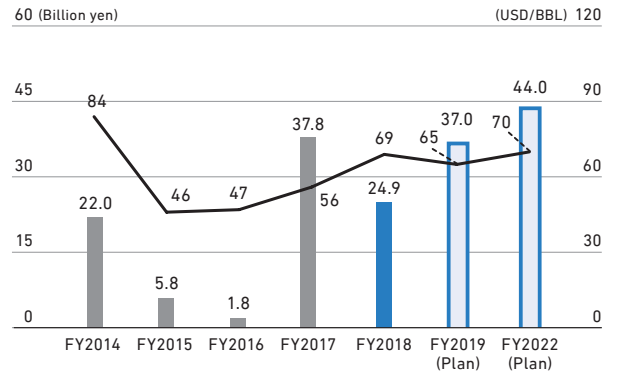


# PETROLEUM BUSINESS (REFINING AND SALES)



## Ordinary income

■ Ordinary income excluding the impact of inventory valuation (LH)  
— Dubai crude oil price (March-April average) (RH)



- Strengths**
- Increase Delayed Coker unit capacity and promote alliance to enhance competitiveness of refineries
  - Profit structure without depending only on fuel oil, by adding car leasing business for individuals at the core

Revenue growth opportunities exist such as the changing environment resulting from IMO regulations and the start of supply to Kygnus Sekiyu

In January 2020, the International Maritime Organization (IMO) will tighten regulations on the content of sulfur in marine fuel oil by reducing the limit to 0.5% from 3.5% at present. This is expected to reduce demand for high-sulfur heavy oil, conventionally used for fuel oil, and increase demand for low-sulfur heavy oil. The oil industry therefore faces a challenge to cope with a decline in demand for high-sulfur heavy oil and to ensure stable supply of low-sulfur heavy oil. The Cosmo Energy Group is seizing the change caused by the IMO regulations as an opportunity. We are establishing a structure to boost production of low-sulfur heavy oil without producing high-sulfur heavy oil by increasing the capacity of the Delayed Coker unit at Sakai Refinery in advance of the tighter regulations in 2020 and utilizing the direct desulfurization unit of Chiba Refinery. We will also start supplying fuel oil to Kygnus Sekiyu, our capital and business alliance partner, around 2020. Thanks to the start of this supply, our domestic sales volume is expected to increase by 111.8% from the previous year in FY2019.

## The Group's Crude Oil Processing Capacity 400,000BD

\* Including the supply of petroleum product/semi product (37,000 barrels/day equivalent) from Idemitsu Showa Shell Group (Showa Yokkaichi Sekiyu) with the business alliance \* as of March 31, 2018

### Yokkaichi Refinery 86,000BD

- Business alliance with Idemitsu Showa Shell Group (Showa Yokkaichi Sekiyu)
- Synergy for Cosmo ¥1.0 billion/year (from April 2017)

Large metropolitan areas

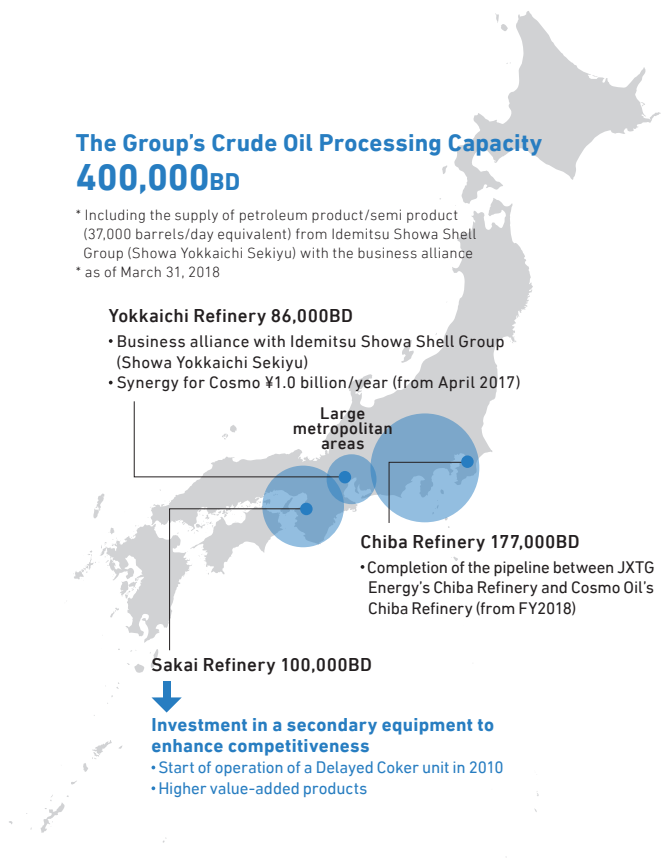
### Chiba Refinery 177,000BD

- Completion of the pipeline between JXTG Energy's Chiba Refinery and Cosmo Oil's Chiba Refinery (from FY2018)

