May 12, 2015

Overview of Business Results of Fiscal Year Ending March 2015 [Japanese Standard Form] (Consolidated)

Name of the Company: Cosmo Oil Co., Ltd. Shares traded: TSE

Company Code: 5007 URL http://www.cosmo-oil.co.jp/

Name of Representative: Keizo Morikawa (Title) President

Name of Person to contact: Masamichi Hamaguchi (Title) General Manager of Corporate Communication Dept. Corporate Planning Unit Phone: 03-3798-3180

Annual shareholders' meeting is to be held on: June 23, 2015 Dividend payment is to be started on: －

Securities report is to be submitted on: June 23, 2015

Availability of the Financial Result Supplementary Information: Yes

Execution of the Financial Result Presentation Meeting: Yes (for analysts and institutional investors)

Note: Figures less than 1 million are rounded down.

1. Consolidated Business Results for FY2014 (April 1, 2014 to March 31, 2015)

(1) Consolidated operating results (% indicates change from FY2013)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2014	3,035,818	-14.2	-38,447	－	-49,640	－	-77,729	－
FY2013	3,537,782	11.7	39,715	-24.2	41,847	-13.6	4,348	－

[Reference] Comprehensive income FY2014: -59,751 million yen (－%) FY2013: 16,085million yen (－%)

	Net income per share	Diluted net income per share	Net income to net worth	Ordinary income to total assets	Operating income to net sales
	yen sen	yen sen	%	%	%
FY2014	-91.77	－	-39.0	-3.2	-1.3
FY2013	5.13	－	1.9	2.4	1.1

[Reference] Equity in earnings(losses) of associates FY2014: 29 million yen FY2013: 7,343 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	million yen	million yen	%	yen sen
FY2014	1,428,628	207,520	11.7	197.39
FY2013	1,696,831	261,142	13.7	273.81

[Reference] Net worth FY2014: 167,194 million yen FY2013: 231,927 million yen

(3) Consolidated Cash Flows

	CF from operating activities	CF from investing activities	CF from financing activities	Cash and cash equivalents at the end of the period
	million yen	million yen	million yen	million yen
FY2014	163,384	-30,126	-178,920	80,765
FY2013	35,837	-61,007	12,555	123,280

2. Dividend Payment Results and Outlook

	Annual dividend per share Total					Total amount of dividends paid/payable (full-year)	Dividend payout (consolidated)	Rate of dividend to net assets (consolidated)
	As of Q1-end	As of Q2-end	As of Q3-end	As of Fiscal Year-end	Full year			
	yen sen	yen sen	yen sen	yen sen	yen sen	million yen	%	%
FY2013	－	0.00	－	2.00	2.00	1,694	39.0	0.7
FY2014	－	0.00	－	0.00	0.00	－	－	－
FY2015 (outlook)	－	0.00	－	40.00	40.00		16.1	

Note: The company is planning for the transformation to the Holding Company-Structure through the solo share transfer method whose effective date on October 1, 2015.

As for expected dividends on March 2016, holding company's dividends per share is listed in the case of the Holding Company's dividends 0.1 share are allocated to the company's dividends per share.

3. Consolidated Business Outlook for FY2015 (April 1, 2015 to March 31, 2016)

(% indicates for FY2015 change from the corresponding period of FY 2014, while for 1H FY2015 change from 1H FY2014)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
1H FY2015	1,236,000	-20.4	26,000	104.7	20,500	319.6	8,000	―	9.44
FY2015	2,621,000	-13.7	58,500	―	49,000	―	21,000	―	247.92

Note: The company is planning for the transformation to the Holding Company-Structure through the solo share transfer method whose effective date on October 1, 2015.

As for expected dividends on March 2016, the holding company's net-profit per share is listed in the case of the Holding Company's dividends 0.1 share are allocated to the company's dividends per share.

4. Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during FY2014: No

Newly ― (Name of Company ―) Exception ― (Name of Company ―)

(2) Changes in accounting policies and processing and representation methods adopted to prepare the consolidated financial statements

1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes

2) Changes in accounting policies for reasons other than the Item 1: No

3) Changes in accounting estimates: No

4) Restatements: No

(3) Total Number of Outstanding Shares (Ordinary shares)

1) Number of outstanding shares as of end of the period (including treasure stock):	FY2014	847,705,087 shares	FY2013	847,705,087 shares
2) Number of shares of treasury stock as of end of the period:	FY2014	669,281 shares	FY2013	656,817 shares
3) Average Number of shares outstanding during the period:	FY2014	847,043,026 shares	FY2013	847,055,784 shares

[Reference] Outline of Non-Consolidated Results

1. Non-Consolidated Financial Results for FY2014 (For the period from April 1, 2014 to March 31, 2015)

(1) Non-consolidated Operating Results

(% indicates change from FY2013)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2014	2,773,390	-12.3	-77,512	―	-75,649	―	-70,210	―
FY2013	3,163,852	13.5	-24,343	―	1,716	―	28,829	―

	Net income per share	Diluted net income per share
	yen sen	yen sen
FY2014	-82.85	―
FY2013	34.02	―

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	million yen	million yen	%	yen sen
FY2014	1,191,372	102,249	8.6	120.66
FY2013	1,484,506	171,470	11.6	202.35

[Reference] Net worth FY2014: 102,249 million yen FY2013: 171,470 million yen

Note: Information about audit procedure execution:

This release the overview of business results is outside the scope of the report audit procedures under the Financial Instruments and Exchange Act in Japan and as of the day of the disclosure of this release, the report audit procedures under the Financial Instruments and Exchange Act had not been completed.

Note: Request for appropriate use of the business outlook and other special remarks:

The above business outlooks are based on information available as of the published date of this release and actual results may differ from the forecast subject to various factors that may arise in the future. As for details, please refer to the"1.(1)Analysis of Consolidated Operating Results" on page 2~3 of this release.

In addition, the company is planning for the transformation to the Holding Company-Structure through the solo share transfer method whose effective date on October 1, 2015. Please refer to P.25 (Significant Subsequent Events) (Approval at annual general Shareholders' meeting for transformation to a holding company) for more details on the transformation to a holding company.

Supplementary information will be uploaded on the COSMO OIL website on May 12, 2015.

【Supporting data】

Contents of Supporting data

1. Analysis of Consolidated Operating Results and Financial Position

(1) Analysis of Consolidated Operating Results

1) Consolidated Operating Results during Fiscal Year 2014

The Japanese economy continued to show gradual recovery during the fiscal year under review, with improvement in the employment and income environment fueled by ongoing initiatives including agile fiscal policy of the government and monetary easing measures of the Bank of Japan. This was all despite sluggishness apparent in the first half largely brought about by weak personal consumption, along with a climate of recoiling demand in the wake of an earlier surge of last minute spending before Japan's consumption tax hike took effect, and rising prices.

Domestic demand for petroleum products fell overall compared with the previous fiscal year. Although results for diesel fuel remained unchanged compared with the previous year amid firm transportation demand, results for gasoline, kerosene, and heavy fuel oil A sagged largely due to the consumption tax hike, fuel efficiency improvements, a relatively warm winter, and shifts toward use of alternative fuels. Meanwhile, results for heavy fuel oil C for electricity generation also decreased due to lower thermal power plant capacity utilization rates.

With respect to crude oil prices, the price for Dubai crude oil began the fiscal year in the $104 per barrel range then subsequently climbed briefly to the $111 per barrel range, spurred by turmoil in Libya, Iraq and other parts of the Middle East, before ultimately ending the year in the $53 per barrel range following a substantial downturn in the price stemming from factors such as heightened shale oil production in the U.S. and OPEC holding off on moves to curb its output.

As for exchange rates, the Japanese yen ended the fiscal year at the ¥120 per dollar level, up from ¥103 at the start of the year amid an environment conducive to a weaker yen and stronger U.S. dollar, due to factors such as added monetary easing implemented by the Bank of Japan and expectations for an interest rate hike fed by the U.S. economic recovery.

Looking at domestic product prices, in the first half of the fiscal year prices held to fixed levels largely due to the crude oil price holding firm and a more favorable supply-demand balance thanks to a greater number of scheduled maintenance work required by oil distributors. In the latter half, prices followed a general downward trajectory despite signs of a rebound at year-end.

As a result, consolidated net sales in FY2014 were ¥3,035.8 billion (down ¥502.0 billion from FY2013), consolidated operating loss, ¥38.4 billion (compared with consolidated operating income, ¥39.7 billion in FY2013), consolidated ordinary loss, ¥49.6 billion (compared with consolidated ordinary income, ¥41.8 billion in FY2013), and consolidated net loss ¥77.7 billion (compared with consolidated net income, ¥4.3 billion in FY2013).

As for Ordinary profit, which is excluded a loss of inventory valuation amounted by the fall of crude oil price, amounted ¥66.5 billion (up ¥40.8 billion in FY2013), and it was greatly improved.

Segment-specific results were as follows：

[Business Segment Information] (Unit：¥billion)

	Petroleum business	Petrochemical business	Oil exploration and production business	Other and adjustments	Consolidated
Net sales	2,997.0	55.1	82.3	-98.6	3,035.8
Segment income	-93.5	-7.6	47.5	4.0	-49.6

[Petroleum business]

In the petroleum business segment, Net sales was decreased due to falling in crude oil pieces and the petrochemical products selling volume. As a result, the segment reported sales of ¥2,997.0 billion (down ¥466.7billion from FY2013) and segment loss of ¥93.5 billion (as compared with segment loss of ¥25.3 billion in FY2013).

The Segment income, which is excluded the effect of inventories evaluation caused by decline in crude oil price, amounted ¥22 billion(as compared with segment loss of ¥41.4 billion in FY2013). Therefore corporate earnings condition was significantly improved.

[Petrochemical business]

In the petrochemical business segment, an increase in the petrochemical product selling volume and a market improvement resulted in net sales of ¥55.1 billion for FY2014 (up ¥3.5 billion from FY2013) and segment loss of ¥7.6 billion (as compared with segment income ¥ 3.7 billion from FY2013)

[Oil exploration and production business]

In the oil exploration and production business segment, declined the price of crude oil and increased the cost of repair expenses, resulted in net sales of ¥82.3billion for FY2014 (down ¥6.4billion from FY2013) and segment income of ¥47.5billion (down ¥10.6billion from FY2013).

2) Outlook for FY2015

The Cosmo Oil Group will restore the earnings capability of the petroleum refining and sales and marketing businesses, a target set out in the 5th Consolidated Medium-Term Management Plan that commenced in FY2014, and will steadily recoup strategic investments made mainly in the petrochemical and oil exploration and production businesses under the 4th Consolidated Medium -Term Management Plan.

The new fiscal year of 2015 commencing on April 1, 2015 has the assumptions of an average crude oil price of US$55/bbl and an average exchange rate of ¥120/US$ and its business outlook including consolidated net sales of ¥2,621.0 billion (down ¥414.8 billion from FY2014), consolidated operating income of ¥58.5 billion (compared with consolidated operating loss of ¥38.4 billion in FY2014), consolidated ordinary income of ¥49.0 billion (compared with consolidated ordinary loss of ¥49.6 billion in FY2014) and profit attributable to owners of parent of ¥21.0 billion (compared with consolidated net loss of ¥77.7 billion in FY2014).

