

November 4, 2009

Overview of Business Results for Second 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
 Name of Person to contact: Kunihiko Shoda (Title) General Manager of Corporate Communication Dept. Phone: 03-3798-3180
 Scheduled date to file quarterly report: November 10, 2009

Note: Figures less than 1 million are rounded down.

1. Consolidated Financial Results for Second Quarter of Fiscal Year Ending March 2010 (For the period from April 1, 2009 to September 30, 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 second quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
Second Quarter, FY2009	1,141,930	-43.3	15,629	-76.3	20,344	-68.3	5,175	-83.0
Second Quarter, FY2008	2,014,517	—	65,868	—	64,188	—	30,511	—

	Net income per share for the second quarter		Diluted net income per share for the second quarter	
	yen	sen	yen	sen
Second Quarter, FY2009	6.11		5.91	
Second Quarter, FY2008	36.02		34.82	

(2) Consolidated Financial Position

	Total assets	Net assets	Net Worth ratio	Net assets per share
	million yen	million yen	%	yen sen
Second Quarter, FY2009	1,410,020	351,525	23.5	391.06
FY2008	1,440,395	347,449	22.8	387.71

[Reference] Net worth Second Quarter, FY2009 331,273 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: Yes.

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4. Others

(1) Change in significant subsidiaries during the second 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 Second 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 Second Quarter of FY2009	599,083 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):

Second Quarter FY2009	847,108,548 shares	/	Second Quarter FY2008	847,124,838 shares
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Note: Request for appropriate use of the business outlook and other special remarks:

The consolidated business outlook for the full year of FY2009 is updated from the previous announcement made on May 7, 2009.

The forward-looking statements including the business outlook are 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. For more detailed information about the business outlook, please refer to "3. Qualitative Information regarding Consolidated Business Outlook" of the "Qualitative Information regarding Operating Results" on page 3 of this release.

[Qualitative Information regarding Operating Results]

1. Qualitative Information regarding Consolidated Operating Results

Consolidated sales for the first half of FY2009 (from April 1, 2009 to September 30, 2009) were ¥1,141.9 billion (down ¥872.6 billion from the same period of FY2008), operating income, ¥15.6 billion (down ¥50.3 billion), ordinary income, ¥20.3 billion (down ¥43.9 billion) and net income for the period, ¥5.2 billion (down ¥25.3 billion).

The operating results for the first half of FY2009 by business segment are as follows:

(1) In the petroleum business, crude oil prices and oil product market conditions for the first half 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. Inventory valuation impact reduced cost of sales during the first half of FY2009, but aggravated market conditions and other factors reduced profit.

In the petrochemical business, deteriorated market conditions, the economic recession and other factors reduced the sales volume, resulting in reduced profit.

As a result, the petroleum business segment reported sales of ¥1,123.0 billion for the first half of FY2009 (down ¥844.7 billion from the same period of FY2008), operating income of ¥6.9 billion (down ¥29.3 billion) and ordinary income of ¥8.9 billion (down ¥26.3 billion).

(2) Results of the oil exploration and production business segment for the first half of FY2009 were affected mainly by crude oil price declines from the same period of FY2008. The segment reported sales of ¥24.7 billion for the first half of FY2009 (down ¥23.2 billion from the same period of FY2008), operating income of ¥10.2 billion (down ¥19.4 billion) and ordinary income of ¥12.8 billion (down ¥16.7 billion).

(3) The other business segment reported sales of ¥42.3 billion for the first half of FY2009 (down ¥2.7 million from the same period of FY2008), operating income of ¥600 million (down ¥300 million) and ordinary income of ¥800 million (down ¥200 million).

2. Qualitative Information regarding Consolidated Financial Position

(1) Total assets as of the end of the second quarter of FY2009 (or September 30, 2009) amounted to ¥1,410.0 billion, down ¥30.4 billion from the end of FY2008 (or 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 September 30, 2009 were ¥351.5 billion, up ¥4.1 billion from the end of FY2008, with a net worth ratio of 23.5%.

(2) As for consolidated cash flows of the first half of FY2009, net cash used in operating activities stood at ¥40.3 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 ¥54.2 billion mainly reflecting payments for the acquisitions of fixed assets. Net cash provided by financial activities stood at ¥13.0 billion mainly reflecting the borrowing for capital spending.

As a result, cash and cash equivalents as of September 30, 2009 were ¥79.5 billion, down ¥80.4 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, some variable factors are expected, such as an increase in crude oil prices and a delay in oil product market recovery, as compared with the previous announcement for the business outlook (made on May 7, 2009). The updated business outlook for the full year of FY2009 includes consolidated sales of ¥2,600.0 billion (up ¥300.0 billion from the May 7, 2009 forecast), operating income of ¥58.0 billion (down ¥27.0 billion), ordinary income of ¥61.0 billion (down ¥21.0 billion) and net income for the period of ¥20.0 billion (down ¥13.0 billion).

