

(Translation)

Dear Shareholders:

**Information to be Disclosed on the Internet upon Giving Notice of
the 107th Ordinary General Meeting of Shareholders**

Idemitsu Kosan Co., Ltd.

Major business offices and plants (as of March 31, 2022):

(i) The Company:

Category	Offices
Head office	2-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
Refineries	Hokkaido (Tomakomai-shi), Aichi (Chita-shi)
Complexes	Chiba (Ichihara-shi), Tokuyama (Shunan-shi)
Branch Offices	Hokkaido Branch (Sapporo-shi), Tohoku Branch (Sendai-shi), Kanto First Branch (Chiyoda-ku, Tokyo), Kanto Second Branch (Chiyoda-ku, Tokyo), Chubu Branch (Nagoya-shi), Kansai Branch (Osaka-shi), Chugoku Branch (Hiroshima-shi), Kyushu Branch (Fukuoka-shi)
Overseas offices	Middle East (Abu Dhabi), Hanoi (Vietnam)
Laboratories	Advanced Technology Research Laboratories (Sodegaura-shi), Lubricants Research Laboratory (Ichihara-shi), Performance Materials Laboratories (Ichihara-shi)

(ii) Subsidiaries:

Name	Address
Idemitsu Tanker Co., Ltd.	Chiyoda-ku, Tokyo
SHOWA YOKKAICHI SEKIYU CO., LTD.	Yokkaichi-shi, Mie
TOA Oil Co., Ltd.	Kawasaki-shi, Kanagawa
Idemitsu Retail Marketing Co., Ltd.	Chuo-ku, Tokyo
Idemitsu Supervising Co., Ltd.	Chiyoda-ku, Tokyo
IDEMITSU Energy Solutions Co. LTD.	Shinjuku-ku, Tokyo
IDEMITSU INTERNATIONAL (ASIA) PTE. LTD.	Singapore
IDEMITSU APOLLO CORPORATION	Sacramento, U.S.A.
Idemitsu Unitech Co., Ltd.	Minato-ku, Tokyo
SDS Biotech K.K.	Chuo-ku, Tokyo
Solar Frontier K.K.	Chiyoda-ku, Tokyo
RS Renewables K.K.	Chiyoda-ku, Tokyo
Idemitsu Gas Production (Vietnam) Co., Ltd.	Chiyoda-ku, Tokyo
IDEMITSU AUSTRALIA PTY LTD.	Brisbane, Australia
Idemitsu Canada Resources Ltd.	Calgary, Canada
Idemitsu Canada Corporation	Calgary, Canada
IDEMITSU ASIA PACIFIC PTE. LTD.	Singapore

Accounting auditors:

- (i) Names of the accounting auditors:

Deloitte Touche Tohmatsu LLC

- (ii) Amount of remuneration, etc. payable to the accounting auditors for the fiscal year under review:

	Amount of remuneration, etc.
Amount of remuneration, etc. payable to the accounting auditors for the fiscal year under review:	¥213 million
Total amount of money and other proprietary benefits payable to the accounting auditors by the Company and its subsidiaries:	¥387 million

- (Notes) 1. The amount of remuneration, etc. payable to the accounting auditors for audits under the Companies Act of Japan and the amount of remuneration, etc. payable for audits under the Financial Instruments and Exchange Act of Japan are not separated in the audit agreement between the Company and the accounting auditors. Hence, the above amount of remuneration, etc. payable to the accounting auditors for the fiscal year under review includes both amounts.
2. The total amount of money and other proprietary benefits payable to the accounting auditors by the Company and its subsidiaries includes remuneration for services (non-auditing services), which are not covered by Article 2, paragraph 1 of the Certified Public Accountant Act of Japan, entrusted to Deloitte Touche Tohmatsu LLC.
3. Among the important subsidiaries of the Company, the overseas subsidiaries were audited by a certified public accountant or audit firm (including those who have an equivalent certification in a foreign country) other than the Company's accounting auditors.

- (iii) Reasons for the Board of Statutory Auditors to consent to the remuneration, etc. of the accounting auditors:

The Board of Statutory Auditors obtained necessary materials and received reports from the relevant divisions of the Company and the accounting auditors, and confirmed and verified the content of the audit plan of the accounting auditors, the status of the execution of their account auditing duties, the basis for calculation of the remuneration estimate, etc. As a result, the Board of Statutory Auditors determined that the remuneration, etc. of the accounting auditors was appropriate and consented thereto pursuant to Article 399, paragraph 1 of the Companies Act of Japan.

- (iv) Content of non-auditing services:

The Company has paid the accounting auditors remuneration for services (non-auditing services), including the preparation of comfort letters, not covered by Article 2, paragraph 1 of the Certified Public Accountant Act of Japan.

- (v) Policy on the determination of dismissal or non-reappointment of the accounting auditors:

In the event that there arises any problem with the performance by the accounting auditors of their duties or otherwise the Board of Statutory Auditors considers it necessary, it shall take a procedure to dismiss or not to reappoint the accounting auditors pursuant to the Companies Act of Japan.

Systems to secure the properness of business activities (so-called “internal control systems”) and the summary of the status of the operation of the systems:

[Systems to secure the properness of business activities (so-called “internal control systems”)]

With regard to basic policies on internal control systems, the Board of Directors has adopted resolutions as described below, for the systems to secure the properness of business activities.

In addition, the Board of Directors checks whether the internal control systems have properly been established and operated and revises them to make them more effective.

(i) Systems to secure the execution by the Directors and employees of the Company and its subsidiaries of their duties to comply with laws or ordinances and the Articles of Incorporation:

a) The Board of Directors of the Company shall, pursuant to the Regulations of the Board of Directors, determine important matters and supervise the execution of business.

b) Pursuant to the revised Compliance Regulations, in order to further improve the consistency and effectiveness of discussions, the Company shall establish a Risk/Compliance Committee by integrating the Risk Management Committee and the Compliance Committee to monitor the appropriate response to compliance concerns reported to the hotline, etc., and to promote compliance activities for the Company and its subsidiaries.

c) Under the Code of Conduct for Compliance, the Company shall make use of the Compliance Book that sets action guidelines on compliance with law to raise awareness of compliance throughout the Group.

d) The Company shall establish, and allow the employees, etc. of the Company and its subsidiaries in and outside Japan to make use of, compliance contact offices within and outside of the Company to help solve questions and problems with regard to compliance and to promptly identify, rectify and prevent any problems.

e) The Company shall make use of the General Affairs Department, which supervises and promotes structuring the internal control system and compliance activities of the entire company, and shall aim to strengthen coordination among management divisions and to reinforce initiatives to improve the maturity of internal controls.

f) The Internal Audit Office shall conduct audits to verify the appropriateness of business activities and the state of execution of business pursuant to the internal rules at each business division of the Company and its subsidiaries.

(ii) Systems concerning storage and management of information on the execution by the Directors of the Company of their duties:

Information on the execution by the Directors of their duties shall be stored and managed pursuant to the Regulations of the Board of Directors, the Circular Decision Document

Handling Rules and other internal rules.

(iii) Regulations concerning management of exposure to the risk of loss of the Company and its subsidiaries and other systems:

- a) The Company shall establish an Enterprise Risk Management Committee with the President acting as the Committee Chair where issues including potential management risks are discussed to respond to risks by projecting changes in the environment and their impact.
- b) Pursuant to the Basic Manual for Risk Management, the Company shall establish a Risk/Compliance Committee to promote risk management activities.
- c) Pursuant to the Regulations on Measures upon Outbreak of Crisis and other internal rules, the Company shall take measures promptly and properly upon the outbreak of any serious crisis to the Company or any of its subsidiaries.
- d) The Company shall develop a Business Continuity Plan (BCP) for measures against an epicentral earthquake in the Tokyo metropolitan area, measures against a new type of influenza, etc., and exert group-wide efforts to implement, maintain and manage the BCP. The Company shall reflect findings and items to be improved in the BCP, which will be found through the planned disaster management drills to be implemented.
- e) Each department and affiliated company shall, pursuant to the Regulations on Internal Control and Self-Management, introduce sequentially the Voluntary Inspection WEB System (SELCHE), an assistance tool aimed at strengthening internal control by implementing self-managing PDCA, in relation to risks to the business.
- f) The Internal Audit Office shall, pursuant to the Internal Control Regulations, conduct audits to verify the state of risk management by each business division.

(iv) Internal control over financial reporting:

- a) Pursuant to the Regulations on Evaluation of Internal Control over Financial Reporting, the Company shall establish a system to ensure reliability of financial reporting of the whole Group for the purpose of adequate improvement and administration of internal control on financial reporting.
- b) Pursuant to the regulations set forth in (a) above, the Company shall establish a Committee for Evaluation of Internal Control over Financial Reporting, which shall deliberate on and investigate matters concerning annual improvement and administration policies and evaluation plans, matters concerning the determination of the evaluation scope, matters concerning evaluation results, etc.
- c) The Internal Audit Office shall conduct periodic evaluation of the effectiveness of internal control, as well as necessary improvements thereof.

