

# Annual Report 2022

April 1, 2021 – March 31, 2022

A stylized world map composed of numerous small, multi-colored squares (red, green, blue, yellow) arranged in a grid pattern, overlaid on a blue background with faint white lines. The map is centered horizontally and spans most of the width of the page.

***RELIABILITY IN ENERGY SUPPLY***

## Profile

As a comprehensive energy-focused group, the Fuji Oil Group (the Group) seeks to fulfill its responsibilities as a corporate citizen by contributing to the future affluence of society and the realization of a safe and comfortable environment. Based on this mission, the Group provides a stable supply of energy products, which are indispensable to people's daily lives and industrial activities.

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## Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains forward-looking statements that reflect FOC and its consolidated subsidiaries' forecast, targets, plans, and strategies. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and various other factors that may cause FOC's actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements, or financial position expressed or implied by these forward-looking statements.

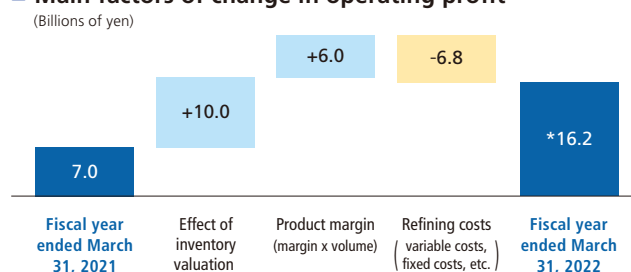
## Consolidated Performance

**Effect of inventory valuation increased due to rising crude oil prices, despite low utilization due to major periodic shut-down maintenance**

For the fiscal year ended March 31, 2022, the Sodegaura Refinery conducted a major periodic shut-down maintenance from May to July 2021, which is conducted once every four years, in which all production facilities are shut down and maintenance and repair work are done. Despite the consequential decrease in sales volume, profit attributable to owners of parent increased by 8.7 billion yen compared to the previous period to 15.2 billion yen. The main reasons for the increase were the positive effect of inventory valuation due to higher crude oil prices, which pushed down the cost of sales by 18.7 billion yen, and the sharp increase in domestic product margins from the fourth quarter onward.

(Billions of yen)	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Increase (decrease)
Net sales	485.3	344.6	140.6
Operating profit	*16.2	7.0	9.1
Ordinary profit	16.0	8.2	7.7
Profit attributable to owners of parent	15.2	6.5	8.7
Operating loss excluding effect of inventory valuation	(2.5)	(1.6)	(0.9)
Ordinary loss excluding effect of inventory valuation	(2.7)	(0.4)	(2.2)

## Main factors of change in operating profit



\* Operating profit figures for the fiscal year ended March 31, 2022, include 711 million yen in subsidy income recorded in non-operating income due to the government's measures to mitigate the impact of drastic changes in fuel oil prices.

## Forecast for Fiscal Year Ending March 31, 2023

**Although the impact of major periodic shut-down maintenance will be resolved, profit is expected to decrease due to a reduction in the effect of inventory valuation.**

In the fiscal year ending March 31, 2023, we expect sales to increase because sales will be possible under a production system with a high utilization rate, unlike the fiscal year ended March 31, 2022, when major periodic shut-down maintenance was conducted. However, the cost

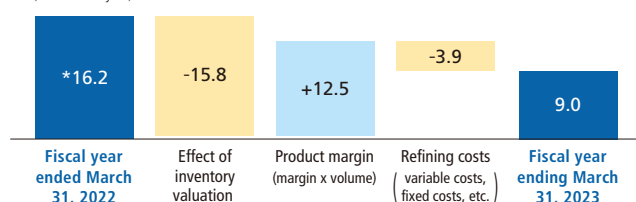
reduction effect of inventory valuation is expected to shrink significantly, resulting in an operating profit of 9 billion yen, ordinary profit of 8.1 billion yen, and profit attributable to owners of parent of 6.6 billion yen, all decreased compared to the fiscal year ended March 31, 2022, when crude oil prices rose significantly. Operating profit and ordinary profit, both excluding the effect of inventory valuation, are expected to be 6.0 billion yen and 5.1 billion yen, respectively.

#### Assumptions

	Crude Oil Price (Dubai Crude)	Exchange Rate
April 2022 – March 2023 Average	US\$80/Barrel	¥120/US\$

#### ■ Main factors of change in operating profit

(Billions of yen)



These figures are based on relevant information at the time of publication (May 10, 2022) and may change depending on future conditions.

\* Operating profit figures for the fiscal year ended March 31, 2022 include 711 million yen in subsidy income recorded in non-operating income due to the government's measures to mitigate the impact of drastic changes in fuel oil prices.

## Future Business Development

### Progress of the Third Medium-Term Business Plan

The Company is in its third medium-term business plan covering the four-year period from the fiscal year ended March 31, 2022, to the fiscal year ending March 31, 2025. With respect to the priority issues set forth in this medium-term business plan, we are promoting the following initiatives.

#### (1) Reinforcement of Base of the Oil Refining Business

##### a) Enhancing Operational Reliability

During major periodic shut-down maintenance, we conducted intensive inspections of aging facilities, repaired, replaced, and renewed equipment to ensure stable, high utilization of the facilities. Thanks to these major periodic repairs, we were able to maintain a high utilization rate of 98% for the atmospheric distillation unit in the second half of the fiscal year ended March 31, 2022. Also, the Company received the "2020 Excellence In Automation Award," given by the ISA100 Wireless Compliance Institute to only one company each year. Wireless instrumentation technology is one of our Company's strengths, and we have introduced a prediction-based anomaly detection system that utilizes this type of technology. Moreover, we completed a verification test for the use of drones for on-site inspection during the fiscal year ended March 31, 2022.

##### b) Strengthening Cost Competitiveness and Establishing Competitive Advantage

We are working to increase the capacity of alkylation units and

improve the efficiency of fluid catalytic cracking units, which are high value-added equipment. In addition, we have begun to study the optimization of production using DX.

#### (2) Enhanced Efforts toward a Decarbonized Society

##### a) Thorough Reduction of Environmental Burden at the Refinery

We are investing by undertaking work to save energy in desulfurization units and reforming units. In addition, the piping connection work for ammonia co-firing in the actual boiler was completed during the fiscal year ended March 31, 2022.

##### b) Pursuing Businesses Contributing to Decarbonization

We are conducting joint research on biofuels with Environment Energy Co., Ltd. In addition, we have established a project team to study the feasibility of commercialization of biofuels and ammonia fuels, which will be key to future decarbonization efforts.

Going forward, we will strive to increase corporate value by continuing to fulfill our social responsibility to provide a stable supply of energy by operating the Sodegaura Refinery in a way that utilizes its advantageous location and high heavy oil processing capacity, while at the same time focusing on cultivating new businesses, such as businesses that contribute to decarbonization, as stipulated in our Third Medium-Term Business Plan.

We ask for the continued support of our shareholders and investors.



August 2022

*Shigeto Yamamoto*

Shigeto Yamamoto  
Representative Director

# Financial Section

## Consolidated Balance Sheets

Fuji Oil Company, Ltd. and Consolidated Subsidiaries  
As of March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 5 and 18)	¥ 11,388	¥ 15,143	\$ 93,047
Notes and accounts receivable - trade (Note 5)	78,707	29,199	643,084
Short-term investment securities (Notes 5, 6 and 18)	100	200	817
Inventories (Note 4)	117,862	80,661	963,004
Accounts receivable - other (Note 5)	13,345	3,564	109,037
Other	3,567	4,736	29,145
Total current assets	224,971	133,505	1,838,149
<b>Property, plant and equipment (Note 8):</b>			
Buildings and structures, net (Note 12)	12,653	13,242	103,383
Storage tanks, net (Note 12)	2,974	3,085	24,299
Machinery, equipment and vehicles, net (Note 12)	34,409	27,891	281,142
Land (Note 12)	51,542	51,542	421,129
Construction in progress	1,956	2,875	15,982
Other, net	529	598	4,322
Total property, plant and equipment	104,065	99,236	850,274
<b>Intangible assets (Note 8)</b>	758	805	6,193
<b>Investments and other assets:</b>			
Investment securities (Notes 5 and 6)	21,130	18,613	172,645
Long-term loans receivable	679	717	5,548
Net defined benefit asset (Note 15)	859	39	7,019
Other	785	500	6,414
Allowance for doubtful accounts	(408)	(409)	(3,334)
Total investments and other assets	23,047	19,461	188,308
Total assets	¥ 352,842	¥ 253,007	\$ 2,882,932

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>Liabilities and Net assets</b>			
<b>Current liabilities:</b>			
Accounts payable - trade (Note 5)	¥ 67,145	¥ 21,982	\$ 548,615
Short-term loans payable (Notes 5 and 12)	112,018	74,050	915,255
Current portion of long-term loans payable (Notes 5 and 12)	14,133	10,046	115,475
Accounts payable - other (Note 5)	30,323	18,788	247,757
Excise taxes payable on gasoline and other fuels (Note 5)	16,370	17,674	133,753
Income taxes payable (Notes 5 and 13)	944	1,600	7,713
Provision for bonuses	470	327	3,840
Other (Notes 12 and 13)	5,778	12,815	47,210
Total current liabilities	247,184	157,285	2,019,642
<b>Noncurrent liabilities:</b>			
Long-term loans payable (Notes 5 and 12)	25,943	26,376	211,970
Deferred tax liabilities (Note 13)	8,760	9,038	71,574
Provision for special repairs	2,452	2,339	20,034
Provision for repairs	1,510	7,719	12,338
Net defined benefit liability (Note 15)	1,849	1,421	15,107
Provision for directors' retirement benefits	20	18	163
Other (Note 12)	582	620	4,755
Total noncurrent liabilities	41,118	47,533	335,959
Total liabilities	288,302	204,819	2,355,601
<b>Commitments and contingent liabilities (Note 17)</b>			
<b>Net assets (Note 16)</b>			
Shareholders' equity:			
Capital stock:			
Authorized—200,000,000 shares in 2022 and 2021			
Issued—78,183,677 shares in 2022 and 2021	24,467	24,467	199,910
Capital surplus	25,495	25,495	208,310
Retained earnings	15,977	1,543	130,542
Treasury stock (Note 16)	(1,431)	(1,431)	(11,692)
Total shareholders' equity	64,508	50,075	527,069
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	612	498	5,000
Deferred gains or losses on hedges	(591)	-	(4,829)
Revaluation reserve for land	1	1	8
Foreign currency translation adjustments	(950)	(3,194)	(7,762)
Remeasurements of defined benefit plans (Note 15)	789	651	6,447
Total accumulated other comprehensive income	(139)	(2,043)	(1,136)
Non-controlling interests	170	156	1,389
Total net assets	64,539	48,188	527,322
Total liabilities and net assets	¥ 352,842	¥ 253,007	\$ 2,882,932

See notes to consolidated financial statements.

