

Consolidated Balance Sheets

	Notes	As of March 31, 2019	As of March 31, 2020
ASSETS		Millions of yen	Millions of yen
Current assets			
Cash and deposits	5 d), 9, 11	49,445	52,992
Notes and accounts receivable - trade:	5 d), 11, 20		
Unconsolidated subsidiaries and affiliates		37,472	48,387
Other		207,691	166,331
Allowance for doubtful accounts		(146)	(124)
Merchandise and finished goods		131,952	145,573
Work in process		453	380
Raw materials and supplies		144,911	88,312
Accounts receivable - other:	11		
Unconsolidated subsidiaries and affiliates		782	761
Other		41,615	41,581
Other	5 d), 11, 12, 13	27,553	28,422
Total current assets		641,731	572,619
Non-current assets			
Property, plant and equipment			
Buildings and structures, net		235,988	245,682
Oil tanks, net	5 e)	34,984	34,955
Machinery, equipment and vehicles, net	5 d), 5 e)	186,250	195,478
Land	5 d), 5 f)	317,255	316,908
Leased assets, net		597	698
Construction in progress		59,022	51,115
Other, net		8,183	8,825
Total property, plant and equipment	5 a), 19	842,283	853,663
Intangible assets			
Software		3,585	5,954
Other		37,378	36,037
Total intangible assets		40,964	41,991
Investments and other assets			
Investment securities	5 b), 5 d), 11, 12	117,552	119,071
Long-term loans receivable		1,262	1,085
Long-term prepaid expenses		4,741	4,312
Net defined benefit asset	15	2,765	2,236
Costs recoverable under production sharing		19,404	12,988
Deferred tax assets	16	23,221	23,603
Other	11, 13	8,397	8,407
Allowance for doubtful accounts		(459)	(464)
Total investments and other assets		176,886	171,239
Total non-current assets		1,060,134	1,066,895
Deferred assets			
Bond issuance cost		404	250
Total deferred assets		404	250
Total assets		1,702,270	1,639,765

	Notes	As of March 31, 2019	As of March 31, 2020
LIABILITIES		Millions of yen	Millions of yen
Current liabilities			
Notes and accounts payable - trade:	11, 14		
Unconsolidated subsidiaries and affiliates		9,277	9,571
Other		258,619	223,948
Short-term loans payable	5 d), 5 g), 11, 14	164,739	135,026
Current portion of bonds payable	11, 14	–	26,000
Commercial paper	11, 14	98,000	86,000
Accounts payable - other:	11, 14		
Unconsolidated subsidiaries and affiliates		3,181	2,762
Other		103,874	103,713
Accrued gasoline taxes	11	88,987	82,147
Income taxes payable	11	5,324	7,540
Accrued expenses	5 d)	3,188	3,835
Provision for bonuses		7,052	6,064
Provision for directors' bonuses		472	362
Other	11, 13, 14, 17	22,016	19,107
Total current liabilities		764,734	706,080
Non-current liabilities			
Bonds payable	11, 14	46,700	20,700
Convertible bonds with share acquisition rights	11, 14	60,000	60,000
Long-term loans payable	5 d), 5 g), 11, 14	324,669	353,583
Deferred tax liabilities	16	33,454	32,926
Deferred tax liabilities for land revaluation	5 f), 16	5,192	5,131
Provision for special repairs		20,992	29,220
Provision for business structure improvement		1,050	552
Provision for environmental measures		1,362	853
Net defined benefit liability	15	5,085	7,400
Provision for executive remuneration BIP trust		111	253
Asset retirement obligations	17	21,330	22,632
Other	11, 13, 14, 20	15,733	37,591
Total non-current liabilities		535,684	570,845
Total liabilities		1,300,419	1,276,925
Contingent liabilities	5 c)		
NET ASSETS			
Shareholders' equity			
Capital stock		40,000	40,000
Authorized, 170,000,000 shares as of March 31, 2019 and 2020			
Issued, 84,770,508 shares as of March 31, 2019 and 2020			
Capital surplus		82,963	82,843
Retained earnings		167,574	132,755
Treasury stock		(758)	(1,382)
Total shareholders' equity		289,779	254,217
Accumulated other comprehensive income			
Unrealized gains or losses on available-for-sale securities		4,121	2,424
Deferred gains or losses on hedges		99	373
Revaluation reserve for land	5 f)	(20,911)	(21,020)
Foreign currency translation adjustments		7,236	5,778
Remeasurements of defined benefit plans	15	739	(1,981)
Total accumulated other comprehensive income		(8,713)	(14,425)

Non-controlling interests	120,785	123,047
Total net assets	401,850	362,839
Total liabilities and net assets	1,702,270	1,639,765

Consolidated Statements of Operations

	Notes	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
		Millions of yen	Millions of yen
Net sales	19, 20	2,770,365	2,738,003
Cost of sales	6 a), 6 c)	2,539,936	2,586,244
Gross profit		230,429	151,758
Selling, general and administrative expenses	6 b), 6 c)	135,775	137,865
Operating income		94,653	13,893
Non-operating income			
Interest income		642	802
Dividend income		763	789
Rental income on non-current assets		1,147	1,179
Equity in net income of unconsolidated subsidiaries and affiliates		6,859	5,391
Foreign exchange gains		3,861	3,215
Other		2,981	3,564
Total non-operating income		16,255	14,943
Non-operating expenses			
Interest expenses		10,875	9,252
Other		3,378	3,298
Total non-operating expenses		14,253	12,551
Ordinary income	19	96,654	16,285
Extraordinary income			
Gain on sales of non-current assets	6 d)	629	669
Gain on sales of investment securities	12	861	399
Subsidy income		5,541	2,759
Compensation income		744	7,948
Insurance income		272	1,517
Other		147	68
Total extraordinary income		8,197	13,362
Extraordinary losses			
Loss on sales of non-current assets		134	6
Loss on disposal of non-current assets	6 e)	5,437	8,495
Impairment loss	6 f), 19	2,009	3,914
Loss on valuation of investment securities	12	1,090	1,572
Settlement package		–	600
Other		213	1,145
Total extraordinary losses		8,885	15,734
Income before income taxes		95,966	13,913
Income taxes – current	16	43,852	34,108
Income taxes – deferred	16	(13,935)	816
Total income taxes		29,917	34,925
Net income (loss)		66,048	(21,012)
Net income attributable to non-controlling interests		12,916	7,143
Net income (loss) attributable to owners of parent		53,132	(28,155)
Per share	21	Yen	Yen
Net income (loss)		630.69	(334.84)
Diluted net income		594.03	–
Cash dividends applicable to the year		80	80

Consolidated Statements of Comprehensive Income

	Notes	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
		Millions of yen	Millions of yen
Net income (loss)		66,048	(21,012)
Other comprehensive income			
Unrealized gains or losses on available-for-sale securities		(2,780)	(2,142)
Deferred gains or losses on hedges		500	439
Revaluation reserve for land		(9)	9
Foreign currency translation adjustments		363	(25)
Remeasurements of defined benefit plans		(2,084)	(2,913)
Share of other comprehensive income of entities accounted for using equity method		(1,858)	(1,461)
Total other comprehensive income	7	(5,869)	(6,095)
Comprehensive income		60,179	(27,107)
Comprehensive income attributable to:			
Owners of parent		47,689	(33,748)
Non-controlling interests		12,489	6,640

Consolidated Statements of Changes in Net Assets (Note 8)

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2018	40,000	84,359	118,701	(1,091)	241,970
Changes of items during period					
Dividends of surplus			(4,238)		(4,238)
Net income attributable to owners of parent			53,132		53,132
Acquisition of treasury stock				(2)	(2)
Disposal of treasury stock		206		334	541
Reversal of revaluation reserve for land			(21)		(21)
Purchase of shares of consolidated subsidiaries		(1,602)			(1,602)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(1,395)	48,872	332	47,808
Balance at March 31, 2019	40,000	82,963	167,574	(758)	289,779

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2018	6,379	(267)	(20,923)	8,715	2,803	(3,292)	117,468	356,146
Changes of items during period								
Dividends of surplus								(4,238)
Net income attributable to owners of parent								53,132
Acquisition of treasury stock								(2)
Disposal of treasury stock								541
Reversal of revaluation reserve for land			21			21		—
Purchase of shares of consolidated subsidiaries								(1,602)
Net changes of items other than shareholders' equity	(2,257)	367	(9)	(1,479)	(2,063)	(5,442)	3,316	(2,126)
Total changes of items during period	(2,257)	367	11	(1,479)	(2,063)	(5,420)	3,316	45,704
Balance at March 31, 2019	4,121	99	(20,911)	7,236	739	(8,713)	120,785	401,850

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2019	40,000	82,963	167,574	(758)	289,779
Changes of items during period					
Dividends of surplus			(6,781)		(6,781)
Net income (loss) attributable to owners of parent			(28,155)		(28,155)
Acquisition of treasury stock				(623)	(623)
Disposal of treasury stock					–
Reversal of revaluation reserve for land			118		118
Purchase of shares of consolidated subsidiaries		(119)			(119)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(119)	(34,818)	(623)	(35,561)
Balance at March 31, 2020	40,000	82,843	132,755	(1,382)	254,217

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2019	4,121	99	(20,911)	7,236	739	(8,713)	120,785	401,850
Changes of items during period								
Dividends of surplus								(6,781)
Net income (loss) attributable to owners of parent								(28,155)
Acquisition of treasury stock								(623)
Disposal of treasury stock								–
Reversal of revaluation reserve for land			(118)			(118)		–
Purchase of shares of consolidated subsidiaries								(119)
Net changes of items other than shareholders' equity	(1,696)	273	9	(1,457)	(2,721)	(5,592)	2,261	(3,330)
Total changes of items during period	(1,696)	273	(109)	(1,457)	(2,721)	(5,711)	2,261	(39,010)
Balance at March 31, 2020	2,424	373	(21,020)	5,778	(1,981)	(14,425)	123,047	362,839

Consolidated Statements of Cash Flows

Notes	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Cash flows from operating activities		
Income before income taxes	95,966	13,913
Depreciation	46,752	49,673
Impairment loss	2,009	3,914
Loss (gain) on sales of non-current assets	(495)	(662)
Settlement package	—	600
Loss (gain) on disposal of non-current assets	5,437	8,495
Loss (gain) on sales of investment securities	(861)	(399)
Loss (gain) on valuation of investment securities	1,090	1,572
Subsidy income	(5,541)	(2,759)
Interest and dividend income	(1,405)	(1,592)
Compensation income	(744)	(7,948)
Insurance income	(272)	(1,517)
Interest expenses	10,875	9,252
Foreign exchange losses (gains)	(1,227)	(598)
Equity in net losses (income) of unconsolidated subsidiaries and affiliates	(6,859)	(5,391)
Increase (decrease) in allowance for doubtful accounts	35	(17)
Increase (decrease) in provision for special repairs	3,162	9,011
Increase (decrease) in provision for environmental measures	(516)	(387)
Increase or decrease in net defined benefit asset and liability	(625)	(1,303)
Decrease (increase) in notes and accounts receivable - trade	19,388	30,391
Proceeds from costs recoverable under production sharing	7,472	7,933
Decrease (increase) in inventories	(11,474)	43,513
Increase (decrease) in notes and accounts payable - trade	(6,136)	(34,325)
Decrease (increase) in other current assets	(3,231)	2,269
Increase (decrease) in other current liabilities	(9,971)	(9,874)
Decrease (increase) in investments and other assets	1,550	389
Increase (decrease) in other non-current liabilities	(1,247)	22,964
Other, net	1,744	1,357
Subtotal	144,875	138,474
Interest and dividend income received	9,126	3,565
Interest expenses paid	(10,985)	(9,432)
Payments for business structure improvement expenses	(48)	—
Proceeds from subsidy income	5,933	2,759
Proceeds from compensation	744	7,948
Proceeds from insurance income	502	1,517
Income taxes paid	(59,697)	(33,100)
Net cash provided by operating activities	90,450	111,733

	Notes	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
		Millions of yen	Millions of yen
Cash flows from investing activities			
Purchase of investment securities		(1,454)	(4,180)
Proceeds from sales and redemption of investment securities		38	584
Purchase of shares of subsidiaries and associates		(1,240)	(1,240)
Proceeds from sales of shares or liquidation of subsidiaries and associates		813	4
Purchase of property, plant and equipment		(73,102)	(78,122)
Payments for disposal of property, plant and equipment		(4,823)	(6,615)
Proceeds from sales of property, plant and equipment		1,364	15,003
Payments for purchases of intangible assets and long-term prepaid expenses		(7,974)	(9,067)
Decrease (increase) in short-term loans receivable		(134)	134
Payments of long-term loans receivable		(166)	(44)
Collection of long-term loans receivable		1,558	243
Payments into time deposits		(22)	(7,240)
Proceeds from refund of time deposits		499	6,207
Proceeds from refund of investments in anonymous partnership		122	105
Net cash used in investing activities		(84,521)	(84,230)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable		(28,116)	15,330
Proceeds from long-term loans payable		26,526	129,417
Repayments of long-term loans payable		(99,050)	(145,265)
Payments into restricted deposits		(75)	–
Proceeds from issuance of bonds		59,851	–
Net increase (decrease) in commercial paper		35,100	(12,000)
Purchase of treasury stock	3	(2)	(623)
Cash dividends paid		(4,205)	(6,775)
Dividends paid to non-controlling interests		(7,173)	(4,283)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(3,602)	(285)
Other, net	3	266	(189)
Net cash used in financing activities		(20,480)	(24,675)
Effect of exchange rate changes on cash and cash equivalents		71	(199)
Net increase (decrease) in cash and cash equivalents		(14,480)	2,627
Cash and cash equivalents at beginning of period		55,148	40,667
Cash and cash equivalents at end of period	9 a)	40,667	43,295

Notes to Consolidated Financial Statements

1. Basis of preparation of consolidated financial statements

1. Accounting principles and presentation

The financial statements of Cosmo Energy Holdings Co., Ltd. ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act and in conformity with accounting principles generally accepted in Japan, which differ from the application and disclosure requirements of International Financial Reporting Standards in certain respects.

