

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

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**November 6, 2014**

## Review of each segment

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- ✓ Safe operations and stable supply in line with the operating plan which is based on Cosmo's supply capacity and optimal sales channel
- ✓ Adjusted market conditions for oil products based on improved supply / demand balance, while continued harsh conditions for the retail market
- ✓ Operational adjustment was made in petrochemicals due to weakened market conditions
- ✓ Recovered production volume in the E&P business, along with enhanced strategic alliance with CEPESA
- ✓ Consolidated ordinary income increased by 3.0 billion yen YoY to 15.0 billion yen excluding impact of inventory valuation

## <Topics>

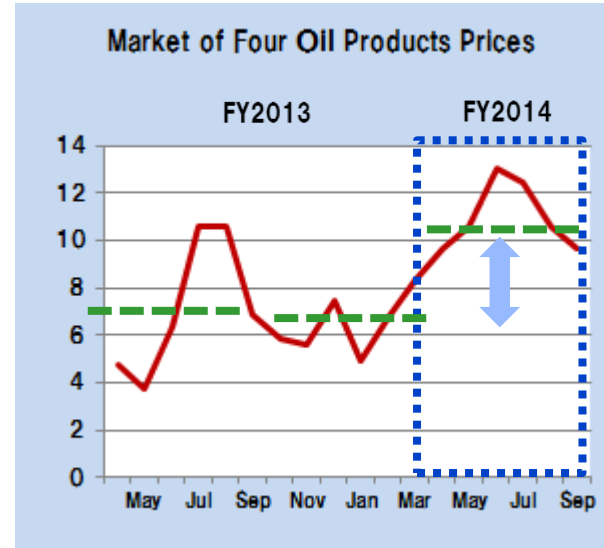
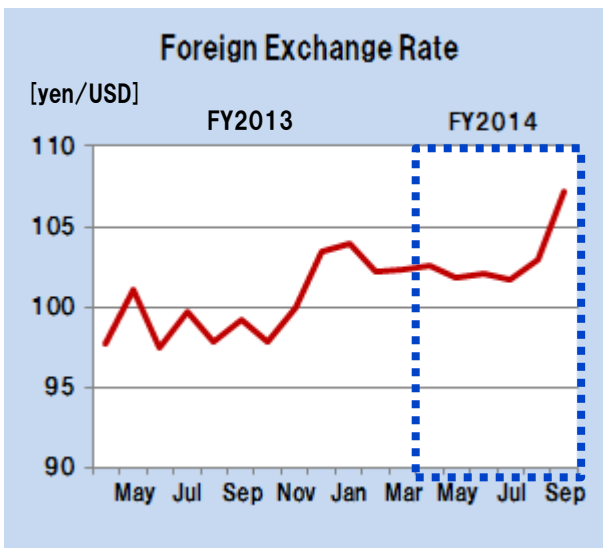
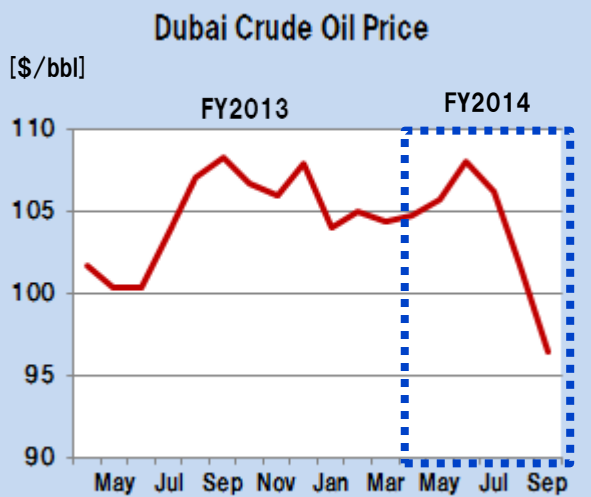
### Further enhance alliances with strategic partner CEPESA & improve balance sheet

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- ✓ To further enhance our key strategy of "Further strengthen alliances with IPIC", Cosmo and CEPESA aim to reinforce and expand the strategic partnership by forming a capital alliance in Cosmo Abu Dhabi Energy Exploration & Production Co., Ltd
- ✓ Cosmo and CEPESA, with support of common shareholder IPIC, have launched an working group together with the Abu Dhabi National Oil Company to identify new E&P business opportunities
- ✓ Cash proceeds to improve Cosmo's balance sheet

- ✓ Crude oil prices: Declining trend continued as investment funds flocked to safe-haven assets, including US Treasuries, as eyes are on easing energy supply and demand conditions as seen in the flood of supply due to the shale gas revolution in the US and the economic slump in Europe.
- ✓ Foreign exchange rate: The dollar trended higher on a possible widening gap between US and Japanese interest rates amid concerns of higher interest rates in the US resulting from an economic recovery.
- ✓ Product market: The domestic oil products market continued to effectively reflect supply and demand conditions, even though the environment remained uncertain as crude oil prices and foreign exchange rates fluctuated greatly.

Note: A green broken line represents the half year average of the market of four oil products price.



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

| Unit: billion yen  |                           |                           |              |
|--|---------------------------|---------------------------|--------------|
|  | FY2014<br>(Apr.-Sep.2014) | FY2013<br>(Apr.-Sep.2013) | Changes      |
| Net sales  | 1,552.5                   | 1,653.5                   | -101.0       |
| Cost of sales  | 1,476.6                   | 1,577.2                   | -100.6       |
| Selling, general and administrative expenses                   | 63.2                      | 60.6                      | 2.6          |
| <b>Operating income</b>  | <b>12.7</b>               | <b>15.7</b>               | <b>-3.0</b>  |
| Non-operating income/expenses, net                             | -7.8                      | 2.7                       | -10.5        |
| <b>Ordinary income</b>   | <b>4.9</b>                | <b>18.4</b>               | <b>-13.5</b> |
| Extraordinary income/losses, net                               | -5.8                      | -0.2                      | -5.6         |
| Income taxes   | 12.0                      | 14.7                      | -2.7         |
| Minority interests   | 2.4                       | 2.3                       | 0.1          |
| <b>Net income</b>  | <b>-15.3</b>              | <b>1.2</b>                | <b>-16.5</b> |
| Impact of inventory valuation                                  | -10.1                     | 6.4                       | -16.5        |
| <b>Ordinary income excluding impact of inventory valuation</b> | <b>15.0</b>               | <b>12.0</b>               | <b>3.0</b>   |
| Dubai crude oil price (USD/B)                                  | 103.7                     | 103.5                     | 0.2          |
| JPY/USD exchange rate (yen/USD)                                | 103.0                     | 99.0                      | 4.1          |

➤ Decline in equity profit  
➤ Impact of foreign exchange losses

➤ Impact of inventory valuation losses, structural improvement expenses for businesses, etc.

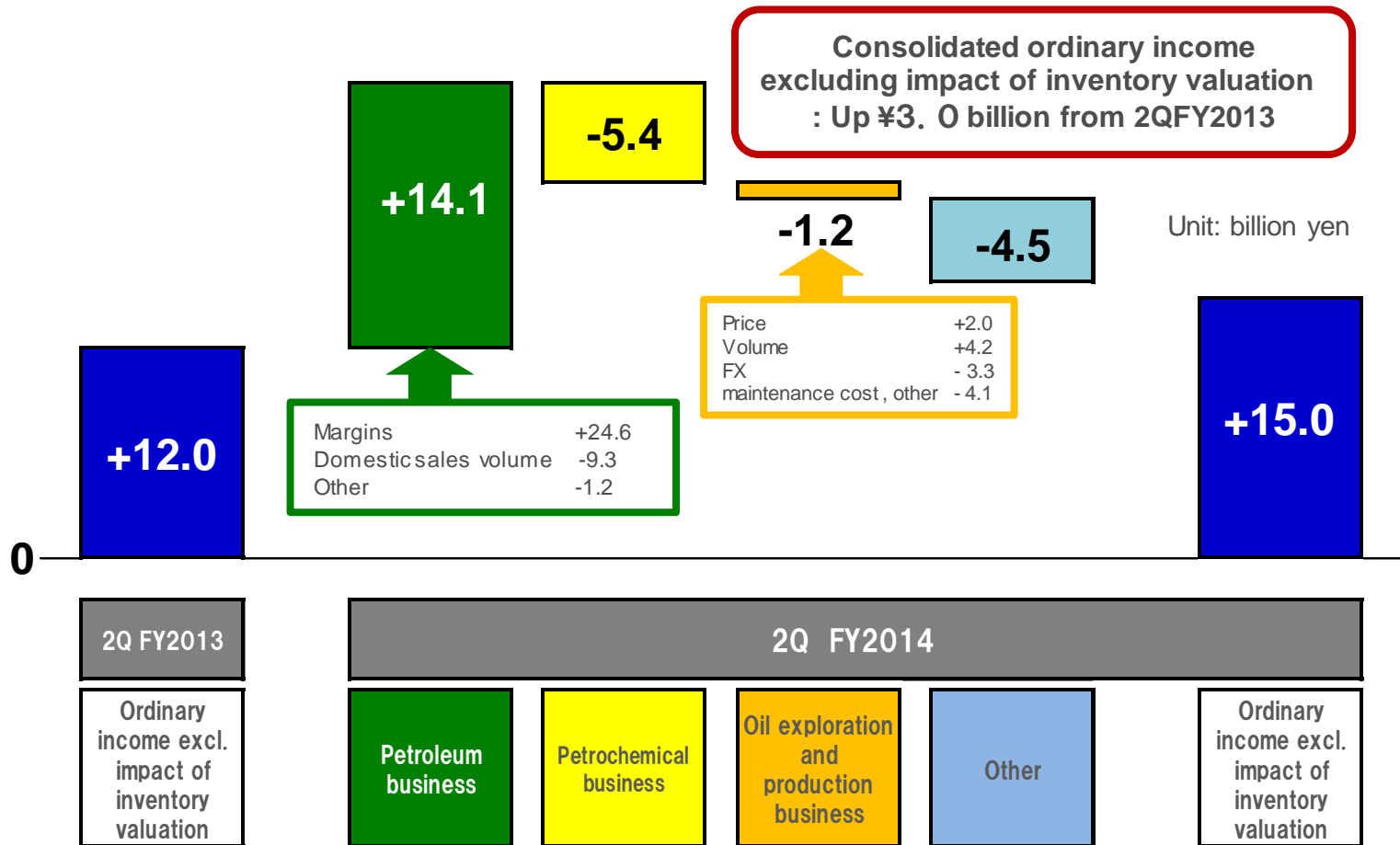
Unit: billion yen

|  | FY2014<br>(Apr.-Sep.2014) | FY2013<br>(Apr.-Sep.2013) | Changes | (Reference info.)<br>Changes from<br>previous<br>announcement |
|--|---------------------------|---------------------------|---------|---|
| Ordinary income excluding<br>impact of inventory valuation | 15.0                      | 12.0                      | 3.0     | 3.0   |
| Petroleum business   | -2.9                      | -17.0                     | 14.1    | 3.6   |
| Petrochemical business                                     | -2.8                      | 2.6                       | -5.4    | -2.8  |
| Oil E & P business   | 21.6                      | 22.8                      | -1.2    | 1.6   |
| Other  | -0.9                      | 3.6                       | -4.5    | 0.6   |

