Overview Of Business Results of FY2007

May 9, 2008

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 President
Phone: 03-3798-3101
Name of Person to contact: Atsuto Tamura, Executive Officer & General Manager of Corporate Communication Dept.
Annual shareholders' meeting is to be held on:June 24, 2008
Securities report is to be submitted on:June 24, 2008
Dividend payment is to be started on: June 25, 2008

Note: Figures less than 1 million are rounded down.

1. Consolidated Business Results for FY2007 (April 1, 2007 to March 31, 2008)

(1) Consolidated operating results

(% indicates change from FY2006)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2007	3,523,086	15.0	83,796	20.3	94,330	26.1	35,152	32.5
FY2006	3,062,743	14.7	69,643	-37.4	74,789	-37.4	26,536	-57.1

	Net income per share	Diluted net income per share	Net income to net worth	Ordinary income to total assets	Operating income to net sales
	yen sen	yen sen	%	%	%
FY2007	46.72	44.98	9.0	5.9	2.4
FY2006	39.54	37.91	8.0	4.9	2.3

[Reference]Return on investments under equity method FY2007 8,662 million yen FY2006 9,920 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	million yen	million yen	%	yen sen
FY2007	1,627,903	469,726	27.2	522.84
FY2006	1,579,155	361,612	21.5	506.15

[Reference] Net worth FY2007 442,912 million yen FY2006 339,701 million yen

(3) Consolidated Cash Flows

	CF from operating activities	CF from investing activities	CF from financial activities	Cash and cash equivalents at the end of the period
	million yen	million yen	million yen	million yen
FY2007	-4,214	-32,805	-5,229	82,674
FY2006	25,004	-35,868	80,022	126,105

2. Dividend Payment Results and Outlook

	Dividend per share			Total amount of dividends paid/payable (full-year)	Dividend payout (consolidated)	Rate of dividend to net assets (consolidated)
(Period for dividend payment)	Interim(1H)	Year-end(2H)	Full year			
	yen sen	yen sen	yen sen	million yen	%	%
FY2006	3.00	5.00	8.00	5,372	20.2	1.6
FY2007	3.00	5.00	8.00	6,251	17.1	1.6
FY2008 (outlook)	3.00	5.00	8.00		28.2	

3. Consolidated Business Outlook for FY2008 (April 1, 2008 to March 31, 2009)

(% indicates change from the corresponding period of FY07)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
1H FY2008	1,720,000	7.4	33,000	-24.1	31,000	-36.5	11,000	-52.7	12.99
FY2008	3,700,000	5.0	75,000	-10.5	73,000	-22.6	24,000	-31.7	28.33

4. Other

(1) Change in significant subsidiaries during FY2007
(change in specific subsidiaries resulting in change in scope of consolidation) : None

(2) Changes in accounting policies and processing and representation methods adopted to prepare the consolidated financial statements (significant changes in the basis of presenting the consolidated financial statements):
(1) Changes due to revised accounting standards: Yes
(2) Changes other than the reason described above: None
Note: Please refer to "Notes concerning Changes of Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements" on Page 16 for detailed information.〕

(3) Total Number of Outstanding Shares (Common Stock)
(1) No. of outstanding shares as of March 31, 2008 (including treasure stock):
FY2007 847,705,087 FY2006 671,705,087
(2) No. of shares of treasury stock as of March 31, 2008:
FY2007 575,168 FY2006 552,476
Note: Please refer to "Per-Share Information" on Page 37 for the number of shares on which to calculate (consolidated) net income for the year per share.

[Reference] Outline of Non-Consolidated Results

1. Non-Consolidated Financial Results for FY2007 (For the period from April 1, 2007 to March 31, 2008)

(1) Non-consolidated Operating Results (% indicates change from FY2006)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2007	3,301,597	16.6	20,600	147.2	26,379	248.8	13,168	882.0
FY2006	2,831,217	13.5	8,333	-88.9	7,562	-90.0	1,341	-97.1

	Net income per share	Diluted net income per share
	yen sen	yen sen
FY2007	17.50	16.84
FY2006	2.00	1.91

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Net Worth ratio	Net assets per share
	million yen	million yen	%	yen sen
FY2007	1,450,919	338,140	23.3	398.99
FY2006	1,434,174	254,856	17.8	379.53

[Reference] Net worth FY2007 338,140 million yen FY2006 254,856 million yen

2. Non-Consolidated Business Outlook for FY2008 (April 1, 2008 to March 31, 2009)

(% indicates change from FY2007)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
FY2008	3,430,000	3.9	4,000	-80.6	0	-	0	-	—

Note: Request for appropriate use of the business outlook and other special remarks:
The above business outlook is based on information available as of the published date of this release and actual results may differ from the forecast subject to various factors that may arise in the future.
Please refer to "(1) Operating Results of 1. Overview of Financial Results" on Page 3 for more information about the business outlook of FY2008.

1. Consolidated Operating Results

(1) Analysis of Consolidated Operating Results

1) Consolidated Operating Results during Fiscal Year 2007

During the consolidated full year of Fiscal Year 2007 that ended on March 31, 2008, the economy of Japan showed a basic tone of moderate recovery backed by a high level of corporate earnings, but the pace of recovery was restrained toward the end of the period by soaring crude oil prices and concerns about the slowdown of the U.S. economy. Under these circumstances, the overall demand for oil products in Japan significantly reduced as compared with that of FY2006, as the demand for gasoline reduced due to consumption curbed by a sharp rise in gasoline prices and improved fuel efficiency in passenger cars. The demand for diesel fuel also dropped due to the decreased number of cars registered, and the demand for kerosene and heavy fuel oil A was also down due to conversion to other energy sources and progress in energy saving efforts.

As for crude oil prices, the Dubai crude oil price was at the level of US$63 per barrel on April 1, 2007, the beginning of the fiscal year, subsequently rose to set new records due to the strong demand for crude oil led by China and the Middle East, the depreciation of the U.S. dollar due to concerns about the slowdown of the U.S. economy and a flow of investment funds into commodity markets accordingly, as well as increased tensions in international affairs, such as political unrest in the Middle East and African regions, to soar up to US$101 a barrel in March 2008, the highest record marked during the fiscal year, and then to end at US$97 a barrel at the end of the fiscal year. The average amount throughout FY2007 was US$77 a barrel, up about US$17 from FY2006.

The Japanese yen was at the level of ¥117 per US$ on April 1, 2007 and the US dollar appreciated against the yen backed by the strong U.S. economy but significantly depreciated upon the outbreak of financial uncertainty triggered by sub-prime loan issues in the U.S. in July-end 2007 onwards. Then the dollar once nosedived to the level of ¥95 per US$ in March 2008, the lowest in the past twelve years, and slightly rebounded to the level of ¥99 per US$ at the end of the fiscal year. As for oil product market conditions in Japan, crude oil prices were hovering at the highest levels ever recorded, setting the upward trend of retail prices at service stations (SSs) and selling prices of industrial fuels throughout the year.

Under these circumstances, the Cosmo Oil Group unified its forces in striving to implement the three-year "New Consolidated Medium-Term Management Plan" during FY2007, which was the last year of the plan, with the basic policy of "strengthening the management foundation to withstand future structural changes" and "transitioning to a growth strategy."

The Company carried out a comprehensive and strategic business alliance on September 18 centering on the energy field in the Japan/Asia/Pacific Rim with the International Petroleum Investment Company (the "IPIC"), an investment company wholly financed by the Abu Dhabi Emirate Government of the United Arab Emirates. As a result of this alliance, the Company decided to issue 176,000,000 new shares of common stock (equivalent to about 20% of the total of issued and outstanding shares and potential shares of the Company after the issue of these new shares) via third party allocation and allocated all of the shares to Infinity Alliance Limited, a special purpose company established by IPIC to receive allocation of the third party allocation capital increase, and completed a third party allocation capital increase with a total issuance amount of ¥89.76 billion at ¥510 issue par per share.

As a result, consolidated net sales in FY2007 were ¥3,523.1 billion (up ¥460.4 billion from FY2006), consolidated operating income, ¥83.8 billion (up ¥14.2 billion), and consolidated ordinary income, ¥94.3 billion (up ¥19.5 billion).
Consolidated net income for FY2007, after extraordinary gain and loss adjustments and corporation taxes, was ¥35.2 billion (up ¥8.7 billion from FY2006).

Segment-specific results were as follows:

[Business Segment Information] (Unit: ¥ billion)

	Petroleum business	Oil exploration and production business	Other businesses	Deletion or other adjustments	Consolidated
Net sales	3,442.2	84.1	99.0	-102.2	3,523.1
Operating income	39.3	43.5	2.6	-1.6	83.8

[Petroleum Business Segment]

1) In the oil product business, operating expenses for FY2007 increased on a year-on-year basis, reflecting lower margins due to a failure to fully shift increased costs caused by escalating crude oil prices to consumer costs, and efforts to enhance safety in operations at refineries. The selling volume of kerosene and heavy fuel oil A decreased due to progress in fuel conversion, while the selling volume of heavy fuel oil C for electronic power generation increased led by product export expansion and reduced levels of operations of nuclear power stations. The segment recorded increased profit for FY2007, reflecting a significant reduction in cost of sales by the impact of inventory valuation.

2) The petrochemical business recorded lower profit than FY2006, due to margins being squeezed by higher raw material prices.

As a result, the segment reported net sales in FY2007 of ¥3,442.2 billion (up ¥457.7 billion from FY2006), operating income of ¥39.3 billion (up ¥13.6 billion) and ordinary income of ¥46.5 billion (up ¥20.4 billion).

[Oil Exploration and Production Business Segment]

The oil exploration and production business reported net sales of ¥84.1 billion in FY2007 (up ¥6.0 billion from FY2006), operating income of ¥43.5 billion (down ¥0.0 billion) and ordinary income of ¥46.9 billion (down ¥1.7 billion), reflecting the lower selling volume, increased operating costs and the impact of foreign exchange translation, despite of higher crude oil prices.

[Other Business Segment]

The oil-related facility engineering, leasing and insurance businesses strived to improve rationalization and efficiency in their respective operations. As a result, the segment reported net sales in FY2007 of ¥99.0 billion (up ¥13.5 billion from FY2006), operating income of ¥2.6 billion (up ¥1.0 billion) and ordinary income of ¥2.9 billion (up ¥1.2 billion).

2) Outlook for FY2008

The Group will steadily execute a variety of programs, as defined by the "Third Consolidated Medium-Term Management Plan (FY2008-2010)" starting from FY2008, for further strengthening the earnings base of the crude oil refining and marketing businesses and for accelerating the pace of implementing the growth strategies for the oil exploration and production and petrochemical businesses.

Assumptions for FY2008 include an average crude oil price at US$95.0 per barrel (FOB) and the Japanese yen at ¥100 per US$ on the average. Consolidated net sales for FY2008 are forecast to be ¥3,700.0 billion (up ¥176.9 billion from FY2007), consolidated operating income, ¥75.0 billion (down ¥8.8 billion), consolidated ordinary income, ¥73.0 billion (down ¥21.3 billion), and consolidated net income for FY2008, ¥24.0 billion (down ¥11.2 billion).

[Segment-Specific Business Outlook]

	Petroleum business	Oil exploration and production business	Other businesses	Deletion or other adjustments	Consolidated
Net sales	3,605.0	99.0	94.0	-98.0	3,700.0
Operating income	18.0	54.5	1.5	1.0	75.0

[Petroleum Business Segment]

The segment is expected to improve profit by building the strong refining and production system and sales network and by increasing oil product exports among other things, as defined by the "Third Consolidated Medium-Term Management Plan," but the profit for FY2008 is likely to be lower than a year earlier mainly due to the anticipated absence of a favorable impact by inventory valuation that arose in FY2007.

[Oil Exploration and Production Business Segment]

The segment is expected to earn more profit than FY2007 as it continues stable production of crude oil and crude oil prices will rise.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

As for consolidated financial conditions as of March 31, 2008, total assets amounted to ¥1,627.9 billion, up ¥48.7 billion from March 31, 2007, mainly reflecting an increase in inventories due to crude oil price hikes.

Net assets amounted to ¥469.7 billion, up ¥108.1 billion from March 31, 2007, mainly reflecting new stock issuance, with a net worth ratio of 27.2%.

2) Cash Flows

As for consolidated cash flows as of March 31, 2008, net cash used in operating activities amounted to ¥4.2 billion, mainly reflecting an increase in inventories due to a rise in crude oil prices. Net cash used in investing activities amounted to ¥32.8 billion, mainly reflecting payments for fixed asset acquisitions. Net cash used by financing activities amounted to ¥5.2 billion, mainly reflecting income from new stock issuance and a reduction in borrowings.

As a result, cash and cash equivalents as of March 31, 2008 amounted to ¥82.7 billion, down ¥43.4 billion from March 31, 2007.

The trends of the indicators for cash flows of the Group for the past four years are as follows:

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008
Net worth ratio	16.3%	17.2%	21.4%	21.5%	27.2%
Net worth ratio on a fair value basis	13.1%	16.6%	28.3%	21.0%	16.3%
Ratio of cash flows to interest-bearing debt	5.5 years	12.3years	—	24.4years	—
Interest coverage ratio	8.6 times	3.6times	—	2.4times	—

Notes:

Net worth ratio: Net worth divided by total assets (shareholders' equity divided by total assets up to FY2005)

Net worth ratio on a fair value basis: Market capitalization divided by total assets

Ratio of cash flows to interest-bearing debt: Interest-bearing debt divided by operating cash flow

Interest coverage ratio: Operating cash flow divided by interest payable

1. Each indicator is calculated by using consolidated financial data.
2. Market capitalization is calculated by multiplying the share price as of the end of the term above by the number of outstanding shares (excluding treasury stock) as of the end of the term.
3. Operating cash flow refers to cash flow from operating activities in the consolidated statement of cash flows. Interest-bearing debt refers to all debts with interest payments among debts stated in the consolidated balance sheet. Interest payable refers to interest expenses stated in the consolidated statement of cash flows.

(3) Basic Policy regarding Earnings Appropriation and Dividend for FY 2007, 2008

The Company places particular emphasis on shareholder return. Its basic policy is to maintain stable dividend payments by taking financial structural enhancement, future business development, business results and balanced fund positions into due consideration.

In accordance with the policy, the Company projects payments of ¥5 per share as a term-end dividend. Including an interim dividend, dividends for this fiscal year will be ¥8 per share.

Full-year dividends for FY2008 are expected to be ¥8 per share.

(4) Business and Other Risks

The Cosmo Oil Group's business performance and financial condition are subject to a number of factors that in the future could have significant impact. The following is a summary of major risk factors that the Group incurs in the course of its business development. The Group proactively discloses all risks that it considers important to those investing in Cosmo Oil stock, including external factors over which the Group has no control and which have little probability of occurring. Moreover, the following risks are not-all-inclusive of the risks associated with investment in Cosmo Oil stock.

1) Supply and Demand Trends

Sales of gasoline, kerosene and diesel fuel comprise a major portion of the Group's total sales and are strongly affected by general trends in personal consumption. In addition, the demand for naphtha is strongly affected by demand trends in the petrochemical industry, while the demand for diesel fuel is strongly affected by the transportation industry and the demand for heavy fuel oil, by the electric power and shipping industries. As a result, changes in economic as well as weather conditions can cause fluctuations in demand, which, in turn, can have a material impact on the scale of the Group's sales.

2) Crude Oil Price Fluctuations

Crude oil prices are significantly affected by demand and production trends. In terms of demand trends, the impact of large consuming nations, such as the U.S., and of Asian nations showing rapid economic growth (particularly China) is highly significant. Increases and decreases in the crude oil production by Middle East oil-producing nations primarily have a large impact on production trends. In addition to political instability, such as the outbreak of war around oil-producing nations, and terrorism and other uncertainties that could significantly affect crude oil prices and crude oil procurement by the Group, production stoppages at the Group's production bases could also have a material impact on the Group's business performance and financial condition.

