



May 11, 2017

**Overview of Business Results
of Fiscal Year Ending March 2017
[Based on Japanese GAAP] (Consolidated)**

Name of the Company: Cosmo Energy Holdings Co., Ltd. Shares traded: TSE
 Company Code: 5021 URL <http://ceh.cosmo-oil.co.jp/>
 Name of Representative: Keizo Morikawa (Title) President
 Name of Person to contact: Seiko Takagi (Title) General Manager of Corporate Communication Dept. Phone: 03-3798-3180
 Annual shareholders' meeting is to be held on: June 22, 2017 Dividend payment is to be started on: June 23, 2017
 Securities report is to be submitted on: June 22, 2017
 Availability of the Financial Result Supplementary Information: Yes
 Execution of the Financial Result Presentation Meeting: Yes (for analysts and institutional investors)

Note: Figures less than 1 million are rounded down

1. Consolidated Business Results for FY2016 (April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

(Figures in % refer to changes from FY2015)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|--------|-------------|-----|------------------|---|-----------------|---|---|---|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| FY2016 | 2,292,280 | 2.1 | 92,182 | — | 81,448 | — | 53,235 | — |
| FY2015 | 2,244,306 | — | -29,742 | — | -36,121 | — | -50,230 | — |

[Note] Comprehensive income FY2016: 67,619 million yen (—%) FY2015: -52,979 million yen (—%)

| | Net income per share | Diluted net income per share | Net income to net worth | Ordinary income to total assets | Operating income to net sales |
|--------|----------------------|------------------------------|-------------------------|---------------------------------|-------------------------------|
| | yen sen | yen sen | % | % | % |
| FY2016 | 633.32 | — | 39.0 | 5.5 | 4.0 |
| FY2015 | -594.85 | — | -36.5 | -2.5 | -1.3 |

[Reference] Equity in earnings(losses) of associates FY2016: 1,796 million yen FY2015: 3,012 million yen

(2) Consolidated Financial Position

| | Total assets | Net assets | Net worth ratio | Net assets per share |
|--------|--------------|-------------|-----------------|----------------------|
| | million yen | million yen | % | yen sen |
| FY2016 | 1,525,679 | 272,786 | 10.8 | 1,958.91 |
| FY2015 | 1,409,615 | 202,712 | 7.7 | 1,286.03 |

[Reference] Net worth FY2016: 164,722 million yen FY2015: 108,046 million yen

(3) Consolidated Cash Flows

| | CF from operating activities | CF from investing activities | CF from financing activities | Cash and cash equivalents at the end of the period |
|--------|------------------------------|------------------------------|------------------------------|--|
| | million yen | million yen | million yen | million yen |
| FY2016 | 47,625 | -112,038 | 9,626 | 36,126 |
| FY2015 | 18,427 | -32,839 | 32,499 | 89,418 |

2. Dividend Payment Results and Outlook

| | Annual dividend per share Total | | | | | Total amount of dividends paid/payable (full-year) | Dividend payout (consolidated) | Rate of dividend to net assets (consolidated) |
|------------------|---------------------------------|--------------|--------------|-----------------------|-----------|--|--------------------------------|---|
| | As of Q1-end | As of Q2-end | As of Q3-end | As of Fiscal Year-end | Full Year | | | |
| | yen sen | yen sen | yen sen | yen sen | yen sen | million yen | % | % |
| FY2015 | — | 0.00 | — | 40.00 | 40.00 | 3,390 | — | 2.5 |
| FY2016 | — | 0.00 | — | 50.00 | 50.00 | 4,238 | 7.9 | 3.1 |
| FY2017 (outlook) | — | 0.00 | — | 50.00 | 50.00 | | 21.0 | |

3. Consolidated Business Outlook for FY2017 (April 1, 2017 to March 31, 2018)

(% indicates for FY2017 change from the corresponding period of FY 2016, while for 1H FY2017 change from 1H FY2016)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Net income per share |
|-----------|-------------|------|------------------|-------|-----------------|-------|---|-------|----------------------|
| | million yen | % | million yen | % | million yen | % | million yen | % | yen sen |
| 1H FY2017 | 1,157,000 | 13.0 | 9,500 | -43.3 | 9,500 | -34.3 | -3,500 | — | — |
| FY2017 | 2,456,000 | 7.1 | 57,500 | -37.6 | 54,000 | -33.7 | 20,000 | -62.4 | 237.84 |

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during FY2016: No
 Newly — (Name of Company) — Exception — (Name of Company) —

(2) Changes in Accounting Policies, Accounting Estimates and Restatements:

- 1) Changes in accounting policies due to revisions of accounting standards, etc.: Yes
- 2) Changes in accounting policies for reasons other than the Item 1: No
- 3) Changes in accounting estimates: No
- 4) Restatements: No

(3) Total Number of Outstanding Shares (Ordinary Shares)

| | | | | |
|--|--------|-------------------|--------|-------------------|
| 1) Number of outstanding shares as of end of the period (including treasury shares): | FY2016 | 84,770,508 shares | FY2015 | 84,770,508 shares |
| 2) Number of shares of treasury stock as of end of the period: | FY2016 | 681,474 shares | FY2015 | 754,790 shares |
| 3) Average number of shares outstanding during the period: | FY2016 | 84,057,677 shares | FY2015 | 84,441,687 shares |

Note: This summary is not subject to audit procedures.

