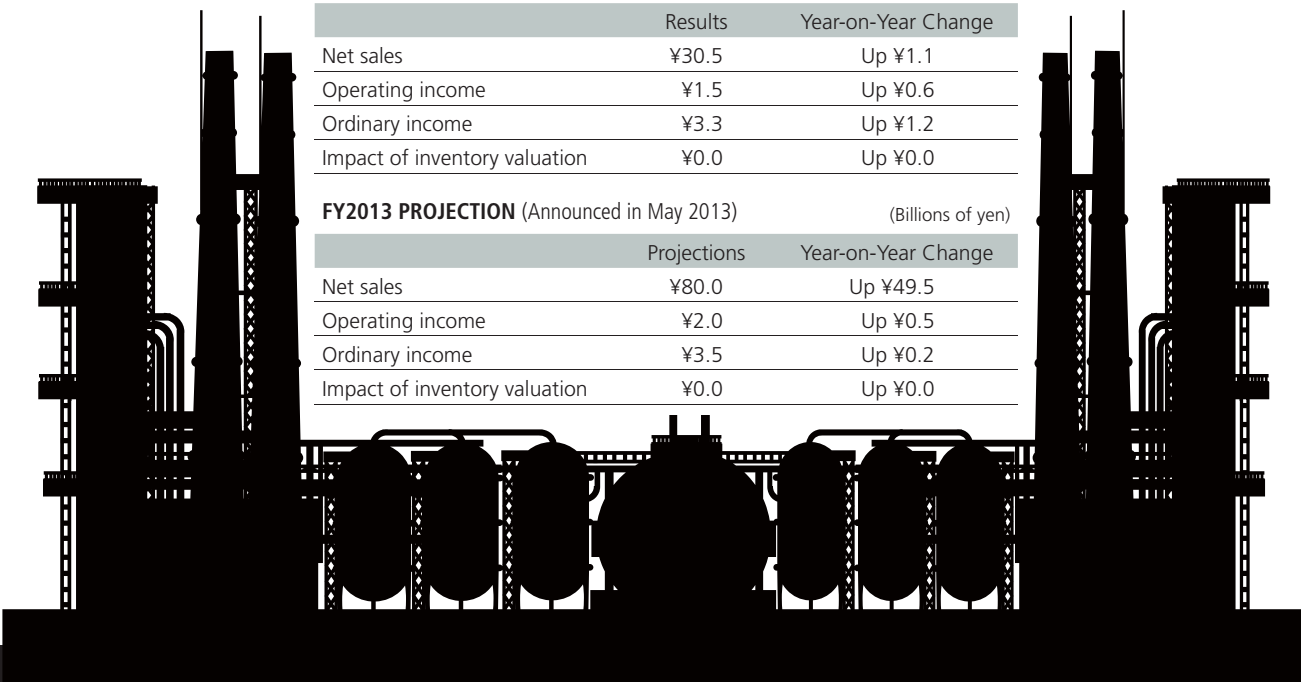


Review of Operations: Petrochemical Business



FY2012 RESULTS

(Billions of yen)

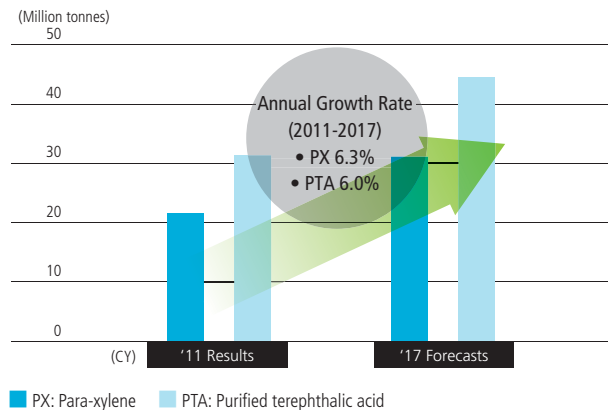
	Results	Year-on-Year Change
Net sales	¥30.5	Up ¥1.1
Operating income	¥1.5	Up ¥0.6
Ordinary income	¥3.3	Up ¥1.2
Impact of inventory valuation	¥0.0	Up ¥0.0

FY2013 PROJECTION (Announced in May 2013)

(Billions of yen)

	Projections	Year-on-Year Change
Net sales	¥80.0	Up ¥49.5
Operating income	¥2.0	Up ¥0.5
Ordinary income	¥3.5	Up ¥0.2
Impact of inventory valuation	¥0.0	Up ¥0.0

Outlook for Para-Xylene (PX) and Purified Terephthalic Acid (PTA) Demand (Asia)



STRATEGIES

The Petrochemical Business will endeavor to improve profitability by accelerating the shift to the production of para-xylene (PX) and its main ingredient, mixed xylene (MX).

FY2012 PERFORMANCE

Buoyed by the improvement in market conditions for aromatic products including MX and benzene, net sales in the Petrochemical Business segment increased ¥1.1 billion year on year to ¥30.5 billion. Due mainly to the recovery in market conditions and contributions from improved profits at Hyundai Cosmo Petrochemical Co., Ltd. (HCP), an equity-method affiliate*, ordinary income for the fiscal year under review climbed ¥1.2 billion to ¥3.3 billion.

* A joint-venture company established in November 2009 with Hyundai Oilbank Co., Ltd. (HDO).



