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Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)



August 10, 2022

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 Listing: Tokyo Stock Exchange
 Securities code: 5017
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 Scheduled date to file quarterly securities report: August 12, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary materials on quarterly financial results: Yes (Japanese only)
 Holding of quarterly financial results briefing: No

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the three months ended June 30, 2022	208,557	357.1	17,895	-	18,669	-	15,720	-
For the three months ended June 30, 2021	45,622	(39.9)	(652)	-	(899)	-	(12)	-

(Note) Total comprehensive income:
 For the three months ended June 30, 2022: 17,465 million yen (1,230.3%)
 For the three months ended June 30, 2021: 1,312 million yen ([48.9]%)

	Basic earnings per share		Diluted earnings per share	
	Yen	-	Yen	-
For the three months ended June 30, 2022	204.00	-	-	-
For the three months ended June 30, 2021	(0.16)	-	-	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	420,112	81,233	19.3
As of March 31, 2022	352,842	64,539	18.2

(Reference) Equity:
 As of June 30, 2022: 81,060 million yen
 As of March 31, 2022: 64,369 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2022	Yen -	Yen -	Yen -	Yen -	Yen -
	-	0.00	-	10.00	10.00
Fiscal year ending March 31, 2023	-	-	-	-	-
Fiscal year ending March 31, 2023 (Forecast)	-	0.00	-	10.00	10.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial results forecast for the fiscal year ending March 31, 2023
(from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen -
Six months ending September 30, 2022	446,100	200.0	23,700	-	23,700	-	19,900	-	258.23
Full year	871,700	79.6	25,900	66.7	24,100	49.9	20,000	31.5	259.53

(Note) Revisions to the forecast of the financial results most recently announced: Yes

*Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2022 : None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements : None
- (3) Changes in accounting policies and accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations : None
 - (ii) Changes in accounting policies due to reasons other than (i) : None
 - (iii) Changes in accounting estimates : None
 - (iv) Restatement : None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)
- (ii) Number of treasury shares at the end of the period
- (iii) Average number of shares outstanding during the period

As of June 30, 2022	78,183,677 shares	As of March 31, 2022	78,183,677 shares
As of June 30, 2022	1,121,208 shares	As of March 31, 2022	1,121,198 shares
For the three months ended June 30, 2022	77,062,473 shares	For the three months ended June 30, 2021	77,062,479 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements such as financial results forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual financial results may differ significantly from the forecasts due to various factors. For the assumptions underlying the financial results forecasts and cautions concerning the use thereof, please refer to "Explanation of Consolidated Earnings Forecasts and Forward-Looking Statements" on page 3 of the attachment.

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1. Qualitative Information on Financial Results for the First Three Months of the Current Fiscal Year

(1) Explanation of Operating Results

In the first three months ended June 30, 2022, the Dubai crude oil price, at the level of US\$101/bbl in the beginning of the fiscal year, declined to the US\$97/bbl level in early April. This was because concerns over tight supply and demand were alleviated with a decrease in demand due to the lockdown in Shanghai, China, amid the spread of COVID-19 infections, and with decisions of the member countries of the International Energy Agency on the collaborative release of a total of 240 million barrels of oil reserves. After that, as the European Union agreed to phase out the import of crude oil and oil products from Russia, a crunch in supply and demand was again perceived, and the market turned upward. Moreover, as the lockdown in Shanghai was lifted in early June, demand for crude oil was expected to grow again and the price increased to the US\$118/bbl level in mid-June. It then turned downward due to growing concern that aggressive anti-inflation interest-rate hikes by the U.S. Federal Reserve Board and other central banks would bring about a recession, and the market ended the quarter at the US\$113/bbl level. As a result, the average Dubai crude oil price during the first three months ended June 30, 2022 was approximately US\$108/bbl.

On the other hand, the exchange rate, which started at the lower ¥122/US\$ range, saw a growing trend for a weaker yen and stronger dollar due to the interest-rate hikes accelerated by the U.S. that rushed to contain inflation. The rate exceeded the ¥130/US\$ range in early May. In June, the move to sell the yen continued as the Bank of Japan decided to keep its ultra-monetary-easing policy, which made the dollar-yen rate at the end of the quarter in the higher ¥136/US\$ range, a record level not seen for about 24 years. As a result, the average exchange rate during the first three months of the current fiscal year was at the higher ¥129/US\$ range.

Under such business environment, the recovery from the impact of the major periodic shut-down maintenance, conducted once in four years including the most recent operation done from May to July in the previous year, increased crude oil throughput at Sodegaura Refinery plant by 1.162 million kiloliters year on year to 1.859 million kiloliters. And the Company's sales volume of petroleum products and petrochemical products increased by 1.226 million kiloliters to 1.881 million kiloliters.

