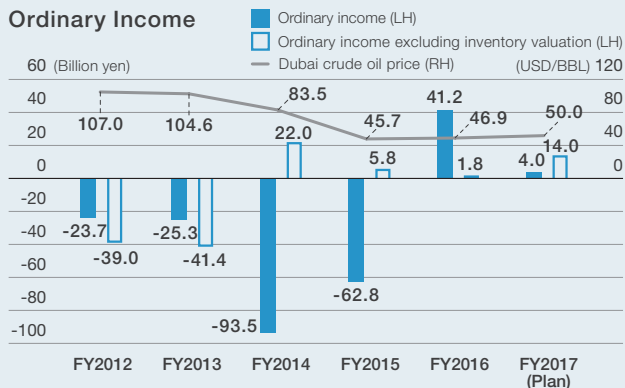


Petroleum Business



Ordinary Income



Strengths

- Enhanced competitiveness of refineries through promotion of alliances
- Aiming at tapping into the ¥36 trillion car-life-related market with car leasing business for individuals at the core

Alliances help eliminate the gap in competitiveness of our refineries compared to other companies

The Cosmo Energy Group 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. At the Chiba Refinery, it commenced two-year long run operation in FY2016, we realized profit improvement of about ¥7 billion. Also, Keiyo Seisei JV G.K. (Chiba JV), which was established with TonenGeneral Sekiyu (currently JXTG Energy), is expecting to generate ¥10 billion in synergies at both companies from FY2018. The Sakai Refinery is highly competitive thanks to the installation of the Delayed Coker Unit (heavy oil thermal cracking unit) in FY2010. In Yokkaichi, at the end of March 2017, we launched a business alliance with Showa Yokkaichi Sekiyu (Showa Shell Group), which is expected to generate about ¥1 billion in synergies for the Cosmo Energy Group.

The Group's Crude Oil Processing Capacity

400,000BD¹

* Including the supply of petroleum product/semi product (37,000 barrels/day equivalent) from Showa Shell Sekiyu with "Business Alliance".
* As of April 1, 2017

Former Sakaide Refinery

* Closed in July 2013

140,000BD

Conversion to an oil terminal

Streamlining effect
About ¥10 billion

Yokkaichi Refinery

86,000BD

Business alliance with Showa Yokkaichi Sekiyu

Synergy for Cosmo

¥1.0 billion/year (from April 2017)

Sakai Refinery

100,000BD

Enhanced competitiveness due to higher yield of jet and diesel fuels.

- Delayed Coker Unit began operation in 2010
- Higher value-added products

Chiba Refinery

177,000BD

Established Chiba JV with TonenGeneral Sekiyu (currently JXTG Energy)

Integration of both refineries (after the pipelines are constructed)
Synergy for both sides

¥10 billion/year (FY2018 and after)

Enhancing competitiveness of service stations with the core car leasing business for individuals

The Cosmo Energy Group sold 12,904 thousand kiloliters of four main products (gasoline, kerosene, diesel oil, and heavy fuel oil A). By making use of our nationwide network of 2,957 service stations (SS), the Group is strengthening efforts to capture the car-related market, in addition to sales of fuel oils such as gasoline and diesel fuel. "Cosmo Smart Vehicle," the core car leasing business for individuals, has been particularly supported by seniors and women and the cumulative total number of contracts exceeded over 39,000. (as of June 30, 2017)

Domestic Sales Volume of Petroleum Products

(thousand KL)

	FY2012	FY2013	FY2014	FY2015	FY2016
Gasoline	5,999	6,053	5,722	5,673	5,544
Kerosene	2,246	2,261	1,941	1,823	1,820
Diesel oil	4,414	4,399	4,150	4,133	4,120
Heavy fuel oil A	1,963	1,847	1,555	1,420	1,420
Sub-total	14,622	14,560	13,368	13,049	12,904
Naphtha	5,916	6,556	6,240	6,204	6,027
Jet fuel	476	486	468	519	520
Heavy fuel oil C	2,993	2,038	1,663	1,578	1,370
Total	24,007	23,640	21,739	21,350	20,821

