



November 14, 2023

# Consolidated Financial Results for the Second Quarter of Fiscal Year 2023 (From April 1, 2023 to September 30, 2023) [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, 2023

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 FY2023 (From April 1, 2023 to September 30, 2023)

### (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 FY2023	4,024,462	(16.4)	202,921	(42.7)	226,460	(40.6)	164,946	(41.3)
2Q FY2022	4,814,088	67.9	354,077	97.5	381,220	93.4	280,798	96.8

Note: Comprehensive income 2Q FY2023 ¥201,863 million (36.4%) 2Q FY2022 ¥317,605 million 93.4%

	Net income per share	Diluted net income per share
	¥	¥
2Q FY2023	574.44	—
2Q FY2022	944.46	—

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥million	¥million	%
2Q FY2023	5,154,310	1,781,052	34.3
2Q FY2022	4,865,370	1,629,308	33.2

Reference: Total equity 2Q FY2023 ¥1,767,304 million FY2022 ¥1,614,526 million

## 2. Dividends

	Cash dividends per share				Total
	As of Jun.30	As of Sep.30	As of Dec.31	As of Mar.31	
	¥	¥	¥	¥	¥
FY2022	—	60.00	—	60.00	120.00
FY2023	—	80.00	—	—	—
FY2023 (Forecasts)	—	—	—	16.00	—

Note:

- Revisions of the forecasts of cash dividends since the latest announcement: Yes
- The Company plans to split the shares of its common stock on a 5-for-1 basis effective January 1, 2024. Regarding the year-end dividend (forecast) for the fiscal year ending March 31, 2024, the indicated amount reflects the effect of the stock split, while the annual dividend is indicated as “—”. Excluding the effect of the stock split, the year-end dividend would be 80.00 yen per share and the annual dividend would be 160.00 yen per share.

### 3. Forecasts of Consolidated Financial Results for FY2023 (From April 1, 2023 to March 31, 2024)

(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	%	¥
FY2023	8,650,000	(8.5)	250,000	(11.5)	270,000	(16.0)	180,000	(29.0)	125.37

Note:

- Revisions of the forecasts of consolidated financial results since the latest announcement: **Yes**
- The Company plans to split the shares of its common stock on a 5-for-1 basis effective January 1, 2024. The forecast for basic net income per share for the fiscal year ending March 31, 2024 reflects the effect of the stock split. Excluding the effect of the stock split, the forecast for basic net income per share would be 626.87 yen.

#### \* Notes

(1) Changes of material consolidated subsidiaries during the six months ended September 30, 2023: **None**

(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

- Changes in accounting policies arising from revision of accounting standards: **None**
- Changes arising from other factors: **None**
- Changes in accounting estimates: **None**
- Restatement: **None**

(4) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

As of September 30, 2023: 297,864,718 As of March 31, 2023: 297,864,718

b) Number of shares of treasury stock

As of September 30, 2023: 15,894,982 As of March 31, 2023: 4,859,945

c) Weighted average number of shares outstanding during the period

Six months ended September 30, 2023: 287,142,892

Six months ended September 30, 2022: 297,311,808

\*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 6 “Explanation of Forecasts of Consolidated Financial Results for FY2023” of the Appendix.

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## 1. Qualitative Information on the Consolidated Operating Results for the Second Quarter of FY2023

### (1) Explanation of Operating Results

During the six months ended September 30, 2023, the domestic demand for main petroleum products increased for aircraft, but that for gasoline and other primary fuels remained at the almost same level from the previous year owing to a halt in the recovery from the decline in demand due to the COVID-19 pandemic since 2020.

Crude oil prices rose sharply in the first half of the previous fiscal year due to supply restrictions caused by the situation in the Ukraine/Russia conflict. Then the prices had been on a downward trend owing to concerns about an economic slowdown caused by the prospect of continued long-term interest rate hikes in the U.S., while, since July, crude oil prices have been on an upward trend due to awareness of tightening supply and demand as a result of the announcement by Saudi Arabia and Russia of an extension of voluntary production cuts by the end of the year, in addition to a decline in expectations of prolonged U.S. interest rate hikes. As a result, the average Dubai crude oil price from April to September decreased by \$20.2/bbl from the same period last year to \$82.3/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 against the backdrop of differences in monetary policy between the countries. As a result, the average exchange rate between April and September against the dollar was ¥141.0.

