



November 8, 2022

Consolidated Financial Results for the Second Quarter of Fiscal Year 2022 (From April 1, 2022 to September 30, 2022) [Japan GAAP]

Company Name: **Idemitsu Kosan Co.,Ltd.** (URL <https://www.idemitsu.com/en/index.html>)

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

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Scheduled date of commencement of dividend payments: December 7, 2022

Supplementary materials for the quarterly financial results: Yes

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

(Figures less than ¥1 million are rounded off)

1. Consolidated Financial Results for the Second Quarter of FY2022 (From April 1, 2022 to September 30, 2022)

(1) Consolidated operating results

(Percentage figures represent changes from the corresponding previous period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	¥million	%	¥million	%	¥million	%	¥million	%
2Q FY2022	4,814,088	67.9	354,077	97.5	381,220	93.4	280,798	96.8
2Q FY2021	2,867,008	42.2	179,297	—	197,069	—	142,702	—

Note: Comprehensive income 2Q FY2022 ¥317,605 million (93.4)% 2Q FY2021 ¥164,206 million (—)%

	Net income per share	Diluted net income per share
	¥	¥
2Q FY2022	944.46	—
2Q FY2021	480.03	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥million	¥million	%
2Q FY2022	5,398,807	1,721,695	31.4
FY2021	4,601,183	1,436,512	30.7

Reference: Total equity 2Q FY2022 ¥1,696,111 million FY2021 ¥1,412,101 million

2. Dividends

	Cash dividends per share				
	As of Jun.30	As of Sep.30	As of Dec.31	As of Mar.31	Total
	¥	¥	¥	¥	¥
FY2021	—	60.00	—	110.00	170.00
FY2022	—	60.00			
FY2022 (Forecasts)			—	60.00	120.00

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

3. Forecasts of Consolidated Financial Results for FY2022 (From April 1, 2022 to March 31, 2023)

(Percentage figures represent changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
FY2022	9,170,000	37.1	425,000	(2.2)	450,000	(2.0)	325,000	16.3	1,093.13

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

* Notes

- (1) Changes of number of material consolidated subsidiaries during the six months ended September 30, 2022: **Yes**
Newly consolidated companies: 1 (Seibu Oil Co., Ltd.)
- (2) Application of the accounting method peculiar to the preparation of the quarterly financial statements: **Yes**
- (3) Changes in accounting policies, accounting estimates and restatement
 - a) Changes in accounting policies arising from revision of accounting standards: **Yes**
 - b) Changes arising from other factors: **None**
 - c) Changes in accounting estimates: **None**
 - d) Restatement: **None**
- (4) Number of shares issued (common stock)
 - a) Number of shares issued (including treasury stock)
As of September 30, 2022: 297,864,718 As of March 31, 2022: 297,864,718
 - b) Number of shares of treasury stock
As of September 30, 2022: 505,372 As of March 31, 2022: 561,317
 - c) Weighted average number of shares outstanding during the period
Six months ended September 30, 2022: 297,311,808
Six months ended September 30, 2021: 297,274,818

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

*2 The financial forecasts above are based on information available and assumptions as of the date of publication of this document. Actual operating results may differ from the forecasts due to various factors. Additionally, for the assumptions used for the forecasts of the above, please refer to page 7 “Explanation of Forecasts of Consolidated Financial Results for FY2022” of the Appendix.

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1. Qualitative Information on the Consolidated Operating Results for the Second Quarter of FY2022

(1) Explanation of Operating Results

During the six months ended September 30, 2022, the domestic demand for main petroleum products recovered for both primary fuels and aircraft due to the lifting of activity restrictions and increased economic activities in preparation for the post-COVID-19 period.

Crude oil prices have been on an upward trend in the first half of the period due to the supply restrictions stemming from the situation in Russia and Ukraine and recovery in demand owing to the relaxation and deregulation of activity restrictions in many countries, while in the second half of the period, the prices have been on a downward trend due to a perceived slowdown in crude oil demand, reflecting concerns over a slowdown in the global economy caused by U.S. policy interest rate hikes and China's lockdown. As a result, the average Dubai crude oil price from April to September increased by \$33.2/bbl from the same period last year to \$102.5/bbl.

In the wake of the situation in Ukraine, the market for Australian thermal coal rose sharply mainly due to the EU's embargo on Russian coal, and the market for Singapore petroleum products also remained at a high level, mainly for intermediate distillates, due to a rise in demand for petroleum products from the EU resulting from a decrease in the supply of Russian crude oil.

