November 14, 2019

Consolidated Financial Results for the Second Quarter of Fiscal Year 2019 (From April 1, 2019 to September 30, 2019) [Japan GAAP]

Company Name: **Idemitsu Kosan Co.,Ltd.** (URL http://www.idemitsu.com)
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Scheduled date of filing of quarterly securities report: November 14, 2019
Scheduled date of commencement of dividend payments: December 6, 2019
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 FY2019 (From April 1, 2019 to September 30, 2019)

(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 FY2019	3,000,031	41.9	60,301	(54.9)	53,062	(65.5)	45,347	(56.2)
2Q FY2018	2,113,973	24.5	133,696	55.2	153,761	71.8	103,464	80.5

Note: Comprehensive income 2Q FY2019 ¥34,537 million (62.0) % 2Q FY2018 ¥90,878 million 56.1%

	Net income per share	Diluted net income per share
	¥	¥
2Q FY2019	150.32	―
2Q FY2018	499.69	―

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥million	¥million	%
2Q FY2019	3,996,677	1,312,161	31.5
FY2018	2,890,307	878,931	29.1

Reference: Total equity 2Q FY2019 ¥1,260,017 million FY2018 ¥842,099 million

2. Dividends

	Cash dividends per share				
	As of Jun.30	As of Sep.30	As of Dec.31	As of Mar.31	Total
	¥	¥	¥	¥	¥
FY2018	―	50.00	―	50.00	100.00
FY2019	―	80.00			
FY2019 (Forecasts)			―	80.00	160.00

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

3. Forecasts of Consolidated Financial Results for FY2019 (From April 1, 2019 to March 31, 2020)

(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	%	¥
FY2019	6,100,000	37.8	165,000	(8.0)	150,000	(11.3)	100,000	22.8	332.53

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

The Company plans to acquire its treasury shares for a period up to March 24, 2020 with an upper limit of 4,800,000 shares. Net income per share above reflects the number of shares to be acquired in the weighted average number of shares outstanding during the period.

* Notes

(1) Changes of number of material consolidated subsidiaries during the six months ended September 30, 2019: **Yes**

Newly consolidated companies: 1 (Showa Shell Sekiyu K.K.)

(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: **Yes**

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, 2019: 301,925,518 As of March 31, 2019: 208,000,000

b) Number of shares of treasury stock

As of September 30, 2019: 596,446 As of March 31, 2019: 10,657,857

c) Weighted average number of shares outstanding during the period

Six months ended September 30, 2019: 301,663,873

Six months ended September 30, 2018: 207,055,549

*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 FY2019” of the Appendix.

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1. Qualitative Information on the Consolidated Operating Results for the Second Quarter of FY2019

(1) Explanation of Operating Results

The overall domestic demand for main petroleum products during the six months ended September 30, 2019 was almost at the same level as in the previous year.

Dubai crude oil prices had hovered around $70/bbl by the middle of May 2019, but the declining trend set in from late May in the wake of growing uncertainty in the global economy mainly on the back of the US-China confrontation. The average crude oil price from April to September 2019 was $64.3/bbl, a decrease of $8.9/bbl against the same period of the previous year.

The price for naphtha, a petrochemical raw material, dropped by $104/ton against the same period last year to $540/ton.

(Crude oil price, naphtha price and exchange rate)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Change	
Dubai Crude Oil ($/bbl)	73.2	64.3	(8.9)	(12.2)%
Naphtha ($/ton)	645	540	(104)	(16.2)%
Exchange Rate (¥/$)	110.3	108.6	(1.6)	(1.5)%

The Idemitsu Group's net sales for the six months ended September 30, 2019 were ¥3,000.0 billion, an increase of 41.9% compared with the same period of the preceding year, due mainly to the business integration through the share exchange that the Company and Showa Shell Sekiyu K.K. ("Showa Shell") conducted on April 1, 2019.

Operating income decreased by 54.9% against the same period of the previous year to ¥60.3 billion, due mainly to the effect of inventory valuation in the petroleum segment.

Net non-operating loss during the period totaled ¥7.2 billion, a decline of ¥27.3 billion from the same period of last year, owing primarily to decreased equity in earnings of nonconsolidated subsidiaries and affiliates. As a result, ordinary income was ¥53.1 billion, down 65.5% compared with the same period of last year.

