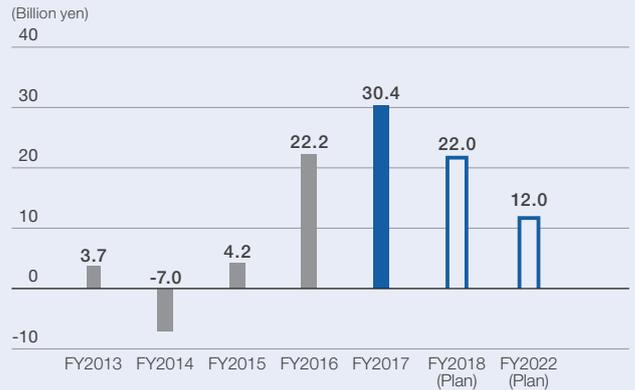


PETROCHEMICAL BUSINESS

Ordinary Income



Strengths

- Established a production chain in Asia, a world-leading demand region
- Cost competitiveness based on Japan's largest-scale ethylene production capacity (Maruzen Petrochemical)
- Cost competitiveness based on one of the largest-scale para-xylene production capacity in Asia (Hyundai Cosmo Petrochemical*)

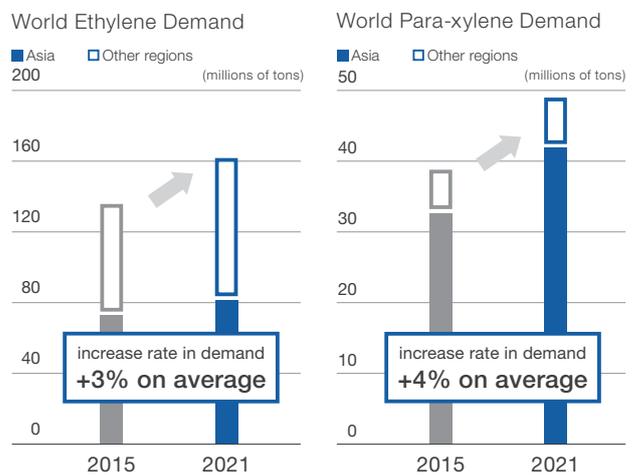
* A joint venture with Hyundai Oilbank (HDO) in South Korea

Business strategy in the New Consolidated Medium-Term Management Plan

Benefit from improvement of the synergy between oil refining and petrochemicals, increase the competitiveness of basic products, and grow a new business in specialty products, responding to growth in the international market.

- Enhanced response to increase in demand for ethylene and para-xylene

In the Cosmo Energy Group, Maruzen Petrochemical, which boasts Japan's largest-scale ethylene production capacity, and Hyundai Cosmo Petrochemical (HCP), which owns world-leading para-xylene production facilities, are highly competitive, as they are continuing to run at full capacity. Given the growth outlook for the international market on the back of global population growth, we will enjoy and improve the synergy between oil refining and petrochemicals, increase the competitiveness of basic products, and grow a new business of specialty products. Concerning synergies between the Oil Refining Business and Maruzen Petrochemical, a consulting firm was hired to identify synergy-improving projects and we are currently preparing for their implementation. Main project objectives include better sharing of raw materials and fuels (material diversification in an ethylene plant), effective use of utilities (such as electric power and water used in plants), and rationalization of equipment, with the aim of further enhancing competitiveness.



Source: Global Demand Trends for Petrochemical Products (2015-2021), the Ministry of Economy, Trade and Industry

