

1. Business Overview

(1) Principal Business Lines (as of March 31, 2018)

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.

(2) Review of Operations of the Group

Business Environment

During the fiscal year under review, the Japanese economy continued to show a gradual recovery, including a recovery in the employment and income environment due to the promotion of Abenomics, a continued pickup in exports and production amid the recovery in overseas economies, as well as an uptick in consumer spending and capital investment.

With respect to [crude oil prices](#), the price for Dubai crude oil began the fiscal year in the \$51 per barrel range, then fell to the \$43 per barrel range in due to the impact of the increase in shale oil production in the U.S. and other factors, but subsequently ended the fiscal year in the \$65 per barrel range after OPEC reached an agreement in November to extend production cuts, as well as anti-government demonstrations in Iran.

As for [exchange rates](#), the Japanese yen started the fiscal year at the ¥111 per dollar level, and despite missile launches by North Korea from August onward, as well as other factors, the exchange rate remained stable at around ¥112 per dollar in December. Subsequently, the drop in the Nikkei 225 in February and uneasiness about the Trump administration in the U.S. led to the yen rebounding and appreciating, and ultimately ended the fiscal year at the ¥106 per dollar level.

[Domestic demand for petroleum products](#) declined overall compared with the previous year. Gasoline demand fell due to improvements in fuel economy while demand for kerosene and diesel fuel rose year-on-year due to the extreme winter cold as well as the increase in construction demand ahead of the Tokyo Olympics. Demand for heavy fuel oil A and heavy fuel oil C were both much lower than the previous fiscal year due to fuel conversion and other factors.

As for [petrochemical products](#), domestic demand was on a par with the previous year, while production increased year on year as ethylene plants continued to run at high operating rates. 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 ¥2,523.1 billion, up 10.1% from the previous year. Operating income was ¥111.9 billion, up 21.4% from the previous year. Ordinary income was ¥116.9 billion, up 43.5% from the previous year. Net sales, operating income and ordinary income are all increased significantly.

Main factors for these increases are due to the impact of high operating rates at refineries and improvement of supply and demand in Japan in the petroleum business, the impact of the increase in product sales volume and the improvement in market conditions in the petrochemical business, as well as the impact of the increase in crude oil sales prices in the oil exploration and production business.

The business segment information is as follows.

Four Basic Policy Objectives

I. Enhance profitability in the oil refining sector

II. Collect return from investments made in the previous medium-term management plan

III. Strengthen alliances

IV. Enhance CSR management

[Business Segment Information]

(Millions of yen)

	Oil Exploration and Production Business	Petroleum Business	Petrochemical Business	Other	Adjustments	Consolidated
Net Sales	56,337	2,292,727	458,450	49,951	-334,360	2,523,106
Segment Income	18,251	58,818	30,441	5,096	4,242	116,850

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. commenced commercial production at the Hail Oil Field in November. This marked the first start of production from an oil field for which a Japanese company owns the operating rights in the Middle East since 2011. The Hail Oil Field is expected to provide crude oil production levels comparable to the three existing oil fields (the Mubarraz, Umm Al Anbar, and Neewat Al Ghalan fields). The percentage of self-explored crude oil is expected to rise along with the increase in the company's production volume, and the Group's crude oil procurement is expected further stabilize and profits are expected to increase. In addition, the field is located near on-stream oil fields, allowing existing facilities to be utilized to the maximum extent possible, thereby enabling the reduction of per unit operating costs. In December, crude oil produced from the Hail Oil Field arrived to the Yokkaichi Refinery for the first time from the Middle East.

Qatar Petroleum Development Co., Ltd. has continued to produce steadily since it started drilling a new wellbore in the A-Structure South oil field in March 2017.

United Petroleum Development Co., Ltd. continued to stably production in on-stream oil fields, and discussions with the governments of Abu Dhabi and the State of Qatar led to the conclusion of new agreements on concession renewal in March.

As a result of the above, net sales in the oil exploration and production business was ¥56.3 billion, up 26.5% from the previous year, and segment income (ordinary income) was ¥18.3 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. The fiscal year under review was the final fiscal year of the OMS development, and during the year the OMS base was established, the level of understanding among employees was increased, and issues for improvement were shared through the OMS internal audit.

As a result, we have been able to enhance the safety and reliability of facilities and reduce damage that may be incurred due to 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, and completed the installation of pipelines in February. During this time, the environment surrounding both companies changed significantly, and as a result the decision was made to utilize the pipelines to the maximum extent without integrating the refining facilities, and to promote joint operations and pursue synergies. Both companies will continue discussions, aiming for the refineries of both companies to become “internationally-competitive top-notch domestic facilities.”

Concerning the Yokkaichi Refinery, in April we started a business alliance with Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd., a company of the Showa Shell Sekiyu Group, and got started on initiatives to enhance competitiveness through the optimization of facilities. Specifically, by receiving supplies of products and semi-finished products, the refinery will be able to become more competitive by producing high value-added products by effectively utilizing secondary equipment as well as ensure continued stable supply.

Also, through the cooperation activities carried out by Japan Cooperation Center Petroleum (JCCP) and other activities, we have sent employees to refineries in 10 countries around the world, and have proactively helped overseas petroleum companies solve their problems and develop their personnel.

Strengthening the retail business

In our retail business, we continued implementing measures for “Making proactive efforts to sell vehicles,” “Creating new customers,” and “Enhancing relationships with customers” 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.

Regarding the measures for “Making proactive efforts to sell vehicles,” the “Cosmo My Car Lease” that provides opportunities to enjoy car life easily, freely and lightly continued to be popular across all generations, particularly among senior citizens and female drivers. As a result, it has achieved an accumulated total of 47,000 vehicle lease contracts. As part of these measures, the “Car Consultation Desk B-cle Shop” outlets, which offer services including car selection and purchase, vehicle inspection, maintenance, car insurance plans and vehicle sales, increased their number to 166 nationwide.

