Overview Of Business Results of FY2009

May 10, 2010

Name of the Company: Cosmo Oil Co., Ltd.
Shares traded: TSE, OSE, and NSE first sections
Company Code: 5007
URL http://www.cosmo-oil.co.jp/
Name of Representative: Yaichi Kimura President
Phone: 03-3798-3180
Name of Person to contact: Kunihiko Shoda, General Manager of Corporate Communication Dept.
Annual shareholders' meeting is to be held on:June 23, 2010
Securities report is to be submitted on:June 23, 2010 Dividend payment is to be started on: June 24, 2010

Note: Figures less than 1 million are rounded down.

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

(1) Consolidated operating results

(% indicates change from FY2008)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2009	2,612,141	-23.8	34,207	—	36,411	—	-10,740	—
FY2008	3,428,211	-2.7	-107,005	—	-125,004	—	-92,429	—

	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	%	%	%
FY2009	-12.68	—	-3.3	2.4	1.3
FY2008	-109.11	—	-24.0	-8.1	-3.1

[Reference]Return on investments under equity method FY2009 7,348 million yen FY2008 -1,126 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	million yen	million yen	%	yen sen
FY2009	1,645,048	331,579	19.2	372.74
FY2008	1,440,395	347,449	22.8	387.71

[Reference] Net worth FY2009 315,746 million yen FY2008 328,433 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
FY2009	2,261	-93,305	159,301	228,907
FY2008	82,135	-55,953	57,853	159,919

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	%	%
FY2008	—	3.00	—	5.00	8.00	6,779	—	1.8
FY2009	—	0.00	—	8.00	8.00	6,779	—	2.1
FY2010(outlook)	—	0.00	—	8.00	8.00		37.6	

3. Consolidated Business Outlook for FY2010 (April 1, 2010 to March 31, 2011)

(% 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 FY2010	1,220,000	6.8	26,000	66.4	24,000	18.0	6,000	15.9	7.08
FY2010	2,550,000	-2.4	63,000	84.2	58,000	59.3	18,000	—	21.25

4．Other

(1) Change in significant subsidiaries during FY2009
(change in specific subsidiaries resulting in change in scope of consolidation) : None

(2) Changes in accounting policies and processing and representation methods adopted to prepare the consolidated financial statements (significant changes in the basis of presenting the consolidated financial statements):
(1) Changes due to revised accounting standards: Yes
(2) Changes other than the reason described above: None
Note: Please refer to “Notes concerning Changes of Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements” on Page 21 for detailed information.

(3) Total Number of Outstanding Shares (Common Stock)
(1) No. of outstanding shares as of March 31, 2010 (including treasure stock):
FY2009 847,705,087 FY2008 847,705,087
(2) No. of shares of treasury stock as of March 31, 2010:
FY2009 613,457 FY2008 593,521
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 FY2009 (For the period from April 1, 2009 to March 31, 2010)

(1) Non-consolidated Operating Results (% indicates change from FY2008)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2009	2,332,742	-26.2	496	—	23,267	—	9,642	—
FY2008	3,158,917	-4.3	-169,331	—	-127,480	—	-55,284	—

	Net income per share	Diluted net income per share
	yen sen	yen sen
FY2009	11.38	11.00
FY2008	-65.23	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Net Worth ratio	Net assets per share
	million yen	million yen	%	yen sen
FY2009	1,520,157	263,815	17.4	311.31
FY2008	1,282,821	257,570	20.1	303.93

[Reference] Net worth FY2009 263,815 million yen FY2008 257,570 million yen

2．Non-Consolidated Business Outlook for FY2010 (April 1, 2010 to March 31, 2011)

(% indicates change from FY2009)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
1H FY2010	—		—		—		—		—
FY2010	2,350,000	0.7	18,000	—	15,000	-35.5	8,000	-17.0	9.44

Note: Request for appropriate use of the business outlook and other special remarks:
The above business outlook is based on information available as of the published date of this release and actual results may differ from the forecast subject to various factors that may arise in the future. Please refer to “(1) Operating Results of 1. Overview of Financial Results” on Page 3 for more information about the business outlook of FY2010.

1. Consolidated Operating Results

(1) Analysis of Consolidated Operating Results

1) Consolidated Operating Results during Fiscal Year 2009

During the consolidated full year of Fiscal Year 2009 that ended on March 31, 2010, the economy of Japan, though still being in the grip of the impact from the global economic crisis, was slowly heading for a recovery backed mainly by economic recoveries in emerging countries, but as moderate deflation crept on and an unemployment rate hovered high, the harsh state of economy continued.

Under these circumstances, the overall demand for oil products in Japan was lower than in FY2008 reflecting a reduction in the gasoline demand due to sluggish consumption caused by improved fuel efficiency in passenger cars and by an increasing number of young people less interested in owning their cars, a reduction in the diesel fuel demand due to a decrease in the number of trucks held by shipping and other companies as part of their logistic rationalization efforts, and a reduction in the demand for kerosene and heavy fuel oil A due to energy saving management and conversion to other energy resources made by such fuel demanders.

As for crude oil prices, the Dubai crude oil price was at the level of US$47 per barrel in April 2009, the beginning of the fiscal year, and subsequently rose, due to the upward revision of the international oil demand forecast by the International Energy Agency (IEA) and expectations for a global recovery of business activities driven by economic growth in China, to a US$70 to $80-plus range a barrel in October onwards and ended at the level of US$78 a barrel in March 2010, the end of the fiscal year. The average amount throughout FY2009 was at the level of US$69, down about US$13 from FY2008.

The Japanese yen was at the level of ¥98 per US$ in April 2009 and then appreciated against the dollar significantly to hit the level ¥84 per US$ in November triggered by credit uncertainty in Europe and the Dubai shock. Then, additional monetary relaxation measures taken by the Bank of Japan and growing expectations of a business recovery in the U.S. increased the long-term interest rate, which mainly contributed to a turnaround to the moderate underlying tone of the stronger dollar, depreciating the yen to the level of ¥93 per US$ at the end of the fiscal year.
Oil product market conditions in Japan continued to be sluggish affected by the decreased demand for oil products, not to such an extent of allowing for a sufficient shift of a crude oil price increase to market prices during the fiscal year.

Under these circumstances, as FY2009 saw the second year of its “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 and positioning for further growth, the Cosmo Oil Group brought all forces into one across the Group to work on the plan.

As a result, consolidated net sales in FY2009 were ¥2,612.1 billion (down ¥816.1 billion from FY2008), consolidated operating income, ¥34.2 billion (compared with consolidated operating loss of ¥107 in FY2008), and consolidated ordinary income, ¥36.4 billion (compared with ordinary loss of ¥125 billion in FY2008).
After extraordinary gain and loss adjustments and corporation taxes and other adjustments, consolidated net loss for FY2009 was ¥10.7 billion (consolidated net loss of ¥92.4 billion in FY2008).

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	2,565.2	59.6	88.5	-101.0	2.612.1
Operating income	9.5	27.0	2.1	-4.3	34.2

[Petroleum business]

1) In the oil product business, crude oil prices and oil product prices reduced in FY2009, as compared with FY2008, the selling volume reduced centering on industrial fuels, mainly reflecting sluggish consumption caused by delayed economic recovery and by continued progress in fuel conversion from the perspective of CO_2 emission reductions. Oil product market conditions aggravated but an inventory valuation impact brought down cost of sales. As a result, the segment recorded improved profit from FY2008.
2) The petrochemical business recorded improved profit from FY2009 mainly reflecting the improved petrochemical product demand as compared with FY2008.
As a result, the segment reported net sales in FY2009 of ¥2,565.2 billion (down ¥787.7 billion from FY2008), operating income of ¥9.5 billion (compared with operating loss of ¥162.6 billion in FY2008) and ordinary income of ¥9.3 billion (compared with ordinary loss of ¥175.1 billion in FY2008).

[Oil exploration and production business]

The oil exploration and production business reported net sales of ¥59.6 billion in FY2009 (down ¥29.5 billion from FY2008), operating income of ¥27 billion (down ¥23.8 billion) and ordinary income of ¥29.4 billion (down ¥16.5 billion), mainly reflecting the impact of lower crude oil prices from FY2008

[Other businesses]

Reflecting continued efforts made to improve rationalization and efficiency, the segment reported net sales of ¥88.5 billion in FY2009 (down ¥3.3 billion from FY2008), operating income of ¥2.1 billion (down ¥100 million) and ordinary income of ¥2.3 billion (down ¥100 million).

