

Taiyo Oil Company, Limited, and Consolidated Subsidiaries

Consolidated Balance Sheets

	March 31,		
	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
<b>Assets</b>			
Current assets:			
Cash and deposits <i>(Note 16,18)</i>	¥ 40,623	¥ 31,997	\$ 373,274
Notes and accounts receivable-trade <i>(Note 16)</i>	46,640	65,409	428,562
Inventories <i>(Note 4)</i>			
Merchandise and finished goods	20,129	25,924	184,959
Work in process	168	201	1,548
Raw materials and supplies	32,008	55,948	294,118
Other	2,574	3,850	23,656
Total current assets	142,144	183,330	1,306,119
Noncurrent assets:			
Property, plant and equipment <i>(Note 5)</i> :			
Buildings, structures and oil tanks	61,095	59,969	561,384
Machinery, equipment and vehicles	169,882	169,597	1,560,987
Land	29,971	30,185	275,395
Construction in progress	1,611	1,077	14,807
Other <i>(Note 2)</i>	5,529	4,979	50,810
	268,090	265,808	2,463,385
Accumulated depreciation	(182,916)	(177,379)	(1,680,752)
	85,173	88,429	782,632
Intangible assets			
Goodwill	4,733	5,435	43,497
Other	863	633	7,938
	5,597	6,068	51,436
Investments and other assets:			
Investment securities <i>(Note 17)</i>	3,476	5,141	31,943
Long-term loans receivable	7	15	66
Net defined benefit asset <i>(Note 6)</i>	392	763	3,607
Deferred tax assets <i>(Note 12)</i>	2,085	880	19,158
Other	3,082	2,080	28,323
Allowance for doubtful accounts	(0)	(0)	(7)
	9,043	8,880	83,093
Total noncurrent assets	99,814	103,378	917,162
Total assets	¥ 241,959	¥ 286,709	\$ 2,223,281

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Consolidated Balance Sheets

	March 31,		
	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
<b>Liabilities and net assets</b>			
Current liabilities:			
Notes and accounts payable-trade <i>(Note 16)</i>	¥ 27,979	¥ 47,904	\$ 257,091
Short-term loans payable <i>(Note 5,16)</i>	39,056	21,422	358,871
Current portion of long-term debt <i>(Note 5)</i>	6,409	15,336	58,897
Accounts payable-other <i>(Note 16)</i>	18,582	16,267	170,743
Income taxes payable	109	386	1,004
Gasoline and other excise taxes payable <i>(Note 16)</i>	27,104	36,921	249,050
Provision for bonuses	641	1,434	5,892
Provision for repairs	2,118	—	19,470
Other <i>(Note 2)</i>	23,866	23,536	219,304
Total current liabilities	<u>145,867</u>	<u>163,209</u>	<u>1,340,327</u>
Noncurrent liabilities			
Long-term debt <i>(Note 5,16)</i>	20,048	26,458	184,217
Deferred tax liabilities <i>(Note 12)</i>	4,264	4,296	39,187
Asset retirement obligations <i>(Note 7)</i>	2,281	2,272	20,961
Provision for directors' retirement benefits	672	632	6,179
Provision for repairs	9,851	9,495	90,524
Provision for business structure improvement	4,243	4,020	38,991
Net defined benefit liability <i>(Note 6)</i>	763	723	7,015
Other <i>(Note 2,21)</i>	281	246	2,586
Total noncurrent liabilities	<u>42,407</u>	<u>48,146</u>	<u>389,664</u>
Total liabilities	<u>188,275</u>	<u>211,356</u>	<u>1,729,992</u>
Net assets <i>(Note 8)</i> :			
Shareholders' equity:			
Capital stock	400	400	3,675
Capital surplus	5	5	48
Retained earnings	53,435	74,334	491,000
Total shareholders' equity	<u>53,840</u>	<u>74,739</u>	<u>494,724</u>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	3	618	27
Deferred gains or losses on hedges	(9)	(51)	(88)
Foreign currency translation adjustment	59	102	550
Remeasurements of defined benefit plans	(209)	(55)	(1,925)
Total accumulated other comprehensive income	<u>(156)</u>	<u>613</u>	<u>(1,435)</u>
Total net assets	<u>53,684</u>	<u>75,353</u>	<u>493,288</u>
Total liabilities and net assets	<u>¥ 241,959</u>	<u>¥ 286,709</u>	<u>\$ 2,223,281</u>

See accompanying notes to the consolidated financial statements.