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Finance Bureau in Japan have been reclassified in these financial statements for the convenience of the reader.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data.

2. Scope of consolidation

(1) Number of consolidated subsidiaries

34 companies as of March 31, 2020 and 35 companies as of March 31, 2019

Names of major companies

Cosmo Oil Co., Ltd., Cosmo Energy Exploration & Production Co., Ltd., Cosmo Oil Marketing Co., Ltd. as of March 31, 2020 and 2019

Cosmo Oil (U.K.) Limited, which was a consolidated subsidiary during the fiscal year ended March 31, 2019, was excluded from the scope of consolidation due to the completion of liquidation during the fiscal year ended March 31, 2020.

(2) Names of major non-consolidated subsidiaries

Osadano Gas Center Co., Ltd. as of March 31, 2020 and 2019

Reason for exclusion from the scope of consolidation

19 non-consolidated subsidiaries as of March 31, 2020 and 2019 are excluded from the scope of consolidation since they are all small-scale companies, and as a result their total assets, net sales, net income (loss) attributable to owners of parent (amount corresponding to equity holdings), and retained earnings (amount corresponding to equity holdings) do not have a material impact on the consolidated financial statements.

3. Application of the equity method

(1) Number of non-consolidated subsidiaries accounted for under the equity method

19 companies as of March 31, 2020 and 2019

Names of major companies

Osadano Gas Center Co., Ltd. as of March 31, 2020 and 2019

(2) Number of affiliates accounted for under the equity method

10 companies as of March 31, 2020 and 2019

Names of major companies

Hyundai Cosmo Petrochemical Co., Ltd., United Petroleum Development Co., Ltd., Gyxis Corporation, Kygnus Sekiyu K.K. as of March 31, 2020 and 2019

(3) Names of major affiliates not accounted for under the equity method

Ohgishima Oil Terminal Co., Ltd., Kasumisanbashi Kanri Co., Ltd. as of March 31, 2020 and 2019

Reason for not applying the equity method

Affiliates not accounted for under the equity method are small in scale and net income (loss) attributable to owners of parent (the Company's interest) and retained earnings (the Company's interest) have a minimal impact on the Company's consolidated financial statements individually and in the aggregate.

(4) Application of the equity method

For affiliates with fiscal years that are different to the Company's fiscal year, the financial statements for the affiliate's most recent fiscal year are used for equity method accounting with adjustments for the effects of any significant transactions and events which occurred between the end of the fiscal year of the affiliate and the Company.

4. Fiscal years of consolidated subsidiaries

Among 34 consolidated subsidiaries as of March 31, 2020 (35 companies as of March 31, 2019), the fiscal years of Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., Cosmo Oil International Pte. Ltd., and Cosmo Oil Europe B.V. end on December 31, and the fiscal year of Akita Wind Power Laboratory Co., Ltd. ends on the final day of February. The fiscal year of Cosmo Oil (U.K.) Limited which was liquidated during the fiscal year ended March 31, 2020 ends on December 31.

When significant transactions occur at those subsidiaries between their fiscal year end and the Company's fiscal year end, these transactions are included in the Company's consolidated financial statements.

5. Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

Under Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,” the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gains or losses of retirement benefits that have been directly recorded in equity through other comprehensive income; (c) expensing capitalized development costs; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and application of the cost model of accounting; and (e) reclassification of amounts equivalent to gains or losses on disposal of or losses on impairment of equity instruments as profit or loss when subsequent changes in fair value of equity instruments are presented in comprehensive income.

6. Summary of significant accounting policies

(1) Measurement methods for significant assets

- (i) Securities
 - a. Held-to-maturity securities
The amortized cost method is applied to account for held-to-maturity securities.
 - b. Available-for-sale securities
With readily determinable fair value
Stated at fair value prevailing at the fiscal year end, with net unrealized gains and losses, net of taxes, reported separately in net assets. The cost of securities sold is calculated using the moving average method.
Without readily determinable fair value
Stated at cost using the moving average method.
- (ii) Inventories
Mainly stated at cost using the gross average method. The carrying amount on the balance sheet is calculated after write-downs for decreases in net realizable value below cost.
- (iii) Derivatives
Stated at fair value.

(2) Method of depreciation of significant depreciable assets

- (i) Property, plant and equipment (excluding leased assets)
Property, plant and equipment are, in principle, depreciated using the straight-line method. The useful lives and residual values used are the same as those prescribed in the Corporation Tax Act. However, refinery equipment, such as machinery and equipment, structures, and oil tanks owned by Cosmo Oil Co., Ltd. adopt an economic useful life reflecting estimated actual lives as these differ from the tax-based lives. The service station buildings owned by Cosmo Oil Property Service Co., Ltd. are depreciated based on economic useful lives of 15 years considering past use. In addition, assets for oil exploration and production owned by Abu Dhabi Oil Co., Ltd. are mainly depreciated using an economic useful life based on remaining duration of the concession agreement and considering past usage. Assets for wind-power generation owned by Cosmo Eco Power Co., Ltd. and its subsidiaries are mainly depreciated over 20 years based on the economic useful life.
- (ii) Intangible assets (excluding leased assets)
Intangible assets are, in principle, amortized using the straight-line method. The useful lives used are the same as those prescribed in the Corporation Tax Act. However, the straight-line method is applied for software for internal use based on the internal use period (5 years).
- (iii) Leased assets
 - Leased assets held as lessee under financial lease transactions with transfer of ownership
The depreciation method that is applied to self-owned property, plant and equipment is applied.
 - Leased assets held as lessee under financial lease transactions without transfer of ownership
The straight-line method over the lease term with zero residual value is applied.
Financial lease transactions without transfer of ownership with a lease start date before March 31, 2008 are accounted for in a manner similar to the accounting treatment for ordinary rental transactions.
- (iv) Long-term prepaid expenses
The straight-line method is applied. The amortization periods are mainly the same as prescribed in the Corporation Tax Act.

(3) Accounting treatment for deferred assets

- Bond issuance cost
The straight-line method is applied to amortize bond issuance costs over the bond redemption period.

(4) Significant allowances

- (i) Allowance for doubtful accounts
Allowance for losses on doubtful accounts are recognized based on the expected uncollectible amounts.
 - a. General accounts receivable
The actual historic rate of losses from bad debts is used.
 - b. Specific doubtful receivables, including claims provable in bankruptcy and rehabilitation
The individual collectability consideration method is used.

- (ii) Provision for special repairs
The amounts of inspection and maintenance costs related to oil tanks that require regular inspections under the Fire Service Act, regular maintenance costs related to machinery and equipment in refineries and plant manufacturing facilities, and other costs corresponding to the current fiscal year are recognized.
- (iii) Provision for business structure improvement
A provision is recognized for expenses or losses that could be incurred in the future as a result of legal obligations related to the ongoing use and closure of refineries owned by Cosmo Oil Co., Ltd., a consolidated subsidiary.
- (iv) Provision for environmental measures
The Company and its consolidated subsidiaries provide a reserve for the estimated cost to treat polychlorinated biphenyl (PCB) waste as required by the “Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes” (Act No. 65 of 2001).
- (v) Provision for bonuses
A provision for bonuses to employees is recognized based on expected payments for the fiscal years ended March 31, 2019 and 2020 respectively.
- (vi) Provision for directors’ bonuses
A provision for bonuses to directors is recognized based on the expected payments for the fiscal years ended March 31, 2019 and 2020 respectively by the Company and some consolidated subsidiaries.
- (vii) Provision for executive remuneration BIP trust
A provision is recognized for the cost of the Company’s shares expected to be provided to the Company’s directors (excluding outside directors and audit and supervisory board members), executive officers, and the directors of some consolidated subsidiaries in accordance with their rank and term of office based on the relevant regulations.

(5) Liability for retirement benefits

- (i) Periodic allocation method for the estimated retirement benefits
The retirement benefit obligation is calculated by allocating the estimated retirement benefits until the end of the fiscal year on a benefit formula basis.
- (ii) Amortization of past service cost and actuarial gains/losses
Past service cost is primarily amortized on a straight-line basis over 10 years, which is shorter than the average remaining years of service of the eligible employees. Net actuarial gain or loss is primarily amortized from the following year on a straight-line basis over 8 to 10 years, which is shorter than the average remaining years of service of the eligible employees.
- (iii) Accounting treatment for unrecognized actuarial gains or losses and unrecognized past service cost
Unrecognized actuarial gains or losses and unrecognized past service cost are recorded as remeasurements of defined benefit plans, net of tax effect, under accumulated other comprehensive income in net assets.

(6) Recognition of revenues and costs of construction contracts

Revenue and costs of construction contracts for which the percentage of completion can be reliably estimated are recognized by the percentage-of-completion method. The percentage of completion is calculated as the cost incurred as a percentage of the estimated total cost. The completed-contract method is applied for the contracts for which the percentage of completion cannot be reliably estimated.

(7) Foreign currency translation

Foreign currency-denominated receivables and payables are translated into Japanese yen at the spot exchange rate at the fiscal year end date and differences arising from the translation are included in the consolidated statements of operations. The assets and liabilities and revenues and expenses of overseas subsidiaries are translated into Japanese yen at the spot exchange rate on the fiscal year end date and differences arising from the translation are presented as part of foreign currency translation adjustments in net assets.

(8) Hedge accounting

- (i) Method of hedge accounting
Deferred hedge accounting is applied except for interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the net payment and receipt under the swap agreements are recognized and included in interest expense (the “exceptional method”).
- (ii) Hedging instruments and hedged items
 - (Currency-related)
 - Hedging instruments: Foreign exchange forward contracts, currency options
 - Hedged items: Foreign denominated forecast transactions
 - (Interest rate-related)
 - Hedging instruments: Interest rate swaps
 - Hedged items: Borrowings
 - (Commodity-related)
 - Hedging instruments: Crude oil and petroleum product swaps, crude oil and petroleum product futures
 - Hedged items: Crude oil and petroleum product trading
- (iii) Hedging policy
Exchange rate risk, interest rate risk, and price risk on the hedged items are hedged within a certain range based on internal regulations that prescribe transaction rights and limitations related to derivative transactions.

(iv) **Assessment of hedge effectiveness**

The effectiveness of hedges is assessed by comparing the cumulative cash flow fluctuations or market fluctuations of the hedging instruments with cumulative cash flow fluctuations or market fluctuations of the corresponding hedged items for each six month period. However, the assessment of effectiveness is not conducted for interest rate swaps for which the exceptional method is applied.

(9) Definition of “Cash and cash equivalents” in the consolidated statements of cash flows

Cash and cash equivalents as shown in the consolidated statements of cash flows are composed of cash in hand, readily available deposits, and short-term investments with maturities of 3 months or less at the time of purchase that are exposed to insignificant risk of change in value.