2) Outlook for FY2010

The Group will steadily execute a variety of programs, as defined by the "Fourth Consolidated Medium-Term Management Plan (FY2010-2012)" starting from FY2010, for achieve rationalization of the crude oil refining and marketing businesses and company-wide changes and for achieve medium to long-term growth strategies for the oil exploration and production and petrochemical businesses.
Assumptions for FY2010 include an average crude oil price at US$75.0 per barrel and the Japanese yen at ¥90 per US$ on the average.
Consolidated net sales are forecast to be ¥2,550billion (down ¥62.1 billion from FY2009), consolidated operating income, ¥63 billion (up ¥28.8 billion), consolidated ordinary income, ¥58 billion (up ¥21.6 billion) and consolidated net income for FY2010, ¥18 billion (up ¥28.7 billion).

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

	Petroleum business	Oil exploration and production business	Other businesses	Deletion or other adjustments	Consolidated
Net sales	2,480.0	80.0	80.0	-90.0	2,550.0
Operating income	27.5	34.0	2.0	-0.5	63.0

[Petroleum business]

The segment is expected to improve profit by improving the oil product portfolio for sale and by building a low-cost management system, as defined by the "Fourth Consolidated Medium-Term Management Plan (for FY2010-12)" and the profit for FY2010 is likely to be higher than that of FY2009 due to continuing the review of the market-linked pricing formula plan, etc.

[Oil exploration and production business]

The segment will continue stable crude oil production and is expected to increase profit for FY2010 as compared with FY2009 since crude oil prices are likely to be higher than FY2009 and improvement of the independent development crude oil ratio.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

As for consolidated financial conditions as of March 31, 2010, total assets amounted to ¥1,645 billion, up ¥204.6 billion from March 31, 2009, mainly reflecting an increase in inventories due to crude oil price hikes.
Net assets amounted to ¥331.6 billion, down ¥15.8 billion from March 31, 2009, reflecting net loss recorded mainly due to a deferred tax asset release impact, resulting in a net worth ratio of 19.2%.

2) Cash Flows

As for consolidated cash flows as of March 31, 2010, net cash provided by operating activities amounted to ¥2.3 billion, mainly reflecting decreased funds mainly due to an increase in inventories caused by an increase in crude oil prices, offset by reduced payments due to a corporate tax rebate. Net cash used in investing activities amounted to ¥93.3 billion, mainly reflecting payments for fixed asset acquisitions.
Net cash provided by financing activities amounted to ¥159.3 billion, mainly reflecting an increase in borrowings.
As a result, cash and cash equivalents as of March 31, 2010 amounted to ¥228.9 billion, up ¥69.0 billion from March 31, 2009.

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

	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Net worth ratio	21.4%	21.5%	27.2%	22.8%	19.2%
Net worth ratio on a fair value basis	28.3%	21.0%	16.3%	17.5%	11.6%
Ratio of cash flows to interest-bearing debt	-	24.4years	-	7.3years	343.8years
Interest coverage ratio	-	2.4times	-	7.6times	0.2times

Notes:
Net worth ratio: Net worth divided by total assets
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 2009, 2010

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 ¥8 per share as a term-end dividend.
Full-year dividends for FY2010 are expected to be ¥8 per share.

(4) Business and Other Risks

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

1) Supply and Demand Trends

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

2) Crude Oil Price Fluctuations

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

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

3) Foreign Exchange Rate Fluctuations

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

4) Market Impact

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

5) Interest Rate Fluctuations

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

6) Asset Valuation Fluctuations

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

7) Competition Risk

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

8) Impact by Natural Disasters and Accidents

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

9) Impact by Regulations Applicable to the Oil Industry

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

10) Information Management

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

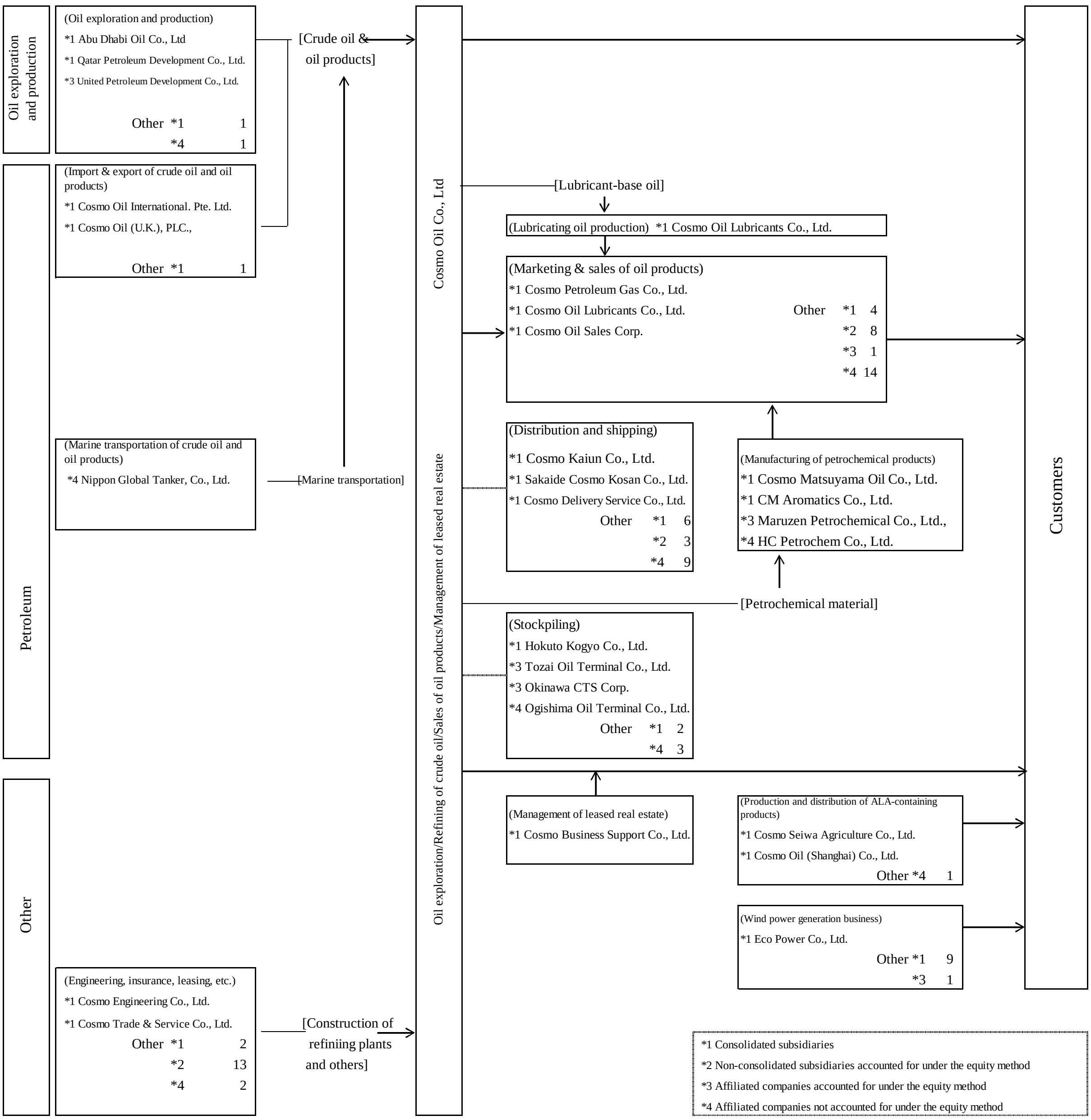
2. Current Status of the Cosmo Oil Group

The Cosmo Oil Group consists of Cosmo Oil Co., Ltd. and its 61 subsidiaries and 37 affiliated companies, mainly engaged in businesses ranging from the exploration and production of crude oil on its own to import, refining and storage of crude oil and oil products and to sales and marketing of oil products. The Group's businesses also include leased real estate management, oil-related plant and equipment engineering and insurance agency services operated by Cosmo Oil and some of its affiliates.

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

Segmen	Description	Major operating companies	No. of companies
Oil exploration & production	Crude oil exploration & production	Cosmo Oil Co., Ltd., Abu Dhabi Oil Co., Ltd、Qatar Petroleum Development Co., Ltd., United Petroleum Development Co., Ltd. and other 2 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 Co., Ltd.	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., HC Petrochem Co., Ltd.	4
	Sales of oil products	Cosmo Oil Co., Ltd.、Cosmo Petroleum Gas Co., Ltd., Cosmo Oil Lubricants Co., Ltd., Cosmo Oil Sales Corp. And other 27 companies	31
	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 5 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 Co., Ltd.、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 company	3
	Engineering, insurance, leasing, etc.	Cosmo Engineering Co., Ltd., Cosmo Trade & Service Co., Ltd. and other 17 companies	19
	Wind power generation business	Eco Power Co.,Ltd., and other 10 companies	11

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) Fourth Consolidated Medium-Term Management Plan (for Fiscal Years 2010-2012)

The Company has developed its new "Fourth Consolidated Medium-Term Management Plan (for Fiscal Years 2010-2012)" starting from Fiscal Year 2010 and will make all-out efforts to work on the following programs in pursuit of exhaustive "rationalization" and group-wide "changes" by bringing all forces into one across the Group.