Net extraordinary income was ¥15.8 billion, an increase of ¥13.6 billion from the same period of the previous year, owing primarily to gain from step acquisition of Showa Shell shares.

Income tax expenses, which consist of income taxes-current and income taxes-deferred, amounted to ¥21.3 billion, a decrease of ¥28.2 billion from the same period of the previous year, due mainly to a decrease of income before income taxes.

Net income attributable to owners of the parent decreased by 56.2% compared with the same period of fiscal 2018 to ¥45.3 billion.

[Reference]
Net sales and operating income decreased by 13.8% and 70.8%, respectively for the six months ended September 30, 2019 compared with pro forma net sales and operating income for the same period of the previous fiscal year assuming that the Company consolidated 100% of Showa Shell's operating results.

The performance of each business segment for the six months ended September 30, 2019 is as follows:

As described in "2. (4) 5) Consolidated Segment Information", as a result of the business integration with Showa Shell, effective from the first quarter of fiscal 2019, the Company's previous three reportable segments of "Petroleum products," "Petrochemical products" and "Resources" have been reclassified to the current five reportable segments of "Petroleum," "Basic chemicals," "Functional materials," "Power and renewable energy" and "Resources."

[Petroleum segment]

Net sales in the petroleum segment were ¥2,368.8 billion, up 52.8% compared to the same period of the previous fiscal year. Segment loss (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥5.5 billion, a decline of ¥74.9 billion year on year, primarily affected by the effect of inventory valuation.

[Reference]
Net sales and segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) decreased by 13.5% and ¥137.7 billion, respectively compared with pro forma net sales and segment income for the same period of the previous fiscal year assuming that the Company consolidated 100% of Showa Shell's operating results.

[Basic chemicals segment]

Net sales in the basic chemicals segment decreased by 2.0% year compared with the same period of the previous fiscal year to ¥234.3 billion, due largely to decreases in naphtha prices on a customs clearance basis. Segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥14.3 billion, down 24.6% year on year, mainly due to lower margins on styrene monomer and other products.

[Functional materials segment]

Net sales in the functional materials segment for the six months ended September 30, 2019 were ¥196.0 billion, up 14.2% from the same period of fiscal 2018. Segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥13.7 billion, down 16.7% from the same period of the prior year, due mainly to a decrease in equity in earnings of nonconsolidated subsidiaries and affiliates.

[Reference]
Net sales and segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) decreased by 9.2% and 24.9%, respectively compared with pro forma net sales and segment income for the same period of the previous fiscal year assuming that the Company consolidated 100% of Showa Shell's operating results.

[Power and renewable energy segment]

Net sales in the power and renewable energy segment for the six months ended September 30, 2019 were ¥64.3 billion, up 504.2% from the same period of fiscal 2018. Segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥0.4 billion, up 8.8% from the same period of the prior year.

[Reference]
Net sales decreased by 11.7% and segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) increased by 2.2% compared with pro forma net sales and segment income for the same period of the previous fiscal year assuming that the Company consolidated 100% of Showa Shell's operating results.

[Resources segment]

(Oil exploration and production and geothermal energy business)

Net sales of the oil exploration and production business and the geothermal energy business for the six months ended September 30, 2019 were ¥26.0 billion, down 22.6% from the corresponding period of the previous year, due mainly to the effect of reduced crude oil price. Segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥8.6 billion, down 40.7% from the same period of the preceding year.

(Coal business and others)

Net sales of the coal business and others for the six months ended September 30, 2019 were ¥109.6 billion, up 2.2% compared with the same period of last year. Segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥17.8 billion, down 21.1% compared with the same period of the preceding year, due mainly to a decline in coal price.

As a result, total net sales of the resources segment were ¥135.6 billion, down 3.7% and segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥26.4 billion, down 28.8% from the same period of the preceding year.

[Other segments]

Net sales of the other segments for the six months ended September 30, 2019 were ¥1.0 billion, down 25.2% and segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥0.2 billion, down 98.0% compared with the same period of the preceding year since the Company's share of Showa Shell's earnings is not included as part of equity in earnings (losses) of nonconsolidated subsidiaries and affiliates under other segments.