※including consolidated processing

[2Q FY2014 Results] Consolidated Ordinary Income  
 (Excluding impact of inventory valuation) – Analysis of Changes from 2Q FY2013

|                             |                        |  |
|-----------------------------|------------------------|--|
| <b>Key Variable Factors</b> | Petroleum Business     | : Higher profit due to improvement in oil product market conditions, safe operations at refineries                   |
|                             | Petrochemical Business | : Lower profit due to a slump in petrochemical product market (Paraxylene) conditions.                               |
|                             | Oil E & P Business     | : Lower profit due to temporary increase in operational costs although trending toward recovery in production volume |



### Consolidated Cash Flows

Unit: billion yen

|  | Result<br>(As of Sep.30,'14) | Change from FY13<br>(As of Mar. 31,'14) |
|--|------------------------------|---|
| Cash flows from operating activities           | 18.0                         | —                                       |
| Cash flows from investing activities           | -37.4                        | —                                       |
| Cash flows from financing activities           | 17.3                         | —                                       |
| Cash and cash equivalents at end of the period | 119.9                        | -3.4                                    |

### Consolidated Balance Sheets

Unit: billion yen

|                             | Result<br>(As of Sep.30,'14) | FY2013<br>(As of Mar. 31,'14) | Changes         |
|-----------------------------|------------------------------|-------------------------------|-----------------|
| Total Assets                | 1,668.8                      | 1,696.8                       | -28.0           |
| Net assets                  | 247.6                        | 261.1                         | -13.5           |
| Net worth                   | 217.3                        | 231.9                         | -14.6           |
| Net worth ratio             | 13.0%                        | 13.7%                         | Down 0.7 points |
| Interest-bearing debts      | 882.3                        | 863.7                         | 18.6            |
| Debt dependence ratio       | 52.9%                        | 50.9%                         | Down 2.0 points |
| Debt Equity Ratio           | 4.1                          | 3.7                           | Down 0.4 points |
| Net interest-bearing debt * | 738.7                        | 723.3                         | 15.4            |
| Debt dependence ratio       | 44.3%                        | 42.6%                         | Down 1.7 points |
| Debt Equity Ratio           | 3.4                          | 3.1                           | Down 0.3 points |

## Capital Expenditures, Depreciation, etc.

|                                  | Unit: billion yen |                       |
|----------------------------------|-------------------|-----------------------|
|                                  | 2Q FY2014 Results | Change from 2Q FY2013 |
| Capital expenditures             | 30.0              | 16.0                  |
| Depreciation expense amount, etc | 16.0              | -2.3                  |

## Capital Expenditures by Business Segment

|               | Unit: billion yen |                   |         |
|---------------|-------------------|-------------------|---------|
|               | 2Q FY2014 Results | 2Q FY2013 Results | Changes |
| Petroleum     | 13.9              | 12.0              | 1.9     |
| Petrochemical | 0.3               | 0.3               | 0.0     |
| Oil E&P       | 9.8               | 3.7               | 6.1     |
| Other         | 5.9               | 0.9               | 5.0     |
| Adjustment    | 0.1               | -2.9              | 3.0     |
| Total         | 30.0              | 14                | 16.0    |



# Forecast for FY 2014 Performance

- ✓ No revisions have been made to the full-year consolidated business outlook as earnings environment of the petroleum business has performed above expectations due to improved supply / demand balance, despite under uncertain external environment such as plunge in recent crude oil prices
- ✓ However, assumptions of the crude oil price and foreign exchange rate for 2H have been revised to the most recent 3-month moving average levels
- ✓ No impact of inventory valuation for 2H has been taken into account while only actual result for 1H has been reflected, given that assumptions of the crude oil price and foreign exchange rate for 2H are same as the level at the end of September
- ✓ Cosmo expects to record an extraordinary profit for FY2014, as a result of the transaction to sell part of Cosmo Abu Dhabi shares to CEPESA announced yesterday

**【Reference Information】**

|                                | Results for<br>the first half | Assumption<br>for the<br>second half | Assumption<br>of FY2014<br>Outlook | (Reference)       |                                   |
|--------------------------------|-------------------------------|--------------------------------------|------------------------------------|-------------------|-----------------------------------|
|                                |                               |                                      |                                    | 2014FY<br>Outlook | Changes<br>from FY2014<br>Outlook |
| Dubai crude oil price (USD/B)  | 104                           | 95                                   | 99                                 | 104               | -5                                |
| JPY/USD exchange rate (yen/\$) | 103                           | 106                                  | 105                                | 102               | 3                                 |

\*Refer to page 29 for business sensitivity and assumptions

# The 5th Consolidated Medium-Term Management Plan

## - Progress for 1H FY 2014 -

- Solidify basics for growth and establish a firm business foundation for the Group during the five years
- Aim to become a “vertically integrated global energy company” over the long term and strengthen each business portfolio in pursuit of new growth, in addition to steady progress made in the areas set by four basic policies

### Basic Policy

Regain profitability in the refining & marketing sector

Secure stable income from investments made during the previous medium term management plan

Further strengthen alliances with IPIC and Hyundai Oilbank

Further enhance CSR management

\*IPIC = International Petroleum Investment Company (Principal shareholder:20.7%)

\*HDO = Hyundai Oilbank Co., Ltd.

\*HCP = Hyundai Cosmo Petrochemical Co., Ltd. (Cosmo Oil 50%/Hyundai OilBank 50%)



**COSMO OIL CO., LTD.**

Aim to achieve profit targets in the final fiscal year by implementing initiatives as prescribed in the Medium-term Management Plan

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| Unit: billion yen                               |                                      |   |  |  |                                       |                          |
|---|--------------------------------------|---|--|--|---------------------------------------|--------------------------|
|   | FY2013                               | FY2014  | FY2015   | FY2016                                       | FY2017                                | Ordinary income forecast |
|   |                                      |   |  |  |                                       | 112.0                    |
| <b>&lt;Oil E &amp; P Business&gt;</b>           |                                      |   |  |  |                                       |                          |
| Hail oil field                                  |                                      | Seismic prospecting / assessment  | Construction of above-ground facilities, excavation of appraisal well / exploration well |  | Production to begin                   | 77.5                     |
| Cosmo Energy Exploration & Production           |                                      | Cosmo Energy Exploration & Production Co., Ltd. established / Volume of reserves announced                  |  |  |                                       |                          |
| Comprehensive strategic alliance with CEPSA     |                                      | Strengthen alliance with the IPIC Group / improve financial leverage / acquire new oil fields with partners |  |  |                                       |                          |
| <b>&lt;Petroleum Business&gt;</b>               |                                      |   |  |  |                                       |                          |
| Refineries                                      |                                      | Sakaide refinery closes/Chiba refinery resumes operations   | Promote high operational rate, rationalization   | Skip Shut Down Maintenance at Chiba Refinery |                                       | 18.0                     |
| Joint Project with Kyokuto Petroleum Industries |                                      | Memorandum on considering Chiba refinery/Joint business   | Establish joint business company / Pipeline construction                                 | Start integrated operation of refineries     |                                       |                          |
| Strengthen the Retail Business                  |                                      | Cumulative total lease contracts at the 20,000 level  |  |  | Cumulative total at the 100,000 level |                          |
| Integration of the LP Gas Business              |                                      | Agreements to integrate LP Gas wholesale business as well as retail business                                | Establish new company (among the top in industry share)                                  |  |                                       |                          |
| <b>&lt;Petrochemical Business&gt;</b>           |                                      |   |  |  |                                       |                          |
| PX Business                                     |                                      | HCP * 1,180,000-ton structure for para-Xylene   |  |  |                                       | 10.0                     |
| <b>&lt;Wind Power generation Business&gt;</b>   |                                      |   |  |  |                                       |                          |
| Increase generation capacity                    | 150,000kw / Domestic market share:5% | 190,000kw   |  | 235,000 kw                                   |                                       | 4.5                      |

Note) The ordinary income forecast for FY2017 includes consolidated accounting processing, other (+2.0 billion yen) of 112.0 billion yen

- ✓ Realized low-risk, low-cost development based on a relationship of mutual trust with Middle Eastern oil-producing countries as an operator delivering long-term, stable production
- ✓ Obtained a 30-year extension in concession agreement for three oil fields with Abu Dhabi Oil in 2012 and secured the new Hail oil field, which is the same size as the three existing oil fields. Steadily executing development plan toward start of production in FY2016
- ✓ Entered into a comprehensive business alliance with CEPESA as a strategic partner in January 2014 and aim at obtaining new oil fields, among other initiatives

