

# Progress of the Sixth Consolidated Medium-Term Management Plan(FY2018-FY2022)

Under the slogan “ Oil & New Everything About Oil – And Beyond ” the sixth five-year consolidated management plan (the sixth management plan) began in FY2018.  
By increasing our earnings power and improving our financial condition, we aim to achieve a net worth that can sustain us over changes in the market environment and a net D/E ratio of 1.0 to 1.5 times. We also strive to enhance our future growth drivers, mainly focusing on the Petrochemical Business and the Wind Power Generation Business.



## Basic policy

# Oil & New

Everything About Oil – And Beyond

The previous medium-term management plan was positioned as “five years to establish a solid business foothold for further expansion.” Under this plan, we made structural improvements, such as improving the profitability of the oil refining and sales business, as a leading initiative, and rationalizing the supply division.  
The sixth management plan is based on the profit foundation established in the fifth plan. We are continuing the fifth plan’s main initiative of improving the profitability of the oil refining and sales business (Oil) as well as advancing growth investment in the wind power generation business and the petrochemical business (New) with the aim of expanding the business portfolio, which anticipates no use of fossil fuel.

- Oil** • Increase the profitability of the petroleum business, for example, by complying with the IMO<sup>\*1</sup> regulations on use of high-sulfur C fuel oil and taking the lead in the supply of clean marine fuels. **Strengthen the financial condition based on earning power.**
- New** • Invest in wind power generation and other businesses that will lead the next growth stage. **Contribute to the achievement of SDGs<sup>\*2</sup> through business activities.**

<sup>\*1</sup> These regulations were introduced by the International Maritime Organization (IMO) to prevent air pollution by reducing the sulfur oxides (SOx) emitted by ships. In 2020, the limits for the sulfur content of marine fuels were made stricter, decreasing from 3.5% to 0.5%.  
<sup>\*2</sup> SDGs: Sustainable Development Goals. Adopted at the UN Sustainable Development Summit held in September 2015, the SDGs are goals set by 193 UN member states to be achieved during the 15 years from 2016 to 2030. There are 169 specific targets for 17 goals.

## The Fifth Consolidated Medium-Term Management Plan's Main Initiatives

- Recovery in profitability** Closed the Sakaide Refinery and shifted to a three-refinery structure, as part of rationalization, to ensure competitiveness.
- Execution of growth strategy** Executed large-scale growth investment (the Hail Oil Field, para-xylene plant, and new wind power plants)
- Restored profitability during the previous medium-term management plan, which led to new investments in the sixth management plan**

- **Improve the business portfolio for subsequent growth in view of the long-term direction.**
- **Strengthen the financial foundation by increasing the profitability of the Oil E&P and Petroleum businesses.**

In FY2020, the third year of the sixth medium-term management plan, ordinary profit excluding the impact of inventory valuation increased ¥8.1 billion year on year to ¥76.6 billion, partly reflecting the positive time lag attributed to the rise of crude oil prices during the fiscal year, as well as an increase in the sales volumes of the four major products that resulted from an increase of supply to Kygnus Sekiyu. Profit attributable to owners of parent was ¥85.9 billion, a new record high. Net D/E ratio was 1.59, indicating a significant improvement of our financial position. Our management goals are expected to be achieved as we move toward the final fiscal year of the sixth medium-term plan.

## Progress of Management Goals

Management Goals	Results			Management Goals (FY2022)
	FY2018	FY2019	FY2020	
Ordinary profit (excluding impact of inventory valuation)	¥107.4 billion	¥68.5 billion	¥76.6 billion	Over ¥120 billion
Profit attributable to owners of parent	¥53.1 billion	-¥28.2 billion	¥85.9 billion	Over ¥50 billion
Free cash flow	¥6 billion	¥27.5 billion	¥82.8 billion	Over ¥150 billion (FY2018 - FY2022 Five years total)
Net worth (Net worth ratio)	¥281.1 billion (16.5%)	¥239.8 billion (14.6%)	¥324.9 billion (19.0%)	Over ¥400 billion (Over 20%)
Net D/E Ratio*	1.98 times	2.41 times	1.59 times	1.0-1.5 times
ROE	20.4%	-10.8%	30.4%	Over 10%
<b>Precondition</b>				
Dubai crude oil price (USD/B)	69	60	45	70
Exchange rate (Yen/USD)	111	109	106	110