# Financial Section

## Consolidated Statements of Income

Fuji Oil Company, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>Net sales</b> (Note 14 and 21)	¥ 485,302	¥ 344,612	\$ 3,965,210
<b>Cost of sales</b> (Note 4)	465,185	333,157	3,800,842
Gross profit	20,117	11,454	164,368
<b>Selling, general and administrative expenses</b> (Note 9)	4,577	4,356	37,397
Operating profit	15,539	7,098	126,963
<b>Non-operating income (expenses):</b>			
Interest and dividends income	305	140	2,492
Equity in earnings of affiliates	831	2,777	6,790
Interest expenses	(1,533)	(1,380)	(12,526)
Foreign exchange gains, net	652	27	5,327
Loss on retirement of noncurrent assets (Note 10)	(64)	(111)	(523)
Gain on sales of noncurrent assets (Note 11)	18	4	147
Subsidy income	711	—	5,809
Insurance income	711	—	5,809
Impairment losses	0	(125)	0
Gain on sales of investment securities	—	77	—
Other, net	(419)	(370)	(3,423)
Total non-operating income	1,212	1,039	9,903
Profit before income taxes	16,751	8,137	136,866
<b>Income taxes</b> (Note 13):			
Income taxes - current	1,569	1,519	12,820
Income taxes - deferred	(36)	75	(294)
Total income taxes	1,532	1,594	12,517
Profit	15,219	6,543	124,348
<b>Profit attributable to non-controlling interests</b>	15	14	123
<b>Profit attributable to owners of parent</b>	¥ 15,203	¥ 6,528	\$ 124,218

See notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

Fuji Oil Company, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>Profit</b>	<b>¥ 15,219</b>	<b>¥ 6,543</b>	<b>\$ 124,348</b>
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities	114	489	931
Deferred gains or losses on hedges	(591)	—	(4,829)
Foreign currency translation adjustments	434	(218)	3,546
Remeasurements of defined benefit plans	137	950	1,119
Share of other comprehensive income of associates accounted for using equity method	1,809	(872)	14,781
<b>Total other comprehensive income</b>	<b>1,904</b>	<b>349</b>	<b>15,557</b>
<b>Comprehensive income (Note 20)</b>	<b>¥ 17,123</b>	<b>¥ 6,892</b>	<b>\$ 139,905</b>
<b>Comprehensive income attributable to:</b>			
Owners of parent	¥ 17,108	¥ 6,878	\$ 139,783
Non-controlling interests	15	14	123

See notes to consolidated financial statements.

# Financial Section

## Consolidated Statements of Changes in Net Assets

Fuji Oil Company, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2022 and 2021

	Millions of Yen					
	Shareholders' equity					
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Net assets as of April 1, 2020</b>	78,183,677	24,467	30,396	(9,886)	(1,431)	43,546
Profit attributable to owners of parent				6,528		6,528
Deficit disposition			(4,901)	4,901		
Net changes of items other than shareholders' equity						
Total changes during the period		—	(4,901)	11,429	—	6,528
<b>Net assets as of April 1, 2021</b>	78,183,677	24,467	25,495	1,543	(1,431)	50,075
Dividends of surplus				(770)		(770)
Profit attributable to owners of parent				15,203		15,203
Net changes of items other than shareholders' equity						
Total changes during the period		—	—	14,433	—	14,433
<b>Balance as of March 31, 2022</b>	<b>78,183,677</b>	<b>¥ 24,467</b>	<b>¥ 25,495</b>	<b>¥ 15,977</b>	<b>¥ (1,431)</b>	<b>¥ 64,508</b>

	Millions of Yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Total accumu- lated other comprehen- sive income	Non- controlling interests	Total net assets
<b>Net assets as of April 1, 2020</b>	8	—	1	(2,103)	(299)	(2,393)	144	41,297
Profit attributable to owners of parent								6,528
Deficit disposition								—
Net changes of items other than shareholders' equity	489			(1,091)	950	349	12	362
Total changes during the period	489	—	—	(1,091)	950	349	12	6,891
<b>Net assets as of April 1, 2021</b>	498	—	1	(3,194)	651	(2,043)	156	48,188
Dividends of surplus								(770)
Profit attributable to owners of parent								15,203
Net changes of items other than shareholders' equity	114	(591)		2,244	137	1,904	13	1,918
Total changes during the period	114	(591)	—	2,244	137	1,904	13	16,351
<b>Balance as of March 31, 2022</b>	<b>¥ 612</b>	<b>¥ (591)</b>	<b>¥ 1</b>	<b>¥ (950)</b>	<b>¥ 789</b>	<b>¥ (139)</b>	<b>¥ 170</b>	<b>¥ 64,539</b>

See notes to consolidated financial statements.

Thousands of U.S. Dollars (Note 1)						
Shareholders' equity						
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Net assets as of April 1, 2021</b>	78,183,677	\$ 199,910	\$ 208,310	\$ 12,607	\$ (11,692)	\$ 409,143
Dividends of surplus				(6,291)		(6,291)
Profit attributable to owners of parent				124,218		124,218
Net changes of items other than shareholders' equity						
Total changes during the period		—	—	117,926	—	117,926
<b>Balance as of March 31, 2022</b>	<b>78,183,677</b>	<b>\$ 199,910</b>	<b>\$ 208,310</b>	<b>\$ 130,542</b>	<b>\$ (11,692)</b>	<b>\$ 527,069</b>

Thousands of U.S. Dollars (Note 1)								
Accumulated other comprehensive income								
	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Total accumu- lated other comprehen- sive income	Non- controlling interests	Total net assets
<b>Net assets as of April 1, 2021</b>	\$ 4,069	\$ —	\$ 8	\$ (26,097)	\$ 5,319	\$ (16,693)	\$ 1,275	\$ 393,725
Dividends of surplus								(6,291)
Profit attributable to owners of parent								124,218
Net changes of items other than shareholders' equity	931	(4,829)	—	18,335	1,119	15,557	106	15,671
Total changes during the period	931	(4,829)	—	18,335	1,119	15,557	106	133,598
<b>Balance as of March 31, 2022</b>	<b>\$ 5,000</b>	<b>\$ (4,829)</b>	<b>\$ 8</b>	<b>\$ (7,762)</b>	<b>\$ 6,447</b>	<b>\$ (1,136)</b>	<b>\$ 1,389</b>	<b>\$ 527,322</b>

See notes to consolidated financial statements.

# Financial Section

## Consolidated Statements of Cash Flows

Fuji Oil Company, Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>Net cash flows from operating activities:</b>			
Profit before income taxes	¥ 16,751	¥ 8,137	\$ 136,866
Depreciation and amortization	7,092	6,420	57,946
Increase (decrease) in provision for repairs	(6,209)	3,141	(50,731)
Increase (decrease) in net defined benefit liability	(254)	(51)	(2,075)
Increase (decrease) in provision for special repairs	113	(2)	923
Interest and dividends income	(306)	(140)	(2,500)
Interest expenses	1,533	1,380	12,526
Equity in earnings of affiliates	(831)	(2,777)	(6,790)
Insurance income	(711)	—	(5,809)
(Increase) decrease in notes and accounts receivable - trade	(49,507)	11,102	(404,502)
(Increase) decrease in inventories	(37,201)	(12,315)	(303,955)
Increase (decrease) in notes and accounts payable - trade	45,162	8,295	369,001
Increase (decrease) in excise taxes payable on gasoline and other fuels	(1,304)	(1,265)	(10,654)
Increase (decrease) in accrued consumption taxes	2,371	2,374	19,372
Other, net	(6,345)	(1,434)	(51,842)
Subtotal	(29,646)	22,865	(242,226)
Interest and dividends income received	526	353	4,298
Interest expenses paid	(1,500)	(1,367)	(12,256)
Proceeds from insurance claims	711	—	5,809
Income taxes paid	(2,093)	(126)	(17,101)
Income taxes refund	3	1,036	25
Net cash provided by (used in) operating activities	¥ (31,999)	¥ 22,762	\$ (261,451)

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>Net cash flows from investing activities:</b>			
Payments into time deposits	¥ (6,832)	¥ (5,128)	\$ (55,822)
Proceeds from withdrawal of time deposits	6,608	4,263	53,991
Purchase of investment securities	(1)	(1)	(8)
Proceeds from sales of investment securities	—	98	—
Purchase of property, plant and equipment	(12,615)	(3,548)	(103,072)
Proceeds from sales of property, plant and equipment	45	9	368
Proceeds from national subsidies	395	318	3,227
Purchase of intangible assets	(191)	(82)	(1,561)
Payments of loans receivable	(201)	—	(1,642)
Collection of loans receivable	239	38	1,953
Other, net	5	(23)	41
Net cash provided by (used in) investing activities	(12,546)	(4,056)	(102,508)
<b>Net cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	37,820	(9,707)	309,012
Proceeds from long-term loans payable	14,000	2,800	114,388
Repayment of long-term loans payable	(10,346)	(9,463)	(84,533)
Cash dividends paid	(772)	—	(6,308)
Cash dividends paid to non-controlling interests	(1)	(1)	(8)
Other, net	(758)	(340)	(6,193)
Net cash provided by (used in) financing activities	39,940	(16,712)	326,334
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>182</b>	<b>(131)</b>	<b>1,487</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,423)</b>	<b>1,861</b>	<b>(36,139)</b>
<b>Cash and cash equivalents at beginning of year (Note 18)</b>	<b>12,336</b>	<b>10,474</b>	<b>100,793</b>
<b>Cash and cash equivalents at end of year (Note 18)</b>	<b>¥ 7,912</b>	<b>¥ 12,336</b>	<b>\$ 64,646</b>

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

Fuji Oil Company, Ltd. and Consolidated Subsidiaries

### 1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by Fuji Oil Company, Ltd. (the "Company") and its domestic and foreign subsidiaries (collectively, the "Group"), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The Company and its domestic subsidiaries maintain their accounting records in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of the International Financial Reporting Standards. Foreign subsidiaries maintain their accounting records in accordance with the International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory consolidated financial statements in Japanese, but not required for fair disclosure, is not disclosed in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, and has been made, as a matter of arithmetic computation only, at the rate of ¥122.39 = U.S.\$1.00, the approximate rate of exchange on March 31, 2022. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

### 2. Summary of Significant Accounting Policies

#### (a) Scope of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its seven significant subsidiaries as of March 31, 2022 and 2021. Consolidated subsidiaries as of March 31, 2022 are as follows:

- Petro Progress Inc.
- PETRO PROGRESS PTE LTD
- Fuji Oil Sales Company, Ltd.
- Fuji Rinkai Co., Ltd.
- Arabian Oil Company, Ltd.
- Japan Oil Engineering Company Ltd.
- TOKYO PETROLEUM INDUSTRIAL COMPANY, LTD.