(10) Other material matters relating to the preparation of the consolidated financial statements

(i) **Accounting treatment for consumption taxes**

The tax exclusive method is used to account for consumption taxes.

(ii) **Accounting treatment for costs recoverable under production sharing**

Expenditures made by a consolidated subsidiary during exploration, development and production phases under a production sharing contract are recorded as “Costs recoverable under production sharing” so long as they are recoverable under the terms of the relevant contract. When the subsidiary receives crude oil in accordance with the relevant contract, an amount corresponding to the purchase costs of the products (i.e., a cost recovery portion of the investments) is released from this account.

(iii) **Application of consolidated taxation system**

The Company and certain domestic consolidated subsidiaries adopt a consolidated taxation system.

(iv) **Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system**

With regard to a transition to the group tax sharing system established by the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020) and items subject to revisions of the non-consolidated taxation system according to a transition to the group tax sharing system, the Company and certain domestic consolidated subsidiaries do not apply the provisions of paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), in accordance with the treatment provided for under 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” (ASBJ PITF No. 39, March 31, 2020). Accordingly, the amounts of deferred tax assets and deferred tax liabilities are instead based on the provisions of the tax law before revision.

(v) **Accounting treatment for beneficial interests in trusts with land as the trust assets**

For the beneficial interests in trusts with land as the trust assets that are owned by some consolidated subsidiaries, all asset and liability accounts within the trusts and all revenue and expenses arising from the trust assets are recorded under the applicable accounts in the consolidated balance sheets and consolidated statements of operations.

2. Standards and guidance not yet adopted

The following standards and guidance were issued but not yet adopted.

- “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)

- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) jointly developed a comprehensive accounting standard for revenue recognition and issued “Revenue from Contracts with Customers” in May 2014 as IFRS 15 (IASB) and Topic 606 (FASB), respectively. Considering the situation that IFRS 15 has become applicable from the fiscal year beginning on and after January 1, 2018 and Topic 606 from the fiscal year beginning after December 15, 2017, ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with implementation guidance.

ASBJ’s fundamental policies adopted for developing the accounting standard for revenue recognition are to establish accounting standards as a starting point of adopting basic principles of IFRS 15 from the viewpoint of comparability of financial statements which is one of benefits of ensuring consistency with IFRS 15, and to add alternative treatments to the extent not to impair comparability in cases where the accounting practices conducted in Japan should be considered.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standard and guidance

The Company and its domestic consolidated subsidiaries are currently in the process of determining the effects of applying the standard and guidance on the consolidated financial statements.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, 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 Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

The ASBJ promoted an initiative to ensure consistency of the requirements between the Japanese accounting standards and international accounting standards, primarily in the areas of guidance on the fair values of financial instruments and their disclosures, and issued “Accounting Standard for Fair Value Measurement” and other standards and guidance, considering the circumstance where the IASB and the FASB have prescribed almost the similar detailed guidance (IFRS 13 “Fair Value Measurement” issued by IASB and Accounting Standards Codification Topic 820 “Fair Value Measurement” issued by FASB).

The ASBJ’s fundamental policies adopted for developing the accounting standard for fair value measurement and other standards and guidance are, in principle, to implement all the requirements of IFRS 13 from the viewpoint of enhancing the comparability of the financial statements of domestic and overseas companies by using unified measurement methods, and also to prescribe exceptional treatments for individual items to the extent not to impair comparability while the accounting practices conducted in Japan are considered.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the standard and guidance

The effects of applying the standards and guidance on the consolidated financial statements have not been determined at this time.

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

(1) Overview

The ASBJ developed and issued “Accounting Standard for Disclosure of Accounting Estimates” considering the circumstance where the ASBJ received comments requesting consideration for notes disclosure requirement regarding sources of estimation uncertainty in the Japanese accounting standards since disclosure of such information is required by Paragraph 125 of IAS 1 “Presentation of Financial Statements” (“IAS 1”) issued by the IASB in 2003 and is highly useful for users of financial statements.

The ASBJ’s fundamental policies adopted for developing the accounting standard for disclosure of accounting estimates are, not enhancing existing notes disclosures, but presenting principles (disclosure objectives) and requiring each entity to determine specific contents of disclosure in consideration of the disclosure objectives. It was also decided to make reference to paragraph 125 of IAS 1 in developing this standard.

(2) Effective date

Effective from the end of the fiscal year ending March 31, 2021.

- “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020)

(1) Overview

The ASBJ made required revisions and issued the “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” considering the circumstance where the ASBJ received proposals for consideration of enhancement of notes disclosure on “accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly defined.”

When enhancing notes disclosure on “accounting principles and procedures adopted when requirements under the relating accounting standards are not clearly defined,” note 1-2 of the Business Accounting Principles should be followed to avoid affecting accounting practices when requirements under the relating accounting standards are clearly defined.

(2) Effective date

Effective from the end of the fiscal year ending March 31, 2021.

3. Changes in presentation

“Purchase of treasury stock,” which was included in “Other, net” under “Cash flows from financing activities” in the previous fiscal year, is stated separately from the fiscal year ended March 31, 2020 due to its increased monetary significance. In order to reflect this change in presentation, a reclassification was made to the consolidated financial statements for the fiscal year ended March 31, 2019. As a result, 264 million yen stated as “Other, net” under “Cash flows from financing activities” in the consolidated statements of cash flows in the fiscal year ended March 31, 2019, has been reclassified as (2) million yen in “Purchase of treasury stock” and 266 million yen in “Other, net.”

4. Additional information

Transactions for delivering the Company's own stock to directors and executive officers through a trust

The Company has introduced a Board Incentive Plan (BIP) trust for the purpose of offering incentives to the Company's directors (excluding outside directors and audit and supervisory board members), executive officers, and the directors of core operating companies ("executives").

Under the BIP trust, the Company acquires in bulk its own shares for the amount expected to be provided to executives, and provides its own shares to the executives in accordance with their rank and term in office based on the relevant regulations prescribed in advance.

The gross price method is applied for the accounting for trusts in accordance with the "Practical Solution on Transactions for Delivering the Company's Own Stock to Employees through Trust" (ASBJ PITF No. 30, March 26, 2015). Accordingly, the Company's own stock in the trust is recorded in treasury stock under shareholders' equity based on the book value in the trust.

At March 31, 2019, the book value of the treasury stock was 752 million yen (number of shares: 460 thousand) and at March 31, 2020, the book value of the treasury stock was 1,374 million yen (number of shares: 721 thousand).

Accounting estimates

When there are uncertainties in amounts of assets and liabilities, income and expenses, and other items, the Group determines reasonable amounts for these items based on information available at the time of preparing the consolidated financial statements as accounting estimates. The Group's major assumptions on the effects of novel coronavirus disease (COVID-19) are as follows.

1. Crude oil supply, demand and prices

Against the backdrop of excess supply resulting from a sharp decline in petroleum demand due to COVID-19 and the failure of the OPEC Plus meeting to reach an agreement on cooperative production cuts, crude oil prices fell sharply in the fiscal year ended March 31, 2020. According to the projection of external organizations, the excess supply will be eliminated and crude oil prices will recover gradually following OPEC Plus cooperative production cuts and other voluntary production cuts by oil-producing countries as well as a recovery of economic activities.

Based on these circumstances, the Company expects that crude oil prices will be lower in the first quarter of the fiscal year ending March 31, 2021 but recover gradually toward the end of the fiscal year ending March 31, 2021.

2. Demand of petroleum products and utilization rate of refineries

Against the backdrop of slowing economic activities due to the COVID-19 pandemic, demand for petroleum products decreased over the end of the fiscal year ended March 31, 2020. External organizations project that global demand for petroleum products, including gasolines and aviation fuels, will fall sharply in the fiscal year ending March 31, 2021, too. The Company also forecasts a decrease in demand for gasolines and aviation fuels at the same level or more, anticipating that it will take about one year until the COVID-19 pandemic ends.

The Company expects that domestic demand for gasolines will decrease but sales volume will remain the same level as the fiscal year ended March 31, 2020 due to an increase of supply to Kygnus Sekiyu K.K. Regarding aviation fuels, the Company used imports to supplement the shortage of production to meet the demand. However, due to a decline in demand, it is expected that the Group's production volume will cover the entire demand. Accordingly, the Company expects that the impact of lower demand on production will be extremely limited and the utilization rate of refineries will remain unchanged.

The Group has made accounting estimates, including the assessment of recoverability of deferred tax assets, based on the major assumptions above. However, actual results may differ from the estimates made based on the assumptions above because of uncertainty about COVID-19, including how it will spread and when it ends.

5. Notes to Consolidated Balance Sheets

a) Accumulated depreciation of property, plant and equipment

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Accumulated depreciation	1,014,151	1,044,401

b) Non-consolidated subsidiaries and affiliates

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Investment securities	83,297	83,776
(Of which, investments in joint ventures)	(58,190)	(56,895)

c) Contingent liabilities

Guarantee obligations

Guarantees are provided for borrowings from financial institutions by affiliates and fulfilling contracts as follows:

(Millions of yen)

As of March 31, 2019		As of March 31, 2020	
Chiba Arkon Production Limited	2,744	Chiba Arkon Production Limited	5,047
North Hokkaido Wind Energy Transmission Corporation	2,222	North Hokkaido Wind Energy Transmission Corporation	2,222
Japan Biofuels Supply LLP	1,296	Japan Biofuels Supply LLP	2,151
Hyundai Cosmo Petrochemical Co., Ltd.	411	Hyundai Cosmo Petrochemical Co., Ltd.	–
Other	412	Other	400
Total	7,087	Total	9,821

d) Assets pledged as collateral**(1) Assets pledged as collateral**

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Land	123,200	123,200
Cash and deposits	17,796	23,901
Notes and accounts receivable - trade	10,016	9,747
Machinery, equipment and vehicles and others	9	8
Investment securities (Note)	921	1,305
Total	151,944	158,162

(Note) Investment securities include 841 million yen and 1,219 million yen as of March 31, 2019 and 2020, respectively, which were pledged as collateral to secure the borrowings of the investee of Cosmo Eco Power Co., Ltd., a consolidated subsidiary.

(2) Secured debts

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Long-term loans payable (including current portion)	56,620	54,993
Debts related to transactions with banks	20,991	20,991

(3) Assets provided as collateral as mainly sales guarantees

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Investment securities	47	–
Other current assets	1,290	1,246
Total	1,338	1,246

e) Accumulated balance of government subsidies recorded as a reduction of property, plant and equipment

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Machinery, equipment and vehicles	3,389	3,389
Oil tanks	62	62
Total	3,451	3,451

f) Revaluation of land for business use

Three consolidated subsidiaries, Cosmo Oil Co., Ltd., Cosmo Matsuyama oil Co., Ltd., and Cosmo Oil Property Service Co., Ltd. revalued land for business use based on the “Law Concerning Revaluations of Land” (Law No. 34, promulgated on 31st March 1998) and the Law to Partially Modify the “Law Concerning Revaluations of Land” (Law No. 19, promulgated on 31st March 2001). Based on the revaluation amounts, the consolidated subsidiaries recorded the amount corresponding to the taxes on the valuation difference in the liabilities section as “Deferred tax liabilities for land revaluation” and the revaluation amount, net of taxes, was recorded in the net assets section as “Revaluation reserve for land.”

- Revaluation method: The refineries of Cosmo Oil Co., Ltd., a consolidated subsidiary, are revalued based on an appraisal prescribed in Article 2-5 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, promulgated on March 31, 1998), and other business land is revalued through reasonable adjustments to the roadside land price prescribed in Article 2-4 of the Order for Enforcement of the Act on Revaluation of Land.
- Date of revaluation: March 31, 2002 (December 31, 2001 for one consolidated subsidiary)

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Difference between fair value at the end of the fiscal year and the book value after revaluation for the land revaluation	(32,437)	(31,579)

g) Financial covenants

As of March 31, 2019

Long-term loans payable (including current portion) from banks of 89,978 million yen includes financial covenants, which accelerate the obligation under the applicable loan agreements. The main contents are as follows:

	Final repayment date	Loan balance	Financial covenants
(1)	September 30, 2024	45,000 million yen	(i) The Company shall not recognize an ordinary loss as recorded in its consolidated statement of operations for three consecutive periods. (ii) The Company shall maintain the amount of net assets at 156.6 billion yen or more recorded on its consolidated balance sheet at the end of each fiscal year.
(2)	April 26, 2019	34,120 million yen	The Company shall maintain the amount of net assets at 152.0 billion yen or more recorded on its consolidated balance sheet at the end of each fiscal year.

