

# **Cosmo Oil Co., Ltd.**

## **Presentation on Results for Second Quarter of Fiscal 2013**

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November 5, 2013

## Outline of Q2 Consolidated Operating Results for FY2013

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- ▶ Resumption of the full-scale operation of two toppers at Chiba refinery in July to steadily regain earnings power
- ▶ Ordinary income was 18.4billion yen (up 40.1 billion yen year on year)  
Net income was 1.2 billion yen (up 80.3 billion yen year on year)

## Our Supply System

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- ▶ Closed down Sakaide Refinery in July.  
Optimized the productive capacity of the three refineries and established a system to strengthen competitiveness (July 2013)
- ▶ Began considering collaboration opportunities at Cosmo Oil Chiba Refinery and Kyokuto Petroleum Industries Chiba Refinery.  
Sought operational efficiency and opportunities for optimization (September 2013)

Unit: billion yen

	2Q FY2013 (Apr.-Sep.2013)	2Q FY2012 (Apr.-Sep.2012)	Changes
Net sales	1,653.5	1,449.2	204.3
Cost of sales	1,577.2	1,408.9	168.3
Selling, general and administrative expenses	60.6	59.0	1.6
Operating income	15.7	-18.7	34.4
Non-operating income/expenses, net	2.7	-3.0	5.7
Ordinary income	18.4	-21.7	40.1
Extraordinary income/losses, net	-0.2	-12.5	12.3
Income taxes	14.7	42.5	-27.8
Minority interests	2.3	2.4	-0.1
Net income	1.2	-79.1	80.3

## 【Reference】

Impact of inventory valuation	6.4	-17.2	23.6
Operating income excluding impact of inventory valuation	9.3	-1.5	10.8
Ordinary income excluding impact of inventory valuation	12.0	-4.5	16.5

## Outline of Consolidated Operating results - Changes from 2Q FY2012

Unit: billion yen

	2Q FY2013	2Q FY2012	Changes
Consolidated ordinary income	18.4	-21.7	40.1
Impact of inventory valuation	6.4	-17.2	23.6
Consolidated ordinary income excluding impact of inventory valuation	12.0	-4.5	16.5
Net income	1.2	-79.1	80.3
①Purchased price of crude oil	104.23 USD/B	109.40 USD/B	-5.17 USD/B
②JPY/USD exchange rate	98.20 yen/USD	80.38 yen/USD	17.82 yen/USD

## Consolidated Ordinary Income by Business Segment

	2Q FY2013	2Q FY2012	Changes
Petroleum business	-10.6	-37.7	27.1
Petroleum business excluding impact of inventory valuation	-17.0	-20.7	3.7
Petrochemical business	2.6	-2.2	4.8
Petrochemical business excluding impact of inventory valuation	2.6	-2.0	4.6
Oil E & P business	22.8	24.2	-1.4
Other	3.6	-6.0	9.6

