May 12, 2016

Overview of Business Results
of Fiscal Year Ending March 2016
[Based on Japanese GAAP] (Consolidated)

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

Company Code: 5021 URL http://ceh.cosmo-oil.co.jp/

Name of Representative: Keizo Morikawa (Title) President

Name of Person to contact: Seiko Takagi (Title) General Manager of Corporate Communication Dept. Phone: 03-3798-3180

Annual shareholders' meeting is to be held on: June 21, 2016 Dividend payment is to be started on: June 22, 2016

Securities report is to be submitted on: June 21, 2016

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 FY2015 (April 1, 2015 to March 31, 2016)

(1) Consolidated operating results (% indicates change from FY2014)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2015	2,244,306	－	-29,742	－	-36,121	－	-50,230	－
FY2014	－	－	－	－	－	－	－	－

[Reference] Comprehensive income FY2015: -52,979 million yen (－%) FY2014: － (－%)

	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	%	%	%
FY2015	-594.85	－	-36.5	-2.5	-1.3
FY2014	－	－	－	－	－

[Reference] Equity in earnings(losses) of associates FY2015: 3,012 million yen FY2014: －

Note : Due to the Cosmo Energy Holdings Co., Ltd. was incorporated through a sole-share transfer on October 1, 2015, there are no results of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	million yen	million yen	%	yen sen
FY2015	1,409,615	202,712	7.7	1,286.03
FY2014	－	－	－	－

[Reference] Net worth FY2015: 108,046 million yen FY2014: －

Note : Due to the Cosmo Energy Holdings Co., Ltd. was incorporated through a sole-share transfer on October 1, 2015, there are no results of the previous fiscal year.

(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
FY2015	18,427	-32,839	32,499	89,418
FY2014	－	－	－	－

Note : Due to the Cosmo Energy Holdings Co., Ltd. was incorporated through a sole-share transfer on October 1, 2015, there are no results of the previous fiscal year.

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	%	%
FY2014	－	－	－	－	－	－	－	－
FY2015	－	－	－	40.00	40.00	3,390	－	2.5
FY2016 (outlook)	－	－	－	50.00	50.00		8.8	

Note : Due to the Cosmo Energy Holdings Co., Ltd. was incorporated through a sole-share transfer on October 1, 2015, there are no results of the previous fiscal year or the first and second quarters of the fiscal year under review.

3. Consolidated Business Outlook for FY2016 (April 1, 2016 to March 31, 2017)

(% indicates for FY2016 change from the corresponding period of FY 2015, while for 1H FY2016 change from 1H FY2015)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
1H FY2016	1,209,000	－	38,000	－	34,000	－	20,500	－	244.00
FY2016	2,520,000	12.3	77,500	－	67,500	－	47,500	－	565.37

Note : Due to the Cosmo Energy Holdings Co., Ltd. was incorporated through a sole-share transfer on October 1, 2015, there are no results of the parcentage change from previous quater of consolidated cumilative second quater period.

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during FY2015 : Yes

Newly 1 (Name of Company) Maruzen Petrochemical Co., Ltd.

Exception 1 (Name of Company) GYXIS CORPORATION (Cosmo Petroleum Gas Co., Ltd. changed its corporate name to GYXIS CORPORATION on April 1, 2015)

(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) :	FY2015	84,770,508 shares	FY2014	－ shares
2) Number of shares of treasury stock as of end of the period :	FY2015	754,790 shares	FY2014	－ shares
3) Average Number of shares outstanding during the period :	FY2015	84,441,687 shares	FY2014	－ shares

[Reference] Outline of Non-Consolidated Results

1. Non-Consolidated Financial Results for FY2015 (For the period from April 1, 2015 to March 31, 2016)

(1) Non-consolidated Operating Results (% indicates change from FY2014)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2015	8,986	－	5,287	－	4,730	－	10,628	－
FY2014	－	－	－	－	－	－	－	－

	Net income per share	Diluted net income per share
	yen sen	yen sen
FY2015	126.11	－
FY2014	－	－

Note : Due to the Cosmo Energy Holdings Co., Ltd. was incorporated through a sole-share transfer on October 1, 2015, there are no results of the previous fiscal year.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	million yen	million yen	%	yen sen
FY2015	670,368	70,604	10.5	839.63
FY2014	－	－	－	－

[Reference] Net worth FY2015 : 70,604 million yen FY2014 : －

Note : Due to the Cosmo Energy Holdings Co., Ltd. was incorporated through a sole-share transfer on October 1, 2015, there are no results of the previous fiscal year.

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.

Supplementary information will be uploaded on the Cosmo Energy Holdings Co., Ltd. website on May 12, 2016.

(Related points of note)

The consolidated financial statements for the consolidated accounting period (April 1, 2015 to March 31, 2016) have been prepared by inheriting the quarterly consolidated financial statements of Cosmo Oil Co., Ltd., which became a wholly owned subsidiary through a sole-share transfer.

【Supporting data】

Contents of Supporting data

1. Analysis of Consolidated Operating Results and Financial Position

(1) Analysis of Consolidated Operating Results

Although the Company was incorporated through a sole-share transfer on October 1, 2015 as a wholly owning parent company of Cosmo Oil Co., Ltd., in substance, the scope of consolidation has not changed. Accordingly, when items are compared against the same period of the previous year, Cosmo Oil Co., Ltd.'s operating results for the fiscal year ended March 31, 2015 (from April 1 to March 31, 2015) are used, and when items are compared against the previous fiscal year-end, Cosmo Oil Co., Ltd.'s financial position at the end of the fiscal year ended March 31, 2015 are used.

1) Consolidated Operating Results during Fiscal Year 2015

The Japanese economy continued to show gradual recovery during the fiscal year under review, with improvement in the employment and income environment fueled by bold financial policy and increased inbound demand. This was all despite weakened export as well as sluggish consumer spending and recovery in private capital investment in the first half all due to economic slowdown in emerging countries such as China.

With respect to crude oil prices, the price for Dubai crude oil began the fiscal year in the $53 per barrel range then subsequently climbed briefly to the $66 per barrel range, spurred by the decline in oil production in the U.S., before ultimately ending the year in the $34 per barrel range following a substantial downturn in the price stemming from factors such as a full-scale return of Iran crude oil to the market and the concern for oversupply of the market triggered by China's economic slump.

As for exchange rates, the Japanese yen started the fiscal year at the ¥119 per dollar level and it stabilized at around ¥122 per dollar in the summer. The interest rate was raised in the U.S. in December, but the yen became stronger against the U.S. dollar partly due to an increasing view that additional rate hikes would be at a slower pace and the yen ended the fiscal year at the ¥112 per dollar level.

Domestic demand for petroleum products fell overall compared with the previous fiscal year. Although results for gasoline and diesel fuel remained unchanged compared with the previous year with the demand propped up by a decline in product market, demand for kerosene and heavy oil significantly decreased due to a relatively warm winter and shifts toward the use of alternative fuels.

