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Oil & New

Everything About Oil – And Beyond

COSMO ENERGY HOLDINGS

COSMO REPORT 2019

Oil & New

Everything About Oil – And Beyond

**Desired types of energy change.
We dedicate all our strength to responding
to such change.**

The Cosmo Energy Group will strengthen a financial condition by increasing the profitability of the Oil Exploration and Production Business and the Petroleum Business. In view of long-term changes in the business environment, the Group will also expand its business portfolio by actively investing in the Renewable Energy Business and increasing the competitiveness of the Petrochemical Business.

Cosmo Energy Group Management Vision

In striving for harmony and symbiosis between our planet, man 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 Values

Creating the Value of "Customer First"
Creating Value From the Diverse Ideas of the Individual
Creating Value by Expressing
Collective Wisdom

The Cosmo Energy Group's business

Business Activities

Products and services

Outcome
Generated value

Oil Exploration and Production Business

Strength
Relationships of trust with Middle East oil producing countries for approximately 50 years

Strength
Operatorship (self-operation)

Oil exploration and production, Procurement

Crude oil procurement through independent development and from oil producing countries; Strong competitiveness by use of operatorship (self-operation)

Marine transportation

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

Petroleum Business (Refining) and Petrochemical Business

Refining of petroleum products
Manufacturing and sales of petrochemical products

Storage

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

Research & development

Advanced research on manufacturing technologies

Oil refining/petrochemical and production

Production of gasoline, diesel oil, kerosene, and feedstock for petrochemicals, in accordance with market needs

Export of petroleum and petrochemical products

Export of petroleum and petrochemical products, in accordance with overseas demand

Domestic transportation

Use of appropriate transportation methods in consideration of costs and regional characteristics.
Supply of petroleum products to customers of various industries and service station operators, in accordance with their needs

Domestic sales (Industrial use)

Petroleum Business (Sales)

Sales of petroleum products
Car leasing for individuals

Domestic sales
(Service stations and service station operators)

Strength
Approx. 4,330,000
"Cosmo the Card"* Holders

Sales of gasoline, diesel oil, and other products, and general support of customers' car-life

Car leases for individuals

A low-risk business model with no vehicle inventory. We take advantage of the high frequency of customer contact at service stations.

Number of visits by customers
500,000 cars/day

Renewable Energy Business

Wind power generation capacity
No. 3 in Japan
Market share of 6%

Development and construction of wind power generation facilities

Nationwide operation of wind power and solar power generation facilities

Power generation

Electric power business

コスモでんき

Start to purchase electric power and sell it for residential use

Supply generated power to electric power companies

Products and services

Petroleum products

Gasoline, kerosene, diesel oil, fuel oil, etc.

Petrochemical products
(Materials for products for daily life)

Shopping bags, bottles, clothes, tires, frames of electric appliances, etc.

Motoring lifestyle solutions

Car leasing for individuals, etc.

Electric power

Social value

- Securing of stable energy sources
- Stable energy supply
- Support social infrastructure Provision of lifeline in disasters
- Offering of highly-convenient new motoring lifestyle value
- Stable supply of materials for daily necessities
- Expanding production of domestic clean energy

* Service Station member card

Long-Term Vision

The Cosmo Energy Group is making a new and vigorous step forward. Enhancing the earnings strength of the petroleum related businesses and growing the renewable energy business into a new main business segment.

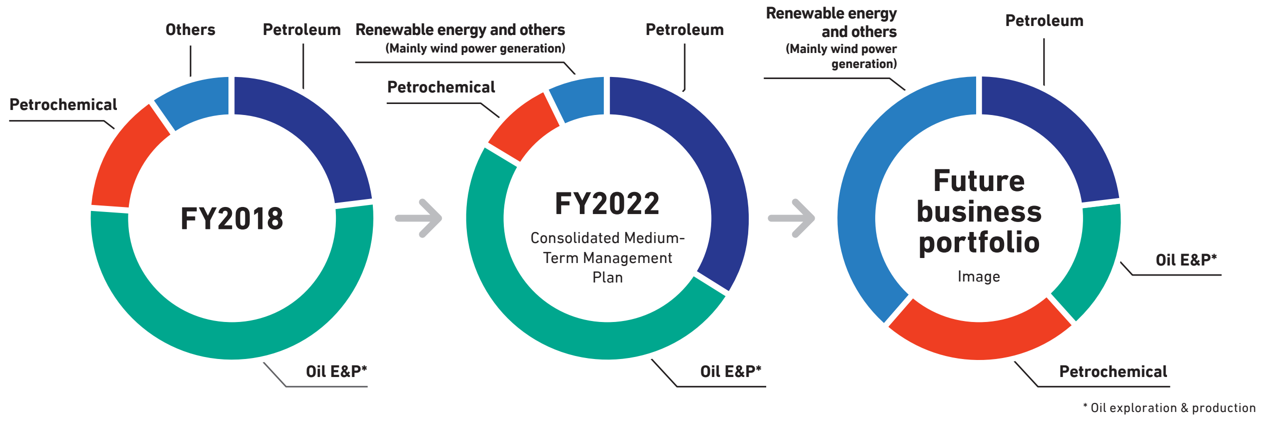
What have not changed

Stable supply of energy
"Customer First" mindset
Energy-related business domains

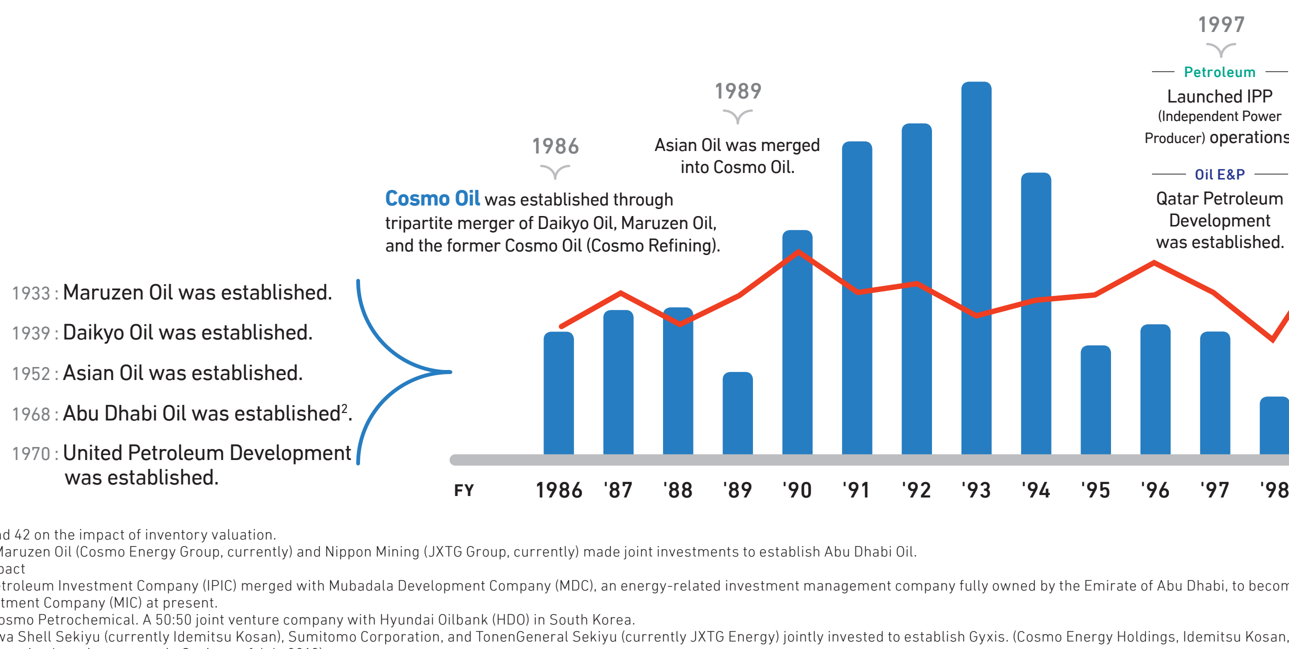
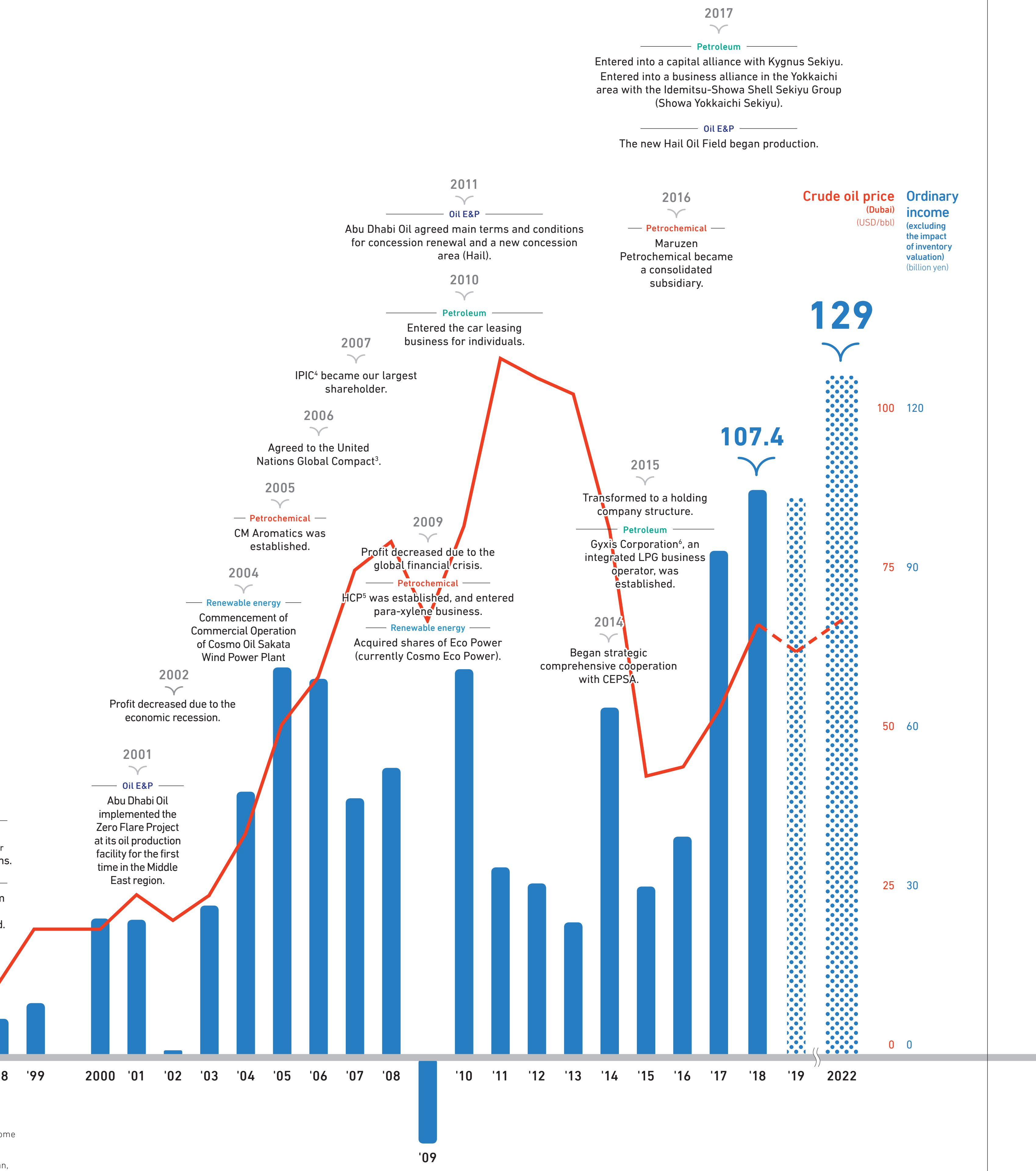
What to be changed

Growing the renewable energy business into a new main business segment

Composition of ordinary income (excluding the impact of inventory valuation)



* Oil exploration & production

1. See pages 41 and 42 on the impact of inventory valuation.
2. Daikyo Oil and Maruzen Oil (Cosmo Energy Group, currently) and Nippon Mining (JXTG Group, currently) made joint investments to establish Abu Dhabi Oil.
3. GC: Global Compact
4. International Petroleum Investment Company (IPIC) merged with Mubadala Development Company (MDC), an energy-related investment management company fully owned by the Emirate of Abu Dhabi, to become Mubadala Investment Company (MIC) at present.
5. HCP: Hyundai Cosmo Petrochemical. A 50:50 joint venture company with Hyundai Oilbank (HDO) in South Korea.
6. Cosmo Oil, Showa Shell Sekiyu (currently Idemitsu Kosan), Sumitomo Corporation, and TonenGeneral Sekiyu (currently JXTG Energy) jointly invested to establish Gyxis. (Cosmo Energy Holdings, Idemitsu Kosan, Sumitomo Corporation have investment in Gyxis as of July 2019)

Progress of the Consolidated Medium-Term Management Plan (FY2018-FY2022)

Under the slogan "Oil & New Everything About Oil – And Beyond" the sixth five-year consolidated management plan (the sixth management plan) began in FY2018.
By increasing our earnings power and improving our financial condition, we aim at achieving a level of net worth that can tide us over changes in the market environment and a net D/E ratio of 1.0-1.5 times, and do so at an early point. We also strive to enhance our future growth drivers, mainly focusing on the Petrochemical Business and the Wind Power Generation Business.

Basic policy

Oil

- Increase the profitability of the petroleum business by, for example, complying with the IMO[1] regulations on use of high-sulfur C fuel oil and taking the lead in the supply of clean marine fuels.

▶ Strengthen financial condition based on earning power.

New

- Invest in wind power generation and other businesses that will lead the next growth stage.

▶ Contribute to the achievement of SDGs[2] through business activities.

1 As an air pollution preventive measure, the International Maritime Organization (IMO) has set a global limit to reduce the content of sulfur in marine fuel oil from 3.5% at present to 0.5% by 2020, in order to reduce ships' emissions of sulfur oxide (SOx). See page 30.
2 The Sustainable Development Goals (SDGs) were adopted by 193 member countries at the United Nations Summit in September 2015. There are 169 targets for 17 goals, to be achieved in 15 years, from 2016 to 2030.

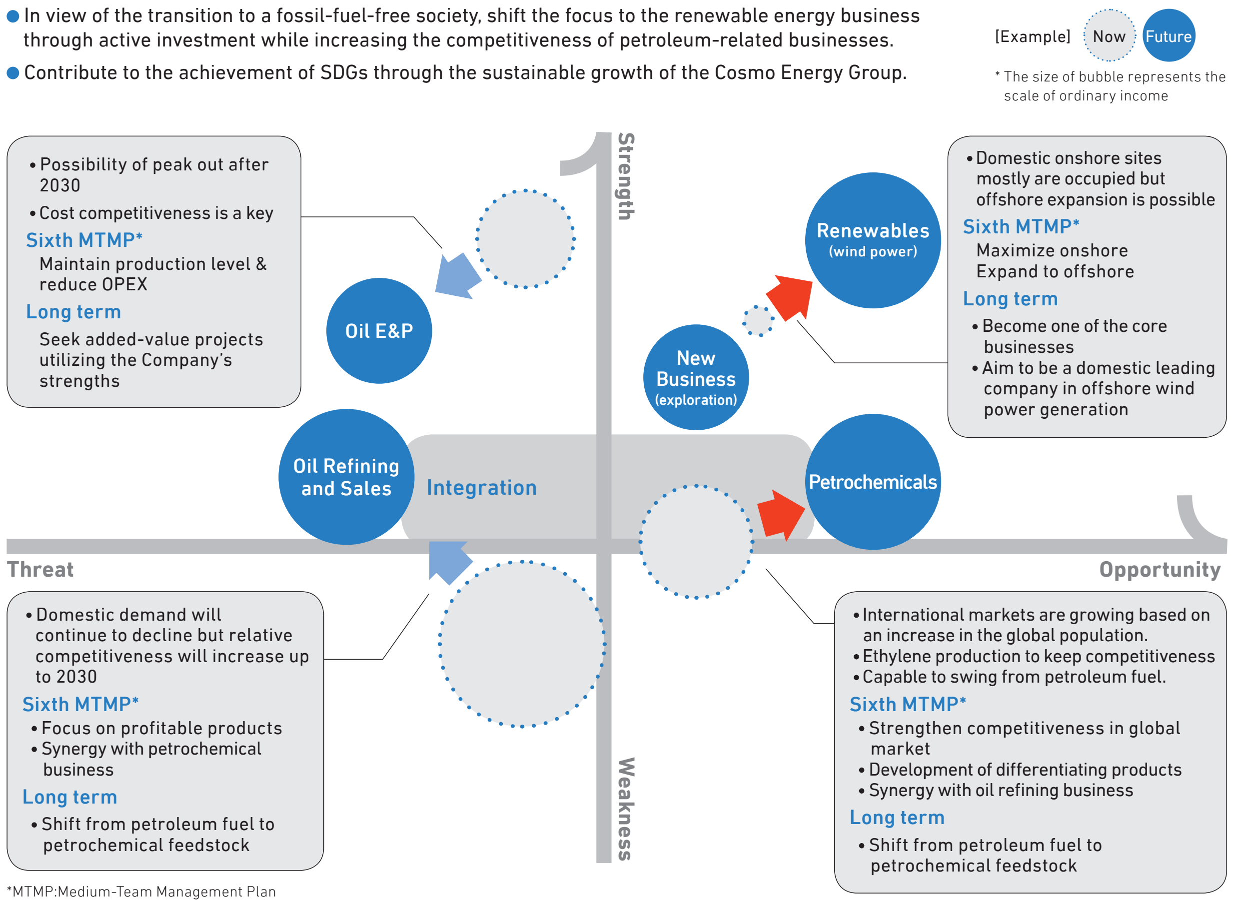
Long-term Direction

Demand for petroleum products in Japan is declining but we believe that the oil business will remain firm in the medium- to long-term. However, in view of the transition to a fossil-fuel-free society, we must create new businesses in order to achieve sustainable growth.
In the sixth management plan, we aim at improving the business portfolio with the objective of enabling subsequent growth in view of the adopted long-term direction, and strengthening the company financially by increasing the profitability of the Oil E&P and Petroleum businesses.

Realignment of the Business Portfolio

The exhibit below depicts an image of a business portfolio over the long term. In view of the transition to a fossil-fuel-free society, we will seek to maintain a certain level of profitability by increasing our competitiveness in the petroleum-related businesses and at the same time to grow the renewable energy business into a profit generator by making active investments.
In addition, we believe that these initiatives will allow us to contribute to the achievement of SDGs through the sustainable growth of the Cosmo Energy Group.

- In view of the transition to a fossil-fuel-free society, shift the focus to the renewable energy business through active investment while increasing the competitiveness of petroleum-related businesses.
- Contribute to the achievement of SDGs through the sustainable growth of the Cosmo Energy Group.



*MTMP:Medium-Team Management Plan

Progress of Management Goals

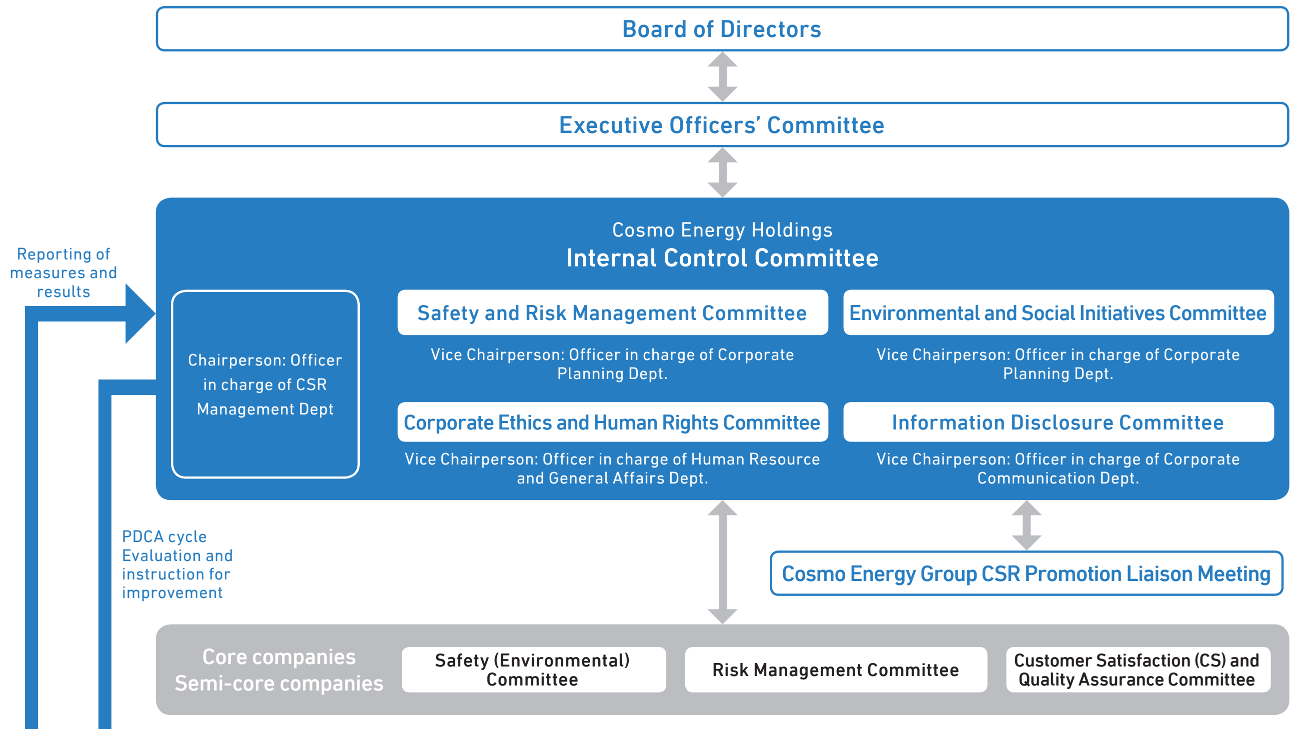
Management Goals	FY2017	FY2018	FY2022
Ordinary income (excluding the impact of inventory valuation)	¥95.9 billion	¥107.4 billion	Over ¥120.0 billion
Profit attributable to owners of parent	¥72.8 billion	¥53.1 billion	Over ¥50.0 billion
Free cash flow	¥96.2 billion	¥60.0 billion	Over ¥150.0 billion (FY 2018 - FY 2022 Five years total)
Net worth (Net worth ratio)	¥238.7 billion (14.1%)	¥281.1 billion (16.5%)	Over ¥400.0 billion (Over 20%)
Net D/E Ratio*	2.25 times	1.98 times	1.0~1.5 times
ROE	36.1%	20.4%	Over 10%
Precondition			
Dubai crude oil price (USD/B)	56	69	70
Exchange rate (Yen/USD)	111	111	110

*Calculated on the basis that 50% of the ¥60 billion hybrid loan made on April 1, 2015 is included in equity.

We made a great start in FY2018, the first year of the sixth management plan: We posted ordinary income excluding the impact of inventory valuation of ¥107.4 billion, renewing a record high thanks to the impact of an increase in crude oil production volume at the Hail Oil Field. While profit attributable to owners of parent decreased from the previous fiscal year to ¥53.1 billion due to a negative impact from inventory, the level of profit remained above the goal for the final year of the sixth management plan.
For FY2019, ordinary income excluding the impact of inventory valuation is expected to amount to ¥106.0 billion, contributed by a positive impact from increased sales due to the start of supply to Kygnus and improved utilization rate in refineries. Profit attributable to owners of parent is expected to increase from the previous year to ¥60.0 billion.
We will continue steady implementation of the measures of the sixth management plan, aiming at achieving the goals of over ¥120.0 billion in ordinary income excluding the impact of inventory valuation and over ¥50.0 billion in profit attributable to owners of the parent.

Materiality and SDGs

The Cosmo Energy Group's sixth consolidated medium-term management plan has the basic policy to 1) secure profitability to enable reinvestment; 2) expand growth drivers for the future; 3) improve its financial condition; and 4) strengthen the Group's management base. In order to strengthen the Group's management base, the "Enhancement of CSR Management" has been adopted as an objective.
Aiming for group-wide integrated, efficient CSR Management, we have established committees in charge of safety and risk management, human rights, environmental initiatives, and other issues, have adopted the Consolidated Medium-Term CSR Management Plan, and have set KPIs from the perspective of ESG (i.e., environmental initiatives; human rights and social contribution; safety and governance).
Each committee is implementing the Plan-Do-Check-Action (PDCA) cycle toward achieving KPIs for each year and for the medium- to long-term, and CSR activities are continuously being improved and evolving, with the aim of realizing SDGs.



