

Business Results & Forecast, Cash Flow Situation, and Analysis of Financial Position

Summary of Consolidated Profit

FY2020 Results

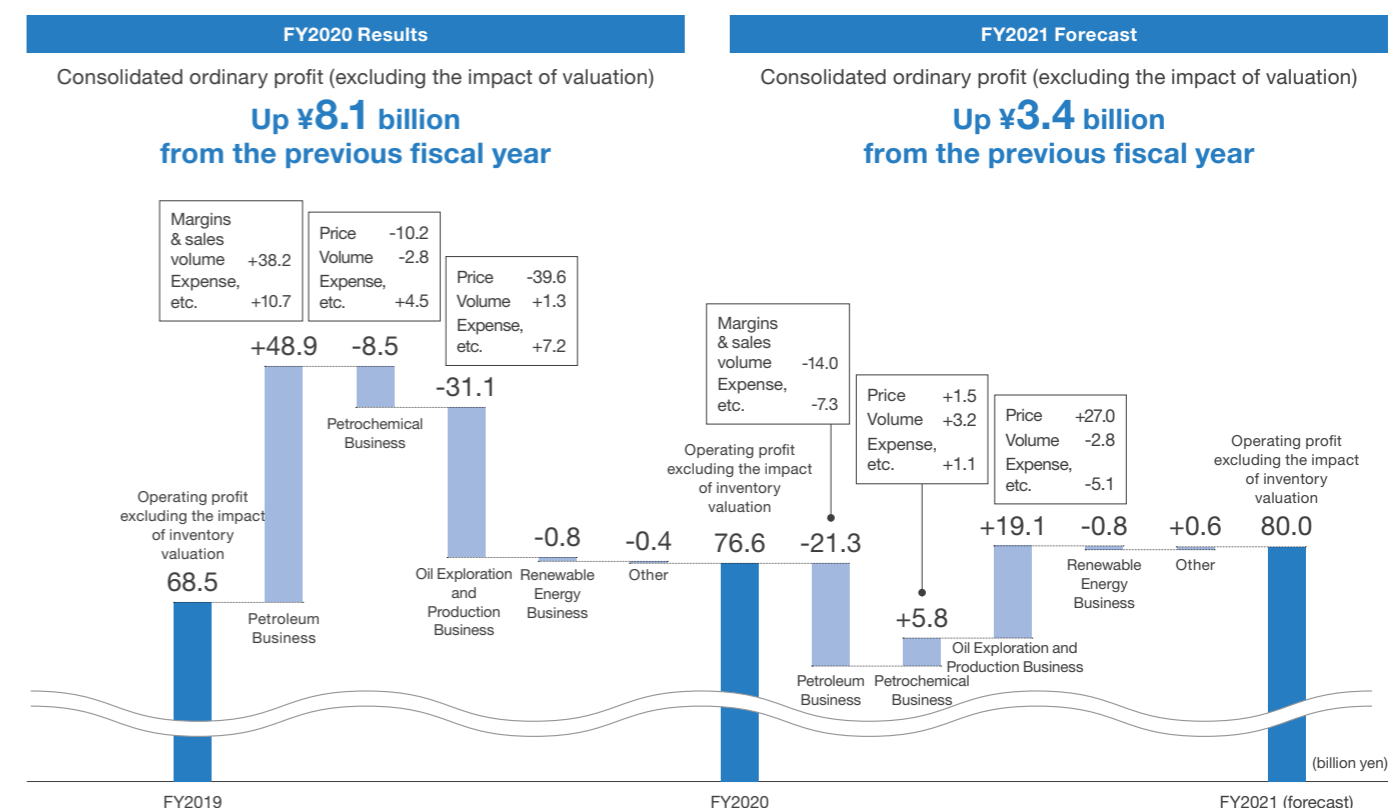
In FY2020, ordinary profit increased ¥81.1 billion year on year, to ¥97.4 billion, while net profit attributable to owners of parent increased ¥114.1 billion, to ¥85.9 billion, partly reflecting the tax effect. Actual ordinary profit excluding the impact of inventory valuation increased by ¥8.1 billion to ¥76.6 billion.

Concerning the segment breakdown of ordinary profit excluding the impact of inventory valuation, the profit of the Petroleum Business was ¥53.3 billion, up ¥48.9 billion year on year. This is attributed to an increase in the sales volumes of the four major products due to an increase of supply to Kygnus Sekiyu and the positive time lag of the margin, which offset a decrease in profit caused by a decline in the price of jet fuel and sales volume due to the COVID-19 pandemic. Profit from the Petrochemical Business decreased ¥3.3 billion from FY2020 to ¥8.5 billion due to deteriorating market conditions surrounding petrochemical products and a decrease in the sales volume of Maruzen Petrochemical associated with regular maintenance. The Oil E&P Business profit decreased ¥31.1 billion year on year to ¥13.9 billion due to a decline in crude oil prices. In the Renewable Energy Business, operating profit decreased ¥0.8 billion year on year to ¥4.1 billion due to generation of upfront cost associated with Cosmo Eco Power's full-scale development of the offshore wind power generation facilities.

