Overview Of Business Results of FY2008

May 7, 2009

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: 03-3798-3180
Name of Person to contact: Seiko Arai, Manager of IR Office, Corporate Communication Dept.
Annual shareholders' meeting is to be held on:June 23, 2009
Securities report is to be submitted on:June 23, 2009 Dividend payment is to be started on: June 24, 2009

Note: Figures less than 1 million are rounded down.

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

(1) Consolidated operating results (% indicates change from FY2007)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2008	3,428,211	-2.7	-107,005	—	-125,004	—	-92,429	—
FY2007	3,523,086	15.0	83,796	20.3	94,330	26.1	35,152	32.5

	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	%	%	%
FY2008	-109.11	—	-24.0	-8.1	-3.1
FY2007	46.72	44.98	9.0	5.9	2.4

[Reference]Return on investments under equity method FY2008 -1,126 million yen FY2007 8,662 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	million yen	million yen	%	yen sen
FY2008	1,440,395	347,449	22.8	387.71
FY2007	1,627,903	469,726	27.2	522.84

[Reference] Net worth FY2008 328,433 million yen FY2007 442,912 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
FY2008	82,135	-55,953	57,853	159,919
FY2007	-4,214	-32,805	-5,229	82,674

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)
(Date of record)	As of Q1-end	As of Q2-end	As of Q3-end	As of Fiscal Year-end	Full year			
	yen sen	yen sen	yen sen	yen sen	yen sen	million yen	%	%
FY2007	—	3.00	—	5.00	8.00	6,251	17.1	1.6
FY2008	—	3.00	—	5.00	8.00	6,779	—	1.8
FY2009(outlook)	—	0.00	—	8.00	8.00		20.5	

3. Consolidated Business Outlook for FY2009 (April 1, 2009 to March 31, 2010)

(% indicates change from the corresponding period of FY2008)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
1H FY2009	1,100,000	-45.4	45,000	-31.7	43,000	-33.0	19,000	-37.7	22.43
FY2009	2,300,000	-32.9	85,000	—	82,000	—	33,000	—	38.96

4. Other

(1) Change in significant subsidiaries during FY2008
(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 Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements 4.(2)" on Page 19 and "Notes concerning Changes of Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements" on Page 22 for detailed information.〕

(3) Total Number of Outstanding Shares (Common Stock)
(1) No. of outstanding shares as of March 31, 2009 (including treasure stock):
FY2008 847,705,087 FY2007 847,705,087
(2) No. of shares of treasury stock as of March 31, 2009:
FY2008 593,521 FY2007 575,168
Note: Please refer to "Per-Share Information" on Page 34 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 FY2008 (For the period from April 1, 2008 to March 31, 2009)

(1) Non-consolidated Operating Results (% indicates change from FY2007)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2008	3,158,917	-4.3	-169,331	—	-127,480	—	-55,284	—
FY2007	3,301,597	16.6	20,600	147.2	26,379	248.8	13,168	882.0

	Net income per share	Diluted net income per share
	yen sen	yen sen
FY2008	-65.23	—
FY2007	17.50	16.84

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Net Worth ratio	Net assets per share
	million yen	million yen	%	yen sen
FY2008	1,282,821	257,570	20.1	303.93
FY2007	1,450,919	338,140	23.3	398.99

[Reference] Net worth FY2008 257,570 million yen FY2007 338,140 million yen

2. Non-Consolidated Business Outlook for FY2009 (April 1, 2009 to March 31, 2010)

(% indicates change from FY2008)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
1H FY2009	—	-	—	-	—	-	—	-	—
FY2009	2,100,000	-33.5	53,000	-	51,000	-	27,000	-	31.86

<u>Note: Request for appropriate use of the business outlook and other special remarks:</u>
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 FY2009.

1. Consolidated Operating Results

(1) Analysis of Consolidated Operating Results

1) Consolidated Operating Results during Fiscal Year 2008

During the consolidated full year of Fiscal Year 2008 that ended on March 31, 2009, the economy of Japan in the first half of the year suffered from doldrums mainly due to soaring energy and raw material prices and flat growth of exports and was then adversely affected by a global economic recession triggered by a financial capital market crisis in September to rapidly aggravate domestic corporate profits and employment climate, so that the harsh state of economy continued. Under these circumstances, the overall demand for oil products in Japan was significantly lower than in FY2007 reflecting a reduction in the gasoline demand due to sluggish consumption caused by wild fluctuations in gasoline prices and by improved fuel efficiency in passenger cars, a reduction in the diesel fuel demand due to a decrease in the cargo shipment volume caused by economic aggravation, and a reduction in the demand for kerosene and heavy fuel oil A due to a drop in the industrial demand and conversion to other energy resources.

As for crude oil prices, the Dubai crude oil price was at the level of US$94 per barrel on April 2008, the beginning of the fiscal year, and subsequently rose to set new records due to speculative investment fund inflows into the oil commodity market against a background of financial uncertainty triggered by sub-prime loan issues in the U.S., hitting the level of US$140 a barrel in July, the highest record marked during the fiscal year. Subsequently, adversely affected by the rapidly aggravated global economy, the crude oil price sharply dropped to the level of US$36 a barrel in December 2008 but somewhat bounced back, partly due to an uplift effect brought by the OPEC’s aiming at cutting crude oil production in January onwards, to the level of US$46 a barrel at the end of the fiscal year. The average amount throughout FY2008 was at the level of US$82, up about US$5 from FY2007.

The Japanese yen was at the level of ¥99 per US$ on April 2008 and then depreciated against the dollar, due to expectations of the subsidence of financial uncertainty in the U.S. and a sharp increase in crude oil prices, down to ¥110 per US$ in August. In September, the bankruptcy of a leading U.S. investment bank worsened the financial crisis and aggravated the real sides of the economy, appreciating the yen up to the level of ¥98 per US$ at the end of the fiscal year. As for oil product market conditions in Japan, provisional oil-related tax issues (consisting of the expiration of the terms of the provisional measures for the gasoline tax and the diesel fuel transaction tax in April and the restoration of the provisional measures in May) caused a temporary disruption in the market at the beginning of the fiscal year, as retail prices then showed the upward trend up until August against the background of fluctuations in crude oil prices but turned downward in September, making FY2008 represent a year of erratic fluctuations.

Under these circumstances, the Cosmo Oil Group developed the “Third Consolidated Medium-Term Management Plan (FY2008-10),” a new three-year plan starting from FY2008 designed to restructure the earnings base and to make strategic moves for further growth, to bring all forces into one across the Group to work on the plan.

As a result, consolidated net sales in FY2008 were ¥3,428.2 billion (down ¥94.9 billion from FY2007), consolidated operating loss, ¥107.0 billion (down ¥190.8 billion) and consolidated ordinary loss, ¥125.0 billion (down ¥219.3 billion).
After extraordinary gain and loss adjustments and corporation taxes and other adjustments, consolidated net loss for FY2008 was ¥92.4 billion (down ¥127.6 billion).

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	3,352.9	89.1	91.8	-105.6	3,428.2
Operating income	-162.6	50.8	2.2	2.6	107.0

[Petroleum Business Segment]

1) In the oil product business, oil product market conditions oscillated against the background of wild fluctuations in crude oil prices but efforts were made to shift increased costs to consumer costs at an appropriate level. On the other hand, the selling volume reduced reflecting the lower domestic demand mainly caused by sluggish consumption due to the downturn in the economy and by progress in fuel conversion. Furthermore, an inventory valuation impact significantly increased cost of sales. As a result, the segment recorded lower profit from FY2007.

2) The petrochemical business recorded lower profit from FY2007 mainly reflecting the reduced selling volume due to a drop in the product demand and a squeeze on margins.

As a result, the segment reported net sales in FY2008 of ¥3,352.9 billion (down ¥89.3 billion from FY2007), operating loss of ¥162.6 billion (down ¥202.0 billion) and ordinary loss of ¥175.1 billion (down ¥221.5 billion).

