

Please note that the following is an unofficial English translation of Japanese original text of the Notice of Convocation of the 8th 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 8th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and Time: 10:00 a.m., Thursday, June 22, 2023
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: <Company Proposals (Proposal No. 1 to Proposal No. 5)>
Proposal No. 1: Appropriation of Surplus
Proposal No. 2: Election of Six (6) Directors (excluding those who are Members of the Supervisory Committee)
Proposal No. 3: Election of Two (2) Directors who are Members of the Supervisory Committee
Proposal No. 4: Election of One (1) Substitute Director who is a Member of the Supervisory Committee
Proposal No. 5: Approval Regarding Enactment of Countermeasures Based on Response Policies to Large-scale Purchase Actions, etc.
<Shareholder Proposal>
Proposal No. 6: Election of One (1) Director (excluding anyone 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 21, 2023

6. Basic Policies on Internal Control Systems

(1) Basic Policies on Internal Control Systems (As of March 31, 2023)

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 Regulations 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 Regulations 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 Regulations 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 Regulations 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 Regulations 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 Regulations 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 Regulations 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 Regulations 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 Regulations 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 Regulations 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 Cosmo Energy Group Vision and code of conduct, 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. The Sustainability Strategy Committee is composed of the holding company's officers and the general managers of its planning departments, as well as our core business companies' presidents and the general managers of their planning departments, and members of their supervisory committees. The Committee assesses the performance and activities of the Consolidated medium-term sustainability management plan, and reports to the Board of Directors significant matters. In addition, meetings of the Sustainability Committee, which serves as the operational organization of the Sustainability Strategy Committee, are held as necessary, with the General Manager of the Sustainability Initiative Dept. serving as the chief administrator. In FY2022, the Sustainability Strategy Committee met five times, discussed 14 agenda items, and submitted/reported nine of the agenda items to the Board of Directors for deliberation. Furthermore, committees have been established at core business companies and semi-core business companies in accordance with the functions of each company. These committees work together with our Sustainability Strategy Committee to oversee all Group companies.

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

- The Company held 11 meetings of the Board of Directors and 21 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 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 checked the progress of measures for "CEG Priority Risks (Cosmo Energy Group Priority Risks)" that identify cross-group risks and define matters to be dealt with preferentially, then accordingly revised the BCP manual in setting new targets for initiating supply of petroleum products to all disaster zones nationwide within 24 hours of a disaster occurring in FY2022. In September 2022, a tripartite initiative was arranged enlisting the Company, Cosmo Oil, and Cosmo Oil Marketing in conducting drills envisioning a Nankai Megathrust (the fault line under the Nankai trough) Earthquake. Moreover, in November 2022, drills were conducted premised on the notion that Crisis Response Headquarters is to be established at Cosmo Oil's Sakai Refinery and at Cosmo Oil Marketing's Kansai Branch Office and decision-making authority regarding disaster response is to be delegated, envisioning a scenario where functions of the Group's head office become subject to a state of paralysis due to a Tokyo Inland Earthquake. We have been working to enhance risk management of the entire Group through such BCP

drills.

During the fiscal year under review, two 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, the Sustainability Strategy Committee, 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.

7. The Company's Basic Policies for the Control of the Company

(1) Basic policies on persons who control the decisions of the Company's financial and business policies

As a listed company, the Company recognizes that if a share purchase proposal is made by specific persons that may materially impact the Company's basic management policies, the acceptance of that proposal should ultimately be left to its shareholders' decision and that information necessary and sufficient for the purpose of making that decision in order to have the shareholders make that decision appropriately should be offered to them.

Further, where Large-scale Purchase Actions, etc. (Note) are actually conducted, it is difficult for the Company's shareholders to appropriately assess the impact of the Large-scale Purchase Actions, etc. on the Company's corporate value and the shareholders' common interests, without necessary and sufficient information being provided by the Large-scale Purchaser. Further, it is undeniable that some Large-scale Purchase Actions, etc., would damage the Company's medium- to long-term corporate value and the shareholders' common interests, which the Company has maintained and enhanced, such as those that: (i) attempt to temporarily control the management and transfer the Company's tangible/intangible important management assets to the Large-scale Purchaser or its group companies; (ii) attempt to appropriate the Company's assets for repayment of the Large-scale Purchaser's debts; (iii) attempt to merely have the Company and/or its related parties acquire the Company's shares at a high price without intending to actually participate in the management (colloquially referred to as a "greenmailer"); (iv) attempt to obtain temporary high dividends by having the Company sell and dispose of its expensive assets; (v) potentially damage the good relationships with the Company's stakeholders and damage the Company's medium- to long-term corporate value; (vi) do not provide the period of time or information reasonably necessary for the Company's shareholders and the Company's Board of Directors to consider the content of purchases and acquisition proposals and for the Company's Board of Directors to offer alternative proposals; and (vii) do not fully reflect the Company's value.

In light of the above, the Company believes that the Company's Board of Directors has a duty: (i) to have the Large-scale Purchaser provide the information necessary and sufficient for the Company's shareholders to make decisions; (ii) to provide the results of evaluation and consideration by the Company's Board of Directors regarding the impact of the proposal by the Large-scale Purchaser on the Company's medium- to long-term corporate value and the shareholders' common interests, as a reference for the Company's shareholders to consider the proposal; and (iii) (as the case may be) to negotiate or discuss the Large-scale Purchase Actions, etc. or the Company's management policies with the Large-scale Purchaser, or to present the Board of Directors' alternative proposals for the management policies to the Company's shareholders.

In terms of the basic policies above, the Company's Board of Directors will require that the Large-scale Purchaser provide the information necessary and sufficient for the Company's shareholders to appropriately determine whether to accept the Large-scale Purchase Actions, etc., in order to ensure maximization of the Company's medium- to long-term corporate value and the shareholders' common interests. The Board of Directors will also timely and properly disclose such information as provided to the Company or otherwise take measures to be deemed appropriate within the extent permissible under the Laws (collectively refers to the Companies Act, the Financial Instruments and Exchange Act or other laws, any rule, cabinet order, cabinet office order or ministerial order, or any rule of the financial instruments exchange on which the Company's shares are listed), and the Company's Articles of Incorporation.

The basic policies regarding persons who control the decisions of the Company's financial and business policies are as stated above. Thus, the Company's Board of Directors believes that any Large-scale Purchase Action, etc. by a Large-scale Purchaser ultimately requires the Company's shareholders agreement to the Large-scale Purchase Actions, etc., and that such agreement should be made upon consideration of the details of the purposes and conditions thereof and upon being provided in advance with sufficient time and information necessary to determine whether it is acceptable. As such, as long as the Large-scale Purchaser complies with the procedures established in the Response Policies, before enacting the countermeasures based on the Response Policies, the Company's Board of Directors will hold a shareholders meeting ("Shareholders' Will Confirmation Meeting") as a venue for such consideration and determination by the Company's shareholders. Further, if the Company's shareholders express their will to support the Large-scale Purchase Actions, etc. at the Shareholders' Will Confirmation Meeting (such will is to be expressed by the passage of a proposal requesting approval for the Company to take prescribed countermeasures against Large-scale Purchase Actions, etc. by the consent of a majority of the voting rights of the shareholders present at the Shareholders' Will Confirmation Meeting who are entitled to exercise voting rights), the Company's Board of Directors will not take any action to substantially prevent the Large-scale Purchase Actions, etc., as long as it is implemented pursuant to the terms and conditions disclosed at the Shareholders' Will Confirmation Meeting.

Therefore, countermeasures based on the Response Policies (specifically, allotment of share options without contribution) will be enacted, fully respecting the Independent Committee's recommendations, only (a) if approval is obtained by the Shareholders' Will Confirmation Meeting and if the Large-scale Purchaser does not withdraw the Large-scale Purchase

Actions, etc., or (b) if the Large-scale Purchaser seeks to conduct the Large-scale Purchase Actions, etc. (including additional acquisition of the Company's share certificates, etc.) without complying with the procedures established in the Response Policies.

