



November 10, 2016

Overview of Business Results for the Second Quarter of Fiscal Year Ending March 2017 [Based on Japanese GAAP] (Consolidated)

Name of the Company: Cosmo Energy Holdings Co., Ltd. Shares traded: TSE
 Company Code: 5021 URL <http://ceh.cosmo-oil.co.jp/>
 Name of Representative: Keizo Morikawa (Title) President
 Name of Person to contact: Seiko Takagi (Title) General Manager of Corporate Communication Dept. Phone: 03-3798-3180
 Scheduled date to file quarterly report: November 10, 2016 Dividend payment is to be started on: —
 Availability of the Quarterly Financial Result Supplementary Information: Yes
 Execution of the Quarterly Financial Result Presentation Meeting: Yes (for analysts and institutional investors)

Note: Figures less than 1 million are rounded down.

1. Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 2017 (For the period from April 1, 2016 to September 30, 2016)

(1) Consolidated operating results (cumulative total)

(Figures in % refer to changes from the same quarter a year earlier)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent for the Second Quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
Second Quarter, FY2016	1,023,838	—	16,751	—	14,460	—	4,340	—
Second Quarter, FY2015	—	—	—	—	—	—	—	—

Note: Comprehensive income Second Quarter, FY2016: 5,568 million yen (—%) Second Quarter, FY2015: — million yen (—%)

	Net income per share for the Second Quarter	Diluted net income per share for the Second Quarter
	yen sen	yen sen
Second Quarter, FY2016	51.65	—
Second Quarter, FY2015	—	—

Note: Due to the Company was incorporated through a sole-share transfer on October 1, 2015, there are no results of the same period of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Net Worth ratio
	million yen	million yen	%
Second Quarter, FY2016	1,454,193	208,590	7.3
FY2015	1,409,615	202,712	7.7

[Reference] Net worth Second Quarter, FY2016: 105,564 million yen FY2015: 108,046 million yen

2. Dividend Payment Results and Outlook

	Annual dividend per share total				
	As of Q1-end	As of Q2-end	As of Q3-end	As of Fiscal Year-end	Full Year
	yen sen	yen sen	yen sen	yen sen	yen sen
FY2015	—	0.00	—	40.00	40.00
FY2016	—	0.00	—	—	—
FY2016 (outlook)	—	—	—	50.00	50.00

Note: Revision made in the dividend payment outlook as of the end of the current quarter from the previous announcement: No

3. Consolidated Business Outlook for FY2016 (April 1, 2016 to March 31, 2017)

(% indicates change from the corresponding period of FY 2015)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
FY2016	2,365,000	5.4	61,000	—	53,000	—	33,000	—	392.44

Note: Revision made in the consolidated business outlook as of the end of the current quarter from the previous announcement: Yes

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during the second quarter : No

Newly — (Name of Company) — Exception — (Name of Company) —

(2) Adoption of accounting method uniquely adopted to prepare consolidated financial statements for the current quarter: Yes

(3) Changes in Accounting Policies, Accounting Estimates and Restatements:

1. Changes in accounting policies due to revisions of accounting standards, etc.: Yes
2. Changes in accounting policies for reasons other than the Item 1 : No
3. Changes in accounting estimates : No
4. Restatements : No

(4) Total Number of Outstanding Shares (Ordinary Shares)

1. Number of outstanding stock as of end of the period (including treasury shares)
2. Number of shares of treasury stock as of the end of the period
3. Average Number of shares outstanding during the period (or the cumulative consolidated accounting period as of the end of the current quarter)

Second Quarter, FY2016	84,770,508 shares	FY2015	84,770,508 shares
Second Quarter, FY2016	681,199 shares	FY2015	754,790 shares
Second Quarter, FY2016	84,030,688 shares	Second Quarter, FY2015	— shares

Note: Information about quarterly review procedure execution:

This release on the overview of quarterly business results is outside the scope of the quarterly report review procedures under the Financial Instruments and Exchange Act in Japan but as of the day of the disclosure of this release, the quarterly report review procedures under the Financial Instruments and Exchange Act have been completed.

Note: Request for appropriate use of the business outlook and other special remarks:

The consolidated business outlook for the full year of FY2016 is updated from the previous announcement made on May 12, 2016.

The outlook statements shown in these materials are based on information available as of the published date of this release, and actual results may be different from the forecast subject to variable factors that may arise in the future. For details, please refer to the “(3)Explanation Concerning Information regarding Consolidated Business Outlook” of the “1.Qualitative Information about Results for and at the End of the Current Quarter” on Page 2 of the Supporting data. Supplementary information will be uploaded on the Cosmo Energy Holdings Co., Ltd.website on November 10, 2016.

