Commitment to raising long-term corporate value

I am Hiroshi Kiriyama and was appointed President of Cosmo Energy Holdings in June 2017. I am humbled to become President at this time of significant changes in Cosmo Energy Group's surrounding environment but at the same time I am confident that our Group can exploit our potential and create more value. I will strive my utmost to raise long-term corporate value by keeping in mind our management vision - "In striving for harmony and symbiosis among our planet, humankind, and society, we aim for sustainable growth toward a future of limitless possibilities" and by devotedly sticking to our corporate message - "Filling Up Your Hearts, Too."

The purport of our corporate message includes conveying to our stakeholders our commitment to endeavor every day to provide products and services that can satisfy each of our customers. I also think that this corporate message well demonstrates how much our employees care about our customers and how much satisfaction they find in co-existing harmoniously in the society, as stated in our vision of management. I believe that the value we provide lies in helping to enrich customers' lives through a reliable supply of energy. Our strength is derived from our employees' sharing of the feelings behind our corporate message - "Filling Up Your Hearts, Too" and from the natural manner by which this is evidenced at each work site.

FY2017, ending March 31, 2018, is the last year of our current medium-term management plan (FY2013 to FY2017). We are making our utmost efforts to achieve its targets while planning our next medium-term management plan, which will start in FY2018.

As an overall policy we intend to realize profitability that allows us to reinvest to build a business portfolio that is resilient to changes of business environment such as a gradual decrease in domestic demand as well as promptly achieve healthy finances that support sustainable growth. We will also deliver corporate social responsibility to our various stakeholders through our business activities, including social contribution and environmental preservation efforts.

By generating appropriate profit and contributing to society, all of us at the Cosmo Energy Group will strive hard, aiming at becoming a greater, long-prevailing corporate group in which employees and their families can be proud of.

FY2016 results and FY2017 forecasts

In FY2016, ended March 31, 2017, ordinary income improved ¥117.5 billion from the previous year to ¥81.4 billion and net profit attributable to owners of parent improved ¥103.4 billion to ¥53.2 billion. Ordinary income excluding inventory valuation increased by ¥9.4 billion to ¥42.0 billion. On top of the positive effect from inventory, the petroleum business increased ordinary income from the previous year due to an improved operating ratio at our refineries, mainly at the Chiba refinery which commenced the two-year long-run operation of skipping regular maintenance in the fall. The petrochemical business also increased profit due to favorable product market conditions and the inclusion of Maruzen

President and CEO
Hiroshi Kiriyama

Goals to realize sustainable growth

1. Profitability that enables reinvestment
2. Resilient business portfolio
3. Healthy financial condition
4. Corporate social responsibility

Petrochemical, which became a consolidated subsidiary in FY2015. The oil exploration & production (E&P) business recorded profit despite a decline in selling prices of crude oil. At the end of FY2016, the equity ratio improved 3.1 points from a year ago to 10.8% and the net debt-to-equity ratio (based on the credit rating) improved 1.0 point to 3.6 times.

For FY2017, ending March 31, 2018, which is the final year of the medium-term management plan, we are forecasting ordinary income of ¥54.0 billion and net profit attributable to owners of parent of ¥20.0 billion. Ordinary income excluding the inventory valuation, is expected to increase ¥22.0 billion to ¥64.0 billion. We are projecting an increase in ordinary income excluding inventory valuation in the petroleum business, mainly due to a start of business alliance in the Yokkaichi Refinery and due to higher operating ratio at our refineries, as well as in the oil E&P business, due to an increase in production volume driven by a production start at the Hail Oil Field in the second half of FY2017 and due to higher oil prices. The petrochemical business is expected to decrease its ordinary income excluding inventory valuation, in view of our conservative margin projection between ethylene and naphtha.

Speedy management and alliances in order to prevail within industry consolidation

Japan's oil industry is surrounded by a challenging business environment and is undergoing realignment so as to make the market more appropriate and to reduce fixed costs. The emergence of a rival group with a high market share has created a wide gap with our Group. However, we are intent on leveraging our strength of agility and speed in management and operations, and on promptly building a balanced business portfolio that is resilient to changes in the environment. I believe that in the current rapidly-changing environment, the size of a company is not necessarily an advantage and the two critical elements are speedy management decision and efficient use of management resources, which are our characteristics.