Note: Request for appropriate use of the business outlook and other special remarks:

The above business outlooks are based on information available as of the published date of this release and actual results may differ from the forecast subject to various factors that may arise in the future. For details, please refer to the “1.(4)Outlook for FY 2017” on page 3~4 of this release.

Supplementary information will be uploaded on the Cosmo Energy Holdings Co., Ltd. website on May 11, 2017.

【Supporting Data】

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1. Overview of Consolidated Operating Results

(1) Overview of Consolidated Operating Results

The Japanese economy continued to show gradual recovery during the fiscal year, with improvement in the employment and income environment as well as revived export due to the rally in the second half of FY2016. This was all despite sluggish consumer spending and private capital investment as well as economic slowdown in emerging countries such as China in the first half.

With respect to crude oil prices, the price for Dubai crude oil began the fiscal year in the \$36 per barrel range, then subsequently reached to the \$50 per barrel range due to the agreement to decrease oil production by OPEC in November. After that, the price hovered in the range from \$52 to \$54, before ultimately ending the year in the \$50 per barrel range.

As for exchange rates, the Japanese yen started the fiscal year at the ¥112 per dollar level and briefly rose to the ¥100 per dollar level due to Britain's secession from the EU decided by referendum in August. However, the U.S. dollar became stronger against the yen due to Trump's win in the U.S. presidential election in November, and the yen ended the fiscal year at the ¥112 per dollar level.

Domestic demand for petroleum products remained unchanged compared with the previous fiscal year because the gasoline and diesel fuel were propped up by the decline in their product market conditions. While the demand for kerosene and low sulfur fuel oil resulted in exceeding that in the previous fiscal year due to a severe winter, the shifts toward the use of alternative fuels significantly decreased the demand for heavy fuel oil, therefore the demand overall fell below that in the previous fiscal year.

As for petrochemical products, although the domestic demand maintained a firm tone, the production became lower than that in the previous fiscal year due to the ethylene plant shutdown and subsequent scheduled maintenances. The market maintained a firm tone in internal and Asian area.

As a result, consolidated net sales in FY2016 were recorded ¥2,292.3 billion (up ¥48.0 billion compared with FY2015).

Consolidated operating income was recorded ¥92.2 billion (compared with consolidated operating loss, ¥29.7 billion in FY2015), consolidated ordinary income, ¥81.4 billion (compared with consolidated ordinary loss, ¥36.1 billion in FY2015).

Gain on inventory valuation due to the change in crude oil prices were ¥39.4 billion (compared with loss of inventory valuation, ¥68.7 billion in FY2015). As for operating income that excludes gain on inventory evaluation recorded ¥52.8 billion (up ¥13.8 billion from FY2015), ordinary income was ¥42.0 billion (up ¥9.4 billion from FY2015).

Segment-specific results were as follows:

[Business Segment Information]

(Unit: ¥billion)

| | Petroleum business | Petrochemical business | Oil exploration and production business | Other and adjustments | Consolidated |
|----------------|--------------------|------------------------|---|-----------------------|--------------|
| Net sales | 2,099.9 | 378.4 | 44.5 | -230.5 | 2,292.3 |
| Segment profit | 41.2 | 22.2 | 9.3 | 8.7 | 81.4 |

[Petroleum business]

As for the Petroleum business segment, while the export of products showed a firm growth, net sales were decreased due to the decline in domestic selling volume of petroleum products. Furthermore, the effect of inventory evaluation caused by the rise in crude oil prices at the end of FY2016 boosted the Cost of sales. As a result, the segment reported sales of ¥2,099.9 billion (down ¥120.8 billion from FY2015) and segment profit of ¥41.2 billion (compared with segment loss of ¥62.8 billion in FY2015).

The Segment profit that excludes the effect of inventory evaluation recorded ¥1.8 billion (down ¥4.0 billion from FY2015).

[Petrochemical business]

As for the Petrochemical business segment, due to the effect that Maruzen Petrochemical Co., Ltd. was included in the scope of the consolidation of the Cosmo Energy Group and improvement of product market conditions, the segment reported net sales of ¥378.4 billion for FY2016 (up ¥330.3 billion from FY2015) and segment profit of ¥22.2 billion (up ¥18.1 billion from FY2015).

[Oil exploration and production business]

As for the Oil exploration and production business segment, the influence from declined selling price of crude oil and the strong yen resulted in net sales of ¥44.5 billion for FY2016 (down ¥11.3 billion from FY2015) and segment profit of ¥9.3 billion (down ¥9.3 billion from FY2015).