(v) Severance of all relations with antisocial forces:

- a) The Company shall deal with any person or group, including any crime syndicate and corporate racketeer, who engages in antisocial activities, violence and illegitimate demand in a resolute attitude and sever all relations therewith.
 - b) In the event that any antisocial force sets on, the Company shall resolutely refuse without giving in and act properly pursuant to the Manual for Measures against Antisocial Forces.
- (vi) Systems to secure efficient execution by the Directors of the Company of their duties:
- a) To secure efficient execution of business, the Company shall have Executive Officers.
 - b) Pursuant to the Regulations of Sanctions and Powers and the Regulations of Execution of Business, the Company shall clearly define the roles and authorities of the Board of Directors, Representative Directors and other Directors.
 - c) Pursuant to the Regulations of the Management Committee, as a deliberative body to plan and deliberate on strategies for group management and for smooth and proper decision-making of business execution, the Company shall establish a Management Committee in which the President acts as the Committee Chair. The members shall be determined by the Committee Chair after deliberation by the Personnel Committee. The Management Committee shall meet three times a month, in principle.
- (vii) Systems to secure the properness of business activities of the corporate group comprised of the Company, its parent company and its subsidiaries:
- a) In the Affiliated Companies Regulations, the Company shall stipulate that the supervising departments shall have the responsibility for managing affiliates, and shall clarify the roles and functions that the supervising departments shall perform. In addition, specific management matters, decision standards, and matters to be reported by affiliated companies shall be set forth in the Attached Table of Management Standards. The supervising departments and the affiliated companies shall make the necessary decisions and reports in accordance with the regulations above.
 - b) In the Affiliated Companies Regulations, the Company shall provide a fundamental policy to the effect that “transactions with affiliated companies shall be based on market prices, in principle”, to prevent conflicts of interest.
 - c) In the Affiliated Companies Regulations, the Company shall provide for the rules for selection of Directors and Statutory Auditors of its affiliated companies, pursuant to which the Directors of the Company shall not assume office of Directors of the affiliated companies, in principle.
 - d) Statutory Auditors of major domestic and overseas affiliated companies shall be dispatched from the Management Consulting Group established in the General Affairs Department, in principle, and shall build a system to strengthen management support and monitor functions related to internal controls of affiliated companies.

e) The Company shall improve operational efficiencies by utilizing the Group-standard IT infrastructures.

(viii) Matters concerning the employees to assist the Statutory Auditors of the Company to execute their duties when the Statutory Auditors request the assignment thereof:

The Company shall, upon request from the Statutory Auditors, assign its employees as staff of the Board of Statutory Auditors' Secretariat to assist the Statutory Auditors to execute their duties.

(ix) Matters to secure the independence of the employees set forth in (viii) above from the Directors and the effectiveness of directions given to the employees:

a) Staff at the Board of Statutory Auditors' Secretariat shall serve on a full-time basis. The final decision on personnel changes, evaluations, etc. of the Statutory Auditors' staff shall be subject to consent of the Statutory Auditors, which shall be provided for in the internal rules of the Personnel Department.

b) In the Organization Regulations, the Company shall provide for the duties of the Board of Statutory Auditors' Secretariat.

(x) System for reporting by the Directors and employees of the Company and its subsidiaries and the statutory auditors of the subsidiaries to the Statutory Auditors (the Board of Statutory Auditors) of the Company and other systems for reporting to the Statutory Auditors of the Company:

a) The Directors, the Executive Officers, and the head of each department/office shall, pursuant to the Regulations of Execution of Business, report the specified matters to the Statutory Auditors.

b) The Internal Audit Office shall, pursuant to the Internal Audit Regulations, report the results of audits to the Statutory Auditors.

c) The Risk/Compliance Committee shall request the attendance of full-time Statutory Auditors as observers, and shall share the state of consultations and measures at the Compliance Contact Offices to the Statutory Auditors appropriately.

(xi) System to ensure the prevention of unfair treatment of the person who has given a report under (x) above because of such report:

a) It shall be prohibited to treat unfairly the person who has given a report under (x) above because of such report.

b) The Company shall stipulate in the Compliance Book, the Rules for Compliance Contact Offices, and the Contact Offices Usage Guidance for Employees that any person shall not be treated unfairly because of consulting with the Compliance Contact Offices and shall make it thoroughly educated through training and other sessions.

(xii) Matters concerning the policy to pay expenses incurred by the Statutory Auditors in executing their duties:

All expenses necessary for the Statutory Auditors in performing their roles and duties, including audits of the execution by the Directors of their duties, election and dismissal of the accounting auditors, shall be borne by the Company.

- (xiii) Other systems to ensure effective audits by the Statutory Auditors (the Board of Statutory Auditors) of the Company:
- a) The Representative Directors shall hold a regular meeting with the Statutory Auditors quarterly, in principle.
 - b) The Internal Audit Office shall closely coordinate and cooperate with the Statutory Auditors and the accounting auditors with regard to internal audit schedules, visiting audits, etc.

Note: The above system was resolved at the Board of Directors Meeting held on May 10, 2022, reflecting initiatives conducted with the intention of improving management efficiency and strengthening governance, such as establishment of the Risk/Compliance Committee through integration of the Risk Management Committee and the Compliance Committee, responses to the revised Whistleblower Protection Act, and changes through reorganization.

[Summary of the status of the operation of the systems to secure the properness of business activities (so-called “internal control systems”)]

The Company, in accordance with the “systems to secure the properness of business activities (so-called “internal control systems”)” resolved by its Board of Directors, has established and operated the internal control systems of the Company and its subsidiaries.

The Company plans to revise the “systems to secure the properness of business activities (so-called “internal control systems”)” every year after the institution thereof. During the fiscal year under review, the Company operated the systems pursuant to the resolution made at the Board of Directors Meeting held in May 2021.

Major activities for internal control that were considered important during the fiscal year under review are as described below:

- (i) Activities for compliance:
 - a) The Compliance Committee held four meetings pursuant to the Compliance Regulations, which are in accordance with the Company’s Action Guidelines. In addition, a promotion system was established in all workplaces by the responsible person for compliance promotion, and the managers and the person in charge of compliance promotion in order to spread and promote the Compliance Code of Conduct.
 - b) The Company has exerted its efforts to raise awareness of compliance by disseminating the Compliance Book and compliance-related cases in and outside of the Company through training sessions for its business offices and subsidiaries nationwide, training sessions for new employees and training sessions for new managers, as well as by utilizing the Compliance Room, a portal site set up on the intranet. During the fiscal year under review, the Company conducted web learning regarding compliance for all employees and management of the Company and its subsidiaries. In addition, the Company conducted questionnaires regarding the Compliance Code of Conduct.
 - c) The details of consultations handled and measures taken by the Compliance Contact Offices established internally and externally have been reported to the Compliance Committee and shared with the full-time Statutory Auditors to provide advice and monitor the responses to each case and implemented measures to prevent recurrences.

(ii) Activities for risk management:

- a) The Enterprise Risk Management Committee, chaired by the President, predicts changes in the internal and external environment and the impact of their risks from a managerial viewpoint and discusses how to respond to them. In addition, the Risk Management Committee confirms the status of formulation and implementation of a plan to prevent occurrence of a crisis, select accident insurance coverage, establish the BCP, prevent increase of risks, and respond to new risks. For the fiscal year under review, the Committee identified fire and explosion risks, information-related risks, quality assurance risks, environmental pollution risks, etc. as Material Risks that require group-wide continued monitoring and made efforts to control these risks, in connection with which the Committee held four meetings.
- b) For the purpose of risk management, the Company has focused its efforts on requiring an immediate report from a department in which any business risks arise on a Bad-News First basis as soon as the business risks (accidents, disasters, violations or other risks) are recognized and taking a group-wide countermeasure in an early stage with the assistance of the Risk Management Committee to prevent such risks from enlarging. Furthermore, the Company ensures that examples and countermeasures to prevent business risks from arising are horizontally shared by the Overseas Administration Contact Offices established for employees stationed overseas.
- c) With regard to the Business Continuity Plan (BCP) instituted for measures against an epicentral earthquake in the Tokyo metropolitan area, an immense earthquake in the Nankai Trough area and a new type of influenza, the Company updates this plan every year to ensure its effectiveness. In the fiscal year 2021, the Company enhanced the disaster prevention functions of the new Head Office in association with the relocation of the Head Office, and formulated each oil depot BCP as measures against local earthquakes and tsunamis. In addition, as reinforcement measures against COVID-19, the Company revised a group-wide overseas action plan, which is a rule that constitutes the BCP for a new type of influenza etc., and has been deploying it to local subsidiaries.
- d) The Company conducted hybrid disaster management drills that combine the real and remote task group headquarters by utilizing the disaster prevention functions of the new Head Office and further strengthened the task group headquarters for an epicentral earthquake.
- e) The Company established the task force headquarters for COVID-19 in February 2020, and it has executed measures to prevent the spread of infection in response to the requirements of national and municipal government, such as efforts in the workplace vaccination program, throughout the Group, while fulfilling its mission as an energy supply company.
- f) For the purpose of strengthening the IT security system, the Company conducted a voluntary inspection of the system of information and control, a security audit, and enhancement of the response system for the occurrence of a security incident.

(iii) Measures to ensure effective audits by the Statutory Auditors:

- a) The Representative Directors have regular quarterly meetings with the Statutory Auditors. In addition, through important meetings, such as sessions of the Management Committee and the Risk Management Committee, the Company has shared various issues with the Statutory Auditors, including issues regarding compliance and risk management.

Furthermore, the Company has exerted its efforts to enhance cooperation between the Statutory Auditors of the Company and the Statutory Auditors of its subsidiaries and affiliated companies, and to strengthen cooperation through regular meetings between the Outside Statutory Auditors and Outside Directors.

