

◆ Cosmo Energy Holdings (5021)

First Quarter of Fiscal 2019

- 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 : August 9, 2019 (Fri) 7:00 p.m. - 8:00 p.m.
2. Attendees : 34 persons
3. Main questions and answers

<Progress in the First Quarter >

Q1: Please tell me about the progress in business performance during the first quarter compared to your company's assumptions.

A1 : In the petroleum business, margins have decreased due to the impact of temporary time lags. Adjusting for the impact of time lags, however, we have secured margins as projected. If market conditions stabilize, we expect that results will be in line with the projections. The petrochemical business is almost in line with projections, primarily reflecting the effect of HCP's profitability (January – March), a company whose financial year closes in December. Maruzen Petrochemical Co., Ltd. is in a slightly difficult situation given the impact of market conditions. Even so, there are improvements in the benzene market. We will therefore continue to monitor the trend of their businesses. The oil exploration and production business, the financial year for which closes in December, performed in line with projections because results for the period from January to March were integrated into consolidated financial results.

Q2 : Please tell me about your company's status in terms of free cash flow in the first quarter.

A2 : Cash provided by operating activities and cash used for investing activities stood at 25.1 billion yen and 24.7 billion yen, respectively, resulting in an inflow of cash of 0.4 billion yen.

<Petroleum business>

Q3 : To what extent, were you affected by time lags with respect to the results for the first quarter? In addition, to what extent was the level of margins deviated from Cosmo's assumptions in and after July?

A3 : Time lags worked positively in the previous year while they had negative impacts in the first quarter. Overall, they had negative impacts amounting to four yen, resulting in a deterioration of 11.0 billion yen. Even so, margins are improving on a shipment basis and actual conditions are getting better from a management perspective. In addition, the level of margins has also been on an upward curve since July. Going forward, we will monitor current trends, taking into consideration the downwards trend in the crude oil price in August.

Q4: My perception is that margins from the refinery business in Japan are higher than those in Asia. How likely is it that the domestic market will be affected by imported oil products?

A4 : Domestic market conditions changed for the better, reflecting a decline in the number of players on the supply side after the creation of JXTG. Given the limited import infrastructure such as oil tanks, we do not expect that

imported oil products will have any significant impact on the domestic market. In addition, due to the IMO regulations, market conditions including those for middle distillates are expected to change significantly overseas and the Japanese market will follow suit. Taking these into consideration, we assume that margin factors will be positive down the line.

Q5 : What is your view of the positive impacts from the IMO regulations when they take effect?

A5 : We are in a transition period at present, toward the enforcement of the IMO regulations. So it appears that markets are reacting in a complex way with respect to both low-sulfur C fuel oil and high-sulfur C fuel oil. Still, once the IMO regulations start to take effect, we expect that markets for low-sulfur C fuel oil and middle distillates will become more active. We have difficulty providing a qualitative explanation about positive impacts because the current plan does not include any positive impacts from the IMO regulations. If nothing else, though, such impacts will contribute to profitability as significantly favorable factors.

Q6: Please tell me about the factors behind the increase in sales volume in the first quarter. Also, please tell us when you plan to start the supply to Kygnus?

A6 : In addition to temperatures, which were lower than last year, the main factors for the year-on-year increase included cross-industry collaboration with Aeon, which features reciprocal customer transfer activities and in-store sales promotion programs, among other efforts. With regard to Kygnus, we commenced full-scale supply in July after the partial supply implemented based on the capital and business alliance.

<Petrochemical business>

Q7: Looking at recent sluggish conditions in the petrochemical market, am I correct in assuming that the petrochemical business will experience a downturn, going forward?

A7: There are some factors contributing to improvements because the benzene market has been picking up recently. Nevertheless, with the paraxylene market deteriorating, you could say that the petrochemical business is in a rather difficult situation from the perspective of current market conditions.

<Oil E&P business>

Q8: Please tell me about production trends in the oil exploration and production business after April.

A8 : The production volume remained almost unchanged from the year-ago level in the first quarter of this year (January to March) because the production volume of the Hail Oil Field, which was gearing up for large-scale production last year, remained low. Looking ahead, the production volume of the Hail Oil Field, which has been restrained since the first quarter (January – March), is expected to decline further year on year from the second quarter (April – June). Having said that, the recovery of the existing oil fields from the year-ago level will attenuate the decline to some extent.

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.