(2) Overview of Financial Position

(Assets)

The total current assets as of the end of FY2016 amounted to ¥561.6 billion, up ¥45.3 billion from the end of FY2015, by increasing inventories of ¥61.0 billion primarily due to the rise in crude oil prices. The total noncurrent assets amounted to ¥963.6 billion, up ¥70.9 billion from the end of FY2015. This was primarily due to increase in property, plant and equipment of ¥80.0 billion by capital investments.

As a result, the total assets amounted to ¥1,525.7 billion, up ¥116.1 billion from the end of FY2015.

(Liabilities)

The total current liabilities as of the end of FY2016 amounted to ¥655.5 billion, up ¥100.0 billion from the end of FY2015, by increasing notes and accounts payable-trade of ¥54.7 billion primarily due to the rise in crude oil prices. The total noncurrent liabilities amounted to ¥597.4 billion, down ¥54.0 billion from the end of FY2015. This was primarily due to decrease in long-term loans payable of ¥48.5 billion.

As a result, the total liabilities amounted to ¥1,252.9 billion, up ¥46.0 billion from the end of FY2015.

(Net Assets)

The total net assets as of the end of FY2016 amounted to ¥272.8 billion, up ¥70.1 billion from the end of FY2015. This was primarily due to profit attributable to owners of parent of ¥53.2 billion.

As a result, the net worth ratio was 10.8% (7.7% in FY2015).

(3) Overview of Cash Flows

Cash and cash equivalents (hereinafter “cash”) as of March 31, 2017 amounted ¥36.1 billion, decreased by ¥53.3 billion from March 31, 2016. That is primarily due to the increase of notes and accounts receivable-trade and inventories by the rise in crude oil prices and of payments for purchase of property, plant and equipment as capital investment, despite the increase of profit before income taxes with the amount of ¥78.6 billion and of notes and accounts payable-trade.

Situations of each cash flow and its factors are as follows.

(Cash flows from operating activities)

As a result of operating activities, gained cash amounted to ¥47.6 billion. This is primarily due to ¥78.6 billion of profit before income taxes, ¥34.5 billion of depreciation, and ¥55.0 billion of notes and accounts payable-trade, despite the increase of ¥23.9 billion in notes and accounts receivable-trade and of ¥61.5 billion in inventories.

(Cash flows from investing activities)

As a result of investing activities, ¥112.0 billion of cash was used. This is primarily due to ¥108.7 billion of payments for purchase of property, plant and equipment.

(Cash flows from financing activities)

As a result of financing activities, gained cash amounted to ¥9.6 billion. This is primarily due to ¥66.3 billion of payments of long-term loans payable and ¥3.4 billion of cash dividends paid, despite of ¥43.9 billion of proceeds from long-term loans payable and the increase of ¥39.4 billion in commercial papers.

(4) Outlook for FY2017

1) Outlook for FY2017

The Cosmo Energy Group will restore the earnings capability of the petroleum refining and sales and marketing businesses, a target set out in the 5th Consolidated Medium-Term Management Plan that commenced in FY2013, and will steadily recoup strategic investments made mainly in the petrochemical and oil exploration and production businesses under the 4th Consolidated Medium-Term Management Plan.

The new fiscal year of 2017 commencing on April 1, 2017 has the assumptions of an average crude oil price of US\$50/bbl and an average exchange rate of ¥110/US\$, and its business outlook including consolidated net sales of ¥2,456.0 billion (up ¥163.7 billion from FY2016), consolidated operating income of ¥57.5 billion (down ¥34.7 billion from FY2016), consolidated ordinary income of ¥54.0 billion (down ¥27.4 billion from FY2016) and profit attributable to owners of parent of ¥20.0 billion (down ¥33.2 billion from FY2016).

[Segment-Specific Business Outlook]

(Unit: ¥billion)

| | Petroleum business | Petrochemical business | Oil exploration and production business | Other and adjustments | Consolidated |
|----------------|--------------------|------------------------|---|-----------------------|--------------|
| Net sales | 2,236.0 | 383.0 | 66.0 | -229.0 | 2,456.0 |
| Segment profit | 4.0 | 14.0 | 26.0 | 10.0 | 54.0 |

[Petroleum business]

As for the petroleum business segment, income is expected to decrease from the previous fiscal year. The factors behind this decrease are that the impact on inventory valuation which led to a decrease in the cost of sales for the previous fiscal period will lead to the increase in the cost of sales despite of the recovery of sales margin.

[Petrochemical business]

As for the petrochemical business segment, income is expected to decrease from the previous fiscal year, as the product market condition was strong on the previous fiscal period.

[Oil exploration and production business]

As for the oil exploration and production business segment, income is expected to increase from the previous fiscal year, due to rise in crude oil prices and the start of production at Heil oil field.

2) Outlook for dividends

The Company places priority on returning profits to its shareholders. Its basic policy is to distribute stable dividends, while considering the strengthening of its corporate structure, the development of operations, and the balance of results and finance. Under this policy, the Company plans to distribute a year-end dividend per share of 50 yen for the fiscal year under review. The Company plans to distribute a dividend of 50 yen the next fiscal year.

