

Please note that the following is an unofficial English translation of Japanese original text of the Notice of Convocation of the 108th Ordinary General Meeting of Shareholders of COSMO OIL CO., LTD. The Company provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Securities Code: 5007

June 3, 2014

To Shareholders with Voting Rights

**Keizo Morikawa
President
COSMO OIL CO., LTD.
1-1-1, Shibaura, Minato-ku, Tokyo**

**NOTICE OF CONVOCATION OF
THE 108th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 108th Ordinary General Meeting of Shareholders of COSMO OIL CO., LTD. (the "Company"). The Meeting will be held as described below.

If you are unable to attend the Meeting, you can exercise your voting rights by either of the following methods. Please review the "Reference Documents for the General Meeting of Shareholders" mentioned below, and exercise your voting rights **by no later than 5:30 p.m., Monday, June 23, 2014.**

[When Exercising Voting Rights in Writing]

Please indicate your approval or disapproval for the proposals in the enclosed Voting Rights Exercise Form, and return it so that it will arrive by the aforementioned exercise deadline.

[When Exercising Voting Rights via the Internet, etc.]

For exercising your voting rights via the Internet, etc., access the website designated by the Company for exercising voting rights (<http://www.web54.net>), and, using the "voting rights exercise code" and "password" as described in the enclosed Voting Rights Exercise Form, follow the guidance on screen and enter your approval or disapproval for the proposals.

If you exercise your voting rights via the Internet, etc., please check the "Exercising Your Voting Rights via the Internet, etc." on page 3.

- 1. Date and Time:** 10:00 a.m., Tuesday, June 24, 2014
- 2. Place:** “Willard” 5F, INTERCONTINENTAL TOKYO BAY,
1-16-2, Kaigan, Minato-ku, Tokyo, Japan
- 3. Agenda of the Meeting:**
- Matters to be Reported: (1) The Business Report and the Consolidated Financial Statements, and Audit Reports of the Accounting Auditor and the Audit & Supervisory Board for the Consolidated Financial Statements for the 108th Fiscal Year (from April 1, 2013 to March 31, 2014)
(2) The Financial Statements for the 108th Fiscal Year (from April 1, 2013 to March 31, 2014)
- Proposals to be Resolved: **Proposal No. 1: Appropriation of Surplus**
Proposal No. 2: Election of Ten (10) Directors
Proposal No. 3: Election of One (1) Audit & Supervisory Board Member
- 4. Notice**
- (1) If you exercise your voting rights by two different methods, that is, via the Internet, etc. as well as in writing (Voting Rights Exercise Form), the vote that arrives later shall be deemed valid. If those two votes arrive at the Company on the same day, the vote via the Internet, etc. shall be deemed valid.
- (2) If you exercise your voting rights via the Internet, etc. more than once, your final vote shall be deemed to be valid.

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

Exercising Your Voting Rights via the Internet, etc.

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

1 Website

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

2 Basic Matters

- (1) Please note that the voting exercise code and temporary password supplied on the lower right-hand side of your Voting Rights Exercise Form are necessary.
- (2) If you exercise your voting rights via the Internet, etc. multiple times, only your last vote will be treated as valid.
- (3) If you exercise your voting rights by mail and also place your vote via the Internet, etc., whichever we received last will be treated as valid. If we receive both on the same day, we will treat only your vote placed via the Internet, etc. as valid.
- (4) You may place your vote via the Internet, etc. at any time by the close of business (5:30 p.m.) on Monday, June 23, 2014.
- (5) The costs of using the Internet website to exercise your voting rights, such as the connection fees of internet service providers and applicable communications fees (i.e., call charges), will be borne by the shareholder.

3 Handling Your Password

- (1) The temporary password is our means of verifying whether the person voting is a legitimate shareholder. Please maintain this password as strictly confidential in the same manner as a registered seal or a personal identification number.
- (2) If you lose your password, please follow the screen guidance and the procedures.

4 Conditions Relevant to Systems

Please confirm the following system environment for exercising voting rights via the Internet.

Display monitor with resolution of greater than 800×600 (SVGA)

Following applications installed

- a. Microsoft® Internet Explorer v. 5.01 SP2 or more recent version
- b. Adobe® Acrobat® Reader™ v. 4.0 or more recent version or Adobe® Reader® v. 6.0 or more recent version (for the case where the Reference Documents, etc. will be read over the Internet)

* Microsoft® and Internet Explorer are registered trademarks or trademarks of Microsoft Corporation, and Adobe® Acrobat® Reader™ and Adobe® Reader® are registered trademarks or trademarks of Adobe Systems Incorporated, in the U.S.A. and other countries.

In case of accessing the Internet from companies, etc., communications over the Internet are sometimes restricted due to Firewall settings, etc., so please confirm with the systems manager of your company.

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

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

**The Sumitomo Mitsui Trust Bank, Limited,
Securities Agent Web Support Hotline
Phone: 0120 (652) 031 (Toll Free, only in Japan)
(9:00 to 21:00)**

<For Institutional Investors>

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

Proposal No. 1: Appropriation of Surplus


In consideration of the Company's performance in this fiscal year and future business environment, the Company would like to set the term-end dividend of ¥2 per share for this fiscal year.


- 1. Matter related to distribution of property dividends to shareholders and the total amount**
¥2 per share of common shares of the Company Total amount: ¥1,694,799,836
- 2. Effective date of the appropriation of surplus**
June 25, 2014


Proposal No. 2: Election of Ten (10) Directors


The term of office of all Directors will expire at the close of this General Meeting of Shareholders. Therefore, it is proposed that ten (10) Directors be elected.


The candidates for Director are as follows.

Candidate No.		* Career Summary and Status	* Status of Significant Concurrent Position(s)
1		April 1963 Joined Daikyo Oil Co., Ltd. June 1993 Director of the Company June 1996 Managing Director June 1998 Representative Senior Managing Director June 2001 Executive Vice President, Representative Director June 2004 President, Representative Director June 2010 President, Representative Director, Chief Executive Officer June 2012 Chairman, Representative Director (current position)	Director, COSMO PETROLEUM GAS CO., LTD. Director, COSMO OIL LUBRICANTS CO., LTD. Director, COSMO OIL SALES CORPORATION Director, Cosmo Energy Exploration & Production Co., Ltd. President, Representative Director, Qatar Petroleum Development Co., Ltd. Director, ABU DHABI OIL CO., LTD. Director, COSMO ENGINEERING CO., LTD. Director, Eco Power Co., Ltd.
			* Number of Shares of the Company Held
			204,000


Candidate No.		* Career Summary and Status	* Status of Significant Concurrent Position(s)
2		April 1971 Joined Daikyo Oil Co., Ltd. June 2000 Director of the Company June 2002 Managing Director June 2004 Senior Managing Director June 2006 Representative Senior Managing Director June 2008 Executive Vice President, Representative Director June 2010 Representative Director, Executive Vice President June 2012 President, Representative Director, Chief Executive Officer (current position)	President, Representative Director, Cosmo Energy Exploration & Production Co., Ltd. Director, MARUZEN PETROCHEMICAL CO., LTD. President, UNITED PETROLEUM DEVELOPMENT CO., LTD.
			* Number of Shares of the Company Held
			149,000


Candidate No.		* Career Summary and Status	* Assignment at the Company
3	 Atsuto Tamura (March 20, 1953)	April 1975 Joined Daikyo Oil Co., Ltd. June 2002 General Manager, Project Development Dept. of the Company	Corporate Management Unit
Reappointment		June 2003 Managing Director, Cosmo Research Institute June 2004 President, Representative Director, Cosmo Research Institute June 2006 Executive Officer, General Manager, Corporate Communication Dept. of the Company June 2008 Senior Executive Officer, General Manager, Corporate Communication Dept.	* Status of Significant Concurrent Position(s)
		June 2009 Managing Director June 2010 Director, Senior Executive Officer June 2013 Representative Director, Senior Managing Executive Officer (current position)	* Number of Shares of the Company Held
			103,000

Candidate No.		* Career Summary and Status	* Assignment at the Company
4	 Hisashi Kobayashi (November 12, 1954)	April 1977 Joined Daikyo Oil Co., Ltd. June 2004 General Manager, Osaka Branch Office of the Company	Supply Business Unit
Reappointment		June 2006 Executive Officer, General Manager, Sales Control Dept. June 2008 Senior Executive Officer, General Manager, Sales Control Dept. June 2010 Senior Executive Officer June 2011 Director, Senior Executive Officer (current position)	Director, COSMO ENGINEERING CO., LTD. * Number of Shares of the Company Held
			103,000

Candidate No.		* Career Summary and Status	* Assignment at the Company
5		April 1979	Joined Daikyo Oil Co., Ltd.
		June 2004	General Manager, Supply & Demand Coordination Dept. of the Company
Reappointment	Hiroshi Kiriya (June 20, 1955)	June 2008	Executive Officer, General Manager, Corporate Planning Dept.
		June 2010	Executive Officer, General Manager, Corporate Planning Dept. and Change Promotion Dept.
		June 2011	Senior Executive Officer, General Manager, Corporate Planning Dept. and Change Promotion Dept.
		June 2012	Senior Executive Officer
		June 2013	Director, Senior Executive Officer (current position)
			* Status of Significant Concurrent Position(s)
			Director, Cosmo Energy Exploration & Production Co., Ltd. Director, MARUZEN PETROCHEMICAL CO., LTD.
			* Number of Shares of the Company Held
			72,000

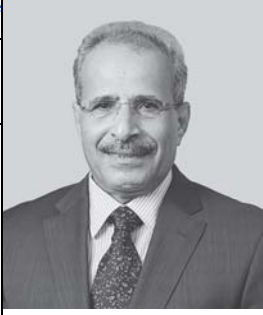
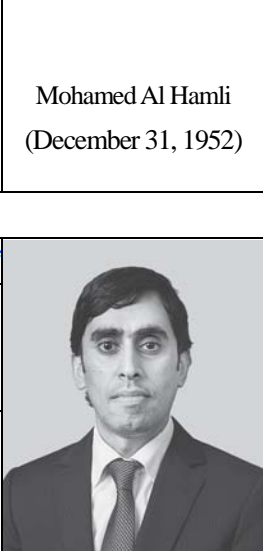
Candidate No.		* Career Summary and Status	* Assignment at the Company
6		April 1978	Joined Daikyo Oil Co., Ltd.
		June 2005	General Manager, Sendai Branch Office of the Company
New Appointment	Katsuhisa Ohtaki (February 17, 1956)	June 2007	Executive Officer, General Manager, Industrial Fuel Marketing Dept.
		June 2009	Executive Officer, General Manager, Yokkaichi Refinery
		June 2011	Senior Executive Officer, General Manager, Yokkaichi Refinery
		March 2012	Senior Executive Officer, General Manager, Chiba Refinery (current position)
			* Status of Significant Concurrent Position(s)
			* Number of Shares of the Company Held
			68,000


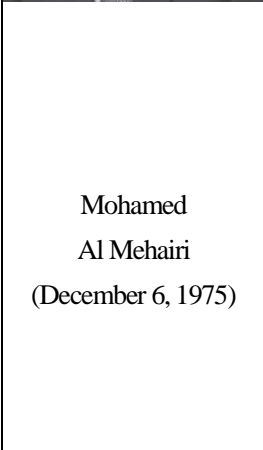
Candidate No.		* Career Summary and Status	* Assignment at the Company	
7		Muneyuki Sano (November 1, 1956)	April 1979 June 2006	Joined Daikyo Oil Co., Ltd. General Manager, Osaka Branch Office of the Company
New Appointment	June 2008		Executive Officer, General Manager, Wholesale Marketing Dept.	* Status of Significant Concurrent Position(s)
	June 2009	Executive Officer, General Manager, Industrial Fuel Marketing Dept.		
	June 2012	Senior Executive Officer, General Manager, Finance Dept.		
		June 2013	Senior Executive Officer (current position)	* Number of Shares of the Company Held
				62,000

Candidate No.		* Career Summary and Status	* Assignment at the Company	
8		Yasushi Ohe (July 26, 1955)	April 1979 June 2008	Joined Daikyo Oil Co., Ltd. General Manager, Supply & Demand Coordination Dept. of the Company
New Appointment	June 2009		Executive Officer, General Manager, Supply & Demand Coordination Dept.	* Status of Significant Concurrent Position(s)
	June 2012	Senior Executive Officer, General Manager, Crude Oil & Tanker Dept.	Director, COSMO PETROLEUM GAS CO., LTD. Director, COSMO OIL LUBRICANTS CO., LTD. Representative Director, Hyundai Cosmo Petrochemical Co., Ltd. Director, Eco Power Co., Ltd.	
	June 2013	Senior Executive Officer (current position)		
				* Number of Shares of the Company Held
				49,000

- (Notes) 1. Yaichi Kimura also serves as Representative Director of our subsidiary Qatar Petroleum Development Co., Ltd., and the Company and the relevant company have transaction relationships such as the sale and purchase of crude oil, etc.
2. Keizo Morikawa also serves as Representative Director of our subsidiary Cosmo Energy Exploration & Production Co., Ltd., and the Company and the relevant company have transaction relationships such as provision of services.
3. Keizo Morikawa also serves as Representative Director of our affiliate UNITED PETROLEUM DEVELOPMENT CO., LTD., and the Company and the relevant company have transaction relationships such as the sale and purchase of crude oil, etc.
4. Yasushi Ohe also serves as Representative Director of our affiliate Hyundai Cosmo Petrochemical Co., Ltd., and the Company and the relevant company have transaction relationships such as the sale and purchase of petroleum products, etc.
5. No special interests exist between the Company and any of the other candidates for Director.

