COSMO OIL CO., LTD.

Annual Report 2014

for the year ended March 31, 2014

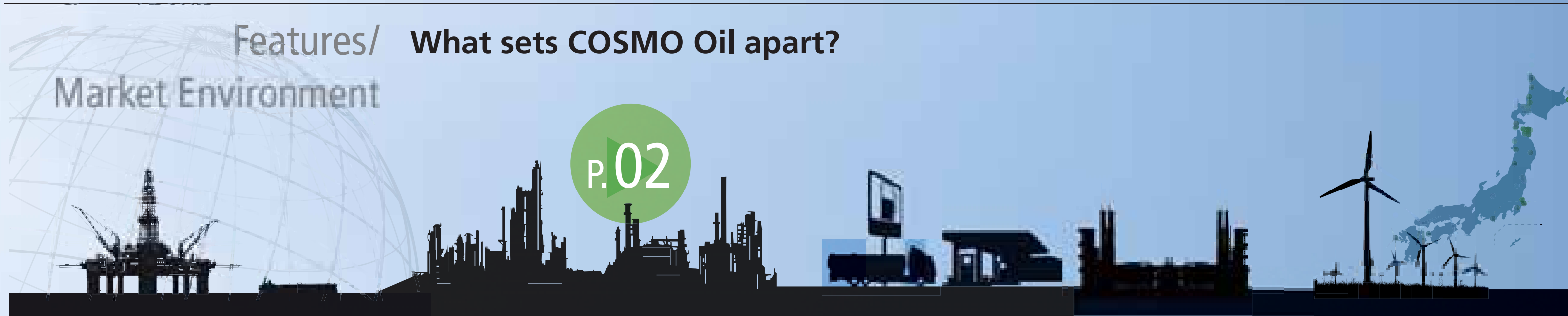
# Accelerating the Pace of Reform to Realize Our Goals

President, Chief Executive Officer
KEIZO MORIKAWA

The Cosmo Oil Group is actively engaged in carrying out its five-year Medium-Term Management Plan launched in April 2013. In order to build a robust operating platform and transition to a new business structure, the Group is working to regain profitability in the refining and marketing sector while accelerating the pace at which it expands its business portfolio, including activities in crude oil development, petrochemicals, and renewable energy. The Cosmo Oil Group is driven by its mission to fulfill the diverse needs of society by ensuring the stable supply of energy. With this as our guiding light, we will embark on a new journey to become a vertically integrated global energy company from a long-term perspective.

Features/ Market Environment






Management Vision/ Performance




## Speed and Opportunity—Keys to New Growth




Corporate Governance/ CSR



Financial Section and the Data

# What sets COSMO Oil apart?

Features

## OIL EXPLORATION AND PRODUCTION BUSINESS

### Spinning Off the Oil E&P Business into the Newly Established Cosmo Energy Exploration & Production Co., Ltd.

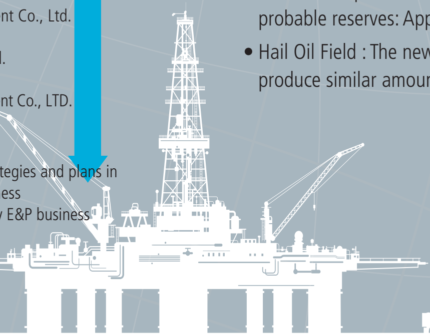
Cosmo Energy Exploration & Production Co., Ltd.

Oversee | Implement

**Oil E&P companies**

- Abu Dhabi Oil Co., Ltd. stake: 64.1%
- Qatar Petroleum Development Co., Ltd. stake: 75%
- Cosmo Oil Ashmore Co., Ltd. stake: 53%
- United Petroleum Development Co., LTD. stake: 45%

- Establishment of strategies and plans in the energy E&P business
- Search of new energy E&P business opportunities



- Crude oil production volume: 36,842 barrels/day
- Crude Reserves Estimate (working interest base) Total proved and probable reserves: 205.9 million barrels

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- Reserves-to-production ratio of total proved and probable reserves: Approx. 30 years
- Hail Oil Field : The new Hail Oil Field is expected to produce similar amount of current Abu Dhabi Oil

## PETROLEUM BUSINESS

### Total Refining Capacity (Barrels/day)

| | |
|---|---|
| • Chiba Refinery | Refining Capacity: 220,000 |
| • Yokkaichi Refinery | Refining Capacity: 132,000 |
| • Sakai Refinery | Refining Capacity: 100,000 |
| | Total: 452,000 |

### Trends in Refinery Capacity Utilization Rates (%)

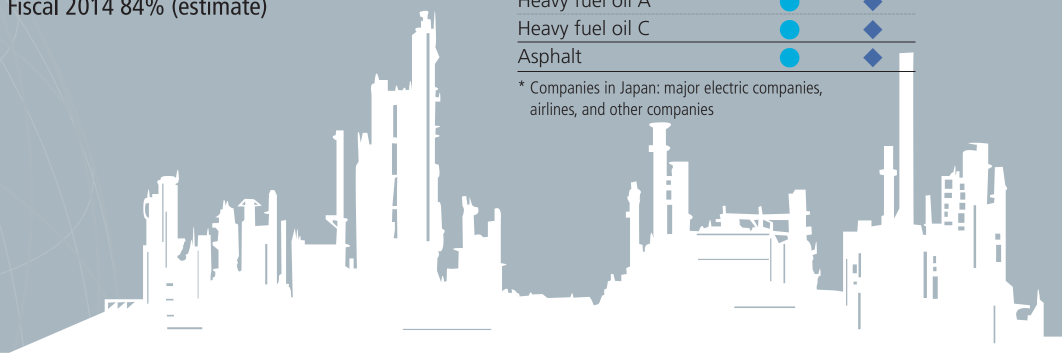
Fiscal 2013 70%

Fiscal 2014 84% (estimate)

### Marketing Structure by Petroleum Products

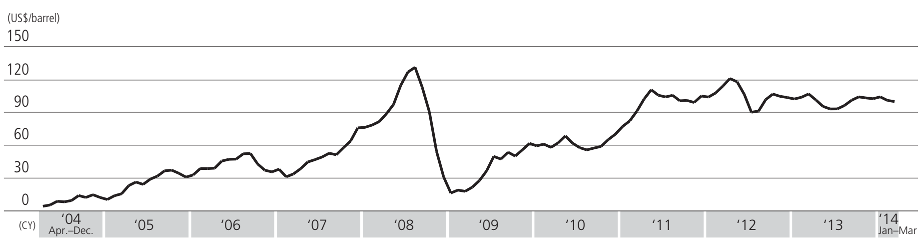
| Petroleum Product | SSs in Japan | Companies in Japan | Overseas Export |
|---|---|---|---|
| LP gas | | ● | |
| Gasoline | ● | | ◆ |
| Naphtha | | ● | |
| Kerosene | ● | ● | |
| Jet fuel | | ● | ◆ |
| Diesel fuel | ● | ● | ◆ |
| Heavy fuel oil A | | ● | ◆ |
| Heavy fuel oil C | | ● | ◆ |
| Asphalt | | ● | ◆ |

* Companies in Japan: major electric companies, airlines, and other companies

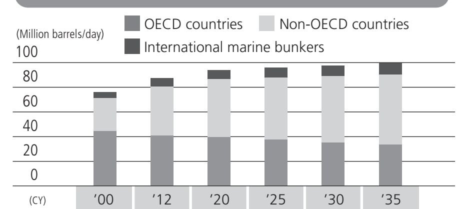


Market Environment

**Crude Oil CIF Prices** (April 2004 – March 2014)

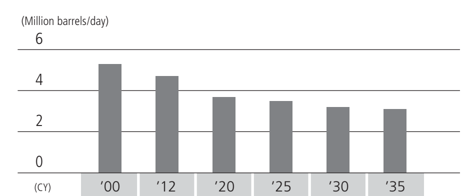



**Outlook for Global Demand for Petroleum Products**




Source: IEA "World Energy Outlook 2013"

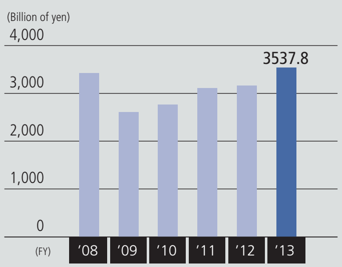
**Outlook for Demand for Petroleum Products in Japan**




Source: IEA "World Energy Outlook 2013"

Consolidated Financial Highlights

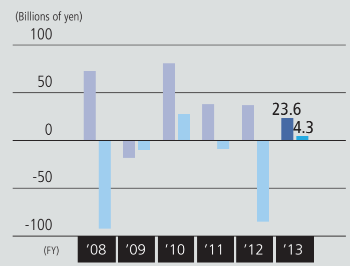
**Net Sales**




### Net Sales

- Sales prices increased on the back of an upswing in crude oil prices resulting from the weak yen.
- Turning to foreign currency exchange markets, the excessively strong yen experienced a correction, ending the fiscal year at ¥102 per U.S. dollar, markedly weaker than the ¥94 level at the start of the period. This was largely due to such factors as the substantial monetary easing policies implemented by the Bank of Japan and the shift in U.S. monetary policy.

**Operating Income (Loss) Excluding the Impact of Inventory Valuation, Net Income (Loss)**




### Operating Income Excluding the Impact of Inventory Valuation

- Operating income declined. While earnings improved as operations at the Chiba Refinery progressed in earnest, this downturn in operating income was largely attributable to weak market conditions in Japan for the four main products in the Company's Petroleum Business.

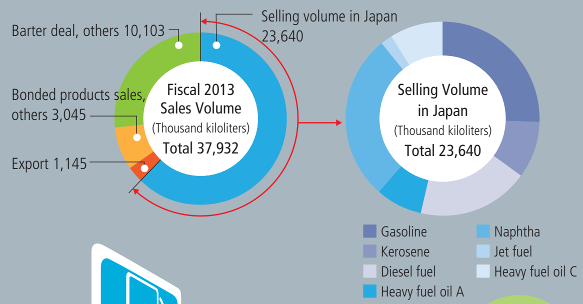
### Net Income

- The Company recorded a gain on contribution of securities to retirement benefit trust as extraordinary income with respect to a portion of its investment securities held.
- Decrease in the amount of tax expense obligation

## PETROCHEMICAL BUSINESS

## WIND POWER GENERATION BUSINESS

### Fiscal 2013 Composition of Petroleum Product Sales

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### Manufactured Chemicals and Production Capacity (Tonnes/year)

Hyundai Cosmo Petrochemical Co., Ltd. (HCP)

- Para-xylene*: 1,180,000 • Benzene*: 250,000

Cosmo Oil Co., Ltd. Yokkaichi Refinery

- Mixed xylene: 300,000

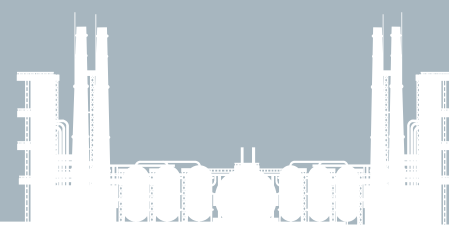
CM Aromatics Co., Ltd.

- Mixed xylene: 270,000

Cosmo Matsuyama Oil Co., Ltd.

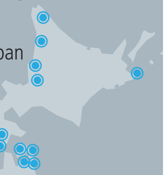
- Mixed xylene: 30,000

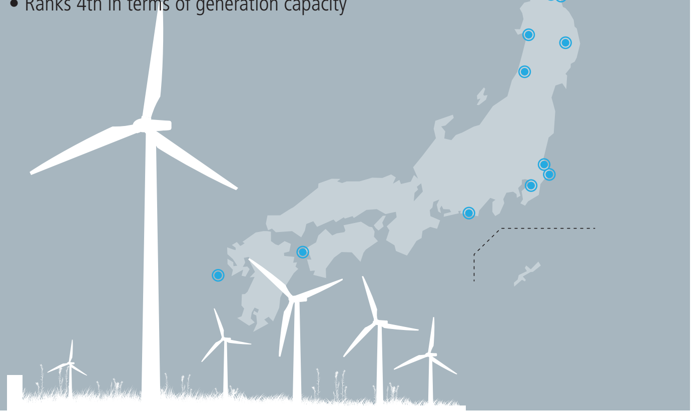
* HCP is also responsible for sales



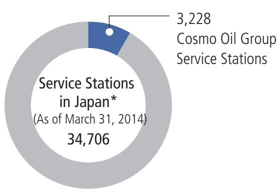
### Main Wind Power Generation Sites Operated by EcoPower

- Electricity generated by 128 wind mills at 20 sites throughout Japan (As of March 31, 2014)
- Total generation capacity: 145,810kW
- Share in Japan: approximately 5%
- Ranks 4th in terms of generation capacity

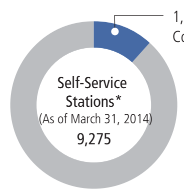




#### Number of Service Stations in Japan




#### Number of Self-Service Gasoline Stations




| Self-Service Station Ratio | |
|---|---|
| Cosmo Oil | 31% |
| Nationwide | 26% |

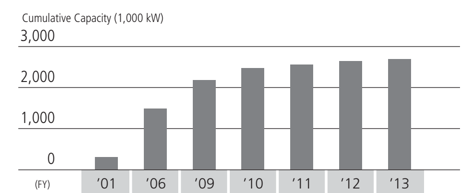
* Source: The Petroleum Association of Japan (PAJ) "Petroleum Industry in Japan 2014" (Released by: The Oil Information Center of Japan's Ministry of Economy, Trade and Industry (METI)

#### Global Demand for Para-xylene

| | | Global Total | Asia Total | Breakdown of Asia | |
|---|---|---|---|---|---|
| | | | | China | India |
| Demand (Millions of tonnes) | FY2012 | 31.6 | 24.9 | 12.0 | 2.3 |
| | FY2018 | 45.8 | 38.2 | 24.0 | 4.5 |
| Increase (Millions of tonnes) | FY2012-2018 | 14.2 | 13.2 | 12.1 | 2.2 |
| Rate of Growth (%) | FY2012-2018 | 6.4 | 7.3 | 12.3 | 11.7 |

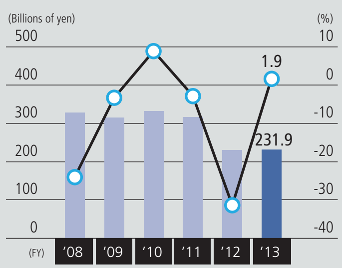
Source: "Forecast of Global Supply and Demand Trends for Petrochemical Products" issued by Japan's Ministry of Economy, Trade and Industry (April 2014)

#### Trends in Wind Power Generation Capacity (Cumulative) in Japan

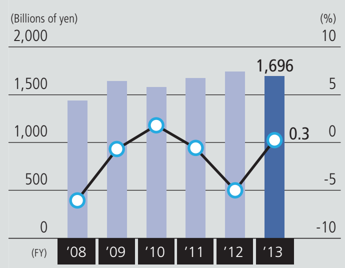



Source: Japan Wind Power Association

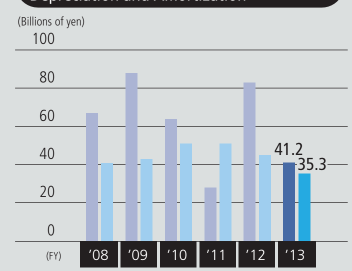
#### Net Assets Excluding Minority Interests, ROE




#### Total Assets , ROA



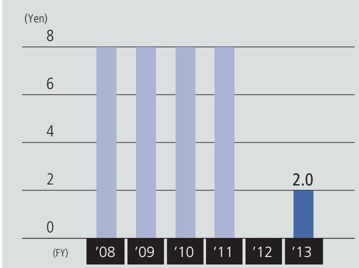

#### Capital Expenditures, Depreciation and Amortization




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

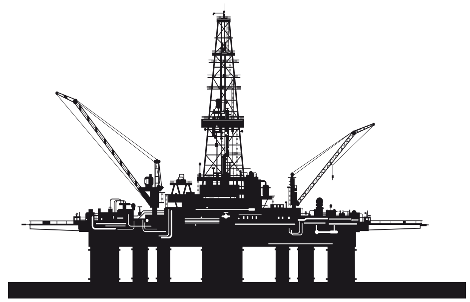
Capital expenditures
Depreciation and amortizations

#### Cash Dividends per Share



Actual Results 01

# Strengthening Upstream Businesses



## Spinning off the oil E&P business and announcing the results of oil reserves assessment

Cosmo Oil spun off its oil E&P business and established Cosmo Energy Exploration & Production Co., Ltd. in February 2014. At the same time, the Company publicly announced the results of an oil reserves assessment for the oil E&P businesses undertaken by the following three Group companies: Abu Dhabi Oil Co., Ltd. (ADOC), Qatar Petroleum Development Co., Ltd. (QPD) and United Petroleum Development Co., Ltd. (UPD). Looking ahead, Cosmo Oil will bolster efforts to disclose information in order to enhance the value of upstream businesses.

## Concluding a memorandum of agreement with CEPSA

Cosmo Oil concluded a memorandum of agreement in relation to strategic comprehensive cooperation with Compañía Española de Petróleos, S.A.U. (CEPSA), a major Spain-based oil company, in January 2014. This initiative forms part of the basic policy of further strengthening alliances with International Petroleum Investment Company (IPIC), which wholly owns CEPSA, as outlined in the Company's Fifth Consolidated Medium-Term Management Plan and will evolve into a new strategic overseas axis going forward. Particular attention will be placed on acquiring new concession areas and expanding business in cooperation with CEPSA.

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Actual Results 02

# Increasing Efficiency in the Refinery Business

## Building an efficient supply structure at three refineries

In keeping with the provisions of Japan's Act on Sophisticated Methods of Energy Supply Structures aimed at returning supply capacity to more appropriate levels by March 2014, the Sakaide Refinery was closed in July 2013. In the same month, operations were resumed at the Chiba Refinery and steps taken to transition to a production structure comprising three refineries. In September 2013, Cosmo Oil also concluded an agreement to commence discussions regarding the pursuit of collaborative ties at the Company's Chiba Refinery with Kyokuto Petroleum Industries, Ltd., a subsidiary of TonenGeneral Sekiyu K.K. The expectation is that joint business endeavors will increase efficiency and bolster competitiveness.

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# Building a Portfolio that Reflects

# Our Long-Term Vision

Toward a Vertically Integrated Global Energy Company

Actual Results 03

## Petrochemical Business Potential

### Stably supplying petrochemical products

Owned and operated by Hyundai Cosmo Petrochemical Co., Ltd. (HCP), a joint venture formed with South Korea-based Hyundai Oilbank Co., Ltd. (HDO), the new para-xylene (PX) facility completed in 2013 brings the Group's production capacity to a world-leading 1,180,000 tonnes. Combined with the supply of mixed xylene (MX) totaling 600,000 tonnes in Japan, the Cosmo Oil Group is committed to ensuring stable supply while generating concrete earnings.

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Actual Results 04

## Promoting Energy Source Diversification

### Promoting a unique identity through the renewable energy business

EcoPower Co., Ltd., a Group company that is engaged in the wind power generation business, operates 128 wind turbines across 20 sites and regions. Building on its current total generation capacity of approximately 145,000 kilowatts, the company is planning to construct an additional new facilities, which will boost total generation capacity by around 90,000 kilowatts. EcoPower is also a participant in the Floating Offshore Wind Turbine Demonstration Project run by Japan's Ministry of the Environment. Meanwhile, Cosmo Oil established CSD Solar, a joint-venture company with Showa Shell Sekiyu K.K. and Development Bank of Japan Inc., as a part of efforts to enter the mega-solar business in earnest. Looking ahead, the Company will actively pursue the potential of renewable energy and build a robust platform as a vertically integrated global energy company.

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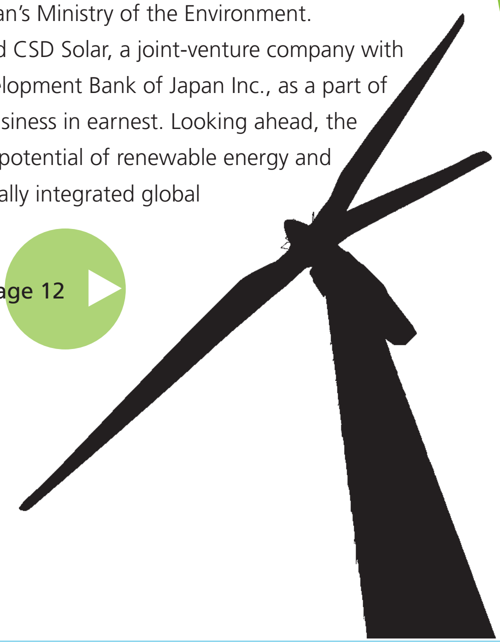


# Speed and Opportunity—
## —Keys to New Growth

# Q. 01

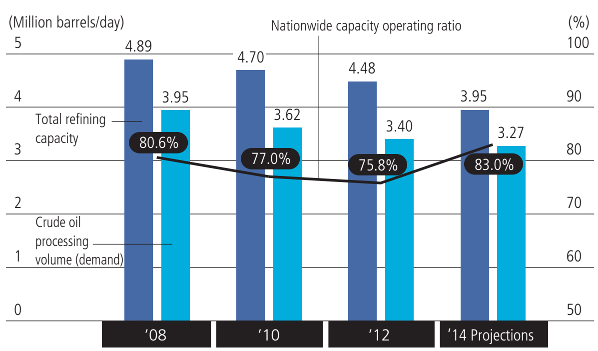
**What are your thoughts on the current and future petroleum industry in Japan?**
**What challenges lie ahead for Cosmo Oil?**

# A. 01

The Japanese petroleum industry is confronted with a declining population and improving energy efficiency, such as better fuel economy and the popularity of next-generation automobiles. This leads us to expect decreased demand for petroleum products in Japan, especially gasoline. Turning our attention overseas, we see signs of change in the international energy supply and demand structure with the shale gas revolution underway in North America. We also think that oversupply conditions may manifest in Asia due to the ramping up of oil refining capacity to address rising demand in China, India and other parts of Asia. The future of the petroleum industry is called into question by these developments. In Japan, companies have finished complying with the Act on Sophisticated Methods of Energy Supply Structures as of March 31, 2014, focusing attention on how companies will react to possible revisions to the Act for the purpose of further strengthening international competitiveness.

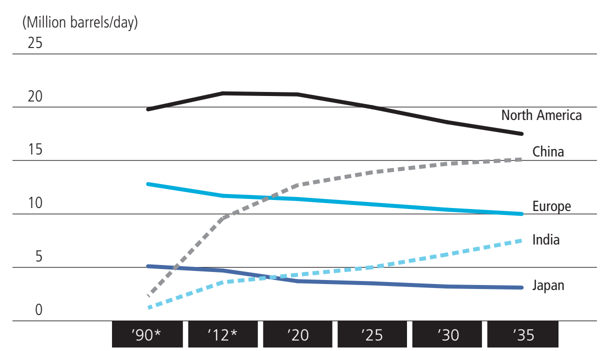
Moreover, in upstream operations, it is vital that business continues to expand based on relationships of trust with oil-producing countries while crude oil procurement is strategically diversified. In downstream operations, issues to address include improving the productivity of oil refineries, such as through regional partnerships, securing a fair margin, and improving efficiency in logistics. It would not be an exaggeration to say that Japan's petroleum industry simply cannot grow unless it transforms into a comprehensive energy industry through development overseas and advances into petrochemicals, renewable energy and other businesses.

**Total Refining Capacity in Japan/Crude Oil Processing Volume/ Nationwide Capacity Operating Ratio**



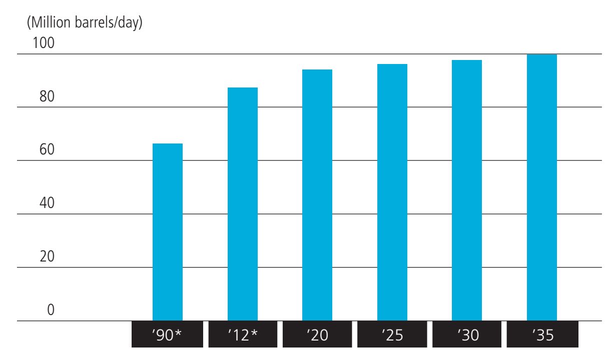

Source: The Ministry of Economy, Trade and Industry (METI) of Japan, "Natural Resources and Energy Statistics"
*Total refining capacity and crude oil processing volume data are averages for the 12-month January to December period.
*2014 total refining capacity data represent the figure after factoring in the refining capacity reduction plans of each company publicly disclosed as of March 2013.
*2014 crude oil processing volume data are based on 2012 results (3.4 million barrels/day) and calculated on the assumption of an annualized decline of 2.5%.

**International Oil Demand Outlook**




Source: IEA "World Energy Outlook 2012/2013"
*Results

**World Oil Demand Outlook**




Source: IEA "World Energy Outlook 2012/2013"
*Results

**Basic Policy**

| Five years to establish a solid business foothold for further expansion | • Regain profitability in the refining & marketing sector<br>• Secure stable income from investments made during the previous medium-term management plan<br>• Further strengthen alliances with IPIC and Hyundai Oilbank<br>• Further enhance CSR management | Improvement in the Group's financial framework through profitability |
|---|---|---|

**Over the long term, the Cosmo Oil Group aims to become a vertically integrated global energy company.**

## Q. 02

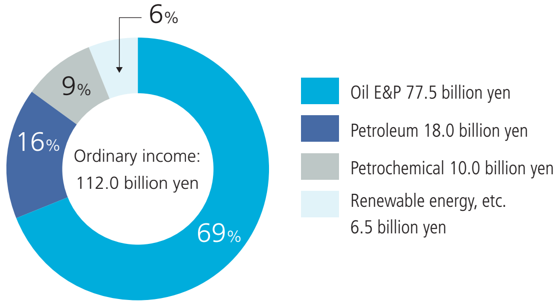
**Can you elaborate on the long-term vision of the Cosmo Oil Group?**

## A. 02

We project that demand will continue to weaken in Japan. However, global business development is a viable strategy, as we expect demand for petroleum products to increase overseas, mainly in Asia. Against this backdrop, the Cosmo Oil Group believes that its public mission is to contribute to the sustainable development of society by reliably delivering to consumers a safe supply of petroleum products that are indispensable to our daily lives. In its long-term vision for sustainable growth, the Cosmo Oil Group aims to be a top-class vertically integrated global energy company. The Cosmo Oil Group has begun executing its Fifth Medium-Term Management Plan, which ends in fiscal 2017 (the fiscal year ending March 31, 2018). This plan designates the five-year period for establishing a solid business foothold for further expansion of the Cosmo Oil Group. Based on four fundamental policies in the plan, we aim to rapidly and steadily advance toward our goals.

With these objectives in front, Cosmo Oil will not hesitate to collaborate, cooperate and join forces with partners in various businesses and regions that will benefit our cause.

### FY2017 Ordinary Income Target by Segment (Consolidated)
(excluding inventory valuation impact)




### Profit & Other Financial Goals

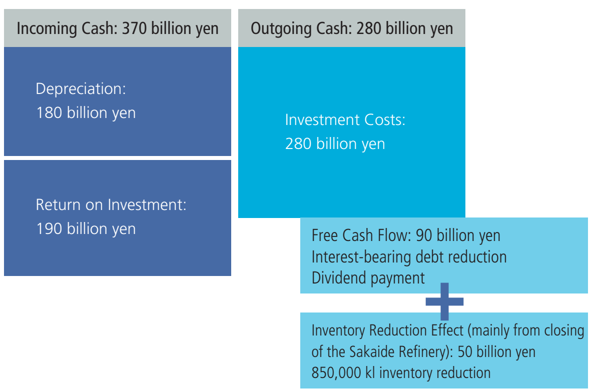
| Item | FY2012 | FY2017 Target | Change |
|---|---|---|---|
| Ordinary income* (billion yen) | 25.7 | 112.0 | +86.3 |
| Net income (billion yen) | 4.3 | 45.0 | +40.7 |
| Net assets (billion yen) | 261.1 | 415.5 | +154.4 |
| Net worth ratio (%) | 13.7 | 21.5 | +7.8 pts. improved |
| Net debt/equity ratio (times) | 3.1 | 1.6 | +1.5 pts. improved |

*excluding inventory valuation impact

### Assumptions

| Item | Assumption |
|---|---|
| Dubai crude oil price | 100 USD/bbl |
| JPY/USD exchange rate | 90 yen/USD |
| Demand in Japan (Annualized) | -2.1% |

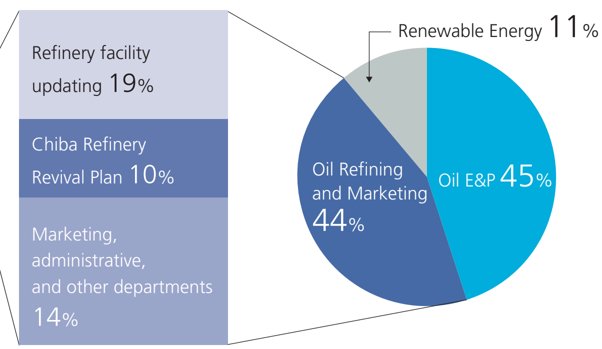
### Outlook for Cash Balance (FY2013-2017)




### Breakdown of the Investment Plan

| | |
|---|---|
| Oil Exploration and Production Business: | |
| – New Hail Field development, etc. | 127 billion yen |
| Oil Refining and Marketing Business: | 122 billion yen |
| – Refinery facility updating | Approx. 54 billion yen |
| – Chiba Refinery Revival Plan | Approx. 28 billion yen |
| – Marketing, administrative, and other departments | Approx. 40 billion yen |
| Renewable Energy Businesses: | |
| Overseas and Other Projects: | 31 billion yen |
| – Investments in new wind turbine construction, etc. | |
| FY2013-17 | Total 280 billion yen |

### Business-Specific Investment Shares




## Q. 03

**In the first year of the Fifth Consolidated Medium-Term Management Plan, the Cosmo Oil Group announced a slew of measures in rapid succession. What is your assessment of the past year?**

## A. 03

With a sense of urgency, Cosmo Oil launched a large number of initiatives in the first fiscal year of the Fifth Consolidated Medium-Term Management Plan. It should be noted that all of these measures were undertaken based on the four basic policies of the Fifth Consolidated Medium-Term Management Plan. We have not wavered from these basic policies and measures.

- Cosmo Oil signed a strategic comprehensive cooperation agreement with Compañía Española de Petróleos, S.A.U. (CEPSA) in oil-related businesses.
- Cosmo Oil and TonenGeneral Sekiyu K.K. concluded a memorandum to examine joint operations of their Chiba Refineries.
- Cosmo Oil closed the Sakaide Refinery and resumed operations at the Chiba Refinery.
- Cosmo Oil signed an agreement to integrate LPG wholesale and retail operations.

In fiscal 2013, Cosmo Oil resumed dividend payments after posting net income for the first time in two years. This accomplishment was the result of restructuring and steady efficiency improvements in mainly the Supply Division, despite headwinds in the shape of weak domestic prices for petroleum products over the past few years. Although our earnings capabilities have not fully recovered yet, bright signs have become visible. Against the backdrop of a prolonged downturn in domestic demand, Cosmo Oil closed its Sakaide Refinery in July 2013. This move was aimed at quickly addressing the issue of excess supply capacity while ensuring that the Company enhanced its competitive advantage. In addition, oil distributors reduced their refining capacity in Japan to comply with the March 2014 deadline under the Act on Sophisticated Methods of Energy Supply Structures. As a result, nationwide refining capacity fell to a level that is approximately 20% lower than the 10-year peak in 2008, restoring balance to supply and demand conditions in Japan. Accordingly, we expect wholesale margins on petroleum products to recover to an appropriate level in Japan. In addition, Cosmo Oil restarted operations at the Chiba Refinery in July 2013 after they were suspended for roughly two years following the Great East Japan Earthquake. With a full production system in place based on three refineries, we believe conditions are conducive for steady earnings growth based on safe and stable refinery operations.

## Q. 04

**It looks like fiscal 2014 will get off to an excellent start. Since stable refinery operations are key to generating stable earnings, what measures are being taken to ensure safety? Also, please update us on progress made so far in rationalization.**

## A. 04

For the further enhancement of safe refinery operation and stable supply, Cosmo Oil has emphasized safety as the foremost priority in operations with the Chiba Refinery once again becoming a key refinery. Since operations were resumed in July 2013, the Chiba Refinery has operated without incident. As a result, Cosmo Oil was able to increase the utilization rate of its refineries and realize stable supply. Our safety management system aims to increase the overall level of facility safety through a continuous PDCA cycle and takes precautions to prevent accidents from happening. At the same time, we are addressing problems caused by aging equipment by shifting resources to replacement instead of repair and maintenance. To prepare for emergencies, Cosmo Oil has signed a memorandum of understanding regarding the creation of a system for mutually sharing petroleum products with Hyundai Oilbank Co., Ltd. (HDO).

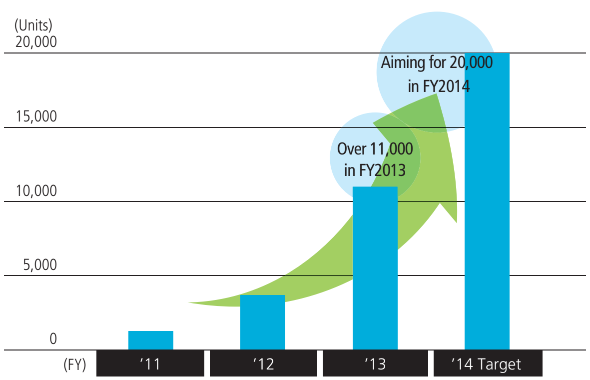
With regard to extensive rationalization focusing mainly on the Supply Division, Cosmo Oil worked to cut costs throughout the supply chain through rationalization from crude oil procurement to refinery shipments. In crude oil procurement, we took steps to strengthen relationships with major oil-producing countries in a bid to secure stable supplies. We also worked diligently to reduce procurement costs by efficiently combining term-based and spot contracts, selecting the most appropriate type of crude oil, and reviewing contracts for chartered crude oil tankers. The closure of the Sakaide Refinery has resulted in lower fixed costs and the disposal of equipment. Moreover, Cosmo Oil strengthened its supply structure through mutual interchange agreements with other companies in the petroleum industry on a national scale, while driving greater efficiencies into its logistics structure.

With the aim of bolstering international competitiveness and increasing management efficiency, Cosmo Oil concluded an agreement with Showa Shell Sekiyu K.K., Sumitomo Corporation and TonenGeneral Sekiyu K.K. to integrate the four companies' LPG import and wholesale operations and launch a new company effective April 1, 2015. In integrating each company's operations, this new company will strive to become a leading LPG wholesaler in Japan by putting in place a comprehensive structure that encompasses LPG import and procurement, shipping terminal operations, logistics, domestic wholesaling and overseas trading.

## Q. 05

**Next, in terms of sales, please discuss your approach to strengthening the retail business amid projections that demand for petroleum products will decline in Japan.**

**Number of "Cosmo B-cle Lease" Contracts** (Cumulative Total)




## A. 05

The Cosmo Oil Group has endeavored to reform its earnings structure by strengthening operations in the car care market, in a bid to move away from its traditional business model centered on fuel oil margins to one based on car life value proposition in order to remain viable into the next generation.