(Note) In the Response Policies (as defined in the following (3); hereinafter the same), the term "Large-scale Purchase Actions, etc." refers to the actions reasonably deemed to fall under the following categories of actions (except for those conducted with the prior consent of the Company's Board of Directors):

- (i) a purchase (including but not limited to the commencement of a tender offer; hereinafter the same applies) of the Company's share certificates, etc. (Note 3) with the aim of making the holding ratio of voting rights (Note 2) of the specific shareholders' group (Note 1) 20% or greater;
- (ii) a purchase of the Company's share certificates, etc. as a result of which the holding ratio of voting rights of the specific shareholders' group would be 20% or greater; or
- (iii) irrespective of whether an action provided for in (i) or (ii) above is undertaken, any action conducted by the Company's specific shareholders' group with another shareholder of the Company (including cases where the relevant action is conducted with multiple other shareholders of the Company; hereinafter the same applies in this (iii)) that falls under either of the following items: (a) agreements or other actions after which the relevant shareholder would be categorized as a joint holder of the specific shareholders' group; or (b) any action to establish a relationship between the specific shareholders' group and the relevant shareholder where either one substantially controls the other or where they act jointly or cooperatively (Note 4) (Note 5) (limited to cases where the total holding ratio of share certificates, etc. of the specific shareholders' group and the relevant shareholder would be 20% or greater with respect to the share certificates, etc. issued by the Company).

As stated above, the term "Large-scale Purchaser" refers to a person who conducts or seeks to conduct Large-scale Purchase Actions, etc. alone or jointly or cooperatively with another person.

(Note 1) The term "specific shareholders' group" refers to (i) a "holder" (as provided in Article 27-23, paragraph (1) of the Financial Instruments and Exchange Act, including a person who is included in the definition of a holder pursuant to paragraph (3) of the same Article) and a "joint holder" (as provided in Article 27-23, paragraph (5) of the same Act, including a person who is deemed to be a joint holder pursuant to paragraph (6) of the same Article; hereinafter the same applies) of "share certificates, etc." (as provided in Article 27-23, paragraph (1) of the same Act) of the Company, (ii) a person who conducts a "purchase, etc." (as provided in Article 27-2, paragraph (1) of the same Act, including a purchase, etc. conducted on a financial instruments exchange market) of "share certificates, etc." (as provided in Article 27-2, paragraph (1) of the same Act) of the Company and any party falling under the definition of a "specially related party" for it (as provided in Article 27-2, paragraph (7) of the same Act; hereinafter the same applies), and (iii) a related party of any of the persons set forth in (i) or (ii) above (meaning investment banks, securities corporations, and other financial institutions that have concluded a financial advisory agreement with those persons, other persons who share common substantial interests with those persons, tender offer agents, lawyers, accountants, tax accountants, other advisors, or persons reasonably considered by the Company's Board of Directors as persons who are substantially controlled by those persons or who act jointly or cooperatively with those persons).

(Note 2) The term "holding ratio of voting rights" refers to, depending on the specific purchase method used by the specific shareholders' group, either (i) the "holding ratio of share certificates, etc." (as provided in Article 27-23, paragraph (4) of the Financial Instruments and Exchange Act) of the specific shareholders' group if such group is a holder and that of any joint holder of the "share certificates, etc." (as provided in Article 27-23, paragraph (1) of the same Act) of the Company (in this case, the "number of share certificates, etc. held" (as provided in the same paragraph) by joint holders of the holder will be included for the purpose of this calculation); or (ii) the total of the "ownership ratio of share certificates, etc." (as provided in Article 27-2, paragraph (8) of the same Act) of the specific shareholders' group if such group is a person conducting a purchase, etc. of share certificates, etc. (as provided in Article 27-2, paragraph (1) of the same Act) of the Company and that of the specially related parties of such person. For the purpose of the calculation of the holding ratio of share certificates, etc., (A) specially related parties as defined in Article 27-2, paragraph (7) of the same Act, (B) investment banks, securities corporations, and other financial institutions that have concluded a financial advisory agreement with specific shareholders, as well as the specific shareholders' tender offer agents, lead underwriters, lawyers, as well as accountants, tax accountants, and other advisors, and (C) persons who acquire the Company's shares, etc. through

off-market direct transactions or on-market after-hours transactions at the Tokyo Stock Exchange (ToSTNeT-1) from the persons falling under (A) and (B) above are deemed to be joint holders in regard to the specific shareholders in the Response Policies. In addition, for the purpose of the calculation of the ownership ratio of share certificates, etc., joint holders (including those who are deemed to be joint holders in the Response Policies) are deemed to be specially related parties of the specific shareholders in the Response Policies. For the purpose of calculating a holding ratio of share certificates, etc. or an ownership ratio of share certificates, etc. of the Company, the latest annual securities report, quarterly securities report, and report on repurchase may be referred to with respect to the “total number of issued shares” (as provided in Article 27-23, paragraph (4) of the same Act) and the “total number of voting rights” (as provided in Article 27-2, paragraph (8) of the same Act).

- (Note 3) The term “certificates, etc.” refers to certificates, etc. as provided in Article 27-23, paragraph (1) of the Financial Instruments and Exchange Act.
- (Note 4) A decision on whether “a relationship between the specific shareholders’ group and the relevant shareholder where either one substantially controls the other or where they act jointly or cooperatively” has been established will be made based on such factors as (a) the formation of any relationship such as an investment relationship, business alliance relationship, business or contractual relationship, interlocking officers relationship, funding relationship, credit granting relationship, the structure of the relationship in terms of the actual benefits with relation to the share certificates, etc. of the Company, through such things as purchases of share certificates, etc. of the Company, exercises of the voting rights related to the Company’s share certificates, etc., derivatives, and stock lending, etc.; and (b) effects that the specific shareholders’ group and the relevant shareholder directly or indirectly have on the Company, among other things.
- (Note 5) A decision on whether an action specified in (iii) in the main text above has taken place will be made reasonably by the Company’s Board of Directors (in making the decision, the Independent Committee’s recommendations will be fully respected). In addition, the Company’s Board of Directors may request information from its shareholders to the extent necessary to make a decision on whether the relevant action falls under the requirements specified in (iii) of the main text above.

(2) Special efforts assisting in the implementation of the basic policies

1. Efforts to enhance the Company’s corporate value and the shareholders’ common interests

(a) Group Management Vision

The Company’s Group Vision is “in striving for harmony and symbiosis between our planet, man and society, we aim for sustainable growth towards a future of limitless possibilities” and the Company holds the following basic concepts of sustainability as its fundamental management policies: “Harmony and Symbiosis (Harmony and Symbiosis with the Global Environment; Harmony and Symbiosis between Energy and Society; and Harmony and Symbiosis between Companies and Society)” as well as “Creating Future Values (Creating the Value of “Customer First;” Creating Value From the Diverse Ideas of the Individual; and Creating Value by Expressing Collective Wisdom).”

