

February 1, 2010

## Overview of Business Results for Third Quarter of Fiscal Year Ending March 2010

Name of the Company: Cosmo Oil Co., Ltd. Shares traded: TSE, OSE, and NSE first sections  
 Company Code: 5007 URL <http://www.cosmo-oil.co.jp>  
 Name of Representative: Yaichi Kimura (Title) President  
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 Scheduled date to file quarterly report: February 10, 2010

Note: Figures less than 1 million are rounded down.

## 1. Consolidated Financial Results for Third Quarter of Fiscal Year Ending March 2010 (For the period from April 1, 2009 to December 31, 2009)

## (1) Consolidated operating results (cumulative total)

(Figures in % refer to changes from the same quarter a year earlier)

	Net sales		Operating income		Ordinary income		Net income for the third quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
Third Quarter, FY2009	1,800,553	-36.4	10,372	—	11,412	—	-18,466	—
Third Quarter, FY2008	2,832,984	—	-105,707	—	-110,107	—	-82,055	—

	Net income per share for the third quarter	Diluted net income per share for the third quarter
	yen sen	yen sen
Third Quarter, FY2009	-21.80	—
Third Quarter, FY2008	-96.86	—

## (2) Consolidated Financial Position

	Total assets	Net assets	Net Worth ratio	Net assets per share
	million yen	million yen	%	yen sen
Third Quarter, FY2009	1,555,490	328,792	19.8	363.82
FY2008	1,440,395	347,449	22.8	387.71

[Reference] Net worth Third Quarter, FY2009 308,192 million yen FY2008 328,433 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
FY2008	—	3.00	—	5.00	8.00
FY2009	—	0.00	—		
FY2009 (outlook)				8.00	8.00

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

## 3. Consolidated Business Outlook for FY2009 (April 1, 2009 to March 31, 2010)

(% indicates change from the corresponding period of FY 2008)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
FY2009	2,600,000	-24.2	58,000	—	61,000	—	20,000	—	23.61

Note: Change made in figures of the consolidated business outlook as of the end of the current quarter from the previous announcement: None.

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 (1)" of the "Qualitative Information regarding Operating Results" on Page 4.

(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 (2)" of the "Qualitative Information regarding Operating Results" on Page 4.

(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 (3)" of the "Qualitative Information regarding Operating Results" on Page 4.

(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 FY2009	847,705,087 shares	/	FY2008	847,705,087 shares
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(2) Number of shares of treasury stock as of end of the period:

The Third Quarter of FY2009	608,844 shares	/	FY2008	593,521 shares
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(3) Average Number of shares outstanding during the period (or the cumulative consolidated accounting period as the end of the current quarter):

Third Quarter of FY2009	847,106,701 shares	/	Third Quarter FY2008	847,122,553 shares
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Note: Request for appropriate use of the business outlook and other special remarks:

1. The consolidated business outlook for FY2009 are not updated from the previous announcement (made on November 4, 2009).

They are based on information available as of the published date of this release and actual results may differ from the forecast subject to various factors that may arise in the future. 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.

[Qualitative Information regarding Operating Results]

1. Qualitative Information regarding Consolidated Operating Results

Consolidated net sales for the first nine months of FY2009 (from April 1, 2009 to December 31, 2009) were ¥1,800.6 billion (down ¥1,032.4 billion from the same period of FY2008), operating income, ¥10.4 billion (up ¥116.1 billion), ordinary income, ¥11.4 billion (up ¥121.5 billion) and net loss for the period, ¥18.5 billion (down ¥63.6 billion).

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

(1) In the petroleum business, crude oil prices and oil product market conditions for the third quarter of FY2009 were down from the same period of FY2008, and the sales volume reduced centering on fuel oil for domestic supply, mainly reflecting the impact by the on-going economic recession. Oil product market conditions were aggravated, but inventory valuation impact reduced cost of sales during the third quarter of FY2009 and other factors increased profit.

The petrochemical business reported increased profit, mainly reflecting an improved demand for petrochemical products as compared with the same period of FY2008.

