

(Translation for reference purposes only)

Separate-volume materials for the Notice of Convocation of the 109th Ordinary General Meeting of Shareholders

Transformation to Holding Company Structure (Share Transfer Plan)

This brochure was prepared to supplement the explanation for “Proposal to Be Resolved: Proposal No. 1 (Approval of Share Transfer Plan),” which will be presented to the 109th Ordinary General Meeting of Shareholders of COSMO OIL CO., LTD. to be held on June 23, 2015. Please have a look at this brochure together with the enclosed Notice of Convocation of the 109th Ordinary General Meeting of Shareholders.

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1. Purposes of Transformation to Holding Company Structure

COSMO OIL CO., LTD. (the “Company”) will transform to a holding company structure, aiming to realize stable dividend payments and optimal distribution of management resources, as well as pursue a flexible and swift alliance strategy (collaboration, cooperation and integration with other companies).

To Maximize Group’s Corporate Value by Transforming to Holding Company Structure
 (Establishment of Cosmo Energy Holdings Company, Limited via the method of a sole share transfer)

Purposes of Holding Company Structure

a. Strengthening of business competitiveness and realization of stable profits of the Holding Company

While striving to increase corporate value of the Company through flexible business execution, we will improve the financial structure by establishing an earnings platform, and, as a result, make stable dividend payments and investments.

b. Acceleration of the enhancement of Group management and shifting of management resources

We will realize optimal management resource distribution from a group-wide perspective. To this end, the holding company will focus on determination of the Group’s management policy while exerting centripetal force.

c. Promotion of alliances in each business line

We will pursue a flexible and swift alliance strategy (collaboration, cooperation and integration with other companies) to cope with the accelerated industrial reorganization, by establishing organizations by business domain.

Resolution of Management Issues

Transformation of business portfolio

- Streamlining centered on the oil refining and marketing business
- Shift of management resources to growth drivers

Strengthening of business surveillance function

- Separation of the business surveillance function and the business execution function

Operating environment

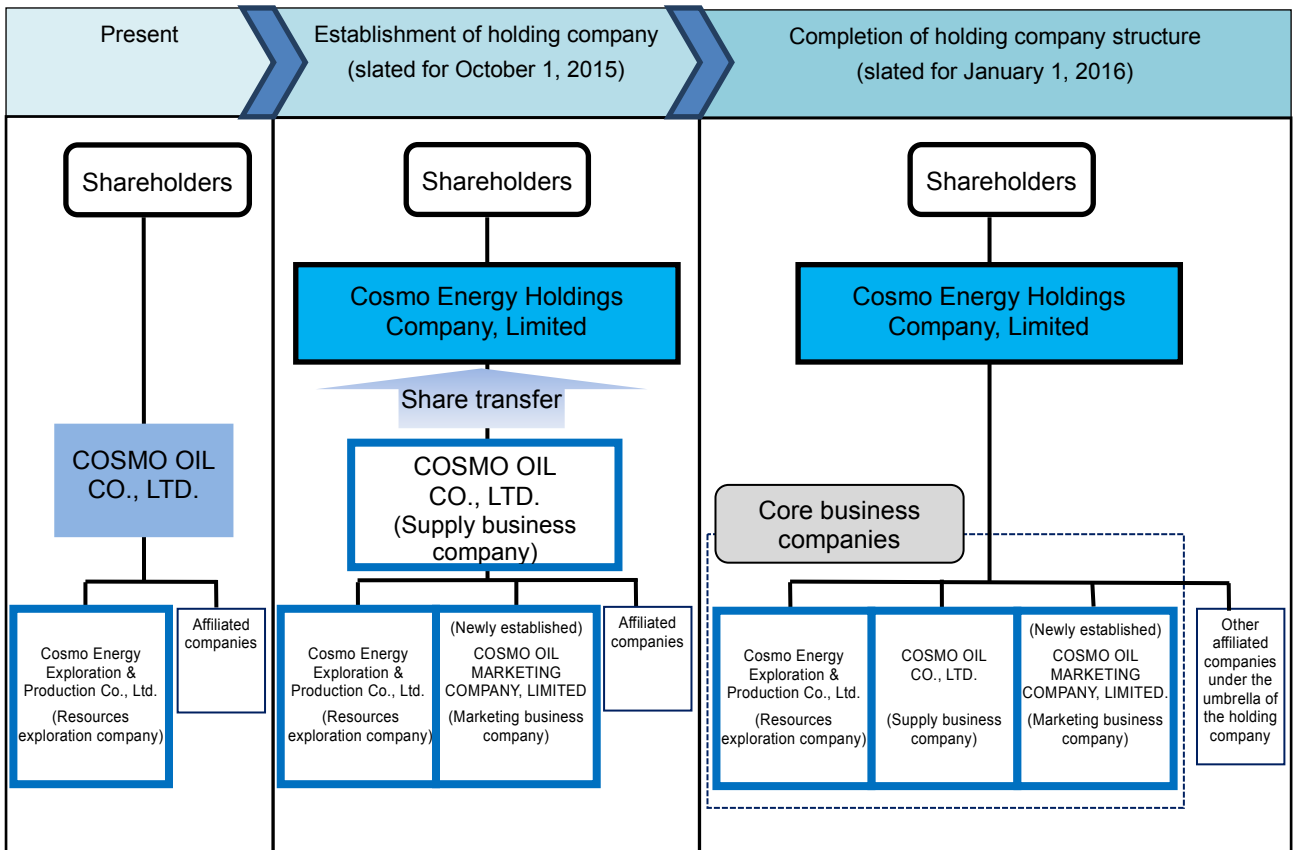
- Volatile fluctuation of crude oil prices
- Gradual decrease in domestic demand for oil products
- Expanded introduction of renewable energy, etc.

