

Steadily progressing in building up the financial strength needed to correspond to changes in the market environment

Renewed record-high income and improved financial position

The Sixth Consolidated Medium-Term Management Plan that started in FY2018 has the goal of increasing our earnings power and improving our financial condition so as to achieve a level of net worth that can tide us over changes in the market environment, including volatility of crude oil prices.

In FY2018, the first year of the current consolidated medium-term management plan, we enhanced profitability by securing an appropriate margin and an increased crude oil production volume in the Hail Oil Field. As a result, we renewed a record high in ordinary income excluding the impact of inventory valuation and improved the net D/E ratio by 0.27 points to 1.98 times.

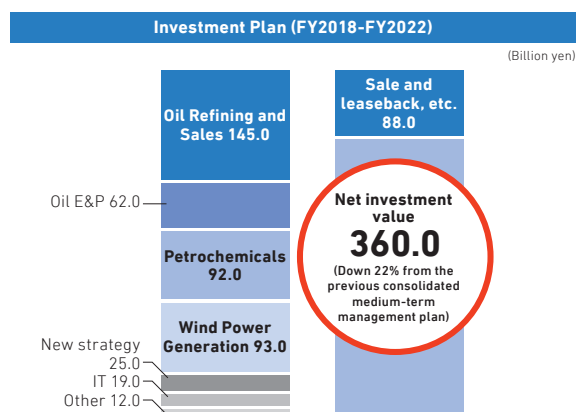
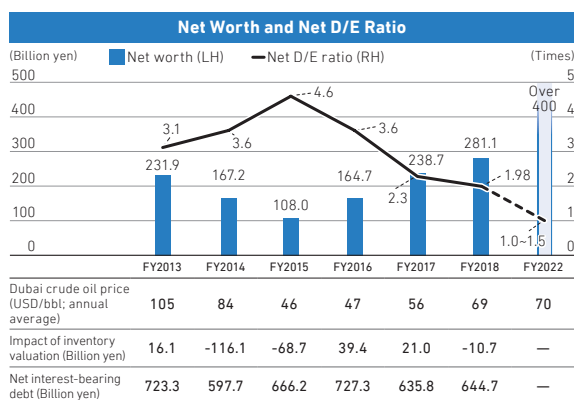
In November 2018 we issued euro-denominated convertible bond-type bonds with share acquisition rights, etc. (maturity in 2022; CB hereafter) with the objective of the enhancement of competitiveness in the Petrochemical business and to assure execution of construction of onshore and offshore wind farm facilities. This CB is a zero-coupon corporate bond

that does not pay interest, which helps us reduce funding cost and also enhance the company's financial position by being converted into equity (capital). We are currently improving our financial position at a faster rate than expected at the time of setting the new consolidated medium-term management plan. By continuing to increase our earnings power and improve our financial condition, we aim at realizing the FY2022 management goals of the net D/E ratio of 1.0-1.5 times and net worth of over ¥400 billion at an early point.

Aggressively investing in view of the anticipated future of the business environment, while generating free cash flow

We expect to generate free cash flow (five-year cumulative) of ¥175.0 billion with the incoming cash of ¥535.0 billion being partially offset by the outgoing cash of ¥360.0 billion during the new consolidated medium-term management plan.

Regarding investment in view of the future business environment and growth potential, we plan to increase the capacity of our Delayed Coker unit at Sakai Refinery in preparation for the IMO regulations





Director, Senior Executive Officer
In charge of Corporate Communication Dept.,
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that will become effective in 2020 see page 30, increase added value of petrochemical products, and develop offshore wind power sites. In order to achieve both improvement in financial conditions and growth improvement, we intend to reduce our financial burden by using sale and leaseback* and other means of protecting our financial condition. We will make aggressive investment in offshore wind power and other areas to rebuild our business portfolio and benefit from such profit opportunities, with the aim at generating more free cash flow.

**Increase in dividend payment in FY2018
Aiming at continuing stable shareholder return**

We recognize shareholder returns as one of the important management priorities. Given our history of no dividend payment in some years, we have adopted the principle of making stable dividend payments and aim for further returns to shareholders while considering the balance between our progress toward management goals and growth investment. For FY2018, we paid a dividend per share of ¥80, raising the amount by ¥30 from the initially announced level as we are improving our financial

position faster than expected when we developed the new consolidated medium-term management plan and lowered the net D/E ratio to less than two times at an earlier point than expected.

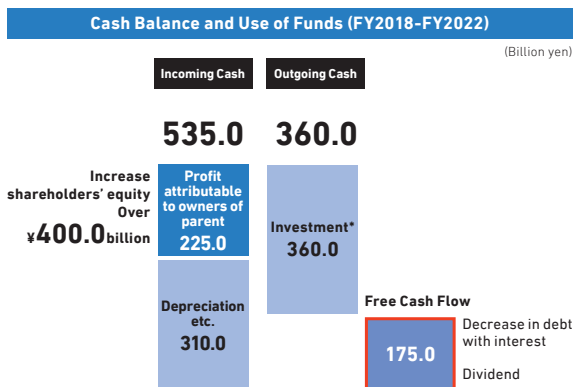
The Cosmo Energy Group is steadily improving the level of profit and is able to take advantage of further profit opportunities, including the commencement of supplying fuel oil in compliance with IMO regulations and of supplying to Kygnus in FY2019. Going forward, we intend to benefit from such profit opportunities and at the same time aim at raising the level of shareholders return while retaining balance with the financial position.

Constructive dialogues with investors

Constructive dialogues with investors and appropriate response to investors' interests and concerns are considered as one of my critical missions as CFO.

I am committed to proactively engage with investors, bring forward investors' various opinions to the Board of Directors and make use of them in management. I would like to ask for your continued support.

* Method of financial transaction in which one sells a facility, such as a wind farm, and leases it back.



* Strategic investment is net amount reflecting sale and leaseback etc.

