[Translation for Reference and Convenience Purposes Only]

(Attached Documents)

BUSINESS REPORT

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

1. Business Overview

(1) Review of Operations of the Group

For this consolidated fiscal year, **Japan's economy** was on a moderate recovery trend against a backdrop of high levels of corporate profits; however, following the spike in the crude oil price and concern about a slowdown in the U.S. economy, the recovery trend stalled out toward the term end. In the meantime, **domestic demand for petroleum products** decreased as a result of constricted consumption because of sharp rise in the price of gasoline and fuel consumption performance improvements. On top of this, demand for diesel fuel shrank due to a decrease in car ownership numbers, and demand for kerosene and heavy fuel oil A shrank due to fuel conversion to other energy sources and the advances in energy-saving achievements, and as a whole, demand in the previous term dropped off considerably.

As for the **crude oil price**, Dubai crude oil, which had been around $63/barrel at the beginning of the term, kept recording new highs against the backdrop of steady demand centering on China and the Middle East, the weak dollar against the backdrop of concern about a slowdown in the U.S. economy and the flow of funds to commodities markets accompanying that, and, in addition, increases of tension in international circumstances such as the political instability in the Middle East and Africa regions, and in March it rose up to around of $101/barrel, the highest during the term, and ended the term at around $97/barrel. The average throughout the term was around $77/barrel, which is about 17 dollars higher than the previous term.

With respect to **exchange rates**, initially the strong dollar trend held steady at around 117 yen per dollar at the beginning of the term, supported by the steady U.S. economy, however, in late July and thereafter, in response to spreading credit fears due to the Subprime loan problem in the United States, the dollar depreciated steeply, and in March it declined to around ¥95 per dollar range, for the first time in 12 years, and ended the term at ¥99 per dollar. As a result of the all-time-high crude oil price, the keynote for domestic **product market conditions** was one of increase throughout the year, both for price at service stations and delivery price for industrial use.

In this business environment, the **Cosmo Oil Group** was in the final year of its New Consolidated Medium-term Management Plan, which started in FY2005, and with the basic policies of "building up a management base capable of enduring future structural changes" and "shift toward growth strategy," it has made concerted efforts as a group.

The Company carried out a comprehensive and strategic business alliance on September 18 centering on the energy field in the Japan/Asia/Pacific Rim with the International Petroleum Investment Company (the "IPIC"), an investment company wholly financed by the Abu Dhabi Emirate Government of the United Arab Emirates. As a result of this alliance, the Company decided to issue 176,000,000 new shares of common stock (equivalent to about 20% of the total of issued and outstanding shares and potential shares of the Company after the issue of these new shares) via third party allocation and allocated all of the shares to Infinity Alliance Limited, a special purpose company established by IPIC to receive allocation of the third party allocation capital increase, and completed a third party allocation capital increase with a total issuance amount of ¥89.8 billion at ¥510 issue par per share. In addition, accompanying this capital alliance, upon resolution at the Extraordinary General Meeting of Shareholders held on December 11, the Company accepted two outside directors from IPIC.

[Petroleum Business]

In **sales aspects**, the Company has promoted such distribution structure improvements as improvement of the gasoline sales to fuel oil sales ratio, expansion of sales outlets of high profitability, and worked to enhance the overall company sales force. In sales at service stations, under the theme of "acceleration of improvements in the distribution structure using Cosmo Brand Power," a program has been conducted for survival in a market environment of intensified competition among service stations. As a result of the promotion of newly-established self-service stations and the conversion of existing service stations to self-service stations, in response to the increasing trend toward self-service stations, the number of self-service stations increased by 78, to 867, and the ratio of self-service stations to all service stations increased to 21.0%, a 2.9% increase over the previous term. Additionally, the Company redoubled its efforts for the "Cosmo The Card," a self-issued credit card and one of the most heavily subscribed cards in the business sector, and, as a result, the number of valid cards increased by 250 thousand units over the previous term, to 3,050 thousand. The Company will continue to work toward further expansion of the number of members and improvements to convenience in the future as well. Moreover, the Company newly extended its "Filling Up Your Hearts, Too Proclamation," an effort for customers to get an even better sense of our catch phrase "Filling Up Your Hearts, Too" and to establish the Cosmo Brand as one that customers will choose, and where we promoted efforts to provide convenient, safe and secure services at service stations by carrying out a campaign for customer assessment of service stations, and a service station service diagnosis survey by external research firms. Additionally, in sales of industrial fuel oil, we received an award in February from US AAG (Armbrust Aviation Group), which is a consulting group on aviation-related industrial research and analysis well-known in and outside the United States, as the most outstanding aviation fuel sales dealer in the Asia and Pacific area, for the third time, following on last year, and, from the viewpoint of customers, our services—such as our specialized technologies and high competitiveness—were highly rated. In overseas sales, via Cosmo Oil of U.S.A., Inc., one of our group companies, we were able to work on expanding sales outlets in overseas markets, where steady demand is ongoing, such as commencement in May of wholesaling of diesel fuel in the Los Angeles area of California. Going forward as well, the Company will promote expansion of overseas sales outlets and strive to secure stable sales outlets and high profits.