Materiality (priority issues)		Related SDGs	Execution	
Secure profitability to enable reinvestment	● Firm a system of safe, stable operation in oil refining business ● Take action ahead of the IMO regulations ● Strengthen the "Vehicle life" business ● Achieve synergy with petrochemical business ● Steadily recover the investment in the Hail Oil Field			
Expand growth driver toward the future	● Strengthen petrochemical business and increase its product-line ● Early development of offshore wind power generation ● Explore new businesses for future growth in domestic and overseas market(Asia / Abu Dhabi)			
Improve financial condition	● Increase shareholders' equity based on profits ● Strengthen cash management ● Careful selection of investments with an eye on long-term environment			
Strengthen Group management foundation	● Implement CSR management Consolidated Medium-Term CSR Management Plan • Promoting environmental measures • Enhancing human rights & social contribution measures • Ensuring safety measures • Strengthening corporate governance structure ● Increase productivity through work-style and operational innovation • Promote diversity • RPA(Robotic process automation),Thoroughly increased operation efficiency using AI		Each department	All employees of the Cosmo Energy Group

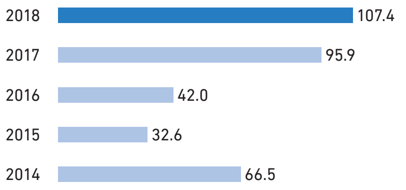
Major Key Performance Indicators (KPI) Used as Targets

Financial

Ordinary income
(excluding the impact of inventory valuation)

Management Goals (FY2022)

Over ¥120 billion



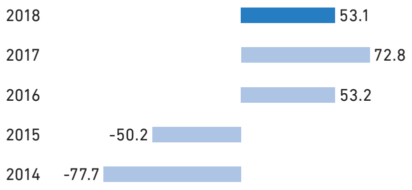
Reason for selection as KPI

The company maintains a 70-day equivalent volume inventory, conforming to the oil product stockpiling obligation for private oil companies. Ordinary income (excluding the impact of inventory valuation) is therefore used as a KPI as it reflects real ordinary income.

Profit attributable to owners of parent

Management Goals (FY2022)

Over ¥50 billion



Reason for selection as KPI

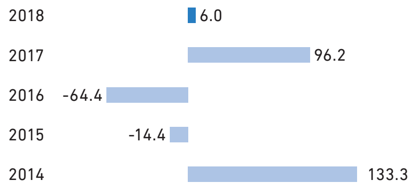
Profit attributable to owners of parent is used as a KPI because net profit is related to net worth, net debt-to-equity ratio, and other financial indicators that the company finds important.

Free cash flow

Management Goals (FY2022)

Over ¥150 billion

(FY 2018 - FY 2022 Five years total)



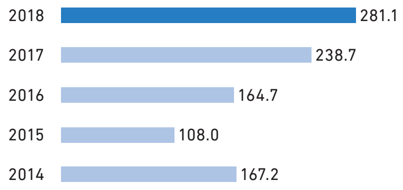
Reason for selection as KPI

Free cash flow is emphasized in assessing ongoing business activities, as well as appropriate investment and the dividend payment level. It is therefore used as a KPI.

Net worth

Management Goals (FY2022)

Over ¥400 billion



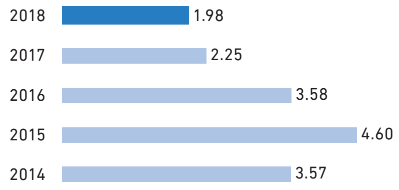
Reason for selection as KPI

The level of net worth is used as a KPI in order to gauge improvement of the company's financial condition, which had been impaired mainly by the impact of inventory in the past.

Net D/E Ratio

Management Goals (FY2022)

1.0-1.5 times



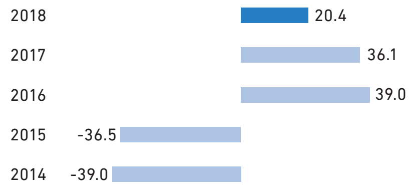
Reason for selection as KPI

The net debt-to-equity ratio is used as a KPI because of the importance of the balance between net worth and interest-bearing debt.

ROE

Management Goals (FY2022)

Over 10%



Reason for selection as KPI

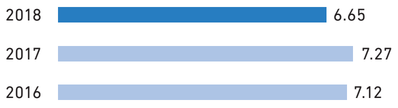
The ROE is used as a KPI as a measure of emphasis on efficient generation of profit by use of net worth.

Pre-Financial

CO_2 emissions[1]

Management Goals (FY2022)

6.28 million ton-CO_2



Reason for selection as KPI

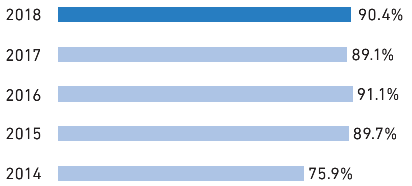
"Reduction of greenhouse gas emissions" is one of KPIs in the Consolidated Medium-Term CSR Management Plan, while "Harmony and Symbiosis with the Global Environment" and "Harmony and Symbiosis between Energy and Society" are stated in the Cosmo Energy Group Management Vision. The Cosmo Energy Group identifies reduction in environmental impact, including CO_2 emission, as one of priority issues.

See page 30.

Rate of usage of annual paid holidays[2]

Management Goals (FY2022)

100%



Reason for selection as KPI

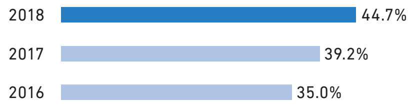
The rate of usage of annual paid holidays is used as a KPI with the aim of promoting efficient operation and employees' work-life balance. Group companies set their targets separately, depending on their business category.

See page 40.

The ratio of the "AA" evaluation rating of three promises*

Management Goals (FY2022)

50.0%



(Average of three evaluation results per year)

Reason for selection as KPI

With the aim of raising customer satisfaction, Cosmo Oil service stations use an outside research institute to conduct an investigation by mystery examiners three times a year. The ratio of service stations with an "AA" rating is used as a KPI.

* Evaluation on fulfillment of three promises: See page 37.

Serious Work-Related Accidents[3]

Management Goals (FY2022)

None

Reason for selection as KPI

Safe, stable operation is one of the most important issues of the Cosmo Energy Group and is also recognized as priority issue in the sixth medium-term plan and the CSR medium-term plan. In particular, Cosmo Oil, which adopted an Operations Management System (OMS; details on See page 58.) and strives for achieving safe operation and stable supply, improving operations, and avoiding opportunity loss.

1. Definition and coverage: The petroleum and petrochemical segments, the renewable energy segment, and others of the Cosmo Energy Group, which are covered in the sixth medium-term plan.

2. Definition and coverage: Employees, contract employees, and part-time employees of Cosmo Energy Holdings, Cosmo Energy Exploration & Production, Cosmo Oil, and Cosmo Oil Marketing are included. Those who were out of work during the entire term and those who retired during the term are excluded from the calculation.

3. Definition and coverage: Total work-related accidents that require and do not require time off from work. Accidents involve both directly-hired employees and those working at subcontractors of Cosmo Energy Holdings, Cosmo Energy Exploration & Production, Cosmo Oil, Cosmo Oil Marketing, Maruzen Petrochemical, and 44 related companies.

Enhancing the earnings strength of the petroleum-related businesses and growing the renewable energy business into a new main business segment

CONTENTS

Editorial policy

For a better understanding of the Cosmo Energy Group's creation of values to all stakeholders, the Annual Report and the Corporate Report have been integrated into the Cosmo Report since FY2016.

Cautionary Statement

This Report contains forward-looking statements about forecasts, strategies, and performance of the Cosmo Energy Group. These statements include assumptions and judgements 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.

"Oil & New." Create future energy and help achieve the further growth of our planet.

Representative Director, Group CEO **Hiroshi Kiriyama**

Basic policy of the sixth consolidated medium-term management plan

01 Secure profitability to enable reinvestment

02 Expand growth drivers toward the future

03 Improve our financial condition

04 Strengthen the Group's management foundations

Steady progress toward increasing long-term corporate value

Energy is an essential component of everyone's daily life. Global energy consumption is expected to increase in accordance with population growth worldwide and the continued growth of emerging economies. However, crude oil and other fossil fuels, which have supported global economic growth to date, are limited resources. We need to use them sparingly and also introduce other energy sources in order to achieve better-balanced energy consumption. This is why the Cosmo Energy Group, which has grown by having petroleum-related businesses as its core business, created the slogan "Oil & New." It is now seeking to become more competitive in the petroleum-related businesses while at the same time growing the renewable energy business, making it another pillar of profit generation. This is to be achieved by making aggressive investments. In FY2018, the first year of the sixth consolidated medium-term management plan (FY2018 - FY2022), we believe that we took the appropriate steady steps to get closer to realizing our future vision.

The consolidated medium-term CSR management plan, which is aimed at promoting CSR management, is one of the four priority measures in the sixth medium-term management plan. Since 2006, our Group has been a signatory of the Global Compact, a United Nations initiative that encourages businesses to respect 10 principles for solving global issues and realizing a sustainable society. We respect basic principles on human rights, labor, the environment, and the prevention of corruption, and endeavor to incorporate in our activities an international viewpoint with the aim of enhancing our CSR activities. I have confirmed that our consolidated medium-term CSR management plan is progressing steadily. For example, we are on track toward our CO_2 emission reduction target, which looks ahead to FY2022 (a reduction of 1.2 million tons of CO_2 compared to FY2013). In terms of our health management, Cosmo Energy Holdings and its six group companies* have been certified as a "Health and Productivity Management Organization 2019 (White 500)" by the Ministry of Economy, Trade and Industry (METI). On top of our health management of employees, our initiatives that aim to achieve a sound work-life balance for employees have been highly commended.

FY2018 results

In FY2018, net sales incresed by ¥247.3 billion from the previous year to ¥2,770.4 billion, ordinary income excluding the impact of inventory valuation increased by ¥11.5 billion to ¥107.4 billion, and profit attributable to owners of parent decreased by ¥19.7 billion to ¥53.1 billion. Ordinary income, excluding the impact of inventory valuation, renewed its record high, mainly due to an increase in the profit of the Oil Exploration and Production (E&P) Business.

The Petroleum Business maintained appropriate margins with an improvement in the domestic supply-demand balance, but generated decreased profit compared to the previous year, mainly due to the negative impact of the regular maintenance of refineries and the suspension of equipment triggered by a malfunction. In addition, the profit of the Petrochemical Business decreased, mainly due to a decline in market conditions and a sales decline caused by the turnaround of plants. In contrast, the Oil E&P Business increased its profit, including a contribution from production at the Hail Oil Field, which commenced full-scale operation in January 2018. This more than offset the impacts of a pump malfunction at the existing oil field and lesser factors.

* Cosmo Energy Exploration & Production Co., Ltd.; Cosmo Oil Co., Ltd.; Cosmo Oil Marketing Co., Ltd.; Cosmo Oil Lubricants Co., Ltd.; Cosmo Business Associates Co., Ltd.; Cosmo Energy Systems Co., Ltd.

Accelerating a business portfolio transition in being a more eco-friendly company

While the 17 Sustainable Development Goals (SDGs) have been attracting increased attention and influencing policies worldwide, many countries and companies are taking initiatives aimed at Goal 7, to "ensure access to affordable, reliable, sustainable and modern energy for all." Among the manifestations of this concern, governments are establishing infrastructures to encourage the dissemination of electric vehicles and are at the same time continuing to regulate gasoline vehicles in incremental steps. Accordingly, our Group will also continue to aim to solve social issues through our business activities in keeping with concerns regarding issues related to global warming and climate change.

We believe that the value of oil will remain unchanged up to around 2030. We are therefore seeking to become more competitive in the Petroleum Business and grow our renewable energy business at the same time. In FY2019, we will establish a dedicated department (the Business Development Department), initially to focus on wind power generation, and then to accelerate the development of other new businesses.

As part of the sixth medium-term plan , we established the Aomori Seihokuoki Offshore Wind Joint Venture Company with Hitachi Zosen Corporation on April 5, 2019. This company plans to build an offshore wind farm with a maximum capacity of around 500MW in the northwest offshore area of Aomori, and to engage in wholesale business in electric power and operations. For Cosmo Energy, this is its fourth offshore wind farm project.

Through such operations, we have become highly regarded for our efforts to prevent global warming. As such, we moved up from 23rd in 2017 to 10th in 2018 in Nikkei Business Publications' Eco-brand Survey ranking of 560 major corporate brands in Japan. We also received the Encouragement Prize in the 28th Grand Prize for the Global Environment Award (organized by the Fujisankei Communications Group, with backing from METI and the Ministry of the Environment), thanks again to the high evaluation of our Group's environmental initiatives.

I feel that there has been a strong response from consumers and others, who regard us highly as a company that is "Filling up your hearts, too" as advocated in our corporate message.

Providing car leasing for individuals to enhance customers' vehicle life

In addition to developing eco-friendly businesses, we are expanding the car leasing business for individuals in order to acquire a significant share of Japan's large vehicle life market.

The Cosmo Energy Group is engaged in the business of leasing cars to individuals to provide consumers with a satisfying vehicle life.

Specifically, we have established a user-friendly system by simplifying what needs to be used for the selection of a car model, the preparation of estimates, and paperwork. We also run TV commercials on this topic. These are some of the measures aimed at acquiring market share.

In addition to leasing cars for individuals, we also implement other means of business expansion. For example, we entered into a business alliance agreement with Homenet Cars Co., Ltd. to enter into the car sharing business from mid-2019. This is to respond to a recent increase in people's eco-consciousness and budget-mindedness, and their preference to share rather than own a car. We will jointly develop a car sharing business model that uses Homenet Cars' proprietary vehicle unlocking system with the use of a smartphone application.

We also entered into an agreement to jointly develop a new format of Cosmo service stations with Carseven Development, Inc., a franchiser of Carseven shops, which buy and re-sell used cars. Through this arrangement, we intend to use Carseven Development's vehicle information and systems and enhance Cosmo service stations' capability to purchase used vehicles. By taking advantage of the Cosmo Energy Group's strengths, such as in the car leasing business for individuals, we can provide one-stop comprehensive services related to our customers' vehicles. In the future, we will look to establish a new store format that can be franchised.

As another new development, Cosmo Oil Marketing began selling residential-use "Cosmo Electric Power" on April 1, 2019. This is an attempt to provide electricity at a discount with a simple application procedure to eligible customers* who have not yet reviewed their electricity rates following the deregulation of electric power retail sales. We aim to acquire a certain number of customers by making use of our contacts with approximately 4.3 million "Cosmo the Card" holders and our group company Sogo Energy's knowledge and insights related to the electric power retail business.

"Cosmo Oil doesn't merely pump gas into the car." This is a key phrase in our car leasing business' TV commercial. We will implement a range of measures to disseminate this concept to many more people.

Sustainable Development Goals (SDGs*)

* The Sustainable Development Goals (SDGs) were adopted by 193 member countries at the United Nations Summit in September 2015. There are 169 targets for 17 goals, to be achieved in 15 years, from 2016 to 2030.

* Eligible customers are those who live in the service areas of Tohoku Electric Power, Tokyo Electric Power, and Chubu Electric Power, and are under a residential use contract for B or C meter rate lighting with a General Electricity Utility (excluding all-electric homes).

Our favorable relationship with the Emirate of Abu Dhabi is one of our strengths

In December 2012, when concessions covering three existing oil fields were extended for 30 years, we acquired an additional concession in the Hail Oil Field. Since this acquisition, our group company Abu Dhabi Oil has been engaged in evaluations using 3D seismic surveys and the drilling of an oil well for evaluation purposes, the construction of an artificial island and above-ground facilities, and the excavation of a new oil production well. Since the Hail Oil Field is located near the existing facilities, new capital investment has been kept to a minimum and the production volume can be boosted and maintained over the long term through the maximum shared use of existing facilities. This will enable it to reduce the per-unit operating cost.
Since its foundation in 1968, Abu Dhabi Oil has accumulated a half-century of operating results and reliable environmental and production technologies, and has fostered a friendly, trusting partnership with the Emirate of Abu Dhabi in the United Arab Emirates (UAE). We recognize that this good relationship is one of our Group's strengths.

FY2019 forecasts

For FY2019 (ending March 31, 2020), we are forecasting ordinary income of ¥106.0 billion, excluding the impact of inventory valuation, and profit attributable to owners of parent of ¥60.0 billion. The Petroleum Business is projecting an increase of ¥12.1 billion year on year in ordinary income excluding the impact of inventory valuation, mainly due to the start of the supply of fuel products to Kygnus Sekiyu. The Oil E&P Business is expecting a decrease of ¥16.9 billion year on year in ordinary income, as the Hail Oil Field will reduce production output. The Petrochemical Business is forecasting an increase of ¥2.7 billion year on year in ordinary income due to the absence of the impact of regular maintenance, which was the case in FY2018.
The International Maritime Organization (IMO) has adopted marine fuel regulations that will reduce the allowable sulfur content in marine fuel oil from the current 3.5% to 0.5% in 2020. Since this regulation will ban the use of the now-common high sulfur fuel oil in all marine areas, oil-related companies will have to cope with the major challenge of the potential reduction in demand for high sulfur fuel oil. Our Group will increase the capacity of our Delayed Coker unit at the refinery and build a refining system that does not produce high sulfur fuel oil ahead of the year 2020, when the regulation will come into force.
Moreover, the fuel products supply to Kygnus Sekiyu, our capital and business alliance partner, is expected to provide another revenue growth opportunity for us in FY2019. In the Petrochemical Business, we commenced the full-scale production of ethylene from naphtha. We will respond to changes in the environment and pursue synergies with refining operations.

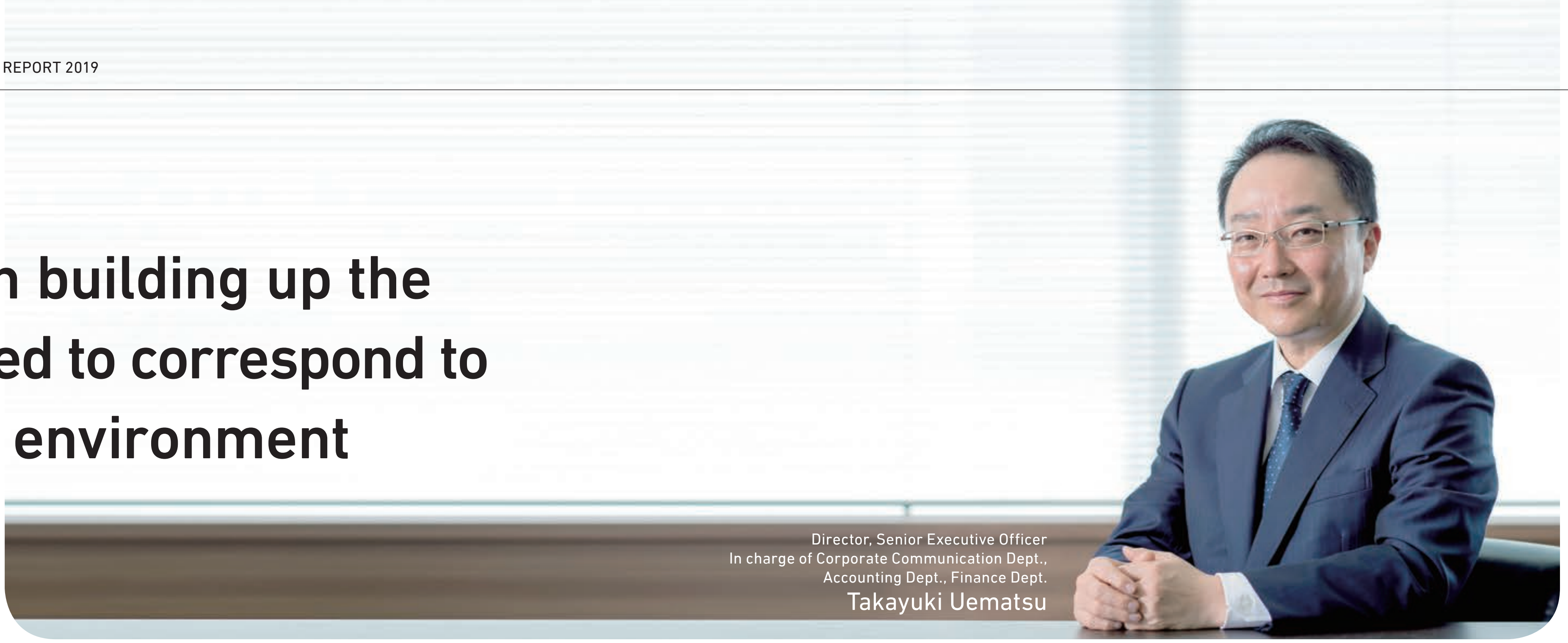
FY2019 priorities: Enhance preventive maintenance of facilities and further improve our financial position

As a company in the energy business, the Cosmo Energy Group carries out all its business activities while keeping security and safety in mind as one of our priority issues. In order to respond to the IMO regulations and supply fuel products to Kygnus Sekiyu, we need to maintain high operating ratios at the refineries, which makes the stability of refinery operations all the more important.
From these perspectives, in FY2019 we intend to fundamentally reconsider maintenance and enhance preventive maintenance, which means facility repair before (and to prevent) potential breakdowns. We will also augment both software and hardware to rebuild the infrastructure required to be a secure, safe energy provider.
Meanwhile, in the past several years we have strived to address our priority issue of improving our financial position, which was impaired as a result of the Great East Japan Earthquake in March 2011. Thanks to improved profit levels, the pace of our financial improvement has accelerated faster than expected at the time of developing the sixth medium-term plan. Our net D/E ratio has improved to less than two times. With due consideration of these factors, we raised the per-share dividend by 30 yen to 80 yen in FY2018. In FY2019, we will increase capital expenditure for preventive maintenance, but we intend to raise the return to shareholders by fully profiting from revenue opportunities and further improving our financial position.

Our aim: To become a company with high employee satisfaction and even higher customer satisfaction

While workstyle innovation is advocated extremely loudly nowadays, we have strived for many years to improve a range of personnel programs, revise wages, and improve the employment conditions for employees. In spite of all our efforts, I suspected that there must have been more than a few employees who were worried about the future of energy and could not imagine the future vision of our company. As a result, in 2018, we strongly promoted the new corporate slogan "Oil & New" in the sixth medium-term plan . This was received with enthusiasm by our employees, and they have become more constructively engaged in their work. This came as a pleasant surprise to me. I believe that our employees now consider their work to be worthwhile and are more satisfied, because their roles and the company's future have been clearly identified. To repeat, our tasks are to establish a strong financial position by enhancing the profitability of the Petroleum Business and the Oil E&P Business, which are expected to be robust up to around 2030, and to enhance the business portfolio with the main focus on the renewable energy business for future growth.
Aimed at creating a better work environment, our strategy also includes the additional adoption of IT and outsourcing in order to reduce work volumes and shorten work hours. In FY2018, the total annual work hours per person declined to less than 1,900 hours. We have also implemented a better environment for enabling employees to take vacations. Employees in managerial positions are now taking more paid vacations than in the past. We anticipate that productivity will be further enhanced in the future.
At the Cosmo Energy Group, we are dedicated to creating future energy and helping achieve the further growth of our planet. My job as President is to ensure that our customers and business partners are aware of this mission and to establish a workplace in which our employees can dedicate themselves to our businesses together. We are committed to achieving the management goals of the sixth medium-term plan and the key performance indicators (KPIs) of the consolidated medium-term CSR management plan. At the same time, we are strongly determined to develop the wind power generation and other renewable energy business.
We will endeavor to help solve social challenges through our business activities, with the aim of creating the sustainable corporate value of the Cosmo Energy Group. We sincerely hope that our shareholders, customers, business partners and all other stakeholders will continue to extend their support to us for many years to come.

