November 10, 2020

Consolidated Financial Results for the Second Quarter of Fiscal Year 2020 (From April 1, 2020 to September 30, 2020) [Japan GAAP]

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Scheduled date of filing of quarterly securities report: November 11, 2020
Scheduled date of commencement of dividend payments: December 7, 2020
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 FY2020 (From April 1, 2020 to September 30, 2020)

(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 FY2020	2,015,717	(32.8)	3,129	(94.8)	(25,823)	―	(32,115)	―
2Q FY2019	3,000,031	41.9	60,301	(54.9)	53,062	(65.5)	45,347	(56.2)

Note: Comprehensive income 2Q FY2020 ¥ (36,795) million (―) % 2Q FY2019 ¥34,537 million (62.0) %

	Net income per share	Diluted net income per share
	¥	¥
2Q FY2020	(108.04)	―
2Q FY2019	150.32	―

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥million	¥million	%
2Q FY2020	3,714,496	1,138,143	29.3
FY2019	3,886,938	1,200,564	29.6

Reference: Total equity 2Q FY2020 ¥1,090,103 million FY2019 ¥1,150,009 million

2. Dividends

	Cash dividends per share				
	As of Jun.30	As of Sep.30	As of Dec.31	As of Mar.31	Total
	¥	¥	¥	¥	¥
FY2019	―	80.00	―	80.00	160.00
FY2020	―	60.00			
FY2020 (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 FY2020 (From April 1, 2020 to March 31, 2021)

(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	%	¥
FY2020	4,300,000	(28.9)	35,000	―	(2,000)	―	(20,000)	―	(67.28)

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

* Notes

(1) Changes of number of material consolidated subsidiaries during the six months ended September 30, 2020: **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

a) Changes in accounting policies arising from revision of accounting standards: **None**

b) Changes arising from other factors: **None**

c) Changes in accounting estimates: **None**

d) Restatement: **None**

(4) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

As of September 30, 2020: 297,864,718 As of March 31, 2020: 297,864,718

b) Number of shares of treasury stock

As of September 30, 2020: 589,878 As of March 31, 2020: 603,227

c) Weighted average number of shares outstanding during the period

Six months ended September 30, 2020: 297,266,948

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

*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 FY2020” of the Appendix.

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1. Qualitative Information on the Consolidated Operating Results for the Second Quarter of FY2020

(1) Explanation of Operating Results

The overall domestic demand for main petroleum products, particularly those for automobiles and airplanes, during the six months ended September 30, 2020, declined significantly due to the impact of COVID-19.

Dubai crude oil prices had remained on a downward trend since early spring owing to concerns about worldwide economic downturns brought about by the spread of COVID-19. The oil prices started to improve as economic activities began to gradually resume in major countries after the end of April and remained steady until August, but turned to a decline in September due mainly to the resurgence of COVID-19. Consequently, the average price of Dubai crude oil from April to September 2020 was $36.7/bbl, a decrease of $27.5/bbl against the same period of the previous year.

(Crude oil price and exchange rate)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Change	
Dubai Crude Oil ($/bbl)	64.3	36.7	(27.5)	(42.8)%
Exchange Rate (¥/$)	108.6	106.9	(1.7)	(1.6)%

The Idemitsu Group's net sales for the six months ended September 30, 2020 were ¥2,015.7 billion, a decrease of 32.8% compared with the same period of the preceding year, due mainly to the decline of crude oil prices.

Operating income decreased by 94.8% against the same period of the previous year to ¥3.1 billion, due mainly to the effect of inventory valuation and the decrease in the quantity of sales in the petroleum segment.

Net non-operating income was a total loss of ¥29.0 billion, a drop in profit of ¥21.7 billion from the same period of last year, owing primarily to increased equity in net losses of nonconsolidated subsidiaries and affiliates. As a result, ordinary loss was ¥25.8 billion, representing a drop in profit of ¥78.9 billion compared with the same period of last year.

