



November 7, 2019

Overview of Business Results for the Second Quarter of Fiscal Year Ending March 2020 [Based on Japanese GAAP] (Consolidated)

Name of the Company: Cosmo Energy Holdings Co., Ltd. Shares traded: TSE
 Company Code: 5021 URL <https://ceh.cosmo-oil.co.jp/>
 Name of Representative: Hiroshi Kiriya (Title) President
 Name of Person to contact: Seiko Takagi (Title) General Manager of Corporate Communication Dept. Phone: 03-3798-3180
 Scheduled date to file quarterly report: November 7, 2019 Dividend payment is to be started on: —
 Availability of the Quarterly Financial Result Supplementary Information: Yes
 Execution of the Quarterly Financial Result Presentation Meeting: Yes (for analysts and institutional investors)

Note: Figures less than 1 million are rounded down.

1. Consolidated Financial Results for the Second Quarter of Fiscal Year Ending March 2020 (For the period from April 1, 2019 to September 30, 2019)

(1) Consolidated operating results (cumulative total) (Figures in % refer to changes from the same quarter a year earlier)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent for the Second Quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
Second Quarter, FY2019	1,321,483	-0.9	26,163	-66.9	29,170	-62.9	14,902	-63.1
Second Quarter, FY2018	1,333,523	17.6	79,141	107.5	78,680	81.2	40,439	80.5

Note: Comprehensive income Second Quarter, FY2019: 15,602 million yen (-67.3%) Second Quarter, FY2018: 47,674 million yen (51.1%)

	Net income per share for the Second Quarter	Diluted net income per share for the Second Quarter
	yen sen	yen sen
Second Quarter, FY2019	177.16	149.20
Second Quarter, FY2018	480.33	—

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Second Quarter, FY2019	1,688,751	407,479	16.9
FY2018	1,702,270	401,850	16.5

[Reference] Net worth Second Quarter, FY2019: 285,058 million yen FY2018: 281,065 million yen

2. Dividend Payment Results and Forecast

	Annual dividend per share total				
	As of Q1-end	As of Q2-end	As of Q3-end	As of Fiscal Year-end	Full Year
	yen sen	yen sen	yen sen	yen sen	yen sen
FY2018	—	0.00	—	80.00	80.00
FY2019	—	0.00			
FY2019 (forecast)			—	80.00	80.00

Note: Revision made in the dividend payment forecast as of the end of the current quarter from the previous announcement: No

3. Consolidated Business Forecast for FY2019 (April 1, 2019 to March 31, 2020)

(% indicates change from the corresponding period of FY 2018)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
FY2019	2,913,000	5.1	109,000	15.2	111,000	14.8	60,000	12.9	711.68

Note: Revision made in the consolidated business forecast as of the end of the current quarter from the previous announcement: No

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during the second quarter : No

Newly — (Name of Company) — Exception — (Name of Company)—

(2) Adoption of accounting method uniquely adopted to prepare consolidated financial statements for the current quarter: Yes

(3) Changes in Accounting Policies, Accounting Estimates and Restatements:

1. Changes in accounting policies due to revisions of accounting standards, etc.: No
2. Changes in accounting policies for reasons other than the Item 1: No
3. Changes in accounting estimates: No
4. Restatements: No

(4) Total Number of Outstanding Shares (Ordinary Shares)

1. Number of outstanding shares as of the end of the period (including treasury shares)
2. Number of shares of treasury stock as of the end of the period
3. Average number of outstanding shares during the period (or the cumulative consolidated accounting period as of the end of the current quarter)

Second Quarter, FY2019	84,770,508 shares	FY2018	84,770,508 shares
Second Quarter, FY2019	724,956 shares	FY2018	462,910 shares
Second Quarter, FY2019	84,120,465 shares	Second Quarter, FY2018	84,191,331 shares

Note: These quarterly financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act.

Note: Request for appropriate use of the business forecast and other special remarks:

The consolidated business forecast for the full year of FY2019 is not updated from the previous announcement made on May 9 2019.

It is based on information available as of the published date of this release, and actual results may differ from the forecast subject to various factors that may arise in the future. For details, please refer to the “(3) Explanation Concerning Information regarding Consolidated Business Forecast” of the “1. Qualitative Information about Results for and at the End of the Current Quarter” on Page 2 of the Supporting data.

Supplementary information will be uploaded on the Cosmo Energy Holdings Co., Ltd. website on November 7, 2019.