As initiatives to “create new customers” through the issuance of “Cosmo The Card,” the number of effective membership cards reached 4,440,000, due to efforts not only to make the card more attractive, but also to efforts to quickly issue cards using tablets.

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 300,000 over the previous year to approximately 870,000. We proactively worked to promote purchases by

customers and boost customer loyalty by enhancing our services, including starting a nationwide campaign to give users of the application “entry coupons” (coupons that users can receive after applying through the Internet) for vehicle care products.

In addition to the above initiatives, in July we released M-POS, a next-generation POS, in order to make the brand support system more advanced and establish a robust sales infrastructure, with the key goals of “increasing customers’ desire to purchase” and “strengthening service station profitability.” Along with the introduction of M-POS, we began issuing the “Cosmo B-cle Card,” a purchase information management tool for customers who pay with cash or use a credit card other than Cosmo The Card. With the Cosmo B-cle Card, we expect the management of customers’ purchase history and other information to be enhanced, and we anticipate an increase in sales of car care products.

Concerning oil products for automobiles, we newly added COSMOLIO AQUA ROAD SN 0W-16, which is optimal for the newest kinds of eco-friendly vehicles, to the COSMOLIO Series, and began selling this product at service stations nationwide in July. This product has passed the latest API certification engine tests, including abrasion testing, proving its high engine oil performance, and will contribute to improvements in fuel economy and reduced CO2 emissions.

As a result of the above, net sales in the petroleum business were ¥2,292.7 billion, up 9.2% from the previous year, and segment income (ordinary income) was ¥58.8 billion.

Petrochemical Business

Amid solid conditions in the market for petrochemical products, the petrochemical business performed well, due to the increase in sales volume, among other factors, in conjunction with cancelling out the impact of the periodic repairs in Maruzen Petrochemical Co., Ltd. (MPC), which has Japan's largest-scale ethylene production capacity. With the integrated management of MPC's Chiba Plant and the Chiba Refinery, efforts were made to bolster the competitiveness of the entire complex in the petrochemical business. As the first specific measure, three companies (the Company, MPC, and Arakawa Chemical Industries, Ltd.) established Chiba Arkon Production Limited in February. This new company will manufacture and sell hydrogenated polymer resins, which are high in value-added, using distillates, which are by-products from MPC's ethylene plants. The anticipated production capacity is 20,000 tons per year, which will make it one of Japan's largest production facilities.

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 operated at high levels throughout the year, contributing to the increase in the Group's revenues.

As a result of the above, net sales in the petrochemical business were ¥458.5 billion, up 21.1% from the previous year, and segment income (ordinary income) was ¥30.4 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: 227,000 kW). This has resulted in revenue gains over eight consecutive years and income exceeding the previous year. Concerning the development of new wind power generation facilities, in October we began commercial operations at the Sakata Port site (Yamagata Prefecture), while in January we began commercial operations at the Ishikari Bay Port site (Hokkaido). Also, progress was made on the construction of the Himekami site (Iwate Prefecture), the Watarai, Second Phase site (Mie Prefecture), and the Chuki site (Wakayama Prefecture), aiming for the start of commercial operations. 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 the Development Bank of Japan Inc., steadily continued operations of solar power plants at eight sites nationwide. As a result, the mega solar business achieved an increase in revenue for the third consecutive year.

Other

At the Yokkaichi Kasumi Power Plant of Yokkaichi Kasumi Power Co., Ltd. that we established jointly with the Development Bank of Japan Inc. in February 2016, renovation work to enable power generation using petroleum coke was completed, and commercial operation was started in December. With this, the company will be able to supply electric power using petroleum coke produced at the Sakai Refinery.

Elsewhere, we endeavored to boost profitability in other businesses, such as sales of communications equipment and materials, and construction and maintenance of oil-related facilities.

As a result of the above, net sales in the other business was ¥50.0 billion, down 17.6% from the previous year, and segment income (ordinary income) was ¥5.1 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

In order to better utilize our employees, who bring diverse abilities and values, we provide support to the physically challenged, plan and carry out follow-up measures for employees on maternity or nursing care leave, and have introduced a temporary work-at-home system for employees on maternity or other leave. In October, we began a trial program that allows employees to work at home for any reason, with the aim of further enhancing telecommuting options. In addition, aiming to improve productivity and create a workplace where employees with diverse backgrounds are motivated to play active roles, we succeeded in cutting back prolonged work, with annual working hours of 1,900 hours as the goal.

Implementing better communication with society

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 25th 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.

Aiming to be a corporate group trusted by everyone in society, including its stakeholders, in addition to disclosing mainly financial information and other important management-related information in an appropriate and timely manner, the Cosmo Energy Group also continued to appropriately disclose non-financial information, such as the details of ESG (Environment, Society, Governance) initiatives and a wider range of topics, as well as carry out initiatives to ensure transparency. In October, we received the No. 1 ranking in the Petroleum/Mining category at the 2017 Awards for Excellence in Corporate Disclosure held by The Securities Analysts Association of Japan.

(3) Issues to be Addressed

Going forward, although the impacts of fluctuations in the financial markets as well as uncertainties in overseas economies must be watched, the Japanese economy is expected to continue to recover modestly on continued improvements in the employment and income environment along with the effects of various policies. In the petroleum industry, the downward trend in domestic demand for fuel oil is expected to continue due to factors including improved vehicle fuel economy and heightened interest in saving energy among consumers, global demand for petroleum products is expected to increase, centered on Asian countries.

Based on this business environment, the Company has formulated the new consolidated medium-term management plan (the “New Medium-Term Management Plan”) which starts in fiscal 2018, under the slogan of “Oil & New.”

The Company will bolster the profitability of its core oil exploration and production business and petroleum business to solidify the financial base. Also, the Company will expand the business portfolio by aggressively investing in the renewable energy business and improving competitiveness in the petrochemical business, with a view to changes in the business environment over the long term.