2. Basic Policy for Selection for Accounting Standards

The Cosmo Energy Group has a policy to make the consolidated financial statements with the Japanese Generally Accepted Accounting Principles for the meantime, because of retaining financial statements' comparability and inter-enterprise comparability.

And also, The Cosmo Energy Group will correspond appropriately to applying the International Financial Reporting Standards (IFRS) in consideration of the global trend.

3. Consolidated Financial Statements and Their Main Notes

(1) Consolidated Balance Sheet

(Unit: million yen)

| | FY2015 As of March 31, 2016 | FY2016 As of March 31, 2017 |
|--|--------------------------------|--------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 60,972 | 45,292 |
| Notes and accounts receivable-trade | 192,572 | 216,602 |
| Securities | 30,000 | — |
| Merchandise and finished goods | 87,825 | 111,905 |
| Work in process | 391 | 279 |
| Raw materials and supplies | 94,211 | 131,181 |
| Accounts receivable-other | 28,709 | 36,010 |
| Deferred tax assets | 3,812 | 3,760 |
| Other | 17,954 | 16,752 |
| Allowance for doubtful accounts | -195 | -181 |
| Total current assets | 516,254 | 561,604 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 129,074 | 150,866 |
| Oil storage depots, net | 32,693 | 33,027 |
| Machinery, equipment and vehicles, net | 149,609 | 161,690 |
| Land | 320,971 | 320,496 |
| Lease assets, net | 761 | 674 |
| Construction in progress | 53,586 | 99,980 |
| Other, net | 6,571 | 6,584 |
| Total property, plant and equipment | 693,267 | 773,320 |
| Intangible assets | | |
| Software | 3,158 | 3,032 |
| Goodwill | 1,452 | 721 |
| Other | 42,812 | 40,830 |
| Total intangible assets | 47,423 | 44,585 |
| Investments and other assets | | |
| Investment securities | 112,040 | 105,720 |
| Long-term loans receivable | 2,048 | 2,857 |
| Long-term prepaid expenses | 7,986 | 6,716 |
| Net defined benefit asset | 1,738 | 1,928 |
| Cost recovery under production sharing | 16,917 | 17,302 |
| Deferred tax assets | 2,437 | 2,608 |
| Other | 9,330 | 8,899 |
| Allowance for doubtful accounts | -481 | -365 |
| Total investments and other assets | 152,019 | 145,667 |
| Total noncurrent assets | 892,710 | 963,573 |
| Deferred assets | | |
| Bond issuance cost | 651 | 502 |
| Total deferred assets | 651 | 502 |
| Total assets | 1,409,615 | 1,525,679 |

(Unit: million yen)

| | FY2015 As of March 31, 2016 | FY2016 As of March 31, 2017 |
|---|--------------------------------|--------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 115,803 | 170,539 |
| Short-term loans payable | 200,619 | 225,169 |
| Commercial papers | 12,000 | 51,400 |
| Accounts payable-other | 94,582 | 92,428 |
| Accrued volatile oil and other petroleum taxes | 93,788 | 66,528 |
| Income taxes payable | 8,094 | 11,237 |
| Accrued expenses | 3,716 | 3,182 |
| Provision for bonuses | 4,962 | 5,326 |
| Provision for director's bonuses | 293 | 315 |
| Deferred tax liabilities | 52 | 266 |
| Provision for business structure improvement | 4,534 | 2,001 |
| Other | 17,070 | 27,079 |
| Total current liabilities | 555,519 | 655,473 |
| Noncurrent liabilities | | |
| Bonds payable | 46,700 | 46,700 |
| Long-term loans payable | 497,831 | 449,282 |
| Deferred tax liabilities | 31,202 | 33,608 |
| Deferred tax liabilities for land revaluation | 5,249 | 5,243 |
| Provision for special repairs | 15,078 | 13,781 |
| Provision for business structure improvement | 1,171 | 212 |
| Provision for environmental measures | 3,416 | 1,997 |
| Net defined benefit liability | 9,586 | 5,516 |
| Provision for executive remuneration BIP trust | 41 | 296 |
| Asset retirement obligations | 11,375 | 19,338 |
| Other | 29,730 | 21,441 |
| Total noncurrent liabilities | 651,384 | 597,420 |
| Total liabilities | 1,206,903 | 1,252,893 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 40,000 | 40,000 |
| Capital surplus | 84,509 | 84,359 |
| Retained earnings | 259 | 49,985 |
| Treasury shares | -1,223 | -1,113 |
| Total shareholders' equity | 123,545 | 173,231 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,042 | 4,794 |
| Deferred gains or losses on hedges | -1,601 | -233 |
| Revaluation reserve for land | -20,660 | -20,576 |
| Foreign currency translation adjustment | 8,507 | 7,215 |
| Remeasurements of defined benefit plans | -4,786 | 292 |
| Total accumulated other comprehensive income | -15,499 | -8,508 |
| Non-controlling interests | 94,665 | 108,063 |
| Total net assets | 202,712 | 272,786 |
| Total liabilities and net assets | 1,409,615 | 1,525,679 |