Net extraordinary income was a total loss of ¥7.2 billion, which was a drop in profit of ¥23.0 billion from the same period of the previous year, owing primarily to the occurrence of loss at an overseas subsidiary and loss on valuation of investment securities.

Income tax expenses, which consist of income taxes-current and income taxes-deferred, amounted to a credit of ¥2.2 billion, a decrease in expenses of ¥23.4 billion from the same period of the previous year, due to a decrease in income before income taxes.

Consequently, net loss attributable to owners of the parent was ¥32.1 billion, a drop in profit of ¥77.5 billion compared with the same period of last year.

The performance of each business segment for the six months ended September 30, 2020 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, 2020, and those of domestic subsidiaries for the six months ended September 30, 2020.

Net sales by segment

(Unit: ¥Billion)

Segment	2nd Quarter of FY2019	2nd Quarter of FY2020	Change	
			Amount	%
Petroleum	2,368.8	1,570.7	(798.2)	(33.7) %
Basic chemicals	234.3	144.0	(90.3)	(38.5) %
Functional materials	196.0	155.4	(40.7)	(20.7) %
Power and renewable energy	64.3	62.2	(2.2)	(3.4) %
Resources	135.6	82.3	(53.3)	(39.3) %
Other	1.0	1.2	+0.3	+26.4 %
Total	3,000.0	2,015.7	(984.3)	(32.8) %

Segment income or loss

(Unit: ¥Billion)

	2nd Quarter of FY2019	2nd Quarter of FY2020	Change	
			Amount	%
Petroleum	(5.5)	(30.3)	(24.8)	—
: excluding effect of inventory valuation	*15.4*	*27.3*	*+11.9*	*+77.3 %*
Basic chemicals	14.3	(2.0)	(16.3)	—
Functional materials	13.7	6.2	(7.5)	(54.8) %
Power and renewable energy	0.4	(0.5)	(0.9)	—
Resources	26.4	3.6	(22.8)	(86.3) %
Other	0.2	0.5	+0.3	+113.8 %
Reconciliation	(0.8)	(2.6)	(1.8)	—
Total	48.7	(25.1)	(73.9)	—
: excluding effect of inventory valuation	*69.7*	*32.6*	*(37.1)*	*(53.3) %*

[Petroleum segment]

Net sales in the petroleum segment decreased by 33.7% against the same period of the previous year to ¥1,570.7 billion due mainly to the decline of crude oil prices as well as the decrease in the overall quantity of sales affected by the spread of COVID-19. Segment loss was ¥30.3 billion, a drop in profit of ¥24.8 billion compared with the same period of the previous year, because factors contributing to increased profit such as higher margins and the decrease in fuel costs for refining were more than offset by factors negative to profit mainly consisting of the increased effect of inventory valuation and the decreased quantity of sales.

[Basic chemicals segment]

Net sales in the basic chemicals segment decreased by 38.5% compared with the same period of the previous year to ¥144.0 billion, due largely to decreases in naphtha prices on a customs clearance basis. Segment loss was ¥2.0 billion, a drop in profit of ¥16.3 billion from the same period of the previous year, mainly due to lower margins on styrene monomer, paraxylene and other products.

[Functional materials segment]

Net sales in the functional materials segment were ¥155.4 billion, down 20.7% from the same period of the previous year. Segment income was ¥6.2 billion, down 54.8% from the same period of the previous year, mainly due to a decrease in the quantity of sales in the lubricant business.

[Power and renewable energy segment]

Net sales in the power and renewable energy segment were ¥62.2 billion, down 3.4% from the same period of the previous year. Segment loss was ¥0.5 billion, a drop in profit of ¥0.9 billion from the same period of the previous year, primarily due to decreases in the quantity of sales and sales price of products in the solar business.

