

## Highlights of Oil Distributors' Financial Results for Fiscal Year Ended March 2026

The following are Japan Credit Rating Agency, Ltd. (JCR)'s perception of the current status and highlights for rating concerning the financial results for the fiscal year ended March 2026 (FY2025) and earnings forecasts for FY2026 of three oil distributors (collectively, the "Companies"): Idemitsu Kosan Co., Ltd. ("Idemitsu Kosan") (security code: 5019), ENEOS Holdings, Inc. ("ENEOS HD") (security code: 5020) and COSMO ENERGY HOLDINGS COMPANY, LIMITED ("COSMO ENERGY HD") (security code: 5021).

### 1. Industry Trend

The average Dubai crude oil price for FY2025 was USD 72 per barrel, dropped USD 7 from USD 79 for FY2024. In addition to the sense of uncertainties involved in the future world economy, the market remained weak for most of the period on the back of reduction in output cut by OPEC Plus and other factors. However, conflict between the U.S./Israel and Iran escalated toward the end of the period, resulting in the effective blockade of the Strait of Hormuz. Growing concern of a tight supply and demand condition worldwide, crude oil prices once surged to the level largely exceeding USD 100 and has remained in the higher range of between USD 90 and around USD 100 since then.

Domestic demand for petroleum products has long been tapering. According to "Petroleum product demand forecast for FY2026–2030" compiled by the Agency for Natural Resources and Energy, domestic demand for all fuel oils (excluding C-heavy oil for power generation; estimated actual volume) was 101.66 million kl for FY2025, down 1.0% from the previous year, and is also expected to fall for FY2026 by 2.1% over the year to 99.55 million kl. Domestic demand is expected to keep shrinking into the future on the back of such factors as the shift from gasoline passenger cars to electric vehicles (EVs and HVs), fuel conversion in the industrial sector and improved logistics efficiency. From a medium to long-term perspective, acceleration in the pace of demand decrease can also be assumed due to the moves addressing realization of carbon neutrality.

Presently, there are 19 oil refineries in Japan, with atmospheric distillation capacities of 3.11 million barrels per day. Although these capacities were not reduced between FY2024 and FY2025, business operations with focus on securing margins were continued. The operation rate of refineries (including the impact of regular repairs) for FY2025 was at 91% for COSMO ENERGY HD, followed by Idemitsu Kosan's 79% and ENEOS HD's 73%. COSMO ENERGY HD continued a high level, and the remaining two companies, Idemitsu Kosan and ENEOS HD, showed improvements resolving the impacts of trouble in the previous year. Each company is strengthening the competitiveness of refineries working to reduce unplanned downtime and streamline the operations using digital technologies.

### 2. Financial Results

Operating income of the Companies combined for FY2025 (gross profit less SG&A expenses for ENEOS HD; the same applies hereafter) increased 32.7% over the year to 708.0 billion yen with a main reason of decreasing negative inventory effects from the previous fiscal year. (Chart 1). Operating income excluding the inventory effects also increased 16.8% over the year to 761.7 billion yen. Arising positive time lag from a rapid increase in crude oil prices entailing from growing tension in the Middle East at the end of the period boosted profits.

Looking at individual companies' performance, ENEOS HD achieved a profit increase due to steady margin in the petroleum refining and sales business and other factors in addition to elimination of non-recurring adverse effects such as the impairment loss of goodwill arising from the business integration with TonenGeneral Sekiyu K.K. recorded in the previous fiscal year, and the impairment loss in the renewable energy business. Although profits of the resources business decreased along with falling coal prices, Idemitsu Kosan achieved a profit increase driven by the positive time lag effects in the petroleum business and an improvement in the power and renewables business. Although the oil exploration and production business saw a profit decrease along with falling crude oil prices for COSMO ENERGY HD, it secured profits almost flat from the last year as a whole absorbing increased procurement costs by the positive time lag effects in the core petroleum business.

