



February 14, 2023

Consolidated Financial Results for the Third Quarter of Fiscal Year 2022 (From April 1, 2022 to December 31, 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 filing of quarterly securities report: February 14, 2023

Scheduled date of commencement of dividend payments: —

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 Third Quarter of FY2022 (From April 1, 2022 to December 31, 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	%
3Q FY2022	7,211,294	55.2	298,866	7.1	336,849	11.2	249,629	24.9
3Q FY2021	4,647,185	44.7	279,040	465.5	302,969	—	199,928	—

Note: Comprehensive income 3Q FY2022 ¥288,996 million (43.1)% 3Q FY2021 ¥201,953million (—)%

	Net income per share	Diluted net income per share
	¥	¥
3Q FY2022	839.58	—
3Q FY2021	672.51	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥million	¥million	%
3Q FY2022	5,207,212	1,659,857	31.6
FY2021	4,601,183	1,436,512	30.7

Reference: Total equity 3Q FY2022 ¥1,643,671 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	9,100,000	36.1	255,000	(41.3)	285,000	(37.9)	220,000	(21.3)	739.92

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

Note: The Company resolved to repurchase its own shares at the board of directors meeting held on February 14, 2023.

The impact of repurchase of own shares is not taken into account in regards to “Net income per share” in the forecasts of consolidated financial results for FY2022. Please refer to the “Announcement Regarding Acquisition of Treasury Shares and Cancellation of Treasury Shares” announced today for details.

* Notes

(1) Changes of number of material consolidated subsidiaries during the nine months ended December 31, 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 December 31, 2022: 297,864,718 As of March 31, 2022: 297,864,718

b) Number of shares of treasury stock

As of December 31, 2022: 506,370 As of March 31, 2022: 561,317

c) Weighted average number of shares outstanding during the period

Nine months ended December 31, 2022: 297,327,611

Nine months ended December 31, 2021: 297,286,087

*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 5 “Explanation of Forecasts of Consolidated Financial Results for FY2022” of the Appendix.

Contents of the Appendix

1. Qualitative Information on the Consolidated Operating Results for the Third Quarter of FY2022.....	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position.....	5
(3) Explanation of Forecasts of Consolidated Financial Results for FY2022	5
2. Consolidated Financial Statements for the Third Quarter of FY2022 and Major Notes.....	6
(1) Consolidated Quarterly Balance Sheets	6
(2) Consolidated Quarterly Statements of Income and Comprehensive Income	8
1) Consolidated Quarterly Statements of Income	8
2) Consolidated Quarterly Statements of Comprehensive Income	9
(3) Notes to the Consolidated Quarterly Financial Statements.....	10
1) Notes on the Assumption of a Going Concern.....	10
2) Notes on Significant Changes in Shareholders' Equity.....	10
3) Application of the Accounting Method Peculiar to the Preparation of the Quarterly Financial Statements	10
4) Changes in Accounting Policies.....	10
5) Consolidated Segment Information	11
6) Significant Subsequent Events.....	13

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

(1) Explanation of Operating Results

The overall domestic demand for main petroleum products during the nine months ended December 31, 2022, 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 were on an upward trend with the market tightening after Russia's invasion of Ukraine and the recovery of demand after countries had eased their behavioral restrictions. Since the summer, prices have been on a downward trend with concerns about slowing growth of demand for oil due to the shrinkage of demand caused by concerns about an economic slowdown amid the global inflation and lockdowns and other measures that China has taken against the re-expansion of the COVID-19. As a result, the average Dubai crude oil price from April to December increased by \$24.3/bbl from the same period last year to \$96.6/bbl.

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 below the level of ¥150 to the dollar in October, before appreciating above the ¥130 level into the year-end with the slowdown in the pace of interest rate hikes by the Fed and the decision by the Bank of Japan at its Monetary Policy Meeting in December to partially modify the management of its short- and long-term interest rates operations. As a result, the average exchange rate between April and December against the dollar was ¥136.5.

(Crude oil price, naphtha price and exchange rate)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Change	
Dubai Crude Oil (\$/bbl)	72.3	96.6	+24.3	+33.6%
Exchange Rate (¥/\$)	111.1	136.5	+25.4	+22.9%

The Idemitsu Group's net sales for the nine months ended December 31, 2022 were ¥7,211.3 billion, up 55.2% year on year, mainly due to surging crude oil prices and the impact of the weaker yen.

