

Consolidated Balance Sheets

	Notes	As of March 31, 2020	As of March 31, 2021
ASSETS		Millions of yen	Millions of yen
Current assets			
Cash and deposits	6 d), 10, 12	52,992	52,972
Notes and accounts receivable - trade:	6 d), 12, 21		
Unconsolidated subsidiaries and affiliates		48,387	60,185
Other		166,331	174,450
Allowance for doubtful accounts		(124)	(116)
Merchandise and finished goods		145,573	122,152
Work in process		380	351
Raw materials and supplies		88,312	126,923
Accounts receivable - other:	12		
Unconsolidated subsidiaries and affiliates		761	812
Other		41,581	45,330
Other	6 d), 12, 13, 14	28,422	22,746
Total current assets		572,619	605,808
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	6 d)	245,682	244,331
Oil tanks, net	6 e)	34,955	35,781
Machinery, equipment and vehicles, net	6 d), 6 e)	195,478	208,999
Land	6 d), 6 f)	316,908	315,483
Leased assets, net		698	737
Construction in progress	6 e)	51,115	50,295
Other, net		8,825	9,803
Total property, plant and equipment	6 a), 20	853,663	865,433
Intangible assets			
Software		5,954	10,557
Other		36,037	33,785
Total intangible assets		41,991	44,343
Investments and other assets			
Investment securities	6 b), 6 d), 12, 13	119,071	122,402
Long-term loans receivable		1,085	1,030
Long-term prepaid expenses		4,312	3,169
Net defined benefit asset	16	2,236	5,471
Costs recoverable under production sharing	2	12,988	13,018
Deferred tax assets	2, 17	23,603	40,287
Other	12, 14	8,407	8,234
Allowance for doubtful accounts		(464)	(310)
Total investments and other assets		171,239	193,303
Total non-current assets		1,066,895	1,103,080
Deferred assets			
Bond issuance cost		250	128
Total deferred assets		250	128
Total assets		1,639,765	1,709,017

	Notes	As of March 31, 2020	As of March 31, 2021
LIABILITIES		Millions of yen	Millions of yen
Current liabilities			
Notes and accounts payable - trade:	12, 15		
Unconsolidated subsidiaries and affiliates		9,571	8,862
Other		223,948	257,832
Short-term loans payable	6 d), 6 g), 12, 15	135,026	175,692
Current portion of bonds payable	12, 15	26,000	17,700
Commercial paper	12, 15	86,000	37,200
Accounts payable - other:	12, 15		
Unconsolidated subsidiaries and affiliates		2,762	3,519
Other		103,713	89,433
Accrued gasoline taxes	12	82,147	108,368
Income taxes payable	12	7,540	11,030
Accrued expenses	6 d)	3,835	4,415
Provision for bonuses		6,064	6,348
Provision for directors' bonuses		362	352
Other	12, 14, 15, 18	19,107	31,732
Total current liabilities		706,080	752,488
Non-current liabilities			
Bonds payable	12, 15	20,700	3,000
Convertible bonds with share acquisition rights	12, 15	60,000	60,000
Long-term loans payable	6 d), 6 g), 12, 15	353,583	315,759
Deferred tax liabilities	2, 17	32,926	35,415
Deferred tax liabilities for land revaluation	6 f), 17	5,131	5,100
Provision for special repairs		29,220	27,001
Provision for business structure improvement		552	–
Provision for environmental measures		853	866
Net defined benefit liability	16	7,400	2,992
Provision for executive remuneration BIP trust	5	253	847
Asset retirement obligations	18	22,632	19,993
Other	12, 14, 15, 21	37,591	36,431
Total non-current liabilities		570,845	507,408
Total liabilities		1,276,925	1,259,897
Contingent liabilities	6 c)		
NET ASSETS			
Shareholders' equity			
Capital stock		40,000	40,000
Authorized, 170,000,000 shares as of March 31, 2020 and 2021			
Issued, 84,770,508 shares as of March 31, 2020 and 2021			
Capital surplus		82,843	82,843
Retained earnings		132,755	211,977
Treasury stock		(1,382)	(2,019)
Total shareholders' equity		254,217	332,802
Accumulated other comprehensive income			
Unrealized gains or losses on available-for-sale securities		2,424	4,938
Deferred gains or losses on hedges		373	(85)
Revaluation reserve for land	6 f)	(21,020)	(21,123)
Foreign currency translation adjustments		5,778	5,873
Remeasurements of defined benefit plans	16	(1,981)	2,540
Total accumulated other comprehensive income		(14,425)	(7,855)

	Notes	As of March 31, 2020	As of March 31, 2021
Non-controlling interests		123,047	124,173
Total net assets		362,839	449,120
Total liabilities and net assets		1,639,765	1,709,017

Consolidated Statements of Operations

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
		Millions of yen	Millions of yen
Net sales	20, 21	2,738,003	2,233,250
Cost of sales	7 a), 7 c)	2,586,244	2,000,584
Gross profit		151,758	232,666
Selling, general and administrative expenses	7 b), 7 c)	137,865	131,376
Operating income		13,893	101,289
Non-operating income			
Interest income		802	368
Dividend income		789	740
Rental income on non-current assets		1,179	1,543
Equity in net income of unconsolidated subsidiaries and affiliates		5,391	—
Foreign exchange gains		3,215	883
Other		3,564	2,979
Total non-operating income		14,943	6,515
Non-operating expenses			
Interest expenses		9,252	7,225
Equity in net losses of unconsolidated subsidiaries and affiliates		—	447
Other		3,298	2,761
Total non-operating expenses		12,551	10,434
Ordinary income	20	16,285	97,370
Extraordinary income			
Gain on sales of non-current assets	7 d)	669	1,973
Gain on sales of investment securities	13	399	839
Subsidy income		2,759	340
Compensation income		7,948	—
Insurance income		1,517	421
Other		68	258
Total extraordinary income		13,362	3,833
Extraordinary losses			
Loss on sales of non-current assets		6	3
Loss on disposal of non-current assets	7 e)	8,495	6,721
Impairment loss	7 f), 20	3,914	267
Loss on valuation of investment securities	13	1,572	267
Settlement package		600	—
Other		1,145	296
Total extraordinary losses		15,734	7,555
Income before income taxes		13,913	93,648
Income taxes – current	17	34,108	21,567
Income taxes – deferred	17	816	(17,137)
Total income taxes		34,925	4,430
Net income (loss)		(21,012)	89,218
Net income attributable to non-controlling interests		7,143	3,307
Net income (loss) attributable to owners of parent		(28,155)	85,910
Per share	22	Yen	Yen
Net income (loss)		(334.84)	1,025.86
Diluted net income		—	861.16
Cash dividends applicable to the year		80	80

Consolidated Statements of Comprehensive Income

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
		Millions of yen	Millions of yen
Net income (loss)		(21,012)	89,218
Other comprehensive income			
Unrealized gains or losses on available-for-sale securities		(2,142)	3,375
Deferred gains or losses on hedges		439	(984)
Revaluation reserve for land		9	(10)
Foreign currency translation adjustments		(25)	(77)
Remeasurements of defined benefit plans		(2,913)	4,765
Share of other comprehensive income of entities accounted for using equity method		(1,461)	242
Total other comprehensive income	8	(6,095)	7,311
Comprehensive income		(27,107)	96,530
Comprehensive income attributable to:			
Owners of parent		(33,748)	92,572
Non-controlling interests		6,640	3,957

Consolidated Statements of Changes in Net Assets (Note 9)

Fiscal year ended March 31, 2020

(Millions of yen)

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

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

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2020	40,000	82,843	132,755	(1,382)	254,217
Changes of items during period					
Dividends of surplus			(6,781)		(6,781)
Net income attributable to owners of parent			85,910		85,910
Acquisition of treasury stock				(637)	(637)
Reversal of revaluation reserve for land			92		92
Purchase of shares of consolidated subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	79,221	(637)	78,584
Balance at March 31, 2021	40,000	82,843	211,977	(2,019)	332,802

