

Consolidated Balance Sheets

	Notes	As of March 31, 2018	As of March 31, 2019
ASSETS		Millions of yen	Millions of yen
Current assets			
Cash and deposits	5 d), 9, 11	64,690	49,445
Notes and accounts receivable - trade	5 d), 11	264,930	245,164
Allowance for doubtful accounts		(169)	(146)
Merchandise and finished goods		132,880	131,952
Work in process		576	453
Raw materials and supplies		131,893	144,911
Accounts receivable - other	11	44,088	42,397
Other	5 d), 11, 12, 13	18,269	27,553
Total current assets		657,160	641,731
Non-current assets			
Property, plant and equipment			
Buildings and structures, net		205,787	235,988
Oil tanks, net		35,178	34,984
Machinery, equipment and vehicles, net	5 d), 5 e)	183,447	186,250
Land	5 d), 5 f)	317,989	317,255
Leased assets, net		624	597
Construction in progress		67,123	59,022
Other, net	5 e)	7,435	8,183
Total property, plant and equipment	5 a), 19	817,585	842,283
Intangible assets			
Software		3,244	3,585
Other		38,771	37,378
Total intangible assets		42,016	40,964
Investments and other assets			
Investment securities	5 b), 5 d), 11, 12	122,653	117,552
Long-term loans receivable		1,615	1,262
Long-term prepaid expenses		5,769	4,741
Net defined benefit asset	15	2,415	2,765
Costs recoverable under production sharing		21,894	19,404
Deferred tax assets	3, 16	8,154	23,221
Other	11, 13	9,039	8,397
Allowance for doubtful accounts		(401)	(459)
Total investments and other assets		171,141	176,886
Total non-current assets		1,030,743	1,060,134
Deferred assets			
Bond issuance cost		385	404
Total deferred assets		385	404
Total assets		1,688,288	1,702,270

	Notes	As of March 31, 2018	As of March 31, 2019
LIABILITIES		Millions of yen	Millions of yen
Current liabilities			
Notes and accounts payable – trade	11, 14	274,410	267,897
Short-term loans payable	5 d), 5 g), 11, 14	206,690	164,739
Commercial paper	11, 14	62,900	98,000
Accounts payable – other	11, 14	109,316	107,055
Accrued gasoline taxes	11	84,801	88,987
Income taxes payable	11	15,338	5,324
Accrued expenses	5 d)	5,130	3,188
Provision for bonuses		7,516	7,052
Provision for directors' bonuses		620	472
Other	11, 13	33,423	22,016
Total current liabilities		800,146	764,734
Non-current liabilities			
Bonds payable	11, 14	46,700	46,700
Convertible bonds with share acquisition rights	11, 14	–	60,000
Long-term loans payable	5 d), 5 g), 11, 14	384,164	324,669
Deferred tax liabilities	3, 16	33,029	33,454
Deferred tax liabilities for land revaluation	5 f), 16	5,182	5,192
Provision for special repairs		17,830	20,992
Provision for business structure improvement		1,050	1,050
Provision for environmental measures		1,729	1,362
Net defined benefit liability	15	3,212	5,085
Provision for executive remuneration BIP trust		340	111
Asset retirement obligations	17	20,568	21,330
Other	11, 13, 14	18,186	15,733
Total non-current liabilities		531,995	535,684
Total liabilities		1,332,142	1,300,419
Contingent liabilities	5 c)		
NET ASSETS			
Shareholders' equity			
Capital stock		40,000	40,000
Authorized, 170,000,000 shares as of March 31, 2018 and 2019			
Issued, 84,770,508 shares as of March 31, 2018 and 2019			
Capital surplus		84,359	82,963
Retained earnings		118,701	167,574
Treasury stock		(1,091)	(758)
Total shareholders' equity		241,970	289,779
Accumulated other comprehensive income			
Unrealized gains or losses on available-for-sale securities		6,379	4,121
Deferred gains or losses on hedges		(267)	99
Revaluation reserve for land	5 f)	(20,923)	(20,911)
Foreign currency translation adjustments		8,715	7,236
Remeasurements of defined benefit plans	15	2,803	739
Total accumulated other comprehensive income		(3,292)	(8,713)
Non-controlling interests		117,468	120,785
Total net assets		356,146	401,850
Total liabilities and net assets		1,688,288	1,702,270

Consolidated Statements of Income

	Notes	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
		Millions of yen	Millions of yen
Net sales	19	2,523,106	2,770,365
Cost of sales	6 a), 6 c)	2,282,710	2,539,936
Gross profit		240,395	230,429
Selling, general and administrative expenses	6 b), 6 c)	128,526	135,775
Operating income		111,868	94,653
Non-operating income			
Interest income		341	642
Dividend income		1,015	763
Rental income on non-current assets		1,153	1,147
Equity in net income of unconsolidated subsidiaries and affiliates		11,937	6,859
Foreign exchange gains		2,533	3,861
Other		2,754	2,981
Total non-operating income		19,737	16,255
Non-operating expenses			
Interest expenses		12,125	10,875
Other		2,630	3,378
Total non-operating expenses		14,755	14,253
Ordinary income	19	116,850	96,654
Extraordinary income			
Gain on sales of non-current assets	6 d)	2,457	629
Gain on sales of investment securities	12	433	861
Subsidy income		3,027	5,541
Compensation income		–	744
Insurance income		463	272
Other		220	147
Total extraordinary income		6,603	8,197
Extraordinary losses			
Loss on sales of non-current assets		266	134
Loss on disposal of non-current assets	6 e)	8,173	5,437
Impairment loss	6 f), 19	1,516	2,009
Loss on valuation of investment securities	12	187	1,090
Business structure improvement expenses	6 g)	2,840	–
Loss on closure of oil terminal	6 h)	1,056	–
Other		138	213
Total extraordinary losses		14,179	8,885
Income before income taxes		109,274	95,966
Income taxes – current	16	28,687	43,852
Income taxes – deferred	16	(3,515)	(13,935)
Total income taxes		25,172	29,917
Net income		84,101	66,048
Net income attributable to non-controlling interests		11,288	12,916
Net income attributable to owners of parent		72,813	53,132
Per share	21	Yen	Yen
Net income		865.80	630.69
Diluted net income		–	594.03
Cash dividends applicable to the year		50	80