As a result, consolidated net sales in FY2015 was recorded ¥2,244.3 billion (down 26% compared with FY2014). Consolidated operating loss was recorded ¥29.7 billion (compared with consolidated operating loss, ¥38.4 billion in FY2014), consolidated ordinary loss, ¥36.1 billion (compared with consolidated ordinary loss, ¥49.6 billion in FY2014) due to decline sales profit of Oil exploration and production business by the fall of crude oil price, and recorded inventory valuation loss of ¥68.7 billion in the Petroleum business. As for operating profit that is excluded a loss of inventories evaluation recorded ¥39.0 billion (down ¥38.7 billion from FY2014), ordinary profit was ¥32.6 billion (down ¥33.9 from FY2014).

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	2,220.7	48.1	55.8	-80.3	2,244.3
Segment profit	-62.8	4.1	18.6	3.9	-36.1

[Petroleum business]

As for the Petroleum business segment, Net sales was decreased due to falling in crude oil pieces and the petrochemical products selling volume. Furthermore, the effect of inventories evaluation caused by decline crude oil price pushed up the Cost of sales significantly. As a result, the segment reported sales of ¥2,220.7 billion (down ¥776.3 billion from FY2014) and segment loss of ¥62.8 billion (as compared with segment loss of ¥93.5 billion in FY2014).

The Segment profit, that is excluded the effect of inventories evaluation caused by decline in crude oil price, recorded ¥5.8 billion (down ¥16.2 billion from FY2014).

[Petrochemical business]

As for the Petrochemical business segment, increased the petrochemical product selling volume but declined crude oil price, resulted in net sales of ¥48.1 billion for FY2015 down ¥7.0 billion from FY2014) and segment profit of ¥4.1 billion (as compared with segment loss ¥ 7.6 billion in FY2014).

[Oil exploration and production business]

As for 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 ¥55.8billion for FY2015 (down ¥26.5billion from FY2014) and segment profit of 18.6billion (down ¥28.9billion from FY2014).

2) Outlook for FY2016

The Cosmo Energy 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 FY2013, 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 2016 commencing on April 1, 2016 has the assumptions of an average crude oil price of US$40/bbl and an average exchange rate of ¥110/US$ and its business outlook including consolidated net sales of ¥2,520.0 billion (up ¥275.7 billion from FY2015), consolidated operating income of ¥77.5 billion (compared with consolidated operating loss of ¥29.7 billion in FY2015), consolidated ordinary income of ¥67.5 billion (compared with consolidated ordinary loss of ¥36.1 billion in FY2015) and profit attributable to owners of parent of ¥47.5 billion (compared with consolidated net loss of ¥50.2 billion in FY2015).

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

	Petroleum business	Petrochemical business	Oil exploration and production business	Other and adjustments	Consolidated
Net sales	2,092.0	417.0	43.0	-32.0	2,520.0
Segment profit	47.0	8.0	75.0	5.0	67.5

[Petroleum business]

As for the petroleum business segment, income is expected to increase from the previous fiscal year. The factors behind this increase are the recovery of sales margin and the absence of the impact on inventory valuation that led to an increase in the cost of sales for the previous fiscal period.

[Petrochemical business]

The petrochemical business segment is expected to report higher earnings as compared with FY 2015, by the consolidation of Maruzen Petrochemical Co., Ltd., the 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 2015.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

As for the Company's financial condition on the consolidated basis as of the end of FY2015, total assets as of March 31, 2016 amounted to ¥1,409.6 billion, down ¥19.0 billion from March 31, 2015, the end of FY2014, by reducing account receivable-trade, inventories and account payable-trade primarily due to the decline in crude oil prices.

Net assets as of March 31, 2016 amounted to ¥202.7 billion, down ¥4.8 billion from March 31, 2015, with a net worth ratio of 7.7%.

2) Cash Flows

As for consolidated cash flows during FY2015, net cash provided by operating activities amounted to ¥ 18.4 billion, mainly reflecting decreased in accounts receivable-trade and inventories. Net cash used in investing activities amounted to ¥ 32.8 billion, mainly reflecting payments for noncurrent asset acquisitions. Net cash provided by financing activities amounted to ¥ 32.5 billion mainly by increasing of the debt.

As a results, cash and cash equivalents as of March 31, 2016 amounted to ¥ 89.4 billion, increased by ¥8.6 billion from March 31, 2015.

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

	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Net worth ratio	18.9%	13.2%	13.7%	11.7%	7.7%
Net worth ratio on a fair value basis	11.6%	9.6%	9.3%	9.6%	7.1%
Ratio of cash flows to interest-bearing debt	16.5years	―	24.1years	4.2years	41.1years
Interest coverage ratio	3.4times	―	2.7times	12.7times	1.4times

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 FY2015, 2016

The Company places priority on returning profits to its shareholders. Its basic policy is to distribute stable dividends, while considering the strengthening of its corporate structure, the development of operations, and the balance of results and finance. Under this policy, the Company plans to distribute a year-end dividend per share of 40 yen for the fiscal year under review. The Company plans to distribute a dividend of 50 yen the next fiscal year.

(4) Business and Other Risks

The Cosmo Energy 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 Energy Holdings 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 Energy Holdings 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

