

August 4, 2008

## Overview of Business Results for First Quarter of Fiscal Year Ending March 2009

Name of the Company: Cosmo Oil Co., Ltd. Shares traded: TSE, OSE, and NSE first sections  
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 Scheduled date to file quarterly report: August 14, 2008

Note: Figures less than 1 million are rounded down.

### 1. Consolidated Financial Results for First Quarter of Fiscal Year Ending March 2009 (For the period from April 1, 2008 to June 30, 2008)

(1) Consolidated operating results (Figures in % refer to changes from the same quarter a year earlier)

	Net sales		Operating income		Ordinary income		Net income for the first quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
First Quarter, FY2008	915,462	—	44,809	—	38,108	—	22,879	—
First Quarter, FY2007	760,302	9.9	20,806	64.4	22,331	60.7	13,127	170.8

	Net income per share for the first quarter		Diluted net income per share for the first quarter	
	yen	sen	yen	sen
First Quarter, FY2008	27.01		26.11	
First Quarter, FY2007	19.56		18.75	

### (2) Consolidated Financial Position

	Total assets	Net assets	Net Worth ratio	Net assets per share
	million yen	million yen	%	yen sen
First Quarter, FY2008	1,765,554	501,419	26.9	561.47
FY2007	1,627,903	469,726	27.2	522.84

[Reference] Net worth First Quarter, FY2008 475,634 million yen FY2007 442,912 million yen

### 2. Dividend Payment Results and Outlook

(Period for dividend payment)	Dividend per share				
	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
FY2007	—	3.00	—	5.00	8.00
FY2008	—	—	—	—	—
FY2008 (outlook)	—	3.00	—	5.00	8.00

Note: Revision made in the forecast dividend as of the end of the current quarter: None.

### 3. Consolidated Business Outlook for FY2008 (April 1, 2008 to March 31, 2009) (% indicates change from the corresponding period of FY 2007)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
1H FY2008	2,020,000	—	86,000	—	82,000	—	41,000	—	48.40
FY2008	3,700,000	5.0	75,000	-10.5	73,000	-22.6	24,000	-31.7	28.33

Note: Change made in figures of the consolidated business outlook as of the end of the current quarter from the previous announcement: Yes.

### 4. Others

(1) Change in significant subsidiaries during the first quarter (change in specific subsidiaries resulting in change in scope of consolidation): None

Note: For detailed information, please refer to "4. Other" of the "Qualitative Information / Financial Statements" on Page 3.

(2) Adoption of convenient method in accounting and of accounting method uniquely adopted to prepare consolidated financial statements for the current quarter: Adopted

Note: For detailed information, please refer to "4. Other" of the "Qualitative Information / Financial Statements" on Page 3.

(3) Changes in accounting policies and processing and representation methods adopted to prepare the consolidated financial statements for the current quarter (significant changes in the basis of presenting the consolidated financial statements for the current quarter):

(1) Changes due to revised accounting standards: Yes

(2) Changes other than the reason described above: None

Note: For detailed information, please refer to "4. Other" of the "Qualitative Information / Financial Statements" on Page 3.

### (4) Total Number of Outstanding Shares (Common Stock)

(1) Number of outstanding shares as of end of the period (including treasury stock):

The First Quarter of FY2008 847,705,087 shares / FY2007 847,705,087 shares

(2) Number of shares of treasury stock as of end of the period:

The First Quarter of FY2008 582,916 shares / FY2007 575,168 shares

(3) Average Number of shares outstanding during the period (or the cumulative consolidated accounting period as the end of the current quarter):

First Quarter FY2008 847,126,798 shares / First Quarter FY2007 671,147,998 shares

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

1. The consolidated business outlook for the first half of FY2008 is updated from the previous announcement (made on May 9, 2008).

As for the consolidated business outlook for the whole of FY2008, variable factors, such as crude oil prices, yen-dollar exchange rates and other market conditions,

are under close consideration, so that, as of the published date of this release, no change in forecast figures is made from the previous announcement (made on May 9, 2008).

As for details, please refer to the "3. Qualitative Information regarding Consolidated Business Outlook" of the "Qualitative Information / Financial Statements" on Page 3 of this release.

