Annual Report 2021

April 1, 2020 – March 31, 2021

FOC

RELIABILITY IN ENERGY SUPPLY

Fuji Oil Company, Ltd.

Profile

As a comprehensive energy-focused group, the Fuji Oil Group (the Group) seeks to fulfill its responsibilities as a corporate citizen by contributing to the future affluence of society and the realization of a safe and comfortable environment. Based on this mission, the Group provides a stable supply of energy products, which are indispensable to people's daily lives and industrial activities.

Contents

Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains forward-looking statements that reflect FOC and its consolidated subsidiaries' forecast, targets, plans, and strategies. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and various other factors that may cause FOC's actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements, or financial position expressed or implied by these forward-looking statements.

To Our Shareholders and Investors

Consolidated Performance

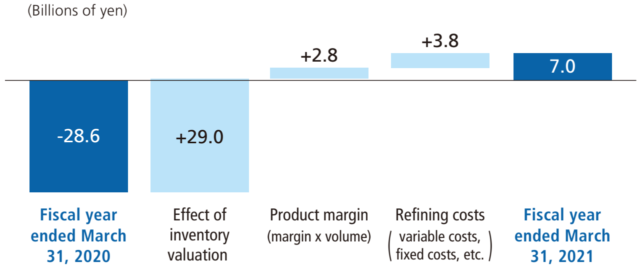
The fiscal year ended March 31, 2021, saw a return to profitability from the previous year due to the effects of inventory valuation, despite a reduction in sales volume due to the spread of COVID-19.

In the business results for the fiscal year ended March 31, 2021, profit attributable to owners of parent increased by 35.5 billion yen from the previous year to a profit of 6.5 billion yen despite a decrease in sales due to the effects of a fall in demand caused by the spread of COVID-19. Major factors were the positive effects of inventory valuation driven by an increase in oil prices which pushed down the cost of sales by 8.7 billion yen, as well as the recovery of the domestic product market.

(Billions of yen)	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Increase (decrease)
Net sales	344.6	462.3	(117.7)
Operating profit (loss)	7.0	(28.6)	35.7
Ordinary profit (loss)	8.2	(28.7)	37.0
Profit (loss) attributable to owners of parent	6.5	(29.0)	35.5
Operating profit (loss) excluding the effect of inventory valuation	(1.6)	(8.3)	6.7
Ordinary profit (loss) excluding the effect of inventory valuation	(0.4)	(8.4)	8.0

Main factors of change in operating profit

(Billions of yen)



Forecast for the Fiscal Year Ending March 31, 2022

We expect a decrease in profit due to the effects of major periodic shut-down maintenance

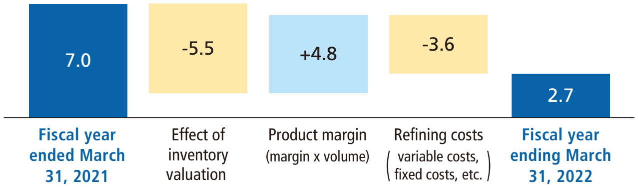
In the fiscal year ending March 31, 2022, we are forecasting a decrease in profit due to major periodic shut-down maintenance carried out from May to July 2021, with operating profit of 2.7 billion yen, ordinary profit of 1.9 billion yen, and profit attributable to owners of parent of 1.7 billion yen.

We are also expecting operating loss excluding the effect of inventory valuation of 0.5 billion yen and ordinary loss excluding the effect of inventory valuation of 1.3 billion yen.

	Crude Oil Price (Dubai Crude)	Exchange Rate
Assumptions	US$60/Barrel	¥110/US$

Main factors of change in operating profit (forecast)

(Billions of yen)



Values are based on related information as of the time of announcement (May 10, 2021) and are subject to change in the future.

Future Business Development

Third Medium-Term Business Plan

Taking into account the increasingly severe business environment and Japan's move toward becoming carbon neutral by 2050, we have set our long-term management direction for 2050 as follows:

- Sodegaura Refinery will continue to be an important base of value creation to fulfill the mission of stable supply of energy.
- Recognizing that it is our social responsibility as well as the most important management issue for the future of our company to contribute to a low-carbon/recycling-oriented society, we will become a company that supplies carbon-neutral energy and oil products that reduce the amount of CO_2 emissions generated during production.

Business circumstances surrounding the oil refining industry are becoming more challenging year by year due to factors such as declining domestic oil demand, and Japan's move to become carbon neutral by 2050 is entering full swing. To expand earnings stably and reduce environmental burden under these circumstances, we have set two basic policies for our Medium-Term Business Plan (for the four years from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2025) that are in accordance with our long-term management direction which is outlined above. The two basic policies are: (1) reinforcing the base of the oil refining business and (2) strengthening efforts toward realizing a decarbonized society. Our main focus will be on the following challenges:

(1) Reinforce the base of the oil refining business

a) Maintain and enhance operational reliability

b) Strengthen cost competitiveness and establish a competitive advantage

(2) Strengthen efforts to realize a decarbonized society

a) Thoroughly reduce the environmental burden of the refinery

b) Pursue businesses that contribute to decarbonization

Going forward, we will strive to increase corporate value by continuing to fulfill our social responsibility to provide a stable supply of energy by operating the Sodegaura Refinery in a way that utilizes its location advantage and high heavy oil processing capacity, while at the same time focusing on cultivating new businesses such as businesses that contribute to decarbonization, as stipulated in our new Third Medium-Term Business Plan.

We ask for the continued support of our shareholders and investors.

August 2021

Shigeto Yamamoto
Representative Director

Financial Section

Consolidated Balance Sheets

Fuji Oil Company, Ltd. and Consolidated Subsidiaries
As of March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	**2021**	2020	**2021**
Current assets:			
Cash and deposits (Notes 4 and 15)	**¥ 15,143**	¥ 12,769	**$ 136,781**
Notes and accounts receivable - trade (Note 4)	**29,199**	40,302	**263,743**
Short-term investment securities (Notes 4, 5 and 15)	**200**	—	**1,807**
Inventories (Note 3)	**80,661**	68,346	**728,579**
Accounts receivable - other (Note 4)	**3,564**	1,212	**32,192**
Other	**4,736**	2,753	**42,778**
Total current assets	**133,505**	125,384	**1,205,898**
Property, plant and equipment (Note 6):			
Buildings and structures, net (Note 10)	**13,242**	13,791	**119,610**
Storage tanks, net (Note 10)	**3,085**	3,468	**27,866**
Machinery, equipment and vehicles, net (Note 10)	**27,891**	31,401	**251,928**
Land (Note 10)	**51,542**	51,668	**465,559**
Construction in progress	**2,875**	847	**25,969**
Other, net	**598**	613	**5,401**
Total property, plant and equipment	**99,236**	101,791	**896,360**
Intangible assets (Note 6)	**805**	749	**7,271**
Investments and other assets:			
Investment securities (Notes 4 and 5)	**18,613**	16,490	**168,124**
Long-term loans receivable	**717**	756	**6,476**
Net defined benefit asset (Note 12)	**39**	12	**352**
Other	**500**	729	**4,516**
Allowance for doubtful accounts	**(409)**	(410)	**(3,694)**
Total investments and other assets	**19,461**	17,579	**175,784**
Total assets	**¥ 253,007**	¥ 245,504	**$ 2,285,313**

See notes to consolidated financial statements.

