

[Qualitative Information / Financial Statements]

1. Qualitative Information regarding Consolidated Operating Results

Consolidated net sales for the third quarter of FY2007 (from April 1, 2007 to December 31, 2007) were ¥2,540.5 billion, up ¥269.5 billion from the same period of FY2006, mainly reflecting increased selling prices that offset a reduction in the domestic demand for oil products, largely affected by fuel conversion motivated by crude oil price increases.

The operating results for the third quarter of FY2007 by segment are as follows:

- 1) In the petroleum business, negative factors, including market conditions that only allowed for an insufficient shift of increased costs caused by crude oil price hikes to consumer prices, and more costs incurred than in the same period of FY2006 due to enhanced safety and security measures adopted for the refineries, were offset by positive factors including a significant reduction in cost of sales owing to inventory valuation effects. As a result, the business increased profit. The petrochemical business marked reduced profit mainly reflecting reduced margins earned as compared with the same period of FY2006 due to raw material price hikes. As a result, this segment reported sales of ¥2,484.8 billion (up ¥273.8 billion from the same period of FY2006), operating income of ¥41.7 billion (up ¥24.7 billion) and ordinary income of ¥42.6 billion (up ¥24.8 billion).
- 2) In the oil exploration and production business, a profit contribution made by the kickoff of commercial production of crude oil by Qatar Petroleum Development Co., Ltd. was partly offset by a reduced selling volume by Abu Dhabi Oil Co., Ltd. As a result, this segment reported sales of ¥58.2 billion (down ¥1.1 billion from the same period of FY2006), operating income of ¥31.0 billion (down ¥2.4 billion) and ordinary income of ¥33.7 billion (down ¥3.2 billion).
- 3) Among other businesses, the oil-related plant and other facility construction work, property leasing and insurance agency businesses made their respective efforts for operating rationalization and management efficiency to bring benefits. As a result, this segment reported sales of ¥61.3 billion (down ¥0.1 billion from the same period of FY2006), operating income of ¥1.4 billion (up ¥0.5 billion) and ordinary income of ¥1.6 billion (up ¥0.4 billion).

After consolidated elimination and other adjustments, consolidated net sales were ¥2,540.5 billion (up ¥269.5 billion from the same period of FY2006), operating income of ¥69.7 billion (up ¥22.5 billion), ordinary income of ¥73.1 billion (up ¥21.8 billion) and net income for the period of ¥33.6 billion (up ¥15.7 billion).

Non-consolidated net sales were ¥2,375.3 billion (up ¥278.9 billion), operating income of ¥29.4 billion (up ¥22.0 billion), ordinary income of ¥29.1 billion (up ¥23.1 billion) and net income for the period of ¥18.5 billion (up ¥19.0 billion).

2. Qualitative Information regarding Consolidated Financial Position

- 1) Total assets at the end of the third quarter of FY2007 (December 31, 2007) amounted to ¥1,776.3 billion, up ¥197.1 billion from the end of FY2006 (March 31, 2007), mainly due to increased inventories and notes and accounts receivable caused by crude oil price hikes. Net assets at the end of the third quarter of FY2007 stood at ¥475.5 billion, up ¥113.9 billion from the end of FY2006, mainly due to the new share issuance, with net worth ratio of 25.4%.
- 2) As for consolidated cash flows during the third quarter of FY2007, net cash used in operating activities stood at ¥50.8 billion mainly reflecting increased inventories and notes and accounts receivable caused by crude oil price hikes. Net cash used in investing activities stood at ¥18.8 billion mainly reflecting payments for the acquisitions of fixed assets. Net cash provided by financing activities stood at ¥38.6 billion mainly reflecting income through the new share issuance and a reduction in loans. As a result, cash and cash equivalents at the end of the third quarter were ¥94.6 billion, down ¥31.5 billion from the end of FY 2006.

3. Qualitative Information regarding Consolidated Business Outlook

As for the consolidated business outlook for FY2007, a negative factor of the aggravated market for the petroleum business due to crude oil price hikes is expected to be offset by positive factors, including a reduction in cost of sales affected by inventory valuation effects and improved earnings by the oil exploration and production business, as compared with the previous announcement for the business outlook (made on November 6, 2007). The updated business outlook for FY2007 includes consolidated sales of ¥3,590.0 billion (up ¥120.0 billion from the previous announcement), operating income of ¥87.5 billion (up ¥2.5 billion), ordinary income of ¥90.0 billion (up ¥2.0 billion) and net income for the year of ¥37.0 billion (no change from the previous announcement).

This latest business outlook is made based on the assumptions of an average crude oil price (FOB) at US\$85.0 per barrel and an exchange rate of ¥110 per US\$ for the fourth quarter period (from January 1, 2008 to March 31, 2008).

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, such as product demand, crude oil price, exchange rate and market condition changes, that may arise in the future.

4. Other

- (1) Change in significant subsidiaries during the third quarter
(change in specific subsidiaries resulting in change in scope of consolidation) : None
- (2) Adoption of simplified accounting method:
Some parts of the calculation of corporate income tax and other items are based on the simplified method.
- (3) Change in accounting method from the latest fiscal year:
Changes have been adopted in the method for calculating depreciation expenses in the value of depreciable assets, effective from FY2007, in compliance with the revision made to the Japanese Corporation Tax Law in Fiscal Year 2007