



November 12, 2020

Overview of Business Results for the Second Quarter of Fiscal Year Ending March 2021 [Based on Japanese GAAP] (Consolidated)

Name of the Company: Cosmo Energy Holdings Co., Ltd. Shares traded: TSE
 Company Code: 5021 URL <https://ceh.cosmo-oil.co.jp/>
 Name of Representative: Hiroshi Kiriya (Title) President
 Name of Person to contact: Eriko Date (Title) General Manager of Corporate Communication Dept. Phone: 03-3798-3180
 Scheduled date to file quarterly report: November 12, 2020 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 2021 (For the period from April 1, 2020 to September 30, 2020)

(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, FY2020	969,359	-26.6	8,691	-66.8	6,528	-77.6	-910	—
Second Quarter, FY2019	1,321,483	-0.9	26,163	-66.9	29,170	-62.9	14,902	-63.1

Note: Comprehensive income Second Quarter, FY2020: -3,853 million yen (-%) Second Quarter, FY2019: 15,602 million yen (-67.3%)

	Net income per share for the Second Quarter	Diluted net income per share for the Second Quarter
Second Quarter, FY2020	yen sen -10.87	yen sen —
Second Quarter, FY2019	177.16	149.20

Note: In the second quarter of FY2020, diluted net income per share for the second quarter is not indicated because net loss per share for the second quarter is indicated, although there are potential common shares with dilutive effects.

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Second Quarter, FY2020	1,604,334	349,433	14.3
FY2019	1,639,765	362,839	14.6

[Reference] Net worth Second Quarter, FY2020: 229,718 million yen FY2019: 239,792 million yen

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
FY2019	—	0.00	—	80.00	80.00
FY2020	—	0.00	—	80.00	80.00
FY2020 (forecast)	—	—	—	80.00	80.00

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 FY2020 (April 1, 2020 to March 31, 2021)

(% indicates change from the corresponding period of FY 2019)

	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
FY2020	2,170,000	-20.7	31,000	123.1	27,000	65.8	8,500	—	101.44

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, FY2020	84,770,508 shares	FY2019	84,770,508 shares
Second Quarter, FY2020	1,079,822 shares	FY2019	725,261 shares
Second Quarter, FY2020	83,792,021 shares	Second Quarter, FY2019	84,120,465 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 FY2020 is updated from the previous announcement made on May 21, 2020.

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 12, 2020.

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 FY2020 were ¥969.4 billion (down ¥352.1 billion from the same period of FY2019), operating profit ¥8.7 billion (down ¥17.5 billion from the same period of FY2019), ordinary profit ¥6.5 billion (down ¥22.7 billion from the same period of FY2019) and loss attributable to owners of parent for the period ¥0.9 billion (profit attributable to owners of parent of ¥14.9 billion in the same period of FY2019).

The operating results for the first half of FY2020 by business segment are as follows :

- 1) In the petroleum business segment, due to the decline in the sales volume of petroleum products and the decline in crude oil price from the same period of the previous year, the segment reported net sales of ¥893.3 billion for the first half of FY2020 (down ¥317.4 billion from the same period of FY2019) and segment profit of ¥5.1 billion (segment loss of ¥1.9 billion in the same period of FY2019).
- 2) In the petrochemical business segment, due to the decrease in selling volume of petrochemical products and the decline in product market conditions from the same period of the previous year, the segment reported net sales of ¥119.3 billion for the first half of FY2020 (down ¥87.1 billion from the same period of FY2019) and segment loss of ¥8.8 billion (segment profit of ¥6.6 billion in the same period of FY2019).
- 3) In the oil exploration and production business segment, due to the decline in the sale price of oil products, despite the increase in the oil sales volume from the same period of the previous year, the segment reported net sales of ¥27.2 billion for the first half of FY2020 (down ¥17.0 billion from the same period of FY2019) and segment profit of ¥4.5 billion (down ¥15.1 billion from the same period of FY2019).

(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 first half of FY2020, total assets as of September 30, 2020 amounted to ¥1,604.3 billion, down ¥35.5 billion from March 31, 2020, the end of FY2019. This was mainly reflecting the decrease in trade receivables. Net assets as of September 30, 2020 amounted to ¥349.4 billion with a net worth ratio of 14.3%.