[Segment-Specific Business Outlook] (Unit:¥billion)

	Petroleum business	Petrochemical business	Oil exploration and production business	Other and adjustments	Consolidated
Net sales	2,537.0	57.0	71.0	-44.0	2,621.0
Segment income	19.0	1.0	25.0	4.0	49.0

[Petroleum business]

In the petroleum business segment, the profit of previous year was reduced by the increase in cost of sales due to inventory valuation loss impact primarily caused by crude oil prices decline. However, in the fiscal year under review, this factor will be eliminated, and therefore a year-on-year increase in profits is expected.

[Petrochemical business]

The petrochemical business segment is expected to report higher earnings as compared with FY 2014, by the gradual market improvement and the reduction of expenses.

[Oil exploration and production business]

The Company strives for stable crude oil production in the oil exploration and production business segment. However, it is expected to report lower earnings by the decline of the oil price as compared with FY 2014.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

As for the Company's financial position on a consolidated basis as of the end of FY2014, total assets as of March 31, 2015 amounted to ¥1,428.6 billion, down ¥268.2 billion from March 31, 2014, the end of FY2013, mainly reflecting pay back the debt and reduced account receivable-trade, inventories and account payable-trade primarily due to declined the price of crude oil.

Net assets as of March 31, 2015 amounted to ¥207.5 billion, down ¥53.6 billion from March 31, 2014, with a net worth ratio of 11.7%.

2) Cash Flows

As for consolidated cash flows during FY2014, net cash provided by operating activities amounted to ¥ 163.4 billion, mainly reflecting decreased in accounts receivable-trade and inventories. Net cash used in investing activities amounted to ¥ 30.1 billion, mainly reflecting payments for noncurrent asset acquisitions. Net cash used by financing activities amounted to ¥ 178.9 billion, mainly reflecting pay back the debt.

As a results, cash and cash equivalents as of March 31, 2015 amounted to ¥ 80.8 billion, down ¥42.5 billion from March 31, 2014.

The trends of the indicators for cash flows of the Group for the past four years are as follows:

	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015
Net worth ratio	21.1%	18.9%	13.2%	13.7%	11.7%
Net worth ratio on a fair value basis	13.9%	11.6%	9.6%	9.3%	9.6%
Ratio of cash flows to interest-bearing debt	26.6years	16.5years	—	24.1years	4.2years
Interest coverage ratio	2.1times	3.4times	—	2.7times	12.7times

Notes:

Net worth ratio: Net worth divided by total assets

Net worth ratio on a fair value basis: Market capitalization divided by total assets

Ratio of cash flows to interest-bearing debt: Interest-bearing debt divided by operating cash flow

Interest coverage ratio: Operating cash flow divided by interest payable

1. Each indicator is calculated by using consolidated financial data.
2. Market capitalization is calculated by multiplying the share price as of the end of the term above by the number of outstanding shares (excluding treasury stock) as of the end of the term.
3. Operating cash flow refers to cash flow from operating activities in the consolidated statements of cash flows. Interest-bearing debt refers to all debts with interest payments among debts stated in the consolidated balance sheet. Interest payable refers to interest expenses paid stated in the consolidated statements of cash flows.

(3) Basic Policy regarding Earnings Appropriation and Dividend for FY2014, 2015

The company considers returns to its shareholders to be extremely important. It deeply regrets, however, that dividends could not be paid for the fiscal year under review due to the negative retained earnings.

The company will plan its dividend payment for the next fiscal year at ¥40 per share, on the premise of the company to become a holding company.

To becoming a holding company, each subsidiary will increase their earnings strength, and Cosmo Oil Group will achieve revenue goal.

The company plans to pay a dividend stably for the next fiscal year take into comprehensive consideration of the financial situation and the investment strategy.

Please refer to P.25 (Significant Subsequent Events) (Approval at annual general Shareholders' meeting for transformation to a holding company) for more details on the transformation to a holding company.

(4) Business and Other Risks

The Cosmo Oil Group's business performance and financial condition are subject to a number of factors that in the future could have significant impact. The following is a summary of major risk factors that the Group incurs in the course of its business development. The Group proactively discloses all risks that it considers important to those investing in Cosmo Oil stock, including external factors over which the Group has no control and which have little probability of occurring. Moreover, the following risks are not-all-inclusive of the risks associated with investment in Cosmo Oil stock.

1) Supply and Demand Trends

Sales of gasoline, kerosene and diesel fuel comprise a major portion of the Group's total sales and are strongly affected by general trends in personal consumption. In addition, the demand for naphtha is strongly affected by demand trends in the petrochemical industry, while the demand for diesel fuel is strongly affected by the transportation industry and the demand for heavy fuel oil, by the electric power and shipping industries. As a result, changes in economic as well as weather conditions can cause fluctuations in demand, which, in turn, can have a material impact on the scale of the Group's sales.

2) Crude Oil Price Fluctuations and Crude oil procurement risk

Crude oil prices are significantly affected by demand and production trends. In terms of demand trends, the impact of large consuming nations, such as the U.S., and of Asian nations showing rapid economic growth (particularly China) is highly significant. Increases and decreases in the crude oil production by Middle East oil-producing nations primarily have a large impact on production trends. In addition to political instability, such as the outbreak of war around oil-producing nations, and terrorism and other uncertainties that could significantly affect crude oil prices and crude oil procurement by the Group, production stoppages at the Group's production bases could also have a material impact on the Group's business performance and financial condition.

Since a majority part of its cost of sales is influenced by changes in crude oil prices, the Group may have to shoulder high costs relative to market conditions if crude oil prices drop due to global supply and demand trends and other factors. This way, crude oil price fluctuations are likely to affect costs the Group has to incur.

3) Foreign Exchange Rate Fluctuations

The Group imports crude oil and oil products from overseas, and usually pays for these imports in U.S. dollars, which means that fluctuations in foreign exchange rates can cause currency losses or gains. In order to minimize the impact of foreign exchange rates, the Group engages in currency hedge transactions. However, as a weaker yen results in higher procurement costs, exchange rate fluctuations can have a material impact on the Group's business performance and financial condition.

In addition, fluctuations in foreign exchange rates, may also affect the differences converted into yen the financial statements of companies accounted for by the equity method or overseas subsidiaries.

4) Market Impact

As mentioned above, the cost of the Group's major oil products is determined by international market prices of crude oil and foreign exchange rates. On the other hand, the Group's marketing activities are mainly conducted within Japan and selling prices are determined by domestic market conditions. Consequently, gaps and/or time lags between international and domestic market prices can have a material impact on the Group's business performance and financial condition.

5) Interest Rate Fluctuations

Interest rate fluctuations can lead to higher borrowing costs if interest rates rise. Thus, interest rate fluctuations can have an impact on the Group's borrowing costs and can materially affect the Group's business performance and financial condition.

6) Asset Valuation Fluctuations

Depending on economic circumstances, valuation losses because of fluctuations in the value of assets, such as land and marketable securities that are held by the Group, could have a material impact on the business performance and financial condition of the Group.

7) Competition Risk

The Group is engaged in stiff competition with domestic and overseas companies mainly in the oil business. While the Group is working to maintain and improve its competitiveness, the inability to maintain efficient business operations relative to competing companies may have a material impact on the Group's business performance and financial condition.8) Impact by Natural Disasters and Accidents

As its refineries handle large volumes of flammable materials, the Group takes particular care in implementing various safety measures to prevent accidents caused by human errors, and to avoid workplace injuries. Notwithstanding these precautions, the aging equipment, the occurrence of an earthquake, other natural disasters or unforeseen accidents can result in unavoidable stoppages of operations. For example, a fire that broke out at the Chiba Refinery caused by the impact of the Great East Japan Earthquake that occurred on March 11, 2011 forced the refinery to suspend operations for a certain period of time. Thus, the Company recorded losses due to the suspended operations and restoration cost in FY2010. In addition, accidents in non-refinery operations, such as oil storage depots, service stations, marine tankers and tanker trucks, could noticeably affect the Group's operations and have material impact on its business performance and financial condition.

9) Impact by Regulations Applicable to the Oil Industry

Various regulations regarding pollution and environmental issues that affect the oil industry have been implemented, and the Group bears the cost of complying with these regulations. As more stringent environmental countermeasures are expected, the Group recognizes the possibility that it could be subject to new laws, regulations and taxes. Going forward, there is a risk that new laws or amendments to existing laws will result in an additional cost burden for the Group. In promoting its CSR management efforts, the Group positions legal compliance as an integral part of such efforts, establishing the necessary systems and striving to enhance the morale of all employees. However, if the risk of legal infraction materializes because of human error or other factors, the Group may become subject to government penalties that would obstruct business operations, reduce the level of trust among customers and damage the Group's brand image, which could, in turn, affect the Group's operating performance. For example, there were some additional maintenance costs required at the Company's refinery, corresponding to administrative disposition by the former Nuclear and Industrial Safety Agency of the Ministry of Economy, Trade and Industry, which had an impact on the Group's business performance.

10) Information Management

In terms of information management, malicious software countermeasures and personal information protection measures have been implemented to strengthen the Group's internal IT system security. In addition, the Group has established internal monitoring procedures and regulations on how to handle confidential information, including customer information, and it has contracted external third parties to have them implement supervision and audits over the management and handling of confidential information within the Group. However, the materialization of risks, such as any loss, leakage or alteration of confidential information, including personal information, for any reason, could result in a loss of customer trust and tarnish the Group's brand image, which, in turn, could have material impact on the Group's business performance.