[Oil Exploration and Production Business Segment]

The oil exploration and production business reported net sales of ¥89.1 billion (up ¥5.0 billion from FY2007), operating income of ¥50.8 billion (up ¥7.3 billion) and ordinary income of ¥45.9 billion (down ¥1.0 billion), mainly reflecting the lower selling volume and the impact of foreign exchange translation, though crude oil price hovering high in general.

[Other Business Segment]

Reflecting continued efforts made to improve rationalization and efficiency, the segment reported net sales of ¥91.8 billion (down ¥7.2 billion from FY2007), operating income of ¥2.2 billion (down ¥300 million) and ordinary income of ¥2.4 billion (down ¥500 million).

2) Outlook for FY2009

The Group will steadily execute a variety of programs, as defined by the "Third Consolidated Medium-Term Management Plan" 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 FY2009 include an average crude oil price at US$50.0 per barrel and the Japanese yen at ¥100 per US$ on the average. Consolidated net sales are forecast to be ¥2,300 billion (down ¥1,128.2 billion from FY2008), consolidated operating income, ¥85.0 billion (up ¥192.0 billion), consolidated ordinary income, ¥82.0 billion (up ¥207.0 billion) and consolidated net income for FY2009, ¥33.0 billion (up ¥125.4 billion).

[Segment-Specific Business Outlook] (Unit: ¥ billion)

	Petroleum business	Oil exploration and production business	Other businesses	Deletion or other adjustments	Consolidated
Net sales	2,232.0	57.0	86.0	-75.0	2,300.0
Operating income	60.0	23.0	2.0	0.0	85.0

[Petroleum Business Segment]

The segment is expected to improve profit by enhancing the competitive advantage of the refineries and by building the stronger sales network among other things, as defined by the "Third Consolidated Medium-Term Management Plan" and the profit for FY2009 is likely to be higher than that of FY2008 mainly due to cost of sales expected to be significantly brought down by the impact of inventory valuation that arose in FY2008.

[Oil Exploration and Production Business Segment]

The segment will continue stable crude oil production but is expected to reduce profit as compared with FY2008 since crude oil prices are not likely to be as high as in FY2008.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

As for consolidated financial conditions as of March 31, 2009, total assets amounted to ¥1,440.4 billion, down ¥187.5 billion from March 31, 2008, mainly reflecting a decrease in inventories due to crude oil price drops.

Net assets amounted to ¥347.4 billion, down ¥122.3 billion from March 31, 2008, mainly reflecting net loss recorded due to negative inventory valuation impact, resulting in a net worth ratio of 22.8%.

2) Cash Flows

As for consolidated cash flows as of March 31, 2009, net cash provided by operating activities amounted to ¥82.1 billion, mainly reflecting a decrease in inventories due to a drop in crude oil prices. Net cash used in investing activities amounted to ¥56.0 billion, mainly reflecting payments for fixed asset acquisitions. Net cash provided by financing activities amounted to ¥57.9 billion, mainly reflecting an increase in borrowings.

As a result, cash and cash equivalents as of March 31, 2009 amounted to ¥159.9 billion, up ¥77.2 billion from March 31, 2008.

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

	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009
Net worth ratio	17.2%	21.4%	21.5%	27.2%	22.8%
Net worth ratio on a fair value basis	16.6%	28.3%	21.0%	16.3%	17.5%
Ratio of cash flows to interest-bearing debt	12.3 years	-	24.4years	—	7.3years
Interest coverage ratio	3.6times	-	2.4times	—	7.6times

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 2008, 2009

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 ¥3 per share.

Full-year dividends for FY2009 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.

The Group uses the weighted average method to value crude oil inventories. Therefore, lower crude oil prices can have a material impact on the Group's operating performance and financial condition, such as a heavier cost burden the Group might have to bear for actual market conditions.

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.

Foreign exchange rate fluctuations can also have a material impact when the financial statements of consolidated subsidiaries outside Japan and associated companies accounted for in the equity method are restated in the Japanese yen currency.

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.

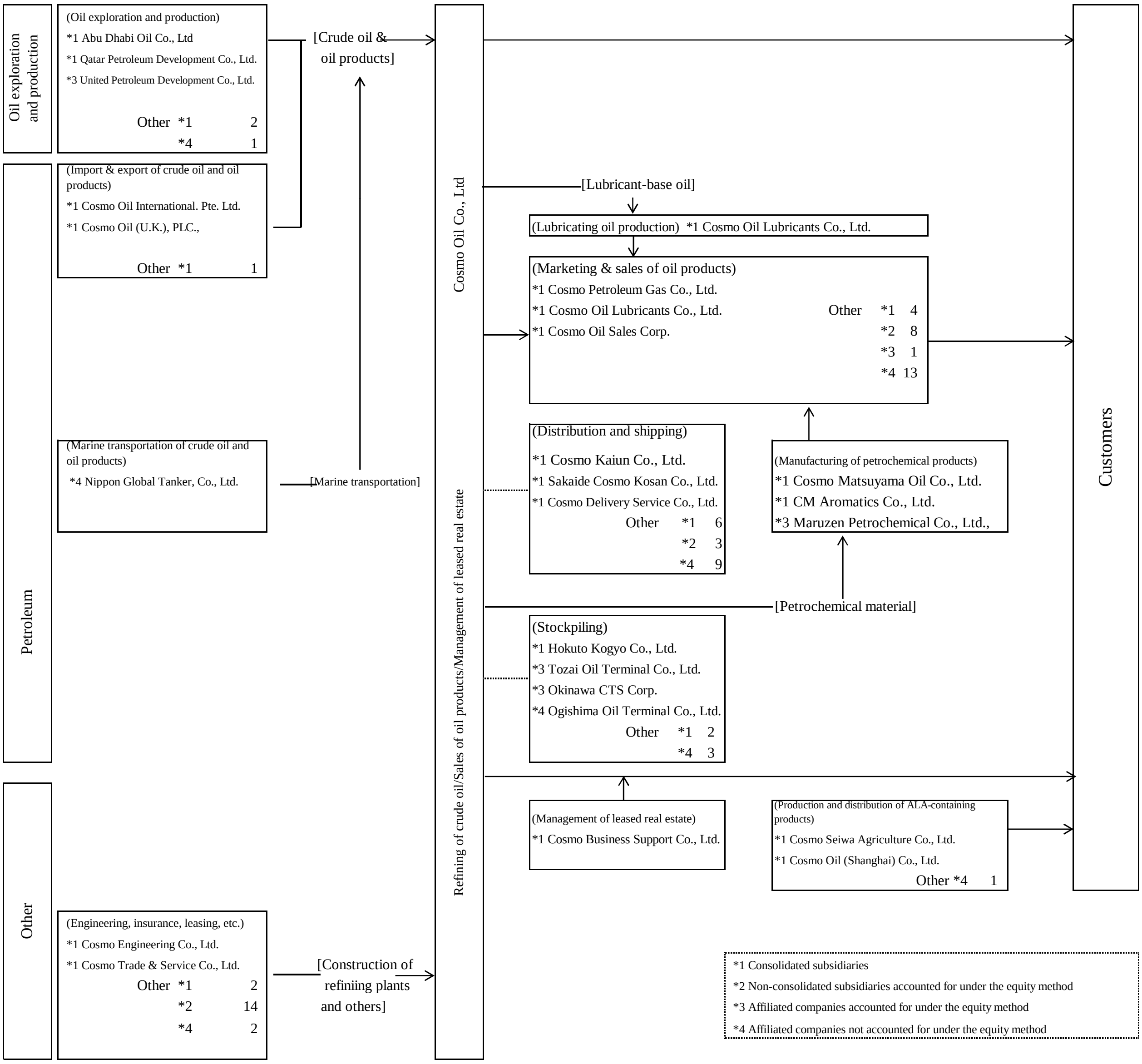
2. Current Status of the Cosmo Oil Group

The Cosmo Oil Group consists of Cosmo Oil Co., Ltd. and its 53 subsidiaries and 35 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 oil	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 Corp. And other 26 companies	30
	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 five companies	9
	Distribution	Cosmo Kaiun Co., Ltd., Sakaide Cosmo Kosan Co., Ltd., Cosmo Delivery Service Co., Ltd. and other 18 companies	21
Other	Leased real estate management, etc.	Cosmo Oil、Cosmo Business Support Co., Ltd.	2
	Production and distribution of ALA-containing products	Cosmo Seiwa Agriculture Co., Ltd., Cosmo Oil (Shanghai) Co., Ltd. and other one companies	3
	Engineering, insurance, leasing, etc.	Cosmo Engineering Co., Ltd., Cosmo Trade & Service Co., Ltd. and other 18 companies	20

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)." With the basic policy of keeping the refineries' operations safe and stable, the refining department will invest in upgrading the 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 refining system that can flexibly respond to future changes in structural changes in the oil product demand and to continue to enhance the competitiveness of the refineries. As for oil product sales in Japan, the Company will build its strong service station (SS) networks by closely working with marketing subsidiaries and dealers to secure profit. As for overseas sales, the Company will take advantage of its strength of offering ultra-low-sulfur-content oil products which are excellent in environmental management, while broadening sales channels and territories by developing overseas business customers, including importers of the Company's products, to build the stable sales network which will lead to a future success in the export business.