Consolidated Statements of Comprehensive Income

	Notes	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
		Millions of yen	Millions of yen
Net income		84,101	66,048
Other comprehensive income			
Unrealized gains or losses on available-for-sale securities		1,852	(2,780)
Deferred gains or losses on hedges		41	500
Revaluation reserve for land		(205)	(9)
Foreign currency translation adjustments		(667)	363
Remeasurements of defined benefit plans		2,620	(2,084)
Share of other comprehensive income of entities accounted for using equity method		2,193	(1,858)
Total other comprehensive income	7	5,835	(5,869)
Comprehensive income		89,937	60,179
Comprehensive income attributable to:			
Owners of parent		78,170	47,689
Non-controlling interests		11,767	12,489

Consolidated Statements of Changes in Net Assets (Note 8)

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2017	40,000	84,359	49,985	(1,113)	173,231
Changes of items during period					
Dividends of surplus			(4,238)		(4,238)
Net income attributable to owners of parent			72,813		72,813
Acquisition of treasury stock				(1)	(1)
Disposal of treasury stock		0		24	24
Reversal of revaluation reserve for land			140		140
Net changes of items other than shareholders' equity					
Total changes of items during period	–	0	68,715	22	68,738
Balance at March 31, 2018	40,000	84,359	118,701	(1,091)	241,970

	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, 2017	4,794	(233)	(20,576)	7,215	292	(8,508)	108,063	272,786
Changes of items during period								
Dividends of surplus								(4,238)
Net income attributable to owners of parent								72,813
Acquisition of treasury stock								(1)
Disposal of treasury stock								24
Reversal of revaluation reserve for land			(140)			(140)		–
Net changes of items other than shareholders' equity	1,585	(33)	(205)	1,499	2,511	5,356	9,405	14,762
Total changes of items during period	1,585	(33)	(346)	1,499	2,511	5,215	9,405	83,360
Balance at March 31, 2018	6,379	(267)	(20,923)	8,715	2,803	(3,292)	117,468	356,146

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

Consolidated Statements of Cash Flows

Notes	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Cash flows from operating activities		
Income before income taxes	109,274	95,966
Depreciation	38,348	46,752
Amortization of goodwill	721	–
Impairment loss	1,516	2,009
Loss (gain) on sales of non-current assets	(2,191)	(495)
Business structure improvement expenses	2,840	–
Loss (gain) on disposal of non-current assets	8,173	5,437
Loss (gain) on sales of investment securities	(433)	(861)
Loss (gain) on valuation of investment securities	187	1,090
Subsidy income	(3,027)	(5,541)
Loss on closure of oil terminal	1,056	–
Interest and dividend income	(1,357)	(1,405)
Compensation income	–	(744)
Insurance income	(463)	(272)
Interest expenses	12,125	10,875
Foreign exchange losses (gains)	(963)	(1,227)
Equity in net losses (income) of unconsolidated subsidiaries and affiliates	(11,937)	(6,859)
Increase (decrease) in allowance for doubtful accounts	23	35
Increase (decrease) in provision for special repairs	4,048	3,162
Increase (decrease) in provision for environmental measures	(544)	(516)
Increase or decrease in net defined benefit asset and liability	(301)	(625)
Decrease (increase) in notes and accounts receivable - trade	(49,738)	19,388
Proceeds from costs recoverable under production sharing	3,782	7,472
Decrease (increase) in inventories	(22,085)	(11,474)
Increase (decrease) in notes and accounts payable - trade	105,026	(6,136)
Decrease (increase) in other current assets	(8,822)	(3,231)
Increase (decrease) in other current liabilities	41,132	(9,971)
Decrease (increase) in investments and other assets	628	1,550
Increase (decrease) in other non-current liabilities	(1,520)	(1,247)
Other, net	44	1,744
Subtotal	225,542	144,875
Interest and dividend income received	3,860	9,126
Interest expenses paid	(12,323)	(10,985)
Payments for business structure improvement expenses	(4,056)	(48)
Proceeds from subsidy income	3,752	5,933
Proceeds from compensation	–	744
Proceeds from insurance income	234	502
Income taxes paid	(24,374)	(59,697)
Net cash provided by operating activities	192,634	90,450

