

# Cosmo Energy Holdings Co., Ltd. Results for Fiscal 2019

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May 21, 2020

- ✓ Forecast for FY2020 Macroeconomic Trends and Our Response
- ✓ Forecast for FY2020 Performance
- ✓ The 6th Consolidated Medium-Term Management Plan
- ✓ Dividend policy

P.2-7

- ✓ Results for FY2019

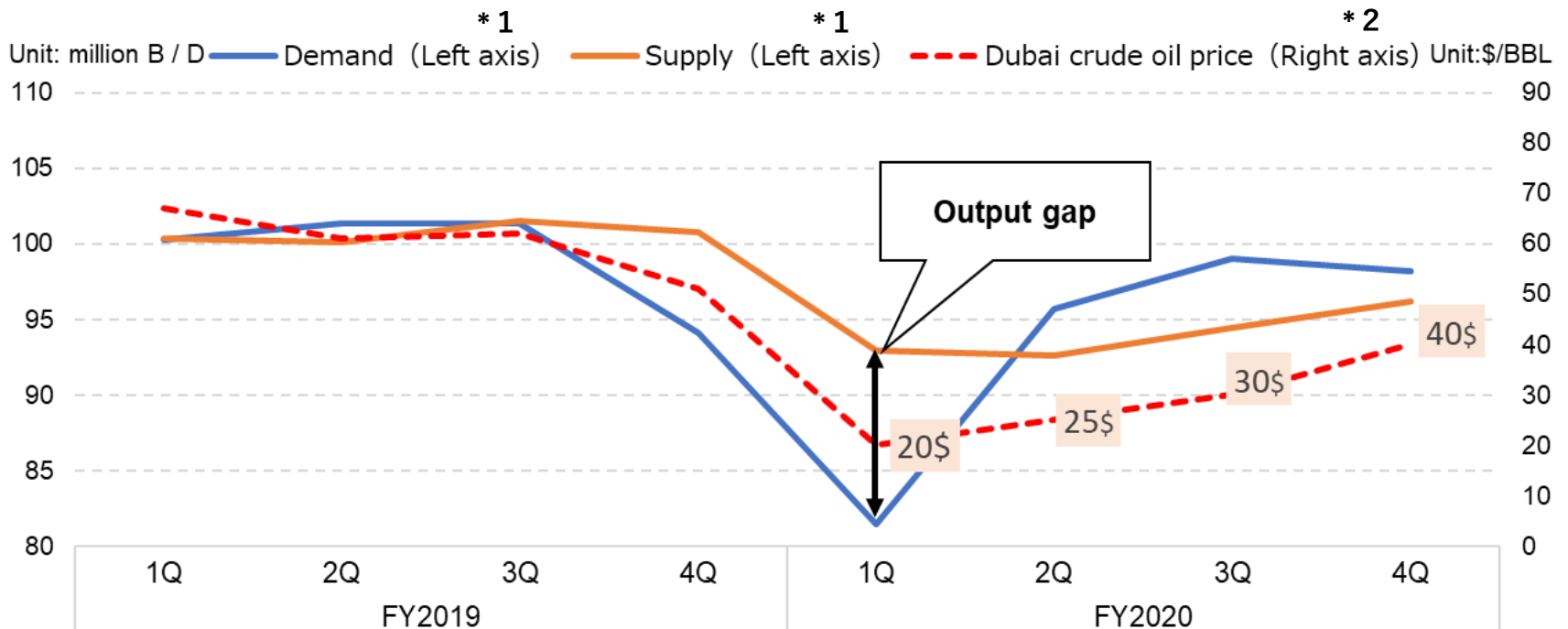
P.8-14

# FY2020 Macroeconomic Trends and Outlook

## [Crude oil supply / demand and price assumption]

- ✓ A dramatic fall in oil consumption caused by the COVID-19 pandemic led to extreme oversupply conditions, and crude oil prices weakened. However, the supply glut is expected to be reduced as a result of an OPEC+ deal to cut production and voluntary production cuts by other oil producers from May as well as a resumption of economic activity.
- ✓ We assume that crude oil prices will stagnate in the first quarter (April-June) but will then gradually recover and will rise to 40\$ in the fourth quarter (January-March) of FY2020.

### Crude oil supply / demand and price assumption



\* 1 Demand / Supply: Created based on materials from external research institutions

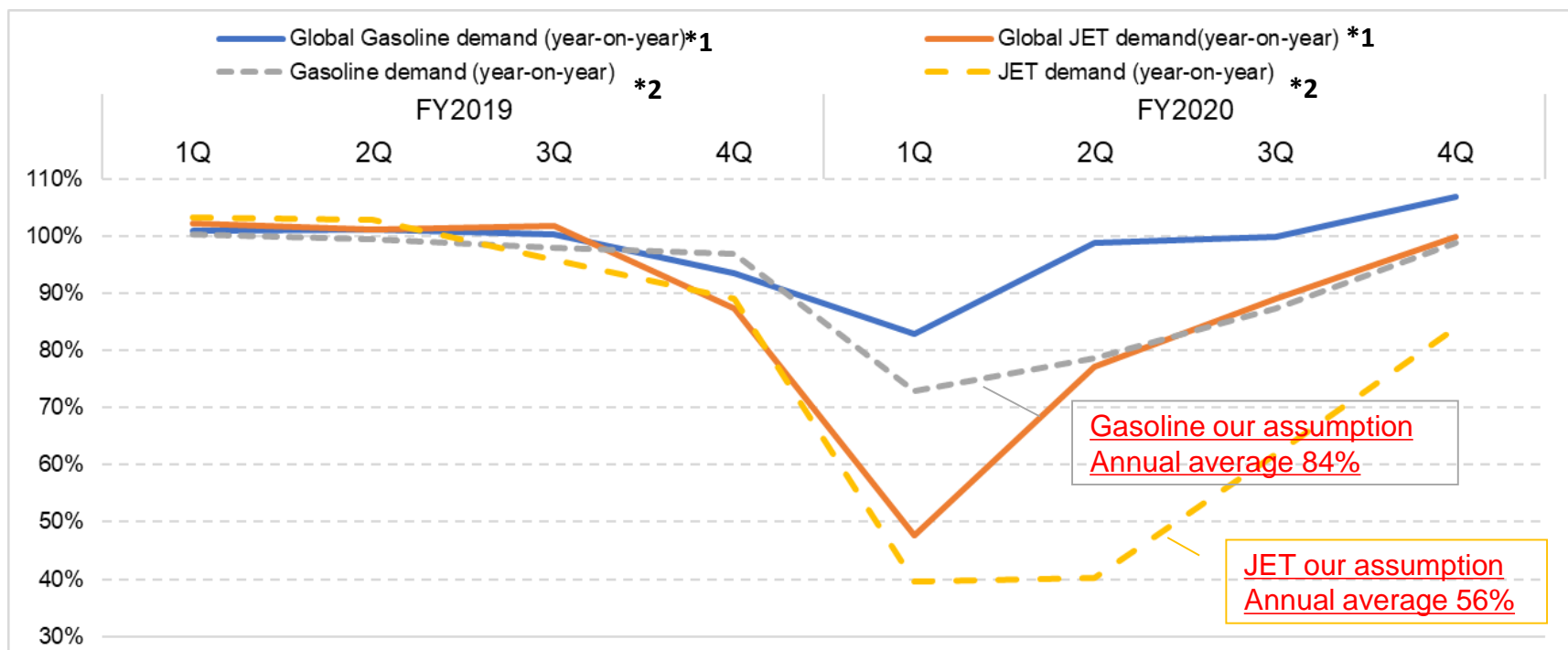
\* 2 Crude oil price: actual results in FY2019, our assumptions in FY2020

# FY2020 Macroeconomic Trends and Outlook

## [Product demand and CDU operating ratio ]

- ✓ Global demand for gasoline and jet fuel is expected to decrease due to the COVID-19 pandemic.
- ✓ We also assume an decrease in gasoline and jet fuel demand greater than or equal to market decline.
- ✓ With CDU operating rate at refineries in South Korea and China currently down around 30% and refineries in other parts of the world also curtailing their operations, maintaining operations represents a huge challenge.

### Demand trends for Gasoline and JET fuel



\* 1 Global gasoline demand/Global JET demand: Created based on materials from external research institutions

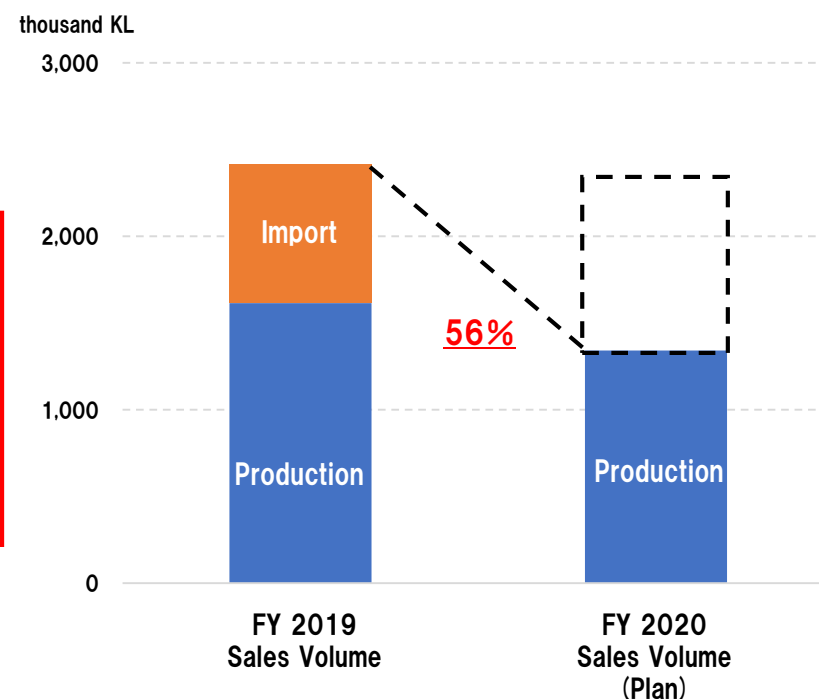
\* 2 Gasoline demand/JET demand: Actual results in FY2019, our assumptions in FY2020

- ✓ We estimate fuel oil sales of almost equal to the FY2019 level through increased supply, mainly of gasoline, to Kygnus Sekiyu. We will continue to hold a short position. Plans to sell 101% (demand difference + 10%) for 4 major products total and 96% (demand difference + 7%) for fuel oil total .
- ✓ We will respond to the sharp fall in demand for jet fuel basically through a reduction of imports. The impact on production will be extremely limited.
- ✓ We will be able to maintain high operating rates of around 86% on a CD basis and 95% on a SD basis in FY2020.

2020 Demand forecast / Our plan		Year-on-year	Demand difference
Demand forecast	Gasoline	84%	-
	Four major products total	91%	
	JET fuel	56%	
	Fuel oil total	89%	
Sales Volume (Plan)	Gasoline	99%	+15%
	Four major products total	101%	+10%
	JET fuel	56%	±0%
	Fuel oil total	96%	+7%
CDU operating ratio(CD)		86%	-
CDU operating ratio(SD)		95%	

\* Demand forecast is our assumption

## JET sales volume outlook



# Forecast for FY2020 Performance

We organized our FY2020 forecast based on factors that can be assumed at the present time in light of the impact of the COVID-19 pandemic.

We forecast consolidated ordinary income excluding the impact of inventory valuation of 30.0 billion yen and profit attributable to owners of parent of 14.5 billion yen.

<Main factors for increase/decrease>

Petroleum business: Higher profit, reflecting the effect of elimination of the minus time lag, the effect of increased sales volume of four major products through full-scale supply to Kignus Sekiyu, and elimination of the impact of trouble at refineries that occurred in FY2019

Petrochemical business: A fall in profit as a result of decreased sales volume associated with regular maintenance and deterioration in petrochemical market conditions.

Oil E&P business: A decrease in profit due to the impact falling crude oil prices

■ Precondition

No		FY2020 Forecast	FY2019 Results	Changes
		Apr.-Mar. (Jan.-Dec.)	Apr.-Mar. (Jan.-Dec.)	Apr.-Mar. (Jan.-Dec.)
1	Dubai crude oil price (USD/B)	29 (31)	60 (63)	- 31 (- 32)
2	JPY/USD exchange rate	105 (106)	109 (109)	- 4 (- 3)

Unit : billion yen

No		FY2020 Forecast	FY2019 Results	Changes
		Ordinary profit exc. the impact of inventory valuation	Ordinary profit exc. the impact of inventory valuation	
3	Total	30.0	68.5	-38.5
4	(Each segment)	Petroleum business	4.4	22.6
5		Petrochemical business	5.2	-7.7
6		Oil E&P business (*1)	45.0	-49.0
7		Other (2*)	13.9	-4.4
8	Profit attributable to owners of parent	14.5	-28.2	42.7

(\*1) The Accounting period of three operators (Abu Dhabi Oil Company, Qatar Petroleum Development and United Petroleum Development) is December.

(\*2) Including consolidated adjustment

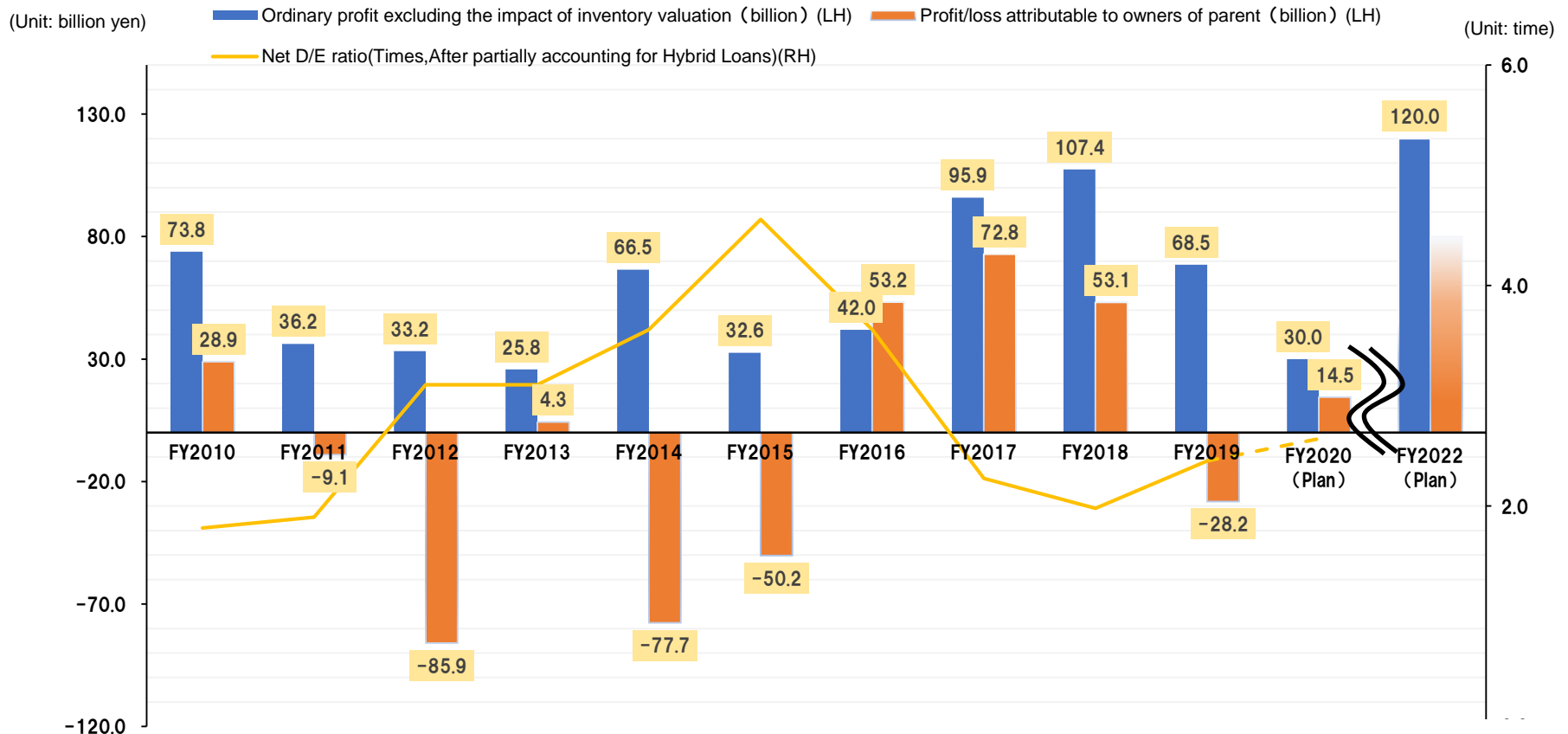
# Progress of the 6th Consolidated Medium-Term Management Plan (FY2018-2022)

- ✓ We steadily implemented measures under the management plan in areas such as compliance with the IMO regulations and supply to Kignus.
- ✓ Increasing earning power and properly investing in the future in line with the basic “Oil & NEW” policy is important especially given the impact of dramatic changes.