(3) Explanation Concerning Information regarding Consolidated Business Forecast

The consolidated business forecast for the full year of FY2020 was revised from the previous forecast announced on May 21, 2020. Compared to the previous forecast, the oil exploration and production business segment is expected to increase in sales and profits due to the rise in crude oil price. On the other hand, the petroleum business segment is expected to increase sales and decrease profit, due to the impact of inventory evaluation, despite the demand for petroleum product recovered earlier than expected. Petrochemical business segment is expected to decrease sales and profit due to the decline in product market condition. This business forecast is based on the assumptions of crude oil price at US\$38/ bbl and exchange rate at JPY106/ US\$. (Assumptions at the previous forecast: crude oil price US\$29/ bbl, exchange rate JPY105/ US\$)

2. Consolidated Financial Statements and Their Main Notes

(1) Consolidated Balance Sheet

(Unit: million yen)

	FY2019 (As of March 31, 2020)	2Q FY2020 (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	52,992	66,717
Notes and accounts receivable - trade	214,719	170,817
Merchandise and finished goods	145,573	128,291
Work in process	380	1,093
Raw materials and supplies	88,312	99,720
Other	70,765	56,735
Allowance for doubtful accounts	-124	-86
Total current assets	572,619	523,289
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	245,682	241,719
Machinery, equipment and vehicles, net	195,478	204,486
Land	316,908	316,079
Other, net	95,594	99,935
Total property, plant and equipment	853,663	862,220
Intangible assets	41,991	43,688
Investments and other assets		
Investment securities	119,071	123,247
Other	52,633	52,040
Allowance for doubtful accounts	-464	-334
Total investments and other assets	171,239	174,953
Total non-current assets	1,066,895	1,080,862
Deferred assets		
Bond issuance cost	250	181
Total deferred assets	250	181
Total assets	1,639,765	1,604,334

(Unit: million yen)

	FY2019 (As of March 31, 2020)	2Q FY2020 (As of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	233,520	207,908
Short-term loans payable	135,026	215,087
Current portion of bonds	26,000	16,000
Commercial papers	86,000	106,900
Accounts payable - other	188,622	175,330
Income taxes payable	7,540	2,275
Provision	8,404	7,168
Other	20,966	22,115
Total current liabilities	706,080	752,786
Non-current liabilities		
Bonds payable	20,700	10,700
Convertible bond-type bonds with share acquisition rights	60,000	60,000
Long-term loans payable	353,583	305,300
Provision for special repairs	29,220	19,236
Other provision	2,325	1,558
Net defined benefit liability	7,400	7,260
Asset retirement obligations	22,632	22,719
Other	74,983	75,339
Total non-current liabilities	570,845	502,114
Total liabilities	1,276,925	1,254,900
Net assets		
Shareholders' equity		
Capital stock	40,000	40,000
Capital surplus	82,843	82,843
Retained earnings	132,755	125,063
Treasury shares	-1,382	-2,019
Total shareholders' equity	254,217	245,888
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,424	2,735
Deferred gains or losses on hedges	373	42
Revaluation reserve for land	-21,020	-21,020
Foreign currency translation adjustment	5,778	3,997
Remeasurements of defined benefit plans	-1,981	-1,925
Total accumulated other comprehensive income	-14,425	-16,169
Non-controlling interests	123,047	119,714
Total net assets	362,839	349,433
Total liabilities and net assets	1,639,765	1,604,334

(2) Consolidated Statements of Income and Comprehensive Income
 (Consolidated Statements of Income)
 (Consolidated the First Half of FY2020 Statements of Income)

(Unit: million yen)