- b) In order to enhance the effectiveness of audits by the Statutory Auditors, the Internal Audit Office has strived to strengthen cooperation with the Statutory Auditors by enhancing information exchange and other measures, and to enhance opportunities to visit its business offices and subsidiaries in and outside of Japan by the full-time Statutory Auditors, as well as the Outside Statutory Auditors.

(iv) Measures for internal audits:

- a) In the fiscal year 2021, the Company conducted internal audits and assessments of internal controls physically or online due to the continued effects of COVID-19.

- b) In accordance with its annual internal audit plan, the Company has specified the “status of achievement of management targets”, “plans to prevent and mitigate risks”, “status of compliance” and “effectiveness and efficiency of business operations” as key items of internal audits and conducted internal audits of its business offices and subsidiaries in and outside of Japan. During the fiscal year under review, by prioritizing departments such as those having high internal control risks and taking into account departments such as those having key issues in the medium-term plan, internal audits of 16 departments, comprising of both domestic and overseas departments, were conducted. An auditing function was established in the U.S. subsidiary Idemitsu Americas Holdings, and three audits were implemented with the company. In addition, among the deficiency events that occurred, a case that may arise commonly within the group was identified as a theme audit sample and implemented both in and outside Japan.

- c) With regard to internal control over financial reporting, the Company has evaluated the status of establishment and operation of the systems and schemes (group-wide internal control) and the status of documentation and operation of business processes (business process control) and has obtained confirmation from the Committee for Evaluation of Internal Control over Financial Reporting. Particularly, an evaluation that reflects the integration of core business systems was implemented in the fiscal year under review.

(v) Measures for management of subsidiaries:

- a) Based on the Affiliated Companies Regulations and the Schedule of Management Standards, decisions on important Group matters related to affiliated companies are made appropriately by designated decision-makers after careful deliberation by the Investment and Loan Committee, the Management Committee, etc.
- b) Dedicated full-time Statutory Auditors are assigned to major affiliates, and part-time officers (Statutory Auditors and Directors) are dispatched from Management Consulting Group established in the General Affairs Department for the purpose of strengthening governance and reducing risk at some important affiliates. These part-time officers share information with the Company's Statutory Auditors and accounting auditors to enhance the effectiveness of audits. Furthermore, for the purpose of strengthening the internal control of subsidiaries, the Company introduced the Voluntary Inspection WEB System (SELCHE) for self-managing PDCA.

Reversal of revaluation difference of land			(2,229)			(2,229)		—
Change in items other than shareholders' equity during the year (net)	(2,348)	(4,027)	(201)	20,444	5,786	19,652	(39,795)	(20,142)
Total changes during the year	(2,348)	(4,027)	(2,430)	20,444	5,786	17,423	(39,795)	220,321
Balance at March 31, 2021	3,443	(5,236)	157,154	(26,762)	11,196	139,795	24,410	1,436,512

(Note) Figures are indicated by discarding fractions less than one million yen.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Important matters forming the basis of preparation of consolidated financial statements

(1) Matters concerning the scope of consolidation

(i) Consolidated subsidiaries:

- Number of consolidated subsidiaries: 116 companies
- Names of major consolidated subsidiaries:
 - Idemitsu Tanker Co., Ltd.
 - SHOWA YOKKAICHI SEKIYU CO., LTD.
 - TOA Oil Co., Ltd.
 - Idemitsu Retail Marketing Co., Ltd.
 - Idemitsu Supervising Co., Ltd.
 - IDEMITSU Energy Solutions Co. LTD.
 - IDEMITSU INTERNATIONAL (ASIA) PTE. LTD.
 - IDEMITSU APOLLO CORPORATION
 - Idemitsu Unitech Co., Ltd.
 - SDS Biotech K.K.
 - Solar Frontier K.K.
 - RS Renewables K.K.
 - Idemitsu Gas Production (Vietnam) Co., Ltd.
 - IDEMITSU AUSTRALIA PTY LTD.
 - Idemitsu Canada Resources Ltd.
 - Idemitsu Canada Corporation
 - IDEMITSU ASIA PACIFIC PTE. LTD.

(ii) Non-consolidated subsidiaries:

- Name of major non-consolidated subsidiary:
 - Idemitsu Lube Techno Co., Ltd.
- Reason for excluding the non-consolidated subsidiaries from the scope of consolidation:
 - The scale of business conducted by each of the non-consolidated subsidiaries is small, and the total assets, net sales, net income or loss (based on the Company's equity interest) and retained earnings (based on the Company's equity interest) of each non-consolidated subsidiary do not have a material impact on the consolidated financial statements.

(iii) Company in which the Company holds a majority of voting rights but which is not treated as a subsidiary:

- Name of the company: Astomos Energy Corporation
- Reason for not treating it as a subsidiary:

Astomos Energy Corporation has been determined to be a jointly controlled company pursuant to Article 175 of the “Implementation Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures” (the Accounting Standards Board of Japan (“ASBJ”) Accounting Standard Implementation Guidance No. 10) and excluded from the scope of consolidation to apply the accounting method similar to the equity method.

(2) Matters concerning the application of the equity method

(i) Non-consolidated subsidiaries and affiliates to which the equity method is applied:

- Number of non-consolidated subsidiaries or affiliates to which the equity method is applied: 26 companies
- Names of the major companies: Astomos Energy Corporation
Idemitsu Credit Co., Ltd.
Prime Polymer Co., Ltd.
Nghì Son Refinery and Petrochemical LLC
Seibu Oil Co., Ltd.
INPEX Norway Co., Ltd.

(ii) Non-consolidated subsidiaries and affiliates to which the equity method is not applied:

- Names of the major companies, etc.: Union Sekiyu Kogyo Co., Ltd.
Kuo Horng Co., Ltd.
- Reason for not applying the equity method to such companies:

The net income or loss (based on the Company’s equity interest) and retained earnings (based on the Company’s equity interest) of each company have no significant impact on the consolidated financial statements and is of no importance in general.

(iii) Special matter concerning the procedure to apply the equity method:

With regard to the equity method companies whose balance sheet dates do not correspond to the consolidated balance sheet date, the companies use the financial statements for the company’s respective fiscal years.

(3) Matters concerning changes in the scope of consolidation and the scope of application of the equity method

(i) Change in the scope of consolidation:

- Number of new consolidated subsidiaries: 21 companies
- Names of the new consolidated subsidiaries: IDEMITSU FINE COMPOSITES CO., LTD.
Idemitsu Electronic Materials (China) Co., Ltd.
Shoseki US Capital Inc. and 18 other companies

IDEMITSU FINE COMPOSITES CO., LTD. is included in the scope of consolidation due to additional acquisition of its shares, and Idemitsu Electronic Materials (China) Co., Ltd. and Shoseki US Capital Inc. are included in the scope of consolidation due to their increased importance.

- Number of subsidiaries excluded from the scope of consolidation: Five companies
- Names of the subsidiaries excluded from the scope of consolidation: Idemitsu Lube (Singapore) Pte. Ltd.
S.I. Energy, Ltd.
INPEX Norway Co., Ltd.
INPEX Idemitsu Norge AS and one other company

Idemitsu Lube (Singapore) Pte. Ltd. is excluded from the scope of consolidation as a result of its liquidation, and S.I. Energy, Ltd. is excluded from the scope of consolidation as a result of the disappearing due to the absorption-type merger making IDEMITSU Energy Solutions Co. LTD.(formerly LEEF ENERGY K.K.) the surviving company.
In association with the partial transfer of shares (the “Transfer”) of INPEX Norway Co., Ltd. (formerly Idemitsu Snorre Oil Development Co., Ltd.), the company and its subsidiary INPEX Idemitsu Norge AS (formerly Idemitsu Petroleum Norge AS) are excluded from the scope of consolidation.

(ii) Change in the scope of application of the equity method:

- Number of new equity method companies: Four companies
- Name of the new equity method companies:
 - Idemitsu Formosa Specialty Chemicals Corporation
 - South Field Energy Partners LLC
 - Cricket Valley Energy Partners LLC
 - INPEX Norway Co., Ltd.

Idemitsu Formosa Specialty Chemicals Corporation, South Field Energy Partners LLC, and Cricket Valley Energy Partners LLC are included in the scope of equity method companies due to their increased importance.

Category of INPEX Norway Co., Ltd. was changed from a consolidated subsidiary to an equity method company as a result of the Transfer.
- Number of companies excluded from the scope of equity method: Three companies
- Name of companies excluded from the scope of equity method
 - IDEMITSU FINE COMPOSITES CO., LTD.
 - PT MITRABARA ADIPERDANA Tbk and one other company

IDEMITSU FINE COMPOSITES CO., LTD. is excluded from the scope of the equity method company as a result of the additional acquisition of its shares and its category has been changed to a consolidated subsidiary, and PT MITRABARA ADIPERDANA Tbk is excluded from the scope of the equity method company as a result of the sale of its shares.

(4) Matters concerning the fiscal years of consolidated subsidiaries

With regard to any consolidated subsidiary whose balance sheet date does not correspond to the consolidated balance sheet date, the financial statements for the fiscal year of such any 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.

(5) Notes on accounting policies

(i) Basis and method of valuation of major assets:

(a) Basis and method of valuation of securities:

Bonds to be held to maturity: At amortized cost (straight-line method)

Subsidiaries' stock and affiliates' stock:

At cost, determined by the moving average method

Other securities:

- Securities other than those without market value: At market value, implementing the use of the market price at each reporting date (valuation differences are included directly in net assets, and costs of securities sold are determined by the moving average method, in principle).
- Those without market value: At cost, determined by the moving average method

(b) Basis and method of evaluation of inventories:

At cost, determined by the gross average method, in principle

The balance sheet values are calculated by the write-down method based on declined margins.