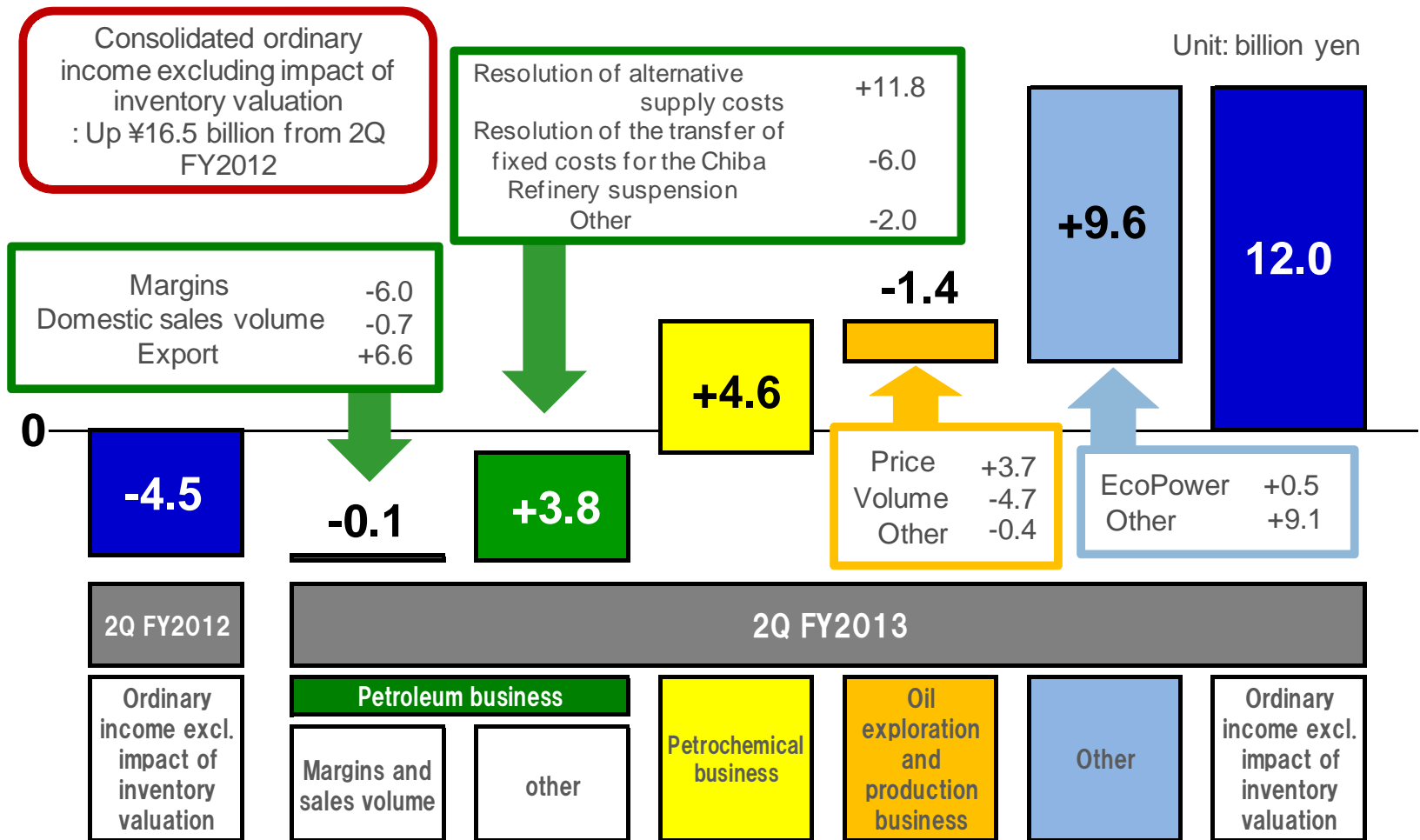
\* impact of inventory valuation

Petroleum business : 2Q FY2013 6.4 billion yen , 2Q FY2012 -17.0 billion yen

Petrochemical business : 2Q FY2013 0 , 2Q FY2012 -0.2 billion yen

# [2Q FY2013 Results] Consolidated Ordinary Income (Excluding impact of inventory valuation) – Analysis of Changes from 2Q FY2012

<b>Main Factors for the Change</b>	Petroleum Business	: Income increased after the resumption of the Chiba Refinery despite the weakness in the product market
	Petrochemical Business	: Income increased, mainly following an increase in income for Maruzen Petrochemical Co.,Ltd. (due to market improvements, etc.)
	Oil E & P Business	: Income decreased after the volume decline for Abu Dhabi Oil Co., Ltd.



Unit: billion yen

	FY2013 (As of Sep. 30, '13)	FY2013 (As of Mar. 31, '13)
Cash flows from operating activities	39.5	-21.0
Cash flows from investing activities	-34.3	-80.5
Cash flows from financing activities	2.0	104.7
Cash and cash equivalents at end of the period	141.0	129.7

Unit: billion yen

	FY2013 (As of Sep. 30, '13)	FY2013 (As of Mar. 31, '13)	Changes
Total Assets	1,647.7	1,743.5	-95.8
Net assets	265.0	256.9	8.1
Net worth	236.1	230.5	5.6
Net worth ratio	14.3%	13.2%	Up 1.1 points
Interest-bearing debts	846.7	842.9	3.8
Debt dependence ratio	51.4%	48.3%	Down 3.1 points
Debt Equity Ratio	3.6	3.7	Up 0.1 points
Net interest-bearing debt *	699.4	713.2	-13.8
Debt dependence ratio	42.4%	40.9%	Down 1.5 points
Debt Equity Ratio	3.0	3.1	Up 0.1 points

\* Total interest-bearing debts net of cash and deposits as of the end of the period

## Capital Expenditures, Depreciation, etc.

Unit: billion yen

	2Q FY2013 Results	Change from 2Q FY2012
Capital expenditures	14.0	-1.2
Depreciation expense amount, other	18.3	-4.4

## Capital expenditures by Business Segment

Unit: billion yen

	2Q FY2013 Results	2Q FY2012 Results	Changes
Petroleum	12.0	10.7	1.3
Petrochemical	0.3	0.3	0
Oil E&P	3.7	4.7	-1.0
Other	0.9	0.2	0.7
adjustment	-2.9	-0.7	-2.2
<b>Total</b>	<b>14.0</b>	<b>15.2</b>	<b>-1.2</b>

## Revised Earnings Forecast

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Reviewed the full-year estimates taking into consideration the sluggish market conditions for oil products and the sales quantity slide of Abu Dhabi Oil for FY2013 1H.  
Estimates for 2H FY2013 have not been revised.

## Outlook for 2H FY2013

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▶ **Petroleum Business**

Efforts to improve earnings for the marketing sector in addition to full-scale operation at three refineries

▶ **Oil E & P Business**

The three companies engaging in the Oil E & P Business secured earnings that were in line with initial estimates.