Since a majority part of its cost of sales is influenced by changes in crude oil prices, the Group may have to shoulder high costs relative to market conditions if crude oil prices drop due to global supply and demand trends and other factors. This way, crude oil price fluctuations are likely to affect costs the Group has to incur.

3) Foreign Exchange Rate Fluctuations

The Group imports crude oil and oil products from overseas, and usually pays for these imports in U.S. dollars, which means that fluctuations in foreign exchange rates can cause currency losses or gains. In order to minimize the impact of foreign exchange rates, the Group engages in currency hedge transactions. However, as a weaker yen results in higher procurement costs, exchange rate fluctuations can have a material impact on the Group's business performance and financial condition.

4) Market Impact

As mentioned above, the cost of the Group's major oil products is determined by international market prices of crude oil and foreign exchange rates. On the other hand, the Group's marketing activities are mainly conducted within Japan and selling prices are determined by domestic market conditions. Consequently, gaps and/or time lags between international and domestic market prices can have a material impact on the Group's business performance and financial condition.

5) Interest Rate Fluctuations

Interest rate fluctuations can lead to higher borrowing costs if interest rates rise. Thus, interest rate fluctuations can have an impact on the Group's borrowing costs and can materially affect the Group's business performance and financial condition.

6) Asset Valuation Fluctuations

Depending on economic circumstances, valuation losses because of fluctuations in the value of assets, such as land and marketable securities that are held by the Group, could have a material impact on the business performance and financial condition of the Group.

7) Competition Risk

The Group is engaged in stiff competition with domestic and overseas companies mainly in the oil business. While the Group is working to maintain and improve its competitiveness, the inability to maintain efficient business operations relative to competing companies may have a material impact on the Group's business performance and financial condition.

8) Impact by Natural Disasters and Accidents

As its refineries handle large volumes of flammable materials, the Group takes particular care in implementing various safety measures to prevent accidents caused by human errors, and to avoid workplace injuries. Notwithstanding these precautions, the occurrence of an earthquake, other natural disasters or unforeseen accidents can result in unavoidable stoppages of operations. For example, an explosion and fire accident at the Chiba Refinery in April 2006 forced the Group to suspend operations of the refinery for a while and to report losses caused by such suspended operations and restoration costs accordingly. In addition, accidents in non-refinery operations, such as oil storage depots, service stations, marine tankers and tanker trucks, could noticeably affect the Group's operations and have material impact on its business performance and financial condition.

9) Impact by Regulations Applicable to the Oil Industry

Various regulations regarding pollution and environmental issues that affect the oil industry have been implemented, and the Group bears the cost of complying with these regulations. As more stringent environmental countermeasures are expected, the Group recognizes the possibility that it could be subject to new laws, regulations and taxes. Going forward, there is a risk that new laws or amendments to existing laws will result in an additional cost burden for the Group. In promoting its CSR management efforts, the Group positions legal compliance as an integral part of such efforts, establishing the necessary systems and striving to enhance the morale of all employees. However, if the risk of legal infraction materializes because of human error or other factors, the Group may become subject to government penalties that would obstruct business operations, reduce the level of trust among customers and damage the Group's brand image, which could, in turn, affect the Group's operating performance. For example, it was discovered that one of the Company's refineries was not in compliance with the High Pressure Gas Law and other regulations and that some construction was unauthorized, which resulted in the imposition of administrative penalties by the Nuclear and Industrial Safety Agency of the Ministry of Economy, Trade and Industry, which had an impact on the Group's business performance and financial condition.

10) Information Management

In terms of information management, malicious software countermeasures and personal information protection measures have been implemented to strengthen the Group's internal IT system security. In addition, the Group has established internal monitoring procedures and regulations on how to handle confidential information, including customer information, and it has contracted external third parties to have them implement supervision and audits over the management and handling of confidential information within the Group. However, the materialization of risks, such as any loss, leakage or alteration of confidential information, including personal information, for any reason, could result in a loss of customer trust and tarnish the Group's brand image, which, in turn, could have material impact on the Group's business performance.

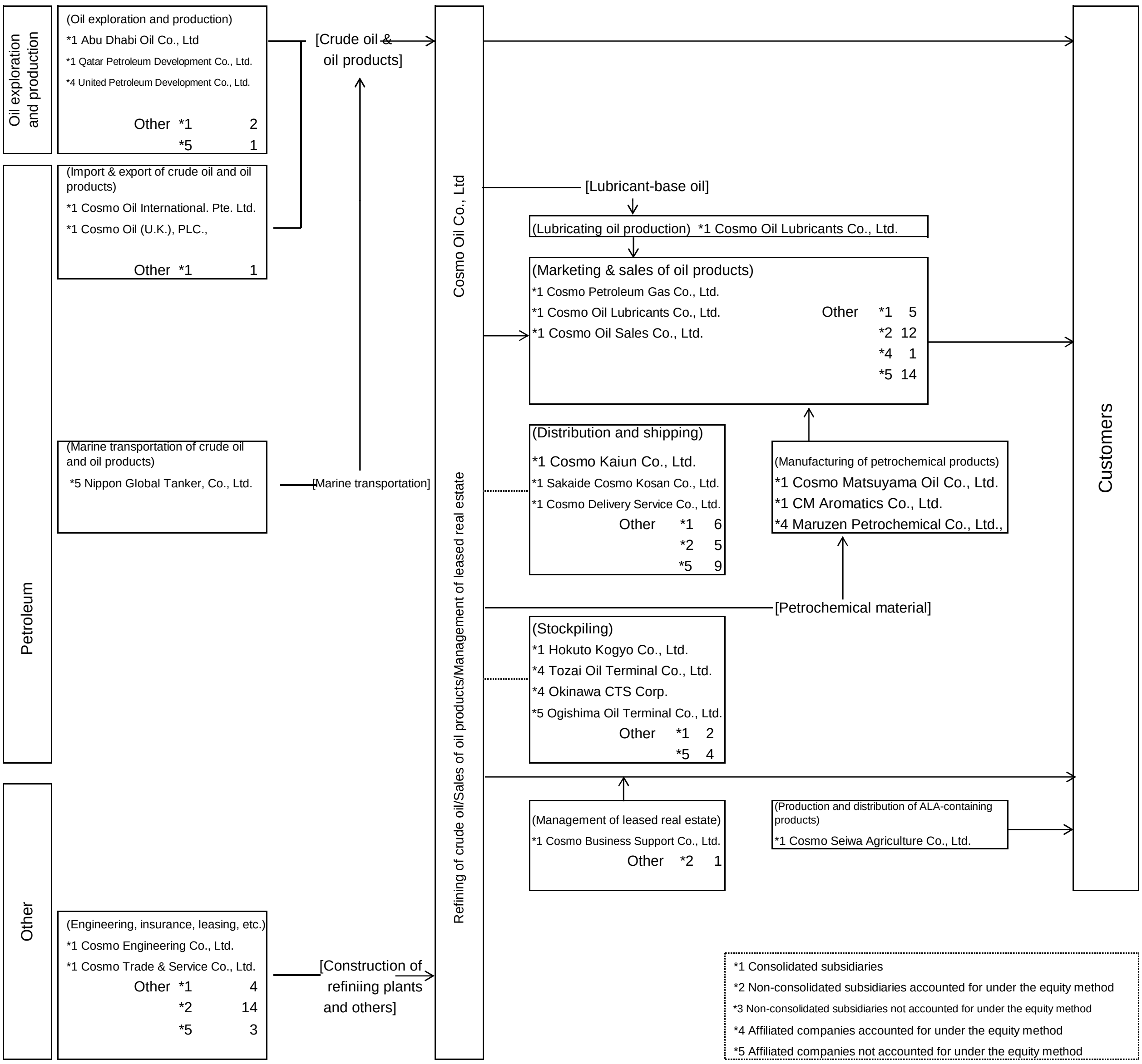
2. Current Status of the Cosmo Oil Group

The Cosmo Oil Group consists of Cosmo Oil Co., Ltd. and its 62 subsidiaries and 37 affiliated companies, mainly engaged in businesses ranging from the exploration and production of crude oil on its own to import, refining and storage of crude oil and oil products and to sales and marketing of oil products. The Group's businesses also include leased real estate management, oil-related plant and equipment engineering and insurance agency services operated by Cosmo Oil and some of its affiliates.

The description of these businesses and their positioning within the Group of companies are summarized as follows:

Segmen	Description	Major operating companies	No. of companies
Oil exploration & production	Crude oil exploration & production	Abu Dhabi Oil Co., Ltd、Qatar Petroleum Development Co., Ltd., United Petroleum Development Co., Ltd. and other three companies	6
Petroleum	Import & export of crude oil and oil products	Cosmo Oil International. Pte. Ltd., Cosmo Oil (U.K.), PLC., and other one company	3
	Marine transportation of crude oil and oil products	Nippon Global Tanker, Co., Ltd.	1
	Crude oil refining	Cosmo Oil	1
	Manufacturing of lubricating o	Cosmo Oil Lubricants Co., Ltd.	1
	Manufacturing of petrochemical products	Cosmo Matsuyama Oil Co., Ltd., CM Aromatics Co., Ltd., Maruzen Petrochemical Co., Ltd.	3
	Sales of oil products	Cosmo Oil、Cosmo Petroleum Gas Co., Ltd., Cosmo Oil Lubricants Co., Ltd., Cosmo Oil Sales Co., Ltd. And other 32 companies	36
	Storage of crude oil and oil products	Hokuto Kogyo Co., Ltd., Tozai Oil Terminal Co., Ltd., Okinawa CTS Corp., Ogishima Oil Terminal Co., Ltd. And other six companies	10
	Distribution	Cosmo Kaiun Co., Ltd., Sakaide Cosmo Kosan Co., Ltd., Cosmo Delivery Service Co., Ltd. and other 20 companies	23
Other	Leased real estate management, etc	Cosmo Oil、Cosmo Business Support Co., Ltd. And other one companies	3
	Production and distribution of ALA-containing products	Cosmo Seiwa Agriculture Co., Ltd.	1
	Engineering, insurance, leasing, etc.	Cosmo Engineering Co., Ltd., Cosmo Trade & Service Co., Ltd. and other 21 companies	23

The above-mentioned Group of companies is schematically represented as follows:



3. Policy for Corporate Management

1. Basic Policy for Corporate Management

The Cosmo Oil Group focuses on energy from petroleum as it endeavors to help meet the various needs of society and to aim at sustainable development. We are working to improve competitiveness and boost profitability through the further integration of our core petroleum business, which range from upstream development to downstream sales of oil products and petrochemicals. Furthermore, as a "comprehensive energy company," we will continue to operate electric power generation, liquefied natural gas (LNG) and other related businesses, while at the same time striving to position the Cosmo Oil Group as a company of choice for its pursuit of responsible "environmental management" to grow it into an "environmentally advanced company" providing maximum satisfaction for its stakeholders.

2. Medium to Long-Term Corporate Management Strategies

(1) Third Consolidated Medium-Term Management Plan (for Fiscal Years 2008-2010)

The Company has developed its "Third Consolidated Medium-Term Management Plan (for Fiscal Years 2008-2010)" starting from Fiscal Year 2008 to make all-out efforts to fulfill the plan by positioning this three-year period as a critical one for "restructuring its earnings base and making strategic moves for further growth."

1) Restructuring the Earnings Base and Making Strategic Moves for Further Growth

[Reinforcement of Profitability of the Crude Oil Refining and Marketing Businesses]

The Company aims at establishing its strong refining and product production system and marketing network by involving member companies of the Group to unify all of their forces to work on a variety of activities so that people really perceive that Cosmo Oil lives up to its sales pitch of "Kokoro mo Mantan ni (filling up your heart, too)." In order to flexibly respond to potential demand reductions and structural changes in the future, the refining department will invest in upgrading refineries, including the construction of a heavy oil cracking unit (coker) and other related units (scheduled for starting operations in FY2010) at the Sakai Refinery, the decision of which was made in November 2006, to improve the production system capable of producing more highly-profitable light distillate product and to continue to enhance the competitiveness of the refineries. We will also improve the infrastructure for export expansion to meet increasing demand outside Japan to boost our annual oil export volume of 1.5 million kl in FY2007 up to 4 million kl in FY2010, when the coker units at the Sakai Refinery are expected to start operations.

[Early Decision Making to Accelerate the Pace to Implement the Growth Strategies for the Oil Exploration/Production and Petrochemical Businesses]

In the oil exploration and production business, the Company will strive to increase crude oil production by ensuring the stable production of crude oil, as led by Abu Dhabi Oil Co., Ltd. and United Petroleum Development Co., Ltd., which are members of the Group, by expanding production by Qatar Petroleum Development Co., Ltd. and by making preparations for starting production in Australia to increase the equity crude oil ratio of the Group as a whole up to 10%. In the petrochemical business, it will further enhance its partnership with Maruzen Petrochemical Co., Ltd. and consider upgrading production facilities for petrochemical products to make various plans move forward to diversify the scope of businesses involved and to grow such businesses.

[Pursuit of Synergy through Partnership with IPIC]

The Company will discuss proposed joint projects with IPIC in various fields, such as new crude oil exploration outside the Emirate of Abu Dhabi and mainly in Asia, further upgrading and creating additional values of the Cosmo Oil refineries, including those for petrochemical production, the internationalization of the liquefied petroleum gas (LPG) and 5-aminolaevulinic acids (ALA) businesses, and the expansion of the oil product marketing business outside Japan, so that such projects will help enhance the profitability of the two companies.

2) Promotion of CSR Management and Environmental Management

[Business Management Capable of Performing Corporate Social Responsibility]

The Company positions "business management capable of performing corporate social responsibility (CSR)" and the "enhancement of its earnings base" as the "dual-point focus of management" and has developed the "Second Consolidated Medium-Term CSR Management Plan (for FY2008-2010)" to make group-wide implementation of CSR management.

(2) Second Consolidated Medium-Term CSR Management Plan (for FY2008-2010)

The Company has been steadily working to promote CSR and environmental management based on the initial "Consolidated Medium-Term CSR Management Plan (for FY2005-2007)." The "Second Consolidated Medium-Term CSR Management Plan (for FY2008-2010)" is designed to enhance the "group-wide consolidated CSR promotion system," while having set four other key objectives of "building the safety management system," "improving human right and human resource management programs," "promoting environmental management programs" and "enhancing relations with stakeholders" to motivate employees of member companies of the Group to join various programs on their own and to promote initiatives that will help realize sustainable society and global environment.

1) Promotion of Group-Wide Consolidated CSR Promotion System
Concerning progress being made so far in its CSR efforts, the Company has the "CSR Promotion Committee" chaired by the Cosmo Oil President to integrate efforts across the Headquarters and has its "CSR Promotion Liaison Committee" to coordinate efforts with affiliated companies to improve the level of CSR achievements across the entire Group.

2) Building the Safety Management System (Second Consolidated Medium-Term Safety Plan)
The plan has "Change 21 Activities" designed to reduce the number of incidents that may threaten safe and smooth operations of facilities in the refining department by more than 90% from the base year (one year starting from September 2006) by 2010. It also has numerical targets to reduce occupational accidents set for the department and affiliated companies, respectively, to improve the levels of safe operations across the Group.

3) Improvement in Human Right/Human Resource Management Programs (Second Consolidated Medium-Term Human Right/Human Resource Management Plan)
The plan is designed to continue and maintain a variety of human right and human resource management programs that respect basic human rights, to set numerical targets for each of the challenges to meet, and to let all employees know the programs and institutions available for and applicable to them, thereby realizing the "pleasant and good place to work" and better motivating employees to work.

4) Promotion of Environmental Management Programs (Third Consolidated Medium-Term Environmental Management Plan)
The plan consists of two pillars of "improving environmental efficiency" and "enhancing environmental business management" to conduct strategic management of global warming risks, while encouraging employees to take environmental actions on their own through "Team Minus 6% Activities" and other programs.