	FY2018	FY2019	FY2020	FY2021	FY2022	Details/Status of Initiatives in FY2019
Oil Refining and Sales	Utilizing Chiba Refinery Pipeline					<ul style="list-style-type: none"> <li>• Completed measures for compliance with IMO regulations through expansion of coker unit capacity. We will continue taking steps to increase production of compliant oil.</li> <li>• Started full-scale supply to Kignus.</li> <li>• Made upfront investment for the development of apps and other growing businesses in the “Vehicle Life” business.</li> </ul>
	Safe and stable operation, Improve utilization rate (Regular maintenance reduction·Chiba Refinery 4 year’s operation), Synergy creation with petrochemical					
	Achieve no heavy fuel oil production (response to IMO)					
	Start Supply to Kignus Sekiyu K.K.					
	Expansion of vehicle life business					
Oil E&P	Stable production in existing and the Hail Oil Fields · OPEX reduction					<p>Hail Oil Field’s production was in line with forecasts despite production controls due to falling reservoir pressure.</p>
Petrochemical	Enhance competitiveness of basic petrochemical product , Pursue synergy with refinery					<ul style="list-style-type: none"> <li>• Made investments in hydrogenated petroleum resin business and other areas.</li> </ul>
	Start C9 petroleum resin business					
Renewable energy	Expand onshore wind farms (Power generation capacity 230,000kW→400,000kW)					<ul style="list-style-type: none"> <li>• Wind power generation facilities in Himekami and Watarai (2<sup>nd</sup> phase) went into operation in April 2019.</li> <li>• Decided to carry out an offshore wind power generation project at Akita Port and Noshiro Port.</li> </ul>
	Develop offshore wind farms				Start offshore wind power site project	
New area	Deepen alliances with MIC, Hyundai Oilbank, and CEPESA					
	Sow the seed to new business					

# Dividend policy

- ✓ Ordinary profit excluding the impact of inventory valuation remained positive despite slight deterioration in our financial position.
- ✓ We plan to pay a dividend for FY2019 of ¥80 in line with our initial announcement.
- ✓ We plan to maintain a dividend of ¥80 for FY2020.
- ✓ We will continue to enhance shareholder returns while considering the balance with our financial condition.





# Highlights of Result for FY2019

- ✓ Consolidated ordinary profit excluding the impact of inventory valuation was ¥68.5 billion yen (down ¥38.9 billion year on year). However, a loss on inventory valuation of ¥52.2 billion was incurred due to sharp decline in crude oil prices, and consolidated ordinary profit came to ¥16.3 billion yen. Profit attributable to owned or parent was ¥28.2 billion yen (down ¥81.3 billion year on year).
- ✓ We took out a new subordinated loan (¥30.0 billion) to make early repayment of a subordinated loan (¥60.0 billion) taken out in FY2015. The new subordinated loan provides return of interests clause.

## 【Petroleum business】

- ✓ Profit fell, reflecting a minus time-lag associated with sharp decline in crude oil prices and deterioration in market conditions for other than four major products, especially naphtha and jet fuel, despite the start of supply to Kignus Sekiyu and the benefits obtained from the improved market conditions for low-sulfur C fuel oil associated with the tightened IMO regulations.  
⇒ Ordinary profit excluding the impact of inventory evaluation was ¥4.4 billion (down ¥20.5 billion year on year).

## 【Petrochemical business】

- ✓ Profit decreased due to deterioration in petrochemical market conditions, despite the effect of improved sales volume because of elimination of the impact of regular maintenance.  
⇒ Ordinary profit was ¥5.2 billion (down ¥10.1 billion year on year).

## 【Oil exploration and production business】

- ✓ Profit declined due to production controls at Hail Oil Field and falling crude oil prices, despite recovery in production volume at existing oil fields .  
⇒ Ordinary profit was ¥45.0 billion (down ¥11.9 billion year on year).

## 【Other business】

- ✓ Profit rose because of Cosmo Eco Power's commencement of operations at two new sites (Himekami and Watarai (2<sup>nd</sup> phase)).  
⇒ Ordinary profit was ¥13.9 billion (up ¥3.6 billion year on year).

# [FY2019 Results]

## Consolidated Income Statements– Changes from FY2018

COSMO

Unit: billion yen

No.	Item	FY2019 (Apr.-Mar.2020)	FY2018 (Apr.-Mar.2019)	Changes	(Rate of change)
1	Net sales	2,738.0	2,770.4	-32.4	-1%
2	Operating profit	13.9	94.7	-80.8	-85%
3	Non-operating income/expenses, net	2.4	2.0	0.4	
4	Ordinary profit	16.3	96.7	-80.4	-83%
5	Extraordinary income/losses, net	-2.4	-0.7	-1.7	
6	Income taxes	34.9	29.9	5.0	
7	Profit attributable to non- controlling interests	7.1	12.9	-5.8	
8	Profit attributable to owners of parent	-28.2	53.1	-81.3	-153%
9	Impact of inventory valuation	-52.2	-10.7	-41.5	
10	Ordinary profit excluding the impact of inventory valuation	68.5	107.4	-38.9	
11	Dubai crude oil price (USD/B) (Apr.-Mar.)	60	69	-9	
12	JPY/USD exchange rate (yen/USD)(Apr.-Mar.)	109	111	-2	
【Reference】					
13	Dubai crude oil price (USD/B) (Jan.-Dec.)	64	69	-5	
14	JPY/USD exchange rate (yen/USD)(Jan.-Dec.)	109	110	-1	

**[FY2019 Results] Outline of Consolidated Ordinary Profit by business segment  
– Changes from FY2018**

**COSMO**

Unit : billion yen

No	FY2019 (Apr.-Mar.2019)		FY2018 (Apr.-Mar.2018)		Changes			
	Ordinary profit	Ordinary profit exc. the Impact of Inventory valuation	Ordinary profit	Ordinary profit exc. the Impact of Inventory valuation	Ordinary profit	Ordinary profit exc. the Impact of Inventory valuation		
1	Total		16.3	68.5	96.7	107.4	-80.4	-38.9
2	(Each segment)	Petroleum business	-47.8	4.4	14.2	24.9	-62.0	-20.5
3		Petrochemical business	5.2		15.3		-10.1	
4		Oil E&P business (*1)	45.0		56.9		-11.9	
5		Other (*2)	13.9		10.3		3.6	

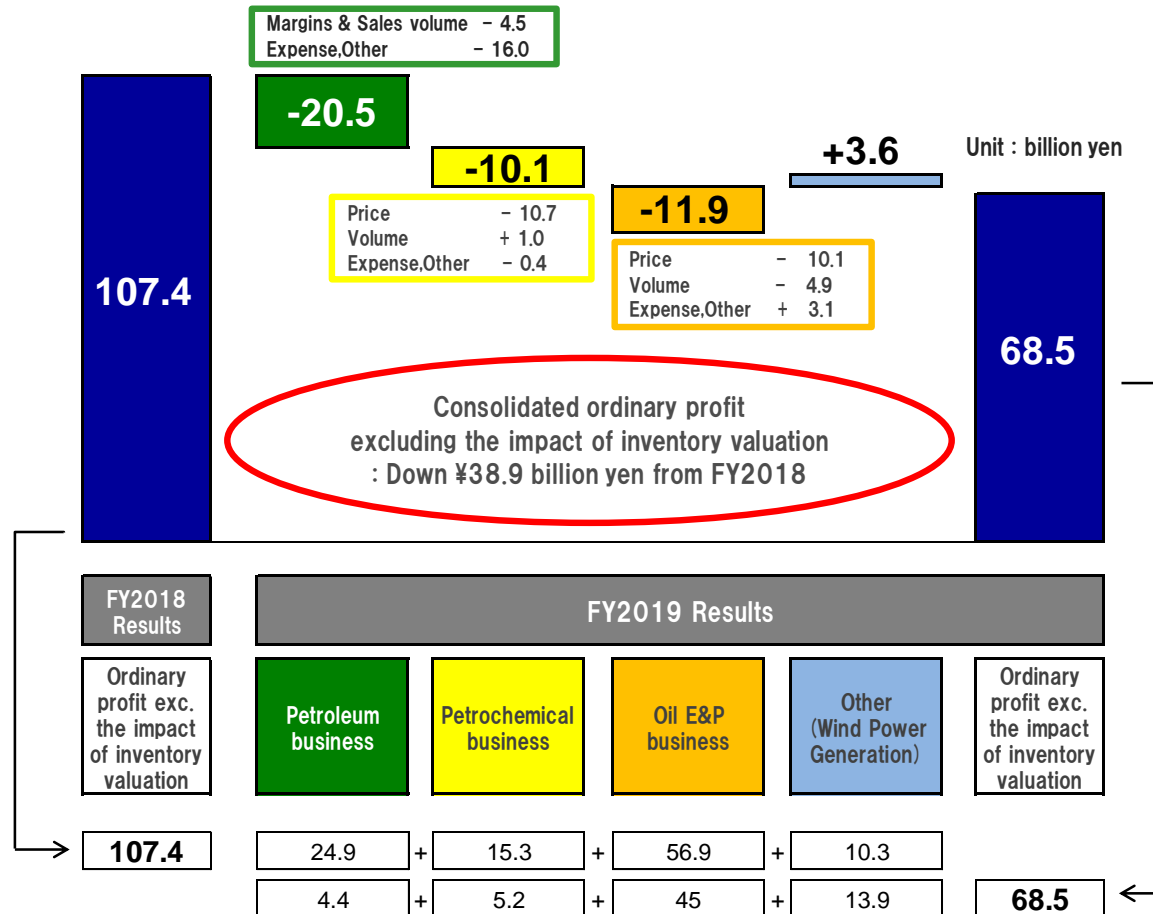
(\*1) The Accounting period of three operators(Abu Dhabi Oil Company, Qatar Petroleum Development and United Petroleum Development) is December.

(\*2) Including consolidated adjustment

# [FY2019 Results] Consolidated Ordinary Profit (Excluding the impact of inventory valuation)- Analysis of Changes from FY2018

Key variable factors

- Petroleum business : Decrease in profit due to minus time-lag associated with sharp fall in crude oil prices, offsetting benefits of effect of increased profits due to the start of supply to Kignu.
- Petrochemical business : Lower profit, reflecting deterioration in petroleum market conditions, despite the effect of improved sales volume due to elimination of the impact of regular maintenance
- Oil E&P business : Fall in profit due to production controls at Hail Oil Field and lower crude oil prices, despite recovery in production volume at existing oil fields



## Consolidated Cash Flows

Unit: billion yen

No		FY 2019 (Apr.-Mar.2019)	FY 2018 (Apr.-Mar.2018)
1	Cash flows from operating activities	111.7	90.5
2	Cash flows from investing activities	-84.2	-84.5
3	Free cash flow (1+2)	27.5	6.0
4	Cash flows from financing activities	-24.7	-20.5
5	Cash and cash equivalents at end of the period	43.3	40.7

## Consolidated Balance Sheets

Unit: billion yen

No		FY2019 (As of Mar.31, '20)	FY2018 (As of Mar. 31, '19)	Changes
1	Total Assets	1,639.8	1,702.3	-62.5
2	Net assets	362.8	401.9	-39.1
3	Net worth	239.8	281.1	-41.3
4	Net worth ratio	14.6%	16.5%	-1.9%
5	Net interest-bearing debt *1	628.3	644.7	-16.4
6	Net Debt Equity Ratio (times) (after partially accounting for Hybrid Loan) *2	2.41	1.98	Down 0.43 points

\*1 Total interest-bearing debts net of cash and deposits etc. as of the end of the period

\*2 Calculated on the basis that 50% of 30 billion yen Hybrid Loan made on 31 March 2020 is included into Equity

## Capital Expenditures, Depreciation, etc.

Unit: billion yen

No.		FY2019 Results	Change from FY2018
1	Capital expenditures	87.9	7.5
2	Depreciation expense amount, etc	57.6	3.4

## Capital Expenditures by Business Segment

Unit: billion yen

No.		FY2019 Results	FY2018 Results	Change from FY2018
1	Petroleum	46.8	33.3	13.5
2	Petrochemical	18.1	16.7	1.4
3	Oil E&P	15.2	23.3	-8.1
4	Other	7.2	9.0	-1.8
5	Adjustment	0.6	-1.9	2.5
6	Total	87.9	80.4	7.5
7	Investment securities, etc*	5.8	4.6	1.2

\*Investment securities, etc. are included in the net investment amount of ¥ 360.0 billion in the 6th mid-term plan (from FY2018 to FY2022).

# Supplementary Information

## P.16-25 [FY2019 Results] Supplementary Information

- Sales Volume, CDU Operating Ratios (4Q FY2019 results)
- Crude Oil Production Volume, Crude Reserves Estimate (Proved and Probable)
- Results by Business Segment - Changes from 4Q FY2018
- Main data of each business
- Historical Changes in Dubai Crude Oil Price
- Gasoline Export and Margin Environment
- Diesel Fuel Export and Margin Environment
- Market Condition of Benzene Products and Aromatic Products

## P.26-36 Overview of the Cosmo Energy Group (Business Outline)

- Oil E&P Business , Petroleum Business, Petrochemical Business, Wind Power Generation Business

## P.37-51 The 6th Consolidated Medium-Term Management Plan (Announced on March 20,2018)

- Overview of The 6th Consolidated Medium-Term Management Plan
- Business Strategy

## P.52-53 Subordinated loan (Announced on March 31,2020)

## P.54-57 Zero Coupon Convertible Bonds due 2022 (being bonds with stock acquisition rights) (Announced on December 20,2018)



**Supplementary Information of  
FY2019 Results**

# [FY2019 Results ] Sales Volume, CDU Operating Ratios

Unit: thousand KL

No.			FY2019 Results	FY2018 Results	Changes
1	Selling volume in Japan	Gasoline	6,295	5,643	111.6%
2		Kerosene	1,968	1,736	113.4%
3		Diesel fuel	5,001	4,529	110.4%
4		Heavy fuel oil A	1,542	1,432	107.6%
5		Sub-Total	14,806	13,340	111.0%
6		Naphtha	6,115	5,751	106.3%
7		Jet fuel	514	465	110.4%
8		Heavy fuel oil C	779	1,009	77.2%
9		Total	22,214	20,566	108.0%
10	Export volume	Middle distillates Export	284	344	82.5%
11		Bonded products and other	2,942	3,209	91.7%
12		inc. Low-sulfur C fuel oil	353	24	1445.5%
13		Sub-Total	3,226	3,553	90.8%
14	Total		25,440	24,119	105.5%

No.			FY2019 Results	FY2018 Results	Changes
1	CDU operating ratio	(Calendar Day basis) *1	87.9%	86.1%	1.8%
2		(Streaming Day basis) *1,2	96.4%	95.5%	0.9%

\*1: The operating ratio at the Company's three refineries

\*2: Streaming day indicates operating ratio excluding the impact of suspended operations due to regular repairs and maintenance, etc.