As for the dollar-to-yen exchange rate, Japan maintained its easy monetary policy against a series of rate hikes by the U.S., and the yen depreciated against the backdrop of differences in monetary policy between Japan and the U.S. As a result, the average exchange rate between April and September against the dollar was ¥134.0.

(Crude oil price and exchange rate)

	Six months ended September 30, 2021	Six months ended September 30, 2022	Change	
Dubai Crude Oil (\$/bbl)	69.3	102.5	+33.2	+47.9%
Exchange Rate (¥/\$)	109.8	134.0	+24.2	+22.0%

The Idemitsu Group's consolidated net sales for the six months ended September 30, 2022 were ¥4,814.1 billion, up 67.9% year on year, mainly due to surging crude oil prices and the impact of the weaker yen.

Operating income was ¥354.1 billion, up 97.5% year on year, mainly due to the effects of the inventory valuation associated with the surging crude oil prices and the weaker yen in the petroleum segment, and the increase in coal prices in the resources segment.

Net non-operating income was ¥27.1 billion, up 52.7% year on year, mainly due to an increase in equity in earnings of non-consolidated subsidiaries and affiliates resulting from the change of a Norwegian subsidiary to an equity method affiliate and foreign exchange gains. Consequently, ordinary income was ¥381.2 billion, up 93.4% year on year.

Net extraordinary income was ¥17.4 billion, up 175.3% year on year, mainly due to gain on sales of fixed assets of domestic subsidiaries and gain on valuation of long-term loans receivable resulting from the Nghi Son Refinery in Vietnam turning profitable during the period, while loss from the step acquisition was incurred when the Company acquired additional shares of Seibu Oil Co., Ltd., which then became its consolidated subsidiary.

Income tax expenses, which consist of income taxes-current and income taxes-deferred, amounted to ¥117.4 billion, up 90.9% year on year, due to an increase in net income before income taxes.

Consequently, net income attributable to owners of the parent was ¥280.8 billion, up 96.8% year on year.

The performance of our business by segment for the six months ended September 30, 2022, is as follows:

As to quarterly reporting periods, domestic subsidiaries use September 30 as their balance sheet date whereas overseas subsidiaries use June 30 as their balance sheet date, except for certain subsidiaries. As such, the following performance of the business segments includes the operating results of overseas subsidiaries for the six months ended June 30, 2022, and those of domestic subsidiaries for the six months ended September 30, 2022.

Net sales by segment

(Unit: ¥Billion)

	2 nd Quarter of FY2021	2 nd Quarter of FY2022	Change	
			Amount	%
Petroleum	2,230.1	3,814.1	+1,584.0	+71.0 %
Basic chemicals	250.5	363.0	+112.5	+44.9 %
Functional materials	194.0	245.6	+51.6	+26.6 %
Power and renewable energy	57.0	89.8	+32.8	+57.5 %
Resources	133.9	300.3	+166.5	+124.3 %
Other	1.5	1.3	(0.3)	(16.2) %
Total	2,867.0	4,814.1	+1,947.1	+67.9 %

Segment income or loss

(Unit: ¥Billion)

	2 nd Quarter of FY2021	2 nd Quarter of FY2022	Change	
			Amount	%
Petroleum	155.7	269.3	+113.6	+73.0 %
<i>: excluding effect of inventory valuation</i>	<i>45.1</i>	<i>61.1</i>	<i>+16.1</i>	<i>+35.7 %</i>
Basic chemicals	10.9	14.2	+3.2	+29.7 %
Functional materials	10.2	8.6	(1.6)	(15.9) %
Power and renewable energy	(2.8)	(2.9)	(0.1)	—
Resources	21.5	100.1	+78.6	+365.3 %
Other	0.6	0.5	(0.1)	(18.5) %
Reconciliation	(4.2)	(15.4)	(11.2)	—
Total	191.9	374.3	+182.4	+95.0 %
<i>: excluding effect of inventory valuation</i>	<i>81.3</i>	<i>166.2</i>	<i>+84.8</i>	<i>+104.3 %</i>

[Petroleum segment]

Net sales in the petroleum segment were ¥3,814.1 billion, up 71.0% year on year, mainly due to surging crude oil prices and the impact of the weaker yen. Segment income was ¥269.3 billion, up 73.0% year on year, mainly due to an improvement in export margins stemming from the Ukrainian situation, with the effects of the inventory valuation and time lags associated with the surging crude oil prices, partially offset by an increase in in-house combustion costs.

