



November 8, 2018

Overview of Business Results for the Second Quarter of Fiscal Year Ending March 2019 [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: Hiroshi Kiriya (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 8, 2018 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 2019 (For the period from April 1, 2018 to September 30, 2018)

(1) Consolidated operating results (cumulative total)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent for the Second Quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
Second Quarter, FY2018	1,333,523	17.6	79,141	107.5	78,680	81.2	40,439	80.5
Second Quarter, FY2017	1,134,291	10.8	38,136	127.7	43,417	200.2	22,406	416.2

Note: Comprehensive income Second Quarter, FY2018: 47,674 million yen (51.1%) Second Quarter, FY2017: 31,553 million yen (466.6%)

	Net income per share for the Second Quarter	Diluted net income per share for the Second Quarter
	yen sen	yen sen
Second Quarter, FY2018	480.33	—
Second Quarter, FY2017	266.44	—

Note: The purchase price allocation for the business combination of Kygnus Sekiyu K.K. finalized in the third quarter of FY2017. Therefore the amount in the second quarter of FY2017 was adjusted by this finalization.

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Second Quarter, FY2018	1,796,772	395,597	15.3
FY2017	1,688,288	356,146	14.1

[Reference] Net worth Second Quarter, FY2018: 275,046 million yen FY2017: 238,677 million yen

Note: The Company has implemented the adoption of "Partial Amendments of Standard for Tax Effect Accounting" (the Accounting Standard Board of Japan Statement No.28 on February 16, 2018) from the beginning of the consolidated fiscal year and it effected the figures of FY2017.

2. Dividend Payment Results and Forecast

	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
FY2017	—	0.00	—	50.00	50.00
FY2018	—	0.00	—	50.00	50.00
FY2018 (forecast)	—	—	—	50.00	50.00

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

3. Consolidated Business Forecast for FY2018 (April 1, 2018 to March 31, 2019)

(% indicates change from the corresponding period of FY 2017)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
FY2018	2,880,000	14.1	152,000	35.9	157,000	34.4	83,000	14.0	985.85

Note: Revision made in the consolidated business forecast 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.: No
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 shares as of the 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 outstanding shares during the period (or the cumulative consolidated accounting period as of the end of the current quarter)

Second Quarter, FY2018	84,770,508 shares	FY2017	84,770,508 shares
Second Quarter, FY2018	462,657 shares	FY2017	667,048 shares
Second Quarter, FY2018	84,191,331 shares	Second Quarter, FY2017	84,096,435 shares

Note: These quarterly financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act.

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

The consolidated business forecast for the full year of FY2018 is updated from the previous announcement made on May 11, 2018.

The forecast 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 Forecast” 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 8, 2018.

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

(1) Explanation Concerning Information regarding Consolidated Operating Results

Consolidated net sales for the first half of FY2018 were ¥1,333.5 billion (up ¥199.2 billion from the same period of FY2017), operating profit ¥79.1 billion (up ¥41.0 billion from the same period of FY2017), ordinary profit ¥78.7 billion (up ¥35.3 billion from the same period of FY2017) and profit attributable to owners of parent for the period ¥40.4 billion (up ¥18.0 billion from the same period of FY2017).

The operating results for the first half of FY2018 by business segment are as follows :

- 1) In the petroleum business segment, the net sales and cost of sales increased due to the rise in crude oil prices from the same period of the previous year. As a result, the segment reported net sales of ¥1,219.9 billion for the first half of FY2018 (up ¥187.2 billion from the same period of FY2017) and segment profit of ¥34.8 billion (up ¥20.4 billion from the same period of FY2017).
- 2) As for the petrochemical business segment, due to the increase in product prices from the same period of the previous year, the segment reported net sales of ¥223.4 billion for the first half of FY2018 (up ¥11.9 billion from the same period FY2017). On the other hand, due to the decrease in selling volume of petrochemical products from the same period of the previous year, segment profit of ¥12.0 billion (down ¥4.7 billion from the same period of FY2017).
- 3) In the oil exploration and production business segment, due to the increase in the oil sales volume and the sales price of oil products from the same period of the previous year, the segment reported net sales of ¥53.6 billion for the first half of FY2018 (up ¥28.5 billion from the same period of FY2017) and segment profit of ¥28.5 billion (up ¥19.5 billion from the same period of FY2017).