5) Enhancement of Relations with Stakeholders
The Company will enhance Cosmo Eco Card Fund projects and social and environmental contribution activities close to local communities where its refineries and offices are located to improve interactive communication to further strengthen relations with stakeholders.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

Item	FY2007 As of Mar. 31, 2008	FY2006 As of Mar. 31, 2007	Change
Assets			
I Current assets	(933,721)	(882,082)	(51,639)
Cash and deposits	72,193	84,104	-11,911
Notes and accounts receivable, trade	293,549	291,964	1,585
Marketable securities	10,992	9,639	1,353
Inventories	440,091	347,738	92,353
Accounts receivable, other	60,804	62,414	-1,610
Deferred tax assets	5,448	4,955	493
Others	50,994	82,236	-31,242
Allowance for doubtful accounts	-352	-970	618
II Fixed assets	(694,182)	(697,073)	(-2,891)
(1) Property, plant & equipment	529,023	528,347	676
Buildings and Structures	95,978	101,064	-5,086
Oil storage depots	11,251	11,787	-536
Machinery and equipment, Automotive equipment	79,689	88,766	-9,077
Land	308,277	313,181	-4,904
Construction in progress	26,810	7,447	19,363
Others	7,016	6,100	916
(2) Intangible fixed assets	9,779	10,430	-651
Leaseholds	1,211	1,239	-28
Software	4,001	4,981	-980
Goodwill	181	132	49
Others	4,385	4,076	309
(3) Investments and other assets	155,378	158,295	-2,917
Investments in securities	103,614	107,690	-4,076
Investments	213	217	-4
Long term loans receivable	2,643	3,440	-797
Long-term prepaid expenses	7,838	4,156	3,682
Others	38,819	41,152	-2,333
Deferred tax assets	3,473	3,181	292
Allowance for doubtful accounts	-1,224	-1,542	318
Total assets	1,627,903	1,579,155	48,748

(Unit: million yen)

Item	FY2007 As of Mar. 31, 2008	FY2006 As of Mar. 31, 2007	Change
Liabilities			
I Current liabilities	(812,027)	(811,845)	(182)
Notes and accounts payable, trade	312,656	281,519	31,137
Short-term loans	257,100	244,277	12,823
Corporate bond redeemable within one year	2,500	30,300	-27,800
Accounts payable, other	86,252	82,210	4,042
Accrued volatile oil and other petroleum taxes	77,240	110,138	-32,898
Accrued tax payable	21,688	12,120	9,568
Accrued consumption taxes payable	3,844	668	3,176
Accrued expenses	12,437	11,642	795
Deferred tax liabilities	10,363	9,544	819
Reserve for compensation for completed contracts	-	17	-17
Others	27,944	29,406	-1,462
II Long-term liabilities	(346,149)	(405,697)	(-59,548)
Bonds	-	2,500	-2,500
Warrant bond (CB type)	18,000	18,000	-
Long-term loans	244,004	314,812	-70,808
Deferred tax liabilities	16,806	13,445	3,361
Deferred tax liability related to land revaluation	33,946	23,752	10,194
Allowance for special repair work	7,367	7,887	-520
Retirement and severance benefits for employees	6,300	4,280	2,020
Retirement benefits for directors and corporate auditors	-	334	-334
Others	19,722	20,684	-962
Total liabilities	1,158,176	1,217,542	-59,366
Net assets			
I Shareholders' equity	(411,952)	(292,667)	(119,285)
Common stock	107,246	62,366	44,880
Capital surplus	89,442	44,561	44,881
Retained earnings	215,388	185,851	29,537
Less treasury stock, at cost	-125	-111	-14
II Valuation and translation adjustments	(30,960)	(47,033)	(-16,073)
Unrealized gains on securities	5,909	14,507	-8,598
Deferred gains on hedges	14,603	12,141	2,462
Revaluation reserve for land	11,084	20,917	-9,833
Foreign currency translation adjustments	-638	-533	-105
III Minority interests	26,814	21,911	4,903
Total net assets	469,726	361,612	108,114
Total liabilities and net assets	1,627,903	1,579,155	48,748

(2) Consolidated Statements of Income

(Unit: million yen)

Item	FY2007 From April 1, 2007 to March 31, 2008	FY2006 From April 1, 2006 to March 31, 2007	Change
Ⅰ Net sales	3,523,086	3,062,743	460,343
Ⅱ Cost of sales	3,290,687	2,852,242	438,445
Gross profit	232,399	210,501	21,898
Ⅲ Selling, general and administrative expenses	148,602	140,858	7,744
Operating income	83,796	69,643	14,153
Ⅳ Non-operating income	(28,033)	(20,827)	(7,206)
Interest income	1,976	1,133	843
Dividend income	1,511	711	800
Rental income on fixed assets	913	1,038	-125
Foreign currency exchange gains	8,886	2,884	6,002
Equity in earnings of affiliates	8,662	9,920	-1,258
Others	6,083	5,138	945
Ⅴ Non-operating expenses	(17,499)	(15,680)	(1,819)
Interest expenses	11,357	10,686	671
Others	6,142	4,994	1,148
Ordinary income	94,330	74,789	19,541
Ⅵ Extraordinary income	(10,232)	(3,883)	(6,349)
Gain on sale of property, plant and equipment	5,417	2,004	3,413
Gain on sale of investments in securities	726	66	660
Benefits from reversal of allowance for doubtful accounts	456	-	456
Gain on abolishment of retirement benefit plan	3,155	-	3,155
Gain on exchange of stock	393	-	393
Relocation compensations received	-	1,500	-1,500
Bad debts recovered	-	277	-277
Others	82	34	48
Ⅶ Extraordinary losses	(9,002)	(7,429)	(1,573)
Loss on sale of property, plant and equipment	100	516	-416
Loss on disposal of property, plant and equipment	2,554	3,336	-782
Impairment loss	4,510	2,440	2,070
Loss on valuation of investments in securities	-	788	-788
Loss on valuation of membership	56	-	56
Loss on liquidation of subsidiaries and affiliates	-	313	-313
Loss on liquidation of business of subsidiaries and affiliates	1,625	-	1,625
Others	155	35	120
Income before taxes	95,560	71,243	24,317
Income taxes	47,982	37,200	10,782
Income tax adjustments	7,088	1,484	5,604
Minority interests	5,337	6,021	-684
Net income	35,152	26,536	8,616

(3) Consolidated Statements of Changes in Net Assets

FY2007 (From April 1, 2007 to March 31, 2008) (Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2007	62,366	44,561	185,851	−111	292,667
Changes during the period					
Issuance of new shares	44,880	44,880			89,760
Cash dividend			−5,371		−5,371
Net income			35,152		35,152
Reversal of revaluation reserve for land			−243		−243
Acquisition of treasury stock				−14	−14
Disposal of treasury stock		0		1	2
Changes in items other than shareholders' equity during the term, net					
Total changes during the period	44,880	44,880	29,537	−13	119,284
Balance at March 31, 2008	107,246	89,442	215,388	−125	411,952

	Valuation and translation adjustments					Minority interests	Total net assets
	Unrealized gains on securities	Deferred gains on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2007	14,507	12,141	20,917	−533	47,033	21,911	361,612
Changes during the period							
Issuance of new shares							89,760
Cash dividend							−5,371
Net income							35,152
Reversal of revaluation reserve for land			243		243		−
Acquisition of treasury stock							−14
Disposal of treasury stock							2
Changes in items other than shareholders' equity during the term, net	−8,598	2,462	−10,076	−104	−16,316	4,903	−11,413
Total changes during the period	−8,598	2,462	−9,832	−104	−16,073	4,903	108,114
Balance at March 31, 2008	5,909	14,603	11,084	−638	30,960	26,814	469,726

FY2006 (From April 1, 2006 to March 31, 2007) (Unit: million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2006	62,366	44,560	166,149	-95	272,980
Changes during the period					
Cash dividend (*)			-4,700		-4,700
Cash dividend			-2,014		-2,014
Bonuses to directors and corporate auditors (*)			-76		-76
Net income			26,536		26,536
Reversal of revaluation reserve for land			-42		-42
Acquisition of treasury stock				-17	-17
Disposal of treasury stock		1		1	2
Changes in items other than shareholders' equity during the term, net					
Total changes during the period	-	1	19,701	-15	19,686
Balance at March 31, 2007	62,366	44,561	185,851	-111	292,667

	Valuation and translation adjustments					Minority interests	Total net assets
	Unrealized gains on securities	Deferred gains on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2006	15,998	0	24,276	-751	39,523	20,802	333,307
Changes during the period							
Cash dividend (*)							-4,700
Cash dividend							-2,014
Bonuses to directors and corporate auditors (*)							-76
Net income							26,536
Reversal of revaluation reserve for land			42		42		-
Acquisition of treasury stock							-17
Disposal of treasury stock							2
Changes in items other than shareholders' equity during the term, net	-1,491	12,141	-3,401	218	7,467	1,108	8,576
Total changes during the period	-1,491	12,141	-3,358	218	7,509	1,108	28,305
Balance at March 31, 2007	14,507	12,141	20,917	-533	47,033	21,911	361,612

Note: Items for which the appropriation of retained earnings was approved at the annual shareholders' meeting on June 2006

(4) Consolidated Statements of Cash Flows

(Unit: million yen)

Item	FY2007 From April 1, 2007 to March 31, 2008	FY2006 From April 1, 2006 to March 31, 2007
Ⅰ Cash flows from operating activities		
Income before income taxes and minority interests	95,560	71,243
Depreciation and amortization	33,240	29,246
Amortization of consolidation good will	45	2
Loss on valuation of investments in securities	—	788
Loss on disposal of fixed assets	2,554	3,336
Impairment loss	4,510	2,440
Interest and dividend income	-3,488	-1,845
Interest expenses	11,357	10,686
Gain (loss) on investments under equity method	-8,662	-9,920
Increase (decrease) in reserves	325	-337
Decrease (increase) in notes and accounts receivable	-1,562	-63,956
Recovery of recoverable accounts under production sharing	9,536	8,541
Decrease (increase) in inventories	-92,345	-9,398
Increase (decrease) in notes and accounts payable	31,130	8,337
Decrease (increase) in other current assets	-7,058	21,089
Decrease (increase) in prepaid pension costs	-5,591	—
Increase (decrease) in other current liabilities	-34,136	26,745
Others	-570	-6,034
Sub total	34,847	90,964
Interest and dividend income received	4,360	3,331
Interest expenses paid	-11,871	-10,519
Income taxes paid	-31,551	-58,771
Total	-4,214	25,004
Ⅱ Cash flows from investing activities		
Payments for purchases of marketable securities and investments in securities	-1,906	-3,506
Proceeds from sale of marketable securities and investments in securities	4,956	2,979
Payments for acquisition of property, plant & equipment	-34,822	-30,263
Payments for disposal of property, plant & equipment	-1,188	-2,029
Proceeds from sales of property, plant & equipment	9,461	7,507
Payment for acquisition of marketable securities	-4,583	-6,338
Proceeds from sales of marketable securities	2,460	363
Payments for purchases of intangible fixed assets and long-term prepaid expenses	-8,640	-5,334
Increase (decrease) of short-term loans receivable	545	857
Payments for long-term loans receivable	-784	-1,466
Proceeds from long-term loans receivable	1,708	1,102
Others	-10	260
Total	-32,805	-35,868
Ⅲ Cash flows from financial activities		
Increase (decrease) of short-term loans payable	-11,736	42,115
Proceeds from long-term loans payable	7,454	94,501
Repayments for long-term loans payable	-53,868	-46,268
Proceeds from issuance of stocks	89,281	—
Redemptions of bonds	-30,300	-3,000
Cash dividends paid	-5,371	-6,715
Cash dividends paid to minority shareholders	-616	-471
Others	-72	-139
Total	-5,229	80,022
Ⅳ Effect of exchange rate changes on cash and cash equivalents	-1,244	313
Ⅴ Net increase (decrease) in cash and cash equivalents (Ⅰ ＋ Ⅱ ＋ Ⅲ ＋ Ⅳ)	-43,494	69,473
Ⅵ Cash and cash equivalents at the beginning of the period	126,105	56,632
Ⅶ Cash and cash equivalents from newly consolidated subsidiaries	63	—
Ⅷ Cash and cash equivalents at the end of the period	82,674	126,105

(5) Notes concerning Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements

1.Items concerning the Scope of Consolidation for Reporting

(1) Number of consolidated subsidiaries: 30

Abu Dhabi Oil Co., Ltd	Cosmo Oil (U.K.), PLC.	Qatar Petroleum Development Co., Ltd.
Kansai Cosmo Logistics Co., Ltd.	Cosmo Oil Ashmore, Ltd	Cosmo Energy Exploration & Development Co., Ltd.
Cosmo Engineering Co., Ltd.	Cosmo Oil International. Pte. Ltd.	Cosmo Kaiun Co., Ltd.
Cosmo Computer Center Co., Ltd.	Cosmo Seiwa Agriculture CO., LTD.	Cosmo Petroleum Gas Co., Ltd.
Cosmo Oil Sales Corp.	Cosmo Oil Lubricants Co., Ltd.	Cosmo Research Institute
Cosmo Techno Service Co., Ltd.	Cosmo Techno Yokkaichi Co., Ltd.	Cosmo Trade & Service Co., Ltd.
Cosmo Business Support Co., Ltd.	Cosmo Property Service Corp.	Cosmo Petro Service Co., Ltd.
Cosmo Matsuyama Oil Co., Ltd.	Cosmo Delivery Service Co., Ltd.	Sakaide Cosmo Kosan Co., Ltd.
CM Aromatics Co., Ltd.	System Kikou Co., Ltd.	Cosmo Oil of U.S.A., Inc.
Hokuto Kogyo Co., Ltd.	Mikawa CSN Co., Ltd.	Yokkaichi LPG Terminal Co., Ltd.

Cosmo Seiwa Agriculture Co., Ltd. became a subsidiary because of additional acquisition of stock by Cosmo Oil. Therefore, the company is included in the consolidated subsidiaries of Cosmo Oil, effective from the year period.

As a result of a split-up executed by Cosmo Oil Sales Corp., a consolidated subsidiary of Cosmo Oil, the split assets and liabilities are inherited by Cosmo Property Service Corp., increasing the importance of its business in the consolidated financial statements of Cosmo Oil. Therefore, the company is excluded from the affiliated companies owned by Cosmo Oil under the equity method and is included in the consolidated subsidiaries of Cosmo Oil, effective from the year period.

(2) Major Non-consolidated Subsidiaries:

Kanto Cosmo Gas Co., Ltd. Tohoku Toyo Shoji Co., Ltd.

Reason for exclusion from accounting consolidation:

The Company has 32 subsidiaries that were excluded from its consolidated subsidiaries because they are small businesses and their respective total assets, net sales, and net income/loss and retained earnings (both amounts equivalent to what is accounted for under the equity method) have no material impact on the consolidated financial statements of the Company.

2. Items Concerning the Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for Using the Equity Method: 32

Major subsidiaries:

Kanto Cosmo Gas Co., Ltd. Tohoku Toyo Shoji Co., Ltd.

Kuriyama Shouten Co., Ltd. is excluded from the application of the equity method because they were dissolved during FY2007.

As a result of a split-up executed by Cosmo Oil Sales Corp., a consolidated subsidiary of Cosmo Oil, the split assets and liabilities are inherited by Cosmo Property Service Corp., increasing the importance of its business in the consolidated financial statements of Cosmo Oil. Therefore, the company is excluded from the affiliated companies owned by Cosmo Oil under the equity method and is included in the consolidated subsidiaries of Cosmo Oil, effective from the year period.

Cosmo Lubricants Service Co., Ltd., Musashi International Co., (W.L.L) and Yamato Trading Co., (L.L.C) were established during the year and are included in the affiliated companies owned by Cosmo Oil under the equity method.

(2) Number of Affiliated Companies Accounted for Using the Equity Method: 4

Maruzen Petrochemical Co., Ltd. United Petroleum Development Co., Ltd. Tozai Oil Terminal Co., Ltd.

Okinawa CTS Corp.

(3) Major Business Entities of the Non-consolidated Subsidiaries and Affiliated Companies Not Accounted for Using the Equity Method:

Affiliated Company:

Ogishima Oil Terminal Co., Ltd. Kasumi Sambashi Kanri Co., Ltd.