Basic policy ~ Oil & New ~

<p>“Oil”: Increase the profitability of the petroleum business by, for example, complying with the IMO regulations and taking the lead in the supply of clean marine fuels.</p> <p style="padding-left: 40px;">➡Strengthen financial condition based on earning power.</p> <p>“New”: Invest in wind power generation and other businesses that will lead the next growth stage.</p> <p style="padding-left: 40px;">➡Contribute to the achievement of SDGs through business activities.</p>
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Secure profitability to enable reinvestment	Expand growth driver toward the future
<ul style="list-style-type: none"> ✓ Firm a system of safe, stable operation in oil refining business ✓ Take action ahead of the IMO regulations <ul style="list-style-type: none"> ➡Transform to bottomless refineries and increase profitable products.* * Aim to raise the competitiveness of refineries that supply only relatively high added value petroleum products. ✓ Strengthen the “Vehicle life” business ✓ Achieve synergy with petrochemical business ✓ Steadily recover the investment in the Hail Oil Field 	<ul style="list-style-type: none"> ✓ Strengthen petrochemical business and increase its product-line ✓ Early development of offshore wind power ✓ Explore new businesses for future growth in domestic and overseas market (Asia / Abu Dhabi)
Improve financial condition	Strengthen Group management foundation
<ul style="list-style-type: none"> ✓ Increase shareholders’ equity ✓ Strengthen cash management ✓ Careful selection of investments with an eye on long-term environment <ul style="list-style-type: none"> ➡Early achievement of management goals 	<ul style="list-style-type: none"> ✓ Implement CSR management. <ul style="list-style-type: none"> • Pursue the sustainability of society and the Group. • Improve ESG key factors. ➡Develop and implement the medium-term CSR management plan (FY2018 – FY2022). ✓ Increase productivity through work-style and operational innovation <ul style="list-style-type: none"> • Promote diversity. • RPA (Robotic process automation), Thoroughly increased operation efficiency using AI.

Oil exploration and production business

Over the long term, we will seek projects that offer added-value, utilizing the strong relationships of trust built through the stable offshore oil field production for around 50 years in the Emirate of Abu Dhabi as well as our self-operation (operatorship) strengths. Under the New Medium-Term Management Plan, we will continue full production at the Hail Oil Field, reduce operating costs, and study new investments for the next stage.

Petroleum business (Petroleum refining business)

Over the long term, we expect demand for petroleum products to decline due to increasing use of EVs and other factors, while we also anticipate initiatives utilizing IoT (Internet of Things) to gain momentum. Amid these trends, we will shift from fuel oil to petrochemical materials, and incorporate IT in our refineries. Under the New Medium-Term Management Plan, we will further strengthen the safe and stable operation system, and with a backdrop of stronger IMO regulations (Note), we will increase profitable products in conjunction with the increased delayed coker unit capacity, and maintain high capacity utilization to establish our refinery competitiveness exceeding the global standard. We will also aim to add more customers that we supply to, bolster our competitiveness by using alliances with other companies, and create synergies with the petrochemical business.

(Note) IMO Regulations: Regulations on the sulphur content of marine fuel in general sea areas, adopted by the International Maritime Organization (IMO) and scheduled to be implemented from 2020.

Petroleum business (Petroleum sale and vehicle life business)

The long-term business strategy is to secure business areas based on business model reforms corresponding to the shift to EVs and the changes in how people use automobiles, and to ensure competitiveness together with the oil refining business. Under the New Medium-Term Management Plan, we will examine new business models in light of the long-term business environment, while seeking to grow the vehicle life business.

Petrochemical business

Over the long term, international markets will continue to grow based on the increase in the world's population, while supply is expected to increase due to the construction of new, highly competitive ethane crackers in North America and additional naphtha crackers in China. Amid this environment, we will shift from fuel oil to petrochemical materials, and utilize our competitive advantage in ethylene and paraxylene production to the maximum extent possible. Under the New Medium-Term Management Plan, we will enjoy and deepen synergies between oil refining and petrochemicals (make use of unused distillates, etc.), and aim to make basic products more competitive as well as grow a new business of functional products that are not vulnerable to changes in the business environment.

Renewable energy business

Amid the worldwide trend of decarbonization, we expect significant expansion of renewable energy in Japan as well over the long term. Centered on the wind power generation business, which has the top business operations in the oil industry, we will aim to aggressively expand the renewable energy business, in order to make the business a new pillar. Under the New Medium-Term Management Plan, we will steadily develop in-process projects to expand the wind power generation capacity on land from the current 227,000 kW to the 400,000 kW level. In addition, we will enter the offshore wind power generation business for which the business environment is expected to become increasingly positive and investment opportunities are anticipated to expand, as we aim to be a leading company in this field in Japan.

In addition to these initiatives, aiming to expand our business domains, we will further strengthen our alliances with Mubadala Investment Company, Cepsa (Note), and Hyundai Oilbank Co., Ltd.

(Note) Cepsa: Compañía Española de Petróleos, S.A.U. (a Spain-based integrated energy company)

Promotion of CSR management

We formulated a medium-term CSR management plan for activities that contribute to the sustainable development of both society and the Cosmo Energy Group. We will promote activities based on the perspective of ESG throughout the supply chain, including group companies and business partners. Also, in addition to strengthening the corporate governance structure, promoting work style reform and pursuing diversity (firmly establish diverse working styles), we will continue to contribute to society by having each and every employee faithfully perform their work and meet society's expectations.

The Cosmo Energy Group will continue to explore a variety of possibilities with an open view, pursue proactive business activities as well as a flexible and swift alliance strategy (collaboration, cooperation, integration) in response to changes in the business environment, and thereby bolster the competitiveness of each of its businesses. Moreover, the Group will execute the New Medium-Term Management Plan based on our long-term direction of our business and forming the third strongest player in the domestic petroleum industry, as well as aim to achieve lasting growth and maximize corporate value by strengthening the business portfolio targeting future growth.

