

February 5, 2009

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

Name of the Company: Cosmo Oil Co., Ltd. URL <http://www.cosmo-oil.co.jp> Shares traded: TSE, OSE, and NSE first sections  
 Company Code: 5007  
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 Scheduled date to file quarterly report: February 12, 2009

Note: Figures less than 1 million are rounded down.

## 1. Consolidated Financial Results for Third Quarter of Fiscal Year Ending March 2009 (For the period from April 1, 2008 to December 31, 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	
	million yen	%	million yen	%	million yen	%	million yen	%
Third Quarter, FY2008	2,832,984	—	-105,707	—	-110,107	—	-82,055	—
Third Quarter, FY2007	2,540,516	11.9	69,678	47.7	73,098	42.4	33,609	88.0

	Net income per share		Diluted net income per share	
	yen	sen	yen	sen
Third Quarter, FY2008	-96.86	—	—	—
Third Quarter, FY2007	46.43	—	44.63	—

## (2) Consolidated Financial Position

	Total assets		Net assets		Net Worth ratio		Net assets per share	
	million yen		million yen		%	yen	sen	
Third Quarter, FY2008	1,503,850		370,562		22.6	400.58		
FY2007	1,627,903		469,726		27.2	522.84		

[Reference] Net worth Third Quarter, FY2008 339,335 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
FY2007	—	3.00	—	5.00	8.00	
FY2008	—	3.00	—	—	8.00	
FY2008 (outlook)	—	—	—	5.00		

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
FY2008	3,370,000	-4.3	-110,000	—	-121,000	—	-92,000	—	—	-108.60

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 third 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 Third 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 Third Quarter of FY2008 589,907 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):

The Third Quarter of FY2008 847,122,553 shares / Third Quarter FY2007 723,939,591 shares

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

1. The consolidated business outlook for the full year of FY2008 is updated from the previous announcement made on November 5, 2008.

The forward-looking statements including the business outlook are based on information available as of the published date of this release and actual results may materially differ from the forecast subject to variable factors that may arise in the future. For more detailed information about the business outlook, please refer to "3. Qualitative Information regarding Consolidated Business Outlook" of the "Qualitative Information regarding Operating Results" on page 2 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 nine months of FY2008 (from April 1, 2008 to December 31, 2008) were ¥2,833.0 billion (up ¥292.5 billion from the same period of FY2007), operating loss, ¥105.7 billion (down ¥175.4 billion), ordinary loss, ¥110.1 billion (down ¥183.2 billion) and net loss for the period, ¥82.1 billion (down ¥115.7 billion).

The operating results for the first nine months of FY2008 by business segment are as follows:

1) In the petroleum business, crude oil prices had continued to soar since April 2008 but nosedived in summer and beyond, and oil product prices declined in the market accordingly. The domestic sales volume reduced, mainly reflecting restrained consumption of gasoline and industrial fuels and fuel conversion. A significant increase in costs of sales due to inventory valuation impact primarily caused by crude oil price hikes reduced profit.

The petrochemical business reported reduced profit mainly reflecting lower sales volume and margins due to diminished demand for petrochemical products.

As a result, the petroleum business segment reported sales of ¥2,767.0 billion for the first nine months of FY2008 (up ¥282.2 billion from the same period of FY2007), operating loss of ¥153.8 billion (down ¥195.5 billion) and ordinary loss of ¥157.3 billion (down ¥199.9 billion).

2) In the oil exploration and production business segment, the sales volume was down but crude oil prices in general hovered at high levels during the accounting period. The segment reported sales of ¥75.4 billion for the first nine months of FY2008 (up ¥17.2 billion from the same period of FY2007), operating income of ¥45.9 billion (up ¥14.9 billion) and ordinary income of ¥45.8 billion (up ¥12.1 billion).

3) As a result of continued efforts for operating rationalization and management efficiency, the other business segment reported sales of ¥70.7 billion for the first nine months of FY2008 (up ¥9.4 billion from the same period of FY2007), operating income of ¥1.6 billion (up ¥200 million) and ordinary income of ¥1.8 billion (up ¥200 million).

(Year on year changes shown in the parentheses of the paragraphs above are stated just for information.)