(2) Explanation of Financial Position

Summarized Consolidated Balance Sheets

(Unit: ¥Billion)

	FY2018	2nd Quarter of FY2019	Change
Current assets	1,225.4	1,701.0	+475.6
Fixed assets	1,664.9	2,295.6	+630.8
Total assets	2,890.3	3,996.7	+1,106.4
Current liabilities	1,195.8	1,653.4	+457.6
Non-current liabilities	815.6	1,031.1	+215.6
Total liabilities	2,011.4	2,684.5	+673.1
Total net assets	878.9	1,312.2	+433.2
Total liabilities and net assets	2,890.3	3,996.7	+1,106.4

1) Total assets

Total assets as of September 30, 2019 increased by ¥1,106.4 billion from the end of the previous fiscal year to ¥3,996.7 billion.

2) Total liabilities

Total liabilities as of September 30, 2019 increased by ¥673.1 billion from the end of the previous fiscal year to ¥2,684.5 billion.

3) Total net assets

Total net assets as of September 30, 2019 were ¥1,312.2 billion, an increase of ¥433.2 billion from the end of the preceding fiscal year, due mainly to an increase in capital surplus of ¥341.1 billion associated with the share exchange on April 1, 2019 and disposal of treasury stock.

Summarized Consolidated Statements of Cash Flows

(Unit: ¥Billion)

	2nd Quarter of FY2018	2nd Quarter of FY2019
Cash flows from operating activities	9.1	(53.1)
Cash flows from investing activities	(67.8)	(54.5)
Cash flows from financing activities	44.6	108.4
Effect of exchange rate change on cash and cash equivalents	(2.2)	(2.5)
Net increase (decrease) in cash and cash equivalents	(16.3)	(1.6)
Cash and cash equivalents at the beginning of period	86.8	90.7
Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	―	48.8
Cash and cash equivalents at the end of period	70.6	137.9

Cash and cash equivalents (“funds”) as of September 30, 2019 were ¥137.9 billion, an increase of ¥47.2 billion compared with the end of the preceding fiscal year. Major factors for this decrease are as follows:

(a) Cash flows from operating activities

Net cash used in operating activities amounted to ¥53.1 billion, due mainly to increased payments for taxes payable on oil products and others because of the holiday-effect at the end of the previous fiscal year, exceeding such factors as income before income taxes and depreciation and amortization.

(b) Cash flows from investing activities

Net cash used in investing activities amounted to ¥54.5 billion, mainly due to the acquisition of tangible fixed assets (¥45.5 billion) as part of capital investment such as maintenance/replacement investment in refinery facilities as well as investment in oil exploration and production/coal mining businesses.

(c) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥108.4 billion, due mainly to the increased fund procurement through short-term borrowings and commercial papers to meet the temporary demand for operating capital.

(3) Explanation of Forecasts of Consolidated Financial Results for FY2019

The Company has revised the forecasts of the consolidated financial results for the year ending March 31, 2020 released on May 15, 2019, given the actual business results for the six months ended September 30, 2019 and the latest forecasts. Please refer to the "Announcement on Revisions to Consolidated Earnings Forecasts for the Fiscal Year Ending March 2020" announced today for details of the forecasts.

2. Consolidated Financial Statements for the Second Quarter of FY2019 and Major Notes

(1) Consolidated Quarterly Balance Sheets

(Unit: ¥Million)