2. Current Status of the Cosmo Oil Group

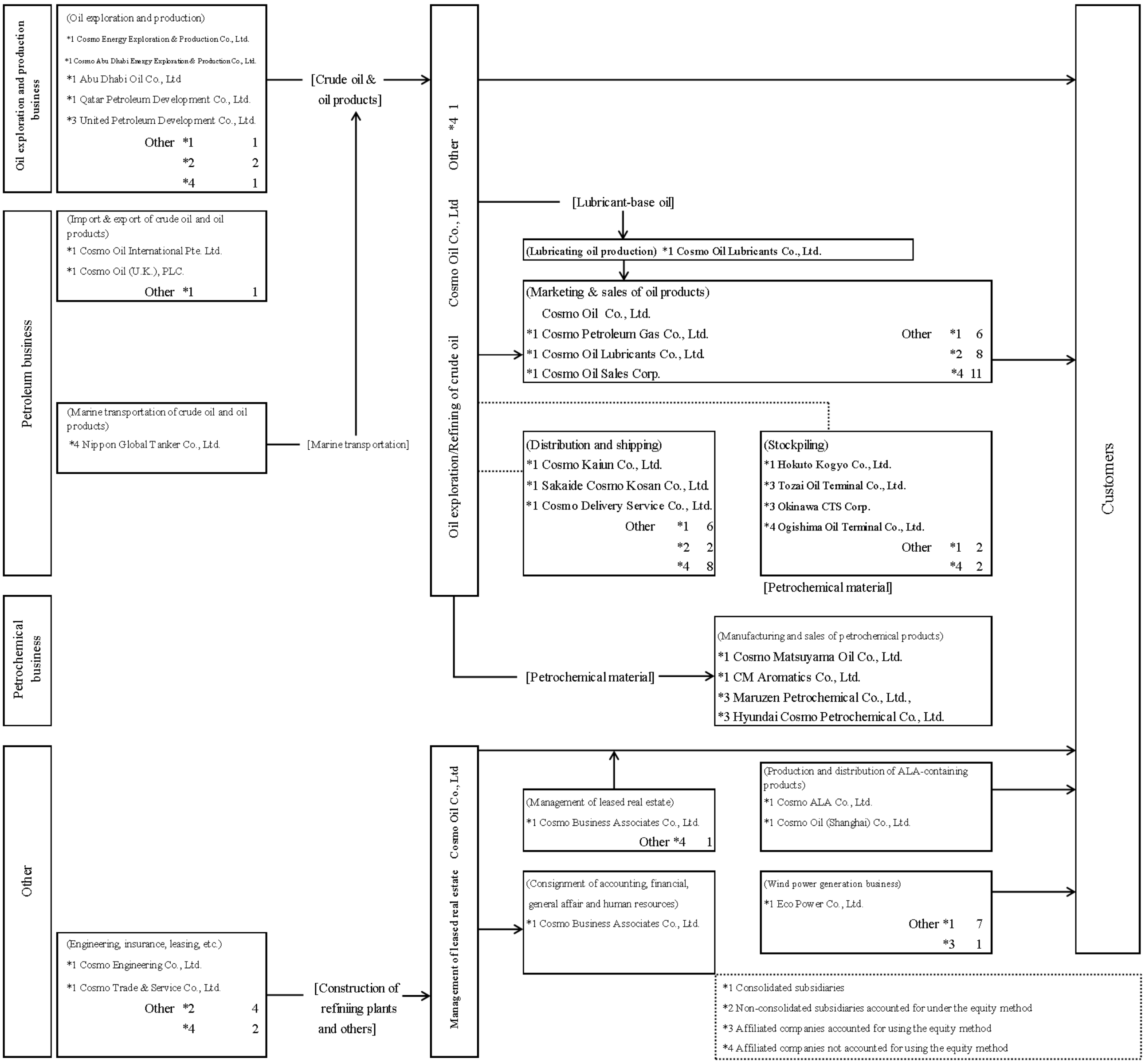
The Cosmo Oil Group consists of Cosmo Oil Co., Ltd. and its 55 subsidiaries and 34 associates mainly engaged in businesses ranging from the exploration and production of crude oil on its own to import, refining and storage of crude oil and oil products and to sales and marketing of oil products.

The Group's businesses also include manufacturing and sales of petrochemical products, leased real estate management, oil-related plant and equipment engineering and insurance agency services operated by Cosmo Oil and some of its associates.

The description of these businesses and their positioning within the Group of companies are summarized as follows：

Segment	Description	Major operating companies	No. of companies
Oil exploration & production business	Crude oil exploration & production	Cosmo Energy Exploration & Production Co., Ltd., Cosmo Abu Dhabi Energy Exploration & Production Co., Ltd., Abu Dhabi Oil Co., Ltd, Qatar Petroleum Development Co., Ltd., United Petroleum Development Co., Ltd. and other 4 companies	9
Petroleum business	Import & export of crude oil and oil products	Cosmo Oil International Pte. Ltd., Cosmo Oil (U.K.) Plc. and other 1 company	3
	Marine transportation of crude oil and oil products	Nippon Global Tanker Co., Ltd.	1
	Crude oil refining	Cosmo Oil Co., Ltd., and other 1 company	2
	Manufacturing of lubricating oil	Cosmo Oil Lubricants Co., Ltd.	1
	Sales of oil products	Cosmo Oil Co., Ltd., Cosmo Petroleum Gas Co., Ltd., Cosmo Oil Lubricants Co., Ltd., Cosmo Oil Sales Corp. and other 25 companies	29
	Storage of crude oil and oil products	Hokuto Kogyo Co., Ltd., Tozai Oil Terminal Co., Ltd., Okinawa CTS Corp., Ogishima Oil Terminal Co., Ltd. and other 4 companies	8
	Distribution	Cosmo Kaiun Co., Ltd., Sakaide Cosmo Kosan Co., Ltd., Cosmo Delivery Service Co., Ltd. and other 16 companies	19
Petrochemical business	Manufacturing and sales of petrochemical products	Cosmo Matsuyama Oil Co., Ltd., CM Aromatics Co., Ltd., Maruzen Petrochemical Co., Ltd. and Hyundai Cosmo Petrochemical Co., Ltd.	4
Other	Leased real estate management, etc.	Cosmo Oil Co., Ltd.、Cosmo Business Associates Co., Ltd. and other 1 company	3
	Production and distribution of ALA-containing products	Cosmo ALA Co., Ltd. and Cosmo Oil (Shanghai) Co., Ltd.	2
	Engineering, insurance, leasing, etc.	Cosmo Engineering Co., Ltd., Cosmo Trade & Service Co., Ltd. and other 6 companies	8
	Wind power generation business	Eco Power Co.,Ltd. and other 8 companies	9
	Consignment of accounting, financial, general affair and human resources	Cosmo Business Associates Co., Ltd.	1

The above-mentioned Group of companies is schematically represented as follows:



3. Policy for Corporate Management

(1)Basic Policy for Corporate Management

The Cosmo Oil Group aims to achieve sustainable development as a vertically integrated global energy company that helps to meet diverse social needs with a focus on petroleum energy. We aim to increase our competitiveness and profitability through a solid, integrated system from the upstream to downstream segments in our core petroleum business. We are also continuously involved in other businesses such as electric power generation and liquefied natural gas (LNG), and we have established the Cosmo Oil Group as a company that is recognized for its environmental initiatives, both to ensure that it is an environmentally advanced company and to maximize the satisfaction of our stakeholders.

(2)Medium to Long-Term Corporate Management Strategies and Issues to be Addressed

Fifth Consolidated Medium-Term Management Plan (for Fiscal Years 2013-2017)

The group of Cosmo Oil Co., Ltd whose met the second year of Fifth Consolidated Management Plan put together a group work onto promote collaboration, combination, and integration of each business enterprise and area based on the four basic policy and the six related programs, and addressed enhancing corporate profitability and company value improvement.

[Four Basic Policy Objectives and Six Related Programs]

I. Regain profitability in the refining and marketing sector

Programs: 1) Further enhancement of safe refinery operation and stable supply
2) Extensive rationalization focusing mainly on supply operations
3) Strengthening the retail business

II. Secure stable income from investments made during the previous medium-term management plan

Programs: 4) Petrochemical business
5) Oil exploration and production business
6) Renewable energy business

III. Further strengthen alliances with International Petroleum Investment Company (IPIC) and Hyundai Oil bank Co., Ltd.

IV. Further enhance CSR management

Regain profitability in the refining and marketing sector — This management plan objective will entail efforts in several areas. In terms of production, we will establish an efficient supply framework involving our three refineries, thereby ensuring that we continue to operate safely while providing stable supplies of product. In sales, we will initiate an innovative business model by which the Company provides value in the form of our “total car life” services, while also working to win new customers through cross-industry alliances with the Aeon Group and other such companies, and by further promoting our “Cosmo The Card.” In the area of vehicle sales, we will strengthen our retail business, while pursuing an annual target of 10,000 vehicle sales. Moreover, we will work to streamline operations and strengthen capabilities by consolidating back-office operations of Group companies.
We will also build on our competitive strengths of the refineries through joint operations involving our Chiba Refinery, while streamlining and boosting the efficiency of our LPG supply and sales framework by integrating LPG import and wholesale, and retail operations. To such ends, we will seek opportunities for collaboration, cooperation and integration with various partners in our respective business areas and regions of operation.

Secure stable income from investments made during the previous medium-term management plan — Under the second management plan objective, we will consistently promote crude oil production and its development in the Middle East, while pursuing initiatives to achieve expansion in the oil exploration and production business, such that will entail working to speed up development work in the Hail Field in order to launch production in FY2016. Meanwhile, in the renewable energy business, we will keep existing wind-power generation equipment running at high capacity by building a framework that integrates operations, maintenance and other such functions, while steadily working on construction of sites now in the planning stage, and reviewing possibilities for building additional wind power generators.

Further strengthen alliances with International Petroleum Investment Company (IPIC) and Hyundai Oil bank Co., Ltd.— Under our third management plan objective we will form collaborative opportunities, one example of which is our aim of expanding business through our strategic comprehensive alliance with Compañía Española de Petróleos, S.A.U. (CEPSA). With Hyundai Oil bank Co., Ltd., moreover, we will actively promote human resource exchanges and look into opportunities for further collaboration in our technology and research operations and other such realms.

Further enhance CSR management — Under our fourth management plan objective, we will adhere to stringent safety management and compliance standards, work with integrity, enhance human rights and personnel policies, and unfailingly engage in other such practices in accordance with the Cosmo Oil Group Management Vision. Moreover, we will keep contributing to society and do what it takes to uphold our responsibility to society as a corporation.

4. Basic Policy for selection for Accounting Standards

The Cosmo Oil Group has a policy to make the consolidated financial statements with the Japanese Generally Accepted Accounting Principles for the meantime, because of retaining financial statements' comparability and inter-enterprise comparability.