Societal demands

- Revision of the Companies Act
- Formulation of a corporate governance code, etc.

2. Schedule of Transformation to Holding Company Structure

At the time of establishing the holding company (Cosmo Energy Holdings Company, Limited) (slated for October 1, 2015), the Company will be the only direct subsidiary of the holding company. Then, a reorganization on January 1, 2016 will be implemented in which the three core business companies, that is, the Company, Cosmo Energy Exploration & Production Co., Ltd. and COSMO OIL MARKETING COMPANY, LIMITED, will go under the umbrella of the holding company. This will result in completing the transformation to a holding company structure.



3. Outline of Holding Company and Share Transfer Plan

Outline of the holding company is as follows:

1. Trade name: **COSMO ENERGY HOLDINGS Kabushiki Kaisha**
(English name: Cosmo Energy Holdings Company, Limited)
2. Representative: **Keizo Morikawa, President and Representative Director**
3. Stated Capital, etc.: **40 billion yen**
(Capital reserves: 10 billion yen; Retained earnings reserves: 0 yen)
4. Book closing date: **March 31**
5. Stock exchange: **Tokyo Stock Exchange (planned)**
6. Administrator of shareholder registry: **Sumitomo Mitsui Trust Bank, Limited**

Outline of the share transfer plan is as follows:

1. Purpose of COSMO ENERGY HOLDINGS COMPANY, LIMITED (the “New Company”):
*Please refer to Article 2 of the Articles of Incorporation, which is described on page 11 of the notice of convocation of the ordinary general meeting of shareholders.
2. Head office: **1-1-1 Shibaura, Minato-ku, Tokyo (same as for COSMO OIL CO., LTD.)**
3. Total number of authorized shares: **170 million shares**
4. Names of Directors at incorporation
(excluding those who are members of the Supervisory Committee):
Directors: **Yaichi Kimura, Keizo Morikawa, Atsuto Tamura, Hiroshi Kiriya, and Yasushi Ohe**
Outside Directors: **Mohamed Al Hamli and Mohamed Al Mehairi**
(Members of the Supervisory Committee)
Director: **Katsuhisa Ohtaki**
Outside Directors: **Sakae Kanno and Teruo Miyamoto**
* For details of their personal careers, etc., please refer to page 22 to 27 of the notice of convocation of the ordinary general meeting of shareholders.
* Sakae Kanno and Teruo Miyamoto are expected to be notified to the Tokyo Stock Exchange at the time of assuming office as Independent Directors pursuant to the provisions prescribed by the exchange.
5. Names of the Substitute Directors (members of the Supervisory Committee):
Kenichi Taki (Substitute Director who is a member of the Supervisory Committee)
Soichi Yukawa (Substitute Outside Director who is a member of the Supervisory Committee)
* For details of their personal careers, etc., please refer to page 28 of the notice of convocation of the ordinary general meeting of shareholders.
* Soichi Yukawa is expected to be notified to the Tokyo Stock Exchange at the time of assuming office as an Independent Director pursuant to the provisions prescribed by the exchange.