2. The Company has adopted the "Accounting Standard for Quarterly Financial Statements" (Corporate Accounting Standard No. 12) and the "Implementation Guidance for the Accounting Standard for Quarterly Financial Statements" (Corporate Accounting Standard Implementation Guidance No. 14), effective from the beginning of FY 2008. The Company also develops consolidated financial statements for each quarter by following the "Rules for Quarterly Consolidated Financial Statements."

## [Qualitative Information regarding Operating Results]

## 1. Qualitative Information regarding Consolidated Operating Results

Consolidated sales for the first quarter of FY2008 were ¥915.5 billion (up ¥155.2 billion from the same period of FY2007), operating income, ¥44.8 billion (up ¥24.0 billion), ordinary income, ¥38.1 billion (up ¥15.8 billion) and net income for the period, ¥22.9 billion (up ¥9.8 billion).

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

- 1) The petroleum business, affected by crude oil price hikes, endeavored to keep market conditions appropriate but such conditions only allowed for insufficient shift of increasing costs to consumer prices. The domestic sales volume reduced, mainly reflecting restrained consumption due to soaring gasoline prices, while the business made efforts to export oil products to overseas markets. A significant reduction in costs of sales due to inventory valuation impact and other factors, on the other hand, increased profit.

The petrochemical business reported reduced profit mainly reflecting lower margins from FY2007 due to raw material price increases.

As a result, the petroleum business segment reported sales of ¥898.0 billion for the first quarter of FY2008 (up ¥155.8 billion from the first quarter of FY2007), operating income of ¥36.4 billion (up ¥21.7 billion) and ordinary income of ¥34.7 billion (up ¥19.8 billion).

- 2) In the oil exploration and production business segment, crude oil price hikes, and a lower sales volume and foreign exchange translation impact and other factors affected financial results. The segment reported sales of ¥18.3 billion for the first quarter of FY2008 (up ¥2.2 billion from the first quarter of FY2007), operating income of ¥9.8 billion (up ¥2.5 billion) and ordinary income of ¥5.2 billion (down ¥3.5 billion).
- 3) The oil-related plant and other facility construction work, property leasing, insurance and other businesses made their respective efforts for operating rationalization and management efficiency. As a result, the other business segment reported sales of ¥20.0 billion for the first quarter of FY2008 (down ¥200 million from the first quarter of FY2007), operating income of ¥700 million (up ¥200 million) and ordinary income of ¥700 million (up ¥200 million).

## 2. Qualitative Information regarding Consolidated Financial Position

- 1) Total assets as of the end of the first quarter of FY2008 (or June 30, 2008) amounted to ¥1,765.6 billion, up ¥137.7 billion from the end of FY2007 (or March 31, 2008), mainly reflecting increased inventories due to crude oil price hikes. Net assets as of June 30, 2008 were ¥501.4 billion up ¥31.7 billion from the end of March 31, 2008. A net worth ratio of June 30, 2008 was 26.9%.
- 2) As for consolidated cash flows of the first quarter of FY2008, net cash used in operating activities stood at ¥38.0 billion mainly reflecting an increase in inventories due to crude oil price hikes. Net cash used in investing activities stood at ¥13.7 billion mainly reflecting payments for the acquisitions of fixed assets. Net cash provided by financial activities stood at ¥70.0 billion mainly reflecting the borrowing of operating funds.

As a result, cash and cash equivalents as of June 30, 2008 were ¥98.0 billion, up ¥15.3 billion from those as of March 31, 2008.

## 3. Qualitative Information regarding Consolidated Business Outlook

As for the consolidated business outlook for the first half of FY2008, some variable factors are expected, such as a reduction in cost of sales from the impact of inventory valuation due to higher crude oil prices, as compared with the previous announcement for the business outlook (made on May 9, 2008). The updated business outlook for the first half of FY2008 includes consolidated sales of ¥2,020.0 billion (up ¥300.0 billion), operating income of ¥86.0 billion (up ¥53.0 billion), ordinary income of ¥82.0 billion (up ¥51.0 billion) and net income for the period of ¥41.0 billion (up ¥30.0 billion).

This latest business outlook is made based on the assumptions of an average crude oil price (FOB) of US\$120.0 per barrel and an exchange rate of ¥105 per US\$ for the second quarter period (from July 1, 2008 to September 30, 2008).