2. Qualitative Information regarding Consolidated Financial Position

1) Total assets as of the end of the third quarter of FY2008 (or December 31, 2008) amounted to ¥1,503.9 billion, down ¥124.0 billion from the end of FY2007 (or March 31, 2008), mainly reflecting reduced inventories due to crude oil price declines. Net assets as of December 31, 2008 were ¥370.6 billion, down ¥99.1 billion from the end of March 31, 2008, with a net worth ratio of 22.6%.

2) As for consolidated cash flows of the first nine months of FY2008, net cash used in operating activities stood at ¥11.9 billion mainly reflecting a heavy income tax payment burden, despite reduced inventories due to crude oil price declines. Net cash used in investing activities stood at ¥42.7 billion mainly reflecting payments for the acquisitions of fixed assets. Net cash provided by financial activities stood at ¥92.3 billion mainly reflecting the borrowing of operating funds.

As a result, cash and cash equivalents as of December 31, 2008 were ¥118.3 billion, up ¥35.6 billion from those of March 31, 2008.

3. Qualitative Information regarding Consolidated Business Outlook

As for the consolidated business outlook for the full year of FY2008, lower crude oil prices are expected as compared with the previous announcement for the business outlook (made on November 5, 2008). The updated business outlook for the full year of FY2008 includes consolidated sales of ¥3,370.0 billion (down ¥660.0 billion from the forecast in the previous announcement), operating loss of ¥110.0 billion (down ¥188.0 billion), ordinary loss of ¥121.0 billion (down ¥196.0 billion) and net loss for the year of ¥92.0 billion (down ¥111.0 billion).

The latest business outlook has been prepared based on the assumptions of an average crude oil price (FOB) at US\$86.2 per barrel and an exchange rate of ¥101.0 per US\$ for the full year of FY2008 (from April 1, 2008 to March 31, 2009).

#### 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 convenient accounting methods with respect to the “method to calculate amounts for elimination of unrealized gains/losses included in inventories,” the “method for 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 expenses for the Company and some of its consolidated subsidiaries by multiplying a reasonably estimated effective tax rate by net income before taxes for the nine-month period.

Income tax adjustments are included in the “income taxes” account stated in the 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 loss, ordinary loss and net loss before taxes for the third 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 increased consolidated operating loss, ordinary loss and net loss before taxes for the third quarter of FY2008 by ¥67,833 million, respectively.

## 5. Consolidated Financial Statements

## (1) Consolidated Balance Sheet

(Unit: million yen)

	3Q FY2008 As of Dec. 31, 2008	FY2007 As of Mar. 31, 2008
<b>Assets</b>		
Current assets		
Cash and deposits	107,293	72,193
Notes and accounts receivable-trade	253,503	293,549
Short-term investment securities	12,490	10,992
Merchandise and finished goods	98,365	117,060
Semi-finished goods	56,781	86,254
Raw materials	50,054	93,530
Raw materials in transit	45,913	125,177
Work in process	3,355	2,425
Other inventories	14,742	15,644
Other	166,189	117,247
Allowance for doubtful accounts	-338	-352
Total current assets	808,351	933,721
Noncurrent assets		
Property, plant and equipment		
Land	306,074	308,277
Other, net	232,166	220,746
Total property, plant and equipment	538,240	529,023
Intangible assets	11,989	9,779
Investments and other assets		
Other	146,375	156,603
Allowance for doubtful accounts	-1,106	-1,224
Total investments and other assets	145,269	155,378
Total noncurrent assets	695,499	694,182
Total assets	1,503,850	1,627,903
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	189,948	312,656
Short-term loans payable	345,089	257,100
Current portion of bonds	—	2,500
Accounts payable-other	196,082	163,493
Income taxes payable	11,682	21,688
Other	37,706	54,589
Total current liabilities	780,509	812,027
Noncurrent liabilities		
Bonds with subscription rights to shares	18,000	18,000
Long-term loans payable	257,297	244,004
Provision for special repairs	6,881	7,367
Provision for retirement benefits	6,185	6,300
Other	64,412	70,476
Total noncurrent liabilities	352,777	346,149
Total liabilities	1,133,287	1,158,176

(Unit: million yen)