- 6. Name of the Accounting Auditor at Incorporation: KPMG AZSA LLC**
- 7. New Company shares to be delivered through the share transfer and matters concerning the allotment thereof:**

The New Company shall allot to the Company's shareholders, who are registered as of the reference time (immediately prior to the moment when the share transfer takes effect), common shares in the New Company in the number obtained by multiplying the total of common shares in the Company by 0.1 in exchange for the Company's common shares held by those shareholders.

If the number of shares calculated as described above includes a fraction of less than one share, these shares are handled in accordance with the provisions of the Companies Act, etc.
- 8. Date of formation of the New Company: October 1, 2015 (planned)**
- 9. Shareholders' Meeting approval of the Plan: Ordinary General Meeting of Shareholders to be held on June 23, 2015**
- 10. Change in circumstances:**

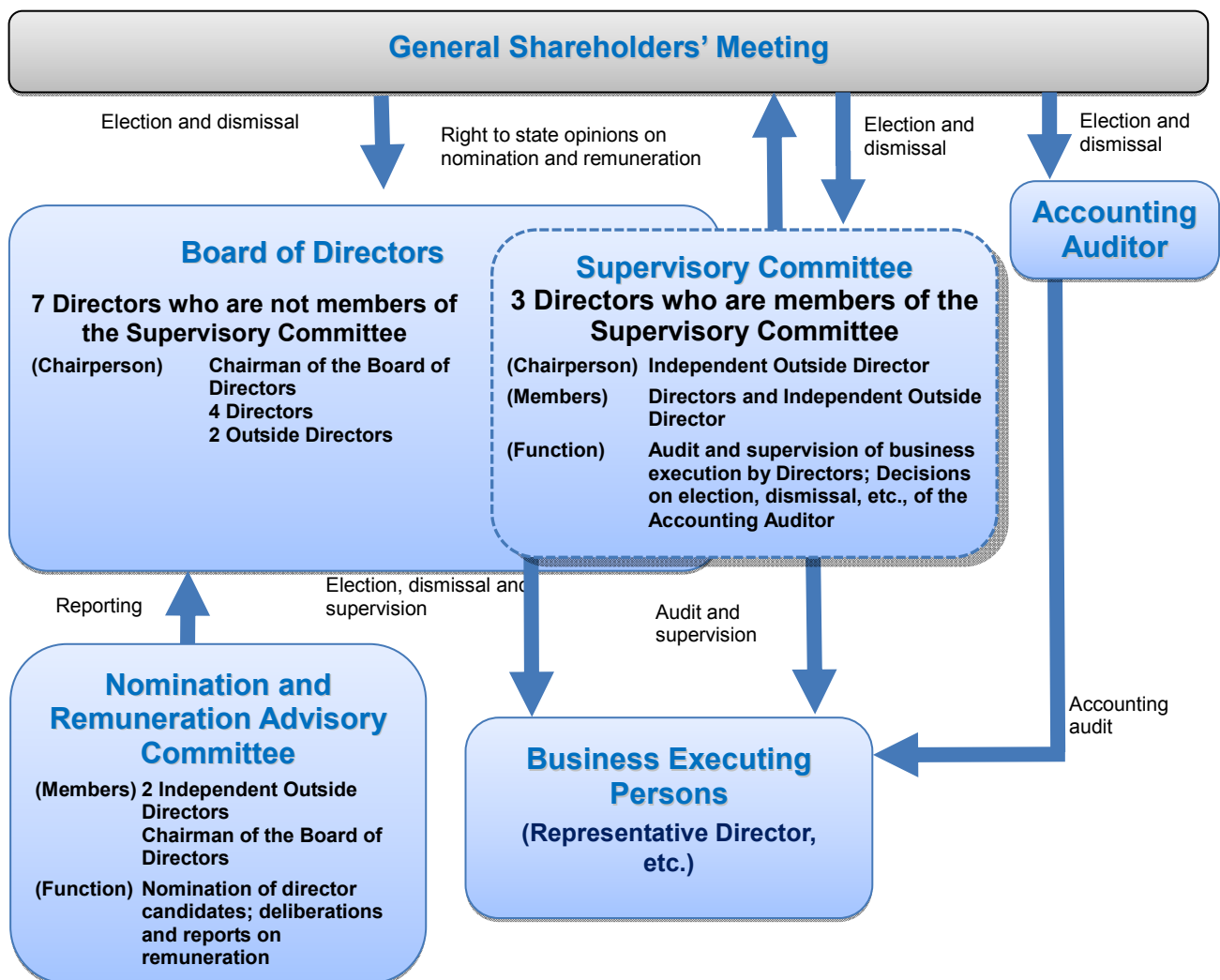
If there is any material change in the Company's assets or business conditions due to act of God or any other event, the Company may change the terms and conditions of the share transfer, or the share transfer may be cancelled, by resolution of the Board of Directors of the Company.
- 11. Effectuation of the Plan:**

The plan shall cease to be effective if approval for the plan is not obtained at the said Ordinary General Meeting of Shareholders, or approval, etc., for the share transfer from relevant government agencies are not obtained.