<Candidates for Outside Director>

Candidate No.		* Career Summary, Status at the Company and Significant Concurrent Position(s)			
9		August 1980	Joined Abu Dhabi Marine Operating Company	February 2005	Deputy Chairman, International Petroleum Investment Company (current position)
		March 1997	General manager, Abu Dhabi National Oil Company for Distribution	June 2010	Director of the Company (current position)
Reappointment		October 1998	Director, Marketing & Refining, Abu Dhabi National Oil Company	* Number of Shares of the Company Held	
		November 2004	Minister of Energy, the United Arab Emirates	0	
Mohamed Al Hamli (December 31, 1952)		* Reasons for choosing the person as candidate for Outside Director			
		Mohamed Al Hamli served as Minister of Energy of the United Arab Emirates and the Company judges him capable of properly executing duties as Outside Director from an international viewpoint with respect to the petroleum industry.			

Candidate No.		* Career Summary, Status at the Company and Significant Concurrent Position(s)			
10		September 1999	Joined Abu Dhabi National Oil Company	March 2008	Vice Chairman, Pak-Arab Refinery Ltd. (current position)
		August 2006	Investment Manager, Invest Management Division, Investment Department, International Petroleum Investment Company	February 2009	Director Investment, International Petroleum Investment Company (current position)
Reappointment		July 2007	Division Manager, Evaluation & Execution Division, International Petroleum Investment Company	July 2009	Director, Nova Chemicals Corporation (current position)
		July 2007	Board Member of Supervisory Board, Borealis (current position)	June 2012	Director of the Company (current position)
Mohamed Al Mehairi (December 6, 1975)		* Number of Shares of the Company Held			
		0			
		* Reasons for choosing the person as candidate for Outside Director			
		Mohamed Al Mehairi serves as Board Member of Supervisory Board of Borealis, Vice Chairman of Pak-Arab Refinery Ltd., and Director of Nova Chemicals Corporation. Therefore, the Company judges him capable of properly executing duties as Outside Director from his international viewpoint with respect to the petroleum industry.			

- (Notes) 1. Mohamed Al Hamli and Mohamed Al Mehairi served for Abu Dhabi National Oil Company (ADNOC) and ADNOC is the specified related operator for the Company.
2. The term of office of Mohamed Al Hamli as Outside Director since assuming office will reach four (4) years at the close of this meeting.
3. The term of office of Mohamed Al Mehairi as Outside Director since assuming office will reach two (2) years at the close of this meeting.
4. Mohamed Al Mehairi is related in the third degree to an executing person of the Company's specified related operator, Abu Dhabi National Oil Company.
5. Pursuant to the provision of Article 423, Paragraph 1 of the Companies Act, the Company has entered into agreements with Mohamed Al Hamli and Mohamed Al Mehairi, to limit the liability for damages. The limit of the liability under the relevant agreement shall be the minimum amount that is set by the provision of Article 425, Paragraph 1 of the said act. If Mohamed Al Hamli and Mohamed Al Mehairi are reelected as Outside Director, the Company will renew the current agreement with them to limit the liability for damages under the same conditions.

Proposal No. 3: Election of One (1) Audit & Supervisory Board Member

The Audit & Supervisory Board Member Kazuto Ichikawa will resign at the close of this General Meeting of Shareholders. Therefore, it is proposed that one (1) Audit & Supervisory Board Member as the substitute be elected.

The proposal at the Meeting had already been agreed upon by the Audit & Supervisory Board.

The candidate for Audit & Supervisory Board Member is as follows.

New Appointment		* Career Summary, Status at the Company and Significant Concurrent Position(s)		
	Hideto Matsumura (August 1, 1952)	April 1975	Joined Maruzen Oil Co., Ltd.	
		June 2005	General Manager, Sakaide Refinery of the Company	
June 2006	Executive Officer, General Manager, Sakaide Refinery			
June 2007	Executive Officer, General Manager, Refining & Technology Dept.			
June 2008	Senior Executive Officer, General Manager, Refining & Technology Dept.			
June 2009	Managing Director			
June 2010	Director, Senior Executive Officer			
June 2013	Director, Senior Managing Executive Officer (current position)			
			* Number of Shares of the Company Held	
			115,000	

(Note) No special interests exist between the Company and the candidate for Audit & Supervisory Board Member.

1. Business Overview

(1) Review of Operations of the Group

Business Environment

During the fiscal year under review, Japan's economy showed signs of recovery, buoyed in part by correction of the excessively strong yen and rising stock prices amid the Bank of Japan's bold monetary easing, coupled with agile fiscal policy of a government intent on snapping Japan out of its deflationary rut.

Domestic demand for petroleum products fell compared to the previous year, with the exception of higher demand for diesel fuel partially attributable to increased distribution levels for use in reconstruction from the Great East Japan Earthquake. The overall decrease, meanwhile, was due to factors such as lower demand for gasoline, kerosene, and heavy fuel oil A, which was declining as a result of fuel efficiency improvements and shifts to alternative fuels, combined with a sharp downturn in demand for heavy fuel oil C used by thermal power plants to generate electricity.

With respect to **crude oil prices**, Dubai crude oil began the year at around \$107/barrel and later dropped briefly to around \$96/barrel, largely as a result of expectations for increasing North American production given the region's shale gas revolution and lower demand reflecting a seasonal lull. However, the price subsequently headed upward, ending the year at around \$104/barrel, with the rise spurred by turmoil in Syria, Libya and other parts of the Middle East.

As for **exchange rates**, the year brought correction to the excessively strong yen which ended the year at the ¥102 per dollar level, from the ¥94 per dollar level at the start of the year, due to factors such as the Bank of Japan's substantial monetary easing and a shift in U.S. monetary policy.

As for **domestic product market conditions**, easing demand for petroleum products relative to supply kept prices at low levels that did not reflect crude oil prices.

In this business environment, the Cosmo Oil Group (the "Group") has been making concerted efforts to streamline operations and establish a stable earnings platform, underpinned by efforts to pursue the four basic policy objectives and six related programs of the Group's Fifth Consolidated Medium-Term Management Plan. To more effectively pursue such initiatives, we have also adopted a business unit system and clarified responsibilities of operating units in terms of generating revenues, while also setting up a unit to oversee risk management practices of the entire Group and fortifying our risk management framework.

The Fifth Consolidated Medium-Term Management Plan

[Four Basic Policy Objectives and Six Related Programs]

I. Regain profitability in the refining and marketing sector

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

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

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

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

IV. Further enhance CSR management

Petroleum Business

1) Further Enhancement of Safe Refinery Operation and Stable Supply

As for our refinery operations, our three refineries shifted to full production upon re-starting the Chiba Refinery's two CDUs (crude distillation units) and closure of the Sakaide Refinery.

As for our safety management systems, the Risk Management Unit spearheaded efforts that involved holding regular Refinery Safety Reform Committee meetings and developing accident-prevention frameworks, while also taking steps to improve levels of facility maintenance through ongoing implementation of PDCA (plan-do-check-act) cycles.

These initiatives have enabled us to achieve increased refinery utilization rates and ensure stable product supplies.

Also, on the basis of public-private sector guidelines regarding the government's national resilience plan, we revamped our manual specifying our business continuity plan which covers our entire supply network, from refineries to affiliated service stations.

We have also concluded a memorandum of understanding with Hyundai Oilbank Co., Ltd. to establish a reciprocal oil-product backup supply system for use in the event of an emergency.

2) Extensive rationalization focusing mainly on supply division

We took steps to streamline our supply operations from crude oil procurement to refinery shipment, cut costs throughout our supply chain, and also set up an efficient supply framework based on our three refineries.

As for crude oil procurement, we have been working to build stronger relations with the United Arab Emirates, Qatar and other major oil-producing nations, while also moving to cut procurement costs through such means as effectively balancing term contracts (long-term) and spot contracts (short-term), optimizing our crude oil selection by procuring a greater diversity of oil types, and reviewing oil tanker time charter arrangements.

We have also reduced fixed costs by closing our Sakaide Refinery (currently, Sakaide Distribution Terminal), after which we disposed of refinery equipment and took other such action according to plan. Then from April 2014, we put the site to use as a distribution terminal which now enables us to provide stable supplies of petroleum products to western Japan.

With respect to our Chiba Refinery, we concluded a memorandum with TonenGeneral Sekiyu K.K. regarding joint business involving that facility, motivated by our aim of achieving globally-competitive refinery operations. In that regard, we have started looking into possibilities with respect to streamlining overall operations and optimizing production planning.

In the LPG import and wholesale operations, we established the Integration Examination Committee in conjunction with Showa Shell Sekiyu K.K., Sumitomo Corporation, and TonenGeneral Sekiyu K.K., and have since begun talks with those firms with respect to matters such as developing business strategy geared toward building an integrated framework that would unify operations spanning LPG domestic wholesale to logistics, management of shipping terminals, import and procurement, and overseas trading.

3) Strengthening the retail business

We have been pursuing a variety of measures under our “Cosmo B-cle Vision” with the aim of developing an innovative business model, one whereby a business of providing car life value targeting overall automotive lifestyles including fuels.

We have been doing our utmost to heighten customer satisfaction with respect to service stations, premised on our aim of offering safe and reliable products and services worthy of society’s trust. To that end, we have been conducting surveys which involves enlisting customers who act as monitors and provide us with feedback from their vantage point to ensure that our “Filling Up Your Hearts, Too” Declaration 2013 delivers on our three promises of providing our customers with “comfort,” “peace of mind” and “a sense of trust.”

The “COSMO B-cle LEASE” auto leasing business has been working to meet wide ranging customer automotive lifestyle needs, spurred on by the watchwords, “peace of mind,” “convenience,” “good value” and “fun.” Thanks to such efforts, as of February the auto leasing business had concluded an accumulated total since its inception of more than 10,000 vehicle lease contracts, and the business also overwhelmingly achieved its annual target with 6,473 vehicle lease contracts for the year.

With respect to our “Cosmo The Card,” the number of valid cards increased by 150 thousand over the previous year to 4,120 thousand, as we engaged in efforts to ensure that the card provides greater customer convenience. To that end, we improved card-related equipment by installing linked point-of-sale terminals that enable cardholders to use WAON electronic money.

In the area of **CSR and the environment**, we have been working to fulfill our social responsibilities to the environment as an integrated energy company, under our CSR Initiative Policy (FY2013 to FY2017). Toward that end, we have been actively promoting communication concerning the environment while engaging in ongoing environmental education activities geared toward employee involvement. Such activities include our Cosmo Forest community forest preservation activities, and also our Cosmo Earth Conscious Act Clean Campaign which largely takes place around Mt. Fuji, thereby also enabling participants to become more familiar with the natural environment while engaging in clean-up efforts throughout Japan. We also launched the Cosmos Project, which enlists mainly our female employees in the task of considering means of enabling women in our workforce to remain actively involved in their careers.

Meanwhile, the Cosmo Oil Eco Card Fund helped support “Living with Our Planet” projects that pursue initiatives under the themes of “Restoration and preservation of the environment in Japan and overseas,” and “Education of the next generation.” The Fund provided support for 14 projects both in Japan and overseas, involving such endeavors as rain forest conservation and environmental schools.

In addition to the previously-mentioned initiatives, we have been strengthening alliances with Hyundai Oilbank Co., Ltd. through researcher exchanges in our technology and research operations, and moreover smooth operations of the First Laffan Refinery in Qatar, partially owned by a subsidiary of the Company, have helped secure revenue streams, while at the same time preparations for construction of the Second Laffan Refinery have been steadily underway.

As a result of the above, the Company’s combined sales volume for all oil types was 37,932 thousand kiloliters, up 2.8% from the previous year. Although net sales in the petroleum business were ¥3,463.7 billion, up 11.2% from the previous year, segment loss (ordinary loss) was ¥25.3 billion, mainly reflecting a slump in the market for petroleum products.

Petrochemical Business

4) Petrochemicals Business

We took steps to shift our focus toward the petrochemical business in reaction to falling gasoline demand in Japan. Meanwhile, Cosmo Oil subsidiary CM Aromatics Co., Ltd. resumed mixed xylene production, thereby enabling us to provide consistent supply of the product to Hyundai Cosmo Petrochemical Co., Ltd. (“HCP”), a joint venture with Hyundai Oilbank Co., Ltd. of South Korea.

HCP kept its para-xylene manufacturing units operating at their world-leading annual capacity of 1.18 million tons, while the ethylene production facilities of Maruzen Petrochemical Co., Ltd. have also been running at high capacity.

As a result of the above, net sales in the petrochemical business were ¥51.6 billion, up 69.3% from the previous year. Segment income (ordinary income) was ¥3.7 billion.