#### (Crude oil price and exchange rate)

	Six months ended September 30, 2022	Six months ended September 30, 2023	Change	
Dubai Crude Oil (\$/bbl)	102.5	82.3	(20.2)	(19.7)%
Exchange Rate (¥/\$)	134.0	141.0	+7.0	+5.2%

The Idemitsu Group's consolidated net sales for the six months ended September 30, 2023 were ¥4,024.5 billion, down 16.4% year on year, mainly due to a decline in crude oil prices.

Operating income was ¥202.9 billion, down 42.7% year on year, mainly due to the reversal of the previous year's inventory valuation effects owing to the increase in crude oil prices associated with the surging crude oil prices in the petroleum segment, despite the recovery of domestic product margins owing to profit contribution arising from time lags in the petroleum segment.

Net non-operating income was ¥23.5 billion, down 13.3% year on year, mainly due to a decrease in equity in earnings of non-consolidated subsidiaries and affiliates. Consequently, ordinary income was ¥226.5 billion, down 40.6% year on year.

Net extraordinary income was ¥1.3 billion, down 92.2% year on year, mainly due to the absence of gain on sales of tangible fixed assets that was recorded by domestic subsidiaries in the previous fiscal year.

Income tax expenses, which consist of income taxes-current and income taxes-deferred, amounted to ¥63.8 billion, down 45.6% year on year, due to a decrease in net income before income taxes.

Consequently, net income attributable to owners of the parent was ¥164.9 billion, down 41.3% year on year.

The performance of our business by segment for the six months ended September 30, 2023, 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, 2023, and those of domestic subsidiaries for the six months ended September 30, 2023.

#### Net sales by segment

(Unit: ¥Billion)

Segment	2 <sup>nd</sup> Quarter of FY2022	2 <sup>nd</sup> Quarter of FY2023	Change	
			Amount	%
Petroleum	3,814.1	3,189.1	(625.0)	(16.4)%
Basic chemicals	363.0	280.2	(82.8)	(22.8)%
Functional materials	245.6	248.4	+2.8	+1.1%
Power and renewable energy	89.8	72.1	(17.7)	(19.7)%
Resources	300.3	233.3	(67.0)	(22.3)%
Other	1.3	1.4	+0.1	+8.3%
Total	4,814.1	4,024.5	(789.6)	(16.4)%

#### Segment income or loss

(Unit: ¥Billion)

	2 <sup>nd</sup> Quarter of FY2022	2 <sup>nd</sup> Quarter of FY2023	Change	
			Amount	%
Petroleum	269.3	121.7	(147.6)	(54.8)%
: <i>excluding effect of inventory valuation</i>	61.1	105.0	+43.9	+71.9%
Basic chemicals	14.2	12.0	(2.2)	(15.3)%
Functional materials	8.6	13.4	+4.8	+55.9%
Power and renewable energy	(2.9)	(0.4)	+2.4	—
Resources	100.1	69.8	(30.3)	(30.3)%
Other	0.5	0.8	+0.3	+63.9%
Reconciliation	(15.4)	(6.0)	+9.4	—
Total	374.3	211.2	(163.1)	(43.6)%
: <i>excluding effect of inventory valuation</i>	166.2	194.6	+28.4	+17.1%

Note: Segment income (loss) is the total of operating income (loss) and equity in earnings (losses) of nonconsolidated subsidiaries and affiliates.

[Petroleum segment]

Net sales in the petroleum segment were ¥3,189.1 billion, down 16.4% year on year, mainly due to a decline in crude oil prices and lower sales volumes. Segment income was ¥121.7 billion, down 54.8% year on year, mainly due to effects of the inventory valuation in the previous fiscal year and a decrease in export volume caused by periodic repairs, despite an improvement in domestic product margins due to profit contribution arising from time lags. Excluding the effects of the inventory valuation, segment income was ¥105.0 billion, up 71.9% year on year.

[Basic chemicals segment]

Net sales in the basic chemicals segment were ¥280.2 billion, down 22.8% year on year, mainly due to a decrease in sales volumes caused by periodic repairs. Segment income was ¥12.0 billion, down 15.3% year on year, mainly due to a decrease in sales volumes and an increase in expenses.