(c) Basis and method of evaluation of derivatives:

At market value

(ii) Method of depreciation of important depreciable assets:

- (a) Tangible fixed assets
(excluding lease assets): By the straight-line method, in principle.
- (b) Intangible fixed assets
(excluding lease assets): By the straight-line method, in principle;
provided, however, that software for internal use is amortized by the straight-line method on the estimated useful life of internal use (five years).
Customer-related assets are amortized by the straight-line method on useful lives (20 years).
- (c) Lease assets: By the straight-line method on the assumption that the lease period is the useful life of the property and the residual value is zero.

(iii) Basis for accounting for important allowances and reserves:

- (a) Allowance for doubtful accounts: To meet losses from loan default, the Company sets aside an estimated uncollectible amount, by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of specific claims, such as probable non-performing credits.
- (b) Allowance for bonuses: To meet the payment of bonuses to employees, the Company sets aside the portion for the consolidated fiscal year under review of an estimated amount of bonuses to be paid in the future.
- (c) Reserve for repair works: To meet the payment for repair expenses in the future, the Company sets aside the portion until the consolidated fiscal year under review of an amount of expenses of inspection and repair to be defrayed in respect of the oil tanks and machinery and equipment and vessels that require periodic repairs in the future.

(iv) Standards for recognition of important revenue and expenses

The content of primary obligations in the major business in relation to revenue generated from contracts with customers of the Company and its consolidated subsidiaries, and the normal time when the obligations are fulfilled (the normal time when the revenue is recognized) are as follows:

(a) Sale of products:

The petroleum segment produces and sells refined petroleum products, the basic chemicals segment produces and sells olefin/aroma products, and the functional materials segment produces and sells lubricants, performance chemicals, etc. The resources segment explores, develops, produces, and sells crude oil, natural gas, and other energy resources such as coals.

With respect to these sales, the legal ownership and physical possession right to the products, and important risks associated with owning the products, and economic values are transferred to customers when control over the products is transferred to the customers, i.e., upon delivery of the products to the customers. Furthermore, the Company obtains the right to receive consideration for the products from its customers; therefore, the revenue is recognized at that time. In addition, the revenue is recognized based on the transaction prices under the contracts with the customers; with respect to transactions in which the role of the Company and its subsidiaries is an agent, the transaction prices are calculated based on the net amount, namely the amount received from customers less payments to suppliers. The tax amount that is deemed to be collected as an agent such as those imposed at the time of sale, like value-added tax and the light oil delivery tax, are 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 Company and its consolidated subsidiaries will obtain the rights are estimated using all reasonably available information including past, current, and expectation; and the sales are recognized only within the scope where material reversion is very unlikely to occur.

(b) Construction contract:

The petroleum segment designs and constructs oil-related facilities.

With respect to a construction contract whose obligations are fulfilled over a certain period, the control over the assets is transferred to customers in accordance with the progress of construction; therefore, the revenue is recognized over the relevant construction period. The degree of progress is measured based on the ratio of expenses incurred to fulfill the obligations to the total expenses expected to fulfill the obligations. If expenses incurred are expected to be collected while the degree of progress related to the fulfillment of the obligations cannot be reasonably estimated, the revenue is recognized based on the cost collection standards.

(c) Sale of electricity:

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

Regarding the revenue pertaining to 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 are estimated from the result of the meter reading conducted in the settlement month, and the revenue according to the accounting period is recorded. 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.

(v) Method of important hedge accounting

(a) Method of hedge accounting: Deferral hedge accounting is applied.

(b) Hedging instruments and hedged items:

Hedging instruments: Forward exchange contracts, loans payable denominated in foreign currencies, currency option transactions, crude oil and petroleum products swap transactions, futures transactions, interest rate swaps, interest rate and currency swaps, and option transactions.

Hedged items: Foreign currency receivables and payables, foreign currency investment securities, forecasted foreign currency transactions, crude oil and petroleum products, equity interests in overseas subsidiaries and debts payable.

(c) Hedging policy: The Company and some of its consolidated subsidiaries, in accordance with their respective rules, carry out hedge transactions within the scope of actual requirements to hedge risk of price changes, interest rate and currency fluctuations with regard to the hedged items.

(d) Method of evaluating the effectiveness of a hedge:

The method of evaluating the effectiveness of a hedge is to confirm the compliance of the hedging instruments with the hedged items. No evaluation is made as to the effectiveness of any transaction in which important conditions are common for the hedged assets and liabilities or scheduled transactions and price changes or cash flow changes are assumed in advance to be offset upon the commencement of the hedging and continue to be offset thereafter.

(vi) Amortization of goodwill:

Goodwill is amortized using the straight-line method over the estimated useful life of goodwill (five years to 20 years).

(vii) Other important matters forming the basis of preparation of consolidated financial statements:

(a) Basis of translation of assets and liabilities denominated in foreign currencies into the Japanese currency:

Foreign currency receivables and payables are translated into Japanese yen at the spot rate prevailing on the consolidated balance sheet date and translation differences are treated as gains and losses. Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot rate prevailing on the consolidated balance sheet date. Income and expenses are translated into Japanese yen at the average rate for the period and translation differences are included in translation adjustments and noncontrolling interests under the net assets section on the consolidated balance sheet.

(b) Basis of accounting for liability for employees' retirement benefits:

To meet the payment of retirement benefits to employees, the Company provides an amount obtained by deducting the amount of plan assets from retirement benefit obligations, based on their respective estimated amounts as of the end of the consolidated fiscal year under review, as a liability for employees' retirement benefits. Actuarial differences are treated as expenses, based on the straight line method for a specific period of years (ten years to fourteen years) not exceeding the average remaining years of service of employees, from the consolidated fiscal year next following the consolidated fiscal year when such differences occur. Prior year service liabilities are treated as expenses in a lump sum during the consolidated fiscal year when such liabilities occur.

Unrecognized actuarial differences, after adjusting for taxes, are recognized as a retirement benefit liability adjustment under accumulated other comprehensive income in the net assets section.

(c) Accounting treatment of deferred assets:

Bond issuance expenses and stock issuance expenses are all treated as expenses upon payment thereof.

(6) Change in accounting policies

(Application of accounting standard for revenue recognition)

Effective April 1, 2021, the Idemitsu Group applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; the “Revenue Recognition Accounting Standard”). Under the Revenue Recognition Accounting Standard, 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 Standard 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 Revenue Recognition Accounting Standard, the cumulative effect at the end of last consolidated fiscal year from retrospective application of the Revenue Recognition Accounting Standard is treated as adjustment to retained earnings at the beginning of the consolidated fiscal year under review, and the new accounting policy is applied from the adjusted beginning balance of retained earnings.

As a result, net sales for the consolidated fiscal year ended March 31, 2022 decreased by ¥58,415 million, cost of sales decreased by ¥52,059 million, selling, general and administrative expenses decreased by ¥7,102 million, operating income increased by ¥745 million and ordinary income and net income before income taxes increased by ¥632 million, respectively. The balance of retained earnings at the beginning of the consolidated fiscal year increased by ¥1,054 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; the “Fair Value Accounting

Standard”) and others. In accordance with the transitional provision set forth in Article 19 of the Fair Value Accounting Standard 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 Standard and others. This application has no impact on the consolidated financial statements.

In addition, “Notes on financial instruments” provides notes on matters regarding the breakdown of financial instruments by each appropriate fair value category.

(7) Change in presentation methods

“Accounts receivable, other” that was presented by being included in “Current assets”, “Other” in the consolidated fiscal year 2020 is stated separately from the consolidated fiscal year under review due to its increased monetary importance.

“Accounts receivable, other” for the consolidated fiscal year 2020 was ¥178,536 million.

(8) Notes to Significant Accounting Estimates

The consolidated financial statements of the Company 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 consolidated fiscal year, and other considerations. Due to their inherent nature, actual results may differ from these estimates and assumptions.

Items that may have a significant impact on the consolidated financial statements of the Company are as follows.

We consider that there will be no material impact of COVID-19 on our accounting estimates.

(i) Measurement of equity-method investments and loans to equity-method affiliates

The Company has an equity interest in and loans and advance of funds (recorded as accounts receivable, other) to Nghi Son Refinery and Petrochemical LLC (“NSRP”), which is an equity-method affiliate of the Company. 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 operating results have an impact on the fair value of long-term loans receivable and the recoverability of accounts receivable, other, whose change is reflected in net income in the Company’s consolidated financial statements. The amounts and the line items of the equity interest and the loans recorded in the consolidated balance sheet are as follows:

	Line item	Amount (million yen)
Equity interest	Investment securities	-
Loans	Long-term loans receivable	-
Advance of funds	Accounts receivable, other	114,935

NSRP has continued recording operating loss from the past due to the downturn in the asset utilization rates at the beginning of the commencement of commercial production and the subsequent deterioration of the product market conditions; in the consolidated fiscal year under review, although the product market conditions and the asset utilization rates have been improved, NSRP recorded operating loss and net loss continuously from the fiscal year 2020; and the cash flows have also deteriorated. In association with the operating losses from the past fiscal years, as this indicated that its fixed assets subject to impairment test may be impaired, NSRP performed an impairment test on such assets. As the recoverable amount of the fixed assets based on their value in use exceeded their carrying amount of ¥738,379 million (based on a 100% ownership ratio) recorded in its balance sheet, NSRP did not record an impairment loss on the fixed assets.