	Notes	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
		Millions of yen	Millions of yen
Cash flows from investing activities			
Purchase of investment securities		(1,457)	(1,454)
Proceeds from sales and redemption of investment securities		401	38
Purchase of shares of subsidiaries and associates		(3,623)	(1,240)
Proceeds from sales of shares or liquidation of subsidiaries and associates		–	813
Purchase of property, plant and equipment		(96,780)	(73,102)
Payments for disposal of property, plant and equipment		(3,261)	(4,823)
Proceeds from sales of property, plant and equipment		17,470	1,364
Payments for purchases of intangible assets and long-term prepaid expenses		(9,859)	(7,974)
Decrease (increase) in short-term loans receivable		44	(134)
Payments of long-term loans receivable		(225)	(166)
Collection of long-term loans receivable		485	1,558
Payments into time deposits		(33)	(22)
Proceeds from refund of time deposits		22	499
Proceeds from refund of investments in anonymous partnership		157	122
Other, net		227	–
Net cash used in investing activities		(96,432)	(84,521)
Cash flows from financing activities			
Net decrease in short-term loans payable		(21,563)	(28,116)
Proceeds from long-term loans payable		47,859	26,526
Repayments of long-term loans payable		(107,887)	(99,050)
Payments into restricted deposits		–	(75)
Proceeds from issuance of bonds		–	59,851
Net increase in commercial paper		11,500	35,100
Cash dividends paid		(4,204)	(4,205)
Dividends paid to non-controlling interests		(2,361)	(7,173)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		–	(3,602)
Other, net		(98)	264
Net cash used in financing activities		(76,757)	(20,480)
Effect of exchange rate changes on cash and cash equivalents		(422)	71
Net increase (decrease) in cash and cash equivalents		19,021	(14,480)
Cash and cash equivalents at beginning of period		36,126	55,148
Cash and cash equivalents at end of period	9 a)	55,148	40,667

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

35 companies as of March 31, 2019 and 39 companies as of March 31, 2018

Names of major companies

Cosmo Oil Co., Ltd., Cosmo Energy Exploration & Production Co., Ltd., Cosmo Oil Marketing Co., Ltd. as of March 31, 2019 and 2018

Eco World Kuzumaki Wind Power Co., Ltd., Goto-Kishiku Wind Power Laboratory Co., Ltd., Tachikawa Wind Power Laboratory Co., Ltd. and Dangamine Wind Farm Co., Ltd., which were consolidated subsidiaries during the fiscal year ended March 31, 2018, were excluded from the scope of consolidation since they were merged with another consolidated subsidiary, EcoPower Co., Ltd., during the fiscal year ended March 31, 2019.

(2) Names of major non-consolidated subsidiaries

Osadano Gas Center Co., Ltd. as of March 31, 2019 and 2018

Reason for exclusion from the scope of consolidation

19 non-consolidated subsidiaries as of March 31, 2019 and 2018 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, 2019 and 2018

Names of major companies

Osadano Gas Center Co., Ltd. as of March 31, 2019 and 2018

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

10 companies as of March 31, 2019 and 11 companies as of March 31, 2018

Names of major companies

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

United Petroleum Development Co., Ltd., Gyxis Corporation, neo ALA Co., Ltd., Kygnus Sekiyu K.K. as of March 31, 2018

neo ALA Co., Ltd., which was accounted for under the equity method during the fiscal year ended March 31, 2018, was excluded from the scope of application of the equity method due to the sale of all of its shares owned by the Company during the fiscal year ended March 31, 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, 2019 and 2018

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 35 consolidated subsidiaries as of March 31, 2019 (39 companies as of March 31, 2018), the fiscal years of Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., Cosmo Oil International Pte. Ltd., Cosmo Oil (U.K.) Limited., 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.

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; and (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.

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 of 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 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 that 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, 2018 and 2019 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, 2018 and 2019 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 8 to 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 income. 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 that 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 fluctuation risks, interest rate fluctuation risks, and price fluctuation risks 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) Goodwill amortization method and amortization period

Goodwill is amortized by the straight-line method over the period for which the excess earning power is expected, which is mainly 5 years. Immaterial goodwill is amortized as incurred.

(10) 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.

(11) 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) **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 income.

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 30, 2018)

- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following 5 steps:

Step1: Identify contract(s) with customers.

Step2: Identify the performance obligations in the contract.

Step3: Determine the transaction price.

Step4: Allocate the transaction price to the performance obligation in the contract.

Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(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 consolidated domestic subsidiaries are currently in the process of determining the effects of this new standard and guidance on the consolidated financial statements.

- “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, revised on January 16, 2019)

- “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, revised on January 16, 2019)

(1) Overview

The “Accounting Standard for Business Combinations” and related guidance were revised in relation to the treatment of contingent consideration for an acquisition when part of the consideration is refunded under ASBJ Statement No. 21 “Accounting Standard for Business Combinations.”

Major revisions in the “Accounting Standard for Business Combinations” include the addition of “consideration for an acquisition to be refunded” to the definition of “contingent consideration for an acquisition” and the addition of an accounting treatment for “contingent consideration for an acquisition for which consideration is refunded.”

In addition, following the revisions to the contents of the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (the “Implementation Guidance”), the accounting treatment with respect to the shareholders of combining entities prescribed in the Implementation Guidance was revised to ensure consistency with the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013). Moreover, regarding the tax effect accounting applied by a divesting entity, in cases where a split-off is a non-qualified corporate reorganization and the date of divestiture is the beginning of the divesting entity’s fiscal year, the related provisions were deleted since the use of deemed fiscal year in the split-off was abolished in the 2010 tax reform.

(2) Effective date

Effective for reorganizations that take place at or after the beginning of the fiscal year ending March 31, 2020.

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

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

3. Changes in presentation

Changes due to the adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

Upon application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018; the “Partial Amendments”) from the beginning of the fiscal year ended March 31, 2019, the presentation and related notes of deferred tax assets and deferred tax liabilities was changed, such that deferred tax assets and deferred tax liabilities are classified as part of investment and other assets and non-current liabilities, respectively.

As a result, in the consolidated balance sheet as of March 31, 2018, deferred tax assets under current assets decreased by 7,661 million yen and deferred tax assets under investments and other assets increased by 5,060 million yen. In addition, deferred tax liabilities under current liabilities decreased by 7 million yen and deferred tax liabilities under non-current liabilities decreased by 2,593 million yen.

Total assets decreased by 2,600 million yen due to offsetting of deferred tax assets and deferred tax liabilities which belong to the same taxable entity.

