



November 6, 2014

Overview of Business Results for the Second 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
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Corporate Planning Unit
 Scheduled date to file quarterly report: November 6, 2014 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 Second Quarter of Fiscal Year Ending March 2015 (For the period from April 1, 2014 to September 30, 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 second quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
Second Quarter, FY2014	1,552,474	-6.1	12,700	-18.9	4,886	-73.4	-15,307	-
Second Quarter, FY2013	1,653,516	14.1	15,651	-	18,377	-	1,199	-

Note: Comprehensive income Second Quarter, FY2014: -10,385 million yen (-%) Second Quarter, FY2013: 8,053 million yen (-%)

	Net income per share for the second quarter	Diluted net income per share for the second quarter
Second Quarter, FY2014	yen sen -18.07	yen sen -
Second Quarter, FY2013	1.42	-

(2) Consolidated Financial Position

	Total assets	Net assets	Net Worth ratio
Second Quarter, FY2014	million yen 1,668,797	million yen 247,556	% 13.0
FY2013	1,696,831	261,142	13.7

[Reference] Net worth Second Quarter, FY2014: 217,265 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
FY2013	yen sen -	yen sen 0.00	yen sen -	yen sen 2.00	yen sen 2.00
FY2014	-	0.00	-	-	-
FY2014 (outlook)	-	-	-	4.00	4.00

Note: Revision made in the forecast dividend as of the end of the current quarter from the previous announcement: No

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	3,465,000	-2.1	62,000	56.1	57,000	36.2	14,000	222.0	16.53

Note: Change made in figures of the consolidated business outlook as of the end of the current quarter from the previous announcement: No

Notes to Consolidated Financial Statements

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

Second Quarter, FY2014	847,705,087 shares	FY2013	847,705,087 shares
Second Quarter, FY2014	660,361 shares	FY2013	656,817 shares
Second Quarter, FY2014	847,046,735 shares	Second Quarter, FY2013	847,059,418 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 not updated from the previous announcement made on May 13, 2014.

The forward-looking statements including the business outlook, etc. 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. 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 November 6, 2014.

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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 half of FY2014 were ¥1,552.5 billion (down ¥101.0 billion from the same period of FY2013), operating income ¥12.7 billion (down ¥3.0 billion from the same period of FY2013), ordinary income ¥4.9 billion (down ¥13.5 billion from the same period of FY2013) and net loss for the period ¥15.3 billion (net income ¥1.2 billion in the same period of FY2013).

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

- 1) In the petroleum business segment, market conditions were strong. But the net sales decreased for the oil product sales volume decreased. As a result, the segment reported net sales of ¥1,542.8 billion for the first half of FY2014 (down ¥82.3 billion from the same period of FY2013) and segment loss of ¥13.0 billion (segment loss ¥10.6 billion in the same period of FY2013).
In addition to that, segment loss excluding impact of inventory valuation that was occurred by crude oil prices decline was 2.9 billion for the first half of FY2014 (segment loss excluding impact of inventory valuation ¥17.0 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 ¥25.7 billion for the first half of FY2014 (up ¥10.8 billion from the same period FY2013) and segment loss of ¥2.8 billion (segment income ¥2.6 billion in the same period of FY2013).
- 3) In the oil exploration and production business segment, the crude oil production volume and sales volume increased. But the foreign exchange losses and the repair costs increased. As a result, the segment reported net sales of ¥39.3 billion for the first half of FY2014 (down ¥7.3 billion from the same period of FY2013) and segment income of ¥21.6 billion (down ¥1.2 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 second quarter of FY2014, total assets as of September 30, 2014 amounted to ¥1,668.8 billion, down ¥28.0 billion from March 31, 2014, the end of FY2013, mainly reflecting decreased accounts receivable-trade and accounts payable-trade due to the reduction of sales volume that was occurred by seasonal factors. Net assets as of September 30, 2014 amounted to ¥247.6 billion with a net worth ratio of 13.0%.

(3) Explanation Concerning Information regarding Consolidated Business Outlook

The consolidated business outlook for the full-year period of FY2014 is not updated from the previous announcement on May 13, 2014, as market conditions are kept better than expected by the supply and demand adjustment while there are concerns about the external environments such as the recent crude oil prices down. And, the income and loss impacts of "Corporate Split by Cosmo Energy Exploration & Production Co., Ltd. and Transfer of 20% Shares in Subsidiary to CEPESA" announced on November 6, 2014 are included on this business outlook.

This business outlook is based on the assumptions of a crude oil price at US\$95/bbl and an exchange rate at ¥106/US\$ for the second half of FY2014 (from October 1, 2014 to March 31, 2015).