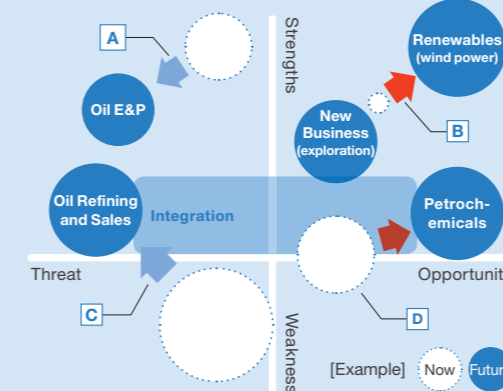
\* Concerning the ¥30 billion hybrid loan made on March 31, 2020, 50% of this loan is included in Equity.

## The Cosmo Energy Group will realize sustainable management.

The Cosmo Energy Group is aware that, as an energy company, we are responsible for the provision of safety and a peace of mind to people and the protection of the global environment. We have established the Cosmo Energy Group Management Vision, which says, "In striving for harmony and

symbiosis between our planet, man and society, we aim for sustainable growth towards a future of limitless possibilities." We have announced the Carbon Net Zero Declaration, a long-term vision for the reduction of the greenhouse gases (GHG) emitted by our businesses to effectively zero by FY2050.

## Realignment of the Business Portfolio



\*The bubble size is a conceptual image.

In the sixth medium-term plan, we have established the basic policy of increasing the competitiveness of petroleum-related businesses and shifting to renewable energy. During the next medium-term plan, we will accelerate the realignment of the business portfolio.

- **In view of the transition to a fossil-fuel-free society, shift the focus to the renewable energy business through active investment while increasing the competitiveness of petroleum-related businesses.**
- **Contribute to the achievement of SDGs through the sustainable growth of the Cosmo Energy Group.**

	A	B
<b>Sixth MTMP</b>	<ul style="list-style-type: none"> <li>• Possibility of peak out after 2030</li> <li>• Cost competitiveness is key</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic onshore sites are mostly occupied but offshore expansion is possible</li> </ul>
<b>Future</b>	<ul style="list-style-type: none"> <li>• Maintain production level &amp; reduce OPEX</li> </ul>	<ul style="list-style-type: none"> <li>• Maximize onshore</li> <li>• Expand to offshore</li> </ul>
<b>Sixth MTMP</b>	<ul style="list-style-type: none"> <li>• Seek added-value projects utilizing the Company's strengths</li> </ul>	<ul style="list-style-type: none"> <li>• Become one of the core businesses</li> <li>• Aim to be a domestic leading company in offshore wind power generation</li> </ul>
<b>Future</b>	<ul style="list-style-type: none"> <li>• Domestic demand will continue to decline, but relative competitiveness will increase until around 2030</li> </ul>	<ul style="list-style-type: none"> <li>• International markets are growing based on an increase in the global population.</li> <li>• Ethylene production to maintain competitiveness</li> <li>• Able to swing from petroleum fuel</li> </ul>
<b>Sixth MTMP</b>	<ul style="list-style-type: none"> <li>• Focus on profitable products</li> <li>• Strengthen synergy with the petrochemical business</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen competitiveness in global market</li> <li>• Development of differentiating products</li> <li>• Synergy with oil refining business</li> </ul>
<b>Future</b>	<ul style="list-style-type: none"> <li>• Shift from petroleum fuel to petrochemical feedstock</li> </ul>	<ul style="list-style-type: none"> <li>• Shift from petroleum fuel to petrochemical feedstock</li> </ul>