Steadily progressing in building up the financial strength needed to correspond to changes in the market environment



Director, Senior Executive Officer
In charge of Corporate Communication Dept., Accounting Dept., Finance Dept.
Takayuki Uematsu

Renewed record-high income and improved financial position

The Sixth Consolidated Medium-Term Management Plan that started in FY2018 has the goal of increasing our earnings power and improving our financial condition so as to achieve a level of net worth that can tide us over changes in the market environment, including volatility of crude oil prices.
In FY2018, the first year of the current consolidated medium-term management plan, we enhanced profitability by securing an appropriate margin and an increased crude oil production volume in the Hail Oil Field. As a result, we renewed a record high in ordinary income excluding the impact of inventory valuation and improved the net D/E ratio by 0.27 points to 1.98 times.
In November 2018 we issued euro-denominated convertible bond-type bonds with share acquisition rights, etc. (maturity in 2022; CB hereafter) with the objective of the enhancement of competitiveness in the Petrochemical business and to assure execution of construction of onshore and offshore wind farm facilities. This CB is a zero-coupon corporate bond that does not pay interest, which helps us reduce funding cost and also enhance the company's financial position by being converted into equity (capital).
We are currently improving our financial position at a faster rate than expected at the time of setting the new consolidated medium-term management plan. By continuing to increase our earnings power and improve our financial condition, we aim at realizing the FY2022 management goals of the net D/E ratio of 1.0-1.5 times and net worth of over ¥400 billion at an early point.

Aggressively investing in view of the anticipated future of the business environment, while generating free cash flow

We expect to generate free cash flow (five-year cumulative) of ¥175.0 billion with the incoming cash of ¥535.0 billion being partially offset by the outgoing cash of ¥360.0 billion during the new consolidated medium-term management plan.
Regarding investment in view of the future business environment and growth potential, we plan to increase the capacity of our Delayed Coker unit at Sakai Refinery in preparation for the IMO regulations that will become effective in 2020 see page 30, increase added value of petrochemical products, and develop offshore wind power sites. In order to achieve both improvement in financial conditions and growth improvement, we intend to reduce our financial burden by using sale and leaseback* and other means of protecting our financial condition.
We will make aggressive investment in offshore wind power and other areas to rebuild our business portfolio and benefit from such profit opportunities, with the aim at generating more free cash flow.

Increase in dividend payment in FY2018 Aiming at continuing stable shareholder return

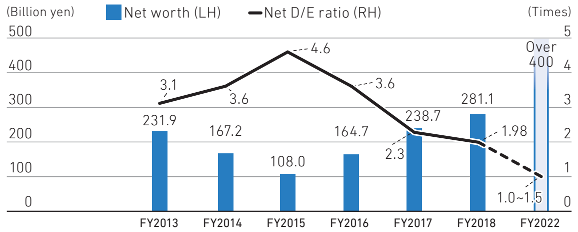
We recognize shareholder returns as one of the important management priorities. Given our history of no dividend payment in some years, we have adopted the principle of making stable dividend payments and aim for further returns to shareholders while considering the balance between our progress toward management goals and growth investment.
For FY2018, we paid a dividend per share of ¥80, raising the amount by ¥30 from the initially announced level as we are improving our financial position faster than expected when we developed the new consolidated medium-term management plan and lowered the net D/E ratio to less than two times at an earlier point than expected.
The Cosmo Energy Group is steadily improving the level of profit and is able to take advantage of further profit opportunities, including the commencement of supplying fuel oil in compliance with IMO regulations and of supplying to Kygnus in FY2019. Going forward, we intend to benefit from such profit opportunities and at the same time aim at raising the level of shareholders return while retaining balance with the financial position.

Constructive dialogues with investors

Constructive dialogues with investors and appropriate response to investors' interests and concerns are considered as one of my critical missions as CFO.
I am committed to proactively engage with investors, bring forward investors' various opinions to the Board of Directors and make use of them in management. I would like to ask for your continued support.

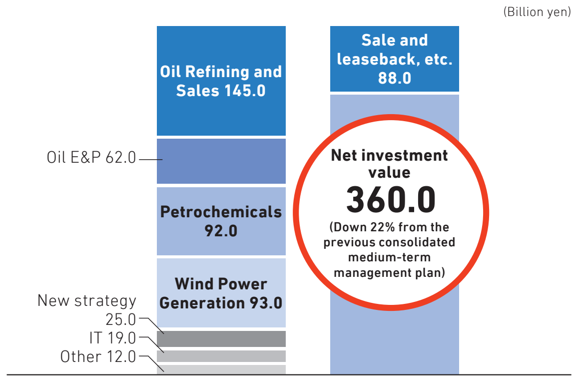
* Method of financial transaction in which one sells a facility, such as a wind farm, and leases it back.

Net Worth and Net D/E Ratio

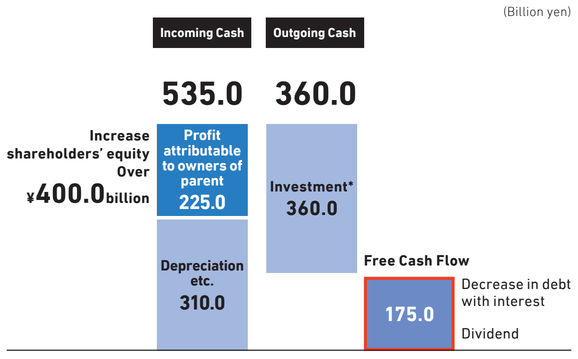


	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2022
Dubai crude oil price (USD/bbl; annual average)	105	84	46	47	56	69	70
Impact of inventory valuation (Billion yen)	16.1	-116.1	-68.7	39.4	21.0	-10.7	—
Net interest-bearing debt (Billion yen)	723.3	597.7	666.2	727.3	635.8	644.7	—

Investment Plan (FY2018-FY2022)

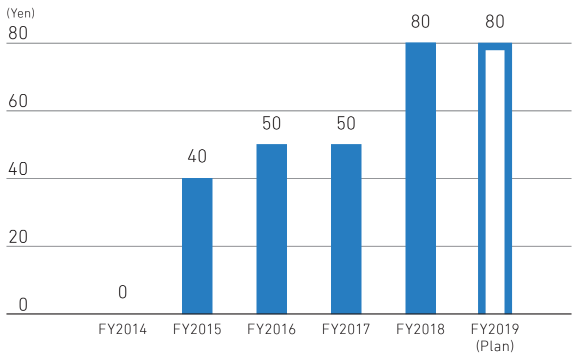


Cash Balance and Use of Funds (FY2018-FY2022)



* Strategic investment is net amount reflecting sale and leaseback etc.

Dividends per share



Business Results & Forecast, Cash Flow Situation, and Analysis of Financial Position

FY2018 Results / FY2019 Forecast

Summary of Consolidated Profit

Renewing a record-high in operating profit excluding the impact of inventory valuation in FY2018

In FY2018, the first year of the current consolidated medium-term management plan, ordinary income decreased by ¥20.2 billion from FY2017 to ¥96.7 billion while net income attributable to owners of the parent company was ¥53.1 billion, down ¥19.7 billion from FY2017. Actual ordinary income excluding the impact of inventory valuation increased by ¥11.5 billion from FY2017 to a record high of ¥107.4 billion. Concerning the segment breakdown of ordinary income excluding the impact of inventory valuation, the Petroleum Business income was ¥24.9 billion, down ¥12.9 billion from FY2017, due to regular maintenance of Chiba Refinery and temporary, limited problems with equipment in Sakai Refinery. The Petrochemical Business income decreased by ¥15.1 billion to ¥15.3 billion due to a downturn in market conditions and a decrease in sales volume caused by regular maintenance at a plant. The Oil E&P Business income increased by ¥38.6 billion to ¥56.9 billion, thanks to the commencement of the Hail Oil Field's full production. The Renewable Energy and Other Business segment increased income by ¥0.9 billion to ¥10.3 billion thanks to ongoing smooth operation of wind farms.

Forecast for FY2019

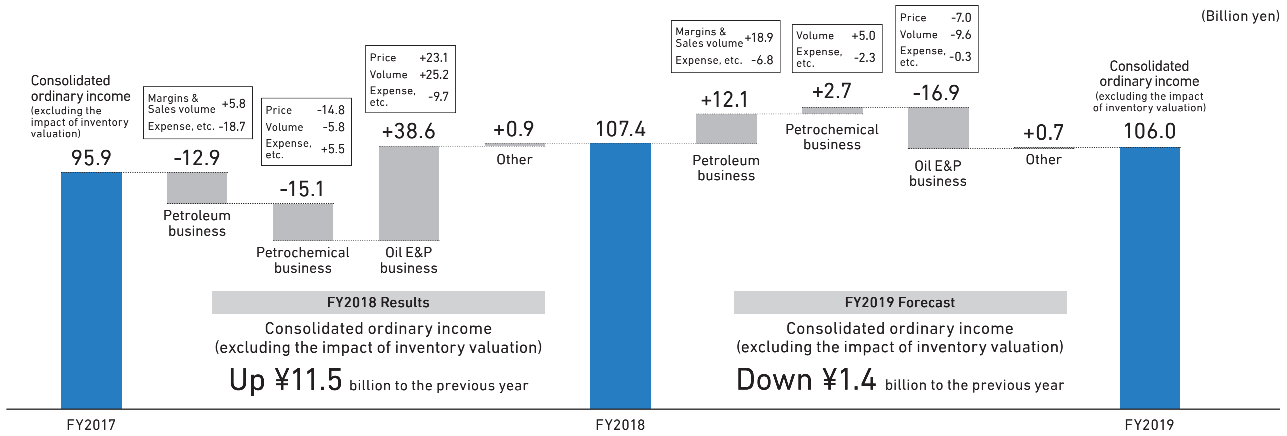
We forecast ordinary income of ¥111.0 billion and profit attributable to owners of parent of ¥60.0 billion (up ¥6.9 billion from FY2018). Ordinary income excluding the impact of inventory evaluation is expected to decrease by ¥1.4 billion to ¥106.0 billion. As for segment breakdown of ordinary income excluding the impact of inventory valuation, the Petroleum Business income is projected to increase by ¥12.1 billion to ¥37.0 billion, due to an increase in sales volume and elimination of the impact from partial trouble of equipment that occurred at refineries in FY2018. The Petrochemical Business income is also expected to increase by ¥2.7 billion ¥18.0 billion, contributed by a rise in the production volume at Maruzen Petrochemical Co., Ltd., assisted by the the absence of regular maintenance. The Oil E&P Business segment is expecting a decline in profit due to a controlled decrease in the production volume at the Hail Oil Field to secure the production volume on a long-term basis (see page 44 for the Hail Oil Field's controlled decrease in production volume). The Renewable Energy and Other Business segment is expected to increase profit by ¥0.7 billion to ¥11.0 billion, due to the start of operation of Watarai Wind Farm's Second Phase (Mie Prefecture; 22,000kW) and Himekami Wind Farm (Iwate Prefecture; 18,000kW).

Consolidated ordinary income (excluding the impact of inventory valuation)

(Billion yen)	FY2018	(Changes)	FY2019 Forecast	(Changes)
Net sales	2,770.4	247.3	2,913.0	142.6
Operating income	94.7	-17.2	109.0	14.3
Ordinary income	96.7	-20.2	111.0	14.3
Impact of inventory valuation	-10.7	-31.7	5.0	15.7
Ordinary income (excluding the impact ofinventory valuation)	107.4	11.5	106.0	-1.4
Petroleum	24.9	-12.9	37.0	12.1
Petrochemical	15.3	-15.1	18.0	2.7
Oil exploration and production	56.9	38.6	40.0	-16.9
Others	10.3	0.9	11.0	0.7
Profit (loss) attributable to owners of parent	53.1	-19.7	60.0	6.9
For reference				
Dubai crude oil price (US$ /barrel; April to March)	69	13	65	-4
Foreign exchange rate (¥/US$; April to March)	111	-	110	-1
Dubai crude oil price (US$ /barrel; Jan. to Dec.)	69	16	65	-4
Foreign exchange rate (¥/US$; Jan. to Dec.)	110	-2	110	-

Key Variable Factors

(Billion yen)	FY2018 Results (Changes)	FY2018 Results: Attributable Factors for Change	FY2019 Forecast (Changes)	FY2019 Forecast: Attributable Factors for Change
Petroleum business	-12.9	While securing an appropriate margin based on the improvement in the domestic supply-demand balance, profit decreased chiefly due to regular maintenance at refineries, limited problems of equipment and the allowance of the cost for future regular maintenance at refineries.	+12.1	An increase in sales volume and eliminating the impact of limited problems of equipment that occurred in the previous year.
Petrochemical business	-15.1	Profit decreased mainly due to the downturn in market conditions and a decrease in sales volume caused by regular maintenance at a plant.	+2.7	A rise in the production volume at Maruzen Petrochemical Co., Ltd., assisted by the elimination of the impact of regular maintenance in the previous year.
Oil E&P business	+38.6	Profit increased due to an increase in oil production thanks to the commencement of the Hail Oil Field's full production.	-16.9	A controlled decrease in the production volume at the Hail Oil Field to secure the production volume on a long-term basis.



FY2018 Results

Outline of Consolidated Cash Flows and Consolidated Balance Sheet

Financial Position

In FY2018 we steadily improved the level of profit, which was evidenced by renewing our record-high in ordinary income excluding the impact of inventory valuation. We also improved our financial position faster than expected when we developed the new consolidated medium-term management plan and lowered the net D/E ratio to less than two times at an earlier point than expected. In FY2019 and onward we intend to securely benefit from profit opportunities and strive to achieve 1.0-1.5 times in the net D/E ratio, the goal of the current consolidated medium-term management plan.

Consolidated Cash Flows

(Billion yen)	FY2017	FY2018
Cash flows from operating activities (1)	192.6	90.5
Cash flows from investing activities (2)	-96.4	-84.5
Free cash flow (1+2)	96.2	6.0
Cash flows from financing activities	-76.8	-20.5
Cash and cash equivalents at end of the period	55.1	40.7

Consolidated Balance Sheet

(Billion yen)	FY2017 (As of Mar. 31, 2018)	FY2018 (As of Mar. 31, 2019)	Changes
Total Assets	1,688.3	1,702.3	14.0
Net assets	356.1	401.9	45.8
Net worth	238.7	281.1	42.4
Net worth ratio	14.1%	16.5%	Up 2.4 points
Net interest-bearing debt[1]	635.8	644.7	8.9
Net debt-to-equity ratio (times)[2]	2.25	1.98	Up 0.27 points

1. Total interest-bearing debts net of cash and deposits etc. as of the end of the period
2. Calculated on the basis that 50% of the ¥60 billion Hybrid Loan made on April 1, 2015 is included in Equity.

Progress of the Consolidated Medium-Term CSR Management Plan

In order to realize sustainable growth as declared in the Management Vision of the Cosmo Energy Group, and based on the Cosmo Energy Group Code of Conduct, thea new consolidated medium-term CSR management plan (FY2018 to FY2022) whass been drafted in line with the sixthnew Consolidated Medium-Term Management Plan. To strengthen the basis for group management, which is one of the four basic policies of the plan, our entire group will implement CSR management and contribute to realizing Social Development Goals (SDGs) from the perspective of ESG (environmental measures; human rights and social contribution measures; safety and governance).

E Promoting Environmental Measures

Materiality	Progress in FY2018
Reduction of greenhouse gas emissions	● CO_2 emission reduction of 810,000 tons from FY2013 by implementing energy-saving investment in refineries and investment in wind power generation business
Reduction of environmental pollutants	● Continual shift of lighting equipment in refineries and plants from mercury lamps to environmentally-friendly LED lamps ● Continual implementation of PCB waste disposal ahead of the legal deadline
Actions to recycle resources	● Continual promotion of industrial waste recycling

S Enhancing Human Rights and Social Contribution Measures

Materiality	Progress in FY2018
Occupational safety & health management	● Cosmo Energy Holdings and its six operating companies* were selected by the Ministry of Economy, Trade and Industry (METI) as a "Certified Health and Productivity Management Organization (White 500)". * Cosmo Energy Exploration & Production Co., Cosmo Oil Co., Cosmo Oil Marketing Co., Cosmo Oil Lubricants Co., Cosmo Business Associates Co., Cosmo Energy Systems Co. ● Cosmo Energy Holdings and its three core operating companies: Ratio of paid holidays taken: 90.4% (89.1% in FY2017)
Diversity	● Cosmo Oil obtained the "Platinum Kurumin" certification, the first in Japan's oil industry in Japan, under the revised Act on Advancement of Measures to Support Raising Next-Generation Children.
Human resources development	● Training expenses: ¥ 59,600 per employee ● Ratio of employees who sign up for a correspondence course for personal development: 10.1%
Customer satisfaction	● AA-rated service stations in evaluation on the three promises: 44.7% (vs. 39.2% in FY2017) ● Number of complaints: 314 (311 in FY2017) ● Cosmo Oil Eco Card holders: Increase of about 1,000 (64,000 at FY2018-end; 63,000 at FY2017-end) ● Start of a new service to use a mobile phone application, aimed at expanding the Cosmo Oil Eco Card Fund

G Ensuring Safety Measures

Materiality	Progress in FY2018
Safe operations and stable supply	● One serious labor-related accident and one serious accident ● Work-related accidents: 151 (135 in FY2017)
Quality assurance	● Zero occurrence of serious product (quality) caused accidents

G Strengthening Corporate Governance Structure

Materiality	Progress in FY2018
Risk management	● Selection, evaluation and implementation of measures for priority risks in each group company ● Follow-up in construction of a risk management system in Maruzen Petrochemical (risk management promotion, adoption, etc.) ● Selection, evaluation and implementation of measures for the group-wide risks that would affect the entire group
Compliance	● Zero serious compliance violations in FY2018 (zero in FY2017) ● Inquiries to the Corporate Ethics Consultation Helpline: 20 (29 in FY2017) ● Conducting of a FY2018 survey on the current status of CSR ● Addition of the Harassment Consultation Helpline
CSR-based procurement	● Study on developing a group-wide (CSR procurement) basic policy for purchasing, and procurement guidelines for each company
Information disclosure	● Release of non-financial information in the COSMO REPORT and on the company's CSR website ● Continually selected in representative indices of socially responsible investment (SRI) products, such as 17th consecutive years of inclusion in the FTSE4Good Index Series

Special Feature

Uniqueness and Competitive Advantages

The Cosmo Energy Group aims at achieving sustainable growth in order to continue to be an energy company valued by society.
Uniqueness and competitive advantages are sources for growth for the Cosmo Energy Group.

CONTENTS

01 Cosmo Energy Group's Uniqueness and Competitiveness

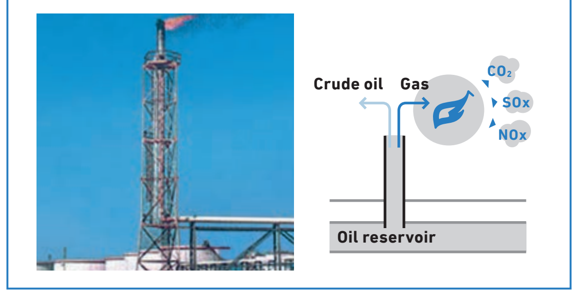
Consideration for the Environment

As our management vision states "Harmony and Symbiosis with the Global Environment," we have been implementing diverse measures with the aim of becoming the world's most environmentally-friend oil/energy corporate group. We are proud to present our environmental measures and initiatives from the viewpoint of uniqueness and competitiveness.

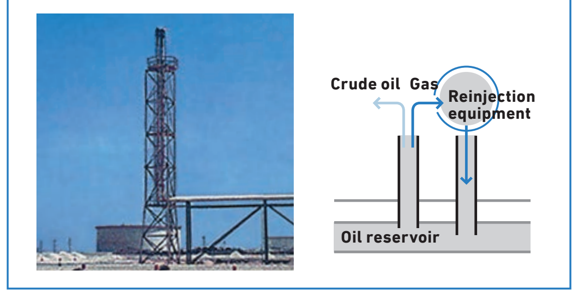
Zero flare project and zero discharge of oil field wastewater

The oil fields of Abu Dhabi Oil Co., Ltd. and Qatar Petroleum Development Co., Ltd. in the Cosmo Energy Group have been realizing the zero flaring operation by collecting the associated gas generated in oil production and reinjecting it into the subsurface oil reservoirs. This is contributing to the prevention of air pollution and the reduction of CO_2 emissions.
Formation water associated in oil production and the wastewater generated in the crude oil treatment process are required to be disposed properly. Cosmo Energy Group companies have the operation without any discharge of the formation water and the wastewater by reinjecting them back into the subsurface through the water disposal wells after oil removal treatment.
In the development of Hail oil field, where includes the Marawah Marine Biosphere Reserve, registered by UNESCO as a sanctuary, any discharge of wastewater and cuttings fluid generated in development activities were strictly prohibited. By installing a wastewater disposal well and cuttings reinjection well prior to drilling activities, we have achieved the "zero discharge operation" in accordance with regulations.

Before zero flaring operation



After zero flaring operation



Water disposal well for wastewater injection to subsurface

Mangroves near the causeway to the West Mubarras site terminal

Steadily progressing to be well prepared for the new IMO regulations

In October 2016, as an air pollution preventive measure, the International Maritime Organization (IMO) decided to set a global limit to reduce the content of sulfur in marine fuel oil from 3.5% at present to 0.5% by 2020, in order to reduce ships' emissions of sulfur oxide (SOx).
The Cosmo Energy Group plans to establish a system to produce fuel oil that complies with the regulation before the tightening of the IMO regulation in 2020. Specific measures are to make maximum use of an increase in the capacity of the direct desulfurization unit at Chiba Refinery so as to supply fuel oil that complies with the IMO regulation; and to increase the capacity of the Delayed Coker unit at Sakai Refinery so as to increase production of profitable products with a shift from heavy oil to middle distillate.

Delayed Coker unit at Sakai Refinery

What are the IMO regulations?

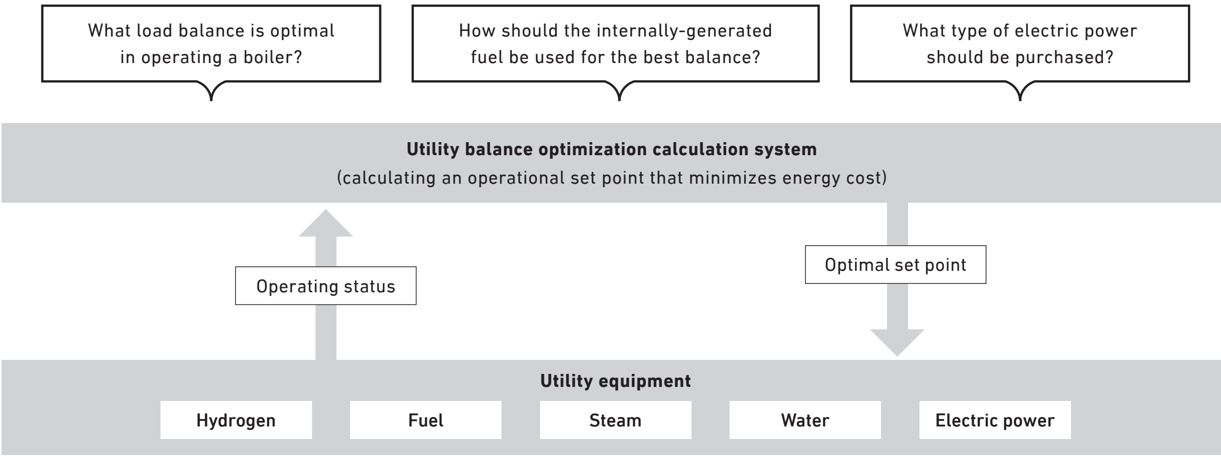
- **International environmental regulations on marine fuel oil set by the International Maritime Organization (IMO)**
- **Tighter regulation to reduce the content of sulfur in marine fuel oil from 3.5% at present to 0.5% from January 2020**
- **Shipping companies have the following three options to choose from but the latter two require a significant amount of investment.**
  ① Use fuel oil with low sulfur content
  ② Build vessels that use liquid natural gas (LNG) with no sulfur content as fuel oil
  ③ Newly construct a scrubber that removes sulfur from the exhaust gas

Reduction in CO_2 emissions by adopting a utility balance optimization calculation system

Refineries use diverse utilities, such as steam, electricity, and fuel to operate equipment. A utility balance optimization calculation system calculates how to operate optimally to minimize these energy costs. For example, we utilize operational data for the entire refinery, calculate which boiler should be operated with which load balance for efficient operation or how much electricity should be purchased, make them visible, and thereby conduct energy-efficient operation.

In FY2018 Cosmo Oil adopted a system for steam and electric power at Chiba Refinery and managed to reduce CO2 emissions by about 15,000 tons. In FY2019 and beyond, the company plans to promote greater efficiency by adopting the same system for hydrogen and fuel at Chiba Refinery. It also has a plan to adopt the system at Yokkaichi Refinery and Sakai Refinery in an effort to achieve a further reduction in environmental impact.