As for the consolidated business outlook for the whole of FY2008, variable factors, such as crude oil prices, yen-dollar exchange rates and other market conditions, are under close consideration, so that, as of the published date of this release, no change in forecast figures is made from the previous announcement (made on May 9, 2008).

#### 4. Other

(1) Change in significant subsidiaries (or change in certain subsidiaries affecting the range of consolidated accounts of the Cosmo Oil Group) during the current accounting period: None

(2) Adoption of convenient method in accounting and of accounting method uniquely adopted to prepare consolidated financial statements for the current quarter:

1. Adoption of convenient method in accounting:

The Company adopts the method unrealized gains/losses included in inventories, the method of inventory valuation and the method to calculate income taxes and deferred tax assets/liabilities.

2. Adoption of accounting method uniquely adopted to prepare consolidated financial statements for the current quarter:

The Company calculates tax expense by multiplying reasonably estimated effective tax rate by net income.

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

(3) Changes in accounting principles and processing and representation methods adopted to prepare consolidated financial statements for the current quarter:

•Change in Accounting Standard

1. The Company has adopted the "Accounting Standard for Quarterly Financial Statements" (Corporate Accounting Standard No. 12) and the "Implementation Guidance for the Accounting Standard for Quarterly Financial Statements" (Corporate Accounting Standard Implementation Guidance No. 14), effective from the beginning of FY 2008. The Company also develops consolidated financial statements for each quarter by following the "Rules for Quarterly Consolidated Financial Statements."

2. The Company conventionally processed transactions of finance leases under which the ownership of the leased assets is not transferred to lessees by following the accounting policies applicable to lease transactions, but the Company, effective from the first quarter of FY2008 for consolidated accounting, made the early adoption of the "Accounting Standard for Lease Transactions" (the Corporate Accounting Standard No. 13) and the "Implementation Guidance for the Accounting Standard for Lease Transactions" (the Corporate Accounting Standard Implementation Guidance No. 16) to process such lease transactions by following the accounting policies for ordinary business transactions.

The impact of this change on consolidated operating income, ordinary income and net income before taxes for the first quarter of FY2008 is negligible.

3. The Company has adopted the "Accounting Standard for the Valuation of Inventories" (the Corporate Accounting Standard No. 9), effective from the beginning of FY2008.

This change reduced consolidated operating income, ordinary income and net income before taxes for the first quarter of FY2008 by ¥1,438 million, respectively.

## 5. Consolidated Financial Statements

## (1) Consolidated Balance Sheet

(Unit: million yen)

	1Q FY2008 As of Jun. 30, 2008	FY2007 As of Mar. 31, 2008
<b>Assets</b>		
Current assets		
Cash and deposits	89,564	72,193
Notes and accounts receivable-trade	256,131	293,549
Short-term investment securities	9,494	10,992
Merchandise and finished goods	136,194	117,060
Semi-finished goods	102,311	86,254
Raw materials	114,047	93,530
Raw materials in transit	174,457	125,177
Work in process	2,544	2,425
Other inventories	37,189	15,644
Other	145,831	117,247
Allowance for doubtful accounts	-441	-352
Total current assets	1,067,325	933,721
Noncurrent assets		
Property, plant and equipment		
Land	306,977	308,277
Other, net	225,074	220,746
Total property, plant and equipment	532,052	529,023
Intangible assets	9,231	9,779
Investments and other assets		
Other	158,219	156,603
Allowance for doubtful accounts	-1,273	-1,224
Total investments and other assets	156,945	155,378
Total noncurrent assets	698,229	694,182
Total assets	1,765,554	1,627,903
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	352,842	312,656
Short-term loans payable	327,113	257,100
Current portion of bonds	1,000	2,500
Accounts payable-other	145,347	163,493
Income taxes payable	21,692	21,688
Other	65,479	54,589
Total current liabilities	913,474	812,027
Noncurrent liabilities		
Bonds with subscription rights to shares	18,000	18,000
Long-term loans payable	250,117	244,004
Provision for special repairs	7,203	7,367
Provision for retirement benefits	6,241	6,300
Other	69,098	70,476
Total noncurrent liabilities	350,661	346,149
Total liabilities	1,264,135	1,158,176