▶ **Petrochemical Business**

Upon the resumption of the Chiba Refinery, the MX production unit of CM Aroma Co., Ltd. resumed operation (October).



Unit: billion yen

	FY2013 Outlook	Previous announcement	Changes
Consolidated ordinary income	54.0	61.0	-7.0
Impact of inventory valuation	7.0	0	7.0
Consolidated ordinary income excluding impact of inventory valuation	47.0	61.0	-14.0
Net income	14.0	16.0	-2.0
①Purchased price of crude oil	104.90USD/B	100.00USD/B	4.90USD/B
②JPY/USD exchange rate	98.90yen/USD	100.00yen/USD	△1.10yen/USD

## Consolidated Ordinary Income by Business Segment

	FY2013 Outlook	Previous announcement	Changes
Petroleum business	-3.5	3.0	-6.5
Petroleum business excluding impact of inventory valuation	-10.5	3.0	-13.5
Petrochemical business	5.0	3.5	1.5
Petrochemical business excluding impact of inventory valuation	5.0	3.5	1.5
Oil E & P business	50.5	55.5	-5.0
Other	2.0	-1.0	3.0

\* impact of inventory valuation

Petroleum business : FY2013 (Outlook) 7.0 billion yen , Previous announcement 0

# [FY2013 Outlook] Consolidated Ordinary Income (Excluding impact of inventory valuation) – Analysis of Changes from Previous announcement

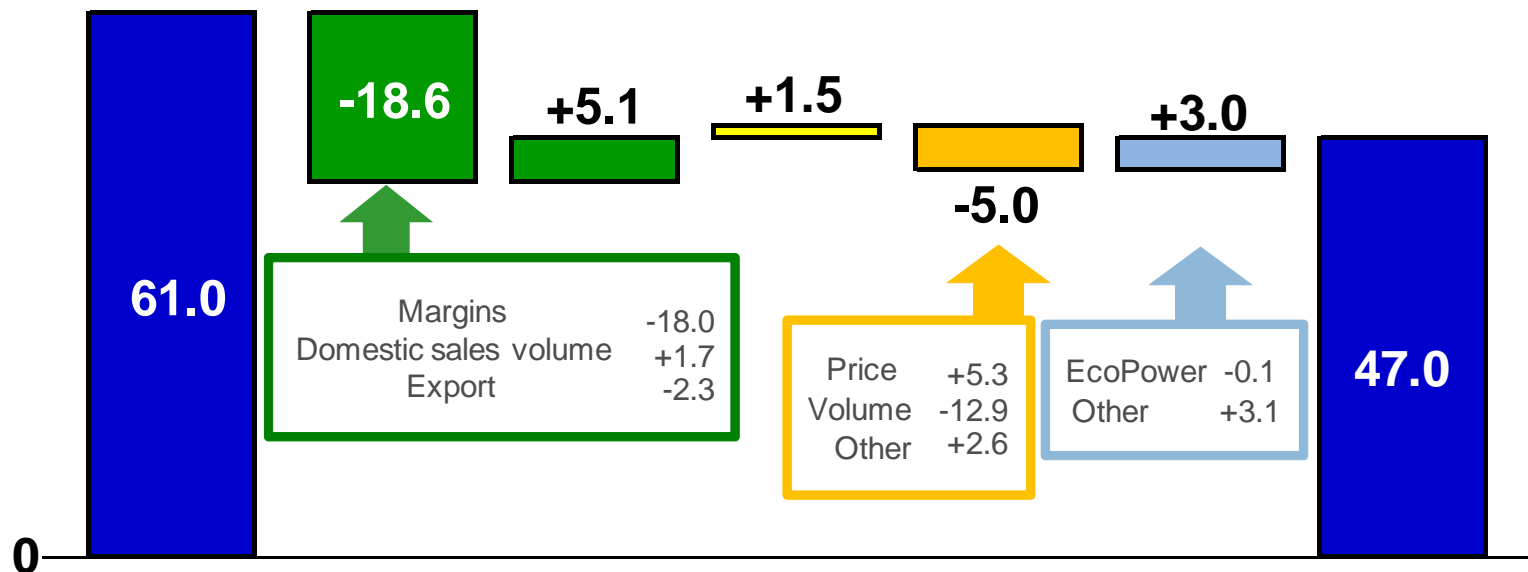
**Main Factors for the Change**

Petroleum Business : Due to a failure to reach the estimated margin for 1H FY2013. Estimates for 2H FY2013 have not changed.

Oil E & P Business : Due to a volume decline for Abu Dhabi Oil for 1H FY2013. Estimates for 2H FY2013 have not changed.