[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 efforts will be made for early implementation of such projects to 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 will make group-wide implementation of CSR management based on the "Second Consolidated Medium-Term CSR Management Plan (for FY2008-2010)."

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

The Company will promote CSR and environmental management based on the "Second Consolidated Medium-Term CSR Management Plan (for FY2008-2010)" 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)

	FY2007 As of Mar. 31, 2008	FY2008 As of Mar. 31, 2009
Assets		
Current assets		
Cash and deposits	72,193	147,451
Notes and accounts receivable-trade	293,549	189,036
Short-term investment securities	10,992	13,983
Inventories	440,091	—
Merchandise and finished goods	—	116,732
Work in process	—	1,198
Raw materials and supplies	—	121,160
Accounts receivable-other	60,804	57,781
Deferred tax assets	5,448	7,321
Other	50,994	34,046
Allowance for doubtful accounts	-352	-402
Total current assets	933,721	688,310
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	95,978	94,611
Oil storage depots, net	11,251	11,030
Machinery, equipment and vehicles, net	79,689	76,732
Land	308,277	305,565
Lease assets, net	—	91
Construction in progress	26,810	46,665
Other, net	7,016	8,719
Total property, plant and equipment	529,023	543,416
Intangible assets		
Leasehold right	1,211	1,201
Software	4,001	3,206
Goodwill	181	107
Other	4,385	7,668
Total intangible assets	9,779	12,183
Investments and other assets		
Investment securities	103,614	88,471
Investments in capital	213	185
Long-term loans receivable	2,643	1,987
Long-term prepaid expenses	7,838	6,970
Other	38,819	36,570
Deferred tax assets	3,473	63,179
Allowance for doubtful accounts	-1,224	-878
Total investments and other assets	155,378	196,485
Total noncurrent assets	694,182	752,085
Total assets	1,627,903	1,440,395

(Unit: million yen)

	FY2007 As of Mar. 31, 2008	FY2008 As of Mar. 31, 2009
Liabilities		
Current liabilities		
Notes and accounts payable-trade	312,656	191,883
Short-term loans payable	257,100	261,778
Current portion of bonds	2,500	—
Accounts payable-other	86,252	71,523
Accrued volatile oil and other petroleum taxes	77,240	112,663
Income taxes payable	21,688	5,770
Accrued consumption taxes	3,844	201
Accrued expenses	12,437	11,202
Provision for loss on construction contracts	—	327
Deferred tax liabilities	10,363	—
Other	27,944	28,532
Total current liabilities	812,027	683,883
Noncurrent liabilities		
Bonds with subscription rights to shares	18,000	18,000
Long-term loans payable	244,004	318,830
Deferred tax liabilities	16,806	6,957
Deferred tax liabilities for land revaluation	33,946	33,492
Provision for special repairs	7,367	6,676
Provision for retirement benefits	6,300	6,096
Other	19,722	19,009
Total noncurrent liabilities	346,149	409,063
Total liabilities	1,158,176	1,092,946
Net assets		
Shareholders' equity		
Capital stock	107,246	107,246
Capital surplus	89,442	89,440
Retained earnings	215,388	115,732
Treasury stock	-125	-129
Total shareholders' equity	411,952	312,290
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,909	-2,099
Deferred gains or losses on hedges	14,603	8,084
Revaluation reserve for land	11,084	11,523
Foreign currency translation adjustment	-638	-1,365
Total valuation and translation adjustments	30,960	16,142
Minority interests	26,814	19,015
Total net assets	469,726	347,449
Total liabilities and net assets	1,627,903	1,440,395

(2) Consolidated Statements of Income

(Unit: million yen)

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
Net sales	3,523,086	3,428,211
Cost of sales	3,290,687	3,389,407
Gross profit	232,399	38,803
Selling, general and administrative expenses	148,602	145,809
Operating income (loss)	83,796	-107,005
Non-operating income		
Interest income	1,976	1,485
Dividends income	1,511	831
Rent income on noncurrent assets	913	982
Foreign exchange gains	8,886	—
Equity in earnings of affiliates	8,662	—
Other	6,083	5,897
Total non-operating income	28,033	9,197
Non-operating expenses		
Interest expenses	11,357	10,767
Equity in losses of affiliates	—	1,126
Foreign exchange losses	—	9,325
Other	6,142	5,975
Total non-operating expenses	17,499	27,195
Ordinary income (loss)	94,330	-125,004
Extraordinary income		
Gain on sales of noncurrent assets	5,417	6,899
Gain on sales of investment securities	726	4,193
Reversal of allowance for doubtful accounts	456	—
Gain on abolishment of retirement benefit plan	3,155	—
Gain on exchange of stock	393	—
Gain on insurance adjustment	—	1,749
Other	82	182
Total extraordinary income	10,232	13,025
Extraordinary loss		
Loss on sales of noncurrent assets	100	216
Loss on disposal of noncurrent assets	2,554	3,417
Impairment loss	4,510	1,239
Loss on valuation of membership	56	—
Loss on liquidation of business of subsidiaries and affiliates	1,625	—
Other	155	327
Total extraordinary losses	9,002	5,200
Income (loss) before income taxes and minority interests	95,560	-117,179
Income taxes-current	47,982	43,828
Income taxes-deferred	7,088	-71,522
Total income taxes	55,070	-27,694
Minority interests in income	5,337	2,944
Net income (loss)	35,152	-92,429

(3) Consolidated Statements of Changes in Net Assets

(Unit: million yen)

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
Shareholders' equity		
Capital stock		
Balance at the end of previous period	62,366	107,246
Changes of items during the period		
Issuance of new shares	44,880	—
Total changes of items during the period	44,880	—
Balance at the end of current period	107,246	107,246
Capital surplus		
Balance at the end of previous period	44,561	89,442
Changes of items during the period		
Issuance of new shares	44,880	—
Disposal of treasury stock	0	-1
Total changes of items during the period	44,880	-1
Balance at the end of current period	89,442	89,440
Retained earnings		
Balance at the end of previous period	185,851	215,388
Changes of items during the period		
Dividends from surplus	-5,371	-6,779
Net income (loss)	35,152	-92,429
Reversal of revaluation reserve for land	-243	-445
Total changes of items during the period	29,537	-99,655
Balance at the end of current period	215,388	115,732
Treasury stock		
Balance at the end of previous period	-111	-125
Changes of items during the period		
Purchase of treasury stock	-14	-14
Disposal of treasury stock	1	9
Total changes of items during the period	-13	-4
Balance at the end of current period	-125	-129
Total shareholders' equity		
Balance at the end of previous period	292,667	411,952
Changes of items during the period		
Issuance of new shares	89,760	—
Dividends from surplus	-5,371	-6,779
Net income (loss)	35,152	-92,429
Reversal of revaluation reserve for land	-243	-445
Purchase of treasury stock	-14	-14
Disposal of treasury stock	2	8
Total changes of items during the period	119,284	-99,661
Balance at the end of current period	411,952	312,290

(Unit: million yen)

