

## ALA

### 5-aminolaevulinic acids (ALA)

ALA is a natural and important amino acid and it has an important role related to chlorophyll and blood in the body. It is used as an enhancer of fertilizer to promote plant growth. It is also used in photodynamic cancer therapy, and is expected to be applied in the medical field in areas, such as prevention of anemia in pigs and improvement of disease resistance in fish. ALA is highly expected to become a good match for main amino acids and to rise in the marketplace to reach several billions of yen by development of the business.

Company name: Cosmo Seiwa Agriculture Co., Ltd.

Lines of business: Manufacturing and marketing of an ALA-contained high-functional fertilizer (Pentakeep-V) for agriculture for the export market; and  
Manufacturing and marketing of an ALA-contained high-functional fertilizer for horticulture for the home market in Japan.

## Auto B-Cle Network

“Auto B-cle” is a coined keyword combining “auto(mobile)” with an acronym of “Best Car Life Entertainment.”

Refers to the business model of an SS that comes with a car care products shop and a garage offering related services. The advantage is that these services are offered as a network, rather than as an SS on its own.

Car care products and services: auto maintenance and repairs, safety inspections, car washes, oil and tire changes, etc.

Larger SSs including those designated or accredited by factories, capable of handling general car care needs, are networked with medium and small-sized SSs that act as contacts to accept orders for car care services. The network will be able to cover a wider area of the market than a single SS.

Capital investment for required facilities is concentrated on larger SSs, resulting in lower investment costs.

# Car Care Gross Margin

Gross margins from sales of car care products and services are called value added gross margins.

# Car Care Merchandise

It includes car inspection, repair, lubricating oil change, and car wash services, tires, batteries, accessories, and other automotive products and services, which represent the value added merchandise.

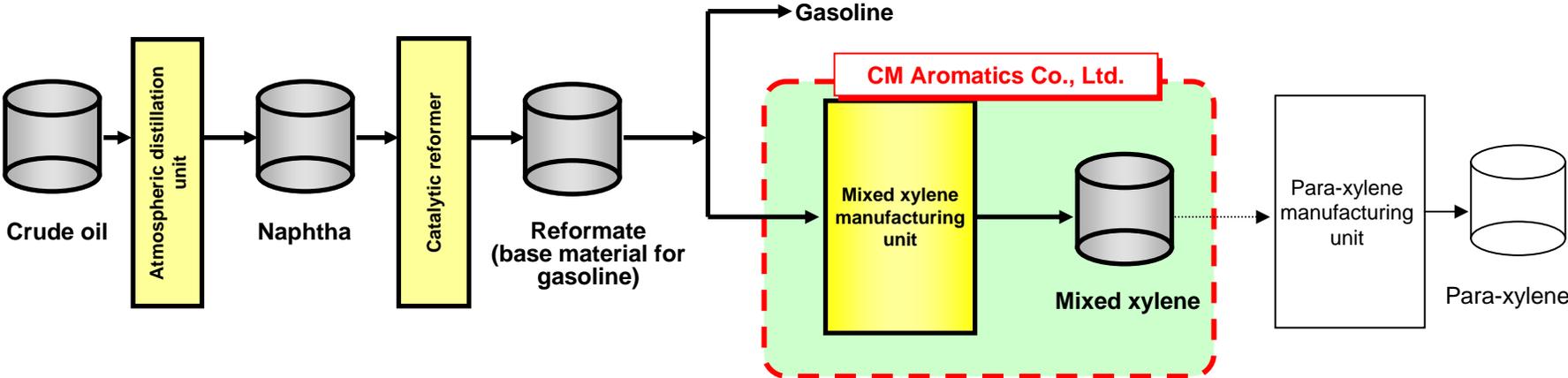
# CM Aromatics Co., Ltd.

A joint venture company established by Cosmo Oil and Maruzen Petrochemical Co., Ltd. to procure the base material to manufacture mixed xylene and to store and market it.

