

◆ Cosmo Energy Holdings (5021)

Financial Results for 1st half 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 : November 10, 2017 (Fri) 10:00 a.m. - 11:00 a.m.
2. Attendees : 96 persons
3. Main questions :

<Petroleum business>

Q1: Tell us about the results in the first half of the year and your assumptions for the second half of the year in terms of margins for your main products.

A1: Our margins for four main products in the first half of the year, from April to September, were up slightly under 3 yen per liter compared with the same period the previous year, and around 2 yen higher than we had planned at the start of the period. As for our assumptions for the full year, based on results from the first half (April to September), we are keeping the same plan for margins in the second half (October to March). We have not yet incorporated results from October onwards with respect to the second half.

Q2: Regarding increased profits compared with your plans at the beginning of the period, what are the factors unrelated to market conditions, such as initiatives pursued at your refineries?

A2: Since the earthquake in 2011, we have worked on the “safe operation and stable running of refineries” as an important management issue. The unplanned suspension ratio has gradually decreased, and after we introduced operating management system, evaluations from outside consultants have improved. In those ways, I feel that safe operating mechanisms have continued to be established. During this fiscal year we have also managed to shorten regular maintenance periods, the results of which are reflected in the figures.

Q3: What measure will you take to deal with the IMO regulations (tighter environmental restrictions on shipping fuel) that will start from 2020?

A3: From fiscal 2018 when a joint venture will start, the Chiba refinery will be a bottomless refinery that will produce almost no heavy oil. Meanwhile at the Sakai Refinery, we will consider moves such as augmentation of Delayed Coker Unit (equipment that breaks down heavy oil thermally) in consideration of the Third Notification on Sophisticated Methods of Energy Supply Structures. Through these initiatives, by around 2020, I believe we will have established a highly-competitive bottomless refinery framework across the entire Group.

Q4: From a long-term perspective, is there anything Cosmo can do to appropriately maintain the domestic demand and supply balance?

A4: Overall, domestic demand will gradually decrease, but we expect to be able to maintain high operational

rates at our refineries when we start supplying fuel oil to Kygnus Sekiyu K.K, which will be in about three years. We will proceed with measures that have already been decided on.

Q5: It seems that margins for your main products are still strong even after entering the autumn off-season. What are your feelings on this?

A5: After companies responded to the Second Notification on Sophisticated Methods of Energy Supply Structures and the industry underwent restructuring, I feel that distribution has also changed, and at the moment I can't envisage circumstances that would upset this favorable environment. We have achieved an appropriate balance of domestic demand and supply have been achieved and made progress with the recovery of affiliated operators.

Q6: How is the car leasing business for individuals? Are you planning to expand it in the future?

A6: As of the end of September, the cumulative number of contracted vehicles had exceeded 41,000 units. We have 144 vehicle shops where popular vehicles can be test-driven, an increase of more than 40% over the previous fiscal year. Around five to six years have passed since the business was launched, and it has earned a good reputation from customers. We will continue to expand the business further.

<Oil Exploration & Production business>

Q7: Regarding the impact from the decreased volume (-9.5 billion yen) compared with the initial full-year forecast (page 14 of the presentation materials), do you have plans to eliminate this in the next fiscal year?

A7: We had initially expected to reach peak production levels at the Hale Oil Field, which commenced production around one month behind schedule, during the current fiscal year, but at present, we expect to reach that mark in the new year around mid-January. The lower volume also includes temporary declines at our existing oil fields. In the next fiscal year, we will eliminate the shortfall due to the reduced volume and increase the proportion of profits by taking the Hale Oil Field into full production.

<Others>

Q8: What is your dividend policy from the next fiscal year onwards?

A8: At the early stages of our next medium-term management plan, we will assess the balance of our earnings power and financial situation, etc. after improving our financial standing to some degree, and implement shareholder returns.

Q9: While your financial standing has improved faster than expected, in the future do you think you will be able to continue improvements while adding more to profits?

A9: Yes. We have improved our financial standing faster than expected and we expect to continue making improvements in the future.

Q10: How will you adjust hybrid loan repayment? Do you plan to announce something in the next medium-term management plan?

A10: It is something we are aware of, but at this point we have no specific proposals. We are also still considering how to express this in the next medium-term management plan.

Q11: What will your level of capital expenditure be in the next fiscal year?

A11: We are truly hammering out the details in the lead up to the next medium-term management plan, but for the next fiscal year, we envisage capital expenditures dropping to half of what they are this current fiscal year, such as the production commencement of the Hail Oil Field, etc.

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.