	(Unit: million yen)	
	1Q FY2008	FY2007
	As of Jun. 30, 2008	As of Mar. 31, 2008
Net assets		
Shareholders' equity		
Capital stock	107,246	107,246
Capital surplus	89,442	89,442
Retained earnings	234,658	215,388
Treasury stock	-128	-125
Total shareholders' equity	431,218	411,952
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	8,164	5,909
Deferred gains or losses on hedges	26,753	14,603
Revaluation reserve for land	10,450	11,084
Foreign currency translation adjustment	-952	-638
Total valuation and translation adjustments	44,415	30,960
Minority interests	25,785	26,814
Total net assets	501,419	469,726
Total liabilities and net assets	1,765,554	1,627,903

## (2) Consolidated Statements of Income

	(Unit: million yen)
	1Q FY2008
	From April 1, 2008
	to June 30, 2008
Net sales	915,462
Cost of sales	833,303
Gross profit	82,159
Selling, general and administrative expenses	37,349
Operating income	44,809
Non-operating income	
Interest income	504
Dividends income	609
Equity in earnings of affiliates	1,109
Other	1,278
Total non-operating income	3,503
Non-operating expenses	
Interest expenses	2,481
Foreign exchange losses	6,781
Other	942
Total non-operating expenses	10,204
Ordinary income	38,108
Extraordinary income	
Gain on sales of noncurrent assets	6,407
Gain on sales of investment securities	108
Total extraordinary income	6,515
Extraordinary loss	
Loss on disposal of noncurrent assets	523
Impairment loss	104
Total extraordinary losses	628
Income before income taxes and minority interests	43,996
Income taxes-current	21,603
Minority interests in income	-486
Net income	22,879

## (3) Consolidated Statement of Cash Flows

Item	(Unit: million yen)
	1Q FY2008 From April 1, 2008 to June 30, 2008
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	43,996
Depreciation and amortization	8,355
Amortization of goodwill	15
Loss (gain) on disposal of noncurrent assets	523
Impairment loss	104
Increase (decrease) in provision	-39
Interest and dividends income	-1,114
Interest expenses	2,481
Foreign exchange losses (gains)	3,082
Equity in (earnings) losses of affiliates	-1,109
Loss (gain) on sales of noncurrent assets	-6,405
Recovery of recoverable accounts under production sharing	2,777
Decrease (increase) in notes and accounts receivable-trade	36,962
Decrease (increase) in inventories	-127,357
Increase (decrease) in notes and accounts payable-trade	40,629
Decrease (increase) in other current assets	-6,302
Increase (decrease) in other current liabilities	-11,364
Other, net	-1,563
Subtotal	-16,329
Interest and dividends income received	3,654
Interest expenses paid	-1,941
Income taxes paid	-23,377
Net cash provided by (used in) operating activities	-37,994
Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	-17,373
Proceeds from sales of property, plant and equipment	9,224
Purchase of investment securities	-924
Payments for purchases of intangible fixed assets and long-term	-3,115
Decrease (increase) in short-term loans receivable	-1,311
Other, net	-167
Net cash provided by (used in) investment activities	-13,667
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	76,820
Proceeds from long-term loans payable	13,700
Repayment of long-term loans payable	-13,833
Redemption of bonds	-1,500
Cash dividends paid	-4,237
Cash dividends paid to minority shareholders	-914
Other, net	-4
Net cash provided by (used in) financing activities	70,030
Effect of exchange rate change on cash and cash equivalents	-2,993
Net increase (decrease) in cash and cash equivalents	15,374
Cash and cash equivalents at beginning of period	82,674
Cash and cash equivalents at end of period	98,049

The Company has adopted the “Accounting Standard for Quarterly Financial Statements” (Corporate Accounting Standard No. 12) and the “Implementation Guidance for the Accounting Standard for Quarterly Financial Statements” (Corporate Accounting Standard Implementation Guidance No. 14), effective from the beginning of FY 2008.

The Company also develops consolidated financial statements for each quarter by following the “Rules for Quarterly Consolidated Financial Statements.”