[Basic chemicals segment]

Net sales in the basic chemicals segment were ¥363.0 billion, up 44.9% year on year, mainly due to higher naphtha prices. Segment income was ¥14.2 billion, up 29.7% year on year, due to the recovery of product margins on mixed xylene and other chemical products.

[Functional materials segment]

Net sales in the functional materials segment were ¥245.6 billion, up 26.6% year on year, and segment income was ¥8.6 billion, down 15.9% year on year, mainly due to the delays in passing the effect of rising oil prices on sales prices in the lubricants business and the spread contraction on some products in the performance chemicals business.

[Power and renewable energy segment]

Net sales in the power and renewable energy segment were ¥89.8 billion, up 57.5% year on year. Segment loss was ¥2.9 billion, up ¥0.1 billion year on year, due to the profit of the renewable energy business, while the profitability of the electric power business improved through efforts based on the supply and sale of in-house power sources.

[Resources segment]

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

In the oil/natural gas exploration and production business, net sales were ¥22.2 billion, down 44.5% year on year, mainly due to the change of a Norwegian subsidiary to an equity method affiliate. Segment income was ¥17.1 billion, down 1.3% year on year, mainly due to a decrease in profit resulting from the conversion of a Norwegian subsidiary into an equity method affiliate despite an increase in production volume in the Vietnam gas field.

(Coal business and others)

Net sales in the coal business and others were ¥278.1 billion, up 196.5% year on year, mainly due to an increase in coal prices, and segment income was ¥83.0 billion, up ¥78.8 billion year on year.

As a result of the above, total net sales of the resources segment were ¥300.3 billion, up 124.3% year on year, and segment income was ¥100.1 billion, up 365.3% year on year.

[Other segments]

Net sales in the other segments were ¥1.3 billion, down 16.2% year on year, and segment income was ¥0.5 billion, down 18.5% year on year.

(2) Explanation of Financial Position
Summarized Consolidated Balance Sheets

(Unit: ¥Billion)

	FY2021	2 nd Quarter of FY2022	Change
Current assets	2,368.1	3,147.5	+779.4
Fixed assets	2,233.1	2,251.3	+18.3
Total assets	4,601.2	5,398.8	+797.6
Current liabilities	2,061.3	2,545.2	+483.9
Non-current liabilities	1,103.4	1,131.9	+28.5
Total liabilities	3,164.7	3,677.1	+512.4
Total net assets	1,436.5	1,721.7	+285.2
Total liabilities and net assets	4,601.2	5,398.8	+797.6

1) Total assets

Total assets were ¥5,398.8 billion, an increase of ¥797.6 billion from the end of the previous fiscal year, mainly due to increases in notes and accounts receivables-trade and in inventories owing to surging crude oil prices and the impact of the weaker yen.

2) Total liabilities

Total liabilities were ¥3,677.1 billion, an increase of ¥512.4 billion from the end of the previous fiscal year, mainly due to increased short-term borrowings, an increase in accounts payable-trade resulting from surging crude oil prices and the impact of the weaker yen, and an increase in income taxes payable.

3) Total net assets

Total net assets were ¥1,721.7 billion, an increase of ¥285.2 billion from the end of the previous fiscal year, mainly due to net income attributable to owners of the parent of ¥280.8 billion, despite dividend payments of ¥32.8 billion.

Consequently, the equity ratio as of September 30, 2022 improved from 30.7% at the end of the previous fiscal year to 31.4%, an increase of 0.7 points. The Net DE ratio as of September 30, 2022, was 0.9 (end of previous fiscal year: 0.9).

Summarized Consolidated Statements of Cash Flows

	(Unit: ¥Billion)	
	2 nd Quarter of FY2021	2 nd Quarter of FY2022
Cash flows from operating activities	53.6	(149.5)
Cash flows from investing activities	(45.1)	(14.7)
Cash flows from financing activities	(69.3)	109.7
Effect of exchange rate change on cash and cash equivalents	1.9	0.2
Net increase (decrease) in cash and cash equivalents	(58.8)	(54.3)
Cash and cash equivalents at the beginning of period	131.0	139.0
Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	0.5	–
Cash and cash equivalents at the end of period	72.6	84.8

Cash and cash equivalents (“funds”) as of September 30, 2022, were ¥84.8 billion, a decrease of ¥54.3 billion compared with the end of the preceding fiscal year. Major factors for this decrease are as follows:

1) Cash flows from operating activities

Net cash used in operating activities amounted to ¥149.5 billion, because factors contributing to decreased funds such as an increase in working capital caused by higher crude oil import prices and the impact of the weaker yen, which were partially offset by factors contributing to increased funds such as income before income taxes and depreciation.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥14.7 billion, mainly due to the acquisition of tangible fixed assets (¥47.2 billion) as part of capital investment such as maintenance/replacement investment in refinery facilities, despite proceeds from sales of tangible fixed assets by domestic subsidiaries (¥42.5 billion).

3) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥109.7 billion, mainly due to financing through short-term borrowings to meet operating capital needs, and issuing commercial papers and corporate bonds.

(3) Explanation of Forecasts of Consolidated Financial Results for FY2022

The Company has revised its forecasts of the consolidated financial results for the year ending March 31, 2023, released on August 9, 2022, given the actual business results for the six months ended September 30, 2022, and the latest forecasts. Please refer to the “Announcement on Revisions to Consolidated Earnings Forecasts for the Fiscal Year Ending March 2023” announced today for details of the forecasts.

2. Consolidated Financial Statements for the Second Quarter of FY2022 and Major Notes

(1) Consolidated Quarterly Balance Sheets

(Unit: ¥Million)

	FY2021 (As of March 31, 2022)	2 nd Quarter of FY2022 (As of September 30, 2022)
Assets		
Current assets:		
Cash and deposits	140,281	87,263
Notes and accounts receivable, trade	870,483	965,076
Inventories	1,060,205	1,585,353
Accounts receivable, other	242,860	338,657
Other	55,283	171,926
Less: Allowance for doubtful accounts	(1,026)	(819)
Total current assets	2,368,088	3,147,458
Fixed assets:		
Property, plant and equipment:		
Machinery and equipment, net	286,611	256,442
Land	779,921	773,951
Other, net	371,277	390,286
Total property, plant and equipment	1,437,810	1,420,679
Intangible fixed assets:		
Goodwill	149,691	145,268
Other	158,937	154,097
Total intangible fixed assets	308,628	299,365
Investments and other assets:		
Investment securities	261,095	281,813
Other	228,121	252,333
Less: Allowance for doubtful accounts	(2,561)	(2,842)
Total investments and other assets	486,655	531,304
Total fixed assets	2,233,094	2,251,349
Total assets	4,601,183	5,398,807
Liabilities		
Current liabilities:		
Notes and accounts payable, trade	840,834	867,093
Short-term loans payable	369,043	558,078
Commercial paper	237,000	313,999
Current portion of bonds payable	10,000	10,000
Accounts payable, other	390,920	438,500
Income taxes payable	39,908	123,264
Provision for bonuses	13,942	13,933
Other	159,622	220,339
Total current liabilities	2,061,273	2,545,209
Non-current liabilities:		
Bonds payable	130,000	150,000
Long-term loans payable	590,767	581,677
Liability for employees' retirement benefits	71,648	71,057
Reserve for repair work	67,527	84,275
Asset retirement obligations	44,914	28,607
Other	198,539	216,284
Total non-current liabilities	1,103,397	1,131,902
Total liabilities	3,164,670	3,677,111

(Unit: ¥Million)

	FY2021 (As of March 31, 2022)	2 nd Quarter of FY2022 (As of September 30, 2022)
Net assets		
Shareholders' equity:		
Common stock	168,351	168,351
Capital surplus	460,507	460,364
Retained earnings	645,330	893,285
Treasury stock	(1,883)	(1,713)
Total shareholders' equity	1,272,306	1,520,288
Accumulated other comprehensive income:		
Unrealized gains (losses) on available- for-sale securities	3,443	3,632
Deferred gains (losses) on hedging activities, net	(5,236)	(12,514)
Surplus from land revaluation	157,154	157,237
Foreign currency translation adjustments	(26,762)	17,594
Defined retirement benefit plans	11,196	9,872
Total accumulated other comprehensive income	139,795	175,823
Noncontrolling interests	24,410	25,584
Total net assets	1,436,512	1,721,695
Total liabilities and net assets	4,601,183	5,398,807

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

1) Consolidated Quarterly Statements of Income

(Unit: ¥Million)

