



August 5, 2021

Overview of Business Results for the First Quarter of Fiscal Year Ending March 2022 [Based on Japanese GAAP] (Consolidated)

Name of the Company: Cosmo Energy Holdings Co., Ltd. Shares traded: TSE
 Company Code: 5021 URL <https://ceh.cosmo-oil.co.jp/>
 Name of Representative: Hiroshi Kiriya (Title) President
 Name of Person to contact: Eriko Date (Title) General Manager of Corporate Communication Dept. Phone: 03-3798-3180
 Scheduled date to file quarterly report: August 5, 2021 Dividend payment is to be started on: —
 Availability of the Quarterly Financial Result Supplementary Information: Yes
 Execution of the Quarterly Financial Result Presentation Meeting: Yes (for analysts and institutional investors)

Note: Figures less than 1 million are rounded down.

1. Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 2022 (For the period from April 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative total) (% indicates changes from the corresponding period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent for the First Quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
First Quarter, FY2021	529,631	20.4	48,208	—	49,610	—	27,914	—
First Quarter, FY2020	440,074	-33.1	-28,010	—	-28,328	—	-26,020	—

Note: Comprehensive income First Quarter, FY2021: 29,718 million yen (—%) First Quarter, FY2020: -27,975 million yen (—%)

	Net income per share for the First Quarter	Diluted net income per share for the First Quarter
	yen sen	yen sen
First Quarter, FY2021	333.55	279.48
First Quarter, FY2020	-310.26	—

Note: 1 In the first quarter of FY2020, diluted net income per share for the first quarter is not indicated because net loss per share for the first quarter is indicated, although there are potential common shares with dilutive effects.

2 The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29 issued on March 31, 2020), etc. from the beginning of the consolidated first quarter. Accordingly, the new accounting policies have been applied to the results for the first quarter of FY2021.

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
First Quarter, FY2021	1,788,892	470,446	19.3
FY2020	1,709,017	449,120	19.0

[Reference] Net worth First Quarter, FY2021: 346,085 million yen FY2020: 324,946 million yen

Note: The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29 issued on March 31, 2020), etc. from the beginning of the consolidated first quarter. Accordingly, the new accounting policies have been applied to the results for the first quarter of FY2021.

2. Dividend Payment Results and Forecast

	Annual dividend per share total				
	As of Q1-end	As of Q2-end	As of Q3-end	As of Fiscal Year-end	Full Year
	yen sen	yen sen	yen sen	yen sen	yen sen
FY2020	—	0.00	—	80.00	80.00
FY2021	—	—	—	—	—
FY2021 (forecast)	—	0.00	—	80.00	80.00

Note: Revision made in the dividend payment forecast as of the end of the current quarter from the previous announcement: None

3. Consolidated Business Forecast for FY2021 (April 1, 2021 to March 31, 2022)

(% indicates changes from the corresponding period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
FY2021	2,150,000	-3.7	93,000	-8.2	88,000	-9.6	40,000	-53.4	477.95

Note: Revision made in the consolidated business forecast as of the end of the current quarter from the previous announcement: None

Notes to Consolidated Financial Statements

(1) Changes in significant subsidiaries during the first quarter : None

Newly — (Name of Company) — Exception — (Name of Company) —

(2) Application of accounting methods which are exceptional for preparing the quarterly consolidated financial statements: Yes

(3) Changes in Accounting Policies, Accounting Estimates and Restatements:

1. Changes in accounting policies due to revisions of accounting standards, etc.: Yes
2. Changes in accounting policies for reasons other than the Item 1 : Yes
3. Changes in accounting estimates : Yes
4. Restatements : None

Note: For details, please refer to the “2. Consolidated Financial Statements and Their Main Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 7.

(4) Total Number of Outstanding Shares (Ordinary Shares)

1. Number of outstanding shares as of end of the period (including treasury shares)
2. Number of shares of treasury stock as of the end of the period
3. Average number of outstanding shares during the period (or the cumulative consolidated accounting period as of the end of the current quarter)

First Quarter , FY2021	84,770,508 shares	FY2020	84,770,508 shares
First Quarter , FY2021	1,079,998 shares	FY2020	1,079,993 shares
First Quarter , FY2021	83,690,514 shares	First Quarter , FY2020	83,867,995 shares

Note: These quarterly financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act.

