



*RELIABILITY IN ENERGY SUPPLY*

Annual Report 2020  
April 1, 2019 – March 31, 2020

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

To Our Shareholders and Investors	01
Financial Section	03
Consolidated Balance Sheets	03
Consolidated Statements of Operations	05
Consolidated Statements of Comprehensive Income	06
Consolidated Statements of Changes in Net Assets	07
Consolidated Statements of Cash Flows	09
Notes to Consolidated Financial Statements	11
Independent Auditor's Report	32
Investor Information	35

### 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.

## Consolidated Performance

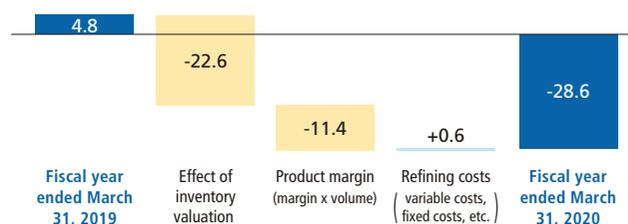
The fiscal year ended March 31, 2020 sees large decrease in profit compared to the previous year due to the worsening effect of inventory valuation, in addition to the effect of minor periodic shut-down maintenance and repair (minor SDM)

In the business results for the fiscal year ended March 31, 2020, profit attributable to owners of parent declined by 31.9 billion yen from the previous year to a loss of 29.0 billion yen. Major factors were the decrease in the amount of sales due to minor SDM carried out from May to June of 2019, the worsening of the product margin due to the sharp decrease in the oil products market in the fourth quarter, and also the large rise in cost of sales of 20.3 billion yen due to the effect of inventory valuation accompanying the crash of crude oil prices in March.

(Billions of yen)	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Increase (decrease)
Net sales	462.3	541.6	(79.2)
Operating profit (loss)	(28.6)	4.8	(33.5)
Ordinary profit (loss)	(28.7)	3.5	(32.3)
Profit (loss) attributable to owners of parent	(29.0)	2.8	(31.9)
Operating profit (loss) excluding the effect of inventory valuation	(8.3)	2.5	(10.9)
Ordinary profit (loss) excluding the effect of inventory valuation	(8.4)	1.2	(9.7)

### Main factors of change in operating profit

(Billions of yen)



## Forecast for the fiscal year ending March 31, 2021

The fiscal year ending March 31, 2021 is expected to turn around and be in the black despite the effect of the spread of the novel coronavirus, which causes COVID-19

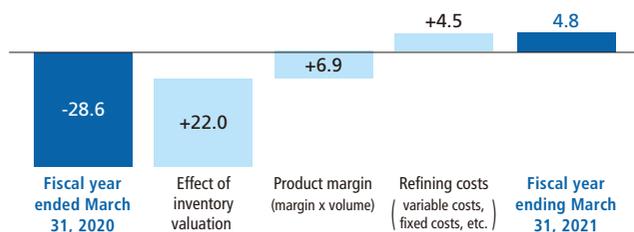
In the fiscal year ending March 31, 2021, we are forecasting operating profit of 4.8 billion yen, ordinary profit of 6.1 billion yen, and profit attributable to owners of parent of 4.9 billion yen, all rebounding to be in the black. This is because we are expecting the negative effect of inventory valuation that occurred in the fiscal year ended March 31, 2020, due to the sharp decrease of oil prices, to disappear, and we also expect product margins to recover, despite the effect of the spread of COVID-19. We expect operating profit excluding the effect of inventory valuation of 3.1 billion yen and ordinary profit excluding the effect of inventory valuation of 4.4 billion yen. In addition, this forecast was made with the following

assumptions for July 2020 on: a Dubai crude oil price of 40 dollars/barrel, and an exchange rate of 110 yen per dollar, and also reflects the business results from the April to June 2020 period.

	Crude Oil Price (Dubai Crude)	Exchange Rate
Assumptions (from July 2020 on)	US\$40/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 (August 11, 2020) and are subject to change in the future.

## Initiatives for corporate activities based on the corporate philosophy

Our corporate philosophy stipulates that we should ensure stable supplies of energy, maintain safety and protect the global environment, work for the benefit of all stakeholders, and create energetic and motivating workplaces. Also, based on the belief that we should be a corporation aiming for sustainable growth while contributing to society through our business, we are continually conducting activities to reduce environmental impact and activities to contribute to local communities and also reviewing our systems to enhance corporate governance.

### Stable supply of energy and ensuring safety

At the Sodegaura Refinery various types of activities, such as safety inspections by all employees at the refinery, are carried out regularly to ensure safety, along with proactively introducing, and using, the latest technology such as IoT.

In preparation for natural disasters, such as earthquakes, we have continued to carry out both tangible and intangible measures on equipment and facilities, such as seismic-reinforcement for receiving and shipping facilities, and training based on a business continuation plan (BCP) to be prepared for major earthquakes and other disasters.

Regarding measures for COVID-19, along with protecting the health of employees, we are carrying out various measures to prevent infection and to prevent the spread of infection under the direction of a task force headed by the President and Representing Director so we can maintain a steady supply of energy.

### Protecting the global environment

We are continuing energy-saving activities and aggressive energy-reduction measures such as installing a highly efficient boiler-turbine generator. We are also working to reduce our various environmental impacts with measures to save water resources and prevent air and water pollution. Further, we are working to

reduce industrial waste and recycle them into resources, and have continued with 0% final disposal of industrial waste since the fiscal year ended March 31, 2013.

### Co-existence with local communities

In our relationship with the Sodegaura City, where our refinery is, we are proactively deepening communication through various volunteer activities and donations. Also, in March 2020 we concluded an agreement with Sodegaura City to supply fuel to fire engines and other emergency vehicles in the event of a disaster.

### Bringing about motivating workplaces

To enable our diversified human resources to make maximum use of their abilities, not only have we transformed our personnel management system by introducing responsibility-based grades and revising our evaluation system, we have enhanced various other systems so employees could further improve their work-life balance. In addition, after defining promising human resources, we renewed our human resource educational policy and, based on that, also rebuilt our education and training programs.

