

Please note that the following is an unofficial English translation of Japanese original text of the Notice of Convocation of the 2nd 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

June 1, 2017

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 2nd ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 2nd 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., Wednesday, June 21, 2017.

- 1. Date and Time:** 10:00 a.m., Thursday, June 22, 2017
- 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 2nd Business Year (from April 1, 2016 to March 31, 2017).
(2) The Financial Statements for the 2nd Business Year (from April 1, 2016 to March 31, 2017)
 - 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 Three (3) Directors who are Members of the Supervisory Committee**
 - Proposal No. 4: Election of Two (2) Substitute 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 Wednesday, June 21, 2017.
- (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

The Company regards the distribution of profit to shareholders as the important issue. With this basic policy, the Company will carry out stable payment of dividends taking into consideration reinforcement of corporate structure, development of future business, the Company's performance, and capital balancing.

In consideration of the Company's performance in this fiscal year and future business environment, the Company would like to set the term-end as follows.

1. Type of dividends

Cash

2. Matter related to distribution of property dividends and the total amount

¥50 per share of common shares of the Company Total amount: ¥4,238,451,700

3. Effective date of the appropriation of surplus

June 23, 2017


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


The terms of office of all seven (7) 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. Therefore, it is proposed that seven (7) Directors be elected.


This proposal was passed through the deliberation process of the Nomination and Remuneration Advisory Committee, which includes two (2) Independent Outside Directors, and was decided on by the Board of Directors. The Company has received a report from the Supervisory Committee stating that the candidates and the procedure for the election were appropriate.


The candidates for Directors are as follows.


Candidate No.	Name	Current Status and Assignment at the Company	
1	Keizo Morikawa	President, Representative Director, Chief Executive Officer	Reappointment
2	Hiroshi Kiriya	Representative Director, Executive Vice President Responsible for Corporate Planning Dept., Business Portfolio Management Dept., Corporate Communication Dept., and Finance Dept.	Reappointment
3	Yasushi Ohe	Director, Senior Managing Executive Officer Responsible for CSR Management Dept., Legal Dept., and Human Resource & General Affairs Dept.	Reappointment
4	Kenichi Taki	Director, Senior Executive Officer Responsible for IT system Dept. and Accounting Dept.	Reappointment
5	Koji Moriyama	Senior Executive Officer Deputy Responsible for Corporate Planning Dept., Business Portfolio Management Dept., Corporate Communication Dept., and Finance Dept.	New appointment
6	Musabbeh Al Kaabi		New appointment Outside Director
7	Khalifa Al Suwaidi		New appointment Outside Director


1	Keizo Morikawa	Reappointment	January 29, 1948	
Career Summary and Status		Status of Significant Concurrent Position(s)		
April 1971	Joined Daikyo Oil Co., Ltd.	Director, MARUZEN PETROCHEMICAL CO., LTD.		Number of Shares of the Company Held: 23,700 shares Record of attendance to Board of Directors Meetings: 8/8
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)			
Reasons for choosing the person as candidate	Keizo Morikawa has promoted CSR management by leading management for five years as President, Representative Director. Also, he has realized structural reform for the growth of the Group and the enhancement of corporate governance structures. In light of these experience, the Company proposes Keizo Morikawa maintain his position as Director.			


2	Hiroshi Kiriya	Reappointment	June 20, 1955	
Career Summary and Status		Assignment at the Company		
April 1979	Joined Daikyo Oil Co., Ltd.	Corporate Planning Dept.		Number of Shares of the Company Held: 12,000 shares Record of attendance to Board of Directors Meetings: 8/8
June 2011	Senior Executive Officer, General Manager, Corporate Planning Dept. and Change Promotion Dept., COSMO OIL CO., LTD.	Business Portfolio Management Dept. Corporate Communication Dept. Finance Dept.		
June 2012	Senior Executive Officer			
June 2013	Director, Senior Executive Officer			
October 2015	Director, Senior Managing Executive Officer of the Company	Status of Significant Concurrent Position(s)		
June 2016	Representative Director, Executive Vice President (current position)	Director, MARUZEN PETROCHEMICAL CO., LTD.		
Reasons for choosing the person as candidate	Hiroshi Kiriya appropriately carries out management execution toward completing the Group's Medium-Term Management Plan as Director responsible for the Corporate Planning Dept. Also, he possesses abundant expertise and experience regarding overall corporate management and has been improving the function of the Board of Directors by actively communicating at the Board of Directors Meetings. Taking the above into account, the Company believes he is the most suitable person to shoulder management of the Group, and proposes Hiroshi Kiriya maintain his position as Director.			

3	Yasushi Ohe	Reappointment	July 26, 1955	
Career Summary and Status		Assignment at the Company		
April 1979	Joined Daikyo Oil Co., Ltd.	CSR Management Dept.		Number of Shares of the Company Held: 9,500 shares
June 2009	Executive Officer, General Manager, Supply & Demand Coordination Dept., COSMO OIL CO., LTD.	Legal Dept. Human Resource & General Affairs Dept.		
June 2012	Senior Executive Officer, General Manager, Crude Oil & Tanker Dept.			Record of attendance to Board of Directors Meetings: 8/8
June 2013	Senior Executive Officer	Status of Significant Concurrent Position(s)		
June 2014	Director, Senior Executive Officer	None		
October 2015	Director, Senior Executive Officer of the Company			
June 2016	Director, Senior Managing Executive Officer (current position)			
Reasons for choosing the person as candidate	Yasushi Ohe appropriately executes the Company's CSR management, primarily as the Director responsible for the administrative functions. 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 Yasushi Ohe maintain his position as Director.			

4	Kenichi Taki	Reappointment	February 26, 1957	
Career Summary and Status		Assignment at the Company		
April 1975	Joined Daikyo Oil Co., Ltd.	IT system Dept.		Number of Shares of the Company Held: 7,900 shares
June 2008	General Manager, Internal Auditing Office, COSMO OIL CO., LTD.	Accounting Dept.		
June 2012	Executive Officer, General Manager, Accounting Dept.	Status of Significant Concurrent Position(s)		Record of attendance to Board of Directors Meetings: 7/7
June 2014	Senior Executive Officer, General Manager, Accounting & Finance Dept.	Director (Audit and Supervisory Committee Member), KYOEI TANKER CO., LTD.		
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			
June 2016	Director, Senior Executive Officer (current position)			
Reasons for choosing the person as candidate	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. The Company believes he is the most suitable person to shoulder the Group's Accounting Dept. as a Director, and proposes Kenichi Taki maintain his position as Director.			

5	Koji Moriyama	New appointment	December 17, 1961	 <p>Number of Shares of the Company Held: 3,800 shares</p>
Career Summary and Status		Deputy Assignment at the Company		
April 1984	Joined Daikyo Oil Co., Ltd.	Corporate Planning Dept.		
June 2008	General Manager, Sales Support Dept., COSMO OIL CO., LTD.	Business Portfolio Management Dept.		
June 2014	Executive Officer, General Manager, Corporate Planning Dept.	Corporate Communication Dept. Finance Dept.		
October 2015	Executive Officer, General Manager, Corporate Planning Dept. of the Company	Status of Significant Concurrent Position(s)		
June 2016	Senior Executive Officer, General Corporate Planning Dept.	None		
April 2017	Senior Executive Officer (current position)			
Reasons for choosing the person as candidate	Koji Moriyama worked for many years in the Corporate Planning Dept. and possesses knowledge of a wide range of the Group's operations. Also, in recent years, based on this knowledge, he has been giving appropriate advice to the management from a managerial perspective as an Executive Officer. The Company judges that he is qualified to be the Director in charge of the Corporate Planning Dept. going forward, and proposes his election as Director.			

6	Musabbeh Al Kaabi	New appointment Outside Director	September 27, 1971	 <p>Number of Shares of the Company Held: 0 shares</p>
Career Summary and Status		Status of Significant Concurrent Position(s)		
October 1997	Joined Abu Dhabi National Oil Company	Chief Executive Officer, Petroleum and Petrochemicals, Mubadala Investment Company		
July 2007	Manager, Exploration Division			
October 2013	Chief Growth Officer, Mubadala Petroleum			
December 2014	Chief Executive Officer			
February 2017	Chief Executive Officer, Petroleum and Petrochemicals, Mubadala Investment Company (current position)			
Reasons for choosing the person as candidate	Musabbeh Al Kaabi is engaged in the Oil Exploration and Production Business at the Abu Dhabi National Oil Company, and has experience serving as an officer at many corporations in the energy industry outside of Japan. The Company judges him capable of properly executing the duties of an Outside Director with his international viewpoint regarding the petroleum industry, and proposes his election as Outside Director.			

7	Khalifa Al Suwaidi	New appointment Outside Director	January 16, 1977	 Number of Shares of the Company Held: 0 shares
Career Summary and Status		Status of Significant Concurrent Position(s)		
September 2000	Joined Abu Dhabi Polymers Company	Executive Director, Refining & Petrochemicals, Mubadala Investment Company		
October 2008	Senior Vice President, Corporate Planning & Support Unit, Abu Dhabi National Chemical Company			
October 2010	Deputy Chief Executive Officer			
February 2016	Acting Chief Executive Officer			
March 2017	Executive Director, Refining & Petrochemicals, Mubadala Investment Company (current position)			
Reasons for choosing the person as candidate	Khalifa Al Suwaidi has worked at Abu Dhabi National Chemical Company for many years and possesses abundant knowledge and management experience regarding petrochemicals. The Company judges that he will provide proper oversight of management as an Outside Director, and proposes his election as Outside Director.			