PETRO PROGRESS PTE LTD has a fiscal year-end of December 31. The consolidated financial statements incorporate the accounts of the company for the fiscal year ended December 31 with adjustments for significant transactions arising after December 31. The fiscal year-end of other consolidated subsidiaries is March 31.

#### (b) Equity method

Affiliates accounted for under the equity method as of March 31, 2022 and 2021 are as follows:

- ARAMO SHIPPING (SINGAPORE) PTE LTD
- Tokai Engineering & Construction Co., Ltd.

There are two companies (non-consolidated affiliates), which are not accounted for under the equity method but stated at cost, because the corresponding amounts of profit (loss) and retained earnings have immaterial impact and do not have a material effect on the consolidated financial statements as a whole.

Non-consolidated affiliates not accounted for under the equity method as of March 31, 2022 and 2021 are as follows:

- Kyodo Terminal Co., Ltd.
- Keiyo Sea Berth Co., Ltd.

The accounts of certain affiliates with a different fiscal year-end are consolidated on the basis of the affiliates' fiscal year-end.

#### **(c) Cash and cash equivalents**

In preparing the consolidated statements of cash flows, cash equivalents comprise readily-available deposits and all highly liquid short-term investments exposed to immaterial risk of fluctuations in the value with an original maturity of three months or less.

#### **(d) Short-term investment securities and investment securities**

Securities other than equity securities issued by subsidiaries and affiliates are classified as available-for-sale securities.

- (i) Available-for-sale securities other than non-marketable equity securities, etc., are carried at fair value with any changes in valuation on the securities, net of taxes, included directly in accumulated other comprehensive income under net assets. (The cost of the securities sold is determined by the moving-average method.)
- (ii) Non-marketable equity securities, etc., are carried at cost. The cost of the securities sold is determined by the moving-average method.

#### **(e) Inventories**

Inventories held for sale in the ordinary course of business are measured at cost using the periodic average method (the carrying amount is written down based on a decline in profitability). When the net selling value at the end of the fiscal year is lower than the carrying amount, the inventories are reported at the net selling value in the consolidated balance sheets. The net selling value is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

Merchandise and finished goods, and raw materials are stated at cost determined by the gross average method. Supplies are stated at cost determined by the moving-average method.

#### **(f) Impairment of long-lived assets**

Long-lived assets, such as property, plant and equipment, and acquired intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less the cost to sell.

#### **(g) Depreciation and amortization**

Depreciation of manufacturing plant equipment for petrochemical products is calculated principally by the declining-balance method, and depreciation of other property, plant and equipment is calculated principally by the straight-line method based on their estimated useful life.

The useful life of major property, plant and equipment is summarized as follows:

- |                            |                |
|----------------------------|----------------|
| ■ Buildings and structures | 2 to 60 years  |
| ■ Storage tanks            | 10 to 15 years |
| ■ Machinery and equipment  | 2 to 24 years  |

Intangible assets are amortized by the straight-line method over their respective estimated useful lives. Software intended for internal use is amortized by the straight-line method over an estimated useful life of five years.

## **(h) Allowance for doubtful accounts**

The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables.

## **(i) Provision for bonuses**

The provision for bonuses is provided at an amount equivalent to the estimated amount of payment for the bonuses to employees.

## **(j) Provision for repairs**

The provision for repairs is provided at an amount equivalent to the estimated amount of periodical maintenance expenses for machinery and equipment.

## **(k) Provision for directors' retirement benefits**

The provision for directors' retirement benefits is estimated based on the amount calculated in accordance with internal rules under the assumption that all directors retire at the balance sheet date.

## **(l) Provision for special repairs**

The provision for special repairs is provided at an amount equivalent to the estimated amount of periodical inspection and maintenance expenses for storage tanks required by the Fire Defense Law.

## **(m) Employees' retirement benefits**

### **(i) Periodic allocation method for projected retirement benefits**

Regarding the determination of retirement benefit obligations, the benefit formula basis is adopted as the method of attributing expected benefits to the periods until this fiscal year end.

### **(ii) Method for processing actuarial gains and losses and prior service costs**

Prior service costs are amortized by the straight-line method over a period (ten years) within the average remaining years of service of the eligible employees. Actuarial gains and losses are amortized from the year following the year in which the gain or loss is incurred by the straight-line method over a period (ten years) within the average remaining years of service of the eligible employees.

## **(n) Revenue recognition**

The main business of the Group is the production and sale of petroleum products, and the main performance obligation is to transfer the control of petroleum products to customers. While the point in time when the control of petroleum products is transferred to customers varies depending on the shipping or contract type, the Group recognizes the revenue at the time that the petroleum products are delivered, as the control of the products is transferred to customers mainly upon the delivery and the performance obligation is fulfilled.

Consideration for the sale of petroleum products is generally charged at the end of the month after the transfer of control of the products, and is mainly collected within several months. The consideration includes no significant financial elements.

## **(o) Derivatives and hedge accounting**

Deferred hedge accounting is applied to commodity swaps for crude oil forecast transaction and they are principally stated at fair value. If certain hedging criteria are met, the gain or loss on a derivative designated as a hedging instrument is deferred as part of accumulated other comprehensive income in the accompanying consolidated balance sheets until the hedged item is settled.

Foreign currency denominated receivables from exports of goods and payables from imports of crude oil hedged by forward exchange contracts are translated at the respective forward contract rates ("allocation method").

In cases where interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed ("special treatment").

Assets and liabilities with foreign exchange risk are basically hedged by forward exchange contracts. Liabilities with interest rate risk are basically hedged by interest rate swap contracts. Furthermore, commodities with price change risk are hedged within a certain range in accordance with the internal rules for derivative transactions.

Hedge effectiveness is assessed based on the hedged item and hedging instrument's fluctuations by comparing those cumulative market fluctuation totals from inception to the effectiveness test. The hedge effectiveness test for the forward exchange contracts under the allocation method, and the interest rate swap contracts under the special treatment, are omitted.

#### **(p) Income taxes**

Deferred tax assets and liabilities are recognized for expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and operating loss and tax loss carryforwards. A valuation allowance is recorded to reduce deferred income tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company and certain domestic subsidiaries will move from a consolidated taxation system to the group tax sharing system from the beginning of the next fiscal year.

With regard to the transition to the group tax sharing system introduced by the "Act Partially Amending the Income Tax Act, etc." (Act No. 8 of 2020) and the items under the non-consolidated taxation system reviewed in line with the transition to the group tax sharing system, the Company and certain consolidated subsidiaries have applied the provisions of the Tax Act before the revisions in determining the amount of deferred tax assets and liabilities pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" issued by the Accounting Standards Board of Japan ("ASBJ") (ASBJ PITF No. 39, March 31, 2020), instead of applying Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018).

From the beginning of the next fiscal year, the Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which stipulates the accounting treatment and disclosure of income taxes and local income taxes as well as tax effect accounting when the group tax sharing system is applied.

#### **(q) Foreign currency translation**

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, except for foreign currency denominated monetary receivables and payables hedged by forward exchange contracts as noted above. Income and expenses in foreign currencies are translated at the rates prevailing at the time of the transactions. The resulting exchange gains or losses are credited or charged to income as incurred.

Financial statements of foreign subsidiaries and affiliates are translated into Japanese yen at the balance sheet exchange rates for all assets and liabilities, at historical exchange rates for shareholders' equity and average exchange rates during the year for all income and expense accounts. Foreign currency translation adjustments resulting from the above translation procedures are reported as a component of accumulated other comprehensive income under net assets in the accompanying consolidated balance sheets.

#### **(r) Reclassifications**

Certain amounts in the consolidated financial statements for the fiscal year ended March 31, 2021 have been reclassified to conform to the current year presentation.

#### **(s) Changes in accounting policies**

##### ***Application of the accounting standards for revenue recognition***

The Group has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the fiscal year ended March 31, 2022 and recognizes revenue when it transfers control of promised goods or services to a customer in the amount expected to receive upon exchange of the goods or services.

Regarding the application of the accounting standards, the Group follows the transitional treatments set forth in the supplementary provision of Paragraph 84 of the accounting standard. The cumulative effect in case the Group applies the new accounting policy retroactively prior to the beginning of the fiscal year ended March 31, 2022 was added to or subtracted from the beginning balance of retained earnings of the fiscal year.

However, by adopting the method prescribed in Paragraph 86 of the accounting standard, the Group has not retrospectively applied the new accounting policy to the contracts for which almost all revenue amounts were recognized prior to the beginning of the current fiscal year in accordance with the previous treatment.

Regarding the modifications to contracts carried out prior to the beginning of the current fiscal year, the method set forth in item (1) of the supplementary provisions of Paragraph 86 of the accounting standard was applied. Accounting processing was carried out based on the contractual terms after all the modifications were reflected.

In addition, the Group follows the transitional treatments set forth in Paragraph 89-3 of the accounting standard and comparative information related to the previous fiscal year is not stated.

As a result, the impact of the change on the accounting treatment for the current financial year is immaterial.

