



February 5, 2015

Overview of Business Results for the Third Quarter of Fiscal Year Ending March 2015 [Japanese Standard Form] (Consolidated)

Name of the Company: Cosmo Oil Co., Ltd. Shares traded: TSE
 Company Code: 5007 URL <http://www.cosmo-oil.co.jp/>
 Name of Representative: Keizo Morikawa (Title) President
 Name of Person to contact: Masamichi Hamaguchi (Title) General Manager of Corporate Communication Dept. Phone: 03-3798-3180
 Corporate Planning Unit
 Scheduled date to file quarterly report: February 5, 2015 Dividend payment is to be started on: —
 Availability of the Quarterly Financial Result Supplementary Information: Yes
 Execution of the Quarterly Financial Result Presentation Meeting: Yes (for analysts and institutional investors)

Note: Figures less than 1 million are rounded down.

1. Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 2015 (For the period from April 1, 2014 to December 31, 2014)

(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, FY2014	2,340,866	-9.0	-15,714	-	-25,204	-	-62,127	-
Third Quarter, FY2013	2,571,754	12.9	33,688	199.7	34,298	740.1	4,527	-

Note: Comprehensive income Third Quarter, FY2014: -54,152 million yen (—%) Third Quarter, FY2013: 14,235 million yen (—%)

	Net income per share for the third quarter	Diluted net income per share for the third quarter
	yen sen	yen sen
Third Quarter, FY2014	-73.35	-
Third Quarter, FY2013	5.35	-

(2) Consolidated Financial Position

	Total assets	Net assets	Net Worth ratio
	million yen	million yen	%
Third Quarter, FY2014	1,636,654	203,788	10.6
FY2013	1,696,831	261,142	13.7

[Reference] Net worth Third Quarter, FY2014: 173,709 million yen FY2013: 231,927 million yen

2. Dividend Payment Results and Outlook

	Annual dividend per share total				
	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
FY2013	-	0.00	-	2.00	2.00
FY2014	-	0.00	-		
FY2014 (outlook)				0.00	0.00

Note: Revision made in the forecast dividend as of the end of the current quarter from the previous announcement: Yes

3. Consolidated Business Outlook for FY2014 (April 1, 2014 to March 31, 2015)

(% indicates change from the corresponding period of FY 2013)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
FY2014	3,071,000	-13.2	-44,000	-	-57,000	-	-91,000	-	-107.43

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

Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during the third quarter : No

Newly — (Name of Company) — Exception — (Name of Company) —

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

(3) Changes in Accounting Policies, Accounting Estimates and Restatements:

- | | |
|---|-----|
| 1. Changes in accounting policies due to revisions of accounting standards, etc.: | Yes |
| 2. Changes in accounting policies for reasons other than the Item 1 : | No |
| 3. Changes in accounting estimates : | No |
| 4. Restatements : | No |

(4) Total Number of Outstanding Shares (Ordinary shares)

1. Number of outstanding shares as of the end of the period (including treasury shares)
2. Number of treasury shares as of the end of the period
3. Average Number of shares outstanding during the period (or the cumulative consolidated accounting period as of the end of the current quarter)

Third Quarter, FY2014	847,705,087 shares	FY2013	847,705,087 shares
Third Quarter, FY2014	667,161 shares	FY2013	656,817 shares
Third Quarter, FY2014	847,045,049 shares	Third Quarter, FY2013	847,057,998 shares

Note: Information about quarterly review procedure execution:

This release on the overview of quarterly business results is outside the scope of the quarterly report review procedures under the Financial Instruments and Exchange Act in Japan but as of the day of the disclosure of this release, the quarterly report review procedures under the Financial Instruments and Exchange Act have been completed.

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

The consolidated business outlook, etc. for the full year of FY2014 is updated from the previous announcement made on May 13, 2014.

It is 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.

As for details, please refer to the “(3) Explanation Concerning Information regarding Consolidated Business Outlook” of the “1. Qualitative information about results for and at the end of the current quarter” on Page 2 of the Supporting data.

Supplementary information will be uploaded on the COSMO OIL website on February 5, 2015.

