February 9, 2021

Consolidated Financial Results for the Third Quarter of Fiscal Year 2020 (From April 1, 2020 to December 31, 2020) [Japan GAAP]

Company Name: **Idemitsu Kosan Co.,Ltd.** (URL http://www.idemitsu.com)
Company Code: 5019, Shares listed on: Tokyo Stock Exchange
Name of Representative: Shunichi Kito, Representative Director & Chief Executive Officer
Contact Person: Munehiro Sekine, General Manager, Investor Relations Office, Finance Department
Telephone: +81-3-3213-9307
Scheduled date of filing of quarterly securities report: February 10, 2021
Scheduled date of commencement of dividend payments: ―
Supplementary materials for the quarterly financial results: Yes
Quarterly financial results presentation: Yes (for institutional investors and analysts)

(Figures less than ¥1 million are rounded off)

1. Consolidated Financial Results for the Third Quarter of FY2020 (From April 1, 2020 to December 31, 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	%
3Q FY2020	3,211,318	(29.6)	49,343	(54.4)	14,558	(84.1)	(7,516)	―
3Q FY2019	4,560,673	36.5	108,190	(24.5)	91,399	(42.6)	64,927	(36.2)

Note: Comprehensive income 3Q FY2020 ¥ (5,129) million (-)% 3Q FY2019 ¥48,219 million (49.1)%

	Net income per share	Diluted net income per share
	¥	¥
3Q FY2020	(25.29)	―
3Q FY2019	215.41	―

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥million	¥million	%
3Q FY2020	3,871,164	1,153,778	28.4
FY2019	3,886,938	1,200,564	29.6

Reference: Total equity 3Q FY2020 ¥1,101,134 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	4,500,000	(25.6)	95,000	-	57,000	-	15,000	-	50.46

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 nine months ended December 31, 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 December 31, 2020: 297,864,718 As of March 31, 2020: 297,864,718

b) Number of shares of treasury stock

As of December 31, 2020: 592,838 As of March 31, 2020: 603,227

c) Weighted average number of shares outstanding during the period

Nine months ended December 31, 2020: 297,269,269

Nine months ended December 31, 2019: 301,410,566

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

*2 The financial forecasts above are based on information available and assumptions as of the date of publication of this document. Actual operating results may differ from the forecasts due to various factors. Additionally, for the assumptions used for the forecasts of the above, please refer to page 5 “Explanation of Forecasts of Consolidated Financial Results for FY2020” of the Appendix.

Contents of the Appendix

1. Qualitative Information on the Consolidated Operating Results for the Third Quarter of FY2020……. 2

(1) Explanation of Operating Results.……... 2

(2) Explanation of Financial Position…… 5

(3) Explanation of Forecasts of Consolidated Financial Results for FY2020 ……... 5

2. Consolidated Financial Statements for the Third Quarter of FY2020 and Major Notes……..……. 6

(1) Consolidated Quarterly Balance Sheets …….. 6

(2) Consolidated Quarterly Statements of Income and Comprehensive Income …….. 8

1) Consolidated Quarterly Statements of Income …… 8

2) Consolidated Quarterly Statements of Comprehensive Income …… 9

(3) Notes to the Consolidated Quarterly Financial Statements…….…. 10

1) Notes on the Assumption of a Going Concern…… 10

2) Notes on Significant Changes in Shareholders' Equity……... 10

3) Application of the Accounting Method Peculiar to the Preparation of the Quarterly Financial Statements …… 10

4) Additional Information…… 10

5) Consolidated Segment Information ……..…… 11

6) Significant Subsequent Events……..…… 12

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

(1) Explanation of Operating Results

The overall domestic demand for main petroleum products, particularly those for automobiles and airplanes, during the nine months ended December 31, 2020, fell from the previous year due to the impact of COVID-19.

Although Dubai crude oil prices had temporarily dropped in early spring owing to the adverse effects of the spread of COVID-19, the oil prices started to improve as economic activities resumed in major countries, and after June 2020 they largely remained around $40/bbl. After November, the oil prices were on the upward trend, owing primarily to expectations for the widespread use of COVID-19 vaccines and the production cut agreement by the so-called OPEC-plus alliance. Consequently, the average price of Dubai crude oil from April to December 2020 was $39.4/bbl, a decrease of $24.1/bbl against the same period of the previous year.

(Crude oil price, naphtha price and exchange rate)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020	Change	
Dubai Crude Oil ($/bbl)	63.5	39.4	(24.1)	(38.0)%
Exchange Rate (¥/$)	108.7	106.1	(2.6)	(2.4)%

The Idemitsu Group's net sales for the nine months ended December 31, 2020 were ¥3,211.3 billion, a decrease of 29.6% compared with the same period of the preceding year, due mainly to the decline of crude oil prices and the decrease in the quantity of sales.