As a result, the petroleum business segment reported net sales of ¥1,768.4 billion for the first nine months of FY2009 (down ¥998.6 billion from the same period of FY2008), operating loss of ¥5 billion (down ¥148.8 billion) and ordinary loss of ¥4.9 billion (down ¥152.4 billion).

(2) Results of the oil exploration and production business segment for the third quarter of FY2009 were affected mainly by crude oil price reductions from the same period of FY2008 and by the yen's appreciation against the US dollar. The segment reported net sales of ¥40.7 billion for the first nine months of FY2009 (down ¥34.7 billion from the same period of FY2008), operating income of ¥18.3 billion (down ¥27.6 billion) and ordinary income of ¥19.2 billion (down ¥26.6 billion).

(3) The other business segment reported net sales of ¥71.4 billion for the third quarter of FY2009 (up ¥700 million from the same period of FY2008), operating income of ¥1.4 billion (down ¥200 million) and ordinary income of ¥1.7 billion (down ¥100 million).

2. Qualitative Information regarding Consolidated Financial Position

(1) Total assets as of the end of the third quarter of FY2009 (or December 31, 2009) amounted to ¥1,555.5 billion, up ¥115.1 billion from March 31, 2009, mainly reflecting increased accounts receivable, accounts payable and inventories due to crude oil price hikes from the beginning of the third quarter, and increased fixed assets due to capital spending on upgrading the Sakai Refinery. Net assets as of December 31, 2009 were ¥328.8 billion, down ¥18.6 billion from March 31, 2009, with a net worth ratio of 19.8%.

(2) As for consolidated cash flows of the first nine months of FY2009, net cash used in operating activities stood at ¥75.5 billion reflecting reduced funds mainly caused by an increase in inventories primarily due to crude oil price hikes. Net cash used in investing activities stood at ¥69.2 billion mainly reflecting payments for the acquisitions of fixed assets. Net cash provided by financial activities stood at ¥81.4 billion mainly reflecting the borrowing for capital spending.

As a result, cash and cash equivalents as of December 31, 2009 were ¥63.2 billion, down ¥96.7 billion from those as of March 31, 2009.

3. Qualitative Information regarding Consolidated Business Outlook

As for the consolidated business outlook for the full year of FY2009, no change in forecast figures are made from the previous announcement (made on November 4, 2009).

The performance forecast is what the Company judged it based on the available information on the announcement day. An actual achievement might be different from the expectation depending on various factors in the future.

#### 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

Some of the Company’s consolidated subsidiaries had conventionally recognized their construction revenues of long-term and large engineering contracts (whose terms are one year or more and of which the contract amount is ¥100 million or more) by using the percentage of completion method, while in other contracts, construction revenues had been recognized by using the completed contract method. However, the Company, effective from the beginning of the first quarter of the consolidated fiscal year 2009, adopted the “Accounting Standard for Construction Contracts (the Accounting Standard Board of Japan (ASBJ) Statement No. 15 issued on December 27, 2007)” and the “Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18 issued on December 27, 2007)” to recognize construction revenues. Accordingly, with respect to construction contracts whose construction work began during the first quarter of FY2009, the percentage of completion method (the percentage of construction is estimated based on the method of the ratio of actual cost incurred to total estimated cost) is applied to such construction contracts in process in which the outcome of the construction activity is deemed certain by the end of the third quarter, while the completed contract method is applied to other construction contracts.

This change increases consolidated net sales for the third quarter of FY2009 by ¥725 million, and consolidated operating income, consolidated ordinary income and consolidated net income before taxes, by ¥72 million, respectively.

