

COSMO ENERGY HOLDINGS

# COSMO REPORT

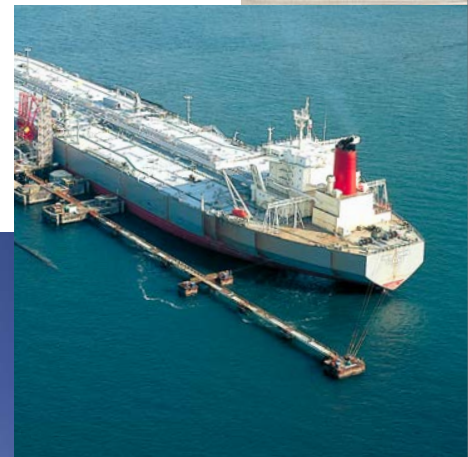
2016

# Toward a Vertically Integrated Global Energy Company

The Cosmo Energy Group is operating across the spectrum of the energy industry; from oil Exploration & Production in the Middle East to oil refining in Japan, and petroleum product sales in Japan and overseas. The Group has engages in energy business which is indispensable to society including petrochemicals and wind power generation businesses.

Our mission is to contribute to the society through safe and stable supply of energy. This includes geographic diversification of energy sourcing and prompt restitution of an energy supply system in a time of disaster.

Recognizing the limited nature of traditional energy resources, we are steadfast in respect for the environment and society while working to realize sustainable growth.







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# Cosmo Energy Group's Businesses

## Business Flow and Activities

### Oil Exploration and Production Business

Besides purchasing crude oil from producing countries, the Cosmo Energy Group is engaged in oil exploration and production in cooperation with producing countries, and transports procured crude oil to refineries in Japan.

### Petroleum Business (Refining and Sales)

The group is engaged in oil refining and sales of a wide range of petroleum products from gasoline to heavy oil and is also expanding car leasing business for individual customers.

### Petrochemical Business

The group manufactures petrochemical products and sell the products in Japan and overseas.

### Renewable Energy Business

The Group has been expanding wind power generation business to diversify energy supply sources.



#### Oil exploration and production, procurement

Procuring crude oil through independent development and from oil producing countries.



#### Marine transportation

Transportation by tankers of purchased or independently developed crude oil and petroleum products based on supply and demand.



#### Storage

Stockpile of petroleum for 70 days or more in case of emergency



#### Oil refining and production

Production of gasoline, gas oil, heating oil, and feedstock for petrochemicals, in accordance with market needs



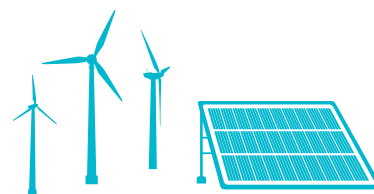
#### Research & development

Advanced research on manufacturing technologies



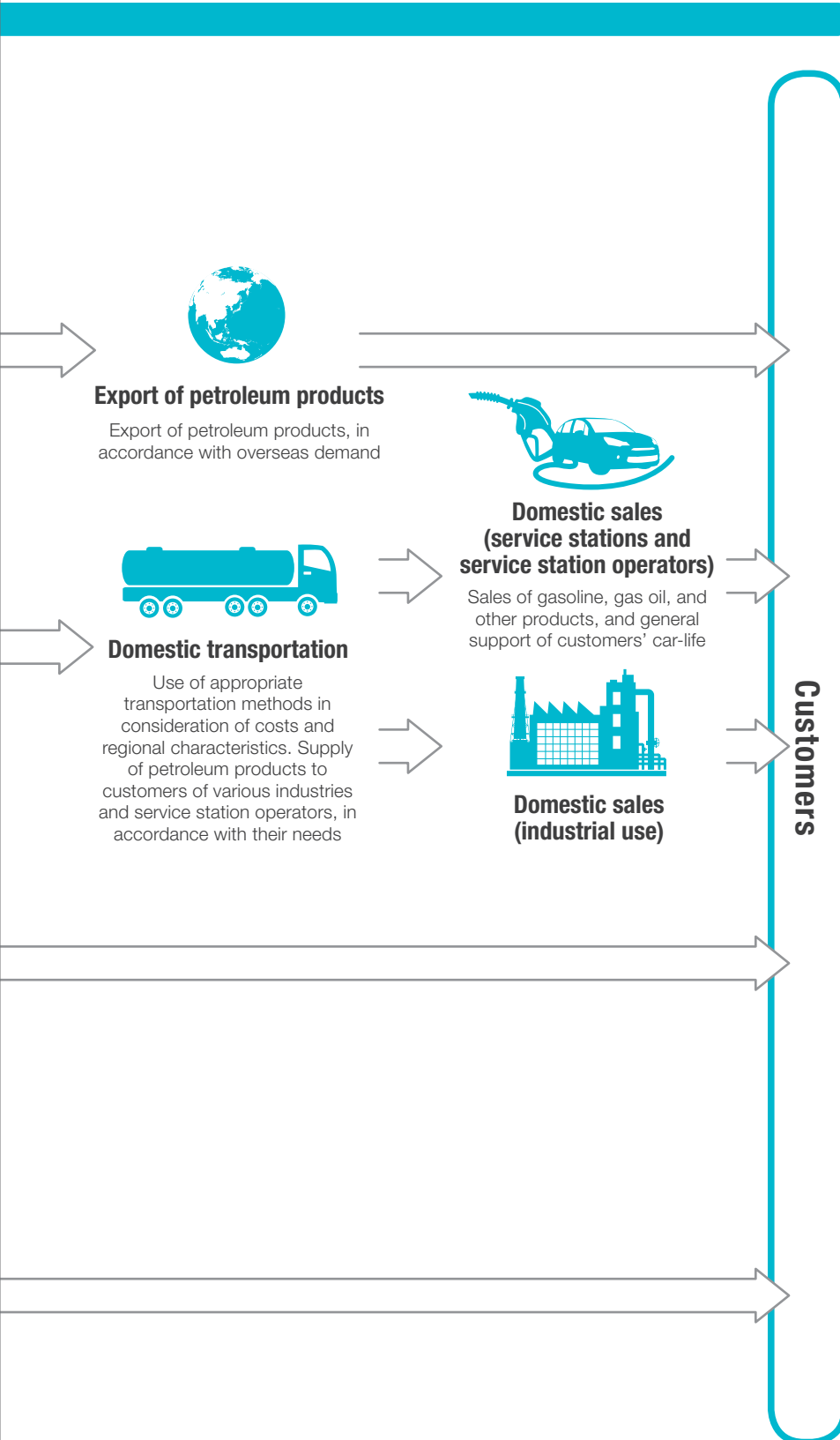
#### Manufacturing of petrochemical products

Manufacturing of raw materials for plastics, textiles, and other products, in accordance with market needs



#### Renewable energy

Nationwide operation of wind power and solar power generation facilities, and distribution of electricity



Related pages

**Oil Exploration and Production Business**

- Medium-Term Management Plan [P.15-16](#)
- Growth Drivers (Oil exploration & production) [P.20](#)
- Review of Operations (Oil Exploration and Production Business) [P.23-24](#)
- Environment (Overseas environmental measures and environmental preservation) [P.44](#)

**Petroleum Business (Refining and Sales)**

- Medium-Term Management Plan [P.15-16](#)
- Growth Drivers (Retail) [P.20](#)
- Review of Operations (Petroleum Business) [P.25-26](#)
- Strict Safety Management (Fulfilling its Mission of Safe Supply) [P.37-38](#)
- Customers (Toward fulfilling motoring lifestyle solutions) [P.39-40](#)

**Petrochemical Business**

- Medium-Term Management Plan [P.15-16](#)
- Review of Operations (Petrochemical Business) [P.27](#)

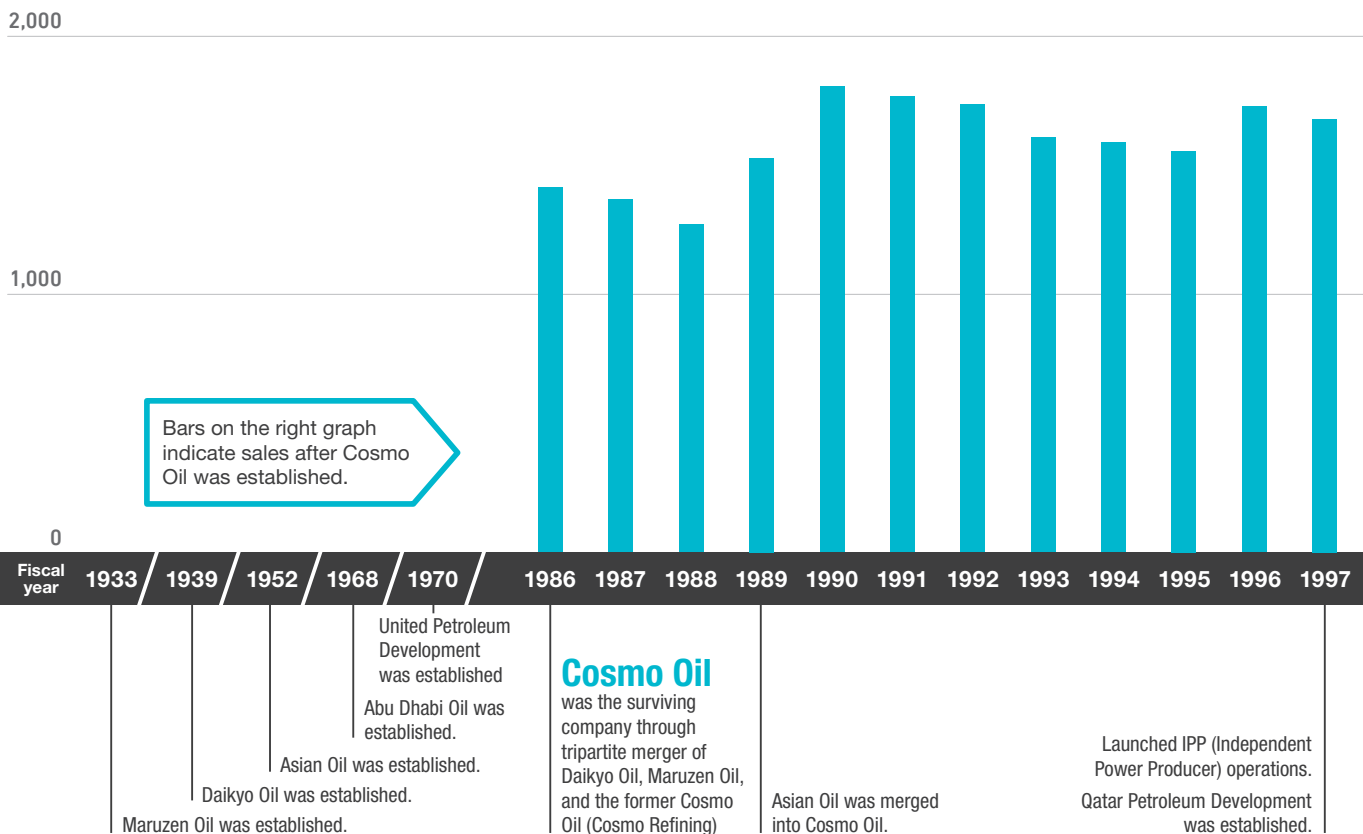
**Renewable Energy Business**

- Medium-Term Management Plan [P.15-16](#)
- Growth Drivers (Wind power generation) [P.20](#)
- Review of Operations (Renewable Energy) [P.28](#)
- Environment (Renewable energy initiatives) [P.44](#)

Long-term performance

# Aiming for sustainable growth and harmony with our planet and society

We have always been engaged in the energy business. We will not fear change and take up challenges so that we can continue to contribute to the development of society through the energy field



## What have not changed

### Stable supply of energy

### A “Customer First” mindset

### Energy-related business domains

## What have changed

### Business portfolio

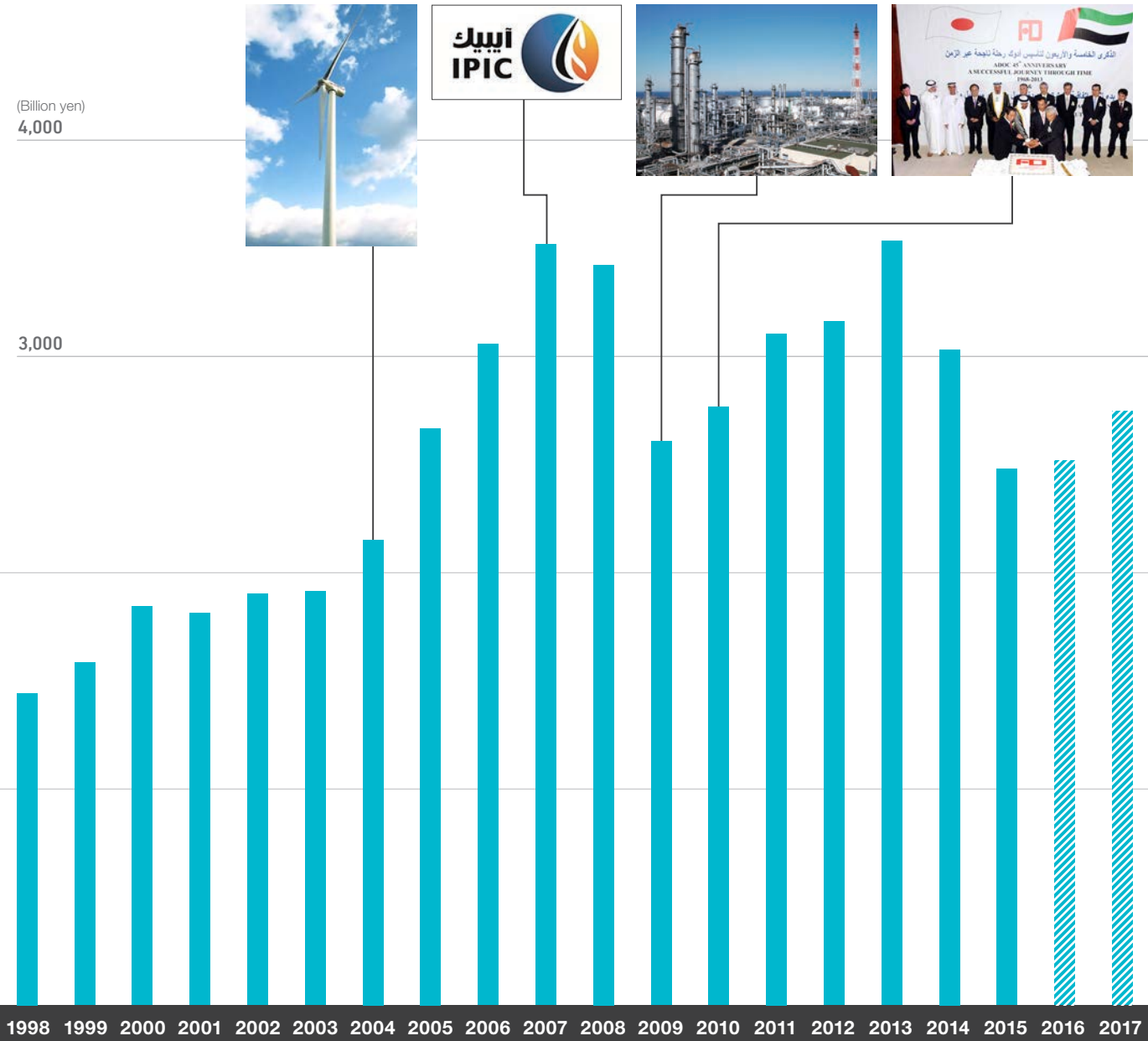
Expansion of the oil exploration & production business

Enhancement of the petrochemical business

Entry into the wind power generation business

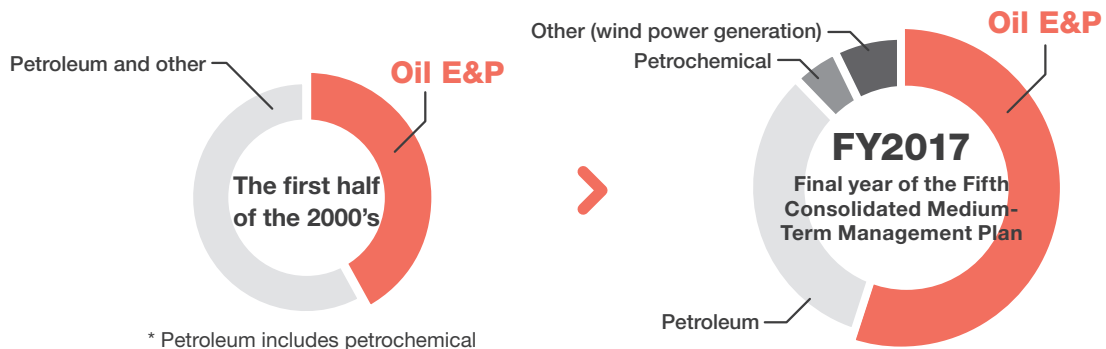
(Billion yen)  
4,000

3,000



1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Abu Dhabi Oil implements the Zero Flare Project at its oil production facility for the first time in the Middle East region				Commencement of Commercial Operation of Cosmo Oil Sakata Wind Power Plant				International Petroleum Investment Company(IPIC) became our largest shareholder Agreed to the United Nations Global Compact. CM Aromatics was established.				Abu Dhabi Oil renewed concessions and was granted a new concession area. Entered the car leasing business for individuals. Hyundai Cosmo Petrochemical(HCP) was established, and entered paraxylene business. Acquired Eco Power shares.				Transformated to a holding company structure. Began strategic comprehensive cooperation with CEPSA.			

**Charge in profit composition (ordinary income excluding inventory valuation by business segment)**



## Conversion to a holding company structure

Cosmo Energy Group

# Toransformation to a Holding Company Structure

**In October 2015, we converted to a holding company structure comprised of a pure holding company “Cosmo Energy Holdings Co., Ltd.” and three core operating companies for oil exploration & production, oil refining and petrochemicals, and oil product sales.**

Under its Fifth Consolidated Medium-Term Management Plan, the Cosmo Energy Group has been striving for thorough rationalization and increase in efficiency particularly in the oil refining business. The Group has also been transforming its business portfolio by shifting management resources to the oil exploration & production, retail (car leasing for individuals), and wind power generation businesses, which are positioned as drivers of future growth. At the same time, the Group has adopted a holding company structure in order to strengthen the competitiveness of individual businesses and to continue to achieve sustainable growth. Having the three core business companies in oil exploration & production, oil refining and petrochemicals, and oil product sales, the Group aims to enhance competitiveness of each business and thereby enhance corporate value.

07

COSMO REPORT 2016

Conversion to a holding  
company structure

## 3 Objectives

1

### Stable dividend payment

Distribution of profits to shareholders is a priority issue for us. By converting to a holding company structure, we aim to raise profitability of its business companies and further ensure stable dividend payment, while giving due consideration to investment in growth businesses and improvement in financial position.

2

### Swift decision-making

More authority and responsibility will be delegated to the operating companies, so that they can expeditiously execute each business to facilitate swift responses to changes in the management environment. Their speedier decision-making is expected to lead to the enhancement of business competitiveness and stable profits of the holding company.



# The holding company structure

Comprised of a pure holding company and three core operating companies in oil exploration & production, oil refining and petrochemicals, and oil product sales

## COSMO ENERGY HOLDINGS



\*1 Results for January – December 2015  
 \*2 As of March 31, 2016

### 3

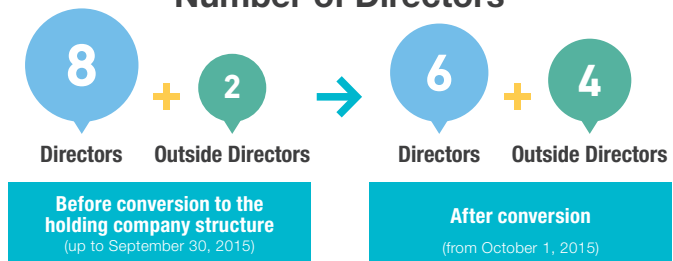
## Promoting strategic alliances

The new corporate structure, comprised by businesses segment, allows swifter decision-making and more flexibility in responding to drastically changing business environments. We continue aggressively to promote strategic business alliances and joint ventures with other companies by each business and each region, to create more value.



## Aggressive governance

### Number of Directors



Cosmo Energy Holdings is a company with an audit and supervisory committee, of which outside directors account for a majority of members. Views from outside directors are being used to help create corporate value.

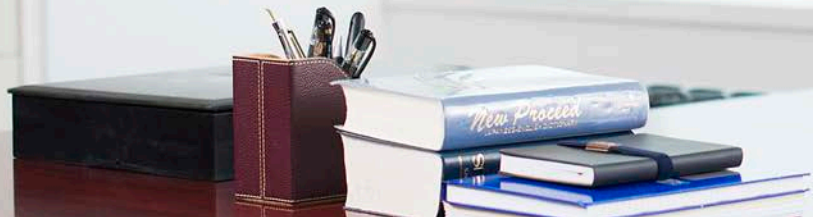
Message from the President and CEO

# Aiming to be a Vertically Integrated Global Energy Company

President and CEO

森川 桂造

Keizo Morikawa



## Management Vision

The Cosmo Energy Group's management vision is "In striving for harmony and symbiosis between our planet, mankind and society, we aim for sustainable growth towards a future of limitless possibilities."

The Cosmo Energy Group is engaged in the petroleum product business. Although our products are taken for granted as essential products in our daily life, we are reminded of their precious value in the case of disasters. At the time of the Kobe, Tohoku and Kumamoto earthquakes, which occurred in 1995, 2011 and 2016 respectively, gasoline and gas oil, which are essential to transport required materials and people, contributed to people's survival, as did heating oil and liquid petroleum gas used for cooking and lighting. Clothing, PET bottles and tires are also made from naphtha, which is another type of petroleum product. The Cosmo Energy Group is thus dealing with daily necessities, which support everyone's daily lives. At the same time, as the Cosmo Energy Group is a corporate entity that has various types of stakeholders, we have to pursue an appropriate level of profits and reward our customers, shareholders, employees, business partners, local residents and the administration. By consistently supplying essential energy for everyone's daily lives, we aspire to keep contributing to society, as stated in the Cosmo Energy Group's management vision.

## FY2015 Results and FY2016 Forecasts

In our FY 2015, ended March 31, 2016, we recorded ordinary loss of ¥36.1 billion and net loss attributable to owners of parent of ¥50.2 billion, mainly due to inventory valuation loss of ¥68.7 billion, caused by lower crude oil prices. Ordinary income excluding inventory valuation is ¥32.6 billion. Under such management environment, we have promoted to establish more alliances to enhance competitiveness of our refineries. We began to construct pipelines between our Chiba Refinery and the Chiba Plant of Tonen General Sekiyu K.K. and agreed on a business alliance between our Yokkaichi Refinery and Showa Yokkaichi Sekiyu Co. Ltd. In the petrochemical business, we consolidated Maruzen Petrochemical Co., Ltd. into a subsidiary company in order to create synergies with our petroleum business.

For FY2016, ending March 31 2017, we are forecasting ordinary profit of ¥67.5 billion and net profit attributable to owners of parent of ¥47.5 billion, assuming a gradual rise in crude oil prices. Excluding the inventory valuation, ordinary income is expected to be ¥54.5 billion. In the Oil Exploration & Production business, the Hail oil field development, which will be cost competitive by utilizing the existing facilities for production and shipment, will be in the final stage to start production in the first half of FY2017. In the petroleum business, Chiba Refinery, which has acquired the factory

See page 22 for details on inventory evaluation. ▶



certification, will achieve a two-year long-running operation, improve operating rate, and optimize its maintenance cost. This is expected to improve profit of the petroleum business by approximately ¥7.0 billion. Concerning the petrochemical business, we have begun studies on a reciprocal arrangement of raw materials and fuels between our Chiba Refinery and Maruzen Petrochemical's Chiba Plant, and manufacturing and sales of value-added products through alliance with other companies.

