

Please note that the following is an unofficial English translation of Japanese original text of the Notice of Convocation of the 7th Ordinary General Meeting of Shareholders of COSMO ENERGY HOLDINGS COMPANY, LIMITED. The Company provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

COSMO ENERGY HOLDINGS COMPANY, LIMITED

**NOTICE OF CONVOCATION OF
THE 7th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and Time: 10:00 a.m., Thursday, June 23, 2022
Reception begins at 9:00 a.m.

Place: “Willard” 5F, INTERCONTINENTAL TOKYO BAY,
1-16-2, Kaigan, Minato-ku, Tokyo, Japan

Proposals to be Resolved:

- Proposal No. 1: Appropriation of Surplus**
- Proposal No. 2: Partial Amendments to the Articles of Incorporation**
- Proposal No. 3: Election of Six (6) Directors (excluding those who are Members of the Supervisory Committee)**
- Proposal No. 4: Election of One (1) Director who is a Member of the Supervisory Committee**
- Proposal No. 5: Election of One (1) Substitute Director who is a Member of the Supervisory Committee**

Deadline for exercise of voting rights in writing and via the Internet, etc.:
5:30 p.m., Wednesday, June 22, 2022

To Shareholders

I would like to express my sincere gratitude for your continued patronage and support for COSMO ENERGY HOLDINGS COMPANY, LIMITED.

We are pleased to hereby bring you this notice of our 7th Ordinary General Meeting of Shareholders to be held on Thursday, June 23, 2022.

With our five-year Sixth Consolidated Medium-Term Management Plan that was formulated under the slogan of “Oil & New Everything About Oil—And Beyond” we gained an understanding of the long-term business environment and steadily implemented our business strategies, coming together as one toward the future of the Group.

We will continue to aim for sustainable developments and the long-term improvement of our corporate value, and we look forward to the continued support and guidance of our shareholders.

June 2022

Hiroshi Kiriya, President, Representative Director

Cosmo Energy Group Vision In striving for harmony and symbiosis between our planet, man and society, we aim for sustainable growth towards a future of limitless possibilities.	
Basic Concepts of Sustainability	
Harmony and Symbiosis	Creating Future Values
<ul style="list-style-type: none">■ Harmony and Symbiosis with the Global Environment■ Harmony and Symbiosis between Energy and Society■ Harmony and Symbiosis between Companies and Society	<ul style="list-style-type: none">■ Creating the Value of “Customer First”■ Creating Value From the Diverse Ideas of the Individual■ Creating Value by Expressing Collective Wisdom

<p><u>Brand Statement</u></p> <p>Filling Up Your Hearts, Too</p>

To Shareholders with Voting Rights

Hiroshi Kiriyama
President, Representative Director
COSMO ENERGY HOLDINGS
COMPANY, LIMITED
1-1-1, Shibaura, Minato-ku, Tokyo

**NOTICE OF CONVOCATION OF
THE 7th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We would like to inform you that we will hold the 7th Ordinary General Meeting of Shareholders of COSMO ENERGY HOLDINGS COMPANY, LIMITED (the “Company”). The Meeting will be held as described below.

The General Meeting of Shareholders will be streamed live so that shareholders can watch the meeting from their own homes. In light of the situation concerning the novel coronavirus disease (COVID-19), we prioritize the safety of our shareholders and recommend you to refrain from attending this General Meeting of Shareholders in person. You can exercise your voting rights in writing (Voting Rights Exercise Form) or via the Internet, etc., by no later than 5:30 p.m., Wednesday, June 22, 2022.

- 1. Date and Time:** **10:00 a.m., Thursday, June 23, 2022**
Reception begins at 9:00 a.m.
- 2. Place:** **“Willard” 5F, INTERCONTINENTAL TOKYO BAY,**
1-16-2, Kaigan, Minato-ku, Tokyo, Japan
- 3. Agenda of the Meeting:**
Matters to be Reported: (1) The Business Report and the Consolidated Financial Statements, and Audit Reports of the Accounting Auditor and the Supervisory Committee for the Consolidated Financial Statements for the 7th Business Year (from April 1, 2021 to March 31, 2022)
(2) The Financial Statements for the 7th Business Year (from April 1, 2021 to March 31, 2022)
Proposals to be Resolved: **Proposal No. 1: Appropriation of Surplus**
Proposal No. 2: Partial Amendments to the Articles of Incorporation
Proposal No. 3: Election of Six (6) Directors (excluding those who are Members of the Supervisory Committee)
Proposal No. 4: Election of One (1) Director who is a Member of the Supervisory Committee
Proposal No. 5: Election of One (1) Substitute Director who is a Member of the Supervisory Committee

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- Should any modification to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Financial Statements occur, the matters after modification will be posted on the Internet website of the Company (<https://ceh.cosmo-oil.co.jp/ir/meeting/index.html>).

Instructions for Exercising Your Voting Rights

The right to vote at the General Meeting of Shareholders is an important right of all shareholders. Please review the accompanying Reference Documents for the General Meeting of Shareholders before exercising your voting rights.

There are three methods for voting at the General Meeting of Shareholders.

1. Voting by Attendance at the General Meeting of Shareholders

Please bring the enclosed Voting Rights Exercise Form and submit it to the reception desk on the day of the meeting. If you delegate a proxy to exercise your voting rights, such proxy must be another shareholder of the Company entitled to vote. If you expect to vote by proxy, please make a document evidencing his/her power of attorney presented to a receptionist at the place of the meeting. You are allowed to delegate only one (1) person as proxy.

Date and time of the General Meeting: 10:00 a.m., Thursday, June 23, 2022

2. Exercising Your Voting Rights by Post

Please review the accompanying Reference Documents for the General Meeting of Shareholders, indicate your approval or disapproval of the proposals in the enclosed Voting Rights Exercise Form, and post it without affixing postage stamps.

*Please refer to the following for details on how to fill out the Voting Rights Exercise Form.

Votes must be completed by: 5:30 p.m., Wednesday, June 22, 2022

3. Exercising Your Voting Rights via the Internet, etc.

Please exercise your voting rights by accessing the Company designed website (<https://www.web54.net>).

*Please see page 4 for details.

Votes must be completed by: No later than 5:30 p.m., Wednesday, June 22, 2022

How to fill out the Voting Rights Exercise Form

Please input "Approve" or "Disapprove" here for each of the proposals.

Proposals No. 1, No. 2, No. 4 and No. 5

Approval: Mark in the box labelled "贊"

Disapproval: Mark in the box labelled "否"

Proposal No. 3

Approval of all candidates: Mark in the box labelled "贊"

Disapproval of all candidates: Mark in the box labelled "否"

Disapproval of certain candidates: Mark in the box labelled "贊" and indicate the number of each candidate you wish to disapprove.

*In the case that multiple votes are received via the Internet, etc., the last vote shall be deemed valid.

*If you exercise your voting rights both via the Internet, etc. and in writing (Voting Rights Exercise Form), the vote that reaches us last shall be deemed valid.

*If you neglect to indicate your approval or disapproval for any proposal in writing (Voting Rights Exercise Form), you will be assumed to have approved the proposal and your vote will be counted accordingly.

Exercising Your Voting Rights via the Internet, etc.

When exercising voting rights for this General Meeting of Shareholders via the Internet, etc., please be aware of the following:

Exercising Voting Rights by Scanning the QR Code “Smart Exercise”

You can log in to the website for exercising your voting rights without entering your voting exercise code and password.

1. Please scan the QR Code provided on the lower right of the Voting Rights Exercise Form.
* QR Code is a registered trademark of DENSO WAVE INCORPORATED.
2. Then, please indicate your approval or disapproval for each proposal according to the instructions on the screen.

You may exercise your voting rights via “Smart Exercise” only once.

If you wish to change the content of your vote after exercising your voting rights, please access the website for PC and enter the “Voting Exercise Code” and “Password” provided on the Voting Rights Exercise Form to log in and exercise your voting rights again.

* Please rescan the QR code to go to the website for PC.

Entering the Voting Exercise Code and Password

Website for exercising your voting rights <https://www.web54.net>

1. Please access to the website for exercising your voting rights.
2. Please enter the “Voting Exercise Code” shown on the Voting Rights Exercise Form.
3. Please enter the “Password” provided on the Voting Right Exercise Form.
4. Then, please indicate your approval or disapproval for each proposal according to the instructions on the screen.

If you have any questions about exercising your voting rights via the Internet, such as how to use a PC, smartphone, or mobile phone to vote, please call the help desk below.

The Sumitomo Mitsui Trust Bank, Limited, Securities Agent Web Support Hotline

Phone: 0120 (652) 031 (Toll Free, only in Japan)

(9:00 to 21:00)

Institutional investors may exercise their voting rights using the Voting Rights Electronic Exercise Platform for institutional investors operated by ICJ, Inc.

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Appropriation of Surplus

The Company regards the distribution of profit to shareholders as the important issue. With this basic policy, the Company will carry out stable payment of dividends taking into consideration reinforcement of corporate structure, development of future business, the Company's performance, and capital balancing.

In consideration of the Company's performance in this fiscal year and future business environment, the Company would like to set the term-end dividend as follows.

1. Type of dividends

Cash

2. Matter related to distribution of property dividends and the total amount

¥100 per share of common shares of the Company Total amount: ¥8,476,670,200

3. Effective date of the appropriation of surplus

June 24, 2022

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reason for the proposal

Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation and to revise some of the wording in preparation for the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format.

- (1) Listed companies are required to state in their articles of incorporation if they will implement measures for the electronic provision of information on the content of reference materials, etc. for Shareholders' Meetings. Accordingly, the Company will establish a new Article 16, Measures, etc. for Providing Information in Electronic Format, paragraph 1.
- (2) The Company will establish a new Article 16, Measures, etc. for Providing Information in Electronic Format, paragraph 2, so that, of the items to be provided electronically with respect to the content of reference materials, etc. for Shareholders' Meetings, it can limit the scope of the items to be described in reference materials delivered to shareholders who have requested such delivery to the scope prescribed by the applicable Ordinance of the Ministry of Justice.
- (3) The Company will delete the current Article 16, Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc., as the provisions of the article will not be necessary if it introduces the electronic provision system of informational materials for the meetings.
- (4) Supplementary provisions shall be established to specify the establishment of the new article above and the effect of the provisions to be deleted.
- (5) The wording of current Article 27 paragraph 3 shall be revised.

2. Details of the proposed amendments

Details of the proposed amendments are as follows.

(Underlined parts are amended.)

Current Articles of Incorporation	Proposed Amendments
<p><u>Article 16. Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.</u> <u>When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, financial statements and consolidated financial statements through the internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</u></p> <p style="text-align: center;">(New Article)</p>	<p style="text-align: center;">(Deleted)</p> <p><u>Article 16. Measures, etc. for Providing Information in Electronic Format</u></p> <p>1. <u>When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>Article 27. Representative Directors and Executive Directors</p> <ol style="list-style-type: none"> 1. The Board of Directors shall, by its resolution, elect Representative Directors. 2. The Board of Directors shall, by its resolution, appoint one (1) President from among Directors or Executive Officers. 3. The Board of Directors may, by its resolution, appoint one (1) Chairman, one (1) Vice Chairman, one (1) Director and President and a number of Executive Vice Presidents. <p style="text-align: center;">(New Article)</p>	<ol style="list-style-type: none"> 2. <u>Among items for which the measures for providing information in electronic format will be taken, the Company shall exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u> <p>Article 27. Representative Directors and Executive Directors</p> <ol style="list-style-type: none"> 1. (Omitted) 2. (Omitted) 3. The Board of Directors may, by its resolution, appoint one (1) Chairman, one (1) Vice Chairman, one (1) Director and President and a number of Executive Vice Presidents. <p><u>Supplementary Provisions</u></p> <p><u>Article 1. Transitional Measures for Providing Informational Materials for the General Meeting of Shareholders in Electronic Format</u></p> <ol style="list-style-type: none"> 1. <u>The deletion of Article 16 of the current Articles of Incorporation, Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc., and the establishment of the new Article 16 of the proposed amendments, Measures, etc. for Providing Information in Electronic Format, shall enter into effect as from September 1, 2022.</u> 2. <u>Notwithstanding the provisions of the preceding paragraph, Article 16 of the Articles of Incorporation, Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc., shall remain effective regarding any general meeting of shareholders held on a date within six (6) months from September 1, 2022.</u> 3. <u>The provisions in this article shall be deleted on the date on which six (6) months have elapsed after September 1, 2022 or the date on which three (3) months have elapsed after the date of the Shareholders' Meeting set forth in the preceding paragraph, whichever is later.</u>

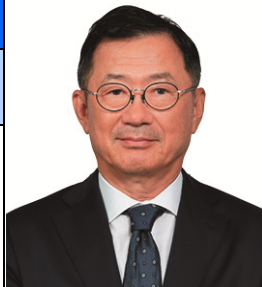
Proposal No. 3:**Election of Six (6) Directors (excluding those who are Members of the Supervisory Committee)**

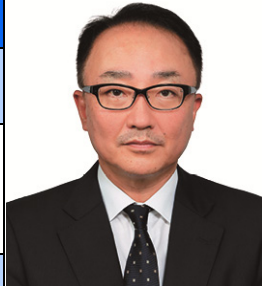
The terms of office of all five (5) Directors (excluding those who are Members of the Supervisory Committee; the same applies hereafter in this proposal) will expire at the close of this General Meeting of Shareholders. Therefore, it is proposed that six (6) Directors be elected, increasing the number of Directors by one (1) in order to enhance the management system.


This proposal was passed through the deliberation process of the Nomination and Remuneration Advisory Committee, which includes two (2) Independent Outside Directors, and was decided on by the Board of Directors. The Company has received a report from the Supervisory Committee stating that the candidates and the procedure for the election were appropriate.


The candidates for Directors are as follows.


Candidate No.	Name	Current Status and Assignment at the Company			
1	Hiroshi Kiriya	President, Representative Director, Chief Executive Officer	Reelection		
2	Takayuki Uematsu	Representative Director, Senior Managing Executive Officer Responsible for Sustainability Initiative Dept., Accounting Dept., Finance Dept.	Reelection		
3	Shigeru Yamada	Director, Senior Executive Officer Responsible for Corporate Planning Dept., Power & New Energy Dept.	Reelection		
4	Junko Takeda	Senior Executive Officer Responsible for Business Portfolio Management Dept., Legal and General Affairs Dept., Human Resource Dept.	New election		
5	Ryuko Inoue	Outside Director	Reelection	Outside	Independent
6	Takuya Kurita		New election	Outside	Independent


1	Hiroshi Kiriya	Reelection	June 20, 1955	
Career Summary and Status			Status of Significant Concurrent Position(s)	
April 1979	Joined Daikyo Oil Co., Ltd.	None		Number of Shares of the Company Held: 27,600 shares Record of attendance to Board of Directors Meetings: 9/9
June 2013	Director, Senior Executive Officer, COSMO OIL COMPANY, LIMITED			
October 2015	Director, Senior Managing Executive Officer of the Company			
June 2016	Representative Director, Executive Vice President			
June 2017	President, Representative Director, Chief Executive Officer (current position)			
Reasons for choosing the person as candidate	<p>Hiroshi Kiriya has been responsible for supply and demand, and corporate planning departments for a long time, and he has participated in the decision making of various alliances in Japan and overseas. Also, he possesses abundant expertise and experience regarding overall corporate management. In addition, he has shouldered management of the Group as President, Representative Director since June 2017 and, in recent years in particular, achieved results even under the environment that has included fluctuation of crude oil prices and declining demand for oil. In light of these achievements and leadership, the Company proposes Hiroshi Kiriya maintain his position as Director.</p>			

2	Takayuki Uematsu	Reelection	December 13, 1962	
Career Summary and Status			Assignment at the Company	
November 1992	Joined COSMO OIL COMPANY, LIMITED	Sustainability Initiative Dept. Accounting Dept. Finance Dept.	Status of Significant Concurrent Position(s) None	Number of Shares of the Company Held: 12,500 shares Record of attendance to Board of Directors Meetings: 9/9
June 2015	General Manager, Finance Dept.			
October 2015	General Manager, Finance Dept. of the Company			
June 2016	Executive Officer, General Manager, Finance Dept.	None		
April 2018	Senior Executive Officer			
June 2018	Director, Senior Executive Officer			
June 2020	Representative Director, Senior Executive Officer			
April 2021	Representative Director, Senior Managing Executive Officer (current position)			
Reasons for choosing the person as candidate	<p>Takayuki Uematsu joined COSMO OIL COMPANY, LIMITED after working for a foreign financial institution, and has since demonstrated his expertise and has almost always been engaged in the department of finance. Since 2018 as Director, Senior Executive Officer and since 2021 as Representative Director, Senior Managing Executive Officer, he has supervised the Corporate Communication Dept., Finance Dept., and Accounting Dept., and contributed to the enhancement of the Group's corporate value through initiatives such as branding activities and investor relations. In light of these achievements, the Company proposes Takayuki Uematsu maintain his position as Director.</p>			

3	Shigeru Yamada	Reelection	November 7, 1965	
Career Summary and Status		Assignment at the Company		<p>Number of Shares of the Company Held: 3,900 shares</p> <p>Record of attendance to Board of Directors Meetings: 9/9</p>
April 1988	Joined COSMO OIL COMPANY, LIMITED	Corporate Planning Dept. Power & New Energy Dept.		
June 2015	General Manager, Supply Dept.	Status of Significant Concurrent Position(s)		
April 2018	Executive Officer, General Manager, Corporate Planning Dept. of the Company			
April 2020	Senior Executive Officer	None		
June 2020	Director, Senior Executive Officer (current position)			
Reasons for choosing the person as candidate	<p>Shigeru Yamada has mainly worked in the departments of sales, supply and demand, and corporate planning, and has a wide range of knowledge and experience across the Group's entire business domain. In 2018, he was appointed Executive Officer, General Manager of Corporate Planning Dept. and in 2020, he was appointed Director, Senior Executive Officer. He has achieved solid results such as initiatives to achieve the Sixth Consolidated Medium-Term Management Plan, promotion of group management, capital and business alliance related supervision, and proposals for new business projects. In light of these achievements, the Company proposes Shigeru Yamada maintain his position as Director.</p>			

4	Junko Takeda	New election	May 1, 1967	
Career Summary and Status		Assignment at the Company		<p>Number of Shares of the Company Held: 2,500 shares</p>
April 1990	Joined COSMO OIL COMPANY, LIMITED	Business Portfolio Management Dept.		
October 2015	General Manager, Human Resource and General Affairs Dept.	Legal and General Affairs Dept. Human Resource Dept.		
April 2017	General Manager, Planning & Management Dept.	Status of Significant Concurrent Position(s)		
April 2019	Director, Executive Officer			
April 2020	Executive Officer, General Manager, Human Resource Dept. of the Company	None		
April 2022	Senior Executive Officer (current position)			
Reasons for choosing the person as candidate	<p>Junko Takeda has worked in the departments of sales, corporate planning, and human resources, and since 2019 supervised the refining business as Director, Executive Officer in charge of planning and human resources of COSMO OIL COMPANY, LIMITED, contributing to an increase in operation efficiency and improvement in productivity of the refining business. After she became Executive Officer, and General Manager of Human Resource Dept. of the Company in 2020, she has shown steady achievements by promoting workstyle reform, diversity, and the Group's human resource policy. In light of these achievements, the Company proposes her election as Director.</p>			

5	Ryuko Inoue	Reelection Outside Independent	January 8, 1957	
Career Summary and Status		Status of Significant Concurrent Position(s)		
April 1981	Joined Ministry of Agriculture, Forestry and Fisheries	Attorney at Law, Atsumi & Sakai Outside Director, NIPPON STEEL TRADING CORPORATION		Number of Shares of the Company Held: 100 shares
January 2003	Minister, Embassy of Japan in Italy (Permanent Representative of Japan to Food and Agriculture Organization of the United Nations • United Nations World Food Programme)			
April 2016	Deputy Director-General, Agriculture, Forestry and Fisheries Research Council, Ministry of Agriculture, Forestry and Fisheries			Record of attendance to Board of Directors Meetings: 8/8
July 2017	Resigned from Ministry of Agriculture, Forestry and Fisheries			
November 2017	Registered as an attorney at law Of Counsel, Atsumi & Sakai (current position)			
June 2019	Outside Director, NIPPON STEEL TRADING CORPORATION (current position)			
June 2021	Outside Director of the Company (current position)			
Reasons for choosing the person as candidate and the roles expected of her				

6	Takuya Kurita	New election Outside Independent	August 31, 1961	
Career Summary and Status		Status of Significant Concurrent Position(s)		
April 1984	Joined Ministry of Construction (currently Ministry of Land, Infrastructure, Transport and Tourism)	Corporate Advisor, Sumitomo Mitsui Trust Bank, Limited		Number of Shares of the Company Held: 0 shares
September 2007	Counsellor, Cabinet Secretariat			
July 2009	Director, Urban Renewal Promotion Division, Ministry of Land, Infrastructure, Transport and Tourism (MLIT)			
July 2011	Counselor, the Headquarters for the Reconstruction from the Great East Japan Earthquake			
February 2012	Counselor, Reconstruction Agency			
August 2013	Director, Personnel Division, MLIT			
July 2015	Director-General, City Bureau, MLIT			
July 2018	Director-General, Policy Bureau, MLIT			
July 2020	Vice-Minister, Land, Infrastructure, Transport and Tourism, MLIT			
July 2021	Resigned from Vice-Minister, Land, Infrastructure, Transport and Tourism, MLIT			
October 2021	Corporate Advisor, Sumitomo Mitsui Trust Bank, Limited (current position)			
Reasons for choosing the person as candidate and the roles expected of him	<p>Takuya Kurita has extensive experience, supervising the land policy as he successively held various positions, such as serving as Vice-Minister, Land, Infrastructure and Transport. The Company believes that he will provide advice with respect to its management, especially in areas like the renewable energy business, from an objective and neutral stance and valuable and diverse standpoints and that he will be able to execute his duties properly. Accordingly, the Company proposes his election as Outside Director. Although he has no experience in corporate management, for the above reasons, the Company believes he will properly execute his duties as Outside Director.</p>			

- (Notes)
1. No special interests exist between the Company and any of the candidates.
 2. Ryuko Inoue and Takuya Kurita are the candidates for Outside Directors.
 3. Ryuko Inoue is currently the Outside Director and the term of office of her will be one (1) year at conclusion of this Meeting.
 4. Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, the Company has entered into an agreement with Ryuko Inoue to limit the liability for damages under Article 423, paragraph 1 of the said act. The limitation of the liability for damages under the relevant agreement is the minimum liability amount set forth in Article 425, paragraph 1 of the Companies Act. In the event that the election of Ryuko Inoue is approved, the Company plans to renew this agreement with her. Also, in the event that the election of Takuya Kurita is approved, the Company plans to enter into the same limited liability agreement with him.
 5. The Company has concluded a directors and officers liability insurance contract with an insurance company in accordance with Article 430-3, paragraph 1 of the Companies Act, and the details of such insurance contract is as described on page 38. In the event that the elections of candidates for Directors (excluding those who are Members of the Supervisory Committee) are approved, they will be included as insured persons in the insurance contract. In addition, when such insurance contract is next reviewed, the Company plans to renew with the same details.
 6. The Company has notified Ryuko Inoue as Independent Director to the Tokyo Stock Exchange. Also, Takuya Kurita satisfies the requirements for an Independent Director as provided for by Tokyo Stock Exchange, and in the

event that the election of Takuya Kurita is approved, the Company plans to elect him as an Independent Director.