Given such circumstances, the consolidated financial results for the first three months ended June 30, 2022 were as follows. Net sales grew 162.9 billion yen year on year to 208.5 billion yen, mainly due to an increase in sales volume recovering from the impact of the major periodic shut-down maintenance. As for profit, operating profit was 17.8 billion yen, up 18.5 billion yen year on year, due to the effect of inventory valuation calculated by the average method and inventory write-downs based on a decrease in profitability, which drove down the cost of sales by 13 billion yen (compared with 2.8 billion yen in the same period of the previous fiscal year). Ordinary profit was 18.6 billion yen, up 19.5 billion yen year on year. Profit attributable to owners of parent was 15.7 billion yen, up 15.7 billion yen year on year.

As for profit in real terms, excluding the effect of the inventory valuation, operating profit amounted to 4.8 billion yen, up 8.3 billion yen year on year, and ordinary profit was 5.5 billion yen, up 9.3 billion yen year on year, due to the recovery from the impact of the major periodic shut-down maintenance and other factors.

(2) Explanation of Financial Position

(Current assets)

At the end of the first quarter of the fiscal year under review, current assets totaled 291.5 billion yen, an increase of 66.5 billion yen compared with the end of the previous fiscal year. This was mainly due to a 46.6 billion yen increase in inventories, a 24 billion yen increase in notes and accounts receivable - trade, and contract assets, and a 3.1 billion yen decrease in accounts receivable - other.

(Non-current assets)

At the end of the first quarter of the fiscal year under review, non-current assets increased 0.6 billion yen compared with the end of the previous fiscal year to 128.5 billion yen. This was mainly due to a 2.5 billion yen increase in investment securities, a 0.9 billion yen decrease in machinery, equipment and vehicles, and a 0.5 billion yen decrease in construction in progress.

(Current liabilities)

At the end of the first quarter of the fiscal year under review, current liabilities totaled 298.1 billion yen, an increase of 50.9 billion yen compared with the end of the previous fiscal year. This was mainly due to a 36.9 billion yen increase in short-term loans payable, an 11.3 billion yen increase in excise taxes payable on gasoline and other fuels, a 7.2 billion yen increase in accounts payable - trade, and a 5.7 billion yen decrease in accounts payable - other.

(Non-current liabilities)

At the end of the first quarter of the fiscal year under review, non-current liabilities totaled 40.7 billion yen, a decrease of 0.3 billion yen compared with the end of the previous fiscal year. This was mainly due to a 1.5 billion yen decrease in long-term loans payable and a 0.7 billion yen increase in provision for repairs.

(Net assets)

At the end of the first quarter of the fiscal year under review, net assets increased 16.6 billion yen compared with the end of the previous fiscal year to 81.2 billion yen. This was mainly due to a 14.9 billion yen increase in retained earnings and a 1.5 billion yen increase in foreign currency translation adjustments.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-Looking Statements

The financial results forecasts for the six months ending September 30, 2022 and for the full year (announced on May 10, 2022) are revised to reflect the trend of financial results after May 10, 2022.

The assumptions for the revised forecast are an average Dubai crude oil price of US\$90/bbl in the second quarter and later (previous forecast: US\$80/bbl) and an exchange rate of ¥130/US\$ (previous forecast: ¥120/US\$).

Net sales are expected to increase 87.6 billion yen from the previous forecast to 446.1 billion yen and, for the full year, increase by 169.4 billion yen from the previous forecast to 871.7 billion yen.

As for profit, the Company expects a solid trend in product margins, etc. in addition to a more substantive effect on lowering the cost of inventory due to the increase in the forecast crude oil price. As a result, for the six months ending September 30, 2022, operating profit is expected to increase by 17.6 billion yen from the previous forecast to 23.7 billion yen, ordinary profit by 17.5 billion yen to 23.7 billion yen, and profit attributable to owners of parent by 14.7 billion yen to 19.9 billion yen. For the full-year forecast, operating profit is expected to increase by 16.9 billion yen from the previous forecast to 25.9 billion yen, ordinary profit by 16 billion yen to 24.1 billion yen, and profit attributable to owners of parent by 13.4 billion yen to 20 billion yen.

As for profit in real terms, excluding the effect of the inventory valuation, for the six months ending September 30, 2022, operating profit is expected to increase by 5.3 billion yen from the previous forecast to 8.3 billion yen, and ordinary profit by 5.2 billion yen to 8.3 billion yen. For the full-year forecast, operating profit is expected to increase by 12.3 billion yen from the previous forecast to 18.3 billion yen, and ordinary profit by 11.4 billion yen to 16.5 billion yen.