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	14,507	5,909
Changes of items during the period		
Net changes of items other than shareholders' equity	-8,598	-8,008
Total changes of items during the period	-8,598	-8,008
Balance at the end of current period	5,909	-2,099
Deferred gains or losses on hedges		
Balance at the end of previous period	12,141	14,603
Changes of items during the period		
Net changes of items other than shareholders' equity	2,462	-6,519
Total changes of items during the period	2,462	-6,519
Balance at the end of current period	14,603	8,084
Revaluation reserve for land		
Balance at the end of previous period	20,917	11,084
Changes of items during the period		
Reversal of revaluation reserve for land	243	445
Net changes of items other than shareholders' equity	-10,076	-7
Total changes of items during the period	-9,832	438
Balance at the end of current period	11,084	11,523
Foreign currency translation adjustment		
Balance at the end of previous period	-533	-638
Changes of items during the period		
Net changes of items other than shareholders' equity	-104	-727
Total changes of items during the period	-104	-727
Balance at the end of current period	-638	-1,365
Total valuation and translation adjustments		
Balance at the end of previous period	47,033	30,960
Changes of items during the period		
Reversal of revaluation reserve for land	243	445
Net changes of items other than shareholders' equity	-16,316	-15,262
Total changes of items during the period	-16,073	-14,817
Balance at the end of current period	30,960	16,142
Minority interests		
Balance at the end of previous period	21,911	26,814
Changes of items during the period		
Net changes of items other than shareholders' equity	4,903	-7,799
Total changes of items during the period	4,903	-7,799
Balance at the end of current period	26,814	19,015

(Unit: million yen)

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
Total net assets		
Balance at the end of previous period	361,612	469,726
Changes of items during the period		
Issuance of new shares	89,760	—
Dividends from surplus	-5,371	-6,779
Net income (loss)	35,152	-92,429
Reversal of revaluation reserve for land	—	—
Purchase of treasury stock	-14	-14
Disposal of treasury stock	2	8
Net changes of items other than shareholders' equity	-11,413	-23,062
Total changes of items during the period	108,114	-122,277
Balance at the end of current period	469,726	347,449

(4) Consolidated Statement of Cash Flows

(Unit: million yen)

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
Income (loss) before income taxes and minority interests		
Income (loss) before income taxes and minority interests	95,560	-117,179
Depreciation and amortization	33,240	34,966
Impairment loss	4,510	1,239
Amortization of goodwill	45	75
Loss (gain) on sales of noncurrent assets	-5,317	-6,682
Loss (gain) on disposal of noncurrent assets	2,554	3,417
Gain on insurance claim	—	-1,749
Interest and dividends income	-3,488	-2,317
Interest expenses	11,357	10,767
Equity in (earnings) losses of affiliates	-8,662	1,126
Increase (decrease) in allowance for doubtful accounts	-937	-293
Increase (decrease) in provision for special repairs	-520	-690
Increase (decrease) in provision for retirement benefits	2,020	-158
Increase (decrease) in other provision	-238	303
Decrease (increase) in notes and accounts receivable-trade	-1,562	103,774
Recovery of recoverable accounts under production sharing	9,536	6,524
Decrease (increase) in inventories	-92,345	200,933
Increase (decrease) in notes and accounts payable-trade	31,130	-120,036
Decrease (increase) in other current assets	-7,058	12,281
Increase (decrease) in other current liabilities	-34,136	28,466
Decrease (increase) in investments and other assets	-271	2,692
Increase (decrease) in other noncurrent liabilities	2,265	-279
Other, net	-2,838	1,675
Subtotal	34,847	158,856
Interest and dividends income received	4,360	5,545
Interest expenses paid	-11,871	-10,872
Proceeds from insurance income	—	930
Income taxes paid	-31,551	-72,325
Net cash provided by (used in) operating activities	-4,214	82,135

(Unit: million yen)

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	-1,906	-508
Proceeds from sales of short-term investment securities	4,956	509
Purchase of investment securities	-4,583	-5,029
Proceeds from sales of investment securities	2,460	6,416
Proceeds from sales of stocks of subsidiaries and affiliates	—	923
Purchase of property, plant and equipment	-34,822	-55,213
Payments for disposal of property, plant and equipment	-1,188	-1,761
Proceeds from sales of property, plant and equipment	9,461	10,815
Payments for purchases of intangible fixed assets and long-term prepaid expenses	-8,640	-14,026
Decrease (increase) in short-term loans receivable	545	1,378
Payments of long-term loans receivable	-784	-796
Collection of long-term loans receivable	1,708	1,444
Other, net	-10	-104
Net cash provided by (used in) investing activities	-32,805	-55,953
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-11,736	46,840
Proceeds from long-term loans payable	7,454	111,230
Repayment of long-term loans payable	-53,868	-77,914
Proceeds from issuance of common stock	89,281	—
Redemption of bonds	-30,300	-2,500
Cash dividends paid	-5,371	-6,779
Cash dividends paid to minority shareholders	-616	-13,548
Proceeds from stock issuance to minority shareholders	—	541
Other, net	-72	-15
Net cash provided by (used in) financing activities	-5,229	57,853
Effect of exchange rate change on cash and cash equivalents	-1,244	-6,791
Net increase (decrease) in cash and cash equivalents	-43,494	77,245
Cash and cash equivalents at beginning of period	126,105	82,674
Increase in cash and cash equivalents from newly consolidated subsidiary	63	—
Cash and cash equivalents at end of period	82,674	159,919

(5)Notes to going concern

None

(6) 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: 28

Cosmo Oil (Shanghai) Co., Ltd. is included in the consolidated subsidiaries of Cosmo Oil since it was established during FY2008 (the fiscal year that ended on March 31, 2009).

System Kikou Co., Ltd. is excluded from the consolidated subsidiaries of the Company since all of their shares owned by Cosmo Engineering Co., Ltd. sell during FY2008. Mikawa CSN Co., Ltd. is excluded from the consolidated subsidiaries of the Company since all of their shares owned by the Company sell during FY2008.

Cosmo Engineering Co., Ltd. merged Cosmo Techno Service Co., Ltd. into itself during FY2008.

(2) Number of Non-consolidated Subsidiaries: 25

2. Items Concerning the Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for Using the Equity Method: 25

Chubu Shizai Co., Ltd. is included in the application of the equity method since it become part of the subsidiaries of the Company through stock acquisition during FY2008.

Tohoku Toyo Shouji Co., Ltd., Kansai LPG Center Co., Ltd., Esutekkusu Co., Ltd., and Nanyo Sekiyu Co., Ltd. are excluded from the application of the equity method since their liquidation processes are completed during FY2008.

Cosmo Gas Sendai Service Center Co., Ltd. was excluded from the application of the equity method since it was merged into Tohoku Cosmo Gas Co., Ltd. during FY2008.

Kanto Cosmo Gas Co., Ltd., Kinki Cosmo Gas Co., Ltd. and Hyogo Tsubame Propane Gas Sales Co., Ltd. were excluded from the application of the equity method since all of their shares owned by Cosmo Petroleum Gas Co., Ltd. are sold during FY2008.

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

(3) 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 28 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 (Shanghai) Co., Ltd., and Cosmo Oil Sales Corp. 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, 2008 and any material transactions arising between December 31, 2008 and March 31, 2009, the date for the consolidated settlement of accounts for the Company, are reflected on the consolidated financial statements herein by making necessary adjustments.

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 (however, the amounts of inventories stated in the balance sheets were computed by using the method that book values are reduced to reflect declines in profitability).
(Change in Accounting Policy)
Though conventionally, the Company had principally stated inventories at cost determined by the weighted average method, the new Accounting Standard for Inventory Valuation (the Accounting Standards Board of Japan (ASBJ) Standard No. 9 issued on July 5, 2006) became effective, which the Company complied with in application.
This change increased operating loss, ordinary loss and loss before income taxes and minority interests for FY2008 by ¥8,498 million, respectively, as compared with the case when the conventional inventory valuation method is adopted.

3) Derivative financial instruments: Stated at fair value.