As of March 31, 2020

Long-term loans payable (including current portion) from banks of 105,652 million yen includes financial covenants, which accelerate the obligation under the applicable loan agreements. The main contents are as follows:

	Final repayment date	Loan balance	Financial covenants
(1)	September 30, 2024	45,000 million yen	(i) The Company shall not recognize an ordinary loss as recorded in its consolidated statement of operations for three consecutive periods. (ii) The Company shall maintain the amount of net assets at 156.6 billion yen or more recorded on its consolidated balance sheet at the end of each fiscal year.
(2)	April 30, 2020	34,120 million yen	The Company shall maintain the amount of net assets at 152.0 billion yen or more recorded on its consolidated balance sheet at the end of each fiscal year.
(3)	April 3, 2024	10,000 million yen	(i) The Company shall not recognize an ordinary loss as recorded in its consolidated statement of operations for three consecutive periods. (ii) The Company shall maintain the amount of net assets at 213.6 billion yen or more recorded on its consolidated balance sheet at the end of each fiscal year.
(4)	March 31, 2023	10,000 million yen	(i) The Company shall not recognize an ordinary loss as recorded in its consolidated statement of operations for two consecutive periods. (ii) The Company shall maintain the amount of net assets at 241.1 billion yen or more recorded on its consolidated balance sheet at the end of each fiscal year.

6. Notes to Consolidated Statements of Operations

a) Write-down of inventories for decreases in net realizable value below cost

The year-end carrying amount of inventories is stated after write-down for decreases in net realizable value below cost. The write-down of inventories is recognized in cost of sales in the period the write-down occurs.

The amount of write-down, the amount of reversal of write-down and their net amount are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Write-down of inventories recognized in cost of sales	2,573	40,177
Reversal of inventories write-down recognized as a reduction of cost of sales	(3,811)	(2,573)
Net amount	(1,237)	(37,603)

b) Selling, general and administrative expenses

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Subcontract expenses	26,764	30,173
Salaries	20,571	21,073
Freight costs	18,256	19,251
Rental expenses	10,429	10,746
Depreciation	6,026	6,349
Other	53,728	50,271
Total	135,775	137,865

c) Total research and development expenses included in general and administrative and manufacturing expenses

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	4,096	4,448

d) Gains on sales of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Land	497	112
Machinery and equipment	0	520
Other	132	36
Total	629	669

e) Losses on disposal of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Buildings and structures	341	1,459
Machinery and equipment	786	1,488
Removal costs	4,083	5,173
Other	227	373
Total	5,437	8,495

f) Impairment loss

The Group assesses possible impairment of non-current assets based on the minimum identifiable group of assets which generate independent cash flows. The petroleum business assets for service stations operated directly by the Group are grouped by individual service station. The petroleum business assets for distribution are grouped as one unit. For Independent Power Producer (IPP), real estate leasing, wind power generation and idle assets, assessment is made by individual property. For oil exploration and production business, assets are grouped based on the entire oil exploration and production business for each company.

Fiscal year ended March 31, 2019

Business use	Location	Type	Impairment loss (Millions of yen)
Petroleum business	Cosmo Oil Property Service Co., Ltd. – Super Self Station Senri (Fukuoka City, Fukuoka Prefecture) and 5 other assets	Buildings and structures Other	155
Idle assets	Abu Dhabi Oil Co., Ltd. (UAE) and 34 other assets	Buildings and structures Land Other	1,854
Total			2,009

Breakdown of impairment loss for each business use (millions of yen)

Petroleum business: 155 (of which, building and structures: 131, other: 23)

Idle assets: 1,854 (of which, building and structures: 1,537, land: 121, other: 195)

Impairment losses were recorded in the petroleum business mainly due to changes in the business environment such as the deterioration in sales margins. The recoverable amount is mainly measured based on its value in use. The value in use is calculated by discounting the estimated future cash flows using a rate of 3.5%.

Impairment losses on idle assets were recorded mainly due to lower market prices such as a decline in land prices. The recoverable amount is mainly measured based on the net sales value, and for the measurement of highly material asset groups, the valuation amount based on real estate appraisal standards is used.

Fiscal year ended March 31, 2020

Business use	Location	Type	Impairment loss (Millions of yen)
Petroleum business	Cosmo Oil Property Service Co., Ltd. – Self Pure Kamiahara (Kofu City, Yamanashi Prefecture)	Land	22
Oil exploration and production business	Qatar Petroleum Development Co., Ltd. (State of Qatar)	Costs recoverable under production sharing	3,184
Other (wind-power generation business)	Cosmo Eco Power Co., Ltd. – Hasaki Wind Power Plant (Kamisu City, Ibaraki Prefecture) and other 2 assets	Machinery and equipment	204
Idle assets	Cosmo Oil Property Service Co., Ltd. – Minamifuse (Higashi-Osaka City, Osaka Prefecture) and other 31 assets	Land Other	502
Total			3,914

Breakdown of impairment losses for each business use (millions of yen)

Idle assets: 502 (of which, land: 264, other: 238)

Impairment losses were recorded in the petroleum business mainly due to changes in the business environment such as the deterioration in sales margins. The recoverable amount is mainly measured based on the net sales value, which is calculated using the roadside price and others.

In the oil exploration and production business, impairment losses were recorded as a result of reviewing the outlook for the right to cost recovery under production sharing until the expiration of the contract term. The recoverable amount is mainly measured based on its value in use. The value in use is calculated by discounting the estimated future cash flows using a rate of 5.4%.

Impairment losses were recorded in other (wind-power generation business) mainly due to a decision made to close down and remove the wind-power generation facilities. The recoverable amount is mainly measured based on its value in use. The value in use is assessed as zero because no future cash flows are expected.

Impairment losses on idle assets were recorded mainly due to lower market prices such as a decline in land prices. The recoverable amount for idle assets is mainly measured based on the net sales value, and for the measurement of highly material asset groups, the valuation amount based on real estate appraisal standards is used.

7. Notes to Consolidated Statements of Comprehensive Income

Reclassification and tax effect related to other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Unrealized gains or losses on available-for-sale securities:		
Increase (decrease) during the fiscal year	(3,540)	(3,015)
Reclassification adjustment	(0)	127
Before income tax effect	(3,541)	(2,887)
Income tax effect	761	744
Unrealized gains or losses on available-for-sale securities	(2,780)	(2,142)
Deferred gains or losses on hedges:		
Increase (decrease) during the fiscal year	530	(266)
Reclassification adjustment	37	1,606
Adjustment of acquisition cost of assets	(36)	(707)
Before income tax effect	531	632
Income tax effect	(30)	(192)
Deferred gains or losses on hedges	500	439
Revaluation reserve for land:		
Income tax effect	(9)	9
Foreign currency translation adjustments:		
Increase (decrease) during the fiscal year	363	(211)
Reclassification adjustment	—	186
Foreign currency translation adjustments	363	(25)
Remeasurements of defined benefit plans:		
Increase (decrease) during the fiscal year	(2,566)	(3,768)
Reclassification adjustment	466	(437)
Before income tax effect	(2,100)	(4,206)
Income tax effect	15	1,292
Remeasurements of defined benefit plans	(2,084)	(2,913)
Share of other comprehensive income of entities accounted for using equity method:		
Increase (decrease) during the fiscal year	(1,869)	(1,464)
Reclassification adjustment	10	2
Share of other comprehensive income of entities accounted for using equity method	(1,858)	(1,461)
Total other comprehensive income	(5,869)	(6,095)

8. Notes to Consolidated Statements of Changes in Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares must be designated as capital 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 additional paid-in capital, which is included in capital surplus.

Under the Japanese Companies Act ("the Act"), in cases where 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 additional paid-in capital and legal earnings reserve, must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Act, both legal earnings reserve and additional paid-in capital used to eliminate or reduce a deficit generally require a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings under certain conditions. 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 Act. Under the Act and the Articles of Incorporation of the Company, a year-end dividend may be distributed to shareholders and pledgees of record as at 31 March of each year pursuant to a resolution passed at the general meeting of shareholders, while an interim cash dividend may also be distributed to shareholders and pledgees of record as at 30 September of each year pursuant to a resolution of the Board of Directors. The Company may also distribute dividends other than those described above with the approval of its shareholders at a general meeting of shareholders and subject to certain restrictions.

Fiscal year ended March 31, 2019

1. Total number of shares issued and treasury stock

	Number of shares as of April 1, 2018	Increase in shares during the fiscal year	Decrease in shares during the fiscal year	Number of shares as of March 31, 2019
Shares issued				
Common shares	84,770,508	—	—	84,770,508
Total	84,770,508	—	—	84,770,508
Treasury stock				
Common shares	(Note 2) 667,048	(Note 1) 732	(Note 1) 204,870	(Note 2) 462,910
Total	667,048	732	204,870	462,910

- (Notes)1. The increase in the number of treasury stock (common shares) is due to the purchase of shares less than one unit. The Company has defined the units for trading and one unit is composed of 100 shares. The decrease in the number of treasury stock is due to the granting of shares to recipients from the trust related to BIP trust.
2. The number of treasury stock (common shares) includes treasury stock held by BIP trust (665,042 shares as of April 1, 2018, and 460,172 shares as of March 31, 2019).

2. Share acquisition rights

Company	Details of share acquisition rights	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights				Balance as of March 31, 2019 (Millions of yen)
			As of April 1, 2018	Increase	Decrease	As of March 31, 2019	
The Company	Euro-yen dominated convertible bonds with share acquisition rights due 2022	Common shares	—	15,596,568	—	15,596,568	60,000

- (Notes)1. Convertible bonds with share acquisition rights are accounted for using the lump-sum method.
2. The number of shares subject to share acquisition rights is based on the assumption that share acquisition rights were exercised.

3. Dividends

(1) Cash dividends paid

(Resolution)	Share class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 21, 2018 Ordinary general meeting of shareholders	Common shares	4,238	50	March 31, 2018	June 22, 2018

(Note) Dividends for treasury stock held by BIP trust included in total dividends: 33 million yen

(2) Dividends for which the record date was in the fiscal year ended March 31, 2019 that took effect after March 31, 2019

(Resolution)	Share class	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 20, 2019 Ordinary general meeting of shareholders	Common shares	6,781	Retained earnings	80	March 31, 2019	June 21, 2019

(Note) Dividends for treasury stock held by BIP trust included in total dividends: 36 million yen

Fiscal year ended March 31, 2020

1. Total number of shares issued and treasury stock

	Number of shares as of April 1, 2019	Increase in shares during the fiscal year	Decrease in shares during the fiscal year	Number of shares as of March 31, 2020
Shares issued				
Common shares	84,770,508	–	–	84,770,508
Total	84,770,508	–	–	84,770,508
Treasury stock				
Common shares	(Note 2) 462,910	(Note 1) 262,351	–	(Note 2) 725,261
Total	462,910	262,351	–	725,261

- (Notes) 1. The increase of 262,351 shares in the number of treasury stock (common shares) is due to the purchase of shares less than one unit of 551 shares and the purchase of 261,800 shares of the Company's stock by BIP trust. The Company has defined the units for trading and one unit is composed of 100 shares.
2. The number of treasury stock (common shares) includes treasury stock held by BIP trust (460,172 shares as of April 1, 2019, and 721,972 shares as of March 31, 2020).

2. Share acquisition rights

Company	Details of share acquisition rights	Type of shares subject to share acquisition rights	Number of shares subject to share acquisition rights				Balance as of March 31, 2020 (Millions of yen)
			As of April 1, 2019	Increase	Decrease	As of March 31, 2020	
The Company	Euro-yen dominated convertible bonds with share acquisition rights due 2022	Common shares	15,596,568	197,893	–	15,794,461	60,000

- (Notes) 1. Convertible bonds with share acquisition rights are accounted for using the lump-sum method.
2. The number of shares subject to share acquisition rights is based on the assumption that share acquisition rights were exercised.
3. The number of shares subject to share acquisition rights increased due to adjustment of the conversion price.