### Governance system

To strengthen our governance system, in addition to newly establishing a Nomination and Remuneration Advisory Committee in June 2019 as a voluntary advisory body to the Board of Directors, we also newly introduced a corporate performance-linked director remuneration system. Regarding the original proposals for nominating directors and their remuneration, after being discussed by the Nominating and Remuneration Advisory Committee, they are voted on and finalized by the Board of Directors in which several Outside Officers participate.

In the fiscal year ending March 31, 2021, the last year of the Second Medium-Term Business Plan, we will aim to increase corporate value over the medium- to long-term against a background of a shrinking domestic oil market and an increasingly harsh competitive environment in the international market. We ask for the continued support of our shareholders and investors.



August 2020

*Atsuo Shibota*

Atsuo Shibota

President and Representing Director

# Financial Section

## Consolidated Balance Sheets

Fuji Oil Company, Ltd. and Consolidated Subsidiaries  
As of March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 4 and 15)	¥ 12,769	¥ 12,152	\$ 117,330
Notes and accounts receivable - trade (Note 4)	40,302	56,890	370,321
Short-term investment securities (Notes 4, 5 and 15)	—	100	—
Inventories (Note 3)	68,346	90,596	628,007
Accounts receivable - other (Note 4)	1,212	14,219	11,137
Other	2,753	1,955	25,296
Total current assets	125,384	175,915	1,152,109
<b>Property, plant and equipment (Note 6):</b>			
Buildings and structures, net (Note 10)	13,791	11,478	126,721
Storage tanks, net (Note 10)	3,468	3,711	31,866
Machinery, equipment and vehicles, net (Note 10)	31,401	32,821	288,533
Land (Note 10)	51,668	51,672	474,759
Construction in progress	847	5,027	7,783
Other, net	613	419	5,633
Total property, plant and equipment	101,791	105,130	935,321
<b>Intangible assets (Note 6)</b>	749	769	6,882
<b>Investments and other assets:</b>			
Investment securities (Notes 4 and 5)	16,490	16,278	151,521
Long-term loans receivable	756	795	6,947
Net defined benefit asset (Note 12)	12	150	110
Other	729	517	6,699
Allowance for doubtful accounts	(410)	(412)	(3,767)
Total investments and other assets	17,579	17,329	161,527
Total assets	¥ 245,504	¥ 299,144	\$ 2,255,849

See notes to consolidated financial statements.

Liabilities and Net assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Current liabilities:</b>			
Accounts payable - trade (Note 4)	¥ 13,686	¥ 31,252	\$ 125,756
Short-term loans payable (Notes 4 and 10)	83,953	80,064	771,414
Current portion of long-term loans payable (Notes 4 and 10)	9,463	19,481	86,952
Accounts payable - other (Note 4)	18,149	22,132	166,765
Excise taxes payable on gasoline and other fuels (Note 4)	18,939	18,375	174,024
Income taxes payable (Notes 4 and 11)	90	910	827
Other (Notes 10 and 11)	7,510	8,274	69,007
Total current liabilities	151,795	180,491	1,394,790
<b>Noncurrent liabilities:</b>			
Long-term loans payable (Notes 4 and 10)	33,622	29,386	308,941
Deferred tax liabilities (Note 11)	9,002	8,429	82,716
Provision for special repairs	2,342	2,195	21,520
Provision for repairs	4,578	4,060	42,066
Net defined benefit liability (Note 12)	2,397	2,451	22,025
Provision for directors' retirement benefits	11	9	101
Other (Note 10)	457	585	4,199
Total noncurrent liabilities	52,412	47,116	481,595
Total liabilities	204,207	227,608	1,876,385
<b>Commitments and contingent liabilities (Note 14)</b>			
<b>Net assets (Note 13)</b>			
Shareholders' equity:			
Capital stock:			
Authorized - 200,000,000 shares in 2020 and 2019			
Issued - 78,183,677 shares in 2020 and 2019			
	24,467	24,467	224,819
Capital surplus	30,396	30,396	279,298
Retained earnings	(9,886)	19,944	(90,839)
Treasury stock (Note 13)	(1,431)	(1,431)	(13,149)
Total shareholders' equity	43,546	73,376	400,129
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	8	(82)	74
Revaluation reserve for land	1	1	9
Foreign currency translation adjustments	(2,103)	(1,888)	(19,324)
Remeasurements of defined benefit plans (Note 12)	(299)	(74)	(2,747)
Total accumulated other comprehensive income	(2,393)	(2,044)	(21,988)
Non-controlling interests	144	204	1,323
Total net assets	41,297	71,536	379,463
Total liabilities and net assets	¥ 245,504	¥ 299,144	\$ 2,255,849

See notes to consolidated financial statements.

# Financial Section

## Consolidated Statements of Operations

Fuji Oil Company, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Net sales</b> (Note 18)	¥ 462,364	¥ 541,640	\$ 4,248,498
<b>Cost of sales</b> (Note 3)	486,751	533,019	4,472,581
Gross profit (loss)	(24,386)	8,621	(224,074)
<b>Selling, general and administrative expenses</b> (Note 7)	4,281	3,745	39,337
Operating profit (loss)	(28,668)	4,876	(263,420)
<b>Non-operating income (expenses):</b>			
Interest and dividends income	427	503	3,924
Equity in earnings of affiliates	1,248	88	11,467
Interest expenses	(2,574)	(3,089)	(23,652)
Foreign exchange gains (losses), net	1,440	1,844	13,232
Loss on retirement of noncurrent assets (Note 8)	(58)	(44)	(533)
Gain on sales of noncurrent assets (Note 9)	4	4	37
Insurance income	1,157	—	10,631
Impairment losses	—	(0)	—
Loss on valuation of investment securities	(729)	—	(6,699)
Loss on disaster	—	(234)	—
Other, net	(642)	(604)	(5,899)
Total non-operating income (expenses)	273	(1,532)	2,508
Profit (loss) before income taxes	(28,395)	3,344	(260,912)
<b>Income taxes</b> (Note 11):			
Income taxes - current	74	1,017	680
Income taxes - deferred	572	(584)	5,256
Total income taxes	646	433	5,936
Profit (loss)	(29,042)	2,911	(266,857)
<b>Profit attributable to non-controlling interests</b>	15	14	138
<b>Profit (loss) attributable to owners of parent</b>	¥ (29,058)	¥ 2,896	\$ (267,004)

See notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

Fuji Oil Company, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Profit (loss)</b>	¥ (29,042)	¥ 2,911	\$ (266,857)
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities	91	(293)	836
Foreign currency translation adjustments	(42)	(53)	(386)
Remeasurements of defined benefit plans	(225)	(14)	(2,067)
Share of other comprehensive income of associates accounted for using equity method	(171)	(249)	(1,571)
Total other comprehensive income	(348)	(611)	(3,198)
<b>Comprehensive income</b> (Note 17)	¥ (29,390)	¥ 2,299	\$ (270,054)
<b>Comprehensive income attributable to:</b>			
Owners of parent	¥ (29,406)	¥ 2,285	\$ (270,201)
Non-controlling interests	15	14	138

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, 2020 and 2019

	Millions of Yen					
	Shareholders' equity					
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Net assets as of April 1, 2018</b>	78,183,677	¥ 24,467	¥ 30,396	¥ 17,665	¥ (1,431)	¥ 71,097
Dividends from surplus				(617)		(617)
Profit attributable to owners of parent				2,896		2,896
Purchase of treasury stock					—	—
Net changes of items other than shareholders' equity						
Total changes during the period		—	—	2,278	—	2,278
<b>Net assets as of April 1, 2019</b>	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)
<b>Balance as of March 31, 2020</b>	<b>78,183,677</b>	<b>¥ 24,467</b>	<b>¥ 30,396</b>	<b>¥ (9,886)</b>	<b>¥ (1,431)</b>	<b>¥ 43,546</b>

	Millions of Yen						
	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
<b>Net assets as of April 1, 2018</b>	¥ 210	¥ 1	¥ (1,585)	¥ (59)	¥ (1,433)	¥ 191	¥ 69,856
Dividends from surplus							(617)
Profit attributable to owners of parent							2,896
Purchase of treasury stock							—
Net changes of items other than shareholders' equity	(293)		(303)	(14)	(611)	13	(598)
Total changes during the period	(293)	—	(303)	(14)	(611)	13	1,680
<b>Net assets as of April 1, 2019</b>	(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)
<b>Balance as of March 31, 2020</b>	<b>¥ 8</b>	<b>¥ 1</b>	<b>¥ (2,103)</b>	<b>¥ (299)</b>	<b>¥ (2,393)</b>	<b>¥ 144</b>	<b>¥ 41,297</b>

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
<b>Net assets as of April 1, 2019</b>	78,183,677	\$ 224,819	\$ 279,298	\$ 183,258	\$ (13,149)	\$ 674,226
Dividends from surplus				(7,094)		(7,094)
Profit (loss) attributable to owners of parent				(267,004)		(267,004)
Purchase of treasury stock					(0)	(0)
Net changes of items other than shareholders' equity						—
Total changes during the period		—	—	(274,097)	—	(274,097)
<b>Balance as of March 31, 2020</b>	<b>78,183,677</b>	<b>\$ 224,819</b>	<b>\$ 279,298</b>	<b>\$ (90,839)</b>	<b>\$ (13,149)</b>	<b>\$ 400,129</b>

	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	Remeasure- ments of defined benefit plans	Total accumu- lated other comprehen- sive income	Non- controlling interests	Total net assets
<b>Net assets as of April 1, 2019</b>	\$ (753)	\$ 9	\$ (17,348)	\$ (680)	\$ (18,782)	\$ 1,874	\$ 657,319
Dividends from surplus							(7,094)
Profit (loss) attributable to owners of parent							(267,004)
Purchase of treasury stock							(0)
Net changes of items other than shareholders' equity	836		(1,966)	(2,067)	(3,198)	(551)	(3,758)
Total changes during the period	836	—	(1,966)	(2,343)	(3,198)	(551)	(277,855)
<b>Balance as of March 31, 2020</b>	<b>\$ 74</b>	<b>\$ 9</b>	<b>\$ (19,324)</b>	<b>\$ (2,747)</b>	<b>\$ (21,988)</b>	<b>\$ 1,323</b>	<b>\$ 379,463</b>

See notes to consolidated financial statements.

# Financial Section

## Consolidated Statements of Cash Flows

Fuji Oil Company, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2020 and 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Net cash flows from operating activities:</b>			
Profit (loss) before income taxes	¥ (28,395)	¥ 3,344	\$ (260,912)
Depreciation and amortization	6,659	6,518	61,187
Increase in provision for repairs	518	2,897	4,760
Decrease in net defined benefit liability	(141)	(277)	(1,296)
Increase in provision for special repairs	147	142	1,351
Interest and dividends income	(428)	(503)	(3,933)
Interest expenses	2,574	3,089	23,652
Equity in earnings of affiliates	(1,248)	(88)	(11,467)
Insurance income	(1,157)	-	(10,631)
Decrease (increase) in notes and accounts receivable - trade	16,588	(5,833)	152,421
Decrease (Increase) in inventories	22,250	(8,871)	204,447
(Decrease) increase in notes and accounts payable - trade	(17,565)	3,183	(161,399)
Increase (decrease) in excise taxes payable on gasoline and other fuels	564	(5,225)	5,182
(Decrease) increase in accrued consumption taxes	(4,907)	4,022	(45,089)
Other, net	11,833	(8,400)	108,729
Subtotal	7,292	(6,002)	67,004
Interest and dividends income received	646	503	5,936
Interest expenses paid	(2,640)	(3,103)	(24,258)
Proceeds from insurance claims	1,157	-	10,631
Income taxes paid	(1,546)	(204)	(14,206)
Income taxes refund	7	768	64
Net cash provided by (used in) operating activities	¥ 4,917	¥ (8,037)	\$ 45,181