(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 FY2018, total assets as of September 30, 2018 amounted to ¥1,796.8 billion, up ¥108.5 billion from March 31, 2018, the end of FY2017, mainly reflecting increased in inventories due to the increase in crude oil prices.

Net assets as of September 30, 2018 amounted to ¥395.6 billion with a net worth ratio of 15.3%.

(3) Explanation Concerning Information regarding Consolidated Business Forecast

The consolidated business forecast for the full year of FY 2018 was revised due to the gains from the inventory valuation because of the rise in crude oil prices for the first half of FY 2018, compared to the previous forecast (announced on May 10, 2018).

This business forecast is based on the assumptions of crude oil price at US\$74.1/ bbl and exchange rate at JPY110.1/ US\$.

(Assumptions at the previous forecast: crude oil price US\$65.0/ bbl, exchange rate JPY105.0/ US\$)

2. Consolidated Financial Statements and Their Main Notes

(1) Consolidated Balance Sheet

(Unit: million yen)

	FY2017 (As of March 31, 2018)	2Q FY2018 (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	64,690	66,098
Notes and accounts receivable - trade	264,930	253,018
Merchandise and finished goods	132,880	191,757
Work in process	576	717
Raw materials and supplies	131,893	164,576
Other	62,357	79,893
Allowance for doubtful accounts	-169	-134
Total current assets	657,160	755,926
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	205,787	230,139
Machinery, equipment and vehicles, net	183,447	188,343
Land	317,989	317,477
Other, net	110,361	92,713
Total property, plant and equipment	817,585	828,673
Intangible assets	42,016	40,886
Investments and other assets		
Investment securities	122,653	123,906
Other	48,889	47,456
Allowance for doubtful accounts	-401	-405
Total investments and other assets	171,141	170,957
Total non-current assets	1,030,743	1,040,518
Deferred assets		
Bond issuance cost	385	327
Total deferred assets	385	327
Total assets	1,688,288	1,796,772

(Unit: million yen)

	FY2017 (As of March 31, 2018)	2Q FY2018 (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	274,410	324,399
Short-term loans payable	206,690	215,944
Commercial papers	62,900	117,400
Accounts payable - other	194,117	197,238
Income taxes payable	15,338	16,464
Provision	8,756	5,665
Other	37,933	21,133
Total current liabilities	800,146	898,247
Non-current liabilities		
Bonds payable	46,700	46,700
Long-term loans payable	384,164	358,051
Provision for special repairs	17,830	15,258
Provision	3,311	2,915
Net defined benefit liability	3,212	3,013
Asset retirement obligations	20,568	20,945
Other	56,209	56,043
Total non-current liabilities	531,995	502,927
Total liabilities	1,332,142	1,401,174
Net assets		
Shareholders' equity		
Capital stock	40,000	40,000
Capital surplus	84,359	84,573
Retained earnings	118,701	154,903
Treasury shares	-1,091	-757
Total shareholders' equity	241,970	278,718
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,379	7,184
Deferred gains or losses on hedges	-267	-330
Revaluation reserve for land	-20,923	-20,923
Foreign currency translation adjustment	8,715	7,316
Remeasurements of defined benefit plans	2,803	3,080
Total accumulated other comprehensive income	-3,292	-3,671
Non-controlling interests	117,468	120,550
Total net assets	356,146	395,597
Total liabilities and net assets	1,688,288	1,796,772

(2) Consolidated Statements of Income and Comprehensive Income
 (Consolidated Statements of Income)
 (Consolidated the First Half of FY2018 Statements of Income)

(Unit: million yen)