Reasons for Exclusion from the Application of the Equity Method:

The equity method does not apply to the above subsidiaries and affiliates because their net income/loss and retained earnings (both amounts equivalent to what is accounted for under the equity method) have little impact on the consolidated financial statements of the Company on an individual basis, nor have any material impact on them on an aggregate basis.

(4) Special Remarks Necessary to Make concerning the Procedures of the Application of the Equity Method:

As for the subsidiaries and affiliates which are subject to the application of the equity method and which have different accounting periods from that of the Company such business entities' financial statements for their accounting periods are used for reporting herein.

3. Items concerning the Accounting Periods of the Consolidated Subsidiaries

Of the 30 consolidated subsidiaries, Abu Dhabi Oil Co., Ltd., Cosmo Oil (U.K.), PLC., Qatar Petroleum Development Co., Ltd., Cosmo Oil Ashmore, Ltd., Cosmo Energy Exploration & Development Co., Ltd., Cosmo Oil International. Pte. Ltd., Cosmo Oil Sales Corp., Cosmo Techno Service Co., Ltd., System Kikou Co., Ltd., and Mikawa CSN Co., Ltd. adopt a fiscal year ending December 31, respectively.

The consolidated financial statements herein have been developed by using their financial reports as of December 31, 2007 and any material transactions arising between December 31, 2007 and March 31, 2008, the date for the consolidated settlement of accounts for the Company, are reflected on the consolidated financial statements herein by making necessary adjustments.

Cosmo Engineering Co., Ltd. changed its accounting periods from the year ending December 31 to the year ending March 31. Therefore, its respective financial reports for the total of 15 months from January 1, 2007 to March 31, 2008 are reflected in the consolidated financial statements herein, on which their financial impacts are slight.

4. Items concerning the Accounting Standards

(1) Significant Asset Valuation Standards and Methods

1) Marketable securities	
a. Securities held to maturity:	Stated at amortized cost method
b. Other securities:	
- Securities available for sale with fair market value:	Stated at fair value based on market values applicable on the date of consolidated settlement of accounts (in which all differences between the carrying amounts and the fair values are reported as a separate component of net assets, while the cost of securities sold is calculated by the moving average method)
- Securities with no available fair market value:	Stated at cost determined by the moving average method
2) Inventories:	Principally stated at cost determined by the weighted average method
3) Derivative financial instruments:	Stated at fair value.

(2) Significant Depreciable Assets and Depreciation Methods

1) Property, Plant and Equipment:

The straight line method is mainly adopted to calculate depreciation expenses for these asset items. The number of years of their useful lives and their residual value are calculated based on the criteria defined under the Corporation Tax Law of Japan, providing that the economic useful life of 15 years is adopted for the Company' s service stations by taking their actual past performances into consideration. For Abu Dhabi Oil Co., Ltd., a consolidated subsidiary of the Company, is adopted the number of years for useful life provided under the concession agreement on the subsidiary signed by the investment partners thereto.

(Change in Accounting Policy)

In accordance with revisions of the Corporation Tax Law, the Company and its domestic consolidated subsidiaries changed the method of calculating depreciation expenses for tangible fixed assets acquired from April 1, 2007 onwards into the method under the revised law, effective from the beginning of FY2007 (April 1, 2007).

The impact of this change on operating income, ordinary income and income before taxes for the year of FY2007 was slight, respectively.

And the impact of this change on segment information was mentioned in the related parts.

(Additional Information)

In accordance with revisions of the Corporation Tax Law, the Company and its domestic consolidated subsidiaries adopted a method in which the remaining acquisition cost of each of the tangible fixed assets acquired on or before March 31, 2007 will be depreciated equally over five years starting in the fiscal year that follows the fiscal year when its depreciation expenses reaches the final deductible limit under the former law. This arrangement increased depreciation expenses by ¥3,197 million and decreased operating income, ordinary income and income before taxes for the year period by ¥3,011 million, respectively.

And the impact of this change on segment information was mentioned in the related parts.

2) Intangible Fixed Assets

The straight line method is mainly adopted to calculate depreciation expenses for these asset items. The number of years of their useful lives is calculated based on the criteria defined under the Corporate Income Tax Law of Japan, providing that amortization expenses for the software used by the Company is calculated on the straight line method over the period of its availability in-house (5 years).

3) Long-term Prepaid Expenses

The equal installment method is adopted to calculate depreciation expenses for these account items over the period defined under the Corporate Income Tax Law of Japan.

(3) Standards for Recording Significant Allowances

1) Allowance for Doubtful Accounts

An estimated amount of irrecoverable debts is set aside against any potential losses on the failure to collect the accounts receivable.

a. Ordinary accounts receivable:	The amount of allowance calculated at the actual ratio of bad debts
b. Highly doubtful receivables and claims in bankruptcy and reorganization, etc.:	The amount of allowance calculated based on the evaluation of financial situations of individual accounts involved.

2) Allowance for Special Repair Work

An allowance is set aside to cover expenses arising from the inspection and repairs of the oil tanks subject to the open regular inspection in compliance with the Fire Service Law of Japan, and an amount equal to the estimated cost of periodically required repairs was added to the provision for FY2007.

As for Cosmo Matsuyama Oil Co., Ltd., one of the subsidiaries of the Company, a certain amount of money to cover expenses arising from regular repairs of the machinery and equipment of its refinery was recorded for FY2007 in addition to the above charge.

3) Retirement and Severance Benefits for Employees

An allowance is put aside to cover retirement and severance benefits payable to employees and a certain amount was recorded based on the estimated amount of projected benefit obligation and the fair value of the pension assets as of March 31, 2007.

Actual gains and losses are recognized in expenses at an amount prorated in the straight line method over a certain number of years (from 8 to 10 years), which is within the average of the estimated remaining years of service to be performed by the employees at the time of accrual, commencing with the fiscal year following the accrual time.

Prior service cost obligation is recognized as an expense item at an amount prorated in the straight line method over a certain number of years (from 8 to 10 years) within the average of the remaining years of service to be performed by the employees at the time of accrual.

At the Company and some of its consolidated subsidiaries, the pension plan asset amounts exceeded the projected benefit obligation amounts after the deduction of unrecognized actuarial differences, and these excess portions are stated in the "Other" item of the "Investment and other assets" account on the balance sheet herein.

(Discontinuation of the Conventional Qualified Retirement Annuity System)

The Company, on April 1, 2007, discontinued its conventional qualified retirement annuity system, a defined-benefit pension system, and instead introduced a defined-benefit pension plan, or a defined-contribution pension plan, an advance-payment plan for retirement benefits and an additional retirement benefit plan. Owing to the discontinuation of the system, an extraordinary income of ¥3,007 million and an unrecognized prior service cost (positive difference) of ¥1,591 million were recorded.

Some of the consolidated subsidiaries of the Company, on October 1, 2007, discontinued the conventional qualified retirement annuity system, or a defined-benefit pension system, and introduced a defined-benefit pension plan, a defined-contribution pension plan, an advance-payment plan for retirement benefits and an additional retirement benefit plan. Owing to the discontinuation of the system, an extraordinary income of ¥148 million and an unrecognized prior service cost (positive difference) of ¥27 million were recorded.

4) Retirement Benefits for Directors and Corporate Auditors
(Additional Information)

Upon the resolution adopted to abolish the system for retirement allowances for directors and corporate auditors and to provide severance payment at its annual shareholders' meeting held on June, 2007, some consolidated subsidiaries reversed the entire amount of the provision for retirement benefits for directors and corporate auditors, effective FY2007.

(4) Standards for Conversion of Significant Foreign Currency-Denominated Assets and Liabilities into Japanese Yen
Receivables and payables denominated in foreign currencies are translated into Japanese yen at the fiscal year-end spot exchange rates with resulting gains or losses included in the current statements of income.
All the items of the financial statements of subsidiaries which are stated in currencies other than Japanese yen, are translated into Japanese yen at the fiscal year-end spot exchange rate of each subsidiary. The resulting foreign currency translation adjustments are included among adjustments in net assets.

(5) Method to Account for Significant Finance Leases
Finance leases, except those under which the ownership of the leased properties are regarded to be transferred to the lessees, are accounted for in conformity with the accounting process applicable to operating leases.

(6) Significant Hedge Accounting Methods
1) Hedge Accounting Methods

The deferred hedge accounting method is used to process hedging transactions, providing that the exceptional method is applied to treat interest rate swap contracts that meet the requirements for exceptional treatments as established by the Company.

2) Hedging Instruments and Hedged Items

(Currency)

Hedging Instrument	Hedged Item
Forward exchange	Foreign currency credit and debt
Currency option	

(Interest rate)

Hedging Instrument	Hedged Item
Interest rate swap	Borrowings

(Commodity)

Hedging Instrument	Hedged Item
Crude oil and oil product forward	Purchases and sales of crude oil and oil products
Crude oil color and option	

3) Hedging Policy

In accordance with internal rules that determine derivate transaction-related authority levels and transaction value limits, hedging activities are undertaken within specified limits to hedge fluctuation risks of interest rates and commodity prices.

4) Method of Evaluating Hedge Effectiveness

The Company evaluates hedge effectiveness once every six months by comparing cumulative changes in cash flows from or changes in fair value of hedged items, with the corresponding changes in the hedging instruments. The evaluation of hedge effectiveness is not considered necessary for certain interest rate swaps, which are used to hedge and meet certain hedging criteria.

(7) Other Important Items Necessary to Develop Consolidated Financial Statements

1) Standards for Recognition of Construction Revenue

Some of the Company's consolidated subsidiaries recognize their construction revenues by using the completed contract method, providing that long-term and large engineering contracts (whose terms are one year or more and of which the contract amount is ¥100 million or more) are recognized by the percentage of completion method.

2) Accounting Process for Consumption Tax

As for how to account for national and local consumption taxes, all domestic transactions are accounted for by excluding these tax amounts from the amounts thereof.

3) Accounting Process for Cost Recovery under Production Sharing

Some consolidated subsidiaries account for crude oil exploration and development and other related costs spent under the production sharing agreements. After the inception of crude oil production, they recover these costs by receiving products under the same agreements. They are stated in the "Other" item of the "Investment and other assets" account on the balance sheet herein.

5. Items concerning the Valuation of Assets and Liabilities of Consolidated Subsidiaries

The assets and liabilities of the consolidated subsidiaries are stated at fair value.

6. Items concerning Amortization on Goodwill, Positive and Negative

Positive and negative goodwill items are in principle amortized in accordance with the equal installment method over five years, providing that small-amount and negative ones are amortized in a lump sum.

7. Scope of Cash and Cash Equivalents Reported in Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term investments, which are highly liquid, only exposed to small risks for value changes and have maturities of terms not exceeding three months at the time of purchase, are considered to be cash and cash equivalents.

(6) Notes to Consolidated Financial Statements

a. Notes to consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets and consolidated cash flow statements

(Notes to Consolidated Balance Sheets)

	FY2007 As of March 31, 2008	FY2006 As of March 31, 2007
1.Notes due as of March 31 of each year		
Notes receivable	¥―million	¥169 million
2. Accumulated depreciation for property, plant and equipment	¥661,454 million	¥646,043 million
3. Items related to non-consolidated subsidiaries and affiliate companies		
Investments in securities (stocks)	¥57,537 million	¥52,313 million
4. Pledged assets		
1) Plant foundation	Mortgages and fixed mortgages were taken out on the following tangible fixed assets.	Mortgages and fixed mortgages were taken out on the following tangible fixed assets.
(Pledged assets)		
Land	¥230,308 million	¥230,308 million
Buildings and Structures	¥35,700 million	¥36,342 million
Machinery and equipment, Automotive equipment	¥67,004 million	¥73,994 million
Total book value	¥333,013 million	¥340,644 million
(Secured liabilities)		
Item involving mortgages		
Long-term loans	¥139,138 million Long-term debts include loans payable within one year.	¥156,511 million Long-term debts include loans payable within one year.
Item involving fixed mortgages		
Debts relating to transactions with banks	¥20,996 million	¥20,996 million

	FY2007 As of March 31, 2008	FY2006 As of March 31, 2007
2) Fixed assets other than plant foundation		
(Pledged assets)		
Land	¥—million	¥1,167 million
Buildings and Structures	¥—million	¥297 million
Machinery and equipment, Automotive equipment	¥114 million	¥209 million
Total book value	¥114 million	¥1,674 million
(Secured liabilities)		
Long-term loans	¥187 million	¥578 million
(Pledged assets)		
Investments in securities	¥70 million	¥83 million
(Secured liabilities)		
	There is not debt to support. Long-term debts include loans payable within one year. Deposits as security for dealing other than pledged assets mentioned above include ¥10 million of marketable securities and ¥8 million of investments in securities.	There is not debt to support. Long-term debts include loans payable within one year. Deposits as security for dealing other than pledged assets mentioned above include ¥44 million of marketable securities and ¥8 million of investments in securities.

5. Contingencies

	FY2007	FY2006
1) Guaranty Liabilities The Company guarantees loans obtained by companies and individuals other than consolidated subsidiaries from financial institutions, etc.	¥2,650 million	¥3,286 million

2) Suits, etc.

Concerning the matter in which the Company and other companies are claimed to have violated the Antimonopoly Act with respect to bidding relating to delivery of petroleum products to the Defense Agency, the Company received an order for payment of surcharges (¥1,751 million) as of January 16, 2008 from the Fair Trade Commission (FTC), however, the Company submitted a motion for commencement of adjudication procedures to the FTC on February 15, 2008 requesting another trial, and following that motion the FTC issued a decision for commencement of adjudication as of March 24, 2008.

6. Revaluation of land

The Company and two of its consolidated subsidiaries revalued their land properties used for business under the "Law concerning Revaluation Reserve for Land" (Law No. 34 issued on March 31, 1998). The income tax portion on variances due to revaluation is stated in the "Deferred taxes for revaluation reserve for land" account in the "liabilities" section on the balance sheet and the revaluation variances, net of the income tax portion, are stated in the "Revaluation reserve for land" account in the "net assets" section on the balance sheet.

・Revaluation method	The land sites for the refineries were valued in accordance with the appraisal provided in Paragraph 5 of Article 2 of the "Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land" (Government Ordinance No. 119 issued on March 31, 1998), and other land sites were valued by referring to the road ratings provided in Paragraph 4 of Article 2 of the "Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land," as well as making some rational adjustments.
・Date of revaluation	March 31, 2002 (and December 31, 2001 completed by one consolidated subsidiary)

	FY2007 As of March 31, 2008	FY2006 As of March 31, 2007
・Difference between the total amount of the revalued land at fair value as of March 31of each year and their total carrying amount after revaluation	−¥81,539 million	−¥88,029 million

(Notes to Consolidated Statements of Income)

	FY2007 April 1, 2007-March 31, 2008	FY2006 April 1, 2006-March 31, 2007
1. Selling, general and administrative expenses		
Freight expense	¥28,124 million	¥25,608 million
Outsourcing expense	¥22,534 million	¥21,189 million
Salaries and wages	¥25,548 million	¥22,726 million
Rent expense	¥15,789 million	¥14,520 million
Depreciation expense	¥7,355 million	¥7,187 million
Retirement and severance benefit payment to employees	¥551 million	¥1,469 million
Amount transferred to allowance for doubtful accounts	¥―million	¥454 million
Amount transferred to (reserve for) retirement benefits for directors and corporate auditors	¥―million	¥124 million
2. Research and development expenses included in selling, general and administrative expenses	¥3,840million	¥3,753 million
3. Major breakdown of gain on sale of fixed assets		
Buildings and Structures	¥2,423 million	¥―million
Land	¥2,393 million	¥1,737 million
4. Major breakdown of loss on sale of fixed assets		
Buildings and Structures	¥49 million	¥―million
Land	¥31 million	¥304 million
5. Major breakdown of loss on disposal of fixed assets		
Buildings and Structures	¥738 million	¥648 million
Machinery and equipment, Automotive equipment	¥428 million	¥315 million
Evacuation and removal expenses	¥1,188 million	¥2,029 million
6. Major breakdown of loss on liquidation of subsidiaries and affiliates		It is loss on liquidation of four companies of subsidiaries and affiliates. The main breakdown is as follows.
Investments in securities	¥―million	¥159 million
Amount transferred to allowance of doubtful accounts	¥―million	¥153 million

7. Major breakdown of loss on liquidation of business of subsidiaries and affiliates	It is expense of the Company's load of the abolition of the crude oil storage business. The main breakdown is as follows.	
Dismantlement cost	¥1,360million	¥—million
Loss on retirement of noncurrent assets	¥265million	¥—million

(Notes to Consolidated Statements of Changes in Shareholders' Equity)

Consolidated Fiscal Year 2007 (from April 1, 2007 to March 31, 2008)

1. Types and Total Number of Outstanding Stock and of Treasury Stock

(Unit: Number of shares)

	Type of stock	Total number of shares as of March 31, 2007	Increase in the number of shares during the year	Decrease in the number of shares during the year	Total number of shares as of March 31, 2008
Outstanding shares	Ordinary shares	671,705,087	176,000,000	—	847,705,087
Less treasury stock, at cost	Ordinary shares	552,476	27,242	4,550	575,168

Notes:

*1 The increase in the number of common shares in the category of outstanding shares shown above reflects issuance of new shares.