3. Dividends

(1) Cash dividends paid

(Resolution)	Share class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 20, 2019 Ordinary general meeting of shareholders	Common shares	6,781	80	March 31, 2019	June 21, 2019

(Note) Dividends for treasury stock held by BIP trust included in total dividends: 36 million yen

(2) Dividends for which the record date was in the fiscal year ended March 31, 2020 that took effect after March 31, 2020

(Resolution)	Share class	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 25, 2020 Ordinary general meeting of shareholders	Common shares	6,781	Retained earnings	80	March 31, 2020	June 26, 2020

(Note) Dividends for treasury stock held by BIP trust included in total dividends: 57 million yen

9. Notes to Consolidated Statements of Cash Flows

- a) The reconciliations of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2019 and 2020 are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Cash and deposits account	49,445	52,992
Time deposits exceeding three months	—	(1,021)
Trust deposits with restrictions on use	(1,708)	(1,773)
Deposits with restrictions on withdrawal	(7,068)	(6,902)
Cash and cash equivalents	40,667	43,295

- b) Details of significant non-monetary transactions

Fiscal years ended March 31, 2019 and 2020

None.

10. Lease transactions

Lessee

Operating lease transactions

Non-cancellable lease commitments

(Millions of yen)

Category	As of March 31, 2019	As of March 31, 2020
Due within one year	956	1,814
Due after one year	1,864	3,611
Total	2,821	5,425

11. Notes regarding financial instruments

1. Financial instruments

(1) Policy for financial instruments

The Group raises funds through direct financing such as issuance of bonds and indirect financing including bank borrowings for capital investments for refineries and wind-power generation sites and working capital.

Derivative transactions are conducted according to internal management rules stipulating transaction authority and transaction limits to hedge against hedgeable foreign currency risk, interest rate risk and price risk within a certain range. The basic policy is that all transactions are based on the principle of actual demand and that derivative transactions are not entered into for speculative purposes.

(2) Nature and extent of risks arising from financial instruments

Notes and accounts receivable - trade and accounts receivable - other are exposed to customer credit risks. Some are denominated in foreign currencies for the export of products and are exposed to currency fluctuation risks, but are constantly within the balance of foreign denominated trade payables. Investment securities primarily include shares related to operating or capital alliances with business partners and are exposed to price risk.

Notes and accounts payable - trade and accounts payable - other are mostly due within one year. Some are denominated in foreign currencies for the import of crude oil and are exposed to currency fluctuation risks, but the net position offset against foreign denominated trade receivables is hedged using forward exchange contracts within a certain range. The main uses of borrowings, commercial paper and bonds payable are working capital funds (mainly short-term) and capital investment funds (long-term). Some of these are exposed to interest rate risk, but they are hedged using derivative transactions (interest rate swaps).

The derivative transactions used by the Group are forward foreign exchange contracts and currency options for the purpose of hedging against currency risk of U.S. dollar denominated oil and petroleum product imports, interest rate swaps for the purpose of stabilizing interest rate risk of interest payable on borrowings, and commodity futures and swaps for the purpose of hedging against price risk of imports and exports of crude oil and petroleum products.

Please refer to “6. Summary of significant accounting policies (8) Hedge accounting” in the Basis of preparation of consolidated financial statements for information on hedging instruments, hedged items, hedging policy and the method of evaluation of hedge effectiveness.

(3) Risk management for financial instruments

(i) Management of credit risk (risk pertaining to default on amounts due by business partners)

With regard to trade receivables, the Group regularly monitors the condition of business partners according to the credit management system and sets collateral and transaction limits in order to allow for early detection and mitigation of receivables which may be uncollectible due to deterioration of financial condition.

Held-to-maturity securities have negligible credit risk because they are limited to bonds with high credit ratings.

Derivative transactions are limited to those with highly creditworthy major banks, trading companies and petroleum companies, as the counterparty, and the credit risk is judged to be low.

(ii) Management of market risk (fluctuation risk of currency, interest rates and crude oil prices)

Investment securities are mainly shares, and the fair value of listed shares is periodically tracked. Furthermore, the Group uses forward exchange contracts and currency options to hedge currency fluctuation risks of trade receivables primarily denominated in foreign currencies. Furthermore, interest rate swaps are used to hedge interest rate risk of interest payable on borrowings, and commodity futures and swaps are used to hedge price risk pertaining to the import and export of crude oil and petroleum products.

Derivative transactions are executed and managed according to internal management rules stipulating transaction authority and transaction limits.

(iii) Management of liquidity risk related to financing (risk that payment cannot be executed by the due date)

The Company manages liquidity risk by creating and updating cash flow plans in a timely manner and maintaining the necessary liquidity on hand.

(4) Estimated fair value of financial instruments

The fair value of financial instruments is based on the market price or the reasonably calculated value if there is no market price. Certain assumptions have been made in the calculation of the value, and the value may change if different assumptions are made.

With regard to the contract amounts related to derivative transactions in the note on “Derivatives,” the amount itself is not an indication of the market risk pertaining to derivative transactions.

2. Fair value of financial instruments

The consolidated balance sheet amounts, fair values and differences between these amounts are as follows:

As of March 31, 2019

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	49,445	49,445	—
(2) Notes and accounts receivable - trade	245,164	245,164	—
(3) Accounts receivable - other	42,397	42,397	—
(4) Investment securities			
Held-to-maturity securities	47	49	1
Available-for-sale securities	20,014	20,014	—
Total assets	357,069	357,070	1
(1) Notes and accounts payable - trade	267,897	267,897	—
(2) Short-term loans payable	164,739	164,739	—
(3) Commercial paper	98,000	98,000	—
(4) Accounts payable - other	107,055	107,055	—
(5) Accrued gasoline taxes	88,987	88,987	—
(6) Income taxes payable	5,324	5,324	—
(7) Bonds payable	46,700	47,378	678
(8) Convertible bonds with share acquisition rights	60,000	61,062	1,062
(9) Long-term loans payable	324,669	326,971	2,302
Total liabilities	1,163,373	1,167,416	4,042
Derivatives (*)	2,171	2,171	—

(*) Net receivables and payables arising from derivative transactions are shown as a net amount and items with total net payables are shown in parentheses.

As of March 31, 2020

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	52,992	52,992	—
(2) Notes and accounts receivable - trade	214,719	214,719	—
(3) Accounts receivable - other	42,342	42,342	—
(4) Investment securities			
Available-for-sale securities	16,622	16,622	—
Total assets	326,677	326,677	—
(1) Notes and accounts payable - trade	233,520	233,520	—
(2) Short-term loans payable	135,026	135,026	—
(3) Current portion of bonds payable	26,000	26,000	—
(4) Commercial paper	86,000	86,000	—
(5) Accounts payable - other	106,475	106,475	—
(6) Accrued gasoline taxes	82,147	82,147	—
(7) Income taxes payable	7,540	7,540	—
(8) Bonds payable	20,700	21,021	321
(9) Convertible bonds with share acquisition rights	60,000	58,405	(1,594)
(10) Long-term loans payable	353,583	354,450	867
Total liabilities	1,110,993	1,110,587	(406)
Derivatives (*)	(1,158)	(1,158)	—

(*) Net receivables and payables arising from derivative transactions are shown as a net amount and items with total net payables are shown in parentheses.

(Notes)1. Calculation method of the fair value of financial instruments

Assets

- (1) Cash and deposits, (2) notes and accounts receivable - trade, and (3) accounts receivable - other

The carrying amount is used because the fair value approximates the carrying amount as the instruments are settled in a short period.

- (4) Investment securities

The fair value of investment securities is determined based on quoted market prices for those with a market price. Please refer to the note on "Securities" for matters related to securities held by purpose.

Liabilities

- (1) Notes and accounts payable - trade, (2) short-term loans payable, (3) current portion of bonds payable, (4) commercial paper, (5) accounts payable - other, (6) Accrued gasoline taxes, and (7) income taxes payable

The carrying amount is used because the fair value approximates the carrying amount as the instruments are settled in a short period.

- (8) Bonds payable

The fair value of bonds payable is calculated by discounting the total amount of principal and interest at the interest rate assumed when similar bonds are issued.

- (9) Convertible bonds with share acquisition rights

The fair value of convertible bonds with share acquisition rights is based on the quoted price at the securities exchange.

- (10) Long-term loans payable

The fair value of long-term loans payable is calculated by discounting the total amount of principal and interest at the interest rate assumed when similar loans are taken out.

Derivatives

Please refer to the notes on "Derivatives."

Interest rate swaps subject to the exceptional method are treated as part of the long-term loans payable being hedged, and their fair value is included in the relevant long-term loans payable. (Refer to (10) above.)

2. Financial instruments for which the fair value is extremely difficult to determine

(Millions of yen)

Category	As of March 31, 2019	As of March 31, 2020
Unlisted shares	97,489	102,448

These are not included in "(4) Investment securities" because they have no market price and the fair value is extremely difficult to determine.

The Company recognized impairment losses of 1,149 million yen on unlisted shares during the year ended March 31, 2020 (1,090 million yen in the year ended March 31, 2019).

3. Maturity of financial assets

As of March 31, 2019

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	49,445	—	—	—
Notes and accounts receivable - trade	245,164	—	—	—
Investment securities				
Held-to-maturity securities				
Government bonds and local government bonds	—	47	—	—
Accounts receivable - other	42,397	—	—	—
Total	337,006	47	—	—

As of March 31, 2020

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	52,992	—	—	—
Notes and accounts receivable - trade	214,719	—	—	—
Investment securities				
Held-to-maturity securities				
Government bonds and local government bonds	—	—	—	—
Accounts receivable - other	42,342	—	—	—
Total	310,054	—	—	—

4. Maturity of bonds payable, long-term loans payable and other interest-bearing debts

As of March 31, 2019

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	79,393	—	—	—	—	—
Commercial paper	98,000	—	—	—	—	—
Bonds payable	—	26,000	17,700	—	—	3,000
Convertible bonds with share acquisition rights	—	—	—	60,000	—	—
Long-term loans payable	85,346	40,386	71,130	54,314	12,578	146,258
Total	262,739	66,386	88,830	114,314	12,578	149,258

As of March 31, 2020

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	94,723	—	—	—	—	—
Commercial paper	86,000	—	—	—	—	—
Bonds payable	26,000	17,700	—	—	—	3,000
Convertible bonds with share acquisition rights	—	—	60,000	—	—	—
Long-term loans payable	40,303	71,014	71,192	12,722	50,944	147,709
Total	247,026	88,714	131,192	12,722	50,944	150,709

12. Securities

1. Held-to-maturity securities

As of March 31, 2019

(Millions of yen)

Category	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds consolidated balance sheet amount	50	52	1
Fair value does not exceed consolidated balance sheet amount	—	—	—
Total	50	52	1

As of March 31, 2020

(Millions of yen)

Category	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeds consolidated balance sheet amount	47	48	0
Fair value does not exceed consolidated balance sheet amount	—	—	—
Total	47	48	0

2. Available-for-sale securities

As of March 31, 2019

(Millions of yen)

Category	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeds acquisition cost			
(i) Equity securities	18,904	9,042	9,862
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Subtotal	18,904	9,042	9,862
Consolidated balance sheet amount does not exceed acquisition cost			
(i) Equity securities	1,019	1,124	(105)
(ii) Bonds	—	—	—
(iii) Other	90	104	(13)
Subtotal	1,109	1,228	(118)
Total	20,014	10,271	9,743

As of March 31, 2020

(Millions of yen)

Category	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeds acquisition cost			
(i) Equity securities	12,983	5,661	7,322
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Subtotal	12,983	5,661	7,322
Consolidated balance sheet amount does not exceed acquisition cost			
(i) Equity securities	3,574	4,032	(457)
(ii) Bonds	—	—	—
(iii) Other	63	63	—
Subtotal	3,638	4,095	(457)
Total	16,622	9,756	6,865

3. Available-for-sale securities sold

Fiscal year ended March 31, 2019

(Millions of yen)

Category	Sales amount	Total gain on sales	Total loss on sales
(i) Equity securities	37	18	0
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Total	37	18	0

Fiscal year ended March 31, 2020

(Millions of yen)

Category	Sales amount	Total gain on sales	Total loss on sales
(i) Equity securities	572	400	0
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Total	572	400	0

4. Impaired securities

Impairment losses of 1,090 million yen were recognized on securities (1,083 million yen on equity securities in available-for-sale securities, 6 million yen on other) during the year ended March 31, 2019. Impairment losses of 1,572 million yen were recognized on securities (1,531 million yen on equity securities in available-for-sale securities, 40 million yen on other) during the year ended March 31, 2020.