Proposal No. 4:**Election of One (1) Director who is a Member of the Supervisory Committee**

The term of office of Toshiyuki Mizui, Director who is a Member of the Supervisory Committee, will expire at the close of this General Meeting of Shareholders. Therefore, it is proposed that one (1) Director who is a Member of the Supervisory Committee be elected.

The proposal at the Meeting had already been agreed upon by the Supervisory Committee.

The candidate for Director who is a Member of the Supervisory Committee is as follows.

Toshiyuki Mizui		Reelection	February 25, 1961	
Career Summary and Status		Status of Significant Concurrent Position(s)		
August 1993	Joined COSMO OIL COMPANY, LIMITED	Outside Director (Audit and Supervisory Committee Member), KYOEI TANKER CO., LTD.		Number of Shares of the Company Held: 8,200 shares Record of attendance to Board of Directors Meetings: 9/9
June 2012	General Manager, Internal Auditing Office			
October 2015	General Manager, Internal Auditing Office of the Company			
April 2016	General Manager, Accounting Dept.			
June 2016	Executive Officer, General Manager, Accounting Dept.			
April 2018	President, Representative Director, Eco Power Co., Ltd. (currently Cosmo Eco Power Co., Ltd.)			
June 2020	Director (Full-time member of the Supervisory Committee) (current position) Outside Director (Audit and Supervisory Committee Member), KYOEI TANKER CO., LTD. (current position)			
Reasons for choosing the person as candidate	Toshiyuki Mizui joined COSMO OIL COMPANY, LIMITED after working for a general electronic component manufacturer, and has been engaged mainly in the departments of accounting and systems. After his appointment as Executive Officer of the Company, he continued to be in charge of the accounting department and contributed to the management of the Group by maintaining proper and good relations with the Accounting Auditor. In 2018, he became the President, Representative Director of current Cosmo Eco Power Co., Ltd. and contributed to the development of the wind power generation business. Since 2020, he has provided proper audits and oversight of business execution as Director who is a Member of the Supervisory Committee. In light of these achievements, the Company proposes Toshiyuki Mizui maintain his position as Director who is a Member of the Supervisory Committee.			

(Notes) 1. No special interests exist between the Company and Toshiyuki Mizui.

- The Company has concluded a directors and officers liability insurance contract with an insurance company in accordance with Article 430-3, paragraph 1 of the Companies Act, and the details of such insurance contract is as described on page 38. In the event that the election of the candidate for Director who is a Member of the Supervisory Committee is approved, he will be included as an insured person in the insurance contract. In addition, when such insurance contract is next reviewed, the Company plans to renew with the same details.

[Reference] Skill matrix (scheduled)

	Expertise and Characteristics							
	Petroleum Business (Oil)	Other than Petroleum (New) (Renewable Energy/New Business)	Sustainability (ESG)	Finance/Accounting/Taxation	Legal Affairs/Compliance/Risk Management	Human Resources/ Human Resource Development/ Diversity	PR/IR/Brand Marketing	Internationality
Directors								
Hiroshi Kiriyama (Representative Director)	●	●	●				●	
Takayuki Uematsu (Representative Director)	●			●			●	
Shigeru Yamada (Director)	●	●			●			
Junko Takeda (Director)	●				●	●		
Ryuko Inoue (Outside Director)					●	●	●	
Takuya Kurita (Outside Director)		●				●		●
Toshiyuki Mizui (Director, Full-time member of the Supervisory Committee)	●	●		●				
Yasuko Takayama (Outside Director, Member of the Supervisory Committee)			●		●	●	●	
Keiichi Asai (Outside Director, Member of the Supervisory Committee)	●	●					●	
Executive Officers								
Noriko Rzonca (Senior Executive Officer)							●	●
Gota Sakai (Executive Officer)	●						●	●
Yoshihiko Sato (Executive Officer)	●						●	
Tomoki Iwai (Executive Officer)	●			●				

Proposal No. 5:**Election of One (1) Substitute Director who is a Member of the Supervisory Committee**


The effective term of Hideyuki Wakao's appointment as Substitute Director who is a Member of the Supervisory Committee expires at the opening of this General Meeting of Shareholders. Therefore, in order to prepare for cases where there is a vacancy which results in a shortfall in the number of Directors who are Members of the Supervisory Committee provided in laws and regulations, the Company requests the election of one (1) Substitute Director who is a Member of the Supervisory Committee in advance.

The Company requests the election of Hideyuki Wakao as a substitute for Director who is a Member of the Supervisory Committee (excluding Outside Director).

A resolution for the election of Substitute Director who is a Member of the Supervisory Committee shall cease to be effective by the resolution of the Board of Directors with the consent of the Supervisory Committee, only before the Substitute Director who is a Member of the Supervisory Committee assumes office as Director who is a Member of the Supervisory Committee.

The proposal at the Meeting had already been agreed upon by the Supervisory Committee.

The candidate for Substitute Director who is a Member of the Supervisory Committee is as follows.

Hideyuki Wakao		May 8, 1970	
Career Summary and Status		Status of Significant Concurrent Position(s)	
April 1993	Joined COSMO OIL COMPANY, LIMITED	None	Number of Shares of the Company Held: 100 shares
June 2012	Group Manager of Accounting Group, Accounting Dept.		
October 2015	Group Manager of Accounting Group, Accounting Dept. of the Company		
April 2016	Group Manager of Accounting & Tax Affairs Group, Accounting Dept.		
April 2018	General Manager, Accounting Dept.		
April 2021	General Manager, Internal Auditing Office of the Company (current position)		
Reasons for choosing the person as candidate	Hideyuki Wakao has engaged in the department of accounting almost entirely throughout his career since he joined COSMO OIL COMPANY, LIMITED, and since 2018, he has contributed to the Group's management, maintaining proper and good relations with the Accounting Auditor with his in-depth operational knowledge and extensive insight into the Group's accounting and financial affairs as General Manager of Accounting Dept. In light of these achievements, the Company proposes Hideyuki Wakao maintain his position as Substitute Director who is a Member of the Supervisory Committee.		

(Notes) 1. No special interests exist between the Company and Hideyuki Wakao.

- The Company has concluded a directors and officers liability insurance contract with an insurance company in accordance with Article 430-3, paragraph 1 of the Companies Act, and the details of such insurance contract is as described on page 38. In the event that the election of Hideyuki Wakao is approved and he assumes the office of Director who is a Member of the Supervisory Committee, he will be included as an insured person in the insurance contract. In addition, when such insurance contract is next reviewed, the Company plans to renew with the same details.

1. Business Overview

(1) Principal Business Lines (as of March 31, 2022)

The principal businesses of the Group are the Oil Exploration and Production Business, including exploration and production of crude oil, etc.; the Petroleum Business, including imports and exports, refining, storage and sales of crude oil and petroleum products; the Petrochemical Business, including manufacture and sales of petrochemical products; the Renewable Energy Business, including wind power and solar power; and other businesses such as sales of automobile-related products, and insurance agency business, etc.

(2) Review of Operations of the Group

Business Environment

During the fiscal year under review, the Japanese economy gradually recovered, reflecting the effects of relaxed restraint on movement and eased control of consumption in line with the progress of vaccinations for the novel coronavirus disease (COVID-19), although there was uncertainty including the Ukrainian situation.

With respect to [crude oil prices](#), the price for Dubai crude oil began the fiscal year in the \$61 per barrel range, but rose to the \$80 per barrel range, due to an increase in demand on the normalization of the economy while there were constraints in terms of supply, such as no progress in talks about agreement to curb coordinated production cuts at “OPEC Plus,” which consists of OPEC and non-OPEC countries. Later, oil prices temporarily plunged to the \$60 per barrel range due to concerns over the spread of a variant of the novel coronavirus, but recovered in early 2022 on the prospect that its impact will be limited. The price for Dubai crude oil surged to the \$120 per barrel range due to concerns over supply amid the Ukrainian crisis that occurred in February, but it ended the fiscal year in the \$107 per barrel range partly due to release from the Strategic Petroleum Reserve (SPR) by the United States.

As for [exchange rates](#), the Japanese yen started the fiscal year at the ¥110 per dollar range and remained flat in the first half of the year amid falls in interest rates due to the spread of the variant of the novel coronavirus. However, the yen tended to weaken in the second half, backed by expectations of interest rate hikes by the U.S. Federal Reserve. The yen weakened further in January to March as demand for the dollar as a key currency increased amid the Ukrainian crisis, and the yen ended the fiscal year in the ¥122 per dollar range.

Domestic demand for [petroleum products](#) remained almost flat. Demand for jet fuel increased year on year in reaction to a sharp decrease in the previous fiscal year due to the impact of COVID-19. Meanwhile, demand for kerosene and gasoline decreased year on year due to a decline in demand and a surge in petroleum product prices in line with the rising crude oil prices.

As for [petrochemical products](#), the sluggish market conditions for paraxylene and other products, which are our key products, continued due to the impact of the construction of new and additional overseas plants and other factors, amid a prolonged severe market environment.

Performance of the Fiscal Year Under Review

In this business environment, the Cosmo Energy Group continued to implement initiatives based on its Sixth Consolidated Medium-Term Management Plan under the slogan of “Oil & New Everything About Oil – And Beyond.” The Group continued to bolster the profitability of its core oil exploration and production business and petroleum business to solidify the financial base, as well as expand the business portfolio by aggressively investing in the renewable energy business, a growth market, and improve competitiveness in the petrochemical business, with a view to changes in the business environment over the long term.

In the fiscal year under review, net sales were ¥2,440.5 billion, up 9.3% from the previous year, operating profit was ¥235.3 billion, up 132.3% from the previous year, and ordinary profit was ¥233.1 billion, up 139.4% from the previous year.

Main factors for these improvements included the effect of inventory valuation and the improvement of margins for products in the petroleum business in particular due to a rise in crude oil prices.

Profit attributable to owners of parent amounted to ¥138.9 billion due to the abovementioned profit-increasing factors.

The business segment information is as follows.

[Business Segment Information]

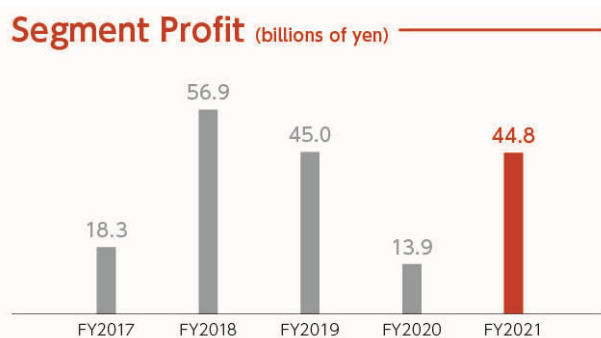
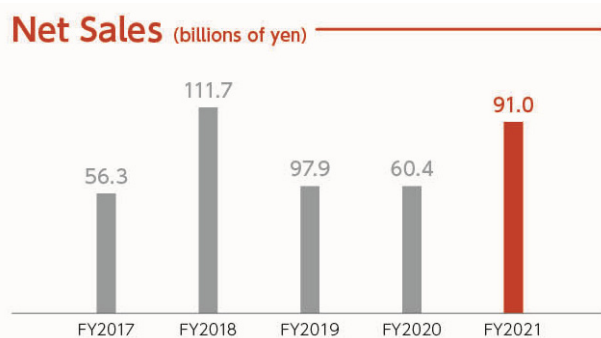
(Millions of yen)

	Oil Exploration and Production Business	Petroleum business (Refining and sales)	Petrochemical Business	Renewable Energy Business	Other	Adjustments	Consolidated
Net Sales	91,033	2,137,746	359,434	13,108	62,199	-223,070	2,440,452
Segment Profit	44,761	165,549	13,617	3,483	3,465	2,221	233,097

Oil Exploration and Production Business

Business Overview

The oil exploration and production business is a revenue driver within the Group business portfolio, and based on the core area of the Middle East, centered on Abu Dhabi, United Arab Emirates (UAE) and Qatar, with which we have established long trustworthy relationships, we are promoting safe and stable operations in existing concession areas.



Business Performance

Ordinary profit was ¥44.8 billion (up ¥30.9 billion from the previous fiscal year) due to an increase in the price of crude oil, despite a decrease in sales volume.

Initiatives in the Fiscal Year under Review

We continued to maintain stable and safe operations in the existing oil fields, including those held by ABU DHABI OIL COMPANY LIMITED.

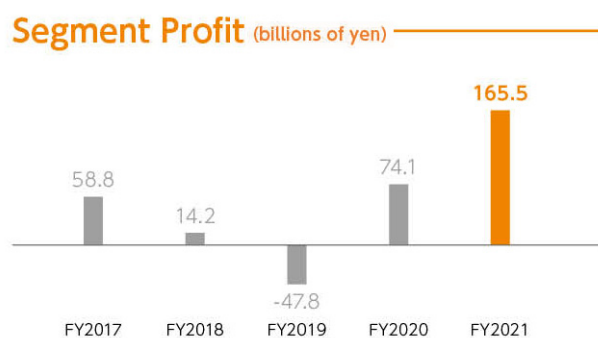
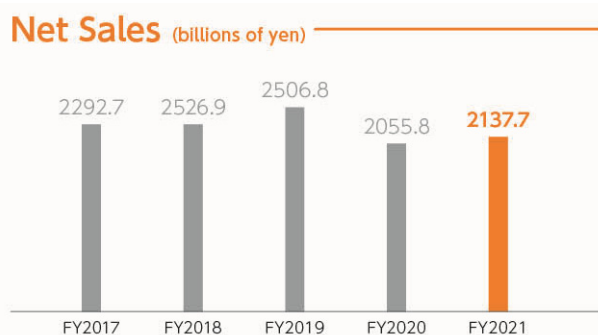
ABU DHABI OIL COMPANY LIMITED continued stable production at the Hail Oil Field, where it commenced production in November 2017. For maximization of production volume, the company has implemented a project to maintain reservoir pressure through water injection for the recovery of the reservoir pressure. In a new offshore exploration field (Offshore Block 4), we conducted exploration work to seek the feasibility of business production of oil and natural gas in the Block.

Petroleum Business

Business Overview

In the petroleum business, Cosmo Oil, a core business company of the Cosmo Energy Group, is mainly engaged in crude oil procurement, manufacturing, distribution, and importation and exportation of petroleum products.

Cosmo Oil Marketing, which is also a core business company, sells Group products, including petroleum products, to corporate and individual customers.



Business Performance

Ordinary profit was ¥165.5 billion (up ¥91.4 billion from the previous fiscal year) as a result of improved margins of petroleum products in line with the rise in oil prices, an increase in sales volume due to the recovery from the impact of COVID-19, refineries' maintaining a high operating rate.

Initiatives in the Fiscal Year under Review

In the petroleum refining business, although demand for fuel oil in Japan has decreased, we started to supply Kygnus Sekiyu K.K. in FY2019. This has led to a production short position where our production volume is lower than our sales volume, allowing the Company to maintain an extremely high refinery utilization rate of 99.3% (SD (Note)) at its refineries. We aim for optimizing the refining costs by focusing on the balance between supply and demand. In the car life business, the cumulative number of Cosmo My Car Lease's vehicle lease contracts exceeded 90,000. The "Carlife Square" app, an important tool for deepening ties with customers, had recorded 4.34 million cumulative downloads as of March 31.

(Note) Streaming Day: Indicates operating ratio excluding the impact of suspended operations due to regular repairs and maintenance, etc.

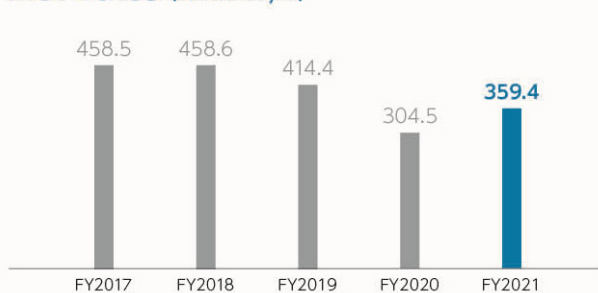
Petrochemical Business

Business Overview

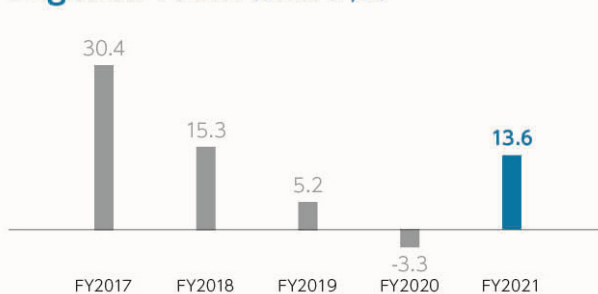
In the petrochemical business, Maruzen Petrochemical, a group company, provides a stable supply of petrochemical products as an ethylene center in the petrochemical complex.

In addition, Hyundai Cosmo Petrochemical (HCP), a joint venture with Hyundai Oilbank (HDO), supplies competitive petrochemical products with its Asia-leading para-xylene manufacturing facility.

Net Sales (billions of yen)



Segment Profit (billions of yen)



Business Performance

Ordinary profit was ¥13.6 billion (up ¥16.9 billion from the previous fiscal year) as a result of an increase in production and sales volume due to the difference of scales in regular maintenance in the previous fiscal year and the fiscal year under review and an improvement in the benzene market.

Initiatives in the Fiscal Year under Review

The Company is continuing to deepen its collaboration with Maruzen Petrochemical Company, Limited (MPC) to strengthen the Group's overall competitiveness. Specifically, the Company has completed the construction on the new propylene rectifying tower at MPC Chiba Plant and started operations there in May 2022. Furthermore, regarding the commercialization of hydrogenated polymer resins by Arakawa Chemical Industries, Ltd. and the Group, the Company plans to start operating the equipment during FY2022.

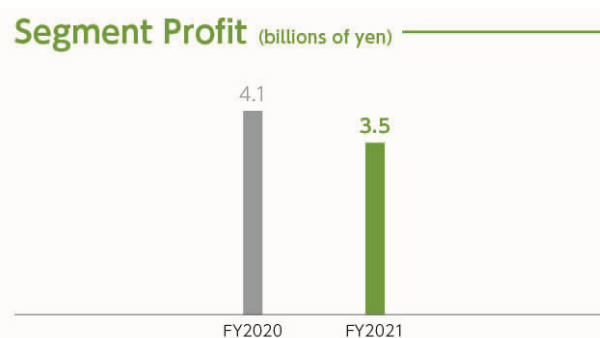
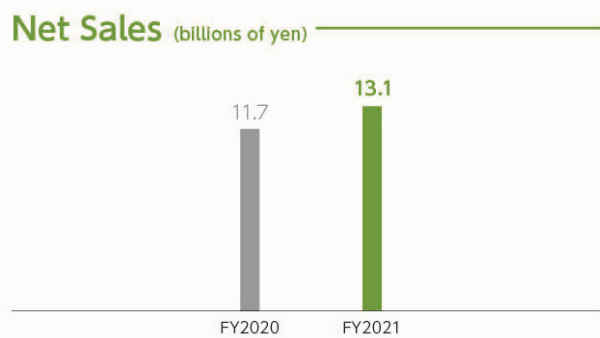
As for Hyundai Cosmo Petrochemical Co., Ltd., a joint venture between Hyundai Oilbank Co., Ltd. of South Korea and COSMO OIL COMPANY, LIMITED, the Company is striving to increase competitiveness to respond to the forecasted surge in demand for polyester particularly in Asia over the medium- to long-term, while being fully aware of changes in the external environment.

Renewable Energy Business

Business Overview

The renewable energy business is building a system that can implement the development of onshore wind power generation sites for the design, construction, operation and maintenance of power plants through Cosmo Eco Power, a Group company.

Taking advantage of this strength, we are working to expand our onshore wind power generation business. At the same time, we are actively engaged in offshore wind power projects while legislation regarding these projects is being advanced.



Business Performance

Ordinary profit was ¥3.5 billion (down ¥0.6 billion from the previous fiscal year) as a result of an occurrence of advance costs in line with the development of floating wind power generation facilities (including personnel and development investigation costs) although existing wind power generation facilities were smoothly operating.

Initiatives in the Fiscal Year under Review

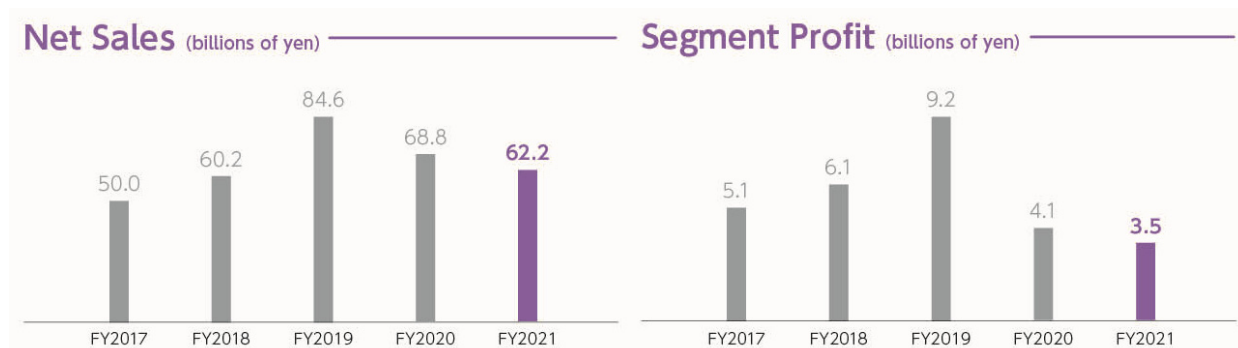
Cosmo Eco Power Co., Ltd. has continued steady operation of wind power generation facilities. With the start of operation at the Chuki Wind Farm (Wakayama Prefecture) in April 2021, sales of electricity were 595,000,000 kWh (up 64,000,000 kWh from the previous fiscal year) and the overall power generation output was 300,000 kW.