Note: Request for appropriate use of the business forecast and other special remarks :

The consolidated business forecast for the full year of FY2021 is not updated from the previous announcement made on May 13 2021.

The forecast statements shown in these materials are based on information available as of the published date of this release, and actual results may be different from the forecast subject to variable factors that may arise in the future. For details, please refer to the “1. Qualitative Information about Results for and at the End of the Current Quarter (3) Explanation Concerning Information regarding Consolidated Business Forecast” on page 2 of the supporting data.

Supplementary information will be uploaded on the Cosmo Energy Holdings Co., Ltd. website on August 5, 2021.

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1. Qualitative Information about Results for and at the End of the Current Quarter

(1) Explanation Concerning Information regarding Consolidated Operating Results

Consolidated net sales for the first quarter of FY2021 were ¥529.6 billion (up ¥89.5 billion from the same period of FY2020), operating profit ¥48.2 billion (operating loss of ¥28.0 billion in the same period of FY2020), ordinary profit ¥49.6 billion (ordinary loss of ¥28.3 billion in the same period of FY2020) and profit attributable to owners of parent for the period ¥27.9 billion (loss attributable to owners of parent ¥26.0 billion in the same period of FY2020). However, due to application of “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29 issued on March 31, 2020; hereinafter, “Accounting Standard for Revenue Recognition”), etc., net sales decreased by ¥157.4 billion, operating profit decreased by ¥0.1 billion and ordinary profit increased by ¥0.1 billion.

The operating results for the first quarter of FY2021 by business segment are as follows:

However, effective from the consolidated first quarter, the Company has changed the reportable segment classification. The comparison and analysis of the first quarter is based on the reclassified classification.

- 1) In the petroleum business segment, due to the rise in crude oil prices, despite the decrease in the sales volume of petroleum products from the same period of the previous year, the segment reported net sales of ¥462.3 billion (up ¥61.4 billion from the same period of FY2020) and segment profit of ¥36.6 billion (segment loss of ¥31.7 billion in the same period of FY2020). However, due to the application of Accounting Standard for Revenue Recognition, net sales decreased by ¥167.5 billion and segment profit increased by ¥0.0 billion.
- 2) In the petrochemical business segment, due to the improvement of product market conditions and the increase in the sales volume of petrochemical products from the same period of the previous year, the segment reported net sales of ¥84.0 billion (up ¥34.6 billion from the same period FY2020) and segment profit of ¥4.6 billion (segment loss of ¥6.7 billion in the same period of FY2020). However, due to the application of Accounting Standard for Revenue Recognition, net sales decreased by ¥28.5 billion and segment profit decreased by ¥0.0 billion.
- 3) In the oil exploration and production business segment, due to the decrease in the oil sales volume, despite the rise in the sales price of oil products from the same period of the previous year, the segment reported net sales of ¥17.3 billion (down ¥2.5 billion from the same period of FY2020) and segment profit of ¥6.7 billion (down ¥0.0 billion from the same period of FY2020).
- 4) In the renewable energy business segment, due to the increase in the costs associated with full-scale entry into offshore wind power, despite the wind power generation plant has been operated well, the segment reported net sales of ¥2.9 billion (up ¥0.4 billion from the same period of FY2020) and segment profit of ¥0.5 billion (down ¥0.2 billion from the same period of FY2020).

(2) Explanation Concerning Information regarding Consolidated Financial Position

As for the consolidated financial position as of the end of the first quarter of FY2021, total assets as of June 30, 2021 amounted to ¥1,788.9 billion, up ¥79.9 billion from March 31, 2021, the end of FY2020. This was mainly reflecting the increase in inventories. Net assets as of June 30, 2021 amounted to ¥470.4 billion with a net worth ratio of 19.3%.

(3) Explanation Concerning Information regarding Consolidated Business Forecast

The consolidated business forecast for the full year of FY2021 is not updated from the previous announcement made on May 13, 2021.