*2 The increase in the number of common shares in the category of treasury stock shown above reflects the Company's purchases of less-than-round-lot shares, while the decrease in the number of treasury stock reflects the Company's sales of less-than-round-lot shares by meeting requests for sales thereof.

2. Distribution of Surplus

(1) Dividend Payments

(Resolution adopted by)	Type of stock	Total dividend amount	Dividend per share (¥)	Base date for dividend payment	Effective date
Shareholders' Meeting held on June 28, 2007	Ordinary shares	¥3,357 million	5	Mar. 31, 2007	June 29, 2007
Board of Directors' Meeting held on Nov. 6, 2007	Ordinary shares	¥2,014 million	3	Sep. 30, 2007	Dec. 5, 2007

(2) The dividend payment for which the base date belongs to FY2008 but for which the effective date comes after FY2007

(Resolution adopted by)	Type of stock	Total dividend amount	Funded by	Dividend per share (¥)	Base date for dividend payment	Effective date
Shareholders' Meeting held on June 24, 2008	Ordinary shares	¥4,237million	Retained earnings	5	Mar. 31, 2008	June 25, 2008

Consolidated Fiscal Year 2006 (from April 1, 2006 to March 31, 2007)

1. Types and Total Number of Outstanding Stock and of Treasury Stock

(Unit: Number of shares)

	Type of stock	Total number of shares as of March 31, 2006	Increase in the number of shares during the year	Decrease in the number of shares during the year	Total number of shares as of March 31, 2007
Outstanding shares	Ordinary shares	671,705,087	—	—	671,705,087
Less treasury stock, at cost	Ordinary shares	524,462	33,094	5,080	552,476

Note: * The increase in the number of common shares in the category of treasury stock shown above reflects the Company's purchases of less-than-round-lot shares, while the decrease in the number of treasury stock reflects the Company's sales of less-than-round-lot shares by meeting requests for sales thereof.

2. Distribution of Surplus

(1) Dividend Payments

(Resolution adopted by)	Type of stock	Total dividend amount	Dividend per share (¥)	Base date for dividend payment	Effective date
Shareholders' Meeting held on June 29, 2006	Ordinary shares	¥4,700 million	7	Mar. 31, 2006	June 29, 2006
Board of Directors' Meeting held on Nov. 7, 2006	Ordinary shares	¥2,014 million	3	Sep. 30, 2006	Dec. 6, 2006

(2) The dividend payment for which the base date belongs to FY2007 but for which the effective date comes after FY2006

(Resolution adopted by)	Type of stock	Total dividend amount	Funded by	Dividend per share (¥)	Base date for dividend payment	Effective date
Shareholders' Meeting held on June 28, 2007	Ordinary shares	¥3,357million	Retained earnings	5	Mar. 31, 2007	June 29, 2007

(Notes to Consolidated Statements of Cash Flows)

1. Relations between the amounts of cash and cash equivalents as of March 31, 2007 and 2008 and the account items shown in the balance sheets

	FY2007 April 1, 2007 – March 31, 2008 (As of March 31, 2008)	FY2006 April 1, 2006 – March 31, 2007 (As of March 31, 2007)
Cash and cash equivalents	¥72,193 million	¥84,104 million
Marketable securities	¥10,992 million	¥9,639 million
Current assets – other (bond repurchase)	¥ —million	¥37,004 million
Total	¥83,185 million	¥130,748 million
Time deposits deposited over 3 months	¥—million	¥—million
Securities with time between acquisition and redemption for 3 months or more	—¥510 million	—¥4,643 million
Cash and cash equivalents	¥82,674 million	¥126,105 million

b. Segment information

1. Business segment information

FY2007 (From April 1, 2007to March 31, 2008) (Unit: million yen)

	Petroleum	Oil exploration and production	Other	Total	Elimination or corporate	Consolidated
Ⅰ Net sales and operating income or loss						
Net sales (1)Outside customers	3,441,557	32,250	49,278	3,523,086	―	3,523,086
(2)Inter-segment	628	51,819	49,731	102,178	(102,178)	―
Total	3,442,185	84,069	99,009	3,625,265	(102,178)	3,523,086
Operating expenses	3,402,870	40,616	96,433	3,539,920	(100,630)	3,439,290
Operating income	39,314	43,453	2,576	85,344	(1,548)	83,796
Ⅱ Asset, depreciation expenses、Impairment loss on fixed assets and capital expenditures						
Asset	1,439,281	145,242	40,957	1,625,480	2,422	1,627,903
Depreciation and amortization	25,665	7,850	152	33,668	(428)	33,240
Impairment loss on fixed assets	4,510	―	―	4,510	―	4,510
Capital expenditures	36,188	13,721	179	50,090	(1,132)	48,957

FY2006 (From April 1, 2006 to March 31, 2007) (Unit: million yen)

	Petroleum	Oil exploration and production	Other	Total	Elimination or corporate	Consolidated
Ⅰ Net sales and operating income or loss						
Net sales (1)Outside customers	2,983,900	31,904	46,938	3,062,743	―	3,062,743
(2)Inter-segment	615	46,226	38,578	85,420	(85,420)	―
Total	2,984,516	78,131	85,516	3,148,164	(85,420)	3,062,743
Operating expenses	2,958,848	34,617	83,903	3,077,368	(84,267)	2,993,100
Operating income	25,668	43,514	1,613	70,795	(1,152)	69,643
Ⅱ Asset, depreciation expenses, Impairment loss on fixed assets and capital expenditures						
Asset	1,357,557	130,353	43,133	1,531,045	48,110	1,579,155
Depreciation and amortization	22,395	7,097	141	29,634	(388)	29,246
Impairment loss on fixed assets	2,440	―	―	2,440	―	2,440
Capital expenditures	28,387	8,202	150	36,741	(614)	36,126

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.

3 Out of the assets shown above, the elimination and corporate category includes corporate assets recorded at ¥53,393 million as of FY2007 and ¥88,853 million as of FY2006, respectively. The corporate assets mainly consist of assets involving surplus capital for working funds and the business administration department.

4 (Change in Accounting Policy)

In accordance with revisions of the Corporation Tax Law, the Company and its domestic consolidated subsidiaries changed the method of calculating depreciation expenses for tangible fixed assets acquired from April 1, 2007 onwards into the method under the revised law, effective from the beginning of FY2007 (April 1, 2007). The impact of this change on segment for the year of FY2007 was slight, respectively.

(Additional Information)

In accordance with revisions of the Corporation Tax Law, the Company and its domestic consolidated subsidiaries adopted a method in which the remaining acquisition cost of each of the tangible fixed assets acquired on or before March 31, 2007 will be depreciated equally over five years starting in the fiscal year that follows the fiscal year when its depreciation expenses reaches the final deductible limit under the former law. This arrangement increased operating expenses by ¥3,010 million in petroleum segment, ¥1 million in other segment, and decreased operating income for the year period by ¥3,010 million in petroleum segment, and ¥1 million in other segment, respectively.

2. Geographic segment information

FY2007 (From April 1, 2007 to March 31, 2008) (Unit: million yen)

	Japan	Other	Total	Elimination or corporate	Consolidated
I Net sales and operating income or loss					
Net sales (1)Outside customers	3,404,003	119,083	3,523,086	—	3,523,086
(2) Inter-segment	93,025	361,972	454,998	(454,998)	—
Total	3,497,028	481,056	3,978,085	(454,998)	3,523,086
Operating expenses	3,455,605	437,715	3,893,320	(454,030)	3,439,290
Operating income	41,423	43,340	84,764	(967)	83,796
II Assets	1,456,135	201,807	1,657,943	(30,039)	1,627,903

FY2006 (From April 1, 2006 to March 31, 2007) (Unit: million yen)

	Japan	Other	Total	Elimination or corporate	Consolidated
I Net sales and operating income or loss					
Net sales (1)Outside customers	2,960,342	102,400	3,062,743	—	3,062,743
(2) Inter-segment	55,592	415,456	471,048	(471,048)	—
Total	3,015,934	517,857	3,533,792	(471,048)	3,062,743
Operating expenses	2,989,947	474,297	3,464,245	(471,144)	2,993,100
Operating income	25,987	43,560	69,547	95	69,643
II Assets	1,392,640	165,799	1,558,439	20,716	1,579,155

(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

2 Out of the assets shown above, the elimination and corporate category includes corporate assets recorded at ¥53,393 million as of FY2007 and ¥88,853 million as of FY2006, respectively. The corporate assets mainly consist of assets involving surplus capital for working funds and the business administration department.

3 (Change in Accounting Policy)

In accordance with revisions of the Corporation Tax Law, the Company and its domestic consolidated subsidiaries changed the method of calculating depreciation expenses for tangible fixed assets acquired from April 1, 2007 onwards into the method under the revised law, effective from the beginning of FY2007 (April 1, 2007).

The impact of this change on segment for the year of FY2007 was slight, respectively.

(Additional Information)

In accordance with revisions of the Corporation Tax Law, the Company and its domestic consolidated subsidiaries adopted a method in which the remaining acquisition cost of each of the tangible fixed assets acquired on or before March 31, 2007 will be depreciated equally over five years starting in the fiscal year that follows the fiscal year when its depreciation expenses reaches the final deductible limit under the former law. This arrangement increased operating expenses by ¥3,011 million in Japan, and decreased operating income for the year period by ¥3,011 million in Japan.

3. Overseas Sales

FY 2007 (From April 1, 2007 to March 31, 2008)

I Overseas net sales	¥ 386,341 million
II Consolidated net sales	¥ 3,523,086 million
III Overseas net sales share of consolidated net sales	11.0%

Notes:

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.

FY2006 (From April 1, 2006 to March 31, 2007)

Overseas net sales accounted for less than 10% of consolidated net sales of the Group. Therefore, the amount of the overseas net sales and its share of consolidated net sales are not disclosed.

c. Tax Effective Consequence Accounting

1. Significant Components of Deferred Tax Assets and Deferred Tax Liabilities as of March 31, 2007 and 2008

(Unit : million yen)

FY2007 As of March 31, 2008		FY2006 As of March 31, 2007	
(1) Current			
(Deferred tax assets)		(Deferred tax assets)	
Unrealized gains (losses) of inventories	3,856	Unrealized gains (losses) of inventories	2,832
Reserve for bonuses	2,002	Reserve for bonuses	2,014
Other	2,448	Other	2,197
Sub total current deferred tax assets	8,306	Sub total current deferred tax assets	7,044
Valuation allowance	−8	Valuation allowance	−3
Total current deferred tax assets	8,297	Total current deferred tax assets	7,041
Account offset against deferred tax liabilities	−2,849	Account offset against deferred tax liabilities	−2,086
Net current deferred tax assets	5,448	Net current deferred tax assets	4,955
(Deferred tax liabilities)		(Deferred tax liabilities)	
Deferred gains (losses) on hedges	−13,053	Deferred gains (losses) on hedges	−11,062
Other	−568	Other	−568
Total current deferred tax liabilities	−13,213	Total current deferred tax liabilities	−11,631
Account offset against deferred tax assets	2,849	Account offset against deferred tax assets	2,086
Net current deferred tax liabilities	−10,363	Net current deferred tax liabilities	−9,544
(2) Non-Current			
(Deferred tax assets)		(Deferred tax assets)	
Impairment loss	7,583	Impairment loss	6,683
Excess part of depreciation deductible limit	2,841	Loss brought forward	4,807
Investments in securities	2,728	Investments in securities	4,766
Retirement and severance benefits for employees	2,371	Excess part of depreciation deductible limit	2,748
Allowance for special repair work	1,471	Allowance for special repair work	1,706
Other	7,450	Retirement and severance benefits for employees	1,500
Sub total non-current deferred tax assets	24,446	Excess part of deductible limit for allowance for doubtful accounts	882
Valuation allowance	−8,851	Golf-club membership	809
Total non-current deferred tax assets	15,594	Other	2,721
Account offset against deferred tax liabilities	−12,120	Sub total non-current deferred tax assets	26,625
Net non-current deferred tax assets	3,473	Valuation allowance	−3,374
		Total non-current deferred tax assets	23,250
		Account offset against deferred tax liabilities	−20,069
		Net non-current deferred tax assets	3,181
(Deferred tax liabilities)		(Deferred tax liabilities)	
Reserve for reduction of fixed assets	−11,690	Reserve for reduction of fixed assets	−11,703
Redemption difference in foreign corporation tax calculation	−8,022	Redemption difference in foreign corporation tax calculation	−9,452
Prepaid pension cost	−5,111	Net unrealized gains (losses) on securities	−8,980
Net unrealized gains (losses) on securities	−3,293	Other	−3,377
Other	−808		
Total non-current deferred tax liabilities	−28,927	Total non-current deferred tax liabilities	−33,515
Account offset against deferred tax assets	12,120	Account offset against deferred tax assets	20,069
Net non-current deferred tax liabilities	−16,806	Net non-current deferred tax liabilities	−13,445

FY2007: Other deferred tax liabilities other than those shown above include one for revaluation of land at ¥33,946 million.

FY2006: Other deferred tax liabilities other than those shown above include one for revaluation of land at ¥23,752million.

2. Breakdown of the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2007 and 2008

	FY2007 Ended March 31, 2008	FY2006 Ended March 31, 2007
Statutory income tax rate	40.44%	40.44%
(Adjustment)		
Non-deductible expenses, including entertainment expenses	0.82%	1.02%
Non-deductible revenue, including dividends receivable	-0.88%	-2.01%
Effect on equity in earnings of affiliates	-3.67%	-5.63%
Non-Japanese taxes	14.06%	16.84%
Valuation allowance	5.74%	2.68%
Other	1.12%	0.96%
Effective income tax rate (after the application of tax consequence accounting)	57.63%	54.30%

d. Retirement and Severance Benefits

	FY2007 Ended March 31, 2008	FY2006 Ended March 31, 2007
1. Outline of the retirement and severance benefit plans adopted by the Group	The Company and Some of its domestic consolidated subsidiaries provide a defined-benefit pension plan, a defined-contribution pension plan, an advance-payment plan for retirement benefits and an additional retirement benefit plan. Other domestic consolidated subsidiaries provide funded non-contributory pension plans and unfunded lump-sum payment plans, under which all eligible employees are entitled to benefits based on their wages and salaries at the time of retirement or termination, length of service and certain other factors.	The Company and its domestic consolidated subsidiaries provide funded non-contributory pension plans and unfunded lump-sum payment plans, under which all eligible employees are entitled to benefits based on their wages and salaries at the time of retirement or termination, length of service and certain other factors.

