



**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

<b>Net sales</b> (FY2017 result)	<b>56.3 billion yen</b>	<b>2,292.7 billion yen</b>
<b>Ordinary income</b> (FY2017 result)	<b>18.3 billion yen</b>	<b>58.8 billion yen/37.8 billion yen</b> (excl. the impact of inventory valuation)
<b>Number of employees</b> (as of March 31, 2018)	<b>283</b>	<b>4,545</b>

**Major assets**

- Crude Oil Reserves (Proved and Probable)**  
**147.3 million barrels**  
Equivalent to approx. 22 years of supply  
(as of December 31, 2017)
- Crude Oil Production (of the Group)**  
**Approx. 40,000 barrels/day**  
Comparison with refining capacity: Approx. 10%  
(Results for January-December 2017)
- Partnerships**  
**Solid relationship of trust with oil producing countries for about 50 years**
- Crude Oil Processing Capacity<sup>1</sup>**  
**400,000 barrels/day**  
Domestic market Share: Approx. 11.4%  
(as of March 31, 2018)
- Number of service stations in Japan**  
**2,858**  
Number of Cosmo brand stations  
(as of March 31, 2018)
- Number of the "Cosmo the Card" Holders**  
**Approx. 4,440,000**  
(as of March 31, 2018)
- Car leasing business for individuals**  
**Cumulative total 47,602 cars**  
(as of March 31, 2018)

<b>Major business companies related companies</b> (as of March 31, 2018)	<b>Cosmo Energy Exploration &amp; Production</b>	<b>Cosmo Oil</b>
	Abu Dhabi Oil (UAE) Qatar Petroleum Development (Qatar) United Petroleum Development (UAE/Qatar)	Cosmo Oil Lubricants Keiyo Seisei JV Gyxis (LPG) <b>Cosmo Oil Marketing</b> 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 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 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.



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

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

458.5 billion yen

50 billion yen

2,523.1 billion yen<sup>2</sup>

30.4 billion yen

9.4 billion yen<sup>2</sup>

116.9 billion yen/95.9 billion yen<sup>2</sup>  
(excl. the impact of inventory valuation)

1,136

891<sup>3</sup>

6,855

Ethylene production capacity  
**1,290,000 tons/year<sup>4</sup>**  
Domestic market share:  
Approx. 19%

Para-xylene production capacity  
**1,180,000 tons/year**

Wind power generation capacity  
**227,000kW**  
No. 3 in Japan and 6% domestic share

 Corporate brand awareness in Japan  
**98.4%**  
Survey of 1,239 customers (men and women, 18-64 years old) who used a service station in the past one month (as of October 30, 2017)

Maruzen Petrochemical  
Cosmo Matsuyama Oil  
CM Aromatics  
Hyundai Cosmo Petrochemical

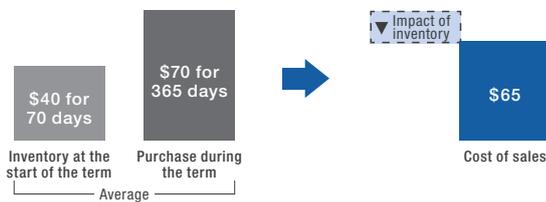
Eco Power (Wind power generation)  
Cosmo Engineering  
Cosmo Trade and Service  
neo ALA

1. Including the supply of petroleum product/semi product (37,000 barrels/day equivalent) from Showa Shell Sekiyu Group with the business alliance
2. Including consolidating adjustment
3. Including 96 employees of the wind power generation business (Eco Power)
4. Including whole capacity of Keiyo Ethylene (55% owned, consolidated subsidiary of Maruzen Petrochemical)

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 (positive inventory valuation)



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 (negative inventory valuation)

