◆ Cosmo Energy Holdings Co., Ltd. (Securities Code: 5021)
3Q FY2025 Financial Results Briefing for Analysts and Institutional Investors Q&A

-This document contains forward-looking statements. A disclaimer is provided at the end of the report -

1. Date and Time: Friday, February 6, 2026 17:00 to 18:00 (JST)
2. Attendees: 81 persons
3. Major Questions:

Q1: I understand that the earnings forecast remains unchanged and progress through the third quarter is in line. However, looking at segments, Petrochemical Business continues to face challenges, and the Petroleum Business also appears weaker than planned. Could you explain the reasons for this?
A1: The petrochemical market remains depressed, with product spread continuing to be sluggish even after summer. For the petroleum business, the margin for refined products narrowed in the third quarter, particularly from November to December. This was due to market softening as price declines were anticipated following the phased expansion of subsidies under the temporary tax rate adjustment measures. This led to widespread efforts to avoid holding high-cost inventory. However, we believe the market showed signs of recovery from January to February.

Q2: Can we understand that the narrowing of the four-product margin in the third quarter was due to temporary factors and will not affect the margin assumptions in the next medium-term management plan (MTMP)? Also, while we understand the basic capital policy remains unchanged, please share your current thinking on the level of net worth and the ROE target.
A2: Regarding the margin for the four main products, we agree with your point. The fundamental policy for capital will not change significantly. We are continuing to review the level of net worth and discussing how to present it in the next MTMP. Regarding ROE, while earnings over the past three years have exceeded plans, we are considering how much improvement in profitability can be factored into the ROE target, taking into account the current inflation and rising interest rates.

Q3: Regarding the ¥25.0 billion share buyback program announced this time, it was disclosed that ¥21.0 billion will be used for ToSTNeT-3, off-floor trading on Tokyo Stock Exchange. Could you explain the rationale behind this amount?
A3: The amount was set with the understanding that there are some shareholders who are willing to sell.

Q4: Please explain the background for maintaining the full-year earnings forecast. Considering progress as of the third quarter, achieving it appears challenging. What is your outlook?
A4: Currently, both crude oil prices and exchange rates exhibit high volatility. Even excluding impact of inventory valuation, factors like the time lag in petroleum product margins could be impacted by market conditions. However, considering that the margin environment for the four main products from October to December was temporarily negatively impacted by the provisional tax rate, we believe the full-year earnings forecast is fully achievable once that impact subsides.

Q5: Looking ahead to next fiscal year's performance, please share any factors you anticipate will contribute to profit growth compared to this fiscal year.

A5: In the Petroleum Business, we aim to further reduce refinery troubles. Additionally, since we anticipate a negative time lag in margins this period, its resolution would be a profit growth factor. In the petrochemical business, we expect some effects from business structure improvements starting next fiscal year. We are reviewing the next MTMP's earnings projections while considering these factors.

Q6: Please explain the relationship between the narrowing of the margin for the four main products and the abolition of the provisional tax rate. Also, since the recovery since January appears sluggish, I would like to confirm your thinking on this.

A6: The background is that the phased price reductions through subsidies reinforced expectations of lower prices ahead, temporarily easing market supply and demand. While the recovery for January as a whole was limited, we recognize signs of improvement emerging from late January through February.

Q7: Regarding the progress of the business alliance with Iwatani Corporation, I understand discussions continue to proceed smoothly, but I would like to confirm this for the record.

A7: We are advancing discussions through regular steering committee meetings attended by both companies' presidents. Specifically, we are exploring supply chain development utilizing the Chiba Refinery assets and advancing plans for hydrogen stations for trucks.

Q8: While we have passed on the impact of inflation and rising interest rates to product margins, we are concerned that the abolition of the provisional tax rate may change the tide. Additionally, I would like to confirm the risk that rising material costs due to inflation could worsen the profitability of onshore wind power investments, potentially leading to the abandonment of plans.

A8: We will continue to pass on margins while focusing on reducing indirect costs using new methods such as AI. Regarding onshore wind, while we need to scrutinize projects more rigorously given soaring material costs, we will also factor in the environmental value included in feed-in tariff prices when making investment decisions.

Q9: Among the factors affecting the margin for the four main products from October to December, please explain the impact of a time lag.

A9: The decline in crude oil prices from second quarter to third quarter resulted in a time lag impact of - ¥2.2/L.