2. Consolidated Financial Statements and Their Main Notes

(1) Consolidated Balance Sheet

(Unit: million yen)

	FY2020 (As of March 31, 2021)	1Q FY2021 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	52,972	84,402
Notes and accounts receivable - trade	234,635	—
Notes and accounts receivable - trade, and contract assets	—	231,467
Merchandise and finished goods	122,152	150,322
Work in process	351	62
Raw materials and supplies	126,923	138,944
Other	68,889	83,364
Allowance for doubtful accounts	-116	-89
Total current assets	605,808	688,474
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	244,331	240,240
Machinery, equipment and vehicles, net	208,999	217,367
Land	315,483	315,563
Other, net	96,618	85,121
Total property, plant and equipment	865,433	858,293
Intangible assets	44,343	43,662
Investments and other assets		
Investment securities	122,402	126,226
Other	71,211	72,446
Allowance for doubtful accounts	-310	-316
Total investments and other assets	193,303	198,356
Total non-current assets	1,103,080	1,100,311
Deferred assets		
Bond issuance cost	128	106
Total deferred assets	128	106
Total assets	1,709,017	1,788,892

(Unit: million yen)

	FY2020 (As of March 31, 2021)	1Q FY2021 (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	266,695	275,740
Short-term loans payable	175,692	197,668
Current portion of bonds	17,700	17,700
Commercial papers	37,200	97,700
Accounts payable - other	201,321	173,202
Income taxes payable	11,030	9,958
Provision	8,494	4,564
Other	34,355	50,996
Total current liabilities	752,488	827,530
Non-current liabilities		
Bonds payable	3,000	3,000
Convertible bond-type bonds with share acquisition rights	60,000	60,000
Long-term loans payable	315,759	294,553
Provision for special repairs	27,001	29,061
Other provision	2,137	1,926
Net defined benefit liability	2,992	3,027
Asset retirement obligations	19,993	19,988
Other	76,524	79,358
Total non-current liabilities	507,408	490,915
Total liabilities	1,259,897	1,318,446
Net assets		
Shareholders' equity		
Capital stock	40,000	40,000
Capital surplus	82,843	82,843
Retained earnings	211,977	232,394
Treasury shares	-2,019	-2,019
Total shareholders' equity	332,802	353,219
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,938	4,489
Deferred gains or losses on hedges	-85	152
Revaluation reserve for land	-21,123	-21,123
Foreign currency translation adjustment	5,873	6,910
Remeasurements of defined benefit plans	2,540	2,436
Total accumulated other comprehensive income	-7,855	-7,134
Non-controlling interests	124,173	124,361
Total net assets	449,120	470,446
Total liabilities and net assets	1,709,017	1,788,892

(2) Consolidated Statements of Income and Comprehensive Income
 (Consolidated Statements of Income)
 (Consolidated the First Three Months of FY2021 Statements of Income)

(Unit: million yen)

	1Q FY2020 (From April 1, 2020 to June 30, 2020)	1Q FY2021 (From April 1, 2021 to June 30, 2021)
Net sales	440,074	529,631
Cost of sales	436,960	448,196
Gross profit	3,114	81,435
Selling, general and administrative expenses	31,124	33,227
Operating profit (loss)	-28,010	48,208
Non-operating income		
Interest income	175	36
Dividend income	459	539
Share of profit of entities accounted for using equity method	683	2,548
Foreign exchange gains	164	—
Other	898	803
Total non-operating income	2,380	3,927
Non-operating expenses		
Interest expenses	1,894	1,711
Other	803	813
Total non-operating expenses	2,698	2,525
Ordinary profit (loss)	-28,328	49,610
Extraordinary income		
Gain on sales of non-current assets	1,017	0
Gain on sales of investment securities	464	524
Insurance income	9	553
Other	202	280
Total extraordinary income	1,693	1,358
Extraordinary losses		
Loss on disposal of non-current assets	914	384
Impairment loss	1	2
Other	117	1
Total extraordinary losses	1,033	388
Profit (loss) before income taxes	-27,667	50,580
Income taxes	-1,330	21,456
Profit (loss)	-26,337	29,124
Profit (loss) attributable to non-controlling interests	-316	1,209
Profit (loss) attributable to owners of parent	-26,020	27,914

(Consolidated Statements of Comprehensive Income)

(Consolidated the First Three Months of FY2021 Statements of Comprehensive Income)

(Unit : million yen)

	1Q FY2020 (From April 1, 2020 to June 30, 2020)	1Q FY2021 (From April 1, 2021 to June 30, 2021)
Profit (loss)	-26,337	29,124
Other comprehensive income		
Valuation difference on available-for-sale securities	511	-637
Deferred gains or losses on hedges	-374	320
Foreign currency translation adjustment	-102	259
Remeasurements of defined benefit plans, net of tax	31	-115
Share of other comprehensive income of entities accounted for using equity method	-1,704	766
Total other comprehensive income	-1,638	594
Comprehensive income	-27,975	29,718
(Breakdown)		
Comprehensive income attributable to owners of the parent	-27,502	28,636
Comprehensive income attributable to non-controlling interests	-473	1,082