(2) Significant Depreciable Assets and Depreciation Methods

1) Property, Plant and Equipment (except lease assets):
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 interest right agreement on the subsidiary signed by the investment partners thereto.
(Additional Information)
The Company and some of its consolidated subsidiaries used the number of years for useful life defined under the revised Corporate Income Tax Law of Japan, starting from FY2008.
This change increased depreciation expenses of property, plant and equipment by ¥1,691 million and thus increased operating loss, ordinary loss and loss before income taxes and minority interests for FY2008 by ¥1,578 million, respectively, as compared with the conventional number of years adopted for useful life.

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) Lease assets :
Leased assets involving finance lease transactions under which the ownership of the leased assets is transferred to lessees:
The method to calculate depreciation expenses for such assets is the same as that applied to fixed assets owned by the Company.
Leased assets involving finance lease transactions under which the ownership of the leased assets is not transferred to lessees:
The method to calculate depreciation for such assets is the straight line method with their residual values being zero over their leased periods used as the number of years for useful life.
Out of finance lease transactions other than those under which the ownership of the leased assets is considered to be transferred to lessees, such transactions, of which the lease term each commenced before the initial year of the application of the ASBJ Statement No. 13 “Accounting Standards for Lease Transactions,” are continuously accounted for in conformity with the accounting process applicable to operating lease transactions.

4) 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) Provision for loss on construction contracts

A reserve is set aside to cover future losses arising from construction projects for which orders have been won by some consolidated subsidiaries, in an amount equal to estimated losses involving undelivered projects as of the end of the current consolidated accounting period.

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 FY2008.

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 FY2008 in addition to the above charge.

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, 2009.

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.

(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) 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.

(7) Change in notes concerning Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements

(The Accounting Standard for Inventory Valuation)

Though conventionally, the Company had principally stated inventories at cost determined by the weighted average method, the new Accounting Standard for Inventory Valuation (the Accounting Standards Board of Japan (ASBJ) Standard No. 9 issued on July 5, 2006) became effective, which the Company complied with in application.

This change increased operating loss, ordinary loss and loss before income taxes and minority interests for FY2008 by ¥8,498 million, respectively, as compared with the case when the conventional inventory valuation method is adopted.

(Accounting Process Applied to Foreign Subsidiaries)

The Company's consolidated subsidiaries outside Japan are accounted for in accordance with the "Practical Solution on Unification of Accounting Policies to Foreign Subsidiaries for Consolidated Financial Statements" (the Practical Issues Task Force Report No. 18 issued on May 17, 2006)."

(Accounting Standard for Lease Transactions)

Financial lease transactions which do not transfer ownership had conventionally been accounted for in a similar manner to the accounting treatment for rental transactions. However, the Company, effective from the consolidated fiscal year 2008, adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, originally issued by the First Subcommittee of the Business Accounting Council on June 17, 1993 and revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, originally issued by the Law and Regulation Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised on March 30, 2007) to account for such transactions in a manner similar to the accounting treatment for ordinary sale and purchase transactions.

Finance lease transactions which commenced before the initial year of the adoption of the accounting standard and the guidance thereon by the Company and which do not transfer ownership continue to be accounted for in a similar manner to the accounting treatment for ordinary rental transactions.

This change, however, only brought a minor impact on operating loss, ordinary loss and net loss before income taxes and minority interests for FY2008.

(8) 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	FY2008 As of March 31, 2009
1. Accumulated depreciation for property, plant and equipment	¥661,454 million	¥680,095 million

2. Pledged assets

	FY2007 As of March 31, 2008	FY2008 As of March 31, 2009
1) Plant foundation		
Pledged assets	¥333,013 million	¥330,310 million
Secured liabilities	¥160,134 million	¥144,273 million
2) Fixed assets other than plant foundation		
Pledged assets	¥204 million	¥212 million
Secured liabilities	¥187 million	¥187 million

3. Contingencies

1) Guaranty Liabilities ¥2,650 million ¥2,194 million

The Company guarantees loans obtained by companies and individuals other than consolidated subsidiaries from financial institutions, etc.

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. Following that motion, the FTC issued a decision for commencement of adjudication as of March 24, 2008 and during FY2008, five sessions of trial were held.

4. 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	FY2008 As of March 31, 2009
・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	-¥84,225 million

(Notes to Consolidated Statements of Income)

	FY2007 April 1, 2007-March 31, 2008	FY2008 April 1, 2008-March 31, 2009
1. Selling, general and administrative expenses		
Freight expense	¥28,124 million	¥27,311 million
Outsourcing expense	¥23,534 million	¥22,920 million
Salaries and wages	¥22,548 million	¥22,219 million
Rent expense	¥15,789 million	¥15,879 million
Depreciation expense	¥7,355 million	¥6,681 million
Retirement and severance benefit payment to employees	¥551 million	¥1,938 million
Amount transferred to allowance for doubtful accounts	¥—million	¥330 million
2. Research and development expenses included in administrative expenses and production expenses	¥3,840million	¥3,863 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 FY2007 but for which the effective date comes FY2008

(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 2008 (from April 1, 2008 to March 31, 2009)

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, 2008	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, 2009
Outstanding shares	Ordinary shares	847,705,087	—	—	847,705,087
Less treasury stock, at cost	Ordinary shares	575,168	47,380	29,027	593,521

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 24, 2008	Ordinary shares	¥4,237 million	5	Mar. 31, 2008	June 25, 2008
Board of Directors' Meeting held on Nov. 5, 2008	Ordinary shares	¥2,542 million	3	Sep. 30, 2008	Dec. 9, 2008

(2) The dividend payment for which the base date belongs to FY2008 but for which the effective date comes FY2009

The Company plans a resolution as follows at the annual shareholders' meeting:

(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 23, 2009	Ordinary shares	¥4,237million	Retained earnings	5	Mar. 31, 2009	June 24, 2009

(Notes to Consolidated Statements of Cash Flows)

1. Relations between the amounts of cash and cash equivalents as of March 31, 2008 and 2009 and the account items shown in the balance sheets

	FY2007 April 1, 2007 - March 31, 2008 (As of March 31, 2008)	FY2008 April 1, 2008 - March 31, 2009 (As of March 31, 2009)
Cash and cash equivalents	¥72,193 million	¥147,451 million
Short-term investment securities	¥10,992 million	¥13,983 million
Total	¥83,185 million	¥161,435 million
Securities with time between acquisition and redemption for 3 months or more	－¥510 million	－¥1,515 million
Cash and cash equivalents	¥82,674 million	¥159,919 million

b. Segment information

1. Business segment information

FY2008（From April 1, 2008 to March 31, 2009）

	Petroleum (million yen)	Oil exploration and production (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
Ⅰ Net sales and operating income or loss						
Net sales						
(1)Outside customers	3,352,213	37,391	38,606	3,428,211	-	3,428,211
(2)Inter-segment	701	51,663	53,183	105,548	(105,548)	-
Total	3,352,915	89,054	91,789	3,533,760	(105,548)	3,428,211
Operating expenses	3,515,561	38,274	89,547	3,643,384	(108,167)	3,535,216
Operating income (loss)	-162,645	50,779	2,242	-109,624	2,618	-107,005
Ⅱ Asset, depreciation expenses, Impairment loss on fixed assets and capital expenditures						
Assets	1,161,035	129,439	26,537	1,317,011	123,384	1,440,395
Depreciation and amortization	26,571	8,818	123	35,512	(546)	34,966
Impairment loss on fixed assets	1,239	-	-	1,239	-	1,239
Capital expenditures	49,779	18,471	227	68,478	(1,452)	67,025

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

	Petroleum (million yen)	Oil exploration and production (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
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						
Assets	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

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 ¥141,639 million as of FY2008 and ¥53,393 million as of FY2007, respectively. The corporate assets mainly consist of assets involving surplus capital for working funds and the business administration department.

4 Change in Accounting Policy

(1) Changes in Inventory Valuation Standard and Method:

As reported in “(6) Important Items Necessary to Develop Consolidated Financial Statements,” the Company, effective from FY2008, adopted the new “Accounting Standard for Inventory Valuation” (the ASBJ Statement No. 9 issued on July 5, 2006) and principally stated inventories held for the purpose of ordinary sales, at cost method by the weighted average method (whereas the amounts of inventories stated in the balance sheets were computed by using the method that book values are reduced to reflect declines in profitability). This change increased operating loss reported by petroleum business for FY2008 by ¥8,498 million as compared with the case when the conventional inventory valuation method is adopted.