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 half of FY2014 is minor.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	FY2013 (As of March 31, 2014)	2Q FY2014 (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	140,423	143,663
Notes and accounts receivable-trade	262,863	207,735
Merchandise and finished goods	225,292	272,519
Work in process	761	1,576
Raw materials and supplies	219,684	185,896
Other	72,955	77,560
Allowance for doubtful accounts	-189	-101
Total current assets	921,790	888,850
Noncurrent assets		
Property, plant and equipment		
Land	308,481	311,794
Other, net	280,600	289,075
Total property, plant and equipment	589,082	600,870
Intangible assets	50,041	48,460
Investments and other assets		
Other	135,686	130,522
Allowance for doubtful accounts	-483	-545
Total investments and other assets	135,202	129,977
Total noncurrent assets	774,326	779,308
Deferred assets		
Bond issuance cost	714	638
Total deferred assets	714	638
Total assets	1,696,831	1,668,797
Liabilities		
Current liabilities		
Notes and accounts payable-trade	255,521	227,580
Short-term loans payable	323,705	303,766
Current portion of bonds	11,680	33,680
Accounts payable-other	170,390	171,769
Income taxes payable	7,313	4,555
Provision	3,424	2,131
Other	27,164	26,190
Total current liabilities	799,199	769,673
Noncurrent liabilities		
Bonds payable	80,500	57,660
Long-term loans payable	447,794	487,225
Net defined benefit liability	12,993	12,303
Provision	14,556	14,600
Other	80,644	79,777
Total noncurrent liabilities	636,489	651,566
Total liabilities	1,435,688	1,421,240

(Unit: million yen)

	FY2013 (As of March 31, 2014)	2Q FY2014 (As of September 30, 2014)
Net assets		
Shareholders' equity		
Capital stock	107,246	107,246
Capital surplus	16,967	16,967
Retained earnings	87,461	70,164
Treasury shares	-143	-144
Total shareholders' equity	211,531	194,234
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,887	3,845
Deferred gains or losses on hedges	1,372	1,498
Revaluation reserve for land	18,929	19,017
Foreign currency translation adjustment	5,818	6,410
Remeasurements of defined benefit plans	-8,612	-7,739
Total accumulated other comprehensive income	20,395	23,031
Minority interests	29,214	30,290
Total net assets	261,142	247,556
Total liabilities and net assets	1,696,831	1,668,797

(2) Consolidated Statements of Income and Comprehensive Income
 (Consolidated Statements of Income)
 (Consolidated the first half of FY2014 statements of income)

(Unit: million yen)

	2Q FY2013 (From April 1, 2013 to September 30, 2013)	2Q FY2014 (From April 1, 2014 to September 30, 2014)
Net sales	1,653,516	1,552,474
Cost of sales	1,577,182	1,476,606
Gross profit	76,333	75,868
Selling, general and administrative expenses	60,681	63,167
Operating income	15,651	12,700
Non-operating income		
Interest income	105	128
Dividends income	532	476
Share of profit of entities accounted for using equity method	5,887	—
Other	4,105	2,771
Total non-operating income	10,630	3,377
Non-operating expenses		
Interest expenses	6,479	6,294
Share of loss of entities accounted for using equity method	—	878
Other	1,425	4,018
Total non-operating expenses	7,905	11,191
Ordinary income	18,377	4,886
Extraordinary income		
Gain on sales of noncurrent assets	94	358
Gain on sales of investment securities	—	186
Insurance income	1,158	—
Total extraordinary income	1,252	544
Extraordinary loss		
Loss on sales of noncurrent assets	18	81
Loss on disposal of noncurrent assets	1,104	1,803
Impairment loss	288	2,339
Loss on valuation of investment securities	—	157
Business structure improvement expenses	—	1,958
Total extraordinary losses	1,411	6,339
Income (loss) before income taxes and minority interests	18,219	-908
Income taxes	14,662	12,043
Income (loss) before minority interests	3,557	-12,951
Minority interests in income	2,357	2,355
Net income (loss)	1,199	-15,307

(Consolidated Statements of Comprehensive Income)

(Consolidated the first half of FY2014 statements of Comprehensive Income)

(Unit: million yen)

	2Q FY2013 (From April 1, 2013 to September 30, 2013)	2Q FY2014 (From April 1, 2014 to September 30, 2014)
Income (loss) before minority interests	3,557	-12,951
Other comprehensive income		
Valuation difference on available-for-sale securities	2,159	828
Deferred gains or losses on hedges	-306	109
Foreign currency translation adjustment	957	560
Remeasurements of defined benefit plans	—	934
Share of other comprehensive income of entities accounted for using equity method	1,686	132
Total other comprehensive income	4,496	2,566
Comprehensive income	8,053	-10,385
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,675	-12,733
Comprehensive income attributable to minority interests	2,377	2,347

(3) Consolidated Statement of Cash Flows

(Unit: million yen)