13. Derivatives

1. Derivative transactions for which hedge accounting is not applied

(1) Currency-related

As of March 31, 2019

(Millions of yen)

Category	Type of transaction	Contract amount	Contract amount exceeding one year	Fair value	Unrealized gains (losses)
Transactions other than market transactions	Forward foreign exchange contracts				
	Buy U.S. dollars	181,481	—	2,231	2,231
	Chinese yuan	529	337	60	60
	Sell U.S. dollars	33,223	—	(131)	(131)

(Note) Fair value is determined based on the price indicated by the financial institutions conducting transactions.

As of March 31, 2020

(Millions of yen)

Category	Type of transaction	Contract amount	Contract amount exceeding one year	Fair value	Unrealized gains (losses)
Transactions other than market transactions	Forward foreign exchange contracts				
	Buy U.S. dollars	146,754	—	537	487
	Chinese yuan	1,906	1,435	144	144
	Sell U.S. dollars	18,821	—	(116)	(161)

(Note) Fair value is determined based on the price indicated by the financial institutions conducting transactions.

(2) Commodity-related
As of March 31, 2019

(Millions of yen)

Category	Type of transaction	Contract amount	Contract amount exceeding one year	Fair value	Unrealized gains (losses)
Market transactions	Crude oil futures				
	Sell	345	—	1	1
	Buy	93	—	1	1
	Products futures				
	Buy	72	—	0	0
Transactions other than market transactions	Crude oil swaps				
	Fixed buy / variable sell	7,319	—	183	183
	Fixed sell / variable buy	7,347	—	(32)	(32)

(Note) Fair value calculation method

Crude oil futures Calculated based on the closing price on the Tokyo Commodity Exchange.

Products futures Calculated based on the closing price on the Tokyo Commodity Exchange.

Crude oil swaps Calculated based on the final price in the “Platts” assessment by S&P Global Inc.

As of March 31, 2020

(Millions of yen)

Category	Type of transaction	Contract amount	Contract amount exceeding one year	Fair value	Unrealized gains (losses)
Market transactions	Crude oil futures				
	Sell	102	—	85	17
	Buy	114	—	92	(21)
	Products futures				
	Buy	77	—	67	(10)
Transactions other than market transactions	Crude oil swaps				
	Fixed buy / variable sell	7,389	—	(1,245)	(1,245)
	Fixed sell / variable buy	7,709	—	820	820

(Note) Fair value calculation method

Crude oil futures Calculated based on the closing price on the Tokyo Commodity Exchange.

Products futures Calculated based on the closing price on the Tokyo Commodity Exchange.

Crude oil swaps Calculated based on the final price in the “Platts” assessment by S&P Global Inc.

2. Derivative transactions for which hedge accounting is applied

(1) Currency-related

As of March 31, 2019

(Millions of yen)

Method of hedge accounting	Type of transaction	Main hedged item	Contract amount	Contract amount exceeding one year	Fair value
Principle treatment method	Forward foreign exchange contracts Buy U.S. dollars	Foreign denominated forecast transactions	1,774	—	3

(Note) Fair value is determined based on the price indicated by the financial institutions conducting transactions.

As of March 31, 2020

(Millions of yen)

Method of hedge accounting	Type of transaction	Main hedged item	Contract amount	Contract amount exceeding one year	Fair value
Principle treatment method	Forward foreign exchange contracts Buy U.S. dollars	Foreign denominated forecast transactions	98	—	1

(Note) Fair value is determined based on the price indicated by the financial institutions conducting transactions.

(2) Interest rate-related

As of March 31, 2019

(Millions of yen)

Method of hedge accounting	Type of transaction	Main hedged item	Contract amount	Contract amount exceeding one year	Fair value
Exceptional method for interest rate swaps	Interest rate swaps Variable receipt / fixed payment	Long-term loans payable	219,970	160,876	(Note 2)
Principle treatment method	Interest rate swaps Variable receipt / fixed payment	Long-term loans payable	60,000	—	(325)

(Notes) 1. Fair value is determined based on the price indicated by the financial institutions conducting transactions.

2. Interest rate swaps subject to the exceptional method are treated as part of the long-term loans payable being hedged, and their fair value is included in the relevant long-term loans payable.

As of March 31, 2020

(Millions of yen)

Method of hedge accounting	Type of transaction	Main hedged item	Contract amount	Contract amount exceeding one year	Fair value
Exceptional method for interest rate swaps	Interest rate swaps Variable receipt / fixed payment	Long-term loans payable	59,554	53,215	(Note 2)
Principle treatment method	Interest rate swaps Variable receipt / fixed payment	Long-term loans payable	—	—	—

(Notes) 1. Fair value is determined based on the price indicated by the financial institutions conducting transactions.

2. Interest rate swaps subject to the exceptional method are treated as part of the long-term loans payable being hedged, and their fair value is included in the relevant long-term loans payable.

(3) Commodity-related
As of March 31, 2019

(Millions of yen)

Method of hedge accounting	Type of transaction	Main hedged item	Contract amount	Contract amount exceeding one year	Fair value
Principle treatment method	Crude oil swaps				
	Fixed buy / variable sell	Forecast transactions	408	—	7
	Product swaps				
	Fixed buy / variable sell		23,594	9	401
	Fixed sell / variable buy	Forecast transactions	18,655	—	(229)

(Note) Fair value calculation method

Crude oil swaps Calculated based on the final price in the “Platts” assessment by S&P Global Inc.

Product swaps..... Calculated based on the final price in the “Platts” assessment by S&P Global Inc. and the closing price on the Tokyo Commodity Exchange.

As of March 31, 2020

(Millions of yen)

Method of hedge accounting	Type of transaction	Main hedged item	Contract amount	Contract amount exceeding one year	Fair value
Principle treatment method	Crude oil swaps				
	Fixed buy / variable sell	Forecast transactions	690	—	(170)
	Product swaps				
	Fixed buy / variable sell		4,822	—	(229)
	Fixed sell / variable buy	Forecast transactions	6,387	—	(1,147)

(Note) Fair value calculation method

Crude oil swaps Calculated based on the final price in the “Platts” assessment by S&P Global Inc.

Product swaps..... Calculated based on the final price in the “Platts” assessment by S&P Global Inc. and the closing price on the Tokyo Commodity Exchange.

14. Short-term debt and Long-term debt

1. Loans payable and others

As of March 31, 2019

Classification	Balance at April 1, 2018 (Millions of yen)	Balance at March 31, 2019 (Millions of yen)	Average interest rate (%)	Maturity
Short-term loans payable	107,510	79,393	0.227	—
Current portion of long-term loans payable	99,180	85,346	1.083	—
Current portion of lease obligations	66	68	—	—
Long-term loans payable (excluding current portion)	384,164	324,669	1.785	2020 to 2075
Lease obligations (excluding current portion)	493	456	—	2020 to 2032
Other interest-bearing debts				
Notes and accounts payable - trade	80,484	102,222	2.985	—
Commercial paper (payable within one year)	62,900	98,000	0.120	—
Total	734,799	690,156	—	—

- (Notes) 1. The average interest rate is calculated using the weighted average rate for the outstanding balance of borrowings.
2. The average interest rate of lease obligations is not included because the lease obligations recorded on the consolidated balance sheet is the amount before excluding the interest equivalent included in the total lease payments.
3. The average interest rate of notes and accounts payable - trade is U.S. dollar interest rate.
4. The scheduled redemption within the next five years after March 31, 2019 for the total long-term loans payable (excluding current portion) and lease obligations (excluding current portion) is as follows:

(Millions of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	40,386	71,130	54,314	12,578
Lease obligations	54	49	47	41

As of March 31, 2020

Classification	Balance at April 1, 2019 (Millions of yen)	Balance at March 31, 2020 (Millions of yen)	Average interest rate (%)	Maturity
Short-term loans payable	79,393	94,723	0.249	—
Current portion of long-term loans payable	85,346	40,303	5.410	—
Current portion of lease obligations	68	127	—	—
Long-term loans payable (excluding current portion)	324,669	353,583	2.176	2021 to 2053
Lease obligations (excluding current portion)	456	515	—	2021 to 2032
Other interest-bearing debts				
Notes and accounts payable - trade	102,222	97,061	1.768	—
Commercial paper (payable within one year)	98,000	86,000	0.139	—
Total	690,156	672,315	—	—

- (Notes) 1. The average interest rate is calculated using the weighted average rate for the outstanding balance of borrowings.
2. The average interest rate of lease obligations is not included because the lease obligations recorded on the consolidated balance sheet is the amount before excluding the interest equivalent included in the total lease payments.
3. The average interest rate of notes and accounts payable - trade is U.S. dollar interest rate.
4. The scheduled redemption within the next five years after March 31, 2020 for the total long-term loans payable (excluding current portion) and lease obligations (excluding current portion) is as follows:

(Millions of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	71,014	71,192	12,722	50,944
Lease obligations	111	71	53	46

2. Bonds payable

As of March 31, 2019

Company Name	Bond name	Date of issue	Balance at April 1, 2018 (Millions of Yen)	Balance at March 31, 2019 (Millions of Yen)	Interest rate (%)	Collateral	Maturity
Cosmo Energy Holdings Co., Ltd.	24th, unsecured bonds payable	August 28, 2012	20,000	20,000	1.260	No collateral	August 28, 2020
Cosmo Energy Holdings Co., Ltd.	25th, unsecured bonds payable	September 30, 2013	10,000	10,000	1.145	No collateral	September 30, 2021
Cosmo Energy Holdings Co., Ltd.	26th, unsecured bonds payable	February 25, 2014	7,700	7,700	1.260	No collateral	February 25, 2022
Cosmo Energy Holdings Co., Ltd.	27th, unsecured bonds payable	October 1, 2015	3,000	3,000	1.340	No collateral	October 1, 2025
Cosmo Energy Holdings Co., Ltd.	Euro-yen dominated convertible bonds with share acquisition rights due 2022	December 5, 2018	—	60,000	—	No collateral	December 5, 2022
Qatar Petroleum Development Co., Ltd.	1st, unsecured bonds payable	December 24, 2015	6,000	6,000	0.800	No collateral	December 24, 2020
Total	—	—	46,700	106,700	—	—	—

(Notes) 1. Details of convertible bonds with share acquisition rights are as follows:

Name	Euro-yen dominated convertible bonds with share acquisition rights due 2022
Shares to be issued	Common shares
Amount to be paid in for share acquisition rights (Yen)	Gratis
Issue price of shares (Yen)	3,847
Total amount to be paid (Millions of yen)	60,000
Total amount to be paid for shares issued through exercise of share acquisition rights (Millions of yen)	—
Grant ratio of share acquisition rights (%)	100
Exercise period of share acquisition rights	From December 19, 2018 to November 21, 2022

When there is a request to exercise share acquisition rights, in place of redemption of the full amount of the bonds to which the share acquisition rights are attached, it is deemed that the full amount to be paid upon exercise of the share acquisition rights has been paid. In addition, when share acquisition rights are exercised, it is deemed that the said request has been received.

2. Scheduled redemption within the next five years after March 31, 2019 is as follows:

(Millions of yen)

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
—	26,000	17,700	60,000	—

As of March 31, 2020

Company Name	Bond name	Date of issue	Balance at April 1, 2019 (Millions of Yen)	Balance at March 31, 2020 (Millions of Yen)	Interest rate (%)	Collateral	Maturity
Cosmo Energy Holdings Co., Ltd.	24th, unsecured bonds payable	August 28, 2012	20,000	20,000 (20,000)	1.260	No collateral	August 28, 2020
Cosmo Energy Holdings Co., Ltd.	25th, unsecured bonds payable	September 30, 2013	10,000	10,000	1.145	No collateral	September 30, 2021
Cosmo Energy Holdings Co., Ltd.	26th, unsecured bonds payable	February 25, 2014	7,700	7,700	1.260	No collateral	February 25, 2022
Cosmo Energy Holdings Co., Ltd.	27th, unsecured bonds payable	October 1, 2015	3,000	3,000	1.340	No collateral	October 1, 2025
Cosmo Energy Holdings Co., Ltd.	Euro-yen dominated convertible bonds with share acquisition rights due 2022	December 5, 2018	60,000	60,000	—	No collateral	December 5, 2022
Qatar Petroleum Development Co., Ltd.	1st, unsecured bonds payable	December 24, 2015	6,000	6,000 (6,000)	0.800	No collateral	December 24, 2020
Total	—	—	106,700	106,700 (26,000)	—	—	—

- (Notes) 1. Current portion of bonds payable is stated in parentheses.
2. Details of convertible bonds with share acquisition rights are as follows:

Name	Euro-yen dominated convertible bonds with share acquisition rights due 2022
Shares to be issued	Common shares
Amount to be paid in for share acquisition rights (Yen)	Gratis
Issue price of shares (Yen)	3,798.8
Total amount to be paid (Millions of yen)	60,000
Total amount to be paid for shares issued through exercise of share acquisition rights (Millions of yen)	—
Grant ratio of share acquisition rights (%)	100
Exercise period of share acquisition rights	From December 19, 2018 to November 21, 2022

When there is a request to exercise share acquisition rights, in place of redemption of the full amount of the bonds to which the share acquisition rights are attached, it is deemed that the full amount to be paid upon exercise of the share acquisition rights has been paid. In addition, when share acquisition rights are exercised, it is deemed that the said request has been received.