Number of Service Stations and Self Service Stations

	FY2012	FY2013	FY2014	FY2015	FY2016
Cosmo SS	3,325	3,228	3,133	3,054	2,957
Cosmo self SS	999	1,011	1,031	1,036	1,038
SS in Japan	36,349	34,706	33,510	32,333	31,467
Self SS in Japan	8,862	9,275	9,530	9,728	9,856

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

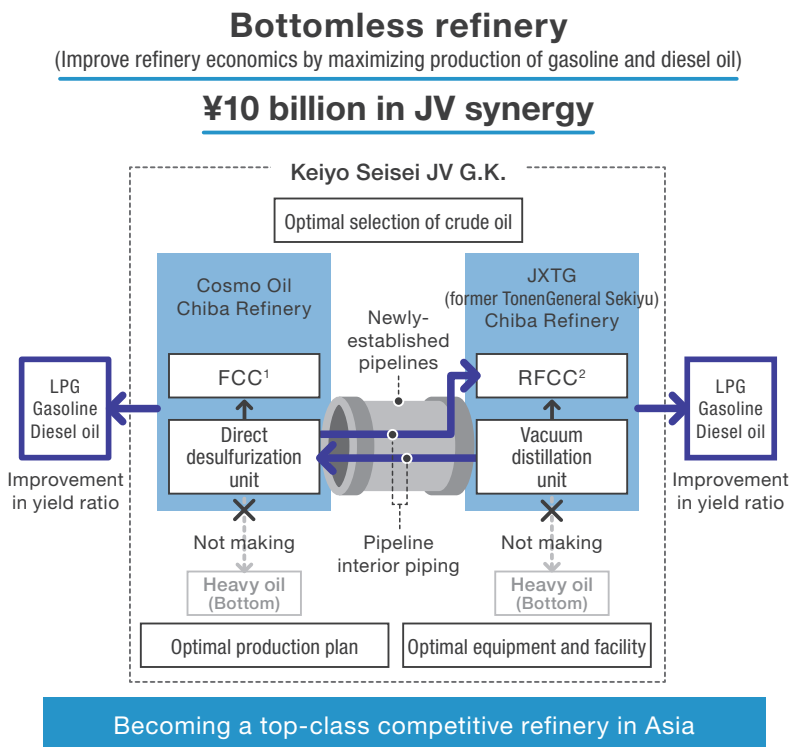
* Source: Ministry of Economy, Trade and Industry for the number of SS in Japan; The Oil Information Center for the number of self SS in Japan

Operating Performance

In FY2016, the Petroleum Business segment recorded ordinary income of ¥41.2 billion, up ¥104.0 billion from the previous year. The positive impact of profit originated from time lag for naphtha and jet fuel, which was generated during the period of crude price decline in FY2015, disappeared. However, profit was boosted by an increase in capacity utilization resulting from the start of the two-year long-run operation of the Chiba Refinery and a decline in the cost of sales reflecting lower price for inventory stored at the

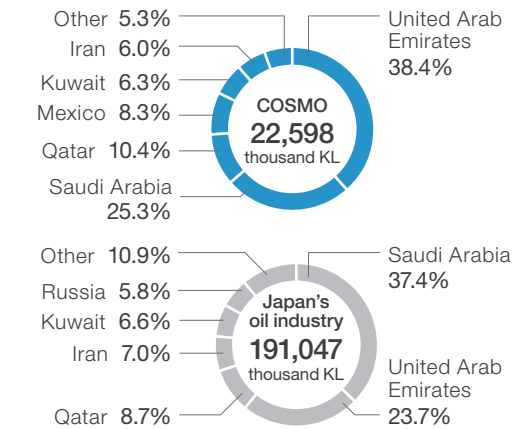
beginning of the year while crude price rose during the year. For FY2017, ordinary income is expected to decrease by ¥37.2 billion to ¥4.0 billion, due to the absence of inventory valuation gains generated in FY2016. However, ordinary income excluding the impact of inventory valuation is projected to increase by ¥12.2 billion from the previous year to ¥14.0 billion, mainly due to domestic product market improvement, the business alliance with Showa Yokkaichi Sekiyu, and higher capacity utilization at refineries.