### Sakai Refinery 100,000BD

### Investment in a secondary equipment to enhance competitiveness

- Start of operation of a Delayed Coker unit in 2010
- Higher value-added products



### FY2018 Results

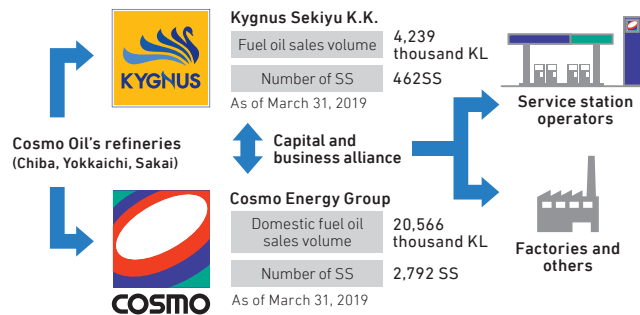
Despite securing an appropriate margin from petroleum products based on an improvement in the domestic supply-demand balance, ordinary income excluding the impact of inventory valuation decreased by ¥12.9 billion from the previous year to ¥24.9 billion chiefly due to regular maintenance at refineries, the suspension of equipment caused by limited problems and allowances for the cost of future regular maintenance at refineries.

### FY2019 Forecasts

In FY2019, ordinary income excluding the impact of inventory valuation is expected to increase by ¥12.1 billion from the previous year to ¥37.0 billion in response to securing an appropriate margin from petroleum products and eliminating the impact of limited equipment problems that occurred in the previous year.

#### Alliance with Kygnus Sekiyu to enhance competitiveness

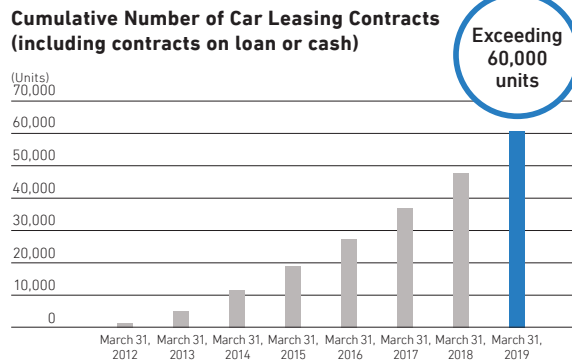
- Entered into a capital and business alliance with Kygnus Sekiyu in February 2017 and acquired a 20% equity stake of Kygnus Sekiyu in May 2017.
- Will begin to supply fuel oil to Kygnus Sekiyu by around 2020.
- Will discuss and study further business alliances, without being limited to the supply of fuel oil.



### Strengthening the "Vehicle Life" business

Aiming at establishing a profit structure that does not fully depend on fuel oil, the Cosmo Energy Group has expanded into the car leasing business for individuals. Since FY2011, when we began the car leasing business, a scheme to give discounts to gasoline purchasers and a wide range of vehicle models of all domestic automakers deemed leasable have been favorably evaluated, resulting in the cumulative total number of contracts reaching 60,579 at the end of FY2018. In the immense vehicle life market, which is said to be worth 36 trillion yen, we will create a high-performance, highly-efficient business model. This model will leverage the strength of our infrastructure comprising service stations, which welcome around half a million visits

by customers every day, our staff who share the passion of "Filling Up Your Hearts, Too," and our 4.33 million card holders.



### Launch of "Cosmo Denki (Electricity)"

In order to participate in and expand business in the residential life market and the local energy market, as stated in our growth strategy, we started selling "Cosmo Denki (Electricity)," home-use electricity, in FY2019. By combining our insight and know-how, as well as our service stations nationwide, we are seeking to create future value.

