



August 6, 2020

Consolidated Financial Results for the First Quarter of Fiscal Year 2020 (From April 1, 2020 to June 30, 2020) [Japan GAAP]

Company Name: **Idemitsu Kosan Co.,Ltd.** (URL <http://www.idemitsu.com>)

Company Code: 5019, Shares listed on: Tokyo Stock Exchange

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Scheduled date of commencement of dividend payments: —

Supplementary materials for the quarterly financial results: Yes

Quarterly financial results presentation: Yes (for institutional investors and analysts)

(Figures less than ¥1 million are rounded off)

1. Consolidated Financial Results for the First Quarter of FY2020 (From April 1, 2020 to June 30, 2020)

(1) Consolidated operating results

(Percentage figures represent changes from the corresponding previous period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	¥million	%	¥million	%	¥million	%	¥million	%
1Q FY2020	982,826	(33.4)	(70,787)	—	(99,482)	—	(81,339)	—
1Q FY2019	1,476,314	46.9	33,980	(52.5)	34,632	(57.6)	35,989	(34.7)

Note: Comprehensive income 1Q FY2020 ¥(102,236) million —% 1Q FY2019 ¥38,225 million 10.0%

	Net income per share	Diluted net income per share
	¥	¥
1Q FY2020	(273.63)	—
1Q FY2019	119.28	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥million	¥million	%
1Q FY2020	3,635,644	1,072,668	28.2
FY2019	3,886,938	1,200,564	29.6

Reference: Total equity 1Q FY2020 ¥1,027,068 million FY2019 ¥1,150,009 million

2. Dividends

	Cash dividends per share				
	As of Jun.30	As of Sep.30	As of Dec.31	As of Mar.31	Total
	¥	¥	¥	¥	¥
FY2019	—	80.00	—	80.00	160.00
FY2020	—	—	—	—	—
FY2020 (Forecasts)	—	60.00	—	60.00	120.00

Note: Revisions of the forecasts of cash dividends since the latest announcement: Yes

Refer to the “Announcement on Dividend Forecast for the Fiscal Year Ending March 2021” for the revisions of the forecasts of cash dividends, which was released today.

3. Forecasts of Consolidated Financial Results for FY2020 (From April 1, 2020 to March 31, 2021)

(Percentage figures represent changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
FY2020	3,900,000	(35.5)	60,000	—	30,000	—	5,000	—	16.82

Note: Revisions of the forecasts of consolidated financial results since the latest announcement: None

* Notes

- (1) Changes of material consolidated subsidiaries during the three months ended June 30, 2020: **None**
- (2) Application of the accounting method peculiar to the preparation of the quarterly financial statements: **Yes**
- (3) Changes in accounting policies, accounting estimates and restatement
 - a) Changes in accounting policies arising from revision of accounting standards: **None**
 - b) Changes arising from other factors: **None**
 - c) Changes in accounting estimates: **None**
 - d) Restatement: **None**
- (4) Number of shares issued (common stock)
 - a) Number of shares issued (including treasury stock)

As of June 30, 2020: 297,864,718	As of March 31, 2020: 297,864,718
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 - b) Number of shares of treasury stock

As of June 30, 2020: 599,225	As of March 31, 2020: 603,227
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 - c) Weighted average number of shares outstanding during the period

Three months ended June 30, 2020: 297,261,321	
Three months ended June 30, 2019: 301,730,837	

*1 This document is out of the scope of quarterly review by certified public accountants or audit firms.

*2 The financial forecasts above are based on information available and assumptions as of the date of publication of this document. Actual operating results may differ from the forecasts due to various factors. Additionally, for the assumptions used for the forecasts of the above, please refer to page 5 “Explanation of Forecasts of Consolidated Financial Results for FY2020” of the Appendix.

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1. Qualitative Information on the Consolidated Operating Results for the First Quarter of FY2020

(1) Explanation of Operating Results

The domestic demand for main petroleum products, particularly those for automobiles and airplanes, during the first quarter of fiscal 2020 declined significantly due to stagnant economic activities following the declaration of a state of emergency in April.

Dubai crude oil prices remained on a downward trend since early spring owing to concerns about worldwide economic downturns brought about by the spread of COVID-19, however, prices have begun to improve as economic activities have begun to gradually resume in major countries since the end of April. In June, OPEC Plus decided to maintain the scale of the coordinated production cuts. While these cuts were originally planned to cease at the end of June, they were extended until the end of July, becoming the main reason that prices have risen since then. Consequently, the average price of crude oil from April to June 2020 was \$30.5/bbl, a decrease of \$36.9/bbl against the same period of the previous year.

