



November 9, 2021

Consolidated Financial Results for the Second Quarter of Fiscal Year 2021 (From April 1, 2021 to September 30, 2021) [Japan GAAP]

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 Scheduled date of filing of quarterly securities report: November 10, 2021
 Scheduled date of commencement of dividend payments: December 7, 2021
 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 Second Quarter of FY2021 (From April 1, 2021 to September 30, 2021)

(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	%
2Q FY2021	2,867,008	42.2	179,297	—	197,069	—	142,702	—
2Q FY2020	2,015,717	(32.8)	3,129	(94.8)	(25,823)	—	(32,115)	—

Note: Comprehensive income 2Q FY2021 ¥164,206 million —% 2Q FY2020 ¥(36,795) million —%

	Net income per share	Diluted net income per share
	¥	¥
2Q FY2021	480.03	—
2Q FY2020	(108.04)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥million	¥million	%
2Q FY2021	4,173,960	1,356,813	31.0
FY2020	3,954,443	1,215,136	29.1

Reference: Total equity 2Q FY2021 ¥1,295,486 million FY2020 ¥1,150,930 million

2. Dividends

	Cash dividends per share				
	As of Jun.30	As of Sep.30	As of Dec.31	As of Mar.31	Total
	¥	¥	¥	¥	¥
FY2020	—	60.00	—	60.00	120.00
FY2021	—	60.00			
FY2021 (Forecasts)			—	60.00	120.00

Note: Revisions of the forecasts of cash dividends since the latest announcement: None

3. Forecasts of Consolidated Financial Results for FY2021 (From April 1, 2021 to March 31, 2022)

(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	%	¥
FY2021	6,580,000	44.4	300,000	114.2	330,000	204.5	220,000	530.0	739.97

Note: Revisions of the forecasts of consolidated financial results since the latest announcement: Yes

* Notes

- (1) Changes of number of material consolidated subsidiaries during the six months ended September 30, 2021: **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: **Yes**
 - 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 September 30, 2021: 297,864,718 As of March 31, 2021: 297,864,718
 - b) Number of shares of treasury stock
As of September 30, 2021: 554,119 As of March 31, 2021: 596,197
 - c) Weighted average number of shares outstanding during the period
Six months ended September 30, 2021: 297,274,818
Six months ended September 30, 2020: 297,266,948

*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 6 “Explanation of Forecasts of Consolidated Financial Results for FY2021” of the Appendix.

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1. Qualitative Information on the Consolidated Operating Results for the Second Quarter of FY2021

(1) Explanation of Operating Results

The overall domestic demand for main petroleum products during the six months ended September 30, 2021 continued to recover from the slump caused by the spread of COVID-19 last year and increased mainly for aircraft.

Dubai crude oil prices continued to increase until the end of September as the supply-demand balance remained tight because of increased oil demand due to the progress of economic recovery as a result of more and more people vaccinated mainly in Europe and the U.S., and in terms of supply, OPEC PLUS continued cooperative production cutbacks. As a result, the average price from April to September increased by \$32.6/bbl from the same period last year to \$69.3/bbl.

(Crude oil price and exchange rate)

	Six months ended September 30, 2020	Six months ended September 30, 2021	Change	
Dubai Crude Oil (\$/bbl)	36.7	69.3	+32.6	+88.6%
Exchange Rate (¥/\$)	106.9	109.8	+2.9	+2.7%

The Idemitsu Group's net sales for the six months ended September 30, 2021 were ¥2,867.0 billion, up 42.2% year on year, owing to factors including an increase in crude oil prices.

Operating income was ¥179.3 billion, up ¥176.2 billion year on year, owing to factors including the effect of inventory valuation caused by surging crude oil prices in the petroleum segment and improvement in product margins in the basic chemicals segment.

Net non-operating income was ¥17.8 billion, up ¥46.7 billion year on year, owing to factors including an improvement in equity in earnings of non-consolidated subsidiaries and affiliates. As a result, ordinary income was ¥197.1 billion, up ¥222.9 billion year on year.

Net extraordinary income was ¥6.3 billion, up ¥13.5 billion year on year, mainly owing to gain on sales of fixed assets.

Income tax expenses, which consist of income taxes-current and income taxes-deferred, amounted to ¥61.5 billion, up ¥63.7 billion year on year, due to an increase in net income before income taxes.