Consideration for the Environment

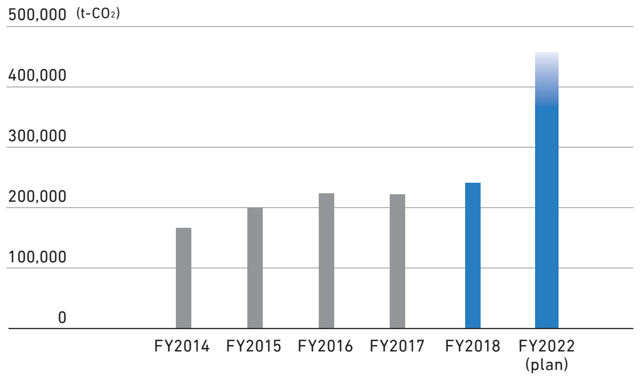


Maruzen Petrochemical first in world to adopt innovative energy saving distillation system

Maruzen Petrochemical installed a cutting-edge energy saving distillation tower in the methyl ethyl ketone manufacturing facility of its Chiba Plant in 2016. This marked a world-first adoption of SUPERHIDIC™ (co-licensed by Toyo Engineering Corporation and the National Institute of Advanced Industrial Science and Technology), an innovative energy saving distillation system that adjusts heat exchange at a desirable heat duty and curbs energy injection from outside. Compared to a conventional distillation tower, over 50% of energy saving has been achieved.

Promoting wind power generation business to reduce CO_2 emissions

CO_2 Emission Reduction by the Wind Power Generation



* Wind power generation: Calculated by using the total power generation volume multiplied by the actual CO_2 emission coefficient, adjusted CO_2 emission coefficient, and other alternative measures.

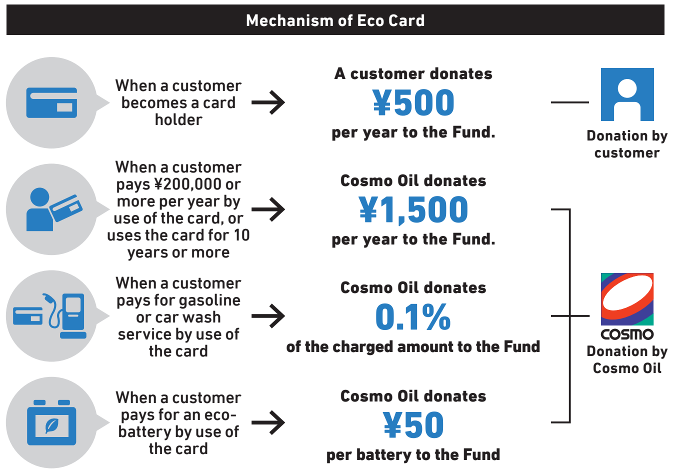
Wind power is eco-friendly, clean energy with no concern over depletion of resources and no CO_2 emissions. Wind power generated by Cosmo Eco Power Co., Ltd. in the Cosmo Energy Group is distributed by local electric power companies to support the lives of people there. The amount of power generated has expanded to serve around 150,000 households, contributing not only to CO_2 emission reduction but also to boosting the energy self-sufficiency rate of Japan, which is highly dependent on imported energy. We aim to become a leading company by continuing to develop new onshore wind farms and also by entering the offshore wind power generation business at an early point.

Environmental contribution activities together with customers

The Cosmo Energy Group has been issuing the Eco Card as a membership card to our loyal customers who frequently use our service stations and have a high level of environmental consciousness since 2002. There are 64,000 card holders. This Eco Card has an add-on feature to contribute to environmental activities: both card members and the Cosmo Energy Group make donations to fund the Cosmo Oil Eco Card Fund, which supports projects to counter climate change issues across the world. In FY2018, the Fund supported 15 projects, and was involved in a project to plant trees as well as another to preserve a forest. The roots of climate change problems are often poverty, education, economic growth, and other social issues in emerging countries. The projects the Fund supports tend to help resolve these issues as well. We will continue to help resolve social issues in the world jointly with our Eco Card members.

コスモ石油 エコカード基金
ずっと地球で暮らそう。

Cosmo the Card Eco　Cosmo the Card Opus Eco



See details　Cosmo Oil Eco Card Fund Annual Report 2019
https://ceh.cosmo-oil.co.jp/eng/envi/ecoreport/index.html

Received the Honorable Prize at the Global Environment Awards

The Cosmo Energy Group received the Honorable Prize at the 28th Global Environment Awards (sponsored by Fujisankei Communications Group and supported by the Ministry of Economy, Trade and Industry, the Ministry of Environment, Ministry of Education, Culture, Sports and Technology, the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Agriculture, Forestry and Fisheries, and the Japan Economic Federation) for its environmentally-friendly activities.
The Global Environment Awards were established in 1992 in special cooperation with the World Wide Fund for Nature (WWF) Japan as an award system for industry with the aim of ensuring "symbiosis between industrial development and the global environment".
The Cosmo Energy Group's many years of activities to contribute to an eco-friendly society, such as the Eco Card Fund, and engagement in wide-ranging eco-friendly energy supply in the oil business and the wind power generation business have been highly regarded and resulted in the receipt of the Honorable Award on this occasion.

02 Cosmo Energy Group's Uniqueness and Competitiveness

Relationship with oil producing countries

The Cosmo Energy Group has been striving to build a trustworthy relationship with Abu Dhabi Government based on the stable operation in Abu Dhabi offshore oil fields over 50 years.
We are pleased to introduce here our relationship with Abu Dhabi and our group's Health, Safety & Environment (HSE) activities and Japanese-language training.

History of building relationship with UAE goes back to 1967

The relationship between Abu Dhabi Oil Co., Ltd. in Cosmo Energy Group and Abu Dhabi, UAE started in 1967, before the foundation of the country. Back then, Abu Dhabi had previously given oil concessions only to US and European companies, but opened up international bidding to Japan. Maruzen Oil Co., Ltd. and Daikyo Oil Co., Ltd. (both companies are currently Cosmo Energy Holdings Co., Ltd.), as well as Nippon Mining Co., Ltd. (currently JXTG Holdings Co., Ltd.) jointly bided and the oil concessions were awarded to them. Subsequently on December 6, 1967, a concession agreement on the exploration and development of the offshore oil fields in Abu Dhabi was signed.
Abu Dhabi Oil Co., Ltd. has been engaged in safe and stable operation for many years through a close relationship with Abu Dhabi National Oil Company and has been highly evaluated since its foundation. In 2018, Abu Dhabi Oil Co., Ltd celebrated the 50th anniversary. Our Group will strive to be a trusted partner of Abu Dhabi.

Signing for concession in Mubarraz Dalma field

Oil Development History of the Cosmo Energy Group's Operating Companies

	Abu Dhabi Oil Co., Ltd.	Qatar Petroleum Development Co., Ltd.	United Petroleum Development Co., Ltd	Middle East and global events
1967	Acquired concession of the Mubarraz oil field			1967 Third Arab–Israeli War
1968	Established Abu Dhabi Oil Co., Ltd.			
1970			Signed a concession agreement of El Bunduq oil field Established United Petroleum Development Co., Ltd.	1971 Foundation of the United Arab Emirates
1973	Commenced of Mubarraz oil field production			1973 Fourth Arab–Israeli War → First Oil Shock
1975			Commenced of El Bunduq oil field production	
1979	Acquired concession of the Umm Al Anbar oil field			1978 Iranian Revolution → Second Oil Shock 1980 Iran-Iraq War
1988	Reached 100 million barrels in production volume Acquired concession of the Neewat Al Ghalan oil field			
1989	Commenced of Umm Al Anbar oil field production			1991 Gulf War
1993			Reached 100 million barrels in production volume	
1995	Commenced of Neewat Al Ghalan oil field production			
1997		Signed a development and production sharing agreement with the Government of the State of Qatar Established Qatar Petroleum Development Co., Ltd.		
2001	Commenced zero flare operation			2003 Iraq War
2005	Reached 200 million barrels in production volume			
2006		Commenced of oil field production	Reached 200 million barrels in production volume Commenced zero flare operation	
2007		Commenced zero flare operation		2008 Record-high WTI crude oil price ($147/bbl)
2011	Signed a new concession agreement and acquired the Hail oil field			First half of 2010s Shale revolution
2017	Commencement of Hail oil field production			2017 Qatar diplomatic crisis
2018	50th anniversary		Signed a new concession agreement of El Bunduq oil field	

Health, Safety & Environment

Health, Safety & Environment (HSE) is a term associated with safety, health and environmental issues relating to business activities. HSE activities deal with these issues systematically and effectively in order to reduce risks and enhance the value of the corporation.
Abu Dhabi Oil Co., Ltd. has organized the HSE Committee and implemented the systematic HSE activities which include HSE training plans appropriate to each position of employees, the HSE patrol aiming at enhancement on-site HSE management, execution of drills for emergencies and application to the ADNOC HSE Awards Program.
The ADNOC HSE Awards Program is a system to provide HSE awards sponsored by Abu Dhabi National Oil Company. Abu Dhabi Oil Co., Ltd. has been actively applying for this HSE Awards Program based on its HSE activities, and has been highly evaluated and received many awards in the past.

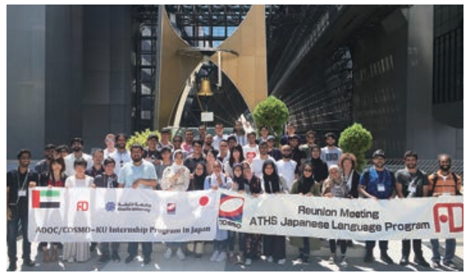
Received the HSE Performer Award (FY2014)

Coral reef around our oil fields

Japanese-language training in the Emirates of Abu Dhabi

Since 2011, we have provided Japanese-language programs to Applied Technology high school(ATHS), a local high school in Abu Dhabi, in partnership with the Ritsumeikan Trust.
We have sent three Japanese teachers and sponsored the program.
As of March 2019, 81 students from Grade 9 to Grade 12 are studying Japanese in the program.
28 students completed the 3-year program in FY2018 and 123 students have completed from the beginning. Among them, 18 students are currently studying in Japan.
We will continue to make further efforts to develop this program in the hope that students in the UAE will deepen their understanding of Japanese language and culture, and that they will play an indispensable role in building enhanced relationship between two countries.

Closing Ceremony of Summer School at Ritsumeikan Uji High School



Reunion Meeting of the ATHS Japanese-Language Program in Kyoto

03 Cosmo Energy Group's Uniqueness and Competitiveness

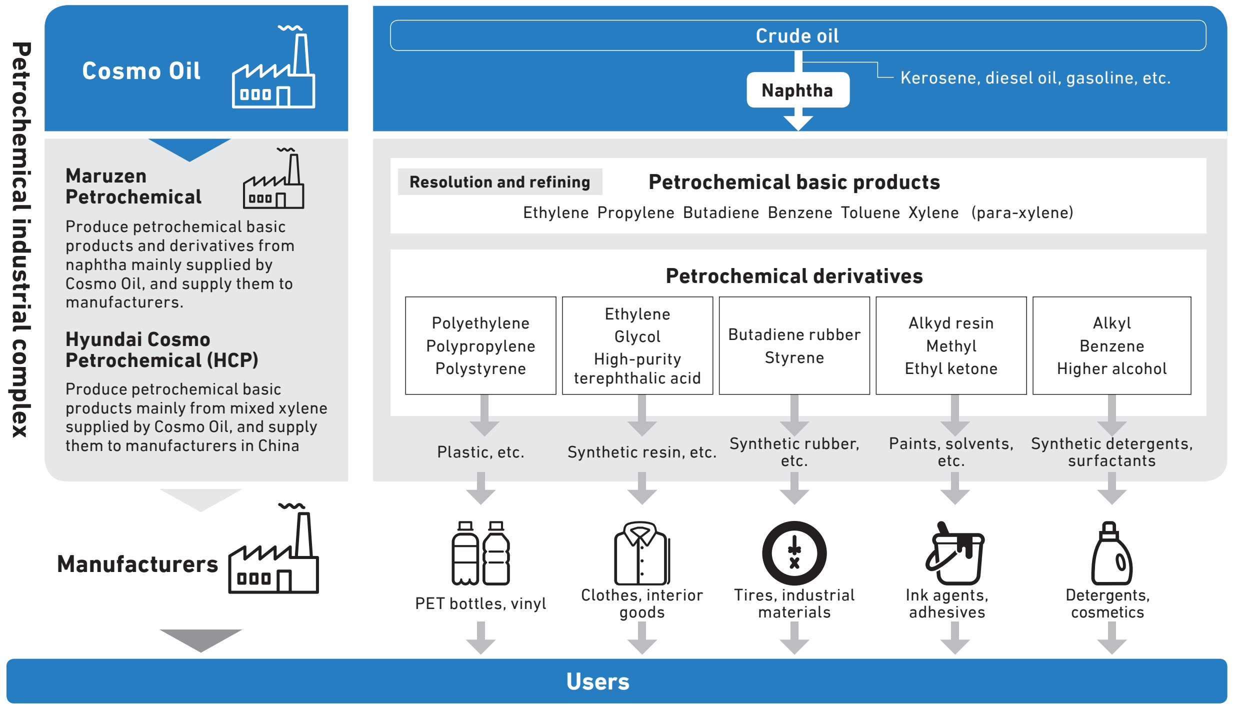
Growth in the Petrochemical Business

The Cosmo Energy Group produces basic petrochemical products (basic chemicals), including plastics, synthetic rubber, ethylene (material of synthetic fiber), propylene, butadiene, and benzene.
Basic chemicals are indispensable materials for modern life and their demand is expected to grow more mainly in emerging countries. Let us present the social role of basic chemicals and the Cosmo Energy Group's advantages in this area.

Social role of basic petrochemical products

We produce ethylene, propylene, butadiene, benzene, mixed xylene, and other petrochemical products from naphtha, which is derived from the refining of crude oil.

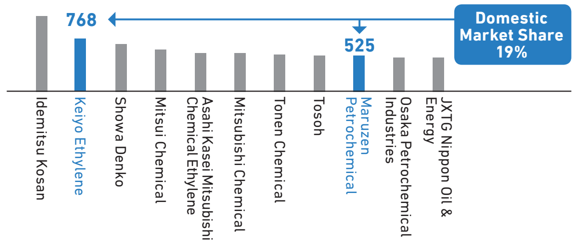
These products are used as materials for clothes and daily goods in the medical and all other kinds of fields and are called basic chemicals that support modern life.



Japan's top-class ethylene production capacity

The Cosmo Energy Group's combined annual production of ethylene by Maruzen Petrochemical and its joint venture Keiyo Ethylene amounted to 1.29 million tons, among the highest levels in Japan in 2018. We will continue to provide high-grade ethylene in the market.

Ethylene Production Capacity in Japan
(Thousand tons/year)



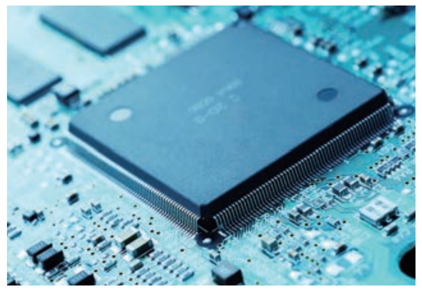
Source: Results of the Production Capacity Survey of Major Petrochemical Products in Japan (as of December 31, 2018); METI; March 29, 2019

Developing competitive advantages in functional chemicals

Unlike basic chemicals used in various fields, functional chemicals enhance high performance in a specified field. We are engaged in the development of chemicals that require high-level technology, such as resin for photo resists, used in manufacturing semiconductors, the core part of smartphones, and acetylene derivatives used for reactive diluents in coating materials and paints. We develop original products and contribute to technological innovation.

● World-leading supplier in the semiconductor resist resin field

Semiconductor resist resin is a special resin that enables a chemical reaction to occur only in areas under light and is indispensable in semiconductor processing. Maruzen Petrochemical is one of the world's leading suppliers of such resist (trade name: Marukalyncur). We will maintain technology development and capital spending in order to meet requests for resins that help realize further refinement in the fabrication of semiconductors and for quality improvement. We also plan to apply this know-how and design and develop products in accordance with performance requirement in diverse applications.



● Expanded production of material for hot-melt, pressure-sensitive adhesive in anticipation of global growth in demand

Semiconductor resist resin is a special resin that enables a chemical reaction to occur only in areas under light and is indispensable in semiconductor processing. Maruzen Petrochemical is one of the world's leading suppliers of such resist (trade name: Marukalyncur). We will maintain technology development and capital spending in order to meet requests for resins that help realize further refinement in the fabrication of semiconductors and for quality improvement. We also plan to apply this know-how and design and develop products in accordance with performance requirement in diverse applications.

World-leading para-xylene production capacity

Hyundai Cosmo Petrochemical (HCP), a joint venture between the Cosmo Energy Group and Hyundai Oilbank in South Korea, possesses world-leading para-xylene production capacity of about 1.18 million tons per year.
In addition, HCP is highly competitive in having a plant located near China, Asia's largest region of demand.
In FY2018, HCP began investment to increase production capacity for para-xylene and for energy saving, in order to become more competitive.

04 Cosmo Energy Group's Uniqueness and Competitiveness

Engagement with Customers

In 1997, we began to send out the message"Filling Up Your Hearts, Too." More than 20 years have passed since then but our desire incorporated in this message remains the same. Let us present here the Cosmo Energy Group's initiatives to fill up the hearts of our customers through the everyday supply of energy.

"Filling Up Your Hearts, Too" declaration and our three brand promises

"Filling Up Your Hearts, Too" Declaration Three brand promises

We strive to "fill up hearts" of our customers by keeping the following three brand promises to our customers

First promise	Customers will be greeted with a welcome and a smile at clean Cosmo Oil service stations.	Comfort
Second promise	Cosmo Oil service stations will offer quality-assured products and services.	Peace of mind
Third promise	Cosmo Oil service station staff will be responsible for their answers to customers' queries.	Trust

Cosmo service stations strive to "fill up the hearts" of customers based on the three brand promises to deliver comfort, peace of mind, and trust to customers.

We strongly believe that, by keeping all three promises at all service stations, the Cosmo Brand is cultivated and the Cosmo service stations will be chosen by customers.

● Cosmo Brand Academy training

With the aim of becoming a brand chosen by customers and developing human resources that can respond to customers' high demand in products and services, the Cosmo Brand Academy holds training programs regarding the enhancement of product knowledge, solution proposals, and technical skills.

● Group training

Once a year, group training is held by the area of each branch in order to disseminate knowledge and know-how obtained by a service station to other areas, with the ultimate aim of improving customer satisfaction.

● Toward improving customer satisfaction

To better provide satisfying services at stations, outside mystery examiners investigate services at stations three times a year. Evaluation items in the survey include the operation of staff from when a customer enters the station until exiting, as well as the customer's desire to re-visit. We are implementing diverse measures to improve daily service, targeting a 50% ratio of the highest "AA" rating for Service Stations (SS) by FY2022, the final year of the current medium-term management plan.

The ratio of "AA" ratings achieved has been increasing every year, thanks to the initiatives taken so far. We will continue to make efforts to meet the expectations of our customers.

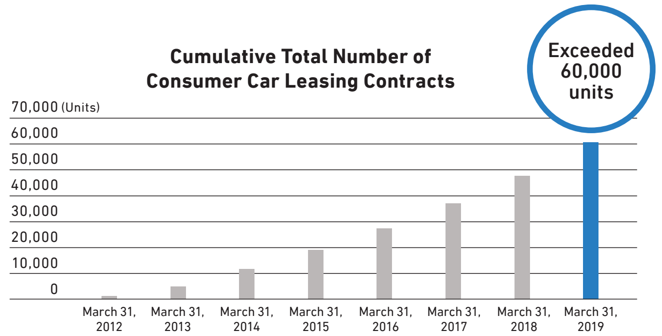
Ratio of AA-rated Service Stations in Evaluation

(Average of three evaluation results per year)

Evolving from an oil distributor to a "Vehicle Life" value provider to deepen the relationship with customers

Leveraging the strength of service stations to have the recurring and direct contact with individual customers, the Cosmo Energy Group is engaged in the car leasing business for the customers since FY2011. A scheme to give discount to gasoline purchasers and a wide range of vehicle models of all domestic automakers deemed leasable were favorably received and contributed to the cumulative total number of contracts of 60,579 at the end of FY2018.

Cumulative Total Number of Consumer Car Leasing Contracts

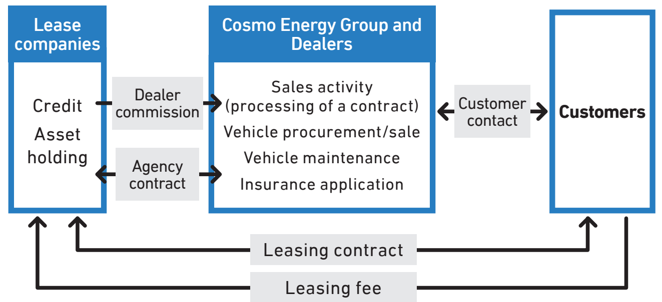


● Consumer car leasing business model

Customers
- Being able to use new cars of any domestic automaker and any model at a favorable price
- No complicated procedures
  For example, expenses are simplified as the monthly fixed rate includes mandatory car inspections, taxes, insurance, etc.

Leasing companies
- Capture new customers

Cosmo and service station operators
- Secure revenue sources that are not solely dependent on fuel



● Enhancement of Cosmo's "Vehicle Life" value proposition

By offering car leasing for individuals, we support many aspects of customers' "Vehicle Life" from the purchase and maintenance of a car to the switch to a new car. As a new initiative, we developed the "Men-Kuru Package" to support customers beginning with obtaining a driver's license and some sales channels began handling this package in January 2019. This is a one-stop service to provide assistance ranging from taking lessons for a driver's license at one of our affiliated driving schools across Japan to providing car leasing service after taking the lessons. Due to its uniqueness, the "Men-Kuru Package" obtained a business model patent in April 2019. The launch of the "Men-Kuru Package" has enabled us to satisfy a wider range of customers from the starting point of their "Vehicle Life" (obtaining a driver's license).

Cosmo Energy Group's Uniqueness and Competitiveness

05

Empowerment of Diverse Human Resources

The Cosmo Energy Group believes that our human resources are the source of our uniqueness and competitive advantages. We strive to develop workplaces where employees play an active role by making use of their diverse backgrounds and to develop arrangements that facilitate employees' activities that create value.

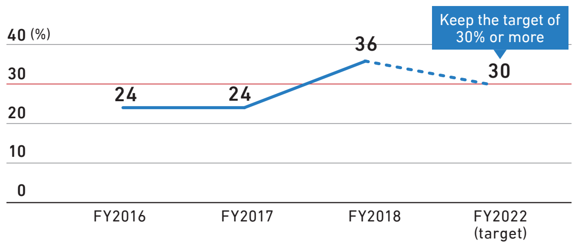
Developing future leaders of the Cosmo Energy Group

We believe that our human resources are the source of our value creation.
We strive to secure and develop diverse individuals who tackle the changing business environment with a sense of speed. We also make efforts to provide a workplace that allows motivated employees with diverse backgrounds to go about their work proactively.
We aim to achieve high productivity and create new value by combining employees' diverse values, abilities, and experiences.

Promoting diversity (having diverse human resources)

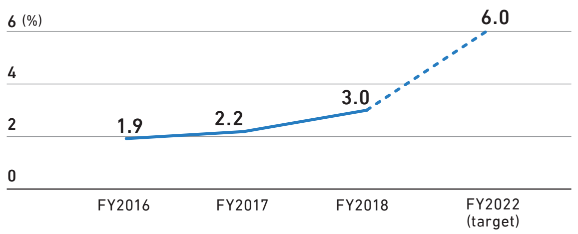
In order to ensure diversity, our first priority is to empower women. We are aiming for women to represent 6% of managers and 30% of newly-hired employees (professional staff) by FY2022.
For employees undergoing childbirth and using childcare, in addition to the childcare leave and shorter working hours programs, conditions of which exceed legal requirements, and a telework program, we promote taking special paid holidays such as an anniversary day off (the first birthday of a child) and the program offering leave of absence for childcare up to the child's graduation from elementary school.
We have also prepared systems that enable employees to keep working even when their family situation changes, such as limited workplace options for childcare or caregiving reasons, a re-employment system for employees who have retired for childcare or caregiving reasons, and a leave of absence program related to the job transfer of a spouse.
We also have a career support program to assist employees who take childcare leave to return to work.
From the perspective of respecting diversity, we also strive to maintain or increase employment of persons with disabilities. The rate of persons with disabilities as of June 1, 2019 was 2.30%, exceeding the mandate rate. We are implementing measures to empower employees with disabilities, such as arranging seminars at the departments which will receive the employees and providing regular consultation to ensure the employee is settled well in the workplace.

