



February 10, 2022

Overview of Business Results for the Third 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 : February 10, 2022 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 Third Quarter of Fiscal Year Ending March 2022 (For the period from April 1, 2021 to December 31, 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 Third Quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
Third Quarter , FY2021	1,748,641	11.3	146,115	290.2	147,033	325.8	79,901	384.5
Third Quarter , FY2020	1,570,642	-22.9	37,448	-25.2	34,530	-34.8	16,490	-16.9

Note : Comprehensive income Third Quarter, FY2021 : 86,115 million yen (409.2%) Third Quarter, FY2020 : 16,911 million yen (-27.9%)

	Net income per share for the Third Quarter	Diluted net income per share for the Third Quarter
	yen sen	yen sen
Third Quarter , FY2021	954.28	799.40
Third Quarter , FY2020	196.87	165.28

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 third quarter of FY2021.

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	million yen	million yen	%
Third Quarter , FY2021	1,946,143	526,959	20.4
FY2020	1,709,017	449,120	19.0

[Reference] Net worth Third Quarter, FY2021 : 397,243 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 third 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	—	0.00	—	—	—
FY2021 (forecast)	—	—	—	100.00	100.00

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	2,460,000	10.2	194,000	91.5	195,000	100.3	115,000	33.9	1,373.46

Note : Revision made in the consolidated business forecast as of the end of the current quarter from the previous announcement : Yes

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during the third 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 the end of the period (including treasury shares)

Third Quarter, FY2021	84,770,508 shares	FY2020	84,770,508 shares
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2. Number of shares of treasury stock as of the end of the period

Third Quarter, FY2021	1,008,476 shares	FY2020	1,079,993 shares
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3. Average number of outstanding shares during the period (or the cumulative consolidated accounting period as of the end of the current quarter)

Third Quarter, FY2021	83,729,975 shares	Third Quarter, FY2020	83,761,600 shares
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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 updated from the previous announcement made on November 9, 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 February 10, 2022.

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 nine months of FY2021 were ¥1,748.6 billion (up ¥178.0 billion from the same period of FY2020), operating profit ¥146.1 billion (up ¥108.7 billion from the same period of FY2020), ordinary profit ¥147.0 billion (up ¥112.5 billion from the same period of FY2020) and profit attributable to owners of parent for the period ¥79.9 billion (up ¥63.4 billion from 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 ¥497.2 billion, operating profit decreased by ¥0.1 billion and ordinary profit increased by ¥0.3 billion.

The operating results for the first nine months 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 nine months 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 ¥1,529.9 billion for the first nine months of FY2021 (up ¥85.0 billion from the same period of FY2020) and segment profit of ¥98.7 billion (up ¥74.2 billion from the same period of FY2020). The sales volume of petroleum products has decreased due to changes in the accounting method for certain transactions as a result of the application of Accounting Standard for Revenue Recognition. However, if the impact of these changes is excluded, the sales volume has increased from the same period of the previous year. Due to the application of Accounting Standard for Revenue Recognition, net sales decreased by ¥525.3 billion and segment profit increased by ¥0.2 billion.
- 2) In the petrochemical business segment, due to the increase in the sales volume of petrochemical products and the improvement of product market conditions from the same period of the previous year, the segment reported net sales of ¥280.5 billion for the first nine months of FY2021 (up ¥76.1 billion from the same period of FY2020) and segment profit of ¥14.4 billion (segment loss of ¥7.4 billion in the same period of FY2020). However, due to the application of Accounting Standard for Revenue Recognition, net sales decreased by ¥102.6 billion and segment profit increased by ¥0.0 billion.
- 3) In the oil exploration and production business segment, due to the rise in the sales price of oil products, despite the decrease in the oil sales volume from the same period of the previous year, the segment reported net sales of ¥58.0 billion for the first nine months of FY2021 (up ¥14.4 billion from the same period of FY2020) and segment profit of ¥27.2 billion (up ¥19.1 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 ¥8.7 billion for the first nine months of FY2021 (up ¥0.9 billion from the same period of FY2020) and segment profit of ¥1.8 billion (down ¥0.5 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 third quarter of FY2021, total assets as of December 31, 2021 amounted to ¥1,946.1 billion, up ¥237.1 billion from March 31, 2021, the end of FY2020. This was mainly reflecting the increase in inventories. Net assets as of December 31, 2021 amounted to ¥527.0 billion with a net worth ratio of 20.4%.