Operating income was ¥298.9 billion, up 7.1% year on year, mainly due to the increase in coal prices in the resources segment, despite the negative effects of the time lags associated with the declining crude oil prices in the petroleum segment.

Net non-operating income was ¥38.0 billion, up 58.7% year on year, mainly due to the change of a Norwegian subsidiary to an equity method affiliate that affected equity in earnings of non-consolidated subsidiaries and affiliates and foreign exchange gains. Consequently, ordinary income was ¥336.8 billion, up 11.2% year on year.

Net extraordinary income was ¥16.8 billion, up 362.4% year on year, mainly due to gains on the sale of fixed assets of domestic subsidiaries, while a 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 ¥106.3 billion, up 6.6% year on year, due to an increase in net income before

income taxes. Consequently, net income attributable to owners of the parent was ¥249.6 billion, up 24.9% year on year.

The performance of our business by segment for the nine months ended December 31, 2022 is as follows:

As to annual reporting periods, overseas subsidiaries use December 31 as their balance sheet date, whereas domestic subsidiaries use March 31 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 nine months ended September 30, 2022, and those of domestic subsidiaries for the nine months ended December 31, 2022.

Net sales by segment

(Unit: ¥Billion)

	3rd Quarter of FY2021	3rd Quarter of FY2022	Change	
			Amount	%
Petroleum	3,604.8	5,668.5	+2,063.7	+57.3 %
Basic chemicals	396.3	514.0	+117.7	+29.7 %
Functional materials	302.7	381.2	+78.5	+25.9 %
Power and renewable energy	92.4	148.0	+55.7	+60.3 %
Resources	246.8	495.5	+248.7	+100.8 %
Other	4.3	4.1	(0.2)	(5.7) %
Total	4,647.2	7,211.3	+2,564.1	+55.2 %

Segment income or loss

(Unit: ¥Billion)

	3 rd Quarter of FY2021	3 rd Quarter of FY2022	Change	
			Amount	%
Petroleum	236.8	139.7	(97.1)	(41.0) %
<i>: excluding effect of inventory valuation</i>	<i>73.7</i>	<i>1.2</i>	<i>(72.5)</i>	<i>(98.4) %</i>
Basic chemicals	7.6	11.4	+3.8	+49.5 %
Functional materials	14.2	16.4	+2.1	+15.1 %
Power and renewable energy	(7.6)	1.1	+8.7	—
Resources	56.4	177.7	+121.4	+215.2 %
Other	0.7	0.7	(0.1)	(7.7) %
Reconciliation	(10.9)	(23.2)	(12.3)	—
Total	297.3	323.8	+26.5	+8.9 %
<i>: excluding effect of inventory valuation</i>	<i>134.2</i>	<i>185.4</i>	<i>+51.2</i>	<i>+38.1 %</i>

[Petroleum segment]

Net sales in the petroleum segment were ¥5,668.5 billion, up 57.3% year on year, mainly due to surging crude oil prices and the impact of the weaker yen. Segment income was ¥139.7 billion, down 41.0% year on year despite increased export margins, due to several negative factors, such as decreased margins in products other than major ones, including naphtha and LPG, an increase in in-house combustion costs, and time lags associated with declines in crude oil prices.

[Basic chemicals segment]

Net sales in the basic chemicals segment were ¥514.0 billion, up 29.7% year on year, mainly due to higher naphtha prices. Segment income was ¥11.4 billion, up 49.5% year on year, due to the recovery of product margins on paraxylene and other chemical products.

[Functional materials segment]

Net sales in the functional materials segment were ¥381.2 billion, up 25.9% year on year, and segment income was ¥16.4 billion, up 15.1% year on year, mainly due to the cost decrease of asphalt in the bitumen business.

[Power and renewable energy segment]

Net sales in the power and renewable energy segment were ¥148.0 billion, up 60.3% year on year. Segment income was ¥1.1 billion, an improvement of ¥8.7 billion year on year, mainly due to the profitability of the electric power business having 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 ¥33.9 billion, down 52.1% year on year, mainly due to the change of a Norwegian subsidiary to an equity method affiliate. Segment income was ¥26.4 billion, down 24.2% year on year, mainly due to an increase in production volume in the Vietnam gas field, despite a decrease in profit resulting from the conversion of a Norwegian subsidiary into an equity method affiliate.