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 FY2016
	Millions of yen	%
Petroleum Business	870,675	8.4
Oil Exploration and Production Business	13,608	-5.8
Petrochemical Business	351,064	80.0
Total	1,235,347	22.0

- (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 FY2016	Outstanding Orders	Changes from FY2016
	Millions of yen	%	Millions of yen	%
Other	10,387	14.6	6,753	68.8

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

(5) Sales

Name of Business Segment	Sales Volume	Changes from FY2016
	Millions of yen	%
Petroleum Business	2,076,816	8.3
Oil Exploration and Production Business	18,900	-13.7
Petrochemical Business	404,221	23.2
Other	23,166	-2.1
Total	2,523,106	10.1

- (Notes)
1. Amount above does not include consumption taxes.
 2. Amount above does not include volume of sales between segments.

(6) Capital Investments

The Group spent a total of ¥109.1 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 109th Term FY2014	The 1st Term FY2015	The 2nd Term FY2016	The 3rd Term FY2017
Net Sales	3,035.8	2,244.3	2,292.3	2,523.1
Ordinary Income	-49.6	-36.1	81.4	116.9
Profit Attributable to Owners of Parent	-77.7	-50.2	53.2	72.8
Net Income per Share (yen)	-91.77	-594.85	633.32	865.80
Total Assets	1,428.6	1,409.6	1,525.7	1,690.9
Net Assets	207.5	202.7	272.8	356.1

- (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 3rd Term.
 3. For reference, the fiscal year figures for the 109th Term for Cosmo Oil Co., Ltd. are shown.

(9) Principal Offices and Plants (as of March 31, 2018)

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) East Japan (Sendai-shi) / Kanto (Chuo-ku, Tokyo) / Chubu (Nagoya-shi) / Kansai (Osaka-shi) / West Japan (Hiroshima-shi)
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

(10) Major Subsidiaries and Affiliates (as of March 31, 2018)

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	40.0	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)

- The Group consists of 39 consolidated subsidiaries (unchanged from the previous year) and 30 companies under the equity method (unchanged 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 ¥2,523.1 billion, and profit attributable to owners of parent for the period was ¥72.8 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.

(11) Employees (as of March 31, 2018)

1) Employees of Cosmo Energy Group

Name of Business Segment	Number of Employees (Persons)	Year-on-year Change (Persons)
Petroleum Business	4,545 (2,663)	4 (increased)
Oil Exploration and Production Business	283 (61)	2 (decreased)
Petrochemical Business	1,136 (92)	38 (increased)
Other	891 (171)	44 (decreased)
Total	6,855 (2,987)	4 (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
151	15 (increased)	16 years and 9 months

- (Notes)
1. Seconded employees (339), 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, 2018)

(Billions of yen)

Lenders	Borrowed Amount
Mizuho Bank, Ltd.	121.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	102.7
Development Bank of Japan Inc.	43.6
Sumitomo Mitsui Banking Corporation	38.2
Japan Oil, Gas and Metals National Corporation	35.4

- (Notes)
1. In addition to the above, there are borrowings via syndicated loans (¥158.3 billion in total).
 2. On April 1, 2018, the Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its legal name to MUFG Bank, Ltd.

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

None.

2. Share Information (as of March 31, 2018)

- (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: 2,006 shares)
- (3) **Number of Shareholders:** 23,580
- (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)	6,430	7.59
Mizuho Bank, Ltd.	2,522	2.98
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,351	2.77
MSCO CUSTOMER SECURITIES	2,204	2.60
The Kansai Electric Power Co., Inc.	1,860	2.19
Aioi Nissay Dowa Insurance Co., Ltd.	1,580	1.86
Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,580	1.86
Sompo Japan Nipponkoa Insurance Inc.	1,579	1.86
Mitsui Sumitomo Insurance Company, Limited	1,567	1.85

- (Notes) 1. 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."
2. On April 1, 2018, the Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its legal name to MUFG Bank, Ltd.

3. Executives of the Company

(1) Directors (as of March 31, 2018)

Position	Name	Responsibilities	Significant Concurrent Positions
Chairman, Representative Director	Keizo Morikawa		
President, Representative Director, Chief Executive Officer	Hiroshi Kiriyaama		Director, MARUZEN PETROCHEMICAL CO., LTD.
Director, Senior Managing Executive Officer	Yasushi Ohe	Responsible for Business Portfolio Management Dept., CSR Management Dept., Legal Dept., and Human Resource & General Affairs 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, Senior Executive Officer	Koji Moriyama	Responsible for Corporate Planning Dept., Corporate Communication Dept., and Finance Dept.	Director, MARUZEN PETROCHEMICAL CO., LTD.
Director	Musabbeh Al Kaabi		Chief Executive Officer, Petroleum and Petrochemicals, Mubadala Investment Company
Director	Khalifa Al Suwaidi		Executive Director, Refining & Petrochemicals, Mubadala Investment Company
Director (Member of the Supervisory Committee)	Sakae Kanno		
Director (Member of the Supervisory Committee)	Teruo Miyamoto		
Director (Full-time member of the Supervisory Committee)	Katsuhisa Ohtaki		

- (Notes)
1. Directors Musabbeh Al Kaabi, Khalifa Al Suwaidi, 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. Koji Moriyama, Musabbeh Al Kaabi and Khalifa Al Suwaidi assumed office as Directors after being newly elected on June 22, 2017.
 4. Musabbeh Al Kaabi served for Abu Dhabi National Oil Company (ADNOC) and ADNOC is the Company's specified related operator.
 5. Musabbeh Al Kaabi and Khalifa Al Suwaidi serve as executing persons of Mubadala Investment Company. Also, said company is the parent company of one of the Company's major shareholders.
 6. Sakae Kanno retired from the position of Audit & Supervisory Board Member at The Kansai Electric Power Co., Inc. on June 28, 2017.
 7. 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.