1) Realization of Improvement in Profitability of the "Crude Oil Refining and Marketing Businesses"
[Exhaustive "Rationalization" and Company-wide "Changes"]

The Company will execute exhaustive "rationalization" and company-wide "changes" in order to realize improvement in profitability of the crude oil refining and marketing businesses, which represent the core part of the businesses run by the Group.

As part of the programs for improving the oil product portfolio for sale, the Company will reduce costs by putting a set of coker unit and other related units into full operation at the Sakai Refinery, which were completed in February 2010, allowing the Company to procure lower-priced heavy crude oil for refining. The Company will also improve profitability by shifting in production away from heavy fuel oil, for which demand is expected to reduce in Japan, toward more highly value-added naphtha, jet fuel and diesel fuel. In the environment of reduced demand for oil products in Japan, the Company will reduce fixed costs of sales and fundamentally streamline its organization and staff headcounts to build a low-cost management system. In order to ensure appropriate margin levels, the review of the market-linked pricing formula plan will be continued.

2) Improvement in the Business Portfolios of the Petrochemical and Oil Exploration/Production Businesses
[Medium to Long-Term Growth Strategies]

In the petrochemical business, the Company has a plan to complete the construction of new para-xylene production facilities (with the production capacity of 800,000 tons per year) at HC Petrochem Co., Ltd. (HCP) in FY2013 to establish the system capable of selling 1.18 million tons of para-xylene per year upon completion of the facilities. The capability of producing the material on its own, along with the stable supply of mixed xylene, produced by another business within the Group, to HCP would allow the Company to establish an integrated refining and petrochemical production process to feed crude oil to turn it into para-xylene to help increase profit on a stable basis, while aiming at improving the balance between demand and supply of the gasoline fraction at the Company.

In the oil exploration and production business, the Company will continue stable operations at the existing oil fields where the oil development subsidiaries of the Group are producing crude oil. Based on mutually reliable relations it has built on with oil producing countries for many years, the Company will be working steadily to launch crude oil production at the "A-South" oil field in the southern part of Qatar in FY2010 and to renew its interest in crude oil production in Abu Dhabi government organization of the UAE slated for 2012. In addition, production will be explored at new oil fields off the coasts of Qatar and Australia, respectively. Furthermore, in order to establish the business infrastructure toward the future growth strategy, the Company will put non-oil-based new businesses into reality as early as possible. Specifically, such businesses include the "polycrystalline silicon business for the solar cell market" with the planned milestones of establishing the low-cost polycrystalline silicon manufacturing technology and of starting a demonstration plant scheduled for 2012 before a shift being made toward the commercial production; the "wind power business" into which EcoPower Co., Ltd., a new subsidiary established in March 2010, will be breaking on a full-scale basis; and the "ALA business" with the plan consisting of the continuous promotion of ALA technical production and sales and the exploration of new commercial businesses to be benefited from added values brought by final ALA-based products for profitability growth; and the "concentrated solar power (CSP) generation business" in which tests will begin at the CSP generation demo plant, completed in October 2009 in Abu Dhabi, for feasibility studies on commercialization.

3) 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 "Third Consolidated Medium-Term CSR Management Plan (for FY2010-2012)."

(2) Third Consolidated Medium-Term CSR Management Plan (for FY2010-2012)

The Company has been steadily working on CSR and environmental management based on the "Second Consolidated Medium-Term CSR Management Plan (for FY2008-2010)." In the new "Third Consolidated Medium-Term CSR Management Plan (for FY2010-2012)" starting from FY2010, the Company will continue 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 "promoting communication activities for social advocacy" 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 (Third Consolidated Medium-Term Safety Plan)
The Company will maintain or enhance the existing programs to reduce occupational accidents at the production department and affiliated companies, respectively, to improve the levels of safe operations across the Group.

3) Improvement in Human Right/Human Resource Management Programs (Third 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 (Fourth 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) Promotion of Communication Activities for Social Advocacy
As part of its corporate social responsibility efforts, the Cosmo Oil Company will continue activities to communicate with society where it does business.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	FY2008 As of Mar. 31, 2009	FY2009 As of Mar. 31, 2010
Assets		
Current assets		
Cash and deposits	147,451	226,608
Notes and accounts receivable-trade	189,036	206,168
Short-term investment securities	13,983	2,310
Merchandise and finished goods	116,732	145,720
Work in process	1,198	469
Raw materials and supplies	121,160	165,351
Accounts receivable-other	57,781	50,844
Deferred tax assets	7,321	3,890
Other	34,046	44,193
Allowance for doubtful accounts	-402	-222
Total current assets	688,310	845,336
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	94,611	102,058
Oil storage depots, net	11,030	14,233
Machinery, equipment and vehicles, net	76,732	104,156
Land	305,565	303,104
Lease assets, net	91	659
Construction in progress	46,665	65,157
Other, net	8,719	8,322
Total property, plant and equipment	543,416	597,693
Intangible assets		
Leasehold right	1,201	1,142
Software	3,206	4,236
Goodwill	107	17
Other	7,668	7,166
Total intangible assets	12,183	12,563
Investments and other assets		
Investment securities	88,471	100,950
Investments in capital	185	188
Long-term loans receivable	1,987	1,790
Long-term prepaid expenses	6,970	6,095
Deferred tax assets	63,179	46,888
Other	36,570	34,275
Allowance for doubtful accounts	-878	-876
Total investments and other assets	196,485	189,312
Total noncurrent assets	752,085	799,569
Deferred assets		
Bond issuance cost	—	142
Total deferred assets	—	142
Total assets	1,440,395	1,645,048

(Unit: million yen)

	FY2008 As of Mar. 31, 2009	FY2009 As of Mar. 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable-trade	191,883	216,111
Short-term loans payable	261,778	269,514
Current portion of bonds with subscription rights to shares	—	18,000
Accounts payable-other	71,523	95,337
Accrued volatile oil and other petroleum taxes	112,663	107,457
Income taxes payable	5,770	9,194
Accrued consumption taxes	201	613
Accrued expenses	11,202	10,525
Deferred tax liabilities	4	2,330
Provision for loss on construction contracts	327	—
Other	28,527	15,091
Total current liabilities	683,883	744,174
Noncurrent liabilities		
Bonds payable	—	15,000
Bonds with subscription rights to shares	18,000	—
Long-term loans payable	318,830	475,225
Deferred tax liabilities	6,957	8,806
Deferred tax liabilities for land revaluation	33,492	33,293
Provision for special repairs	6,676	6,333
Provision for retirement benefits	6,096	5,899
Negative goodwill	—	6,284
Other	19,009	18,449
Total noncurrent liabilities	409,063	569,293
Total liabilities	1,092,946	1,313,468
Net assets		
Shareholders' equity		
Capital stock	107,246	107,246
Capital surplus	89,440	89,440
Retained earnings	115,732	99,685
Treasury stock	-129	-134
Total shareholders' equity	312,290	296,239
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-2,099	-529
Deferred gains or losses on hedges	8,084	8,761
Revaluation reserve for land	11,523	12,593
Foreign currency translation adjustment	-1,365	-1,318
Total valuation and translation adjustments	16,142	19,507
Minority interests	19,015	15,832
Total net assets	347,449	331,579
Total liabilities and net assets	1,440,395	1,645,048

(2) Consolidated Statements of Income

(Unit: million yen)

	FY2008 From April 1, 2008 to March 31, 2009	FY2009 From April 1, 2009 to March 31, 2010
Net sales	3,428,211	2,612,141
Cost of sales	3,389,407	2,435,365
Gross profit	38,803	176,775
Selling, general and administrative expenses	145,809	142,568
Operating income (loss)	-107,005	34,207
Non-operating income		
Interest income	1,485	495
Dividends income	831	915
Rent income on noncurrent assets	982	1,136
Foreign exchange gains	—	2,581
Equity in earnings of affiliates	—	7,348
Other	5,897	4,055
Total non-operating income	9,197	16,533
Non-operating expenses		
Interest expenses	10,767	9,855
Equity in losses of affiliates	1,126	—
Foreign exchange losses	9,325	—
Other	5,975	4,474
Total non-operating expenses	27,195	14,329
Ordinary income (loss)	-125,004	36,411
Extraordinary income		
Gain on sales of noncurrent assets	6,899	5,206
Gain on sales of investment securities	4,193	110
Gain on sales of subsidiaries and affiliates' stocks	—	1,994
Gain on insurance adjustment	1,749	—
Other	182	389
Total extraordinary income	13,025	7,700
Extraordinary loss		
Loss on sales of noncurrent assets	216	96
Loss on disposal of noncurrent assets	3,417	3,752
Impairment loss	1,239	1,976
Loss on sales of investment securities	—	450
Loss on valuation of investment securities	—	2,183
Other	327	125
Total extraordinary losses	5,200	8,584
Income (loss) before income taxes and minority interests	-117,179	35,526
Income taxes-current	43,828	21,948
Income taxes-deferred	-71,522	21,540
Total income taxes	-27,694	43,488
Minority interests in income	2,944	2,778
Net loss	-92,429	-10,740

