

[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.