3. Scheduled redemption within the next five years after March 31, 2020 is as follows:
(Millions of yen)

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
26,000	17,700	60,000	—	—

15. Retirement benefits

1. Outline of retirement benefit plans

Certain consolidated subsidiaries have mainly defined benefit pension plans, defined contribution pension plans, lump-sum retirement payment plans and prepaid retirement allowance plans to provide retirement benefits to employees. Retirement benefit trusts have been established in certain defined benefit pension plans. Certain consolidated subsidiaries apply a simplified method deeming the accrued benefits at the end of the year for voluntary termination as the retirement benefit obligations in the calculation of net defined benefit liability and retirement benefit expenses.

Certain consolidated subsidiaries had been participating in multi-employer defined benefit pension fund plans, but this pension fund was dissolved. For the year ended March 31, 2019, the multi-employer plans were accounted for as if they were defined contribution plans because the plan assets corresponding to the company's own contributions cannot be reasonably determined.

2. Defined benefit plans

(1) Changes in retirement benefit obligations

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Retirement benefit obligations at beginning of the year	38,325	36,974
Service cost	1,712	1,718
Interest cost	287	277
Actuarial difference	(82)	816
Benefits paid	(3,321)	(2,550)
Other	53	95
Retirement benefit obligations at end of the year	36,974	37,332

(2) Changes in plan assets

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Plan assets at beginning of the year	37,528	34,654
Expected return on plan assets	786	693
Actuarial difference	(2,609)	(2,951)
Contributions paid by the employer	1,908	1,877
Benefits paid	(2,980)	(2,107)
Other	21	2
Plan assets at end of the year	34,654	32,168

(3) Reconciliation of retirement benefit obligations and plan assets at end of the year with net defined benefit liability and net defined benefit asset shown on the consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Retirement benefit obligations for funded plans	34,514	34,810
Plan assets	(34,654)	(32,168)
	(140)	2,642
Retirement benefit obligations for unfunded plans	2,460	2,521
Net amount of liabilities and assets on the consolidated balance sheets	2,319	5,163
Net defined benefit liability	5,085	7,400
Net defined benefit asset	(2,765)	(2,236)
Net amount of liabilities and assets on the consolidated balance sheets	2,319	5,163

(4) Breakdown of retirement benefit expenses

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Service cost	1,712	1,718
Interest cost	287	277
Expected return on plan assets	(786)	(693)
Actuarial difference amortization	515	(433)
Past service cost amortization	(48)	(4)
Other	20	20
Retirement benefit expenses for defined benefit plans	1,699	886

(5) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before income tax effect) recognized in other comprehensive income are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Past service cost	48	4
Actuarial difference	2,051	4,202
Total	2,100	4,206

(6) Accumulated remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before income tax effect) recognized in accumulated other comprehensive income are as follows:

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Unrecognized past service cost	(8)	(4)
Unrecognized actuarial difference	(1,172)	3,029
Total	(1,181)	3,025

(7) Plan assets**(i) Composition of plan assets**

The ratios of each main category to total plan assets are as follows:

	As of March 31, 2019	As of March 31, 2020
Bonds	35.7%	37.4%
Equity securities	49.5	46.2
Other	14.8	16.4
Total	100.0	100.0

(Note) Retirement benefit trusts established for corporate pension plans represent 29.2% and 27.3% of total plan assets as of March 31, 2019 and 2020, respectively.

(ii) Method of determining the long-term expected rate of return on plan assets

Current and expected allocation of plan assets and the expected present and future long-term rate of return on the various assets making up plan assets are considered in order to determine the long-term expected rate of return on plan assets.

(8) Actuarial assumptions

The principle actuarial assumptions are as follows:

	As of March 31, 2019	As of March 31, 2020
Discount rate	0.3% to 1.2%	0.2% to 0.9%
Long-term expected rate of return on plan assets	1.0% to 3.0%	1.0% to 2.5%

3. Defined contribution plans

The required contributions to defined contribution plans by certain consolidated subsidiaries were 755 million yen in the year ended March 31, 2019 and 508 million yen in the year ended March 31, 2020.

4. Multi-employer plans

Certain domestic consolidated subsidiaries had been participated in multi-employer defined benefit pension fund plans, but this pension fund was dissolved. The required contributions to the multi-employer plans were 2 million yen in the year ended March 31, 2019.

16. Taxation

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants and enterprise taxes.

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Deferred tax assets		
Tax loss carryforwards (Note 2)	70,550	82,450
Asset retirement obligations	12,868	13,413
Impairment loss	9,113	8,639
Other	32,722	35,761
Gross deferred tax assets	125,254	140,265
Valuation allowance for tax loss carryforwards (Note 2)	(59,587)	(73,222)
Valuation allowance for deductible temporary differences and others	(21,252)	(21,252)
Valuation allowance (Note 1)	(80,839)	(94,474)
Total deferred tax assets	44,414	45,790
Deferred tax liabilities		
Amortization difference calculated based on foreign income taxes	(34,089)	(36,213)
Asset retirement expenses	(9,434)	(9,356)
Unrealized gains or losses on available-for-sale securities	(2,758)	(1,982)
Other	(8,365)	(7,561)
Total deferred tax liabilities	(54,647)	(55,113)
Net deferred tax liabilities	(10,232)	(9,323)
Deferred tax assets and liabilities for land revaluation		
Deferred tax assets for land revaluation	10,262	10,262
Valuation allowance	(10,262)	(10,262)
Total deferred tax assets for land revaluation	—	—
Deferred tax liabilities for land revaluation	(5,192)	(5,131)
Net deferred tax liabilities for land revaluation	(5,192)	(5,131)

(Notes) 1. Valuation allowance increased by 13,634 million yen, which is mainly due to an increase in valuation allowance for tax loss carryforwards because tax losses were incurred at the consolidated taxable entity with the Company as the consolidated parent company (the “consolidated tax filing group”).

2. Amount of tax loss carryforwards and related deferred tax assets by expiration periods

As of March 31, 2019

	(Millions of yen)						
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Gross deferred tax assets for tax loss carryforwards (*1)	311	4,165	15,109	5,659	25,199	20,105	70,550
Valuation allowance	218	1,264	12,055	3,207	22,833	20,008	59,587
Deferred tax assets	93	2,900	3,053	2,452	2,365	97	(*2) 10,962

- (*1) Gross deferred tax assets for tax loss carryforwards are calculated by multiplying by the statutory tax rate.
- (*2) Deferred tax assets of 10,962 million yen were recorded out of gross deferred tax assets for tax loss carryforwards of 70,550 million yen (calculated by multiplying by the statutory tax rate). 10,878 million yen of deferred tax assets were recognized for a portion of 69,440 million yen of the balance of gross deferred tax assets for tax loss carryforwards of the consolidated tax filing group (calculated by multiplying by the statutory tax rate). Tax loss carryforwards, for which these deferred tax assets were recognized, are non-recurring items generated mainly at Cosmo Oil Co., Ltd. due to the effects of the Great East Japan Earthquake and a sharp drop in crude oil prices in prior years. The Group's sixth consolidated medium-term management plan expected net income to remain stable. Operating results for the fiscal year ended March 31, 2019, the first year of the medium-term management plan, were favorable mainly due to the secured appropriate margin based on the firm market conditions for petroleum products in Japan. In addition, the domestic market conditions had been expected to remain stable in the fiscal year ending March 31, 2020 and thereafter. In this environment, the Company planned to invest in facilities and equipment in refineries as measures for securing a safe and stable operating system and securing profitability. Based on the above, taxable income before adding or deducting temporary differences was expected to arise consistently for the long-term. Accordingly, a valuation allowance has not been recognized as the deferred tax assets for tax loss carryforwards were determined to be recoverable.

As of March 31, 2020

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Gross deferred tax assets for tax loss carryforwards (*1)	4,119	15,161	5,646	25,244	17,843	14,436	82,450
Valuation allowance	468	12,731	3,312	24,644	17,768	14,296	73,222
Deferred tax assets	3,651	2,429	2,334	599	74	139	(*2) 9,228

- (*1) Gross deferred tax assets for tax loss carryforwards are calculated by multiplying by the statutory tax rate.
- (*2) Deferred tax assets of 9,228 million yen were recorded out of gross deferred tax assets for tax loss carryforwards of 82,450 million yen (calculated by multiplying by the statutory tax rate). 9,052 million yen of deferred tax assets were recognized for a portion of 81,362 million yen of the balance of gross deferred tax assets for tax loss carryforwards of the consolidated tax filing group (calculated by multiplying by the statutory tax rate). Tax loss carryforwards, for which these deferred tax assets were recognized, are non-recurring items generated mainly at Cosmo Oil Co., Ltd. due to the effects of the Great East Japan Earthquake and a sharp drop in crude oil prices in prior years. In addition, tax losses incurred in the year ended March 31, 2020 were also non-recurring items generated due to a sharp drop in crude oil prices. In the fiscal year ending March 31, 2021, the Company expects that demand of petroleum products in Japan will fall temporarily affected by a slowdown in economic activities due to COVID-19 but will recover as the pandemic comes to an end. The domestic market conditions are expected to remain stable, and it is expected to be possible to continuously secure the appropriate margin. In this environment, the Company will strive to further increase profitability by continuously implementing key initiatives in the sixth consolidated medium-term management plan. Based on the above, taxable income before adding or deducting temporary differences is expected to arise consistently for the long-term. Accordingly, a valuation allowance has not been recognized as the deferred tax assets for tax loss carryforwards are determined to be recoverable.

2. Reconciliation of statutory tax rate and effective tax rate

	As of March 31, 2019	As of March 31, 2020
Statutory tax rate	Omitted because the	30.62%
(Adjustments)	difference between the	
Entertainment and other permanently non-deductible expenses	statutory tax rate and	2.62
Effects of equity method investments accounting	the effective tax rate is	(11.87)
Foreign income tax	not greater than 5% of	133.07
Changes in valuation allowance	the statutory tax rate.	93.95
Other		2.63
Effective tax rate		251.02

17. Asset retirement obligations

1. Summary of asset retirement obligations

The Group has primarily the following asset retirement obligations:

- Obligations to restore real estate under fixed-term leasehold rights for service stations
- Obligations to restore real estate under land rental contracts for wind-power generation facilities
- Obligations to restore real estate under real estate rental leases of offices
- Mine closure obligations due to the effective date of concession agreements

2. Calculation method of asset retirement obligations

The Company calculates the amount of asset retirement obligations by forecasting an estimated usage period between 8 to 50 years and using a discount rate between 0.005% to 2.306%.

3. Movement in asset retirement obligations

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
At beginning of the year	20,633	22,147
Increases due to purchase of property, plant and equipment	1,160	1,263
Increases due to changes in estimates	308	31
Adjustments due to the passage of time	244	250
Decreases due to payments for asset retirement obligations	(199)	(17)
At end of the year	22,147	23,675
Less: Within one year	817	1,043
Asset retirement obligations - non-current	21,330	22,632

4. Movement in asset retirement obligations by item

Fiscal year ended March 31, 2019

	(Millions of yen)			
Classification	Balance at April 1, 2018	Increases during the year	Decreases during the year	Balance at March 31, 2019
Obligations to restore real estate under fixed-term leasehold rights for service stations	3,149	182	84	3,248
Mine closure obligations due to the effective date of concession agreements and others	17,484	1,530	115	18,898
Total	20,633	1,712	199	22,147

Fiscal year ended March 31, 2020

	(Millions of yen)			
Classification	Balance at April 1, 2019	Increases during the year	Decreases during the year	Balance at March 31, 2020
Obligations to restore real estate under fixed-term leasehold rights for service stations	3,248	95	0	3,343
Mine closure obligations due to the effective date of concession agreements and others	18,898	1,449	16	20,331
Total	22,147	1,545	17	23,675

18. Rental property

The Company and some of its subsidiaries own rental service station facilities and office buildings (including land) in the Tokyo metropolitan area and other regions. The rental income related to such rental property in the fiscal years ended March 31, 2019 and 2020 were 1,144 million yen and 1,360 million yen, respectively. Rental revenues are reported mainly as net sales and related rental expenses are included mainly as selling, general and administrative expenses in the consolidated statements of operations. The net gain or loss on sales and disposal of rental properties in the fiscal years ended March 31, 2019 and 2020 were 454 million yen and 98 million yen, respectively (accounted for as extraordinary income or loss). The impairment losses in the fiscal years ended March 31, 2019 and 2020 were 1,854 million yen and 301 million yen, respectively (accounted for as extraordinary loss). Book value, increase/decrease in book value during the fiscal year and fair value were as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Book value		
At beginning of the year	31,145	30,481
Net movement during the year	(664)	1,082
Balance at end of the year	30,481	31,563
Fair value at end of the year	29,737	31,545

(Notes) 1. Book value is acquisition cost less accumulated depreciation.