	2Q FY2019 (From April 1, 2019 to September 30, 2019)	2Q FY2020 (From April 1, 2020 to September 30, 2020)
Net sales	1,321,483	969,359
Cost of sales	1,229,512	899,215
Gross profit	91,971	70,144
Selling, general and administrative expenses	65,808	61,452
Operating profit	26,163	8,691
Non-operating income		
Interest income	396	340
Dividend income	515	490
Share of profit of entities accounted for using equity method	3,912	151
Foreign exchange gains	2,630	348
Other	1,703	1,711
Total non-operating income	9,158	3,042
Non-operating expenses		
Interest expenses	4,809	3,747
Other	1,341	1,458
Total non-operating expenses	6,151	5,206
Ordinary profit	29,170	6,528
Extraordinary income		
Gain on sales of non-current assets	4	1,108
Gain on sales of investment securities	353	464
Compensation income	7,948	—
Insurance income	1,508	9
Other	25	202
Total extraordinary income	9,840	1,785
Extraordinary losses		
Loss on disposal of non-current assets	891	2,302
Impairment loss	235	23
Loss on valuation of investment securities	62	19
Other	24	198
Total extraordinary losses	1,214	2,544
Profit before income taxes	37,796	5,770
Income taxes	18,202	7,331
Profit	19,593	-1,561
Profit attributable to non-controlling interests	4,690	-650
Profit attributable to owners of parent	14,902	-910

(Consolidated Statements of Comprehensive Income)

(Consolidated the First Half of FY2020 Statements of Comprehensive Income)

(Unit: million yen)

	2Q FY2019 (From April 1, 2019 to September 30, 2019)	2Q FY2020 (From April 1, 2020 to September 30, 2020)
Profit	19,593	-1,561
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,199	138
Deferred gains or losses on hedges	-453	-737
Foreign currency translation adjustment	-347	-298
Remeasurements of defined benefit plans, net of tax	-195	62
Share of other comprehensive income of entities accounted for using equity method	-1,793	-1,457
Total other comprehensive income	-3,990	-2,292
Comprehensive income	15,602	-3,853
(Breakdown)		
Comprehensive income attributable to owners of the parent	11,516	-2,655
Comprehensive income attributable to non-controlling interests	4,086	-1,198

(3) Consolidated Statement of Cash Flows

(Unit: million yen)

	2Q FY2019 (From April 1, 2019 to September 30, 2019)	2Q FY2020 (From April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	37,796	5,770
Depreciation	24,509	26,190
Loss (gain) on sales of non-current assets	-4	-1,107
Loss (gain) on disposal of non-current assets	891	2,302
Impairment loss	235	23
Loss (gain) on sales of investment securities	-353	-464
Loss (gain) on valuation of investment securities	62	19
Increase (decrease) in allowance for doubtful accounts	-41	-172
Increase (decrease) in provision	-2,223	-1,209
Increase (decrease) in provision for special repairs	5,941	-10,318
Increase (decrease) in net defined benefit asset (liability)	-718	-315
Interest and dividend income	-912	-831
Compensation income	-7,948	—
Insurance income	-1,508	-9
Interest expenses	4,809	3,747
Foreign exchange losses (gains)	-1,093	-293
Share of loss (profit) of entities accounted for using equity method	-3,912	-151
Decrease (increase) in notes and accounts receivable - trade	40,027	43,952
Recovery of recoverable accounts under production sharing	5,444	1,802
Decrease (increase) in inventories	-8,296	5,815
Increase (decrease) in notes and accounts payable - trade	-13,434	-25,478
Decrease (increase) in other current assets	-2,676	4,134
Increase (decrease) in other current liabilities	-33,775	-7,779
Increase (decrease) in other non-current liabilities	40	-946
Decrease (increase) in investments and other assets	269	848
Other, net	940	246
Subtotal	44,070	45,774
Interest and dividend income received	1,160	1,056
Interest expenses paid	-4,907	-3,762
Payments for business structure improvement expenses	—	-483
Proceeds from compensation	7,948	—
Proceeds from insurance income	1,508	9
Settlement package paid	—	-600
Income taxes paid	-13,473	-3,944
Net cash provided by (used in) operating activities	36,306	38,050

(Unit: million yen)