Operating income decreased by 54.4% against the same period of the previous year to ¥49.3 billion, due mainly to the effect of inventory valuation and the decrease in the quantity of sales in the petroleum segment, as well as lower prices for natural resources in the resources segment.

Net non-operating income was a total loss of ¥34.8 billion, a drop in profit of ¥18.0 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 income was ¥14.6 billion, down 84.1% compared with the same period of last year.

Net extraordinary income was a total loss of ¥9.1 billion, which was a drop in profit of ¥20.5 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 ¥9.8 billion, a decrease of ¥26.3 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 ¥7.5 billion, a drop in profit of ¥72.4 billion compared with the same period of last year.

The performance of each business segment for the nine months ended December 31, 2020 is as follows:

As to quarterly reporting periods, domestic subsidiaries use December 31 as their balance sheet date whereas overseas subsidiaries use September 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 nine months ended September 30, 2020, and those of domestic subsidiaries for the nine months ended December 31, 2020.

Net sales by segment

(Unit: ¥Billion)

Segment	3rd Quarter of FY2019	3rd Quarter of FY2020	Change	
			Amount	%
Petroleum	3,630.4	2,509.6	(1,120.8)	(30.9) %
Basic chemicals	350.0	222.6	(127.4)	(36.4) %
Functional materials	294.0	251.7	(42.3)	(14.4) %
Power and renewable energy	94.6	90.2	(4.4)	(4.6) %
Resources	189.0	132.4	(56.6)	(30.0) %
Other	2.8	4.9	+2.1	+76.5 %
Total	4,560.7	3,211.3	(1,349.4)	(29.6) %

Segment income or loss

(Unit: ¥Billion)

	3rd Quarter of FY2019	3rd Quarter of FY2020	Change	
			Amount	%
Petroleum	16.8	5.5	(11.3)	(67.1) %
: excluding effect of inventory valuation	*26.1*	*64.9*	*+38.9*	*+149.2 %*
Basic chemicals	18.0	(1.0)	(19.0)	―
Functional materials	20.2	9.5	(10.7)	(52.9) %
Power and renewable energy	(0.5)	(1.7)	(1.2)	―
Resources	34.5	4.5	(30.0)	(86.9) %
Other	0.5	0.8	+0.4	+78.5 %
Reconciliation	(2.0)	(4.3)	(2.3)	―
Total	87.5	13.4	(74.1)	(84.7) %
: excluding effect of inventory valuation	*96.7*	*72.8*	*(23.9)*	*(24.8) %*

[Petroleum segment]

Net sales in the petroleum segment decreased by 30.9% against the same period of the previous year to ¥2,509.6 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 income was ¥5.5 billion, a drop in profit of ¥11.3 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 36.4% compared with the same period of the previous year to ¥222.6 billion, due largely to decreases in naphtha prices on a customs clearance basis. Segment loss was ¥1.0 billion, a drop in profit of ¥19.0 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 ¥251.7 billion, down 14.4% from the same period of the previous year. Segment income was ¥9.5 billion, down 52.9% 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 ¥90.2 billion, down 4.6% from the same period of the previous year. Segment loss was ¥1.7 billion, a drop in profit of ¥1.2 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 and geothermal energy business)

Net sales in the oil exploration and production business and the geothermal energy business were ¥23.4 billion, down 34.6% from the corresponding period of the previous year, due mainly to lower crude oil prices. Segment income was ¥5.2 billion, down 57.2% from the same period of the preceding year.

(Coal business and others)

Net sales in the coal business and others were ¥108.9 billion, down 28.9% compared with the same period of last year. Segment loss was ¥0.7 billion, down ¥23.0 billion 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 ¥132.4 billion, down 30.0%, and segment income was ¥4.5 billion, down 86.9% from the same period of the preceding year.

[Other segments]

Net sales in the other segments were ¥4.9 billion, up 76.5% and segment income was ¥0.8 billion, up 78.5% compared with the same period of the preceding year.

