

# **Cosmo Energy Holdings Co., Ltd. Presentation on Results for First Quarter of Fiscal 2016**

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**August 9, 2016**

**Director, Senior Executive Officer  
Kenichi Taki**

# Results for First Quarter of Fiscal 2016

(Petroleum business)

- ✓ Income in this segment declined mainly due to a decrease in the margin, reflecting the slow pace of recovery in the petroleum product market despite a moderate rise in crude oil price.

(Petrochemical business)

- ✓ While Maruzen Petrochemical was adversely affected by regular maintenance (which lasted approximately two months) at its ethylene production unit, earnings at HCP improved reflecting a reduction in in-house fuel costs, streamlining, and the recovery of the market. Overall income in this segment rose.

(Oil exploration and production business)

- ✓ Under the circumstance of the Dubai crude oil price resulted in low at 30 dollars per barrel(average price from January to March), the ordinary income stood at ¥1.5 billion as Cosmo Energy Group have been working to reduce operating costs.

(Key points of financial results)

- ✓ Consolidated ordinary income stood at ¥10.3 billion, and profit came to ¥4.8 billion.

(Petroleum business)

- ✓ Income is expected to increase ¥7.0 billion/year over the two-year long run (with regular maintenance in autumn to be skipped) at the Chiba Refinery.  
→ Please refer to “Enhancement of the Competitiveness of Refineries” on page 30.
- ✓ The boring of a horizontal tunnel started in July for the construction of pipelines (a joint project) in Chiba.  
→ Please refer to “Joint Project with TonenGeneral Sekiyu K.K.” on page 31.

(Petrochemical business)

- ✓ Maruzen Petrochemical expects to increase exports by operating at full capacity after regular maintenance (from July).  
→ Please refer to “Petrochemical business – Overview” on page 34.

(Oil exploration and production business)

- ✓ In the development of the Hail Oil Field, excavation begins in August. Production is expected to start in the first half of 2017.  
→ Please refer to “Progress in the Development of the Hail Oil Field” on page 28.

(Wind power generation business)

- ✓ The Watarai wind farm (Mie Prefecture) will start operation in the second half of FY2016. The power generation capacity will increase by around 15%.  
→ Please refer to “Wind power generation business – Overview” on page 35.

Unit: billion yen

| No.                | Item  | FY2016<br>(Apr.-Jun.2016) | FY2015<br>(Apr.-Jun.2015) | Changes |
|--------------------|---|---------------------------|---------------------------|---------|
| 1                  | Net sales   | 478.7                     | 595.4                     | -116.7  |
| 2                  | Cost of sales   | 435.4                     | 543.6                     | -108.2  |
| 3                  | Selling, general and administrative expenses            | 30.7                      | 28.9                      | 1.8     |
| 4                  | Operating income  | 12.6                      | 22.9                      | -10.3   |
| 5                  | Non-operating income/expenses, net                      | -2.3                      | -0.7                      | -1.6    |
| 6                  | Ordinary income   | 10.3                      | 22.2                      | -11.9   |
| 7                  | Extraordinary income/losses, net                        | -1.0                      | 0.0                       | -1.0    |
| 8                  | Income taxes  | 3.3                       | 7.8                       | -4.5    |
| 9                  | Profit attributable to non-controlling interests        | 1.2                       | 0.7                       | 0.5     |
| 10                 | Profit attributable to owners of parent                 | 4.8                       | 13.7                      | -8.9    |
| 11                 | Impact of inventory valuation                           | 14.8                      | 11.6                      | 3.2     |
| 12                 | Ordinary income excluding impact of inventory valuation | -4.5                      | 10.6                      | -15.1   |
| 13                 | Dubai crude oil price (USD/B)<br>(Apr.-Jun.)            | 43.2                      | 61.3                      | -18.1   |
| 14                 | JPY/USD exchange rate (yen/USD)<br>(Apr.-Jun.)          | 108.1                     | 121.4                     | -13.3   |
| <b>【Reference】</b> |   |                           |                           |         |
| 15                 | Dubai crude oil price (USD/B)<br>(Jan.-Mar.)            | 30.4                      | 51.9                      | -21.5   |
| 16                 | JPY/USD exchange rate (yen/USD)<br>(Jan.-Mar.)          | 115.5                     | 119.1                     | -3.6    |

Unit: billion yen

| No.              |   | FY2016<br>(Apr.-Jun.2016) | FY2015<br>(Apr.-Jun.2015) | Changes |
|------------------|---|---------------------------|---------------------------|---------|
| 1                | Ordinary income   | 10.3                      | 22.2                      | -11.9   |
| 2                | Ordinary income excluding<br>impact of inventory valuation          | -4.5                      | 10.6                      | -15.1   |
| ( Each Segment ) |   |                           |                           |         |
| 3                | Petroleum business  | 6.4                       | 18.0                      | -11.6   |
| 4                | Petroleum business<br>(Excluding impact of inventory valuation)     | -8.0                      | 6.9                       | -14.9   |
| 5                | Petrochemical business  | 1.7                       | 1.4                       | 0.3     |
| 6                | Petrochemical business<br>(Excluding impact of inventory valuation) | 1.3                       | 0.9                       | 0.4     |
| 7                | Oil E & P business  | 1.5                       | 2.6                       | -1.1    |
| 8                | Other (*)   | 0.7                       | 0.2                       | 0.5     |

\* Including consolidated adjustment

Inventory valuation      Petroleum busine : FY2016 1Q   14.4 / FY2015 1Q   11.1  
 Inventory valuation      Petrochemical busines : FY2016 1Q   0.4 / FY2015 1Q   0.5

# [1Q FY2016 Results] Consolidated Ordinary Income

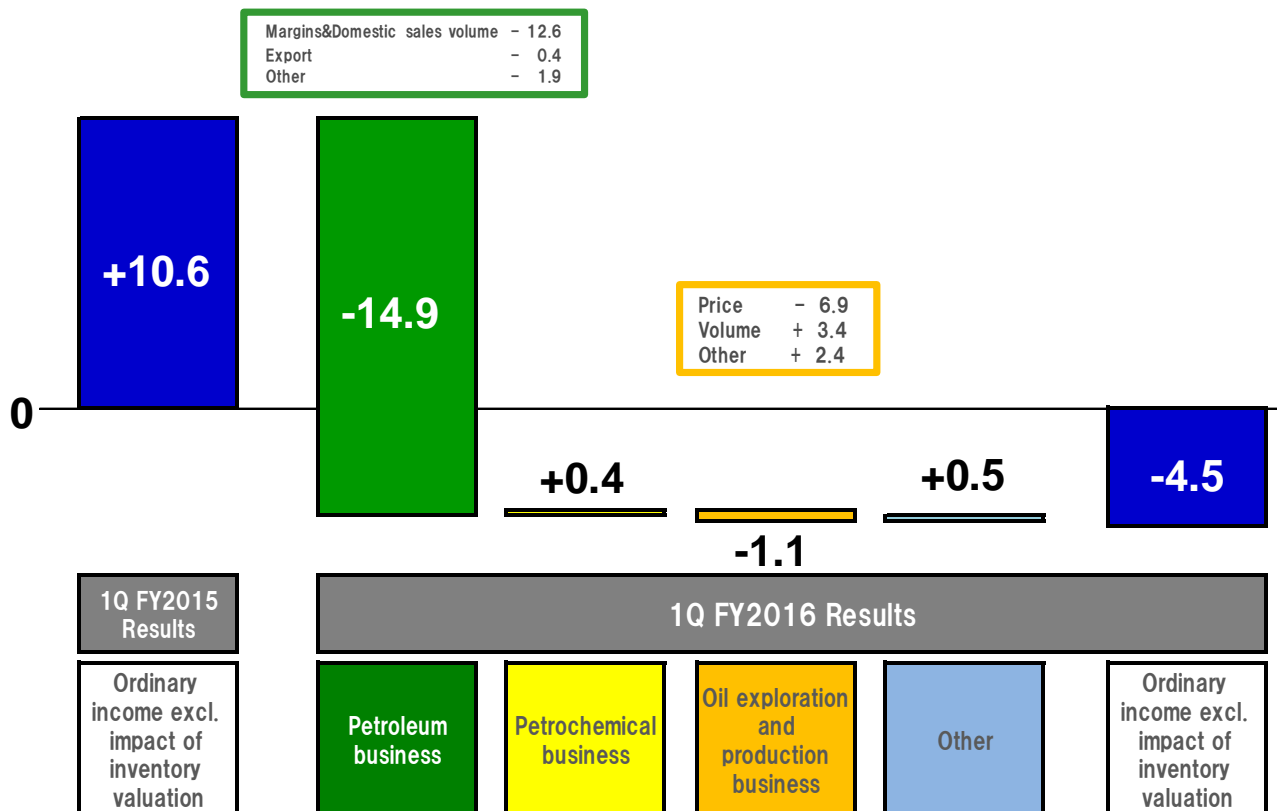
(Excluding impact of inventory valuation) Analysis of Changes from 1Q FY2015

**Key variable factors**

- Petroleum business : Lower earnings, due mostly to the deterioration of the market conditions.
- Petrochemical business : Higher earnings, reflecting an improvement at HCP due to a reduction in in-house fuel costs, streamlining, and an improvement in market conditions.
- Oil E&P business : Lower earnings, due to falling oil prices despite an increase in the production volume.

**Consolidated ordinary income excluding impact of inventory valuation : Down ¥15.1billion from 1QFY2015**

Unit: billion yen



## Consolidated Balance Sheets

Unit: billion yen

| No |   | FY2016<br>(As of Jun. 30, '16) | FY2015<br>(As of Mar. 31, '16) | Changes         |
|----|---|--------------------------------|--------------------------------|-----------------|
| 1  | Total Assets  | 1,430.7                        | 1,409.6                        | 21.1            |
| 2  | Net assets  | 206.5                          | 202.7                          | 3.8             |
| 3  | Net worth   | 107.1                          | 108.0                          | -0.9            |
| 4  | Net worth ratio   | 7.5%                           | 7.7%                           | Down 0.2 points |
| 5  | Net interest-bearing debt *1                              | 682.6                          | 666.2                          | 16.4            |
| 6  | Debt Equity Ratio (times) (based on the credit rating) *2 | 4.8                            | 4.6                            | Down 0.2 points |

\*1 Total interest-bearing debts net of cash and deposits etc. as of the end of the period

\*2 50% of original amount of Hybrid Loan regarded as Equity is counted as

Equity by the assessment of Japan Credit Agency, Ltd.