(Crude oil price and exchange rate)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Change	
Dubai Crude Oil (\$/bbl)	67.4	30.5	(36.9)	(54.7)%
Exchange Rate (¥/\$)	109.9	107.6	(2.3)	(2.1)%

The Idemitsu Group's net sales for the first quarter of fiscal 2020 were ¥982.8 billion, a decrease of 33.4% compared with the same period of the preceding year, due mainly to the decline of crude oil prices.

Operating income decreased by ¥104.8 billion against the same period of the previous year to operating loss of ¥70.8 billion due mainly to the effect of inventory valuation and the decrease in the quantity of sales in the petroleum segment.

Net non-operating income during the quarter was a total loss of ¥28.7 billion, a drop in profit of ¥29.3 billion from the same period of last year, owing primarily to increased equity in net losses of nonconsolidated subsidiaries and affiliates. As a result, ordinary loss was ¥99.5 billion, representing a drop in profit of ¥134.1 billion compared with the same period of last year.

Net extraordinary income was a total loss of ¥4.4 billion, which was a drop in profit of ¥22.3 billion from the same period of the previous year, owing primarily to the occurrence of loss at an overseas subsidiary.

Income tax expenses, which consist of income taxes-current and income taxes-deferred, amounted to a credit of ¥23.1 billion, a decrease in expenses of ¥38.1 billion from the same period of the previous year, due mainly to a decrease of income before income taxes.

Consequently, net loss attributable to owners of the parent was ¥81.3 billion, a drop in profit of ¥117.3 billion compared with the same period of fiscal 2019.

The performance of each business segment for the three months ended June 30, 2020 is as follows:

As to quarterly reporting periods, domestic subsidiaries use June 30 as their balance sheet date whereas overseas subsidiaries use March 31 as their balance sheet date, except for certain subsidiaries. As such, the following performance of the business segments includes the operating results of overseas subsidiaries for the three months ended March 31, 2020, and those of domestic subsidiaries for the three months ended June 30, 2020.

Net sales by segment

(Unit: ¥Billion)

Segment	1st Quarter of FY2019	1st Quarter of FY2020	Change	
			Amount	%
Petroleum	1,169.5	757.4	(412.1)	(35.2) %
Basic chemicals	113.5	72.8	(40.7)	(35.9) %
Functional materials	97.1	81.0	(16.1)	(16.6) %
Power and renewable energy	29.3	29.2	(0.1)	(0.2) %
Resources	66.4	41.8	(24.6)	(37.0) %
Other	0.5	0.6	+0.1	+15.8 %
Total	1,476.3	982.8	(493.5)	(33.4) %

Segment income or loss

(Unit: ¥Billion)

	1st Quarter of FY2019	1st Quarter of FY2020	Change	
			Amount	%
Petroleum	5.2	(103.8)	(109.0)	—
: <i>excluding effect of inventory valuation</i>	3.5	(9.4)	(12.9)	—
Basic chemicals	5.9	0.1	(5.7)	(97.6) %
Functional materials	6.4	4.8	(1.7)	(25.7) %
Power and renewable energy	0.8	0.1	(0.8)	(92.3) %
Resources	16.2	3.2	(12.9)	(80.1) %
Other	0.0	0.1	+0.1	+115.5 %
Reconciliation	(1.8)	(2.0)	(0.2)	—
Total	32.7	(97.5)	(130.3)	—
: <i>excluding effect of inventory valuation</i>	31.1	(3.1)	(34.2)	(—)

[Petroleum segment]

Net sales in the petroleum segment decreased by 35.2% against the same period of the previous year to ¥757.4 billion due mainly to the decline of crude oil prices and the decrease in the overall quantity of sales. Segment loss was ¥103.8 billion, a drop in profit of ¥109.0 billion compared with the same period of the previous year, owing primarily to factors that

led to the decline in profit, such as increased equity in net losses of non-consolidated subsidiaries and affiliates and the effect of inventory valuation.

[Basic chemicals segment]

Net sales in the basic chemicals segment decreased by 35.9% compared with the same period of the previous year to ¥72.8 billion, due largely to decreases in naphtha prices on a customs clearance basis. Segment income was ¥0.1 billion, down 97.6% year on year, mainly due to lower margins on styrene monomer and other products.