	2Q FY2017 (From April 1, 2017 to September 30, 2017)	2Q FY2018 (From April 1, 2018 to September 30, 2018)
Net sales	1,134,291	1,333,523
Cost of sales	1,034,611	1,189,613
Gross profit	99,679	143,910
Selling, general and administrative expenses	61,543	64,768
Operating profit	38,136	79,141
Non-operating income		
Interest income	152	249
Dividend income	485	470
Share of profit of entities accounted for using equity method	7,600	1,657
Foreign exchange gains	2,183	2,318
Other	2,167	2,053
Total non-operating income	12,590	6,748
Non-operating expenses		
Interest expenses	6,132	5,594
Other	1,177	1,614
Total non-operating expenses	7,309	7,209
Ordinary profit	43,417	78,680
Extraordinary income		
Gain on sales of non-current assets	709	348
Gain on sales of investment securities	275	17
Subsidy income	—	837
Insurance income	—	222
Other	148	128
Total extraordinary income	1,133	1,553
Extraordinary losses		
Loss on disposal of non-current assets	1,852	2,766
Impairment loss	301	76
Loss on valuation of investment securities	71	4
Business structure improvement expenses	1,121	—
Other	13	33
Total extraordinary losses	3,359	2,880
Profit before income taxes	41,191	77,353
Income taxes	11,849	28,782
Profit	29,342	48,571
Profit attributable to non-controlling interests	6,935	8,131
Profit attributable to owners of parent	22,406	40,439

(Consolidated Statements of Comprehensive Income)

(Consolidated the First Half of FY2018 Statements of Comprehensive Income)

(Unit: million yen)

	2Q FY2017 (From April 1, 2017 to September 30, 2017)	2Q FY2018 (From April 1, 2018 to September 30, 2018)
Profit	29,342	48,571
Other comprehensive income		
Valuation difference on available-for-sale securities	2,580	468
Deferred gains or losses on hedges	-1,035	-248
Revaluation reserve for land	-249	—
Foreign currency translation adjustment	-110	574
Remeasurements of defined benefit plans, net of tax	745	264
Share of other comprehensive income of entities accounted for using equity method	279	-1,955
Total other comprehensive income	2,210	-897
Comprehensive income	31,553	47,674
(Breakdown)		
Comprehensive income attributable to owners of the parent	24,015	40,060
Comprehensive income attributable to non-controlling interests	7,537	7,613

(3) Consolidated Statement of Cash Flows

(Unit: million yen)

	2Q FY2017 (From April 1, 2017 to September 30, 2017)	2Q FY2018 (From April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Profit before income taxes	41,191	77,353
Depreciation	17,921	22,619
Amortization of goodwill	365	—
Loss (gain) on sales of non-current assets	-695	-314
Loss (gain) on disposal of non-current assets	1,852	2,766
Impairment loss	301	76
Business structure improvement expenses	1,121	—
Loss (gain) on sales of investment securities	-275	-17
Loss (gain) on valuation of investment securities	71	4
Increase (decrease) in allowance for doubtful accounts	-55	-30
Increase (decrease) in provision	-1,566	-3,476
Increase (decrease) in provision for special repairs	1,612	-2,571
Increase (decrease) in net defined benefit asset (liability)	-406	-337
Subsidy income	—	-837
Interest and dividend income	-638	-719
Insurance income	—	-222
Interest expenses	6,132	5,594
Foreign exchange losses (gains)	-1,530	-1,631
Share of loss (profit) of entities accounted for using equity method	-7,600	-1,657
Decrease (increase) in notes and accounts receivable - trade	14,359	11,447
Recovery of recoverable accounts under production sharing	1,791	2,626
Decrease (increase) in inventories	-12,339	-91,512
Increase (decrease) in notes and accounts payable - trade	2,905	50,288
Decrease (increase) in other current assets	638	-10,257
Increase (decrease) in other current liabilities	13,634	-7,828
Increase (decrease) in other non-current liabilities	-49	123
Decrease (increase) in investments and other assets	129	961
Other, net	-420	-4,897
Subtotal	78,448	47,547
Interest and dividend income received	866	1,510
Interest expenses paid	-6,135	-5,672
Payments for business structure improvement expenses	-2,288	-48
Proceeds from subsidy income	1,106	1,229
Proceeds from insurance income	—	452
Income taxes paid	-13,997	-30,902
Net cash provided by (used in) operating activities	58,000	14,116

(Unit: million yen)