Liabilities and Net assets	Millions of Yen 2021	2020	Thousands of U.S. Dollars (Note 1) 2021
Current liabilities:			
Accounts payable - trade (Note 4)	¥ **21,982**	¥ 13,686	$ **198,555**
Short-term loans payable (Notes 4 and 10)	**74,050**	83,953	**668,865**
Current portion of long-term loans payable (Notes 4 and 10)	**10,046**	9,463	**90,742**
Accounts payable - other (Note 4)	**18,788**	18,149	**169,705**
Excise taxes payable on gasoline and other fuels (Note 4)	**17,674**	18,939	**159,642**
Income taxes payable (Notes 4 and 11)	**1,600**	90	**14,452**
Provision for bonuses	**327**	350	**2,954**
Other (Notes 10 and 11)	**12,815**	7,160	**115,753**
Total current liabilities	**157,285**	151,795	**1,420,694**
Noncurrent liabilities:			
Long-term loans payable (Notes 4 and 10)	**26,376**	33,622	**238,244**
Deferred tax liabilities (Note 11)	**9,038**	9,002	**81,637**
Provision for special repairs	**2,339**	2,342	**21,127**
Provision for repairs	**7,719**	4,578	**69,723**
Net defined benefit liability (Note 12)	**1,421**	2,397	**12,835**
Provision for directors' retirement benefits	**18**	11	**163**
Other (Note 10)	**620**	457	**5,600**
Total noncurrent liabilities	**47,533**	52,412	**429,347**
Total liabilities	**204,819**	204,207	**1,850,050**
Commitments and contingent liabilities (Note 14)			
Net assets (Note 13)			
Shareholders' equity:			
Capital stock:			
Authorized—200,000,000 shares in 2021 and 2020			
Issued—78,183,677 shares in 2021 and 2020	**24,467**	24,467	**221,001**
Capital surplus	**25,495**	30,396	**230,286**
Retained earnings	**1,543**	(9,886)	**13,937**
Treasury stock (Note 13)	**(1,431)**	(1,431)	**(12,926)**
Total shareholders' equity	**50,075**	43,546	**452,308**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**498**	8	**4,498**
Revaluation reserve for land	**1**	1	**9**
Foreign currency translation adjustments	**(3,194)**	(2,103)	**(28,850)**
Remeasurements of defined benefit plans (Note 12)	**651**	(299)	**5,880**
Total accumulated other comprehensive income	**(2,043)**	(2,393)	**(18,454)**
Non-controlling interests	**156**	144	**1,409**
Total net assets	**48,188**	41,297	**435,263**
Total liabilities and net assets	¥ **253,007**	¥ 245,504	$ **2,285,313**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Fuji Oil Company, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Net sales (Note 18)	**¥ 344,612**	¥ 462,364	**$ 3,112,745**
Cost of sales (Note 3)	**333,157**	486,751	**3,009,276**
Gross profit (loss)	**11,454**	(24,386)	**103,459**
Selling, general and administrative expenses (Note 7)	**4,356**	4,281	**39,346**
Operating profit (loss)	**7,098**	(28,668)	**64,113**
Non-operating income (expenses):			
Interest and dividends income	**140**	427	**1,265**
Equity in earnings of affiliates	**2,777**	1,248	**25,084**
Interest expenses	**(1,380)**	(2,574)	**(12,465)**
Foreign exchange gains, net	**27**	1,440	**244**
Loss on retirement of noncurrent assets (Note 8)	**(111)**	(58)	**(1,003)**
Gain on sales of noncurrent assets (Note 9)	**4**	4	**36**
Insurance income	**—**	1,157	**—**
Impairment losses	**(125)**	—	**(1,129)**
Loss on valuation of investment securities	**—**	(729)	**—**
Gain on sales of investment securities	**77**	7	**696**
Other, net	**(370)**	(649)	**(3,342)**
Total non-operating income	**1,039**	273	**9,385**
Profit (loss) before income taxes	**8,137**	(28,395)	**73,498**
Income taxes (Note 11)**:**			
Income taxes - current	**1,519**	74	**13,721**
Income taxes - deferred	**75**	572	**677**
Total income taxes	**1,594**	646	**14,398**
Profit (loss)	**6,543**	(29,042)	**59,100**
Profit attributable to non-controlling interests	**14**	15	**126**
Profit (loss) attributable to owners of parent	**¥ 6,528**	¥ (29,058)	**$ 58,965**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Fuji Oil Company, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Profit (loss)	**¥ 6,543**	¥ (29,042)	**$ 59,100**
Other comprehensive income:			
Valuation difference on available-for-sale securities	**489**	91	**4,417**
Foreign currency translation adjustments	**(218)**	(42)	**(1,969)**
Remeasurements of defined benefit plans	**950**	(225)	**8,581**
Share of other comprehensive income of associates accounted for using equity method	**(872)**	(171)	**(7,876)**
Total other comprehensive income	**349**	(348)	**3,152**
Comprehensive income (Note 17)	**¥ 6,892**	¥ (29,390)	**$ 62,253**
Comprehensive income attributable to:			
Owners of parent	**¥ 6,878**	¥ (29,406)	**$ 62,126**
Non-controlling interests	**14**	15	**126**

See notes to consolidated financial statements.

Financial Section

Consolidated Statements of Changes in Net Assets

Fuji Oil Company, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of Yen					
		Shareholders' equity				
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets as of April 1, 2019	78,183,677	¥ 24,467	¥ 30,396	¥ 19,944	¥ (1,431)	¥ 73,376
Dividends from surplus				(772)		(772)
Profit (loss) attributable to owners of parent				(29,058)		(29,058)
Purchase of treasury stock					(0)	(0)
Net changes of items other than shareholders' equity						
Total changes during the period		—	—	(29,830)	(0)	(29,830)
Net assets as of April 1, 2020	78,183,677	24,467	30,396	(9,886)	(1,431)	43,546
Profit attributable to owners of parent				**6,528**		**6,528**
Deficit disposition			**(4,901)**	**4,901**		
Net changes of items other than shareholders' equity						
Total changes during the period		**—**	**(4,901)**	**11,429**	**—**	**6,528**
Balance as of March 31, 2021	**78,183,677**	**¥ 24,467**	**¥ 25,495**	**¥ 1,543**	**¥ (1,431)**	**¥ 50,075**

	Millions of Yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehen-sive income	Non-controlling interests	Total net assets
Net assets as of April 1, 2019	¥ (82)	¥ 1	¥ (1,888)	¥ (74)	¥ (2,044)	¥ 204	¥ 71,536
Dividends from surplus							(772)
Profit (loss) attributable to owners of parent							(29,058)
Purchase of treasury stock							(0)
Net changes of items other than shareholders' equity	91		(214)	(225)	(348)	(60)	(409)
Total changes during the period	91	—	(214)	(255)	(348)	(60)	(30,239)
Net assets as of April 1, 2020	8	1	(2,103)	(299)	(2,393)	144	41,297
Profit attributable to owners of parent							**6,528**
Deficit disposition							**—**
Net changes of items other than shareholders' equity	**489**		**(1,091)**	**950**	**349**	**12**	**362**
Total changes during the period	**489**	**—**	**(1,091)**	**950**	**349**	**12**	**6,891**
Balance as of March 31, 2021	**¥ 498**	**¥ 1**	**¥ (3,194)**	**¥ 651**	**¥ (2,043)**	**¥ 156**	**¥ 48,188**

See notes to consolidated financial statements.

	Thousands of U.S. Dollars (Note 1)					
		Shareholders' equity				
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets as of April 1, 2020	78,183,677	$ 221,001	$ 274,555	$ (89,296)	$ (12,926)	$ 393,334
Profit (loss) attributable to owners of parent				**58,965**		**58,965**
Deficit disposition			**(44,269)**	**44,269**		
Net changes of items other than shareholders' equity						
Total changes during the period		**—**	**—**	**103,234**	**—**	**58,965**
Balance as of March 31, 2021	**78,183,677**	**$ 221,001**	**$ 230,286**	**$ 13,937**	**$ (12,926)**	**$ 452,308**

	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Net assets as of April 1, 2020	$ 72	$ 9	$ (18,996)	$ (2,701)	$ (21,615)	$ 1,301	$ 373,020
Profit (loss) attributable to owners of parent							**58,965**
Deficit disposition							**—**
Net changes of items other than shareholders' equity	**4,417**		**(9,855)**	**8,581**	**3,152**	**108**	**3,270**
Total changes during the period	**4,417**	**—**	**(9,855)**	**8,581**	**3,152**	**108**	**62,244**
Balance as of March 31, 2021	**$ 4,498**	**$ 9**	**$ (28,850)**	**$ 5,880**	**$ (18,454)**	**$ 1,409**	**$ 435,263**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Fuji Oil Company, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Net cash flows from operating activities:			
Profit (loss) before income taxes	**¥ 8,137**	¥ (28,395)	**$ 73,498**
Depreciation and amortization	**6,420**	6,659	**57,989**
Increase in provision for repairs	**3,141**	518	**28,371**
Decrease in net defined benefit liability	**(51)**	(141)	**(461)**
Increase (decrease) in provision for special repairs	**(2)**	147	**(18)**
Interest and dividends income	**(140)**	(428)	**(1,265)**
Interest expenses	**1,380**	2,574	**12,465**
Equity in earnings of affiliates	**(2,777)**	(1,248)	**(25,084)**
Insurance income	**—**	(1,157)	**—**
Decrease in notes and accounts receivable - trade	**11,102**	16,588	**100,280**
(Increase) decrease in inventories	**(12,315)**	22,250	**(111,237)**
Increase (decrease) in notes and accounts payable - trade	**8,295**	(17,565)	**74,925**
Increase (decrease) in excise taxes payable on gasoline and other fuels	**(1,265)**	564	**(11,426)**
Increase (decrease) in accrued consumption taxes	**2,374**	(4,907)	**21,443**
Other, net	**(1,434)**	11,833	**(12,953)**
Subtotal	**22,865**	7,292	**206,531**
Interest and dividends income received	**353**	646	**3,189**
Interest expenses paid	**(1,367)**	(2,640)	**(12,348)**
Proceeds from insurance claims	**—**	1,157	**—**
Income taxes paid	**(126)**	(1,546)	**(1,138)**
Income taxes refund	**1,036**	7	**9,358**
Net cash provided by operating activities	**¥ 22,762**	¥ 4,917	**$ 205,600**

See notes to consolidated financial statements.