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

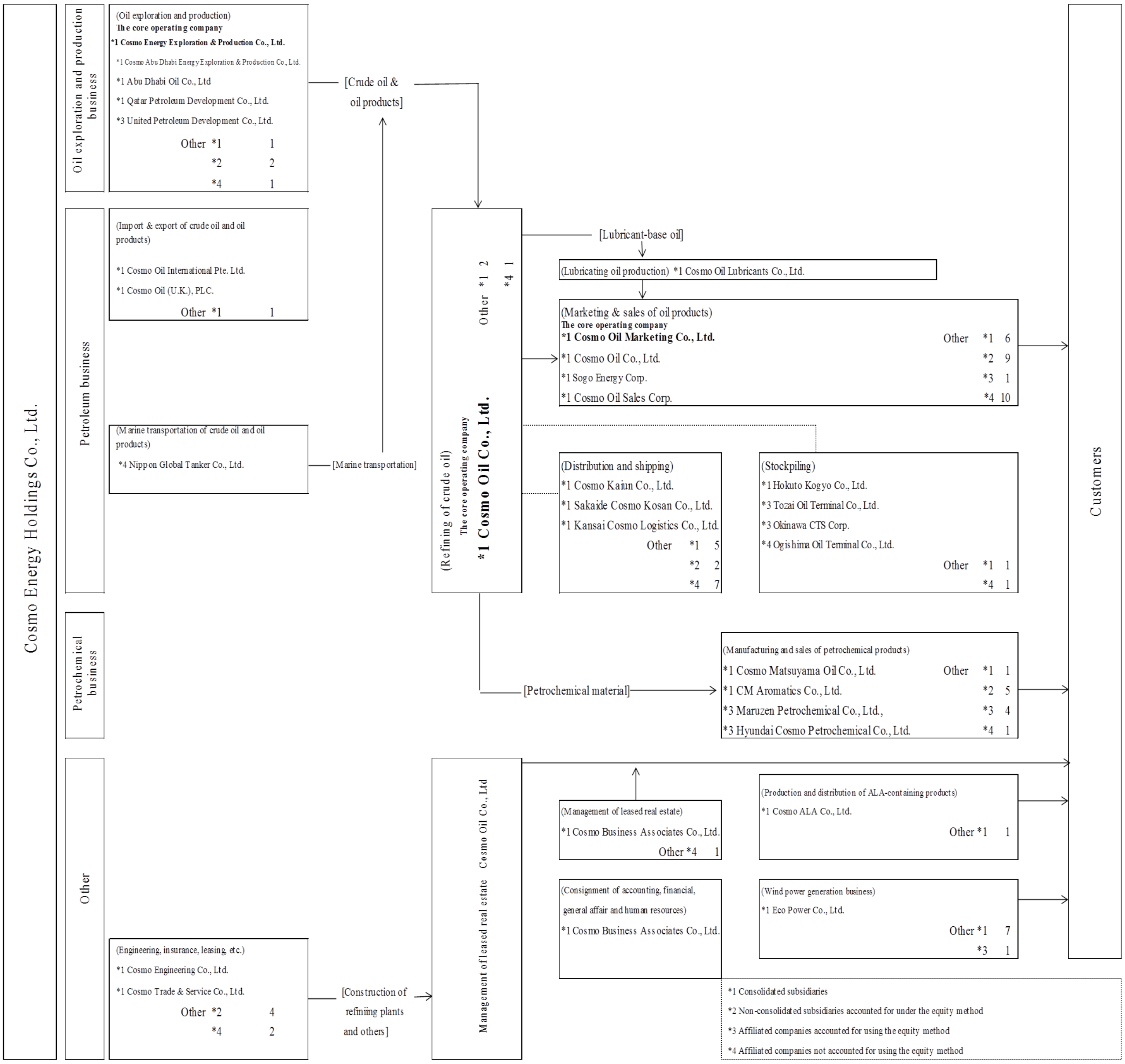
The Cosmo Energy Group consists of Cosmo Energy Holdings Co., Ltd. and its 64 subsidiaries and 36 associates mainly engaged in businesses ranging from the exploration and production of crude oil on its own to import, refining and storage of crude oil and oil products and to sales and marketing of oil 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 3 companies	4
	Manufacturing of lubricating oil	Cosmo Oil Lubricants Co., Ltd.	1
	Sales of oil products	Cosmo Oil Marketing Co., Ltd., Cosmo Oil Co., Ltd., Cosmo Oil Sales Corp., Sogo Energy Corporation and other 26 companies	30
	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 2 companies	6
	Distribution	Cosmo Kaiun Co., Ltd., Sakaide Cosmo Kosan Co., Ltd., Kansai Cosmo Logistics Co., Ltd. and other 14 companies	17
Petrochemical business	Manufacturing and sales of petrochemical products	Cosmo Matsuyama Oil Co., Ltd., CM Aromatics Co., Ltd., Hyundai Cosmo Petrochemical Co., Ltd., and Maruzen Petrochemical Co., Ltd., Maruzen Chemical Trading Co., Ltd., Maruzen Techno-Service Co., Ltd., and other 9 companies	15
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 other 1 company.	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

Under the new holding company structure, the Cosmo Energy Group will pursue aggressive business activities as well as a flexible and swift alliance strategy (collaboration, cooperation, integration), reinforce competitive strengths of its respective businesses based on a swift management judgment of each business company and promote optimization of management resources to become a "Vertically Integrated Global Energy Company."

We look forward to the continued support and guidance of our shareholders as we move ahead toward achieving these objectives.

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

With respect to the business outlook, while the Japanese economy is expected to continue its moderate recovery supported by robust inbound demand and other factors, uncertainties are likely to remain with concerns for a downward swing of economic growth in China and other emerging economies. In the petroleum industry, while the downward trend of domestic demand for fuel oil looks to persist due to improved fuel efficiency of vehicles, heightened awareness for energy saving requirements in the society, and the falling birthrate coupled with the aging population, demand for petroleum products is expected to increase mainly in growing Asian countries.

Under the business environment, we will continue striving further to steadily implement the Fifth Consolidated Medium-Term Management Plan and strengthen profitability through various measures including selection and concentration in the investment and further rationalization and efficiency improvement, while carrying forward initiatives with respect to reducing interest-bearing debt to improve our financial standing.

With respect to the Oil Exploration and Production Business, we will steadily proceed with development of the Hail Field which is expected to start full-scale production from the first half of fiscal 2017. We will also deepen the strategic comprehensive CEPSA alliance by jointly obtaining new oil field concessions and expanding operations, as Abu Dhabi family company with IPIC as a common shareholder, and consider acquiring new business opportunities which will lead to the next medium-term management plan.

With regard to the Petroleum Business, in terms of production, in addition to ensuring ongoing operational safety in providing stable supplies of product based on the fundamental principle of "safety, environment, quality and health," we will work to build on our competitive strengths regarding refineries at the Chiba Refinery by Keiyo Seisei JV G.K., significantly improve refining cost which is expected to be achieved by becoming a certified plant in fiscal 2016, and optimize refining facilities at the Yokkaichi Refinery based on the business alliance with Showa Yokkaichi Sekiyu Co., Ltd.

In terms of sales, we will initiate an innovative business model that involves providing car life value while establishing the "Cosmo B-cle Vision" for the purpose of meeting demands for overall car life, not just fuel oil, based on these three policies, "Creating new customers," "Enhancing relationships with customers," and "Making proactive efforts to sell vehicles," and, under this vision, promoting measures such as cross-industry alliances, service expansion via the Internet and nation-wide launch of B-cle shops.

As for the Petrochemical Business, making Maruzen Petrochemical Co., Ltd. our consolidated subsidiary in March enables us to operate the Chiba Refinery and the Chiba Plant of Maruzen Petrochemical Co., Ltd. in a consolidated manner. We will leverage this synergy to further enhance the competitive strength. In the mixed xylene and paraxylene business whose demand is expected to increase in Asia, HCP will lead initiatives to expand revenues by converting fuel oil and gas fractions to petrochemical products that provide substantial added value while we continue promoting energy conservation and rationalization. Based on these initiatives, the Cosmo Energy Group views the mixed xylene business in Japan and HCP's paraxylene business as one supply chain and aims to make the petrochemical business grow into the fourth leading business after the energy exploration and production, the oil refining, and the petroleum sales.

In the renewable energy business, we will maintain existing wind-power generation equipment running at high capacity in the wind power business segment with 184,000 kW of the total power generation capacity, which is the top class in the petroleum industry. Moreover, we will consider further construction of new wind-power generation equipment, as well as steadily implement the construction of the Watarai site and the Sakata Port site. In the mega solar business, we will move steadily forward with construction of the Omishima Solar Power Plant (Ehime Prefecture) in order to launch commercial operation in fiscal 2016.

For further enhancement of CSR management, we will heighten corporate value of the Group with each employee faithfully performing their duties and meeting expectations of society, thereby continuing to contribute to society, while we promote efforts based on the CSR Initiative Policy.

