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Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under Japanese GAAP)

August 10, 2023

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 Listing: Tokyo Stock Exchange
 Securities code: 5017
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 Scheduled date to file quarterly securities report: August 14, 2023
 Scheduled date to commence dividend payments: -
 Preparation of supplementary materials on quarterly financial results: Yes (Japanese only)
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the three months ended June 30, 2023	123,780	(40.6)	2,667	(85.1)	3,379	(81.9)	2,885	(81.6)
For the three months ended June 30, 2022	208,557	357.1	17,895	-	18,669	-	15,720	-

(Note) Total comprehensive income:
 For the three months ended June 30, 2023: 2,819 million yen [-83.9%]
 For the three months ended June 30, 2022: 17,465 million yen [- %]

	Basic earnings per share	Diluted earnings per share
	Yen -	Yen -
For the three months ended June 30, 2023	37.39	-
For the three months ended June 30, 2022	204.00	-

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	300,361	73,705	24.5
As of March 31, 2023	336,985	71,658	21.2

(Reference) Equity: As of June 30, 2023: 73,518 million yen
 As of March 31, 2023: 71,476 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen -	Yen -	Yen -	Yen -	Yen -
Fiscal year ended March 31, 2023	-	0.00	-	10.00	10.00
Fiscal year ending March 31, 2024	-	-	-	-	-
Fiscal year ending March 31, 2024 (Forecast)	-	0.00	-	10.00	10.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial results forecast for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	310,400	(30.2)	2,900	(82.4)	2,800	(83.8)	2,400	(83.4)	31.10
Full year	688,000	(19.1)	7,600	51.1	6,800	44.5	5,600	56.6	72.57

(Note) Revisions to the forecast of the financial results most recently announced: None

*Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2023 : None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements : None
- (3) Changes in accounting policies and accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations : None
 - (ii) Changes in accounting policies due to reasons other than (i) : None
 - (iii) Changes in accounting estimates : None
 - (iv) Restatement : None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)
- (ii) Number of treasury shares at the end of the period
- (iii) Average number of shares outstanding during the period (cumulative)

As of June 30, 2023	78,183,677 shares	As of March 31, 2023	78,183,677 shares
As of June 30, 2023	1,020,910 shares	As of March 31, 2023	1,020,910 shares
For the three months ended June 30, 2023	77,162,767 shares	For the three months ended June 30, 2022	77,062,473 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, such as financial results forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual financial results may differ significantly from the forecasts due to various factors. For the assumptions underlying the financial results forecasts and cautions concerning the use thereof, please refer to “Explanation of Consolidated Financial Results Forecasts and Other Forward-Looking Statements” on page 3 of the attachment.

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1. Qualitative Information on Financial Results for the First Three Months of the Current Fiscal Year

(1) Explanation of Operating Results

Dubai crude oil prices for the first quarter of the current fiscal year started at the US\$84/bbl level. However, in early April, a number of OPEC-plus oil producing countries, led by Saudi Arabia, announced an additional reduction of oil production of 1.16 million barrels per day, causing concerns about tight supply and demand for crude oil leading to an upward trend in the oil market. However, the price subsequently fell sharply due to growing concerns about a decline in demand for crude oil caused by the delay in economic recovery in China and the spread of anxiety over the financial system following a series of failures of U.S. regional banks. In June, Saudi Arabia announced a voluntary additional crude oil production cut, and the market temporarily turned upward. However, the price closed the period at the \$76 level due to the strong view that the global economy would remain sluggish as a result of continued interest rate hikes. As a result, it marked about US\$78/bbl on a quarterly average basis.

On the other hand, in the foreign exchange market, the yen started the period at the lower ¥133/US\$ level. In April, the Bank of Japan decided to maintain the monetary easing policy and yield curve control measures at its monetary policy meeting. Even after the meeting, the Bank of Japan continued to emphasize the continuation of the policies. In the U.S., the FOMC sent signals that the ongoing interest rate hiking cycle would be prolonged. Both incidents highlighted such situations as the difference in interest rates in the U.S. and Japan. Against this background, the U.S. dollar went up and up against the yen, and the yen ended the period at the higher ¥144/US\$ level. As a result, the yen was in the mid ¥137/US\$ level on a quarterly average basis.