[Functional materials segment]

Net sales in the functional materials segment were ¥81.0 billion, down 16.6% from the same period of the previous year. Segment income was ¥4.8 billion, down 25.7% from the same period of the previous year, mainly due to a decrease in the quantity of sales in the lubricant business.

[Power and renewable energy segment]

Net sales in the power and renewable energy segment were ¥29.2 billion, which was consistent with the first quarter of FY2019, down 0.2% from the same period of the previous year. Segment income was ¥0.1 billion, down 92.3% from the same period of the previous year, primarily due to decreases in the quantity of sales and sales price of the products in the solar business.

[Resources segment]

(Oil exploration and production business and geothermal energy business)

Net sales of the oil exploration and production business and the geothermal energy business were ¥8.0 billion, down 47.5% from the corresponding period of the previous year, due mainly to the effect of reduced crude oil prices. Segment income was ¥2.2 billion, down 66.5% from the same period of the preceding year.

(Coal business and others)

Net sales of the coal business and others were ¥33.8 billion, down 33.9% compared with the same period of last year. Segment income was ¥1.0 billion, down 89.7% compared with the same period of the preceding year, due mainly to the decline of coal prices.

As a result, total net sales of the resources segment were ¥41.8 billion, down 37.0%, and segment income was ¥3.2 billion, down 80.1% from the same period of the preceding year.

[Other segments]

Net sales of the other segments were ¥0.6 billion, up 15.8% and segment income was ¥0.1 billion, up 115.5% compared with the same period of the preceding year.

(2) Explanation of Financial Position
Summarized Consolidated Balance Sheets

(Unit: ¥Billion)

	FY2019	1 st Quarter of FY2020	Change
Current assets	1,550.3	1,302.2	(248.1)
Fixed assets	2,336.6	2,333.4	(3.2)
Total assets	3,886.9	3,635.6	(251.3)
Current liabilities	1,648.4	1,531.6	(116.8)
Non-current liabilities	1,038.0	1,031.3	(6.6)
Total liabilities	2,686.4	2,563.0	(123.4)
Total net assets	1,200.6	1,072.7	(127.9)
Total liabilities and net assets	3,886.9	3,635.6	(251.3)

1) Total assets

Total assets decreased by ¥251.3 billion from the end of the previous fiscal year to ¥3,635.6 billion, owing primarily to the decrease in accounts receivable, trade and inventories caused by the decline of crude oil prices.

2) Total liabilities

Total liabilities decreased by ¥123.4 billion from the end of the previous fiscal year to ¥2,563.0 billion, due mainly to the decrease of accounts payable, trade caused by the decline of crude oil prices despite the increased short-term loans payable as a result of increasing the balance of cash and deposits.

3) Total net assets

Total net assets were ¥1,072.7 billion, a decrease of ¥127.9 billion from the end of the previous fiscal year, due mainly to the quarterly net loss of ¥81.3 billion, the dividends payment of ¥23.8 billion and a ¥15.9 billion decrease of foreign currency translation adjustments resulting from the appreciation of the Japanese yen.

As a result, shareholders' equity ratio worsened by 1.3 points to 28.2% from 29.6% at the end of the previous fiscal year.

(3) Explanation of Forecasts of Consolidated Financial Results for FY2020

There was no change in the forecasts of the consolidated financial results for the year ending March 31, 2021 released on May 26, 2020.

2. Consolidated Financial Statements for the First Quarter of FY2020 and Major Notes

(1) Consolidated Quarterly Balance Sheets

(Unit: ¥Million)

	FY2019 (As of March 31, 2020)	1 st Quarter of FY2020 (As of June 30, 2020)
Assets		
Current assets:		
Cash and deposits	132,247	182,030
Notes and accounts receivable, trade	593,730	437,157
Inventories	622,895	479,993
Other	203,186	204,242
Less: Allowance for doubtful accounts	(1,770)	(1,200)
Total current assets	1,550,288	1,302,224
Fixed assets:		
Property, plant and equipment:		
Machinery and equipment, net	267,954	258,867
Land	811,627	810,849
Other, net	398,540	392,097
Total property, plant and equipment	1,478,122	1,461,813
Intangible fixed assets:		
Goodwill	167,104	164,555
Other	165,003	164,681
Total intangible fixed assets	332,108	329,236
Investments and other assets:		
Investment securities	244,007	222,025
Other	284,127	322,034
Less: Allowance for doubtful accounts	(1,715)	(1,689)
Total investments and other assets	526,418	542,370
Total fixed assets	2,336,649	2,333,420
Total assets	3,886,938	3,635,644
Liabilities		
Current liabilities:		
Notes and accounts payable, trade	475,664	352,043
Short-term loans payable	339,600	365,753
Commercial paper	315,965	382,980
Accounts payable, other	343,611	302,728
Income taxes payable	11,564	9,141
Provision for bonuses	9,912	4,230
Other	152,099	114,759
Total current liabilities	1,648,420	1,531,638
Non-current liabilities:		
Bonds payable	80,000	80,000
Long-term loans payable	568,133	569,295
Liability for employees' retirement benefits	67,542	66,884
Reserve for repair work	64,138	74,170
Asset retirement obligations	62,130	55,530
Other	196,008	185,456
Total non-current liabilities	1,037,953	1,031,337
Total liabilities	2,686,374	2,562,975