4. Basic Policy for selection for Accounting Standards

The Cosmo Energy 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 Energy 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)

	FY2015 As of March 31, 2016
Assets	
Current assets	
Cash and deposits	60,972
Notes and accounts receivable-trade	192,572
Securities	30,000
Merchandise and finished goods	87,825
Work in process	391
Raw materials and supplies	94,211
Accounts receivable-other	28,709
Deferred tax assets	3,812
Other	17,954
Allowance for doubtful accounts	-195
Total current assets	516,254
Noncurrent assets	
Property, plant and equipment	
Buildings and structures, net	129,074
Oil storage depots, net	32,693
Machinery, equipment and vehicles, net	149,609
Land	320,971
Lease assets, net	761
Construction in progress	53,586
Other, net	6,571
Total property, plant and equipment	693,267
Intangible assets	
Software	3,158
Goodwill	1,452
Other	42,812
Total intangible assets	47,423
Investments and other assets	
Investment securities	112,040
Long-term loans receivable	2,048
Long-term prepaid expenses	7,986
Net defined benefit asset	1,738
Cost recovery under production sharing	16,917
Deferred tax assets	2,437
Other	9,330
Allowance for doubtful accounts	-481
Total investments and other assets	152,019
Total noncurrent assets	892,710
Deferred assets	
Bond issuance cost	651
Total deferred assets	651
Total assets	1,409,615

(Unit: million yen)

	FY2015 As of March 31, 2016
Liabilities	
Current liabilities	
Notes and accounts payable-trade	115,803
Short-term loans payable	200,619
Commercial paper	12,000
Accounts payable-other	94,582
Accrued volatile oil and other petroleum taxes	93,788
Income taxes payable	8,094
Accrued expenses	3,716
Provision for bonuses	4,962
Provision for director's bonuses	293
Deferred tax liabilities	52
Provision for business structure improvement	4,534
Other	17,070
Total current liabilities	555,519
Noncurrent liabilities	
Bonds payable	46,700
Long-term loans payable	497,831
Deferred tax liabilities	31,202
Deferred tax liabilities for land revaluation	5,249
Provision for special repairs	15,078
Provision for business structure improvement	1,171
Provision for environmental measures	3,416
Net defined benefit liability	9,586
Provision for executive remuneration BIP trust	41
Other	41,105
Total noncurrent liabilities	651,384
Total liabilities	1,206,903
Net assets	
Shareholders’ equity	
Capital stock	40,000
Capital surplus	84,509
Retained earnings	259
Treasury shares	-1,223
Total shareholders’ equity	123,545
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	3,042
Deferred gains or losses on hedges	-1,601
Revaluation reserve for land	-20,660
Foreign currency translation adjustment	8,507
Remeasurements of defined benefit plans	-4,786
Total accumulated other comprehensive income	-15,499
Non-controlling interests	94,665
Total net assets	202,712
Total liabilities and net assets	1,409,615

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Unit: million yen)

	FY2015 From April 1, 2015 to March 31, 2016
Net sales	2,244,306
Cost of sales	2,154,615
Gross profit	89,691
Selling, general and administrative expenses	119,433
Operating income (loss)	-29,742
Non-operating income	
Interest income	167
Dividends income	1,322
Equity in earnings of associates	3,012
Other	4,778
Total non-operating income	9,280
Non-operating expenses	
Interest expenses	12,758
Other	2,899
Total non-operating expenses	15,658
Ordinary income (loss)	-36,121
Extraordinary income	
Gain on sales of noncurrent assets	160
Gain on sales of investment securities	161
Subsidy income	5,716
Gain on change in equity	1,565
Gain on bargain purchase	16,302
Other	554
Total extraordinary income	24,460
Extraordinary loss	
Loss on sales of noncurrent assets	484
Loss on disposal of noncurrent assets	6,189
Impairment loss	6,241
Loss on valuation of investment securities	692
Business structure improvement expenses	6,923
Loss on litigation	405
Loss on step acquisitions	10,190
Land trust expenses	1,010
Total extraordinary losses	32,137
Profit (loss) before income taxes	-43,797
Income taxes-current	13,293
Income taxes-deferred	-12,690
Total income taxes	602
Profit (loss)	-44,400
Profit (loss) attributable to non-controlling interests	5,829
Profit (loss) attributable to owners of parent	-50,230

(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

	FY2015 From April 1, 2015 to March 31, 2016
Profit (loss)	-44,400
Other comprehensive income	
Valuation difference on available-for-sale securities	-2,154
Deferred gains or losses on hedges	-2,332
Revaluation reserve for land	193
Foreign currency translation adjustment	-809
Remeasurements of defined benefit plans	-1,688
Share of other comprehensive income of associates accounted for using equity method	-1,786
Total other comprehensive income	-8,579
Comprehensive income	-52,979
Comprehensive income attributable to	
Comprehensive income attributable to owners of the parent	-58,809
Comprehensive income attributable to minority interests	5,829

(3) Consolidated Statements of Changes in Equity

FY2015 (From April 1, 2015 to March 31, 2016)

(Unit:million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1,2015	107,246	16,967	7,942	-145	132,010
Changes of items during period					
Profit (loss) attributable to owners of parent			-50,230		-50,230
Purchase of treasury shares				-1,114	-1,114
Disposal of treasury shares		-0		0	-0
Change of scope of consolidation		340	-46	-9	284
Changes by share exchange		-0		1	1
Changes by share transfer	-67,246	67,202		44	—
Changes by change the fiscal term of subsidiaries			490		490
Reversal of Revaluation reserve for land			42,103		42,103
Net changes of items other than shareholders' equity					
Total changes of items during the period	-67,246	67,542	-7,682	-1,077	-8,465
Balance at March 31,2016	40,000	84,509	259	-1,223	123,545

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1,2015	5,505	749	21,249	10,568	-2,890	35,183	40,326	207,520
Change of items during period								
Profit (loss) attributable to owners of parent								-50,230
Purchase of treasury shares								-1,114
Disposal of treasury shares								-0
Change of scope of consolidation								284
Changes by share exchange								1
Changes by share transfer								—
Changes by change the fiscal term of subsidiaries								490
Reversal of Revaluation reserve for land			-42,103			-42,103		—
Net changes of items other than shareholders' equity	-2,463	-2,351	193	-2,060	-1,896	-8,579	54,339	45,759
Total changes of items during the period	-2,463	-2,351	-41,909	-2,060	-1,896	-50,682	54,339	-4,808
Balance at March 31,2016	3,042	-1,601	-20,660	8,507	-4,786	-15,499	94,665	202,712

(4) Consolidated Statements of Cash Flows

(Unit: million yen)