(3) Explanation Concerning Information regarding Consolidated Business Forecast

The full-year consolidated business forecast for the fiscal year ending March 31, 2022 was revised from the previous forecasts announced on November 9, 2021. For details, please refer to “Notice regarding the Revisions to Consolidated Forecast for the Fiscal Year Ending March 31, 2022”.

2. Consolidated Financial Statements and Their Main Notes

(1) Consolidated Balance Sheet

(Unit : million yen)

	FY2020 (As of March 31, 2021)	3Q FY2021 (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	52,972	94,529
Notes and accounts receivable - trade	234,635	—
Notes and accounts receivable - trade, and contract assets	—	305,166
Merchandise and finished goods	122,152	186,668
Work in process	351	57
Raw materials and supplies	126,923	167,900
Other	68,889	94,283
Allowance for doubtful accounts	-116	-54
Total current assets	605,808	848,552
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	244,331	237,224
Machinery, equipment and vehicles, net	208,999	215,104
Land	315,483	315,461
Other, net	96,618	88,068
Total property, plant and equipment	865,433	855,859
Intangible assets	44,343	43,152
Investments and other assets		
Investment securities	122,402	126,502
Other	71,211	72,320
Allowance for doubtful accounts	-310	-314
Total investments and other assets	193,303	198,509
Total non-current assets	1,103,080	1,097,521
Deferred assets		
Bond issuance cost	128	69
Total deferred assets	128	69
Total assets	1,709,017	1,946,143

(Unit : million yen)

	FY2020 (As of March 31, 2021)	3Q FY2021 (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	266,695	329,577
Short-term loans payable	175,692	163,812
Current portion of bonds	17,700	7,700
Commercial papers	37,200	127,600
Accounts payable - other	201,321	218,202
Income taxes payable	11,030	32,862
Provision	8,494	5,624
Other	34,355	54,492
Total current liabilities	752,488	939,870
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	275,133
Provision for special repairs	27,001	35,052
Other provision	2,137	1,883
Net defined benefit liability	2,992	2,894
Asset retirement obligations	19,993	20,278
Other	76,524	81,070
Total non-current liabilities	507,408	479,312
Total liabilities	1,259,897	1,419,183
Net assets		
Shareholders' equity		
Capital stock	40,000	40,000
Capital surplus	82,843	82,843
Retained earnings	211,977	284,388
Treasury shares	-2,019	-1,902
Total shareholders' equity	332,802	405,330
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,938	4,622
Deferred gains or losses on hedges	-85	-197
Revaluation reserve for land	-21,123	-21,130
Foreign currency translation adjustment	5,873	6,411
Remeasurements of defined benefit plans	2,540	2,208
Total accumulated other comprehensive income	-7,855	-8,086
Non-controlling interests	124,173	129,715
Total net assets	449,120	526,959
Total liabilities and net assets	1,709,017	1,946,143

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

(Unit : million yen)

