

Taiyo Oil Company, Limited, and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Assets			
Current assets:			
Cash and deposits <i>(Note 17,19)</i>	¥ 42,905	¥ 29,127	\$ 403,851
Notes and accounts receivable-trade <i>(Note 17)</i>	66,498	57,271	625,927
Short-term investment securities <i>(Note 17,18)</i>	6,696	2,367	63,027
Inventories <i>(Note 4)</i>			
Merchandise and finished goods	30,812	22,855	290,023
Work in process	1,519	966	14,306
Raw materials and supplies	46,977	42,438	442,185
Deferred tax assets <i>(Note 12)</i>	3,083	1,422	29,024
Other	2,734	3,080	25,737
Allowance for doubtful accounts	—	(3)	—
Total current assets	201,227	159,526	1,894,083
Noncurrent assets:			
Property, plant and equipment <i>(Note 5)</i> :			
Buildings, structures and oil tanks	57,256	56,468	538,936
Machinery, equipment and vehicles	163,142	162,613	1,535,601
Land	30,246	30,295	284,699
Construction in progress	2,033	952	19,137
Other	4,686	3,940	44,112
	257,365	254,270	2,422,488
Accumulated depreciation	(174,687)	(168,975)	(1,644,270)
	82,677	85,294	778,218
Intangible assets			
Goodwill	6,136	7,122	57,759
Other	586	576	5,524
	6,723	7,698	63,283
Investments and other assets:			
Investment securities <i>(Note 18)</i>	5,801	12,802	54,611
Long-term loans receivable	23	36	224
Net defined benefit asset <i>(Note 6)</i>	1,049	552	9,878
Deferred tax assets <i>(Note 12)</i>	105	225	995
Other	2,116	3,001	19,919
Allowance for doubtful accounts	(0)	(283)	(7)
	9,096	16,333	85,621
Total noncurrent assets	98,497	109,326	927,123
Total assets	¥ 299,725	¥ 268,853	\$ 2,821,207

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	March 31,		
	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 3)</i>
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable-trade <i>(Note 17)</i>	¥ 51,941	¥ 48,156	\$ 488,902
Short-term loans payable <i>(Note 5,17)</i>	17,895	27,451	168,439
Current portion of long-term debt <i>(Note 5)</i>	4,351	12,601	40,954
Accounts payable-other <i>(Note 17)</i>	25,748	16,111	242,365
Income taxes payable	10,973	5,226	103,292
Gasoline and other excise taxes payable <i>(Note 17)</i>	23,211	25,338	218,484
Deferred tax liabilities	14	—	136
Provision for bonuses	1,648	1,733	15,514
Provision for repairs	6,930	—	65,235
Other	20,099	18,794	189,192
Total current liabilities	162,814	155,412	1,532,518
Noncurrent liabilities			
Long-term debt <i>(Note 5,17)</i>	36,395	29,946	342,573
Deferred tax liabilities <i>(Note 12)</i>	4,339	4,417	40,841
Asset retirement obligations <i>(Note 7)</i>	2,404	2,356	22,635
Provision for directors' retirement benefits	612	599	5,768
Provision for repairs	7,461	8,508	70,233
Provision for business structure improvement	3,788	5,544	35,662
Net defined benefit liability <i>(Note 6)</i>	589	358	5,545
Other	270	358	2,545
Total noncurrent liabilities	55,861	52,089	525,806
Total liabilities	218,676	207,502	2,058,324
Net assets <i>(Note 8)</i> :			
Shareholders' equity:			
Capital stock	5,600	5,600	52,710
Capital surplus	5,205	5,205	48,995
Retained earnings	69,354	49,913	652,809
Total shareholders' equity	80,159	60,718	754,516
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	777	588	7,320
Deferred gains or losses on hedges	(98)	(213)	(925)
Foreign currency translation adjustment	15	121	144
Remeasurements of defined benefit plans	194	135	1,827
Total accumulated other comprehensive income	888	631	8,366
Total net assets	81,048	61,350	762,882
Total liabilities and net assets	¥299,725	¥268,853	\$2,821,207

See accompanying notes to the consolidated financial statements.