(b) The Medium-Term Management Plan to embody the management policies

In the 6th Medium Term Management Plan that started in FY2018, under the slogan of “Oil & New Everything About Oil - And Beyond,” we strengthen our oil refining and sales, which were the main revenue bases in the prior Medium Term Management Plan, as well as aim to expand the business portfolio by promoting growth investment in wind power generation and petrochemical businesses, with a view to the accelerating movement toward a fossil-fuel-free society. Since the decline of petroleum product demand is assumed, in order for our group to grow sustainably, it is essential to shift the focus to new businesses for future growth, and in the 6th Medium Term Management Plan, we set “securing profitability to enable reinvestment,” “expanding growth driver toward the future,” and “improving financial condition,” and “strengthening Group management foundation” as the basic policies, and solidified the strong financial base by increasing the profitability of our oil exploration and production business and petroleum business and expanding the business portfolio. Specifically, with regard to “securing profitability to enable reinvestment,” we started to supply fuel oil to Kygnus Sekiyu in the petroleum business, and increase profitable products by transforming refineries to bottomless ones in order to comply with the IMO regulations; with regard to “expanding growth driver toward the future,” we invested in new businesses

for future growth, including expanding the wind power business; with regard to “improving financial condition,” we increased equity capital by strengthening profitability; with regard to “strengthening Group management foundation,” we identified important ESG tasks (Materiality) that would influence the sustainable growth of society and the Group, and promoted sustainable management to achieve our group’s sustainable creation of value.

As announced on March 23, 2023 in “Announcement on the 7th Consolidated Medium-Term Management Plan (FY2023-2025),” in the 7th Consolidated Medium-Term Management Plan, which starts from FY2023, the Company will work under the slogan “Oil & New ~ Next Stage ~” to achieve sustainable increase in corporate value based on four basic policies: 1. Secure profitability, 2. Expand new fields to drive growth, 3. Realize three-pronged capital policy, and 4. Transform management foundation.

2. Strengthening of corporate governance

The Company has specifically implemented the following efforts to further strengthen corporate governance.

(Corporate governance system)

The Company has set “In striving for harmony and symbiosis between our planet, man, and society, we aim for sustainable growth towards a future of limitless possibilities.” as the Group Management Vision, and we promote “improvement in transparency and efficiency in management,” “prompt execution of business,” and “thorough risk management and compliance” based on this management vision and specific guidelines for promoting and achieving it.

Specifically, the Company shifted to the holding company system in October 2015 and adopted a corporate governance structure with an Audit and Supervisory Committee in order to strengthen the management supervision function and improve transparency and efficiency in its management. The Company has also introduced an executive officer system to strictly divide management supervision from business execution, ensure quick response to changes in the business environment, and execute prompt decision making. The Company’s Board of Directors consists of five internal directors (of these, one director who is a member of the Audit and Supervisory Committee) and four independent outside directors (of these, two independent outside directors who are members of the Audit and Supervisory Committee), determines important matters such as basic policies of its management, and supervises business execution. It is intended to strengthen the management supervision function and achieve fair and transparent management by inviting outside directors.

In addition, the Executive Officers’ Committee which is a decision-making body by the group chief executive officer and consists of main executive officers, including the group chief executive officer and internal director who is a member of the Audit and Supervisory Committee, will be held every two weeks in principle and makes decisions on business execution based on the management policy determined by the Board of Directors.

Further, the Company has established the Nomination and Remuneration Committee in order to ensure transparency and objectivity regarding the process of determining candidates for directors and remuneration. The Nomination and Remuneration Committee consists of one internal director and four independent outside directors, and conducts deliberations on nomination and remunerations of officers. An outside director serves as its chairperson.

(Audit by the Audit and Supervisory Committee and internal audit)

The Audit and Supervisory Committee consists of one internal director and two independent outside directors, and, based on the “Regulations for the Audit and Supervisory Committee” and “Standards for Audit and Supervising in the Audit and Supervisory Committee,” uses an internal control system to audit and supervise the execution of duties by directors and the status of execution of other general duties related to group management. In principle, the Audit and Supervisory Committee meeting will be held more than once a month, and, when necessary, it will be held on a temporary basis.

The Company’s internal auditing office is an organization independent from the business execution line, which reports directly to the representative group chief executive officer. The internal auditing office conducts internal audits of the Company and its affiliated companies and evaluates internal control of the Company and its affiliated companies under the “Internal Audit Regulations” and “Internal Control Evaluation Regulations for Financial Reports.”

The internal auditing office periodically reports audit results regarding compliance with various laws and regulations

and internal regulations, responses to risk management, etc. and evaluation results of internal control to the Executive Officers' Committee and the Audit and Supervisory Committee, and conducts follow-up audits to grasp whether and how the business has been improved in response to its advice and recommendation to each department executing its business.

(Other matters)

In addition, the Company has been diligently working on strengthening corporate governance, based on Japan's latest Corporate Governance Code. For the details of the Company's corporate governance system, please refer to the Company's corporate governance report (dated June 27, 2022).

(3) Efforts to prevent the determination of financial and business policies of the Company from being controlled by inappropriate persons in light of the basic policies

The Company's Board of Directors determined "Basic policies on persons who control the decisions of the Company's financial and business policies," as described in (1) above, for the purpose of securing and improving our corporate value and our shareholders' common interests at the Board of Directors meeting held on January 11, 2023, and has resolved to introduce response policies for (i) Large-scale Purchase Actions, etc. by City and Other Parties (collectively refers to City Index Eleventh Co., Ltd., Ms. Aya Nomura and Reno, Inc.; the same definition applies hereinafter) for the Company's shares, etc. and (ii) other Large-scale Purchase Actions, etc. that may be planned under these circumstances in which City and Other Parties are continuously conducting Large-scale Purchase Actions, etc. for the Company's shares, etc. (the "Response Policies"). We have determined to implement based upon these basic policies, designed to prevent the determination of financial and business policies of the Company from being controlled by an inappropriate person (Article 118, item (iii), (b).2 of the Regulations for Enforcement of the Companies Act).

The Response Policies will be introduced in accordance with (1) "Basic policies on persons who control the decisions of the Company's financial and business policies" above, with the aim of maximizing the Company's medium- to long-term corporate value and the shareholders' common interests.

The Company's Board of Directors believes that the decision to accept Large-scale Purchase Actions, etc. must ultimately be made by the shareholders, from the viewpoint of maximizing the Company's medium- to long-term corporate value and the shareholders' common interests. The Company's Board of Directors also believes that, in order for the shareholders to properly decide to accept Large-scale Purchase Actions, etc., it is necessary to secure an opportunity to confirm their general will by holding a Shareholders' Will Confirmation Meeting in advance of the commencement of the Large-scale Purchase Actions, etc.; and that, in order to allow such confirmation of the will to be substantive and based on deliberation, it is necessary, as a precondition therefor, to secure sufficient information from the Large-scale Purchaser and to provide time to consider to the shareholders.

In light of the above, the Company's Board of Directors decided on the Response Policies as procedures established in the Response Policies if Large-scale Purchase Actions, etc. are to be conducted. These Response Policies are the framework for requesting that the Large-scale Purchaser provide the necessary information and for securing the time required for the Company's shareholders to deliberate over the propriety of the relevant Large-scale Purchase Actions, etc. based on the provided information, as a precondition to enable the shareholders to determine based on sufficient information, in advance of the Large-scale Purchase Actions, etc., whether the Large-scale Purchase Actions, etc. will prevent the maximization of the Company's medium- to long-term corporate value and the shareholders' common interests. We believe that the above-mentioned procedures provide the shareholders with necessary and sufficient information and time to make a proper decision regarding whether to accept Large-scale Purchase Actions, etc., and that such will contribute to the maximization of the Company's medium- to long-term corporate value and the shareholders' common interests.

Therefore, the Company's Board of Directors plans to request that Large-scale Purchasers comply with the Response Policies; and if a Large-scale Purchaser fails to do so, to take certain countermeasures, fully respecting the Independent Committee's opinions, from the viewpoint of maximizing the Company's medium- to long-term corporate value and the shareholders' common interests.