# [FY2019 Results] Crude Oil Production Volume, Crude Reserves Estimate (Proved and Probable)

[1] Crude oil production volume				
	FY2019 Results	FY2018 Results	Changes	
Cosmo Energy Exploration & Production Co., Ltd. (B/D)	50,773	52,303	-1,530	97.1%

\*1) The production volume represents the total production volumes of the three major developers: Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., and United Petroleum Development Co., Ltd.

\*2) The production period has calculated in the January-December, because that the three major developers of the accounting period is December.

\*3) The Cosmo Energy Group has a 51.5% stake in Abu Dhabi Oil Co., Ltd., a 75.0% stake in Qatar Petroleum Development Co., Ltd. and a 50.0% stake in United Petroleum Development Co., Ltd.

(As of Dec 31, 2019)

[2] Crude Reserves Estimate (working interest base) (*1)	
	mmbbls
Total Proved (*2) and Probable Reserves (*3)	160.6
(Ref.: Reserves to Production Ratio of Total Proved and Probable Reserves )	about 17 years

Note: The daily average crude production based on working interest reached 25 thousands bpd for FY2019 (Jan-Dec).

## (\*1) About results of reserves estimate

The assessment of ADOC reserves which deemed to have significant impact on Cosmo's future profitability was carried out in an independent assessment by Gaffney, Cline & Associate (hereinafter, "GCA"), a leading global independent reserve auditor. Their assessment confirmed Cosmo affiliates' internal assessment of remaining reserves. The assessment was carried out in accordance with the 2007 "Petroleum Resources Management System (PRMS)" prepared by the Oil and Gas Reserves Committee of the "Society of Petroleum Engineers" (SPE), and reviewed and jointly sponsored by the "World Petroleum Congress" (WPC), the "American Association of Petroleum Geologists" (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE). The assessment of QPD and UPD reserves were carried out in these companies respectively. These assessments of the reserves do not guarantee the reserves and production from them.

## (\*2) Proved Reserves

Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. When probabilistic methods are used, there should be at least a 90% probability that the actual quantities recovered will equal or exceed the 1P estimate. (Definition of SPE PRMS 2007 March)

## (\*3) Probable Reserves

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate. (Definition of SPE PRMS 2007 March)

# [FY2019 Results] Results by Business Segment– Changes from FY2018 **COSMO**

## FY2019 Results – Changes from FY2018

Unit: billion yen

No.		Net Sales		Operating Profit		Ordinary Profit		Ordinary Profit (excluding the impact of inventory valuation)	
			Changes from FY2018		Changes from FY2018		Changes from FY2018		Changes from FY2018
1	Petroleum business	2,506.8	-20.1	-47.2	-64.7	-47.8	-62.0	4.4	-20.5
2	Petrochemical business	414.4	-44.2	0.4	-6.7	5.2	-10.1	5.2	-10.1
3	Oil E&P business	97.9	-13.8	45.2	-13.0	45.0	-11.9	45.0	-11.9
4	Other	84.6	24.4	9.1	2.7	9.2	3.1	9.2	3.1
5	Adjustment	-365.7	21.3	6.4	0.9	4.7	0.5	4.7	0.5
6	Total	2,738.0	-32.4	13.9	-80.8	16.3	-80.4	68.5	-38.9

## Cosmo Energy Group (by Segment)

Petroleum business	Cosmo Oil Co.,Ltd., Cosmo Oil Marketing Co., Ltd., Cosmo Oil Sales Corp, Cosmo Oil Lubricants Co., Ltd., Sogo Energy Co., Ltd.,Gyxis Corporation (owned by the Cosmo Energy Group on the equity method) , Kygnus Sekiyu K.K. (owned by the Cosmo Energy Group on the equity method) , etc.
Petrochemical business	Cosmo Matsuyama Oil Co., Ltd., CM Aromatics Co., Ltd., Maruzen Petrochemical Co., Ltd., Hyundai Cosmo Petrochemical Co., Ltd. (owned by the Cosmo Energy Group on the equity method) , etc.
Oil E & P business	Cosmo Energy Exploration & Production Co., Ltd.,Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., United Petroleum Development Co., Ltd. (owned by the Cosmo Energy Group on the equity method) , etc.
Other	Cosmo Engineering Co.,Ltd., Cosmo Trade & Services Co., Ltd., Cosmo Eco Power Co.,Ltd , etc.

## 1. Petroleum business

<b>(1) Refinery Operating Ratio</b>						
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
CDU operating ratio (Calendar Day basis) *1	84.0%	83.2%	88.3%	94.1%	86.1%	87.9%
<b>(2) Number of SSs by Operator Type</b>						
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Subsidiary	881	920	895	885	855	843
Dealers	2,252	2,134	2,062	1,973	1,936	1,912
Total *2	3,133	3,054	2,957	2,858	2,791	2,755
Number of Self-Service SSs *2	1,031	1,036	1,038	1,034	1,048	1,072
<b>(3) "Cosmo The Card" – Number of credit cards in force &amp; Accumulative number of contracted my car lease &amp; "Carlife Square" –Number of App members</b>						
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Cosmo The Card (million cards) *2	4.31	4.39	4.44	4.44	4.33	4.21
My car lease (Units) *2	19,040	27,401	37,077	47,602	60,579	73,634
Carlife Square (million downloads) *2						1.92

## 2. Oil E&P business

<b>Crude oil production volume</b>						
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Cosmo Energy E&P Co., Ltd. (B/D) *3	38,031	39,201	39,032	38,826	52,303	50,773

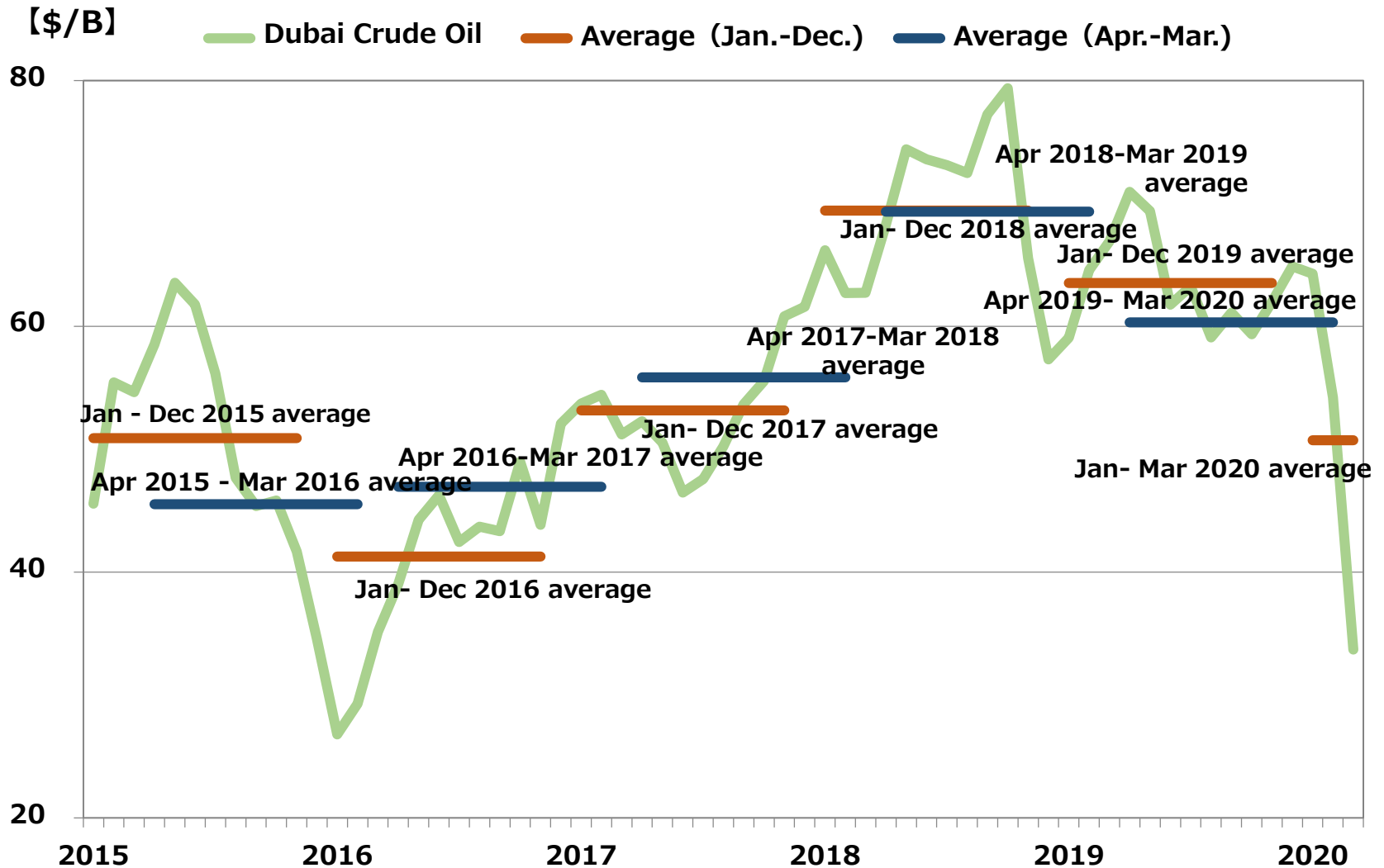
## 3. Wind power generation business

<b>Wind power generation capacity (ten thousand kW)</b>						
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Power generation Capacity*2	18.3	18.4	21.1	22.7	22.7	26.6

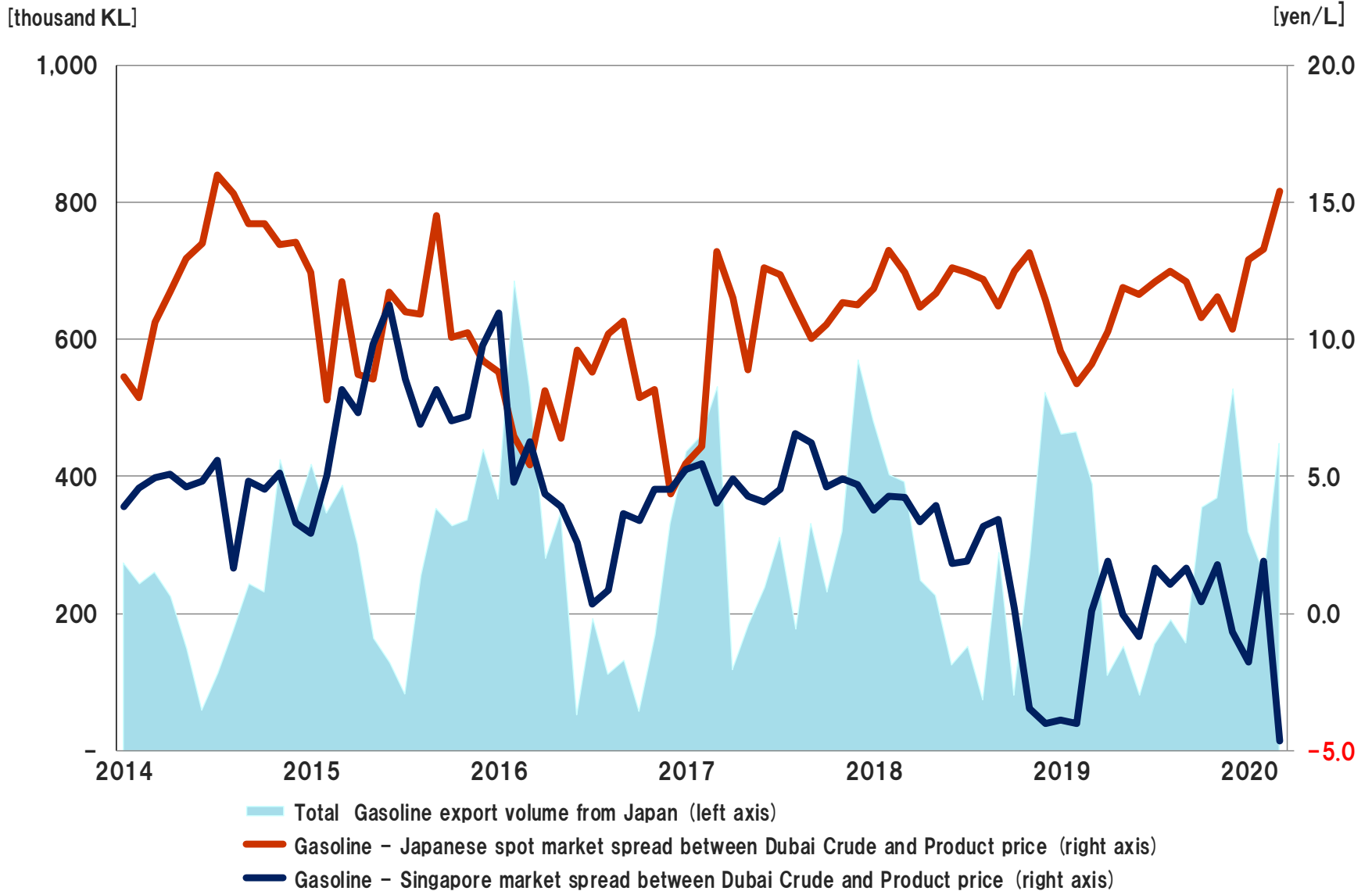
\*1) April–March results for each fiscal year \*2) At the end of March of each fiscal year

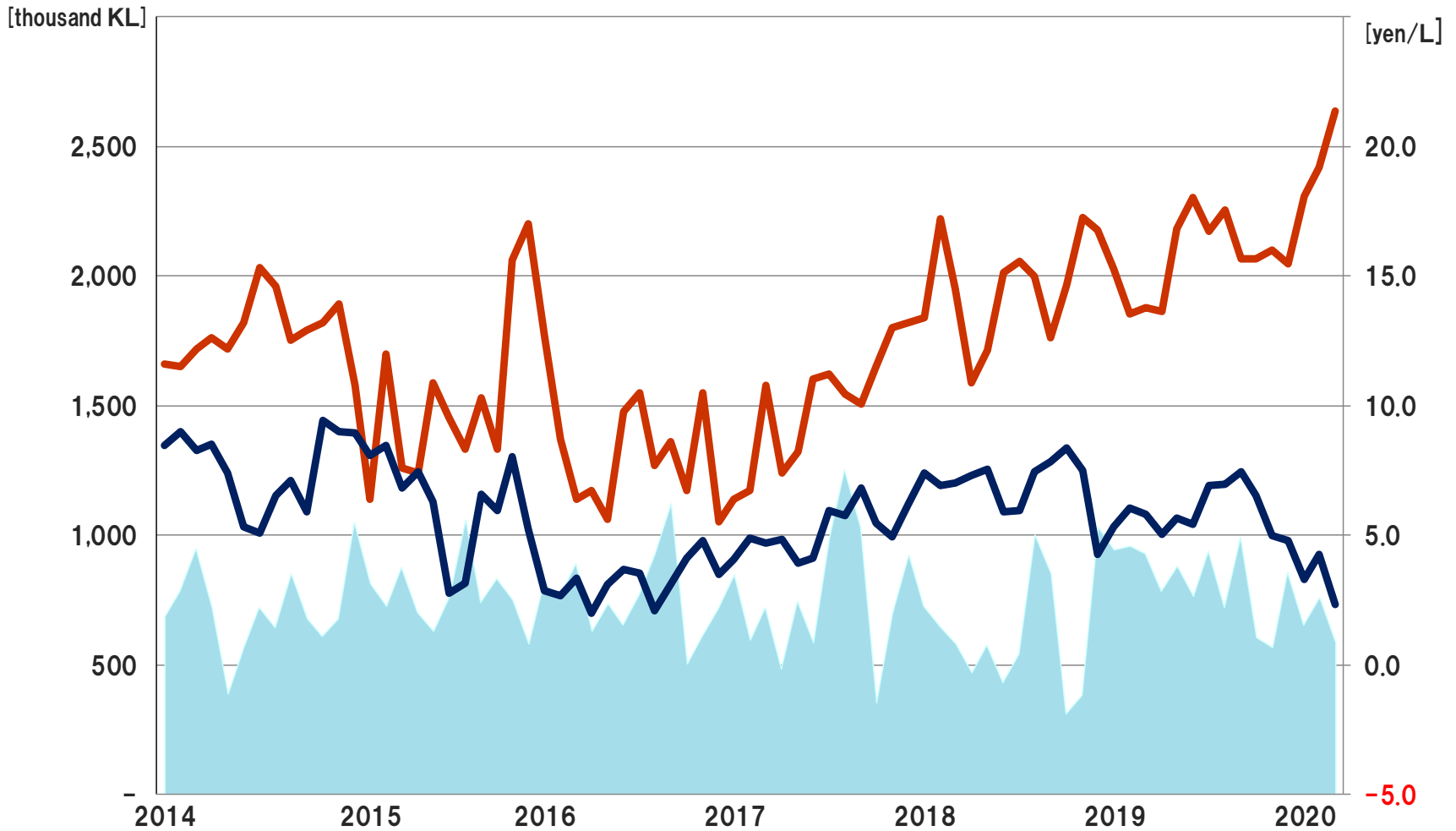
\*3) January–December results for each fiscal year