(2) Change in Useful Life Applicable to Fixed Assets:

As reported in “(6) Important Items Necessary to Develop Consolidated Financial Statements,” the Company and some of its consolidated subsidiaries used the number of years for useful life defined under the revised Corporate Income Tax Law of Japan, starting from FY2008. This change increased operating loss reported by the petroleum business for FY2008 by ¥1,578 million as compared with the conventional number of years adopted for useful life.

2. Geographic segment information

FY2008（From April 1, 2008 to March 31, 2009）

	Japan (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
Ⅰ Net sales and					
Net sales					
(1)Outside customers	3,287,552	140,658	3,428,211	-	3,428,211
(2)Inter-segment	84,060	313,454	397,514	(397,514)	-
Total	3,371,612	454,113	3,825,726	(397,514)	3,428,211
Operating expenses	3,532,740	402,423	3,935,163	(399,946)	3,535,216
Operating income (loss)	-161,127	51,689	-109,437	2,431	-107,005
Ⅱ Assets	1,177,462	152,302	1,329,765	110,630	1,440,395

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

	Japan (million yen)	Other (million yen)	Total (million yen)	Elimination or corporate (million yen)	Consolidated (million yen)
Ⅰ Net sales and					
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 (loss)	41,423	43,340	84,764	(967)	83,796
Ⅱ Assets	1,456,135	201,807	1,657,943	(30,039)	1,627,903

Note 1 The method of division of countries or regions and major countries included

(1) The method of division of countries or regions: geographic proximity

(2) Countries included in the other area: Singapore, the US, UK, UAE, Qatar, Australia and China

2 Out of the assets shown above, the elimination and corporate category includes corporate assets recorded at ¥141,639 million as of FY2008 and ¥53,393 million as of FY2007, respectively. The corporate assets mainly consist of assets involving surplus capital for working funds and the business administration department.

3 Change in Accounting Policy

(1) Changes in Inventory Valuation Standard and Method:

As reported in "(6) Important Items Necessary to Develop Consolidated Financial Statements," the Company, effective from FY2008, adopted the new "Accounting Standard for Inventory Valuation" (the ASBJ Statement No. 9 issued on July 5, 2006) and principally stated inventories held for the purpose of ordinary sales, at cost method by the weighted average method (whereas the amounts of inventories stated in the balance sheets were computed by using the method that book values are reduced to reflect declines in profitability). This change increased operating loss reported by Japan for FY2008 by ¥8,498 million as compared with the case when the conventional inventory valuation method is adopted.

(2) Change in Useful Life Applicable to Fixed Assets:

As reported in "(6) Important Items Necessary to Develop Consolidated Financial Statements," the Company and some of its consolidated subsidiaries used the number of years for useful life defined under the revised Corporate Income Tax Law of Japan, starting from FY2008. This change increased operating loss reported by the Japan for FY2008 by ¥1,578 million as compared with the conventional number of years adopted for useful life.

3. Overseas Sales

FY2008（From April 1, 2008 to March 31, 2009）

Ⅰ Overseas net sales (million yen)	399,070
Ⅱ Consolidated net sales (million yen)	3,428,211
Ⅲ Overseas net sales share of consolidated net sales (%)	11.6

Note 1 Countries and regions are segmented by geographical proximity but sales from each country/region are so small that such sales are combined together to be represented as “overseas net sales”

2 Major country and region from which sales are earned: Asia and North America

3 Overseas net sales refer to net sales from countries and regions where the Company and its subsidiaries do business apart from Japan.

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

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

Note 1 Countries and regions are segmented by geographical proximity but sales from each country/region are so small that such sales are combined together to be represented as “overseas net sales”

2 Major country and region from which sales are earned: Asia and North America

3 Overseas net sales refer to net sales from countries and regions where the Company and its subsidiaries do business apart from Japan.

c. Tax Effective Consequence Accounting

1．Significant Components of Deferred Tax Assets and Deferred Tax Liabilities as of March 31, 2008 and 2009

(Unit : million yen)

FY2007 — As of March 31, 2008

(1) Current	
(Deferred tax assets)	
Unrealized gains (losses) of inventories	3,856
Reserve for bonuses	2,002
Other	2,448
Sub total current deferred tax assets	8,306
Valuation allowance	-8
Total current deferred tax assets	8,297
Account offset against deferred tax liabilities	-2,849
Net current deferred tax assets	5,448
(Deferred tax liabilities)	
Deferred gains (losses) on hedges	-13,053
Other	-159
Total current deferred tax liabilities	-13,213
Account offset against deferred tax assets	2,849
Net current deferred tax liabilities	-10,363
(2) Non-Current	
(Deferred tax assets)	
Impairment loss	7,583
Excess part of depreciation deductible limit	2,841
Investments in securities	2,728
Retirement and severance benefits for employees	2,371
Allowance for special repair work	1,471
Other	7,450
Sub total non-current deferred tax assets	24,446
Valuation allowance	-8,851
Total non-current deferred tax assets	15,594
Account offset against deferred tax liabilities	-12,120
Net non-current deferred tax assets	3,473
(Deferred tax liabilities)	
Reserve for reduction of fixed assets	-11,690
Redemption difference in foreign corporation tax calculation	-8,022
Prepaid pension cost	-5,111
Net unrealized gains (losses) on securities	-3,293
Other	-808
Total non-current deferred tax liabilities	-28,927
Account offset against deferred tax assets	12,120
Net non-current deferred tax liabilities	-16,806

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

FY2008 — As of March 31, 2009

(1) Current	
(Deferred tax assets)	
Loss brought forward	6,904
Reserve for bonuses	1,947
Unrealized gains (losses) of inventories	1,839
Other	2,938
Sub total current deferred tax assets	13,630
Valuation allowance	-585
Total current deferred tax assets	13,044
Account offset against deferred tax liabilities	-5,723
Net current deferred tax assets	7,321
(Deferred tax liabilities)	
Deferred gains (losses) on hedges	-5,474
Other	-253
Total current deferred tax liabilities	-5,728
Account offset against deferred tax assets	5,723
Net current deferred tax liabilities	-4
(2) Non-Current	
(Deferred tax assets)	
Loss brought forward	67,152
Other	22,798
Sub total non-current deferred tax assets	89,950
Valuation allowance	-9,386
Total non-current deferred tax assets	80,564
Account offset against deferred tax liabilities	-17,385
Net non-current deferred tax assets	63,179
(Deferred tax liabilities)	
Reserve for reduction of fixed assets	-12,011
Redemption difference in foreign corporation tax calculation	-7,036
Other	-5,294
Total non-current deferred tax liabilities	-24,342
Account offset against deferred tax assets	17,385
Net non-current deferred tax liabilities	-6,957

Other deferred tax liabilities other than those shown above include one for revaluation of land at ¥33,492million.

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, 2008 and 2009

FY2007 Ended March 31, 2008		FY2008 Ended March 31, 2009
Statutory income tax rate	40.44%	This item is not listed, due to loss before income taxes and minority interests.
（Adjustment）		
Non-deductible expenses, including entertainment expenses	0.82%	
Non-deductible revenue, including dividends receivable	-0.88%	
Effect on equity in earnings of affiliates	-3.67%	
Non-Japanese taxes	14.06%	
Valuation allowance	5.74%	
Other	1.12%	
Effective income tax rate (after the application of tax consequence accounting)	57.63%	

d. Per-share information

	FY2007 April 1, 2007 - March 31, 2008	FY2008 April 1, 2008 - March 31, 2009
Net assets per share	¥522.84	¥387.71
Net income per share or Net loss per share	¥46.72	¥-109.11
Diluted net income per share	¥44.98	－

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, 2008 - March 31, 2009
Net income per share		
Net income for the year (¥ mil)	35,152	-92,429
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	-92,429
Average number of common shares outstanding during the year (thousands of shares)	752,368	847,120
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	－
(incl. warrant bonds (thousands of bonds)	(29,154)	(－)

e. Material Contingencies

None

(Items of which disclosure is omitted)

Notes to finance leases, transactions with parties relevant to the Company and securities and derivative transactions and retirement benefits are not shown in this report on the overview of full-year results for FY2008 because it is considered that the level of necessity to disclose such information herein is negligible.

4. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheet

(Unit: million yen)

	FY2007 As of Mar. 31, 2008	FY2008 As of Mar. 31, 2009
Assets		
Current assets		
Cash and deposits	23,739	119,268
Notes receivable-trade	223	98
Accounts receivable-trade	257,538	163,925
Short-term investment securities	11	11
Finished products	98,975	—
Merchandise and finished goods	—	97,587
Semi-finished goods	83,953	—
Raw materials	94,876	—
In-transit products	4,823	—
Raw materials in transit	125,288	—
Raw materials and supplies	—	116,452
Supplies	3,665	—
Real estate for sale	363	—
Advance payments-trade	1,229	957
Prepaid expenses	2,972	2,755
Deferred tax assets	—	3,243
Short-term loans receivable	27	17
Short-term loans receivable to subsidiaries and affiliates	36,610	40,170
Accounts receivable-other	102,673	74,622
Swap assets	33,059	13,571
Other	7,209	8,098
Allowance for doubtful accounts	-280	-232
Total current assets	876,963	640,551
Noncurrent assets		
Property, plant and equipment		
Buildings, net	23,177	22,890
Structures, net	44,950	43,968
Oil storage depots, net	9,175	9,242
Machinery and equipment, net	66,316	63,291
Vehicles, net	332	209
Tools, furniture and fixtures, net	3,960	3,505
Land	269,674	269,047
Lease assets, net	—	2
Construction in progress	22,718	45,419
Total property, plant and equipment	440,305	457,579
Intangible assets		
Patent right	89	77
Leasehold right	1,055	1,044
Right of trademark	1	1
Software	2,721	2,216
Other	155	140
Total intangible assets	4,023	3,480

(Unit: million yen)

	FY2007 As of Mar. 31, 2008	FY2008 As of Mar. 31, 2009
Investments and other assets		
Investment securities	42,571	34,049
Stocks of subsidiaries and affiliates	38,603	38,972
Investments in capital	131	126
Long-term loans receivable	462	437
Long-term loans receivable from employees	4	1
Long-term loans receivable from subsidiaries and affiliates	19,309	21,637
Long-term prepaid expenses	4,046	4,240
Long-term accounts receivable-other	412	431
Long-term deposits	12,231	11,528
Deferred tax assets	—	58,875
Other	14,191	12,025
Allowance for doubtful accounts	-763	-298
Reserve for loss on investments in unconsolidated subsidiaries and affiliates	-1,575	-816
Total investments and other assets	129,627	181,210
Total noncurrent assets	573,955	642,269
Total assets	1,450,919	1,282,821
Liabilities		
Current liabilities		
Accounts payable-trade	308,907	170,031
Short-term loans payable	147,889	197,158
Current portion of long-term loans payable	76,966	34,284
Current portion of bonds	2,500	—
Accounts payable-other	103,239	88,114
Accrued volatile oil and other petroleum taxes	77,240	112,663
Income taxes payable	5,939	22
Accrued consumption taxes	3,174	—
Accrued expenses	4,839	4,997
Advances received	6,559	6,582
Deposits received	41,425	27,536
Unearned revenue	72	44
Deferred tax liabilities	10,757	—
Other	4,511	143
Total current liabilities	794,024	641,578
Noncurrent liabilities		
Bonds with subscription rights to shares	18,000	18,000
Long-term loans payable	239,239	314,955
Deferred tax liabilities	9,263	—
Deferred tax liabilities for land revaluation	31,153	31,137
Long-term deposits received	9,013	8,810
Provision for special repairs	5,984	5,458
Provision for retirement benefits	2,227	2,254
Other	3,871	3,056
Total noncurrent liabilities	318,754	383,671
Total liabilities	1,112,778	1,025,250

(Unit: million yen)

	FY2007 As of Mar. 31, 2008	FY2008 As of Mar. 31, 2009
Net assets		
Shareholders' equity		
Capital stock	107,246	107,246
Capital surplus		
Legal capital surplus	89,439	89,439
Other capital surplus	2	1
Total capital surpluses	89,442	89,440
Retained earnings		
Legal retained earnings	7,407	7,407
Other retained earnings		
Reserve for special depreciation	12	5
Reserve for advanced depreciation of noncurrent assets	17,218	17,690
Retained earnings brought forward	84,607	21,118
Total earned surpluses	109,245	46,222
Treasury stock	-76	-81
Total shareholders' equity	305,857	242,829
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,758	-2,461
Deferred gains or losses on hedges	19,347	8,067
Revaluation reserve for land	8,176	9,135
Total valuation and translation adjustments	32,282	14,741
Total net assets	338,140	257,570
Total liabilities and net assets	1,450,919	1,282,821

(2) Non-consolidated Statements of Income

(Unit: million yen)

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
Net sales	3,301,597	3,158,917
Cost of sales	3,192,523	3,241,668
Gross profit (Loss)	109,073	-82,751
Selling, general and administrative expenses	88,473	86,580
Operating income (Loss)	20,600	-169,331
Non-operating income		
Interest income	1,592	1,531
Interest on securities	4	17
Dividends income	3,533	49,368
Rent income on noncurrent assets	979	1,017
Foreign exchange gains	10,554	-
Other	5,606	6,945
Total non-operating income	22,270	58,880
Non-operating expenses		
Interest expenses	11,170	11,058
Interest on bonds	291	17
Foreign exchange losses	-	1,478
Other	5,029	4,474
Total non-operating expenses	16,491	17,029
Ordinary income (Loss)	26,379	-127,480
Extraordinary income		
Gain on sales of noncurrent assets	4,237	410
Gain on sales of investment securities	659	3,297
Reversal of allowance for doubtful accounts	540	47
Gain on reversal of evaluation on investments in unconsolidated subsidiaries and affiliates	600	533
Gain on abolishment of retirement benefit plan	3,007	-
Gain on exchange of stock	366	-
Reversal of loss on liquidation of business of subsidiaries and affiliates	-	182
Total extraordinary income	9,411	4,471
Extraordinary loss		
Loss on sales of noncurrent assets	88	57
Loss on disposal of noncurrent assets	1,966	2,732
Impairment loss	3,000	800
Loss on valuation of membership	53	-
Provision for reserve of evaluation on investments in unconsolidated subsidiaries and affiliates	28	-
Loss on liquidation of business of subsidiaries and affiliates	1,625	-
Total extraordinary losses	6,762	3,590
Income (Loss) before income taxes	29,028	-126,599
Income taxes-current	6,028	44
Income taxes for prior periods	449	185
Income taxes-deferred	9,381	-71,544
Total income taxes	15,859	-71,314
Net income (Loss)	13,168	-55,284

(3) Statements of Changes in Net Assets

(Unit: million yen)

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
Shareholders' equity		
Capital stock		
Balance at the end of previous period	62,366	107,246
Changes of items during the period		
Issuance of new shares	44,880	—
Total changes of items during the period	44,880	—
Balance at the end of current period	107,246	107,246
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	44,559	89,439
Changes of items during the period		
Issuance of new shares	44,880	—
Total changes of items during the period	44,880	—
Balance at the end of current period	89,439	89,439
Other capital surplus		
Balance at the end of previous period	2	2
Changes of items during the period		
Disposal of treasury stock	0	-1
Total changes of items during the period	0	-1
Balance at the end of current period	2	1
Total capital surplus		
Balance at the end of previous period	44,561	89,442
Changes of items during the period		
Issuance of new shares	44,880	—
Disposal of treasury stock	0	-1
Total changes of items during the period	44,880	-1
Balance at the end of current period	89,442	89,440
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	7,407	7,407
Balance at the end of current period	7,407	7,407
Other retained earnings		
Reserve for special depreciation		
Balance at the end of previous period	28	12
Changes of items during the period		
Reversal of other retained earnings	-16	-6
Total changes of items during the period	-16	-6
Balance at the end of current period	12	5
Reserve for overseas investment loss		
Balance at the end of previous period	468	—
Changes of items during the period		
Reversal of other retained earnings	-468	—
Total changes of items during the period	-468	—
Balance at the end of current period	—	—