### FY2015 Results and FY2016 Forecasts

(Billion yen)

	FY2015 Results	FY2016 Forecasts
Ordinary income	- 36.1	67.5
Impact of inventory valuation	- 68.7	13.0
Ordinary income excluding inventory valuation	32.6	54.5
<b>Each Segment</b>		
Oil exploration and production business	18.6	7.5
Petroleum business	5.8	35.0
Petrochemical business	4.2	7.0
Other*	4.0	5.0
Profit attributable to owners of parent	- 50.2	47.5
Dividend per share	¥ 40	¥ 50 (plan)

\* Including consolidated adjustment

<b>Reference</b>		
Dubai crude oil price (US\$ /barrel)	45.7	40.0
Foreign exchange rate (¥/US\$)	120.1	110.0

## Fifth Consolidated Medium-Term Management Plan

With the long-term aim of becoming a Vertically Integrated Global Energy Company, the Cosmo Energy Group's fifth consolidated medium-term management plan (FY2013 to FY2017) advocates a five-year period for solidifying the base for growth and building a strong management foundation. In the petroleum refinery and petrochemical businesses, in addition to promoting rationalization and efficiencies through alliances, we have identified the three businesses of Oil Exploration & Production, retail (car leasing for individuals) and wind power generation as growth areas, and are actively expanding those businesses. Through such endeavors, we will strive to establish a business portfolio which can withstand fluctuation in crude oil prices and other changes in the environment and is expected to generate stable profits. Specifically, in the petroleum refinery business, we have established a joint business with the Tonen General Sekiyu at the Chiba Refinery, and have started to construct pipelines between the two refineries. In addition, we have also agreed on a business tie-up contract with Showa Shell Sekiyu K.K. at the Yokkaichi Refinery. Through such activities, we aim to enhance our refinery competitiveness. When the Chiba pipelines are completed, we expect to generate synergies of ¥10 billion annually at both companies stemming from the optimization of facilities based on



## Message from the President and CEO

integrated production plans and enhanced added value of products. In the petrochemical business, we will strive to enhance the profitability of the paraxylene business of Hyundai Cosmo Petrochemical (HCP), which has been jointly established with Hyundai Oilbank (HDO). Furthermore, in March 2016, we consolidated Maruzen Petrochemical Co., Ltd. into a subsidiary company and will pursue the generation of synergies through integrated management with the petroleum refinery business.

Regarding profitability, we have set an ordinary income target of ¥110 billion for FY2017 based on the steady implementation of the initiatives of the medium-term management plan, assuming a crude oil price (Dubai) of US\$70 per barrel and an exchange rate of ¥120 per dollar.

## The Cosmo Energy Group's Strengths and Growth Strategy

We have identified the businesses of Oil Exploration & Production, retail (car leasing for individuals) and wind power generation as the three growth areas.

The first is the oil E&P business. Our best strength is that, based on our strong relationship of trust with the Emirate of Abu Dhabi, a member of the United

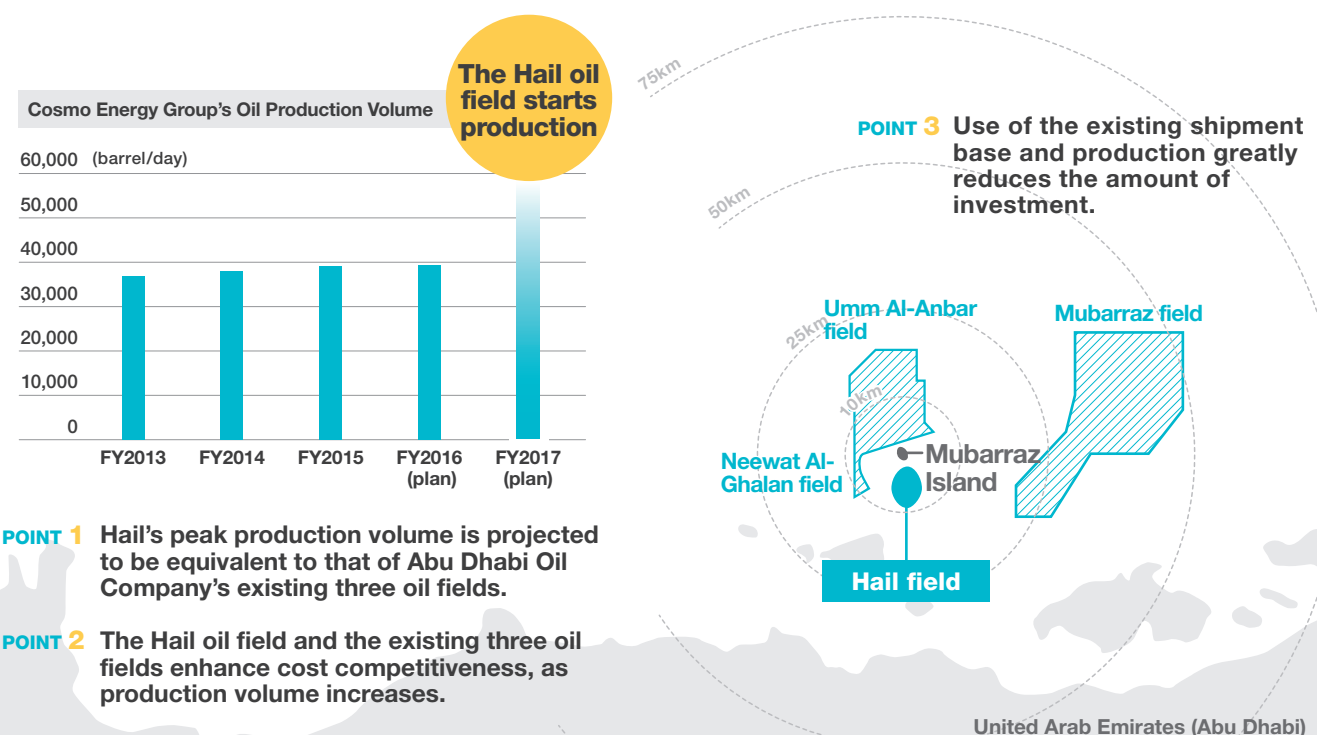
Arab Emirates, we are participating in interests in the Middle East as an operator that takes initiatives in the development process. Among our three major operating companies, a project with Abu Dhabi Oil Co., Ltd. has been engaged in stable production for nearly 50 years.

Our group's oil E&P business has competitiveness with low risk as we focus on discovered and yet to be developed oil fields. The Hail oil field, which is under development, is also a highly competitive project, as in the case of our other oilfields that are currently in operation. The start of production at the Hail oil field in the first half of FY2017 is projected to almost double the production volume of Abu Dhabi Oil. In addition, we have entered into a strategic comprehensive cooperative relationship with Compañía Española de Petróleos, S.A.U. (CEPSA)\*1, which is fully owned by our largest shareholder International Petroleum Investment Company Group (IPIC)\*2. Having a workshop with Abu Dhabi National Oil Company and CEPSA on a regular basis, we are aiming to jointly acquire new interests.

The second growth area is the retail business.

While domestic service stations are still facing harsh competition and the number of service stations will continue to decrease for the time being, we have also been engaged in . However, – the car life-related business such as vehicle sales and leasing, vehicle inspections, maintenance, and car insurance, in addition

### Impact of Production by the Hail Oil Field



to our main business of sales of gasoline and gas oil. The size of this car-life-related market is estimated to be approximately ¥27 trillion.

Compared to competitors in other industries, we receive an overwhelmingly high number of customers, as approximately half a million vehicles visit our service stations per day. We plan to make the most of such contacts with customers and develop our car-life-related business, with its core being car leasing for individuals.

In our car leasing services for individuals, we adopt a monthly fixed rate payment system including car inspections and insurance, etc. We have also acquired a business model patent for combining fuel oil discounts as a package. Our service has been particularly well received by women and seniors who wish to easily use a car in the suburbs. In fact, the number of contracts exceeded 27,000 at the end of FY2015.

The third growth area is wind power generation, which is anticipated to grow due to environmental measures over the long term. Supported by FIT (Feed-in Tariff), which was implemented in FY2012, the business has become a stable source of revenue. Our group company Eco Power Co., Ltd. holds the third largest share of the domestic market in terms of generation capacity. It is currently developing a new wind power generation facility and plans to commence its operation at Watarai Cho in Mie Prefecture, Japan in the second half of FY2016. Power generating capacity is expected to expand from 184,000 kW at the end of FY2015 to around 230,000 kW by the end of FY2017, the final year of the current Medium-Term Management Plan.

It has been claimed that the number of domestic oil wholesale companies will be consolidated into major three companies. Amid an ever-changing management environment, our group, the third largest, needs to conduct expeditious management. While our competitors are expanding their business scale, we will explore the most effective way to ensure sustained growth by utilizing our holding company system as well as our strengths and advantages, rationalizing our operations more rapidly than our competitors, and developing business with mobility and flexibility.

\*1 A major Spanish petroleum company

\*2 An investment company in the energy and related sectors that is fully owned by the Abu Dhabi government

## Accelerating Management Efficiency by Establishing a Holding Company System

In October 2015, we incorporated a holding company structure comprised of a holding company and three core operating companies in the areas of oil exploration & production, oil refining and petrochemicals, and oil product sales. Our objectives in establishing the new system are threefold: (1) to distribute stable dividends; (2) to ensure prompt decision-making by transferring responsibility and authority to business companies; and (3) to promote alliances in each business segment. Contributions and dividends from each business company will enable our group to provide stable dividends even when we incur inventory valuation losses caused by a drop in crude oil prices. I am expecting that partial optimization will lead to total optimization. Furthermore, I have been encouraged by an increase in constructive suggestions from each business company at the time of making important decisions concerning investments and alliances and their swifter execution of business measures.



## Message from the President and CEO

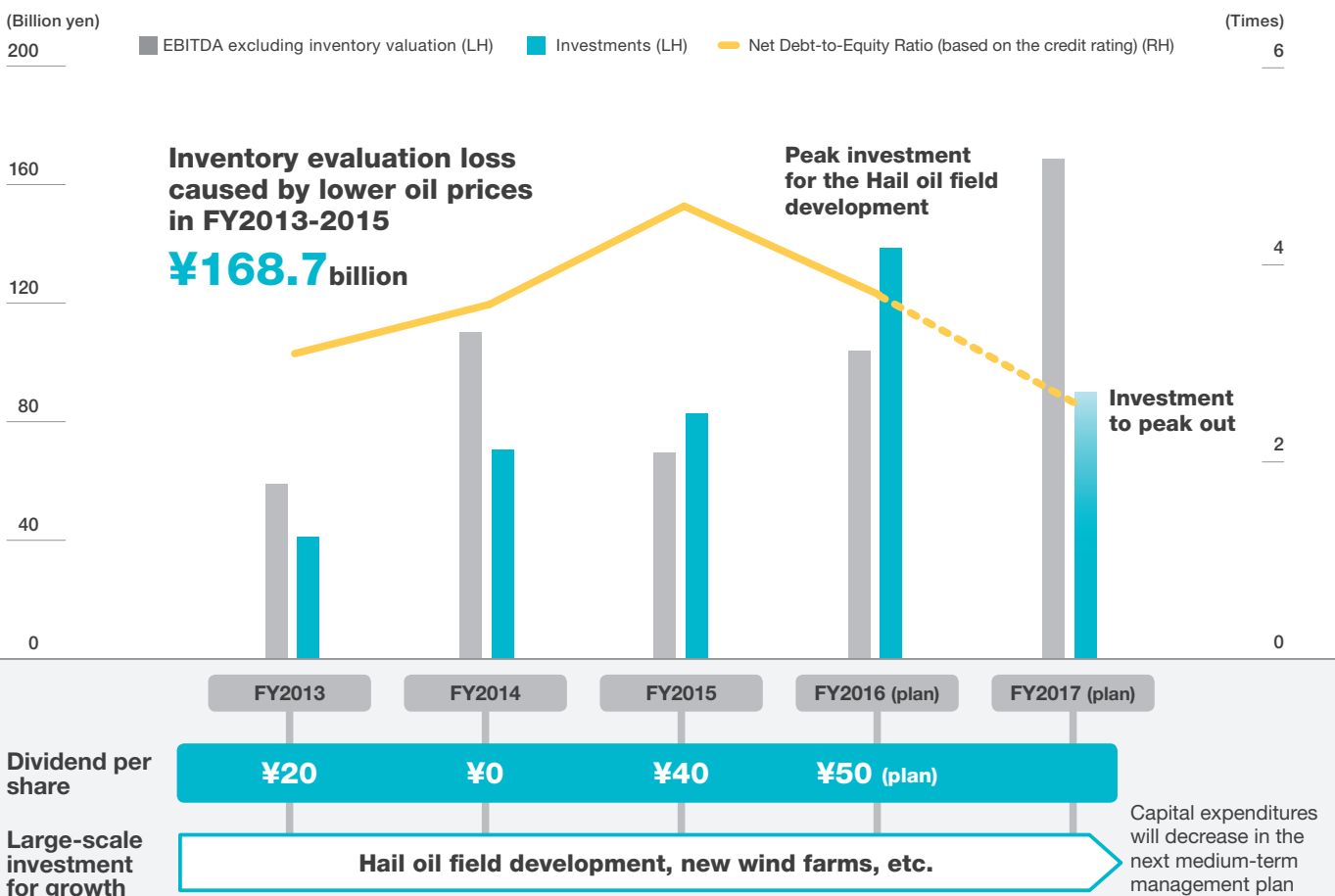
### Enhancing Corporate Governance

As we incorporate a holding company system, we are working on the enhancement of our corporate governance system with the aim of increasing our long-term corporate value. Complying with the Japanese corporate governance code, we have added two independent outside directors so that we can incorporate multidirectional perspectives from outside our group and industries other than the oil industry. In accordance with the transition to a company with a supervisory committee, four of our ten directors are outside directors, including two supervisory committee members. Moreover, by forming a nomination and remuneration advisory committee and by introducing an executive remuneration system linked to business performance, we have ensured business transparency and have strengthened our accountability.

### Capital Policy Focused on the Future

We have been executing numerous large-scale upfront investments mainly in the period of our current mid-term management plan, such as the Delayed Coker Unit (heavy oil thermal cracking unit) at the Sakai Refinery, the development of the Hail oil field, a paraxylene production facility at Hyundai Cosmo Petrochemical (HCP), and a wind power generation business. In addition, we recorded an inventory valuation loss of approximately ¥170 billion over three years from FY2013 to a sharp decline in crude oil prices, and suffered from an increase in cost and an opportunity loss, which were caused by the impact of the March 2011 earthquake at Chiba Refinery, our main refinery. As a result, our equity capital was significantly impaired. However, we are expecting a significant drop in the amount of investment in and after FY2017 as an investment in the Hail oil field will peak in FY2016, and many of our large investments are entering a stage where we collect a large

#### Cash Flow Improves as the Amount of Investment Peaks Out





investment return. Despite expecting a decrease in domestic sales volume of oil products, we believe that the profitability of our petroleum business will stabilize as demand and supply in the domestic market are becoming more balanced following the enactment of the Act on Sophisticated Methods of Energy Supply Structures. Moreover, we intend to expand profit by realizing alliances among refineries and in our three growth areas, and as we will streamline our balance sheet by adopting measures such as business divestments and asset sales, we will significantly improve our cash flow and financial position.

We regard our dividend policy as the highest priority issue in our capital strategy, and we are committed to stable dividend payments. In FY2015, we recorded a consolidated ordinary loss due to an inventory valuation loss stemming from lower oil prices, but we paid a dividend of ¥40 per share for the year, as we are expecting that the implementation of the above measures will enable us to realize a profit turnaround going forward. For FY2016, we are planning to increase the dividend per share to ¥50 and improve our financial structure at the same time.

## Promoting CSR Management

Although our group provides stable energy that is essential to everyone's daily lives, we are also aware that we inevitably place some degree of burden on the global environment, as we mainly handle fossil fuels. Based on our full awareness and consideration of this fact, our group is promoting CSR management that combines the management plan and our CSR initiatives. We believe that profit generation and CSR activities should go hand in hand and that we must achieve both to expand corporate value. Among our CSR activities, it is most important for our group to implement safety control measures completely and successfully. Our refineries, in addition to their conventional measures, will implement a new operating management system to realize safe operation and stable supply at a higher level than the world standard. Furthermore, we have been a member of the "Global Compact" since 2006 and have been promoting CSR management by respecting basic principles on human rights, labor, the environment, and the prevention of corruption. We will also raise productivity by positively promoting diversity and making decisions by incorporating various ideas and opinions of employees with diverse backgrounds. Other important initiatives include increasing the number of

expatriate employees, fostering human resources capable of global operations, and promoting the participation of women. We will remedy long working hours and focus on "working style reform", so as to raise productivity and enhance corporate value.

## Message to Shareholders

The environment surrounding Japan's oil industry is severe and rapidly evolving. We are now entering a stage where we collect a return from our recent investments. I would like you to know that we will adhere to our stable dividend payments, despite recording losses on an accounting basis, as we are fully confident of our future profit potential and the recovery of our cash flow. By allocating our financial sources to growth areas in which we can leverage our strengths, the Cosmo Energy Group will expand its corporate value while serving society as a public institution. We sincerely hope our shareholders understand our management vision and will continue to extend their support for many years to come.

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President and CEO  
**Keizo Morikawa**

## Medium-Term Management Plan

# Fifth Consolidated Medium-Term Management Plan

We started the fifth medium-term management plan (FY2013 - 2017), with the aim of improving its financial position, resuming dividend payments at early date, and become a vertically integrated global energy company over the long term, while implementing four basic policies. In FY2015, we resumed paying dividends. Going forward, we will continue to strive to achieve our long-term vision and continually expand corporate value.

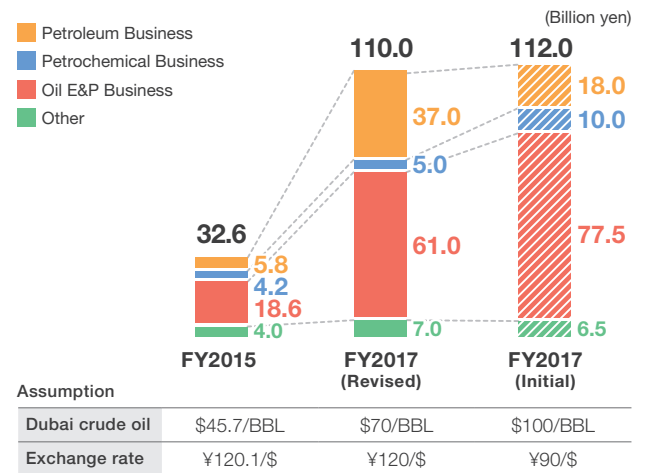
## 4 Basic Policies

- Enhance profitability in the refining and marketing sector
- Secure stable income from investments made during the previous medium-term management plan
- Further strengthen alliances with IPIC and Hyundai Oilbank
- Further enhance CSR management

### Significant changes in management environment have led us to revise the Fifth Medium-Term Management Plan

The current medium-term management plan was revised in November 2015, in order to reflect additional initiatives and other measures, in addition to significant fluctuations of crude oil prices and foreign exchange rates from 2013 when the plan was initially announced. A decline in projected profit of the Oil E&P Business, due to lower sales prices caused by a significant drop in crude oil prices, is expected to be offset by an increase in projected profit of the Petroleum Business, which is likely to be contributed by lower self-consumed fuel costs at refineries. As a result, consolidated ordinary income in FY2017, the final year of the current plan, is projected at ¥110 billion, which is at the similar level to that of the initial plan.

#### Ordinary Income (excluding the Impact of Inventory Valuation)



			FY2013	FY2014	FY2015
Large-Scale Investments Aiming for Growth			Hail oil field development, new wind farms, etc.		
Growth Businesses	Oil E&P	Hail oil field	Acquisition of mining areas → Under development		
		Alliance with CEPSA	Strategic comprehensive alliance		
	Retail (car leasing)	Private car leasing	Cumulative total: 20,000 vehicles		
	Renewable Energy	Wind power generation	Feed-in tariff scheme (20 years; cumulative power generation capacity of approx. 150,000 kW)	Start of operation at Hirogawa and Aizu (approx. 180,000 kW)	
Core Businesses	Petroleum	Chiba Refinery	Joint venture	Alliance with Tonen General Sekiyu	Establishment of Keiyo Seisei (JV);
			Acquisition of factory certification		
		Sakai Refinery	Operation of a new coker plant		
		Yokkaichi Refinery			
		Sakaide Refinery	Closure	Transformation to an oil terminal	
		IPP (Independent Power Producer)	Power selling capacity; 200,000 kW		
	Petrochemical	HCP (Aroma business)	Start of the new PX production plant		Energy-saving investment and rationalization
	Maruzen Petrochemical (Olefine business)				

## Ongoing Investments for Achieving Growth

The amount of ¥187 billion, which accounts for over 50% of the ¥360 billion capital investment total for FY2013-2017, is allocated to the oil exploration & production business, one of our growth drivers. The Hail oil field of Abu Dhabi Oil, where we are making the highest investment amount, is projected to start production in the first half of 2017. Our five-year plan for the oil refining and marketing business is to invest ¥140 billion, which includes additional investments for growth and safety measures, such as the Chiba Refinery pipeline construction and the construction to enhance resilience of refineries concerning natural disasters.

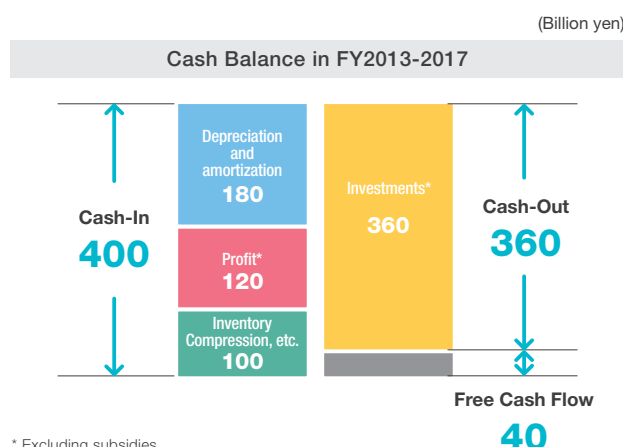
	(Billion yen)
<b>Oil E&amp;P</b>	<b>187</b>
Hail oil field development	187
<b>Petroleum*2</b>	<b>140</b>
Refinery equipment upgrades	70
Chiba Refinery renewal plan	20
Sales and administration divisions	50
<b>Renewable energy, overseas, etc.</b>	<b>33</b>
Investment in new wind farms, etc.	33
<b>FY2013-2015 total investments*1</b>	<b>360</b>

\*1 Excluding subsidies

\*2 Major additional investments: Chiba Refinery pipeline construction; construction to enhance resilience of refineries

## Cash Balance in FY2013-2017

We are expecting Cash-In of ¥400 billion for FY2013-2017, which includes, in addition to business profit, proceeds from business divestment and asset sales as a part of streamlining the balance sheet. Cash-Out for the same period is estimated to be ¥360 billion. These will result in ¥40 billion in free cash flow. While a decline in crude oil prices and the negative impact from foreign exchange have led us to project less free cash flow than initially expected, we are confident that stable dividend payments can be internally funded.



FY2016	FY2017	FY2018 and after
		Investment to decline
	Production to start → Abu Dhabi Oil's production to double on - peak	
	CEPSA's capital participation in Abu Dhabi Oil → New interests to acquire	
Target cumulative total: 60,000 vehicles		Further business expansion
Start of operation at Watari (approx. 210,000 kW)	Start of operation at Sakata Port and Ishikari Bay Port (approx. 230,000 kW)	Further business expansion
pipeline under construction		Pipeline construction to complete → Expect ¥10 billion synergy per year
2-year long-running operation → Refining cost down (approx. ¥7 billion)		4-year long-running operation → Further refining cost down
		Benefit in case of a drop in oil prices
Business alliance with Showa Shell Sekiyu Group		Equipment optimization
Upgrade work → Diversification of feedstock		Competitive electric power supply
		Establishment of profit base resistant to market fluctuations
		Making into a subsidiary → Establishing a petrochemical supply chain

## Road Map toward Achieving Long-Term Visions

During the current medium-term management plan, large-scale investments, such as the Hail oil field development and new wind farms development for the wind power generation business, coincided. Moving ahead into the next management plan, those projects will enter the stage of returning profits and at the same time the overall investment amount is expected to decline significantly. As the Hail oil field project utilizes existing facilities for production and shipment, it should be cost competitive and generate good profit even at the current level of oil prices. Moreover, the petroleum business will begin to see synergies from the joint venture arrangement of the Chiba Refinery. Further, we look for stable profit growth by converting to “car - life value proposition” by expanding mainly the car - leasing business for individual and by making continual progress in developing new wind farms in the wind power generation business. As most major investments will be completed and cash flow will improve significantly by profit growth from those investments, we will approach becoming “Vertically Integrated Global Energy Company”.



# Path to Creating Corporate Value

The Cosmo Energy Group believes that our most important social role and mission is the “stable supply of energy”. By efficiently utilizing all of our assets and strength, including the Group network, know-how, technology, DNA, brand power, and relationships with clients, all of which have been accumulated in its history and by fulfilling our social mission, we firmly believe that our Group’s corporate value will continue to be enhanced.

## 1 Assets and Strengths

The Cosmo Energy Group’s organization, human resources, customers, and brand are not visible in the financial statements. Yet, they have invisible value and are factors that set us apart other companies. One strength of the Group, which is critically important for us to become a vertically integrated global energy company, is our long-term solid relationship of trust with oil producing countries.