	FY2018 (As of March 31, 2019)	2nd Quarter of FY2019 (As of September 30, 2019)
Assets		
Current assets:		
Cash and deposits	91,850	140,626
Notes and accounts receivable, trade	453,316	601,486
Inventories	586,561	766,508
Other	94,801	194,625
Less: Allowance for doubtful accounts	(1,101)	(2,203)
Total current assets	1,225,427	1,701,044
Fixed assets:		
Property, plant and equipment:		
Machinery and equipment, net	182,800	257,647
Land	576,288	812,821
Other, net	232,939	366,668
Total property, plant and equipment	992,028	1,437,137
Intangible fixed assets:		
Goodwill	7,214	173,687
Other	17,536	163,122
Total intangible fixed assets	24,750	336,809
Investments and other assets:		
Investment securities	400,847	279,836
Other	247,948	242,625
Less: Allowance for doubtful accounts	(696)	(775)
Total investments and other assets	648,100	521,685
Total fixed assets	1,664,879	2,295,633
Total assets	2,890,307	3,996,677
Liabilities		
Current liabilities:		
Notes and accounts payable, trade	399,176	562,986
Short-term loans payable	154,715	359,316
Commercial paper	204,000	234,000
Current portion of bonds payable	10,000	―
Accounts payable, other	305,563	344,139
Income taxes payable	30,634	20,805
Provision for bonuses	8,169	9,984
Other	83,541	122,147
Total current liabilities	1,195,800	1,653,379
Non-current liabilities:		
Bonds payable	50,000	80,000
Long-term loans payable	531,168	542,144
Liability for employees' retirement benefits	11,996	77,457
Reserve for repair work	38,267	71,375
Asset retirement obligations	51,620	58,358
Other	132,522	201,800
Total non-current liabilities	815,575	1,031,136
Total liabilities	2,011,376	2,684,515

(Unit: ¥Million)

	FY2018 (As of March 31, 2019)	2nd Quarter of FY2019 (As of September 30, 2019)
Net assets		
Shareholders' equity:		
Common stock	168,351	168,351
Capital surplus	130,876	471,989
Retained earnings	466,750	502,063
Treasury stock	(56,022)	(2,029)
Total shareholders' equity	709,955	1,140,375
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	5,734	4,273
Deferred gains (losses) on hedging activities, net	(6,730)	(9,008)
Surplus from land revaluation	155,535	155,387
Foreign currency translation adjustments	(21,330)	(30,604)
Defined retirement benefit plans	(1,064)	(405)
Total accumulated other comprehensive income	132,144	119,642
Noncontrolling interests	36,831	52,144
Total net assets	878,931	1,312,161
Total liabilities and net assets	2,890,307	3,996,677

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

1) Consolidated Quarterly Statements of Income

(Unit: ¥Million)

	2nd Quarter of FY2018 (From April 1, 2018 to September 30, 2018)	2nd Quarter of FY2019 (From April 1, 2019 to September 30, 2019)
Net sales	2,113,973	3,000,031
Cost of sales	1,836,689	2,740,326
Gross profit	277,284	259,704
Selling, general and administrative expenses	143,587	199,403
Operating income	133,696	60,301
Non-operating income:		
Interest income	2,961	5,003
Dividend income	2,705	2,532
Gain on foreign exchange, net	―	1,676
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	18,830	―
Other	1,210	3,681
Total non-operating income	25,707	12,893
Non-operating expenses:		
Interest expense	4,272	6,422
Loss on foreign exchange, net	413	―
Equity in losses of nonconsolidated subsidiaries and affiliates, net	―	11,578
Other	957	2,130
Total non-operating expenses	5,643	20,132
Ordinary income	153,761	53,062
Extraordinary income:		
Gain on sales of fixed assets	1,381	1,967
Gain on sale of affiliate stock	187	―
Gain on dissolution of oil field premium contract	6,202	―
Gain from step acquisition	―	17,215
Other	34	2,048
Total extraordinary income	7,805	21,231
Extraordinary losses:		
Impairment loss on fixed assets	3,197	95
Loss on sales of fixed assets	127	29
Loss on disposals of fixed assets	550	4,206
Other	1,723	1,098
Total extraordinary losses	5,598	5,429
Income before income taxes	155,967	68,864
Income taxes	49,458	21,261
Net income	106,509	47,603
Net income attributable to noncontrolling interests	3,045	2,255
Net income attributable to owners of the parent	103,464	45,347

2) Consolidated Quarterly Statements of Comprehensive Income

(Unit: ¥Million)

	2nd Quarter of FY2018 (From April 1, 2018 to September 30, 2018)	2nd Quarter of FY2019 (From April 1, 2019 to September 30, 2019)
Net income	106,509	47,603
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(731)	(1,537)
Deferred gains on hedging activities, net	(1,448)	(222)
Foreign currency translation adjustments	(12,747)	(8,353)
Defined retirement benefit plans	277	(138)
Share of other comprehensive income in equity method affiliates	(980)	(2,815)
Total other comprehensive income	(15,630)	(13,066)
Comprehensive income	90,878	34,537
Comprehensive income attributable to:		
Owners of the parent	87,898	32,993
Noncontrolling interests	2,980	1,543