Certain information is added to the notes to tax effect accounting as described in note 8 (excluding total amount of valuation allowance) and note 9 of explanatory notes to the “Accounting Standard for Tax Effect Accounting” as prescribed in paragraphs 3 through 5 of the Partial Amendments. However, this additional information for the year ended March 31, 2018 is not presented in accordance with the transitional treatment prescribed in paragraph 7 of the Partial Amendments.

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 Board Incentive Plan (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 of 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, 2018, the book value of the treasury stock was 1,087 million yen (number of shares: 665 thousand) and at March 31, 2019, the book value of the treasury stock was 752 million yen (number of shares: 460 thousand).

5. Notes to Consolidated Balance Sheets

a) Accumulated depreciation of property, plant and equipment

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Accumulated depreciation	994,528	1,014,151

b) Non-consolidated subsidiaries and affiliates

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Investment securities	85,515	83,297
(Of which, investments in joint ventures)	(60,593)	(58,190)

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, 2018		As of March 31, 2019	
Chiba Arkon Production Limited	—	Chiba Arkon Production Limited	2,744
North Hokkaido Wind Energy Transmission Corporation	—	North Hokkaido Wind Energy Transmission Corporation	2,222
Japan Biofuels Supply LLP	2,168	Japan Biofuels Supply LLP	1,296
Hyundai Cosmo Petrochemical Co., Ltd.	1,259	Hyundai Cosmo Petrochemical Co., Ltd.	411
Other	454	Other	412
Total	3,883	Total	7,087

d) Assets pledged as collateral

(1) Assets pledged as collateral

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Land	123,200	123,200
Cash and deposits	9,959	17,796
Notes and accounts receivable - trade	8,625	10,016
Machinery, equipment and vehicles and others	10	9
Investment securities	82	921
Total	141,878	151,944

(2) Secured debts

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Long-term loans payable (including current portion)	66,693	56,620
Debts related to transactions with banks	—	20,991

(3) Assets provided as collateral as mainly sales guarantees

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Investment securities	50	47
Other current assets	1,296	1,290
Total	1,347	1,338

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

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Machinery, equipment and vehicles	3,389	3,389
Other	37	62
Total	3,426	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, 2018	As of March 31, 2019
Difference between fair value at the end of the fiscal year and the book value after revaluation for the land revaluation	(33,188)	(32,437)

g) Financial covenants

As of March 31, 2018

Long-term loans payable (including current portion) from banks of 100,656 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 ordinary loss as recorded in its consolidated statement of income 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 27, 2018	40,080 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, 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 ordinary loss as recorded in its consolidated statement of income 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.

6. Notes to Consolidated Statements of Income

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, 2018	Fiscal year ended March 31, 2019
Write down of inventories recognized in cost of sales	3,811	2,573
Reversal of inventories write-down recognized as a reduction of cost of sales	(4,286)	(3,811)
Net amount	(475)	(1,237)

b) Selling, general and administrative expenses

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Subcontract expenses	25,033	26,764
Salaries	21,068	20,571
Freight costs	17,144	18,256
Rental expenses	10,621	10,429
Depreciation	5,964	6,026
Retirement benefit expenses	2,122	1,328
Other	46,574	52,401
Total	128,526	135,775

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	4,540	4,096

d) Gains on sales of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Land	1,752	497
Machinery and equipment	684	0
Buildings and structures	17	3
Other	4	129
Total	2,457	629

e) Losses on disposal of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Buildings and structures	762	341
Machinery and equipment	1,771	786
Removal costs	4,937	4,083
Other	703	227
Total	8,173	5,437

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 oil exploration and production, Independent Power Producer (IPP), real estate leasing, wind power generation and idle assets, assessment is made by individual property.

Impairment losses were recorded for the following asset groups as a result of factors including changes in the business environment such as a decline in land prices or the deterioration of sales margins.

Fiscal year ended March 31, 2018

Business use	Location	Type	Impairment loss (Millions of yen)
Petroleum business	Cosmo Oil Property Service Co., Ltd. – Self & Car Care Station Higashiyamato Nakahara (Higashiyamato City, Tokyo) and 3 other assets	Land Other	152
Petrochemical business	Maruzen Petrochemical Co., Ltd. – Chiba Plant (Ichihara City, Chiba Prefecture)	Machinery, equipment and vehicles Other	83
Other businesses	Cosmo Engineering Co., Ltd. – Abu Dhabi Branch (UAE)	Buildings and structures Other	2
Idle assets	Cosmo Oil Co., Ltd. – Kokura Oil Depot (Kitakyushu City, Fukuoka Prefecture) and 47 other assets	Land Other	1,277
Total			1,516

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

Petroleum business:	152 (of which, land: 31, other: 121)
Petrochemical business:	83 (of which, machinery, equipment and vehicles: 51, other: 32)
Idle assets	1,277 (of which, land: 1,138, other: 138)

The recoverable amount for the petroleum business 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%.

The recoverable amount for the petrochemical business is mainly measured based on its value in use, for which no value is assumed because no cash flows are expected.

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.

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)

The recoverable amount for the petroleum business 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%.