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
<b>Net cash flows from investing activities:</b>			
Payments into time deposits	¥ -	¥ (347)	¥ -
Proceeds from withdrawal of time deposits	573	100	5,265
Purchase of investment securities	(1)	(1)	(9)
Proceeds from sales of investment securities	5,489	5,339	50,436
Purchase of property, plant and equipment	(6,362)	(3,549)	(58,458)
Proceeds from sales of property, plant and equipment	4	4	37
Proceeds from national subsidies	656	1,067	6,028
Purchase of intangible assets	(128)	(58)	(1,176)
Payments of loans receivable	(0)	(1)	(0)
Collection of loans receivable	37	45	340
Other, net	(27)	(2)	(248)
Net cash provided by investing activities	241	2,597	2,214
<b>Net cash flows from financing activities:</b>			
Net increase in short-term loans payable	3,664	15,750	33,667
Proceeds from long-term loans payable	13,700	9,600	125,884
Repayment of long-term loans payable	(19,481)	(22,220)	(179,004)
Cash dividends paid	(772)	(617)	(7,094)
Cash dividends paid to non-controlling interests	(76)	(3)	(698)
Other, net	(1,045)	(1,043)	(9,602)
Net cash (used in) provided by financing activities	(4,011)	1,464	(36,856)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(57)</b>	<b>(74)</b>	<b>(524)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,090</b>	<b>(4,049)</b>	<b>10,016</b>
<b>Cash and cash equivalents at beginning of year</b> (Note 15)	<b>9,383</b>	<b>13,433</b>	<b>86,217</b>
<b>Cash and cash equivalents at end of year</b> (Note 15)	<b>¥ 10,474</b>	<b>¥ 9,383</b>	<b>\$ 96,242</b>

See notes to consolidated financial statements.

# Financial Section

## 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 ¥108.83 = U.S.\$1.00, the approximate rate of exchange on March 31, 2020. 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, 2020 and 2019. Consolidated subsidiaries as of March 31, 2020 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, 2020 and 2019 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, 2020 and 2019 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 the lower of cost or net selling value, which 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 repairs**

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

## **(j) 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.

## **(k) Provision for directors' retirement benefits**

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) 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.

## **(m) 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.

## **(n) 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).

#### **(o) Consumption taxes**

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

#### **(p) 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.

#### **(q) Reclassifications**

Certain amounts in the consolidated financial statements for the fiscal year ended March 31, 2019 have been reclassified to conform to the current year presentation.

#### **(r) Change in accounting policy**

There is no change in accounting policy for the fiscal years ended March 31, 2020 and 2019.

#### **(s) 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 31, 2020)

##### **(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 currently being examined.

##### ***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 currently being examined.

### **Accounting standard for disclosure of accounting estimates**

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

(i) Overview

Purpose of the accounting standard is to disclose information relating to the accounting estimates which are recognized on the financial statements of current fiscal year and have risk of significant impact on the financial statements of the following year, and to contribute to further understanding of the financial statement users.

(ii) Scheduled date of application

The Companies are going to apply the accounting standard from the end of the fiscal year ending March 31, 2021.

### **Additional Information ~ The effect of COVID-19 spread throughout the world**

Under the assumptions that operation rates of machinery and equipment will decline for a certain period during the fiscal year ended March 31, 2021 due to the reduced demand caused by the spread of COVID-19 throughout the world, the Companies made accounting estimates, such as determination of necessity to recognize impairment losses on noncurrent assets and judgements with regard to recoverability of deferred tax assets.

## **3. Inventories**

Inventories as of March 31, 2020 and 2019 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Merchandise and finished goods	¥ 28,558	¥ 32,310	\$ 262,409
Raw materials and supplies	39,788	58,286	365,598
<b>Total</b>	<b>¥ 68,346</b>	<b>¥ 90,596</b>	<b>\$ 628,007</b>

Write-down (net of reversal) of inventories held for sale amounted to ¥18,779 million (\$172,554 thousand) and ¥404 million for the fiscal years ended March 31, 2020 and 2019, respectively.

## **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 (m), 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.

65.1% and 62.8% of claimable assets as of March 31, 2020 and 2019, 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, 2020 and 2019 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)
	2020	2019	2020
Carrying value:			
Cash and deposits	¥ 12,769	¥ 12,152	\$ 117,330
Notes and accounts receivable – trade	40,302	56,890	370,321
Short-term investment securities and investment securities:			
Available-for-sale securities	1,049	1,787	9,639
Accounts receivable – other	1,212	14,219	11,137
<b>Total</b>	<b>55,334</b>	<b>85,050</b>	<b>508,444</b>
Fair value:			
Cash and deposits	12,769	12,152	117,330
Notes and accounts receivable – trade	40,302	56,890	370,321
Short-term investment securities and investment securities:			
Available-for-sale securities	1,049	1,787	9,639
Accounts receivable – other	1,212	14,219	11,137
<b>Total</b>	<b>55,334</b>	<b>85,050</b>	<b>508,444</b>
Difference:			
Cash and deposits	—	—	—
Notes and accounts receivable – trade	—	—	—
Short-term investment securities and investment securities:			
Available-for-sale securities	—	—	—
Accounts receivable – other	—	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ —</b>	<b>\$ —</b>

# Financial Section

Liabilities	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Carrying value:			
Accounts payable – trade	¥ 13,686	¥ 31,252	\$ 125,756
Short-term loans payable	83,953	80,064	771,414
Accounts payable – other	18,149	22,132	166,765
Excise taxes payable on gasoline and other fuels	18,939	18,375	174,024
Income taxes payable	90	910	827
Long-term loans payable	43,086	48,867	395,902
<b>Total</b>	<b>177,907</b>	<b>201,602</b>	<b>1,634,724</b>
Fair value:			
Accounts payable – trade	13,686	31,252	125,756
Short-term loans payable	83,953	80,064	771,414
Accounts payable – other	18,149	22,132	166,765
Excise taxes payable on gasoline and other fuels	18,939	18,375	174,024
Income taxes payable	90	910	827
Long-term loans payable	43,184	49,295	396,802
<b>Total</b>	<b>178,005</b>	<b>202,030</b>	<b>1,635,624</b>
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	(98)	(428)	(900)
<b>Total</b>	<b>¥ (98)</b>	<b>¥ (428)</b>	<b>\$ (900)</b>