In response to the fact that it can be reasonably determined that there is a relatively high probability that City and Other Parties will purchase 20% or more of the Company's shares on a large-volume holdings statement basis through the Share

Buying-up (Note) (i.e., the Large-scale Purchase Actions, etc.), the decision to introduce the Response Policies was made by the Company's Board of Directors, based on the determination that it is necessary to establish certain procedures to respond to (i) Large-scale Purchase Actions, etc. by City and Other Parties for the Company's share certificates, etc. and (ii) other Large-scale Purchase Actions, etc. that may be intended under these circumstances in which City and Other Parties are continuously conducting Large-scale Purchase Actions, etc. for the Company's shares, etc., from the viewpoint of maximizing the Company's medium- to long-term corporate value and the shareholders' common interests. In addition, the Response Policies entail the decision regarding whether the Company should take prescribed countermeasures against the Large-scale Purchase Actions, etc. will also be ultimately left to the will of the shareholders through a Shareholders' Will Confirmation Meeting, as long as a Large-scale Purchaser complies with the procedures established in the Response Policies. Accordingly, on the condition that the time and information required to evaluate and examine details of the Large-scale Purchase Actions, etc. are sufficiently secured, the Company believes that it is fair to deem the following process reasonable: if enacting the countermeasures is passed by the consent of a majority of the voting rights of the shareholders present at a Shareholders' Will Confirmation Meeting who are entitled to exercise voting rights after the Company's Board of Directors fulfills its accountability to them, then the relevant countermeasures may be deemed to be based on the reasonable will of the shareholders.

With regard to the Response Policies, the Company has disclosed "Notice Concerning the Introduction of the Company's Basic Policies for the Control of the Company Based on the Fact that City Index Eleventh Co., Ltd. and Other Parties Carry Out Large-scale Purchase Actions, etc. of the Company's Share Certificates, etc. and Response Policies to Large-scale Purchase Actions, etc. of the Company's Share Certificates, etc." on the URL shown below as of January 11, 2023. For details, please refer to the website below.

https://www.cosmo-energy.co.jp/ja/information/press/pdf/230111jp_01.html (in Japanese)

The Response Policies take effect as of January 11, 2023, and the effective term thereof is until the conclusion of the first meeting of the Company's Board of Directors to be held after the Company's ordinary general meeting of shareholders to be held in 2023. However, upon the conclusion of the first meeting of the Company's Board of Directors to be held after the Company's ordinary general meeting of shareholders to be held in 2023, if there are persons who are actually engaged in, or contemplating, Large-scale Purchase Actions, etc. and are designated by the Company's Board of Directors, the effective term will be extended, to the extent necessary to respond to such actions engaged in or contemplated. As stated above, the Response Policies will be introduced by primarily focusing on the response to the Large-scale Purchase Actions, etc. that have already occurred, including the Share Buying-up; therefore, the Response Policies are not planned to be maintained after specific Large-scale Purchase Actions, etc. are no longer contemplated.

In addition, if the Company's Board of Directors comprising the directors appointed at the Company's general meeting of shareholders resolves to abolish the Response Policies before expiration of the effective term, they will be abolished upon such resolution.

(Note) "Share Buying-up" refers to the buying up of the Company's shares, etc. on the market conducted by City and Other Parties after submitting a statement of large-volume holdings of the Company's share certificates, etc. by City Index Eleventh Co., Ltd. for the first time on April 5, 2022.

(4) The Company's thoughts on these initiatives and reasons therefor

The Board of Directors considers that the above actions are in accordance with the abovementioned "(1) Basic policies on persons who control the decisions of the Company's financial and business policies," that they do not harm the common interests of shareholders, and that they are not intended to maintain the position of the Company's executives, for the following reasons.

- (a) The Response Policies take into account the purposes of guidelines regarding takeover defense measures at normal times

The Response Policies differ from so-called proactive takeover defense measures that are introduced in times when there are no Large-scale Purchase Actions, etc., but have been formulated in light of: (i) the content of the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and

Shareholders' Common Interests" published by the Ministry of Economy, Trade and Industry and the Ministry of Justice, on May 27, 2005; (ii) the proposal in the report of the Corporate Value Study Group of the Ministry of Economy, Trade and Industry, dated June 30, 2008, titled "Takeover Defense Measures in Light of Recent Environmental Changes"; and (iii) the purposes of the rules for introduction of takeover defense measures, in relation to takeover defense measures in times when there are no Largescale Purchase Actions, etc. prescribed by the Tokyo Stock Exchange, and of "Principle 1.5 Anti-Takeover Measures" of the "Japan's Corporate Governance Code" (as revised on June 11, 2021) that the Tokyo Stock Exchange introduced and began implementation of as of June 1, 2015, due to revision of the Securities Listing Regulations. The requirements specified in those guidelines that also apply to the emergency countermeasures are satisfied in the Response Policies.

(b) Respect of the shareholders' will (structure where the shareholders' will is directly reflected)

When enacting countermeasures based on the Response Policies, the Company will reflect its shareholders' will by holding a Shareholders' Will Confirmation Meeting. As long as the Large-scale Purchaser complies with the procedures established in the Response Policies, whether to enact the countermeasures will be decided based only on the shareholders' will expressed at the Shareholders' Will Confirmation Meeting.

On the other hand, if the Large-scale Purchaser attempts to conduct its Large-scale Purchase Actions, etc. (including additional acquisition of the Company's shares) without complying with the procedures established in the Response Policies, the countermeasures will be enacted only by a decision of the Company's Board of Directors, fully respecting the Independent Committee's opinions. This is attributable to the Large-scale Purchaser's decision not to provide an opportunity for the Company's shareholders to determine the propriety of the Large-scale Purchase Actions, etc. after deliberating over the necessary and sufficient information. Therefore, the Company believes that enacting the countermeasures against such Large-scale Purchase Actions, etc. which disregards its shareholders' will is unavoidable to protect the Company's corporate value and the shareholders' common interests.

In addition, as stated in (3) above, the Response Policies take effect as of January 11, 2023, and the effective term thereof is until the conclusion of the first meeting of the Company's Board of Directors to be held after the Company's ordinary general meeting of shareholders to be held in 2023, in principle.

As such, the Response Policies fully respect the shareholders' will.

(c) Elimination of the Board of Directors' arbitrary decisions

As stated in (b) above, the Company will hold a Shareholders' Will Confirmation Meeting and decide whether to enact countermeasures against Large-scale Purchase Actions, etc. in accordance with its shareholders' will. As long as the Large-scale Purchaser complies with the procedures established in the Response Policies, whether to enact countermeasures will be decided based on the Shareholders' Will Confirmation Meeting. Further, if the Large-scale Purchaser attempts to conduct the Large-scale Purchase Actions, etc. (including additional acquisition of the Company's shares) without complying with the procedures established in the Response Policies, the Company's Board of Directors will enact the prescribed countermeasures after respecting the Independent Committee's opinion to the utmost extent. Therefore, the countermeasures will not be acted by arbitrary discretion of the Company's Board of Directors.

Further, the Company will obtain recommendations from the Independent Committee, regarding the matters necessary to consider the propriety of enacting countermeasures or otherwise take action in line with the Response Policies, in order to ensure the necessity and appropriateness of actions under the Response Policies and to prevent them from being abused to protect management interests. In addition, the Company's Board of Directors will fully respect the Independent Committee's opinions, in order to ensure the fairness of the Board of Directors' decisions and eliminate arbitrary decisions. In addition, the Independent Committee may, among other things, obtain advice from external experts (such as financial advisors, attorneys-at-law, certified public accountants, and tax accountants) independent from the Company's Board of Directors and the Independent Committee, as necessary. As such, the objectiveness and reasonableness of the Independent Committee's decisions are ensured.

Therefore, the Response Policies eliminate the Board of Directors' arbitrary decisions.

- (d) The Response Policies are not a dead-hand takeover defense measure or a slow-hand takeover defense measure

As stated in (3) above, the Response Policies are abolishable at any time by resolution of the Board of Directors comprising the directors appointed at a general meeting of shareholders; therefore, the Response Policies are not a so-called dead-hand takeover defense measure (meaning a takeover defense measure that cannot be prevented from being enacted even by replacing a majority of the members of the Board of Directors) or a slow-hand takeover defense measure (meaning a takeover defense measure that requires time to be prevented from being enacted because the members of the Board of Directors cannot be replaced all at once).

