

[Qualitative Information regarding Operating Results]

1. Qualitative Information regarding Consolidated Operating Results

Consolidated net sales for the first quarter of FY2009 were ¥548.5 billion (down ¥367.0 billion from the same period of FY2008), operating income, ¥10.4 billion (down ¥34.4 billion), ordinary income, ¥13.7 billion (down ¥24.4 billion) and net income for the period, ¥5.7 billion (down ¥17.2 billion).

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

1) In the petroleum business, crude oil prices and oil product prices in the market were lower during the first quarter period than the same period last year. The domestic sales volume reduced, mainly in terms of fuel products for the transportation industry, due to the economic recession triggered by the financial crisis starting in and around the summer of 2008. The impact of inventory valuation pushed cost of sales down during the first quarter period but the reduction, which was smaller than for the same period last year, reduced profit of the business segment for the first quarter.

The petrochemical business reported reduced profit mainly reflecting no ratchet being applied to the declining sales volume due to the economic recession.

As a result, the petroleum business segment reported net sales of ¥541.1 billion for the first quarter of FY2009 (down ¥356.9 billion from the same period of FY2008), operating income of ¥9.7 billion (down ¥26.7 billion) and ordinary income of ¥9.8 billion (down ¥24.9 billion).

2) Results of the oil exploration and production business segment were affected mainly by crude oil price reductions during the first quarter. The segment reported net sales of ¥9.4 billion for the first quarter of FY2009 (down ¥8.9 billion from the same period of FY2008), operating income of ¥3.3 billion (down ¥6.5 billion) and ordinary income of ¥6.3 billion (up ¥1.1 billion).

3) The other business segment reported net sales of ¥18.4 billion for the first quarter of FY2009 (down ¥1.6 billion from the same period of FY2008), operating income of ¥100 million (down ¥600 million) and ordinary income of ¥300 million (down ¥400 million).

2. Qualitative Information regarding Consolidated Financial Position

1) Total assets as of the end of the first quarter of FY2009 (June 30, 2009) amounted to ¥1,431.2 billion, down ¥9.2 billion from the end of FY2008 (March 31, 2009), mainly reflecting increased inventories due to crude oil price hikes that were offset by reductions in cash and deposits mainly caused by tax and other payments and reductions in accounts receivable caused by the lower sales volume. Net assets as of June 30, 2009 were ¥355.1 billion, up ¥7.7 billion from the end of FY2008, with a net worth ratio of 23.5%.

2) As for consolidated cash flows of the first quarter of FY2009, net cash used in operating activities stood at ¥16.2 billion mainly reflecting an increase in inventories due to crude oil price hikes and tax and other payments. Net cash used in investing activities stood at ¥28.4 billion mainly reflecting payments for the acquisitions of fixed assets. Net cash used in financial activities stood at ¥15.7 billion mainly reflecting the payment of operating funds.

As a result, cash and cash equivalents as of June 30, 2009 were ¥101.1 billion, down ¥58.8 billion from those as of March 31, 2009.

3. Qualitative Information regarding Consolidated Business Outlook

As for the consolidated business outlook for the first half of FY2009 and the consolidated business outlook for the full year of FY2009, no change in forecast figures are made from the previous announcement (made on May 7, 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 first quarter, while the completed contract method is applied to other construction contracts.

This change increases consolidated net sales for the first quarter of FY2009 by ¥ 147 million, and consolidated operating income, consolidated ordinary income and consolidated net income before taxes, by ¥ 12 million, respectively.