	3Q FY2008 As of Dec. 31, 2008	FY2007 As of Mar. 31, 2008
Net assets		
Shareholders' equity		
Capital stock	107,246	107,246
Capital surplus	89,440	89,442
Retained earnings	126,303	215,388
Treasury stock	-129	-125
Total shareholders' equity	322,861	411,952
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,402	5,909
Deferred gains or losses on hedges	4,729	14,603
Revaluation reserve for land	11,327	11,084
Foreign currency translation adjustment	-985	-638
Total valuation and translation adjustments	16,473	30,960
Minority interests	31,227	26,814
Total net assets	370,562	469,726
Total liabilities and net assets	1,503,850	1,627,903

## (2) Consolidated Statements of Income

	(Unit: million yen)
	3Q FY2008
	From April 1, 2008 to December 31, 2008
Net sales	2,832,984
Cost of sales	2,829,044
Gross profit (loss)	3,940
Selling, general and administrative expenses	109,648
Operating income (loss)	-105,707
Non-operating income	
Interest income	1,139
Dividends income	814
Equity in earnings of affiliates	2,365
Other	4,568
Total non-operating income	8,887
Non-operating expenses	
Interest expenses	8,174
Foreign exchange losses	1,756
Other	3,356
Total non-operating expenses	13,287
Ordinary income (loss)	-110,107
Extraordinary income	
Gain on sales of noncurrent assets	6,584
Gain on sales of investment securities	835
Total extraordinary income	7,420
Extraordinary loss	
Loss on sales of noncurrent assets	109
Loss on disposal of noncurrent assets	2,492
Impairment loss	930
Total extraordinary losses	3,532
Income (loss) before income taxes and minority interests	-106,219
Income taxes	-27,452
Minority interests in income (loss)	3,289
Net income (loss)	-82,055

## (3) Consolidated Statement of Cash Flows

Item	(Unit: million yen)
	3Q FY2008 From April 1, 2008 to December 31, 2008
Net cash provided by (used in) operating activities	
Loss before income taxes and minority interests	-106,219
Depreciation and amortization	25,197
Amortization of goodwill	53
Loss (gain) on disposal of noncurrent assets	2,492
Impairment loss	930
Increase (decrease) in provision	-695
Interest and dividends income	-1,954
Interest expenses	8,174
Foreign exchange losses (gains)	2,185
Equity in (earnings) losses of affiliates	-2,365
Loss (gain) on sales of noncurrent assets	-6,475
Recovery of recoverable accounts under production sharing	5,681
Decrease (increase) in notes and accounts receivable-trade	39,590
Decrease (increase) in inventories	170,764
Increase (decrease) in notes and accounts payable-trade	-122,264
Decrease (increase) in other current assets	1,970
Increase (decrease) in other current liabilities	29,965
Other, net	-2,668
Subtotal	44,363
Interest and dividends income received	4,461
Interest expenses paid	-7,810
Income taxes paid	-52,887
Net cash provided by (used in) operating activities	-11,872
Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	-40,548
Proceeds from sales of property, plant and equipment	9,851
Purchase of investment securities	-1,624
Payments for purchases of intangible fixed assets and long-term prepaid expenses	-8,908
Decrease (increase) in short-term loans receivable	-2,287
Other, net	827
Net cash provided by (used in) investment activities	-42,689
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	115,687
Proceeds from long-term loans payable	46,130
Repayment of long-term loans payable	-59,891
Redemption of bonds	-2,500
Cash dividends paid	-6,779
Cash dividends paid to minority shareholders	-914
Other, net	527
Net cash provided by (used in) financing activities	92,259
Effect of exchange rate change on cash and cash equivalents	-2,098
Net increase (decrease) in cash and cash equivalents	35,599
Cash and cash equivalents at beginning of period	82,674
Cash and cash equivalents at end of period	118,273

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

3Q FY2008 (From April 1, 2008 to December 31, 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	2,766,459	34,914	31,611	2,832,984	-	2,832,984
(2)Inter-segment	577	40,512	39,136	80,226	(80,226)	-
Total	2,767,036	75,426	70,748	2,913,211	(80,226)	2,832,984
Operating income (loss)	-153,785	45,937	1,639	-106,207	499	-105,707

