

◆ Cosmo Energy Holdings (Securities code: 5021)  
Q1 FY2024 Financial Results Briefing for Analysts and Institutional Investors Q/A

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\*This document contains forward-looking statements. Cautionary statements are provided at the end of the report.

1. Date and time : Friday, August 9, 2024 18:30 to 19:20 (JST)
2. Attendees : 60 persons
3. Major Questions :

Q1: Q1 results are steady and exceeding the company's forecasts and I assume that comes from mainly Petroleum business. Please tell us the details including figures and backgrounds by each segment.

A1: Petroleum business is performing strong, and others are on par with forecasts announced in May, 2024. In the Petroleum business, the margin for four main products were +¥2.2 per liter compared with the forecast announced in May. With more analysis, the time lag was +¥1.1 per liter and the actual margin improvement was +¥1.1 per liter. The actual improvement was accompanied by a rise in prices, and the margin level has risen further since the 2H of FY2023.

Q2: Please tell us why you did not participate in the third round of the offshore wind tender which I imagine you have been involved in many years. Although disappointing in some respects, can we take this as a positive sign, as I imagine the decision was taken after assessing the profitability? It may be the period of the next medium-term management plan, but I think it means that no major investments will occur, including in the second and the third bidding round. Will you have a plan to change your approach to the allocation of cash.

A2: We cannot mention the individual sea areas complied with the guidelines for public call and guidance from authorities. In addition to selling electricity prices both uprising costs from inflation and interest rates, we judged that offshore wind power profitability doesn't meet our requirement at this moment and decided not to bid.

However, we will not withdraw from offshore wind power generation business, and will continue to make judgments with assessing economic efficiency. There is no plan to change the medium-term management plan at this moment.

Q3: We would like to confirm again that "Net worth of over ¥600.0 billion will be returned to shareholders in an additional amount." I think that this policy does not change during the current medium-term management plan period, but what about it from a long-term perspective? From the next medium-term management plan onward, you will rethink that?

A3: Net worth of ¥600.0 billion was calculated based on business assets/risks in the current medium-term management plan. The next medium-term management plan will be examined from now on, but if there is a significant change in the business portfolio or in the risks, a review should be made in necessary net worth.

Q4: Under the current medium-term management plan, the Company's policy on returning profits is to return profits to shareholders in principle more than ¥600.0 billion in net worth.

Regarding the current situation, which is in excess of ¥600.0 billion at the end of Q1 FY2024, what is your thoughts on timing of additional shareholder returns? We would like to ask you whether if we can't expect additional returns until we can see the end of the fiscal year or if there is any possibility of additional returns at an early stage.

A4: We would like to realize early returns. However, it is still Q1, and we continue to consider the timing.

Q5: You did not participate the tender and reported an extraordinary loss related this matter. To the extent possible, we would like to ask how much of it is currently capitalized as offshore wind.

A5: There are no other assets which leads additional loss other than reported in Q1.

Q6: As for offshore wind power, the remaining three projects remain in the materials. What points are bottlenecks in the project process? Is it a situation required where non-fossil value is more assessed, or is it cost to commensurate the economy?

A6: Both of selling price including non-fossil value and costs may be bottleneck for economy.

Q7: How do you expect margins to be performed onwards?

A7: Margins have been relatively good since around the 2H of last fiscal year. There may be concern about whether the subsidy to be eliminated, but I think that a certain level of margin can be secured onwards considering the current situation.

Q8: Looking at the CDU operating ratio, it seems that there were some troubles. Although there was no reference in your presentation. Could you give us more explanation to it?

A8: Although we're not completely satisfied, SD operating ratio was 97% which is high as shown in the materials. In the meantime, CD operating ratios was 75% which is lower, although it was due to regular turnaround in Chiba refinery but not troubles.

Q9: Regarding sales of green electricity, we understand that strategy of offshore wind power will be reviewed, while onshore wind power will be expanded by using the corporate PPA. I would like to ask the background of PPA whether the profitability of onshore wind has been improved to a certain extent through cost-cutting or, non-fossil value, or both.

A9: Originally, we sell onshore wind power with FIT, but profitability of corporate PPA can be expected to exceed FIT as non-fossil value is added. In addition, the contract will be guaranteed for twenty years which leads to stable earnings. It has an economic advantage, so we are actively expanding this type of contract form.

Q10: How will you control the risk of changes in sales volume as I imagine customer require stable supply while wind conditions are unstable?

A10: We will refrain from providing detailed information on individual contracts. However, we proceed in consultation with each customer.

Q11: The ROIC target at the end of the 7th Mid-Term Management Plan is 6%. Please tell us ROIC of each segment compared with 6%. Does the ROIC of corporate PPA for green electricity exceed 6%?

A11: The consolidated ROIC for FY2023 was 7.6%. We have already begun monitoring and reviewing again invested capital in addition to enhancing profitability by segment within the Company in order to improve capital efficiency. We will continue to consider disclosure by segment. For your question whether ROIC corporate PPA is over 6% or not, we cannot disclose the details, however it is no doubt that corporate PPA is better than in FIT case.

Q12: Please tell us about alliance with Iwatani Corporation. What is the timeline and extent of synergy?

A12: We concluded a capital and business alliance in April 2024 with Iwatani Corporation. Iwatani and the Company are identifying potential synergy projects and are examining in detail those that are likely to be highly probable. We would like to realize at least one project in FY2024. As there are many projects starting from feasible study, it is difficult to answer at this point whether synergies will emerge immediately from FY2025. We would like to proceed as early as possible.

Q13: I recognize one of the CDUs at Chiba refinery had been shut down in Q2, what is the earnings impact Q2 onwards?

A13: As reported, the start-up from scheduled turnaround at Chiba Refinery was slightly delayed, but all the reasons have been resolved and is currently in normal operation. Therefore, we do not expect it to have a significant impact on Q2 onwards.

Q14: Please tell us absolute number of the time lag in the margins for four main products.

A14: Time lag is ¥1.7 for FY2024 and -¥0.7 for FY2023. Therefore +¥2.5 (including fractions) year on year.

Q15: What is the background of remaining your forecasts of FY2024?

A15: Q1 results have exceeded the Company's forecast. Main reason is in the Petroleum business, and mainly due to a margin difference of ¥+2.2 per litter from the previous announcement. Of this, the time lag is ¥+1.1 per litter, but this could change depending on crude oil prices, which is why we left unchanged our full year forecast. There is no particular cause for concern.

End

This document and the information contained herein contain forward-looking statements about our plans, strategies and performance. These statements reflect forward-looking statements based on information currently available to the Company. As a result, actual results may differ materially from the information described and included herein due to a variety of external factors.