(Coal business and others)

Net sales in the coal business and others were ¥461.6 billion, up 162.1% year on year, mainly due to an increase in coal prices, and segment income was ¥151.3 billion, up 603.6% year on year.

As a result of the above, total net sales of the resources segment were ¥495.5 billion, up 100.8% year on year, and segment income was ¥177.7 billion, up 215.2% year on year.

[Other segments]

Net sales in the other segments were ¥4.1 billion, down 5.7% year on year, and segment income was ¥0.7 billion, down 7.7% year on year.

(2) Explanation of Financial Position
Summarized Consolidated Balance Sheets

(Unit: ¥Billion)

	FY2021	3 rd Quarter of FY2022	Change
Current assets	2,368.1	2,979.9	+611.8
Fixed assets	2,233.1	2,227.3	(5.8)
Total assets	4,601.2	5,207.2	+606.0
Current liabilities	2,061.3	2,400.8	+339.5
Non-current liabilities	1,103.4	1,146.6	+43.2
Total liabilities	3,164.7	3,547.4	+382.7
Total net assets	1,436.5	1,659.9	+223.3
Total liabilities and net assets	4,601.2	5,207.2	+606.0

1) Total assets

Total assets increased by ¥606.0 billion from the end of the previous fiscal year to ¥5,207.2 billion, mainly reflecting increases in inventories owing to surging crude oil prices and the weakening yen as well as increases in accounts receivable - trade, an effect of holidays at the year-end.

2) Total liabilities

Total liabilities increased by 382.7 billion from the end of the previous fiscal year to ¥3,547.4 billion, mainly owing to increases in short-term loans payable for satisfying the demand for operating capital and in income taxes payable.

3) Total net assets

Total net assets were ¥1,659.9 billion, an increase of ¥223.3 billion from the end of the previous fiscal year, mainly owing to the recording of quarterly net income of ¥249.6 billion attributable to owners of parent and the increase of foreign currency translation adjustments of ¥52.7 billion owing to the depreciation of the yen, while dividends of ¥50.6 billion were paid.

As a result, the equity ratio improved from 30.7% at the end of the previous fiscal year to 31.6%, up 0.9 points. The Net D/E ratio was 1.0 (end of the previous fiscal year: 0.9).

(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 November 8, 2022, given the actual business results for the nine months ended December 31, 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 Third Quarter of FY2022 and Major Notes

(1) Consolidated Quarterly Balance Sheets

(Unit: ¥Million)

	FY2021 (As of March 31, 2022)	3 rd Quarter of FY2022 (As of December 31, 2022)
Assets		
Current assets:		
Cash and deposits	140,281	113,653
Notes and accounts receivable, trade	870,483	945,098
Inventories	1,060,205	1,445,138
Accounts receivable, other	242,860	340,716
Other	55,283	136,127
Less: Allowance for doubtful accounts	(1,026)	(844)
Total current assets	2,368,088	2,979,890
Fixed assets:		
Property, plant and equipment:		
Machinery and equipment, net	286,611	268,867
Land	779,921	765,875
Other, net	371,277	378,707
Total property, plant and equipment	1,437,810	1,413,450
Intangible fixed assets:		
Goodwill	149,691	142,949
Other	158,937	152,681
Total intangible fixed assets	308,628	295,630
Investments and other assets:		
Investment securities	261,095	258,395
Other	228,121	262,749
Less: Allowance for doubtful accounts	(2,561)	(2,904)
Total investments and other assets	486,655	518,240
Total fixed assets	2,233,094	2,227,321
Total assets	4,601,183	5,207,212
Liabilities		
Current liabilities:		
Notes and accounts payable, trade	840,834	714,529
Short-term loans payable	369,043	528,022
Commercial paper	237,000	374,994
Current portion of bonds payable	10,000	—
Accounts payable, other	390,920	475,297
Income taxes payable	39,908	90,027
Provision for bonuses	13,942	7,262
Other	159,622	210,650
Total current liabilities	2,061,273	2,400,785
Non-current liabilities:		
Bonds payable	130,000	150,000
Long-term loans payable	590,767	588,699
Liability for employees' retirement benefits	71,648	69,518
Reserve for repair work	67,527	86,389
Asset retirement obligations	44,914	34,687
Other	198,539	217,275
Total non-current liabilities	1,103,397	1,146,569
Total liabilities	3,164,670	3,547,355