(2) Explanation of Financial Position

Summarized Consolidated Balance Sheets

(Unit: ¥Billion)

	FY2019	3rd Quarter of FY2020	Change
Current assets	1,550.3	1,528.1	(22.2)
Fixed assets	2,336.6	2,343.0	+6.4
Total assets	3,886.9	3,871.2	(15.8)
Current liabilities	1,648.4	1,614.4	(34.0)
Non-current liabilities	1,038.0	1,103.0	+65.0
Total liabilities	2,686.4	2,717.4	+31.0
Total net assets	1,200.6	1,153.8	(46.8)
Total liabilities and net assets	3,886.9	3,871.2	(15.8)

1) Total assets

Total assets decreased by ¥15.8 billion from the end of the previous fiscal year to ¥3,871.2 billion, owing primarily to decreases in inventories caused mainly by the decline of crude oil prices.

2) Total liabilities

Total liabilities increased by ¥31.0 billion from the end of the previous fiscal year to ¥2,717.4 billion, due mainly to the increases in taxes payable on oil products and others because of the holiday effect.

3) Total net assets

Total net assets were ¥1,153.8 billion, a decrease of ¥46.8 billion from the end of the previous fiscal year, due mainly to the dividends payment of ¥41.7 billion as well as recording net loss attributable to owners of the parent of ¥7.5 billion.

As a result, the shareholders' equity ratio declined by 1.1 points to 28.4% from 29.6% at the end of the previous fiscal year.

(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 November 10, 2020, given the actual business results for the nine months ended December 31, 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 Third Quarter of FY2020 and Major Notes

(1) Consolidated Quarterly Balance Sheets

(Unit: ¥Million)

	FY2019 (As of March 31, 2020)	3rd Quarter of FY2020 (As of December 31, 2020)
Assets		
Current assets:		
Cash and deposits	132,247	100,136
Notes and accounts receivable, trade	593,730	583,761
Inventories	622,895	589,606
Other	203,186	255,880
Less: Allowance for doubtful accounts	(1,770)	(1,264)
Total current assets	1,550,288	1,528,121
Fixed assets:		
Property, plant and equipment:		
Machinery and equipment, net	267,954	269,612
Land	811,627	810,978
Other, net	398,540	428,133
Total property, plant and equipment	1,478,122	1,508,724
Intangible fixed assets:		
Goodwill	167,104	161,369
Other	165,003	161,165
Total intangible fixed assets	332,108	322,535
Investments and other assets:		
Investment securities	244,007	219,469
Other	284,127	294,282
Less: Allowance for doubtful accounts	(1,715)	(1,969)
Total investments and other assets	526,418	511,783
Total fixed assets	2,336,649	2,343,043
Total assets	3,886,938	3,871,164
Liabilities		
Current liabilities:		
Notes and accounts payable, trade	475,664	476,667
Short-term loans payable	339,600	374,114
Commercial paper	315,965	215,003
Current portion of bonds payable	—	20,000
Accounts payable, other	343,611	398,553
Income taxes payable	11,564	11,628
Provision for bonuses	9,912	5,546
Other	152,099	112,870
Total current liabilities	1,648,420	1,614,385
Non-current liabilities:		
Bonds payable	80,000	100,000
Long-term loans payable	568,133	588,558
Liability for employees' retirement benefits	67,542	62,674
Reserve for repair work	64,138	91,214
Asset retirement obligations	62,130	62,847
Other	196,008	197,705
Total non-current liabilities	1,037,953	1,102,999
Total liabilities	2,686,374	2,717,385

(Unit: ¥Million)

	FY2019 (As of March 31, 2020)	3rd Quarter of FY2020 (As of December 31, 2020)
Net assets		
Shareholders' equity:		
Common stock	168,351	168,351
Capital surplus	461,636	461,636
Retained earnings	408,064	358,043
Treasury stock	(2,042)	(1,999)
Total shareholders' equity	1,036,010	986,032
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	1,524	4,316
Deferred gains (losses) on hedging activities, net	(7,667)	(3,812)
Surplus from land revaluation	157,834	158,859
Foreign currency translation adjustments	(34,370)	(41,326)
Defined retirement benefit plans	(3,321)	(2,935)
Total accumulated other comprehensive income	113,999	115,102
Noncontrolling interests	50,555	52,644
Total net assets	1,200,564	1,153,778
Total liabilities and net assets	3,886,938	3,871,164

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

1) Consolidated Quarterly Statements of Income

(Unit: ¥Million)