	2Q FY2017 (From April 1, 2017 to September 30, 2017)	2Q FY2018 (From April 1, 2018 to September 30, 2018)
Cash flows from investing activities		
Purchase of investment securities	-601	-536
Proceeds from sales and redemption of investment securities	167	32
Purchase of shares of subsidiaries and associates	-2,984	-620
Proceeds from sales and liquidation of shares of subsidiaries and associates	—	9
Purchase of property, plant and equipment	-54,074	-36,146
Payments for disposal of property, plant and equipment	-1,125	-1,965
Proceeds from sales of property, plant and equipment	10,286	796
Payments for purchases of intangible assets and long-term prepaid expenses	-4,618	-4,215
Proceeds from withdrawal of time deposits	—	497
Proceeds from withdrawal of investments in silent partnership	52	105
Other, net	95	56
Net cash provided by (used in) investing activities	-52,802	-41,985
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-10,830	19,434
Proceeds from long-term loans payable	37,167	14,595
Repayments of long-term loans payable	-36,352	-49,677
Net increase (decrease) in commercial papers	27,900	54,500
Proceeds from sales of treasury shares	12	375
Cash dividends paid	-4,204	-4,205
Dividends paid to non-controlling interests	-1,652	-4,524
Other, net	-55	-55
Net cash provided by (used in) financing activities	11,983	30,442
Effect of exchange rate change on cash and cash equivalents	-507	161
Net increase (decrease) in cash and cash equivalents	16,673	2,734
Cash and cash equivalents at beginning of period	36,126	55,148
Cash and cash equivalents at end of period	52,800	57,883

(4)Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Notes to Remarkable Changes in Shareholders' Equity)

None

(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 profit before income taxes for the current quarter.

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

(Notes to Additional Information)

(Adoption of "Partial Amendments of Standard for Tax Effect Accounting")

The Company has implemented the adoption of "Partial Amendments of Standard for Tax Effect Accounting"(the Accounting Standard Board of Japan Statement No.28 on February 16, 2018) from the beginning of the consolidated fiscal year and changed the presentation method by which deferred tax assets have been included in investments and other assets, and deferred tax liabilities have been included in non-current liabilities.

(Adjustment by the finalization of the purchase price of FY2017)

Kygnus Sekiyu K.K. has been included in the consolidated financial statements from the first quarter of FY2017.

The Company used provisional accounting and the purchase price allocation was finalized in the third quarter of FY2017.

Therefore the amount in the second quarter of FY2017 was adjusted by this finalization.

(Segment Information)

I 2Q FY2017 (From April 1, 2017 to September 30, 2017)

Information about net sales and profit 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	933,478	185,007	6,793	9,011	—	1,134,291
Inter-segment	99,251	26,512	18,264	9,830	-153,859	—
Total	1,032,730	211,520	25,057	18,842	-153,859	1,134,291
Segment profit	14,389	16,676	8,963	886	2,501	43,417

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

2 Segment profit in “Adjustments” 2,501 million yen includes 2,584 million yen for the net amount of the entire Company's profit and expenses not allocated to the reporting segments or the “Other” category, -289 million yen for internal eliminations, 177 million yen for inventory adjustments, and 29 million yen for adjustment of fixed assets.

3 Segment profit is adjusted to ordinary profit of consolidated quarterly statements of profit.

II 2Q FY2018 (From April 1, 2018 to September 30, 2018)

Information about net sales and profit 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	1,107,035	197,806	17,021	11,659	—	1,333,523
Inter-segment	112,843	25,634	36,627	19,808	-194,915	—
Total	1,219,879	223,441	53,649	31,468	-194,915	1,333,523
Segment profit	34,847	12,041	28,470	2,518	802	78,680

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

2 Segment profit in “Adjustments” 802 million yen includes 2,657 million yen for the net amount of the entire Company's profit and expenses not allocated to the reporting segments or the “Other” category, 32 million yen for internal eliminations, -1,925 million yen for inventory adjustments, and 37 million yen for adjustment of fixed assets.

3 Segment profit is adjusted to ordinary profit of consolidated quarterly statements of profit.

4 The amount in the second quarter of FY2017 was adjusted by this finalization which is mentioned in the “(4) Notes to Quarterly Consolidated Financial Statements (Notes to Additional Information)” of the “2. Consolidated Financial Statements and Their Main Notes” on Page 9 of the Supporting data.

(Significant Subsequent Events)

None