	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, 2020	2,424	373	(21,020)	5,778	(1,981)	(14,425)	123,047	362,839
Changes of items during period								
Dividends of surplus								(6,781)
Net income attributable to owners of parent								85,910
Acquisition of treasury stock								(637)
Reversal of revaluation reserve for land			(92)			(92)		—
Purchase of shares of consolidated subsidiaries								—
Net changes of items other than shareholders' equity	2,513	(458)	(10)	95	4,522	6,661	1,126	7,787
Total changes of items during period	2,513	(458)	(102)	95	4,522	6,569	1,126	86,280
Balance at March 31, 2021	4,938	(85)	(21,123)	5,873	2,540	(7,855)	124,173	449,120

Consolidated Statements of Cash Flows

Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Cash flows from operating activities		
Income before income taxes	13,913	93,648
Depreciation	49,673	53,564
Impairment loss	3,914	267
Loss (gain) on sales of non-current assets	(662)	(1,970)
Settlement package	600	–
Loss (gain) on disposal of non-current assets	8,495	6,721
Loss (gain) on sales of investment securities	(399)	(839)
Loss (gain) on valuation of investment securities	1,572	267
Subsidy income	(2,759)	(340)
Interest and dividend income	(1,592)	(1,108)
Compensation income	(7,948)	–
Insurance income	(1,517)	(421)
Interest expenses	9,252	7,225
Foreign exchange losses (gains)	(598)	(1,357)
Equity in net losses (income) of unconsolidated subsidiaries and affiliates	(5,391)	447
Increase (decrease) in allowance for doubtful accounts	(17)	(165)
Increase (decrease) in provision for special repairs	9,011	(2,363)
Increase (decrease) in provision for environmental measures	(387)	(172)
Increase or decrease in net defined benefit asset and liability	(1,303)	(832)
Decrease (increase) in notes and accounts receivable - trade	30,391	(20,191)
Proceeds from costs recoverable under production sharing	7,933	3,966
Decrease (increase) in inventories	43,513	(15,086)
Increase (decrease) in notes and accounts payable - trade	(34,325)	33,637
Decrease (increase) in other current assets	2,269	(8,768)
Increase (decrease) in other current liabilities	(9,874)	36,379
Decrease (increase) in investments and other assets	389	1,292
Increase (decrease) in other non-current liabilities	22,964	(1,464)
Other, net	1,357	127
Subtotal	138,474	182,461
Interest and dividend income received	3,565	4,147
Interest expenses paid	(9,432)	(7,235)
Payments for business structure improvement expenses	–	(529)
Proceeds from subsidy income	2,759	340
Proceeds from compensation	7,948	–
Proceeds from insurance income	1,517	421
Settlement package paid	–	(600)
Income taxes paid	(33,100)	(11,560)
Net cash provided by operating activities	111,733	167,445

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
		Millions of yen	Millions of yen
Cash flows from investing activities			
Purchase of investment securities		(4,180)	(5,758)
Proceeds from sales and redemption of investment securities		584	4,026
Purchase of shares of subsidiaries and associates		(1,240)	(1,240)
Proceeds from sales of shares or liquidation of subsidiaries and associates		4	–
Purchase of property, plant and equipment		(78,122)	(72,503)
Payments for disposal of property, plant and equipment		(6,615)	(5,418)
Proceeds from sales of property, plant and equipment		15,003	6,298
Payments for purchases of intangible assets and long-term prepaid expenses		(9,067)	(11,422)
Decrease (increase) in short-term loans receivable		134	85
Payments of long-term loans receivable		(44)	(42)
Collection of long-term loans receivable		243	247
Payments into time deposits		(7,240)	(7,355)
Proceeds from refund of time deposits		6,207	8,065
Proceeds from refund of investments in anonymous partnership		105	80
Other, net		–	352
Net cash used in investing activities		(84,230)	(84,584)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable		15,330	8,050
Proceeds from long-term loans payable		129,417	36,100
Repayments of long-term loans payable		(145,265)	(40,123)
Payments into restricted deposits		–	(115)
Redemption of bonds		–	(26,000)
Net increase (decrease) in commercial paper		(12,000)	(48,800)
Purchase of treasury stock		(623)	(637)
Cash dividends paid		(6,775)	(6,778)
Dividends paid to non-controlling interests		(4,283)	(2,095)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(285)	–
Other, net		(189)	(171)
Net cash used in financing activities		(24,675)	(80,570)
Effect of exchange rate changes on cash and cash equivalents		(199)	(1,269)
Net increase (decrease) in cash and cash equivalents		2,627	1,021
Cash and cash equivalents at beginning of period		40,667	43,295
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation		–	(757)
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries		–	959
Cash and cash equivalents at end of period	10 a)	43,295	44,518

Notes to Consolidated Financial Statements

1. Basis of preparation of consolidated financial statements

1. Accounting principles and presentation

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

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

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

2. Scope of consolidation

(1) Number of consolidated subsidiaries

34 companies as of March 31, 2021 and 2020

Names of major companies

Cosmo Oil Co., Ltd., Cosmo Energy Exploration & Production Co., Ltd., Cosmo Oil Marketing Co., Ltd. as of March 31, 2021 and 2020

Cosmo Oil Sales Hokkaido Company Corp., which was accounted for under the equity method during the fiscal year ended March 31, 2020, has been included in the scope of consolidation due to becoming more material during the fiscal year ended March 31, 2021. In addition, Cosmo Energy Systems Co., Ltd., which was a consolidated subsidiary during the fiscal year ended March 31, 2020, was excluded from the scope of consolidation since it was merged with the Company in the fiscal year ended March 31, 2021. Similarly, Akita Wind Power Laboratory Co., Ltd., which was a consolidated subsidiary during the fiscal year ended March 31, 2020, was excluded from the scope of consolidation and included in the scope of application of the equity method since it was no longer considered to be effectively controlled.

On the other hand, Cosmo E&P Albahriya Limited has been included in the scope of consolidation since its establishment in the fiscal year ended March 31, 2021.

(2) Names of major non-consolidated subsidiaries

Osadano Gas Center Co., Ltd. as of March 31, 2021 and 2020

Reason for exclusion from the scope of consolidation

17 non-consolidated subsidiaries as of March 31, 2021 (19 as of March 31, 2020) 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

17 companies as of March 31, 2021 and 19 companies as of March 31, 2020

Names of major companies

Osadano Gas Center Co., Ltd. as of March 31, 2021 and 2020

Maruzen Techno Service Co., Ltd., which was a non-consolidated subsidiary accounted for under the equity method during the fiscal year ended March 31, 2020, was excluded from the scope of application of the equity method since it was merged with Maruzen Petrochemical Co., Ltd., a consolidated subsidiary, during the fiscal year ended March 31, 2021.

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

11 companies as of March 31, 2021 and 10 companies as of March 31, 2020

Names of major companies

Hyundai Cosmo Petrochemical Co., Ltd., United Petroleum Development Co., Ltd., Gyxis Corporation, Kygnus Sekiyu K.K. as of March 31, 2021 and 2020

(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, 2021 and 2020

Reason for not applying the equity method

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

(4) Application of the equity method

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

4. Fiscal years of consolidated subsidiaries

Among 34 consolidated subsidiaries as of March 31, 2021 and 2020, the fiscal years of Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., Cosmo Oil International Pte. Ltd., Cosmo Oil Europe B.V., and Cosmo E&P Albahriya Limited. end on December 31. The fiscal year of Akita Wind Power Laboratory Co., Ltd., which was excluded from the scope of consolidation during the fiscal year ended March 31, 2021, 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; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and application of the cost model of accounting; and (e) reclassification of amounts equivalent to gains or losses on disposal of or losses on impairment of equity instruments as profit or loss when subsequent changes in fair value of equity instruments are presented in comprehensive income.

6. Summary of significant accounting policies

(1) Measurement methods for significant assets

(i) Securities

a. Held-to-maturity securities

The amortized cost method is applied to account for held-to-maturity securities.

b. Available-for-sale securities

With readily determinable fair value

Stated at fair value prevailing at the fiscal year end, with net unrealized gains and losses, net of taxes, reported separately in net assets. The cost of securities sold is calculated using the moving average method.