Consequently, net income attributable to owners of the parent was ¥142.7 billion, up ¥174.8 billion year on year.

The performance of our business by segment for the six months ended September 30, 2021 is as follows:

As to quarterly reporting periods, domestic subsidiaries use September 30 as their balance sheet date whereas overseas subsidiaries use June 30 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 six months ended June 30, 2021, and those of domestic subsidiaries for the six months ended September 30, 2021.

Net sales by segment

(Unit: ¥Billion)

Segment	2 nd Quarter of FY2020	2 nd Quarter of FY2021	Change	
			Amount	%
Petroleum	1,570.7	2,230.1	+659.5	+42.0 %
Basic chemicals	144.0	250.5	+106.6	+74.0 %
Functional materials	155.4	194.0	+38.6	+24.8 %
Power and renewable energy	62.2	57.0	(5.2)	(8.3) %
Resources	82.3	133.9	+51.5	+62.6 %
Other	1.2	1.5	+0.3	+27.9 %
Total	2,015.7	2,867.0	+851.3	+42.2 %

Segment income or loss

(Unit: ¥Billion)

	2 nd Quarter of FY2020	2 nd Quarter of FY2021	Change	
			Amount	%
Petroleum	(30.3)	155.7	+186.0	—
<i>: excluding effect of inventory valuation</i>	27.3	45.1	+17.7	+64.8 %
Basic chemicals	(2.0)	10.9	+13.0	—
Functional materials	6.2	10.2	+4.0	+64.5 %
Power and renewable energy	(0.5)	(2.8)	(2.3)	—
Resources	3.6	21.5	+17.9	+493.4 %
Other	0.5	0.6	+0.0	+8.2 %
Reconciliation	(2.6)	(4.2)	(1.6)	—
Total	(25.1)	191.9	+217.1	—
<i>: excluding effect of inventory valuation</i>	32.6	81.3	+48.8	+149.9 %

[Petroleum segment]

Net sales in the petroleum segment were ¥2,230.1 billion, up 42.0% year on year, mainly due to surging crude oil prices. Segment income was ¥155.7 billion, up ¥186.0 billion year on year, owing to positive factors such as the effect of inventory valuation and improvement in equity in earnings of non-consolidated subsidiaries and affiliates.

[Basic chemicals segment]

Net sales in the basic chemicals segment were ¥250.5 billion, up 74.0% year on year, mainly due to higher naphtha prices. Segment income was ¥10.9 billion, up ¥13.0 billion year on year, mainly owing to improvement in product margins such as styrene monomer.

[Functional materials segment]

Net sales in the functional materials segment were ¥194.0 billion, up 24.8% year on year, and segment income was ¥10.2 billion, up 64.5% year on year, mainly due to improved earnings in the performance chemicals business.

[Power and renewable energy segment]

Net sales in the power and renewable energy segment were ¥57.0 billion, down 8.3% year on year. Segment loss was ¥2.8 billion, an increase of ¥2.3 billion year on year, mainly due to cost increase in the electric power business.

[Resources segment]

(Oil/natural gas exploration and production and geothermal energy business)

Net sales in the oil/natural gas exploration and production business were ¥40.1 billion, up 226.7% year on year, and segment income was ¥17.3 billion, up 598.2% year on year, mainly owing to increased production in the Vietnam gas field and surging crude oil prices.

(Coal business and others)

Net sales in the coal mining and others were ¥93.8 billion, up 33.9% year on year, mainly due to an increase in coal prices, and segment income was ¥4.2 billion, up 265.9% year on year.

As a result of the above, total net sales of the resources segment were ¥133.9 billion, up 62.6% year on year, and segment income was ¥21.5 billion, up 493.4% year on year.

[Other segments]

Net sales of the other segments were ¥1.5 billion, up 27.9% year on year, and segment income was ¥0.6 billion, up 8.2% year on year.

(2) Explanation of Financial Position
Summarized Consolidated Balance Sheets

(Unit: ¥Billion)

	FY2020	2 nd Quarter of FY2021	Change
Current assets	1,665.5	1,863.6	+198.0
Fixed assets	2,288.9	2,310.4	+21.5
Total assets	3,954.4	4,174.0	+219.5
Current liabilities	1,621.3	1,633.7	+12.4
Non-current liabilities	1,118.0	1,183.5	+65.4
Total liabilities	2,739.3	2,817.1	+77.8
Total net assets	1,215.1	1,356.8	+141.7
Total liabilities and net assets	3,954.4	4,174.0	+219.5

1) Total assets

Total assets increased by ¥219.5 billion from the end of the previous fiscal year to ¥4,174.0 billion, mainly reflecting increases in accounts receivable, trade and in inventories owing to surging crude oil prices and other factors.