In particular, the auto leasing operations of "Cosmo B-cle Lease*" has been performing well, with senior citizen and female customers attracted to the ease of owning, keeping and maintaining a vehicle through leasing. The number of auto lease contracts has surpassed our target for a cumulative total of 10,000 vehicles in fiscal 2013. We have set our sights higher, and now aim for a cumulative total of 20,000 vehicle auto leasing contracts in fiscal 2014, seeking further earnings contributions from this business.

* In October 2013, Cosmo Oil obtained a patent for this business model.

## Q. 06

**Please outline progress made in the oil exploration and production business, petrochemical business, and renewable energy business, which have been the focus of investment under the growth strategy.**

## A. 06

The medium-term management plan designates the timeframe for returns to be realized on investments in the oil exploration and production business, petrochemical business, and renewable energy business.

First, in the oil exploration and production business, the Cosmo Oil Group has continued to operate safely and stably over many years in the Emirate of Abu Dhabi and Qatar through its three mainstay development companies. Turning specifically to the Emirate of Abu Dhabi, Abu Dhabi Oil Co., Ltd., (ADOC) in which the Cosmo Oil Group has a 64.1% stake, has a solid track record of safe and stable operations that spans over 45 years. As a measure of the company's contributions to the nation over a variety of fields, its concession rights to three existing oil fields were extended for an additional 30 years in December 2012. Moreover, ADOC has acquired rights to a new concession area, namely the Hail Field, and is aiming to begin production in 2016.

In February 2014, the Cosmo Oil Group established Cosmo Energy Exploration & Production Co., Ltd. by spinning off its oil exploration and production business, a stable source of earnings within its business portfolio. Through this spinoff, the Group is looking to further expand its business by putting in place a structure better suited to making timely decisions and carrying out various measures. This reorganization of the Group's activities also helps to build a more robust crude oil development platform. In the petrochemicals business, the resumption of operations at the Chiba Refinery means that the production of mixed xylene has restarted at CM Aromatics Co., Ltd., securing a stable supply from three locations, including the Yokkaichi Refinery and Cosmo Matsuyama Oil Co., Ltd., for Hyundai Cosmo Petrochemical Co., Ltd., a 50-50 joint venture between Cosmo Oil and Hyundai Oilbank Co., Ltd. Newly installed in January 2013, Hyundai Cosmo Petrochemical Co., Ltd. commenced the commercial operation of production equipment for highly competitive paraxylene with an annual capacity of 1.18 million tonnes.

In the renewable energy business, EcoPower Co., Ltd. engages in the domestic wind power generation business, ranking fourth in the industry with about 145,000 kW of capacity, equivalent to a 5% share of domestic generation capacity. Earnings have been in line with targets, thanks to the introduction of the feed-in tariff (FIT) scheme. We are currently constructing and engineering wind power generation facilities for new sites, and aim to start operations at these sites during the medium-term management plan. In the mega-solar business, CSD Solar, which was established jointly with other companies*, plans to construct solar power generation facilities at eight sites, including on idle land owned by Cosmo Oil. Some of these facilities have already begun operating in June 2014.

* CSD Solar is a joint venture between Cosmo Oil, Showa Shell Sekiyu K.K., and Development Bank of Japan Inc.

| | |
|---|---|
| Company name: | Compañía Española de Petróleos, S.A.U. |
| Business description: | Integrated oil business |
| Headquarters: | Madrid, Spain |
| Share capital: | 265,575,000 |
| Major shareholders: | International Petroleum Investment Company (IPIC) 100% |
| Number of employees: | 11,743 (as of December 31, 2012) |
| E&P: | 46,500 barrels/day (net entitlement production Mainly in Colombia, Algeria, and Spain |
| CDU capacity: | 527,000 barrels/day (Gibraltar-San Roque: 243,000; La Rábida: 193,000; Tenerife: 91,000) |
| Number of service stations: | 1,516 |

| Consolidated Statement of Income (FY2012) | | Financial Data (FY2012) | |
|---|---|---|---|
| Consolidated net sales | 28,810 million (¥3,304.8 billion) | Net D/E ratio | 0.24 |
| Consolidated operating income | 1,091 million (¥125.1 billion) | ROA | 10.5% |
| Net income | 591 million (¥67.8 billion) | ROE | 9.4% |

* 12 months trailing Dec. 31, 2012; ¥114.71 per euro

| Business segment | E&P | Refining | Chemicals | Gas & Power |
|---|---|---|---|---|
| Operating income basis | 53.2% | 26.5% | 16.1% | 4.2% |

Signing ceremony with CEPSA

## Q. 07

**Cosmo Oil has strengthened its alliances with IPIC and Hyundai Oilbank Co., Ltd. in its thrust overseas. How do these alliances stand now?**

## A. 07

We plan to continuously evaluate projects with International Petroleum Investment Company (IPIC), our principal shareholder, by holding regular steering committee meetings. In January 2014, Cosmo Oil signed an agreement for a strategic comprehensive alliance with Compañía Española de Petróleos, S.A.U. (CEPSA), an integrated oil company in Spain that is a wholly owned subsidiary of IPIC. Cosmo Oil and CEPSA agreed to focus on the acquisition of new fields and the expansion of operations in the oil and gas exploration and production business with a long-term horizon for leveraging Cosmo Oil's strengths in the Middle East and CEPSA's strengths in North Africa and Latin America. As a basic policy, we will continue to focus first on exploring low-risk undeveloped fields where discoveries have already been made. This alliance presents the Cosmo Oil Group with a new avenue for its overseas strategy, opening up business opportunities that would have been difficult for Cosmo Oil to tackle on its own.

With Hyundai Oilbank Co., Ltd., Cosmo Oil aims to flexibly produce paraxylene at their joint venture, has agreed to mutually exchange products during times of emergency, and seeks to deepen their cooperative relationship through proactive exchanges of personnel in R&D and refinery safety management departments.

## Q. 08

**To what degree does the favorable turn in business conditions and restart of the Chiba Refinery factor in your earnings forecasts for fiscal 2014? Also, please outline investment plans for the future.**

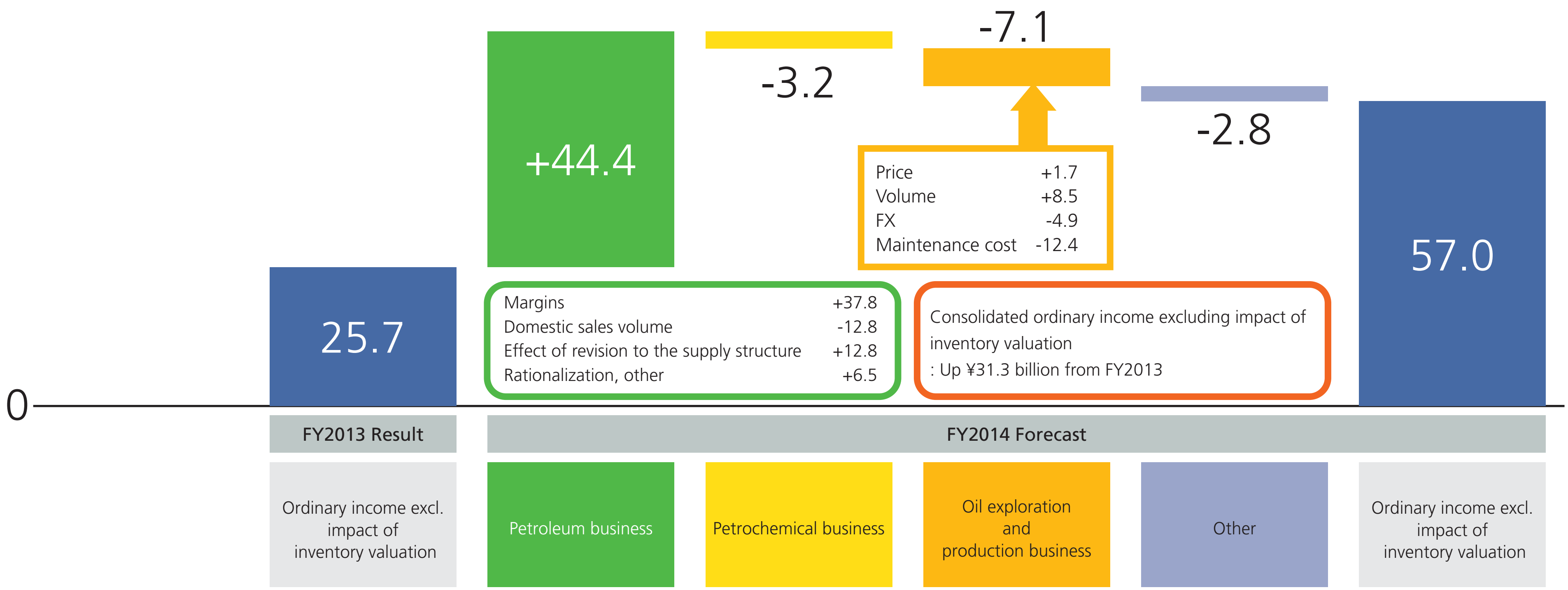
## A. 08

For fiscal 2014, Cosmo Oil forecasts consolidated ordinary income, excluding inventory valuations, will increase by ¥31.3 billion to ¥57.0 billion. In the oil exploration and production business, a core source of stable earnings, we anticipate a decline in profits due to an increase in one-time costs from open inspections of crude oil tanks, even though we look for production volume to rise. In the petrochemicals business, we expect profits to decrease owing to a weakening in product prices. However, we look for sharp growth in profits in the petroleum business, owing to margin improvement and higher refinery operating rates, to more than offset the declines in the oil exploration and production business and the petrochemicals business.

Our capital investment plan has a budget of ¥82.7 billion. Cosmo Oil plans to spend ¥44.2 billion on its Chiba Refinery revival plan for the petroleum business, namely to ensure robust operations at the Chiba Refinery, and also for allocations to its strategic budget for future business expansion. Cosmo Oil also plans to invest ¥33.5 billion in the oil exploration and production business, including spending on development of the Hail Field and investments to maintain and upgrade existing oil fields.

**Consolidated Ordinary Income (Excluding impact of inventory valuation) - Analysis of Changes from FY 2013 Unit: billion yen**

Unit: billion yen




**Capital Expenditures, Depreciation, etc.**

Unit: billion yen

| | FY2014 Forecast | Changes |
|---|---|---|
| Capital expenditures | 82.7 | 41.5 |
| Depreciation expense amount etc. | 33.6 | -1.7 |

**Capital Expenditures by Business Segment**

Unit: billion yen

| | FY2014 Forecast |
|---|---|
| Petroleum | 44.2 |
| Petrochemical | 0.7 |
| Oil E&P | 33.5 |
| Other | 6.4 |
| Adjustment | -2.1 |
| Total | 82.7 |

## Q. 09

**Investors are especially interested in the joint operations in the Chiba area. What more can you say on this topic?**

## A. 09

Cosmo Oil has been discussing with TonenGeneral Sekiyu K.K. the integration of their refineries in Chiba based on a shared goal of creating a top-ranked refinery in Japan that is competitive on the international stage. In June 2014, both companies signed a memorandum to this effect, agreeing to examine the following four matters.

- We aim to establish a joint business company by January 2015. The company shall be a limited liability company, where equal and fair operation is sought.
- After the joint business company is established, we will work in stages to generate synergies in relation to refinery operations.
- We will begin the detailed planning of pipelines to connect both refineries with a planned completion date in fiscal 2016.
- We plan to integrate refining facilities when the pipelines are completed to fully integrate the refineries.

Both companies are working toward reaching a basic agreement in 2014. At this stage, we plan to disclose to investors more details about anticipated synergies, planned investments and an overview of the joint business company.

## Q. 10

**What message would you like to convey to shareholders and investors?**

## A. 10

In fiscal 2013, Cosmo Oil fulfilled its promise to return to profitability and resume dividend payments. However, we are not satisfied with either the current level of earnings or dividend payments. Fiscal 2014 is the second year of the Fifth Consolidated Medium-Term Management Plan, and we believe it will be a key year for laying a cornerstone to achieve our objective of establishing a solid business foothold for further expansion of the Cosmo Oil Group. We intend to implement a wide range of measures, including partnerships with other companies, with a greater sense of urgency in order to increase the corporate value of the Cosmo Oil Group and achieve its targets for earnings over the long term. Cosmo Oil plans to pay a dividend of ¥4 per share in fiscal 2014, based on its basic policy of returning profits to shareholders in the form of stable dividends. In closing, we will continue our endeavors to earn the strong trust of society by fulfilling our corporate social responsibility, while at the same time seeking to rapidly become a vertically integrated global energy company in line with the vision of the Cosmo Oil Group.

President, Chief Executive Officer

K. Morikawa

*Keizo Morikawa*

# Review of Operations: Oil Exploration and Production Business

**FY2013 RESULTS** (Billions of yen)

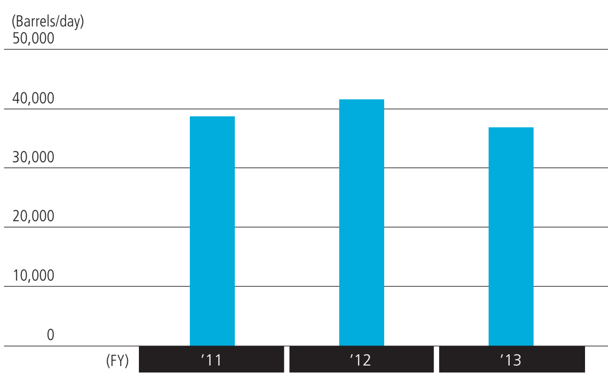
| | Results | Year-on-Year Change |
|---|---|---|
| Net sales | ¥88.7 | Up ¥2.8 |
| Operating income | ¥52.0 | Down ¥2.3 |
| Ordinary income | ¥58.1 | Down ¥2.6 |

**FY2014 PROJECTION** (Announced in May 2014) (Billions of yen)

| | Projections | Year-on-Year Change |
|---|---|---|
| Net sales | ¥100.0 | Up ¥11.3 |
| Operating income | ¥50.5 | Down ¥1.5 |
| Ordinary income | ¥51.0 | Down ¥7.1 |

* The settlement of accounts of companies in the Oil Exploration and Production Business is undertaken in December each year. Accordingly, results are for the 12-month period from January to December.

**Crude Oil Production Volume of Cosmo Energy Exploration & Development Ltd.**




## STRATEGIES

The Cosmo Oil Group continues to develop its Oil Exploration and Production Business, designating Abu Dhabi and Qatar, where it has established partnerships of trust over many years, as core areas. To reduce the high risks generally associated with the Oil Exploration and Production Business, the Group strives to acquire mine lots that have already been discovered and are yet to be developed.

The New Concession Agreement concluded with the Supreme Petroleum Council of Abu Dhabi, the United Arab Emirates came into effect in December 2012. Valid for 30 years, this New Agreement covers the three existing oil fields and the additional Hail Field Concession area.

As one initiative to expand business, Cosmo Oil signed a memorandum of understanding regarding the establishment of a strategic comprehensive alliance with International Petroleum Investment Company's (IPIC's) wholly-owned subsidiary Compañía Española de Petróleos, S.A.U. (CEPSA) in January 2014. Under this arrangement, steps will be taken to pursue petroleum-related business opportunities of mutual interest and prospects for their commercialization. CEPSA is a leading ener-

gy company based in Spain with on-shore oil and gas operations in North Africa and South America. The company has recently expanded its business areas by commencing deep sea exploration in Brazil. From the geographical and operating perspectives, Cosmo Oil and CEPSA boast a mutually complementary relationship.

## FY2013 PERFORMANCE

In FY2013, total oil production by the three project companies in the Cosmo Oil Group—Abu Dhabi Oil Co., Ltd. (ADOC), Qatar Petroleum Development Co., Ltd. (QPD), and United Petroleum Development Co., Ltd. (UPD)—amounted to 36,842 barrels/day, down 11.3% compared with the previous fiscal year. This was largely attributable to one-off factors.

Turning to the price of crude oil, Dubai crude oil began the year (January) at around US$107/barrel and later dropped briefly to around US$96/barrel, mainly as a result of the projected increase in North America production spurred by the region’s shale gas revolution and lower demand reflecting a seasonal lull. However, the price subsequently trended upward, ending the year (December) at around US$107/barrel, with the rise triggered by turmoil in the Middle East.

As a result of the recovery in market conditions, the Oil Exploration and Production Business segment posted a ¥2.8 billion year-on-year increase in net sales to ¥88.7 billion. In contrast, ordinary income declined ¥2.6 billion year on year to ¥58.1 billion due mainly to the drop in sales volume.

## OUTLOOK FOR FY2014

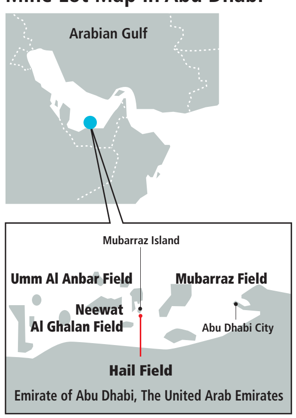
In FY2014, the average crude oil price and exchange rate are forecast at US$104/barrel and ¥102 per U.S. dollar, respectively. Oil exploration and production activities in the core Abu Dhabi and Qatar areas are expected to remain steady.

Looking ahead, net sales are projected to climb ¥11.3 billion to ¥100.0 billion. Ordinary income, on the other hand, is expected to decline ¥7.1 billion to ¥51.0 billion. This is mainly due to a temporary increase in overhead expenses relating to inspections and repairs to oil tanks subject to open regular inspection.

Under the control of Cosmo Energy Exploration & Development Ltd., activities at the Hail Oil Field undertaken by Abu Dhabi Oil Co., Ltd. (ADOC) continue to progress according to plans. Production is scheduled to commence during fiscal 2016. Through these and other activities, the Cosmo Oil Group will work diligently to expand the Oil Exploration and Production Business.

**Mine Lot Map in Qatar**


**Mine Lot Map in Abu Dhabi**



# Review of Operations: Petroleum Business

**FY2013 RESULTS** (Billions of yen)

| | Results | Year-on-Year Change |
|---|---|---|
| Net sales | ¥3,463.7 | Up ¥347.5 |
| Operating income (loss) | ¥(17.9) | Down ¥7.8 |
| Ordinary income (loss) | ¥(25.3) | Down ¥1.6 |
| Impact of inventory valuation | ¥16.1 | Up ¥0.8 |

**FY2014 PROJECTION** (Announced in May 2014) (Billions of yen)

| | Projections | Year-on-Year Change |
|---|---|---|
| Net sales | ¥3,368.0 | Down ¥95.7 |
| Operating income | ¥11.5 | Up ¥29.4 |
| Ordinary income | ¥3.0 | Up ¥28.3 |
| Impact of inventory valuation | ¥0.0 | Down ¥16.1 |

## STRATEGIES

Building on the safe and stable operations of its three refineries, the Cosmo Oil Group is strengthening its earnings base. In specific terms, the Group is promoting further rationalization while working to improve efficiency. At the same time, steps are being taken to ensure that margins on petroleum products in Japan return to more appropriate levels by making flexible adjustments to supply and demand including export activities. Amid the downturn in petroleum product demand in Japan, Cosmo Oil is engaging vigorously in auto leasing activities in a bid to transition from a conventional business model that revolves solely around fuel oil margins as a primary source of earnings to a consumer-oriented business model focused on providing a full array of car services, which offers considerable profitability potential.

## FY2013 PERFORMANCE

With the exception of higher demand for diesel fuel partially attributable to increased distribution activity reflecting reconstruction efforts following the Great East Japan Earthquake, overall demand for petroleum products in Japan declined in FY2013. This downturn was mainly due to lower demand for gasoline, kerosene, and heavy fuel oil A reflecting fuel efficiency improvements and the shift to alternative fuels, combined with the sharp drop in demand for heavy fuel oil C used by thermal power plants to generate electricity.

Accounting for these market conditions, the Cosmo Oil Group's domestic sales volume decreased 1.5% in FY 2013. On a positive note, the Chiba Refinery resumed full operations with total refinery capacity returning to levels recorded prior to the Great East Japan Earthquake. As a result, the refineries enjoyed a major turn-around in export capacity. Exports of diesel fuel surged dramatically to 1,145,000 kl. Taking these factors into consideration, total sales volume improved 2.8% year on year.

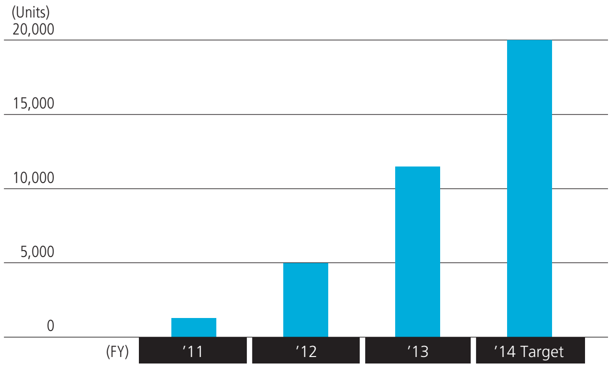
The Petroleum Business segment posted net sales of ¥3,463.7 billion, up ¥347.5 billion. Despite this increase in net sales, the Cosmo Oil Group incurred an ordinary loss of ¥25.3 billion, down ¥1.6 billion. Due to the relaxation of supply and demand of petroleum products in Japan, the Company is unable to incorporate movements in the cost of crude oil into sales prices.

**Cosmo Oil's Total Sales Volume and Estimates** (Announced In May 2014)

(Thousand kiloliters)

| | FY2013 | FY2012 | Change | FY2014 Estimate (% change from FY2013) |
|---|---|---|---|---|
| Domestic sales | 23,640 | 24,007 | -1.5% | -7.6% |
| Gasoline | 6,053 | 5,999 | +0.9% | -4.3% |
| Kerosene | 2,261 | 2,246 | +0.7% | -11.0% |
| Diesel fuel | 4,399 | 4,414 | -0.4% | -8.3% |
| Heavy fuel oil A | 1,847 | 1,963 | -5.9% | -12.7% |
| Naphtha | 6,556 | 5,916 | +10.8% | -4.5% |
| Jet fuel | 486 | 476 | +1.9% | -3.5% |
| Heavy fuel oil C | 2,038 | 2,993 | -31.9% | -18.6% |
| Export sales (Diesel fuel and jet fuel) | 1,145 | 45 | +2,446% | +17.5% |

**Trends in "Cosmo B-cle Lease" Cumulative Annual Vehicle Lease Contracts**




## OUTLOOK FOR FY2014

Looking at sales volume in Japan in FY2014, domestic demand is forecast to decline 7.6%. This is mainly due to the downturn in sales volume as a result of the drop in demand in Japan and the review of the Group's sales channel structure aimed at securing appropriate margins. Turning to exports, trends are expected to remain steady. In this segment, the Cosmo Oil Group has set a diesel fuel export target of 1,345,000 kl. Meanwhile, margins on petroleum products are projected to benefit from favorable improvement in supply and demand as a result of a review of the wholesale formula and steps by companies to close refineries. Under these circumstances, the Cosmo Oil Group is looking to secure an appropriate margin. In the retail business, the Cosmo Oil Group is focusing on the auto leasing business. The elderly and women are becoming increasingly aware of the ease with which vehicles can be acquired, maintained, and managed. In FY2013, the cumulative number of vehicle lease contracts reached 11,476. The Cosmo Oil Group is looking to increase this number to 20,000 in FY2014.

As a result, the Petroleum Business segment is projecting net sales of ¥3,368.0 billion, down ¥95.7 billion year on year, and ordinary income ¥3.0 billion, a positive turnaround of ¥28.3 billion.

# Review of Operations: Petrochemical Business

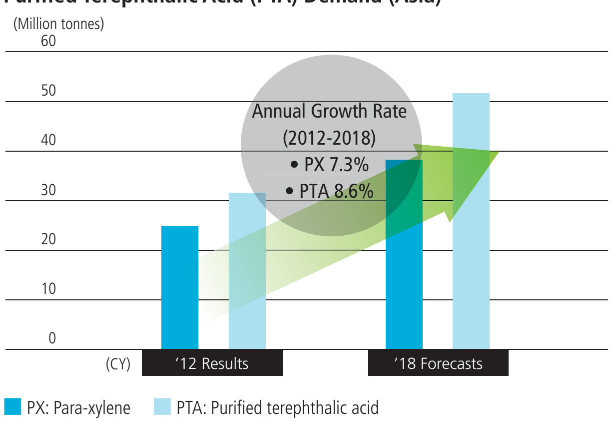
**FY2013 RESULTS** (Billions of yen)

| | Results | Year-on-Year Change |
|---|---|---|
| Net sales | ¥51.6 | Up ¥21.1 |
| Operating income | ¥1.1 | Down ¥0.4 |
| Ordinary income | ¥3.7 | Up ¥0.4 |
| Impact of inventory valuation | ¥0.0 | ¥0.0 |

**FY2014 PROJECTION** (Announced in May 2014) (Billions of yen)

| | Projections | Year-on-Year Change |
|---|---|---|
| Net sales | ¥77.0 | Up ¥25.4 |
| Operating income (loss) | (¥1.0) | Down ¥2.1 |
| Ordinary income | ¥0.5 | Down ¥3.2 |
| Impact of inventory valuation | ¥0.0 | ¥0.0 |

**Outlook for Para-Xylene (PX) and Purified Terephthalic Acid (PTA) Demand (Asia)**




## STRATEGIES

Amid the downturn in demand for gasoline in Japan, the Petrochemical Business is endeavoring to improve profitability by accelerating the shift to the production of para-xylene (PX) and its main ingredient, mixed xylene (MX). PX is a basic ingredient of polyester. Recognizing definitive signs of demand growth for polyester mainly in China, the PX business is projected to experience long-term expansion.

## FY2013 PERFORMANCE

With the Chiba Refinery returning to full-fledged operations, Cosmo Oil's subsidiary CM Aromatics Co., Ltd. resumed MX production. This helped to ensure consistent supply to Hyundai Cosmo Petrochemical Co., Ltd. (HCP), a 50:50 joint venture with Hyundai Oilbank Co., Ltd. of South Korea.

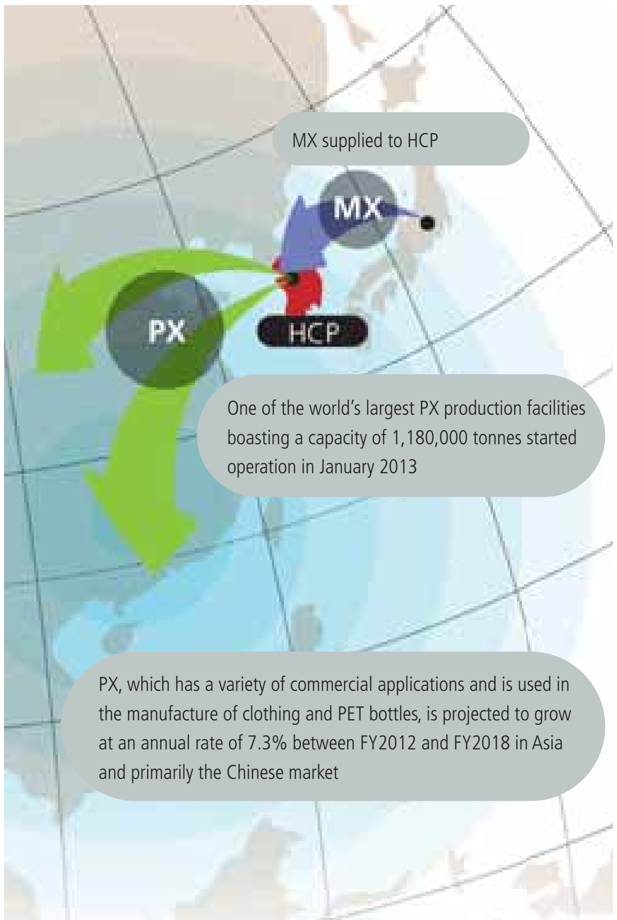
HCP kept its PX manufacturing units operating at their world-leading annual capacity of 1.18 million tonnes and the ethylene production facilities of Maruzen Petrochemical Co., Ltd. have also been running at high capacity.

As a result, net sales in the Petrochemical Business segment were ¥51.6 billion, up ¥21.1 billion year on year. Ordinary income for the fiscal year under review climbed ¥0.4 billion to ¥3.7 billion.

## OUTLOOK FOR FY2014

Demand for PX is projected to increase on the back of long-term demand for polyester. Despite this favorable condition, the Cosmo Oil Group has adopted a conservative approach toward PX market conditions. This reflects the successive start-up of PX production facilities scheduled for FY2014. Taking these factors into consideration, net sales in the Petrochemical Business segment are forecast to increase ¥25.4 billion year on year to ¥77.0 billion. Ordinary income, on the other hand, is projected to decline ¥3.2 billion to ¥0.5 billion.

## Para-Xylene Production Business Arrangement



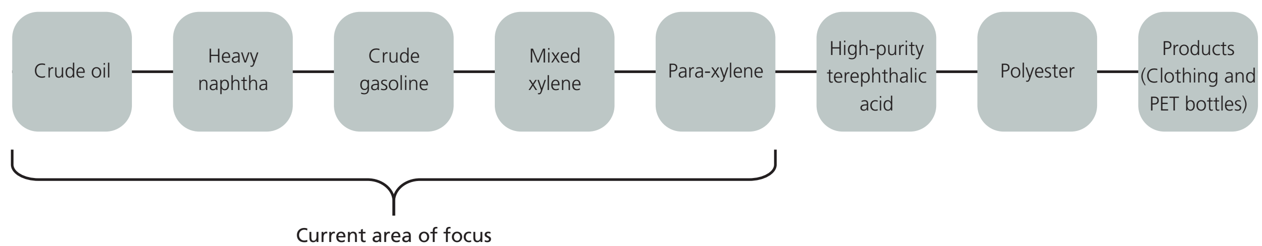

## The Cosmo Oil Group Production Volume

(Tonnes/year)

| Company Name | Ethylene | PX | Benzene | MX |
|---|---|---|---|---|
| HCP | — | 1,180,000 | 250,000 | — |
| Maruzen Petrochemical Co., Ltd. Group | 1,293,000 | — | 598,000 | 72,000 |
| CM Aromatics Co., Ltd. | — | — | — | 270,000 |
| Cosmo Matsuyama Oil Co., Ltd. | — | — | 91,000 | 30,000 |
| Cosmo Oil Co., Ltd., Yokkaichi Refinery | — | — | — | 300,000 |

* HCP: 50.0% (equity-method affiliate)
* Maruzen Petrochemical Co., Ltd.: 43.9% (equity-method affiliate)
* CM Aromatics Co., Ltd.: 65.0% (consolidated subsidiary)
* Cosmo Matsuyama Oil Co., Ltd.: 100.0% (consolidated subsidiary)
* The ethylene production capacity of the Maruzen Petrochemical Co., Ltd. Group includes the capacity of Keiyo Ethylene Co., Ltd. (768,000 tonnes/year) in which Maruzen Petrochemical Co., Ltd. has a 55% equity interest.
* The ethylene production capacity of the Maruzen Petrochemical Co., Ltd. Group for this period was lower than usual due to scheduled outages for maintenance.
* Earnings derived from the Yokkaichi Refinery's MX facility is included in the Petroleum Business segment.

## Para-Xylene Refining Process



# Review of Operations: Other Businesses

**FY2013 RESULTS** (Billions of yen)

| | Results | Year-on-Year Change |
|---|---|---|
| Net sales | ¥79.4 | Down ¥6.9 |
| Operating income | ¥4.6 | Up ¥1.3 |
| Ordinary income | ¥5.5 | Up ¥0.6 |

**FY2014 PROJECTION** (Announced in May 2014) (Billions of yen)

| | Projections | Year-on-Year Change |
|---|---|---|
| Net sales | ¥75.0 | Down ¥4.4 |
| Operating income | ¥4.0 | Down ¥0.6 |
| Ordinary income | ¥5.0 | Down ¥0.5 |

## STRATEGIES

The Cosmo Oil Group is focusing on renewable energy guided by the overarching mission of ensuring the stable supply of energy. The Group engages in medium-to-long-term investment activities and among a number of initiatives is currently promoting the development of new wind power generation sites in Japan with an anticipated capacity of approximately 90,000 kWh by FY2016.

## OTHER BUSINESS RESULTS

Net sales in other businesses were ¥79.4 billion, down ¥6.9 billion compared with the previous fiscal year. Focusing mainly on the wind power generation business, ordinary income came to ¥5.5 billion, an increase of ¥0.6 billion year on year.

A key factor in this increase is the full year's contribution throughout 2013 of the feed-in tariff (FIT) scheme for renewable energy introduced by EcoPower Co., Ltd. in July 2012.

## OUTLOOK FOR FY2014

### Present and Future of Renewable Energy

Cosmo Oil, Showa Shell Sekiyu K.K., and Development Bank of Japan Inc. established the joint-venture company CSD Solar as a part of efforts to enter the mega-solar business. Plans are in place to construct solar power generation facilities at eight of the Company's idle sites including oil storage depots. Construction work is underway at certain locations. One site commenced operations in June 2014.


### The Potential of 5-Amino Levulinic Acid (ALA)

Cosmo Oil has developed a technology that enables the safe and inexpensive manufacture of ALA, a naturally occurring amino acid, utilizing a fermentation process. ALA is a chlorophyll and hemoprotein precursor and has the potential to be used across a wide range of products including fertilizer, hair treatment products, and health food products. In order to accelerate the pace of business development and application of the Company's product across the cosmetics, health food, and pharmaceuticals fields, Cosmo Oil established a joint-venture company with SBI Holdings Inc. in fiscal 2008. Energies are currently being channeled toward the development of new ALA compound products.