	FY2015 From April 1, 2015 to March 31, 2016
Cash flows from operating activities	
Profit (loss) before income taxes	-43,797
Depreciation	27,447
Amortization of negative goodwill	-16,302
Amortization of goodwill	730
Loss (gain) on step acquisitions	10,190
Impairment loss	6,241
Loss (gain) on sales of non-current assets	324
Business structure improvement expenses	6,923
Loss (gain) on disposal of non-current assets	6,189
Loss (gain) on sales of investment securities	-161
Loss (gain) on valuation of investment securities	692
Subsidy income	-5,716
Interest and dividend income	-1,489
Interest expenses	12,758
Foreign exchange losses (gains)	119
Share of (profit) loss of entities accounted for using equity method	-3,012
Increase (decrease) in allowance for doubtful accounts	-59
Increase (decrease) in provision for special repairs	234
Increase (decrease) in provision for environmental measures	-314
Increase (decrease) in net defined benefit liability	753
Decrease (increase) in notes and accounts receivable - trade	53,968
Recovery of recoverable accounts under production sharing	3,265
Decrease (increase) in inventories	79,904
Increase (decrease) in notes and accounts payable - trade	-96,090
Decrease (increase) in other current assets	24,245
Increase (decrease) in other current liabilities	-18,151
Decrease (increase) in investments and other assets	860
Increase (decrease) in other non-current liabilities	4,171
Other, net	-75
Subtotal	53,849
Interest and dividend income received	2,154
Interest expenses paid	-13,490
Payments for business structure improvement expense	-5,107
Proceeds from subsidy income	4,978
Payments for land trust expenses	-1,010
Income taxes paid	-22,945
Net cash provided by (used in) operating activities	18,427

(Unit：million yen)

	FY2015 From April 1, 2015 to March 31, 2016
Cash flows from investing activities	
Purchase of investment securities	-976
Proceeds from sales and redemption of investment securities	243
Purchase of shares of subsidiaries and associates	-8,401
Purchase of property, plant and equipment	-55,743
Purchase of subsidiary stock associated with changing scope of consolidation	35,502
Payments for disposal of property, plant and equipment	-4,645
Proceeds from sales of property, plant and equipment	1,243
Payments for purchases of intangible assets and long-term prepaid expenses	-16,126
Decrease (increase) in short-term loans receivable	2,713
Payments of long-term loans receivable	-1,840
Collection of long-term loans receivable	1,074
Proceeds from withdrawal of time deposits	14,193
Payments into time deposits	-100
Other, net	23
Net cash provided by (used in) investing activities	-32,839
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	-13,138
Proceeds from long-term loans payable	73,692
Repayments of long-term loans payable	-45,165
Proceeds from issuance of bonds	8,886
Dividends paid to non-controlling interests	-1,578
Net increase (decrease) in Commercial papers	12,000
Other, net	-2,196
Net cash provided by (used in) financing activities	32,499
Effect of exchange rate change on cash and cash equivalents	-189
Net increase (decrease) in cash and cash equivalents	17,898
Cash and cash equivalents at beginning of period	80,765
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-9,245
Cash and cash equivalents at end of period	89,418

(5)Notes to Consolidated Financial Statements

(Notes to going concern)

None

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

1. Items concerning the Scope of Consolidation

(1) Circumstance of consolidated subsidiaries

①The number of consolidated subsidiaries: 42

②The name of major consolidated subsidiaries: Cosmo Energy Exploration & Production Co., Ltd.
Cosmo Oil Co., Ltd.
Cosmo Oil Marketing Co., Ltd.
Abu Dhabi Oil Co., Ltd.
Maruzen Petrochemical Co., Ltd.

Maruzen Petrochemical Co., Ltd., equity method affiliates for FY 2014, was included in the scope of the consolidated subsidiaries of the Cosmo Energy Group since it became a subsidiary of the Cosmo Energy Holdings Co., Ltd. by acquisition of shares at the end of FY 2015. Therefore Keiyo Ethylene Co., Ltd., the subsidiary of Maruzen Petrochemical Co., Ltd., was included in the scope of the consolidated subsidiaries. Gyxis Corporation (its name was changed from Cosmo Petroleum Gas Co., Ltd. on April 1, 2015) was excluded from the scope of the consolidated subsidiaries due to the formation of a jointly controlled entity. In addition to Gyxis Corporation, its subsidiary, Yokkaichi L.P.G Terminal Co., Ltd., was also excluded from the scope of consolidation.

(2) Circumstance of non-consolidated subsidiaries

The nunber of non-consolidated subsidiaries: 22

The name of major non-consolidated subsidiaries: Maruzen Chemical Trading Co., Ltd.

Reason for exclusion of subsidiaries from consolidation:

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

2. Items concerning the Application of the Equity Method

(1) The number of non-consolidated subsidiaries accounted for using the equity method: 22

The name of major subsidiaries: Maruzen Chemical Trading Co., Ltd.

(2) The number of associated companies accounted for using the equity method: 10

The name of major associated companies: United Petroleum Development Co., Ltd., GYXIS CORPORATION

Gyxis Corporation was excluded from application of the equity method due to the formation of a jointly controlled entity from FY 2015

As described on “Items concerning the Scope of Consolidation”, Maruzen Petrochemical Co., Ltd. was excluded from application of equity method at the end of FY 2015.

(3) The Name of 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 did not apply to the above associates because their profit or loss attributable to owners of parent and retained earnings (both amounts equivalent to what is accounted for under the equity method) have little impact on our consolidated financial statements.

(4) Special Remarks 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

Among 42 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., and Cosmo Oil Europe B.V., Cosmo Oil (Shanghai) Co., Ltd. adopt a fiscal year ending December 31 and Akita Wind Power Laboratory Co., Ltd. adopts a fiscal year ending February 29, respectively.

The consolidated financial statements herein have been developed by using their financial reports as of December 31, 2015 or February 29, 2016 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 Cosmo Oil Co., Ltd., a consolidated subsidiary of the Company, is calculated based on the number of years of their economic useful lives, which better reflect their use status respectively and the economic useful life of 15 years is adopted for the Cosmo Property Service Corporation's service stations by taking their actual past performances into consideration. As for Abu Dhabi Oil Co., Ltd., a consolidated subsidiary of the Company, adopts the number of years for useful life as defined in the concession agreements and economic useful life by taking into account the durability and other conditions of the assets currently owned. As for EcoPower 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 FY2015.

As for Cosmo Matsuyama Oil Co., Ltd., and Maruzen Petrochemical Co., Ltd, 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 FY2015 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 owned by Cosmo Oil Co., Ltd., a consolidated subsidiary of the Company, 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) Provision for bonuses

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

(Additional information)

In the previous fiscal year, the Company recorded the fixed payment amount of employees' bonuses of the Company and some of its consolidated subsidiaries as accrued expenses. In the fiscal year under review, the Company records the estimated payment amount of bonuses that should be incurred in the fiscal year under review as provision for employees' bonuses, as the Company has revised the regulations on bonuses in the fiscal year under review.

6) Provision for directors' bonuses

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

7) Provision for Executive Remuneration Board Incentive Plan Trust

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

(5) 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. They are stated in the "Cost Recovery under Production Sharing" item of the "Investment and other assets" account on the consolidated balance sheet herein.

After the inception of crude oil production, they recover these costs by receiving products under the same agreements.

3) Application of the consolidated tax payment system

The consolidated tax payment system is applied.

4) Standards for Recording Net defined benefit liability

"Net defined benefit liability" is recorded at an estimated amount of projected benefit obligation after deducting the fair value of pension assets as of March 31, 2016 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.

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

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

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

(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 FY2015, 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.