[Resources segment]

(Oil exploration and production business and geothermal energy business)

Net sales in the oil exploration and production business and the geothermal energy business were ¥12.3 billion, down 52.9% from the corresponding period of the previous year, due mainly to lower crude oil prices and the decreased quantity of sales which resulted from delayed shipments. Segment income was ¥2.5 billion, down 71.3% from the same period of the preceding year.

(Coal business and others)

Net sales in the coal business and others were ¥70.1 billion, down 36.1% compared with the same period of last year. Segment income was ¥1.1 billion, down 93.6% compared with the same period of the preceding year, due mainly to the decline in coal prices.

As a result, total net sales of the resources segment were ¥82.3 billion, down 39.3%, and segment income was ¥3.6 billion, down 86.3% from the same period of the preceding year.

[Other segments]

Net sales in the other segments were ¥1.2 billion, up 26.4% and segment income was ¥0.5 billion, up 113.8% compared with the same period of the preceding year.

(2) Explanation of Financial Position

Summarized Consolidated Balance Sheets

(Unit: ¥Billion)

	FY2019	2nd Quarter of FY2020	Change
Current assets	1,550.3	1,379.5	(170.8)
Fixed assets	2,336.6	2,335.0	(1.6)
Total assets	3,886.9	3,714.5	(172.4)
Current liabilities	1,648.4	1,531.7	(116.7)
Non-current liabilities	1,038.0	1,044.6	+6.7
Total liabilities	2,686.4	2,576.4	(110.0)
Total net assets	1,200.6	1,138.1	(62.4)
Total liabilities and net assets	3,886.9	3,714.5	(172.4)

1) Total assets

Total assets decreased by ¥172.4 billion from the end of the previous fiscal year to ¥3,714.5 billion, owing primarily to decreases in accounts receivable, trade and inventories caused mainly by the decline of crude oil prices.

2) Total liabilities

Total liabilities decreased by ¥110.0 billion from the end of the previous fiscal year to ¥2,576.4 billion, due mainly to the decreases in accounts payable, trade caused primarily by the decline of crude oil prices.

3) Total net assets

Total net assets were ¥1,138.1 billion, a decrease of ¥62.4 billion from the end of the previous fiscal year, due mainly to recording net loss attributable to owners of the parent of ¥32.1 billion and the dividends payment of ¥23.8 billion.

As a result, the shareholders' equity ratio declined by 0.2 points to 29.3% from 29.6% at the end of the previous fiscal year.

Summarized Consolidated Statements of Cash Flows

(Unit: ¥Billion)

	2nd Quarter of FY2019	2nd Quarter of FY2020
Cash flows from operating activities	(53.1)	48.3
Cash flows from investing activities	(54.5)	(91.7)
Cash flows from financing activities	108.4	21.9
Effect of exchange rate change on cash and cash equivalents	(2.5)	(5.0)
Net increase (decrease) in cash and cash equivalents	(1.6)	(26.5)
Cash and cash equivalents at the beginning of period	90.7	129.3
Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	48.8	—
Cash and cash equivalents at the end of period	137.9	102.8

Cash and cash equivalents ("funds") as of September 30, 2020 were ¥102.8 billion, a decrease of ¥26.5 billion compared with the end of the preceding fiscal year. Major factors for this decrease are as follows:

(a) Cash flows from operating activities

Despite the loss before income taxes, net cash provided by operating activities amounted to ¥48.3 billion, due to factors contributing to increased funds, such as depreciation and amortization as well as a decline in working capital caused by the decline of crude oil import prices.

(b) Cash flows from investing activities

Net cash used in investing activities amounted to ¥91.7 billion, mainly due to the acquisition of tangible fixed assets (¥70.4 billion) as part of capital investment such as maintenance/replacement investment in refinery facilities as well as investment in mega solar power generation business in the United States.

(c) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥21.9 billion, due mainly to increased fund procurement through short-term borrowing to meet the demand for operating capital.