[Functional materials segment]

Net sales in the functional materials segment were ¥248.4 billion, up 1.1% year on year, and segment income was ¥13.4 billion, up 55.9% year on year, mainly due to the elimination of negative time lags in the lubricants business.

[Power and renewable energy segment]

Net sales in the power and renewable energy segment were ¥72.1 billion, down 19.7% year on year. Segment loss was ¥0.4 billion, an improvement of ¥2.4 billion year on year, despite an improvement in the profitability of the electric power business 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)

Net sales in the oil/natural gas exploration and production and geothermal energy business were ¥21.8 billion, down 2.1% year on year, and segment income was ¥10.5 billion, down 38.6% year on year, mainly owing to a decline in crude oil prices and an increase in operating expenses.

(Coal business and others)

In the coal business and others, net sales were ¥211.5 billion, down 23.9% year on year, and segment income was ¥59.3 billion, down 28.5% year on year, mainly due to a decrease in production volume caused by downsizing of mines and a reaction to the sharp rise in market prices in the previous fiscal year.

As a result of the above, total net sales in the resource segment were ¥233.3 billion, down 22.3% year on year, and segment income was ¥69.8 billion, down 30.3% year on year.

[Other segments]

Net sales in the other segment were ¥1.4 billion, up 8.3% year on year, and segment income was ¥0.8 billion, up 63.9% year on year.

(2) Explanation of Financial Position  
Summarized Consolidated Balance Sheets

(Unit: ¥Billion)

	FY2022	2 <sup>nd</sup> Quarter of FY2023	Change
Current assets	2,732.1	2,999.4	+267.3
Fixed assets	2,133.3	2,155.0	+21.7
Total assets	4,865.4	5,154.3	+288.9
Current liabilities	2,164.0	2,317.4	+153.4
Non-current liabilities	1,072.1	1,055.9	(16.2)
Total liabilities	3,236.1	3,373.3	+137.2
Total net assets	1,629.3	1,781.1	+151.7
Total liabilities and net assets	4,865.4	5,154.3	+288.9

1) Total assets

Total assets were ¥5,154.3 billion, an increase of ¥288.9 billion from the end of the previous fiscal year, mainly due to an increase in notes and accounts receivables-trade as of September 30, 2023, due to the impact of holidays and an increase in inventories due to an increase in crude oil import prices and the impact of the depreciation of the yen.

2) Total liabilities

Total liabilities were ¥3,373.3 billion, an increase of ¥137.2 billion from the end of the previous fiscal year, mainly due to an increase in accounts payable-other as of September 30, 2023, due to the impact of holidays.

3) Total net assets

Total net assets were ¥1,781.1 billion, an increase of ¥151.7 billion from the end of the previous fiscal year, mainly due to net income attributable to owners of the parent of ¥164.9 billion, despite decreases due to the treasury stock acquisition of ¥32.0 billion and dividend payments of ¥17.6 billion.

As a result, the equity ratio improved from 33.2% at the end of the previous fiscal year to 34.3%, up 1.1 points. The Net D/E ratio as of September 30, 2023, was 0.7 (end of previous fiscal year: 0.9).

## Summarized Consolidated Statements of Cash Flows

	(Unit: ¥Billion)	
	2 <sup>nd</sup> Quarter of FY2022	2 <sup>nd</sup> Quarter of FY2023
Cash flows from operating activities	(149.5)	206.9
Cash flows from investing activities	(14.7)	(58.2)
Cash flows from financing activities	109.7	(84.3)
Effect of exchange rate change on cash and cash equivalents	0.2	3.2
Net increase (decrease) in cash and cash equivalents	(54.3)	+67.6
Cash and cash equivalents at the beginning of period	139.0	103.1
Cash and cash equivalents at the end of period	84.8	170.7

Cash and cash equivalents (“funds”) as of September 30, 2023, were ¥170.7 billion, an increase of ¥67.6 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 provided by operating activities amounted to ¥206.9 billion, because of factors contributing to increased funds such as income before income taxes and depreciation, which were partially offset by factors contributing to decreased funds such as an increase in working capital caused by the rise in crude oil import prices and the depreciation of the yen.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥58.2 billion, mainly due to the acquisition of tangible fixed assets as part of capital investment such as maintenance/replacement investment in refinery facilities.