And also, The Cosmo Oil Group will correspond appropriately to applying the International Financial Reporting Standards (IFRS) in consideration of the global trend.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	FY2013 As of March 31, 2014	FY2014 As of March 31, 2015
Assets		
Current assets		
Cash and deposits	140,423	95,171
Notes and accounts receivable-trade	262,863	202,469
Merchandise and finished goods	225,292	131,430
Work in process	761	273
Raw materials and supplies	219,684	125,086
Accounts receivable-other	47,157	36,073
Deferred tax assets	2,340	7,920
Other	23,457	23,265
Allowance for doubtful accounts	-189	-113
Total current assets	921,790	621,578
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	105,679	109,306
Oil storage depots, net	25,180	28,954
Machinery, equipment and vehicles, net	131,902	141,943
Land	308,481	310,040
Lease assets, net	707	506
Construction in progress	11,191	18,708
Other, net	5,938	5,973
Total property, plant and equipment	589,082	615,432
Intangible assets		
Software	3,070	2,692
Goodwill	2,914	2,183
Other	44,057	44,584
Total intangible assets	50,041	49,459
Investments and other assets		
Investment securities	115,304	118,788
Long-term loans receivable	1,313	1,359
Long-term prepaid expenses	2,550	2,716
Deferred tax assets	2,935	2,779
Other	13,582	16,592
Allowance for doubtful accounts	-483	-583
Total investments and other assets	135,202	141,653
Total noncurrent assets	774,326	806,545
Deferred assets		
Bond issuance cost	714	504
Total deferred assets	714	504
Total assets	1,696,831	1,428,628

(Unit: million yen)

	FY2013 As of March 31, 2014	FY2014 As of March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	255,521	182,417
Short-term loans payable	323,705	179,512
Current portion of bonds	11,680	－
Accounts payable-other	99,635	100,529
Accrued volatile oil and other petroleum taxes	70,754	97,786
Income taxes payable	7,313	11,234
Accrued expenses	7,917	8,828
Deferred tax liabilities	335	39
Provision for business structure improvement	3,398	2,705
Provision for environmental measures	26	－
Other	18,911	20,807
Total current liabilities	799,199	603,860
Noncurrent liabilities		
Bonds payable	80,500	37,700
Long-term loans payable	447,794	475,659
Deferred tax liabilities	24,198	25,517
Deferred tax liabilities for land revaluation	29,236	26,981
Provision for special repairs	9,627	10,090
Provision for business structure improvement	1,096	566
Provision for environmental measures	3,832	3,748
Net defined benefit liability	12,993	8,833
Negative goodwill	1,127	－
Other	26,081	28,148
Total noncurrent liabilities	636,489	617,247
Total liabilities	1,435,688	1,221,107
Net assets		
Shareholders' equity		
Capital stock	107,246	107,246
Capital surplus	16,967	16,967
Retained earnings	87,461	7,942
Treasury shares	-143	-145
Total shareholders' equity	211,531	132,010
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,887	5,505
Deferred gains or losses on hedges	1,372	749
Revaluation reserve for land	18,929	21,249
Foreign currency translation adjustment	5,818	10,568
Remeasurements of defined benefit plans	-8,612	-2,890
Total accumulated other comprehensive income	20,395	35,183
Minority interests	29,214	40,326
Total net assets	261,142	207,520
Total liabilities and net assets	1,696,831	1,428,628

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Unit: million yen)

	FY2013 From April 1, 2013 to March 31, 2014	FY2014 From April 1, 2014 to March 31, 2015
Net sales	3,537,782	3,035,818
Cost of sales	3,369,007	2,944,919
Gross profit	168,775	90,899
Selling, general and administrative expenses	129,060	129,346
Operating income (loss)	39,715	-38,447
Non-operating income		
Interest income	209	234
Dividends income	2,154	649
Rent income on noncurrent assets	973	969
Amortization of negative goodwill	1,257	1,127
Foreign exchange gains	2,536	－
Equity in earnings of associates	7,343	29
Gain on sales of scraps	473	989
Other	3,657	3,729
Total non-operating income	18,607	7,729
Non-operating expenses		
Interest expenses	12,960	12,778
Foreign exchange losses	－	801
Other	3,514	5,343
Total non-operating expenses	16,475	18,922
Ordinary income (loss)	41,847	-49,640
Extraordinary income		
Gain on sales of noncurrent assets	445	586
Gain on sales of investment securities	1,322	184
Gain on sales of shares of subsidiaries and associates	1,441	14,319
Subsidy income	3,219	4,358
Insurance income	1,158	－
Litigation settlement income	939	－
Gain on contribution of securities to retirement benefit trust	3,595	－
Total extraordinary income	12,121	19,449
Extraordinary loss		
Loss on sales of noncurrent assets	27	512
Loss on disposal of noncurrent assets	3,281	4,962
Impairment loss	911	2,843
Loss on valuation of investment securities	305	157
Business structure improvement expenses	－	4,901
Other	－	1,030
Total extraordinary losses	4,525	14,407
Income (loss) before income taxes and minority interests	49,443	-44,599
Income taxes-current	34,660	34,474
Income taxes-deferred	4,465	-4,655
Total income taxes	39,125	29,818
Income (loss) before minority interests	10,317	-74,417
Minority interests in income	5,969	3,311
Net income (loss)	4,348	-77,729

(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

	FY2013 From April 1, 2013 to March 31, 2014	FY2014 From April 1, 2014 to March 31, 2015
Income (loss) before minority interests	10,317	-74,417
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,085	2,116
Deferred gains or losses on hedges	-154	-613
Revaluation reserve for land	―	2,152
Foreign currency translation adjustment	1,688	2,206
Remeasurements of defined benefit plans	―	5,635
Share of other comprehensive income of associates accounted for using equity method	5,319	3,169
Total other comprehensive income	5,767	14,666
Comprehensive income	16,085	-59,751
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	10,085	-63,083
Comprehensive income attributable to minority interests	5,999	3,332

(3) Consolidated Statements of Changes in Equity

FY2013 (From April 1, 2013 to March 31, 2014)

(Unit:million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1,2013	107,246	89,440	10,531	-140	207,078
Changes of items during period					
Dividends from surplus			－		－
Net income			4,348		4,348
Reversal of revaluation reserve for land			108		108
Purchase of treasury shares				-2	-2
Disposal of treasury shares		-0		0	0
Net changes of items other than shareholders' equity					
Deficit disposition		-72,472	72,472		－
Total changes of items during the period	－	-72,473	76,929	-2	4,453
Balance at March 31,2014	107,246	16,967	87,461	-143	211,531

	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1,2013	3,770	1,422	19,037	-851	－	23,378	26,475	256,932
Change of items during period								
Dividends from surplus								－
Net income								4,348
Reversal of revaluation reserve for land			-108			-108		－
Purchase of treasury shares								-2
Disposal of treasury shares								0
Net changes of items other than shareholders' equity	-883	-50	－	6,670	-8,612	-2,875	2,739	-135
Deficit disposition								－
Total changes of items during the period	-883	-50	-108	6,670	-8,612	-2,983	2,739	4,210
Balance at March 31,2014	2,887	1,372	18,929	5,818	-8,612	20,395	29,214	261,142

FY2014 (From April 1, 2014 to March 31, 2015)

(Unit：million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1,2014	107,246	16,967	87,461	-143	211,531
Cumulative effects of changes in accounting policies			72		72
Restated balance	107,246	16,967	87,534	-143	211,604
Change of items during period					
Dividends from surplus			-1,694		-1,694
Net loss			-77,729		-77,729
Reversal of revaluation reserve for land			-167		-167
Purchase of treasury shares				-2	-2
Disposal of treasury shares		-0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	―	-0	-79,591	-2	-79,593
Balance at March 31,2015	107,246	16,967	7,942	-145	132,010

	Accumulated other comprehensive income						Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1,2014	2,887	1,372	18,929	5,818	-8,612	20,395	29,214	261,142
Cumulative effects of changes in accounting policies							0	72
Restated balance	2,887	1,372	18,929	5,818	-8,612	20,395	29,215	261,215
Change of items during period								
Dividends from surplus								-1,694
Net loss								-77,729
Reversal of revaluation reserve for land			167			167		―
Purchase of treasury shares								-2
Disposal of treasury shares								0
Net changes of items other than shareholders' equity	2,618	-622	2,152	4,749	5,722	14,619	11,111	25,731
Total changes of items during the period	2,618	-622	2,319	4,749	5,722	14,787	11,111	-53,694
Balance at March 31,2015	5,505	749	21,249	10,568	-2,890	35,183	40,326	207,520

(4) Consolidated Statements of Cash Flows

(Unit: million yen)

	FY2013 From April 1, 2013 to March 31, 2014	FY2014 From April 1, 2014 to March 31, 2015
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	49,443	-44,599
Depreciation	28,669	26,880
Amortization of negative goodwill	-1,257	-1,127
Amortization of goodwill	731	730
Impairment loss	911	2,843
Loss (gain) on sales of non-current assets	-418	-73
Business structure improvement expenses	－	4,901
Loss (gain) on disposal of non-current assets	3,281	4,962
Loss (gain) on sales of investment securities	-1,322	-184
Loss (gain) on sales of shares of subsidiaries and associates	-1,441	-14,319
Loss (gain) on valuation of investment securities	305	157
Insurance income	-1,158	－
Loss (gain) on securities contribution to employees' retirement benefits trust	-3,595	－
Subsidy income	-3,219	-4,358
Interest and dividend income	-2,364	-884
Interest expenses	12,960	12,778
Foreign exchange losses (gains)	-2,172	-2,201
Share of (profit) loss of entities accounted for using equity method	-7,343	-29
Increase (decrease) in allowance for doubtful accounts	-274	23
Increase (decrease) in provision for special repairs	926	462
Increase (decrease) in provision for environmental measures	-226	-109
Increase (decrease) in net defined benefit liability	101	1,078
Decrease (increase) in notes and accounts receivable - trade	20,025	60,053
Recovery of recoverable accounts under production sharing	6,649	5,519
Decrease (increase) in inventories	47,478	188,845
Increase (decrease) in notes and accounts payable - trade	-22,412	-72,853
Decrease (increase) in other current assets	-4,250	3,425
Increase (decrease) in other current liabilities	-42,533	23,679
Decrease (increase) in investments and other assets	961	500
Increase (decrease) in other non-current liabilities	634	113
Other, net	1,235	2,188
Subtotal	80,325	198,401
Interest and dividend income received	12,574	1,820
Interest expenses paid	-13,055	-12,830
Payments for business structure improvement expense	-6,211	-4,886
Proceeds from subsidy income	3,219	4,321
Income taxes paid	-41,015	-23,443
Net cash provided by (used in) operating activities	35,837	163,384

(Unit：million yen)

	FY2013 From April 1, 2013 to March 31, 2014	FY2014 From April 1, 2014 to March 31, 2015
Cash flows from investing activities		
Purchase of securities	-9	―
Proceeds from sales and redemption of securities	12	12
Purchase of investment securities	-398	-2,202
Proceeds from sales and redemption of investment securities	4,262	6,306
Purchase of shares of subsidiaries and associates	-1	-851
Proceeds from sales and liquidation of shares of subsidiaries and affiliates	2,563	23,372
Purchase of property, plant and equipment	-32,538	-48,430
Payments for disposal of property, plant and equipment	-2,487	-3,998
Proceeds from sales of property, plant and equipment	1,755	3,639
Payments for purchases of intangible assets and long-term prepaid expenses	-18,511	-14,086
Decrease (increase) in short-term loans receivable	-527	-442
Purchase of treasury shares of subsidiaries	―	-1,080
Payments of long-term loans receivable	-51	-413
Collection of long-term loans receivable	236	408
Proceeds from withdrawal of time deposits	41,927	65,365
Payments into time deposits	-57,276	-58,704
Other, net	35	978
Net cash provided by (used in) investing activities	-61,007	-30,126
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	12,539	-99,005
Proceeds from long-term loans payable	47,390	67,490
Repayments of long-term loans payable	-58,409	-90,292
Proceeds from issuance of bonds	17,389	―
Redemption of bonds	-1,680	-55,150
Cash dividends paid	―	-1,694
Cash dividends paid to minority shareholders	-4,525	-68
Proceeds from share issuance to minority shareholders	19	―
Other, net	-167	-197
Net cash provided by (used in) financing activities	12,555	-178,920
Effect of exchange rate change on cash and cash equivalents	6,195	3,148
Net increase (decrease) in cash and cash equivalents	-6,418	-42,514
Cash and cash equivalents at beginning of period	129,699	123,280
Cash and cash equivalents at end of period	123,280	80,765

(5)Notes to Consolidated Financial Statements

(Notes to going concern)

None

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

1. Items concerning the Scope of Consolidation for Reporting

(1) Number of consolidated subsidiaries: 39

Cosmo Abu Dhabi Energy Exploration & Production Co., Ltd. was included in the scope of the consolidated subsidiaries of the Company, since it became a subsidiary of the company through a simple incorporation-type split during FY2014. Also, Hasaki Wind Farm was excluded from the scope of the consolidated subsidiaries of the Company, since it absorbed by Eco Power Co., Ltd..