(50% of 60 billion yen Hybrid Loan started on 1st April 2015 is included into Equity)



## Capital Expenditures, Depreciation, etc.

Unit: billion yen

| No. |                                   | 1QFY2016 Results | Change from 1QFY2015 |
|-----|-----------------------------------|------------------|----------------------|
| 1   | Capital expenditures              | 31.0             | 18.8                 |
| 2   | Depreciation expense amount, etc. | 9.1              | 1.6                  |

## Capital Expenditures by Business Segment

Unit: billion yen

| No. |               | 1QFY2016 Results | 1QFY2015 Results | Change from 1QFY2015 | (ref.) Main fluctuation factor                          |
|-----|---------------|------------------|------------------|----------------------|---|
| 1   | Petroleum     | 4.2              | 4.0              | 0.2                  | -   |
| 2   | Petrochemical | 2.8              | 0.3              | 2.5                  | Made Maruzen Petrochemical into consolidated subsidiary |
| 3   | Oil E&P       | 11.5             | 6.8              | 4.7                  | Development of the Hail oil field                       |
| 4   | Other         | 11.7             | 0.8              | 10.9                 | IPP upgrade construction<br>Wind power generation       |
| 5   | Adjustment    | 0.7              | 0.3              | 0.4                  | -   |
| 6   | Total         | 31.0             | 12.2             | 18.8                 | -   |

# Supplementary Information

- P.12 [1QFY2016 Results / FY2016 Forecast] Sales Volume
- P.13 [1QFY2016 Results] Crude Oil Price and Processing Volume, CDU Operating Ratios,  
Crude Oil Production Volume
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- P.15 [1QFY2016 Results] Results by Business Segment – Changes from 1QFY2015
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# Results for First Quarter of Fiscal 2016

Unit: thousand KL

| No. |                         | 1QFY2016<br>Results                   | 1QFY2015<br>Results | Changes | 1QFY2016 Result<br>Changes from<br>1QFY2015 | FY2016<br>Forecast | FY2016 outlook<br>changes from<br>FY2015 |        |
|-----|-------------------------|---------------------------------------|---------------------|---------|---|--------------------|--|--------|
| 1   | Selling volume in Japan | Gasoline                              | 1,320               | 1,392   | -72   | 94.8%              | 5,606                                    | 98.8%  |
| 2   |                         | Kerosene                              | 235                 | 236     | -1  | 99.5%              | 1,755                                    | 96.3%  |
| 3   |                         | Diesel fuel                           | 982                 | 1,010   | -28   | 97.2%              | 4,072                                    | 98.5%  |
| 4   |                         | Heavy fuel oil A                      | 319                 | 320     | -0  | 99.9%              | 1,377                                    | 97.0%  |
| 5   |                         | Sub-Total                             | 2,856               | 2,958   | -102  | 96.6%              | 12,810                                   | 98.2%  |
| 6   |                         | Naphtha                               | 1,147               | 1,646   | -498  | 69.7%              | 6,089                                    | 98.2%  |
| 7   |                         | Jet fuel                              | 109                 | 95      | 13  | 114.0%             | 491                                      | 94.6%  |
| 8   |                         | Heavy fuel oil C                      | 334                 | 442     | -108  | 75.5%              | 1,315                                    | 83.3%  |
| 9   |                         | inc. Heavy fuel<br>oil C for electric | 102                 | 231     | -129  | 44.0%              | 503                                      | 67.3%  |
| 10  |                         | Total                                 | 4,446               | 5,141   | -695  | 86.5%              | 20,704                                   | 97.0%  |
| 11  | Export volume           | Middle distillates                    | 728                 | 700     | 28  | 104.0%             | 3,960                                    | 139.4% |
| 12  | (including bond sales)  | Other                                 | 256                 | 179     | 77  | 143.1%             | 1,150                                    | 94.0%  |
| 13  |                         | Sub-Total                             | 985                 | 879     | 106   | 112.0%             | 5,110                                    | 125.7% |
| 14  | Barter deal, Others     |                                       | 2,237               | 2,203   | 35  | 101.6%             | 9,015                                    | 90.2%  |
| 15  | Total selling volume    |                                       | 7,668               | 8,223   | -555  | 93.3%              | 34,829                                   | 98.3%  |

| [1] Dubai Crude oil price, processing volume and CDU operating ratios |                                 |  |                     |                        |       |       |
|---|---------------------------------|--|---------------------|------------------------|-------|-------|
| No.   |                                 | 1QFY2016<br>Results                    | 1QFY2015<br>Results | Changes from 1Q FY2015 |       |       |
| 1   | Dubai crude oil price (USD/B)   | 43.2                                   | 61.3                | -18.1                  | —     |       |
| 2   | JPY/USD exchange rate (yen/USD) | 108.1                                  | 121.4               | -13.3                  | —     |       |
| 3   | Crude oil refining              | Refined crude oil volume (thousand KL) | 4,946               | 4,990                  | -44   | 99.1% |
| 4   |                                 | CDU operating ratio (Calendar Day)     | 75.6%               | 76.3%                  | -0.7% | —     |
| 5   |                                 | CDU operating ratio (Streaming Day) *  | 94.6%               | 96.7%                  | -2.1% | —     |

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

| [2] Crude oil production volume                       |                     |                     |                        |        |
|---|---------------------|---------------------|------------------------|--------|
|   | 1QFY2016<br>Results | 1QFY2015<br>Results | Changes from 1Q FY2015 |        |
| Cosmo Energy Exploration & Production Co., Ltd. (B/D) | 40,766              | 37,352              | 3,414                  | 109.1% |

\*1) The production volume represents the total production volumes of the three major developers: Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., and United Petroleum Development Co., Ltd.

\*2) The production period has calculated in the January-March, because that the three major developers of the accounting period is December.

\*3) The Cosmo Energy Group has a 51.3% 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.

(As of Dec. 31, 2015)

| Crude Reserves Estimate (working interest base) (*1) |   |                |   |
|--|---|----------------|---|
| No.  |   | mmbbls         |   |
| 1  | ①Proved Reserves (*2)   | 80.2           | Note: The reserves include reserves of new concession area, Hail field.                                 |
| 2  | ②Probable Reserves (*3)   | 81.2           |   |
| 3  | ③Total Proved and Probable Reserves (①+②)                                   | 161.4          |   |
| 4  | (Ref.: Reserves to Production Ratio of Total Proved and Probable Reserves ) | about 24 years | Note: The daily average crude production based on working interest reached 19 thousands bpd for FY2015. |

(\*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 FY2016 Results – Changes from 1Q FY2015

Unit: billion yen

| No. |                        | Net Sales |                          | Operating Income |                          | Ordinary Income |                          | Ordinary Income<br>(excluding impact of<br>inventory valuation, cost or<br>market method) |                          |
|-----|------------------------|-----------|--------------------------|------------------|--------------------------|-----------------|--------------------------|---|--------------------------|
|     |                        |           | Changes from<br>1QFY2015 |                  | Changes from<br>1QFY2015 |                 | Changes from<br>1QFY2015 |   | Changes from<br>1QFY2015 |
| 1   | Petroleum business     | 436.7     | -151.4                   | 9.2              | -10.0                    | 6.4             | -11.6                    | -8.0  | -14.9                    |
| 2   | Petrochemical business | 67.3      | 58.7                     | 0.6              | 0.5                      | 1.7             | 0.3                      | 1.3   | 0.4                      |
| 3   | Oil E&P business       | 8.9       | -2.1                     | 1.3              | -2.1                     | 1.5             | -1.1                     | 1.5   | -1.1                     |
| 4   | Other                  | 12.1      | -2.3                     | -0.2             | -0.8                     | -0.4            | -0.9                     | -0.4  | -0.9                     |
| 5   | adjustment             | -46.3     | -19.6                    | 1.7              | 2.1                      | 1.1             | 1.4                      | 1.1   | 1.4                      |
| 6   | Total                  | 478.7     | -116.7                   | 12.6             | -10.3                    | 10.3            | -11.9                    | -4.5  | -15.1                    |

## Cosmo Group of Companies (by Segment)

|                        |  |
|------------------------|--|
| Petroleum business     | Cosmo Oil Co.,Ltd., Cosmo Oil Marketing Co., Ltd., Cosmo Oil Sales Corp, Cosmo Oil Lubricants Co., Ltd.,Sogo Energy Co., Ltd., Gyxis Corporation (owned by the Cosmo Energy Group on the equity method) etc.         |
| Petrochemical business | Cosmo Matsuyama Oil Co., Ltd., CM Aromatics Co., Ltd., Maruzen Petrochemical Co., Ltd., Hyundai Cosmo Petrochemical Co., Ltd. (owned by the Cosmo Energy Group on the equity method) , etc.                          |
| 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. (owned by the Cosmo Energy Group on the equity method) , etc. |
| Other                  | Cosmo Engineering Co.,Ltd., Cosmo Trade & Services Co., Ltd., EcoPower Co.,Ltd, etc.   |

**[1] Oil Refinery Operating Ratio**

|                     | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | 1Q FY2016 |
|---------------------|--------|--------|--------|--------|--------|-----------|
| CDU operating ratio | 51.4%  | 55.6%  | 69.5%  | 84.0%  | 83.2%  | 75.6%     |

\* Data as of the end of March of each fiscal year.

\* Calendar Year base

**[2] Number of SSs by Operator Type**

|            | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | 1Q FY2016 |
|------------|--------|--------|--------|--------|--------|-----------|
| Subsidiary | 939    | 914    | 899    | 881    | 920    | 918       |
| Dealers    | 2,559  | 2,411  | 2,329  | 2,252  | 2,134  | 2,110     |
| Total      | 3,498  | 3,325  | 3,228  | 3,133  | 3,054  | 3,028     |
| Mobile SSs | 34     | 33     | 34     | 34     | 31     | 31        |

**[3] Number of Self-Service SSs out of the Total Number of SSs Mentioned [2] above.**

|                           | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | 1Q FY2016 |
|---------------------------|--------|--------|--------|--------|--------|-----------|
| Subsidiary                | 550    | 550    | 550    | 552    | 581    | 583       |
| Dealers                   | 457    | 449    | 461    | 479    | 455    | 456       |
| Total                     | 1,007  | 999    | 1,011  | 1,031  | 1,036  | 1,039     |
| Share of Self-Service SSs | 28.8%  | 30.0%  | 31.3%  | 32.9%  | 33.9%  | 34.3%     |

**[4] Cosmo The Card-Number of cards in force**

(Unit: million cards)

