Please note that the following is an unofficial English translation of Japanese original text of the Notice of Convocation of the 1st Ordinary General Meeting of Shareholders of Cosmo Energy Holdings Co., Ltd. The Company provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Securities Code: 5021
May 31, 2016

To Shareholders with Voting Rights

Keizo Morikawa
President
Cosmo Energy Holdings Co., Ltd.
1-1-1, Shibaura, Minato-ku, Tokyo

NOTICE OF CONVOCATION OF THE 1st ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 1st Ordinary General Meeting of Shareholders of Cosmo Energy Holdings Co., Ltd. (the "Company"). The Meeting will be held as described below.

If you are unable to attend the Meeting, you can exercise your voting rights in writing (Voting Rights Exercise Form) or via the Internet, etc. Please review the "Reference Documents for the General Meeting of Shareholders" mentioned below, and exercise your voting rights by no later than 5:30 p.m., Monday, June 20, 2016.

1. **Date and Time:** **10:00 a.m., Tuesday, June 21, 2016**
2. **Place:** **"Willard" 5F, INTERCONTINENTAL TOKYO BAY, 1-16-2, Kaigan, Minato-ku, Tokyo, Japan**
3. **Agenda of the Meeting:**

Matters to be Reported:

(1) The Business Report and the Consolidated Financial Statements, and Audit Reports of the Accounting Auditor and the Supervisory Committee for the Consolidated Financial Statements for the 1st Business Year (from October 1, 2015 to March 31, 2016)

Note: The first business year of the Company is from October 1, 2015 to March 31, 2016. However, the fiscal year under review is from April 1, 2015 to March 31, 2016.

(2) The Financial Statements for the 1st Business Year (from October 1, 2015 to March 31, 2016)

Proposals to be Resolved:

Proposal No. 1: Appropriation of Surplus
Proposal No. 2: Election of Seven (7) Directors (excluding those who are Members of the Supervisory Committee)
Proposal No. 3: Election of One (1) Substitute Director who is a Member of the Supervisory Committee
Proposal No. 4: Determination of Amounts of Remuneration, etc. for Directors (excluding those who are Members of the Supervisory Committee)
Proposal No. 5: Determination of Amounts of Remuneration, etc. for Directors who are Members of the Supervisory Committee

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- For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk upon arrival at the Meeting.
- Voting by proxy is possible only when delegated to a shareholder of the Company with voting rights. In such instance, the shareholder must submit a letter of proxy to the reception desk. The proxy must be a single shareholder.
- Should any modification to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements and Financial Statements occur, the matters after modification will be posted on the Internet website of the Company (http://ceh.cosmo-oil.co.jp/).

Exercising Your Voting Rights via the Internet, etc.

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

1 Website

Exercising your voting rights via the Internet, etc. is only available by accessing the designed website (http://www.web54.net). No dedicated mobile phone website is available.

2 Basic Matters

(1) Please note that the voting exercise code and temporary password supplied on the lower right-hand side of your Voting Rights Exercise Form are necessary.

(2) If you exercise your voting rights via the Internet, etc. multiple times, only your last vote will be treated as valid.

(3) If you exercise your voting rights by mail and also place your vote via the Internet, etc., whichever we received last will be treated as valid. If we receive both on the same day, we will treat only your vote placed via the Internet, etc. as valid.

(4) You may place your vote via the Internet, etc. at any time by the close of business (5:30 p.m.) on Monday, June 20, 2016.

(5) The costs of using the Internet website to exercise your voting rights, such as the connection fees of internet service providers and applicable communications fees (i.e., call charges), will be borne by the shareholder.

3 Handling Your Password

(1) The temporary password is our means of verifying whether the person voting is a legitimate shareholder. Please maintain this password as strictly confidential in the same manner as a registered seal or a personal identification number.

(2) If you lose your password, please follow the screen guidance and the procedures.

4 In Case You Need Instructions to Operate Your Personal Computer, etc.

In case you need instructions for how to operate your personal computer in order to exercise your voting rights via the Internet, please contact the following support desk:

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

Phone: **0120 (652) 031** (Toll Free, only in Japan)
(9:00 to 21:00)

<For Institutional Investors>

Institutional investors may use "Voting Rights Electronic Exercise Platform" operated by ICJ Co., Ltd., if application is made in advance, as a means of exercising voting rights by electromagnetic means.

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Appropriation of Surplus

In consideration of the Company's performance in this fiscal year and future business environment, the Company would like to set the term-end dividend of ¥40 per share for this fiscal year.

1. **Matter related to distribution of property dividends to shareholders and the total amount**
   ¥40 per share of common shares of the Company   Total amount: ¥3,390,781,560

2. **Effective date of the appropriation of surplus**
   June 22, 2016

Proposal No. 2: Election of Seven (7) Directors (excluding those who are Members of the Supervisory Committee)

The terms of office of all six (6) Directors (excluding those who are Members of the Supervisory Committee; the same applies hereafter in this proposal) will expire at the close of this General Meeting of Shareholders. In addition, one (1) Director retired due to resignation on December 15, 2015. Therefore, it is proposed that seven (7) Directors be elected.

Also, the Company has received a report from the Supervisory Committee stating that they have no significant opinion in regard to this proposal, which passed through the deliberation process of the Nomination and Remuneration Advisory Committee, which includes two (2) Independent Outside Directors, and was appropriately decided on by the Board of Directors.

The candidates for Director are as follows.

Candidate No.	Name	Current Status and Assignment at the Company		
1	Yaichi Kimura	Chairman, Director	Reappointment	
2	Keizo Morikawa	President, Representative Director, Chief Executive Officer	Reappointment	
3	Hiroshi Kiriyama	Director, Senior Managing Executive Officer Responsible for Corporate Planning Dept., Corporate Communication Dept., Business Portfolio Management Dept., and Finance Dept.	Reappointment	
4	Yasushi Ohe	Director, Senior Executive Officer Responsible for CSR Management Dept., Legal Dept., Human Resource & General Affairs Dept., and Diversity Promotion Office	Reappointment	
5	Kenichi Taki	Senior Executive Officer Responsible for Information System Planning Dept. and Accounting Dept.	New appointment	
6	Mohamed Al Hamli	Director	Reappointment	Outside
7	Khalifa Al Romaithi		New appointment	Outside

1 Yaichi Kimura

Reappointment | May 20, 1940

Number of Shares of the Company Held: 24,600 shares

Record of attendance to Board of Directors Meetings: 5/5

Career Summary and Status

April 1963	Joined Daikyo Oil Co., Ltd.
June 1993	Director, COSMO OIL CO., LTD.
June 1996	Managing Director
June 1998	Representative Senior Managing Director
June 2001	Executive Vice President, Representative Director
June 2004	President, Representative Director
June 2010	President, Representative Director, Chief Executive Officer
June 2012	Chairman, Representative Director
October 2015	Chairman, Director of the Company (current position)

Status of Significant Concurrent Position(s)

None

Reasons for choosing the person as candidate

Yaichi Kimura assumed the position of Chairman in 2012. He has aided the president, making use of his eight years of experience as a president, and appropriately led the Board of Directors' discussions as the Chairman of the Board of Directors. In light of these experience, the Company proposes Yaichi Kimura maintain his position as Director.

2 Keizo Morikawa

Reappointment | January 29, 1948

Number of Shares of the Company Held: 20,500 shares

Record of attendance to Board of Directors Meetings: 5/5

Career Summary and Status

April 1971	Joined Daikyo Oil Co., Ltd.
June 2000	Director, COSMO OIL CO., LTD.
June 2002	Managing Director
June 2004	Senior Managing Director
June 2006	Representative Senior Managing Director
June 2008	Executive Vice President, Representative Director
June 2010	Representative Director, Executive Vice President
June 2012	President, Representative Director, Chief Executive Officer
October 2015	President, Representative Director, Chief Executive Officer of the Company (current position)

Status of Significant Concurrent Position(s)

Director, MARUZEN PETROCHEMICAL CO., LTD.

Reasons for choosing the person as candidate

Keizo Morikawa has promoted CSR management by leading management for four years as President, Representative Director. Also, he executed the transition to a holding company and a company with a supervisory committee in the 2015 fiscal year, as well as realized structural reform for improving the corporate value of the Group, and enhancement of corporate governance. Based on this, the Company believes Keizo Morikawa is the most suitable individual to lead the promotion of the Group's CSR management, and proposes his election as Director.

3 Hiroshi Kiriyama — Reappointment — June 20, 1955

Career Summary and Status	
April 1979	Joined Daikyo Oil Co., Ltd.
June 2010	Executive Officer, General Manager, Corporate Planning Dept. and Change Promotion Dept., COSMO OIL CO., LTD.
June 2011	Senior Executive Officer, General Manager, Corporate Planning Dept. and Change Promotion Dept.
June 2012	Senior Executive Officer
June 2013	Director, Senior Executive Officer
October 2015	Director, Senior Managing Executive Officer of the Company (current position)

Assignment at the Company

Corporate Planning Dept.
Corporate Communication Dept.
Business Portfolio Management Dept.
Finance Dept.

Status of Significant Concurrent Position(s)

Director, MARUZEN PETROCHEMICAL CO., LTD.

Number of Shares of the Company Held: 10,200 shares

Record of attendance to Board of Directors Meetings: 5/5

Reasons for choosing the person as candidate

Hiroshi Kiriyama appropriately carries out management execution toward completing the Group's Medium-Term Management Plan as Director responsible for the Corporate Planning Dept. Also, he has been improving the function of the Board of Directors by actively communicating at the Board of Directors Meetings based on his abundant expertise and experience regarding overall corporate management. Taking the above into account, the Company believes he is the most suitable person to shoulder management supervision of the entire Group after the transition to a holding company, and proposes his election as Director.

4 Yasushi Ohe — Reappointment — July 26, 1955

Career Summary and Status	
April 1979	Joined Daikyo Oil Co., Ltd.
June 2009	Executive Officer, General Manager, Supply & Demand Coordination Dept., COSMO OIL CO., LTD.
June 2012	Senior Executive Officer, General Manager, Crude Oil & Tanker Dept.
June 2013	Senior Executive Officer
June 2014	Director, Senior Executive Officer
October 2015	Director, Senior Executive Officer of the Company (current position)

Assignment at the Company

CSR Management Dept.
Legal Dept.
Human Resource & General Affairs Dept.
Diversity Promotion Office

Status of Significant Concurrent Position(s)

None

Number of Shares of the Company Held: 7,800 shares

Record of attendance to Board of Directors Meetings: 5/5

Reasons for choosing the person as candidate

Yasushi Ohe appropriately executes the Company's CSR management, primarily as the Director responsible for the Administrative Dept. Also, based on his experience working in the Group's broad fields of operation, he contributes to the vitalization of the Board of Directors by actively communicating in various discussions during Board of Directors Meetings and adequately fulfills his responsibilities as Director. Based on this, the Company judges him appropriate for management of the Group, and proposes his election as Director.