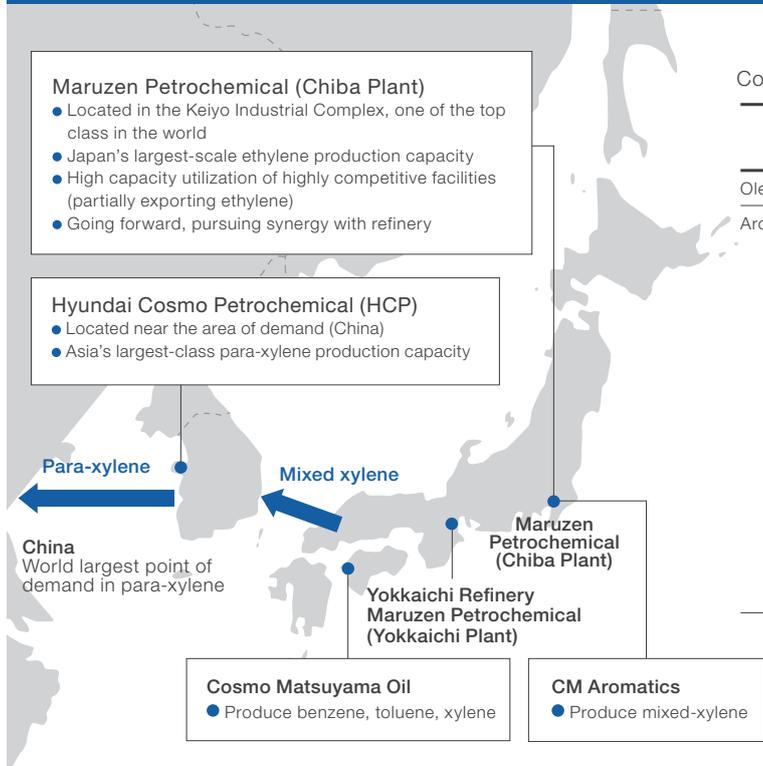


Review of the Previous Consolidated Medium-Term Management Plan

Hyundai Cosmo Petrochemical's (HCP's) new para-xylene manufacturing equipment began stable operation, while cost reduction efforts were made by means of energy conservation renovation work and other measures. In addition, we worked at generating synergies between a newly-consolidated subsidiary Maruzen Petrochemical and Cosmo Oil's refineries so as to enhance competitiveness.

| | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 |
|-----------------------------|---------------------------------|--------|---|--|--------|
| Hyundai Cosmo Petrochemical | | | Energy-saving investment & streamlining | Establishment of profitable base resistant to market fluctuation | |
| | Start operation of new PX plant | | | | |
| Maruzen Petrochemical | | | | Consider synergy between oil refining ↔ petrochemical | |
| | Consolidation | | | | |

Cosmo Energy Group's Production Capacity



Cosmo Energy Group's Production Capacity

| Product | | Company | Production Capacity (tons/year, exc. impact of regular maintenance) |
|-----------------|-------------|--------------------------------|---|
| Olefin | Ethylene | Maruzen Petrochemical | 1,290,000* |
| Aromatics | Para-xylene | Hyundai Cosmo Petrochemical | 1,180,000 |
| | | Maruzen Petrochemical | 600,000 |
| | Benzene | Hyundai Cosmo Petrochemical | 250,000 |
| | | Cosmo Matsuyama Oil | 90,000 |
| Subtotal | | | 940,000 |
| Mixed xylene | | Cosmo Oil (Yokkaichi Refinery) | 300,000 |
| | | CM Aromatics | 270,000 |
| | | Cosmo Matsuyama Oil | 50,000 |
| | | Subtotal | 620,000 |
| Aromatics total | | | 2,740,000 |

* Includes production capacity of Keiyo Ethylene (55% owned, consolidated subsidiary of Maruzen Petrochemical)

Contributing to a better society — CSV (Creating Shared Value) —



Stable energy supply

Production of raw materials for hot-melt, pressure-sensitive adhesive used in disposable diapers and other applications

Cosmo Energy Holdings, Maruzen Petrochemical, and Arakawa Chemical Industries have entered into a joint venture agreement to establish a new company that manufactures and sells hydrogenated petroleum resin. Demand for this is expected to increase globally as raw material for hot-melt, pressure-sensitive adhesive used in disposable diapers and other applications. Joint business creation by the three companies will be the first initiative to enhance competitiveness by generating synergies within the Cosmo Energy Group.