3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥84.3 billion, mainly due to treasury stock acquisition, dividend payments, and repayment of long-term loans payable.

(3) Explanation of Forecasts of Consolidated Financial Results for FY2023

The Company has revised its forecasts of the consolidated financial results for the year ending March 31, 2024, released on May 9, 2023, given the actual business results for the six months ended September 30, 2023, and the latest forecasts. Please refer to the “Announcement on Revisions to Consolidated Earnings Forecasts for the Fiscal Year Ending March 2024” announced today for details of the forecasts.



## 2. Consolidated Financial Statements for the Second Quarter of FY2023 and Major Notes

### (1) Consolidated Quarterly Balance Sheets

(Unit: ¥Million)

	FY2022 (As of March 31, 2023)	2 <sup>nd</sup> Quarter of FY2023 (As of September 30, 2023)
<b>Assets</b>		
Current assets:		
Cash and deposits	105,192	173,058
Notes and accounts receivable, trade	841,798	934,268
Inventories	1,308,570	1,400,078
Accounts receivable, other	319,483	277,249
Other	157,757	215,344
Less: Allowance for doubtful accounts	(733)	(645)
Total current assets	2,732,068	2,999,354
Fixed assets:		
Property, plant and equipment:		
Machinery and equipment, net	265,024	278,655
Land	755,014	753,384
Other, net	369,975	358,125
Total property, plant and equipment	1,390,013	1,390,165
Intangible fixed assets:		
Goodwill	140,481	135,925
Other	149,753	144,763
Total intangible fixed assets	290,235	280,689
Investments and other assets:		
Investment securities	244,699	263,673
Other	210,960	220,713
Less: Allowance for doubtful accounts	(2,607)	(284)
Total investments and other assets	453,052	484,101
Total fixed assets	2,133,301	2,154,956
Total assets	4,865,370	5,154,310
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable, trade	697,307	754,004
Short-term loans payable	486,701	539,200
Commercial paper	301,983	247,997
Current portion of bonds payable	—	10,000
Accounts payable, other	390,189	478,663
Income taxes payable	67,978	52,548
Provision for bonuses	17,122	14,122
Other	202,702	220,837
Total current liabilities	2,163,986	2,317,373
Non-current liabilities:		
Bonds payable	150,000	140,000
Long-term loans payable	519,232	510,928
Liability for employees' retirement benefits	60,351	57,619
Reserve for repair work	85,599	88,596
Asset retirement obligations	29,979	31,491
Other	226,913	227,249
Total non-current liabilities	1,072,076	1,055,885
Total liabilities	3,236,062	3,373,258

(Unit: ¥Million)

	FY2022 (As of March 31, 2023)	2 <sup>nd</sup> Quarter of FY2023 (As of September 30, 2023)
Net assets		
Shareholders' equity:		
Common stock	168,351	168,351
Capital surplus	451,642	451,464
Retained earnings	848,910	996,610
Treasury stock	(14,788)	(46,826)
Total shareholders' equity	1,454,116	1,569,599
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	3,918	5,256
Deferred gains (losses) on hedging activities, net	(6,431)	(5,712)
Surplus from land revaluation	154,641	154,228
Foreign currency translation adjustments	(4,571)	31,526
Defined retirement benefit plans	12,853	12,404
Total accumulated other comprehensive income	160,410	197,705
Noncontrolling interests	14,781	13,748
Total net assets	1,629,308	1,781,052
Total liabilities and net assets	4,865,370	5,154,310

## (2) Consolidated Quarterly Statements of Income and Comprehensive Income

## 1) Consolidated Quarterly Statements of Income

(Unit: ¥Million)