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1. Qualitative Information about Results for and at the End of the Current Quarter

Although the Company was incorporated through a sole-share transfer on October 1, 2015 as a wholly owning parent company of Cosmo Oil Co., Ltd., in substance, the scope of consolidation has not changed. Accordingly, when items are compared against the same period of the previous year, Cosmo Oil Co., Ltd.'s operating results for the six-month period of the fiscal year ended March 31, 2016 (from April 1, 2015 to September 30, 2015) are used.

(1) Explanation Concerning Information regarding Consolidated Operating Results

Consolidated net sales for the first half of FY2016 were ¥1,023.8 billion (down ¥146.7 billion from the same period of FY2015), operating income ¥16.8 billion (operating loss ¥3.4 billion in the same period of FY2015), ordinary income ¥14.5 billion (ordinary loss ¥7.5 billion in the same period of FY2015) and profit attributable to owners of parent for the period ¥4.3 billion (loss attributable to owners of the parent ¥17.5 billion in the same period of FY2015).

The operating results for the first half of FY2016 by business segment are as follows :

- 1) In the petroleum business segment, the net sales decreased due to the decline in crude oil prices and sales volume of the petroleum products that were compared with the same period of the previous year. The cost of sales was reduced by the effect of inventory valuation caused by increasing crude oil prices while the markets of petroleum products were dull. As a result, the segment reported net sales of ¥942.0 billion for the first half of FY2016 (down ¥222.9 billion from the same period of FY2015) and segment income of ¥1.6 billion (segment loss ¥18.5 billion in the same period of FY2015).
- 2) In the petrochemical business segment, due to the effect that Maruzen Petrochemical Co., Ltd. was included in the scope of the consolidated subsidiaries of the Cosmo Energy Group in the end of previous fiscal year, the segment reported net sales of ¥151.5 billion for the first half of FY2016 (up ¥126.1 billion from the same period FY2015) and segment income of ¥4.6 billion (up ¥4.0 billion from the same period of FY2015).
- 3) In the oil exploration and production business segment, due to the decline in the sales price of crude oil, the segment reported net sales of ¥20.3 billion for the first half of FY2016 (down ¥7.9 billion from the same period of FY2015) and segment income of ¥6.3 billion (down ¥4.5 billion from the same period of FY2015).

(2) Explanation Concerning Information regarding Consolidated Financial Position

As for the Company's financial position on a consolidated basis as of the end of the second quarter of FY2016, total assets as of September 30, 2016 amounted to ¥1,454.2 billion, up ¥44.6 billion from March 31, 2016, the end of FY2015, mainly reflecting increased fixed assets due to the investment for facilities in the oil exploration and production business.

Net assets as of September 30, 2016 amounted to ¥208.6 billion with a net worth ratio of 7.3%.

(3) Explanation Concerning Information regarding Consolidated Business Outlook

The consolidated business outlook for the full year of FY 2016 was revised due to deterioration of earnings of the petroleum business segment for the first half of FY 2016, compared to the previous outlook (announced on May 12, 2016).

This business outlook is based on the assumptions of crude oil price at US\$46.6/ bbl and exchange rate at JPY102.6/ US\$.

(Assumptions at the previous forecast: crude oil price US\$40.0/ bbl, exchange rate JPY110.0/ US\$)

2. Information about the Summary of Business Results (Notes to Consolidated Financial Statements)

(1) Change in Significant Subsidiaries during the Current Accounting Period:

None

(2) Adoption of Accounting Method Uniquely Adopted to Prepare Consolidated Financial Statements for the Current Quarter:

The Company calculates tax expenses for the Company and some of its consolidated subsidiaries by multiplying a reasonably estimated effective tax rate by net income before taxes for the current quarter.

Income tax adjustments are included in the “income taxes” account stated in the Consolidated Statements of Income.

(3) Changes in Accounting Policies, Accounting Estimates and Restatements:

Changes in Accounting Policies

(Application of practical solution on a change in depreciation method due to Tax Reform 2016)

As a result of the revision of the Corporation Tax Act, the practical solution on a change in depreciation method due to Tax Reform 2016 (ASBJ Practical Issues Task Force No. 32, June 17, 2016) has been applied from the first quarter of the accounting period under review, and the method of depreciating the buildings and accompanying facilities acquired on or after April 1, 2016, has been changed from the declining balance method to the straight line method.