(3) Consolidated Statements of Changes in Net Assets

(Unit: million yen)

	FY2008 From April 1, 2008 to March 31, 2009	FY2009 From April 1, 2009 to March 31, 2010
Shareholders' equity		
Capital stock		
Balance at the end of previous period	107,246	107,246
Balance at the end of current period	107,246	107,246
Capital surplus		
Balance at the end of previous period	89,442	89,440
Changes of items during the period		
Disposal of treasury stock	-1	-0
Total changes of items during the period	-1	-0
Balance at the end of current period	89,440	89,440
Retained earnings		
Balance at the end of previous period	215,388	115,732
Changes of items during the period		
Dividends from surplus	-6,779	-4,237
Net loss	-92,429	-10,740
Reversal of revaluation reserve for land	-445	-1,069
Total changes of items during the period	-99,655	-16,047
Balance at the end of current period	115,732	99,685
Treasury stock		
Balance at the end of previous period	-125	-129
Changes of items during the period		
Purchase of treasury stock	-14	-4
Disposal of treasury stock	9	0
Total changes of items during the period	-4	-4
Balance at the end of current period	-129	-134
Total shareholders' equity		
Balance at the end of previous period	411,952	312,290
Changes of items during the period		
Dividends from surplus	-6,779	-4,237
Net loss	-92,429	-10,740
Reversal of revaluation reserve for land	-445	-1,069
Purchase of treasury stock	-14	-4
Disposal of treasury stock	8	0
Total changes of items during the period	-99,661	-16,051
Balance at the end of current period	312,290	296,239
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	5,909	-2,099
Changes of items during the period		
Net changes of items other than shareholders' equity	-8,008	1,570
Total changes of items during the period	-8,008	1,570
Balance at the end of current period	-2,099	-529
Deferred gains or losses on hedges		
Balance at the end of previous period	14,603	8,084
Changes of items during the period		
Net changes of items other than shareholders' equity	-6,519	676
Total changes of items during the period	-6,519	676
Balance at the end of current period	8,084	8,761

(Unit: million yen)

	FY2008 From April 1, 2008 to March 31, 2009	FY2009 From April 1, 2009 to March 31, 2010
Revaluation reserve for land		
Balance at the end of previous period	11,084	11,523
Changes of items during the period		
Reversal of revaluation reserve for land	445	1,069
Net changes of items other than shareholders' equity	-7	1
Total changes of items during the period	438	1,070
Balance at the end of current period	11,523	12,593
Foreign currency translation adjustment		
Balance at the end of previous period	-638	-1,365
Changes of items during the period		
Net changes of items other than shareholders' equity	-727	47
Total changes of items during the period	-727	47
Balance at the end of current period	-1,365	-1,318
Total valuation and translation adjustments		
Balance at the end of previous period	30,960	16,142
Changes of items during the period		
Reversal of revaluation reserve for land	445	1,069
Net changes of items other than shareholders' equity	-15,262	2,295
Total changes of items during the period	-14,817	3,364
Balance at the end of current period	16,142	19,507
Minority interests		
Balance at the end of previous period	26,814	19,015
Changes of items during the period		
Net changes of items other than shareholders' equity	-7,799	-3,182
Total changes of items during the period	-7,799	-3,182
Balance at the end of current period	19,015	15,832
Total net assets		
Balance at the end of previous period	469,726	347,449
Changes of items during the period		
Dividends from surplus	-6,779	-4,237
Net loss	-92,429	-10,740
Reversal of revaluation reserve for land	—	—
Purchase of treasury stock	-14	-4
Disposal of treasury stock	8	0
Net changes of items other than shareholders' equity	-23,062	-886
Total changes of items during the period	-122,277	-15,869
Balance at the end of current period	347,449	331,579

(4) Consolidated Statement of Cash Flows

(Unit: million yen)

	FY2008 From April 1, 2008 to March 31, 2009	FY2009 From April 1, 2009 to March 31, 2010
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	-117,179	35,526
Depreciation and amortization	34,966	37,994
Impairment loss	1,239	1,976
Amortization of goodwill	75	89
Loss (gain) on sales of noncurrent assets	-6,682	-5,110
Loss (gain) on disposal of noncurrent assets	3,417	3,748
Loss (gain) on sales of investment securities	-4,193	340
Loss (gain) on sales of subsidiaries and affiliates' stocks	—	-1,994
Loss (gain) on valuation of investment securities	—	2,183
Gain on insurance claim	-1,749	—
Interest and dividends income	-2,317	-1,410
Interest expenses	10,767	9,855
Foreign exchange losses (gains)	5,920	-833
Equity in (earnings) losses of affiliates	1,126	-7,348
Increase (decrease) in allowance for doubtful accounts	-293	-182
Increase (decrease) in provision for special repairs	-690	-342
Increase (decrease) in provision for retirement benefits	-158	-227
Increase (decrease) in other provision	303	-323
Decrease (increase) in notes and accounts receivable-trade	103,774	-16,570
Recovery of recoverable accounts under production sharing	6,524	4,750
Decrease (increase) in inventories	200,933	-72,346
Increase (decrease) in notes and accounts payable-trade	-120,036	39,808
Decrease (increase) in other current assets	12,281	-135
Increase (decrease) in other current liabilities	28,466	-14,679
Decrease (increase) in investments and other assets	2,692	5,272
Increase (decrease) in other noncurrent liabilities	-279	-2,975
Other, net	-51	393
Subtotal	158,856	17,457
Interest and dividends income received	5,545	10,871
Interest expenses paid	-10,872	-9,818
Proceeds from insurance income	930	—
Income taxes paid	-72,325	-16,248
Net cash provided by (used in) operating activities	82,135	2,261

(Unit: million yen)

	FY2008 From April 1, 2008 to March 31, 2009	FY2009 From April 1, 2009 to March 31, 2010
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	-508	-9
Proceeds from sales and redemption of securities	—	1,510
Proceeds from sales of short-term investment securities	509	—
Purchase of investment securities	-5,029	-7,784
Proceeds from sales and redemption of investment securities	—	3,462
Proceeds from sales of investment securities	6,416	—
Purchase of stocks of subsidiaries and affiliates	—	-13,976
Proceeds from sales of stocks of subsidiaries and affiliates	923	2,614
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	1,333
Purchase of property, plant and equipment	-55,213	-72,956
Payments for disposal of property, plant and equipment	-1,761	-2,807
Proceeds from sales of property, plant and equipment	10,815	9,829
Payments for purchases of intangible fixed assets and long-term prepaid expenses	-14,026	-10,466
Decrease (increase) in short-term loans receivable	1,378	-4,600
Payments of long-term loans receivable	-796	-55
Collection of long-term loans receivable	1,444	414
Other, net	-104	187
Net cash provided by (used in) investing activities	-55,953	-93,305
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	46,840	12,757
Proceeds from long-term loans payable	111,230	177,476
Repayment of long-term loans payable	-77,914	-34,892
Proceeds from issuance of bonds	—	15,000
Redemption of bonds	-2,500	—
Cash dividends paid	-6,779	-4,237
Cash dividends paid to minority shareholders	-13,548	-6,741
Proceeds from stock issuance to minority shareholders	541	—
Other, net	-15	-60
Net cash provided by (used in) financing activities	57,853	159,301
Effect of exchange rate change on cash and cash equivalents	-6,791	729
Net increase (decrease) in cash and cash equivalents	77,245	68,987
Cash and cash equivalents at beginning of period	82,674	159,919
Cash and cash equivalents at end of period	159,919	228,907

(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: 37

Eco Power Co., Ltd., as well as its subsidiaries, as stated below, were included in the scope of the consolidated subsidiaries of the Company since Eco Power became a subsidiary of the Company through stock acquisition during FY2009:

Akita Wind Power Laboratory Co., Ltd.	Ikata Eco Park Co., Ltd.	Iwata Wind Farm Co., Ltd.
Eco World Kuzumaki Wind Power Co., Ltd.	Tachikawa Wind Power Laboratory Co., Ltd.	Dangamine Wind Farm Co., Ltd.
Choshi Wind Farm Co., Ltd.	Hasaki Wind Farm Co., Ltd.	Wakkanai Wind Farm Co., Ltd.

Cosmo Energy Exploration & Development Ltd. was merged into the Company during FY2009.

(2) Number of Non-consolidated Subsidiaries: 24

2. Items Concerning the Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for Using the Equity Method: 24

CCP Co., Ltd. was excluded from the application of the equity method since its liquidation processes were completed during FY2009.

(2) Number of Affiliated Companies Accounted for Using the Equity Method: 5

Goto Kisyuku Wind Power Research Institute Corp. is accounted for in the equity method since it became an affiliate company of the Company through its share acquisition during FY2009.