## 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, 2020 and 2019.

### (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, 2020 and 2019 are ¥61,630 million (\$566,296 thousand) and ¥62,639 million, respectively. As stated in Note 2 (m), 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, 2020 is ¥22,280 million (\$204,723 thousand) and the amount of contracts for which terms are more than one year is ¥16,944 million (\$155,692 thousand). The contract amount of interest rate swap (Receive floating/Pay fixed) as of March 31, 2019 was ¥23,891 million and the amount of contracts for which terms are more than one year was ¥15,666 million. As stated in Note 2 (m), 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, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Unlisted equity securities	¥ 242	¥ 245	\$ 2,224
Stocks of affiliated companies	15,198	14,345	139,649

### 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, 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	—	100	100	—
Accounts receivable – other	1,212	—	—	—
Total	¥ 54,284	¥ 100	¥ 100	¥ —

	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	\$ 117,330	\$ —	\$ —	\$ —
Notes and accounts receivable - trade	370,321	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities	—	919	919	—
Accounts receivable – other	11,137	—	—	—
Total	\$ 498,796	\$ 919	\$ 919	\$ —

# Financial Section

The redemption schedule for monetary claims and securities with maturity dates as of March 31, 2019 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	¥ 12,152	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	56,890	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities	100	100	100	—
Accounts receivable – other	14,219	—	—	—
<b>Total</b>	<b>¥ 83,362</b>	<b>¥ 100</b>	<b>¥ 100</b>	<b>¥ —</b>

## 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, 2020 and 2019 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 (\$2,224 thousand) and ¥245 million as of March 31, 2020 and 2019, 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
<b>2020</b>						
Securities with carrying value exceeding acquisition cost:						
Equity securities	¥ 46	¥ 104	¥ 58	\$ 423	\$ 956	\$ 533
Securities with carrying value not exceeding acquisition cost:						
Equity securities	835	744	(90)	7,673	6,836	(827)
Debt securities	201	200	(0)	1,847	1,838	(0)
Other securities	—	—	—	—	—	—
<b>Total</b>	<b>¥ 1,083</b>	<b>¥ 1,049</b>	<b>¥ (33)</b>	<b>\$ 9,951</b>	<b>\$ 9,639</b>	<b>\$ (303)</b>

	Millions of Yen		
	Acquisition cost	Carrying value	Difference
2019			
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥ 502	¥ 601	¥ 99
Securities with carrying value not exceeding acquisition cost:			
Equity securities	1,108	885	(222)
Debt securities	201	200	(0)
Other securities	100	100	—
<b>Total</b>	<b>¥ 1,911</b>	<b>¥ 1,787</b>	<b>¥ (124)</b>

### (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, 2020 and 2019.

### (3) Investment securities for which impairment loss recognized

¥729 million (\$6,699 thousand) 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, 2020 and 2019 are ¥290,463 million (\$2,668,961 thousand) and ¥284,530 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)
	2020	2019	2020
Proceeds from national subsidies			
Buildings and structures	¥ 3,382	¥ 564	\$ 31,076
Storage tanks	148	148	1,360
Machinery, equipment and vehicles	1,579	1,369	14,509
Other	128	128	1,176
Software	41	41	377
Proceeds from insurance claims	128	128	1,176

## 7. Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Directors' compensation	¥ 437	¥ 448	\$ 4,015
Provision for directors' retirement benefits	1	1	9
Salaries and allowances	1,363	1,058	12,524
Retirement benefit expenses	68	62	625
Taxes and dues	294	350	2,701

## 8. Loss on Retirement of Noncurrent Assets

The significant components of loss on retirement of noncurrent assets for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Buildings and structures	¥ 0	¥ 23	\$ 0
Machinery, equipment and vehicles	50	2	459
Facility removal cost	7	18	64
Other	0	0	0
Total	¥ 58	¥ 44	\$ 533

# Financial Section

## 9. Gain on Sales of Noncurrent Assets

The significant components of gain on sales of noncurrent assets for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Gain on sales of noncurrent assets			
Machinery, equipment and vehicles	¥ 4	¥ 4	\$ 37

## 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, 2020 and 2019 and the weighted average interest rates on the loans payable outstanding as of March 31, 2020 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Short-term loans payable – 1.5%	¥ 83,953	¥ 80,064	\$ 771,414
Current portion of long-term loans payable – 1.6%	9,463	19,481	86,952
Lease obligation due within one year	20	17	184
Long-term loans payable, maturing in 2021-2027 - 1.3%	33,622	29,386	308,941
Lease obligation due in 2021-2024	134	50	1,231
<b>Total</b>	<b>¥ 127,195</b>	<b>¥ 129,000</b>	<b>\$ 1,168,749</b>

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

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2021	¥ 9,463	\$ 86,952
2022	9,710	89,222
2023	11,449	105,201
2024	7,561	69,475
2025	3,557	32,684
2026 and thereafter	1,345	12,359

Annual maturities of long-term loans payable as of March 31, 2019 are as follows:

Year ending March 31,	Millions of Yen
2020	¥ 19,481
2021	8,435
2022	8,268
2023	6,007
2024	4,957
2025 and thereafter	1,717

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

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2021	¥ 20	\$ 184
2022	75	689
2023	32	294
2024	26	239
2025 and thereafter	0	0

Future lease payments as of March 31, 2019 are as follows:

Year ending March 31,	Millions of Yen	
2020	¥	17
2021		15
2022		14
2023		13
2024 and thereafter		6