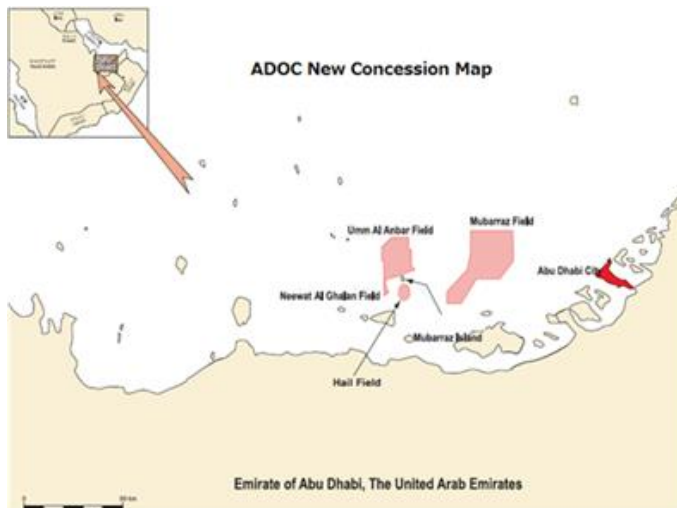
**FY2017  
Ordinary income  
77.5 billion yen**

| Location | Company Name     | Investment Ratio | Establishment | Crude Production (BD) | Total Proved and Probable Reserves (mil BD) | Reserve Production Ratio (year) | Segment Ordinary Income (billion yen) |
|----------|------------------|------------------|---------------|-----------------------|---|---------------------------------|---------------------------------------|
|          | Cosmo Energy E&P | 100%             | 2014          | 36,842                | 205.9                                       | approx. 30                      | 58.1                                  |

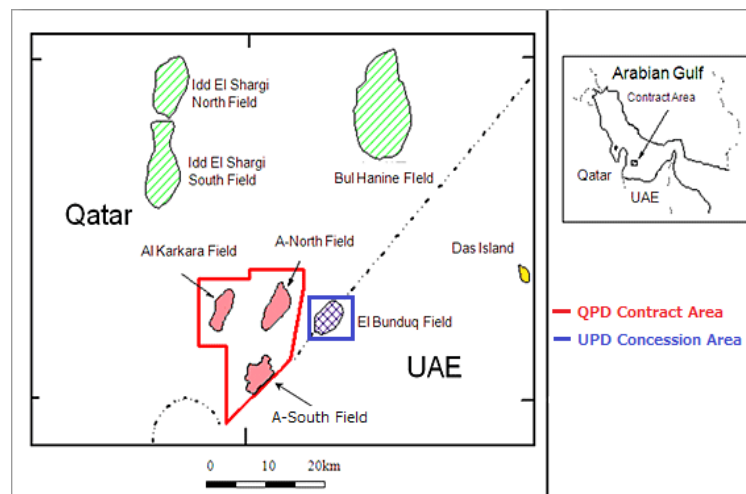
|       |      |     |      |
|-------|------|-----|------|
| U.A.E | ADOC | 64% | 1968 |
|       | UPD  | 45% | 1970 |
| Qatar | QPD  | 75% | 1997 |

※Production of Crude Oil, Ordinary income : Result of FY2013  
 ※Crude Reserves Estimate : Total of Proved Reserves and Probable Reserves (As of 31st, Dec 2013)

■ Location Map of ADOC Concession Area

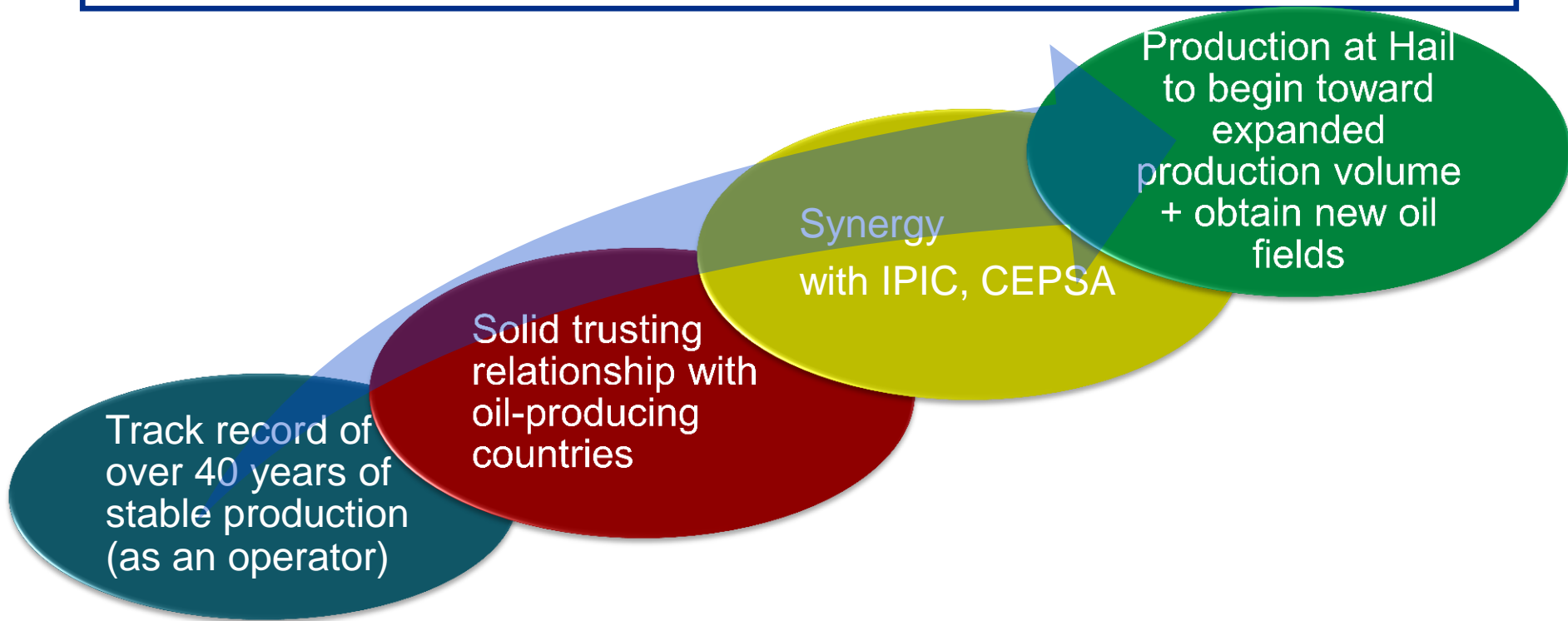


■ Location Map of QPD Contract and UPD Concession Area



<Growth strategy>

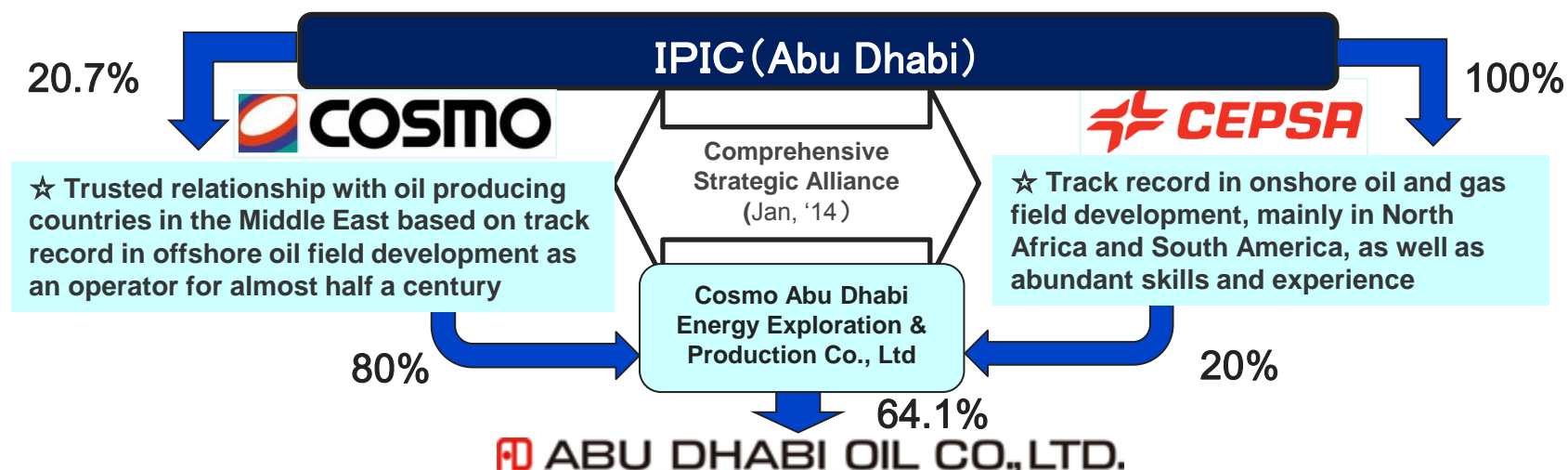
- Aim at sustained expansion in production volume by exercising synergy with partner companies
- Concentrated investment on low-risk projects, centered on oil fields that have discovered already but yet to be developed



<Risk tolerance>

- ✓ Geopolitical risks ⇒ Operations in UAE, Qatar, where political conditions are relatively stable and where strong motivation to utilize foreign investments exists
- ✓ Development risks ⇒ Track record as an operator of stable operations of over 40 years and solid trusting relationship with oil-producing countries
- ✓ Financial risks ⇒ Diversifying business portfolio, joint businesses with partners
- ✓ Price fluctuation risks ⇒ Factors supporting crude oil prices exist (presence of shale oil, which involves high development costs, budget of oil-producing companies)

