

Taiyo Oil Company, Limited, and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2019	2018	2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Assets			
Current assets:			
Cash and deposits <i>(Note 16,18)</i>	¥ 31,997	¥ 42,905	\$ 288,291
Notes and accounts receivable-trade <i>(Note 16)</i>	65,409	66,498	589,234
Short-term investment securities <i>(Note 16,17)</i>	—	6,696	—
Inventories <i>(Note 4)</i>			
Merchandise and finished goods	25,924	30,812	233,573
Work in process	201	1,519	1,815
Raw materials and supplies	55,948	46,977	504,081
Other	3,850	2,734	34,691
Total current assets	<u>183,330</u>	<u>198,143</u>	<u>1,651,777</u>
Noncurrent assets:			
Property, plant and equipment <i>(Note 5)</i> :			
Buildings, structures and oil tanks	59,969	57,256	540,313
Machinery, equipment and vehicles	169,597	163,142	1,528,042
Land	30,185	30,246	271,961
Construction in progress	1,077	2,033	9,706
Other	4,979	4,686	44,865
	<u>265,808</u>	<u>257,365</u>	<u>2,394,888</u>
Accumulated depreciation	<u>(177,379)</u>	<u>(174,687)</u>	<u>(1,598,153)</u>
	88,429	82,677	796,735
Intangible assets			
Goodwill	5,435	6,136	48,969
Other	633	586	5,708
	<u>6,068</u>	<u>6,723</u>	<u>54,677</u>
Investments and other assets:			
Investment securities <i>(Note 17)</i>	5,141	5,801	46,321
Long-term loans receivable	15	23	139
Net defined benefit asset <i>(Note 6)</i>	763	1,049	6,878
Deferred tax assets <i>(Note 12)</i>	880	3,189	7,931
Other	2,080	2,116	18,748
Allowance for doubtful accounts	(0)	(0)	(7)
	<u>8,880</u>	<u>12,180</u>	<u>80,011</u>
Total noncurrent assets	<u>103,378</u>	<u>101,581</u>	<u>931,424</u>
Total assets	<u>¥ 286,709</u>	<u>¥ 299,725</u>	<u>\$ 2,583,202</u>

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	March 31,		
	2019	2018	2019
	<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 16)</i>	¥ 47,904	¥ 51,941	\$ 431,610
Short-term loans payable <i>(Note 5,16)</i>	21,422	17,895	193,008
Current portion of long-term debt <i>(Note 5)</i>	15,336	4,351	138,181
Accounts payable-other <i>(Note 16)</i>	16,267	25,748	146,566
Income taxes payable	386	10,973	3,485
Gasoline and other excise taxes payable <i>(Note 16)</i>	36,921	23,211	332,657
Provision for bonuses	1,434	1,648	12,924
Provision for repairs		6,930	
Other	23,536	20,099	212,057
Total current liabilities	163,209	162,800	1,470,492
Noncurrent liabilities			
Long-term debt <i>(Note 5,16)</i>	26,458	36,395	238,383
Deferred tax liabilities <i>(Note 12)</i>	4,296	4,353	38,711
Asset retirement obligations <i>(Note 7)</i>	2,272	2,404	20,472
Provision for directors' retirement benefits	632	612	5,699
Provision for repairs	9,495	7,461	85,551
Provision for business structure improvement	4,020	3,788	36,224
Net defined benefit liability <i>(Note 6)</i>	723	589	6,521
Other	246	270	2,222
Total noncurrent liabilities	48,146	55,876	433,787
Total liabilities	211,356	218,676	1,904,280
Net assets <i>(Note 8)</i> :			
Shareholders' equity:			
Capital stock	400	5,600	3,603
Capital surplus	5	5,205	47
Retained earnings	74,334	69,354	669,741
Total shareholders' equity	74,739	80,159	673,393
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	618	777	5,574
Deferred gains or losses on hedges	(51)	(98)	(464)
Foreign currency translation adjustment	102	15	923
Remeasurements of defined benefit plans	(55)	194	(504)
Total accumulated other comprehensive income	613	888	5,528
Total net assets	75,353	81,048	678,921
Total liabilities and net assets	¥ 286,709	¥ 299,725	\$ 2,583,202

See accompanying notes to the consolidated financial statements.