Oil Exploration and Production Business

5) Oil Exploration and Production Business

In order to develop a framework geared toward enabling us to make swift business decisions, we divided up the oil exploration and production business, which maintains operations that have remained a source of consistent profits even while part of the Company’s business portfolio, and subsequently established Cosmo Energy Exploration & Production Co., Ltd.

Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd. and United Petroleum Development Co., Ltd. have been maintaining stable and safe operations in the Middle East, and we have also been pursuing expansion of the oil exploration and production business through efforts that include Abu Dhabi Oil Co., Ltd.’s drive to develop the Hail Field which has been going according to plan, and Cosmo Energy Exploration & Production Co., Ltd.’s ongoing exploration activities in north west coastal area of Australia.

Moreover, as one initiative to “Further strengthen alliances with International Petroleum Investment Company (IPIC),” we signed a memorandum of understanding regarding establishment of a strategic comprehensive alliance with IPIC’s wholly-owned subsidiary Compañía Española de Petróleos, S.A.U. (“CEPSA”), an integrated energy company based in Spain. Accordingly, we have since begun to explore options regarding petroleum-related business opportunities and prospects for their commercialization.

As a result, net sales in the oil exploration and production business were ¥88.7 billion, up 3.2% from the previous year, and segment income (ordinary income) was ¥58.1 billion.

Other

6) Renewable energy business

In the business of wind-power generation, we were able to secure revenues according to plan as a result of Eco Power Co., Ltd. boosting utilization rates of its existing wind-power generators (147,000 KW) combined with a higher purchase price under the FIT (feed-in tariff) scheme for renewable energy. With respect to new wind-power generation facilities, work has been moving steadily ahead toward a FY2014 launch of the Hirogawa Hidakagawa Wind Farm (Wakayama Prefecture) and FY2015 start-up of the Aizu Wakamatsu Wind Farm (Fukushima Prefecture), while progress was also made in developing the Watarai site in Mie Prefecture. Moreover, a portion of Eco Power Co., Ltd.'s shares were transferred to our subsidiary Cosmo Engineering Co., Ltd. and other firms with the aim of building a framework that will integrate wind-power facility operations, maintenance and other functions, and also in order to achieve greater diversity with financing options.

In the mega solar business, CSD Solar G.K., which we established as a joint venture with other companies, got underway with some of its plans to build solar power facilities in eight locations, including former sites of our oil storage depots.

As for the ALA (5-Amino Levulinic Acid) business, we launched sales of the "Penta garden Value for indoor and house green plant," liquid fertilizer for home gardening, specifically formulated for indoor home gardening, and we have expanded into other ALA applications in the food sector in line with ALA phosphate's inclusion in the non-drug list portion of the "Food and Drug Classification List of Japan."

Net sales in other businesses such as the trading and leasing of real estate facilities, the construction and maintenance of oil-related facilities, and agency services for damage insurance were ¥79.4 billion, down 8.0% from the previous year, and segment income (ordinary income) was ¥5.5 billion.

As a result of the above-mentioned management activities, during the fiscal year under review, our consolidated net sales increased by 11.7% from the previous year to ¥3,537.8 billion, while operating income and ordinary income were ¥39.7 billion and ¥41.8 billion, respectively. Net income for the period totaled ¥4.3 billion.

[Business Segment Information]

(Millions of yen)

	Petroleum Business	Petrochemical Business	Oil Exploration and Production Business	Other	Adjustments	Consolidated
Net Sales	3,463,740	51,576	88,652	79,442	-145,629	3,537,782
Segment Income (Ordinary Income)	-25,326	3,692	58,141	5,527	-188	41,847

(2) Issues to be Addressed

Despite concerns of a potential pull-back in the Japanese economy over FY2014 should strong last-minute demand ahead of the nation's consumption tax hike fizzle out after the tax increase, our outlook envisages a trend of business recovery on the basis of a modest rebound gaining pace in the U.S. economy combined with healthy demand in Japan buoyed in part by an upturn in corporate spending on factories and equipment and rising public-sector investment. We also expect to see the Japanese economy steadily gain momentum toward breaking out of its deflationary mode, with a positive feedback cycle taking hold fueled by rising wages which in turn are hastened by improvements in corporate earnings.

As for the petroleum industry, on the one hand, we envisage an ongoing downturn in domestic demand for fuel oil prompted by factors such as fuel efficiency gains and users shifting to alternative fuel sources, partially as a result of initiatives to promote energy conservation and growing concerns regarding environmental problems, yet on the other hand we also foresee a scenario of increasing demand overseas for petroleum products, primarily in Asia. Accordingly, this calls for us to work toward seeking export opportunities that draw on our export infrastructure, shifting to more of a focus on the petrochemical business, and otherwise pursuing global expansion involving a diverse range of businesses.

In consideration of this economic environment, we will continue to steadily pursue the four basic policy objectives and six related programs of the Fifth Consolidated Medium-Term Management Plan, and thereby work to bolster profitability and improve our financial structure, while also streamlining operations through restructuring and other initiatives.

I. Regain profitability in the refining and marketing sector — This management plan objective will entail efforts in several areas. In terms of production, we will establish an efficient supply framework involving our three refineries, thereby ensuring that we continue to operate safely while providing stable supplies of product. In sales, we will initiate an innovative business model such as a business of providing car life value, while also working to win new customers through cross-industry alliances with the Aeon Group and other such companies, and by further promoting our “Cosmo The Card.” In the area of vehicle sales, we will strengthen our retail business, while pursuing an annual target of 10,000 vehicle sales and an accumulated target of 20,000 vehicles. Moreover, we will establish a new company through integration of our administrative domain, and work to streamline operations and strengthen capabilities by consolidating back-office operations of Group companies.

We will also build on our competitive strengths of the refineries through joint operations involving our Chiba Refinery, while streamlining and boosting the efficiency of our LPG supply and sales framework by integrating LPG import and wholesale, and retail operations. To such ends, we will seek opportunities for collaboration, cooperation and integration with various partners in our respective business areas and regions of operation.

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

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

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

The Cosmo Group remains committed to the task of contributing to the sustainable development of society, inspired by our mission which drives us to consistently and safely deliver petroleum products integral to our customers' lives. Furthermore, throughout the second year of our Fifth Consolidated Medium-term Management Plan, we will take a multi-faceted approach with a sense of urgency in executing the plan, as we accordingly set our sights on becoming a “Vertically Integrated Global Energy Company” at the top of our class.” At the same time, all of our employees feel a firm sense of ownership in working to raise the corporate value of the Cosmo Group.

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

(3) Production and Order Acceptance

1) Consolidated Production and Order Acceptance

Name of Business Segment		Production Volume	Changes from FY2012
		Millions of yen	%
Petroleum Business	Gasoline/Naphtha	515,831	26.9
	Kerosene/Diesel Fuel	681,216	31.6
	Heavy Fuel Oil	308,518	-4.1
	Other	114,292	21.9
	Subtotal	1,619,858	20.9
Petrochemical Business		20,510	63.4
Oil Exploration and Production Business		33,583	68.6
Total		1,673,952	22.0

- (Notes)
1. Domestic 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 FY2012	Outstanding Orders	Changes from FY2012
	Millions of yen	%	Millions of yen	%
Other	3,524	-58.2	5,121	15.5

(Note) Amount above does not include consumption taxes.

2) Non-consolidated Production and Order Acceptance

Oil Type	FY2013	FY2012	Changes from FY2012
	Thousand kl/t	Thousand kl/t	%
Gasoline/Naphtha	6,813	5,920	15.1
Kerosene/Diesel Fuel	8,641	7,390	16.9
Heavy Fuel Oil	4,185	5,029	-16.8
Other	2,002	1,883	6.3
Total	21,643	20,224	7.0

- (Notes)
1. Production volume includes portions consigned to other companies and excludes portions consigned from other companies.
 2. In addition to the above-mentioned production, domestic purchase (current year 9,981 thousand kiloliters, previous year 9,420 thousand kiloliters) and overseas purchase (current year 6,313 thousand kiloliters, previous year 7,475 thousand kiloliters) was carried out.

(4) Sales

1) Consolidated Sales

Name of Business Segment		Sales Volume	Changes from FY2012
Petroleum Business		Millions of yen	%
	Gasoline/Naphtha	1,582,679	13.4
	Kerosene/Diesel Fuel	1,060,224	25.1
	Heavy Fuel Oil	434,491	-2.6
	Other	342,094	-15.1
	Subtotal	3,419,490	10.6
Petrochemical Business		21,314	71.1
Oil Exploration and Production Business		72,343	92.8
Other		24,634	-1.3
Total		3,537,782	11.7

- (Notes)
1. Gasoline tax and local gasoline tax are included in amount for gasoline.
 2. Amount above does not include consumption taxes.
 3. Amount above does not include volume of sales between segments.

2) Non-consolidated Sales

Type of Oil	FY2013	FY2012	Changes from FY2012
	Thousand kl/t	Thousand kl/t	%
Gasoline/Naphtha	15,814	15,332	3.1
Kerosene/Diesel Fuel	13,679	12,329	10.9
Heavy Fuel Oil	5,877	7,170	-18.0
Other	2,560	2,058	24.4
Total	37,932	36,890	2.8

(5) Capital Investments

The Group spent a total of ¥41.2 billion on capital investments during the fiscal year under review, primarily in the following:

- Cosmo Oil
 - Some refineries: Construction of petroleum refining and shipping facilities (petroleum business)
 - Nationwide: New establishment and remodeling of service stations (petroleum business)
- Subsidiaries
 - Qatar Petroleum Development Co., Ltd.
 - Qatar: Acquisition of recoverable accounts under production sharing (oil exploration and production business)
 - Subsidiaries
 - Abu Dhabi Oil Co., Ltd.
 - Abu Dhabi (United Arab Emirates): Construction of production facilities (oil exploration and production business)
 - Subsidiaries
 - Eco Power Co., Ltd.
 - Wakayama Prefecture: New establishment of wind mills (other)
 - Fukushima Prefecture: New establishment of wind mills (other)

(6) Financing Activities

The Company conducted financing activities during the current fiscal year as follows:

Issue	Issue Date	Total Issue Amount	Interest Rate	Maturity Date
25th Series Unsecured Bond	September 30, 2013	¥10.0 billion	1.145% annually	September 30, 2021
26th Series Unsecured Bond	February 25, 2014	¥7.7 billion	1.260% annually	February 25, 2022

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

Effective from February 28, 2014, the Company spun-off its oil exploration and production business into the newly-established Cosmo Energy Exploration & Production Co., Ltd. (simplified incorporation-type demerger).

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

Effective from March 20, 2014, the Company transferred a portion of its shares of subsidiary Eco Power Co., Ltd. to its subsidiary Cosmo Engineering Co., Ltd. and other companies.

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

1) Consolidated Assets, Profit and Loss

(Billions of yen)

	The 105th Term FY2010	The 106th Term FY2011	The 107th Term FY2012	The 108th Term FY2013
Net Sales	2,771.5	3,109.7	3,166.7	3,537.8
Ordinary Income	96.1	61.4	48.4	41.8
Net Income	28.9	-9.1	-85.9	4.3
Net Income per Share (yen)	34.16	-10.72	-101.39	5.13
Total Assets	1,579.4	1,675.1	1,743.5	1,696.8
Net Assets	350.2	337.4	256.9	261.1

- (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).
 2. Please refer to “Section 1. Business Overview, (1) Review of Operations of the Group” for the operating results for the 108th Term.

2) Non-consolidated Assets, Profit and Loss

(Billions of yen)

	The 105th Term FY2010	The 106th Term FY2011	The 107th Term FY2012	The 108th Term FY2013
Net Sales	2,551.3	2,757.9	2,788.2	3,163.9
Ordinary Income	50.5	19.6	-28.7	1.7
Net Income	20.8	-9.7	-111.6	28.8
Net Income per Share (yen)	24.49	-11.41	-131.70	34.02
Total Assets	1,437.6	1,563.9	1,552.9	1,484.5
Net Assets	276.8	261.1	143.2	171.5

- (Note) 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).

(10) Principal Business Lines (as of March 31, 2014)

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

(11) Principal Offices and Plants (as of March 31, 2014)

1) The Company

Head Office	1-1-1, Shibaura, Minato-ku, Tokyo
Branch Offices	Sapporo / Sendai / Tokyo / Kanto-Minami (Tokyo) / Nagoya / Osaka / Hiroshima / Takamatsu / Fukuoka
Refineries	Chiba (Ichihara-shi) / Yokkaichi / Sakai / Sakaide
Laboratories	Research & Development Center (Satte-shi)
Overseas Bases	Abu Dhabi (United Arab Emirates) / Doha (Qatar) / Beijing (China) / Shanghai (China)

(Note) As of April 1, 2014, the Sakaide Refinery commenced operations as the Sakaide Distribution Terminal.