	2 nd Quarter of FY2021 (From April 1, 2021 to September 30, 2021)	2 nd Quarter of FY2022 (From April 1, 2022 to September 30, 2022)
Net sales	2,867,008	4,814,088
Cost of sales	2,485,364	4,224,755
Gross profit	381,643	589,332
Selling, general and administrative expenses	202,346	235,255
Operating income	179,297	354,077
Non-operating income:		
Interest income	4,258	1,920
Dividend income	2,456	2,046
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	12,651	20,267
Gain on foreign exchange, net	2,086	8,044
Other	3,902	2,422
Total non-operating income	25,354	34,700
Non-operating expenses:		
Interest expense	5,823	6,961
Other	1,759	596
Total non-operating expenses	7,582	7,558
Ordinary income	197,069	381,220
Extraordinary income:		
Gain on sales of fixed assets	7,122	21,395
Gain on valuation of long-term loans receivable	—	7,159
Gain on amortization of past service cost	2,144	—
Other	2,465	1,970
Total extraordinary income	11,732	30,526
Extraordinary losses:		
Impairment loss on fixed assets	497	251
Loss on sales of fixed assets	2,400	553
Loss on disposals of fixed assets	2,062	1,814
Loss from step acquisition	—	7,223
Other	470	3,333
Total extraordinary losses	5,429	13,175
Income before income taxes	203,372	398,570
Income taxes	61,501	117,396
Net income	141,871	281,174
Net income (loss) attributable to noncontrolling interests	(831)	376
Net income attributable to owners of the parent	142,702	280,798

2) Consolidated Quarterly Statements of Comprehensive Income

(Unit: ¥Million)

	2 nd Quarter of FY2021 (From April 1, 2021 to September 30, 2021)	2 nd Quarter of FY2022 (From April 1, 2022 to September 30, 2022)
Net income	141,871	281,174
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	469	64
Deferred gains (losses) on hedging activities, net	(1,412)	(5,176)
Foreign currency translation adjustments	22,319	50,235
Defined retirement benefit plans	(178)	(1,363)
Surplus from land revaluation	—	83
Share of other comprehensive income in equity method affiliates	1,137	(7,413)
Total other comprehensive income	22,335	36,430
Comprehensive income	164,206	317,605
Comprehensive income attributable to:		
Owners of the parent	163,542	316,826
Noncontrolling interests	664	778

(3) Consolidated Quarterly Statements of Cash Flows

(Unit: ¥Million)

	2 nd Quarter of FY2021 (From April 1, 2021 to September 30, 2021)	2 nd Quarter of FY2022 (From April 1, 2022 to September 30, 2022)
Cash flows from operating activities:		
Income before income taxes	203,372	398,570
Depreciation and amortization	51,914	51,988
Impairment loss on fixed assets	497	251
Amortization of goodwill	4,820	4,760
Increase (decrease) in liability for employees' retirement benefits	(4,869)	(2,131)
Increase (decrease) in reserve for repair work	9,330	15,833
Interest and dividend income	(6,714)	(3,966)
Interest expense	5,823	6,961
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates, net	(12,651)	(20,267)
(Gain) loss on sales of fixed assets, net	(4,722)	(20,842)
(Gain) loss on valuation of investment securities, net	209	39
(Increase) decrease in notes and accounts receivable, trade	(74,910)	(43,579)
(Increase) decrease in inventories	(135,432)	(365,733)
Increase (decrease) in notes and accounts payable, trade	71,295	(16,156)
Increase (decrease) in accounts payable, other	(47,818)	33,871
(Increase) decrease in accounts receivable, other	9,023	(72,330)
Other, net	(2,069)	(75,599)
Subtotal	67,097	(108,329)
Interest and dividends received	7,310	3,238
Interest paid	(5,901)	(7,048)
Income taxes paid	(14,912)	(37,373)
Net cash provided by (used in) operating activities	53,594	(149,512)
Cash flows from investing activities:		
Purchases of tangible fixed assets	(55,359)	(47,231)
Proceeds from sales of tangible fixed assets	29,911	42,482
Purchases of intangible fixed assets	(2,412)	(1,573)
Acquisitions of investment securities	(2,020)	(1,019)
Purchases of shares of subsidiaries resulting in change in scope of consolidation	(2,175)	—
Proceeds from acquisitions subsidiaries resulting in change in scope of consolidation	—	555
Proceeds from sales of subsidiaries resulting in change in scope of consolidation	1,932	—
Disbursements for long-term loans	—	(14,451)
Proceeds from collection of long-term loans receivable	392	316
(Increase) decrease in short-term loans receivable, net	(8,042)	(2,519)
Other, net	(7,298)	8,726
Net cash provided by (used in) investing activities	(45,072)	(14,716)