- ✓ Cosmo aims to reinforce and expand the strategic partnership with CEPSA by transferring part of shares of newly established upstream subsidiary “Cosmo Abu Dhabi Energy Exploration & Production” (20%, 24.6bn JPY\*<sup>1</sup>) to CEPSA, which is in line with the “Further strengthen alliances with IPIC” policy stipulated as part of the 5th Consolidated Medium-Term Management Plan
- ✓ Cosmo and CEPSA, with support of common shareholder IPIC, have launched an working group together with the Abu Dhabi National Oil Company to identify new E&P business opportunities



<Outline of the Transaction, the value of upstream business of Cosmo Oil Group>

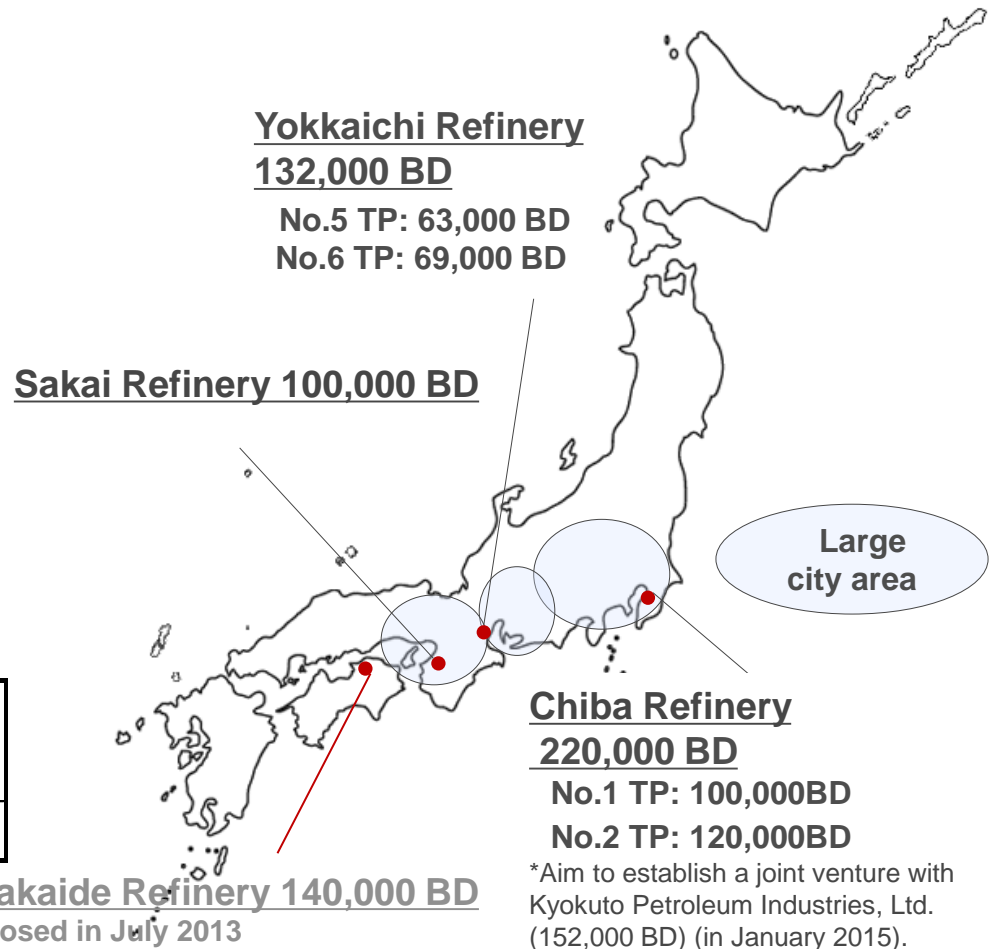
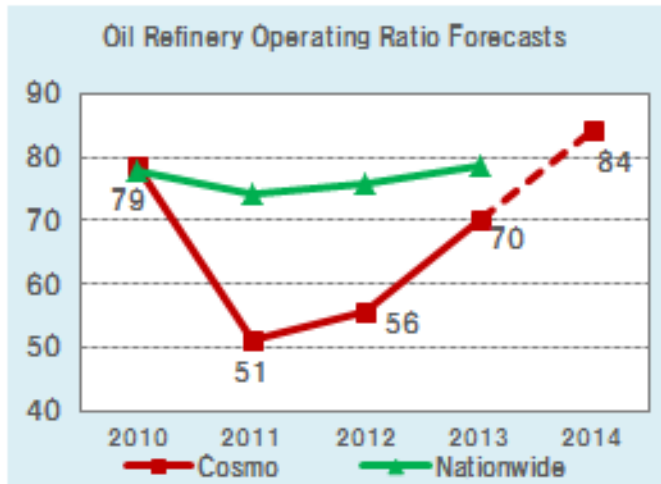
- Cosmo Energy, which owns a 64.1% stake in Abu Dhabi Oil Co., Ltd. (ADOC), will transfer its ADOC shares into a newly established Cosmo Abu Dhabi.
- ADOC remains to be subsidiaries of Cosmo.
- Share Transfer Price : 24.6 billion yen\*<sup>1</sup> (USD 217 million\*<sup>2</sup>)
- The transfer price implies a total value of Cosmo Abu Dhabi of 122.8 billion yen (USD 1,086 million\*<sup>2</sup>)
- As a result of the transaction, Cosmo expects to record an extraordinary profit of 14.0 billion yen as a gain from sale of affiliate stock in its consolidated results for FY2014. The proceeds gained from the Transaction will be kept as retained earnings and mainly used for investments in growth opportunities.

\*1) Estimated based on JPY/USD = 113

\*2) Certain price adjustment assumed to be made to the transfer price upon closing

- ✓ Stable at operations in 1H FY2014 as per the initial plan, including regular repairs Chiba refinery
- ✓ Aim at obtaining plant certification for Chiba refinery during FY2015

**FY2017  
 Ordinary income  
 18.0 billion yen**



【2014FY Operating Ratio (Calendar Year)】

| 2014FY | Plan           |                | Result |       |
|--------|----------------|----------------|--------|-------|
|        | The first half | The first half | 1Q     | 2Q    |
| 84.4%  | 82.4%          | 91.2%          | 82.2%  | 73.0% |



- ✓ 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:

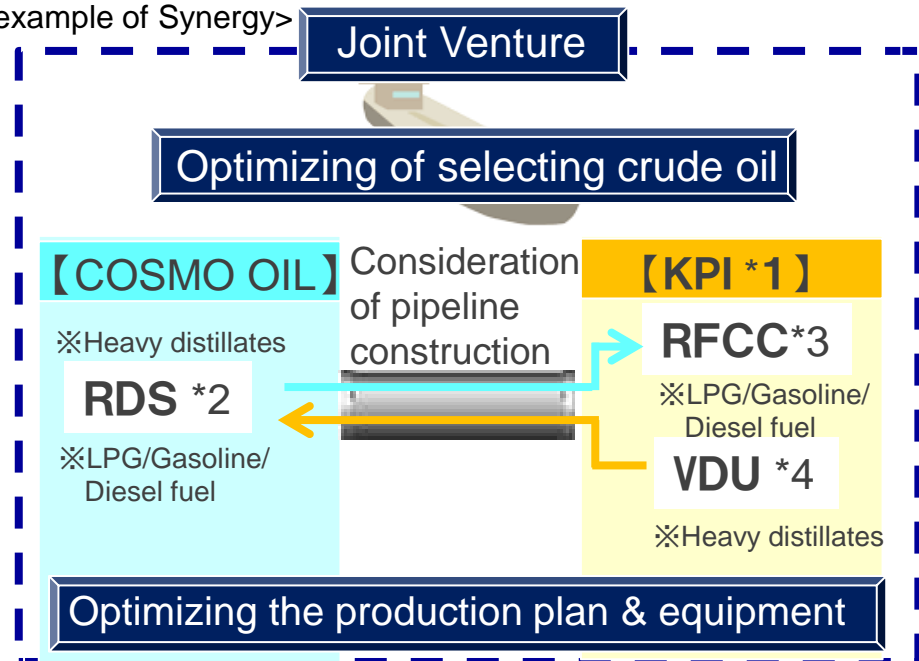
- Start detailed designing
- Assumes nine pipelines
- Assumes that the two companies each provide half the construction costs

#### ■ 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

- \* 1 )KPI=Kyokuto Petroleum Industries
- \* 2)RDS=Residue Hydrodesulfurization
- \* 3)RFCC=Residue Fluid Catalytic Cracker
- \* 4)VDU= Vacuum Distillation Unit

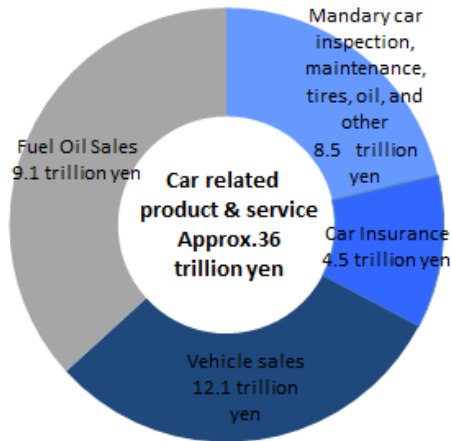
<An example of Synergy>



Producing synergy = Increasing competitiveness of refineries

Aim at strengthening SS profitability by converting to “car life value proposition” by positioning the individual leasing business at the core, by using infrastructure, such as card-holding members, two-way communications using the Internet and alliances with businesses in other industries, as a platform.