Without readily determinable fair value

Stated at cost using the moving average method.

(ii) Inventories

Mainly stated at cost using the gross average method. The carrying amount on the balance sheet is calculated after write-downs for decreases in net realizable value below cost.

(iii) Derivatives

Stated at fair value.

(2) Method of depreciation of significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

Property, plant and equipment are, in principle, depreciated using the straight-line method. The useful lives and residual values used are the same as those prescribed in the Corporation Tax Act. However, refinery equipment, such as machinery and equipment, structures, and oil tanks owned by Cosmo Oil Co., Ltd. adopt an economic useful life reflecting estimated actual lives as these differ from the tax-based lives. The service station buildings owned by Cosmo Oil Property Service Co., Ltd. are depreciated based on economic useful lives of 15 years considering past use. In addition, assets for oil exploration and production owned by Abu Dhabi Oil Co., Ltd. are mainly depreciated using an economic useful life based on remaining duration of the concession agreement and considering past usage. Assets for wind-power generation owned by Cosmo Eco Power Co., Ltd. and its subsidiaries are mainly depreciated over 20 years based on the economic useful life.

(ii) Intangible assets (excluding leased assets)

Intangible assets are, in principle, amortized using the straight-line method. The useful lives used are the same as those prescribed in the Corporation Tax Act. However, the straight-line method is applied for software for internal use based on the internal use period (5 years).

(iii) Leased assets

Leased assets held as lessee under financial lease transactions with transfer of ownership

The depreciation method that is applied to self-owned property, plant and equipment is applied.

Leased assets held as lessee under financial lease transactions without transfer of ownership

The straight-line method over the lease term with zero residual value is applied.

Financial lease transactions without transfer of ownership with a lease start date before March 31, 2008 are accounted for in a manner similar to the accounting treatment for ordinary rental transactions.

(iv) Long-term prepaid expenses

The straight-line method is applied. The amortization periods are mainly the same as prescribed in the Corporation Tax Act.

(3) Accounting treatment for deferred assets

Bond issuance cost

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

(4) Significant allowances

- (i) Allowance for doubtful accounts
Allowance for losses on doubtful accounts are recognized based on the expected uncollectible amounts.
 - a. General accounts receivable
The actual historic rate of losses from bad debts is used.
 - b. Specific doubtful receivables, including claims provable in bankruptcy and rehabilitation
The individual collectability consideration method is used.
- (ii) Provision for special repairs
The amounts of inspection and maintenance costs related to oil tanks that require regular inspections under the Fire Service Act, regular maintenance costs related to machinery and equipment in refineries and plant manufacturing facilities, and other costs corresponding to the current fiscal year are recognized.
- (iii) Provision for business structure improvement
A provision is recognized for expenses or losses that could be incurred in the future as a result of legal obligations related to the ongoing use and closure of refineries owned by Cosmo Oil Co., Ltd., a consolidated subsidiary.
- (iv) Provision for environmental measures
The Company and its consolidated subsidiaries provide a reserve for the estimated cost to treat polychlorinated biphenyl (PCB) waste as required by the “Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes” (Act No. 65 of 2001).
- (v) Provision for bonuses
A provision for bonuses to employees is recognized based on expected payments for the fiscal years ended March 31, 2020 and 2021 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, 2020 and 2021 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 in office based on the relevant regulations.

(5) Liability for retirement benefits

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

(6) Recognition of revenues and costs of construction contracts

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

(7) Foreign currency translation

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

(8) Hedge accounting

- (i) Method of hedge accounting
Deferred hedge accounting is applied except for interest rate swaps that qualify for hedge accounting and meet specific matching criteria and 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: Forward foreign exchange contracts, currency options
 - Hedged items: Foreign denominated forecast transactions
 - (Interest rate-related)
 - Hedging instruments: Interest rate swaps
 - Hedged items: Borrowings
 - (Commodity-related)
 - Hedging instruments: Crude oil and petroleum product swaps, crude oil and petroleum product futures
 - Hedged items: Crude oil and petroleum product trading

(iii) Hedging policy

Exchange rate risk, interest rate risk, and price risk on the hedged items are hedged within a certain range based on internal regulations that prescribe transaction rights and limitations related to derivative transactions.

(iv) Assessment of hedge effectiveness

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

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

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

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

(i) Accounting treatment for consumption taxes

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

(ii) Accounting treatment for costs recoverable under production sharing

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

(iii) Application of consolidated taxation system

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

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

With regard to a transition to the group tax sharing system established by the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020) and items subject to revisions of the non-consolidated taxation system according to a transition to the group tax sharing system, the Company and certain domestic consolidated subsidiaries do not apply the provisions of paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), in accordance with the treatment provided for under paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). Accordingly, the amounts of deferred tax assets and deferred tax liabilities are instead based on the provisions of the tax law before revision.

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

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

2. Significant accounting estimates

(1) Recoverability of deferred tax assets

(i) Amount recorded in the consolidated financial statements in the fiscal year ended March 31, 2021: 40,287 million yen

(ii) Information on significant accounting estimates for identified items

The recoverability of deferred tax assets is reviewed every period and recognized to the extent of tax loss carryforwards and deductible temporary differences which are deemed to reduce the amount of tax in the future.

The Group recorded deferred tax assets of 40,287 million yen in the consolidated balance sheet and the amount before being offset by deferred tax liabilities is 61,437 million yen. The Group has adopted the consolidated taxation system. The amount of deferred tax assets before being offset by deferred tax liabilities of the consolidated taxable entity with the Company as the consolidated parent company (“the consolidated tax filing group”) is 40,642 million yen, which is a high percentage in the consolidated financial statements.

Despite the fact that significant tax losses have occurred and expired in the past at the consolidated tax filing group, the Company has determined that the deferred tax assets are recoverable, expecting that taxable income before adding or subtracting temporary differences will be generated over multiple years in the future after considering the cause of historical significant tax losses, the consolidated medium-term management plan and its progress, and taxable income or tax loss trends in the past and for the fiscal year ended March 31, 2021.

The taxable income before adding or subtracting temporary differences was estimated based on the budget for the following fiscal year and the consolidated medium-term management plan, taking into account management’s assessment of the impact of uncertainties. In setting key assumptions, domestic demand is based on medium to long term demand forecast judged as of April 2021 and the Group assumes that crude oil prices and domestic market conditions will remain stable. In addition, refineries are expected to be able to maintain a high level of utilization by securing sales volumes in excess of production volumes. The Group expects a gradual recovery from the new coronavirus (COVID-19) crisis as infections decrease due to the increase in vaccinations and other factors.

Management has determined that the accounting estimates made upon considering the recoverability of deferred tax assets are reasonable and an appropriate amount of deferred tax assets was recorded. However, since these estimates contain unpredictable uncertainties, management may change these estimates and reverse deferred tax assets in or after the fiscal year ending March 31, 2022 due to changes in assumptions.

Details of deferred tax assets which were determined using the above estimates and recorded in the consolidated financial statements in the fiscal year ended March 31, 2021, are shown in the note on “17. Taxation.”

(2) Valuation of costs recoverable under production sharing

- (i) Amount recorded in the consolidated financial statements in the fiscal year ended March 31, 2021: 13,018 million yen
- (ii) Information on significant accounting estimates for identified items

Costs recoverable under production sharing are exploration, development and other related costs spent under the production sharing contract executed with the Qatar government. After the commencement of production, certain costs are recovered for products based on the contract. The amount in the consolidated balance sheet is 13,018 million yen, which has not been recovered yet. If there is an impairment indicator for the costs recoverable under production sharing, they need to be tested for impairment. The impairment test is performed by comparing the undiscounted future cash flows, that are expected to be generated from the assets, with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.