Concerning the development of new onshore wind power generation facilities, progress was made in the construction works for two new sites: the Kamiyuchi Wind Farm (Hokkaido, scheduled to start operation in March 2023) and the Oita Wind Farm (Oita Prefecture, scheduled to start operation in March 2023).

As for the offshore wind power generation business, Akita Offshore Wind Corporation, in which Cosmo Eco Power Co., Ltd. has invested, is proceeding with construction work with the aim of starting operations in Akita Port and Noshiro Port in FY2022.

Other

We endeavored to boost profitability in other businesses, such as sales of automobile-related products and insurance agency business, construction and maintenance of oil-related facilities.



(Note) The performance results from FY2017 to FY2019 include the wind power generation business and the solar power generation business.

(3) Issues to be Addressed

The Japanese economy is expected to show a gradual recovery. Meanwhile, the Company should continue to be fully aware of the effects of the Ukrainian situation, the rise in raw material prices, the financial market trend, and COVID-19. Over the medium- to long-term, the global trend toward a carbon-free society will accelerate, the importance of shifting to renewable energy will also increase in the energy fields, and the decline of petroleum demand in Japan is expected to continue due to structural factors such as fuel conversion and population decline.

In view of this business environment, the Company will expand its business portfolio for the next period of growth while strengthening profitability with the oil exploration and production and petroleum businesses, with a view to the long-term direction.

Basic policy ~ Oil & New Everything About Oil—And Beyond ~

<p>“Oil”: Increase the profitability of the petroleum business by, for example, complying with the IMO regulations and taking the lead in the supply of clean marine fuels.</p> <p>→ Strengthen financial condition based on earning power.</p>
<p>“New”: Invest in wind power generation and other businesses that will lead the next growth stage.</p> <p>→ Contribute to the achievement of SDGs through business activities.</p>

Secure profitability to enable reinvestment	Expand growth driver toward the future
<ul style="list-style-type: none"> ✓ Firm a system of safe, stable operation in oil refining business ✓ Take action ahead of the IMO regulations → Transform to bottomless refineries and increase profitable products* * Aim to raise the competitiveness of refineries that supply only relatively high added value petroleum products ✓ Strengthen the “Vehicle life” business ✓ Achieve synergy with petrochemical business ✓ Steadily recover the investment in the Hail Oil Field 	<ul style="list-style-type: none"> ✓ Strengthen petrochemical business and increase its product-line ✓ Early development of offshore wind power ✓ Explore new businesses for future growth in domestic and overseas market (Asia / Abu Dhabi)
Improve financial condition	Strengthen Group management foundation
<ul style="list-style-type: none"> ✓ Increase shareholders’ equity ✓ Strengthen cash management ✓ Careful selection of investments with an eye on long-term environment → Early achievement of management goals 	<ul style="list-style-type: none"> ✓ Implement sustainable management <ul style="list-style-type: none"> • Pursue the sustainability of society and the Group • Improve ESG key factors → Develop and implement the medium-term sustainability management plan (FY2018 – FY2022) ✓ Increase productivity through work-style and operational innovation <ul style="list-style-type: none"> • Promote diversity • Thoroughly increase operation efficiency using RPA (Robotic process automation) and AI

About Our Response to COVID-19

The Group works to ensure that each of its members is strongly aware of and acts every day to fulfill our responsibility to protect our lives and the lives of those close to us and to ensure the stable supply of products and services such as petroleum products.

From February 2020 to January 2022, our crisis countermeasures headquarters meeting met 39 times and crisis countermeasures meeting met six times. The Cosmo Energy Group places safety of all parties concerned as our top priority. We formulated various policies, such as thorough measures to control infection, notification of COVID-19-related information, distribution of test kits, conducting workplace vaccinations, and telework of day-shift workers, and spread these measures to Group companies.

Oil Exploration and Production Business

By utilizing the strong relationships of trust built through the stable offshore oil field production for half-century in the Emirate of Abu Dhabi as well as our self-operation strengths, we will continue stable production at our existing oil fields and reduce operating costs. We acquired a new exploration block (Offshore Block 4), which is adjacent to the currently operating oil field of Abu Dhabi Oil in the previous fiscal year. We aim to maintain the production level with the production at the new field and create a business portfolio that can deliver profits even in the low-price oil environment.

Risk Factors in the Oil Exploration and Production Business

- Risk concerning crude oil prices and production
- Risk concerning exploration and development
- Risk concerning accidents in oil fields and production facilities

Petroleum business

While demand for oil is expected to decline over the medium- to long-term, we are focusing on profitable products, shifting to petrochemical business, and promoting the introduction of IT in refineries. In addition, we will aim to bolster our competitiveness by using alliances with other companies, and create synergies with the petrochemical business, such as by continuing to supply oil to Kygnus Sekiyu K.K.

With regard to the safety management systems of our refineries, we have introduced the Operations Management System (OMS) (Note) in order to achieve safe operation and stable supply. By making continuous improvements in line with the 23 requirements that set out what the refinery's operation management, including risk control and proper operations, should be, we continue firm, safe and stable operations. In addition, we foster increased autonomy of behavior with each and every employee thinking for themselves to further promote a safety-first culture of risk-based behavior.

In the petroleum sale and car life business, the environment for the car life business has rapidly been changing and we are required to cope with the digitalization of the business. With the aim of strengthening relations with customers in digital operations, we are working on expanding the functions of the "Carlife Square" application. We will expand new businesses, including car sharing business and retail sale of electricity, in anticipation of the long-term business environment, while seeking to grow the car life business. We will secure business areas based on business model reforms corresponding to the changes in how people use automobiles, and ensure competitiveness together with the oil refining business.

(Note) OMS (Operations Management System): System to achieve safe operations and stable supply at a much higher level by promoting continuous improvement based on the check and assessment of viability and effectiveness of operation systems.

Risk Factors in the Petroleum Business

- Risk concerning petroleum product prices and product demand
- Risk concerning accidents or leakage at refineries and other facilities
- Risk concerning troubles about quality of supplied products
- Risk concerning a behavioral change in customers

Petrochemical business

International markets for petrochemical products are expected to continue to grow over the long-term based on the increase in the world's population. Amid these trends, we will shift from fuel oil to petrochemical materials. While utilizing our competitive advantage in ethylene and paraxylene production to the maximum extent possible, we will enjoy synergies between oil refining and petrochemicals (make use of unused distillates, etc.) and aim to grow a business of functional chemical products that are not vulnerable to changes in environment. For FY2022, we plan to start business production of the hydrogenated polymer resin manufacturing business at Chiba Arkon Production Limited.

Risk Factors in the Petrochemical Business

- Risk concerning petrochemical product prices and product demand
- Relaxed supply-demand situation due to an increase in overseas plants

Renewable energy business

Amid the worldwide trend of decarbonization, we will continuously aim to aggressively expand the renewable energy business, centered on the wind power generation business, which is expected to expand significantly in Japan as well. For the onshore wind power generation business, we aim to expand the scale to an increased capacity of approximately 900,000 kW by FY 2030, by completing the construction of the Kamiyuchi Wind Farm (Hokkaido) and the Oita Wind Farm (Oita Prefecture), which are under construction, and steadily promoting development projects of the Abukuma Minami Wind Farm (Fukushima Prefecture), the Chuki No. 2 Wind Farm (Wakayama Prefecture), etc. For the offshore wind power generation business, which is expected to see an improved business environment and expanded investment opportunities toward achieving carbon neutral in 2050, we are currently carrying out construction work for the offshore wind power projects of Akita Port and Noshiro Port in Akita Prefecture, and promoting consideration for business projects in several other areas, such as the offshore wind power project of Aomori North-West. For the offshore wind power project of Aomori North-West, we are working with Iberdrola Renewables Japan, a 100% subsidiary of Spain's Iberdrola, S.A., which holds the world's biggest-class wind power generation facilities, to launch the business. By absorbing knowledge of overseas wind power generation projects, we are working to improve our business possibilities.

We aim to increase the combined installed capacity of onshore and offshore wind power generation to over 1,500,000 kW by 2030, in a bid to become a leading company in this field.

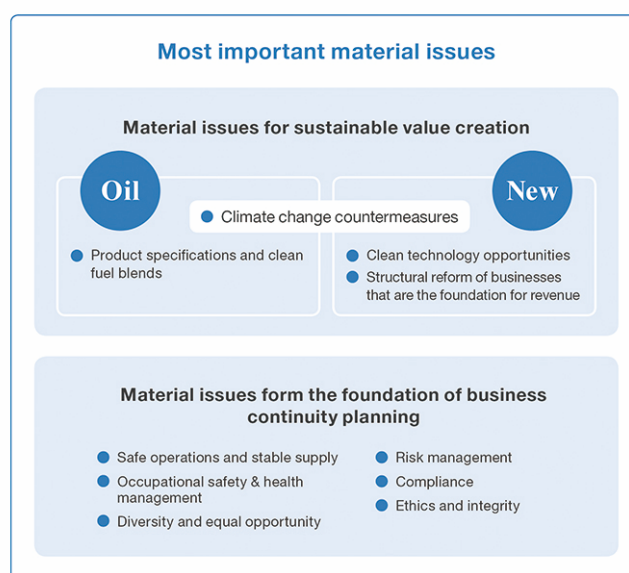
Risk Factors in the Renewable Energy Business

- A possible change in government policy and systems concerning renewable energy
- Lower profitability due to intensifying competition

TOPICS

Initiatives for material issues

In March 2021, the Cosmo Energy Group identified the important ESG tasks (material issues) that will influence the sustainable growth of society and the Group, with the goal of working to create an ideal society for 2050. Regarding the “material issues for the sustainable creation of value,” we will promote activities under the “Oil & New,” slogan during the Sixth Consolidated Medium-Term Management Plan from the perspective of social issues as well. The base of these activities is the “material issues that are the foundation of our business continuity planning.”



Climate Change Initiatives

Statement of Support for the TCFD

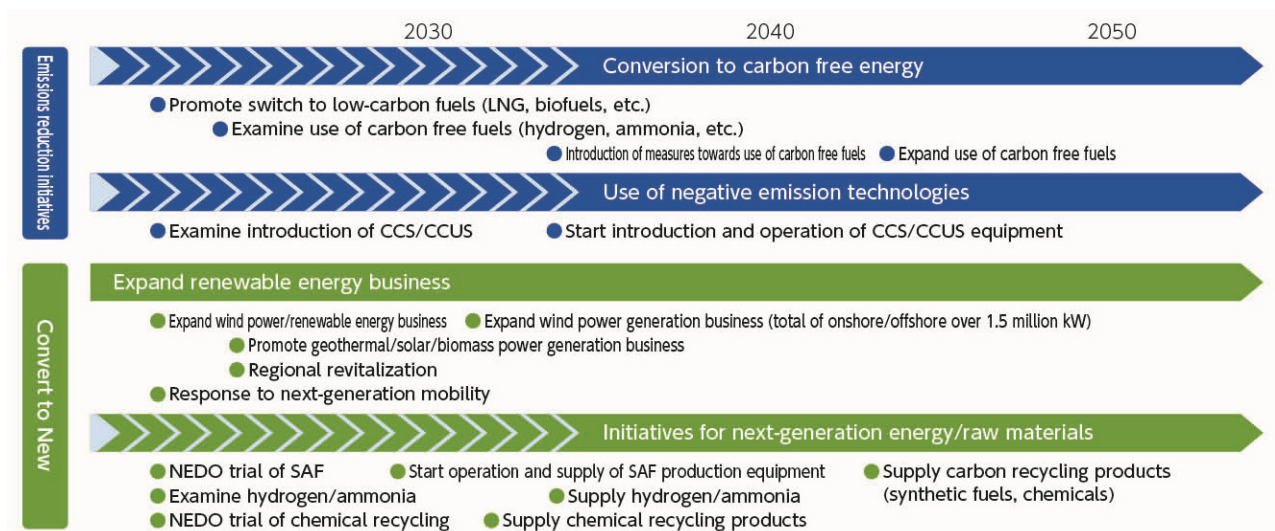
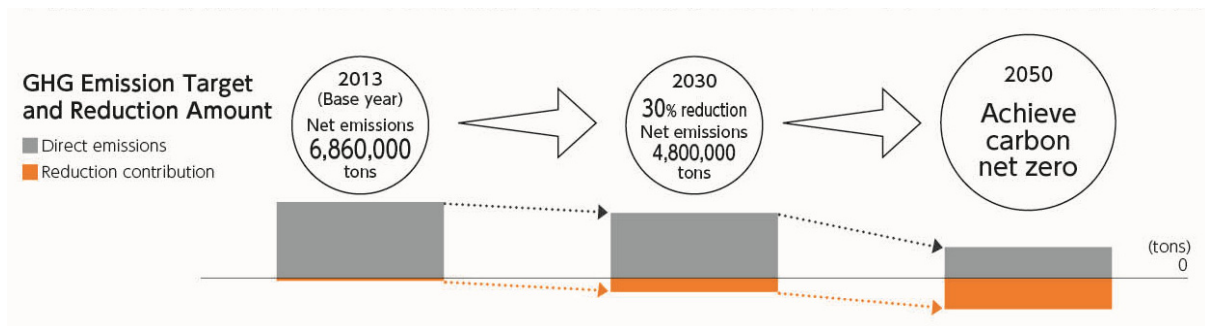
In December 2020, the Company became a signatory expressing its support for the Task Force on Climate-related Financial Disclosures (TCFD)*¹ Recommendations and joined the TCFD Consortium*² as it took climate change initiatives as an important social issue. Based on the framework of the TCFD Recommendations, we compiled our views on climate change for each of the recommended disclosure items, namely “governance,” “strategy,” “risk management,” and “metrics and targets,” and disclosed the information on our sustainability website in January 2022.

(Notes) 1. TCFD (Task Force on Climate-related Financial Disclosures): Task force established by the Financial Stability Board (FSB). Its purpose is to understand and disclose the financial impacts of the risks and opportunities brought about by climate change, and it announces recommendations related to how voluntary information disclosure should be.

2. TCFD Consortium: An organization established with the purpose of discussing initiatives for companies, financial institutions, etc. who support the TCFD to connect effective information disclosure by companies as well as disclosed information with appropriate investment decisions by financial institutions, etc.

Disclosure of a road map toward carbon net zero in 2050

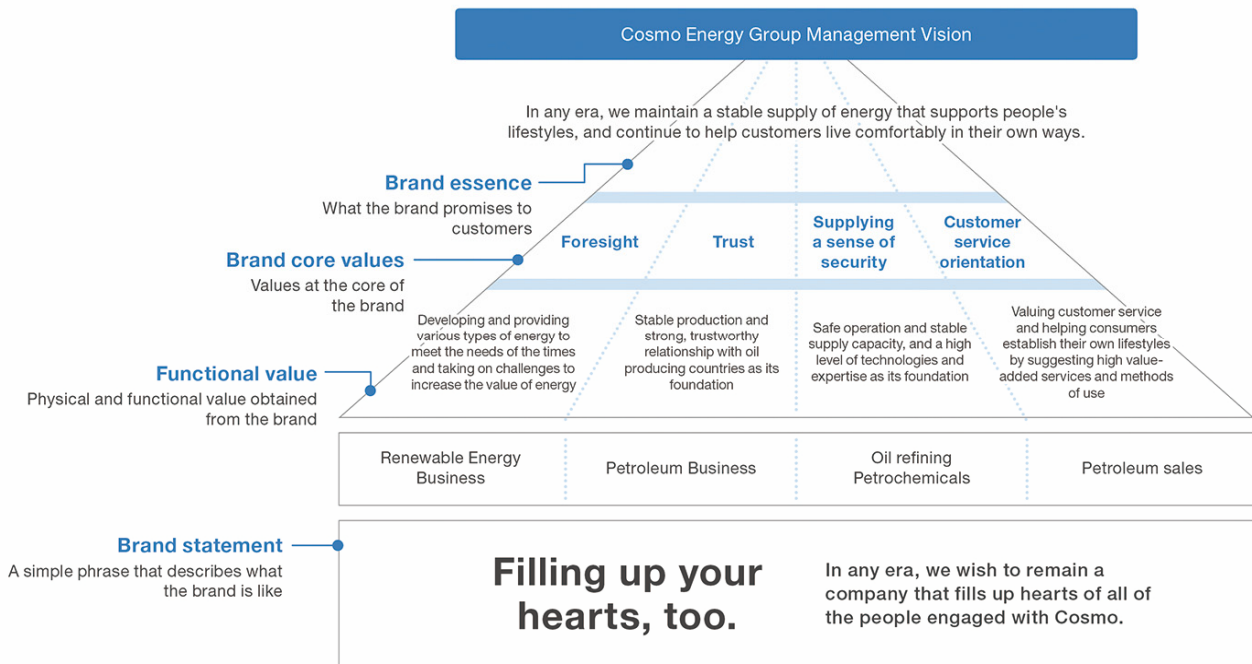
In May 2021, the Cosmo Energy Group announced the 2050 Carbon Net Zero Declaration as part of its climate change initiatives. The 2050 Carbon Net Zero Declaration is a response to climate change, one of the Group's most material issues. In May 2022, the Company disclosed a road map toward carbon net zero in 2050, based on the scenario analysis of the TCFD. With the aim of steadily advancing our initiatives for decarbonization, we disclosed the reduction targets of greenhouse gas (GHG) emissions with 2030 as a middle point. While we fulfill our responsibility for stable supply of energy, we aim to reduce GHG emitted by our businesses by 30% in 2030 (compared to FY 2013) and achieve effectively zero emission by 2050.



Branding activities

While we have been known familiarly as Cosmo Oil, we are now realigning our business portfolio, desiring to provide all kinds of energy that fit with the times. Thus, we are promoting a brand strategy that joins together all of the Cosmo Energy Group, including not only the Petroleum Business, but also the Renewable Energy Business, to develop a sense of unity and consistency within the Group.

The Cosmo brand framework marks our values that form the foundation for Cosmo’s unique quality. All employees of the Cosmo Energy Group will embody the four brand core values, “Foresight,” “Trust,” “Supplying a sense of security,” and “Customer service orientation,” thus improving the brand value.



External branding activities

We are advancing branding activities by attaching importance to consistency, so that everyone will feel the same unique quality of Cosmo whenever and wherever they are engaged with the brand. In external branding activities, we express the unique quality of Cosmo consistently in advertisements, service stations, products, services, and even the way we interact with customers.

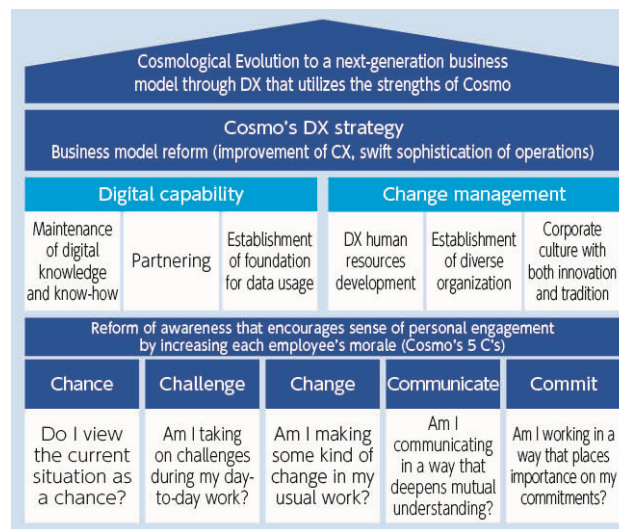
Internal branding activities

As part of internal branding activities, we held the “COSMO BRAND AWARD 2021” in March, an event to commend excellent activities that embody our core value within the 26 Cosmo Group companies.

Cosmo's DX initiatives

We aim for improving customer experience (CX) through digitalization and enhancing our value in a bid to implement a thorough reform of our business model speedily. Toward realizing what we aim at, we focus on strengthening digital capabilities and promoting a corporate culture oriented toward a change in management. We work on improving digital knowledge, promoting partnering, strengthening the data utilization platform, nurturing DX personnel, and striking a good balance between innovation and tradition in our corporate culture.

In addition, we have come up with “Cosmo’s 5C,” five metrics to motivate employees and change their awareness to personalize corporate matters, promoting DX initiatives with all employees joining them.



Cosmo Zero Carbon Solution

“COSMO Zero Carbon Solution” is a product that provides services related to EV and renewable energy originating from wind power owned by the Group as a package to regional governments and companies who aim to be carbon free. It includes energy management that utilizes AI as a function.

Visualization of refineries

We have established “COSMO Oil Refinery Dashboard,” a control system to display various integrated data that show activities of our refineries. We are working on developing our operations further through the visualization of activities at the refineries, submitting real-time information on profit management targets and progress management and operating conditions of equipment to the management team.

The Points of COSMO Oil Refinery Dashboard

- (i) Handle a wide-range of information and gain detailed information by drilling down
- (ii) Understand targets for improving profit and their progress
- (iii) Understand operational information in real time
- (iv) Automatically aggregate data

Initiatives for increasing human value

One of indispensable resources for the Group's sustainable growth is human capital. By promoting practices of various workstyles and diversity, we were selected as a "Nadeshiko Brand," which is a company that is selected as excelling in the promotion of women playing an active role in the workplace, for FY2021.

Human resource policy

For the purpose of realizing Cosmo Energy Group Management Vision, "In striving for harmony and symbiosis between our planet, man and society, we aim for sustainable growth towards a future of limitless possibilities," we recognize the importance of taking human resources as management capital and maximizing their value. As a fundamental policy in the Group's human resource initiatives, we have set the following items.

- (i) Promote activities of diverse human resources
- (ii) Encourage human resources to show their abilities in a job-oriented manner
- (iii) Stimulate autonomous growth
- (iv) Encourage individuals to strengthen their capabilities

Employees' wellness management policy

The Group recognizes that physical and mental health of officers and employees, which are resources for the creation of corporate value, is the foundation for our sustainable growth. Moreover, officers' and employees' wellness in mind and body and an environment that allows them to maximize their abilities are indispensable to the safe, reliable supply of high-quality products and services. Accordingly, we have set employees' wellness management initiatives within the Group in our employees' wellness management policy.

(4) Capital Investments

The Group spent a total of ¥57.1 billion on capital investments during the fiscal year under review, primarily in the following:

- Oil exploration and production business
 - Construction of production facilities
- Petroleum business
 - Construction of petroleum refining and shipping facilities
 - New establishment and remodeling of service stations
- Petrochemical business
 - Construction of production facilities
- Renewable energy business
 - Wind power generation facilities

(5) Financing Activities

The Company conducted no financing activities during the fiscal year under review by means of capital increase or bond issuance.