Car Life Market size



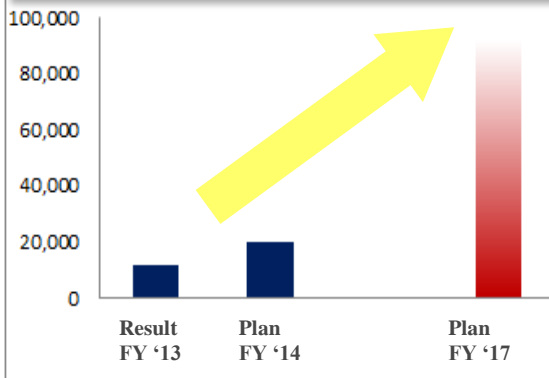
■ Cosmo Oil’s auto leasing operations (Cosmo Smart B-cle)

- (1) Frequency of store visits (around twice/month)
- (2) Possible to capture demand for maintenance
- (3) Already obtained business patent
- (4) Clientele centers on women, seniors



Source: Created by the Company based on the September 2013 supplementary volume of the monthly issue Gasoline Stand

Target for cumulative Cosmo Smart B-cle vehicles in contract



Utilize infrastructure

Cosmo the Card

- Number of members in force 4.18 million (as of the end of Sep. 2014)
- Tool to attract and retain customers



B-cle Life

- Strategy that leverages SS strength (Online to Offline)
- \*Mutual communication via the Internet



Alliance with another industry via Aeon Group

- Adoption of the WAON settlement service using e-money
- Send customers to each other with the Aeon Group
- Open an SS at Aeon Malls



Break into the MX and PX businesses as measures in response to declining demand for gasoline in Japan, accelerating a shift toward the petrochemical business; a shift “from fuel to raw materials” will improve added values to increase earnings at the business.

**FY2017  
Ordinary income  
10.0 billion yen**

## Capacity

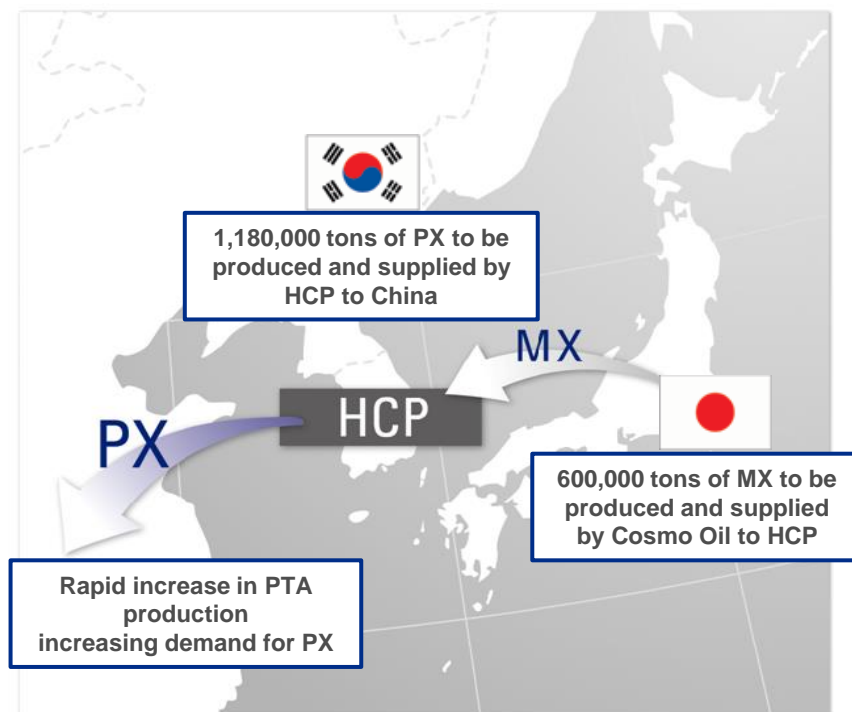
k ton/year

| Company                       | Ethylene | PX    | BZ  | MX  |
|-------------------------------|----------|-------|-----|-----|
| HCP                           | -        | 1,180 | 250 | -   |
| Maruzen Petrochemical (*1,*2) | 1,293    | -     | 598 | 72  |
| CM Aromatics                  | -        | -     | -   | 270 |
| Cosmo Matsuyama*4)            | -        | -     | 91  | 30  |
| Yokkaichi Refinery (*3)       | -        | -     | -   | 300 |

HCP : 50.0% (equity-method affiliate)  
 Maruzen Petrochemical : 43.9% (equity-method affiliate)  
 CM Aromatics : 65.0% (consolidated subsidiary)  
 Cosmo Matsuyama Oil : 100.0% (consolidated subsidiary)

- \*1) The ethylene production capacity of the Maruzen Petrochemical Co., Ltd. Group includes the capacity of Keiyo Ethylene Co., Ltd. (768,000 tons/year) in Maruzen Petrochemical Co., Ltd. Has a 55% of equity interest.
- \*2) The ethylene production capacity shown in the table is that of non-shut down maintenance year.
- \*3) Earnings from the MX production unit at the Yokkaichi Refinery are included in the petroleum business segment.

## HCP's East Asia Trans-Border Business Model



## Para Xylene Refining Process



Current area of Focus

- ✓ Major improvement in the profitability of the wind power generation business as a result of the introduction of the Japan's feed-in tariff (FIT) scheme
- ✓ Profitability of the renewable energy business expands by pushing forward with development of new sites

**FY2017  
Ordinary income  
4.5 billion yen**

### Wind power generation business begins (2010)

Purchased a wind power business at residual value (1 yen) from Ebara Corporation in March 2010. Turned into a profitable business by strengthening maintenance of existing sites.



### Introduction of the feed-in tariff (FIT) scheme

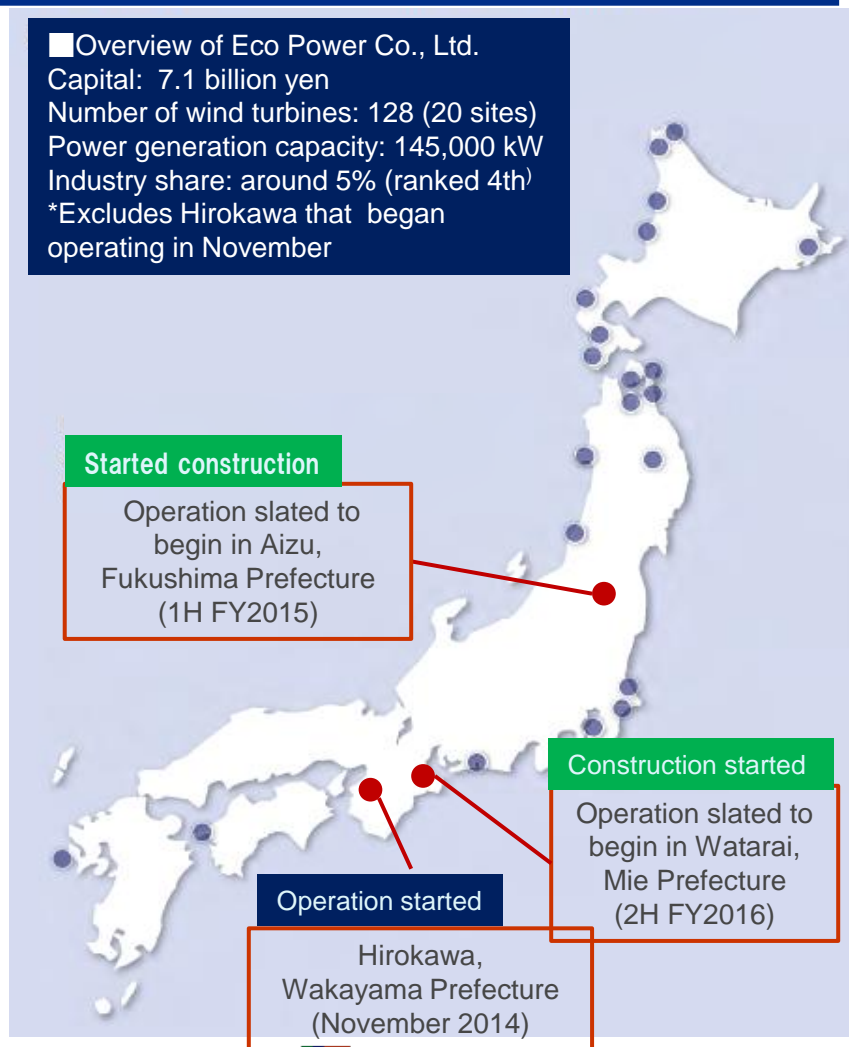
Business profitability improves with the implementation of an all-quantity buyback program in July 2012. Profits stabilize as acquisition price for wind power generation at 22 yen/kwh (excluding taxes).



### Medium-Term Management Plan (FY2013 - 2017)

In view of changes seen in the environment, aim to expand profitability of the wind power generation business and begin development of new sites. Aim to expand business to a total of around 90,000 kw during the period covered by the Medium-Term Management Plan

■ Overview of Eco Power Co., Ltd.  
Capital: 7.1 billion yen  
Number of wind turbines: 128 (20 sites)  
Power generation capacity: 145,000 kW  
Industry share: around 5% (ranked 4th)  
\*Excludes Hirokawa that began operating in November