Forecasts for FY2021

In FY2021, ordinary profit is forecast to be ¥88.0 billion, down ¥9.4 billion from FY2020, and profit attributable to owners of parent is expected to be ¥40.0 billion, down ¥45.9 billion year on year, partly reflecting the tax effect in the previous fiscal year. Real ordinary profit excluding the impact of inventory valuation is expected to be ¥80.0 billion, up ¥3.4 billion from the previous fiscal year.

As for the segment breakdown of ordinary profit excluding the impact of inventory valuation, Petroleum Business profit is expected to decrease ¥21.3 billion year on year, to ¥32.0 billion, partly because the positive time lag generated in the previous fiscal year will no longer impact the segment and partly because the cost of refinery fuel will increase due to rising crude oil prices, offsetting an increase in sales volume resulting from a recovery in demand for fuel oil. The Petrochemical Business is expected to record a year-on-year increase in profit of ¥5.8 billion, to ¥2.5 billion partly because regular maintenance which occurred in FY2020 will no longer impact the business. In the Oil E&P Business, we expect profit to increase ¥19.1 billion year on year to ¥33.0 billion due to the improvement of crude oil prices. In the Renewable Energy Business segment, we are expecting profit of ¥3.3 billion, down ¥0.8 billion from FY2020, due to the generation of upfront costs for the development of offshore wind power generation facilities, offsetting the beginning of the operation of a new onshore wind power generation site at Cosmo Eco Power.



Outline of Consolidated Cash Flows and Consolidated Balance Sheet

Financial Position

In FY2020, free cash flow improved significantly from the previous fiscal year due to an increase in cash flows from operating activities, mainly reflecting the posting of profit before income taxes. Regarding financial indicators, net worth, net worth ratio, and net D/E ratio improved significantly from FY2020 due in part to the posting of profit attributable to owners of parent. Above all, the net D/E ratio improved significantly by 0.82 points from 2.41 in the

previous fiscal year to 1.59.

In FY2021, it is forecast that the net D/E ratio will improve to 1.0-1.5, a target in the sixth management plan. However, we still have some way to go before we achieve a net worth of ¥400.0 billion, a target in the Sixth Medium-Term Management Plan, and we will continue to seek to improve our financial position.

Outline of consolidated statement of income (YOY comparison)				
(billion yen)	FY2020	Changes	FY2021 Forecast	Changes
Net sales	2,233.3	-504.7	2,150.0	-83.3
Operating profit	101.3	87.4	93.0	-8.3
Ordinary profit	97.4	81.1	88.0	-9.4
Inventory impact	20.8	73.0	8.0	-12.8
Ordinary profit (excluding the impact of inventory valuation)	76.6	8.1	80.0	3.4
Petroleum	53.3	48.9	32.0	-21.3
Petrochemical	-3.3	-8.5	2.5	5.8
Oil exploration and production	13.9	-31.1	33.0	19.1
Renewable Energy Business	4.1	-0.8	3.3	-0.8
Other	8.6	-0.4	9.2	0.6
Profit attributable to owners of parent	85.9	114.1	40.0	-45.9
For reference				
Dubai crude oil price (US\$/barrel, April to March)	45	-15	60	15
Foreign exchange rate (¥/US\$, April to March)	106	-3	105	-1
Dubai crude oil price (US\$/barrel, Jan. to Dec.)	42	-22	60	18
Foreign exchange rate (¥/US\$, Jan. to Dec.)	107	-2	105	-2

Consolidated Cash Flows		
(billion yen)	FY2019	FY2020
Cash flows from operating activities (1)	111.7	167.4
Cash flows from investing activities (2)	-84.2	-84.6
Free cash flow (1+2)	27.5	82.8
Cash flows from financing activities	-24.7	-80.6
Cash and cash equivalents at end of the period	43.3	44.5

Consolidated Balance Sheet			
(billion yen)	Mar. 31, 2020	Mar. 31, 2021	Changes
Total assets	1,639.8	1,709.0	69.2
Net assets	362.8	449.1	86.3
Net worth	239.8	324.9	85.1
Net worth ratio	14.6%	19.0%	4.4 points
Net interest-bearing debt ^{*1}	628.3	556.4	-71.9
Net debt-to-equity ratio (times) ^{*2}	2.41	1.59	Improved 0.82 points

^{*1} Total interest-bearing debts net of cash and deposits, etc. as of the end of the period
^{*2} Calculated on the basis that 50% of the ¥30 billion Hybrid Loan made on March 31, 2020, is included in equity.