(6) Assets, Profit and Loss for Recent Four Fiscal Years

(Billions of yen)

Category	The 4th Term FY2018	The 5th Term FY2019	The 6th Term FY2020	The 7th Term FY2021
Net Sales	2,770.4	2,738.0	2,233.3	2,440.5
Ordinary Profit	96.7	16.3	97.4	233.1
Profit (loss) Attributable to Owners of Parent	53.1	-28.2	85.9	138.9
Net Income (loss) per Share (yen)	630.69	-334.84	1,025.86	1,658.64
Total Assets	1,702.3	1,639.8	1,709.0	1,938.4
Net Assets	401.9	362.8	449.1	584.0

- (Notes) 1. Net income (loss) per share is calculated on the basis of average number of shares issued and outstanding during the year (excluding the average number of treasury shares held during the year and shares owned by the trust bank through the “Executive Remuneration Board Incentive Plan (BIP) Trust”).
2. Please refer to “Section 1. Business Overview, (2) Review of Operations of the Group” for the operating results for the 7th Term.

(7) Principal Offices and Plants (as of March 31, 2022)

1) The Company

Head Office	1-1-1, Shibaura, Minato-ku, Tokyo
Overseas Bases	Middle East (United Arab Emirates) / Doha (Qatar) / Beijing (China)

2) Major Subsidiaries and Affiliates

(Subsidiaries) Cosmo Energy Exploration & Production Co., Ltd.	(Head Office) Minato-ku, Tokyo
COSMO OIL COMPANY, LIMITED	(Head Office) Minato-ku, Tokyo (Refineries) Chiba (Ichihara-shi) / Yokkaichi / Sakai (Laboratories) Research & Development Center (Satteshi)
COSMO OIL MARKETING COMPANY, LIMITED	(Head Office) Minato-ku, Tokyo (Branches) East Japan (Sendai-shi) / Kanto (Chuo-ku, Tokyo) / Chubu (Nagoya-shi) / Kansai (Osaka-shi) / West Japan (Hiroshima-shi)
ABU DHABI OIL COMPANY LIMITED	(Head Office) Minato-ku, Tokyo (Mining Plant) Abu Dhabi (United Arab Emirates)
Maruzen Petrochemical Company, Limited	(Head Office) Chuo-ku, Tokyo (Plant) Chiba (Ichihara-shi) / Yokkaichi (Laboratories) Chiba (Ichihara-shi)
Cosmo Eco Power Co., Ltd.	(Head Office) Shinagawa-ku, Tokyo
(Affiliates) Hyundai Cosmo Petrochemical Co., Ltd.	(Head Office and Plant) Seosan (Korea)
Gyxis Corporation	(Head Office) Minato-ku, Tokyo

(8) Major Subsidiaries and Affiliates (as of March 31, 2022)

1) Major Subsidiaries and Affiliates

Company Name	Paid-in Capital	Ratio of Voting Rights	Principal Business Lines
(Subsidiaries)	100 million yen	%	
Cosmo Energy Exploration & Production Co., Ltd.	1	100.0	Planning in the energy exploration and production business
COSMO OIL COMPANY, LIMITED	1	100.0	Imports and exports, refining, storage, and sales of crude oil and petroleum products, etc.
COSMO OIL MARKETING COMPANY, LIMITED	10	100.0	Sales of oil products, car leasing, etc.
ABU DHABI OIL COMPANY LIMITED	128	64.4	Development, production and sales of crude oil
Maruzen Petrochemical Company, Limited	100	52.7	Manufacture and sales of petrochemical products
Cosmo Eco Power Co., Ltd.	72	100.0	Sales of electricity produced by wind power generation, etc.
(Affiliates)			
Hyundai Cosmo Petrochemical Co., Ltd.	KRW 632.2 billion	50.0	Manufacture and sales of petrochemical products
Gyxis Corporation	110	40.0	Manufacture, storage, transportation, purchase and sale, and export and import of LP gas

(Note) The Company's ratio of voting rights includes a portion of indirect holding via subsidiaries.

2) Review and Results of Business Combinations

(Review of Business Combinations)

- The Group consists of 33 consolidated subsidiaries (decrease of 1 from the previous year) and 25 companies under the equity method (decrease of 3 from the previous year) including the major subsidiaries and affiliates as listed in 1) above.

(Results of Business Combinations)

Consolidated net sales for the fiscal year under review amounted to ¥2,440.5 billion, and profit attributable to owners of parent for the period was ¥138.9 billion.

3) Status of Other Significant Business Combinations

Infinity Alliance Limited, a wholly owned subsidiary of Mubadala Investment Company (hereinafter "MIC"), conducted a secondary offering of shares overseas on March 9, 2022, and sold all of its holdings of common shares of the Company. The secondary offering dissolved the Company's capital relationship and affiliate relationship with MIC; however, MIC has confirmed that it will continue to maintain a good relationship with the Company.

(9) Employees (as of March 31, 2022)

1) Employees of Cosmo Energy Group

Name of Business Segment	Number of Employees (Persons)		Year-on-year Change (Persons)
Oil Exploration and Production Business	266	(62)	4 (decreased)
Petroleum Business	4,512	(2,881)	34 (decreased)
Petrochemical Business	1,227	(112)	11 (increased)
Renewable energy business	237	(3)	72 (increased)
Other	869	(153)	20 (decreased)
Total	7,111	(3,211)	25 (increased)

- (Notes)
1. Number of employees indicates the number of employees in operation.
 2. Number in parentheses in the number of employees' column indicates the yearly average employment number of temporary employees.
 3. From the fiscal year under review, the classification of reportable segments has changed. Year-on-year changes have been prepared based on the changed reportable segment classifications.

2) Employees of the Company

Number of Employees (Persons)	Year-on-year Change (Persons)	Average Length of Service
217	12 (decreased)	18 years 5 months

- (Notes)
1. Seconded employees (363), temporary employees and part-timers are not included in the number of employees.
 2. For the average length of service calculation, the length of service for COSMO OIL COMPANY, LIMITED is used.

(10) Principal Lenders (as of March 31, 2022)

(Billions of yen)

Lenders	Borrowed Amount
Mizuho Bank, Ltd.	116.6
MUFG Bank, Ltd.	76.1
Sumitomo Mitsui Banking Corporation	48.1
Japan Oil, Gas and Metals National Corporation	39.3
Development Bank of Japan Inc.	28.8

(Note) In addition to the above, there are borrowings via syndicated loans (¥100.8 billion in total).

(11) Other Significant Matters concerning Current Status of the Group

None.

2. Share Information (as of March 31, 2022)

- (1) Total Number of Shares Authorized to be Issued: 170,000,000 shares
- (2) Total Number of Shares Issued and Outstanding: 84,770,508 shares
(of which, number of treasury shares: 3,806 shares)
- (3) Number of Shareholders: 24,618
- (4) Major Shareholders (Top 10)

Name of Shareholders	Number of Shares Held (thousands)	Investment Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,130	10.77
Custody Bank of Japan, Ltd. (Trust Account)	5,860	6.91
CITY INDEX ELEVENTH CO., Ltd	4,386	5.17
The Kansai Electric Power Co., Inc.	1,860	2.19
MSIP CLIENT SECURITIES	1,829	2.15
Cosmo Energy Holdings Client Stock Ownership	1,696	2.00
GOLDMAN SACHS INTERNATIONAL	1,678	1.98
Mizuho Bank, Ltd.	1,600	1.88
Aioi Nissay Dowa Insurance Co., Ltd.	1,580	1.86
MUFG Bank, Ltd.	1,580	1.86

(Note) Investment ratio is calculated by excluding the number of treasury shares. The treasury shares do not include those shares owned by the trust bank through the “Executive Remuneration Board Incentive Plan (BIP) Trust.”

(5) Status of shares granted to Directors of the Company as consideration for the execution of duties during the current fiscal year under review

Position	Number of shares	Number of recipients
Directors (excluding Members of the Supervisory Committee and Outside Directors)	29,882 shares	6
Outside Directors (excluding Members of the Supervisory Committee)	-	-
Directors (Members of the Supervisory Committee)	-	-

- (Notes) 1. The figure shown Includes shares granted as remuneration for Directors, etc. to one Director who retired during the fiscal year under review (3,639 shares), and shares granted as remuneration for Directors, etc. to two Directors who retired before the fiscal year under review (11,804 shares).
2. The number of shares includes 15,182 shares converted to cash at the time of share delivery and paid as an amount equivalent to the converted value based on the share granting rules under the share-based remuneration plan.

3. Share Acquisition Rights

Status for Share Acquisition Rights

Share Acquisition Rights to be attached to Zero Coupon Convertible Bonds due 2022 (bonds with share acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) that were issued based on a resolution of the Board of Directors at a meeting held on November 19, 2018

Number of share acquisition rights to be attached to the bonds	6,000
Class and quantity of the shares to be acquired upon exercise of the share acquisition right	Common shares Dividing the aggregate principal amount of the bonds deposited at the same time upon exercise of the share acquisition rights by the conversion price
Amount to be paid in for share acquisition rights	No money shall be required to be paid in exchange for the share acquisition rights.
Types and amount of the asset to be contributed upon exercise of the share acquisition right	Bonds in respect of the relevant share acquisition rights shall be contributed upon exercise of each share acquisition right, and the price of the relevant bonds shall be equal to the principal amount of the bonds. The conversion price shall be ¥3,741.7.
Exercise period of the share acquisition rights	From December 19, 2018, to November 21, 2022 (at the local time of the place where the share acquisition right is to be exercised)
Conditions to the exercise of the share acquisition right	No share acquisition right may be exercised in part only.

(Note) The conversion price was adjusted from ¥3,741.7 to ¥3,694.0 on April 1, 2021.

4. Executives of the Company

(1) Directors (as of March 31, 2022)

Position	Name	Responsibilities	Significant Concurrent Positions
President, Representative Director, Chief Executive Officer	Hiroshi Kiryama		
Representative Director, Senior Managing Executive Officer	Takayuki Uematsu	Responsible for Corporate Communication Dept., Accounting Dept., and Finance Dept.	
Director, Senior Executive Officer	Shigeru Yamada	Responsible for Corporate Planning Dept., Business Portfolio Management Dept., and Human Resource Dept.	
Director, Senior Executive Officer	Yoshimitsu Sunano	Responsible for Sustainability Initiative Dept., Legal and General Affairs Dept., and IT Strategy Dept.	
Director Independent Director	Ryuko Inoue		Attorney at Law, Atsumi & Sakai Outside Director, NIPPON STEEL TRADING CORPORATION
Director (Member of the Supervisory Committee) Independent Director	Yasuko Takayama		Outside Director, The Chiba Bank, Ltd. Outside Audit & Supervisory Board Member, Mitsubishi Corporation Outside Audit & Supervisory Board Member, Yokogawa Electric Corporation
Director (Member of the Supervisory Committee) Independent Director	Keiichi Asai		
Director (Full-time Member of the Supervisory Committee)	Toshiyuki Mizui		Outside Director (Audit and Supervisory Committee Member), KYOEI TANKER CO., LTD.

- (Notes) 1. Director Ryuko Inoue and Directors (Members of the Supervisory Committee) Yasuko Takayama and Keiichi Asai are Outside Directors.
2. The Company has notified Director Ryuko Inoue and Directors (Members of the Supervisory Committee) Yasuko Takayama and Keiichi Asai as Independent Directors to the Tokyo Stock Exchange.

3. Director Toshiyuki Mizui is a full-time member of the Supervisory Committee. The reason for electing a full-time member of the Supervisory Committee was that a person thoroughly familiar with the circumstances in the Company could increase the effectiveness of the Supervisory Committee by attending important meetings, gathering information daily, listening to periodic business reports from the Business Execution Department and sharing with all Members of the Supervisory Committee information gained through their close coordination with the Internal Audit Department, etc.
4. Director Toshiyuki Mizui has taken charge of operations in the accounting and systems departments for many years, and he possesses a suitable level of knowledge regarding finance and accounting.
5. Abdulla Mohamed Shadid resigned as Outside Director on March 14, 2022. He had no responsibilities at the Company at the time of retirement and the status of his most important concurrent position was Executive Director, Growth & M&A, Direct Investment, MIC.
6. Ali Al Dhaheri resigned as Outside Director on March 14, 2022. He had no responsibilities at the Company at the time of retirement and the status of his most important concurrent position was Director UAE Industries, MIC.
7. Among the companies at which Outside Directors held important concurrent positions during fiscal 2021, MIC's wholly owned subsidiary Infinity Alliance Limited conducted a secondary offering overseas on March 9, 2022, in which it sold all of its holdings of the Company's common shares. As a result of the secondary offering, the Company's capital relationship and affiliate relationship with MIC were dissolved.
8. Executive Officers (as of April 1, 2022)

Position	Name	Responsibilities
Senior Executive Officer	Junko Takeda	Business Portfolio Management Dept., Legal and General Affairs Dept., Human Resource Dept.
Senior Executive Officer, CDO	Noriko Rzonca	Corporate DX Strategy Dept., Corporate Communication Dept., IT Initiative Dept.
Executive Officer	Gota Sakai	General Manager, Corporate Planning Dept.
Executive Officer	Yoshihiko Sato	General Manager, Secretariat Office
Executive Officer	Tomoki Iwai	General Manager, Accounting Dept.

(2) Outline of the Terms and Conditions of Agreements for Limitation of Liability

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with Ryuko Inoue, Yasuko Takayama, and Keiichi Asai to limit the liability for damages under Article 423, Paragraph 1 of the said act.

The limitation of liability for damages under the relevant agreement is the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act.

The Company had entered into similar agreements with Abdulla Mohamed Shadid and Ali Al Dhaheri, both of whom resigned as Outside Directors on March 14, 2022.

(3) Outline of the Terms and Conditions of Directors and Officers Liability Insurance Contract

The Company has entered into a directors and officers liability insurance contract, as provided for in Article 430-3, Paragraph 1 of the Companies Act, with an insurance company. The individuals covered by this insurance contract are the Directors, Corporate Auditors (including those who are Members of the Supervisory Committee and those who served as Members of the Supervisory Committee during the fiscal year under review) and Executive Officers of 30 companies (the Company and 29 companies among its consolidated subsidiaries and equity-method affiliates). Under the terms of this insurance contract, those insured will be compensated for indemnification and legal defense costs incurred by the insured due to corporate litigation, shareholder derivative suits, etc. received in the course of their duties. For all those covered, the insurance premiums are fully borne by each company.

(4) Amount of Remuneration to Directors

1) Total remuneration, etc. related to the fiscal year under review

Category	Number of Recipients (Persons)	Amount of Remuneration (Millions of yen)	Basic Remuneration (Millions of yen)	Performance-Linked Remuneration (Yearly Incentive) (Millions of yen)	Non-Monetary Remuneration (Medium- to Long-Term Incentives) (Millions of yen)
Directors (Excluding Members of the Supervisory Committee)	9	590	189	224	176
(Of which Outside Directors)	(4)	(39)	(39)	(-)	(-)
Directors (Members of the Supervisory Committee)	4	71	71	-	-
(Of which Outside Directors)	(3)	(38)	(38)	(-)	(-)
Total	13	662	261	224	176

- (Notes)
- Of the remuneration etc. above, the amount of remuneration etc. for Directors (excluding those who are Members of the Supervisory Committee) includes the amount of performance-linked remuneration (yearly incentive) for the fiscal year under review and the amount of expenses booked for medium- to long-term incentives related to non-monetary remuneration for the Applicable Evaluation Period which includes the fiscal year under review. The amount of expenses associated with medium- to long-term incentives was calculated based on KPIs as of March 31, 2022.
 - The total amount of remuneration, etc. for Directors does not include the salaries paid as the employee portion for the Directors who also work as employees.
 - The remuneration shown above includes remuneration during the tenure of two (2) Directors (excluding those who are Members of the Supervisory Committee) and one (1) Director who is a Member of the Supervisory Committee who retired upon the conclusion of the 6th Ordinary General Meeting of Shareholders held on June 24, 2021.
 - At the 3rd Ordinary General Meeting of Shareholders held on June 21, 2018, it was resolved that the amount of monetary remuneration for Directors (excluding those who are Members of the Supervisory Committee) would be set at no more than ¥600 million per year (including no more than ¥50 million per year for Outside Directors), not including the salaries paid as the employee portion for the Directors who also work as employees. With regard to the number of persons eligible at the conclusion of said General Meeting, the number of Directors that received basic remuneration was seven (7) persons (including two (2) Outside Directors), and the number of Directors that received yearly incentives was five (5) persons (Internal Directors only).
In addition to monetary remuneration, the maximum amount of money contributed by the Company under the share-based remuneration plan is ¥400 million each target period. As Executive Officers are also eligible for medium- to long-term incentive, the number of Directors and Executive Officers eligible for this plan at the conclusion of said General Meeting was seven (7) persons (five (5) Directors (Internal Directors only) and two (2) Executive Officers who do not concurrently serve as Director).
 - At the 1st Ordinary General Meeting of Shareholders held on June 21, 2015, it was resolved that the amount of monetary remuneration for Directors who are Members of the Supervisory Committee would be set at no more than ¥90 million per year. At the conclusion of said General Meeting, the number of Directors who are Members of the Supervisory Committee was three (3) persons (including two (2) Outside Directors).

2) Policy for determining individual remuneration, etc. for Directors

<Method for determining the policy>

In order to ensure a high degree of independence, objectivity and transparency in the process for determining and managing the remuneration of executives, the Company has established the Nomination and Remuneration Advisory Committee in which Independent Outside Director Keichi Asai is Chairman, Independent Outside Director Yasuko Takayama and President, Representative Director Hiroshi Kiriyama are members, and more than half the members are Independent Outside Directors. The policy for determining individual remuneration etc. for Directors is determined by the Board of Directors after verifying its validity every term by the Nomination and Remuneration Advisory Committee.

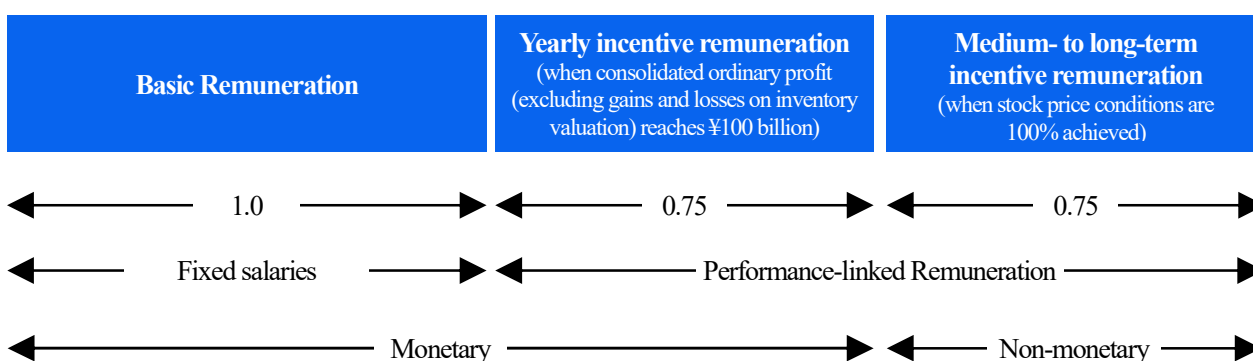
<Summary of the details of the policy>

The remuneration system for Directors (excluding Outside Directors and Members of the Supervisory Committee) is comprised of fixed salaries as basic remuneration, performance-linked remuneration (yearly incentive remuneration) that is completely linked to single-year “consolidated ordinary profit (excluding gains and losses on inventory valuation),” and non-monetary remuneration (medium- to long-term incentive remuneration) in which the number of shares to be granted varies according to the degree of achievement of performance targets etc. for three fiscal years. As for the amount of total remuneration and the composition ratios of basic remuneration, yearly incentive remuneration and medium- to long-term incentive remuneration, an “executive compensation database” operated by an outside consulting firm is used as data for analysis, and validity is verified based on an objective benchmark analysis of the latest conditions for the level and composition of Director remuneration at major domestic corporations.

In addition, the same remuneration system and mechanism are used so that all Directors (excluding Outside Directors and Members of the Supervisory Committee) of the Company can align their management perspectives and work as one to achieve management goals. In particular, for medium- to long-term incentive remuneration, the value of standard points granted in a single year is set at 75% of basic remuneration, and the remuneration system promotes all those eligible for this remuneration sharing a company-wide perspective, further raising desire to contribute and morale toward sustainably raising corporate value, and steadily strengthening alignment with the interests of shareholders through promoting shareholding. Remuneration for Outside Directors and Directors who are Members of the Supervisory Committee consists only of a set amount of basic remuneration so that they can fulfill their supervisory roles appropriately from the standpoint of individuals who are not involved in business execution. In addition, regarding the determination of individual remuneration etc. for Directors who are Members of the Supervisory Committee, it is determined through discussions among Directors who are Members of the Supervisory Committee in accordance with the provisions of Article 361, Paragraph 3 of the Companies Act.

Basic remuneration is paid each month. As for yearly incentive remuneration and medium- to long-term incentive remuneration, remuneration is paid or standard points are granted at a certain time every year.

*Reference: Diagram of remuneration system for Directors (excluding Outside Directors and Members of the Supervisory Committee)



<Reasons why the Board of Directors has determined that the details for individual remuneration, etc. of Directors are in line with the policy for determining such compensation>

Details of individual remuneration, etc. for Directors for the fiscal year under review are decided by the Board of Directors after considering the report by the Nomination and Remuneration Advisory Committee. In making the decision, the Board of Directors collected objective information that was necessary and sufficient for deliberations, given the activities of the Nomination and Remuneration Advisory Committee during the decision-making process for individual remuneration, etc. for the fiscal year under review. And it gave consideration of multiple things, including the

compatibility of the remuneration of executives with the policy for determining individual remuneration, etc. for Directors. Therefore, the Board of Directors determined that the details of individual remuneration, etc. for Directors for the fiscal year under review would be in line with the policy.

The Nomination and Remuneration Advisory Committee utilizes advice and information gathered by external consultants in relation to basic policies and systems for the executive remuneration plan, incentive remuneration mechanisms, and the content of individual remuneration amounts to Directors. Based on this and on objective information relating to executive remuneration, including recent trends in newly established plans, topics of discussion, and trends in plans at other companies, and after deliberating on the effectiveness of plans from the perspective of compatibility with the Company's vision and management strategy, the Committee then reports its findings to the Board of Directors.

3) Matters related to performance-linked remuneration, etc.