(Reference)

Facilities scale of the Company

Crude oil processing capacity	452 thousand barrels per day
Number of oil storage depots (including 33 bailed oil storage depots)	35
Number of affiliated service stations	3,262

2) Major Subsidiaries and Affiliates

(Subsidiaries)	
COSMO MATSUYAMA OIL CO., LTD.	(Head Office) Minato-ku, Tokyo (Plant) Matsuyama-shi
COSMO PETROLEUM GAS CO., LTD.	(Head Office) Minato-ku, Tokyo
COSMO OIL LUBRICANTS CO., LTD.	(Head Office) Minato-ku, Tokyo (Plant) Chiba (Ichihara-shi) / Yokkaichi / Shimotsu (Kainan-shi) / Osaka
COSMO OIL SALES CORPORATION	(Head Office) Chuo-ku, Tokyo
SOGO ENERGY CORPORATION	(Head Office) Minato-ku, Tokyo
COSMO ENERGY EXPLORATION & PRODUCTION CO., LTD.	(Head Office) Minato-ku, Tokyo
QATAR PETROLEUM DEVELOPMENT CO., LTD.	(Head Office) Shinagawa-ku, Tokyo (Mining Plant) Doha (Qatar)
ABU DHABI OIL CO., LTD.	(Head Office) Shinagawa-ku, Tokyo (Mining Plant) Abu Dhabi (United Arab Emirates)
COSMO ENGINEERING CO., LTD.	(Head Office) Shinagawa-ku, Tokyo
ECO POWER CO., LTD.	(Head Office) Shinagawa-ku, Tokyo
(Affiliates)	
HYUNDAI COSMO PETROCHEMICAL CO., LTD.	(Head Office) Seoul (Korea)
MARUZEN PETROCHEMICAL CO., LTD.	(Head Office) Chuo-ku, Tokyo (Plant) Chiba (Ichihara-shi) / Yokkaichi
UNITED PETROLEUM DEVELOPMENT CO., LTD.	(Head Office) Chiyoda-ku, Tokyo (Branch) Abu Dhabi (United Arab Emirates) / Doha (Qatar)

(12) Major Subsidiaries and Affiliates (as of March 31, 2014)

1) Major Subsidiaries and Affiliates

Company Name	Paid-in Capital	Ratio of Voting Rights	Principal Business Lines
(Subsidiaries)	100 million yen	%	
COSMO MATSUYAMA OIL CO., LTD.	35	100.0	Manufacture and sales of petrochemical products / Storage, receiving and shipping works of petroleum / Lease of oil storage facilities
COSMO PETROLEUM GAS CO., LTD.	35	100.0	Import, storage and sales of LPG
COSMO OIL LUBRICANTS CO., LTD.	16	100.0	Research and development, manufacture, and sales of lubrication oils and grease / Analysis and test of petroleum
COSMO OIL SALES CORPORATION	1	100.0	Sales of oil products
SOGO ENERGY CORPORATION	5	99.9	Sales of oil products and various energy products / Operation of service stations
COSMO ENERGY EXPLORATION & PRODUCTION CO., LTD.	100	100.0	Planning in the energy exploration and production business
QATAR PETROLEUM DEVELOPMENT CO., LTD.	31	75.0	Development, production and sales of crude oil
ABU DHABI OIL CO., LTD.	101	64.2	Development, production and sales of crude oil
COSMO ENGINEERING CO., LTD.	4	100.0	Design, procurement and construction of oil refining facilities and other facilities
ECO POWER CO., LTD.	72	89.1	Wind power business
(Affiliates)			
HYUNDAI COSMO PETROCHEMICAL CO., LTD.	582.2 billion KRW	50.0	Manufacture and sales of petrochemical products
MARUZEN PETROCHEMICAL CO., LTD.	100	43.9	Manufacture and sales of petrochemical products
UNITED PETROLEUM DEVELOPMENT CO., LTD.	20	45.0	Development, production and sales of crude oil

(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)

- In February 2014, Cosmo Energy Exploration & Production Co., Ltd. was established under simplified procedures for incorporation-type demergers.
- In March 2014, the Company sold a portion of its Eco Power Co., Ltd. shares.
- The Group consists of 39 consolidated subsidiaries (an increase of one company from the previous year) and 24 companies under the equity method (unchanged) 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 ¥3,537.8 billion, and consolidated net income for the period was ¥4.3 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.

(13) Employees (as of March 31, 2014)

1) Employees of Cosmo Oil Group

Name of Business Segment	Number of Employees (Persons)	Year-on-year Change (Persons)
Petroleum Business	5,208 (3,028)	70 (decreased)
Petrochemical Business	162 (5)	12 (increased)
Oil Exploration and Production Business	262 (54)	45 (increased)
Other	859 (20)	8 (increased)
Total	6,491 (3,107)	5 (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 average employment number of temporary employees.

2) Employees of the Company

Number of Employees (Persons)	Year-on-year Change (Persons)	Average Length of Service
1,837	62 (decreased)	20 years and 11 months

- (Note) Seconded employees (945), temporary employees and part-timers are not included in the number of employees.

(14) Principal Lenders (as of March 31, 2014)

(Billions of yen)

Lenders	Borrowed Amount
Mizuho Bank, Ltd.	166.8
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	134.1
Japan Oil, Gas and Metals National Corporation	85.9
Sumitomo Mitsui Banking Corporation	52.2
Sumitomo Mitsui Trust Bank, Limited	46.7

- (Note) In addition to the above, there were borrowings via syndicated loans (¥111.1 billion in total).

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

On July 11, 2011, the Company lodged an appeal in the Tokyo High Court regarding the prior ruling in the Lawsuit on the Claim for the Refund of Unfair Profits pertaining to delivery of petroleum products to the Defense Agency (currently the Ministry of Defense). On February 24, 2014, settlement was reached, with the Company accepting the court's settlement proposal for a partial reduction to the amount the Company had been ordered to pay the government.

In regard to the Claim for Damage Compensation for Keiyo Sea Berth sea bottom underground crude oil piping at the Chiba Refinery of the Company, where part of the piping floated to the surface of the sea, there were five trial dates in the Tokyo District Court during the fiscal year under review, and this case is currently on trial.

2. Share Information (as of March 31, 2014)

(1) Total Number of Shares Authorized to be Issued: 1,700,000,000 shares

(2) Total Number of Shares Issued and Outstanding: 847,705,087 shares
(of which, number of treasury shares: 305,169 shares)

(3) Number of Shareholders: 36,687

(4) Major Shareholders (Top 10)

Name of Shareholders	Number of Shares Held (thousands)	Investment Ratio (%)
Infinity Alliance Limited	176,000	20.76
Japan Trustee Services Bank, Ltd. (Trust Account)	53,467	6.30
Mizuho Bank, Ltd.	31,531	3.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,040	3.42
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,750	2.33
Mitsui Sumitomo Insurance Company, Limited	18,878	2.22
The Kansai Electric Power Co., Inc.	18,600	2.19
Tokio Marine & Nichido Fire Insurance Co., Ltd.	17,335	2.04
Aioi Nissay Dowa Insurance Co., Ltd.	15,803	1.86
Sompo Japan Insurance Inc.	15,792	1.86

(Note) Investment ratio is calculated by excluding the number of treasury shares.

3. Executives of the Company

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2014)

Position	Name	Responsibilities
Chairman, Representative Director	Yaichi Kimura	
President, Representative Director, Chief Executive Officer	Keizo Morikawa	
Representative Director, Senior Managing Executive Officer	Atsuto Tamura	Responsible for Corporate Management Unit
Director, Senior Managing Executive Officer	Hideto Matsumura	Responsible for Risk Management Unit and Technology & Research Unit
Director, Senior Executive Officer	Hisashi Kobayashi	Responsible for Supply Business Unit
Director, Senior Executive Officer	Isao Kusakabe	
Director, Senior Executive Officer	Hirohiko Ogiwara	Responsible for Sales Business Unit
Director, Senior Executive Officer	Hiroshi Kiriwama	Responsible for Corporate Planning Unit
Director	Mohamed Al Hamli	
Director	Mohamed Al Mehairi	
Full-time Audit & Supervisory Board Member	Hirokazu Ando	
Full-time Audit & Supervisory Board Member	Hideo Suzuki	
Full-time Audit & Supervisory Board Member	Kazuto Ichikawa	
Audit & Supervisory Board Member	Yoshitsugu Kondo	
Audit & Supervisory Board Member	Sakae Kanno	

- (Notes)
1. Directors Mohamed Al Hamli and Mohamed Al Mehairi are Outside Directors.
 2. Audit & Supervisory Board Members Hirokazu Ando, Yoshitsugu Kondo, and Sakae Kanno are Outside Audit & Supervisory Board Members.
 3. Audit & Supervisory Board Members Hirokazu Ando, Yoshitsugu Kondo, and Sakae Kanno have been notified to the Tokyo Stock Exchange as Independent Directors/Auditors.
 4. Hirohiko Ogiwara and Hiroshi Kiriwama were newly elected as Directors and assumed the position on June 25, 2013.
 5. Keiichiro Okabe and Satoshi Miyamoto retired as Directors at the expiration of their term on June 25, 2013.
 6. Sakae Kanno was newly elected as Audit & Supervisory Board Member and assumed the position on June 25, 2013.

7. Executive Officers

Position	Name	Responsibilities
Senior Executive Officer	Katsuhisa Ohtaki	General Manager, Chiba Refinery
Senior Executive Officer	Muneyuki Sano	Assistant of Director for Corporate Management Unit
Senior Executive Officer	Yasushi Ohe	Responsible for Project Development Business Unit
Executive Officer	Koji Gotoh	General Manager, Sakaide Refinery
Executive Officer	Kenichi Taki	General Manager, Accounting Dept.
Executive Officer	Kiyoshi Kumazawa	Assistant of Director for Supply Business Unit, and General Manager, Supply Dept.
Executive Officer	Hirohiko Kato	General Manager, Industrial Fuel Marketing Dept.
Executive Officer	Hiroo Iura	General Manager, Tokyo Branch Office
Executive Officer	Akihiko Tobinaga	General Manager, Finance Dept.
Executive Officer	Yasuaki Iwata	Assistant of Director for Supply Business Unit, and General Manager, Production & Technology Dept.
Executive Officer	Kaoru Sato	General Manager, Refinery Safety Dept.
Executive Officer	Kozo Ogasawara	General Manager, Yokkaichi Refinery

(2) Amount of Compensation to Directors and Audit & Supervisory Board Members

Category	Number of Persons Remunerated	Amount of Compensation
		Millions of yen
Directors (of which, Outside Directors)	12 (2)	284 (24)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	5 (3)	81 (38)
Total	17	365

- (Notes)
1. The amount includes the compensation to two Directors who retired from the positions at the conclusion of the 107th Ordinary General Meeting of Shareholders held on June 25, 2013.
 2. The amount of compensation to Directors was set by resolution at up to ¥750 million per year (the salary for employees for those who also work as Directors is not included) at the 101st Ordinary General Meeting of Shareholders held on June 28, 2007.
 3. The amount of compensation to Audit & Supervisory Board Members was set by resolution at up to ¥9 million per month at the 89th Ordinary General Meeting of Shareholders held on June 29, 1995.

(3) Significant Concurrent Positions of Directors and Audit & Supervisory Board Members

Name	Corporate Name	Title
Yaichi Kimura	COSMO PETROLEUM GAS CO., LTD.	Director
	COSMO OIL LUBRICANTS CO., LTD.	Director
	COSMO OIL SALES CORPORATION	Director
	COSMO ENERGY EXPLORATION & PRODUCTION CO., LTD.	Director
	QATAR PETROLEUM DEVELOPMENT CO., LTD.	President, Representative Director
	ABU DHABI OIL CO., LTD.	Director
	COSMO ENGINEERING CO., LTD.	Director
Keizo Morikawa	ECO POWER CO., LTD.	Director
	COSMO ENERGY EXPLORATION & PRODUCTION CO., LTD.	President, Representative Director
	MARUZEN PETROCHEMICAL CO., LTD.	Director
Hisashi Kobayashi	UNITED PETROLEUM DEVELOPMENT CO., LTD.	President, Representative Director
	COSMO ENGINEERING CO., LTD.	Director
Isao Kusakabe	COSMO ENERGY EXPLORATION & PRODUCTION CO., LTD.	Director
	QATAR PETROLEUM DEVELOPMENT CO., LTD.	Director
	ABU DHABI OIL CO., LTD.	Director
	UNITED PETROLEUM DEVELOPMENT CO., LTD.	Director
Hirohiko Ogiwara	COSMO OIL SALES CORPORATION	Director
Hiroshi Kiriwama	COSMO ENERGY EXPLORATION & PRODUCTION CO., LTD.	Director
	MARUZEN PETROCHEMICAL CO., LTD.	Director
Mohamed Al Hamli (Outside Director)	International Petroleum Investment Company	Deputy Chairman
Mohamed Al Mehairi (Outside Director)	International Petroleum Investment Company	Director Investment
Hirokazu Ando (Outside Audit & Supervisory Board Member)	COSMO MATSUYAMA OIL CO., LTD.	Audit & Supervisory Board Member
	COSMO OIL LUBRICANTS CO., LTD.	Audit & Supervisory Board Member
Hideo Suzuki	COSMO OIL SALES CORPORATION	Audit & Supervisory Board Member
	SOGO ENERGY CORPORATION	Audit & Supervisory Board Member
	COSMO ENERGY EXPLORATION & PRODUCTION CO., LTD.	Audit & Supervisory Board Member
	QATAR PETROLEUM DEVELOPMENT CO., LTD.	Audit & Supervisory Board Member
	ABU DHABI OIL CO., LTD.	Outside Audit & Supervisory Board Member
	UNITED PETROLEUM DEVELOPMENT CO., LTD.	Audit & Supervisory Board Member
	ECO POWER CO., LTD.	Audit & Supervisory Board Member
Kazuto Ichikawa	COSMO PETROLEUM GAS CO., LTD.	Audit & Supervisory Board Member
	COSMO ENGINEERING CO., LTD.	Audit & Supervisory Board Member

