

**Cosmo Oil Co., Ltd.**  
**Presentation on Results for**  
**First Quarter of Fiscal 2014**

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**August 5, 2014**  
**Senior Executive Officer**  
**Kenichi Taki**

- ✓ Carry out programs swiftly and surely in accordance with the four basic policies determined in the 5th Consolidated Medium-Term Management Plan.
- ✓ Establish optimal business portfolios in individual businesses and in separate regions including alliances with other companies in a bid to become a vertically integrated global energy company over the long term.

## Regain profitability in the refining & marketing sector

- ✓ Step up rationalization and streamlining efforts.  
Achieve safe operation and high rate operation.
- ✓ Earn appropriate margins and strengthen the retail business.
- ✓ Increase international competitiveness through a joint project with Kyokuto Petroleum Industries, Ltd. at Chiba Refinery.

## Secure stable returns from investments made during the previous medium-term management plan

- ✓ Steadily implement the oil exploration and production business, the petrochemical business and the renewable energy business.
- ✓ Create stable cash flows.

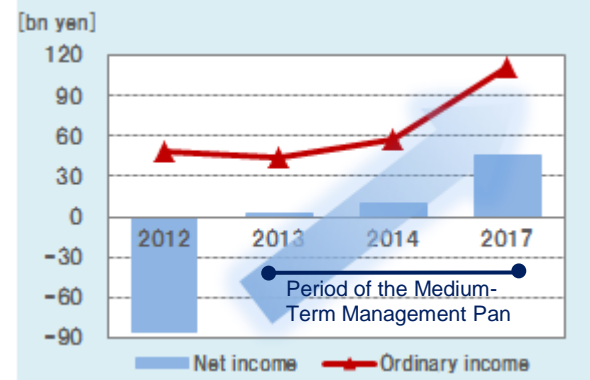
## Further strengthen alliances with International Petroleum Investment Company (IPIC) and Hyundai Oilbank (HDO)

- ✓ Push ahead with the joint business under the strategic comprehensive cooperation with CEPSPA in the IPIC Group.

## Further enhance CSR management

- ✓ Step up and encourage CSR activities based on priority matters, such as safety management programs, human rights and personnel programs, and environmental conservation programs.

Income Forecasts for Different Fiscal Years During the Period of the Medium-Term Management Plan



## ■ Regain profitability in the refining & marketing sector

- ✓ Achieve safe operation and high rate operation: Operating ratio 73% (Changes +6.2%)
- ✓ Earn appropriate margins: Revision to price formula, revision to sales channel composition

## ■ Conclusion of memorandum on examination of joint business with Tonen General Sekiyu in Chiba Refinery (Press release June 18)

- ✓ Conclusion of a basic contract : Aiming to conclude a basic contract in 2014.
- ✓ Joint venture company : Scheduled to be established in January 2015. Aiming for equal and fair operation.
- ✓ Pipeline construction : Start detailed designing. Aiming to complete in FY2016.
- ✓ Integration of refineries : Aiming for unification of facilities equipment of the two refineries at the time of completion of the pipeline

## ■ Solar Power Plant at CSD Solar commenced operation (Press Release June 20)

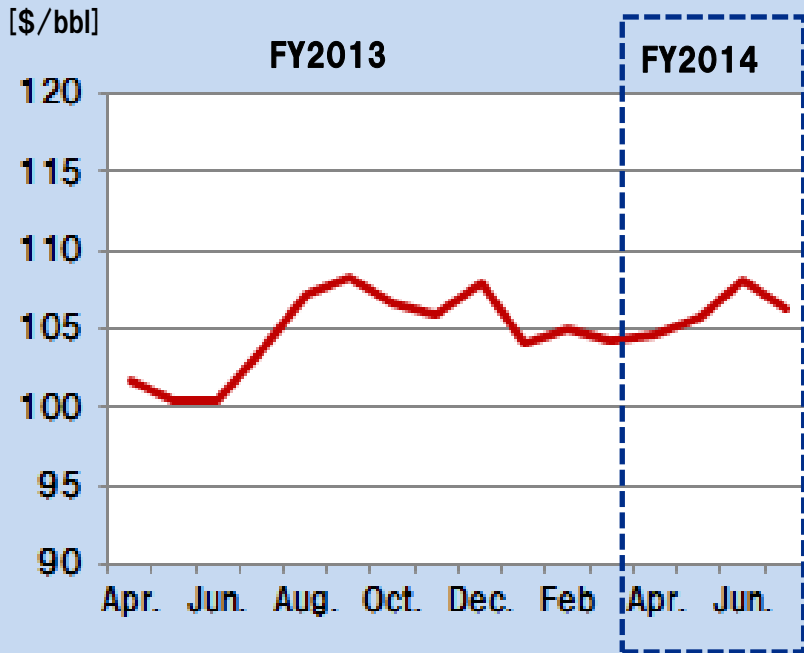
- ✓ CSD Solar(※) : Cosmo Oil (35%), Showa Shell Sekiyu (35%), DBJ (30%)  
\*( ) Investment ratio
- ✓ Total power generation capacity (plan) : 24,000 kw; Of the 8 sites, 3 start operations with about 2,200 kw  
※As effective utilization of an old oil storage depot, generating power with solar panels made by Solar Frontier

## ■ The New Hail Oil Field : Moving toward the start of production in FY2016 (development stage)

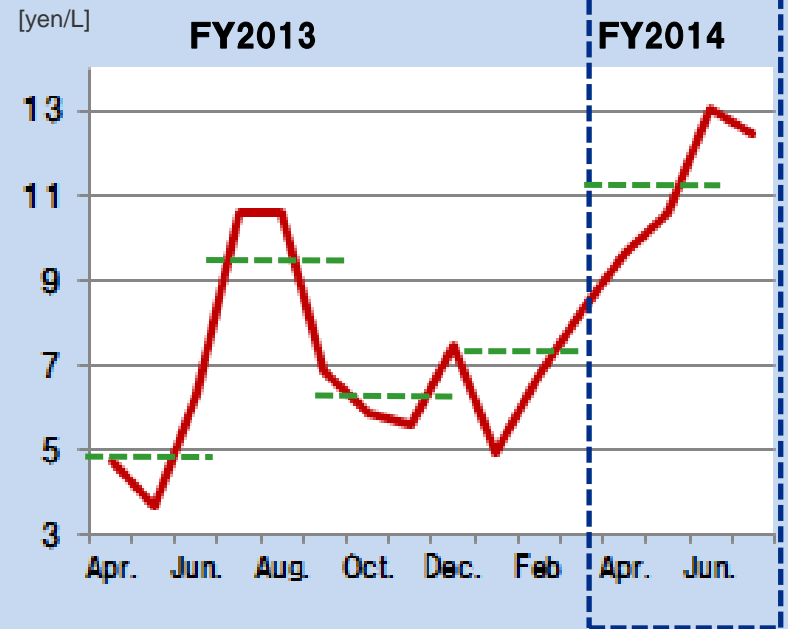
# First Quarter of Fiscal 2014 Financials

- ✓ Crude oil prices rose due to geopolitical risks in the Middle East and the Ukraine crisis.
- ✓ The oil product market remained at a level that appropriately reflected the rising crude oil price. The high level in June continuing in July.