FY2016 Results and FY2017 Forecasts

(Billion yen)

	FY2016 Results	FY2017 Forecasts
Ordinary income	81.4	54.0
Impact of inventory valuation	39.4	-10.0
Ordinary income excluding inventory valuation	42.0	64.0
Each Segment		
Oil exploration and production business	9.3	26.0
Petroleum business	1.8	14.0
Petrochemical business	22.2	14.0
Other*	8.7	10.0
Profit attributable to owners of parent	53.2	20.0
Dividend per share	¥50	¥50(plan)

* Including consolidated adjustment

Reference		
Dubai crude oil price (US$ /barrel)	46.9	50.0
Foreign exchange rate (¥/US$)	108.4	110.0

In the next medium-term plan, we intend to present a vision for the Cosmo Energy Group in 2030

Establishing a resilient business portfolio to environmental changes

Oil prices and currency fluctuations greatly affect our earnings but are beyond control of individual companies. In light of this, we focus on achieving stable earnings by balancing the upstream oil E&P business with the downstream oil refining and oil product sales business and by strengthening businesses that are less sensitive to oil prices and currency fluctuation, such as the petrochemical business and the wind power generation business. As specific measures, in the oil E&P business, we are expanding production in the cost-competitive Middle East. In the oil refining and oil product sales business, we are enhancing competitiveness through business alliances. At the same time, we are enhancing profitability of the businesses which are less sensitive to oil prices and other external factors. In the petrochemical business, with attention given to the growth potential of Asia and elsewhere where we are active, we strive to enhance competitiveness and to generate synergies with the oil refining business, while we are expanding capacity in the wind power generation business and strengthening retail business focusing on car leasing business for individuals.

Enhanced competitiveness through alliances, and execution of large-scale investments for future growth in the current medium-term management plan

The current medium-term management plan (FY2013 - 2017) was launched in the midst of a crucial challenging environment with the Chiba Refinery being shut down, mainly due to the accident after the Great East Japan Earthquake of March 2011. I was directly involved in that situation as Director from 2013 and then as Representative Director and Executive Vice President from 2016. We have also recorded a significant inventory valuation loss (over ¥180 billion), due to a crash of oil prices. We are therefore unlikely to achieve the financial targets set for the final year of the medium-term management plan. On a positive side, we have made steady and solid progress in raising competitiveness, thanks to alliances in each business and each region, and in making growth investments for the future. The alliances include a joint venture business in Chiba, a business alliance with Showa Shell Sekiyu Group in Yokkaichi, a strategic comprehensive alliance with Compañía Española de Petróleos, S.A.U. (CEPSA)[1], and a capital and business alliance with Kygnus Sekiyu. Further, our major investments for growth in the future include the Hail Oil Field (Abu Dhabi) and development of multiple new sites for wind power generation. These investments will generate a full-scale investment return from FY2018 and we are expecting a significant improvement in cash flow.

Top priority in the next medium-term management plan: Financial improvement

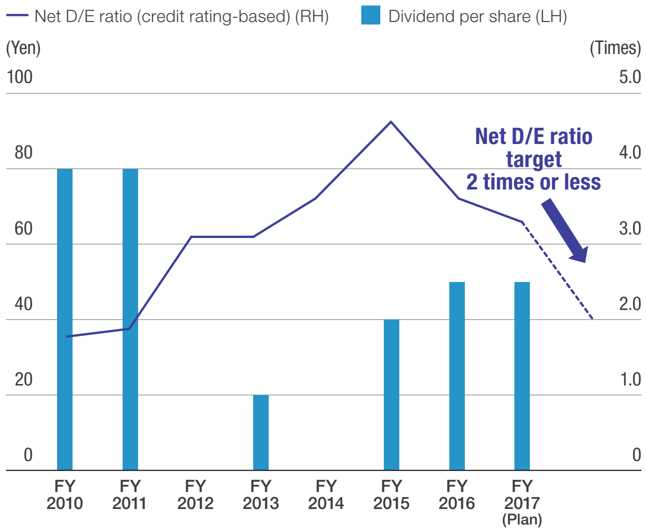
Many challenges still remain to be addressed in the next medium-term management plan. While aggressive investment aiming for growth will contribute to the creation of corporate value in the long term, our balance sheet has been significantly impaired in the short term, coinciding with the huge inventory valuation loss caused by a drop in oil prices. We plan to stipulate the return to a healthy balance sheet as one of the top priorities in the next medium-term

Business alliances

2013	Commenced operation of one of Asia's largest new Paraxylene manufacturing facilities at HCP* * Hyundai Cosmo Petrochemical. A joint venture with Hyundai Oilbank (HDO) in South Korea.
2014	Entered into a strategic comprehensive alliance with CEPSA, a major Spain-based oil company invested by the Abu Dhabi government.
	Integrated LPG business with Showa Shell Sekiyu, Sumitomo Corp, and TonenGeneral Sekiyu (currently JXTG Nippon Oil & Energy).
2015	Established KeiyoSeisei JV G.K. with TonenGeneral Sekiyu (currently JXTG Nippon Oil & Energy).
	Business alliance with Showa Shell Sekiyu in Yokkaichi area.
2016	Acquired shares of Maruzen Petrochemical and made it a consolidated subsidiary.
2017	Entered into a capital and business alliance with Kygnus Sekiyu.