The production sharing contract expires in December 2022. As some costs recoverable under production sharing might not be recovered by the contract expiration date, an impairment test was performed during the fiscal year ended March 31, 2021. As a result of this test, it was determined that the recognition of an impairment loss was not necessary. The undiscounted future cash flows used in the impairment test were estimated based on the budget for the following fiscal year that was prepared by management and the business plan formulated at the end of the fiscal year ended March 31, 2021, which includes assumptions on production periods, crude oil production and crude oil prices, taking into account management’s assessment of the impact of uncertainties.

Management determined that the accounting estimates made upon considering the valuation of costs recoverable under production sharing were reasonable and an appropriate amount of costs recoverable under production sharing was recorded. However, since these estimates contain unpredictable uncertainties, management may change these estimates and recognize an impairment loss on these assets in or after the fiscal year ending March 31, 2022 due to changes in assumptions.

3. Standards and guidance not yet adopted

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

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

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

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

(2) Effective date

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

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

Due to the application of the “Accounting Standard for Revenue Recognition,” etc., the Company expects a decrease in sales as the accounting treatment mainly for transactions of exchanging petroleum and other products with similar nature and value will be changed. The effect on retained earnings at the effective date is expected to be insignificant.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

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

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

(2) Effective date

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

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

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

4. Changes in presentation

Application of the “Accounting Standard for Disclosure of Accounting Estimates”

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements for the fiscal year ended March 31, 2021 and disclosed notes on significant accounting estimates in the notes to consolidated financial statements.

However, no respective disclosure for the fiscal year ended March 31, 2020 was made in accordance with transitional treatment prescribed in the proviso of paragraph 11 of the accounting standard.

5. Additional information

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

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

Under the BIP trust, the Company acquires in bulk its own shares for the amount expected to be provided to executives, and provides its own shares to the executives in accordance with their rank and term in office based on the relevant regulations prescribed in advance. The gross price method is applied for the accounting for trusts in accordance with the “Practical Solution on Transactions for Delivering the Company’s Own Stock to Employees through Trust” (ASBJ PITF No. 30, March 26, 2015). Accordingly, the Company’s own stock in the trust is recorded in treasury stock under shareholders’ equity based on the book value in the trust.

At March 31, 2020, the book value of the treasury stock was 1,374 million yen (number of shares: 721 thousand) and at March 31, 2021, the book value of the treasury stock was 2,011 million yen (number of shares: 1,076 thousand).

6. Notes to Consolidated Balance Sheets

a) Accumulated depreciation of property, plant and equipment

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Accumulated depreciation	1,044,401	1,078,498

b) Non-consolidated subsidiaries and affiliates

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Investment securities	83,776	79,979
(Of which, investments in joint ventures)	(56,895)	(52,843)

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, 2020		As of March 31, 2021	
Chiba Arkon Production Limited	5,047	Chiba Arkon Production Limited	6,566
Akita Yurihonjo Offshore Wind GK	—	Akita Yurihonjo Offshore Wind GK	2,816
North Hokkaido Wind Energy Transmission Corporation	2,222	North Hokkaido Wind Energy Transmission Corporation	2,222
Japan Biofuels Supply LLP	2,151	Japan Biofuels Supply LLP	1,143
Other	400	Other	349
Total	9,821	Total	13,098

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Land	123,200	124,180
Cash and deposits	23,901	21,662
Notes and accounts receivable - trade	9,747	8,421
Buildings and structures	—	361
Machinery, equipment and vehicles and others	8	—
Investment securities (Note)	1,305	1,293
Total	158,162	155,918

(Note) Investment securities include 1,219 million yen and 1,293 million yen as of March 31, 2020 and 2021, respectively, which were pledged as collateral to secure the borrowings of the investee of Cosmo Eco Power Co., Ltd., a consolidated subsidiary.

(2) Secured debts

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Long-term loans payable (including current portion)	54,993	52,192
Debts related to transactions with banks	20,991	20,991

(3) Assets provided as collateral as mainly sales guarantees

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Other current assets	1,246	1,176

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Oil tanks	62	62
Machinery, equipment and vehicles	3,389	3,389
Construction in progress	—	210
Total	3,451	3,661

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 March 31, 1998) and the Law to Partially Modify the “Law Concerning Revaluations of Land” (Law No. 19, promulgated on March 31, 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, 2020	As of March 31, 2021
Difference between fair value at the end of the fiscal year and the book value after revaluation for the land revaluation	(31,579)	(30,790)

g) Financial covenants

As of March 31, 2020

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

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

As of March 31, 2021

Long-term loans payable (including current portion) from banks of 101,940 million yen includes financial covenants, which accelerate the obligation under the applicable loan agreements. The main contents are as follows:

	Final repayment date	Loan balance	Financial covenants
(1)	September 30, 2024	45,000 million yen	(i) The Company shall not recognize an ordinary loss as recorded in its consolidated statement of operations for three consecutive periods. (ii) The Company shall maintain the amount of net assets at 156.6 billion yen or more recorded on its consolidated balance sheet at the end of each fiscal year.
(2)	April 30, 2021	34,120 million yen	The Company shall maintain the amount of net assets at 152.0 billion yen or more recorded on its consolidated balance sheet at the end of each fiscal year.
(3)	April 3, 2024	10,000 million yen	(i) The Company shall not recognize an ordinary loss as recorded in its consolidated statement of operations for three consecutive periods. (ii) The Company shall maintain the amount of net assets at 213.6 billion yen or more recorded on its consolidated balance sheet at the end of each fiscal year.
(4)	March 31, 2023	10,000 million yen	(i) The Company shall not recognize an ordinary loss as recorded in its consolidated statement of operations for two consecutive periods. (ii) The Company shall maintain the amount of net assets at 241.1 billion yen or more recorded on its consolidated balance sheet at the end of each fiscal year.

7. Notes to Consolidated Statements of Operations

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

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

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Write-down of inventories recognized in cost of sales	40,177	1,230
Reversal of inventories write-down recognized as a reduction of cost of sales	(2,573)	(40,177)
Net amount	(37,603)	38,946

b) Selling, general and administrative expenses

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Subcontract expenses	30,173	26,850
Salaries	21,073	22,729
Freight costs	19,251	18,535
Rental expenses	10,746	11,275
Depreciation	6,349	7,922
Other	50,271	44,062
Total	137,865	131,376

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

(Millions of yen)

Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
4,448	3,975

d) Gain on sales of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Land	112	1,522
Machinery and equipment	520	344
Other	36	107
Total	669	1,973

e) Loss on disposal of non-current assets

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Buildings and structures	1,459	922
Machinery and equipment	1,488	709
Removal costs	5,173	4,904
Other	373	185
Total	8,495	6,721

f) Impairment loss

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

Fiscal year ended March 31, 2020

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

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

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

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

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

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

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

Fiscal year ended March 31, 2021

Business use	Location	Type	Impairment loss (Millions of yen)
Petroleum business	COSMO OIL SALES HOKKAIDO COMPANY – Self Station Fujino (Minami-ku, Sapporo City, Hokkaido) and other 2 assets	Buildings and structures Other	190
Petrochemical business	Maruzen Petrochemical Co., Ltd. – Chiba Plant (Ichihara City, Chiba Prefecture)	Buildings and structures Machinery, equipment and vehicles	51
Idle assets	Cosmo Oil Property Service Co., Ltd. – Hino Asahigaoka (Hino City, Tokyo) and other 19 assets	Land Other	25
Total			267

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

Petroleum business: 190 (of which, buildings and structures: 154, other: 36)
Petrochemical business: 51 (of which, buildings and structures: 2, machinery, equipment and vehicles: 48)
Idle assets: 25 (of which, land: 13, other: 12)

Impairment losses were recorded in the petroleum business mainly due to lower market prices such as a decline in land prices. The recoverable amount is mainly measured based on its value in use. The value in use is calculated by discounting the estimated future cash flows using a rate of 3.5%.

In the petrochemical business, impairment losses were recorded mainly due to a decision to withdraw from a business.

The recoverable amount is mainly measured based on its value in use. The value in use is assessed as zero because no future cash flows are expected.