4. Governance Structure of Holding Company

The governance structure of the holding company is as follows:

1. The New Company, with a supervisory committee, will strengthen the function of the Board of Directors to supervise business executing persons (such as the Representative Director).
2. The New Company upon its incorporation will have 10 Directors as the initial executives, including 2 Outside Directors ^(*1) and 2 Independent Outside Directors ^(*2), aiming to enhance the surveillance function of the Board of Directors.
3. The New Company will establish a voluntary nomination and remuneration advisory committee, which deliberates and reports on the determination of candidates for directors and remuneration for directors. By doing so, we will ensure transparency and objectivity in such decisions.



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(*1) Outside Directors stipulated in Article 2, Item 15 of the Companies Act

(*2) Directors slated to be notified to the Tokyo Stock Exchange as Independent Directors pursuant to the provisions prescribed by the exchange who do not create the risk of a conflict of interests with general shareholders

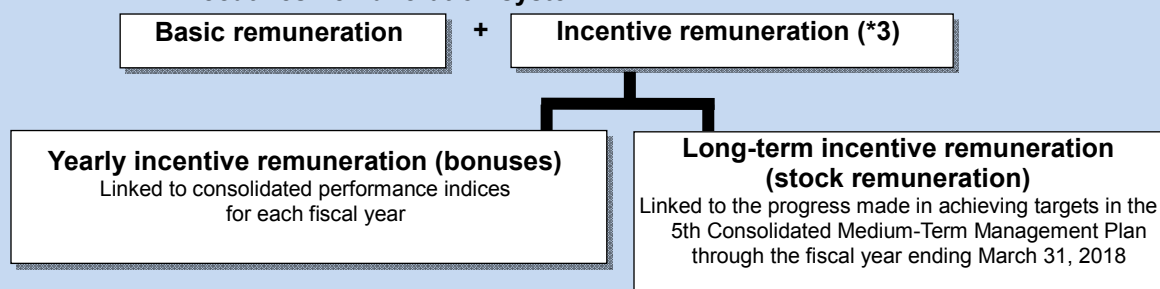
5. Executives' Remuneration Plan of Holding Company

The executives' remuneration plan of the holding company is as follows:

(1) Key basic policies:

- a. Incentives to enhance business performance and increase corporate and shareholder value in the medium and long term
- b. Sharing profits with shareholders
- c. Ensuring transparency and objectivity in the remuneration determination and evaluation processes

(2) Executives' remuneration system



(*3) Incentive remuneration is not paid to Outside Directors and Directors who are members of the Supervisory Committee.

(1) Stock remuneration plan

The stock remuneration plan is intended to further clarify the linkage among remuneration, performance and the share value. By sharing with shareholders the effects of increases and decreases in not only performance but also the share value, Directors will further heighten their consciousness regarding their contribution toward enhancing performance and increasing corporate value in the medium and long term.

- a. Mechanism: Shares, which a trust company acquires using the money contributed by the holding company, are granted in accordance with the degree of achievement of target performance indices for the 5th Consolidated Medium-Term Management Plan (such as ROE and consolidated ordinary income).
- b. Recipients: Directors (excluding Outside Directors, and Directors who are members of the Supervisory Committee) and Executive Officers
- c. Evaluation period: Fiscal year ending March 31, 2016 through fiscal year ending March 31, 2018
- d. Trust term: November 6, 2015 to August 31, 2018 (planned)
- e. Timing of share grants: June immediately after the end of the final year of the Consolidated Medium-Term Management Plan (fiscal 2018) (planned)

(2) Upper limit of remuneration for executives

- a. Cash remuneration (basic remuneration + bonuses)

Directors (who are not members of the Supervisory Committee): 500 million yen or less (total amount per year; no more than 12, the number of such Directors prescribed in the Articles of Incorporation of the holding company)