- (Notes) 1. No special interests exist between the Company and any of the other candidates.
2. For Kenichi Taki was newly elected as Director at the 1st Ordinary General Meeting of Shareholders held on June 21, 2016, the above number of holding of Board of Directors for him differs from the number for the other candidates for Directors.
3. Musabbeh Al Kaabi and Khalifa Al Suwaidi are the candidates for Outside Directors.
4. Musabbeh Al Kaabi served for Abu Dhabi National Oil Company (ADNOC) and ADNOC is the Company's specified related operator.
5. If the appointment of Musabbeh Al Kaabi and Khalifa Al Suwaidi is approved, the Company plans to enter into agreements with them to limit the liability provided for in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the said act. The maximum amount of the liability for damages shall be the minimum liability amount as provided for in Article 425, Paragraph 1 of the said act.


Proposal No. 3:**Election of Three (3) Directors who are Members of the Supervisory Committee**


The terms of office of all three (3) Directors who are Members of the Supervisory Committee will expire at the close of this General Meeting of Shareholders. Therefore, it is proposed that three (3) Directors who are Members of the Supervisory Committee be elected.


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

The candidates for Directors who are Members of the Supervisory Committee are as follows.

Candidate No.	Name	Current Status and Assignment at the Company		
1	Sakae Kanno	Director (Member of the Supervisory Committee)	Reappointment	Outside Director
2	Teruo Miyamoto	Director (Member of the Supervisory Committee)	Reappointment	Outside Director
3	Katsuhisa Ohtaki	Director (Full-time Member of the Supervisory Committee)	Reappointment	

1	Sakae Kanno	Reappointment Outside Director	June 18, 1947	
Career Summary and Status		Status of Significant Concurrent Position(s)		 Number of Shares of the Company Held: 0 shares Record of attendance to Board of Directors Meetings: 8/8
April 1971 June 2003 June 2007 June 2011 June 2013 October 2015	Joined The Kansai Electric Power Co., Inc. Managing Director, The Kansai Electric Power Co., Inc. Executive Vice President and Director, The Kansai Electric Power Co., Inc. Audit & Supervisory Board Member, The Kansai Electric Power Co., Inc. (current position) Audit & Supervisory Board Member of COSMO OIL CO., LTD. Outside Director (Members of the Supervisory Committee) of the Company (current position)	Audit & Supervisory Board Member, The Kansai Electric Power Co., Inc.		
Reasons for choosing the person as candidate	Sakae Kanno has experience as a director and audit & supervisory board member at the Kansai Electric Power Co., Inc. He has served as an Audit & Supervisory Board Member of COSMO OIL CO., LTD. since 2013, and as an Outside Director who is a Member of the Supervisory Committee of the Company since 2015. The Company judges him capable of properly executing duties from his wide-ranging viewpoint, which extends beyond the industry to which the Company belongs, and proposes Sakae Kanno maintain his position as Outside Director who is a Member of the Supervisory Committee.			

2	Teruo Miyamoto	Reappointment Outside Director	March 12, 1947	
Career Summary and Status		Status of Significant Concurrent Position(s)		 <p data-bbox="1190 524 1410 618">Number of Shares of the Company Held: 0 shares</p> <p data-bbox="1190 654 1436 779">Record of attendance to Board of Directors Meetings: 8/8</p>
April 1969	Joined Tokyo Electric Co., Ltd. (Currently Toshiba Tec Corporation)	None		
February 1997	Acting General Manager on Corporate Planning of General Affairs Group and Acting General Manager on International Affairs of General Affairs Group, Toshiba Tec Corporation			
June 1999	Deputy General Manager of General Affairs Department and Acting General Manager on Legal Affairs of General Affairs Group, Toshiba Tec Corporation			
June 2002	Full-time Audit & Supervisory Board Member, Toshiba Tec Corporation			
October 2009	Managing Director & Assistant Secretary General, Japan Audit & Supervisory Board Members Association			
October 2010	Executive Managing Director & Secretary General, Japan Audit & Supervisory Board Members Association			
October 2011	Representative Executive Managing Director & Secretary General, Japan Audit & Supervisory Board Members Association			
November 2014	Advisor, Japan Audit & Supervisory Board Members Association			
October 2015	Outside Director (Members of the Supervisory Committee) of the Company (current position)			
Reasons for choosing the person as candidate	<p>Teruo Miyamoto, after serving as an Audit & Supervisory Board Member at Toshiba Tec Corporation and holding important positions at the Japan Audit & Supervisory Board Members Association, has served as an Outside Director who is a Member of the Supervisory Committee of the Company since 2015. The Company judges him capable of properly executing duties while making the most of his experience and knowledge as a corporate governance specialist, and proposes Teruo Miyamoto maintain his position as Outside Director who is a Member of the Supervisory Committee.</p>			

3	Katsuhisa Ohtaki	Reappointment	February 17, 1956	 Number of Shares of the Company Held: 11,500 shares Record of attendance to Board of Directors Meetings: 8/8
Career Summary and Status			Assignment at the Company	
April 1978	Joined Daikyo Oil Co., Ltd.	None		
June 2005	General Manager, Sendai Branch Office of COSMO OIL CO., LTD.			
June 2007	Executive Officer, General Manager, Industrial Fuel Marketing Dept.			
June 2009	Executive Officer, General Manager, Yokkaichi Refinery			
June 2011	Senior Executive Officer, General Manager, Yokkaichi Refinery			
March 2012	Senior Executive Officer, General Manager, Chiba Refinery			
June 2014	Director, Senior Executive Officer			
October 2015	Director (Full-Time Member of the Supervisory Committee) of the Company (current position)			
Reasons for choosing the person as candidate	Katsuhisa Ohtaki, after gaining experience in the Group's broad fields of operation, served as a Director who is a Full-time Member of the Supervisory Committee since 2015. He fulfilled the Company's appropriate and smooth transition to a company with a supervisory committee and afterward he has been properly executing duties. Accordingly, the Company proposes Katsuhisa Ohtaki maintain his position as Director who is a Member of the Supervisory Committee.			

- (Notes)
- No special interests exist between the Company and any of the other candidates.
 - Sakae Kanno and Teruo Miyamoto are candidates for Outside Directors.
 - The Kansai Electric Power Co., Inc., where Sakae Kanno serves as an audit & supervisory board member, is a major shareholder of the Company. Also, the Group and the Kansai Electric Power Co., Inc. have a business relationship that includes buying and selling transactions involving petroleum products. However, the percentage of the shares of the Company held by the Kansai Electric Power Co., Inc., is 2.19%, and the sales between said company and the Company were less than 0.2% of either company's consolidated net sales in the fiscal year under review. Therefore, the Company judges that Sakae Kanno maintains sufficient independence. Sakae Kanno will retire from the position of audit & supervisory board member of the Kansai Electric Power Co., Inc. at the ordinary general meeting of shareholders of the said company to be held on June 28, 2017.
 - Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with Sakae Kanno and Teruo Miyamoto to limit the liability for damages under Article 423, Paragraph 1 of the said act. The maximum amount of the liability for damages shall be the minimum liability amount as provided for in Article 425, Paragraph 1 of the said act.
 - The Company has notified Sakae Kanno and Teruo Miyamoto as Independent Directors to the Tokyo Stock Exchange. If Sakae Kanno and Teruo Miyamoto are elected as Outside Directors who are Members of the Supervisory Committee, the Company will continue to notify the said Exchange of their election as Independent Directors.
 - 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.
 - Sakae Kanno and Teruo Miyamoto are currently the Outside Directors who are Members of the Supervisory Committee. The terms of office of them will reach about one (1) year and nine (9) months at close of this Meeting.

Proposal No. 4:**Election of Two (2) Substitute Directors who are Members of the Supervisory Committee**


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 two (2) Substitute Directors who are Members of the Supervisory Committee in advance.

The Company requests the election of Soichi Yukawa as a substitute for Outside Director who is a Member of the Supervisory Committee, and requests the election of Takehiko Kitawaki as a substitute for Director who is a Member of the Supervisory Committee (excluding Outside Director).

A resolution for the election of Substitute Directors who are Members of the Supervisory Committee shall cease to be effective by the resolution of the Board of Directors with the consent of the Supervisory Committee, only before the Substitute Directors who are Members of the Supervisory Committee assume office as Directors who are Members of the Supervisory Committee.

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

The candidates for Substitute Directors who are Members of the Supervisory Committee are as follows.

1	Soichi Yukawa	Outside Director	April 20, 1949	 Number of Shares of the Company Held: 100 shares
Career Summary and Status			Status of Significant Concurrent Position(s)	
April 1972	Joined Tateisi Electric Manufacturing Co. (Currently OMRON Corporation)	None		
June 1999	Managing Executive Officer, OMRON Corporation			
June 2001	Chairman, OMRON Management Center of Europe and Chairman, OMRON Management Center of America			
June 2003	Senior Managing Executive Officer, OMRON Corporation and President, Electronic Components Business Company			
June 2009	Full-time Audit & Supervisory Board Member, OMRON Corporation (until June 2013)			
Reasons for choosing the person as candidate	Soichi Yukawa makes use of his experience gained as an Executive Officer and an Audit & Supervisory Board Member at OMRON Corporation, and possesses broad knowledge that differs from what is common in the industries the Company operates in. Accordingly, the Company judges that it is appropriate to propose Soichi Yukawa maintain his position as Substitute Outside Director who is a Member of the Supervisory Committee.			

2		Takehiko Kitawaki	April 30, 1959
Career Summary and Status		Assignment at the Company	
July 1993	Joined COSMO OIL CO., LTD.	General Manager, Legal Dept.	
June 2010	General Manager, Affiliate Relations Dept.		
June 2011	General Manager, General Affairs Dept.	Status of Significant Concurrent Position(s)	
June 2015	Executive Officer, General Manager, Legal Dept.		
October 2015	Executive Officer, General Manager, Legal Dept. of the Company	None	
June 2016	Senior Executive Officer, General Manager, Legal Dept. of the Company (current position)		
Reasons for choosing the person as candidate	Takehiko Kitawaki has a broad understanding of the Company's overall operations and has been appropriately supporting management from a legal perspective as a Senior Executive Officer, General Manager of the Legal Dept. Based on this, the Company judges that it is appropriate to propose Takehiko Kitawaki maintain his position as Substitute Director who is a Member of the Supervisory Committee.		