### ***Application of the accounting standards for fair value measurement***

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the fiscal year ended March 31, 2022 and prospectively applies the new accounting policies set by the accounting standard, etc., in accordance with the transitional measures set forth in Paragraph 19 of the "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

There is no impact on the financial statements for the fiscal year.

In addition, the Group discloses financial instruments categorized by fair value hierarchy in Note 5. Financial instruments. However, the notes for the fiscal year ended March 31, 2021 are not presented in accordance with transitional measures set forth in Paragraph 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019).

## **3. Significant Accounting Estimates**

For accounting estimates, the Group calculates the reasonable amount based on the available information when the consolidated financial statements are prepared. Items whose amount are recorded in the consolidated financial statements for the current fiscal year based on accounting estimates, and which would have a significant impact on the consolidated financial statements for the following fiscal year, are as follows.

### **(1) Valuation of inventories of the petroleum product refining business**

#### **(a) Amount recorded in the consolidated financial statements for the current fiscal year**

In order to determine the necessity of recognizing a valuation loss on the inventories amounting to ¥117,862 million (\$963,004 thousand) and ¥80,661 million in the consolidated balance sheets as of March 31, 2022 and 2021, respectively, the carrying amount based on the gross average costing method was compared with the net selling value or replacement cost at the end of the fiscal year.

As a result, a loss on valuation of ¥162 million (\$1,324 thousand) and ¥403 million for the fiscal years ended as of March 31, 2022 and 2021, respectively, were recognized for the inventories whose carrying amount exceeded the net selling value or replacement cost at the end of the fiscal year. The difference of ¥240 million (\$1,961 thousand) and ¥19,622 million for the fiscal years ended as of March 31, 2022 and 2021, respectively, between the amount of the reversal at the beginning of the fiscal year and the loss on valuation was included in cost of sales in the consolidated statements of income.

#### **(b) Other information contributing to the readers' understanding of the significant accounting estimates**

The net selling value or replacement cost at the end of the fiscal year is reasonably calculated in principle based on the actual sales price or purchase cost in the last month of the fiscal year.

The valuation of inventories is subject to a high degree of uncertainty and may have a material impact on the consolidated financial statements for the following fiscal year because:

- The crude oil and petroleum product markets have significant market fluctuations.
- The Company keeps a large amount of inventories to meet its stockpiling obligations, and a loss on valuation of inventories (including the reversal amount at the beginning of the following fiscal year) has a significant impact on the cost of sales.

## (2) Necessity to recognize an impairment loss on the petroleum product refining facilities

### (a) Amount recorded in the consolidated financial statements for the current fiscal year

Because neighboring land values officially declared by the government were less than the carrying amount of land belonging to the petroleum product refining facilities during the current fiscal year, the Company considered there was an indication of impairment and examined the necessity to recognize an impairment loss.

As a result, the undiscounted future cash flow was determined to exceed the carrying amount of the petroleum product refining facilities of ¥102,204 million (\$835,068 thousand) and ¥97,511 million as of March 31, 2022 and 2021, respectively, and an impairment loss was not recognized.

### (b) Other information contributing to the readers' understanding of the significant accounting estimates

In case there is an indication of impairment, the necessity to recognize an impairment loss is examined by comparing the total amount of undiscounted future cash flows from the asset with its carrying amount. As a result of examination, if the total amount of undiscounted future cash flows is less than the carrying amount, and recognition of an impairment loss is judged necessary, the carrying amount is reduced to the recoverable amount and the reduced amount is recognized as an impairment loss.

Estimates of undiscounted future cash flows from the Company's facilities are based on the budget for the following fiscal year which incorporates key assumptions such as the utilization rates of the relevant facilities, sales prices of petroleum products and purchase prices for crude oil.

These assumptions are subject to uncertainty and may have a material impact on the estimates of future cash flows.

### ***Additional information ~ The effect of the COVID-19 pandemic***

Although the outlook for demand is uncertain due to the COVID-19 pandemic, the Group considers that the impact on the future operation rates of machinery and equipment is limited and the impact on the accounting estimates is immaterial.

## 4. Inventories

Inventories as of March 31, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2022	2021	2022	
Merchandise and finished goods	¥ 34,243	¥ 29,136	\$ 279,786	
Raw materials and supplies	83,618	51,524	683,209	
Total	¥ 117,862	¥ 80,661	\$ 963,004	

The gain on the reversal of allowance (net of write off expense) for inventories held for sale amounted to ¥240 million (\$1,961 thousand) and ¥19,622 million for the fiscal years ended March 31, 2022 and 2021, respectively. They are included in cost of sales in the consolidated statements of income.

## 5. Financial Instruments

### (1) Conditions of financial instruments

#### (a) Policies for using financial instruments

The Group limits their investment of temporary surpluses to short-term deposits, and procure funds for capital investment and working capital through bank loans. Derivatives are employed to hedge against the risks described below. The Group does not engage in speculative transactions.

#### (b) Details of financial instruments, risks and the risk management system

Trade notes and accounts receivable, which are claimable assets, are subject to customer credit risk. Also, certain receivables related to product exports are denominated in foreign currencies, and therefore entail exchange rate fluctuation risk. The Company uses forward foreign exchange contracts to hedge this risk. As the allocation method is employed for forward exchange contracts, an evaluation of hedge effectiveness is not performed.

Short-term investment securities and investment securities are mainly equity securities and the Company reviews the market values on a quarterly basis for listed securities.

Most accounts payable, which are trade liabilities, are payable within four months. Certain accounts payable and the below-mentioned short-term loans payable related to crude oil imports are denominated in foreign currencies and are therefore subject to exchange rate fluctuation risk. Forward exchange contracts are used to hedge this risk. As the allocation method is applied for forward foreign exchange contracts, an evaluation of hedge effectiveness is not performed.

Short-term loans payable includes mainly funds raised as working capital in relation to crude oil imports. Long-term loans payable mainly comprise funds raised for capital expenditure. Floating-rate loans are subject to interest rate fluctuation risk, but for most long-term loans the Company minimizes the risk of fluctuations in interest payments by fixing payment interest rates, and employing interest rate swap transactions to hedge individual contracts. With regard to the evaluation of hedge effectiveness, as interest rate swaps meet the conditions for the application of special treatment as described in Note 2. (o), an evaluation of hedge effectiveness is not performed.

With regard to the execution and control of derivative transactions, authorizations and monetary limits on transactions and controls are determined in accordance with internal rules. When employing derivatives, the Company selects as contractual counterparties Japanese banks, major trading companies and securities firms with high credit ratings. Consequently, the credit risk arising from counterparties being unable to fulfill their contractual obligations is considered negligible.

Trade liabilities and loans are subject to liquidity risk. To manage this risk, the Company creates and updates cash flow plans in a timely manner on the basis of reports from individual departments.

54.3% and 56.7% of claimable assets as of March 31, 2022 and 2021, respectively, are for a specific major customer.

## (c) Supplemental information on fair values

In Note 7. Derivative Transactions, the contract amount of derivative transactions itself doesn't indicate market risk associating to the derivative transactions.

## (2) Fair values of financial instruments

Carrying values and fair values of the financial instruments on the consolidated balance sheets as of March 31, 2022 and 2021 are set out in the following table.

	Millions of Yen		
	Carrying value	Fair value	Difference
<b>March 31, 2022</b>			
Assets:			
Investment securities:			
Available-for-sale securities (*2)	¥ 1,627	¥ 1,627	¥ —
Liabilities:			
Long-term loans payable	40,076	39,961	114
<b>March 31, 2021</b>			
Assets:			
Investment securities:			
Available-for-sale securities (*2)	¥ 1,509	¥ 1,509	¥ —
Liabilities:			
Long-term loans payable	36,422	36,334	87
	Thousands of U.S. Dollars (Note 1)		
	Carrying value	Fair value	Difference
<b>March 31, 2022</b>			
Assets:			
Investment securities:			
Available-for-sale securities (*2)	\$ 13,294	\$ 13,294	\$ —
Liabilities:			
Long-term loans payable	327,445	326,505	931

(\*1) Notes to the following accounts are omitted since these instruments are cash or settled within a short term and their fair values approximate carrying values.

Cash and deposits, Notes and accounts receivable – trade, Short-term investment securities, Accounts receivable – other, Accounts payable – trade, Short-term loans payable, Accounts payable – other, Excise taxes payable on gasoline and other fuels, Income taxes payable, and Derivative transactions.

(\*2) The following financial instruments are not included in the above table since they don't have market prices and their fair values are not readily determinable.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Unlisted equity securities	¥ 242	¥ 242	\$ 1,977
Stocks of non-consolidated subsidiaries and affiliated companies	19,260	16,861	157,366

**(3) Expected maturity values of monetary claims and securities with maturities after the consolidated balance sheet date**

Redemption schedule for monetary claims and securities with maturity dates as of March 31, 2022 and 2021 are summarized as follows:

	Millions of Yen			
	1 year or less	More than 1 year, within 5 years	More than 5 years, within 10 years	More than 10 years
<b>March 31, 2022</b>				
Cash and deposits	¥ 11,388	¥ —	¥ —	¥ —
Notes and accounts receivable – trade	78,707	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities with maturities	100	200	—	—
Accounts receivable – other	13,345	—	—	—
<b>Total</b>	<b>¥ 103,541</b>	<b>¥ 200</b>	<b>¥ —</b>	<b>¥ —</b>
<b>March 31, 2021</b>				
Cash and deposits	¥ 15,143	¥ —	¥ —	¥ —
Notes and accounts receivable – trade	29,199	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities with maturities	200	200	—	—
Accounts receivable – other	3,564	—	—	—
<b>Total</b>	<b>¥ 48,107</b>	<b>¥ 200</b>	<b>¥ —</b>	<b>¥ —</b>

	Thousands of U.S. Dollars (Note 1)			
	1 year or less	More than 1 year, within 5 years	More than 5 years, within 10 years	More than 10 years
<b>March 31, 2022</b>				
Cash and deposits	\$ 93,047	\$ —	\$ —	\$ —
Notes and accounts receivable – trade	643,084	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities with maturities	817	1,634	—	—
Accounts receivable – other	109,037	—	—	—
<b>Total</b>	<b>\$ 845,992</b>	<b>\$ 1,634</b>	<b>\$ —</b>	<b>\$ —</b>

## (4) Financial instruments categorized by fair value hierarchy

Fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

- Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

### (a) Financial instruments measured at fair values in the consolidated balance sheet

Financial instruments measured at fair values in the consolidated balance sheet as of March 31, 2022 are as follows:

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥ 1,427	¥ —	¥ —	¥ 1,427
Other	—	200	—	200
Total assets	¥ 1,427	¥ 200	¥ —	¥ 1,627

	Thousands of U.S. Dollars (Note 1)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	\$ 11,659	\$ —	\$ —	\$ 11,659
Other	—	1,634	—	1,634
Total assets	\$ 11,659	\$ 1,634	\$ —	\$ 13,294

### (b) Financial instruments not measured at fair values in the consolidated balance sheet

Financial instruments not measured at fair values in the consolidated balance sheet as of March 31, 2022 are as follows:

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Long-term loans payable	¥ —	¥ 39,961	¥ —	¥ 39,961
Total liabilities	¥ —	¥ 39,961	¥ —	¥ 39,961

	Thousands of U.S. Dollars (Note 1)			
	Level 1	Level 2	Level 3	Total
Investment securities	\$ —	\$ 326,505	\$ —	\$ 326,505
Total assets	\$ —	\$ 326,505	\$ —	\$ 326,505

### (Note) Valuation methodologies and inputs used for measurement of the fair value

#### (i) Investment securities

Fair values of listed equity securities and corporate bonds are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. On the other hands, the fair values of corporate bonds are classified as Level 2 since the quoted market prices are not considered to be the prices in active markets due to the low market trading frequency.