Dubai Crude Oil Price



Market of Four Oil Prices



\* Spot price: nationwide customs clearance crude oil (CIF)

Note: A green broken line represents the quarterly average of the market of four oil price.

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## Outline of Q1 Results

- ✓ The company changed the nominal capacity of Yokkaichi Refinery and achieved safe operation and high rate operation with three refineries.
- ✓ In terms of marketing, sales channel composition was revised and starting in April, a new price formula that reflected changes in the oil price was introduced to earn appropriate margins.
- ✓ As a result, due chiefly to improved profit in the petroleum business, ordinary income excluding the impact of inventory valuation increased by 1.1 billion yen from 1Q FY2013 to 5.2 billion yen.

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## Full-Year Business Outlook

Due to uncertainty of yen-dollar exchange rate and crude oil price trades in July 2014-March 2015, no revision is made in the full-year business outlook as of today.

|  | Unit: billion yen         |                           |             |
|--|---------------------------|---------------------------|-------------|
|  | FY2014<br>(Apr.-Jun.2014) | FY2013<br>(Apr.-Jun.2013) | Changes     |
| Net sales  | 744.4                     | 822.3                     | -77.9       |
| Cost of sales  | 708.5                     | 791.8                     | -83.3       |
| Selling, general and administrative expenses                   | 31.1                      | 29.4                      | 1.7         |
| <b>Operating income</b>  | <b>4.8</b>                | <b>1.1</b>                | <b>3.7</b>  |
| Non-operating income/expenses, net                             | -2.7                      | 2.8                       | -5.5        |
| <b>Ordinary income</b>   | <b>2.1</b>                | <b>3.9</b>                | <b>-1.8</b> |
| Extraordinary income/losses, net                               | -1.8                      | 0.6                       | -2.4        |
| Income taxes   | 5.7                       | 7.9                       | -2.2        |
| Minority interests   | 1.1                       | 1.3                       | -0.2        |
| <b>Net income</b>  | <b>-6.5</b>               | <b>-4.7</b>               | <b>-1.8</b> |
| Impact of inventory valuation                                  | -3.1                      | -0.2                      | -2.9        |
| <b>Ordinary income excluding impact of inventory valuation</b> | <b>5.2</b>                | <b>4.1</b>                | <b>1.1</b>  |
| Dubai crude oil price (USD/B)                                  | 106.1                     | 100.7                     | 5.4         |
| JPY/USD exchange rate (yen/USD)                                | 102.1                     | 98.7                      | 3.4         |

Due chiefly to improved profit in the petroleum business, operating income increased by 3.7 billion yen from 1Q FY2013 to 4.8 billion yen

Given a deterioration in profit in equity method companies and other factors, ordinary income declined by 1.8 billion yen from 1Q FY2013 to 2.1 billion yen

Ordinary income excluding the impact of inventory evaluation increased by 1.1 billion yen from 1Q FY2013 to 5.2 billion yen

Unit: billion yen

|  | FY2014<br>(Apr.-Jun.2014) | FY2013<br>(Apr.-Jun.2013) | Changes |
|--|---------------------------|---------------------------|---------|
| Ordinary income excluding<br>impact of inventory valuation | 5.2                       | 4.1                       | 1.1     |
|  |                           |                           |         |
| Petroleum business   | -3.0                      | -12.7                     | 9.7     |
| Petrochemical business                                     | -1.8                      | 1.9                       | -3.7    |
| Oil E & P business   | 9.6                       | 12.0                      | -2.4    |
| Other ※  | 0.4                       | 2.9                       | -2.5    |

※ includes consolidated accounting processing

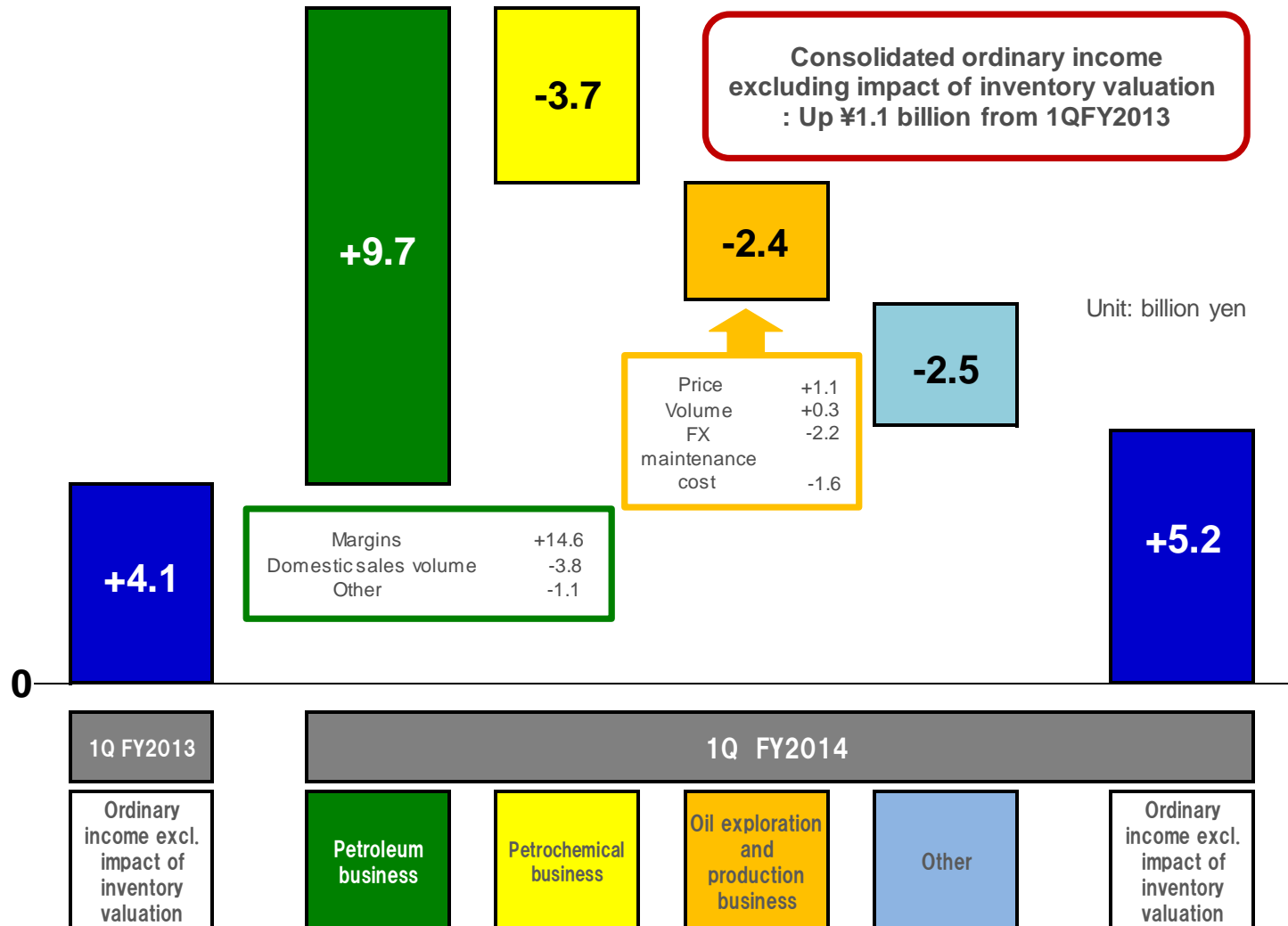


# [1Q FY2014 Results] Consolidated Ordinary Income

(Excluding impact of inventory valuation) – Analysis of Changes from 1Q FY2013

Key variable factors

- Petroleum Business** : Higher profit due to an improvement in the oil product market and in operating ratios at refineries
- Petrochemical Business** : Lower profit due chiefly to a deterioration in petrochemical product market
- Oil E & P Business** : Lower profit due to a temporary rise in production costs and other reasons



