◆ Cosmo Energy Holdings (Securities code: 5021)
Q2 FY2023 Financial Results Briefing for Analysts and Institutional Investors Q/A

*This document contains forward-looking statements. Disclaimer is provided at the end of the document.

1. Date and time : Wednesday, November 8, 2023 18:30 to 19:15 (JST)
2. Attendees : 83 persons
3. Main question content:

Q1: The Company has raised the dividend per share from ¥250 to ¥300, but I would like to ask about its sustainability.
The current increase is considered to be carried out within the total payout ratio of 60% in the 7th Medium-term Management Plan (hereinafter “7th MTMP”). However, if there is no significant deterioration in results, is the Company looking to be sustainable at ¥300 in the next fiscal year and beyond?
Or does it have a temporary implication as a more convenient means than stock acquisition in this year's shareholder return?
A1: Over 60% of the total payout ratio is our commitment, and this increase is within the commitment. This time, the Company has not changed the lower limit of the dividend of ¥250, but in light of future performance trends, we will continue to consider whether the lower limit can be set at ¥300.

Q2: From the perspective of financial health, the Net D/E ratio is below the target in the 7th MTMP, and Net worth is expected to reach the ¥580.0 billion level in the current fiscal year. Depending on crude oil prices and exchange rates, it is likely that the Company will achieve the 7th MTMP target of ¥600.0 billion.
Under the 7th MTMP, the Company will, in principle, provide additional returns when financial health reaches its target value.
If the Net D/E ratio and Net worth targets are achieved, will additional returns be in sight from the next fiscal year onward?
A2: As explained at the briefing session on the 7th MTMP, our policy is to return to shareholders the excess of ¥600.0 billion in Net worth. However, we would like you to understand that the period is a cumulative three-years.

Q3: The Petrochemical Business posted a loss this time due to severe market conditions. I think the external environment is difficult to anticipate, but are there drastic measures to improve the balance for the next fiscal year or later? I would like to ask about your awareness of the current business environment and the improvement measures for the next fiscal year and beyond.
A3: Demand is sluggish due to the worsening global economy, particularly in China. On the supply side, new plants are being launched as planned in China, and supply and demand are deteriorating significantly. As a result, the market is stagnant more than expected, and the market is not easily improving in the short term.
However, the Keiyo Industrial Complex including Maruzen Petrochemical which is our subsidiary is quite competitive in Japan. Maruzen Petrochemical’s sales ratio to domestic users is high, so the impact of the deteriorating market conditions has been restrained in relative terms.
However, we are not so optimistic as there is no change to the fact that the business environment is harsh, so it is necessary to consider various initiatives to strengthen competitiveness. As part of these efforts, as stated in the 7th MTMP, we will steadily increase the ratio of chemical products and specialty chemicals by reducing the sales ratio of basic chemicals.

Q4: Regarding to improving the margins of the four main products, it was a profit driver in the first half of the year and has a large impact on the revision range for the full year, so please let us know the background. Furthermore, please explain the time lag effect as well as the improvement of the substantial margin.
A4: Margins on four main products improved by ¥2.3 per litter YoY including ¥0.7 per litter of a time lag. Real margin improvement is by ¥1.6 per litter. The revised full-year earnings forecast improved by ¥1.7 per litter compared to the previous announcement in May. Of this, a time lag of ¥0.4 per litter has been factored in, and it is expected to improve by ¥1.3 per litter in real terms. Furthermore, the difference from the previous year for the full year is a total improvement of ¥2.8 per litter, within

which the time lag is a little more than ¥1.0 per litter, and the real margin improvement is about ¥1.5 per litter.

Q5: Please tell us how you think about the background of improvement of the real margins.
A5: On pricing of four main products, we calculate the costs on our own taking into account the trends of leading companies, etc. We believe that the domestic market is formed by considering cost increases.

Q6: Could you tell me a little more about the refinery trouble? The figure is ¥10.1 billion for the first half and ¥18.7 billion for the full fiscal year. Will problems still be affected in the second half?
A6: Some of the impact will remain in the second half of the financial year. There were troubles in Yokkaichi and Sakai refinery, and although none of them was serious, the market conditions had been sometimes good, so the impact of trouble was relatively inflated. In addition, there was no large turnaround last year, on the other hand we originally plan turnaround this year. When the refinery equipment is shut down and resumed, there is most time difficulties in starting up the equipment.

Q7: What are your thoughts on the sustainability of the revised ¥300 per share dividend and your thoughts on the dividend level?
The Company has revised net profit excluding the impact of inventory valuation upwards to ¥62.0 billion, and on this basis, earnings per share (EPS) would be around ¥700. If the Company tries to achieve a total payout ratio of at least 60% by paying a dividend alone, the dividend per share will exceed ¥400. Does this mean that the level has been slightly restrained in the current fiscal year in the expectation that the dividend of ¥300, which has been reviewed this time, will be continued in the next financial year and beyond?
Also, at the stage when it is clear that the Company will achieve its current earnings forecasts, can we expect the level of dividends to be raised further in order to bring the total payout ratio closer to 60%?
A7: First of all, the total payout ratio of over 60% is a commitment, and we have previously stated that we would like to realize it at an early stage. Increment of dividend of this time is in line with its policy.
Within the energy industry, we are proactive in returning profits to shareholders. On the other hand, as can be seen from the Petrochemical Business, there is some volatility in results, so we would like to make a judgment regarding further returns based on an outlook.

Q8：At the Extraordinary Shareholder Meeting scheduled in December, we would like to reorganize the idea of the adoption of the ordinary resolutions.
At the Ordinary General Meeting of Shareholders in June, the proportions of the No.5 proposals adopting Majority of Minority (MoM) were about 60%, so it seems that there were more objection votes if the ordinary resolutions were adopted.
If an ordinary resolution is adopted at the Extraordinary General Meeting of Shareholders in December, there appears to be a risk that the Company's proposal will be rejected if there is no change in the shareholder composition from June. I would like to know the Company's approach to this.
Is it expected that more shareholders will be agreed with the proposal, or that more will be agreed with the proposal after a half-year effort up to December, or will the number of affiliates increase for another reason?
A8: MoM Resolution was adopted at the Ordinary General Meeting of Shareholders on the assumption that there was no concrete explanation from the major shareholder, and there is a possibility of coercion from the major shareholder.
Although we are aware that there is some opinion that there is a risk of being rejected by a ordinary resolutions in the calculation, the prerequisites are different. At the time of the Ordinary General Meeting of Shareholders, we recognize that a certain number of shareholders were dissented due to adopting MoM resolution. So we believe that the Extraordinary General Meeting of Shareholders will be held on the premise that this differs from the time of the Ordinary General Meeting of Shareholders.

Q9: In “New Field profit expansion”, please let us know the points that you would like to emphasize.
A9: “New Field” at this point is difficult to anticipate and there are some hurdles for monetization. Wind power generation, a previous initiative, is considered as one source of revenue. We also expect to produce domestically produced SAF at an early stage. While CCS and CCU are too early to talk

about revenue, we believe they are positioned to show the initiatives from the consideration stage as we have partners to collaborate with.

Q10: There are various discussions about ethylene crackers and reorganization in the petrochemical field, but what do you think about them?

A10: There are various reports in the press, etc., and we do not deny them. Since petrochemicals field have a strong complex color, we are discussing how to improve the competitiveness of petrochemicals within the Company, including their head gymnastics. We believe that the drive must be applied from now on.

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