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

8. Notes to Consolidated Statements of Comprehensive Income

Reclassification and tax effect related to other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Unrealized gains or losses on available-for-sale securities:		
Increase (decrease) during the fiscal year	(3,015)	5,370
Reclassification adjustment	127	(760)
Before income tax effect	(2,887)	4,610
Income tax effect	744	(1,234)
Unrealized gains or losses on available-for-sale securities	(2,142)	3,375
Deferred gains or losses on hedges:		
Increase (decrease) during the fiscal year	(266)	(218)
Reclassification adjustment	1,606	(2,426)
Adjustment of acquisition cost of assets	(707)	1,225
Before income tax effect	632	(1,418)
Income tax effect	(192)	434
Deferred gains or losses on hedges	439	(984)
Revaluation reserve for land:		
Income tax effect	9	(10)
Foreign currency translation adjustments:		
Increase (decrease) during the fiscal year	(211)	(77)
Reclassification adjustment	186	—
Foreign currency translation adjustments	(25)	(77)
Remeasurements of defined benefit plans:		
Increase (decrease) during the fiscal year	(3,768)	6,886
Reclassification adjustment	(437)	1
Before income tax effect	(4,206)	6,887
Income tax effect	1,292	(2,121)
Remeasurements of defined benefit plans	(2,913)	4,765
Share of other comprehensive income of entities accounted for using equity method:		
Increase (decrease) during the fiscal year	(1,464)	242
Reclassification adjustment	2	—
Share of other comprehensive income of entities accounted for using equity method	(1,461)	242
Total other comprehensive income	(6,095)	7,311

9. 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 passed at a general meeting of shareholders. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings under certain conditions. The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Act. Under the Act and the Articles of Incorporation of the Company, a year-end dividend may be distributed to shareholders and pledgees of record as at March 31 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 September 30 of each year pursuant to a resolution of the Board of Directors. The Company may also distribute dividends other than those described above with the approval of its shareholders at a general meeting of shareholders and subject to certain restrictions.

Fiscal year ended March 31, 2020

1. Total number of shares issued and treasury stock

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

(Notes)1. The increase of 262,351 shares in the number of treasury stock (common shares) is due to the purchase of shares less than one unit of 551 shares and the purchase of 261,800 shares of the Company's stock by BIP trust. The Company has defined the units for trading and one unit is composed of 100 shares.

2. The number of treasury stock (common shares) includes treasury stock held by BIP trust (460,172 shares as of April 1, 2019, and 721,972 shares as of March 31, 2020).

2. Share acquisition rights

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

(Notes)1. Convertible bonds with share acquisition rights are accounted for using the lump-sum method.

2. The number of shares subject to share acquisition rights is based on the assumption that share acquisition rights were exercised.

3. The number of shares subject to share acquisition rights increased due to adjustment of the conversion price.

3. Dividends

(1) Cash dividends paid

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

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

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

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

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

Fiscal year ended March 31, 2021

1. Total number of shares issued and treasury stock

	Number of shares as of April 1, 2020	Increase in shares during the fiscal year	Decrease in shares during the fiscal year	Number of shares as of March 31, 2021
Shares issued				
Common shares	84,770,508	–	–	84,770,508
Total	84,770,508	–	–	84,770,508
Treasury stock				
Common shares	(Note 2) 725,261	(Note 1) 354,732	–	(Note 2) 1,079,993
Total	725,261	354,732	–	1,079,993

- (Notes) 1. The increase of 354,732 shares in the number of treasury stock (common shares) is due to the purchase of shares less than one unit of 232 shares and the purchase of 354,500 shares of the Company's stock by BIP trust. The Company has defined the units for trading and one unit is composed of 100 shares.
2. The number of treasury stock (common shares) includes treasury stock held by BIP trust (721,972 shares as of April 1, 2020, and 1,076,472 shares as of March 31, 2021).

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, 2021 (Millions of yen)
			As of April 1, 2020	Increase	Decrease	As of March 31, 2021	
The Company	Euro-yen dominated convertible bonds with share acquisition rights due 2022	Common shares	15,794,461	241,030	–	16,035,491	60,000

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

3. Dividends

(1) Cash dividends paid

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

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

(2) Dividends for which the record date was in the fiscal year ended March 31, 2021 that took effect after March 31, 2021

(Resolution)	Share class	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 24, 2021 Ordinary general meeting of shareholders	Common shares	6,781	Retained earnings	80	March 31, 2021	June 25, 2021

(Note) Dividends for treasury stock held by BIP trust included in total dividends: 86 million yen

10. 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, 2020 and 2021 are as follows:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Cash and deposits account	52,992	52,972
Time deposits exceeding three months	(1,021)	(1)
Trust deposits with restrictions on use	(1,773)	(1,819)
Deposits with restrictions on withdrawal	(6,902)	(6,633)
Cash and cash equivalents	43,295	44,518

- b) Details of significant non-monetary transactions

Fiscal years ended March 31, 2020 and 2021

None.

11. Lease transactions

Lessee

Operating lease transactions

Non-cancellable lease commitments

(Millions of yen)

Category	As of March 31, 2020	As of March 31, 2021
Due within one year	1,814	1,807
Due after one year	3,611	1,819
Total	5,425	3,626

12. Notes regarding financial instruments

1. Financial instruments

(1) Policy for financial instruments

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

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

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

Notes and accounts receivable - trade and accounts receivable - other are exposed to customer credit risks. Investment securities primarily include shares related to operating or capital alliances with business partners and are exposed to price risk.

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

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

(4) Estimated fair value of financial instruments

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

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

2. Fair value of financial instruments

The consolidated balance sheet amounts, fair values and differences between these amounts are as follows:
As of March 31, 2020

(Millions of yen)

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

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

As of March 31, 2021

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	52,972	52,972	—
(2) Notes and accounts receivable - trade	234,635	234,635	—
(3) Accounts receivable - other	46,143	46,143	—
(4) Investment securities			
Available-for-sale securities	19,139	19,139	—
Total assets	352,891	352,891	—
(1) Notes and accounts payable - trade	266,695	266,695	—
(2) Short-term loans payable	175,692	175,692	—
(3) Current portion of bonds payable	17,700	17,700	—
(4) Commercial paper	37,200	37,200	—
(5) Accounts payable - other	92,953	92,953	—
(6) Accrued gasoline taxes	108,368	108,368	—
(7) Income taxes payable	11,030	11,030	—
(8) Bonds payable	3,000	3,092	92
(9) Convertible bonds with share acquisition rights	60,000	60,965	965
(10) Long-term loans payable	315,759	315,663	(96)
Total liabilities	1,088,399	1,089,360	961
Derivatives (*)	6,640	6,640	—

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

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

Assets

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

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

- (4) Investment securities

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

Liabilities

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

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

- (8) Bonds payable

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

- (9) Convertible bonds with share acquisition rights

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

- (10) Long-term loans payable

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

Derivatives

Please refer to the notes on "Derivatives."

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

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

(Millions of yen)

Category	As of March 31, 2020	As of March 31, 2021
Unlisted shares	102,448	103,262

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 245 million yen on unlisted shares during the year ended March 31, 2021 (1,149 million yen in the year ended March 31, 2020).

3. Maturity of financial assets

As of March 31, 2020

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	52,992	—	—	—
Notes and accounts receivable - trade	214,719	—	—	—
Accounts receivable - other	42,342	—	—	—
Total	310,054	—	—	—

As of March 31, 2021

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	52,972	—	—	—
Notes and accounts receivable - trade	234,635	—	—	—
Accounts receivable - other	46,143	—	—	—
Total	333,751	—	—	—

4. Maturity of bonds payable, long-term loans payable and other interest-bearing debts
As of March 31, 2020

(Millions of yen)

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

As of March 31, 2021

(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	102,774	—	—	—	—	—
Commercial paper	37,200	—	—	—	—	—
Bonds payable	17,700	—	—	—	3,000	—
Convertible bonds with share acquisition rights	—	60,000	—	—	—	—
Long-term loans payable	72,917	76,578	52,241	40,339	15,936	130,662
Total	230,592	136,578	52,241	40,339	18,936	130,662

13. Securities

1. Held-to-maturity securities

As of March 31, 2020

(Millions of yen)

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

As of March 31, 2021

None.