Name	Corporate Name	Title
Yoshitsugu Kondo (Outside Audit & Supervisory Board Member)	Sano Law Offices	Attorney at law
Sakae Kanno (Outside Audit & Supervisory Board Member)	THE KANSAI ELECTRIC POWER CO., INC.	Audit & Supervisory Board Member

- (Notes)
1. Yaichi Kimura also serves as Representative Director of the Company's subsidiary Qatar Petroleum Development Co., Ltd., and the Company and the relevant company are in transaction relationships for such as the sale and purchase of crude oil, etc.
 2. Keizo Morikawa also serves as Representative Director of the Company's subsidiary Cosmo Energy Exploration & Production Co., Ltd., and the Company and the relevant company are in transaction relationships for such as provision of services, etc.
 3. Keizo Morikawa also serves as Representative Director of the Company's affiliate United Petroleum Development Co., Ltd., and the Company and the relevant company are in transaction relationships for such as the sale and purchase of crude oil, etc.
 4. Mohamed Al Hamli serves as Outside Director of International Petroleum Investment Company and Mohamed Al Mehairi serves as business executive of the relevant company, and it is the parent company of one of the Company's major shareholders.
 5. Mohamed Al Mehairi is related in the third degree to a business executive of the Company's specified related operator, Abu Dhabi National Oil Company.
 6. Yoshitsugu Kondo serves as joint-representative of Sano Law Offices, and the Company has executed a Legal Retainer Agreement with the firm.
 7. Sakae Kanno concurrently serves as an Audit & Supervisory Board Member at The Kansai Electric Power Co., Inc., which is a major shareholder of the Company. The Company and Kansai Electric Power also have a business relationship that includes buying and selling transactions involving petroleum products.

(4) Outside Directors and Outside Audit & Supervisory Board Members

1) Major Activities in the Fiscal Year

Name	Record of Attendance		Status of Expression of Opinions
	Board of Directors Meeting	Audit & Supervisory Board Meeting	
Mohamed Al Hamli (Outside Director)	9 out of 12 times	-	Asked questions and expressed opinions as needed from an international viewpoint regarding the petroleum industry
Mohamed Al Mehairi (Outside Director)	11 out of 12 times	-	Asked questions and expressed opinions as needed from an international viewpoint regarding the petroleum industry
Hirokazu Ando (Outside Audit & Supervisory Board Member)	12 out of 12 times	13 out of 13 times	Made efforts to grasp the overall management as a Full-time Audit & Supervisory Board Member and asked questions and expressed opinions as needed
Yoshitsugu Kondo (Outside Audit & Supervisory Board Member)	11 out of 12 times	12 out of 13 times	Asked questions and expressed opinions as needed mainly from his specialist viewpoint as lawyer
Sakae Kanno (Outside Audit & Supervisory Board Member)	9 out of 10 times	9 out of 10 times	From the perspective of his abundant experience and knowledge concerning corporate management, asked questions and expressed opinions as needed

(Note) Outside Audit & Supervisory Board Member Sakae Kanno assumed office on June 25, 2013.

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 two Outside Directors, Mohamed Al Hamli and Mohamed Al Mehairi, and with two Outside Audit & Supervisory Board Members, Yoshitsugu Kondo and Sakae Kanno 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.

4. Accounting Auditor

(1) **Name of Accounting Auditor** KPMG AZS A LLC

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

(Millions of Yen)

	Amount of Compensation
Amount of Compensation, etc., to be Paid to the Accounting Auditor pertaining to the Fiscal Year Under Review	115
Amount of Moneys and Other Property Benefits to be Paid to the Accounting Auditor by the Company and Its Subsidiaries	230

- (Notes)
1. The audit agreement entered into by the Company and the Accounting Auditor does not clearly distinguish the amount of compensation, 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 compensation, etc. to be paid to the Accounting Auditor pertaining to the current fiscal year indicates the total amount of these.
 2. Our subsidiaries Cosmo Oil (U.K.) Plc., Cosmo Oil International Pte., Ltd., Cosmo Oil of U.S.A., Inc. and Cosmo Oil (Shanghai) Co., Ltd. undergo audits by audit corporations other than the Account Auditor of the Company.

(3) **Details of Non-audit Services**

The Company commissions and pays compensation for advisory services related to assessing the value of operations in the oil exploration and production business.

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

If the Company judges that any of the respective items of Article 340, Paragraph 1 of the Companies Act is applicable to the Accounting Auditor, such as violation of duty-related obligations or neglect of duties, or misconduct not appropriate as Accounting Auditor, the Audit & Supervisory Board will decide on dismissal of the Accounting Auditor. In addition, in cases where it is judged that hiring it as the Accounting Auditor poses serious problems on the Company, the Audit & Supervisory Board will submit a proposal to the General Meeting of Shareholders with regard to dismissal or non-reappointment of the Accounting Auditor.

5. Systems to Ensure that Execution of Duties by Directors is in Compliance with Laws and Regulations, and Articles of Incorporation and Other Systems to Ensure Appropriateness of Operations

In order to put into practice the management concepts and corporate action policy of the Cosmo Oil Group, and to execute duties appropriately and efficiently, the Company has established the following basic policies with respect to the preparation of a system for execution of duties by Directors and employees, system for risk management and internal auditing to support it, and a system to ensure effective auditing by Audit & Supervisory Board Members.

1) System to Ensure that Execution of Duties by Directors and Employees is in Compliance with Laws and Regulations, and Articles of Incorporation (Article 362, Paragraph 4, Item 6 of the Companies Act, Article 100, Paragraph 1, Item 4 of the Ordinance for Enforcement of the Companies Act)

<Management Concepts and Corporate Action Policy>

- The Company will formulate Cosmo Oil Group Management Vision, and establish Corporate Action Policy with respect to corporate ethics (Cosmo Oil Group Corporate Action Policy), and prepare a promotion system, including establishment of the CSR Promotion Committee (chaired by the President) as an organization to administer overall CSR activities and internal controls, in order to establish the corporate ethics of the Group and help Directors and employees put these ethics into practice.
- The CSR Promotion Committee will prepare manuals on corporate ethics, and carry out training, etc., thus working toward thorough compliance with laws and regulations and fostering and improvement of ethical awareness.

<Report at Meetings>

- The Company will establish the Board of Directors Meeting Rules and Executive Officers' Committee Rules, and prepare a system under which reports on the status of execution of duties by each Director are made in Meetings.

<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.

<Operations Rules, etc.>

- The Company will establish the operational rules, etc. which prescribe the organization, posts, command and control system, and duty sharing, etc., and decision making authority rules to provide for basic matters with respect to operation of decision-making system, and prepare a system under which execution of duties will be in compliance with these rules, and review such rules and systems constantly in response to changes in the management environment.

<Enhancement of Internal Audit>

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

<Acquisition, Use and Conveyance of Information>

- The Company will establish a corporate ethics consultation window (Help Line) with measures to prevent penalization of whistleblowers such as ensuring whistleblower anonymity, and will also establish a Customer Center, as a window to deal with inquiries, etc. from customers, and prepare a system to acquire and use information widely from inside and outside the Company.
- The Company will determine basic matters with respect to risk management, and prepare systems for swift and accurate conveyance of information to the management as well as timely and proper transmission of information to outside the Company

<IT Handling>

- In order to achieve the above purposes, the Company will deal with the advance of IT properly, and use IT effectively and efficiently.

2) Rules and Other Systems concerning Management of Risk of Loss (Article 100, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Companies Act)

- The Company will determine basic matters with regard to risk management (establishment of Risk Management Rules, Risk Measures Rules, General Disaster Measures Rules, etc.), and establish a Risk Management Committee for smooth and effective promotion of risk management, for assessment and reexamination of management risks, and for taking proper measures.

3) Systems to Ensure Efficient Execution of Duties by Directors (Article 100, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Companies Act)

- The Board of Directors Meetings shall be held once per month in principle in accordance with the Board of Directors Meeting Rules, and determine matters prescribed in the laws and regulations and the Articles of Incorporation, and management policies and other material matters relevant to management, and also supervise execution of duties by

directors.

- The Executive Officers' Committee shall be held once a week in principle in accordance with the Executive Officers' Committee Rules, and shall be a decision making organ for execution of duties, discussing basic policies and material matters relevant to execution of duties in accordance with management policies determined at Board of Directors Meetings.
- The Company shall establish the Operational Rules, etc., which prescribe the organization, posts, command and control system, and duty sharing, etc., and work toward efficient execution of duties through the establishment of a responsibility system for execution of duties in accordance with the decision making authority rules.
- Targets the Company should achieve shall be clarified upon determination of the management plan based on management policies, and a yearly plan for the overall company, departments, offices and business offices, etc. shall be formulated and management of performance shall be carried out.

4) System with regard to Information Retention and Management pertaining to Execution of Duties by Directors (Article 100, Paragraph 1, 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., information pertaining to execution of duties by Directors shall be properly retained and managed.

5) System to Ensure Appropriateness of Business in the Cosmo Oil Group, consisting of the Company and Its Subsidiaries (Article 100, Paragraph 1, Item 5 of the Ordinance for Enforcement of the Companies Act)

- The Company will establish the Cosmo Oil Group Management Vision and Corporate Action Policy, and other necessary rules, etc. and appoint a corporate ethics promotion manager (president) in each company of the Group, for preparation of a system as a united Group to ensure business appropriateness.
- The Company will prepare a system concerning internal auditing as a group, such as audit implementation or support of internal auditing of each company by the Internal Auditing Office as to job performance status of group companies.

6) Matters concerning Employees to Assist the Duties of Audit & Supervisory Board Members in Case the Appointment thereof is Requested by Audit & Supervisory Board Members, and Matters concerning Independence of the Relevant Employees from Directors (Article 100, Paragraph 3, Items 1, 2 of the Enforcement Regulations of the Companies Act)

- For enhancement of audit functions, Audit & Supervisory Board Secretariat will be established under the Audit & Supervisory Board, and employees dedicated to such work will be arranged, and for the personnel transfer and personnel appraisal of these employees, the consent of the Audit & Supervisory Board Members shall be obtained to ensure the independence of the relevant employees.

7) System for Reporting to Audit & Supervisory Board Members by Directors and Employees, and Other Systems for Reporting to Audit & Supervisory Board Members, and Other Systems to Ensure Effectiveness of Audits by Audit & Supervisory Board Members (Article 100, Paragraph 3, Items 3, 4 of the Ordinance for Enforcement of the Companies Act)

- Directors and employees shall report to Audit & Supervisory Board Members on statutory matters and (1) material matters that affect the management and results of the Group, (2) overview of activities of Internal Auditing Office and Audit & Supervisory Board Members and Audit Offices of affiliates, (3) overview of activities with respect to internal controls of the Group, and (4) status of operation and whistle blowing at Help Line.
- Meetings among Audit & Supervisory Board Members, the President, primary departments and office managers, and Audit & Supervisory Board Members of affiliates will be held on regular basis to prepare systems to ensure audit effectiveness.
- Sufficient collaboration among Audit & Supervisory Board Members, Internal Auditing Office and the Accounting Auditor shall be promoted.