(Unit: ¥Million)

	FY2019 (As of March 31, 2020)	1 st Quarter of FY2020 (As of June 30, 2020)
Net assets		
Shareholders' equity:		
Common stock	168,351	168,351
Capital surplus	461,636	461,636
Retained earnings	408,064	302,897
Treasury stock	(2,042)	(2,027)
Total shareholders' equity	1,036,010	930,857
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	1,524	2,231
Deferred gains (losses) on hedging activities, net	(7,667)	(10,492)
Surplus from land revaluation	157,834	157,834
Foreign currency translation adjustments	(34,370)	(50,260)
Defined retirement benefit plans	(3,321)	(3,102)
Total accumulated other comprehensive income	113,999	96,210
Noncontrolling interests	50,555	45,599
Total net assets	1,200,564	1,072,668
Total liabilities and net assets	3,886,938	3,635,644

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

1) Consolidated Quarterly Statements of Income

(Unit: ¥Million)

	1 st Quarter of FY2019 (From April 1, 2019 to June 30, 2019)	1 st Quarter of FY2020 (From April 1, 2020 to June 30, 2020)
Net sales	1,476,314	982,826
Cost of sales	1,345,096	958,058
Gross profit	131,217	24,768
Selling, general and administrative expenses	97,236	95,555
Operating income (loss)	33,980	(70,787)
Non-operating income:		
Interest income	2,177	2,468
Dividend income	2,079	1,816
Gain on foreign exchange, net	803	—
Other	1,180	984
Total non-operating income	6,240	5,269
Non-operating expenses:		
Interest expense	3,000	3,267
Equity in losses of nonconsolidated subsidiaries and affiliates, net	1,260	26,744
Loss on foreign exchange, net	—	2,886
Other	1,327	1,066
Total non-operating expenses	5,588	33,964
Ordinary income (loss)	34,632	(99,482)
Extraordinary income:		
Gain on sales of fixed assets	1,932	11
Gain from step acquisition	17,215	—
Other	1,355	308
Total extraordinary income	20,503	320
Extraordinary losses:		
Impairment loss on fixed assets	25	—
Loss on sales of fixed assets	26	23
Loss on disposals of fixed assets	1,555	797
Loss on reduction of fixed assets	935	—
Loss from money transfer scam at foreign subsidiary	—	3,833
Other	62	69
Total extraordinary losses	2,605	4,724
Income (loss) before income taxes	52,531	(103,887)
Income taxes	15,004	(23,111)
Net income (loss)	37,526	(80,775)
Net income attributable to noncontrolling interests	1,536	563
Net income (loss) attributable to owners of the parent	35,989	(81,339)

2) Consolidated Quarterly Statements of Comprehensive Income

(Unit: ¥Million)

	1 st Quarter of FY2019 (From April 1, 2019 to June 30, 2019)	1 st Quarter of FY2020 (From April 1, 2020 to June 30, 2020)
Net income (loss)	37,526	(80,775)
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(1,443)	767
Deferred gains (losses) on hedging activities, net	77	(1,765)
Foreign currency translation adjustments	2,204	(19,235)
Defined retirement benefit plans	(71)	269
Share of other comprehensive income in equity method affiliates	(68)	(1,496)
Total other comprehensive income	698	(21,461)
Comprehensive income (loss)	38,225	(102,236)
Comprehensive income (loss) attributable to:		
Owners of the parent	36,509	(99,128)
Noncontrolling interests	1,715	(3,108)

(3) Notes to the Consolidated Quarterly Financial Statements

1) Notes on the Assumption of a Going Concern

None

2) Notes on Significant Changes in Shareholders' Equity

None

3) Application of the Accounting Method Peculiar to the Preparation of the Quarterly Financial Statements

Income taxes are calculated by multiplying the income before income taxes for the three months ended June 30, 2020 by the estimated effective tax rate that is reasonably estimated for income before income taxes for the fiscal year that includes the current quarter.