**Progress in the ALA Business**

| | | Existing Business | Cultivating New Business Fields |
|---|---|---|---|
| Raw Material | Raw Material Business | ● Manufacture and sale of active ingredients for fertilizers, animal feed, health food products, and reagents for laboratory tests | ● Manufacture and sale of active pharmaceutical ingredients<br>● Development of pharmaceutical agents |
| Finished Products | Fertilizer Business | ● Liquid fertilizer: PENTAKEEP (for agricultural use)<br>● Liquid fertilizer: PENTAGARDEN (for horticultural use)<br>● Solid fertilizer: PENTAGARDEN Pellet (for horticultural use) | ● Solid fertilizers for agricultural use |
| | Animal Feed Business | ● Sale of a raw material for fish feed in Japan | |
| | Hair Treatment Business | | ● Hair treatment products<br>(under joint development with Milbon Co., Ltd.) |

**Joint-Venture Business with the SBI Group**

| | | Existing Business | Cultivating New Business Fields |
|---|---|---|---|
| Finished Products | Cosmetics Business | ● "ALA Plus Series" (SBI ALApromo Co., Ltd.)<br>● "L'ala Solomon Series" (Sustainable Crew Ltd.) | |
| | Health Food Business | ● "ALA Plus Series" (SBI ALApromo Co., Ltd.)<br>● "Bi Chocola Enrich" (Eisai Co., Ltd.)<br>● "Kilaris/ALA" (Nippo Pharmaceutical Industries, Ltd.) | |
| | Pharmaceuticals Business | ● Intraoperative diagnosis agent for encephaloma (SBI Pharmaceuticals Co., Ltd.)<br>● Light equipment for medical use (SBI Pharmaceuticals Co., Ltd.) | ● Intraoperative diagnosis agent for bladder cancer<br>● Cancer chemotherapy anti-anemia agent |

## CSR Management

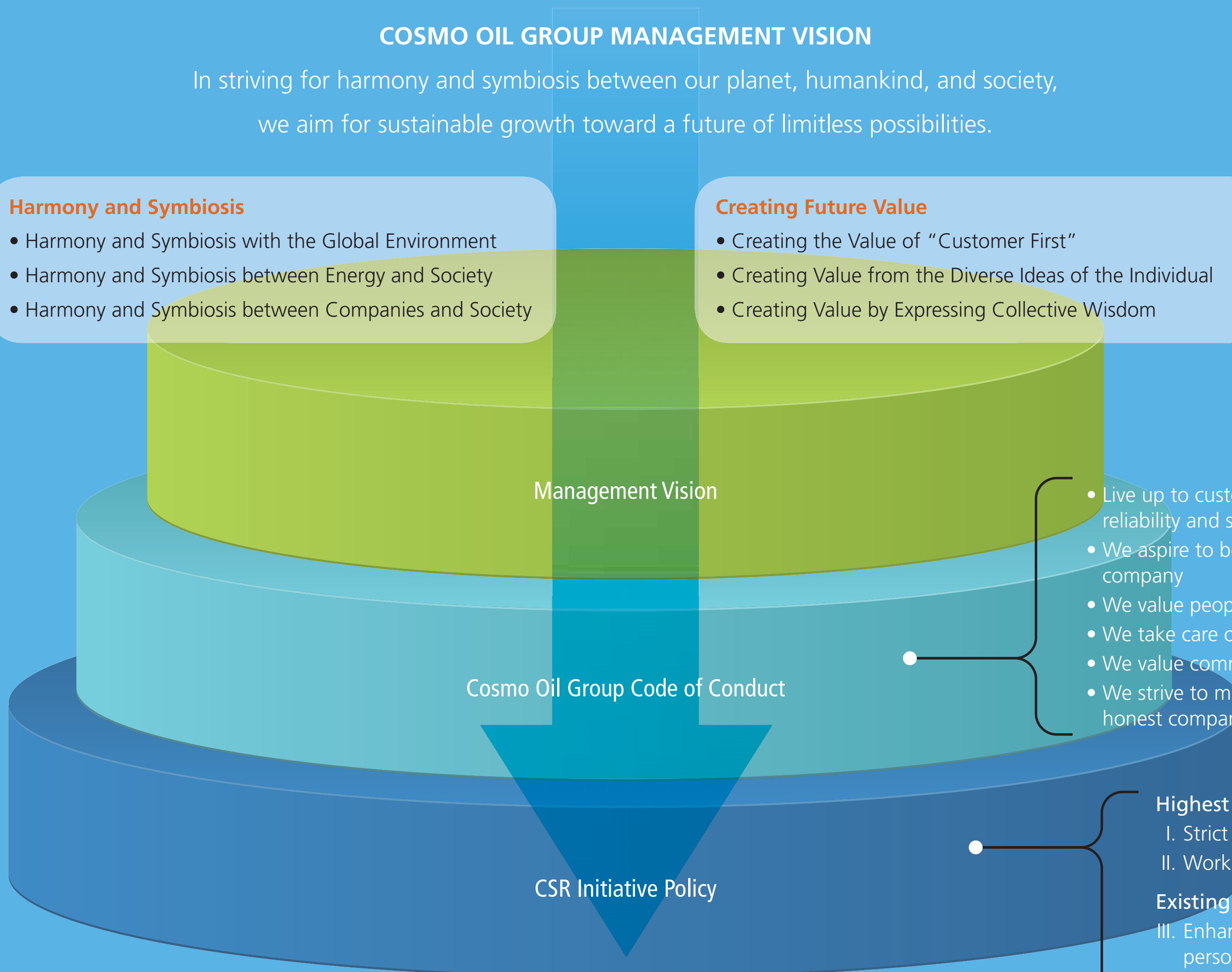
# COSMO OIL GROUP MANAGEMENT VISION AND CSR MANAGEMENT

**COSMO OIL GROUP MANAGEMENT VISION**

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

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

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




- Live up to customer expectations concerning reliability and satisfaction
- We aspire to become a safe, accident-free company
- We value people
- We take care of the global environment
- We value communications with society
- We strive to maintain our position as an honest company

**Highest key priorities**

I. Strict safety management
II. Work with integrity

**Existing key priorities**

III. Enhance human rights/ personnel policies
IV. Promoting environmental initiatives
V. Implement better internal and external communication

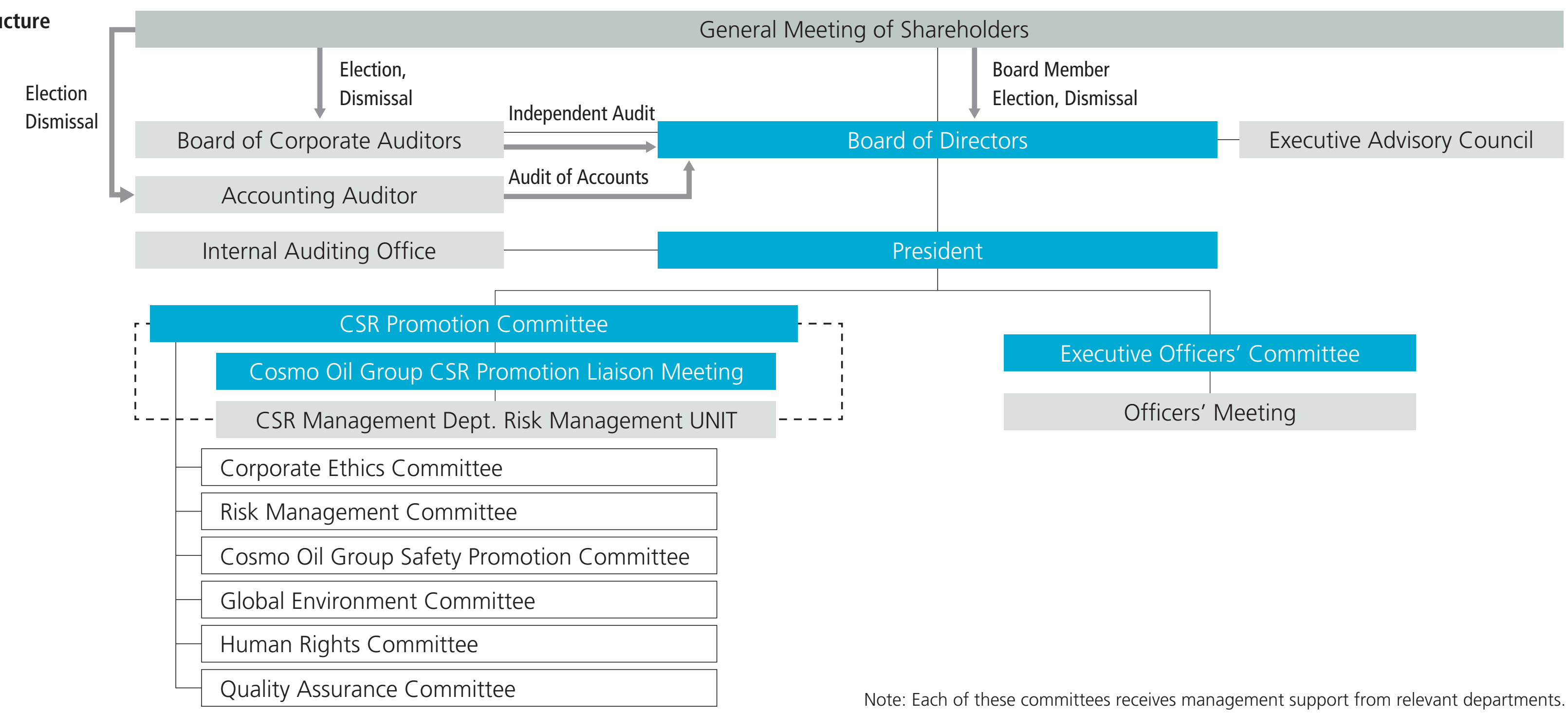
# Corporate Governance

## BASIC STANCE ON CORPORATE GOVERNANCE

Aiming to satisfy the requirements of investors and all other stakeholders to the utmost, we seek to achieve corporate governance that "manages operations more transparently and efficiently, implements decisions swiftly, and thoroughly scrutinizes risk management and compliance." We have established the Cosmo Oil Group Management Vision, and the Cosmo Oil Group Code of Conduct, which serve as our guiding principles for achieving our goals.

The Group recognizes that the standards of corporate governance are susceptible to change along with global trends and revisions to corporate legislation. Accordingly, while keeping an eye on these trends, we will continue to examine the best possible system for the Group by drawing on cases of excellent corporate governance systems in other countries.

**Corporate governance structure**
(As of June 24, 2014)




Note: Each of these committees receives management support from relevant departments.

## CORPORATE GOVERNANCE STRUCTURE, MEASURES AND IMPLEMENTATION STATUS

### DIRECTORS AND BOARD OF DIRECTORS

**• Board of Directors**

The Board of Directors is the Group's top decision-making organ. It is responsible for resolving legal and regulatory issues and items in the Articles of Incorporation. The Board also establishes management policy and supervises directors' execution of business duties.

To enable prompt decision-making on management-related matters, we have set the maximum number of directors at 15.

**• Appointment and Term**

A provision in the Articles of Incorporation stipulates that directors shall be appointed by a method other than accumulative voting.

In order to clarify evaluation and responsibility for fiscal year results, the term of appointment has been shortened to the period from appointment through to the conclusion of the general meeting of shareholders held to finalize matters regarding the fiscal year that ends within a year of a director's appointment.

**• Outside Directors**

Two of the Board's 10 directors are appointed from outside the Group. Although outside directors do not have dedicated staff, they have immediate access to necessary information via the Corporate Planning Department.

**• Separation of Roles of Chairman and President**

Under the structure adopted by the Cosmo Oil Group, the Chairman heads meetings of the Board of Directors (except when concurrently president).

**• Frequency and Attendance**

Regulations governing the Board of Directors stipulate that in principle meetings are to be held once monthly, and that extraordinary meetings are to be held when necessary. At meetings, directors make decisions on important management-related matters and examine progress on business initiatives and measures for resolving problems.

In fiscal 2013, the Board of Directors met on 12 occasions. In addition to the Fifth Medium-Term Management Plan, major topics regularly covered at these meetings included the status of sales, imports and exports, supply and demand as well as monthly income summaries.

| Directors | | Attendance Ratio* | |
|---|---|---|---|
| 8 Directors | | 100% | |
| 2 Outside Directors | Mohamed Al Hamli | 75% | 9 of 12 |
| | Mohamed Al Mehairi | 92% | 11 of 12 |

* Attendance ratios are calculated for the period from April 1, 2013 to March 31, 2014.

**• Nominations and Evaluation by the Executive Advisory Council**

The Council is responsible for evaluating the performance of directors, determining director remuneration, and deliberating on the selection of directors and auditors nominated for election at general meetings of shareholders. As an organ responsible for clarifying responsibility for management outcomes, the Council has been separated from the Board of Directors to ensure greater fairness and transparency.

| | Remuneration |
|---|---|
| Remuneration Paid to 12 Directors | ¥284.0 million |
| Remuneration Paid to 2 Outside Directors Included in the Above | ¥24.0 million |

* Included two directors who retired upon the completion of the 107th Ordinary General Meeting of Shareholders held on June 25, 2013.
Payments to directors exclude the employee salary portion paid to employees who hold the concurrent position of director.

## EXECUTIVE OFFICER SYSTEM

The Company has introduced an executive officer system to separate management oversight and business execution, as well as to facilitate swift responses to changes in the operating environment. To clarify the roles and responsibilities of "Directors" in charge of decision-making and management oversight and those of "Executive Officers" in charge of business execution, the Group began appointing, as necessary, individuals to the executive officer positions of "Chief Executive Officer," "Senior Managing Executive Officer," and "Senior Executive Officer."

### • Appointment and Term

The Board of Directors appoints executive officers recommended by the Executive Advisory Council for one-year terms. The executive officers work under the Board of Directors and the president.

Important decision-making, deliberation, and information sharing concerning the execution of business are the responsibilities of the following committees.

### • Executive Officers' Committee

This committee is charged with making decisions and deliberating on basic policies and important matters concerning the execution of business in accordance with basic management policies determined by the Board of Directors. Regulations governing the Committee stipulate that it meets once weekly, and that additional meetings are convened as required. With the president as the chair of the committee, its membership comprises executive officers and auditors nominated by the President.

### • Officers' Meeting

This group was established below the Executive Officers' Committee to ensure the swift Group-wide implementation of matters decided by the Executive Officers' Committee. The Officers' Meeting convenes once monthly.

## AUDITORS

### • Board of Corporate Auditors

Members of the Board of Corporate Auditors attend Board of Directors' meetings and Executive Officers' Committee meetings to monitor the execution of business activities by directors and executive officers. They conduct effective audits in a fair manner by working closely with accounting auditors, internal audit entities, and the auditors of affiliates.

At present, the Board consists of five auditors: three full-time auditors (one who is a full-time outside auditor) and two outside auditors.

### • Outside Auditors

Three of the five corporate auditors are outside auditors, one of whom works full time. The full-time outside auditor attends Board of Directors' meetings and other important committee meetings. The Company's audit secretariat provides administrative support to all auditors.

**Background and Reason for Selection of Outside Auditors**

Hirokazu Ando (full-time)

Background

Former executive officer and general manager of the Group Planning Department at Mitsubishi UFJ Financial Group (formerly UFJ Holdings Inc.) Currently, an independent officer of Cosmo Oil.

Reason for selection

Mr. Ando has extensive experience in a broad range of industries besides the petroleum industry. He is a former executive officer and general manager of UFJ Holdings Inc. (currently Mitsubishi UFJ Financial Group), one of the Company's main business partners. A considerable period of time has elapsed since Mr. Ando retired from UFJ Holdings in June 2003, and the business relationship between the Company and UFJ Holdings is not deemed excessive. Consequently, Mr. Ando maintains a position of independence with no conflicts of interest between himself and regular shareholders.

Sakae Kanno

**Background**

Former executive vice president and current audit & supervisory board member of The Kansai Electric Power Co., Inc. Currently, an independent officer of Cosmo Oil.

**Reason for selection**

Mr. Kanno has extensive experience in a broad range of industries besides the petroleum industry. Although he has experience as a director and corporate auditor of The Kansai Electric Power Co., Inc., one of the Company's business partners, the business relationship between the Company and The Kansai Electric Power Co., Inc. is not deemed excessive. Consequently, Mr. Kanno maintains a position of independence with no conflicts of interest between himself and regular shareholders.

Yoshitsugu Kondo

**Background**

Joint Representative of Sano Sogo Law Office (formerly SANOCONDOW LAW OFFICE). Currently, an independent officer of Cosmo Oil.

**Reason for selection**

As an attorney, Mr. Kondo has expertise in corporate law and possesses ample knowledge of corporate governance. Although Mr. Kondo is a partner attorney at a law office with which Cosmo Oil has a legal advisory contract, the value of this contract is not sufficient to cause pecuniary dependence on the Company. Consequently, Mr. Kondo maintains a position of independence with no conflicts of interest between himself and regular shareholders.

### • Meetings and Attendance

In principle, the Board of Corporate Auditors meets once monthly, and at other times as necessary. The Board receives reports from the auditors based on the audit policies, plans, and schedule determined by the Board, and presents proposals to directors as required. The Board convened 13 times during fiscal 2013.

| | Attendance Ratio | | | |
|---|---|---|---|---|
| Outside Auditors | Board of Directors (12 times) | | Board of Corporate Auditors (13 times) | |
| Hirokazu Ando | 100% | 12 of 12 | 100% | 13 of 13 |
| Yoshitsugu Kondo | 92% | 11 of 12 | 92% | 12 of 13 |
| Sakae Kanno | 90% | 9 of 10 | 90% | 9 of 10 |

* Attendance ratios are calculated for the period from April 1, 2013 to March 31, 2014.
* Sakae Kanno was appointed to the position of outside auditor on June 25, 2013.

**Corporate Auditor Remuneration** (Fiscal 2013)

| | Remuneration |
|---|---|
| Remuneration Paid to 5 Auditors | ¥81.0 million |
| Remuneration Paid to 3 Outside Auditors Included in the Above | ¥38.0 million |

## INTERNAL AUDITING SYSTEM

The Company's Internal Auditing Office, which is under the direct supervision of the president, has 11 full-time staff members. The Office conducts audits of the Company and affiliated companies in accordance with the annual internal auditing plan formulated by the Executive Officers' Committee. In addition to making specific suggestions for improving business efficiency, the Internal Auditing Office submits audit reports to senior management, the Executive Officers' Committee, and corporate auditors.

## ACCOUNTING AUDITS

In the fiscal year ended March 31, 2014, the Group's accounts were audited independently by KPMG AZSA LLC in accordance with Japan's Corporation Law and the Financial Instruments and Exchange Law. Designated limited liability and certified public accountants Masahiko Kobayashi, Hiroyuki Nakamura, and Koji Yoshida were assigned by KPMG AZSA LLC to audit the Company's accounts. 14 additional certified public accountants and 25 assistants also participated in the audit.

**Independent Audit Company Remuneration** (FY 2013)

| | Remuneration |
|---|---|
| Remuneration Payable to the Independent Audit Company for Work Undertaken in Connection with the Fiscal Year under Review | ¥115.0 million |
| Total Amount of Monies and Other Financial Benefits Payable by the Company and Its Subsidiaries | ¥230.0 million |

* A breakdown and clear classification of the amount payable in connection with audits in accordance with Japan's Companies Act and remuneration for audits in accordance with Japan's Financial Instruments and Exchange Act with respect to the audit agreement concluded between the Company and Independent Auditor have not been provided. Taking into consideration the practical difficulties in providing such a breakdown and classification, the amount of remuneration payable in connection with the fiscal year under review is provided as a sum total.

## INTERNAL CONTROL SYSTEM: COMPLIANCE AND RISK MANAGEMENT

### INTERNAL CONTROL SYSTEM FUNDAMENTALS

Cosmo Oil has established systems to ensure effective risk management, internal auditing, and auditing by corporate auditors. The Cosmo Oil Group CSR Promotion Committee, which is under the direct supervision of the president, manages the Group's CSR initiatives and internal controls. The Committee also shares information concerning CSR management with affiliates.

#### • Financial Reporting System

Since April 2008, it has been mandatory for all corporations in Japan to comply with new standards for the evaluation and auditing of internal controls over financial reporting in accordance with Japan's Financial Instruments and Exchange Law. An evaluation of internal controls relating to the reliability of financial reporting as required by the Law found that as of March 31, 2014, the internal control systems of the Company and its subsidiaries were "effective." An evaluation by the Company's independent auditor found its internal controls were appropriate.

#### • Corporate Ethics Training

The Cosmo Oil Group conducts annual corporate ethics training for Group employees with the objective of maintaining a high level of awareness of corporate ethics.

In fiscal 2013, the Cosmo Oil Group conducted corporate ethics training for all of its units, departments, and offices. The principal objectives of this training were to (1) ensure that all individuals and organizations adopted a uniform approach toward the practice of ethical standards; (2) raise the level of awareness toward hidden issues, and; (3) foster a corporate culture where employees actively raise issues, engage in lively debate, and strive to rectify problems. In the past, corporate ethics training had been conducted using a lecture format with participants placed in a passive role. From the fiscal year under review, emphasis has been placed on promoting active participation.

Encouraged by President Morikawa's keynote address outlining top management's commitment to ensuring the highest ethical standards, employees actively shared details of and deliberated on pertinent CSR-related issues that they encountered on a daily basis. This initiative received a positive response. Employees participating in the training commented that by taking the time to think for themselves they were able to gain a better appreciation for corporate ethics. At the same time, the thoughts and comments of others were extremely helpful. As a result, corporate ethics training throughout fiscal 2013 served to lift the ethical standards of Group employees. In the fiscal year under review, training was conducted on 73 occasions at all 36 offices with the number of training participants totaling 3,250.

Moreover, in addition to providing training tailored to job levels to help employees gain the expertise they need in specific positions, training sessions are also conducted on themes that are tailored to specific offices and Group companies.

#### • Corporate Ethics Consultation Helpline Overview and Case Record

The Cosmo Oil Group has set up internal and external helplines for consultation or reporting of legal or ethical problems concerning Group operations. Internal consultation is available through the Corporate Ethics Consultation helpline located in the Corporate Ethics Promotion Office and a consultation helpline for matters related to sexual or power harassment located in the Personnel Department.

A helpline has also been established to enable direct consultation with external experts to ensure anonymity and avoid any adverse repercussions for the person seeking consultation. In fiscal 2013, nine consultation cases were recorded.

**• Risk Management Measures and Business Continuity Plan Revisions**

The Cosmo Oil Group established the Risk Management Unit CSR & Environment Affairs Department (currently the CSR Management Dept.) under the CSR Promotion Committee in June 2013. In addition to undertaking a comprehensive review of the Group's risk management structure and BCP manual, steps were also taken to put in place a BCP for the Group's supply chain from its refineries to affiliated SSs. In addressing the needs of its affiliated supply chain, the Cosmo Oil Group prepared a manual. Particular care was taken to incorporate the most recent projected scenarios put forward by Japan's Cabinet Office for an earthquake with an epicenter directly below Tokyo and a major earthquake across the Nankai Trough. Based on these initiatives, each unit, department, and office of the Group is engaging in appropriate risk management. Moreover, the Group conducted a review of its structures and systems in the event of a large-scale disaster. As a result, efforts were directed toward reforming the Group's Crisis Response Headquarters. In order to support headquarters staff and the secretariat that make up the Crisis Response Headquarters, Response teams were newly established on the basis of specific functions. Looking ahead, each level of the Group's risk management structure will place considerable weight on promoting close-knit collaboration.

Moving forward, energies will be channeled toward ongoing training of the Crisis Response Headquarters. Each unit, department, and office will conduct its own training while also engaging in combined training drills with refineries. Through these means, every effort will be made to raise the ability and speed with which the Group carries out its BCP.

## INITIATIVES AIMED AT REINFORCING CORPORATE GOVERNANCE

**• Share Acquisition Guidelines**

In June 2006, the Cosmo Oil Group established share acquisition guidelines as an internal standard for executives who own Company shares to encourage continued long-term increases in corporate value. The Group does not grant stock options to directors.

**• Basic Policy on Large-Scale Share Acquisition**

At the present time, the Cosmo Oil Group does not have a specific policy in place for handling shareholders with multiple voting rights that would enable them to control resolutions on the Group's financial and business policies. Nor has the Company introduced measures for defending such attempts to gain control. However, we plan to examine whether such measures are required in order to maintain and enhance shareholder value. We will do this by considering changes to laws and regulations, changes in the operating environment, the wishes of shareholders, and cases of the introduction of such measures by other companies.

**• Ordinary General Meeting of Shareholders**

In Japan, there is a tendency for companies to hold their annual general shareholder meetings around the same time. In order to encourage as many Cosmo Oil shareholders as possible to attend our meetings, the Group schedules its annual meeting so that it does not clash with the majority of other meetings. In addition to introducing a system enabling shareholders to exercise their voting rights via the Internet, institutional investors are able to exercise their rights promptly and accurately using our institutional investor electronic proxy voting platform.

# CSR Activities

A company is a part of society. For a company to grow and develop, therefore, it must earn the recognition of society. Moreover, society must be peaceful and healthy, and the global environment must be properly protected. We are committed to fulfilling our corporate responsibilities and making broad contributions to society. To this end, we seek to serve as a company where each and every employee embraces a social contribution mindset.

The Cosmo Oil Group engages in CSR management based on its Management Plan and CSR Initiative Policy. Since 2013, the Group has continued to promote corporate activities in line with its CSR Initiative Policy (Fiscal 2013 to 2017): Filling Up Your Hearts and Safety.

### Basic policy of social contribution activities

- Activities unique to the Cosmo Oil Group
- Full personnel participation
- Lasting presence regardless of the Group's business status

### Concept of social contribution activities

- To educate children who will be part of the future society
- To preserve the global environment—the foundations of a sustainable society
- To form a peaceful, considerate, and cultural society

## Social Contribution Activities

**Applied Technology High School Abu Dhabi (ATHS): Short-Term Study Program**

From August 2007 to June 2010, Cosmo Oil and its subsidiary, Abu Dhabi Oil Co., Ltd. (ADOC), provided Japanese language education at an elementary school in Abu Dhabi. Building on this initiative and at the request of the Abu Dhabi Education Council, the Cosmo Oil Group has taken steps to provide high school students with Japanese language education through a collaborative arrangement with the Ritsumeikan Academy since September 2011. Over the years, this Japanese language education program has been expanded to include opportunities for students from the Applied Technology High School Abu Dhabi (ATHS) to study Japanese under the Japanese Language Teaching Program (JLTP). In June 2014, 20 ATHS students completed their JLTP course with nine of the 20 students scheduled to travel to Japan to continue their studies from October 2014. This year marks the fourth such short-term study abroad program. ATHS students who achieve high marks under the JLTP are afforded the valuable opportunity to learn the Japanese language more efficiently and gain an introduction to Japanese culture at Ritsumeikan Uji Senior High School.

The Cosmo Oil Group will continue to bolster its endeavors through the JLTP in the hope of nurturing students, who will then serve as a bridge to promote further friendly relations between Abu Dhabi, the UAE and Japan through a deeper understanding of the Japanese language and culture.


The JLTP

## Environment Conservation Activities

**Biotope Floating Islands—Waterfront Ecosystem Restoration Project**

Cosmo Oil established the Cosmo Oil Eco Card Fund in 2002 and continues to engage in activities aimed at the restoration and preservation of the environment in Japan and overseas and education of the next generation. The Biotope Floating Islands—Waterfront Ecosystem Restoration Project entails establishing floating islands and floating them on lakes and ponds. The goals of the project are to promote water purification and to provide habitats for birds and aquatic life while contributing to the restoration of ecosystems. As an opportunity for members supporting the Fund to experience first-hand what it takes to establish a floating island, a Biotope Floating Islands—Waterfront Ecosystem Restoration Project eco tour was held in Saitama Prefecture in November 2013. Guided by the slogan "Living With Our Planet," Cosmo Oil will continue to work through the Cosmo Oil Eco Card Fund and engage in activities that contribute to the environment.

Fund members on an eco-tour

# Directors and Auditors

(As of July 1, 2014)

## Representative Directors

Chairman
Yaichi Kimura

President, Chief Executive Officer
Keizo Morikawa

Senior Managing Executive Officer
Atsuto Tamura
Corporate Management Unit

## Directors

Senior Managing Executive Officer
Hisashi Kobayashi
Supply Business Unit

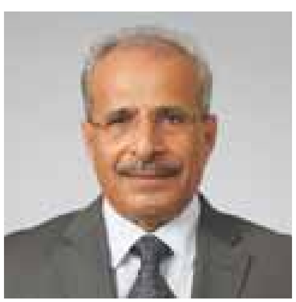
Senior Executive Officer
Hiroshi Kiriyama
Corporate Planning Unit

Senior Executive Officer
Katsuhisa Ohtaki
Risk Management Unit, Research & Development Unit

Senior Executive Officer
Muneyuki Sano
Sales Business Unit

Senior Executive Officer
Yasushi Ohe
Project Development Business Unit

## Outside Directors



Mohamed Al Hamli

Mohamed Al Mehairi

## Audit and Supervisory Board Members

Hideo Suzuki (full time)
Hideto Matsumura (full time)

## Outside audit and Supervisory Board Members

Hirokazu Ando (full time)
Yoshitsugu Kondo
Sakae Kanno

*The three outside auditors are also independent directors who are unlikely to have conflicts of interest with general shareholders.

## Senior Executive Officers

Koji Goto
General Manager, Chiba Refinery

Kenichi Taki
Assistant of Director for Corporate Management Unit
General Manager, Accounting & Finance Dept.

Kiyoshi Kumazawa
Assistant of Director for Supply Business Unit
General Manager, Supply Dept.

## Executive Officers

Hirohiko Kato
General Manager,
Industrial Fuel Marketing Dept.

Hiroo Iura
General Manager, Tokyo Branch

Yasuaki Iwata
Assistant of Director for Supply Business Unit
General Manager,
Production Technology Dept.

Kaoru Sato
General Manager, Refinery Safety Dept.

Kozo Ogasawara
General Manager, Yokkaichi Refinery

Koji Moriyama
General Manager, Corporate Planning Dept.

Masayoshi Noji
General Manager, Power & Gas Business Dept.


# Financial Data



Note: On pages 38-39, the figures up until FY2009 had been rounded up or down to the nearest million. From FY2010 onward, the figures have been rounded off to the nearest million. On pages 40-47, the figures have been rounded up or down to the nearest million. On pages 48-61, the figures have been rounded off to the nearest million.

# 11-Year Selected Financial and Operating Data

Cosmo Oil Company, Limited and Consolidated Subsidiaries

Millions of yen

| | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 |
|---|---|---|---|---|---|---|
| **For The Year** | | | | | | |
| Net sales | ¥1,916,278 | ¥2,154,559 | ¥2,670,628 | ¥3,062,744 | ¥3,523,087 | ¥3,428,211 |
| Petroleum* | 1,863,091 | 2,105,257 | 2,617,446 | 2,984,516 | 3,442,186 | 3,352,916 |
| Petrochemical | — | — | — | — | — | — |
| Oil exploration and production | 31,646 | 36,903 | 50,476 | 78,132 | 84,069 | 89,054 |
| Other | 66,734 | 83,006 | 69,369 | 85,517 | 99,010 | 91,790 |
| Elimination and corporate | (45,194) | (70,607) | (66,663) | (85,421) | (102,178) | (105,549) |
| Cost of sales | 1,758,858 | 1,956,160 | 2,422,272 | 2,852,242 | 3,290,688 | 3,389,408 |
| Selling, general and administrative expenses | 132,174 | 132,701 | 137,108 | 140,859 | 148,602 | 145,809 |
| Operating income (loss) | 25,246 | 65,698 | 111,248 | 69,643 | 83,797 | (107,006) |
| Inventory valuation gain (loss) | (9,500) | 12,600 | 45,400 | 2,800 | 45,000 | (180,100) |
| Operating income (loss) excluding the impact of inventory valuation | 34,746 | 53,098 | 65,848 | 66,843 | 38,797 | 73,094 |
| Income (loss) before income taxes and minority interests | 17,592 | 47,533 | 120,393 | 71,243 | 95,561 | (117,180) |
| Net income (loss) | 8,179 | 26,415 | 61,795 | 26,536 | 35,153 | (92,430) |
| Capital expenditures | 36,573 | 30,113 | 31,762 | 36,127 | 48,958 | 67,025 |
| R&D costs | 3,558 | 3,635 | 3,483 | 3,753 | 3,840 | 3,863 |
| Depreciation and amortization | 23,632 | 24,927 | 28,313 | 37,788 | 42,776 | 41,492 |
| Cash flows from operating activities | 101,827 | 40,494 | (20,685) | 25,005 | (4,215) | 82,136 |
| Cash flows from investing activities | (32,709) | (36,577) | (1,348) | (35,868) | (32,806) | (55,953) |
| Cash flows from financing activities | (7,679) | (70,163) | 39,608 | 80,023 | (5,229) | 57,854 |
| **At Year-End** | | | | | | |
| Total assets | ¥1,260,092 | ¥1,323,149 | ¥1,463,579 | ¥1,579,156 | ¥1,627,904 | ¥1,440,396 |
| Minority interests | 24,887 | 17,945 | 20,803 | 21,912 | 26,815 | 19,016 |
| Net assets excluding minority interests | 204,806 | 227,897 | 312,504 | 339,701 | 442,912 | 328,434 |
| Total current assets | 560,843 | 611,213 | 762,404 | 882,082 | 933,722 | 688,310 |
| Total current liabilities | 659,402 | 692,620 | 733,452 | 811,846 | 812,028 | 683,883 |
| Interest-bearing debt | 559,259 | 497,804 | 522,430 | 609,890 | 521,605 | 598,609 |
| Shares of common stock issued (thousands) | 631,705 | 631,705 | 671,705 | 671,705 | 847,705 | 847,705 |

Yen

| | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 |
|---|---|---|---|---|---|---|
| **Per Share Data** | | | | | | |
| Net income (loss) | ¥ 12.95 | ¥ 41.73 | ¥ 94.54 | ¥ 39.54 | ¥ 46.72 | ¥ (109.11) |
| Diluted net income | 12.74 | — | 92.17 | 37.91 | 44.98 | — |
| Net assets | 324.43 | 360.93 | 465.48 | 506.15 | 522.84 | 387.71 |
| Cash dividends | 6.00 | 8.00 | 10.00 | 8.00 | 8.00 | 8.00 |
| **Ratios** | | | | | | |
| Return on assets (ROA) (%) | 0.7 | 2.0 | 4.4 | 1.7 | 2.2 | (6.0) |
| Return on equity (ROE) (%) | 4.1 | 12.2 | 22.9 | 8.0 | 9.0 | (24.0) |
| Equity ratio (%) | 16.3 | 17.2 | 21.4 | 21.5 | 27.2 | 22.8 |
| Debt-to-total capital ratio (%) | 73.2 | 68.6 | 62.6 | 64.2 | 54.1 | 64.6 |
| Debt-to-total assets (%) | 44.4 | 37.6 | 35.7 | 38.6 | 32.0 | 41.6 |
| Debt-to-equity ratio (times) | 2.7 | 2.2 | 1.7 | 1.8 | 1.2 | 1.8 |

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for the convenience of readers only, at the rate of ¥102.92 to US$1.00, the approximate rate of exchange prevailing on March 31, 2014.

2. Recorded inventory valuation gains (losses) from FY2003 through FY2007 are based on the periodic average method of inventory valuation, whereas recorded inventory valuation gains (losses) from FY2009 are based on the lower of cost or market method as dictated by ASBJ (Accounting Standards Board of Japan) Statement No. 9, "Accounting Standard for Measurement of Inventories."