Q10: You announced a ¥25.0 billion share buyback this time. What discussions are taking place internally regarding the balance between dividend increases and share buybacks?

A10: Our dividend policy sets a minimum dividend level, but we implement increases after determining a sustainable level. This time, similar to the previous fiscal year, we achieved a 60% return on single-year earnings through a flexible share buyback. Regarding future plans, we are currently discussing them within the context of preparations for the next MTMP.

Q11: Please tell us the timing for announcing the next MTMP.

A11: We plan to announce it on March 24.

Q12: For FY2025, ordinary income excluding impact of inventory valuation was ¥165.0 billion, in line with the current MTMP's target. However, net income excluding impact of inventory valuation was ¥84.0 billion, exceeding the MTMP target, and ROE and net D/E ratio also improved more than expected. Please explain why net income exceeded expectations while ordinary income met the target.

A12: The primary reason net income exceeded expectations was strong performance in the Petroleum Business, while the Oil E&P Business underperformed compared to the MTMP. This was driven by favorable product margins in the Petroleum Business and sales that remained robust despite a slower-than-expected decline in domestic demand.

Q13: Regarding ROIC, your plan of consolidated ROIC for FY2025 to be over 6%. If possible, could you also provide ROIC by segment? Also, is there a possibility of segment-by-segment ROIC disclosure in the next MTMP?

A13: We have not disclosed ROIC by segment in the past. ROIC varies significantly between segments: ROIC of the Petroleum Business and Oil E&P Businesses have high ROIC, while the chemicals segment operates at a loss, making ROIC calculation difficult. We will continue to consider segment-level ROIC disclosure in the next mid-term management plan, but we are concerned that only the numbers might be focused on.

Q14: Could you review the free cash flow? We recognize that operating cash flow exceeded expectations due to higher-than-expected net income, and that investment was somewhat restrained, primarily in the renewable energy business. This resulted in a certain amount of free cash flow, contributing to the reduction of interest-bearing debt. How do you evaluate this as a summary of the mid-term plan?

A14: While we were able to generate free cash flow, the insufficient progress in growth investments remains an issue. Therefore, we cannot give an unqualified positive evaluation.

Q15: Regarding the Petrochemical Business, please explain the impact on performance from improving the business structure of basic chemicals.

A15: The effect of reducing fixed costs through impairment of fixed assets is expected to partially materialize from FY2025. Optimization of manufacturing system is scheduled to be completed in FY2026, with further performance improvement anticipated from fiscal 2027.

Q16: Regarding the Oil E&P Business, production at the Hail Oil Field has recently increased through water injection. What is the outlook for the next fiscal year and beyond?

A16: Current production volumes benefit from increased production at the Hail field due to water flooding. However, production from existing fields gradually declines. Anticipating this, we are investing during the current MTMP period to restore production levels. We expect these investments to yield results over the medium to long term.

Q17: I understand you are actively pursuing DX. Could you share quantitative KPIs and progress?

A17: A symbolic example of DX is the digital twin at our refineries. Implementing preventive maintenance to preemptively prevent issues contributes to maintaining high refinery uptime. Additionally, we are advancing data utilization in other areas such as sales, where effects are becoming apparent.

We are also focusing on talent development and education. Against the goal of creating 900 core data utilization personnel over the three-year period of the current MTMP, we have already achieved 980 personnel in just two years, surpassing the target one year ahead of schedule. Going forward, we aim to further strengthen our DX initiatives by advancing the utilization of AI.

Q18: Please explain the background behind the increase in corporate PPA deals and the outlook for future deal volume and profit levels.

A18: We are currently seeing an increase in inquiries, particularly for onshore wind projects owned and developed by Cosmo Eco Power, where we sense growing demand. We aim to steadily capture this demand and drive profitability through project expansion.

Q19: Please explain the impact of the GX-ETS, which will be implemented next fiscal year, on your performance.

A19: The system is being finalized. Based on internal simulations conducted under these assumptions, we currently estimate no significant impact on performance.

Q20: Is the fact that GS-ETS has had little significant impact attributable to your company being more efficient than the industry average, or to the fact that the system's mitigating measures during the first year of implementation have prevented major industry-wide disruption?

A20: We recognize the overall impact as limited as the system design inherently minimizes extreme profit/loss disparities within the industry. Furthermore, we anticipate that annual fluctuations in impact will level out over a period of approximately three to five years.

(End)