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

None

(Notes to Remarkable Changes in Shareholders' Equity)

None

(Application of Accounting Methods which are Exceptional for Preparing the Quarterly Consolidated Financial Statements)

The Company calculates tax expenses for the Company and some of its consolidated subsidiaries by multiplying a reasonably estimated effective tax rate by net income before taxes for the current quarter.

Income tax adjustments are included in the "Income taxes" account stated in the Consolidated Statements of Income.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29 issued on March 31, 2020; hereinafter, "Accounting Standard for Revenue Recognition"), etc. from the beginning of the consolidated first quarter, and recognizes revenue in the amount expected to be received in exchange for promised goods or services when the control of those goods or services is transferred to customers. As a result, the Company has changed its accounting method for exchange transactions of petroleum products with similar characteristics and values.

The Company has implemented the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policies prior to the beginning of the consolidated first quarter is added to or deducted from retained earnings at the beginning of the consolidated first quarter and the new accounting policies have been applied to the balance from the beginning of the consolidated first quarter. However, the company has implemented the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition and the new accounting policy has not been applied retroactively to contracts for which almost all revenue amounts had been recognized prior to the beginning of the consolidated first quarter in accordance with previous treatment.

As a result of the application, net sales decreased by ¥157,426 million, cost of sales decreased by ¥156,980 million, selling, general and administrative expenses decreased by ¥380 million, operating profit decreased by ¥64 million, and ordinary profit and profit before income taxes increased by ¥56 million each during the consolidated first quarter. In addition, the balance of retained earnings at the beginning of the consolidated first quarter decreased by ¥714 million.

"Notes and accounts receivable-trade" which had been presented as "Current assets" in consolidated balance sheet of previous fiscal year is presented as "Notes and accounts receivable-trade, and contract assets" from the consolidated first quarter, due to the application of Accounting Standard for Revenue Recognition. In accordance with the transitional treatment as provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has made no reclassification for the previous fiscal year by using the new presentation method.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30 issued on July 4, 2019; hereinafter, "Fair Value Measurement Accounting Standard"), etc. from the beginning of the consolidated first quarter. In accordance with the transitional treatment provided for in paragraph 19 of Fair Value Measurement Accounting Standard and paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 issued on July 4, 2019), the Company has applied the new accounting policies prescribed by Fair Value Measurement Accounting Standards, etc. prospectively. However, the impact on the quarterly consolidated financial statements was immaterial.

(Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates)

Previously, some of the consolidated subsidiaries mainly used the declining balance method (excluding buildings acquired in and after April 1998 and facilities attached to buildings, structures and oil tanks acquired in and after April 2016, which were depreciated by the straight-line method) to calculate depreciation of property, plant and equipment (excluding leased assets).

However, the depreciation method was changed to the straight-line method from the consolidated first quarter.

Since large-scale capital investment is expected to complete in and after FY2020, we reconsidered the method of depreciation. As the long term and stable operation of production facility and constant return on investment are expected, we concluded that the straight-line method is more appropriate.

As a result of this change, in comparison with the previous method, operating profit, ordinary profit and profit before income taxes increased by ¥441 million during the consolidated first quarter.

(Additional Information)

(Application of tax effect accounting relating to the transition from the consolidated tax payment system to the group accounting system.)

The Company and some of the domestic consolidated subsidiaries did not apply "Implementation Guidance for Tax Effect Accounting" (ASBJ Guidance No.28 of February 16, 2018) paragraph 44, as for deferred tax assets and deferred tax liabilities are based on the regulations of the tax law before revision, regarding the items for which the single tax payment system was revised in accordance with the transition to the group counting system and the transition to the group counting system under the "Law for Amendment of Part of Income Tax Law" (Law No.8, 2020), "Handling of Tax Effect Accounting for the Transition from the Consolidated Tax Payment System to the Group Counting System" (Practical Issues Task Force No.39; March 31, 2020) paragraph 3.