## 5. Consolidated Financial Statements

## (1) Consolidated Balance Sheet

(Unit: million yen)

	3Q FY2009 As of Dec. 31, 2009	FY2008 As of Mar. 31, 2009
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	94,415	147,451
Notes and accounts receivable-trade	237,170	189,036
Short-term investment securities	2,310	13,983
Merchandise and finished goods	160,940	116,732
Work in process	968	1,198
Raw materials and supplies	171,958	121,160
Other	103,795	99,149
Allowance for doubtful accounts	-169	-402
<b>Total current assets</b>	<b>771,391</b>	<b>688,310</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Land	303,385	305,565
Other, net	275,354	237,850
<b>Total property, plant and equipment</b>	<b>578,739</b>	<b>543,416</b>
Intangible assets	12,289	12,183
<b>Investments and other assets</b>		
Other	193,851	197,363
Allowance for doubtful accounts	-781	-878
<b>Total investments and other assets</b>	<b>193,070</b>	<b>196,485</b>
<b>Total noncurrent assets</b>	<b>784,098</b>	<b>752,085</b>
<b>Total assets</b>	<b>1,555,490</b>	<b>1,440,395</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	235,140	191,883
Short-term loans payable	263,011	261,778
Current portion of bonds with subscription rights to shares	18,000	—
Commercial papers	35,000	—
Accounts payable-other	207,572	184,187
Income taxes payable	6,249	5,770
Provision for loss on construction contracts	—	327
Other	23,326	39,936
<b>Total current liabilities</b>	<b>788,301</b>	<b>683,883</b>
<b>Noncurrent liabilities</b>		
Bonds with subscription rights to shares	—	18,000
Long-term loans payable	368,173	318,830
Provision for special repairs	6,271	6,676
Provision for retirement benefits	6,045	6,096
Other	57,906	59,459
<b>Total noncurrent liabilities</b>	<b>438,397</b>	<b>409,063</b>
<b>Total liabilities</b>	<b>1,226,698</b>	<b>1,092,946</b>

(Unit: million yen)

	3Q FY2009 As of Dec. 31, 2009	FY2008 As of Mar. 31, 2009
Net assets		
Shareholders' equity		
Capital stock	107,246	107,246
Capital surplus	89,440	89,440
Retained earnings	91,944	115,732
Treasury stock	-133	-129
Total shareholders' equity	288,499	312,290
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-918	-2,099
Deferred gains or losses on hedges	9,414	8,084
Revaluation reserve for land	12,608	11,523
Foreign currency translation adjustment	-1,410	-1,365
Total valuation and translation adjustments	19,693	16,142
Minority interests	20,599	19,015
Total net assets	328,792	347,449
Total liabilities and net assets	1,555,490	1,440,395

## (2) Consolidated Statements of Income

(Unit: million yen)

	3Q FY2008 From April 1, 2008 to December 31, 2008	3Q FY2009 From April 1, 2009 to December 31, 2009
Net sales	2,832,984	1,800,553
Cost of sales	2,829,044	1,690,923
Gross profit	3,940	109,629
Selling, general and administrative expenses	109,648	99,256
Operating income (loss)	-105,707	10,372
Non-operating income		
Interest income	1,139	482
Dividends income	814	894
Foreign exchange gains	—	1,373
Equity in earnings of affiliates	2,365	4,435
Other	4,568	3,777
Total non-operating income	8,887	10,962
Non-operating expenses		
Interest expenses	8,174	7,126
Foreign exchange losses	1,756	—
Other	3,356	2,796
Total non-operating expenses	13,287	9,923
Ordinary income (loss)	-110,107	11,412
Extraordinary income		
Gain on sales of noncurrent assets	6,584	720
Gain on sales of investment securities	835	58
Total extraordinary income	7,420	778
Extraordinary loss		
Loss on sales of noncurrent assets	109	57
Loss on disposal of noncurrent assets	2,492	2,772
Impairment loss	930	1,746
Loss on sales of investment securities	—	450
Loss on valuation of investment securities	—	2,495
Other	—	125
Total extraordinary losses	3,532	7,647
Income (loss) before income taxes and minority interests	-106,219	4,542
Income taxes	-27,452	21,419
Minority interests in income	3,289	1,590
Net loss	-82,055	-18,466