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

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| **For The Year** | | | | | | |
| Net sales | ¥2,612,141 | ¥2,771,523 | ¥3,109,746 | ¥3,166,689 | ¥3,537,782 | $34,374,096 |
| Petroleum* | 2,565,153 | 2,728,754 | 3,055,628 | 3,116,214 | 3,463,740 | 33,654,683 |
| Petrochemical | — | 45,940 | 29,422 | 30,469 | 51,576 | 501,127 |
| Oil exploration and production | 59,553 | 69,938 | 87,644 | 85,943 | 88,652 | 861,368 |
| Other | 88,470 | 68,652 | 71,628 | 86,312 | 79,442 | 771,881 |
| Elimination and corporate | (101,035) | (141,762) | (134,577) | (152,250) | (145,629) | (1,414,973) |
| Cost of sales | 2,435,366 | 2,539,032 | 2,918,238 | 2,989,274 | 3,369,007 | 32,734,230 |
| Selling, general and administrative expenses | 142,568 | 128,393 | 127,937 | 124,992 | 129,060 | 1,253,984 |
| Operating income (loss) | 34,207 | 104,097 | 63,570 | 52,422 | 39,715 | 385,882 |
| Inventory valuation gain (loss) | 52,600 | 22,300 | 25,200 | 15,264 | 16,068 | 156,121 |
| Operating income (loss) excluding the impact of inventory valuation | (18,393) | 81,797 | 38,370 | 37,158 | 23,647 | 229,761 |
| Income (loss) before income taxes and minority interests | 35,527 | 73,451 | 35,381 | (2,536) | 49,443 | 480,402 |
| Net income (loss) | (10,741) | 28,933 | (9,084) | (85,882) | 4,348 | 42,246 |
| Capital expenditures | 87,677 | 64,369 | 27,933 | 83,429 | 41,243 | 400,729 |
| R&D costs | 3,657 | 3,834 | 3,791 | 3,765 | 3,271 | 31,782 |
| Depreciation and amortization | 42,746 | 51,068 | 50,601 | 44,953 | 35,330 | 343,276 |
| Cash flows from operating activities | 2,262 | 26,297 | 43,616 | (20,950) | 35,837 | 348,202 |
| Cash flows from investing activities | (93,306) | (73,109) | (25,805) | (80,481) | (61,007) | (592,761) |
| Cash flows from financing activities | 159,302 | (86,077) | 11,606 | 104,695 | 12,555 | 121,988 |
| **At Year-End** | | | | | | |
| Total assets | ¥1,645,048 | ¥1,579,424 | ¥1,675,070 | ¥1,743,492 | ¥1,696,831 | $16,486,893 |
| Minority interests | 15,833 | 17,508 | 20,506 | 26,475 | 29,214 | 283,852 |
| Net assets excluding minority interests | 315,747 | 332,730 | 316,931 | 230,456 | 231,927 | 2,253,478 |
| Total current assets | 845,337 | 793,363 | 920,412 | 967,148 | 921,790 | 8,956,374 |
| Total current liabilities | 744,174 | 622,173 | 744,275 | 816,611 | 799,199 | 7,765,245 |
| Interest-bearing debt | 777,739 | 700,131 | 721,203 | 842,889 | 863,679 | 8,391,751 |
| Shares of common stock issued (thousands) | 847,705 | 847,705 | 847,705 | 847,705 | 847,705 | |
| | | | | | Yen | U.S. dollars |
| **Per Share Data** | | | | | | |
| Net income (loss) | ¥ (12.68) | ¥ 34.16 | ¥ (10.72) | ¥ (101.39) | ¥ 5.13 | $ 0.05 |
| Diluted net income | — | 33.58 | — | — | — | — |
| Net assets | 372.74 | 392.80 | 374.15 | 272.07 | 273.81 | 2.66 |
| Cash dividends | 8.00 | 8.00 | 8.00 | 0.00 | 2.00 | 0.02 |
| **Ratios** | | | | | | |
| Return on assets (ROA) (%) | (0.7) | 1.8 | (0.6) | (5.0) | 0.3 | |
| Return on equity (ROE) (%) | (3.3) | 8.9 | (2.8) | (31.4) | 1.9 | |
| Equity ratio (%) | 19.2 | 21.1 | 18.9 | 13.2 | 13.7 | |
| Debt-to-total capital ratio (%) | 71.1 | 67.8 | 69.5 | 78.5 | 78.8 | |
| Debt-to-total assets (%) | 47.3 | 44.3 | 43.1 | 48.3 | 50.9 | |
| Debt-to-equity ratio (times) | 2.5 | 2.1 | 2.3 | 3.7 | 3.1 | |

4. Up to and including FY2005, net assets excluding minority interests per share was presented rather than net assets per share.
5. Up to and including FY2005, ROE was calculated as net income divided by net assets excluding minority interests.
6. Up to and including FY2005, the debt-to-equity ratio was calculated using net assets excluding minority interests.
7. Up until FY2009, the figures had been rounded up or down to the nearest million. From FY2010 onward, the figures have been rounded off to the nearest million.

* The Petrochemical Business, which had previously been included in the Petroleum Business segment, was made a separate segment from FY2010.

## Operating Environment

During the fiscal year under review, Japan's economy showed signs of recovery, buoyed in part by correction of the excessively strong yen and rising stock prices amid the Bank of Japan's bold monetary easing, coupled with agile fiscal policy of a government intent on snapping Japan out of its deflationary rut.

Domestic demand for petroleum products fell compared to the previous year, with the exception of higher demand for diesel fuel partially attributable to increased distribution levels for use in reconstruction from the Great East Japan Earthquake. The overall decrease, meanwhile, was due to factors such as lower demand for gasoline, kerosene, and heavy fuel oil A, which was declining as a result of fuel efficiency improvements and shifts to alternative fuels, combined with a sharp downturn in demand for heavy fuel oil C used by thermal power plants to generate electricity.

With respect to crude oil prices, Dubai crude oil began the year at around $107/bbl and later dropped briefly to around $96/bbl, largely as a result of expectations for increasing North American production given the region's shale gas revolution and lower demand reflecting a seasonal lull. However, the price subsequently headed upward, ending the year at around $104/bbl, with the rise spurred by turmoil in Syria, Libya and other parts of the Middle East.

As for exchange rates, the year brought correction to the excessively strong yen which ended the year at the ¥102/US$ level, from the ¥94/US$ level at the start of the year, due to factors such as the Bank of Japan's substantial monetary easing and a shift in U.S. monetary policy.

As for domestic product market conditions, easing demand for petroleum products relative to supply kept prices at low levels that did not reflect crude oil prices.

## Results of Operations

### OVERVIEW

As a result, consolidated net sales in FY2013 were ¥3,537.8 billion (up ¥371.1 billion from FY2012), consolidated operating income, ¥39.7 billion (down ¥12.7 billion from FY2012).

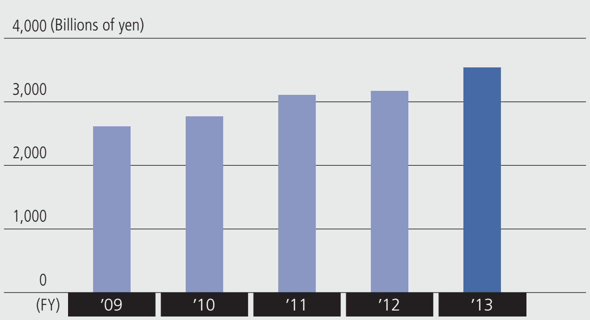
After extraordinary gain and loss adjustments and corporation taxes and other adjustments, consolidated net income for FY2013 was ¥4.3 billion (compared with consolidated net loss of ¥85.9 billion in FY2012).

### Operating Income

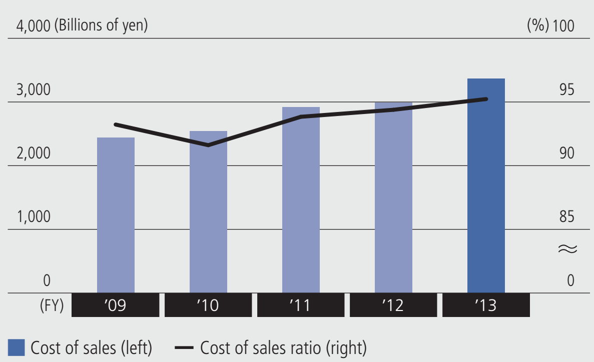
Operating income in fiscal 2013 declined ¥12.7 billion compared with the previous fiscal year, to ¥39.7 billion. Excluding the impact of inventory valuation, operating income declined ¥13.5 billion compared with the previous fiscal year, to ¥23.6 billion.

Although earning capacity improved owing mainly to the start-up of full-scale

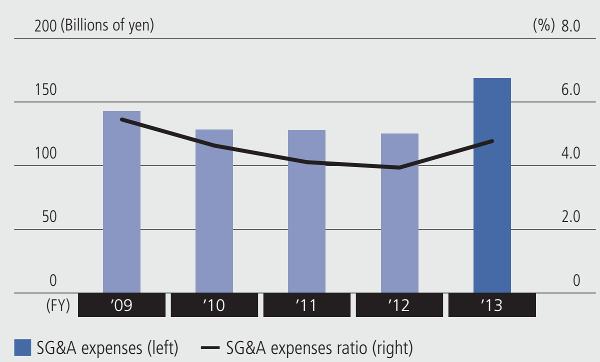
**Net sales**




**Cost of sales, Cost of sales ratio**




**SG&A expenses, SG&A expenses ratio**



operations at the Chiba Refinery, operating income fell due largely to weak market conditions in Japan for the Company's four mainstay Petroleum Business products.

## Ordinary Income

After adding/deducting non-operating items incurred in regular business activities, ordinary income declined ¥6.6 billion, to ¥41.8 billion.

Ordinary income by segment (including the impact of inventory valuation) is presented as follows.

(Billions of yen)

| | FY2013 | FY2012 | Change |
|---|---|---|---|
| Petroleum | **-253** | -237 | -16 |
| Petrochemical | **37** | 33 | 4 |
| Oil Exploration and Production | **581** | 607 | -26 |
| Other | **55** | 49 | 6 |
| Adjustments | **-2** | 32 | -34 |
| Consolidated ordinary income | **418** | 484 | -66 |
| Crude oil price (Dubai) | **US104.60$/bbl** | US107.10$/bbl | -US$2.50/bbl |
| JPY/USD Exchange rate | **¥100.24US$** | ¥83.11/US$ | -¥17.13/US$ |

## Net Income

Accounting for these factors, income before income taxes and minority interests came to ¥49.4 billion, a positive turnaround of ¥51.9 billion compared with the loss before income taxes and minority interests of ¥2.5 billion recorded in the previous fiscal year.

Income taxes-current were up ¥3.2 billion, or 10%, year on year to ¥34.7 billion. In addition, income taxes-deferred fell ¥40.2 billion to ¥4.5 billion. As a result, total income taxes were ¥39.1 billion in FY2013, down ¥37.1 billion, or 48.7%, from the previous fiscal year.

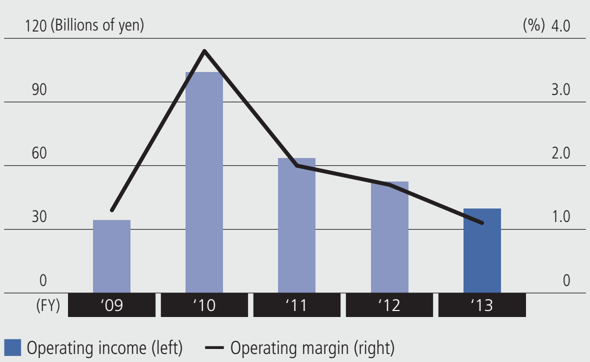
Minority interests in income, which were mainly attributable to E&P companies as well as petrochemical companies, declined approximately ¥1.1 billion, or 16.5%, year on year to ¥6.0 billion.

As a result, net income for FY2013 was ¥4.3 billion, a positive turnaround of ¥90.2 billion compared with the net loss of ¥85.9 billion in FY2012. Earnings per share was ¥5.13.

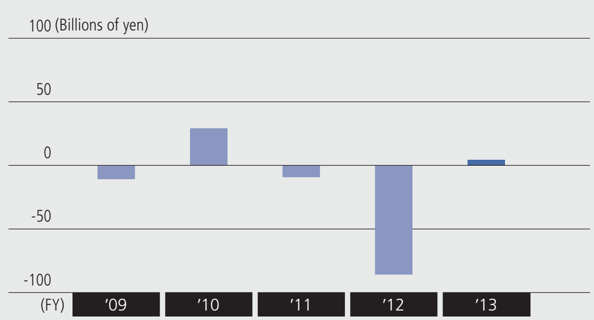
## Outlook

The Cosmo Oil 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

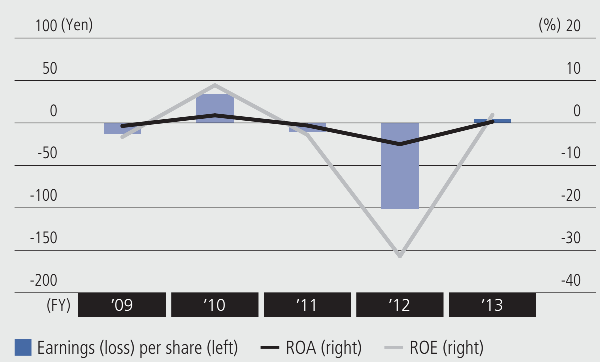
**Operating income, Operating margin**




**Net income (loss)**




**Earnings (loss) per share, ROA, ROE**



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 2014 commencing on April 1, 2014 has the assumptions of an average crude oil price of US$104/bbl and an average exchange rate of ¥102/US$ and its business outlook including consolidated net sales of ¥3,465.0 billion (down ¥72.8 billion from FY2013), consolidated operating income of ¥62.0 billion (up ¥22.3 billion), consolidated ordinary income of ¥57.0 billion (up ¥15.2 billion) and consolidated net income of ¥14.0 billion (up ¥9.7 billion).

## Segment Information

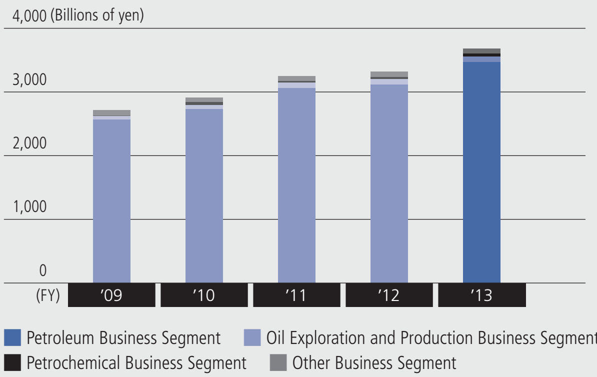
Please refer to pages 18 to 27 of this report for performance details by business segment.

## Source of Liquidity and Funds

The Cosmo Oil Group's core petroleum business is its principal source of income. While rising crude oil prices benefit sales and operating income in the Company's Oil Exploration and Production Business segment, high tax rates in oil producing countries mean that the negative impact in terms of cash inflow is limited. In the Petroleum Business segment, there is a noticeable lag between the import of crude oil and the receipt of funds from the sale of petroleum products. This is because the transportation of crude oil requires a significant amount of time. Also, the Company is obligated to maintain reserves equivalent to 70 days of domestic sales volume. Because it is entirely dependent on imports of raw materials, Cosmo Oil Group is also affected significantly by fluctuations in exchange rates, which influence import costs, and in domestic sales prices. The Company engages in forward foreign exchange contracts to hedge this risk. The Company must undertake short-term borrowings from time to time to provide additional working capital to facilitate crude oil imports. Long-term debt at the fiscal yearend totaled ¥447.8 billion, down ¥ 41.5 billion from a year earlier. Total net interest-bearing debt (*1) increased ¥10.1 billion, to ¥723.3 billion.

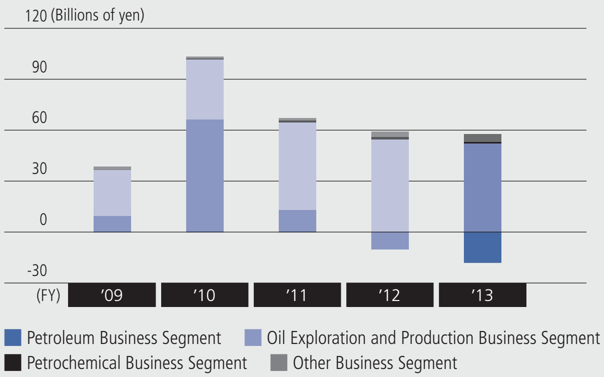
In November 2013, Japan Credit Rating Agency, Ltd. (JCR) affirmed the Company's long-term issue rating of BBB. This rating takes into account the positive turnaround in Cosmo Oil's earnings on the back of steady contributions from the oil development business due to persistently high crude oil prices. JCR's affirmation also reflects the recovery of earning capacity owing to the significant decline in alterative supply costs as the Chiba Refinery resumed operations as a well as expectations that the Company will be able to improve its financial structure owing mainly to the recovery in earnings

**Segment sales**



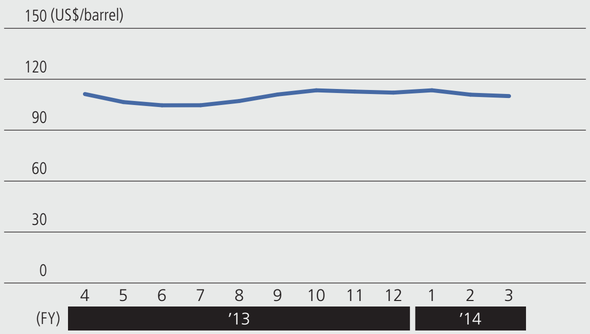

Note: The Petrochemical Business, which had previously been included in the Petroleum Business segment, was made a separate segment from FY2010.

**Segment operating income (loss)**




Note: The Petrochemical Business, which had previously been included in the Petroleum Business segment, was made a separate segment from FY2010.

**Crude oil price (CIF)**



and other factors in the face of large-scale investments relating to the development of a new concession area in the oil development business.

In June 2014, Moody's Japan K.K. announced its credit opinion of the Company reaffirming its long-term issuer rating of Ba1.

(*1) Total interest-bearing debts: Net of cash and deposits as of the end of a period.

## Financial Position

### Assets, Liabilities and Net Assets

As for the Company's financial position on a consolidated basis as of the end of FY2013, total assets as of March 31, 2014 amounted to ¥1,696.8 billion, down ¥46.7 billion from March 31, 2013, the end of FY2012, mainly reflecting reduced inventories primarily due to the transformation of the Sakaide Refinery into an oil terminal. Net assets as of March 31, 2014 amounted to ¥261.1 billion, up ¥4.2 billion from March 31, 2013, with a net worth ratio of 13.7%.

### Cash Flows

As for consolidated cash flows during FY2013, net cash provided by operating activities amounted to ¥35.8 billion, mainly reflecting decreased in accounts receivable-trade and inventories. Net cash used in investing activities amounted to ¥61.0 billion, mainly reflecting payments for noncurrent asset acquisitions. Net cash provided by financing activities amounted to ¥12.6 billion, mainly reflecting proceeds from issuance of bonds.

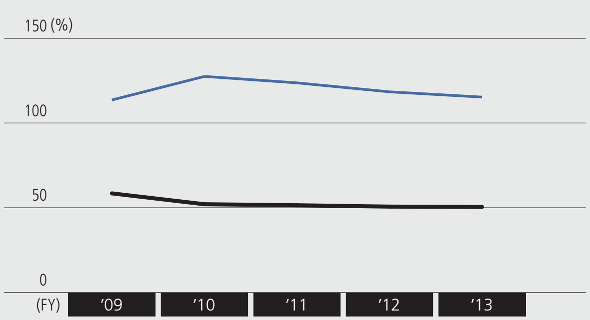
As a result, cash and cash equivalents as of March 31, 2014 amounted to ¥123.3 billion, down ¥6.4 billion from March 31, 2013.

(Billions of yen)

| | **FY2013** | FY2012 | Change |
|---|---|---|---|
| Cash flows from operating activities | **358** | -210 | 568 |
| Cash flows from investing activities | **-610** | -805 | 195 |
| Cash flows from financing activities | **126** | 1,047 | -921 |
| Cash and cash equivalents at fiscal year-end | **1,233** | 1,297 | -64 |
| Ratio of cash flows to interest-bearing debt (years) | **24.1** | — | — |

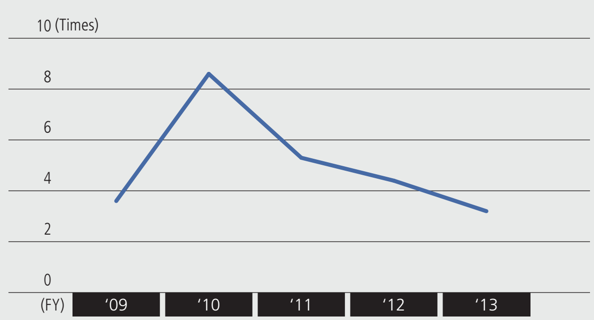
Note: The ratio of cash flows to interest-bearing debt = Interest-bearing debt divided by operating cash flows

**Current ratio, Quick ratio**

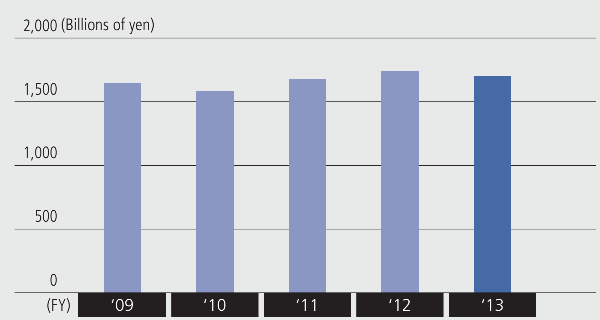



— Current ratio — Quick ratio

**Interest coverage ratio**




**Total assets**



**Capital Expenditures**

The Cosmo Oil Group plans strategic capital investments under its Fifth Consolidated Medium-Term Management Plan. Moving forward, the Company will seek to flexibly raise funds while monitoring market trends, and at the same time endeavor to optimize its balance sheet, thereby reinforcing its financial condition and ensuring its ability to support strategic investments.

In the fiscal year under review, the Company made total capital expenditures of ¥41.2 billion, down ¥42.2 billion from the previous year. Cosmo Oil undertook steady investments to upgrade and renew facilities, including restoration work on LPG tanks at the Chiba Refinery. The year-on-year drop in capital expenditures in FY2013 is mainly attributable to the absence of outlays by Abu Dhabi Oil Co., Ltd. undertaken in FY2012 and the shift of certain investments into FY2014. Capital expenditures by segment are summarized as follows.

In the fiscal year under review, depreciation declined ¥9.7 billion year on year. This decline is largely the result of a change in the Company's supply structure following the closure of the Sakaide Refinery and the review of the depreciation period based on the actual age of service of certain property, plant and equipment as a result of the growing importance of facilities at the Company's three refineries excluding the Sakaide Refinery.

(Billions of yen)

| | **FY2013** | FY2012 | Change |
|---|---|---|---|
| Petroleum | **33.1** | 24.1 | 9.0 |
| Petrochemical | **0.6** | 0.6 | — |
| Oil Exploration and Production | **8.7** | 57.3 | -48.6 |
| Others | **3.1** | 1.4 | 1.7 |
| Adjustments | **-4.3** | 0 | -4.3 |
| Depreciation and Amortization | **35.3** | 45.0 | -9.7 |

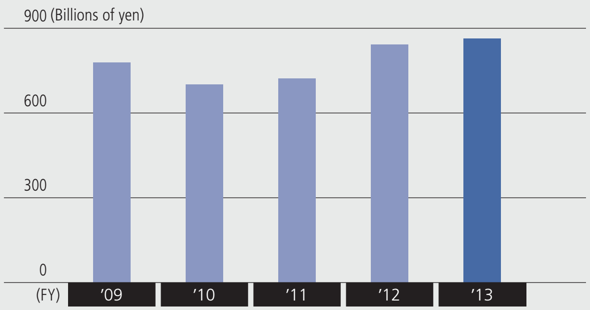
Notes: 1. Capital expenditure is recorded on an inspection basis.
2. Depreciation and amortization included recovery of recoverable accounts under production sharing as well as depreciation applicable to such items as intangible fixed assets and long-term prepaid expenses.

**Basic Policy Regarding Earnings Appropriation**

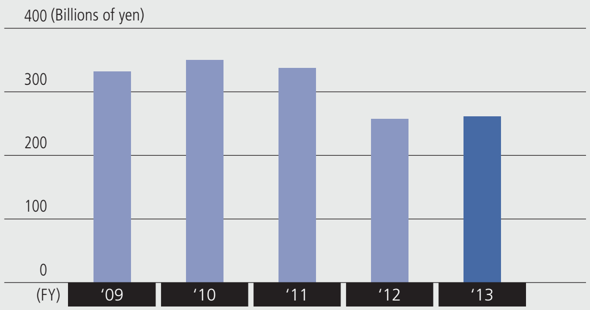
The Company places particular emphasis on shareholder returns. Its basic policy is to maintain stable dividend payments by taking financial structural enhancement, future business development, business results and balanced fund positions into due consideration.

Under these policies, the Company paid a year-end dividend at ¥2 per share. As for dividend payment for FY2014, the Company plans to increase ¥2 per share from FY2013 to pay ¥4 per share per year, subject to a business performance recovery, to respond to support from our shareholders.

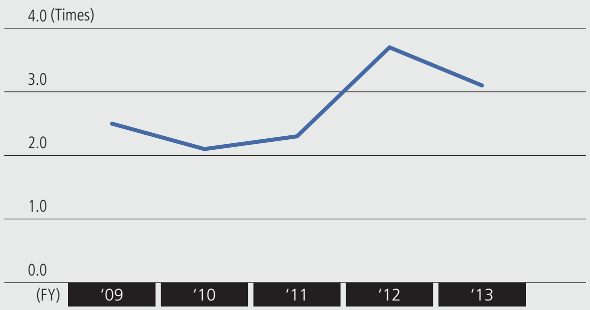
**Interest-bearing debt**




**Net assets**




**Debt-to-equity ratio**



## Business and Other Risks

The Cosmo Oil Group's business performance and financial condition are subject to a number of factors that in the future could have a significant impact. The following is a summary of major risk factors that the Group incurs in the course of its business development. The Group proactively discloses all risks that it considers important to those investing in Cosmo Oil stock, including external factors over which the Group has no control and which have little probability of occurring. Moreover, the following risks are not all-inclusive of the risks associated with investment in Cosmo Oil stock.

### (1) Supply and Demand Trends

Sales of gasoline, kerosene and diesel fuel comprise a major portion of the Group's total sales and are strongly affected by general trends in personal consumption. In addition, the demand for naphtha is strongly affected by demand trends in the petrochemical industry, while the demand for diesel fuel is strongly affected by the transportation industry, and the demand for heavy fuel oil, by the electric power and shipping industries. As a result, changes in economic as well as weather conditions can cause fluctuations in demand, which, in turn, can have a material impact on the scale of the Group's sales.

### (2) Crude Oil Prices and Procurement

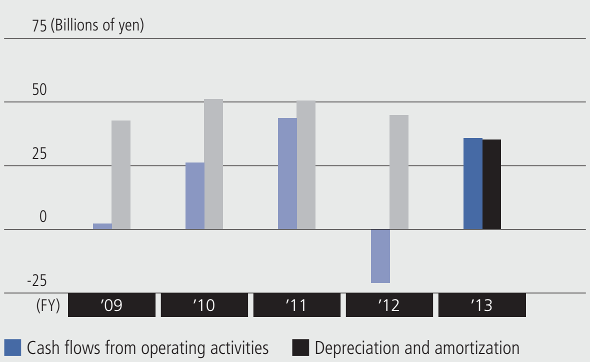
Crude oil prices are significantly affected by demand and production trends. In terms of demand trends, the impact of large consuming nations, such as the United States, and of Asian nations showing rapid economic growth (particularly China) is highly significant. Increases and decreases in the crude oil production by Middle East oil-producing nations primarily have a large impact on production trends. In addition to political instability, such as the outbreak of war around oil-producing nations, and terrorism and other uncertainties that could significantly affect crude oil prices and crude oil procurement by the Group, production stoppages at the Group's production bases could also have a material impact on the Group's business performance and financial condition.

The Group uses the weighted average method to value crude oil inventories. Therefore, lower crude oil prices can have a material impact on the Group's operating performance and financial condition, such as a heavier cost burden the Group might have to bear for actual market conditions.

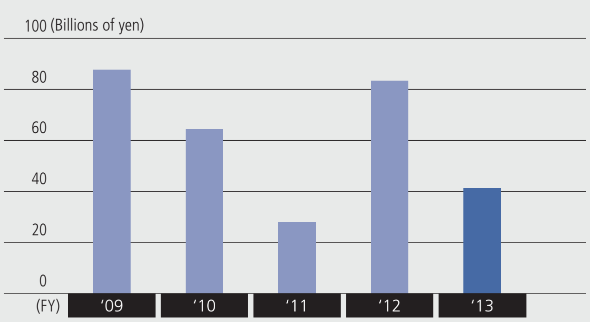
### (3) Foreign Exchange Rate Fluctuations

The Group imports crude oil and oil products from overseas, and usually pays for these imports in U.S. dollars, which means that fluctuations in foreign exchange rates can cause currency losses or gains. In order to minimize the impact of foreign

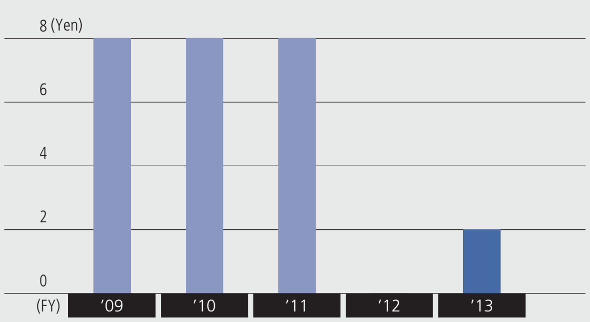
**Cash flows from operating activities, Depreciation and amortization**




**Capital expenditures**




**Cash dividends per share**



exchange rates, the Group engages in currency hedge transactions. However, as a weaker yen results in higher procurement costs, exchange rate fluctuations can have a material impact on the Group's business performance and financial condition.

Foreign exchange rate fluctuations can also have a material impact when the financial statements of consolidated subsidiaries outside Japan and associated companies accounted for in the equity method are restated in Japanese yen.

**(4) Market Impact**

As mentioned above, the cost of the Group's major oil products is determined by international market prices of crude oil and foreign exchange rates. On the other hand, the Group's marketing activities are mainly conducted within Japan, and selling prices are determined by domestic market conditions. Consequently, gaps and/or time lags between international and domestic market prices can have a material impact on the Group's business performance and financial condition.

**(5) Interest Rate Fluctuations**

Interest rate fluctuations can lead to higher borrowing costs if interest rates rise. Thus, interest rate fluctuations can have an impact on the Group's borrowing costs and can materially affect the Group's business performance and financial condition.

**(6) Asset Valuation Fluctuations**

Depending on economic circumstances, valuation losses because of fluctuations in the value of assets, such as land and marketable securities that are held by the Group, could have a material impact on the business performance and financial condition of the Group.

**(7) Competition Risk**

The Group is engaged in stiff competition with domestic and overseas companies mainly in the oil business. While the Group is working to maintain and improve its competitiveness, the inability to maintain efficient business operations relative to competing companies may have a material impact on the Group's business performance and financial condition.

**(8) Impact by Natural Disasters and Accidents**

As its refineries handle large volumes of flammable materials, the Group takes particular care in implementing various safety measures to prevent accidents caused by human errors, and to avoid workplace injuries. Notwithstanding these precautions, the aging equipment, the occurrence of an earthquake, other natural disasters or unforeseen accidents can result in unavoidable stoppages of operations. For example, a fire that broke out at the Chiba Refinery caused by the impact of the Great East Japan Earthquake that occurred on March 11, 2011 forced the refinery to suspend operations for a certain period of time. Thus, the Company recorded losses due to the suspended operations and restoration cost in FY2010. In addition, accidents in non-refinery operations, such as oil storage depots, service stations, marine tankers and tanker trucks, could noticeably affect the Group's operations and have material impact on its business performance and financial condition.

**(9) Impact by Regulations Applicable to the Oil Industry**

Various regulations regarding pollution and environmental issues that affect the oil industry have been implemented, and the Group bears the cost of complying with these regulations. As more stringent environmental countermeasures are expected, the Group recognizes the possibility that it could be subject to new laws, regulations and taxes. Going forward, there is a risk that new laws or amendments to existing laws will result in an additional cost burden for the Group. In promoting its CSR management efforts, the Group positions legal compliance as an integral part of such efforts, establishing the necessary systems and striving to enhance the morale of all employees. However, if the risk of legal infraction materializes because of human error or other factors, the Group may become subject to government penalties that would obstruct business operations, reduce the level of trust among customers and damage the Group's brand image, which could, in turn, affect the Group's operating performance. For example, there were some additional maintenance costs required at the Company's refinery, corresponding to administrative disposition by the former Nuclear and Industrial Safety Agency of the Ministry of Economy, Trade and Industry, which had an impact on the Group's business performance.

**(10) Information Management**

In terms of information management, malicious software countermeasures and personal information protection measures have been implemented to strengthen the Group's internal IT system security. In addition, the Group has established internal monitoring procedures and regulations on how to handle confidential information, including customer information, and it has contracted external third parties to have them implement supervision and audits over the management and handling of confidential information within the Group. However, the materialization of risks, such as any loss, leakage or alteration of confidential information, including personal information, for any reason, could result in a loss of customer trust and tarnish the Group's brand image, which, in turn, could have a material impact on the Group's business performance.

**(11) Crude Reserves Estimate, proved reserves and probable reserves**

(*1) About results of reserves estimate

The assessment of ADOC reserves which deemed to have significant impact on Cosmo's future profitability was carried out in an independent assessment by Gaffney, Cline & Associate (hereinafter, "GCA"), a leading global independent reserve auditor. Their assessment confirmed Cosmo affiliates' internal assessment of remaining reserves. The assessment was carried out in accordance with the 2007 "Petroleum Resources Management System (PRMS)" prepared by the Oil and Gas Reserves Committee of the "Society of Petroleum Engineers" (SPE), and reviewed and jointly sponsored by the "World Petroleum Congress" (WPC), the "American Association of Petroleum Geologists" (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE). The assessment of QPD and UPD reserves were carried out in these companies respectively. These assessments of the reserves do not guarantee the reserves and production from them.