Consolidated Balance Sheet
Fiscal Year 2022 (As of March 31, 2023)

(Unit: million yen)

Item	Amount	Item	Amount
Assets	<u>2,120,763</u>	Liabilities	<u>1,457,383</u>
Current assets	1,036,040	Current liabilities	1,012,579
Cash and deposits	104,344	Notes and accounts payable - trade	330,923
Notes receivable - trade	3,809	Short-term loans payable	274,210
Accounts receivable - trade	319,801	Commercial papers	155,300
Merchandise and finished goods	198,166	Accounts payable - other	116,607
Work in process	83	Accrued volatile oil and other petroleum taxes	86,241
Raw materials and supplies	198,722	Income taxes payable	10,036
Accounts receivable - other	84,302	Accrued expenses	3,665
Other	126,840	Provision for bonuses	8,870
Allowance for doubtful accounts	-29	Provision for directors' bonuses	760
Non-current assets	1,084,694	Other	25,963
Property, plant and equipment	846,264	Non-current liabilities	444,804
Buildings and structures, net	237,358	Bonds payable	3,000
Oil storage depots, net	35,960	Long-term loans payable	253,708
Machinery, equipment and vehicles, net	200,101	Deferred tax liabilities	50,838
Land	313,637	Deferred tax liabilities for land revaluation	5,078
Leased assets, net	2,158	Provision for special repairs	52,447
Construction in progress	46,439	Provision for environmental measures	1,735
Other, net	10,608	Net defined benefit liability	3,395
Intangible assets	43,216	Provision for executive remuneration BIP trust	1,788
Software	10,229	Asset retirement obligations	27,282
Other	32,987	Other	45,529
Investments and other assets	195,212	Net assets	<u>663,380</u>
Investment securities	127,897	Shareholders' equity	531,909
Long-term loans receivable	515	Capital stock	46,435
Long-term prepaid expenses	9,977	Capital surplus	91,349
Net defined benefit asset	5,259	Retained earnings	396,361
Deferred tax assets	42,588	Treasury shares	-2,237
Other	9,250	Accumulated other comprehensive income	-4,014
Allowance for doubtful accounts	-275	Valuation difference on available-for-sale securities	5,094
Deferred assets	28	Deferred gains or losses on hedges	-34
Bond issuance cost	28	Revaluation reserve for land	-20,880
		Foreign currency translation adjustment	11,278
		Remeasurements of defined benefit plans	527
		Non-controlling interests	135,485
Total assets	2,120,763	Total liabilities and net assets	2,120,763

Consolidated Statements of Income

Fiscal Year 2022(From April 1, 2022 to March 31, 2023)

(Unit: million yen)

Item	Amount	
I Net sales		2,791,872
II Cost of sales		2,471,141
Gross profit		320,730
III Selling, general and administrative expenses		156,949
Operating profit		163,780
IV Non-operating income		
Interest income	2,171	
Dividend income	941	
Rent income on non-current assets	1,040	
Share of profit of entities accounted for using equity method	1,000	
Foreign exchange gains	1,453	
Other	3,228	9,836
V Non-operating expenses		
Interest expenses	6,512	
Other	2,599	9,111
Ordinary profit		164,505
VI Extraordinary income		
Gain on sales of non-current assets	4,325	
Gain on sales of investment securities	335	
Subsidy income	63	
Compensation income	623	
Insurance income	96	
Other	626	6,071
VII Extraordinary losses		
Loss on sales of non-current assets	36	
Loss on disposal of non-current assets	7,272	
Impairment loss	3,698	
Loss on valuation of investment securities	128	
Loss on redemption of bonds	4,346	
Other	1,830	17,312
Profit before income taxes		153,263
Income taxes - current	61,009	
Income taxes - deferred	10,357	71,366
Profit		81,896
Profit attributable to non-controlling interests		13,961
Profit attributable to owners of parent		67,935

Consolidated Statements of Changes in Equity

Fiscal Year 2022 (from April 1, 2022 to March 31, 2023)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2022	40,000	82,843	343,377	-1,902	464,318
Changes of items during the period					
Issuance of new shares	6,435	6,435			12,870
Dividends of surplus			-14,691		-14,691
Profit attributable to owners of parent			67,935		67,935
Purchase of treasury shares				-20,884	-20,884
Disposal of treasury shares		-824		20,549	19,725
Capital increase of consolidated subsidiaries		316			316
Change in ownership interest of parent due to transactions with non-controlling interests		2,183			2,183
Purchase of shares of consolidated subsidiaries		395			395
Reversal of revaluation reserve for land			-259		-259
Net changes of items other than shareholders' equity					
Total changes of items during the period	6,435	8,506	52,984	-334	67,591
Balance at March 31, 2023	46,435	91,349	396,361	-2,237	531,909

	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, 2022	4,610	-536	-21,139	7,691	1,255	-8,118	127,771	583,971
Changes of items during the period								
Issuance of new shares								12,870
Dividends of surplus								-14,691
Profit attributable to owners of parent								67,935
Purchase of treasury shares								-20,884
Disposal of treasury shares								19,725
Capital increase of consolidated subsidiaries								316
Change in ownership interest of parent due to transactions with non-controlling interests								2,183
Purchase of shares of consolidated subsidiaries								395
Reversal of revaluation reserve for land								-259
Net changes of items other than shareholders' equity	483	501	259	3,587	-728	4,103	7,713	11,817
Total changes of items during the period	483	501	259	3,587	-728	4,103	7,713	79,408
Balance at March 31, 2023	5,094	-34	-20,880	11,278	527	-4,014	135,485	663,380

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 Oil Co., Ltd.

Cosmo Oil Marketing Co., Ltd.

Maruzen Petrochemical Co., Ltd.

Cosmo Energy Exploration & Production Co., Ltd.

Abu Dhabi Oil Co., Ltd.

Cosmo Eco Power Co., Ltd.

Cosmo Oil Sales Hokkaido Co., which was a consolidated subsidiary in FY2021, was excluded from the scope of consolidation in FY2022 since it was merged by Cosmo Oil Sales Corp., Ltd., a consolidated subsidiary.

On the other hand, SAFFAIRE SKY ENERGY LLC has been included in the scope of the consolidation due to the establishment in FY2022.

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

Reason for exclusion from accounting consolidation:

12 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: 12

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

Grow Creat Co., Ltd. which applied the equity method were excluded from the scope of associated companies in FY2022, since it was merged by Cosmo Oil Property Service Co., Ltd. which is a consolidated subsidiary.

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

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

(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, 2022 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:

Held-to-maturity securities:

- Stated at amortized cost

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 Company 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 quarter 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) Application of the group tax sharing system

The group tax sharing system is applied.

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

The Company and some of its domestic consolidated subsidiaries have applied group tax sharing system from FY2022.

Accordingly, for accounting and disclosure related to tax effect accounting for corporate and local income taxes, the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Forces No.42, issued August 12, 2021) has been applied.

3) 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.

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 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.

4) 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.

(Notes to Accounting Estimates)

Recoverability of deferred tax assets

The Company reviews the recoverability of deferred tax assets every fiscal year. In tax loss carryforwards and deductible temporary differences, the Company recognizes deferred tax assets to the extent considered to have the effect of reducing expected future tax consequences.

The Company posted deferred tax assets of ¥42,588 million in the consolidated balance sheet. The amount of deferred tax assets before they are offset by deferred tax liabilities is ¥71,912 million. The Company applies the group tax sharing system. Deferred tax assets (before being offset by deferred tax liabilities) at the Company and certain domestic consolidated subsidiaries (hereinafter "Totalization Group") is ¥45,461 million and accounts for a large percentage of the consolidated figure.