(Unit: ¥Million)

	FY2021 (As of March 31, 2022)	3 rd Quarter of FY2022 (As of December 31, 2022)
Net assets		
Shareholders' equity:		
Common stock	168,351	168,351
Capital surplus	460,507	451,648
Retained earnings	645,330	844,484
Treasury stock	(1,883)	(1,716)
Total shareholders' equity	1,272,306	1,462,768
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	3,443	3,371
Deferred gains (losses) on hedging activities, net	(5,236)	(14,912)
Surplus from land revaluation	157,154	157,000
Foreign currency translation adjustments	(26,762)	25,910
Defined retirement benefit plans	11,196	9,533
Total accumulated other comprehensive income	139,795	180,903
Noncontrolling interests	24,410	16,185
Total net assets	1,436,512	1,659,857
Total liabilities and net assets	4,601,183	5,207,212

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

1) Consolidated Quarterly Statements of Income

(Unit: ¥Million)

	3 rd Quarter of FY2021 (From April 1, 2021 to December 31, 2021)	3 rd Quarter of FY2022 (From April 1, 2022 to December 31, 2022)
Net sales	4,647,185	7,211,294
Cost of sales	4,042,868	6,539,459
Gross profit	604,317	671,835
Selling, general and administrative expenses	325,276	372,968
Operating income	279,040	298,866
Non-operating income:		
Interest income	6,505	3,496
Dividend income	3,282	2,764
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	18,239	24,963
Gain on foreign exchange, net	2,696	15,254
Other	5,205	4,607
Total non-operating income	35,930	51,086
Non-operating expenses:		
Interest expense	8,689	11,548
Other	3,311	1,555
Total non-operating expenses	12,001	13,103
Ordinary income	302,969	336,849
Extraordinary income:		
Gain on sales of fixed assets	11,595	33,811
Gain on amortization of past service cost	2,144	—
Other	4,038	2,448
Total extraordinary income	17,777	36,260
Extraordinary losses:		
Impairment loss on fixed assets	10,477	4,883
Loss on sales of fixed assets	3,766	776
Loss on disposals of fixed assets	5,092	2,938
Loss from step acquisition	—	7,223
Other	4,843	3,633
Total extraordinary losses	24,180	19,455
Income before income taxes	296,566	353,654
Income taxes	99,695	106,292
Net income	196,871	247,361
Net loss attributable to noncontrolling interests	(3,057)	(2,267)
Net income attributable to owners of the parent	199,928	249,629

2) Consolidated Quarterly Statements of Comprehensive Income

(Unit: ¥Million)

	3 rd Quarter of FY2021 (From April 1, 2021 to December 31, 2021)	3 rd Quarter of FY2022 (From April 1, 2022 to December 31, 2022)
Net income	196,871	247,361
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(501)	(92)
Deferred gains (losses) on hedging activities, net	(2,904)	(8,342)
Foreign currency translation adjustments	7,790	51,519
Defined retirement benefit plans	(354)	(1,658)
Surplus from land revaluation	—	(154)
Share of other comprehensive income in equity method affiliates	1,051	362
Total other comprehensive income	5,082	41,634
Comprehensive income	201,953	288,996
Comprehensive income attributable to:		
Owners of the parent	203,536	290,737
Noncontrolling interests	(1,583)	(1,741)

(3) 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 nine months ended December 31, 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

Third Quarter of FY2021 (From April 1, 2021 to December 31, 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	3,604,757	396,281	302,674	92,371	246,786	4,642,871	4,313	4,647,185	—	4,647,185
Inter-segment	21,069	20,832	13,163	2,363	2	57,431	1,348	58,780	(58,780)	—
Total sales	3,625,827	417,113	315,837	94,734	246,789	4,700,303	5,662	4,705,965	(58,780)	4,647,185
Operating income (loss)	224,332	6,875	12,743	(7,567)	54,977	291,361	712	292,074	(13,034)	279,040
Equity in earnings of nonconsolidated subsidiaries and affiliates	12,431	760	1,504	3	1,404	16,105	—	16,105	2,134	18,239
Segment income (loss)	236,764	7,635	14,248	(7,564)	56,382	307,466	712	308,179	(10,899)	297,280

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 of nonconsolidated subsidiaries and affiliates mainly represents 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

(Significant impairment loss on fixed assets)

The Company recorded an impairment loss of ¥5,218 million on certain of heavy oil power generating unit in the petroleum segment, ¥2,951 million on certain of solar-related assets in the power and renewable energy segment, and ¥1,407 million on certain of coal mining assets in the resources segment, respectively.