<table>
<tr><td>5</td><td>Kenichi Taki</td><td>New appointment</td><td>February 26, 1957</td><td rowspan="6">
Number of Shares of the Company Held:
5,600 shares</td></tr>
<tr><td colspan="3">Career Summary and Status</td><td>Assignment at the Company</td></tr>
<tr><td colspan="3" rowspan="4">April 1975 Joined Daikyo Oil Co., Ltd.
June 2008 General Manager, Internal Auditing Office, COSMO OIL CO., LTD.
June 2012 Executive Officer, General Manager, Accounting Dept.
June 2014 Senior Executive Officer, General Manager, Accounting & Finance Dept.
June 2015 Senior Executive Officer, General Manager, Accounting Dept.
October 2015 Senior Executive Officer, General Manager, Accounting Dept. of the Company
April 2016 Senior Executive Officer (current position)</td><td>Information System Planning Dept.
Accounting Dept.</td></tr>
<tr><td>Status of Significant Concurrent Position(s)</td></tr>
<tr><td>None</td></tr>
<tr><td></td></tr>
<tr><td>Reasons for choosing the person as candidate</td><td colspan="4">Kenichi Taki is thoroughly familiar with the Company’s accounting situation as his career has been almost entirely within the Accounting Dept. since joining Daikyo Oil Co., Ltd., and he possesses knowledge gained through his work regarding the wide range of operations within the Company. Also, in recent years, and based on this knowledge, he has been giving appropriate advice to the management from a managerial perspective as an Executive Officer. Due to the above, the Company believes he is the most suitable individual to shoulder the Group’s Accounting Dept. as an officer, and proposes his election as Director.</td></tr>
</table>

<table>
<tr><td>6</td><td>Mohamed Al Hamli</td><td>Reappointment
Outside</td><td>December 31, 1952</td><td rowspan="3">
Number of Shares of the Company Held:
0 shares

Record of attendance to Board of Directors Meetings:
5/5</td></tr>
<tr><td colspan="3">Career Summary and Status</td><td>Status of Significant Concurrent Position(s)</td></tr>
<tr><td colspan="3">August 1980 Joined Abu Dhabi Marine Operating Company
November 2004 Minister of Energy, the United Arab Emirates
February 2005 Deputy Chairman, International Petroleum Investment Company (current position)
June 2010 Director, COSMO OIL CO., LTD.
October 2015 Director of the Company (current position)
February 2016 Deputy Chairman, Union National Bank PJSC (current position)</td><td>Deputy Chairman, International Petroleum Investment Company

Deputy Chairman, Union National Bank PJSC</td></tr>
<tr><td>Reasons for choosing the person as candidate</td><td colspan="4">Mohamed Al Hamli served as Minister of Energy of the United Arab Emirates and is appropriately supervising management as an Outside Director from an international viewpoint with respect to the petroleum industry. He is also contributing to improving the effectiveness of the Board of Directors by actively communicating in Board of Directors Meetings from his previously mentioned viewpoint. Based on this, the Company proposes Mohamed Al Hamli maintain his position as Outside Director.</td></tr>
</table>

<table>
<tr><td>7</td><td>Khalifa Al Romaithi</td><td>New appointment
Outside</td><td>December 14, 1978</td><td rowspan="3">
Number of Shares of the Company Held:
0 shares</td></tr>
<tr><td colspan="2">Career Summary and Status</td><td colspan="2">Status of Significant Concurrent Position(s)</td></tr>
<tr><td colspan="2">June 2003 Joined International Petroleum Investment Company
December 2007 Director, COSMO OIL CO., LTD.
June 2009 Assistant to the Investment Director, Investment Division, International Petroleum Investment Company
June 2011 General Manager, Portfolio Management & Investment Division
January 2015 Investment Director, Downstream & Diversified Investment Division (current position)
April 2015 Director, Arabtec Holding PJSC (current position)</td><td colspan="2">Investment Director, Downstream & Diversified Investment Division, International Petroleum Investment Company

Director, Arabtec Holding PJSC</td></tr>
<tr><td>Reasons for choosing the person as candidate</td><td colspan="4">Khalifa Al Romaithi was a Director of COSMO OIL CO., LTD. from 2007 to 2010 and appropriately supervised the management of COSMO OIL CO., LTD. Furthermore, he has experience serving as an officer at various corporations overseas, primarily in the energy industry. Therefore, the Company judges him capable of properly executing duties as Outside Director and proposes his election.</td></tr>
</table>

(Notes) 1. No special interests exist between the Company and any of the other candidates.

2. Pursuant to the provision of Article 423, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Mohamed Al Hamli to limit the liability for damages. The limit of the liability under the relevant agreement shall be the minimum amount that is set by the provision of Article 425, Paragraph 1 of the said act. If Mohamed Al Hamli is reelected as Outside Director, the Company will renew the current agreement with him to limit the liability for damages under the same conditions. In addition, if Khalifa Al Romaithi, a candidate for new Outside Director of the Company, is elected, the Company intends to enter into same agreement with him to limit the liability for damages.

3. Mohamed Al Hamli and Khalifa Al Romaithi served as Outside Director of COSMO OIL CO., LTD., a wholly owned subsidiary of the Company, in the past.

4. The term of office of Mohamed Al Hamli as Outside Director since assuming office will reach eight (8) months at the close of this meeting.

5. In June 2011, COSMO OIL CO., LTD. was subject to administrative action by the Ministry of Economy, Trade and Industry in the form of revocation of certification in relation to the Accredited Safety Inspection Executor and Accredited Completion Inspection Executor for reasons including failure to comply with technical standards stipulated in the High Pressure Gas Safety Act, while Mohamed Al Hamli was an Outside Director of COSMO OIL CO., LTD. Mohamed Al Hamli was unaware of the aforementioned violations until the matter came to light. Mohamed Al Hamli has routinely emphasized the importance of safe, stable operations and rigorous compliance. In response to the said administrative action, he has given his opinion, at Board of Directors Meetings of COSMO OIL CO., LTD., on measures to prevent recurrence and overall safety inspections, etc., such as fundamental strengthening of the safety management system by introducing outside expert consultants.

Proposal No. 3: Election of One (1) Substitute Director who is a Member of the Supervisory Committee

In regard to Kenichi Taki, who was elected as a Substitute Director who is a Member of the Supervisory Committee at the 109th Ordinary General Meeting of Shareholders of Cosmo Oil Co., Ltd. on June 23, 2015, in accordance with his statement of intent, he resigned from the position of Substitute Director who is a Member of the Supervisory Committee on May 12, 2016.

Therefore, in order to prepare for cases where there is a vacancy which results in a shortfall in the number of Directors who are Members of the Supervisory Committee provided in laws and regulations, the Company requests the election of one (1) Substitute Director who is a Member of the Supervisory Committee as a substitute for the present Director who is a Member of the Supervisory Committee Katsuhisa Ohtaki.

As stipulated in Article 22 of the Company's Articles of Incorporation, a resolution for the election of a Substitute Director who is a Member of the Supervisory Committee shall cease to be effective at the commencement of the annual shareholders' meeting for the last business year ending within two (2) years of such resolution. However, the effectiveness of this election may be rescinded by resolution of the Board of Directors with the consent of the Supervisory Committee, only before the Substitute Director who is a Member of the Supervisory Committee assumes office as a Director who is a Member of the Supervisory Committee.

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

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

<table>
<tr><td colspan="2">Takehiko Kitawaki</td><td>New appointment</td><td>(April 30, 1959)</td><td rowspan="5">
Number of Shares of the Company Held: 1,200 shares</td></tr>
<tr><td colspan="2">Career Summary and Status</td><td colspan="2">Assignment at the Company</td></tr>
<tr><td rowspan="3">October 1993
June 2010
June 2011
June 2015

October 2015</td><td rowspan="3">Joined COSMO OIL CO., LTD.
General Manager, Affiliate Relations Dept.
General Manager, General Affairs Dept.
Executive Officer, General Manager, Legal Dept.
Executive Officer, General Manager, Legal Dept. of the Company (current position)</td><td colspan="2">General Manager, Legal Dept.</td></tr>
<tr><td colspan="2">Status of Significant Concurrent Position(s)</td></tr>
<tr><td colspan="2">None</td></tr>
<tr><td>Reasons for choosing the person as candidate</td><td colspan="4">Takehiko Kitawaki has a broad understanding of the Company's overall operations and has been appropriately supporting management from a legal perspective as an Executive Officer, General Manager of the Legal Dept. Therefore, the Company judges him appropriate to be a Substitute Director who is a Member of the Supervisory Committee and proposes his election.</td></tr>
</table>

(Note) No special interests exist between the Company and the candidate.

Proposal No. 4: Determination of Amounts of Remuneration, etc. for Directors (excluding those who are Members of the Supervisory Committee)

Remuneration for executives of the Company is composed of basic remuneration, which is a set amount, and incentive remuneration, which is linked to consolidated performance indices such as ordinary income, the net debt-to-equity ratio, and return on equity. The incentive remuneration is composed of yearly incentive remuneration (hereinafter referred to as the "Bonuses") linked to consolidated performance indices for each fiscal year and long-term incentive remuneration (hereinafter referred to as the "Stock Remuneration") linked to the progress made in achieving targets in the Consolidated Medium-Term Management Plan.

Regarding the amounts of remuneration, etc. for Directors (excluding those who are Members of the Supervisory Committee; the same applies hereafter in this proposal), the aggregate amount of monetary remuneration for Directors for the period from the day of incorporation of the Company to the conclusion of the first annual Shareholders' Meeting, shall not amount to more than ¥500 million per year (excluding salaries paid as the employee portion for the Directors who also work as employees), as stipulated in Article 2, Paragraph 1 of supplementary provisions of the Company's Articles of Incorporation. This stipulation will become invalid at the close of this General Meeting of Shareholders.

With regard to the amounts of remuneration, etc. for Directors after the close of this meeting, the Company proposes that the amount of monetary remuneration that is the sum of the basic remuneration and the Bonuses be set at no more than ¥500 million per year (including no more than ¥50 million per year for Outside Directors), taking into consideration economic conditions, business environment, and other factors.

The amounts of remuneration, etc. for Directors will not include the salaries paid as the employee portion for the Directors who also work as employees. Furthermore, though Stock Remuneration is provided in Article 2, paragraph 3 of the supplementary provisions to the Company's Articles of Incorporation as remuneration that is provided separately from the above-mentioned monetary remuneration, because remuneration etc. for Outside Directors is limited to the structure for basic remuneration, which is a set amount, Outside Directors are not provided with Bonuses or Stock Remuneration.

Also, the Company has received a report from the Supervisory Committee stating that they have no significant opinion in regard to this proposal, which passed through the deliberation process of the Nomination and Remuneration Advisory Committee, which includes two (2) Independent Outside Directors, and was appropriately decided on by the Board of Directors.

At the present, the number of Directors is six (6) persons (including two (2) Outside Directors), and if Proposal No. 2 is approved as proposed, the number of Directors will be seven (7) persons (including two (2) Outside Directors).

Proposal No. 5: Determination of Amounts of Remuneration, etc. for Directors who are Members of the Supervisory Committee

Regarding the amounts of remuneration, etc. for Directors who are members of the Supervisory Committee, the aggregate amount of monetary remuneration for Directors who are members of the Supervisory Committee for the period from the day of incorporation of the Company to the conclusion of the first annual Shareholders' Meeting, shall not amount to more than ¥90 million per year, as stipulated in Article 2, Paragraph 2 of supplementary provisions of the Company's Articles of Incorporation. This stipulation will become invalid at the close of this General Meeting of Shareholders.

With regard to the amounts of remuneration, etc. for Directors who are Members of the Supervisory Committee after the close of this meeting, the Company proposes that the amount of monetary remuneration be set at no more than ¥90 million per year, taking into consideration economic conditions, business environment, and other factors.

Because amounts of remuneration, etc. for Directors who are Members of the Supervisory Committee are limited to the structure for basic remuneration, which is a set amount, Directors who are Members of the Supervisory Committee are not provided with Bonuses or Stock Remuneration.

Also, the Company has received a report from the Supervisory Committee stating that they have no significant opinion in regard to this proposal, which passed through the deliberation process of the Nomination and Remuneration Advisory Committee, which includes two (2) Independent Outside Directors, and was appropriately decided on by the Board of Directors.

At the present, the number of Directors who are Members of the Supervisory Committee is three (3) persons (including two (2) Outside Directors).

(Attached Documents)
BUSINESS REPORT (From October 1, 2015 to March 31, 2016)

1. Business Overview

(1) Establishment of the Cosmo Energy Group

The Company was established as the wholly-owning parent company of Cosmo Oil Co., Ltd. on October 1, 2015 via a sole share transfer. Accordingly, the first business year of the Company was from October 1, 2015 to March 31, 2016. However, as financial statements of the Company in the fiscal year under review are created based on the consolidated financial statements of Cosmo Oil Co., Ltd., the fiscal year under review is from April 1, 2015 to March 31, 2016. Since there is no substantial change in the scope of consolidation, the comparison to the consolidated performance of Cosmo Oil Co., Ltd. for the year ended March 31, 2015 is shown as year-to-year comparison for reference.

The Cosmo Energy Group made the transition to a holding company structure with the Company which is a pure holding company, "Cosmo Energy Exploration & Production Co., Ltd." which supervises the energy exploration and production business, "Cosmo Oil Co., Ltd." which is in charge of the oil refining business, and "Cosmo Oil Marketing Co., Ltd." which provides car life value, mainly fuel oil, to customers, as its core business companies. As a result, "monitoring of the group management" is separated from "business execution" and responsibilities and authority are clearly defined, and the Company has thereby renewed its commitment to further expediting decision-making and conducting agile business execution. Also through continued optimal distribution of management resources, we will continue striving to establish an organizational structure by business domain and pursue flexible and swift alliance strategy (collaboration, cooperation and integration) by business line to increase our corporate value.