## Consolidated Balance Sheets

Unit: billion yen

|                             | FY2014<br>(As of Jun. 30, '14) | FY2014<br>(As of Mar. 31, '14) | Changes         |
|-----------------------------|--------------------------------|--------------------------------|-----------------|
| Total Assets                | 1635.7                         | 1696.8                         | -61.1           |
| Net assets                  | 252.4                          | 261.1                          | -8.7            |
| Net worth                   | 223.3                          | 231.9                          | -8.6            |
| Net worth ratio             | 13.7%                          | 13.7%                          | -               |
| Interest-bearing debts      | 873.0                          | 863.7                          | 9.3             |
| Debt dependence ratio       | 53.4%                          | 50.9%                          | Down 2.5 points |
| Debt Equity Ratio           | 3.9                            | 3.7                            | Down 0.2 points |
| Net interest-bearing debt * | 710.3                          | 723.3                          | -13.0           |
| Debt dependence ratio       | 43.4%                          | 42.6%                          | Down 0.8 points |
| Debt Equity Ratio           | 3.2                            | 3.1                            | Down 0.1 points |

\* Total interest-bearing debts net of cash and deposits as of the end of the period

- ✓ Concerning capital expenditures, steady investment was made in line with the FY2014 Plan, particularly in the restoration of a refinery in the petroleum business

### Capital Expenditures, Depreciation, etc.

|                                  | Unit: billion yen |                       |
|----------------------------------|-------------------|-----------------------|
|                                  | 1Q FY2014 Results | Change from 1Q FY2013 |
| Capital expenditures             | 15.4              | 7.7                   |
| Depreciation expense amount, etc | 7.8               | -1.7                  |

### Capital Expenditures by Business Segment

|               | Unit: billion yen |                   |         |
|---------------|-------------------|-------------------|---------|
|               | 1Q FY2014 Results | 1Q FY2013 Results | Changes |
| Petroleum     | 9.0               | 6.7               | 2.3     |
| Petrochemical | 0.2               | 0.1               | 0.1     |
| Oil E&P       | 2.2               | 2.0               | 0.2     |
| Other         | 4.0               | 0.6               | 3.4     |
| adjustment    | 0.0               | -1.7              | 1.7     |
| Total         | 15.4              | 7.7               | 7.7     |

# Supplementary Information

- P13 : [1Q FY2014 Results / FY2014 Forecast] Sales Volume /
- P14 : [1Q FY2014 Results] Dubai Crude Oil Price and Processing Volume, CDU Operating Ratios, Crude Oil Production Volume
- P15 : Crude Reserves Estimate ( Proved and Probable )
- P16 : [1Q FY2014 Results ] Results by Business Segment—Changes from 1Q FY2013
- P17 : [1Q FY2014 Results] Historical Changes in the Number of Employees, Oil Storage Depots, SSs , Cards in Force and B-cle Lease
- P18 : Diesel Fuel Export Results and Margin Environment
- P19 : Petrochemical business Aromatic—Product Market Conditions
- P20–22 : Topics(Oil E&P business Overview, Strategic comprehensive cooperation with CEPESA, Progress of the Joint Project with Kyokuto Petroleum Industries, Ltd.)
- P24–27 : Forecast for FY 2014 Performance(May 13, 2014 existing announcement)

Unit: 1,000 KL

|                             |   | 1Q FY2014<br>Results | 1Q FY2013<br>Results | Changes        | 1Q FY2014<br>Result Changes<br>from 1Q FY2013 | FY2014<br>Forecast | FY2014 Full Year<br>outlook<br>changes from<br>FY2013 |
|-----------------------------|---|----------------------|----------------------|----------------|---|--------------------|---|
| Selling volume in Japan     | Gasoline  | 1,375                | 1,468                | △ 93           | 93.7%   | 5,794              | 95.7%   |
|                             | Kerosene  | 223                  | 297                  | △ 74           | 75.1%   | 2,012              | 89.0%   |
|                             | Diesel fuel   | 1,013                | 1,068                | △ 55           | 94.9%   | 4,034              | 91.7%   |
|                             | Heavy fuel oil A  | 355                  | 382                  | △ 27           | 92.9%   | 1,612              | 87.3%   |
|                             | <b>Sub-Total</b>  | <b>2,967</b>         | <b>3,216</b>         | <b>△ 249</b>   | <b>92.3%</b>                                  | <b>13,451</b>      | <b>92.4%</b>  |
|                             | Naphtha   | 1,257                | 1,612                | △ 355          | 78.0%   | 6,259              | 95.5%   |
|                             | Jet fuel  | 98                   | 93                   | 5              | 105.6%  | 468                | 96.5%   |
|                             | Heavy fuel oil C<br>inc. Heavy fuel<br>oil C for electric | 411                  | 448                  | △ 38           | 91.6%   | 1,659              | 81.4%   |
|                             | <b>Total</b>  | <b>4,732</b>         | <b>5,368</b>         | <b>△ 636</b>   | <b>88.2%</b>                                  | <b>21,837</b>      | <b>92.4%</b>  |
|                             | Middle distillate<br>export volume                        | Diesel fuel          | 102                  | 619            | △ 516   | 16.6%              | 1,345   |
| Kerosene/Jet                |   | 0                    | 0                    | 0              | -   | 0                  | -   |
| <b>Sub-Total</b>            |   | <b>102</b>           | <b>619</b>           | <b>△ 516</b>   | <b>16.6%</b>                                  | <b>1,345</b>       | <b>117.5%</b>   |
| Bond sales, etc.            | Jet fuel  | 524                  | 431                  | 94             | 121.7%  | 1,947              | 104.4%  |
|                             | Heavy fuel oil C  | 151                  | 140                  | 11             | 107.8%  | 506                | 90.1%   |
|                             | Other   | 150                  | 331                  | △ 181          | 45.3%   | 423                | 68.4%   |
|                             | <b>Sub-Total</b>  | <b>825</b>           | <b>902</b>           | <b>△ 76</b>    | <b>91.5%</b>                                  | <b>2,876</b>       | <b>94.5%</b>  |
| Barter deal, etc.           |   | 2,052                | 2,244                | △ 193          | 91.4%   | 9,167              | 90.7%   |
| <b>Total selling volume</b> |   | <b>7,712</b>         | <b>9,133</b>         | <b>△ 1,421</b> | <b>84.4%</b>                                  | <b>35,225</b>      | <b>92.9%</b>  |