Taiyo Oil Company, Limited, and Consolidated Subsidiaries

Consolidated Statements of Income

	Year ended March 31,		
	2019	2018	2019
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales	¥ 638,365	¥ 675,788	\$ 5,751,559
Cost of sales	604,440	617,668	5,445,904
Gross profit	33,924	58,120	305,654
Selling, general and administrative expenses (Note 10)	23,099	24,365	208,124
Operating income	10,824	33,754	97,530
Non-operating income:			
Interest and dividends income	225	150	2,032
Foreign exchange gains, net	151	—	1,364
Equity in earnings of affiliates	5	63	52
Subsidy income	534	577	4,817
Reversal of allowance for doubtful accounts	—	3	—
Other	797	512	7,187
Total non-operating income	1,715	1,307	15,453
Non-operating expenses:			
Interest expenses	823	913	7,421
Foreign exchange losses, net	—	106	—
Sales discounts	536	488	4,830
Futures trading loss, net	404	398	3,641
Loss on reduction of noncurrent assets	—	577	—
Other	223	334	2,009
Total non-operating expenses	1,987	2,819	17,902
Ordinary income	10,553	32,241	95,081
Extraordinary gains:			
Gain on sales of noncurrent assets	52	9	472
Reversal of provision for business structure improvement	—	454	—
Other	—	0	—
Total extraordinary gains	52	463	472
Extraordinary losses:			
Loss on sales of noncurrent assets	15	6	137
Loss on retirement of noncurrent assets	367	54	3,314
Impairment loss (Note 11)	40	107	365
Loss on valuation of investment securities	116	105	1,048
Bad debts expenses	—	192	—
Other	7	9	67
Total extraordinary losses	547	477	4,933
Profit before income taxes	10,057	32,228	90,620
Income taxes:			
Current	743	13,292	6,696
Deferred	2,430	(1,727)	21,899
Total income tax	3,173	11,565	28,595
Profit	6,884	20,663	62,024
Profit attributable to owners of parent (Note 15)	¥ 6,884	¥ 20,663	\$ 62,024

See accompanying notes to the consolidated financial statements.

Taiyo Oil Company, Limited, and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Year ended March 31,		
	2019	2018	2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
Profit	¥ 6,884	¥ 20,663	\$ 62,024
Other comprehensive income <i>(Note 13)</i>			
Valuation difference on available-for-sale securities	(157)	188	(1,423)
Deferred gains or losses on hedges	46	115	420
Foreign currency translation adjustment	87	(106)	784
Remeasurements of defined benefit plans	(250)	58	(2,253)
Share of other comprehensive income of affiliates accounted for using equity method	(0)	1	(8)
Total other comprehensive income	(275)	257	(2,479)
Comprehensive income <i>(Note 13)</i>	¥ 6,608	¥ 20,920	59,544
Total comprehensive income attributable to: Owners of parent	¥ 6,608	¥ 20,920	\$ 59,544

See accompanying notes to the consolidated financial statements.

Taiyo Oil Company, Limited, and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,		
	2019	2018	2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 3)</i>
Cash flows from operating activities			
Profit before income taxes	¥ 10,057	¥ 32,228	\$ 90,620
Depreciation and amortization	6,854	6,434	61,753
Amortization of goodwill	701	694	6,318
Impairment loss	40	107	365
Decrease in allowance for doubtful accounts	—	(286)	—
Increase in provision for directors' retirement benefits	19	13	177
Increase (decrease) in provision for business structure improvement	231	(1,463)	2,088
(Decrease) increase in provision for repairs	(4,896)	5,883	(44,119)
Decrease in provision for bonuses	(213)	(84)	(1,925)
Increase in net defined benefit liability	134	150	1,208
Increase in net defined benefit asset	(73)	(332)	(657)
Interest and dividend income	(225)	(150)	(2,032)
Interest expense	823	913	7,421
Decrease (increase) in notes and accounts receivable-trade	1,820	(10,150)	16,406
Increase in inventories	(2,755)	(12,656)	(24,823)
(Decrease) increase in notes and accounts payable-trade	(4,766)	4,705	(42,945)
(Decrease) increase in accounts payable-other	(8,804)	8,293	(79,329)
Increase (decrease) in gasoline and other excise taxes payable	13,709	(2,511)	123,523
(Increase) decrease in other current assets	(472)	363	(4,252)
Increase in other current liabilities	3,120	1,552	28,119
Other, net	373	1,100	3,366
Subtotal	15,681	34,804	141,283
Interest and dividends income received	260	191	2,348
Interest expense paid	(826)	(948)	(7,449)
Income taxes paid	(11,627)	(7,560)	(104,757)
Net cash provided by operating activities	3,487	26,487	31,424
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	(13,742)	(2,608)	(123,820)
Proceeds from sales of property, plant and equipment and intangible assets	134	20	1,210
Purchase of investment securities	(205)	—	(1,852)
Proceeds from sales of investment securities	—	2,860	—
Proceeds from redemption of investment securities	6,700	—	60,365
Collection of long-term loans receivable	4	—	41
Other, net	467	(26)	4,210
Net cash (used in) provided by investing activities	(6,642)	245	(59,845)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	3,527	(9,556)	31,777
Repayments of finance lease obligations	(113)	(120)	(1,025)
Proceeds from long-term loans payable	5,400	4,800	48,653
Repayment of long-term loans payable	(4,351)	(12,601)	(39,201)
Purchase of treasury shares	(10,722)	—	(96,603)
Proceeds from issuance of bonds	—	5,848	—
Cash dividends paid	(1,582)	(1,222)	(14,253)
Net cash used in financing activities	(7,841)	(12,851)	(70,653)
Effect of exchange rate change on cash and cash equivalents	88	(103)	798
Net (decrease) increase in cash and cash equivalents	(10,907)	13,777	(98,276)
Cash and cash equivalents at beginning of period	42,905	29,127	386,567
Cash and cash equivalents at end of period <i>(Note 18)</i>	¥ 31,997	¥ 42,905	\$ 288,291

See accompanying notes to the consolidated financial statement