### Pledged Assets

The following assets are pledged as collateral for long-term loans payable to the factory foundation amounting to ¥30,801 million (\$283,019 thousand) and ¥34,710 million, including current portion of ¥6,090 million (\$55,959 thousand) and ¥15,509 million, as of March 31, 2020 and 2019, respectively.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Buildings and structures	¥ 11,739	¥ 10,687	\$ 107,865
Storage tanks	3,468	3,711	31,866
Machinery, equipment and vehicles	31,081	32,427	285,592
Land	48,952	48,952	449,802
Total carrying value of pledged assets	¥ 95,241	¥ 95,778	\$ 875,136

### 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, 2020 and 2019.

The significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Deferred tax assets:			
Tax loss carryforwards (*2)	¥ 27,193	¥ 18,421	\$ 249,867
Provision for repairs	1,396	1,238	12,827
Net defined benefit liability	626	672	5,752
Provision for special repairs	714	669	6,561
Depreciation	302	314	2,775
Impairment losses	67	67	616
Other	1,635	1,558	15,023
Subtotal	31,935	22,941	293,439
Valuation allowance for tax loss carryforwards (*2)	(26,769)	(17,986)	(245,971)
Valuation allowance for total deductible temporary differences	(4,379)	(3,634)	(40,237)
Valuation allowance total (*1)	(31,148)	(21,620)	(286,208)
Total deferred tax assets	786	1,320	7,222
Deferred tax liabilities:			
Valuation difference on assets of consolidated subsidiaries	(9,356)	(9,356)	(85,969)
Undistributed earnings of foreign subsidiaries	(276)	(255)	(2,536)
Adjustment assets for gains or losses on assets transfer to intercompany	(87)	(87)	(799)
Other	(68)	(50)	(625)
Total deferred tax liabilities	(9,788)	(9,749)	(89,938)
Net deferred tax liabilities	¥ (9,002)	¥ (8,429)	\$ (82,716)

(\*1) Valuation allowance total increased by ¥9,257 million (\$87,540 thousand) mainly because valuation allowance was recognized for tax loss carryforwards occurred at the Company as a tax payer of the consolidated taxation system.

# Financial Section

(\*2) Breakdown of tax loss carryforwards and deferred tax assets by expiry date as of March 31, 2020 and 2019 are as follows:

## 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)

(Thousands of U.S. Dollars)

Fiscal Year Ending March 31	2021	2022	2023	2024	2025	2026 and thereafter	Total
Tax loss carryforwards (a).	\$ —	\$ —	\$ 71,837	\$ 53,542	\$ 37,379	\$ 87,099	\$ 249,867
Valuation allowance.....	—	—	(67,950)	(53,542)	(37,379)	(87,099)	(245,971)
Deferred tax assets.....	\$ —	\$ —	\$ 3,887	\$ —	\$ —	\$ —	\$ 3,887 (b)

## As of March 31, 2019

(Millions of Yen)

Fiscal Year Ending March 31	2020	2021	2022	2023	2024	2025 and thereafter	Total
Tax loss carryforwards (a).	¥ —	¥ —	¥ —	¥ 7,818	¥ 5,827	¥ 4,774	¥ 18,421
Valuation allowance.....	—	—	—	(7,384)	(5,827)	(4,774)	(17,986)
Deferred tax assets.....	¥ —	¥ —	¥ —	¥ 434	¥ —	¥ —	¥ 434 (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 (\$249,867 thousand) and ¥18,421 million as of March 31, 2020 and 2019, respectively (amount multiplied by normal effective statutory tax rate), deferred tax assets of ¥423 million (\$3,887 thousand) and ¥434 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, 2020 and 2019 are as follows:

	2020	2019
Normal effective statutory tax rate	—	30.5%
Change in valuation allowance	—	(19.4)
Equity in earnings of affiliates	—	(0.8)
Non-deductible entertainment expenses	—	1.0
Other	—	1.6
Effective tax rate	—	12.9%

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, 2020 and 2019 (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
	2020	2019	(Note 1)
Retirement benefit obligation at the beginning of the year	¥ 4,746	¥ 5,201	\$ 43,609
Service cost	185	173	1,700
Actuarial gains and losses arising during the period	37	(15)	340
Defined benefit retirement plans paid	(452)	(612)	(4,153)
Retirement benefit obligation at the end of the year	¥ 4,516	¥ 4,746	\$ 41,496

The reconciliation of plan assets of beginning and ending balances for the fiscal years ended March 31, 2020 and 2019 (except for the plans adopting a simplified method stated above) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
	Plan assets at the beginning of the year	¥ 2,774	¥ 2,961
Expected return on plan assets	44	47	404
Actuarial gains and losses arising during the period	(184)	(28)	(1,691)
Contribution from employer	71	72	652
Defined benefit retirement plans paid	(262)	(278)	(2,407)
Plan assets at the end of the year	¥ 2,443	¥ 2,774	\$ 22,448

The reconciliation of net defined benefit liability of beginning and ending balances for the fiscal years ended March 31, 2020 and 2019 for the plans adopting a simplified method are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
	Net defined benefit liability at the beginning of the year	¥ 328	¥ 324
Retirement benefit expenses	37	43	340
Defined benefit retirement plans paid	(48)	(32)	(441)
Contribution to the plans	(6)	(6)	(55)
Net defined benefit liability at the end of the year	¥ 310	¥ 328	\$ 2,848

The reconciliation of plan assets, retirement benefit obligation and net defined benefit liability and assets on the consolidated balance sheets as of March 31, 2020 and 2019 (included in the plans adopting a simplified method stated above) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
	Retirement benefit obligation of funded plans	¥ 2,607	¥ 2,745
Plan assets	(2,539)	(2,867)	(23,330)
	67	(122)	616
Retirement benefit obligation of unfunded plans	2,316	2,422	21,281
Net amount of liabilities after deducting assets on the consolidated balance sheets	2,384	2,300	21,906
Net defined benefit liability	2,397	2,451	22,025
Net defined benefit asset	(12)	(150)	(110)
Net amount of liabilities after deducting assets on the consolidated balance sheets	¥ 2,384	¥ 2,300	\$ 21,906