	Millions of Yen 2021	Millions of Yen 2020	Thousands of U.S. Dollars (Note 1) 2021
Net cash flows from investing activities:			
Payments into time deposits	**¥ (5,128)**	¥ (5,219)	**$ (46,319)**
Proceeds from withdrawal of time deposits	**4,263**	5,792	**38,506**
Purchase of investment securities	**(1)**	(1)	**(9)**
Proceeds from sales of investment securities	**98**	5,489	**885**
Purchase of property, plant and equipment	**(3,548)**	(6,362)	**(32,048)**
Proceeds from sales of property, plant and equipment	**9**	4	**81**
Proceeds from national subsidies	**318**	656	**2,872**
Purchase of intangible assets	**(82)**	(128)	**(741)**
Payments of loans receivable	**—**	(0)	**—**
Collection of loans receivable	**38**	37	**343**
Other, net	**(23)**	(27)	**(208)**
Net cash provided by (used in) investing activities	**(4,056)**	241	**(36,636)**
Net cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**(9,707)**	3,664	**(87,680)**
Proceeds from long-term loans payable	**2,800**	13,700	**25,291**
Repayment of long-term loans payable	**(9,463)**	(19,481)	**(85,476)**
Cash dividends paid	**—**	(772)	**—**
Cash dividends paid to non-controlling interests	**(1)**	(76)	**(9)**
Other, net	**(340)**	(1,045)	**(3,071)**
Net cash used in financing activities	**(16,712)**	(4,011)	**(150,953)**
Effect of exchange rate changes on cash and cash equivalents	**(131)**	(57)	**(1,183)**
Net increase in cash and cash equivalents	**1,861**	1,090	**16,810**
Cash and cash equivalents at beginning of year (Note 15)	**10,474**	9,383	**94,608**
Cash and cash equivalents at end of year (Note 15)	**¥ 12,336**	¥ 10,474	**$ 111,426**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Fuji Oil Company, Ltd. and Consolidated Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by Fuji Oil Company, Ltd. (the "Company") and its domestic and foreign subsidiaries (collectively, the "Companies"), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The Company and its domestic subsidiaries maintain their accounting records in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Foreign subsidiary maintains its accounting records in accordance with International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory consolidated financial statements in Japanese, but not required for fair disclosure, is not disclosed in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at the rate of ¥110.71 = U.S.$1.00, the approximate rate of exchange on March 31, 2021. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Scope of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its seven significant subsidiaries as of March 31, 2021 and 2020. Consolidated subsidiaries as of March 31, 2021 are as follows:

- Petro Progress Inc.
- PETRO PROGRESS PTE LTD
- Fuji Oil Sales Company, Ltd.
- Fuji Rinkai Co., Ltd.
- Arabian Oil Company, Ltd.
- Japan Oil Engineering Company Ltd.
- TOKYO PETROLEUM INDUSTRIAL COMPANY, LTD.

PETRO PROGRESS PTE LTD has a fiscal year-end of December 31. The consolidated financial statements incorporate the accounts of the company for the fiscal year ended December 31 with adjustments for significant transactions arising after December 31. The fiscal year-end of other consolidated subsidiaries is March 31.

(b) Equity method

Affiliates accounted for under the equity method as of March 31, 2021 and 2020 are as follows:

- ARAMO SHIPPING (SINGAPORE) PTE LTD
- Tokai Engineering & Construction Co., Ltd.

There are two companies (non-consolidated affiliates), which are not accounted for under the equity method but stated at cost, because the corresponding amounts of profit (loss) and retained earnings have immaterial impact and do not have a material effect on the consolidated financial statements as a whole.

Non-consolidated affiliates not accounted for under the equity method as of March 31, 2021 and 2020 are as follows:

- Kyodo Terminal Co., Ltd.
- Keiyo Sea Berth Co., Ltd.

The accounts of a certain affiliate with a different fiscal year-end are consolidated on the basis of the affiliates' fiscal year-end.

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash equivalents comprise of readily-available deposits and all highly liquid short-term investments exposed to immaterial risk of fluctuations in the value with an original maturity of three months or less.

(d) Short-term investment securities and investment securities

Securities other than equity securities issued by subsidiaries and affiliates are classified as available-for-sale securities. Short-term investment securities and investment securities classified as available-for-sale securities are carried at fair value with any changes in valuation on available-for-sale securities, net of taxes, included directly in accumulated other comprehensive income under net assets. The cost of marketable available-for-sale securities sold is calculated by the moving-average method. Non-marketable securities classified as available-for-sale securities are carried at cost determined by the moving-average method.

(e) Inventories

Inventories held for sale in the ordinary course of business are measured at cost using the periodic average method (the carrying amount is written down based on a decline in profitability). When the net selling value at the end of the fiscal year is lower than the carrying amount, the inventories are reported at the net selling value in the consolidated balance sheet. The net selling value is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

Merchandise and finished goods, and raw materials are stated at cost determined by the gross average method. Supplies are stated at cost determined by the moving-average method.

(f) Impairment of long-lived assets

Long-lived assets, such as property, plant and equipment, and acquired intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell.

(g) Depreciation and amortization

Depreciation of manufacturing plant equipment for petrochemical products is calculated principally by the declining-balance method, and depreciation of other property, plant and equipment is calculated principally by the straight-line method based on the estimated useful lives.

The useful lives of major property, plant and equipment are summarized as follows:

■ Buildings and structures	2 to 60 years
■ Storage tanks	10 to 15 years
■ Machinery and equipment	2 to 24 years

Intangible assets are amortized by the straight-line method over their respective estimated useful lives. Software intended for internal use is amortized by the straight-line method over an estimated useful life of five years.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables.

(i) Provision for bonuses

The provision for bonuses is provided at an amount equivalent to the estimated amount of payment for the bonuses to employees.

(j) Provision for repairs

The provision for repairs is provided at an amount equivalent to the estimated amount of periodical maintenance expenses for machinery and equipment.

(k) Provision for directors' retirement benefits

The provision for directors' retirement benefits is estimated based on the amount calculated in accordance with internal rules under the assumption that all directors retired at the balance sheet date.

(l) Provision for special repairs

The provision for special repairs is provided at an amount equivalent to the estimated amount of periodical inspection and maintenance expenses for storage tanks required by the Fire Defense Law.

(m) Employees' retirement benefits

(i) Periodic allocation method for projected retirement benefits

Regarding determination of retirement benefit obligations, the benefit formula basis is adopted as the method of attributing expected benefit to the periods until this fiscal year end.

(ii) Method for processing actuarial gains and losses and prior service costs

Prior service costs are amortized by the straight-line method over a period (ten years) within the average remaining years of service of the eligible employees. Actuarial gains and losses are amortized from the year following the year in which the gain or loss is incurred by the straight-line method over a period (ten years) within the average remaining years of service of the eligible employees.

(n) Derivatives and hedge accounting

Derivatives are principally stated at fair value. If certain hedging criteria are met, the gain or loss on a derivative designated as a hedging instrument is deferred as part of accumulated other comprehensive income in the accompanying consolidated balance sheets until the hedged item is settled.

Alternatively, foreign currency denominated receivables and payables hedged by forward exchange contracts are translated at the respective forward contract rates ("allocation method").

Furthermore, in cases where interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed ("special treatment").

Hedge effectiveness is assessed based on hedged item and hedging instrument's fluctuations by comparing those cumulative market fluctuation totals from inception to the effectiveness test.

The hedge effectiveness test for the forward exchange contracts under the allocation method and the interest rate swap contracts under the special treatment is omitted.

(o) Income taxes

Deferred tax assets and liabilities are recognized for expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and operating loss and tax loss carryforwards. A valuation allowance is recorded to reduce deferred income tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company and certain domestic subsidiaries have adopted a consolidated taxation system.

With regard to the transition to the group tax sharing system introduced by the “Act Partially Amending the Income Tax Act, etc.” (Act No. 8 of 2020) and the items under the non-consolidated taxation system reviewed in line with the transition to the group tax sharing system, the Company and certain consolidated subsidiaries have applied the provisions of the Tax Act before the revisions in determining the amount of deferred tax assets and liabilities pursuant to Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” issued by Accounting Standards Board of Japan (“ASBJ”) (ASBJ PITF No. 39, March 31, 2020), instead of applying Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018).

(p) Consumption taxes

Each item in the consolidated statement of income does not include consumption taxes.

(q) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, except for foreign currency denominated monetary receivables and payables hedged by forward exchange contracts as noted above. Income and expenses in foreign currencies are translated at the rates prevailing at the time of the transactions. The resulting exchange gains or losses are credited or charged to income as incurred.

Financial statements of foreign subsidiaries and affiliates are translated into Japanese yen at the balance sheet exchange rates for all assets and liabilities, at historical exchange rates for shareholders’ equity and average exchange rates during the year for all income and expense accounts. Foreign currency translation adjustments resulting from the above translation procedures are reported as a component of accumulated other comprehensive income under net assets in the accompanying consolidated balance sheets.

(r) Significant accounting estimates

For accounting estimates, the Companies calculate the reasonable amount based on the available information when the consolidated financial statements are prepared.

Items whose amount are recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which would have a significant impact on the consolidated financial statements for the following fiscal year, are as follows.

(i) Valuation of inventories of petroleum product refining business

(a) Amount recorded in the consolidated financial statements for the current fiscal year

In order to determine the necessity of recognizing valuation loss on the inventories amounting to ¥80,661 million ($728,579 thousand) in the consolidated balance sheet, the carrying amount based on the gross average costing method was compared with the net selling value or replacement cost at the end of the fiscal year.

As a result, a loss on valuation of ¥403 million ($3,640 thousand) was recognized for the inventories whose carrying amount exceeded the net selling value or replacement cost at the end of the fiscal year. The difference of ¥19,622 million ($177,238 thousand) between the amount of the reversal at the beginning of the fiscal year and the loss on valuation was included in cost of sales in the consolidated statement of operations.

(b) Other information contributing to the readers’ understanding of the significant accounting estimates

The net selling value or replacement cost at the end of the fiscal year is reasonably calculated in principle based on the actual sales price or purchase cost in the last month of the fiscal year.

The valuation of inventories is subject to a high degree of uncertainty due to significant market fluctuations in the crude oil and petroleum product markets, which are the basis for the calculations, and may have a material impact on the consolidated financial statements for the following fiscal year.