(Changes in Accounting Policies)

(Application of Accounting Standard for Business Combinations)

The Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No.21 of September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 of September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No.7 of September 13, 2013) and others have been applied from the consolidated fiscal year under review. Differences caused by changes in Cosmo Oil Co., Ltd. in subsidiaries that continue to be under its control are recorded as capital surplus, and expenses related to acquisition are now recorded as expenses for the consolidated fiscal year in which they were incurred. In addition, regarding business combinations conducted after the beginning of the consolidated fiscal year under review, revisions to the purchase price allocation following the determination of the provisional accounting methods are now reflected in the financial statements for the consolidated fiscal term in which the business combination occurred. In addition, net incomes and other statements have been changed accordingly, and minority interest has been changed to non-controlling interest.

The Accounting Standard for Business Combinations and other standards are applied in accordance with the transitional treatment stipulated in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and are applied from the beginning of the fiscal year of the consolidated fiscal term under review onwards.

As a result, Operating loss and Ordinary loss for the fiscal year increased 150 milion yen, Loss before income taxes increased 490 million yen, and Capital surplus increased 340 milion yen.

In the consolidated statement of cash flows for FY2015, cash flows pertaining to the purchase or sales of shares of subsidiaries that did not result in a change in the scope of consolidation are stated in cash flows from financing activities. Expenses related to the purchase of shares of subsidiaries that resulted in a change in the scope of consolidation or cash flows pertaining to expenses arising from the purchase or sales of shares of subsidiaries that did not result in a change in the scope of consolidation are stated in cash flows from operating activities.

(Changes in Representation Methods)

(Consolidated Balance Sheet)

“Cost Recovery under Production Sharing” included in “Other” assets of the “Investments and other assets” section of the Consolidated Balance Sheet for FY2014 are stated as a separate account item in the Consolidated Balance Sheet for FY2015 due to an increase in their importance.

(Consolidated Statements of Income)

“Rent income on non-current assets” and Gain on sales of scraps”which had been included in “non-operating income” section of the Consolidated Statements of Income for FY2014 are stated as “Other” accounts in the Consolidated Statements of Income for FY2015 due to a decrease of their financial importance.

(Notes - Additional information)

1. Transactions of granting shares in the Company (the parent company) to executives through a trust

Cosmo Oil Co., Ltd. introduced the Executive Remuneration BIP Trust at its General Shareholders’ Meeting held on June 23, 2015 to the Directors etc.

In the Executive Remuneration BIP Trust, the Company purchases as many Company shares (or shares in the parent company) as estimated to be granted to the Directors etc. under the established share granting rules and grants Company shares to Directors etc. in accordance with their ranks and terms of office. In principle, shares are granted when the Directors etc. retire.

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

The book value and number of the treasury shares at the end of the fiscal year under review were 1,111 million yen and 680,000 respectively.

2. Joint operations at Chiba refinery

Cosmo Oil Co., Ltd., a consolidated subsidiary of the Company, has established Keiyo Seisei JV G.K. (hereinafter "the JV") jointly with Tonen General Sekiyu K.K. and has started to construct pipelines between the Cosmo Oil Chiba refinery and the Chiba refinery of Kyokuto Petroleum Industries, Ltd. We have concluded that when the pipelines are completed and all the refinery facilities are placed under the control of the JV, it is most reasonable to dispose of the first atmospheric distillation unit owned by Cosmo Oil. We will respond to the first announcement of the Sophisticated Methods of Energy Supply Structures Law by disposing of the unit.

Expenses are expected to be caused by the disposal. However, no expenses have been recorded in association with the disposal because the scope of facilities to be disposed of, the timing of the disposal, and the amount to be paid by Cosmo Oil have not been determined.

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation for property, plant and equipment

	FY2015 As of March 31, 2016
	¥974,787 million

2. Contingencies

	FY2015 As of March 31, 2016
Guaranty Liabilities	¥6,538 million

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

3. Pledged assets

	FY2015 As of March 31, 2016
1) Plant foundation	
Pledged assets	¥23,631 million
Secured liabilities	¥93 million
2) Assets other than plant foundation	
Pledged assets	¥130,422 million
Secured liabilities	¥58,485 million

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

	FY2015 As of March 31, 2016
Shares of consolidated subsidiaries	¥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)

	FY2015 As of March 31, 2016
・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	¥ -33,605 million

(Notes to Consolidated Statements of Income)

1. Selling, general and administrative expenses

	FY2015 April 1, 2015-March 31, 2016
Outsourcing expense	¥22,882 million
Salaries and wages	¥20,689 million
Freight expense	¥13,889 million
Rent expense	¥11,360 million
Depreciation expense	¥6,200 million
Retirement and severance benefit payment to employees	¥1,823 million
Amount transferred to allowance for doubtful accounts	¥69 million

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

FY2015 April 1, 2015-March 31, 2016
¥3,104 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.

Expenses for the oil factory closure	971million
Fixed expenses, etc. incurred during the period of suspension of machinery operations	5,951million

The Business structure improvement expenses include the Provision reserve for business structure improvement expenses ¥3,902million.

4. Other extraordinary gains

Reversal of Provision for business structure improvements due to the Company's oil storage closure and reversal of expenses for the dissolution of the employees' pension fund, of which some of the consolidated subsidiaries are members, are included in the extraordinary gains in the consolidated statements of income, which consist primarily of the following.

Reversal of Provision for business structure improvements due to oil storage closure	388million
Reversal of expenses for the dissolution of the employees' pension fund	150million

(Notes to Consolidated Statements of Changes in Equity)

FY2015 (From April 1, 2015 to March 31, 2016)

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, 2015	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, 2016
Total Number of Outstanding Shares				
Ordinary shares	847,705,087	(*1) 847,770,508	(*2) 847,705,087	84,770,508
Total	847,705,087	847,770,508	847,705,087	84,770,508
Treasury shares				
Ordinary shares	669,281	(*3) 754,790	(*4) 669,281	754,790
Total	669,281	754,790	669,281	754,790

Note 1 Ordinary shares are increased because Cosmo Oil Co., Ltd. issued shares when the Company was incorporated through a sole-share transfer.

2 Ordinary shares are decreased due to a sole-share transfer.

3 Ordinary shares are increased due to acquiring shares of the Company by the Executive Remuneration BIP Trust, change in equity, and purchasing of odd-lot shares.

4 Ordinary shares are decreased due to a sole-share transfer, exchange of shares, and the transfer of odd-lot shares in response to purchase requests.

2. Distribution of Devidend

Dividends whose effective date will fall after the end of FY 2015 among those whose record date falls within FY2015

The proposal is scheduled as follows.

(Resolution adopted by)	Type	Total dividend amount	Dividend per share	Record date	Effective date
Shareholders' Meeting held on June 21, 2016	Ordinary shares	¥3,390 million	¥40	March. 31, 2016	June 22, 2016

(Notes to Consolidated Statements of Cash Flows)

1. Relations between the amounts of cash and cash equivalents as of March 31, 2016 and that of account items shown in the consolidated balance sheet

	FY2015 April 1, 2015 - March 31, 2016 (As of March 31, 2016)
Cash and deposits	¥60,972 million
Securities	¥30,000
Total	¥90,972
Limited deposit in trust	¥ -1,553
Cash and cash equivalents	¥89,418

2.The details of assets and liabilities of new consolidated subsidiaries by acquiring their shares

The details of assets and liabilities for FY 2015 as of the date the Company made Maruzen Petrochemical Co., Ltd. and Keiyo Ethylene Co., Ltd. consolidated subsidiaries by acquiring their shares are as follows.