Consolidated ordinary income excluding impact of inventory valuation : Down ¥14.0 billion from Previous announcement

Unit: billion yen



Previous announcement	Updated full-year business outlook of FY2013					
Ordinary income excl. impact of inventory valuation	Petroleum business		Petrochemical business	Oil exploration and production business	Other	Ordinary income excl. impact of inventory valuation
	Margins and sales volume	other				

## Supplementary Information

- P10 : [2Q FY2013 Results] Sales volume
- P11 : [2Q FY2013 Results] Crude Oil Procurement Cost and Processing Volume, Topper Operating Ratios, Crude Oil Production Volume
- P12 : [2Q FY2013 Results] Results by Business Segment – Changes from 2Q FY2012
- P13 : [2Q FY2013 Results] Historical Changes in the Number of Employees, Oil Storage Depots, SSs and Cards in Force
- P14 : [FY2013 Outlook] Outlook by Business Segment – Changes from previous announcement and Highlights of Consolidated Capital Investment
- P15 : [FY2013 Outlook] Outlook by Business Segment, Assumption of Crude Oil Price and Exchange Rate, and Business Sensitivity thereto
- P16 : [FY2013 Outlook] Consolidated Ordinary Income (Excluding impact of inventory valuation ) – Analysis of Changes from FY2012
- P17 : Diesel Fuel Export Results and Margin Environment
- P18 : Petrochemical business Aromatic-Product Market Conditions

Unit: million litre

		2Q FY2013 Results	2Q FY2012 Results	Changes	Changes	FY2013 Full Year outlook changes from previous announcement	FY2013 Full Year outlook Changes from FY2012
Selling volume in Japan	Gasoline	3,101	3,042	60	102.0%	102.0%	101.3%
	Kerosene	514	510	4	100.8%	100.7%	100.7%
	Diesel fuel	2,184	2,207	-23	99.0%	103.0%	97.9%
	Heavy fuel oil A	805	876	-71	91.9%	98.0%	96.9%
	Sub-Total	6,605	6,635	-30	99.5%	101.5%	99.6%
	Naphtha	3,091	2,837	254	109.0%	99.2%	99.2%
	Jet fuel	219	227	-9	96.2%	98.1%	98.2%
	Heavy fuel oil C	968	1,428	-460	67.8%	86.9%	80.0%
	inc. Heavy fuel oil C for electric	546	947	-401	57.6%	52.8%	46.4%
	Sub-Total	10,883	11,127	-244	97.8%	99.2%	97.1%
Middle distillate export volume	Diesel fuel	761	45	716	1692.7%	98.6%	2815.4%
	Kerosene/Jet	0	0	0	-	22.5%	-
	Sub-Total	761	45	716	1692.7%	85.9%	2944.4%
Bond sales, etc.	Jet fuel	897	882	14	101.6%	100.7%	108.1%
	Heavy fuel oil C	271	259	12	104.7%	99.4%	105.1%
	Other	439	542	-103	81.0%	134.8%	76.8%
	Sub-Total	1,607	1,684	-77	95.4%	106.3%	98.9%
Barter deal, etc.		4,641	4,315	326	107.6%	98.9%	107.3%
<b>Total selling volume</b>		<b>17,892</b>	<b>17,171</b>	<b>721</b>	<b>104.2%</b>	<b>99.1%</b>	<b>103.3%</b>

**[1] Crude oil procurement cost, processing volume and topper operating ratios**

		2Q FY2013	2Q FY2012	Changes from 2Q FY2012	
Purchased price of crude oil	Crude oil (FOB) USD/BBL	104.23	109.40	-5.17	—
	JPY/USD exchange rate	98.20	80.38	17.82	—
	Purchased price of crude oil (tax inclusive) yen/KL	68,048	58,717	9,331	—
Crude oil refining	Refined crude oil volume (1,000 KL)	11,155	10,384	771	107.4%
	Atmospheric distillation operating ratio (Calendar Day)	65.2%	56.2%	+9.0% points	—
	Atmospheric distillation operating ratio (Streaming Day) *	80.4%	82.1%	-1.7% points	—

\*Streaming day indicates operating ratio excluding the impact of suspended operations due to regular repairs and maintenance, etc.

**[2] Crude oil production volume**

		2Q FY2013	2Q FY2012	Changes	Investment ratio
Oil E & P subsidiary production volume (BBL/D)	Abu Dhabi Oil Co., Ltd.	17,902	21,029	85.1%	63.0%
	Qatar Petroleum Development Co., Ltd.	7,234	7,415	97.6%	75.0%
	United Petroleum Development Co., Ltd.	11,161	13,332	83.7%	45.0%

\* Production volume: Average Production volume by a project company during the term. Production volume of January-June, because each company ends its fiscal year in December.