(3) Explanation of Forecasts of Consolidated Financial Results for FY2020

The Company has revised its forecasts of the consolidated financial results for the year ending March 31, 2021, released on May 26, 2020, given the actual business results for the six months ended September 30, 2020, and the latest forecasts. Please refer to the "Announcement on Revisions to Consolidated Earnings Forecasts for the Fiscal Year Ending March 2021" announced today for details of the forecasts.

2. Consolidated Financial Statements for the Second Quarter of FY2020 and Major Notes

(1) Consolidated Quarterly Balance Sheets

(Unit: ¥Million)

	FY2019 (As of March 31, 2020)	2nd Quarter of FY2020 (As of September 30, 2020)
Assets		
Current assets:		
Cash and deposits	132,247	105,011
Notes and accounts receivable, trade	593,730	444,429
Inventories	622,895	588,089
Other	203,186	243,185
Less: Allowance for doubtful accounts	(1,770)	(1,219)
Total current assets	1,550,288	1,379,496
Fixed assets:		
Property, plant and equipment:		
Machinery and equipment, net	267,954	263,433
Land	811,627	810,271
Other, net	398,540	417,011
Total property, plant and equipment	1,478,122	1,490,716
Intangible fixed assets:		
Goodwill	167,104	163,764
Other	165,003	162,585
Total intangible fixed assets	332,108	326,350
Investments and other assets:		
Investment securities	244,007	222,358
Other	284,127	297,580
Less: Allowance for doubtful accounts	(1,715)	(2,004)
Total investments and other assets	526,418	517,933
Total fixed assets	2,336,649	2,335,000
Total assets	3,886,938	3,714,496
Liabilities		
Current liabilities:		
Notes and accounts payable, trade	475,664	387,965
Short-term loans payable	339,600	438,351
Commercial paper	315,965	243,000
Current portion of bonds payable	—	20,000
Accounts payable, other	343,611	298,514
Income taxes payable	11,564	9,714
Provision for bonuses	9,912	9,363
Other	152,099	124,794
Total current liabilities	1,648,420	1,531,703
Non-current liabilities:		
Bonds payable	80,000	100,000
Long-term loans payable	568,133	550,688
Liability for employees' retirement benefits	67,542	64,602
Reserve for repair work	64,138	83,811
Asset retirement obligations	62,130	60,250
Other	196,008	185,297
Total non-current liabilities	1,037,953	1,044,649
Total liabilities	2,686,374	2,576,353

(Unit: ¥Million)

	FY2019 (As of March 31, 2020)	2nd Quarter of FY2020 (As of September 30, 2020)
Net assets		
Shareholders' equity:		
Common stock	168,351	168,351
Capital surplus	461,636	461,636
Retained earnings	408,064	351,997
Treasury stock	(2,042)	(1,993)
Total shareholders' equity	1,036,010	979,992
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	1,524	3,381
Deferred gains (losses) on hedging activities, net	(7,667)	(6,071)
Surplus from land revaluation	157,834	157,957
Foreign currency translation adjustments	(34,370)	(42,134)
Defined retirement benefit plans	(3,321)	(3,022)
Total accumulated other comprehensive income	113,999	110,111
Noncontrolling interests	50,555	48,040
Total net assets	1,200,564	1,138,143
Total liabilities and net assets	3,886,938	3,714,496

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

1) Consolidated Quarterly Statements of Income

(Unit: ¥Million)