2) Total liabilities

Total liabilities increased by ¥77.8 billion from the end of the previous fiscal year to ¥2,817.1 billion, mainly owing to increases in accounts payable, trade and income taxes payable due to surging crude oil prices and other factors.

3) Total net assets

Total net assets were ¥1,356.8 billion, an increase of ¥141.7 billion from the end of the previous fiscal year, mainly owing to the recording of quarterly net income of ¥142.7 billion attributable to owners of the parent, while dividends paid were ¥17.9 billion.

As a result, the shareholders' equity ratio improved from 29.1% at the end of the previous fiscal year to 31.0%, up 1.9 points. The debt equity ratio at the end of the quarter improved by 0.1 points from 1.0 at the end of previous fiscal year to 0.9.

Summarized Consolidated Statements of Cash Flows

(Unit: ¥Billion)

	2 nd Quarter of FY2020	2 nd Quarter of FY2021
Cash flows from operating activities	48.3	53.6
Cash flows from investing activities	(91.7)	(45.1)
Cash flows from financing activities	21.9	(69.3)
Effect of exchange rate change on cash and cash equivalents	(5.0)	1.9
Net increase (decrease) in cash and cash equivalents	(26.5)	(58.8)
Cash and cash equivalents at the beginning of period	129.3	131.0
Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	—	0.5
Cash and cash equivalents at the end of period	102.8	72.6

Cash and cash equivalents (“funds”) as of September 30, 2021, were ¥72.6 billion, a decrease of ¥58.3 billion compared with the end of the preceding fiscal year. Major factors for this decrease are as follows:

1) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥53.6 billion, because factors contributing to increased funds such as income before income taxes and depreciation were more than offset by factors contributing to decreased funds such as an increase in working capital caused by the rise in crude oil import prices.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥45.1 billion, mainly due to the acquisition of tangible fixed assets (¥55.4 billion) as part of capital investment such as maintenance/replacement investment in refinery facilities.

3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥69.3 billion due mainly to repayment of short-term borrowings and redemption of bonds payable.

(3) Explanation of Forecasts of Consolidated Financial Results for FY2021

The Company has revised its forecasts of the consolidated financial results for the year ending March 31, 2022, released on May 11, 2021, given the actual business results for the six months ended September 30, 2021, and the latest forecasts. Please refer to the “Announcement on Revisions to Consolidated Earnings Forecasts for the Fiscal Year Ending March 2022” announced today for details of the forecasts.

2. Consolidated Financial Statements for the Second Quarter of FY2021 and Major Notes

(1) Consolidated Quarterly Balance Sheets

(Unit: ¥Million)

	FY2020 (As of March 31, 2021)	2 nd Quarter of FY2021 (As of September 30, 2021)
Assets		
Current assets:		
Cash and deposits	131,343	73,771
Notes and accounts receivable, trade	602,661	691,528
Inventories	694,522	838,349
Other	238,511	260,938
Less: Allowance for doubtful accounts	(1,521)	(1,023)
Total current assets	1,665,516	1,863,564
Fixed assets:		
Property, plant and equipment:		
Machinery and equipment, net	309,885	325,375
Land	808,037	786,304
Other, net	403,977	413,362
Total property, plant and equipment	1,521,899	1,525,043
Intangible fixed assets:		
Goodwill	159,006	154,359
Other	160,245	156,411
Total intangible fixed assets	319,252	310,770
Investments and other assets:		
Investment securities	239,196	250,977
Other	210,737	226,487
Less: Allowance for doubtful accounts	(2,160)	(2,883)
Total investments and other assets	447,774	474,581
Total fixed assets	2,288,926	2,310,395
Total assets	3,954,443	4,173,960
Liabilities		
Current liabilities:		
Notes and accounts payable, trade	530,697	614,460
Short-term loans payable	334,309	297,263
Commercial paper	188,005	160,000
Current portion of bonds payable	20,000	—
Accounts payable, other	406,890	351,155
Income taxes payable	18,422	58,488
Provision for bonuses	11,392	11,814
Other	111,568	140,508
Total current liabilities	1,621,286	1,633,692
Non-current liabilities:		
Bonds payable	100,000	140,000
Long-term loans payable	637,468	649,971
Liability for employees' retirement benefits	49,232	43,826
Reserve for repair work	73,197	82,528
Asset retirement obligations	77,647	82,613
Other	180,474	184,514
Total non-current liabilities	1,118,019	1,183,454
Total liabilities	2,739,306	2,817,146