Ratio of Women in Newly-Hired Employees



* Employees (professional staff) at Cosmo Oil
* Calculated as of March 31 of each fiscal year

Ratio of Female Managers



* Managers are those ranked in a position to have subordinates or those in the similar rank but with no subordinates.
* Due to a change in the scope of job category covered in the data, the ratio of female managers for previous years has been revised.
* Employees registered at Cosmo Oil
* Calculated as of March 31 of each fiscal year

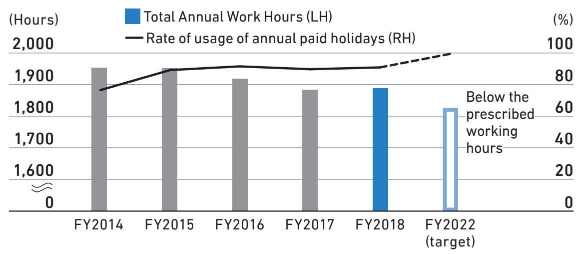
Promoting work-style innovation

In order to improve productivity and to facilitate a work-life balance, we have aimed to achieve a 100% ratio of annual paid holidays taken and to optimize working hours. Our initiatives include encouraging employees to work mornings rather than nights (revision of the overtime pay rate), to take a so-called "refresh day" (no-after-hours work day), to turn off the lights in the workplace at 8 pm (to discourage non-essential after-hours work), and to factor in the actual number of hours worked by subordinates and its improvement in personnel assessments of managers.

● **Expansion into the telework program**

With the objective of boosting productivity and promoting diverse work styles, the work-at-home program was extended to all employees (excluding shift workers) in FY2017. Further in FY2019, the work-at-home program was expanded into the telework program, enabling employees to work not at home but at other locations.
These efforts reduced total annual work hours to 1,888 in FY2018. We will continue to make efforts aimed at reaching levels below prescribed total annual work hours (1,811 hours for day workers; 1,826 hours for shift workers) and a 100% ratio of annual paid holidays taken.

Total Annual Work Hours and Ratio of Average Annual Paid Holidays Taken



Evaluation by Outside Institutions

In the case of the consolidated medium-term CSR plan, which links with the sixth consolidated medium-term management plan, we are striving to promote health and reduce long work hours. In addition, we are establishing an environment that enables the improvement of productivity and the creation of new value in initiatives to promote diversity. These initiatives have been recognized by outside institutions and are highly regarded.

● **Obtained "Platinum Kurumin" certification, first in Japan's oil industry**

Cosmo Oil in the Cosmo Energy Group obtained "Platinum Kurumin" certification from the Minister of Health, Labour and Welfare, under the revised Act on Advancement of Measures to Support Raising Next-Generation Children. Promotion of diversity is an important theme, as the new consolidated medium-term management plan lists "strengthen the Group's management foundations" as one of its basic policies. "We value people" is also a part of the Group Code of Conduct. In the spirit of practicing this, we will continue various initiatives to improve the work-life balance of employees.

プラチナくるみん 子育てサポートしています

* "Platinum Kurumin" certification is awarded under the revised Act to companies that have already obtained "Kurumin" – awarded in recognition of a company's measures to provide support to employees with children – and have further built upon this.

BUSINESS OVERVIEW	OIL EXPLORATION AND PRODUCTION BUSINESS	PETROLEUM BUSINESS (REFINING AND SALES)	PETROCHEMICAL BUSINESS	RENEWABLE ENERGY AND OTHER BUSINESSES	TOTAL
Business summary	Business of exploration and production of crude oil in Abu Dhabi in the United Arab Emirates (UAE) and in the 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.	Businesses that are not related to oil or petroleum. Mainly engaged in wind power generation as renewable energy.	
Net sales (FY2018 result)	¥111.7 billion	¥2,526.9 billion	¥458.6 billion	¥60.2 billion	¥2,770.4 billion[2]
Ordinary income (FY2018 result)	¥56.9 billion	¥14.2 billion/¥24.9 billion (excl. the impact of inventory valuation)	¥15.3 billion	¥10.3 billion[2]	¥96.7 billion/ ¥107.4 billion[2] (excl. the impact of inventory valuation)
Number of employees (as of March 31, 2019)	271	4,481	1,164	872	6,788
Major assets (as of March 31, 2019)	Crude oil reserves (proved and probable) 167.0 million barrels Equivalent to approx. 18 years of supply Crude oil production Approx. 52,000 barrels/day Comparison with refining capacity: Approx. 13% Partnerships Solid relationship of trust with oil producing countries for about 50 years Operatorship (self-operation) We produce the largest volume of crude oil in the Middle East region as a Japanese operator.	Crude oil processing capacity[1] 400,000 barrels/day Domestic market share: Approx. 11.4% Domestic Sales Volume 20,566 thousand KL Number of service stations in Japan Number of Cosmo brand stations 2,792 Number of the "Cosmo the Card" holders Approx. 4.33 million Cards Car leasing business for individuals Cumulative total 60,579 cars	Olefinic production capacity Ethylene 1.29 mil tons/year[3] Domestic market share: Approx. 19% Aromatic production capacity Para-xylene 1.18 mil tons/year[3] Benzene 0.74 mil tons/year[3] Mixed-xylene 0.62 mil tons/year[3]	Wind power generation capacity 267,000 kW No. 3 in Japan and 6% domestic share *as of April 30, 2019 Solar power generation capacity 24,000 kW	COSMO Corporate brand awareness in Japan 98.4% Survey of 1,239 customers (men and women, 18-64 years old) who used a service station in the past one month (as of October 30, 2017)
Major business companies related companies (as of March 31, 2019)	Cosmo Energy Exploration & Production Abu Dhabi Oil (UAE) Qatar Petroleum Development (Qatar) United Petroleum Development (UAE/Qatar)	Cosmo Oil Cosmo Oil Lubricants Gyxis (LPG) Cosmo Oil Marketing Cosmo Oil Sales Sogo Energy	Maruzen Petrochemical (Chiba/Yokkaichi) Cosmo Matsuyama Oil CM Aromatics (Chiba) Hyundai Cosmo Petrochemical (Korea)	Cosmo Eco Power (Wind power generation) Cosmo Engineering Cosmo Trade and Service	

1. Including the supply of petroleum product/semi product (37,000 barrels/day equivalent) from Idemitsu Showa Shell Group with the business alliance
2. Including consolidating adjustment
3. Including whole capacity of Keiyo Ethylene (55% owned, consolidated subsidiary of Maruzen Petrochemical)

Impact of inventory valuation

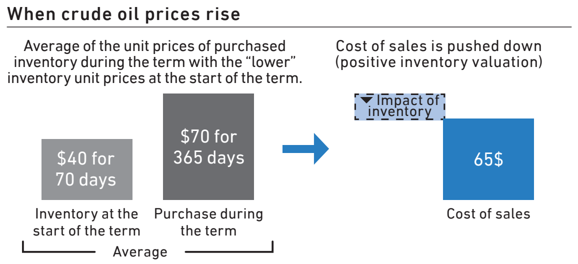
The "impact of inventory valuation" indicates the impact on the cost of sales in the financial statements, according to the inventory valuation method, when there is a change in the price of crude oil. It can be separated into the following two categories:

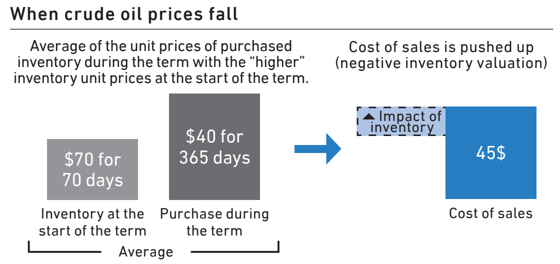
1 Inventory valuation impact based on the periodic average method

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 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 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.

2 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.

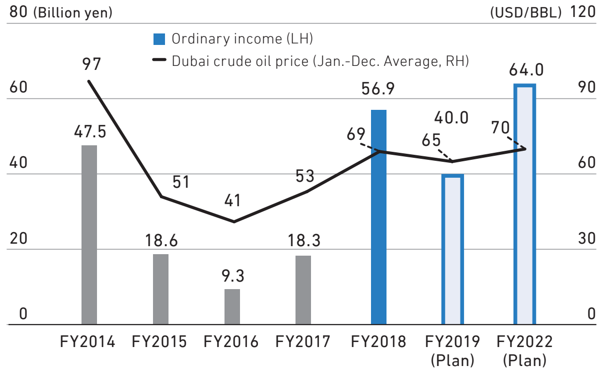




OIL EXPLORATION AND PRODUCTION BUSINESS

Ordinary income

* Operating companies (Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., and United Petroleum Development Co., Ltd.) end their FY on December 31.



Strengths

- **Trustworthy relationship based on the stable operation in Abu Dhabi off-shore fields over 50 years**
- **Renewed concession agreement for three existing oil fields of Abu Dhabi Oil Co., Ltd. for 30 years and newly acquired Hail Oil Field. Operating Hail Oil field at full capacity**
- **Alliance with CEPSA[1], a wholly-owned company of our largest shareholder MIC[2] (formerly IPIC)**

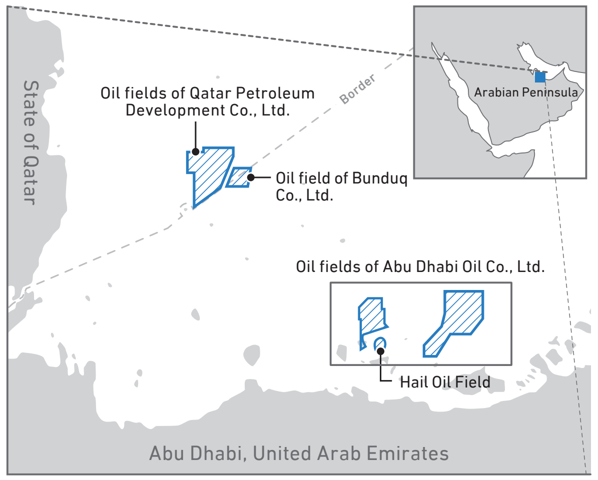
1. Compañía Española de Petróleos, S.A.U. (CEPSA) is a major Spain-based oil company.
2. Mubadala Investment Company (MIC), a holding company was established by an integration of International Petroleum Investment Company (IPIC), an energy investment company that is fully owned by the Abu Dhabi government and Mubadala Development Company (MDC).

Trustworthy relationship based on the stable operation over 50 years, and strong competitiveness, taken by operatorship.

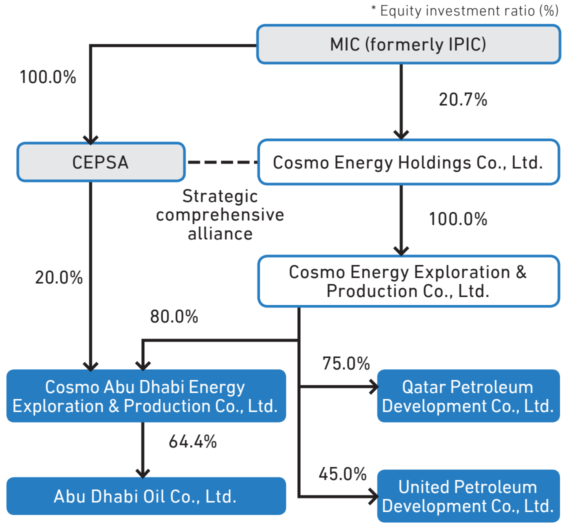
Abu Dhabi Oil Co., Ltd. in the Cosmo Energy Groups owns concessions in four oil fields (Mubarraz, Umm Al Anbar, Neewat Al Ghalan, and Hail) based on over 50-years trustworthy relationship with Abu Dhabi, UAE. We have also maintained stable operation for many years at three oil fields (Al Karkara, A-Structure North and A-Structure South) in Qatar by Qatar Petroleum Development Co., Ltd. and at El-Bunduq Oil Field in the border zone of Abu Dhabi and Qatar by United Petroleum Development Co., Ltd.

We are also engaged in oil development and production as an operator. As we have accumulated technologies and know-how about our oil fields, we have been able to operate and product the crude oil at low-cost. Our strong competitiveness enable us to earn profit even in FY2016, when the Dubai oil price dropped to around US$30 per barrel.

Cosmo Energy Group's Oil Fields



* Equity investment ratio (%)



Business Results and Forecasts

FY2018 Results

Our gross production rate increased by 35% year-on-year to 52,303 B/D thanks to continuous full production capacity of Hail Oil Field from January 2018. Higher crude oil prices also contributed positively to generating ordinary income of ¥56.9 billion in FY2018, up ¥38.6 billion from the previous year.

FY2019 Forecasts

In order to maximize recovery of crude oil from Hail Oil Field, we curtail its production and proceed to consider secondary oil recovery* in FY2019. As a result, ordinary income is expected to be ¥40.0 billion, down ¥16.9 billion year on year.

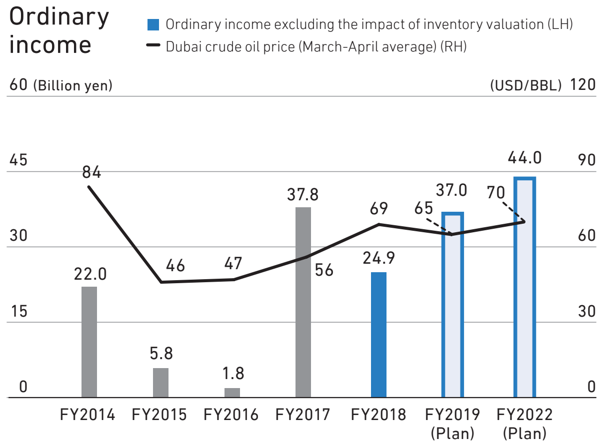
*The purpose of secondary recovery is to maintain reservoir pressure and to displace oils toward the wellbore by using an external fluid such as water or gas injected into the reservoir through injection wells.

Enhanced profitability due to production at Hail Oil Field

Abu Dhabi Oil Co., Ltd. in the Cosmo Energy Group acquired a concession of the Hail Oil Field in December 2012 and commenced production in November 2017. Along with an increase in production rate at Abu Dhabi Oil Co., Ltd., the Cosmo Energy Group's profitability improved substantially. Being located near existing oil fields, Hail Oil Field has suppressed new capital investment by sharing the existing facilities and has also reduced per-barrel operating costs while boosting production volume.

After the commencement of production, the rate of decline in the reservoir pressure at Hail Oil Field was higher than initially expected. We are therefore considering secondary oil recovery methods such as the waterflooding method in 2019. After the method for secondary oil recovery is implemented, production rate is expected to recover to the originally expected level. We will maintain stable production in each oil field, thereby contributing to the stable crude oil supply for Japan.

PETROLEUM BUSINESS (REFINING AND SALES)



Strengths

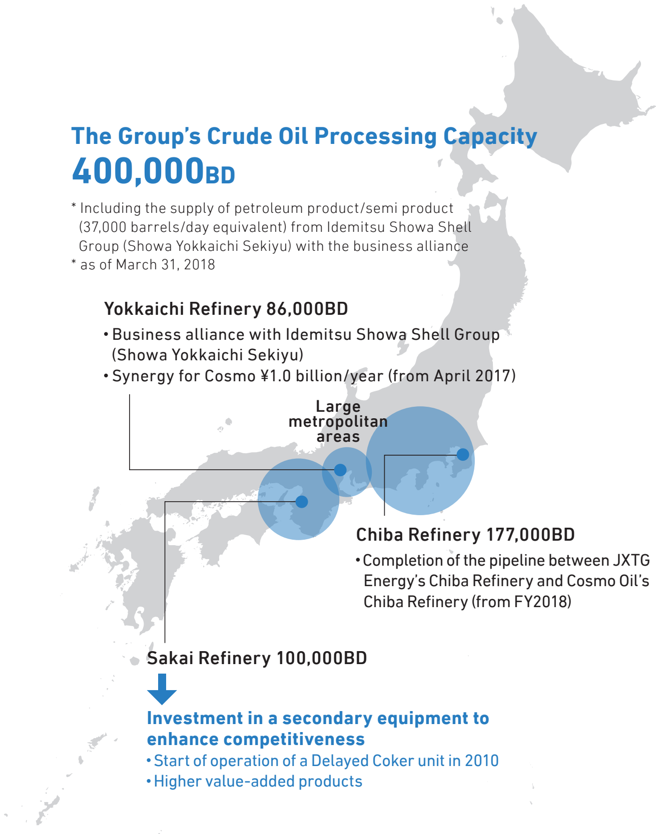
- **Increase Delayed Coker unit capacity and promote alliance to enhance competitiveness of refineries**
- **Profit structure without depending only on fuel oil, by adding car leasing business for individuals at the core**

Revenue growth opportunities exist such as the changing environment resulting from IMO regulations and the start of supply to Kygnus Sekiyu

In January 2020, the International Maritime Organization (IMO) will tighten regulations on the content of sulfur in marine fuel oil by reducing the limit to 0.5% from 3.5% at present. This is expected to reduce demand for high-sulfur heavy oil, conventionally used for fuel oil, and increase demand for low-sulfur heavy oil. The oil industry therefore faces a challenge to cope with a decline in demand for high-sulfur heavy oil and to ensure stable supply of low-sulfur heavy oil.

The Cosmo Energy Group is seizing the change caused by the IMO regulations as an opportunity. We are establishing a structure to boost production of low-sulfur heavy oil without producing high-sulfur heavy oil by increasing the capacity of the Delayed Coker unit at Sakai Refinery in advance of the tighter regulations in 2020 and utilizing the direct desulfurization unit of Chiba Refinery.

We will also start supplying fuel oil to Kygnus Sekiyu, our capital and business alliance partner, around 2020. Thanks to the start of this supply, our domestic sales volume is expected to increase by 111.8% from the previous year in FY2019.



Business Results and Forecasts

FY2018 Results

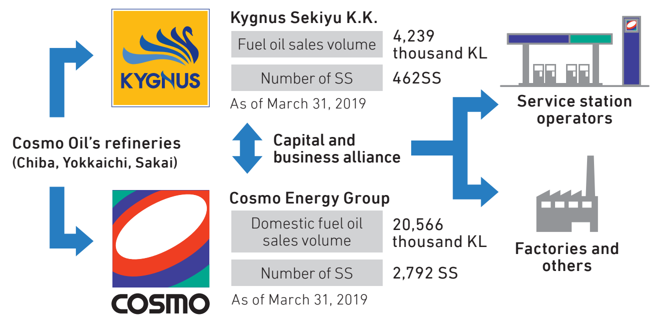
Despite securing an appropriate margin from petroleum products based on an improvement in the domestic supply-demand balance, ordinary income excluding the impact of inventory valuation decreased by ¥12.9 billion from the previous year to ¥24.9 billion chiefly due to regular maintenance at refineries, the suspension of equipment caused by limited problems and allowances for the cost of future regular maintenance at refineries.

FY2019 Forecasts

In FY2019, ordinary income excluding the impact of inventory valuation is expected to increase by ¥12.1 billion from the previous year to ¥37.0 billion in response to securing an appropriate margin from petroleum products and eliminating the impact of limited equipment problems that occurred in the previous year.

Alliance with Kygnus Sekiyu to enhance competitiveness

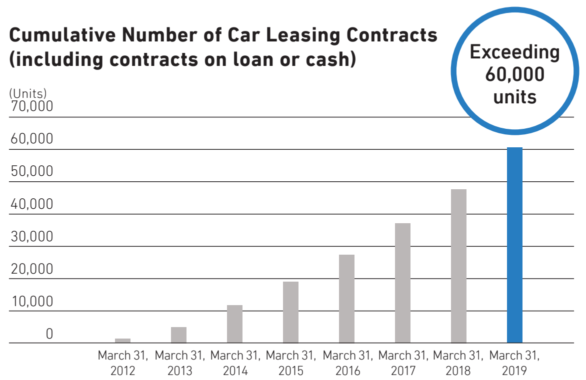
- Entered into a capital and business alliance with Kygnus Sekiyu in February 2017 and acquired a 20% equity stake of Kygnus Sekiyu in May 2017.
- Will begin to supply fuel oil to Kygnus Sekiyu by around 2020.
- Will discuss and study further business alliances, without being limited to the supply of fuel oil.



Strengthening the "Vehicle Life" business

Aiming at establishing a profit structure that does not fully depend on fuel oil, the Cosmo Energy Group has expanded into the car leasing business for individuals. Since FY2011, when we began the car leasing business, a scheme to give discounts to gasoline purchasers and a wide range of vehicle models of all domestic automakers deemed leasable have been favorably evaluated, resulting in the cumulative total number of contracts reaching 60,579 at the end of FY2018. In the immense vehicle life market, which is said to be worth 36 trillion yen, we will create a high-performance, highly-efficient business model. This model will leverage the strength of our infrastructure comprising service stations, which welcome around half a million visits by customers every day, our staff who share the passion of "Filling Up Your Hearts, Too," and our 4.33 million card holders.

Cumulative Number of Car Leasing Contracts (including contracts on loan or cash)

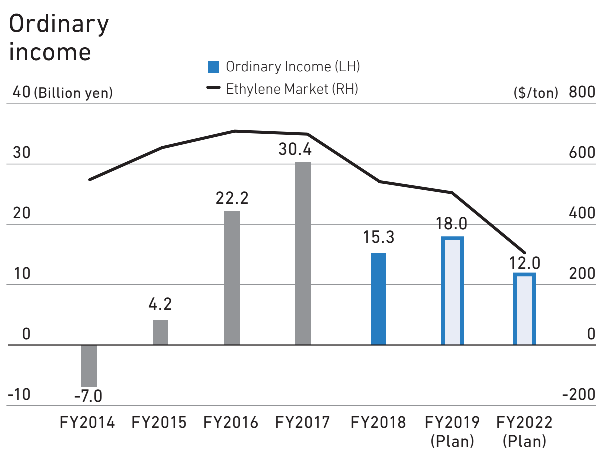


Launch of "Cosmo Denki (Electricity)"

In order to participate in and expand business in the residential life market and the local energy market, as stated in our growth strategy, we started selling "Cosmo Denki (Electricity)," home-use electricity, in FY2019. By combining our insight and know-how, as well as our service stations nationwide, we are seeking to create future value.

みんなにやさしい
コスモでんき

PETROCHEMICAL BUSINESS



Strengths

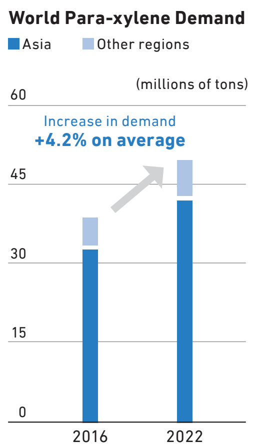
- **Established a production chain in Asia, a world-leading demand region**
- **Cost competitiveness based on Japan's largest-scale ethylene production capacity (Maruzen Petrochemical)**
- **Cost competitiveness based on one of the largest-scale para-xylene production capacity in Asia (Hyundai Cosmo Petrochemical*)**

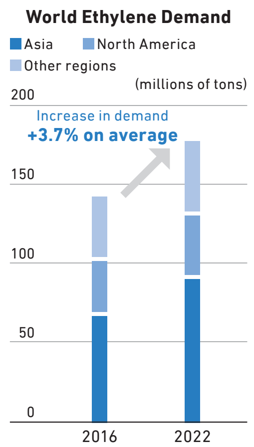
* A joint venture with Hyundai Oilbank (HDO) in South Korea

The Petrochemical Business is a growth driver supported by the expanding international market

International demand for petrochemical products is expected to grow further on the back of global population growth. In view of this trend, the sixth consolidated medium-term management plan identifies the Petrochemical Business as one of the growth drivers and targets aggressive investment aimed at reliably receiving profits during and after the next medium-term management plan.

By making use of strong competitiveness in the production of ethylene and para-xylene at Maruzen Petrochemical and Hyundai Cosmo Petrochemical (HCP) in the Cosmo Energy Group, we seek to deepen and benefit from synergies with the Petroleum Business.