8. Executive Officers

Position	Name	Responsibilities
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, Corporate Planning Dept.
Executive Officer	Takayuki Uematsu	General Manager, Finance Dept.
Executive Officer	Hiroyuki Maekawa	General Manager, IT System 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 Musabbeh Al Kaabi, Khalifa Al Suwaidi, 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)	10 (4)	571 (29)
Directors (Members of the Supervisory Committee) (of which, Outside Directors)	3 (2)	83 (43)
Total	13	654

- (Notes)
1. Of the remuneration shown above, the amount of remuneration to Directors (excluding Members of the Supervisory Committee) includes yearly incentive remuneration (bonuses) and expenses relating to long-term incentive remuneration (stock remuneration) for the fiscal year under review.
 2. The remuneration shown above includes remuneration during the tenure of three Directors (excluding Member of the Supervisory Committee) who retired upon the conclusion of the 2nd Ordinary General Meeting of Shareholders held on June 22, 2017.

(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	Musabbeh Al Kaabi	7 out of 7 times	-	Asked questions and expressed opinions as needed from an international viewpoint regarding the petroleum industry in formulating the Medium-term Management Plan
Outside Director	Khalifa Al Suwaidi	7 out of 7 times	-	Asked questions and expressed opinions as needed from an international viewpoint regarding the petroleum industry in formulating the Medium-term Management Plan
Outside Director (Member of the Supervisory Committee)	Sakae Kanno	7 out of 8 times	17 out of 17 times	Provided advice based on the abundant knowledge concerning corporate management in formulating the Medium-term Management Plan. Also, provided advice regarding the renewable energy business from a professional viewpoint regarding electric power industry
Outside Director (Member of the Supervisory Committee)	Teruo Miyamoto	8 out of 8 times	17 out of 17 times	Provided advice based on the professional knowledge regarding the audit operation in formulating the Medium-term Management Plan. Also, provided advice regarding the governance as a professional of corporate governance

(Note) Outside Directors Musabbeh Al Kaabi and Khalifa Al Suwaidi assumed office on June 22, 2017.

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	159
Amount of Moneys and Other Property Benefits to be Paid to the Accounting Auditor by the Company and Its Subsidiaries	303

- (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, 2018)

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 possess 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 continually implemented consistent contents throughout the year, including issuing an e-mail based magazine, conducting a CSR status survey, appropriately managing working time, and work-life balance initiatives, and raised the level of awareness of corporate ethics and human rights among employees. 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 FY2017 “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. During the fiscal year under review, in addition to two ordinary committee meetings, an extraordinary committee meeting was held in January, and the safety management activities of Group companies were confirmed and improved.

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 2017 (As of March 31, 2018)

(Unit: million yen)

Item	Amount	Item	Amount
Assets	<u>1,690,889</u>	Liabilities	<u>1,334,743</u>
Current assets	664,821	Current liabilities	800,153
Cash and deposits	64,690	Notes and accounts payable - trade	274,410
Notes and accounts receivable - trade	264,930	Short-term loans payable	206,690
Merchandise and finished goods	132,880	Commercial papers	62,900
Work in process	576	Accounts payable - other	109,316
Raw materials and supplies	131,893	Accrued volatile oil and other petroleum taxes	84,801
Accounts receivable - other	44,088	Income taxes payable	15,338
Deferred tax assets	7,661	Accrued expenses	5,130
Other	18,269	Provision for bonuses	7,516
Allowance for doubtful accounts	-169	Provision for directors' bonuses	620
		Deferred tax liabilities	7
		Other	33,423
Non-current assets	1,025,682	Non-current liabilities	534,589
Property, plant and equipment	817,585	Bonds payable	46,700
Buildings and structures, net	205,787	Long-term loans payable	384,164
Oil storage depots, net	35,178	Deferred tax liabilities	35,623
Machinery, equipment and vehicles, net	183,447	Deferred tax liabilities for land revaluation	5,182
Land	317,989	Provision for special repairs	17,830
Leased assets, net	624	Provision for business structure improvement	1,050
Construction in progress	67,123	Provision for environmental measures	1,729
Other, net	7,435	Net defined benefit liability	3,212
		Provision for executive remuneration BIP trust	340
Intangible assets	42,016	Asset retirement obligations	20,568
Software	3,244	Other	18,186
Other	38,771	Net assets	<u>356,146</u>
Investments and other assets	166,080	Shareholders' equity	241,970
Investment securities	122,653	Capital stock	40,000
Long-term loans receivable	1,615	Capital surplus	84,359
Long-term prepaid expenses	5,769	Retained earnings	118,701
Net defined benefit asset	2,415	Treasury shares	-1,091
Cost recovery under production sharing	21,894	Accumulated other comprehensive income	-3,292
Deferred tax assets	3,093	Valuation difference on available-for-sale securities	6,379
Other	9,039	Deferred gains or losses on hedges	-267
Allowance for doubtful accounts	-401	Revaluation reserve for land	-20,923
		Foreign currency translation adjustment	8,715
Deferred assets	385	Remeasurements of defined benefit plans	2,803
Bond issuance cost	385	Non-controlling interests	117,468
Total assets	1,690,889	Total liabilities and net assets	1,690,889

Consolidated Statements of Income

Fiscal Year 2017 (From April 1, 2017 to March 31, 2018)

(Unit: million yen)

Item	Amount	
I Net sales		2,523,106
II Cost of sales		2,282,710
Gross profit		240,395
III Selling, general and administrative expenses		128,526
Operating profit		111,868
IV Non-operating income		
Interest income	341	
Dividend income	1,015	
Rent income on non-current assets	1,153	
Share of profit of entities accounted for using equity method	11,937	
Foreign exchange gains	2,533	
Other	2,754	19,737
V Non-operating expenses		
Interest expenses	12,125	
Other	2,630	14,755
Ordinary profit		116,850
VI Extraordinary income		
Gain on sales of non-current assets	2,457	
Gain on sales of investment securities	433	
Subsidy income	3,027	
Insurance income	463	
Other	220	6,603
VII Extraordinary losses		
Loss on sales of non-current assets	266	
Loss on disposal of non-current assets	8,173	
Impairment loss	1,516	
Loss on valuation of investment securities	187	
Business structure improvement expenses	2,840	
Loss on closing the oil terminal	1,056	
Other	138	14,179
Profit before income taxes		109,274
Income taxes - current	28,687	
Income taxes - deferred	-3,515	25,172
Profit		84,101
Profit attributable to non-controlling interests		11,288
Profit attributable to owners of parent		72,813