Date of establishment: April 1, 2005

Capital: ¥100 million

Invested by: Cosmo Oil at 65% and Maruzen Petrochemical Co., Ltd. at 35%



## Cosmo Gasoline Mileage

A frequent customer program as part of the Cosmo The Card system, which offers cardmembers certain rebates based on the amounts of their purchases of automobile fuel, kerosene, and car care products and services, when their cardmember accounts are settled on a regular basis.

This program helps increase sales of car care products and services and automotive fuel sales at the same time.

The program compels customers to visit Cosmo SSs on a continued basis, as well as to use their Cosmo The Card functions.

## Cosmo The Card

Cosmo Oil's proprietary credit card that is available only at Cosmo Oil SSs.

↔ Triple Card (or Affinity Card), Cosmo The Card Opus

The card provides great benefits for the three parties customers, dealers (SSs) and Cosmo Oil, respectively, as follows:

Customers: Immediate card issuance, cashless payment for purchases at the SS, the rebate program (please refer to the "Cosmo Gasoline Mileage" program), card loan, and many other benefits available

SS: Actively issue new cards at the time of SS opening to set up a system so that customers will come back to Cosmo SSs and use the cards repeatedly.

Marketing activities by utilizing POS (point of sales) data gathered through card use would help dealers enhance the ways they operate their SSs and increase sales.

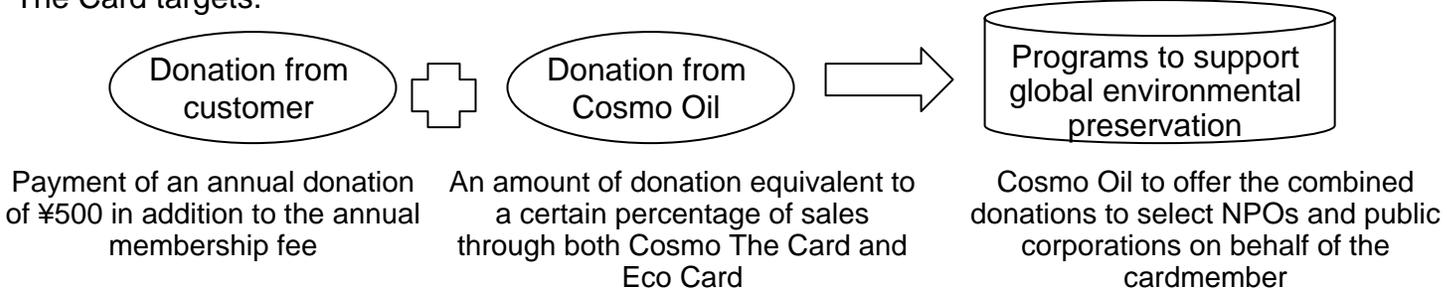
The card also makes it easy for SSs to process customer payments and offers the issuer's commission lower than credit sales companies'.

Cosmo Oil: Enhancement in marketing tools and SS management is expected to bring more sales and more card commission revenues.

## Cosmo The Card “Eco” (or Eco Card), Cosmo the Card Opus

Cosmo Oil’s proprietary card provides an opportunity for cardmembers to “join environmental programs” in addition to enjoying benefits offered by the regular Cosmo The Card and Cosmo the Card Opus .

The Eco Card is designed to acquire new customers highly sensitive to environmentalism in addition to attracting Cosmo The Card targets.



\* In addition to the above, the Eco cardmember will receive the Cosmo Oil Environmental Report and the Cosmo Oil Green Report providing information about the company’s environmental activities and how to use the financial donations.

## Cosmo The Card Sales Ratio

The ratio of the volume of automobile fuel oil sales to Cosmo The Card members against such total sales at an SS. An SS with a higher card sales ratio would mean that it is supported by a larger number of customers on a continued basis.

## Cosmo The Card Opus

Starting June 2006, “Cosmo the Card Opus” was issued in affiliation with AEON Credit Service Co. Ltd.