Next, as for **the aspects of procurement of crude oil and petroleum products**, while working to reinforce our relationships with the oil producing countries in the Middle East, and flexibly responding to fluctuations of the demand and supply environment and the petroleum market, the Company has been working toward securing stable supply of crude oil and petroleum products, and procurement at proper costs. For **the production aspect**, with the companywide safety target of "improvement of the overall level of company management through implementation of voluntary safety efforts in a return to basics," the Company has worked to reinforce its safety management system. We took very seriously the fire accident at our Chiba Refinery that occurred in April 2006 and the violations of the High Pressure Gas Security Law at our refineries that were discovered in August of that year, following on the previous year, and we have been making progress on our efforts to prevent the reoccurrence of accidents and specific efforts for compliance with safety related laws. Additionally, we worked to further enhance the competitiveness of our refineries by rationalization of refining costs and increasing added value, and meanwhile made efforts to cut energy by upgrading our equipment to higher efficiency. For **logistics**, the number of service stations that have introduced the DCD (Driver Controlled Deliveries) single discharge system, which aims at reducing the discharge time for tank trucks, increased even further, and this is making a great contribution to improving the operational rate of tank trucks. Moreover, as a result of the continuation of constant joint service via Nippon Global Tanker Co., Ltd., which is a joint company with Nippon Oil Corporation, we succeeded in producing further results from the alliance and crude oil transportation promoted efficiency improvements. With regard to **financial affairs aspects**, working to reduce interest-bearing debt, we held down long-term debt through implementation of a third party allocation capital increase in a business alliance with IPIC. As for **new business**, in our new energy efforts, we have been continuously working on commercial operation of wind power stations, demonstration study of GTL, technologies for converting natural gas to liquid fuel, cogeneration (thermometric sales) and wholesale electrical supply (IPP) businesses, etc. Additionally, in order to promote early stage penetration of petroleum-type fuel cells, the Company formed a business alliance with Nippon Oil Corporation in April in the fuel cell field, and, in a verification test of petroleum-type fuel cells, we installed an LP gas spec. and residential use fuel cell of kerosene spec. in ordinary households, extending our energy supply business in response to customer needs. With respect to the "5-amino laevulinic acid (ALA)" business, we have worked to expand sales in the Europe area of the "Pentakeep® Super" high capacity fertilizer, which promotes growth of plants, and which went on sale during the previous year. Additionally, toward sales of ALA-inclusive products in the hair-growth tonic and medical fields, we are currently committed to making progress as well in commercialization. In **the R&D aspect**, concerning "refinery surplus sludge reduction process technology," which can greatly reduce surplus sludge emissions from refinery effluent treatment facilities, the Company received the "2006 The Japan Petroleum Institute Award for Technological Progress" in May under joint name with the Petroleum Energy Center, and, concerning "Research concerning Structural Analysis of Petroleum Refining Catalysts Using 129Xe-NMR," which is an analytical technology for detailed analysis of the structure of catalysts used in petroleum refining, the Company received in the same month 2006 the Japan Petroleum Institute Noguchi Memorial Award, and was able to show off the high level technological development ability of Cosmo Oil Group, following on the awarding of the Scientific Technology Prize of the Minister of Economy, Trade and Industry, and