Example of the Chiba JV synergy



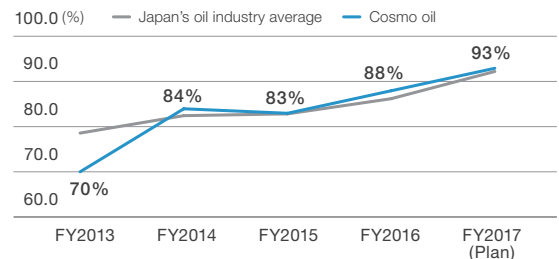
1 Fluid Catalytic Cracking (FCC) is an equipment to convert heavy oil to LPG, gasoline, diesel oil etc.
 2 Residue Fluid Catalytic Cracking (RFCC) is an equipment to convert extra heavy oil to LPG, gasoline, diesel oil etc.

Crude Oil Import Share by Country (FY2016)



* Other includes countries where percentage of imports is less than 5%.
 * Source for Japan's oil industry: Petroleum Association of Japan, "Crude Oil Import by Countries"

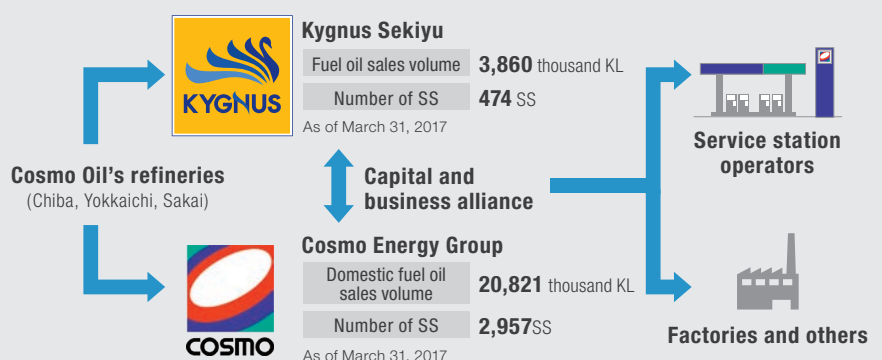
Capacity Utilization Rate at Refinery (calendar-day basis)



* Source for Japan's oil industry average: Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry

TOPICS Alliance with Kygnus Sekiyu to enhance competitiveness

- Entered into a capital and business alliance with Kygnus Sekiyu in February 2017 and acquired a 20% equity stake of Kygnus Sekiyu in May 2017.
- Will begin to supply fuel oil to Kygnus Sekiyu in about three years.
- Will discuss and study further business alliances, without being limited to the supply of fuel oil.



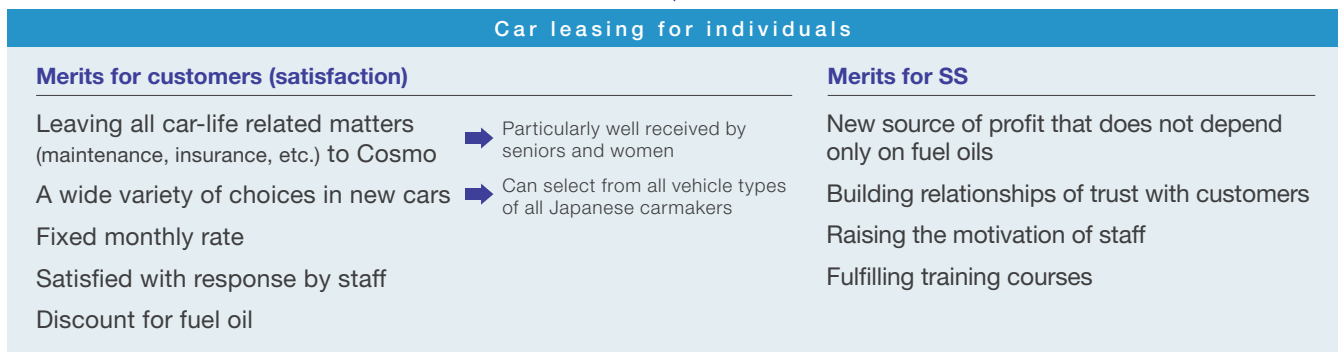
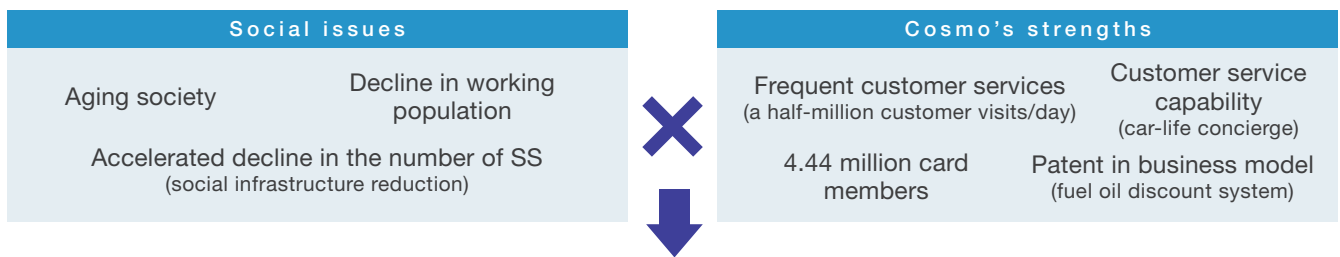
Petroleum Business