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.

g) Business structure improvement expenses

Fiscal year ended March 31, 2018

Removal costs accompanying the disposal of equipment and fixed costs during suspended operations for some equipment were recorded as business structure improvement expenses under extraordinary losses in the consolidated statement of income, and the breakdown is as follows:

Fixed costs during suspended operations of equipment	2,036 million yen
<u>Removal costs accompanying the disposal of equipment</u>	<u>804 million yen</u>
Total	2,840 million yen

h) Loss on closure of oil terminal

Fiscal year ended March 31, 2018

To provide for expenditures including disposal costs accompanying the closure of an oil terminal, a loss on closure of oil terminal was recorded under extraordinary losses in the consolidated statement of income, and the breakdown is as follows:

Soil improvement costs	479 million yen
Removal costs	576 million yen
<u>Other</u>	<u>1 million yen</u>
Total	1,056 million yen

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, 2018	Fiscal year ended March 31, 2019
Unrealized gains or losses on available-for-sale securities:		
Increase (decrease) during the fiscal year	2,397	(3,540)
Reclassification adjustment	(69)	(0)
Before income tax effect	2,328	(3,541)
Income tax effect	(476)	761
Unrealized gains or losses on available-for-sale securities	1,852	(2,780)
Deferred gains or losses on hedges:		
Increase (decrease) during the fiscal year	1,055	530
Reclassification adjustment	(723)	37
Adjustment of acquisition cost of assets	(358)	(36)
Before income tax effect	(26)	531
Income tax effect	68	(30)
Deferred gains or losses on hedges	41	500
Revaluation reserve for land:		
Income tax effect	(205)	(9)
Foreign currency translation adjustments:		
Increase (decrease) during the fiscal year	(667)	363
Foreign currency translation adjustments	(667)	363
Remeasurements of defined benefit plans:		
Increase (decrease) during the fiscal year	774	(2,566)
Reclassification adjustment	2,054	466
Before income tax effect	2,829	(2,100)
Income tax effect	(208)	15
Remeasurements of defined benefit plans	2,620	(2,084)
Share of other comprehensive income of entities accounted for using equity method:		
Increase (decrease) during the fiscal year	2,183	(1,869)
Reclassification adjustment	10	10
Share of other comprehensive income of entities accounted for using equity method	2,193	(1,858)
Total other comprehensive income	5,835	(5,869)

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 dividend 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 make 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, 2018

1. Total number of shares issued and treasury stock

	Number of shares as of April 1, 2017	Increase in shares during the fiscal year	Decrease in shares during the fiscal year	Number of shares as of March 31, 2018
Shares issued				
Common shares	84,770,508	—	—	84,770,508
Total	84,770,508	—	—	84,770,508
Treasury stock				
Common shares	(Note 2) 681,474	(Note 1) 532	(Note 1) 14,958	(Note 2) 667,048
Total	681,474	532	14,958	667,048

(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 (680,000 shares as of April 1, 2017, and 665,042 shares as of March 31, 2018).

2. Dividends

(1) Cash dividends paid

(Resolution)	Share class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 22, 2017 Ordinary general meeting of shareholders	Common shares	4,238	50	March 31, 2017	June 23, 2017

(Note) Dividends for treasury stock held by BIP Trust included in total dividends: 34 million yen

(2) Dividends for which the record date was in the fiscal year ended March 31, 2018 that took effect after March 31, 2018

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

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

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

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, 2018 and 2019 are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Cash and deposits account	64,690	49,445
Time deposits exceeding three months	(485)	–
Trust deposits with restrictions on use	(1,926)	(1,708)
Deposits with restrictions on withdrawal	(7,129)	(7,068)
Cash and cash equivalents	55,148	40,667

- b) Details of significant non-monetary transactions

Fiscal years ended March 31, 2018 and 2019

None.

10. Lease transactions

Lessee

Operating lease transactions

Non-cancellable lease commitments

(Millions of yen)

Category	As of March 31, 2018	As of March 31, 2019
Due within one year	1,028	956
Due after one year	2,961	1,864
Total	3,989	2,821

11. Notes regarding financial instruments

1. Financial instruments

(1) Policy for financial instruments

The Group raises funds through direct and indirect financing for capital investments and working capital in order to conduct mainly the petroleum business (refining and sales) and the oil exploration and production business.

Derivative transactions are conducted according to internal management rules stipulating transaction authority and transaction limits to hedge against hedgeable foreign currency fluctuation risk, interest rate fluctuation risk and price fluctuation 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 market price fluctuation 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 short-term loans payable, 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 fluctuation risks, 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 fluctuation risk of U.S. dollar denominated oil and petroleum product imports, interest rate swaps for the purpose of stabilizing fluctuation risk of interest payable on borrowings, and commodity futures and swaps for the purpose of hedging against price fluctuation 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 fluctuation risk of interest payable on borrowings, and commodity futures and swaps are used to hedge price fluctuation 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, 2018

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	64,690	64,690	—
(2) Notes and accounts receivable - trade	264,930	264,930	—
(3) Accounts receivable - other	44,088	44,088	—
(4) Investment securities			
Held-to-maturity securities	50	52	1
Available-for-sale securities	23,528	23,528	—
Total assets	397,289	397,291	1
(1) Notes and accounts payable - trade	274,410	274,410	—
(2) Short-term loans payable	206,690	206,690	—
(3) Commercial paper	62,900	62,900	—
(4) Accounts payable - other	109,316	109,316	—
(5) Accrued gasoline taxes	84,801	84,801	—
(6) Income taxes payable	15,338	15,338	—
(7) Bonds payable	46,700	47,476	776
(8) Convertible bond-type bonds with share acquisition rights	—	—	—
(9) Long-term loans payable	384,164	384,916	752
Total liabilities	1,184,320	1,185,849	1,528
Derivatives (*)	(1,914)	(1,914)	—

(*) 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, 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.

(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) commercial paper, (4) accounts payable - other, (5) Accrued gasoline taxes, and (6) 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.

- (7) 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.

- (8) Convertible bond-type 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.

- (9) 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 (9) above.)

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

(Millions of yen)

Category	As of March 31, 2018	As of March 31, 2019
Unlisted shares	99,073	97,489

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 1,090 million yen on unlisted shares during the year ended March 31, 2019 (103 million yen in the year ended March 31, 2018).

