1,621**	**¥54,869**	—
Total	**¥1,116,126**	**¥1,621**	**¥54,869**	—

	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	**$5,466**	—	—	—
Accounts receivable, other	**1,998**	—	—	—
Long-term loans receivable	—	**$10**	**$366**	—
Total	**$7,464**	**$10**	**$366**	—

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

(Financial Instruments Categorized by Fair Value Hierarchy)

Fair values of financial instruments are categorized at the following three levels according to the observability and importance of inputs related to the calculation of the fair values:

Level 1: Fair values calculated using the quoted prices of the assets and liabilities subject to the calculation of t fair values that are formed in active markets among inputs related to the calculation of observable fair values.

Level 2: Fair values calculated using the inputs related to the calculation of fair values other than Level 1 input among inputs related to the calculation of observable fair values.

Level 3: Fair values calculated using the inputs related to the calculation of fair values that cannot be observed

In cases where multiple inputs that have a material effect on the calculation of the fair value are used, among the levels to which the respective inputs belong, the fair value is categorized at the level with the lowest priority in the fair value calculation.

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

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

March 31, 2025	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Investment in securities	**¥16,611**	—	—	**¥16,611**
Long-term loans receivable	—	—	—	—
Derivative transactions	—	**¥9,921**	—	**9,921**
Total assets	**¥16,611**	**¥9,921**	—	**¥26,533**

March 31, 2025	Millions of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Investment in securities	**$111**	—	—	**$111**
Long-term loans receivable	—	—	—	—
Derivative transactions	—	**$66**	—	**66**
Total assets	**$111**	**$66**	—	**$177**

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

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

March 31, 2025	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	—	**¥2,547**	—	**¥2,547**
Total assets	—	**¥2,547**	—	**¥2,547**
Bonds payable	—	**¥134,625**	—	**¥134,625**
Long-term loans payable	—	**398,379**	—	**398,379**
Total liabilities	—	**¥533,004**	—	**¥533,004**

March 31, 2025	Millions of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	—	**$17**	—	**$17**
Total assets	—	**$17**	—	**$17**
Bonds payable	—	**$900**	—	**$900**
Long-term loans payable	—	**2,664**	—	**2,664**
Total liabilities	—	**$3,564**	—	**$3,564**

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

Long-term loans receivable from NSRP are categorized as Level 3. The entire carrying amount of the loans receivable was written off during prior fiscal years when measured at fair value. For details of the calculation of the fair value, please see "(3) Financial instruments categorized as Level 3" below.

Long-term loans receivable (other than those mentioned above)

Long-term loans receivable calculated based on the present value of the future cash flow discounted at a rate supposing that a similar loan is newly extended, is categorized as Level 2. The fair value of probable non-performing credits is calculated based on the present value of the future cash flow discounted at the expected return rate (discount rate) in which inherent risks of debtors are reflected or the expected amount to be collected from collateral or guarantee. If the amount of the impact of unobservable inputs on the fair value is material, the fair value is categorized as a Level 3 fair value; and if not, it is categorized as a Level 2 fair value. Long-term loans receivable to NSRP are categorized as Level 3 and an allowance for doubtful accounts is provided for the entire carrying amount at the end of the current fiscal year.

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 (including current portion of bonds payable)

The fair value of the bonds issued by the Company is calculated using the market value, and categorized as a Level 2 fair value.

Long-term loans payable

The fair value of long-term loans payable is calculated by discounting the total principal and interest by an interest rate supposing that similar borrowings are newly conducted. Long-term loans payable with floating interest rates are subject to interest rate swaps under exceptional accounting treatment. The fair value of these loans is calculated by discounting the total principal and interest that were accounted for as a single item with the relevant interest rate swap, by a reasonably estimated interest rate applicable when similar borrowings are conducted, and is categorized as a Level 2 fair value.

(3) Financial instruments categorized as Level 3

Increase and decrease in long-term loans receivable categorized as Level 3 during the fiscal years ended March 31, 2024 and 2025, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Balance at beginning of year	―	―	―
Gains and losses recorded for the current period *1	―	―	―
Balance at end of year	―	―	―

Notes: *1 There is no balance at the end of each fiscal year because the entire carrying amount has been written off during prior fiscal years when measured at fair value.