### Safe and stable supply

#### Supply of oil products

**Over 70 years**

The original company, Maruzen Oil, was established in 1933.  
The succeeding company, Daikyo Oil, was established in 1939.

#### Partners

**Solid relationship of trust with oil producing countries for nearly 50 years**

#### Crude reserves estimate (proved and probable)

**161.4 million barrels**  
Equivalent to supply of approx. 24 years

(As of December 31, 2015)

### Customers

#### Brand

Corporate brand awareness

**99.5%**

Survey of 1,236 customers (men and women, 18-64 years old) who used a service station in the past one month (as of November 2, 2015)

#### Customers

Number of the “Cosmo the Card” Holders

**Approx. 4,390,000**

(As of March 31, 2016)

Number of Smart Vehicles\* under contract

**Cumulative 27,401 cars**

(As of March 31, 2016)  
\* Car lease for individuals

#### Total number of service station operators and Cosmo brand stations

Number of operators

**226**

(As of March 31, 2016)

Number of Cosmo brand stations

**3,054**

(As of March 31, 2016)

### Environment

#### Renewable energy (wind power generation)

**No. 3 in Japan’s generation capacity**

(As of March 31, 2016)

#### Environmental-brand survey

**No. 1 in the industry**

Nikkei BP Eco-Brand Survey 2016

#### CO<sub>2</sub> reduction (Oil development business)

#### Zero-Flare Operation

[Details on P44 ▶](#)

First attempt in the Middle East. By introducing a system to compress and seal flare gas (a by-product of crude oil production and shipment) underground (in an oil reservoir), instead of conventional burning, CO<sub>2</sub> emission has been reduced and the crude oil recovery rate has been improved.



### Human Resources

#### Management structure

**Transparent management**  
(Outside directors are 40% of the board members)

#### Human resources

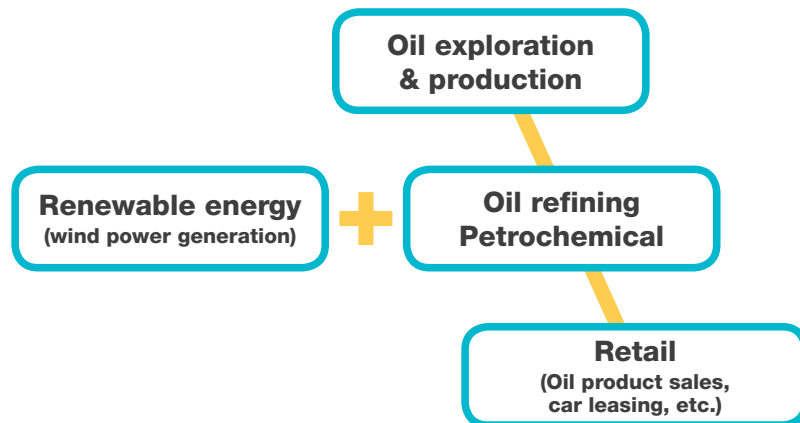
**Strong dedication to ensuring stable supply of oil products**



## 2 Business Domains

Aiming to become “A Vertically Integrated Global Energy Company”, the Cosmo Energy Group is engaged in oil development, refining, petrochemical, oil sales, and retail (car leasing) businesses and is operating across the spectrum of the energy industry. At the same time, the Group is strengthening the wind power generation business as a part of its renewable energy business.

### Invested Business Domains



# Value-Creating Spiral

## 3 Value Creation

The Cosmo Energy Group strives to create social value through its stable supply of energy and environmentally-friendly operations. Although a decline in oil prices during the year under review has deteriorated its financial condition, the Group seeks to improve its ROE and enhance its economic value.

### Economic Value

Target ROE of  
**22%**  
in fiscal 2017

### Social Values

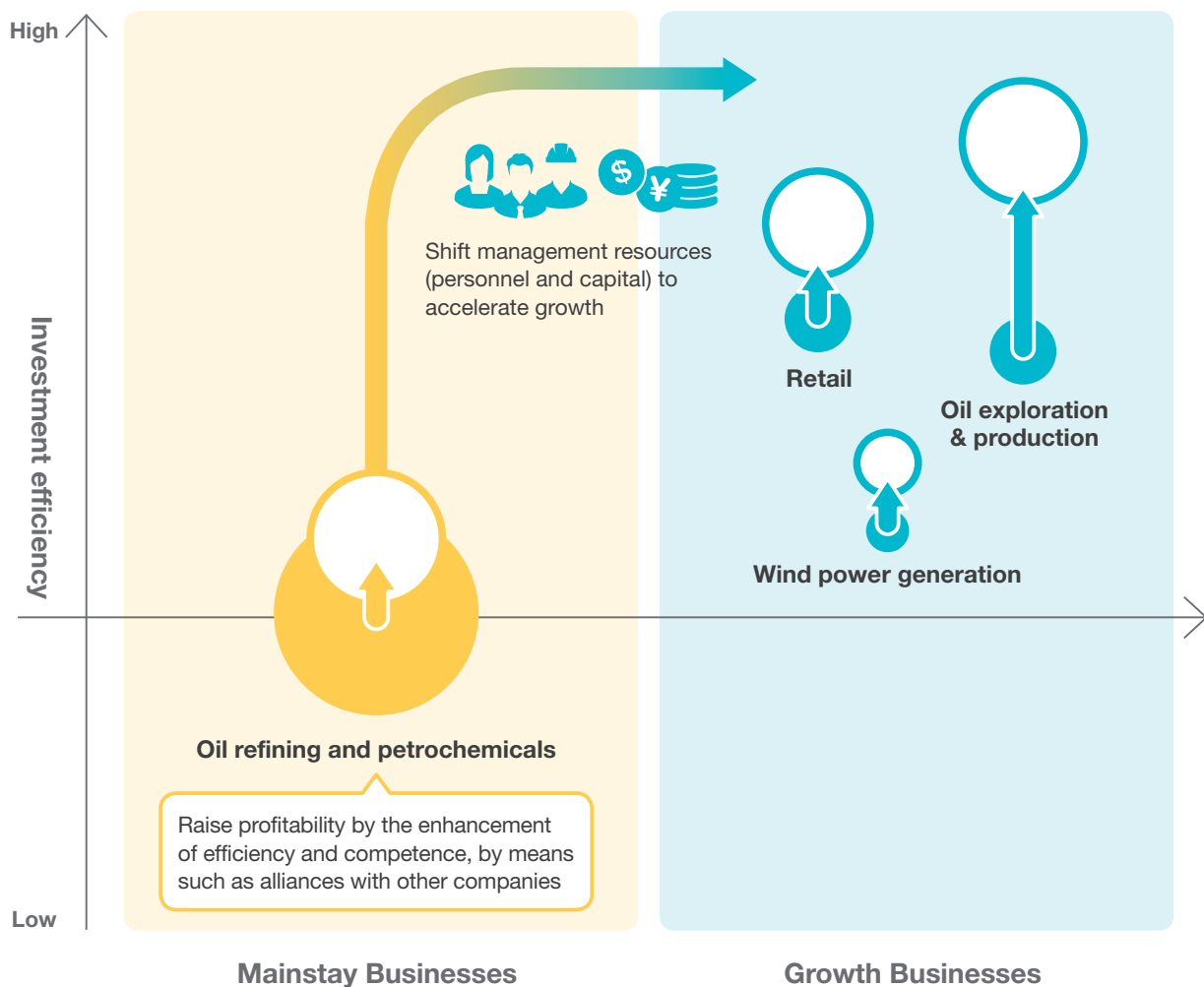
- Stable supply of energy
- Helping people to benefit from use of their automobiles
- Symbiosis with the environment via the renewable energy business and other activities

# Growth Strategy for Creating Corporate Value

## Growth Drivers

Oil exploration & production and renewable energy and retail business are identified as our growth drivers. By shifting management resources from the mainstay businesses while they undergo rationalization and efficiency enhancement improvements to the growth areas, we aim to enhance long-term corporate value.

### Shift in Business Portfolio for Sustainable Growth and Enhancement of Corporate Value



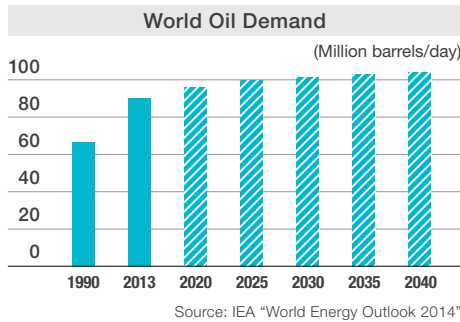
\* Image drawing for the Medium- and long-term creation of corporate value

\* Circle size represents a hypothetical scale of business assets.

# 3 Growth Drivers

## 1 Oil E & P Business

**Global oil demand is expected to grow steadily corresponding to an increase in population**

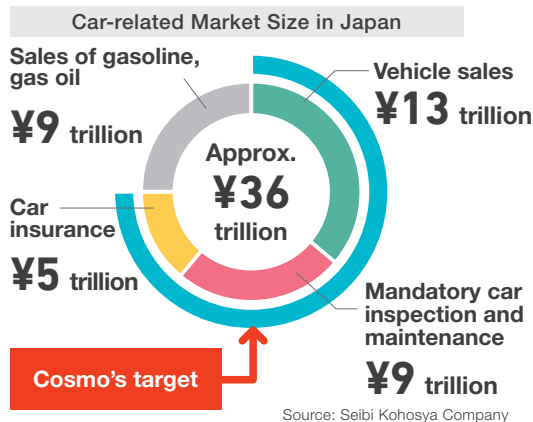


- ▶ Operation in the relatively competitive areas of the Middle East, such as Abu Dhabi and Qatar, compared to other regions
- ▶ Strong relationship of trust with oil producing countries on the back of nearly 50 years of safe operation, personnel exchange, and other factors
- ▶ Low-risk low-cost development, mainly of discovered and undeveloped\* oil fields

\* Undeveloped oil fields are those that have confirmed oil reserves, based on the feasibility study, but have not been developed

## 2 Retail Business

**Car-related Market of Approx. ¥27 trillion**  
**Vehicle sales; Mandatory car inspection and maintenance; car insurance, etc.**

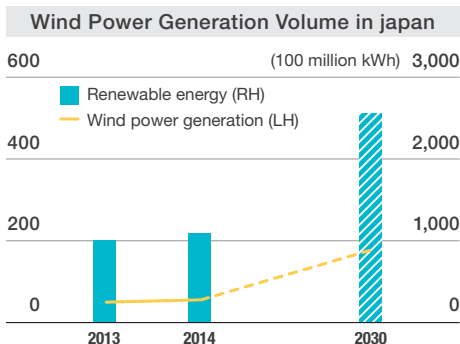


- ▶ Car lease business for individuals, utilizing the potential of customer visits to service stations (approx. 500,000 cars/day) and brand recognition
  - ➔ Enter lease market for individuals where other lease companies couldn't
- ▶ Agency arrangement with a lease company means not to have inventory and therefore low risk
- ▶ Acquired a patent for a business model to make a bundled business with a discount on the fuel oil price to vehicle contractors\*

\* Including lease and purchase by cash or loan

## 3 Wind Power Generation Business

**A long-term growth potential due to an increase in environmental measures etc**  
**Expecting a 20-year stable profit based on the feed-in tariff (FIT) scheme**



- ▶ The wind power generation business requires high-level expertise in location selection, environment assessment, etc. Its pioneer Eco Power joined the Cosmo Energy Group in 2010.
- ▶ By being engaged in development, construction, operation, and maintenance within the group, a high-level availability rate (90% or more) is achieved.
- ▶ Aim at long-term business expansion by participating in offshore projects\*, in addition to onshore projects.

\* The Akita offshore wind farm project is a large-scale one led by the private sector.



## Review of Operations

# Business Overview



## Oil Exploration and Production Business

## Petroleum Business (Refining and Sales)

## Petrochemical Business

Business summary	Business of exploration and production of crude oil in Abu Dhabi in the United Arab Emirates (UAE) and in State of Qatar	Business to refine imported crude oil and sell the products to nationwide service stations, factories, and other places including overseas	Business to manufacture raw materials of polyester fiber, pet bottles, plastics, synthetic rubber, etc.
Net sales *1	55.8 billion yen	2,220.7 billion yen	48.1 billion yen
Ordinary income *1	18.6 billion yen	- 62.8 billion yen	4.1 billion yen
Ordinary income *1 (excl. inventory valuation)	18.6 billion yen	5.8 billion yen	4.2 billion yen
Number of employees *2	306	4,744	1,071

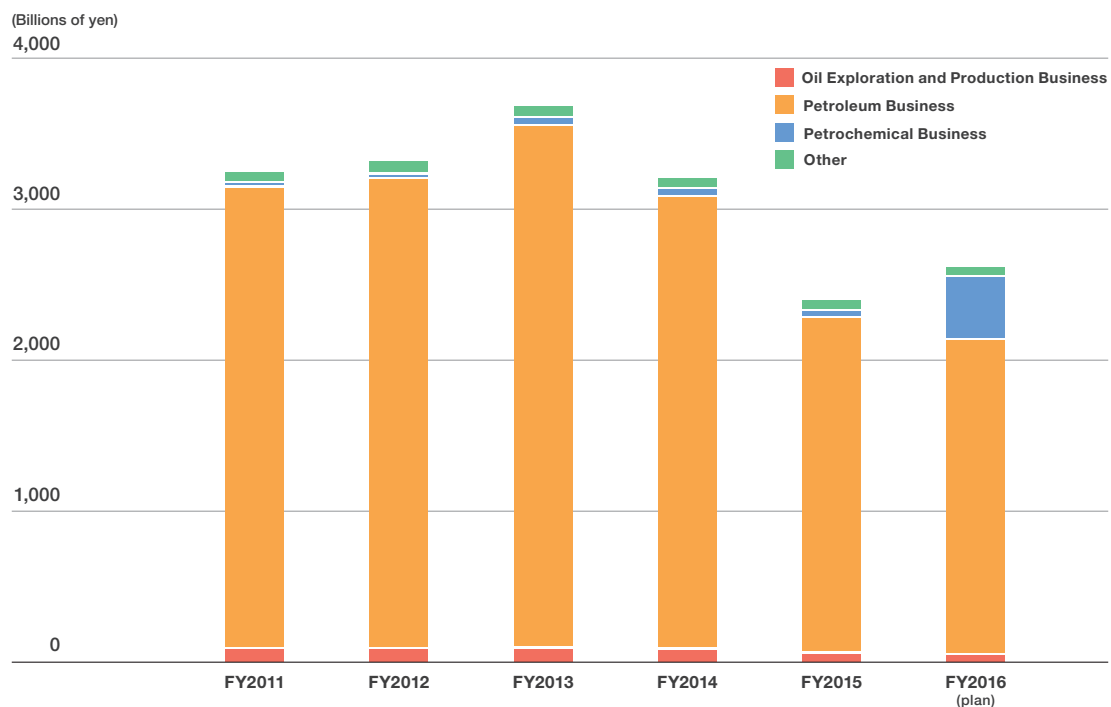
\*1 FY2015 results (April 1, 2015 to March 31, 2016)

\*2 As of March 31, 2016

\*3 Including consolidated adjustment

\*4 Wind power generation business (Eco Power): 85

## Net Sales by Segment





Other Businesses (Renewable Energy)	Total
Businesses that are not related to oil or petroleum. Mainly engaged in wind power generation as renewable energy.	—
71.4 billion yen	2,244.3 billion yen*3
3.5 billion yen	- 36.1 billion yen*3
3.5 billion yen	32.6 billion yen*3
995*4	7,116

### What does the impact of inventory valuation indicate?

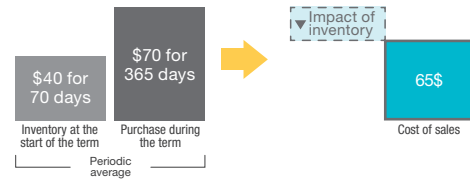
The "impact of inventory valuation" indicates the impact on the cost of sales in the financial statements, according to the inventory valuation method, when there is a change in the price of crude oil.

#### Inventory valuation impact based on the periodic average method

This indicates the impact in terms of income based on the "periodic average method," which is an inventory valuation method. In a phase when crude oil prices rise, the cost of sales is pushed down (cost decrease = inventory valuation gain) because the unit prices of purchased inventory that have risen during the term are averaged with the lower inventory unit prices at the start of the term. Conversely, in a phase when crude oil prices fall, the cost of sales is pushed up (cost increase = inventory valuation loss) because the unit prices of purchased inventory that have fallen during the term are averaged with the higher inventory unit prices at the start of the term.

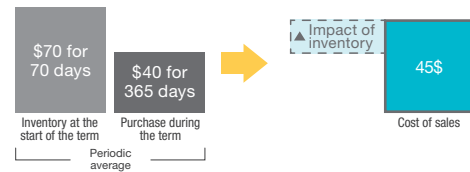
#### Phase when crude oil prices rise

Average of the unit prices of purchased inventory during the term with the "lower" inventory unit prices at the start of the term. Cost of sales is pushed down (inventory valuation gain)



#### Phase when crude oil prices fall

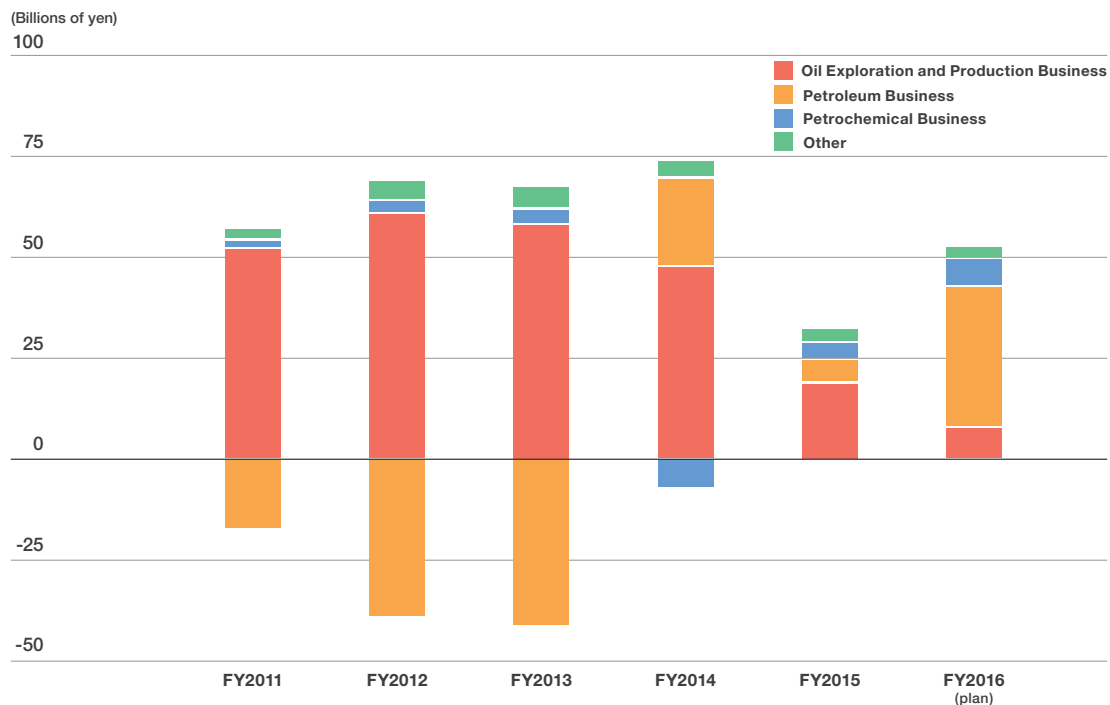
Average of the unit prices of purchased inventory during the term with the "higher" inventory unit prices at the start of the term. Cost of sales is pushed up (inventory valuation loss)



#### Inventory valuation impact based on reduction in book value

If the market value of inventory at the end of the term falls below the book value, it is necessary to reduce the book value to the market value, and this indicates that a resulting loss is incurred (cost increase = inventory valuation loss).

### Ordinary Income by Segment (excl. Inventory Valuation)



# Oil Exploration and Production

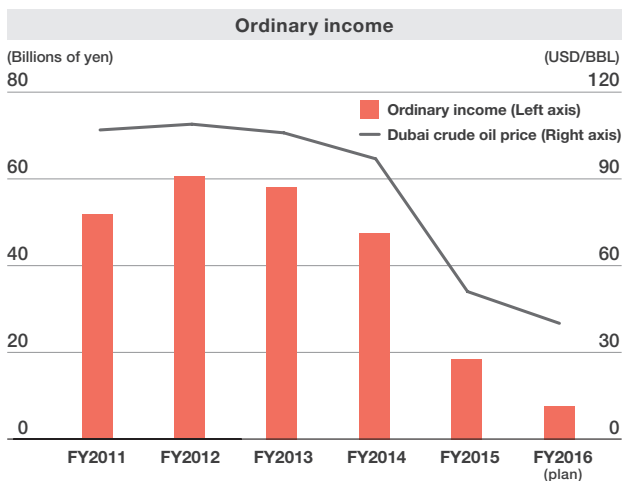
## Business Summary

The Cosmo Energy Group is participating in interests in the Middle East region as an operator that is in control of the development process, based on strong relationships of trust with Abu Dhabi in the United Arab Emirates (UAE), where it has established partnerships of trust over many years, and State of Qatar. The Group is engaged in oil exploration and production mainly through three companies—Abu Dhabi Oil Co., Ltd. (ADOC), Qatar Petroleum Development Co., Ltd. (QPD), and United Petroleum Development Co., Ltd. (UPD). Among these, the ADOC project, in particular, has been continuing to produce oil steadily for nearly 50 years, and now the Group

is promoting the development of the Hail Oil Field, which is projected to generate production volume equivalent to that of the three oil fields already engaged in production. Moreover, in 2014, Cosmo Energy Group signed a memorandum of understanding regarding the establishment of a strategic comprehensive alliance with International Petroleum Investment Company's (IPIC's\*) wholly-owned subsidiary Compañía Española de Petróleos, S.A.U. (CEPSA), a major Spain-based oil company, and in November of the same year, this alliance was strengthened further by accepting a 20% investment by CEPSA in Cosmo Abu Dhabi Energy Exploration & Production.

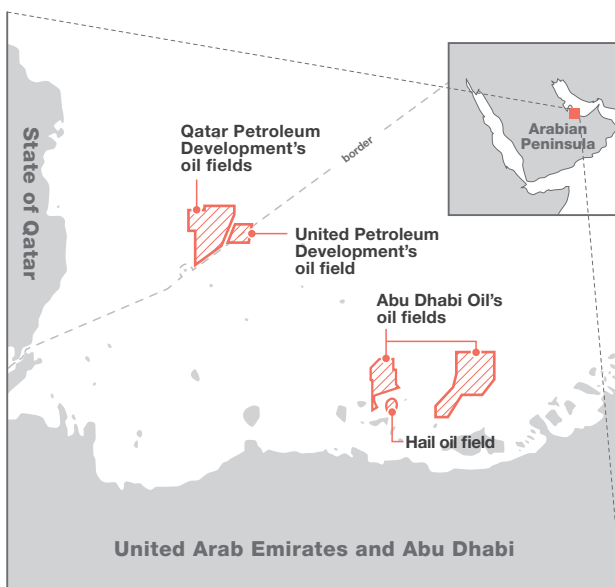
\* An investment company in the energy and related sectors that is fully owned by the Abu Dhabi government

## Operating Performance

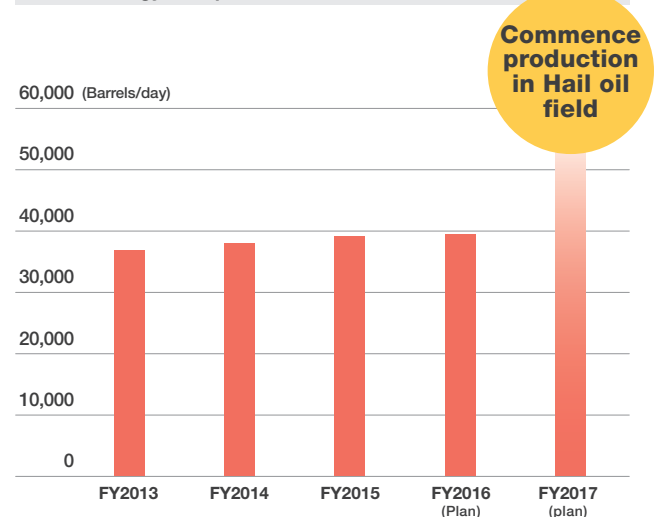


In FY2015, total oil production by the three companies led by Cosmo Energy Exploration & Production—ADOC, QPD, and UPD—amounted to 39,201 barrels/day, up 3.1% compared with the previous fiscal year. However, owing to the strong impact of a decline in crude oil prices, ordinary income in the Oil Exploration and Production Business segment was ¥18.6 billion, a ¥28.9 billion year-on-year decrease. In FY2016, as we assume an average crude oil price of US\$40/barrel (versus an actual \$50.9/barrel in January-December 2015) and an exchange rate of ¥110 per U.S. dollar (versus an actual ¥121.1 per U.S. dollar in January-December 2015), we project segment ordinary income of ¥7.5 billion, down ¥11.1 billion.