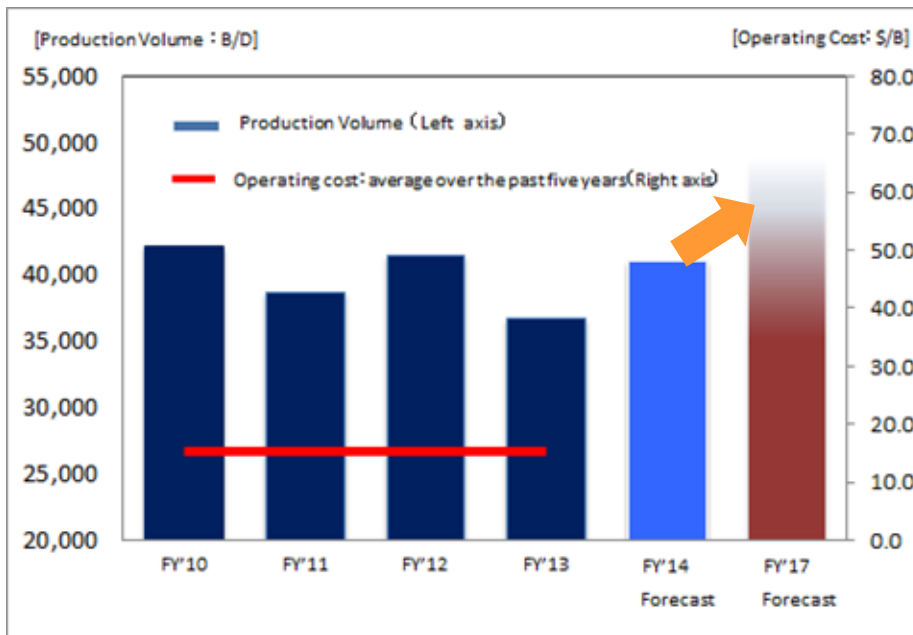


## Supplementary information

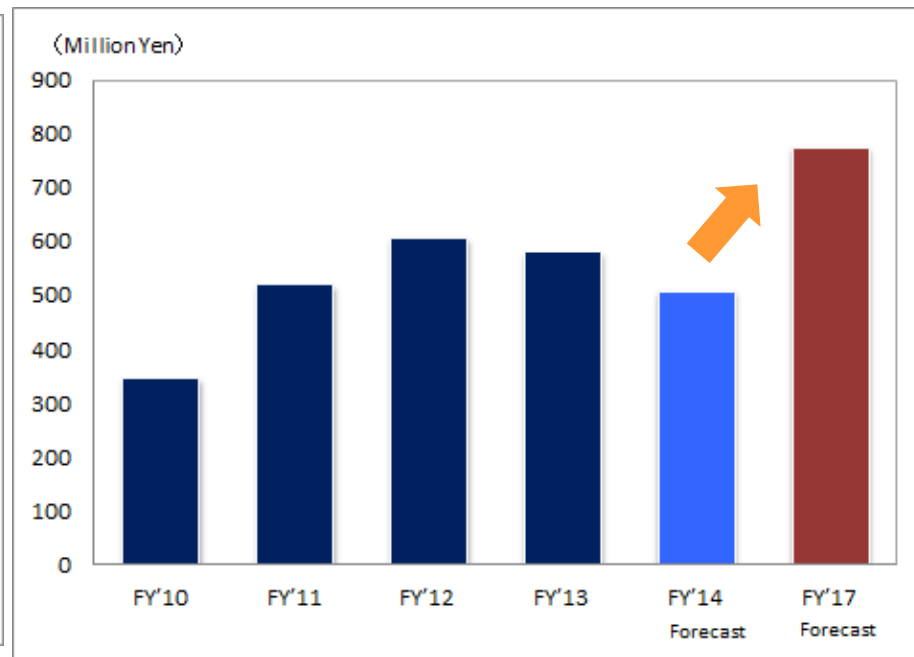
- p. 22 : [Oil E & P Business] – Production volume/operational costs and segment-based ordinary income –
- p. 23 : [Oil E & P Business] – Transaction Structure
- p. 24 : [2Q FY2014 Results] Sales Volume
- p. 25 : [2Q FY2014 Results] Crude Oil Price and Processing Volume, CDU Operating Ratios,  
Crude Oil Production Volume
- p. 26 : Crude Reserves Estimates (Proved and Probable)
- p. 27 : [2Q FY2014 Results] Results by Business Segment-Changes from 2Q FY2013
- p. 28 : [2Q FY2014 Results] Historical Changes in the Number of Employees, Oil Storage Depots, SSs,  
Cards in Force and B-cle Lease
- p. 29 : [FY2014 Outlook (announced on May13)] Forecast per business segment (compared with FY2013)  
as well as crude oil price and exchange rate assumptions and concomitant business sensitivity
- p. 30 : Diesel Fuel Export Results and Margin Environment
- p. 31 : Petrochemical business - Market Condition of Aromatic-Products
- p.32 : Integration of the LP Gas Wholesale Business
- p. 33 : Integration of the LP Gas Retail Business

- ✓ Planning on substantial expansion in production volume into the final year of the Medium-Term Management Plan by starting production at the new Hail oil field, bolstering portfolio that makes use of the Company’s relationship with oil-producing countries
- ✓ Expand production and keep operational costs in check so that the business will continue to contribute to shoring up profits as the Company’s pillar of stable income.

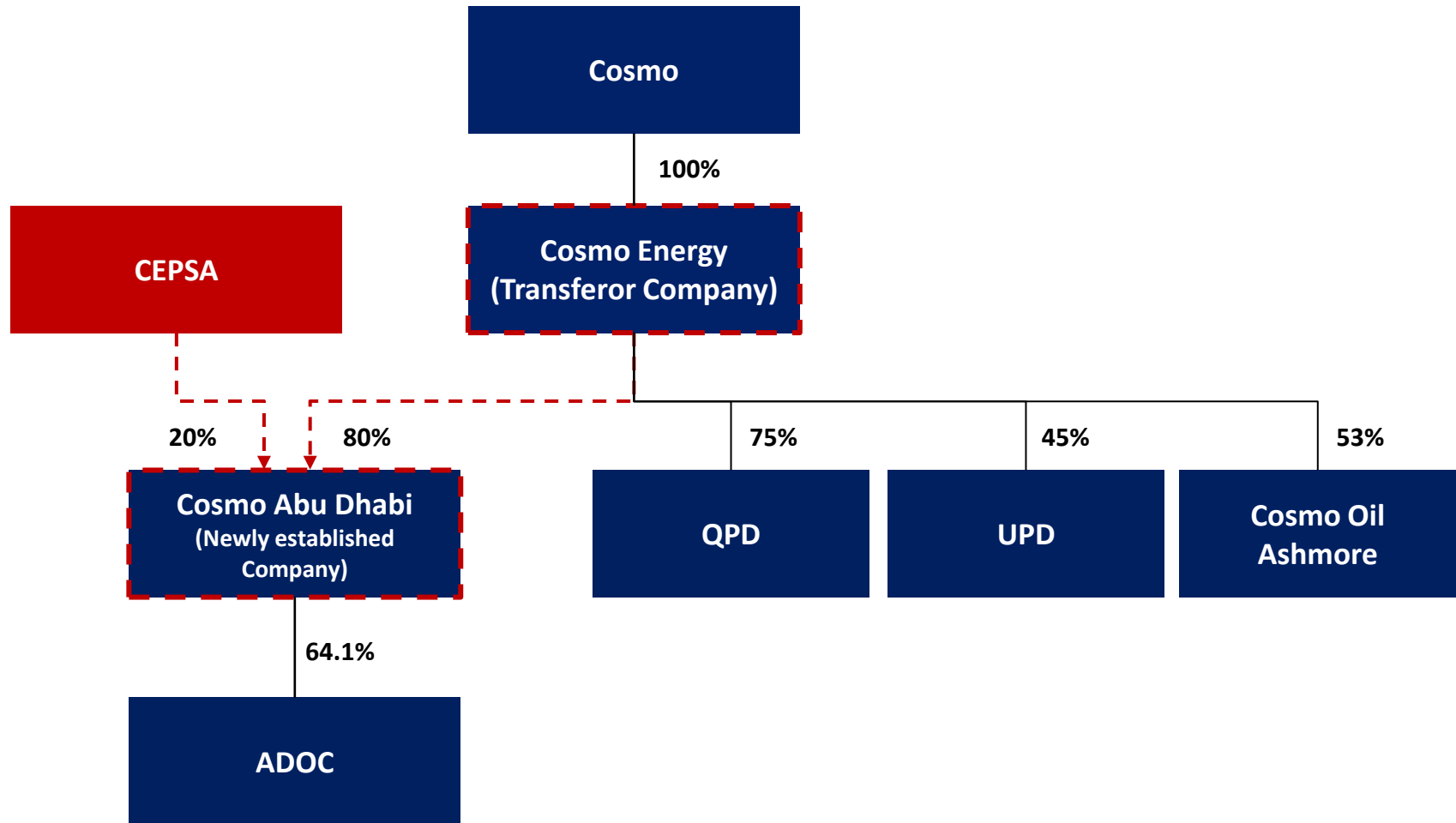
Cosmo Oil Group Production Volume and Operational Costs



Oil E&P Segment Ordinary Income



Note: Assumptions for the forecast for FY2017 ordinary income are \$100/barrel for Dubai crude oil price and 90 yen for the dollar for the exchange rate.