(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 37 consolidated subsidiaries, Abu Dhabi Oil Co., Ltd., Cosmo Oil (U.K.) Plc., Qatar Petroleum Development Co., Ltd., Cosmo Oil Ashmore, Ltd., Cosmo Oil International. Pte. Ltd., and Cosmo Oil (Shanghai) Co., Ltd. adopt a fiscal year ending December 31 and Akita Wind Power Laboratory Co., Ltd. adopts a fiscal year ending February 28, respectively.

The consolidated financial statements herein have been developed by using their financial reports as of December 31, 2009 or February 28, 2010 and any material transactions arising between end of their FY and consolidated FY, the date for the consolidated settlement of accounts for the Company, are reflected on the consolidated financial statements herein by making necessary adjustments.

Cosmo Oil Sales Corp. changed the date of settlement from December 31 to March 31, so that the consolidated financial statements for the FY2009 reflect the subsidiary's business results for the 15 months from January 1, 2009 to March 31, 2010.

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).
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. As 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. As for Eco Power Co., Ltd. and its subsidiaries, which are now consolidated subsidiaries of the Company, economic useful life of 20 years is adopted for the wind mills run by them.

2) Intangible Fixed Assets(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 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) Accounting Process Applied to Deferred Assets

Bond Issuance Cost:

The cost for bond issuance is depreciated in the straight line method over the term of redemption.

(Additional information)

The full amount of bond issuance cost had conventionally been recorded as an expense at the time of its payment but the cost for bond issuance made during FY2009 was recorded as a deferred asset which will be depreciated in the straight line method over the term of redemption. The Company adopted this change to treat the bond issuance cost as a fund-raising expense, which should be allocated rationally to state profit and loss during the term in an appropriate manner.

This change resulted in increasing ordinary income and income before income taxes and minority interests for FY2009 by ¥142 million, respectively, as compared with the conventional method.

(4) 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 FY2009.

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 FY2009 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, 2010.

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.

(5) 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.

(6) Significant Hedge Accounting Methods

1) Hedge Accounting Methods

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

2) Hedging Instruments and Hedged Items

(Currency)

<u>Hedging Instrument</u>	<u>Hedged Item</u>
Forward exchange Currency option	Foreign currency credit and debt

(Interest rate)

<u>Hedging Instrument</u>	<u>Hedged Item</u>
Interest rate swap	Borrowings

(Commodity)

<u>Hedging Instrument</u>	<u>Hedged Item</u>
Crude oil and oil product forward Crude oil and oil product swap Crude oil color and option	Purchases and sales of crude oil and oil products

3) Hedging Policy

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

4) Method of Evaluating Hedge Effectiveness

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

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

1) Standards for Recognition of Construction Revenue

In recognizing construction revenues of engineering contracts undertaken by the Company, the percentage-of-completion method is applied to such contracts in which the outcome of the construction activity is deemed certain by the end of FY2009, while the completed contract method is applied to other construction contracts.

The percentage of construction as of the end of FY2009 is estimated based on the method of the ratio of actual cost incurred to total estimated cost.

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

(Standards for Recognition of Construction Revenue)

Some of the Company's consolidated subsidiaries had conventionally recognized their construction revenues of long-term and large engineering contracts (whose terms are one year or more and of which the contract amount is ¥100 million or more) by using the percentage of completion method, while in other contracts, construction revenues had been recognized by using the completed contract method. However, the Company, effective from FY 2009, adopted the "Accounting Standard for Construction Contracts (the Accounting Standard Board of Japan (ASBJ) Statement No. 15 issued on December 27, 2007)" and the "Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18 issued on December 27, 2007)" to recognize construction revenues. Accordingly, with respect to construction contracts whose construction work began during FY2009, the percentage of completion method (the percentage of construction is estimated based on the method of the ratio of actual cost incurred to total estimated cost) is applied to such construction contracts in process in which the outcome of the construction activity is deemed certain by the end of FY2009, while the completed contract method is applied to other construction contracts.

This change increases consolidated net sales for FY2009 by ¥71 million, and consolidated operating income, consolidated ordinary income and income before income taxes and minority interests, by ¥4 million, respectively.

(Accounting Standard for Retirement Benefits)

The Company, effective from FY2009, adopted the "Revised Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008).

This change, however, brought no impact on operating income, ordinary income and net income before income taxes and minority interests for FY2009.

(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)

	FY2008 As of March 31, 2009	FY2009 As of March 31, 2010
1. Accumulated depreciation for property, plant and equipment	¥680,095 million	¥704,232 million

2. Pledged assets

	FY2008 As of March 31, 2009	FY2009 As of March 31, 2010
1) Plant foundation		
Pledged assets	¥330,310 million	¥337,365 million
Secured liabilities	¥144,273 million	¥132,107 million
2) Fixed assets other than plant foundation		
Pledged assets	¥212 million	¥16,702 million
Secured liabilities	¥187 million	¥6,521 million

3. Contingencies

1) Guaranty Liabilities	¥2,194 million	¥15,894 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)

	FY2008 As of March 31, 2009	FY2009 As of March 31, 2010
・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	¥-84,225 million	¥-90,236 million

(Notes to Consolidated Statements of Income)

	FY2008 April 1, 2008-March 31, 2009	FY2009 April 1, 2009-March 31, 2010
1. Selling, general and administrative expenses		
Salaries and wages	¥22,219 million	¥24,083 million
Outsourcing expense	¥22,920 million	¥23,878 million
Freight expense	¥27,311 million	¥22,331 million
Rent expense	¥15,789 million	¥17,036 million
Depreciation expense	¥6,681 million	¥6,450 million
Retirement and severance benefit payment to employees	¥1,938 million	¥3,500 million
Amount transferred to allowance for doubtful accounts	¥330million	¥68 million
2. Research and development expenses included in administrative expenses and production expenses	¥3,863million	¥3,657 million

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

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

Notes:
* 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

(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

Consolidated Fiscal Year 2009 (from April 1, 2009 to March 31, 2010)

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, 2009	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, 2010
Outstanding shares	Ordinary shares	847,705,087	—	—	847,705,087
Less treasury stock, at cost	Ordinary shares	593,521	20,436	500	613,457

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

(2) The dividend payment for which the base date belongs to FY2009 but for which the effective date comes FY2010

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, 2010	Ordinary shares	¥6,779million	Retained earnings	8	Mar. 31, 2010	June 24, 2010

(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

	FY2008 April 1, 2008 - March 31, 2009 (As of March 31, 2009)	FY2009 April 1, 2009 - March 31, 2010 (As of March 31, 2010)
Cash and deposits	¥147,451 million	¥226,608million
Short-term investment securities	¥13,983 million	¥2,310 million
Total	¥161,435 million	¥228,918 million
Securities with time between acquisition and redemption for 3 months or more	¥-1,515 million	¥-11million
Cash and cash equivalents	¥159,919 million	¥228,907million

2. Major Breakdown of Assets and Liabilities of Newly Consolidated Companies through Share Acquisition by the Company:

FY2008 April 1, 2008 - March 31, 2009 (As of March 31, 2009)	FY2009 April 1, 2009 - March 31, 2010 (As of March 31, 2010)
―――	The major breakdown of the assets and liabilities of Eco Power Co., Ltd. and its subsidiaries, newly consolidated into the accounts of the Company through its share acquisition during the FY2009, and relations between the total amount of the shares of the newly consolidated subsidiaries acquired by the Company and (net) income from such acquisition at the time when the consolidation became effective, are stated as follows:

Current assets	¥2,943million
Property, plant and equipment	¥19,190million
Current liabilities	¥-4,935million
Long-term debts	¥-10,671million
Negative goodwill	¥-6,274million
Minority interests	¥-175million
Total amount of the shares of the newly consolidated subsidiaries acquired by the Company	¥76million
Cash and cash equivalents of the newly consolidated subsidiaries	¥1,409million
Balance: Net income from the acquisition of the subsidiaries requiring changes in the scope of consolidated subsidiaries	¥1,333million

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

FY2009（From April 1, 2009 to March 31, 2010）

	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	2,564,737	25,427	21,976	2,612,141	-	2,612,141
(2)Inter-segment	415	34,125	66,494	101,035	(101,035)	-
Total	2,565,153	59,553	88,470	2,713,176	(101,035)	2,612,141
Operating expenses	2,555,683	32,551	86,397	2,674,632	(96,698)	2,577,933
Operating income	9,470	27,001	2,072	38,544	(4,337)	34,207
Ⅱ Asset, depreciation expenses, Impairment loss on fixed assets and capital expenditures						
Assets	1,298,990	102,250	53,812	1,455,053	189,994	1,645,048
Depreciation and amortization	28,329	10,225	118	38,673	(678)	37,994
Impairment loss on fixed assets	1,976	-	-	1,976	-	1,976
Capital expenditures	72,908	16,256	101	89,267	(1,590)	87,677

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, wind power generation business, etc.
3 Out of the assets shown above, the elimination and corporate category includes corporate assets recorded at ¥220,127 million as of FY2009 and ¥141,639 million as of FY2008, respectively. The corporate assets mainly consist of assets involving surplus capital for working funds and the business administration department.