(*2) Proved Reserves

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

(*3) Probable Reserves

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

# Consolidated Balance Sheets

Cosmo Oil Company, Limited and Consolidated Subsidiaries

Millions of yen

| | FY2012 (As of March 31, 2013) | FY2013 (As of March 31, 2014) |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and deposits | ¥ 130,264 | ¥ 140,423 |
| Notes and accounts receivable-trade | 282,889 | 262,863 |
| Merchandise and finished goods | 248,524 | 225,292 |
| Work in process | 998 | 761 |
| Raw materials and supplies | 242,378 | 219,684 |
| Accounts receivable-other | 34,886 | 47,157 |
| Deferred tax assets | 3,325 | 2,340 |
| Other | 24,216 | 23,457 |
| Allowance for doubtful accounts | (334) | (189) |
| Total current assets | 967,148 | 921,790 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 104,986 | 105,679 |
| Oil storage depots, net | 19,000 | 25,180 |
| Machinery, equipment and vehicles, net | 132,903 | 131,902 |
| Land | 304,495 | 308,481 |
| Lease assets, net | 615 | 707 |
| Construction in progress | 14,628 | 11,191 |
| Other, net | 6,079 | 5,938 |
| Total property, plant and equipment | 582,709 | 589,082 |
| Intangible assets | | |
| Software | 2,411 | 3,070 |
| Goodwill | 3,645 | 2,914 |
| Other | 45,461 | 44,057 |
| Total intangible assets | 51,518 | 50,041 |
| Investments and other assets | | |
| Investment securities | 118,770 | 115,304 |
| Long-term loans receivable | 1,282 | 1,313 |
| Long-term prepaid expenses | 3,795 | 2,550 |
| Deferred tax assets | 1,791 | 2,935 |
| Other | 16,559 | 13,582 |
| Allowance for doubtful accounts | (613) | (483) |
| Total investments and other assets | 141,586 | 135,202 |
| Total noncurrent assets | 775,814 | 774,326 |
| Deferred assets | | |
| Bond issuance cost | 529 | 714 |
| Total deferred assets | 529 | 714 |
| Total assets | ¥1,743,492 | ¥1,696,831 |

Millions of yen

| | FY2012 (As of March 31, 2013) | FY2013 (As of March 31, 2014) |
|---|---|---|
| **LIABILITIES** | | |
| Current liabilities | | |
| Notes and accounts payable-trade | ¥ 277,934 | ¥ 255,521 |
| Short-term loans payable | 277,429 | 323,705 |
| Current portion of bonds | 1,680 | 11,680 |
| Accounts payable-other | 123,991 | 99,635 |
| Accrued volatile oil and other petroleum taxes | 97,708 | 70,754 |
| Income taxes payable | 10,175 | 7,313 |
| Accrued expenses | 7,194 | 7,917 |
| Deferred tax liabilities | 847 | 335 |
| Provision for loss on disaster | 648 | — |
| Provision for business structure improvement | 7,743 | 3,398 |
| Provision for environmental measures | 26 | 26 |
| Other | 11,231 | 18,911 |
| Total current liabilities | 816,611 | 799,199 |
| Noncurrent liabilities | | |
| Bonds payable | 74,480 | 80,500 |
| Long-term loans payable | 489,299 | 447,794 |
| Deferred tax liabilities | 19,690 | 24,198 |
| Deferred tax liabilities for land revaluation | 29,301 | 29,236 |
| Provision for special repairs | 8,700 | 9,627 |
| Provision for retirement benefits | 8,506 | — |
| Provision for business structure improvement | 4,260 | 1,096 |
| Provision for environmental measures | 4,058 | 3,832 |
| Net defined benefit liability | — | 12,993 |
| Negative goodwill | 2,512 | 1,127 |
| Other | 29,138 | 26,081 |
| Total noncurrent liabilities | 669,948 | 636,489 |
| Total liabilities | ¥1,486,559 | ¥1,435,688 |
| **NET ASSETS** | | |
| Shareholders' equity | | |
| Capital stock | ¥ 107,246 | ¥ 107,246 |
| Capital surplus | 89,440 | 16,967 |
| Retained earnings | 10,531 | 87,461 |
| Treasury stock | (140) | (143) |
| Total shareholders' equity | 207,078 | 211,531 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,770 | 2,887 |
| Deferred gains or losses on hedges | 1,422 | 1,372 |
| Revaluation reserve for land | 19,037 | 18,929 |
| Foreign currency translation adjustment | (851) | 5,818 |
| Remeasurements of defined benefit plans | — | (8,612) |
| Total accumulated other comprehensive income | 23,378 | 20,395 |
| Minority interests | 26,475 | 29,214 |
| Total net assets | 256,932 | 261,142 |
| Total liabilities and net assets | ¥1,743,492 | ¥1,696,831 |

# Consolidated Statements of Income and Comprehensive Income (Consolidated Statements of Income)

Cosmo Oil Company, Limited and Consolidated Subsidiaries

Millions of yen

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| Net sales | ¥3,166,689 | ¥3,537,782 |
| Cost of sale | 2,989,274 | 3,369,007 |
| Gross profit | 177,415 | 168,775 |
| Selling, general and administrative expenses | 124,992 | 129,060 |
| Operating income | 52,422 | 39,715 |
| Non-operating income | | |
| Interest income | 196 | 209 |
| Dividends income | 1,778 | 2,154 |
| Rent income on noncurrent assets | 1,101 | 973 |
| Amortization of negative goodwill | 1,281 | 1,257 |
| Foreign exchange gains | — | 2,536 |
| Equity in earnings of associates | 7,083 | 7,343 |
| Other | 3,758 | 4,130 |
| Total non-operating income | 15,200 | 18,607 |
| Non-operating expenses | | |
| Interest expenses | 12,430 | 12,960 |
| Foreign exchange losses | 1,242 | — |
| Other | 5,510 | 3,514 |
| Total non-operating expenses | 19,183 | 16,475 |
| Ordinary income | 48,439 | 41,847 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 904 | 445 |
| Gain on sales of investment securities | — | 1,322 |
| Gain on sales of stocks of subsidiaries and associates | — | 1,441 |
| Insurance income | 360 | 1,158 |
| Litigation settlement income | — | 939 |
| Gain on contribution of securities to retirement benefit trust | — | 3,595 |
| Subsidy income | — | 3,219 |
| Total extraordinary income | 1,264 | 12,121 |
| Extraordinary loss | | |
| Loss on sales of noncurrent assets | 401 | 27 |
| Loss on disposal of noncurrent assets | 2,906 | 3,281 |
| Impairment loss | 5,032 | 911 |
| Loss on valuation of investment securities | 515 | 305 |
| Business structure improvement expenses | 20,334 | — |
| Loss on accident of asphalt leakage | 14,304 | — |
| Environmental expenses | 3,559 | — |
| Loss on litigation | 3,230 | — |
| Loss on recoverable accounts under production sharing | 1,955 | — |

Millions of yen

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| (Continued) | | |
| Total extraordinary losses | ¥ 52,240 | ¥ 4,525 |
| Income (loss) before income taxes and minority interests | (2,536) | 49,443 |
| Income taxes—current | 31,500 | 34,660 |
| Income taxes—deferred | 44,700 | 4,465 |
| Total income taxes | 76,200 | 39,125 |
| Income (loss) before minority interests | (78,736) | 10,317 |
| Minority interests in income | 7,145 | 5,969 |
| Net income (loss) | ¥(85,882) | ¥ 4,348 |

# (Consolidated Statements of Comprehensive Income)

Millions of yen

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| Income (loss) before minority interests | ¥(78,736) | ¥10,317 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,190 | (1,085) |
| Deferred gains or losses on hedges | (1,104) | (154) |
| Foreign currency translation adjustment | 1,740 | 1,688 |
| Share of other comprehensive income of associates accounted for using equity method | 3,367 | 5,319 |
| Total other comprehensive income | 6,193 | 5,767 |
| Comprehensive income | (72,543) | 16,085 |
| Comprehensive income attributable to owners of the parent | (79,694) | 10,085 |
| Comprehensive income attributable to minority interests | ¥ 7,151 | ¥ 5,999 |

# Consolidated Statements of Changes in Equity

Cosmo Oil Company, Limited and Consolidated Subsidiaries

## FY2012 (From April 1, 2012 to March 31, 2013)

Millions of yen

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | 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 | Minority interests | Total net assets |
| **Balance at April 1, 2012** | 107,246 | 89,440 | 103,454 | (140) | 300,001 | 1,540 | 2,579 | 18,776 | (5,965) | — | 16,930 | 20,506 | 337,437 |
| Change of items during period | | | | | | | | | | | | | |
| Dividends from surplus | | | (6,779) | | (6,779) | | | | | | | | (6,779) |
| Net loss | | | (85,882) | | (85,882) | | | | | | | | (85,882) |
| Reversal of revaluation reserve for land | | | (260) | | (260) | | | 260 | | | 260 | | — |
| Purchase of treasury shares | | | | (1) | (1) | | | | | | | | (1) |
| Disposal of treasury shares | | (0) | | 0 | 0 | | | | | | | | 0 |
| Net changes of items other than shareholders' equity | | | | | | 2,230 | (1,156) | — | 5,113 | — | 6,187 | 5,969 | 12,156 |
| Deficit disposition | | | | | — | | | | | | | | — |
| Total changes of items during the period | — | (0) | (92,922) | (0) | (92,923) | 2,230 | (1,156) | 260 | 5,113 | — | 6,448 | 5,969 | (80,505) |
| **Balance at March 31, 2013** | 107,246 | 89,440 | 10,531 | (140) | 207,078 | 3,770 | 1,422 | 19,037 | (851) | — | 23,378 | 26,475 | 256,932 |

## FY2013 (From April 1, 2013 to March 31, 2014)

Millions of yen

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | 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 | Minority interests | Total net assets |
| **Balance at April 1, 2013** | 107,246 | 89,440 | 10,531 | (140) | 207,078 | 3,770 | 1,422 | 19,037 | (851) | — | 23,378 | 26,475 | 256,932 |
| Change of items during period | | | | | | | | | | | | | |
| Dividends from surplus | | | — | | — | | | | | | | | — |
| Net income | | | 4,348 | | 4,348 | | | | | | | | 4,348 |
| Reversal of revaluation reserve for land | | | 108 | | 108 | | | (108) | | | (108) | | — |
| Purchase of treasury shares | | | | (2) | (2) | | | | | | | | (2) |
| Disposal of treasury shares | | (0) | | 0 | 0 | | | | | | | | 0 |
| Net changes of items other than shareholders' equity | | | | | | (883) | (50) | — | 6,670 | (8,612) | (2,875) | 2,739 | (135) |
| Deficit disposition | | (72,472) | 72,472 | | — | | | | | | | | — |
| Total changes of items during the period | — | (72,473) | 76,929 | (2) | 4,453 | (883) | (50) | (108) | 6,670 | (8,612) | (2,983) | 2,739 | 4,210 |
| **Balance at March 31, 2014** | 107,246 | 16,967 | 87,461 | (143) | 211,531 | 2,887 | 1,372 | 18,929 | 5,818 | (8,612) | 20,395 | 29,214 | 261,142 |

# Consolidated Statements of Cash Flows

Cosmo Oil Company, Limited and Consolidated Subsidiaries

Millions of yen

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| **Net cash provided by (used in) operating activities** | | |
| Income (loss) before income taxes and minority interests | ¥ (2,536) | ¥ 49,443 |
| Depreciation | 36,789 | 28,669 |
| Amortization of negative goodwill | (1,281) | (1,257) |
| Amortization of goodwill | 206 | 731 |
| Impairment loss | 5,032 | 911 |
| Loss (gain) on sales of noncurrent assets | (502) | (418) |
| Loss (gain) on disposal of noncurrent assets | 2,906 | 3,281 |
| Loss on accident of asphalt leakage | 14,304 | — |
| Loss on litigation | 3,230 | — |
| Loss (gain) on sales of investment securities | — | (1,322) |
| Loss (gain) on sales of stocks of subsidiaries and associates | — | (1,441) |
| Loss (gain) on valuation of investment securities | 515 | 305 |
| Insurance income | (360) | (1,158) |
| Loss (gain) on securities contribution to employees' retirement benefits trust | — | (3,595) |
| Subsidy income | — | (3,219) |
| Interest and dividend income | (1,974) | (2,364) |
| Interest expenses | 12,430 | 12,960 |
| Foreign exchange losses (gains) | (2,287) | (2,172) |
| Share of (profit) loss of entities accounted for using equity method | (7,083) | (7,343) |
| Increase (decrease) in allowance for doubtful accounts | (260) | (274) |
| Increase (decrease) in provision for special repairs | 716 | 926 |
| Increase (decrease) in provision for retirement benefits | 649 | — |
| Increase (decrease) in provision for business structure improvement | 12,003 | — |
| Increase (decrease) in provision for environmental measures | 3,350 | (226) |
| Increase (decrease) in net defined benefit liability | — | 101 |
| Decrease (increase) in notes and accounts receivable-trade | (14,941) | 20,025 |
| Recovery of recoverable accounts under production sharing | 6,414 | 6,649 |
| Decrease (increase) in inventories | (48,205) | 47,478 |
| Increase (decrease) in notes and accounts payable-trade | (23,877) | (22,412) |
| Decrease (increase) in other current assets | 21,072 | (4,250) |
| Increase (decrease) in other current liabilities | 12,640 | (42,533) |
| Decrease (increase) in investments and other assets | 1,806 | 961 |
| Increase (decrease) in other noncurrent liabilities | 2,604 | 634 |
| Other, net | (4,181) | 46 |
| Subtotal | 29,181 | 79,136 |
| Interest and dividends income received | 3,315 | 12,574 |
| Interest expenses paid | (12,863) | (13,055) |
| Payments for loss on accident of asphalt leakage | (12,593) | — |
| Payments for business structure improvement expense | — | (6,211) |
| Proceeds from insurance income | 1,712 | 1,188 |
| Proceeds from subsidy income | — | 3,219 |
| Income taxes paid | (29,703) | (41,015) |
| Net cash provided by (used in) operating activities | ¥ (20,950) | ¥ 35,837 |

Millions of yen

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| **Net cash provided by (used in) investing activities** | | |
| Purchase of securities | ¥ (9) | ¥ (9) |
| Proceeds from sales and redemption of securities | 11 | 12 |
| Purchase of investment securities | (411) | (398) |
| Proceeds from sales and redemption of investment securities | 793 | 4,262 |
| Purchase of stocks of subsidiaries and associates | (4,683) | (1) |
| Proceeds from sales and liquidation of stocks of subsidiaries and affiliates | 62 | 2,563 |
| Proceeds from purchase of investments in subsidiary resulting in change in scope of consolidation | (6,268) | — |
| Purchase of property, plant and equipment | (30,415) | (32,538) |
| Payments for disposal of property, plant and equipment | (2,023) | (2,487) |
| Proceeds from sales of property, plant and equipment | 2,413 | 1,755 |
| Payments for purchases of intangible assets and long-term prepaid expenses | (38,284) | (18,511) |
| Decrease (increase) in short-term loans receivable | (478) | (527) |
| Payments of long-term loans receivable | (106) | (51) |
| Collection of long-term loans receivable | 340 | 236 |
| Proceeds from withdrawal of time deposits | 23,657 | 41,927 |
| Payments into time deposits | (25,125) | (57,276) |
| Other, net | 45 | 35 |
| Net cash provided by (used in) investing activities | (80,481) | (61,007) |
| **Net cash provided by (used in) financing activities** | | |
| Net increase (decrease) in short-term loans payable | 67,435 | 12,539 |
| Proceeds from long-term loans payable | 85,733 | 47,390 |
| Repayment of long-term loans payable | (59,681) | (58,409) |
| Proceeds from issuance of bonds | 19,631 | 17,389 |
| Redemption of bonds | (840) | (1,680) |
| Cash dividends paid | (6,779) | — |
| Cash dividends paid to minority shareholders | (671) | (4,525) |
| Proceeds from stock issuance to minority shareholders | 11 | 19 |
| Other, net | (144) | (167) |
| Net cash provided by (used in) financing activities | 104,695 | 12,555 |
| **Effect of exchange rate change on cash and cash equivalents** | 4,005 | 6,195 |
| **Net increase (decrease) in cash and cash equivalents** | 7,268 | (6,418) |
| **Cash and cash equivalents at beginning of period** | 122,431 | 129,699 |
| **Cash and cash equivalents at end of period** | ¥129,699 | ¥123,280 |

# Notes to Consolidated Financial Statements

## 1 Notes to going concern

None

## 2 Notes concerning Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements

### 1. Items concerning the Scope of Consolidation for Reporting

**(1) Number of consolidated subsidiaries: 39**

Cosmo Energy Exploration & Production Co., Ltd. was included in the scope of the consolidated subsidiaries of the Company, since it became a subsidiary of the company through a simple incorporation-type split during FY2013.

**(2) Major Non-consolidated Subsidiaries:**

Tohoku Cosmo Gas Co., Ltd.

Reason for exclusion from accounting consolidation:

The Company has 18 subsidiaries that were excluded from its consolidated subsidiaries because they are small businesses and their respective total assets, net sales, and net income/loss and retained earnings (both amounts equivalent to what is accounted for under the equity method) have no material impact on the consolidated financial statements of the Company.

### 2. Items concerning the Application of the Equity Method

**(1) Number of Non-consolidated Subsidiaries Accounted for Using the Equity Method: 18**

Major subsidiaries: Tohoku Cosmo Gas Co., Ltd.

**(2) Number of Associated Companies Accounted for Using the Equity Method: 6**

Maruzen Petrochemical Co., Ltd., United Petroleum Development Co., Ltd., Tozai Oil Terminal Co., Ltd., Okinawa CTS Corp., Goto-Kishiku Wind Power Laboratory Co., Ltd. and Hyundai Cosmo Petrochemical Co., Ltd.

**(3) Major Business Entities of Associated Companies Not Accounted for Using the Equity Method:**

Ogishima Oil Terminal Co., Ltd., Kasumi Sanbashi Kanri Co., Ltd.

Reasons for Exclusion from the Application of the Equity Method:

The equity method does not apply to the above associates because their net income/loss and retained earnings (both amounts equivalent to what is accounted for under the equity method) have little impact on the consolidated financial statements of the Company on an individual basis, nor have any material impact on them on an aggregate basis.

**(4) Special Remarks Necessary to Make concerning the Procedures of the Application of the Equity Method:**

As for the subsidiaries and associates which are subject to the application of the equity method and which have different accounting periods from that of the Company, such business entities' financial statements for their accounting periods are used for reporting herein.

### 3. Items concerning the Accounting Periods of the Consolidated Subsidiaries

Of the 39 consolidated subsidiaries, Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., Cosmo Oil Ashmore Ltd., Cosmo Oil International Pte. Ltd., Cosmo Oil (U.K.) Plc., Cosmo Oil Europe B.V., Cosmo Oil (Shanghai) Co., Ltd., and Cosmo Energy Exploration & Production Co., Ltd. adopt a fiscal year ending December 31 and Akita Wind Power Laboratory Co., Ltd. adopts a fiscal year ending February 28, respectively.

The consolidated financial statements herein have been developed by using their financial reports as of December 31, 2013 or February 28, 2014 and any material transactions arising between end of their fiscal year and consolidated fiscal year, the date for the consolidated settlement of accounts for the Company, are reflected on the consolidated financial statements herein by making necessary adjustments.

### 4. Items concerning the Accounting Standards

#### (1) Significant Asset Valuation Standards and Methods

1) Securities:

a. Securities held to maturity: Stated at amortized cost method

b. Other securities:

—Securities available for sale with fair market value:

Stated at fair value based on market values applicable on the date of consolidated settlement of accounts (in which all differences between the carrying amounts and the fair values are reported as a separate component of net assets, while the cost of securities sold is calculated by the moving average method)

—Securities with no available fair market value:

Stated at cost determined by the moving average method

2) Inventories:

Principally stated at cost determined by the weighted average method (however, the amounts of inventories stated in the balance sheet were computed by using the method that book values are reduced to reflect declines in profitability)

3) Derivative financial instruments:

Stated at fair value

#### (2) Significant Depreciable Assets and Depreciation Methods

1) Property, Plant and Equipment (except lease assets):

The straight line method is mainly adopted to calculate depreciation expenses for these asset items. The number of years of their useful lives and their residual value are calculated based on the criteria defined under the Corporation Tax Law of Japan.

However, the number of years of useful lives of the machinery and equipment, structures and Oil storage depots, of the property, plant and equipment owned by the Company, is calculated based on the number of years of their economic useful lives, which better reflect their use status respectively and the economic useful life of 15 years is adopted for the Company's service stations by taking their actual past performances into consideration. As for Abu Dhabi Oil Co., Ltd., a consolidated subsidiary of the Company, adopts the number of years for useful life as defined in the concession agreements and economic useful life by taking into account the durability and other conditions of the assets currently owned. As for EcoPower Co., Ltd., a consolidated subsidiary of the Company, and its subsidiaries, an economic useful life of 20 years is mainly adopted for the windmills operated by them.

2) Intangible Assets (except lease assets):

The straight line method is mainly adopted to calculate depreciation expenses for these asset items. The number of years of their useful lives is calculated based on the criteria defined under the Corporate Income Tax Law of Japan, providing that amortization expenses for the software used by the Company is calculated on the straight line method over the period of its availability in-house (5 years).

3) Lease assets:

Leased assets involving finance lease transactions under which the ownership of the leased assets is transferred to lessees:

The method to calculate depreciation expenses for such assets is the same as that applied to noncurrent assets owned by the Company.

Leased assets involving finance lease transactions under which the ownership of the leased assets is not transferred to lessees:

The method to calculate depreciation for such assets is the straight line method with their residual values being zero over their leased periods used as the number of years for useful life.

Out of finance lease transactions other than those under which the ownership of the leased assets is considered to be transferred to lessees, such transactions, of which the lease term each commenced before the initial year of the application of the ASBJ Statement No. 13 "Accounting Standards for Lease Transactions," are continuously accounted for in conformity with the accounting process applicable to operating lease transactions.

4) Long-term Prepaid Expenses:

The equal installment method is adopted to calculate depreciation expenses for these account items over the period defined under the Corporate Income Tax Law of Japan.

#### (3) Accounting Process Applied to Deferred Assets

Bond Issuance Cost:

The cost for bond issuance is amortized in the straight line method over the term of redemption.

### (4) Standards for Recording Significant Allowance/Provisions

1) Allowance for Doubtful Accounts

An estimated amount of irrecoverable debts is set aside against any potential losses on the failure to collect the accounts receivable.

a. Ordinary accounts receivable: The amount of allowance calculated at the actual ratio of bad debts

b. Highly doubtful receivables and claims in bankruptcy and reorganization, etc.: The amount of allowance calculated based on the evaluation of financial situations of individual accounts involved.

2) Provision for special repairs

A provision is set aside to cover expenses arising from the inspection and repairs of the oil tanks subject to the open regular inspection in compliance with the Fire Service Act of Japan, and an amount equal to the estimated cost of periodically required repairs was added to the provision for FY2013.

As for Cosmo Matsuyama Oil Co., Ltd., one of the subsidiaries of the Company, a certain amount of money to cover expenses arising from regular repairs of the machinery and equipment of its refinery was recorded for FY2013 in addition to the above charge.

3) Provision for business structure improvement

The Company recorded the estimated amount of a provision to cover expenses and losses that were expected to be incurred in the near future following the closure of the refinery and the legal measures associated with the operations of the refinery.

4) Provision for environmental measures

The Company recorded the estimated amount of a provision to cover expenses to treat contaminated soil.

It also recorded the estimated amount of a provision to cover expenses to treat the PCB waste in accordance with the Law Concerning Special Measures Against Polychlorinated Biphenyl Waste.

### (5) Standards for Recording Net defined benefit liability

"Net defined benefit liability" is recorded at an estimated amount of projected benefit obligation after deducting the fair value of pension assets as of March 31, 2014 to cover retirement and severance benefits payable to employees.

Past-service costs are recognized as an expense item at an amount prorated in the straight line method over a certain number of years (8 - 10 years) within the average of the remaining years of service to be performed by the employees at the time of accrual.

Actuarial gains and losses are recognized in expenses as an amount prorated in the straight line method over a certain number of years (8 - 10 years), which is within the average of the estimated remaining years of service to be performed by the employees at the time of accrual, commencing with the consolidated fiscal year following the accrual time.

Unrecognized actuarial gains and losses and past-service costs are recognized as "Remeasurements of defined benefit plans" in accumulated other comprehensive income of net assets in the balance sheets after adjusting for tax effects.

### (6) Important Standards for Revenue and Cost recognition

Standards for Recognition of Construction Revenue and Cost

As for recognition of revenues from constructions undertaken by the Company, the percentage of completion method (the percentage of construction is estimated based on the method of the ratio of actual cost incurred to total estimated cost) is applied to construction contracts in process in which the outcome of the construction activity is deemed certain by the end of FY2013, while the completed contract method is applied to other construction contracts.

### (7) Standards for Conversion of Significant Foreign Currency-Denominated Assets and Liabilities into Japanese Yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the fiscal year-end spot exchange rates with resulting gains or losses included in the current statements of income.

All the items of the financial statements of subsidiaries which are stated in currencies other than Japanese yen are translated into Japanese yen at the fiscal year-end spot exchange rate of each subsidiary. The resulting foreign currency translation adjustments are included among adjustments in net assets.

### (8) Significant Hedge Accounting Methods

1) Hedge Accounting Methods

The deferred hedge accounting method is used to process hedging transactions, and the exceptional method is applied to treat interest rate swap contracts that meet the requirements for exceptional treatments as established by the Accounting Standards of Japan.

2) Hedging Instruments and Hedged Items

(Currency)

| Hedging Instrument | Forward exchange, Currency option |
| --- | --- |
| Hedged Item | Foreign currency credit and debt |

(Interest rate)

| Hedging Instrument | Interest rate swap |
| --- | --- |
| Hedged Item | Borrowings |

(Commodity)

| Hedging Instrument | Crude oil/Product swaps,<br>Crude oil/Product futures trading |
| --- | --- |
| Hedged Item | Crude oil/Product trading |

3) Hedging Policy

In accordance with internal rules that determine derivate transaction-related authority levels and transaction value limits, hedging activities are undertaken within specified limits to hedge fluctuation risks of interest rates and commodity prices.

4) Method of Evaluating Hedge Effectiveness

The Company evaluates hedge effectiveness once every six months by comparing cumulative changes in cash flows from or changes in fair value of hedged items, with the corresponding changes in the hedging instruments. The evaluation of hedge effectiveness is not considered necessary for certain interest rate swaps, which are used to hedge and meet certain hedging criteria.

### (9) Amortization period and the amortization method for goodwill

Goodwill items are in principle amortized in accordance with the equal installment method over 5 years, providing that small-amount ones are amortized in a lump sum.

### (10) Scope of Cash and Cash Equivalents Reported in Statements of Consolidated Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term investments, which are highly liquid, only exposed to small risks for value changes and have maturities of terms not exceeding three months at the time of purchase, are considered to be cash and cash equivalents.

### (11) Other Important Items Necessary to Develop Consolidated Financial Statements

1) Accounting Process for Consumption Tax, etc.

As for how to account for national and local consumption taxes, all domestic transactions are accounted for by excluding these tax amounts from the amounts thereof.

2) Accounting Process for Cost Recovery under Production Sharing

Some of its consolidated subsidiaries account for crude oil exploration and development and other related costs spent under the production sharing agreements. After the inception of crude oil production, they recover these costs by receiving products under the same agreements. They are stated in the “Other” item of the “Investment and other assets” account on the consolidated balance sheet herein.

3) Application of the Consolidated Tax Return Fining System

The Company began to apply the Consolidated Tax Return Fining System to its accounting process, effective the FY2013 ended March 31, 2014.

## 3 Changes in Accounting Policies

Application of Accounting Standard for Retirement Benefits, etc.
The Company, effective the end of consolidated FY2013, applied the Accounting Standard for Retirement Benefits (the Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter referred to as the "Retirement Benefits Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter referred to as the "Guidance on Retirement Benefits"), effective FY2013, (except the provisions set forth in Clause 35 of the Retirement Benefits Accounting Standard and Clause 67 of the Guidance on Retirement Benefits), and changed to the method that projected benefit obligation after deducting pension assets were recorded as "Net defined benefit liability" and that unrecognized actuarial gains and losses and past-service costs were recorded as "Net defined benefit liability".

As for the application of the Retirement Benefits Accounting Standard, etc. in accordance with the transitional accounting treatments set forth in Clause 37 of the Retirement Benefits Accounting Standard, the Company added or deducted the effects from the changes in the calculation methods to "Remeasurements of defined benefit plans" in accumulated other comprehensive income as of the end of consolidated FY2013.

As a result, as of the end of the consolidated FY2013, liabilities for "Net defined benefit liability" were recorded at ¥12,993 million, accumulated other comprehensive income reduced by ¥8,612 million.

## 4 Changes in Representation Methods

**(Consolidated Balance Sheet)**

"Short-term investment securities," which had been stated as a separate account item in the "Current Assets" section of the Consolidated Balance Sheet up to the previous year, is incorporated in the "Other" assets of the section, effective FY2013, due to the importance of these asset items reduced to negligible levels.

As a result, in the "Current assets" section, ¥512 million that had previously been presented as "Short-term investment securities" in the Consolidated Balance Sheets for the previous fiscal year is now included in "Other."

"Leasehold right," which had been stated as a separate account item in the "Intangible assets" section of the Consolidated Balance Sheet up to the previous year, is incorporated in the "Other" assets of the section, effective FY2013, due to the importance of these asset items reduced to negligible levels.

As a result, in the "Intangible assets" section, ¥945 million yen that had previously been presented as"Leasehold right" in the Consolidated Balance Sheets for the previous fiscal year is included in "Other."

"Investments in capital," which had been stated as a separate account item in the "Investments and other assets" section of the Consolidated Balance Sheet up to the previous year, is incorporated in the "Other" assets of the section, effective FY2013, due to the importance of these asset items reduced to negligible levels.

As a result, in the "Investments and other assets" section, ¥221 million yen that had previously been presented as "Investments in capital" in the Consolidated Balance Sheets for the previous fiscal year is included in "Other."

"Accrued consumption taxes," which had been stated as a separate account item in the "Current liabilities" section of the Consolidated Balance Sheet up to the previous year, is incorporated in the "Other" liabilities of the section, effective FY2013, due to the importance of these asset items reduced to negligible levels.

As a result, in the "Current liabilities" section, ¥1,406 million yen that had previously been presented as "Accrued consumption taxes" in the Consolidated Balance Sheets for the previous fiscal year is included in "Other."

**(Consolidated Statements of Cash Flows)**

"Payments for loss on disaster," which had been stated as a separate account item in the "Cash flows from operating activities" section of the Consolidated Statements of Cash Flows up to the previous year, is incorporated in the "Other, net" of the section, effective FY2013, due to the importance of these asset items reduced to negligible levels.

As a result, the amount of ¥-7,348 million stated in "Payments for loss on disaster" of "Cash flows from operating activities" in the Consolidated Statements of Cash Flows for FY2012 is included in "Other, net."

**(Changes in Accounting Estimates)**

(Change of the Number of Years of Useful Life)

Out of the property, plant and equipment of the oil refineries owned by the Company, the number of years for useful life of the machinery and equipment, structures and oil storage depots were conventionally calculated based on the criteria defined under the Corporation Tax Law of Japan. However, by taking the opportunity of the Company's decision made in August 2012 to close the Sakaide Refinery in July 2013 in order to rebuild its supply system, and as a result of a precise review on how the existing refineries have been used, the Company changed the number of years for useful life of each of these assets to the number of years for an economic usable life that better reflects the actual status of its use, effective from the beginning of FY2013.

This change reduced depreciation expenses for FY2013 by ¥9,901 million as compared with the conventional method, operating income, ordinary income and income before taxes were increased by ¥9,075 million.

## 5 Notes to Consolidated Financial Statement

### (Notes to Consolidated Balance Sheet)

(Millions of yen)

| | FY2012 (As of March 31, 2013) | FY2013 (As of March 31, 2014) |
|---|---|---|
| 1. Accumulated depreciation for property, plant and equipment | ¥782,746 | ¥736,644 |
| 2. Pledged assets | | |
| 1) Plant foundation | | |
| Pledged assets | ¥324,431 | ¥329,604 |
| Secured liabilities | ¥71,310 | ¥61,574 |
| 2) Assets other than plant foundation | | |
| Pledged assets | ¥10,963 | ¥10,450 |
| Secured liabilities | ¥3,264 | ¥18,198 |

In addition to the above, shares of consolidated subsidiaries which were pledged as collateral

| | | |
|---|---|---|
| Shares of consolidated subsidiaries | — | ¥1,240 |
| 3. Contingencies | | |
| Guaranty Liabilities | ¥10,883 | ¥10,637 |

The Company guarantees loans obtained by companies and individuals other than consolidated subsidiaries from financial institutions, etc.

4. Revaluation of land

The Company and three of its consolidated subsidiaries revalued their land properties used for business under the "Law concerning Revaluation Reserve for Land" (Law No. 34 issued on March 31, 1998). The income tax portion on variances due to revaluation is stated in the "Deferred tax liabilities for land revaluation" account in the "Liabilities" section on the Consolidated Balance Sheet and the revaluation variances, net of the income tax portion, are stated in the "Revaluation reserve for land" account in the "net assets" section on the Consolidated Balance Sheet.

—Revaluation method

The land sites for the refineries were valued in accordance with the appraisal provided in Paragraph 5 of Article 2 of the "Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land" (Government Ordinance No. 119 issued on March 31, 1998), and other land sites were valued by referring to the road ratings provided in Paragraph 4 of Article 2 of the "Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land," as well as making some rational adjustments.

—Date of revaluation

March 31, 2002 (and December 31, 2001 completed by one consolidated subsidiary)

(Millions of yen)

| | FY2012 (As of March 31, 2013) | FY2013 (As of March 31, 2014) |
|---|---|---|
| —Difference between the total amount of the revalued land at fair value as of March 31 of each year and their total carrying amount after revaluation | ¥(105,828) | ¥(107,046) |

## (Notes to Consolidated Statements of Income)

(Millions of yen)

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| 1. Selling, general and administrative expenses | | |
| Outsourcing expense | ¥22,419 | ¥23,811 |
| Salaries and wages | ¥19,851 | ¥21,712 |
| Freight expense | ¥17,009 | ¥16,826 |
| Rent expense | ¥12,963 | ¥11,538 |
| Depreciation expense | ¥6,362 | ¥6,577 |
| Retirement and severance benefit payment to employees | ¥2,422 | ¥2,137 |
| Amount transferred to allowance for doubtful accounts | ¥140 | ¥(180) |
| 2. Research and development expenses included in administrative expenses and production cost | ¥3,765 | ¥3,271 |

## (Notes to Consolidated Statements of Changes in Equity)

FY2012 (From April 1, 2012 to March 31, 2013)

1. Types and Total Number of Outstanding Shares and of Treasury Shares

(Number of shares)

| | Type of stock | Total number of shares as of April 1, 2012 | Increase in the number of shares during the year | Decrease in the number of shares during the year | Total number of shares as of March 31, 2013 |
|---|---|---|---|---|---|
| Outstanding shares | Ordinary shares | 847,705,087 | — | — | 847,705,087 |
| Treasury shares | Ordinary shares | 639,196 | 6,811 | 1,850 | 644,157 |

Note: The increase in the number of ordinary shares in the category of treasury shares shown above reflects the Company's purchases of less-than-round-lot shares, while the decrease in the number of treasury shares reflects the Company's sales of less-than-round-lot shares by meeting requests for sales thereof.

2. Distribution of Surplus

Dividend Payments

| (Resolution adopted by) | Type of stock | Total dividend amount | Dividend per share | Record date | Effective date |
|---|---|---|---|---|---|
| Shareholders' Meeting held on June 26, 2012 | Ordinary shares | ¥6,779 million | ¥8 | March 31, 2012 | June 27, 2012 |

FY2013 (From April 1, 2013 to March 31, 2014)

1. Types and Total Number of Outstanding Shares and of Treasury Shares

(Number of shares)

| | Type of stock | Total number of shares as of April 1, 2013 | Increase in the number of shares during the year | Decrease in the number of shares during the year | Total number of shares as of March 31, 2014 |
|---|---|---|---|---|---|
| Outstanding shares | Ordinary shares | 847,705,087 | — | — | 847,705,087 |
| Treasury shares | Ordinary shares | 644,157 | 13,160 | 500 | 656,817 |

Note: The increase in the number of ordinary shares in the category of treasury shares shown above reflects the Company's purchases of less-than-round-lot shares, while the decrease in the number of treasury shares reflects the Company's sales of less-than-round-lot shares by meeting requests for sales thereof.

2. Distribution of Surplus

(1) Dividend Payments

Not applicable.