# Historical Changes in Dubai Crude Oil Price



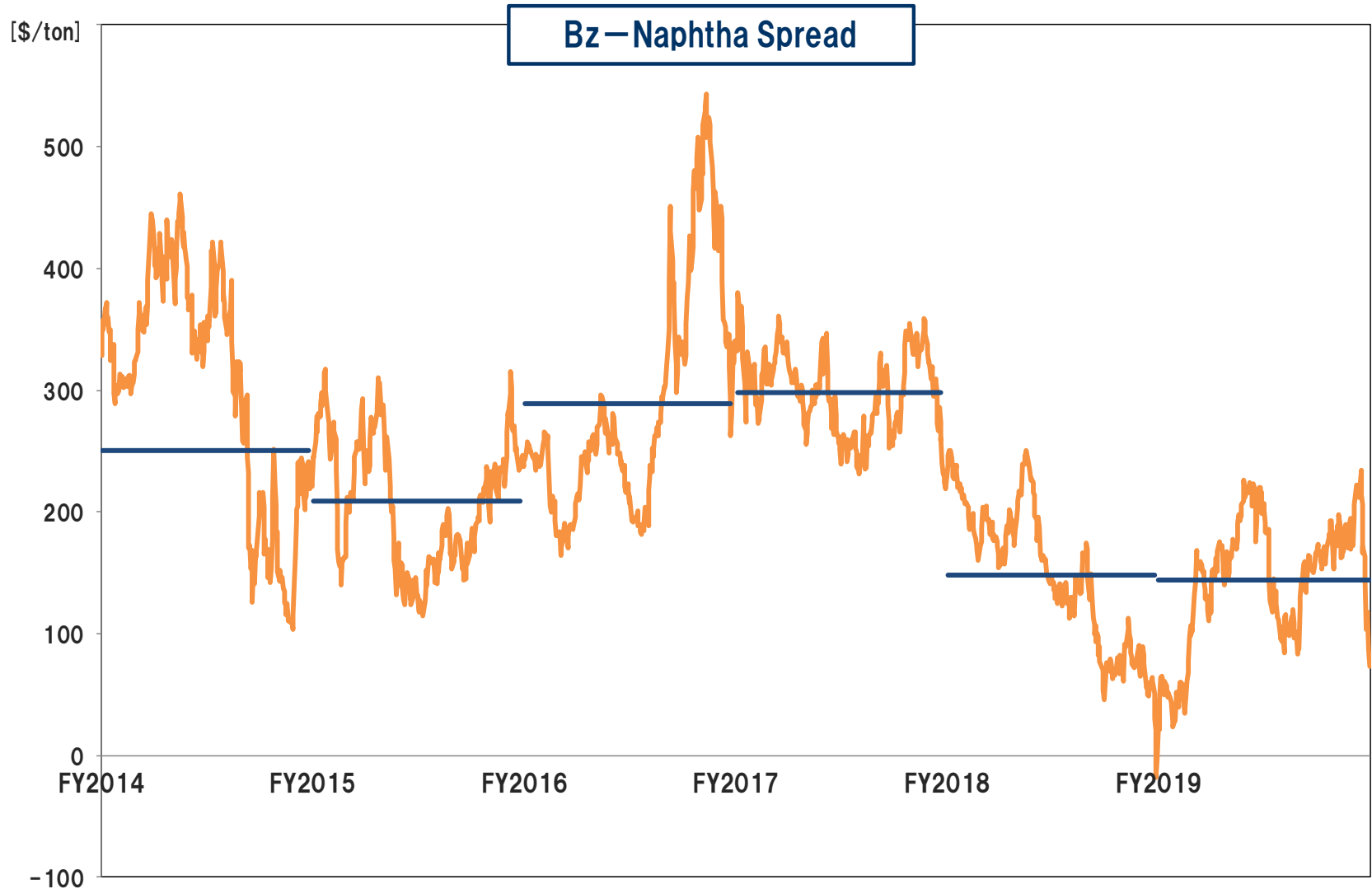
\*Trend of crude oil price from January 2015 to March 2020



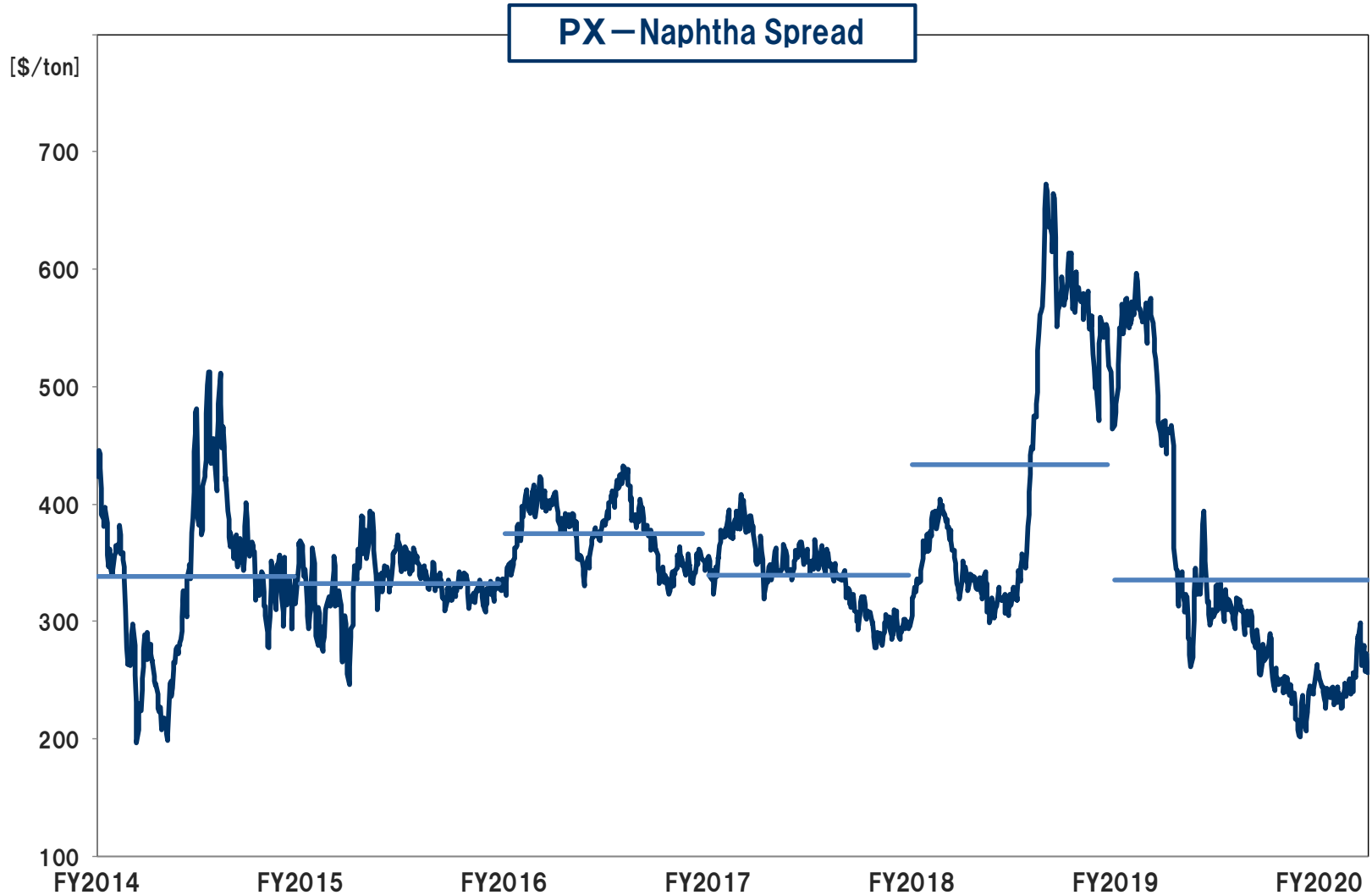


■ Total diesel fuel export volume from Japan (left axis)  
■ Diesel fuel - Japanese spot market spread between Dubai Crude and Product price (right axis)  
■ Diesel fuel - Singapore market spread between Dubai Crude and Product price (right axis)





(\*) Horizontal line indicates the average of each calendar year(Apr-Dec).




(\*) Horizontal line indicates the average of each calendar year(Jan-Dec).

# **Business Outline**

# Cosmo Energy Group Business Overview

Each segment	Oil E&P business	Petroleum business	Petrochemical business	Other (Wind Power Generation)	Total <sup>*2</sup>
Net sales <sup>*1</sup>	50.0billion yen	1,910.0billion yen	280.0billion yen	70.0billion yen	2,400.0billion yen
Ordinary profit <sup>*1</sup>	-4.0billion yen	27.0billion yen	-2.5billion yen	9.5billion yen <sup>*1</sup>	30.0billion yen
Ordinary profit excluding <sup>*1</sup> impact of inventory valuation	-4.0billion yen	27.0billion yen	-2.5billion yen	9.5billion yen <sup>*1</sup>	30.0billion yen

<b>Major assets</b>	<b>Partnerships</b> Solid relationship of trust with oil producing countries for about 50 years	<b>CDU capacity</b> <sup>*4,*5</sup> 400,000 BD (Domestic market share: Approx. 11.4%)	<b>Olefinic production capacity</b> <sup>*4</sup> Ethylene 1.29 mil tons/year (Domestic market share: Approx. 19%)	<b>Wind power generation</b> <sup>*4</sup> capacity 266,000 kW (No. 3 in Japan and a 7% domestic share)	<b>Corporate brand awareness</b>  98.4%  ※Survey of 1,239 customers (men and women, 18-64 years old) who used a service station in the past one month(as of October 30, 2017)
	<b>Operatorship (self-operation)</b> We produces the largest volume of crude oil in the Middle East region for a Japanese operator.	<b>Domestic Sales Volume</b> <sup>*2</sup> 22,214thousand KL	<b>Aromatic production capacity</b> <sup>*4</sup> Para-xylene 1.180 mil tons/year Benzene 0.735 mil tons/year Mixed-xylene 0.618 mil tons/year	<b>Solar power generation</b> <sup>*4</sup> capacity 24,000 kw	
	<b>Crude Oil Production</b> <sup>*2</sup> Approx. 51 thousand B/D (Comparison with refining capacity: Approx. 13%)	<b>Number of Service station</b> <sup>*4</sup> 2,755			
	<b>Crude Oil Reserves</b> (Proved and Probable) <sup>*3</sup> 160.6 million barrels (Equivalent to approx. 17 years of supply)	<b>Number of the "Cosmo the Card" Holders</b> <sup>*4</sup> 4.21million cards	<b>Car leasing business for</b> <sup>*4</sup> individuals Cumulative total 73,634cars		

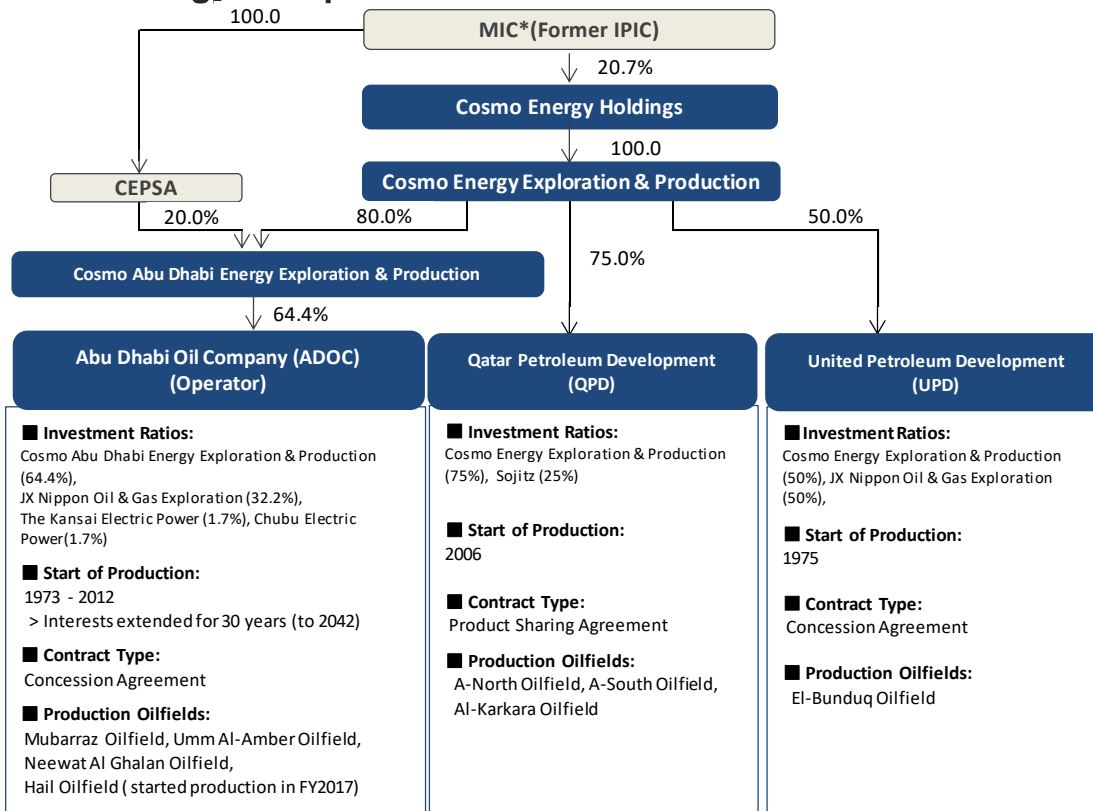
<b>Major business companies related companies</b>	<ul style="list-style-type: none"> <li>• Cosmo Energy Exploration &amp; Production</li> <li>• Abu Dhabi Oil (UAE)</li> <li>• Qatar Petroleum Development (Qatar)</li> <li>• United Petroleum Development (UAE/Qatar)</li> </ul>	<ul style="list-style-type: none"> <li>• Cosmo Oil</li> <li>• Cosmo Oil Lubricants</li> <li>• Gyxis(LPG)</li> <li>• Cosmo Oil Marketing</li> <li>• Cosmo Oil Sales</li> <li>• Sogo Energy</li> </ul>	<ul style="list-style-type: none"> <li>• Maruzen Petrochemical (Chiba/Yokkaichi)</li> <li>• Cosmo Matsuyama Oil</li> <li>• CM Aromatics (Chiba)</li> <li>• Hyundai Cosmo Petrochemical (Korea)</li> </ul>	<ul style="list-style-type: none"> <li>• Cosmo Eco Power (Wind power generation)</li> <li>• Cosmo Engineering</li> <li>• Cosmo Trade and Service</li> </ul>	—
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(<sup>\*1</sup>) Including consolidated adjustment, (<sup>\*2</sup>)FY2019 Results, (<sup>\*3</sup>)As of Dec. 31, 2019, (<sup>\*4</sup>)As of Mar. 31, 2020

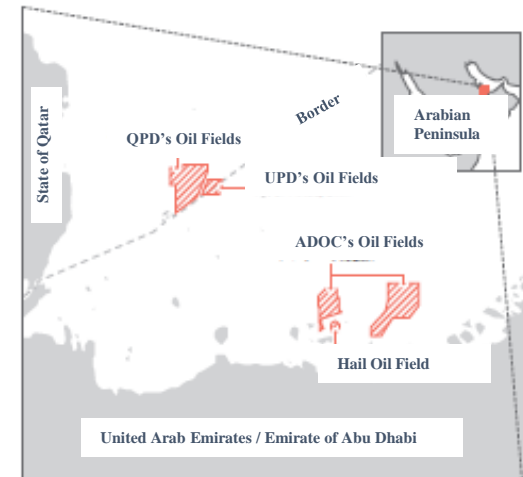
(<sup>\*5</sup>)Including the supply of the petroleum product/semi product (37,000 bbls/day equivalent) from Idemitsu Showa Shell Group with the business alliance.