2. Available-for-sale securities

As of March 31, 2020

(Millions of yen)

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

As of March 31, 2021

(Millions of yen)

Category	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeds acquisition cost			
(i) Equity securities	19,093	7,611	11,481
(ii) Other	—	—	—
Subtotal	19,093	7,611	11,481
Consolidated balance sheet amount does not exceed acquisition cost			
(i) Equity securities	15	27	(11)
(ii) Other	30	30	—
Subtotal	46	57	(11)
Total	19,139	7,669	11,470

3. Available-for-sale securities sold

Fiscal year ended March 31, 2020

(Millions of yen)

Category	Sales amount	Total gain on sales	Total loss on sales
Equity securities	572	400	0
Total	572	400	0

Fiscal year ended March 31, 2021

(Millions of yen)

Category	Sales amount	Total gain on sales	Total loss on sales
Equity securities	2,987	839	0
Total	2,987	839	0

4. Impaired securities

Impairment losses of 1,572 million yen were recognized on securities (1,531 million yen on equity securities in available-for-sale securities, 40 million yen on other) during the year ended March 31, 2020. Impairment losses of 267 million yen were recognized on securities (245 million yen on equity securities in available-for-sale securities, 22 million yen on other) during the year ended March 31, 2021.

14. Derivatives

1. Derivative transactions for which hedge accounting is not applied

(1) Currency-related

As of March 31, 2020

(Millions of yen)

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

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

As of March 31, 2021

(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	168,016	—	7,037	7,037
	Chinese yuan	1,499	974	276	276
	Sell U.S. dollars	19,859	—	(328)	(328)

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

(2) Commodity-related

As of March 31, 2020

(Millions of yen)

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

(Note) Fair value calculation method

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

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

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

As of March 31, 2021

(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	60	—	(3)	(3)
	Buy	139	—	3	3
	Products futures				
	Buy	81	—	3	3
Transactions other than market transactions	Crude oil swaps				
	Fixed buy / variable sell	8,225	—	232	232
	Fixed sell / variable buy	8,020	—	(160)	(160)

(Note) Fair value calculation method

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

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

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

2. Derivative transactions for which hedge accounting is applied

(1) Currency-related

As of March 31, 2020

(Millions of yen)

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

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

As of March 31, 2021

(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	Foreign denominated forecast transactions			
	U.S. dollars		1,969	—	(23)

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

(2) Interest rate-related

As of March 31, 2020

(Millions of yen)

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

(Note) 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, 2021

(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	50,271	41,931	(Note)

(Note) 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, 2020

(Millions of yen)

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

(Note) Fair value calculation method

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

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

As of March 31, 2021

(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	16	—	9
	Product swaps				
	Fixed buy / variable sell		10,994	—	239
	Fixed sell / variable buy	Forecast transactions	10,942	—	(646)

(Note) Fair value calculation method

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

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

15. Short-term debt and Long-term debt

1. Loans payable and others

As of March 31, 2020

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

(Notes) 1. The average interest rate is calculated using the weighted average rate for the outstanding balance of borrowings.

2. The average interest rate of lease obligations is not included because the lease obligations recorded on the consolidated balance sheet are the amounts 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 redemptions within the next five years after March 31, 2020 for the total long-term loans payable (excluding current portion) and lease obligations (excluding current portion) are as follows:

(Millions of yen)

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

As of March 31, 2021

Classification	Balance at April 1, 2020 (Millions of yen)	Balance at March 31, 2021 (Millions of yen)	Average interest rate (%)	Maturity
Short-term loans payable	94,723	102,774	0.221	–
Current portion of long-term loans payable	40,303	72,917	1.158	–
Current portion of lease obligations	127	162	–	–
Long-term loans payable (excluding current portion)	353,583	315,759	1.441	2022 to 2053
Lease obligations (excluding current portion)	515	485	–	2022 to 2032
Other interest-bearing debts				
Notes and accounts payable - trade	97,061	96,207	0.547	–
Commercial paper (payable within one year)	86,000	37,200	0.399	–
Total	672,315	625,507	–	–

- (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 are the amounts before excluding the interest equivalent included in the total lease payments.
3. The average interest rate of notes and accounts payable - trade is the U.S. dollar interest rate.
4. The scheduled redemptions within the next five years after March 31, 2021 for the total long-term loans payable (excluding current portion) and lease obligations (excluding current portion) are 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	76,578	52,241	40,339	15,936
Lease obligations	108	76	64	46

2. Bonds payable

As of March 31, 2020

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

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

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

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

3. Scheduled redemption within the next five years after March 31, 2020 is as follows:

(Millions of yen)				
Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
26,000	17,700	60,000	–	–

As of March 31, 2021

Company Name	Bond name	Date of issue	Balance at April 1, 2020 (Millions of Yen)	Balance at March 31, 2021 (Millions of Yen)	Interest rate (%)	Collateral	Maturity
Cosmo Energy Holdings Co., Ltd.	24th, unsecured bonds payable	August 28, 2012	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 (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 (7,700)	1.260	No collateral	February 25, 2022
Cosmo Energy Holdings Co., Ltd.	27th, unsecured bonds payable	October 1, 2015	3,000	3,000	1.340	No collateral	October 1, 2025
Cosmo Energy Holdings Co., Ltd.	Euro-yen dominated convertible bonds with share acquisition rights due 2022	December 5, 2018	60,000	60,000	–	No collateral	December 5, 2022
Qatar Petroleum Development Co., Ltd.	1st, unsecured bonds payable	December 24, 2015	6,000	–	0.800	No collateral	December 24, 2020
Total	–	–	106,700	80,700 (17,700)	–	–	–

(Notes) 1. Current portion of bonds payable is stated in parentheses.

2. Details of convertible bonds with share acquisition rights are as follows:

Name	Euro-yen dominated convertible bonds with share acquisition rights due 2022
Shares to be issued	Common shares
Amount to be paid in for share acquisition rights (Yen)	Gratis
Issue price of shares (Yen)	3,741.7
Total amount to be paid (Millions of yen)	60,000
Total amount to be paid for shares issued through exercise of share acquisition rights (Millions of yen)	–
Grant ratio of share acquisition rights (%)	100
Exercise period of share acquisition rights	From December 19, 2018 to November 21, 2022

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

3. Scheduled redemption within the next five years after March 31, 2021 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
17,700	60,000	—	—	3,000

16. Retirement benefits

1. Outline of retirement benefit plans

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

2. Defined benefit plans

(1) Changes in retirement benefit obligations

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Retirement benefit obligations at beginning of the year	36,974	37,332
Service cost	1,718	1,814
Interest cost	277	213
Actuarial difference	816	26
Benefits paid	(2,550)	(2,470)
Increase due to new consolidation	—	77
Other	95	55
Retirement benefit obligations at end of the year	37,332	37,050

(2) Changes in plan assets

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Plan assets at beginning of the year	34,654	32,168
Expected return on plan assets	693	533
Actuarial difference	(2,951)	6,912
Contributions paid by the employer	1,877	1,913
Benefits paid	(2,107)	(1,999)
Other	2	—
Plan assets at end of the year	32,168	39,528

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

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Retirement benefit obligations for funded plans	34,810	34,508
Plan assets	(32,168)	(39,528)
	2,642	(5,020)
Retirement benefit obligations for unfunded plans	2,521	2,541
Net amount of liabilities and assets on the consolidated balance sheets	5,163	(2,478)
Net defined benefit liability	7,400	2,992
Net defined benefit asset	(2,236)	(5,471)
Net amount of liabilities and assets on the consolidated balance sheets	5,163	(2,478)

(4) Breakdown of retirement benefit expenses

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Service cost	1,718	1,814
Interest cost	277	213
Expected return on plan assets	(693)	(533)
Actuarial difference amortization	(433)	5
Past service cost amortization	(4)	(4)
Other	20	21
Retirement benefit expenses for defined benefit plans	886	1,517

(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, 2020	Fiscal year ended March 31, 2021
Past service cost	4	4
Actuarial difference	4,202	(6,891)
Total	4,206	(6,887)

(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, 2020	As of March 31, 2021
Unrecognized past service cost	(4)	—
Unrecognized actuarial difference	3,029	(3,862)
Total	3,025	(3,862)

(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, 2020	As of March 31, 2021
Bonds	37.4%	34.9%
Equity securities	46.2	49.1
Other	16.4	16.0
Total	100.0	100.0

(Note) Retirement benefit trusts established for corporate pension plans represent 27.3% and 30.7% of total plan assets as of March 31, 2020 and 2021, 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, 2020	As of March 31, 2021
Discount rate	0.2% to 0.9%	0.2% to 0.9%
Long-term expected rate of return on plan assets	1.0% to 2.5%	1.5% to 2.0%

3. Defined contribution plans

The required contributions to defined contribution plans by certain consolidated subsidiaries were 508 million yen in the year ended March 31, 2020 and 515 million yen in the year ended March 31, 2021.