At the Totalization Group, a significant tax loss occurred, and the loss carryforwards expired. However, the significant tax loss was attributable to a non-recurring factor. The Company has posted deferred tax assets, expecting taxable income before additions and subtractions, including temporary differences, in multiple years in consideration of the degree of achievement of the consolidated medium-term management plan and consolidated medium-term management plans in the past, as well as trends in taxable income or tax losses in the fiscal year under review and past fiscal years.

The Company estimates taxable income before additions and subtractions, including temporary differences, based on the 7th consolidated medium-term management plan created by the Company. The estimate is adjusted in consideration of the evaluation of effects of uncertainties.

The Company makes key assumptions based on the assumption that crude oil prices remain stable.

Domestic demand estimates are based on medium to long-term demand projections as of March 2023. The Company assumes that domestic markets will remain stable. The Company expects that sales volumes will exceed production volumes at refineries and that high utilization at refineries can be maintained.

Management believes that accounting estimates used in the evaluation of the recoverability of deferred tax assets are reasonable and the amount of deferred tax assets posted is appropriate. However, the estimates involve uncertainties that are unpredictable, and the Company may change assumptions and estimates and record reversal of deferred tax assets from the next fiscal year.

The assessment of Cost Recovery Under Production Sharing, which was stated in notes to accounting estimates in the previous fiscal year, is not stated this fiscal year because there are no rights to recover cost under production sharing at the end of the fiscal year under review.

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation for property, plant and equipment	¥1,142,625 million
2. Pledged Assets	
(1) Breakdown of Assets Pledged as Collateral and Amounts thereof:	
Property, plant and equipment	¥123,200 million
Cash and deposits	¥64,561 million
Accounts receivable-trade	¥11,111 million
Investment securities (Note)	¥2,128 million
(Note) These are 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)	¥42,531 million
Debts related to transactions with banks	¥20,991 million
(3) Assets Pledged as Collateral for Business Guarantees:	
Investment securities	¥50 million
Other(Current assets)	¥5,552 million
3. Breakdown of the Compressed Amounts deducted from the Acquisition Cost due to the National Subsidy, etc thereof:	
Machinery, equipment and vehicles	¥3,652 million
Oil storage depots	¥62 million
4. Contingencies	
The Company guarantees debts for borrowings from financial institutions such as affiliated companies and fulfilling contracts.	
Chiba Arkon Production, Limited	¥6,958 million
Japan Biofuels Supply LLP	¥4,107 million
North Hokkaido Wind Energy Transmission Corp.	¥2,222 million
Abukuma South Wind Power, LLC	¥1,949 million
Others	¥43 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:

¥30,170 million

6. Financial Covenants

Out of borrowings, borrowings amounting to ¥46,240 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, 2023	¥19,890 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.

(Notes to Consolidated Statements of Changes in Equity)

1. Types and Number of Outstanding Shares and Treasury Shares as of March 31, 2023

Outstanding shares	Ordinary shares	88,353,761 shares
Treasury shares	Ordinary shares	988,694 shares
	(including executive remuneration BIP trust	986,983 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 23, 2022 Note : 1	Ordinary shares	8,476	100	March 31, 2022	June 24, 2022
Board of Directors Meeting held on November 10, 2022 Note : 2	Ordinary shares	6,215	75	September 30, 2022	December 14, 2022

(Note) 1. The dividend amount for treasury shares held by BIP trust in the total dividend amount ¥100 million

2. The dividend amount for treasury shares held by BIP trust in the total dividend amount ¥69 million

(2) Dividends whose effective date will fall after the end of FY 2022 among those whose record date falls within FY2022

The Company proposes the following agenda at the ordinary general meeting of shareholders held on June 22, 2023.

(Resolution adopted by)	Type	Total dividend amount (¥ mil)	Dividend resource	Dividend per share (¥)	Record date	Effective date
Shareholders' Meeting held on June 22, 2023	Ordinary shares	6,626	Retained earnings	75	March 31, 2023	June 23, 2023

(Note) The dividend amount for treasury shares held by BIP trust in the total dividend amount ¥74 million

(Notes to Financial Products)

1. Information on the Status of Financial Products

The Company 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 Company 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 Company 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 Company trades derivatives within the range of actual demand in accordance with its internal control rules, and The Company 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 ¥108,686 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, 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.

(Unit : million yen)

	Book value on the consolidated balance sheet *	Fair value*	Difference
(1) Investment securities			
Held to maturity securities	50	49	-0
Other securities	19,160	19,187	27
(2) Bonds payable	(3,000)	(3,035)	35
(3) Long-term loans payable	(253,708)	(250,225)	-3,483
(4) Derivative transactions	1,295	1,295	—

* 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

(Unit : million yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stock	18,388	—	—	18,388
Other	—	720	—	720
Derivative transactions				
Currency related	—	1,411	—	1,411
Product related	—	(116)	—	(116)

* 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

(Unit : million yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held to maturity securities				
Municipal bond	—	49	—	49
Other securities				
Other	—	79	—	79
Bonds payable	—	(3,035)	—	(3,035)
Long-term loans payable	—	(250,225)	—	(250,225)

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

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

Investment securities

Listed shares and municipal bond are calculated using quoted market price. Fair values for listed shares are categorized as Level 1, due to active markets. On the other hand, fair values for municipal bond are categorized as Level 2, due to inactive 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 Company 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 2022 (From April 1, 2022 to March 31, 2023)
Balance at the beginning of the year	22,823
Increase due to the acquisition of property and equipment	1,161
Decrease due to change in estimation	4,455
Adjustments due to the elapse of time	266
Decrease due to the fulfillment of asset retirement obligations	-328
Increase (decrease) due to other	-538
Balance at the end of the year	27,840

4 Changes in Estimates of Asset Retirement Obligation

Due to the re-evaluation of retirement cost executed by the consolidated subsidiaries during FY2022, 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

(Unit : million yen)

Book value on the consolidated balance sheet	Fair value
26,595	26,697

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	¥6,042.41
2. Net profit per share	¥811.15

(Notes to Lease Transactions)

The future lease payment from non-cancellable operating leases

Within one year	¥2,650 million
Over one year	¥31 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	2,053,534	355,425	44,603	12,119	25,214	2,490,897
Asia	107,266	14,768	—	—	761	122,796
Other	167,496	544	7,990	—	2,146	178,177
Outside customers	2,328,298	370,738	52,593	12,119	28,122	2,791,872
Revenue from contracts with customers	2,325,890	370,400	52,593	12,119	27,302	2,788,306

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

2. Revenue from outside customers include ¥3,566 million of revenue recognized from sources other than that of contracts with customers.

2. Information used as a basis for understanding revenue from contracts with customers

Petroleum Business

In the Petroleum business, the Company primarily exports and imports, refines, stores, and sells crude oil and petroleum products.

In the business, the Company determines that control of a product promised primarily in a contract has been transferred to the customer and the performance obligation set out in the contract is satisfied when the product is loaded in transportation mode, such as a tanker truck, arranged by the customer at a refinery or other place and is shipped, and recognizes an amount based on the unit price and shipment volume promised in the contract as revenue. If a product promised in a contract is transported by a transportation mode, such as a tanker truck, arranged by the Company, the Company determines that control of the product has been transferred to the customer and the performance obligation set out in the contract is satisfied when the product is loaded and shipped by the alternative means, and recognizes an amount based on the unit price and shipment volume promised in the contract as revenue. Revenue recognized is the consideration promised in the contract with the customer minus the value of product returns and discounts, etc. The Company receives the consideration of transactions by the due date set out in contracts and receives payments within a year of the delivery of the products. There are thus no material financing components included.

Petrochemical Business

In the Petrochemical business, the Company primarily produces and sells petrochemical products.

