

Business Overview



Business summary

Business of exploration and production of crude oil in Abu Dhabi in the United Arab Emirates (UAE) and in the State of Qatar

Business to refine imported crude oil and sell the products to nationwide service stations, factories, and other places including overseas

Net sales ¹	44.5 billion yen	2,099.9 billion yen
Ordinary income ¹	9.3 billion yen	41.2 billion yen
Ordinary income ¹ (excl. inventory valuation)	9.3 billion yen	1.8 billion yen
Number of employees ²	285	4,541

Major assets

Crude Oil Reserves (Proved and Probable)

154.0 million barrels

Equivalent to approx. 23 years of supply

Crude Oil Production (of the Group)⁵

Approx. 40,000 barrels/day

Comparison with refining capacity:
Approx. 10%

Partnerships

**Solid relationship of trust
with oil producing countries
for nearly 50 years**

Crude Oil Processing Capacity²

400,000 barrels/day

Domestic market Share:
Approx. 11.4%

Number of service stations
in Japan²

Number of Cosmo brand
stations

2,957

Number of the
"Cosmo the Card" Holders

Approx. 4,440,000²

Car leasing business
for individuals²

**Cumulative total
37,077 cars**

Major
business companies
related companies

Cosmo Energy Exploration & Production

Abu Dhabi Oil

Qatar Petroleum
Development

United Petroleum
Development

Cosmo Oil

Cosmo Oil Lubricants

Keiyo Seisei JV

Gyxis

Cosmo Oil Marketing

Cosmo Oil Sales

Sogo Energy

Impact of inventory valuation

The "impact of inventory valuation" indicates the impact on the cost of sales in the financial statements, according to the inventory valuation method, when there is a change in the price of crude oil. It can be separated into the following two categories:

1 Inventory valuation impact based on the periodic average method

This indicates the impact in terms of income based on the "periodic average method," which is an inventory valuation method. In a phase when crude oil prices rise, the cost of sales is pushed down (cost decrease = inventory valuation gain) because the unit prices of purchased inventory that have risen during the term are averaged with the lower inventory unit prices at the start of the term. Conversely, in a phase when crude oil prices fall, the cost of sales is pushed up (cost increase = inventory valuation loss) because the unit prices of purchased inventory that have fallen during the term are averaged with the higher inventory unit prices at the start of the term.

2 Inventory valuation impact based on reduction in book value

If the market value of inventory at the end of the term falls below the book value, it is necessary to reduce the book value to the market value, and this indicates that a resulting loss is incurred (cost increase = inventory valuation loss).



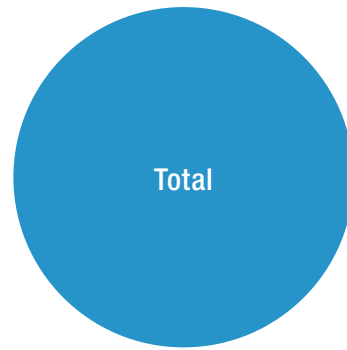
Petrochemical Business

Business to manufacture raw materials of polyester fiber, pet bottles, plastics, synthetic rubber, etc.



Other Businesses (Renewable Energy)

Businesses that are not related to oil or petroleum. Mainly engaged in wind power generation as renewable energy.



Total

378.4 billion yen

60.6 billion yen

2,292.3 billion yen³

22.2 billion yen

3.8 billion yen

81.4 billion yen³

22.2 billion yen

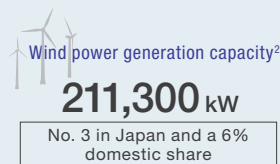
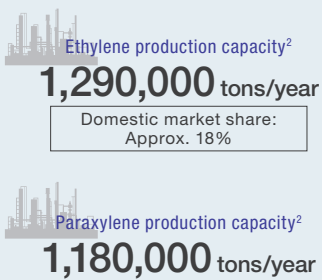
3.8 billion yen

42.0 billion yen³

1,098

935⁴

6,859



Maruzen Petrochemical
Cosmo Matsuyama Oil
CM Aromatics
Hyundai Cosmo Petrochemical

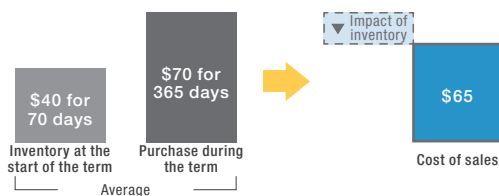
Eco Power
Cosmo Engineering
Cosmo Trade and Service
neo ALA

1. Results in FY2016
2. As of March 31, 2017
3. Including consolidating adjustment
4. Including 96 employees of the wind power generation business (EcoPower)
5. Results for 2016 (January – December 2016)

When crude oil prices rise

Average of the unit prices of purchased inventory during the term with the "lower" inventory unit prices at the start of the term.

Cost of sales is pushed down (inventory valuation gain)



When crude oil prices fall

Average of the unit prices of purchased inventory during the term with the "higher" inventory unit prices at the start of the term.

Cost of sales is pushed up (inventory valuation loss)