This latest business outlook is made based on the assumptions of an average crude oil price (FOB) at US\$66.8 per barrel and an exchange rate of ¥92.8 per US\$ for the full-year period (from April 1, 2009 to March 31, 2010).

The above business outlook was determined by the Company based on information available as of the date of release of this report and actual results may differ from the outlook herein due.

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 six-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 second quarter, while the completed contract method is applied to other construction contracts.

This change increases consolidated net sales for the second quarter of FY2009 by ¥ 455 million, and consolidated operating income, consolidated ordinary income and consolidated net income before taxes, by ¥ 38 million, respectively.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	2Q FY2009 As of Sep. 30, 2009	FY2008 As of Mar. 31, 2009
Assets		
Current assets		
Cash and deposits	77,737	147,451
Notes and accounts receivable-trade	164,943	189,036
Short-term investment securities	1,824	13,983
Merchandise and finished goods	167,203	116,732
Work in process	2,223	1,198
Raw materials and supplies	130,084	121,160
Other	81,776	99,149
Allowance for doubtful accounts	-218	-402
Total current assets	625,574	688,310
Noncurrent assets		
Property, plant and equipment		
Land	303,959	305,565
Other, net	267,935	237,850
Total property, plant and equipment	571,894	543,416
Intangible assets	11,263	12,183
Investments and other assets		
Other	202,108	197,363
Allowance for doubtful accounts	-819	-878
Total investments and other assets	201,288	196,485
Total noncurrent assets	784,446	752,085
Total assets	1,410,020	1,440,395
Liabilities		
Current liabilities		
Notes and accounts payable-trade	170,981	191,883
Short-term loans payable	236,752	261,778
Current portion of bonds with subscription rights to shares	18,000	—
Commercial papers	17,000	—
Accounts payable-other	169,736	184,187
Income taxes payable	6,661	5,770
Provision for loss on construction contracts	327	327
Other	24,260	39,936
Total current liabilities	643,718	683,883
Noncurrent liabilities		
Bonds with subscription rights to shares	—	18,000
Long-term loans payable	343,871	318,830
Provision for special repairs	6,252	6,676
Provision for retirement benefits	5,993	6,096
Other	58,659	59,459
Total noncurrent liabilities	414,776	409,063
Total liabilities	1,058,495	1,092,946

(Unit: million yen)

	2Q FY2009 As of Sep. 30, 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	115,780	115,732
Treasury stock	-131	-129
Total shareholders' equity	312,336	312,290
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-89	-2,099
Deferred gains or losses on hedges	7,893	8,084
Revaluation reserve for land	12,415	11,523
Foreign currency translation adjustment	-1,282	-1,365
Total valuation and translation adjustments	18,936	16,142
Minority interests	20,251	19,015
Total net assets	351,525	347,449
Total liabilities and net assets	1,410,020	1,440,395

(2) Consolidated Statements of Income

(Unit: million yen)

	2Q FY2008	2Q FY2009
	From April 1, 2008	From April 1, 2009
	to September 30, 2008	to September 30, 2009
Net sales	2,014,517	1,141,930
Cost of sales	1,874,488	1,060,199
Gross profit	140,028	81,730
Selling, general and administrative expenses	74,160	66,101
Operating income	65,868	15,629
Non-operating income		
Interest income	875	445
Dividends income	638	635
Foreign exchange gains	—	3,306
Equity in earnings of affiliates	3,455	3,758
Other	3,441	2,930
Total non-operating income	8,410	11,076
Non-operating expenses		
Interest expenses	5,406	4,746
Foreign exchange losses	2,559	—
Other	2,125	1,614
Total non-operating expenses	10,091	6,361
Ordinary income	64,188	20,344
Extraordinary income		
Gain on sales of noncurrent assets	6,455	204
Gain on sales of investment securities	129	57
Total extraordinary income	6,585	262
Extraordinary loss		
Loss on disposal of noncurrent assets	1,367	1,759
Impairment loss	635	1,664
Loss on valuation of investment securities	—	1,576
Other	—	125
Total extraordinary losses	2,002	5,126
Income before income taxes and minority interests	68,770	15,480
Income taxes	36,853	9,067
Minority interests in income (loss)	1,404	1,237
Net income	30,511	5,175

