Business Results & Forecast, Cash Flow Situation, and Analysis of Financial Position

FY2018 Results / FY2019 Forecast

Summary of Consolidated Profit

Renewing a record-high in operating profit excluding the impact of inventory valuation in FY2018

In FY2018, the first year of the current consolidated medium-term management plan, ordinary income decreased by ¥20.2 billion from FY2017 to ¥96.7 billion while net income attributable to owners of the parent company was ¥53.1 billion, down ¥19.7 billion from FY2017. Actual ordinary income excluding the impact of inventory valuation increased by ¥11.5 billion from FY2017 to a record high of ¥107.4 billion. Concerning the segment breakdown of ordinary income excluding the impact of inventory valuation, the Petroleum Business income was ¥24.9 billion, down ¥12.9 billion from FY2017, due to regular maintenance of Chiba Refinery and temporary, limited problems with equipment in Sakai Refinery. The Petrochemical Business income decreased by ¥15.1 billion to ¥15.3 billion due to a downturn in market conditions and a decrease in sales volume caused by regular maintenance at a plant. The Oil E&P Business income increased by ¥38.6 billion to ¥56.9 billion, thanks to the commencement of the Hail Oil Field's full production. The Renewable Energy and Other Business segment increased income by ¥0.9 billion to ¥10.3 billion thanks to ongoing smooth operation of wind farms.

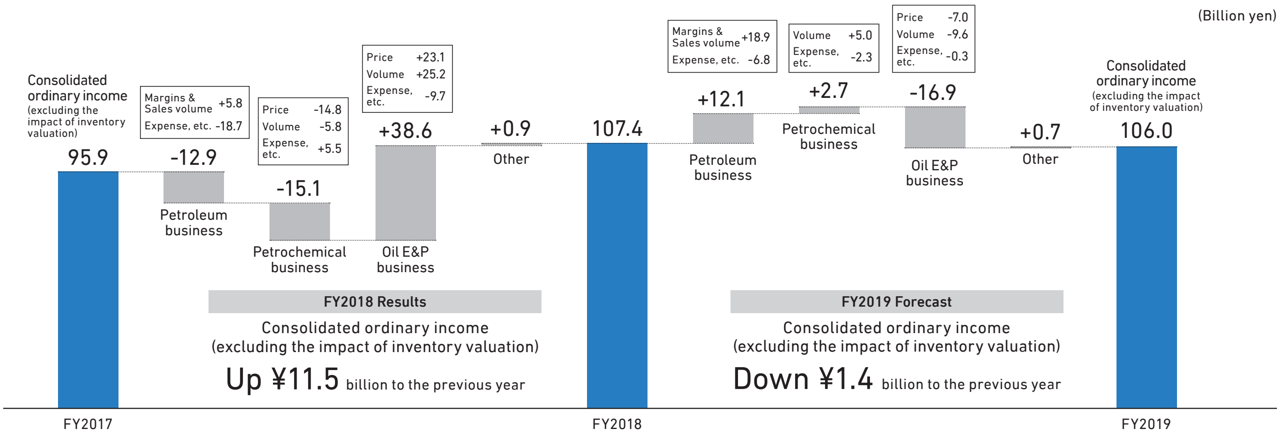
Forecast for FY2019

We forecast ordinary income of ¥111.0 billion and profit attributable to owners of parent of ¥60.0 billion (up ¥6.9 billion from FY2018). Ordinary income excluding the impact of inventory evaluation is expected to decrease by ¥1.4 billion to ¥106.0 billion. As for segment breakdown of ordinary income excluding the impact of inventory valuation, the Petroleum Business income is projected to increase by ¥12.1 billion to ¥37.0 billion, due to an increase in sales volume and elimination of the impact from partial trouble of equipment that occurred at refineries in FY2018. The Petrochemical Business income is also expected to increase by ¥2.7 billion ¥18.0 billion, contributed by a rise in the production volume at Maruzen Petrochemical Co., Ltd., assisted by the the absence of regular maintenance. The Oil E&P Business segment is expecting a decline in profit due to a controlled decrease in the production volume at the Hail Oil Field to secure the production volume on a long-term basis (see page 44 for the Hail Oil Field's controlled decrease in production volume). The Renewable Energy and Other Business segment is expected to increase profit by ¥0.7 billion to ¥11.0 billion, due to the start of operation of Watarai Wind Farm's Second Phase (Mie Prefecture; 22,000kW) and Himekami Wind Farm (Iwate Prefecture; 18,000kW).