(2) Principal Business Lines (as of March 31, 2016)

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

The business segments and core business companies which handle these segments, and major group companies are as follows.

Cosmo Energy Holdings Co., Ltd.
(Pure holding company)

Business Segments	Cosmo Energy Exploration & Production Co., Ltd.	Cosmo Oil Co., Ltd.	Cosmo Oil Marketing Co., Ltd.	
Oil Exploration and Production Business	○			
(major group companies)	Abu Dhabi Oil Co., Ltd. Qatar Petroleum Development Co., Ltd. United Petroleum Development Co., Ltd.			
Petroleum Business		○	○	○
(major group companies)		COSMO OIL INTERNATIONAL PTE. LTD. Cosmo Oil Lubricants Co., Ltd.	Cosmo Oil Sales Co., Ltd. Sogo Energy Corporation	Gyxis Corporation
Petrochemical Business		○		○
(major group companies)		Cosmo Matsuyama Oil Co., Ltd. Hyundai Cosmo Petrochemical Co., Ltd.		Maruzen Petrochemical Co., Ltd.
Other				○
(major group companies)				Eco Power Co., Ltd. Cosmo Engineering Co., Ltd. Cosmo Trade & Service Co., Ltd.

(3) Review of Operations of the Group

Business Environment

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, heavy fuel oil A, and heavy fuel oil C significantly decreased due to a relatively warm winter and shifts toward the use of alternative fuels.

Performance of the Fiscal Year Under Review

In this business environment, the Cosmo Energy Group made group-wide efforts to heighten corporate value based on the four basic policy objectives outlined under its Fifth Consolidated Medium-Term Management Plan, launched in fiscal 2013.

In the fiscal year under review, due to a drop in crude oil prices, net sales was ¥2,244.3 billion, down approximately 26% from the previous year.

Operating loss and ordinary loss totaled ¥29.7 billion and ¥36.1 billion compared to losses of ¥38.4 billion and ¥49.6 billion in the previous year respectively, but they were due to a significant decrease in profit on sales in the Oil Exploration and Production Business affected by a decline in crude oil prices and ¥68.7 billion of inventory valuation losses recorded in the Petroleum Business. Operating income and ordinary income excluding inventory valuation losses totaled ¥39.0 billion and ¥32.6 billion, down ¥38.7 billion and ¥33.9 billion from the previous year respectively.

The business segment information is as follows.

Four Basic Policy Objectives

I. Strengthen business competitiveness in the refining and marketing sector
II. Secure stable income from investments made during the previous medium-term management plan
III. Further strengthen alliances with International Petroleum Investment Company (IPIC) and Hyundai Oilbank Co., Ltd.
IV. Further enhance CSR management

[Business Segment Information]

(Millions of yen)

	Oil Exploration and Production Business	Petroleum Business	Petrochemical Business	Other	Adjustments	Consolidated
Net Sales	55,807	2,220,664	48,131	71,449	-151,746	2,244,306
Segment Income	18,637	-62,807	4,115	3,508	424	-36,121

Oil Exploration and Production Business

In the oil exploration and production business, a source of consistent profits among the Group's business portfolio and the business field, we took aggressive action toward stable operations in the existing oil fields and acquisition of new oil field concessions as well as extension thereof with the Middle East with which the Group has built up a trusting relationship for years as a core area.

The Cosmo Energy Group boasts the largest crude oil production volume of any Japanese company functioning as an operator in the Middle East, and Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd. and United Petroleum Development Co., Ltd. continued to maintain stable and safe operations in the Middle East during the fiscal year.

Abu Dhabi Oil Co., Ltd., aiming to start productions at the Hail Field in the first half of fiscal 2017, started dredging of water channels and development of an artificial island. The Hail Field offers promise production levels potentially comparable to Abu Dhabi Co., Ltd.'s three on-stream oil fields (the Mubarraz, Umm Al Anbar and Neewat Al Ghalan Fields), and crude oil procurement of the Group is expected to stabilize further.

Qatar Petroleum Development Co., Ltd. started reviewing expansion of production volume by drilling a new wellbore in the A-Structure South oil field.

United Petroleum Development Co., Ltd., for the purpose of maintaining concessions and maximizing the value of fields, cooperated actively in crude oil and gas exploration projects of the governments of Abu Dhabi and the State of Qatar and proceeded with the review of the long-term plan of United Petroleum Development Co., Ltd.

Also, as measures for business expansion, three companies, the Company, Compañía Española de Petróleos S.A.U. (CEPSA: Spanish integrated energy company), with which the Company concluded a memorandum pertaining to strategic comprehensive alliance in fiscal 2013, and Abu Dhabi National Oil Company regularly held workshops for the most important item for consideration; acquisition of new oil field concessions.

As a result of the above, net sales in the oil exploration and production business was ¥55.8 billion, down 32.2% from the previous year, and segment income (ordinary income) was ¥18.6 billion.

Petroleum Business

Further enhancement of safe refinery operation and stable supply

With regard to our safety management systems, for continuous improvement of safety activities of our refinery operations and environmental conservation, we integrated the existing Refinery Safety Reform Committee and the Cosmo Oil Group Safety Promotion Committee to create the Safety and Environment Committee in October, developing a system to promote safe environmental activities through centralized management. In addition, to achieve safe operations and stable supply at a level higher than the global standard, we established the Operations Management System (OMS) (Note), an integrated system of Cosmo Oil Co., Ltd., and started operation of the same in January.

In order to continue stable supply when an earthquake with an epicenter directly below Metropolitan Tokyo occurs, we conducted business continuity plan (BCP) drills with temporary headquarters for crisis control in the Kansai area. The drills enabled us to clarify roles and actions of each group company and confirm coordination of information gathering and sharing.

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

Recovery of profitability focusing mainly on supply division

At the Chiba Refinery, we established Keiyo Seisei JV G.K. with TonenGeneral Sekiyu K.K. in January 2015. Keiyo Seisei contributed to enhancement of productivity of refineries of the Company and TonenGeneral by creating a production plan in an integrated and comprehensive manner ahead of the completion of pipelines and significantly increasing accommodation of products and raw materials by coastal vessel, while starting to install pipelines which link refineries of the two companies. We have been considering optimization and improvement of efficiency of facilities so that the refineries become "internationally competitive top-notch domestic facilities."

As for the Yokkaichi Refinery, we reached an agreement in May to establish a business alliance with the Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd of the Showa Shell Sekiyu Group and launched initiatives to reinforce competitiveness of both companies through optimization of facilities. By pursuing these initiatives, we plan to complete measures for the second announcement of the Sophisticated Methods of Energy Supply Structures by fiscal 2017.

With respect to the lubricant business, as a collaborative project with EMG Marketing G.K. of the TonenGeneral Group, we reinforced facilities of the Tsurumi Lube Oil Blending Plant of EMG Marketing and started shipping lubricant products of Cosmo Oil Lubricants Co., Ltd. in November.

Strengthening the retail business

In our retail business, we continued aggressively implementing various measures under our "Cosmo B-cle Vision," aiming to transform our business model from petroleum distribution to one in which we provide car life value which offers our customers total car life solutions.

For "Cosmo Smart B-cle" which offers customers a new car life, the "COSMO B-cle LEASE" business that provides opportunities to enjoy a car life "easily, freely and lightly" with "fixed-fee service" including maintenance cost and taxes and "discounted fuel oil" such as gasoline and diesel oil, was popular among senior citizens and female drivers. As a result, it has concluded 8,300 vehicle lease contracts for the year for an accumulated total of over 27,000 such contracts since its inception. As part of these measures, we opened the first "Car Consultation Desk B-cle Shop" outlet (Osaka Prefecture), which offers auto leasing/purchase, car insurance plans, vehicle inspection, maintenance services and vehicle sales, and increased its number to 14 nationwide.

With respect to the "Cosmo The Card" business, the number of valid membership cards increased by approximately 80 thousand over the previous year to 4,390 thousand, as a result of efforts such as the "Area Marketing" that facilitates turning customers living in the neighborhood of the service stations into members and regular customers.

As for "COSMO B-cle LIFE," an Internet service for Cosmo The Card members, we released a smart phone application in May which offers coupons and information on campaigns at service stations. The cumulative downloads exceeded 360 thousand.

Also, we reached an agreement with Yahoo Japan Corporation in October on collaboration in the Internet segment and started to provide new services such as opening a store of "Cosmo Smart B-cle" on "Yahoo! Shopping" and offering discount coupons on "Yahoo! Carnavi," a car navigation application.

R&D initiatives

In the R&D realm, we developed a catalyst which achieves high decomposition activity and improvement of gasoline yield as well as octane value as a high-performance catalytic component in a catalytic cracker for heavy oil. On the basis of high marks received for this research, we were awarded Noguchi Memorial Award by The Japan Petroleum Institute in May.

As a result of the above, net sales in the petroleum business were ¥2,220.7 billion, down 25.9% from the previous year, and segment loss (ordinary loss) was ¥62.8 billion.

Petrochemical Business

We promoted consolidation of management of the petrochemical business and the oil refining business and made Maruzen Petrochemical Co., Ltd. our consolidated subsidiary in March in order to enhance competitiveness of the entire complex. Maruzen Petrochemical Co., Ltd. secured higher revenues than the previous year due to the improved market of major products, running of its ethylene production facilities at high capacity and larger lots of product export.

In addition, the Group consistently supplied mixed xylene to Hyundai Cosmo Petrochemical Co., Ltd. (HCP), a joint venture between Hyundai Oilbank Co., Ltd. of South Korea and Cosmo Oil Co., Ltd. While the market of mixed xylene and paraxylene struggled as it did in the previous year, HCP worked to recover revenues by implementing cost-cutting measures such as making an alteration to make its paraxylene production facilities more energy-efficient.

As a result of the above, net sales in the petrochemical business were ¥48.1 billion, down 12.6% from the previous year, and segment income (ordinary income) was ¥4.1 billion.

Other

Renewable energy business

In the business of wind-power generation, Eco Power Co., Ltd. has continued steady operation of existing wind power generation facilities. As a result of those efforts, its overall power generation capacity was 184,000 kW. This has resulted in revenue gains over six consecutive years and income exceeding the previous year.

As for development of new wind power generation facilities, construction is on course for the launch of commercial operations in fiscal 2016 for the Watarai site (Mie Prefecture) and in fiscal 2017 for the Sakata Port site (Yamagata Prefecture). We have also taken part in offshore wind power operations in the Port of Akita and the Port of Noshiro in Akita Prefecture and pursued possibilities for future business ventures.

In the mega solar business, CSD Solar G.K., established as a joint venture with other companies, has stably supplied electric power at seven sites nationwide while starting commercial operations at two sites, Kasumi Solar Power Plant (Mie Prefecture) and Ogishima Solar Power Plant (Kanagawa Prefecture).

Other

The Cosmo Energy Group, with the transformation to a holding company structure, continued to promote the streamlining and strengthening of capabilities by further consolidating back-office operations, with such efforts centered on Cosmo Business Associates Co., Ltd.

We also took steps to boost profitability generated by our other businesses such as those involving trading and leasing of real estate facilities, construction and maintenance of oil-related facilities, and agency services for damage insurance.

As a result of the above, net sales in the other business was ¥71.4 billion, down 5.6% from the previous year, and segment income (ordinary income) was ¥3.5 billion.

Corporate Social Responsibility (CSR)

The Cosmo Energy Group remains committed to managing operations as a socially responsible corporation that earns the trust of its stakeholders such as customers, shareholders and members of communities, and lives up to their expectations. We set the promotion of socially responsible management as the basic policy of its Fifth Consolidated Medium-Term Management Plan. In order to promote socially responsible management throughout the Group, we expanded the number of companies subject to the CSR Initiative Policy from 24 to 49 with the transformation to a holding company structure and focused our efforts on pursuing the five priority initiatives to achieve our overall objective of "earning public trust and always making a positive contribution to society."

1) Ensuring strict safety management

As a part of safety management measures, we established the following objectives as specific safe behaviors of the safety standard "COSMO" and implemented efforts to foster safety culture at business offices such as greeting campaign, organizing campaign and posters.