In the case of yearly incentive remuneration, Directors (excluding Outside Directors and Directors who are Members of the Supervisory Committee) receive monetary payments that vary in accordance with consolidated ordinary profit (excluding gains and losses on inventory valuation) in each fiscal year. Consolidated ordinary profit (excluding gains and losses on inventory valuation) is a standard indicator that excludes the fluctuations in inventory valuations that are characteristic of the oil industry, and has been selected as key performance indicators (KPIs) because of its widespread use when explaining the performance of the Company to internal and external stakeholders.

The actual result for consolidated ordinary profit (excluding gains and losses on inventory valuation) for the fiscal year under review was ¥160.8 billion, and the amount of payment for each individual is based on said performance and calculated based on a predetermined formula for each position.

The Company has revised the executive remuneration system from FY 2022 onward so that the annual incentive remuneration reflects evaluations of initiatives on ESG targets and individual director "performance evaluations" and "multifaceted evaluations."

4) Matters related to non-monetary remuneration (medium- to long-term incentive remuneration)

Medium- to long-term incentive remuneration is a performance-linked share-based remuneration plan (hereinafter the "Plan" in this paragraph), whereby, every year from FY2018, an incentive plan is established for an evaluation spanning three consecutive years (the "Applicable Evaluation Period").

The KPIs of the Plan are the ratio of the Company's total shareholder return (TSR) to the Tokyo Stock Price Index (TOPIX) growth rate, and the consolidated net interest-bearing debt ratio (hereinafter the "Consolidated Net D/E ratio"). The ratio of the Company's TSR to the TOPIX growth rate was chosen as a KPI because it enables the volatility in performance caused by market factors that is characteristic of the Company's business to be excluded as far as possible, and for the skill involved in creating corporate value, resulting from management efforts, to be evaluated fairly and impartially. The Consolidated Net D/E ratio was chosen as a KPI for the early achievement of the goal cited in the Sixth Consolidated Medium-Term Management Plan of achieving consistently sound financial management over the medium to long term.

For this remuneration plan which has the Applicable Evaluation Period for the three fiscal years from FY2019 through FY2021, with the fiscal year under review as the final year of the period, as of the end of March 2022, the Company's TSR to the TOPIX growth rate was 107%, and Consolidated Net D/E ratio was 1.04 times, and the number of shares granted to individual is calculated based on actual results as of the end of May 2022 according to a predetermined formula for each position.

(5) Outside Directors

Major Activities in the Fiscal Year Under Review

Title	Name	Record of Attendance		Outline of Opinions Expressed and Performance of Duties in Relation to Expected Role
		Board of Directors Meeting	Supervisory Committee Meeting	
Outside Director	Abdulla Mohamed Shadid	6 out of 7 times	—	He provided much advice regarding asset management and business management from his international perspective of the energy industry. By drawing on his wide range of experiences of management strategy in general, he provided appropriate oversight of management from a neutral standpoint as an Outside Director.
Outside Director	Ali Al Dhaheri	7 out of 8 times	—	Provided valuable advice from his international perspective of the energy industry. By drawing on his extensive experience in the oil industry, he provided appropriate oversight of management from a neutral standpoint as an Outside Director.
Outside Director	Ryuko Inoue	8 out of 8 times	—	She provided valuable advice from her experience at the Ministry of Agriculture, Forestry and Fisheries and her insights in her current roles as an attorney at law and Outside Director. In addition, as an observer for the Nomination and Remuneration Advisory Committee, she has attended meetings of the committee and fulfilled her role appropriately.

Title	Name	Record of Attendance		Outline of Opinions Expressed and Performance of Duties in Relation to Expected Role
		Board of Directors Meeting	Supervisory Committee Meeting	
Outside Director (Member of the Supervisory Committee)	Yasuko Takayama	9 out of 9 times	16 out of 16 times	By drawing on her extensive experience as an Outside Director and Outside Member of the Audit & Supervisory Board, she has provided advice based on her broad insights and without being bound by the conventions of the industry to which the Company belongs. In particular, she has provided valuable advice on customer service and ESG issues based on her professional insights and fulfilled her role of providing oversight and advice appropriately. She also expressed her opinions proactively as a member of the Nomination and Remuneration Advisory Committee.
Outside Director (Member of the Supervisory Committee)	Keiichi Asai	8 out of 8 times	13 out of 13 times	By drawing on his experience in international business, he has provided valuable advice. In particular, he provided valuable advice based on his achievements in corporate management and his abundant knowledge of the energy and chemical industries. Thus, he properly executed his role of providing oversight and advice. He also expressed his opinions proactively as Chairman of the Nomination and Remuneration Advisory Committee.

- (Notes)
1. Directors Abdulla Mohamed Shadid and Ryuko Inoue and Director (Member of the Audit and Supervisory Committee) Keiichi Asai are Outside Directors newly appointed at the Ordinary General Meeting of Shareholders in fiscal 2021, and their above activities represent their activity status since their appointment.
 2. Directors Abdulla Mohamed Shadid and Ali Al Dhaheri both resigned as Outside Directors on March 14, 2022, and their above activities represent their activity status until their resignations.

5. Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Amount of Remuneration, etc., pertaining to the Fiscal Year Under Review to Accounting Auditor

(Millions of yen)

	Amount of Remuneration
Amount of Remuneration, etc., to be Paid to the Accounting Auditor pertaining to the Fiscal Year Under Review	153
Amount of Moneys and Other Property Benefits to be Paid to the Accounting Auditor by the Company and Its Subsidiaries	369

- (Notes)
1. The audit agreement entered into by the Company and the Accounting Auditor does not clearly distinguish the amount of remuneration, etc. for audit under the Companies Act and that for audit under the Financial Instruments and Exchange Act, and those cannot be substantially distinguished from each other. Therefore, the aforementioned amount of remuneration, etc. to be paid to the Accounting Auditor pertaining to the current fiscal year indicates the total amount of these.
 2. The Supervisory Committee consented to the amount of remuneration, etc., to the Accounting Auditor after fully examining the details explained by the Accounting Auditor including the length of the audit period and personnel arrangement of the accounting audit plan for the current fiscal year, review and assessment of the audit results for the previous year, reasonableness of the status of audit by the Accounting Auditor and the basis for calculating the estimate used as an assumption for such remuneration.
 3. Our subsidiary COSMO OIL INTERNATIONAL PTE. LTD. undergoes audits by audit corporations other than the Account Auditor of the Company.

(3) Non-audit Services

Remuneration for its work in preparing the comfort letter has been paid to KPMG AZSA LLC.

(4) Guidelines for Decisions on Dismissal or Non-reappointment of Accounting Auditor

The Supervisory Committee will decide on dismissal or non-reappointment of the Accounting Auditor after comprehensively considering the independence, reliability and status of performance of duties of the Accounting Auditor as prescribed in laws and regulations or standards. The Supervisory Committee will decide on details of proposals related to the dismissal or non-reappointment of the Accounting Auditor to be submitted to a General Meeting of Shareholders, if it deems it necessary to do so, such as in cases in which performance of duties by the Accounting Auditor is hindered.

Also, the Supervisory Committee will dismiss the Accounting Auditor if it judges that any of the items stipulated in Article 340, Paragraph 1 of the Companies Act is applicable to the Accounting Auditor, based on the consent of all members of the Supervisory Committee. In this case, a member of the Supervisory Committee appointed by the Supervisory Committee will report the fact of dismissal and the reasons thereof at the first General Meeting of Shareholders convened after the dismissal.

6. Basic Policies on Internal Control Systems

(1) Basic Policies on Internal Control Systems (As of March 31, 2022)

In order to put into practice the Cosmo Energy Group Vision and code of conduct, and to execute duties appropriately and efficiently, the following basic policies on internal control systems have been established, by the resolution of the Board of Directors, with respect to the preparation of a system for execution of duties by Directors and employees, etc. of the Company and its group companies, system for risk management and internal auditing to support it, and a system to ensure effective auditing by the members of the Supervisory Committee.

Group companies constitute the group of enterprises consisting of the Company and a group of subsidiaries represented by its core business companies (COSMO OIL COMPANY, LIMITED, COSMO OIL MARKETING COMPANY, LIMITED, and Cosmo Energy Exploration & Production Co., Ltd.) and semi-core business company (Maruzen Petrochemical Company, Limited).

1) System to Ensure that Execution of Duties by Directors and Employees of the Company and its group companies is in Compliance with Laws and Regulations, and Articles of Incorporation (Article 399-13, Paragraph 1, Item 1, c of the Companies Act, Article 110-4, Paragraph 2, Item 4 and Item 5, d of the Ordinance for Enforcement of the Companies Act)

<Group Vision and Code of Conduct>

- The Company will formulate the “Cosmo Energy Group Vision” based on the mission as a company and responsibilities the Company assumes to society, and will establish the “Cosmo Energy Group Code of Conduct” as a specific guideline to promote and achieve this Vision.

<Corporate Governance>

- The Company is a company with a supervisory committee and will strengthen the management oversight function of the Board of Directors and ensure transparency and fairness of management judgment by appointing several Outside Directors. The Board of Directors will determine important matters in accordance with laws and regulations, the Articles of Incorporation, the resolution thereof and internal rules, and oversee the execution of duties of Directors.
- The Company is a holding company, and its structure consists of three core business companies and semi-core business company. To quickly conduct business execution in response to any change in the business environment, the Company will delegate authority and responsibilities to the core business companies and semi-core business company, and facilitate speedy decision-making on important management matters such as development of growing businesses and nurturing of a safety-oriented workplace culture.
- In order to promote sound business activities of the Company and group companies, the Company will establish the Sustainability Strategy Council chaired by the President and CEO to supervise overall sustainability activities and internal controls and determine non-financial policies and indicators. The Sustainability Strategy Committee shall submit important decisions and reports to the Board of Directors.

<Separation of Execution of Duties and Supervision>

- The Company will introduce an Executive Officer System that separates the execution of duties from their supervision to enhance the supervisory function of the Board of Directors.

<Enhancement of Internal Audit>

- The Company will establish a rule for a system to ensure effective implementation of internal audits, and implement audits that possess high level of expertise and sense of ethics by the Internal Auditing Office.

<Compliance>

- The Company will provide the Cosmo Energy Group Corporate Ethics Consultation Helpline (a corporate ethics helpline) both inside and outside the Company that enables its employees to report a legal violation or a violation of internal rules, etc., by the Company or the group companies and any matter concerning corporate ethics to thoroughly carry out legal compliance and foster and heighten ethical standards.
- The Company will place a Sustainability Promotion Officer (president of group company) at each group company and hold a Sustainability Liaison Meeting to promote initiatives of the Company and the group companies for corporate ethics.

<Stance Against Anti-Social Forces>

- The Company and the group companies will never have any relationship with anti-social forces or groups that are a menace to social order and safety, and will not give favors of any sort.

2) Rules and Other Systems concerning Management of Risk of Loss in the Company and its group companies (Article 110-4, Paragraph 2, Item 2 and Item 5b of the Ordinance for Enforcement of the Companies Act)

- The Company will determine basic matters with regard to risk management such as crisis management (establishment of Risk Management Rules and Crisis Management Rules), and through the Sustainability Strategy Committee and the Sustainability Committee, it will conduct assessment and reexamination of various risks facing the business activities and take proper measures.
- The Board of Directors will oversee whether measures for major risks and crisis control that are reported by the Sustainability Strategy Committee are effectively implemented.
- The Company and the group companies will take prompt and proper measures such as establishing Crisis Response Headquarters, etc., at times of crisis and provide information outside the Company on a timely and appropriate manner while minimizing damage.

3) Systems to Ensure Efficient Execution of Duties by Directors of the Company and its group companies (Article 110-4, Paragraph 2, Item 3 and Item 5c of the Ordinance for Enforcement of the Companies Act)

- The Company will hold a meeting of the Board of Directors in accordance with the Board of Directors Meeting Rules or as required when any important matter comes up, and determine matters stipulated by laws and regulations and the Articles of Incorporation and other important matters concerning management such as management policy.
- The Company will hold a meeting of the Executive Officers' Committee in accordance with the Executive Officers' Committee Rules or as required when any important matter comes up. The Executive Officers' Committee is a decision-making organization that discusses the basic policy and important matters for business execution based on the management policy determined by the Board of Directors.
- The Company will ensure effective execution of duties in response to a change in the management environment by establishing a system for sharing responsibilities for business execution based on the Rules for Duties that stipulate the organizational body, office organization, reporting line and segregation of duties as well as the Rules for Job Authorization that stipulate basic matters concerning management of the decision-making system.
- The Company will formulate a management plan and clarify objectives to be achieved given the management policy of the Company and the group companies while determining an annual plan based on such plan and implement performance management of the Company and the group companies.
- The Company shall require the group companies to build a system necessary for efficient execution of duties of Directors, etc., in reference to the Company's system or based on organizations of the group companies.

4) System with regard to Information Retention and Management pertaining to Execution of Duties by Directors (Article 110-4, Paragraph 2, Item 1 of the Ordinance for Enforcement of the Companies Act)

- In accordance with the internal rules with respect to information management, such as Board of Directors Meeting Rules and Information Management Rules, etc., the Company shall properly retain and manage information pertaining to execution of duties by Directors.
- The Company will build an information security system for proper information use and management.

5) System to Report Matters concerning Execution of Duties of Directors, etc. of the Group Companies to the Company (Article 110-4, Paragraph 2, Item 5a of the Ordinance for Enforcement of the Companies Act)

- The Company shall regularly hold a meeting with the group companies concerning overall management thereof to

share important information, and shall approve or receive a report on the execution of important businesses of the group companies based on their regulations for management.

- The Company will require the group companies to report the progress of various measures and improve or review such measures (action plans set by the Sustainability Strategy Committee) based on the Consolidated medium-term sustainability management plan the Company establishes.

6) Matters concerning Employees Assisting the Duties of Supervisory Committee, Matters concerning Independence of Employees from Directors Other Than Members of Supervisory Committee and Matters concerning Securing of Effectiveness of Orders to the Relevant Employees (Article 110-4, Paragraph 1, Item 1, Item 2 and Item 3 of the Ordinance for Enforcement of the Companies Act)

- The Company will place dedicated staff who assist the duties of Supervisory Committee and support execution thereof.
- The Company shall obtain approval from Supervisory Committee concerning selection, transfer and change of treatment of employees assisting the duties of such Committee.
- The authority to give instructions and commands to employees assisting the duties of members of the Supervisory Committee will be held by the Supervisory Committee.

7) Systems for Reporting to the Supervisory Committee (Article 110-4, Paragraph 1, Item 4 of the Ordinance for Enforcement of the Companies Act)

- Directors and employees of the Company and its group companies shall report to the Supervisory Committee on statutory matters and (1) material matters that affect the management and results of the Company and its group companies, (2) overview of activities of Internal Auditing Office, Corporate Auditors and Audit Offices of the group companies, (3) overview of activities with respect to internal controls of the Company and its group companies, and (4) status of operation at the Cosmo Energy Group Corporate Ethics Help Line.
- When there is a report to the Cosmo Energy Group Corporate Ethics Helpline, it shall be reported to Supervisory Committee without delay.
- The Directors and employees, etc. of the Company and the group companies will respond swiftly and appropriately when they are requested by the Supervisory Committee to report on a matter regarding business execution or other important matter.

8) System for Ensuring a Person Reporting to the Supervisory Committee Does Not Receive Unfair Treatment Due to Making that Report (Article 110-4, Paragraph 1, Item 5 of the Ordinance for Enforcement of the Companies Act)

- The Company prescribes the rule and will respond appropriately to ensure unfair treatment is not given to any Director or an employee, etc. of the Company and the group companies, due to the making of a report to the Supervisory Committee.

9) Procedures for Advanced Payment or Reimbursement of Costs, and Policies for Treatment of Other Costs or Obligations Incurred through the Performance of Duties by Members of the Supervisory Committee (Article 110-4, Paragraph 1, Item 6 of the Ordinance for Enforcement of the Companies Act)

- Costs recognized as necessary for the performance of duties by members of the Supervisory Committee will be budgeted and when there is a claim for such payment in advance, a swift response will be given to such claims except in the cases when such claims are inappropriate.
- Costs for the expenses of emergencies or extraordinary events related to the Supervisory Committee will be met by responding to a subsequent claim for reimbursement.

10) Other Systems for Ensuring Audits of the Supervisory Committee are Performed Effectively (Article 110-4, Paragraph 1, Item 7 of the Ordinance for Enforcement of the Companies Act)

- The Audit Standard and Audit Implementation Plan decided by the Supervisory Committee will be respected and

cooperation will be given to ensure a smooth execution of audit and preparation of audit environment.

- Meetings among the members of the Supervisory Committee, the President, primary departments and office managers, and Audit & Supervisory Board Members of the group companies will be held on regular basis to prepare systems to ensure audit effectiveness.
- Sufficient collaboration among the Internal Auditing Office, the Accounting Auditor, and the Supervisory Committee shall be promoted.

(2) Outline of the Status of Operation of the Basic Policies on Internal Control Systems

In order to put into practice, the Group Vision and code of conduct of the Cosmo Energy Group, and to execute duties appropriately and efficiently, an auditing system has been established and put into operation based on the basic policies on internal control systems, with respect to the execution of duties by Directors and employees, etc. of the Company and its group companies, risk management and internal auditing, and the Supervisory Committee. Furthermore, the Company has established the Sustainability Strategy Committee chaired by the President and Group CEO to supervise internal controls, assess the performance and activities of the Consolidated medium-term sustainability management plan, and report to the Board of Directors significant matters. In the fiscal year under review, significant matters were regularly reported to the Board of Directors. Moreover, control was implemented in all of the Group companies through the sharing of these details with the Group companies at the Cosmo Energy Group Sustainability Liaison Meeting.

1) Status of Operation of System to Ensure Appropriateness of Businesses

- The Company held nine meetings of the Board of Directors and 20 meetings of the Executive Officers' Committee in accordance with internal rules. The Board of Directors discussed and determined the basic policy and important matters concerning business management of the Group in addition to matters stipulated by laws and regulations and the Articles of Incorporation while the Executive Officers' Committee discussed and determined the basic policy and important matters concerning business execution.
- In an attempt to foster ethical standards widely across the Group, the Company provided individual training by corporate ethics e-learning to all Cosmo Energy Group employees and deepened the understanding toward the Code of Conduct. The Company continually implemented consistent contents throughout the year, including issuing an e-mail based magazine, conducting an employee awareness survey, appropriately managing working time, and creating a workplace that respects diversity, and raised the level of awareness of corporate ethics and human rights among employees. The Company also provided the Cosmo Energy Group Corporate Ethics Consultation Helpline (a corporate ethics helpline) both inside and outside the Company (at law firm) as a system to consult or report under anonymity any legal or ethical issue encountered during business operation, and the Harassment Consultation Helpline was established outside the Group for the purpose of preventing mental health disorders and resolving issues in workplace quickly through effects such as a sense of sympathy and security gained by counseling provided by outside specialists.

2) Status of Operation concerning Management of the Risk of Loss

Being strongly committed to the stable supply of energy, the Group advocates "strengthening corporate governance structure" as a materiality with respect to risk under the Consolidated medium-term sustainability management plan (FY2018-FY2022). We have intentionally incorporated "risk management" as a priority issue and set targets and KPIs to enhance the governance structure. The Sustainability Strategy Committee promoted group-wide risk and safety management activities including discussions on risks and safety policies relevant to the entire Group, and checking of progress of risk prevention initiatives and safety activities. The Committee implemented initiatives to enhance risk management of the entire Group by checking the progress of measures for FY2021 "CEG Priority Risks (Cosmo Energy Group Priority Risks)" that identify cross-group risks and define matters to be dealt with preferentially and by carrying out BCP drills at the Provisional Crisis Response Headquarters to cope with a Tokyo Inland Earthquake and other major earthquakes. During the fiscal year under review, three ordinary committee meetings were held, and the safety management activities of Group companies were confirmed and improved.

3) Status of Operation concerning System for Ensuring Audits of the Supervisory Committee is Performed Effectively

- To ensure the Supervisory Committee's performance of its duties is effective, in addition to members of the Supervisory Committee attending important meetings of the Executive Officers' Committee and the Group Strategy Committee, etc., and coordination with Audit & Supervisory Board Members of each company of the Group, we carried out coordination between the Internal Audit Department and the Accounting Auditor.
- Furthermore, to ensure the Supervisory Committee's audits are carried out in an effective manner, we assigned appropriate assistant employees in accordance with the basic policies for Internal Control Systems. In addition, we provided necessary and adequate information to the Supervisory Committee such as the documents for resolution,

minutes, and documents to be approved from the meetings, etc., that members of the Supervisory Committee do not attend.

4) Status of Operation concerning Business Management of the Group Companies

The Group, for the purpose of ensuring proper group governance based on the holding company structure, developed internal rules such as the Rules for Management of Subsidiaries and Affiliated Companies and the Rules for Job Authorization that stipulate matters concerning the oversight authority of the Company and the Group. Accordingly, the Company and the group companies discussed and approved important management matters of the respective affiliated companies and were briefed on the results as appropriate.