Number of Shares of the Company Held: 2,700 shares

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

2. If the appointment of Soichi Yukawa is approved and he assumes the position of Outside Director who is a Member of the Supervisory Committee, the Company plans to enter into an agreement with him to limit the liability provided for in Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the said act. The maximum amount of the liability for damages shall be the minimum liability amount as provided for in Article 425, Paragraph 1 of the said act.

(Reference) Independence Standards for Outside Directors

The Company considers an outside director of the Company as an independent outside director with adequate independence, if such director fulfills requirements for independence specified by the Companies Act and Tokyo Stock Exchange, and does not fall under any of the items of the following standards:

- (1) An executing person of the Group (Note 1)
- (2) A major shareholder of the Company (holding 10% or more voting rights directly or indirectly) or an executing person thereof (Note 2)
- (3) An executing person of companies which fall under any of the following:
 - A) A major business partner of the Group (Note 3)
 - B) A major lender to the Group (Note 4)
- (4) A certified public accountant who belongs to an audit company, which serves as an accounting auditor of the Group
- (5) A consultant, accountant, tax accountant, attorney-at-law, judicial scrivener or patent attorney who receives cash or other assets of more than ¥10 million annually from the Group
- (6) A person who accepts donation of more than ¥10 million annually from the Group
- (7) A person from a company with which the Company sends an outside director reciprocally
- (8) A person whose close relatives fall under any of the above items from (1) to (7) [limited only to important persons except (4) and (5)]
- (9) A person who fell under any of the above items from (2) to (8) for the past five years
- (10) Notwithstanding the provisions of each of the above items, a person who has special grounds which may cause a conflict of interest with the Company.

(Note 1) The Group is consisted of consolidated companies of the Company, while graduates mean a person who is or used to be an executive director, executive officer, employer or employee of such consolidated companies.

(Note 2) A major shareholder means a shareholder holding more than 10% of shares on a basis of voting rights under his/her/its own name or in somebody else's name as of the end of the fiscal year of the Company.

(Note 3) A major business partner means a purchaser or a supplier of the Group's products, the annual transaction volume with which exceeds 2% of consolidated net sales of the Company or the counterparty.

(Note 4) A major lender means a financial institution from which the Group borrows money, where the balance of borrowings as of the end of the fiscal year of the Company exceeds 2% of the consolidated total assets of the Company or the relevant financial institution.

1. Business Overview

(1) Principal Business Lines (as of March 31, 2017)

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 sales of communications equipment, etc.

The business segments and core business companies, 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.

Nearly one and a half years have passed since the transition to a holding company structure in October 2015. Under this new structure, each company's responsibilities and authority have been clearly defined, and as a result, core business companies have been able to further expedite decision-making on important transactions including investments and alliances.

Since the transition to a company with a supervisory committee and the establishment of the Nomination and Remuneration Advisory Committee, the Group has strengthened the functions for auditing and supervising executing persons, enhanced the transparency and objectivity of processes, etc. for determining the candidates for Directors and remuneration for executives, and further solidified its governance structure.

(2) 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 increased exports as the economy in emerging countries such as China recovered in the second half. This was all despite sluggish consumer spending and capital investment and economic slowdown in these emerging countries in the first half.

With respect to [crude oil prices](#), the price for Dubai crude oil began the fiscal year in the \$36 per barrel range, then climbed to the \$50 per barrel range after OPEC reached an agreement to cut crude oil production in November, and subsequently remained between \$52 and \$54 per barrel, before ultimately ending the fiscal year in the \$50 per barrel range.

As for [exchange rates](#), the Japanese yen started the fiscal year at the ¥112 per dollar level, tentatively rose to the ¥100 per dollar level in August due to the UK's referendum result to leave the EU, and then became weaker against the U.S. dollar due to Donald Trump's victory in the U.S. presidential election in November, before ultimately ending the fiscal year at the ¥112 per dollar level.

[Domestic demand for petroleum products](#) fell overall compared with the previous year. Although results for gasoline and diesel fuel remained unchanged compared with the previous year with demand propped up by a decline in the product market, demand for kerosene and heavy fuel oil A was higher than the previous year due to severe winter weather while demand for heavy fuel oil C significantly decreased due to a shift toward the use of alternative fuels.

As for [petrochemical products](#), production fell compared with the previous year due to the shutdown of an ethylene plant and a series of regular maintenance activities, while domestic demand remained unchanged compared with the previous year. Domestic and Asian product markets remained strong.

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, net sales was ¥2,292.3 billion, up 2.1% from the previous year. Operating income and ordinary income totaled ¥92.2 billion and ¥81.4 billion compared to loss of ¥29.7 billion and ¥36.1 billion in the previous year, respectively. Net sales, operating income and ordinary income are all improved significantly.

Factors for these increases include recorded inventory valuation gains affected by the rise in price of crude oil in the petroleum business and a large contribution to profits in the petrochemical business by Maruzen Petrochemical Co., Ltd., which has been consolidated.

The business segment information is as follows.

Four Basic Policy Objectives

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

(Note) IPIC became a group company of Mubadala Investment Company, effective January 21, 2017.

Business Segment Information

(Millions of yen)

	Oil Exploration and Production Business	Petroleum Business	Petrochemical Business	Other	Adjustments	Consolidated
Net Sales	44,536	2,099,895	378,443	60,642	-291,236	2,292,280
Segment Income	9,347	41,168	22,177	3,757	4,997	81,448

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 and safe operations in the existing oil fields and acquisition of new oil field concessions as well as extension thereof with the Middle East mainly including the Emirate of Abu Dhabi, a member of the United Arab Emirates, and the State of Qatar 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 oil exploration and production business.

Abu Dhabi Oil Co., Ltd., aiming to start productions at the Hail Field in the fiscal 2017, has completed dredging of water channels and development of an artificial island, and has begun drilling a wellbore. 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., aiming to further increase production volume, started drilling a new wellbore in the A-Structure South oil field in March.

United Petroleum Development Co., Ltd. expedited stable production in on-stream oil fields and continuously held discussions with the governments of Abu Dhabi and the State of Qatar regarding the concession renewal in 2018.

As a result of the above, net sales in the oil exploration and production business was ¥44.5 billion, down 20.2% from the previous year, and segment income (ordinary income) was ¥9.3 billion.

Petroleum Business

Initiatives for safe operation and stable supply

With regard to the safety management systems of our refineries, we launched the Operations Management System (OMS) (Note), an integrated system of Cosmo Oil Co., Ltd., in January 2016. Since then, we have also implemented stricter safety measures than those required by laws and regulations, aiming to achieve safe operations and a stable supply at a level higher than the global standard. As a result, we have been able to enhance the safety and reliability of facilities and reduce damage that may be incurred due to natural or other disasters.

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

Initiatives for improving of profitability focusing mainly on supply division

At the Chiba Refinery, Keiyo Seisei JV G.K., which was established in January 2015 jointly by the Company and TonenGeneral Sekiyu K.K. (currently JXTG Nippon Oil & Energy Corporation), started to install pipelines which link the refineries of the two companies. The tunnel boring work was completed in March. We are currently scheduled to complete the construction of pipelines by around mid-2018. We have been and will keep considering optimizing and improving the efficiency of facilities so that the refineries become “internationally competitive top-notch domestic facilities.”

As for crude oil procurement, we have striven to diversify suppliers so that we can obtain highly profitable oil types to the extent possible while attempting to stabilize procurement by choosing mainly Middle East suppliers. In May, we became the first domestic distributor of petroleum to procure U.S. crude oil, following the U.S. government lifting its crude oil export ban.

As a step toward globally acquiring customers and partners, we have participated in technology projects mainly in Middle Eastern nations and strengthened our overseas technological cooperation activities using the technologies and knowhow that the Cosmo Energy Group has accumulated to date by accepting refinery operators from Asia and the Middle East to be trained at our refineries.

Strengthening the retail business

In our retail business, we continued implementing measures for “Creating new customers,” “Enhancing relationships with customers,” and “Making proactive efforts to sell vehicles” under our “Cosmo B-cle Vision,” aiming to actively transform our business model from petroleum distribution to one in which we provide car life value which offers our customers total car life solutions.

The “Cosmo My Car Lease” that provides opportunities to enjoy car life “easily, freely and lightly” was popular particularly among senior citizens and female drivers. As a result, it has achieved an accumulated total of over 37,000 vehicle lease contracts. As part of these measures, we have opened “Car Consultation Desk B-cle Shop” outlets, which offer auto leasing and purchase, car insurance plans, vehicle inspection, maintenance services and vehicle sales, and increased their number to 100 nationwide.

With respect to efforts for “Creating new customers” through the issuance of “Cosmo The Card,” the number of valid membership cards increased by approximately 50,000 over the previous year to 4,440,000, as a result of improving its attractiveness and user-friendliness.

To achieve “Enhancing relationships with customers,” we also offer services through “COSMO B-cle LIFE,” an Internet marketing system for Cosmo The Card members. The cumulative downloads of the smart phone application for this system increased by 200,000 over the previous year to approximately 570,000. Using this application, we have actively striven to perform various activities including the issuance of coupons and announcements depending on the purchase history of each customer.

R&D initiatives

In the R&D realm, we started a joint research with Japan Oil, Gas and Metals National Corporation (“JOGMEC”) in July, aiming to develop a technology for reducing crude oil sludge (sediment) that accumulates at the bottom of the crude oil tank. By realizing this technology, we will be able to extract oil content from sludge for recycling purposes and reduce industrial waste.