(4)Notes to going concern

None



## (5) Segment information

## 1. Business segment information

1Q FY2008 (From April 1, 2008 to June 30, 2008)

	Petroleum (million yen)	Oil exploration and production (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
Net sales						
(1)Outside customers	897,870	7,822	9,768	915,462	-	915,462
(2)Inter-segment	170	10,516	10,228	20,916	(20,916)	-
Total	898,041	18,339	19,997	936,378	(20,916)	915,462
Operating income	36,438	9,840	695	46,974	(2,164)	44,809

- Note 1 The business segments are determined in accordance with the Company's internal business management policy.
- 2 Major products or details of each segment
- (1) Petroleum : gasoline, naphtha, kerosene, diesel fuel, heavy fuel oil, crude oil, lubricating oil, LP gas, asphalt, and various petrochemical products
- (2) Oil exploration & production: production, drilling and exploration of crude oil
- (3) Other: construction works, insurance agency, leasing, travel agency, etc.

## 2. Geographic segment information

1Q FY2008 (From April 1, 2008 to June 30, 2008)

	Japan (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
Net sales					
(1)Outside customers	874,004	41,457	915,462	-	915,462
(2)Inter-segment	40,010	86,385	126,396	(126,396)	-
Total	914,015	127,843	1,041,858	(126,396)	915,462
Operating income	36,788	10,173	46,961	(2,151)	44,809

- Note 1 The method of division of countries or regions and major countries included
- (1) The method of division of countries or regions: geographic proximity
- (2) Countries included in the other area: Singapore, the US, UK, UAE, Qatar, and Australia

## 3. Overseas Sales

1Q FY2008 (From April 1, 2008 to June 30, 2008)

I Overseas net sales (million yen)	121,921
II Consolidated net sales (million yen)	915,462
III Overseas net sales share of consolidated net sales (%)	13.3

- Note 1 Countries and regions are segmented by geographical proximity but sales from each country/region are so small that such sales are combined together to be represented as "overseas net sales"
- 2 Major country and region from which sales are earned: Asia and North America
- 3 Overseas net sales refer to net sales from countries and regions where the Company and its subsidiaries do business apart from Japan.

## (6) Notes to remarkable changes in Shareholders' Equity

1Q FY 2008 (from April 1, 2008 to June 30, 2008)

None

[ Reference ]

## Financial Statements for First Quarter FY2007

## (1) Consolidated Statements of Income

(Unit: million yen)

Item	1Q FY2007 From April 1, 2007 to June 30, 2007
I Sales	760,302
II Cost of sales	702,901
Gross profit	57,401
III Selling, general and administrative expenses	36,594
Operating income	20,806
IV Non-operating income	( 5,914 )
Interest and Dividends income	1,900
Equity in earnings of affiliates	2,240
Other	1,774
V Non-operating expenses	( 4,390 )
Interest expenses	3,044
Foreign currency excdhange loses	96
Other	1,249
Ordinary income	22,331
VI Extraordinary income	( 3,088 )
VII Extraordinary loss	( 480 )
Income before income taxes and minority intere	24,939
Income taxes-current	10,953
Minority interests in income	858
Net income	13,127

## (2) Consolidated Statements of Cash Flows (First Quarter FY2007)

(Unit: million yen)

Item	1Q FY2007 From April 1, 2007 to June 30, 2007
<b>I Cash flows from operating activities</b>	
Income before income taxes and minority interests	24,939
Depreciation and amortization	8,274
Interest and dividends income	-1,900
Interest expenses	3,044
Increase(decrease) in notes and accounts receivable	10,960
Increase(decrease) in inventories	-47,786
Increase (decrease) in notes and accounts payable	17,460
Others	1,171
Subtotal	16,163
Balance between interest received and interest paid, and dividends received	1,524
Income taxes paid	-12,730
<b>Total</b>	<b>4,957</b>
<b>II Cash flows from investing activities</b>	
Payment for acquisition of fixed assets and proceeds from sales of fixed assets	-1,119
Payment or proceeds for loan	-467
Payment for acquisition of marketable securities and proceeds from sales of marketable securities	-1,493
<b>Total</b>	<b>-3,080</b>
<b>III Cash flows from financing activities</b>	
Increase (decrease) of short-term loans and long-term loans	12,760
Increase (decrease) in bonds and warrant bonds	-11,000
Cash dividends paid	-3,357
Others	-644
<b>Total</b>	<b>-2,241</b>
<b>IV Effect of exchange rate change on cash and cash equivalents</b>	<b>65</b>
<b>V Net increase (decrease) in cash and cash equivalents</b>	<b>-300</b>
<b>VI Cash and cash equivalents at beginning of this quarter</b>	<b>126,105</b>
<b>VII Cash and cash equivalents at end of this quarter</b>	<b>125,805</b>