	FY 2015 From April 1, 2015 To March 31, 2016 (million)
Current assets	145,947
Non-current assets	79,225
Current liabilities	-88,639
Non-current liabilities	-28,802

Current assets included 36,349 million of cash and cash equivalents at the time of our consideration, and they are stated as "Purchase of subsidiary stock associated with changing scope of consolidation."

The amount of assets and liabilities of other new consolidated subsidiaries except above two companies by acquiring their shares for FY 2015 was omitted due to the minor necessity of disclosure.

3. The details of assets and liabilities of companies which are excluded from consolidation

The details of assets and liabilities as of the date the Company exclude Gyxis Corporation (its company name was changed from Cosmo Petroleum Gas Co., Ltd. on April 1, 2015) and Yokkaichi L.P.G Terminal Co., Ltd. from consolidation are as follows.

	FY 2015 From April 1, 2015 To March 31, 2016 (million)
Current assets (except cash and cash equivalents)	22,187
Non-current assets	8,533
Current liabilities	-20,325
Non-current liabilities	-2,108
Net assets	-17,533
Balance: Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-9,245

(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

FY2015 (From April 1, 2015 to March 31, 2016) (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	2,177,077	20,222	22,661	24,345	－	2,244,306
Inter-segment	43,587	27,908	33,146	47,104	-151,746	－
Total	2,220,664	48,131	55,807	71,449	-151,746	2,244,306
Segment Profit (Loss)	-62,807	4,115	18,637	3,508	424	-36,121
Other items						
Depreciation and amortization	19,103	802	6,210	1,893	-562	27,447
Amortization of goodwill	695	－	－	35	－	730
Interest income	421	－	93	14	-363	167
Interest expenses	12,093	110	541	375	-363	12,758
Equity earnings of associates	-3,426	5,795	567	75	－	3,012

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

2 Segment Profit (Loss) in “Adjustments” ¥424 million includes ¥1,319 million for net profit that is not allocated each reported segment or “Other” segment, ¥57 million for internal eliminations, ¥361 million for inventory adjustments, and ¥-1,313 million adjustment of noncurrent assets.

3 Segment Profit (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.)

(Business Combination by Share Acquisition)

1.Overview of business combination

(1) The name of the combined company and the contents of their business

The name of the combined company : Maruzen Petrochemical Co., Ltd.

The contents of their business: production and sales of petrochemical products and any other business incidental thereto.

(2) The purpose of business combination

The purpose is to optimize our petroleum and petrochemical business operations, strengthening our cost competitiveness by share acquisition of Maruzen Petrochemical Co., Ltd.

(3) The date of business combination

March 11, 2016

(4) Legal form of business combination

Cash acquisition of shares

(5) The name of the company after business combination

The name is not changed.

(6)Acquired voting rate

Voting rate owned prior to the business combination 43.9%

Voting rate added on the date of the business combination 8.8%

Voting rate after the business combination 52.7%

(7)The main ground for the business combination

We held a majority of voting rights of Maruzen Petrochemical Co., Ltd by cash acquisition of their shares.

2.For the period the business performance of acquired company is contained on the consolidated financial statement

As the deemed acquisition date is set to March 31, 2016, profit or loss of the acquired company from April 1, 2015 to March 31, 2016 are stated as share of profit or loss of entities accounted for using equity method on the consolidated financial statement.

3.Acquisition costs of the combined company

Acquisition costs of the combined company ￥36,520 million

4. The difference between acquisition costs of the combined company and the total amount of costs of transactions for share acquisition

Acquisition costs of the combined company ￥36,520 million
The total amount of costs of transactions for share acquisition ￥46,710 million
Difference (Loss on step acquisitions) ￥10,190 million

5. The content and the amount of the main expenses related to the acquisition

Advisory costs ￥150 million

6. The amount and reason of gain on bargain purchase

(1) The amount of gain on bargain purchase ￥16,302 million

(2) the reason of gain on bargain purchase

The reason is that net assets and liabilities took over from the combined company exceeded the acquisition costs of the combined company.

7. The amount and the details of assets and liabilities took over from the combined company on date of the business combination

Current assets ￥145,947 million
Non-current assets ￥79,225 million
Total assets ￥225,173 million

Current liabilities ￥88,639 million
Non-current liabilities ￥28,802 million
Total liabilities ￥117,441 million

(Company Split of Management Business of Group Companies)

＜The Transaction Under Common Control＞

The Company succeeded the group corporate planning, management support and management administration departments spun off from the wholly-owned subsidiary Cosmo Oil Co., Ltd., on January 1, 2016.

1. Overview of the Transaction

(1) The name of combined business and the contents of the business

The name of the business: Group Company Management Business

The contents of the business: management control of CEH's group companies involved in comprehensive petroleum business and any other business incidental thereto.

(2) The date of corporate combination

January 1, 2016

(3) Legal form of business combination

Simple absorption-type company split whereby Cosmo Oil Co., Ltd. became the splitting company and both CEH became the succeeding companies.

(4) The purpose of the transaction

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 CEH will focus on determination of the group’s management policy.

2. Outline of Accounting Treatment

The transaction was treated as a transaction under common control based on "Accounting Standard for Business Combinations (ASBJ Statement No.21of September 13, 2013)" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 of September 13, 2013)."

(Incorporating of Holding Company through Sole Share Transfer)

The Transaction Under Common Control

On October 1, 2015, Cosmo Energy Holdings Co., Ltd. (hereinafter the "CEH") was established as the wholly-owing parent company of Cosmo Oil Co., Ltd. (hereinafter the "Cosmo") through the share transfer to be solely conducted by Cosmo.

1. Overview of the Transaction

(1) The name of combined business and the contents of the business

The name of the business: Group Company Management Business

The contents of the business: management control of CEH's group companies involved in comprehensive petroleum business and any other business incidental thereto.

(2) The date of corporate combination
October 1, 2015
(3) Legal form of business combination
A sole share transfer with CEH as the wholly-owning parent company incorporated through the share transfer and Cosmo as the wholly owned subsidiary company through the share transfer.
(4) The name of the company after corporate combination
Cosmo Energy Holdings Co., Ltd. (CEH)
(5) The purpose of the transaction
CEH's group plans to move to the transformation to the Holding Company structure for the following objectives:
1) Strengthen Business Competitiveness / Realize Stable Profits of CEH
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.
CEH aims to improve its financial standing by establishing profit base and to realize stable dividends.
2) Accelerate the Enhancement of Group Management and Shift Business 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 CEH 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.
2. Outline of Accounting Treatment
The transaction was treated as a transaction under common control based on "Accounting Standard for Business Combinations (ASBJ Statement No.21of September 13, 2013)" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 of September 13, 2013)."