As a result of the above, net sales in the petroleum business were ¥2,099.9 billion, down 5.5% from the previous year, and segment income (ordinary income) was ¥41.2 billion.

Petrochemical Business

As a result of making Maruzen Petrochemical Co., Ltd. our consolidated subsidiary in March 2016, we became able to manage the Chiba Plant of Maruzen Petrochemical Co., Ltd. and Chiba Refinery in an integrated manner and enhance the competitiveness of the entire complex in the petrochemical business. As the first specific measure, three companies (the Company, Maruzen Petrochemical Co., Ltd. and Arakawa Chemical Industries, Ltd.) started to consider jointly conducting the hydrogenated polymer resin business. As this business has growth potential amid a global expansion of demand for sanitary products such as paper diapers, we are considering establishing a joint venture company that manufactures and sells hydrogenated polymer resins.

Maruzen Petrochemical Co., Ltd. has completed the construction of the world's first energy-saving distillation system (SUPERHIDIC[®]) at its Chiba Plant. This system can limit energy input from outside through heat exchange optimization within distillation columns, and achieve 50% or more energy savings.

As for Hyundai Cosmo Petrochemical Co., Ltd. (HCP), a joint venture between Hyundai Oilbank Co., Ltd. of South Korea and Cosmo Oil Co., Ltd., each company in the Group consistently supplied mixed xylene during the fiscal year. As a result, HCP's paraxylene production facilities ran stably through the year, contributing to increasing the Group's revenues.

As a result of the above, net sales in the petrochemical business were ¥378.4 billion, an increase of 686.3% from the previous year, and segment income (ordinary income) was ¥22.2 billion.

Other

Renewable energy business

In the business of wind-power generation, Eco Power Co., Ltd. has continued steady operation of wind power generation facilities (the overall power generation capacity: 212,000 kW). This has resulted in revenue gains over seven consecutive years and income exceeding the previous year. As for development of new wind power generation facilities, we launched commercial operations in February for the Watarai Wind Farm (Mie Prefecture), while construction is on course for the launch of commercial operations in fiscal 2017 for the Sakata Port site (Yamagata Prefecture) and the Ishikari Bay New Port site (Hokkaido). We have also continued taking part in offshore wind power operations in the Port of Akita and the Port of Noshiro in Akita Prefecture and continued pursuing possibilities for future business ventures.

In the mega solar business, CSD Solar G.K., established as a joint venture with Showa Shell Sekiyu K.K. and Development Bank of Japan Inc., started commercial operations at Omishima Solar Power Plant (Ehime Prefecture) in June. We have currently completed the construction of solar power plants that had been ongoing since fiscal 2014 at eight sites nationwide (the overall power generation capacity: 24,000 kW). These plants have continued stable operation.

Other

At the Yokkaichi Kasumi Power Plant of Yokkaichi Kasumi Power Co., Ltd. that we established jointly with Development Bank of Japan Inc. in February 2016, we performed renovation work to enable power generation using petroleum coke. After the completion of this renovation work, we will be able to supply electric power using petroleum coke produced at the Sakai Refinery.

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. To reduce costs and achieve operational efficiency, standardization, and quality enhancement using know-how that complies with global standards, we also considered using Business Process Outsourcing (BPO) and partially outsourcing back-office operations to external parties. This operation started in April 2017.

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.

As a result of the above, net sales in the other business was ¥60.6 billion, down 15.1% from the previous year, and segment income (ordinary income) was ¥3.8 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. Also, we worked on our efforts to achieve our overall objective of “Earning social trust and always making a positive contribution to society.”

Enhancing human rights/personnel policies

Our Diversity Promotion Dept. took the initiative in providing support to the physically challenged, planning/managing follow-up measures for employees on maternity/nursing care leave, and implementing the tentative work-at-home program for employees on maternity 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 backgrounds are motivated to play active roles, we generally succeeded in cutting back prolonged work, with annual working hours of 1,900 hours as the goal.

Promoting environmental initiatives and communication initiatives

Under the Cosmo Energy Group “Living with Our Planet” slogan, the entire Group promoted environmental measures. In July, we received a decoration from the Solomon Islands in the South Pacific, as our environmental conservation activities such as the establishment of an agricultural training center in these Islands and the provision of agricultural equipment through the “Cosmo Oil Eco Card Fund” were highly regarded.

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 various social contribution activities that draw on employee involvement such as clean-up activities nationwide including Mt. Fuji and the 24th anniversary of the “Cosmo Waku Waku Camp” program offered every year for elementary-school aged children who have lost their parent(s) in traffic accidents.

(3) Issues to be Addressed

With respect to the business outlook, despite uncertainty about the effects of government policies of the new administrations in Europe and the United States, the Japanese economy is expected to continue its moderate recovery centered on private demand supported by continued improvements in the employment and income situations. In the petroleum industry, while the downward trend of domestic demand for fuel oil looks to persist due to improved fuel efficiency of vehicles, and heightened awareness of energy saving requirements in society, outside Japan, demand for petroleum products is expected to increase mainly in growing Asian countries.

In the business environment, we will continue striving to steadily implement measures based on the four basic policy objectives under the Fifth Consolidated Medium-Term Management Plan that ends in fiscal 2017, and ensure to recover strategic investments made in the past. We will also continuously work to strengthen profitability through the further rationalization and improvement of efficiency, and to reduce interest-bearing debt to improve our financial standing. In addition, as significant environmental changes are expected to continue in the petroleum industry, we will take necessary measures to prepare for the Age of Internet of Things (IoT) and Artificial Intelligence (AI), depict our long-term vision for the future focusing on Environment/Social/Governance (ESG) and CSR, looking ahead to 2030, and prepare the Sixth Consolidated Medium-Term Management Plan which starts in fiscal 2018 by positioning it as the starting point of such vision.

With respect to [the Oil Exploration and Production Business](#), we will steadily proceed with development of the Hail Field in Abu Dhabi which is expected to start full-scale production from the fiscal 2017. We will proceed with drilling a new wellbore in the A-Structure South oil field in the State of Qatar, and aim to expand production volume.

With regard to [the Petroleum Business](#), we made a Capital and Business Alliance Agreement with Kygnus Sekiyu K.K. in February, aiming to becoming the third force in the domestic petroleum industry. Under this agreement, we acquire 20% of its shares. Aiming to start supplying petroleum products within three years, we will discuss and consider the specific details.

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 continuously work to optimize refining facilities at the Yokkaichi Refinery starting in fiscal 2017 based on the business alliance with Showa Yokkaichi Sekiyu Co., Ltd., and to build on our competitive strengths with respect to refineries at the Chiba Refinery for which the pipeline construction is scheduled to be completed around mid-2018.

In terms of sales, we have a vision to meet demand for overall car life, not just fuel oil, based on the three policies of the “Cosmo B-cle Vision” which are “Creating new customers,” “Enhancing relationships with customers,” and “Making proactive efforts to sell vehicles.” Under this vision, we will continue to initiate an innovative business model that involves providing car life value while promoting measures such as cross-industry alliances mainly with the Aeon Group, service expansion via the Internet and the nationwide launch of B-cle shops.

As for [the Petrochemical Business](#), we will work on to start a joint business of the hydrogenated polymer resin with Maruzen Petrochemical Co., Ltd. and Arakawa Chemical Industries, Ltd., consider using external consultants to promote the integration of the petroleum refinery and petrochemical operations in the Chiba region, and strengthen our competitive advantage by creating synergy within the Group. We will also continue to maintain the alliance with Hyundai Oilbank Co., Ltd. in terms of various business areas including joint procurement of naphtha, paraxylene business conducted through HCP, research and development activities, and the strengthening of safety at refineries. Through these activities, we aim to make the petrochemical business grow into the fourth leading business after oil exploration and production, oil refining, and 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 212,000 kW of the overall power generation capacity, which is the top class in the petroleum industry. Moreover, we will steadily implement construction of the Sakata Port site and Ishikari Bay New Port site. We will also consider further construction of new wind-power generation equipment, as well as implement the construction of

the Himekami site (Iwate Prefecture), aiming to launch commercial operation in fiscal 2019.

In addition to these activities, as part of strengthening the alliance with IPIC pursuant to one of the basic policies of the Fifth Consolidated Medium-Term Management Plan, we will further consider the exchange of technologies with Compañía Española de Petróleos S.A.U. (CEPSA: Spanish integrated energy company), with which we concluded a memorandum pertaining to our strategic comprehensive alliance in fiscal 2013 as a measure for business expansion, and cooperation with them in the area of crude oil and petroleum product marketing.

For [further enhancement of CSR management](#), we will, in addition to pre-existing measures based on the CSR Initiative Policy, as part of our ESG-related activities, strengthen governance, implement Work Style Reform, and pursue workplace diversity (by establishing various ways of working), with each employee faithfully performing their duties and meeting the expectations of society, thereby continuing to contribute to society.

The Cosmo Energy Group will continue to pursue aggressive business activities as well as a flexible and swift alliance strategy (collaboration, cooperation, integration) based on swift management judgment in response to changes in the business environment, and reinforce the competitive strengths of each of its businesses. Moreover, based on the new management structure, the Group will aim to achieve stable and sustainable growth and maximize the corporate value of the Group with the creation of the Sixth Consolidated Medium-Term Management Plan, which takes the long-term vision for the future into account, and by aiming to becoming the third force in the domestic petroleum industry.

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

(4) Production and Order Acceptance

Name of Business Segment		Production Volume	Changes from FY2015
Petroleum Business		Millions of yen	%
	Gasoline/Naphtha	233,179	-24.6
	Kerosene/Diesel Fuel	375,849	-8.8
	Heavy Fuel Oil	137,180	-13.1
	Other	57,075	-19.4
	Subtotal	803,285	-15.5
Oil Exploration and Production Business		14,446	-9.7
Petrochemical Business		195,046	720.6
Total		1,012,777	2.3

- (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.