Under such business environment, the volume of crude oil processed at the Sodegaura Refinery decreased by 0.641 million kiloliters year on year to 1.218 million kiloliters mainly due to the execution of a minor periodic shutdown maintenance (SDM). The Company's sales volume of petroleum products, petrochemical products and others also decreased by 0.583 million kiloliters to 1.299 million kiloliters.

Given such circumstances, the consolidated financial results for the first three months ended June 30, 2023 were as follows: Net sales were 123.7 billion yen, down 84.7 billion yen from the same period of a year earlier, due in large part to a decline in sales volumes caused by the minor periodic SDM. Looking at profit and loss for the period, operating profit was 2.6 billion yen, a decrease of 15.2 billion yen from the same period of a year earlier, due to a large year-on-year decline in the positive effect of inventory valuation (i.e., effect on cost of sales arising from inventory valuation using the gross average method and the lower of cost or market method), which pushed down the cost of sales by 3.5 billion yen (in the same period of a year earlier, the positive effect of inventory valuation pushed down the cost of sales by 13.0 billion yen). Ordinary profit was 3.3 billion yen, a decrease of 15.2 billion yen year on year, mainly due to the recording of 0.3 billion yen in interest expenses despite the reporting of 0.4 billion yen in foreign exchange gains and 0.7 billion yen in equity in earnings of affiliates, and others. Profit attributable to owners of parent was 2.8 billion yen, a decrease of 12.8 billion yen from the same period of a year earlier.

As for profit in real terms, excluding the effect of the inventory valuation, operating loss and ordinary loss excluding the effect of inventory valuation amounted to 0.8 billion yen (a decrease of 5.6 billion yen year on year) and 0.1 billion yen (a decrease of 5.7 billion yen year on year), respectively, primarily due to the minor periodic SDM.

(2) Explanation of Financial Positions

(Current assets)

At the end of the first quarter of the fiscal year under review, current assets totaled 174.2 billion yen, a decrease of 36.6 billion yen compared with the end of the previous fiscal year. This was mainly due to a 43.6 billion yen decrease in notes and accounts receivable - trade and a 10.5 billion yen increase in inventory.

(Non-current assets)

At the end of the first quarter of the fiscal year under review, non-current assets totaled 126.0 billion yen, almost the same amount as at the end of the previous fiscal year.

(Current liabilities)

At the end of the first quarter of the fiscal year under review, current liabilities totaled 188.5 billion yen, a decrease of 37.9 billion yen compared with the end of the previous fiscal year. This was mainly due to a 36.2 billion yen decrease in short-term loans payable, a 5.9 billion yen decrease in accounts payable - other, and a 4.9 billion yen increase in excise taxes payable on gasoline and other fuels.

(Non-current liabilities)

At the end of the first quarter of the fiscal year under review, non-current liabilities totaled 38.0 billion yen, a decrease of 0.6 billion yen compared with the end of the previous fiscal year. This was mainly due to a 1.5 billion yen decrease in long-term loans payable, and a 1.0 billion yen increase in provision for repairs.

(Net assets)

At the end of the first quarter of the fiscal year under review, net assets totaled 73.7 billion yen, an increase of 2.0 billion yen compared with the end of the previous fiscal year. This was mainly due to a 2.1 billion yen increase in retained earnings.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-Looking Statements

There are no changes to the consolidated financial results forecasts for the six months ending September 30, 2023 and for the full year ending March 31, 2024 from those stated in "Consolidated Financial Results for the Fiscal Year Ended March 31, 2023," announced on May 10, 2023.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of the end of the previous fiscal year (March 31, 2023)	As of the end of first quarter of the fiscal year under review (June 30, 2023)
Assets		
Current assets		
Cash and deposits	12,463	13,365
Notes and accounts receivable - trade	69,461	25,815
Inventories	119,288	129,807
Accounts receivable - other	1,929	2,290
Other	7,827	3,018
Total current assets	210,970	174,297
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,056	11,970
Storage tanks, net	2,651	2,543
Machinery, equipment and vehicles, net	29,862	28,669
Land	51,541	51,541
Construction in progress	1,152	1,704
Other, net	590	550
Total property, plant and equipment	97,855	96,980
Intangible assets		
Software	478	447
Other	134	134
Total intangible assets	612	581
Investments and other assets		
Investment securities	26,169	27,143
Long-term loans receivable	641	641
Net defined benefit asset	761	750
Other	380	374
Allowance for doubtful accounts	(407)	(407)
Total investments and other assets	27,545	28,502
Total non-current assets	126,014	126,064
Total assets	336,985	300,361