Unit: thousand KL

|                             |                                       | 2Q FY2014<br>Results | 2Q FY2013<br>Results | Changes       | 2Q FY2014<br>Result Changes<br>from 2Q FY2013 | FY2014<br>Forecast | FY2014 Full Year<br>outlook<br>changes from<br>FY2013 |
|-----------------------------|---------------------------------------|----------------------|----------------------|---------------|---|--------------------|---|
| Selling volume in Japan     | Gasoline                              | 2,868                | 3,101                | -233          | 92.5%   | 5,674              | 93.7%   |
|                             | Kerosene                              | 404                  | 514                  | -110          | 78.6%   | 1,974              | 87.3%   |
|                             | Diesel fuel                           | 2,048                | 2,184                | -136          | 93.8%   | 4,095              | 93.1%   |
|                             | Heavy fuel oil A                      | 672                  | 805                  | -134          | 83.4%   | 1,584              | 85.7%   |
|                             | <b>Sub-Total</b>                      | <b>5,992</b>         | <b>6,605</b>         | <b>-612</b>   | <b>90.7%</b>                                  | <b>13,327</b>      | <b>91.5%</b>  |
|                             | Naphtha                               | 2,918                | 3,091                | -173          | 94.4%   | 6,286              | 95.9%   |
|                             | Jet fuel                              | 229                  | 219                  | 10            | 104.6%  | 480                | 98.8%   |
|                             | Heavy fuel oil C                      | 725                  | 968                  | -244          | 74.8%   | 1,566              | 76.8%   |
|                             | inc. Heavy fuel<br>oil C for electric | 315                  | 546                  | -231          | 57.7%   | 768                | 54.8%   |
|                             | <b>Total</b>                          | <b>9,863</b>         | <b>10,883</b>        | <b>-1,020</b> | <b>90.6%</b>                                  | <b>21,659</b>      | <b>91.6%</b>  |
|                             | Middle distillate<br>export volume    | Diesel fuel          | 349                  | 761           | -412  | 45.9%              | 1,074   |
| Kerosene/Jet                |                                       | 0                    | 0                    | 0             | -   | 20                 | -   |
| <b>Sub-Total</b>            |                                       | <b>349</b>           | <b>761</b>           | <b>-412</b>   | <b>45.9%</b>                                  | <b>1,094</b>       | <b>95.5%</b>  |
| Bond sales, etc.            | Jet fuel                              | 1,069                | 897                  | 172           | 119.2%  | 2,035              | 109.1%  |
|                             | Heavy fuel oil C                      | 287                  | 271                  | 16            | 105.8%  | 537                | 95.8%   |
|                             | Other                                 | 328                  | 439                  | -111          | 74.8%   | 529                | 85.7%   |
|                             | <b>Sub-Total</b>                      | <b>1,684</b>         | <b>1,607</b>         | <b>77</b>     | <b>104.8%</b>                                 | <b>3,101</b>       | <b>101.8%</b>   |
| Barter deal, etc.           | 4,433                                 | 4,641                | -208                 | 95.5%         | 9,382   | 92.9%              |   |
| <b>Total selling volume</b> | <b>16,330</b>                         | <b>17,892</b>        | <b>-1,562</b>        | <b>91.3%</b>  | <b>35,236</b>                                 | <b>92.9%</b>       |   |



| <b>[1] Dubai Crude oil price, processing volume and CDU operating ratios</b> |                                       |           |           |                        |       |
|--|---------------------------------------|-----------|-----------|------------------------|-------|
|  |                                       | 2Q FY2014 | 2Q FY2013 | Changes from 2Q FY2013 |       |
| Dubai crude oil price (USD/B)  |                                       | 103.7     | 103.5     | 0.2                    | —     |
| JPY/USD exchange rate (yen/\$)   |                                       | 103.0     | 99.0      | 4.0                    | —     |
| Crude oil refining   | Refined crude oil volume (1,000 KL)   | 10,805    | 11,155    | -350                   | 96.9% |
|  | CDU operating ratio (Calendar Day)    | 82.2%     | 65.2%     | 17.0%                  | —     |
|  | CDU operating ratio (Streaming Day) * | 90.3%     | 80.4%     | 9.9%                   | —     |

\*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>                |  |           |           |                        |        |
|---|--|-----------|-----------|------------------------|--------|
|   |  | 2Q FY2014 | 2Q FY2013 | Changes from 2Q FY2013 |        |
| Cosmo Energy Exploration & Production Co., Ltd. (B/D) |  | 37,332    | 36,297    | 1035                   | 102.9% |

\*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.

\*3) The production period has calculated in the January-June, because that the three major developers of the accounting period is December.

(As of Dec. 31, 2013)

| Crude Reserves Estimate (working interest base) (*1)                        |                |  |
|---|----------------|--|
|   | mmbbls         |  |
| ①Proved Reserves (*2)   | 107.0          | Note: The 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)

## 2Q FY2014 Results – Changes from 2Q FY2013

|                        | Net Sales |                           | Operating Income |                           | Ordinary Income |                           | Ordinary Income<br>(excluding impact of<br>inventory valuation, cost or<br>market method) |                           |
|------------------------|-----------|---------------------------|------------------|---------------------------|-----------------|---------------------------|---|---------------------------|
|                        |           | Changes from<br>2Q FY2013 |                  | Changes from<br>2Q FY2013 |                 | Changes from<br>2Q FY2013 |   | Changes from<br>2Q FY2013 |
| Petroleum business     | 1542.8    | -82.3                     | -6.8             | -0.5                      | -13.0           | -2.4                      | -2.9  | 14.1                      |
| Petrochemical business | 25.7      | 10.8                      | -0.3             | -1.0                      | -2.8            | -5.4                      | -2.8  | -5.4                      |
| Oil E&P business       | 39.3      | 7.3                       | 21.0             | 2.7                       | 21.6            | -1.2                      | 21.6  | -1.2                      |
| Other business         | 32.0      | -1.4                      | 0.5              | -1.2                      | 0.9             | -1.5                      | 0.9   | -1.5                      |
| adjustment             | -87.3     | -35.4                     | -1.7             | -3.0                      | -1.8            | -3.0                      | -1.8  | -3.0                      |
| Total                  | 1552.5    | -101.0                    | 12.7             | -3.0                      | 4.9             | -13.5                     | 15.0  | 3.0                       |

## 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 Oil Group on the equity method), etc.             |
| Other business         | Cosmo Engineering Co., Ltd., Cosmo Trade & Services Co., Ltd., EcoPower Co., Ltd, etc.  |

# [2Q FY2014 Results] Historical Changes in the Number of Employees, Oil Storage Depots, SSs, Cards in Force and B-cle lease

## [1] Workforce size (Number of employees)

|                 | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | 2Q FY2014 |
|-----------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| Cosmo Oil alone | 1,957  | 2,064  | 2,180  | 2,135  | 2,025  | 1,899  | 1,837  | 1,686     |
| Cosmo Oil Group | 3,299  | 3,269  | 3,325  | 3,268  | 3,098  | 2,840  | 2,782  | 2,780     |

\* 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] Number of oil storage depots (DTs)

|            | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | 2Q FY2014 |
|------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| No. of DTs | 38     | 38     | 36     | 35     | 35     | 35     | 35     | 36        |

## [3] Number of SSs by Operator Type

|            | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | 2Q FY2014 |
|------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| Subsidiary | 1,104  | 1,023  | 1,025  | 967    | 939    | 914    | 899    | 892       |
| Dealers    | 3,021  | 2,890  | 2,743  | 2,642  | 2,559  | 2,411  | 2,329  | 2,303     |
| Total      | 4,125  | 3,913  | 3,768  | 3,609  | 3,498  | 3,325  | 3,228  | 3,195     |
| Mobile SSs | 53     | 47     | 43     | 36     | 34     | 33     | 34     | 34        |

## [4] Number of Self-Service SSs out of the Total Number of SSs Mentioned [3] above.

|                           | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | 2Q FY2014 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| Subsidiary                | 507    | 551    | 575    | 548    | 570    | 550    | 550    | 551       |
| Dealers                   | 360    | 404    | 429    | 455    | 437    | 449    | 461    | 473       |
| Total                     | 867    | 955    | 1,004  | 1,003  | 1,007  | 999    | 1,011  | 1,024     |
| Share of Self-Service SSs | 21.0%  | 24.4%  | 26.6%  | 27.8%  | 28.8%  | 30.0%  | 31.3%  | 32.1%     |

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

(Unit: million cards)

|                       | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | 2Q FY2014 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| No. of cards in force | 3.05   | 3.35   | 3.57   | 3.67   | 3.81   | 3.97   | 4.12   | 4.18      |

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

|                               | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | 2Q FY2014 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|-----------|
| Number of contracted vehicles | -      | -      | -      | -      | 1,287  | 5,003  | 11,476 | 14,128    |

Full-Year FY2014 Outlook – Changes from FY 2013

\* Announced on 13<sup>th</sup> May

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>FY2013 |                  | Changes from<br>FY2013 |                 | Changes from<br>FY2013 |   | Changes from<br>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                   |

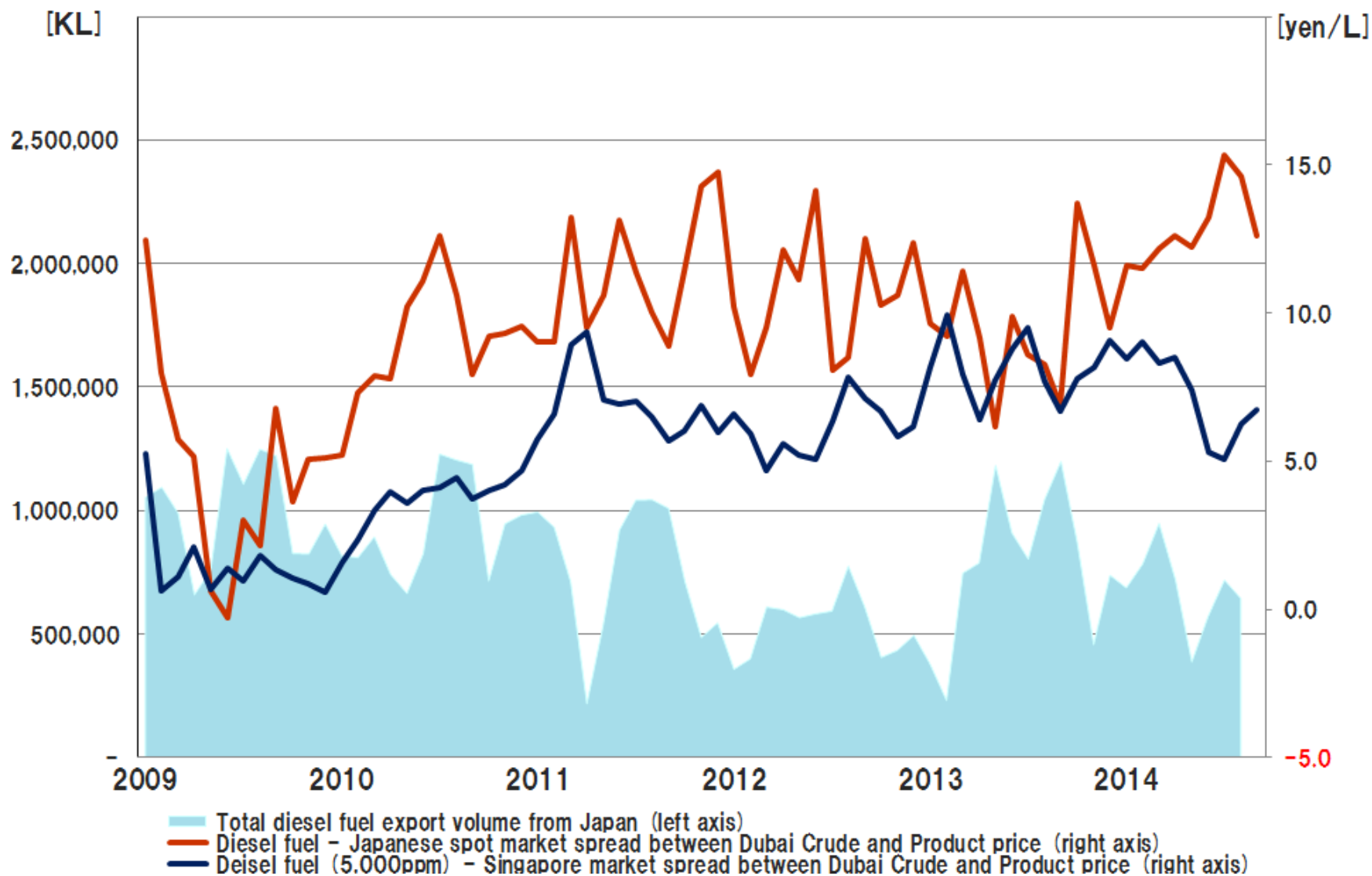
Revised Assumption of Crude Oil Price and Exchange Rate, and Business Sensitivity thereto

