

◆ Cosmo Energy Holdings (5021)

Third 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 : Thursday, February 10, 2022, 6 p.m. to 7 p.m.
2. Attendees : 75 persons
3. Main questions and answers:

Q1: Please provide the factors in your full-year results forecasts that are assumed to be temporary.

A1: There are positive time lags for margin improvement in the Petroleum Business caused by crude oil price increases. We view them as temporary. Of the margin increase of 15.1 billion yen from the previous forecast, 9.2 billion yen for the four major products resulted from effects produced by positive time lags. We estimate the effects of the time lags on full-year results to be around 1.0 yen per liter.

Q2: Profits for the Petroleum Business excluding the effects of inventory valuation in the third quarter seem substantial. Could you tell us the main causes of this result?

A2: We think the main causes were a rise in the volume of kerosene sold due to seasonal factors from October to December and an improvement in overseas market conditions for products other than the four major ones.

Q3: The Petrochemical Business is predicted to fall into the red in the fourth quarter. Please tell us whether the prediction is based on market factors or not.

A3: We are planning to conduct regular maintenance in the fourth quarter. We expect sales volumes to decrease and repair expenses to increase as a result. We also anticipate that market conditions will weaken a little.

Q4: Tell us your margin assumptions for the Petroleum Business in the fourth quarter.

A4: We revised our margin forecasts for the four major products based on the estimated crude oil price of 85 U.S. dollars in February and March. We are taking a somewhat conservative view of other products. Market margin levels are a little higher than our estimates at present.

Q5: Tell us specifically how you will review tender strategies for offshore wind power projects in the future. Please also tell us whether or not you have discussed resource redistribution to onshore and offshore projects based on results for the Offshore Yurihonjo-shi Project.

A5: We are analyzing the contract price in this tender case, including the Offshore Yurihonjo-shi Wind Power Plant, now. We have not learned the details yet. As future strategies, we are considering ideas, including the reduction of construction cost through consortium reconsideration and other initiatives, a review of O&M expenses, and changes in the way green values including those of our customers are reflected in bidding prices. Regarding onshore wind power projects, we will steadily advance our current initiatives, including non-firm connections.

Q6: I understand you expect to achieve the targets set out in your medium-term management plan ahead of schedule this fiscal year. Tell us if there is a possibility that you will announce the next medium-term plan ahead of schedule.

A6: We said we expect to achieve the targets one year ahead of schedule, but we think we are still halfway through. There are still many unknowns, including when crude oil prices will drop and how long the effects of COVID-19 will continue. Under those conditions, we have not discussed the possibility of announcing the next medium-term management plan ahead of schedule. However, how to allocate management resources, including their return to shareholders, will be a main focus of our discussions going forward because conditions have been extremely favorable recently.

Q7: Please tell us the degree to which you have capitalized anticipatory expenses for offshore wind power development. Also, could you say whether or not anticipatory expenses will shrink in the short term in reaction to tender results for the Offshore Yurihonjo-shi Project?

A7: We cannot offer a specific figure for the capitalization of anticipatory expenses. But their capitalization has not yet reached a large sum. We have not changed our initial forecast for anticipatory expenses in the future because the amount of such expenses for the Offshore Yurihonjo-shi Project was limited, given that we were not the consortium leader and anticipatory expenses for the Offshore Northwest of Aomori Project, in which we act as the consortium leader, will be generated on a full scale from this point on.

Q8: I assume ordinary profit is around 115 billion yen to 120 billion yen on a realistic basis. Can you describe your earnings strength at the present point?

A8: Allow us to limit our answer to the Petroleum Business, because crude oil prices substantially affect our results on a consolidated basis. Our ordinary profit is expected to fall by about 15 billion yen in the next fiscal year under the effects of time lags that emerged in the current fiscal

year. However, JET fuel demand recovery will offset the fall to a certain extent. We also expect to keep operations at the same high level as this fiscal year because no regular maintenance is planned for the next fiscal year.

Q9: Tell us about your approach to shareholder returns through dividends.

A9: Basically, we will consider how to allocate cash flows in our next medium-term management plan.

We think the next-medium term management plan will be the new stage for our shareholder returns. But we must also think about the next fiscal year, which will be a bridge period.

On the one hand, our financial situation has improved. But our credit rating remains BBB. For that reason, we must be careful in the area of shareholder returns, too.

Q10: Please provide the results of your response to IMO regulations under the impact of COVID-19, which was not initially assumed.

A10: Initially, we assumed the spread would expand to about 30 U.S. dollars. The spread has become fluid and shifted in the general range of 20 U.S. dollars to 25 U.S. dollars recently. The effects decreased from our initial projection. But we think our response generated effects of a certain scale.

Q11: Tell us whether gasoline subsidies affect your cash flows or not.

A11: We don't think they have any effect on our cash flows.

Q12: Please explain the conditions surrounding the trouble in your oil development project in Qatar.

Also, please update us on the Hail Oil Field, if anything new has happened there.

A12: There has been no change in the conditions regarding the trouble on a full-year basis. We are steadily advancing water flooding work at the Hail Oil Field, aiming to start hydraulic injections there in December 2022.

End

This Q&A contains forward-looking statements about the plans, strategies and performance of Cosmo Energy Group. These statements are based on forecasts we produced by assessing information currently available to us. These statements include assumptions and judgments that are based on information currently available to us.