- The main increase in the fiscal year ended March 31, 2019 is primarily attributed to change in the purpose of use from assets in use to rental property (2,009 million yen). The main decreases in the fiscal year ended March 31, 2019 are primarily attributed to sale or disposal of properties (581 million yen), impairment (1,854 million yen) and change in the purpose of use from rental property to assets in use (280 million yen). The main increase in the fiscal year ended March 31, 2020 is primarily attributed to change in the purpose of use from assets in use to rental property (1,939 million yen). The main decreases in the fiscal year ended March 31, 2020 are primarily attributed to sale or disposal of properties (74 million yen), impairment (301 million yen) and change in the purpose of use from rental property to assets in use (259 million yen).
- The fair value of the main properties at the end of the consolidated fiscal years is the amount according to valuation reports issued by a third-party real estate appraiser. The fair value for other properties is based on a valuation in accordance with real estate appraisal standards. Additionally, the fair value for minor properties is set according to a certain appraised value or an index believed to reflect the appropriate market value. For some depreciable assets, such as buildings, the fair value is assessed as the book value.

19. Segment information

1. Overview of reportable segments

The reportable segments of the Group are components for which discrete financial information is available, and such information is regularly reviewed by the board of directors (the chief operating decision maker) in order to make decisions about the allocation of resources and assess its performance.

The Group operates “Petroleum” business, “Petrochemical” business, and “Oil Exploration and Production” business in addition to other businesses. The Company and its subsidiaries conduct these businesses through independent management enterprises.

The Group, which is comprised of segments defined by the products and services that are handled, therefore considers the “Petroleum,” “Petrochemical,” and “Oil Exploration and Production” as its three reportable segments.

The Petroleum business produces and sells gasoline, naphtha, kerosene, gas oil, heavy oil, crude oil, lubricants, liquefied petroleum gas, asphalt and other petroleum products. The Petrochemical business produces and sells ethylene, mixed xylene, para-xylene, benzene, toluene, petrochemical solvents and other petrochemical products. The Oil Exploration and Production business develops, produces and sells crude oil.

2. Calculation method for net sales, income or loss and other items by reportable segment

The accounting methods for the operating segments that are reported are the same as those included and summarized in “Basis of preparation of consolidated financial statements” above.

Segment income is based on ordinary income. Inter-segment income and transfers are based on actual market prices.

3. Information about net sales, income or loss and other items by reportable segment

Fiscal year ended March 31, 2019

(Millions of yen)

	Petroleum Business	Petrochemical Business	Oil Exploration and Production Business	Other (Note 1)	Adjustments (Note 2)	Consolidated (Note 3)
Net sales						
Outside customers	2,293,471	404,934	45,149	26,810	–	2,770,365
Inter-segment	233,411	53,700	66,584	33,438	(387,135)	–
Total	2,526,882	458,634	111,734	60,249	(387,135)	2,770,365
Segment income	14,176	15,344	56,900	6,136	4,096	96,654
Other items						
Depreciation	22,065	7,430	13,214	4,861	(818)	46,752
Interest income	733	147	410	31	(681)	642
Interest expenses	7,625	359	2,435	632	(177)	10,875
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	359	6,754	(258)	5	–	6,859

- (Notes) 1. The “Other” segment includes business segments not included in the reportable segments such as the construction business, insurance agency business, leasing business and wind-power generation business.
2. 4,096 million yen of segment income adjustments includes 5,204 million yen of net corporate income and expenses of the Group not allocated to each reportable segment, (107) million yen of inter-segment transaction eliminations, (655) million yen of adjustments to inventories, and (345) million yen of adjustments to non-current assets.
3. Segment income is reconciled to ordinary income in the consolidated statement of operations.

Fiscal year ended March 31, 2020

(Millions of yen)

	Petroleum Business	Petrochemical Business	Oil Exploration and Production Business	Other (Note 1)	Adjustments (Note 2)	Consolidated (Note 3)
Net sales						
Outside customers	2,290,964	364,658	42,917	39,462	–	2,738,003
Inter-segment	215,831	49,751	54,932	45,133	(365,650)	–
Total	2,506,796	414,410	97,850	84,596	(365,650)	2,738,003
Segment income (loss)	(47,800)	5,185	45,030	9,182	4,686	16,285
Other items						
Depreciation	23,772	7,782	13,548	5,258	(688)	49,673
Interest income	621	211	516	53	(601)	802
Interest expenses	6,516	239	2,288	304	(96)	9,252
Equity in net income of unconsolidated subsidiaries and affiliates	1,053	3,392	886	59	–	5,391

- (Notes) 1. The “Other” segment includes business segments not included in the reportable segments such as the construction business, insurance agency business, leasing business and wind-power generation business.
2. 4,686 million yen of segment income (loss) adjustments includes 5,345 million yen of net corporate income and expenses of the Group not allocated to each reportable segment, (51) million yen of inter-segment transaction eliminations, 42 million yen of adjustments to inventories, and (650) million yen of adjustments to non-current assets.
3. Segment income (loss) is reconciled to ordinary income in the consolidated statement of operations.

4. Related information

Fiscal year ended March 31, 2019

(1) Information by product and service

This information has been omitted because information about each product and service is the same as that disclosed in the segment information above.

(2) Information by geographic area

(i) Net sales

(Millions of yen)

Japan	Asia	Other	Total
2,465,540	142,118	162,706	2,770,365

(Note) Net sales is calculated based on the customers' location, and is categorized into countries or regions.

(ii) Property, plant and equipment

(Millions of yen)

Japan	United Arab Emirates	Other	Total
684,868	157,410	4	842,283

(3) Information about major customers

(Millions of yen)

Trade name or name of customer	Net sales	Name of relevant segment
JXTG Holdings, Inc.	367,770	Petroleum Business/Oil Exploration and Production Business

(Note) Net sales includes revenue for the direct customer and customers who belong to the same corporate group.

Fiscal year ended March 31, 2020

(1) Information by product and service

This information has been omitted because information about each product and service is the same as that disclosed in the segment information above.

(2) Information by geographic area

(i) Net sales

(Millions of yen)

Japan	Asia	Other	Total
2,471,454	139,028	127,520	2,738,003

(Note) Net sales is calculated based on the customers' location, and is categorized into countries or regions.

(ii) Property, plant and equipment

(Millions of yen)

Japan	United Arab Emirates	Other	Total
699,174	154,418	71	853,663

(3) Information about major customers

(Millions of yen)

Trade name or name of customer	Net sales	Name of relevant segment
JXTG Holdings, Inc.	370,197	Petroleum Business/Oil Exploration and Production Business

(Note) Net sales includes revenue for the direct customer and customers who belong to the same corporate group.

5. Information about impairment losses of non-current assets by reportable segment

Fiscal year ended March 31, 2019

(Millions of yen)

	Petroleum Business	Petrochemical Business	Oil Exploration and Production Business	Other	Group / Eliminations	Total
Impairment loss	280	—	1,729	—	—	2,009

Fiscal year ended March 31, 2020

(Millions of yen)

	Petroleum Business	Petrochemical Business	Oil Exploration and Production Business	Other	Group / Eliminations	Total
Impairment loss	324	—	3,386	204	—	3,914

6. Information about amortization and unamortized balance of goodwill by reportable segment

As of and for the fiscal years ended March 31, 2019 and March 31, 2020

None.

7. Information about gain on bargain purchase by reportable segment

Fiscal years ended March 31, 2019 and March 31, 2020

None.

20. Notes on related party transactions

1. Related party transactions

(1) Transactions with the Company

Fiscal years ended March 31, 2019 and March 31, 2020
None.

(2) Transactions with consolidated subsidiaries

Unconsolidated subsidiaries and affiliates of the Company

Fiscal year ended March 31, 2019
None.

Fiscal year ended March 31, 2020

Type	Name	Address	Capital stock (Millions of yen)	Details of business activities or occupation	Voting rights held by the Company (or held by others) (%)	Relationship with related party	Details of transaction	Amount of transaction (Millions of yen)	Account title	Balance at end of the year (Millions of yen)
Affiliate	Kygnus Sekiyu K.K.	Chiyoda -ku, Tokyo	2,000	Sales and purchase of petroleum products and petrochemical products	(Held by the Company) Direct 20.0	Sales of the Company's products Concurrent positions of officers	Sales of petroleum products, etc.	159,289	Accounts receivable - trade	22,650
								23,600	Long-term deposits received	23,600

- (Notes) 1. The amount for the transaction above does not include consumption tax.
2. Transaction amounts and other terms and conditions of petroleum products are based on those of general transactions.

Executive officers and major shareholders of the Company (only for individuals)

Fiscal year ended March 31, 2019

Type	Name	Address	Capital stock (Millions of yen)	Details of business activities or occupation	Voting rights held by the Company (or held by others) (%)	Relationship with related party	Details of transaction	Amount of transaction (Millions of yen)	Account title	Balance at end of the year (Millions of yen)
Executive officer	Takayuki Uematsu	-	-	Senior Executive Officer of the Company	(Held by others) Direct 0.0	Senior Executive Officer of the Company Chairperson of the Cosmo Oil Eco Card Fund	Donation	25	-	-

Fiscal year ended March 31, 2020

Type	Name	Address	Capital stock (Millions of yen)	Details of business activities or occupation	Voting rights held by the Company (or held by others) (%)	Relationship with related party	Details of transaction	Amount of transaction (Millions of yen)	Account title	Balance at end of the year (Millions of yen)
Executive officer	Takayuki Uematsu	-	-	Senior Executive Officer of the Company	(Held by others) Direct 0.0	Senior Executive Officer of the Company Chairperson of the Cosmo Oil Eco Card Fund	Donation	28	-	-

- (Notes) 1. The amount for the transaction above does not include consumption tax.
2. The conditions of this transaction were the same as a transaction with a third party, including the transaction terms.

2. Notes about significant affiliates

None.

21. Per share information

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net assets per share	3,333.81 yen	2,853.14 yen
Net income (loss) per share	630.69 yen	(334.84) yen
Diluted net income per share	594.03 yen	—

(Notes) 1. Diluted net income per share for the fiscal year ended March 31, 2020 is not included because net loss per share was recorded while there was potentially dilutive stock.

2. The number of outstanding shares in the calculation for net assets per share excludes the Company shares held by the BIP trust (460 thousand shares at March 31, 2019; 721 thousand shares at March 31, 2020). Similarly, the average number of shares outstanding during the year in the calculation for net income (loss) per share excludes the Company shares held by the BIP trust (523 thousand shares for the fiscal year ended March 31, 2019; 681 thousand shares for the fiscal year ended March 31, 2020).

3. The basis for calculation of net income (loss) per share and diluted net income per share is as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income (loss) per share		
Net income (loss) attributable to owners of parent (Millions of yen)	53,132	(28,155)
Amount not attributed to common shareholders (Millions of yen)	—	—
Net income (loss) attributable to owners of parent related to common shares (Millions of yen)	53,132	(28,155)
Weighted average number of common shares during the year (Thousands of shares)	84,245	84,085
Diluted net income per share		
Adjustments to net income attributable to owners of parent (Millions of yen)	—	—
Increase in the number of common shares (Thousands of shares)	5,198	—
Convertible bonds with share acquisition rights (Thousands of shares)	[5,198]	[—]
Overview of potential shares not included in calculation of diluted net income per share because they have no dilutive effect	—	—

22. Major subsequent events

None.