| <b>[1] Dubai Crude oil price,processing volume and CDU operating ratios</b> |                                       |           |           |                        |       |
|---|---------------------------------------|-----------|-----------|------------------------|-------|
|   |                                       | 1Q FY2014 | 1Q FY2013 | Changes from 1Q FY2013 |       |
| Dubai crude oil price (USD/B)   |                                       | 106.1     | 100.7     | 5.4                    | —     |
| JPY/USD exchange rate (yen/\$)  |                                       | 102.1     | 98.7      | 3.4                    | —     |
| Crude oil refining  | Refined crude oil volume (1,000 KL)   | 4,775     | 6,141     | -1,366                 | 77.8% |
|   | CDU operating ratio (Calendar Day)    | 73.0%     | 66.8%     | 6.2%                   | —     |
|   | CDU operating ratio (Streaming Day) * | 89.2%     | 81.3%     | 7.9%                   | —     |

\*Streaming day indicates operating ratio excluding the impact of suspended operations due to regular repairs and maintenance, etc.

| <b>[2] Crude oil production volume</b>                |  |           |           |                        |       |
|---|--|-----------|-----------|------------------------|-------|
|   |  | 1Q FY2014 | 1Q FY2013 | Changes from 1Q FY2013 |       |
| Cosmo Energy Exploration & Production Co., Ltd. (B/D) |  | 36,999    | 37,161    | -162                   | 99.6% |

\*1) The Cosmo Oil Group 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.

(As of Dec. 31, 2013)

| Crude Reserves Estimate (working interest base) (*1)                        |                |  |
|---|----------------|--|
|   | mmbbls         |  |
| ①Proved Reserves (*2)   | 107.0          | Note: The above reserves include reserves of new concession area, Hail field.                            |
| ②Probable Reserves (*3)   | 98.9           |  |
| ③Total Proved and Probable Reserves (①+②)                                   | 205.9          |  |
| (Ref.: Reserves to Production Ratio of Total Proved and Probable Reserves ) | about 30 years | Note: The daily average crude production based on working interest reached 19 thousands bopd for FY2013. |

(\*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)

## 1Q FY2014 Results – Changes from 1Q FY2013

Unit: billion yen

|                        | Net Sales    |                           | Operating Income |                           | Ordinary Income |                           | Ordinary Income<br>(excluding impact of<br>inventory valuation, cost or<br>market method) |                           |
|------------------------|--------------|---------------------------|------------------|---------------------------|-----------------|---------------------------|---|---------------------------|
|                        |              | Changes from<br>1Q FY2013 |                  | Changes from<br>1Q FY2013 |                 | Changes from<br>1Q FY2013 |   | Changes from<br>1Q FY2013 |
| Petroleum business     | 733.4        | -75.0                     | -4.5             | 6.3                       | -6.1            | 6.8                       | -3.0  | 9.7                       |
| Petrochemical business | 7.6          | 0.8                       | -0.4             | -0.6                      | -1.8            | -3.7                      | -1.8  | -3.7                      |
| Oil E&P business       | 18.5         | 2.3                       | 9.6              | 0.4                       | 9.6             | -2.4                      | 9.6   | -2.4                      |
| Other business         | 13.8         | -1.5                      | 0.3              | -0.6                      | 0.5             | -0.8                      | 0.5   | -0.8                      |
| adjustment             | -28.9        | -4.5                      | -0.2             | -1.8                      | -0.1            | -1.7                      | -0.1  | -1.7                      |
| <b>Total</b>           | <b>744.4</b> | <b>-77.9</b>              | <b>4.8</b>       | <b>3.7</b>                | <b>2.1</b>      | <b>-1.8</b>               | <b>5.2</b>  | <b>1.1</b>                |

## Cosmo Group of Companies (by Segment)

|                        |   |
|------------------------|---|
| Petroleum business     | Cosmo Oil Co., Ltd., Cosmo Oil Sales Corp, Cosmo Petroleum Gas Co., Ltd., Cosmo Oil Lubricants Co., Ltd., Sogo Energy Co., Ltd., etc.   |
| Petrochemical business | Cosmo Matsuyama Oil Co., Ltd., CM Aromatics Co., Ltd., Maruzen Petrochemical Co., Ltd. (owned by the Cosmo Oil Group on the equity method), Hyundai Cosmo Petrochemical Co., Ltd. (owned by the Cosmo Oil Group on the equity method) |
| Oil E & P business     | Cosmo Energy Exploration & Production Co., Ltd., Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., United Petroleum Development Co., Ltd. etc.<br>(owned by the Cosmo Oli Group on the equity method), etc.             |
| Other business         | Cosmo Engineering Co., Ltd., Cosmo Trade & Services Co., Ltd., EcoPower Co., Ltd., etc.   |



**[1] Workforce size (No. of persons)**

|                 | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | 1Q FY2014 |
|-----------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| Cosmo Oil alone | 1,957  | 2,064  | 2,180  | 2,135  | 2,025  | 1,899  | 1,837  | 1,714     |
| Cosmo Oil Group | 3,299  | 3,269  | 3,325  | 3,268  | 3,098  | 2,840  | 2,782  | 2,819     |

\* Data as of the end of March of eac

\* Group headcounts combine those of non-consolidated Cosmo Oil (up until FY2008), while combining those of non-consolidated Cosmo Oil, with those transferred, probationary employees and with senior employees (in FY2009 onwards).

**[2] No. of oil storage depots (DTs)**

|            | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | 1Q FY2014 |
|------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| No. of DTs | 38     | 38     | 36     | 35     | 35     | 35     | 35     | 36        |

**[3] No. of SSs by Operator Type**

|            | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | 1Q FY2014 |
|------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| Subsidiary | 1,104  | 1,023  | 1,025  | 967    | 939    | 914    | 899    | 897       |
| Dealers    | 3,021  | 2,890  | 2,743  | 2,642  | 2,559  | 2,411  | 2,329  | 2,322     |
| Total      | 4,125  | 3,913  | 3,768  | 3,609  | 3,498  | 3,325  | 3,228  | 3,219     |
| Mobile SSs | 53     | 47     | 43     | 36     | 34     | 33     | 34     | 34        |

**[4] No. of Self-Service SSs out of the Total No. of SSs Mentioned [3] above.**

|                           | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | 1Q FY2014 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| Subsidiary                | 507    | 551    | 575    | 548    | 570    | 550    | 550    | 551       |
| Dealers                   | 360    | 404    | 429    | 455    | 437    | 449    | 461    | 463       |
| Total                     | 867    | 955    | 1,004  | 1,003  | 1,007  | 999    | 1,011  | 1,014     |
| Share of Self-Service SSs | 21.0%  | 24.4%  | 26.6%  | 27.8%  | 28.8%  | 30.0%  | 31.3%  | 31.5%     |