management plan, which starts in FY2018.
Cash flow generated from collection of returns from the past investments and positive impacts from alliances will be used to repay debts, and we aim to swiftly return to a net debt/equity ratio of 2 times or less, its former level before the 2011 earthquake. Concerning return from investment, we are expecting a contribution especially from start-up of production in the Hail Oil Field in FY2017 and synergies from Chiba JV from FY2018. Meanwhile, large-scale investments, such as for the Hail Oil Field, Chiba JV, and the IPP's upgrade work, will peak in FY2017, and significant decline in the amount of current investment is expected in FY2018. We will continue to make investment to raise our long-term competitiveness but we plan to do it efficiently with minimal burden on the balance sheet. We have identified oil E&P, retail, and wind power generation as the three growth businesses. With a focus on alliances, we will expand areas of strength (e.g. the alliance with CEPSA[1] in oil E&P) and complement areas of weakness (e.g. the Chiba JV and business alliance in Yokkaichi) in order to make our business portfolio resilient to environmental changes. Ultimately, we wish to present a vision for Cosmo Energy Group as it should be in 2030, which is far beyond the period covered by the next medium-term plan.

Net Debt-to-Equity Ratio* and Dividend per Share



* One of indicators to measure a company's financial soundness. Measured by dividing net interest bearing debts by shareholders' equity. A lower ratio generally means that a company is financially more sound.

Strength in the oil E&P business: Strong partnership with Abu Dhabi

Our Group's strength in the oil E&P business derives from our participation in oil development as an operator, based on our strong relationship of trust -- for nearly 50 years so far -- with the Emirate of Abu Dhabi. As we can take the lead position in development projects as an operator, make independent investment decisions, and control costs well, we are highly competitive. This is evidenced by generating profit (¥1.5 billion) when the Dubai oil price was averaged at $30 in the January-March period of 2016. In the oil E&P business, our Group does not start from high-risk exploration work to detect deposits of oil. We are engaged in a low-risk operation by mainly developing discovered but undeveloped oil fields. The Hail Oil Field project that Abu Dhabi Oil is currently developing, is cost-competitive, similar to our other fields which are now in production. The Hail Oil Field is scheduled to launch production in FY2017 and to operate at full capacity from the beginning of FY2018, contributing to about a 50% increase in total production of our three operating companies in FY2018 compared to the level in FY2016. Furthermore, we can lower operating cost per unit along with increase in production as the Hail Oil Field, being adjacent to the existing oil field, can share existing facilities. We are therefore expecting that the combination of output growth and a decline in per-unit operating cost will make the project a significant profit contributor from FY2018 and onward.
Moreover, both Cosmo Energy Holdings and CEPSA have MIC (formerly IPIC)[2] as a major shareholder. Through our respective relationships with Abu Dhabi National Oil Company, Cosmo and CEPSA are considering joint business opportunities such as in new oil concessions, marketing of crude oil and oil products, and sales assistance in the retail area.

Strength in the retail business: Points of contact with customers and highly satisfactory products in the ¥36 trillion car-life market

Our strengths in the retail business include our entry in Japan's massive car-life-related market, which is estimated to be roughly ¥36 trillion, mainly in the form of car leasing for individuals; the service station infrastructure, to which about as many as 500,000 cars visit per day; our staff who share

the vision “Filling Up Your Hearts, Too” and approximately 4.44 million “Cosmo the Card” members. Our “Cosmo Smart Vehicle[3]” leasing program, which provides a new vehicle leasing contract to consumers for around ¥30,000 – 50,000 per month, has been favorably received especially by women and seniors. The cumulative total number of contracts has exceeded 39,000. At present, Cosmo Group’s service stations are the point of contact with customers but expansion of the platform through alliances can be one of our options in the future. In addition, as the vehicle ownership pattern is changing in Japan, we may be able to explore opportunities in the peripheral businesses of leasing. From a broad perspective, we are targeting a ¥36 trillion car-life-related market as a whole and to enhance competence of our service stations.
Furthermore, Cosmo Oil Eco Card Fund[4], launched in 2002, is our unique initiative, which also works to enhance competitiveness of our service stations, as we can lock in eco-conscious customers. The Fund is also an important part of our environmental preservation activities.