Contents of Supporting data

	Page
1. Qualitative information about results for and at the end of the current quarter	
(1) Explanation Concerning Information regarding Consolidated Operating Results	2
(2) Explanation Concerning Information regarding Consolidated Financial Position	2
(3) Explanation Concerning Information regarding Consolidated Business Outlook	2
2. Information about the summary of business results (Notes to Consolidated Financial Statements)	
(1) Change in significant subsidiaries during the current accounting period	3
(2) Adoption of accounting method uniquely adopted to prepare consolidated financial statements	
for the current quarter	3
(3) Changes in Accounting Policies, Accounting Estimates and Restatements	3
3. Consolidated Financial Statements	
(1) Consolidated Balance Sheet	4-5
(2) Consolidated Statements of Income and Comprehensive Income	
Consolidated Statements of Income	
Consolidated the first nine months of FY2014 statements of income.....	6
Consolidated Statements of Comprehensive Income	
Consolidated the first nine months of FY2014 statements of comprehensive income.....	7
(3)Notes to Quarterly Consolidated Financial Statements	
(Notes to going concern).....	8
(Notes to remarkable changes in Shareholders' Equity)	8
(Segment information).....	8
(Significant Subsequent Events)	8

1. Qualitative information about results for and at the end of the current quarter

(1) Explanation Concerning Information regarding Consolidated Operating Results

Consolidated net sales for the first nine months of FY2014 were ¥2,340.9 billion (down ¥ 230.9 billion from the same period of FY2013), operating loss ¥15.7 billion (operating income ¥33.7 billion in the same period of FY2013), ordinary loss ¥25.2 billion (ordinary income ¥34.3 billion in the same period of FY2013) and net loss for the period ¥62.1 billion (net income ¥4.5 billion in the same period of FY2013).

The operating results for the first nine months of FY2014 by business segment are as follows :

- 1) In the petroleum business segment, the net sales decreased since the oil product sales volume decreased and crude oil prices declined. And a significant increase in costs of sales due to inventory valuation loss impact primarily caused by crude oil prices decline reduced profit. As a result, the segment reported net sales of ¥2,314.0 billion for the first nine months of FY2014 (down ¥199.5 billion from the same period of FY2013) and segment loss of ¥58.0 billion (segment loss ¥14.4 billion in the same period of FY2013).
In addition to that, segment income excluding impact of inventory valuation that was occurred by crude oil prices decline was 3.1 billion for the first nine months of FY2014 (segment loss excluding impact of inventory valuation ¥29.8 billion in the same period of FY2013). It means that the earnings are significantly improved.
- 2) In the petrochemical business segment, the petrochemical product sales volume increased, while market conditions remained weak. As a result, the segment reported net sales of ¥40.9 billion for the first nine months of FY2014 (up ¥8.7 billion from the same period FY2013) and segment loss of ¥4.3 billion (segment income ¥4.4 billion in the same period of FY2013).
- 3) In the oil exploration and production business segment, the crude oil sales volume decreased and the repair costs increased. As a result, the segment reported net sales of 60.8 billion for the first nine months of FY2014 (down ¥1.7 billion from the same period of FY2013) and segment income of ¥35.6 billion (down ¥4.9 billion from the same period of FY2013).

(2) Explanation Concerning Information regarding Consolidated Financial Position

As for the Company's financial position on a consolidated basis as of the end of the third quarter of FY2014, total assets as of December 31, 2014 amounted to ¥1,636.7 billion, down ¥60.1 billion from March 31, 2014, the end of FY2013, mainly reflecting decreased accounts receivable-trade, inventories, and accounts payable-trade due to the decline in crude oil prices. Net assets as of December 31, 2014 amounted to ¥203.8 billion, with a net worth ratio of 10.6%.

(3) Explanation Concerning Information regarding Consolidated Business Outlook

(Amendment to Business Outlook)

As for the consolidated business outlook for the full year of FY2014, the petroleum business segment performance excluding impact of inventory valuation is expected to exceed the previous forecast announced on May 13, 2014 that was based on the assumptions of a crude oil price at US\$104.0/bbl and an exchange rate at ¥102.0/US\$ for the full year of FY2014. However, the main reason for this downward revision is that the inventory valuation loss is expected to exceed the previous forecast due to the decline in crude oil prices.

Therefore, the revised outlook includes net sales of ¥3,071.0 billion (down ¥394.0 billion from the previous announcement), operating loss of ¥44.0 billion (operating income ¥62.0 billion in the previous announcement), ordinary loss of ¥57.0 billion (ordinary income ¥57.0 billion in the previous announcement) and net loss of ¥91.0 billion (net income ¥14.0 billion in the previous announcement).

This business outlook is based on the assumptions of a crude oil price at US\$45.0/bbl and an exchange rate at ¥120.0/US\$ for the last three months of FY2014 and based on the assumptions of a crude oil price at US\$81.7/bbl and an exchange rate at ¥110.1/US\$ for the full year of FY2014.

