◆ Cosmo Energy Holdings (5021)

Second Quarter of Fiscal 2021 - 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: November 10, 2021 (Wed) 1:00 p.m. - 2:00 p.m.
2. Attendees: 90 persons
3. Main questions and answers:

Q1: Am I correct in understanding that you plan to increase dividends per share because you think that steady progress has been made in a range of measures to improve financial conditions, despite risks such as oil price fluctuations? Looking ahead to the final year of the medium-term management plan, are you considering any additional shareholder return program?

A1: We said previously that more emphasis would be put on shareholder return programs such as dividends, if the net worth rose to 400 billion yen. We have decided the dividend increase plan to deliver on the promise. Profitability is affected significantly by oil price fluctuations. Still, we are confident that profits will be consistently generated, regardless of the impact of such fluctuations.

So far, we have been giving priority to improving financial conditions. When the Net D/E ratio, which is a KPI of financial conditions, fell below two, we increased the dividend per share from 50 yen to 80 yen. Now, with the financial targets of the medium-term management plan expected to be met, we have decided to increase it from 80 yen to 100 yen. Having said that, we know that the Company's financial conditions are not yet sound enough. Moving ahead, we will work on both improving financial conditions and offering higher shareholder returns, and in doing so, will place more emphasis on shareholder returns.

Q2: How do you assess the sale of shares carried out by large shareholders recently? Please tell us whether or not the capital relationship will be maintained and what action should be taken going forward?

A2: We will refrain from providing an answer because we are not in a position to make comments on shareholders.

Q3: What is your view on risk factors with respect to offshore wind power such as the downward pressure on bid prices due to intensifying competition?

A3: We should deal with it through cost reductions to make sure that a certain level of profitability is secured.

That said, with evaluations on qualitative items making an important share according to the current tender rules, we think that we have some advantages over many rivals. At this time, we are expecting the tender for the project off the coast of Yurihonjo. It will be decided by the end of the year.

Q4: Please describe why you have decided to share information on the newly disclosed onshore wind site and whether or not there will be any changes in profit targets for 2030.

A4: We have been steadily facilitating the onshore wind power business. It can be developed in a sure-footed way because the number of competitors is fewer than that of offshore wind power.

We have decided to make this new disclosure because we succeeded in acquiring the FIT for the project that we have been working on.

There is no change in profit targets for 2030. In fact, we are expecting to exceed them slightly if we can win the tender.

Q5: Am I correct in assuming that the full-year ordinary profit forecast of 52 billion yen excluding the impact of inventory valuation is realistic value?

A5: Our thinking is that our revenue structure changed drastically after we took the short position strategy in which sales surpass the amount of supply. To address the deterioration of profitability due to the gradually declining oil demand, we reduced the ratio of fixed expenses by increasing sales volume and lowered the breakeven point. As a result, we made a significant improvement in price competitiveness. Having said that, with crude oil prices continuing to rise in the current fiscal year, profits positively reflect time lag factors, and therefore are slightly larger from the perspective of realistic value.

Q6: Please tell what you discussed to conclude a rise in dividend per share to 100 yen? Also, please describe any trigger factors and objectives with respect to the next shareholder return program.

A6: We have decided on 100 yen because it is within the scope of stable dividend payments. We recognize that it is lower than the average from the perspective of payout ratios. That said, we have to keep in mind the need to reinforce our financial structure. With the current medium-term management plan to be completed in the next fiscal year, we will consider a dividend policy together with an investment policy in the next medium-term management plan.

Q7: Please describe the level of margins for the four major products for the first half and full year. Also, please describe the impact of time lag factors.

A7: Margins for the four major products increased 1.2 yen per liter. We think that contributing factors included those equivalent to an increase in the cost of refinery fuel due to crude oil price rises, to some extent.

We expect that the above level, calculated excluding the impact of time lag factors, will decline slightly on a full-year basis from the first half level.

Q8: Please provide an update on a recovery from the Qatar Petroleum Development-related trouble and describe to what extent that recovery is incorporated in the FY2021 forecasts.

A8: There is basically no change from the situation in the first quarter. Some facilities recovered but other problems such as power failures occurred at other facilities. Consequently, the well was shut down again. We still have no idea when it will recover fully. We will continue to work on measures to ensure the recovery of production.

Q9: Am I correct in assuming that a dividend per share of 100 yen as a result of the divided increase is the minimum dividend, going forward?

A9: We consider that we will be able to continue to pay 100 yen per share at this point while also giving priority to stable payments.

We think that net profit for the realistic value is 40.0 to 50.0 billion yen excluding the impact of crude oil prices. This means that the payout ratio is at the 20% level, which we will be able to maintain.

Q10: It appears that no profit will be posted for the second half in the Petrochemical. Please describe contributing factors.

A10: This mainly reflects a decrease in the volume of sales due to regular repairs expected to be implemented by Maruzen Petrochemical Co., Ltd. in the fourth quarter and an increase in fixed expenses. Our forecast has become conservative due to other factors as well; for example, the market conditions of aromatic and benzene products, which have been weak recently. It appears to be improving significantly from the first half of the previous year due to special factors such as the impact of the postponed receipt of naphtha which existed in the previous fiscal year. However, we anticipate that conditions will remain tough, realistically.

Q11: Are you considering appointing a lead independent outside director due to the revision of the corporate governance code?

A11: We will consider it, going forward. Presently, different outside directors serve as the chairman of the Nomination and Remuneration Advisory Committee and chairman of the Audit and Supervisory Committee, respectively.

End

These statements include assumptions and judgments that are based on information currently available to us.