Meanwhile, as to the Company's consolidated financial statements, the Company recorded a loss on valuation of long-term loans receivable of ¥55,916 million since their fair value, which had been based on estimated future cash flows, was less than their carrying amount.

The value in use and the fair value based on estimated future cash flows were calculated by applying NSRP's future business plan and involve the use of certain assumptions such as discount rates, product margins and asset utilization rates; these assumptions were determined based on future forecasts on NSRP's performance and the external environment (such as supply and demand trends, geopolitical risks, and climate change). The changes in these assumptions may have a material impact on the Company's consolidated financial statements.

(ii) Valuation of fixed assets

With respect to tangible and intangible fixed assets, any indication of impairment loss is examined for each asset group; and if there is any indication, an impairment test is implemented.

In calculating the recoverable amount in the impairment test, estimates of future cash flows and discount rates are determined; the future cash flows were determined based on the business plan that was approved by the manager as well as the best estimate and judgment of the manager. 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.

(9) Change in accounting estimates

There is no material change to the accounting estimates.

A change was made to the estimate of part of the asset retirement obligations. The

details are stated in the notes titled “Notes on asset retirement obligations”.

2. Notes to the consolidated balance sheet

(1) Assets pledged and corresponding liabilities

Assets pledged

(i) Factory foundation mortgage:

Land ¥433,059 million

(ii) Other pledges:

Investment securities ¥2,732 million

Total ¥435,792 million

In addition to the above, the Company pledged the capital contribution (investment securities) in NSRP and long-term loans receivable from NSRP as collateral for NSRP's borrowings from financial institutions. The equity method has been applied to NSRP, and the consolidated balance sheet amount of each item is as described below:

	The consolidated fiscal year under review (March 31, 2022)
Investment securities (million yen)	—
Long-term loans receivable (million yen)	—

Liabilities with assets pledged

Factory foundation mortgage:

Accounts payable-other ¥51,635 million

Total ¥51,635 million

The accounts payable-other were related to payment of gasoline tax.

In addition to the above, although the factory foundation was subjected to a revolving mortgage related to bank transactions, there were no substantial liabilities with assets pledged.

(2) Accumulated depreciation of tangible fixed assets ¥2,023,199 million

(3) Contingent liabilities

The Company provides guarantees for the loan obligations, etc. of the following companies, which are not the Company's consolidated companies, from financial institutions, etc.

(i) Guarantee of obligations

Japan Biofuels Supply LLP.	¥16,870 million
IDEMITSU LUBRICANTS (THAILAND) CO. LTD.	¥1,933 million
Oyasu Geothermal Co., Ltd.	¥1,621 million
Others	¥2,713 million
Total	¥23,138 million

(ii) Management directive memorandums

Hibikinada Development Co., Ltd.	¥6 million
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(iii) 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, by NSRP in Vietnam. The burden of the guarantee of the Company is as follows.

The Company's burden of guarantee	¥162,806 million
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Depending on future changes in the circumstances, the Company may be requested to perform the construction completion guarantee by the banking syndicate. If the Company performs the construction completion guarantee, this may have a material impact on the Company's financial and cash flow conditions.

(4) Land revaluation

In accordance with the Land Revaluation Act (Act No. 34, promulgated on March 31, 1998) of Japan and the Act to Amend Part of the Land Revaluation Act (Act No. 19, promulgated on March 31, 2001) of Japan, the Company's land used for business is revaluated and an amount equivalent to taxes on the difference on revaluation is included in liabilities as "deferred tax liabilities upon revaluation" and the difference on revaluation minus the amount of such taxes is included in net assets as "revaluation difference of land".

(i) Method of revaluation:

Land revaluation is made in accordance with the method of calculation by making reasonable adjustments to the assessed value of fixed assets as set forth in Article 2, item 3 of the Ordinance to Implement the Land Revaluation Act (Cabinet Order No. 119, promulgated on March 31, 1998; the "Ordinance"), the method of calculation by making reasonable adjustments to the land values that form the basis of land tax calculations as set forth in Article 2, item 4 of the Ordinance, and appraisals by real estate appraisers as set forth in Article 2, item 5 of the Ordinance.

(ii) Revaluation date: March 31, 2002

(iii) Difference of the market value at the end of the consolidated fiscal year under review of the land revaluated and the book value thereof after such revaluation:

(¥107,110 million)

3. Notes to the consolidated statement of changes in shareholders' equity, etc.

(1) Matters concerning the total number of issued shares

Class of shares	Number of shares as of April 1, 2021	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2022
Shares of common stock	297,864 thousand shares	— thousand shares	— thousand shares	297,864 thousand shares

(2) Matters concerning the number of shares of treasury stock

Class of shares	Number of shares as of April 1, 2021	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2022
Shares of common stock	596 thousand shares	11 thousand shares	46 thousand shares	561 thousand shares

(Note 1) The increase of 11 thousand shares is due to acquisitions of less-than-one-unit shares.

(Note 2) The decrease of 46 thousand shares consists of a decrease of 45 thousand shares due to the stock awards in accordance with the Board Incentive Plan Trust for Officers and a decrease of 0 thousand shares due to the disposals of less-than-one-unit shares.

(3) Matters concerning the distribution of retained earnings

(i) Amount of payment for dividends, etc.:

Matters concerning the dividends determined by resolution at the meeting of the Board of Directors held on May 11, 2021:

- Aggregate amount of dividends ¥17,870 million
- Amount of dividend per share ¥60
- Record date March 31, 2021
- Effective date June 2, 2021

(Note) The total dividends paid include dividend payment of ¥32 million made for the treasury stock held by the Board Incentive Plan Trust for Officers.

Matters concerning the dividends determined by resolution at the meeting of the Board of Directors held on November 9, 2021:

- Aggregate amount of dividends ¥17,869 million
- Amount of dividend per share ¥60
- Record date September 30, 2021
- Effective date December 7, 2021

(Note) The total dividends paid include dividend payment of ¥30 million made for the treasury stock held by the Board Incentive Plan Trust for Officers.

(ii) Dividends for which the record date falls during the consolidated fiscal year under review but the effective date falls during the next consolidated fiscal year:

The following matters are scheduled to be determined by resolution at the meeting of the Board of Directors held on May 10, 2022:

- Aggregate amount of dividends ¥32,760 million
- Amount of dividend per share ¥110
- Record date March 31, 2022
- Effective date June 2, 2022

(Note) The total dividends paid include dividend payment of ¥55 million made for the treasury stock held by the Board Incentive Plan Trust for Officers.

4. Notes on financial instruments

(1) Matters relating to the status of financial instruments

The Group raises required funds (principally by bank loans and the issuance of bonds) according to plant and equipment plans. 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 mitigate risk relating to its actual requirements and engages in no speculative transaction.

To reduce clients' credit risks relating to notes and accounts receivable-trade, the Group has stipulated its credit management rules and credit sales management rules. With regard to investment securities, which are principally stocks of client companies with which the Group has business ties, the market prices of listed stocks are recognized for each quarter and with regard to unlisted stocks, the financial positions of the issuers are recognized for each fiscal year.

With regard to foreign currency accounts payable-trade relating to imports of raw materials, the Group utilizes forward exchange contracts to reduce foreign currency risk.

To avert interest-rate risk relating to long-term loans payable, the Group engages in interest rate swaps and fixes interest expenses. In addition, to reduce market risk relating to crude oil and petroleum products, the Group engages in product swap transactions and future transactions.

The Group engages in derivatives all in accordance with the policy approved for each fiscal year based on its internal trading rules and within actual requirements.

(2) Matters concerning current values, etc. of financial instruments

The following chart shows the consolidated balance sheet amounts of financial instruments as of March 31, 2022, along with their current values and the variances. Securities without market value (consolidated balance sheet amount: ¥246,269 million) are not included in “Investment securities”. Notes on cash are omitted, and notes on deposit are also omitted because deposits 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 balance sheet (consolidated balance sheet amount: ¥9,036 million) are omitted as well:

(million yen)

	Consolidated balance sheet amount	Current value	Variance
(1) Notes and accounts receivable - trade	870,483	870,483	—
(2) Accounts receivable - other	242,860	242,860	—
(3) Investment securities	14,826	14,826	—
(4) Long-term loans receivable	12,301	10,410	(1,890)
Total assets	1,140,471	1,138,580	(1,890)
(1) Notes and accounts payable - trade	840,834	840,834	—
(2) Short-term borrowings	369,043	369,043	—
(3) Commercial papers	237,000	237,000	—
(4) Current portion of bonds payable	10,000	10,000	—
(5) Accounts payable - other	390,920	390,920	—
(6) Bonds	130,000	129,061	(939)
(7) Long-term debt	590,767	589,089	(1,678)
Total liabilities	2,568,566	2,565,949	(2,617)
Derivatives (*)	4,776	4,776	—

(*) Net receivables and payables resulting from derivatives transactions are presented on net base. The total net payables are presented in parentheses.

(3) Matters regarding the breakdown of financial instruments by each fair value level

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 value: fair values calculated using the quoted prices of the assets and liabilities subject to the calculation of the fair values that are formed in active markets among inputs related to the calculation of observable fair values;

Level 2 fair value: fair values calculated using the inputs related to the calculation of fair values other than Level 1 inputs among inputs related to the calculation of observable fair values; and

Level 3 fair value: 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.