The fair value of long-term loans receivable 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.

20. Derivatives and Hedging Activities

March 31, 2024

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

(1) Currency related

	Millions of Yen			
March 31, 2024	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

(2) Interest rate related

	Millions of Yen			
March 31, 2024	Notional amount		Fair value	Unrealized gains
	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

(3) Commodity related

March 31, 2024	Millions of Yen Notional amount Contract amount	Maturing after one year	Fair value	Unrealized gains (losses)
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

(B) Derivative transactions to which hedge accounting is applied

(1) Currency related

March 31, 2024	Hedged item	Millions of Yen Notional amount Contract amount	Maturing after one year	Fair value
Foreign currency forward contracts: Selling U.S. dollars, etc.	Notes and accounts receivable, trade	¥10,070	—	¥164
Total		¥10,070	—	¥164

(2) Interest rate related

March 31, 2024	Hedged item	Millions of Yen Notional amount Contract amount	Maturing after one year	Fair value
Interest rate swap contracts: Pay-fixed, receive-variable	Long-term debt	¥150,601	¥108,660	¥4,577
Total		¥150,601	¥108,660	¥4,577

(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, 2025

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

(1) Currency related

March 31, 2025	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.	**¥184,938**	**—**	**¥182**	**¥182**
Buying U.S. dollars, etc.	**504,075**	**¥25,100**	**7,581**	**7,581**
Total	**¥689,014**	**¥25,100**	**¥7,763**	**¥7,763**

March 31, 2025	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.	**$1,236**	**—**	**$1**	**$1**
Buying U.S. dollars, etc.	**3,371**	**$167**	**50**	**50**
Total	**$4,608**	**$167**	**$51**	**$51**

(2) Interest rate related

March 31, 2025	Millions of Yen			
	Notional amount		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Interest rate swap contracts:				
Pay-fixed, receive-variable	—	—	—	—
Total	—	—	—	—

March 31, 2025	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	—	—	—	—
Total	—	—	—	—

(3) Commodity related

March 31, 2025	Millions of Yen Notional amount		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Commodity swap contracts:				
Selling petroleum products	**¥234,324**	—	**(¥6,923)**	**(¥6,923)**
Buying petroleum products	**254,576**	—	**4,800**	**4,800**
Total	**¥488,901**	—	**(¥2,122)**	**(¥2,122)**

March 31, 2025	Millions of U.S. Dollars Notional amount		Fair value	Unrealized gains (losses)
	Contract amount	Maturing after one year		
Commodity swap contracts:				
Selling petroleum products	**$1,567**	—	**($46)**	**($46)**
Buying petroleum products	**1,702**	—	**32**	**32**
Total	**$3,269**	—	**($14)**	**($14)**

(B) Derivative transactions to which hedge accounting is applied

(1) Currency related

March 31, 2025	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 and forecast foreign currency transaction	**¥40,502**	**¥30,064**	**(¥437)**
Total		**¥40,502**	**¥30,064**	**(¥437)**

March 31, 2025	Millions of U.S. Dollars 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 and forecast foreign currency transaction	**$270**	**$201**	**($2)**
Total		**$270**	**$201**	**($2)**

(2) Interest rate related

March 31, 2025	Hedged item	Notional amount (Millions of Yen)		Fair value
		Contract amount	Maturing after one year	
Interest rate swap contracts: Pay-fixed, receive-variable	Long-term debt	**¥110,309**	**¥45,149**	**¥4,747**
Total		**¥110,309**	**¥45,149**	**¥4,747**

March 31, 2025	Hedged item	Notional amount (Millions of U.S. Dollars)		Fair value
		Contract amount	Maturing after one year	
Interest rate swap contracts: Pay-fixed, receive-variable	Long-term debt	**$737**	**$301**	**$31**
Total		**$737**	**$301**	**$31**

(3) Commodity related

March 31, 2025	Hedged item	Notional amount (Millions of Yen)		Fair value
		Contract amount	Maturing after one year	
Commodity swap contracts:				
Selling petroleum products	Crude oil and petroleum products	—	—	—
Buying petroleum products		**¥682**	—	**(¥29)**
Total		**¥682**	—	**(¥29)**