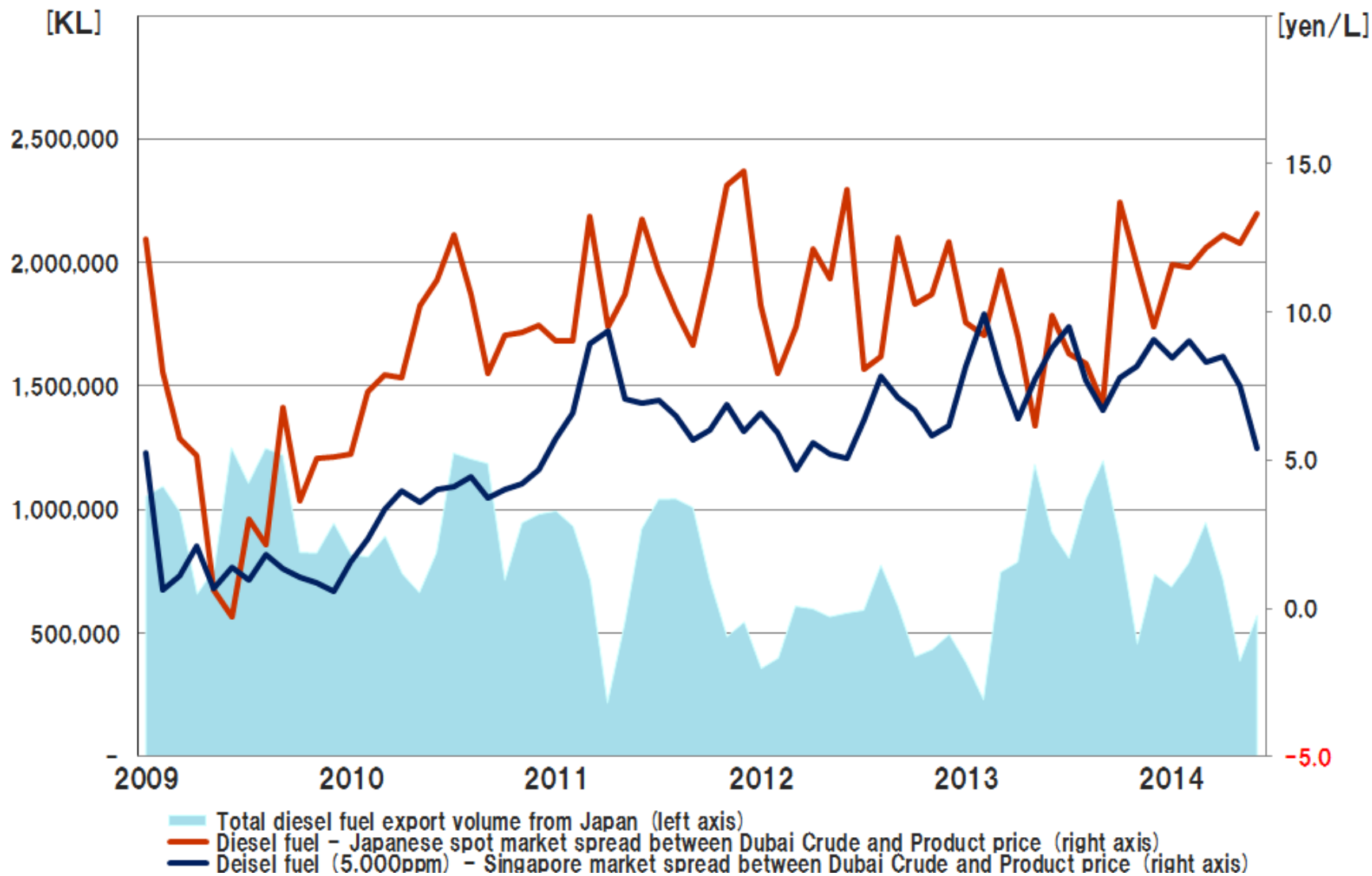
**[5] Cosmo The Card-Number of cards issued (including the number of Opus cards in force)**

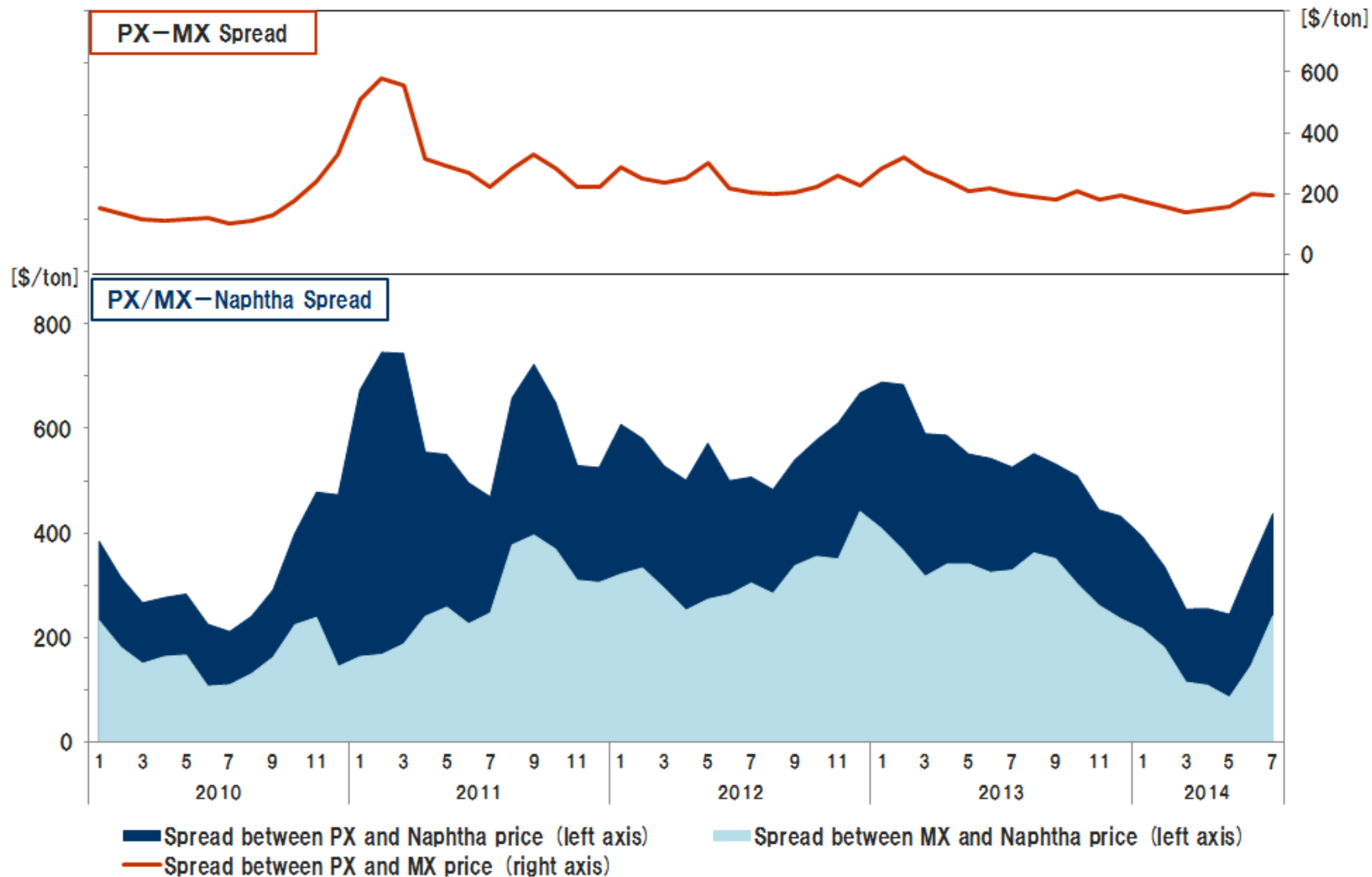
(Unit: million cards) (Unit: million cards)