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Unit: million yen)

| | FY2015 From April 1, 2015 to March 31, 2016 | FY2016 From April 1, 2016 to March 31, 2017 |
|---|---|---|
| Net sales | 2,244,306 | 2,292,280 |
| Cost of sales | 2,154,615 | 2,079,727 |
| Gross profit | 89,691 | 212,553 |
| Selling, general and administrative expenses | 119,433 | 120,370 |
| Operating income (loss) | -29,742 | 92,182 |
| Non-operating income | | |
| Interest income | 167 | 218 |
| Dividends income | 1,322 | 671 |
| Rent income on noncurrent assets | 870 | 1,144 |
| Equity in earnings of associates | 3,012 | 1,796 |
| Other | 3,907 | 2,764 |
| Total non-operating income | 9,280 | 6,594 |
| Non-operating expenses | | |
| Interest expenses | 12,758 | 12,274 |
| Foreign exchange losses | — | 1,058 |
| Other | 2,899 | 3,995 |
| Total non-operating expenses | 15,658 | 17,328 |
| Ordinary income (loss) | -36,121 | 81,448 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 160 | 322 |
| Gain on sales of investment securities | 161 | 910 |
| Gain on sales of shares of subsidiaries and associates | — | 1,282 |
| Subsidy income | 5,716 | 3,346 |
| Gain on change in equity | 1,565 | — |
| Gain on bargain purchase | 16,302 | 493 |
| Other | 554 | 558 |
| Total extraordinary income | 24,460 | 6,914 |
| Extraordinary losses | | |
| Loss on sales of noncurrent assets | 484 | 195 |
| Loss on disposal of noncurrent assets | 6,189 | 6,274 |
| Impairment loss | 6,241 | 842 |
| Loss on valuation of investment securities | 692 | 808 |
| Business structure improvement expenses | 6,923 | 802 |
| Loss on litigation | 405 | — |
| Loss on step acquisitions | 10,190 | — |
| Land trust expenses | 1,010 | — |
| Other | — | 873 |
| Total extraordinary losses | 32,137 | 9,796 |
| Profit (loss) before income taxes | -43,797 | 78,565 |
| Income taxes-current | 13,293 | 18,267 |
| Income taxes-deferred | -12,690 | 644 |
| Total income taxes | 602 | 18,912 |
| Profit (loss) | -44,400 | 59,652 |
| Profit (loss) attributable to non-controlling interests | 5,829 | 6,417 |
| Profit (loss) attributable to owners of parent | -50,230 | 53,235 |

(Consolidated Statements of Comprehensive Income)

(Unit: million yen)

| | FY2015 From April 1, 2015 to March 31, 2016 | FY2016 From April 1, 2016 to March 31, 2017 |
|--|---|---|
| Profit (loss) | -44,400 | 59,652 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | -2,154 | 2,824 |
| Deferred gains or losses on hedges | -2,332 | 1,304 |
| Revaluation reserve for land | 193 | -28 |
| Foreign currency translation adjustment | -809 | -143 |
| Remeasurements of defined benefit plans, net of tax | -1,688 | 5,077 |
| Share of other comprehensive income of entities accounted for using equity method | -1,786 | -1,067 |
| Total other comprehensive income | -8,579 | 7,966 |
| Comprehensive income | -52,979 | 67,619 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | -58,809 | 60,112 |
| Comprehensive income attributable to non-controlling interests | 5,829 | 7,506 |

(3) Consolidated Statements of Changes in Equity

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

(Unit: million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at April 1,2015 | 107,246 | 16,967 | 7,942 | -145 | 132,010 |
| Changes of items during period | | | | | |
| Profit (loss) attributable to owners of parent | | | -50,230 | | -50,230 |
| Purchase of treasury shares | | | | -1,114 | -1,114 |
| Disposal of treasury shares | | -0 | | 0 | -0 |
| Change of scope of consolidation | | 340 | -46 | -9 | 284 |
| Changes by share exchange | | -0 | | 1 | 1 |
| Changes by share transfer | -67,246 | 67,202 | | 44 | — |
| Changes by change the fiscal term of subsidiaries | | | 490 | | 490 |
| Reversal of Revaluation reserve for land | | | 42,103 | | 42,103 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | -67,246 | 67,542 | -7,682 | -1,077 | -8,465 |
| Balance at March 31,2016 | 40,000 | 84,509 | 259 | -1,223 | 123,545 |