Consolidated Statements of Changes in Equity

Fiscal Year 2017 (from April 1, 2017 to March 31, 2018)

(Unit: million yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2017	40,000	84,359	49,985	-1,113	173,231
Changes of items during the period					
Dividends of surplus			-4,238		-4,238
Profit attributable to owners of parent			72,813		72,813
Purchase of treasury shares				-1	-1
Disposal of treasury shares		0		24	24
Reversal of revaluation reserve for land			140		140
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	0	68,715	22	68,738
Balance at March 31, 2018	40,000	84,359	118,701	-1,091	241,970

	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, 2017	4,794	-233	-20,576	7,215	292	-8,508	108,063	272,786
Changes of items during the period								
Dividends of surplus								-4,238
Profit attributable to owners of parent								72,813
Purchase of treasury shares								-1
Disposal of treasury shares								24
Reversal of revaluation reserve for land			-140			-140		—
Net changes of items other than shareholders' equity	1,585	-33	-205	1,499	2,511	5,356	9,405	14,762
Total changes of items during the period	1,585	-33	-346	1,499	2,511	5,215	9,405	83,360
Balance at March 31, 2018	6,379	-267	-20,923	8,715	2,803	-3,292	117,468	356,146

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.

Cosmo Oil Ashmore Ltd. was excluded from the scope of consolidation of this period, due to the completion of liquidation. In addition, Goto-Kishiku Wind Power Plant which was an equity-method affiliates the previous period was included in the scope of the consolidation by additional share acquisition.

(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.

(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., Kygnus Sekiyu K.K.

Kygnus Sekiyu K.K. is included in the scope of equity method affiliate due to the purchase of its shares.

Goto-Kishiku Wind Power Plant was included in the scope of consolidation and excluded from the equity-method non-consolidated subsidiaries by additional share acquisition.

(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 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, 2017 or February 28, 2018, 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 FY2017.

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 FY2017 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 etc., 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 FY2017, 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, 2018 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.

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation for property, plant and equipment ¥994,528 million

2. Pledged Assets

Breakdown of Assets Pledged as Collateral and Amounts thereof:

Property, plant and equipment	¥123,210 million
Cash and deposits	¥9,959 million
Notes and accounts receivable-trade	¥8,625 million
Investment securities	¥133 million
Other	¥1,296 million

Secured Liabilities:

Long-term loans payable (including repayments due within the next year)	¥66,693 million
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3. Breakdown of the Compressed Amounts deducted from the Acquisition Cost due to the National Subsidy, etc thereof:

Machinery, equipment and vehicles	¥3,389 million
Property, plant and equipment (other)	¥37 million

4. Contingencies

Guaranty of Liabilities

Japan Biofuels Supply LLP(Liabilities to guarantee their letter of credit transaction ,etc.)	¥2,168 million
Hyundai Cosmo Petrochemical Co., Ltd. (Liabilities to guarantee their borrowings from financial institutions)	¥1,259 million
Others (Liabilities to guarantee their borrowings from financial institutions, etc.)	¥454 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, 2018 is smaller than their total carrying amount after revaluation and the difference amounted to:

¥33,188 million

6. Financial Covenants

Out of borrowings, borrowings amounting to ¥100,656 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)	April 27, 2018	¥40,080 million	The Company shall maintain the amount of net assets at ¥152.0 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, 2018

Outstanding shares	Ordinary shares	84,770,508 shares
Treasury shares	Ordinary shares	667,048 shares
	(including executive remuneration BIP trust)	665,042 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 22, 2017	Ordinary shares	4,238	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

(2) Dividends whose effective date will fall after the end of FY 2017 among those whose record date falls within FY2017.

The Company proposes the following agenda at the ordinary general meeting of shareholders held on June 21, 2018.

(Resolution adopted by)	Type	Total dividend amount (¥ mil)	Dividend resource	Dividend per share (¥)	Record date	Effective date
Shareholders' Meeting held on June 21, 2018	Ordinary shares	4,238	Retained earnings	50	March 31, 2018	June 22, 2018

(Note) The dividend amount for treasury shares held by BIP trust in the total dividend amount 33 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, 2018 are stated as follows:

		(Millions of yen)	
	Book value on the consolidated balance sheet *	Fair value*	Difference
(1) Cash and deposits	64,690	64,690	—
(2) Notes and accounts receivable-trade	264,930	264,930	—
(3) Accounts receivable-other	44,088	44,088	—
(4) Investment securities			
1) Securities of held to maturity	50	52	1
2) Other securities	23,528	23,528	—
(5) Notes and accounts payable-trade	(274,410)	(274,410)	—
(6) Short-term loans payable	(206,690)	(206,690)	—
(7) Commercial papers	(62,900)	(62,900)	—
(8) Accounts payable-other	(109,316)	(109,316)	—
(9) Accrued volatile oil and other petroleum taxes	(84,801)	(84,801)	—
(10) Income taxes payable	(15,338)	(15,338)	—
(11) Bonds payable	(46,700)	(47,476)	776
(12) Long-term loans payable	(384,164)	(386,663)	2,499
(13) Derivative transactions	(1,914)	(1,914)	—

* 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 ("¥99,073 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 8 and 50 years since its acquisition and applying discount rates ranging from 0.005% to 2.306%.

3 Change in the Asset Retirement Obligations

	Fiscal Year 2017 (From April 1, 2017 to March 31, 2018)
Balance at the beginning of the year	19,480million
Increase due to the acquisition of property and equipment	1,071
Adjustments due to the elapse of time	242
Decrease due to the fulfillment of asset retirement obligations	-161
Balance at the end of the year	20,633

(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
31,145	29,775

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 | ¥2,837.90 |
| 2. Net income per share | ¥865.80 |

(Notes to Lease Transactions)

The future lease payment from non-cancellable operating leases

Within one year	1,028million
Over one year	2,961million

(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 disposal of production equipment	804million
Fixed expenses, etc. incurred during the period of suspension of machinery operations	2,036million

2. Loss on closing the oil terminal

The expenses for the loss on closing the oil terminal is included in the extraordinary losses in the Consolidated Statement of Income in order to provide for losses from the oil terminal closure, which consist primarily of the following.