(2) Major Non-consolidated Subsidiaries:

Tohoku Cosmo Gas Co., Ltd.

Reason for exclusion from accounting consolidation:

The Company has 16 subsidiaries that were excluded from its consolidated subsidiaries because they are small businesses and their respective total assets, net sales, and net income/loss and retained earnings (both amounts equivalent to what is accounted for under the equity method) have no material impact on the consolidated financial statements of the Company.

2. Items concerning the Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for Using the Equity Method: 16

Major subsidiaries: Tohoku Cosmo Gas Co., Ltd.

(2) Number of Associated Companies Accounted for Using the Equity Method: 6

Maruzen Petrochemical Co., Ltd., United Petroleum Development Co., Ltd., Tozai Oil Terminal Co., Ltd., Okinawa CTS Corp., GotoKishiku Wind Power Laboratory Co., Ltd. and Hyundai Cosmo Petrochemical Co., Ltd.

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

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

Reasons for Exclusion from the Application of the Equity Method:

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

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

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

3. Items concerning the Accounting Periods of the Consolidated Subsidiaries

Of the 39 consolidated subsidiaries, Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., Cosmo Oil Ashmore Ltd., Cosmo Oil International Pte. Ltd., Cosmo Oil (U.K.) Plc., Cosmo Oil Europe B.V., Cosmo Oil (Shanghai) Co., Ltd., and Cosmo Energy Exploration & Production Co., Ltd. adopt a fiscal year ending December 31 and Akita Wind Power Laboratory Co., Ltd. adopts a fiscal year ending February 28, respectively.

The consolidated financial statements herein have been developed by using their financial reports as of December 31, 2014 or February 28, 2015 and any material transactions arising between end of their fiscal year and consolidated fiscal year, the date for the consolidated settlement of accounts for the Company, are reflected on the consolidated financial statements herein by making necessary adjustments.

4. Items concerning the Accounting Standards

(1) Significant Asset Valuation Standards and Methods

1) Securities:	
a. Securities held to maturity:	Stated at amortized cost method
b. Other securities:	
- Securities available for sale with fair market value:	Stated at fair value based on market values applicable on the date of consolidated settlement of accounts (in which all differences between the carrying amounts and the fair values are reported as a separate component of net assets, while the cost of securities sold is calculated by the moving average method)
- Securities with no available fair market value:	Stated at cost determined by the moving average method
2) Inventories:	Principally stated at cost determined by the weighted average method (however, the amounts of inventories stated in the balance sheet were computed by using the method that book values are reduced to reflect declines in profitability)
3) Derivative financial instruments:	Stated at fair value

(2) Significant Depreciable Assets and Depreciation Methods

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

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

2) Intangible Assets (except lease assets) :

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

3) Lease assets:

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

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

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

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

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

4) Long-term Prepaid Expenses:

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

(3) Accounting Process Applied to Deferred Assets

Bond Issuance Cost:

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

(4) Standards for Recording Significant Allowance/Provisions

1) Allowance for Doubtful Accounts

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

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

2) Provision for special repairs

A provision is set aside to cover expenses arising from the inspection and repairs of the oil tanks subject to the open regular inspection in compliance with the Fire Service Law of Japan, and an amount equal to the estimated cost of periodically required repairs was added to the provision for FY2014.

As for Cosmo Matsuyama Oil Co., Ltd., one of the subsidiaries of the Company, a certain amount of money to cover expenses arising from regular repairs of the machinery and equipment of its refinery was recorded for FY2014 in addition to the above charge.

3) Provision for business structure improvement

The Company recorded the estimated amount of a provision to cover expenses and losses that were expected to be incurred in the near future following the closure of the refinery and the legal measures associated with the operations of the refinery.

4) Provision for environmental measures

The Company recorded the estimated amount of a provision to cover expenses to treat contaminated soil.

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

(5) Standards for Recording Net defined benefit liability

1) The attribute method of expected employee retirement benefits

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

2) Actuarial difference and the method of recording past service cost

"Net defined benefit liability" is recorded at an estimated amount of projected benefit obligation after deducting the fair value of pension assets as of March 31, 2015 to cover retirement and severance benefits payable to employees.

Past-service costs are recognized as an expense item at an amount prorated in the straight line method over a certain number of years (8 - 10 years) within the average of the remaining years of service to be performed by the employees at the time of accrual.

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

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

(6) Important Standards for Revenue and Cost recognition

Standards for Recognition of Construction Revenue and Cost

As for recognition of revenues from constructions undertaken by the Company, the percentage of completion method (the percentage of construction is estimated based on the method of the ratio of actual cost incurred to total estimated cost) is applied to construction contracts in process in which the outcome of the construction activity is deemed certain by the end of FY2014, while the completed contract method is applied to other construction contracts.

(7) Standards for Conversion of Significant Foreign Currency-Denominated Assets and Liabilities into Japanese Yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the fiscal year-end spot exchange rates with resulting gains or losses included in the current statements of income.

All the items of the financial statements of subsidiaries which are stated in currencies other than Japanese yen are translated into Japanese yen at the fiscal year-end spot exchange rate of each subsidiary. The resulting foreign currency translation adjustments are included among adjustments in net assets.

(8) Significant Hedge Accounting Methods

1) Hedge Accounting Methods

The deferred hedge accounting method is used to process hedging transactions, and the exceptional method is applied to treat interest rate swap contracts that meet the requirements for exceptional treatments as established by the Accounting Standards of Japan.

2) Hedging Instruments and Hedged Items

(Currency)	
Hedging Instrument	Forward exchange, Currency option
Hedged Item	Foreign currency credit and debt
(Interest rate)	
Hedging Instrument	Interest rate swap
Hedged Item	Borrowings
(Commodity)	
Hedging Instrument	Crude oil/Product swaps, Crude oil/Product futures trading
Hedged Item	Crude oil/Product trading

3) Hedging Policy

In accordance with internal rules that determine derivate transaction-related authority levels and transaction value limits, hedging activities are undertaken within specified limits to hedge fluctuation risks of interest rates and commodity prices.

4) Method of Evaluating Hedge Effectiveness

The Company evaluates hedge effectiveness once every six months by comparing cumulative changes in cash flows from or changes in fair value of hedged items, with the corresponding changes in the hedging instruments. The evaluation of hedge effectiveness is not considered necessary for certain interest rate swaps, which are used to hedge and meet certain hedging criteria.

(9) Amortization period and the amortization method for goodwill

Goodwill items are in principle amortized in accordance with the equal installment method over 5 years, providing that small-amount ones are amortized in a lump sum.

(10) Scope of Cash and Cash Equivalents Reported in Statements of Consolidated Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term investments, which are highly liquid, only exposed to small risks for value changes and have maturities of terms not exceeding three months at the time of purchase, are considered to be cash and cash equivalents.

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

1) Accounting Process for Consumption Tax, etc.

As for how to account for national and local consumption taxes, all domestic transactions are accounted for by excluding these tax amounts from the amounts thereof.

2) Accounting Process for Cost Recovery under Production Sharing

Some of its consolidated subsidiaries account for crude oil exploration and development and other related costs spent under the production sharing agreements. After the inception of crude oil production, they recover these costs by receiving products under the same agreements. They are stated in the “Other” item of the “Investment and other assets” account on the consolidated balance sheet herein.

3) Application of the Consolidated Tax Return Fining System

The Company apply the Consolidated Tax Return Fining System.

(Changes in Accounting Policies)

Application of Accounting Standard for Retirement Benefits, etc.

From FY2014, the company is applying the main clause of Paragraph 35 of the Accounting Standard for Retirement Benefits (the Accounting Standards Board of Japan (ASBJ) Statement No.26 May 17, 2012, hereinafter referred to as the "Retirement Benefits Accounting Standard") and the main clause of Paragraph 67 of the Guideline on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, March 26, 2015, hereinafter referred to as the "Guidance on Retirement Benefits"). The calculation method for retirement benefit obligations and service costs has been revised, and the method of attributing expected benefits to periods has been changed from a straight-line method to a method using a benefit formula. The method for determining the discount rate has also been changed.

The Retirement Benefits Accounting Standard etc. is applied in accordance with the transitional treatment stipulated in Paragraph 37 of the Retirement Benefits Accounting Standard, and at the beginning of the fiscal year under review, the effects of the change in the calculation method for retirement benefit obligations and service costs were reflected in retained earnings.

This policies change have an insignificant effect on the financial statements and the segment information.

(Changes in Representation Methods)

(Consolidated Statements of Income)

“Gain on sales of scraps”, which had been included in “Other” accounts of the “Non-operating income” section of the Consolidated Statements of Income for FY2013, are stated as a separate account item in the Consolidated Statements of Income for FY2014 due to an increase in their importance.

As a result, in the "Non-operating income" section, ¥473 million that had previously been presented as "Other " in the Consolidated Income Statements for the previous year is now included in "Gain on sales of scraps."

(Consolidated Statements of Cash Flows)

“Proceeds from insurance income”, which had been stated as separate account items in the “Cash flows from operating activities” section of the Consolidated Statements of Cash Flows up to the previous year, are incorporated in the “Other, net” of the section, effective FY 2014, due to the importance of these asset items reduced to negligible levels.

As a result, the amount of ¥ 1,188 million stated in “Proceeds from insurance income” of “Cash flows from operating activities” in the Consolidated Statements of Cash Flows for FY2013 is included in “Other, net.”

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation for property, plant and equipment

	FY2013 As of March 31, 2014	FY2014 As of March 31, 2015
	¥736,644 million	¥746,401 million

2. Contingencies

	FY2013 As of March 31, 2014	FY2014 As of March 31, 2015
Guaranty Liabilities	¥10,637 million	¥9,594 million

The Company guarantees loans obtained by companies and individuals other than consolidated subsidiaries from financial institutions, etc.