2. Items regarding projected retirement and severance benefit liabilities

(Unit: million yen)

	FY2007	FY2006
a. Retirement benefit obligation	−70,436	−90,398
b. Pension assets	64,243	94,447
c. Unreserved benefit obligation (a+b)	−6,192	4,049
d. Unrecognized actuarial differences	14,293	−935
e. Unrecognized prior service cost *2	−1,763	−346
f. Net amount stated in the consolidated balance sheets (c+d+e)	6,338	2,767
g. Prepaid pension cost	12,639	7,047
h. Retirement and severance benefits for employees (f−g)	−6,300	−4,280

Notes:
*1 The Company's consolidated subsidiaries excluding Cosmo Oil Sales Co., Ltd. and Cosmo Engineering Co., Ltd. each adopt a simplified method to estimate retirement and severance benefits.
*2 The Company and some consolidated subsidiaries recorded prior service cost (reduction in pension liability) due to changes in their retirement and severance benefit plans.

3. Retirement severance benefit expenses

	FY2007 April 1, 2007 - March 31, 2008	FY2006 April 1, 2006 - March 31, 2007 (Unit: million yen)
a. Service costs	2,055	3,040
b. Interest cost on projected benefit obligation	1,086	1,377
c. Expected return on plan assets	−2,802	−3,040
d. Amortization of net transition obligation	602	759
e. Amortization of net actuarial loss	−207	−23
f. Other costs	419	—
g. Retirement and severance benefit expenses (a+b−c+d+e+f)	1,154	2,113

Notes:
*1 Retirement and severance benefit expenses reported by the subsidiaries using the simplified method included in “Item a. Service cost” shown above.
*2 “f. Other costs” is payment of a defined-contribution pension plan and an advance-payment plan for retirement benefits

4. Actuarial assumptions used in the computation of retirement and severance benefit liabilities for the years ended March 31, 2007 and 2008	FY2007 Ended March 31, 2008	FY2006 Ended March 31, 2007
a. Allocation of expected benefit obligation	Straight-line method by equal allocation to each other	Straight-line method by equal allocation to each other
b. Discount rate	Primarily 1.5%	Primarily 1.5%
c. Expected rate of return on plan assets	Primarily 3.5%	Primarily 3.5%
d. Amortization of actuarial gains/losses	From 8 to 10 years (a prorated amount will be amortized by the straight-line method over a certain number of years within the estimated average number of remaining service years of employees, starting from the year following the year when said amount is incurred)	Primarily 10 years (a prorated amount will be amortized by the straight-line method over a certain number of years within the estimated average number of remaining service years of employees, starting from the year following the year when said amount is incurred)
e. Amortization of prior service cost	From 8 to 10 years (a prorated amount will be amortized by the straight-line method over a certain number of years within the estimated average number of remaining service years of employees, starting the year when said amount is incurred)	Primarily 8 years (a prorated amount will be amortized by the straight-line method over a certain number of years within the estimated average number of remaining service years of employees, starting the year when said amount is incurred)

(Termination of Conventional Qualified Retirement Annuity System)

(Discontinuation of the Conventional Qualified Retirement Annuity System)

The Company, on April 1, 2007, discontinued its conventional qualified retirement annuity system, a defined-benefit pension system, and instead introduced a defined-benefit pension plan, or a defined-contribution pension plan, an advance-payment plan for retirement benefits and an additional retirement benefit plan.

Owing to the discontinuation of the system, an extraordinary income of ¥3,007 million and an unrecognized prior service cost (positive difference) of ¥1,591 million were recorded.

Some of the consolidated subsidiaries of the Company, on October 1, 2007, discontinued the conventional qualified retirement annuity system, or a defined-benefit pension system, and introduced a defined-benefit pension plan, a defined-contribution pension plan, an advance-payment plan for retirement benefits and an additional retirement benefit plan. Owing to the discontinuation of the system, an extraordinary income of ¥148 million and an unrecognized prior service cost (positive difference) of ¥27 million were recorded.

e. Per-share information

	FY2007 April 1, 2007 - March 31, 2008	FY2006 April 1, 2006 - March 31, 2007
Net assets per share	¥522.84	¥506.15
Net income per share	¥46.72	¥39.54
Diluted net income per share	¥44.98	¥37.91
	—	(Additional information) Effective FY2006, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Net Income Per Share for the Accounting Period" (Statement No. 2 (final version) issued by the Accounting Standards Board of Japan on January 31, 2006), and the Implementation Guidance for the Accounting Standard for Net Income Per Share for the Accounting Period (Financial Accounting Standard Implementation Guidance No. 4 (final version) issued by the Accounting Standards Board of Japan on January 31, 2006). Net asset per share for FY2006, when calculated in the same method adopted in the FY2006, amounted to ¥488.06.

Note: The basic information used to calculate net income per share and diluted net income per share for the years ended March 31, 2007 and 2008 is as follows:

	FY2007 April 1, 2007 - March 31, 2008	FY2006 April 1, 2006 - March 31, 2007
Net income per share		
Net income for the year (¥ mil)	35,152	26,536
Amount that does not belong to common stock (¥ mil)	—	—
(incl. bonuses for directors and corporate auditors) (¥ mil)	(—)	(—)
Net income that belong to common stock (¥ mil))	35,152	26,536
Average number of common shares outstanding during the year (thousands of shares)	752,368	671,166
Diluted net income per share		
Net income adjustments (¥ mil)	—	—
(incl. interest payable (net of applicable tax amount) (¥ mil)	(—)	(—)
(incl. administrative fees (net of applicable tax amount)	(—)	(—)
Increase in the number of common stock (thousands of shares)	29,154	28,846
(incl. warrant bonds (thousands of bonds)	(29,154)	(28,846)

(Items of which disclosure is omitted)

Notes to finance leases, transactions with parties relevant to the Company and securities and derivative transactions are not shown in this report on the overview of full-year results for FY2007 because it is considered that the level of necessity to disclose such information herein is negligible.

5. Non-consolidated Financial Statements

(1) Balance Sheet

(Unit: million yen)

Item	FY2007 As of March 31, 2008	FY2006 As of March 31, 2007	Change
Assets			
I Current assets	(876,963)	(852,570)	(24,393)
Cash and deposits	23,739	44,248	-20,509
Notes and accounts receivable, trade	257,762	267,858	-10,096
Marketable securities	11	11	0
Inventories	411,946	322,415	89,531
Accounts receivable, other	102,673	107,940	-5,267
Others	81,109	111,022	-29,913
Allowance for doubtful accounts	-280	-927	647
II Fixed assets	(573,955)	(581,604)	(-7,649)
(1)Property, plant & equipment	440,305	438,749	1,556
Buildings and structures	68,127	71,676	-3,549
Oil storage depots	9,175	9,513	-338
Machinery, equipment and automotive equipment	66,648	74,426	-7,778
Land	269,674	273,654	-3,980
Construction in progress	22,718	5,810	16,908
Others	3,960	3,667	293
(2)Intangible fixed assets	4,023	4,920	-897
Leaseholds	1,055	1,078	-23
Software	2,721	3,668	-947
Others	246	173	73
(3)Investments and other assets	129,627	137,934	-8,307
Investments in securities	42,571	50,712	-8,141
Stocks of subsidiaries and affiliates	38,603	36,928	1,675
Long term loans receivable	19,776	26,652	-6,876
Long term prepaid expenses	4,046	3,955	91
Others	26,966	22,902	4,064
Allowance for doubtful accounts	-763	-1,070	307
Reserve for loss on investments in unconsolidated subsidiaries and affiliates	-1,575	-2,147	572
Total Assets	1,450,919	1,434,174	16,745

Item	FY2007 As of March 31, 2008	FY2006 As of March 31, 2007	Change
Liabilities			
I Current liabilities	(794,024)	(806,626)	(-12,602)
Accounts payable, trade	308,907	273,626	35,281
Short-term loans	224,855	212,928	11,927
Corporate bond redeemable within one year	2,500	30,300	-27,800
Accounts payable, other	180,480	211,239	-30,759
Accrued tax payable	5,939	197	5,742
Accrued tax payable, con-tax	3,174	-	3,174
Accrued expenses	4,839	5,289	-450
Others	63,327	73,044	-9,717
II Long-term liabilities	(318,754)	(372,692)	(-53,938)
Bonds	-	2,500	-2,500
Warrant bond (CB type)	18,000	18,000	-
Long-term loans	239,239	308,995	-69,756
Deferred tax liabilities	9,263	4,259	5,004
Deferred tax liabilities related to land	31,153	20,957	10,196
Allowance for special repair work	5,984	6,601	-617
Provision for retirement benefits	2,227	-	2,227
Others	12,884	11,377	1,507
Total liabilities	1,112,778	1,179,318	-66,540
Net Assets			
I Shareholders' Equity	(305,857)	(208,489)	(97,368)
Common stock	107,246	62,366	44,880
Capital surplus	89,442	44,561	44,881
(1) Capital reserve	89,439	44,559	44,880
(2) Other capital surplus	2	2	0
Retained earnings	109,245	101,624	7,621
(1) Legal reserves	7,407	7,407	-
(2) Other retained earnings	101,837	94,216	7,621
Special reserve for equalization of redemptions	12	28	-16
Reserve for losses on overseas investments	-	468	-468
Reserve for reduction of fixed assets	17,218	17,237	-19
Retained earnings carried forward	84,607	76,481	8,126
Less treasury stock, at cost	-76	-63	-13
II Valuation and Translation Adjustments	(32,282)	(46,366)	(-14,084)
Unrealized gains on securities	4,758	12,036	-7,278
Deferred gains on hedges	19,347	16,252	3,095
Revaluation reserve for land	8,176	18,077	-9,901
Total Net Assets	338,140	254,856	83,284
Total Liabilities and Net Assets	1,450,919	1,434,174	16,745

(2) Statements of Income

(Unit:million yen)

Item	FY2007 From April 1, 2007 To March 31, 2008	FY2006 From April 1, 2006 To March 31, 2007	Change
Ⅰ Net sales	3,301,597	2,831,217	470,380
Ⅱ Cost of sales	3,192,523	2,738,861	453,662
Gross profit	109,073	92,356	16,717
Ⅲ Selling, general and administrative expenses	88,473	84,022	4,451
Operating income	20,600	8,333	12,267
Ⅳ Non-operating income	(22,270)	(13,661)	(8,609)
Interest and dividend income	5,130	5,652	-522
Foreign currency exchange gains	10,554	2,774	7,780
Others	6,585	5,234	1,351
Ⅴ Non-operating expenses	(16,491)	(14,432)	(2,059)
Interest paid and bond interest expenses	11,461	10,430	1,031
Others	5,029	4,001	1,028
Ordinary income	26,379	7,562	18,817
Ⅵ Extraordinary income	(9,411)	(3,011)	(6,400)
Gain on sale of property	4,237	1,207	3,030
Gain on sale of investments in securities	659	26	633
Benefits from reversal of allowance for doubtful accounts	540	-	540
Gain on reversal of evaluation on investments in unconsolidated subsidiaries and affiliates	600	-	600
Relocation compensation received	-	1,500	-1,500
Bad debts recovered	-	277	-277
Gain on abolishment of retirement benefit plan	3,007	-	3,007
Gain on exchange of stock	366	-	366
Ⅶ Extraordinary losses	(6,762)	(8,460)	(-1,698)
Loss on sale of property	88	441	-353
Loss on disposal of property	1,966	3,059	-1,093
Impairment loss	3,000	1,443	1,557
Loss on evaluation of membership	53	-	53
Loss on liquidation of subsidiaries and affiliates	-	311	-311
Loss on valuation of investments in securities	-	787	-787
Provision for reserve of evaluation on investments in unconsolidated subsidiaries and affiliates	28	2,415	-2,387
Loss on business liquidation of subsidiaries and affiliates	1,625	-	1,625
Income before tax	29,028	2,113	26,915
Income taxes	6,477	-462	6,939
Income tax adjustments	9,381	1,235	8,146
Net income	13,168	1,341	11,827

(3) Statements of Changes in Net Assets

Fiscal Year 2007 (Period from April 1, 2007 to March 31, 2008) (Unit: million yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings			Less treasury stock, at cost	Total shareholders' equity
		Capital reserve	Other capital reserve	Total	Legal reserve	Other retained earnings	Total		
Balance at March 31, 2007	62,366	44,559	2	44,561	7,407	94,216	101,624	−63	208,489
Changes during the period									
Issuance of new stocks	44,880	44,880		44,880					89,760
Cash dividends						−5,371	−5,371		−5,371
Net income						13,168	13,168		13,168
Reversal of revaluation reserve for land						−175	−175		−175
Acquisition of treasury stock								−14	−14
Disposal of treasury stock			0	0				1	2
Addition to other retained earnings						−	−		−
Reversal of other retained earnings						−	−		−
Changes in items other than shareholders' equity during the period, net									
Total changes during the period	44,880	44,880	0	44,880	−	7,621	7,621	−13	97,368
Balance at March 31, 2008	107,246	89,439	2	89,442	7,407	101,837	109,245	−76	305,857

	Valuation and translation adjustments				Total net assets
	Unrealized gains on securities	Deferred gains on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at March 31, 2007	12,036	16,252	18,077	46,366	254,856
Changes during the period					
Issuance of new stocks					89,760
Cash dividends					−5,371
Net income					13,168
Reversal of revaluation reserve for land			175	175	−
Acquisition of treasury stock					−14
Disposal of treasury stock					2
Addition to other retained earnings					−
Reversal of other retained earnings					−
Changes in items other than shareholders' equity during the period, net	−7,278	3,094	−10,076	−14,259	−14,259
Total changes during the period	−7,278	3,094	−9,900	−14,084	83,284
Balance at March 31, 2008	4,758	19,347	8,176	32,282	338,140

Breakdown of Other Retained Earnings

	Special reserve for equalization of redemption	Reserve for losses on overseas investments	Reserve for reduction of fixed assets	Retained earnings brought forward	Total
Balance at March 31, 2007	28	468	17,237	76,481	94,216
Changes during the period					
Issuance of new stocks					
Cash dividends				−5,371	−5,371
Net income				13,168	13,168
Reversal of revaluation reserve for land				−175	−175
Acquisition of treasury stock					
Disposal of treasury stock					
Addition to other retained earnings			1,116	−1,116	−
Reversal of other retained earnings	−16	−468	−1,135	1,620	−
Changes in items other than shareholders' equity during the period, net					
Total changes during the period	−16	−468	−19	8,125	7,621
Balance at March 31, 2008	12	−	17,218	84,607	101,837

Fiscal Year 2006 (Period from April 1, 2006 to March 31, 2007) (Unit: million yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings			Less treasury stock, at cost	Total shareholders' equity
		Capital reserve	Other capital reserve	Total	Legal reserve	Other retained earnings	Total		
Balance at March 31, 2006	62,366	44,559	0	44,560	7,407	99,679	107,087	△ 47	213,967
Changes during the period									
Cash dividends (*)						△ 4,700	△ 4,700		△ 4,700
Cash dividends (*)						△ 2,014	△ 2,014		△ 2,014
Bonuses to directors and corporate auditors (*)						△ 65	△ 65		△ 65
Net income						1,341	1,341		1,341
Reversal of revaluation reserve for land						△ 24	△ 24		△ 24
Acquisition of treasury stock								△ 17	△ 17
Disposal of treasury stock			1	1				1	2
Addition to other retained earnings(*)						–	–		–
Addition to other retained earnings						–	–		–
Reversal of other retained earnings(*)						–	–		–
Reversal of other retained earnings						–	–		–
Changes in items other than shareholders' equity during the period, net									
Total changes during the period	–	–	1	1	–	△ 5,463	△ 5,463	△ 15	△ 5,478
Balance at March 31, 2007	62,366	44,559	2	44,561	7,407	94,216	101,624	△ 63	208,489