(ii) Necessity to recognize impairment loss on the petroleum product refining facilities

(a) Amount recorded in the consolidated financial statements for the current fiscal year

Because neighboring land values as officially declared by the government were less than the carrying amount of land belonging to the petroleum product refining facilities during the current fiscal year, the

Company considered there was an indication of impairment and examined necessity to recognize impairment loss.

As a result, the undiscounted future cash flow was determined to exceed the carrying amount of the petroleum product refining facilities of ¥97,511 million ($880,779 thousand), and impairment loss was not recognized.

(b) Other information contributing to the readers’ understanding of the significant accounting estimates

In case there is an indication of impairment, necessity to recognize impairment loss is examined by comparing the total amount of undiscounted future cash flows from the asset with its carrying amount. As a result of examination, if the total amount of undiscounted future cash flows is less than the carrying amount, and recognition of impairment loss is judged necessary, the carrying amount is reduced to the recoverable amount and the reduced amount is recognized as impairment loss.

Estimates of undiscounted future cash flows from the Company's facilities are based on the budget for the following fiscal year which incorporates key assumptions such as the utilization rates of the relevant facilities, sales prices of petroleum products and purchase prices of crude oil.

These assumptions are subject to uncertainty and may have a material impact on the estimates of future cash flows.

(s) Reclassifications

Certain amounts in the consolidated financial statements for the fiscal year ended March 31, 2020 have been reclassified to conform to the current year presentation.

(t) Unapplied accounting standard

Accounting standards for revenue recognition

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)
“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)

(i) Overview

These accounting standards are comprehensive model of accounting for revenue recognition. In accordance with the accounting standards, revenue is recognized by five steps as follows.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(ii) Scheduled date of application

The Companies are going to apply the accounting standards from the beginning of the fiscal year ending March 31, 2022.

(iii) Effects of application

Effects of application of the accounting standards are immaterial.

Accounting standards for fair value measurement

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
“Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, July 4, 2019)
“Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019)
“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, March 31, 2020)

(i) Overview

To improve the comparability with international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value “ (together, Accounting standards for fair value measurement) were developed and provide the guidance of fair value measurement.

The accounting standards for fair value measurement are applied to the fair value of followings.

・Financial instruments under "Accounting Standard for Financial Instruments"
・Inventories held for trading purposes under "Accounting Standard for Measurement of Inventories"

(ii) Scheduled date of application

The Companies are going to apply the accounting standards from the beginning of the fiscal year ending March 31, 2022.

(iii) Effects of application

Effects of application of the accounting standards are immaterial.

(u) Change in presentation

Regarding to accounting standard for disclosure of accounting estimates

The Companies have adopted "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the end of the fiscal year ended March 31, 2021, and significant accounting estimates are disclosed in the note to the consolidated financial statements. The notes for the previous fiscal year are not presented in accordance with the transitional treatment set forth in a provision of paragraph 11 of the accounting standard.

(v) Additional information

The effect of novel coronavirus infection

Due to the reduced demand caused by the spread of novel coronavirus infection throughout the world, operation rates of machinery and equipment is expected to decline at least during the fiscal year ended March 31, 2022. However, the Companies consider the effect on accounting estimates is immaterial.

3. Inventories

Inventories as of March 31, 2021 and 2020 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Merchandise and finished goods	¥ **29,136**	¥ 28,558	$ **263,174**
Raw materials and supplies	**51,524**	39,788	**465,396**
Total	¥ **80,661**	¥ 68,346	$ **728,579**

Gain on reversal of allowance (net of write off expense) for inventories held for sale amounted to ¥19,622 million ($177,238 thousand) for the fiscal year ended March 31, 2021. Write-down (net of reversal) of inventories held for sale amounted to ¥18,779 for the fiscal year ended March 31, 2020. They are included in cost of sales in the consolidated statements of income.

4. Financial Instruments

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

The Companies limit their investment of temporary surpluses to short-term deposits and procure funds for capital investment and working capital through bank loans. Derivatives are employed to hedge against the risks described below. The Companies do not engage in speculative transactions.

(b) Policies and systems for risk management

Trade notes and accounts receivable, which are claimable assets, are subject to customer credit risk. Also, certain receivable related to product exports are denominated in foreign currencies, and therefore entail exchange rate fluctuation risk. The Company uses forward foreign exchange contracts to hedge this risk. As the allocation method is employed for forward exchange contracts, an evaluation of hedge effectiveness is not performed.

Short-term investment securities and investment securities are mainly equity securities and the Company reviews the market values on a quarterly basis for listed securities.

Most accounts payable, which are trade liabilities, are payable within four months. Certain accounts payable and the below-mentioned short-term loans payable related to crude oil imports are denominated in foreign currencies and are therefore subject to exchange rate fluctuation risk. Forward exchange contracts are used to hedge this risk. As the allocation method is applied for forward foreign exchange contracts, an evaluation of hedge effectiveness is not performed.

Short-term loans payable includes mainly funds raised as working capital in relation to crude oil imports. Long-term loans payable mainly comprise funds raised for capital expenditure. Floating-rate loans are subject to interest rate fluctuation risk, but for most long-term loans the Company minimizes the risk of fluctuations in interest payments by fixing payment interest rates, employing interest rate swap transactions to hedge individual contracts. With regard to the evaluation of hedge effectiveness, as interest rate swaps meet the conditions for the application of special treatment as described in Note 2 (n), an evaluation of hedge effectiveness is not performed.

With regard to the execution and control of derivative transactions, authorizations and monetary limits on transactions and controls are determined in accordance with internal rules. When employing derivatives, the Company selects as contractual counterparties Japanese banks, major trading companies and securities firms with high credit ratings. Consequently, the credit risk arising from counterparties being unable to fulfill their contractual obligations is considered negligible.

Trade liabilities and loans are subject to liquidity risk. To manage this risk, the Company creates and updates cash flow plans in a timely manner on the basis of reports from individual departments.

56.7% and 65.1% of claimable assets as of March 31, 2021 and 2020, respectively, are for the specific major customer.

(c) Supplemental information on fair values

In Note 4 (2) Fair values of financial instruments, market risk related to derivative financial instruments is not included in the contract amounts of those instruments.

(2) Fair values of financial instruments

Carrying values and fair values of the financial instruments on the consolidated balance sheets as of March 31, 2021 and 2020 are set out in the following table.

The following table does not include financial instruments whose fair values are not readily determinable.

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Carrying value:			
Cash and deposits	¥ **15,143**	¥ 12,769	$ **136,781**
Notes and accounts receivable – trade	**29,199**	40,302	**263,743**
Short-term investment securities and investment securities:			
Available-for-sale securities	**1,709**	1,049	**15,437**
Accounts receivable – other	**3,564**	1,212	**32,192**
Total	**49,617**	55,334	**448,171**
Fair value:			
Cash and deposits	**15,143**	12,769	**136,781**
Notes and accounts receivable – trade	**29,199**	40,302	**263,743**
Short-term investment securities and investment securities:			
Available-for-sale securities	**1,709**	1,049	**15,437**
Accounts receivable – other	**3,564**	1,212	**32,192**
Total	**49,617**	55,334	**448,171**
Difference:			
Cash and deposits	—	—	—
Notes and accounts receivable – trade	—	—	—
Short-term investment securities and investment securities:			
Available-for-sale securities	—	—	—
Accounts receivable – other	—	—	—
Total	¥ —	¥ —	$ —

Liabilities	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Carrying value:			
Accounts payable – trade	¥ **21,982**	¥ 13,686	$ **198,555**
Short-term loans payable	**74,050**	83,953	**668,865**
Accounts payable – other	**18,788**	18,149	**169,705**
Excise taxes payable on gasoline and other fuels	**17,674**	18,939	**159,642**
Income taxes payable	**1,600**	90	**14,452**
Long-term loans payable	**36,422**	43,086	**328,986**
Total	**170,519**	177,907	**1,540,231**
Fair value:			
Accounts payable – trade	**21,982**	13,686	**198,555**
Short-term loans payable	**74,050**	83,953	**668,865**
Accounts payable – other	**18,788**	18,149	**169,705**
Excise taxes payable on gasoline and other fuels	**17,674**	18,939	**159,642**
Income taxes payable	**1,600**	90	**14,452**
Long-term loans payable	**36,334**	43,184	**328,191**
Total	**170,431**	178,005	**1,539,436**
Difference:			
Accounts payable – trade	—	—	—
Short-term loans payable	—	—	—
Accounts payable – other	—	—	—
Excise taxes payable on gasoline and other fuels	—	—	—
Income taxes payable	—	—	—
Long-term loans payable	**87**	(98)	**786**
Total	¥ **87**	¥ (98)	$ **786**

Method of calculating the fair value of financial instruments and matters related to investment securities and derivative transactions

Assets:

(a) Cash and deposits, notes and accounts receivable - trade and accounts receivable - other

As these instruments are settled within a short term, their carrying value approximates fair value.

(b) Short-term investment securities and investment securities

The fair values of equity securities are determined by their quoted prices on stock exchanges. Since the bonds are settled within a short term, the Company deems the carrying amounts to approximate fair value. See Note 5 for an analysis of securities by classification.

Liabilities:

(a) Accounts payable - trade, short-term loans payable, accounts payable - other, income taxes payable and excise taxes payable on gasoline and other fuels

As these instruments are settled within a short term, their carrying value approximates fair value.