	2Q FY2013 From April 1, 2013 to September 30, 2013	2Q FY2014 From April 1, 2014 to September 30, 2014
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	18,219	-908
Depreciation and amortization	14,866	13,117
Amortization of goodwill	365	365
Amortization of negative goodwill	-628	-563
Loss (gain) on sales of noncurrent assets	-76	-277
Loss (gain) on disposal of noncurrent assets	1,104	1,803
Impairment loss	288	2,339
Business structure improvement expenses	—	1,958
Insurance income	-1,158	—
Loss (gain) on sales of investment securities	—	-186
Loss (gain) on valuation of investment securities	—	157
Increase (decrease) in provision	192	-56
Increase (decrease) in net defined benefit liability	—	-878
Interest and dividends income	-637	-605
Interest expenses	6,479	6,294
Foreign exchange losses (gains)	-628	765
Share of (profit) loss of entities accounted for using equity method	-5,887	878
Decrease (increase) in notes and accounts receivable-trade	90,751	55,128
Recovery of recoverable accounts under production sharing	3,431	2,789
Decrease (increase) in inventories	41,526	-14,360
Increase (decrease) in notes and accounts payable-trade	-29,274	-27,941
Decrease (increase) in other current assets	-12,496	-13,839
Increase (decrease) in other current liabilities	-62,903	3,252
Other, net	1,047	1,928
Subtotal	64,580	31,161
Interest and dividends income received	917	1,518
Interest expenses paid	-6,472	-6,325
Payments for loss on disaster	-93	—
Payments for business structure improvement expenses	-1,311	-2,029
Income taxes (paid) refund	-18,085	-6,362
Net cash provided by (used in) operating activities	39,533	17,962
Net cash provided by (used in) investing activities		
Purchase of investment securities	-119	-1,119
Proceeds from sales and redemption of investment securities	20	6,318
Purchase of shares of subsidiaries and associates	-0	—
Proceeds from sales of shares of subsidiaries and associates	—	3
Purchase of property, plant and equipment	-12,719	-28,070
Payments for disposal of property, plant and equipment	-956	-1,361
Proceeds from sales of property, plant and equipment	317	818
Payments for purchases of intangible fixed assets and long-term prepaid expenses	-14,039	-5,259
Decrease (increase) in short-term loans receivable	-305	-135
Purchase of treasury shares of subsidiaries	—	-1,080
Proceeds from withdrawal of time deposits	1,096	27,059
Payments into time deposits	-7,637	-34,562
Other, net	23	-1
Net cash provided by (used in) investing activities	-34,321	-37,389

(Unit: million yen)

	2Q FY2013 From April 1, 2013 to September 30, 2013	2Q FY2014 From April 1, 2014 to September 30, 2014
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-9,362	-23,218
Proceeds from long-term loans payable	23,710	54,647
Repayment of long-term loans payable	-21,253	-11,382
Proceeds from issuance of bonds	9,843	—
Redemption of bonds	-840	-840
Cash dividends paid	—	-1,694
Cash dividends paid to minority shareholders	-9	-68
Proceeds from share issuance to minority shareholders	13	—
Other, net	-95	-104
Net cash provided by (used in) financing activities	2,005	17,339
Effect of exchange rate change on cash and cash equivalents	4,042	-1,322
Net increase (decrease) in cash and cash equivalents	11,260	-3,409
Cash and cash equivalents at beginning of period	129,699	123,280
Cash and cash equivalents at end of period	140,959	119,870

(4)Notes to Quarterly Consolidated Financial Statements

(Notes to going concern)

None

(Notes to remarkable changes in Shareholders' Equity)

None

(Segment Information)

2Q FY2013 (From April 1, 2013 to September 30, 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	1,611,093	6,766	25,585	10,070	—	1,653,516
Inter-segment	13,982	8,157	6,428	23,300	-51,868	—
Total	1,625,076	14,923	32,014	33,370	-51,868	1,653,516
Segment Income (Loss)	-10,573	2,582	22,791	2,401	1,175	18,377

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" 1,175 million yen includes -39 million yen for internal eliminations, 2,078 million yen for inventory adjustments and -854 million yen for adjustment of fixed assets.

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

2Q FY2014 (From April 1, 2014 to September 30, 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	1,515,218	9,704	16,855	10,696	—	1,552,474
Inter-segment	27,547	15,983	22,461	21,265	-87,257	—
Total	1,542,765	25,688	39,316	31,961	-87,257	1,552,474
Segment Income (Loss)	-13,048	-2,804	21,568	923	-1,752	4,886

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" -1,752 million yen includes 2 million yen for internal eliminations, -1,371 million yen for inventory adjustments and -383 million yen for adjustment of fixed assets.

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

(Significant Subsequent Events)

Cosmo Energy Exploration & Production Co., Ltd. (hereinafter, "Cosmo Energy"), a wholly-owned subsidiary of the Company, has entered into a definitive agreement with CEPSA International B.V., a wholly-owned subsidiary of Compañía Española de Petróleos, S.A.U., (hereinafter, together with CEPSA International B.V., "CEPSA") to sell part of its stake in new Abu Dhabi focused upstream subsidiary as part of its Strategic Comprehensive Alliance with CEPSA.

In accordance with the agreement, Cosmo Energy will transfer its Abu Dhabi Oil Co., Ltd. shares into a newly established company through an incorporation-type company split (the "Corporate Split"). Cosmo Energy will subsequently sell a 20% stake of the new company to CEPSA for approximately US\$ 217 million.

For more information, please refer to press releases on the COSMO OIL website dated November 6, 2014.