

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

FY2019 Results/FY2020 Forecast

Summary of Consolidated Profit

FY2019 Results

In FY2019, ordinary income decreased by ¥80.4 billion from FY2018 to ¥16.3 billion while net profit attributable to owners of the parent decreased by ¥81.3 billion to net loss attributable to owners of the parent of ¥28.2 billion. Actual ordinary income excluding the impact of inventory valuation decreased by ¥38.9 billion to ¥68.5 billion.

Concerning the segment breakdown of ordinary income, excluding the impact of inventory valuation, the Petroleum Business profit was ¥4.4 billion, down ¥20.5 billion from FY2018. The positive impact from the start of supply to Kygnus Sekiyu and the benefit from improved low-sulfur C heavy oil markets, associated with the tightening IMO regulations, were more than offset by a deteriorating margin from petroleum products, affected by the COVID-19 pandemic. The Petrochemical Business profit decreased by ¥10.1 billion from FY2018 to ¥5.2 billion, mainly due to deteriorating market conditions of petrochemical products, caused mainly by the U.S.-China trade friction. The Oil E&P Business profit also decreased by ¥11.9 billion from FY2018 to ¥45.0 billion, due to a controlled decrease in production volume at the Hail Oil Field and the decline in crude oil prices, despite an increase in production volume at the existing oil fields. The Renewable Energy and Other Business segment increased profit by ¥3.6 billion to ¥13.9 billion, contributed by the start of operation of Watarai

Wind Farm's Second Stage and Himekami Wind Farm, new sites constructed by Cosmo Eco Power.

Forecasts for FY2020

In FY2020, ordinary income is expected to be ¥30.0 billion, down ¥38.5 billion from FY2019, and profit attributable to owners of the parent will be ¥14.5 billion, up ¥42.7 billion from FY2019. No impact is expected on inventory valuation.

As for the segment breakdown of ordinary income, the Petroleum Business profit is expected to increase by ¥22.6 billion from FY2019 to ¥27.0 billion, mainly due to the elimination of the impact of the negative time lag on the margin from petroleum products that occurred in FY2019, an increase in supply to Kygnus Sekiyu, and the elimination of the impact from the issues that occurred at refineries in FY2019. The Petrochemical Business is expected to record a decrease in profit of ¥7.7 billion to a loss of ¥2.5 billion, mainly due to deteriorating market conditions and a decrease in sales volume at Maruzen Petrochemical, impacted by regular maintenance. The Oil E&P Business segment is expecting to see profit decline by ¥49.0 billion to a loss of ¥4.0 billion, due to the fall in crude oil prices caused by the COVID-19 pandemic. In the Renewable Energy and the Other Business segment, we are expecting profit of ¥9.5 billion, down ¥4.4 billion from FY2019, due to an increase in development expenses associated with Cosmo Eco Power's full-scale entry into the offshore power generation business.

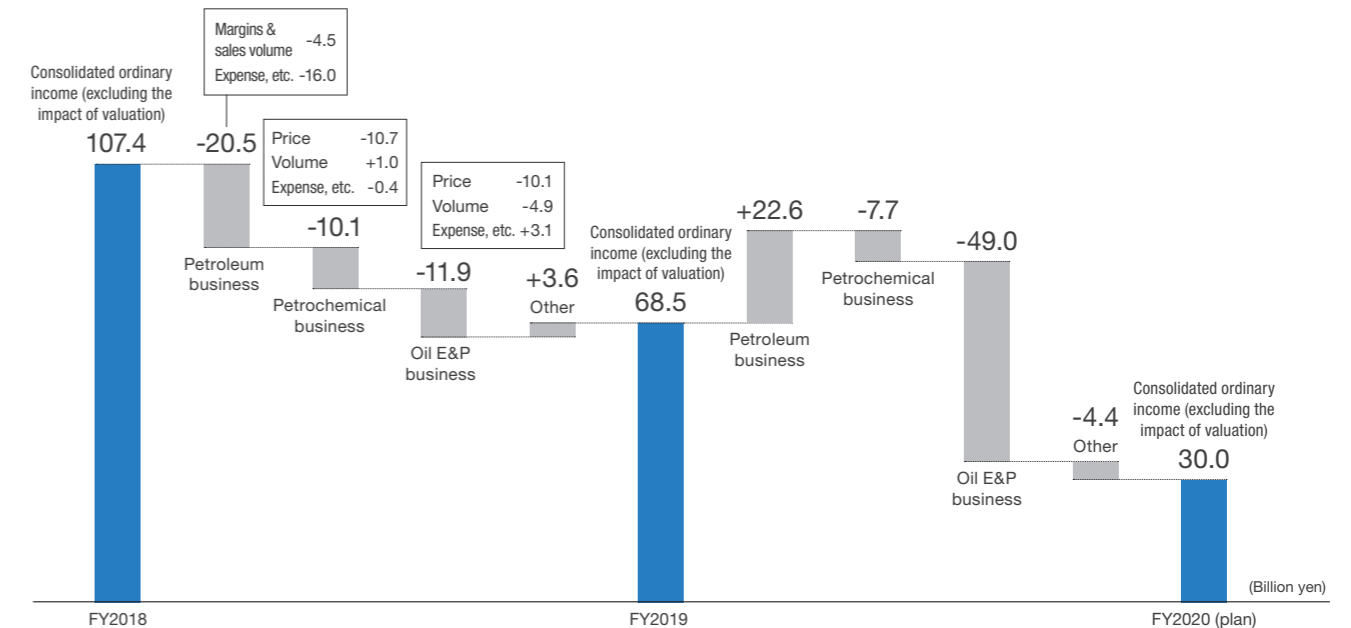
Outline of consolidated statement of income (YOY comparison)

(Billion yen)	FY2019	(Changes)	FY2020 Forecast	(Changes)
Net sales	2,738	-32.4	2,040	-698
Operating income	13.9	-80.8	34.5	20.6
Ordinary income	16.3	-80.4	30	13.7
Impact of inventory valuation	-52.2	-41.5	0	52.2
Ordinary income (excluding the impact of inventory valuation)	68.5	-38.9	30	-38.5
Petroleum	4.4	-20.5	27	22.6
Petrochemical	5.2	-10.1	-2.5	-7.7
Oil exploration and production	45	-11.9	-4	-49
Others	13.9	3.6	9.5	-4.4
Profit (loss) attributable to owners of the parent	-28.2	-81.3	14.5	42.7
For reference				
Dubai crude oil price (US\$/barrel, April to March)	60	-9	29	-31
Foreign exchange rate (¥/US\$, April to March)	109	-2	105	-4
Dubai crude oil price (US\$/barrel, Jan. to Dec.)	64	-5	31	-33
Foreign exchange rate (¥/US\$, Jan. to Dec.)	109	-1	106	-3

FY2019 Results

Consolidated ordinary income (excluding the impact of valuation)

Down **¥38.9 billion** from the previous year



* Details on variable factors of FY2020 forecast are not stated due to uncertain elements concerning the impact of the COVID-19 pandemic.

FY2019 Results

Outline of Consolidated Cash Flows and Consolidated Balance Sheet

Financial Position

In FY2019, the decline in crude oil prices led to the improvement in working balance, which contributed to the improvement in free cash flow. However, due to net loss attributable to owners of the parent, financial indicators, namely, net worth, the net worth ratio and the net D/E ratio deteriorated from the previous year. While we anticipate that the harsh business environment will continue in FY2020, we intend to generate free cash flow by taking measures such as the reviewing of investment projects and make sure to benefit from profit opportunities to improve our financial position.

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 ¥30 billion Hybrid Loan made on March 31, 2020, is included in Equity.

Consolidated Cash Flows

(Billion yen)	FY2018	FY2019
Cash flows from operating activities (1)	90.5	111.7
Cash flows from investing activities (2)	-84.5	-84.2
Free cash flow (1+2)	6.0	27.5
Cash flows from financing activities	-20.5	-24.7
Cash and cash equivalents at end of the period	40.7	43.3

Consolidated Balance Sheet

(Billion yen)	FY2018 (As of Mar. 31, 2019)	FY2019 (As of Mar. 31, 2020)	Changes
Total Assets	1,702.3	1,639.8	-62.5
Net assets	401.9	362.8	-39.1
Net worth	281.1	239.8	-41.3
Net worth ratio	16.5%	14.6%	-1.9points
Net interest-bearing debt ¹	644.7	628.3	-16.4
Net debt-to-equity ratio (times) ²	1.98	2.41	Down 0.43 points