(3) Consolidated Quarterly Statements of Cash Flows

(Unit: ¥Million)

	2nd Quarter of FY2018 (From April 1, 2018 to September 30, 2018)	2nd Quarter of FY2019 (From April 1, 2019 to September 30, 2019)
Cash flows from operating activities:		
Income before income taxes	155,967	68,864
Depreciation and amortization	31,242	47,701
Impairment loss on fixed assets	3,197	95
Amortization of goodwill	535	4,843
Gain from step acquisition	―	(17,215)
Increase (decrease) in liability for employees' retirement benefits	(1,661)	(21,121)
Increase (decrease) in reserve for repair work	7,043	13,377
Interest and dividend income	(5,667)	(7,536)
Interest expense	4,272	6,422
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates, net	(18,830)	11,578
(Gain) loss on sales of fixed assets, net	(1,253)	(1,937)
(Increase) decrease in notes and accounts receivable, trade	15,636	102,289
(Increase) decrease in inventories	(99,532)	67,761
Increase (decrease) in notes and accounts payable, trade	(11,885)	(121,395)
Increase (decrease) in accounts payable, other	(21,698)	(93,703)
(Increase) decrease in accounts receivable, other	(1,854)	(29,804)
Other, net	(29,021)	(47,215)
Subtotal	26,490	(16,995)
Interest and dividends received	9,925	6,775
Interest paid	(4,224)	(6,488)
Income taxes paid	(23,055)	(36,377)
Net cash provided by (used in) operating activities	9,134	(53,085)
Cash flows from investing activities:		
Purchases of tangible fixed assets	(45,255)	(45,512)
Proceeds from sales of tangible fixed assets	1,503	2,686
Purchases of intangible fixed assets	(1,574)	(4,549)
Acquisitions of investment securities	(4)	(1,201)
Payments for acquisitions of shares of subsidiaries resulting in change in scope of consolidation	(3,127)	―
Disbursements for long-term loans	(10,306)	(61)
Proceeds from collection of long-term loans receivable	200	424
(Increase) decrease in short-term loans receivable, net	(805)	616
Other, net	(8,431)	(6,865)
Net cash provided by (used in) investing activities	(67,800)	(54,462)

(Unit: ¥Million)

	2nd Quarter of FY2018 (From April 1, 2018 to September 30, 2018)	2nd Quarter of FY2019 (From April 1, 2019 to September 30, 2019)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	68,894	126,857
Increase (decrease) in commercial paper, net	33,998	29,999
Proceeds from long-term loans payable	―	11,704
Repayments of long-term loans payable	(13,754)	(32,521)
Proceeds from issuance of bonds	20,000	30,000
Redemption of bonds	(25,000)	(20,000)
Purchases of treasury stock	(27,969)	(1,142)
Proceeds from disposals of treasury stock	0	2
Cash dividends paid	(8,318)	(9,875)
Cash dividends paid to noncontrolling interests	(2,492)	(2,513)
Cash dividends paid to previous shareholders of newly consolidated subsidiaries	―	(21,646)
Other, net	(783)	(2,443)
Net cash provided by (used in) financing activities	44,574	108,421
Effect of exchange rate change on cash and cash equivalents	(2,172)	(2,451)
Net increase (decrease) in cash and cash equivalents	(16,263)	(1,578)
Cash and cash equivalents at the beginning of period	86,836	90,690
Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	―	48,793
Cash and cash equivalents at the end of period	70,572	137,905

(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

On April 1, 2019, the Company and Showa Shell conducted the share exchange in which the Company became a wholly owning parent company and Showa Shell became a wholly owned subsidiary. As a result, capital surplus increased by ¥341,115 million and treasury stock decreased by ¥55,127 million.

3) Change in Accounting Policies

(a) Change in valuation method of available-for-sale securities with fair value

The Company previously used the average market price for the month that includes the reporting date when applying the fair value method to measure its equity instruments classified as available-for-sale securities. Effective April 1, 2019, the Company made change to the fair value method and implemented the use of the market price at each reporting date, which is the required method in principle when applying the fair value method.

This change was made to provide more relevant information regarding the Company's financial position upon the business integration with Showa Shell. Since the effect from this accounting policy change was not material, the new accounting policy was not applied retrospectively.

