

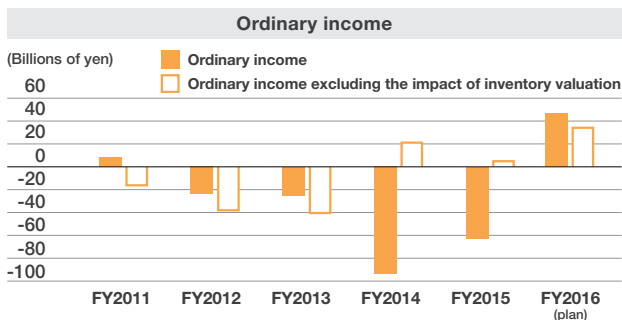
Petroleum Business

Business Summary

The Petroleum Business comprises the oil refining business operated by Cosmo Oil, and the petroleum product sales business and the retail business operated mainly by Cosmo Oil Marketing. In the oil refining business, the Company is strengthening its competitiveness through alliances such as the establishment of a joint venture called Keiyo Seisei JV G.K. with TonenGeneral Sekiyu K.K. for the respective refineries in Chiba and the business alliance with the

Showa Shell Seikyū Group with respect to the Yokkaichi Refinery. As regards the petroleum product sales and retail businesses, amid the downturn in petroleum product demand in Japan, we bolstered initiatives related to the consumer car leasing business in a bid to transition from a conventional business model that revolves solely around fuel oil margins as a primary source of earnings to a business model focused on providing a full array of car services.

Operating Performance



Owing to the impact of inventory valuation losses caused by the fall in crude oil prices, the Petroleum Business posted an ordinary loss of ¥62.8 billion, up ¥30.7 billion year on year. Ordinary income excluding the impact of inventory valuation (-¥68.6 billion) was ¥5.8 billion, a year-on-year decline of ¥16.2 billion. In FY2016, the Company expects ordinary income excluding the impact of inventory valuation to increase by ¥29.2 billion year on year to ¥35.0 billion, as operational benefits and the effect of profit improvement stemming from the optimization of maintenance costs resulting from the two-year long running at the Chiba Refinery are estimated about ¥7.0 billion.

Oil Refining Business

Cosmo Oil has three refineries across Japan—in Chiba, Yokkaichi and Sakai—and aims to strengthen the competitiveness of each refinery mainly by promoting alliances with other companies. As the Chiba Refinery will commence two-year long run operation in FY2016, we project an income improvement of about ¥7.0 billion. Moreover, the competitiveness at Sakai Refinery has been enhanced by installation of the Delayed Coker Unit (Heavy oil thermal cracking unit). In regard to Japan's Act on Sophisticated Methods of Energy Supply Structures, (deadline of the end of March 2017), we intend to implement a response through our alliances with the Showa Shell Sekiyū Group for the Yokkaichi Refinery.

Sakai Refinery

100,000 BD

Greater competitiveness by investing in secondary processing equipment

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

Former Sakaide Refinery (Closed in July 2013)

140,000 BD

- Converted into an oil terminal.
- Streamlining effects: About 10 billion

The Company's Crude Oil Processing Capacity

452,000 BD

Domestic Share

11.8% As of May 31, 2016

CDU operating ratio

83.2%
(National average 82.8%) FY2015

Chiba Refinery (No.1 CDU, No.2 CDU)

220,000 BD

A joint venture company established with TonenGeneral's Chiba refinery (formerly of KPI) (152,000BD) in January 2015

Enhance competitiveness by a JV

- Joint venture started by the established JV
- 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 both companies: ¥10 billion/year

Higher value-added products, streamlined equipment

Yokkaichi Refinery (No.5 CDU, No.6 CDU)

132,000 BD

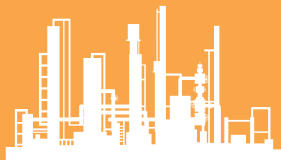
Business alliance with Showa Yokkaichi Sekiyū (255,000 BD)

Enhance competitiveness through business alliance.