Taiyo Oil Company, Limited, and Consolidated Subsidiaries

Consolidated Statements of Income

	Year ended March 31,		
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales	¥ 675,788	¥ 541,822	\$ 6,360,961
Cost of sales	617,668	500,470	5,813,894
Gross profit	58,120	41,352	547,066
Selling, general and administrative expenses (Note 10)	24,365	18,883	229,348
Operating income	33,754	22,468	317,718
Non-operating income:			
Interest and dividends income	150	142	1,415
Equity in earnings of affiliates	63	53	593
Subsidy income	577	131	5,440
Reversal of allowance for doubtful accounts	3	2	33
Other	512	482	4,821
Total non-operating income	1,307	812	12,303
Non-operating expenses:			
Interest expenses	913	1,000	8,595
Foreign exchange losses, net	106	175	1,003
Sales discounts	488	378	4,600
Futures trading loss, net	398	198	3,752
Loss on reduction of noncurrent assets	577	131	5,440
Other	334	202	3,150
Total non-operating expenses	2,819	2,087	26,542
Ordinary income	32,241	21,194	303,479
Extraordinary gains:			
Gain on sales of noncurrent assets	9	0	85
Gain on sales of investment securities	—	15	—
Compensation for transfer	—	126	—
Reversal of provision for business structure improvement	454	—	4,276
Other	0	5	2
Total extraordinary gains	463	146	4,364
Extraordinary losses:			
Loss on sales of noncurrent assets	6	225	61
Loss on retirement of noncurrent assets	54	238	514
Impairment loss (Note 11)	107	550	1,015
Loss on valuation of investment securities	105	—	993
Bad debts expenses	192	—	1,815
Other	9	5	91
Total extraordinary losses	477	1,019	4,491
Profit before income taxes	32,228	20,321	303,352
Income taxes:			
Current	13,292	5,345	125,120
Deferred	(1,727)	1,799	(16,262)
Total income tax	11,565	7,144	108,858
Profit	20,663	13,177	194,494
Profit attributable to owners of parent (Note 16)	¥ 20,663	¥ 13,177	\$ 194,494

See accompanying notes to the consolidated financial statements.

Taiyo Oil Company, Limited, and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Year ended March 31,		
	2018	2017	2018
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars) (Note 3)
Profit	¥ 20,663	¥ 13,177	\$ 194,494
Other comprehensive income (Note 13)			
Valuation difference on available-for-sale securities	188	494	1,770
Deferred gains or losses on hedges	115	208	1,086
Foreign currency translation adjustment	(106)	(0)	(999)
Remeasurements of defined benefit plans	58	158	549
Share of other comprehensive income of affiliates accounted for using equity method	1	1	11
Total other comprehensive income	257	863	2,419
Comprehensive income (Note 13)	¥ 20,920	¥ 14,040	\$ 196,913
Total comprehensive income attributable to: Owners of parent	¥ 20,920	¥ 14,040	\$ 196,913

See accompanying notes to the consolidated financial statements.

Taiyo Oil Company, Limited, and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,		
	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Cash flows from operating activities			
Profit before income taxes	¥ 32,228	¥ 20,321	\$ 303,352
Depreciation and amortization	6,434	6,177	60,565
Amortization of goodwill	694	182	6,532
Impairment loss	107	550	1,015
Decrease in allowance for doubtful accounts	(286)	(1)	(2,697)
Increase in provision for directors' retirement benefits	13	69	124
Decrease in provision for business structure improvement	(1,463)	—	(13,779)
Increase in provision for repairs	5,883	98	55,380
(Decrease) increase in provision for bonuses	(84)	202	(799)
Increase in net defined benefit liability	150	11	1,413
Increase in net defined benefit asset	(332)	(11)	(3,129)
Interest and dividend income	(150)	(142)	(1,415)
Interest expense	913	1,000	8,595
Gain on sales of investment securities	—	(15)	—
Increase in notes and accounts receivable-trade	(10,150)	(5,166)	(95,540)
Increase in inventories	(12,656)	(20,428)	(119,131)
Increase in notes and accounts payable-trade	4,705	11,146	44,291
Increase in accounts payable-other	8,293	1,246	78,066
(Decrease) increase in gasoline and other excise taxes payable	(2,511)	6,046	(23,637)
Decrease in other current assets	363	370	3,425
Increase in other current liabilities	1,552	4,050	14,612
Other, net	1,100	190	10,362
Subtotal	34,804	25,900	327,606
Interest and dividends income received	191	203	1,806
Interest expense paid	(948)	(1,011)	(8,930)
Income taxes paid	(7,560)	(4,135)	(71,166)
Net cash provided by operating activities	26,487	20,956	249,314
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	(2,608)	(4,442)	(24,550)
Proceeds from sales of property, plant and equipment and intangible assets	20	47	191
Purchase of short-term investment securities	—	(3,711)	—
Proceeds from redemption of securities	—	6,109	—
Purchase of investment securities	—	(500)	—
Proceeds from sales of investment securities	2,860	5,748	26,920
Payment for purchase of shares of consolidated subsidiary	—	(13,481)	—
Other, net	(26)	(188)	(247)
Net cash provided by (used in) investing activities	245	(10,418)	2,314
Cash flows from financing activities			
Net decrease in short-term loans payable	(9,556)	(2,679)	(89,947)
Repayments of finance lease obligations	(120)	(123)	(1,134)
Proceeds from long-term loans payable	4,800	—	45,180
Repayment of long-term loans payable	(12,601)	(8,521)	(118,608)
Proceeds from issuance of bonds	5,848	—	55,046
Redemption of bonds	—	(1,750)	—
Cash dividends paid	(1,222)	(962)	(11,502)
Net cash used in financing activities	(12,851)	(14,035)	(120,966)
Effect of exchange rate change on cash and cash equivalents	(103)	(5)	(977)
Net increase (decrease) in cash and cash equivalents	13,777	(3,502)	129,685
Cash and cash equivalents at beginning of period	29,127	32,629	274,165
Cash and cash equivalents at end of period <i>(Note 19)</i>	¥ 42,905	¥ 29,127	\$ 403,851

See accompanying notes to the consolidated financial statement