## 2Q FY2013 Results – Changes from 2Q FY2012

Unit: billion yen

	Net Sales		Operating Income		Ordinary Income		Ordinary Income (excluding impact of inventory valuation, cost or market method)	
		Changes from 2Q FY2012		Changes from 2Q FY2012		Changes from 2Q FY2012		Changes from 2Q FY2012
Petroleum business	1,625.1	200.8	-6.3	26.9	-10.6	27.1	-17.0	3.7
Petrochemical business	14.9	1.6	0.7	0.9	2.6	4.8	2.6	4.6
Oil E&P business	32.0	-2.1	18.3	-3.2	22.8	-1.4	22.8	-1.4
Other	33.4	0.1	1.7	1.8	2.4	1.6	2.4	1.6
adjustment	-51.9	3.9	1.3	8.0	1.2	8.0	1.2	8.0
Total	1,653.5	204.3	15.7	34.4	18.4	40.1	12.0	16.5

## Cosmo Group of Companies (by Segment)

Petroleum business	Cosmo Oil Co., Ltd., Cosmo Oil Sales Corp, Cosmo Petroleum Gas Co., Ltd., Cosmo Oil Lubricants Co., Ltd., Sogo Energy Co., Ltd., etc.
Petrochemical business	Cosmo Matsuyama Oil Co., Ltd., CM Aromatics Co., Ltd., Maruzen Petrochemical Co., Ltd. (owned by the Cosmo Oil Group on the equity method), Hyundai Cosmo Petrochemical Co., Ltd. (owned by the Cosmo Oil Group on the equity method)
Oil E & P business	Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., United Petroleum Development Co., Ltd. etc. (owned by the Cosmo Oli Group on the equity method), etc.
Other	Cosmo Engineering Co.,Ltd., Cosmo Trade & Services Co., Ltd.,EcoPower Co.,Ltd, etc.

# [2Q FY2013 Results] Historical Changes in the Number of Employees, Oil Storage Depots, SSs and Cards in Force

## [1] Workforce size (No. of persons)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	2Q FY2013
Cosmo Oil alone	1,916	1,957	2,064	2,180	2,135	2,025	1,899	1,870
Cosmo Oil Group	3,335	3,299	3,269	3,325	3,268	3,098	2,840	2,825

\* Data as of the end of March of each fiscal year.

\* Group headcounts combine those of non-consolidated Cosmo Oil (up until FY2008), while combining those of non-consolidated Cosmo Oil, with those transferred, probationary employees and with senior employees (in FY2009 onwards).

## [2] No. of oil storage depots (DTs)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	2Q FY2013
No. of DTs	38	38	38	36	35	35	35	35

## [3] No. of SSs by Operator Type

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	2Q FY2013
Subsidiary	1,122	1,104	1,023	1,025	967	939	914	905
Dealers	3,237	3,021	2,890	2,743	2,642	2,559	2,411	2,370
Total	4,359	4,125	3,913	3,768	3,609	3,498	3,325	3,275
Mobile SSs	57	53	47	43	36	34	33	34

\* Data up to FY2005 as of the end of December of each year. Data in FY2006 onwards as of the end of March of the year following each fiscal year

## [4] No. of Self-Service SSs out of the Total No. of SSs Mentioned [3] above.

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	2Q FY2013
Subsidiary	463	507	551	575	548	570	550	549
Dealers	326	360	404	429	455	437	449	456
Total	789	867	955	1,004	1,003	1,007	999	1,005
Share of Self-Service SSs	18.1%	21.0%	24.4%	26.6%	27.8%	28.8%	30.0%	30.7%

## [5] Cosmo The Card-Number of cards issued (including the number of Opus cards in force from 2006 onwards) (Unit: million cards)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	2Q FY2013
No. of cards in force	2.80	3.05	3.35	3.57	3.67	3.81	3.97	4.03

## [6] Cosmo B-ble Lease -Number of contracted vehicles

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	2Q FY2013
Number of contracted vehicles	-	-	-	-	-	1,287	5,003	7,668

FY2013 Outlook – Changes from Previous announcement

Unit: billion yen

	Net Sales		Operating Income		Ordinary Income		Ordinary Income (excluding impact of inventory valuation, cost or market method)	
		Changes from Previous announcement		Changes from Previous announcement		Changes from Previous announcement		Changes from Previous announcement
Petroleum business	3,490.0	30.0	5.0	-6.5	-3.5	-6.5	-10.5	-13.5
Petrochemical business	59.0	-21.0	1.5	-0.5	5.0	1.5	5.0	1.5
Oil E&P business	81.0	-17.0	45.0	-8.0	50.5	-5.0	50.5	-5.0
Other	75.0	5.0	4.0	1.0	5.5	1.0	5.5	1.0
adjustments	-145.0	13.0	-3.5	2.0	-3.5	2.0	-3.5	2.0
<b>Total</b>	<b>3,560.0</b>	<b>10.0</b>	<b>52.0</b>	<b>-12.0</b>	<b>54.0</b>	<b>-7.0</b>	<b>47.0</b>	<b>-14.0</b>

Capital Expenditures, Depreciation, etc.