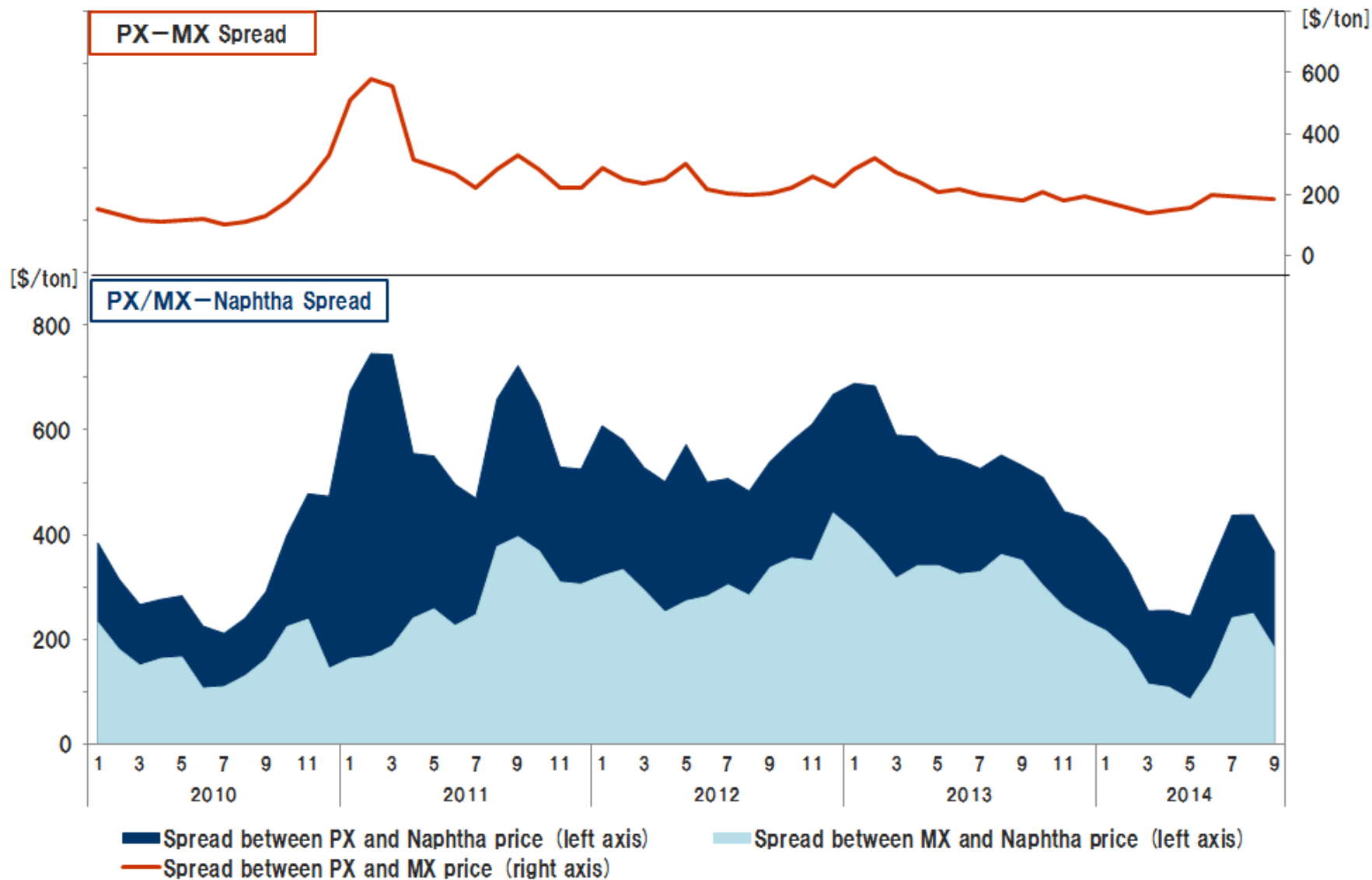
\* Revised as of 6<sup>th</sup> Nov.

|                       | Precondition (2H) | Sensitivity        |                    |
|-----------------------|-------------------|--------------------|--------------------|
|                       |                   | Petroleum Business | Oil E & P Business |
| Crude oil             | 95.0 USD/BBL      | + 2.0 billion yen  | + 0.3 billion yen  |
| JPY/USD exchange rate | 106.0 yen/USD     | + 1.8 billion yen  | + 0.3 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 six-month period of Oct. 2014 to Mar. 2015 adopted for sensitivity figure estimation for the petroleum business segment, and a three-month period of Oct. 2014 to Dec. 2014, for the oil exploration and production business.





- ✓ Purpose of business integration :  
The LP gas import and wholesale operations (LP gas import/procurement, shipping terminal operation, logistics, and domestic wholesaling) and overseas trading operations of the four corporate groups(\*) will be consolidated into an integrated structure to create one of Japan's top-class LP gas import and wholesale companies.
- ✓ Business integration method :  
The four corporate groups will carry out absorption-type spin-offs of their LP gas import and wholesale operations and integrate these operations, with Cosmo Petroleum Gas Co., Ltd. (a wholly-owned subsidiary of Cosmo) as the receiving company. Cosmo, Showa Shell, Sumitomo Corporation, and Tonen General will each acquire a 25% stake in the integrated import and wholesale company.
- ✓ Integration deadline (effective date) : April 1, 2015

\* ) Cosmo Oil Company, Limited/Showa Shell Sekiyu K.K. / Sumitomo Corporation, / Tonen General Sekiyu K.K.

|                                       | Profile of integrated import and wholesale company (tentative)   |
|---------------------------------------|--|
| Description of business               | Manufacture, storage, transport, sale and import/export of LP gas  |
| Capital                               | 11 billion yen   |
| Settlement period                     | December   |
| Shareholders and ownership            | Cosmo (25%), Showa Shell (25%)<br>Sumitomo Corporation (25%), TonenGeneral (25%)   |
| Sales revenue                         | Approx. 400 billion yen  |
| Domestic sales volume                 | Approx. 3.6 million tons   |
| Import volume                         | Approx. 3 million tons   |
| Overseas trading volume               | Approx. 1 million tons   |
| Principal offices                     | Seven LP gas import terminals (Kashima, Chiba, Kawasaki, Hekinan (in Aichi Prefecture), Yokkaichi, Sakai, Oita)<br>Four LP gas secondary terminals(Shimizu, Sakaide, Matsuyama, Hiroshima) |
| Principal subsidiaries and affiliates | Yokkaichi LPG Terminal Co., Ltd.<br>Kashima LPG Joint Stockpiling Co., Ltd.<br>Oita LPG Joint Stockpiling Co., Ltd.<br>Hiroshima LPG Terminal Co., Ltd.                                    |



- ✓ **Purpose of business integration** :  
The three corporate groups(\*) will consolidate the know-how, personnel, and assets of their LP gas retail operations to establish and continually develop a solid business foundation for LP gas retail operations.
- ✓ **Business integration method** :  
This integration will be carried out through exchanges of shares that will make Enessance a wholly owning parent company and Tohoku Cosmo a wholly owned subsidiary company. Enessance's shares will be held by Showa Shell (47.7%), Sumitomo Corporation (45.9%), and Cosmo (6.4%).
  - Prior to the share exchange, Tohoku Cosmo will succeed to the rights and obligations of Sogo Energy's LP gas retail operations via an absorption-type company split.
- ✓ **Integration deadline (effective date)** : April 1, 2015

\* ) Cosmo Oil Company, Limited/Showa Shell Sekiyu K.K. / Sumitomo Corporation

|                                  | Profile of integrated retail company (tentative)                    |
|----------------------------------|---|
| Description of business          | LP gas retail operations  |
| Capital                          | 115.8 million yen   |
| Settlement period                | December  |
| Shareholders and ownership       | Showa Shell (47.7%), Sumitomo Corporation (45.9%), and Cosmo (6.4%) |
| Sales revenue                    | Approx. 63 billion yen  |
| Sales volume                     | Approx. 220,000 tons  |
| Number of households supplied    | Approx. 250,000   |
| Number of employees              | Approx. 1,500   |
| Subsidiaries for local retailing | Hokkaido, Tohoku, Niigata, Kanto, Chubu, Kyushu                     |

## 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.