March 31, 2025	Hedged item	Notional amount (Millions of U.S. Dollars)		Fair value
		Contract amount	Maturing after one year	
Commodity swap contracts:				
Selling petroleum products	Crude oil and petroleum products	—	—	—
Buying petroleum products		**$4**	—	**($0)**
Total		**$4**	—	**($0)**

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, 2024 and 2025, 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, 2024:				
Basic EPS:				
Net income attributable to common shareholders	¥228,518	1,416,552	¥161.32	
Effect of dilutive securities:				
Dilution of subsidiary stock	–			
Diluted EPS:				
Net income for computation	¥228,518	1,416,552	—*	
Year ended March 31, 2025:				
Basic EPS:				
Net income attributable to common shareholders	**¥104,055**	**1,336,912**	**¥77.83**	**$0.52**
Effect of dilutive securities:				
Dilution of subsidiary stock	–			
Diluted EPS:				
Net income for computation	**¥104,055**	**1,336,912**	—*	—*

* 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 as of March 31, 2025, was approved at the Board of Directors' meeting held on May 13, 2025:

	Millions of Yen	Millions of U.S. Dollars
Year-end cash dividends, ¥18 ($0.12) per share *	**¥22,099**	**$147**

* The effective date of the dividend is June 4, 2025

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
	2024	**2025**	**2025**
Land and leasehold rights	¥2,458	**¥1,816**	**$12**
Vessels	ー	**4,667**	**31**
Buildings and others	5,196	**1,181**	**7**
Total	¥7,655	**¥7,664**	**$51**

Loss on sales of fixed assets is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Land and leasehold rights	(¥241)	**(¥2,976)**	**($19)**
Buildings and others	(273)	**(488)**	**(3)**
Total	(¥514)	**(¥3,464)**	**($23)**

23. Revenue Recognition

(A) Disaggregation of revenue from contracts with customers

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

Year ended March 31, 2025

	Millions of Yen							
	Reportable segment							
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total
Japan	**¥5,615,592**	**¥384,304**	**¥235,014**	**¥124,094**	**¥182,721**	**¥6,541,727**	**¥10,419**	**¥6,552,146**
Asia and Oceania	**1,252,198**	**195,022**	**194,098**	**35**	**63,025**	**1,704,379**	**3**	**1,704,383**
North America	**780,666**	**5,929**	**52,120**	**3,426**	–	**842,143**	**29**	**842,172**
Others	**47,933**	**1,939**	**22,132**	**17**	**19,499**	**91,522**	–	**91,522**
Revenues from contracts with customers	**¥7,696,391**	**¥587,195**	**¥503,366**	**¥127,573**	**¥265,246**	**¥9,179,772**	**¥10,452**	**¥9,190,225**

	Millions of U.S. Dollars							
	Reportable segment							
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total
Japan	**$37,557**	**$2,570**	**$1,571**	**$829**	**$1,222**	**$43,751**	**$69**	**$43,821**
Asia and Oceania	**8,374**	**1,304**	**1,298**	**0**	**421**	**11,399**	**0**	**11,399**
North America	**5,221**	**39**	**348**	**22**	–	**5,632**	**0**	**5,632**
Others	**320**	**12**	**148**	**0**	**130**	**612**	–	**612**
Revenues from contracts with customers	**$51,473**	**$3,927**	**$3,366**	**$853**	**$1,773**	**$61,394**	**$69**	**$61,464**

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 "(Z) 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, 2024 and 2025

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Receivables from contracts with customers:			
Balance at beginning of year	¥841,798	**¥919,011**	**$6,146**
Balance at end of year	919,011	**817,349**	**5,466**
Contract assets:			
Balance at beginning of year	127	**195**	**1**
Balance at end of year	195	**205**	**1**
Contract liabilities:			
Balance at beginning of year	60,917	**60,213**	**402**
Balance at end of year	60,213	**62,215**	**416**

“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 this fiscal year (e.g., changes in transaction prices) is also immaterial.