[FY2013 Outlook]

Unit: billion yen

	FY2013 Outlook	Change from previous announcement
Capital expenditures	56.8	-8.8
Depreciation expense amount, other	31.9	-1.8

Capital expenditures by Business Segment

[FY2013 Outlook by Segment vs. Previous announcement]

Unit: billion yen

	FY2013 Outlook	previous announcement	Change from previous announcement
Petroleum	34.1	37.1	-3.0
Petrochemical	0.9	0.7	0.2
Oil E&P	17.6	23.5	-5.9
Other	5.1	5.1	0.0
adjustment	-0.9	-0.8	-0.1
<b>Total</b>	<b>56.8</b>	<b>65.6</b>	<b>-8.8</b>



Full-Year FY2013 Outlook, 2012 with Year-on-Year Changes

Unit: billion yen

	Net Sales		Operating Income		Ordinary Income		Ordinary Income (excluding impact of inventory valuation, cost or market method)	
		Changes from FY2012		Changes from FY2012		Changes from FY2012		Changes from FY2012
Petroleum business	3,490.0	373.8	5.0	15.1	-3.5	20.2	-10.5	28.5
Petrochemical business	59.0	28.5	1.5	0	5.0	1.7	5.0	1.7
Oil E&P business	81.0	-4.9	45.0	-9.3	50.5	-10.2	50.5	-10.2
Other	75.0	-11.3	4.0	0.7	5.5	0.6	5.5	0.6
adjustments	-145.0	7.2	-3.5	-6.9	-3.5	-6.7	-3.5	-6.7
Total	3,560.0	393.3	52.0	-0.4	54.0	5.6	47.0	13.9

Assumption of Crude Oil Price and Exchange Rate, and Business Sensitivity thereto

	Precondition	Sensitivity	
		Petroleum Business	Oil E & P Business
Crude oil	104.90 USD/BBL	+2.3 billion yen	+0.3 billion yen
JPY/USD exchange rate	98.90 yen/USD	+2.5 billion yen	+0.4 billion yen

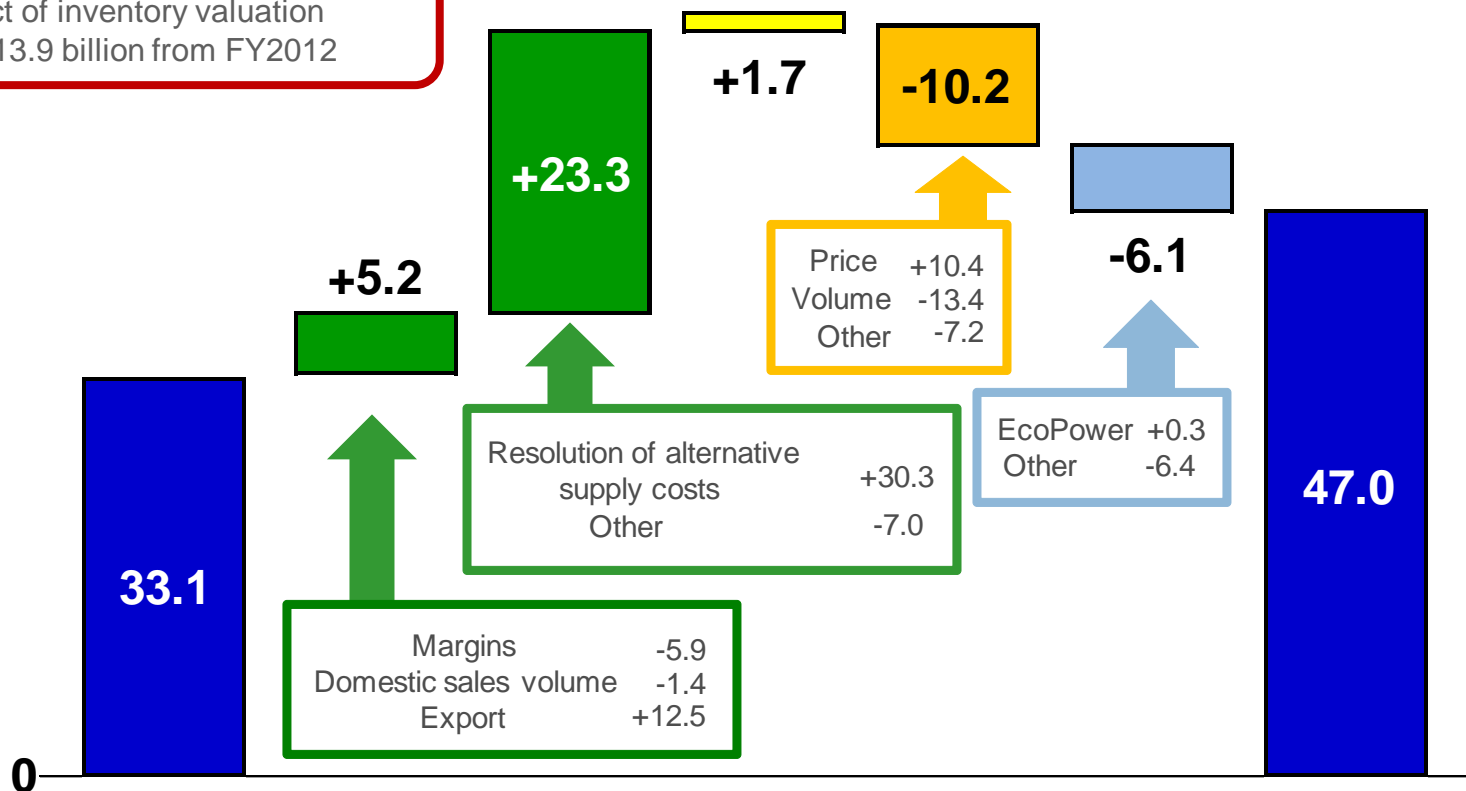
\* Figures above refer to impacts by crude oil price and yen-dollar exchange fluctuations on inventory valuation gains, in-house fuel costs and timing difference (by taking no impact by the cost or market method into consideration).