(Unit: ¥Million)

	FY2020 (As of March 31, 2021)	2 nd Quarter of FY2021 (As of September 30, 2021)
Net assets		
Shareholders' equity:		
Common stock	168,351	168,351
Capital surplus	461,635	460,507
Retained earnings	400,579	525,152
Treasury stock	(2,008)	(1,860)
Total shareholders' equity	1,028,559	1,152,151
Accumulated other comprehensive income:		
Unrealized gains (losses) on available- for-sale securities	5,792	6,313
Deferred gains (losses) on hedging activities, net	(1,209)	(1,463)
Surplus from land revaluation	159,585	159,533
Foreign currency translation adjustments	(47,207)	(26,196)
Defined retirement benefit plans	5,410	5,148
Total accumulated other comprehensive income	122,371	143,334
Noncontrolling interests	64,206	61,327
Total net assets	1,215,136	1,356,813
Total liabilities and net assets	3,954,443	4,173,960

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

1) Consolidated Quarterly Statements of Income

(Unit: ¥Million)

	2 nd Quarter of FY2020 (From April 1, 2020 to September 30, 2020)	2 nd Quarter of FY2021 (From April 1, 2021 to September 30, 2021)
Net sales	2,015,717	2,867,008
Cost of sales	1,818,813	2,485,364
Gross profit	196,903	381,643
Selling, general and administrative expenses	193,774	202,346
Operating income	3,129	179,297
Non-operating income:		
Interest income	5,178	4,258
Dividend income	1,912	2,456
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	—	12,651
Gain on foreign exchange, net	—	2,086
Other	3,055	3,902
Total non-operating income	10,146	25,354
Non-operating expenses:		
Interest expense	6,272	5,823
Equity in losses of nonconsolidated subsidiaries and affiliates, net	28,264	—
Loss on foreign exchange, net	2,562	—
Other	1,999	1,759
Total non-operating expenses	39,099	7,582
Ordinary income (loss)	(25,823)	197,069
Extraordinary income:		
Gain on sales of fixed assets	1,325	7,122
Gain on amortization of past service cost	—	2,144
Gain on reversal of restoration cost	549	—
Other	591	2,465
Total extraordinary income	2,465	11,732
Extraordinary losses:		
Impairment loss on fixed assets	0	497
Loss on sales of fixed assets	252	2,400
Loss on disposals of fixed assets	2,053	2,062
Loss on valuation of investment securities	3,080	209
Loss from money transfer scam at foreign subsidiary	3,814	—
Other	505	261
Total extraordinary losses	9,707	5,429
Income (loss) before income taxes	(33,064)	203,372
Income taxes	(2,186)	61,501
Net income (loss)	(30,878)	141,871
Net income (loss) attributable to noncontrolling interests	1,237	(831)
Net income (loss) attributable to owners of the parent	(32,115)	142,702

2) Consolidated Quarterly Statements of Comprehensive Income

(Unit: ¥Million)

	2 nd Quarter of FY2020 (From April 1, 2020 to September 30, 2020)	2 nd Quarter of FY2021 (From April 1, 2021 to September 30, 2021)
Net income (loss)	(30,878)	141,871
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	1,807	469
Deferred gains (losses) on hedging activities, net	2,049	(1,412)
Foreign currency translation adjustments	(9,274)	22,319
Defined retirement benefit plans	346	(178)
Share of other comprehensive income in equity method affiliates	(847)	1,137
Total other comprehensive income	(5,917)	22,335
Comprehensive income	(36,795)	164,206
Comprehensive income attributable to:		
Owners of the parent	(36,127)	163,542
Noncontrolling interests	(668)	664

(3) Consolidated Quarterly Statements of Cash Flows

(Unit: ¥Million)