Contributing to CSV (Creating

Utilizing Cosmo's Strength in Providing a Pleasant Car-life

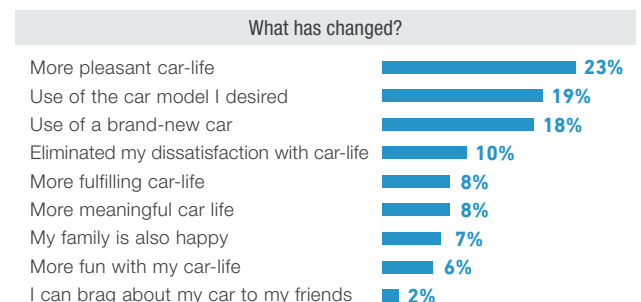
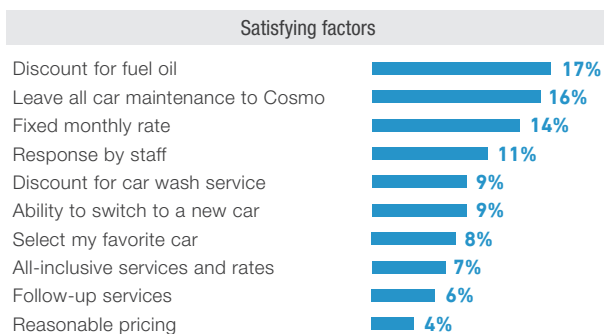
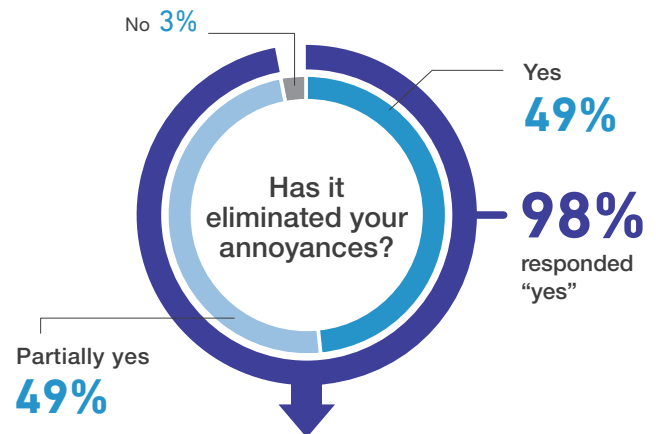
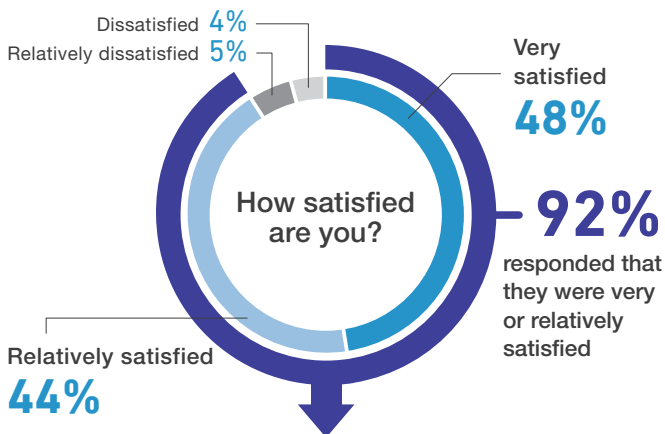
The Cosmo Energy Group is moving ahead on transforming itself from an oil retailer to a value provider for customers' motoring lifestyles, by proactively selling and expanding the "Cosmo Smart Vehicle", a car leasing business for individuals. This service offers all vehicle types of all Japanese car makers at favorable terms.