(Unit: million yen)

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
Reserve for advanced depreciation of noncurrent assets		
Balance at the end of previous period	17,237	17,218
Changes of items during the period		
Addition to other retained earnings	1,116	1,490
Reversal of other retained earnings	-1,135	-1,018
Total changes of items during the period	-19	472
Balance at the end of current period	17,218	17,690
Retained earnings brought forward		
Balance at the end of previous period	76,481	84,607
Changes of items during the period		
Dividends from surplus	-5,371	-6,779
Net income (loss)	13,168	-55,284
Reversal of revaluation reserve for land	-175	-958
Addition to other retained earnings	-1,116	-1,490
Reversal of other retained earnings	1,620	1,024
Total changes of items during the period	8,125	-63,488
Balance at the end of current period	84,607	21,118
Total retained earnings		
Balance at the end of previous period	101,624	109,245
Changes of items during the period		
Dividends from surplus	-5,371	-6,779
Net income (loss)	13,168	-55,284
Reversal of revaluation reserve for land	-175	-958
Total changes of items during the period	7,621	-63,022
Balance at the end of current period	109,245	46,222
Treasury stock		
Balance at the end of previous period	-63	-76
Changes of items during the period		
Purchase of treasury stock	-14	-14
Disposal of treasury stock	1	9
Total changes of items during the period	-13	-4
Balance at the end of current period	-76	-81
Total shareholders' equity		
Balance at the end of previous period	208,489	305,857
Changes of items during the period		
Issuance of new shares	89,760	—
Dividends from surplus	-5,371	-6,779
Net income (loss)	13,168	-55,284
Reversal of revaluation reserve for land	-175	-958
Purchase of treasury stock	-14	-14
Disposal of treasury stock	2	8
Total changes of items during the period	97,368	-63,028
Balance at the end of current period	305,857	242,829

(Unit: million yen)

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	12,036	4,758
Changes of items during the period		
Net changes of items other than shareholders' equity	-7,278	-7,219
Total changes of items during the period	-7,278	-7,219
Balance at the end of current period	4,758	-2,461
Deferred gains or losses on hedges		
Balance at the end of previous period	16,252	19,347
Changes of items during the period		
Net changes of items other than shareholders' equity	3,094	-11,279
Total changes of items during the period	3,094	-11,279
Balance at the end of current period	19,347	8,067
Revaluation reserve for land		
Balance at the end of previous period	18,077	8,176
Changes of items during the period		
Reversal of revaluation reserve for land	175	958
Net changes of items other than shareholders' equity	-10,076	—
Total changes of items during the period	-9,900	958
Balance at the end of current period	8,176	9,135
Total valuation and translation adjustments		
Balance at the end of previous period	46,366	32,282
Changes of items during the period		
Reversal of revaluation reserve for land	175	958
Net changes of items other than shareholders' equity	-14,259	-18,499
Total changes of items during the period	-14,084	-17,541
Balance at the end of current period	32,282	14,741
Total net assets		
Balance at the end of previous period	254,856	338,140
Changes of items during the period		
Issuance of new shares	89,760	—
Dividends from surplus	-5,371	-6,779
Net income (loss)	13,168	-55,284
Reversal of revaluation reserve for land	—	—
Purchase of treasury stock	-14	-14
Disposal of treasury stock	2	8
Net changes of items other than shareholders' equity	-14,259	-18,499
Total changes of items during the period	83,284	-80,570
Balance at the end of current period	338,140	257,570

(4) Notes to going concern

None

６．Others

（１）The Director's Election and Retirement （Dated June 23, 2009）

① The Director's Election and Retirement

《New Candidates for Directors》

Managing Director

Hideto Matsumura （Current position: Senior Executive Officer, General Manager of Refining & Technology Dept. of our company）

Managing Director

Atsuto Tamura （Current position: Senior Executive Officer, General Manager of Corporate Communication Dept. of our company）

Director

Jeffrey Kirk （Current position: International Petroleum Investment Co., Investment Management Division, Investment Manager）

《Retiring Directors》

Managing Director

Kaoru Kawana （He will be Abu Dhabi Oil Co., Ltd., Managing Director）

Managing Director

Seizo Suga （He will be Shirashima Oil Storage Co., Ltd., President)

Director

Saeed Al Muhairbi

② The Executive Officer's Election and Retirement

《New Executive Officer》

Executive Officer

Masayoshi Ishino (Current position: President, Cosmo Oil of U.S.A. Inc.
He will be entrusted General Manager, Crude Oil & Tanker Dept. of our company）

Executive Officer

Takashi Shono (Current position: General Manager, Purchasing Center of our company
He will be entrusted General Manager, Sakaide Refinery）

Executive Officer

Yasushi Ohe (Current position: General Manager, Demand & Supply Coordination Dept. of our company

He will be entrusted General Manager, Demand & Supply Coordination Dept.）

Executive Officer

Katsuyuki Ihara (Current position: General Manager, Sakaide Refinery of our company

He will be entrusted General Manager, Refining & Technology Dept.）

《Retirement Executive Officer》

Current position: Senior Executive Officer

Hideto Matsumura （He will be scheduled to assume the position of Cosmo Oil Co., Ltd., Managing Director.）

Current position: Senior Executive Officer

Atsuto Tamura （He will be scheduled to assume the position of Cosmo Oil Co., Ltd., Managing Director.）

《Promotion Executive Officer》

Senior Executive Officer

Hirohiko Ogiwara （Current position: Executive Officer and General Manager, Tokyo Branch Office of our company

He will be entrusted General Manager, Tokyo Branch Office）

Senior Executive Officer

Satoshi Nishi （Current position: Executive Officer and General Manager, Accounting Dept. of our company

He will be entrusted General Manager, Accounting Dept.）

Senior Executive Officer

Isao Kusakabe （Current position: Executive Officer and General Manager, International Ventures Dept. of our company

He will be entrusted General Manager, International Ventures Dept.）

(2)Other

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

1. Production Results

FY2008 (From April 1, 2008 to March 31, 2009)

Segment		Production (million yen)	% Change from FY07 based on FY07 level as 100%
Petroleum business	Gasoline, Naphtha	525,468	103.5
	Kerosene/Diesel fuel	769,848	109.3
	Heavy fuel oil	424,582	103.0
	Other	141,715	93.6
	Total	1,861,614	104.8
Oil exploration and production business		22,642	118.4
Total		1,884,257	105.0

(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

FY2008 (From April 1, 2008 to March 31, 2009)

Segment	Orders received (million yen)	% Change from FY07 based on FY07 level as 100%	Order backlog (million yen)	% Change from FY07 based on FY07 level as 100%
Other businesses	15,433	55.4	5,076	37.9

(Note)The above figures exclude consumption taxes.

3. Sales Results

FY2008 (From April 1, 2008 to March 31, 2009)

Segment		Net Sales(million yen)	% Change from FY07 based on FY07 level as 100%
Petroleum business	Gasoline, Naphtha	1,459,878	95.6
	Kerosene/Diesel fuel	1,053,049	101.4
	Heavy fuel oil	517,140	97.4
	Other	322,145	93.5
	Total	3,352,213	97.4
Oil exploration and production business		37,391	115.9
Other businesses		38,606	78.3
Total		3,428,211	97.3

(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)		FY2008 (From April 1, 2008 to March 31, 2009)		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	15,634	1,471,352	-1,807	-109,942
Kerosene and diesel fuel	15,576	1,023,945	14,483	1,002,699	-1,093	-21,246
Heavy fuel oil	9,120	524,994	8,516	512,343	-604	-12,651
Others	2,823	171,362	2,549	172,521	-274	1,159
Total	44,961	3,301,597	41,183	3,158,917	-3,778	-142,680