## Cosmo Energy Group's Oil Fields



## Cosmo Energy Group's Crude Oil Production Volume



# Business



## Strengths

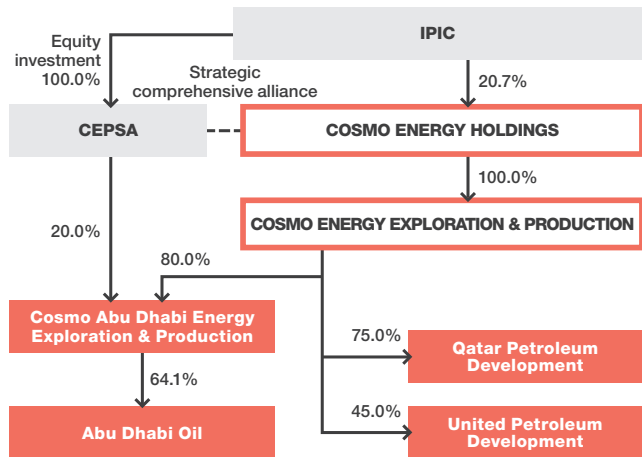
- Alliance with CEPSA, our largest shareholder IPIC's wholly owned company
- Track record of stable off-shore oil fields development in the Middle East extending for approximately 50 years
- Extension of interests in three existing oil fields of ADOC for 30 years and acquisition of Hail oil field

### Evaluation of Crude Oil Reserves (The Company's interests)\*1

Proved reserves*2	80.2 million BBL
Probable reserves*3	81.2 million BBL
Total of proved and probable reserves	161.4 million BBL
Proved and probable reserves/production ratio	Approx. 24 years

As of December 31, 2015

The reserves include those of a new concession area, Hail Oil Field. The average crude oil production based on working interest reached 19,000 barrels/day in FY2015 (Jan-Dec).



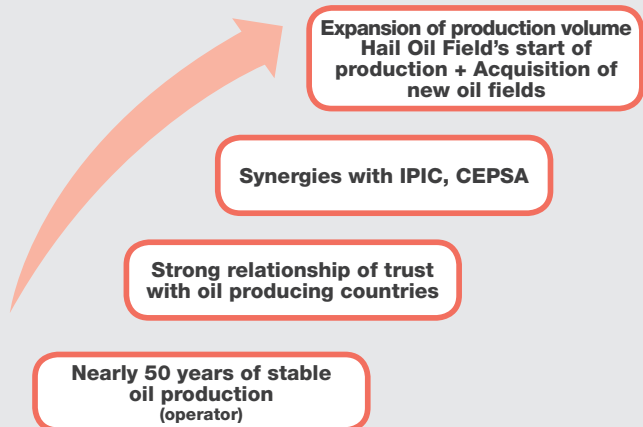
\*1 The assessment of ADOC reserves which deemed to have significant impact on Cosmo's future profitability was carried out in an independent assessment by Gaffney, Cline & Associate (hereinafter, "GCA"), a leading global independent reserve auditor. The assessment of QPD and UPD reserves were carried out in these companies respectively. These assessments of the reserves do not guarantee the reserves and production from them.

\*2 Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. When probabilistic methods are used, there should be at least a 90% probability that the actual quantities recovered will equal or exceed the 1P estimate. (Definition of SPE PRMS 2007 March)

\*3 Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate. (Definition of SPE PRMS 2007 March)

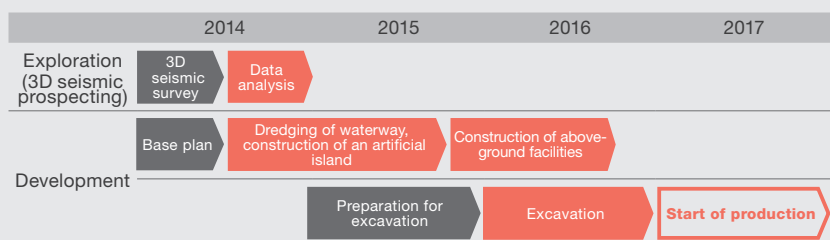
## Initiatives to create long-term corporate value

ADOC at the same as extending interests for 30 years from 2012, based on its strong relationship of trust with oil producing countries, acquired new concession area, the Hail oil field which is expected to generate production volume on par with that of the three existing oil fields (Mubarraz Oil Field, Umm Al-Anbar Oil Field, and Neewat Al-Ghalan Oil Field), and is promoting development aimed at the start of production in the first half of 2017. The Hail Oil Field is a highly competitive, large-scale project that can share facilities such as for shipment with the nearby existing oil fields, and is expected to contribute at an early stage to the Cosmo Energy Group's Oil Exploration and Production business. In addition, workshop meetings involving Abu Dhabi National Oil Company (ADNOC), CEPSA, and Cosmo Energy Group are held periodically in a combined effort to acquire new concession areas and seek possibilities for further business expansion.



### Hail Oil Field's Progress and Development Schedule

- Start of production in the First Half of 2017 (Excavation started in FY2016)
- Production volume is projected to be equivalent to that of the three existing oil fields of ADOC
- Expect a decline in operational cost per unit, due to use of existing facilities





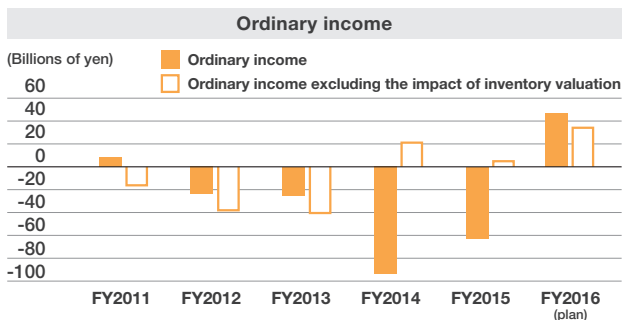
# Petroleum Business

## Business Summary

The Petroleum Business comprises the oil refining business operated by Cosmo Oil, and the petroleum product sales business and the retail business operated mainly by Cosmo Oil Marketing. In the oil refining business, the Company is strengthening its competitiveness through alliances such as the establishment of a joint venture called Keiyo Seisei JV G.K. with TonenGeneral Sekiyu K.K. for the respective refineries in Chiba and the business alliance with the

Showa Shell Seikyū Group with respect to the Yokkaichi Refinery. As regards the petroleum product sales and retail businesses, amid the downturn in petroleum product demand in Japan, we bolstered initiatives related to the consumer car leasing business in a bid to transition from a conventional business model that revolves solely around fuel oil margins as a primary source of earnings to a business model focused on providing a full array of car services.

## Operating Performance



Owing to the impact of inventory valuation losses caused by the fall in crude oil prices, the Petroleum Business posted an ordinary loss of ¥62.8 billion, up ¥30.7 billion year on year. Ordinary income excluding the impact of inventory valuation (-¥68.6 billion) was ¥5.8 billion, a year-on-year decline of ¥16.2 billion. In FY2016, the Company expects ordinary income excluding the impact of inventory valuation to increase by ¥29.2 billion year on year to ¥35.0 billion, as operational benefits and the effect of profit improvement stemming from the optimization of maintenance costs resulting from the two-year long running at the Chiba Refinery are estimated about ¥7.0 billion.

## Oil Refining Business

Cosmo Oil has three refineries across Japan—in Chiba, Yokkaichi and Sakai—and aims to strengthen the competitiveness of each refinery mainly by promoting alliances with other companies. As the Chiba Refinery will commence two-year long run operation in FY2016, we project an income improvement of about ¥7.0 billion. Moreover, the competitiveness at Sakai Refinery has been enhanced by installation of the Delayed Coker Unit (Heavy oil thermal cracking unit). In regard to Japan's Act on Sophisticated Methods of Energy Supply Structures, (deadline of the end of March 2017), we intend to implement a response through our alliances with the Showa Shell Sekiyū Group for the Yokkaichi Refinery.

### Sakai Refinery

**100,000 BD**

**Greater competitiveness by investing in secondary processing equipment**

- Coker unit began operation in 2010
- Higher value-added products

**Former Sakaide Refinery** (Closed in July 2013)

**140,000 BD**

- Converted into an oil terminal.
- Streamlining effects: About 10 billion

The Company's Crude Oil Processing Capacity

**452,000 BD**

Domestic Share

**11.8%** As of May 31, 2016

CDU operating ratio

**83.2%**  
(National average 82.8%) FY2015

### Chiba Refinery (No.1 CDU, No.2 CDU)

**220,000 BD**

A joint venture company established with TonenGeneral's Chiba refinery (formerly of KPI) (152,000BD) in January 2015

#### Enhance competitiveness by a JV

- Joint venture started by the established JV
- Construction of a pipeline started
- Refinery equipment to be integrated with JV after the pipelines are constructed
- One CDU will be disposed of through JV (plan)

**Synergy from both companies: ¥10 billion/year**

Higher value-added products, streamlined equipment

### Yokkaichi Refinery (No.5 CDU, No.6 CDU)

**132,000 BD**

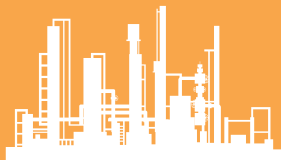
Business alliance with Showa Yokkaichi Sekiyū (255,000 BD)

#### Enhance competitiveness through business alliance.

- One CDU will cease its operation (plan), streamline equipment.
- Consignment of crude oil refining

**Synergy from both companies**

Higher value-added products, streamlined equipment



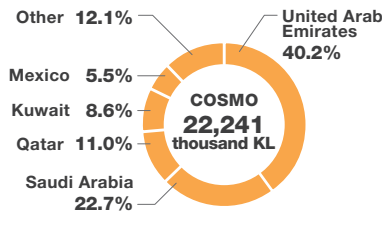
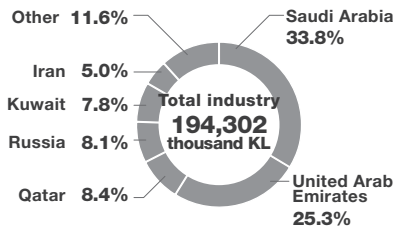
## Oil Marketing Business

The Cosmo Energy Group has an approximately 11.4%\* share of domestic sales of four fuel oil products (gasoline, diesel fuel, kerosene, and heavy fuel oil A). By making use of a nationwide network of 3,054\* service stations (SS), the Group is strengthening efforts to capture the gasoline, diesel fuel, and car-related markets. The cumulative total number of contracts for “Cosmo Smart Vehicle”, the core car leasing business for individuals, increased by 8,361 from the previous year to 27,401\*.

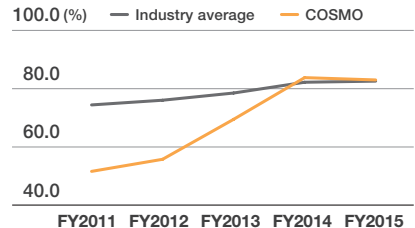
\*All figures are as of March 31, 2016.

## Key Data

Crude Oil Import Share by Country (FY2015)



Capacity Utilization Rate (calendar-day basis)



\*Other includes countries where percentage of imports is less than 5%.

\*Source for National Data: Petroleum Association of Japan, “Crude Oil Import by Countries”

\*Source for National Data: Ministry of Economy, Trade and Industry

Domestic Sales Volume of Petroleum Products

	(thousand KL)					Market Share FY2015
	FY2011	FY2012	FY2013	FY2014	FY2015	
Gasoline	6,249	5,999	6,053	5,722	5,673	10.7%
Kerosene	2,416	2,246	2,261	1,941	1,823	11.4%
Diesel fuel	4,615	4,414	4,399	4,150	4,133	12.3%
Heavy fuel oil A	2,196	1,963	1,847	1,555	1,420	12.0%
Sub-total	15,476	14,622	14,560	13,368	13,049	11.4%
Naphtha	6,224	5,916	6,556	6,240	6,204	13.4%
Jet fuel	477	476	486	468	519	9.5%
Heavy fuel oil C	2,555	2,993	2,038	1,663	1,578	11.1%
Total	24,732	24,007	23,640	21,739	21,350	11.8%

Number of Service Stations and Self Service Stations

	FY2011	FY2012	FY2013	FY2014	FY2015	Self-service Station Ratio FY2015
Cosmo SS	3,498	3,325	3,228	3,133	3,054	—
Cosmo self SS	1,007	999	1,011	1,031	1,036	33.9%
SS in Japan	37,743	36,349	34,706	33,510	32,333	—
Self SS in Japan	8,596	8,862	9,275	9,530	9,728	30.0%

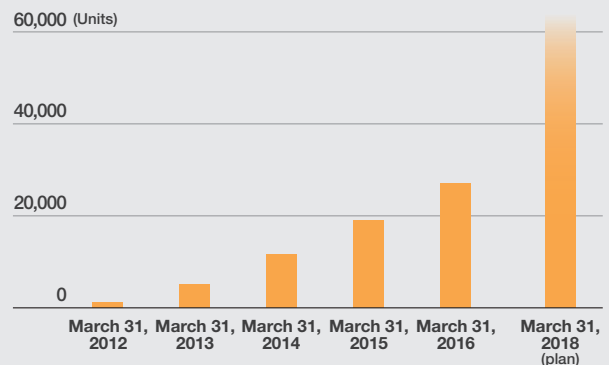
\*The number of SS includes the number of self SS.

\*Source: Ministry of Economy, Trade and Industry for the number of SS in Japan; The Oil Information Center for the number of self SS in Japan

## Initiatives to create long-term corporate value

In the car leasing business for individuals that we have developed as “Cosmo Smart Vehicle,” advantages such as expenses to be paid including maintenance costs and tax based on a monthly flat rate, and discounts on fuel oil have been supported by senior people and women. Therefore we have substantially increased the number of contracted vehicles. The domestic gasoline and diesel fuel market is worth around ¥9 trillion yen, but the size of the entire car-life-related market including vehicle sales and vehicle safety inspections is estimated to be roughly ¥36 trillion. The number of customers that visit Cosmo Oil SSs per day is at around 500,000, and by leveraging the fact that customer service frequency is overwhelmingly higher than at existing leasing companies, we aim to capture this market by linking the car leasing business with existing infrastructure such as “Cosmo the Card,” which has around 4.4 million members, and strengthen the earning power of SSs as a result.

Cosmo Smart Vehicle (car leasing for individuals) Cumulative Number of Contracts

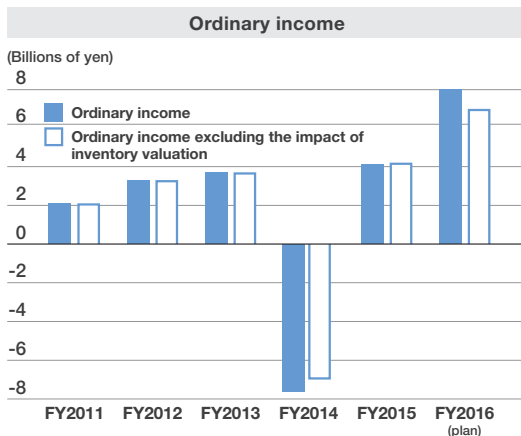


# Petrochemical Business

## Business Summary

The Cosmo Energy Group is promoting the integrated operation of the petrochemical business and the oil refining business, and in March 2016, it made Maruzen Petrochemical Co., Ltd. a consolidated subsidiary to increase the competitiveness of petrochemical complexes in general. Moreover, the Group is steadily supplying mixed xylene (MX) to Hyundai Cosmo Petrochemical Co., Ltd. (HCP), a joint venture between South Korea's Hyundai Oilbank Co., Ltd. and Cosmo Oil. HCP is striving to reduce costs through measures such as energy-saving modification work on para-xylene (PX) production facilities and attempting to bolster its competitiveness.

## Operating Performance



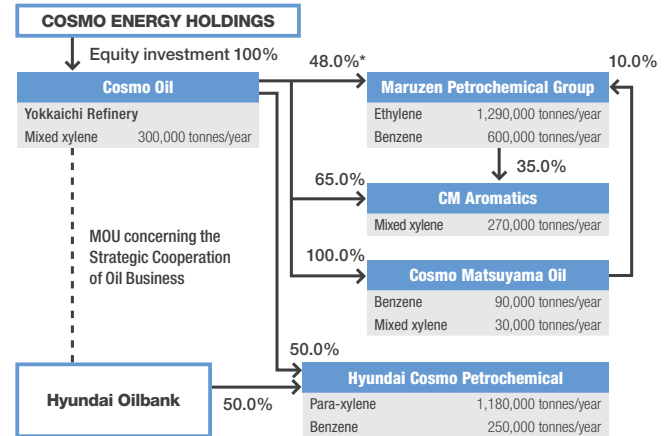
Owing to factors such as the fall in crude oil prices, net sales in the Petrochemical Business Segment were ¥48.1 billion, down ¥7.0 billion year on year. However, the segment posted ordinary income excluding inventory valuation of ¥4.2 billion, marking an improvement of ¥11.2 billion from a loss of ¥7.0 billion in the previous fiscal year, due to favorable ethylene market conditions and a decrease in costs at HCP. In FY2016, the Group projects net sales of ¥417.0 billion, up ¥368.9 billion year on year, in the Petrochemical Business. Owing to a projected recovery in market conditions and cost reductions, as well as the effect of making Maruzen Petrochemical a consolidated subsidiary, we estimate that ordinary income excluding the impact of inventory valuation will increase by ¥2.8 billion year on year to ¥7.0 billion.

## Strengths

- **Integrated operation of oil refining business and petrochemical business (establishment of Maruzen Petrochemical as a consolidated subsidiary)**
- **Cost competitiveness at para-xylene production facilities that are the largest in Asia (Hyundai Cosmo Petrochemical)**

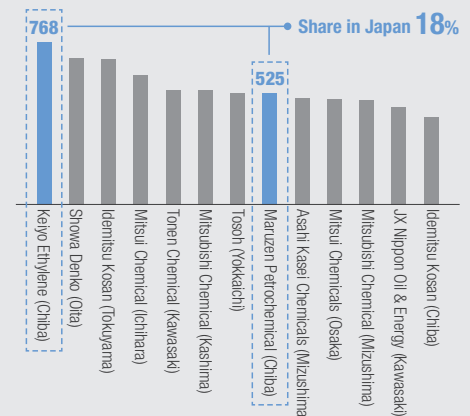
## Initiatives to create long-term corporate value

In March 2016, the Company acquired shares of Maruzen Petrochemical, an equity-method affiliated company, and turned it into a consolidated subsidiary. Maruzen Petrochemical possesses ethylene production capacity that boasts a leading scale even in Japan, is continuing to supply high-quality products, and has a solid financial structure. Going forward, the Group will promote the integrated operation of the oil refining business and the petrochemical business together with Maruzen Petrochemical, with the aim of strengthening the competitiveness of each business. Furthermore, we believe that this policy will lead to the reinforcement of the competitiveness of petrochemical complexes in general (Cosmo Oil, Maruzen Petrochemical, and derivative producers), centered on Maruzen Petrochemical. As the first stage in the reinforcement of competitiveness, we have begun to consider joint commercialization with Arakawa Chemical Industries of hydrogenated polymer resins (sanitary materials for paper diapers and other products), for which worldwide demand growth is projected.



\* Based on voting rights: 52.7%

## Japan's Ethylene Production Capacity (k ton/year)



\* Source: Japan Petrochemical Industry 2016 (Year to skip scheduled maintenance)  
\* Keijo Ethylene is a 55%-owned consolidated subsidiary of Maruzen Petrochemical.

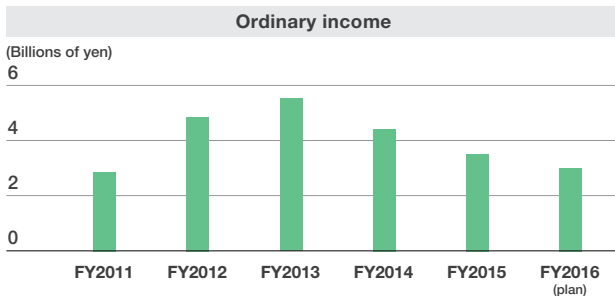
# Other Businesses (Renewable Energy)



## Business Summary

The Cosmo Energy Group is focusing on renewable energy to diversify the energy supply. In the wind power generation business, in particular, EcoPower Co., Ltd. has power generation capacity of 184,000 kW at its 22 areas, as of March 31, 2016, and ranks third in the industry based on generation capacity. In solar power generation, as well, CSD Solar, which was established jointly with another company, is steadily supplying power at eight locations nationwide, as of July 2016.

## Operating Performance



## Strengths

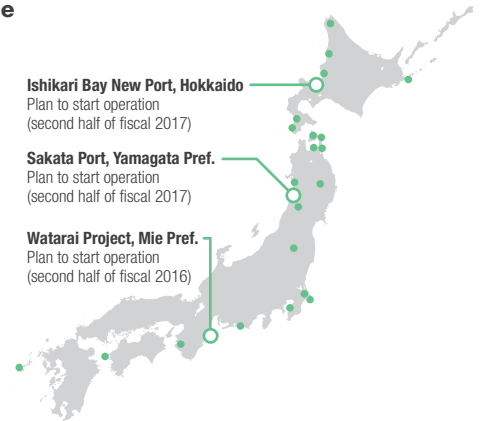
- **Group incorporation in 2010 of EcoPower a pioneer in the wind power generation business** (established in 1997)
- **Realization of a high level of availability** (at least 90%), as development, construction, operation and maintenance are carried out within the Group
- **We aim to expand business over the long term by expanding land-based sites as well as participating in offshore site projects\***

\* The Akita offshore wind farm project is a large-scale one led by the private sector.

## EcoPower's Outline

- Capital: **¥7.1 billion**
- Total power generation capacity: **184,100kW**
- Number of power generators: **145 (22 areas)**
- Industry share: **Approx. 6% (third ranked)**

As of March 2016

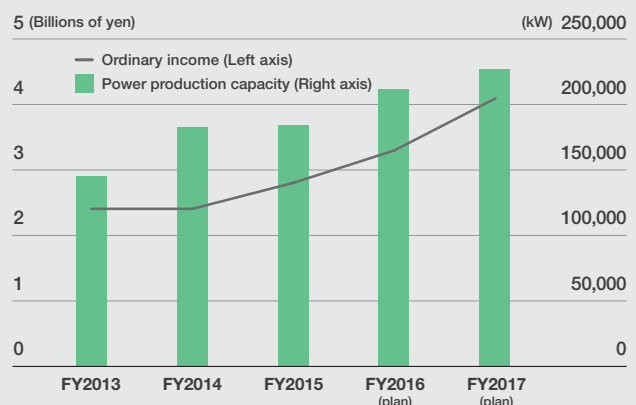


Other Businesses including the renewable energy business posted ordinary income of ¥3.5 billion in FY2015. In FY2016, we forecast ordinary income of ¥3.0 billion in this segment. As EcoPower a Group company that is engaged in the wind power generation business, continued to operate its power generation facilities steadily, it achieved higher profit than in the previous fiscal year. In the Watarai project in Mie Prefecture, construction is steadily progressing with the aim of starting operations in the second half of FY2016.

## Initiatives to create long-term corporate value

EcoPower plans to start operating the Watarai Wind Farm (Mie Prefecture) in the second half of FY2016, and is projecting a resulting increase of about 15% in generation capacity. In regard to Sakata Port (Yamagata Prefecture), EcoPower has started construction of a site that is slated to start operations in the second half of FY2017, and in the case of Ishikari Bay New Port, as well, it started construction in June 2016, with the aim of starting operations at the same time as Sakata Port. We expect the overall Group's wind power generation capacity to reach about 230,000 kW in FY2017. In addition to steadily implementing these construction projects, we will also deliberate the construction of new wind power generation facilities.

Wind Power Production Capacity (Fifth Medium-Term Management Plan)





## Corporate Governance

# Corporate Governance Basic Policy

Reflecting our corporate mission and our responsibility to society at large, we have established the “Cosmo Energy Group Management Vision” and the “Cosmo Energy Group Code of Conduct”, which serves as a specific set of guidelines to fulfill this vision. On this basis, we aim to satisfy the requirements of all stakeholders including shareholders to the utmost by seeking to achieve “sustainable growth and medium- to long-term growth in corporate value,” “improvement in transparency and efficiency of corporate management,” “swift operational executions,” and “thorough risk management and compliance.” Furthermore, the Company has implemented all of the principles related to Japan's Corporate Governance Code.