Safety standard "COSMO"

		Slogan	Specific behavior (example)
C	Compliance	Follow the rules	I follow laws and regulations as well as company regulations/internal rules.
O	Open	Keep an open mind and remain attentive to other people and one's surroundings	I offer cordial greetings to customers. I also offer friendly greetings to other department staff.
S	5S	Take five basic safety steps (Organizing, arrangement, cleaning, cleanliness, manners)	I do not leave the office with documents left on my desk. I secure space under my desk which is large enough for taking cover. I keep common areas clean.
M	Maintenance	Keep equipment and your mental health in sound working order	I take good care of office supplies and do not leave our equipment broken. I remove obstacles on the evacuation route.
O	Oval	Expand your awareness of safety so that it encompasses those around you	I take action and call to those around me.

2) Working with integrity

With "Realize and Correct on One's Own" implementation of the corporate code of conduct, as a theme, the Cosmo Energy Group provided corporate ethics training to all group employees, thereby heightening ethical standards which form the foundation for ensuring that we conduct business with integrity, such as thorough compliance with laws and regulations and respect for diversity.

3) Enhancing human rights/personnel policies

We established a "Diversity Promotion Office," provided support to the physically challenged and planned/managed follow-up measures for employees on maternity/nursing care leave to enable us to make better use of our employees, who bring diversity in terms of their abilities, values and ideas. In addition, aiming to improve productivity and create a workplace where employees with diverse background are motivated to play active roles, we cut back prolonged work, aiming to achieve annual working hours of 1,900 hours.

4) Promoting environmental initiatives

Under the Cosmo Energy Group "Living with Our Planet" slogan, the entire Group promoted environmental measures, with each employee actively implementing "Eco Office Activities" such as reducing energy consumption in the offices and promoting green procurement.

5) Implementing better internal and external communication

The Cosmo Energy Group, aiming to become a company which is trusted by society including its stakeholders, continued its efforts to ensure proper information disclosure and transparency, represented by establishment of the disclosure policy whose basic principle is to properly disclose important management information, mainly financial information, on a timely basis and actively disclose non-financial information.

As part of the "Cosmo Earth Conscious Act Clean Campaign," activities which call for protection and conservation of the global environment, we kept up our efforts entailing environmental education activities that draw on employee involvement such as clean-up activities nationwide including Mr. Fuji. As for the Cosmo Oil Eco Card Fund, we continued to support environmental NPOs with contributions we receive from Eco Card members every year and a part of sales of the Group.

(4) 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.

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.

(5) Production and Order Acceptance

Name of Business Segment		Production Volume	Changes from FY2014
		Millions of yen	%
Petroleum Business	Gasoline/Naphtha	309,364	-36.1
	Kerosene/Diesel Fuel	412,159	-38.4
	Heavy Fuel Oil	157,870	-40.3
	Other	70,828	-28.4
	Subtotal	950,222	-37.3
Oil Exploration and Production Business		15,999	-40.7
Petrochemical Business		23,768	1.1
Total		989,990	-36.9

(Notes) 1. Refinery fuel is not included.
2. Production volume includes portions consigned to other companies and excludes portions consigned from other companies.
3. Amount above does not include consumption taxes.
4. Amount above does not include production volume between segments.
5. For reference, the comparison to the fiscal year figures for the 109th Term for Cosmo Oil Co., Ltd. is shown as year-to-year comparison.

Name of Business Segment	Amount of Orders	Changes from FY2014	Outstanding Orders	Changes from FY2014
	Millions of yen	%	Millions of yen	%
Other	10,380	66.0	4,829	29.3

(Note) 1. Amount above does not include consumption taxes.
2. For reference, the comparison to the fiscal year figures for the 109th Term for Cosmo Oil Co., Ltd. is shown as year-to-year comparison.

(6) Sales

Name of Business Segment		Sales Volume	Changes from FY2014
		Millions of yen	%
Petroleum Business	Gasoline/Naphtha	1,163,813	-19.5
	Kerosene/Diesel Fuel	626,958	-30.0
	Heavy Fuel Oil	210,735	-36.8
	Other	175,569	-34.9
	Subtotal	2,177,077	-26.0
Oil Exploration and Production Business		22,661	-50.9
Petrochemical Business		20,222	-3.0
Other		24,345	-2.4
Total		2,244,306	-26.1

(Notes) 1. Gasoline tax and local gasoline tax are included in amount for gasoline.
2. Amount above does not include consumption taxes.
3. Amount above does not include volume of sales between segments.
4. For reference, the comparison to the fiscal year figures for the 109th Term for Cosmo Oil Co., Ltd. is shown as year-to-year comparison.

(7) Capital Investments

The Group spent a total of ¥82.8 billion on capital investments during the fiscal year under review, primarily in the following:

- Oil exploration and production business
  Acquisition of recoverable accounts under production sharing
  Construction of production facilities
- Petroleum business
  Construction of petroleum refining and shipping facilities
  New establishment and remodeling of service stations
- Other
  New establishment of wind mills

(8) Financing Activities

During the fiscal year under review, Cosmo Oil Co., Ltd., a wholly owned subsidiary of the Company, procured funds for ¥60 billion by means of a hybrid financing (subordinated loan) on April 1, 2015, and the Company succeeded these liabilities effective October 1, 2015. In addition, on October 1, 2015, Cosmo Oil Co., Ltd. issued the 27th Series Unsecured Bond of ¥3 billion that will mature on October 1, 2025, and effective March 31, 2016, the Company succeeded all status, rights and obligations as the issuing company from Cosmo Oil.

(9) Business Transfers, Absorption-type Demerger, and Incorporation-type Demerger

Effective April 1, 2015, Cosmo Oil Co., Ltd., a wholly owned subsidiary of the Company, implemented a simplified absorption-type demerger, thereby succeeding rights and obligations regarding LPG import & wholesale owned by the said company to the said company's former subsidiary, Cosmo Petroleum Gas Co., Ltd.

The Company was established effective October 1, 2015 as a wholly owning parent company of Cosmo Oil Co., Ltd. through a sole share transfer.

Effective October 1, 2015, Cosmo Oil Co., Ltd., a wholly owned subsidiary of the Company, succeeded its fuel oil sales business and vehicle leasing business, as well as its asset management business for shares of relevant companies to Cosmo Oil Marketing Co., Ltd, which was its wholly owned subsidiary; its asset management business for service stations to Cosmo Oil Property Service Corp., which was its wholly owned subsidiary; and its 5-Amino Levulinic Acid business to Cosmo ALA Co., Ltd., which was its wholly owned subsidiary, through simplified corporate split-offs respectively.

(10) Succession of Rights and Obligations relating to Business of Other Corporations, etc., through Absorption-type Merger or Absorption-type Demerger

Effective January 1, 2016, the Company implemented a simplified corporate split-off to succeed group corporate planning, business support and corporate management businesses of Cosmo Oil Co., Ltd., a wholly owned subsidiary of the Company, and completed transitioning to a holding company structure.

(11) Acquisition or Disposition of Shares or Other Equities or Stock Acquisition Rights, etc. of Other Companies

Effective September 1, 2015, Cosmo Oil Co., Ltd., a wholly owned subsidiary of the Company, implemented a simplified share exchange, which made itself a wholly owning parent company and made Sogo Energy Corporation a wholly owned subsidiary. Accordingly, Cosmo Oil Co., Ltd. made Sogo Energy Corporation a wholly owned subsidiary of Cosmo Oil Co., Ltd.

To utilize the Yokkaichi Kasumi Power Plant owned by Cosmo Oil Co., Ltd., a wholly owned subsidiary of the Company, and operate a power generation business using petroleum coke as fuel, the Company, jointly with Development Bank of Japan Inc., established Yokkaichi Kasumi Power Co., Ltd. on February 19, 2016, and made it a consolidated subsidiary of the Company by acquisition of 61% of the outstanding shares of Cosmo Oil Co., Ltd.

The Company acquired part of the outstanding shares of Maruzen Petrochemical Co., Ltd., an equity-method affiliate of the Company, and made it a consolidated subsidiary of the Company in March 2016.

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

(Billions of yen)

	The 107th Term FY2012	The 108th Term FY2013	The 109th Term FY2014	The 1st Term FY2015
Net Sales	3,166.7	3,537.8	3,035.8	2,244.3
Ordinary Income	48.4	41.8	-49.6	-36.1
Profit Attributable to Owners of Parent	-85.9	4.3	-77.7	-50.2
Net Income per Share (yen)	-101.39	5.13	-91.77	-594.85
Total Assets	1,743.5	1,696.8	1,428.6	1,409.6
Net Assets	256.9	261.1	207.5	202.7

(Notes)
1. Net income per share is calculated on the basis of average number of shares issued and outstanding during the year (excluding the average number of treasury shares held during the year and shares owned by the trust bank through the “Board Incentive Plan (BIP) Trust”).
2. Please refer to “Section 1. Business Overview, (3) Review of Operations of the Group” for the operating results for the 1st Term.
3. For reference, the fiscal year figures for the 107th Term to the 109th Term for Cosmo Oil Co., Ltd. are shown.

(13) Principal Offices and Plants (as of March 31, 2016)

1) The Company

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

2) Major Subsidiaries and Affiliates

(Subsidiaries) **COSMO ENERGY EXPLORATION & PRODUCTION CO., LTD.**	(Head Office)	Minato-ku, Tokyo
COSMO OIL CO., LTD.	(Head Office) (Refineries) (Laboratories)	Minato-ku, Tokyo Chiba (Ichihara-shi) / Yokkaichi / Sakai Research & Development Center (Satte-shi)
COSMO OIL MARKETING COMPANY, LIMITED.	(Head Office) (Branches)	Minato-ku, Tokyo Sapporo / Sendai / Tokyo / Kanto-Minami (Tokyo) / Nagoya / Osaka / Hiroshima / Takamatsu / Fukuoka
ABU DHABI OIL CO., LTD.	(Head Office) (Mining Plant)	Minato-ku, Tokyo Abu Dhabi (United Arab Emirates)
MARUZEN PETROCHEMICAL CO., LTD.	(Head Office) (Plant) (Laboratories)	Chuo-ku, Tokyo Chiba (Ichihara-shi) / Yokkaichi Chiba (Ichihara-shi)
(Affiliates) **GYXIS CORPORATION**	(Head Office)	Minato-ku, Tokyo

(14) Major Subsidiaries and Affiliates (as of March 31, 2016)

1) Major Subsidiaries and Affiliates

Company Name	Paid-in Capital	Ratio of Voting Rights	Principal Business Lines
(Subsidiaries)	100 million yen	%	
COSMO ENERGY EXPLORATION & PRODUCTION CO., LTD.	100	100.0	Planning in the energy exploration and production business
COSMO OIL CO., LTD.	1,672	100.0	Imports and exports, refining, storage, and sales of crude oil and petroleum products, etc.
COSMO OIL MARKETING COMPANY, LIMITED.	10	100.0	Sales of oil products, vehicle leasing, etc.
ABU DHABI OIL CO., LTD.	101	64.1	Development, production and sales of crude oil
MARUZEN PETROCHEMICAL CO., LTD.	100	52.7	Manufacture and sales of petrochemical products
(Affiliates)			
GYXIS CORPORATION	110	25.0	Manufacture, storage, transportation, purchase and sale, and export and import of LP gas

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

2) Review and Results of Business Combinations

(Review of Business Combinations)

- Cosmo Oil Co., Ltd. carried out a capital increase, bringing its capital stock as of January 2016 to ¥167.2 billion.
- In January 2016, from Cosmo Oil Co., Ltd, under simplified corporate split-off, the Company acquired its shareholdings of Cosmo Energy Exploration & Production Co., Ltd. and Cosmo Oil Marketing Company, Limited. In addition, in March 2016, the Company acquired part of the shares issued by Maruzen Petrochemical Co., Ltd.
- The Group consists of 42 consolidated subsidiaries (an increase of three companies from the previous year) and 32 companies under the equity method (an increase of ten companies from the previous year) including the major subsidiaries and affiliates as listed in 1) above.

(Results of Business Combinations)

Consolidated net sales for the fiscal year under review amounted to ¥2,244.3 billion, and loss attributable to owners of parent for the period was ¥50.2 billion.

3) Status of Other Significant Business Combinations

The Company and IPIC performed a comprehensive and strategic business alliance and Infinity Alliance Limited, IPIC's wholly owned subsidiary, invests in the Company.