17. 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, 2020	As of March 31, 2021
Deferred tax assets		
Tax loss carryforwards (Note 2)	82,450	71,165
Asset retirement obligations	13,413	11,023
Provision for special repairs	9,265	8,570
Impairment loss	8,639	7,033
Other	26,495	28,637
Gross deferred tax assets	140,265	126,431
Valuation allowance for tax loss carryforwards (Note 2)	(73,222)	(45,924)
Valuation allowance for deductible temporary differences and others	(21,252)	(19,069)
Valuation allowance (Note 1)	(94,474)	(64,993)
Total deferred tax assets	45,790	61,437
Deferred tax liabilities		
Amortization difference calculated based on foreign income taxes	(36,213)	(37,167)
Asset retirement expenses	(9,356)	(6,913)
Unrealized gains or losses on available-for-sale securities	(1,982)	(3,219)
Other	(7,561)	(9,265)
Total deferred tax liabilities	(55,113)	(56,565)
Net deferred tax assets and liabilities	(9,323)	4,871
Deferred tax assets and liabilities for land revaluation		
Deferred tax assets for land revaluation	10,262	10,277
Valuation allowance	(10,262)	(10,277)
Total deferred tax assets for land revaluation	—	—
Deferred tax liabilities for land revaluation	(5,131)	(5,100)
Net deferred tax liabilities for land revaluation	(5,131)	(5,100)

- (Notes) 1. Valuation allowance decreased by 29,480 million yen, which is mainly due to a decrease in valuation allowance for tax loss carryforwards as a result of a review of the recoverability of deferred tax assets at the consolidated taxable entity with the Company as the consolidated parent company (the “consolidated tax filing group”) under the expectation that taxable income before adding or subtracting temporary differences will be generated over multiple years in the future.
2. Amount of tax loss carryforwards and related deferred tax assets by expiration periods

As of March 31, 2020

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

(*1) Gross deferred tax assets for tax loss carryforwards are calculated by multiplying by the statutory tax rate.

(*2) Deferred tax assets of 9,228 million yen were recorded out of gross deferred tax assets for tax loss carryforwards of 82,450 million yen (calculated by multiplying by the statutory tax rate). 9,052 million yen of deferred tax assets were recognized for a portion of 81,362 million yen of the balance of gross deferred tax assets for tax loss carryforwards of the consolidated tax filing group (calculated by multiplying by the statutory tax rate). Tax loss carryforwards, for which these deferred tax assets were recognized, are non-recurring items generated mainly at Cosmo Oil Co., Ltd. due to the effects of the Great East Japan Earthquake and a sharp drop in crude oil prices in prior years. In addition, tax losses incurred in the year ended March 31, 2020 were also non-recurring items generated due to a sharp drop in crude oil prices. In the fiscal year ending March 31, 2021, the Company expects that demand of petroleum products in Japan will fall temporarily affected by a slowdown in economic activities due to COVID-19 but will recover as the pandemic comes to an end. The domestic market conditions are expected to remain stable, and it is expected to be possible to continuously secure the appropriate margin. In this environment, the

Company will strive to further increase profitability by continuously implementing key initiatives in the sixth consolidated medium-term management plan. Based on the above, taxable income before adding or subtracting temporary differences is expected to arise consistently for the long-term. Accordingly, a valuation allowance has not been recognized as the deferred tax assets for tax loss carryforwards are determined to be recoverable.

As of March 31, 2021

(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)	8,248	5,513	25,200	17,870	192	14,139	71,165
Valuation allowance	3,104	363	19,155	15,151	166	7,982	45,924
Deferred tax assets	5,143	5,150	6,044	2,718	26	6,156	(*2) 25,240

(*1) Gross deferred tax assets for tax loss carryforwards are calculated by multiplying by the statutory tax rate.

(*2) Deferred tax assets of 25,240 million yen were recorded out of gross deferred tax assets for tax loss carryforwards of 71,165 million yen (calculated by multiplying by the statutory tax rate). 25,108 million yen of deferred tax assets were recognized for a portion of 70,296 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 Company expects that crude oil prices will stabilize and demand for fuel oil, which had been falling due to COVID-19, will recover gradually as vaccinations increase and other factors. The domestic market conditions are expected to remain stable, and it is expected it will be possible to continuously secure the appropriate margin. Refineries are expected to be able to maintain high utilization rates by securing sales volumes in excess of production volumes. In this environment, the Company will strive to further increase profitability by continuously implementing key initiatives from the sixth consolidated medium-term management plan. Based on the above, taxable income before adding or subtracting temporary differences is expected to arise consistently for the long-term. Accordingly, a valuation allowance has not been recognized as the deferred tax assets for tax loss carryforwards are determined to be recoverable.

2. Reconciliation of statutory tax rate and effective tax rate

	As of March 31, 2020	As of March 31, 2021
Statutory tax rate	30.62%	30.62%
(Adjustments)		
Entertainment and other permanently non-deductible expenses	2.62	0.15
Effects of equity method investments accounting	(11.87)	0.15
Foreign income tax	133.07	6.76
Changes in valuation allowance	93.95	(31.54)
Other	2.63	(1.41)
Effective tax rate	251.02	4.73

18. Asset retirement obligations

1. Summary of asset retirement obligations

The Group has primarily the following asset retirement obligations:

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

2. Calculation method of asset retirement obligations

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

3. Movement in asset retirement obligations

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
At beginning of the year	22,147	23,675
Increases due to purchase of property, plant and equipment	1,263	87
Increases (decrease) due to changes in estimates	31	(2,854)
Adjustments due to the passage of time	250	223
Decreases due to payments for asset retirement obligations	(17)	(581)
Other increase (decrease)	—	(61)
At end of the year	23,675	20,488
Less: Within one year	1,043	495
Asset retirement obligations - non-current	22,632	19,993

4. Change in estimate for the asset retirement obligations

The Group reviewed removal costs for the asset retirement obligations recorded as mine closure obligations due to the effective date of concession agreements by a consolidated subsidiary. As a result, the Group changed its estimate because it became evident that the removal costs to be incurred in the future will be lower than the estimated amount at the beginning of the fiscal year ended March 31, 2021. A decrease of 2,854 million yen resulting from the change in estimate was deducted from the asset retirement obligations before the change.