(3) Consolidated Statement of Cash Flows

Item	(Unit: million yen)	
	2Q FY2008	2Q FY2009
	From April 1, 2008 to September 30, 2008	From April 1, 2009 to September 30, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	68,770	15,480
Depreciation and amortization	17,074	18,354
Amortization of goodwill	29	44
Loss (gain) on disposal of noncurrent assets	1,367	1,759
Impairment loss	635	1,664
Loss (gain) on valuation of investment securities	—	1,576
Increase (decrease) in provision	-506	-770
Interest and dividends income	-1,513	-1,081
Interest expenses	5,406	4,746
Foreign exchange losses (gains)	1,300	-1,328
Equity in (earnings) losses of affiliates	-3,455	-3,758
Loss (gain) on sales of noncurrent assets	-6,455	-204
Recovery of recoverable accounts under production sharing	6,164	2,105
Decrease (increase) in notes and accounts receivable-trade	-17,125	24,093
Decrease (increase) in inventories	-134,686	-60,428
Increase (decrease) in notes and accounts payable-trade	38,841	-5,289
Decrease (increase) in other current assets	-8,254	6,561
Increase (decrease) in other current liabilities	1,174	-48,904
Other, net	-1,348	1,057
Subtotal	-32,581	-44,320
Interest and dividends income received	4,022	2,989
Interest expenses paid	-5,176	-4,243
Income taxes (paid) refund	-31,199	5,249
Net cash provided by (used in) operating activities	-64,934	-40,324
Net cash provided by (used in) investing activities		
Proceeds from sales and redemption of securities	—	1,500
Purchase of investment securities	-1,174	-7,164
Proceeds from sales and redemption of investment securities	—	3,078
Purchase of property, plant and equipment	-31,371	-46,454
Payments for disposal of property, plant and equipment	—	-1,487
Proceeds from sales of property, plant and equipment	9,445	2,402
Payments for purchases of intangible fixed assets and long-term prepaid expenses	-5,341	-4,479
Decrease (increase) in short-term loans receivable	-929	-1,949
Other, net	-370	349
Net cash provided by (used in) investing activities	-29,742	-54,205
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	120,112	-14,859
Net increase (decrease) in commercial papers	—	17,000
Proceeds from long-term loans payable	46,130	41,200
Repayment of long-term loans payable	-49,396	-26,109
Redemption of bonds	-1,500	—
Cash dividends paid	-4,237	-4,237
Cash dividends paid to minority shareholders	-914	-10
Other, net	-12	-17
Net cash provided by (used in) financing activities	110,182	12,966
Effect of exchange rate change on cash and cash equivalents	-1,211	1,178
Net increase (decrease) in cash and cash equivalents	14,294	-80,384
Cash and cash equivalents at beginning of period	82,674	159,919
Cash and cash equivalents at end of period	96,968	79,535

(4)Notes to going concern

None

(5) Segment information

1. Business segment information

2Q FY2008 (From April 1, 2008 to September 30, 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	1,967,339	24,410	22,766	2,014,517	-	2,014,517
(2)Inter-segment	409	23,523	22,226	46,160	(46,160)	-
Total	1,967,749	47,934	44,993	2,060,677	(46,160)	2,014,517
Operating income	36,190	29,588	900	66,679	(810)	65,868

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.

2Q FY2009 (From April 1, 2009 to September 30, 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	1,122,792	9,574	9,562	1,141,930	-	1,141,930
(2)Inter-segment	222	15,134	32,719	48,076	(48,076)	-
Total	1,123,014	24,709	42,282	1,190,006	(48,076)	1,141,930
Operating income	6,866	10,163	570	17,600	(1,970)	15,629

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

2Q FY2008 (From April 1, 2008 to September 30, 2008)

	Japan (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
Net sales					
(1)Outside customers	1,912,513	102,003	2,014,517	-	2,014,517
(2)Inter-segment	67,932	195,942	263,874	(263,874)	-
Total	1,980,445	297,946	2,278,391	(263,874)	2,014,517
Operating income	36,541	30,158	66,700	(831)	65,868

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

2Q FY2009 (From April 1, 2009 to September 30, 2009)

	Japan (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
Net sales					
(1)Outside customers	1,112,600	29,329	1,141,930	-	1,141,930
(2)Inter-segment	19,530	84,697	104,228	(104,228)	-
Total	1,132,130	114,027	1,246,158	(104,228)	1,141,930
Operating income	6,467	9,780	16,248	(619)	15,629

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

2Q FY2008 (From April 1, 2008 to September 30, 2008)

I Overseas net sales (million yen)	278,778
II Consolidated net sales (million yen)	2,014,517
III Overseas net sales share of consolidated net sales (%)	13.8

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.

2Q FY2009 (From April 1, 2009 to September 30, 2009)

I Overseas net sales (million yen)	104,006
II Consolidated net sales (million yen)	1,141,930
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