OUTLOOK FOR FY2013

A new PX facility with an annual production capacity of 800,000 tonnes was completed at HCP, which engages in the supply of MX. Commercial production commenced from January 2013. Together with the existing 380,000 tonnes, this brings the Cosmo Oil Group's production capacity to a world-leading 1,180,000 tonnes. As a result, net sales in the Petrochemical Business segment are projected to reach ¥80.0 billion, an increase of ¥49.5 billion year on year. In light of volatile conditions in the petrochemical products market over the short term, we have adopted a conservative approach toward profits. Ordinary income in FY2013 is expected to show a slight improvement rising ¥0.2 billion year on year to ¥3.5 billion.

Looking ahead, we will engage in the production of MX and PX, a raw material used in the production of polyester, as a measure to counter the decline in gasoline demand. With indications of a definitive upswing in demand for polyester, particularly in China, we will actively market PX in China and the Asia region.

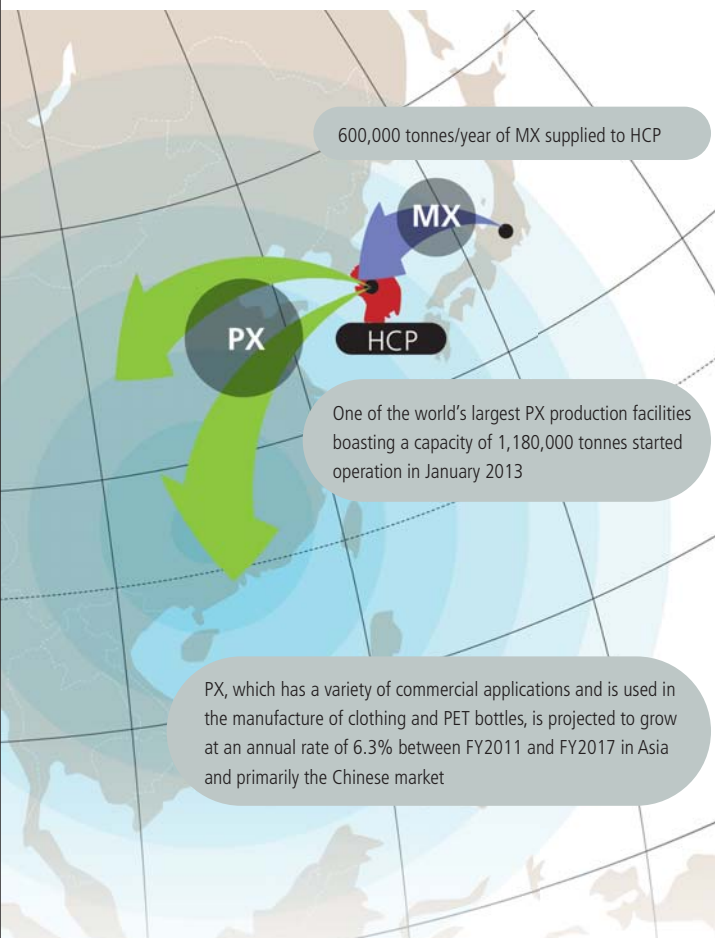
As a world-class manufacturer and supplier of PX, Cosmo Oil will work to enhance the value of petrochemical raw materials, which is expected to witness overseas demand growth, while taking into consideration demand trends for gasoline in Japan. In addition, we will boost earnings by capturing this increase in demand.



MX/PX Production Volume

MX	(Tonnes/year)	PX	(Tonnes/year)
Cosmo Oil Co., Ltd., Yokkaichi Refinery	300,000	Hyundai Cosmo Petrochemical Co., Ltd. (HCP)	1,180,000
CM Aromatics Co., Ltd.	270,000	Total	1,180,000
Cosmo Matsuyama Oil Co., Ltd.	30,000		
Total	600,000		

Para-Xylene Production Business Arrangement



MAJOR INITIATIVES

PX Trends and Plan

The Cosmo Oil Group is projecting fuel demand in Japan to decrease at an annual rate of 2.5% between 2013 and 2017. This is largely attributable to improvements in fuel efficiency on the back of widespread acceptance of ecologically minded cars and developments in energy efficient industrial fuels.

Meanwhile, MX, which is produced by the same raw materials as gasoline, and PX, of which MX is a raw material, are projected to experience an increase in demand, as previously mentioned. According to an announcement by Japan's Ministry of Economy, Trade and Industry (METI), PX demand in Asia was 21,600,000 tonnes in 2011, an increase of 2.9% compared with the previous fiscal year. In addition, demand for purified terephthalic acid (PTA), which is made from PX amounted to 31,300,000 tonnes, in Asia, up 4.0% year on year. PTA is a principal raw material in the manufacture of such commodities as polyester fibers and PET bottles. Asia and particularly China accounts for around 80% of global demand. The average annual growth rate in Asia is projected at the high level of approximately 6% for both PX and PTA from 2011 to 2017.

The Cosmo Oil Group is strategically expanding its Petrochemical Business, which makes effective use of gasoline constituents, in order to balance the twin needs of growing its business overseas and implementing measures against falling demand for gasoline in Japan. From 2013, the Group will produce 600,000 tonnes and 1,180,000 tonnes of MX and PX, respectively, on an annual basis. From a PX perspective, this will place Cosmo Oil at a top level worldwide. Under the 5th Consolidated Medium-Term Management Plan, which began in fiscal 2013, the Group has also projected ¥10.0 billion as its ordinary income target for fiscal 2017. This accounts for approximately 10% of the Group total forecast ordinary income for the period.

Para-Xylene Refining Process

