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Press Release

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Announcement on Recording of Extraordinary Losses, Decrease in Corporate Taxes and Differences between the Consolidated Financial Results and Forecasts for the Fiscal 2021

Idemitsu Kosan Co., Ltd. (hereinafter, “Idemitsu”) hereby announces the recording of extraordinary losses and a decrease in corporate taxes in the fiscal year ended March 2022 (April 1, 2021–March 31, 2022) and differences between forecast for the fiscal year ended March 2022 announced on November 9, 2021 and actual results announced today, as follows.

1. Recording of Extraordinary Losses

Loss on write-down of long-term loans receivable of 55,916 million yen were recorded from Idemitsu’s overseas subsidiary IDEMITSU ASIA PACIFIC PTE.LTD. (Singapore, president: Hiroshi Yamamoto, overseas service company) to Nghi Son Refinery and Petrochemical LLC (hereinafter, “NSRP”; affiliate engaging in refinery operations in Vietnam; Idemitsu’s shareholding ratio: 35.1%; fiscal year end: December) in the fiscal year ended March 2022.

2. Background for Recording of Extraordinary Losses

Nghi Son Refinery in Vietnam, operated by NSRP, achieved a significant year-on-year earnings improvement due to improved inventory and time-lag effects and various initiatives, despite ongoing weakness in the operating environment resulting from weak overseas product market in the first half (January–June) and reduced domestic demand in Vietnam due to COVID-19 pandemic. On the other hand, loss on write-down of long-term loans receivable were recorded after a value assessment of long-term loans to NSRP based on expected future cash flows revealed that the fair value of such loans fell below their book value.

3. Decrease in Corporate Taxes (Gain)

Idemitsu recorded valuation losses on shares of its subsidiary Solar Frontier K.K. for corporate tax purposes in the fiscal year ended March 2022, leading to decreases in corporate taxes and adjustments to corporate taxes of approximately 34 billion yen.

4. Background for Decrease in Corporate Taxes (Gain)

While Idemitsu had recorded loss on valuation of Solar Frontier K.K. shares in the past (cumulative total of approximately 110 billion yen), such losses were non-deductible for corporate tax purposes. In light of recent circumstances including the decision to terminate manufacturing of solar panels around June 2022, Idemitsu decided to record such tax-deductible expense in the fiscal year ended March 2022, leading to decreases in corporate taxes and adjustments to corporate taxes.

5. Differences between the Consolidated Financial Results and Forecasts in the Fiscal Year Ended March 2022 (April 1, 2021–March 31, 2022)

(Units: JPY millions, JPY)

	Net Sales (JPY millions)	Operating Income (JPY millions)	Ordinary Income (JPY millions)	Net Income Attributable to Owners of the Parent (JPY millions)	Net Income per Share (JPY)
Previous Forecast (A)	6,580,000	300,000	330,000	220,000	739.98
Actual Result (B)	6,686,761	434,453	459,275	279,498	940.15
Difference (B – A)	106,761	134,453	129,275	59,498	
Change (%)	1.6%	44.8%	39.2%	27.0%	
(Reference) Previous FY Results (FY 3/2021)	4,556,620	140,062	108,372	34,920	117.47

6. Background for Differences between Forecast and Actual Performance in the Fiscal Year Ended March 2022

Operating income and ordinary income increased mainly due to inventory impact in the petroleum segment resulting from an increase in crude oil price and increased time-lag. Net income attributable to owners of the parent increased by 59.4 billion yen due to these factors as well as the decrease in corporate taxes stated in 3. above, despite extraordinary losses as stated in 1. above.

(Assumptions)

(Units: USD/bbl, JPY/USD)

	Previous Forecast	Actual Result	Change
Crude Oil Price (Dubai)	72.1	78.1	+6.0
Exchange Rate	109.9	112.4	+2.5