Consolidated Balance Sheet
Fiscal Year 2013 (As of March 31, 2014)

(Unit: million yen)

Item	Amount	Item	Amount
Assets	<u>1,696,831</u>	Liabilities	<u>1,435,688</u>
Current assets	921,790	Current liabilities	799,199
Cash and deposits	140,423	Notes and accounts payable-trade	255,521
Notes and accounts receivable-trade	262,863	Short-term loans payable	323,705
Merchandise and finished goods	225,292	Current portion of bonds	11,680
Work in process	761	Accounts payable-other	99,635
Raw materials and supplies	219,684	Accrued volatile oil and other petroleum taxes	70,754
Accounts receivable-other	47,157	Income taxes payable	7,313
Deferred tax assets	2,340	Accrued expenses	7,917
Other	23,457	Deferred tax liabilities	335
Allowance for doubtful accounts	-189	Provision for business structure improvement	3,398
		Provision for environmental measures	26
Noncurrent assets	774,326	Other	18,911
Property, plant and equipment	589,082	Noncurrent liabilities	636,489
Buildings and structures, net	105,679	Bonds payable	80,500
Oil storage depots, net	25,180	Long-term loans payable	447,794
Machinery, equipment and vehicles, net	131,902	Deferred tax liabilities	24,198
Land	308,481	Deferred tax liabilities for land revaluation	29,236
Lease assets, net	707	Provision for special repairs	9,627
Construction in progress	11,191	Provision for business structure improvement	1,096
Other, net	5,938	Provision for environmental measures	3,832
Intangible assets	50,041	Net defined benefit liability	12,993
Software	3,070	Negative goodwill	1,127
Goodwill	2,914	Other	26,081
Other	44,057	Net assets	<u>261,142</u>
Investments and other assets	135,202	Shareholders' equity	211,531
Investment securities	115,304	Capital stock	107,246
Long-term loans receivable	1,313	Capital surplus	16,967
Long-term prepaid expenses	2,550	Retained earnings	87,461
Deferred tax assets	2,935	Treasury shares	-143
Other	13,582	Accumulated other comprehensive income	20,395
Allowance for doubtful accounts	-483	Valuation difference on available-for-sale securities	2,887
Deferred assets	714	Deferred gains or losses on hedges	1,372
Bond issuance cost	714	Revaluation reserve for land	18,929
		Foreign currency translation adjustment	5,818
		Remeasurements of defined benefit plans	-8,612
		Minority interests	29,214
Total assets	1,696,831	Total liabilities and net assets	1,696,831

Consolidated Statements of Income

Fiscal Year 2013 (From April 1, 2013 to March 31, 2014)

(Unit: million yen)

Item	Amount	
I Net sales		3,537,782
II Cost of sales		3,369,007
Gross profit		168,775
III Selling, general and administrative expenses		129,060
Operating income		39,715
IV Non-operating income		
Interest income	209	
Dividends income	2,154	
Rent income on noncurrent assets	973	
Amortization of negative goodwill	1,257	
Foreign exchange gains	2,536	
Equity in earnings of associates	7,343	
Other	4,130	18,607
V Non-operating expenses		
Interest expenses	12,960	
Other	3,514	16,475
Ordinary income		41,847
VI Extraordinary income		
Gain on sales of noncurrent assets	445	
Gain on sales of investment securities	1,322	
Gain on sales of shares of subsidiaries and associates	1,441	
Insurance income	1,158	
Litigation settlement income	939	
Gain on contribution of securities to retirement benefit trust	3,595	
Subsidy income	3,219	12,121
VII Extraordinary loss		
Loss on sales of noncurrent assets	27	
Loss on disposal of noncurrent assets	3,281	
Impairment loss	911	
Loss on valuation of investment securities	305	4,525
Income before income taxes and minority interests		49,443
Income taxes-current	34,660	
Income taxes-deferred	4,465	39,125
Income before minority interests		10,317
Minority interests in income		5,969
Net income		4,348

Consolidated Statements of Changes in Equity

Fiscal Year 2013 (from April 1, 2013 to March 31, 2014)

(Unit: million yen)

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

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

Notes to Consolidated Financial Statements

In the consolidated balance sheet, consolidated statements of income and consolidated statements of changes in equity of Cosmo Oil 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

Abu Dhabi Oil Co., Ltd.	Akita Wind Power Laboratory Co., Ltd.	Ikata Eco Park Co., Ltd.	Cosmo ALA Co., Ltd.
EcoPower Co., Ltd.	Eco World Kuzumaki Wind Power Co., Ltd.	Qatar Petroleum Development Co., Ltd.	Kansai Cosmo Logistics Co., Ltd.
Cosmo Oil Ashmore Ltd.	Cosmo Energy Exploration & Production Co., Ltd.	Cosmo Engineering Co., Ltd.	Cosmo Oil International Pte. Ltd.
Cosmo Oil of U.S.A., Inc.	Cosmo Oil (U.K.) Plc.	Cosmo Oil Europe B.V.	Cosmo Kaiun Co., Ltd.
Cosmo Computer Center Co., Ltd.	Cosmo Petroleum Gas Co., Ltd.	Cosmo Oil (Shanghai) Co., Ltd.	Cosmo Oil Sales Corp.
Cosmo Oil Lubricants Co., Ltd.	Cosmo Research Institute	Cosmo Techno Yokkaichi Co., Ltd.	Cosmo Trade & Service Co., Ltd.
Cosmo Business Support Co., Ltd.	Cosmo Property Service Corp.	Cosmo Petro Service Co., Ltd.	Cosmo Matsuyama Oil Co., Ltd.
Cosmo Delivery Service Co., Ltd.	Sakaide Cosmo Kosan Co., Ltd.	CM Aromatics Co., Ltd.	Sogo Energy Corporation
Tachikawa Wind Power Laboratory Co., Ltd.	Dangamine Wind Farm Co., Ltd.	Choshi Wind Farm Co., Ltd.	Hasaki Wind Farm Co., Ltd.
Hokuto Kogyo Co., Ltd.	Yokkaichi LPG Terminal Co., Ltd.	Wakkanai Wind Farm Co., Ltd.	

Cosmo Energy Exploration & Production Co., Ltd. was included in the scope of the consolidated subsidiaries of the Company, since it became a subsidiary of the company through a simple incorporation-type split during FY2013.

(2) Major Non-consolidated Subsidiaries:

Tohoku Cosmo Gas Co., Ltd.

Reason for exclusion from accounting consolidation:

The Company has 18 subsidiaries that were excluded from its consolidated subsidiaries because they are small businesses and their respective total assets, net sales, and net income/loss and retained earnings (both amounts equivalent to what is accounted for under the equity method) have no material impact on the consolidated financial statements of the Company.

2. Items concerning the Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for Using the Equity Method: 18

Major subsidiaries: Tohoku Cosmo Gas Co., Ltd.

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

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

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

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

Reasons for Exclusion from the Application of the Equity Method:

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

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

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

3. Items concerning the Accounting Periods of the Consolidated Subsidiaries

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

The consolidated financial statements herein have been developed by using their financial reports as of December 31, 2013 or February 28, 2014 and any material transactions arising between end of their fiscal year and consolidated fiscal year, the date for the consolidated settlement of accounts for the Company, are reflected on the consolidated financial statements herein by making necessary adjustments.

4. Items concerning the Accounting Standards

(1) Significant Asset Valuation Standards and Methods

1) Securities:

- a. Securities held to maturity: Stated at amortized cost method
- b. Other securities:
 - Securities available for sale with fair market value: Stated at fair value based on market values applicable on the date of consolidated settlement of accounts (in which all differences between the carrying amounts and the fair values are reported as a separate component of net assets, while the cost of securities sold is calculated by the moving average method)
 - Securities with no available fair market value: Stated at cost determined by the moving average method

- 2) Inventories: Principally stated at cost determined by the weighted average method (however, the amounts of inventories stated in the balance sheet were computed by using the method that book values are reduced to reflect declines in profitability)

- 3) Derivative financial instruments: Stated at fair value

(2) Significant Depreciable Assets and Depreciation Methods

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

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

2) Intangible Assets (except lease assets):

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

3) Lease Assets:

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

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

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

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

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

4) Long-term Prepaid Expenses:

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

(3) Accounting Process Applied to Deferred Assets

Bond Issuance Cost:

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

(4) Standards for Recording Significant Allowance/Provisions

1) Allowance for doubtful accounts

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

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

2) Provision for special repairs

A provision is set aside to cover expenses arising from the inspection and repairs of the oil tanks subject to the open regular inspection in compliance with the Fire Service Law of Japan, and an amount equal to the estimated cost of periodically required repairs was added to the provision for FY2013.

As for Cosmo Matsuyama Oil Co., Ltd., one of the subsidiaries of the Company, a certain amount of money to cover expenses arising from regular repairs of the machinery and equipment of its refinery was recorded for FY2013 in addition to the above charge.

3) Provision for business structure improvement

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

4) Provision for environmental measures

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

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

(5) 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 FY2013, 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 "Other" item of the "Investment and other assets" account on the consolidated balance sheet herein.

4) Application of the Consolidated Tax Return Filing System

The Company began to apply the Consolidated Tax Return Filing System to its accounting process, effective the FY 2013 ended March 31, 2014.

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, 2014 to cover retirement and severance benefits payable to employees.

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

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

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

5. Items concerning Amortization of Goodwill

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

(Changes in Accounting Policies)

Application of Accounting Standard for Retirement Benefits, etc.

The Company, effective the end of consolidated FY 2013, applied the Accounting Standard for Retirement Benefits (the Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter referred to as the "Retirement Benefits Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter referred to as the "Guidance on Retirement Benefits"), effective FY 2013, (except the provisions set forth in Clause 35 of the Retirement Benefits Accounting Standard and Clause 67 of the Guidance on Retirement Benefits), and changed to the method that projected benefit obligation after deducting pension assets were recorded as "Net defined benefit liability" and that unrecognized actuarial gains and losses and past-service costs were recorded as "Net defined benefit liability".

As for the application of the Retirement Benefits Accounting Standard, etc. in accordance with the transitional accounting treatments set forth in Clause 37 of the Retirement Benefits Accounting Standard, the Company added or deducted the effects from the changes in the calculation methods to "Remeasurements of defined benefit plans" in accumulated other comprehensive income as of the end of consolidated FY 2013.

As a result, as of the end of the consolidated FY 2013, accumulated other comprehensive income reduced by ¥8,612 million.

(Notes to Changes in Representation Methods)

Consolidated Balance Sheet

"Short-term investment securities", which had been stated as separate account items in the "Current Assets" section of the Consolidated Balance Sheet up to the previous year, are incorporated in the "Other" assets of the section, effective FY 2013, due to the importance of these asset items reduced to negligible levels.

"Leasehold right", which had been stated as separate account items in the "Intangible assets" section of the Consolidated Balance Sheet up to the previous year, are incorporated in the "Other" assets of the section, effective FY 2013, due to the financial importance of these asset items reduced to negligible levels.

"Investments in capital", which had been stated as separate account items in the "Investments and other assets" section of the Consolidated Balance Sheet up to the previous year, are incorporated in the "Other" assets of the section, effective FY 2013, due to the financial importance of these asset items reduced to negligible levels.

"Accrued consumption taxes", which had been stated as separate account items in the "Current liabilities" section of the Consolidated Balance Sheet up to the previous year, are incorporated in the "Other" liabilities of the section, effective FY 2013, due to the financial importance of these asset items reduced to negligible levels.

(Notes to Changes in Estimation)

Change of the Number of Years of Useful Life

Out of the property, plant and equipment of the oil refineries owned by the Company, the number of years for useful life of the machinery and equipment, structures and oil storage depots were conventionally calculated based on the criteria defined under the Corporation Tax Law of Japan. However, by taking the opportunity of the Company's decision made in August 2012 to close the Sakaide Refinery in July 2013 in order to rebuild its supply system, and as a result of a precise review on how the existing refineries have been used, the Company changed the number of years for useful life of each of these assets to the number of years for an economic usable life that better reflects the actual status of its use, effective from the beginning of FY2013.

This change reduced depreciation expenses for FY2013 by ¥ 9,901million as compared with the conventional method, operating income, ordinary income and income before taxes were increased by ¥ 9,075million.

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation for property, plant and equipment	¥736,644 million
2. Pledged Assets	
Breakdown of Assets Pledged as Collateral and Amounts thereof:	
Property, plant and equipment	¥336,223 million
Cash and deposits	¥2,156 million
Investment securities	¥129 million
Other	¥1,545 million
Secured Liabilities:	
Long-term loans payable (including repayments due within the next year)	¥58,776 million
Debts related to transactions with banks	¥20,996 million
In addition to the above, shares of subsidiaries ¥1,240 million were pledged as collateral for long-term loans payable (including current portion of long-term loans payable).	
3. Contingencies	
Guaranty Liabilities	
Hyundai Cosmo Petrochemical Co., Ltd. (Liabilities to guarantee their borrowings from financial institutions)	¥9,416 million
Others (Liabilities to guarantee their borrowings from financial institutions, etc.)	¥1,221 million
4. Items concerning Revaluation of Land	

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

- Revaluation method

The land sites for the refineries were valued in accordance with the appraisal provided in Paragraph 5 of Article 2 of the “Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land” (Government Ordinance No. 119 issued on March 31, 1998), and other land sites were valued by referring to the road ratings provided in Paragraph 4 of Article 2 of the “Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land,” as well as making some rational adjustments.

- Date of Revaluation

March 31, 2002 (and December 31, 2001 completed by one consolidated subsidiary)

- The total amount of the revalued land at fair value as of March 31, 2014 is smaller than their total carrying amount after revaluation and the difference amounted to:

¥107,046 million

5. Financial Covenants

Out of borrowings, borrowings amounting to ¥112,186 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)	March 30, 2017	¥11,700 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥198.9 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.
(2)	March 5, 2015	¥47,800 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 ¥210.9 billion or more as stated in its consolidated balance sheet at the end of each fiscal year and of the second quarter thereof.
(3)	November 30, 2017	¥25,000 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥198.9 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.

(Notes to Consolidated Statements of Changes in Equity)

1. Types and Number of Outstanding Shares and Treasury Shares as of March 31, 2014

Outstanding shares	Ordinary shares	847,705,087 shares
Treasury shares	Ordinary shares	656,817 shares

2. Distribution of Surplus

1) Dividend payment amount

Not applicable.

2) The Board of Directors of the Company shall propose the payment of dividends whose record date belongs to the consolidated FY2013 ended March 31, 2014 and whose effective date comes after the end of FY2013, at the General Meeting of Shareholders scheduled for June 24, 2014.