(Millions of yen)

	As of the end of the previous fiscal year (March 31, 2023)	As of the end of first quarter of the fiscal year under review (June 30, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	35,792	34,049
Short-term loans payable	130,316	94,103
Current portion of long-term loans payable	10,949	10,844
Accounts payable - other	26,402	20,434
Excise taxes payable on gasoline and other fuels	16,482	21,446
Income taxes payable	213	632
Provision for bonuses	336	145
Other	6,052	6,917
Total current liabilities	226,545	188,572
Non-current liabilities		
Long-term loans payable	19,793	18,271
Deferred tax liabilities	8,854	8,673
Provision for special repairs	2,387	2,474
Provision for repairs	5,080	6,110
Net defined benefit liability	1,740	1,766
Provision for directors' retirement benefits	23	23
Other	900	763
Total non-current liabilities	38,780	38,083
Total liabilities	265,326	226,655
Net assets		
Shareholders' equity		
Capital stock	24,467	24,467
Capital surplus	25,495	25,495
Retained earnings	18,653	20,766
Treasury stock	(1,271)	(1,271)
Total shareholders' equity	67,345	69,459
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	842	939
Deferred gains or losses on hedges	155	(178)
Revaluation reserve for land	1	1
Foreign currency translation adjustments	2,571	2,754
Remeasurements of defined benefit plans	560	542
Total accumulated other comprehensive income	4,130	4,059
Non-controlling interests	182	186
Total net assets	71,658	73,705
Total liabilities and net assets	336,985	300,361

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
Quarterly consolidated statement of income
First three months

	(Millions of yen)	
	First three months of the previous fiscal year (From April 1, 2022 to June 30, 2022)	First three months of the fiscal year under review (From April 1, 2023 to June 30, 2023)
Net sales	208,557	123,780
Cost of sales	189,200	119,878
Gross profit	19,357	3,902
Selling, general and administrative expenses	1,462	1,234
Operating profit	17,895	2,667
Non-operating income		
Interest income	6	45
Dividend income	56	45
Foreign exchange gains	290	427
Equity in earnings of affiliates	1,371	741
Rent income from storage tanks	54	51
Other	13	13
Total non-operating income	1,792	1,325
Non-operating expenses		
Interest expenses	790	396
Rent expenses on storage tanks	53	52
Other	174	163
Total non-operating expenses	1,018	613
Ordinary profit	18,669	3,379
Extraordinary income		
Gain on sales of non-current assets	0	1
Total extraordinary income	0	1
Extraordinary losses		
Loss on retirement of non-current assets	8	0
Loss on cancellation of leases	-	0
Total extraordinary losses	8	0
Profit before income taxes	18,661	3,380
Income taxes - current	2,872	530
Income taxes - deferred	64	(40)
Total income taxes	2,936	489
Profit	15,724	2,891
Profit attributable to non-controlling interests	4	6
Profit attributable to owners of parent	15,720	2,885

Quarterly consolidated statement of comprehensive income
First three months

(Millions of yen)

	First three months of the previous fiscal year (From April 1, 2022 to June 30, 2022)	First three months of the fiscal year under review (From April 1, 2023 to June 30, 2023)
Profit	15,724	2,891
Other comprehensive income		
Valuation difference on available-for-sale securities	(70)	97
Deferred gains or losses on hedges	309	(334)
Foreign currency translation adjustments	279	32
Remeasurements of defined benefit plans, net of tax	(26)	(17)
Share of other comprehensive income of entities accounted for using equity method	1,248	151
Total other comprehensive income	1,741	(71)
Comprehensive income	17,465	2,819
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	17,461	2,813
Comprehensive income attributable to non-controlling interests	4	6

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

Segment information is omitted as the Group has only one segment consisting of the petroleum refining and sales business.