	2nd Quarter of FY2019 (From April 1, 2019 to September 30, 2019)	2nd Quarter of FY2020 (From April 1, 2020 to September 30, 2020)
Net sales	3,000,031	2,015,717
Cost of sales	2,740,326	1,818,813
Gross profit	259,704	196,903
Selling, general and administrative expenses	199,403	193,774
Operating income	60,301	3,129
Non-operating income:		
Interest income	5,003	5,178
Dividend income	2,532	1,912
Gain on foreign exchange, net	1,676	―
Other	3,681	3,055
Total non-operating income	12,893	10,146
Non-operating expenses:		
Interest expense	6,422	6,272
Equity in losses of nonconsolidated subsidiaries and affiliates, net	11,578	28,264
Loss on foreign exchange, net	―	2,562
Other	2,130	1,999
Total non-operating expenses	20,132	39,099
Ordinary income (loss)	53,062	(25,823)
Extraordinary income:		
Gain on sales of fixed assets	1,967	1,325
Gain from step acquisition	17,215	―
Gain on reversal of restoration cost	―	549
Other	2,048	591
Total extraordinary income	21,231	2,465
Extraordinary losses:		
Impairment loss on fixed assets	95	0
Loss on sales of fixed assets	29	252
Loss on disposals of fixed assets	4,206	2,053
Loss on valuation of investment securities	―	3,080
Loss from money transfer scam at foreign subsidiary	―	3,814
Other	1,098	505
Total extraordinary losses	5,429	9,707
Income (loss) before income taxes	68,864	(33,064)
Income taxes	21,261	(2,186)
Net income (loss)	47,603	(30,878)
Net income attributable to noncontrolling interests	2,255	1,237
Net income (loss) attributable to owners of the parent	45,347	(32,115)

2) Consolidated Quarterly Statements of Comprehensive Income

(Unit: ¥Million)

	2nd Quarter of FY2019 (From April 1, 2019 to September 30, 2019)	2nd Quarter of FY2020 (From April 1, 2020 to September 30, 2020)
Net income (loss)	47,603	(30,878)
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(1,537)	1,807
Deferred gains on hedging activities, net	(222)	2,049
Foreign currency translation adjustments	(8,353)	(9,274)
Defined retirement benefit plans	(138)	346
Share of other comprehensive income in equity method affiliates	(2,815)	(847)
Total other comprehensive income	(13,066)	(5,917)
Comprehensive income	34,537	(36,795)
Comprehensive income attributable to:		
Owners of the parent	32,993	(36,127)
Noncontrolling interests	1,543	(668)

(3) Consolidated Quarterly Statements of Cash Flows

(Unit: ¥Million)

	2nd Quarter of FY2019 (From April 1, 2019 to September 30, 2019)	2nd Quarter of FY2020 (From April 1, 2020 to September 30, 2020)
Cash flows from operating activities:		
Income (loss) before income taxes	68,864	(33,064)
Depreciation and amortization	47,701	47,710
Impairment loss on fixed assets	95	0
Amortization of goodwill	4,843	4,788
Gain from step acquisition	(17,215)	―
Increase (decrease) in liability for employees' retirement benefits	(21,121)	(3,781)
Increase (decrease) in reserve for repair work	13,377	19,672
Interest and dividend income	(7,536)	(7,090)
Interest expense	6,422	6,272
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates, net	11,578	28,264
(Gain) loss on sales of fixed assets, net	(1,937)	(1,073)
(Gain) loss on valuation of investment securities, net	―	3,080
(Increase) decrease in notes and accounts receivable, trade	102,289	146,242
(Increase) decrease in inventories	67,761	32,542
Increase (decrease) in notes and accounts payable, trade	(121,395)	(84,730)
Increase (decrease) in accounts payable, other	(93,703)	(32,816)
(Increase) decrease in accounts receivable, other	(29,804)	(20,458)
Other, net	(47,215)	(57,086)
Subtotal	(16,995)	48,473
Interest and dividends received	6,775	7,723
Interest paid	(6,488)	(5,884)
Income taxes paid	(36,377)	(2,017)
Net cash provided by (used in) operating activities	(53,085)	48,294
Cash flows from investing activities:		
Purchases of tangible fixed assets	(45,512)	(70,418)
Proceeds from sales of tangible fixed assets	2,686	2,355
Purchases of intangible fixed assets	(4,549)	(5,386)
Acquisitions of investment securities	(1,201)	(2,081)
Disbursements for long-term loans	(61)	(7)
Proceeds from collection of long-term loans receivable	424	290
(Increase) decrease in short-term loans receivable, net	616	(846)
Other, net	(6,865)	(15,617)
Net cash provided by (used in) investing activities	(54,462)	(91,712)