- ✓ Based on a strong relationship of trust with Emirate of Abu Dhabi in the Middle East developed almost five decades, we have achieved low-risk, low-cost development.
- ✓ Abu Dhabi Oil Company extended concessions (30 years) in 2012 and obtained new concessions area, the Hail Oil Field is projected to the same production volume as its three existing oilfields.
- ✓ Started production from the Hail Oil Field in FY 2017 with production ramping up to full-scale in January 2018.

## ■ Cosmo Energy Group Oil E&P Division



## ■ Cosmo Energy Group's oil fields



(\*) MIC (Mubadala Investment Company) in which The Emirate of Abu Dhabi has a 100% stake, has been established as a holding company in association with the business combination of IPIC (International Petroleum Investment Company), and MDC (Mubadala Development Company).

- ✓ Risk Tolerance : Low oil price risk, exploration risk, funding risk
- ✓ Growth Strategy (Production Increase) : The Hail Oil Field development, Consideration of joint development with Cepsa
- ✓ Long-term Stable Production : Solid trust relationships with oil producing countries, High quality oil fields and oil recovery technologies

## ■ Risk Tolerance ■

- Earning power under low oil prices → For FY2016 Q1 (January to March), we maintained profitability under conditions where Dubai crude was priced at \$30 per barrel.
- Achieving low-cost development through discovered and undeveloped oilfields (including the Hail oilfield)
- Loans provided by Japanese public institutions (JBIC) with credit of the operator (ADOC)

## ■ Growth Strategy ■

- At peak production, production capacity of the Hail Oil Field is equivalent to the three existing oilfields of ADOC
- Strategic comprehensive alliance with MIC(former IPIC)-owned Cepsa, deliberating new oilfield development with Abu Dhabi National Oil Company and CEPESA

## ■ Long-term Stable Production ■

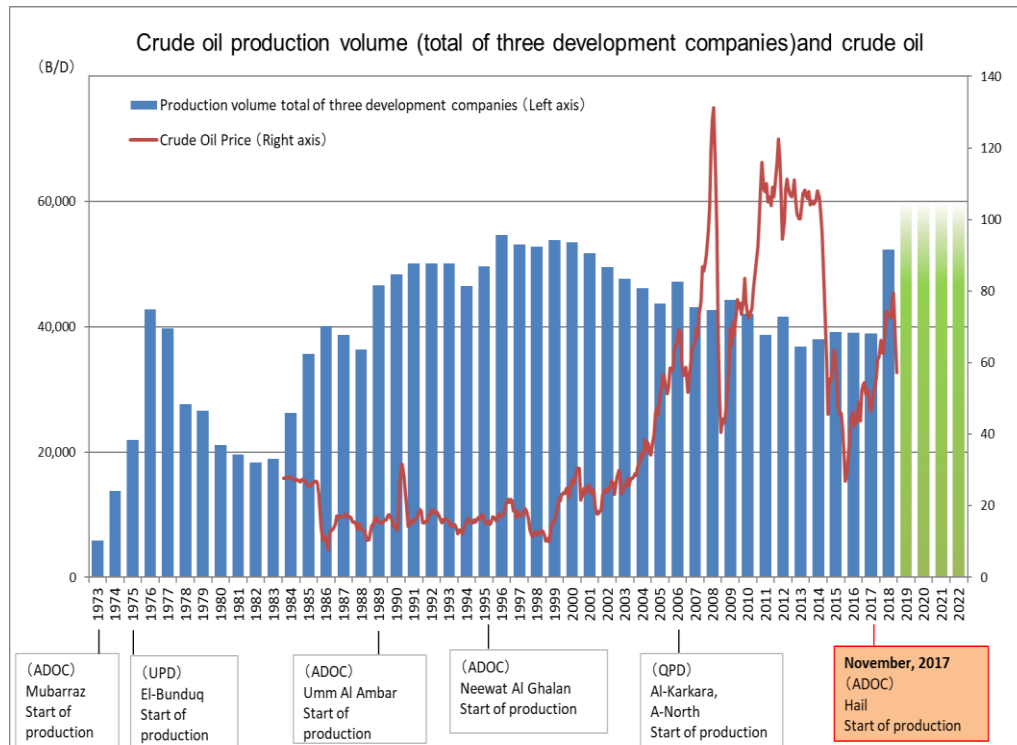
- Obtained interests before founding of UAE, with safe operation and stable production for almost five decades
- Long-term, stable purchase of crude oil from UAE (Abu Dhabi) and Qatar
- Contributions to both countries in terms of culture(Japanese language education, etc.) and the environment (zero flaring, etc.)

### Business Environment in the Middle East Region (UAE / QATAR)

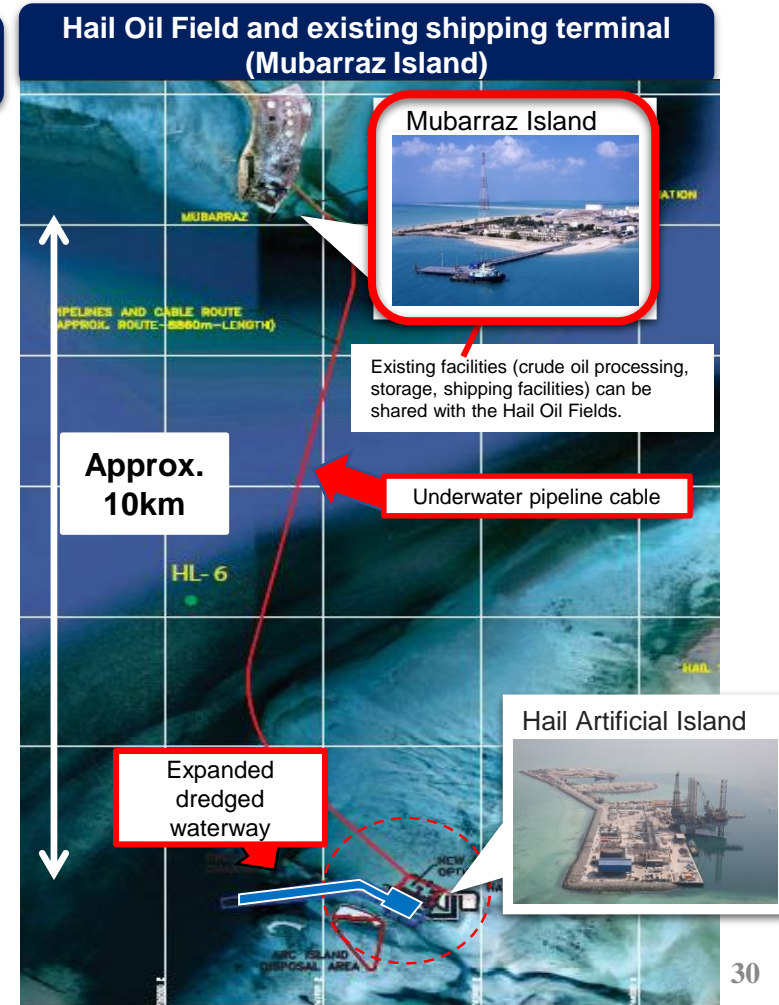
- The Arabian Gulf has many reserves and a lot of exploratory data has been accumulated (which translates into low oil exploration costs)
- Shallow water depth (relatively lower exploration, development and operating costs)

- ✓ The Hail Oil Field started production in November 2017. (interest period – through year 2042)
- ✓ The Hail Oil Filed investment has been curbed with the shared use of existing oil processing, storage and shipping facilities (Estimated savings of 300-400 million dollars), and after the start of production, per unit operating costs are expected to decline for the increment of production volume.

## Prolonged stable oil production



\*1) ADOC : Abu Dhabi Oil Company, UPD : United Petroleum Development, QPD : Qatar Petroleum Development  
 \*2) Production volume of three development companies are per year (annual average of January to December each year)  
 \*3) Crude oil prices (Platt's Dubai crude) are average monthly  
 \*4) The production volume of three development companies after fiscal 2018 is prospective volume.

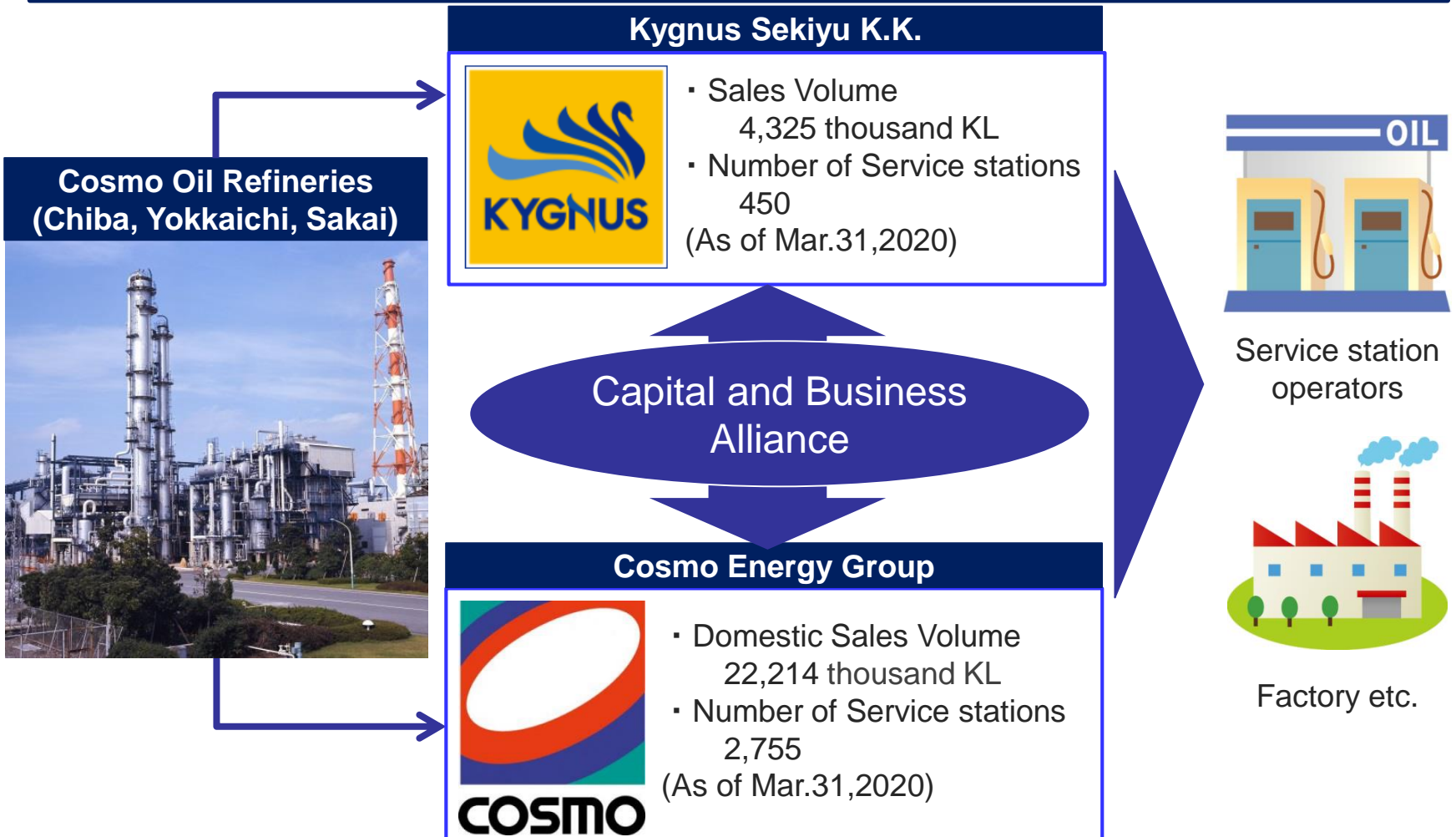


## [Petroleum Business]

### - Strengthening competitiveness through an alliance with Kygnus Sekiyu K.K.

**COSMO**

- ✓ Conclude a capital and business alliance with Kygnus Sekiyu K.K. and acquired 20% of common shares.
- ✓ Begin supplying petroleum products to Kygnus Sekiyu K.K. around CY2020.
- ✓ Advance discussion and consideration with a view to a business alliance, in addition to the supply of petroleum products.





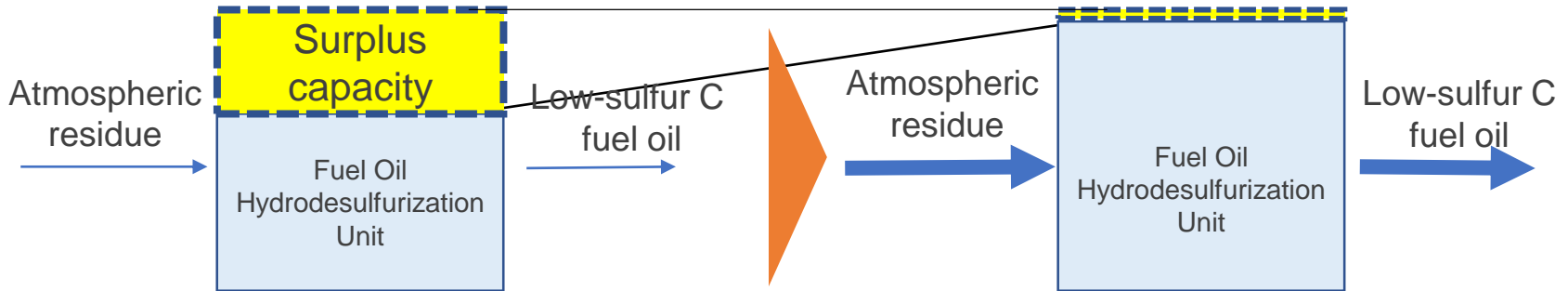
# [Petroleum Business] IMO(International Maritime Organization)Regulations COSMO

✓ International Maritime Organization (IMO) is to strengthen its regulation in 2020 by setting the upper limit of sulfur content from 3.5% down to 0.5 and the shipping fuel will be switched from high sulfur C heavy fuel to conforming low sulfur C heavy fuel.