Source: Global Supply and Demand Trends for Petrochemical Products (October 2018), the Ministry of Economy, Trade and Industry

Maximizing the Group's competitive advantages and aiming to expand new business in functional products

Maruzen Petrochemical in the Cosmo Energy Group has Japan's largest ethylene production capacity, at 1.29 million tons per year, with its plants in the Keiyo Industrial Area in Chiba Prefecture and the Chukyo Industrial Zone in Mie Prefecture. The Chiba Plant, in particular, has two ethylene plants and functions as an ethylene center which serves as the core of the industrial complex. By being connected with an adjacent petrochemical manufacturer via a pipeline, the Chiba Plant makes good use of its two ethylene plants in operation.

Moving forward, we will endeavor to create synergies between the Oil Refining Business and the Petrochemical Business through better sharing of raw materials and fuels (material diversification at ethylene plants), effective use of utilities (such as electric power and water used in plants), and rationalization of equipment, with the aim of further enhancing our competitiveness.

We will also strive to enhance our competitive edge in basic products and expand the highly-functional product business, which is less prone to the market environment.

Business Results and Forecasts

FY2018 Results

Ordinary income decreased by ¥15.1 billion from the previous year to ¥15.3 billion mainly due to the downturn in market conditions and a decrease in sales volume caused by regular maintenance at Maruzen Petrochemical.

FY2019 Forecasts

In FY2019, ordinary income is expected to increase by ¥2.7 billion from the previous year to ¥18.0 billion due to an increase in production volume at Maruzen Petrochemical, supported by the elimination of the impact of regular maintenance in FY2018.

The Cosmo Energy Group established Hyundai Cosmo Petrochemical (HCP), a joint venture with Hyundai Oilbank (HDO), in November 2009. HCP is a world-leading para-xylene manufacturer, possessing one of the world's largest para-xylene manufacturing facilities with annual capacity of 1.18 million tons. Para-xylene makes purified terephthalic acid, which is used for polyester, a material for clothes, PET bottles, and other end products.

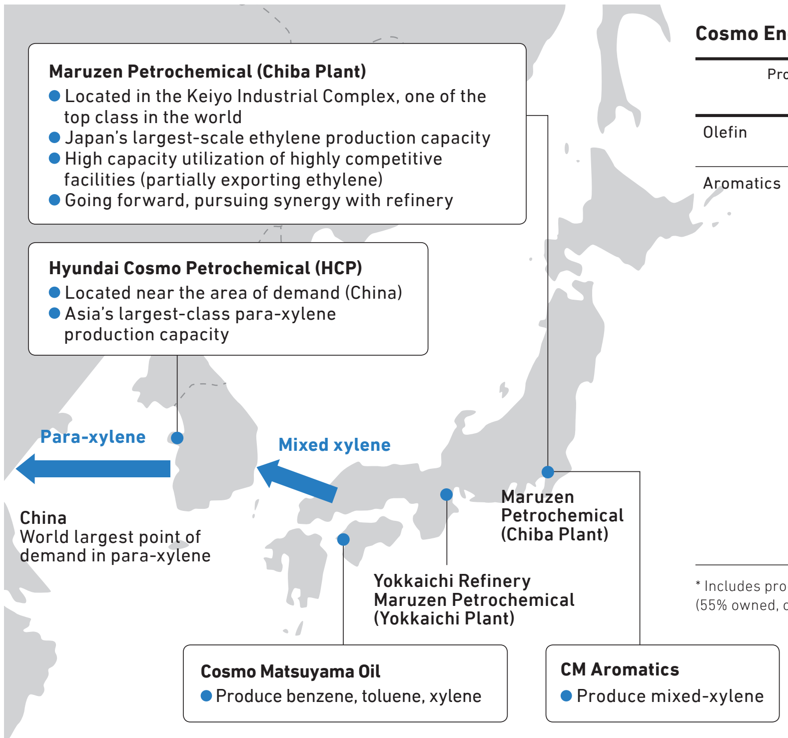
Going forward, even if domestic demand for gasoline declines, we will be able to shift production from gasoline to mixed-xylene and thereby enhance the competitiveness of our refineries.

We will endeavor to grow the business by capturing changes in the global market and using our network in Japan and overseas.

HCP's para-xylene manufacturing facilities

Maruzen Petrochemical's Chiba Plant

Production Structure

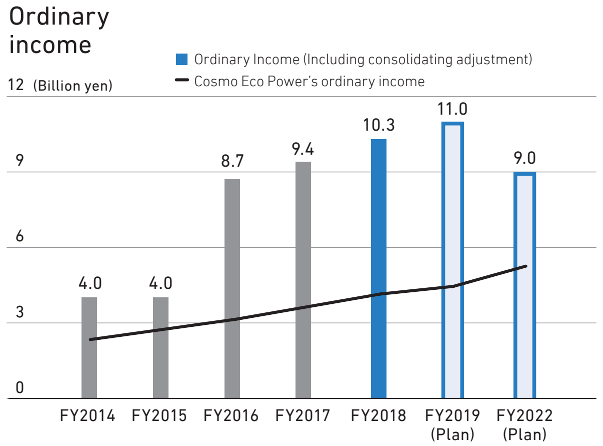


Cosmo Energy Group's Production Capacity

Product		Company Production	Capacity (tons/year, exc. impact of regular maintenance)
Olefin	Ethylene	Maruzen Petrochemical	1,290,000*
Aromatics	Para-xylene	Hyundai Cosmo Petrochemical	1,180,000
	Benzene	Maruzen Petrochemical	395,000
		Hyundai Cosmo Petrochemical	250,000
		Cosmo Matsuyama Oil	90,000
		Subtotal	735,000
	Mixed xylene	Cosmo Oil (Yokkaichi Refinery)	300,000
		CM Aromatics	270,000
		Cosmo Matsuyama Oil	48,000
		Subtotal	618,000
		Aromatics total	2,533,000

* Includes production capacity of Keiyo Ethylene (55% owned, consolidated subsidiary of Maruzen Petrochemical)

RENEWABLE ENERGY AND OTHER BUSINESSES



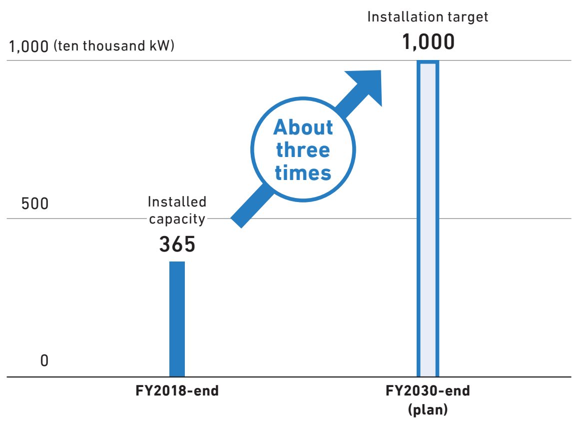
Strengths

- **Group incorporation in 2010 of Eco Power (currently Cosmo Eco Power), 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 Cosmo Energy Group**
- **Nationwide operation to reduce risks in wind condition changes by region and to ensure stability**
- **Plan to expand business over the long term by expanding onshore sites and participating in offshore site projects**

Environment surrounding the wind power generation business

Amid the global trend of decarbonizing, renewable energy is anticipated to grow in Japan.
Wind power generation, in particular, is expected to grow about three times from 2017 to 2030 (10 million kW) in terms of its share of the total power source mix in Japan, according to the the Ministry of Economy, Trade and Industry (METI).
In addition, the feed-in tariff (FIT) scheme introduced in FY2012 is expected to help generate stable profit from the wind power generation business for 20 years.
On the other hand, it is a difficult business to newly enter, as it requires sophisticated expertise in the selection of suitable land, dialogue with residents in the community, and environmental impact assessments.

Japan's Installed Wind Power Generation Capacity and Target



* Prepared based on the Long-term Energy Supply and Demand Outlook (released in July 2015) and the Renewable Energy Electronic Application Website, both created by the Ministry of Economy, Trade and Industry (METI).

Business Results and Forecasts

FY2018 Results

Ordinary income increased for the ninth consecutive year to ¥10.3 billion, up ¥0.9 billion from the previous year, thanks to the ongoing smooth operation of wind farms.

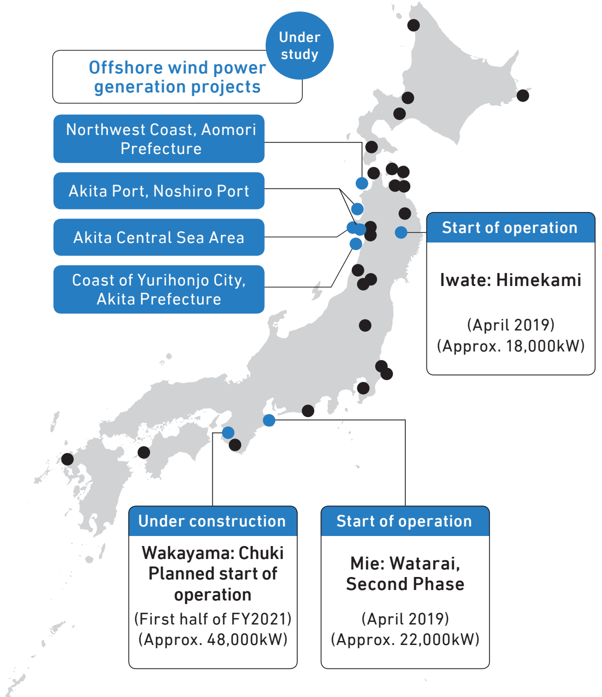
FY2019 Forecasts

Ordinary income is expected to increase by ¥0.7 billion from the previous year to ¥11.0 billion, due to the start of operation of Watarai Wind Farm's Second Phase (Mie Prefecture; 22,000kW) and Himekami Wind Farm (Iwate Prefecture; 18,000kW).

Cosmo Eco Power, Japan's first company specializing in wind power generation

Eco Power Co., Ltd. (currently Cosmo Eco Power) was established as Japan's first company specializing in wind power generation in 1997 and joined the Cosmo Energy Group in 2010. Since then, Cosmo Eco Power has been proactively engaged in the maintenance of existing sites and the start-up of new wind farms and has steadily increased its power generating capacity and profit.
The company currently has a high share of the market, with 267,000kW of power generation capacity in 24 areas. Thanks to its experienced staff and high technical skills, it has achieved a utilization rate* of over 90% and has maintained safe, steady operation.
Cosmo Eco Power is newly developing the Chuki Wind Farm (Wakayama Prefecture; 48,000kW), which is scheduled to start operation in FY2021. By FY2022, the final year of the current medium-term management plan, wind power generation capacity is targeted to reach 400,000kW.

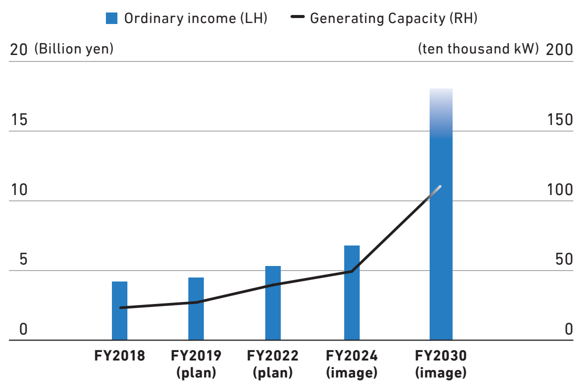
* The ratio of hours on stand-by status to generate power if the wind blows within one year



Aiming to become a leading company in offshore wind power generation

In addition to the onshore wind power business, Cosmo Eco Power aims to become a leading company in offshore wind power generation by entering this business. The company is currently studying offshore wind power generation projects mainly in the following four areas: the sea area of Akita Port and Noshiro Port; off the coast near Yurihonjo City, Akita Prefecture; the Akita Central Sea Area; and the Northwest Coast, Aomori Prefecture, Akita Prefecture.
We will continue to steadily implement wind farm construction plans to increase power generating capacity and consider construction of new wind power generation capacity.

Projection of Cosmo's Wind Power Generating Capacity in Japan



Corporate Governance

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 enhance 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.

Supervisory Committee

The Supervisory Committee is composed of three members in total, namely, one internal director and two independent outside directors, and 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.

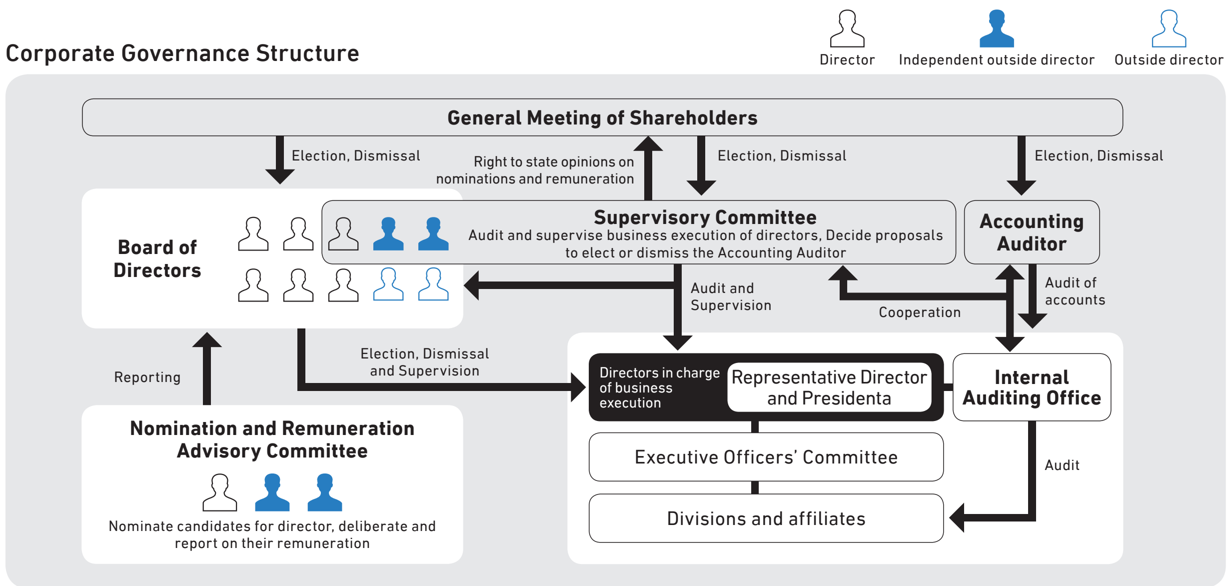
Executive Officers' Committee

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 independent outside director.

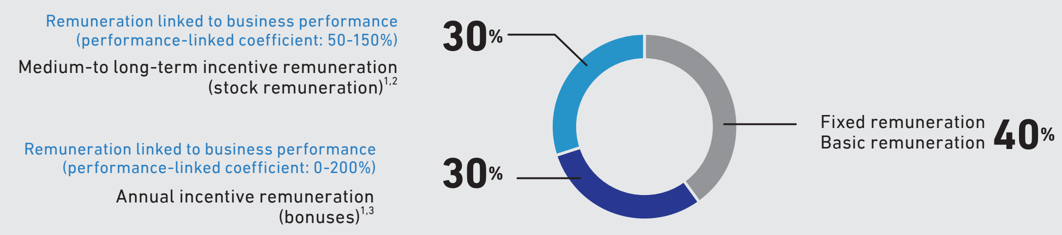
Corporate Governance Structure



Executives' Remuneration Plan

In FY2018 the Company introduced a new 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 medium- to long-term incentive remuneration (stock remuneration) linked to the ratio of the Company's Total Shareholder Return (TSR) to the TOPIX (Tokyo Stock Price Index) growth rate as well as to the consolidated net debt-to-equity ratio of three consecutive fiscal years starting from the fiscal year. A ratio of 4:3:3 has been established for basic remuneration: annual incentive remuneration (when consolidated ordinary income excluding the impact of inventory valuation reaches ¥100 billion): and medium- to long-term incentive remuneration (when stock price conditions are fully achieved).
The stock remuneration plan is an incentive plan that uses a trust system. It is a mechanism that creates management motivation based on awareness of increasing corporate value in the long term, as directors 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 ratio of the Company's Total Shareholder Return (TSR) to the TOPIX (Tokyo Stock Price Index) growth rate as well as to the consolidated net debt-to-equity ratio for FY2018-FY2020
3. Linked to consolidated ordinary income excluding the impact of inventory valuation for each fiscal year

Evaluation of Effectiveness of the Board of Directors

As a part of continued initiatives from FY2016 to enhance effectiveness of corporate governance, the Company evaluated the effectiveness of the Board of Directors in order to improve its management and functions.

Method of evaluation

Upon explanation of the purpose of evaluation, questionnaires were distributed to all directors. Then the results were analyzed and evaluated based on the answers from all of them in consideration of discussions at the Board of Directors.

Main points of inquiry

- Composition, roles, and operation of the Board of Directors
- Coping with the Corporate Governance Code
- Effectiveness of the Board of Directors

Summary of evaluation results

The Board of Directors analyzed and evaluated that the effectiveness of the Board of Directors as a whole is ensured due to the following:

- The Board of Directors is comprised of an appropriate number of directors and serves as a fair place that allows exchange of active, unrestricted opinions.
- The Board of Directors checked the progress of the consolidated medium-term management plan and had a constructive discussion.

Initiatives to enhance the effectiveness

Based on the above evaluation results, the Board of Directors will do the following.

- Supervision of the implementation status of the consolidated medium-term management plan
- Enhanced efficiency in management of the Board of Directors
- Continual evaluation of the effectiveness of the Board of Directors and improvement of the evaluation method

Directors and Executive Officers
(As of June 20, 2019)

Chairman, Representative Director
Keizo Morikawa

April 1971 Joined Daikyo 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 Executive Vice President, Representative Director, Executive Officer
June 2012 President, Representative Director, Chief Executive Officer
October 2015 President, Representative Director, Chief Executive Officer of the Company
June 2017 Chairman, Representative Director (current position)

Reasons for selection

He had led management as President, Representative Director for five years since 2012. He assumed the office of Chairman, Representative Director in 2017 and has served as Chairman of the Board of Directors, working to boost corporate value of the Group.

Representative Director, Group CEO
Hiroshi Kiriyama

April 1979 Joined Daikyo Oil Co., Ltd.
June 2011 Senior Executive Officer, General Manager, Corporate Planning Dept. and Change Promotion Dept., Cosmo Oil Co., Ltd.
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
June 2017 President, Representative Director, Chief Executive Officer of the Company
April 2019 Representative Director, Group CEO (current position)

Reasons for selection

He has been responsible for the Corporate Planning Dept. for a long time, and is deeply versed in domestic and international energy business. He also possesses abundant expertise and experience regarding overall corporate management. In addition, he has shouldered management of the Group as President, Representative Director since June 2017.

Director, Senior Executive Officer
Masayoshi Noji

April 1984 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
May 2013 Joined Cosmo Oil Co., Ltd. Assistant General Manager, Project Development Dept.
June 2014 General Manager, Power & Gas Business Dept.
July 2014 Executive Officer, General Manager,
June 2015 Power & Gas Business Dept.
October 2015 Executive Officer, General Manager, Power Dept.
April 2016 Executive Officer, General Manager, Power Dept. of the Company
June 2016 Senior Executive Officer, General Manager, Business Portfolio Management Dept.
April 2018 Senior Executive Officer
June 2018 Director, Senior Executive Officer (current position)

Reasons for selection

After many years with Mizuho Bank, he joined Cosmo Oil Co., Ltd. in 2013, and assumed the office of Executive Officer in 2014. He has since contributed to the promotion of the company's wind power generation business and the administration of the Group companies.

Director, Senior Executive Officer
Yasuhiro Suzuki

April 1985 Joined Daikyo Oil Co., Ltd.
June 2013 General Manager, Human Resource Dept., Cosmo Oil Co., Ltd.
June 2015 General Manager, Power & Gas Business Dept.
October 2015 General Manager, Human Resource and General Affairs Dept.
June 2016 Executive Officer, General Manager, Human Resource and General Affairs Dept.
April 2017 Executive Officer, General Manager, Corporate Planning Dept.
April 2018 Senior Executive Officer
June 2018 Director, Senior Executive Officer (current position)

Reasons for selection

He has engaged in the departments of sales and administration such as human resources and corporate planning since he joined Daikyo Oil Co., Ltd., and is familiar with the general operations of the Company.

Director, Senior Executive Officer
Takayuki Uematsu

November 1992 Joined Cosmo Oil Co., Ltd.
June 2014 Assistant General Manager, Accounting and Finance Dept.
June 2015 General Manager, Finance Dept.
October 2015 General Manager, Finance Dept. of the Company
June 2016 Executive Officer, General Manager, Finance Dept.
April 2018 Executive Officer, General Manager, Corporate Planning Dept.
April 2018 Senior Executive Officer
June 2018 Director, Senior Executive Officer (current position)

Reasons for selection

He has engaged in the departments of finance and accounting almost entirely throughout his career since he joined Cosmo Oil Co., Ltd., and fully knows the financial and accounting condition of the Company.

Outside Director
Musabbeh Al Kaabi

October 1997 Joined Abu Dhabi National Oil Company
July 2007 Manager, Exploration Division
October 2013 Chief Growth Officer, Mubadala Petroleum
December 2014 Chief Executive Officer
February 2017 Chief Executive Officer, Petroleum and Petrochemicals, Mubadala Investment Company (current position)
June 2017 Outside Director of the Company (current position)

Reasons for selection

He engaged in the Oil Exploration and Production Business at the Abu Dhabi National Oil Company, and has experience serving as an officer at many corporations in the energy industry outside of Japan. He has an international viewpoint regarding the petroleum industry.

Outside Director
Khalifa Al Suwaidi

September 2000 Joined Abu Dhabi Polymers Company
October 2008 Senior Vice President, Corporate Planning & Support Unit, Abu Dhabi National Chemical Company
October 2010 Deputy Chief Executive Officer
February 2016 Acting Chief Executive Officer
March 2017 Executive Director, Refining & Petrochemicals, Mubadala Investment Company (current position)
June 2017 Outside Director of the Company (current position)

Reasons for selection

He has worked at Abu Dhabi National Chemical Company for many years and possesses abundant knowledge and management experience regarding petrochemicals.

Independent Outside Director, Supervisory Committee Member
Sakae Kanno

April 1971 Joined 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.
June 2013 Audit & Supervisory Board Member, Cosmo Oil Co., Ltd.
October 2015 Outside Director of the Company (Supervisory Committee Member) (current position)

Reasons for selection

He has experience as a Director and Audit & Supervisory Board Member at the Kansai Electric Power Co., Inc. He has served as an Audit & Supervisory Board Member of Cosmo Oil Co., Ltd. since 2013, and as an Outside Director who is a Member of the Supervisory Committee of the Company since 2015.

Independent Outside Director, Supervisory Committee Member
Yasuko Takayama

April 1980 Joined Shiseido Co., Ltd
April 2009 General Manager, Social Affairs and Consumer Relations Department
April 2010 General Manager, Corporate Social Responsibility Department
June 2011 Full-time Audit & Supervisory Board Member
June 2015 Advisor Outside Director, The Chiba Bank, Ltd. (current position)
June 2016 Outside Audit & Supervisory Board Member, Mitsubishi Corporation (current position)
June 2017 Outside Audit & Supervisory Board Member, Yokogawa Electric Corporation (current position)
June 2019 Outside Director of the Company (Supervisory Committee Member) (current position)

Reasons for selection

She has experience as General Manager of the Consumer Information Center, General Manager of the Corporate Social Responsibility Department and other positions of Shiseido Co., Ltd., as well as being appointed Audit & Supervisory Board Member and Advisor of the same company. Since then, she has also served as Outside Director and Outside Audit & Supervisory Board Member for several listed companies. She serves as an Outside Director who is a Member of the Supervisory Committee from 2019.