Minister of Education, Culture, Sports, Science and Technology Awards in the previous year. In December, for the purpose of development of new energy sources and building further good relationships with the UAE, jointly with the MASDAR-Abu Dhabi Future Energy Company, which is a government-related institution of that country, the Company executed a joint R&D agreement on development of concentrating solar heat generation technology with the Tokyo Institute of Technology. For **petrochemicals**, CM Aromatics Co., Ltd., a joint venture company with Maruzen Petrochemical, continues sales of mix xylene, which is a raw material for polyester fabrics and PET bottles, against the backdrop of steady demand for petrochemical products, and greatly contributed to the profits of the Cosmo Oil Group. As for **environmental aspects**, using donations we received from members of Cosmo Card Eco members, which has been supported by the rising consciousness about participation in environmental preservation activities and a portion of our Group sales, we have been extending inside and outside Japan Global Environment Contribution Activities “Living with Our Planet” Project (7 projects in 7 countries). From this fiscal year, in order to work toward large scale environmental education efforts including fostering environmental education leaders and hosting experience programs through practical efforts for the environmental preservation of terraced rice fields and woodlands, the Company launched the participatory environmental education “Satoyama School” Program in Nagano Prefecture’s Iizuna Town. Going forward, as well, we will keep working toward practical environmental preservation efforts inside and outside Japan, aiming at helping more and more people to experience environmental preservation activities and get a feel for environmental issues at closer proximity. In addition, in order to cooperate in the reduction of greenhouse gases set under the Kyoto Protocol, as an auxiliary program of METI’s “2007 Biomass-derived Fuel Introduction Project,” in April, the Company commenced sales at six service stations in the Tokyo metropolitan area of “Bio Gasoline,” which is regular gasoline with Bio ETBE blended in. What’s more, as to the issue of soil pollution measures at service stations and refineries, etc., the Company continued the planned soil research activities it has been implementing from the viewpoint of attempting to prevent leakage before the fact and minimizing the impact on the environment should a leak occur. Moreover, in order to realize management concepts and corporate action policies, we have installed a CSR Promotion Committee that administers activities relevant to CSR and internal controls for the overall Group. Additionally, in order to prepare for a secure supply of petroleum products at times of occurrence of large scale disasters, as a part of the Business Continuity Plan (such as basic policies, systems and procedures, etc.) the Company has completed the transfer of its backbone system, including the transfer of the information center. As a result of the abovementioned efforts, the sales volume of the Company was 44,961 thousand kiloliters, which outperformed the previous term by 0.8 %, for all oil types. Net sales in the petroleum business increased by 15.3% from the previous year, to ¥3,442.2 billion, and operating income outperformed the previous term’s results by 53.2%, to ¥39.3 billion.

[Oil Exploration and Production Business]

In the current consolidated fiscal year Cosmo Energy Exploration & Development Ltd., Cosmo Oil Group Controlling Company of oil exploration and production business, has promoted business centered on the emirate of Abu Dhabi and Qatar, which are core areas for oil exploration and production for the Cosmo Oil Group. Cosmo Energy Exploration & Development executed an Exploration Production Sharing Agreement with the Qatar government jointly with two foreign companies in October, and actively worked to explore new mining claims, acquiring an offshore mining claim in the Northern Qatari Peninsula (Block 3 Mining Claim) and participating in the Exploration Development Project in Australia (AC/P32 Mining Claim) in January. In February, Cosmo Energy Exploration & Development’s subsidiary, Qatar Petroleum Development Co., Ltd. reached an agreement with the Qatar government concerning a new oilfield (the A-Structure Southern part oilfield) development plan (production is scheduled to start in 2010, producing about 3 thousand barrel per day). In addition, Abu Dhabi Oil Co., Ltd. and United Petroleum Development Co., Ltd. continued stable production of crude oil in the Middle East area, and as a result, our interest in crude oil acceptance was about 25 thousand barrel per day, which makes up about 5.0% of the amount of imports of crude oil for the Company. As a result of the above efforts, net sales in oil exploration and production business increased by 7.6% from the previous year, to ¥84.1 billion, and operating income underperformed the previous term’s results by 0.1%, to ¥43.5 billion.

