

◆ Cosmo Energy Holdings (5021)

The 6th Consolidated Medium-Term Management Plan Meeting for Analysts and Investors

- Summary of Q&A

-This material contains descriptions regarding future prospects. Notes are provided at the end of this material -

1. Date and time: March 20, 2018 (Tue) 13:00 - 14:00.

2. Attendees: 90 persons

3. Main questions:

<Oil Business>

Q1 : Please give us your take on the long-term margin.

A1 : We think that restructuring in the industry has advanced and the product market has been stabilizing, but a conservative margin is assumed in light of the uncertain future in preparing the five-year plan.

Q2 : Please tell us how the rate of improvement in the petroleum business will change due to environmental changes including IMO regulations, etc.

A2 : We assume that marine fuels (high-sulfur C fuel oil) will be converted into low-sulfur C fuel oil due to the IMO regulations, and that the pricing structure will change to high gas oil prices, high low-sulfur C fuel oil prices, and low high-sulfur C fuel oil prices. It can be said that the Company can enjoy benefits with a small investment in the delayed coker unit of Sakai Refinery and is in a relatively advantageous position because the heavy oil direct desulfurization unit of Chiba Refinery has a higher yield ratio of gas oil and low-sulfur C fuel oil.

Q3 : A press release on the “restructuring of the supply structure” has come out. Please tell us your point of view regarding the status of Crude Distillation Unit (CDU) in the 6th Medium-Term Management Plan.

A3 : There has been restructuring in the industry, and the business environment involving both companies (JXTG, the Cosmo) has been changing, and as for the Cosmo the future supply to Kygnus Sekiyu K.K. and the consolidation of Maruzen Petrochemical. We therefore judged that the alliance structure of Chiba Refinery needed to be changed. The assumption is that three refineries are in full operation. Although synergy with JXTG (10 billion yen with both companies combined) is the same as before, we expects to see higher profits by continuing the operation of two CDUs at Chiba Refinery.

<Petrochemical Business>

Q1 : We see that the ordinary income in the petrochemical business for FY2022 is projected to be 1 billion yen higher compared with FY2017. Please tell us the specific business strategies.

A1 : In terms of the long-term direction, in order to get petroleum-based fuel to shift to petrochemical material, we will make prior investments to increase the added value of basic chemical products and increase/add new capabilities of functional products. Moreover, the improvement of 1 billion yen may look small, but

this is partly because major scheduled maintenance is expected for Maruzen Petrochemical for FY2022. As a result, the improvement has been reduced compared to FY2017, when there was no scheduled maintenance.

Q2 : Please tell us what functional products you are going to invest in.

A2 : C9 (hydrogenated petroleum resin business), which we announced before, is available for functional products. But our basic strategy is to mass-produce highly value-added niche products, which is something that is typical of Japanese companies, whose market size is small yet whose market share is high.

<Oil Exploration and Production Business>

Q1 : Please tell us your point of view on the production quantity of the Oil Exploration and Production Business in the 6th Medium-Term Management Plan.

A1 : Although it is an estimate, the production quantity will be about 1.5 times as much as the actuals for FY2016, factoring in the effects of the production increase of the Hail Oil Field. Although the decline of the existing oil fields is unavoidable, we would like to maintain the production quantity while keeping the decline in check by drilling new oil wells, etc.

<Renewable Energy Business>

Q1 : Your plan for the future is to arrive at ordinary income of a 20-billion-yen scale in the renewable energy business (wind power generation). Please tell us about the power generating capacity and time horizon required to reach the target.

A1 : With regard to onshore power generation, the power generating capability will be strengthened up to some 500,000 kW in FY2024, and we are striving for ordinary income growth up to a scale of 7 billion yen. As for offshore power generation, the Medium-Term Management Plan has been prepared on the assumption of investing in an ongoing wind survey project. At the moment, a discussion is being held as to whether FIT (feed-in tariff) is applied or not, and improvements of the business environment. Around 2030 is set as one of the targets for ordinary income.

Q2 : Is the renewable energy business self-sustainable even without FIT?

A2 : In Europe, the renewable energy business is self-sustainable, and the Paris Agreement sets a target of an 80% reduction in CO2 emissions by 2050. It is essential to make the renewable energy business sustainable as a business for achieving the CO2 reduction target, and we would like to make prior investments and enjoy the benefits at an early stage in light of the future business environment.

<Shareholder Returns, Capital Policy, Other>

Q1 : Please tell us how cash flow is used, including your view on shareholder returns.

A1 : The improvement of profitability is advancing at a faster pace than the assumption at the beginning of the

preparation of the 6th Medium-Term Management Plan. We now see that net DER will be able to go below two times in the first half of the 6th Medium-Term Management Plan (around FY2019.) Meanwhile, we would like to increase shareholders' equity that can withstand various changes in the environment, including crude oil prices at an early stage. We would like to implement dividend increases while considering growth investments and balance with the financial position, while setting a goal of equity capital of 400 billion yen and net DER of 1.0-1.5 times, which are goals for the Medium-Term Management Plan.

Q2 : To what extent are you going to reduce interest-bearing debts?

A2 : We hope to lower net DER to the lower half of 1 time as the target in the 6th Medium-Term Management Plan. Having said that, we are not considering further debt reduction than that for the moment in light of the interest environment.

Q3 : How will net investments of 360 billion yen be booked for the five years?

A3 : Although the investment will be concentrated in the first half of the 6th Medium-Term Management Plan due to the Hail Oil Field and the response to the IMO regulations of 2020, it is expected to slow down in the second half. The investment will be approximately 70 billion yen on a 5-year average basis (360 billion yen divided by 5 years = 72 billion yen/year). It will be down about 40% from the investment plan of FY2017 (approximately 120 billion yen).

Q4 : A medium-term CSR management plan is referred to in the presentation materials. Please tell us about your intentions.

A4 : A medium-term CSR management plan is also being prepared alongside the 6th Consolidated Medium-Term Management Plan, and only part of it is mentioned here. As ESG investments have expanded recently, the ESG measures of the Company were stated again. We would like to commit to both plans as the two wheels of business management, as in the past.

End

This Q&A contains forward-looking statements about the plans, strategies and performance of Cosmo Energy Group. These statements include assumptions and judgments that are based on information currently available to us. As such, the actual results may differ from those mentioned herein, due to various factors in the external environment