#### (ii) Long-term loans payable

Fair values of long-term loans payable are measured by the discounted present value method using the total amount of the principal and interest and the discount rate reflecting the remaining period and credit risk, and are classified as Level 2.

## 6. Short-Term Investment Securities and Investment Securities

### (1) Available-for-sale securities

Short-term investment securities and investment securities classified as available-for-sale securities as of March 31, 2022 and 2021 are set out in the table below.

Unlisted equity securities amounting to ¥242 million (\$1,977 thousand) as of March 31, 2022 are not included in the below table since they don't have market prices, etc.

Unlisted equity securities amounting to ¥242 million as of March 31, 2021 are not included in the below table since they don't have market prices and their fair values are not readily determinable.

	Millions of Yen		
	Acquisition cost	Carrying value	Difference
<b>March 31, 2022</b>			
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥ 406	¥ 974	¥ 568
Securities with carrying value not exceeding acquisition cost:			
Equity securities	456	452	(4)
Debt securities	201	200	(0)
Other	100	100	—
Total	¥ 1,164	¥ 1,727	¥ 563
<b>March 31, 2021</b>			
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥ 860	¥ 1,309	¥ 448
Securities with carrying value not exceeding acquisition cost:			
Debt securities	201	200	(0)
Other	200	200	—
Total	¥ 1,261	¥ 1,709	¥ 447
	Thousands of U.S. Dollars (Note 1)		
	Acquisition cost	Carrying value	Difference
<b>March 31, 2022</b>			
Securities with carrying value exceeding acquisition cost:			
Equity securities	\$ 3,317	\$ 7,958	\$ 4,641
Securities with carrying value not exceeding acquisition cost:			
Equity securities	3,726	3,693	(33)
Debt securities	1,642	1,634	(0)
Other	817	817	—
Total	\$ 9,511	\$ 14,111	\$ 4,600

### (2) Available-for-sale securities sold during the fiscal year

There were no significant available-for-sale securities sold during the fiscal years ended March 31, 2022 and 2021.

### (3) Investment securities for which impairment loss was recognized

There were no Investment securities for which impairment loss was recognized during the fiscal years ended March 31, 2022 and 2021.

### (4) Investments in unconsolidated subsidiaries and affiliated companies

Investment securities include the following investments in unconsolidated subsidiaries and affiliated companies as of March 31, 2022 and 2021.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Stocks of non-consolidated subsidiaries and affiliated companies	¥ 19,260	¥ 16,861	\$ 157,366
(Of which, investments in jointly controlled entities)	18,381	16,023	150,183

## 7. Derivative Transactions

### (1) Hedge accounting not applied

There are no outstanding derivative transactions for which hedge accounting is not applied as of March 31, 2022 and 2021.

### (2) Hedge accounting applied

#### (a) Currency related transactions

Hedge accounting method	Hedging instruments	Major hedged items	Millions of Yen		
			Contract amount		Fair value
			Total	Over 1 year	
<b>March 31, 2022</b>					
Allocation method	Forward exchange contracts				
	Sold - U.S. dollar	Account receivable - trade	¥ 1,535	¥ —	(*)
	Bought - U.S. dollar	Account payable - trade			
		Short-term loans payable	115,005	—	(*)
		Total	¥ 116,541	¥ —	
<b>March 31, 2021</b>					
Allocation method	Forward exchange contracts				
	Sold - U.S. dollar	Account receivable - trade	¥ 3,311	¥ —	(*)
	Bought - U.S. dollar	Account payable - trade			
		Short-term loans payable	70,879	—	(*)
		Total	¥ 74,190	¥ —	

Hedge accounting method	Hedging instruments	Major hedged items	Thousands of U.S. Dollars (Note 1)		
			Notional or contract amount		Fair value
			Total	Over 1 year	
<b>March 31, 2022</b>					
Allocation method	Forward exchange contracts				
	Sold - U.S. dollar	Account receivable - trade	\$ 12,542	\$ —	(*)
	Bought - U.S. dollar	Account payable - trade			
		Short-term loans payable	939,660	—	(*)
		Total	\$ 952,210	\$ —	

(\*) As stated in Note 2. (o), under the allocation method, foreign currency denominated receivable and payable hedged by forward exchange contracts are translated at the respective forward contract rates. Therefore, the fair value of the receivable and payable include the fair value of the forward exchange contracts.

#### (b) Interest rate-related transactions

Hedge accounting method	Hedging instruments	Major hedged items	Millions of Yen		
			Notional or contract amount		Fair value
			Total	Over 1 year	
<b>March 31, 2022</b>					
Special treatment	Interest rate swap contracts				
	Receive - floating / Pay - fixed	Long-term loans payable	¥ 14,496	¥ 6,795	(*)
		Total	¥ 14,496	¥ 6,795	
<b>March 31, 2021</b>					
Special treatment	Interest rate swap contracts				
	Receive - floating / Pay - fixed	Long-term loans payable	¥ 17,280	¥ 11,527	(*)
		Total	¥ 17,280	¥ 11,527	

Hedge accounting method	Hedging instruments	Major hedged items	Thousands of U.S. Dollars (Note 1)		
			Notional or contract amount		Fair value
			Total	Over 1 year	
<b>March 31, 2022</b>					
Special treatment	Interest rate swap contracts				
	Receive - floating /				
	Pay - fixed	Long-term loans payable	\$ 118,441	\$ 55,519	(*)
		Total	\$ 118,441	\$ 55,519	

(\*) As stated in Note 2. (o), under the special treatment, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. Therefore, the fair value of long-term loans payable includes the fair value of the interest swap contracts.

#### (c) Commodity-related transactions

Hedge accounting method	Hedging instruments	Major hedged items	Millions of Yen		
			Notional or contract amount		Fair value
			Total	Over 1 year	
<b>March 31, 2022</b>					
Deferred hedge accounting	Crude oil swap contracts				
	Sale - fixed /				
	Purchase - floating	Forecast transaction	¥ 18,666	¥ —	¥ (851)
		Total	¥ 18,666	¥ —	¥ (851)

Hedge accounting method	Hedging instruments	Major hedged items	Thousands of U.S. Dollars (Note 1)		
			Notional or contract amount		Fair value
			Total	Over 1 year	
<b>March 31, 2022</b>					
Deferred hedge accounting	Crude oil swap contracts				
	Sale - fixed /				
	Purchase - floating	Forecast transaction	\$ 152,512	\$ —	\$ (6,953)
		Total	\$ 152,512	\$ —	\$ (6,953)

## 8. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation in the accompanying consolidated balance sheets. The accumulated depreciation as of March 31, 2022 and 2021 are ¥ 300,640 million (\$2,456,410 thousand) and ¥295,454 million, respectively.

#### Deferred proceeds from national subsidies and insurance claims

Deferred proceeds from national subsidies and insurance claims are directly deducted from the acquisition cost of the related assets in the accompanying consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Proceeds from national subsidies			
Buildings and structures	¥ 3,462	¥ 3,442	\$ 28,287
Storage tanks	148	148	1,209
Machinery, equipment and vehicles	1,968	1,579	16,080
Other	128	128	1,046
Software	54	41	441
Proceeds from insurance claims	128	128	1,046

## 9. Selling, General and Administrative Expenses

Significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Directors' compensation	¥ 433	¥ 421	\$ 3,538
Provision for directors' retirement benefits	1	1	8
Salaries and allowances	1,508	1,445	12,321
Retirement benefit expenses	45	90	368
Taxes and dues	390	447	3,187

## 10. Loss on Retirement of Noncurrent Assets

Significant components of loss on retirement of noncurrent assets for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Buildings and structures	¥ 1	¥ 104	\$ 8
Machinery, equipment and vehicles	53	4	433
Facility removal cost	10	0	82
Other	0	2	0
Total	¥ 64	¥ 111	\$ 523

## 11. Gain on Sales of Noncurrent Assets

Significant components of gain on sales of noncurrent assets for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Gain on sales of noncurrent assets			
Buildings and structures, net	¥ 10	¥ —	\$ 82
Machinery, equipment and vehicles, net	7	4	57
Total	¥ 18	¥ 4	\$ 147

## 12. Short-Term Loans Payable, Long-Term Loans Payable, and Lease Obligations

Short-term loans payable, long-term loans payable, and lease obligations as of March 31, 2022 and 2021 and the weighted average interest rates on the loans payable outstanding as of March 31, 2022 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Short-term loans payable – 1.1 %	¥ 112,018	¥ 74,050	\$ 915,255
Current portion of long-term loans payable – 1.2%	14,133	10,046	115,475
Lease obligation due within one year	42	36	343
Long-term loans payable, maturing in 2023-2028 – 1.3%	25,943	26,376	211,970
Lease obligation due in 2023-2027	139	148	1,136
Total	¥ 152,276	¥ 110,658	\$ 1,244,187