Strength in the wind power generation business: stable profits in the market with high demand growth potential

Watarai Wind Farm (28,000 kW) commenced operation in FY2016 and the wind power generating capacity of our group company Eco Power Co., Ltd. has increased to about 211,300 kW, Japan’s third largest wind power generation capacity. Its ordinary income is expected to be about ¥4.0 billion in FY2017. Due to environmental consideration, the wind power market has further growth potential but the number of entrants is limited requires high-level expertise in location selection, environment assessment, etc. We are identifying this business as one of our group’s growth drivers, as stable profit can be expected based on the 20-year feed-in tariff (FIT) scheme, and reduction in CO_2 emissions can be achieved. As one of our options, we are considering the use of leasing and other financial methods in expanding this business without impairing our balance sheet. Our target is to reach about 500,000 kW in the near term and to further expand generation capacity.

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 policy. We believe that profit generation and CSR activities should go hand in hand and that we must achieve both to expand corporate value. Furthermore, we have been a signatory 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.
For example, concerning promotion of diversity, we believe we can raise productivity by incorporating various ideas and opinions of employees with diverse backgrounds. Other important initiatives include fostering human resources capable of global operations, promoting the active engagement of women, and mid-career hiring of specialists in specific fields. As different work fields create different types of work, workstyles should also vary. We will adopt flexible workstyles, including work-at-home and work for short hours. My longstanding motto is “Be strict at work, be happy during off duty hours.” I encourage our employees to work in a highly-productive and intense manner and enjoy a private time with family or pursuing their interests, as I strongly believe that such balanced way of life can be fulfilling and also result in raising corporate value.

Conversion to a holding company structure has led to progress in corporate governance

Roughly a year and a half have passed since we converted to a holding company structure. We have steadily begun to see some outcome. For example, the Board of Directors now has four Outside Directors out of a total of ten and a sense of healthy tension has been emerging in the meetings. The delegation of more authority and responsibility to core business companies in oil E&P, oil refining, and petrochemicals as well as oil product sales has also resulted in more thorough cooperation of management and work sites, and enhanced motivation at work. Managers can better see details of each business operation. In the oil refining business, for example, this has led to initiatives aimed at shorter regular maintenance periods, as well as safer operation and stability of supply, based on the corporate-wide unified operation management system.

Message to shareholders

In the current medium-term management plan, we have already achieved one of its targets to resume dividend payments at an early stage. We paid dividend of ¥50 per share in FY2016, up ¥10 from FY2015. As a top executive, I am keenly aware of importance of rewarding shareholders. Looking at FY2017 and beyond, I am determined to make sustainable and stable dividend payments with due consideration being given to profitability and financial

conditions, and to assign priority to improving financial strength at the same time. I sincerely appreciate our shareholders' understanding in these matters.
Cosmo Energy Group provides oil products such as gasoline and numerous other products and services that support people their daily lives. Our mission is to fulfill the needs of our customers by safely and stably providing high-quality products and services, as we declared to our customers, shareholders, and all other stakeholders, "Filling Up Your Hearts, Too". We can create sustainable value only if we are needed and desired by society. We sincerely hope that our shareholders understand our management vision and will continue to extend their support to us for many years to come.

Reasons for selection of President and Representative Director

Hiroshi Kiriyama spent many years in the Corporate Planning Department and has in-depth insights and ample experience for the overall business domains of the Cosmo Energy Group. In addition to a strong ability with figures and business expertise, Kiriyama is cheerful and extroverted and has established a wide network of contacts in and out of the industry. In the past year, as Representative Director and Executive Vice President, he was heavily involved in corporate management from a top executive position, proving his impeccable credentials to become President. I am confident that Kiriyama is capable of making flexible and prompt decision making in the rapidly changing business environment and to lead the Group to achieve sustainable growth.

Concerning nomination of the new president, the Nomination and Remuneration Advisory Committee discussed the matter and the Board of Directors subsequently resolved it.

Chairman and Representative Director
Keizo Morikawa

Chairman and Representative Director
Keizo Morikawa

President and CEO
Hiroshi Kiriyama

1. Major general oil company in Spain
2. An energy-related investment company wholly owned by the government of Abu Dhabi. Formerly International Petroleum Investment Company (IPIC) and formerly Mubadala Development Company (MDC) merged and formed a holding company Mubadala Investment Company (MIC).
3. Vehicle sales business, with car leasing as a core business
4. A program to support environmental NPOs and projects, funded by ¥500 a year donation by eco card members and a part of the sales of the Cosmo Energy Group