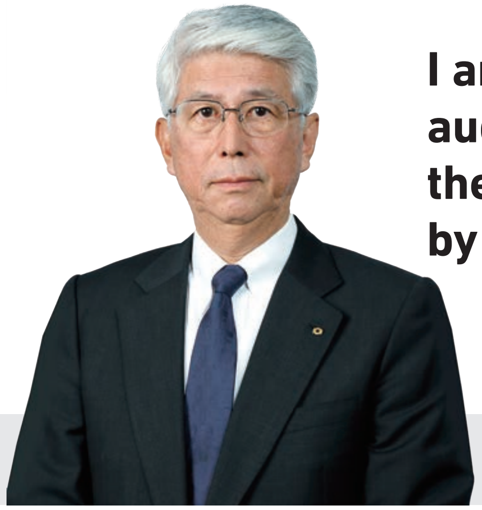
Director, Full-time Supervisory Committee Member
Kenichi Taki

April 1975 Joined Daikyo 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
June 2018 Director of the Company (Full-time Supervisory Committee Member) (current position)

Reasons for selection

He is thoroughly familiar with the Company's accounting situation as his career has been almost entirely within the Accounting Dept. since joining Daikyo Oil Co., Ltd., and possesses knowledge gained through his work regarding the wide range of operations within the Company.

Interview with Outside Directors



I am committed to playing a full role in the auditing function and helping to enhance the effectiveness of the Board of Directors by speaking up on such occasions.

Independent Outside Director,
Supervisory Committee Member
Sakae Kanno

* See details of his biography and reasons for selection on page 54.

I intend to use my experience at a consumer goods manufacturer and make proposals from the viewpoint of diverse stakeholders.

Independent Outside Director,
Supervisory Committee Member
Yasuko Takayama

* See details of her biography and reasons for selection on page 54.

From your position as outside director, please tell us what you think about the uniqueness and competitive advantages of the Cosmo Energy Group.
The Cosmo Energy Group has a strong integrated oil business portfolio from downstream to upstream, including oil exploration, refining, distribution, and petrochemicals. It also has a leading renewable energy business. I think this is very exciting.

Again as outside diector, what do you see as the areas of strength and issues concerning the Cosmo Energy Group's corporate governance, including the implementation of safety measures?
I would like to point out first that a clear commitment to the establishment of governance by top management is one of Cosmo's strengths. This is clearly demonstrated in the consolidated medium-term management plan and is steadily being disseminated to the entire Group. Cosmo's challenges should include the thorough implementation of safety measures, for example. I am closely watching how measures to cultivate a culture of safety in refineries will be implemented.

Have you seen any changes or progress concerning the enhancement of governance in the past year?
Three years have passed since the company moved to a holding company. Last year, I think significant progress was made in making Group companies better understand and become aware of internal control and its structure. I also find that the Nomination and Remuneration Advisory Committee is functioning well with greater transparency in areas such as selecting directors and deciding remuneration.

How do you think the relationship between the Supervisory Committee and the Board of Directors can be further enhanced?
I have a positive view on the relationship because three of ten directors are also members of the Supervisory Committee; a majority of members of the Nomination and Remuneration Advisory Committee are independent members of the Supervisory Committee; a full-time member of the Supervisory Committee attends important internal meetings; and members of the Supervisory Committee regularly communicate with the top management and executives of each department and are actively involved in the Board of Directors and other meetings. In light of these conditions, in my view, an auditing function from an independent standpoint has been fully performed and I will strive to further raise its effectiveness.

Looking back at the Board of Directors meetings you attended last year, is there any specific example of when you particularly sensed the effectiveness of the Board of Directors?
We have exchanged constructive opinions not only at the time of drawing up a medium-term management plan but also in promoting it in light for this fiscal year. I believe that the Board is fully performing its supervisory function.

Please tell us about your current role and what you would like to accomplish in your role going forward.
While aiming for an increase in corporate value, I try to speak with consideration for the viewpoints of various stakeholders, including society, customers, employees and shareholders.
I also keep in mind to proactively discuss issues such as the establishment of governance, initiatives for refineries to achieve global standards, and new business investment opportunities.

Will you give a message to shareholders and other stakeholders?
The Cosmo Energy Group has been reborn after boldly reconstructing its business portfolio under the extremely difficult business situation caused by the Great East Japan Earthquake and Tsunami of 2011. Along with the Oil E&P Business, the Oil Refining and Sales Business has become a profit pillar and will potentially become a highly profitable division once refineries achieve global standards. In addition, the Cosmo Energy Group is seeking to become Japan's leading company in the Renewable Energy Business, taking up challenges in offshore wind farms and other advanced areas.
While Cosmo is positioned third in Japan's oil industry behind the leading majors, I am confident that it will soon be recognized as a well-balanced and highly-profitable group.

Please give us your thought on the role of independent outside directors in corporate management.
I feel a sense of determination and honor in having been appointed as an independent outside director of the Cosmo Energy Group, which is actively engaged in enhancing its corporate governance.
In aiming for the sustainable growth and enhancement of the long-term value of the corporate group, independent outside directors play the role of advising and supervising on the offense side as well as on the defense side, from a fair, independent position. I believe that their particularly important role is to candidly express what they find and think in the decision-making process. They also play an especially vital role in making use of these views in management from the standpoint of shareholders, investors, and other diverse stakeholders, based on a full understanding of the corporate philosophy, business activities, and the corporate culture.

What would you like to achieve or what kind of role would you like to play as an independent outside director?
I have been engaged in building a good relationship with diverse stakeholders at a consumer goods manufacturer, mainly in CSR areas such as PR and consumer relations, compliance and risk management, as well as in the promotion of ESG.
At present, with the world being oriented toward decarbonization, I recognize that the Cosmo Energy Group, which supports the infrastructure of industries and society, has a great role to play and a huge responsibility to take. The Group is aiming to make renewable energy another pillar of its business portfolio in the long run, in addition to achieving SDGs. I am determined to dedicate my best efforts to helping to enhance its corporate value and governance, by making use of my experience, focusing on the relationship with stakeholders, and having a highly keen awareness of risks.

Ensuring Safety Measures

Basic Governance Structure and Business Execution System

The Cosmo Energy Group advocates “ensuring safety measures” as materiality of the consolidated medium-term CSR management plan. From a different perspective from original corporate governance, we have intentionally incorporated “safe operations and stable supply” and “quality assurance” as priority issues as they are a part of an essential foundation for raising corporate value. We have set targets and KPIs for these issues in promoting the enhancement of a safety management structure.

Safe Operations and Stable Supply

Safety Measures

Chapter 1 of the Cosmo Energy Group's Code of Conduct says that “We are determined to be a safe and accident free corporate group.” Our new consolidated medium-term CSR management plan includes, in its priority issues for G (Governance): Safe operations and stable supply, “Preventing work-related accidents, and major accidents,” and we have been engaged in implementing safety measures.
In FY2018, the overall Cosmo Energy Group had one serious accident and one serious labor-related accident, which has prompted us from April 2019 to promote prevention of labor-related accidents by making every employee aware of the number of accidents in the Group, major cases and preventive measures every month. Our refineries and plants achieved zero serious accidents, including zero serious labor-related accidents. Cosmo Oil, which possesses refineries, has adopted as management indicators the frequency rate* of lost-worktime accidents and injuries, the rate of unplanned stoppages, and the number of days of stoppage of incoming and outgoing shipments; in addition, the companywe implemented safety management procedures, while we it strived to establish good workplaces and work environments and to manage the Operational Management System (OMS) so as to foster a safety-oriented culture.

* Frequency rate represents the number of casualties by work-related accidents and injuries in one million work hours and indicates the frequency of occurrence of accidents and injuries.

Initiatives to Prevent Forgetting Incidents and Reduce Unsafe or Inadequate Conditions.

Cosmo Oil has designated March 11, the date when the fire and explosion at the LPG tanks occurred at its Chiba Refinery due to the Great East Japan Earthquake in 2011, as the Cosmo Oil Safety Day. On the day, all group employees watch a DVD compiling the story of the accident, its cause and preventive measures. We continue to try not to forget the incident by implementing diverse initiatives, including holding safety seminars and installing a memorial monument. Concerning the trouble that occurred, we regularly hold follow-up meetings to share the causes and measures with other refineries so that all refineries will take preventive measures to reduce incidents involving unsafe conditions and trouble.

Cosmo Energy Group's Number of Work-Related Accidents

	FY2018							FY2017		
				Accidents involving directly-hired employees		Accidents at subcontracting companies, etc.				
	Accidents requiring time off from work	Accidents not requiring time off from work	Total	Accidents requiring time off from work	Accidents not requiring time off from work	Accidents requiring time off from work	Accidents not requiring time off from work	Accidents requiring time off from work	Accidents not requiring time off from work	Total
Accidents during work	37	83	120	17	45	20	38	25	82	107
Accidents during commuting	9*	22	31	8*	21	1	1	3	25	28
Total	46	105	151	25	66	21	39	28	107	135

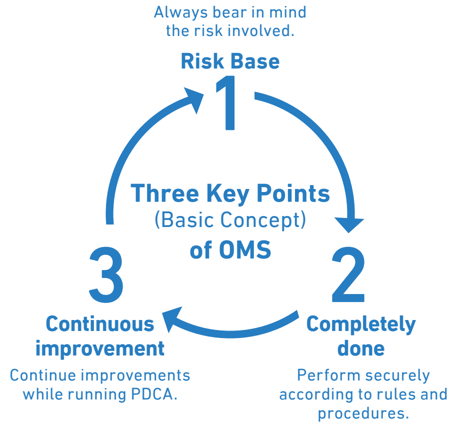
* Including one serious labor-related accident

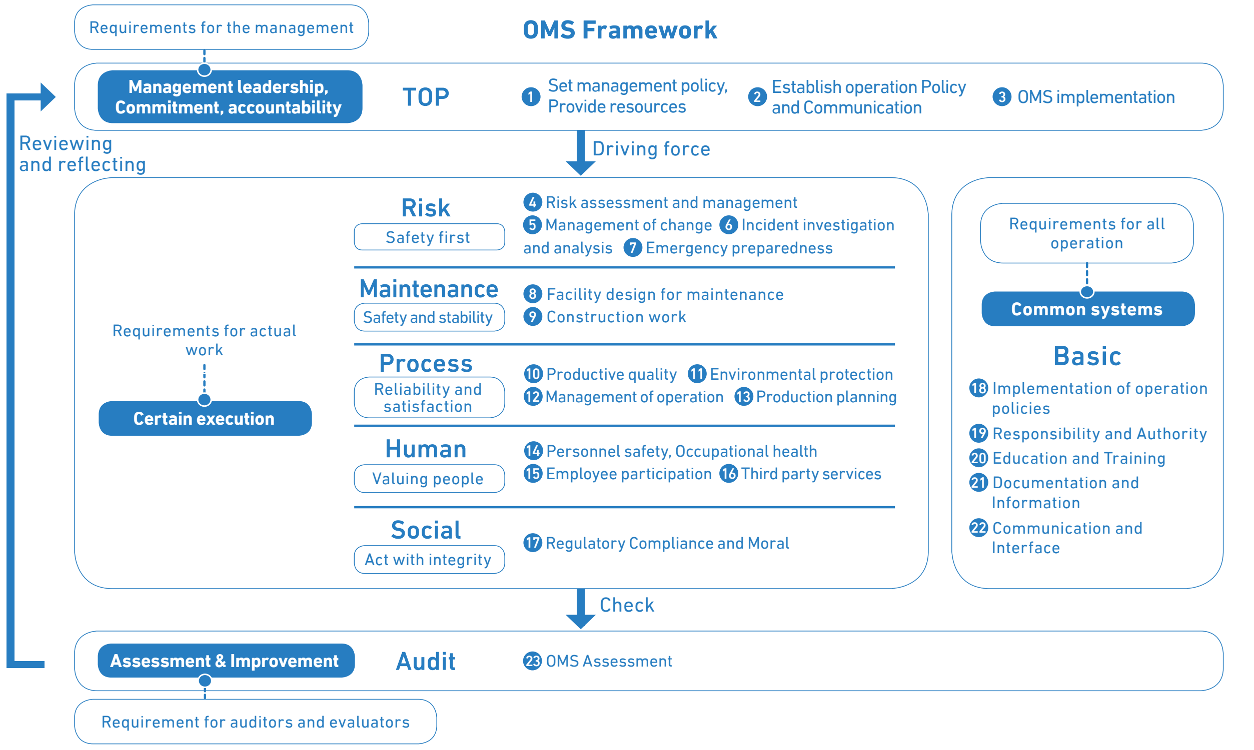
Quality Assurance: Enhancing the Quality Assurance Structure

With the objective of economical, stable supply of safe products that fulfill customers' requirements for quality, Cosmo Oil and Cosmo Oil Marketing have a “CS and Quality Assurance Committee” to decide a quality assurance policy and promote related activities. The committees of both companies cooperate with the Safety and Risk Management Committee of Cosmo Energy Holdings, forming the Group's quality assurance structure.
Cosmo Oil set up the prevention of serious product/quality accidents in FY2018 as a KPI for each department in charge of supply, logistics, and sales, and has been engaged in quality management activities. In FY2018, our refineries and oil depots had no serious quality-related trouble and continued to record no shipments of non-conforming products. Concerning preventive measures related to Maruzen Petrochemical's inappropriate quality-related conduct that occurred in 2018, we steadily established the quality assurance system, held quality training, and audited the quality management organization. In addition, Maruzen Petrochemical collaborates with Cosmo Group, sharing their common quality-related issues, in order to standardize and advance quality management in the entire Group.

Operations Management System

Cosmo Oil has adopted an Operations Management System (OMS) with the aim of achieving safety operation and stable supply that are superior to the world standard. The OMS sets an action plan which consists of 23 required issues, and the head office and refineries enhance their respective actions based on the OMS and cooperate with each other. The adoption of the OMS has enabled us to establish an operating--related management system base. On this basis, we intend to achieve safety operation and stable supply, improve operations, and avoid opportunity losses.





Maruzen Petrochemical's Safety Measures

Maruzen Petrochemical declares in its management principles that "Our goal is to be the Number One Company in Safety" and believes that safety is its utmost priority and its corporate mission.
The company also pledges in its Code of Conduct that it strives to predict risks of accidents or incidents and prevent their occurrence, thereby continuing to achieve no accidents and no incidents.
The entire company, including Chiba Plant and Yokkaichi Plant, is promoting concerted efforts regarding all safety-related activities, which are named the “Safety Number One Activity.”

The "Chemiway Anzen No. 1 (CA1)" is held once a year and attended by all employees to cultivate a safety-first culture and promote voluntary maintenance activities.

Cosmo Eco Power's Safety Measures

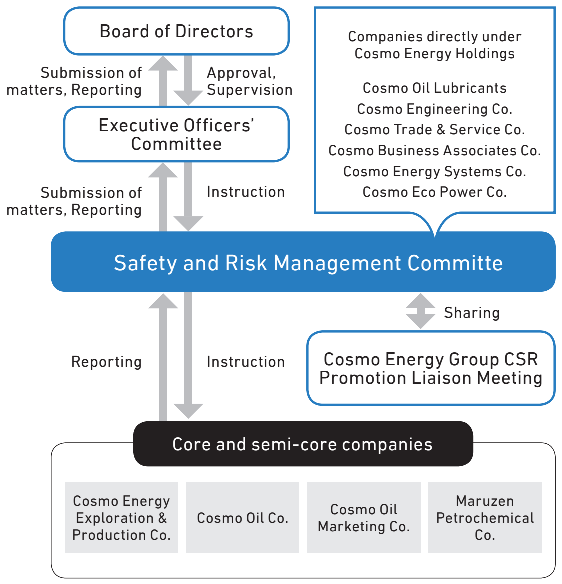
Cosmo Eco Power, which is engaged in the wind power generation business, performs regular check-ups, responses to malfunctions or trouble, and 24-hour remote monitoring in order to operate wind farms safely and efficiently. Based on past records and experience, we guesstimate potential trouble points or timing and focus on preventive maintenance that entails replacing certain components ahead of any long suspension in operation.

Strengthening corporate governance structure

The Cosmo Energy Group advocates “strengthening corporate governance structure” as materiality of the consolidated medium-term CSR management plan. From a different perspective from original corporate governance, we have intentionally incorporated “risk management,” “compliance,” “CSR-based procurement,” and “information disclosure” as priority issues as they are a part of an essential foundation for raising corporate value. We have set targets and KPIs for these issues in promoting the enhancement of a compliance structure.

Risk Management

Being strongly committed to the stable supply of energy, the Cosmo Energy Group holds Safety and Risk Management Committee meetings twice a year to promote risk and safety management at the group-wide level. The Committee discusses risks and safety policy for the entire group and checks progress of the related actions. The core three operating companies and semi-core companies also have their own risk management committee and safety committee, in accordance with their respective business and function. These committees check the status of initiatives taken for their respective, inherent risks, develop safety measures, and manage progress of safety activities. The committees strive to check and improve risk management and safety control actions.



Priority Risks and Responses

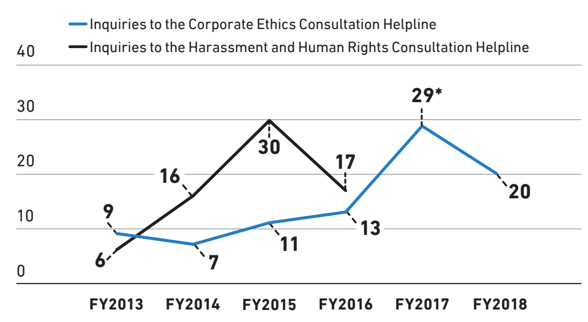
The Cosmo Energy Group has set “enhancement of selection of priority risks and responses” as a KPI for risk management, which is one of the priority issues in the consolidated medium-term CSR management plan. In FY2018,we selected the following seven issues as group-wide risks and took firm actions.

Risk-related issues	Detail	Action Taken in FY2018	Evaluation
Media-response training in emergencies	Conduct practice training for President and directors	Conducted media-response training at Cosmo Oil's Chiba Refinery and Yokkaichi Refinery, and Cosmo Matsuyama Oil	○
Group credit management	Establish the Cosmo Energy Group's credit management system	The core, semi-core, and I group companies each checked and enhanced their system	○
Prevention of legal violation caused by lack of knowledge	Prevent the risk of legal violation (i.e., copyright infringement, license management) caused by lack of knowledge	Conducted training sessions on corporate ethics and human rights, and e-learning on insider trading to enhance employees' understanding	○
Revision of manuals concerning new types of influenza, etc.	Discuss and consider how to respond at refineries, branches, and related companies	Each group company identified important operations	○
Measures to enhance earthquake BCP	Aim to obtain S rating reviewed by the Agency for Natural Resources and Energy	Coped with individual items pointed out by the Agency's rating review; conducted drills in refinery	○
Prevention of reputation risk concerning disclosure of non-financial information	Prevent a decline in corporate evaluation and reputation caused by not disclosing non-financial information	Information disclosure in Cosmo Report and on CSR site; evaluated by rating agencies including FTSE Russel; responded to surveys by CDP, etc.	○
Enhancement of governance concerning quality control	Prevent the risk of losing social credibility due to a corporate scandal concerning quality control	Enhanced the quality control organization concerning products and services of the Cosmo Energy Group; reviewed the risk assessment	○

Compliance: Corporate Ethics Promotion Structure

Cosmo Energy Holdings has formed the Corporate Ethics and Human Rights Committee to promote and implement the Cosmo Energy Group's Code of Conduct, and to check its status, and the Cosmo Energy Group Corporate Ethics Office as its promoting and executing organization. Aiming for enhancing employees' sense of ethics, the Corporate Ethics and Human Rights Committee plans, implements, and evaluates various programs, including training programs on corporate ethics for all group employees, and e-learning.
The Cosmo Energy Group Corporate Ethics Consultation Helpline, through which employees' misconduct such as violation of laws and corporate rules, as well as ethical issues can be reported or anonymously discussed, has been formed within the Corporate Ethics Office and at an outside law firm. In FY2018, the Helpline received 20 inquiries (6 inappropriate actions and 14 cases of harassment), nine fewer cases than FY2017.
In addition, the Harassment Consultation Helpline was formed outside the group to consult on interpersonal issues in workplace, including sexual or power harassment in FY2018. As the number of consultation cases related to harassment and relationships in the workplace remains high, counseling by outside experts is expected to have a positive impact in preventing mental health disorders and helping people find their own prompt solutions in work environments.
Details of the reported and consulted issues and the response are forwarded to Directors who are Members of the Supervisory Committee of the Company and are reflected in future CSR activities.
There was zero incident involving serious compliance violation* in FY2018.

Number of Inquiries Received



* From FY2017, the Harassment and Human Rights Consultation Helpline was eliminated and integrated into the Cosmo Energy Group Corporate Ethics Consultation Helpline.

CSR-based Procurement

Cosmo Energy Holdings and its three core operating companies are promoting initiatives to eliminate business transactions with organizations known or suspected of criminal behavior, in addition to green procurement in which the “green degree” evaluation, as well as conventional quality, price, and delivery factors are comprehensively evaluated. During the consolidated medium-term CSR management plan period, we aim at sustainable development by working with suppliers who agree with our policy by developing a CSR procurement policy that incorporates ESG initiatives in consideration and broadly disclosing it to stakeholders. In FY2018, we made a progress in developing Cosmo Energy Holdings' procurement policy and Cosmo Oil's procurement guideline. Going forward, we will develop an operational system, explain it to suppliers, and target a full launch of the system in FY2020.

Information Disclosure: Inclusion in ESG Indices

Cosmo Energy Holdings has been included in the “FTSE4Good Developed Index” for 17 consecutive years since 2003 when the Company was adopted. It was the first Japanese oil company to have that distinction. In FY2018 the Company was selected as a constituent of the “FTSE Blossom Japan Index,” which the Government Pension Investment Fund (GPIF) has adopted as an Environmental, Social and Governance (ESG) investment index for Japanese equities for the third consecutive year. The Company has also been selected as a constituent of the “SNAM Sustainability Index,” a proprietary index that is based on a combination of ESG assessments and stock valuation and is created by Sompo Japan Nipponkoa Asset Management (SNAM).