## (3) Segment information

## 1. Business segment information

1Q FY2007 (From April 1, 2007 to June 30, 2007)

	Petroleum (million yen)	Oil exploration and production (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
Net sales						
(1)Outside customers	742,118	7,462	10,722	760,302	-	760,302
(2)Inter-segment	156	8,707	9,485	18,350	(18,350)	-
Total	742,275	16,169	20,208	778,653	(18,350)	760,302
Operating expenses	727,585	8,792	19,722	756,101	(16,605)	739,496
Operating income	14,689	7,376	486	22,552	(1,745)	20,806

Note 1 The business segments are determined in accordance with the Company's internal business management policy.

2 Major products or details of each segment

(1) Petroleum : gasoline, naphtha, kerosene, diesel fuel, heavy fuel oil, crude oil, lubricating oil, LP gas, asphalt, and various petrochemical products

(2) Oil exploration & production: production, drilling and exploration of crude oil

(3) Other: construction works, insurance agency, leasing, travel agency, etc.

## 2. Geographic segment information

1Q FY2007 (From April 1, 2007 to June 30, 2007)

	Japan (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
Net sales					
(1)Outside customers	736,868	23,434	760,302	-	760,302
(2)Inter-segment	15,049	84,419	99,469	(99,469)	-
Total	751,917	107,854	859,772	(99,469)	760,302
Operating expenses	736,613	100,563	837,176	(97,680)	739,496
Operating income	15,304	7,291	22,596	(1,789)	20,806

Note 1 The method of division of countries or regions and major countries included

(1) The method of division of countries or regions: geographic proximity

(2) Countries included in the other area: Singapore, the US, UK, UAE, Qatar, and Australia

**Consolidated Income Statements 【Operating Highlights】**

	1QFY08 (Apr.-Jun. 2008)	1QFY07 (Apr.-Jun. 2007)	Change (Change)
	billion yen	billion yen	billion yen
Net sales	915.5	760.3	155.2 (20.4%)
Cost of sales	833.3	702.9	130.4
Selling general and administrative expenses	37.4	36.6	0.8
Operating income	44.8	20.8	24.0 (115.4%)
Non-operating income/expenses, net	-6.7	1.5	-8.2
Ordinary income	38.1	22.3	15.8 (70.7%)
Extraordinary income/losses, net	5.9	2.6	3.3
Income taxes	21.6	10.9	10.7
Minority interests	-0.5	0.9	-1.4
Net income	22.9	13.1	9.8 (74.3%)

**Consolidated Financial Position**

	1Q FY08 As of Jun. 30, 08	FY07 As of Mar. 31, 08	Change
	billion yen	billion yen	billion yen
Total assets	1,765.6	1,627.9	137.7
Net assets	501.4	469.7	31.7
Net worth ratio	26.9%	27.2%	-0.3%
Interest-bearing debt	596.2	521.6	74.6
Interest-bearing debt to total assets ratio	33.8%	32.0%	1.8%
Net interest-bearing debt	498.2	438.9	59.3
Net interest-bearing debt ratio	28.2%	27.0%	1.2%

Note: Net interest-bearing debt is the total interest-bearing debt amount after the deduction of cash and cash equivalents and a short-term working fund balance as of the term-end

**Consolidated Cash Flows**

	1Q FY08 (Apr.-Jun. 2008)	1Q FY07 (Apr.-Jun. 2007)
	billion yen	billion yen
Operating activities	-38.0	5.0
Investment activities	-13.7	-3.1
Financing activities	70.0	-2.2
Cash and cash equivalents at the end of the period	98.0	125.8