	3Q FY2020 (From April 1, 2020 to December 31, 2020)	3Q FY2021 (From April 1, 2021 to December 31, 2021)
Net sales	1,570,642	1,748,641
Cost of sales	1,437,384	1,500,256
Gross profit	133,258	248,384
Selling, general and administrative expenses	95,809	102,268
Operating profit	37,448	146,115
Non-operating income		
Interest income	328	117
Dividend income	732	789
Share of profit of entities accounted for using equity method	—	3,793
Foreign exchange gains	1,045	—
Rental income on fixed assets	1,242	860
Other	1,915	2,194
Total non-operating income	5,264	7,754
Non-operating expenses		
Interest expenses	5,510	4,892
Share of loss of entities accounted for using equity method	684	—
Other	1,987	1,944
Total non-operating expenses	8,182	6,836
Ordinary profit	34,530	147,033
Extraordinary income		
Gain on sales of non-current assets	1,455	301
Gain on sales of investment securities	666	750
Insurance income	269	560
Other	238	280
Total extraordinary income	2,630	1,893
Extraordinary losses		
Loss on disposal of non-current assets	4,107	2,177
Impairment loss	58	1,264
Loss on valuation of investment securities	22	1,479
Other	245	103
Total extraordinary losses	4,433	5,024
Profit before income taxes	32,726	143,902
Income taxes	15,183	57,362
Profit	17,543	86,539
Profit attributable to non-controlling interests	1,052	6,638
Profit attributable to owners of parent	16,490	79,901

(Consolidated Statements of Comprehensive Income)

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

(Unit : million yen)

	3Q FY2020 (From April 1, 2020 to December 31, 2020)	3Q FY2021 (From April 1, 2021 to December 31, 2021)
Profit	17,543	86,539
Other comprehensive income		
Valuation difference on available-for-sale securities	1,216	-557
Deferred gains or losses on hedges	-223	-43
Foreign currency translation adjustment	-527	628
Remeasurements of defined benefit plans, net of tax	94	-366
Share of other comprehensive income of entities accounted for using equity method	-1,190	-85
Total other comprehensive income	-631	-424
Comprehensive income	16,911	86,115
(Breakdown)		
Comprehensive income attributable to owners of the parent	15,633	79,678
Comprehensive income attributable to non-controlling interests	1,277	6,436

(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 profit before income 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 ¥497,217 million, cost of sales decreased by ¥496,173 million, selling, general and administrative expenses decreased by ¥937 million, operating profit decreased by ¥105 million, and ordinary profit and profit before income taxes increased by ¥306 million each during the consolidated first nine months. In addition, the balance of retained earnings at the beginning of the consolidated first nine months 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 ¥1,430 million during the consolidated first nine months.

(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 3Q FY2020 (From April 1, 2020 to December 31, 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	1,345,904	181,911	18,449	7,753	16,623	—	1,570,642
Inter-segment	98,971	22,533	25,195	—	34,684	-181,385	—
Total	1,444,876	204,444	43,645	7,753	51,308	-181,385	1,570,642
Segment profit (loss)	24,536	-7,361	8,121	2,306	3,213	3,713	34,530

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

2 Segment profit (loss) in “Adjustments” ¥3,713 million includes ¥3,810 million for the net amount of the entire Company's profit and expenses not allocated to the reporting segments or the “Other” category, ¥87 million for internal eliminations, ¥657 million for inventory adjustments, and ¥-841 million for adjustment of fixed assets.

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

II 3Q FY2021 (From April 1, 2021 to December 31, 2021)

1. 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	1,462,719	239,911	21,012	8,674	16,323	—	1,748,641
Inter-segment	67,203	40,638	36,977	3	27,482	-172,305	—
Total	1,529,922	280,549	57,989	8,678	43,805	-172,305	1,748,641
Segment profit	98,740	14,419	27,249	1,757	2,060	2,806	147,033

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

2 Segment profit in “Adjustments” ¥2,806 million includes ¥2,938 million for the net amount of the entire Company's profit and expenses not allocated to the reporting segments or the “Other” category, ¥810 million for internal eliminations, ¥-1,073 million for inventory adjustments, and ¥130 million for adjustment of fixed assets.

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

2. Information about changes in reportable segments and other changes

(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 nine months 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 ¥525,275 million and segment profit increased by ¥176 million, Petrochemical Business net sales decreased by ¥102,601 million and segment profit increased by ¥2 million, and Other Business net sales increased by ¥1,450 million and segment profit increased by ¥192 million during the consolidated first nine months.

(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 ¥1,430 million during the consolidated first nine months.

(Significant Subsequent Events)

None