(i) Financial instruments recorded in the consolidated balance sheet at fair value

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities	14,826	—	—	14,826
Derivatives	—	4,776	—	4,776
Total assets	14,826	4,776	—	19,602

(ii) Financial instruments other than those that are recorded in the consolidated balance sheet at fair value

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	—	10,410	—	10,410
Total assets	—	10,410	—	10,410
Bonds payable	—	129,061	—	129,061
Long-term loans payable	—	589,089	—	589,089
Total liabilities	—	718,150	—	718,150

(Note) Explanation of the valuation methods and inputs used in calculating fair values

Investment 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

Long-term loans receivable calculated from the present value of the future cash flow discounted at a rate supposing a similar loan is newly extended, is categorized as Level 2.

Long-term loans receivable to NSRP is categorized as Level 3. For details of the calculation of the fair value, please see “(iii) Financial instruments categorized as Level 3” below.

Derivatives

The Fair value of derivatives is calculated based on the observable inputs, such as prices or exchange rates and interest rates presented by financial institutions, and categorized as a Level 2 fair value.

Bonds payable

The fair value of 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 from the present value of the total principal and interest discounted at a rate supposing similar borrowings are newly conducted, and categorized as a Level 2 fair value.

(iii) Financial instruments categorized as Level 3

Increase and decrease in long-term loans payable categorized as Level 3 are as follows:

	Consolidated fiscal year under review (from April 1, 2021 to March 31, 2022)	
Balance at the beginning of the current period	30,110	million yen
Gains and losses recorded for the current period (*1)	(31,943)	
Other increase and decrease (*2)	1,832	
Balance at the end of the current period	—	

(*1) Gains and losses recorded for the current period are those that are valued using the fair value and recorded in the loss on write-down of long-term loans receivable of the “Consolidated Statement of Income”. The loss on write-down of long-term loans receivable of the “Consolidated Statement of Income” includes the gains and losses of the accrued interest related to the long-term loans receivable to NSRP.

(*2) Other increase and decrease includes the translation gains and losses related to the long-term loans receivable in foreign currencies.

The fair value of long-term loans receivable categorized as Level 3 is calculated based on the DCF method using the expected return rate (discount rate) in which estimated future

cash flows based on NSRP's future business plan and inherent risks of investments and loans to NSRP were reflected. The calculation was conducted by the department in charge of accounting in accordance with the valuation method and was approved after the authorized person of the department confirmed the validity of the inputs and the adequacy of the level category of the fair value.

Important observable inputs used to measure the fair value of long-term loan receivable categorized as Level 3 are the asset utilization rate and the expected return rate (discount rate) used to estimate future cash flows. Any changes to the assumptions of these inputs may materially change the fair value. A rise (decline) in the inputs of the asset utilization rate used contributes to an increase (decrease) in the fair value; however, the rise (decline) (decrease) in the discount rate may cause a decrease (increase) in the fair value.

5. Notes on real estate for lease, etc.

(1) Matters relating to the status of real estate for lease, etc.

The Company and some of its subsidiaries possess office buildings for lease, oil storage tanks, commercial establishments, etc. (including land) in Tokyo, Osaka and other areas in Japan and overseas. For the consolidated fiscal year under review, with regard to real estate for lease, etc., income on lease was ¥69 million (lease income is accounted for in net sales and lease expenses are accounted for in selling, general and administrative expenses, respectively, in principle), income on disposal and sales of fixed assets was ¥10,896 million (accounted for in extraordinary income/expenses) and impairment loss on fixed assets was -¥1,233 million (accounted for in extraordinary expenses).

(2) Matters concerning current values, etc. of real estate for lease, etc.

(million yen)

Consolidated balance sheet amount	Current value
108,828	114,685

(Note 1) The consolidated balance sheet amount is an amount obtained by deducting from the acquisition cost the accumulated depreciation of tangible fixed assets and the accumulated loss on impairment.

(Note 2) The current value as at the close of the consolidated fiscal year under review is an amount (including any adjustment made using indexes, etc.) calculated by the Company principally in accordance with its “Real Estate Appraisal Standards”.

6. Notes on revenue recognition

(1) Information on breakdown of revenues arising from contracts with customers

(million yen)

Region	Reportable Segment						Other (Note)	Total
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Subtotal		
Japan	3,992,753	389,472	201,121	136,016	191,914	4,911,278	5,319	4,916,597
Asia and Oceania	752,326	174,023	170,317	—	84,310	1,180,976	0	1,180,976
North America	374,188	26	31,084	2,258	3,941	411,500	—	411,500
Other regions	100,144	3	18,914	14	58,609	177,686	—	177,686
Sales to external customers	5,219,413	563,526	421,437	138,289	338,776	6,681,442	5,319	6,686,761

(Note) “Other” means business segments that are not included in reportable segments, and mainly includes insurance business, intra-group service business, etc.

(2) Underlying information to understand the revenues arising from contracts with customers

As described in “(5) Notes on accounting policies,” “(iv) Standards for recognition of important revenue and expenses” in “1. Important matters forming the basis of preparation of consolidated financial statements.”

(3) Information to understand the amount of revenue for the fiscal year under review and the subsequent fiscal years

(i) Balance of contractual assets and contractual liabilities

A breakdown of receivables, contractual assets, and contractual liabilities arising from contracts with customers is as shown below.

In the consolidated balance sheet, receivables arising from contracts with customers are included in “notes and accounts receivable - trade,” contractual assets are included in “Other current assets,” and contractual liabilities are included in “Other current liabilities,” respectively.

	(million yen)
	Fiscal year under review
Receivables arising from contracts with customers	870,483
Contractual assets	171
Contractual liabilities	61,433

“Contract assets” are unpaid receivables arising primarily from construction contracts, and are transferred to “receivables arising from contracts with customers” when the right to payment becomes unconditional. “Contractual liabilities” are primarily consideration received in advance of performance under a contract, and are reversed upon recognition of revenues.

Due to performance obligations satisfied in prior periods, the amount of revenue recognized in the fiscal year under review (e.g., changes in transaction prices) is also immaterial.

(ii) Transaction prices allocated to the residual performance obligations

The Company and its consolidated subsidiaries apply the convenience method of practice to note the transaction prices allocated to the residual performance obligations, and do not include in the notes contracts with an initially anticipated contractual period of less than one year. The total amount of transaction prices allocated to the residual performance obligations and the period during which revenue is expected to be recognized are as shown below.

In addition, there are no significant amounts of consideration arising from contracts with customers that are not included in the transaction prices.

(million yen)

Construction contracts in the Petroleum segment	Fiscal year under review
Within one year	7,557
Over one year	1,627
Total	9,184

7. Notes on the information per share

(1) Net assets per share (yen):	4,749.70
(2) Net income per share (yen):	940.15

(Note 1) Diluted net income per share is not calculated for the consolidated fiscal year under review because no dilutive shares exist.

(Note 2) In calculating net assets per share, the 501 thousand shares held by The Master Trust Bank of Japan, Ltd. as the trust property for the Company's stock compensation plan are included in the number of treasury stock that is to be deducted from the number of the Company's issued shares at the end of the fiscal year under review. Also, in calculating net income per share, the 501 thousand shares held by The Master Trust Bank of Japan, Ltd. as the trust property for the Company's stock compensation plan are included in the number of treasury stock that is to be deducted from the average number of the Company's issued shares during the fiscal year under review.

8. Notes on significant subsequent events

Not applicable.

9. Notes on asset retirement obligations

Asset retirement obligations recorded on the consolidated balance sheet:

(1) Summary of the asset retirement obligations:

Restitution obligations in connection with real estate lease agreements with regard to land for facilities of service stations, etc., expenses of removal of coal production facilities upon termination of production or mining rights and other items are reasonably estimated and recorded as asset retirement obligations.

(2) Method of calculation of the amounts of the asset retirement obligations:

The periods projected prior to defrayment are based on, with regard to service stations, the useful lives of principal facilities thereof and with regard to coal, etc., mining lives from the commencement of operations. Applicable discount rates range from 0.0% to 3.9%.

(3) Changes in the total amount of the asset retirement obligations during the consolidated fiscal year under review:

(million yen)

Balance at beginning of year	78,726
Increased amount in connection with the acquisition of tangible fixed assets	65
Adjustments by lapse of time	1,775
Decreased amount as a result of asset retirement obligations	(1,223)
Increased (decreased) amount as a result of changes in estimates (see Note 1)	435
Other increased (decreased) amount (see Note 2)	(32,875)
Balance at end of year	46,904

(Note 1) During the consolidated fiscal year under review, the Company changed the amounts of estimates because its review of the expenses to be incurred upon termination of production or mining rights by some overseas consolidated subsidiaries indicated that future cash flows would increase. The increased (decreased) amount comprises an increase of ¥595 million and a decrease of ¥159 million.

(Note 2) “Other increased (decreased) amount” is, among others, a decrease as a result of making consolidated subsidiaries equity method affiliates through partial transfer of shares.

NON-CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.