4 Change in Accounting Policy

As reported in “(7) Change in notes concerning Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements,” some of the Company’s consolidated subsidiaries had conventionally recognized their construction revenues of long-term and large engineering contracts (whose terms are one year or more and of which the contract amount is \100 million or more) by using the percentage of completion method, while in other contracts, construction revenues had been recognized by using the completed contract method. However, the Company, effective from FY 2009, adopted the “Accounting Standard for Construction Contracts (the Accounting Standard Board of Japan (ASBJ) Statement No. 15 issued on December 27, 2007)” and the “Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18 issued on December 27, 2007)” to recognize construction revenues. Accordingly, with respect to construction contracts whose construction work began during FY2009, the percentage of completion method (the percentage of construction is estimated based on the method of the ratio of actual cost incurred to total estimated cost) is applied to such construction contracts in process in which the outcome of the construction activity is deemed certain by the end of FY2009, while the completed contract method is applied to other construction contracts.This change increased net sales of the other businesses for the full year of FY2009 by ¥83 million and decreased net sales of elimination or companywide by ¥12 million and increased operating income by ¥5 million and decreased operating income of elimination or companywide by ¥1 million, as compared with the conventional construction revenue recognition method.

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

FY2009（From April 1, 2009 to March 31, 2010）

	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	2,544,286	67,854	2,612,141	-	2,612,141
(2)Inter-segment	27,936	185,118	213,055	(213,055)	-
Total	2,572,222	252,973	2,825,196	(213,055)	2,612,141
Operating expenses	2,564,134	225,261	2,789,396	(211,462)	2,577,933
Operating income	8,087	27,712	35,800	(1,592)	34,207
Ⅱ Assets	1,304,715	161,797	1,466,512	178,535	1,645,048

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 ¥220,127 million as of FY2009 and ¥141,639 million as of FY2008, respectively. The corporate assets mainly consist of assets involving surplus capital for working funds and the business administration department.

3 Change in Accounting Policy

As reported in "(7) Change in notes concerning Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements," some of the Company's consolidated subsidiaries had conventionally recognized their construction revenues of long-term and large engineering contracts (whose terms are one year or more and of which the contract amount is \100 million or more) by using the percentage of completion method, while in other contracts, construction revenues had been recognized by using the completed contract method. However, the Company, effective from FY 2009, adopted the "Accounting Standard for Construction Contracts (the Accounting Standard Board of Japan (ASBJ) Statement No. 15 issued on December 27, 2007)" and the "Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18 issued on December 27, 2007)" to recognize construction revenues. Accordingly, with respect to construction contracts whose construction work began during FY2009, the percentage of completion method (the percentage of construction is estimated based on the method of the ratio of actual cost incurred to total estimated cost) is applied to such construction contracts in process in which the outcome of the construction activity is deemed certain by the end of FY2009, while the completed contract method is applied to other construction contracts.This change increased net sales of Japan for the full year of FY2009 by ¥71 million, and operating income by ¥4 million, respectively, as compared

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.

FY2009（From April 1, 2009 to March 31, 2010）

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

c. Tax Effective Consequence Accounting

1．Significant Components of Deferred Tax Assets and Deferred Tax Liabilities as of March 31, 2009 and 2010

(Unit : million yen)

	FY2008 As of March 31, 2009	FY2009 As of March 31, 2010
(1) Current		
（Deferred tax assets）		
Loss brought forward	6,904	2,130
Reserve for bonuses	1,947	1,785
Unrealized gains (losses) of inventories	1,839	2,411
Other	2,938	2,120
Subtotal current deferred tax assets	13,630	8,446
Valuation allowance	-585	-846
Total current deferred tax assets	13,044	7,600
Account offset against deferred tax liabilities	-5,723	-3,709
Net current deferred tax assets	7,321	3,890
(Deferred tax liabilities)		
Deferred gains (losses) on hedges	-5,474	-5,989
Other	-253	-50
Total current deferred tax liabilities	-5,728	-6,040
Account offset against deferred tax assets	5,723	3,709
Net current deferred tax liabilities	-4	-2,330
(2) Non-Current		
（Deferred tax assets）		
Loss brought forward	67,152	69,131
Other	22,798	24,100
Sub total non-current deferred tax assets	89,950	93,231
Valuation allowance	-9,386	-30,835
Total non-current deferred tax assets	80,564	62,396
Account offset against deferred tax liabilities	-17,385	-15,507
Net non-current deferred tax assets	63,179	46,888
(Deferred tax liabilities)		
Reserve for reduction of fixed assets	-12,011	-12,315
Redemption difference in foreign corporation tax calculation	-7,036	-7,211
Other	-5,294	-4,787
Total non-current deferred tax liabilities	-24,342	-24,314
Account offset against deferred tax assets	17,385	15,507
Net non-current deferred tax liabilities	-6,957	-8,806

FY2008: Other deferred tax liabilities other than those shown above include one for revaluation of land at ¥33,492 million.

FY2009: Other deferred tax liabilities other than those shown above include one for revaluation of land at ¥33,293million.

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, 2009 and 2010

FY2008 Ended March 31, 2009	FY2009 Ended March 31, 2010	
This item is not listed, due to loss before income taxes and minority interests.	Statutory income tax rate	40.44％
	（Adjustment）	
	Non-deductible expenses, including entertainment expenses	1.67％
	Effect on equity in earnings of affiliates	-8.37％
	Non-Japanese taxes	23.80％
	Valuation allowance	64.65％
	Other	0.21％
	Effective income tax rate (after the application of tax consequence accounting)	122.41％

d. Information about Business Combinations, etc.

FY2008 (from April 1, 2008 - March 31, 2009)

None applicable

FY2009 (from April 1, 2009 - March 31, 2010)

<Application of the Purchase Method>

1. The names of companies acquired and the description of their businesses, major reasons for the business combination, the date of business combination, the legal form of business combination, the names of the companies after the combination, and the ratio of voting right acquired.

(1) Names of companies acquired and the description of their businesses

Names of companies acquired	Eco Power Co., Ltd.
Line of business	Wind power generation business

(2) Major reasons for the business combination

The Company is proactively developing eco-friendly-type businesses in order to grow environmental businesses into the major income stream in the future. As for the wind power generation business, the Company already runs wind mills in Sakata, Yamagata Prefecture but found it most appropriate to acquire and organize existing business operators into a single reporting unit. Therefore, the Company decided to acquire the shares of Eco Power Co., Ltd., which not only has strong development and technology capabilities but also owns a number of wind power mills in wind-rich Tohoku and Hokkaido.

(3) Date of business combination

March 25, 2010

(4) Legal form of business combination

Stock acquisition

(5) Names of companies upon combination

Cosmo Oil Co., Ltd.

(6) Ratio of voting right acquired

98.75 % acquired by the Company

2. Period of business results of the acquired companies included in the consolidated financial statements

Since the companies were regarded as being acquired on March 31, 2010, none of their business results is included in the financial statements of the Company.

3. Acquisition Cost of the Companies and Breakdown of the Cost (Millions of yen)

Consideration as a result of acquisition	Common stock of Eco Power Co., Ltd.	0
Expenses directly incurred for acquisition	Advisory and other expenses	76
Acquisition cost		76

4. Amounts of positive or negative goodwill generated, reasons for such goodwill generation, and amortization method and period

(1) Amount of negative goodwill generated

¥6,274 million

(2) Reason for generation

The fair value of net assets of the companies exceeded the acquisition cost at the time of business combination and the variance between these amounts is recognized as negative goodwill.

(3) Amortization method and period

The negative goodwill will be amortized in the straight line method over the next five years.

5. The amounts of assets and liabilities taken over from the acquired companies on the day of business combination and major breakdown thereof (Unit: ¥ Millions)

(1) Assets

Current assets	2,943
Property, plant and equipment	19,190
Total assets	22,133

(2) Liabilities

Current liabilities	4,935
Long-term debts	10,671
Total liabilities:	15,607

<Common Control Transaction.>

1. Name of the corporate parties to the business combination and the name of the companies involved and the description of their businesses, the legal form of the business combination, the name of the company after the business combination and the outline of the transaction including the purpose thereof:

(1) Name of the corporate parties to the business combination and the name of the companies involved and the description of their businesses

1) Company Controlling:	Cosmo Oil Co., Ltd.	Oil refining and marketing
2) Company combined :	Cosmo Energy Exploration & Development LTD.	Direction of the crude oil exploration and production businesses

(2) Legal form of business combination

Merger and acquisition in which Cosmo Oil shall acquire and merge the other party and become a surviving party after the transaction, while Cosmo Energy Exploration & Development LTD. (a consolidated subsidiary of Cosmo Oil) shall be acquired and merged into the surviving party to be disbanded.