Since April 2011, when the "Cosmo Smart Vehicle" was launched, it has been favorably received particularly by seniors and women who want to avoid various car-life related annoyances. We are committed to continuing to provide the distinctive services of our SS to ensure customers enjoy a pleasant car-life.



Customer Evaluation of "Cosmo Smart Vehicle"

* Based on a questionnaire provided to "Cosmo Smart Vehicle" lease-signers (conducted in October 2016, n=82)



a better society
Shared Value)

Voice of service station owners



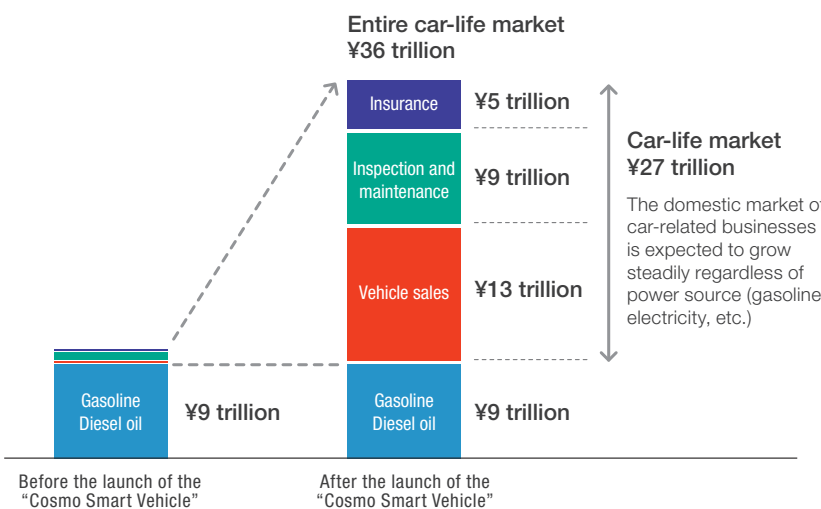
Three attractive points of the “Cosmo Smart Vehicle”

The “Cosmo Smart Vehicle” has three attractive points for us who run service stations: Use of the Cosmo Oil brand, good training courses, and easy-to-understand concepts. We believe that the “Cosmo Smart Vehicle” is a tool to convert customers’ trust into profits.

Expanding customer base with value only SS can provide

Car dealers recently tried harder to lock in customers, who then increasingly resign the first mandatory car inspection service to the dealers. We therefore handled fewer cars for these inspections. In order to stop this trend, we decided to sell cars, which prompted us to handle the “Cosmo Smart Vehicle.” We now want to expand our customer base by providing services that dealers cannot provide and value only SS can offer.

Expansion of Target Market



Number of “Cosmo Smart Vehicle” Contracts



Win-win Business Model

- Customers**
 - ▶ Drive a brand-new car of any price made by any manufacturer at a favorable price
 - ▶ No more annoying procedures
Example: Expense smoothing when owning a car (monthly fixed rate, including mandatory car inspection, tax, insurance, etc.)
- Leasing companies**
 - ▶ Capture a new customer base
- Cosmo Energy Group and SS operators**
 - ▶ Ensure a source of profit that does not depend only on fuel oil