(2) The Board of Directors of the Company shall propose the payment of dividends whose record date belongs to the consolidated FY2013 ended March 31, 2014 and whose effective date comes after the end of FY2013, at the General Meeting of Shareholders scheduled for June 24, 2014.

| (Resolution adopted by) | Type of stock | Total dividend amount | Funded by | Dividend per share | Record date | Effective date |
|---|---|---|---|---|---|---|
| Shareholders' Meeting held on June 24, 2014 | Ordinary shares | ¥1,694 million | Retained earnings | ¥2 | March 31, 2014 | June 25, 2014 |

**(Notes to Consolidated Statements of Cash Flows)**

1. Relations between the amounts of cash and cash equivalents as of March 31, 2013 and 2014 and the account items shown in the consolidated balance sheet

(Millions of yen)

| | FY2012<br>From April 1, 2012 to March 31, 2013 (As of March 31, 2013) |
|---|---|
| Cash and deposits | ¥130,264 |
| "Other" of the Current assets (Short-term investment securities) | ¥512 |
| Total | ¥130,776 |
| Securities with time between acquisition and redemption for 3 months or more | ¥(12) |
| Deposits of more than 3 months | ¥(1,064) |
| Cash and cash equivalents | ¥129,699 |

(Millions of yen)

| | FY2013<br>From April 1, 2013 to March 31, 2014 (As of March 31, 2014) |
|---|---|
| Cash and deposits | ¥140,423 |
| "Other" of the Current assets (Short-term investment securities) | ¥712 |
| Total | ¥141,135 |
| Securities with time between acquisition and redemption for 3 months or more | ¥(12) |
| Deposits of more than 3 months | ¥(17,842) |
| Cash and cash equivalents | ¥123,280 |

**(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 Cosmo Oil 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

FY2012 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

| | Petroleum business | Petrochemical business | Oil exploration and production business | Other Note: 1 | Adjustments Note: 2 | Consolidated Note: 3 |
|---|---|---|---|---|---|---|
| Net sales | | | | | | |
| Outside customers | 3,091,739 | 12,458 | 37,531 | 24,961 | — | 3,166,689 |
| Inter-segment | 24,474 | 18,011 | 48,412 | 61,351 | (152,250) | — |
| Total | 3,116,214 | 30,469 | 85,943 | 86,312 | (152,250) | 3,166,689 |
| Segment Income (Loss) | (23,681) | 3,329 | 60,688 | 4,857 | 3,245 | 48,439 |
| Other items | | | | | | |
| Depreciation and amortization | 31,880 | 784 | 3,742 | 1,348 | (966) | 36,789 |
| Amortization of goodwill | 3 | — | 6 | 196 | — | 206 |
| Amortization of negative goodwill | — | — | — | 1,281 | — | 1,281 |
| Interest income | 90 | 2 | 96 | 30 | (22) | 196 |
| Interest expenses | 12,224 | 2 | 111 | 113 | (22) | 12,430 |
| Equity earnings of affiliates (Loss) | 918 | 1,838 | 4,308 | 17 | — | 7,083 |

Note: 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" ¥3,245 million includes ¥-192 million for internal eliminations, ¥3,624 million for inventory adjustments and ¥-175 million for adjustment of noncurrent assets.
3 Segment Income (Loss) 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.

FY2013 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

| | Petroleum business | Petrochemical business | Oil exploration and production business | Other Note: 1 | Adjustments Note: 2 | Consolidated Note: 3 |
|---|---|---|---|---|---|---|
| Net sales | | | | | | |
| Outside customers | 3,419,490 | 21,314 | 72,343 | 24,634 | — | 3,537,782 |
| Inter-segment | 44,250 | 30,262 | 16,309 | 54,807 | (145,629) | — |
| Total | 3,463,740 | 51,576 | 88,652 | 79,442 | (145,629) | 3,537,782 |
| Segment Income (Loss) | -25,326 | 3,692 | 58,141 | 5,527 | (188) | 41,847 |
| Other items | | | | | | |
| Depreciation and amortization | 21,439 | 878 | 5,498 | 1,348 | (495) | 28,669 |
| Amortization of goodwill and negative goodwill | 695 | — | — | 35 | — | 731 |
| Amortization of negative goodwill | — | — | — | 1,257 | — | 1,257 |
| Interest income | 152 | 1 | 49 | 41 | (35) | 209 |
| Interest expenses | 12,473 | 1 | 422 | 97 | (35) | 12,960 |
| Equity earnings of affiliates (Loss) | 541 | 2,712 | 4,060 | 29 | — | 7,343 |

Note: 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" ¥-188 million includes ¥-81 million for internal eliminations, ¥1,572 million for inventory adjustments and ¥-1,668 million adjustment of noncurrent assets.
3 Segment Income (Loss) 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.

4. Matters related to changes in segment reported, etc.

(Change of the Number of Years of Useful Life)

As described in "Changes in Accounting Estimates," out of the property, plant and equipment of the oil refineries owned by the Company, the number of years for useful life of the machinery and equipment, structures and oil storage depots were conventionally calculated based on the criteria defined under the Corporation Tax Law of Japan. However, by taking the opportunity of the Company's decision made in August 2012 to close the Sakaide Refinery in July 2013 in order to rebuild its supply system, and as a result of a precise review on how the existing refineries have been used, the Company changed the number of years for useful life of each of these assets to the number of years for an economic usable life that better reflects the actual status of its use, effective from the beginning of FY2013.

This change reduced Petroleum business segment loss for FY2013 by ¥9,806 million as compared with the conventional method.

**(Information about Business Combinations, etc.)**

**(Common Control Transaction, etc.)**

1. Outline of the transaction

(1) Name of businesses involved and their description

Name of businesses involved: Oil exploration and production business

Description: Energy resource development business-related strategic development, planning and direct-run project promotion and management, provision of business management and technical support for oil exploration and production companies invested by the Company, corporate service entrustment, and new energy resource development project exploration

(2) Date of business combination

February 28, 2014

(3) Legal form of business combination

Incorporation-type company split of Cosmo Oil Co., Ltd., with Cosmo Energy Exploration & Production Co., Ltd. as the continuing company.

(4) Name of the company upon business combination

Cosmo Energy Exploration & Production Co., Ltd. (a consolidated subsidiary of Cosmo Oil Co., Ltd.)

(5) Outline of Accounting Process Executed

The Company will spin off the oil exploration and production business, a major stable income source, into subsidiaries to streamline its organization allowing for quicker decision-making, designed to further increase revenues.

2. Outline of Accounting Treatments Executed

Under "Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, revised on December 26, 2008)" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, revised on December 26, 2008)," the Company treated business combinations as transactions under common control.

### (Per-share Information)

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| Net assets per share (¥) | 272.07 | 273.81 |
| Net income (loss) per share (¥) | (101.39) | 5.13 |

Note: 1. Since no diluted securities exist, diluted net income per share is omitted.
2. The basic information used to calculate net income (loss) per share for the years ended March 31, 2013 and 2014 is as follows.

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| Net loss per share | | |
| Net income (loss) (¥mil) | (85,882) | 4,348 |
| Amount that does not belong to ordinary share holders (¥mil) | — | — |
| Net income (loss) that belongs to ordinary shares (¥mil) | (85,882) | 4,348 |
| Average number of ordinary shares outstanding during the year (thousands of shares) | 847,064 | 847,055 |

### (Material Contingencies)

None

# Facts and Figures



Notes: 1. Unless otherwise indicated, "FY2013" indicates the period that began on April 1, 2013 and ended on March 31, 2014.
2. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥102.92= US$1, the approximate exchange rate prevailing on March 31, 2014.
3. The data ascribed to Cosmo Oil in this fact book represent figures for Cosmo Oil Company, Limited, its consolidated subsidiaries and affiliated companies that are accounted for by the equity method. Data has been reclassified in certain sections so as to allow comparisons with overseas companies.
4. On pages 63–77, the figures up until FY2009 had been rounded up or down to the nearest million. From FY2010 onward, the figures have been rounded off to the nearest million. On pages 78–85, the figures have been rounded off to the nearest million.

## Oil Exploration and Production

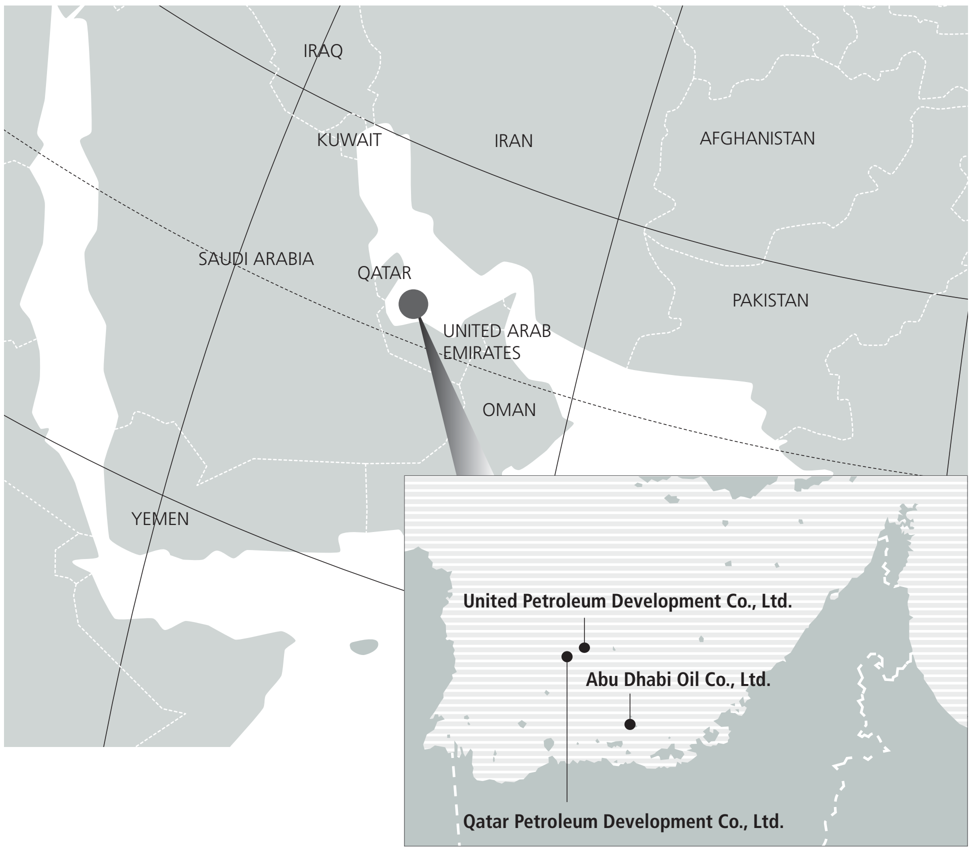
**Crude oil production volume** (Fiscal year to March 31, 2014 actual)

| | Cosmo Energy Exploration & Production Co., Ltd. |
|---|---|
| Crude oil production (Barrels/day) | 36,842 |

*1) Cosmo Energy Exploration & Production Co., Ltd. has a 64.1% stake in Abu Dhabi Oil Co., Ltd., a 75.0% stake in Qatar Petroleum Development Co., Ltd. And a 45.0% stake in United Petroleum Development Co., Ltd.

*2) The production volume represents the total production volumes of the three major developers: Abu Dhabi Oil, Qatar Petroleum Development and United Petroleum Development.

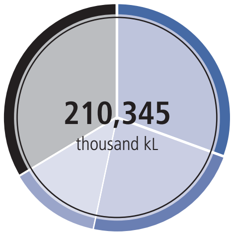
*3) The production volume represents the total production volumes of each major developer during their fiscal year from January to December.




## Crude Oil Imports

**Crude Oil Import Share by Country (Total Industry/Cosmo Oil)**

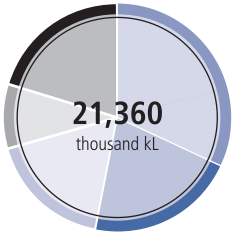
(Fiscal year to March 31, 2014 actual)




| Total industry (%) | |
|---|---|
| Saudi Arabia | 30.7 |
| United Arab Emirates | 22.7 |
| Qatar | 13.0 |
| Others | 33.6 |

Note: Others includes countries where percentage of imports is less than 10%.

Source: Petroleum Association of Japan, "Crude Oil Import by Countries"

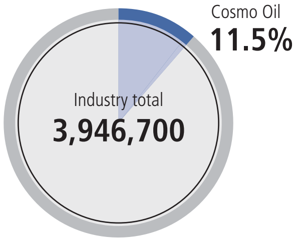



| Cosmo Oil (%) | |
|---|---|
| United Arab Emirates | 32.1 |
| Saudi Arabia | 21.1 |
| Qatar | 17.5 |
| Kuwait | 9.1 |
| Others | 20.2 |

Note: Others includes countries where percentage of imports is less than 10%.

# Refining: 1

## Processing Capacity by Refinery (Barrels/day)



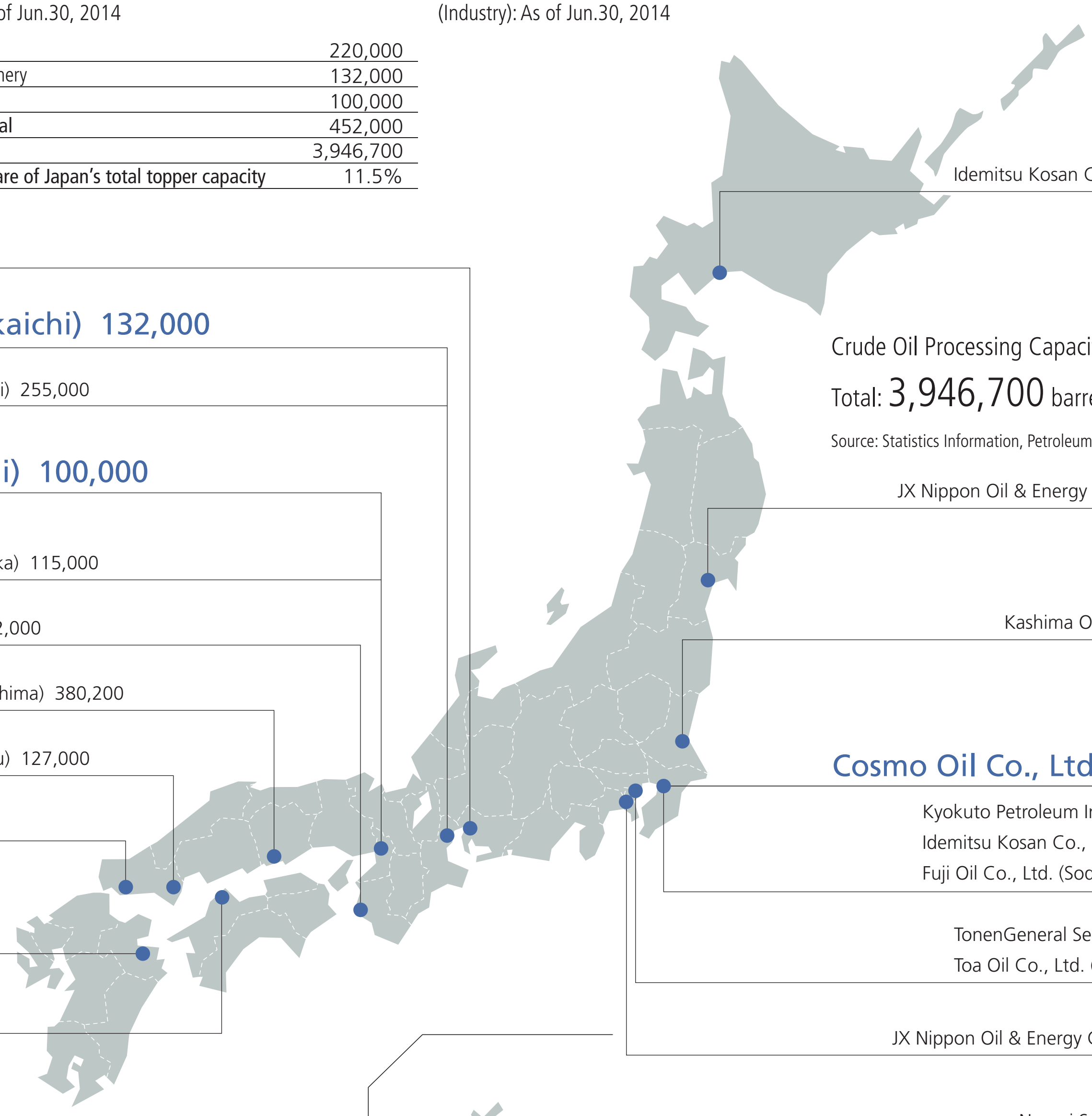

(Cosmo Oil): As of Aug.30, 2014
(Industry): As of Jun.30, 2014

| | |
|---|---|
| Chiba Refinery | 220,000 |
| Yokkaichi Refinery | 132,000 |
| Sakai Refinery | 100,000 |
| **Cosmo Oil total** | **452,000** |
| **Industry total** | 3,946,700 |
| **Cosmo Oil share of Japan's total topper capacity** | 11.5% |

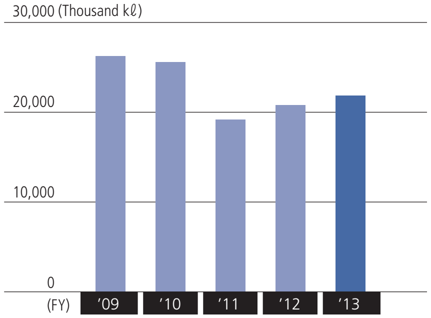
## Refinery Location and Crude Oil Processing Capacity in the Japanese Petroleum Industry (Barrels/day)

(Cosmo Oil): As of Aug.30, 2014
(Industry): As of Jun.30, 2014

Crude Oil Processing Capacity
Total: 3,946,700 barrels per day (23 refineries)
Source: Statistics Information, Petroleum Association of Japan



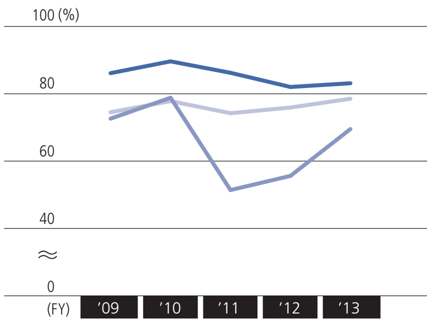
## Volume of Crude Oil Processed




(Thousand kL)

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Volume of Crude Oil Processed | 26,231 | 25,562 | 19,148 | 20,804 | 21,853 |

## Topper Capacity Utilization Rate



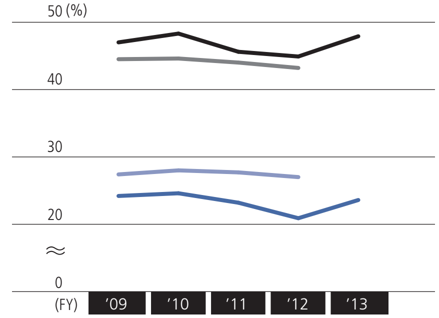

(%)

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Cosmo Oil (SD) | 86.1 | 89.6 | 86.2 | 82.0 | 83.1 |
| Cosmo Oil (CD) | 72.6 | 78.8 | 51.4 | 55.6 | 69.5 |
| Industry average (CD) | 74.5 | 77.8 | 74.2 | 75.9 | 78.5 |

Notes: SD: stream-day basis CD: calendar-day basis

Source: Figures for the industry average topper capacity utilization rate are from the Petroleum Association of Japan, and the volume of crude oil processed is the moving average for the period, based on the newest capacity data as of April 1, 2014.

## Yields of Gasoline and Four Middle Distillates (Jet Fuel, Kerosene, Diesel Fuel, and Heavy Fuel Oil A)

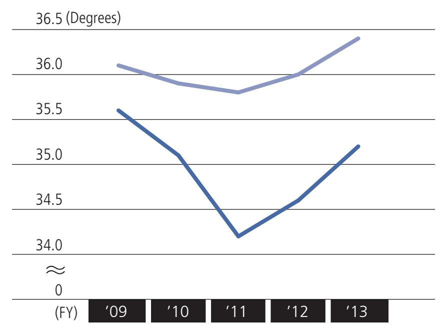



(%)

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Gasoline | | | | | |
| Cosmo Oil | 24.2 | 24.6 | 23.2 | 20.9 | 23.6 |
| Industry average | 27.4 | 28.0 | 27.7 | 27.0 | N.A. |
| Four middle distillates | | | | | |
| Cosmo Oil | 47.0 | 48.3 | 45.6 | 44.9 | 47.9 |
| Industry average | 44.5 | 44.6 | 44.0 | 43.2 | N.A. |

Source: Ministry of Economy, Trade and Industry, "Yearbook of Mineral Resources and Petroleum Products Statistics"

## API Gravity



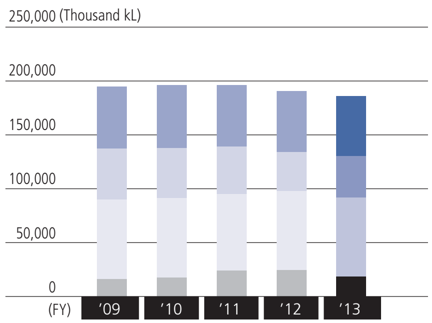

(Degrees)

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Cosmo Oil | 35.6 | 35.1 | 34.2 | 34.6 | 35.2 |
| Industry average | 36.1 | 35.9 | 35.8 | 36.0 | 36.4 |

Source: Ministry of Economy, Trade and Industry, "Yearbook of Mineral Resources and Petroleum Products Statistics"

## Domestic Sales by Product (Total Industry/Cosmo Oil)

### Total industry

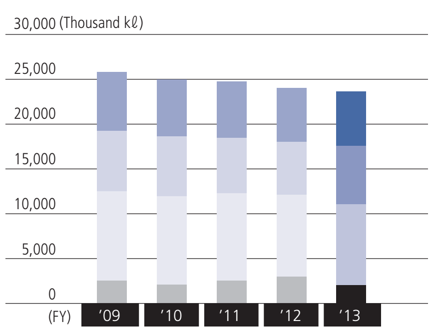



(Thousand kL)

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Gasoline | 57,522 | 58,197 | 57,214 | 56,813 | 55,553 |
| Naphtha | 47,225 | 46,668 | 43,728 | 36,163 | 38,538 |
| Four middle distillates | 73,731 | 73,753 | 71,370 | 73,498 | 73,142 |
| Jet fuel | 5,229 | 5,154 | 4,204 | 4,943 | 5,157 |
| Kerosene | 20,062 | 20,332 | 19,619 | 20,470 | 19,633 |
| Diesel fuel | 32,391 | 32,864 | 32,866 | 33,233 | 34,077 |
| Heavy fuel oil A | 16,049 | 15,404 | 14,680 | 14,852 | 14,275 |
| Heavy fuel oil C | 16,277 | 17,330 | 23,743 | 24,256 | 18,605 |
| Total | 194,755 | 195,948 | 196,055 | 190,730 | 185,839 |

Source: Ministry of Economy, Trade and Industry, "Natural Resources and Energy Statistics"

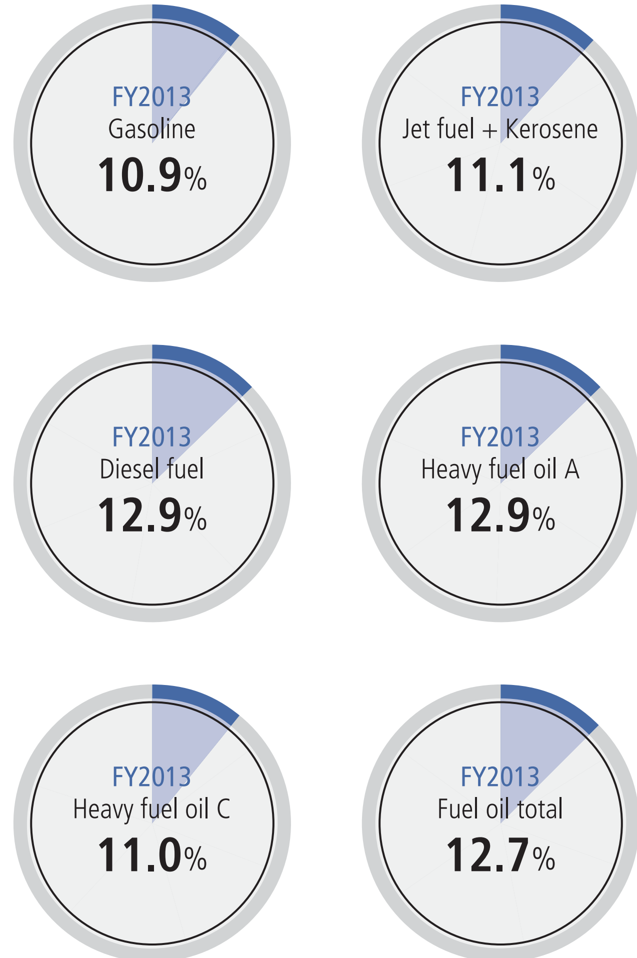
### Cosmo Oil




(Thousand kL)

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Gasoline | 6,584 | 6,316 | 6,249 | 5,999 | 6,053 |
| Naphtha | 6,749 | 6,693 | 6,224 | 5,916 | 6,556 |
| Four middle distillates | 9,916 | 9,867 | 9,704 | 9,099 | 8,993 |
| Jet fuel | 443 | 533 | 477 | 476 | 486 |
| Kerosene | 2,458 | 2,442 | 2,416 | 2,246 | 2,261 |
| Diesel fuel | 4,526 | 4,462 | 4,615 | 4,414 | 4,399 |
| Heavy fuel oil A | 2,489 | 2,429 | 2,196 | 1,963 | 1,847 |
| Heavy fuel oil C | 2,553 | 2,075 | 2,555 | 2,993 | 2,038 |
| Total | 25,802 | 24,950 | 24,732 | 24,007 | 23,640 |

## Market Share by Product



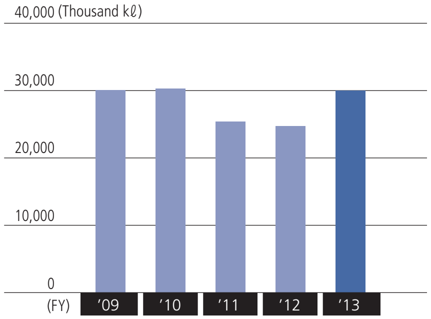

(%)

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Gasoline | 11.4 | 10.9 | 10.9 | 10.6 | 10.9 |
| Jet fuel + Kerosene | 11.5 | 11.7 | 12.1 | 11.9 | 11.1 |
| Diesel fuel | 14.0 | 13.6 | 14.0 | 13.2 | 12.9 |
| Heavy fuel oil A | 15.5 | 15.8 | 15.0 | 14.3 | 12.9 |
| Heavy fuel oil C | 15.7 | 12.0 | 10.8 | 10.8 | 11.0 |
| Fuel oil total | 12.9 | 12.2 | 12.2 | 11.7 | 12.7 |

Note: The total market share for fuel oil excludes naphtha sales (on a volume basis).
Source: Ministry of Economy, Trade and Industry, "Natural Resources and Energy Statistics"

## Exports by Product (Total Industry/Cosmo Oil)

### Total industry exports

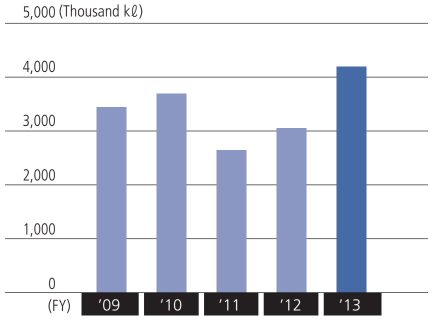



(Thousand kL)

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Gasoline | 1,552 | 2,198 | 1,254 | 1,148 | 1,748 |
| Naphtha | — | — | 51 | 58 | 17 |
| Jet fuel | 8,334 | 8,936 | 8,694 | 9,047 | 10,457 |
| Kerosene | 357 | 198 | 600 | 144 | 760 |
| Diesel/Gas oil | 11,399 | 11,046 | 7,619 | 6,410 | 10,405 |
| Heavy fuel oil A | 608 | 736 | 342 | 787 | 558 |
| Heavy fuel oil C | 7,798 | 7,172 | 6,792 | 7,141 | 6,053 |
| ■ Total exports | 30,049 | 30,285 | 25,352 | 24,735 | 29,998 |

Source: Ministry of Economy, Trade and Industry, "Natural Resources and Energy Statistics"

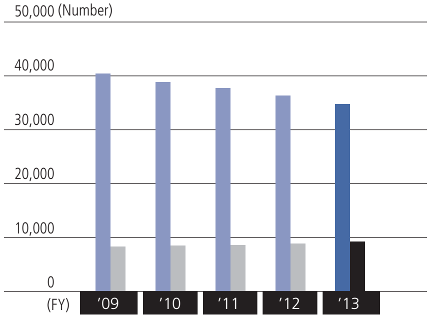
### Cosmo Oil exports




(Thousand kL)

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Diesel | 991 | 907 | 145 | 45 | 1,145 |
| Kerosene/Jet fuel | 110 | 219 | 64 | 0 | 0 |
| Total | 1,101 | 1,125 | 209 | 45 | 1,145 |
| Bonded products sales, others | | | | | |
| Jet fuel | 1,478 | 1,598 | 1,535 | 1,647 | 1,865 |
| Heavy fuel oil C | 716 | 542 | 492 | 521 | 561 |
| Others | 145 | 426 | 408 | 838 | 618 |
| Total | 2,339 | 2,566 | 2,435 | 3,006 | 3,045 |
| ■ Total exports | 3,440 | 3,691 | 2,644 | 3,051 | 4,190 |

## Number of Service Stations (Nationwide)

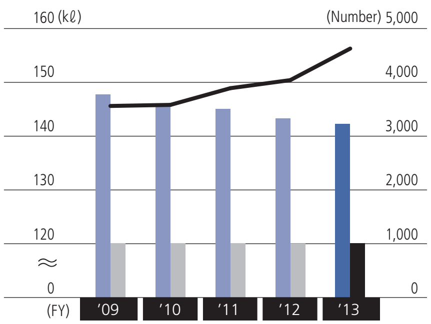



| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Nationwide | | | | | |
| Total number of SSs | 40,357 | 38,777 | 37,743 | 36,349 | 34,706 |
| Total (Self SS) | 8,296 | 8,449 | 8,596 | 8,862 | 9,275 |

Notes: 1. Total number of SS in Japan is based on "Law on the Quality Control of Gasoline and Other Fuels."
2. The number of self SS is included in the number of SS.

Source: Number of nationwide SS compiled by the Agency for Natural Resources and Energy. Total number of self SS is based on data provided by the Oil Information Center.

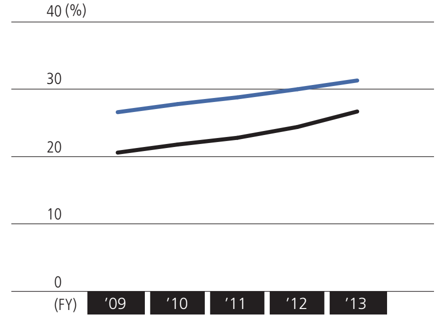
## Gasoline Volume Sold per Service Station (Cosmo Oil)




| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Cosmo Oil | | | | | |
| Number of SS (right scale) | 3,768 | 3,609 | 3,498 | 3,325 | 3,228 |
| Number of self SS (right scale) | 1,004 | 1,003 | 1,007 | 999 | 1,011 |
| Gasoline volume sold per SS (kl/month/SS) (left scale) | 145.6 | 145.8 | 148.9 | 150.4 | 156.26 |

Notes: 1. Gasoline volume sold per SS = The annual volume of gasoline sold by the Group ÷ number of SS at the end of each year ÷ 12 months
2. The number of self SS is included in the number of SS.