Expenses for soil amendment	479million
Expenses for the removal, etc	576million

(Additional Information)

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 1,087 million yen and 665,042, respectively.

Balance Sheet

Fiscal Year 2017 (As of March 31, 2018)

(Unit: million yen)

Item	Amount	Item	Amount
Assets	<u>721,111</u>	Liabilities	<u>645,917</u>
Current assets	228,326	Current liabilities	321,949
Cash and deposits	8,582	Short-term loans payable	63,580
Short-term loans receivable from subsidiaries and associates	211,649	Short-term loans payable to subsidiaries and associates	49,841
Accounts receivable-other	7,312	Current portion of long-term loans payable	81,883
Deferred tax assets	319	Commercial papers	62,900
Other	461	Accounts payable-other	4,526
Non-current assets	492,785	Income taxes payable	2,218
Property, plant and equipment	123,788	Deposits received	55,212
Buildings and structures, net	416	Provision for bonuses	498
Vehicles, net	7	Provision for directors' bonuses	210
Tools, furniture and fixtures, net	56	Other	1,078
Land	123,200	Non-current liabilities	323,968
Leased assets	4	Bonds payable	40,700
Construction in progress	103	Long-term loans payable	279,210
Intangible assets	500	Long-term deposits received	544
Software	483	Provision for executive remuneration BIP trust	199
Other	16	Deferred tax liabilities	91
Investments and other assets	368,495	Other	3,223
Investment securities	6,869	Net assets	<u>75,194</u>
Shares of subsidiaries and associates	194,374	Shareholders' equity	74,199
Long-term loans receivable from subsidiaries and associates	166,382	Capital stock	40,000
Long-term deposits	623	Capital surplus	22,055
Other	245	Legal capital surplus	10,000
		Other capital surplus	12,055
		Retained earnings	13,234
		Other retained earnings	13,234
		Retained earnings brought forward	13,234
		Treasury shares	-1,091
		Valuation and translation adjustments	994
		Valuation difference on available-for-sale securities	1,390
		Deferred gains or losses on hedges	-396
Total assets	721,111	Total liabilities and net assets	721,111

Statements of Income

Fiscal Year 2017 (From April 1, 2017 to March 31, 2018)

(Unit: million yen)

Item	Amount	
I Operating revenue		15,117
II General and administrative expenses		8,602
Operating profit		6,514
III Non-operating income		
Interest income	8,856	
Dividend income	187	
Other	186	9,230
IV Non-operating expenses		
Interest expenses	9,463	
Interest on bonds	503	
Foreign exchange losses	18	
Other	402	10,388
Ordinary profit		5,357
V Extraordinary income		
Gain on sales of investment securities	30	30
VI Extraordinary loss		
Loss on disposal of noncurrent assets	0	
Loss on valuation of investment securities	84	84
Profit before income taxes		5,302
Income taxes-current	1,393	
Income taxes-deferred	181	1,574
Profit		3,727

Statements of Changes in Equity

Fiscal Year 2017 (From April 1, 2017 to March 31, 2018)

(Unit: million yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total shareholder's equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at April 1, 2017	40,000	10,000	12,055	22,055	13,745	13,745	-1,113	74,687
Changes of items during the period								
Dividends of surplus					-4,238	-4,238		-4,238
Profit					3,727	3,727		3,727
Purchase of treasury shares							-1	-1
Disposal of treasury shares			0	0			24	24
Net changes of items other than shareholders' equity								
Total changes of items during the period	-	-	0	0	-511	-511	22	-488
Balance at March 31, 2018	40,000	10,000	12,055	22,055	13,234	13,234	-1,091	74,199

	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, 2017	918	-571	346	75,034
Changes of items during the period				
Dividends of surplus				-4,238
Profit				3,727
Purchase of treasury shares				-1
Disposal of treasury shares				24
Net changes of items other than shareholders' equity	472	175	647	647
Total changes of items during the period	472	175	647	159
Balance at March 31, 2018	1,390	-396	994	75,194

Notes to Financial Statements

1. In the non-consolidated balance sheet, non-consolidated statements of income and non-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.

2. Notes to Items concerning 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 Non-current Assets

Property, Plant and Equipment The straight-line method

(Excluding leased 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 etc., the amount to be paid in the fiscal year under review is posted based on the amount estimated to be paid.

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:	¥7,326 million
Long-term loans receivable from subsidiaries and associates:	¥0 million
Short-term loans payable to subsidiaries and associates:	¥57,594 million
Long-term loans payable to subsidiaries and associates:	¥483 million
(2) Accumulated depreciation for the property, plant and equipment	¥413 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)	¥9,040 million
(4) Contingencies	
Guaranty of Liabilities	
Cosmo Oil., Ltd.	¥167,006 million
Others	¥24,326 million

(5) Financial Covenants

Out of borrowings, borrowings amounting to ¥85,080 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)	April 27, 2018	¥40,080 million	The Company shall maintain the amount of net assets at ¥152.0 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:	¥15,117 million
General and administrative expenses for subsidiaries and associates:	¥1,209 million
Non-operating transactions with subsidiaries and associates:	¥9,552 million
(in addition, it is stated in "Notes to the Company's Transactions with Related Parties".)	