Taiyo Oil Company, Limited, and Consolidated Subsidiaries

Consolidated Statements of Operations

	Year ended March 31,		
	2020	2019	2020
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales	¥ 642,138	¥ 638,365	\$ 5,900,377
Cost of sales	639,422	604,440	5,875,424
Gross profit	2,715	33,924	24,953
Selling, general and administrative expenses (Note 10)	23,974	23,099	220,291
Operating (loss) income	(21,258)	10,824	(195,338)
Non-operating income:			
Interest and dividends income	485	225	4,457
Foreign exchange gains, net	330	151	3,040
Equity in earnings of affiliates	108	5	994
Futures trading gain, net	538	—	4,949
Subsidy income	59	534	550
Reversal of advances received for prepaid card certificates	379	—	3,488
Other	554	797	5,091
Total non-operating income	2,456	1,715	22,572
Non-operating expenses:			
Interest expenses	875	823	8,044
Sales discounts	590	536	5,430
Futures trading loss, net	—	404	—
Other	186	223	1,714
Total non-operating expenses	1,653	1,987	15,189
Ordinary (loss) income	(20,455)	10,553	(187,955)
Extraordinary gains:			
Gain on sales of investment securities	851	—	7,827
Gain on sales of noncurrent assets	54	52	498
Compensation income	222	—	2,040
Other	2	—	22
Total extraordinary gains	1,130	52	10,389
Extraordinary losses:			
Loss on sales of noncurrent assets	0	15	6
Loss on retirement of noncurrent assets	240	367	2,207
Impairment loss (Note 11)	257	40	2,363
Loss on valuation of investment securities (Note 17)	—	116	—
Business restructuring expenses	310	—	2,852
Other	7	7	70
Total extraordinary losses	816	547	7,500
(Loss) profit before income taxes	(20,140)	10,057	(185,066)
Income taxes:			
Current	295	743	2,715
Deferred	(897)	2,430	(8,244)
Total income tax	(601)	3,173	(5,529)
(Loss) profit	(19,539)	6,884	(179,537)
(Loss) profit attributable to owners of parent (Note 15)	¥ (19,539)	¥ 6,884	\$ (179,537)

See accompanying notes to the consolidated financial statements.

Taiyo Oil Company, Limited, and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

	Year ended March 31,		
	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 3)</i>
(Loss) profit	¥ (19,539)	¥ 6,884	\$ (179,537)
Other comprehensive income <i>(Note 13)</i>			
Valuation difference on available-for-sale securities	(614)	(157)	(5,647)
Deferred gains or losses on hedges	41	46	385
Foreign currency translation adjustment	(42)	87	(390)
Remeasurements of defined benefit plans	(153)	(250)	(1,411)
Share of other comprehensive income of affiliates accounted for using equity method	(1)	(0)	(10)
Total other comprehensive income	(769)	(275)	(7,074)
Comprehensive income <i>(Note 13)</i>	¥ (20,308)	¥ 6,608	(186,611)
Total comprehensive income attributable to: Owners of parent	¥ (20,308)	¥ 6,608	\$ (186,611)

*See accompanying notes to the consolidated financial statements.*

Taiyo Oil Company, Limited, and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

	Year ended March 31,		
	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 3)</i>
<b>Cash flows from operating activities</b>			
(Loss) profit before income taxes	¥ (20,140)	¥ 10,057	\$ (185,066)
Depreciation and amortization	7,314	6,854	67,211
Amortization of goodwill	701	701	6,444
Impairment loss	257	40	2,363
Increase in provision for directors' retirement benefits	39	19	367
Increase in provision for business structure improvement	222	231	2,048
Increase (decrease) in provision for repairs	2,475	(4,896)	22,745
Decrease in provision for bonuses	(793)	(213)	(7,288)
Increase in net defined benefit liability	58	134	540
Decrease (increase) in net defined benefit asset	130	(73)	1,201
Interest and dividend income	(485)	(225)	(4,457)
Interest expense	875	823	8,044
Gain on sale of investment securities	(851)	—	(7,827)
Decrease in notes and accounts receivable-trade	18,358	1,820	168,693
Decrease (increase) in inventories	29,814	(2,755)	273,955
Decrease in notes and accounts payable-trade	(19,516)	(4,766)	(179,328)
Increase (decrease) in accounts payable-other	658	(8,804)	6,053
(Decrease) increase in gasoline and other excise taxes payable	(9,817)	13,709	(90,209)
Decrease (increase) in other current assets	882	(472)	8,112
Increase in other current liabilities	433	3,120	3,982
Other, net	(601)	373	(5,523)
Subtotal	10,019	15,681	92,063
Interest and dividends income received	502	260	4,614
Interest expense paid	(880)	(826)	(8,090)
Income taxes refund	661	—	6,079
Income taxes paid	(822)	(11,627)	(7,561)
Net cash provided by operating activities	9,479	3,487	87,106
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets	(3,009)	(13,742)	(27,651)
Proceeds from sales of property, plant and equipment and intangible assets	155	134	1,429
Purchase of investment securities	(431)	(205)	(3,963)
Proceeds from sales of investment securities	2,148	—	19,741
Proceeds from redemption of investment securities	—	6,700	—
Collection of long-term loans receivable	7	4	71
Other, net	(534)	467	(4,913)
Net cash used in investing activities	(1,663)	(6,642)	(15,286)
<b>Cash flows from financing activities</b>			
Net increase in short-term loans payable	17,634	3,527	162,032
Repayments of finance lease obligations	(109)	(113)	(1,002)
Proceeds from long-term loans payable	—	5,400	—
Repayment of long-term loans payable	(10,328)	(4,351)	(94,907)
Purchase of treasury shares	—	(10,722)	—
Redemption of bonds	(5,008)	—	(46,016)
Cash dividends paid	(1,360)	(1,582)	(12,496)
Net cash provided by (used in) financing activities	828	(7,841)	7,609
Effect of exchange rate change on cash and cash equivalents	(18)	88	(168)
Net increase (decrease) in cash and cash equivalents	8,625	(10,907)	79,261
Cash and cash equivalents at beginning of period	31,997	42,905	294,013
Cash and cash equivalents at end of period <i>(Note 18)</i>	¥ 40,623	¥ 31,997	\$ 373,274

See accompanying notes to the consolidated financial statement