Co-branded with no annual fee international brands (VISA, MasterCard, JCB), the line-up will be able to accommodate a range of customer needs.

↔ Cosmo the Card (A non-international brand card, limited for use at Cosmo and affiliated SSs)

## **Cosmo The Card Triple**

A credit card issued through a tie-up with a credit card company

↔ Please refer to “Cosmo The Card” and “Cosmo the Card Opus.”

## **Dealer**

SS operator

Independent SS operator.

## **Dealer Head Office NV Index**

**Objective:** This index is designed to raise cost awareness at the dealer head office (dealer administrative management department) of an SS operator in order to help it enhance its management (establish such an operating organization that can grow profitability even in a hostile business environment that may reduce operating margins). Every year, a new target index level is recommended by Cosmo Oil to each SS operator.

**Description:** Have each SS operator understand the management policy of minimizing SS operating expenses and of maximizing automobile fuel oil sales at the same time.

This and the SS NV Index are combined into the Dealer NV Index, which indicates the level of management capabilities of an SS operator.

Please refer to “Dealer NV Index” and “Total NV Index.”

## **Dealer NV Index**

Dealer NV Index refers to a combination of the SS NV Index and Dealer Head Office NV Index.

→ Please refer to “SS NV Index.”

→ Please refer to “Dealer Head Office NV Index.”

## **Desulfurization Catalyst**

The typical desulfurization process is such that sulfur (S) is removed in the form of hydrogen sulfide by reacting the sulfur contained in crude oil with hydrogen (H).

A catalyst is used to promote this chemical reaction.

## **Eco Card**

→ Please refer to “Cosmo The Card ‘Eco.’ “

→ Please refer to “Cosmo The Card.”

## **FCC (Fluid Catalytic Cracking Unit)**

FCC stands for fluid catalytic cracking unit.

This is a secondary decomposition unit designed to produce a larger quantity of lighter fuel oil fractions (mainly the gasoline fraction).

# F Index

An index that dealers use to manage their SSs (or to raise their cost awareness)

The primary objective of introducing this index is to have each dealer understand the ratio of the gross margin of sales of the value added merchandise (including statutory car inspection, lubricating oil change, car wash, tires, batteries and accessories and other services and products) to labor cost to draw their greater attention to cost.

An SS with a larger index would be stronger with value added sales.

Every year, Cosmo Oil provides each dealer with a target F index to meet.

$$\text{Calculation method} = \frac{\text{Value added gross margin}}{\text{Labor cost}} \times 100$$

E.g., F Index value of more than 100%: A value added gross margin is offset by labor cost.

F Index value of more than 120%: Labor is more than offset by a value added gross margin. = Strong SS.

- Please refer to “SS NV Index.”
- Please refer to “Dealer Head office NV Index.”