(3) Name of the company upon business combination

Cosmo Oil Co., Ltd.

(4) Outline of the transaction including the purpose thereof

In the business portfolio of the Company, the oil exploration and production business segment is positioned as the core business expected to provide the stable income source in the medium-to-long run and to play an increasingly important role. Thus, in order to improve the consistent operating system from the upstream to downstream businesses to enhance its direct control over the oil exploration and production subsidiaries to accelerate the pace of putting the growth strategy into action, the Company acquired Cosmo Energy Exploration & Development LTD., or the company directing these subsidiaries, to be merged under its umbrella.

2. Outline of Accounting Process Execute

The above transaction was accounted for as a common control transaction based on the “Accounting Standard for Business Combinations” (issued by the ASBJ on October 31, 2003) and the “Guidance on Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 issued on November 15, 2007).

e. Per-share information

	FY2008 April 1, 2008 - March 31, 2009	FY2009 April 1, 2009 - March 31, 2010
Net assets per share	¥387.71	¥372.74
Net income per share or Net loss per share	¥-109.11	¥-12.68
Diluted net income per share	—	—

Note: The basic information used to calculate net income per share and diluted net income per share for the years ended March 31, 2009 and 2010 is as follows:

	FY2008 April 1, 2008 - March 31, 2009	FY2009 April 1, 2009 - March 31, 2010
Net loss per share		
Net loss for the year (¥ mil)	-92,429	-10,740
Amount that does not belong to common stock (¥ mil)	—	—
(incl. bonuses for directors and corporate auditors) (¥ mil)	(—)	(—)
Net loss that belong to common stock (¥ mil))	-92,429	-10,740
Average number of common shares outstanding during the year (thousands of shares)	847,120	847,103
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)	—	—
(incl. warrant bonds (thousands of bonds)	(—)	(—)

f. 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 FY2009 because it is considered that the level of necessity to disclose such information herein is negligible.

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheet

(Unit: million yen)

	FY2008 As of Mar. 31, 2009	FY2009 As of Mar. 31, 2010
Assets		
Current assets		
Cash and deposits	119,268	197,117
Notes receivable-trade	98	90
Accounts receivable-trade	163,925	196,979
Short-term investment securities	11	11
Merchandise and finished goods	97,587	126,264
Raw materials and supplies	116,452	160,988
Advance payments-trade	957	586
Prepaid expenses	2,755	2,725
Deferred tax assets	3,243	—
Short-term loans receivable	17	11
Short-term loans receivable from subsidiaries and affiliates	40,170	33,892
Accounts receivable-other	74,622	79,329
Swap assets	13,571	14,668
Other	8,098	14,772
Allowance for doubtful accounts	-232	-191
Total current assets	640,551	827,249
Noncurrent assets		
Property, plant and equipment		
Buildings, net	22,890	23,440
Structures, net	43,968	51,032
Oil storage depots, net	9,242	12,549
Machinery and equipment, net	63,291	75,471
Vehicles, net	209	174
Tools, furniture and fixtures, net	3,505	3,355
Land	269,047	267,384
Lease assets, net	2	428
Construction in progress	45,419	62,611
Total property, plant and equipment	457,579	496,449
Intangible assets		
Patent right	77	91
Leasehold right	1,044	1,004
Right of trademark	1	0
Software	2,216	3,473
Other	140	2,596
Total intangible assets	3,480	7,166

(Unit: million yen)

	FY2008 As of Mar. 31, 2009	FY2009 As of Mar. 31, 2010
Investments and other assets		
Investment securities	34,049	34,994
Stocks of subsidiaries and affiliates	38,972	51,706
Investments in capital	126	129
Long-term loans receivable	437	424
Long-term loans receivable from employees	1	11
Long-term loans receivable from subsidiaries and affiliates	21,637	31,074
Long-term prepaid expenses	4,240	4,492
Long-term accounts receivable-other	431	403
Long-term deposits	11,528	10,831
Deferred tax assets	58,875	43,324
Other	12,025	12,119
Allowance for doubtful accounts	-298	-360
Reserve for loss on investments in unconsolidated subsidiaries and affiliates	-816	–
Total investments and other assets	181,210	189,150
Total noncurrent assets	642,269	692,766
Deferred assets		
Bond issuance cost	—	142
Total deferred assets	—	142
Total assets	1,282,821	1,520,157
Liabilities		
Current liabilities		
Accounts payable-trade	170,031	226,353
Short-term loans payable	197,158	205,118
Current portion of long-term loans payable	34,284	29,011
Current portion of bonds with subscription rights to shares	—	18,000
Accounts payable-other	88,114	103,496
Accrued volatile oil and other petroleum taxes	112,663	107,457
Income taxes payable	22	455
Accrued expenses	4,997	4,625
Advances received	6,582	5,028
Deposits received	27,536	26,390
Unearned revenue	44	31
Deferred tax liabilities	—	2,440
Other	143	493
Total current liabilities	641,578	728,901
Noncurrent liabilities		
Bonds payable	—	15,000
Bonds with subscription rights to shares	18,000	—
Long-term loans payable	314,955	463,420
Deferred tax liabilities for land revaluation	31,137	30,941
Long-term deposits received	8,810	8,254
Provision for special repairs	5,458	5,064
Provision for retirement benefits	2,254	2,298
Other	3,056	2,462
Total noncurrent liabilities	383,671	527,440
Total liabilities	1,025,250	1,256,342

(Unit: million yen)

	FY2008 As of Mar. 31, 2009	FY2009 As of Mar. 31, 2010
Net assets		
Shareholders' equity		
Capital stock	107,246	107,246
Capital surplus		
Legal capital surplus	89,439	89,439
Other capital surplus	1	1
Total capital surpluses	89,440	89,440
Retained earnings		
Legal retained earnings	7,407	7,407
Other retained earnings		
Reserve for overseas investment loss	—	119
Reserve for special depreciation	5	0
Reserve for advanced depreciation of noncurrent assets	17,690	16,625
Retained earnings brought forward	21,118	26,604
Total retained earnings	46,222	50,758
Treasury stock	-81	-85
Total shareholders' equity	242,829	247,360
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-2,461	-2,267
Deferred gains or losses on hedges	8,067	8,717
Revaluation reserve for land	9,135	10,004
Total valuation and translation adjustments	14,741	16,455
Total net assets	257,570	263,815
Total liabilities and net assets	1,282,821	1,520,157

(2) Non-consolidated Statements of Income

(Unit: million yen)

	FY2008 From April 1, 2008 to March 31, 2009	FY2009 From April 1, 2009 to March 31, 2010
Net sales	3,158,917	2,332,742
Cost of sales		
Beginning finished goods and merchandise	98,975	―
Beginning merchandise and finished goods	―	58,174
Cost of purchased goods	925,614	628,627
Cost of products manufactured	1,964,177	1,221,056
Volatile oil and other petroleum taxes	438,734	464,408
Transfer from other account	4,048	3,670
Private consumption amount	-131,707	-55,046
Total	3,299,843	2,320,890
Ending merchandise and finished goods	58,174	69,616
Cost of sales	3,241,668	2,251,274
Gross profit (loss)	-82,751	81,467
Selling, general and administrative expenses	86,580	80,970
Operating income (loss)	-169,331	496
Non-operating income		
Interest income	1,531	1,408
Interest on securities	17	69
Dividends income	49,368	28,079
Rent income on noncurrent assets	1,017	1,186
Foreign exchange gains	―	2,234
Other	6,945	3,902
Total non-operating income	58,880	36,881
Non-operating expenses		
Interest expenses	11,058	9,728
Interest on bonds	17	37
Foreign exchange losses	1,478	―
Other	4,474	4,344
Total non-operating expenses	17,029	14,111
Ordinary income (loss)	-127,480	23,267
Extraordinary income		
Gain on sales of noncurrent assets	410	8,451
Gain on extinguishment of tie-in shares	―	1,227
Gain on sales of investment securities	3,297	1,561
Gain on sales of subsidiaries and affiliates' stocks	―	2,132
Reversal of allowance for doubtful accounts	47	―
Gain on reversal of evaluation on investments in unconsolidated subsidiaries and affiliates	533	816
Reversal of loss on liquidation of business of subsidiaries and affiliates	182	389
Total extraordinary income	4,471	14,578

(Unit: million yen)

	FY2008 From April 1, 2008 to March 31, 2009	FY2009 From April 1, 2009 to March 31, 2010
Extraordinary loss		
Loss on sales of noncurrent assets	57	1
Loss on disposal of noncurrent assets	2,732	3,280
Impairment loss	800	1,435
Loss on sales of investment securities	－	450
Loss on valuation of investment securities	－	2,157
Loss on valuation of stocks of subsidiaries and affiliates	－	119
Other	－	125
Total extraordinary losses	3,590	7,570
Income (loss) before income taxes	-126,599	30,274
Income taxes-current	44	41
Income taxes for prior periods	185	59
Income taxes-deferred	-71,544	20,530
Total income taxes	-71,314	20,632
Net income (loss)	-55,284	9,642