| | Accumulated other comprehensive income | | | | | | Non-controlling interests | Total net assets |
|--|---|------------------------------------|------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at April 1,2015 | 5,505 | 749 | 21,249 | 10,568 | -2,890 | 35,183 | 40,326 | 207,520 |
| Change of items during period | | | | | | | | |
| Profit (loss) attributable to owners of parent | | | | | | | | -50,230 |
| Purchase of treasury shares | | | | | | | | -1,114 |
| Disposal of treasury shares | | | | | | | | -0 |
| Change of scope of consolidation | | | | | | | | 284 |
| Changes by share exchange | | | | | | | | 1 |
| Changes by share transfer | | | | | | | | — |
| Changes by change the fiscal term of subsidiaries | | | | | | | | 490 |
| Reversal of Revaluation reserve for land | | | -42,103 | | | -42,103 | | — |
| Net changes of items other than shareholders' equity | -2,463 | -2,351 | 193 | -2,060 | -1,896 | -8,579 | 54,339 | 45,759 |
| Total changes of items during the period | -2,463 | -2,351 | -41,909 | -2,060 | -1,896 | -50,682 | 54,339 | -4,808 |
| Balance at March 31,2016 | 3,042 | -1,601 | -20,660 | 8,507 | -4,786 | -15,499 | 94,665 | 202,712 |

FY2016 (From April 1, 2016 to March 31, 2017)

(Unit: million yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at April 1,2016 | 40,000 | 84,509 | 259 | -1,223 | 123,545 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | -3,386 | | -3,386 |
| Profit (loss) attributable to owners of parent | | | 53,235 | | 53,235 |
| Purchase of treasury shares | | | | -0 | -0 |
| Disposal of treasury shares | | -31 | | 110 | 78 |
| Change of scope of consolidation | | | -10 | | -10 |
| Reversal of Revaluation reserve for land | | | -113 | | -113 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | -117 | | | -117 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | — | -149 | 49,725 | 109 | 49,685 |
| Balance at March 31,2017 | 40,000 | 84,359 | 49,985 | -1,113 | 173,231 |

| | Accumulated other comprehensive income | | | | | | Non-controlling interests | Total net assets |
|---|---|------------------------------------|------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Revaluation reserve for land | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at April 1,2016 | 3,042 | -1,601 | -20,660 | 8,507 | -4,786 | -15,499 | 94,665 | 202,712 |
| Change of items during period | | | | | | | | |
| Dividends of surplus | | | | | | | | -3,386 |
| Profit (loss) attributable to owners of parent | | | | | | | | 53,235 |
| Purchase of treasury shares | | | | | | | | -0 |
| Disposal of treasury shares | | | | | | | | 78 |
| Change of scope of consolidation | | | | | | | | -10 |
| Reversal of Revaluation reserve for land | | | 113 | | | 113 | | — |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | | -117 |
| Net changes of items other than shareholders' equity | 1,751 | 1,367 | -28 | -1,292 | 5,079 | 6,877 | 13,397 | 20,275 |
| Total changes of items during the period | 1,751 | 1,367 | 84 | -1,292 | 5,079 | 6,990 | 13,397 | 70,073 |
| Balance at March 31,2017 | 4,794 | -233 | -20,576 | 7,215 | 292 | -8,508 | 108,063 | 272,786 |

(4) Consolidated Statements of Cash Flows

(Unit: million yen)

| | FY2015 From April 1, 2015 to March 31, 2016 | FY2016 From April 1, 2016 to March 31, 2017 |
|--|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | -43,797 | 78,565 |
| Depreciation | 27,447 | 34,507 |
| Gain on bargain purchase | -16,302 | -493 |
| Amortization of goodwill | 730 | 730 |
| Loss (gain) on step acquisitions | 10,190 | — |
| Impairment loss | 6,241 | 842 |
| Loss (gain) on sales of non-current assets | 324 | -127 |
| Business structure improvement expenses | 6,923 | 802 |
| Loss (gain) on disposal of non-current assets | 6,189 | 6,274 |
| Loss (gain) on sales of investment securities | -161 | -910 |
| Loss (gain) on valuation of investment securities | 692 | 808 |
| Loss (gain) on sales of shares of subsidiaries and associates | — | -1,282 |
| Subsidy income | -5,716 | -3,346 |
| Interest and dividend income | -1,489 | -890 |
| Interest expenses | 12,758 | 12,274 |
| Foreign exchange losses (gains) | 119 | 754 |
| Share of (profit) loss of entities accounted for using equity method | -3,012 | -1,796 |
| Increase (decrease) in allowance for doubtful accounts | -59 | -148 |
| Increase (decrease) in provision for special repairs | 234 | -2,375 |
| Increase (decrease) in provision for environmental measures | -314 | -583 |
| Increase (decrease) in net defined benefit asset (liability) | 753 | 581 |
| Decrease (increase) in notes and accounts receivable - trade | 53,968 | -23,948 |
| Recovery of recoverable accounts under production sharing | 3,265 | 3,262 |
| Decrease (increase) in inventories | 79,904 | -61,495 |
| Increase (decrease) in notes and accounts payable - trade | -96,090 | 55,031 |
| Decrease (increase) in other current assets | 24,245 | -1,528 |
| Increase (decrease) in other current liabilities | -18,151 | -22,773 |
| Decrease (increase) in investments and other assets | 860 | 1,699 |
| Increase (decrease) in other non-current liabilities | 4,171 | -2,306 |
| Other, net | -75 | 1,535 |
| Subtotal | 53,849 | 73,665 |
| Interest and dividend income received | 2,154 | 1,014 |
| Interest expenses paid | -13,490 | -12,407 |
| Payments for business structure improvement expense | -5,107 | -3,916 |
| Proceeds from subsidy income | 4,978 | 3,487 |
| Payments for land trust expenses | -1,010 | — |
| Income taxes paid | -22,945 | -14,218 |
| Net cash provided by (used in) operating activities | 18,427 | 47,625 |