- 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

3Q FY2008 (From April 1, 2008 to December 31, 2008)

	Japan (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
Net sales					
(1)Outside customers	2,698,792	134,192	2,832,984	-	2,832,984
(2)Inter-segment	78,147	295,645	373,793	(373,793)	-
Total	2,776,939	429,838	3,206,778	(373,793)	2,832,984
Operating income (loss)	-153,220	46,591	-106,628	920	-105,707

- 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

3Q FY2008 (From April 1, 2008 to December 31, 2008)

I Overseas net sales (million yen)	357,565
II Consolidated net sales (million yen)	2,832,984
III Overseas net sales share of consolidated net sales (%)	12.6

- 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

3Q FY2008 (From April 1, 2008 to December 31, 2008)

None

[ Reference ]

## Financial Statements for Third Quarter FY2007

## (1) Consolidated Statements of Income

(Unit: million yen)

Item	3Q FY2007 From April 1, 2007 to December 31, 2007
I Sales	2,540,516
II Cost of sales	2,361,554
Gross profit	178,962
III Selling, general and administrative expenses	109,283
Operating income	69,678
IV Non-operating income	( 16,737 )
Interest and Dividends income	2,921
Foreign currency exchange gains	2,087
Equity in earnings of affiliates	6,893
Other	4,835
V Non-operating expenses	( 13,317 )
Interest expenses	8,707
Other	4,609
Ordinary income	73,098
VI Extraordinary income	7,822
VII Extraordinary loss	4,157
Income before income taxes and minority interests	76,764
Income taxes	39,691
Minority interests in income	3,463
Net income	33,609

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

(Unit: million yen)

Item	3Q FY2007 From April 1, 2007 to December 31, 2007
I Cash flows from operating activities	
Income before income taxes and minority interests	76,764
Impairment loss	1,893
Depreciation and amortization	24,959
Interest and dividends income	-2,921
Interest expenses	8,707
Decrease (increase) in notes and accounts receivable-trade	-52,215
Decrease (increase) in inventories	-135,502
Increase (decrease) in notes and accounts payable-trade	92,026
Others	-37,149
Subtotal	-23,437
Balance between interest received and interest paid, and dividends received	-4,985
Income taxes paid	-22,419
Total	-50,841
II Cash flows from investing activities	
Payment for acquisition of fixed assets and proceeds from sales of fixed assets	-19,490
Payment or proceeds for loan	-235
Payment for acquisition of marketable securities and proceeds from sales of marketable securities	881
Total	-18,845
III Cash flows from financing activities	
Increase (decrease) of short-term loans and long-term loans payable	-14,278
Proceeds from issuance of stocks	89,281
Increase (decrease) in bonds and warrant bonds	-30,300
Cash dividends paid	-5,371
Others	-682
Total	38,648
IV Effect of exchange rate change on cash and cash equivalents	-559
V Net increase (decrease) in cash and cash equivalents	-31,598
VI Cash and cash equivalents at beginning of this quarter	126,105
VII Cash and cash equivalents from newly consolidated subsidiaries	63
VIII Cash and cash equivalents at end of this quarter	94,570

## (3) Segment information

## 1. Business segment information

3Q FY2007 (From April 1, 2007 to December 31, 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	2,484,287	23,511	32,717	2,540,516	-	2,540,516
(2)Inter-segment	485	34,678	28,590	63,754	(63,754)	-
Total	2,484,773	58,189	61,307	2,604,270	(63,754)	2,540,516
Operating expenses	2,443,024	27,140	59,875	2,530,040	(59,202)	2,470,837
Operating income	41,749	31,048	1,432	74,230	(4,552)	69,678

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

3Q FY2007 (From April 1, 2007 to December 31, 2007)

	Japan (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
Net sales					
(1)Outside customers	2,449,234	91,281	2,540,516	-	2,540,516
(2)Inter-segment	65,523	264,135	329,658	(329,658)	-
Total	2,514,758	355,416	2,870,175	(329,658)	2,540,516
Operating expenses	2,471,479	324,623	2,796,102	(325,264)	2,470,837
Operating income	43,278	30,793	74,072	(4,394)	69,678

Note 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