**Before** **After**

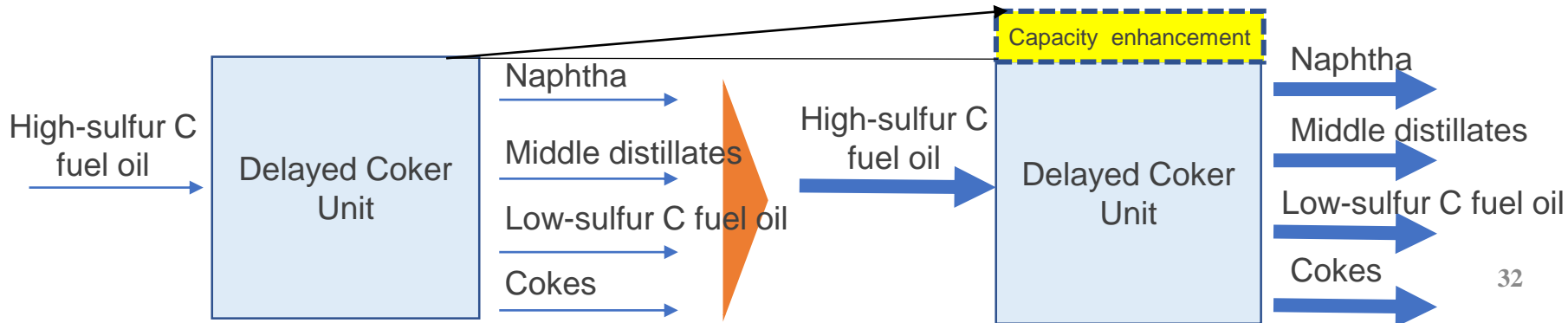
**Chiba Refinery**

To increase production of low sulfur C heavy oil by utilizing Chiba Refinery's DDS(direct desulfurization)



**Sakai Refinery**

Enhance Sakai Refinery's Delayed coker capacity and turn high sulfur C heavy oil into high value added products

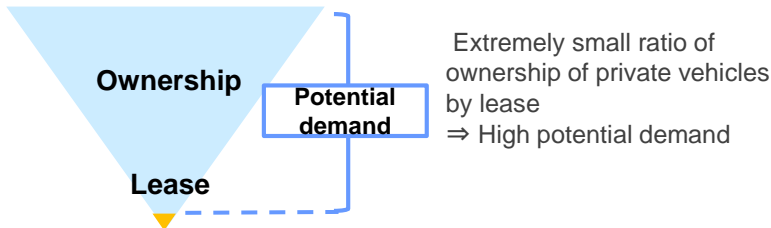


# [Petroleum Business] Strengthening the Retail Business (Individual Car Leasing Business) Low-risk Business Model that Takes Advantage of Strengths of SS

- ✓ Market : Enter the niche market of auto-leases for individuals that leasing companies could not serve
- ✓ Strategy : Acquire customers using the strengths of SS (frequent contacts of individual customers, etc.)
- ✓ Risk : Low risk due to the absence of car inventory and credit risk
- ✓ Business model: All parties, including customers, leasing companies, Cosmo, and dealerships, win.

## Characteristics

### Entry to the market with high potential demand



### Using the strengths of SS

- Frequent contact with individual Customers  
(500,000 units/day) (\*1)  
(\*1) The number of cars of customers visiting Cosmo SS (estimated by Cosmo)
- Acquire customers using membership cards  
("Cosmo The Card": effective number of members  
4.21 mil cards) (\*2) (\*2) As of March 31, 2020
- Fuel oil discount system (patented business model)

### Low risk

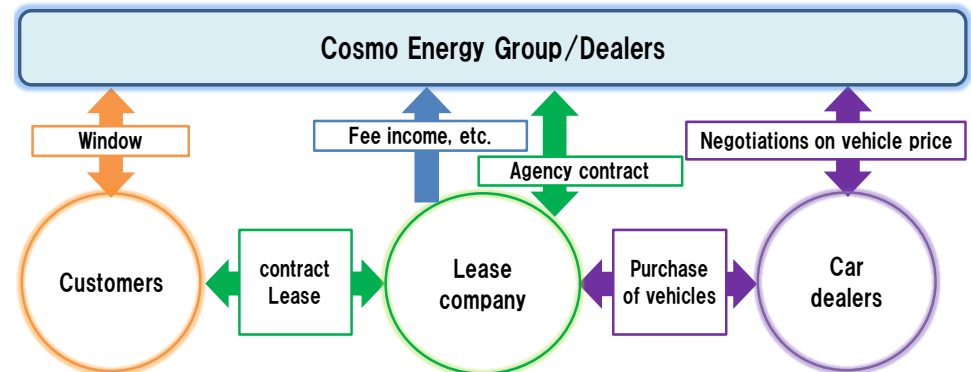
- Because the SS play the role of dealerships, there is no credit risk or risk of keeping vehicle inventory.

## Win-win business model

**Customers** : - Being able to drive new cars of any maker and model for a price lower than purchasing  
- No complicated procedures  
e.g. Simplified expenses for using a car (monthly flat rate that includes safety inspections, taxes, insurance, etc.)

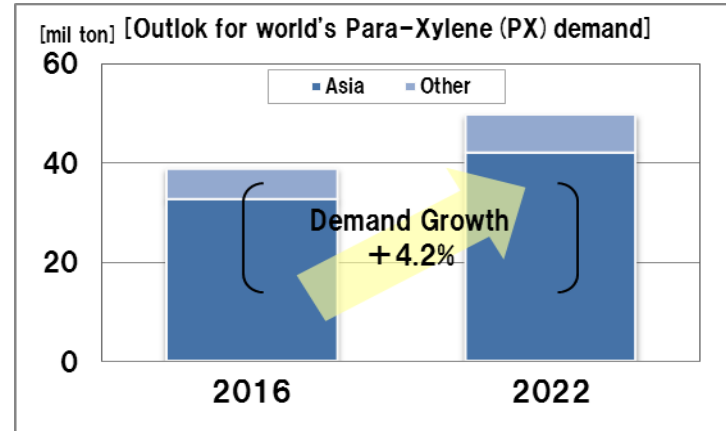
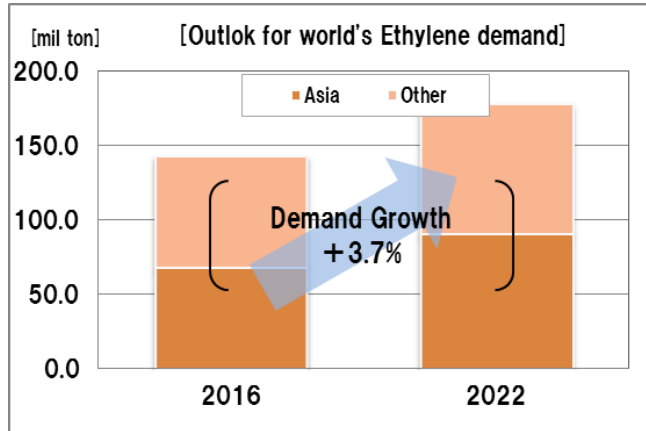
**Lease companies** : Capture new customers

**Cosmo, dealerships** : Secure revenue sources that are not solely dependent on fuel oil



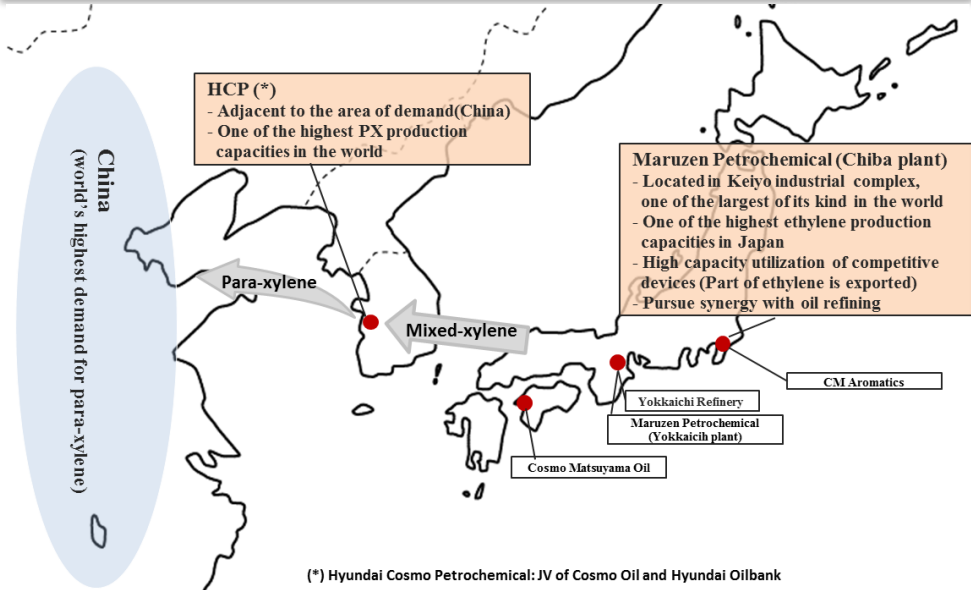
# [Petrochemical Business] Targeting Ethylene and Para-xylene Markets in Which Growing Demand is Expected - High Capacity Utilization of Competitive Equipment **COSMO**

## Expected global demand for petrochemical products



Source: Global Demand Trends for Petrochemical Products of the Ministry of Economy, Trade and Industry (2016-2022)

## Strengths of Cosmo Energy Group



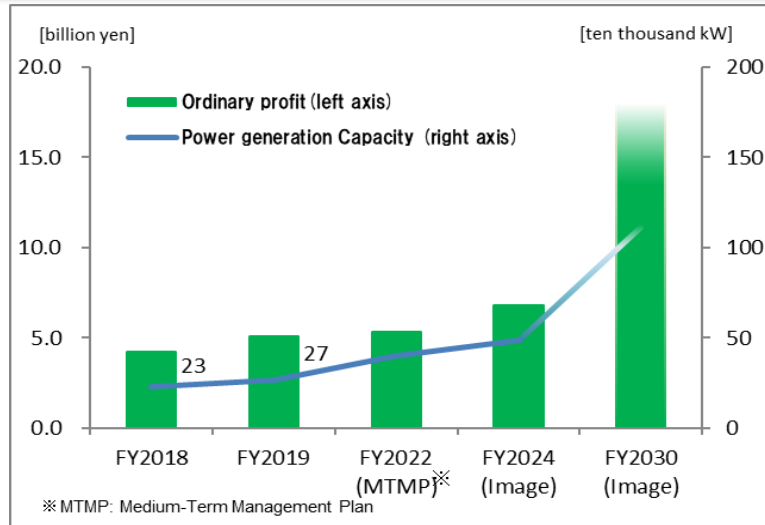
## Production capacity

Product		Manufacture	Production capacity
Olefin-based	Ethylene	Maruzen Petrochemical	*1.290 mil t/year
Aroma-based	Para-xylene	Hyundai Cosmo PetroChemical	1.180 mil t/year
		Maruzen Petrochemical	0.395 mil t/year
	Benzene	Hyundai Cosmo PetroChemical	0.250 mil t/year
		Cosmo Matsuyama Oil	0.090 mil t/year
		<b>Total</b>	<b>0.735 mil t/year</b>
Mixed-xylene	Cosmo Oil (Yokkaichi Refinery)	CM Aromatics	0.300 mil t/year
		CM Aromatics	0.270 mil t/year
		Cosmo Matsuyama Oil	0.048 mil t/year
	<b>Total</b>	<b>0.618 mil t/year</b>	
<b>Aroma-based, total</b>			<b>2.533 mil t/year</b>

\* Includes production capacity of Keiyo Ethylene (55% owned, consolidated subsidiary of Maruzen Petrochemical)

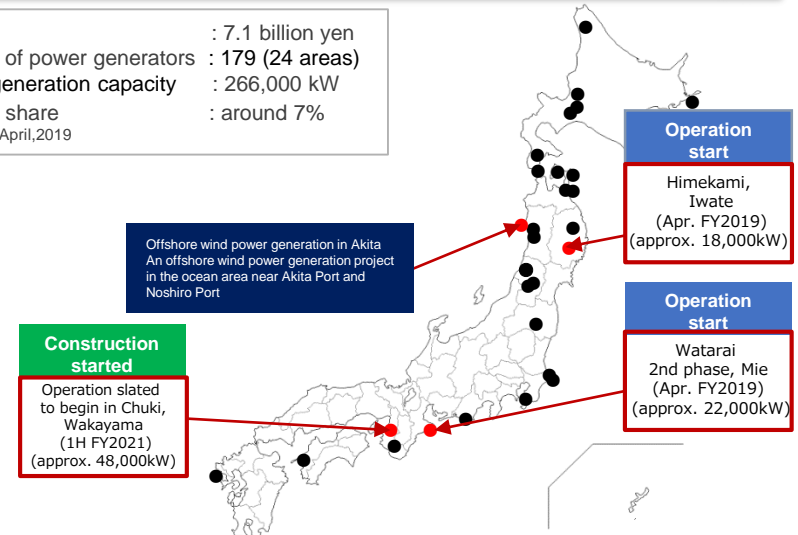
# [Wind power generation Business ] Achieving Stable Earnings in a Market Where Demand Is Expected to Expand, Using the FIT Scheme

## Changes in wind power generation capacity



## Overview of Cosmo Eco Power

Capital : 7.1 billion yen  
 Number of power generators : 179 (24 areas)  
 Power generation capacity : 266,000 kW  
 Industry share : around 7%  
\*As of 30 April, 2019



## Characteristics (strengths) of the Group

- ✓ Making Eco Power Co., Ltd., a pioneer in the wind power generation business (founded in 1997), a Group company in 2010.
- ✓ Achieving high on-wind availability (90% or more) through development, construction, operation, and maintenance within the Group.
- ✓ Reducing risks of changes in wind conditions in each region and securing stable profit by placing wind power plants across the nation.
- ✓ Aiming to expand the business in the long term by expanding sites on land and participating in an offshore wind farm project.

## Business environment in Japan

- ✓ The ratio of wind power generation to total power generation in Japan in 2030 is expected to be around three times greater (10 million kW) than the 2017 level (\*2).
- ✓ The FIT scheme was introduced in 2012, and the acquisition price is fixed for 20 years.
- ✓ Entry into the market is not easy because advanced expertise is required in the identification of suitable sites and environmental assessment. (\*3)

(\*2) Source: "The current situation of renewable energy and Calculation Committee for Procurement Price, etc. of this year" Agency for Natural Resources and Energy, September 2017

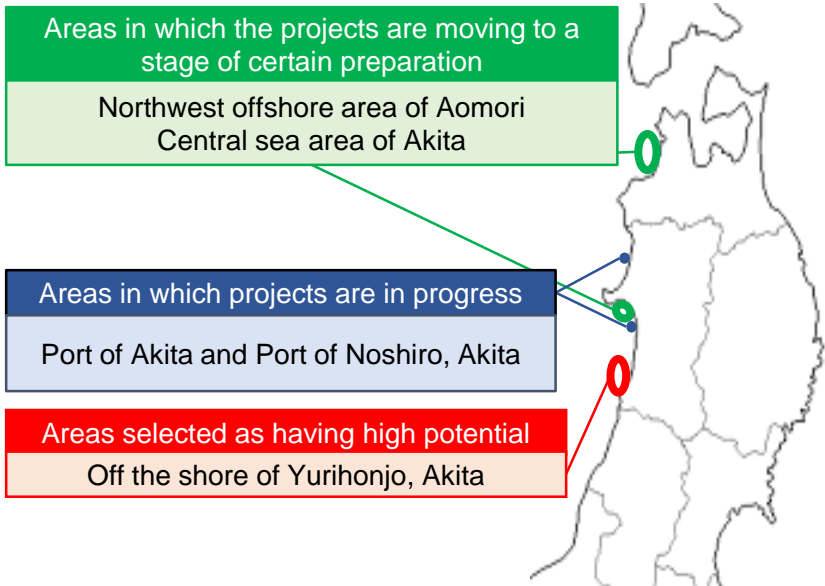
(\*3) Identification of suitable sites (2 to 3 years) → Environmental assessment (4 to 5 years) → Construction work (1 to 2 years) → Start of operation

## Efforts in Wind Power Generation

- ✓ Expanding wind power generation is inevitable to achieve 22-24% target in implementing renewable energy under the 2030 Energy Mix.
- ✓ Aiming to expand long term business by entering into projects with expertise of onshore wind power in addition to knowledge accumulated through knowhows in oil and oil development businesses.
- ✓ Waiting for government application process to begin and steadily progressing in negotiations with local municipalities and fishery associations and rights to use power systems.