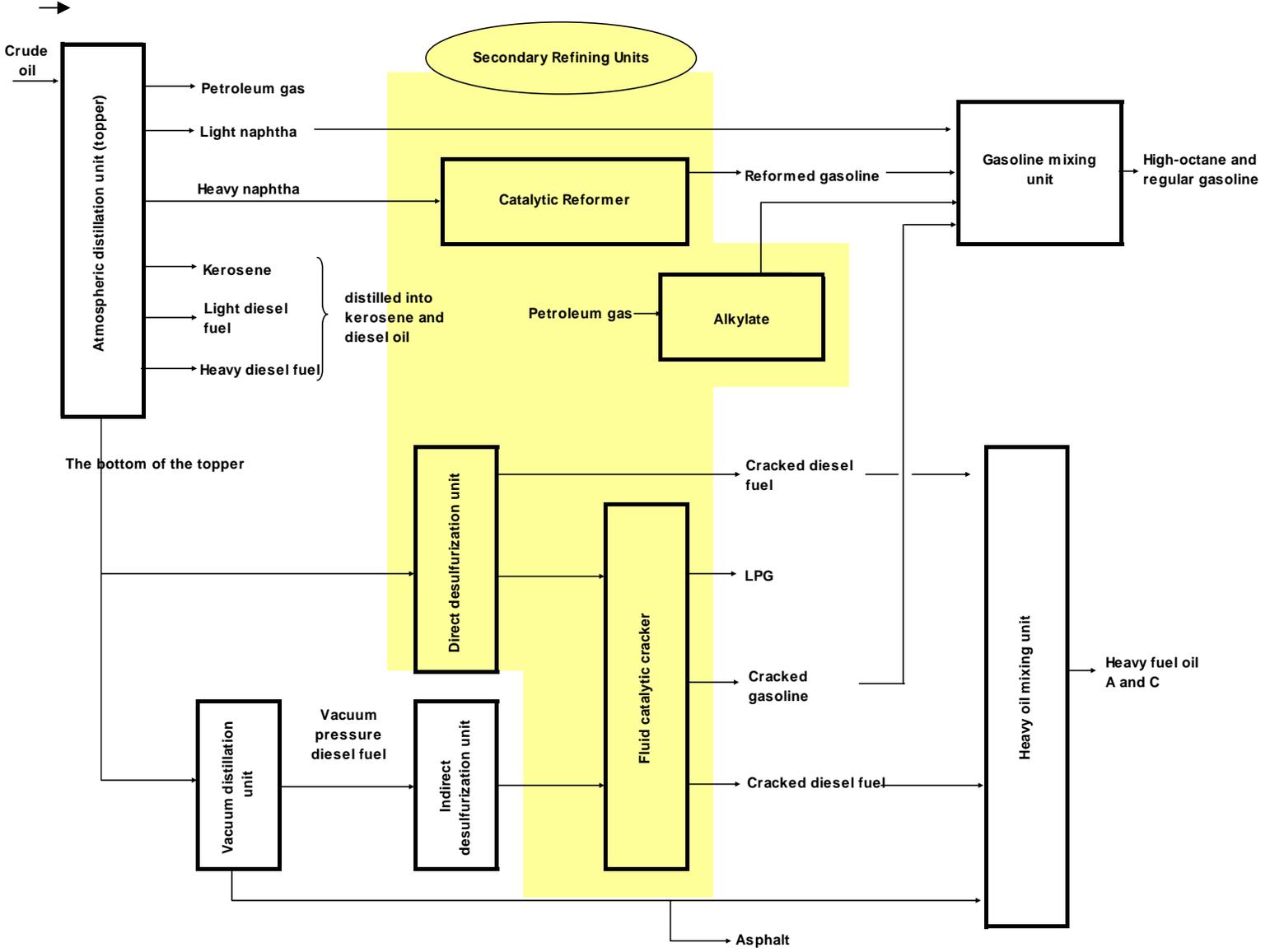
# GTL (Gas To Liquid)

Liquefied fuel oil manufactured based on natural gas.

It includes almost no sulfur or any other impurities, so that it is expected to provide one of the clean energy resources in the future.

# Heavy Fuel Oil Desulfurization Units (Direct and Indirect)

Units designed to recover sulfur from what is in the bottom (or heavy fuel oil) of the atmospheric distillation unit  
 Please refer to "Desulfurization Catalyst" as well.



## **Independently Owned SS, Cosmo Oil-Owned SS**

Independently Owned SS: A service station (SS), whose building and land, where it stands, are owned by an independent operator.

Cosmo Oil-Owned SS: A service station (SS), whose building and land, where it stands, are owned by Cosmo Oil. The company leases the SS building and land to an SS operator.

## **IPP (Independent Power Producer)**

Electricity wholesale business

Cosmo Oil has built a 200,000-kw power station adjacent to its Yokkaichi Oil Refinery, currently supplying electric power to Chubu Electric Power Co. starting from July 2003.

## **Island payment method**

A payment method adopted at the self-service SS, which allows customers to pay for gasoline purchases after filling up their cars by themselves, right on the spot without moving an inch from the pump (or an island). Customers find this payment method more convenient than the so-called “in-store payment method” that requires them to come to the SS’s office to pay for the gasoline purchased.