	(Unit: ¥Million)	
	2 nd Quarter of FY2021 (From April 1, 2021 to September 30, 2021)	2 nd Quarter of FY2022 (From April 1, 2022 to September 30, 2022)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	(29,747)	81,027
Increase (decrease) in commercial paper, net	(28,004)	76,998
Proceeds from long-term loans payable	29,483	—
Repayments of long-term loans payable	(38,826)	(34,357)
Proceeds from issuance of bonds	40,000	20,000
Redemption of bonds	(20,000)	—
Purchases of treasury stock	(10)	(15)
Proceeds from disposals of treasury stock	158	318
Cash dividends paid	(17,870)	(32,760)
Proceeds from share issuance to non-controlling shareholders	5,912	872
Cash dividends paid to non-controlling interests	(7,328)	(978)
Other, net	(3,037)	(1,355)
Net cash provided by (used in) financing activities	(69,271)	109,748
Effect of exchange rate change on cash and cash equivalents	1,949	230
Net increase (decrease) in cash and cash equivalents	(58,801)	(54,250)
Cash and cash equivalents at the beginning of period	130,956	139,030
Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	467	—
Cash and cash equivalents at the end of period	72,622	84,779

(4) Notes to the Consolidated Quarterly Financial Statements

1) Notes on the Assumption of a Going Concern

None

2) Notes on Significant Changes in Shareholders' Equity

None

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

(Calculation of income taxes)

Income taxes are calculated by multiplying the income before income taxes for the six months ended September 30, 2022 by the estimated effective tax rate that is reasonably estimated for income before income taxes for the fiscal year that includes the current quarter.

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

4) Changes in Accounting Policies

(Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company applies "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the current fiscal year. In accordance with the transitional provision provided in the provisory clause of Article 27-2 of ASBJ Guidance No.31, the new accounting policy prescribed by ASBJ Guidance No. 31 is applied prospectively. There is no impact from this application on the consolidated financial statements.

(Lease ASU 2016-02)

Accounting Standards Update (ASU) 2016-02 requires a lessee to recognize, in principle, assets and liabilities for all leases. This standard applies mainly to overseas consolidated subsidiaries in the United States, but the impact of the application is immaterial.

5) Consolidated Segment Information

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

a) Net sales and income or loss by reportable segment

(Unit: ¥Million)

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

Notes:

1. The segment “Others” refers to the total of other business segments that are not included in the reportable segments, including insurance businesses and intra-group service businesses.
2. The amount of reconciliation for the operating income (loss) mainly represents research and development costs, which do not belong to reportable segments.
3. The amount of reconciliation for equity in earnings (losses) of nonconsolidated subsidiaries and affiliates mainly represent those related to equity method nonconsolidated subsidiaries and affiliates, which do not belong to reportable segments.
4. The segment income (loss) of the reportable segments is reconciled to the amount of operating income and equity in earnings of nonconsolidated subsidiaries and affiliates in the consolidated quarterly statement of income.

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

There is no significant item during the period.

Second Quarter of FY2022 (From April 1, 2022 to September 30, 2022)

a) Net sales and income or loss by reportable segment

(Unit: ¥Million)

	Reportable segment						Others	Total	Reconciliation	Consolidated
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total				
Net sales:										
Net sales to outside customers	3,814,092	362,998	245,577	89,805	300,322	4,812,796	1,292	4,814,088	—	4,814,088
Inter-segment	22,708	21,126	12,418	2,460	2	58,716	1,103	59,820	(59,820)	—
Total sales	3,836,801	384,124	257,995	92,266	300,324	4,871,513	2,395	4,873,908	(59,820)	4,814,088
Operating income (loss)	256,919	14,338	8,272	(2,222)	93,347	370,654	467	371,122	(17,044)	354,077
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	12,389	(145)	292	(656)	6,706	18,587	—	18,587	1,680	20,267
Segment income (loss)	269,308	14,193	8,565	(2,879)	100,053	389,241	467	389,709	(15,364)	374,344

Notes:

1. The segment “Others” refers to the total of other business segments that are not included in the reportable segments, including insurance businesses and intra-group service businesses.
2. The amount of reconciliation for the operating income (loss) mainly represents research and development costs, which do not belong to reportable segments.
3. The amount of reconciliation for equity in earnings (losses) of nonconsolidated subsidiaries and affiliates mainly represent those related to equity method nonconsolidated subsidiaries and affiliates, which do not belong to reportable segments.
4. The segment income (loss) of the reportable segments is reconciled to the amount of operating income and equity in earnings of nonconsolidated subsidiaries and affiliates in the consolidated quarterly statement of income.

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

There is no significant item during the period.