(15) Employees (as of March 31, 2016)

1) Employees of Cosmo Energy Group

Name of Business Segment	Number of Employees (Persons)		Year-on-year Change (Persons)
Petroleum Business	4,744	(2,885)	218 (decreased)
Oil Exploration and Production Business	306	(55)	17 (increased)
Petrochemical Business	1,071	(61)	918 (increased)
Other	995	(168)	40 (increased)
Total	7,116	(3,169)	757 (increased)

(Notes) 1. Number of employees indicates the number of employees in operation.
2. Number in parenthesis in the number of employees column indicates the yearly average employment number of temporary employees.
3. For reference, the comparison to the fiscal year figures for the 109th Term for Cosmo Oil Co., Ltd. is shown as year-to-year comparison.

2) Employees of the Company

Number of Employees (Persons)	Year-on-year Change (Persons)	Average Length of Service
157	-	16 years and 4 months

(Notes) 1. Seconded employees (428), temporary employees and part-timers are not included in the number of employees.
2. As this is the first fiscal year since the establishment of the Company, comparisons to the end of the previous fiscal year are not shown.
3. For the average length of service calculation, the length of service for Cosmo Oil Co., Ltd. is used.

(16) Principal Lenders (as of March 31, 2016)

(Billions of yen)

Lenders	Borrowed Amount
Mizuho Bank, Ltd.	145.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	121.7
Japan Oil, Gas and Metals National Corporation	88.1
Sumitomo Mitsui Banking Corporation	55.5
Mitsubishi UFJ Trust and Banking Corporation	32.7

(Note) In addition to the above, there are borrowings via syndicated loans (¥112.5 billion in total).

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

None.

2. Share Information (as of March 31, 2016)

(1) Total Number of Shares Authorized to be Issued: 170,000,000 shares

(2) Total Number of Shares Issued and Outstanding: 84,770,508 shares

(of which, number of treasury shares: 969 shares)

(3) Number of Shareholders: 31,984

(4) Major Shareholders (Top 10)

Name of Shareholders	Number of Shares Held (thousands)	Investment Ratio (%)
Infinity Alliance Limited	17,600	20.76
Japan Trustee Services Bank, Ltd. (Trust Account)	3,979	4.69
Mizuho Bank, Ltd.	3,153	3.71
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,975	2.32
The Kansai Electric Power Co., Inc.	1,860	2.19
Mitsui Sumitomo Insurance Company, Limited	1,767	2.08
Aioi Nissay Dowa Insurance Co., Ltd.	1,580	1.86
Sompo Japan Nipponkoa Insurance Inc.	1,579	1.86
Cosmo Energy Holdings Client Stock Ownership	1,519	1.79
Goldman, Sachs & Co. (Regular Account)	1,456	1.71

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

3. Executives of the Company

(1) Directors (as of March 31, 2016)

Position	Name	Responsibilities	Significant Concurrent Positions
Chairman, Director	Yaichi Kimura		
President, Representative Director, Chief Executive Officer	Keizo Morikawa		Director, MARUZEN PETROCHEMICAL CO., LTD.
Director, Senior Managing Executive Officer	Hiroshi Kiriyama	Responsible for Group Corporate Planning Unit and Group Corporate Management Unit	Director, MARUZEN PETROCHEMICAL CO., LTD. Director, Gyxis Corporation
Director, Senior Executive Officer	Yasushi Ohe	Responsible for Group Corporate Support Unit	
Director	Mohamed Al Hamli		Vice Chairman and Director, International Petroleum Investment Company Vice Chairman and Director, Union National Bank
Director	Mohamed Al Mehairi		
Director (Member of the Supervisory Committee)	Sakae Kanno		Audit & Supervisory Board Member, The Kansai Electric Power Co., Inc.
Director (Member of the Supervisory Committee)	Teruo Miyamoto		
Director (Full-time member of the Supervisory Committee)	Katsuhisa Ohtaki		

(Notes)
1. Directors Mohamed Al Hamli, Mohamed Al Mehairi, Sakae Kanno and Teruo Miyamoto are Outside Directors.
2. The Company has notified Directors (Members of the Supervisory Committee) Sakae Kanno and Teruo Miyamoto as Independent Directors/Auditors to the Tokyo Stock Exchange.
3. Representative Director, Executive Vice President Atsuto Tamura retired by resignation from the Board on December 15, 2015. At the time of his retirement, he was an assistant to President and was concurrently responsible for Group Corporate Management Unit.
4. Director, Senior Managing Executive Officer Hiroshi Kiriyama changed his responsible unit from Group Corporate Planning Unit to Group Corporate Planning Unit/Group Corporate Management Unit effective December 15, 2015.
5. Hiroshi Kiriyama retired from office as Director of Gyxis Corporation on March 31, 2016.
6. Mohamed Al Hamli serves as Vice Chairman and Director of International Petroleum Investment Company, and it is the parent company of one of the Company's major shareholders.
7. Mohamed Al Mehairi retired from office as Director of Etihad Airways on March 9, 2016.
8. Mohamed Al Mehairi is related in the third degree to an executing person of the Company's specified related operator, Abu Dhabi National Oil Company.
9. Sakae Kanno concurrently serves as an Audit & Supervisory Board Member at The Kansai Electric Power Co., Inc., which is a major shareholder of the Company. The Group and Kansai Electric Power also have a business relationship that includes buying and selling transactions involving petroleum products.
10. Director Katsuhisa Ohtaki is a Full-time member of the Supervisory Committee. The reason for electing a Full-time member of the Supervisory Committee, was so that a person thoroughly familiar with circumstances within the Company could increase the effectiveness of the Supervisory Committee by attending important meetings, gathering information daily, listening to periodic business reports from the Business Execution Department, and by sharing with all members of the Supervisory Committee the information gained through mutual and close coordination with the Internal Audit Department, etc.

11. Executive Officers

Position	Name	Responsibilities
Senior Executive Officer	Kenichi Taki	Deputy responsible for Group Corporate Planning Unit and Group Corporate Management Unit General Manager, Accounting Dept.
Executive Officer	Koji Moriyama	General Manager, Corporate Planning Dept.
Executive Officer	Masayoshi Noji	General Manager, Power Dept.
Executive Officer	Takehiko Kitawaki	General Manager, Legal Dept.

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

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with Mohamed Al Hamli, Mohamed Al Mehairi, Sakae Kanno and Teruo Miyamoto to limit the liability for damages under Article 423, Paragraph 1 of the said act.

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

(3) Amount of Remuneration to Directors

Category	Number of Persons Remunerated	Amount of Remuneration
		Millions of yen
Directors (Excluding members of the Supervisory Committee) **(of which, Outside Directors)**	7 (2)	217 (14)
Directors (Members of the Supervisory Committee) **(of which, Outside Directors)**	3 (2)	41 (22)
Total	10	258

(Notes) 1. Of the remuneration shown above, the amount of remuneration to Directors (excluding Members of the Supervisory Committee) includes yearly incentive remuneration (bonuses) and expenses relating to long-term incentive remuneration (stock remuneration) for the fiscal year under review.

2. Of the remuneration shown above, the amount of remuneration to Directors (excluding Members of the Supervisory Committee) includes remuneration to one Director (excluding Member of the Supervisory Committee) who retired on December 15, 2015.

(4) Outside Directors

Major Activities in the Fiscal Year

Title	Name	Record of Attendance		Status of Expression of Opinions
		Board of Directors Meeting	Supervisory Committee Meeting	
Outside Director	Mohamed Al Hamli	5 out of 5 times	-	Asked questions and expressed opinions as needed from an international viewpoint regarding the petroleum industry
Outside Director	Mohamed Al Mehairi	3 out of 5 times	-	Asked questions and expressed opinions as needed from an international viewpoint regarding the petroleum industry
Outside Director (Member of the Supervisory Committee)	Sakae Kanno	5 out of 5 times	6 out of 6 times	From the perspective of his abundant experience and knowledge concerning corporate management, asked questions and expressed opinions as needed
Outside Director (Member of the Supervisory Committee)	Teruo Miyamoto	5 out of 5 times	6 out of 6 times	Asked questions and expressed opinions as needed from a professional viewpoint regarding the audit operation

4. Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

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

(Millions of Yen)

	Amount of Remuneration
Amount of Remuneration, etc., to be Paid to the Accounting Auditor pertaining to the Fiscal Year Under Review	43
Amount of Moneys and Other Property Benefits to be Paid to the Accounting Auditor by the Company and Its Subsidiaries	246

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

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

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

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

5. Basic Policies on Internal Control Systems

(1) Basic Policies on Internal Control Systems (As of March 31, 2016)

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

Group companies are those the Company directly controls corporate management thereof.

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

<Management Concepts and Corporate Action Policy>

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

<Corporate Governance>

- The Company is a company with an supervisory committee and will strengthen the management oversight function of the Board of Directors and ensure transparency and fairness of management judgment by appointing several Outside Directors. The Board of Directors will determine important matters in accordance with laws and regulations, the Articles of Incorporation, the resolution thereof and internal rules, and oversee the execution of duties of Directors.
- The Company is a holding company, and its structure consists of three core business companies. To quickly conduct business execution in response to any change in the business environment, the Company will delegate authority and responsibilities to the core business companies and facilitate speedy decision-making on important management matters such as development of growing businesses and nurturing of a safety-oriented workplace culture.
- The Company, in order to promote sound business activities of the Company and the group companies, will establish, as organizations to supervise overall CSR activities and internal control, the Corporate Ethics & Human Rights Committee, the Safety and Risk Management Committee, the Environmental and Social Initiatives Committee and the Information Disclosure Committee, with each Director in charge as its chair, and matters discussed and reported at each Committee will be reported to the Board of Directors.

<Separation of Execution of Duties and Supervision>

- The Company will introduce an Executive Officer System, for separation of execution of duties and supervision, and for enhancement of the supervisory function of the Board of Directors.

<Enhancement of Internal Audit>

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

<Compliance>

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

<Stance Against Anti-Social Forces>

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

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

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

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

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

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

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

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

- The Company shall regularly hold a meeting with the group companies concerning overall management thereof to share important information, and shall approve or receive a report on the execution of important businesses of the group companies based on their regulations for management.
- The Company will require the group companies to report the progress of various measures, and improve or review such

measures based on the CSR Initiative Policy (corporate ethics and human rights, safety and risk management and environmental and social contribution policy, etc.) the Company establishes.

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

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

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

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

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

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

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

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

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

- The Audit Standard and Audit Implementation Plan decided by the Supervisory Committee will be respected and cooperation will be given to ensure a smooth execution of audit and preparation of audit environment.
- Meetings among the members of the Supervisory Committee, the President, primary departments and office managers, and Audit & Supervisory Board Members of the group companies will be held on regular basis to prepare systems to

ensure audit effectiveness.

- Sufficient collaboration among the Internal Auditing Office, the Accounting Auditor, and the Supervisory Committee shall be promoted.

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

The Group, as an organization in charge of CSR activities and internal control, has established the "Safety and Risk Management Committee," the "Environmental and Social Initiatives Committee," the "Corporate Ethics & Human Rights Committee" and the "Information Disclosure Committee" (hereinafter called the "Committees") in order to promote spreading and achieving the management vision of the Cosmo Energy Group and promote sound business activities based on the Code of Conduct, and the Committees discuss planning, performance and assessment of the activity policy. A particularly important matter based on discussions is reported and determined at the meetings of the Executive Officers' Committee and the Board of Directors. Details of these matters are shared within the entire Group through the "CSR Promotion Liaison Meeting."

The outline of the status of operation of this system in the fiscal year under review is as follows:

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

- From the perspective of strengthening corporate governance, the Company has adopted the governance framework of a company with an supervisory committee to improve the effectiveness of audit and oversight by audit conducted by members of the Supervisory Committee who hold voting rights of the Board of Directors.
- The Company held five meetings of the Board of Directors and 14 meetings of the Executive Officers' Committee in accordance with internal rules. The Board of Directors discussed and determined the basic policy and important matters concerning business management of the Group in addition to matters stipulated by laws and regulations and the Articles of Incorporation while the Executive Officers' Committee discussed and determined the basic policy and important matters concerning business execution.
- The Company provided corporate ethics and human rights training and individual training by corporate ethics e-learning to all Cosmo Energy Group employees and deepened the understanding toward the Code of Conduct. The Company also provided the Cosmo Energy Group Corporate Ethics Consultation Helpline (a corporate ethics helpline) both inside and outside the Company (at law firm) as a system to consult or report under anonymity any legal or ethical issue encountered during business operation. The "Corporate Ethics & Human Rights Committee" was debriefed on the status of these activities and discussed preventive measures.