In the business, products promised primarily in contracts are shipped through pipelines between petrochemical plants. The Company determines that control of a product has been transferred to the customer and the performance obligation set out in the contract is satisfied when the product has passed the point in the pipeline set out in the contract and recognizes an amount based on the unit price and shipment volume promised in the contract as revenue. The Company receives the consideration of transactions by the due date set out in contracts and receives payments within a year of the delivery of the products. There are thus no material financing components included. Revenue from a transaction whose consideration may change is recognized to the extent that there is highly unlikely to be any significant downward revision to revenue.

Oil Exploration and Production Business

In the Oil Exploration and Production business, the Company primarily develops, produces, and sells crude oil.

In the business, the Company determines that control of a product promised primarily in a contract has been transferred to the customer and the performance obligation set out in the contract is satisfied when the product has passed the flange that connects shipping facilities and the chartered tanker and recognizes an amount based on the unit price and shipment volume promised in the contract as revenue. The Company receives the consideration of transactions by the due date set out in contracts and receives payments within a year of the delivery of the products. There are thus no material financing components included.

Renewable Energy Business

In the Renewable Energy business, the Company primarily supplies and sells electricity generated by wind power.

In the business, the Company determines that control of electricity generated chiefly at wind power facilities has been transferred to the customer and the performance obligation set out in the contract is satisfied when electricity is supplied through power supply facilities to consumers, and recognizes an amount based on the unit price and the amount of electricity sold promised in the contract as revenue. The Company receives the consideration of transactions by the due date set out in contracts and receives payments within a year of delivery. There are thus no material financing components included.

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

(1) Contract assets and contract liabilities, etc.

(Unit : million yen)

	Current fiscal year
Receivables from contracts with customers at the beginning of the year	269,819
Receivables from contracts with customers at the end of the year	277,221
Contract assets at the beginning of the year	1,932
Contract assets at the end of the year	4,199
Contract liabilities at the beginning of the year	9,279
Contract liabilities at the end of the year	8,623

Contract assets are primarily related to the consideration of uncompleted construction from which revenue has been recognized under the construction contract. Contract assets will be transferred to receivables from contracts with customers when the Company receives an unconditional right to a consideration. Contract liabilities are considerations the Company has received from customers before deliveries of products under contracts primarily in the Petroleum business. Contract liabilities will be transferred to revenue when performance obligations are fulfilled.

Contract assets are included in "Other" in current assets. Contract liabilities are included in "Other" in current liabilities.

Almost all contract liabilities at the beginning of the fiscal year under review have been transferred to revenue in the fiscal year under review, and the amount that is carried over is minor and immaterial. The amount of revenue recognized in the fiscal year under review due to the fulfillment of performance obligations in past fiscal years is also immaterial.

(2) Transaction prices allocated to remaining performance obligations

The Company has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and does not disclose contracts with an original expected duration of one year or less.

The revenue expected to be recognized in the future related to performance obligations that are unsatisfied as of this fiscal end was as follows.

Transaction prices allocated to remaining performance obligations has become more significant in term of amount, therefore is stated from the fiscal year. There is no significant amount of consideration arising from contracts with customer that is not included in the transaction prices.

(Unit : million yen)

	Current fiscal year
Within one year	3,424
Over one year and within five years	1,871
Total	5,295

(Notes to Significant Subsequent Events)

(Issuance of unsecured bonds)

The Company issued unsecured straight bonds whose payment date is May 8, 2023. The outlines are presented below.

First series of unsecured bonds of Cosmo Energy Holdings Co., Ltd. (with special agreement on limited equal priority among bonds)

- (1) Total amount issued 15,000 million yen
- (2) Issue price ¥100 per ¥100 in the amount of each bond
- (3) Interest rate An annual rate of 0.540%
- (4) Redemption date May 8, 2028
- (5) Method of redemption Redeemed in a lump-sum at maturity
- (6) Security or guarantee is not furnished on the bonds, and no particular assets are reserved for the bonds.
- (7) Use of funds The funds are used for repaying debt.

(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 ¥2,230 million and 986 thousand respectively.

Balance Sheet

Fiscal Year 2022 (As of March 31, 2023)

(Unit: million yen)

Item	Amount	Item	Amount
Assets	<u>815,505</u>	Liabilities	<u>661,884</u>
Current assets	330,131	Current liabilities	434,998
Cash and deposits	2,107	Short-term loans payable	170,052
Short-term loans receivable from subsidiaries and associates	310,983	Current portion of long-term loans payable	32,530
Accounts receivable-other	7,014	Commercial papers	155,300
Other	10,026	Accounts payable-other	4,789
Non-current assets	485,367	Income taxes payable	267
Property, plant and equipment	123,886	Deposits received	70,041
Buildings and structures, net	273	Provision for bonuses	912
Vehicles, net	5	Provision for directors' bonuses	210
Tools, furniture and fixtures, net	116	Other	894
Land	123,200	Non-current liabilities	226,886
Leased assets	224	Bonds payable	3,000
Construction in progress	65	Long-term loans payable	221,820
Intangible assets	1,882	Long-term deposits received	1,159
Software	1,619	Provision for executive remuneration BIP trust	745
Other	263	Other	161
Investments and other assets	359,598	Net assets	<u>153,620</u>
Investment securities	6,066	Shareholders' equity	152,414
Shares of subsidiaries and associates	215,418	Capital stock	46,435
Long-term loans receivable	0	Capital surplus	27,873
Long-term loans receivable from subsidiaries and associates	136,094	Legal capital surplus	16,435
Long-term deposits	1,340	Other capital surplus	11,438
Deferred tax assets	355	Retained earnings	80,343
Other	323	Other retained earnings	80,343
Deferred assets	6	Retained earnings brought forward	80,343
Bond issuance cost	6	Treasury shares	-2,237
		Valuation and translation adjustments	1,205
		Valuation difference on available-for-sale securities	1,205
Total assets	815,505	Total liabilities and net assets	815,505

Statements of Income

Fiscal Year 2022 (From April 1, 2022 to March 31, 2023)

(Unit: million yen)

Item	Amount	
I Operating revenue		57,609
II General and administrative expenses		12,386
Operating profit		45,223
III Non-operating income		
Interest income	4,397	
Dividend income	348	
Other	151	4,897
IV Non-operating expenses		
Interest expenses	4,681	
Interest on bonds	40	
Foreign exchange losses	13	
Commission for purchase of treasury shares	231	
Other	1,102	6,068
Ordinary profit		44,052
V Extraordinary income		
Gain on reversal of asset retirement obligations	38	
Gain on sales of investment securities	15	54
VI Extraordinary loss		
Loss on disposal of non-current assets	17	
Loss on valuation of investment securities	2	
Loss on redemption of bonds	4,346	4,366
Profit before income taxes		39,740
Income taxes-current	-389	
Income taxes-deferred	-1	-390
Profit		40,131

Statements of Changes in Equity

Fiscal Year 2022 (From April 1, 2022 to March 31, 2023)

(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 Retained earnings brought forward	Total retained earnings		
Balance at April 1, 2022	40,000	10,000	12,262	22,262	54,903	54,903	-1,902	115,263
Changes of items during the period								
Issuance of new shares	6,435	6,435		6,435				12,870
Dividends of surplus					-14,691	-14,691		-14,691
Profit					40,131	40,131		40,131
Purchase of treasury shares							-20,884	-20,884
Disposal of treasury shares			-824	-824			20,549	19,725
Net changes of items other than shareholders' equity								
Total changes of items during the period	6,435	6,435	-824	5,610	25,439	25,439	-334	37,150
Balance at March 31, 2023	46,435	16,435	11,438	27,873	80,343	80,343	-2,237	152,414

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2022	755	755	116,019
Changes of items during the period			
Issuance of new shares			12,870
Dividends of surplus			-14,691
Profit			40,131
Purchase of treasury shares			-20,884
Disposal of treasury shares			19,725
Net changes of items other than shareholders' equity	450	450	450
Total changes of items during the period	450	450	37,601
Balance at March 31, 2023	1,205	1,205	153,620

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 (Excluding leased assets)	The straight-line method 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 quarter 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 group tax sharing system

The group accounting system is applied.