	2 <sup>nd</sup> Quarter of FY2022 (From April 1, 2022 to September 30, 2022)	2 <sup>nd</sup> Quarter of FY2023 (From April 1, 2023 to September 30, 2023)
Net sales	4,814,088	4,024,462
Cost of sales	4,224,755	3,583,638
Gross profit	589,332	440,824
Selling, general and administrative expenses	235,255	237,903
Operating income	354,077	202,921
Non-operating income:		
Interest income	1,920	5,843
Dividend income	2,046	2,653
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	20,267	8,328
Gain on foreign exchange, net	8,044	14,293
Other	2,422	3,857
Total non-operating income	34,700	34,976
Non-operating expenses:		
Interest expense	6,961	9,731
Other	596	1,705
Total non-operating expenses	7,558	11,436
Ordinary income	381,220	226,460
Extraordinary income:		
Gain on sales of fixed assets	21,395	3,059
Gain on sales of investment securities	283	2,333
Gain on valuation of long-term loans receivable	7,159	—
Other	1,687	612
Total extraordinary income	30,526	6,006
Extraordinary losses:		
Impairment loss on fixed assets	251	367
Loss on sales of fixed assets	553	351
Loss on disposals of fixed assets	1,814	2,994
Loss from step acquisition	7,223	—
Other	3,333	945
Total extraordinary losses	13,175	4,659
Income before income taxes	398,570	227,807
Income taxes	117,396	63,818
Net income	281,174	163,988
Net loss attributable to noncontrolling interests	376	(957)
Net income attributable to owners of the parent	280,798	164,946

## 2) Consolidated Quarterly Statements of Comprehensive Income

(Unit: ¥Million)

	2 <sup>nd</sup> Quarter of FY2022 (From April 1, 2022 to September 30, 2022)	2 <sup>nd</sup> Quarter of FY2023 (From April 1, 2023 to September 30, 2023)
Net income	281,174	163,988
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	64	1,277
Deferred gains (losses) on hedging activities, net	(5,176)	(1,983)
Surplus from land revaluation	83	—
Foreign currency translation adjustments	50,235	35,375
Defined retirement benefit plans	(1,363)	(458)
Share of other comprehensive income in equity method affiliates	(7,413)	3,664
Total other comprehensive income	36,430	37,875
Comprehensive income	317,605	201,863
Comprehensive income attributable to:		
Owners of the parent	316,826	202,653
Noncontrolling interests	778	(789)

## (3) Consolidated Quarterly Statements of Cash Flows

(Unit: ¥Million)

	2 <sup>nd</sup> Quarter of FY2022 (From April 1, 2022 to September 30, 2022)	2 <sup>nd</sup> Quarter of FY2023 (From April 1, 2023 to September 30, 2023)
Cash flows from operating activities:		
Income before income taxes	398,570	227,807
Depreciation and amortization	51,988	49,016
Impairment loss on fixed assets	251	367
Amortization of goodwill	4,760	4,699
Increase (decrease) in liability for employees' retirement benefits	(2,131)	(2,429)
Increase (decrease) in reserve for repair work	15,833	2,997
Interest and dividend income	(3,966)	(8,497)
Interest expense	6,961	9,731
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates, net	(20,267)	(8,328)
(Gain) loss on sales of fixed assets, net	(20,842)	(2,707)
(Gain) loss on valuation of investment securities, net	(282)	(2,321)
(Increase) decrease in notes and accounts receivable, trade	(43,579)	(67,446)
(Increase) decrease in inventories	(365,733)	(78,656)
Increase (decrease) in notes and accounts payable, trade	(16,156)	30,606
Increase (decrease) in accounts payable, other	33,871	96,863
(Increase) decrease in accounts receivable, other	(72,330)	54,200
Other, net	(75,277)	(22,784)
Subtotal	(108,329)	283,117
Interest and dividends received	3,238	8,768
Interest paid	(7,048)	(10,128)
Income taxes paid	(37,373)	(74,815)
Net cash provided by (used in) operating activities	(149,512)	206,941
Cash flows from investing activities:		
Purchases of tangible fixed assets	(47,231)	(39,973)
Proceeds from sales of tangible fixed assets	42,482	5,474
Purchases of intangible fixed assets	(1,573)	(2,402)
Acquisitions of investment securities	(1,019)	(6,343)
Proceeds from acquisitions subsidiaries resulting in change in scope of consolidation	555	—
Disbursements for long-term loans	(14,451)	(19,233)
Proceeds from collection of long-term loans receivable	316	320
(Increase) decrease in short-term loans receivable, net	(2,519)	(2,594)
Other, net	8,726	6,518
Net cash provided by (used in) investing activities	(14,716)	(58,235)