## Basic Governance Structure and Business Execution System

The Cosmo Energy Group transitioned to a holding company structure in October 2015 and became a company with a supervisory committee structure in order to increase the ratio of outside directors and strengthen the audit and supervisory functions of the Board of Directors. Moreover, with the aim of clearly separating management oversight and business execution, the Company has adopted an executive officer system. As a result, some authority has been transferred to executive officers in order to enable the Company to respond promptly to changes in the business environment and carry out swift decision-making.

### Board of Directors

The Board of Directors is composed of ten members in total, and comprises 6 internal directors (1 of whom is a member of the Supervisory Committee) and 4 outside directors (2 of whom are members of the Supervisory Committee). It decides important matters such as the basic management policy and also supervises the execution of business duties. To reinforce the supervisory function of the Board of Directors and realize fair and highly transparent management, the Company increased the number of outside directors by 2 members (2 of the 4 outside directors are independent outside directors) in tandem with the transition to a holding company structure. Outside directors have immediate access to necessary information via the Corporate Planning Department.

### Supervisory Committee

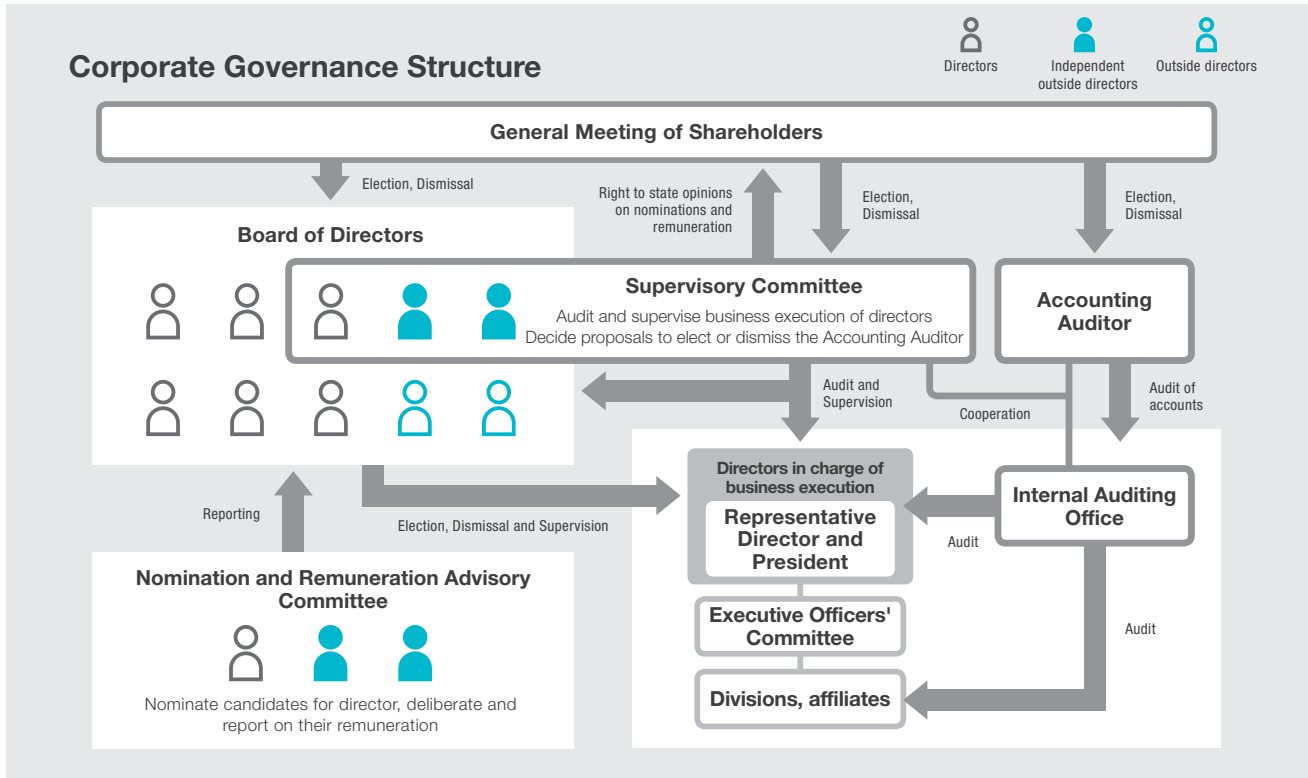
The Supervisory Committee, which is composed of 3 Supervisory Committee members that include 2 independent outside directors, uses the internal control system to audit and supervise the business execution of directors as well as the state of execution of other business duties in general that are related to the management of the Group. The Chairperson is an independent outside director.

### Executive Officers' Committee

The Company has adopted the Executive Officers' System to clarify the roles and responsibilities of “Directors” in charge of decision-making and management oversight, and “Executive Officers” in charge of business execution. The Executive Officers' Committee comprises major executive officers, including the Chief Executive Officer, and directors that are members of the Supervisory Committee, and functions as an advisory body to the President. The committee makes decisions concerning the execution of business in accordance with management policies determined by the Board of Directors.

### Nomination and Remuneration Advisory Committee

The Company has established the Nomination and Remuneration Advisory Committee, which is an advisory body to the Board of Directors, to ensure transparency and objectivity in the selection of director candidates and the compensation determination process. This committee is composed of three members in total, namely, one internal director and two independent outside directors, and deliberates on the nomination and remuneration of executive officers. The Chairperson is an internal director.

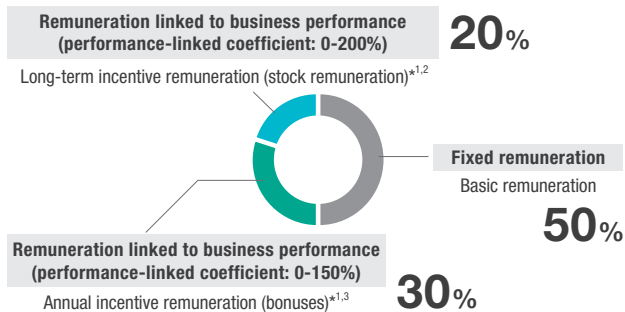


## Executives' Remuneration Plan

The Company has introduced a remuneration plan linked to business performance with the purpose of enhancing medium-term business performance, increasing corporate value, and sharing profits with shareholders. It applies to directors (excluding outside directors and directors who are Supervisory Committee members) and executive officers. This plan consists of annual incentive remuneration (bonuses) linked to consolidated performance indices for each fiscal year and long-term incentive remuneration (stock

remuneration) linked to the level of achievement of targets in the consolidated Medium-Term Management Plan. A ratio of 5:3:2 has been established for basic remuneration, annual incentive remuneration, and long-term incentive remuneration. The stock remuneration plan is an incentive plan that uses a trust system, and is a mechanism that creates management motivation based on awareness of increasing corporate value in the long term, as director and executive officers share changes in shareholder value with shareholders.

### Executives' Remuneration Plan



\*1 Remuneration linked to business performance is not applicable to directors who are outside directors or Supervisory Committee members.  
\*2 Linked to the level of achievement of the Fifth Consolidated Medium-Term Management Plan, which ends on March 31, 2018  
\*3 Linked to consolidated performance indices for each fiscal year

### Details of Executives' Remuneration Plan

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 (ROE, consolidated ordinary income, and net D/E ratio).
Recipients	Directors (excluding Outside Directors, and Directors who are members of the Supervisory Committee) and Executive Officers
Evaluation period	Fiscal year ending March 31, 2016 through fiscal year ending March 31, 2018
Trust term	November 6, 2015 to August 31, 2018
Timing of share grants	July immediately after the end of the final year of the Consolidated Medium-Term Management Plan (fiscal 2017)

## Upper Limit of Remuneration for Executives

### 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)

### Stock remuneration

Trust money contributed during the trust term	687 million yen
Maximum number of shares granted	380,000 shares

## Corporate Governance

## Directors and Executive Officers (As of June 21, 2016)



Chairman, Director  
**Yaichi Kimura**

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



President, Representative Director,  
Chief Executive Officer  
**Keizo Morikawa**

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



Representative Director,  
Executive Vice President  
**Hiroshi Kiriyama**

April 1979 Joined Daiikyo Oil Co., Ltd.  
June 2010 Executive Officer, General Manager, Corporate Planning Dept. and Change Promotion Dept. COSMO OIL CO., LTD.  
June 2011 Senior Executive Officer, General Manager, Corporate Planning Dept. and Change Promotion Dept.  
June 2012 Senior Executive Officer  
June 2013 Director, Senior Executive Officer  
October 2015 Director, Senior Managing Executive Officer of the Company  
June 2016 Representative Director, Executive Vice President (current position)



Director, Senior Managing  
Executive Officer  
**Yasushi Ohe**

April 1979 Joined Daiikyo Oil Co., Ltd.  
June 2009 Executive Officer, General Manager, Supply & Demand Coordination Dept., COSMO OIL CO., LTD.  
June 2012 Senior Executive Officer, General Manager, Crude Oil & Tanker Dept.  
June 2013 Senior Executive Officer  
June 2014 Director, Senior Executive Officer  
October 2015 Director, Senior Executive Officer of the Company  
June 2016 Director, Senior Managing Executive Officer (current position)



Director, Senior Executive Officer  
**Kenichi Taki**

April 1975 Joined Daiikyo Oil Co., Ltd.  
June 2008 General Manager, Internal Auditing Office, COSMO OIL CO., LTD.  
June 2012 Executive Officer, General Manager, Accounting Dept.  
June 2014 Senior Executive Officer, General Manager, Accounting & Finance Dept.  
June 2015 Senior Executive Officer, General Manager, Accounting Dept.  
October 2015 Senior Executive Officer, General Manager, Accounting Dept. of the Company  
April 2016 Senior Executive Officer  
June 2016 Director, Senior Executive Officer (current position)



Outside Director  
**Mohamed Al Hamli**

August 1980 Joined Abu Dhabi Marine Operating Company  
November 2004 Minister of Energy, the United Arab Emirates  
February 2005 Deputy Chairman, International Petroleum Investment Company (current position)  
June 2010 Director, COSMO OIL CO., LTD.  
October 2015 Director of the Company (current position)  
February 2016 Deputy Chairman, Union National Bank PJSC (current position)



Outside Director  
**Khalifa Al Romaithi**

June 2003 Joined International Petroleum Investment Company  
December 2007 Director, COSMO OIL CO., LTD.

June 2009 Assistant to the Investment Director, Investment Division,  
International Petroleum Investment Company

June 2011 General Manager, Portfolio Management & Investment Division

January 2015 Investment Director, Downstream & Diversified Investment  
Division (current position)

April 2015 Director, Arabtec Holding PJSC (current position)

June 2016 Director of the Company (current position)



Independent Outside Director,  
Supervisory Committee Member  
**Sakae Kanno**

April 1971 Joined The Kansai Electric Power Co., Inc.

June 2001 Executive Officer, Office of Affiliates Management and Business  
Development, The Kansai Electric Power Co., Inc.

June 2003 Managing Director, The Kansai Electric Power Co., Inc.

June 2007 Executive Vice President and Director, The Kansai Electric Power  
Co., Inc.

June 2011 Audit & Supervisory Board Member, The Kansai Electric Power  
Co., Inc. (current position)

June 2013 Audit & Supervisory Board Member, COSMO OIL CO., LTD.

October 2015 Director of the Company (Supervisory Committee Member)  
(current position)



Independent Outside Director,  
Supervisory Committee Member  
**Teruo Miyamoto**

April 1969 Joined Tokyo Electric Co., Ltd. (Currently Toshiba Tec Corporation)

February 1997 Acting General Manager on Corporate Planning of General Affairs  
Group and Acting General Manager on International Affairs of  
General Affairs Group, Toshiba Tec Corporation

June 1999 Deputy General Manager of General Affairs Department and  
Acting General Manager on Legal Affairs of General Affairs  
Group, Toshiba Tec Corporation

June 2002 Full-time Audit & Supervisory Board Member, Toshiba Tec Corporation

October 2009 Managing Director & Assistant Secretary General, Japan Audit &  
Supervisory Board Members Association

October 2010 Executive Managing Director & Secretary General, Japan Audit &  
Supervisory Board Members Association

October 2011 Representative Executive Managing Director & Secretary General,  
Japan Audit & Supervisory Board Members Association

November 2014 Advisor, Japan Audit & Supervisory Board Members Association  
(current position)

October 2015 Director of the Company (Supervisory Committee Member)  
(current position)



Director, Supervisory Committee  
Member  
**Katsuhisa Ohtaki**

April 1978 Joined Daikyo Oil Co., Ltd.

June 2005 General Manager, Sendai Branch Office COSMO OIL CO., LTD.

June 2007 Executive Officer, General Manager, Industrial Fuel Marketing Dept.

June 2009 Executive Officer, General Manager of Yokkaichi Refinery

June 2011 Senior Executive Officer, General Manager, Yokkaichi Refinery

March 2012 Senior Executive Officer, General Manager, Chiba Refinery

June 2014 Director, Senior Executive Officer

October 2015 Director, Supervisory Committee Member of the Company  
(current position)

## Reasons for Selection of Outside Directors

**Mohamed Al Hamli** served as Minister of Energy of the United Arab Emirates and is appropriately supervising management as an Outside Director from an international viewpoint with respect to the petroleum industry. He is also contributing to improving the effectiveness of the Board of Directors by actively communicating in Board of Directors Meetings from his previously mentioned viewpoint. Based on this, the Company proposes Mohamed Al Hamli maintain his position as Outside Director.

**Khalifa Al Romaithi** was a Director of COSMO OIL CO., LTD. from 2007 to 2010 and appropriately supervised the management of COSMO OIL CO., LTD. Furthermore, he has experience serving as an officer at various corporations overseas, primarily in the energy industry. Therefore, the Company judges him capable of properly executing duties as Outside Director and proposes his election.

**Sakae Kanno** has experience as a Director and Audit & Supervisory Board Member of The Kansai Electric Power Co., Inc., Therefore the Company judges him capable of properly executing duties as Outside Director who is a member of the Supervisory Committee from his wide-ranging viewpoint, which extends beyond the industry to which the Cosmo Energy Holdings Company belongs.

**Teruo Miyamoto** has intricate knowledge of corporate accounting and corporate governance as well as abundant knowledge in legal affairs, gained through such experience as serving in important positions in the International Division and Legal Affairs Division of Toshiba Tec Corporation, and later as Executive Managing Director and Head of Secretariat of the Japan Audit & Supervisory Board Members Association. Therefore the Company judges him capable of properly executing duties as Outside Director who is a member of the Supervisory Committee from his wide-ranging viewpoint, which extends beyond the industry to which the Cosmo Energy Holdings belongs.

## Engagement with Shareholders and Investors

IR activities are conducted mainly by the IR Office, which was established within the Corporate Communication Department, and it actively visits institutional investors in Japan and overseas. Besides individual meetings, the IR Office is increasing opportunities for dialogue with shareholders and investors, including business results briefings for investors that are held each quarter and oil refinery tours that are regularly conducted. Moreover, the Company is striving to enhance tools for constructive dialogue. This includes expanding investor information on the Company website as well as issuing shareholder communications and integrated versions of "Cosmo Reports"



## Recommendation from Independent Outside Directors

# Working for the transformation into a vertically-integrated global energy company



## Make indicators more visible in order to enable appropriate objective evaluation

### Independent Outside Director, Supervisory Committee Member Sakae Kanno

Sakae Kanno has experience as a Director and Audit & Supervisory Board Member of The Kansai Electric Power Co., Inc. after serving in positions such as Executive Officer of the Office of Affiliates Management and Business Development, and Executive Vice President and Director (see details of his biography on page 32).

Since the transformation to a holding company in October 2015, the Company has more clearly separated the supervisory function from operational execution and its Board of Directors is managing with a focus on the supervisory function. From an outside director's viewpoint, I find that the Group's orientation and issues have become clearer. The Board meetings provide a valuable place for active discussions, as the Chairman helps create a good open atmosphere that encourages participants to speak out. I believe that important roles of Cosmo Energy Holdings are to establish the Group's basic policies and to make objective performance evaluation so as to fulfill its supervisory function. The management is undertaking an initiative to adopt various data benchmarks so that functions and conditions become easier to observe and monitor. I think this will have tremendous impact on sharing of the issues and targets.

Back in March 2011, the Great East Japan Earthquake presented a big challenge to the Cosmo Energy Group, as Chiba Refinery was damaged by fire and the operating performance fell to an all-time low level. However, the

management put together a new medium-term management plan and made arrangements so that the company's intended and desired future direction would be visible. In fact, according to the management plan, the petroleum refining division was restructured, the company was converted to a holding company structure, and its alliances were strengthened, thereby displaying a roadmap to evolve its business portfolio. And now, we have begun to see the outcome. I am greatly impressed with this entire process. Looking at the market in Japan, the demand/supply outlook is uncertain due to progress in energy conservation and other factors. However, the Group is currently taking initiatives to expand oil exploration and production arrangements, promote rationalization and efficiency in the refining division, and enhance alliances. By realizing these objectives, I am expecting that the Company will continue to grow.

The Cosmo Energy Group is transforming itself toward achieving its medium-term management plan. From an outside position I hope to give an advice to help them realize the plan.



Cosmo Energy Holdings has adopted the governance model of a company, which provides for an audit and supervisory committee to enhance managerial and supervisory functions and improve transparency and efficiency in management. The Supervisory Committee comprises three members including two independent outside directors. These members utilize the internal control system, and they audit and supervise overall execution of tasks concerning group management, including directors' execution of duties.

Independent outside directors provide various opinions and suggestions from a wide-ranging viewpoint, which extends beyond the industry to which the Cosmo Energy Group belongs.

## More information disclosure to stakeholders for improving corporate value

### Independent Outside Director, Supervisory Committee Member **Teruo Miyamoto**

Teruo Miyamoto served important positions in the International Division and Legal Affairs Division of Toshiba Tec Corporation, and later as Executive Managing Director and Head of Secretariat of the Japan Audit & Supervisory Board Members Association. He has deep knowledge of corporate accounting and corporate governance as well as abundant knowledge in legal affairs, gained through such experience (see details of his biography on page 32).



The Board of Directors meetings intrinsically have important agenda items, including the update of the management plan (including plans of core business companies) for the current fiscal year, the plan for the next year, and matters related to the medium-term management plan. At that time, we also discuss, for example, whether the data presented accurately reflect the industry's situation, market trend, or the company's condition. I find such decision-making process is highly transparent.

The Company is also proactively coping with the Corporate Governance Code. In particular, I think the top management is highly committed to raise corporate value by enhancing corporate governance. The Company has established the Nomination and Remuneration Advisory Committee, in which two outside directors from the Supervisory Committee are members and have a chance to state opinions and discuss personnel affairs (nomination and remuneration) of directors. I believe this is a commendable point concerning the Company's corporate governance.

On the other hand, I am aware that more can be done in complying with accountability requirements by information disclosure to shareholders and other stakeholders, as such disclosure will lead to raising corporate value.

The Cosmo Energy Group made a resolution, at the General Meeting of Shareholders held in June 2015, to transform into a vertically-integrated global

energy company. In addition, the newly-established holding company has adopted the governance model including an audit and supervisory committee, from the viewpoint of enhancing governance. With the new structure, the Group, centered on the holding company, is aggressively developing business activities and aiming to fulfill its unifying mission of safe and reliable energy supply, and contribute to society. I am determined to play my role, as an outside director, to achieve this aim. At the same time, I would like to help develop a corporate culture in which all employees, young and old, share the Group's future vision and each one can dynamically play a role in achieving it.



Cosmo Energy Holding's President Morikawa regularly meets with the two independent outside directors and exchanges opinions on achieving the Medium-Term Management Plan and realizing corporate value creation.

# CSR Initiatives of the Cosmo Energy Group

In striving for harmony and symbiosis among our planet, humankind, and society, we aim for sustainable growth towards a future of limitless possibilities.

## Harmony and Symbiosis

- ▶ Harmony and Symbiosis with the Global Environment
- ▶ Harmony and Symbiosis between Energy and Society
- ▶ Harmony and Symbiosis between Companies and Society

## Creating Future Value

- ▶ Creating the Value of "Customer First"
- ▶ Creating Value from the Diverse Ideas of the Individual
- ▶ Creating Value by Expressing Collective Wisdom

Cosmo Energy Group  
Management Vision

Cosmo Energy Group  
Code of Conduct

CSR Initiative Policy (Fiscal2013-2017)  
"Filling Up Your Hearts" and Safety

- Chapter 1 We are determined to be a safe, accident-free corporate group
- Chapter 2 We live up to customer expectations concerning reliability and satisfaction
- Chapter 3 We value people
- Chapter 4 We take care of the global environment
- Chapter 5 We value communications with society
- Chapter 6 We strive to maintain our position as an honest corporate group

### Initiative Themes

- **Safety and Integrity** (Restore social trust)
- **Sharing and Self-driven** (Share across the organization until established as routine)

### Goal for Fiscal 2017

**Cosmo Energy Group—Earning social trust and always making a positive contribution to society**

Based on the five priority issues of the CSR Initiative Policy, each committee has decided its initiative themes for promoting CSR management.

- 1 **Strict safety management**
- 2 **Working with integrity**
- 3 **Enhancing human rights and personnel policies**
- 4 **Promoting environmental initiatives**
- 5 **Implementing better internal and external communications**

## Internal Control System

In order to implement its Management Vision and Code of Conduct while ensuring that operations are carried out in an appropriate and efficient manner, the Cosmo Energy Group has established and maintained systems for carrying out director and employee duties of the Company and its Group companies, risk management and internal audit systems, and audit performed by the Supervisory Committee. The Cosmo Energy Group also has an organization for internal control by establishing four committees, chaired by each director in charge. These committees evaluate the performance of CSR activities, bring important matters to the Executive Officers' Committee for discussion, and forward them to the Board of Directors. Such matters are also brought to the Cosmo Energy Group CSR Promotion Liaison Meeting to be shared by Group companies for the control of the entire Group companies.

### Cosmo Energy Holdings Committee Structure



In order to realize the Management Vision of the Cosmo Energy Group, all employees are conscientiously engaged in CSR activities. CSR management is being undertaken under the Consolidated Medium-Term Management Plan and the CSR Initiative Policy, based on the Cosmo Energy Group Code of Conduct.

## CSR Initiative Policy

Items	Initiative Themes	Pages
<b>Strict Safety Management</b> ~Fulfilling its Mission of Safe Supply~	<ul style="list-style-type: none"> <li>Structures of Committees of Cosmo Energy Holdings and Three Core Companies</li> <li>Safety and Risk Management Committee: Objectives, activities, and performance evaluation</li> <li>Address risks of the entire group</li> <li>Safety Initiatives</li> </ul>	P.37-P.38
<b>Customers</b> ~Toward fulfilling motoring lifestyle solutions~	<ul style="list-style-type: none"> <li>Developing new customers</li> <li>Extreme motoring lifestyle product</li> <li>Strengthen Relations with Customers</li> <li>“Filling Up Your Hearts, Too” Declaration</li> </ul>	P.39-P.40
<b>Human Resources</b> ~Source of Value Creation~	<ul style="list-style-type: none"> <li>Personnel System and Assessment System</li> <li>Human Resources Development and Global Human Resources</li> <li>Respecting diversity</li> <li>Facilitating Work-Life Balance</li> <li>Reducing Long Working Hours</li> </ul>	P.41-P.42
<b>Environment</b> ~Aiming to Realize “Living with Our Planet”~	<ul style="list-style-type: none"> <li>Reporting of activities and performance evaluation by Environment and Social Initiative Committee</li> <li>Energy Conservation in Refineries</li> <li>Renewable energy initiatives</li> <li>Overseas environmental measures and environmental preservation</li> </ul>	P.43-P.44
<b>Society</b> ~Aiming to be the Preferred Energy Company~	<ul style="list-style-type: none"> <li>Revision of Earthquake BCP (business continuity plan)</li> <li>Head office's BCP response facilities</li> <li>Implementation of provisional crisis response training in Kansai region</li> <li>United Nations Global Compact</li> <li>Cosmo Oil Eco Card Fund</li> <li>“Cosmo Earth Conscious Act” Cleanup Campaign</li> <li>Main Social Initiative</li> </ul>	P.45-P.46

## Corporate Ethics Promotion Framework

The Cosmo Energy Group (CEG) has established the Corporate Ethics and Human Rights Committee to promote and implement the CEG's Code of Conduct, and check its status. The Committee's operation is supported by the CEG Corporate Ethics Office. The CEG Corporate Ethics Consultation Helpline, by which compliance issues or ethical issues can be reported or consulted anonymously, has also been established within the Corporate Ethics Office and at an outside law firm. Moreover, the Harassment and Human Rights Consultation Helpline is set up within the Diversity Promotion Office. Details of the reported and consulted issues and the response by the respective office are forwarded to the Supervisory Committee and are reflected in future activities. There were zero incidents involving serious compliance violations\* in fiscal 2015.