3. Pledged assets

	FY2013 As of March 31, 2014	FY2014 As of March 31, 2015
1) Plant foundation		
Pledged assets	¥329,604 million	¥334,251 million
Secured liabilities	¥61,574 million	¥48,456 million
2) Assets other than plant foundation		
Pledged assets	¥10,450 million	¥5,266 million
Secured liabilities	¥18,198 million	¥16,423 million

In addition to the above, shares of consolidated subsidiaries which were pledged as collateral

	FY2013 As of March 31, 2014	FY2014 As of March 31, 2015
Shares of consolidated subsidiaries	¥1,240 million	¥1,240 million

4. Revaluation of land

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

・Revaluation method	The land sites for the refineries were valued in accordance with the appraisal provided in Paragraph 5 of Article 2 of the "Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land" (Government Ordinance No. 119 issued on March 31, 1998), and other land sites were valued by referring to the road ratings provided in Paragraph 4 of Article 2 of the "Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land," as well as making some rational adjustments.
・Date of revaluation	March 31, 2002 (and December 31, 2001 completed by one consolidated subsidiary)

	FY2013 As of March 31, 2014	FY2014 As of March 31, 2015
・Difference between the total amount of the revalued land at fair value as of March 31of each year and their total carrying amount after revaluation	¥ -107,046 million	¥ -85,832 million

(Notes to Consolidated Statements of Income)

1. Selling, general and administrative expenses

	FY2013 April 1, 2013-March 31, 2014	FY2014 April 1, 2014-March 31, 2015
Outsourcing expense	¥23,811 million	¥24,657 million
Salaries and wages	¥21,712 million	¥22,193 million
Freight expense	¥16,826 million	¥14,775 million
Rent expense	¥11,538 million	¥11,030 million
Depreciation expense	¥6,577 million	¥6,412 million
Retirement and severance benefit payment to employees	¥2,137 million	¥2,248 million
Amount transferred to allowance for doubtful accounts	¥-180 million	¥99 million

2. Research and development expenses included in administrative expenses and production cost

FY2013 April 1, 2013-March 31, 2014	FY2014 April 1, 2014-March 31, 2015
¥3,271 million	¥3,077 million

3. The details of Business Structure improvement expenses

The expenses for the oil factory closure and fixed expenses, etc. incurred during the period of suspension of part of machinery operations due to the supply and demand adjustment for the shift to the three-oil-factory system are included as business structure improvement expenses in the extraordinary losses in the consolidated statement of income, which consist primarily of the following.

FY 2014 (From April 1, 2014 to March 31, 2015)

Expenses for the oil factory closure	1,211million
Fixed expenses, etc. incurred during the period of suspension of machinery operations	3,690million

The Business structure improvement expenses include the Provision reserve for business structure improvement expenses ¥1,211million.

4. The details of Other Extraordinary Losses

Losses due to the Company's oil storage closure and expenses for the dissolution of the employees' pension fund, of which some of the consolidated subsidiaries are members, are included in the extraordinary losses in the consolidated statements of income, which consist primarily of the following.

FY 2014 (From April 1, 2014 to March 31, 2015)

Losses due to oil storage closure	632million
Expenses for the dissolution of the employees' pension fund	397million

(Notes to Consolidated Statements of Changes in Equity)

FY2013 (From April 1, 2013 to March 31, 2014)

1. Types and Total Number of Outstanding Shares and of Treasury Shares

(Unit: Number of shares)

Type	Total number of shares as of April 1, 2013	Increase in the number of shares during the year	Decrease in the number of shares during the year	Total number of shares as of March 31, 2014
Total Number of Outstanding Shares				
Ordinary shares	847,705,087	—	—	847,705,087
Total	847,705,087	—	—	847,705,087
Treasury shares				
Ordinary shares	644,157	13,160	500	656,817
Total	644,157	13,160	500	656,817

Note: The increase in the number of ordinary shares in the category of treasury shares shown above reflects the Company's purchases of less-than-round-lot shares, while the decrease in the number of treasury shares reflects the Company's sales of less-than-round-lot shares by meeting requests for sales thereof.

2. Distribution of Surplus

(1) Dividend Payments

Not applicable.

(2) The Board of Directors of the Company shall propose the payment of dividends whose record date belongs to the consolidated FY2013 ended March 31, 2014 and whose effective date comes after the end of FY2013.

(Resolution adopted by)	Type	Total dividend amount	Dividend per share	Record date	Effective date
Shareholders' Meeting held on June 26, 2014	Ordinary shares	¥1,694 million	¥2	March. 31, 2014	June 25, 2014

FY2014 (From April 1, 2014 to March 31, 2015)

1. Types and Total Number of Outstanding Shares and of Treasury Shares

(Unit: Number of shares)

Type	Total number of shares as of April 1, 2014	Increase in the number of shares during the year	Decrease in the number of shares during the year	Total number of shares as of March 31, 2015
Total Number of Outstanding Shares				
Ordinary shares	847,705,087	—	—	847,705,087
Total	847,705,087	—	—	847,705,087
Treasury shares				
Ordinary shares	656,817	12,964	500	669,281
Total	656,817	12,964	500	669,281

Note: The increase in the number of ordinary shares in the category of treasury shares shown above reflects the Company's purchases of less-than-round-lot shares, while the decrease in the number of treasury shares reflects the Company's sales of less-than-round-lot shares by meeting requests for sales thereof.

2. Distribution of Surplus

Dividend Payments

(Resolution adopted by)	Type	Total dividend amount	Funded by	Dividend per share	Record date	Effective date
Shareholders' Meeting held on June 24, 2014	Ordinary shares	¥1,694 million	Retained earnings	¥2	March. 31, 2014	June 25, 2014

(Notes to Consolidated Statements of Cash Flows)

Relations between the amounts of cash and cash equivalents as of March 31, 2014 and 2015 and the account items shown in the consolidated balance sheet

FY2013 April 1, 2013 - March 31, 2014 (As of March 31, 2014)			FY2014 April 1, 2014 - March 31, 2015 (As of March 31, 2015)		
Cash and deposits	¥140,423	million	Cash and deposits	¥95,171	million
"Other" of the Current assets (Short-term investment securities)	¥712		"Other" of the Current assets (Short-term investment securities)	-	
Total	¥141,135		Total	¥95,171	
Securities with time between acquisition and redemption for 3 months or more	¥-12		Securities with time between acquisition and redemption for 3 months or more	-	
Deposits of more than 3 months	¥-17,842		Deposits of more than 3 months	¥-14,405	
Cash and cash equivalents	¥123,280		Cash and cash equivalents	¥80,765	

(Segment information)

1. Overview of Reporting Segments

The reporting segments of the Cosmo Group are comprised of those entities where obtaining separate financial reports are possible and those which the board members regularly review and decide distribution of management resources.

The Cosmo Group conducts "Petroleum Business," "Petrochemicals Business" and "Petroleum Exploration and Production Business" and Cosmo Oil or its affiliate companies operate these businesses independently depending on the type of services or products handled.

Therefore the 3 reporting segments by the Cosmo Group are, "Petroleum Business," "Petrochemicals Business" and "Petroleum Exploration and Production Business," based on the services and/or the products handled.

In further detail, "Petroleum Business" produces and markets gasoline, naphtha, kerosene, diesel, fuel oil, crude oil, lubricants, LPG, asphalt, etc. "Petrochemicals Business" produces and markets mixed-xylene, para-xylene, benzene, toluene, solvents, etc. "Petroleum Exploration and Production Business" explores and produces crude oil.

2. Methods to Determine Net Sales, Income or Loss, Assets, Liabilities and Other Items by Business Segment

The accounting methods by business segment reported herein are almost the same as the description of the "Notes concerning Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements."

Profit by business segment is stated on an ordinary income basis.

3. Information about net sales and income or loss amounts by segment reported

FY2013(From April 1, 2013 to March 31, 2014) (unit：million yen)

	Petroleum business	Petrochemical business	Oil exploration and production business	Other Note：1	Adjustments Note：2	Consolidated Note：3
Net sales						
Outside customers	3,419,490	21,314	72,343	24,634	－	3,537,782
Inter-segment	44,250	30,262	16,309	54,807	-145,629	－
Total	3,463,740	51,576	88,652	79,442	-145,629	3,537,782
Segment Income (Loss)	-25,326	3,692	58,141	5,527	-188	41,847
Other items						
Depreciation and amortization	21,439	878	5,498	1,348	-495	28,669
Amortization of goodwill	695	－	－	35	－	731
Amortization of negative goodwill	－	－	－	1,257	－	1,257
Interest income	152	1	49	41	-35	209
Interest expenses	12,473	1	422	97	-35	12,960
Equity earnings of associates	541	2,712	4,060	29	－	7,343

Note 1 Other is segment of non-classified, including construction works, insurance agency, leasing, travel agency and wind power generation, etc.

2 Segment Income (Loss) in "Adjustments" ¥-188 million includes ¥-81 million for internal eliminations, ¥1,572 million for inventory adjustments and ¥-1,668 million for adjustment of noncurrent assets.

3 Segment Income (Loss) is adjusted to ordinary income of consolidated statements of income.

4 No asset allocation is made into each segment, so that the description of such information is omitted.

FY2014 (From April 1, 2014 to March 31, 2015) (unit：million yen)

	Petroleum business	Petrochemical business	Oil exploration and production business	Other Note：1	Adjustments Note：2	Consolidated Note：3
Net sales						
Outside customers	2,943,933	20,839	46,109	24,936	－	3,035,818
Inter-segment	53,031	34,231	36,238	50,747	-174,249	－
Total	2,996,965	55,070	82,348	75,683	-174,249	3,035,818
Segment Income (Loss)	-93,463	-7,623	47,538	4,423	-514	-49,640
Other items						
Depreciation and amortization	19,336	825	5,733	1,510	-525	26,880
Amortization of goodwill	695	－	－	35	－	730
Amortization of negative goodwill	－	－	－	1,127	－	1,127
Interest income	172	0	64	26	-29	234
Interest expenses	12,013	0	506	286	-29	12,778
Equity earnings of associates	235	-5,024	4,808	10	－	29

Note 1 Other is segment of non-classified, including construction works, insurance agency, leasing, travel agency and wind power generation, etc.

2 Segment Income (Loss) in "Adjustments" ¥-514 million includes ¥45 million for internal eliminations, ¥45 million for inventory adjustments, and ¥-605 million adjustment of noncurrent assets.

3 Segment Income (Loss) is adjusted to ordinary income of consolidated statements of income.

4 No asset allocation is made into each segment, so that the description of such information is omitted.

(Information about Business Combinations, etc.)
＜Common Control Transaction, etc.＞
1. The outline of the transaction
(1) Name of the business and the description of their businesses
Name of the business: The crude oil exploration and production businesses through holding of shares of Cosmo Abu Dhabi Energy Exploration & Production Co., Ltd.
Line of the business : Promotion and management of the said business through holding of shares of Cosmo Abu Dhabi Energy Exploration & Production Co., Ltd., planning and execution of new oil and gas operations in the Emirate of Abu Dhabi, The United Arab Emirates, and all related affairs.
(2) Date of business combination
November 28, 2014
(3) Legal form of business combination
Incorporation-type company split of Cosmo Energy Exploration & Production Co., Ltd., with Cosmo Abu Dhabi Energy Exploration & Production Co., Ltd. as the continuing company.
(4) Name of the company upon business combination
Cosmo Abu Dhabi Energy Exploration & Production Co., Ltd. (a consolidated subsidiary of Cosmo Oil Co., Ltd.)
(5) Outline of Accounting Process Execute
The Company will spin off the oil exploration and production business in Abu Dhabi through holding share of Cosmo Abu Dhabi Energy Exploration & Production Co., Ltd.,, aimed to further increase business in Abu Dhabi.
2. Outline of Accounting Treatments Executed
Under “Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, revised on December 26, 2008)” and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, revised on December 26, 2008),” the Company treated business combinations as transactions under common control.

