

◆ Cosmo Energy Holdings (5021)

Financial Results for 3rd quarter of FY2017

- Financial Results Explanatory 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 : February 8, 2018 (Thu) 19:00 p.m. - 20:00 p.m.
2. Attendees : 62 persons
3. Main questions :

<Petroleum business>

Q1: Please tell us about the margin trends.

A1: For the period from April to December, actual margins improved by slightly more than two yen on a year-on-year basis. The improvement during the period from October to December was slightly below two yen year on year. In the plan from January to March, it is expected to improve approximately three yen year on year.

Q2: What is your estimate of the level of the margins for the period from January to March in comparison with the actual margins for the period from October to December?

A2: Our projection, which does not reflect the January results, is that margins will be at a low level; namely approximately one yen on average on a three-month basis.

Q3: How do you assess the margin trends in fiscal 2017, and what are your forecast for fiscal 2018?

A3: We expect that the current situation, which has continued to be favorable, will remain as is, providing that no major structural changes occur. However, we will continue to keep an eye on the trends.

Q4: Please tell us about the reason for the profit in the third quarter (9.9 billion yen in the period from October to December) declining from the second quarter (12.4 billion yen in the period from July to September) in the petroleum business, although margins were improving.

A4: The decrease was mainly attributable to a slippage in the timing of the recognition of the regular maintenance cost for Sakai refinery to the third quarter and the posting of regular maintenance costs for Chiba refinery in the current fiscal year.

<Petrochemical business>

Q5: Please tell us which factors contributed to the increased profit in the financial results for the third quarter at Maruzen Petrochemical.

A5: Approximately 8.0 billion yen was attributable to good market condition, and the volume factor accounted for approximately 4.0 billion yen.

Q6: How are things going after the announcement of improper conduct with regard to quality inspections, and what are the impacts on profitability? What are the future risks?

A6: When we issued a release on February 2, we reported that we had explained the matter to 69 of 121 affected clients. Our explanation to all the clients was completed within seven days, by February 8. The potential impact is uncertain going forward. Having said that, no instances such as requests for compensation or the termination of transactions occurred after the explanations were completed. Details will be compiled by the investigation committee by the end of March, and measures for preventing recurrence will be announced in April.

<Oil Exploration & Production business>

Q7: Please tell us about your outlook for the current and next fiscal years with regard to the contribution by the Hail Oil Field in terms of profitability.

A7: We commenced production in November and moved to full production on January 25. Production has been continuing in a stable manner. The contribution to profitability for the current fiscal year will be around 1.0 to 2.0 billion yen. Ordinary income of more than 30.0 billion yen is expected based on the assumption of about Dubai crude oil of \$60/B and exchange rate of ¥110/\$.

<Returns to shareholders, capital policy and other>

Q8: Please tell us about capital spending in the next fiscal year.

A8: We are examining the matter in the hope of decreasing capital spending by half from the current fiscal year's level in fiscal 2018. However, reflecting slippages in posting, we expect that it will be approximately 50% to 70% of the current fiscal year's level.

Q9: Given the strong business performances and declining payout ratios, please tell about your dividend policy again. What discussions are underway internally?

A9: As you have pointed out, we seek to place the top priority on improving the financial conditions, which is an urgent challenge for us. We will keep the dividend of 50 yen per share unchanged for the current fiscal year. We will begin discussing the dividends for the next fiscal year and thereafter, factoring in the financial conditions and investment strategies, among other factors.

Q10: The profitability of the petroleum business appears to be recovering significantly. What is your outlook for the possibility of re-posting deferred tax assets?

A10: We will discuss the matter with our accountants at the end of the fiscal year, taking the future operating environment and our business performance into consideration.

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.