(Amendment to Dividend Forecast)

Paying stable dividends is our priority policy for return to shareholder.

However, after a careful and comprehensive consideration including the recent revision to the financial forecast, we sincerely regret to announce non-dividend for this fiscal year.

The above business outlook is 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.

2. Information about the summary of business results (Notes to Consolidated Financial Statements)

(1) Change in significant subsidiaries during the current accounting period:

None

(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 current quarter.

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

(3) Changes in Accounting Policies, Accounting Estimates and Restatements:

Changes in Accounting Policies

(Application of Accounting Standard for Retirement Benefits, etc.)

The Company, effective from the first quarter, is applying the provisions set forth in Clause 35 of the Accounting Standard for Retirement Benefits (the Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter referred to as the "Retirement Benefits Accounting Standard") and Clause 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter referred to as the "Guidance on Retirement Benefits"). With the application of the accounting standard and guidance, the Company has changed the calculation method for projected benefit obligation and service cost and has changed the method for distributing expected retirement benefits to each period from a fixed-amount method to a payment calculation method. The way to decide the discount rate has also been changed.

For the application of the Retirement Benefits Accounting Standard etc., in accordance with the transitional accounting treatments set forth in Clause 37 of the Retirement Benefits Accounting Standard, the Company added the effect of the change in the calculation method for projected benefit obligation and service cost to retained earnings or deducted it from retained earnings at the beginning of the first quarter.

The effect of the application of the accounting standard etc. on Consolidated Financial Statements and Segment information in the first nine months of FY2014 is minor.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	FY2013 (As of March 31, 2014)	3Q FY2014 (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	140,423	163,950
Notes and accounts receivable-trade	262,863	222,939
Merchandise and finished goods	225,292	219,319
Work in process	761	1,702
Raw materials and supplies	219,684	165,188
Other	72,955	75,322
Allowance for doubtful accounts	-189	-122
Total current assets	921,790	848,301
Noncurrent assets		
Property, plant and equipment		
Land	308,481	311,560
Other, net	280,600	293,157
Total property, plant and equipment	589,082	604,718
Intangible assets	50,041	47,451
Investments and other assets		
Other	135,686	136,106
Allowance for doubtful accounts	-483	-524
Total investments and other assets	135,202	135,581
Total noncurrent assets	774,326	787,752
Deferred assets		
Bond issuance cost	714	601
Total deferred assets	714	601
Total assets	1,696,831	1,636,654
Liabilities		
Current liabilities		
Notes and accounts payable-trade	255,521	174,206
Short-term loans payable	323,705	307,758
Current portion of bonds	11,680	23,680
Accounts payable-other	170,390	206,708
Income taxes payable	7,313	9,521
Provision	3,424	1,396
Other	27,164	60,874
Total current liabilities	799,199	784,145
Noncurrent liabilities		
Bonds payable	80,500	57,660
Long-term loans payable	447,794	482,239
Net defined benefit liability	12,993	12,143
Provision	14,556	15,057
Other	80,644	81,620
Total noncurrent liabilities	636,489	648,721
Total liabilities	1,435,688	1,432,866

Cosmo Oil Co.,Ltd(5007)-Overview of Business Results for The Third Quarter of Fiscal Year Ending March 2015

(Unit: million yen)

	FY2013 (As of March 31, 2014)	3Q FY2014 (As of December 31, 2014)
Net assets		
Shareholders' equity		
Capital stock	107,246	107,246
Capital surplus	16,967	16,967
Retained earnings	87,461	23,339
Treasury shares	-143	-145
Total shareholders' equity	211,531	147,408
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,887	4,630
Deferred gains or losses on hedges	1,372	1,171
Revaluation reserve for land	18,929	19,021
Foreign currency translation adjustment	5,818	8,764
Remeasurements of defined benefit plans	-8,612	-7,287
Total accumulated other comprehensive income	20,395	26,301
Minority interests	29,214	30,078
Total net assets	261,142	203,788
Total liabilities and net assets	1,696,831	1,636,654

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Consolidated the first nine months of FY2014 statements of income)

(Unit: million yen)