3. Maturity of financial assets

As of March 31, 2018

(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	64,690	—	—	—
Notes and accounts receivable - trade	264,930	—	—	—
Investment securities				
Held-to-maturity securities				
Government bonds and local government bonds	—	50	—	—
Accounts receivable - other	44,088	—	—	—
Total	373,709	50	—	—

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	—	—

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

As of March 31, 2018

(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	107,510	—	—	—	—	—
Commercial paper	62,900	—	—	—	—	—
Bonds payable	—	—	26,000	17,700	—	3,000
Convertible bonds with share acquisition rights	—	—	—	—	—	—
Long-term loans payable	99,180	85,407	40,502	71,350	54,424	132,478
Total	269,590	85,407	66,502	89,050	54,424	135,478

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

12. Securities

1. Held-to-maturity securities

As of March 31, 2018

(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	3	2	(0)
Total	53	55	1

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

2. Available-for-sale securities

As of March 31, 2018

(Millions of yen)

Category	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeds acquisition cost			
(i) Equity securities	23,409	10,214	13,194
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Subtotal	23,409	10,214	13,194
Consolidated balance sheet amount does not exceed acquisition cost			
(i) Equity securities	9	9	(0)
(ii) Bonds	—	—	—
(iii) Other	109	109	—
Subtotal	119	119	(0)
Total	23,528	10,334	13,194

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

3. Available-for-sale securities sold

Fiscal year ended March 31, 2018

(Millions of yen)			
Category	Sales amount	Total gain on sales	Total loss on sales
(i) Equity securities	562	433	—
(ii) Bonds	—	—	—
(iii) Other	—	—	—
Total	562	433	—

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

4. Impaired securities

Impairment losses of 187 million yen were recognized on securities (182 million yen on equity securities in available-for-sale securities, 5 million yen on other) during the year ended March 31, 2018. 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.

13. Derivatives

1. Derivative transactions for which hedge accounting is not applied

(1) Currency-related

As of March 31, 2018

(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	158,454	—	(1,723)
		Chinese yuan	722	529	104
	Sell	U.S. dollars	28,591	—	(60)

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

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
		Chinese yuan	529	337	60
	Sell	U.S. dollars	33,223	—	(131)

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

(2) Commodity-related
As of March 31, 2018

(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	—	—	—	—
	Buy	—	—	—	—
	Products futures				
	Buy	—	—	—	—
Transactions other than market transactions	Crude oil swaps				
	Fixed buy / variable sell	—	—	—	—
	Fixed sell / variable buy	3,367	—	(122)	(122)
	Product swaps				
	Fixed buy / variable sell	212	9	13	13
	Fixed sell / variable buy	299	—	(13)	(13)

(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 McGraw Hill Financial.
Product swaps Calculated based on the price assessed by the Intercontinental Exchange (ICE) and the closing price on the Tokyo Commodity Exchange.

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)
	Product swaps				
	Fixed buy / variable sell	—	—	—	—
	Fixed sell / variable buy	—	—	—	—

(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 swap Calculated based on the final price in the “Platts” assessment by McGraw Hill Financial.
Product swap Calculated based on the price assessed by the Intercontinental Exchange (ICE) and the closing price on the Tokyo Commodity Exchange.

2. Derivative transactions for which hedge accounting is applied

(1) Currency-related

As of March 31, 2018

(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	1,988	—	93

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

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.

(2) Interest rate-related

As of March 31, 2018

(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	279,978	221,156	(Note 2)
Principle treatment method	Interest rate swaps Variable receipt / fixed payment	Long-term loans payable	60,000	60,000	(570)

(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, 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.

(3) Commodity-related
As of March 31, 2018

(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	390	—	64
	Product swaps				
	Fixed buy / variable sell		8,375	132	179
	Fixed sell / variable buy	Forecast transactions	6,743	—	122

(Note) Fair value calculation method

Crude oil swaps Calculated based on the final price in the “Platts” assessment by McGraw Hill Financial.

Product swaps Calculated based on the final price in the “Platts” assessment by McGraw Hill Financial and the closing price on the Tokyo Commodity Exchange.

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 McGraw Hill Financial.

Product swaps Calculated based on the final price in the “Platts” assessment by McGraw Hill Financial 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, 2018

Classification	Balance at April 1, 2017 (Millions of yen)	Balance at March 31, 2018 (Millions of yen)	Average interest rate (%)	Maturity
Short-term loans payable	129,575	107,510	0.263	—
Current portion of long-term loans payable	95,593	99,180	0.950	—
Current portion of lease obligations	69	66	—	—
Long-term loans payable (excluding current portion)	449,282	384,164	1.669	2019 to 2075
Lease obligations (excluding current portion)	537	493	—	2019 to 2032
Other interest-bearing debts				
Notes and accounts payable - trade	13,722	80,484	2.215	—
Commercial paper (payable within one year)	51,400	62,900	0.123	—
Total	740,181	734,799	—	—

(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, 2018 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	85,407	40,502	71,350	54,424
Lease obligations	57	50	45	40

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

2. Bonds payable

As of March 31, 2018

Company Name	Bond name	Date of issue	Balance at April 1, 2017 (Millions of Yen)	Balance at March 31, 2018 (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
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	46,700	—	—	—

(Note) The scheduled redemption within the next five years after March 31, 2018 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	—

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 bond-type 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	—

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 end of year for voluntary termination as the retirement benefit obligations in the calculation of net defined benefit liability and retirement benefit expenses.