(b) Application of IFRS 16 "Leases"

Effective April 1, 2019, most non-US overseas subsidiaries of the Idemitsu Group adopted IFRS 16 "Leases." As a result, lessees under lease agreements recognize the assets and liabilities arising from all leases on the balance sheet in principle. The application of this accounting standard did not have material effect on the financial statements.

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

Income taxes are calculated by multiplying the income before income taxes for the six months ended September 30, 2019 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.

5) Consolidated Segment Information

Second Quarter of FY2018 (From April 1, 2018 to September 30, 2018)

(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	1,550,396	239,114	171,653	10,647	140,886	2,112,697	1,276	2,113,973	−	2,113,973
Inter-segment	7,524	7,681	9,335	331	433	25,305	806	26,112	(26,112)	−
Total sales	1,557,920	246,795	180,989	10,978	141,319	2,138,003	2,082	2,140,086	(26,112)	2,113,973
Operating income	69,627	17,400	11,517	374	36,131	135,051	165	135,216	(1,519)	133,696
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(300)	1,513	4,934	36	1,001	7,184	12,406	19,590	(760)	18,830
Segment income	69,326	18,913	16,451	410	37,132	142,236	12,571	154,807	(2,280)	152,527

Notes:

1. The segment “Others” refers to the total of other business segments that are not included in the reportable segments, including Showa Shell Sekiyu K.K., insurance businesses and intra-group service businesses.
2. The amount of reconciliation for the segment income mainly represents research and development costs, which do not belong to reportable segments.
3. The segment income of the reportable segments is reconciled to the amount of operating income and equity in earnings (losses) 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 FY2019 (From April 1, 2019 to September 30, 2019)

(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	2,368,827	234,256	196,041	64,334	135,617	2,999,077	954	3,000,031	—	3,000,031
Inter-segment	14,258	13,039	11,370	2,639	439	41,747	456	42,204	(42,204)	—
Total sales	2,383,086	247,295	207,411	66,973	136,057	3,040,824	1,411	3,042,235	(42,204)	3,000,031
Operating income	9,358	13,398	12,934	477	26,018	62,187	248	62,435	(2,134)	60,301
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(14,892)	861	764	(30)	426	(12,870)	—	(12,870)	1,291	(11,578)
Segment income (loss)	(5,533)	14,259	13,699	446	26,445	49,317	248	49,565	(843)	48,722

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 segment income mainly represents research and development costs, which do not belong to reportable segments.
3. The segment income (loss) of the reportable segments is reconciled to the amount of operating income and equity in earnings (losses) of nonconsolidated subsidiaries and affiliates in the consolidated quarterly statement of income.

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

(Significant change in goodwill)

As a result of acquiring all shares of Showa Shell on April 1, 2019, the amount of goodwill increased by ¥128,551 million and ¥42,850 million in the "Petroleum" segment and the "Power and renewable energy" segment, respectively on the same day.

(c) Matters related to changes in reportable segments etc.

As a result of the business integration with Showa Shell, effective from the first quarter of fiscal 2019, the Company's previous three reportable segments of "Petroleum products," "Petrochemical products" and "Resources" have been reclassified to the current five reportable segments of "Petroleum," "Basic chemicals," "Functional materials," "Power and renewable energy" and "Resources."

Major businesses in each segment are shown in the following table.

Reportable segment	Major businesses
Petroleum	Production, sales, import/export, trading, etc. of refined petroleum products
Basic chemicals	Production, sales, etc. of olefin/aroma products
Functional materials	Lubricants, performance chemicals, electronic materials, high functional asphalt, agricultural biotechnology products business, etc.
Power and renewable energy	Power generation (thermal power, solar power, wind power, etc.), sales of electricity and solar cell business
Resources	Exploration, development, production and sales of crude oil and other energy resources such as coals

Segment information for the previous period has been reclassified and disclosed to conform to the segmentation adopted during the current fiscal year.

(d) Significant changes in segment assets

Primarily due to the business integration with Showa Shell, the total assets of the Idemitsu Group increased by ¥1,106,369 million from the end of the previous fiscal year to ¥3,996,677 million. The increase is mainly in the “Petroleum” segment.

6) Significant Subsequent Events

None