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

(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. 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 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, 2014 are stated as follows:

(Millions of yen)

	Book value on the consolidated balance sheet *	Fair value*	Difference
(1) Cash and deposits	140,423	140,423	—
(2) Notes and accounts receivable-trade	262,863	262,863	—
(3) Investment securities			
1) Securities of held to maturity	50	53	2
2) Other securities	15,656	15,656	—
(4) Accounts receivable-other	47,157	47,157	—
(5) Notes and accounts payable-trade	(255,521)	(255,521)	—
(6) Short-term loans payable	(323,705)	(323,705)	—
(7) Accounts payable-other	(99,635)	(99,635)	—
(8) Accrued volatile oil and other petroleum taxes	(70,754)	(70,754)	—
(9) Income taxes payable	(7,313)	(7,313)	—
(10) Bonds payable	(92,180)	(92,523)	343
(11) Long-term loans payable	(447,794)	(457,054)	9,260
(12) Derivative transactions	3,391	3,391	—

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

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

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

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

(3) Investment securities

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

Non-marketable equity securities (“¥99,596 million Other securities”) are not listed item (3) above, because there were extremely difficult to figure out the fair value.

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

(10) 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.

(11) 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.

(12) 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 (11) above).

(Notes to Leasehold Properties and Other Real Estate)

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

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

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

(Millions of yen)

Book value on the consolidated balance sheet	Fair value
31,433	33,707

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

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

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

(Notes to Per-Share Information)

1. Net assets per share	¥273.81
2. Net income per share	¥5.13

(Notes to Material Contingencies)

None

(Notes to Business Combinations, etc.)

<Common Control Transaction, etc.>

1. The outline of the transaction

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

Name of the business: Direction of the crude oil exploration and production businesses

Line of the business : Energy resource development business-related strategic development, planning and direct-run project promotion and management, provision of business management and technical support for oil exploration and production companies invested by the Company, corporate service entrustment, and new energy resource development project exploration.

(2) Date of business combination

February 28, 2014

(3) Legal form of business combination

Incorporation-type company split of Cosmo Oil Co., Ltd., with Cosmo Energy Exploration & Production Co., Ltd. as the continuing company.

(4) Name of the company upon business combination

Cosmo Energy Exploration & Production Co., Ltd. (a consolidated subsidiary of Cosmo Oil Co., Ltd.)

(5) Outline of Accounting Process Execute

The Company will spin off the oil exploration and production business, a major stable income source, into subsidiaries to streamline its organization allowing for quicker decision-making, designed to further increase revenues.

2. Outline of Accounting Treatments Executed

Under “Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, revised on December 26, 2008)” and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, revised on December 26, 2008),” the Company treated business combinations as transactions under common control.

Balance Sheet

Fiscal Year 2013 (As of March 31, 2014)

(Unit: million yen)

Item	Amount	Item	Amount
Assets	<u>1,484,506</u>	Liabilities	<u>1,313,035</u>
Current assets	843,141	Current liabilities	776,921
Cash and deposits	79,309	Accounts payable-trade	286,469
Notes receivable-trade	80	Short-term loans payable	181,793
Accounts receivable-trade	229,371	Current portion of long-term loans payable	87,669
Merchandise and finished goods	196,541	Current portion of bonds	11,680
Raw materials and supplies	213,876	Accounts payable-other	96,152
Short-term loans receivable	12	Accrued volatile oil and other petroleum taxes	70,754
Short-term loans receivable from subsidiaries and associates	15,814	Income taxes payable	231
Accounts receivable-other	92,882	Advances received	5,509
Other	15,344	Deposits received	26,805
Allowance for doubtful accounts	-94	Deferred tax liabilities	333
Noncurrent assets	640,651	Provision for business structure improvement	3,398
Property, plant and equipment	485,728	Other	6,123
Buildings, net	20,167	Noncurrent liabilities	536,114
Structures, net	51,012	Bonds payable	80,500
Oil storage depots, net	24,716	Long-term loans payable	399,985
Machinery and equipment, net	108,600	Deferred tax liabilities	1,088
Land	272,524	Deferred tax liabilities for land revaluation	26,879
Lease assets, net	398	Long-term deposits received	8,558
Construction in progress	6,180	Provision for special repairs	7,958
Other	2,128	Provision for retirement benefits	1,799
Intangible assets	3,194	Provision for business structure improvement	1,096
Software	2,301	Provision for environmental measures	3,594
Other	893	Provision for loss on business of subsidiaries and associates	444
Investments and other assets	151,727	Other	4,209
Investment securities	20,124	Net assets	<u>171,470</u>
Shares of subsidiaries and associates	81,932	Shareholders' equity	153,056
Long-term loans receivable	123	Capital stock	107,246
Long-term loans receivable from subsidiaries and associates	38,352	Capital surplus	16,967
Long-term deposits	7,487	Legal capital surplus	16,966
Prepaid pension cost	1,251	Other capital surplus	0
Other	3,270	Retained earnings	28,937
Allowance for doubtful accounts	-130	Other retained earnings	28,937
Allowance for loss on investments in subsidiaries and associates	-683	Retained earnings brought forward	28,937
Deferred assets	714	Treasury shares	-94
Bond issuance cost	714	Valuation and translation adjustments	18,414
		Valuation difference on available-for-sale securities	808
		Deferred gains or losses on hedges	1,490
		Revaluation reserve for land	16,114
Total assets	1,484,506	Total liabilities and net assets	1,484,506

Statements of Income

Fiscal Year 2013 (From April 1, 2013 to March 31, 2014)

(Unit: million yen)

Item	Amount	
I Net sales		3,163,852
II Cost of sales		3,113,985
Gross profit		49,867
III Selling, general and administrative expenses		74,210
Operating loss		24,343
IV Non-operating income		
Interest income	953	
Interest on securities	1	
Dividends income	34,816	
Rent income on noncurrent assets	1,091	
Other	4,216	41,079
V Non-operating expenses		
Interest expenses	11,385	
Interest on bonds	999	
Foreign exchange losses	162	
Other	2,472	15,019
Ordinary income		1,716
VI Extraordinary income		
Gain on sales of noncurrent assets	378	
Gain on sales of investment securities	1,290	
Gain on sales of shares of subsidiaries and associates	20,160	
Insurance income	1,158	
Litigation settlement income	939	
Gain on contribution securities to retirement benefit trust	1,085	
Subsidy income	3,129	
Gain on reversal of allowance for loss on investments in subsidiaries and associates	38	28,179
VII Extraordinary loss		
Loss on sales of noncurrent assets	11	
Loss on disposal of noncurrent assets	2,993	
Impairment loss	599	
Loss on valuation of investment securities	305	
Loss on valuation of shares of subsidiaries and associates	24	
Provision of allowance for loss on investments in subsidiaries and associates	197	
Provision for loss on business of subsidiaries and associates	223	4,356
Income before income taxes		25,539
Income taxes-current	-2,506	
Income taxes-deferred	-783	-3,289
Net income		28,829

Statements of Changes in Equity

Fiscal Year 2013 (From April 1, 2013 to March 31, 2014)

(Unit: million yen)

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

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

Notes to Financial Statements

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

2. Notes to Items regarding Significant Accounting Policies

(1) Standards and Methods for Valuation of Securities

Securities held to maturity:	Stated at amortized cost method
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) Standards and Methods for Valuation of Inventories

Inventories: Principally stated at cost determined by the weighted average method or the specific identification 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) Valuation of Net Amounts of the Assets and Liabilities by Derivative Transactions:

Stated at fair value

(4) Methods for Depreciation of Noncurrent Assets

Property, Plant and Equipment (except lease assets)	The straight-line method The number of years of useful lives of the machinery and equipment, structures and oil storage depots, of the property, plant and equipment owned by the Company, is calculated based on the number of years of their economic useful lives, which better reflect their use status, respectively. For the Company’s service stations, the economic useful life of 15 years is adopted by taking their actual past performances into consideration.
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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).
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Leased 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.
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(5) 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.
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(6) Standards for Recording Allowances/Provisions

Allowance for doubtful accounts	<p>An estimated amount of irrecoverable debts is set aside against any potential losses on the failure to collect the accounts receivable.</p> <p>a) Ordinary accounts receivable: The amount of allowance calculated at the actual ratio of bad debts</p> <p>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.</p>
Allowance for loss on investments in subsidiaries and associates	<p>The Company recorded the estimated amount of a provision to cover the loss on investments in subsidiaries and associates by taking into account their financial situations and the possibilities of their recovery in the future.</p>
Provision for special repairs	<p>A provision is set aside to cover expenses arising from the inspection and repairs of the oil tanks subject to the open regular inspection in compliance with the Fire Service Law of Japan, and an amount equal to the estimated cost of periodically required repairs was added to the provision for FY2013.</p>
Provision for retirement benefits	<p>A provision is put aside to cover retirement and severance benefits payable to employees and a certain amount was recorded based on the estimated amount of projected benefit obligation and the fair value of the pension assets as of March 31, 2014.</p> <p>Actual gains and losses are recognized in expenses at an amount prorated in the straight line method over a certain number of years (primarily 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 fiscal year following the accrual time.</p> <p>Prior service cost obligation is recognized as an expense item at an amount prorated in the straight line method over a certain number of years (primarily 10 years) within the average of the remaining years of service to be performed by the employees at the time of accrual.</p>
Provision for business structure improvement	<p>The Company recorded the estimated amount of a provision to cover expenses and losses that were expected to be incurred in the near future following the closure of the refinery and the legal measures associated with the operations of the refinery.</p>
Provision for environmental measures	<p>The Company recorded the estimated amount of a provision to cover expenses to treat contaminated soil.</p> <p>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.</p>
Provision for loss on businesses of subsidiaries and associates	<p>The Company recorded the estimated amount of a provision to cover the loss on the businesses of subsidiaries and associates by taking into account their financial situations and other factors.</p>

(7) 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.

(8) Application of the Consolidated Tax Return Filing System

The Company began to apply the Consolidated Tax Return Filing System to its accounting process, effective the FY 2013 ended March 31, 2014.

3. Notes to Changes in Representation Methods

Balance Sheet

“Short-term investment securities,” “advance payment-trade,” “prepaid expenses” and “swap assets,” which had been stated as separate account items in the “Current Assets” section of the Balance Sheet up to the previous year, are incorporated in the “Other” assets of the section, effective FY 2013, due to the financial importance of these asset items reduced to negligible levels.

“Vehicles” and “tools, furniture and fixtures,” which had been stated as separate account items in the “Property, Plant and Equipment” section of the Balance Sheet up to the previous year, are incorporated in the “Other” assets of the section, effective FY 2013, due to the financial importance of these asset items reduced to negligible levels.

“Patent rights” and “leasehold rights,” which had been stated as separate account items in the “Intangible Assets” section of the Balance Sheet up to the previous year, are incorporated in the “Other” assets of the section, effective FY 2013, due to the financial importance of these asset items reduced to negligible levels.

“Investment in capital,” “long-term prepaid expenses” and “long-term accounts receivable,” which had been stated as separate account items in the “Investments and Other Assets” section of the Balance Sheet up to the previous year, are incorporated in the “Other” assets of the section, effective FY 2013, due to the financial importance of these asset items reduced to negligible levels.

“Accrued consumption taxes,” “accrued expenses” and “asset retirement obligations,” which had been stated as separate account items in the “Current Liabilities” section of the Balance Sheet up to the previous year, are incorporated in the “Other” assets of the section, effective FY 2013, due to the financial importance of these asset items reduced to negligible levels.

“Asset retirement obligations,” which had been stated as a separate account item in the “Noncurrent Liabilities” section of the Balance Sheet up to the previous year, are incorporated in the “Other” assets of the section, effective FY 2013, due to the financial importance of the asset item reduced to a negligible level.

4. Notes to Changes in Accounting Estimation

Change in the Number of Years of Useful Life

The number of years of the useful lives of the machinery and equipment, structures and oil storage depots, of the property, plant and equipment and other fixed assets installed at the oil refineries owned by the Company, had been conventionally calculated mainly based on the same criteria defined under the Corporation Tax Law of Japan.

However, by taking the opportunity of its August 2012 decision to close the Sakaide Refinery in July 2013 for restructuring of the supply system, the Company made a careful review of the way the existing facilities of the refinery were used. As a result, the number of years of useful life was changed to the number of economic useful life, for each asset, that better reflected the status of its use, effective from the FY 2013 and to be adopted over the years to come. This change decreased depreciation expenses for FY 2013 by ¥10,631 million as compared with the conventional method, decreased operating loss by ¥9,806 million, and increased ordinary income by ¥9,806 million and income before taxes by ¥9,806 million, respectively.