(April 1, 2021 to March 31, 2022)

(million yen)

	Shareholders' equity								
	Common stock	Additional paid-in capital		Retained earnings					
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings				Total retained earnings
					Retained earnings reserve	Reserve for loss on overseas investment, etc.	Reserve for advanced depreciation of fixed assets	Retained earnings carried forward	
Balance at April 1, 2020	168,351	458,105	—	458,105	1,081	132	33,411	119,870	154,496
Cumulative effect due to changes in accounting policies								568	568
Balance at the beginning of current period reflecting changes in accounting policies	168,351	458,105	—	458,105	1,081	132	33,411	120,438	155,064
Changes during the year									
Dividends from surplus								(35,739)	(35,739)
Net income								271,592	271,592
Acquisitions of treasury stock									
Disposals of treasury stock			(0)	(0)					
Reduction of capital reserve		(416,000)	416,000	—					
Additions to other retained earnings							1,590	(1,590)	—
Reversal of other retained earnings						(84)	(2,718)	2,803	—
Reversal of revaluation difference of land								2,229	2,229
Changes in items other than shareholders' equity during the year (net)									
Total changes during the year	—	(416,000)	415,999	(0)	—	(84)	(1,128)	239,295	238,082
Balance at March 31, 2021	168,351	42,105	415,999	458,105	1,081	47	32,283	359,734	393,146

(million yen)

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury stocks	Total shareholders' equity	Unrealized holding gains on other securities	Deferred gains (loss) on hedges	Revaluation difference of land	Total valuation and translation adjustments	
Balance at April 1, 2020	(1,967)	778,985	4,312	(1,181)	159,585	162,715	941,701
Cumulative effect due to changes in accounting policies		568					568
Balance at the beginning of current period reflecting changes in accounting policies	(1,967)	779,553	4,312	(1,181)	159,585	162,715	942,269
Changes during the year							
Dividends from surplus		(35,739)					(35,739)
Net income		271,592					271,592
Acquisitions of treasury stock	(33)	(33)					(33)
Disposals of treasury stock	158	158					158
Reduction of capital reserve		—					—
Additions to other retained earnings		—					—
Reversal of other retained earnings		—					—
Reversal of revaluation difference of land		2,229			(2,229)	(2,229)	—
Changes in items other than shareholders' equity during the year (net)			(1,909)	(138)	(201)	(2,249)	(2,249)
Total changes during the year	124	238,206	(1,909)	(138)	(2,430)	(4,478)	233,727
Balance at March 31, 2021	(1,843)	1,017,760	2,402	(1,320)	157,154	158,236	1,175,997

(Note) Figures are indicated by discarding fractions less than one million yen.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Matters concerning significant accounting policies

(1) Basis and method of valuation of assets

(i) Basis and method of valuation of securities:

(a) Bonds to be held to maturity: At amortized cost (straight-line method).

(b) Capital stocks of affiliates: At cost, determined by the moving average method.

(c) Other securities:

• Securities other than those without market value: At market value (valuation differences are included directly in net assets, and costs of securities sold are determined by the moving average method).

• Those without market value: At cost, determined by the moving average method.

(ii) Basis and method of evaluation of inventories:

Merchandise and finished goods, and raw material and supplies: At cost, determined by the gross average method, in principle (the balance sheet values are calculated by the write-down method based on declined margins).

(iii) Basis and method of evaluation of derivatives:

At market value

(2) Method of depreciation of fixed assets

(i) Tangible fixed assets
(excluding lease assets):

By the straight-line method

(ii) Intangible fixed assets
(excluding lease assets):

By the straight-line method; provided, however, that software for internal use is amortized by the straight-line method on the estimated useful life of internal use (five years).

Goodwill is amortized by the straight-line method, on the estimated term to become effective (5-20 years).

Customer-related assets are amortized by the straight-line method, on useful lives (20 years).

(iii) Lease assets:

By the straight-line method on the assumption that the lease period is the useful life of the property and the residual value is zero.

(3) Basis for accounting for allowances and reserves

(i) Allowance for doubtful accounts: To meet losses from loan default, the Company sets aside an estimated uncollectible amount, by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of specific claims, such as probable non-performing credits.

(ii) Allowance for bonuses: To meet the payment of bonuses to employees, the Company sets aside the portion for the fiscal year under review of an estimated amount of bonuses to be paid in the future.

(iii) Retirement allowances for employees: To meet the payment of retirement benefits to employees, the Company provides an amount estimated to accrue at the close of the fiscal year under review, based on the estimated retirement benefit obligations and pension plan assets as of the close of each such fiscal year.

Actuarial differences are treated as expenses, based on the straight line method for a specific period of years (10 years) not exceeding the average remaining years of service of employees, from the fiscal year next following the fiscal year when such differences occur. Prior year service liabilities are treated as expenses in a lump sum during the fiscal year when such liabilities occur.

(iv) Reserve for repair works: To meet the payment for repair expenses in the future, the Company sets aside the portion until the fiscal year under review of an amount of expenses of inspection and repair to be defrayed in respect of the oil tanks and machinery and equipment that require periodic repairs in the future.

(4) Standards for recognition of revenue and expenses

The content of primary obligations in the major business in relation to revenue generated from contracts with customers of the Company, and the normal time when the obligations are fulfilled (the normal time when the revenue is recognized) are as follows:

(i) Sale of products

The Company produces and sells refined petroleum products, olefin and aromatic products, lubricants, and performance chemicals.

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. 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 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 the light oil delivery tax, are 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, are 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 Company will obtain the rights are 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.

(ii) Sale of electricity

The Company sells electricity.

Regarding the revenue pertaining to 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 meter reading in the settlement month and the settlement date are estimated, and the revenue according to the accounting period is recorded. 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.

(5) Method of hedge accounting

(i) Method of hedge accounting: Deferral hedge accounting is applied.

(ii) Hedge instruments and hedged items:

Hedging instruments: Forward exchange contracts, currency option transactions, loans payable denominated in foreign currencies transactions, crude oil and petroleum products swap transactions, interest rate swaps, interest rate and currency swaps, and option transactions.

Hedged items: Foreign currency receivables and payables, foreign currency investment securities, equity interests in overseas subsidiaries, crude oil and petroleum products and debts payable.

(iii) Hedging policy: The Company, in accordance with its rules, carries out hedge transactions within the scope of actual requirements to hedge risk of price changes, interest rate and currency fluctuations with regard to the hedged items.

(iv) Method of evaluating the effectiveness of a hedge:

The method of evaluating the effectiveness of a hedge is to confirm the compliance of the hedging instruments with the hedged items. No evaluation is made as to the effectiveness of any transaction in which important conditions are common for the hedged assets and liabilities and price changes or cash flow changes are assumed in advance to be offset upon the commencement of the hedging and continue to be offset thereafter.

(6) Other important matters forming the basis of preparation of financial statements

(i) Accounting treatment of deferred assets:

Bond issuance expenses and stock issuance expenses are all treated as expenses upon payment thereof.

(7) Change in accounting policies

(i) Application of accounting standards for revenue recognition

Effective April 1, 2021, the Idemitsu Group applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; the “Revenue Recognition Accounting Standard”). Under the Revenue Recognition Accounting Standard, 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 Standard 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 Company’s role in providing goods or services to customers is an agent, the Company 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 Revenue Recognition Accounting Standard, the cumulative effect at the end of last fiscal year from retrospective application of the Revenue Recognition Accounting Standard is treated as adjustment to retained earnings at the beginning of the fiscal year under review, and the new accounting policy is applied from the adjusted beginning balance of retained earnings.

As a result, net sales for the fiscal year ended March 31, 2022 decreased by ¥64,513 million, cost of sales decreased by ¥57,925 million, selling, general and administrative expenses decreased by ¥7,102 million, operating income, ordinary income and net income before income taxes increased by ¥513 million, respectively. The balance of retained earnings at the beginning of the fiscal year increased by ¥568 million.

(ii) 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; the “Fair Value Accounting Standard”) and others. In accordance with the transitional provision set forth in Article 19 of the Fair Value Accounting Standard 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 Standard and others. This application has no impact on the financial statements.

(8) Changes in presentation methods

(Balance Sheet)

“Prepaid pension costs” that was presented by being included in “Other investments” of “Investments and other assets” in the fiscal year 2020 was decided to be set down separately from the fiscal year under review due to its increase in monetary importance.

“Prepaid pension costs” for the fiscal year 2020 was 1,740 million yen.

(9) Notes to accounting estimates

The valuation of fixed assets in the non-consolidated financial statements is described in detail in “1. Important matters forming the basis of preparation of consolidated financial statements” in “NOTES TO CONSOLIDATED FINANCIAL STATEMENTS”, so the note is omitted.

(10) Change in accounting estimates

Not applicable.

2. Notes to the non-consolidated balance sheet

(1) Assets pledged and corresponding liabilities

Assets pledged

(i) Factory foundation mortgage:	
Land	¥354,815 million
(ii) Other pledges:	
Investment securities	¥395 million
Investments in shares of affiliates	¥3,000 million
Total	¥358,210 million

In addition to the above, the Company pledged the capital contribution (investment in shares of affiliate) in NSRP, amounting to ¥90,645 million, as collateral for NSRP's borrowings from financial institutions. All of the capital contribution (investment in shares of affiliate) has been accounted for as impairment loss in the fiscal year 2019.

Liabilities with assets pledged

Factory foundation mortgage:	
Accounts payable-other	¥24,507 million
Total	¥24,507 million

The accounts payable-other were related to payment of gasoline tax.

In addition to the above, although the factory foundation was subjected to a revolving mortgage related to bank transactions, there were no substantial liabilities with assets pledged.

(2) Accumulated depreciation of tangible fixed assets: ¥1,774,735 million

(3) Contingent liabilities:

(i) Guarantee of obligations

IDEMITSU INTERNATIONAL (ASIA) PTE. LTD.	¥217,984 million
Idemitsu Gas Production (Vietnam) Co., Ltd.	¥42,354 million
IDEMITSU ASIA PACIFIC PTE. LTD.	¥41,612 million
Others	¥80,269 million
Total	¥382,220 million

(ii) Management directive memorandums

Hibikinada Development Co., Ltd.	¥6 million
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(iii) 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, by NSRP in Vietnam. The burden of the guarantee of the Company is as follows.