	Valuation and translation adjustments				Total net assets
	Unrealized gains on securities	Deferred gains on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at March 31, 2006	13,114	–	21,366	34,480	248,448
Changes during the period					
Cash dividends (*)					△ 4,700
Cash dividends (*)					△ 2,014
Bonuses to directors and corporate auditors (*)					△ 65
Net income					1,341
Reversal of revaluation reserve for land			24	24	–
Acquisition of treasury stock					△ 17
Disposal of treasury stock					2
Addition to other retained earnings(*)					–
Addition to other retained earnings					–
Reversal of other retained earnings(*)					–
Reversal of other retained earnings					–
Changes in items other than shareholders' equity during the period, net	△ 1,077	16,252	△ 3,313	11,862	11,862
Total changes during the period	△ 1,077	16,252	△ 3,288	11,886	6,407
Balance at March 31, 2007	12,036	16,252	18,077	46,366	254,856

Note: Items for which the appropriation of retained earnings was approved at the annual shareholders' meeting on June 2006

Breakdown of Other Retained Earnings

	Special reserve for equalization of redemption	Reserve for losses on overseas investments	Reserve for reduction of fixed assets	Retained earnings brought forward	Total
Balance at March 31, 2006	165	770	18,230	80,513	99,679
Changes during the period					
Cash dividends (*)				△ 4,700	△ 4,700
Cash dividends (*)				△ 2,014	△ 2,014
Bonuses to directors and corporate auditors (*)				△ 65	△ 65
Net income				1,341	1,341
Reversal of revaluation reserve for land				△ 24	△ 24
Acquisition of treasury stock					
Disposal of treasury stock					
Addition to other retained earnings(*)	18		998	△ 1,016	-
Addition to other retained earnings	7		1,626	△ 1,634	-
Reversal of other retained earnings(*)	△ 78	△ 144	△ 1,878	2,102	-
Reversal of other retained earnings	△ 83	△ 157	△ 1,739	1,979	-
Changes in items other than shareholders' equity during the period, net					
Total changes during the period	△ 136	△ 301	△ 993	△ 4,031	△ 5,463
Balance at March 31, 2007	28	468	17,237	76,481	94,216

Note: Items for which the appropriation of retained earnings was approved at the annual shareholders' meeting on June 2006

(4) Notes to Items regarding Significant Accounting Policies

1. Standards and Methods for Valuation of Securities

(1) Securities held to maturity	Stated at amortized cost method
(2) Stocks issued by subsidiaries and affiliated companies	Stated at cost determined by the moving average method
(3) Other securities	
Securities available for sale with fair market value	Stated at fair value based on market values applicable on the date of consolidated settlement of accounts (in which all differences between the carrying amounts and the fair values are reported as a separate component of net assets, while the cost of securities sold is calculated by the moving average method)
Securities with no available fair market value	Stated at cost determined by the moving average method

2. Standards and Methods for Valuation of Inventories

(1) Finished products, semi-finished products, Raw materials	Stated at cost determined by the weighted average method
(2) In-transit products	Stated at cost determined by the specific identification method
(3) Supplies	Stated at cost determined by the weighted average method
(4) Land for sale	Stated at cost determined by the specific identification method

3. Valuation of Net Amounts of the Assets and Liabilities for which Derivative Transactions Are Executed

Stated at fair value

4. Methods for Depreciation of Fixed Assets

(1) Property, plant & equipment

The straight-line method.
The number of years of their useful lives and their residual value are calculated based on the criteria defined under the Corporation Tax Law of Japan, providing that the economic useful life of 15 years is adopted for the Company's service station by taking their actual past performances into consideration.

(Change in Accounting Policy)
In accordance with revisions of the Corporation Tax Law, the Company changed the method of calculating depreciation expenses for tangible fixed assets acquired from April 1, 2007 onwards into the method under the revised law, effective from the beginning of FY2007 (April 1, 2007).
The impact of this change on the bottom line for FY2007 was slight.

(Additional Information)
In accordance with revisions of the Corporation Tax Law, the Company adopted a method in which the remaining acquisition cost of each of the tangible fixed assets acquired on or before March 31, 2007 will be depreciated equally over five years starting in the fiscal year that follows the fiscal year when its depreciation expenses reaches the final deductible limit under the former law. This arrangement increased depreciation expenses by ¥2,714 million and decreased operating income, ordinary income and income before taxes for the fiscal year by ¥2,533 million, respectively.

(2) Intangible fixed assets

The straight-line method.
The number of years of their useful lives is calculated based on the criteria defined under the Corporate Income Tax Law of Japan, providing that amortization expenses for the software used by the Company is calculated on the straight line method over the period of its availability in-house (5 years).

(3) Long-term Prepaid Expenses

The equal installment method
The equal installment method is adopted to calculate depreciation expenses for these account items over the period defined under the Corporate Income Tax Law of Japan.

5. Standards for Recording Allowances

(1) Allowance for doubtful accounts

An estimated amount of irrecoverable debts is set aside against any potential losses on the failure to collect the accounts receivable.

a. Ordinary accounts receivable:	The amount of allowance calculated at the actual ratio of bad debts
b. Highly doubtful receivables and claims in bankruptcy and reorganization, etc.:	The amount recognized for uncollectible accounts

(2) Reserve for loss on investments in unconsolidated subsidiaries and affiliates

A reserve is kept aside to cover any potential losses on the Company's investments in its subsidiaries and affiliated companies and it is provided based on an estimated amount of losses by taking the financial positions of such subsidiaries and affiliates and expected recovery from them into consideration.

(3) Allowance for special repair work

An allowance is set aside to cover expenses arising from the inspection and repairs of the oil tanks subject to the open regular inspection in compliance with the Fire Service Law of Japan, and an amount equal to the estimated cost of periodically required repairs was added to the provision for FY2007.

(4) Retirement and severance benefits for employees

An allowance is put aside to cover retirement and severance benefits payable to employees and a certain amount was recorded based on the estimated amount of projected benefit obligation and the fair value of the pension assets as of March 31, 2008.

Actual gains and losses are recognized in expenses at an amount prorated in the straight line method over a certain number of years (10 years), which is within the average of the estimated remaining years of service to be performed by the employees at the time of accrual, commencing with the fiscal year following the accrual time.

Prior service cost obligation is recognized as an expense item at an amount prorated in the straight line method over a certain number of years (10 years) within the average of the remaining years of service to be performed by the employees at the time of accrual.

The pension plan asset amounts exceeded the projected benefit obligation amounts after the deduction of unrecognized actuarial differences, and these excess portions are stated in the "Other" item of the "Investment and other assets" account on the balance sheet herein.

(Discontinuation of the Conventional Qualified Retirement Annuity System)

The Company, on April 1, 2007, discontinued its conventional qualified retirement annuity system, or a defined-benefit pension system, and instead introduced a defined-benefit pension plan, a defined-contribution pension plan, an advance-payment plan for retirement benefits and an additional retirement benefit plan. Owing to the discontinuation of the system, an extraordinary income of ¥3,007 million and an unrecognized prior service cost (positive difference) of ¥1,591 million were recorded.

6. Methods for Accounting for Finance Leases

Finance leases, except those under which the ownership of the leased properties are regarded to be transferred to the lessees, are accounted for in conformity with the accounting process applicable to operating leases.

7. Hedge Accounting Methods

(1) Hedge Accounting Methods

The deferred hedge accounting method is used to process hedging transactions, providing that the exceptional method is applied to treat interest rate swap contracts that meet the requirements for exceptional treatments as established by the Company.

(2) Hedging Instruments and Hedged Items

(Currency)

Hedging Instrument･･･Foreign exchange forward contracts
Currency option contracts

Hedging Item･････････Credit and a debt based on the foreign currency

(Interest rate)

Hedging Instrument･･･Interest rate swap contracts

Hedging Item･････････Borrowings

(Commodity)

Hedging Instrument･･･Crude oil and oil product forward contracts

Hedging Item･････････Purchases and sales of crude oil and oil products

(3) Hedging Policy

In accordance with internal rules that determine derivate transaction-related authority levels and transaction value limits, hedging activities are undertaken within specified limits to hedge fluctuation risks of interest rates and commodity prices.

(4) Method of Evaluating Hedge Effectiveness

The Company evaluates hedge effectiveness once every six months by comparing cumulative changes in cash flows from or changes in fair value of hedged items, with the corresponding changes in the hedging instruments. The evaluation of hedge effectiveness is not considered necessary for certain interest rate swaps, which are used to hedge and meet certain hedging criteria.

8. Other Significant Information about the Basis for Presenting Non-Consolidated Financial Statements

(1) Accounting Process for National and Local Consumption Tax

As for how to account for national and local consumption taxes, all domestic transactions are accounted for by excluding these tax amounts from the amounts thereof.

(5) Notes to Non-Consolidated Financial Statements

a. Notes to balance sheets, statements of income, statements of changes in net assets

(Balance Sheet)

	FY2007 As of March 31, 2008	FY2006 As of March 31, 2007
1. Notes due as of March 31 of each year		
Notes receivable	— million	20 million
2. Accumulated depreciation for property, plant and equipment	431,718 million	423,232 million
3. Pledged assets		
a) Plant foundation (Pledged assets)	Mortgages and fixed mortgages were taken out on the following tangible fixed assets.	Mortgages and fixed mortgages were taken out on the following tangible fixed assets.
Land	212,357 million	212,357 million
Buildings and Structures	32,618 million	33,073 million
Machinery and equipment, automotive equipment	63,041 million	70,128 million
Total book value	308,017 million	315,559 million
	In addition to the above assets, the plant foundation for subsidiaries and affiliates pledged as collateral for long-term loans amounted to ¥22,547 million.	In addition to the above assets, the plant foundation for subsidiaries and affiliates pledged as collateral for long-term loans amounted to ¥22,589 million.
(Secured liabilities)		
Item involving mortgages		
Long-term loans	139,138 million Long-term debts include loans payable within one year.	156,511 million Long-term debts include loans payable within one year.
Item involving fixed mortgages		
Debts relating to transactions with banks	20,996 million	20,996 million
b) Fixed assets other than plant foundation	Securities deposited as security for dealing amounted to ¥10 million.	Securities deposited as se curity for dealing amounted to ¥10 million.

4. Contingencies

a) Guaranty liabilities	4,322 million	4,956 million
b) Suits, etc.		

Concerning the matter in which the Company and other companies are claimed to have violated the Antimonopoly Act with respect to bidding relating to delivery of petroleum products to the Defense Agency, the Company received an order for payment of surcharges (¥1,751 million) as of January 16, 2008 from the Fair Trade Commission (FTC), however, the Company submitted a motion for commencement of adjudication procedures to the FTC on February 15, 2008 requesting another trial, and following that motion the FTC issued a decision for commencement of adjudication as of March 24, 2008.

5. Revaluation of land

The Company revalued their land properties used for business under the "Law concerning Revaluation Reserve for Land" (Law No. 34 issued on March 31, 1998). The income tax portion on variances due to revaluation is stated in the "Deferred taxes for revaluation reserve for land" account in the "liabilities" section on the balance sheet and the revaluation variances, net of the income tax portion, are stated in the "Revaluation reserve for land" account in the "net assets" section on the balance sheet.

- Revaluation method: The land sites for the refineries were valued in accordance with the appraisal provided in Paragraph 5 of Article 2 of the "Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land" (Government Ordinance No. 119 issued on March 31, 1998), and other land sites were valued by referring to the road ratings provided in Paragraph 4 of Article 2 of the "Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land," as well as making some rational adjustments.
- Date of revaluation: March 31, 2002

	FY2007 As of March 31, 2008	FY2006 As of March 31, 2007
・Difference between the total amount of the revalued land at fair value as of March 31, 2008 and their total carrying amount after revaluation	−74,085 million	−80,798 million

(Statements of Income)

	FY2007 April 1, 2007 - March 31, 2008	FY2006 April 1, 2006 - March 31, 2007
Breakdown of Selling, General and Administrative Expenses		
Freight expense	25,598 million	22,648 million
Outsourcing expense	16,791 million	16,788 million
Rent expense	13,708 million	12,769 million
Depreciation expense	6,374 million	6,472 million
Salaries and wages	5,665 million	5,677 million
Amount transferred to (reserve for) retirement benefits for directors and corporate auditors	— million	38 million
Amount transferred to allowance for special repair work	66 million	48 million
Amount transferred to allowance for doubtful accounts	— million	482 million
Retirement and severance benefit payment to Employees	— million	122 million

(Statements of Changes in Shareholders' Equity)

FY2006 (from April 1, 2007 to March 31, 2008)

Types and Total Number of Shares of Treasury Stock

(Unit: Number of shares)

	Total number of shares as of March 31, 2007	Increase in the number of shares during the year	Decrease in the number of shares during the year	Total number of shares as of March 31, 2008
Common Stock*	200,828	27,242	4,550	223,520

Note: * The increase in the number of common shares in the category of treasury stock shown above reflects the Company's purchases of less-than-round-lot shares, while the decrease in the number of treasury stock reflects the Company's sales of less-than-round-lot shares by meeting requests for sales thereof.

FY2006 (from April 1, 2006 to March 31, 2007)

Types and Total Number of Shares of Treasury Stock

(Unit: Number of shares)

	Total number of shares as of March 31, 2006	Increase in the number of shares during the year	Decrease in the number of shares during the year	Total number of shares as of March 31, 2007
Common Stock*	172,814	33,094	5,080	200,828

Note: * The increase in the number of common shares in the category of treasury stock shown above reflects the Company's purchases of less-than-round-lot shares, while the decrease in the number of treasury stock reflects the Company's sales of less-than-round-lot shares by meeting requests for sales thereof.

b. Tax Effective Consequence Accounting

1. Significant Components of Deferred Tax Assets and Deferred Tax Liabilities as of March 31, 2007 and 2008

(Unit: million yen)

	FY2007 As of March 31, 2008		FY2006 As of March 31, 2007	
(1)Current	(Deferred tax assets)		(Deferred tax assets)	
	Reserve for bonuses	1,091	Reserve for bonuses	1,186
	Accrued business tax	629	Other	749
	Other	691	Total current deferred tax assets:	1,936
	Total current deferred tax assets:	2,412		
	(Deferred tax liabilities)		(Deferred tax liabilities)	
	Deferred gains (losses) on hedges	−13,169	Deferred gains (losses) on hedges	−11,124
	Total current deferred tax liabilities	−13,169	Accrued business tax	−429
	Net current deferred tax liabilities	−10,757	Total current deferred tax liabilities	−11,553
			Net current deferred tax liabilities	−9,617
(2)Non-Current	(Deferred tax assets)		(Deferred tax assets)	
	Investment securities	5,372	Investment securities	7,110
	Impairment loss	5,325	Impairment loss	4,930
	Excess part of depreciation deductible limit	2,626	Loss brought forward	4,632
	Other	6,998	Excess part of depreciation deductible limit	2,589
	Deferred tax assets-sub total	20,322	Other	4,714
	Valuation allowance:	−8,998	Deferred tax assets-sub total	23,977
	Non-current deferred tax assets - total	11,324	Valuation allowance:	−4,491
			Non-current deferred tax assets - total	19,485
	(Deferred tax liabilities)		(Deferred tax liabilities)	
	Reserve for reduction of fixed assets	−11,690	Reserve for reduction of fixed assets	−11,703
	Prepaid pension cost	−4,987	Net unrealized gains (losses) on securities	−8,172
	Net unrealized gains (losses) on securities	−2,953	Other	−3,867
	Other	−956	Total non-current deferred tax liabilities	−23,744
	Total non-current deferred tax liabilities	−20,588	Net non-current deferred tax liabilities	−4,259
	Net non-current deferred tax liabilities	−9,263		
	Deferred tax liabilities involving revaluation reserve for land amounted to ¥31,153 million.		Deferred tax liabilities involving revaluation reserve for land amounted to ¥20,957 million.	