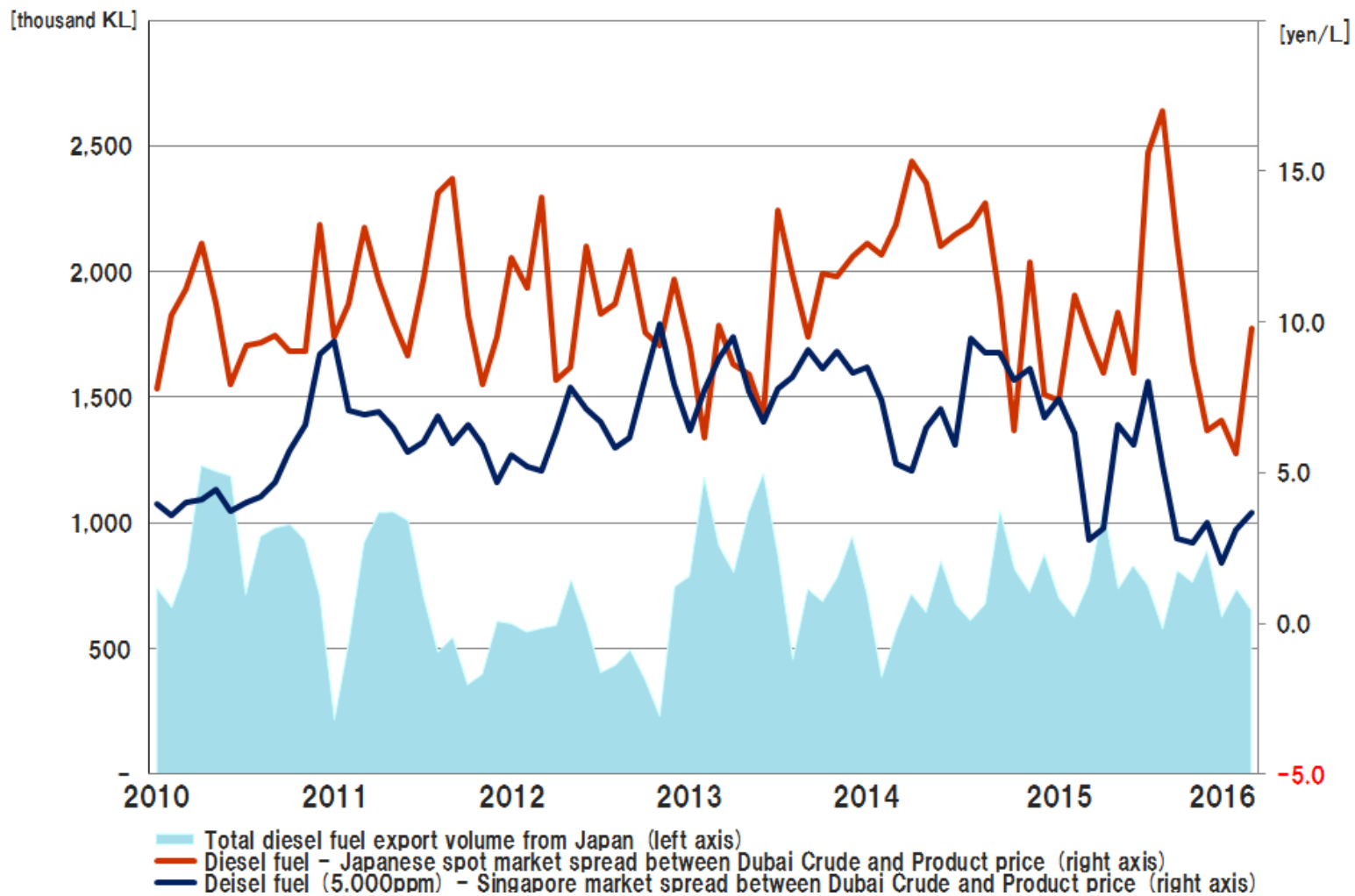
|                       | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | 1Q FY2016 |
|-----------------------|--------|--------|--------|--------|--------|-----------|
| No. of cards in force | 3.93   | 4.10   | 4.20   | 4.31   | 4.39   | 4.41      |

\*Including the number of the card, Opus, Triple

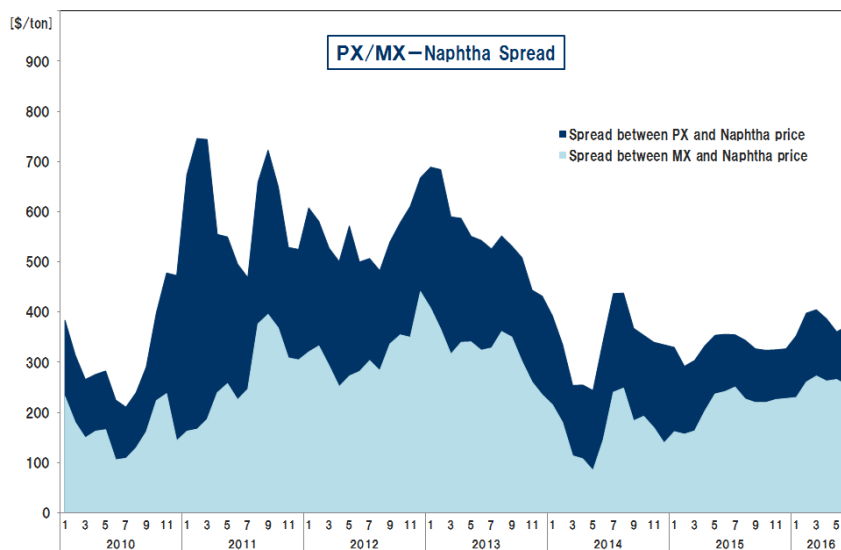
**[5] Accumulative number of contracted auto lease**

|  | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | 1Q FY2016 |
|--|--------|--------|--------|--------|--------|-----------|
| Accumulative number of contracted auto lease | 1,287  | 5,001  | 11,734 | 19,040 | 27,401 | 29,080    |

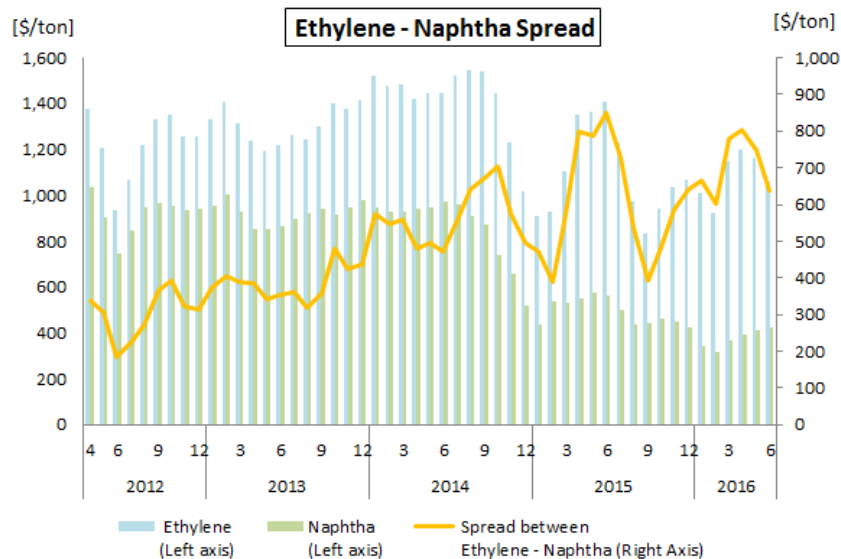




◆ Aromatic-Product Market Conditions



◆ Olefin-Product Market Conditions



# **Progress of the 5th Consolidated Medium-Term Management Plan**

# The 5th Consolidated Medium-Term Management Plan and Progress/ Prospects of Next Medium-Term Management Plan

- ✓ Increase profitability through steady and prompt implementation of the medium-term management plans for FY2016/FY2017
- ✓ Investment will be declined significantly and improve cash flow from the next medium-term management plan

| Fiscal Year                            |  | FY2013  | FY2014 | FY2015   | FY2016   | FY2017   | From FY2018  |  |
|--|--|---|--------|--|--|--|--|--|
| Large growth investment                |  | The development of the Hail oil field • New PX production plant • New wind farm, etc. |        |  |  |  | Investment to decline  |  |
| Oil E&P                                | Hail oil field   | Acquisition of mining areas ⇒ ⇒ ⇒ Under development                                   |        | Construction of artificial land, preparation for excavation          | Construction of ground facilities, Excavation                        | Start production   | Production volume of Abu Dhabi Oil Company will be doubled at peak           |  |
|  | Alliance with CEPSA  | Strategic comprehensive alliance  |        | CEPSA's investment in ADOC ⇒ To acquire new concession               |  |  |  |  |
| Oil refining & Petroleum product sales | Chiba Refinery<br>└ Joint Venture<br>└ Refinery long-run operation | Determination on alliance with TonenGeneral   |        | Establishment of Keiyo Seisei JV, pipelines under construction ⇒ ⇒ ⇒ |  |  | Start of pipelines operation in FY2018 ⇒ Annual synergy of 10bn JPY          |  |
|  |  | Start operation of new coker  |        | Benefit from decline in crude oil prices                             |  | 2 consecutive years operation ⇒ cost reduction by approx. 2.0bn JPY        |  | 4 consecutive years operation ⇒ further cost reduction |
|  | Sakai Refinery   |   |        |  | Agreement on business alliance with Showa Shell                      |  | Optimization of facilities through business alliance                         |  |
|  | Yokkaichi Refinery   |   |        |  | Reconstruction (power generation capacity: 200,000kw)                |  | Resume operation and fuel conversion in Sep ⇒ Competitive electricity supply |  |
|  | IPP Business   |   |        |  |  |  |  |  |
|  | Private car leasing  | ⇒ ⇒ ⇒ ⇒ ⇒ Accumulated total reached 20k vehicles                                      |        |  | Approx. 27k vehicles   | Approx. 40k vehicles   | Approx. 60k vehicles   | Further business expansion                             |
| Petro chemical                         | HCP (Aroma)  | Start operation of new PX equipment   |        | Energy-conservation investment/rationalization                       | Establishment of revenue bases less susceptible to market conditions |  |  |  |
|  | Maruzen Petrochemical (Olefin)                                     |   |        |  | Make into subsidiary ⇒ Pursue synergies with oil refining business   |  |  |  |
| Renewable Energy                       | Wind power generation  | FIT system (20 years) (accumulated capacity of approx. 150,000Kw)                     |        | Start operation at Hirogawa/Aizu (approx. 180,000Kw)                 | Start operation at Watarai (approx. 210,000Kw)                       | Start operation at Sakata Kowan/ Ishikari Bay New Port (approx. 230,000Kw) | Further business expansion   |  |

# Holding Company Structure

- ✓ Achieving sustainable growth and maximizing corporate value by responding to changes in the business environment and transforming the business portfolio with a clear vision of future growth business.
- ✓ Aim for “vertically integrated global energy company”, in a timely manner taking an opportunity for restructuring of organizations.