However, if the calculation using the relevant estimated effective tax rate leads to significantly irrational results, income taxes are calculated by multiplying the quarterly income before income taxes by the effective statutory tax rate, after adjusting important differences that do not constitute temporary differences.

4) Additional Information
(Accounting Estimates)

When the consolidated financial statements of the previous fiscal year were prepared, the Group's estimates and assumptions were based on the presumption that the impact of COVID-19 would subside about one year after the end of the previous fiscal year. During the first quarter of fiscal 2020, the Company did not make a significant change in this presumption.

5) Consolidated Segment Information

First Quarter of FY2019 (From April 1, 2019 to June 30, 2019)

(a) Net sales and income or loss by reportable segment

(Unit: ¥Million)

	Reportable segment						Others	Total	Reconciliation	Consolidated
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total				
Net sales:										
Net sales to outside customers	1,169,545	113,504	97,080	29,311	66,389	1,475,831	482	1,476,314	—	1,476,314
Inter-segment	7,481	6,869	6,073	180	234	20,839	234	21,074	(21,074)	—
Total sales	1,177,026	120,374	103,153	29,492	66,623	1,496,671	717	1,497,388	(21,074)	1,476,314
Operating income	7,917	5,514	6,055	837	16,016	36,341	46	36,388	(2,407)	33,980
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(2,705)	355	371	4	137	(1,836)	—	(1,836)	575	(1,260)
Segment income	5,211	5,869	6,427	842	16,154	34,505	46	34,551	(1,832)	32,719

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 amount of reconciliation for the operating income mainly represents research and development costs, which do not belong to reportable segments.
3. The amount of reconciliation for equity in earnings (losses) of nonconsolidated subsidiaries and affiliates mainly represent those related to equity method nonconsolidated subsidiaries and affiliates, which do not belong to reportable segments.
4. The segment income of the reportable segments is reconciled to the amount of operating income and equity in earnings (losses) of nonconsolidated subsidiaries and affiliates in the consolidated quarterly statement of income.

(b) Impairment loss on fixed assets and goodwill by reportable segment (Significant change in goodwill)

As a result of acquiring all shares of Showa Shell on April 1, 2019, the amount of goodwill increased by ¥128,551 million and ¥42,850 million in the “Petroleum” segment and the “Power and renewable energy” segment, respectively.

(c) Significant changes in segment assets

Primarily due to the business integration with Showa Shell, the total assets of the Idemitsu Group increased by ¥1,180,850 million from the end of the previous fiscal year to ¥4,071,158 million. The increase is mainly in the “Petroleum” segment.

First Quarter of FY2020 (From April 1, 2020 to June 30, 2020)

(a) Net sales and income or loss by reportable segment

(Unit: ¥Million)

	Reportable segment						Others	Total	Reconciliation	Consolidated
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total				
Net sales:										
Net sales to outside customers	757,399	72,794	80,998	29,240	41,833	982,267	558	982,826	—	982,826
Inter-segment	4,289	4,746	4,338	318	221	13,914	286	14,200	(14,200)	—
Total sales	761,689	77,540	85,337	29,559	42,055	996,181	844	997,026	(14,200)	982,826
Operating income (loss)	(76,648)	(167)	4,702	123	2,790	(69,198)	100	(69,097)	(1,689)	(70,787)
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(27,154)	306	73	(58)	424	(26,408)	—	(26,408)	(335)	(26,744)
Segment income (loss)	(103,803)	138	4,776	64	3,215	(95,607)	100	(95,506)	(2,024)	(97,531)

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 amount of reconciliation for the operating income (loss) mainly represents research and development costs, which do not belong to reportable segments.
3. The amount of reconciliation for equity in earnings (losses) of nonconsolidated subsidiaries and affiliates mainly represent those related to equity method nonconsolidated subsidiaries and affiliates, which do not belong to reportable segments.
4. The segment income (loss) of the reportable segments is reconciled to the amount of operating income (loss) and equity in earnings (losses) of nonconsolidated subsidiaries and affiliates in the consolidated quarterly statement of income.

(b) Impairment loss on fixed assets and goodwill by reportable segment

There is no significant item during the period.

6) Significant Subsequent Events

None