Consolidated Balance Sheet
Fiscal Year 2021 (As of March 31, 2022)

(Unit: million yen)

Item	Amount	Item	Amount
Assets	<u>1,938,408</u>	Liabilities	<u>1,354,437</u>
Current assets	867,983	Current liabilities	954,675
Cash and deposits	80,328	Notes and accounts payable - trade	325,780
Notes receivable - trade	2,635	Short-term loans payable	195,485
Accounts receivable - trade	280,050	Current portion of convertible bond-type bonds with share acquisition rights	60,000
Merchandise and finished goods	166,942	Commercial papers	82,300
Work in process	58	Accounts payable - other	102,254
Raw materials and supplies	209,023	Accrued volatile oil and other petroleum taxes	84,457
Accounts receivable - other	66,055	Income taxes payable	33,457
Other	62,928	Accrued expenses	3,434
Allowance for doubtful accounts	-40	Provision for bonuses	8,926
Non-current assets	1,070,369	Provision for directors' bonuses	867
Property, plant and equipment	846,616	Other	57,713
Buildings and structures, net	241,907	Non-current liabilities	399,761
Oil storage depots, net	35,755	Bonds payable	3,000
Machinery, equipment and vehicles, net	200,511	Long-term loans payable	242,873
Land	315,353	Deferred tax liabilities	40,801
Leased assets, net	2,384	Deferred tax liabilities for land revaluation	5,107
Construction in progress	40,105	Provision for special repairs	37,560
Other, net	10,598	Provision for environmental measures	864
Intangible assets	44,185	Net defined benefit liability	2,879
Software	11,102	Provision for executive remuneration BIP trust	1,360
Other	33,083	Asset retirement obligations	22,621
Investments and other assets	179,566	Other	42,690
Investment securities	118,719	Net assets	<u>583,971</u>
Long-term loans receivable	802	Shareholders' equity	464,318
Long-term prepaid expenses	2,953	Capital stock	40,000
Net defined benefit asset	5,081	Capital surplus	82,843
Cost recovery under production sharing	1,322	Retained earnings	343,377
Deferred tax assets	42,858	Treasury shares	-1,902
Other	8,126	Accumulated other comprehensive income	-8,118
Allowance for doubtful accounts	-298	Valuation difference on available-for-sale securities	4,610
Deferred assets	56	Deferred gains or losses on hedges	-536
Bond issuance cost	56	Revaluation reserve for land	-21,139
		Foreign currency translation adjustment	7,691
		Remeasurements of defined benefit plans	1,255
		Non-controlling interests	127,771
Total assets	1,938,408	Total liabilities and net assets	1,938,408

Consolidated Statements of Income

Fiscal Year 2021(From April 1, 2021 to March 31, 2022)

(Unit: million yen)

Item	Amount	
I Net sales		2,440,452
II Cost of sales		2,061,600
Gross profit		378,852
III Selling, general and administrative expenses		143,548
Operating profit		235,303
IV Non-operating income		
Interest income	157	
Dividend income	798	
Rent income on non-current assets	1,141	
Share of profit of entities accounted for using equity method	2,650	
Other	2,900	7,648
V Non-operating expenses		
Interest expenses	6,402	
Foreign exchange losses	1,243	
Other	2,208	9,854
Ordinary profit		233,097
VI Extraordinary income		
Gain on sales of non-current assets	305	
Gain on sales of investment securities	796	
Subsidy income	1,339	
Insurance income	2,012	
Other	549	5,003
VII Extraordinary losses		
Loss on sales of non-current assets	123	
Loss on disposal of non-current assets	11,313	
Impairment loss	12,232	
Loss on valuation of investment securities	2,829	
Other	9	26,507
Profit before income taxes		211,593
Income taxes - current	62,410	
Income taxes - deferred	4,115	66,525
Profit		145,067
Profit attributable to non-controlling interests		6,177
Profit attributable to owners of parent		138,890

Consolidated Statements of Changes in Equity
Fiscal Year 2021 (from April 1, 2021 to March 31, 2022)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2021	40,000	82,843	211,977	-2,019	332,802
Cumulative effects of changes in accounting policies			-714		-714
Restated balance	40,000	82,843	211,263	-2,019	332,087
Changes of items during the period					
Dividends of surplus			-6,781		-6,781
Profit attributable to owners of parent			138,890		138,890
Purchase of treasury shares				-0	-0
Disposal of treasury shares				117	117
Change of scope of equity method			-2		-2
Reversal of revaluation reserve for land			7		7
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	132,113	116	132,230
Balance at March 31, 2022	40,000	82,843	343,377	-1,902	464,318

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2021	4,938	-85	-21,123	5,873	2,540	-7,855	124,173	449,120
Cumulative effects of changes in accounting policies								-714
Restated balance	4,938	-85	-21,123	5,873	2,540	-7,855	124,173	448,405
Changes of items during the period								
Dividends of surplus								-6,781
Profit attributable to owners of parent								138,890
Purchase of treasury shares								-0
Disposal of treasury shares								117
Change of scope of equity method								-2
Reversal of revaluation reserve for land			-7			-7		—
Net changes of items other than shareholders' equity	-327	-450	-8	1,817	-1,285	-255	3,597	3,342
Total changes of items during the period	-327	-450	-16	1,817	-1,285	-262	3,597	135,565
Balance at March 31, 2022	4,610	-536	-21,139	7,691	1,255	-8,118	127,771	583,971

Notes to Consolidated Financial Statements

In the consolidated balance sheet, consolidated statements of income and consolidated statements of changes in equity of Cosmo Energy Holdings Co., Ltd. (the "Company") represented in the million yen unit, figures less than 1 million yen are rounded down.

(Notes concerning Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements)

1. Items concerning the Scope of Consolidation for Reporting

(1) Number of Consolidated Subsidiaries: 33

Name of major consolidated subsidiaries: Cosmo Energy Exploration & Production Co., Ltd.
Cosmo Oil Co., Ltd.
Cosmo Oil Marketing Co., Ltd.
Abu Dhabi Oil Co., Ltd.
Maruzen Petrochemical Co., Ltd.

Wakkanai Wind Power Co., Ltd., which was a consolidated subsidiary in FY2020, was excluded from the scope of consolidation due to the completion of liquidation at FY2021.

(2) Name of major non-consolidated subsidiaries: Osadano Gas Center Co., Ltd.

Reason for exclusion from accounting consolidation:

13 subsidiaries of the Company were excluded from its consolidated subsidiaries because they are small businesses and their respective total assets, net sales, and profit/loss attributable to owners of parent and retained earnings (both amounts equivalent to what is accounted for under the equity method) have no material impact on the consolidated financial statements.

2. Items concerning the Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for Using the Equity Method: 13

Name of major subsidiaries: Osadano Gas Center Co., Ltd.

SAKURABASHI CO. LTD. and Road Shizai Co., Ltd. which applied the equity method were excluded from the scope of associated companies in FY2021, since it was merged by Cosmo Oil Sales Corp., Ltd. which is the consolidated subsidiaries.

ABU DHABI ENTERPRISES CO. LTD and A.D.MARINE,INC. were excluded from the scope of associated companies due to the completion of liquidation at FY2021.

(2) Number of Associated Companies Accounted for Using the Equity Method: 12

Name of major associated companies: Hyundai Cosmo Petrochemical Co.,Ltd., United Petroleum Development Co., Ltd., GYXIS CORPORATION, Kygnus Sekiyu K.K.

Since Chiba Arkon Production Limited. became more material during this fiscal year, it was included in the scope of equity method.

(3) Major Business Entities of Associated Companies Not Accounted for Using the Equity Method:

Ogishima Oil Terminal Co., Ltd., Kasumi Sanbashi Kanri Co., Ltd.

Reasons for Exclusion from the Application of the Equity Method:

The equity method does not apply to the above associates because their profit/loss attributable to owners of parent and retained earnings (both amounts equivalent to what is accounted for under the equity method) have little impact on the consolidated financial statements on an individual basis, nor have any material impact on them on an aggregate basis.

(4) Special Remarks Necessary to Make concerning the Procedures of the Application of the Equity Method:

As for the subsidiaries and associates which are subject to the application of the equity method and which have different accounting periods from that of the Company, such business entities' financial statements for their accounting periods are used for reporting herein.

3. Items concerning the Accounting Periods of the Consolidated Subsidiaries

Of the 33 consolidated subsidiaries, 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 adopt a fiscal year ending December 31.

The consolidated financial statements herein have been developed by using their financial reports as of December 31, 2021 and any material transactions arising between end of their fiscal year and consolidated fiscal year, the date for the consolidated settlement of accounts for the Company, are reflected on the consolidated financial statements herein by making necessary adjustments.

4. Items concerning the Accounting Policies

(1) Significant Asset Valuation Standards and Methods

1) Securities:

Other securities:

- Securities except non-marketable securities:

Stated at fair value (in which all differences between the carrying amounts and the fair values are reported as a separate component of net assets, while the cost of securities sold is calculated by the moving average method)

- Non-marketable securities:

Stated at cost determined by the moving average method

2) Inventories:

Principally stated at cost determined by the weighted average method (however, the amounts of inventories stated in the balance sheet were computed by using the method that book values are reduced to reflect declines in profitability)

3) Derivative financial instruments:

Stated at fair value

(2) Significant Depreciable Assets and Depreciation Methods

1) Property, Plant and Equipment (except leased assets):

The straight line method is mainly adopted to calculate depreciation expenses for these asset items. The number of years of their useful lives and their residual value is calculated based on the criteria defined under the Corporation Tax Law of Japan. However, the number of years of useful lives of the machinery and equipment, structures and Oil storage depots, of the property, plant and equipment owned by Cosmo Oil Co., Ltd., a consolidated subsidiary of the Company, is calculated based on the number of years of their economic useful lives, which better reflect their use status respectively and the economic useful life of 15 years is adopted for the Cosmo Oil Property Service Corporation's service stations by taking their actual past performances into consideration. As for Abu Dhabi Oil Co., Ltd., a consolidated subsidiary of the Company, adopts the number of years for useful life as defined in the concession agreements and economic useful life by taking into account the durability and other conditions of the assets currently owned. As for Cosmo Eco Power Co., Ltd., a consolidated subsidiary of the Company, and its subsidiaries, an economic useful life of 20 years is mainly adopted for the wind power plant operated by them.

2) Intangible Assets (except leased assets):

The straight line method is mainly adopted to calculate depreciation expenses for these asset items. The number of years of their useful lives is calculated based on the criteria defined under the Corporate Income Tax Law of Japan, providing that amortization expenses for the software used by the Company is calculated on the straight line method over the period of its availability in-house (5 years).

3) Leased Assets:

Leased assets involving finance lease transactions under which the ownership of the leased assets is transferred to lessees:

The method to calculate depreciation expenses for such assets is the same as that applied to non-current assets owned by the Company.

Leased assets involving finance lease transactions under which the ownership of the leased assets is not transferred to lessees:

The method to calculate depreciation for such assets is the straight line method with their residual values being zero over their leased periods used as the number of years for useful life.

Out of finance lease transactions other than those under which the ownership of the leased assets is considered to be transferred to lessees, such transactions, of which the lease term each commenced before the initial year of the application of the ASBJ Statement No. 13 "Accounting Standards for Lease Transactions", are continuously accounted for in conformity with the accounting process applicable to operating lease transactions.

4) Long-term Prepaid Expenses:

The equal installment method is adopted to calculate depreciation expenses for these account items over the period defined under the Corporate Income Tax Law of Japan.

(3) Accounting Process Applied to Deferred Assets

Bond Issuance Cost:

The cost for bond issuance is amortized in the straight line method over the bond redemption period.

(4) Standards for Recording Significant Allowance/Provisions

1) Allowance for doubtful accounts

An estimated amount of irrecoverable debts is set aside against any potential losses on the failure to collect the accounts receivable.

- | | |
|---|---|
| a. Ordinary accounts receivable: | The amount of allowance calculated at the actual ratio of bad debts |
| b. Highly doubtful receivables and claims in bankruptcy and reorganization, etc.: | The amount of allowance calculated based on the evaluation of financial situations of individual accounts involved. |

2) Provision for special repairs

As for certain consolidated subsidiaries, a provision is set aside to cover expenses arising from the inspection and repairs of the oil tanks and machine equipment in refineries subject to the open regular inspection in compliance with the Fire Service Act, and an amount equal to the estimated cost of periodically required repairs was added to the provision for current fiscal year.

3) Provision for environmental measures

The Company recorded the estimated amount of a provision to cover expenses to treat the PCB waste in accordance with the Law Concerning Special Measures Against Polychlorinated Biphenyl Waste.

4) Provision for bonuses

In preparation for the payment of bonuses to employees etc., the amount to be paid in the fiscal year under review is posted based on the amount estimated to be paid.

5) Provision for directors' bonuses

In preparation for the payment of bonuses to directors, the Company and certain consolidated subsidiaries post the amount to be paid in the fiscal year under review based on the amount estimated to be paid.

6) Provision for Executive Remuneration Board Incentive Plan Trust

In preparation for the granting of shares in the Company to the Company's Directors (excluding Outside Directors and members of the Supervisory Committee) and Executive Officers, and certain consolidated subsidiaries' Directors (hereinafter "the Directors etc."), provision is posted based on the value of shares estimated to be granted in accordance with points allocated to the Directors etc. under the share granting rules.

(5) Standards for Recording Significant Revenue and Cost

The Company mainly offers products in the Petroleum business, Petrochemical business, Oil exploration and production business, Renewable energy business and others.

The Company recognizes revenue, once the customer obtains control of the products and the Company satisfies a performance obligation. This occurs when the product stated in the contract is delivered to the customer. The Company also recognizes revenue at the time of shipping in accordance with the alternative treatment.

(6) Method for significant hedge accounting

1) Method for hedge accounting

Deferred hedge accounting is applied. Special accounting treatment has been adopted for interest rate swap contracts, which meet accounting requirements.

2) Hedging instruments and hedged items

Exchange rate

Hedging instruments: Forward exchange rate contracts, exchange rate option contracts

Hedged items: Forecasted transactions denominated in foreign currencies

Interest rate

Hedging instruments: Interest rate swap contracts

Hedged items: Loans payable

Commodity

Hedging instruments: Crude oil and product swap contracts, Crude oil and product forward contracts

Hedged items: Transactions in crude oil and product

3) Hedging policy

The Group hedge risks in a certain range, for currency exchange rate fluctuations, interest rate fluctuations and commodity price fluctuations, in accordance with their internal management regulations, which provide authority and limits for transaction amounts.

4) Evaluation of effectiveness of hedging transactions

The assessment of hedge effectiveness is examined every half year by, comparing the change in market price or cumulative changes in cash flows, from the hedged items and instruments. However, the evaluation of interest swap contract which adopt the special accounting treatment, is omitted.

(Hedge accounting for which the “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” is applied)

Of the above hedged items, the Group has applied the special treatment defined in “Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (Practical Issues Task Forces No.40; September 29, 2020) to all hedge related items included in the applicable scope of this Practical Solution. The details of the hedge related items to which this Practical Solution is applied, are as follows.

- a. Method of hedge accounting: Special accounting treatment
- b. Hedging instruments: Interest rate swap transactions
- c. Hedged items: Loans payable
- d. Type of Hedge transaction: Transactions which fix the cash flows

(7) Other Important Items Necessary to Develop Consolidated Financial Statements

1) Accounting Process for Cost Recovery under Production Sharing

Some of its consolidated subsidiaries account for development and other related costs spent under the production sharing agreements. After the inception of crude oil production, they recover these costs by receiving products under the same agreements. They are stated in the "Cost Recovery under Production Sharing" item of the "Investments and other assets" account on the consolidated balance sheet herein.

2) Application of the consolidated tax payment system

The consolidated tax payment system is applied.

3) Accounting for corporate and local income taxes or tax effect accounting related to these taxes.

The Company and some of its domestic subsidiaries will apply consolidated taxation system to group tax sharing system from FY2022. In addition, for accounting and disclosure related to tax effect accounting for corporate and local income taxes, "Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Forces No. 42, August 12, 2021) has been applied from the end of the FY2021.

As consolidated taxation system is applied in FY2021, accounting treatment and disclosure regarding corporate and local income taxes are in accordance with "Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (Practical Issues Task Forces No. 5, February 16, 2018) and "Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (Practical Issues Task Forces No. 7, February 16, 2018).

4) Standards for Recording Net defined benefit liability

"Net defined benefit liability" is recorded at an estimated amount of projected benefit obligation after deducting the fair value of pension assets as of the end of the current fiscal year to cover retirement and severance benefits payable to employees.

Past-service costs are recognized as an expense item at an amount prorated in the straight line method over a certain number of years (10 years) within the average of the remaining years of service to be performed by the employees at the time of accrual. Actuarial gains and losses are primarily recognized in expenses as an amount prorated in the straight line method over a certain number of years (8 - 10 years), which is within the average of the estimated remaining years of service to be performed by the employees at the time of accrual, commencing with the consolidated fiscal year following the accrual time.

Unrecognized actuarial gains and losses and past-service costs are recognized as "Remeasurements of defined benefit plans" in accumulated other comprehensive income of net assets in the balance sheets after adjusting for tax effects.

The liabilities of employee retirement benefits, which is expected employee retirement benefits attribute to the end of the financial year, is calculated by a method using a benefit formula.

5) Accounting treatment of trust beneficiary rights to trusts whose trust assets are land

With respect to trust beneficiary rights to trusts whose trust assets are land owned by some of its consolidated subsidiaries, the Company records all asset and liability accounts in the trust assets and all revenues and expenses arising from the trust assets in relevant account items on its consolidated balance sheet and consolidated statement of income.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29 issued on March 31, 2020; hereinafter, “Accounting Standard for Revenue Recognition”), etc. from the beginning of the consolidated fiscal year, and recognizes revenue in the amount expected to be received in exchange for promised goods or services when the control of those goods or services is transferred to customers. As a result, the Company has changed its accounting method for exchange transactions of petroleum products with similar characteristics and values.

The Company has implemented the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policies prior to the beginning of the consolidated fiscal year is added to or deducted from retained earnings at the beginning of the consolidated fiscal year and the new accounting policies have been applied to the balance from the beginning of the consolidated fiscal year. However, the company has implemented the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition and the new accounting policy has not been applied retroactively to contracts for which almost all revenue amounts had been recognized prior to the beginning of the consolidated fiscal year in accordance with previous treatment.

As a result of the application, net sales decreased by ¥654,126 million, cost of sales decreased by ¥652,774 million, selling, general and administrative expenses decreased by ¥1,180 million, operating profit decreased by ¥172 million, and ordinary profit and profit before income taxes increased by ¥410 million each during the consolidated fiscal year. In addition, as a result of reflecting the cumulative effect to the net asset at the beginning of FY2021, the balance of retained earnings at the beginning of the consolidated fiscal year decreased by ¥714 million.

Impact for per-share information is described in the relevant part.

"Notes and accounts receivable-trade" which had been presented as "Current assets" in consolidated balance sheet of previous fiscal year is presented as “Notes receivable-trade”, “Accounts receivable-trade”, and “Others" from the consolidated fiscal year, due to the application of Accounting Standard for Revenue Recognition.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30 issued on July 4, 2019; hereinafter, “Fair Value Measurement Accounting Standard”), etc. from the beginning of the consolidated fiscal year. In accordance with the transitional treatment provided for in paragraph 19 of Fair Value Measurement Accounting Standard and paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No.10 issued on July 4, 2019), the Company has applied the new accounting policies prescribed by Fair Value Measurement Accounting Standards, etc. prospectively. However, the impact on the consolidated financial statements was immaterial.

In addition, Fair value of Financial Products is noted in Notes to Financial Products.

(Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates)

Previously, some of the consolidated subsidiaries mainly used the declining balance method (excluding buildings acquired in and after April 1998 and facilities attached to buildings, structures and oil tanks acquired in and after April 2016, which were depreciated by the straight-line method) to calculate depreciation of property, plant and equipment (excluding leased assets).

However, the depreciation method was changed to the straight-line method from the consolidated fiscal year.

Since large-scale capital investment is expected to complete in and after FY2020, we reconsidered the method of depreciation. As the long term and stable operation of production facility and constant return on investment are expected, we concluded that the straight-line method is more appropriate.

As a result of this change, in comparison with the previous method, operating profit, ordinary profit and profit before income taxes increased by ¥1,940 million during the consolidated fiscal year.

(Notes to Accounting Estimates)

1. Recoverability of Deferred Tax Assets

Recoverability of deferred tax assets are reviewed annually and recognized to the extent of unused tax losses and deductible temporary differences which are deemed to reduce the amount of tax in the future.

The Group recorded deferred tax assets of ¥42,858 million in the consolidated balance sheet and the amount before offsetting by deferred tax liabilities is ¥67,782 million. The Group adopted the consolidated taxation system. The amount of deferred tax assets before offsetting by deferred tax liabilities of the consolidated taxable entity (hereinafter “the consolidated taxable group”) that the Company is a consolidated parent entity is ¥42,404 million, which is high percentage in the consolidated basis.

Significant tax losses of the consolidated taxable group were generated and expired in the past. However, the Group recorded deferred tax assets because the significant tax losses were caused by non-recurring matters. Also, the Group deems to gain taxable income before temporary differences which we are expected to generate over multiple years in the future considering the progress of the Consolidated Medium-Term Management Plan and taxable income or tax loss trends of the current year and the past.

The Group estimates taxable income before temporary differences through considering the assessment of the impact of uncertainties based on the budget prepared by the Group. In setting key assumptions, we have assumed that the budget assumptions prepared by the Group will continue, despite the current surge in crude oil prices due to uncertainty over the global situation, including Russia's invasion of Ukraine. We assume that domestic demand will be based on medium- to long-term demand forecasts as of March 2022, and domestic market conditions will remain stable. In addition, we expect to maintain high operating rates at our refineries by securing sales volumes in excess of production volumes.

Our management deems that the accounting estimates related to the recoverability of deferred tax assets are reasonable and the amounts of deferred tax assets is appropriate. However, since these estimates contain unpredictable uncertainties, it is probable that these estimates will be changed and reversal of deferred tax assets may occur on or after the next fiscal year.

2. Assessment of Cost Recovery Under Production Sharing

Cost recovery under production sharing is development and other related costs spent under the production sharing agreements with the Qatari government. After the commencement of production, the amount invested under the contract is recovered. The amount in the consolidated balance sheet is ¥1,322 million, which has not been recovered yet. If cost recovery under production sharing is considered to be impaired, we deem whether it is necessary to recognize impairment loss or not by comparing the carrying amount to the aggregate amount of the undiscounted future cash flows from the assets. If the assessment indicates that impairment loss is necessary, the carrying amount is reduced to the recoverable amount, and the reduction of the carrying amount is recognized as impairment loss. In FY2021, an impairment loss of ¥10,849 million for Cost recovery under production sharing was recorded in the consolidated statement of income.

In FY2021, volume of production was lower than expected due to the malfunction of production facilities. As the expiration date of the production sharing contract (December 2022) approaches, the Company examined the details of the proposal for an extension of the contract in consideration of the current production status, and as a result, uncertainty of continuing the business has risen, and an impairment loss of 10,849 million yen was recorded. Estimates of future cash flows used in the assessment of impairment loss were based on the following year's budget prepared by our management and the business plan prepared in the end of FY2021 which the impact of uncertainties were adjusted, with key assumptions for production periods, crude oil production and crude oil prices.

Our management deems that the accounting estimates related to the cost recovery under production sharing are reasonable and the amount of cost recovery under production sharing is appropriate. However, since these estimates contain unpredictable uncertainties, it is probable that these estimates will be changed and impairment loss of these assets may be recognized on or after the next fiscal year.