## Changes in business environment

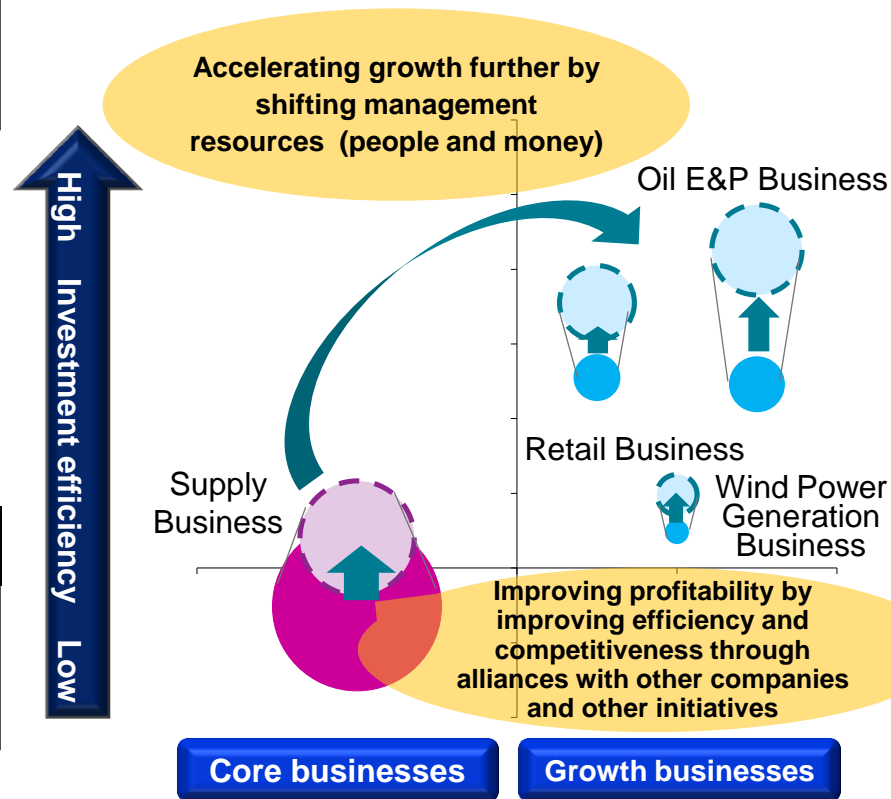
- ✓ Volatile fluctuation of crude oil prices
- ✓ Gradual decrease in domestic demand for oil products
- ✓ Expanded introduction of renewable energy and others

## Sustainable growth and improvement of corporate value through the transformation of the business portfolio

Maximizing corporate value through transformation to a holding company

## Objectives and anticipated effects

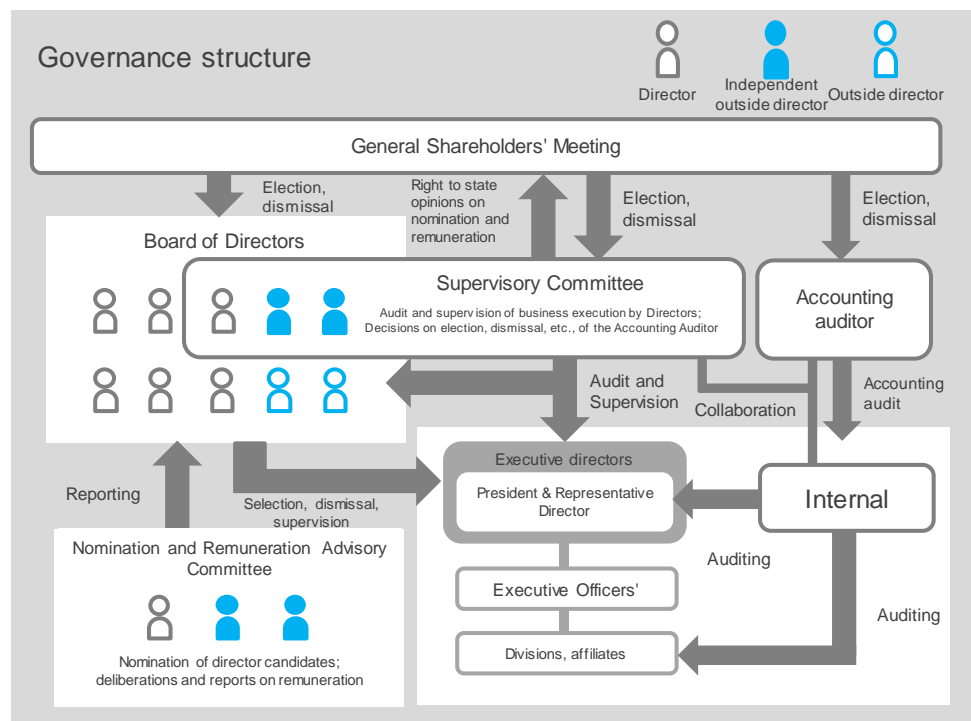
- (1) Stable dividends
- (2) Quick decision-making
- (3) Promotion of alliances in each business



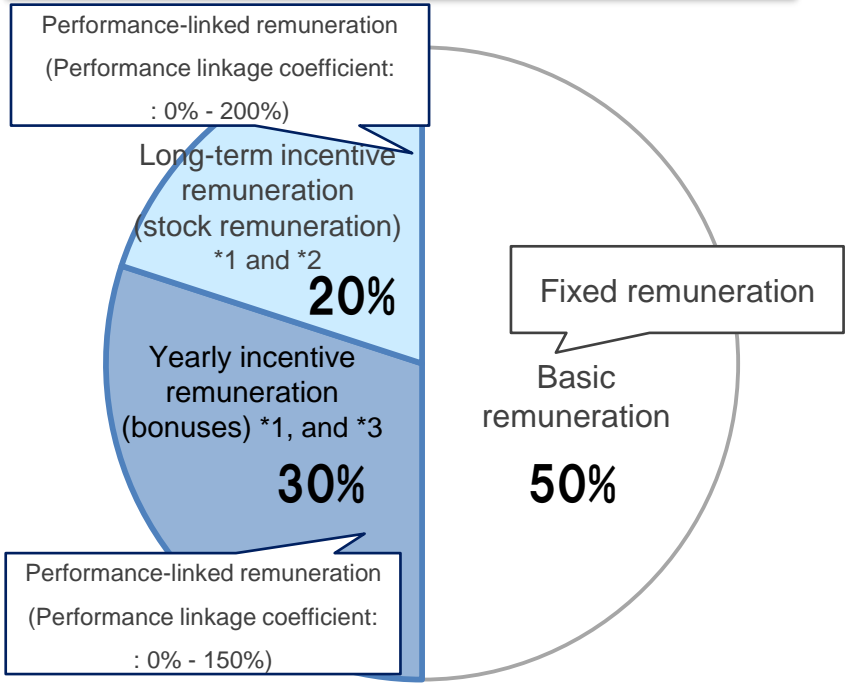
\* The size of the circle indicates the size of the assets of each business.

- ✓ Four of the 10 directors appointed shall be outside directors.
- ✓ Establish a Nomination and Remuneration Advisory Committee, with the majority of the members being independent outside directors.
- ✓ Establish an officer remuneration system, where 50% of remuneration is performance-linked, to share profits with shareholders.

## Governance system



## Executives' Remuneration



\*1 Incentives are not applied to outside directors and directors who are Supervisory Committee members.  
 \*2 Linked to achievement level of the 5th Consolidated Medium-Term Management Plan (for the period up to the fiscal year ending March 31, 2018).  
 \*3 Linked to consolidated results for each fiscal year

# Business Outline



## Oil Exploration & Production

[Independent exploration and production]

\* ( ) Contract start

UAE Abu Dhabi (1967~)

Qatar (1997~)



[Production volume](result of FY2015)

Approx. 40,000 BD (compared to crude oil processing : Approx. 9%)

[Reserves (2P)](as of Dec.31,2015)

Approx. 161,400,000 BBL

## Oil Sales

[Domestic sales]\*(Domestic share in FY2015)

|                  |   |                                   |
|------------------|---|-----------------------------------|
| Gasoline         | : | 5,673 thousand KL (10.7%)         |
| Diesel fuel      | : | 4,133 thousand KL (12.3%)         |
| Kerosene/JET     | : | 2,342 thousand KL (10.9%)         |
| Heavy fuel oil A | : | 1,420 thousand KL (12.0%)         |
| <b>Total</b>     | : | <b>21,350 thousand KL (11.8%)</b> |



[Product export] (result of FY2015)

4,064 thousand KL

[Domestic sales destination]

Dealers affiliated with the Company, large users,  
Service station : 3,054 (As of Mar.31,2016)



## Petrochemical

[Domestic production capacity]

Yokkaichi Refinery: MX 300,000 tons

CM Aromatics : MX 270,000 tons

Cosmo Matsuyama Oil

: MX 30,000 tons

Bz 90,000 tons

Maruzen Petrochemical :

(production capacity)

(Ethylene 1,290,000 tons)

(Bz 600,000 tons)

[Overseas production capacity]

HCP(South Korea)

:PX 1,180,000 tons

:Bz 250,000 tons

Production capacity : As of Apr.1,2016

## Crude oil import/ Oil refining

25

[Major crude oil suppliers]\* ( ) Import ratio in FY2015

UAE(40.2%), Saudi Arabia(22.7%)

Qatar (11.0%), Kuwait and others(26.1%)

[Refining capacity] \* ( ) Domestic share

Chiba Refinery 220,000 BD

Yokkaichi Refinery 132,000 BD

Sakai Refinery 100,000 BD

**Total 452,000 BD**

(Approx. 11.8%)

Refining capacity : As of Apr.30,2016



## Renewable energy

[Wind power generation]

EcoPower Co., Ltd. (domestic share approx. 6%)

Power generation capacity : 184,000 kw

Number of windmills : 145 (22 sites)

(As of Mar.31,2016)



[Solar power generation]

CSD Solar (Joint Venture Company)

Generation capacity: 24,000 kw

- ✓ 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 Company 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 the start of production in 1H,2017.

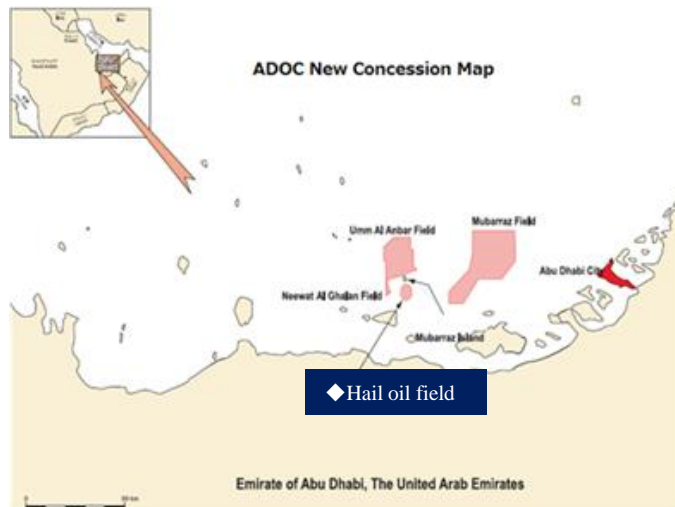
| Location | Company Name     | Investment Ratio | Establishment | Crude Production (BD) | Total Proved and Probable Reserves (mil B) | Reserve Production Ratio (year) |
|----------|------------------|------------------|---------------|-----------------------|--|---------------------------------|
|          | Cosmo Energy E&P | 100%             | 2014          | 39,201                | 161.4                                      | approx. 24                      |

|       |      |     |      |
|-------|------|-----|------|
| U.A.E | ADOC | 51% | 1968 |
|       | UPD  | 45% | 1970 |
| Qatar | QPD  | 75% | 1997 |