(D) Transaction prices allocated to remaining performance obligations

The Group applies the practical expedient to the transaction prices allocated to the residual performance obligations, and do not include 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, 2024 and 2025

	Millions of Yen		Millions of U.S. Dollars
	2024	**2025**	**2025**
Within one year	¥138,098	**¥46,629**	**$311**
After one year	351,402	**207,567**	**1,388**
Total	¥489,501	**¥254,196**	**$1,700**

24. Segment Information

<u>Years ended March 31, 2024 and 2025</u>

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

(A) Description of reportable segments

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

Taking into consideration the nature of the products and the position of each business 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

(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, 2024

	Millions of Yen									
	Reportable segment									
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total	Recon-ciliation	Consolidated
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, 2025

	Millions of Yen									
	Reportable segment									
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total	Recon-ciliation	Consolidated
Net sales:										
Customers	¥7,696,391	¥587,195	¥503,366	¥127,573	¥265,246	¥9,179,772	¥10,452	¥9,190,225	¥−	¥9,190,225
Intersegment	23,568	47,805	27,003	3,841	1	102,220	7,911	110,132	(110,132)	−
Total	¥7,719,959	¥635,000	¥530,369	¥131,415	¥265,248	¥9,281,993	¥18,364	¥9,300,357	(¥110,132)	¥9,190,225
Operating income (loss)	¥108,368	(¥9,993)	¥27,950	(¥11,336)	¥68,393	¥183,381	¥1,153	¥184,535	(¥22,349)	¥162,185
Equity in earnings (losses) of non-consolidated subsidiaries and affiliates, net	13,747	2,008	284	(936)	8,961	24,065	−	24,065	(1,460)	22,604
Segment income (loss)	122,115	(7,984)	28,234	(12,273)	77,355	207,447	1,153	208,600	(23,810)	184,790
Segment assets	3,184,944	342,125	391,695	237,814	287,556	4,444,136	18,825	4,462,962	312,623	4,775,586
Other items:										
Depreciation and amortization	52,380	7,215	10,048	6,279	9,797	85,720	227	85,948	9,711	95,659
Amortization of goodwill	7,266	5	−	2,142	−	9,415	−	9,415	−	9,415
Impairment loss on fixed assets	5,143	1,278	9,421	11,375	−	27,219	−	27,219	−	27,219
Investment in equity method affiliates	100,819	38,561	7,925	14,742	60,468	222,517	−	222,517	20,311	242,829
Unamortized balance of goodwill	91,750	40	2,562	29,995	−	124,348	−	124,348	−	124,348
Capital expenditures	¥41,574	¥10,747	¥10,149	¥13,476	¥13,473	¥89,422	¥302	¥89,724	¥21,638	¥111,362

Year ended March 31, 2025

	Millions of U.S. Dollars									
	Reportable segment									
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total	Others	Total	Recon-ciliation	Consolidated
Net sales:										
Customers	$51,473	$3,927	$3,366	$853	$1,773	$61,394	$69	$61,464	$−	$61,464
Intersegment	157	319	180	25	0	683	52	736	(736)	−
Total	$51,631	$4,246	$3,547	$878	$1,773	$62,078	$122	$62,201	($736)	$61,464
Operating income (loss)	$724	($66)	$186	($75)	$457	$1,226	$7	$1,234	($149)	$1,084
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates, net	91	13	1	(6)	59	160	−	160	(9)	151
Segment income (loss)	816	(53)	188	(82)	517	1,387	7	1,395	(159)	1,235
Segment assets	21,301	2,288	2,619	1,590	1,923	29,722	125	29,848	2,090	31,939
Other items:										
Depreciation and amortization	350	48	67	41	65	573	1	574	64	639
Amortization of goodwill	48	0	−	14	−	62	−	62	−	62
Impairment loss on fixed assets	34	8	63	76	−	182	−	182	−	182
Investment in equity method affiliates	674	257	53	98	404	1,488	−	1,488	135	1,624
Unamortized balance of goodwill	613	0	17	200	−	831	−	831	−	831
Capital expenditures	$278	$71	$67	$90	$90	$598	$2	$600	$144	$744

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" of "Operating income (loss)" mainly represent research and development costs, which do not belong to reportable segments.
3. The amount of "Reconciliation" of "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 (loss)" and "Equity in earnings (losses)" of nonconsolidated subsidiaries and affiliates in the consolidated statement of income.
5. The amount of "Reconciliation" of "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" of "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.