The Company's burden of guarantee	¥162,806 million
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Depending on future changes in the circumstances, the Company may be requested to perform the construction completion guarantee by the banking syndicate. If the Company performs the construction completion guarantee, this may have a material impact on the Company's financial and cash flow conditions.

(4) Receivables from affiliates and payables to affiliates:

(i) Short-term receivables from affiliates:	¥478,071 million
(ii) Long-term receivables from affiliates:	¥24,600 million
(iii) Short-term payables to affiliates:	¥246,656 million
(iv) Long-term payables to affiliates:	¥9,383 million

(5) Land revaluation

In accordance with the Land Revaluation Act (Act No. 34, promulgated on March 31, 1998) of Japan and the Act to Amend Part of the Land Revaluation Act (Act No. 19, promulgated on March 31, 2001) of Japan, the Company's land used for business is revaluated and an amount equivalent to taxes on the difference on revaluation is included in liabilities as "deferred tax liabilities upon revaluation" and the difference on revaluation minus the amount of such taxes is included in net assets as "revaluation difference of land".

(i) Method of revaluation:

Land revaluation is made in accordance with the method of calculation by making reasonable adjustments to the assessed value of fixed assets as set forth in Article 2, item 3 of the Ordinance to Implement the Land Revaluation Act (Cabinet Order No. 119, promulgated on March 31, 1998; the "Ordinance"), the method of calculation by making reasonable adjustments to the land values that form the basis of land tax calculations as set forth in Article 2, item 4 of the Ordinance, and appraisals by real estate appraisers as set forth in Article 2, item 5 of the Ordinance.

(ii) Revaluation date: March 31, 2002

(iii) Difference of the market value at the end of the fiscal year under review of the land revaluated and the book value thereof after such revaluation:

(¥107,110 million)

3. Notes to the non-consolidated statement of income

(1) Transactions with affiliates:

(i) Sales: ¥1,272,989 million

(ii) Purchases: ¥616,805 million

(iii) Transactions other than ordinary business: ¥39,030 million

(2) Gain on amortization of past service cost

The gain on amortization of past service cost is due to the revision of the Company's retirement benefit plan.

4. Notes to the non-consolidated statement of shareholders' equity, etc.

Matters concerning the number of shares of treasury stock:

Class of shares	Number of shares as of April 1, 2021	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2022
Shares of common stock	578 thousand shares	11 thousand shares	46 thousand shares	543 thousand shares

(Note 1) The increase of 11 thousand shares is due to the acquisitions of less-than-one-unit shares.

(Note 2) The decrease of 46 thousand shares consists of a decrease of 45 thousand shares due to stock awards in accordance with the Board Incentive Plan Trust for Officers and a decrease of 0 thousand shares due to the disposals of less-than-one-unit shares.

(Note 3) Of the number of shares at the end of the current period 501 thousand shares were held by the Board Incentive Plan Trust for Officers.

5. Notes on tax effect accounting

Principal components of deferred tax assets and deferred tax liabilities:

(Deferred tax assets)	(million yen)
Tax effect on investments	47,015
Impairment loss on fixed assets	18,117
Retirement allowances for employees	17,633
Reserve for repair works	14,043
Tax loss carry forwards	7,946
Estimated sales prices	3,754
Asset retirement obligations	3,707
Allowance for bonuses	2,852
Accounts payable for removal	2,478
Loss on penalty for LPG business	2,143
Business tax payable	1,832
Fixed assets for research and development	1,070
Deferred loss on hedges	588
Software	116
Unrealized holding gains on other securities	102
Others	6,595
Subtotal of deferred tax assets	129,999
Valuation reserve	(63,180)
Total deferred tax assets	66,819
 (Deferred tax liabilities)	
Market price valuation difference due to business combination	(60,633)
Reserve for deferred income tax on fixed assets	(20,386)
Asset retirement obligations	(2,148)
Tax effect on investments	(1,617)
Unrealized holding gains (loss) on other securities	(1,261)
Reserve for loss on overseas investment	(21)
Reserve for special depreciation	(18)
Deferred gains (loss) on hedges	(6)
Total deferred tax liabilities	(86,094)
Net deferred tax liabilities	(19,274)

6. Notes on the fixed assets used by lease

The notes are omitted because they are insignificant.

7. Notes on transactions with related parties

Attribute	Trade name	Capital stock (million yen)	Principal business	Ratio of voting rights owned by the Company (owned in the company)(%)	Relations hip	Transaction	Transactio n amount (million yen)	Account item	End-of- year balance (million yen)
Subsidiary	IDEMITSU INTERNATI ONAL (ASIA) PTE. LTD.	US\$45,156 thousand	Import, export and trading of crude oil, petroleum products, etc.	100.0 (indirect)	None	Sale of petroleum products, etc. (Note 3)	241,940	Accounts receivabl e-trade	53,31 1
						Guarantee of obligations (Note 2)	217,984	-	-
Subsidiary	IDEMITSU ASIA PACIFIC PTE. LTD.	US\$43,634 thousand	Management support for overseas branches and overseas financial planning, etc.	100.0 (direct)	None	Guarantee of obligations (Note 1)	41,612	-	-
Subsidiary	Idemitsu Americas Holdings	US\$1,500 thousand	Development of a group financial system in the U.S., etc.	87.1 (direct) 12.9 (indirect)	None	Accommodat ion of surplus funds (Note 4)	9,790	Cash Deposit	52,232
Subsidiary	SHOWA YOKKAICHI SEKIYU CO., LTD.	4,000	Oil refinery and production of petrochemical products	75.0 (direct)	None	Loan extension (Note 5)	44,045	Short-term loans receivable	47,859

Subsidiary	Idemitsu Gas Production (Vietnam) Co., Ltd.	1	Exploration and development of natural gas fields	100.0 (direct)	None	Guarantee of obligations (Note 1)	42,354	-	-
Affiliate	Idemitsu Credit Co., Ltd.	1,950	Credit card and credit guarantee business	50.0 (direct)	None	Collection of trade receivables (Note 6)	1,541,227 (Note 7)	Accounts receivable - other	51,581
Affiliate	Seibu Oil Company, Limited.	8,000	Oil refinery and production and sale of petrochemical products	38.0 (direct)	None	Purchase of petroleum products, etc. (Note 8)	262,953	Accounts payable - trade	65,087
Affiliate	Nghi Son Refinery and Petrochemical LLC	US\$2,362,723 thousand	Oil refinery and production and sale of petrochemical products	35.1 (direct)	None	Construction completion guarantee (Note 9)	162,806 (Note 10)	-	-
Company or other entity whose majority voting rights are held by the Company's officer or his/her close relative	Nissho Kosan Co., Ltd. (Note 11)	100	Real estate leasing and management	9.1 (owned in the Company) (direct)	Interlocking officers	Building lease (Note 12)	128	Prepaid expenses	8
								Security deposit	45

(Note 1) The Company guarantees obligations principally for bank loans.

(Note 2) The Company guarantees obligations principally for purchasing goods.

(Note 3) The Company determines whether to sell products, etc. taking into consideration market price, etc.

(Note 4) This transaction is a notional pooling transaction.

(Note 5) The Company determines interest rates taking into consideration market interest rates and other factors.

(Note 6) The Company receives from Idemitsu Credit Co., Ltd. part of the trade receivables of petroleum products, etc. for exclusive distributors (after offsets by such exclusive distributors against credit receivables from Idemitsu Credit Co., Ltd.).

(Note 7) The transaction amount represents the total annual collection amount.

(Note 8) The Company determines whether to purchase products, etc. taking into consideration market prices, etc.

(Note 9) The Company has provided a construction completion guarantee for the project finance in connection with the project to construct the Nghi Son Refinery and Petrochemical

Complex. In addition, the Company pledged the capital contribution (investment in shares of affiliate) in the Nghi Son Refinery and Petrochemical LLC (“NSRP”), amounting to ¥90,645 million, as collateral for NSRP’s borrowings from financial institutions. All of the capital contribution (investment in shares of affiliate) has been accounted for as impairment loss in the fiscal year 2019.

(Note 10) The transaction amount represents the portion of the guarantee amount provided by the Company.

(Note 11) Mr. Masakazu Idemitsu, one of the Company’s directors, and his close relatives hold 100% of the voting rights.

(Note 12) Rents are calculated based on actual transactions in the vicinity.

8. Notes on revenue recognition

The basic information to understand the revenue from the contracts with the clients of the Company is the same as described in “6. Notes on revenue recognition” in “NOTES TO CONSOLIDATED FINANCIAL STATEMENTS”, so the note is omitted.

9. Notes on the information per share

(1)	Net assets per share (yen):	3,955.31
(2)	Net income per share (yen):	913.50

(Note 1) Diluted net income per share is not calculated for the fiscal year under review because no dilutive shares exist.

(Note 2) In calculating net assets per share, the 501 thousand shares held by The Master Trust Bank of Japan, Ltd. as the trust property for the Company’s stock compensation plan are included in the number of treasury stock that is to be deducted from the number of the Company’s issued shares at the end of the fiscal year under review. Also, in calculating net income per share, the 501 thousand shares held by The Master Trust Bank of Japan, Ltd. as the trust property for the Company’s stock compensation plan are included in the number of treasury stock that is to be deducted from the average number of the Company’s issued shares during the fiscal year under review.

10. Notes on significant subsequent events

Not applicable.

- END -