The components of retirement benefit expenses for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
	Service cost	¥ 185	¥ 173
Expected return on plan assets	(44)	(47)	(404)
Amortization of actuarial gains and losses	(3)	(2)	(28)
Amortization of prior service cost	—	0	—
Retirement benefit expenses computed by a simplified method	37	43	340
Retirement benefit expenses related to defined benefit plans	¥ 175	¥ 167	\$ 1,608

# Financial Section

The components of remeasurements of defined benefit plans (before income taxes) for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Prior service costs	¥ —	¥ 0	\$ —
Actuarial gains and losses	(225)	(15)	(2,067)
Total	¥ (225)	¥ (14)	\$ (2,067)

The components of remeasurements of defined benefit plans-accumulated (before income taxes) for the fiscal years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Unrecognized actuarial gains and losses	¥ (299)	¥ (74)	\$ (2,747)

The component ratio of main items included in plan assets for the fiscal years ended March 31, 2020 and 2019 are as follows:

	2020	2019
Bonds	42%	38%
Stocks	46%	51%
General accounts	8%	8%
Other	4%	3%
Total	100%	100%

The actuarial assumptions for the fiscal years ended March 31, 2020 and 2019 are as follows:

	2020	2019
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, 2020 and 2019 are as follows:

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

	Number of Shares			
	As of April 1, 2018	Changes during the year		As of March 31, 2019
		2019		
		Increase	Decrease	
Issued stock				
Common stock	78,183,677	—	—	78,183,677
Treasury stock				
Common stock	1,121,188	—	—	1,121,188

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, 2020

#### (1) Dividends paid

Resolution	Class of Shares	Total amount of Dividend		Dividend per Share		Record Date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars) (Note 1)	(Yen)	(U.S. dollars) (Note 1)		
June 26 2019 annual meeting of shareholders	Common stock	¥ 772	\$ 7,094	¥ 10	\$ 0.09	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

### Detail of cash dividends for the fiscal year ended March 31, 2019

#### (1) Dividends paid

Resolution	Class of Shares	Total amount of Dividend		Dividend per Share		Record Date	Effective date
		(Millions of yen)	(Yen)	(Yen)	(Yen)		
June 27, 2018 annual meeting of shareholders	Common stock	¥ 617	¥ 8	¥ 8	¥ 8	March 31, 2018	June 28, 2018

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

# Financial Section

## 14. Contingent Liabilities

The Companies had the following guarantees of liabilities as of March 31, 2020 and 2019.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Employees (for home purchase):			
Indebtedness to financial institutions	¥ 11	¥ 14	\$ 101
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	1,395	1,010	12,818

## 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, 2020 and 2019 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Cash and deposits	¥ 12,769	¥ 12,152	\$ 117,330
Short-term investment securities	—	100	—
Subtotal	12,769	12,252	117,330
Less: Time deposits maturing over three months	(2,295)	(2,869)	(21,088)
Cash and cash equivalents	¥ 10,474	¥ 9,383	\$ 96,242

## 16. Per Share Data

	Yen		U.S. Dollars (Note 1)
	2020	2019	2020
Net assets per share	¥ 534.02	¥ 925.64	\$ 4.91
Basic profit or loss per share	(377.07)	37.59	(3.46)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Calculation basis:			
Net income or loss attributable to owners of parent	¥ (29,058)	¥ 2,896	\$ (267,004)
Weighted average number of shares for the fiscal year	77,062,482	77,062,489	—

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, 2020 and 2019.

## 17. Comprehensive Income

Each component of other comprehensive income for the fiscal years ended March 31, 2020 and 2019 are the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ (637)	¥ (275)	\$ (5,853)
Reclassification adjustments	729	(19)	6,699
Amount before income tax effect	91	(294)	836
Income tax effect	(0)	1	(0)
Total	91	(293)	836
Foreign currency translation adjustments:			
Amount arising during the year	(42)	(53)	(386)
Reclassification adjustments	—	—	—
Amount before income tax effect	(42)	(53)	(386)
Income tax effect	—	—	—
Total	(42)	¥ (53)	(386)
Remeasurements of defined benefit plans:			
Amount arising during the year	(221)	¥ (12)	(2,031)
Reclassification adjustments	(3)	(1)	(28)
Amount before income tax effect	(225)	(14)	(2,067)
Income tax effect	—	—	—
Total	(225)	(14)	(2,067)
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	(171)	(249)	(1,571)
Total other comprehensive income	¥ (348)	¥ (611)	\$ (3,198)

## 18. Segment Information

Disclosure of segment information is omitted for the fiscal years ended March 31, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019.

#### (c) Sales to major customers

Sales to major customers for the fiscal years ended March 31, 2020 and 2019 are as follows:

Name of customer	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2020	2019	2020
Idemitsu Kosan Co., Ltd. (*1)	¥ 321,662	¥ 355,090	\$ 2,955,637
JXTG Nippon Oil & Energy Corporation (*2)	—	59,628	—

(\*1) Since there is one segment, related segment name is omitted on above table.

(\*2) Idemitsu Kosan Co., Ltd. has implemented business integration with Showa Shell Sekiyu K.K. in April 2019.

(\*2) Sales to JXTG Nippon Oil & Energy Corporation for the fiscal year ended March 31, 2020 is omitted since the amount is less than 10% of the total sales.

# Financial Section

## (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, 2020 and 2019 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, 2020 and 2019, respectively.

### The Company's directors and major shareholders (Individuals)

#### 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 Vice President and Executive Officer of Idemitsu Kosan Co., Ltd.	Sale of crude oil and products (*1)	<b>¥ 60,446</b> <b>(\$555,417)</b>	Accounts receivable - trade	<b>¥ 18,903</b> <b>(\$173,693)</b>

#### For the year ended March 31, 2019

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 (*2) Representative director of Showa Shell Sekiyu K.K.	Sale of crude oil and products (*1)	¥ 264,891	Accounts receivable - trade	¥ 35,733
		Accommodation of crude oil (*5)	¥ 48,419	Accounts receivable - other	¥3,628
		Purchase of crude oil and products (*1)	¥ 71,602	Accounts payable - trade	¥11,685

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

- 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.
- Tomonori Okada assumed a director of the Company on June 27, 2018. The disclosed amounts are the transaction amount since the next month of the assumption and the balance at the fiscal year end.
- 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.
- The transaction amounts excludes consumption taxes, while the balances at year-end or retired month include consumption taxes.
- The transactions disclosed above are the transactions for the benefit of a third party. The terms and conditions are determined based on usual general business terms.