	2 nd Quarter of FY2020 (From April 1, 2020 to September 30, 2020)	2 nd Quarter of FY2021 (From April 1, 2021 to September 30, 2021)
Cash flows from operating activities:		
Income (loss) before income taxes	(33,064)	203,372
Depreciation and amortization	47,710	51,914
Impairment loss on fixed assets	0	497
Amortization of goodwill	4,788	4,820
Increase (decrease) in liability for employees' retirement benefits	(3,781)	(4,869)
Increase (decrease) in reserve for repair work	19,672	9,330
Interest and dividend income	(7,090)	(6,714)
Interest expense	6,272	5,823
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates, net	28,264	(12,651)
(Gain) loss on sales of fixed assets, net	(1,073)	(4,722)
(Gain) loss on valuation of investment securities, net	3,080	209
(Increase) decrease in notes and accounts receivable, trade	146,242	(74,910)
(Increase) decrease in inventories	32,542	(135,432)
Increase (decrease) in notes and accounts payable, trade	(84,730)	71,295
Increase (decrease) in accounts payable, other	(32,816)	(47,818)
(Increase) decrease in accounts receivable, other	(20,458)	9,023
Other, net	(57,086)	(2,069)
Subtotal	48,473	67,097
Interest and dividends received	7,723	7,310
Interest paid	(5,884)	(5,901)
Income taxes paid	(2,017)	(14,912)
Net cash provided by (used in) operating activities	48,294	53,594
Cash flows from investing activities:		
Purchases of tangible fixed assets	(70,418)	(55,359)
Proceeds from sales of tangible fixed assets	2,355	29,911
Purchases of intangible fixed assets	(5,386)	(2,412)
Acquisitions of investment securities	(2,081)	(2,020)
Purchases of shares of subsidiaries resulting in change in scope of consolidation	—	(2,175)
Proceeds for sales of shares of subsidiaries resulting in change in scope of consolidation	—	1,932
Disbursements for long-term loans	(7)	—
Proceeds from collection of long-term loans receivable	290	392
(Increase) decrease in short-term loans receivable, net	(846)	(8,042)
Other, net	(15,617)	(7,298)
Net cash provided by (used in) investing activities	(91,712)	(45,072)

(Unit: ¥Million)

	2 nd Quarter of FY2020 (From April 1, 2020 to September 30, 2020)	2 nd Quarter of FY2021 (From April 1, 2021 to September 30, 2021)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	114,264	(29,747)
Increase (decrease) in commercial paper, net	(72,965)	(28,004)
Proceeds from long-term loans payable	18,746	29,483
Repayments of long-term loans payable	(48,601)	(38,826)
Proceeds from issuance of bonds	40,000	40,000
Redemption of bonds	—	(20,000)
Purchases of treasury stock	(8)	(10)
Proceeds from disposals of treasury stock	57	158
Cash dividends paid	(23,827)	(17,870)
Proceeds from share issuance to non-controlling shareholders	—	5,912
Cash dividends paid to non-controlling interests	(1,846)	(7,328)
Other, net	(3,926)	(3,037)
Net cash provided by (used in) financing activities	21,891	(69,271)
Effect of exchange rate change on cash and cash equivalents	(4,981)	1,949
Net increase (decrease) in cash and cash equivalents	(26,507)	(58,801)
Cash and cash equivalents at the beginning of period	129,335	130,956
Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	—	467
Cash and cash equivalents at the end of period	102,828	72,622

(4) 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

(Calculation of income taxes)

Income taxes are calculated by multiplying the income before income taxes for the six months ended September 30, 2021 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) Changes in accounting policies

(Application of accounting standards for revenue recognition)

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

The main changes resulting from the application of the Revenue Recognition Accounting Standards are as follows.

a) Revenue recognition for principal and agent transactions

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

b) Revenue recognition for amounts collected for third parties

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

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

As a result, net sales for the six months ended September 30, 2021 decreased by ¥23,990 million, cost of sales decreased by ¥20,759 million, selling, general and administrative expenses decreased by ¥2,684 million, operating income decreased by ¥546 million and ordinary income and net income before income taxes decreased by ¥522 million, respectively. The balance of retained earnings at the beginning of the fiscal year increased by ¥970 million.