(b) Long-term loans payable

For floating-rate loans, the Company assumes that interest rates reflect market rates over the short term and credit conditions will not change significantly after loans have gone into effect, so that the carrying value approximates fair value. For fixed-rate loans, the total amount of principal and interest is discounted to present value using the assumed rate of interest on new loans of the same type to calculate fair value.

(*) Note for lease obligations (current and noncurrent) is omitted due to immateriality.

Derivatives:

(a) Hedge accounting not applied

There are no outstanding derivative transactions for which hedge accounting is not applied as of March 31, 2021 and 2020.

(b) Hedge accounting applied

The Company has applied hedge accounting for forward exchange contracts to hedge risks of changes in foreign exchange rates on accounts payable and short-term loans payable. The contract amounts (Bought - U.S. dollar) as of March 31, 2021 and 2020 are ¥70,879 million ($640,222 thousand) and ¥ 61,630 million, respectively. As stated in Note 2 (n), foreign currency denominated receivables and payables hedged by forward exchange contracts are translated at the respective forward contract rates. Therefore, the fair value of accounts payable and short-term loans payable include the fair value of the forward exchange contracts.

The Company has applied hedge accounting for interest rate swap contracts to hedge risks of changes in floating interest rates on long-term loans payable. The contract amount of interest rate swap (Receive floating/Pay fixed) as of March 31, 2021 is ¥17,280 million ($156,083 thousand) and the amount of contracts for which terms are more than one year is ¥11,527 million ($104,119 thousand). The contract amount of interest rate swap (Receive floating/Pay fixed) as of March 31, 2020 was ¥22,280 million and the amount of contracts for which terms are more than one year was ¥16,944 million. As stated in Note 2 (n), if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. Therefore, the fair value of long-term loans payable includes the fair value of the interest swap contracts.

Financial instruments whose fair value is not readily determinable

The carrying value of financial instruments whose fair values are not readily determinable as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Unlisted equity securities	¥ **242**	¥ 242	$ **2,186**
Stocks of non-consolidated subsidiaries and affiliated companies	**16,861**	15,198	**152,299**

Monetary claims and securities with maturities after the balance sheet date and their expected maturity values

The redemption schedule for monetary claims and securities with maturity dates as of March 31, 2021 is summarized as follows:

	Millions of Yen			
	One year or less	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	¥ **15,143**	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	**29,199**	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities with maturities	**200**	**200**	—	—
Accounts receivable – other	**3,564**	—	—	—
Total	¥ **48,107**	¥ **200**	¥ —	¥ —

	Thousands of U.S. Dollars (Note 1)			
	One year or less	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	$ **136,781**	$ —	$ —	$ —
Notes and accounts receivable - trade	**263,743**	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities with maturities	**1,807**	**1,807**	—	—
Accounts receivable – other	**32,192**	—	—	—
Total	$ **434,532**	$ **1,807**	$ —	$ —

The redemption schedule for monetary claims and securities with maturity dates as of March 31, 2020 is summarized as follows:

	Millions of Yen			
	One year or less	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and deposits	¥ 12,769	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	40,302	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities with maturities	—	100	100	—
Accounts receivable – other	1,212	—	—	—
Total	¥ 54,284	¥ 100	¥ 100	¥ —

5. Short-Term Investment Securities and Investment Securities

(1) Available-for-sale securities

Short-term investment securities and investment securities classified as available-for-sale securities as of March 31, 2021 and 2020 are set out in the table below.

The following table does not include financial instruments whose fair values are not readily determinable. Unlisted equity securities amounting to ¥242 million ($2,186 thousand) and ¥242 million as of March 31, 2021 and 2020, respectively, are not included in below table since they don't have market prices and their fair values are not readily determinable.

	Millions of Yen			Thousands of U.S. Dollars (Note 1)		
	Acquisition cost	Carrying value	Difference	Acquisition cost	Carrying value	Difference
	2021					
Securities with carrying value exceeding acquisition cost:						
Equity securities	**¥ 860**	**¥ 1,309**	**¥ 448**	**$ 7,768**	**$ 11,824**	**$ 4,047**
Securities with carrying value not exceeding acquisition cost:						
Debt securities	**201**	**200**	**(0)**	**1,816**	**1,807**	**(0)**
Other	**200**	**200**	—	**1,807**	**1,807**	—
Total	**¥ 1,261**	**¥ 1,709**	**¥ 447**	**$ 11,390**	**$ 15,437**	**$ 4,038**

	Millions of Yen		
	Acquisition cost	Carrying value	Difference
	2020		
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥ 46	¥ 104	¥ 58
Securities with carrying value not exceeding acquisition cost:			
Equity securities	835	744	(90)
Debt securities	201	200	(0)
Total	¥ 1,083	¥ 1,049	¥ (33)

(2) Available-for-sale securities sold during the fiscal year

There were no significant available-for-sale securities sold during the fiscal years ended March 31, 2021 and 2020.

(3) Investment securities for which impairment loss recognized

¥729 million of impairment loss on investment securities (available-for-sale securities) is recognized for the fiscal year ended March 31, 2020.

To determine the impairment of investment securities, the Company considers a decline in fair value as substantial if the fair value declines by 50% or more compared to the acquisition cost and recognizes impairment loss unless the decline is determined to be recoverable.

6. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation in the accompanying consolidated balance sheets. The accumulated depreciation as of March 31, 2021 and 2020 are ¥295,454 million ($2,668,720 thousand) and ¥290,463 million, respectively.

Deferred proceeds from national subsidies and insurance claims

Deferred proceeds from national subsidies and insurance claims are directly deducted from the acquisition cost of the related assets in the accompanying consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Proceeds from national subsidies			
Buildings and structures	**¥ 3,442**	¥ 3,382	**$ 31,090**
Storage tanks	**148**	148	**1,337**
Machinery, equipment and vehicles	**1,579**	1,579	**14,262**
Other	**128**	128	**1,156**
Software	**41**	41	**370**
Proceeds from insurance claims	**128**	128	**1,156**

7. Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Directors' compensation	**¥ 421**	¥ 437	**$ 3,803**
Provision for directors' retirement benefits	**1**	1	**9**
Salaries and allowances	**1,445**	1,363	**13,052**
Retirement benefit expenses	**90**	68	**813**
Taxes and dues	**447**	294	**4,038**

8. Loss on Retirement of Noncurrent Assets

The significant components of loss on retirement of noncurrent assets for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Buildings and structures	**¥ 104**	¥ 0	**$ 939**
Machinery, equipment and vehicles	**4**	50	**36**
Facility removal cost	**0**	7	**0**
Other	**2**	0	**18**
Total	**¥ 111**	¥ 58	**$ 1,003**

9. Gain on Sales of Noncurrent Assets

The significant components of gain on sales of noncurrent assets for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Gain on sales of noncurrent assets			
Machinery, equipment and vehicles	**¥ 4**	¥ 4	**$ 36**

10. Short-Term Loans Payable, Long-Term Loans Payable, and Lease Obligations

Short-term loans payable, long-term loans payable, and lease obligations as of March 31, 2021 and 2020 and the weighted average interest rates on the loans payable outstanding as of March 31, 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Short-term loans payable – 1 %	**¥ 74,050**	¥ 83,953	**$ 668,865**
Current portion of long-term loans payable – 1.5%	**10,046**	9,463	**90,742**
Lease obligation due within one year	**36**	20	**325**
Long-term loans payable, maturing in 2022-2027 – 1.2%	**26,376**	33,622	**238,244**
Lease obligation due in 2022-2026	**148**	134	**1,337**
Total	**¥ 110,658**	¥ 127,195	**$ 999,530**

Annual maturities of long-term loans payable as of March 31, 2021 are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2022	**¥ 10,046**	**$ 90,742**
2023	**11,953**	**107,967**
2024	**8,009**	**72,342**
2025	**4,117**	**37,187**
2026	**1,296**	**11,706**
2027 and thereafter	**1,000**	**9,033**

Annual maturities of long-term loans payable as of March 31, 2020 are as follows:

Year ending March 31,	Millions of Yen
2021	¥ 9,463
2022	9,710
2023	11,449
2024	7,561
2025	3,557
2026 and thereafter	1,344

Future lease payments as of March 31, 2021 are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2022	**¥ 36**	**$ 325**
2023	**83**	**750**
2024	**41**	**370**
2025	**17**	**154**
2026	**5**	**45**
2027 and thereafter	**0**	**6**

Future lease payments as of March 31, 2020 are as follows:

Year ending March 31,	Millions of Yen
2021	¥ 20
2022	75
2023	32
2024	26
2025 and thereafter	0

Pledged Assets

The following assets are pledged as collateral for long-term loans payable to the factory foundation amounting to ¥27,510 million ($248,487 thousand) and ¥30,801 million, including current portion of ¥8,174 million ($73,833 thousand) and ¥6,090 million, as of March 31, 2021 and 2020, respectively.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Buildings and structures	**¥ 11,378**	¥ 11,739	**$ 102,773**
Storage tanks	**3,085**	3,468	**27,866**
Machinery, equipment and vehicles	**27,402**	31,081	**247,512**
Land	**48,952**	48,952	**442,164**
Total carrying value of pledged assets	**¥ 90,818**	¥ 95,241	**$ 820,323**

11. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise, and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of 30.5% for the fiscal years ended March 31, 2021 and 2020.

The significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Deferred tax assets:			
Tax loss carryforwards (*2)	**¥ 25,803**	¥ 27,193	**$ 233,068**
Provision for repairs	**2,354**	1,396	**21,263**
Net defined benefit liability	**612**	626	**5,528**
Provision for special repairs	**713**	714	**6,440**
Depreciation	**290**	302	**2,619**
Impairment losses	**137**	67	**1,237**
Other	**1,796**	1,635	**16,223**
Subtotal	**31,708**	31,935	**286,406**
Valuation allowance for tax loss carryforwards (*2)	**(25,803)**	(26,769)	**(233,068)**
Valuation allowance for total deductible temporary differences	**(5,246)**	(4,379)	**(47,385)**
Valuation allowance total (*1)	**(31,050)**	(31,148)	**(280,462)**
Total deferred tax assets	**658**	786	**5,943**
Deferred tax liabilities:			
Valuation difference on assets of consolidated subsidiaries	**(9,356)**	(9,356)	**(84,509)**
Undistributed earnings of foreign subsidiaries	**(286)**	(276)	**(2,583)**
Adjustment assets for gains or losses on assets transfer to intercompany	**—**	(87)	**—**
Other	**(53)**	(68)	**(479)**
Total deferred tax liabilities	**(9,696)**	(9,788)	**(87,580)**
Net deferred tax liabilities	**¥ (9,038)**	¥ (9,002)	**$ (81,637)**

(*1) For the fiscal year ended March 31, 2021, valuation allowance total decreased by ¥98 million ($885 thousand) mainly because tax loss carryforwards was applied to taxable income etc.

(*2) Breakdown of tax loss carryforwards and deferred tax assets by expiry date as of March 31, 2021 and 2020 are as follows:

As of March 31, 2021

(Millions of Yen) Fiscal Year Ending March 31	2022	2023	2024	2025	2026	2027 and thereafter	Total
Tax loss carryforwards (a) .	**¥ —**	**¥ 6,469**	**¥ 5,827**	**¥ 4,068**	**¥ —**	**¥ 9,438**	**¥ 25,803**
Valuation allowance	**—**	**(6,469)**	**(5,827)**	**(4,068)**	**—**	**(9,438)**	**(25,803)**
Deferred tax assets	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**

(Thousands of U.S. Dollars) Fiscal Year Ending March 31	2022	2023	2024	2025	2026	2027 and thereafter	Total
Tax loss carryforwards (a) .	**$ —**	**$ 58,432**	**$ 52,633**	**$ 36,745**	**$ —**	**$ 85,250**	**$ 233,068**
Valuation allowance	**—**	**(58,432)**	**(52,633)**	**(36,745)**	**—**	**(85,250)**	**(233,068)**
Deferred tax assets	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

As of March 31, 2020

(Millions of Yen) Fiscal Year Ending March 31	2021	2022	2023	2024	2025	2026 and thereafter	Total	
Tax loss carryforwards (a) .	¥ —	¥ —	¥ 7,818	¥ 5,827	¥ 4,068	¥ 9,479	¥ 27,193	
Valuation allowance	—	—	(7,395)	(5,827)	(4,068)	(9,479)	(26,769)	
Deferred tax assets	¥ —	¥ —	¥ 423	¥ —	¥ —	¥ —	¥ 423	(b)

(a) Tax loss carryforwards represents the amount multiplied by normal effective statutory tax rate.

(b) For the total tax loss carryforwards of ¥27,193 million as of March 31, 2020 (amount multiplied by normal effective statutory tax rate), deferred tax assets of ¥423 million have been recognized. The tax loss carryforwards for which valuation allowance is not recognized incurred when the Company had recognized net loss before income taxes for the fiscal year ended March 31, 2014. The Company cautiously estimated the future taxable income based on the recent financial results and concluded the deferred tax assets is recoverable.

Reconciliation between the statutory income tax rate and the effective income tax rate for the fiscal years ended March 31, 2021 and 2020 are as follows:

	2021	2020
Normal effective statutory tax rate	30.5%	—
Change in valuation allowance	(1.2%)	—
Equity in earnings of affiliates	(9.9%)	—
Non-deductible entertainment expenses	0.3%	—
Other	(0.1%)	—
Effective tax rate	19.6%	—

On above table, figures for the fiscal year ended March 31, 2020 are omitted because loss before income tax is recognized.

12. Retirement Benefits Plans

Certain consolidated subsidiaries operate defined benefit corporate pension plans, lump-sum severance plans and others, which cover substantially all employees who are entitled upon retirement to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rate of pay, length of service, and the conditions under which termination occurs.

The reconciliation of retirement benefit obligation of beginning and ending balances for the fiscal years ended March 31, 2021 and 2020 (except for the plans adopting a simplified method in computing their retirement benefit obligations as permitted by Japanese GAAP) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Retirement benefit obligation at the beginning of the year	**¥ 4,516**	¥ 4,746	**$ 40,791**
Service cost	**193**	185	**1,743**
Actuarial gains and losses arising during the period	**75**	37	**677**
Defined benefit retirement plans paid	**(475)**	(452)	**(4,290)**
Prior service cost incurred	**(506)**	—	**(4,570)**
Retirement benefit obligation at the end of the year	**¥ 3,803**	¥ 4,516	**$ 34,351**

The reconciliation of plan assets of beginning and ending balances for the fiscal years ended March 31, 2021 and 2020 (except for the plans adopting a simplified method stated above) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Plan assets at the beginning of the year	¥ 2,443	¥ 2,774	$ 22,067
Expected return on plan assets	39	44	352
Actuarial gains and losses arising during the period	489	(184)	4,417
Contribution from employer	72	71	650
Defined benefit retirement plans paid	(288)	(262)	(2,601)
Plan assets at the end of the year	¥ 2,756	¥ 2,443	$ 24,894

The reconciliation of net defined benefit liability of beginning and ending balances for the fiscal years ended March 31, 2021 and 2020 for the plans adopting a simplified method are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Net defined benefit liability at the beginning of the year	¥ 310	¥ 328	$ 2,800
Retirement benefit expenses	38	37	343
Defined benefit retirement plans paid	(7)	(48)	(63)
Contribution to the plans	(7)	(6)	(63)
Net defined benefit liability at the end of the year	¥ 334	¥ 310	$ 3,017

The reconciliation of plan assets, retirement benefit obligation and net defined benefit liability and assets on the consolidated balance sheets as of March 31, 2021 and 2020 (included in the plans adopting a simplified method stated above) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Retirement benefit obligation of funded plans	¥ 2,101	¥ 2,607	$ 18,978
Plan assets	(2,756)	(2,539)	(24,894)
	(654)	67	(5,907)
Retirement benefit obligation of unfunded plans	2,037	2,316	18,399
Net amount of liabilities after deducting assets on the consolidated balance sheets	1,382	2,384	12,483
Net defined benefit liability	1,421	2,397	12,835
Net defined benefit asset	(39)	(12)	(352)
Net amount of liabilities after deducting assets on the consolidated balance sheets	¥ 1,382	¥ 2,384	$ 12,483

The components of retirement benefit expenses for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	2021
Service cost	¥ 193	¥ 185	$ 1,743
Expected return on plan assets	(39)	(44)	(352)
Amortization of actuarial gains and losses	38	(3)	343
Amortization of prior service cost	(8)	—	(72)
Retirement benefit expenses computed by a simplified method	38	37	343
Retirement benefit expenses related to defined benefit plans	¥ 223	¥ 175	$ 2,014

The components of remeasurements of defined benefit plans (before income taxes) for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
		2021		2020		**2021**
Prior service cost	**¥**	**498**	¥	―	**$**	**4,498**
Actuarial gains and losses		**452**		(225)		**4,083**
Total	**¥**	**950**	¥	(225)	**$**	**8,581**

The components of remeasurements of defined benefit plans-accumulated (before income taxes) for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
		2021		2020		**2021**
Unrecognized prior service cost	**¥**	**498**	¥	―	**$**	**4,498**
Unrecognized actuarial (gains) and losses		**152**		(299)		**1,373**
Total	**¥**	**651**	¥	(299)	**$**	**5,880**

The component ratio of main items included in plan assets for the fiscal years ended March 31, 2021 and 2020 are as follows:

	2021	2020
Bonds	**39%**	42%
Stocks	**52%**	46%
General accounts	**7%**	8%
Other	**2%**	4%
Total	**100%**	100%

The actuarial assumptions for the fiscal years ended March 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	**0.0%**	0.0%
Long-term expected rate of return on plan assets	**1.6%**	1.6%

Long-term expected rate of return on plan assets is determined on the basis of the current/future expected distribution of plan assets and expected current/future return from various assets that composes plan assets.

13. Net Assets

Under the Companies Act and related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as capital reserve, which is included in capital surplus in the accompanying consolidated balance sheets.

Under the Companies Act, in cases where a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of capital reserve and legal earnings reserve must be set aside as capital reserve or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Capital reserve and legal earnings reserve may not be distributed as dividends. However, all capital reserve and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Companies Act.