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

The Group established the "Safety and Risk Management Committee" in order to understand risks arising from business activities that negatively affect corporate management and minimize damage caused by such risks. The Committee implemented initiatives to enhance risk management of the entire Group by checking the progress of measures for FY2015 "Priority Risks" that identifies cross-group risks and defines matters to be dealt with preferentially, and discussing specific plans the entire Group works on including BCP.

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

- To ensure the Supervisory Committee's performance of their duties is effective, in addition to members of the Supervisory Committee attending important meetings of the Executive Officers' Committee and the Group Strategy Committee, etc., we have created and operated a system to carry out coordination between the Internal Audit Department and the Accounting Auditor.
- Furthermore, to ensure the Supervisory Committee's audits are carried out in an effective manner, we assigned appropriate assistant employees in accordance with the basic policies for Internal Control Systems. In addition, we have created and operated a system that provides necessary and adequate information to the Supervisory Committee such as making available the documents for resolution, minutes, and documents to be approved from the meetings, etc., that members of the Supervisory Committee do not attend.

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

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

Consolidated Balance Sheet

Fiscal Year 2015 (As of March 31, 2016)

(Unit: million yen)

Item	Amount	Item	Amount
Assets	**1,409,615**	**Liabilities**	**1,206,903**
Current assets	**516,254**	**Current liabilities**	**555,519**
Cash and deposits	60,972	Notes and accounts payable-trade	115,803
Notes and accounts receivable-trade	192,572	Short-term loans payable	200,619
Securities	30,000	Commercial papers	12,000
Merchandise and finished goods	87,825	Accounts payable-other	94,582
Work in process	391	Accrued volatile oil and other petroleum taxes	93,788
Raw materials and supplies	94,211	Income taxes payable	8,094
Accounts receivable-other	28,709	Accrued expenses	3,716
Deferred tax assets	3,812	Provision for bonuses	4,962
Other	17,954	Provision for director's bonuses	293
Allowance for doubtful accounts	-195	Deferred tax liabilities	52
Noncurrent assets	**892,710**	Provision for business structure improvement	4,534
Property, plant and equipment	**693,267**	Other	17,070
Buildings and structures, net	129,074	**Noncurrent liabilities**	**651,384**
Oil storage depots, net	32,693	Bonds payable	46,700
Machinery, equipment and vehicles, net	149,609	Long-term loans payable	497,831
Land	320,971	Deferred tax liabilities	31,202
Leased assets, net	761	Deferred tax liabilities for land revaluation	5,249
Construction in progress	53,586	Provision for special repairs	15,078
Other, net	6,571	Provision for business structure improvement	1,171
Intangible assets	**47,423**	Provision for environmental measures	3,416
Software	3,158	Net defined benefit liability	9,586
Goodwill	1,452	Provision for executive remuneration BIP trust	41
Other	42,812	Other	41,105
Investments and other assets	**152,019**	**Net assets**	**202,712**
Investment securities	112,040	**Shareholders' equity**	**123,545**
Long-term loans receivable	2,048	**Capital stock**	**40,000**
Long-term prepaid expenses	7,986	**Capital surplus**	**84,509**
Net defined benefit asset	1,738	**Retained earnings**	**259**
Cost recovery under production sharing	16,917	**Treasury shares**	**-1,223**
Deferred tax assets	2,437	**Accumulated other comprehensive income**	**-15,499**
Other	9,330	**Valuation difference on available-for-sale securities**	**3,042**
Allowance for doubtful accounts	-481	**Deferred gains or losses on hedges**	**-1,601**
Deferred assets	**651**	**Revaluation reserve for land**	**-20,660**
Bond issuance cost	651	**Foreign currency translation adjustment**	**8,507**
		Remeasurements of defined benefit plans	**-4,786**
		Non-controlling interests	**94,665**
Total assets	**1,409,615**	**Total liabilities and net assets**	**1,409,615**

Consolidated Statements of Income

Fiscal Year 2015 (From April 1, 2015 to March 31, 2016)

(Unit: million yen)

Item	Amount	
Ⅰ Net sales		**2,244,306**
Ⅱ Cost of sales		**2,154,615**
Gross profit		**89,691**
Ⅲ Selling, general and administrative expenses		**119,433**
Operating loss		**29,742**
Ⅳ Non-operating income		
Interest income	167	
Dividend income	1,322	
Equity in earnings of associates	3,012	
Other	4,778	9,280
Ⅴ Non-operating expenses		
Interest expenses	12,758	
Other	2,899	15,658
Ordinary loss		**36,121**
Ⅵ 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	24,460
Ⅶ 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	32,137
Profit (Loss) before income taxes		**-43,797**
Income taxes-current	13,293	
Income taxes-deferred	-12,690	602
Profit (Loss)	**-**	**-44,400**
Profit attributable to non-controlling interests		5,829
Profit (Loss) attributable to owners of parent		**-50,230**

Consolidated Statements of Changes in Equity

Fiscal Year 2015 (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 the period					
Profit 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
Change of share exchanges		-0		1	1
Change of share transfers	-67,246	67,202		44	－
Fiscal year-end change of consolidated 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
Changes of items during the period								
Profit attributable to owners of parent								-50,230
Purchase of treasury shares								-1,114
Disposal of treasury shares								-0
Change of scope of consolidation								284
Change of share exchanges								1
Change of share transfers								－
Fiscal year-end change of consolidated 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

Notes to Consolidated Financial Statements

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

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

1. Items concerning the Scope of Consolidation for Reporting

(1) Number of consolidated subsidiaries: 42

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. 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. through acquisition of shares at the end of the fiscal year. Thus, Keiyo Ethylene Co., Ltd. which is a subsidiary of Maruzen Petrochemical Co., Ltd. was included in the scope of the consolidated subsidiaries of the Cosmo Energy Group. GYXIS CORPORATION (Cosmo Petroleum Gas Co., Ltd changed its corporate name to GYXIS CORPORATION on April 1, 2015) was excluded from the scope of the consolidated subsidiaries of the Cosmo Energy Group due to forming jointly controlled entity. Also, Yokkaichi LPG Terminal Co., Ltd. which is a subsidiary of GYXIS CORPORATION was excluded from the scope of the consolidated subsidiaries of the Cosmo Energy Group for the reason that GYXIS CORPORATION was excluded from the scope of the consolidated subsidiaries.

(2) Name of major non-consolidated subsidiaries: Maruzen Chemical Trading Co., Ltd.

Reason for exclusion from accounting consolidation:

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

2. Items concerning the Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for Using the Equity Method: 22

Name of major subsidiaries: Maruzen Chemical Trading Co., Ltd.

(2) Number of Associated Companies Accounted for Using the Equity Method: 10

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

Through GYXIS CORPORATION is forming jointly controlled entity, it was included in the scope of equity method.

Because Maruzen Petrochemical Co., Ltd. became a subsidiary of the Cosmo Energy Holdings Co., Ltd. through acquisition of shares, it was exempted from the scope of equity method at the end of this fiscal year.

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

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

Reasons for Exclusion from the Application of the Equity Method:

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

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

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

3. Items concerning the Accounting Periods of the Consolidated Subsidiaries

Of the 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 Oil Property Service Corporation's service stations by taking their actual past performances into consideration. As for Abu Dhabi Oil Co., Ltd., a consolidated subsidiary of the Company, adopts the number of years for useful life as defined in the concession agreements and economic useful life by taking into account the durability and other conditions of the assets currently owned. As for 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. both of the subsidiaries of the Company, a certain amount of money to cover expenses arising from regular repairs of the machinery and equipment of its refinery was recorded for 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) 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.

2) 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.

3) Accounting Process for Cost Recovery under Production Sharing

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

4) Application of the consolidated tax payment system

The consolidated tax payment system is applied.

5) 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.

6) 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.

5. Items concerning Amortization of 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.

(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.

(Notes to 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" 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 to Consolidated Balance Sheet)

1. Accumulated depreciation for property, plant and equipment	¥974,787 million
2. Pledged Assets	
Breakdown of Assets Pledged as Collateral and Amounts thereof:	
Property, plant and equipment	¥151,550 million
Cash and deposits	¥476 million
Investment securities	¥131 million
Other	¥3,136 million
Secured Liabilities:	
Long-term loans payable (including repayments due within the next year)	¥37,587 million
Debts related to transactions with banks	¥20,991 million
3. Contingencies	
Guaranty Liabilities	
Hyundai Cosmo Petrochemical Co., Ltd.	¥4,996 million
(Liabilities to guarantee their borrowings from financial institutions)	
Others (Liabilities to guarantee their borrowings from financial institutions, etc.)	¥1,541 million

Liabilities incidental to trust debt assumption of corporate bonds

The liabilities associated with the following corporate bonds have been transferred based on the trust debt assumption of corporate bonds established with banks, etc. Accordingly, the transferred liabilities of such corporate bonds and the payment amount under this agreement have been offset; however, the Company’s duty to the bondholders to redeem corporate bonds continues until the time of such redemption.

Issue	transfer amount (in million yen)
23rd unsecured corporate bonds	10,000

4. Items concerning 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)

・The total amount of the revalued land at fair value as of March 31, 2016 is smaller than their total carrying amount after revaluation and the difference amounted to:

¥33,605 million

5. Financial Covenants

Out of borrowings, borrowings amounting to ¥112,405 million (including those payable within the next year) come with financial covenants with the acceleration clause which will be activated with respect to such liabilities under certain loan contracts.

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

	Repayment Deadline	Loan Balance	Financial Covenants
(1)	September 30, 2024	¥45,000 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥156.6 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.
(2)	November 30, 2017	¥25,000 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥198.9 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.
(3)	March 30, 2017	¥4,700 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥198.9 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.

(Notes to Consolidated Statements of Changes in Equity)

1. Types and Number of Outstanding Shares and Treasury Shares as of March 31, 2016

Outstanding shares	Ordinary shares		84,770,508 shares
Treasury shares	Ordinary shares		754,790 shares
		(including executive remuneration BIP trust	680,000 shares)

2. Distribution of Dividend

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

The Company proposes the following agendum at the ordinary general meeting of shareholders held on June 21, 2016.

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

(Notes to Financial Products)

1. Information on the Status of Financial Products

The Group procures funds mainly necessary to undertake the oil refining and marketing and oil exploration and production businesses based on the capital spending plans therefore. Temporary extra funds are invested in highly safe financial instruments, while short-term working funds are raised through borrowings from financial institutions, etc.

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

Most of notes and accounts payable, trade, and accrued expenses, etc. are due within the next year.

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

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

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

The book value of the following items on the consolidated balance sheet, their fair value and the variance between the two amounts as of March 31, 2016 are stated as follows:

(Millions of yen)

	Book value on the consolidated balance sheet *	Fair value*	Difference
(1) Cash and deposits	60,972	60,972	－
(2) Notes and accounts receivable-trade	192,572	192,572	－
(3) Investment securities			
1)Securities of held to maturity	53	57	3
2)Other securities	49,720	49,720	－
(4) Accounts receivable-other	28,709	28,709	－
(5) Notes and accounts payable-trade	(115,803)	(115,803)	－
(6) Short-term loans payable	(200,619)	(200,619)	－
(7) Commercial papers	(12,000)	(12,000)	－
(8) Accounts payable-other	(94,582)	(94,582)	－
(9) Accrued volatile oil and other petroleum taxes	(93,788)	(93,788)	－
(10) Income taxes payable	(8,094)	(8,094)	－
(11) Bonds payable	(46,700)	(48,237)	1,537
(12) Long-term loans payable	(497,831)	(509,610)	11,778
(13) Derivative transactions	(2,034)	(2,034)	－

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

(Note) How to calculate the fair value of financial products and information about securities and derivative transactions are stated as follows:

(1) Cash and deposits, (2) Notes and accounts receivable-trade and (4) Accounts receivable-other

They are settled on a short-term basis and their fair values are roughly equal to their book value, so that they are stated at book value.

(3) Investment securities

As for their fair value, equity securities are stated at fair value on the trade exchanges they are listed.

Non-marketable equity securities ("¥92,265 million Other securities") are not listed item (3) above, because there were extremely difficult to figure out the fair value.

(5) Notes and accounts payable-trade, (6) Short-term loans payable, (7) Commercial papers, (8) Accounts payable-other, (9) Accrued volatile oil and other petroleum taxes, (10) Income taxes payable.

They are settled on a short-term basis and their fair values are roughly equal to their book value, so that they are stated at book value.