(D) Related Information

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

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

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.

Year ended March 31, 2025

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
¥6,552,146	**¥1,704,383**	**¥842,172**	**¥91,522**	**¥9,190,225**

Millions of U.S. dollars				
Japan	Asia and Oceania	North America	Other	Total
$43,821	**$11,399**	**$5,632**	**$612**	**$61,464**

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	North America	Other	Total
¥1,149,364	**¥105,396**	**¥119,108**	**¥154**	**¥1,374,024**

Millions of U.S. Dollars				
Japan	Asia and Oceania	North America	Other	Total
$7,687	**$704**	**$796**	**$1**	**$9,189**

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.

North America : USA

Other : Germany, 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.

(E)Information Regarding Impairment Loss on Fixed Assets by Reportable Segment

Year ended March 31, 2024

The Company recorded an impairment loss of ¥8,606 million in the petroleum segment due to the shutdown of the refining function and other reasons.

Year ended March 31, 2025

The Company recorded impairment losses of ¥5,143 million ($34 million) on domestic plant piping facilities in the petroleum segment, ¥1,278 million ($8 million) on overseas plant facilities in the basic chemicals segment, ¥9,421 million ($63 million) on overseas lubricants plant facilities and functional chemicals facilities in the functional materials segment, and ¥11,375 million ($76 million) on biomass-related facilities in the power and renewable energy segment.

(F) Information Regarding Amortization and Unamortized Balances of Goodwill by Reportable Segment

Year ended March 31, 2024

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

Year ended March 31, 2025

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

(G) Information Regarding Gain on Negative Goodwill by Reportable Segment

Year ended March 31, 2024

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

Year ended March 31, 2025

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

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi
Chiyoda-ku, Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www.deloitte.com/jp/en

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, 2025, 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, 2025, 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

Idemitsu Kosan Co., Ltd. (hereinafter, the "Company") holds a 35.1% equity interest in Nghi Son Refinery and Petrochemical LLC (hereinafter, "NSRP"), which operates the Nghi Son Refinery in Vietnam. In addition to this equity interest, the Company provides loans and project finance debt guarantees for NSRP. Furthermore, through its consolidated subsidiary, Idemitsu Asia Pacific Pte. Ltd., the Company provides loans and advance funds to NSRP. The equity method is applied to the investment in NSRP, and the loans and accounts receivable are 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 investments and loans to NSRP by the Idemitsu Kosan Group is as follows, which has a significant impact on the Company's financial position and performance due to its materiality:

	Line item	Millions of Yen	Millions of U.S. Dollars
Equity interest	Investments in nonconsolidated subsidiaries and affiliates	–	–
Loans	Long-term loans receivable	¥53,912	$360
	Less: Allowance for doubtful accounts	(53,912)	(360)
	Net carrying amount	–	–
Advance funds for NSRP	Accounts receivable, other	¥143,739	$961

The Company has also provided debt guarantees of ¥110,272 million for NSRP's borrowings from banks.

The Company conducts an assessment of the fair value and recoverable amount of long-term loans and outstanding receivables held by the Idemitsu Kosan Group, including the determination of whether to record a provision for loss on debt guarantees. These accounting estimates are derived using the discounted cash flow method, in a basis of the going concern assumption for NSRP.

The cash flow estimates incorporate assumptions, such as utilization rates and are created by reflecting the latest product margins within NSRP's future business plan. These assumptions are formulated based on NSRP's operational performance up to the current consolidated fiscal year, along with outlooks of external business environment, including supply-demand trends, geopolitical circumstances, and climate change considerations. The discount rate reflects the expected rate of return, accounting for inherent risks associated with investments in NSRP, as well as uncertainties related to global decarbonization initiatives and international trade measures not captured in the projected future cash flows.

As a result of these evaluations, the Company has recorded a provision for doubtful accounts amounting to ¥12,870 million for long-term loans receivable during the current fiscal year. No provision for loss on debt guarantees has been recorded.

■ **Key Audit Matter Description**

We evaluated the management assumptions incorporated in NSRP's projected future cash flows, which underpin the aforementioned accounting estimates. We identified "Product margin," "Utilization rate," and "Discount rate" as critical inputs and key audit matters due to their pronounced sensitivity to discounted future cash flows relative to other inputs, and the substantial management judgment required.