### Corporate Ethics Promotion Framework Structure



### Number of Helpline Inquiries



\* Includes serious legal or regulatory violations relating to the use or supply of products or services, and serious violations relating to environmental laws or regulations.



## CSR Activities

# Strict Safety Management ~ Fulfilling its Mission of Safe

## Safety Management Systems of the Cosmo Energy Group

The Cosmo Energy Group prioritizes strict safety management as part of the CSR Initiative Policy. Under the Consolidated Medium-Term Safety Plan (fiscal 2013–2017), the Safety and Risk Management Committee is promoting safety management at the group-wide level. The Committees strive to eliminate work-related accidents and incidents in each office and each division and to secure safe operations and stable supply.

## Structures of Committees of Cosmo Energy Holdings and Three Core Companies

The Group convenes a Safety and Risk Management Committee meeting twice a year to discuss the group-wide safety policy and to verify progress in safety initiatives for the enhancement of safety management.

Each of the three core companies has a committee that matches its business and functions: the Safety Environmental Committee in Cosmo Oil; the Safety Committee in Cosmo Oil Marketing; and the Environmental Safety and Health Committee in Cosmo Energy Exploration & Production. These committees make planning for safety initiatives and conduct inspections to verify and supervise initiatives for safety management.



## Safety and Risk Management Committee: Objectives, activities, and performance evaluation

With the aim of the Cosmo Energy Group to be trusted and relied upon by society, the Safety and Risk Management Committee has been promoting initiatives for safety and risk management to ensure safety of business activities of the entire group and reduce future risks.

Priorities	Themes	Major Initiatives and Targets	Fiscal 2015 Results	Evaluation*	Fiscal 2016 Plans
Strict safety management	Promote safety management initiatives	Reduce the number of work-related accidents and incidents	<ul style="list-style-type: none"> <li>Zero large-scale accidents at refineries</li> <li>Accidents requiring time off from work (4 accidents vs. target for 3)</li> <li>Unplanned suspension of operations rate (0.9% vs. target at 0.8%)</li> </ul>	C	Follow the Safety Policy "Establish a culture of safety for compliance in good faith" Target of less than 4 accidents requiring time off from work and 0.8% or less unplanned suspension of operations rate
	Enhance group-wide risk management	Improve the major earthquake BCP	<ul style="list-style-type: none"> <li>Recognize the issues and verified the direction</li> <li>Change transfer of authority under the BCP in case of a major earthquake</li> </ul>	A	Joint BCP drills were conducted in Tokyo by Cosmo Energy Holdings, Cosmo Oil, and Cosmo Oil Marketing. Drills were also enhanced, including the drill at the Crisis Response Headquarters in the Kansai region.
		Cope with corporate-wide risks	<ul style="list-style-type: none"> <li>Established insurance standards and started to apply them</li> <li>Signed an assistant service contract for expat employees</li> </ul>	A	Establish a policy for addressing key corporate risks, and work to reduce the risks

\* A: Fully achieved; B: Partially achieved; C: Not achieved

## Address risks of the entire group

The Cosmo Energy Group is taking initiatives to ascertain risks that may affect our corporate management and to minimize potential losses by such losses.

In fiscal 2014, we reviewed the risk evaluation scheme and suggested seven issues. In fiscal 2015, we completed the initial responses by considering and taking necessary measures. We will continue to deal with the ongoing issues or others which require further responses.

### Seven Issues

- Risk management policy**
- Risk evaluation method**  
Classification based on a risk matrix, the control functions of the secretariat, identification of priority risks, operation of PDCA cycles
- Establishing Crisis Management Regulations and associated rules**
- Risk management education and training sessions**
- Establishing a system to cope with crisis in Japan and overseas**
- Establishing a Business Continuity Plan (BCP) for potential risks other than earthquakes**
- Adoption of risk management measures to group companies**



# Supply~

## Safety Initiatives

Based on the Group's Safety Policy "Establish a culture of safety" for compliance in good faith," safety initiatives have been implemented.

In fiscal 2015, the number of work-related accidents was 41 (15 accidents requiring time off from work and 26 accidents not requiring time off), down significantly from 90 accidents (24 accidents requiring time off from work and 66 accidents not requiring time off) in fiscal 2014.

The Group will continue its strong efforts to reduce work-related accidents.

### Cosmo Oil makes March 11 a "Safety Day"

Cosmo Oil held a completion ceremony for constructing a safety monument in its Chiba Refinery on October 2, 2015. This monument has been established to commemorate the LPG fire explosion accident at the time of the Great East Japan Earthquake of March 2011, so it is not forgotten and to make each person at the refinery more conscious of safety. The monument is a combination of a panel that states the summary of the accident; shows damaged parts (pole and steel plate) of the spherical tank; and a safety tower of about 4 meters, on which is mounted a green cross, a symbol of safety, and a plaque with a pledge for safety.

As Cosmo Oil made March 11 as "Safety Day," the

### Number of Work-Related Accidents in Fiscal 2015

Major Group companies	Accidents requiring time off from work	Accidents requiring time off from work	Total
COSMO ENERGY HOLDINGS*1	0	2	2
Cosmo Oil*2	6	18	24
Cosmo Oil Marketing*3	5	1	6
Cosmo Energy Development*4	4	5	9
<b>Total</b>	<b>15</b>	<b>26</b>	<b>41</b>

\*1 Includes Cosmo Energy Holdings and 13 group companies

\*2 Includes Cosmo Oil and 11 companies under Cosmo Oil

\*3 Includes Cosmo Oil Marketing and 11 companies under Cosmo Oil Marketing

\*4 Results for January-December 2015. Includes Cosmo Energy Development and 6 other companies

company held a ceremony in front of the monument on March 11, 2016. Participants jointly read the pledge for safety and vowed to continue operating the Chiba Refinery safely and with no accident.



Monument construction completion ceremony



### Safety education training

The entire group also finds it important not to forget the accidents and to develop a safety-first culture. A DVD for safety education was produced by putting together images and information about the fire and explosion accident and how it was dealt with. The training program is divided into three levels, depending on workplaces and on level of involvement of manufacturing scene. The DVD reminds viewers to think about lessons learned from the accident and safety of their own job.



Viewing the DVD on LPG fire and explosion accident

<b>Objectives</b>	Foster a safety-first culture Make all employees imagine potential risks of their job and have safety-first mind-setting
<b>Targets</b>	Cosmo Energy Holdings and three core companies Group companies that have oil refining workplaces
<b>Contents of training sessions</b>	Viewing of the DVD that features the Chiba Refinery fire and explosion accident, and how it was dealt with Session to learn underlying causes of the accident and make attendees rethink their own job
<b>Methods</b>	Level 1: DVD viewing (about 45 minutes), lecture, group discussion, and report writing 90 minutes in total Level 2: DVD viewing (about 40 minutes), and filling out a questionnaire 50 minutes in total Level 3: DVD viewing (about 20 minutes) by e-learning and study 30 minutes in total



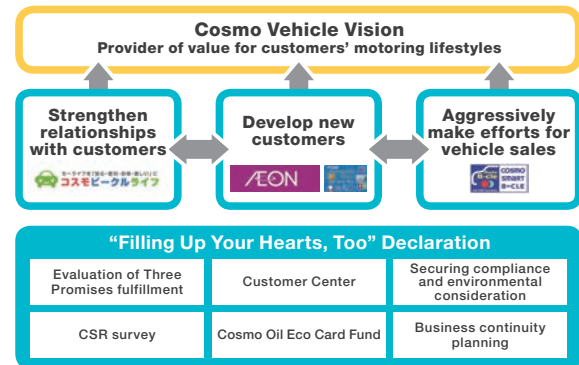
Example of the text

## CSR Activities

# Customers ~Toward fulfilling motoring lifestyle solutions~

## Cosmo Vehicle Vision

In the midst of a decline in demand for fuel and oil for motor vehicles, we are focusing on transforming ourselves from being an oil retailer to being a value provider for customers' motoring lifestyles. Our Cosmo Vehicle Vision is to comprehensively capture demand from the entire ¥36 trillion vehicle-related market. We intend to thoroughly fulfill motoring lifestyle solutions from customers' viewpoints.



## Developing new customers

### Cosmo the Card

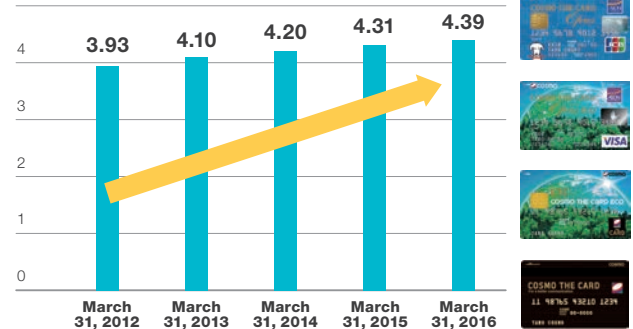
— 4.39 million cardholders —

Cosmo the Card plays a critical role in building relations with customers at service stations. The number of Cosmo the Card holders has been steadily increasing.

The Cosmo Energy Group and the major retailer, the AEON Group, have begun to mutually give customer referrals. In July 2014, Cosmo the Card Opus cardholders began to receive an additional benefit when shopping at AEON Group stores, while we increased service stations which accept AEON's electronic money WAON for payment.

### Number of Cosmo the Card Holders

5 (million cardholders)

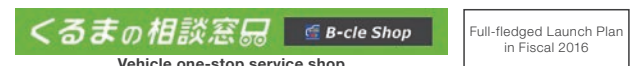


## Extreme motoring lifestyle product

### Cosmo Smart Vehicles

— 27,000 vehicles under lease —

Cosmo Oil is aggressively promoting sales and expansion of "Cosmo Smart Vehicle", a leasing program of all vehicle types from all Japanese carmakers at favorable terms for consumers. This business model is patented and can be offered only by us, combined with a discount for fuel oil. In fiscal 2015, we launched Smart Vehicle Shops, which provide one-stop services ranging from vehicle sales to insurance, maintenance, and vehicle inspection to vehicle trade-ins.



- Vehicle one-stop service shop**
- Motoring lifestyle consultants help support customers' vehicle selection for free
  - All vehicle types of all Japanese carmakers are handled.
  - Find most favorably priced vehicles from affiliated dealers across Japan
  - Thorough after-sale services



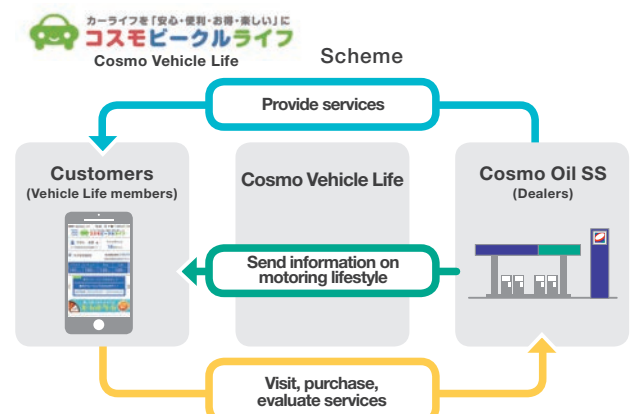
Shop exterior (image)

## Strengthen Relations with Customers

### Cosmo Vehicle Life

— members surpassed 0.6 million —

We offer lifestyle to customers Cosmo Vehicle Life, a service to facilitate pleasant motoring. This is designed to strengthen relations with customers by issuing coupons for fuel, oil and car care products via Internet and smartphone applications and by offering loyalty points to be used for cash back. We have also introduced a function that enables customers to evaluate our services, named My Cosmo Project. The results are used to enhance our customer services.



## “Filling Up Your Hearts, Too” Declaration

### Regular Checking of Service Stations for Fulfillment of Three Promises

True to the “Filling Up Your Hearts, Too,” Declaration, the Cosmo Energy Group is working to fulfill the following three brand promises to customers at Cosmo Oil service stations. We are confident that keeping these promises at all service stations will result in favorable attitudes toward the Cosmo Brand and its being preferred by more customers. To check the status of our initiatives and enhancing services, outside mystery examiners investigate services at stations three times a year.

### Securing compliance and environmental consideration

Cosmo Oil’s service stations are promoting CSR activities such as thorough compliance and consideration of the environment, and believe appreciation of this will be good for the Cosmo Brand. As a CSR survey, the Cosmo Energy Group conducts annual privacy policy (PP) surveys to check proper management of personal information and environmental management (EM) surveys to check if environment/safety-related equipment and facilities are properly managed at service stations. In fiscal 2015, inspectors visited 1,190 service stations, and 1,584 service stations conducted their own self-assessments.

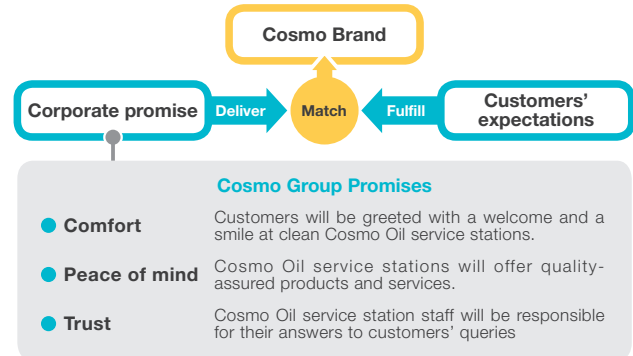
### Ensuring Customer Support

The Cosmo Oil Customer Center operates a customer support hotline 24 hours a day.

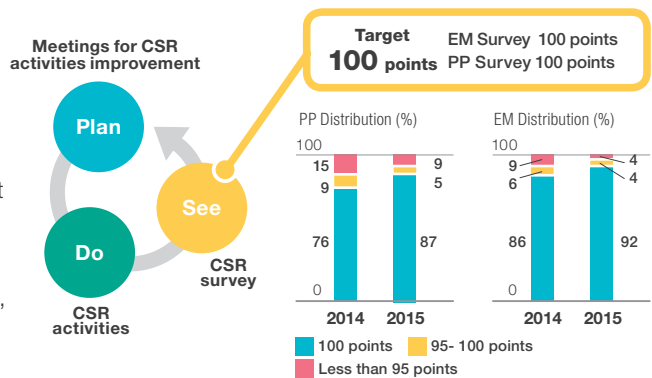
In fiscal 2015 the support hotline received 10,146 calls, with card-related inquiries accounting for more than half, and customer feedback accounting for 595 calls, of which 558 calls concerned service stations. The support line also received 136 calls expressing gratitude or praise. We heed those voices of customers so that we can better provide satisfying service station operation.

### Developing Personnel that Support Motoring Lifestyle

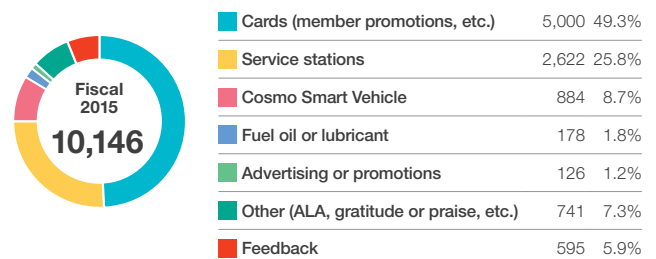
Service station persons, who have direct contact with customers, play a central role in realizing our visions. We held training courses to foster personnel who can look after our customers’ motoring lifestyle. In fiscal 2015, 4,000 employees attended the training tailored to the Vehicle Vision initiatives. Concerning courses for qualification acquisition, 39 employees passed the 2nd Class Auto Mechanics Course for Gasoline Vehicles and 87 employees passed the 3rd Class Auto Mechanics Course for Gasoline Engines or for Chassis with their respective passing rates at 98% and 100% respectively. These rates are extremely higher than the national average. These mechanics support motoring lifestyle of our customers.



### CSR Initiatives at Service Stations



### Support Hotline Calls by Type



<b>Car Life Concierge training course</b>	Education for personnel who can make proposals on optimal motoring lifestyle to customers (Approval system)
<b>CIS/EIS training course</b>	Help raise Consumer Impressive and Satisfaction (CIS) and Employee Impressive Satisfaction (EIS) to improve earnings
<b>Acquisition of nationally-accredited qualifications</b>	2nd Class Auto Mechanics Course for Gasoline Vehicles 3rd Class Auto Mechanics Course for Gasoline Engines and Chassis Course for Hazardous Materials Engineer (Class B, Group 4) License

Technical training courses, courses for supporting skills and knowledge, and other courses are also available.

# Human Resources ~Source of Value Creation~

## Personnel System and Human Resources Development for Value Creation

The Cosmo Energy Group believes that our human resources are the source of our value creation.

We strive to develop people who proactively tackle issues of the changing business environment with a sense of speed. At the same time, we respect diversity and make efforts to make workplaces in which employees play an active role by making use of their diverse backgrounds.

### Number of Cosmo Oil Employees\* (as of March 31, 2016)

	Men	Women	Total	
Cosmo Oil (including those assigned to other companies)	Union members	1,410	271	1,681
	Management position	639	8	647
	Senior employees	311	15	326
	<b>Subtotal</b>	<b>2,360</b>	<b>294</b>	<b>2,654</b>

\* Mainly Cosmo Energy Holdings, the three core companies, and employees who are assigned to other companies.

All employees' average years of service **22.4 years**

Female employees' average years of service **19.2 years**

\* Both include senior employees.

## Personnel System and Assessment System

Since April 2015, the personnel system has been substantially revised with the objective of enabling employees, regardless of their age, gender, and work type, to make their maximum efforts with healthy willingness to compete and high consciousness of profits, with the effect of invigorating individual employees and their organizational units, with the result that companies and their employees grow together. The personnel assessment system for all employees is fair and transparent, while efforts are being made for enhancing independence of employees' mind-sets and conducting assessment training for line managers.

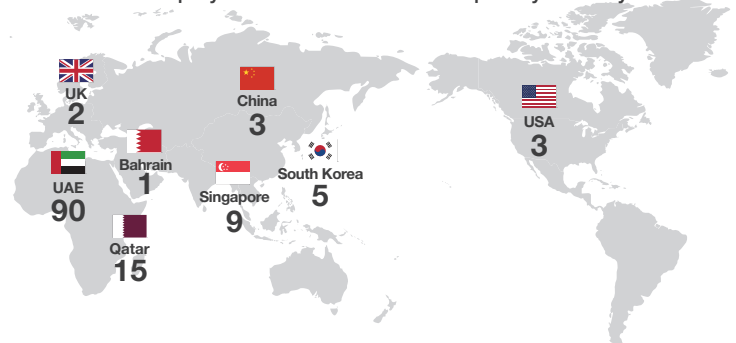
### Major Revisions

Objective	Specific measures
To provide opportunities to all employees	<ol style="list-style-type: none"> <li>1 Change of course-based personnel management system</li> <li>2 Introduce a system of pay scale determination for managers according to level of work responsibility.</li> <li>3 Implement a promotion review process that eliminates seniority as a criterion.</li> </ol>
To encourage employees to compete and enhance their consciousness of profitability	<ol style="list-style-type: none"> <li>1 Introduce a system that highly evaluates employees who take up the challenge of making changes, including reforms</li> <li>2 Implement personnel assessment that incorporates each employee's achievement</li> <li>3 Introduce performance-linked bonuses</li> </ol>

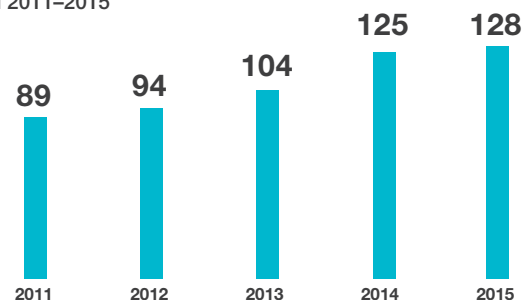
## Human Resources Development and Global Human Resources

The new personnel system has identified a desired employee as a professional with aspirations and willingness to improve. We depart from conventional seniority-based personnel management in favor of aiming at selectively developing personnel that match objectives. We have included knowledge and skills needed for business as an item included in promotion reviews, as one means we encourage personal development. We have conducted training courses for managers to improve their fostering of subordinates and have enhanced the training course for female employees to further encourage their development. The Cosmo Energy Group has 128 employees stationed in eight countries outside Japan. Aiming to become a vertically integrated global energy company, we urgently need to foster global personnel with diverse experience and skills. We also need to send younger and mid-career employees to work on projects outside Japan and send employees abroad for continuing education. We have sponsored select employees study at overseas universities or international universities in Japan (six employees in the past five years.)

### Number of Employees Stationed Outside Japan by Country



### Number of Employees Stationed Outside Japan: Fiscal 2011–2015



\* The number of employees includes those dispatched from Cosmo Oil and full-time employees of Cosmo Engineering, Cosmo Trade & Service, and Cosmo Energy Exploration & Production (as of March 31, 2016)



## Respecting diversity

The Cosmo Energy Group is committed to achieve diversity in its workplace. We aim to achieve high productivity and continue to grow by having a workplace that allows motivated employees with diverse backgrounds go about their work proactively. For that purpose, the Diversity Promotion Office was established in June 2015 to promote development and use of diverse human resources and the human rights measures. In particular, we are focusing on encouraging female employees' work, by implementing an action plan targeting the ratio of female managers at 5% of total by 2020 (compared to 1.2% at March 31, 2016.)

## Facilitating Work-Life Balance

The Cosmo Energy Group has adopted various programs so that our employees can work in good mental and physical personal condition and balance their work with their life events. Employees who are having babies and raising children can utilize childcare leave and also the arrangements for working reduced hours or the work-at-home program. Moreover, we encourage employees to take the special occasion paid holidays that we provide for first wedding anniversaries and each child's first birthday. We have also prepared some programs that allow employees with a change in family circumstances to continue to work: namely, a program with limited workplace options due to childcare or elderly care; a re-employment program for employees who have forced to leave a company due to needs related to childcare or elderly care; and a work-leave program due to work re-assignment of a spouse.

## Reducing Long Working Hours

Valuing the health of employees and working to facilitate work-life balance, we aim to optimize working hours by improving productivity.

Including an annual total working hour benchmark of 1,900 hours, initiatives in fiscal 2015 include the encouragement of employees to work mornings rather than nights (excluding shift workers), to take a so-called "refresh day" (no-after-hours work day) to turn off the light in the workplace at 20pm (to discourage non-essential after-hours work), and to factor in the actual number of hours worked by subordinates and its improvement into personnel assessment of managers. These efforts have resulted in just a slight decline in the number of hours worked compared to those of the previous year but more employees have made plans to take their paid holidays.

In fiscal 2016, we plan to newly identify these initiatives as a part of a "reform in working patterns." We are setting up a target in the number of hours worked for each department and implement various specific measures, such as to streamline operations and meetings, and a planned acquisition of paid holidays.

### ■ Respecting diversity

Under the continuing theme of promoting diversity and offering fair employment opportunities, we are striving to increase our employment of persons with disabilities. In fiscal 2015, persons with disabilities accounted for 2.06% of the workforce, slightly exceeding the 2.0% rate mandated in Japan. We also strive for development of workplaces and promotion of employment for persons with disabilities. In fiscal 2015, we hosted internships for four students with disabilities as one measure to expand workplaces for such persons.

### ■ Respecting human rights

We respect the human rights of each employee and endeavor to make pleasant positive workplaces by preventing harassment. We have established the Harassment and Human Rights Consultation Helpline, which is open to dispatched workers and part-timers in addition to full-time employees, to improve our workplaces.

#### Number of Employees Taking Childcare Leave

	2013	2014	2015
Men	4	2	2
Women	17	16	24

\* If a person's childcare leave extends across two fiscal years, that person is counted in the number for both fiscal years.

#### Employees Working Reduced Hours

	2013	2014	2015
For childcare	17	21	22
For elderly care	0	1	1

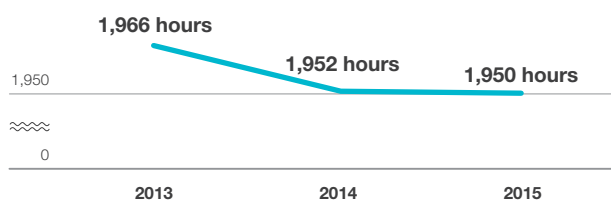
\* If a person's childcare leave extends across two fiscal years, that person is counted in the number for both fiscal years.