Certain consolidated subsidiaries participate in multi-employer defined benefit pension fund plans, and account 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, 2018	Fiscal year ended March 31, 2019
Retirement benefit obligations at beginning of the year	39,901	38,325
Service cost	1,625	1,712
Interest cost	288	287
Actuarial difference	(17)	(82)
Benefits paid	(3,186)	(3,321)
Other	(286)	53
Retirement benefit obligations at end of the year	38,325	36,974

(2) Changes in plan assets

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Plan assets at beginning of the year	36,313	37,528
Expected return on plan assets	1,537	786
Actuarial difference	757	(2,609)
Contributions paid by the employer	2,157	1,908
Benefits paid	(2,858)	(2,980)
Other	(378)	21
Plan assets at end of the year	37,528	34,654

(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 sheet

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Retirement benefit obligations for funded plans	35,938	34,514
Plan assets	(37,528)	(34,654)
	(1,589)	(140)
Retirement benefit obligations for unfunded plans	2,386	2,460
Net amount of liabilities and assets on the consolidated balance sheets	796	2,319
Net defined benefit liability	3,212	5,085
Net defined benefit asset	(2,415)	(2,765)
Net amount of liabilities and assets on the consolidated balance sheets	796	2,319

(4) Breakdown of retirement benefit expenses

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Service cost	1,625	1,712
Interest cost	288	287
Expected return on plan assets	(1,537)	(786)
Actuarial difference amortization	2,104	515
Past service cost amortization	(50)	(48)
Other	18	20
Retirement benefit expenses for defined benefit plans	2,449	1,699

(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, 2018	Fiscal year ended March 31, 2019
Past service cost	50	48
Actuarial difference	(2,879)	2,051
Total	(2,829)	2,100

(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, 2018	As of March 31, 2019
Unrecognized past service cost	(57)	(8)
Unrecognized actuarial difference	(3,224)	(1,172)
Total	(3,281)	(1,181)

(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, 2018	As of March 31, 2019
Bonds	31.9%	35.7%
Equity securities	53.8	49.5
Other	14.3	14.8
Total	100.0	100.0

(Note) Retirement benefit trusts established for corporate pension plans represent 34.7% and 29.2% of total plan assets as of March 31, 2018 and 2019, 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, 2018	As of March 31, 2019
Discount rate	0.3% to 1.2%	0.3% to 1.2%
Long-term expected rate of return on plan assets	1.0% to 6.0%	1.0% to 3.0%

3. Defined contribution plans

The required contributions to defined contribution plans by certain consolidated subsidiaries were 748 million yen in the year ended March 31, 2018 and 755 million yen in the year ended March 31, 2019.

4. Multi-employer plans

The required contributions to multi-employer plans by certain consolidated subsidiaries were 11 million yen in the year ended March 31, 2018 and 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, 2018	As of March 31, 2019
Deferred tax assets		
Tax loss carryforwards (Note 2)	72,417	70,550
Asset retirement obligations	12,253	12,868
Impairment loss	9,136	9,113
Other	32,264	32,722
Gross deferred tax assets	126,072	125,254
Valuation allowance for tax loss carryforwards (Note 2)	—	(59,587)
Valuation allowance for deductible temporary differences and others	—	(21,252)
Valuation allowance (Note 1)	(97,514)	(80,839)
Total deferred tax assets	28,557	44,414
Deferred tax liabilities		
Amortization difference calculated based on foreign income taxes	(32,055)	(34,089)
Asset retirement expenses	(9,271)	(9,434)
Unrealized gains or losses on available-for-sale securities	(3,471)	(2,758)
Other	(8,633)	(8,365)
Total deferred tax liabilities	(53,432)	(54,647)
Net deferred tax liabilities	(24,875)	(10,232)
Deferred tax assets and liabilities for land revaluation		
Deferred tax assets for land revaluation	10,264	10,262
Valuation allowance	(10,264)	(10,262)
Total deferred tax assets for land revaluation	—	—
Deferred tax liabilities for land revaluation	(5,182)	(5,192)
Net deferred tax liabilities for land revaluation	(5,182)	(5,192)

(Notes) 1. Valuation allowance decreased by 16,674 million yen, which is mainly due to a decrease in valuation allowance for tax loss carryforwards because taxable income before adding or deducting temporary differences is now expected to arise consistently for the long-term for 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 expects 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 are expected to remain stable in the fiscal year ending March 31, 2020 and thereafter. In this environment, the Company plans 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 is expected to arise consistently for the long-term. Accordingly, 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, 2018	As of March 31, 2019
Statutory tax rate	30.86%	Omitted because the difference between the statutory tax rate and the effective tax rate is not greater than 5% of the statutory tax rate.
(Adjustments)		
Entertainment and other permanently non-deductible expenses	0.31	
Dividends and other permanently non-taxable income	(1.67)	
Effects due to consolidated eliminations of dividend income	2.36	
Effects of equity method investments accounting	(3.37)	
Foreign income tax	6.07	
Changes in valuation allowance	(12.82)	
Other	1.30	
Effective tax rate	23.04	

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 rental contracts of 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, 2018	Fiscal year ended March 31, 2019
At beginning of the year	19,480	20,633
Increases due to purchase of property, plant and equipment	1,071	1,160
Increases due to changes in estimates	—	308
Adjustments due to the passage of time	242	244
Decreases due to payments for asset retirement obligations	(161)	(199)
At end of the year	20,633	22,147
Less: Within one year	65	817
Asset retirement obligations - non-current	20,568	21,330

4. Movement in asset retirement obligations by item

Fiscal year ended March 31, 2018

	(Millions of yen)			
Classification	Balance at April 1, 2017	Increases during the year	Decreases during the year	Balance at March 31, 2018
Obligations to restore real estate under fixed-term leasehold rights for service stations	3,031	121	3	3,149
Mine closure obligations due to the effective date of concession agreements and others	16,448	1,192	157	17,484
Total	19,480	1,314	161	20,633