1. Qualitative Information about Results for and at the End of the Current Quarter

(1) Explanation Concerning Information regarding Consolidated Operating Results

Consolidated net sales for the first half of FY2019 were ¥1,321.5 billion (down ¥12.0 billion from the same period of FY2018), operating profit ¥26.2 billion (down ¥52.9 billion from the same period of FY2018), ordinary profit ¥29.2 billion (down ¥49.5 billion from the same period of FY2018) and profit attributable to owners of parent for the period ¥14.9 billion (down ¥25.5 billion from the same period of FY2018).

The operating results for the first half of FY2019 by business segment are as follows :

- 1) In the petroleum business segment, due to the decline in crude oil prices although the rise in the sales volume of products from the same period of the previous year, the segment reported net sales of ¥1,210.7 billion for the first half of FY2019 (down ¥9.2 billion from the same period of FY2018) and segment loss of ¥1.9 billion (segment profit ¥34.8 billion in the same period of FY2018).
- 2) In the petrochemical business segment, due to the decline in the sales prices of petrochemical products although the increased in selling volume of petrochemical products, from the same period of the previous year, the segment reported net sales of ¥206.4 billion for the first half of FY2019 (down ¥17.0 billion from the same period of FY2018) and segment profit of ¥6.6 billion (down ¥5.4 billion from the same period of FY2018).
- 3) In the oil exploration and production business segment, due to the decline in the oil sales volume and the sales price of oil products from the same period of the previous year, the segment reported net sales of ¥44.2 billion for the first half of FY2019 (down ¥9.4 billion from the same period of FY2018) and segment profit of ¥19.6 billion (down ¥8.9 billion from the same period of FY2018).

(2) Explanation Concerning Information regarding Consolidated Financial Position

As for the Company's financial position on a consolidated basis as of the end of the first half of FY2019, total assets as of September 30, 2019 amounted to ¥1,688.8 billion, down ¥13.5 billion from March 31, 2019, the end of FY2018, mainly reflecting decreased in notes and accounts receivable. Net assets as of September 30, 2019 amounted to ¥407.5 billion with a net worth ratio of 16.9%.

(3) Explanation Concerning Information regarding Consolidated Business Forecast

The consolidated business forecast for the full year of FY2019 is not updated from the previous announcement made on May 9, 2019.

2. Consolidated Financial Statements and Their Main Notes

(1) Consolidated Balance Sheet

(Unit: million yen)

	FY2018 (As of March 31, 2019)	2Q FY2019 (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	49,445	67,401
Notes and accounts receivable - trade	245,164	205,018
Merchandise and finished goods	131,952	163,215
Work in process	453	1,261
Raw materials and supplies	144,911	120,742
Other	69,951	70,208
Allowance for doubtful accounts	-146	-116
Total current assets	641,731	627,731
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	235,988	240,497
Machinery, equipment and vehicles, net	186,250	193,495
Land	317,255	317,039
Other, net	102,788	92,879
Total property, plant and equipment	842,283	843,911
Intangible assets	40,964	40,842
Investments and other assets		
Investment securities	117,552	119,033
Other	59,793	57,351
Allowance for doubtful accounts	-459	-448
Total investments and other assets	176,886	175,936
Total non-current assets	1,060,134	1,060,691
Deferred assets		
Bond issuance cost	404	327
Total deferred assets	404	327
Total assets	1,702,270	1,688,751

(Unit: million yen)

	FY2018 (As of March 31, 2019)	2Q FY2019 (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	267,897	254,348
Short-term loans payable	164,739	165,504
Current portion of bonds	—	20,000
Commercial papers	98,000	124,000
Accounts payable - other	196,042	159,594
Income taxes payable	5,324	5,071
Provision	8,013	6,875
Other	24,716	21,084
Total current liabilities	764,734	756,479
Non-current liabilities		
Bonds payable	46,700	26,700
Convertible bond-type bonds with share acquisition rights	60,000	60,000
Long-term loans payable	324,669	328,678
Provision for special repairs	20,992	26,457
Other provision	3,093	2,484
Net defined benefit liability	5,085	4,815
Asset retirement obligations	21,330	21,495
Other	53,812	54,160
Total non-current liabilities	535,684	524,792
Total liabilities	1,300,419	1,281,271
Net assets		
Shareholders' equity		
Capital stock	40,000	40,000
Capital surplus	82,963	82,843
Retained earnings	167,574	175,783
Treasury shares	-758	-1,381
Total shareholders' equity	289,779	297,246
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,121	3,257
Deferred gains or losses on hedges	99	-109
Revaluation reserve for land	-20,911	-20,999
Foreign currency translation adjustment	7,236	5,104
Remeasurements of defined benefit plans	739	558
Total accumulated other comprehensive income	-8,713	-12,188
Non-controlling interests	120,785	122,421
Total net assets	401,850	407,479
Total liabilities and net assets	1,702,270	1,688,751