Cosmo Oil, to which about 2,700 employees out of group employees belong, has been certified for "Action Plans for General Industrial Corporations (Act on Advancement of Measures to Support Raising Next-Generation Children)" for five consecutive three-year terms since April 2005.

#### Total Annual Work Hours

2,000 (Hours)



#### Average Monthly Overtime Hours and Average Annual Paid Holidays Taken

	2013	2014	2015
Average monthly overtime hours	23.2 hours	22.3 hours	22.5 hours
Paid holidays taken	17.4 days	17.7 days	18.4 days

\* Employees receive 15 days of paid holidays in their first year, then 17 days after one year of employment, 19 days after two consecutive years, and 21 days after three consecutive years.



# Environment ~Aiming to Realize "Living with Our Planet"~

## Cosmo Energy Group's Environmental Management Systems

The Group advocates "promoting environmental measures" as one of the priorities of its CSR Activity Policy. In the Consolidated Medium-Term Environmental Plan (FY2013-FY2017), the Group has three priorities: responding strategically to global warming while ensuring business continuity, reducing environmental impact, and promoting environmental contribution activities — and it is taking action to realize the corporate messages of "Living with Our Planet" addressed to society.

## Reporting of activities and performance evaluation by Environment and Social Initiative Committee

The Group has acquired ISO 14001 certification for 8 sites, including refineries, that have a large environmental impact. In addition to conducting internal audits, we accept external inspections and confirm whether initiatives aimed not only at compliance with laws and regulations but also the reduction of environmental burdens on the air and water have been carried out.

Furthermore, in regard to resource saving, energy saving and reductions in the quantity of water used and waste at all Group companies, the Environment and Social Initiative Committee conducts planning, reporting, and evaluation of performance in the Consolidated Medium-Term Environmental Plan and also promotes action initiatives that consider the environment.

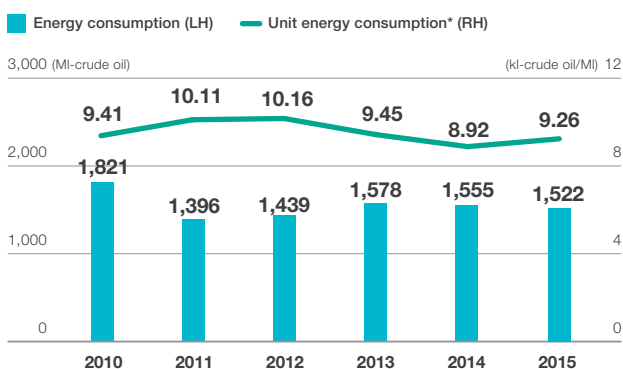
Priority item	Theme	Major initiatives and targets	Fiscal 2015 results	Evaluation*	Fiscal 2016 policies
Promote environmental initiatives	Address to global warming	Reduction of CO <sub>2</sub> emissions by 853 kt in fiscal 2017 (vs. fiscal 2010)	Reduced CO <sub>2</sub> by 937 kt (vs. fiscal 2010) (Breakdown) Efficient operation of the manufacturing division ▲813kt-CO <sub>2</sub> Wind power generation ▲59kt-CO <sub>2</sub> Bio gasoline ▲65kt-CO <sub>2</sub>	A	Continue the initiatives so as to achieve the target in fiscal 2017 again
	Reduce environmental impact	Review of collection of environmental data	Started to take the data on general waste and the amount of water usage	A	Deliver information for reduction in environmental impact within the Group
	Promote environmental and social contribution activities	Promote Eco Card Fund initiatives	Took a measure against a decline in cardholders	B	Continue the current measure as it yielded in retaining some cardholders.

\* A: Fully achieved; B: Partially achieved; C: Not achieved

## Energy Conservation in Refineries

Approximately 70% of the Cosmo Energy Group's CO<sub>2</sub> emissions are generated by refining. The Group is working to reduce this figure and conserve energy by introducing high-efficiency equipment and improving operational performance. In fiscal 2015, due to

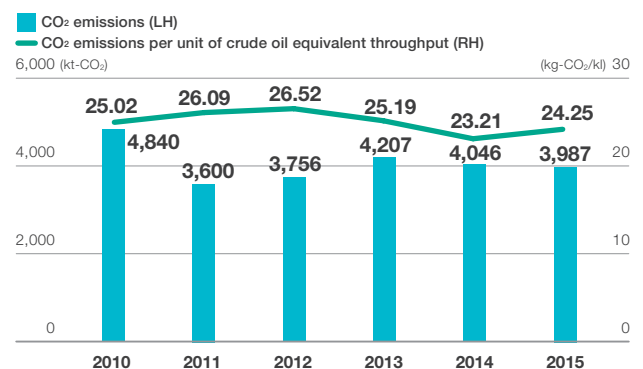
### Energy Consumption and Unit Energy Consumption



\* Unit energy consumption indicates total energy consumption divided by the total crude oil equivalent throughput, taking into account the complexity of refining technology. The unit used is kiloliters of crude oil equivalent/megaliter (kl-crude oil/MI). Total energy consumption is calculated by converting heat, electricity, and other energy use into the megaliters of crude oil equivalent (MI-crude oil).

suspension of the Yokkaichi and Sakai Refineries for maintenance, unit energy consumption increased but the aggregate amount of energy consumption and that of CO<sub>2</sub> emissions decreased compared to the previous year.

### CO<sub>2</sub> Emissions and CO<sub>2</sub> Emissions per Unit of Crude Oil Equivalent Throughput



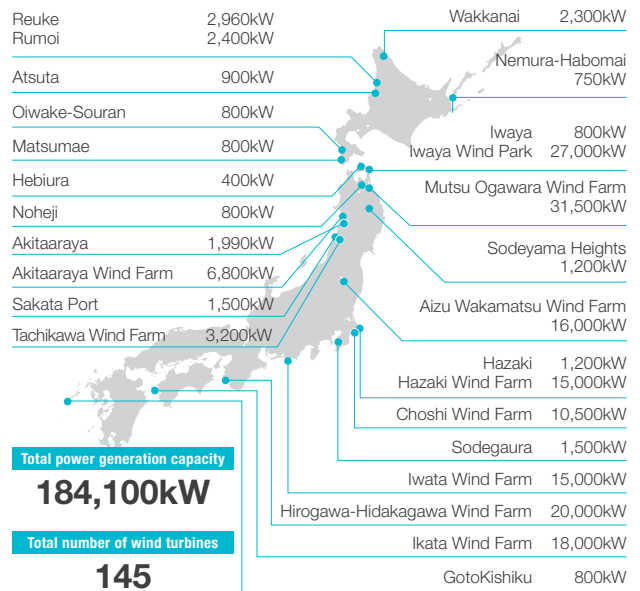
\* As the Sakai Refinery was turned into a distribution terminal in fiscal 2014, the data has been collected from three refineries since fiscal 2014, compared to from four refineries up to fiscal 2013.  
\* In addition to the figures shown in the graph, N<sub>2</sub>O released from the catalyst regeneration tower amounted to 17 kt of CO<sub>2</sub> equivalent in fiscal 2015.

## Renewable energy initiatives

The Group strives to supply clean energy by actively undertaking wind power and solar power generation businesses. In FY2015, we started operations at the Aizu Wakamatsu Wind Farm (16,000kW) and the Akitaaraya Wind Farm (1,990 kW). As a result, we have generated a total of 343,143 MWh of electricity from 145 wind turbines (22 areas), and based on conversion to CO<sub>2</sub>, this has had the effect of a 198,680t-CO<sub>2</sub>\* reduction in CO<sub>2</sub> emissions. In addition, CSD Solar G.K., which was established as a joint venture with Showa Shell Sekiyu and the Development Bank of Japan, started operations at the Omishima Solar Power Plant in June 2016. As a result, we have completed the construction of all eight bases nationwide (solar generation capacity of 24,000kW) that we had planned from FY2014, and we are continuing to operate them steadily.

\*Calculated using alternate value of 0.579 (t-CO<sub>2</sub>/MWh) in "FY2014 Actual Emission Coefficients and Adjusted Emission Coefficients for Each Power Company"

### EcoPower's Wind Power Plants



## Overseas environmental measures and environmental preservation

Based on a strong sense of mission regarding stable supply, the Cosmo Energy Group ensures proactive environmental communication on a global scale by working earnestly on the environmental measures and preservation initiatives at oil drilling sites as well, while making oil exploration and production the foundation of its business, with the aim of realizing a sustainable society.

### Zero flaring project

The oil exploration and production business entails risks that have an impact on the environment at each stage of drilling, exploration and production. Therefore, we regard environmental preservation activities as an important issue and are promoting initiatives to reduce the impact on the environment as far as possible.

At oil fields operated by Abu Dhabi Oil Co., Ltd. (ADOC) and Qatar Petroleum Development Co., Ltd. (QPD), which are Group companies in the Cosmo Energy Group, we have realized zero flaring by recovering associated gas generated in tandem with oil production and injecting it into underground oil reservoirs. This is contributing to the prevention of air pollution and a reduction in CO<sub>2</sub>

emissions. Currently, we have realized zero flaring at four bases in two countries, namely, Abu Dhabi in the UAE (Mubarraz Island, West Mubarraz AR Site Terminal, and Central Facilities Platform (CFP)) and Qatar (CFP), and we are continuing with further endeavors.

#### Mubarraz Island flaring



Before zero flaring operation



After zero flaring operation

### Environmental protection activities in oil producing countries

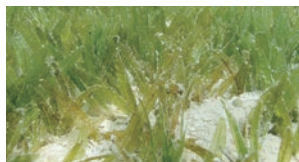
At Mubarraz Island, which is a site for oil production, we are undertaking a wide range of environmental protection activities such as greening, including the planting of mangroves, ocean reef farming, propagation of sea grass, and protection of the misago (osprey), a rare species.



Mangroves that were planted



Ocean reef farming



Propagation of sea grass



Misago (osprey)

# Society ~Aiming to be the Preferred Energy Company~

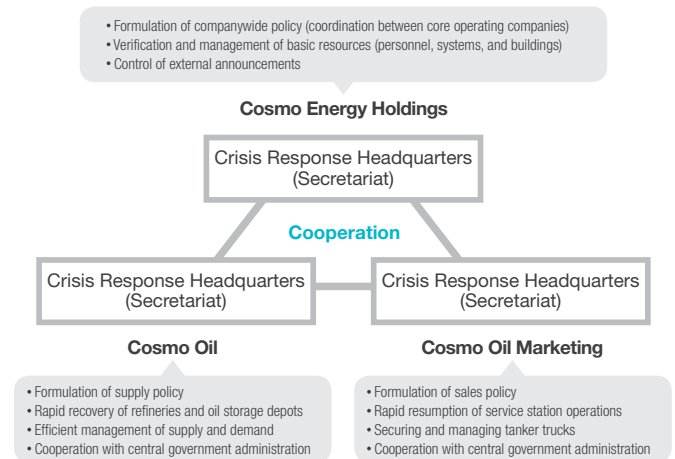
## A company that supports energy infrastructure

Our mission and role as a company that supports energy infrastructure centered on oil is very large. We believe that our obligation is to establish a system to maintain the stable supply of energy and to continually and actively undertake initiatives and activities that take the environment into account, based on Symbiosis with the Global Environment, which is our part of our corporate vision.

## Revision of Earthquake BCP (business continuity plan)

We have revised the Earthquake BCP Manual in tandem with the transition to a holding company structure, established Crisis Response Headquarters respectively at Cosmo Energy Holdings, Cosmo Oil and Cosmo Oil Marketing, and changed the system to initiate the BCP. Moreover, in the event that we are unable to establish the Crisis Response Headquarters at the head office of Cosmo Energy Holdings due to such factors as an earthquake directly under the Tokyo metropolitan area, we have prepared manuals for the Provisional Crisis Response Headquarters that will be established at the Cosmo Oil Sakai Refinery and the Osaka Branch of Cosmo Oil Marketing.

## BCP organizational structure



## Summary of Earthquake BCP of Cosmo Energy Group

Key points	<ul style="list-style-type: none"> <li>• Unifies disaster estimation in the BCP framework and the BCP manuals of each division</li> <li>• Estimates damage at each company and each division based on disaster assumptions</li> <li>• Clarifies business continuity objectives in terms of the Company, based on disaster assumptions and damage estimations</li> <li>• Separates operational flow at each company and each division chronologically, clarifies operational details during this period, and strengthens inter-divisional cooperation</li> </ul>
Basic policy	(1) Respect human life, prevent secondary disaster, secure stable supply (2) Rapid restoration of sequential supply chain BCP (encompassing the scope from refineries and oil depots to service stations) (3) Consistency with "Japan's Petroleum Supply Plan for Disasters" based on the Oil Stockpiling Act
Scenarios	Major earthquake in Tokyo and/or Nankai Trough great earthquake
Business continuity objectives	We will strive to continue oil refinery shipments to service station operations to prevent suspension of the stable supply of oil products or enable resumption in the shortest time possible.
Advance response (disaster prevention, disaster mitigation)	<ul style="list-style-type: none"> <li>• Regular implementation of earthquake BCP training</li> <li>• Hardware countermeasures against earthquakes and tsunami (safe shutdown of equipment, lateral flow countermeasures, etc.)</li> </ul>

\*Plans where oil refiners supply oil by cooperating in implementing joint operations, including the establishment of a joint operating system, joint use of facilities, and cooperation relating to transportation

## Head office's BCP response facilities

The Group has installed satellite phones and MCA wireless at each business site, and has a system that enables communication to be conducted even in situations where fixed phones and mobile phones cannot be used. Furthermore, at the head office, emergency-use generators have been installed while, in the main conference room, which is to be used as the Crisis Response Headquarters, power switching boards for normal use and emergency use (BCP enabled boards) and electrical outlets that can be used when using emergency-use power sources (BCP enabled electrical outlets) have been installed.

## Implementation of provisional crisis response training in Kansai region

Even if an earthquake occurs directly under the Tokyo metropolitan area and it becomes difficult to set up the Crisis Response Headquarters at the head office, the Company has put in place preparations, responses, and initiatives to set up a provisional crisis response headquarters in the Kansai region in order to continue business operations.

We conducted training for this provisional crisis response headquarters on November 16, 2015 at the Cosmo Oil Sakai Refinery and the Cosmo Oil Marketing Osaka Branch.

After resolving issues extracted in this training, we have reflected improvement points in manuals, and as part of risk management, we will continue to conduct BCP training in an integrated way among the three companies in an endeavor to prevent secondary disasters and ensure the stable supply of oil products while placing the greatest priority on respect for human life at the time of a large-scale disaster.



Provisional crisis response training

## United Nations Global Compact

The Cosmo Energy Group has pledged its commitment to the United Nations Global Compact since 2006, supporting ten principles in the areas of human rights, labor standards, the environment and anti-corruption. The Group's embrace of the Global Compact shows that it is committed to CSR from an international perspective and that it is striving to improve its initiatives for social responsibility.

## Cosmo Oil Eco Card Fund

The Cosmo Energy Group has outlined "Harmony and Symbiosis with the Global Environment" as part of its management philosophy and has been working to solve environmental problems since 2002. The Cosmo Oil Eco Card Fund supports environmental initiatives implemented by NPOs, based on ¥500 donations collected from Eco Card Members each year and part of the sales of the Cosmo Energy Group. In addition, the Group conducts eco tours that enable Eco Card members to experience first-hand the outcomes of donations, and implements other initiatives that enable environmental problems to be experienced.

### 10 Principles of the U.N. Global Compact

Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	make sure that they are not complicit in human rights abuses.
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	the elimination of all forms of forced and compulsory labour;
	Principle 5	the effective abolition of child labour; and
	Principle 6	the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	undertake initiatives to promote greater environmental responsibility; and
	Principle 9	encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.



**Cosmo Oil Eco Card Fund Activity Report 2016**  
<http://ceh.cosmo-oil.co.jp/kankyo/eco/report.html>

## "Cosmo Earth Conscious Act" Cleanup Campaign

Since 2001, the Cosmo Energy Group has been promoting Cosmo Earth Conscious Act initiatives for the preservation and conservation of the global environment. These efforts include cleanup campaigns, where participants enjoy nature while cleaning up mountains, rivers, and beaches throughout Japan. At 606 locations over the past 15 years, these campaigns have involved 232,189 participants, who have collected a total of 6,498,417 liters of garbage. Each summer, a cleanup campaign is also held at Mt. Fuji. In FY2015, 160 participants cleaned up Mt. Fuji while enjoying eco trekking and collected a total of 8,415 liters of garbage.



**"Cosmo Earth Conscious Act" Initiatives Schedule and Report**  
 Official website <http://www.tfm.co.jp/earth/>  
 facebook <http://www.facebook.com/earth.act>

Digging up and collecting garbage that was unlawfully dumped and buried on Mt. Fuji

## Main Social Initiatives

Based on "Harmony and Symbiosis between Companies and Society," one of the principles of the management philosophy, the Cosmo Energy Group is undertaking various social contribution activities under the concepts of "To educate children who will be part of the future society," "To preserve the global environment" and "To form a cultural society."

Program	Description	Time to be held	Results	Launch
23 <sup>rd</sup> Cosmo Waku Waku Camp	Nature camp for elementary-school aged children who have lost their parent(s) in traffic accidents	August 7-9	<ul style="list-style-type: none"> <li>Participated by 36 children</li> <li>Volunteered by 13 employees</li> </ul>	1993
Jazz Night at Gyoranji Temple	Charity concert to benefit the Family House, a housing option for families of children in long-term hospital care	September 4	<ul style="list-style-type: none"> <li>¥192,000 was donated.</li> </ul>	2007
Christmas Card Project	Project to send Christmas cards with words of encouragement to children in long-term hospital care	November -December	<ul style="list-style-type: none"> <li>430 cards were sent from the Company</li> </ul>	2003
Cosmo Eka-Kids	Hands-on craft workshop conducted by Group employees at an orphanage	December 19	<ul style="list-style-type: none"> <li>Participated by 13 children at an orphanage</li> <li>Volunteered by 5 employees</li> </ul>	2004
Happy Doll Project	A project to make "happy dolls" with children in long-term hospital care	May - October	<ul style="list-style-type: none"> <li>Held at 7 hospitals</li> </ul>	2009



## Financial Section

## 11-Year Selected Financial and Operating Data

	FY2005	FY2006	FY2007	FY2008	FY2009
<b>For The Year</b>					
Net sales	¥2,670,628	¥3,062,744	¥3,523,087	¥3,428,211	¥2,612,141
Petroleum	2,617,446	2,984,516	3,442,186	3,352,916	2,565,153
Petrochemical	—	—	—	—	—
Oil exploration and production	50,476	78,132	84,069	89,054	59,553
Other	69,369	85,517	99,010	91,790	88,470
Elimination and corporate	(66,663)	(85,421)	(102,178)	(105,549)	(101,035)
Cost of sales	2,422,272	2,852,242	3,290,688	3,389,408	2,435,366
Selling, general and administrative expenses	137,108	140,859	148,602	145,809	142,568
Operating income (loss)	111,248	69,643	83,797	(107,006)	34,207
Inventory valuation gain (loss)* <sup>2</sup>	45,400	2,800	45,000	(180,100)	52,600
Operating income (loss) excluding the impact of inventory valuation	65,848	66,843	38,797	73,094	(18,393)
Ordinary income (loss)	119,557	74,789	94,330	(125,004)	36,411
Ordinary income (loss) excluding the impact of inventory valuation	74,157	71,989	49,330	55,096	(16,189)
Profit (loss) before income taxes	120,393	71,243	95,561	(117,180)	35,527
Profit (loss) attributable to owners of parent* <sup>3</sup>	61,795	26,536	35,153	(92,430)	(10,741)
Capital expenditures	31,762	36,127	48,958	67,025	87,677
R&D expenses	3,483	3,753	3,840	3,863	3,657
Depreciation and amortization* <sup>4</sup>	28,313	37,788	42,776	41,492	42,746
Cash flows from operating activities	(20,685)	25,005	(4,215)	82,136	2,262
Cash flows from investing activities	(1,348)	(35,868)	(32,806)	(55,953)	(93,306)
Cash flows from financing activities	39,608	80,023	(5,229)	57,854	159,302
<b>At Year-End</b>					
Total assets	¥1,463,579	¥1,579,156	¥1,627,904	¥1,440,396	¥1,645,048
Non-controlling interests* <sup>5</sup>	20,803	21,912	26,815	19,016	15,833
Net assets excluding non-controlling interests	312,504	339,701	442,912	328,434	315,747
Total current assets	762,404	882,082	933,722	688,310	845,337
Total current liabilities	733,452	811,846	812,028	683,883	744,174
Interest-bearing debt	522,430	609,890	521,605	598,609	777,739
Number of outstanding shares as of the period (thousands)* <sup>6</sup>	671,705	671,705	847,705	847,705	847,705
<b>Per Share Data*<sup>7</sup></b>					
Net income (loss)	¥ 94.54	¥ 39.54	¥ 46.72	¥ (109.11)	¥ (12.68)
Diluted net income	92.17	37.91	44.98	—	—
Net assets* <sup>8</sup>	465.48	506.15	522.84	387.71	372.74
Cash dividends	10.00	8.00	8.00	8.00	8.00
<b>Ratios</b>					
Return on assets (ROA) (%)	4.4	1.7	2.2	(6.0)	(0.7)
Return on equity (ROE) (%)* <sup>9</sup>	22.9	8.0	9.0	(24.0)	(3.3)
Equity ratio (%)	21.4	21.5	27.2	22.8	19.2
Debt-to-total capital ratio (%)	35.7	38.6	32.0	41.6	47.3
Debt-to-equity ratio (times)* <sup>10, 11</sup>	1.7	1.8	1.2	1.8	2.5

\*1. U.S. dollar amounts are translated from Japanese yen, for the convenience of readers only, at the rate of ¥112.68 to US\$1.00, the approximate exchange rate prevailing on March 31, 2016.

\*2. "Inventory valuation gain (loss)" from FY2005 through FY2007 are based on the periodic average method of inventory valuation, whereas "Inventory valuation gain (loss)" from FY2009 are based on the lower of cost or market method as dictated by ASBJ (Accounting Standards Board of Japan) Statement No.9, "Accounting Standard for Measurement of Inventories."

\*3. Up to FY2014, "Net income (loss)" is presented.

\*4. Depreciation and amortization includes recovery of recoverable accounts under production sharing from FY2006 through FY2013. In FY2011 and FY2012, depreciation and amortization includes recovery of recoverable accounts under production sharing as well as depreciation applicable to fixed assets idled as a result of the fire at the Chiba Refinery caused by the Great East Japan Earthquake.

\*5. Up to 2014, "Minority interests" is presented.

\*6. On October 1, 2015, Cosmo Energy Holdings Co., Ltd. was established as the wholly-owned parent company of Cosmo Oil Co., Ltd. through the share transfer. To one common share of the former Cosmo Oil, 0.1 common share of the holding company was allocated (for example 1,000 Cosmo Oil shares to 100 Cosmo Energy Holdings shares).



