

◆ Cosmo Energy Holdings (5021)

Financial Results for 1st quarter of FY2017

- Financial Results Explanatory Meeting for Analysts and Investors - Q&A

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

1. Date and time : August 10, 2017 (Thu) 19:00 p.m. - 20:00 p.m.
2. Attendees : 60 persons
3. Main questions :

<Petroleum business>

Q1: The improvement in the margin (up slightly less than two yen year on year) was significant at Cosmo in comparison with the spot market. Please tell us about the background.

A1: No regular maintenance took place in the first quarter (April – June), and refinery's unscheduled temporal suspension were eliminated. Because of these factors, in particular, cost reductions from the same period of the previous year may appear significant compared to those in the spot market and among competitors in the same trade.

Q2: Do you mean that cost reductions contributed to the improvement in the margin?

A2: That's right. High refinery operating ratio and the reduction of crude oil prices contributed.

Q3: Margins appear to be improving further in July and August compared to the first quarter (April – June). May I assume that Cosmo's margins are improving as much as those in the industry?

A3: Our margins in both July and August (as of August 10) are higher than those in the first quarter (April – June) average.

Q4: Does the full-year plan reflect the impacts of increases in the margins of petroleum products in July and thereafter?

A4: We have decided not to change the initial plan. Accordingly, actual margins (increases) in and after July are not reflected.

Q5: Please tell us about the refinery maintenance schedules. Will the results for the second quarter (July – September) reflect the impact of regular maintenance?

A5: Regular maintenance is scheduled for the period from the end of September until early November at Chiba refinery and for the period from the end of August until early October for the mid-term maintenance for Sakai Refinery. Accordingly, the calendar year-based operating ratio is projected to be 86.6% in the second quarter (July – September) compared to 99.9%, the actual ratio, in the first quarter (April – June).

Q6: Please elaborate on any improvement in the margin through the achievement of the high operation ratios that you have touched on in the presentation.

A6: A decline in the cost of crude oil due to the restructuring of supply systems (a suspension of No.5 CDU in Yokkaichi and changes of CDU nameplate capacity in Chiba and Yokkaichi) and a compositional change in the type of oil, among other factors, contributed to an improvement in the margin. The effects from an increase in profit due to decreased import and procurement costs of petroleum products resulting from the high operating ratios are reflected in "Refining cost, other" of the petroleum business in the step chart on page 6 of the presentation material.

Q7: What are the effects of the business collaboration with the Showa Shell Sekiyu Group?

A7: The business collaboration commenced in April. A synergy effect of approximately one billion yen has been created on an annualized basis as initially expected, excluding May and June when Showa Yokkaichi Sekiyu carried out regular maintenance.

Q8: Please describe the sales strategy that you adopted (increased sales in the first quarter).

A8: The increase in sales was attributable mainly to dealers and SSs returning to their own groups as a result of industry realignments and other developments. A dip in volume in the previous year due to the effect of refinery's unscheduled temporal suspension was another factor.

<Petrochemical business>

Q9: Please tell us about the background of the increase in profit at Maruzen Petrochemical.

A9: The increase was attributable to a rise in sales and exports volume as a result of the company skipping regular maintenance.

Q10: Please describe the profitability of the petrochemical business going forward. If I make a full-year forecast, may I assume that the actual ordinary income of 8.3 billion yen for the first quarter (April – June) will be quadrupled?

A10: It will not increase four times in a straightforward manner. Fixed costs such as maintenance expenses are likely to be posted in smaller amounts for the first quarter due to delayed entries, although they are not intentional.

<Oil Exploration & Production business>

Q11: You had announced before this May that the production start of the Hail Oil Field would commence in autumn. Please tell us about the progress in the development of the Hail Oil Field.

A11: The development is proceeding as planned. With the specific timing of the start of production becoming clearer, we have announced concretely that the production will commence at the beginning of October.

Q12: Are you expecting the Hail Oil Field to contribute to profitability immediately after the start of production?

A12: It will contribute to profitability from the fourth quarter (October – December). The field will reach its full production by the end of the year (by December).

<Other>

Q13: Please tell us about the details of an increase from the plan (up approximately 10 billion yen) in the first quarter result.

A13: The petroleum business and the petrochemical business accounted for approximately 60% and 40%, respectively. The result was attributable to the increased margin and high operating ratio in the petroleum business. It reflected an increase in the market price of ethylene in the petrochemical business.

Q14: Profit will be significantly higher if the level of the first quarter (April – June) continues. Is there any possibility of an increase in dividends?

A14: As a company policy, we give priority to the improvement of financial structure. For this point, we do not expect any change to the dividend per share of 50 yen announced at the beginning of the term.

Q15: Please summarize cash flow from operating activities in the first quarter.

A15: Cash provided by operating activities increased by four billion yen, mainly due to a decrease in notes and accounts payable as well as the posting of profit before income taxes.

Q16: Was there any temporary profit in all segments?

A16: There was nothing in particular that should be reported.

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.