**Consolidated Operating Highlights 【by Segment】**

	Petroleum	Oil exploration and production	Other	Elimination or corporate	Consolidated
	billion yen	billion yen	billion yen	billion yen	billion yen
Net sales	898.0	18.3	20.0	-20.8	915.5
(From 1Q FY07)	(155.8)	(2.2)	(-0.2)	(-2.6)	(155.2)
Operating income	36.4	9.8	0.7	-2.1	44.8
(From 1Q FY07)	(21.7)	(2.5)	(0.2)	(-0.4)	(24.0)
<b>【Reference】</b>					
Ordinary income	34.7	5.2	0.7	-2.5	38.1
(From 1Q FY07)	(19.8)	(-3.5)	(0.2)	(-0.7)	(15.8)

**【Segment-Specific Ordinary Income**

- Factors for increase of 15.8 billion yen from 1Q FY07】

	(billion yen)
I . Petroleum business	
1. Market conditions and export	9.6
2. Benefits from the "Medium-Term Management Plan"	0.9
3. Petrochemical business	-1.6
4. Others	10.9
(Incl. positive inventory valuation impact of 16.4(36.1←19.7))	
Petroleum business – total (34.7←14.9)	19.8
II . Oil exploration and production business (5.2←8.6)	-3.5
III . Other (other businesses, etc.) (-1.8←-1.3)	-0.5
Ordinary Income ( I + II + III)	15.8

**【Capital Expenditures and Depreciation Expenses】**

	1Q FY08	1Q FY07	Change
	(billion yen)		
Petroleum business	12.2	5.0	7.2
(Refining and marketing & sales)	11.5	4.5	7.0
(Petrochemical business)	0.4	0.1	0.3
(Other)	0.3	0.3	0
Oil exploration and production business	5.1	2.6	2.5
Other businesses	0	0	0
Total (consolidated)	17.3	7.5	9.8
Depreciation expenses	11.1	10.3	0.8

**Consolidated Income Statements 【 Business Outlook 】**

	Latest	Previous	Change
	billion yen	billion yen	billion yen
Net sales	2,020.0	1,720.0	300.0
Operating income	86.0	33.0	53.0
Ordinary income	82.0	31.0	51.0
Net income	41.0	11.0	30.0

**【Assumptions】**

- Crude Oil (FOB) : 120\$/B (Loaded in Jul.-Sep.2008)
- Yen-USD exchange rate : 105.0yen/\$
- Selling volume: Total fuel oil selling in Japan: 95.7%  
(based on 1st half of FY07 as 100%)  
Total selling volume 20,275 (1,000kl)  
(95.1% based on 1st half of FY07 as 100%)

※ Fuel Oil Selling Volumes in Japan (by product)

Gasoline	99.5%	Naphtha	84.1%
Kerosene	98.4%	Jet fuel	79.3%
Diesel fuel	100.8%	Heavy fuel oil C	102.3%
Heavy fuel oil A	99.9%		
4 Products-Total	99.9%	Total fuel oil selling volume in Japan	95.7%

Middle distillate export volume	120.9%
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**【Business Outlook by Segment】 (billion yen)**

	Petroleum	Oil exploration and production	Other	Elimination or corporate	Consolidated
Net sales	1,972.0	49.0	43.0	- 44.0	2,020.0
Operating income	62.0	25.0	0.0	- 1.0	86.0
(from the previous outlook)	(+53.5)	(± 0.0)	(- 0.5)	(± 0.0)	(+53.0)

**【Reference】 (billion yen)**

	Petroleum	Oil exploration and production	Other	Elimination or corporate	Consolidated
Ordinary income	58.0	24.0	1.0	- 1.0	82.0
(from the previous outlook)	(+53.0)	(- 2.0)	(± 0.0)	(± 0.0)	(+51.0)

(- 1.0) ※ excluding inventory valuation impact in the petroleum business segment.(from the previous outlook)

**【Factors Increase in 51.0 Billion Yen in Ordinary Income from The Previous Outlook】**

	(billion yen)
1. Petroleum business	53.0
Market conditions & Export, etc.	( 5.0 )
Petrochemical business	( - 0.7 )
Others	( 48.7 )
(Incl. positive inventory valuation Impact 54.0 ← 0)	
2. Oil exploration and production business	- 2.0
3. Others (other businesses, etc.)	0.0
<b>Ordinary income</b>	<b>51.0</b>
(82.0 billion yen ← 31.0 billion yen)	