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

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, 2018 and 2019 were 1,204 million yen and 1,144 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 income. The net gain or loss on sales and disposal of rental properties in the fiscal years ended March 31, 2018 and 2019 were 1,689 million yen and 454 million yen, respectively (accounted for as extraordinary income or loss). The impairment losses in the fiscal years ended March 31, 2018 and 2019 were 1,277 million yen and 1,854 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, 2018	Fiscal year ended March 31, 2019
Book value		
At beginning of the year	33,045	31,145
Net movement during the year	(1,899)	(664)
Balance at end of the year	31,145	30,481
Fair value at end of the year	29,775	29,737

- (Notes) 1. Book value is acquisition cost less accumulated depreciation.
2. The main increase in the fiscal year ended March 31, 2018 is primarily attributed to change in the purpose of use from assets in use to rental property (2,341 million yen). The main decreases in the fiscal year ended March 31, 2018 are primarily attributed to sale or disposal of properties (1,412 million yen), impairment (1,277 million yen) and change in the purpose of use from rental property to assets in use (1,590 million yen). 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).
3. 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 and other items by reportable segment

Fiscal year ended March 31, 2018

(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	2,076,816	404,221	18,900	23,166	–	2,523,106
Inter-segment	215,911	54,228	37,436	26,784	(334,360)	–
Total	2,292,727	458,450	56,337	49,951	(334,360)	2,523,106
Segment income	58,818	30,441	18,251	5,096	4,242	116,850
Other items						
Depreciation	20,075	7,312	7,981	3,167	(189)	38,348
Amortization of goodwill	695	–	–	26	–	721
Interest income	688	88	162	10	(608)	341
Interest expenses	9,203	428	2,022	575	(103)	12,125
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	6,235	4,874	835	(7)	–	11,937

(Notes) 1. The “Other” segment includes business segments not included in the reportable segments such as the construction business, insurance agency business, leasing business, travel business and wind-power generation business.

2. 4,242 million yen of segment income adjustments includes 4,959 million yen of net corporate income and expenses of the Group not allocated to each reportable segment, (438) million yen of inter-segment transaction eliminations, (68) million yen of adjustments to inventories, and (210) million yen of adjustments to non-current assets.

3. Segment income is reconciled to ordinary income in the consolidated statement of income.

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
Amortization of goodwill	–	–	–	–	–	–
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, travel 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 income.

4. Related information

Fiscal year ended March 31, 2018

(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
2,256,895	131,364	134,846	2,523,106

(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
665,989	151,589	6	817,585

(3) Information about major customers

(Millions of yen)

Trade name or name of customer	Net sales	Name of relevant segment
JXTG Holdings, Inc.	335,550	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, 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.

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

Fiscal year ended March 31, 2018

(Millions of yen)

	Petroleum Business	Petrochemical Business	Oil Exploration and Production Business	Other	Group / Eliminations	Total
Impairment loss	1,429	83	—	2	—	1,516

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

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

As of and for the fiscal year ended March 31, 2018

There is no unamortized balance of goodwill at March 31, 2018.

The amount of amortization of goodwill has been omitted since it is disclosed in the segment information above.

As of and for the fiscal year ended March 31, 2019

None.

7. Information about gain on bargain purchase by reportable segment

Fiscal year ended March 31, 2018

None.

Fiscal year ended March 31, 2019

None.

20. Notes on related party transactions

1. Related party transactions

(1) Transactions with the Company

Fiscal year ended March 31, 2018

None.

Fiscal year ended March 31, 2019

None.

(2) Transactions with consolidated subsidiaries

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

Fiscal year ended March 31, 2018

Type	Name	Address	Capital stock (Millions of yen)	Details of business activities or occupation;	Voting rights held by 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	Koji Moriyama	—	—	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	24	—	—

Fiscal year ended March 31, 2019

Type	Name	Address	Capital stock (Millions of yen)	Details of business activities or occupation;	Voting rights held by 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	—	—

- (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 by a third party including the transaction terms.

2. Notes about significant affiliates

None.

21. Per share information

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net assets per share	2,837.90 yen	3,333.81 yen
Net income per share	865.80 yen	630.69 yen
Diluted net income per share	—	594.03 yen

- (Notes) 1. Diluted net income per share for the fiscal year ended March 31, 2018 is not included because there is no potentially dilutive stock.
2. The number of outstanding shares in the calculation for net assets per share excludes the Company shares held by the Board Incentive Plan (BIP) Trust (665 thousand shares at March 31, 2018; 460 thousand shares at March 31, 2019). Similarly, the average number of shares outstanding during the year in the calculation for net income per share excludes the Company shares held by the Board Incentive Plan (BIP) Trust (669 thousand shares for the fiscal year ended March 31, 2018; 523 thousand shares for the fiscal year ended March 31, 2019).
3. The basis for calculation of net income per share and diluted net income per share is as follows:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net income per share		
Net income attributable to owners of parent (Millions of yen)	72,813	53,132
Amount not attributed to common shareholders (Millions of yen)	—	—
Net income attributable to owners of parent related to common shares (Millions of yen)	72,813	53,132
Weighted average number of common shares during the year (Thousands of shares)	84,099	84,245
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

As a result of discussions with the shareholders of Gyxis Corporation regarding the handling of penalty charges and other matters related to the agreement between shareholders, the penalty charges will be incurred. Consequently, compensation of approximately 7.8 billion yen will be recorded as compensation income under extraordinary income in the fiscal year ending March 31, 2020.