### (1) Annual maturities of long-term loans payable

Annual maturities of long-term loans payable as of March 31, 2022 and 2021 are as follows:

	Millions of Yen					
	1 year or less	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years
<b>March 31, 2022</b>						
Long-term loans payable	¥ 14,133	¥ 10,549	¥ 7,397	¥ 3,456	¥ 2,636	¥ 1,904
<b>March 31, 2021</b>						
Long-term loans payable	¥ 1,164	¥ 1,727	¥ 563	¥ 9,511	¥ 14,111	¥ 4,600
	Thousands of U.S. Dollars (Note 1)					
	1 year or less	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years
<b>March 31, 2022</b>						
Long-term loans payable	\$ 115,475	\$ 86,192	\$ 60,438	\$ 28,238	\$ 21,538	\$ 15,557

### (2) Future lease payments

Future lease payments as of March 31, 2022 and 2021 are as follows:

	Millions of Yen					
	1 year or less	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years
<b>March 31, 2022</b>						
Future lease payments	¥ 42	¥ 81	¥ 24	¥ 13	¥ 7	¥ 13
<b>March 31, 2021</b>						
Future lease payments	¥ 36	¥ 83	¥ 41	¥ 17	¥ 5	¥ 0
	Thousands of U.S. Dollars (Note 1)					
	1 year or less	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years
<b>March 31, 2022</b>						
Future lease payments	\$ 343	\$ 662	\$ 196	\$ 106	\$ 57	\$ 106

### (3) Pledged assets

The following assets are pledged as collateral for long-term loans payable to the factory foundation amounting to ¥33,036 million (\$269,924 thousand) and ¥27,510 million, including the current portion of ¥10,913 million (\$89,166 thousand) and ¥8,174 million, as of March 31, 2022 and 2021, respectively.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Buildings and structures	¥ 10,821	¥ 11,378	\$ 88,414
Storage tanks	2,974	3,085	24,299
Machinery, equipment and vehicles	33,864	27,402	276,689
Land	48,952	48,952	399,967
Total carrying value of pledged assets	¥ 96,612	¥ 90,818	\$ 789,378

## 13. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise, and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of 30.5% for the fiscal years ended March 31, 2022 and 2021.

### (1) Significant components of deferred tax assets and liabilities

Significant components of deferred tax assets and liabilities as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Deferred tax assets:			
Tax loss carryforwards (*2)	¥ 24,440	¥ 25,803	\$ 199,690
Provision for repairs	460	2,354	3,758
Net defined benefit liability	533	612	4,355
Provision for special repairs	748	713	6,112
Depreciation	280	290	2,288
Impairment losses	137	137	1,119
Other	2,047	1,796	16,725
Subtotal	28,647	31,708	234,063
Valuation allowance for tax loss carryforwards (*2)	(24,056)	(25,803)	(196,552)
Valuation allowance for total deductible temporary differences	(3,632)	(5,246)	(29,676)
Valuation allowance total (*1)	(27,688)	(31,050)	(226,228)
Total deferred tax assets	959	658	7,836
Deferred tax liabilities:			
Valuation difference on assets of consolidated subsidiaries	(9,356)	(9,356)	(76,444)
Undistributed earnings of foreign subsidiaries	(311)	(286)	(2,541)
Other	(52)	(53)	(425)
Total deferred tax liabilities	(9,719)	(9,696)	(79,410)
Net deferred tax liabilities	¥ (8,760)	¥ (9,038)	\$ (71,574)

(\*1) For the fiscal year ended March 31, 2022, the valuation allowance total decreased by ¥3,362 million (\$24,470 thousand) mainly because tax loss carryforwards were applied to taxable income etc.

(\*2) The breakdown of tax loss carryforwards and deferred tax assets by expiry date as of March 31, 2022 and 2021 is as follows:

#### As of March 31, 2022

(Millions of Yen)

Fiscal Year Ending March 31	2023	2024	2025	2026	2027	2028 and thereafter	Total
Tax loss carryforwards (*)	¥ 5,097	¥ 5,827	¥ 4,068	¥ —	¥ —	¥ 9,447	¥ 24,440
Valuation allowance.....	(4,713)	(5,827)	(4,068)	—	—	(9,447)	(24,056)
Deferred tax assets.....	¥ 384	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 384

#### As of March 31, 2021

(Millions of Yen)

Fiscal Year Ending March 31	2022	2023	2024	2025	2026	2027 and thereafter	Total
Tax loss carryforwards (*)	¥ —	¥ 6,469	¥ 5,827	¥ 4,068	¥ —	¥ 9,438	¥ 25,803
Valuation allowance.....	—	(6,469)	(5,827)	(4,068)	—	(9,438)	(25,803)
Deferred tax assets.....	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

#### March 31, 2022

(Thousands of U.S. Dollars)

Fiscal Year Ending March 31	2023	2024	2025	2026	2027	2028 and thereafter	Total
Tax loss carryforwards (*)	\$ 41,646	\$ 47,610	\$ 33,238	\$ —	\$ —	\$ 77,188	\$ 199,690
Valuation allowance.....	(38,508)	(47,610)	(33,238)	—	—	(77,188)	(196,552)
Deferred tax assets.....	\$ 3,138	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,138

(\*) Tax loss carryforwards represent the amount multiplied by the normal effective statutory tax rate.

## (2) Reconciliation between the statutory income tax rate and the effective income tax rate

Reconciliation between the statutory income tax rate and the effective income tax rate for the fiscal years ended March 31, 2022 and 2021 are as follows:

	2022	2021
Normal effective statutory tax rate	30.5%	30.5%
Change in valuation allowance	(20.1%)	(1.2%)
Equity in earnings of affiliates	(1.4%)	(9.9%)
Non-deductible entertainment expenses	0.1%	0.3%
Other	0.0%	(0.1%)
Effective tax rate	9.1%	19.6%

## 14. Revenue recognition

### (1) Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers for the fiscal year ended March 31, 2022 is as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Petroleum products	¥ 481,455	\$ 3,933,777
Other	3,846	31,424
Total	¥ 485,302	\$ 3,965,210

Note: "Revenue from contracts with customers" mostly consists of the "revenue from goods or services transferred to customers at a point in time", and the others are insignificant. Classification of "Net sales" in the consolidated statements of income, either revenue from contracts with customers or other revenue, is not omitted.

### (2) Information that serves as a basis for understanding the revenue from contracts with customers

Information that serves as a basis for understanding the revenue from contracts with customers is disclosed in Note 2. Summary of Significant Accounting Policies (n) Revenue recognition.

### (3) Relationship between fulfillment of performance obligations based on the contracts with customers, and the cash flows resulting from the contracts, and the revenue amount and timing expected to be recognized in the following fiscal years from the contracts with customers existing at the end of the current fiscal year

#### (a) Balance of contract assets and contract liabilities, etc.

Information of the Group's contract assets and contract liabilities is omitted because the balances are immaterial. In addition, those changes during the fiscal year are immaterial. Furthermore, the amount of revenue recognized in the current fiscal year from the performance obligations fulfilled in prior periods is immaterial.

#### (b) Transaction price allocated to the remaining performance obligations

The Group applies a practical expedient to note the transaction price allocated to the remaining performance obligations and does not include the contracts that have original expected duration of one year or less in the notes. In addition, the transaction price allocated to the remaining performance obligations is immaterial. Furthermore, there is no significant consideration from contracts with customers not included in the transaction price.

### (4) Receivables arising from contracts with customers

Notes receivables and accounts receivables arising from contracts with customers as of March 31, 2022 are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Notes receivables	¥ 29	\$ 237
Accounts receivables	78,677	642,838

## 15. Retirement Benefit Plans

Certain consolidated subsidiaries operate defined benefit corporate pension plans, lump-sum severance plans and others, which cover substantially all employees who are entitled upon retirement to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rate of pay, length of service, and the conditions under which termination occurs.

### (1) Reconciliation of the beginning and ending balances of retirement benefit obligations

Reconciliation of the beginning and ending balances of retirement benefit obligations for the fiscal years ended March 31, 2022 and 2021 (except for the plans adopting a simplified method in computing their retirement benefit obligations as permitted by Japanese GAAP) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Retirement benefit obligation at the beginning of the year	¥ 3,803	¥ 4,516	\$ 31,073
Service cost	191	193	1,561
Actuarial gains and losses arising during the period	(90)	75	(735)
Defined benefit retirement plans paid	(517)	(475)	(4,224)
Prior service cost incurred	—	(506)	—
Retirement benefit obligation at the end of the year	¥ 3,386	¥ 3,803	\$ 27,666

### (2) Reconciliation of the beginning and ending balances of plan assets

Reconciliation of the beginning and ending balances of plan assets for the fiscal years ended March 31, 2022 and 2021 (except for the plans adopting a simplified method stated above) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Plan assets at the beginning of the year	¥ 2,756	¥ 2,443	\$ 22,518
Expected return on plan assets	44	39	360
Actuarial gains and losses arising during the period	106	489	866
Contribution from employer	66	72	539
Defined benefit retirement plans paid	(253)	(288)	(2,067)
Plan assets at the end of the year	¥ 2,719	¥ 2,756	\$ 22,216

### (3) Reconciliation of the beginning and ending balances of net defined benefit liability

Reconciliation of the beginning and ending balances of net defined benefit liability for the fiscal years ended March 31, 2022 and 2021 for the plans adopting a simplified method are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Net defined benefit liability at the beginning of the year	¥ 334	¥ 310	\$ 2,729
Retirement benefit expenses	37	38	302
Defined benefit retirement plans paid	(41)	(7)	(335)
Contribution to the plans	(8)	(7)	(65)
Net defined benefit liability at the end of the year	¥ 322	¥ 334	\$ 2,631

### (4) Reconciliation of plan assets, retirement benefit obligations and net defined benefit liability and assets on the consolidated balance sheets

Reconciliation of plan assets, retirement benefit obligations and net defined benefit liability and assets on the consolidated balance sheets as of March 31, 2022 and 2021 (included in the plans adopting a simplified method stated above) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Retirement benefit obligation of funded plans	¥ 1,859	¥ 2,101	\$ 15,189
Plan assets	(2,719)	(2,756)	(22,216)
	(859)	(654)	(7,019)
Retirement benefit obligation of unfunded plans	1,849	2,037	15,107
Net amount of liabilities after deducting assets on the consolidated balance sheets	989	1,382	8,081
Net defined benefit liability	1,849	1,421	15,107
Net defined benefit asset	(859)	(39)	(7,019)
Net amount of liabilities after deducting assets on the consolidated balance sheets	¥ 989	¥ 1,382	\$ 8,081