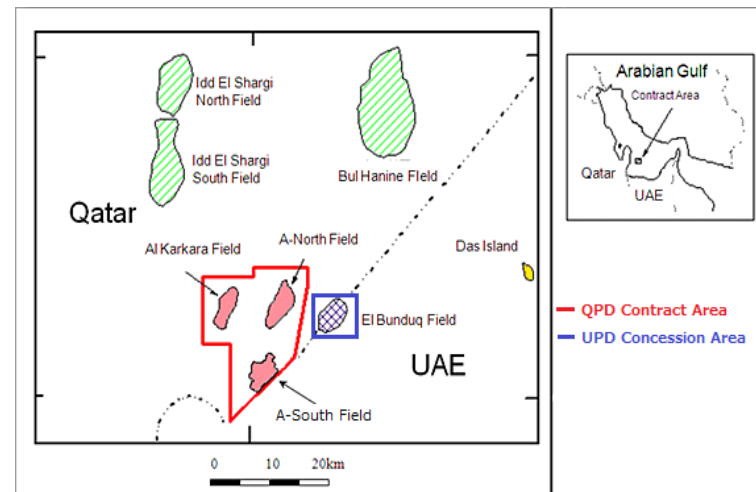
※Production of Crude Oil : Result of FY2015

※Crude Reserves Estimate : Total of Proved Reserves and Probable Reserves  
(As of 31st, Dec 2015)

■ Location Map of ADOC Concession Area

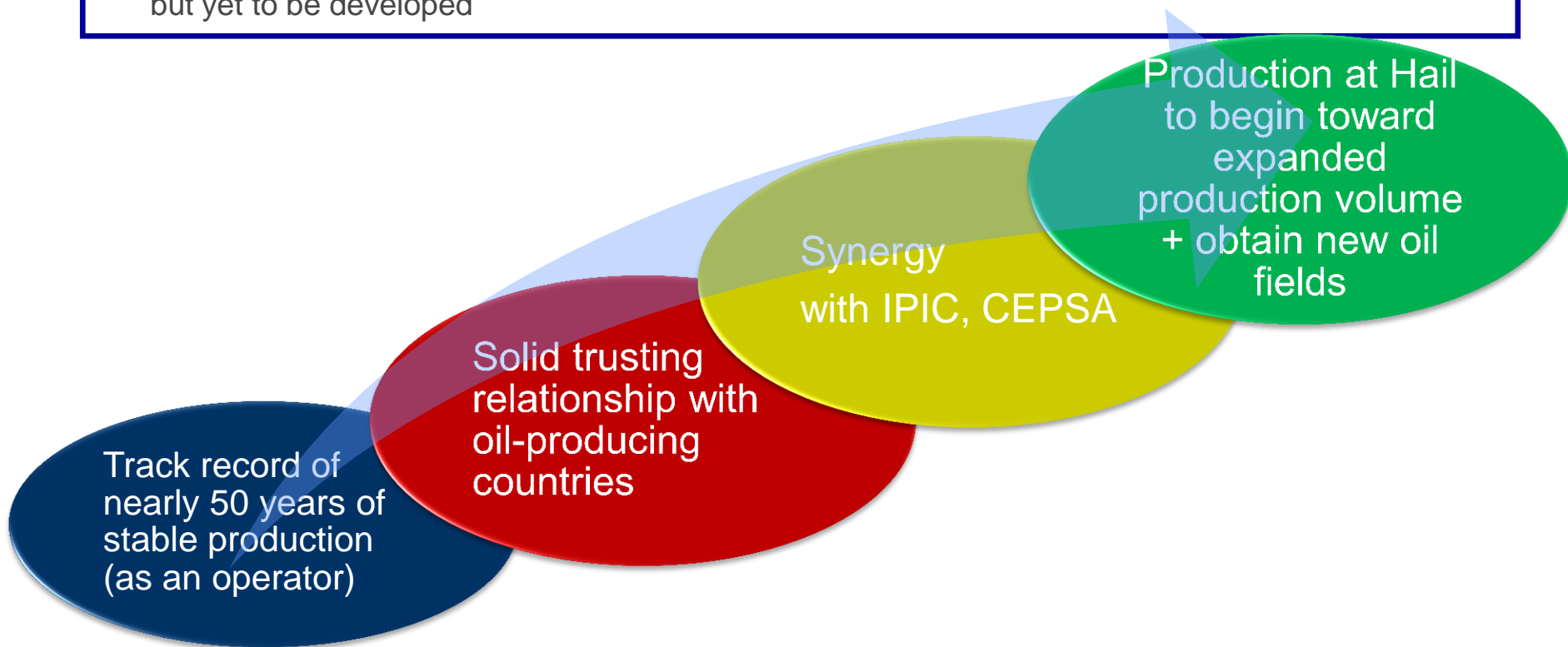


■ Location Map of QPD Contract and UPD Concession Area



<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



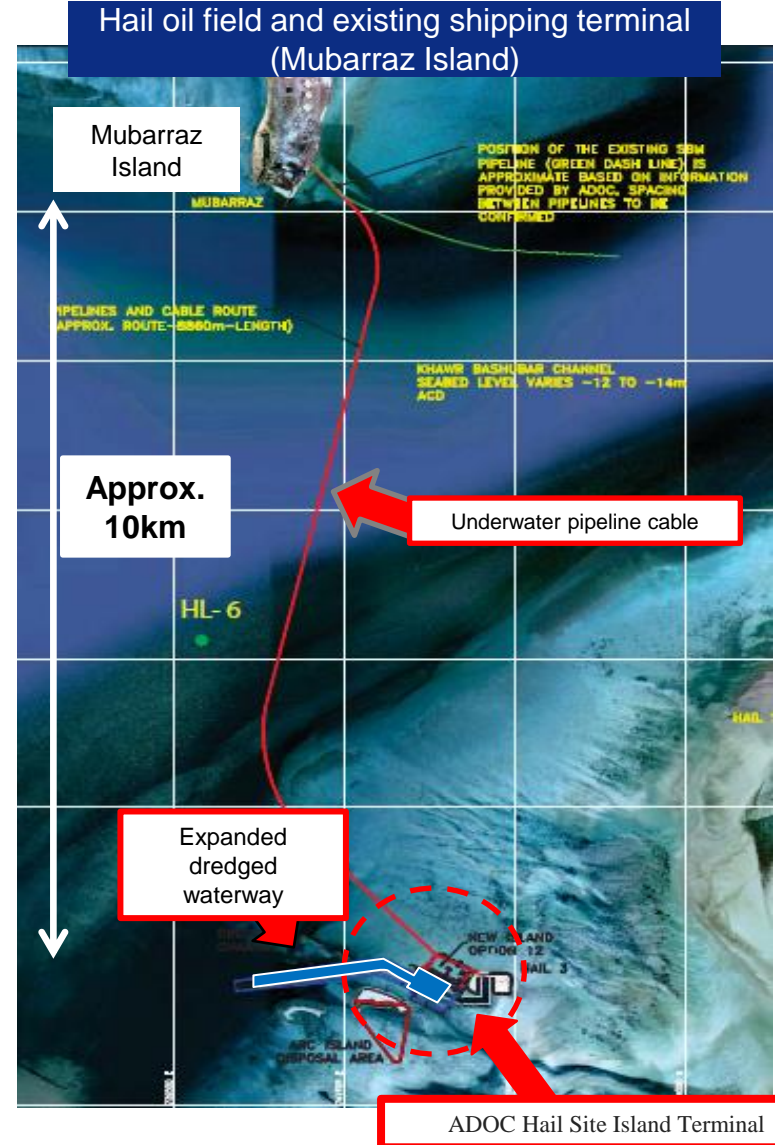
<Risk tolerance>

- ✓ 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 nearly 50 years and solid trusting relationship with oil-producing countries
- ✓ Financial risks ⇒ Diversifying business portfolio, joint businesses with partners
- ✓ Price fluctuation risks ⇒ Crude oil production in the Middle East, one of the most competitive regions in the world

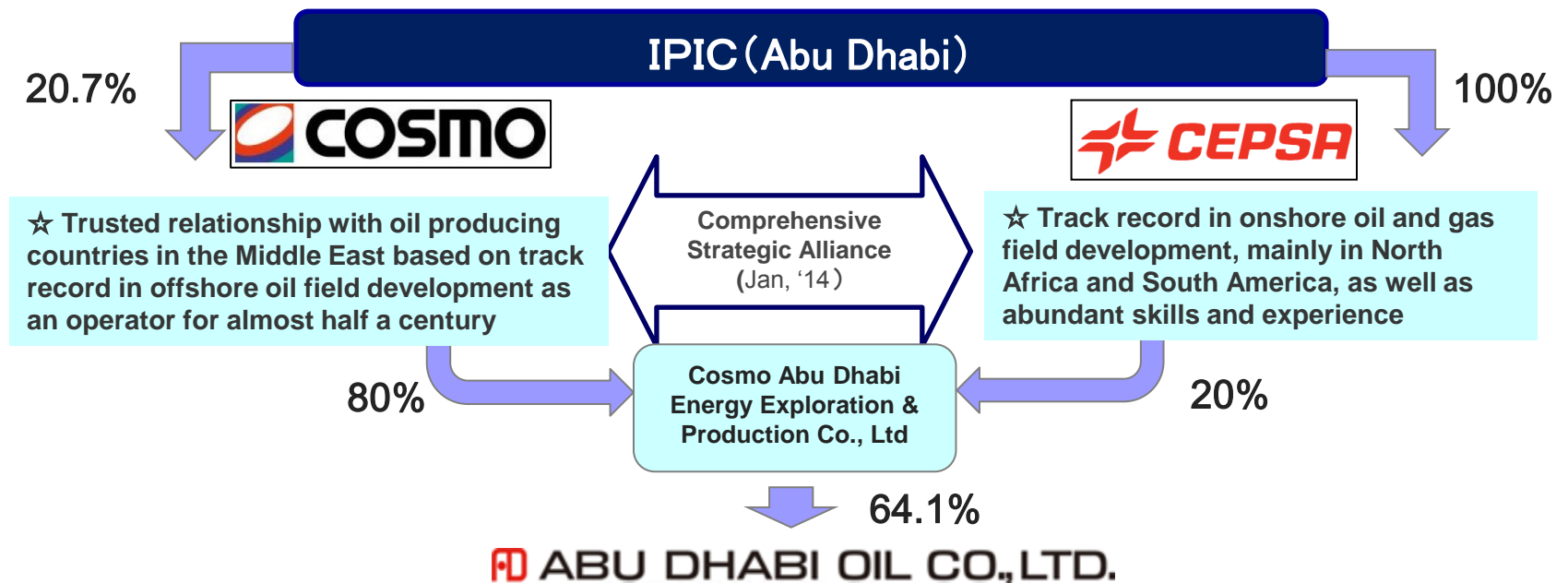
- ✓ Production is expected to start in the first half of 2017. (Excavation starting in FY2016)
- ✓ The peak production volume is expected to be equivalent to that of the three existing oil fields of Abu Dhabi Oil Company.
- ✓ Operating unit cost is expected to be cut due to the use of existing facilities.

**Development schedule toward start of production**

|                                      | FY2014                 | FY2015   | FY2016                                  | FY2017              |
|--------------------------------------|------------------------|--|---|---------------------|
| Exploration (3D seismic prospecting) | 3D seismic prospecting | Data analysis (looking for excavation point)         |   |                     |
| Development                          | Planning               | Dredging waterway, construction of artificial island | Construction of above-ground facilities |                     |
|                                      |                        | Preparing for excavation                             | Excavation                              | Production to begin |



- ✓ 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” 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



- ✓ Promoted rationalization and efficiency, including alliances in each region.
- ✓ Two-year long run at Chiba Refinery
  - ➡ Income is expected to increase 7 billion yen/year due to an improvement in operation and optimization of maintenance cost.
- ✓ Have already determined the policies for complying with the Act of sophisticated methods of energy supply structures (due by the end of March 2017).