11-Year Selected Financial and Operating Data

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2018
For The Year											Millions of yen	Thousands of U.S. dollars[1]
Dubai crude oil price (US$ /barrel)	82.8	69.6	84.1	110.1	107.0	104.6	83.5	45.7	46.9	55.9	69.3	—
Foreign exchange rate (¥/US$)	100.6	92.9	85.8	79.1	83.0	100.2	109.9	120.1	108.4	110.9	110.9	—
Net sales	¥3,428,211	¥2,612,141	¥2,771,523	¥3,109,746	¥3,166,689	¥3,537,782	¥3,035,818	¥2,244,306	¥2,292,280	¥2,523,106	¥2,770,365	$24,960,495
Cost of sales	3,389,408	2,435,366	2,539,032	2,918,238	2,989,274	3,369,007	2,944,919	2,154,615	2,079,727	2,282,710	2,539,936	22,884,368
Selling, general and administrative expenses	145,809	142,568	128,393	127,937	124,992	129,060	129,346	119,433	120,370	128,526	135,775	1,223,314
Operating income (loss)	-107,006	34,207	104,097	63,570	52,422	39,715	-38,447	-29,742	92,182	111,868	94,653	852,814
Impact of inventory valuation[2]	-180,100	52,600	22,300	25,200	15,264	16,068	-116,177	-68,703	39,400	21,044	-10,788	-97,199
Operating income (loss) excluding the impact of inventory valuation	73,094	-18,393	81,797	38,370	37,158	23,647	77,730	38,961	52,782	90,824	105,441	950,013
Ordinary income (loss)	-125,004	36,411	96,094	61,420	48,439	41,847	-49,640	-36,121	81,448	116,850	96,654	870,843
Ordinary income (loss) excluding the impact of inventory valuation	55,095	-16,189	73,829	36,238	33,173	25,778	66,537	32,644	42,048	95,806	107,442	968,042
Petroleum[11]	5,022	-43,283	36,124	-17,181	-38,960	-41,394	22,067	5,784	1,770	37,776	24,964	224,925
Petrochemical	—	—	-329	2,075	3,343	3,692	-6,977	4,291	22,177	30,441	15,344	138,252
Oil exploration and production	45,900	29,418	34,657	52,023	60,688	58,141	47,538	18,637	9,347	18,251	56,900	512,667
Others	4,173	-2,324	3,377	-679	8,102	5,339	3,909	3,932	8,754	9,338	10,233	92,198
Profit (loss) before income taxes	-117,180	35,527	73,451	35,381	-2,536	49,443	-44,599	-43,797	78,565	109,274	95,966	864,641
Profit (loss) attributable to owners of parent[3]	-92,430	-10,741	28,933	-9,084	-85,882	4,348	-77,729	-50,230	53,235	72,813	53,132	478,715
Capital expenditures	67,025	87,677	64,369	27,933	83,429	41,243	70,396	82,775	120,302	109,085	80,380	724,217
R&D expenses	3,863	3,657	3,834	3,791	3,765	3,271	3,077	3,104	4,269	4,540	4,096	36,908
Depreciation and amortization[4]	41,492	42,746	51,068	50,601	44,953	35,330	32,399	30,713	37,769	42,130	54,225	488,561
Cash flows from operating activities	82,136	2,262	26,297	43,616	-20,950	35,837	163,384	18,427	47,625	192,634	90,450	814,941
Cash flows from investing activities	-55,953	-93,306	-73,109	-25,805	-80,481	-61,007	-30,126	-32,839	-112,038	-96,432	-84,521	-761,528
Cash flows from financing activities	57,854	159,302	-86,077	11,606	104,695	12,555	-178,920	32,499	9,626	-76,757	-20,480	-184,525
At Year-End											Millions of yen	Thousands of U.S. dollars[1]
Total assets	¥1,440,396	¥1,645,048	¥1,579,424	¥1,675,070	¥1,743,492	¥1,696,831	¥1,428,628	¥1,409,615	¥1,525,679	¥1,688,288	¥1,702,270	$15,337,148
Non-controlling interests[5]	19,016	15,833	17,508	20,506	26,475	29,214	40,326	94,665	108,063	117,468	120,785	1,088,254
Net worth	328,434	315,747	332,730	316,931	230,456	231,927	167,194	108,046	164,722	238,677	281,065	2,532,349
Total current assets	688,310	845,337	793,363	920,412	967,148	921,790	621,578	516,254	561,604	657,160	641,731	5,781,885
Total current liabilities	683,883	744,174	622,173	744,275	816,611	799,199	603,860	555,519	655,473	800,146	764,734	6,890,121
Net interest-bearing debt[6]	438,689	548,832	605,789	598,773	713,190	723,257	597,701	666,179	727,258	635,763	644,663	5,808,306
Number of outstanding shares (thousands)[7]	847,705	847,705	847,705	847,705	847,705	847,705	847,705	84,770	84,770	84,770	84,770	—
Per Share Data[8]											Yen	U.S. dollar[1]
Profit (loss) attributable to owners of parent	¥ -109.11	¥ -12.68	¥ 34.16	¥ -10.72	¥ -101.39	¥ 5.13	¥ -91.77	¥ -594.85	¥ 633.32	¥ 865.80	¥ 630.69	$ 5.68
Diluted profit attributable to owners of parent	—	—	33.58	—	—	—	—	—	—	—	594.03	—
Net assets	387.71	372.74	392.80	374.15	272.07	273.81	197.39	1,286.03	1,958.91	2,837. 90	3,333.81	30.04
Cash dividends	8.00	8.00	8.00	8.00	—	2.00	—	40.00	50.00	50.00	80.00	0.72
Ratios												
Return on assets (ROA) (%)	-6.0	-0.7	1.8	-0.6	-5.0	0.3	-5.0	-3.5	3.6	4.5	3.1	—
Return on equity (ROE) (%)	-24.0	-3.3	8.9	-2.8	-31.4	1.9	-39.0	-36.5	39.0	36.1	20.4	—
Equity ratio (%)	22.8	19.2	21.1	18.9	13.2	13.7	11.7	7.7	10.8	14.1	16.5	—
Debt-to-total capital ratio (%)	41.6	47.3	44.3	43.1	48.3	50.9	48.5	53.7	50.6	41.5	40.8	—
Net debt-to-equity ratio (times)[9]	1.3	1.7	1.8	1.9	3.1	3.1	3.6	4.6	3.6	2.3	1.98	—

1. U.S. dollar amounts are translated from Japanese yen, for the convenience of readers only, at the rate of ¥110.99 to US$1.00, the approximate exchange rate prevailing on March 29, 2019.
2. "Impact of inventory valuation gain (loss)" from FY2009 is based on the book value depreciation 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 cost recovery under production sharing. 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 FY2014, "Minority interests" is presented.
6. Up to FY2012, "Cash and deposits" and "Short-term investment securities" are deducted from "Interest-bearing debt." From FY2013, "Cash and deposits" is deducted from "Interest-bearing debt." In FY2015, "Cash and deposits" and "Securities" are deducted from "Interest-bearing debt."
7. On October 1, 2015, Cosmo Energy Holdings Co., Ltd. was established as the wholly-owing 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).
8. "Per share data" from 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.
9. The ratio from FY2015 is calculated on the basis that 50% of the ¥60 billion Hybrid Loan made on April 1, 2015 is included in Equity.
10. 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.
11. The Petrochemical Business, which had previously been included in the Petroleum Business segment, was separated into a different segment from FY2010.

Consolidated Balance Sheet

Assets

	FY2017 As of March 31, 2018 (Millions of yen)	FY2018 As of March 31, 2019 (Millions of yen)
Current assets		
Cash and deposits	¥ 64,690	¥ 49,445
Notes and accounts receivable - trade	264,930	245,164
Merchandise and finished goods	132,880	131,952
Work in process	576	453
Raw materials and supplies	131,893	144,911
Accounts receivable - other	44,088	42,397
Other	18,269	27,553
Allowance for doubtful accounts	-169	-146
Total current assets	**657,160**	**641,731**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	205,787	235,988
Oil storage depots, net	35,178	34,984
Machinery, equipment and vehicles, net	183,447	186,250
Land	317,989	317,255
Leased assets, net	624	597
Construction in progress	67,123	59,022
Other, net	7,435	8,183
Total property, plant and equipment	**817,585**	**842,283**
Intangible assets		
Software	3,244	3,585
Other	38,771	37,378
Total intangible assets	**42,016**	**40,964**
Investments and other assets		
Investment securities	122,653	117,552
Long-term loans receivable	1,615	1,262
Long-term prepaid expenses	5,769	4,741
Net defined benefit asset	2,415	2,765
Cost recovery under production sharing	21,894	19,404
Deferred tax assets	8,154	23,221
Other	9,039	8,397
Allowance for doubtful accounts	-401	-459
Total investments and other assets	**171,141**	**176,886**
Total non-current assets	**¥1,030,742**	**¥1,060,134**
Deferred assets		
Bond issuance cost	385	404
Total deferred assets	**385**	**404**
Total assets	**¥1,688,288**	**¥1,702,270**

Liabilities

	FY2017 As of March 31, 2018 (Millions of yen)	FY2018 As of March 31, 2019 (Millions of yen)
Current liabilities		
Notes and accounts payable - trade	¥ 274,410	¥ 267,897
Short-term loans payable	206,690	164,739
Commercial papers	62,900	98,000
Accounts payable - other	109,316	107,055
Accrued volatile oil and other petroleum taxes	84,801	88,987
Income taxes payable	15,338	5,324
Accrued expenses	5,130	3,188
Provision for bonuses	7,516	7,052
Provision for directors' bonuses	620	472
Other	33,423	22,016
Total current liabilities	**800,146**	**764,734**
Non-current liabilities		
Bonds payable	46,700	46,700
Convertible bond-type bonds with share acquisition rights	—	60,000
Long-term loans payable	384,164	324,669
Deferred tax liabilities	33,029	33,454
Deferred tax liabilities for land revaluation	5,182	5,192
Provision for special repairs	17,830	20,992
Provision for business structure improvement	1,050	1,050
Provision for environmental measures	1,729	1,362
Net defined benefit liability	3,212	5,085
Provision for executive remuneration BIP trust	340	111
Asset retirement obligations	20,568	21,330
Other	18,186	15,733
Total non-current liabilities	**531,995**	**535,684**
Total liabilities	**¥1,332,142**	**¥1,300,419**

Net assets

	FY2017	FY2018
Shareholders' equity		
Capital stock	¥ 40,000	¥ 40,000
Capital surplus	84,359	82,963
Retained earnings	118,701	167,574
Treasury shares	-1,091	-758
Total shareholders' equity	**241,970**	**289,779**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,379	4,121
Deferred gains or losses on hedges	-267	99
Revaluation reserve for land	-20,923	-20,911
Foreign currency translation adjustment	8,715	7,236
Remeasurements of defined benefit plans	2,803	739
Total accumulated other comprehensive income	**-3,292**	**-8,713**
Non-controlling interests	**117,468**	**120,785**
Total net assets	**356,146**	**401,850**
Total liabilities and net assets	**¥1,688,288**	**¥1,702,270**

Consolidated Statements of Income and Comprehensive Income

	FY2017 From April 1, 2017 to March 31, 2018 (Millions of yen)	FY2018 From April 1, 2018 to March 31, 2019 (Millions of yen)
Net sales	**¥2,523,106**	**¥2,770,365**
Cost of sales	**2,282,710**	**2,539,936**
Gross profit	**240,395**	**230,429**
Selling, general and administrative expenses	**128,526**	**135,775**
Operating profit	**111,868**	**94,653**
Non-operating income		
Interest income	341	642
Dividend income	1,015	763
Rent income on non-current assets	1,153	1,147
Share of profit of entities accounted for using equity method	11,937	6,859
Foreign exchange gains	2,533	3,861
Other	2,754	2,981
Total non-operating income	**19,737**	**16,255**
Non-operating expenses		
Interest expenses	12,125	10,875
Other	2,630	3,378
Total non-operating expenses	**14,755**	**14,253**
Ordinary profit	**116,850**	**96,654**
Extraordinary income		
Gain on sales of non-current assets	2,457	629
Gain on sales of investment securities	433	861
Subsidy income	3,027	5,541
Compensation income	—	744
Insurance income	463	272
Other	220	147
Total extraordinary income	**6,603**	**8,197**
Extraordinary losses		
Loss on sales of non-current assets	266	134
Loss on disposal of non-current assets	8,173	5,437
Impairment loss	1,516	2,009
Loss on valuation of investment securities	187	1,090
Business structure improvement expenses	2,840	—
Loss on closing of oil terminal	1,056	—
Other	138	213
Total extraordinary losses	**14,179**	**8,885**
Profit before income taxes	**109,274**	**95,966**
Income taxes - current	**28,687**	**43,852**
Income taxes - deferred	**-3,515**	**-13,935**
Total income taxes	**25,172**	**29,917**
Profit	**84,101**	**66,048**
Profit attributable to non-controlling interests	**11,288**	**12,916**
Profit attributable to owners of parent	**¥ 72,813**	**¥ 53,132**

Consolidated Statements of Cash Flows

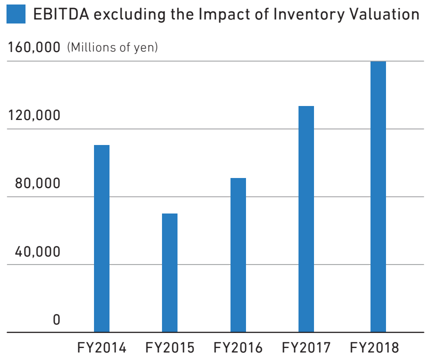
	FY2017 From April 1, 2017 to March 31, 2018 (Millions of yen)	FY2018 From April 1, 2018 to March 31, 2019 (Millions of yen)
Cash flows from operating activities		
Profit before income taxes	¥109,274	¥ 95,966
Depreciation	38,348	46,752
Amortization of goodwill	721	—
Impairment loss	1,516	2,009
Loss (gain) on sales of non-current assets	-2,191	-495
Business structure improvement expenses	2,840	—
Loss (gain) on disposal of non-current assets	8,173	5,437
Loss (gain) on sales of investment securities	-433	-861
Loss (gain) on valuation of investment securities	187	1,090
Subsidy income	-3,027	-5,541
Loss on closing of oil terminal	1,056	—
Interest and dividend income	-1,357	-1,405
Compensation income	—	-744
Insurance income	-463	-272
Interest expenses	12,125	10,875
Foreign exchange losses (gains)	-963	-1,227
Share of loss (profit) of entities accounted for using equity method	-11,937	-6,859
Increase (decrease) in allowance for doubtful accounts	23	35
Increase (decrease) in provision for special repairs	4,048	3,162
Increase (decrease) in provision for environmental measures	-544	-516
Increase (decrease) in net defined benefit asset (liability)	-301	-625
Decrease (increase) in notes and accounts receivable - trade	-49,738	19,388
Recovery of recoverable accounts under production sharing	3,782	7,472
Decrease (increase) in inventories	-22,085	-11,474
Increase (decrease) in notes and accounts payable - trade	105,026	-6,136
Decrease (increase) in other current assets	-8,822	-3,231
Increase (decrease) in other current liabilities	41,132	-9,971
Decrease (increase) in investments and other assets	628	1,550
Increase (decrease) in other non-current liabilities	-1,520	-1,247
Other, net	44	1,744
Subtotal	**225,542**	**144,875**
Interest and dividend income received	3,860	9,126
Interest expenses paid	-12,323	-10,985
Payments for business structure improvement expenses	-4,056	-48
Proceeds from subsidy income	3,752	5,933
Proceeds from compensation	-	744
Proceeds from insurance income	234	502
Income taxes paid	-24,374	-59,697
Net cash provided by (used in) operating activities	**¥192,634**	**¥ 90,450**

Consolidated Statements of Cash Flows

	FY2017 From April 1, 2017 to March 31, 2018 (Millions of yen)	FY2018 From April 1, 2018 to March 31, 2019 (Millions of yen)
Cash flows from investing activities		
Purchase of investment securities	¥ -1,457	¥ -1,454
Proceeds from sales and redemption of investment securities	401	38
Purchase of shares of subsidiaries and associates	-3,623	-1,240
Proceeds from sales and liquidation of shares of subsidiaries and associates	—	813
Purchase of property, plant and equipment	-96,780	-73,102
Payments for disposal of property, plant and equipment	-3,261	-4,823
Proceeds from sales of property, plant and equipment	17,470	1,364
Payments for purchases of intangible assets and long-term prepaid expenses	-9,859	-7,974
Decrease (increase) in short-term loans receivable	44	-134
Payments of long-term loans receivable	-225	-166
Collection of long-term loans receivable	485	1,558
Payments into time deposits	-33	-22
Proceeds from withdrawal of time deposits	22	499
Proceeds from withdrawal of investments in silent partnership	157	122
Other, net	227	—
Net cash provided by (used in) investing activities	**-96,432**	**-84,521**
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-21,563	-28,116
Proceeds from long-term loans payable	47,859	26,526
Repayments of long-term loans payable	-107,887	-99,050
Payments into deposits of restricted withdrawals	—	-75
Proceeds from issuance of bonds	—	59,851
Net increase (decrease) in commercial papers	11,500	35,100
Cash dividends paid	-4,204	-4,205
Dividends paid to non-controlling interests	-2,361	-7,173
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-3,602
Other, net	-98	264
Net cash provided by (used in) financing activities	**-76,757**	**-20,480**
Effect of exchange rate change on cash and cash equivalents	**-422**	**71**
Net increase (decrease) in cash and cash equivalents	**19,021**	**-14,480**
Cash and cash equivalents at beginning of period	**36,126**	**55,148**
Cash and cash equivalents at end of period	**¥ 55,148**	**¥ 40,667**

Major Indicators

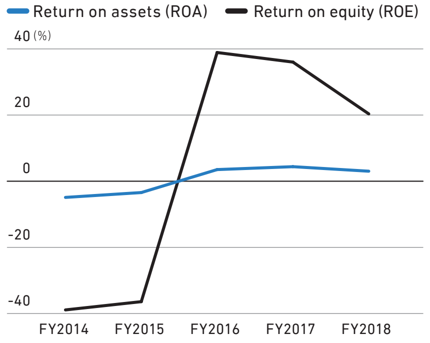
EBITDA excluding the Impact of Inventory Valuation



	FY2014	FY2015	FY2016	FY2017	FY2018
					(Millions of yen)
Operating income excluding the impact of inventory valuation	¥ 77,730	¥ 38,961	¥52,782	¥90,824	¥105,441
Depreciation and amortization[1]	32,399	30,713	37,769	42,130	54,225
EBITDA excluding the impact of inventory valuation[2]	110,129	69,674	90,551	132,954	159,666

1. Including "Recovery of recoverable accounts under production sharing"
2. EBITDA excluding the impact of inventory valuation = Operating income excluding the impact of inventory valuation + Depreciation and amortization

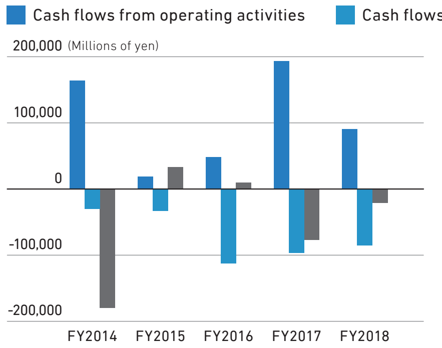
ROA and ROE



	FY2014	FY2015	FY2016	FY2017	FY2018
					(Millions of yen)
Profit (loss) attributable to owners of parent	¥-77,729	¥-50,230	¥53,235	¥72,813	¥53,132
Total assets	1,428,628	1,409,615	1,525,679	1,688,288	1,702,270
Net worth	167,194	108,046	164,722	238,677	281,065
Return on assets (ROA[1]) (%)	-5.0	-3.5	3.6	4.5	3.1
Return on equity (ROE[2]) (%)	-39.0	-36.5	39.0	36.1	20.4

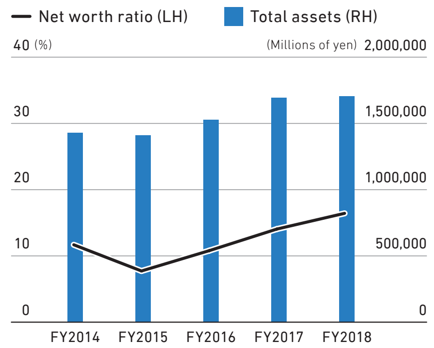
1. ROA = Profit (loss) attributable to owners of parent/Average total assets at beginning and end of the fiscal year × 100
2. ROE = Profit (loss) attributable to owners of parent/Average shareholders' equity at beginning and end of the fiscal year × 100

Consolidated Cash Flows



	FY2014	FY2015	FY2016	FY2017	FY2018
					(Millions of yen)
Cash flows from operating activities	¥163,384	¥18,427	¥47,625	¥192,634	¥90,450
Cash flows from investing activities	-30,126	-32,839	-112,038	-96,432	-84,521
Cash flows from financing activities	-178,920	32,499	9,626	-76,757	-20,480
Cash and cash equivalents at the end of year	80,765	89,418	36,126	55,148	40,667

Total Assets, Net Worth Ratio, and Net Debt-to-Equity Ratio[1]



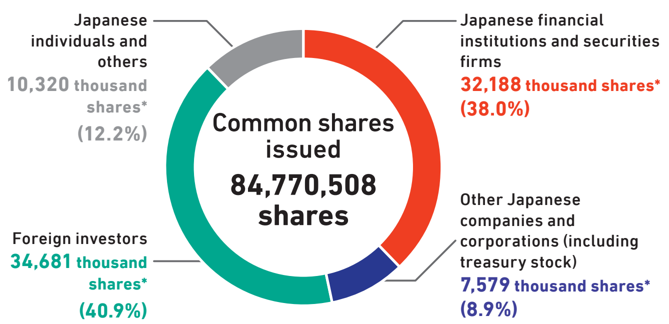
	FY2014	FY2015	FY2016	FY2017	FY2018
					(Millions of yen)
Total assets	¥1,428,628	¥1,409,615	¥1,525,679	¥1,688,288	¥1,702,270
Net interest-bearing debt[2]	597,701	666,179	727,258	635,763	644,663
Net worth	167,194	108,046	164,722	238,677	281,065
Net worth ratio (%)	11.7	7.7	10.8	14.1	16.5
Net debt-to-equity ratio (times)	3.6	4.6	3.6	2.3	1.98

1. Calculated on the basis that 50% of 60 billion yen Hybrid Loan made on April 1 2015 is included in Equity
2. Total interest-bearing debts net of cash and deposits etc. as of the end of the period

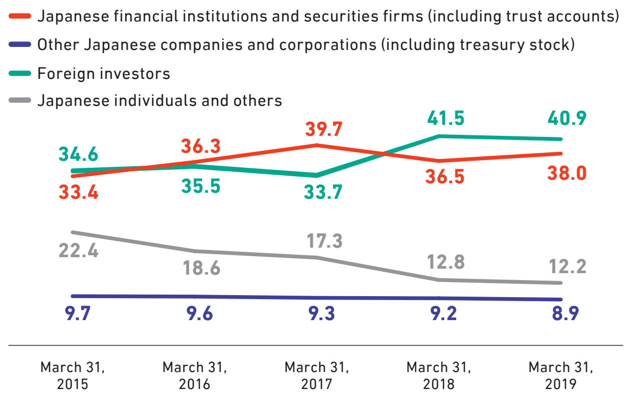
Share Information (As of March 31, 2019)

General meeting of shareholders	every June	**Record date for term-end dividend payment**	March 31
Shareholder registration agent	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, First Section

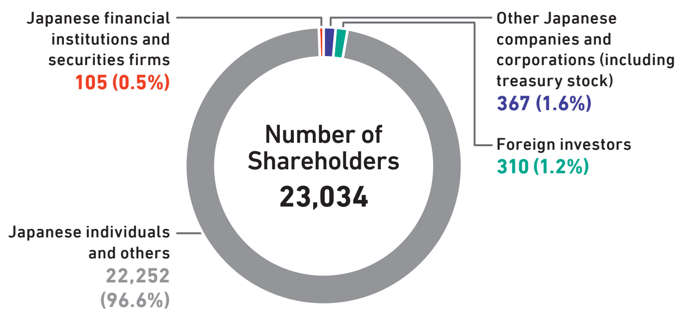
Number of Shares by Type of Shareholders and their Trend

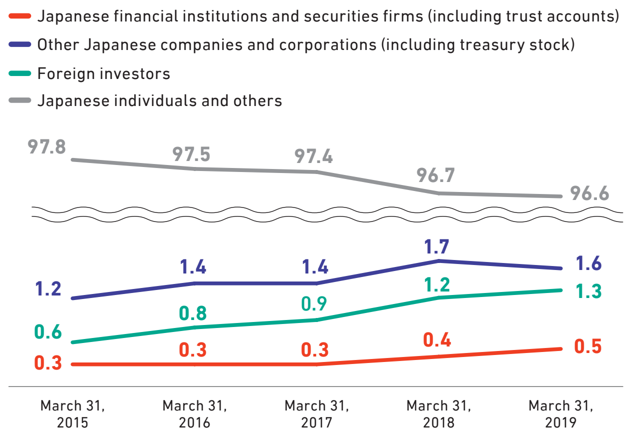


* Thousands of shares, rounded down



Number of Shareholders by Type and their Trend





Principal Shareholders (As of March 31, 2019)

Name of shareholders	Number of shares held (Thousands)	Investment Ratio (%)
Infinity Alliance Limited	17,600	20.76
Japan Trustee Services Bank, Ltd. (Trust account)	5,800	6.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,963	3.49
Mizuho Bank, Ltd.	2,522	2.97
The Kansai Electric Power Co., Inc.	1,860	2.19
CREDIT SUISSE AG, DUBLIN BRANCH PRIME CLIENT ASSET EQUITY ACCOUNT	1,627	1.91
Aioi Nissay Dowa Insurance Co., Ltd.	1,580	1.86
MUFG Bank, Ltd.	1,580	1.86
Sompo Japan Nipponkoa Insurance Inc.	1,579	1.86
Cosmo Energy Holdings Client Stock Ownership	1,408	1.66

* Investment ratio is calculated by excluding the number of treasury shares. The treasury shares do not include those shares owned by the trust bank through the "Board Incentive Plan (BIP) Trust."

Corporate Data (As of March 31, 2019)

Company Name	Cosmo Energy Holdings Co., Ltd.
Securities Code	5021
Head Office	1-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8302 Phone +81-3-3798-3180
Established	October 1, 2015
Capital	¥40 billion
Type of Business	Management of subsidiaries involved in oil businesses 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.; MUFG Bank, Ltd.; and Sumitomo Mitsui Banking Corporation

Key Data of the Cosmo Energy Group

Number of SS Operators	214
Branches	Eastern Japan, Kanto, Chubu, Kansai, Western Japan
Refineries	Chiba, Yokkaichi, Sakai

Period covered	Mainly the fiscal year from April 1, 2018 to March 31, 2019 (including some information for FY2019)
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 Initiative 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	November 2019 (next publication scheduled for August 2020: 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 https://ceh.cosmo-oil.co.jp/eng/ir/ CSR website https://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.