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation for property, plant and equipment	¥1,107,618 million
2. Pledged Assets	
(1) Breakdown of Assets Pledged as Collateral and Amounts thereof:	
Property, plant and equipment	¥123,200 million
Cash and deposits	¥40,087 million
Accounts receivable-trade	¥11,741 million
Investment securities (Note)	¥1,817 million
(Note) ¥1,817 million of the investment securities were pledged as property guarantees to secure the borrowings of the investee of Cosmo Eco Power Co., Ltd., our consolidated subsidiary.	
(2) Secured Liabilities:	
Long-term loans payable (including repayments due within the next year)	¥46,598 million
Debts related to transactions with banks	¥20,991 million
(3) Assets Pledged as Collateral for Business Guarantees:	
Other(Current assets)	¥13,951 million
3. Breakdown of the Compressed Amounts deducted from the Acquisition Cost due to the National Subsidy, etc thereof:	
Machinery, equipment and vehicles	¥3,389 million
Oil storage depots	¥62 million
Construction in progress	¥237 million
4. Contingencies	
The Company guarantees debts for borrowings from financial institutions such as affiliated companies and fulfilling contracts.	
Chiba Arkon Production, Limited	¥5,292 million
Japan Biofuels Supply LLP	¥4,814 million
North Hokkaido Wind Energy Transmission Corp.	¥2,222 million
Others	¥67 million

5. Items concerning Revaluation of Land

The three consolidated subsidiaries revalued their land properties used for business under the "Law concerning Revaluation Reserve for Land" (Law No. 34 issued on March 31, 1998). The income tax portion on variances due to revaluation is stated in the "Deferred tax liabilities for land revaluation" account in the "Liabilities" section on the consolidated balance sheet and the revaluation variances, net of the income tax portion, are stated in the "Revaluation reserve for land" account in the "Net Assets" section on the consolidated balance sheet.

- Revaluation method

The land sites for the refineries were valued in accordance with the appraisal provided in Paragraph 5 of Article 2 of the "Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land" (Government Ordinance No. 119 issued on March 31, 1998), and other land sites were valued by referring to the road ratings provided in Paragraph 4 of Article 2 of the "Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land," as well as making some rational adjustments.

- Date of Revaluation

March 31, 2002 (and December 31, 2001 completed by one consolidated subsidiary)

- The total amount of the revalued land at fair value as of the end of the current fiscal year is smaller than their total carrying amount after revaluation and the difference amounted to:

¥30,544 million

6. Financial Covenants

Out of borrowings, borrowings amounting to ¥54,160 million (including those payable within the next year) come with financial covenants with the acceleration clause which will be activated with respect to such liabilities under certain loan contracts.

(Financial covenants vary from different loan contracts, but key covenants are stated as follows):

	Repayment Deadline	Loan Balance	Financial Covenants
(1)	September 30, 2024	¥15,600 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥156.6 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.
(2)	April 28, 2022	¥17,060 million	The Company shall maintain the amount of net assets at ¥152.0 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.
(3)	April 3, 2024	¥10,000 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥213.6 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.
(4)	March 31, 2023	¥10,000 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for two consecutive years. 2) The Company shall maintain the amount of net assets at ¥241.1 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.

(Notes to Consolidated Statements of Changes in Equity)

1. Types and Number of Outstanding Shares and Treasury Shares as of March 31, 2021

Outstanding shares	Ordinary shares	84,770,508 shares
Treasury shares	Ordinary shares	1,008,526 shares
	(including executive remuneration BIP trust)	1,004,720 shares)

2. Distribution of Dividend

(1) Payment Amount of Dividend

(Resolution adopted by)	Type	Total dividend amount (¥ mil)	Dividend per share (¥)	Record date	Effective date
Shareholders' Meeting held on June 24, 2021	Ordinary shares	6,781	80	March 31, 2021	June 25, 2021

(Note) The dividend amount for treasury shares held by BIP trust in the total dividend amount ¥86 million

(2) Dividends whose effective date will fall after the end of FY 2021 among those whose record date falls within FY2021.

The Company proposes the following agendum at the ordinary general meeting of shareholders held on June 23, 2022.

(Resolution adopted by)	Type	Total dividend amount (¥ mil)	Dividend resource	Dividend per share (¥)	Record date	Effective date
Shareholders' Meeting held on June 23, 2022	Ordinary shares	8,476	Retained earnings	100	March 31, 2022	June 24, 2022

(Note) The dividend amount for treasury shares held by BIP trust in the total dividend amount ¥100 million

3. Type and the number of shares for the purpose of stock acquisition rights at the end of the current consolidated fiscal year

Ordinary shares	16,242,555 shares
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(Notes to Financial Products)

1. Information on the Status of Financial Products

The Group procures funds for the capital spending and the working capital by direct financing like bonds or indirect financing like bank loans. These funds are mainly necessary to undertake refineries and wind power plant.

The Group also keeps credit risks involving customers with respect to Notes receivable - trade, Accounts receivable - trade and Accounts receivable - other lower by managing them in accordance with its credit management scheme. Securities and Investment securities are mainly equity securities, out of which listed shares are reviewed on a quarterly basis to keep track of their fair value.

Most of Notes and accounts payable - trade and Accounts payable - other, etc. are due within the next year.

Loans payable, Commercial papers and Bonds payable are used to raise working funds (mainly short-term) and capital spending funds (long-term) and interest rate swap contracts are purchased to reduce interest rate fluctuations on some loans to get interest payable fixed.

The Group uses foreign currency forward contracts and currency option contracts to hedge risks due to the effect of currency exchange rate fluctuations, and also uses crude oil and petroleum product swap contracts and commodity forward contracts in open market to hedge risks stemming from commodity price fluctuations. The Group trades derivatives within the range of actual demand in accordance with its internal control rules, and The Group has a policy of not executing speculative derivative transactions.

2. Information about Fair Value of Financial Products, etc.

The book value of the following items on the consolidated balance sheet, their fair value and the variance between the two amounts are stated as follows.

Non-marketable securities(Amount recorded on the consolidated balance sheet is ¥99,682 millions) is not included in "Other securities" in the table below. Cash and deposits, Notes receivable - trade, Accounts receivable - trade, Accounts receivable - other, Notes and accounts payable - trade, Short-term loans payable, Current portion of bonds, Commercial papers, Accounts payable - others, Accrued volatile oil and other petroleum taxes and Income taxes payable are omitted, since they are settled in short-term basis and their fair values are approximately the same as their book value.

(Millions of yen)

	Book value on the consolidated balance sheet *	Fair value*	Difference
(1) Investment securities			
Other securities	19,037	19,070	33
(2) Current portion of convertible bond-type bonds with share acquisition rights	(60,000)	(60,513)	513
(3) Bonds payable	(3,000)	(2,985)	-14
(4) Long-term loans payable	(242,873)	(239,739)	-3,133
(5) Derivative transactions	8,697	8,697	—

* Items recorded in the liabilities section are stated in ().

3. Information about the breakdown of Fair Value level of Financial Products.

Fair value for financial products are categorized into three levels based upon the observability and materiality of the inputs used to calculate fair value.

Level 1: Fair value of assets and liabilities that are calculated by using observable inputs, which are quoted prices in active markets.

Level 2: Fair value calculated by using observable inputs not used in Level 1.

Level 3: Fair value calculated by unobservable inputs.

When several inputs with significant impact in calculating the fair value are used, the level of the fair value will be determined, accordingly to the level of input with the lowest priority in calculating the fair value.

(1) Financial assets and financial liabilities stated at fair value on the consolidated balance sheets

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	18,246	—	—	18,246
Other	—	734	—	734
Derivative transactions				
Currency related	—	9,964	—	9,964
Product related	—	(1,267)	—	(1,267)

* Receivables and payables arising from derivative transactions are presented on a net basis. Items that result in a net liability in the aggregate are stated in ().

(2) Financial assets and financial liabilities not stated at fair value

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Other	—	90	—	90
Current portion of convertible bond-type bonds with share acquisition rights	—	(60,513)	—	(60,513)
Bonds payable	—	(2,985)	—	(2,985)
Long-term loans payable	—	(239,739)	—	(239,739)

* Items recorded in the liabilities section are stated in ().

(Note) Valuation techniques for measuring fair value and explanation of inputs :

Investment securities

Listed shares are calculated using quoted market price. Fair values for listed shares are categorized as Level 1, due to active markets.

Convertible bond-type bonds with share acquisition rights

Fair values for convertible bond-type bonds are based on quotation provided by the over-the-counter exchange. Fair values are categorized as Level 2, since they do not have quoted prices in active markets.

Bonds payable

The fair value of a corporate bond is calculated by discounting the sum of its principal and interest, using interest rate estimated from similar bonds. It is categorized as Level 2.

Long-term loans payable

The fair value of Long-term loans payable is calculated by discounting the sum of its principal and interest, using interest rate estimated from similar loans. It is categorized as Level 2.

Derivative transactions

The fair values of derivative transactions are calculated based on the price provided by the financial institutions, etc. from which they were purchased and its final price in the forward market. They are categorized as Level 2, since they do not have quoted prices in active markets.

For interest swap which special treatment is applied, the fair values are included in the fair values of the hedged long-term loan (refer to Long-term loans payable).

(Notes to Asset Retirement Obligations)

Asset retirement obligations reported in the consolidated balance sheet

1 Overview of the Asset Retirement Obligations

The Group primarily records the following asset retirement obligations.

- Obligation to restore the service stations accompanying with the fixed-term land lease contract for business purposes
- Obligation to restore the wind power plant accompanying with the land lease contract
- Obligation to restore the offices accompanying with the real estate rental contract
- Obligation to close the mine accompanying with the concession agreement taking effect

2 Calculation Method of the Asset Retirement Obligations

The asset retirement obligations are calculated by estimating the expected period of use between 8 and 50 years since its acquisition and applying discount rates ranging from 0.005% to 3%.

3 Change in the Asset Retirement Obligations (Millions of yen)

	Fiscal Year 2021 (From April 1, 2021 to March 31, 2022)
Balance at the beginning of the year	20,488
Increase due to the acquisition of property and equipment	309
Decrease due to change in estimation	2,382
Adjustments due to the elapse of time	243
Decrease due to the fulfillment of asset retirement obligations	-578
Increase (decrease) due to other	-22
Balance at the end of the year	22,823

4 Changes in Estimates of Asset Retirement Obligation

Due to the re-evaluation of retirement cost executed by the consolidated subsidiaries during FY2021, the estimated retirement cost to be paid in the future has increased compared to which estimated at the beginning of the year.

(Notes to Leasehold Properties and Other Real Estate)

1. Information about the Current Status of Leasehold Properties and Other Real Estate

The Company and some subsidiaries own leasehold service stations, office buildings and other properties in Tokyo and other areas, and they also own idle properties which are not expected to be utilized in the future.

2. Information on the Fair Value of the Leasehold Properties Held

(Millions of yen)

Book value on the consolidated balance sheet	Fair value
28,467	29,137

Notes: 1 The book value of each property on the consolidated balance sheet is its acquisition cost less accumulated depreciation therefore.

2 The fair value of major properties as of the end of the current consolidated fiscal year is the amount based on the statement of the property appraisal standard provided by the external licensed appraiser, while the fair value of other properties is determined by referring to the amount based on the property appraisal standard.

As for properties of less importance, certain assessed amounts or the amounts based on the measurement indices which are considered as reflecting appropriate market prices are regarded as the fair value of such properties, while the appropriate book value of some buildings and other depreciated assets is regarded as their fair value.

(Notes to Per-Share Information)

1. Net assets per share	¥5,446.39
2. Net profit per share	¥1,658.64

Notes: As written in “(Changes in Accounting Policies),” the Company has applied the Accounting Standard for Revenue

Recognition from the beginning of the consolidated fiscal year. As a result of this change, net assets per share decreased by ¥5.31, income per share increased by ¥3.22.

(Notes to Lease Transactions)

The future lease payment from non-cancellable operating leases

Within one year	¥1,748 million
Over one year	¥1,776 million

(Notes to Revenue Recognition)

1. Disaggregation of revenue from contracts with customers

(unit : million yen)

	Petroleum	Petrochemical	Oil exploration and production	Renewable Energy	Other	Total
Japan	1,871,666	299,196	31,973	13,091	21,620	2,237,547
Asia	84,688	12,399	—	—	67	97,155
Other	98,072	691	5,235	—	1,750	105,749
Outside customers	2,054,427	312,286	37,208	13,091	23,437	2,440,452
Revenue from contracts with customers	2,051,640	311,949	37,208	13,091	22,875	2,436,764

Note 1. The amounts are net value of internal transactions between group companies.

2. Revenue from outside customers include ¥3,687 million of revenue recognized from sources other than that of contracts with customers.

2. Basic information about revenue from contracts with customer

Petroleum business

The Petroleum business engages in importing crude oil and oil products, refining, storage and selling of petroleum products. Revenue is recognized based on the transaction price in accordance with the contract with the customer, once the customer obtains control of the products and the Company satisfies a performance obligation. This occurs when the product stated in the contract is delivered to the customer. The Company also recognize revenue based on the transaction price in accordance with the contract at the time of shipping in accordance with the alternative treatment. Revenue is recognized based on the transaction price in accordance with the contract with the customer, and does not include returned products and discounts. The consideration is normally received within a year, and performance obligation do not include significant financing elements. Variable consideration is calculated only to the extent, that it is highly probable that a significant reversal in the amount of revenue recognized will not occur.

Petrochemical business

Petrochemical business engages in manufacturing and selling of petrochemical products. Revenue is recognized based on the transaction price in accordance with the contract with the customer, once the customer obtains control of the products and the Company satisfies a performance obligation by delivering the products to the customer. The consideration is normally received within a year, and performance obligation do not include significant financing elements. Variable consideration is calculated only to the extent, that it is highly probable that a significant reversal in the amount of revenue recognized will not occur.

Oil exploration and production business

Oil exploration and production business engages in exploration, production and selling of crude oil. Revenue is recognized based on the transaction price in accordance with the contract with the customer, once the customer obtains control of the products and the Company satisfies a performance obligation by delivering the products to the customer. The consideration is normally received within a year, and performance obligation do not include significant financing elements.

Renewable Energy business

Renewable Energy business engages in development and construction of wind power generation facilities. Revenue is recognized based on the transaction price in accordance with the contract with the customer, once the customer obtains control of the products and the Company satisfies a performance obligation by delivering the products to the customer. The consideration is normally received within a year, and performance obligation do not include significant financing elements.

3. Information to understand revenue from current consolidated fiscal year and following consolidated fiscal year

(1) Balance of contract assets and contract liabilities and others

(unit : million yen)

	Fiscal Year 2021
Receivables from contracts with customers at the beginning of the year	216,853
Receivables from contracts with customers at the end of the year	269,819
Contract assets at the beginning of the year	2,016
Contract assets at the end of the year	1,932
Contract liabilities at the beginning of the year	7,021
Contract liabilities at the end of the year	9,279

Contract assets are consideration which are recognized from work in progress, and its revenue is recognized from work in progress. Contract assets are transferred to receivables from contracts with customers when the right to consideration becomes unconditional.

Contract liabilities relate to the payment received in advance of performance under the contract. Contract liabilities are transferred to revenue as or when the Company satisfies a performance obligation based on the contract.

Contract assets are included in current assets "Other" and contract liabilities are included in current liabilities "Other" in the consolidated balance sheet.

Most of the balance of contract liabilities at the beginning of the consolidated fiscal year is recognized as revenue for the consolidated fiscal year, and the balance carried forward is immaterial.

The amounts of revenue recognized during the current consolidated fiscal year from the performance obligations satisfied in the past periods were immaterial.

(2) Transaction price allocated to the remaining performance obligation

The disclosure of information on the remaining performance obligations is omitted since it has no significant amounts in expected contractual terms exceeding one year.

In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

(Notes to Significant Subsequent Events)

(Purchase of Treasury Shares)

The Company resolved to repurchase treasury shares under Article 156, which is applicable in accordance with Article 165, paragraph (3) of the Companies Act, at the meeting of Board of Directors held on May 12th, 2022.

1. Reason for the Repurchase of Treasury Shares

To improve capital efficiency and to enhance shareholder return

2. Details of Matters Concerning Repurchase

(1) Class of shares to be repurchased: Common shares of the Company

(2) Total number of shares to be repurchased: 8,000,000 shares (Maximum)

(Equivalent to 9.55% of outstanding shares (excluding treasury shares))

(3) Total amount of repurchase price: ¥20,000 million (Maximum)

(4) Period of repurchase: From May 13, 2022 to November 30, 2022

(5) Method of repurchase: Open market purchase on the Tokyo Stock Exchange

(Additional Information)

(Transactions of granting shares in the Company to executives through a trust)

The Company introduced the Executive Remuneration BIP Trust to the Directors etc.

In the Executive Remuneration BIP Trust, the Company purchases as many Company shares as estimated to be granted to the Directors etc. under the established share granting rules and grants Company shares to Directors etc. in accordance with their ranks and terms of office.

In accounting for the trust, the gross method is adopted in line with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force No. 30; March 26, 2015). As a result, the book value of the Company shares held in trust is posted as treasury shares in shareholders' equity.

The book value and number of the treasury shares at the end of the fiscal year under review were ¥1,893 million and 1,004 thousand respectively.

Balance Sheet

Fiscal Year 2021 (As of March 31, 2022)

(Unit: million yen)

Item	Amount	Item	Amount
Assets	<u>735,318</u>	Liabilities	<u>619,298</u>
Current assets	275,876	Current liabilities	410,176
Cash and deposits	1,991	Short-term loans payable	81,451
Short-term loans receivable from subsidiaries and associates	250,003	Current portion of convertible bond-type bonds with share acquisition rights	60,000
Accounts receivable-other	22,958	Current portion of long-term loans payable	41,000
Other	923	Commercial papers	82,300
Non-current assets	459,416	Accounts payable-other	2,384
Property, plant and equipment	124,084	Income taxes payable	15,751
Buildings and structures, net	433	Deposits received	125,354
Vehicles, net	8	Provision for bonuses	875
Tools, furniture and fixtures, net	97	Provision for directors' bonuses	224
Land	123,200	Other	834
Leased assets	322	Non-current liabilities	209,121
Construction in progress	22	Bonds payable	3,000
Intangible assets	1,881	Long-term loans payable	204,350
Software	1,657	Long-term deposits received	808
Other	224	Provision for executive remuneration BIP trust	590
Investments and other assets	333,451	Other	373
Investment securities	5,535	Net assets	<u>116,019</u>
Shares of subsidiaries and associates	218,524	Shareholders' equity	115,263
Long-term loans receivable	1	Capital stock	40,000
Long-term loans receivable from subsidiaries and associates	107,832	Capital surplus	22,262
Long-term deposits	682	Legal capital surplus	10,000
Deferred tax assets	471	Other capital surplus	12,262
Other	404	Retained earnings	54,903
Deferred assets	24	Other retained earnings	54,903
Bond issuance cost	24	Retained earnings brought forward	54,903
		Treasury shares	-1,902
		Valuation and translation adjustments	755
		Valuation difference on available-for-sale securities	755
Total assets	735,318	Total liabilities and net assets	735,318

Statements of Income

Fiscal Year 2021 (From April 1, 2021 to March 31, 2022)

(Unit: million yen)

Item	Amount	
I Operating revenue		27,900
II General and administrative expenses		10,892
Operating profit		17,008
III Non-operating income		
Interest income	4,484	
Dividend income	306	
Other	226	5,017
IV Non-operating expenses		
Interest expenses	4,367	
Interest on bonds	185	
Foreign exchange losses	4	
Other	568	5,125
Ordinary profit		16,900
V Extraordinary income		
Gain on sales of non-current assets	0	
Gain on sales of investment securities	524	525
VI Extraordinary loss		
Loss on disposal of non-current assets	20	20
Profit before income taxes		17,405
Income taxes-current	1,895	
Income taxes-deferred	-396	1,498
Profit		15,906

Statements of Changes in Equity

Fiscal Year 2021 (From April 1, 2021 to March 31, 2022)

(Unit: million yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total shareholder s' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at April 1, 2021	40,000	10,000	12,262	22,262	45,778	45,778	-2,019	106,021
Changes of items during the period								
Dividends of surplus					-6,781	-6,781		-6,781
Profit					15,906	15,906		15,906
Purchase of treasury shares							-0	-0
Disposal of treasury shares							117	117
Net changes of items other than shareholders' equity								
Total changes of items during the period	—	—	—	—	9,125	9,125	116	9,241
Balance at March 31, 2022	40,000	10,000	12,262	22,262	54,903	54,903	-1,902	115,263

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2021	544	544	106,566
Changes of items during the period			
Dividends of surplus			-6,781
Profit			15,906
Purchase of treasury shares			-0
Disposal of treasury shares			117
Net changes of items other than shareholders' equity	210	210	210
Total changes of items during the period	210	210	9,452
Balance at March 31, 2022	755	755	116,019

Notes to Financial Statements

1. In the non-consolidated balance sheet, non-consolidated statements of income and non-consolidated statements of changes in equity of Cosmo Energy Holdings Co., Ltd. (the "Company") represented in the million yen unit, figures less than 1 million yen are rounded down.

2. Notes to Items concerning Significant Accounting Policies

(1) Standards and Methods for Valuation of Securities

Stocks issued by subsidiaries and associated companies: Stated at cost determined by the moving average method

Other securities: Securities except non-marketable securities: Stated at fair value (in which all differences between the carrying amounts and the fair values are reported as a separate component of net assets, while the cost of securities sold is calculated by the moving average method)

Non-marketable securities: Stated at cost determined by the moving average method

(2) Valuation of Net Amounts of the Assets and Liabilities by Derivative Transactions:

Stated at fair value

(3) Methods for Depreciation of Non-current Assets

Property, Plant and Equipment The straight-line method

(Excluding leased assets) The number of years of their useful lives and salvage values are calculated based on the criteria defined under the Corporate Income Tax Law of Japan.

Intangible Assets The straight line method

The number of years of their useful lives is calculated based on the criteria defined under the Corporate Income Tax Law of Japan, providing that amortization expenses for the software used by the Company is calculated on the straight-line method over the period of its availability in-house (5 years).

Leased Assets Leased assets involving finance lease transactions under which the ownership of the leased assets is not transferred to lessees:

The method to calculate depreciation for such assets is the straight-line method with their residual values being zero over their leased periods used as the number of years for useful life.

(4) Standards for Recording Allowances/Provisions

Allowance for doubtful accounts An estimated amount of irrecoverable debts is set aside against any potential losses on the failure to collect the accounts receivable.

a) Ordinary accounts receivable:

The amount of allowance calculated at the actual ratio of bad debts

b) Highly doubtful receivables and claims in bankruptcy and reorganization, etc.:

The amount of allowance calculated based on the evaluation of financial situations of individual accounts involved.

Provision for bonuses In preparation for the payment of bonuses to employees etc., the amount to be paid in the fiscal year under review is posted based on the amount estimated to be paid.

Provision for directors' bonuses In preparation for the payment of bonuses to directors, the Company posts the amount to be paid in the fiscal year under review based on the amount estimated to be paid.