5. Movement in asset retirement obligations by item

Fiscal year ended March 31, 2020

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

Fiscal year ended March 31, 2021

	(Millions of yen)			
Classification	Balance at April 1, 2020	Increases during the year	Decreases during the year	Balance at March 31, 2021
Obligations to restore real estate under fixed-term leasehold rights for service stations	3,343	120	38	3,426
Mine closure obligations due to the effective date of concession agreements and others	20,331	190	3,459	17,061
Total	23,675	311	3,497	20,488

19. 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, 2020 and 2021 were 1,360 million yen and 1,448 million yen, respectively. Rental revenues are reported mainly as net sales and related rental expenses are included mainly as selling, general and administrative expenses in the consolidated statements of operations. The net gain or loss on sales and disposal of rental properties in the fiscal years ended March 31, 2020 and 2021 were 98 million yen and 1,521 million yen, respectively (accounted for as extraordinary income or loss). The impairment losses in the fiscal years ended March 31, 2020 and 2021 were 301 million yen and 141 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, 2020	Fiscal year ended March 31, 2021
Book value		
At beginning of the year	30,481	31,563
Net movement during the year	1,082	(2,918)
Balance at end of the year	31,563	28,644
Fair value at end of the year	31,545	29,260

- (Notes) 1. Book value is acquisition cost less accumulated depreciation.
2. The main increase in the fiscal year ended March 31, 2020 is primarily attributed to change in the purpose of use from assets in use to rental property (1,939 million yen). The main decreases in the fiscal year ended March 31, 2020 are primarily attributed to sale or disposal of properties (74 million yen), impairment (301 million yen) and change in the purpose of use from rental property to assets in use (259 million yen). The main increases in the fiscal year ended March 31, 2021 are primarily attributed to change in the purpose of use from assets in use to rental property (290 million yen) and new consolidation (397 million yen). The main decreases in the fiscal year ended March 31, 2021 are primarily attributed to sale or disposal of properties (2,764 million yen), impairment (141 million yen) and change in the purpose of use from rental property to assets in use (328 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.

20. Segment information

1. Overview of reportable segments

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

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

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

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

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

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

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

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

Fiscal year ended March 31, 2020

(Millions of yen)

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

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

Fiscal year ended March 31, 2021

(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	1,906,912	268,005	22,939	35,392	–	2,233,250
Inter-segment	148,924	36,525	37,472	41,095	(264,017)	–
Total	2,055,836	304,530	60,411	76,488	(264,017)	2,233,250
Segment income (loss)	74,058	(3,319)	13,859	7,865	4,906	97,370
Other items						
Depreciation	26,584	9,479	13,510	4,561	(572)	53,564
Interest income	366	124	220	55	(398)	368
Interest expenses	4,650	263	2,097	256	(42)	7,225
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	2,884	(3,433)	5	96	–	(447)

- (Notes) 1. The “Other” segment includes business segments not included in the reportable segments such as the construction business, insurance agency business, leasing business and wind-power generation business.
2. 4,906 million yen of segment income (loss) adjustments includes 3,879 million yen of net corporate income and expenses of the Group not allocated to each reportable segment, 1,760 million yen of inter-segment transaction eliminations, 64 million yen of adjustments to inventories, and (798) million yen of adjustments to non-current assets.
3. Segment income (loss) is reconciled to ordinary income in the consolidated statement of operations.

4. Related information

Fiscal year ended March 31, 2020

(1) Information by product and service

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

(2) Information by geographic area

(i) Net sales

(Millions of yen)

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

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

(ii) Property, plant and equipment

(Millions of yen)

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

(3) Information about major customers

(Millions of yen)

Trade name or name of customer	Net sales	Name of relevant segment
JXTG Holdings, Inc.	370,197	Petroleum Business/Oil Exploration and Production Business
Kygnus Sekiyu K.K.	159,289	Petroleum Business

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

Fiscal year ended March 31, 2021

(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
2,105,759	74,642	52,848	2,233,250

(Note) Net sales are 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
720,233	145,144	55	865,433

(3) Information about major customers

(Millions of yen)

Trade name or name of customer	Net sales	Name of relevant segment
ENEOS Holdings, Inc.	335,154	Petroleum Business/Oil Exploration and Production Business
Kygnus Sekiyu K.K.	234,426	Petroleum Business

(Notes) 1. Net sales include revenue for the direct customer and customers who belong to the same corporate group.

2. JXTG Holdings, Inc. was renamed ENEOS Holdings, Inc. on June 25, 2020.

3. Kygnus Sekiyu K.K. was added to the table above because sales at this company exceeded 10% of net sales in the consolidated statement of operations for the fiscal year ended March 31, 2021. To reflect this change in presentation, Kygnus Sekiyu K.K. was also included in the table for the fiscal year ended March 31, 2020.

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

Fiscal year ended March 31, 2020

(Millions of yen)

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

Fiscal year ended March 31, 2021

(Millions of yen)

	Petroleum Business	Petrochemical Business	Oil Exploration and Production Business	Other	Group / Eliminations	Total
Impairment loss	215	51	—	—	—	267

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

As of and for the fiscal years ended March 31, 2020 and 2021

None.

7. Information about gain on bargain purchase by reportable segment

Fiscal years ended March 31, 2020 and 2021

None.

21. Notes on related party transactions

1. Related party transactions

(1) Transactions with the Company

Fiscal year ended March 31, 2020

None.

Fiscal year ended March 31, 2021

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

Type	Name	Address	Capital stock (Millions of yen)	Details of business activities or occupation	Voting rights held by the Company (or held by others) (%)	Relationship with related party	Details of transaction	Amount of transaction (Millions of yen)	Account title	Balance at end of the year (Millions of yen)
Executive officer	Takayuki Uematsu	—	—	Representative Director, Senior Executive Officer	(Held by others) Direct 0.0	Representative Director, Senior Executive Officer of the Company Chairperson of the Cosmo Oil Eco Card Fund	Donation	44	—	—

(Notes)1. The amount for the transaction above does not include consumption tax.

2. The conditions of this transaction were the same as a transaction with a third party, including the transaction terms.

(2) Transactions with consolidated subsidiaries

Unconsolidated subsidiaries and affiliates of the Company

Fiscal year ended March 31, 2020

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

(Notes)1. The amount for the transaction above does not include consumption tax.

2. Transaction amounts and other terms and conditions of petroleum products are based on those of general transactions.

Fiscal year ended March 31, 2021

Type	Name	Address	Capital stock (Millions of yen)	Details of business activities or occupation	Voting rights held by the Company (or held by others) (%)	Relationship with related party	Details of transaction	Amount of transaction (Millions of yen)	Account title	Balance at end of the year (Millions of yen)
Affiliate	Kygnus Sekiyu K.K.	Chiyoda -ku, Tokyo	2,000	Sales and purchase of petroleum and petrochemical products	(Held by the Company) Direct 20.0	Sales of the Company's products Concurrent positions of officers	Sales of petroleum products, etc.	234,426	Accounts receivable - trade	27,922
									Long-term deposits received	23,600

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

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

Fiscal year ended March 31, 2020

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

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

Fiscal year ended March 31, 2021

Type	Name	Address	Capital stock (Millions of yen)	Details of business activities or occupation	Voting rights held by the Company (or held by others) (%)	Relationship with related party	Details of transaction	Amount of transaction (Millions of yen)	Account title	Balance at end of the year (Millions of yen)
Executive officer	Takayuki Uematsu	—	—	Representative Director, Senior Executive Officer of the Company	(Held by others) Direct 0.0	Representative Director, 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 with a third party, including the transaction terms.

2. Notes about significant affiliates

None.

22. Per share information

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net assets per share	2,853.14 yen	3,882.72 yen
Net income (loss) per share	(334.84) yen	1,025.86 yen
Diluted net income per share	–	861.16 yen

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

2. The number of outstanding shares in the calculation for net assets per share excludes the Company shares held by the BIP trust (721 thousand shares at March 31, 2020; 1,076 thousand shares at March 31, 2021). Similarly, the average number of shares outstanding during the year in the calculation for net income (loss) per share excludes the Company shares held by the BIP trust (681 thousand shares for the fiscal year ended March 31, 2020; 1,021 thousand shares for the fiscal year ended March 31, 2021).

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net income (loss) per share		
Net income (loss) attributable to owners of parent (Millions of yen)	(28,155)	85,910
Amount not attributed to common shareholders (Millions of yen)	–	–
Net income (loss) attributable to owners of parent related to common shares (Millions of yen)	(28,155)	85,910
Weighted average number of common shares during the year (Thousands of shares)	84,085	83,745
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)	–	16,016
Convertible bonds with share acquisition rights (Thousands of shares)	[–]	[16,016]
Overview of potential shares not included in calculation of diluted net income per share because they have no dilutive effect	–	–

23. Major subsequent events

None.