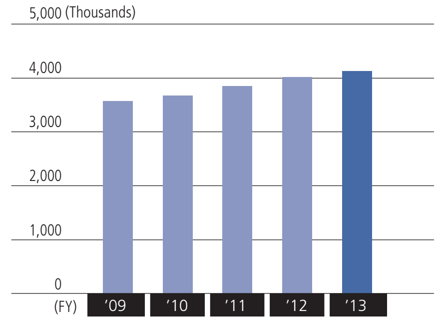
## Self-service Station Ratio




(%)

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Cosmo Oil | 26.6 | 27.8 | 28.8 | 30.0 | 31.3 |
| Nationwide | 20.6 | 21.8 | 22.8 | 24.4 | 26.7 |

## Number of Cosmo the Cards (Credit Cards)



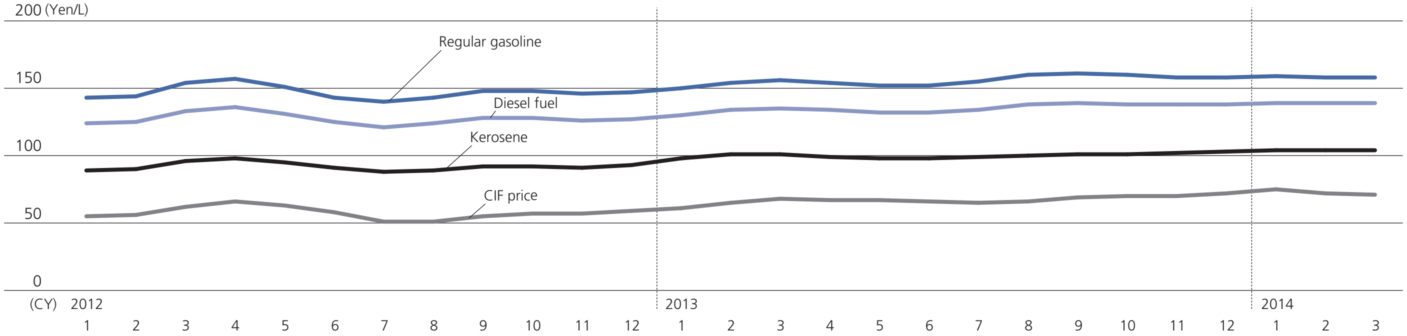

(Thousands)

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|
| Total number of Cards in force | 3,565 | 3,672 | 3,841 | 4,013 | 4,120 |

Note: Total number of cards in force = Total number of cards issued – Total number of deactivated cards

# Price

**Retail Prices for Petroleum Products (Regular Gasoline, Diesel Fuel, and Kerosene)** (Industry Average)




(Yen/L)

| 2012 | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Regular gasoline | 143 | 144 | 154 | 157 | 151 | 143 | 140 | 143 | 148 | 148 | 146 | 147 |
| Diesel fuel | 124 | 125 | 133 | 136 | 131 | 125 | 121 | 124 | 128 | 128 | 126 | 127 |
| Kerosene | 89 | 90 | 96 | 98 | 95 | 91 | 88 | 89 | 92 | 92 | 91 | 93 |
| CIF price | 55 | 56 | 62 | 66 | 63 | 58 | 51 | 51 | 55 | 57 | 57 | 59 |

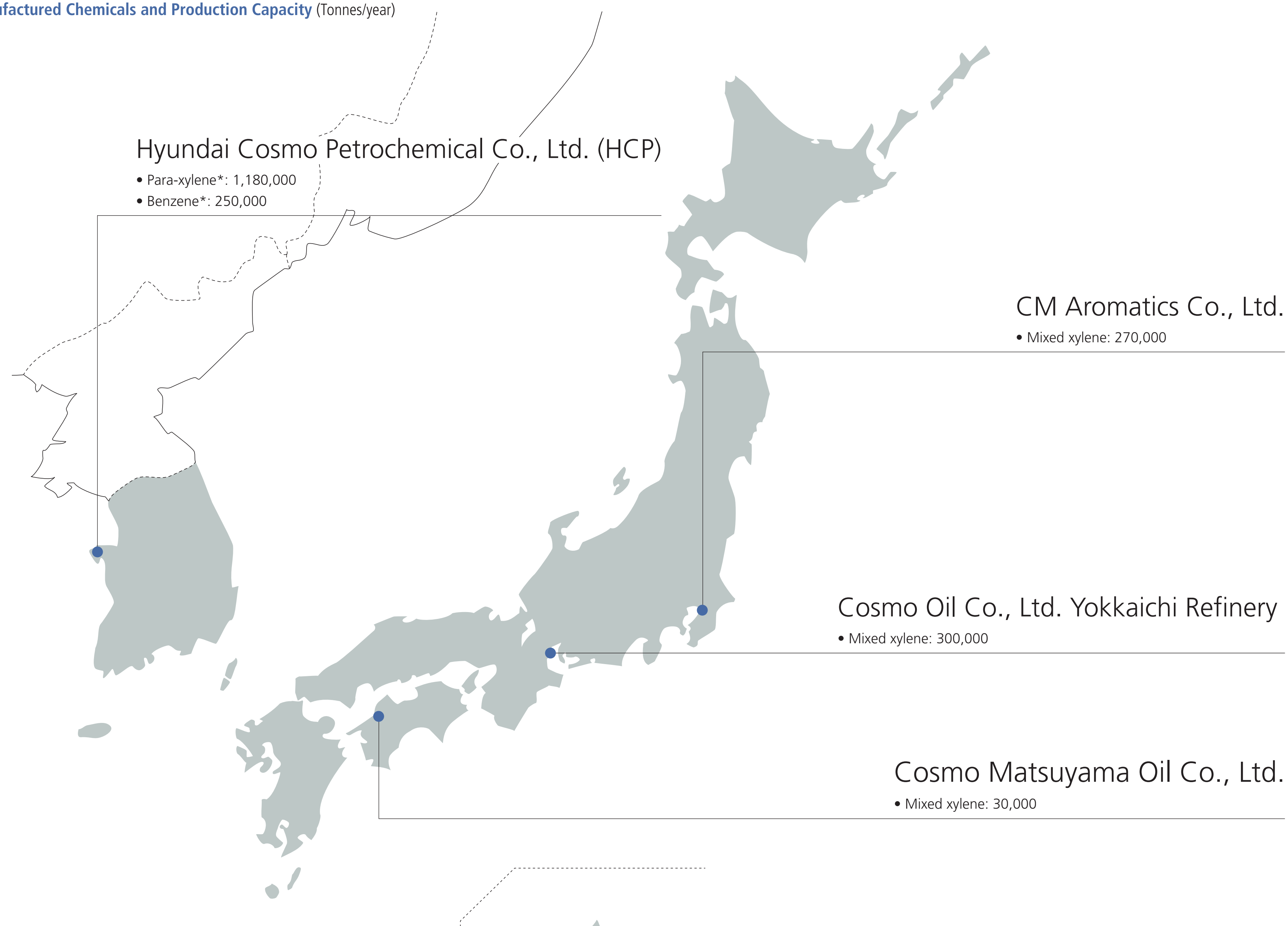
(Yen/L)

| 2013 | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Regular gasoline | 150 | 154 | 156 | 154 | 152 | 152 | 155 | 160 | 161 | 160 | 158 | 158 |
| Diesel fuel | 130 | 134 | 135 | 134 | 132 | 132 | 134 | 138 | 139 | 138 | 138 | 138 |
| Kerosene | 98 | 101 | 101 | 99 | 98 | 98 | 99 | 100 | 101 | 101 | 102 | 103 |
| CIF price | 61 | 65 | 68 | 67 | 67 | 66 | 65 | 66 | 69 | 70 | 70 | 72 |

| 2014 | Jan. | Feb. | Mar. |
|---|---|---|---|
| Regular gasoline | 159 | 158 | 158 |
| Diesel fuel | 139 | 139 | 139 |
| Kerosene | 104 | 104 | 104 |
| CIF price | 75 | 72 | 71 |

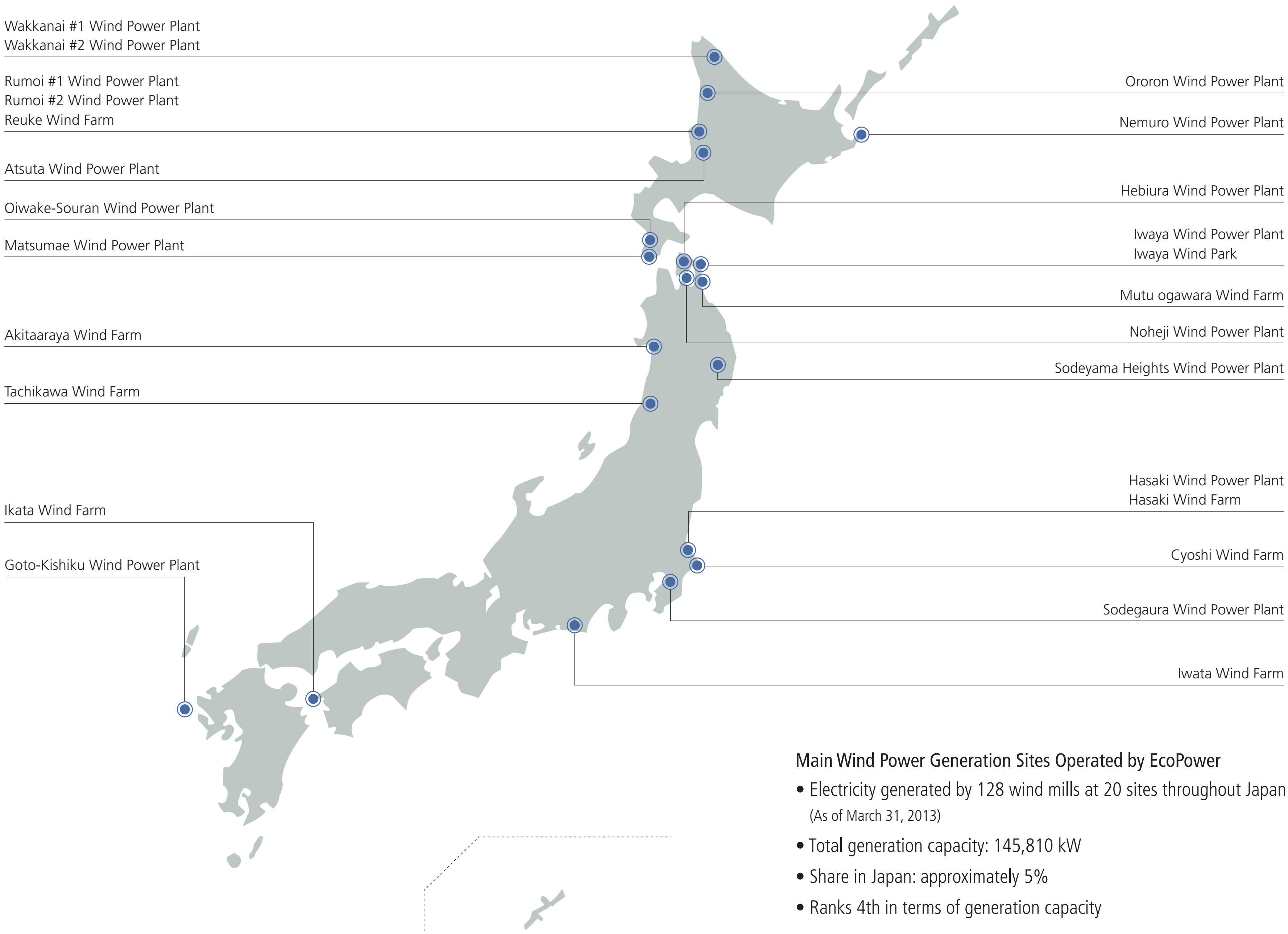
Note: Figures for regular gasoline and diesel fuel prices include crude oil tariffs, either gasoline taxes or diesel fuel transaction taxes and consumption taxes. Kerosene prices include oil tariffs, oil taxes and consumption taxes.
Source: Agency for Natural Resources and Energy "Petroleum Product Price Data" and Petroleum Association of Japan "Oil Statistics"

**Manufactured Chemicals and Production Capacity** (Tonnes/year)




* HCP is also responsible for sales

## Wind Power Generation Business

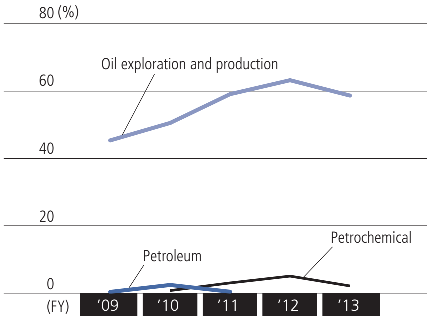



### Main Wind Power Generation Sites Operated by EcoPower

- Electricity generated by 128 wind mills at 20 sites throughout Japan (As of March 31, 2013)
- Total generation capacity: 145,810 kW
- Share in Japan: approximately 5%
- Ranks 4th in terms of generation capacity

## Segment Performance

### Segment Operating Income Ratio




| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| **Segment sales** | | | | | | |
| Petroleum | ¥2,565,153 | ¥2,728,754 | ¥3,055,628 | ¥3,116,214 | ¥3,463,740 | $33,654,683 |
| Petrochemical | — | 45,940 | 29,422 | 30,469 | 51,576 | 501,127 |
| Oil exploration and production | 59,553 | 69,938 | 87,644 | 85,943 | 88,652 | 861,368 |
| Others | 88,470 | 68,652 | 71,628 | 86,312 | 79,442 | 771,881 |
| Elimination and corporate | (101,035) | (141,762) | (134,577) | (152,250) | (145,629) | (1,414,973) |
| Total | 2,612,141 | 2,771,523 | 3,109,746 | 3,166,689 | 3,537,782 | 34,374,096 |
| **Segment operating income (loss)** | | | | | | |
| Petroleum | 9,470 | 66,268 | 12,778 | (10,120) | (17,908) | (173,999) |
| Petrochemical | — | 356 | 894 | 1,542 | 1,103 | 10,717 |
| Oil exploration and production | 27,001 | 35,334 | 51,768 | 54,325 | 51,993 | 505,179 |
| Others | 2,073 | 1,298 | 1,534 | 3,281 | 4,582 | 44,520 |
| Elimination and corporate | (4,337) | 842 | (3,405) | 3,392 | (55) | (534) |
| Total | 34,207 | 104,097 | 63,570 | 52,422 | 39,715 | 385,882 |

(%)

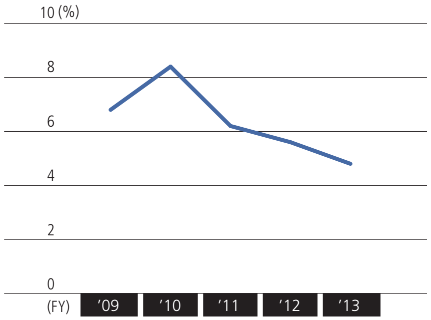
| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2013 |
|---|---|---|---|---|---|---|
| **Segment operating income ratio** | | | | | | |
| Petroleum | 0.37 | 2.43 | 0.42 | — | — | — |
| Petrochemical | — | 0.77 | 3.04 | 5.06 | 2.14 | — |
| Oil exploration and production | 45.34 | 50.52 | 59.07 | 63.21 | 58.65 | — |

Notes: 1. Effective from the beginning of the consolidated fiscal year ending March 31, 2012, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (the ASBJ Statement No. 17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (the ASBJ Guidance No. 20 issued on March 21, 2008).

2. The Petrochemical Business, which had previously been included in the Petroleum Business segment, was made a separate segment from FY2010.

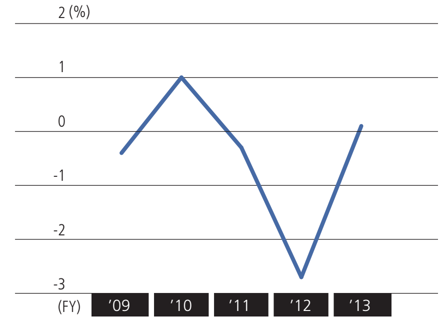
# Profitability

## Gross Profit Ratio



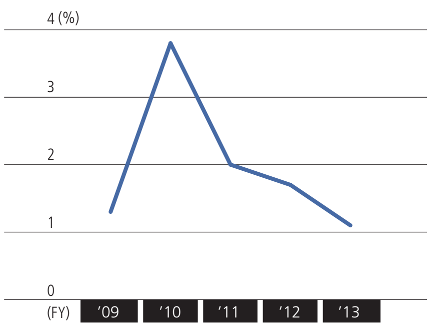

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| Net sales | ¥2,612,141 | ¥2,771,523 | ¥3,109,746 | ¥3,166,689 | ¥3,537,782 | $34,374,096 |
| Gross profit | 176,775 | 232,490 | 191,508 | 177,415 | 168,775 | 1,639,866 |
| — Gross profit ratio (%) | 6.8 | 8.4 | 6.2 | 5.6 | 4.8 | — |

## Return on Sales



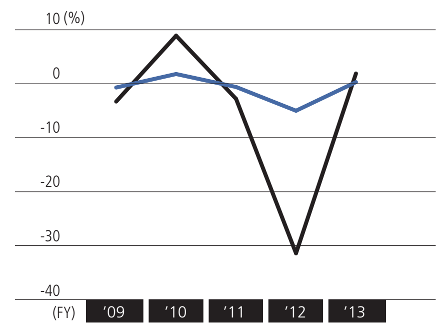

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| Net sales | 2,612,141 | ¥2,771,523 | ¥3,109,746 | ¥3,166,689 | ¥3,537,782 | $34,374,096 |
| Net income (loss) | (10,741) | 28,933 | (9,084) | (85,882) | 4,348 | 42,246 |
| — Return on sales (%) | (0.4) | 1.0 | (0.3) | (2.7) | 0.1 | — |

## Operating Income Ratio




| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| Net sales | ¥2,612,141 | ¥2,771,523 | ¥3,109,746 | ¥3,166,689 | ¥3,537,782 | $34,374,096 |
| Operating income | 34,207 | 104,097 | 63,570 | 52,422 | 39,715 | 385,882 |
| — Operating income ratio (%) | 1.3 | 3.8 | 2.0 | 1.7 | 1.1 | — |

## ROA/ROE

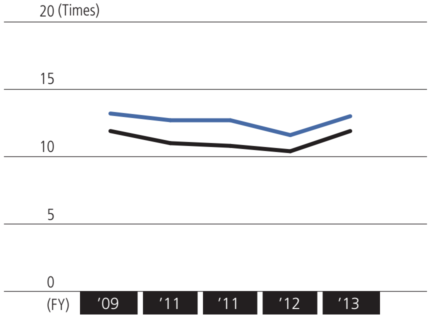



| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| Net income (loss) | ¥ (10,741) | ¥ 28,933 | ¥ (9,084) | ¥ (85,882) | ¥4,348 | $ 42,246 |
| Total assets | 1,645,048 | 1,579,424 | 1,675,070 | 1,743,492 | 1,696,831 | 16,486,893 |
| Total shareholders' equity | 315,747 | 332,730 | 316,931 | 230,457 | 231,927 | 2,253,469 |
| — Return on assets (ROA) (%) | (0.7) | 1.8 | (0.6) | (5.0) | 0.3 | — |
| — Return on equity (ROE) (%) | (3.3) | 8.9 | (2.8) | (31.4) | 1.9 | — |

Notes: 1. ROA = Net income ÷ Average total assets at beginning and end of the fiscal year × 100
2. ROE = Net income ÷ Average shareholders' equity at beginning and end of the fiscal year × 100

# Efficiency/Productivity

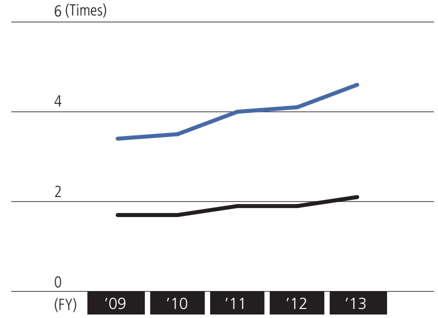
## Trade Receivables Turnover, Accounts Payable Turnover




| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| Notes and accounts receivable, trade | ¥ 206,168 | ¥ 229,618 | ¥ 261,067 | ¥282,889 | ¥262,863 | $2,554,052 |
| Inventories | 311,542 | 402,975 | 443,562 | 491,900 | 445,737 | 4,330,908 |
| — Trade receivables turnover (times)* | 13.2 | 12.7 | 12.7 | 11.6 | 13.0 | — |
| Notes and accounts payable, trade | 216,112 | 243,914 | 294,906 | 277,934 | 255,521 | 2,482,714 |
| Cost of sales | 2,435,366 | 2,539,032 | 2,918,238 | 2,989,274 | 3,369,007 | 32,734,230 |
| — Accounts payable turnover (times)* | 11.9 | 11.0 | 10.8 | 10.4 | 11.9 | — |

*Calculated based on average trade receivables, total assets, and inventories at the beginning and end of each fiscal year.

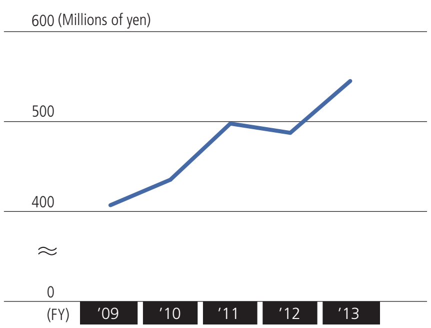
## Fixed Assets Turnover, Total Assets Turnover




| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| Total assets | ¥1,645,048 | ¥1,579,424 | ¥1,675,070 | ¥1,743,492 | ¥1,696,831 | $16,486,893 |
| Fixed assets | 799,569 | 785,736 | 754,400 | 775,814 | 774,326 | 7,523,572 |
| — Fixed Assets turnover (times)* | 3.4 | 3.5 | 4.0 | 4.1 | 4.6 | — |
| — Total assets turnover (times)* | 1.7 | 1.7 | 1.9 | 1.9 | 2.1 | — |

*Calculated based on average trade receivables, total assets, and inventories at the beginning and end of each fiscal year.

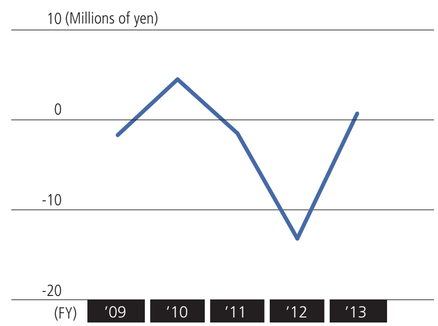
## Net Sales per Employee




| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| — Net sales per employee | ¥407.0 | ¥435.3 | ¥497.7 | ¥487.4 | ¥545.0 | $5.30 |
| Consolidated number of employees | 6,418 | 6,366 | 6,247 | 6,496 | 6,491 | — |

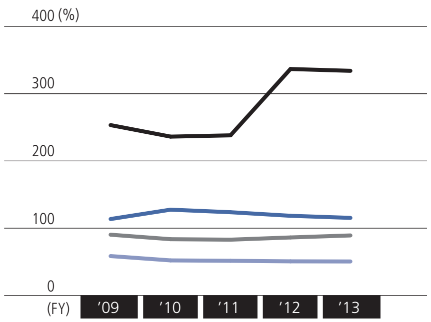
Note: Net sales per employee are based on the average number of employees at the beginning and end of each fiscal year.

## Net Income (loss) per Employee




| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| — Net income (loss) per employee | ¥ (1.7) | ¥ 4.5 | ¥ (1.5) | ¥ (13.2) | ¥ 0.7 | $6.51 |
| Consolidated number of employees | 6,418 | 6,366 | 6,247 | 6,496 | 6,491 | — |

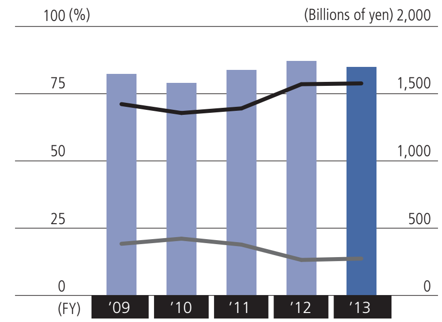
## Current Ratio, Quick Ratio, Fixed Ratio, Fixed Assets Capitalization




| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| — Current ratio (%) | 113.6 | 127.5 | 123.7 | 118.4 | 115.3 | — |
| — Quick ratio (%) | 58.5 | 52.1 | 51.5 | 50.7 | 50.5 | — |
| — Fixed ratio (%) | 253.2 | 236.1 | 238.0 | 336.6 | 333.9 | — |
| — Fixed assets capitalization (%) | 90.3 | 83.6 | 82.9 | 86.2 | 89.2 | — |
| Short-term debt | ¥269,514 | ¥176,366 | ¥208,287 | ¥279,109 | ¥335,385 | $3,258,696 |
| Long-term debt, less current maturities | 490,225 | 523,765 | 512,915 | 563,779 | 528,294 | 5,133,055 |

Notes: 1. Short-term debt includes the current maturities of long-term debt.
2. Current ratio = Current assets at fiscal year-end ÷ Current liabilities × 100
3. Quick ratio = (Cash and bank deposits + Notes and accounts receivable + Marketable securities) ÷ Current liabilities × 100
4. Fixed ratio = Fixed assets ÷ Net assets excluding minority interests × 100
5. Fixed assets capitalization = Fixed assets ÷ (Net assets excluding minority interests + Long-term liabilities)

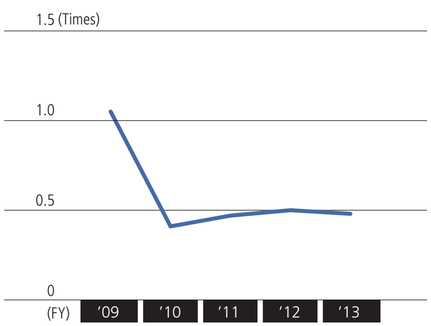
## Total Assets, Debt-to-Total Capital Ratio, Equity Ratio




| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| ■ Total assets | ¥1,645,048 | ¥1,579,424 | ¥1,675,070 | ¥1,743,492 | ¥1,696,831 | $16,486,893 |
| Interest-bearing debt | 777,739 | 700,131 | 721,203 | 842,889 | 863,679 | 8,391,751 |
| Net assets excluding minority interests | 315,747 | 332,730 | 316,931 | 230,456 | 231,928 | 2,253,478 |
| — Debt-to-total capital ratio (%) | 71.1 | 67.8 | 69.5 | 78.5 | 78.8 | — |
| Total debt to total assets (%) | 47.3 | 44.3 | 43.1 | 48.3 | 50.9 | — |
| — Equity ratio (%) | 19.2 | 21.1 | 18.9 | 13.2 | 13.7 | — |
| Debt-to-equity ratio (times) | 2.5 | 2.1 | 2.3 | 3.7 | 3.7 | — |

Note: Debt-to-total capital ratio = Interest-bearing debt ÷ (Interest-bearing debt + Net assets excluding minority interests)

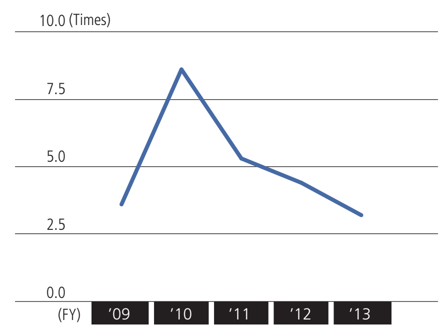
## Liquidity




| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| Cash and deposits and marketable securities | ¥228,919 | ¥94,357 | ¥122,445 | ¥130,776 | ¥141,135 | $1,371,308 |
| — Liquidity (times) | 1.05 | 0.41 | 0.47 | 0.50 | 0.48 | — |

Note: Liquidity = (Cash deposits + Securities) ÷ Net sales (monthly average)

## Interest Coverage

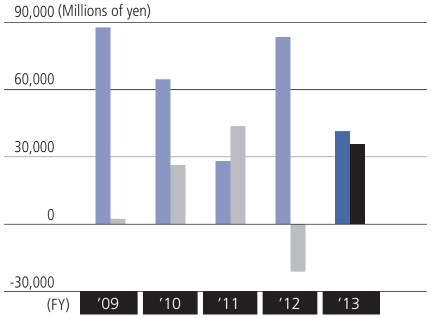



| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| Interest expenses | ¥ 9,855 | ¥ 12,242 | ¥12,323 | ¥12,430 | ¥12,960 | $125,923 |
| Interest and dividend income | 1,411 | 1,321 | 2,017 | 1,974 | 3,932 | 38,204 |
| Operating income | 34,207 | 104,097 | 63,570 | 52,422 | 39,715 | 385,882 |
| — Interest coverage (times) | 3.6 | 8.6 | 5.3 | 4.4 | 3.2 | — |

Note: Interest coverage = (Operating income + Interest and dividend income) ÷ Interest expense

## Cash Flows

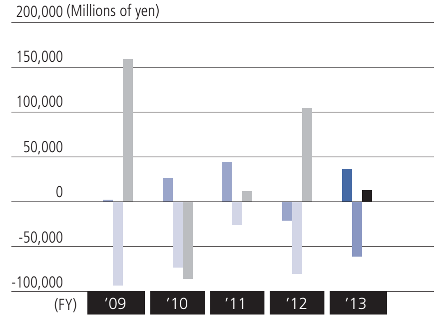
### Cash Flows from Operating Activities and Capital Expenditures




| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| Capital expenditures | ¥ 87,677 | ¥64,369 | ¥27,933 | ¥83,429 | ¥41,243 | $400,729 |
| Depreciation and amortization | 42,746 | 51,068 | 50,601 | 44,953 | 35,330 | 343,273 |
| Net income (loss) | (10,741) | 28,933 | (9,084) | (85,882) | 4,348 | 42,246 |
| Cash dividends paid and bonuses to directors and statutory auditors | 4,237 | 6,779 | 6,779 | 6,779 | 0 | 0 |
| Cash flows from operating activities | 2,262 | 26,297 | 43,616 | (20,950) | 35,837 | 348,202 |

Notes: 1. Figures for capital investment include intangible fixed assets and long-term prepaid expenses.
2. Depreciation and amortization includes recovery of recoverable accounts under production sharing. In FY2011, 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.

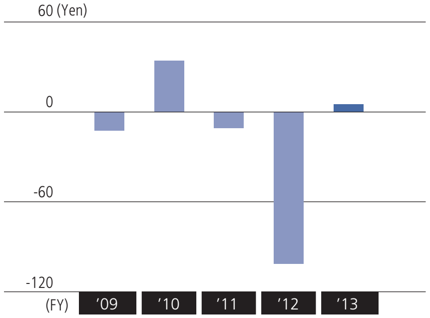
### Cash Flows by Activity



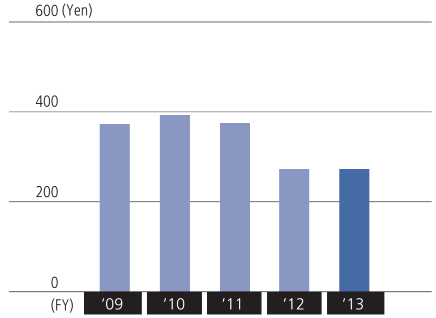

| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 (Millions of yen) | FY2013 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|
| Cash flows from operating activities | ¥ 2,262 | ¥ 26,297 | ¥ 43,616 | ¥ (20,950) | ¥35,837 | $ 348,202 |
| Cash flows from investing activities | (93,306) | (73,109) | (25,805) | (80,481) | (61,007) | (592,761) |
| Cash flows from financing activities | 159,302 | (86,077) | 11,606 | 104,695 | 12,555 | 121,988 |
| Cash and cash equivalents at the end of year | 228,908 | 94,343 | 122,431 | 129,699 | 123,280 | 1,197,824 |

## Per Share Data

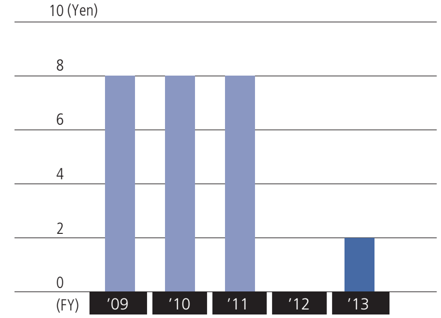
### Net Income (Loss) per Share



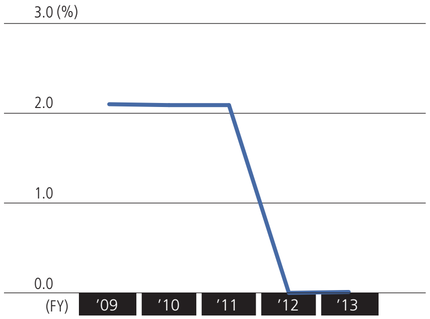

### Net Assets per Share



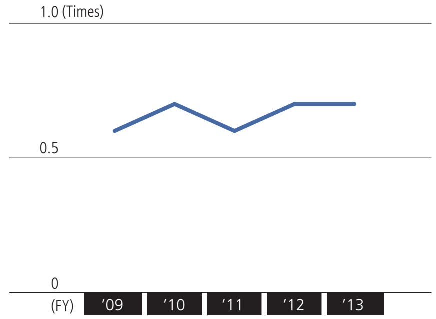

### Cash Dividends per Share




### Dividends on Equity




### Price Book Value Ratio (PBR)




| | | | | | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2013 |
| Stock price at the end of fiscal year (¥, $) | ¥ 226 | ¥ 259 | ¥ 230 | ¥ 198 | ¥ 187 | $ 1.82 |
| Cash dividends per share (¥, $) | 8.00 | 8.00 | 8.00 | 0.00 | 2.00 | 0.02 |
| Cash dividends | 6,779 | 6,779 | 6,779 | 0 | 1,694 | 16,459 |
| Number of shares of common stock (millions) | 847.7 | 847.7 | 847.7 | 847.7 | 847.7 | — |
| Net income (loss) | (10,741) | 28,933 | (9,084) | (85,882) | 4,348 | 42,246 |
| Net assets excluding minority interests | 315,747 | 332,730 | 316,931 | 230,456 | 231,928 | 2,253,478 |
| Payout ratio (%) | — | 23.42 | — | — | 39.0 | — |
| Dividends on equity (%) | 2.10 | 2.09 | 2.09 | 0.00 | 0.01 | — |
| Net income (loss) per share (¥, $) | ¥ (12.68) | ¥ 34.16 | ¥ (10.72) | ¥ (101.39) | ¥5.13 | $ 0.05 |
| Diluted net income per share (¥, $) | — | 33.58 | — | — | — | — |
| Net assets per share (¥, $) | 372.74 | 392.80 | 374.15 | 272.07 | 273.81 | 2.66 |
| PER (times) | — | 7.6 | — | — | 36.5 | — |
| PBR (times) | 0.6 | 0.7 | 0.6 | 0.7 | 0.7 | — |

Notes: 1. DOE = Dividend amount ÷ Average beginning and end of period shareholders' equity × 100
2. Net income (loss) per share is based on the average number of outstanding shares.
3. Figures for PER and PBR are calculated based on the closing price of the Company's shares listed on the First Section of the Tokyo Stock Exchange on the last trading day in March of each year. These figures are for the parent company only.
4. Dividend payout ratio, diluted net income, and PER are not presented for fiscal years with a net loss.

## Consolidated Financial Statements: Consolidated Balance Sheets (March 31, 2010, 2011, 2012, 2013 and 2014)

Millions of yen

| | FY2009 (As of March 31, 2010) | FY2010 (As of March 31, 2011) | FY2011 (As of March 31, 2012) | FY2012 (As of March 31, 2013) | FY2013 (As of March 31, 2014) |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and deposits | ¥ 226,608 | ¥ 94,343 | ¥ 122,031 | ¥ 130,264 | ¥ 140,423 |
| Notes and accounts receivable-trade | 206,168 | 229,618 | 261,067 | 282,889 | 262,863 |
| Short-term investment securities | 2,310 | 14 | 413 | — | — |
| Merchandise and finished goods | 145,720 | 204,867 | 232,505 | 248,524 | 225,292 |
| Work in process | 469 | 985 | 1,051 | 998 | 761 |
| Raw materials and supplies | 165,351 | 197,122 | 210,004 | 242,378 | 219,684 |
| Accounts receivable-other | 50,844 | 28,405 | 60,861 | 34,886 | 47,157 |
| Deferred tax assets | 3,890 | 3,680 | 6,712 | 3,325 | 2,340 |
| Other | 44,193 | 34,659 | 26,056 | 24,216 | 23,457 |
| Allowance for doubtful accounts | (222) | (332) | (292) | (334) | (189) |
| Total current assets | 845,336 | 793,363 | 920,412 | 967,148 | 921,790 |
| Noncurrent assets | | | | | |
| Property, plant and equipment | | | | | |
| Buildings and structures, net | 102,058 | 103,949 | 100,167 | 104,986 | 105,679 |
| Oil storage depots, net | 14,233 | 16,551 | 17,381 | 19,000 | 25,180 |
| Machinery, equipment and vehicles, net | 104,156 | 163,298 | 149,529 | 132,903 | 131,902 |
| Land | 303,104 | 302,808 | 299,772 | 304,495 | 308,481 |
| Lease assets, net | 659 | 641 | 575 | 615 | 707 |
| Construction in progress | 65,157 | 9,026 | 6,346 | 14,628 | 11,191 |
| Other, net | 8,322 | 7,362 | 6,474 | 6,079 | 5,938 |
| Total property, plant and equipment | 597,693 | 603,639 | 580,246 | 582,709 | 589,082 |
| Intangible assets | | | | | |
| Software | 4,236 | 3,587 | 3,090 | 2,411 | 3,070 |
| Goodwill | 17 | 10 | 3 | 3,645 | 2,914 |
| Other | 8,308 | 7,919 | 6,422 | 45,461 | 44,057 |
| Total intangible assets | 12,563 | 11,517 | 9,517 | 51,518 | 50,041 |
| Investments and other assets | | | | | |
| Investment securities | 100,950 | 99,668 | 102,062 | 118,770 | 115,304 |
| Investments in capital | 188 | 202 | 214 | — | — |
| Long-term loans receivable | 1,790 | 1,314 | 1,434 | 1,282 | 1,313 |
| Long-term prepaid expenses | 6,095 | 4,840 | 4,315 | 3,795 | 2,550 |
| Deferred tax assets | 46,888 | 35,081 | 32,230 | 1,791 | 2,935 |
| Other | 34,275 | 30,384 | 25,243 | 16,559 | 13,582 |
| Allowance for doubtful accounts | (876) | (912) | (863) | (613) | (483) |
| Total investments and other assets | 189,312 | 170,579 | 164,635 | 141,586 | 135,202 |
| Total noncurrent assets | 799,569 | 785,736 | 754,400 | 775,814 | 774,326 |
| Deferred assets | | | | | |
| Bond issuance cost | 142 | 324 | 257 | 529 | 714 |
| Total deferred assets | 142 | 324 | 257 | 529 | 714 |
| Total assets | ¥1,645,048 | ¥1,579,424 | ¥1,675,070 | ¥1,743,492 | ¥1,696,831 |

Millions of yen

| | FY2009 (As of March 31, 2010) | FY2010 (As of March 31, 2011) | FY2011 (As of March 31, 2012) | FY2012 (As of March 31, 2013) | FY2013 (As of March 31, 2014) |
|---|---|---|---|---|---|
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Notes and accounts payable-trade | ¥ 216,111 | ¥ 243,914 | ¥ 294,906 | ¥ 277,934 | ¥ 255,521 |
| Short-term loans payable | 269,514 | 176,366 | 207,447 | 277,429 | 323,705 |
| Current portion of bonds | 18,000 | — | 840 | 1,680 | 11,680 |
| Accounts payable-other | 95,337 | 80,336 | 100,184 | 123,991 | 99,635 |
| Accrued volatile oil and other petroleum taxes | 107,457 | 71,431 | 99,786 | 97,708 | 70,754 |
| Income taxes payable | 9,194 | 7,252 | 12,181 | 10,175 | 7,313 |
| Accrued consumption taxes | 613 | 13,222 | 3,744 | 1,406 | — |
| Accrued expenses | 10,525 | 11,023 | 9,279 | 7,194 | 7,917 |
| Deferred tax liabilities | 2,330 | 567 | 5 | 847 | 335 |
| Provision for loss on disaster | — | 4,237 | 3,512 | 648 | — |
| Provision for business structure improvement | — | — | — | 7,743 | 3,398 |
| Provision for environmental measures | — | — | — | 26 | 26 |
| Other | 15,091 | 13,823 | 12,388 | 9,824 | 18,911 |
| Total current liabilities | 744,174 | 622,173 | 744,275 | 816,611 | 799,199 |
| Noncurrent liabilities | | | | | |
| Bonds payable | 15,000 | 57,000 | 56,160 | 74,480 | 80,500 |
| Long-term loans payable | 475,225 | 466,765 | 456,755 | 489,299 | 447,794 |
| Deferred tax liabilities | 8,806 | 11,268 | 10,042 | 19,690 | 24,198 |
| Deferred tax liabilities for land revaluation | 33,293 | 33,210 | 29,027 | 29,301 | 29,236 |
| Provision for special repairs | 6,333 | 6,689 | 7,984 | 8,700 | 9,627 |
| Provision for retirement benefits | 5,899 | 5,647 | 6,795 | 8,506 | — |
| Provision for business structure improvement | — | — | — | 4,260 | 1,096 |
| Provision for environmental measures | — | — | 723 | 4,058 | 3,832 |
| Net defined benefit liability | — | — | — | — | 12,993 |
| Negative goodwill | 6,284 | 5,027 | 3,769 | 2,512 | 1,127 |
| Other | 18,449 | 21,403 | 22,098 | 29,138 | 26,081 |
| Total noncurrent liabilities | 569,293 | 607,011 | 593,357 | 669,948 | 636,489 |
| Total liabilities | 1,313,468 | 1,229,185 | 1,337,632 | 1,486,559 | 1,435,688 |
| NET ASSETS | | | | | |
| Shareholders' equity | | | | | |
| Capital stock | 107,246 | 107,246 | 107,246 | 107,246 | 107,246 |
| Capital surplus | 89,440 | 89,440 | 89,440 | 89,440 | 16,967 |
| Retained earnings | 99,685 | 119,803 | 103,454 | 10,531 | 87,461 |
| Treasury shares | (134) | (138) | (140) | (140) | (143) |
| Total shareholders' equity | 296,239 | 316,351 | 300,001 | 207,078 | 211,531 |
| Accumulated other comprehensive income | | | | | |
| Valuation difference on available-for-sale securities | (529) | 669 | 1,540 | 3,770 | 2,887 |
| Deferred gains or losses on hedges | 8,761 | 6,459 | 2,579 | 1,422 | 1,372 |
| Revaluation reserve for land | 12,593 | 14,147 | 18,776 | 19,037 | 18,929 |
| Foreign currency translation adjustment | (1,318) | (4,898) | (5,965) | (851) | 5,818 |
| Remeasurements of defined benefit plans | — | — | — | — | (8,612) |
| Total accumulated other comprehensive income* | 19,507 | 16,378 | 16,930 | 23,378 | 20,395 |
| Minority interests | 15,832 | 17,508 | 20,506 | 26,475 | 29,214 |
| Total net assets | 331,579 | 350,239 | 337,437 | 256,932 | 261,142 |
| Total liabilities and net assets | ¥1,645,048 | ¥1,579,424 | ¥1,675,070 | ¥1,743,492 | ¥1,696,831 |

* Effective from FY2010, the Company adopts the "Accounting Standard for Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010). However, the amounts of "accumulated.