<Product Margin> This is derived from long-term projections of crude oil and petroleum product demand in Asia, necessitating expert analysis and consideration of the transition towards a decarbonized economy, which introduces significant uncertainty. Additionally, it involves evaluating the impact of social initiatives aimed at advancing the transition to a decarbonized economy on future demand and supply, which introduces significant uncertainty. <Utilization Rate> This estimate lacks external benchmarks and is susceptible to management bias. Although the estimation is established in a basis of historical operational performance, the estimation process involves various uncertainties, including the future demand projections in Vietnam, technical reliability of refinery operations. Furthermore, it is necessary to evaluate whether changes in the external environment, such as the balance of product supply and demand influenced by climate change responses, along with the current financial condition of NSRP, affect utilization rates. <Discount Rate> This estimate is calculated using the Capital Asset Pricing Model ("CAPM"). The estimation reflects the inherent risks associated with investments stemming from NSRP's current financial condition, along with uncertainties related to global decarbonization initiatives and international trade measures that are not captured in the projected future cash flows. The estimation of risk premiums associated with these substantial uncertainties is susceptible to management bias.
Audit Response
We performed the following audit procedures with regard to the assumptions used in evaluating investments in NSRP, including directing and supervising the work of NSRP's auditors as necessary: <Product Margin> • We evaluated the effectiveness of internal controls related to the estimation of product margin through inquiries with the Company's management as well as inspections of supporting documentations. • We obtained the latest future product margin outlook reports from various external institutions, including those utilized by the Company, as of the date on which future cash flows were formulated. With assistance from valuation specialists, we evaluated the reliability of these outlook reports as external information, including their ability to reflect changes in the external environment such as long-term market supply-demand trends and initiatives for transitioning to a decarbonized society. • Additionally, we evaluated the consistency between the future product margin outlook figures used by the Company in its projected future cash flows and those provided by external institutions. <Utilization Rate> • We evaluated the effectiveness of internal controls related to the estimation of utilization rate through inquiries with the Company's management as well as inspections of supporting documentations. • We evaluated the reliability of management's estimates by comparing the planned utilization rates for fiscal 2024 in the 2023 future business plan with the actual utilization rates. –Specifically, if there were deviations between the actual and planned utilization rates for fiscal 2024, we investigated the factors causing these deviations. –Additionally, we considered whether any unfavorable deviation factors should be appropriately reflected in the estimates of utilization rates in the 2024 future business plan.

- Through conducting inquiries with NSRP's management and inspecting external market reports, we evaluated the supply-demand trends within Vietnam, the technical stability of refinery operations, and the impact of climate change responses. We verified whether there was any inconsistency with the utilization rates included in the future business plan.

<Discount Rate>

- We evaluated the effectiveness of internal controls related to the estimation of discount through inquiries with the Company's management as well as inspections of supporting documentations.

- With the assistance of our valuation specialists, we evaluated the validity of the evaluation techniques used, specifically focusing on the appropriateness of the CAPM and the reasonableness of the underlying data referenced.

- We evaluated whether the discount rate appropriately reflects the risks of deterioration in the projected future cash flows due to significant uncertainties, such as NSRP's current financial position and the impact of international trade measures on product margins.

In addition to evaluating the aforementioned inputs, we independently established an audit-tolerable range for future product margin forecasts and discount rate, taking into account audit materiality. We then evaluated whether the Company's calculated discounted future cash flows aligned with this range. For margins, we determined a more precisely defined tolerable range by analyzing the dispersion in product margin outlooks issued by various external institutions and the volatility of futures prices at the cash flow projection date. The range for the discount rate was set with the assistance of our valuation specialists, considering audit materiality as well as the sensitivity to fair value and recoverable amount.

Additionally, we verified the consistency of the disclosed assumptions in the consolidated notes, specifically in Note 3 "Significant Accounting Estimates" with the assumptions we evaluated above, and evaluated the appropriateness of the notes, including the inherent uncertainties in the estimates.

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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, 2025, which were charged by us and our network firms to Idemitsu Kosan Co., Ltd. and its subsidiaries were ¥831 million and ¥737 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 19, 2025