- One CDU will cease its operation (plan), streamline equipment.
- Consignment of crude oil refining

Synergy from both companies

Higher value-added products, streamlined equipment



Oil Marketing Business

The Cosmo Energy Group has an approximately 11.4%* share of domestic sales of four fuel oil products (gasoline, diesel fuel, kerosene, and heavy fuel oil A). By making use of a nationwide network of 3,054* service stations (SS), the Group is strengthening efforts to capture the gasoline, diesel fuel, and car-related markets. The cumulative total number of contracts for “Cosmo Smart Vehicle”, the core car leasing business for individuals, increased by 8,361 from the previous year to 27,401*.

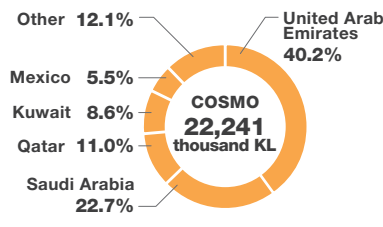
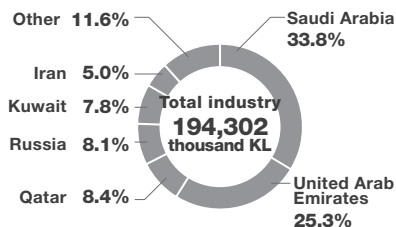
*All figures are as of March 31, 2016.

Strengths

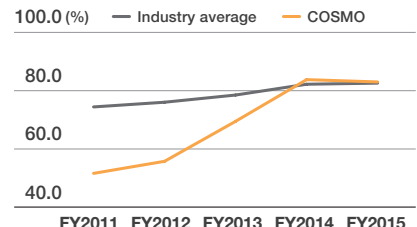
- **Enhancement of higher value-added products through promotion of alliances**
- **Entry into ¥27 trillion car life-related market, with car leasing business for individuals at the core**

Key Data

Crude Oil Import Share by Country (FY2015)



Capacity Utilization Rate (calendar-day basis)



*Other includes countries where percentage of imports is less than 5%.

*Source for National Data: Petroleum Association of Japan, “Crude Oil Import by Countries”

*Source for National Data: Ministry of Economy, Trade and Industry

Domestic Sales Volume of Petroleum Products

	(thousand KL)					Market Share FY2015
	FY2011	FY2012	FY2013	FY2014	FY2015	
Gasoline	6,249	5,999	6,053	5,722	5,673	10.7%
Kerosene	2,416	2,246	2,261	1,941	1,823	11.4%
Diesel fuel	4,615	4,414	4,399	4,150	4,133	12.3%
Heavy fuel oil A	2,196	1,963	1,847	1,555	1,420	12.0%
Sub-total	15,476	14,622	14,560	13,368	13,049	11.4%
Naphtha	6,224	5,916	6,556	6,240	6,204	13.4%
Jet fuel	477	476	486	468	519	9.5%
Heavy fuel oil C	2,555	2,993	2,038	1,663	1,578	11.1%
Total	24,732	24,007	23,640	21,739	21,350	11.8%

Number of Service Stations and Self Service Stations

	FY2011	FY2012	FY2013	FY2014	FY2015	Self-service Station Ratio FY2015
Cosmo SS	3,498	3,325	3,228	3,133	3,054	—
Cosmo self SS	1,007	999	1,011	1,031	1,036	33.9%
SS in Japan	37,743	36,349	34,706	33,510	32,333	—
Self SS in Japan	8,596	8,862	9,275	9,530	9,728	30.0%

*The number of SS includes the number of self SS.

*Source: Ministry of Economy, Trade and Industry for the number of SS in Japan; The Oil Information Center for the number of self SS in Japan

Initiatives to create long-term corporate value

In the car leasing business for individuals that we have developed as “Cosmo Smart Vehicle,” advantages such as expenses to be paid including maintenance costs and tax based on a monthly flat rate, and discounts on fuel oil have been supported by senior people and women. Therefore we have substantially increased the number of contracted vehicles. The domestic gasoline and diesel fuel market is worth around ¥9 trillion yen, but the size of the entire car-life-related market including vehicle sales and vehicle safety inspections is estimated to be roughly ¥36 trillion. The number of customers that visit Cosmo Oil SSs per day is at around 500,000, and by leveraging the fact that customer service frequency is overwhelmingly higher than at existing leasing companies, we aim to capture this market by linking the car leasing business with existing infrastructure such as “Cosmo the Card,” which has around 4.4 million members, and strengthen the earning power of SSs as a result.

Cosmo Smart Vehicle (car leasing for individuals) Cumulative Number of Contracts