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

Type and Number of Treasury Shares as of March 31, 2018

Ordinary shares	667,048 shares
(including the Executive Remuneration BIP Trust	665,042 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	216
Accrued business tax	79
Others	23
Total current deferred tax assets:	<u>319</u>

(2) Non-Current Deferred Tax Assets and Liabilities

1) Deferred tax assets:

Loss on valuation of investment securities	1,498
Others	299
Non-current deferred tax assets – Sub-total:	<u>1,798</u>
Valuation allowance:	<u>-1,619</u>
Total non-current deferred tax assets:	<u>178</u>

2) Deferred tax liabilities:

Valuation difference on available-for-sale securities	-234
Others	-35
Total non-current deferred tax liabilities:	<u>-269</u>
Net non-current deferred tax liabilities:	<u>-91</u>

7. Notes to Non-current Assets Used Under Leases

As for the non-current assets recorded on the balance sheet, we use some of office equipment 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 related parties	Account item for record entry	Transaction amount (¥mil)	Item	Balance as of Mar 31, 2018 (¥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)	4,639	Accounts receivable-other	608
				Loans to it (*2) and Funds deposit (*3)	298,339	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	188,834 48,158
				Interest receivable (*4)	6,349	—	—
				Assumption of guaranty liabilities (*5)	167,006	—	—
				Concomitant assumption of liabilities (*6)	60,000	—	—
				Guaranteed liabilities (*7)	450,714	—	—
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)	3,031	Accounts receivable-other	397
				Loans to it (*2) and Funds deposit (*3)	22,858	Long-term loans receivable from subsidiaries and associates Deposits received	1,537 6,298
				Interest receivable (*4)	328	—	—
				Interest payable (*4)	347	—	—
				Assumption of guaranty liabilities (*5)	2,487	—	—
				Concomitant assumption of liabilities (*6)	60,000	—	—
Subsidiary	Cosmo Oil Sales Co., Ltd. (indirectly, 100% owned)	Sales of oil products	Loans to it	Loans to it (*2) and Funds deposit (*3)	7,208	Deposits received	25,000
				Interest payable (*4)	32	Accounts payable-other	16
Subsidiary	Cosmo Oil Property Service Co., Ltd. (indirectly, 100% owned)	Management and lease of service station equipments	Loans to it	Loans to it (*2) and Funds deposit (*3)	89,356	Long-term loans receivable from subsidiaries and associates Deposits received	77,346 5,140
				Interest receivable (*4)	1,501	—	—
				Interest payable (*4)	134	—	—
Subsidiary	Sogo Energy Co., Ltd.(indirectly, 100%owned)	Sales of oil products	Loans to it	Loans to it (*2) and Funds deposit (*3)	6,780	Deposits received	13,187
				Interest payable (*4)	29	—	—
Subsidiary	Cosmo Matsuyama Oil Co., Ltd. (indirectly, 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)	23,318	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	17,193 6,766
				Interest receivable (*4)	190	—	—

Type	Name (Ownership type & ratio)	Line of business	Cosmo Energy Holdings's relationship with related parties	Account item for record entry	Transaction amount (¥mil)	Item	Balance as of Mar 31, 2018 (¥mil)
Subsidiary	Cosmo Engineering Co., Ltd.(directly, 99% owned)	Undertaking of facility construction and other related work	Interlocking directors Loans to it	Loans to it (*2) and Funds deposit (*3)	21,977	Short-term loans receivable from subsidiaries and associates Long-term loans receivable from subsidiaries and associates	1,430 22,360
				Interest receivable (*4)	371	Accounts receivable-other	13
				Interest payable (*4)	0	—	—
Subsidiary	Cosmo Energy Exploration & Production Co., Ltd.(directly, 100% owned)	Planning in the energy exploration and production business	Loans to it	Loans to it (*2) and Funds deposit (*3)	6,480	Long-term loans receivable from subsidiaries and associates	7,648
				interest receivable (*4)	55	Deposits received Accounts receivable -other	316 2
Subsidiary	Abu Dhabi Oil Co., Ltd.(indirectly, 64% owned)	Crude oil exploration, production & sales	Assumption of guaranty liabilities	Assumption of guaranty liabilities (*5)	8,853	—	—
				Guarantee commission received (*5)	13	Accounts receivable -other	3
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)	29,461	Short-term loans payable from subsidiaries and associates	49,841
				Interest payable (*4)	64	Accounts payable-other	34

Out of the amounts shown above, the transaction amounts are exclusive of consumption tax charges, while the balance amounts as of March 31, 2018 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) receive the revenue 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 current fiscal year.
 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 current fiscal year.
 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.

9. Notes to Per-Share Information

- (1) Net assets per share
- (2) Net income per share

¥894.07
¥44.32

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 the 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 1,087 million yen and 665,042, respectively.

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

(Unit: million yen)

Asset class	Asset item	Book value at beginning of year	Addition during year	Reduction during year	Depreciation during year	Book value at end of year	Accumulated depreciation	Acquisition cost at end of year
Property, plant & equipment	Buildings and Structures	429	9	—	22	416	83	500
	Vehicles	10	—	—	2	7	9	17
	Tools, furniture and fixtures	67	7	0	18	56	314	370
	Land	123,200	—	—	—	123,200	—	123,200
	Leased assets	8	—	—	3	4	6	10
	Construction in progress	5	289	190	—	103	—	103
	Total	123,720	306	190	48	123,788	413	124,202
Intangible assets	Software	550	125	—	192	483		
	Others	16	—	—	—	16		
	Total	567	125	—	192	500		

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	265	498	265	498
Provision for directors' bonuses	91	210	91	210
Provision for Executive Remuneration BIP Trust	160	47	8	199

3. Schedule for General and Administrative Expenses

(Unit: million yen)

Account item	Amount	Description
Outsourcing expenses	1,627	
Taxes and dues	1,498	
Salaries and wages	1,000	
Advertising expenses	986	
Miscellaneous expenses	814	
Provision for bonuses	498	
Others	2,177	
Total	8,602	

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

Independent Auditor's Report

May 10, 2018

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

KPMG AZSA LLC

Designated Limited Liability
and Engagement Partner

Certified Public Accountant

Junshi Ono

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, 2017 to March 31, 2018.

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 10, 2018

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

KPMG AZSA LLC

Designated Limited Liability
and Engagement Partner

Certified Public Accountant

Junshi Ono

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 3rd fiscal year from April 1, 2017 to March 31, 2018.

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 3rd business year from April 1, 2017 to March 31, 2018, 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 10, 2018

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 -