The effect of this change on the quarterly consolidated financial statements and segment information for the consolidated cumulative second quarter under review is negligible.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	FY2015 (As of March 31, 2016)	2Q FY2016 (As of September 30, 2016)
Assets		
Current assets		
Cash and deposits	60,972	65,407
Notes and accounts receivable-trade	192,572	193,834
Securities	30,000	10,000
Merchandise and finished goods	87,825	110,606
Work in process	391	468
Raw materials and supplies	94,211	102,342
Other	50,476	49,138
Allowance for doubtful accounts	-195	-175
Total current assets	516,254	531,623
Noncurrent assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	149,609	149,224
Land	320,971	320,797
Other, net	222,687	262,950
Total property, plant and equipment	693,267	732,973
Intangible assets	47,423	45,940
Investments and other assets		
Investment securities	112,040	103,532
Other	40,460	39,951
Allowance for doubtful accounts	-481	-388
Total investments and other assets	152,019	143,096
Total noncurrent assets	892,710	922,009
Deferred assets		
Bond issuance cost	651	560
Total deferred assets	651	560
Total assets	1,409,615	1,454,193
Liabilities		
Current liabilities		
Notes and accounts payable-trade	115,803	135,292
Short-term loans payable	200,619	214,743
Commercial papers	12,000	55,000
Accounts payable-other	188,370	178,363
Income taxes payable	8,094	4,776
Provision	9,807	7,658
Other	20,822	20,703
Total current liabilities	555,519	616,538
Noncurrent liabilities		
Bonds payable	46,700	46,700
Long-term loans payable	497,831	487,010
Net defined benefit liability	9,586	8,976
Provision	19,707	16,125
Other	77,558	70,252
Total noncurrent liabilities	651,384	629,064
Total liabilities	1,206,903	1,245,603

(Unit: million yen)

	FY2015 (As of March 31, 2016)	2Q FY2016 (As of September 30, 2016)
Net assets		
Shareholders' equity		
Capital stock	40,000	40,000
Capital surplus	84,509	84,478
Retained earnings	259	1,140
Treasury shares	-1,223	-1,113
Total shareholders' equity	123,545	124,505
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,042	2,392
Deferred gains or losses on hedges	-1,601	-1,201
Revaluation reserve for land	-20,660	-20,617
Foreign currency translation adjustment	8,507	4,193
Remeasurements of defined benefit plans	-4,786	-3,707
Total accumulated other comprehensive income	-15,499	-18,940
Non-controlling interests	94,665	103,025
Total net assets	202,712	208,590
Total liabilities and net assets	1,409,615	1,454,193

(2) Consolidated Statements of Income and Comprehensive Income
 (Consolidated Statements of Income)
 (Consolidated the First Half of FY2016 Statements of Income)

	(Unit: million yen)
	2Q FY2016
	(From April 1, 2016 to September 30, 2016)
Net sales	1,023,838
Cost of sales	944,245
Gross profit	79,592
Selling, general and administrative expenses	62,841
Operating income	16,751
Non-operating income	
Interest income	100
Dividends income	406
Foreign exchange gains	4,333
Other	2,240
Total non-operating income	7,080
Non-operating expenses	
Interest expenses	6,159
Share of loss of entities accounted for using equity method	1,917
Other	1,295
Total non-operating expenses	9,371
Ordinary income	14,460
Extraordinary income	
Gain on sales of noncurrent assets	158
Gain on bargain purchase	493
Gain on sales of investment securities	244
Gain on sales of shares of subsidiaries and associates	119
Other	16
Total extraordinary income	1,032
Extraordinary loss	
Loss on disposal of noncurrent assets	1,961
Impairment loss	454
Loss on valuation of investment securities	250
Loss on sales of shares of subsidiaries and associates	12
Business structure improvement expenses	185
Other	72
Total extraordinary losses	2,936
Profit before income taxes	12,556
Income taxes	3,741
Profit	8,814
Profit attributable to non-controlling interests	4,474
Profit attributable to owners of parent	4,340

(Consolidated Statements of Comprehensive Income)

(Consolidated the First Half of FY2016 Statements of Comprehensive Income)

(Unit: million yen)

	2Q FY2016 (From April 1, 2016 to September 30, 2016)
Profit	8,814
Other comprehensive income	
Valuation difference on available-for-sale securities	-377
Deferred gains or losses on hedges	400
Revaluation reserve for land	-29
Foreign currency translation adjustment	-1,729
Remeasurements of defined benefit plans	1,079
Share of other comprehensive income of entities accounted for using equity method	-2,588
Total other comprehensive income	-3,245
Comprehensive income	5,568
(Breakdown)	
Comprehensive income attributable to owners of the parent	825
Comprehensive income attributable to non-controlling interests	4,743