(Unit: million yen)

| | FY2015 From April 1, 2015 to March 31, 2016 | FY2016 From April 1, 2016 to March 31, 2017 |
|---|---|---|
| Cash flows from investing activities | | |
| Purchase of investment securities | -976 | -1,341 |
| Proceeds from sales and redemption of investment securities | 243 | 7,190 |
| Purchase of shares of subsidiaries and associates | -8,401 | -1,240 |
| Proceeds from sales and liquidation of shares of subsidiaries and associates | — | 178 |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | — | 1,261 |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | 35,502 | — |
| Purchase of property, plant and equipment | -55,743 | -108,683 |
| Payments for disposal of property, plant and equipment | -4,645 | -4,310 |
| Proceeds from sales of property, plant and equipment | 1,243 | 593 |
| Payments for purchases of intangible assets and long-term prepaid expenses | -16,126 | -5,977 |
| Decrease (increase) in short-term loans receivable | 2,713 | 399 |
| Payments of long-term loans receivable | -1,840 | -1,425 |
| Collection of long-term loans receivable | 1,074 | 589 |
| Payments into time deposits | -100 | -489 |
| Proceeds from withdrawal of time deposits | 14,193 | — |
| Proceeds from withdrawal of investments in anonymous association | — | 1,233 |
| Other, net | 23 | -15 |
| Net cash provided by (used in) investing activities | -32,839 | -112,038 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | -13,138 | -2,828 |
| Proceeds from long-term loans payable | 73,692 | 43,861 |
| Repayments of long-term loans payable | -45,165 | -66,333 |
| Payments into deposits of restricted withdrawals | — | -6,393 |
| Proceeds from issuance of bonds | 8,886 | — |
| Net increase (decrease) in commercial papers | 12,000 | 39,400 |
| Cash dividends paid | — | -3,359 |
| Dividends paid to non-controlling interests | -1,578 | -947 |
| Proceeds from share issuance to non-controlling shareholders | — | 6,229 |
| Other, net | -2,196 | -4 |
| Net cash provided by (used in) financing activities | 32,499 | 9,626 |
| Effect of exchange rate change on cash and cash equivalents | -189 | -621 |
| Net increase (decrease) in cash and cash equivalents | 17,898 | -55,408 |
| Cash and cash equivalents at beginning of period | 80,765 | 89,418 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | — | 2,107 |
| Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries | — | 8 |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | -9,245 | — |
| Cash and cash equivalents at end of period | 89,418 | 36,126 |

(5)Notes to Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Changes in Accounting Policies)

(Application of practical solution on a change in depreciation method due to Tax Reform 2016)

As a result of the revision of the Corporation Tax Act, the practical solution on a change in depreciation method due to Tax Reform 2016 (ASBJ Practical Issues Task Force No. 32, June 17, 2016) has been applied from FY2016, and the method of depreciating the buildings and accompanying facilities acquired on or after April 1, 2016, has been changed from the declining balance method to the straight line method.

The effect of this change on the consolidated financial statements and segment information for FY2016 is negligible.

(Segment Information)

1. Overview of Reporting Segments

The reporting segments of the Cosmo Group are comprised of those entities where obtaining separate financial reports are possible and those which the board members regularly review and decide distribution of management resources.

The Cosmo Group conducts "Petroleum Business," "Petrochemicals Business" and "Petroleum Exploration and Production Business" and the Company or its affiliate companies operate these businesses independently depending on the type of services or products handled.

Therefore the 3 reporting segments by the Cosmo Group are, "Petroleum Business," "Petrochemicals Business" and "Petroleum Exploration and Production Business," based on the services and/or the products handled.

In further detail, "Petroleum Business" produces and markets gasoline, naphtha, kerosene, diesel, fuel oil, crude oil, lubricants, LPG, asphalt, etc. "Petrochemicals Business" produces and markets mixed-xylene, para-xylene, benzene, toluene, solvents, etc. "Petroleum Exploration and Production Business" explores and produces crude oil.

2. Methods to Determine Net Sales, Income or Loss, Assets, Liabilities and Other Items by Business Segment

The accounting methods by business segment reported herein are almost the same as the description of the "Notes concerning Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements."

Profit by business segment is stated on an ordinary income basis.