	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015
	Millions of yen						Thousands of U.S. dollars <sup>1</sup>
	¥2,771,523	¥3,109,746	¥3,166,689	¥3,537,782	¥3,035,818	¥2,244,306	\$19,917,524
	2,728,754	3,055,628	3,116,214	3,463,740	2,996,965	2,220,664	19,707,709
	45,940	29,422	30,469	51,576	55,070	48,131	427,149
	69,938	87,644	85,943	88,652	82,348	55,807	495,273
	68,652	71,628	86,312	79,442	75,683	71,449	634,092
	(141,762)	(134,577)	(152,250)	(145,629)	(174,249)	(151,746)	(1,346,699)
	2,539,032	2,918,238	2,989,274	3,369,007	2,944,919	2,154,615	19,121,544
	128,393	127,937	124,992	129,060	129,346	119,433	1,059,938
	104,097	63,570	52,422	39,715	(38,447)	(29,742)	(263,958)
	22,300	25,200	15,264	16,068	(116,177)	(68,703)	(609,727)
	81,797	38,370	37,158	23,647	77,730	38,961	345,768
	96,094	61,420	48,439	41,847	(49,640)	(36,121)	(320,563)
	73,794	36,220	33,175	25,779	66,537	32,582	289,164
	73,451	35,381	(2,536)	49,443	(44,599)	(43,797)	(388,693)
	28,933	(9,084)	(85,882)	4,348	(77,729)	(50,230)	(445,777)
	64,369	27,933	83,429	41,243	70,396	82,775	734,603
	3,834	3,791	3,765	3,271	3,077	3,104	27,548
	51,068	50,601	44,953	35,330	32,399	30,713	272,573
	26,297	43,616	(20,950)	35,837	163,384	18,427	163,537
	(73,109)	(25,805)	(80,481)	(61,007)	(30,126)	(32,839)	(291,443)
	(86,077)	11,606	104,695	12,555	(178,920)	32,499	288,426
	Millions of yen						Thousands of U.S. dollars <sup>1</sup>
	¥1,579,424	¥1,675,070	¥1,743,492	¥1,696,831	¥1,428,628	¥1,409,615	\$12,509,903
	17,508	20,506	26,475	29,214	40,326	94,665	840,128
	332,730	316,931	230,456	231,927	167,194	108,046	958,881
	793,363	920,412	967,148	921,790	621,578	516,254	4,581,596
	622,173	744,275	816,611	799,199	603,860	555,519	4,930,063
	700,131	721,203	842,889	863,679	692,871	757,151	6,719,482
	847,705	847,705	847,705	847,705	847,705	84,770	—
	Yen						U.S. dollars <sup>1</sup>
	¥ 34.16	¥ (10.72)	¥ (101.39)	¥ 5.13	¥ (91.77)	¥ (594.85)	\$ (5.28)
	33.58	—	—	—	—	—	—
	392.80	374.15	272.07	273.81	197.39	1,286.03	11.41
	8.00	8.00	0.00	2.00	0.00	40.00	0.35
	1.8	(0.6)	(5.0)	0.3	(5.0)	(3.5)	—
	8.9	(2.8)	(31.4)	1.9	(39.0)	(36.5)	—
	21.1	18.9	13.2	13.7	11.7	7.7	—
	44.3	43.1	48.3	50.9	48.5	53.7	—
	2.1	2.3	3.7	3.7	4.1	4.6	—

\*7. "Per share data" for FY2015 are data for one share of Cosmo Energy Holdings, according to the allocation of 0.1 share of the holding company to 1 share of the former Cosmo Oil.

\*8. For FY2005, "Net assets excluding minority interests per share" is presented rather than "Net assets per share."

\*9. ROE for FY2005 is calculated using "Net assets excluding minority interests."

\*10. The debt-to-equity ratio for FY2005 the debt-to-equity ratio is calculated using "Net assets excluding minority interests."

\*11. The ratio in FY2015 is rating-based.

\*12. Up to FY2009, the figures are rounded up or down to the nearest million. From FY2010 onward, the figures are rounded off to the nearest million.

\*13. The Petrochemical Business, which had previously been included in the Petroleum Business segment, was separated into a different segment from FY2010.

## Financial Section

## Consolidated Balance Sheets

FY2014 (As of March 31, 2015)

FY2015 (As of March 31, 2016)

## ASSETS

Millions of yen

Current assets		
Cash and deposits	¥ 95,171	¥ 60,972
Notes and accounts receivable-trade	202,469	192,572
Securities	—	30,000
Merchandise and finished goods	131,430	87,825
Work in process	273	391
Raw materials and supplies	125,086	94,211
Accounts receivable-other	36,073	28,709
Deferred tax assets	7,920	3,812
Other	23,265	17,954
Allowance for doubtful accounts	(113)	(195)
<b>Total current assets</b>	<b>621,578</b>	<b>516,254</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	109,306	129,074
Oil storage depots, net	28,954	32,693
Machinery, equipment and vehicles, net	141,943	149,609
Land	310,040	320,971
Lease assets, net	506	761
Construction in progress	18,708	53,586
Other, net	5,973	6,571
<b>Total property, plant and equipment</b>	<b>615,432</b>	<b>693,267</b>
Intangible assets		
Software	2,692	3,158
Goodwill	2,183	1,452
Other	44,584	42,812
<b>Total intangible assets</b>	<b>49,459</b>	<b>47,423</b>
Investments and other assets		
Investment securities	118,788	112,040
Long-term loans receivable	1,359	2,048
Long-term prepaid expenses	2,716	7,986
Net defined benefit asset	—	1,738
Cost recovery under production sharing	—	16,917
Deferred tax assets	2,779	2,437
Other	16,592	9,330
Allowance for doubtful accounts	(583)	(481)
<b>Total investments and other assets</b>	<b>141,653</b>	<b>152,019</b>
<b>Total noncurrent assets</b>	<b>¥806,545</b>	<b>¥892,710</b>
Deferred assets		
Bond issuance cost	504	651
<b>Total deferred assets</b>	<b>504</b>	<b>651</b>

**Total assets****¥1,428,628****¥1,409,615**

FY2014 (As of March 31, 2015)

FY2015 (As of March 31, 2016)

**LIABILITIES**

Millions of yen

<b>Current liabilities</b>		
Notes and accounts payable-trade	¥ 182,417	¥ 115,803
Short-term loans payable	179,512	200,619
Commercial paper	—	12,000
Accounts payable-other	100,529	94,582
Accrued volatile oil and other petroleum taxes	97,786	93,788
Income taxes payable	11,234	8,094
Accrued expenses	8,828	3,716
Provision for bonuses	—	4,962
Provision for directors' bonuses	—	293
Deferred tax liabilities	39	52
Provision for business structure improvement	2,705	4,534
Other	20,807	17,070
<b>Total current liabilities</b>	<b>603,860</b>	<b>555,519</b>
<b>Noncurrent liabilities</b>		
Bonds payable	37,700	46,700
Long-term loans payable	475,659	497,831
Deferred tax liabilities	25,517	31,202
Deferred tax liabilities for land revaluation	26,981	5,249
Provision for special repairs	10,090	15,078
Provision for business structure improvement	566	1,171
Provision for environmental measures	3,748	3,416
Net defined benefit liability	8,833	9,586
Provision for executive remuneration BIP trust	—	41
Other	28,148	41,105
<b>Total noncurrent liabilities</b>	<b>617,247</b>	<b>651,384</b>
<b>Total liabilities</b>	<b>¥1,221,107</b>	<b>¥1,206,903</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	¥ 107,246	¥ 40,000
Capital surplus	16,967	84,509
Retained earnings	7,942	259
Treasury shares	(145)	(1,223)
<b>Total shareholders' equity</b>	<b>132,010</b>	<b>123,545</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	5,505	3,042
Deferred gains or losses on hedges	749	(1,601)
Revaluation reserve for land	21,249	(20,660)
Foreign currency translation adjustment	10,568	8,507
Remeasurements of defined benefit plans	(2,890)	(4,786)
<b>Total accumulated other comprehensive income</b>	<b>35,183</b>	<b>(15,499)</b>
<b>Non-controlling interests</b>	<b>40,326</b>	<b>94,665</b>
<b>Total net assets</b>	<b>207,520</b>	<b>202,712</b>

**Total liabilities and net assets****¥1,428,628****¥1,409,615**

## Financial Section

## Consolidated Statements of Income

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
	Millions of yen	
Net sales	¥3,035,818	¥2,244,306
Cost of sale	2,944,919	2,154,615
Gross profit	90,899	89,691
Selling, general and administrative expenses	129,346	119,433
Operating income (loss)	(38,447)	(29,742)
<b>Non-operating income</b>		
Interest income	234	167
Dividends income	649	1,322
Rent income on noncurrent assets	969	—
Amortization of negative goodwill	1,127	—
Equity in earnings of associates	29	3,012
Gain on sales of scraps	989	—
Other	3,729	4,778
<b>Total non-operating income</b>	<b>7,729</b>	<b>9,280</b>
<b>Non-operating expenses</b>		
Interest expenses	12,778	12,758
Foreign exchange losses	801	—
Other	5,343	2,899
<b>Total non-operating expenses</b>	<b>18,922</b>	<b>15,658</b>
Ordinary income (loss)	(49,640)	(36,121)
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	586	160
Gain on sales of investment securities	184	161
Gain on sales of shares of subsidiaries and associates	14,319	—
Subsidy income	4,358	5,716
Gain on change in equity	—	1,565
Gain on bargain purchase	—	16,302
Other	—	554
<b>Total extraordinary income</b>	<b>19,449</b>	<b>24,460</b>
<b>Extraordinary loss</b>		
Loss on sales of noncurrent assets	512	484
Loss on disposal of noncurrent assets	4,962	6,189
Impairment loss	2,843	6,241
Loss on valuation of investment securities	157	692
Business structure improvement expenses	4,901	6,923
Loss on litigation	—	405
Loss on step acquisitions	—	10,190
Land trust expenses	—	1,010
Other	1,030	—
<b>Total extraordinary losses</b>	<b>14,407</b>	<b>32,137</b>
Profit (loss) before income taxes	(44,599)	(43,797)
Income taxes—current	34,474	13,293
Income taxes—deferred	(4,655)	(12,690)
Total income taxes	29,818	602
Profit (loss)	(74,417)	(44,400)
Profit (loss) attributable to non-controlling interests	3,311	5,829
Profit (loss) attributable to owners of parent	¥ (77,729)	¥ (50,230)

# Consolidated Statements of Cash Flows

FY2014

(From April 1, 2014 to March 31, 2015)

FY2015

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

Millions of yen

## Cash flows from operating activities

Profit (loss) before income taxes	¥(44,599)	¥(43,797)
Depreciation	26,880	27,447
Amortization of negative goodwill	(1,127)	(16,302)
Amortization of goodwill	730	730
Impairment loss	2,843	6,241
Loss (gain) on sales of non-current assets	(73)	324
Business structure improvement expenses	4,901	6,923
Loss (gain) on disposal of non-current assets	4,962	6,189
Loss (gain) on sales of investment securities	(184)	(161)
Loss (gain) on sales of shares of subsidiaries and associates	(14,319)	—
Loss (gain) on valuation of investment securities	157	692
Subsidy income	(4,358)	(5,716)
Interest and dividend income	(884)	(1,489)
Interest expenses	12,778	12,758
Foreign exchange losses (gains)	(2,201)	119
Share of (profit) loss loss of entities accounted for using equity method	(29)	(3,012)
Increase (decrease) in allowance for doubtful accounts	23	(59)
Increase (decrease) in provision for special repairs	462	234
Increase (decrease) in provision for environmental measures	(109)	(314)
Increase (decrease) in net defined benefit liability	1,078	753
Decrease (increase) in notes and accounts receivable-trade	60,053	53,968
Recovery of recoverable accounts under production sharing	5,519	3,265
Decrease (increase) in inventories	188,845	79,904
Increase (decrease) in notes and accounts payable-trade	(72,853)	(96,090)
Decrease (increase) in other current assets	3,425	24,245
Increase (decrease) in other current liabilities	23,679	(18,151)
Decrease (increase) in investments and other assets	500	860
Increase (decrease) in other non-current liabilities	113	4,171
Loss (gain) on step acquisitions	—	10,190
Other, net	2,188	(75)
<b>Subtotal</b>	<b>198,401</b>	<b>53,849</b>
Interest and dividend income received	1,820	2,154
Interest expenses paid	(12,830)	(13,490)
Payments for business structure improvement expense	(4,886)	(5,107)
Proceeds from subsidy income	4,321	4,978
Payments for land trust expenses	—	(1,010)
Income taxes paid	(23,443)	(22,945)
<b>Net cash provided by (used in) operating activities</b>	<b>¥163,384</b>	<b>¥ 18,427</b>



## Financial Section

## Consolidated Statements of Cash Flows

FY2014	FY2015
(From April 1, 2014 to March 31, 2015)	(From April 1, 2015 to March 31, 2016)

Millions of yen

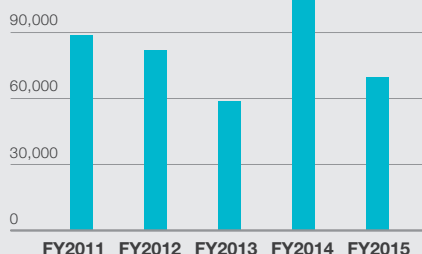
Cash flows from investing activities		
Proceeds from sales and redemption of securities	¥ 12	¥ —
Purchase of investment securities	(2,202)	(976)
Proceeds from sales and redemption of investment securities	6,306	243
Purchase of shares of subsidiaries and associates	(851)	(8,401)
Proceeds from sales and liquidation of shares of subsidiaries and affiliates	23,372	—
Purchase of subsidiary stock associated with changing scope of consolidation	—	35,502
Purchase of property, plant and equipment	(48,430)	(55,743)
Payments for disposal of property, plant and equipment	(3,998)	(4,645)
Proceeds from sales of property, plant and equipment	3,639	1,243
Payments for purchases of intangible assets and long-term prepaid expenses	(14,086)	(16,126)
Decrease (increase) in short-term loans receivable	(442)	2,713
Purchase of treasury shares of subsidiaries	(1,080)	—
Payments of long-term loans receivable	(413)	(1,840)
Collection of long-term loans receivable	408	1,074
Proceeds from withdrawal of time deposits	65,365	14,193
Payments into time deposits	(58,704)	(100)
Other, net	978	23
<b>Net cash provided by (used in) investing activities</b>	<b>(30,126)</b>	<b>(32,839)</b>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(99,005)	(13,138)
Net increase (decrease) in commercial paper	—	12,000
Proceeds from long-term loans payable	67,490	73,692
Repayment of long-term loans payable	(90,292)	(45,165)
Proceeds from issuance of bonds	—	8,886
Redemption of bonds	(55,150)	—
Cash dividends paid	(1,694)	—
Cash dividends paid to non-controlling interests	(68)	(1,578)
Other, net	(197)	(2,196)
<b>Net cash provided by (used in) financing activities</b>	<b>(178,920)</b>	<b>32,499</b>
Effect of exchange rate change on cash and cash equivalents	3,148	(189)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(42,514)</b>	<b>17,898</b>
Cash and cash equivalents at beginning of period	123,280	80,765
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(9,245)
<b>Cash and cash equivalents at end of period</b>	<b>¥ 80,765</b>	<b>¥89,418</b>

# Major Indicators

## EBITDA excluding the impact of inventory valuation

EBITDA excluding the impact of inventory valuation

120,000 (Millions of yen)

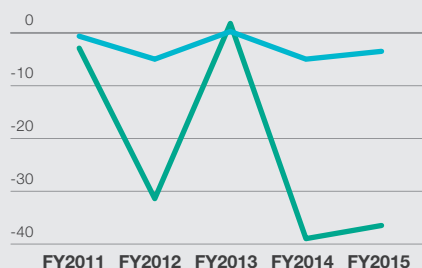


	FY2011	FY2012	FY2013	FY2014	FY2015
	Millions of yen				
Operating income excluding the impact of inventory valuation	¥38,370	¥37,158	¥23,647	¥77,730	¥38,961
Depreciation and amortization	50,601	44,953	35,330	32,399	30,713
EBITDA excluding the impact of inventory valuation	88,971	82,111	58,977	110,129	69,674

## ROA and ROE

Return on assets (ROA) Return on equity (ROE)

10 (%)



	FY2011	FY2012	FY2013	FY2014	FY2015
	Millions of yen				
Profit (loss) attributable to owners of parent	¥ (9,084)	¥ (85,882)	¥ 4,348	¥ (77,729)	¥ (50,230)
Net assets excluding non-controlling interests	1,675,070	1,743,492	1,696,831	1,428,628	1,409,615
Total shareholders' equity	316,931	230,456	231,927	167,194	108,046
Return on assets (ROA) (%)	(0.6)	(5.0)	0.3	(5.0)	(3.5)
Return on equity (ROE) (%)	(2.8)	(31.4)	1.9	(39.0)	(36.5)

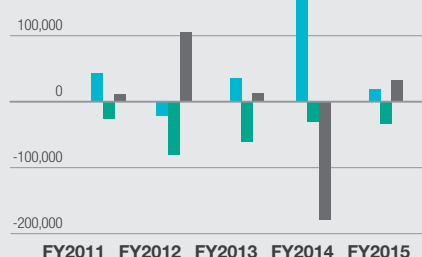
\*1. ROA = Profit (loss) attributable to owners of parent / Average total assets at beginning and end of the fiscal year × 100

\*2. ROE = Profit (loss) attributable to owners of parent / Average shareholders' equity at beginning and end of the fiscal year × 100

## Cash Flows by Activity

Cash flows from operating activities Cash flows from investing activities Cash flows from financing activities

200,000 (Millions of yen)



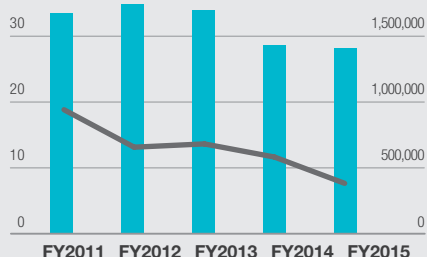
	FY2011	FY2012	FY2013	FY2014	FY2015
	Millions of yen				
Cash flows from operating activities	¥ 43,616	¥ (20,950)	¥ 35,837	¥ 163,384	¥ 18,427
Cash flows from investing activities	(25,805)	(80,481)	(61,007)	(30,126)	(32,839)
Cash flows from financing activities	11,606	104,695	12,555	(178,920)	32,499
Cash and cash equivalents at the end of year	122,431	129,699	123,280	80,765	89,418

## Total Assets, Equity Ratio, and Debt-to-Equity Ratio

Debt-to-Equity Ratio (Left axis) Total assets (Right axis)

40 (%)

(Millions of yen) 2,000,000



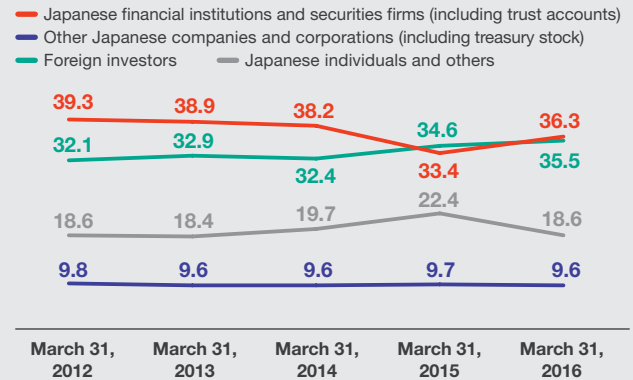
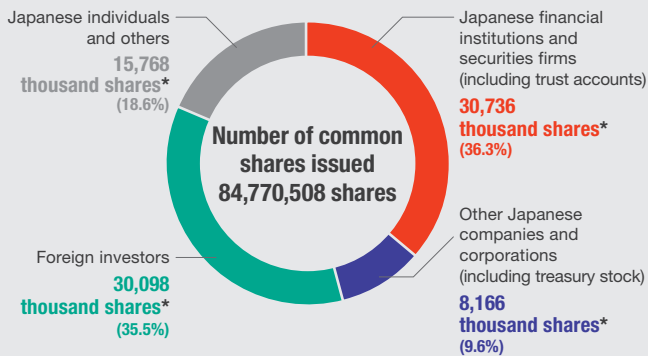
	FY2011	FY2012	FY2013	FY2014	FY2015
	Millions of yen				
Total assets	¥1,675,070	¥1,743,492	¥1,696,831	¥1,428,628	¥1,409,615
Interest-bearing debt	721,203	842,889	863,679	692,871	757,151
Net assets excluding non-controlling interests	316,931	230,456	231,927	167,194	108,046
Equity ratio (%)	18.9	13.2	13.7	11.7	7.7
Debt-to-equity ratio (times) (rating-based)	2.3	3.7	3.7	4.1	4.6

## Outline

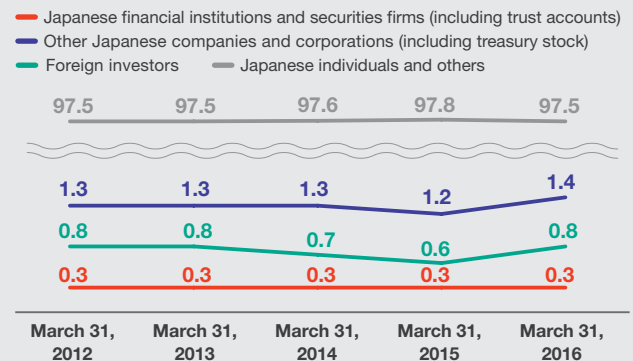
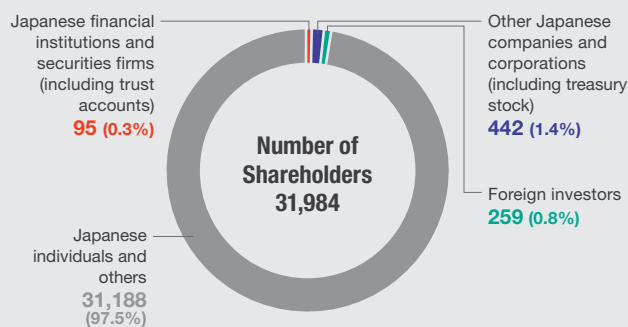
## Share Information (As of March 31, 2016)

Ordinary general meeting of shareholders	every June	Date of right allotment for year-end dividend	March 31
Transfer agent for common stock	Sumitomo Mitsui Trust Bank, Limited	Number of shares per trading unit	100 shares
Number of common shares issued	84,770,508 shares	Stock listing	Tokyo Stock Exchange

## Number of Shares by Type of Shareholders and their Trend



## Number of Shareholders by Type and their Trend



## Principal Shareholders (Top 10)

Shareholder	Number of shares owned (Thousands)	Percentage of total shares issued (%)
Infinity Alliance Limited	17,600	20.76
Japan Trustee Services Bank, Ltd. (Trust account)	3,979	4.69
Mizuho Bank, Ltd.	3,153	3.71
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,975	2.32
The Kansai Electric Power Co., Inc.	1,860	2.19
Mitsui Sumitomo Insurance Co., Ltd.	1,767	2.08
Aioi Nissay Dowa Insurance Co., Ltd.	1,580	1.86
Sompo Japan Nipponkoa Insurance Inc.	1,579	1.86
Cosmo Energy Holdings Client Stock Ownership	1,519	1.79
Goldman,Sachs&Co.Reg	1,456	1.71

\* Three decimal places are rounded down.

\* In calculating the Percentage of total shares issued, total shares issued excludes treasury stock.

## Corporate Data (As of March 31, 2016)

Company Name	Cosmo Energy Holdings Co., Ltd.	
Securities code	5021	
Head Office	1-1, Shibaura, Minato-ku, Tokyo 105-8302 Phone +81-3-3798-7545	
Established	October 1, 2015	
Paid-in Capital	¥40 billion	
Type of Business	Management of subsidiaries involved in oil ranging from upstream to downstream and others	
Corporate History	April 1, 1986	Cosmo Oil was established through tripartite merger of Daikyo Oil Co., Ltd., Maruzen Oil Co., Ltd., and former Cosmo Oil (Cosmo Refining)
	October 1, 1989	Asian Oil Co., Ltd. was merged into Cosmo Oil.
	October 1, 2015	Cosmo Energy Holdings Co., Ltd. was established.
Main banks	Mizuho Bank, Ltd.; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; and Sumitomo Mitsui Banking Corporation	

### Key Data of the Cosmo Energy Group

Number of SS Operators	226
Branches	Sapporo, Sendai, Tokyo, Kanto-Minami, Nagoya, Osaka, Hiroshima, Takamatsu, Fukuoka
Refineries	Chiba, Yokkaichi, Sakai

#### Editorial policy

For a better understanding of the Cosmo Energy Group's creation of values to all stakeholders, we have decided to integrate the Annual Report and the Corporate Report to issue the Cosmo Report from fiscal 2016.

#### Period covered

Mainly the fiscal year from April 1, 2015 to March 31, 2016 (including some information for fiscal 2016)

#### Report boundary

Cosmo Energy Holdings Co., Ltd. and major consolidated subsidiaries and affiliated companies.  
\* The section on CSR covers mainly Cosmo Energy Holdings and 48 Group companies, which share the "CSR Activity Policy" but includes data on employees of Cosmo Oil, data for three core companies, and data only for some other companies. The scope of coverage for these data is provided individually in appended notes.

#### Month of issue

August 2016 (next publication scheduled for August 2017: to be issued every year)

#### Cosmo Report, IR website, and CSR website

Cosmo Report (booklet) is designed to be easily looked at, while further details are available on our IR website and CSR website.  
CSR activity reporting is focused on priority issues while using GRI (Global Reporting Initiative) Sustainability Reporting Guidelines 4th edition and Environmental Reporting Guidelines (2012 Version) established by the Ministry of the Environment of Japan as reference.  
The links to Cosmo Energy Holdings' official websites are as follows:

IR website <http://ceh.cosmo-oil.co.jp/eng/ir/>

CSR website <http://ceh.cosmo-oil.co.jp/eng/csr/>

#### Cautionary notes on forward-looking statements

This report contains forward-looking statements about the plans, strategies and performance of Cosmo Energy Group. These statements include assumptions and judgments that are based on information currently available to us. As such, the actual results may differ from those mentioned herein, due to various factors in the external environment.



# COSMO REPORT 2016

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