Provision for Executive Remuneration Board Incentive Plan Trust In preparation for the granting of shares in the Company to the Company's Directors (excluding Outside Directors and members of the Supervisory Committee) and Executive Officers (hereinafter "the Directors etc."), provision is posted based on the value of shares estimated to be granted in accordance with points allocated to the Directors etc. under the share granting rules.

(5) Standards for Recording Significant Revenue and Cost

The main performance obligation and point of time when revenue is recognized for the primary business is as stated in "11. Notes to Revenue Recognition."

(6) Accounting Process Applied to Deferred Assets

Bond Issuance Cost:

The cost for bond issuance is amortized in the straight line method over the bond redemption period.

(7) Method for significant hedge accounting

Method for hedge accounting

Deferred hedge accounting is applied. Special accounting treatment has been adopted for interest rate swap contracts, which meet accounting requirements.

Hedging instruments and hedged items

Exchange rate

Hedging instruments: Forward exchange rate contracts, exchange rate option contracts

Hedged items: Forecasted transactions denominated in foreign currencies

Interest rate

Hedging instruments: Interest rate swap contracts

Hedged items: Loans payable

Commodity

Hedging instruments: Crude oil and product swap contracts, Crude oil and product forward contracts

Hedged items: Transactions in crude oil and product

Hedging policy

The Group hedge risks in a certain range, for currency exchange rate fluctuations, interest rate fluctuations and commodity price fluctuations, in accordance with their internal management regulations, which provide authority and limits for transaction amounts.

Evaluation of effectiveness of hedging transactions

The assessment of hedge effectiveness is examined every half year by, comparing the change in market price or cumulative changes in cash flows, from the hedged items and instruments. However, the evaluation of interest swap contract which adopt the special accounting treatment, is omitted.

(Hedge accounting for which the "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" is applied)

Of the above hedged items, the Group has applied the special treatment defined in the "Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (Practical Issues Task Forces No.40; September 29, 2020) to all hedge related items included in the applicable scope of this Practical Solution. The details of the hedge related items to which this Practical Solution is applied, are as follows.

a. Method of hedge accounting: Special accounting treatment

b. Hedging instruments: Interest rate swap transactions

c. Hedged items: Loans payable

d. Type of Hedge transaction: Transactions which fix the cash flows

(8) Application of the consolidated tax payment system

The consolidated tax payment system is applied.

(9) Accounting for corporate and local income taxes or tax effect accounting related to these taxes.

The Company will apply consolidated taxation system to group tax sharing system from FY2022. In addition, for accounting and disclosure related to tax effect accounting for corporate and local income taxes, the "Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Forces No. 42, August 12, 2021) has been applied from the end of the FY2021.

As consolidated taxation system is applied in FY2021, accounting treatment and disclosure regarding corporate and local income taxes are in accordance with "Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (Practical Issues Task Forces No. 5, February 16, 2018) and "Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (Practical Issues Task Forces No. 7, February 16, 2018).

(10) Accounting Treatment for the Anonymous Association

The Company invested in the anonymous association, and CEAM LLC is entrusted with its operation of business transaction. Although the property of the anonymous association attribute to the operator, the association is practically operated by our capital. Thus, all the association's property and income summary records on to the financial statements with its total amounts, and with respect to trust beneficiary rights to trusts whose trust assets are land owned by the anonymous association, the Company records all asset and liability accounts in the trust assets and all revenues and expenses arising from the trust assets in relevant account items on its balance sheet and statement of income.

3. Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29 issued on March 31, 2020), etc. from the beginning of the fiscal year, and recognizes revenue in the amount expected to be received in exchange for promised goods or services when the control of those goods or services is transferred to customers. There is no impact on the financial statement.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30 issued on July 4, 2019; hereinafter, "Fair Value Measurement Accounting Standard"), etc. from the beginning of the fiscal year. In accordance with the transitional treatment provided for in paragraph 19 of Fair Value Measurement Accounting Standard and paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 issued on July 4, 2019), the Company has applied the new accounting policies prescribed by Fair Value Measurement Accounting Standards, etc. prospectively. There is no impact on the financial statement.

4. Notes to Accounting Estimates

Accounting estimates made in preparing the financial statements for the current fiscal year are omitted because there is no risk that they will have a material impact on the financial statements for the following fiscal year.

5. Notes to Non-Consolidated Balance Sheet

(1) Short-term loans receivable from subsidiaries and associates:	¥22,962 million
Long-term loans receivable from subsidiaries and associates:	¥0 million
Short-term loans payable to subsidiaries and associates:	¥126,954 million
Long-term loans payable to subsidiaries and associates:	¥675 million
(2) Accumulated depreciation for the property, plant and equipment	¥1,458 million
(3) Pledged Assets	
Breakdown of Assets Pledged as Collateral and Amounts thereof:	
Land	¥123,200 million
Secured Liabilities:	
Debts related to transactions with banks	¥20,991 million
(4) Contingencies	
Guaranty of Liabilities	
Cosmo Oil., Ltd.	¥183,764 million
Others	¥20,731 million

(5) Financial Covenants

Out of borrowings, borrowings amounting to ¥52,660 million (including those payable within the next year) come with financial covenants with the acceleration clause which will be activated with respect to such liabilities under certain loan contracts if the Company fails to comply with any of the following financial covenants.

< Financial Covenants of the Company >

	Repayment Deadline	Loan Balance	Financial Covenants
(1)	September 30, 2024	¥15,600 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥156.6 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.
(2)	April 28, 2022	¥17,060 million	The Company shall maintain the amount of net assets at ¥152.0 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.
(3)	April 3, 2024	¥10,000 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥213.6 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.
(4)	March 31, 2023	¥10,000 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for two consecutive years. 2) The Company shall maintain the amount of net assets at ¥241.1 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.

6. Notes to Non-Consolidated Statements of Income

Operating revenue from subsidiaries and associates:	¥27,900 million
General and administrative expenses for subsidiaries and associates:	¥1,072 million
Non-operating transactions with subsidiaries and associates:	¥5,114 million

(in addition, it is stated in "Notes to the Company's Transactions with Related Parties".)

7. Notes to Non-Consolidated Statements of Changes in Equity

Type and Number of Treasury Shares as of March 31, 2022

Ordinary shares	1,008,526 shares
(including the Executive Remuneration BIP Trust	1,004,720 shares)

8. Notes to Tax Effective Consequence Accounting

(Unit: million yen)

1) Deferred tax assets:	
Loss on valuation of investment securities	1,199
Provision for bonuses	336
Others	683
deferred tax assets – Sub-total:	2,220
Valuation allowance:	-1,443
Total deferred tax assets:	776
2) Deferred tax liabilities:	
Valuation difference on available-for-sale securities	-246
Others	-59
Total deferred tax liabilities:	-305
Net deferred tax assets:	471

9. Notes to Non-current Assets Used Under Leases

As for the non-current assets recorded on the balance sheet, we use some of office equipment by finance lease contract that do not transfer ownership.

10. Notes to the Company's Transactions with Related Parties

(1) Subsidiaries and Associated companies

Type	Name (Ownership type & ratio)	Line of business	Cosmo Energy Holdings's relationship with related parties	Account item for record entry	Transaction amount (¥mil)	Item	Balance as of Mar 31, 2022 (¥mil)
Subsidiary	Cosmo Oil Co., Ltd. (directly, 100% owned)	Imports and exports, refining, storage, and sales of crude oil and petroleum products, etc.	Business administration Loans to it Guarantees Guaranteed liabilities Interlocking directors	Receipt of operating revenue (*1)	5,809	Accounts receivable-other	828
				Loans to it (*2) and Funds deposit (*3)	202,632	Short-term loans receivable from subsidiaries and associates	212,094
				Interest receivable (*4)	2,703	—	—
				Assumption of guaranty liabilities (*5)	183,764	—	—
				Guaranteed liabilities (*6)	195,105	—	—
Subsidiary	Cosmo Oil Marketing Co., Ltd. (directly, 100% owned)	Sales of oil products, vehicle leasing, etc.	Business administration Loans to it Guarantees Guaranteed liabilities Interlocking directors	Receipt of operating revenue (*1)	4,063	Accounts receivable-other	578
				Loans to it (*2) and Funds deposit (*3)	32,924	Deposits received	48,641
				Interest receivable (*4)	189	Short-term loans receivable from subsidiaries and associates	768
				Interest payable (*4)	257	—	—
				Assumption of guaranty liabilities (*5)	2,880	—	—
				Guaranteed liabilities (*6)	195,105	—	—
Subsidiary	Cosmo Oil Sales Co., Ltd. (indirectly, 100% owned)	Sales of oil products	Loans to it	Loans to it (*2) and Funds deposit (*3)	6,987	Deposits received	4,312
				Interest payable (*4)	48	—	—
Subsidiary	Cosmo Oil Property Service Co., Ltd. (indirectly, 100% owned)	Management and lease of service station equipments	Loans to it	Loans to it (*2) and Funds deposit (*3)	73,218	Short-term loans receivable from subsidiaries and associates	5,152
						Long-term loans receivable from subsidiaries and associates	67,041
						Deposits received	908
				Interest payable (*4)	852	—	—
				Interest receivable (*4)	1	—	—
Subsidiary	Cosmo Matsuyama Oil Co., Ltd. (indirectly, 100% owned)	Manufacture and sale of petrochemical products Storage, loading and discharging of petroleum products	Loans to it	Loans to it (*2) and Funds deposit (*3)	24,227	Short-term loans receivable from subsidiaries and associates	12,436
						Long-term loans receivable from subsidiaries and associates	12,727
				Interest receivable (*4)	185	—	—

Type	Name (Ownership type & ratio)	Line of business	Cosmo Energy Holdings's relationship with related parties	Account item for record entry	Transaction amount (¥mil)	Item	Balance as of Mar 31, 2022 (¥mil)
Subsidiary	Cosmo Engineering Co., Ltd.(directly, 100% owned)	Undertaking of facility construction and other related work	Loans to it	Loans to it (*2) and Funds deposit (*3)	7,198	Deposits received	9,410
				Interest payable (*4)	34	—	—
Subsidiary	Cosmo Energy Exploration & Production Co., Ltd.(directly, 100% owned)	Planning in the energy exploration and production business	Business administration Loans to it Interlocking directors	Loans to it (*2) and Funds deposit (*3)	8,968	Short-term loans receivable from subsidiaries and associates	5,000
						Long-term loans receivable from subsidiaries and associates	3,448
						Deposits received	1,515
				Interest receivable (*4)	85	—	—
		Interest payable (*4)	2	Accounts payable-other	1		
Subsidiary	CEAM LLC (directly, 99% owned)	Property management	Investment in anonymous association contract	Gain on investment (*7)	4,474	—	—
Subsidiary	Maruzen Petrochemical Co., Ltd.(directly, 41% owned) (indirectly, 10% owned)	Manufacture and sale of petrochemical products	Loans to it Interlocking directors	Loans to it (*2) and Funds deposit (*3)	52,290	Deposits received	52,751
						Long-term loans receivable from subsidiaries and associates	23,000
				Interest receivable (*4)	292	Accounts receivable-other	145
				Interest payable (*4)	131	Accounts payable-other	76
Subsidiary	Cosmo Eco Power Co., Ltd.(directly, 100% owned)	Wind Power Generation	Loans to it Interlocking directors	Loans to it (*2) and Funds deposit (*3)	21,755	Short-term loans receivable from subsidiaries and associates	10,166
				Interest receivable (*4)	134	Accounts receivable-other	71
				Assumption of guaranty liabilities (*5)	7,056	—	—

Out of the amounts shown above, the transaction amounts are exclusive of consumption tax charges, while the balance amounts as of March 31, 2022 include such charges.

Conditions for Transactions with the Subsidiaries Above and the Policy to Determine such Conditions:

- Notes:
1. The Core Business Companies (Cosmo Oil, Cosmo Oil Marketing, and Cosmo Energy Exploration & Production) receive the revenue needed for the management of the Company in accordance with their business scales.
 2. Loans are used for operating funds, and the amount of transactions shown above is stated based on the average balance during current fiscal year.
 3. Loans/Deposits are based on the Company's group financing program, and the amount of transactions is stated base on the average balance during current fiscal year.
 4. Interest rates are determined by taking market rates of interest and other conditions into consideration.
 5. The Company guarantees loans from financial institutions and the fulfillment of contracts. The amount of guarantee fees is reasonably decided by their agreements.
 6. The Company is jointly guaranteed for loans from financial institutions and bonds payable the Company issued. The amount of guarantee fees is reasonably decided by their agreements.
 7. Trust bank rent lands in trust in regard to trust beneficiary rights, the property of the anonymous association, to Cosmo Oil Co., Ltd. Since the anonymous association is practically managed by the Company, land rental income is stated including in "Operating revenue" on statements of income. Rental fees are calculated based on verification and appraisal by real property appraisers.

11. Notes to Revenue Recognition

(Basic information about revenue from contracts with customer)

The company engages in management of subsidiaries involved in oil ranging from upstream to downstream and other businesses. Our revenue mainly consists from management revenue and dividend income.

Management revenue is recognized based on the transaction price in accordance with the contract with the customer, once the customer obtains control of the service and the Company satisfies a performance obligation by delivering the service to the customer.

Dividend income is recognized on the effective date.

12. Notes to Per-Share Information

(1) Net assets per share	¥1,385.11
(2) Net profit per share	¥189.96

13. Notes to Significant Subsequent Events

(Purchase of Treasury Shares)

The Company resolved to repurchase treasury shares under Article 156, which is applicable in accordance with Article 165, paragraph (3) of the Companies Act, at the meeting of Board of Directors held on May 12th, 2022.

The overview is as stated in "Notes to the Consolidated financial statements; Notes to Significant Subsequent Events."

14. Additional Information

(Transactions of granting shares in the Company to executives through a trust)

The Company introduced the Executive Remuneration BIP Trust to the Directors etc.

In the Executive Remuneration BIP Trust, the Company purchases as many Company shares as estimated to be granted to the Directors etc. under the established share granting rules and grants Company shares to the Directors etc. in accordance with their ranks and terms of office.

In accounting for the trust, the gross method is adopted in line with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force No. 30; March 26, 2015). As a result, the book value of the Company shares held in trust is posted as treasury shares in shareholders' equity.

The book value and number of the treasury shares at the end of the fiscal year under review were ¥1,893 million and 1,004 thousand respectively.

1. Schedule for Property, Plant and Equipment, and Intangible Assets

(Unit: million yen)

Asset class	Asset item	Book value at beginning of year	Addition during year	Reduction during year	Depreciation during year	Book value at end of year	Accumulated depreciation	Acquisition cost at end of year
Property, plant & equipment	Buildings and Structures	466	13	8	37	433	245	679
	Vehicles	4	5	0	1	8	5	13
	Tools, furniture and fixtures	97	49	7	42	97	650	748
	Land	123,200	—	—	—	123,200	—	123,200
	Leased assets	497	28	0	204	322	556	879
	Construction in progress	—	122	100	—	22	—	22
	Total	124,266	220	116	286	124,084	1,458	125,543
Intangible assets	Software	1,044	1,025	—	412	1,657		
	Others	350	899	1,025	—	224		
	Total	1,395	1,924	1,025	412	1,881		

2. Schedule for Allowance/Provision

(Unit: million yen)

Account item	Book value at beginning of year	Addition during year	Reduction during year	Book value at end of year
Provision for bonuses	475	875	475	875
Provision for directors' bonuses	97	224	97	224
Provision for Executive Remuneration BIP Trust	392	250	53	590

3. Schedule for General and Administrative Expenses

(Unit: million yen)

Account item	Amount	Description
Outsourcing expenses	2,625	
Salaries and wages	1,752	
Taxes and dues	1,451	
Provision for bonuses	875	
Advertising expenses	764	
Miscellaneous expenses	705	
Others	2,716	
Total	10,892	

**Accounting Auditor's Report
Concerning the Consolidated Financial Statements: Full Copy**

Independent Auditor's Report

May 12, 2022

To the Board of Directors,
COSMO ENERGY HOLDINGS COMPANY, LIMITED

KPMG AZSA LLC	
Tokyo office	
Designated Limited Liability and Engagement Partner	Certified Public Accountant Junshi Ono
Designated Limited Liability and Engagement Partner	Certified Public Accountant Katsunori Hanaoka
Designated Limited Liability and Engagement Partner	Certified Public Accountant Kyoko Shiga

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statements of income, the consolidated statements of changes in equity and the notes to the consolidated financial statements of COSMO ENERGY HOLDINGS COMPANY, LIMITED applicable to the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

Other information consists of the business report and supplementary schedules. Management is responsible for the preparation and disclosure of other statements. The Supervisory Committee is responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our opinion on the consolidated financial statements does not include the other information, and we do not provide our opinion on the other information.

Our responsibility for the audit of the consolidated financial statements is to read the other information, and, in doing so, consider whether there is a material inconsistency between the other information and the consolidated financial statements or our knowledge obtained in audit, and give attention to whether there are any other indications of material errors in the other information other than such material inconsistency.

If, based on the audit work performed, we determine that there is a material misstatement in the other information, we are required to report such facts.

We have no matters to report with respect to the other information.

Management's and Supervisory Committee's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines are necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Supervisory Committee is responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit as independent auditor. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Furthermore, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflict of Interest

Our firm and engagement partners have no interest in the Company

- END -

**Accounting Auditor's Report Concerning
the Financial Statements: Full Copy**

Independent Auditor's Report

May 12, 2022

To the Board of Directors,
COSMO ENERGY HOLDINGS COMPANY, LIMITED

KPMG AZSA LLC	
Tokyo office	
Designated Limited Liability and Engagement Partner	Certified Public Accountant Junshi Ono
Designated Limited Liability and Engagement Partner	Certified Public Accountant Katsunori Hanaoka
Designated Limited Liability and Engagement Partner	Certified Public Accountant Kyoko Shiga

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statements of income, the statements of changes in equity and the notes to the financial statements and the supplementary schedules of COSMO ENERGY HOLDINGS COMPANY, LIMITED (hereinafter referred to as the "Financial Statements, Etc.") applicable to the 7th fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the Financial Statements, Etc. referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the Financial Statements, Etc. were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

Other information consists of the business report and supplementary schedules. Management is responsible for the preparation and disclosure of other statements. The Supervisory Committee is responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our opinion on the financial statements does not include the other information, and we do not provide our opinion on the other information.

Our responsibility for the audit of the financial statements is to read the other information, and, in doing so, consider whether there is a material inconsistency between the other information and the financial statements or our knowledge obtained in audit, and give attention to whether there are any other indications of material errors in the other information other than such material inconsistency.

If, based on the audit work performed, we determine that there is a material misstatement in the other information, we are required to report such facts.

We have no matters to report with respect to the other information.

Management's and Supervisory Committee's Responsibility for the Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the Financial Statements, Etc. in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines are necessary to enable the preparation and fair presentation of the Financial Statements, Etc. that are free from material misstatements, whether due to fraud or error.

In preparing the Financial Statements, Etc., management is responsible for assessing whether it is appropriate to prepare the Financial Statements, Etc. with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Supervisory Committee is responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the Financial Statements, Etc. as a whole are free from

material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the Financial Statements, Etc. based on our audit as independent auditor. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of the Financial Statements, Etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Furthermore, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the Financial Statements, Etc. obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the Financial Statements, Etc. with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the Financial Statements, Etc. or, if the notes to the Financial Statements, Etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the Financial Statements, Etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the Financial Statements, Etc. and notes to the Financial Statements, Etc. are in accordance with accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the Financial Statements, Etc., including the related notes thereto, and whether the Financial Statements, Etc. fairly present the underlying transactions and accounting events.

We report to the Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Supervisory Committee with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflict of Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

- END -

Supervisory Committee's Audit Report: Full Copy

Audit Report

The Supervisory Committee has conducted audit on the execution of duties by Directors for the 7th business year from April 1, 2021 to March 31, 2022, and hereby reports the methods and results of audit as follows:

1. The Methods and Details of the Audit

With regard to the resolution of the Board of Directors concerning the matters stipulated in Article 399-13, Paragraph 1, Item 1, b, c of the Companies Act, as well as the system (the internal control system) developed based on such resolution, while using measures that utilize the Internet, etc., the Supervisory Committee received reports regularly and requested explanation as necessary from the Directors and employees on the establishment and operation of such system, expressed its opinion, and conducted audit by the following methods.

1) In compliance with the Supervisory Committee Auditing Standards established by the Supervisory Committee and in accordance with the auditing policies and allocation of duties, we cooperated with Internal Audit Department of the Company; attended significant meetings; obtained reports on business operations from Directors and employees; requested explanation as necessary; reviewed documents which record approval of material matters; conducted investigations regarding the status of the business operations and assets. With respect to subsidiaries, the Supervisory Committee communicated and exchanged information with Directors, Audit & Supervisory Board Members, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary.

2) The Supervisory Committee monitored and confirmed if the Accounting Auditor holding independent position and performing appropriate audit, received reports on auditing operations from the Accounting Auditor; and requested explanation as necessary. Also, the Supervisory Committee received a report from the Accounting Auditor that the Company implemented the "system to ensure appropriate execution of duties" (set forth in Article 131 of the Company's Calculation Rules) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005) and others, and requested explanation as necessary.

Based on the methods as described above, the Supervisory Committee deliberated the business report and supplementary schedules, the consolidated financial statements (the consolidated balance sheet, consolidated statements of income, consolidated statements of changes in equity and the notes to consolidated financial statements), and the financial statements (the balance sheet, statements of income, statements of changes in equity and the notes to financial statements) and supplementary schedules for the period under review.

2. Results of Audit

(1) Audit results of business report and other documents concerned

- 1). The business report and supplementary schedules comply with the laws and regulations and with the Articles of Incorporation and correctly represents the company status.
- 2). The business activities performed by the Directors were correct and did not seriously violate the laws and regulations, or the Articles of Incorporations.
- 3). The corporate resolution concerning the internal control system is fair and reasonable. In addition, there are no matters to be pointed out for the business report and the business activities performed by the Directors regarding the internal control system

(2) Audit results of the consolidated financial statements

The auditing methods and results of the Accounting Auditor, KPMG AZSA LLC, are fair and reasonable.

(3) Audit results of the financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, KPMG AZSA LLC, are fair and reasonable.

May 12, 2022

COSMO ENERGY HOLDINGS COMPANY, LIMITED

Supervisory Committee

Member of the Supervisory Committee Yasuko Takayama Seal

Member of the Supervisory Committee Keiichi Asai Seal

Full-time member of the Supervisory Committee Toshiyuki Mizui Seal

(Note) Members of the Supervisory Committee Yasuko Takayama and Keiichi Asai are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

- END -