	2Q FY2019 (From April 1, 2019 to September 30, 2019)	2Q FY2020 (From April 1, 2020 to September 30, 2020)
Cash flows from investing activities		
Purchase of investment securities	-1,589	-5,215
Proceeds from sales and redemption of investment securities	502	510
Purchase of shares of subsidiaries and associates	-620	-620
Proceeds from sales and liquidation of shares of subsidiaries and associates	4	—
Purchase of property, plant and equipment	-30,576	-37,852
Payments for disposal of property, plant and equipment	-2,019	-2,037
Proceeds from sales of property, plant and equipment	5	4,626
Payments for purchases of intangible assets and long-term prepaid expenses	-5,519	-4,943
Payments into time deposits	-804	-7,385
Proceeds from withdrawal of time deposits	—	1,771
Proceeds from withdrawal of investments in silent partnership	70	70
Other, net	226	434
Net cash provided by (used in) investing activities	-40,320	-50,641
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	24,300	47,057
Proceeds from long-term loans payable	22,000	—
Repayments of long-term loans payable	-39,673	-16,249
Redemption of bonds	—	-20,000
Net increase (decrease) in commercial papers	26,000	20,900
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-285	—
Purchase of treasury shares	-622	-637
Cash dividends paid	-6,770	-6,773
Dividends paid to non-controlling interests	-2,354	-1,540
Other, net	-116	-90
Net cash provided by (used in) financing activities	22,476	22,666
Effect of exchange rate change on cash and cash equivalents	-670	-520
Net increase (decrease) in cash and cash equivalents	17,792	9,554
Cash and cash equivalents at beginning of period	40,667	43,295
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	-757
Cash and cash equivalents at end of period	58,460	52,092

(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.

(Additional Information)

(Application of tax effect accounting relating to the transition from the consolidated tax payment system to the group accounting system.)

The Company and some of the domestic consolidated subsidiaries did not apply "Implementation Guidance for Tax Effect Accounting" (ASBJ Guidance No.28 of February 16, 2018) section 44, as for deferred tax assets and deferred tax liabilities are based on the regulations of the tax law before revision, regarding the items for which the single tax payment system was revised in accordance with the transition to the group counting system and the transition to the group counting system under the "Law for Amendment of Part of Income Tax Law" (Law No.8, 2020), "Handling of Tax Effect Accounting for the Transition from the Consolidated Tax Payment System to the Group Counting System" (Practical Issues Task Force No.39; March 31, 2020) Section 3.

(Accounting Estimates of the Impact of the new coronavirus (COVID-19) infection)

There are no significant changes during the second quarter of the current fiscal year in the assumptions regarding the accounting estimates relating to the effects of the new coronavirus (COVID-19) infection described in "Additional Information" "Accounting Estimates" in financial statements report of FY2019.

(Segment Information)

I 2Q FY2019 (From April 1, 2019 to September 30, 2019)

Information about net sales and profit (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	1,106,306	182,377	18,934	13,865	—	1,321,483
Inter-segment	104,378	24,043	25,280	15,810	-169,512	—
Total	1,210,684	206,420	44,214	29,676	-169,512	1,321,483
Segment profit (loss)	-1,941	6,597	19,586	2,079	2,848	29,170

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

2 Segment profit (loss) in “Adjustments” 2,848 million yen includes 2,535 million yen for the net amount of the entire Company's profit and expenses not allocated to the reporting segments or the “Other” category, -171 million yen for internal eliminations, 570 million yen for inventory adjustments, and -85 million yen for adjustment of fixed assets.

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

II 2Q FY2020 (From April 1, 2020 to September 30, 2020)

Information about net sales and profit (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	838,274	107,370	9,747	13,967	—	969,359
Inter-segment	55,007	11,900	17,421	22,422	-106,752	—
Total	893,281	119,271	27,168	36,390	-106,752	969,359
Segment profit (loss)	5,134	-8,780	4,506	2,848	2,819	6,528

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

2 Segment profit (loss) in “Adjustments” 2,819 million yen includes 2,539 million yen for the net amount of the entire Company's profit and expenses not allocated to the reporting segments or the “Other” category, 199 million yen for internal eliminations, 851 million yen for inventory adjustments, and -770 million yen for adjustment of fixed assets.

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

(Significant Subsequent Events)

None