(Unit: ¥Million)

	2nd Quarter of FY2019 (From April 1, 2019 to September 30, 2019)	2nd Quarter of FY2020 (From April 1, 2020 to September 30, 2020)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	126,857	114,264
Increase (decrease) in commercial paper, net	29,999	(72,965)
Proceeds from long-term loans payable	11,704	18,746
Repayments of long-term loans payable	(32,521)	(48,601)
Proceeds from issuance of bonds	30,000	40,000
Redemption of bonds	(20,000)	―
Purchases of treasury stock	(1,142)	(8)
Proceeds from disposals of treasury stock	2	57
Cash dividends paid	(9,875)	(23,827)
Cash dividends paid to noncontrolling interests	(2,513)	(1,846)
Cash dividends paid to previous shareholders of newly consolidated subsidiaries	(21,646)	―
Other, net	(2,443)	(3,926)
Net cash provided by (used in) financing activities	108,421	21,891
Effect of exchange rate change on cash and cash equivalents	(2,451)	(4,981)
Net increase (decrease) in cash and cash equivalents	(1,578)	(26,507)
Cash and cash equivalents at the beginning of period	90,690	129,335
Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	48,793	―
Cash and cash equivalents at the end of period	137,905	102,828

(4) Notes to the Consolidated Quarterly Financial Statements

1) Notes on the Assumption of a Going Concern

None

2) Notes on Significant Changes in Shareholders' Equity

None

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

Income taxes are calculated by multiplying the income before income taxes for the six months ended September 30, 2020 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) Additional Information

(Accounting Estimates)

When the consolidated financial statements of the previous fiscal year were prepared, the Group's estimates and assumptions were based on the presumption that the impact of COVID-19 would subside about one year after the end of the previous fiscal year. During the six months ended September 30, 2020, the Company did not make a significant change in this presumption.

5) Consolidated Segment Information

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 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 represent those related to equity method nonconsolidated subsidiaries and affiliates, which do not belong to reportable segments.
4. The segment income (loss) of the reportable segments is reconciled to the amount of operating income and equity in 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.

(c) 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.

Second Quarter of FY2020 (From April 1, 2020 to September 30, 2020)

(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	1,570,665	143,961	155,390	62,174	82,319	2,014,511	1,206	2,015,717	–	2,015,717
Inter-segment	8,241	9,557	8,395	690	401	27,286	549	27,835	(27,835)	–
Total sales	1,578,906	153,518	163,786	62,864	82,721	2,041,797	1,755	2,043,553	(27,835)	2,015,717
Operating income (loss)	(1,557)	(2,444)	6,516	(316)	2,971	5,168	530	5,699	(2,569)	3,129
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(28,788)	409	(328)	(163)	652	(28,218)	–	(28,218)	(45)	(28,264)
Segment income (loss)	(30,345)	(2,035)	6,187	(480)	3,623	(23,050)	530	(22,519)	(2,615)	(25,135)

Notes:

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

6) Significant Subsequent Events

In accordance with the resolution at the Company's board meeting held on October 20, 2020, Idemitsu Petroleum Norge AS, a Norwegian subsidiary of Idemitsu Snorre Oil Development Co., Ltd., which is in turn a consolidated subsidiary of the Company, entered into an agreement with Lundin Energy Norway AS to sell some portions of its participating interests in production licenses in the Barents Sea, Norway. A cash consideration of 125 million USD is to be paid on completion of the transaction.

Since the date of the execution of this transaction is dependent on Norwegian authority approvals, the date is unknown to the Company at this point. Therefore, the Company has not been able to determine the impact from this transaction on its financial results for the current fiscal year.