[Other Businesses]

In such operations such as buying, selling and leasing as sale and purchase, and leasing of real estate facilities and construction and leasing of petroleum related facilities, and insurance, etc., the Company has worked to improve profitability through rationalization and efficiency improvements. Net sales in other businesses increased by 15.8% from the previous year, to ¥99 billion, and operating income increased from the previous term's results by 59.7%, to ¥2.6 billion.

As a result of such management activities, during the fiscal year, our consolidated net sales, operating income, ordinary income and net income outperformed the previous term results by 15.0%, 20.3%, 26.1% and 32.5%, respectively, to ¥3,523.1 billion, ¥83.8 billion, ¥94.3 billion, and ¥35.2 billion.

[Business Segment Information]

(Millions of yen)

	Petroleum Business	Oil Exploration and Production Business	Other Business	Elimination or Corporate	Consolidated
Net Sales	3,442,185	84,069	99,009	-102,178	3,523,086
Operating Income	39,314	43,453	2,576	-1,548	83,796

(2) Issues to be Addressed

With regard to **the economic environment going forward**, Japan's economy is expected to continue a moderate recovery sustained by an expansion of world economy, on the other hand, it is still concerned that the business trend remains uncertain reflecting U.S. economic slowdown. In the petroleum industry, gasoline mileage is forecast to keep improving, and besides, due to the hovering of crude oil price at a high level, demand for gasoline is projected to decrease, and it's also predicted that domestic demand will decrease for petroleum products overall resulting from the slowdown in the increase in number of households and acceleration of the conversion to alternative energies, so it is anticipated that the tough management environment will continue. Meanwhile, there will be an expansion of business areas in response to a steady increase in demand overseas for petroleum products and petrochemical products.

The Cosmo Oil Group will formulate a Third Stage Consolidated Medium-term Management Plan (FY2008 to FY2010), starting in FY2008, with a focus on anticipating the future inspired by the strategic business and funds alliance with IPIC, position this period as one of strategic preparation for restructuring the profit base and future growth, and work wholeheartedly toward realization of future measures.

[Restructuring the Profit Base and Striving for Future Growth]

1) Reinforcement of Profitability in Petroleum Refining and Marketing Business

For enhancement of the profit base in the petroleum refining and marketing business, the Company will attempt to build a strong production system and sales network that includes the Cosmo Oil Group companies, and meanwhile the Cosmo Oil Group will concentrate our all strength for activities for customers to have a real feeling of our catch phrase "Filling Up your Heart, Too." In order to deal with decreases in demand and structural changes, in the production division, through investment for upgrading refineries centering on new installation (projected commencement of operations in FY2010) of heavy oil cracking equipment at Sakai Refinery, which was determined in November 2006, the Company will prepare system for production increase of white oil with high profitability, and continue enhancement of competitiveness of refineries. Moreover, in order to expand the scale of exports to take advantage of steady demand increases overseas, the Company will prepare an export infrastructure and expand export volume, 1,500,000 kiloliters per year as of the current fiscal year to 4,000,000 kiloliters per year, targeting FY2010, when the heavy oil cracking equipment at Sakai Refinery is projected to go into operation.

2) Early Decision Making to Accelerate Growth Strategies in Oil Exploration and Production Business and Petrochemical Business

For accelerating the growth strategy, in the Oil Exploration and Production Business, by moving forward stable production centered on Cosmo Oil Group Companies, Abu Dhabi Oil Co., Ltd., and United Petroleum Development Co., Ltd., and expansion of production at Qatar Petroleum Development Co., Ltd., and the onset of production in Australia, the Cosmo Oil Group will improve its voluntary development crude oil percentage to 10%, and work to expand crude oil production. In the Petrochemical Business, through enhancement of further collaboration with Maruzen Petrochemical, and examination for upgrading of petrochemical product manufacturing facilities, we will be making efforts for expansion and growth of business area.

3) Pursuit of Alliance Synergy with IPIC
The Company will confer with IPIC on joint business projects that contribute to enhancing the profitability of both companies in a wide range of fields such as new oilfield development inside and outside the Abu Dhabi Emirate, further sophistication and added value enhancement of refineries of the Company including the Petrochemical Business, international expansion of the LPG business and ALA business, and expansion of sales of petroleum products overseas.