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

The Company apply group tax sharing system from FY2022. Accordingly, for accounting and disclosure related to tax effect accounting for corporate and local income taxes, "the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Forces No. 42, issued August 12, 2021) has been applied.

(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. 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.

4. Notes to Non-Consolidated Balance Sheet

(1) Short-term loans receivable from subsidiaries and associates:	¥15,842 million
Long-term loans receivable from subsidiaries and associates:	¥0 million
Short-term loans payable to subsidiaries and associates:	¥73,633 million
Long-term loans payable to subsidiaries and associates:	¥814 million
(2) Accumulated depreciation for the property, plant and equipment	¥1,549 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.	¥147,099 million
Others	¥24,550 million

(5) Financial Covenants

Out of borrowings, borrowings amounting to ¥45,490 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, 2023	¥19,890 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.

5. Notes to Non-Consolidated Statements of Income

Operating revenue from subsidiaries and associates:	¥57,609 million
General and administrative expenses for subsidiaries and associates:	¥1,039 million
Non-operating transactions with subsidiaries and associates:	¥5,062 million
(in addition, it is stated in "Notes to the Company's Transactions with Related Parties".)	

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

Type and Number of Treasury Shares as of March 31, 2023

Ordinary shares	988,694 shares
(including the Executive Remuneration BIP Trust	986,983 shares)

7. Notes to Tax Effective Consequence Accounting

(Unit: million yen)

1) Deferred tax assets:

Loss on valuation of investment securities	1,067
Provision for bonuses	343
Tax loss carryforwards	117
Others	517
deferred tax assets – Sub-total:	2,046
Valuation allowance for tax loss carryforwards	-13
Valuation allowance for total deductible temporary differences	-1,252
Valuation allowance:	-1,265
Total deferred tax assets:	780

2) Deferred tax liabilities:

Valuation difference on available-for-sale securities	-363
Others	-61
Total deferred tax liabilities:	-424
Net deferred tax assets:	355

8. 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, 2023 (¥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)	33,328	Accounts receivable-other	872
				Loans to it (*2) and Funds deposit (*3)	244,827	Short-term loans receivable from subsidiaries and associates	264,667
				Interest receivable (*4)	2,548	—	—
				Assumption of guaranty liabilities (*5)	147,099	—	—
				Guaranteed liabilities (*6)	253,417	—	—
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)	16,697	Accounts receivable-other	596
				Loans to it (*2) and Funds deposit (*3)	23,111	Deposits received	15,965
				Interest receivable (*4)	321	—	—
				Interest payable (*4)	184	—	—
				Assumption of guaranty liabilities (*5)	2,210	—	—
				Guaranteed liabilities (*6)	253,417	—	—
Subsidiary	Cosmo Oil Sales Co., Ltd. (indirectly, 100% owned)	Sales of oil products	Loans to it	Loans to it (*2) and Funds deposit (*3)	11,006	Deposits received	7,312
				Interest payable (*4)	64	—	—
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)	73,109	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	2,194 67,041
				Interest payable (*4)	704	—	—
				Interest receivable (*4)	8	—	—
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)	25,372	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	15,532 11,492
				Interest receivable (*4)	189	—	—

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, 2023 (¥mil)
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)	5,392	Long-term loans receivable from subsidiaries and associates	3,448
				Interest receivable (*4)	40	Deposits received	401
				Interest payable (*4)	7	Accounts payable-other	279
						—	—
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)	45,525	Deposits received	33,788
				Interest receivable (*4)	292	Long-term loans receivable from subsidiaries and associates	23,000
				Interest payable (*4)	102	Accounts receivable-other	145
						Accounts payable-other	43
Subsidiary	Cosmo Eco Power Co., Ltd.(directly, 100% owned)	Wind Power Generation	Loans to it Guarantees Interlocking directors	Loans to it (*2) and Funds deposit (*3)	25,420	Short-term loans receivable from subsidiaries and associates	20,934
				Interest receivable (*4)	132	Long-term loans receivable from subsidiaries and associates	14,921
				Assumption of guaranty liabilities (*5)	9,601	Accounts receivable-other	80
Subsidiary	Yokkaichi Kasumi Power Co., Ltd. (directly, 61% owned)	Lease of power generation plant	Loans to it	Loans to it (*2)	13,239	Long-term loans receivable from subsidiaries and associates	14,731
				Interest receivable (*4)	113		

Out of the amounts shown above, the transaction amounts are exclusive of consumption tax charges, while the balance amounts as of March 31, 2023 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.

(2) Directors

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, 2023(¥mil)
Director	Noriko Rzonca (directly, - owned)	Senior Executive Officer, CDO of the Company	Senior Executive Officer, CDO of the Company and Chairman of Cosmo Eco Fund	Contributions (*)	10	—	—

The transaction amounts are exclusive of consumption tax charges.

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

Notes: Transaction for third party.

9. 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.

10. Notes to Per-Share Information

(1) Net assets per share	¥1,758.37
(2) Net profit per share	¥479.17

11. Notes to Significant Subsequent Events

(Issuance of unsecured bonds)

The Company issued unsecured straight bonds whose payment date is May 8, 2023.

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

12. 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 ¥2,230 million and 986 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	433	17	143	33	273	257	530
	Vehicles	8	—	—	2	5	7	13
	Tools, furniture and fixtures	97	78	14	44	116	561	678
	Land	123,200	—	—	—	123,200	—	123,200
	Leased assets	322	111	1	208	224	721	946
	Construction in progress	22	242	199	—	65	—	65
	Total	124,084	449	358	289	123,886	1,549	125,435
Intangible assets	Software	1,657	552	0	588	1,619		
	Others	224	590	552	0	263		
	Total	1,881	1,143	553	588	1,882		

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	875	912	875	912
Provision for directors' bonuses	224	210	224	210
Provision for Executive Remuneration BIP Trust	590	416	260	745

3. Schedule for General and Administrative Expenses

(Unit: million yen)

Account item	Amount	Description
Outsourcing expenses	3,304	
Salaries and wages	1,889	
Taxes and dues	1,504	
Advertising expenses	954	
Miscellaneous expenses	928	
Provision for bonuses	912	
Others	2,891	
Total	12,386	

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

Independent Auditor's Report

May 11, 2023

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

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

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, 2022 to March 31, 2023.

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 11, 2023

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

KPMG AZSA LLC

Tokyo office

Designated Limited Liability
and Engagement Partner

Certified Public Accountant Katsunori Hanaoka

Designated Limited Liability
and Engagement Partner

Certified Public Accountant Kyoko Shiga

Designated Limited Liability
and Engagement Partner

Certified Public Accountant Tetsuhiko Suzuki

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 8th fiscal year from April 1, 2022 to March 31, 2023.

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 8th business year from April 1, 2022 to March 31, 2023, 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) We have examined the basic policies and measures stated in the business report as set forth under Article 118, Item 3, a and Item 3, b, respectively, of the Regulations for Enforcement of the Companies Act, in light of considerations such as the status of deliberations of the Board of Directors and other corporate bodies.

3) 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 Regulations on Corporate Accounting) 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
- 4). The basic policies on persons who control the decisions of the Company's financial and business policies stated in the business report are fair and reasonable. The measures stated in the business report as set forth under Article 118, Item 3, b of the Regulations for Enforcement of the Companies Act align with such basic policies. The measures accordingly do not impair the common interests of the Company's shareholders nor are they for the purpose of maintaining the status of the Company's executives.

(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 11, 2023

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.

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