2. Breakdown of the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2007 and 2008

FY2007 As of March 31, 2008	
Statutory income tax rate (adjusted)	40.44%
Non-deductible expenses, including entertainment expenses	1.46%
Non-deductible revenue, including dividends receivable	-2.73%
Valuation allowance	16.00%
Other	-0.54%
Effective income tax rate (after the application of tax consequence accounting)	54.63%

FY2006 As of March 31, 2007	
Statutory income tax rate (adjusted)	40.44%
Non-deductible expenses, including entertainment expenses	18.22%
Non-deductible revenue, including dividends receivable	-65.60%
Corporation tax deduct	-14.67%
Accrued prior-year tax carry-back	-18.09%
Valuation allowance	75.28%
Other	0.98%
Effective income tax rate (after the application of tax consequence accounting)	36.56%

6. Others

(1) The director's Election and Retirement (Dated June 24, 2008)

1) The Representative's Election and Retirement

《Representative Director》

Representative Executive Vice President

Keizo Morikawa (Current post: Representative Senior Managing Director of our company)

2) The Executive Officer's Election and Retirement

《New Executive Officer》

Executive Officer

Teruyuki Takishima (Current post: General Manager, Chiba Refinery of our company
He will be entrusted General Manager, Chiba Refinery)

Hideo Suzuki (Current post: General Manager, Internal Auditing Office of our company
He will be entrusted General Manager, Secretariat)

Hiroshi Kiriyama (Current post: General Manager, Demand & Supply Coordination Dept. of our company
He will be entrusted General Manager, Corporate Planning Dept.)

Muneyuki Sano (Current post: General Manager ,Osaka Branch Office of our company
He will be entrusted General Manager, Wholesales Marketing Dept.)

《Retirement Executive Officer》

Current post: Senior Executive Officer

Michio Shimizu (He will be scheduled to assume the position of the Director of
COSMO OIL SALES CO., LTD.)

Current post: Senior Executive Officer

Kensuke Suzuki (He will be scheduled to assume the position of the Director of
COSMO PETROLEUM GAS CO., LTD.)

Current post: Executive Officer

Kiyoshi Aoyagi

Current post: Executive Officer

Tadashi Kanematsu

《Promotion Executive Officer》

Senior Executive Officer

Hideto Matsumura (Current post: Executive Officer and General Manager,
Refining & Technology Dept. of our company
He will be entrusted General Manager, Refining & Technology Dept.)

Atsuto Tamura (Current post: Executive Officer and General Manager,
Corporate Communication Dept. of our company
He will be entrusted General Manager, Corporate Communication Dept.)

Hisashi Kobayashi (Current post: Executive Officer and General Manager,
Sales Control Dept. of our company
He will be entrusted General Manager, Sales Control Dept.)

(2)Other

a. Status of Production, Order Reception and Sales (Consolidated)

1. Production Results

FY2007 (From April 1, 2007 to March 31, 2008)

Segment		Production (million yen)	% Change from FY06 based on FY06 level as 100%
Petroleum business	Gasoline, Naphtha	507,634	123.6
	Kerosene/Diesel fuel	704,647	129.2
	Heavy fuel oil	412,102	136.3
	Other	151,404	112.9
	Total	1,775,788	127.5
Oil exploration and production business		19,124	109.5
Total		1,794,913	127.3

(Note) 1 The above figures exclude production for in-house fuel use.
2 The above figures include production contracted by the Company out to third parties and exclude production entrusted to the Company to supply to third parties.
3 The above figures exclude consumption taxes.
4 The above figures exclude production between segments.

2. Order Reception in Value

FY2007 (From April 1, 2007 to March 31, 2008)

Segment	Orders received (million yen)	% Change from FY06 based on FY06 level as 100%	Order backlog (million yen)	% Change from FY06 based on FY06 level as 100%
Other businesses	27,879	85.2	13,403	74.6

(Note)The above figures exclude consumption taxes.

3. Sales Results

FY2007(From April 1, 2007 to March 31, 2008)

Segment		Net Sales(million yen)	% Change from FY06 based on FY06 level as 100%
Petroleum business	Gasoline, Naphtha	1,527,641	109.9
	Kerosene/Diesel fuel	1,038,225	118.5
	Heavy fuel oil	530,983	125.7
	Other	344,706	116.6
	Total	3,441,557	115.3
Oil exploration and production business		32,250	101.1
Other businesses		49,278	105.0
Total		3,523,086	115.0

(Note) 1 Sales of gasoline and naphtha products shown above include volatile oil and other petroleum taxes and local road taxes.
2 The above figures exclude consumption taxes.
3 The above figures exclude production between segments.

b. Breakdown of Net Sales by Product (Non-consolidated)

	FY2007 (From April 1, 2007 to March 31, 2008)		FY2006 (From April 1, 2006 to March 31, 2007)		Change	
	Volume	Amount	Volume	Amount	Volume	Amount
	thousand KL.t	million yen	thousand KL.t	million yen	thousand KL.t	million yen
Gasoline, Naphtha	17,441	1,581,294	17,700	1,422,671	-259	158,623
Kerosene and diesel fuel	15,576	1,023,945	15,147	840,763	429	183,182
Heavy fuel oil	9,120	524,994	8,820	414,818	300	110,176
Others	2,823	171,362	2,949	152,964	-126	18,398
Total	44,961	3,301,597	44,617	2,831,217	344	470,380

【Consolidated: Supplementary Information】

Cosmo Oil Co., Ltd.

<Fiscal Year 2007 Ending March 31, 2008>

Consolidated Income Statements【Operating Highlights】

	FY07	FY06	Change	(Change)
	billion yen	billion yen	billion yen	
Net sales	3,523.1	3,062.7	460.4	(15.0%)
Cost of sales	3,290.7	2,852.2	438.5	
Selling general and administrative expenses	148.6	140.9	7.7	
Operating income	83.8	69.6	14.2	(20.3%)
Non-operating income/expenses, net	10.5	5.2	5.3	
Ordinary income	94.3	74.8	19.5	(26.1%)
Extraordinary income/losses, net	1.2	−3.5	4.7	
Income taxes	55.0	38.8	16.2	
Minority interests	5.3	6.0	−0.7	
Net income	35.2	26.5	8.7	(32.5%)

Consolidated Financial Position

	FY07 As of Mar. 31, 08	FY06 As of Mar. 31, 07	Change
	billion yen	billion yen	billion yen
Total assets	1,627.9	1,579.2	48.7
Net assets	469.7	361.6	108.1
Net worth ratio	27.2%	21.5%	5.7%
Interest-bearing debt	521.6	609.9	−88.3
Interest-bearing debt to total assets ratio	32.0%	38.6%	−6.6%
Net interest-bearing debt	438.9	483.8	−44.9
Net interest-bearing debt ratio	27.0%	30.6%	−3.6%

Note: Net interest-bearing debt is the total interest-bearing debt amount after the deduction of cash and cash equivalents and a short-term working fund balance as of the term-end

Consolidated Cash Flows

	FY07	FY06
	billion yen	billion yen
Operating activities	−4.2	25.0
Investment activities	−32.8	−35.9
Financing activities	−5.2	80.0
Cash and cash equivalents at the end of the period	82.7	126.1

Consolidated Operating Highlights【by Segment】

	Petroleum	Oil exploration and production	Other	Elimination or corporate	Consolidated
	billion yen	billion yen	billion yen	billion yen	billion yen
Net sales	3,442.2	84.1	99.0	102.2	3,523.1
(From FY06)	(457.7)	(6.0)	(13.5)	(−16.8)	(460.4)
Operating income	39.3	43.5	2.6	−1.6	83.8
(From FY06)	(13.6)	(0.0)	(1.0)	(−0.4)	(14.2)

【Reference】

Ordinary income	46.5	46.9	2.9	−2.0	94.3
(From FY06)	(20.4)	(−1.7)	(1.2)	(−0.4)	(19.5)

【Segment-Specific Ordinary Income - Factors for increase of 19.5 billion yen from FY06】

	(billion yen)
Ⅰ. Petroleum business	
1. Adverse impact by market conditions	−17.1
2. Selling volume	5.1
3. Refining facility safety and security enhancement expenses	−9.6
4. Benefits from the “Medium-Term Management Plan”	3.6
5. Petrochemical business	−3.0
6. Others	41.4
(Incl. positive inventory valuation impact of 42.2(45.0←2.8))	
Petroleum business – total (46.5←26.1)	20.4
Ⅱ. Oil exploration and production business (46.9←48.6)	−1.7
Ⅲ. Other (other businesses, etc.) (0.9←0.1)	0.8
Ordinary Income (Ⅰ+Ⅱ+Ⅲ)	19.5

【Capital Expenditures and Depreciation Expenses】

(billion yen)

	FY07	FY06	Change
Petroleum business	35.1	27.7	7.4
(Refining and marketing & sales)	32.8	25.6	7.2
(Petrochemical business)	1.0	1.7	−0.7
(Other)	1.3	0.4	0.9
Oil exploration and production business	13.7	8.2	5.5
Other businesses	0.2	0.2	0.0
Total (consolidated)	49.0	36.1	12.9

Depreciation expenses	42.8	37.8	5.0

【Non-consolidated: Supplementary Information】

Cosmo Oil Co., Ltd.

<Fiscal Year 2007 Ending March 31, 2008>

Non-consolidated Income Statements【Operating Highlights】

	FY2007 (Apr.07 - Mar.08)	FY2006 (Apr.06 - Mar.07)	Change	(Change)
	billion yen	billion yen	billion yen	
Net sales	3,301.6	2,831.2	470.4	(16.6%)
Cost of sales	3,192.5	2,738.9	453.6	
Selling,general and administrative expenses	88.5	84.0	4.5	
Operating income	20.6	8.3	12.3	(147.2%)
Non-operating income/expenses, net	5.8	－0.7	6.5	
Ordinary income	26.4	7.6	18.8	(248.8%)
Extraordinary income/losses, net	2.6	－5.5	8.1	
Income taxes	15.9	0.8	15.1	
Net income	13.2	1.3	11.9	(882.0%)

	FY2007	FY2006	Change
Total selling volume	1,000 kl 44,961	1,000 kl 44,617	1,000 kl 344
Cash dividends	yen per stock 8	yen per stock 8	－

【Factors for Changes by Item（Compared with FY2006）】

(Based on FY2006 level as 100%)

1. Net Sales 【3,301.6 billion Yen】 **470.4 billion yen**

・Increase in selling prices 62,560yen/kl (10,310yen/kl)

※Fuel Oil Selling Volumes in Japan (by product)

Gasoline	100.5%	Naphtha	97.7%
Kerosene	96.9%	Jet fuel	93.0%
Diesel fuel	101.7%	Heavy fuel oil C	135.3%
Heavy fuel oil A	86.2%		
4 Products-Total	97.7%	Total fuel oil selling volume in Japan	101.2%

Middle distillate export volume	152.0%

2. Cost of Sales 【3,192.5 billion Yen】 **453.6 billion yen**

・Increase in crude oil prices 60,125yen/kl (10,045yen/kl)

※Crude Oil Price

FOB	77.14$/B	(15.20$/B)	
Yen-USD exchange rate	114.52¥/$	(2.46¥/$)	Yen appreciation
Price including tax	59,116yen/kl	10,236yen/kl	

3. Increase in selling, general and administrative expenses **4.5 billion yen**

4. Non-operating income / expenses, net **6.5 billion yen**

Ordinary income（26.4 billion yen ← 7.6 billion yen ） **18.8 billion yen**

※Rationalization and Added-Value Creation Improvement

(billion yen)

	Rationalization	Added-Value Creation Improvement	Total
Supply	0.1	0.6	0.7
Marketing	0.7	2.2	2.9
Other	0.2	-0.2	0.0
Total	1.0	2.6	3.6

Non-consolidated Financial Position

	FY2007 As of Mar.31, 08	FY2006 As of Mar.31, 07	Change
	billion yen	billion yen	billion yen
Total assets	1,450.9	1,434.2	16.7
Net assets	338.1	254.9	83.2
Net worth ratio	23.3%	17.8%	5.5%
Interest-bearing debt	484.6	572.7	－88.1
Interest-bearing debt to total assets ratio	33.4%	39.9%	－6.5%
Net interest-bearing debt	460.9	492.5	－31.6
Net interest-bearing debt ratio	31.8%	34.3%	－2.5%

Note: Net interest-bearing debt is the total interest-bearing debt amount after the deduction of cash and cash equivalents and a short-term working fund balance as of the term-end

【Key Indicators】

Number of self-service SSs is shown in parenthesis

No. of SSs	As of Mar.31, 2008	As of Mar.31, 2007	Change
Cosmo Oil-owned	870(531)	901(500)	-31(31)
Individually-owned	3,308(336)	3,515(289)	-207(47)
Total	4,178(867)	4,416(789)	-238(78)

(billion yen)

	FY2007	FY2006	Change
Capital expenditures	31.2	24.9	6.3
Depreciation expenses	22.6	19.9	2.7

【Full-Year Business Outlook for Fiscal Year 2008 – Supplementary Information】

Cosmo Oil Co., Ltd.

Ⅰ. Consolidated Income Statements【 Business Outlook 】

	FY08	FY07	Change
	billion yen	billion yen	billion yen
Net sales	3,700.0	3,523.1	176.9
Operating income	75.0	83.8	- 8.8
Ordinary income	73.0	94.3	- 21.3
Net income	24.0	35.2	- 11.2

【Business Outlook by Segment】 (billion yen)

	Petroleum	Oil exploration and production	Other	Elimination or corporate	Consolidated
Net sales	3,605.0	99.0	94.0	- 98.0	3,700.0
Operating income	18.0	54.5	1.5	1.0	75.0
(from FY07)	(- 21.3)	(+11.0)	(- 1.1)	(+2.6)	(- 8.8)

【Reference】 (billion yen)

	Petroleum	Oil exploration and production	Other	Elimination or corporate	Consolidated
Ordinary income	11.5	58.5	2.0	1.0	73.0
(from FY07)	(- 35.0)	(+11.6)	(- 0.9)	(+3.0)	(- 21.3)
	(+10.0)				

※ excluding inventory valuation impact in the petroleum business segment.(from FY07)

【Factors Decrease in 21.3 Billion Yen in Ordinary Income from FY07】

	(billion yen)	
1. Petroleum business	- 35.0	
Impact by market conditions & Selling volume	(18.3)	
Benefit from the medium-term manegement plan	(4.1)	
Petrochemical business	(- 1.8)	
Others (Incl. positive inventory valuation Impact 0 ← 45.0)	(- 55.6)	
2. Oil exploration and production business	11.6	
3. Others (other businesses, etc.)	2.1	
Ordinary income (73.0 billion yen ← 94.3 billion yen)	**- 21.3**	

【Capital expenditures】 (billion yen)

	FY08	FY07	Change
Petroleum business	60.9	35.1	25.8
(Refining and marketing & sales)	55.7	32.8	22.9
(Petrochemical business)	1.9	1.0	0.9
(Other)	3.3	1.3	2.0
Oil exploration and production business	19.1	13.7	5.4
Other businesses	0.2	0.2	0.0
Total (consolidated)	80.2	49.0	31.2
	0.0	0.0	
Depreciation expenses	42.4	42.8	-0.4

Ⅱ. Non-consolidated Income Statements【 Business Outlook 】

	FY08	FY07	Change
	billion yen	billion yen	billion yen
Net sales	3,430.0	3,301.6	128.4
Operating income	4.0	20.6	- 16.6
Ordinary income	0.0	26.4	- 26.4
Net income	0.0	13.2	- 13.2
Dividend paid	8 yen/share	8 yen/share	−

【Assumptions 】
1. Crude Oil (FOB) : 95$/B
2. Yen-USD exchange rate : 100.0yen/$
3. Selling volume:Total fuel oil selling in Japan: 97.2% (based on FY07 as 100%)
   Total selling volume 43,580 (1,000kl) (96.9% based on FY07 as 100%)

※ Fuel Oil Selling Volumes in Japan (by product)

Gasoline	100.0%	Naphtha	92.1%
Kerosene	99.2%	Jet fuel	102.2%
Diesel fuel	96.8%	Heavy fuel oil C	104.9%
Heavy fuel oil A	90.6%		
4 Products-Total	97.5%	Total fuel oil selling volume in Japan	97.2%

Middle distillate export volume	109.7%

【Capital expenditures】 (billion yen)

	FY08	FY07	Change
Capital expenditures	53.0	31.2	21.8
Depreciation expenses	22.5	22.6	-0.1