(The Succession of Marketing-Related Business by Absorption-Type Company Split)
The Transaction Under Common Control
On October 1, 2015, Cosmo, wholly-owning subsidiary company of CEH, succeeded Fuel Oil Sales Business, Car Lease Business and Asset Management Business related to Subsidiary Shares of Cosmo to “Cosmo Oil Marketing Co., Ltd.” which is our wholly owned subsidiary company. Cosmo also succeeded Service Station Property Management Business of Cosmo to Cosmo Oil Property Service Co., Ltd. which is our wholly owned subsidiary company through the absorption-type company split.

1. Overview of the Transaction
(1) The name of the company after cooperate combination, the name of combined business, and the contents of the business the name of the company after cooperate combination
① Cosmo Oil Marketing Co., Ltd.
The name of the business: fuel oil sales and car lease business and asset management business related to affiliates' shares.
The contents of the business: the sales of petroleum products, car lease business, and management of related affiliates.
② Cosmo Property Service Co., Ltd.
The name of the business: management business of service stations' property.
The purpose of the business: property lease and fixed asset management of service stations.
(2) The date of corporate combination
October 1, 2015
(3) Legal form of business combination
Simple absorption-type company split whereby Cosmo became the splitting company and both Cosmo Oil Marketing Co., Ltd. and Cosmo Oil Property Service Co., Ltd. became the succeeding companies.
(4) The purpose of the transaction
This transaction was performed in order to fortify business facility and promote business effectiveness of the fuel oil sales business, car lease business, assets management business related to affiliates' shares and service station property management business of Cosmo Oil Marketing Co., Ltd., the marketing business company as one of three core operating companies in a holding company structure, pursuing its mission furthermore.
2. Outline of Accounting Treatment
The transaction was treated as a transaction under common control based on "Accounting Standard for Business Combinations (ASBJ Statement No.21of September 13, 2013)" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 of September 13, 2013)."

(Conclusion of Agreement of Import LP Gas Business Combination)
＜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 operatUnder "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.
The absorption-type company demerger in which Cosmo Oil is the demerging company and the underwriting of a capital increase at Cosmo Petroleum Gas Co., Ltd. on September 17, 2014 in preparation for the agreement on the integration of LP gas import and wholesale operations concluded on August 5, 2014 are treated as one transaction.
As a result of this business combination, Cosmo Oil Co., Ltd., Showa Shell Sekiyu ions 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 Treatment
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.

(Per-share Information)

	FY2015 April 1, 2015 - March 31, 2016
Net assets per share (¥)	1,286.03
Net loss per share (¥)	594.85

Note: 1. Since no dilutive securities exist, net income per share after adjustment for dilutive securities is omitted.
2. In calculating for per-share information, 648 thousands of our shares as the Executive Remuneration BIP Trust are excluded as well as treasury shares from total issued shares.
3. Net loss per share was calculated on the following basis.

	FY2015 April 1, 2015 - March 31, 2016
Loss attributable to owners of parent (¥mil)	50,230
Amount that does not belong to ordinary share holders (¥mil)	—
Loss attributable to owners of parent that belongs to ordinary shares (¥mil)	50,230
Average number of ordinary shares outstanding during the year (thousands of shares)	84,441

(Significant Subsequent Events)
None

6. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheet

(Unit: million yen)

	FY2015 As of March 31, 2016
Assets	
Current assets	
Cash and deposits	16,024
Short-term loans receivable	4
Short-term loans receivable from subsidiaries and associates	145,996
Accounts receivable-other	16,276
Deferred tax assets	308
Other	650
Total current assets	179,260
Noncurrent assets	
Property, plant and equipment	
Buildings and structures, net	381
Vehicles, net	9
Tools, furniture and fixtures, net	78
Land	123,200
Construction in progress	14
Total property, plant and equipment	123,683
Intangible assets	
Software	545
Other	16
Total intangible assets	562
Investments and other assets	
Investment securities	7,864
Shares of subsidiaries and associates	185,658
Long-term loans receivable from subsidiaries and associates	172,228
Long-term deposits	588
Deferred tax assets	382
Other	890
Allowance for doubtful accounts	-751
Total investments and other assets	366,861
Total noncurrent assets	491,108
Total assets	670,368

(Unit: million yen)

	FY2015 As of March 31, 2016
Liabilities	
Current liabilities	
Commercial papers	12,000
Current portion of long-term loans payable	54,366
Accounts payable-other	6,905
Income taxes payable	462
Deposits received	33,163
Provision for bonuses	466
Provision for directors' bonuses	81
Other	1,622
Total current liabilities	109,067
Noncurrent liabilities	
Bonds payable	40,700
Long-term loans payable	442,868
Long-term deposits received	4
Provision for executive remuneration BIP trust	20
Other	7,104
Total noncurrent liabilities	490,697
Total liabilities	599,764
Net assets	
Shareholders' equity	
Capital stock	40,000
Capital surplus	
Legal capital surplus	10,000
Other capital surplus	12,055
Total capital surpluses	22,055
Retained earnings	
Other retained earnings	
Retained earnings brought forward	10,628
Total retained earnings	10,628
Treasury shares	-1,113
Total shareholders' equity	71,571
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	72
Deferred gains or losses on hedges	-1,040
Total valuation and translation adjustments	-967
Total net assets	70,604
Total liabilities and net assets	670,368

(2) Non-consolidated Statements of Income

(Unit: million yen)

	FY2015 From October 1, 2015 to March 31, 2016
Operating revenue	8,986
General and administrative expenses	3,698
Operating income	5,287
Non-operating income	
Interest income	5,351
Foreign exchange gains	3
Other	36
Total non-operating income	5,391
Non-operating expenses	
Interest expenses	5,509
Other	439
Total non-operating expenses	5,948
Ordinary income	4,730
Extraordinary income	
Gain on extibuishment of tie-in shares	6,396
Total extraordinary income	6,396
Extraordinary loss	
Loss on disposal of noncurrent assets	4
Loss on valuation of investment securities	102
Total extraordinary losses	107
Income before income taxes	11,019
Income taxes-current	708
Income taxes-deferred	-318
Total income taxes	390
Net income	10,628

(3) Non-consolidated Statements of Changes in Equity

FY 2015 (From October 1, 2015 to March 31, 2016)

(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	Retained earnings brought forward	Total retained earnings		
Balance at October 1, 2015	-	-	-	-	-	-	-	-
Changes of items during the period								
Increase by share transfers	40,000	10,000	12,055	22,055				62,055
Net income					10,628	10,628		10,628
Purchase of treasury shares							-,1,113	-1,113
Net changes of items other than shareholders' equity								
Total changes of items during the period	40,000	10,000	12,055	22,055	10,628	10,628	-1,113	71,571
Balance at March 31, 2016	40,000	10,000	12,055	22,055	10,628	10,628	-1,113	71,571

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at October 1, 2015	-	-	-	-
Changes of items during the period				
Increase by share transfers				62,055
Net income				10,628
Purchase of treasury shares				-1,113
Net changes of items other than shareholders' equity	72	-1,040	-967	-967
Total changes of items during the period	72	-1,040	-967	70,604
Balance at March 31, 2016	72	-1,040	-967	70,604