Name of Business Segment	Amount of Orders	Changes from FY2015	Outstanding Orders	Changes from FY2015
Other	Millions of yen 9,061	% -12.7	Millions of yen 4,000	% -17.2

- (Note) 1. Amount above does not include consumption taxes.

(5) Sales

Name of Business Segment		Sales Volume	Changes from FY2015
Petroleum Business		Millions of yen	%
	Gasoline/Naphtha	942,807	-19.0
	Kerosene/Diesel Fuel	631,715	0.8
	Heavy Fuel Oil	193,988	-7.9
	Other	150,015	-14.6
	Subtotal	1,918,527	-11.9
Oil Exploration and Production Business		21,899	-3.4
Petrochemical Business		328,183	1,522.9
Other		23,670	-2.8
Total		2,292,280	2.1

- (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.

(6) Capital Investments

The Group spent a total of ¥120.3 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
- Petrochemical Business
 - Construction of production facilities
- Other
 - Structural alteration to power plants
 - New establishment of wind mills

(7) Financing Activities

The Company conducted no financing activities during the fiscal year under review by means of capital increase or bond issuance.

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

(Billions of yen)

	The 108th Term FY2013	The 109th Term FY2014	The 1st Term FY2015	The 2nd Term FY2016
Net Sales	3,537.8	3,035.8	2,244.3	22,923
Ordinary Income	41.8	-49.6	-36.1	814
Profit Attributable to Owners of Parent	4.3	-77.7	-50.2	532
Net Income per Share (yen)	5.13	-91.77	-594.85	633.32
Total Assets	1,696.8	1,428.6	1,409.6	15,257
Net Assets	261.1	207.5	202.7	2,728

- (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, (2) Review of Operations of the Group” for the operating results for the 2nd Term.
 3. For reference, the fiscal year figures for the 108th Term and 109th Term for Cosmo Oil Co., Ltd. are shown.

(9) Principal Offices and Plants (as of March 31, 2017)

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

(Note) As of April 1, 2017, COSMO OIL MARKETING COMPANY, LIMITED has five branches – East Japan (Sendai City), Kanto (Tokyo), Chubu (Nagoya City), Kansai (Osaka City) and West Japan (Hiroshima City).

(10) Major Subsidiaries and Affiliates (as of March 31, 2017)

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.	1	100.0	Planning in the energy exploration and production business
COSMO OIL CO., LTD.	1	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.	128	64.4	Development, production and sales of crude oil
MARUZEN PETROCHEMICAL CO., LTD.	100	52.7	Manufacture and sales of petrochemical products
(Affiliates)			
HYUNDAI COSMO PETROCHEMICAL CO., LTD.	KRW 632.2 billion	50.0	Manufacture and sales of petrochemical products
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 Energy Exploration & Production Co., Ltd. carried out a capital reduction, bringing its capital stock as of March 2017 to ¥0.1 billion.
- Cosmo Oil Co., Ltd. carried out a capital reduction, bringing its capital stock as of March 2017 to ¥0.1 billion.
- Abu Dhabi Oil Co., Ltd. carried out a capital increase, bringing its capital stock as of August 2016 to ¥12.8 billion and the Company's ratio of voting rights changed to 64.4%.
- The Group consists of 39 consolidated subsidiaries (a decrease of three companies from the previous year) and 30 companies under the equity method (a decrease of two 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 ¥2,292.3 billion, and profit attributable to owners of parent for the period was ¥53.2 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.

IPCI became a group company of Mubadala Investment Company, effective January 21, 2017.

(11) Employees (as of March 31, 2017)

1) Employees of Cosmo Energy Group

Name of Business Segment	Number of Employees (Persons)	Year-on-year Change (Persons)
Petroleum Business	4,541 (2,736)	203 (decreased)
Oil Exploration and Production Business	285 (61)	21 (decreased)
Petrochemical Business	1,098 (54)	27 (increased)
Other	935 (170)	60 (decreased)
Total	6,859 (3,021)	257 (decreased)

- (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.

2) Employees of the Company

Number of Employees (Persons)	Year-on-year Change (Persons)	Average Length of Service
136	21 (decreased)	17 years and 2 months

- (Notes)
1. Seconded employees (396), temporary employees and part-timers are not included in the number of employees.
 2. For the average length of service calculation, the length of service for Cosmo Oil Co., Ltd. is used.

(12) Principal Lenders (as of March 31, 2017)

(Billions of yen)

Lenders	Borrowed Amount
Mizuho Bank, Ltd.	156.2
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	122.7
Sumitomo Mitsui Banking Corporation	58.5
Japan Oil, Gas and Metals National Corporation	52.8
Development Bank of Japan Inc.	33.4

(Note) In addition to the above, there are borrowings via syndicated loans (¥112.7 billion in total).

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

None.

2. Share Information (as of March 31, 2017)

- (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: 1,474 shares)
- (3) **Number of Shareholders:** 29,488
- (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)	5,757	6.79
Mizuho Bank, Ltd.	3,153	3.71
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,975	2.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,899	2.24
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	1,529	1.80

(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, 2017)

Position	Name	Responsibilities	Significant Concurrent Positions
Chairman, Director	Yaichi Kimura		
President, Representative Director, Chief Executive Officer	Keizo Morikawa		Director, MARUZEN PETROCHEMICAL CO., LTD.
Representative Director, Executive Vice President	Hiroshi Kiriya	Responsible for Corporate Planning Dept., Corporate Communication Dept., Business Portfolio Management Dept., and Finance Dept.	Director, MARUZEN PETROCHEMICAL CO., LTD.
Director, Senior Managing Executive Officer	Yasushi Ohe	Responsible for CSR Management Dept., Legal Dept., Human Resource & General Affairs Dept., and Diversity Promotion Dept.	
Director, Senior Executive Officer	Kenichi Taki	Responsible for IT system Dept. and Accounting Dept.	Director (member of the Supervisory Committee), KYOEI TANKER CO., LTD.
Director	Mohamed Al Hamli		Vice Chairman and Director, International Petroleum Investment Company Vice Chairman and Director, Union National Bank
Director	Khalifa Al Romaithi		Investment Director, Downstream & Diversified Investment Division, International Petroleum Investment Company
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, Khalifa Al Romaithi, 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 to the Tokyo Stock Exchange.
 3. Kenichi Taki and Khalifa Al Romaithi assumed office as Directors after being newly elected on June 21, 2016.
 4. Mohamed Al Hamli serves as Vice Chairman and Director of International Petroleum Investment Company, and Khalifa Al Romaithi serves as an executing person of said company. Also, said company is the parent company of one of the Company's major shareholders.
 5. 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.
 6. 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.

7. Executive Officers

Position	Name	Responsibilities
Senior Executive Officer	Koji Moriyama	General Manager, Corporate Planning Dept.
Senior Executive Officer	Masayoshi Noji	General Manager, Business Portfolio Management Dept.
Senior Executive Officer	Takehiko Kitawaki	General Manager, Legal Dept.
Executive Officer	Toshiyuki Mizui	General Manager, Accounting Dept.
Executive Officer	Yasuhiro Suzuki	General Manager, Human Resource and General Affairs Dept.
Executive Officer	Takayuki Uematsu	General Manager, Finance 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, Khalifa Al Romaithi, 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)	385 (29)
Directors (Members of the Supervisory Committee) (of which, Outside Directors)	3 (2)	83 (43)
Total	10	468

(Note) 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.

(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	7 out of 8 times	-	Asked questions and expressed opinions as needed from an international viewpoint regarding the petroleum industry
Outside Director	Khalifa Al Romaiithi	7 out of 7 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	8 out of 8 times	16 out of 16 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	8 out of 8 times	16 out of 16 times	Asked questions and expressed opinions as needed from a professional viewpoint regarding the audit operation

(Note) Mr. Khalifa Al Romaiithi, Outside Director, assumed the position on June 21, 2016.

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	233
Amount of Moneys and Other Property Benefits to be Paid to the Accounting Auditor by the Company and Its Subsidiaries	379

- (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., Cosmo Oil International Pte., Ltd., Maruzen Petrochemical Co., Ltd., Keiyo Ethylene Co., Ltd. and Maruzen Chemical Trading Co., 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, 2017)

In order to put into practice the management vision and code of conduct 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 Vision and Code of Conduct>

- 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 a supervisory committee and will strengthen the management oversight function of the Board of Directors and ensure transparency and fairness of management judgment by appointing several Outside Directors. The Board of Directors will determine important matters in accordance with laws and regulations, the Articles of Incorporation, the resolution thereof and internal rules, and oversee the execution of duties of Directors.
- The Company is a holding company, and its structure consists of three core business companies. 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 properly retain and manage information pertaining to execution of duties by Directors.
- The Company will build an information security system for proper information use and management.

5) System to Report Matters concerning Execution of Duties of Directors, etc. of the Group Companies to the Company (Article 110-4, Paragraph 2, Item 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 a 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 eight meetings of the Board of Directors and 23 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 including the consideration of preventive measures related to consultations done through the Corporate Ethics Help Line.

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

The “Safety and Risk Management Committee” promoted safety management activities in group-wide business activities in order for the Group 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 FY2016 “Priority Risks” that identifies cross-group risks and defines matters to be dealt with preferentially, and by carrying out BCP drills at the Head Office and drills at the Provisional Crisis Response Headquarters to cope with major earthquakes.

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., and coordination with Audit & Supervisory Board Members of the Group, we carried out coordination between the Internal Audit Department and the Accounting Auditor.
- Furthermore, to ensure the Supervisory Committee’s audits are carried out in an effective manner, we assigned appropriate assistant employees in accordance with the basic policies for Internal Control Systems. In addition, we provided necessary and adequate information to the Supervisory Committee such as the documents for resolution,

minutes, and documents to be approved from the meetings, etc., that members of the Supervisory Committee do not attend.