\*A six-month period of Oct. 2013 to March 2014 adopted for sensitivity figure estimation for the petroleum business segment, and a three-month period of Oct. 2013 to Dec. 2013, for the oil exploration and production business.

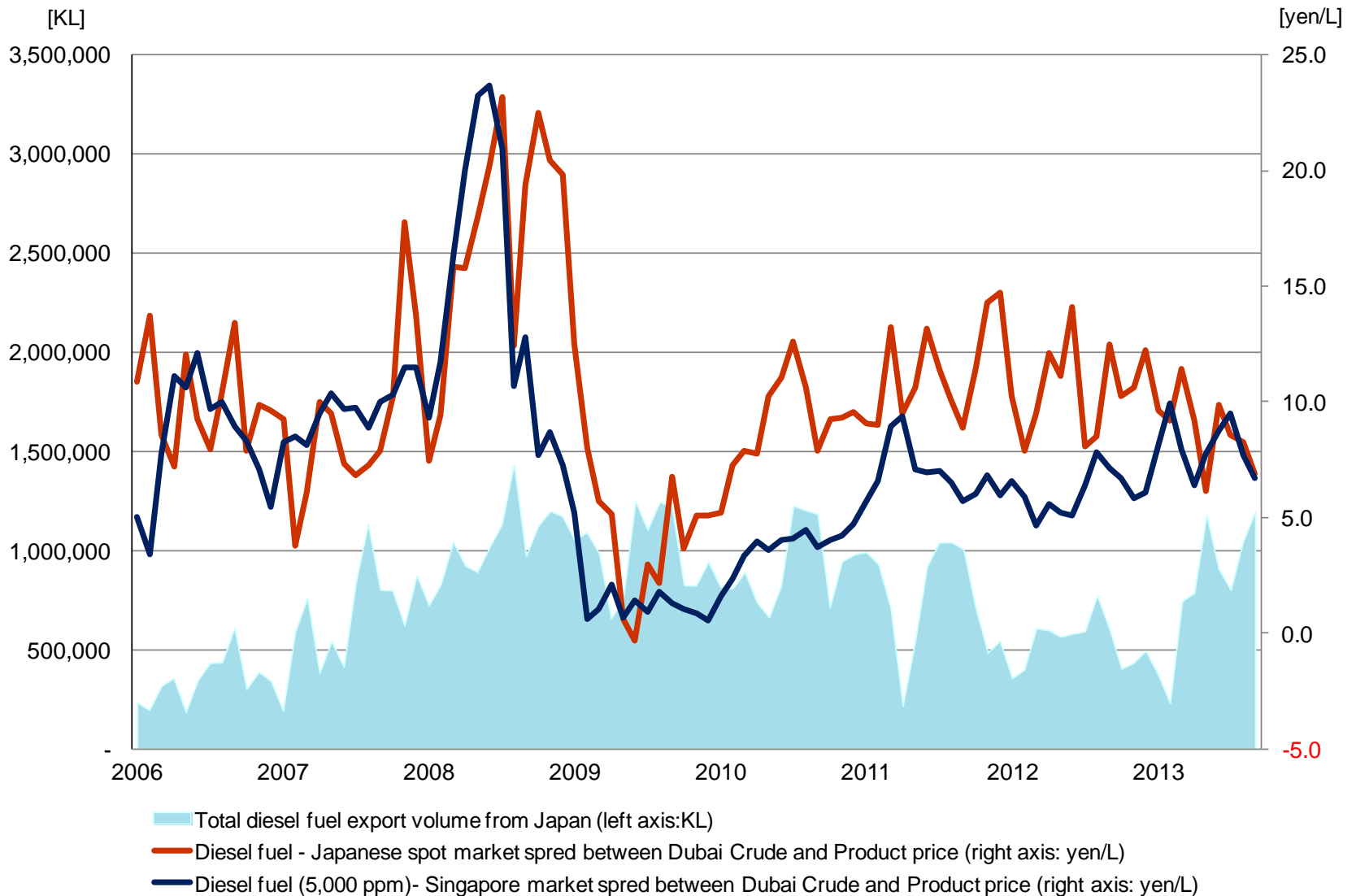
# [FY2013 Outlook] Consolidated Ordinary Income (Excluding impact of inventory valuation) – Analysis of Changes from FY2012