(11) Bonds payable

The fair value of a corporate bond is calculated by discounting the sum of its principal and interest at an interest rate at which a similar corporate bond is assumed to be issued in the market.

(12) Long-term loans payable

The fair value of a long-term loan is calculated by discounting the sum of its principal and interest at an interest rate at which a similar, new loan is assumed to be made.

(13) Derivative transactions

The fair value of a derivative contract is calculated based on the price provided by the financial institution, etc. from which it was purchased and its final value in the forward market.

A specially treated interest rate swap is accounted for as an integral part of the long-term loan, or the subject of hedging, so that the fair value of the swap is stated by being included in the fair value of the long-term loan (Please refer to Items (12) above).

(Notes to Leasehold Properties and Other Real Estate)

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

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

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

(Millions of yen)

Book value on the consolidated balance sheet	Fair value
34,541	35,771

(Note 1) The book value of each property on the consolidated balance sheet is its acquisition cost less cumulative depreciated expenses therefore.

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

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

(Notes to Per-Share Information)

1. Net assets per share	¥1,286.03
2. Net loss per share	¥594.85

(Notes to Business Combinations)

(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 and breakdown of consideration description

Actual value of Maruzen Petrochemical Co., Ltd.'s shares before business combination	￥29,487 million
Actual value of Maruzen Petrochemical Co., Ltd.'s additional acquisition shares on the day of business combination	￥ 7,033 million
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	￥79,225million
Total assets	￥ 225,173million
Current liabilities	￥88,639 million
Non-current liabilities	￥28,802 million
Total liabilities	￥117,441 million

(Acquisition of Shares by Investment in Kind)

＜Transaction under common control, etc.＞

On January 1, 2016, the Company underwrote loans to Cosmo Oil Co., Ltd. ("Cosmo Oil"), its wholly owned subsidiary, in exchange for class shares.

1.Overview of the transaction

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

The name of the combined company : Cosmo Oil Co., Ltd.

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

(2) The date of business combination

January1, 2016

(3) Legal form of business combination

Acquisition of shares by investment in kind of loans (debt equity swap)

(4) Overview of the transaction including its purpose

The Company has underwritten the capital increase of Cosmo Oil for the purpose of improving its financial standing by the method of debt equity swap.

2. Overview of practiced accounting treatment

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

3.Notes to additional acquisition of subsidiaries' shares

(1)The acquisition costs and their breakdown

Consideration for Acquisition	the Aggregate face amount of debts as the investment in kind	￥120,000 million
Acquisition Costs		￥120,000 million

(2) The amount of the goodwill arising from acquisition of shares, reason for the goodwill, and method and period of amortization

No goodwill arose.

(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 Oil 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)."

(Formation of the jointly controlled entity)

1. The outline of the transaction

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

Name of the business: Import LP gas

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

(2) Date of business combination

April 1, 2015

(3) Legal form of business combination

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

(4) Name of the company upon business combination

Gyxis Corporation

(5) Other material items related trading outline

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

(6) The reason for determining a jointly controlled entity

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

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

2. Outline of Accounting Treatments Execute

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

The absorption-type company demerger in which Cosmo Oil is the demerging company and the underwriting of a capital increase at Cosmo Oil Gas 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 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.

(Other Information)

1. 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 amount of business structure improvement expenses includes ¥3,902million transferred to the provision for business structure improvement.

2. 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

(Additional Information)

1. Transactions of granting shares in the 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 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. Collaboration at the refineries in Chiba

   Cosmo Oil Co., Ltd., one of the consolidated subsidiaries of the Company, established Keiyo Seisei JV G.K. (hereinafter, JV) together with TonenGeneral Sekiyu K.K. and began the installation of pipelines between the Chiba refinery of Kyokuto Petroleum Industries, Ltd. and the Chiba refinery of Cosmo Oil Co., Ltd. It was concluded that the most sensible approach on completion of the pipelines would be for the first atmospheric distillation unit owned by Cosmo Oil Co., Ltd. to be disposed of after the integration of the refinery equipment with JV. In addition, this disposal would result in compliance with the first notice under the Act of sophisticated methods of energy supply structures.

   Although this disposal of equipment will involve future costs, such costs are not accounted for because the scope of the equipment to be removed, the time when such costs will be incurred and the specific amount payable by Cosmo Oil Co., Ltd. have not yet been determined.

Balance Sheet

Fiscal Year 2015 (As of March 31, 2016)

(Unit: million yen)

Item	Amount	Item	Amount
Assets	**670,368**	**Liabilities**	**599,764**
Current assets	**179,260**	**Current liabilities**	**109,067**
Cash and deposits	16,024	Commercial papers	12,000
Short-term loans receivable	4	Current portion of long-term loans payable	54,366
Short-term loans receivable from subsidiaries and associates	145,996	Accounts payable-other	6,905
		Income taxes payable	462
Accounts receivable-other	16,276	Deposits received	33,163
Deferred tax assets	308	Provision for bonuses	466
Other	650	Provision for directors' bonuses	81
Noncurrent assets	**491,108**	Other	1,622
Property, plant and equipment	**123,683**	**Noncurrent liabilities**	**490,697**
Buildings and structures, net	381	Bonds payable	40,700
Vehicles, net	9	Long-term loans payable	442,868
Tools, furniture and fixtures, net	78	Long-term deposits received	4
Land	123,200	Provision for executive remuneration BIP trust	20
Construction in progress	14	Other	7,104
Intangible assets	**562**	**Net assets**	**70,604**
Software	545	**Shareholders' equity**	**71,571**
Other	16	**Capital stock**	**40,000**
Investments and other assets	**366,861**	**Capital surplus**	**22,055**
Investment securities	7,864	Legal capital surplus	10,000
Shares of subsidiaries and associates	185,658	Other capital surplus	12,055
Long-term loans receivable from subsidiaries and associates	172,228	**Retained earnings**	**10,628**
		Other retained earnings	10,628
Long-term deposits	588	Retained earnings brought forward	10,628
Deferred tax assets	382	**Treasury shares**	**-1,113**
Other	890	**Valuation and translation adjustments**	**-967**
Allowance for doubtful accounts	-751	**Valuation difference on available-for-sale securities**	**72**
		Deferred gains or losses on hedges	**-1,040**
Total assets	**670,368**	**Total liabilities and net assets**	**670,368**

Statements of Income

Fiscal Year 2015 (From October 1, 2015 to March 31, 2016)

(Unit: million yen)

Item	Amount	
Ⅰ Operating revenue		**8,986**
Ⅱ General and administrative expenses		**3,698**
Operating income		**5,287**
Ⅲ Non-operating income		
Interest income	5,351	
Foreign exchange gains	3	
Other	36	5,391
Ⅳ Non-operating expenses		
Interest expenses	5,509	
Other	439	5,948
Ordinary income		**4,730**
Ⅴ Extraordinary income		
Gain on extinguishment of tie-in shares	6,396	6,396
Ⅵ Extraordinary loss		
Loss on disposal of noncurrent assets	4	
Loss on valuation of investment securities	102	107
Income before income taxes		**11,019**
Income taxes-current	708	
Income taxes-deferred	-318	390
Net income		**10,628**

Statements of Changes in Equity

Fiscal Year 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

Notes to Financial Statements

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

2. Notes to Items regarding Significant Accounting Policies

(1) Standards and Methods for Valuation of Securities

Stocks issued by subsidiaries and associated companies:	Stated at cost determined by the moving average method
Other securities:	Securities available for sale with fair market value: Stated at fair value based on market values applicable on the date of 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) Valuation of Net Amounts of the Assets and Liabilities by Derivative Transactions:
Stated at fair value

(3) Methods for Depreciation of Noncurrent Assets

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

(4) Standards for Recording Allowances/Provisions

Allowance for doubtful accounts	An estimated amount of irrecoverable debts is set aside against any potential losses on the failure to collect the accounts receivable. a) Ordinary accounts receivable: The amount of allowance calculated at the actual ratio of bad debts b) Highly doubtful receivables and claims in bankruptcy and reorganization, etc.: The amount of allowance calculated based on the evaluation of financial situations of individual accounts involved.
Provision for bonuses	In preparation for the payment of bonuses to Employees and Directors, the estimated amount of payment for the fiscal year under review is posted.

(5) 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.

(6) Application of the consolidated tax payment system
The consolidated tax payment system is applied.

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

3. Notes to Changes in Accounting Policies

(Additional information)

Not applicable

4. Notes to Non-Consolidated Balance Sheet

(1) Short-term loans receivable from subsidiaries and associates:	¥14,942 million
Long-term loans receivable from subsidiaries and associates:	¥751 million
Short-term loans payable to subsidiaries and associates:	¥38,033 million
Long-term loans payable to subsidiaries and associates:	¥5 million
(2) Cumulative depreciation expenses for the property, plant and equipment	¥371 million
(3) Pledged Assets	
Breakdown of Assets Pledged as Collateral and Amounts thereof:	
Property, plant and equipment	¥123,200 million
Secured Liabilities:	
Long-term loans payable (including repayments due within the next year)	¥22,160 million
Debts related to transactions with banks	¥20,991 million
(4) Contingencies	
Guaranty Liabilities	
Cosmo Oil., Ltd.	¥51,362 million
Abu Dhabi Oil Co., Ltd.	¥15,650 million
Cosmo Oil (U.K.) Plc.	¥15,346 million
Others	¥21,018 million

Liabilities incidental to trust debt assumption of corporate bonds

The liabilities associated with the following corporate bonds have been transferred based on the trust debt assumption of corporate bonds established with banks, etc. Accordingly, the transferred liabilities of such corporate bonds and the payment amount under this agreement have been offset; however, the Company's duty to the bondholders to redeem corporate bonds continues until the time of such redemption.

Issue	transfer amount (in million yen)
23rd unsecured corporate bonds	10,000

(5) Financial Covenants, etc.

Out of borrowings, borrowings amounting to ¥74,700 million (including those payable within the next year) come with financial covenants with the acceleration clause which will be activated with respect to such liabilities under certain loan contracts if the Company fails to comply with any of the following financial covenants.

＜Financial Covenants of the Company＞

	Repayment Deadline	Loan Balance	Financial Covenants
(1)	September 30, 2024	¥45,000 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥156.6 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.
(2)	November 30, 2017	¥25,000 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥198.9 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.
(3)	March 30, 2017	¥4,700 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥198.9 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.

5. Notes to Non-Consolidated Statements of Income

Sales to subsidiaries and associates:	¥8,986 million
Purchases from subsidiaries and associates:	¥ 142 million
Non-business transaction with subsidiaries and associates:	¥6,231 million

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

Type and Number of Treasury Shares as of March 31, 2016

Ordinary shares	680,969 shares
（including the Executive Remuneration BIP Trust	680,000shares)

7. Notes to Tax Effective Consequence Accounting

(Unit: million yen)

(1) Current Deferred Tax Assets and Liabilities	
1) Deferred tax assets:	
Provision for bonuses	169
Accrued business tax	117
Others	21
Total current deferred tax assets:	308
2) Deferred tax liabilities:	
Total current deferred tax liabilities:	—
Net current deferred tax assets:	308
(2) Non-Current Deferred Tax Assets and Liabilities	
1) Deferred tax assets:	
Loss on valuation of investment securities	1,427
Deferred losses on hedges	459
Others	331
Non-current deferred tax assets – Sub-total:	2,217
Valuation allowance:	-1,752
Total non-current deferred tax assets:	465
2) Deferred tax liabilities:	
Valuation difference on available-for-sale securities	-45
Others	-37
Total non-current deferred tax liabilities:	-82
Net non-current deferred tax liabilities:	382

8. Notes to Noncurrent Assets Used Under Leases

In addition to the noncurrent assets recorded on the balance sheet, for some, such as office equipment and manufacturing facilities, we use by ownership transfer finance lease contract.