## **Isomer**

A unit to use a catalyst to improve the value of octane contained in light naphtha (from 70 to 80) so that the improved material can be used as a base material to produce regular gasoline (at an octane value of 90).

## **MG Sales Volume**

This refers to a sales volume of motor (or automobile) gasoline

## **Mileage, Mile**

→ Please refer to “Cosmo Gasoline Mileage” program.

## **Mixed Xylene**

A raw material used to manufacture para-xylene. Mixed xylene is mainly produced based on reformat (base material for gasoline) that is manufactured by an oil company.

→ Please refer to “Para-xylene.”

## **Number of Cards in Force**

The net number of “Cosmo The Card” cardmembers after the deduction of the number of ex-cardmembers.

The actual number of cardmembers as of today.

→ Please refer to the “Total Number of Cardmembers Issued.”

## **Para-Xylene (PX), Mixed Xylene (MX)**

Aromatic compounds that are used to manufacture PET bottles and polyester textile products.

\* CM Aromatics Co., Ltd. is involved in manufacturing mixed xylene.

# Sales Unit, or SS Sales Unit

A monthly sales volume of automobile fuel oil per SS

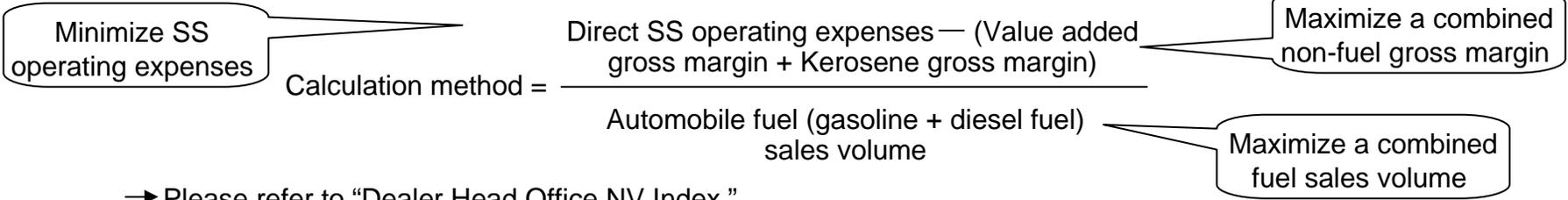
# SS NV Index

This refers to a management evaluation index that provides navigation for SS operators to strengthen their management of SSs (or to build the management basis to improve profitability even if they face such an unfavorable business environment that may reduce operating margins).

The primary objective of the introduction of this index is to have SS operators understand the management policy of minimizing costs to operate an SS, while maximizing a value added gross margin (to be earned from selling statutory car inspection, lubricating oil change, car wash and other services and tires, batteries and accessories and other products) and gasoline and diesel fuel sales.

Every year, a new target index is recommended by Cosmo Oil to each dealer.

A dealer would become stronger if it achieves a smaller index value (or even minus figures).



# Sulfur-Free Gasoline and Diesel Fuel

Gasoline and diesel fuel containing 10 ppm of sulfur or less, respectively.

## **Topper**

An atmospheric distillation unit. Generally speaking, the crude oil processing capacity of an oil refinery is represented by its topper's processing capacity per day.

## **Total Number of Cards Issued**

The cumulative number of "Cosmo The Card" cards issued so far, including the number of cardmembers who have been withdrawn.

Please refer to "Number of Cards in Force."

## **Total NV (Navi) Index**

Total NV Index refers to a combination of the SS NV Index with the SS Operator NV Index.

→ Please refer to "SS NV Index" and "SS Operator NV Index."

→ Please refer to "Dealer Head Office NV Index."

## **Value Added Purchase Amount**

An amount of purchases of car care products and services other than gasoline and diesel fuel.

Such car care products and services include lubricating oil change, tire change, car wash, statutory car inspection, and repair and maintenance services.