(3) Consolidated Statement of Cash Flows

(Unit: million yen)

	2Q FY2016 (From April 1, 2016 to September 30, 2016)
Cash flows from operating activities	
Profit before income taxes	12,556
Depreciation	17,515
Amortization of goodwill	365
Gain on bargain purchase	-493
Loss (gain) on sales of noncurrent assets	-145
Loss (gain) on disposal of noncurrent assets	1,961
Impairment loss	454
Business structure improvement expenses	185
Loss (gain) on sales of investment securities	-184
Loss (gain) on valuation of investment securities	250
Loss (gain) on sales of shares of subsidiaries and associates	-107
Increase (decrease) in allowance for doubtful accounts	-113
Increase (decrease) in provision	-4,907
Increase (decrease) in net defined benefit liability	271
Interest and dividends income	-506
Interest expenses	6,159
Foreign exchange losses (gains)	-3,190
Share of (profit) loss of entities accounted for using equity method	1,917
Decrease (increase) in notes and accounts receivable-trade	-9,144
Recovery of recoverable accounts under production sharing	1,612
Decrease (increase) in inventories	-30,820
Increase (decrease) in notes and accounts payable-trade	23,734
Decrease (increase) in other current assets	2,360
Increase (decrease) in other current liabilities	-5,650
Increase (decrease) in other non-current liabilities	-2,946
Decrease (increase) in investments and other assets	327
Other, net	-467
Subtotal	10,995
Interest and dividends income received	661
Interest expenses paid	-6,214
Payments for business structure improvement expenses	-2,552
Proceeds from subsidy income	818
Income taxes (paid) refund	-8,032
Net cash provided by (used in) operating activities	-4,325
Cash flows from investing activities	
Purchase of investment securities	-315
Proceeds from sales and redemption of investment securities	1,615
Purchase of shares of subsidiaries and associates	-620
Proceeds from sales and liquidation of shares of subsidiaries and affiliates	70
Purchase of property, plant and equipment	-62,321
Payments for disposal of property, plant and equipment	-1,536
Proceeds from sales of property, plant and equipment	279
Payments for purchases of intangible fixed assets and long-term prepaid expenses	-2,521
Proceeds from withdrawal of investments in silent partnership	1,120
Other, net	-59
Net cash provided by (used in) investing activities	-64,288

(Unit: million yen)

	2Q FY2016
	(From April 1, 2016 to September 30, 2016)
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	14,410
Proceeds from long-term loans payable	19,672
Repayment of long-term loans payable	-21,952
Payments into deposits of restricted withdrawals	-4,310
Net increase (decrease) in Commercial papers	43,000
Cash dividends paid	-3,359
Dividends paid to non-controlling interests	-947
Proceeds from share issuance to non-controlling shareholders	4,074
Other, net	51
Net cash provided by (used in) financing activities	50,639
Effect of exchange rate change on cash and cash equivalents	-1,959
Net increase (decrease) in cash and cash equivalents	-19,934
Cash and cash equivalents at beginning of period	89,418
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	8
Cash and cash equivalents at end of period	69,492

(4)Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Notes to Remarkable Changes in Shareholders' Equity)

None

(Segment Information)

2Q FY2016 (From April 1, 2016 to September 30, 2016)

Information about net sales and income or loss amounts by segment reported

(Unit: million yen)

	Petroleum	Petrochemical	Oil exploration and production	Other Note: 1	Adjustments Note: 2	Consolidated Note: 3
Net sales						
Outside customers	871,439	131,541	10,464	10,393	—	1,023,838
Inter-segment	70,529	19,982	9,824	16,823	-117,159	—
Total	941,969	151,523	20,288	27,216	-117,159	1,023,838
Segment Income (Loss)	1,569	4,596	6,344	-101	2,051	14,460

Notes:1 "Other" is segment of non-classified, including construction works, insurance agency, leasing, travel agency and wind power generation, etc.

2 Segment Income (Loss) in "Adjustments" 2,051 million yen includes 2,080 million yen for the net amount of the entire Company's income and expenses not allocated to the reporting segments or the "Other" category, -14 million yen for internal eliminations, 92 million yen for inventory adjustments, and -107 million yen for adjustment of fixed assets.

3 Segment Income (Loss) is adjusted to ordinary income of consolidated quarterly statements of income.

(Significant Subsequent Events)

None