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

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

Consolidated Balance Sheet
Fiscal Year 2016 (As of March 31, 2017)

(Unit: million yen)

Item	Amount	Item	Amount
Assets	<u>1,525,679</u>	Liabilities	<u>1,252,893</u>
Current assets	561,604	Current liabilities	655,473
Cash and deposits	45,292	Notes and accounts payable-trade	170,539
Notes and accounts receivable-trade	216,602	Short-term loans payable	225,169
Merchandise and finished goods	111,905	Commercial papers	51,400
Work in process	279	Accounts payable-other	92,428
Raw materials and supplies	131,181	Accrued volatile oil and other petroleum taxes	66,528
Accounts receivable-other	36,010	Income taxes payable	11,237
Deferred tax assets	3,760	Accrued expenses	3,182
Other	16,752	Provision for bonuses	5,326
Allowance for doubtful accounts	-181	Provision for director's bonuses	315
		Deferred tax liabilities	266
Noncurrent assets	963,573	Provision for business structure improvement	2,001
Property, plant and equipment	773,320	Other	27,079
Buildings and structures, net	150,866	Noncurrent liabilities	597,420
Oil storage depots, net	33,027	Bonds payable	46,700
Machinery, equipment and vehicles, net	161,690	Long-term loans payable	449,282
Land	320,496	Deferred tax liabilities	33,608
Leased assets, net	674	Deferred tax liabilities for land revaluation	5,243
Construction in progress	99,980	Provision for special repairs	13,781
Other, net	6,584	Provision for business structure improvement	212
Intangible assets	44,585	Provision for environmental measures	1,997
Software	3,032	Net defined benefit liability	5,516
Goodwill	721	Provision for executive remuneration BIP trust	296
Other	40,830	Asset retirement obligations	19,338
Investments and other assets	145,667	Other	21,441
Investment securities	105,720	Net assets	<u>272,786</u>
Long-term loans receivable	2,857	Shareholders' equity	173,231
Long-term prepaid expenses	6,716	Capital stock	40,000
Net defined benefit asset	1,928	Capital surplus	84,359
Cost recovery under production sharing	17,302	Retained earnings	49,985
Deferred tax assets	2,608	Treasury shares	-1,113
Other	8,899	Accumulated other comprehensive income	-8,508
Allowance for doubtful accounts	-365	Valuation difference on available-for-sale securities	4,794
Deferred assets	502	Deferred gains or losses on hedges	-233
Bond issuance cost	502	Revaluation reserve for land	-20,576
		Foreign currency translation adjustment	7,215
		Remeasurements of defined benefit plans	292
		Non-controlling interests	108,063
Total assets	1,525,679	Total liabilities and net assets	1,525,679

Consolidated Statements of Income

Fiscal Year 2016 (From April 1, 2016 to March 31, 2017)

(Unit: million yen)

Item	Amount	
I Net sales		2,292,280
II Cost of sales		2,079,727
Gross profit		212,553
III Selling, general and administrative expenses		120,370
Operating income		92,182
IV Non-operating income		
Interest income	218	
Dividend income	671	
Rent income on noncurrent assets	1,144	
Equity in earnings of associates	1,796	
Other	2,764	6,594
V Non-operating expenses		
Interest expenses	12,274	
Foreign exchange losses	1,058	
Other	3,995	17,328
Ordinary income		81,448
VI Extraordinary income		
Gain on sales of noncurrent assets	322	
Gain on sales of investment securities	910	
Gain on sales of shares of subsidiaries and associates	1,282	
Subsidy income	3,346	
Gain on bargain purchase	493	
Other	558	6,914
VII Extraordinary loss		
Loss on sales of noncurrent assets	195	
Loss on disposal of noncurrent assets	6,274	
Impairment loss	842	
Loss on valuation of investment securities	808	
Business structure improvement expenses	802	
Other	873	9,796
Profit before income taxes		78,565
Income taxes-current	18,267	
Income taxes-deferred	644	18,912
Profit		59,652
Profit attributable to non-controlling interests		6,417
Profit attributable to owners of parent		53,235

Consolidated Statements of Changes in Equity

Fiscal Year 2016 (from April 1, 2016 to March 31, 2017)

(Unit: million yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2016	40,000	84,509	259	△1,223	123,545
Changes of items during the period					
Dividends of surplus			△3,386		△3,386
Profit attributable to owners of parent			53,235		53,235
Purchase of treasury shares				△0	△0
Disposal of treasury shares		△31		110	78
Change of scope of consolidation			△10		△10
Reversal of revaluation reserve for land			△113		△113
Change in ownership interest of parent due to transactions with non-controlling interests		△117			△117
Net changes of items other than shareholders' equity					—
Total changes of items during the period	—	△149	49,725	109	49,685
Balance at March 31, 2017	40,000	84,359	49,985	△1,113	173,231

	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, 2016	3,042	△1,601	△20,660	8,507	△4,786	△15,499	94,665	202,712
Changes of items during the period								
Dividends of surplus								△3,386
Profit attributable to owners of parent								53,235
Purchase of treasury shares								△0
Disposal of treasury shares								78
Change of scope of consolidation								△10
Reversal of revaluation reserve for land			113			113		—
Change in ownership interest of parent due to transactions with non-controlling interests								△117
Net changes of items other than shareholders' equity	1,751	1,367	△28	△1,292	5,079	6,877	13,397	20,275
Total changes of items during the period	1,751	1,367	84	△1,292	5,079	6,990	13,397	70,073
Balance at March 31, 2017	4,794	△233	△20,576	7,215	292	△8,508	108,063	272,786

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: 39

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.

neo ALA Co., Ltd. (Cosmo ALA Co., Ltd., changed its corporate name to neo ALA Co., Ltd., on March 1, 2017) which was a consolidated subsidiary of the Cosmo Energy Group, was excluded from the scope of the consolidation of the Cosmo Energy Group, since it became an associated company of the Cosmo Energy Holdings Co., Ltd. through the sale of shares during this fiscal year. In addition, MARUZEN CHEMICAL TRADING Co., Ltd., which was a non-consolidated subsidiary of the Cosmo Energy Group, was included in the scope of the consolidation since it became more material during this fiscal year.

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

Reason for exclusion from accounting consolidation:

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

2. Items concerning the Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for Using the Equity Method: 19

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

Because MARUZEN CHEMICAL TRADING Co., Ltd. became more material during this fiscal year, it was excluded from the scope of equity method and was included in the scope of consolidation.

(2) Number of Associated Companies Accounted for Using the Equity Method: 11

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

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

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

Reasons for Exclusion from the Application of the Equity Method:

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

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

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

3. Items concerning the Accounting Periods of the Consolidated Subsidiaries

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

The consolidated financial statements herein have been developed by using their financial reports as of December 31, 2016 or February 28, 2017, and any material transactions arising between end of their fiscal year and consolidated fiscal year, the date for the consolidated settlement of accounts for the Company, are reflected on the consolidated financial statements herein by making necessary adjustments.

4. Items concerning the Accounting Policies

(1) Significant Asset Valuation Standards and Methods

1) Securities:

- 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 Act, and an amount equal to the estimated cost of periodically required repairs was added to the provision for FY2016.

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 FY2016 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.

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 FY2016, 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, 2017 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 primarily recognized in expenses as an amount prorated in the straight line method over a certain number of years (8 - 10 years), which is within the average of the estimated remaining years of service to be performed by the employees at the time of accrual, commencing with the consolidated fiscal year following the accrual time. Unrecognized actuarial gains and losses 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 in 5 years, providing that small-amount ones are amortized in a lump sum.

(Changes in Accounting Policies)

(Application of practical solution on a change in depreciation method due to Tax Reform 2016)

As a result of the revision of the Corporation Tax Act, the practical solution on a change in depreciation method due to Tax Reform 2016 (ASBJ Practical Issues Task Force No. 32, June 17, 2016) has been applied from FY2016, and the method of depreciating the buildings and accompanying facilities acquired on or after April 1, 2016, has been changed from the declining balance method to the straight line method.

The effect of this change on the consolidated financial statements and segment information for the FY2016 is negligible.

(Notes to Changes in Representation Methods)

(Consolidated Balance Sheet)

"Asset retirement obligations" included in "Other" noncurrent liabilities section of the Consolidated Balance Sheet for FY2015 are stated as a separate account item in the Consolidated Balance Sheet for FY2016 due to an increase in their importance.

(Consolidated Statements of Income)

"Rent income on noncurrent assets" included in "Other" non-operating income section of the Consolidated Statements of Income for FY2015 are stated as a separate account item in the Consolidated Statements of Income for FY2016 due to an increase in their importance.

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation for property, plant and equipment	¥976,300 million
2. Pledged Assets	
Breakdown of Assets Pledged as Collateral and Amounts thereof:	
Property, plant and equipment	¥147,451 million
Cash and deposits	¥8,672 million
Notes and accounts receivable-trade	¥6,008 million
Investment securities	¥130 million
Other	¥3,006 million
Secured Liabilities:	
Long-term loans payable (including repayments due within the next year)	¥54,532 million
Debts related to transactions with banks	¥20,991 million
3. Breakdown of the Compressed Amounts deducted from the Acquisition Cost due to the National Subsidy, etc thereof:	
Machinery, equipment and vehicles	¥3,393 million
Property, plant and equipment (other)	¥26 million
4. Contingencies	
Guaranty of Liabilities	
Hyundai Cosmo Petrochemical Co., Ltd.	¥2,110 million
(Liabilities to guarantee their borrowings from financial institutions)	
Japan Biofuels Supply LLP(Liabilities to guarantee their letter of credit transaction ,etc.)	¥1,761 million
Others (Liabilities to guarantee their borrowings from financial institutions, etc.)	¥233 million
5. 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:

¥32,664 million

6. Financial Covenants

Out of borrowings, borrowings amounting to ¥111,396 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.