(Segment Information)

I 1Q FY2020 (From April 1, 2020 to June 30, 2020)

Information about net sales and profit (loss) amounts by segment reported

(Unit: million yen)

	Petroleum	Petrochemical	Oil Exploration and Production	Renewable Energy	Other Note: 1	Adjustments Note: 2	Consolidated Note: 3
Net sales							
Outside customers	380,037	45,602	7,598	2,467	4,368	—	440,074
Inter-segment	20,893	3,751	12,205	—	9,830	-46,681	—
Total	400,931	49,353	19,803	2,467	14,198	-46,681	440,074
Segment profit (loss)	-31,657	-6,684	6,687	723	601	2,001	-28,328

Notes: 1 “Other” is segment of non-classified, including construction works, insurance agency, and leasing, etc.

2 Segment profit (loss) in “Adjustments” ¥2,001 million includes ¥1,258 million for the net amount of the entire Company's profit and expenses not allocated to the reporting segments or the “Other” category, ¥167 million for internal eliminations, ¥656 million for inventory adjustments, and ¥-81 million for adjustment of fixed assets.

3 Segment profit (loss) is adjusted to ordinary loss of consolidated quarterly statements of profit.

II 1Q FY2021 (From April 1, 2021 to June 30, 2021)

Information about net sales and profit amounts by segment reported

(Unit: million yen)

	Petroleum	Petrochemical	Oil Exploration and Production	Renewable Energy	Other Note: 1	Adjustments Note: 2	Consolidated Note: 3
Net sales							
Outside customers	443,250	73,351	5,897	2,857	4,274	—	529,631
Inter-segment	19,053	10,600	11,353	0	8,920	-49,928	—
Total	462,303	83,952	17,251	2,857	13,194	-49,928	529,631
Segment profit	36,598	4,591	6,654	528	464	774	49,610

Notes: 1 “Other” is segment of non-classified, including construction works, insurance agency, and leasing, etc.

2 Segment profit in “Adjustments” ¥774 million includes ¥1,067 million for the net amount of the entire Company's profit and expenses not allocated to the reporting segments or the “Other” category, ¥418 million for internal eliminations, ¥-791 million for inventory adjustments, and ¥79 million for adjustment of fixed assets.

3 Segment profit is adjusted to ordinary profit of consolidated quarterly statements of profit.

(Changes in Reportable Segments)

Effective from the consolidated first quarter, the Company has changed its segment classification, due to change in business management system. This change was made in order to clarify management policies with the aim to expand business portfolio from the perspective of business performance and as a part of sustainable management considering changes of environment in the future. As a result, the reportable segments changed from three categories of "Petroleum Business," "Petrochemical Business," and "Oil Exploration and Production Business" to four categories of "Petroleum Business," "Petrochemical Business," "Oil Exploration and Production Business," and "Renewable Energy Business."

"Renewable Energy Business" includes the wind power generation business and the solar power generation business, which were previously included in "Other."

To reflect this change in Segment information, the company has reclassified the reportable segment of the consolidated first quarter of the previous fiscal year.

(Changes in Accounting Policies)

As written in "(Changes in Accounting Policies) - (Application of Accounting Standard for Revenue Recognition)," the Company has applied the Accounting Standard for Revenue Recognition from the beginning of the consolidated first quarter and changed the accounting method for revenue recognition. Accordingly, the measuring method for profit or loss in the business segment has been changed likewise.

As a result of this change, in comparison with the previous method, Petroleum Business net sales decreased by ¥167,496 million and segment profit increased by ¥31 million, Petrochemical Business net sales decreased by ¥28,454 million and segment profit decreased by ¥4 million, and Other Business net sales increased by ¥454 million and segment profit increased by ¥48 million during the consolidated first quarter.

(Changes in Depreciation Method for Property, Plant and Equipment)

As written in "(Changes in Accounting Policies) - (Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates)," Previously, some of the consolidated subsidiaries mainly used the declining balance method (excluding buildings acquired in and after April 1998 and facilities attached to buildings, structures, and oil tanks acquired in and after April 2016, which were depreciated by the straight-line method) to calculate depreciation of property, plant and equipment (excluding leased assets). However, the depreciation method was changed to the straight-line method from the consolidated first quarter.

As a result of this change, in comparison with the previous method, segment profit in Petrochemical Business increased by ¥441 million during the consolidated first quarter.

(Significant Subsequent Events)

None