## **Consolidated Statements of Income** (March 31, 2010, 2011, 2012, 2013 and 2014)

Millions of yen

| | FY2009 (As of March 31, 2010) | FY2010 (As of March 31, 2011) | FY2011 (As of March 31, 2012) | FY2012 (As of March 31, 2013) | FY2013 (As of March 31, 2014) |
|---|---|---|---|---|---|
| Net sales | ¥2,612,141 | ¥2,771,523 | ¥3,109,746 | ¥3,166,689 | ¥3,537,782 |
| Cost of sales | 2,435,365 | 2,539,032 | 2,918,238 | 2,989,274 | 3,369,007 |
| Gross profit | 176,775 | 232,490 | 191,508 | 177,415 | 168,775 |
| Selling, general and administrative expenses | 142,568 | 128,393 | 127,937 | 124,992 | 129,060 |
| Operating income | 34,207 | 104,097 | 63,570 | 52,422 | 39,715 |
| Non-operating income | | | | | |
| Interest income | 495 | 150 | 119 | 196 | 209 |
| Dividends income | 915 | 1,171 | 1,898 | 1,778 | 2,154 |
| Rent income on noncurrent assets | 1,136 | 1,190 | 1,221 | 1,101 | 973 |
| Amortization of negative goodwill | — | 1,251 | 1,251 | 1,281 | 1,257 |
| Foreign exchange gains | 2,581 | 106 | 451 | — | 2,536 |
| Equity in earnings of associates | 7,348 | 407 | 2,933 | 7,083 | 7,343 |
| Gain on valuation of derivatives | 223 | — | 1,668 | — | — |
| Other | 3,832 | 3,519 | 3,955 | 3,758 | 4,130 |
| Total non-operating income | 16,533 | 7,797 | 13,498 | 15,200 | 18,607 |
| Non-operating expenses | | | | | |
| Interest expenses | 9,855 | 12,242 | 12,323 | 12,430 | 12,960 |
| Foreign exchange losses | — | — | — | 1,242 | — |
| Other | 4,474 | 3,557 | 3,324 | 5,510 | 3,514 |
| Total non-operating expenses | 14,329 | 15,799 | 15,648 | 19,183 | 16,475 |
| Ordinary income | 36,411 | 96,094 | 61,420 | 48,439 | 41,847 |
| Extraordinary income | | | | | |
| Gain on sales of noncurrent assets | 5,206 | 1,044 | 642 | 904 | 445 |
| Gain on sales of investment securities | 110 | — | 67 | — | 1,322 |
| Gain on allotment of investment securities | — | 151 | — | — | — |
| Gain on sales of stocks of subsidiaries and associates | 1,994 | 13 | 946 | — | 1,441 |
| Insurance income | — | — | 4,639 | 360 | 1,158 |
| Litigation settlement income | — | — | — | — | 939 |
| Gain on contribution of securities to retirement benefit trust | — | — | — | — | 3,595 |
| Subsidy income | — | — | — | — | 3,219 |
| Total extraordinary income | 7,700 | 1,209 | 6,482 | 1,264 | 12,121 |
| Extraordinary loss | | | | | |
| Loss on sales of noncurrent assets | 96 | 213 | 70 | 401 | 27 |
| Loss on disposal of noncurrent assets | 3,752 | 3,521 | 3,140 | 2,906 | 3,281 |
| Impairment loss | 1,976 | 3,857 | 3,397 | 5,032 | 911 |
| Loss on valuation of investment securities | 2,183 | 2,983 | 1,240 | 515 | 305 |
| Business structure improvement expenses | — | — | — | 20,334 | — |
| Loss on accident of asphalt leakage | — | — | — | 14,304 | — |
| Environmental expenses | — | — | — | 3,559 | — |
| Loss on litigation | — | 2,291 | — | 3,230 | — |
| Loss on recoverable accounts under production sharing | — | — | — | 1,955 | — |
| Total extraordinary losses | 8,584 | 23,852 | 32,520 | 52,240 | 4,525 |
| Income (loss) before income taxes and minority interests | 35,526 | 73,451 | 35,381 | (2,536) | 49,443 |
| Income taxes-current | 21,948 | 27,958 | 37,973 | 31,500 | 34,660 |
| Income taxes-deferred | 21,540 | 14,175 | 944 | 44,700 | 4,465 |
| Total income taxes | 43,488 | 42,133 | 38,917 | 76,200 | 39,125 |
| Income (loss) before minority interests | — | 31,318 | (3,535) | (78,736) | 10,317 |
| Minority interests in income | 2,778 | 2,384 | 5,548 | 7,145 | 5,969 |
| Net income (loss) | ¥ (10,740) | ¥ 28,933 | ¥ (9,084) | ¥ (85,882) | ¥ 4,348 |

## **Consolidated Statements of Comprehensive Income** (Years ended March 31, 2013 and 2014)

Millions of yen

| | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|
| Income (loss) before minority interests | ¥(78,736) | ¥10,317 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,190 | (1,085) |
| Deferred gains or losses on hedges | (1,104) | (154) |
| Foreign currency translation adjustment | 1,740 | 1,688 |
| Share of other comprehensive income of associates accounted for using equity method | 3,367 | 5,319 |
| Total other comprehensive income | 6,193 | 5,767 |
| Comprehensive income | (72,543) | 16,085 |
| Comprehensive income attributable to owners of the parent | (79,694) | 10,085 |
| Comprehensive income attributable to minority interests | ¥ 7,151 | ¥ 5,999 |

## **Consolidated Statements of Changes in Equity** (Year ended March 31, 2013)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at April 1,2012 | 107,246 | 89,440 | 103,454 | (140) | 300,001 |
| Change of items during period | | | | | |
| Dividends from surplus | | | (6,779) | | (6,779) |
| Net loss | | | (85,882) | | (85,882) |
| Reversal of revaluation reserve for land | | | (260) | | (260) |
| Purchase of treasury shares | | | | (1) | (1) |
| Disposal of treasury shares | | (0) | | 0 | 0 |
| Net changes of items other than shareholders' equity | | | | | |
| Deficit disposition | | | | | — |
| Total changes of items during the period | — | (0) | (92,922) | (0) | (92,923) |
| Balance at March 31,2013 | 107,246 | 89,440 | 10,531 | (140) | 207,078 |

| | Accumulated other comprehensive income | | | | | | Minority 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 1,2012 | 1,540 | 2,579 | 18,776 | (5,965) | — | 16,930 | 20,506 | 337,437 |
| Change of items during period | | | | | | | | |
| Dividends from surplus | | | | | | | | (6,779) |
| Net loss | | | | | | | | (85,882) |
| Reversal of revaluation reserve for land | | | 260 | | | 260 | | — |
| Purchase of treasury shares | | | | | | | | (1) |
| Disposal of treasury shares | | | | | | | | 0 |
| Net changes of items other than shareholders' equity | 2,230 | (1,156) | — | 5,113 | — | 6,187 | 5,969 | 12,156 |
| Deficit disposition | | | | | | | | — |
| Total changes of items during the period | 2,230 | (1,156) | 260 | 5,113 | — | 6,448 | 5,969 | (80,505) |
| Balance at March 31,2013 | 3,770 | 1,422 | 19,037 | (851) | — | 23,378 | 26,475 | 256,932 |

## **Consolidated Statements of Changes in Equity** (Year ended March 31, 2014)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at April 1,2013 | 107,246 | 89,440 | 10,531 | (140) | 207,078 |
| Change of items during period | | | | | |
| Dividends from surplus | | | — | | — |
| Net income | | | 4,348 | | 4,348 |
| Reversal of revaluation reserve for land | | | 108 | | 108 |
| Purchase of treasury shares | | | | (2) | (2) |
| Disposal of treasury shares | | (0) | | 0 | 0 |
| Net changes of items other than shareholders' equity | | | | | |
| Deficit disposition | | (72,472) | 72,472 | | — |
| Total changes of items during the period | — | (72,473) | 76,929 | (2) | 4,453 |
| Balance at March 31,2014 | 107,246 | 16,967 | 87,461 | (143) | 211,531 |

| | Accumulated other comprehensive income | | | | | | Minority 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 1,2013 | 3,770 | 1,422 | 19,037 | (851) | — | 23,378 | 26,475 | 256,932 |
| Change of items during period | | | | | | | | |
| Dividends from surplus | | | | | | | | — |
| Net income | | | | | | | | 4,348 |
| Reversal of revaluation reserve for land | | | (108) | | | (108) | | — |
| Purchase of treasury shares | | | | | | | | (2) |
| Disposal of treasury shares | | | | | | | | 0 |
| Net changes of items other than shareholders' equity | (883) | (50) | — | 6,670 | (8,612) | (2,875) | 2,739 | (135) |
| Deficit disposition | | | | | | | | — |
| Total changes of items during the period | (883) | (50) | (108) | 6,670 | (8,612) | (2,983) | 2,739 | 4,210 |
| Balance at March 31,2014 | 2,887 | 1,372 | 18,929 | 5,818 | (8,612) | 20,395 | 29,214 | 261,142 |

## **Consolidated Statements of Cash Flows** (Years ended March 31, 2010, 2011, 2012, 2013 and 2014)

Millions of yen

| | FY2009 (From April 1, 2009 to March 31, 2010) | FY2010 (From April 1, 2010 to March 31, 2011) | FY2011 (From April 1, 2011 to March 31, 2012) | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|---|---|---|
| Net cash provided by (used in) operating activities | | | | | |
| Income (loss) before income taxes and minority interests | ¥ 35,526 | ¥ 73,451 | ¥ 35,381 | ¥ (2,536) | ¥ 49,443 |
| Depreciation | 37,994 | 44,218 | 39,738 | 36,789 | 28,669 |
| Amortization of negative goodwill | — | (1,251) | (1,251) | (1,281) | (1,257) |
| Amortization of goodwill | 89 | — | — | 206 | 731 |
| Impairment loss | 1,976 | 3,857 | 3,397 | 5,032 | 911 |
| Loss (gain) on sales of noncurrent assets | (5,110) | (831) | (572) | (502) | (418) |
| Loss (gain) on disposal of noncurrent assets | 3,748 | 3,521 | 3,140 | 2,906 | 3,281 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | — | 1,660 | — | — | — |
| Loss on disaster | — | 5,749 | 22,694 | — | — |
| Loss on accident of asphalt leakage | — | — | — | 14,304 | — |
| Loss on disposal of recoverable accounts under production sharing | — | 3,523 | — | — | — |
| Loss on litigation | — | 2,291 | — | 3,230 | — |
| Loss (gain) on sales of investment securities | 340 | — | (67) | — | (1,322) |
| Loss (gain) on sales of stocks of subsidiaries and associates | (1,994) | 9 | (946) | — | (1,441) |
| Loss (gain) on valuation of investment securities | 2,183 | 2,983 | 1,240 | 515 | 305 |
| Loss on valuation of shares of subsidiaries and associates | — | 29 | 19 | — | — |
| Gain on allotment of investment securities | — | (151) | — | — | — |
| Insurance income | — | — | (4,639) | (360) | (1,158) |
| Loss (gain) on securities contribution to employee's retirement benefits trust | — | — | — | — | (3,595) |
| Subsidy income | — | — | — | — | (3,219) |
| Interest and dividends income | (1,410) | (1,322) | (2,017) | (1,974) | (2,364) |
| Interest expenses | 9,855 | 12,242 | 12,323 | 12,430 | 12,960 |
| Foreign exchange losses (gains) | (833) | 1,440 | 911 | (2,287) | (2,172) |
| Shares of (profit) loss of entities accounted for using equity method | (7,348) | (407) | (2,933) | (7,083) | (7,343) |
| Increase (decrease) in allowance for doubtful accounts | (182) | 145 | (88) | (260) | (274) |
| Increase (decrease) in provision for special repairs | (342) | 355 | 1,294 | 716 | 926 |
| Increase (decrease) in provision for retirement benefits | (227) | (252) | 1,148 | 649 | — |
| Increase (decrease) in provision for business structure improvement | — | — | — | 12,003 | — |
| Increase (decrease) in provision for environmental measures | — | — | (48) | 3,350 | (226) |
| Increase (decrease) in net defined benefit liability | (323) | 1 | — | — | 101 |
| Decrease (increase) in notes and accounts receivable-trade | (16,570) | (24,048) | (31,449) | (14,941) | 20,025 |
| Recovery of recoverable accounts under production sharing | 4,750 | 6,850 | 7,512 | 6,414 | 6,649 |
| Decrease (increase) in inventories | (72,346) | (92,696) | (40,547) | (48,205) | 47,478 |
| Increase (decrease) in notes and accounts payable-trade | 39,808 | 27,802 | 50,992 | (23,877) | (22,412) |
| Decrease (increase) in other current assets | (135) | 15,244 | (25,549) | 21,072 | (4,250) |
| Increase (decrease) in other current liabilities | (14,679) | (33,138) | 31,149 | 12,640 | (42,533) |
| Decrease (increase) in investments and other assets | 5,272 | 4,731 | 3,964 | 1,806 | 961 |
| Increase (decrease) in other noncurrent liabilities | (2,975) | (330) | 1,662 | 2,604 | 634 |
| Other, net | 393 | (127) | (1,324) | (4,181) | 46 |
| Subtotal | 17,457 | 55,553 | 105,136 | 29,181 | 79,136 |
| Interest and dividends income received | 10,871 | 4,230 | 5,910 | 3,315 | 12,574 |
| Interest expenses paid | (9,818) | (12,726) | (12,743) | (12,863) | (13,055) |
| Payments for loss on disaster | — | (118) | (16,811) | — | — |
| Payments for loss on litigation | — | (31) | (2,259) | — | — |
| The amount of the money deposit paid | — | — | (3,225) | — | — |
| Payments for loss on accident of asphalt leakage | — | — | — | (12,593) | — |

Millions of yen

| | FY2009 (From April 1, 2009 to March 31, 2010) | FY2010 (From April 1, 2010 to March 31, 2011) | FY2011 (From April 1, 2011 to March 31, 2012) | FY2012 (From April 1, 2012 to March 31, 2013) | FY2013 (From April 1, 2013 to March 31, 2014) |
|---|---|---|---|---|---|
| Payments for business structure improvement expense | — | — | — | — | (6,211) |
| Proceeds from insurance income | — | 132 | 3,547 | 1,712 | 1,188 |
| Proceeds from subsidy income | — | — | — | — | 3,219 |
| Income taxes paid | (16,248) | (20,742) | (35,937) | (29,703) | (41,015) |
| Net cash provided by (used in) operating activities | ¥ 2,261 | ¥ 26,297 | ¥ 43,616 | ¥ (20,950) | ¥ 35,837 |
| Net cash provided by (used in) investing activities | | | | | |
| Purchase of securities | ¥ (9) | ¥ (9) | ¥ (9) | ¥ (9) | ¥ (9) |
| Proceeds from sales and redemption of securities | 1,510 | 10 | 11 | 11 | 12 |
| Purchase of investment securities | (7,784) | (276) | (776) | (411) | (398) |
| Proceeds from sales and redemption of investment securities | 3,462 | 140 | 226 | 793 | 4,262 |
| Purchase of stocks of subsidiaries and associates | (13,976) | (6,131) | (3,791) | (4,683) | (1) |
| Proceeds from sales and liquidation of stocks of subsidiaries and affiliates | 2,614 | 482 | 1,444 | 62 | 2,563 |
| Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation | — | — | — | (6,268) | — |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | 1,333 | — | — | — | — |
| Purchase of property, plant and equipment | (72,956) | (59,600) | (17,497) | (30,415) | (32,538) |
| Payments for disposal of property, plant and equipment | (2,807) | (1,403) | (1,526) | (2,023) | (2,487) |
| Proceeds from sales of property, plant and equipment | 9,829 | 5,901 | 1,763 | 2,413 | 1,755 |
| Payments for purchases of intangible assets and long-term prepaid expenses | (10,466) | (13,682) | (7,104) | (38,284) | (18,511) |
| Decrease (increase) in short-term loans receivable | (4,600) | 869 | 1,204 | (478) | (527) |
| Payments of long-term loans receivable | (55) | (55) | (79) | (106) | (51) |
| Collection of long-term loans receivable | 414 | 482 | 264 | 340 | 236 |
| Proceeds from withdrawal of time deposits | — | — | — | 23,657 | 41,927 |
| Payments into time deposits | — | — | — | (25,125) | (57,276) |
| Other, net | 187 | 163 | 65 | 45 | 35 |
| Net cash provided by (used in) investing activities | (93,305) | (73,109) | (25,805) | (80,481) | (61,007) |
| Net cash provided by (used in) financing activities | | | | | |
| Net increase (decrease) in short-term loans payable | 12,757 | (107,286) | 17,436 | 67,435 | 12,539 |
| Proceeds from long-term loans payable | 177,476 | 36,289 | 50,140 | 85,733 | 47,390 |
| Repayment of long-term loans payable | (34,892) | (30,836) | (46,504) | (59,681) | (58,409) |
| Proceeds from issuance of bonds | 15,000 | 41,775 | — | 19,631 | 17,389 |
| Redemption of portion of bonds with subscription rights to shares | — | (18,000) | — | — | — |
| Redemption of bonds | — | — | — | (840) | (1,680) |
| Cash dividends paid | (4,237) | (6,779) | (6,779) | (6,779) | — |
| Cash dividends paid to minority shareholders | (6,741) | (1,126) | (2,576) | (671) | (4,525) |
| Proceeds from stock issuance to minority shareholders | — | — | 28 | 11 | 19 |
| Other, net | (60) | (114) | (137) | (144) | (167) |
| Net cash provided by (used in) financing activities | 159,301 | (86,077) | 11,606 | 104,695 | 12,555 |
| Effect of exchange rate change on cash and cash equivalents | 729 | (1,674) | (1,329) | 4,005 | 6,195 |
| Net increase (decrease) in cash and cash equivalents | 68,987 | (134,564) | 28,088 | 7,268 | (6,418) |
| Cash and cash equivalents at beginning of period | 159,919 | 228,907 | 94,343 | 122,431 | 129,699 |
| Cash and cash equivalents at end of period | ¥228,907 | ¥ 94,343 | ¥122,431 | ¥129,699 | ¥123,280 |

# Group Information (As of March 31, 2014)

## Oil Exploration and Production Business

### Oil exploration and production

- ● COSMO ENERGY EXPLORATION & PRODUCTION CO., LTD. ¥10,000 million 100%
- ● ABU DHABI OIL CO., LTD. ¥10,090 million 64.1%
- ● QATAR PETROLEUM DEVELOPMENT CO., LTD. ¥3,148 million 75.0%
- ■ UNITED PETROLEUM DEVELOPMENT CO., LTD. ¥2,010 million 45.0%

Others: ● 1 company ○ 2 companies □ 1 company

## Petroleum Business

### Import and export of crude oil and oil products

- ● COSMO OIL INTERNATIONAL PTE. LTD. S$19,500,000 100%
- ● COSMO OIL (U.K.) PLC. US$4,982,000 100%

Others: ● 1 company

### Marine transportation of crude oil and oil products

- □ NIPPON GLOBAL TANKER CO., LTD. ¥50 million 35.0%

## Petrochemical Business

## Other Businesses

### Engineering, insurance, leasing, etc.

- ● COSMO ENGINEERING CO., LTD. ¥390 million 100%
- ● COSMO TRADE & SERVICE CO., LTD. ¥200 million 100%

Others: ○ 6 companies
□ 2 companies

Crude oil & oil products ← Marine transportation

Construction of refining plants and others

## COSMO OIL CO., LTD.

Refining of crude oil/Sales of petroleum products/Management of leased real estate

### Lubricant-base oil

#### Lubricating oil production

- ● COSMO OIL LUBRICANTS CO., LTD. ¥1,620 million 100%

### Stockpiling

- ● HOKUTO KOGYO CO., LTD. ¥20 million 100%
- ■ TOZAI OIL TERMINAL CO., LTD. ¥480 million 50.0%
- ■ OKINAWA CTS CORP. ¥495 million 35.0%
- □ OGISHIMA OIL TERMINAL CO., LTD. ¥1,000 million 50%

Others: ● 2 companies
□ 2 companies

### Distribution and shipping

- ● COSMO KAIUN CO., LTD. ¥330 million 100%
- ● SAKAIDE COSMO KOSAN CO., LTD. ¥30 million 100%
- ● COSMO DELIVERY SERVICE CO., LTD. ¥50 million 100%

Others: ● 6 companies
○ 2 companies
□ 8 companies

### Petrochemical material

#### Manufacturing and sales of petrochemical products

- ● COSMO MATSUYAMA OIL CO., LTD. ¥3,500 million 100%
- ● CM AROMATICS CO., LTD. ¥100 million 65.0%
- ■ MARUZEN PETROCHEMICAL CO., LTD. ¥10,000 million 43.9%
- ■ HYUNDAI COSMO PETROCHEMICAL CO., LTD. ₩582,200 million 50.0%

### Marketing & sales of products

- ● COSMO PETROLEUM GAS CO., LTD. ¥3,500 million 100%
- ● COSMO OIL LUBRICANTS CO., LTD. ¥1,620 million 100%
- ● COSMO OIL SALES CORP. ¥80 million 100%

Others: ● 6 companies
○ 8 companies
□ 11 companies

### Management of leased real estate

- ● COSMO BUSINESS SUPPORT CO., LTD. ¥90 million 100%

Others: □ 1 company

### Production and distribution of ALA-containing products

- ● COSMO ALA CO., LTD. ¥462 million 100%
- ● COSMO OIL (SHANGHAI) CO., LTD. US$300,000 100%

### Wind power generation business

- ● ECOPOWER CO., LTD. ¥7,164 million 89.1%

Others: ● 8 companies
■ 1 company

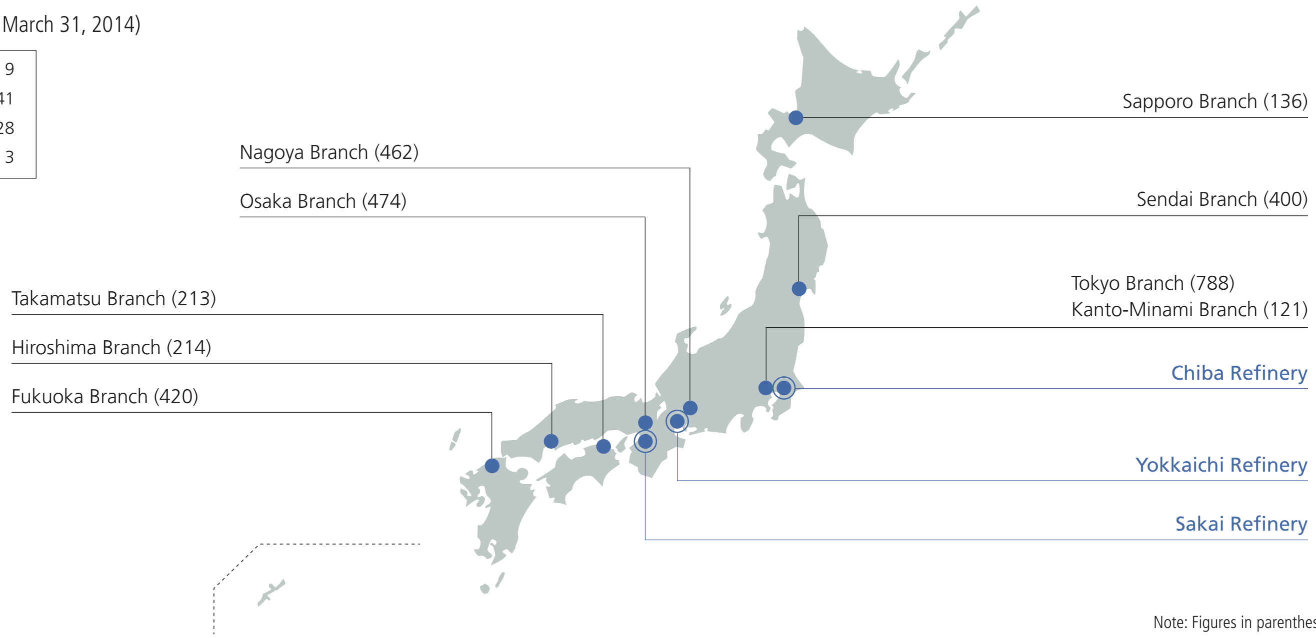
## CUSTOMERS

● Consolidated subsidiaries
○ Non-consolidated subsidiaries accounted for under the equity method
■ Affiliated companies accounted for under the equity method
□ Affiliated companies not accounted for under the equity method

Amount of money = Capital % = Percentage of voting rights

**Branches and Refineries** (As of March 31, 2014)

| | |
|---|---|
| Branches | 9 |
| SS Operators | 241 |
| Service Stations (SS) | 3,228 |
| Refineries | 3 |




Note: Figures in parentheses show the number of service stations.

**Principal Overseas Bases** (As of August 2014)

| | |
|---|---|
| ■ Overseas Offices | 4 |
| ● Overseas Subsidiaries | 3 |

# Share Information (As of March 31, 2014)

| | |
|---|---|
| Ordinary general meeting of shareholders | June |
| Transfer agent for common stock | Sumitomo Mitsui Trust Bank, Limited |
| Number of common shares issued | 847,705,087 shares |
| Number of shareholders | 36,687 |
| Number of shares per trading unit | 1,000 shares |
| Stock listing | Tokyo |

## Principal Shareholders (As of March 31, 2014)

| Shareholder | Number of shares owned (Thousands) | Percentage of total shares issued (%) |
|---|---|---|
| Infinity Alliance Limited* | 176,000 | 20.76 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 53,467 | 6.30 |
| Mizuho Bank, Ltd. | 31,531 | 3.72 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 29,040 | 3.42 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 19,750 | 2.33 |
| Mitsui Sumitomo Insurance Co., Ltd. | 18,878 | 2.22 |
| The Kansai Electric Power Co., Inc. | 18,600 | 2.19 |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 17,335 | 2.04 |
| Aioi Nissay Dowa Insurance Co., Ltd. | 15,803 | 1.86 |
| Sompo Japan Insurance Inc. | 15,792 | 1.86 |

*Special-purpose company established by the International Petroleum Investment Company (IPIC)

## Bond Issue Information

| Unsecured Bonds (No. 20) | |
|---|---|
| Date of issue | January 29, 2010 |
| Balance of debt at March 31, 2013 | ¥14.2 billion |
| Balance of debt at March 31, 2014 | ¥12.5 billion |
| Due date | January 31, 2017 |

| Unsecured Bonds (No. 21) | |
|---|---|
| Date of issue | September 21, 2010 |
| Balance of debt at March 31, 2013 | ¥22.0 billion |
| Balance of debt at March 31, 2014 | ¥22.0 billion |
| Due date | September 18, 2015 |

| Unsecured Bonds (No. 22) | |
|---|---|
| Date of issue | December 9, 2010 |
| Balance of debt at March 31, 2013 | ¥10.0 billion |
| Balance of debt at March 31, 2014 | ¥10.0 billion |
| Due date | December 9, 2014 |

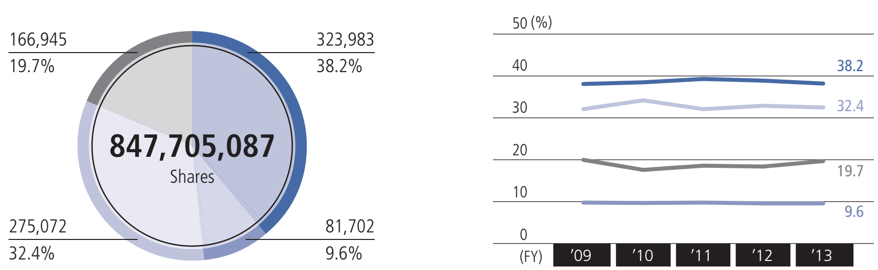
| Unsecured Bonds (No. 23) | |
|---|---|
| Date of issue | December 9, 2010 |
| Balance of debt at March 31, 2013 | ¥10.0 billion |
| Balance of debt at March 31, 2014 | ¥10.0 billion |
| Due date | December 9, 2016 |

| Unsecured Bonds (No. 24) | |
|---|---|
| Date of issue | August 28, 2012 |
| Balance of debt at March 31, 2013 | ¥20.0 billion |
| Balance of debt at March 31, 2014 | ¥20.0 billion |
| Due date | August 28, 2020 |

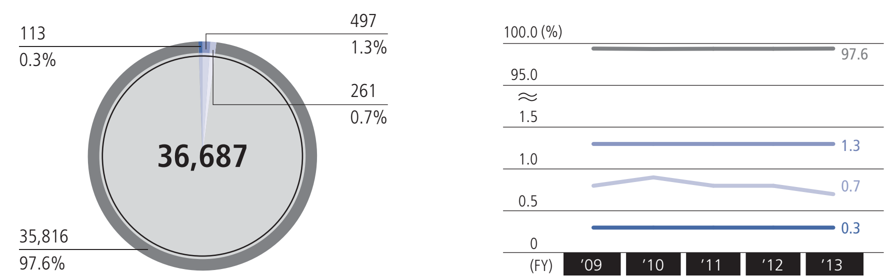
| Unsecured Bonds (No. 25) | |
|---|---|
| Date of issue | September 30, 2013 |
| Balance of debt at March 31, 2013 | — |
| Balance of debt at March 31, 2014 | 10.0 billion |
| Due date | September 30, 2021 |

| Unsecured Bonds (No. 26) | |
|---|---|
| Date of issue | February 25, 2014 |
| Balance of debt at March 31, 2013 | — |
| Balance of debt at March 31, 2014 | 7.7 billion |
| Due date | February 25, 2022 |

## Number of Shares/Trend of Shares by Types of Shareholders (Thousands of shares, rounded down)

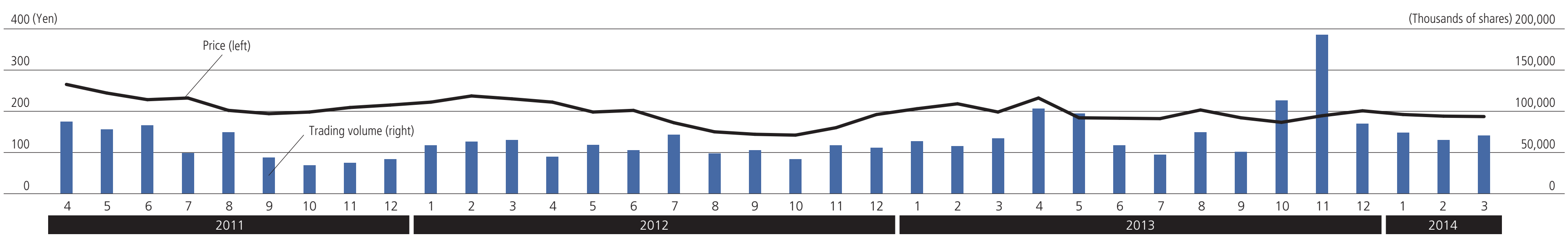



## Number of Shareholders/Trend of Shareholders




■ Japanese financial institutions and securities firms (including trust accounts) ■ Other Japanese companies and corporations ■ Foreign investors ■ Japanese individuals and others

## Stock Information



# Corporate Data (As of March 31, 2014)

| | |
|---|---|
| Company Name | COSMO OIL CO., LTD. |
| Head Office | Hamamatsucho Bldg., 1-1, Shibaura 1-chome, Minato-ku |
| Phone | +81-3-3798-3211 |
| Fax | +81-3-3798-3237 |
| URL | http://www.cosmo-oil.co.jp |
| Established | April 1, 1986 |
| Common Shares | Authorized: 1,700,000,000, Issued: 847,705,087 |
| Paid-in Capital | ¥107,246,816,126 |
| Type of Business | Integrated Oil Business |
| Fiscal Year-End | March 31 |
| Number of Employees | 1,837 |
| Branches (9 locations) | Sapporo, Sendai, Tokyo, Kanto-Minami, Nagoya, Osaka, Hiroshima, Takamatsu, Fukuoka |
| Refineries (3 locations) | Chiba, Yokkaichi, Sakai, |
| Principal Overseas Bases | • Overseas Offices (4 locations)<br>Beijing, Shanghai, Abu Dhabi, Doha<br>• Subsidiaries (3 locations)<br>COSMO OIL OF U.S.A. INC.<br>COSMO OIL INTERNATIONAL PTE. LTD.<br>COSMO OIL (U.K.) PLC. |
| Number of SS Operators | 241 |


Inquiries:

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