(Notes to Consolidated Statements of Changes in Equity)

1. Types and Number of Outstanding Shares and Treasury Shares as of March 31, 2017

Outstanding shares	Ordinary shares	84,770,508 shares
Treasury shares	Ordinary shares	681,474 shares
	(including executive remuneration BIP trust)	680,000 shares)

2. Distribution of Dividend

(1) Payment Amount of Dividend

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

(Note) The dividend amount for treasury shares held by BIP trust in the total dividend amount 27 million

(2) Dividends whose effective date will fall after the end of FY 2016 among those whose record date falls within FY2016.

The Company proposes the following agenda at the ordinary general meeting of shareholders held on June 22, 2017.

(Resolution adopted by)	Type	Total dividend amount (¥ mil)	Dividend resource	Dividend per share (¥)	Record date	Effective date
Shareholders' Meeting held on June 22, 2017	Ordinary shares	4,238	Retained earnings	50	March 31, 2017	June 23, 2017

(Note) The dividend amount for treasury shares held by BIP trust in the total dividend amount 34 million

(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, 2017 are stated as follows:

	Book value on the consolidated balance sheet *	Fair value*	Difference
(1) Cash and deposits	45,292	45,292	—
(2) Notes and accounts receivable-trade	216,602	216,602	—
(3) Accounts receivable-other	36,010	36,010	—
(4) Investment securities			
1)Securities of held to maturity	53	56	2
2)Other securities	20,982	20,982	—
(5) Notes and accounts payable-trade	(170,539)	(170,539)	—
(6) Short-term loans payable	(225,169)	(225,169)	—
(7) Commercial papers	(51,400)	(51,400)	—
(8) Accounts payable-other	(92,428)	(92,428)	—
(9) Accrued volatile oil and other petroleum taxes	(66,528)	(66,528)	—
(10) Income taxes payable	(11,237)	(11,237)	—
(11) Bonds payable	(46,700)	(47,698)	998
(12) Long-term loans payable	(449,282)	(453,415)	4,133
(13) Derivative transactions	(662)	(662)	—

* 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 (3) 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.

(4) 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 ("¥84,684 million Other securities") are not listed item (4) 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 Asset Retirement Obligations)

Asset retirement obligations reported in the consolidated balance sheet

1 Overview of the Asset Retirement Obligations

The Group primarily records the following asset retirement obligations.

- Obligation to restore the service stations accompanying with the fixed-term land lease contract for business purposes
- Obligation to restore the windmills accompanying with the land lease contract
- Obligation to restore the offices accompanying with the real estate rental contract
- Obligation to close the mine accompanying with the concession agreement taking effect

2 Calculation Method of the Asset Retirement Obligations

The asset retirement obligations are calculated by estimating the expected period of use between 2 and 50 years since its acquisition and applying discount rates ranging from 0.000% to 2.285%.

3 Change in the Asset Retirement Obligations

	Fiscal Year 2016 (From April 1, 2016 to March 31, 2017)
Balance at the beginning of the year	11,685million
Increase due to the acquisition of property and equipment	1,811
Increase due to change in estimation (Note)	5,998
Adjustments due to the elapse of time	218
Decrease due to the fulfillment of asset retirement obligations	-233
Balance at the end of the year	19,480

Note: Due to the re-evaluation of retirement cost per well executed by one of the subsidiaries during Fiscal Year 2016, the estimated retirement cost to be paid in the future has increased compared to which estimated at the beginning of the year. Therefore, ¥5,998million of reasonably estimated amount is added to asset retirement obligation.

(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
33,045	32,220

Notes: 1 The book value of each property on the Consolidated Balance Sheet is its acquisition cost less accumulated depreciation therefore.

2 The fair value of major properties as of the end of the current 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	¥1,958.91
2. Net income per share	¥633.32

(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	137million
Fixed expenses, etc. incurred during the period of suspension of machinery operations	468million

2. Other Extraordinary Losses

Provision for the removal and the expenses to treat contaminated soil are included in the extraordinary losses in the Consolidated Statements of Income, which consist primarily of the following.

Expenses for the removal	338million
Expenses for treating contaminated soil	284million

3. Other Extraordinary Gains

Reversal of provision for environmental measures is included in the extraordinary gains in the Consolidated Statements of Income, which consist primarily of the following.

Reversal of Provision for environmental measures	476million
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(Additional Information)

1. Transactions of granting shares in the Company to executives through a trust

The Company introduced the Executive Remuneration BIP Trust to the Directors etc.

In the Executive Remuneration BIP Trust, the Company purchases as many Company shares as estimated to be granted to the Directors etc. under the established share granting rules and grants Company shares to Directors etc. in accordance with their ranks and terms of office. In 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. Application of Implementation Guidance on Recoverability of Deferred Tax Assets

"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26 of March 28, 2016) has been applied in the fiscal year under review.

3. 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 JXTG Nippon Oil & Energy Corporation (formerly Tonen General Sekiyu K.K.) and began the installation of pipelines between the Chiba refinery of JXTG Nippon Oil & Energy Corporation 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 2016 (As of March 31, 2017)

(Unit: million yen)

Item	Amount	Item	Amount
Assets	<u>763,663</u>	Liabilities	<u>688,629</u>
Current assets	264,452	Current liabilities	281,463
Cash and deposits	2,284	Short-term loans payable	49,500
Short-term loans receivable	0	Short-term loans payable to subsidiaries and associates	46,108
Short-term loans receivable from subsidiaries and associates	256,358	Current portion of long-term loans payable	81,775
Accounts receivable-other	5,035	Commercial papers	51,400
Deferred tax assets	220	Accounts payable-other	2,192
Other	552	Income taxes payable	3,434
Noncurrent assets	499,210	Deposits received	45,947
Property, plant and equipment	123,720	Provision for bonuses	265
Buildings and structures, net	429	Provision for directors' bonuses	91
Vehicles, net	10	Other	746
Tools, furniture and fixtures, net	67	Noncurrent liabilities	407,165
Land	123,200	Bonds payable	40,700
Leased assets	8	Long-term loans payable	361,093
Construction in progress	5	Long-term deposits received	532
Intangible assets	567	Provision for executive remuneration BIP trust	160
Software	550	Other	4,679
Other	16	Net assets	<u>75,034</u>
Investments and other assets	374,922	Shareholders' equity	74,687
Investment securities	6,542	Capital stock	40,000
Shares of subsidiaries and associates	191,866	Capital surplus	22,055
Long-term loans receivable from subsidiaries and associates	175,424	Legal capital surplus	10,000
Long-term deposits	612	Other capital surplus	12,055
Deferred tax assets	262	Retained earnings	13,745
Other	964	Other retained earnings	13,745
Allowance for doubtful accounts	-751	Retained earnings brought forward	13,745
		Treasury shares	-1,113
		Valuation and translation adjustments	346
		Valuation difference on available-for-sale securities	918
		Deferred gains or losses on hedges	-571
Total assets	763,663	Total liabilities and net assets	763,663

Statements of Income

Fiscal Year 2016 (From April 1, 2016 to March 31, 2017)

(Unit: million yen)

Item	Amount	
I Operating revenue		15,055
II General and administrative expenses		7,335
Operating income		7,719
III Non-operating income		
Interest income	9,579	
Dividend income	221	
Other	296	10,097
IV Non-operating expenses		
Interest expenses	10,516	
Interest on bonds	502	
Foreign exchange losses	22	
Other	583	11,625
Ordinary income		6,191
V Extraordinary income		
Gain on sales of shares of subsidiaries and associates	1,229	
Gain on sales of investment securities	282	1,511
VI Extraordinary loss		
Loss on disposal of noncurrent assets	13	
Loss on sales of investment securities	51	65
Income before income taxes		7,637
Income taxes-current	1,321	
Income taxes-deferred	-192	1,129
Net income		6,507

Statements of Changes in Equity

Fiscal Year 2016 (From April 1, 2016 to March 31, 2017)

(Unit: million yen)

	Shareholders' equity							Total shareholder s' equity
	Capital stock	Capital surplus			Retained earnings		Treasury shares	
		Legal capital surplus	Other capital surplus	Total capital surplus	Retained earnings brought forward	Total retained earnings		
Balance at April 1, 2016	40,000	10,000	12,055	22,055	10,628	10,628	-1,113	71,571
Changes of items during the period								
Dividends of surplus					-3,390	-3,390		-3,390
Net income					6,507	6,507		6,507
Purchase of treasury shares							-0	-0
Net changes of items other than shareholders' equity								
Total changes of items during the period	-	-	-	-	3,116	3,116	-0	3,116
Balance at March 31, 2017	40,000	10,000	12,055	22,055	13,745	13,745	-1,113	74,687

	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 April 1, 2016	72	-1,040	-967	70,604
Changes of items during the period				
Dividends of surplus				-3,390
Net income				6,507
Purchase of treasury shares				-0
Net changes of items other than shareholders' equity	845	468	1,314	1,314
Total changes of items during the period	845	468	1,314	4,430
Balance at March 31, 2017	918	-571	346	75,034

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

(Excluding lease assets) The number of years of their useful lives and salvage values are calculated based on the criteria defined under the Corporate Income Tax Law of Japan.

Intangible Assets The straight- line method

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

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

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

(4) Standards for Recording Allowances/Provisions

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

a) Ordinary accounts receivable:

The amount of allowance calculated at the actual ratio of bad debts

b) Highly doubtful receivables and claims in bankruptcy and reorganization, etc.:

The amount of allowance calculated based on the evaluation of financial situations of individual accounts involved.