	3Q FY2013 (From April 1, 2013 to December 31, 2013)	3Q FY2014 (From April 1, 2014 to December 31, 2014)
Net sales	2,571,754	2,340,866
Cost of sales	2,443,843	2,262,559
Gross profit	127,911	78,307
Selling, general and administrative expenses	94,222	94,022
Operating income(loss)	33,688	-15,714
Non-operating income		
Interest income	160	207
Dividends income	855	617
Share of profit of entities accounted for using equity method	6,667	340
Other	4,658	3,974
Total non-operating income	12,342	5,139
Non-operating expenses		
Interest expenses	9,737	9,538
Other	1,995	5,090
Total non-operating expenses	11,732	14,628
Ordinary income(loss)	34,298	-25,204
Extraordinary income		
Gain on sales of noncurrent assets	237	375
Gain on sales of investment securities	1,299	186
Insurance income	1,158	—
Gain on contribution of securities to retirement benefit trust	2,509	—
Total extraordinary income	5,204	561
Extraordinary loss		
Loss on sales of noncurrent assets	25	88
Loss on disposal of noncurrent assets	2,259	2,669
Impairment loss	294	2,793
Loss on valuation of investment securities	—	157
Business structure improvement expenses	—	2,855
Total extraordinary losses	2,579	8,564
Income (loss) before income taxes and minority interests	36,923	-33,207
Income taxes	27,863	26,789
Income (loss) before minority interests	9,059	-59,996
Minority interests in income	4,531	2,131
Net income (loss)	4,527	-62,127

Cosmo Oil Co.,Ltd(5007)-Overview of Business Results for The Third Quarter of Fiscal Year Ending March 2015

(Consolidated Statements of Comprehensive Income)

(Consolidated the first nine months of FY2014 statements of comprehensive income)

(Unit: million yen)

	3Q FY2013 (From April 1, 2013 to December 31, 2013)	3Q FY2014 (From April 1, 2014 to December 31, 2014)
Income (loss) before minority interests	9,059	-59,996
Other comprehensive income		
Valuation difference on available-for-sale securities	1,018	1,356
Deferred gains or losses on hedges	-782	-34
Foreign currency translation adjustment	1,758	1,969
Remeasurements of defined benefit plans	—	1,405
Share of other comprehensive income of entities accounted for using equity method	3,181	1,146
Total other comprehensive income	5,176	5,843
Comprehensive income	14,235	-54,152
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,684	-56,288
Comprehensive income attributable to minority interests	4,550	2,135

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to going concern)

None

(Notes to remarkable changes in Shareholders' Equity)

None

(Segment Information)

3Q FY2013 (From April 1, 2013 to December 31, 2013)

Information about net sales and income or loss amounts by segment reported

(Unit: million yen)

	Petroleum	Petrochemical	Oil exploration and production	Other Note: 1	Adjustments Note: 2	Consolidated Note: 3
Net sales						
Outside customers	2,484,792	13,696	56,107	17,158	—	2,571,754
Inter-segment	28,720	18,546	6,428	41,043	-94,738	—
Total	2,513,513	32,243	62,535	58,201	-94,738	2,571,754
Segment Income (Loss)	-14,417	4,440	40,481	3,916	-122	34,298

Note 1 "Other" is segment of non-classified, including construction works, insurance agency, leasing, travel agency and wind power generation, etc.

2 Segment Income (Loss) in "Adjustments" -122 million yen includes -159 million yen for internal eliminations, 1,145 million yen for inventory adjustments and -1,099 million yen for adjustment of fixed assets.

3 Segment Income (Loss) is adjusted to ordinary income of Consolidated quarterly statements of income.

3Q FY2014 (From April 1, 2014 to December 31, 2014)

Information about net sales and income or loss amounts by segment reported

(Unit: million yen)

	Petroleum	Petrochemical	Oil exploration and production	Other Note: 1	Adjustments Note: 2	Consolidated Note: 3
Net sales						
Outside customers	2,274,397	15,614	33,585	17,269	—	2,340,866
Inter-segment	39,586	25,282	27,250	34,055	-126,175	—
Total	2,313,984	40,896	60,835	51,324	-126,175	2,340,866
Segment Income (Loss)	-57,957	-4,300	35,605	2,169	-721	-25,204

Note 1 "Other" is segment of non-classified, including construction works, insurance agency, leasing, travel agency and wind power generation, etc.

2 Segment Income (Loss) in "Adjustments" -721 million yen includes 6 million yen for internal eliminations, -183 million yen for inventory adjustments and -544 million yen for adjustment of fixed assets.

3 Segment Income (Loss) is adjusted to ordinary loss of Consolidated quarterly statements of income.

(Significant Subsequent Events)

The Company resolved at Board of Directors meeting dated February 5, 2015 to initiate preparation for transformation to a holding company planned tentatively for October, 2015.

This transformation to a holding company will be subject to the resolution at our Shareholders' meeting and the approval by related governmental institutions, etc.

For more information, please refer to the press releases on the COSMO OIL website dated February 5, 2015.