	(Unit: ¥Million)	
	2 <sup>nd</sup> Quarter of FY2022 (From April 1, 2022 to September 30, 2022)	2 <sup>nd</sup> Quarter of FY2023 (From April 1, 2023 to September 30, 2023)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	81,027	55,167
Increase (decrease) in commercial paper, net	76,998	(53,985)
Proceeds from long-term loans payable	—	10,560
Repayments of long-term loans payable	(34,357)	(42,144)
Proceeds from issuance of bonds	20,000	—
Purchases of treasury stock	(15)	(32,151)
Proceeds from disposals of treasury stock	318	112
Cash dividends paid	(32,760)	(17,607)
Proceeds from share issuance to non-controlling shareholders	872	—
Cash dividends paid to non-controlling interests	(978)	(104)
Other, net	(1,355)	(4,170)
Net cash provided by (used in) financing activities	109,748	(84,325)
Effect of exchange rate change on cash and cash equivalents	230	3,227
Net increase (decrease) in cash and cash equivalents	(54,250)	67,607
Cash and cash equivalents at the beginning of period	139,030	103,079
Cash and cash equivalents at the end of period	84,779	170,687

#### (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

The Company's Board of Directors resolved on February 14, 2023 to repurchase up to 29,000,000 shares of treasury stock at a total cost of 60 billion yen. Based on this Board resolution, the Company had acquired 10,827,400 shares of treasury stock (acquisition cost of 31,406 million yen) up to the end of the second quarter of the current fiscal year. As a result of these acquisitions and other transactions, treasury stock increased by 32,038 million yen during the six months ended September 30, 2023, bringing treasury stock to 46,826 million yen at the end of the second quarter of the current fiscal year.

##### 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, 2023 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) Consolidated Segment Information

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	Recon- ciliation	Consoli- dated
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total				
Net sales:										
customers	3,814,092	362,998	245,577	89,805	300,322	4,812,796	1,292	4,814,088	—	4,814,088
Intersegment	22,708	21,126	12,418	2,460	2	58,716	1,103	59,820	(59,820)	—
Total	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 non- consolidated subsidiaries and affiliates, net	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 amounts 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 and that for investment in equity method 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 total of operating income (loss) and equity in earnings (losses) of nonconsolidated subsidiaries and affiliates in the consolidated 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 FY2023 (From April 1, 2023 to September 30, 2023)

a) Net sales and income or loss by reportable segment

(Unit: ¥Million)

	Reportable segment						Others	Total	Recon- ciliation	Consoli- dated
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total				
Net sales:										
customers	3,189,050	280,206	248,355	72,138	233,311	4,023,062	1,400	4,024,462	—	4,024,462
Intersegment	15,393	18,404	12,286	2,971	2	49,057	1,272	50,330	(50,330)	—
Total	3,204,443	298,610	260,642	75,109	233,313	4,072,120	2,672	4,074,792	(50,330)	4,024,462
Operating income (loss)	117,884	13,049	13,426	(777)	64,534	208,117	766	208,884	(5,963)	202,921
Equity in earnings (losses) of non- consolidated subsidiaries and affiliates, net	3,845	(1,026)	(75)	336	5,244	8,323	—	8,323	4	8,328
Segment income (loss)	121,729	12,023	13,350	(441)	69,778	216,441	766	217,207	(5,958)	211,249

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 amounts 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 and that for investment in equity method 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 total of operating income (loss) and equity in earnings (losses) of nonconsolidated subsidiaries and affiliates in the consolidated statement of income.

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

There is no significant item during the period.

## 5) Significant Subsequent Event

The Company entered into a sale and purchase agreement 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. on February 3, 2023. The transfer was carried out on August 31, 2023.

### 1. Reason for 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 Management 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 the 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 (March 2023) 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 transition to new businesses such as renewable energy, rare metals, hydrogen and ammonia, for which demand is expected to grow in the future.

## 2. 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: The impact on the financial results for the year ending March 31, 2024 is expected to be immaterial.

## 3. Overview of the Transferee

Sungela Pty. Ltd. (joint venture established by Thungela Resources Limited, Mayfair Corporations Group Pty. Ltd., and Audley Energy Limited in connection with this transfer)

Shareholdings - Thungela Resources Limited: 75.0%; Mayfair Corporations Group Pty. Ltd.: 12.5%; and Audley Energy Limited: 12.5%