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

(1) Subsidiaries and Associated companies

Type	Name (Ownership type & ratio)	Line of business	Cosmo Energy Holdings's relationship with subsidiary	Account item for record entry	Transaction amount (¥mil)	Item	Balance as of Mar 31, 2016 (¥mil)
Subsidiary	Cosmo Oil Co., Ltd. (directly, 100% owned)	Imports and exports, refining, storage, and sales of crude oil and petroleum products, etc.	Business administration Loans to it	Receipt of operating revenue (*1)	2,294	Accounts receivable-other	490
				Loans to it (*4) And Funds deposit (*2)	201,361	Short-term loans receivable from subsidiaries and associates	136,058
						Long-term loans receivable from subsidiaries and associates	48,158
				Interest receivable (*3)	4,244	Accounts receivable-other	3,155
				Assumption of liabilities (*9)	585,646	Accounts receivable-other	7,640
				Assumption of guaranty liabilities (*5)	51,362	—	—
				Superimposed liabilities (*10)	60,000	—	—
				Guaranteed liabilities (*11)	477,934	—	—
				Underwriting of capital increase (*6)	120,000	—	—
				Refund (*7)	123,200	—	—
Subsidiary	Cosmo Oil Marketing Co., Ltd. (directly, 100% owned)	Sales of oil products, vehicle leasing, etc.	Business administration Loans to it	Receipt of operating revenue (*1)	1,534	Accounts payable - other	251
				Superimposed liabilities (*10)	60,000	—	—
				Guaranteed liabilities (*11)	477,934	—	—
				Loans to it (*4) And Funds deposit (*2)	13,339	Deposits received	16,824
						Long-term loans receivable from subsidiaries and associates	1,537
				Interest receivable (*3)	210	Accounts receivable-other	62
				Interest payable (*3)	58		
Subsidiary	Cosmo Oil Sales Corp. (directly, 100% owned)	Sale of oil products	Loans to it	Loans to it (*4) And Funds deposit (*2)	21,500	Short-term loans receivable from subsidiaries and associates	2,000
				Interest payable (*3)	10	Accounts payable - other	10
Subsidiary	Cosmo Oil Property Service Corp. (directly, 100% owned)	Management and lease of service station equipments	Cosmo Energy Holdings directors are concurrently the directors of the subsidiary Loans to it	Loans to it (*4) And Funds deposit (*2)	82,489	Long-term loans receivable from subsidiaries and associates	82,489
						Deposits received	5,647
				Interest receivable (*3)	840	Accounts receivable-other	753
Subsidiary	Cosmo Matsuyama Oil Co., Ltd. (directly, 100% owned)	Manufacture and sale of Petrochemical Products, Storage, loading and discharging of petroleum products	Receipt of debt guaranteed mortgage Loans to it	Loans to it (*4) And Funds deposit (*2)	22,488	Short-term loans receivable from subsidiaries and associates	6,457
						Long-term loans receivable from subsidiaries and associates	16,830
				Interest receivable (*3)	14	Accounts receivable, other	14

Type	Name (Ownership type & ratio)	Line of business	Cosmo Energy Holdings's relationship with subsidiary	Account item for record entry	Transaction amount (¥mil)	Item	Balance as of Mar 31, 2016 (¥mil)
Subsidiary	Cosmo Oil Lubricants Co., Ltd.(directly, 100% owned)	Manufacture of lubricants, etc.	Loans to it	Loans to it (*4) And Funds deposit (*2)	9,354	Short-term loans receivable from subsidiaries and associates	91
				Interest payable (*3)	0	Long-term loans receivable from subsidiaries and associates	7,740
				Interest receivable (*3)	1	Deposits received	1,468
Subsidiary	Cosmo Engineering Co., Ltd.(directly, 100% owned)	Undertaking of facility construction and other related work	Loans to it	Loans to it (*4) And Funds deposit (*2)	9,230	Short-term loans receivable from subsidiaries and associates	951
						Long-term loans receivable from subsidiaries and associates	15,010
				Interest receivable (*3)	29	Accounts receivable-other	16
Subsidiary	Cosmo Energy Exploration & Production Co., Ltd. (directly, 100% owned)	Planning in the energy exploration and production business	Business administration Loans to it	Receipt of operating revenue (*1)	674	Accounts receivable -other	144
Subsidiary	Abu Dhabi Oil Co., Ltd.(indirectly, 64% owned)	Crude oil exploration, production & sales	Assumption of guaranty liabilities	Assumption of guaranty liabilities (*5)	15,650	―	―
				Guarantee commission received (*5)	26	Accounts receivable -other	5
Subsidiary	Qatar Petroleum Development Co., Ltd.(directly, 75% owned)	Crude oil exploration, production & sales	Assumption of guaranty liabilities	Assumption of guaranty liabilities(*5)	8,725	―	―
				Guarantee commission received (*5)	7	Accounts receivable -other	7
Subsidiary	Cosmo Oil (U.K.) Plc. (directly, 100% owned)	Purchase and sale of crude oil and oil products	Assumption of guaranty liabilities	Assumption of guaranty liabilities (*5)	15,346	―	―
Subsidiary	CEAM LLC (directly, 99% owned)	property management	investment in anonymous association	investment in anonymous association (*7)	123,200	Land	123,200
				investment income (*8)	1,082	―	―

Out of the amounts shown above, the transaction amounts are exclusive of consumption tax charges, while the balance amounts as of March 31, 2016 include such charges.

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

Notes:

1. The Core Business Companies (Cosmo Oil, Cosmo Oil Marketing, and Cosmo Energy Exploration & Production) pay the expenses needed for the management of the Company in accordance with their business scales.
2. Loans/Deposits are based on the Company's group financing program and the transaction amounts are stated at an average amount of balance during FY2015.
3. Interest rates are determined by taking market rates of interest and other conditions into consideration.
4. Loans are used by the loan receivers as their working funds and each of the transaction amounts shown above is stated at an average amount of balance during FY2015.
5. The Company granted loans of Abu Dhabi Oil Co., Ltd from financial institutions. The amount of grantee fees is reasonably decided by their agreement.
6. Underwriting of capital increase is the investment in kind of loans receivable through debt equity swap.
7. Cosmo Oil Co.,Ltd transferred trust beneficiary rights to trusts whose trust assets are lands of refineries to CEAM LLC. The Company made in-kind contribution of loans receivable of Cosmo Oil Co.,Ltd based on the anonymous partnership agreement between the Company and CEAM LLC. The loans receivable that the Company made in-kind contribution to CEAM LLC offsets the monetary claim related with trust beneficiary rights Cosmo Oil Co., Ltd. transferred to CEAM LLC.

Since the anonymous association is practically managed by the Company, trust beneficiary rights, the property of the anonymous association, are stated as "Lands" on the balance sheet. The amount of transfer of the trust beneficiary rights are calculated based on verification and appraisal by real property appraisers.

8. Trust bank rent lands in trust in regard to trust beneficiary rights, the property of the anonymous association, to Cosmo Oil Co., Ltd. Since the anonymous association is practically managed by the Company, lands rental revenues are stated including in Operating revenue on profit and loss statements. Rental fees are calculated based on verification and appraisal by real property appraisers.
9. The Company obtained the same amount of the monetary claim as the consideration for receiving liabilities without specific obligations of Cosmo Oil Co.,Ltd.
10. Cosmo Oil Co., Ltd. owned superimposed liabilities of loans from financial institutions the Company succeeded due to the adoption of a holding company structure on October 1, 2015.
11. Cosmo Oil Marketing jointly guaranteed loans of the Company from financial institutions and bonds payable the Company issued.

(2) Director

None

10. Notes to Per-Share Information

(1) Net assets per share	¥839.63
(2) Net loss per share	¥126.11

11. Notes to Significant Subsequent Events

(Approval at annual general Shareholders' meeting for transformation to a holding company)

It is as described in (Notes to Significant Subsequent Events) of Notes to Consolidated Financial Statements.

(Important large loan)

It is as described in (Notes to Significant Subsequent Events) of Notes to Consolidated Financial Statements.

(Formation of the jointly controlled entity)

It is as described in (Notes to Significant Subsequent Events) of Notes to Consolidated Financial Statements.

12. Other information

Transactions of granting shares in the 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 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.

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

(Unit: million yen)

Asset class	Asset item	Book value at beginning of year	Addition during year	Reduction during year	Depreciation during year	Book value at end of year	Accumulated depreciation	Acquisition cost at end of year
Property, plant & equipment	Buildings and Structures	—	386	—	5	381	38	419
	Vehicles	—	10	—	0	9	6	15
	Tools, furniture and fixtures	—	85	3	4	78	327	405
	Land	—	123,200	—	—	123,200	—	123,200
	Construction in progress	—	367	353	—	14	—	14
	Total	—	124,050	356	9	123,683	371	125,055
Intangible assets	Software	—	586	—	40	545		
	Others	—	16	—	—	16		
	Total	—	603	—	40	562		

Notes:

1.Of the increase in the fiscal year under review, assets transferred in association with the company split are as follows.:

Increase due to acquisition:	Land	¥123,200 million
Increase by corporate division:	Buildings and Structures	¥375 million
	Vehicles	¥10 million
	Tools, furniture and fixtures	¥77 million
	Construction in progress	¥284 million
	Software	¥253 million
	Others	¥16 million

2. The increase in land in the fiscal year under review is a trust beneficiary right with land for a refinery as trust property that CEAM Limited Liability Co. acquired from Cosmo Oil Co., Ltd. The property of an anonymous association with CEAM LLC under a silent partnership agreement is included in financial statements, and the gross amount is stated.

2. Schedule for Allowance/Provision

(Unit: million yen)

Account item	Book value at beginning of year	Addition during year	Reduction during year	Book value at end of year
Allowance for doubtful accounts	−	751	−	751
Provision for bonuses	−	466	−	547
Provision for directors' bonuses	−	81	−	81
Provision for executive remuneration BIP trust	−	20	−	20

Notes:

Net increase in the amount of the allowance for doubtful accounts is due to the company split.

3. Schedule for General and Administrative Expenses

(Unit: million yen)

Account item	Amount	Description
Advertising expense	593	
Provision of reserve for bonuses	466	
Outsourcing expense	521	
Salaries and wages	490	
Tax and dues	360	
Provision of reserve for directors' bonuses	81	
Provision of reserve for executive remuneration BIP trust	20	
Others	1,164	
Total	3,698	

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

Independent Auditor's Report

May 12, 2016

To the Board of Directors,
COSMO ENERGY HOLDINGS CO., LTD.

KPMG AZSA LLC

Designated Limited Liability and Engagement Partner	Certified Public Accountant	Masahiko Kobayashi	Seal
Designated Limited Liability and Engagement Partner	Certified Public Accountant	Hiroyuki Nakamura	Seal
Designated Limited Liability and Engagement Partner	Certified Public Accountant	Koji Yoshida	Seal

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statements of income, the consolidated statements of changes in equity and the notes to the consolidated financial statements of the Company applicable to the fiscal year from April 1, 2015 to March 31, 2016.

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

Auditor's Responsibility
Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

\- END -

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

Independent Auditor's Report

May 12, 2016

To the Board of Directors,
COSMO ENERGY HOLDINGS CO., LTD.

KPMG AZSA LLC

Designated Limited Liability and Engagement Partner	Certified Public Accountant	Masahiko Kobayashi	Seal
Designated Limited Liability and Engagement Partner	Certified Public Accountant	Hiroyuki Nakamura	Seal
Designated Limited Liability and Engagement Partner	Certified Public Accountant	Koji Yoshida	Seal

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statements of income, the statements of changes in equity and the notes to the financial statements and the supplementary schedules of the Company applicable to the 1st fiscal year from October 1, 2015 to March 31, 2016.

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

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatements.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the supplementary schedules.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of COSMO ENERGY HOLDINGS CO., LTD. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

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

- END -

Supervisory Committee's Audit Report: Full Copy

Audit Report

The Supervisory Committee has conducted audit on the execution of duties by Directors for the 1st business year from October 1, 2015 to March 31,2016, and hereby reports the methods and results of audit as follows:

1. The Methods and Details of the Audit

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

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

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

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

2. Results of Audit

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

1). The business report and supplementary schedules comply with the laws and regulations and with the Articles of Incorporation and correctly represents the company status.

2). The business activities performed by the Directors were correct and did not seriously violate the laws and regulations, or the Articles of Incorporations.

3). The corporate resolution concerning the internal control system is fair and reasonable. There are no matters to be pointed out for the business report regarding the status of operation of the internal control system.

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

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

(3) Audit results of the consolidated financial statements

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

May 12, 2016

COSMO Energy Holdings Co., Ltd. Supervisory Committee

Member of the Supervisory Committee	Sakae Kanno	Seal
Member of the Supervisory Committee	Teruo Miyamoto	Seal
Member of the Supervisory Committee	Katsuhisa Ohtaki	Seal

(Note) Members of the Supervisory Committee Sakae Kanno and Teruo Miyamoto are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

- END -