(3)Non Consolidated Statements of Changes in Net Assets

(Unit: million yen)

	FY2008 From April 1, 2008 to March 31, 2009	FY2009 From April 1, 2009 to March 31, 2010
Shareholders' equity		
Capital stock		
Balance at the end of previous period	107,246	107,246
Balance at the end of current period	107,246	107,246
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	89,439	89,439
Balance at the end of current period	89,439	89,439
Other capital surplus		
Balance at the end of previous period	2	1
Changes of items during the period		
Disposal of treasury stock	-1	-0
Total changes of items during the period	-1	-0
Balance at the end of current period	1	1
Total capital surplus		
Balance at the end of previous period	89,442	89,440
Changes of items during the period		
Disposal of treasury stock	-1	-0
Total changes of items during the period	-1	-0
Balance at the end of current period	89,440	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	12	5
Changes of items during the period		
Reversal of other retained earnings	-6	-5
Total changes of items during the period	-6	-5
Balance at the end of current period	5	0
Reserve for overseas investment loss		
Balance at the end of previous period	—	—
Changes of items during the period		
Addition to other retained earnings	—	130
Reversal of other retained earnings	—	-10
Total changes of items during the period	—	119
Balance at the end of current period	—	119
Reserve for advanced depreciation of noncurrent assets		
Balance at the end of previous period	17,218	17,690
Changes of items during the period		
Addition to other retained earnings	1,490	—
Reversal of other retained earnings	-1,018	-1,064
Total changes of items during the period	472	-1,064
Balance at the end of current period	17,690	16,625

(Unit: million yen)

	FY2008 From April 1, 2008 to March 31, 2009	FY2009 From April 1, 2009 to March 31, 2010
Retained earnings brought forward		
Balance at the end of previous period	84,607	21,118
Changes of items during the period		
Dividends from surplus	-6,779	-4,237
Net income (loss)	-55,284	9,642
Reversal of revaluation reserve for land	-958	-869
Addition to other retained earnings	-1,490	-130
Reversal of other retained earnings	1,024	1,080
Total changes of items during the period	-63,488	5,486
Balance at the end of current period	21,118	26,604
Total retained earnings		
Balance at the end of previous period	109,245	46,222
Changes of items during the period		
Dividends from surplus	-6,779	-4,237
Net income (loss)	-55,284	9,642
Reversal of revaluation reserve for land	-958	-869
Total changes of items during the period	-63,022	4,535
Balance at the end of current period	46,222	50,758
Treasury stock		
Balance at the end of previous period	-76	-81
Changes of items during the period		
Purchase of treasury stock	-14	-4
Disposal of treasury stock	9	0
Total changes of items during the period	-4	-4
Balance at the end of current period	-81	-85
Total shareholders' equity		
Balance at the end of previous period	305,857	242,829
Changes of items during the period		
Dividends from surplus	-6,779	-4,237
Net income (loss)	-55,284	9,642
Reversal of revaluation reserve for land	-958	-869
Purchase of treasury stock	-14	-4
Disposal of treasury stock	8	0
Total changes of items during the period	-63,028	4,531
Balance at the end of current period	242,829	247,360

(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	4,758	-2,461
Changes of items during the period		
Net changes of items other than shareholders' equity	-7,219	193
Total changes of items during the period	-7,219	193
Balance at the end of current period	-2,461	-2,267
Deferred gains or losses on hedges		
Balance at the end of previous period	19,347	8,067
Changes of items during the period		
Net changes of items other than shareholders' equity	-11,279	650
Total changes of items during the period	-11,279	650
Balance at the end of current period	8,067	8,717
Revaluation reserve for land		
Balance at the end of previous period	8,176	9,135
Changes of items during the period		
Reversal of revaluation reserve for land	958	869
Total changes of items during the period	958	869
Balance at the end of current period	9,135	10,004
Total valuation and translation adjustments		
Balance at the end of previous period	32,282	14,741
Changes of items during the period		
Reversal of revaluation reserve for land	958	869
Net changes of items other than shareholders' equity	-18,499	844
Total changes of items during the period	-17,541	1,713
Balance at the end of current period	14,741	16,455
Total net assets		
Balance at the end of previous period	338,140	257,570
Changes of items during the period		
Dividends from surplus	-6,779	-4,237
Net income (loss)	-55,284	9,642
Reversal of revaluation reserve for land	—	—
Purchase of treasury stock	-14	-4
Disposal of treasury stock	8	0
Net changes of items other than shareholders' equity	-18,499	844
Total changes of items during the period	-80,570	6,245
Balance at the end of current period	257,570	263,815

(4) Notes to going concern

None

6. Others

(1) The board member's Election and Retirement （Dated June 23, 2010）

1) The Director's Election and Retirement

《New Candidates for Directors》

Director
Mohamed Al Hamli (Current position: Minister of Energy, U.A.E ./ Deputy Chairman, International Petroleum Investment Company）

Director
Nasser Alsowaidi (Current position: Chairman of Abu Dhabi Department of Economic Development / Board member, International Petroleum Investment Company）

《Retiring Directors》

Director
Khalifa Al Romaithi

Director
Jeffrey Kirk

2) The Auditor's Election and Retirement

《New Candidates for Auditor》

Auditor
Hideo Suzuki (Current position: Executive Officer and General Manager, Secretariat of our company)

《Retiring Auditor》

Auditor
Yutaka Shimizu

3) The Executive Officer's Election and Retirement

《New Executive Officer》

Senior Executive Officer
Hideo Matsushita (Current position: Counselor of our company. He will be General Manager, Petroleum E & P Dept. Assistant of Director for E & P Business)

Executive Officer
Shigenori Nakano (Current position: General Manager, Distribution Dept. of our company. He will be entrusted General Manager, Distribution Dept.)

Executive Officer
Yoshimitsu Watanabe (Current position: General Manager, Personnel Dept. of our company. He will be entrusted General Manager, Information System Planning Dept.)

《Retirement of Executive Officer》

Current position: Executive Officer
Yuji Satake (He will be scheduled to assume the position of COSMO TRADE & SERVICE COMPANY, LIMITED Managing Director)

Current position: Executive Officer
Hideo Suzuki (He will be scheduled to assume the position of Cosmo Oil Co., Ltd., Auditor.）

《Promotion of Executive Officer》

Senior Executive Officer
Hiroaki Fujioka (Current position: Executive Officer and General Manager, Sakai Refinery of our company. He will be entrusted General Manager, Sakai Refinery)

(2)Other

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

1. Production Results

FY2009 (From April 1, 2009 to March 31, 2010)

Segment		Production (million yen)	% Change from FY08 based on FY08 level as 100%
Petroleum business	Gasoline, Naphtha	347,402	66.1
	Kerosene/Diesel fuel	504,939	65.6
	Heavy fuel oil	238,614	56.2
	Other	99,873	70.5
	Total	1,190,829	64.0
Oil exploration and production business		15,450	68.2
Total		1,206,280	64.0

(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

FY2009 (From April 1, 2009 to March 31, 2010)

Segment	Orders received (million yen)	% Change from FY08 based on FY08 level as 100%	Order backlog (million yen)	% Change from FY08 based on FY08 level as 100%
Other businesses	12,848	83.3	7,721	152.1

(Note)The above figures exclude consumption taxes.

3. Sales Results

FY2009 (From April 1, 2009 to March 31, 2010)

Segment		Net Sales(million yen)	% Change from FY08 based on FY08 level as 100%
Petroleum business	Gasoline, Naphtha	1,283,408	87.9
	Kerosene/Diesel fuel	699,271	66.4
	Heavy fuel oil	324,508	62.8
	Other	257,548	79.9
	Total	2,564,737	76.5
Oil exploration and production business		25,427	68.0
Other businesses		21,976	56.9
Total		2,612,141	76.2

(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）

	FY2008 (From April 1, 2008 to March 31, 2009)		FY2009 (From April 1, 2009 to March 31, 2010)		Change	
	Volume	Amount	Volume	Amount	Volume	Amount
	thousand KL.t	million yen	thousand KL.t	million yen	thousand KL.t	million yen
Gasoline, Naphtha	15,634	1,471,352	16,784	1,250,961	1,150	-220,391
Kerosene and diesel fuel	14,483	1,002,699	13,304	647,532	-1,179	-355,167
Heavy fuel oil	8,516	512,343	7,140	319,357	-1,376	-192,986
Others	2,549	172,521	2,427	114,890	-122	-57,631
Total	41,183	3,158,917	39,656	2,332,742	-1,527	-826,175