Changes in the number of shares issued and treasury stock

The changes in the number of shares issued and treasury stocks for the fiscal years ended March 31, 2021 and 2020 are as follows:

	Number of Shares			
	As of April 1, 2020	Changes during the year **2021** Increase	Changes during the year **2021** Decrease	**As of March 31, 2021**
Issued stock				
Common stock	78,183,677	—	—	**78,183,677**
Treasury stock				
Common stock	1,121,198	—	—	**1,121,198**

	Number of Shares			
	As of April 1, 2019	Changes during the year 2020 Increase	Changes during the year 2020 Decrease	As of March 31, 2020
Issued stock				
Common stock	78,183,677	—	—	78,183,677
Treasury stock				
Common stock	1,121,188	10	—	1,121,198

Note: Due to the acquisition of the odd lot shares, the number of treasury stocks increased by 10 common stock shares during the fiscal year ended March 31, 2020.

Detail of cash dividends

For the fiscal year ended March 31, 2021

(1) Dividends paid

Not applicable

(2) Dividends whose record date belongs to the current year, but whose effective date falls in the following year

Resolution	Class of Shares	Total amount of Dividend (Millions of yen)	Total amount of Dividend (Thousands of U.S. dollars) (Note 1)	Dividend per Share (Yen)	Dividend per Share (U.S. dollars) (Note 1)	Record Date	Effective date
June 25, 2021 annual meeting of shareholders	Common stock	**¥ 772**	**$ 6,973**	**¥ 10**	**$ 0.09**	March 31, 2021	June 28, 2021

For the fiscal year ended March 31, 2020

(1) Dividends paid

Resolution	Class of Shares	Total amount of Dividend (Millions of yen)	Dividend per Share (Yen)	Source of dividend	Record Date	Effective date
June 26 2019 annual meeting of shareholders	Common stock	¥ 772	¥ 10	Retained earnings	March 31, 2019	June 27, 2019

(2) Dividends whose record date belongs to the current year, but whose effective date falls in the following year

Not applicable

14. Contingent Liabilities

The Companies had the following guarantees of liabilities as of March 31, 2021 and 2020.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Employees (for home purchase):			
Indebtedness to financial institutions	**¥ 9**	¥ 11	**$ 81**
Japan Biofuels Supply LLP:			
Guarantee of obligations related to overdraft facility, obligations related to deferred payment of consumption taxes on imports, and obligations related to letter of credit agreements	**979**	1,395	**8,843**

15. Cash Flow Information

Reconciliation of "Cash and cash equivalents" in the consolidated statements of cash flows and "Cash and deposits" in the consolidated balance sheets as of March 31, 2021 and 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Cash and deposits	**¥ 15,143**	¥ 12,769	**$ 136,781**
Short-term investment securities	**200**	—	**1,807**
Subtotal	**15,343**	12,769	**138,587**
Less: Time deposits maturing over three months	**(3,007)**	(2,295)	**(27,161)**
Cash and cash equivalents	**¥ 12,336**	¥ 10,474	**$ 111,426**

16. Per Share Data

	Yen		U.S. Dollars (Note 1)
	2021	2020	**2021**
Net assets per share	**¥ 623.28**	¥ 534.02	**$ 5.63**
Basic profit or loss per share	**84.72**	(377.07)	**0.77**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2021	2020	**2021**
Calculation basis:			
Net income or loss attributable to owners of parent	**¥ 6,528**	¥ (29,058)	**$ 58,965**
Weighted average number of shares for the fiscal year	**77,062,479**	77,062,482	—

Net assets per share is computed based on the net assets available for distribution to the shareholders of capital stock and the number of shares of capital stock outstanding at the year-end.

Basic profit per share is computed based on the profit available for distribution attributable to shareholders of capital stock and the weighted average number of shares of capital stock outstanding during the fiscal year. Diluted profit per share has been omitted because no potentially dilutive instruments were outstanding during the fiscal years ended March 31, 2021 and 2020.

17. Comprehensive Income

Each component of other comprehensive income for the fiscal years ended March 31, 2021 and 2020 are the following:

	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
		2021		2020		2021
Valuation difference on available-for-sale securities:						
Amount arising during the year	¥	**558**	¥	(637)	$	**5,040**
Reclassification adjustments		**(77)**		729		**(696)**
Amount before income tax effect		**481**		91		**4,345**
Income tax effect		**8**		(0)		**72**
Total	¥	**489**	¥	91	$	**4,417**
Foreign currency translation adjustments:						
Amount arising during the year	¥	**(218)**	¥	(42)	$	**(1,969)**
Reclassification adjustments		**—**		—		**—**
Amount before income tax effect		**(218)**		(42)		**(1,969)**
Income tax effect		**—**		—		**—**
Total	¥	**(218)**	¥	(42)	$	**(1,969)**
Remeasurements of defined benefit plans:						
Amount arising during the year	¥	**912**	¥	(221)	$	**8,238**
Reclassification adjustments		**38**		(3)		**343**
Amount before income tax effect		**950**		(225)		**8,581**
Income tax effect		**—**		—		**—**
Total	¥	**950**	¥	(225)	$	**8,581**
Share of other comprehensive income of associates accounted for using equity method:						
Amount arising during the year	¥	**(872)**	¥	(171)	$	**(7,876)**
Total other comprehensive income	¥	**349**	¥	(348)	$	**3,152**

18. Segment Information

Disclosure of segment information is omitted for the fiscal years ended March 31, 2021 and 2020 because the Companies have one segment.

(1) Related information

(a) Information on sales by products

Since the sales amount of a single product attributable to the external customers' accounts for more than 90% of sales in the consolidated statements of income, disclosure of sales by products for the fiscal years ended March 31, 2021 and 2020 have been omitted.

(b) Geographic information

Since the sales and property, plant and equipment attributable to the "Japan" segment account for more than 90% of the total of all geographic segments, geographical segment information has not been presented for the fiscal years ended March 31, 2021 and 2020.

(c) Sales to major customers

Sales to major customers for the fiscal years ended March 31, 2021 and 2020 are as follows:

Name of customer	Millions of Yen				Thousands of U.S. Dollars (Note 1)	
		2021		2020		2021
Idemitsu Kosan Co., Ltd. (*1)	¥	**230,190**	¥	321,662	$	**2,079,216**
ENEOS Corporation (*2)		**45,403**		—		**410,107**

(*) Since there is one segment, related segment name is omitted on above table.
(*1) Idemitsu Kosan Co., Ltd. has implemented business integration with Showa Shell Sekiyu K.K. in April 2019.
(*2) JXTG Nippon Oil & Energy Corporation changed its company name to ENEOS Corporation on June 25, 2020

(2) Information of impairment losses on noncurrent assets by reporting segment

Information of impairment losses on noncurrent assets by reporting segment for the fiscal years ended March 31, 2021 and 2020 have been omitted since the Companies have one segment.

19. Related Party Transactions

The following are the Company's transactions with its related parties for the year ended March 31, 2021 and 2020, respectively.

The Company's directors and major shareholders (Individuals)

For the year ended March 31, 2021

Not applicable

For the year ended March 31, 2020

Name	Relationship	Transaction type	Transaction amount Millions of yen (Thousands of U.S. Dollars (Note 1))	Account	Balance at year-end Millions of yen (Thousands of U.S. Dollars (Note 1))
Tomonori Okada	Director of the Company (*3) Representative Vise President and Executive Officer of Idemitsu Kosan Co., Ltd.	Sale of crude oil and products (*1)	¥ 60,446	Accounts receivable - trade	¥ 18,903

Notes: Terms and conditions and determination policy of terms and conditions

1. The selling and purchase price of crude oil and petroleum products is determined based on usual general business terms in consideration of market prices through negotiation.
2. Tomonori Okada assumed a representative vice president and executive officer of Idemitsu Kosan Co., Ltd. on April 1, 2019 and retired a director of the Company on June 26, 2019. The disclosed amounts are the transaction amount until the retired month and the balance at the retired month.
3. The transaction amounts excludes consumption taxes, while the balances at year-end or retired month include consumption taxes.

20. Condensed financial Information of significant affiliates

Condensed financial information of significant affiliates as of March 31, 2021, was as follows:

Aramo Shipping (Singapore) Pte Ltd.	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Total current assets	**¥ 12,969**	**$ 117,144**
Total noncurrent assets	**19,399**	**175,224**
Total current liabilities	**320**	**2,890**
Total noncurrent liabilities	**2**	**18**
Total net assets	**32,046**	**289,459**
Net sales	**11,809**	**106,666**
Profit before income taxes	**5,452**	**49,246**
Profit	**5,441**	**49,146**

(*) Since the importance of Aramo Shipping (Singapore) Pte Ltd. has increased, it is considered as a significant affiliate from the fiscal year ended March 31, 2021.