## 20. Quarterly Information

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)

	Thousands of U.S. Dollars (Note 1)			U.S. Dollars (Note 1)
	Net sales	Profit (loss) before income taxes	Profit (loss) attributable to owners of parent	Profit (loss) per share
Three months ended June 30, 2019	\$ 784,058	\$ (39,245)	\$ (41,147)	\$ (0.53)
Six months ended September 30, 2019	1,946,200	(49,793)	(52,614)	(0.68)
Nine months ended December 31, 2019	3,147,110	(27,989)	(31,241)	(0.41)
Twelve months ended March 31, 2020	4,248,498	(260,912)	(267,004)	(3.46)

Quarterly financial data for the fiscal year ended March 31, 2019

	Millions of yen			Yen
	Net sales	Profit before income taxes	Profit attributable to owners of parent	Profit per share
Three months ended June 30, 2018	¥ 137,834	¥ 5,611	¥ 4,608	¥ 59.81
Six months ended September 30, 2018	284,670	9,881	7,996	103.77
Nine months ended December 31, 2018	416,567	(3,274)	(3,313)	(42.99)
Twelve months ended March 31, 2019	541,640	3,344	2,896	37.59

## 21. Subsequent Events

On the board of directors meeting held on May 7, 2020, the Company resolved to submit to the Company's 18th annual meeting of shareholders, to be held on June 25, 2020, a proposal to reduce the amount of capital reserve and to make an appropriation of surplus. The proposal was approved and passed at the annual meeting of shareholders.

### (1) Purpose of the reduction in amount of capital reserve and the appropriation of surplus

The Company recorded a deficit in retained earnings carryforward amounting to ¥4,901,042,404 (\$45,033,928) at the fiscal year ended on March 31, 2020. In order to eliminate the deficit and ensuring flexibility of future capital policies, the Company conducts transfers between the accounts of net assets pursuant to the Companies Act.

### (2) Outline of the reduction in amount of capital reserve

In accordance with Article 448, Paragraph 1 of the Companies Act, the Company reduces a part of capital reserve and transfers it to other capital surplus.

(a) The item and amount of reserve to be reduced

Capital reserve ¥4,901,042,404 (\$45,033,928) out of ¥7,381,533,925 (\$67,826,279)

(b) The item and amount of surplus to be increased

Other capital surplus ¥4,901,042,404 (\$45,033,928)

### (3) Outline of the appropriation of surplus

In accordance with Article 452 of the Companies Act, the Company transfers total amount of other capital surplus, upon (2) noted above becomes effective, to retained earnings brought forward to eliminate the deficits in the retained earnings brought forward.

(a) The item and amount of surplus to be reduced

Other capital surplus ¥4,901,042,404 (\$45,033,928)

(b) The item and amount surplus to be increased

Retained earnings carryforward ¥4,901,042,404 (\$45,033,928)

(c) The balance of surplus after increase or decrease

Other capital surplus ¥0 (\$0)

Retained earnings carryforward ¥0 (\$0)

**(4) Schedule of the reduction in amount of capital surplus and the appropriation of surplus**

(a) Date of resolution at the annual meeting of shareholders: June 25, 2020

(b) Effective date: June 25, 2020

\*Procedures for creditors' objections are not applicable since the case fulfills the requirements specified in Article 449, proviso to Paragraph 1 of the Companies Act.

**(5) Other important item**

Since these transactions are transfers between the accounts of net assets, there is no change in profits or losses and amounts of net assets, and no impact on the business result of the Company.

# Independent Auditor's Report



## 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, 2020 and 2019, the consolidated statements of operations and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, 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, 2020 and 2019, and its consolidated financial performance and 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.

### 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 including the design, implementation and maintenance of the Group's financial reporting process.

# Independent Auditor's Report

## 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.

### Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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

Hiroshi Ashikawa  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
July 31, 2020

#### 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.

## 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: 481 Consolidated: 678
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

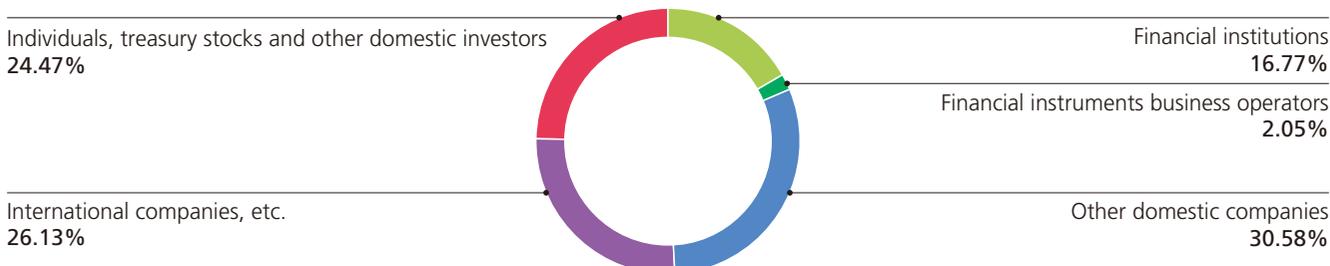
Number of Shares Authorized:	200,000,000 shares
Number of Shares Issued:	78,183,677 shares
Number of Shareholders:	13,136

### 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)	3,764.7	4.87
Nippon Yusen Kabushiki Kaisha	2,750.8	3.56
Japan Trustee Services Bank, Ltd. (Trust Account)	1,375.0	1.78
JXTG Holdings, Inc.	1,350.0	1.74
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,258.9	1.63
Total	39,157.7	50.71

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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FAX : 81-3-5462-7815

<http://www.foc.co.jp/en/>