|                       | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | 1Q FY2014 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| No. of cards in force | 3.05   | 3.35   | 3.57   | 3.67   | 3.81   | 3.97   | 4.12   | 4.15      |

**[6] Cosmo B-cle Lease -Number of contracted vehicles**

|                               | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | 1Q FY2014 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| Number of contracted vehicles | -      | -      | -      | -      | 1,287  | 5,003  | 11,476 | 12,751    |



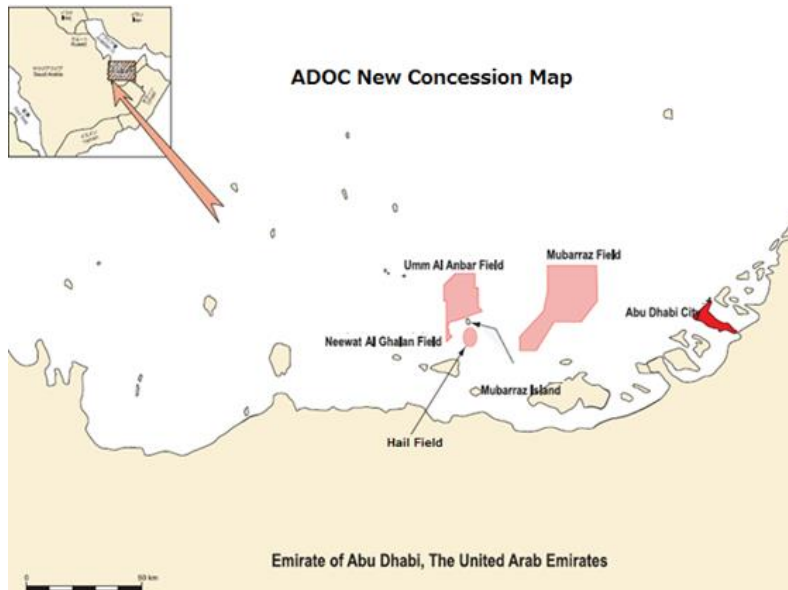


- ✓ Development policy : To mainly operate mine lots that have already been discovered and are yet to be developed in the U.A.E. and Qatar (three oil E&P companies)
- ✓ Relationships with oil producers : Extend concession agreement to 2042 by maintaining the 40+ year relationship of trust with Abu Dhabi
- ✓ Production volume : A total of approximately 37,000 barrels/day from existing oil fields
- ✓ Plan to increase production : The Hail oil field is in the development stage, and the reserve is under review. Moving toward beginning production in 2016 by conducting studies on production facilities on the ground, etc.

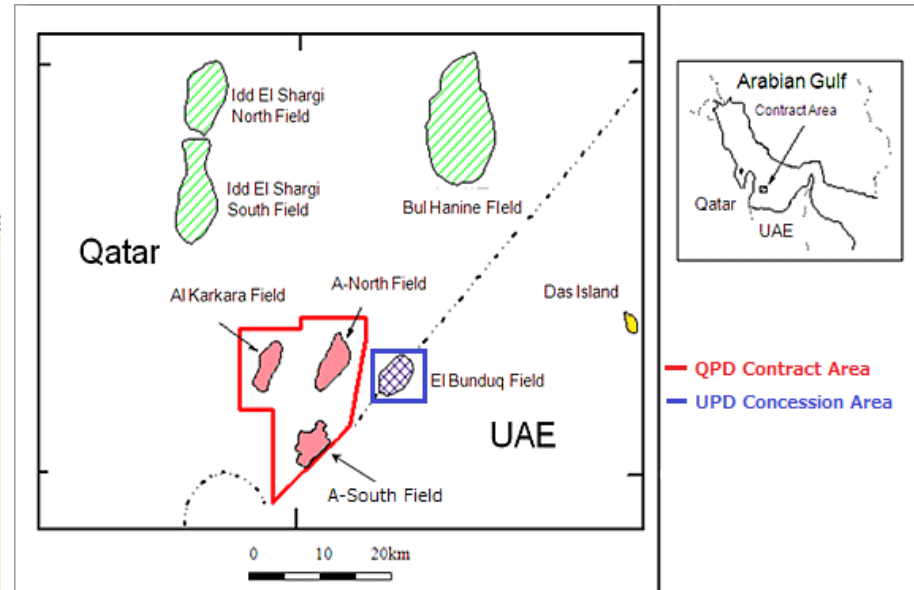
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\*2) The production volume represents the total production volumes of the three major developers: Abu Dhabi Oil, Qatar Petroleum Development and United Petroleum Development.

■ Location Map of ADOC Concession Area



■ Location Map of QPD Contract and UPD Concession Area



<Heil Overview>

- (1) The Hail Oil Field is a new mine lot already discovered and yet to be developed.
- (2) It is located near the existing oil fields, being expected to reduce development cost
- (3) The new Hail Oil Field is expected to produce similar amount of production of current Abu Dhabi Oil.

- ✓ As a step in Further strengthening alliances with IPIC, one of the basic policies of the medium-term management plan, a strategic comprehensive cooperation relationship with CEPSA, a Spanish integrated oil company and member of the IPIC Group, has been established. The two companies commenced discussions on the development of mutual business opportunities and commercialization.
- ✓ The two companies will join forces with the aim of, among other things, obtaining new oil and gas concessions and expanding business in the upstream business.

< Overview of the comprehensive cooperation relationship >



☆ Track record and an established presence in offshore oil field development in the Middle East for almost half a century.  
 ☆ Petroleum refining and petrochemical business in Asia, where demand is expanding.

Pursue synergies mainly in the upstream business

☆ Track record in onshore oil and gas field development, mainly in North Africa and South America, as well as abundant human resources.  
 ☆ Very strong financial position backed by capital contribution from the IPIC.