[Our crude oil processing capacity: 452,000BD]

Sakai Refinery: 100,000 BD

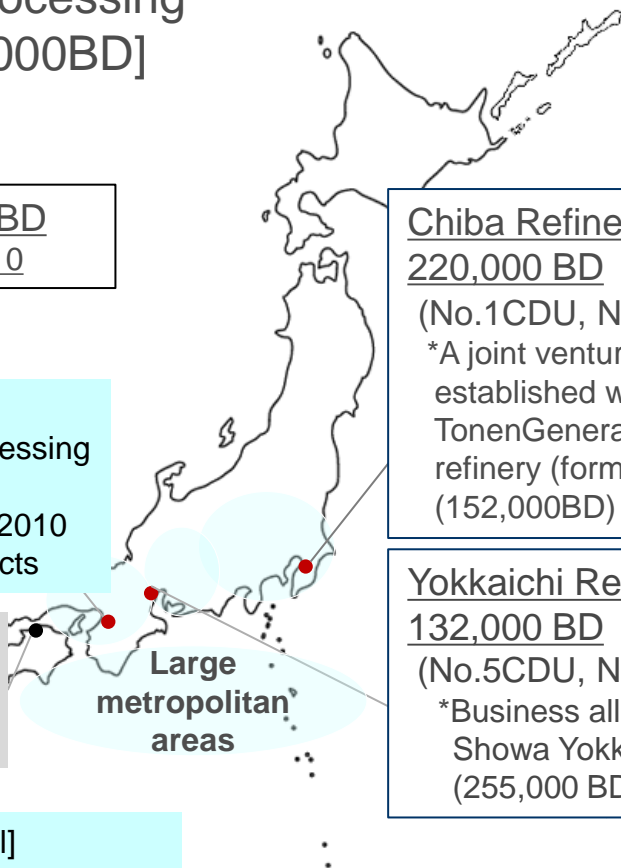
\*Coker in operation since 2010

[Greater competitiveness by investing in secondary processing equipment]

- ✓ Coker began operation in 2010
- ✓ Higher value-added products

Formerly of Sakaide Refinery: 140,000 BD  
 Closed in July 2013

[Conversion to an oil terminal]  
 Streamlining effect: About ¥10 billion



Chiba Refinery:

220,000 BD

(No.1CDU, No.2CDU)

\*A joint venture company established with TonenGeneral's Chiba refinery (formerly of KPI) (152,000BD)

Yokkaichi Refinery:

132,000 BD

(No.5CDU, No.6CDU)

\*Business alliance with Showa Yokkaichi Sekiyu (255,000 BD)

[More competitive through JV]

- ✓ Joint business started
- ✓ Construction of a pipeline started
- ✓ Refinery equipment to be integrated with JV after the pipelines are constructed  
 ⇒One CDU will be disposed of through JV (plan)

[Synergy from two companies: ¥10 billion/year]

- ◆ Higher value-added products
- ◆ Streamlined equipment

[More competitive through business alliances]

- ✓ One CDU will stop its operation (plan) and streamline equipment
- ✓ Consignment of crude oil refining

[Synergy from two companies]

- ◆ Higher value-added products
- ◆ Streamlined equipment

- ✓ Put both companies' Chiba refineries under integrated management to streamline and increase efficiency of the Refinery Business.
- ✓ Establish a refinery with top-class competitiveness in Asia.
- ✓ Assume that synergies between both companies will be 10 billion yen/year (1 billion yen/year before the completion of pipelines).

## Basic contract, decisions

### ■ Establishment of Keiyo Seisei JV G.K. (January 2015)

- Investment ratio: each company to take a 50% stake
- Business: development of a production plan for both refineries

### ■ Formal agreement on the construction of pipelines

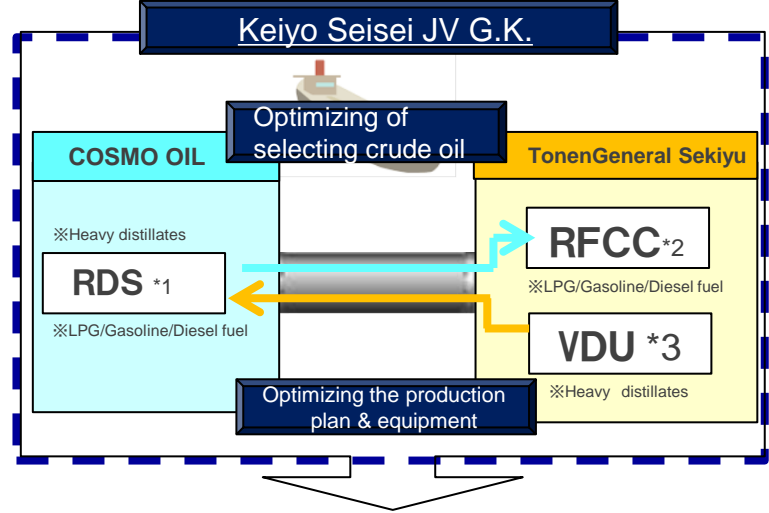
- Construction work to started in June 2015
  - Start of boring on a horizontal tunnel in July 2016 (see the chart on the bottom right corner)
- Nine pipelines to be laid
- Each of the two companies to provide half of the construction costs (each assumed to pay ¥15 billion)
- The project has been chosen as a project to be subsidized by the Ministry of Economy, Trade and Industry.

### ■ Integration of the two refineries

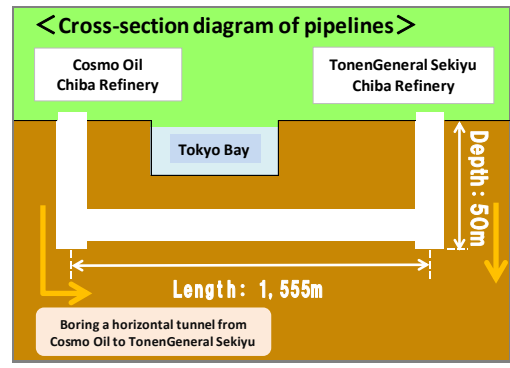
- Upon the completion of the pipelines and after integration of refining equipment, the No.1 CDU that Cosmo Oil currently holds will be disposed of for the optimization of the refinery equipment after the integration of the equipment with JV.

\* 1)RDS=Residue Hydro desulfurization unit  
 \* 2)RFCC=Residue Fluid Catalytic Cracker  
 \* 3)VDU= Vacuum Distillation Unit

### ■ An example of Synergy



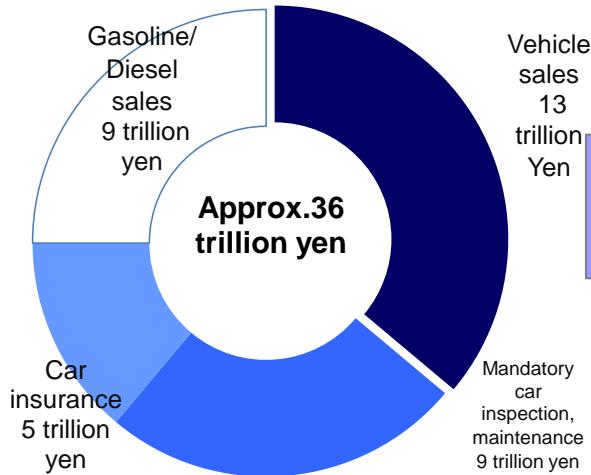
Producing synergy = Increasing competitiveness of refineries



※Shield machine :A side-cut excavator

- ✓ Utilize the infrastructure for retaining existing customers and gaining new customers as a platform.
- ✓ Aim at strengthening SS profitability by converting to “car life value proposition” by positioning the individual leasing business at the core.

Market size of car-related business



Source: SEIBIKOHOSYA

[Cosmo Energy Group measures to strengthen its retail operations]

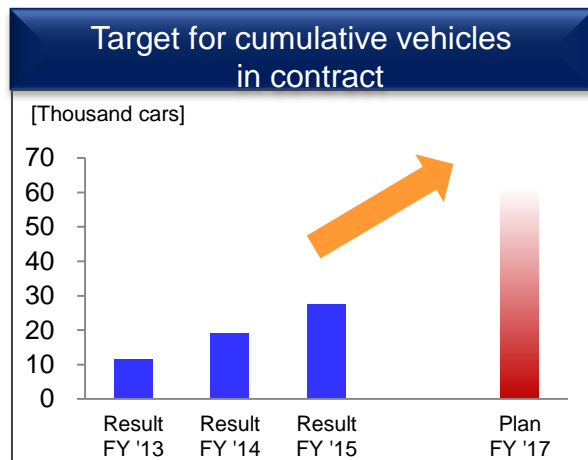
<Strategy>  
 Capitalize on the higher frequency at which SSs serve customers (500,000 vehicles a day\*) over competitors engaged in car related business. Place a focus on the car life market with a scale of 27 trillion yen in addition to gasoline and diesel oil sales

<Tactics>  
 Capturing and retaining customers in the individual vehicle leasing business  
 Contract type: Centered on five-year contracts with monthly fixed-rate payments  
 Contract coverage: Vehicle lease, vehicle inspection and maintenance, insurance and tax  
 Privilege: A reduced price for fuel oil at Cosmo Energy Group SSs only

**Business model patent acquired**



\* The number of vehicles visiting Cosmo Oil SSs estimated by the company



### Retaining existing customers

- Cosmo the Card (credit card)
  - Number of active card holders: 4.41 million (as of the end of Jun. 2016)
- Internet affiliate system (“Vehicle Life”) (two-way communication)
  - Guiding customers from online to SSs

### Gaining new customers

- Mutually introducing customers with large shopping malls (e.g. AEON) and other operators running different types of business
- Launching electronic money payment services at SSs
- Launching SSs at large shopping malls



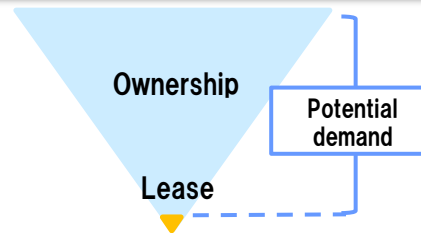
- ✓ Entry into the car lease market for individuals, which is expected to continue to grow in the future
- ✓ Low-risk business model with the lease company taking charge of credit administration, and of inventory vehicles
- ✓ Ultimate merchandise for total car life support for customers

### What is "Cosmo Smart B-cle"?

◆Characteristics◆

- Convenient : Monthly fixed payment
- Handy : All-inclusive maintenance (mandatory vehicle inspection, tax, insurance, etc.)
- Economy : Fuel oil discount service

### Domestic car lease market for individuals



- Extremely small ratio of ownership of private vehicles by lease
- High potential demand