Third Quarter of FY2022 (From April 1, 2022 to December 31, 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	5,668,487	513,999	381,200	148,039	495,501	7,207,227	4,066	7,211,294	—	7,211,294
Inter-segment	34,773	29,057	18,959	3,695	4	86,490	1,908	88,398	(88,398)	—
Total sales	5,703,261	543,057	400,159	151,734	495,505	7,293,718	5,974	7,299,693	(88,398)	7,211,294
Operating income	126,878	10,922	16,710	1,538	167,105	323,154	657	323,812	(24,946)	298,866
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	12,804	491	(313)	(394)	10,634	23,223	—	23,223	1,740	24,963
Segment income	139,683	11,413	16,397	1,144	177,739	346,378	657	347,035	(23,205)	323,829

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 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 represents those related to equity method nonconsolidated subsidiaries and affiliates, which do not belong to reportable segments.
4. The segment income 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.

6) Significant Subsequent Events

The Company agreed to transfer all of its interest (85%) in the Ensham Coal Mine (“Ensham”) in Australia, held through its wholly owned subsidiary Idemitsu Australia Pty Ltd to Sungela Pty Ltd and signed a sale and purchase agreement on February 3, 2023.

a) Purpose of the Transfer

In order to contribute to the realization of carbon-neutral society while fulfilling its responsibility to provide a stable supply of energy, the Company has adopted “Your Reliable Partner for a Brighter Future” as its 2030 vision.

In addition, in its medium-term business plan (FY2023-FY2025) announced on November 16 2022, the Company developed a new vision for 2050, “Shaping Change.” The Company aims to achieve sustainable profitable growth by transforming its business portfolio through capital efficiency by reducing fossil fuel assets and maximizing earnings from existing businesses, and by expanding new businesses that contribute to carbon neutral society.

Based on the above vision and policy, the Company will promote the commercialization of Idemitsu Green Energy Pellets as an alternative fuel to coal, as well as structural reform of its coal business. As part of such reform, the Company has decided to sell its interest in Ensham.

The main strategies for structural reform of the coal business are as follows.

1. By utilizing the highly competitive Boggabri Coal Mine, continuation of stable coal supply mainly to domestic customers and maximization of earnings.
2. Divestment of the Malinau Coal Mine in Indonesia (sold in March 2022) and Ensham in Australia
3. Diversify the portfolio (e.g., investment in renewable energy projects at existing mine sites and those undergoing rehabilitation, rare metal development utilizing mining technology)) by leveraging the existing business infrastructure

With the closure of the Muswellbrook Mine (November 2022) and the transfer of Ensham, the Company’s only coal mine operating in Australia will be the Boggabri Mine. As stated above, through the operation of the Boggabri Mine, the Company will fulfill its mission of providing a stable supply of energy needed today, while at the same time making maximum use of the business resources it has developed over many years in Australia and promoting the diversification of its portfolio for a sustainable energy future such as renewable energy, rare metals, hydrogen and ammonia, in line with global growth demand.

b) Overview of Ensham

1. Location: Queensland, Australia
2. Operation commenced in 1993
3. Composition of interests
(before transfer): Idemitsu Australia Pty Ltd 85%, Bowen Investment (Australia) Pty Ltd 15%
(after transfer): Sungela Pty Ltd 85%, Bowen Investment (Australia) Pty Ltd 15%
4. Production volume: 4.3 million tonnes per annum (actual production volume in FY2021, 100% interest basis)

5. Transfer price: A\$340 million upfront consideration at the transfer date and conditional consideration based on the actual price and volume of coal to be sold from Ensham in 2023 and 2024.
 6. Gain/loss on transfer: It has not been determined at this moment, because the date of transfer is not yet finalized and thus the final transfer price will vary.
- c) Transferee
Sungela Pty Ltd. (joint venture established by Thungela, Mayfair, and Audley in connection with this transfer)
Planned shareholdings - Thungela: 75.0%; Mayfair: 12.5%; and Audley: 12.5%
- d) Date of transfer
During 2023 (scheduled)
* The completion of this transfer is subject to the Australian government's approval.