## (3) Consolidated Statement of Cash Flows

Item	(Unit: million yen)	
	3Q FY2008	3Q FY2009
	From April 1, 2008 to December 31, 2008	From April 1, 2009 to December 31, 2009
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	-106,219	4,542
Depreciation and amortization	25,197	28,079
Amortization of goodwill	53	66
Loss (gain) on disposal of noncurrent assets	2,492	2,772
Impairment loss	930	1,746
Loss (gain) on valuation of investment securities	—	2,495
Increase (decrease) in provision	-695	-1,114
Interest and dividends income	-1,954	-1,376
Interest expenses	8,174	7,126
Foreign exchange losses (gains)	2,185	-290
Equity in (earnings) losses of affiliates	-2,365	-4,435
Loss (gain) on sales of noncurrent assets	-6,475	-662
Recovery of recoverable accounts under production sharing	5,681	3,571
Decrease (increase) in notes and accounts receivable-trade	39,590	-48,133
Decrease (increase) in inventories	170,764	-94,834
Increase (decrease) in notes and accounts payable-trade	-122,264	58,869
Decrease (increase) in other current assets	1,970	-14,987
Increase (decrease) in other current liabilities	29,965	-17,265
Other, net	-2,668	2,860
Subtotal	44,363	-70,969
Interest and dividends income received	4,461	3,311
Interest expenses paid	-7,810	-6,761
Income taxes paid	-52,887	-1,120
Net cash provided by (used in) operating activities	-11,872	-75,539
Net cash provided by (used in) investing activities		
Proceeds from sales and redemption of securities	—	1,510
Purchase of investment securities	-1,624	-7,548
Purchase of stocks of subsidiaries and affiliates	—	-395
Proceeds from sales and redemption of investment securities	—	3,392
Purchase of property, plant and equipment	-40,548	-58,506
Payments for disposal of property, plant and equipment	—	-2,135
Proceeds from sales of property, plant and equipment	9,851	3,415
Payments for purchases of intangible fixed assets and long-term prepaid expenses	-8,908	-7,344
Decrease (increase) in short-term loans receivable	-2,287	-2,000
Other, net	827	413
Net cash provided by (used in) investing activities	-42,689	-69,199
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	115,687	13,825
Net increase (decrease) in commercial papers	—	35,000
Proceeds from long-term loans payable	46,130	68,276
Repayment of long-term loans payable	-59,891	-31,438
Redemption of bonds	-2,500	—
Cash dividends paid	-6,779	-4,237
Cash dividends paid to minority shareholders	-914	-10
Other, net	527	-35
Net cash provided by (used in) financing activities	92,259	81,380
Effect of exchange rate change on cash and cash equivalents	-2,098	153
Net increase (decrease) in cash and cash equivalents	35,599	-63,205
Cash and cash equivalents at beginning of period	82,674	159,919
Cash and cash equivalents at end of period	118,273	96,714



## (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.

3Q FY2009 (From April 1, 2009 to December 31, 2009)

	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	1,768,042	16,233	16,276	1,800,553	-	1,800,553
(2)Inter-segment	312	24,457	55,113	79,884	(79,884)	-
Total	1,768,355	40,691	71,390	1,880,437	(79,884)	1,800,553
Operating income (loss)	(4,971)	18,265	1,426	14,719	(4,346)	10,372

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

3Q FY2009 (From April 1, 2009 to December 31, 2009)

	Japan (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
Net sales					
(1)Outside customers	1,751,634	48,918	1,800,553	-	1,800,553
(2)Inter-segment	23,549	127,519	151,068	(151,068)	-
Total	1,775,184	176,437	1,951,621	(151,068)	1,800,553
Operating income (loss)	(5,753)	18,104	12,351	(1,978)	10,372

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, Australia, and China

## 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.

3Q FY2009 (From April 1, 2009 to December 31, 2009)

I Overseas net sales (million yen)	163,769
II Consolidated net sales (million yen)	1,800,553
III Overseas net sales share of consolidated net sales (%)	9.1

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

None