### Features of contracted auto lease

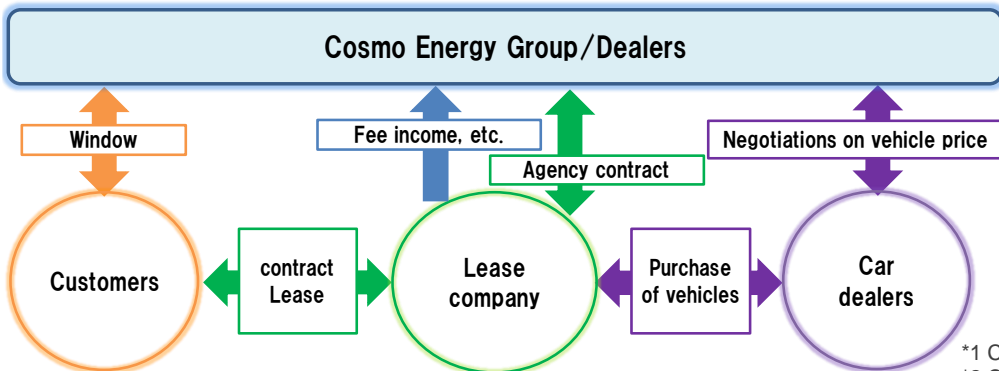
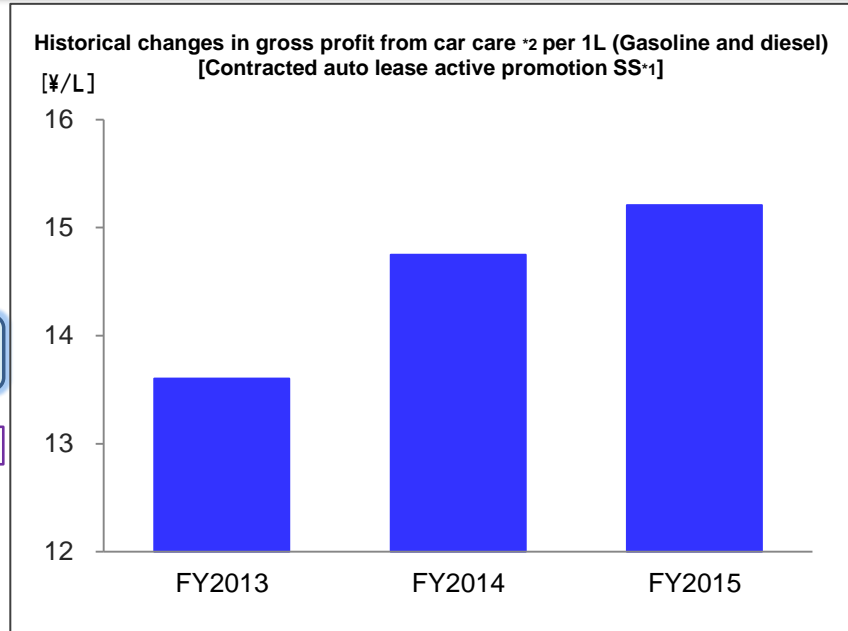
◆Strengths

- The Company group : Possible to make a proposal utilizing the contacts of SS with customers
- Existing lease companies: Fewer contacts with individual customers

◆Low risk

- Low risk without inventory and credit risk owing to agency contract with lease companies

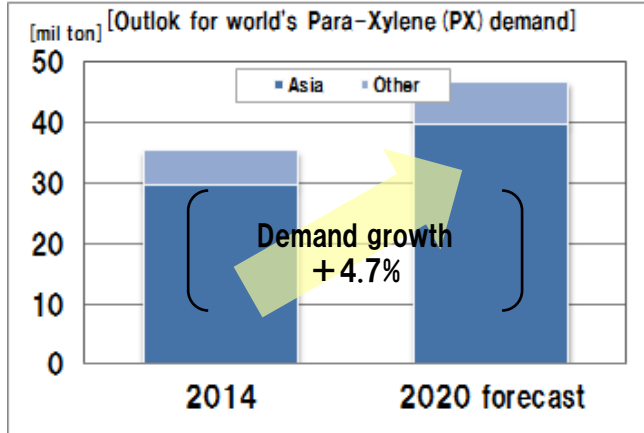
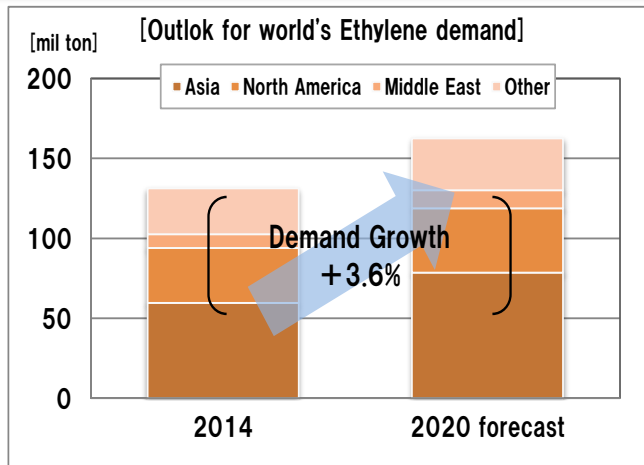
### Attractiveness of contracted auto lease



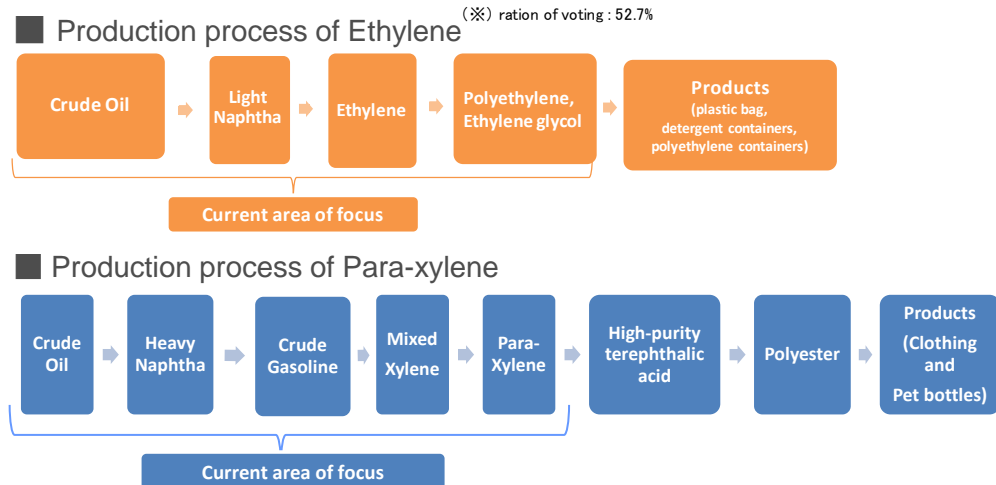
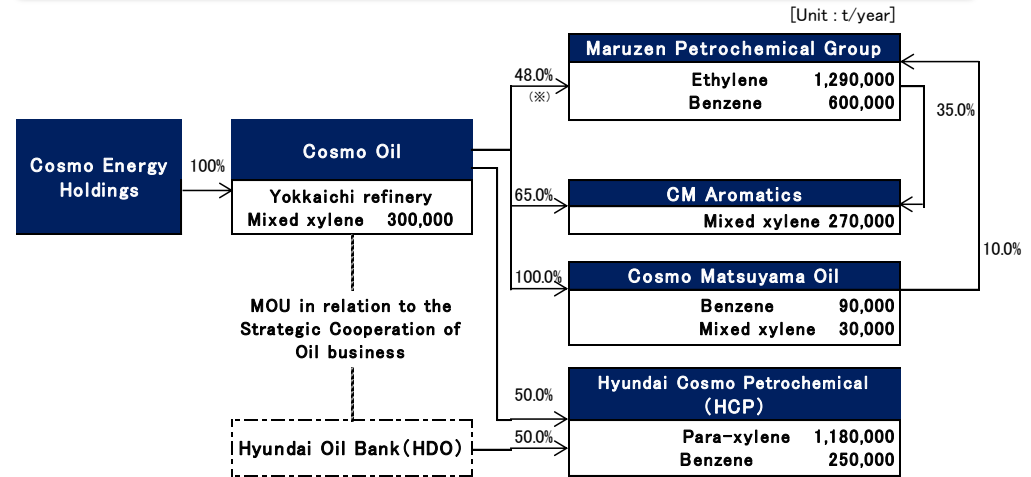
\*1 Contracted auto lease active promotion SS: SS promoting private car leasing and vehicle sales  
 \*2 Car care: income other than fuel oil (mandatory car inspection, maintenance, insurance, etc.)

- ✓ Established integrated production systems in the ethylene and para-xylene markets, where demand is expected to increase.
- ✓ Pursue synergies with the oil refining business to boost competitiveness.

Expected global demand for petrochemical products



Production system of Cosmo Energy Group



Source: Global Demand Trends for Petrochemical Products of the Ministry of Economy, Trade and Industry (2014-2020)

## Business environment in Japan

- ✓ The ratio of wind power generation to total power generation in Japan in 2030 is expected to be around three times greater (10 million kW) than the 2015 level (\*1).
- ✓ The FIT scheme was introduced in 2012, and the acquisition price is fixed for 20 years (22 yen per kWh excluding tax).(\*2)
- ✓ Entry into the market is not easy because advanced expertise is required in the identification of suitable sites and environmental assessment. (\*3)

(\*1) Source: “On institutional reform for promoting the introduction of renewable energy” of the Agency for Natural Resources and Energy in November 2015

(\*2) Determined until FY2016

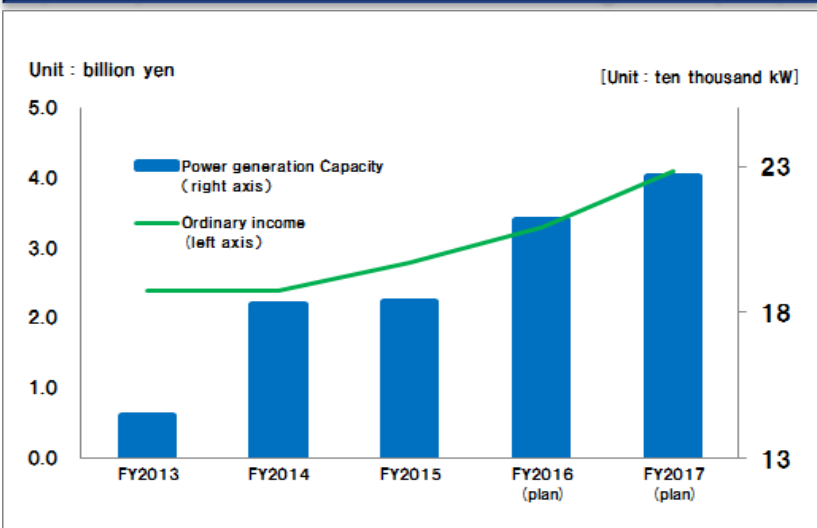
(\*3) Identification of suitable sites (2 to 3 years) → Environmental assessment (4 to 5 years) → Construction work (1 to 2 years) → Start of operation

## Characteristics (strengths) of the Group

- ✓ Making Eco Power Co., Ltd., a pioneer in the wind power generation business (founded in 1997), a Group company in 2010.
- ✓ Achieving high on-wind availability (90% or more) through development, construction, operation, and maintenance within the Group.
- ✓ Aiming to expand the business in the long term by expanding sites on land and participating in an offshore wind farm project (\*4).