IPIC (Abu Dhabi)

Contribution of about 21%

Contribution of 100%

< Concrete joint business development >

- January 21, 2014 Conclusion of Memorandum of Agreement in relation to strategic comprehensive cooperation  
 (Mr. Roig, Director and CEO of CEPSA,  
 and Mr. Morikawa, Representative Director and President of Cosmo Oil Co., Ltd.  
 Location: IPIC headquarters building in Abu Dhabi) ⇒
- Oil and gas E&P Working Group (development of new joint business opportunities in upstream business fields and technical know-how exchange)
- Strategy Working Group (petrochemicals, oil refining, marketing, etc.)



- ✓ In June 2014, to execute a joint project, a memorandum of understanding was concluded toward concluding a basic contract by Dec. 2014
- ✓ Aiming to establish a joint venture company with a policy of equal and fair operations by January 2015, continue to discuss specific items including detailed design of a pipeline that connects the two companies

### <Examples of synergy-based projects already implemented>

- ✓ Supply of semi-finished goods (heavy naphtha) with domestic vessels and improvement in ship allocation efficiency at the time of exporting goods
- ✓ Quality check in the event of directly exchanging finished or semi-finished products between the desulfurization unit and the RFCC

### <Matters under consideration>

#### ■ By Jan. 2015, establishing a limited liability company:

- Aiming to operate equally/fairly

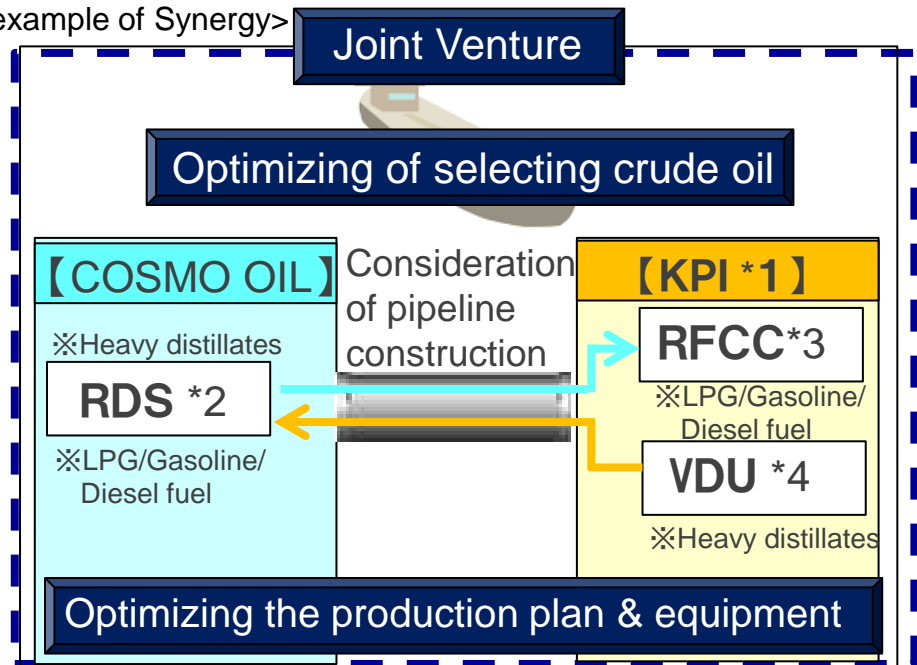
#### ■ Pipeline to be completed in FY2016:

- Start detailed designing
- Assumes nine pipelines
- Assumes that the two companies each provide half the construction costs

#### ■ Integration of the two refineries:

- Integration of refinery equipment when the pipeline is completed
- To produce synergy from the integration, considering optimization of equipment including a review of CDU capacity

<An example of Synergy>



\* 1 )KPI=KYOKUTO PETROLEUM INDUSTRIES  
 \* 2)RDS=RESIDUE HYDRODESULFURIZATION  
 \* 3)RFCC=RESIDUE FLUID CATALYTIC CRACKER  
 \* 4)VDU=VACUUM DISTILLATION UNIT

Producing synergy = Increasing competitiveness of refineries

# Forecast for FY 2014 Performance (May 13, 2014 existing announcement)

- ✓ The crude oil price and the foreign exchange rate are calculated on the basis of their respective average figures in the past three months.
- ✓ Aiming to increase ordinary income by 15.2 billion yen, from FY2013 to 57.0 billion yen.

Unit: billion yen

|   | FY2014<br>Forecast | FY2013<br>Results | Changes |
|---|--------------------|-------------------|---------|
| Ordinary income   | 57.0               | 41.8              | 15.2    |
| impact of inventory valuation                           | 0                  | 16.1              | -16.1   |
| Ordinary income excluding impact of inventory valuation | 57.0               | 25.7              | 31.3    |
|   |                    |                   |         |
| Petroleum business                                      | 3.0                | -41.4             | 44.4    |
| Petrochemical business                                  | 0.5                | 3.7               | -3.2    |
| Oil E & P business                                      | 51.0               | 58.1              | -7.1    |
| Other   | 2.5                | 5.3               | -2.8    |
| Net income  | 14.0               | 4.3               | 9.7     |
| Dividend per Share (Plan) (yen)                         | 4                  | 2                 | -       |