(Application of Accounting Standard for Fair Value Measurement)

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

5) Consolidated Segment Information

Second Quarter of FY2020 (From April 1, 2020 to September 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	1,570,665	143,961	155,390	62,174	82,319	2,014,511	1,206	2,015,717	—	2,015,717
Inter-segment	8,241	9,557	8,395	690	401	27,286	549	27,835	(27,835)	—
Total sales	1,578,906	153,518	163,786	62,864	82,721	2,041,797	1,755	2,043,553	(27,835)	2,015,717
Operating income (loss)	(1,557)	(2,444)	6,516	(316)	2,971	5,168	530	5,699	(2,569)	3,129
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(28,788)	409	(328)	(163)	652	(28,218)	—	(28,218)	(45)	(28,264)
Segment income (loss)	(30,345)	(2,035)	6,187	(480)	3,623	(23,050)	530	(22,519)	(2,615)	(25,135)

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 and equity in 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.

Second Quarter of FY2021 (From April 1, 2021 to September 30, 2021)

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	2,230,117	250,514	193,950	57,017	133,865	2,865,465	1,542	2,867,008	—	2,867,008
Inter-segment	13,478	12,693	8,112	1,544	1	35,830	794	36,624	(36,624)	—
Total sales	2,243,596	263,207	202,063	58,561	133,867	2,901,296	2,336	2,903,632	(36,624)	2,867,008
Operating income (loss)	147,087	10,293	8,773	(2,684)	20,675	184,145	574	184,720	(5,422)	179,297
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	8,587	650	1,405	(71)	827	11,400	—	11,400	1,250	12,651
Segment income (loss)	155,675	10,943	10,179	(2,756)	21,502	195,546	574	196,120	(4,171)	191,949

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 and equity in 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.

c) Changes in reportable segments

(Application of Revenue Recognition Accounting Standards)

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

As a result of this change, for “Petroleum”, net sales decreased by ¥11,795 million and segment income decreased by ¥869 million, and for “Power and renewable energy”, net sales decreased by ¥8,149 million and segment loss decreased by ¥346 million for the six months ended September 30, 2021, compared with the previous method. This change does not have a material impact on net sales and segment income of other reportable segments.

6) Significant Subsequent Events

The Company entered into an agreement with INPEX CORPORATION (INPEX) and Osakagas Summit Resources Co., Ltd. (OSR) for the transfer of part of the shares of its subsidiary, Idemitsu Snorre Oil Development Co., Ltd. (ISD) to INPEX (the "Transfer") on October 27, 2021.

a) Purpose of the Transfer

The Company decided to transfer part of the shares (1.0%) of ISD to INPEX. OSR also agreed to transfer all of its shares (49.5%) of ISD to INPEX; consequently, INPEX will hold 50.5% of the shares of ISD and the Company will continue to hold 49.5% of the shares of ISD upon completion of the Transfer. ISD will become the Company's equity-method affiliate and this will help to streamline the consolidated balance sheet of the Company.

Through ISD and Idemitsu Petroleum Norge AS (IPN), a wholly owned subsidiary of ISD, the Company has continued to conduct its oil and gas business in Norway for over 30 years, which includes activities such as exploration, development and production. The Company and INPEX have already cooperated on offshore gas field production in Vietnam and geothermal projects in Japan, and have built a good relationship as business partners. Through the Transfer, the Company will operate IPN's business together by utilizing the technical expertise and project management know-how the Company has accumulated over the course of the oil and gas business, aiming to further develop the partnership and further grow and develop the oil and gas business in Norway.

Norway actively utilizes low-carbon technologies in its oil and gas field operations as a leading country in low-carbon and de-carbonization efforts. The Company intends to promote low-carbon power generation through the supply of electricity from floating wind turbines and onshore hydroelectric power in IPN's participating interests.

b) Name of the transferee

INPEX CORPORATION

c) Timing of the transfer

Early 2022 (Scheduled)

*The completion of the transfer is subject to the Norwegian government's approval.

d) Name of the subsidiary and its main business

- | | |
|-------------------|---|
| (1) Company name | Idemitsu Snorre Oil Development Co., Ltd. |
| (2) Main business | Exploration, development, production and sale of petroleum and natural gas through a subsidiary in Norway |

e) Number of shares to be transferred, transfer price, gain/loss on transfer, and ownership after transfer

- | | |
|--|--|
| (1) Number of shares to be transferred | 3,080 (ownership: 1.0%) |
| (2) Transfer price | Not disclosed due to the confidentiality obligation between the two parties. |
| (3) Gain/loss on transfer | Not yet determined at this moment because the amount of the subsidiary's net assets as of the transfer are not determined. |
| (4) Ownership after transfer | 49.5% |