Consolidated ordinary income (excluding the impact of inventory valuation)

(Billion yen)	FY2018	(Changes)	FY2019 Forecast	(Changes)
Net sales	2,770.4	247.3	2,913.0	142.6
Operating income	94.7	-17.2	109.0	14.3
Ordinary income	96.7	-20.2	111.0	14.3
Impact of inventory valuation	-10.7	-31.7	5.0	15.7
Ordinary income (excluding the impact ofinventory valuation)	107.4	11.5	106.0	-1.4
Petroleum	24.9	-12.9	37.0	12.1
Petrochemical	15.3	-15.1	18.0	2.7
Oil exploration and production	56.9	38.6	40.0	-16.9
Others	10.3	0.9	11.0	0.7
Profit (loss) attributable to owners of parent	53.1	-19.7	60.0	6.9
For reference				
Dubai crude oil price (US$ /barrel; April to March)	69	13	65	-4
Foreign exchange rate (¥/US$; April to March)	111	-	110	-1
Dubai crude oil price (US$ /barrel; Jan. to Dec.)	69	16	65	-4
Foreign exchange rate (¥/US$; Jan. to Dec.)	110	-2	110	-

Key Variable Factors				
(Billion yen)	FY2018 Results		FY2019 Forecast	
	(Changes)	Attributable Factors for Change	(Changes)	Attributable Factors for Change
Petroleum business	-12.9	While securing an appropriate margin based on the improvement in the domestic supply-demand balance, profit decreased chiefly due to regular maintenance at refineries, limited problems of equipment and the allowance of the cost for future regular maintenance at refineries.	+12.1	An increase in sales volume and eliminating the impact of limited problems of equipment that occurred in the previous year.
Petrochemical business	-15.1	Profit decreased mainly due to the downturn in market conditions and a decrease in sales volume caused by regular maintenance at a plant.	+2.7	A rise in the production volume at Maruzen Petrochemical Co., Ltd., assisted by the elimination of the impact of regular maintenance in the previous year.
Oil E&P business	+38.6	Profit increased due to an increase in oil production thanks to the commencement of the Hail Oil Field's full production.	-16.9	A controlled decrease in the production volume at the Hail Oil Field to secure the production volume on a long-term basis.



FY2018 Results

Outline of Consolidated Cash Flows and Consolidated Balance Sheet

Financial Position

In FY2018 we steadily improved the level of profit, which was evidenced by renewing our record-high in ordinary income excluding the impact of inventory valuation. We also improved 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. In FY2019 and onward we intend to securely benefit from profit opportunities and strive to achieve 1.0-1.5 times in the net D/E ratio, the goal of the current consolidated medium-term management plan.

Consolidated Cash Flows

(Billion yen)	FY2017	FY2018
Cash flows from operating activities (1)	192.6	90.5
Cash flows from investing activities (2)	-96.4	-84.5
Free cash flow (1+2)	96.2	6.0
Cash flows from financing activities	-76.8	-20.5
Cash and cash equivalents at end of the period	55.1	40.7

Consolidated Balance Sheet

(Billion yen)	FY2017 (As of Mar. 31, 2018)	FY2018 (As of Mar. 31, 2019)	Changes
Total Assets	1,688.3	1,702.3	14.0
Net assets	356.1	401.9	45.8
Net worth	238.7	281.1	42.4
Net worth ratio	14.1%	16.5%	Up 2.4 points
Net interest-bearing debt[1]	635.8	644.7	8.9
Net debt-to-equity ratio (times)[2]	2.25	1.98	Up 0.27 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 the ¥60 billion Hybrid Loan made on April 1, 2015 is included in Equity.