(Per-share Information)

	FY2013 April 1, 2013 - March 31, 2014	FY2014 April 1, 2014 - March 31, 2015
Net assets per share (¥)	273.81	197.39
Net income(loss) per share (¥)	5.13	-91.77

Note: 1. Since no diluted securities exist, diluted net income per share is omitted.
2. The basic information used to calculate net income (loss) per share for the years ended March 31, 2013 and 2014 is as follows.

	FY2013 April 1, 2013 - March 31, 2014	FY2014 April 1, 2014 - March 31, 2015
Net income(loss) (¥mil)	4,348	-77,729
Amount that does not belong to ordinary share holders (¥mil)	—	—
Net income(loss) that belongs to ordinary shares (¥mil)	4,348	-77,729
Average number of ordinary shares outstanding during the year (thousands of shares)	847,055	847,043

(Significant Subsequent Events)
(Approval at annual general Shareholders' meeting for transformation to a holding company)
Cosmo Oil Co., Ltd. resolved at Board of Directors meeting held on May 12, 2015 to incorporate "Cosmo Energy Holdings Co., Ltd. (hereinafter the "Holding Company")" as a pure holding company (wholly owing parent company) through a share transfer to be solely conducted by the Company (hereinafter the "Share Transfer"),and to implement group reorganization aimed at the transformation to a group structure that has three core operating companies under the holding Company.
The transformation to a holding company is subject to approval by prescribed producers such as the general shareholders meeting and of the relevant public offices, etc., and it will be implemented after get the permissions.

1. Objective
Cosmo Group will make for the transformation to a holding company structure with the following objectives:
1) Strengthen Business Competitiveness / Realize Stable Profits of the Holding Company
Each operating company, by clearly defining responsibilities and authority, aims to expedite decision-making as well as to enhance the expertise and motivation of employees, which will enable each operating company to conduct business execution quickly responding to changes in business environment and increase its corporate value.
The Holding Company aims to improve its financial standing by establishing profit base and to realize stable dividends.
2) Accelerate the Enhancement of Group Management and Shift Management Resources
In order to realize optimal management resource distribution centripetally from a group-wide perspective, "monitoring of the group’s management” will be separated from "business execution” and the holding company will focus on determination of the group’s management policy.
3) Promote an Alliance in Each Business Line

We will pursue a flexible and swift alliance strategy (collaboration, cooperation, integration) by business line responding to changes in economic and business environments by establishing organizational structure by business domain.

This transformation to the holding company structure is subject to the approval of the annual shareholders meeting of the Company, which is scheduled to be held on June 23, 2015. The shares of the Company will be de-listed in accordance with the Share Transfer; however, an application is scheduled to be made to list the shares of the newly incorporated Holding Company (the wholly owning parent company) on the Tokyo Stock Exchange. The listing date will depend on the inspection by the Tokyo Stock Exchange; however, the listing is scheduled to take place as of October 1, 2015, which is the registration date for the incorporation of the Holding Company (effective date of the Share Transfer).

2. Procedures for the Transformation to the Holding Company Structure and the Future Plans
The Company plans to move to the holding company-structure through the method set forth below.
【Step 1】
As a result of the incorporation of the Holding Company as of October 1, 2015 (scheduled date), through the Share Transfer, the Company will become a wholly owned subsidiary company of the Holding Company. In addition, Cosmo Oil Marketing Co., Ltd. will start the business as of October 1, 2015 (scheduled date) by transferring marketing-related business centered on the Service Station of the Company to the marketing business preparatory company, which is the subsidiary of the Company, through absorption-type company split.
The corporate governance system of the Holding Company will be a Company with Audit and Supervisory Committee (defined as “kansa-tou iinkai secchi kaisha”), from the perspective of the enhancement of corporate governance.
【Step 2】
The Company will establish a business structure comprised of the Holding Company and three core operating companies such as Oil exploration, Oil supply, and Oil sale by transferring of its business of managing subsidiaries to the Holding Company by way of absorption-type company split (which is scheduled for January 1, 2016). Later, in order to strengthen the group’s competitiveness and to expedite implementation of growth strategies, the Company will continue to carry out a strategic reorganization taking into account the business characteristics of each group company and changes in market environment.

3. Outline of the Share Transfer
(1) Share Transfer Schedule

Record Date of Annual Meeting of Shareholders:	Tuesday March 31, 2015
Board Directors meeting for the approval of the Preparation of the Share Transfer Plan:	Tuesday May 12, 2015
Annual shareholders meeting for the approval of the Preparation of the Share Transfer plan:	Tuesday June 23, 2015 (scheduled date)
De-listing date:	Monday September 28, 2015 (scheduled date)
Registration date for the incorporation of the Holding Company (Effective date of the Share Transfer):	Thursday October 1, 2015 (scheduled date)
Listing of the Holding Company’s shares:	Thursday October 1, 2015 (scheduled date)

The above schedule may be changed where necessary in the course of the above procedures or for other reasons.

(2) Method of the Share Transfer
A sole share transfer with the Company as the wholly owned subsidiary company in share transfer and the Holding Company as the wholly owning parent company incorporated through the share transfer.

(3) Descriptions of Allocation concerning Share Transfer (Share Transfer Ratio)

	Cosmo Energy Holdings Co., Ltd. (Wholly owning parent company incorporated through the Share Transfer; the Holding Company)	Cosmo Oil Co., Ltd. (Wholly owned subsidiary company in the Share Transfer; the Company)
Share transfer ratio	0.1	1

Note:
1) Share transfer ratio:
To the common shareholders of the Company who are registered in the final shareholders registry as of the day prior to the Share Transfer's effective date, 0.1 share of common stock of the Holding Company will be issued for each share of common stock of the Company they hold.
2) Share trading unit:
The Holding Company will adopt a share trading unit system whereby one share trading unit is 100 shares.
3) Grounds for Calculating the Share Transfer ratio:
In the Share Transfer, the Holding Company (the wholly owning parent company) will be incorporated through a share transfer conducted solely by the Company, and the shares of the Holding Company will be allocated only to the shareholders of the Company immediately before the Share Transfer. Since the number of shares constituting one unit of common shares of the Company and the Holding Company are one thousand (1,000) shares and one hundred (100) shares, respectively, the minimum investment unit will not be changed if 0.1 share of common stock of the Holding Company are allocated for each share of common stock of the Company. In this case, the shareholders of the Company will hold, immediately after the Share Transfer, voting rights in the Holding Company in the number equivalent to the number of the Company's voting rights it held immediately before the Share Transfer.
4) Results of the calculation, the method for calculating and the basis for calculation by third party institutions:
For the above reason in 3), no calculation of share transfer ratio was conducted by any third party institution.
5) Number of new shares to be delivered as a result of the Share Transfer (scheduled):
84,770,508 shares (scheduled)
The above number of new shares to be delivered by the Holding Company may fluctuate if the total number of issued shares of the Company before the Share Transfer is effective. With respect to treasury shares held by the Company as of the effective date of the Share Transfer, 0.1 share of common stock of the Holding Company are allocated for each treasury share of common stock of the Company. As a result, the Company will temporarily hold the common stock of the Holding Company, and the method of disposal thereof will be announced when determined.

(4) Treatment of Share Options and Bonds with Share Options in accordance with the Share Transfer
The Company issues no share options and bonds with share options.

(5) New Listing of Holding Company's Shares
The Company plans to apply to newly list the shares of the Holding Company, which is to be newly incorporated, on the Tokyo Stock Exchange First Section (technical listing). The listing date is scheduled to be October 1, 2015 (Thursday). As the Company will be the wholly owned subsidiary company of the Holding Company as a result of the Share Transfer, the Company is scheduled to be de-listed from the Tokyo Stock Exchange on Monday September 28, 2015, prior to the listing of the Holding Company.

The de-listing date may change as it is to be determined in accordance with the rules of the Tokyo Stock Exchange.

4. Future Outlook
The Company will be the wholly owned subsidiary company of the Holding Company in accordance with the Share Transfer. Accordingly, the business results of the Company will be reflected in the consolidated business results of the Holding Company, its wholly owning parent company. The Share Transfer is expected to have a negligible effect on the business results.

(Important large loan)
The company new financing by means of a subordinated loan on April 1, 2015.

1. Purposes
The corporate group is taking all steps to achieve the targets of the “5th Consolidated Medium Term Management Plan.” The subordinated loan is expected to further improve and strengthen the Company’s balance sheet.
Loan proceeds will be allocated towards business operations, and also to repay interest-bearing debt, in order to boost enterprise value through earnings growth and a stronger balance sheet.

2. Overview of Loan Terms

(1) Financing Amount	60 billion yen
(2) Execution Date	March 30, 2015
(3) Disbursement Date	April 1, 2015
(4) Final Repayment Date	March 31, 2075 The Company has the option to partially or wholly repay the loan at each interest payment date on or after March 31, 2020. In addition, the Company may partially or wholly repay the loan if any of the following occur: (i) the Company becomes subject to extremely unfavorable tax implications which cannot be reasonably solved, (ii) the credit rating agency announces a reduction on the interpreted amount of this loan having partial equity value, (iii) the Company agrees with all lenders and agents listed on (11).
(5) Replacement Article	If the Company decides to repay the loan prior to the final repayment date, the Company shall do so, subject to issuing new shares and/or obtaining a loan with similar terms at least 6 months before the early repayment date.
(6) Interest Rate	The variable interest rate will be based on 6-month Euro Yen LIBOR for the period from April 1, 2015 to and excluding March 31, 2020. The variable interest will increase by another 1.00% for subsequent periods from March 31, 2020 onwards.
(7) Interest Payment Date	The first payment date will be on September 30, 2015. Each subsequent payment will be made on March 31 and September 30 of each year until March 31, 2075.
(8) Interest Restriction	Interest payable on the Subordinated Loan may be deferred whether partially or wholly at discretion of the Company.
(9) Subordinated Clause	If a decision to commence liquidation proceedings, bankruptcy proceedings, corporate reorganization proceedings, or civil rehabilitation proceedings has been made, lenders of this subordinated loan may only receive repayment after the full amount of all credits excluding subordinated obligations are paid. This loan will not cause any disadvantage to any existing lenders of non-subordinated loans.
(10) Interpretation of this Loan towards equity value by Rating Agency	Japan Credit Rating Agency, Ltd. : Equity value “Middle”・50
(11) Investor of this Loan (Lender) (TBD)	Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation

(Formation of the jointly controlled entity)

1. The outline of the transaction

(1) Name of the business and the description of their business

Name of the business: Import LP gas

Line of the business: LP gas import and procurement, operating the shipping terminal, distributing goods, domestic wholesale and foreign trade business.