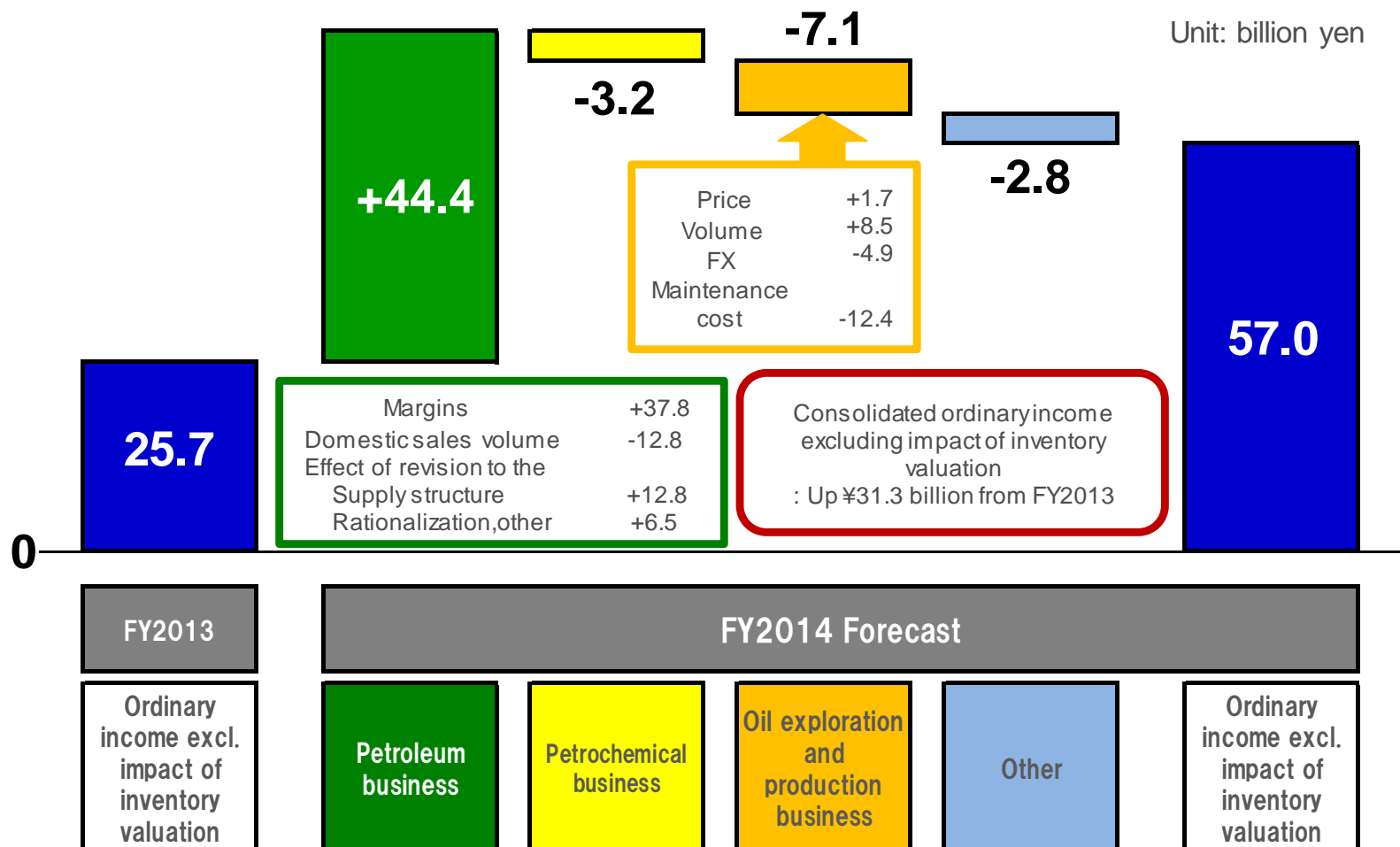
**【Reference】**

|                                | FY2014<br>Forecast | FY2013<br>Results | Changes |
|--------------------------------|--------------------|-------------------|---------|
| Dubai crude oil price (USD/B)  | 104.0              | 104.6             | -0.6    |
| JPY/USD exchange rate (yen/\$) | 102.0              | 100.24            | 1.76    |

\* For sensitivity to the crude oil price and the foreign exchange rate, see page 24.



|  |                         |   |
|--|-------------------------|---|
| <div style="background-color: #003366; color: white; border-radius: 50%; padding: 10px; display: inline-block;">                 Key variable factors             </div> | Petroleum Business:     | Significantly higher profit after an improvement in margins and in operating ratios at refineries.  |
|  | Petrochemical Business: | Lower profit after a deterioration in petrochemical product market conditions.                      |
|  | Oil E&P Business:       | Lower profit in reaction to foreign exchange gains despite of crude oil production volume recovery. |



**Full-Year FY2014 Forecast, 2013 with Year-on-Year Changes**

Unit: billion yen

|                        | Net Sales |                     | Operating Income |                     | Ordinary Income |                     | Ordinary Income<br>(excluding impact of inventory valuation, cost or market method) |                     |
|------------------------|-----------|---------------------|------------------|---------------------|-----------------|---------------------|---|---------------------|
|                        |           | Changes from FY2013 |                  | Changes from FY2013 |                 | Changes from FY2013 |   | Changes from FY2013 |
| Petroleum business     | 3,368.0   | -95.7               | 11.5             | 29.4                | 3.0             | 28.3                | 3.0   | 44.4                |
| Petrochemical business | 77.0      | 25.4                | -1.0             | -2.1                | 0.5             | -3.2                | 0.5   | -3.2                |
| Oil E&P business       | 100.0     | 11.3                | 50.5             | -1.5                | 51.0            | -7.1                | 51.0  | -7.1                |
| Other business         | 75.0      | -4.4                | 4.0              | -0.6                | 5.0             | -0.5                | 5.0   | -0.5                |
| adjustment             | -155.0    | -9.4                | -3.0             | -2.9                | -2.5            | -2.3                | -2.5  | -2.3                |
| Total                  | 3,465.0   | -72.8               | 62.0             | 22.3                | 57.0            | 15.2                | 57.0  | 31.3                |

**Assumption of Crude Oil Price and Exchange Rate, and Business Sensitivity thereto**

|                       | Precondition  | Sensitivity        |                    |
|-----------------------|---------------|--------------------|--------------------|
|                       |               | Petroleum Business | Oil E & P Business |
| Crude oil             | 104.0 USD/BBL | + 1.7 billion yen  | + 0.8 billion yen  |
| JPY/USD exchange rate | 102.0 yen/USD | + 1.8 billion yen  | + 0.8 billion yen  |

\* Figures above refer to impacts by crude oil price and yen-dollar exchange fluctuations on inventory valuation gains, in-house fuel costs and timing difference (by taking no impact by the cost or market method into consideration).

\*A year period of Apr. 2014 to March 2015 adopted for sensitivity figure estimation for the petroleum business segment, and a nine-month period of Apr. 2014 to Dec. 2014, for the oil exploration and production business.

- ✓ In the petroleum business, capital investment will be increased for the Chiba Renewal Plan, aiming to boost safety and profitability, and for a strategic reserve fund in consideration of further business development.
- ✓ In the oil E&P business, capital investment will be increased, reflecting investments postponed from FY2013 and the impact of the depreciation of the Japanese currency.

### Capital Expenditures, Depreciation, etc.

Unit: billion yen

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

### Capital Expenditures by Business Segment

Unit: billion yen

|               | FY2014 Forecast | FY2013 Results | Changes     |
|---------------|-----------------|----------------|-------------|
| Petroleum     | 44.2            | 33.1           | 11.1        |
| Petrochemical | 0.7             | 0.6            | 0.1         |
| Oil E&P       | 33.5            | 8.7            | 24.8        |
| Other         | 6.4             | 3.1            | 3.3         |
| adjustment    | -2.1            | -4.3           | 2.2         |
| <b>Total</b>  | <b>82.7</b>     | <b>41.2</b>    | <b>41.5</b> |

## Disclaimer

### FORWARD-LOOKING STATEMENTS

Certain statements made and information contained herein constitute "forward-looking information" (within the meaning of applicable Japanese securities legislation). Such statements and information (together, "forward looking statements") relate to future events or the Company's future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to estimates of reserves and or resources, future production levels, future capital expenditures and their allocation to exploration and development activities, future drilling and other exploration and development activities, ultimate recovery of reserves or resources and dates by which certain areas will be explored, developed or reach expected operating capacity, that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

All statements other than statements of historical fact may be forward-looking statements. Statements concerning proven and probable reserves and resource estimates may also be deemed to constitute forward-looking statements and reflect conclusions that are based on certain assumptions that the reserves and resources can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions) are not statements of historical fact and may be "forward-looking statements". Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. The Company does not intend, and does not assume any obligation, to update these forward looking statements, except as required by applicable laws. These forward-looking statements involve risks and uncertainties relating to, among other things, changes in oil prices, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government or other regulatory approvals, actual performance of facilities, availability of financing on reasonable terms, availability of third party service providers, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements.