◆ Cosmo Energy Holdings (Stock code: 5021)
First Quarter of Fiscal 2022 - 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 : Wednesday, August 10, 2022, 18:00 to 19:00 (JST)
2. Attendees : 75 persons
3. Main questions and answers :

Q1: Regarding the Q1 results, which you described as steady, please tell us how favorable ordinary profit excluding the impact of inventory valuation was in comparison with the Company's plan, including contributing factors. Furthermore, please give us your view on trends in market prices since July.

A1: In Q1, the petroleum business showed an upward trend in earnings, mainly benefiting from margin factors.

Margins for unit prices of the four major products rose more than 5.8 yen per liter from the plan. In addition, earnings from products other than the four major products, especially JET and LSC heavy oil, also remained strong. As a result, margins were up approximately 30.0 billion yen overall from the plan.

Meanwhile, there was a downtick of somewhere around more than 10.0 billion yen mainly due to the posting of a provision for periodic repairs and impact of the yen depreciation, as well as higher-than-projected expenses including energy costs for LNG and electricity in particular. The net upswing reflecting these factors came to more than 15.0 billion yen.

With respect to market prices since July, we expect that favorable conditions will continue in Japan due to stable margins.

Overseas, with operating rates at competitors' refineries reported to be rising both in Japan and abroad, market prices are being stabilized accordingly. It is difficult to expect market prices are balanced at what level, we expect that it will calm down moderately to levels prior to the outbreak of COVID-19.

Q2: As you mentioned that energy costs increased more than expected in the petroleum business, please give us some supplementary information with respect to the use of LNG.

In addition, please tell us the possibility for a downswing in full-year forecasts if the current level of LNG prices continue.

A2: We use LNG for heating furnaces and power generators at our refineries. Given uncertainty over trends in the prices of LNG and electricity, we should continue paying attention to their impact going forward.

Q3: Overseas market prices are being stabilized in July to August. Even so, are you considering that they are still higher than your projection?

A3: They are still high compared with our projection.

Q4: With respect to the impact of overseas market prices rises in April to June, please tell us whether or not you benefitted from such increases despite the short position.

A4: With our extra production capacity less than that of other companies due to the short position, we did not benefit from market price rises compared with other companies. Even so, higher overseas market prices have a positive impact on JET and LSC heavy oil. Incidentally, we export some of our diesel fuel as well. In addition, in response to the IMO regulations, we have been enhancing the supply capacity of LSC heavy oil.

Q5: Regarding the recently disclosed notice of change in major shareholders, please explain the background to your cancelation on the following day.

A5: We considered major shareholders as co-shareholders collectively at the beginning, and disclosed a notice of change in major shareholders because the ratio of major shareholders exceeded a certain ratio. However, there were cases in which major shareholders were counted individually instead of collectively. As a result of reviewing such cases, we have decided that the notice should be cancelled.

Q6: In Q1, the CDU operating ratio decreased approximately 4% year on year on a streaming day basis. Please tell us the reason and describe any impacts on profit.

A6: The CDU operating ratio stood at 95.9% on a streaming day basis, which was attributable to the troubles that occurred at Chiba Refinery.
In terms of impacts, the decline resulted in an approximately 3.0 billion yen decrease in profit.

Q7: The production volume fell slightly in the Oil E&P Business. Please elaborate on the situation.

A7: The volume stood at 99.4% of the year-ago level, or basically remained almost flat. This reflected the impact of a two-week suspension of production due to the replacement of pipes carried out by United Petroleum Co., Ltd. in January. It increased from the year-ago level at Abu Dhabi Oil Co., Ltd. and Qatar Petroleum Development Co., Ltd.

Q8: You said that the Petroleum Business beat the plan by approximately 15.0 billion yen, please tell us about the impact of time lag factors in monetary terms?

A8: An increase of approximately 10.0 billion yen from the plan.

Q9: Regarding your statement about the use of LNG at your refineries, is it correct to understand that LNG is used at all of your refineries?

A9: Among the three refineries we operate, Sakai Refinery and Yokkaichi Refinery use LNG. Sakai Refinery uses LNG as a supplementary fuel for the heating furnace because use of heavy oil is not allowed due to environmental regulations.

Q10: Please describe your approach with respect to initiatives for the expansion of clean energy from the perspectives of the scale of profits and timelines.

A10: In regards of promoting the use of SAF, we view the introduction as inevitable, taking into consideration IATA's regulations and action taken by domestic airlines. It is difficult to discuss the scale of profits, however, we will promote as next-generation energy that will be essential in the future. Regarding hydrogen and ammonia, we are still in the process of conducting validation projects. So we expect that the commercialization of fuels based on such substances will occur a little bit later than that of SAF.

With regard to the promotion of clean energy, we have been working on renewable energy-based power generation in anticipation of monetization through the introduction of FIP and PPA in the future. With this in mind, we have been promoting Cosmo Zero Carbon Solutions, a package product of EV and green electricity.

Q11: Please tell us about the progress in the Petrochemical Business in Q1 in comparison with the plan.

A11: Progress was almost in line with the plan, reflecting an uptick of a little over 1.0 billion yen due to price factors in particular.

Q12: Please tell us about your policy for shareholder returns based on the assumption that results will continue to beat full-year forecast levels.

A12: As already announced, our current policy is returning 50% of net profit excluding the impact of inventory valuation. We will announce our policy on shareholder returns for FY2023 and beyond when we present the next medium-term management plan.

End