(2) Date of business combination

April 1, 2015

(3) Legal form of business combination

Showa Shell Sekiyu K.K., Sumitomo Corporation, TonenGeneral Sekiyu K.K. and Enessance Holdings Co., Ltd. (established in 2008 by Showa Shell and Sumitomo Corporation with equity stakes of 51% and 49%, respectively) will carry out absorption-type spin-offs of their LP gas import and wholesale operations and integrate these operations, with Cosmo Petroleum Gas Co., Ltd. (a wholly-owned subsidiary of Cosmo) as the receiving company.

(4) Name of the company upon business combination

Gyxis Corporation

(5) Other material items related trading outline

The LP gas import and wholesale operations (LP gas import/procurement, shipping terminal operation, logistics, and domestic wholesaling) and overseas trading operations of the four corporate groups will be consolidated into an integrated structure to create one of Japan's top-class LP gas import and wholesale companies.

(6) The reason for determining a jointly controlled entity

As for formation of a jointly controlled entity, Cosmo Oil Co., Ltd., Showa Shell Sekiyu K.K., Sumitomo Corporation and TonenGeneral Sekiyu K.K. executed a contract agreement for to become a jointly controlled entity, and other dominance relationships are practically non-existent.

For this reason, the business combination was determined as the formation of jointly controlled entity.

2. Outline of Accounting Treatments Execute

Under "Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No.21, revised on September 13, 2013)" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, revised on September 13, 2013)," the Company will treat business combinations as formations jointly controlled entity.

Cosmo Oil Co., Ltd., Showa Shell Sekiyu K.K., TonenGeneral Sekiyu K.K., and Sumitomo Corporation have 20,000 stock in Gyxis Corporation respectively (25% of total number of stock issued), and Gyxis Corporation become an associate company of Cosmo Oil Co., Ltd. which is applicable to the Equity Method.

6. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheet

(Unit: million yen)

	FY2013 As of March 31, 2014	FY2014 As of March 31, 2015
Assets		
Current assets		
Cash and deposits	79,309	16,770
Notes receivable-trade	80	58
Accounts receivable-trade	229,371	178,980
Merchandise and finished goods	196,541	106,761
Raw materials and supplies	213,876	116,949
Short-term loans receivable	12	15
Short-term loans receivable from subsidiaries and associates	15,814	14,379
Accounts receivable-other	92,882	62,404
Deferred tax assets	—	4,765
Other	15,344	13,306
Allowance for doubtful accounts	-94	-55
Total current assets	843,141	514,337
Noncurrent assets		
Property, plant and equipment		
Buildings, net	20,167	18,423
Structures, net	51,012	49,736
Oil storage depots, net	24,716	28,473
Machinery and equipment, net	108,600	109,504
Land	272,524	274,782
Lease assets, net	398	368
Construction in progress	6,180	12,565
Other	2,128	2,219
Total property, plant and equipment	485,728	496,074
Intangible assets		
Software	2,301	1,858
Other	893	867
Total intangible assets	3,194	2,725
Investments and other assets		
Investment securities	20,124	17,240
Shares of subsidiaries and associates	81,932	98,207
Long-term loans receivable	123	115
Long-term loans receivable from subsidiaries and associates	38,352	51,901
Long-term deposits	7,487	7,229
Prepaid pension cost	1,251	—
Other	3,270	3,306
Allowance for doubtful accounts	-130	-205
Allowance for loss on investments in subsidiaries and associates	-683	-64
Total investments and other assets	151,727	177,730
Total noncurrent assets	640,651	676,530
Deferred assets		
Bond issuance cost	714	504
Total deferred assets	714	504
Total assets	1,484,506	1,191,372

(Unit：million yen)

	FY2013 As of March 31, 2014	FY2014 As of March 31, 2015
Liabilities		
Current liabilities		
Accounts payable-trade	286,469	219,446
Short-term loans payable	181,793	83,945
Current portion of long-term loans payable	87,669	37,509
Current portion of bonds	11,680	－
Accounts payable-other	96,152	87,864
Accrued volatile oil and other petroleum taxes	70,754	97,786
Income taxes payable	231	57
Advances received	5,509	3,750
Deposits received	26,805	20,436
Deferred tax liabilities	333	－
Provision for business structure improvement	3,398	2,705
Other	6,123	12,552
Total current liabilities	776,921	566,053
Noncurrent liabilities		
Bonds payable	80,500	37,700
Long-term loans payable	399,985	431,656
Deferred tax liabilities	1,088	252
Deferred tax liabilities for land revaluation	26,879	24,879
Long-term deposits received	8,558	9,004
Provision for special repairs	7,958	8,511
Provision for retirement benefits	1,799	1,510
Provision for business structure improvement	1,096	566
Provision for environmental measures	3,594	3,515
Provision for loss on business of subsidiaries and associates	444	751
Other	4,209	4,720
Total noncurrent liabilities	536,114	523,069
Total liabilities	1,313,035	1,089,123
Net assets		
Shareholders’ equity		
Capital stock	107,246	107,246
Capital surplus		
Legal capital surplus	16,966	16,966
Other capital surplus	0	0
Total capital surpluses	16,967	16,967
Retained earnings		
Legal retained earnings	－	169
Other retained earnings		
Retained earnings brought forward	28,937	-43,530
Total retained earnings	28,937	-43,361
Treasury shares	-94	-96
Total shareholders’ equity	153,056	80,756
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	808	2,176
Deferred gains or losses on hedges	1,490	1,027
Revaluation reserve for land	16,114	18,289
Total valuation and translation adjustments	18,414	21,493
Total net assets	171,470	102,249
Total liabilities and net assets	1,484,506	1,191,372

(2) Non-consolidated Statements of Income

(Unit：million yen)

	FY2013 From April 1, 2013 to March 31, 2014	FY2014 From April 1, 2014 to March 31, 2015
Net sales	3,163,852	2,773,390
Cost of sales	3,113,985	2,778,402
Gross profit (loss)	49,867	-5,011
Selling, general and administrative expenses	74,210	72,500
Operating loss	-24,343	-77,512
Non-operating income		
Interest income	953	867
Interest on securities	1	0
Dividends income	34,816	15,342
Rent income on noncurrent assets	1,091	1,091
Other	4,216	3,822
Total non-operating income	41,079	21,124
Non-operating expenses		
Interest expenses	11,385	10,642
Interest on bonds	999	1,280
Foreign exchange losses	162	2,500
Other	2,472	4,838
Total non-operating expenses	15,019	19,261
Ordinary income (loss)	1,716	-75,649
Extraordinary income		
Gain on sales of noncurrent assets	378	471
Gain on sales of investment securities	1,290	175
Gain on sales of shares of subsidiaries and associates	20,160	―
Insurance income	1,158	―
Litigation settlement income	939	―
Gain on contribution of securities to retirement benefit trust	1,085	―
Subsidy income	3,129	4,358
Gain on reversal of allowance for loss on investments in subsidiaries and associates	38	68
Total extraordinary income	28,179	5,073
Extraordinary loss		
Loss on sales of noncurrent assets	11	613
Loss on disposal of noncurrent assets	2,993	4,346
Impairment loss	599	248
Loss on valuation of investment securities	305	157
Loss on valuation of shares of subsidiaries and associates	24	―
Provision of allowance for loss on investments in subsidiaries and associates	197	38
Provision for loss on business of subsidiaries and associates	223	307
Business structure improvement expenses	―	4,901
Other	―	632
Total extraordinary losses	4,356	11,245
Income (loss) before income taxes	25,539	-81,820
Income taxes-current	-2,506	-5,464
Income taxes-deferred	-783	-6,144
Total income taxes	-3,289	-11,609
Net income (loss)	28,829	-70,210

(3) Non-consolidated Statements of Changes in Equity

FY 2013 (From April 1, 2013 to March 31, 2014)

(Unit: million yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings		
Balance at April 1, 2013	107,246	89,439	0	89,440	7,407	-79,880	-72,472	-92	124,121
Changes of items during the period									
Dividends from surplus						－	－		－
Net income						28,829	28,829		28,829
Reversal of revaluation reserve for land						107	107		107
Reversal of legal capital surplus		-72,472		-72,472		72,472	72,472		－
Reversal of legal retained earnings					-7,407	7,407	－		－
Purchase of treasury shares								-2	-2
Disposal of treasury shares			-0	-0				0	0
Net changes of items other than shareholders' equity									
Total changes of items during the period	－	-72,472	-0	-72,473	-7,407	108,817	101,410	-2	28,934
Balance at March 31, 2014	107,246	16,966	0	16,967	－	28,937	28,937	-94	153,056

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at April 1, 2013	1,145	1,676	16,222	19,044	143,166
Changes of items during the period					
Dividends from surplus					－
Net income					28,829
Reversal of revaluation reserve for land			-107	-107	－
Reversal of legal capital surplus					－
Reversal of legal retained earnings					－
Purchase of treasury shares					-2
Disposal of treasury shares					0
Net changes of items other than shareholders' equity	-337	-185	－	-522	-522
Total changes of items during the period	-337	-185	-107	-630	28,303
Balance at March 31, 2014	808	1,490	16,114	18,414	171,470

FY 2014 (From April 1, 2014 to March 31, 2015)

(Unit: million yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings		
Balance at April 1, 2014	107,246	16,966	0	16,967	－	28,937	28,937	-94	153,056
Cumulative effects of changes in accounting policies						-188	-188		-188
Restated balance	107,246	16,966	0	16,967	－	28,748	28,748	-94	152,868
Changes of items during the period									
Dividends from surplus					169	-1,864	-1,694		-1,694
Net loss						-70,210	-70,210		-70,210
Reversal of revaluation reserve for land						-204	-204		-204
Reversal of legal capital surplus		－		－		－	－		－
Reversal of legal retained earnings					－	－	－		－
Purchase of treasury shares								-2	-2
Disposal of treasury shares			-0	-0				0	0
Net changes of items other than shareholders' equity									
Total changes of items during the period	－	－	-0	-0	169	-72,279	-72,109	-2	-72,112
Balance at March 31, 2015	107,246	16,966	0	16,967	169	-43,530	-43,361	-96	80,756

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at April 1, 2014	808	1,490	16,114	18,414	171,470
Cumulative effects of changes in accounting policies					-188
Restated balance	808	1,490	16,114	18,414	171,282
Changes of items during the period					
Dividends from surplus					-1,694
Net loss					-70,210
Reversal of revaluation reserve for land			204	204	－
Reversal of legal capital surplus					－
Reversal of legal retained earnings					－
Purchase of treasury shares					-2
Disposal of treasury shares					0
Net changes of items other than shareholders' equity	1,367	-463	1,970	2,874	2,874
Total changes of items during the period	1,367	-463	2,174	3,079	-69,032
Balance at March 31, 2015	2,176	1,027	18,289	21,493	102,249