3. Information about net sales and income or loss amounts by segment reported

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

(unit: million yen)

| | Petroleum business | Petrochemical business | Oil exploration and production business | Other Note: 1 | Adjustments Note: 2 | Consolidated Note: 3 |
|-------------------------------|--------------------|------------------------|---|---------------|---------------------|----------------------|
| Net sales | | | | | | |
| Outside customers | 2,177,077 | 20,222 | 22,661 | 24,345 | — | 2,244,306 |
| Inter-segment | 43,587 | 27,908 | 33,146 | 47,104 | -151,746 | — |
| Total | 2,220,664 | 48,131 | 55,807 | 71,449 | -151,746 | 2,244,306 |
| Segment Income (Loss) | -62,807 | 4,115 | 18,637 | 3,508 | 424 | -36,121 |
| Other items | | | | | | |
| Depreciation and amortization | 19,103 | 802 | 6,210 | 1,893 | -562 | 27,447 |
| Amortization of goodwill | 695 | — | — | 35 | — | 730 |
| Interest income | 421 | — | 93 | 14 | -363 | 167 |
| Interest expenses | 12,093 | 110 | 541 | 375 | -363 | 12,758 |
| Equity earnings of associates | -3,426 | 5,795 | 567 | 75 | — | 3,012 |

Notes: 1 Other is segment of non-classified, including construction works, insurance agency, leasing, travel agency and wind power generation, etc.

2 Segment Income (Loss) in "Adjustments" ¥424 million includes ¥1,319 million for net profit that is not allocated each reported segment or "Other" segment, ¥57 million for internal eliminations, ¥361 million for inventory adjustments, and ¥-1,313 million adjustment of noncurrent assets.

3 Segment Income (Loss) is adjusted to ordinary loss of consolidated statements of income.

4 No asset allocation is made into each segment, so that the description of such information is omitted.

FY2016 (From April 1, 2016 to March 31, 2017)

(unit: million yen)

| | Petroleum business | Petrochemical business | Oil exploration and production business | Other Note: 1 | Adjustments Note: 2 | Consolidated Note: 3 |
|-------------------------------|--------------------|------------------------|---|---------------|---------------------|----------------------|
| Net sales | | | | | | |
| Outside customers | 1,918,527 | 328,183 | 21,899 | 23,670 | — | 2,292,280 |
| Inter-segment | 181,367 | 50,259 | 22,637 | 36,971 | -291,236 | — |
| Total | 2,099,895 | 378,443 | 44,536 | 60,642 | -291,236 | 2,292,280 |
| Segment Income | 41,168 | 22,177 | 9,347 | 3,757 | 4,997 | 81,448 |
| Other items | | | | | | |
| Depreciation and amortization | 19,444 | 7,165 | 6,705 | 2,000 | -808 | 34,507 |
| Amortization of goodwill | 695 | — | — | 35 | — | 730 |
| Interest income | 608 | 37 | 49 | 9 | -487 | 218 |
| Interest expenses | 10,539 | 477 | 719 | 521 | 16 | 12,274 |
| Equity earnings of associates | -3,512 | 5,236 | 35 | 37 | — | 1,796 |

Notes: 1 Other is segment of non-classified, including construction works, insurance agency, leasing, travel agency and wind power generation, etc.

2 Segment Income in “Adjustments” ¥4,997 million includes ¥5,222 million for net profit that is not allocated each reported segment or “Other” segment, ¥366 million for internal eliminations, ¥-353 million for inventory adjustments, and ¥-237 million adjustment of noncurrent assets.

3 Segment Income is adjusted to ordinary income of consolidated statements of income.

4 No asset allocation is made into each segment, so that the description of such information is omitted.

(Per-share Information)

| | FY2015 April 1, 2015 - March 31, 2016 | FY2016 April 1, 2016 - March 31, 2017 |
|---------------------------------|--|--|
| Net assets per share (¥) | 1,286.03 | 1,958.91 |
| Net income (loss) per share (¥) | -594.85 | 633.32 |

Notes: 1. Since no dilutive securities exist, net income per share after adjustment for dilutive securities is omitted.

2. In calculating net assets per share, the company's shares which Executive Remuneration BIP Trust possess are excluded from issued shares at the end of the period (680 thousands of shares from FY2015, 680 thousands of shares from FY2016).

In calculating net income or loss per share, the company's shares which Executive Remuneration BIP Trust possess are also excluded from average number of shares during the period (261 thousands of shares from FY2015, 680 thousands of shares from FY2016).

3. Net income (loss) per share was calculated on the following basis.

| | FY2015 April 1, 2015 - March 31, 2016 | FY2016 April 1, 2016 - March 31, 2017 |
|---|--|--|
| Income (loss) attributable to owners of parent (¥mil) | -50,230 | 53,235 |
| Amount that does not belong to ordinary share holders (¥mil) | — | — |
| Income (loss) attributable to owners of parent that belongs to ordinary shares (¥mil) | -50,230 | 53,235 |
| Average number of ordinary shares outstanding during the year (thousands of shares) | 84,441 | 84,057 |

(Significant Subsequent Events)

None