### Ongoing Wind Power Generation Projects

One business project in Aomori and three in Akita are under consideration.



### Selection Process of Wind Power Generation

Promotion area designation process	at earliest
①Collect informaiton from prefectures	3 months
②Areas selected as having high potential selection	1 month
③Detailed research	3 months
④Promotion area plan decided	1 month
⑤Promotion area plan notification	2 months

Business operator selection process	at earliest
① Public offering policy decided	2 months
② Public offering start, public offering plan submitted by bidders	basically 6 months
③ Review of public offering plans	2 months
④ Evaluation of public offering plans Selection of business operator → expected to be decided Jan-Feb., 2021 at earliest	3 months

**The 6th Consolidated Medium-Term Management Plan  
(Announced on March 20,2018)**

“Oil”: Increase the profitability of the petroleum business by, for example, complying with the IMO regulations and taking the lead in the supply of clean marine fuels.

➔ Strengthen financial condition based on earning power.

“New”: Invest in wind power generation and other businesses that will lead the next growth stage.

➔ Contribute to the achievement of SDGs through business activities.

## Secure profitability to enable

- ✓ Firm a system of safe, stable operation in oil refining business
- ✓ Take action ahead of the IMO regulations
  - ➔ Increase profitable products.\*
- \* Aim to raise the competitiveness of refineries that supply only relatively high added value petroleum products.
- ✓ Strengthen the “Vehicle life” business
- ✓ Achieve synergy with petrochemical business
- ✓ Steadily recover the investment in the Hail Oil Field

## Expand growth driver toward the future

- ✓ Strengthen petrochemical business and increase its product-line
- ✓ Early development of offshore wind power generation
- ✓ Explore new businesses for future growth in domestic and overseas market(Asia / Abu Dhabi)

## Improve financial condition

- ✓ Increase shareholders’ equity
- ✓ Strengthen cash management
- ✓ Careful selection of investments with an eye on long-term environment
  - ➔ Early achievement of management goals

## Strengthen Group management

- ✓ Implement CSR management.
  - Pursue the sustainability of society and the Group.
  - Improve ESG key factors.
    - ➔ Develop and implement the medium-term CSR management plan (FY2018 – FY2022).
- ✓ Increase productivity through work-style and operational innovation
  - Promote diversity.
  - RPA(Robotic process automation), Thoroughly increased operation efficiency using AI.

**Increase earning power and improve the financial position to achieve a goal of Net worth and DER of 1.0-1.5 times that can withstand changes in the market environment at an early stage.**

## 【Management Goals (FY2022)】

(Unit: billion yen)

1	<b>Ordinary profit</b> (excluding impact of inventory valuation)	<b>Over 120.0</b>
2	<b>Profit attributable to owners of parent</b>	<b>Over 50.0</b>
3	<b>Free cash flow</b> (FY 2018 - FY 2022 Five years total)	<b>Over 150.0</b>
4	<b>Net worth</b> ( Net worth ratio )	<b>Over 400.0</b> (Over 20%)
5	<b>Net Debt Equity Ratio*</b>	<b>1.0~1.5 times</b>
6	<b>ROE</b>	<b>Over 10%</b>

## 【 Precondition 】

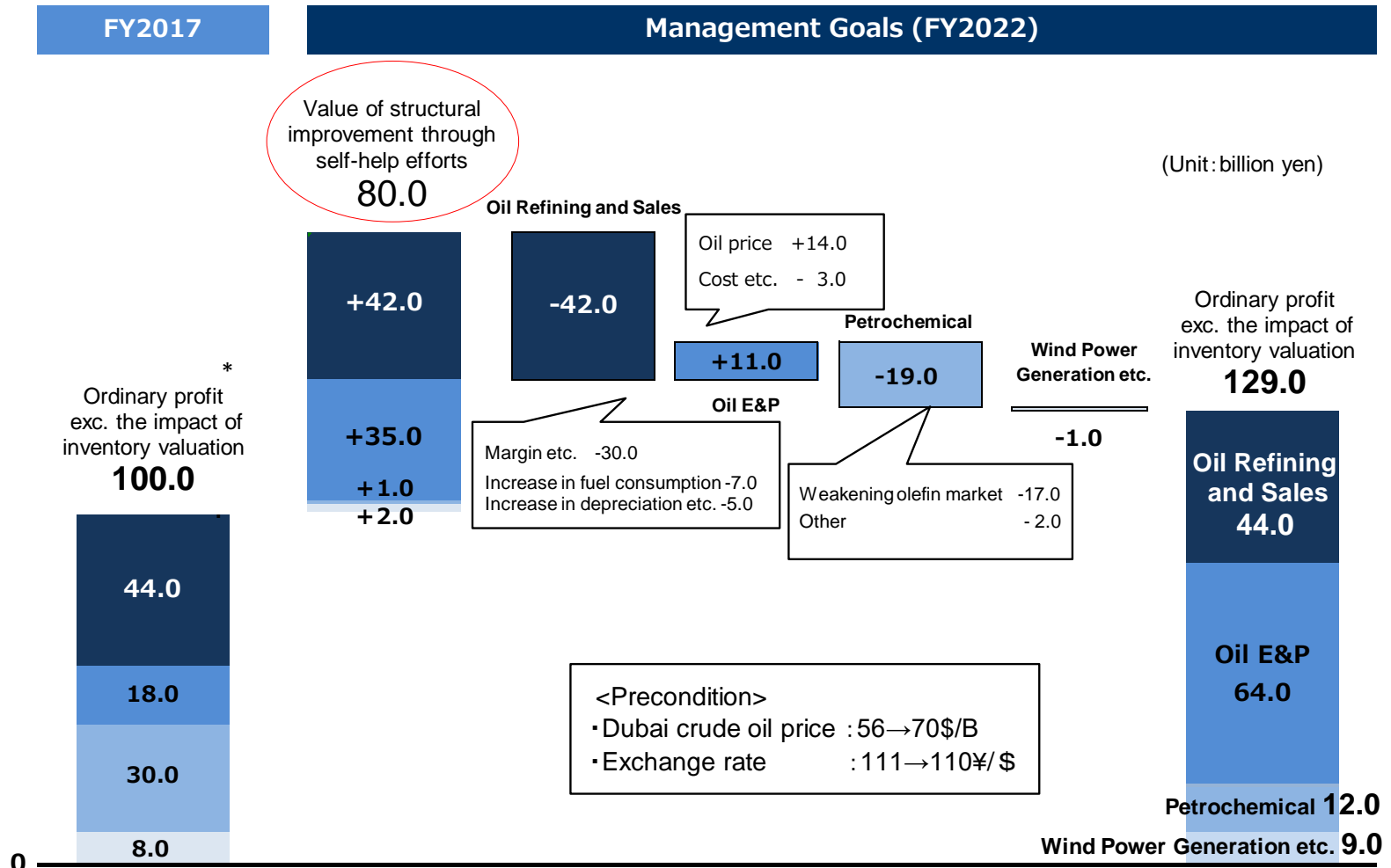
Dubai crude oil price (USD/B) : 70

Exchange rate (yen/USD) : 110

\*Calculated on the basis that 50% of ¥60 billion Hybrid Loan made on April 1, 2015 is included in Equity.



✓ Ordinary profit excluding the impact of inventory valuation is expected to be 129.0 billion yen in FY2022 despite an increase of 80.0 billion yen from FY2017, taking into account the assumptions such as crude oil prices.



\* Above is the forecast at the time when the new consolidated medium-term management plan was developed. Actual ordinary profit (excluding the impact of inventory valuation) was 95.9 billion yen.

An increase of 80.0 billion yen to be achieved, largely through changes such as increasing profitable products composition in oil refining and sales and production of the Hail Oil Field.

						(Unit: billion yen)
	FY2018	FY2019	FY2020	FY2021	FY2022	Improvement
Improvement in FY2022 vs 2017 (excl. impact of market condition)						<b>80.0+α</b>
<b>Oil Refining and Sales</b>	Utilizing Chiba Refinery Pipeline					<b>42.0</b>
	Safe and stable operation, Improve utilization rate (Regular maintenance reduction · Chiba Refinery 4 year's operation), Synergy creation with petrochemical					
	Achieve no heavy fuel oil production (response to IMO)					
	Start Supply to Kygnus Sekiyu K.K.					
Expansion of vehicle life business						
<b>Oil E&amp;P</b>	Stable production in existing and the Hail Oil Fields · OPEX reduction					<b>35.0</b>
<b>Petrochemical</b>	Enhance competitiveness of basic petrochemical product , Pursue synergy with refinery					<b>1.0</b>
	Start C9 petroleum resin business					<b>Cash Flow: 8.0<sup>※</sup></b>
<b>Renewable energy</b>	Expand onshore wind firms (Power generation capacity 230,000kW→400,000kW) (see page 25)					<b>2.0</b>
	Develop offshore wind farms Start offshore wind power site project					
<b>New area</b>	Deepen alliances with MIC, Hyundai Oilbank, and CEPESA					<b>+α</b>
	Sow the seed to new business					

※ Cash Flow: Ordinary income + Increase in depreciation

**Carry out growth investment and shareholder returns while considering balance with the financial position.**

(Unit: billion yen)

Incoming Cash	Outgoing Cash
<b>535.0</b>	<b>360.0</b>
Net profit <b>225.0</b> →Increase shareholders 'equity	Investment <sup>※</sup> <b>360.0</b>
Depreciation etc. <b>310.0</b>	<b>Free Cash Flow</b> <b>175.0</b> →Decrease in debt with interest →Dividend

## Shareholder Return Policy

- ✓ Recognize shareholder returns as an important business task
- ✓ With the principle of stable dividend payment, aim for further returns to shareholders while considering the balance between achievement toward management goals and growth investment.

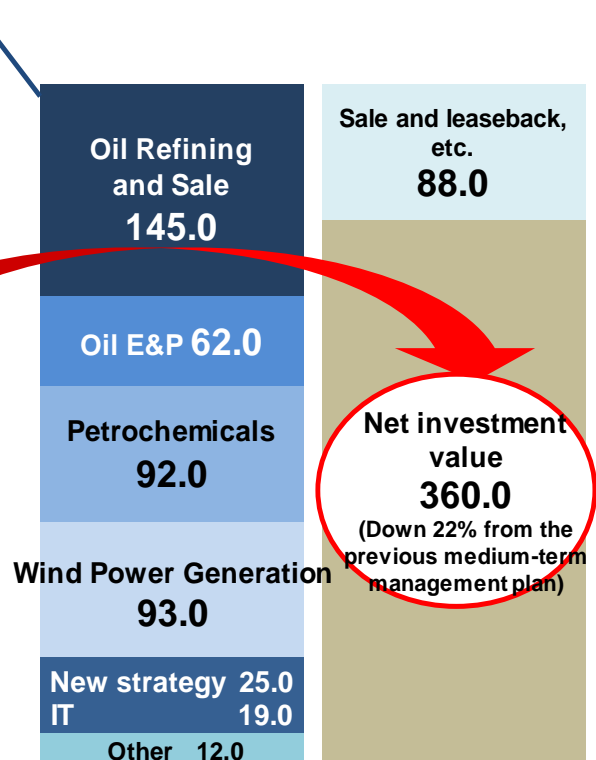
\*Strategic investment is net amount reflecting operating lease etc.

- ✓ **Strategic investment: Actively use approx. 40% of the total investment for an increase in competitiveness and growth investment.**
  - ➔ **Oil refining and sale** : Increase delayed coker unit capacity.
  - ➔ **Petrochemical** : Increase added value of basic products.
  - ➔ **Wind power generation** : Develop offshore wind power sites.
  - ➔ **New businesses** : Discover businesses that will lead the next growth stage.
- ✓ **Reduce cash-out using sale and leaseback, etc.**

The 5th Consolidated Medium-Term Management Plan



The 6th Consolidated Medium-Term Management Plan



(Unit : billion yen)

< Breakdown >

<b>Oil Refining and Sale</b>	<b>145.0</b>
(Strategic Investments)	35.0
(Breakdown) Coker unit investment	11.0
Reduced regular maintenance and energy saving	10.0
Conversion to profitable product	4.0
Synergy with petrochemicals	3.0
Strengthening retail business	7.0
(Base investment)	110.0
<b>Oil Exploration and Production</b>	<b>62.0</b>
(Base investment)	62.0
<b>Petrochemicals</b>	<b>92.0</b>
(Strategic Investments)	40.0
(Breakdown) Increasing added value of basic products	18.5
Expansion of functional products	8.0
Energy saving	3.0
Other (synergy with refining, etc.)	10.5
(Base investment)	52.0
<b>Wind Power Generation</b>	<b>93.0</b>
(Strategic Investments)	90.0
(Breakdown) Development of onshore wind power plant sites	56.0
Development of offshore wind power plant sites	34.0
(Base investment)	3.0

\* Calculated by assuming that Maruzen Petrochemical had become a consolidated subsidiary at the beginning of the 5th medium-term plan.

# Overview of Consolidated Medium-Term CSR Management Plan

## ~ Contribution to Achievement of SDGs ~

- ✓ Develop a medium-term CSR management plan for activities that contribute to the sustainable development of both society and the Cosmo Energy Group.
- ✓ Promote activities based on the perspective of ESG throughout the supply chains, including group companies and business partners.