(\*4) The offshore wind power generation in Akita is a large-scale offshore wind power generation project led by the private sector.

### Changes in wind power generation capacity (in the period of the medium-term management plan)



### Overview of Eco Power Co., Ltd. of Cosmo Energy Group

|   |  |
|---|--|
| Capital: : 7.1 billion yen<br>Number of wind turbines : 145 (22 sites)<br>Power generation capacity : 184,000 kW<br>Industry share : around 6% (ranked 3rd) |  |
| *As of March, 2016  | <div style="border: 1px solid green; padding: 2px; margin-bottom: 5px; text-align: center;">                     1H FY2016<br/>Construction started                 </div> <div style="border: 1px solid red; padding: 2px; margin-bottom: 5px; text-align: center;">                     Operation slated to begin in Ishikari Bay Port, Hokkaido (2H FY2017)                 </div> <div style="border: 1px solid green; padding: 2px; margin-bottom: 5px; text-align: center;">                     Construction started                 </div> <div style="border: 1px solid red; padding: 2px; margin-bottom: 5px; text-align: center;">                     Operation slated to begin in Watarai, Mie (2H FY2016)                 </div> <div style="border: 1px solid green; padding: 2px; margin-bottom: 5px; text-align: center;">                     Construction started                 </div> <div style="border: 1px solid red; padding: 2px; margin-bottom: 5px; text-align: center;">                     Operation slated to begin in Sakata Port, Yamagata (2H FY2017)                 </div> |

**Forecast for FY2016 Performance  
(Announced in May 2016)**

Unit: billion

| No. |   | FY2016 Forecast | FY2015 Results | Changes |
|-----|---|-----------------|----------------|---------|
| 1   | Ordinary income   | 67.5            | -36.1          | 103.6   |
| 2   | impact of inventory valuation                           | 13.0            | -68.7          | 81.7    |
| 3   | Ordinary income excluding impact of inventory valuation | 54.5            | 32.6           | 21.9    |
|     |   |                 |                |         |
| 4   | Petroleum business                                      | 35.0            | 5.8            | 29.2    |
| 5   | Petrochemical business                                  | 7.0             | 4.2            | 2.8     |
| 6   | Oil E & P business                                      | 7.5             | 18.6           | -11.1   |
| 7   | Other   | 5.0             | 4.0            | 1.0     |
| 8   | Profit attributable to owners of parent                 | 47.5            | -50.2          | 97.7    |
| 9   | Dividend per Share (Forecast) (yen)                     | ¥50             | ¥40            | ¥10     |

## 【Reference】

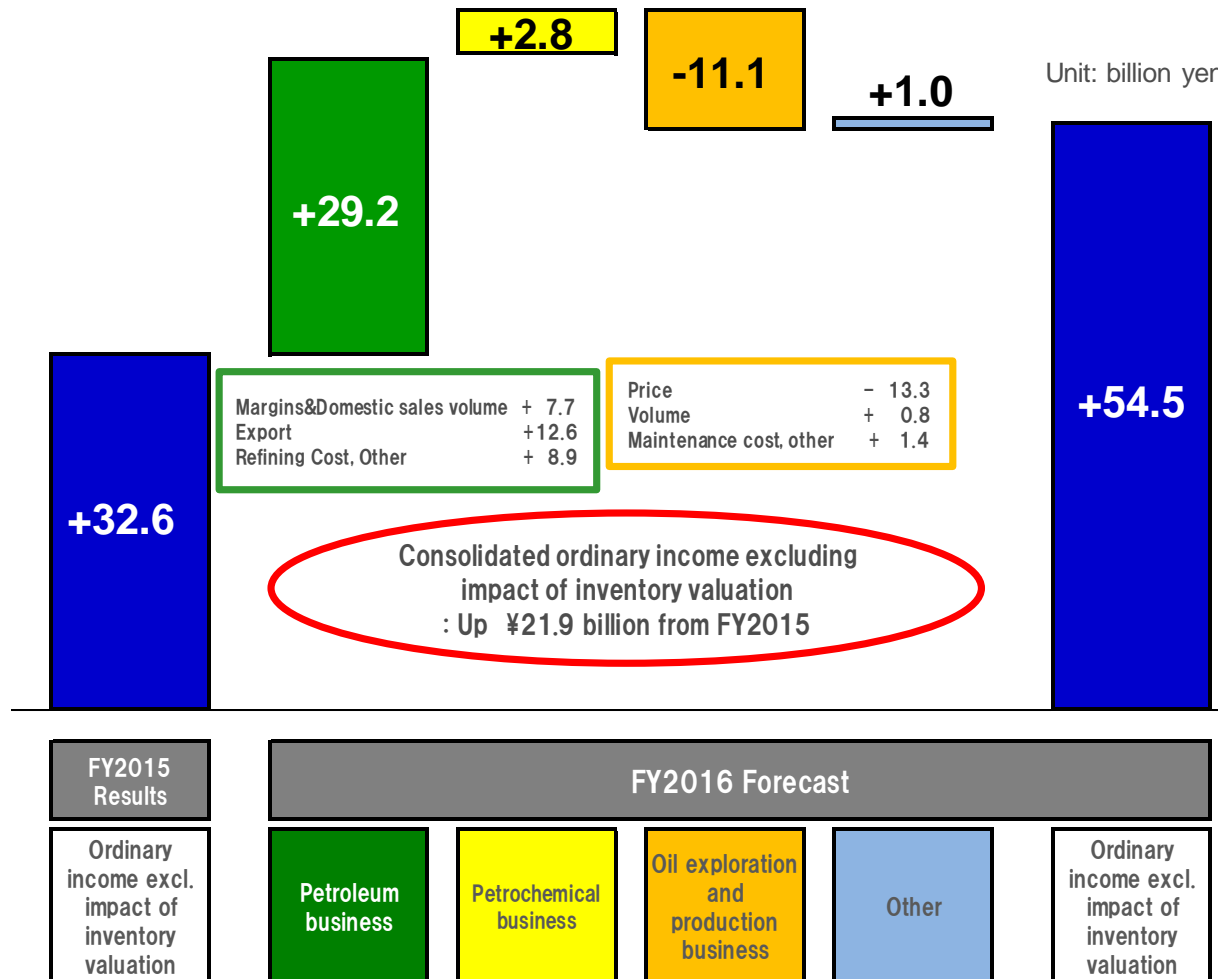
| No. |                                 | FY2016 Forecast | FY2015 Results | Changes |
|-----|---------------------------------|-----------------|----------------|---------|
| 1   | Dubai crude oil price (USD/B)   | 40.0            | 45.7           | -5.7    |
| 2   | JPY/USD exchange rate (yen/USD) | 110.0           | 120.1          | -10.1   |

※ For Assumption of Crude Oil Price and Exchange Rate, and Business Sensitivity, please see page 40.

[FY2016 Forecast] Consolidated Ordinary Income (Excluding the Impact of Inventory Valuation)  
 - Analysis of Changes from FY2015 (Announced in May 2016)

Key Variable Factors

- Petroleum business : Higher earnings due to improved CDU operating ratios through two-year long run at Chiba Refinery, increased exports and improved market conditions.
- Petrochemical business: Higher earnings due to improvement in the aroma market and making Maruzen Petrochemical a consolidated subsidiary.
- Oil E&P business : Lower earnings due to the fall in oil prices, although the production volume is on the rise.



- ✓ Steady implementation of investment for growth mainly in the Oil E&P and wind power generation (other) businesses
- ✓ Increase in the petrochemical business by making Maruzen Petrochemical a consolidated subsidiary

### Capital Expenditures, Depreciation, etc.

### Capital Expenditures by Business Segment

Unit: billion yen

| No. |                                  | FY2016 Forecast | Changes |
|-----|----------------------------------|-----------------|---------|
| 1   | Capital expenditures             | 138.6           | 55.8    |
| 2   | Depreciation expense amount, etc | 39.4            | 8.7     |

Unit: billion yen

| No. |               | FY2016 Forecast | FY2015 Results | Changes |
|-----|---------------|-----------------|----------------|---------|
| 1   | Petroleum     | 36.5            | 32.7           | 3.8     |
| 2   | Petrochemical | 16.2            | 1.0            | 15.2    |
| 3   | Oil E&P       | 67.1            | 45.8           | 21.3    |
| 4   | Other         | 20.3            | 6.4            | 13.9    |
| 5   | adjustment    | -1.5            | -3.1           | 1.6     |
| 6   | Total         | 138.6           | 82.8           | 55.8    |

### Full-Year FY 2016 Outlook – Changes from FY 2015

Unit: billion yen

| No. |                        | Net Sales |                     | Operating Income |                     | Ordinary Income |                     | Ordinary Income<br>(excluding impact of inventory valuation, cost or market method) |                     |
|-----|------------------------|-----------|---------------------|------------------|---------------------|-----------------|---------------------|---|---------------------|
|     |                        |           | Changes from FY2015 |                  | Changes from FY2015 |                 | Changes from FY2015 |   | Changes from FY2015 |
| 1   | Petroleum business     | 2,092.0   | -128.7              | 54.5             | 105.4               | 47.0            | 109.8               | 35.0  | 29.2                |
| 2   | Petrochemical business | 417.0     | 368.9               | 5.0              | 6.7                 | 8.0             | 3.9                 | 7.0   | 2.8                 |
| 3   | Oil E&P business       | 43.0      | -12.8               | 10.0             | -8.3                | 7.5             | -11.1               | 7.5   | -11.1               |
| 4   | Other business         | 67.0      | -4.4                | 3.0              | -0.7                | 3.0             | -0.5                | 3.0   | -0.5                |
| 5   | Adjustment             | -99.0     | 52.7                | 5.0              | 4.1                 | 2.0             | 1.5                 | 2.0   | 1.5                 |
| 6   | Total                  | 2,520.0   | 275.7               | 77.5             | 107.2               | 67.5            | 103.6               | 54.5  | 21.9                |

### Assumption of Crude Oil Price and Exchange Rate, and Business Sensitivity

| No. |                       | Precondition  | Sensitivity        |                    |
|-----|-----------------------|---------------|--------------------|--------------------|
|     |                       |               | Petroleum Business | Oil E & P Business |
| 1   | Crude oil (Dubai)     | 40.0 USD/BBL  | + 2.0 billion yen  | + 0.7 billion yen  |
| 2   | JPY/USD exchange rate | 110.0 yen/USD | + 0.7 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 twelve-month period of Apr.2016 to Mar.2017 adopted for sensitivity figure estimation for the petroleum business segment and a nine-month period of Apr.2016-Dec.2016 for the oil E&P business



## 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.