Provision for bonuses In preparation for the payment of bonuses to Employees and Directors, the estimated amount of payment for the fiscal year under review is posted.

Provision for directors' bonuses In preparation for the payment of bonuses to directors, the Company posts the amount to be paid in the fiscal year under review based on the amount estimated to be paid.

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

(5) 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 balance sheet and statement of income.

3. Notes to Non-Consolidated Balance Sheet

(1) Short-term loans receivable from subsidiaries and associates:	¥5,008 million
Long-term loans receivable from subsidiaries and associates:	¥751 million
Short-term loans payable to subsidiaries and associates:	¥46,522 million
Long-term loans payable to subsidiaries and associates:	¥505 million
(2) Cumulative depreciation expenses for the property, plant and equipment	¥366 million
(3) Pledged Assets	
Breakdown of Assets Pledged as Collateral and Amounts thereof:	
Land	¥123,200 million
Secured Liabilities:	
Long-term loans payable (including repayments due within the next year)	¥15,600 million
Debts related to transactions with banks	¥20,991 million
(4) Contingencies	
Guaranty of Liabilities	
Cosmo Oil., Ltd.	¥137,576 million
Cosmo Oil (U.K.) Plc.	¥26,655 million
Others	¥27,935 million
(5) Financial Covenants	

Out of borrowings, borrowings amounting to ¥70,000 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.

4. Notes to Non-Consolidated Statements of Income

Operating revenue from subsidiaries and associates:	¥15,055 million
General and administrative expenses for subsidiaries and associates:	¥1,182 million
Non-operating transactions with subsidiaries and associates: (in addition, it is stated in "Notes to the Company's Transactions with Related Parties".)	¥10,242 million

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

Type and Number of Treasury Shares as of March 31, 2017

Ordinary shares	681,474 shares
(including the Executive Remuneration BIP Trust	680,000 shares)

6. Notes to Tax Effective Consequence Accounting

(Unit: million yen)

(1) Current Deferred Tax Assets and Liabilities

1) Deferred tax assets:	
Provision for bonuses	110
Accrued business tax	107
Others	15
Total current deferred tax assets:	<u>233</u>
2) Deferred tax liabilities:	
Receivable business tax	<u>-12</u>
Total current deferred tax liabilities:	<u>-12</u>
Net current deferred tax assets:	<u>220</u>

(2) Non-Current Deferred Tax Assets and Liabilities

1) Deferred tax assets:	
Loss on valuation of investment securities	1,438
Others	507
Non-current deferred tax assets – Sub-total:	<u>1,946</u>
Valuation allowance:	<u>-1,408</u>
Total non-current deferred tax assets:	<u>537</u>
2) Deferred tax liabilities:	
Valuation difference on available-for-sale securities	-238
Others	-36
Total non-current deferred tax liabilities:	<u>-274</u>
Net non-current deferred tax liabilities:	<u>262</u>

7. 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.

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

(1) Subsidiaries and Associated companies

Type	Name (Ownership type & ratio)	Line of business	Cosmo Energy Holdings's relationship with subsidiary	Account item for record entry	Transaction amount (¥mil)	Item	Balance as of Mar 31, 2017 (¥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)	4,014	Accounts receivable-other	551
				Loans to it (*2) and Funds deposit (*3)	268,558	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	248,075 48,158
				Interest receivable (*4)	6,762	—	—
				Assumption of guaranty liabilities (*5)	137,576	—	—
				Concomitant assumption of liabilities (*6)	60,000	—	—
				Guaranteed liabilities (*7)	519,203	—	—
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)	2,686	Accounts receivable-other	369
				Loans to it (*2) and Funds deposit (*3)	17,302	Deposits received Long-term loans receivable from subsidiaries and associates	29,270 1,537
				Interest receivable (*4)	472	—	—
				Interest payable (*4)	262	—	—
				Concomitant assumption of liabilities (*6)	60,000	—	—
Subsidiary	Cosmo Oil Property Service Co., Ltd. (directly, 100% owned)	Management and lease of service station equipments	Loans to it	Loans to it (*2) and Funds deposit (*3)	86,790	Long-term loans receivable from subsidiaries and associates Deposits received	82,489 7,018
				Interest receivable (*4)	1,725	—	—
				Interest payable (*4)	128	Accounts payable-other	31
				Concomitant assumption of liabilities (*6)	60,000	—	—
				Guaranteed liabilities (*7)	519,203	—	—
Subsidiary	Cosmo Matsuyama Oil Co., Ltd. (directly, 100% owned)	Manufacture and sale of petrochemical products Storage, loading and discharging of petroleum products	Loans to it	Loans to it (*2) and Funds deposit (*3)	23,154	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	7,128 15,661
				Interest receivable (*4)	201	—	—
Subsidiary	Cosmo Oil Lubricants Co., Ltd. (directly, 100% owned)	Manufacture of lubricants, etc.	Loans to it	Loans to it (*2) and Funds deposit (*3)	10,261	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	91 3,415
				Interest payable (*4)	19	—	—
				Interest receivable (*4)	75	—	—

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, 2017 (¥mil)
Subsidiary	Cosmo Engineering Co., Ltd.(directly, 99% owned)	Undertaking of facility construction and other related work	Loans to it	Loans to it (*2) and Funds deposit (*3) Interest receivable (*4)	19,944 299	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates Accounts receivable-other	491 19,500 17
Subsidiary	Abu Dhabi Oil Co., Ltd.(indirectly, 64% owned)	Crude oil exploration, production & sales	Assumption of guaranty liabilities	Assumption of guaranty liabilities (*5) Guarantee commission received (*5)	12,465 18	— Accounts receivable -other	— 5
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)	26,655	—	—
Subsidiary	CEAM LLC (directly, 99% owned)	Property management	Investment in anonymous association contract	Gain on investment (*8)	4,474	—	—
Subsidiary	Maruzen Petrochemical Co., Ltd.(directly, 41% owned) (indirectly, 10% owned)	Manufacture and sale of petrochemical products	Interlocking directors Loans to it	Funds deposit (*3) Interest payable (*4)	7,592 2	Short-term loans receivable from subsidiaries and associates Accounts payable-other	46,108 2

Out of the amounts shown above, the transaction amounts are exclusive of consumption tax charges, while the balance amounts as of March 31, 2017 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 are used for operating funds, and the amount of transactions shown above is stated based on the average balance during FY2016.
 3. Loans/Deposits are based on the Company's group financing program, and the amount of transactions is stated base on the average balance during FY2016.
 4. Interest rates are determined by taking market rates of interest and other conditions into consideration.
 5. The Company guarantees loans of Cosmo Oil Co., Ltd., Cosmo oil(UK)Plc., and Abu Dhabi Oil Co., Ltd from financial institutions. The amount of guarantee fees is reasonably decided by their agreements.
 6. Cosmo Oil Co., Ltd. and the other company owned superimposed liabilities of loans the Company succeeded from financial institutions due to the adoption of a holding company structure on October 1, 2015.
 7. Cosmo Oil and Cosmo Oil Marketing jointly guaranteed loans of the Company from financial institutions and bonds payable the Company issued. The amount of grantee fees is reasonably decided by their agreements.
 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, land rental income is stated including in "Operating revenue" on statements of income. Rental fees are calculated based on verification and appraisal by real property appraisers.

(2) Director

Type	Name (Ownership type & ratio)	Line of business	The relationship with Cosmo Energy Holdings	Account item for record entry	Transaction amount (¥mil)	Item	Balance as of Mar 31, 2017 (¥mil)
Director and the close relative	Hiroshi Kiriya (directly, 0.0% owned)	Representative Director and Executive Vice President of the Company	Representative Director and Executive Vice President of the Company Chairman of Cosmo Oil Eco Card Fund	Contributions(*)	15	—	—

The transaction amount shown above is exclusive of consumption tax charges.

Conditions for the Transaction with the Party Above and the Policy to Determine such Conditions:

- Notes: It is so-called transaction for the third party.

9. Notes to Per-Share Information

(1) Net assets per share	¥892.32
(2) Net income per share	¥77.39

10. Other information

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

The Company introduced the Executive Remuneration BIP Trust to the Directors etc.

In the Executive Remuneration BIP Trust, the Company purchases as many Company shares as estimated to be granted to the Directors etc. under the established share granting rules and grants Company shares to Directors etc. in accordance with their ranks and terms of office. In 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) Application of Implementation Guidance on Recoverability of Deferred Tax Assets.

“Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26 of March 28, 2016) has been applied in the fiscal year under review.

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	381	70	—	22	429	61	490
	Vehicles	9	5	1	2	10	6	17
	Tools, furniture and fixtures	78	6	0	17	67	295	362
	Land	123,200	—	—	—	123,200	—	123,200
	Leased assets	—	10	—	2	8	2	10
	Construction in progress	14	287	295	—	5	—	5
	Total	123,683	380	297	46	123,720	366	124,087
Intangible assets	Software	545	172	0	167	550		
	Others	16	—	—	—	16		
	Total	562	172	0	167	567		

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	265	466	265
Provision for directors' bonuses	81	91	81	91
Provision for executive remuneration BIP trust	20	140	—	160

3. Schedule for General and Administrative Expenses

(Unit: million yen)

Account item	Amount	Description
Outsourcing expense	1,465	
Taxes and dues	1,318	
Salaries and wages	881	
Advertising expense	861	
Miscellaneous expenses	714	
Others	2,094	
Total	7,335	

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

Independent Auditor's Report

May 11, 2017

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	Ryota Takeda	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, 2016 to March 31, 2017.

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 11, 2017

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

Ryota Takeda

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 April 1, 2016 to March 31, 2017.

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 2nd business year from April 1, 2016 to March 31, 2017, 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 11, 2017

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 -