Directors (who are members of the Supervisory Committee): 90 million yen or less (total amount per year; no more than 5, the number of such Directors prescribed in the Articles of Incorporation of the holding company)

- b. Stock remuneration

Trust money contributed during the trust term: 687 million yen

Maximum number of shares granted: 380,000 shares

6. Outline of Number of Shares Allotted by Holding Company and Allotment of Shares in Holding Company

- (1) Number of shares granted by the holding company: 84,770,508 common shares (planned)
- (2) Allotment of shares in the holding company is as follows.
 - a. In this share transfer, one holding company (a wholly owning parent company) will be incorporated through a share transfer conducted solely by the Company, and all of the shares in the holding company will be allotted to the shareholders of the Company immediately prior to the effective time of this share transfer.
 - b. Since the number of shares constituting one share unit of the Company and the holding company are 1,000 shares and 100 shares, respectively, 0.1 common shares in the holding company will be allotted for one common share in the Company.
 - c. The shareholders of the Company will hold, immediately after the effective time of this share transfer, voting rights in the holding company in the number equivalent to the number of the Company's voting rights they held immediately prior to the effective time of this share transfer (thus, there will be no change in the number of voting rights to be held by the shareholders).

The Company's shareholders will be granted shares in the holding company as shown below.

(End of September 2015) Number of shares of the Company's common stock held by our shareholders (A)	(October 1, 2015) Number of shares in the holding company granted to the Company's shareholders (A) × 0.1
Example 1: 1,000 shares	⇒ 100 shares
Example 2: 1,100 shares	⇒ 110 shares
Example 3: 1,110 shares	⇒ 111 shares
Example 4: 1,111 shares	⇒ 111 shares (*4)

(*4) If, as a result of this share transfer, the number of shares of the common stock in the holding company that will be granted to the Company's shareholders includes any fraction less than one share of the common stock in the holding company, the holding company will pay the Company's shareholders the amount corresponding to such fraction less than one share in accordance with the provisions of the Companies Act and relevant laws and regulations. Such payment is slated for around December 2015.

■ For Better Understanding

Q1: What is a share transfer?

A1: A share transfer means that one or more than two joint-stock companies have a joint-stock company to be newly established acquire all of their outstanding shares, and create a wholly owning parent company (Item 32, Article 2 of the Companies Act).

Through a share transfer, Cosmos Energy Holdings Company, Limited will be newly established as the parent company of the Company.

The Company's shares held by our shareholders will be transferred to Cosmos Energy Holdings Company, Limited, while the shares of Cosmos Energy Holdings Company, Limited, in principle, will be granted to our shareholders, as described on page 7 of this brochure.

Q2: As a shareholder of the Company, will I need to undertake any procedures in relation to the share transfer?

A2: No, our shareholders will not need to undertake any procedures.

Shares of Cosmos Energy Holdings Company, Limited will be automatically registered on the accounts (trading accounts of securities companies, etc., or special accounts) of the shareholders who will be recorded in the final shareholder registry of the Company on September 30, 2015 (Wednesday).

Q3: Can I buy or sell the shares of COSMO OIL CO., LTD. (the Company) or Cosmo Energy Holdings Company, Limited before and after the share transfer?

A3: The last trading day for the shares of the Company will be September 25, 2015 (Friday) (planned).

Shares of the holding company will be able to be traded from October 1, 2015 (Thursday) (planned).

■ For Better Understanding

Q4: What are the points to note when requesting COSMO OIL CO., LTD. (the Company) or Cosmo Energy Holdings Company, Limited for the purchase of shares less than one share unit?

A4: The request for the purchase of shares less than one share unit shall be made through securities companies, etc., with which you, the shareholders, do business.

As for the Company, please make such request to the business office of the administrator of the shareholder registry, as shown below, by September 24, 2015 (Thursday) (planned).

As for the holding company, please make such request to the business office of the administrator of the shareholder registry, as shown below, on or after October 1, 2015 (Thursday) (planned).

Since the number of days necessary for such request to get to the business office of the administrator of the shareholder registry varies according to each securities company, please confirm the securities companies, etc., with which you do business, about the days required.

For inquiries about shares, please contact:

Administrator of the shareholder registry:

Sumitomo Mitsui Trust Bank, Limited (1-4-1 Marunouchi, Chiyoda-ku, Tokyo)

(Business office)

Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited

2-8-4 Izumi, Suginami-ku, Tokyo 168-0063

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