The above forecasts are based on information available as of the date of publication of this document. Actual results may differ from the forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	As of the end of the previous fiscal year (March 31, 2022)	As of the end of first quarter of the fiscal year under review (June 30, 2022)
Assets		
Current assets		
Cash and deposits	11,388	12,286
Notes and accounts receivable - trade, and contract assets	78,707	102,758
Securities	100	100
Inventories	117,862	164,467
Accounts receivable - other	13,345	10,208
Other	3,567	1,735
Total current assets	224,971	291,556
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,653	12,486
Storage tanks, net	2,974	2,952
Machinery, equipment and vehicles, net	34,409	33,439
Land	51,542	51,542
Construction in progress	1,956	1,446
Other, net	529	488
Total property, plant and equipment	104,065	102,355
Intangible assets		
Software	624	573
Other	134	134
Total intangible assets	758	707
Investments and other assets		
Investment securities	21,130	23,636
Long-term loans receivable	679	679
Net defined benefit asset	859	849
Other	785	733
Allowance for doubtful accounts	(408)	(407)
Total investments and other assets	23,047	25,491
Total non-current assets	127,871	128,555
Total assets	352,842	420,112

(Unit: Millions of yen)

	As of the end of the previous fiscal year (March 31, 2022)	As of the end of first quarter of the fiscal year under review (June 30, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	67,145	74,395
Short-term loans payable	112,018	148,980
Current portion of long-term loans payable	14,133	13,922
Accounts payable - other	30,323	24,555
Excise taxes payable on gasoline and other fuels	16,370	27,759
Income taxes payable	944	3,150
Provision for bonuses	470	283
Other	5,778	5,092
Total current liabilities	247,184	298,139
Non-current liabilities		
Long-term loans payable	25,943	24,365
Deferred tax liabilities	8,760	8,961
Provision for special repairs	2,452	2,435
Provision for repairs	1,510	2,265
Net defined benefit liability	1,849	1,875
Provision for director's retirement benefits	20	21
Other	582	814
Total non-current liabilities	41,118	40,739
Total liabilities	288,302	338,879
Net assets		
Shareholders' equity		
Capital stock	24,467	24,467
Capital surplus	25,495	25,495
Retained earnings	15,977	30,926
Treasury stock	(1,431)	(1,431)
Total shareholders' equity	64,508	79,458
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	612	542
Deferred gains or losses on hedges	(591)	(282)
Revaluation reserve for land	1	1
Foreign currency translation adjustments	(950)	578
Remeasurements of defined benefit plans	789	762
Total accumulated other comprehensive income	(139)	1,601
Non-controlling interests	170	173
Total net assets	64,539	81,233
Total liabilities and net assets	352,842	420,112

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly consolidated statement of income

First three months

(Unit: Millions of yen)

	First three months of the previous fiscal year (From April 1, 2021 to June 30, 2021)	First three months of the fiscal year under review (From April 1, 2022 to June 30, 2022)
Net sales	45,622	208,557
Cost of sales	45,210	189,200
Gross profit	411	19,357
Selling, general and administrative expenses	1,064	1,462
Operating profit (loss)	(652)	17,895
Non-operating income		
Interest income	5	6
Dividend income	22	56
Foreign exchange gains	5	290
Equity in earnings of affiliates	242	1,371
Rent income from storage tanks	60	54
Other	1	13
Total non-operating income	338	1,792
Non-operating expenses		
Interest expenses	313	790
Rent expenses on storage tanks	67	53
Other	204	174
Total non-operating expenses	585	1,018
Ordinary profit (loss)	(899)	18,669
Extraordinary income		
Gain on sale of non-current assets	6	0
Insurance income	711	-
Total extraordinary income	717	0
Extraordinary losses		
Loss on retirement of non-current assets	51	8
Total extraordinary losses	51	8
Profit (loss) before income taxes	(233)	18,661
Income taxes - current	61	2,872
Income taxes - deferred	(285)	64
Total income taxes	(223)	2,936
Profit (loss)	(10)	15,724
Profit attributable to non-controlling interests	2	4
Profit (loss) attributable to owners of parent	(12)	15,720

Quarterly consolidated statement of comprehensive income

First three months

(Unit: Millions of yen)

	First three months of the previous fiscal year (From April 1, 2021 to June 30, 2021)	First three months of the fiscal year under review (From April 1, 2022 to June 30, 2022)
Profit (loss)	(10)	15,724
Other comprehensive income		
Valuation difference on available-for-sale securities	(54)	(70)
Deferred gains or losses on hedges	-	309
Foreign currency translation adjustments	265	279
Remeasurements of defined benefit plans, net of tax	(14)	(26)
Share of other comprehensive income of entities accounted for using equity method	1,126	1,248
Total other comprehensive income	1,323	1,741
Comprehensive income	1,312	17,465
(Profit attributable to)		
Comprehensive income attributable to owners of parent	1,310	17,461
Comprehensive income attributable to non-controlling interests	2	4

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Additional Information)

(Impact of COVID-19)

Although the outlook for demand is uncertain due to the COVID-19 pandemic, we believe that the impact on the future operation rates of machinery and equipment will be limited and that the impact on accounting estimates will be immaterial.

(Segment Information, etc.)

Segment information is omitted as the Group has only one segment consisting of the petroleum refining and sales business.