(2) Consolidated Statements of Income and Comprehensive Income
 (Consolidated Statements of Income)
 (Consolidated the First Half of FY2019 Statements of Income)

(Unit: million yen)

	2Q FY2018 (From April 1, 2018 to September 30, 2018)	2Q FY2019 (From April 1, 2019 to September 30, 2019)
Net sales	1,333,523	1,321,483
Cost of sales	1,189,613	1,229,512
Gross profit	143,910	91,971
Selling, general and administrative expenses	64,768	65,808
Operating profit	79,141	26,163
Non-operating income		
Interest income	249	396
Dividend income	470	515
Share of profit of entities accounted for using equity method	1,657	3,912
Foreign exchange gains	2,318	2,630
Other	2,053	1,703
Total non-operating income	6,748	9,158
Non-operating expenses		
Interest expenses	5,594	4,809
Other	1,614	1,341
Total non-operating expenses	7,209	6,151
Ordinary profit	78,680	29,170
Extraordinary income		
Gain on sales of non-current assets	348	4
Gain on sales of investment securities	17	353
Subsidy income	837	—
Compensation income	—	7,948
Insurance income	222	1,508
Other	128	25
Total extraordinary income	1,553	9,840
Extraordinary losses		
Loss on disposal of non-current assets	2,766	891
Impairment loss	76	235
Loss on valuation of investment securities	4	62
Other	33	24
Total extraordinary losses	2,880	1,214
Profit before income taxes	77,353	37,796
Income taxes	28,782	18,202
Profit	48,571	19,593
Profit attributable to non-controlling interests	8,131	4,690
Profit attributable to owners of parent	40,439	14,902

(Consolidated Statements of Comprehensive Income)

(Consolidated the First Half of FY2019 Statements of Comprehensive Income)

(Unit: million yen)

	2Q FY2018 (From April 1, 2018 to September 30, 2018)	2Q FY2019 (From April 1, 2019 to September 30, 2019)
Profit	48,571	19,593
Other comprehensive income		
Valuation difference on available-for-sale securities	468	-1,199
Deferred gains or losses on hedges	-248	-453
Foreign currency translation adjustment	574	-347
Remeasurements of defined benefit plans, net of tax	264	-195
Share of other comprehensive income of entities accounted for using equity method	-1,955	-1,793
Total other comprehensive income	-897	-3,990
Comprehensive income	47,674	15,602
(Breakdown)		
Comprehensive income attributable to owners of the parent	40,060	11,516
Comprehensive income attributable to non-controlling interests	7,613	4,086

(3) Consolidated Statement of Cash Flows

(Unit: million yen)

	2Q FY2018 (From April 1, 2018 to September 30, 2018)	2Q FY2019 (From April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Profit before income taxes	77,353	37,796
Depreciation	22,619	24,509
Loss (gain) on sales of non-current assets	-314	-4
Loss (gain) on disposal of non-current assets	2,766	891
Impairment loss	76	235
Loss (gain) on sales of investment securities	-17	-353
Loss (gain) on valuation of investment securities	4	62
Increase (decrease) in allowance for doubtful accounts	-30	-41
Increase (decrease) in provision	-3,476	-2,223
Increase (decrease) in provision for special repairs	-2,571	5,941
Increase (decrease) in net defined benefit asset (liability)	-337	-718
Subsidy income	-837	—
Interest and dividend income	-719	-912
Compensation income	—	-7,948
Insurance income	-222	-1,508
Interest expenses	5,594	4,809
Foreign exchange losses (gains)	-1,631	-1,093
Share of loss (profit) of entities accounted for using equity method	-1,657	-3,912
Decrease (increase) in notes and accounts receivable - trade	11,447	40,027
Recovery of recoverable accounts under production sharing	2,626	5,444
Decrease (increase) in inventories	-91,512	-8,296
Increase (decrease) in notes and accounts payable - trade	50,288	-13,434
Decrease (increase) in other current assets	-10,257	-2,676
Increase (decrease) in other current liabilities	-7,828	-33,775
Increase (decrease) in other non-current liabilities	123	40
Decrease (increase) in investments and other assets	961	269
Other, net	-4,897	940
Subtotal	47,547	44,070
Interest and dividend income received	1,510	1,160
Interest expenses paid	-5,672	-4,907
Payments for business structure improvement expenses	-48	—
Proceeds from subsidy income	1,229	—
Proceeds from compensation	—	7,948
Proceeds from insurance income	452	1,508
Income taxes paid	-30,902	-13,473
Net cash provided by (used in) operating activities	14,116	36,306