On the financial front, interest-bearing debt of the Companies combined as at the end of FY2025 was almost flat from the previous fiscal year, 3,930.5 billion yen as opposed to 3,920.0 billion yen a year before. On the other hand, equity capital of the Companies combined (equity attributable to owners of the parent for ENEOS HD; the same applies hereafter) was 6,094.1 billion yen as opposed to 5,605.8 billion yen a year before. While a high level of shareholder returns, including share buybacks, continued, accumulation of periodic profits progressed. Consequently, D/E Ratio of the Companies combined, i.e. the ratio of interest-bearing debt to equity capital, came to 0.6x as at the end of FY2025, as opposed to 0.7x a year before (Chart 2). Moreover, the ratio of interest-bearing debt to EBITDA of the Companies combined, excluding inventory effects, for FY2025 stood at 3.0x, improving from FY2024's 3.2x. (Note regarding equity capital and interest-bearing debt: Entirely after the evaluation of equity content of ENEOS HD's subordinated bonds)

### 3. Highlights for Rating

With regard to the full year performance forecast for FY2026, variability caused by the assumption for the business environment set by each company and impacts of change in the accounting standards can be observed. As for the assumption of the Dubai crude oil price, the largest factor of variation, ENEOS assumes USD 85 per barrel, Idemitsu Kosan USD81 per barrel and COSMO ENERGY HD USD89 per barrel. Furthermore, the Companies foresee the future Middle East situation differently as shown that ENEOS HD expects the impacts on raw material procurement, operation and market condition will be limited in April and May 2026, as opposed to Idemitsu Kosan and COSMO ENERGY HD assume the situation will gradually be settled down from the second quarter and onward. That said, the Companies commonly predict the balance between supply and demand of crude oil will become normalized after reopening of the Strait of Hormuz and the crude oil prices will drop toward the end of the period. Therefore, negative time lag effects are expected to be the factors placing downward pressure on profits.

As regards to the profit and loss projection of respective companies, ENEOS HD expects a profit increase, and the remaining two companies, Idemitsu Kosan and COSMO ENERGY HD expect a profit decrease. ENEOS HD expects a substantial profit increase projecting an operating income excluding the inventory effects of 590 billion yen as opposed to 474.4 billion yen a year before. This is mainly because of recording of one-off profit from sale of shares of JX Advanced Metals Corporation, but ENEOS HD is also expected to absorb the negative time lag effects on the basis of excluding the said gains on sale by profit growth of the oil and natural gas E&P business on the back of soaring resource prices, growth of the high performance materials business and other factors. While simple comparison with the previous results cannot be made for Idemitsu Kosan because it has voluntarily adopted IFRS since current fiscal year, it projects profits before taxes excluding financial expenses excluding inventory effects of 140 billion yen. Compared to the segment profit indicator for the previous fiscal year (operating income excluding inventory effects + equity in earnings (losses) of affiliates: 244.1 billion yen), it expects a decrease mainly attributable to being affected by the negative time lag effects in the petroleum and basic chemicals businesses. COSMO ENERGY HD expects a substantial profit decrease projecting an operating income less inventory effects of 97 billion yen, as opposed to 161.2 billion yen a year before. In addition to the negative time lag effects in the petroleum business, it is relatively strongly affected by the adverse impacts of growing tension of the Middle East (constraints on operation and production from blockage of the Strait of Hormuz) since the oil E&P business' rights and interest of are concentrated in the Middle East area. In response to the Middle East situation, the Companies have clearly indicated their policy of giving the highest priority to stable supply of petroleum products. As for the additional costs associated with maintaining the stable supply, the Companies intend to promptly reflect them in the product prices. Therefore, it is considered that the substantive petroleum product margin in Japan will generally remain steady.

On the financial front, JCR sees profits will be accumulated for the foreseeable future on the back of stable earning capacity mainly of the core petroleum business for the time being. On the other hand, each company maintains aggressive stance for shareholder returns, and it is considered that the pace of equity capital increase will probably remain moderate. For FY2026 and onward, energy transition related investment is expected to become full swing and each company will be in the final decision-making phase of large investments (FID). JCR will closely watch whether each company will be able to maintain reasonable financial soundness through appropriately controlling the balance between growth investments and shareholder return going forward.

Takeshi Fujita, Naoki Muramatsu

(Chart 1) Financial Results of Oil Distributors

(JPY 100 mn, %)

		Net Sales	Operating Income	*Ordinary Income	Net Income Attributable to Owners of the Parent	Inventory Effects	*Operating Income less Inventory Effects	Net Income/ Net Sales
Idemitsu Kosan (5019)	FY2023	87,192	3,463	3,852	2,285	525	2,938	2.6
	FY2024	91,902	1,621	2,147	1,040	- 299	1,920	1.1
	FY2025	81,058	2,122	2,296	1,719	- 294	2,416	2.1
	FY2026F	N.A.	N.A.	1,200	750	- 200	1,400	N.A.

\* From FY2026, ordinary income is earnings before financial expenses and taxes, and operating income less inventory effects is earnings before taxes excluding inventory effects/financial expenses.

		Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of the Parent	Inventory Effects	Operating Income less Inventory Effects	Net Income/ Net Sales
COSMO ENERGY HD (5021)	FY2023	27,295	1,492	1,616	820	- 6	1,498	3.0
	FY2024	27,999	1,282	1,507	576	- 308	1,590	2.1
	FY2025	26,775	1,447	1,492	740	- 165	1,612	2.8
	FY2026F	28,700	1,020	1,150	440	50	970	1.5

		Net Sales	Gross Profit less SG&A Expenses	Operating Income	Profit Attributable to Owners of the Parent	Inventory Effects	Operating Income less Inventory Effects	Net Income/ Net Sales
ENEOS HD (5020)	FY2023	138,566	3,889	4,649	2,881	717	3,932	2.1
	FY2024	123,224	2,432	1,060	2,260	- 576	1,636	1.8
	FY2025	117,654	3,510	4,666	2,587	- 78	4,744	2.2
	FY2026F	128,500	N.A.	6,100	4,150	200	5,900	3.2

		Net Sales	Operating Income	Net Income	Inventory Effects	Operating Income less Inventory Effects	Net Income/ Net Sales
Total	FY2023	253,054	8,844	5,986	1,236	7,608	2.4
	FY2024	243,126	5,337	3,877	- 1,183	6,520	1.6
	FY2025	225,489	7,080	5,046	- 537	7,617	2.2
	FY2026F	N.A.	N.A.	5,340	50	N.A.	N.A.

Notes:

1. Figures for FY2026 are forecasts announced by the respective companies.
2. Figures for ENEOS HD are based on IFRS.
3. Only ENEOS HD uses "Gross Profit less SG&A Expenses" for "Operating Income" in "Total."
4. "Net Income" is "Net Income Attributable to Owners of the Parent" under Japanese GAAP and "Profit Attributable to Owners of the Parent" under IFRS.

(Source: Prepared by JCR based on financial materials of respective Companies)

(Chart 2) Financial Conditions of Oil Distributors

(JPY 100 mn, times)

		Equity Capital	Interest-bearing Debt	D/E Ratio	EBITDA	Interest-bearing Debt/ EBITDA	Operating Cash Flow	Investing Cash Flow
Idemitsu Kosan (5019)	FY2023	17,998	12,884	0.7	4,132	3.1	3,773	- 658
	FY2024	17,203	11,663	0.7	3,191	3.7	4,767	- 1,185
	FY2025	19,181	13,422	0.7	3,690	3.6	3,924	- 2,916
COSMO ENERGY HD (5021)	FY2023	6,005	6,183	1.0	2,109	2.9	1,779	- 327
	FY2024	5,847	6,169	1.1	2,233	2.8	1,371	- 1,456
	FY2025	6,062	5,967	1.0	2,256	2.6	2,137	- 846
ENEOS HD (5020)	FY2023	34,272	26,200	0.8	6,819	3.8	10,102	- 2,409
	FY2024	33,006	21,367	0.6	6,894	3.1	5,768	1,307
	FY2025	35,697	19,914	0.6	7,088	2.8	6,199	- 2,519
Total	FY2023	58,276	45,268	0.8	13,061	3.5	15,656	- 3,395
	FY2024	56,058	39,200	0.7	12,320	3.2	11,906	- 1,334
	FY2025	60,941	39,305	0.6	13,035	3.0	12,261	- 6,282

Notes:

1. "Interest-bearing Debt" is the sum of corporate bonds and borrowings for ENEOS HD; and the sum of borrowings, corporate bonds and CP for Idemitsu Kosan and COSMO ENERGY HD.
2. "Equity Attributable to Owners of the Parent" and "Interest-bearing Debt" of ENEOS HD are amounts after evaluation of the equity content of subordinated bonds.
3. "Equity Capital" is "Equity Capital" under Japanese GAAP and "Equity Attributable to Owners of the Parent" under IFRS.
4. EBITDA excludes inventory effects

(Source: Prepared by JCR based on financial materials of respective Companies)

<Reference>

Issuer: Idemitsu Kosan Co., Ltd.

Long-term Issuer Rating: A+      Outlook: Stable

Issuer: ENEOS Holdings, Inc.

Long-term Issuer Rating: AA-      Outlook: Stable

Issuer: COSMO ENERGY HOLDINGS COMPANY, LIMITED

Long-term Issuer Rating: A      Outlook: Stable

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