#### (5) Components of retirement benefit expenses

Components of retirement benefit expenses for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Service cost	¥ 191	¥ 193	\$ 1,561
Expected return on plan assets	(44)	(39)	(360)
Amortization of actuarial gains and losses	(8)	38	(65)
Amortization of prior service cost	(50)	(8)	(409)
Retirement benefit expenses computed by a simplified method	37	38	302
Retirement benefit expenses related to defined benefit plans	¥ 125	¥ 223	\$ 1,021

#### (6) Components of remeasurements of defined benefit plans (before income taxes)

Components of remeasurements of defined benefit plans (before income taxes) for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Prior service cost	¥ (50)	¥ 498	\$ (409)
Actuarial gains and losses	188	452	1,536
Total	¥ 137	¥ 950	\$ 1,119

#### (7) Components of remeasurements of defined benefit plans-accumulated (before income taxes)

Components of remeasurements of defined benefit plans-accumulated (before income taxes) for the fiscal years ended March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Unrecognized prior service cost	¥ 447	¥ 498	\$ 3,652
Unrecognized actuarial (gains) and losses	341	152	2,786
Total	¥ 789	¥ 651	\$ 6,447

## (8) Plan assets

Component ratio of the main items included in plan assets for the fiscal years ended March 31, 2022 and 2021 are as follows:

	2022	2021
Bonds	38%	39%
Stocks	53%	52%
General accounts	6%	7%
Other	3%	2%
Total	100%	100%

The long-term expected rate of return on plan assets is determined on the basis of the current/future expected distribution of plan assets and the expected current/future return from various assets that compose the plan assets.

## (9) Actuarial assumptions

Actuarial assumptions for the fiscal years ended March 31, 2022 and 2021 are as follows:

	2022	2021
Discount rate	0.0%	0.0%
Long-term expected rate of return on plan assets	1.6%	1.6%

## 16. Net Assets

Under the Companies Act and related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as capital reserve, which is included in capital surplus in the accompanying consolidated balance sheets.

Under the Companies Act, in cases where a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of capital reserve and legal earnings reserve must be set aside as capital reserve or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Capital reserve and legal earnings reserve may not be distributed as dividends. However, all capital reserve and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Companies Act.

## (1) Changes in the number of shares issued and treasury stock

Changes in the number of shares issued and treasury stock for the fiscal years ended March 31, 2022 and 2021 are as follows:

		Number of Shares		
	As of April 1, 2021	Changes during the year		As of March 31, 2022
		2022		
		Increase	Decrease	
Issued stock				
Common stock	78,183,677	—	—	78,183,677
Treasury stock				
Common stock	1,121,198	—	—	1,121,198
		Number of Shares		
	As of April 1, 2020	Changes during the year		As of March 31, 2021
		2021		
		Increase	Decrease	
Issued stock				
Common stock	78,183,677	—	—	78,183,677
Treasury stock				
Common stock	1,121,198	—	—	1,121,198

## (2) Detail of cash dividends

For the fiscal year ended March 31, 2022

### (a) Dividends paid

Resolution	Class of Shares	Total amount of Dividends		Dividend per Share		Record Date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars) (Note 1)	(Yen)	(U.S. dollars) (Note 1)		
June 25, 2021 annual meeting of shareholders	Common stock	¥ 772	\$ 6,308	¥ 10	\$ 0.08	March 31, 2021	June 28, 2021

### (b) Dividends whose record date belongs to the current year, but whose effective date falls in the following year

Resolution	Class of Shares	Total amount of Dividends		Dividend per Share		Record Date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars) (Note 1)	(Yen)	(U.S. dollars) (Note 1)		
June 28, 2022 annual meeting of shareholders	Common stock	¥ 772	\$ 6,308	¥ 10	\$ 0.08	March 31, 2022	June 29, 2022

For the fiscal year ended March 31, 2021

### (a) Dividends paid

Not applicable

### (b) Dividends whose record date belongs to the current year, but whose effective date falls in the following year

Resolution	Class of Shares	Total amount of Dividends		Dividend per Share		Source of dividend	Record Date	Effective date
		(Millions of yen)		(Yen)				
June 25 2021 annual meeting of shareholders	Common stock	¥	772	¥	10	Retained earnings	March 31, 2021	June 28, 2021

## 17. Contingent Liabilities

The Group had the following guarantees of liabilities as of March 31, 2022 and 2021.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Employees (for home purchase):			
Indebtedness to financial institutions	¥ 4	¥ 9	\$ 33
Japan Biofuels Supply LLP:			
Guarantee of obligations related to overdraft facility,			
obligations related to deferred payment of consumption			
taxes on imports, and obligations related to letter of credit			
agreements	2,855	979	23,327

## 18. Cash Flow Information

Reconciliation of “Cash and cash equivalents” in the consolidated statements of cash flows and “Cash and deposits” in the consolidated balance sheets as of March 31, 2022 and 2021 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Cash and deposits	¥ 11,388	¥ 15,143	\$ 93,047
Short-term investment securities	100	200	817
Subtotal	11,488	15,343	93,864
Less: Time deposits maturing over three months	(3,575)	(3,007)	(29,210)
Cash and cash equivalents	¥ 7,912	¥ 12,336	\$ 64,646

## 19. Per Share Data

	Yen		U.S. Dollars (Note 1)
	2022	2021	2022
Net assets per share	¥ 835.28	¥ 623.28	\$ 6.82
Basic profit or loss per share	197.29	84.72	1.61

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Calculation basis:			
Net income or loss attributable to owners of parent	¥ 15,203	¥ 6,528	\$ 124,218
Weighted average number of shares for the fiscal year	77,062,479	77,062,479	—

Net assets per share is computed based on the net assets available for distribution to the shareholders of capital stock and the number of shares of capital stock outstanding at the year-end.

Basic profit per share is computed based on the profit available for distribution attributable to shareholders of capital stock and the weighted average number of shares of capital stock outstanding during the fiscal year.

Diluted profit per share has been omitted because no potentially dilutive instruments were outstanding during the fiscal years ended March 31, 2022 and 2021.

## 20. Comprehensive Income

Components of other comprehensive income for the fiscal years ended March 31, 2022 and 2021 are the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 117	¥ 558	\$ 956
Reclassification adjustments	—	(77)	—
Amount before income tax effect	117	481	956
Income tax effect	(3)	8	(25)
Total	¥ 114	¥ 489	\$ 931
Deferred gains or losses on hedges:			
Amount arising during the year	¥ (851)	¥ —	\$ (6,953)
Reclassification adjustments	—	—	—
Amount before income tax effect	(851)	—	(6,953)
Income tax effect	259	—	2,116
Total	¥ (591)	¥ —	\$ (4,829)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2022	2021	2022	
Foreign currency translation adjustments:				
Amount arising during the year	¥ 434	¥ (218)	\$ 3,546	
Reclassification adjustments	—	—	—	
Amount before income tax effect	434	(218)	3,546	
Income tax effect	—	—	—	
Total	¥ 434	¥ (218)	\$ 3,546	
Remeasurements of defined benefit plans:				
Amount arising during the year	¥ 197	¥ 912	\$ 1,610	
Reclassification adjustments	(59)	38	(482)	
Amount before income tax effect	137	950	1,119	
Income tax effect	—	—	—	
Total	¥ 137	¥ 950	\$ 1,119	
Share of other comprehensive income of associates accounted for using equity method:				
Amount arising during the year	¥ 1,809	¥ (872)	\$ 14,781	
Total other comprehensive income	¥ 1,904	¥ 349	\$ 15,557	

## 21. Segment Information

Disclosure of segment information is omitted for the fiscal years ended March 31, 2022 and 2021 because the Group has one segment.

### (1) Related information

#### (a) Information on sales by products

Since the sales amount of a single product attributable to external customers accounts for more than 90% of sales in the consolidated statements of income, disclosure of sales by products for the fiscal years ended March 31, 2022 and 2021 have been omitted.

#### (b) Geographic information

Since the sales and property, plant and equipment attributable to the "Japan" segment account for more than 90% of the total of all geographic segments, geographical segment information has not been presented for the fiscal years ended March 31, 2022 and 2021.

#### (c) Sales to major customers

Sales to major customers for the fiscal years ended March 31, 2022 and 2021 are as follows:

Name of customer	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2022	2021	2022	
Idemitsu Kosan Co., Ltd. (*2)	¥ 307,053	¥ 230,190	\$ 2,508,808	
ENEOS Corporation (*3)	62,519	45,403	510,818	

(\*1) Since there is one segment, related segment name is omitted on above table.

(\*2) Idemitsu Kosan Co., Ltd. has implemented business integration with Showa Shell Sekiyu K.K. in April 2019.

(\*3) JXTG Nippon Oil & Energy Corporation changed its company name to ENEOS Corporation on June 25, 2020.

### (2) Information of impairment losses on noncurrent assets by reporting segment

Information of impairment losses on noncurrent assets by reporting segment for the fiscal years ended March 31, 2022 and 2021 have been omitted since the Group has one segment.

## 22. Condensed financial information of significant affiliates

Since the importance of Aramo Shipping (Singapore) Pte Ltd. has decreased, disclosure is omitted for the fiscal year ended March 31, 2022.