(Unit: million yen)

	2Q FY2018 (From April 1, 2018 to September 30, 2018)	2Q FY2019 (From April 1, 2019 to September 30, 2019)
Cash flows from investing activities		
Purchase of investment securities	-536	-1,589
Proceeds from sales and redemption of investment securities	32	502
Purchase of shares of subsidiaries and associates	-620	-620
Proceeds from sales and liquidation of shares of subsidiaries and associates	9	4
Purchase of property, plant and equipment	-36,146	-30,576
Payments for disposal of property, plant and equipment	-1,965	-2,019
Proceeds from sales of property, plant and equipment	796	5
Payments for purchases of intangible assets and long-term prepaid expenses	-4,215	-5,519
Payments into time deposits	-22	-804
Proceeds from withdrawal of time deposits	497	—
Proceeds from withdrawal of investments in silent partnership	105	70
Other, net	78	226
Net cash provided by (used in) investing activities	-41,985	-40,320
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	19,434	24,300
Proceeds from long-term loans payable	14,595	22,000
Repayments of long-term loans payable	-49,677	-39,673
Net increase (decrease) in commercial papers	54,500	26,000
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-285
Purchase of treasury shares	-1	-622
Proceeds from sales of treasury shares	375	—
Cash dividends paid	-4,205	-6,770
Dividends paid to non-controlling interests	-4,524	-2,354
Other, net	-53	-116
Net cash provided by (used in) financing activities	30,442	22,476
Effect of exchange rate change on cash and cash equivalents	161	-670
Net increase (decrease) in cash and cash equivalents	2,734	17,792
Cash and cash equivalents at beginning of period	55,148	40,667
Cash and cash equivalents at end of period	57,883	58,460

(4) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Notes to Remarkable Changes in Shareholders' Equity)

None

(Adoption of Accounting Method Uniquely Adopted to Prepare Consolidated Financial Statements for the Current Quarter)

The Company calculates tax expenses for the Company and some of its consolidated subsidiaries by multiplying a reasonably estimated effective tax rate by profit before income taxes for the current quarter.

Income tax adjustments are included in the "Income taxes" account stated in the Consolidated Statements of Income.

(Segment Information)

I 2Q FY2018 (From April 1, 2018 to September 30, 2018)

Information about net sales and profit amounts by segment reported

(Unit: million yen)

	Petroleum	Petrochemical	Oil exploration and production	Other Note: 1	Adjustments Note: 2	Consolidated Note: 3
Net sales						
Outside customers	1,107,035	197,806	17,021	11,659	—	1,333,523
Inter-segment	112,843	25,634	36,627	19,808	-194,915	—
Total	1,219,879	223,441	53,649	31,468	-194,915	1,333,523
Segment profit	34,847	12,041	28,470	2,518	802	78,680

Notes: 1 “Other” is segment of non-classified, including construction works, insurance agency, leasing, travel agency and wind power generation, etc.

2 Segment profit in “Adjustments” 802 million yen includes 2,657 million yen for the net amount of the entire Company's profit and expenses not allocated to the reporting segments or the “Other” category, 32 million yen for internal eliminations, -1,925 million yen for inventory adjustments, and 37 million yen for adjustment of fixed assets.

3 Segment profit is adjusted to ordinary profit of consolidated quarterly statements of profit.

II 2Q FY2019 (From April 1, 2019 to September 30, 2019)

Information about net sales and profit or loss amounts by segment reported

(Unit: million yen)

	Petroleum	Petrochemical	Oil exploration and production	Other Note: 1	Adjustments Note: 2	Consolidated Note: 3
Net sales						
Outside customers	1,106,306	182,377	18,934	13,865	—	1,321,483
Inter-segment	104,378	24,043	25,280	15,810	-169,512	—
Total	1,210,684	206,420	44,214	29,676	-169,512	1,321,483
Segment profit (loss)	-1,941	6,597	19,586	2,079	2,848	29,170

Notes: 1 “Other” is segment of non-classified, including construction works, insurance agency, leasing, travel agency and wind power generation, etc.

2 Segment profit (loss) in “Adjustments” 2,848 million yen includes 2,535 million yen for the net amount of the entire Company's profit and expenses not allocated to the reporting segments or the “Other” category, -171 million yen for internal eliminations, 570 million yen for inventory adjustments, and -85 million yen for adjustment of fixed assets.

3 Segment profit (loss) is adjusted to ordinary profit of consolidated quarterly statements of profit.

(Significant Subsequent Events)

None