### E Promoting environmental measures



### S Enhancing human rights & social contribution measures




- ✓ **Reduction of greenhouse gas emissions**  
**【2030 targets】**  
 CO2 emissions Down26% [from FY2013]  
 (Down 2 million tons)  
**【2022 targets】**  
 CO2 emissions Down16% [from FY2013]  
 (Down 1.2 million tons)
- ✓ **Reduction of pollutants**
- ✓ **Resource circulation**

- ✓ **Occupational safety & health**
- ✓ **Diversity**
- ✓ **Human resources development**
- ✓ **Customer satisfaction**  
 ➔Improve service level  
 ➔Enhancing Eco Card Fund initiatives

### G Ensuring safety measures



### Strengthening corporate governance structure



- ✓ **Safe operations and stable supply**  
 ➔Preventing work-related accidents,  
 Preventing major accidents
- ✓ **Improvement of quality assurance system**

- ✓ **Thorough implementation of risk management and compliance system**
- ✓ **Development of CSR procurement policy**
- ✓ **Responses to ESG evaluation (improvement of information disclosure)**  
 ➔ Improve ESG ratings

# Business Strategy

# Business Strategy: Oil Exploration and Production Business COSMO

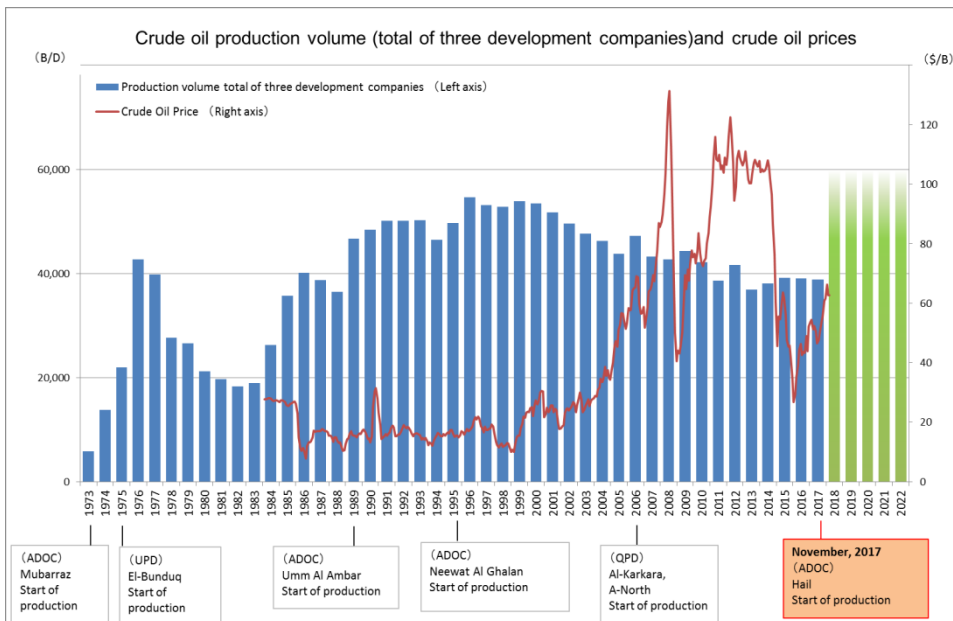
## Long-term business strategy based on strengths

- ✓ Strong relationships of trust built through stable production for around 50 years at the Abu Dhabi offshore oil field.
- ✓ In-house operation (operatorship)

➔ Seek added value projects utilizing the Company's strengths.

## Policies and measures in the 6th medium-term management plan

- ✓ Continue full production at the Hail Oil Field.
- ✓ Reduce operation cost (at least 30% per unit).
- ✓ Examine new investments for the next phase.



Value of improvement in FY2022  
(from FY2017)  
**35.0 billion yen**

※1) ADOC : Abu Dhabi Oil Company, UPD : United Petroleum Development, QPD : Qatar Petroleum Development  
 ※2) Production of three development companies per year (monthly average of 1-12 each year)  
 ※3) Crude oil prices (Platt's Dubai crude) average monthly  
 ※4) The production volume of three development companies in fiscal 2018 is planned value

## Long-term environmental awareness and business strategy

### Environmental awareness

- ✓ A certain level of demand for petroleum products remains, despite a decline due to the increased use of EVs by consumers.
- ✓ Initiatives using IoT are increasingly active.

### Business strategy

- ✓ Shift from fuel oil to petrochemical materials.
- ✓ Promote IT conversion of refineries

## Policies in the 6th medium-term management plan

- ✓ Increase profitable products by increasing delayed coker unit capacity promoted by the IMO regulations and maintain high capacity utilization to establish refinery competitiveness exceeding the global standard.
- ✓ Grow the recipients of products and use alliances with other companies to increase competitiveness.
- ✓ Create synergy with the petrochemical business.

## Measures in the 6th medium-term management plan

(billion yen)

Activity Measures		Value of Improvement
1. Increase degradation capacity, etc.	Increase delayed coker unit capacity at Sakai Refinery, etc. Use of Chiba Refinery pipeline ➔Focus on profitable products	24.0
2. Increase capacity utilization	Reduce unplanned suspensions Reduce regular maintenance periods at refineries	6.0
3. Achieve synergy with the petrochemical business.	Use of unused distillates ➔Increase business opportunities	3.0
4. Cost reduction	Energy-efficient operation of facilities Strategic purchasing, rationalized distribution	6.0

Value of improvement in FY2022  
(from FY2017)

**39.0 billion yen**



# Business Strategy: Petroleum Products Sale and “Vehicle life” Business

## Long-term business strategy

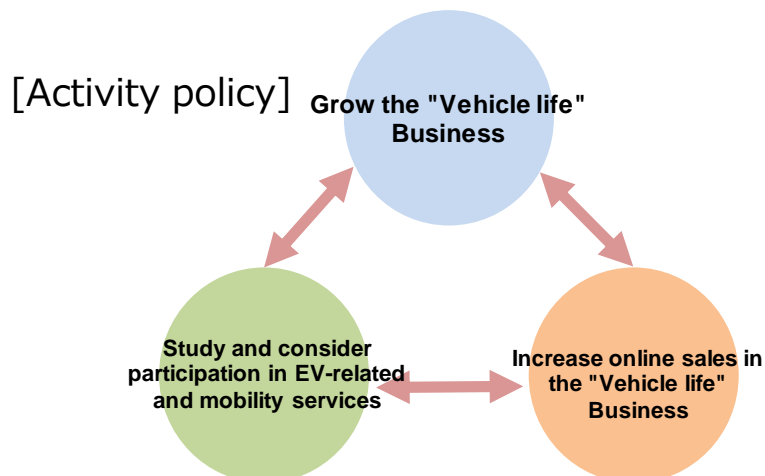
- ✓ Acquire business areas based on a business model reform corresponding to a shift to EVs and changes in consumers’ use of automobiles.
- ✓ Acquire total competitiveness together with oil refining business

## Policies in the 6th medium-term management plan

- ✓ Determine new business models that take the long-term business environment into consideration while seeking the growth of the “Vehicle life” Business

## Measures in the 6th medium-term management plan

- ✓ Increase sales of lease and car care products.
  - ➔ Collaborate with other companies in other industries to achieve total support (from obtaining a driver’s license to the sale of a car) for car owners.
  - ➔ Develop new products and provide services to meet customer demand.
  - ➔ Increase online sales.



Value of improvement in FY2022 (from FY2017)  
**3.0 billion yen**

## Long-term environmental awareness and business strategy

### Environmental awareness

- ✓ International markets are growing based on an increase in the global population.
- ✓ Supply is increasing due to the construction of new highly competitive ethane crackers in North America and Naphtha crackers in China.
- ✓ A production shift from oil refining is possible.

### Business strategy

- ✓ Maximize the use of the competitive advantage in ethylene and Paraxylene production.
- ✓ Shift from petroleum fuel oil to petrochemical materials.

## Policies in the 6th medium-term management plan

- ✓ Enjoy and improve the synergy of oil refining and petrochemicals (exploitation of unused distillates, etc.).
- ✓ Increase the competitiveness of basic products and grow a new business of specialty products that are not vulnerable to environmental changes.

## Measures in the 6th medium-term management plan

Improve profitability in the functional product area.

- ➔ Start hydrogenated petroleum resin business with Arakawa Chemical Industries.

Investment in increasing competitiveness for the future

- ➔ Increase the added value of basic chemical products.
- ➔ Increase and add new capabilities of specialty products.

Value of improvement in FY2022  
(from FY2017)

**1.0 billion yen**

**Cash Flow\*8.0 billion yen**

※Cash Flow: Ordinary profit + Increase in depreciation



### Policies in the 6th medium-term management plan

#### Onshore

- ✓ Steadily implement development projects that can secure the FIT unit price of 22 yen/kWh and aim to reach 500,000 kW at an early stage.
- ✓ Seek projects that contribute to new development.

#### Offshore

- ✓ As the land for power plant development is increasingly filled, use O&M\* skills, the company's conventional strengths, and enter the offshore wind power at an early stage.  
(\* operation and maintenance)
- ➔ Invest in this business to make it the foundation for the next growth stage.

### Measures in the 6th medium-term management plan

- ✓ Reach a 500,000 kW at an early stage.
  - ➔ Development of Himekami (18,000 kW) in Iwate Prefecture, Watarai 2nd phase (22,000 kW) in Mie prefecture, etc.
  - ➔ Expect to achieve power generation capacity of 400,000 kW at the end of FY2022
- ✓ Development of a business plan, environmental assessment, construction, etc. to launch the operation of an offshore wind power plants.



Value of improvement in FY2022  
(from FY2017)

**2.0 billion yen**

**Subordinated loan  
(Announced on March 31,2020)**

# Overview of Subordinated Loan

Item	Overview
Financing amount	¥30 billion
Loan agreement date	March 26, 2020
Drawdown date	March 31, 2020
Use of loan proceeds	Early repayment of an existing subordinated loan
Maturity date	March 31, 2053
Dates early repayment can be made	Any interest payment date on or after March 31, 2023
Replacement provisions	<ul style="list-style-type: none"> <li>• In the event of early repayment, refinancing will be performed with a product with equity credit equivalent to or higher than the Subordinated Loan.</li> <li>• <b>Provided, however, that the above refinancing may be postponed is the following conditions are satisfied.</b> <ul style="list-style-type: none"> <li>(i) If consolidated net worth increases by ¥30 billion or more from September 30, 2019</li> <li>(ii) If the consolidated debt/equity ratio does not worsen from September 30, 2019</li> </ul> </li> </ul>
Interest rate	Variable interest rate based on 3-month Yen TIBOR + Spread
Interest rate step-up	-
Equity credit rating assigned by rating agency	Japan Credit Rating Agency, Limited: Medium / 50%.

**Zero Coupon Convertible Bonds due 2022  
(being bonds with stock acquisition rights)  
(Announced on December 20,2018)**

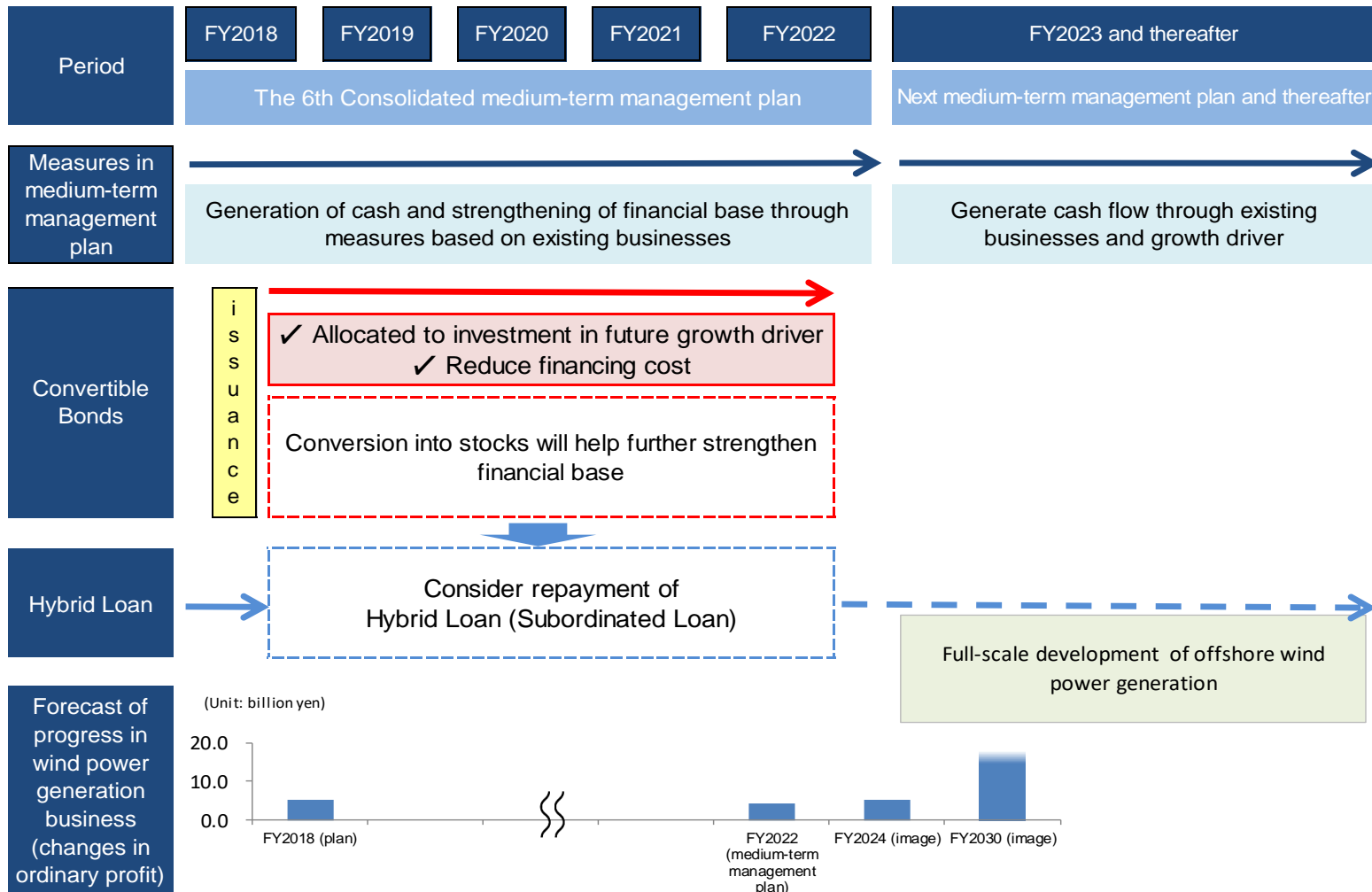
# Overview of Convertible Bonds

Item	Overview
Title	The ¥60,000,000,000 Zero Coupon Convertible Bonds due 2022 (being bonds with stock acquisition rights)
Total amount of bonds	¥60,000,000,000
Bond interest rate	Interest will not be attached to these bonds.
Date of payment and issuance	December 5,2018
Maturity date	December 5,2022
Benefits	<ol style="list-style-type: none"> <li>1 Financing cost can be reduced by issuing bonds without attaching interest (zero coupon).</li> <li>2 The bonds will be offered primarily to investors in overseas markets, which, therefore, will contribute to the diversification of financing methods and can be expected to increase the flexibility of the company's future financing strategies.</li> <li>3 A rider will be attached to promote the conversion into stocks, and converted stocks will contribute to further strengthening and improvement of the company's financial base in the future.</li> <li>4 Since the conversion price will be set to exceed the bonds' market value, the bonds are expected to be converted into stoks mainly when shareholder value grows, such as a future increase in stock price, which will help control the dilution of per-share value resulting from the conversion.</li> </ol>
Uses of funds	<ol style="list-style-type: none"> <li>1 Allocate approx. 11 billion yen by March 2021 as funds for investment and loans for a subsidiary in petrochemical business in order to increase competitiveness through means such as reduction of maintenance costs, and expansion of high-value-added products.</li> <li>2 Allocate approx. 49 billion yen by March 2021 as funds for investment and loans for a subsidiary in the wind power generation business in order to construct onshore and offshore wind power plants.</li> </ol>



# Through financing by issuing convertible bonds, planning to further strengthen the company's financial base for the Next Medium-Term Management Plan and thereafter

- ✓ Secure funds for investment and loans to strengthen the “New” part of the growth driver, “Oil & New,” for the future.
- ✓ For the time being, increase capital by accumulating profit through the execution of the current medium-term management plan.



1. The conventional policy will not change for the cash balance for the entire period of medium-term management plan.
2. Therefore, the issuing of convertible bonds this time means a change in financing method within cash flow from financing activities.
3. The company does not intend to increase interest-bearing debt from the conventional plan.

## Cash balance and use of funds (FY2018 - FY2022)

(Unit: billion yen)

(1) Cash flow from operating activities	535.0
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(2) Cash flow from investing activities	-360.0
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(3) Free cash flow (1) + (2)	175.0
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(4) Cash flow from financing activities	-175.0
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### (Breakdown of cash flow from financing activities)

Repayment of debts	-XXX.X
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Borrowing	+XXX.X
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Convertible bonds	+60.0
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Dividends	-XX.X
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✓ No change from medium-term management plan

✓ Of the investment made in FY2019 and FY2020, 60 billion yen financed through CB is allocated to petrochemicals and wind power generation businesses as a major change in the business portfolio.

Partial change

### FORWARD-LOOKING STATEMENTS

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