5. Notes to Non-Consolidated Balance Sheet

(1) Short-term loans receivable from subsidiaries and associates:	¥151,486 million
Long-term loans receivable from subsidiaries and associates:	¥38,668 million
Short-term loans payable to subsidiaries and associates:	¥165,496 million
Long-term loans payable to subsidiaries and associates:	¥669 million
(2) Cumulative depreciation expenses for the property, plant and equipment	¥466,512 million
(3) Pledged Assets	
Breakdown of Assets Pledged as Collateral and Amounts thereof:	
Property, plant and equipment	¥302,136 million
Other current assets	¥1,097 million
Secured Liabilities:	
Long-term loans payable (including repayments due within the next year)	¥39,640 million
Debts related to transactions with banks	¥20,996 million
(4) Contingencies	
Guaranty Liabilities	
Abu Dhabi Oil Co., Ltd. (Liabilities to guarantee their borrowings from financial institutions)	¥17,153 million
Hyundai Cosmo Petrochemical Co., Ltd. (Liabilities to guarantee their borrowings from financial institutions)	¥9,416 million
Others (Liabilities to guarantee their borrowings from financial institutions, etc.)	¥4,382 million
(5) Loans to directors and corporate auditors due to transactions with them	¥174 million

(6) Items concerning Revaluation of Land

The Company 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 taxes liabilities for land revaluation” account in the “Liabilities” section on the 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 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

- The total amount of the revalued land at fair value as of March 31, 2014 is smaller than their total carrying amount after revaluation and the difference amounted to:

¥101,755 million

(7) Financial Covenants, etc.

Out of borrowings, borrowings amounting to ¥84,500 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)	March 30, 2017	¥11,700 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥198.9 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.
(2)	March 5, 2015	¥47,800 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 ¥210.9 billion or more as stated in its consolidated balance sheet at the end of each fiscal year and of the second quarter thereof.
(3)	November 30, 2017	¥25,000 million	1) The Company shall not record ordinary loss, as stated in consolidated statements of income for three consecutive years. 2) The Company shall maintain the amount of net assets at ¥198.9 billion or more as stated in its consolidated balance sheet at the end of each fiscal year.

6. Notes to Non-Consolidated Statements of Income

Sales to subsidiaries and associates:	¥1,059,549 million
Purchases from subsidiaries and associates:	¥445,517 million
Non-business transaction with subsidiaries and associates:	¥82,405 million

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

Type and Number of Treasury Shares as of March 31, 2014	
Ordinary shares	305,169 shares

8. Notes to Tax Effective Consequence Accounting

(Unit: million yen)

(1) Current Deferred Tax Assets and Liabilities	
1) Deferred tax assets:	
Provision for business structure improvement	1,202
Reserve for bonuses	599
Others	2,055
Current deferred tax assets – Sub-total:	<u>3,857</u>
Valuation allowance:	<u>-3,375</u>
Total current deferred tax assets:	<u>482</u>
2) Deferred tax liabilities:	
Deferred gains on hedges	<u>-816</u>
Total current deferred tax liabilities:	<u>-816</u>
Net current deferred tax liabilities:	<u>-333</u>
(2) Non-Current Deferred Tax Assets and Liabilities	
1) Deferred tax assets:	
Loss brought forward	67,335
Impairment loss	5,485
Others	18,521
Non-current deferred tax assets – Sub-total:	<u>91,342</u>
Valuation allowance:	<u>-90,942</u>
Total non-current deferred tax assets:	<u>399</u>
2) Deferred tax liabilities:	
Prepaid pension cost	-442
Asset retirement obligations(PP&E)	-439
Others	-606
Total non-current deferred tax liabilities:	<u>-1,488</u>
Net non-current deferred tax liabilities:	<u>-1,088</u>
3) Deferred tax assets and liabilities related to land revaluation:	
Deferred tax assets related to land revaluation:	11,663
Valuation allowance:	<u>-11,663</u>
Total	<u>—</u>
Deferred tax liabilities related to land revaluation:	<u>-26,879</u>
Net deferred tax liabilities related to land revaluation:	<u>-26,879</u>

9. Notes to Noncurrent Assets Used Under Leases

Finance lease transactions other than those under which the ownership of the leased assets is recognized to be transferred to lessees (in millions of yen):

(1) Amounts equivalent to the acquisition cost, accumulated depreciation and net book value of leased properties as of March 31, 2014:	
Acquisition cost equivalent:	5,514
Accumulated depreciation equivalent:	<u>4,199</u>
Net book value equivalent as of March 31, 2014:	<u>1,314</u>
(2) Net book value of lease obligations as of March 31, 2014	
Due within one year:	214
Due more than one year:	<u>1,099</u>
Total:	<u>1,314</u>
(3) Lease payments and depreciation equivalent:	
Lease payment:	280
Depreciation equivalent	280
(4) How to calculate the amounts equivalent to depreciation expenses	

The amount equivalent to a depreciation expense for a leased property is determined by the straight line method over its leasing term, which is regarded as its useful life, at the residual value of nil.

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

(1) Subsidiaries and Associated companies

Type	Name (Ownership type & ratio)	Line of business	Cosmo Oil's relationship with subsidiary	Account item for record entry	Transaction amount (¥mil)	Item	Balance as of Mar 31, 2014 (¥mil)
Subsidiary	Cosmo Oil Sales Corp. (directly, 100% owned)	Sale of oil products	3 Cosmo Oil directors are concurrently the directors of the subsidiary Sales of oil products made by Cosmo Oil	Oil product sales (*1)	381,130	Accounts receivable-trade	38,323
Subsidiary	Cosmo Property Service Corp. (directly, 100% owned)	Management and lease of service station equipments	3 Cosmo Oil directors are concurrently the directors of the subsidiary Loans to it	Fund deposit (*4) Interest receivable (*3)	21,000 190	Long-term loans to subsidiaries and associates Accounts receivable, other	21,000 61
Subsidiary	Cosmo Oil (U.K.) Plc. (directly, 100% owned)	Purchase and sale of crude oil and oil products	2 Cosmo Oil directors are concurrently directors of the subsidiary Crude oil purchase from it	Crude oil purchases (*1) Interest payable (*3)	291,280 285	Account payable, trade	73,603
Subsidiary	Cosmo Petroleum Gas Co., Ltd. (directly, 100% owned)	Import, storage and sale of LPG	4 Cosmo Oil directors are concurrently directors of the subsidiary LPG sales to/purchase from it	Representing to make LPG overseas transactions Interest receivable (*3)	160,869 219	Accounts receivable, other Account payable, trade	27,031 7,322
Subsidiary	Cosmo Matsuyama Oil Co., Ltd. (directly, 100% owned)	Manufacture and sale of Petrochemical Products, Storage, loading and discharging of petroleum products	4 Cosmo Oil directors are concurrently directors of the subsidiary Receipt of debt guaranteed mortgage Loans to it	Receipt of debt guaranteed mortgage (*5) Loans to it (*4) And Fund deposit (*2) Interest receivable (*3)	39,640 18,391 238	Short-term loans to subsidiaries/ associates Long-term loans to subsidiaries/ associates Accounts receivable, other	9,722 10,068 19
Subsidiary	Cosmo Engineering Co., Ltd. (directly, 100% owned)	Undertaking of facility construction and other related work	5 Cosmo Oil directors are concurrently directors of the subsidiary Construction of oil-related facility and other related work	Acquisition of oil-related facilities (*1) Repairs of oil-related facilities, etc. (*1) Sales of subsidiaries and associates' stocks (*6) Gain on sales of subsidiaries and associates' stocks (*6)	13,644 21,050 19,049 17,809	Accounts payable - other	5,101
Subsidiary	Abu Dhabi Oil Co., Ltd. (indirectly, 63% owned)	Crude oil exploration, production & sales	3 Cosmo Oil directors are concurrently directors of the subsidiary Crude oil purchase from it	Assumption of guaranty liabilities (*7) Guarantee commission received (*7)	17,153 42	— —	— —

Out of the amounts shown above, the transaction amounts are exclusive of consumption tax charges, while the balance amounts as of March 31, 2014 include such charges.

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

- Notes:
- Conditions for transactions with such subsidiaries are similar to conditions under which the Company usually does business with companies in which the Company makes no capital investment.
 - Loans/Deposits are based on the Company's group financing program and the transaction amounts are stated at an average amount of balance during FY2013.
 - Interest rates are determined by taking market rates of interest and other conditions into consideration.
 - Loans are used by the loan receivers as their working funds and each of the transaction amounts shown above is stated at an average amount of balance during FY2013.
 - For the Company's loans from financial institutions, it arranges a mortgage with a part of our noncurrent assets. The transaction amounts are the balance of such loans at the end of FY2013
 - The Company makes its decision on whether or not to sell shares held in an associated company by referring to the fair value calculated by an independent third-party expert.
 - The Company guarantees for their borrowings from financial institutions. The guarantee fee is reasonably decided after the conference.

(2) Director

Type	Name of party (voting stock ownership)	Occupation of party	Cosmo Oil's relationship with party	Transaction with party	Transaction amount (¥mil)	Item	Balance as of Mar 31, 2014 (¥mil)
Director and the close relative	Hiroshi Kiriya (directly, 0.0% owned)	Director, Senior Executive Officer of Cosmo Oil Co., Ltd.	Director, Senior Executive Officer of Cosmo Oil Co., Ltd. Chairman of Cosmo Oil Eco Card Fund	Contributions(*)	39	—	—

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

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

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

11. Notes to Per-Share Information

(1) Net assets per share

¥202.35

(2) Net income per share

¥34.02

12. Notes to Material Contingencies

None

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

Independent Auditor's Report

May 9, 2014

To the Board of Directors,
COSMO OIL CO., LTD.

KPMG AZSA LLC

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

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statements of income, the consolidated statements of changes in equity and the notes to the consolidated financial statements of the Company applicable to the fiscal year from April 1, 2013 to March 31, 2014.

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 OIL 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.

Emphasis of Matter

As described in "Notes to Changes in Estimation" under Notes to Consolidated Financial Statements, the Company changed the number of years of useful life of machinery and equipment, structures and oil storage depots included in the account item of property, plant and equipment of the oil refineries from the fiscal year 2013.

This matter does not have any impact on our opinion.

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 9, 2014

To the Board of Directors,
COSMO OIL CO., LTD.

KPMG AZSA LLC

Designated Limited Liability and Engagement Partner,
Certified Public Accountant

Masahiko Kobayashi Seal

Designated Limited Liability and Engagement Partner,
Certified Public Accountant

Hiroyuki Nakamura Seal

Designated Limited Liability and Engagement Partner,
Certified Public Accountant

Koji Yoshida Seal

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statements of income, the statements of changes in equity and the notes to the financial statements and the supplementary schedules of the Company applicable to the 108th fiscal year from April 1, 2013 to March 31, 2014.

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 OIL 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.

Emphasis of Matter

As described in "Notes to Changes in Accounting Estimation" under Notes to Financial Statements, the Company changed the number of years of useful life of machinery and equipment, and structures and oil storage depots included in the account item of property, plant and equipment at the oil refineries from the fiscal year 2013.

This matter does not have any impact on our opinion.

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 -

Audit & Supervisory Board's Audit Report: Full Copy

Audit Report

The Audit & Supervisory Board, based on the audit reports made by each Audit & Supervisory Board Member concerning the execution of duties by Directors for the 108th fiscal year from April 1, 2013 to March 31, 2014, prepared this Audit Report after deliberation and hereby submit it as follows:

1. The Methods and Details of the Audit Conducted by the Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board determined auditing policies and allocation of duties, received reports from each Audit & Supervisory Board Member concerning the implementation and the results of the audits, obtained reports on business operations from Directors and other relevant persons as well as the Accounting Auditor concerned, and requested explanations as necessary.

In accordance with the audit standards for the Audit & Supervisory Board Members as established by the Audit & Supervisory Board, the auditing policies and allocation of duties, each Audit & Supervisory Board Member communicated with Directors, Internal Audit Department as well as other employees, committed to gather information and develop an audit environment, attended the meetings of the Board of Directors and other 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 of the head office and other major offices. In addition, with regard to the resolution of the Board of Directors concerning the establishment of the system to ensure that the execution of duties by Directors complies with the laws and regulations and the Articles of Incorporation of the Company and other systems stipulated in Article 100, Paragraph 1 and 3 of the Ordinance for Enforcement of Companies Act as being necessary in order to ensure the appropriateness of the business activities as a joint stock company, as well as the system (the internal control system) developed based on such resolution, the Audit & Supervisory Board Members received reports as needed and requested explanation as necessary from the Directors and employees on the establishment and operation of such systems, and also expressed their opinion. With respect to subsidiaries, the Audit & Supervisory Board Members 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. Based on the methods as described above, the Audit & Supervisory Board deliberated the Business Report and supplementary schedules for the period under review.

Furthermore, the Audit & Supervisory Board Members monitored and confirmed if the Accounting Auditor holding independent position and performing appropriate audit; received reports on auditing operations from the Accounting Auditor; requested explanation as necessary. Also, the Audit & Supervisory Board Members 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 Audit & Supervisory Board deliberated 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, 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 and execution of duties by Directors regarding 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 13, 2014

COSMO OIL CO., LTD. Audit & Supervisory Board

Full-time Audit & Supervisory Board Member	Hideo Suzuki	Seal
Full-time Audit & Supervisory Board Member	Hirokazu Ando	Seal
Full-time Audit & Supervisory Board Member	Kazuto Ichikawa	Seal
Audit & Supervisory Board Member	Yoshitsugu Kondo	Seal
Audit & Supervisory Board Member	Sakae Kanno	Seal

(Note) Full-time Audit & Supervisory Board Member Hirokazu Ando and Audit & Supervisory Board Members Yoshitsugu Kondo and Sakae Kanno are Outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act.

- END -