Condensed financial information of significant affiliates as of March 31, 2021 was as follows:

Aramo Shipping (Singapore) Pte Ltd.	Millions of Yen
Total current assets	¥ 12,969
Total noncurrent assets	19,399
Total current liabilities	320
Total noncurrent liabilities	2
Total net assets	32,046
Net sales	11,809
Profit before income taxes	5,452
Profit	5,441

## 23. Quarterly Information

Quarterly financial data for the fiscal year ended March 31, 2022

	Millions of yen			Yen
	Net sales	Profit (loss) before income taxes	Profit (loss) attributable to owners of parent	Profit (loss) per share
Three months ended June 30, 2021	¥ 45,622	¥ (233)	¥ (12)	¥ (0.16)
Six months ended September 30, 2021	148,681	(693)	(302)	(3.93)
Nine months ended December 31, 2021	315,979	5,489	5,461	70.87
Twelve months ended March 31, 2022	485,302	16,751	15,203	197.29

	Thousands of U.S. Dollars (Note 1)			U.S. Dollars (Note 1)
	Net sales	Profit (loss) before income taxes	Profit (loss) attributable to owners of parent	Profit (loss) per share
Three months ended June 30, 2021	\$ 372,759	\$ (1,904)	\$ (98)	\$ (0.00)
Six months ended September 30, 2021	1,214,813	(5,662)	(2,468)	(0.03)
Nine months ended December 31, 2021	2,581,739	44,848	44,620	0.58
Twelve months ended March 31, 2022	3,965,210	136,866	124,218	1.61

Quarterly financial data for the fiscal year ended March 31, 2021

	Millions of yen			Yen
	Net sales	Profit before income taxes	Profit attributable to owners of parent	Profit per share
Three months ended June 30, 2020	¥ 75,951	¥ 3,278	¥ 2,631	¥ 34.15
Six months ended September 30, 2020	162,618	5,491	4,266	55.36
Nine months ended December 31, 2020	260,972	5,602	4,277	55.51
Twelve months ended March 31, 2021	344,612	8,137	6,528	84.72



## Independent auditor's report

To the Board of Directors of Fuji Oil Company, Ltd.:

### Opinion

We have audited the accompanying consolidated financial statements of Fuji Oil Company, Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2022 and 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended 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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other 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 opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

Reasonableness of the valuation of inventories in the petroleum product refining business	
The key audit matter	How the matter was addressed in our audit
<p>As described in Note 3, “Significant accounting estimates” to the consolidated financial statements, in the consolidated balance sheet for the current fiscal year, inventories of ¥117,862 million in the petroleum product refining business were reported. In the current fiscal year, a loss on valuation of inventories of ¥162 million was recognized and the difference between the loss on valuation and the reversal at the beginning of the period of ¥ (240) million was reported in cost of sales in the consolidated statement of income.</p> <p>Inventories are measured at cost using the periodic average method (the carrying amount is written down based on a decline in profitability). When the net selling value or the replacement cost at the end of the fiscal year is lower than the carrying amount, the inventories are reported in the consolidated balance sheet at the net selling value or the replacement cost, and the difference between that amount and the carrying amount are reported in cost of sales in the consolidated statement of income as a loss on valuation of inventories.</p> <p>In calculating the net selling value or the replacement cost, in principle, the sales performance or purchase results in the closing month are used to reasonably estimated price. Therefore significant accounting errors may occur for the following reasons:</p> <ul style="list-style-type: none"> <li>● There are significant market fluctuations in the petroleum product and crude oil markets, which form the basis for the calculation of the actual unit selling price of products and the unit purchasing cost of raw materials, which are used to calculate the net selling value or the replacement cost; and</li> <li>● The Company holds a large amount of inventories to fulfill the mandatory stockpile, and the loss on valuation of inventories (including the reversal at the beginning of the period) may have a significant impact on the cost of sales.</li> </ul> <p>We, therefore, determined that our assessment of the reasonableness of the valuation of inventories in the petroleum product refining business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the reasonableness of the valuation of inventories in the petroleum product refining business included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the valuation of inventories. In this assessment, we focused our testing on whether the rules for calculating the net selling value or the replacement cost of inventories, which were based on internal procedures, were consistently applied.</p> <p>(2) Assessment of the reasonableness of the valuation of inventories In order to assess whether the results of the calculation of the net selling value or the replacement cost of inventories were reasonable, we:</p> <ul style="list-style-type: none"> <li>● used the statistical method to extract a sample of the actual unit selling price of products and the unit purchasing cost of raw materials, which were used to calculate the net selling value or the replacement cost, and compared the sample with supporting documents at the time of the sales transaction and purchase transaction in the closing month;</li> <li>● compared the trend of the unit selling price of key petroleum products with the price survey of petroleum products published by the Agency for Natural Resources and Energy, and then assessed whether the unit selling price of products used to calculate the net selling value was economically reasonable; and</li> <li>● compared the trend of the unit purchasing cost of key crude oil with the trend of the CIF price of crude oil and petroleum products published by the Petroleum Association of Japan based on the Trade Statistics of Japan, and then assessed whether the unit purchasing cost of raw materials used to calculate the replacement cost was economically reasonable.</li> </ul>

**Appropriateness of the Company's judgment as to whether an impairment loss on the petroleum product refining facility should be recognized**

The key audit matter	How the matter was addressed in our audit
<p>As described in Note 3, "Significant accounting estimates" to the consolidated financial statements, in the consolidated balance sheet for the current fiscal year, the petroleum product refining facility in Fuji Oil Company, Ltd. was reported at ¥102,204 million.</p> <p>While the facility is depreciated in a systematic manner, it is tested for impairment whenever there is an impairment indicator. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the facility with its carrying amount. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is reported in the consolidated statement of income as an impairment loss.</p> <p>In the current fiscal year, the Company identified an impairment indicator for the facility when the value of neighboring land was officially declared by the government to be less than the carrying amount of the land belonging to the facility. However, the Company concluded that the recognition of an impairment loss was not necessary because the undiscounted future cash flows that are expected to be generated from the facility exceeded the carrying amount. In estimating the undiscounted future cash flows, the assumptions related to the expected utilization rate of the facility, the selling price of petroleum products, and purchasing cost of crude oil were used. These assumptions involved uncertainty, and accordingly management's judgment thereon may have a significant effect on the estimated undiscounted future cash flows.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss on the petroleum product refining facility should be recognized was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>The primary procedures we performed to assess the appropriateness of the Company's judgment as to whether an impairment loss on the petroleum product refining facility should be recognized included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to determining whether an impairment loss should be recognized on noncurrent assets.</p> <p>In this assessment, we focused our testing on whether the budget for the following fiscal year, which formed the basis for calculating the undiscounted future cash flows, was prepared and subject to appropriate internal approval processes.</p> <p>(2) Assessment of the appropriateness of estimated undiscounted future cash flows We assessed the accuracy of management's estimation by analyzing the achievement of the Company's estimated future cash flows in the past including the causes of any differences from actual cash flows. Then, in order to assess the appropriateness of key assumptions used for estimating the undiscounted future cash flows, we inquired of management about the basis on which those assumptions were developed. In addition, we:</p> <ul style="list-style-type: none"> <li>● compared the expected utilization rate of the facility with the actual utilization rate in the past and the future maintenance schedule, and assessed the propriety of the demand trends in the petroleum products market, which affected the expected utilization rate, considering reports published by external research organizations; and</li> <li>● assessed the propriety of the market trends in the petroleum product and crude oil markets, which formed the basis for forecasting the selling price of petroleum products and the purchasing cost of crude oil in the future by comparing them with reports published by external research organizations.</li> </ul>

# Independent Auditor's Report

## Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of Management and Audit & Supervisory Board 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives 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 includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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 economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the

effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting 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 related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



# Independent Auditor's Report

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Hiroo Iwaide

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 10, 2022

**Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

## Corporate Data

Trade Name	Fuji Oil Company, Ltd.
Date of Establishment	January 31, 2003
Head Office	Tennozu Parkside Building 5-8, Higashishinagawa 2-chome, Shinagawa-ku, Tokyo 140-0002, Japan TEL: 81-3-5462-7761 FAX: 81-3-5462-7815
Paid-in Capital	¥24,467 million
Fiscal Year-End	March 31
Employees	Non-consolidated: 500 Consolidated: 701
Principal Business	Import of crude oil, refining of oil and production, processing, storage, export and sales of petroleum products and petrochemical feedstock



Tennozu Parkside Building

## Shareholder Information

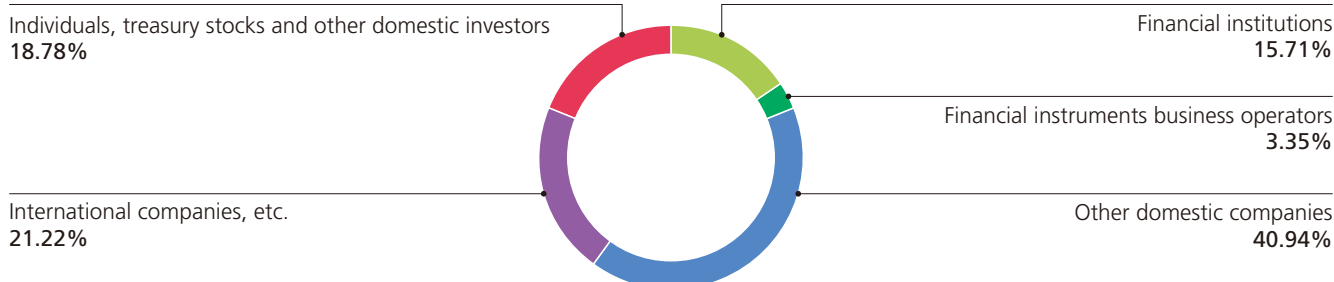
Number of Shares Authorized:	200,000,000 shares
Number of Shares Issued:	78,183,677 shares
Number of Shareholders:	12,448

### Principal Shareholders

Name	Number of shares held (thousands)	Percentage of total shares outstanding (%)
City Index Eleventh Co., Ltd.	7,027.6	9.10
JERA Co., Inc.	6,839.9	8.85
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,433.0	8.33
Kuwait Petroleum Corporation	5,811.3	7.52
Government of the Kingdom of Saudi Arabia	5,811.3	7.52
Idemitsu Kosan Co., Ltd.	5,144.0	6.66
Sumitomo Chemical Company, Limited	5,051.6	6.54
Nippon Yusen Kabushiki Kaisha	2,750.8	3.56
Custody Bank of Japan, Ltd. (Trust Account)	1,742.0	2.25
ENEOS Holdings, Inc.	1,350.0	1.74
Total	47,961.7	62.11

Note: The percentage of total shares outstanding is calculated excluding treasury stocks of 966.1 thousand shares.

### Composition of Shareholders by Type



**Fuji Oil Company, Ltd.**

Tennozu Parkside Building  
5-8, Higashishinagawa 2-chome,  
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