	3rd Quarter of FY2019 (From April 1, 2019 to December 31, 2019)	3rd Quarter of FY2020 (From April 1, 2020 to December 31, 2020)
Net sales	4,560,673	3,211,318
Cost of sales	4,145,683	2,861,744
Gross profit	414,990	349,574
Selling, general and administrative expenses	306,800	300,230
Operating income	108,190	49,343
Non-operating income:		
Interest income	7,797	7,664
Dividend income	3,141	3,823
Gain on foreign exchange, net	520	―
Other	4,450	4,108
Total non-operating income	15,910	15,596
Non-operating expenses:		
Interest expense	9,729	9,296
Equity in losses of nonconsolidated subsidiaries and affiliates, net	20,737	35,979
Loss on foreign exchange, net	―	2,793
Other	2,234	2,312
Total non-operating expenses	32,701	50,381
Ordinary income	91,399	14,558
Extraordinary income:		
Gain on sales of fixed assets	2,293	1,612
Gain from step acquisition	17,215	―
Gain on reversal of restoration cost	―	889
Other	3,129	611
Total extraordinary income	22,638	3,112
Extraordinary losses:		
Impairment loss on fixed assets	99	13
Loss on sales of fixed assets	139	501
Loss on disposals of fixed assets	5,458	4,063
Loss on valuation of investment securities	―	3,070
Loss from money transfer scam at foreign subsidiary	―	3,750
Other	5,566	819
Total extraordinary losses	11,263	12,218
Income before income taxes	102,773	5,453
Income taxes	36,081	9,774
Net income (loss)	66,692	(4,321)
Net income attributable to noncontrolling interests	1,765	3,195
Net income (loss) attributable to owners of the parent	64,927	(7,516)

2) Consolidated Quarterly Statements of Comprehensive Income

(Unit: ¥Million)

	3rd Quarter of FY2019 (From April 1, 2019 to December 31, 2019)	3rd Quarter of FY2020 (From April 1, 2020 to December 31, 2020)
Net income (loss)	66,692	(4,321)
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	180	2,620
Deferred gains on hedging activities, net	(60)	3,666
Foreign currency translation adjustments	(16,264)	(7,338)
Defined retirement benefit plans	(203)	435
Share of other comprehensive income in equity method affiliates	(2,124)	(191)
Total other comprehensive income	(18,473)	(808)
Comprehensive income	48,219	(5,129)
Comprehensive income attributable to:		
Owners of the parent	48,234	(7,438)
Noncontrolling interests	(15)	2,308

(3) Notes to the Consolidated Quarterly Financial Statements

1) Notes on the Assumption of a Going Concern

None

2) Notes on Significant Changes in Shareholders' Equity

None

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

Income taxes are calculated by multiplying the income before income taxes for the nine months ended December 31, 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 nine months ended December 31, 2020, the Company did not make a significant change in this presumption.

5) Consolidated Segment Information

Third Quarter of FY2019 (From April 1, 2019 to December 31, 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	3,630,380	349,974	293,963	94,608	188,992	4,557,919	2,754	4,560,673	—	4,560,673
Inter-segment	20,064	17,040	16,744	1,008	725	55,584	677	56,262	(56,262)	—
Total sales	3,650,444	367,015	310,708	95,617	189,718	4,613,503	3,432	4,616,936	(56,262)	4,560,673
Operating income (loss)	42,779	16,867	18,991	(832)	33,798	111,605	454	112,059	(3,869)	108,190
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(25,981)	1,099	1,249	332	679	(22,620)	—	(22,620)	1,883	(20,737)
Segment income (loss)	16,798	17,966	20,241	(500)	34,478	88,984	454	89,438	(1,985)	87,453

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

(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 ¥1,235,769 million from the end of the previous fiscal year to ¥4,126,077 million. The increase is mainly in the “Petroleum” segment.

Third Quarter of FY2020 (From April 1, 2020 to December 31, 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	2,509,597	222,563	251,694	90,240	132,358	3,206,455	4,863	3,211,318	–	3,211,318
Inter-segment	22,332	14,753	13,601	2,851	727	54,266	1,244	55,510	(55,510)	–
Total sales	2,531,930	237,317	265,295	93,091	133,086	3,260,721	6,107	3,266,829	(55,510)	3,211,318
Operating income (loss)	42,732	(1,669)	9,621	(1,618)	3,873	52,938	811	53,750	(4,406)	49,343
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(37,203)	663	(85)	(130)	639	(36,115)	–	(36,115)	136	(35,979)
Segment income (loss)	5,528	(1,006)	9,536	(1,749)	4,513	16,823	811	17,634	(4,270)	13,363

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

On November 30, 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, completed the sale of some portions of its participating interests in production licenses in the Barents Sea, Norway to Lundin Energy Norway AS for proceeds of 125 million USD, which was previously disclosed as a significant subsequent event in the consolidated financial results for the second quarter of fiscal year 2020. This transaction will be recorded in the fourth quarter of this fiscal year and the Company is currently evaluation its effect on the Company’s operating results for the fiscal year.