21. Quarterly Information

Quarterly financial data for the fiscal year ended March 31, 2021

	Millions of yen			Yen
	Net sales	Profit before income taxes	Profit attributable to owners of parent	Profit per share
Three months ended June 30, 2020	¥ **75,951**	¥ **3,278**	¥ **2,631**	¥ **34.15**
Six months ended September 30, 2020	**162,618**	**5,491**	**4,266**	**55.36**
Nine months ended December 31, 2020	**260,972**	**5,602**	**4,277**	**55.51**
Twelve months ended March 31, 2021	**344,612**	**8,137**	**6,528**	**84.72**

	Thousands of U.S. Dollars (Note 1)			U.S. Dollars (Note 1)
	Net sales	Profit before income taxes	Profit attributable to owners of parent	Profit per share
Three months ended June 30, 2020	$ **686,036**	$ **29,609**	$ **23,765**	$ **$0.31**
Six months ended September 30, 2020	**1,468,865**	**49,598**	**38,533**	**0.50**
Nine months ended December 31, 2020	**2,357,258**	**50,601**	**38,632**	**0.50**
Twelve months ended March 31, 2021	**3,112,745**	**73,498**	**58,965**	**0.77**

Quarterly financial data for the fiscal year ended March 31, 2020

	Millions of yen			Yen
	Net sales	Profit (loss) before income taxes	Profit (loss) attributable to owners of parent	Profit (loss) per share
Three months ended June 30, 2019	¥ 85,329	¥ (4,271)	¥ (4,478)	¥ (58.12)
Six months ended September 30, 2019	211,805	(5,419)	(5,726)	(74.31)
Nine months ended December 31, 2019	342,500	(3,046)	(3,400)	(44.13)
Twelve months ended March 31, 2020	462,364	(28,395)	(29,058)	(377.07)

KPMG

Independent auditor's report

To the Board of Directors of Fuji Oil Company, Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Fuji Oil Company, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of operations, comprehensive income, changes in net assets and cash flows for the years then ended , and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Reasonableness of the valuation of inventories in the petroleum product refining business</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
As described in Note 2(r), "Significant accounting estimates" to the consolidated financial statements, in the consolidated balance sheet for the current fiscal year, inventories of ¥80,661 million in the petroleum product refining business were reported. In the current fiscal year, a loss on valuation of inventories of ¥403 million was recognized and the difference between the amount and the reversal at the beginning of the period (¥ (19,622) million) were reported in cost of sales in the consolidated statement of operations.
Inventories are measured at cost using the periodic average method (the carrying amount is written down based on a decline in profitability). When the net selling value or the replacement cost at the end of the fiscal year is lower than the carrying amount, the inventories are reported in the consolidated balance sheet at the net selling value or the replacement cost, and the difference between the amount and the carrying amount are reported in cost of sales in the consolidated statement of operations as a loss on valuation of inventories.
In calculating the net selling value or the replacement cost, in principle, the sales performance or purchase results in the closing month are used as a reasonably estimated price, and therefore significant accounting errors may occur for the following reasons:

There are significant market fluctuations in the petroleum product and crude oil markets, which form the basis for the calculation of the actual unit selling price of products and the unit purchasing cost of raw materials, which are used to calculate the net selling value or the replacement cost; and
The Company holds a large amount of inventories to fulfill the mandatory stockpile, and the loss on valuation of inventories (including the reversal at the beginning of the period) has a significant impact on the cost of sales.

We, therefore, determined that our assessment of the reasonableness of the valuation of inventories in the petroleum product refining business was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.
</td><td>
The primary procedures we performed to assess the reasonableness of the valuation of inventories in the petroleum product refining business included the following:
(1) Internal control testing
We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the valuation of inventories.
In this assessment, we focused our testing on whether the rules for calculating the net selling value or the replacement cost of inventories, which were based on internal regulations, were consistently applied.
(2) Assessment of the reasonableness of the valuation of inventories
In order to assess whether the results of the calculation of the net selling value or the replacement cost of inventories were reasonable, we:

used the statistical method to extract a sample of the actual unit selling price of products and the unit purchasing cost of raw materials, which were used to calculate the net selling value or the replacement cost, and compared the sample with supporting documents at the time of the sales transaction and purchase transaction in the closing month;
compared the trend of the unit selling price of key petroleum products with the price survey of petroleum products published by the Agency for Natural Resources and Energy, and then assessed whether the unit selling price of products used to calculate the net selling value was economically reasonable; and
compared the trend of the unit purchasing cost of key crude oil with the trend of the CIF price of crude oil and petroleum products published by the Petroleum Association of Japan based on the Trade Statistics of Japan, and then assessed whether the unit purchasing cost of raw materials used to calculate the replacement cost was economically reasonable.

</td></tr>
</table>

Appropriateness of the Company's judgment as to whether an impairment loss on the petroleum product refining facility should be recognized	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 2(r), "Significant accounting estimates" to the consolidated financial statements, in the consolidated balance sheet for the current fiscal year, the petroleum product refining facility in Fuji Oil Company, Ltd. was reported at ¥97,511 million. While the facility is depreciated in a systematic manner, it is tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the facility with its carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is reported in the consolidated statement of operations as an impairment loss. In the current fiscal year, the Company has identified an impairment indicator for the facility because neighboring land values as officially declared by the government were less than the carrying amount of the land belonging to the facility. However, the Company concluded that the recognition of an impairment loss was not necessary because the undiscounted future cash flows that were expected to be generated from the facility exceeded the carrying amount. In estimating the undiscounted future cash flows, the assumptions related to the expected utilization rate of the facility, selling price of petroleum products, and purchasing cost of crude oil were used. These assumptions involved uncertainty, and accordingly management's judgment thereon may have a significant effect on the estimated undiscounted future cash flows. We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss on the petroleum product refining facility should be recognized was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	The primary procedures we performed to assess the appropriateness of the Company's judgment as to whether an impairment loss on the petroleum product refining facility should be recognized included the following: (1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to determining whether an impairment loss should be recognized on noncurrent assets. In this assessment, we focused our testing on whether the budget for the following fiscal year, which formed the basis for calculating the undiscounted future cash flows, was prepared and subject to appropriate internal approval processes. (2) Assessment of the reasonableness of estimated undiscounted future cash flows We assessed the accuracy of the management's estimation by analyzing the achievement of the Company's estimated future cash flows in the past including the causes of any differences from actual cash flows. Then, in order to assess the reasonableness of key assumptions used for estimating the undiscounted future cash flows, we inquired of management about the basis on which those assumptions were developed. In addition, we: ● compared the expected utilization rate of the facility with the actual utilization rate in the past and the future maintenance schedule, and assessed the reasonableness of the demand trends in the petroleum products market, which affected the expected utilization rate, considering reports published by external research organizations; and ● assessed the reasonableness of the market trends in the petroleum product and crude oil markets, which formed the basis for forecasting the selling price of petroleum products and the purchasing cost of crude oil in the future by comparing them with reports published by external research organizations.

Responsibilities of Management and Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroo Iwaide

Designated Engagement Partner

Certified Public Accountant

Takatomi Yoshida

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

July 30, 2021

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Investor Information (As of March 31, 2021)

Corporate Data

Trade Name	Fuji Oil Company, Ltd.
Date of Establishment	January 31, 2003
Head Office	Tennozu Parkside Building 5-8, Higashishinagawa 2-chome, Shinagawa-ku, Tokyo 140-0002, Japan TEL: 81-3-5462-7761 FAX: 81-3-5462-7815
Paid-in Capital	¥24,467 million
Fiscal Year-End	March 31
Employees	Non-consolidated: 508 Consolidated: 704
Principal Business	Import of crude oil, refining of oil and production, processing, storage, export and sales of petroleum products and petrochemical feedstock

Tennozu Parkside Building

Shareholder Information

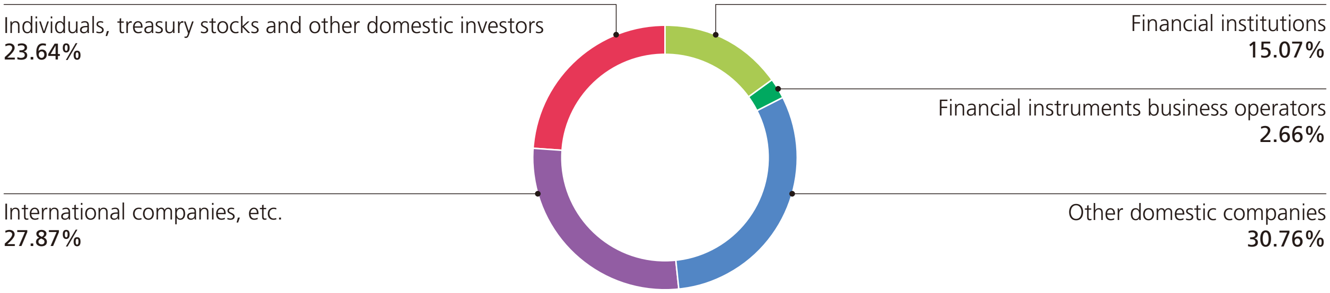
Number of Shares Authorized: 200,000,000 shares
Number of Shares Issued: 78,183,677 shares
Number of Shareholders: 12,874

Principal Shareholders

Name	Number of shares held (thousands)	Percentage of total shares outstanding (%)
JERA Co., Inc.	6,839.9	8.85
Kuwait Petroleum Corporation	5,811.3	7.52
Government of the Kingdom of Saudi Arabia	5,811.3	7.52
Idemitsu Kosan Co., Ltd.	5,144.0	6.66
Sumitomo Chemical Company, Limited	5,051.6	6.54
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,301.6	4.27
Nippon Yusen Kabushiki Kaisha	2,750.8	3.56
INTERACTIVE BROKERS LLC	2,274.8	2.94
ENEOS Holdings, Inc.	1,350.0	1.74
Custody Bank of Japan, Ltd. (Trust Account)	1,327.4	1.71
Total	39,662.9	51.36

Note: The percentage of total shares outstanding is calculated excluding treasury stocks of 966.1 thousand shares.

Composition of Shareholders by Type



Fuji Oil Company, Ltd.

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