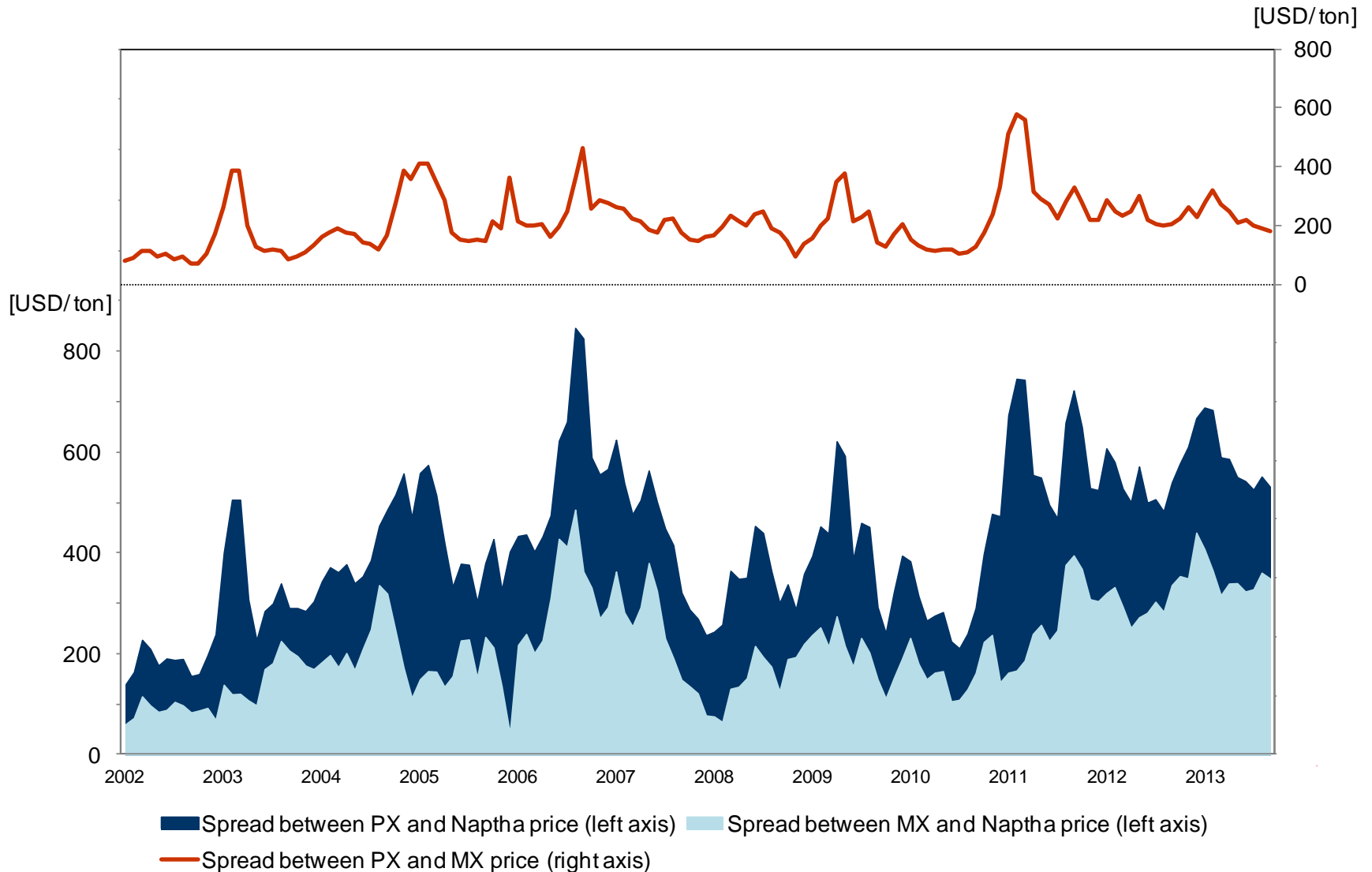
Consolidated ordinary income excluding impact of inventory valuation : Up ¥13.9 billion from FY2012

Unit: billion yen



FY2012	Updated full-year business outlook of FY2013					
Ordinary income excl. impact of inventory valuation	Petroleum business		Petrochemical business	Oil exploration and production business	Other	Ordinary income excl. impact of inventory valuation
	Margins and sales volume	other				





## Cautionary Statement Regarding Forward-Looking Scenarios

This presentation contains statements that constitute forward-looking scenarios. While such forward-looking scenarios may include statements based on a variety of assumptions and relating to our plans, objectives or goals for the future, they do not reflect our commitment or assurance of the realization of such plans, objectives or goals.