[Promotion of CSR Management and Environmental Management]
1) "Management to Execute Social Responsibility"
Concerning the Cosmo Oil Group overall for promotion of CSR management and environmental management, the Group was able to achieve a certain level of results in the Consolidated Medium-term CSR Plan (FY 2005-2007), and we will continually work to enhance the CSR promotion system, to build the safety management system, to enhance human rights and personnel measures and to promote environmental measures, and based on a new Consolidated Medium-term CSR Plan (FY 2008-2010), formulated newly with focus points of enhancement of relationships with stakeholders, we will also work to promote activities toward realization of the sustainable society and the global environment while encouraging voluntary participation from Cosmo Oil Group employees.

Cosmo Oil Group will the activate management resources of the Group and bring together its wisdom, while working towards "Harmony and Symbiosis" of energy, society and the global environment, based on Group management concepts grounded in CSR, through stable supply of safe and convenient energy, thoroughgoing implementation of management with an emphasis on compliance, and social contribution activities and environmental preservation activities on a global scale, and resolve to develop a general energy corporate group that aims at "Creating Future Values" through such things as development and provision of new products, technologies, and services in response to the needs of customers and society, thus contributing to the ongoing development of society.

In meeting the challenges of the fiscal year ahead, we look forward to the continued guidance and support of our shareholders.

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(3) Production and Order Acceptance

1) Consolidated Production and Order Acceptance

Name of Business Segment		Production Volume	Changes from FY2006
Petroleum Business		millions of yen	%
	Gasoline/Naphtha	507,634	23.6
	Kerosene/Diesel Fuel	704,647	29.2
	Heavy Fuel Oil	412,102	36.3
	Other	151,404	12.9
	Subtotal	1,775,788	27.5
Oil Exploration and Production Business		19,124	9.5
Total		1,794,913	27.3

(Notes) 1. Domestic fuel not included.
2. Production volume includes portions consigned to other companies and excludes portions consigned from other companies.
3. Amount above does not include consumption taxes.
4. Amount above does not include production volume between segments.

Name of Business Segment	Amount of Orders	Changes from FY2006	Outstanding Orders	Changes from FY2006
	millions of yen	%	millions of yen	%
Other Business	27,879	-14.8	13,403	-25.4

(Note) Amount above does not include consumption taxes.

2) Non-consolidated Production and Order Acceptance

Oil Type	FY2007	FY2006	Changes from FY2006
	thousand kl/t	thousand kl/t	%
Gasoline/Naphtha	8,174	7,755	5.4
Kerosene/Diesel Fuel	10,632	9,613	10.6
Heavy Fuel Oil	7,254	6,331	14.6
Other	2,376	2,404	-1.2
Total	28,437	26,105	8.9

(Notes) 1. Production volume includes portions consigned to other companies and excludes portions consigned from other companies.
2. In addition to the abovementioned production, domestic purchase (current term 11,987 thousand kiloliters, previous term 12,190 thousand kiloliters) and overseas purchase (current term 5,047 thousand kiloliters, previous term 6,402 thousand kiloliters)

[Translation for Reference and Convenience Purposes Only]

(4) Sales

1) Consolidated Sales

Name of Business Segment		Sales Volume	Changes from FY2006
Petroleum Business		millions of yen	%
	Gasoline/Naphtha	1,527,641	9.9
	Kerosene/Diesel Fuel	1,038,225	18.5
	Heavy Fuel Oil	530,983	25.7
	Other	344,706	16.6
	Subtotal	3,441,557	15.3
Oil Exploration and Production Business		32,250	1.1
Other Business		49,278	5.0
Total		3,523,086	15.0

(Notes) 1. Gasoline tax and local road tax are included in amount of gasoline.
2. Amount above does not include consumption taxes.
3. Amount above does not include volume of sales between segments.

2) Non-consolidated Sales

Type of Oil	FY2007	FY2006	Changes from FY2006
	thousand kl/t	thousand kl/t	%
Gasoline/Naphtha	17,441	17,700	-1.5
Kerosene/Diesel Fuel	15,576	15,147	2.8
Heavy Fuel Oil	9,120	8,820	3.4
Other	2,823	2,949	-4.3
Total	44,961	44,617	0.8

(5) Capital Expenditures of the Group

The Group spent a total of ¥49 billion on capital investments during the consolidated fiscal year, primarily as in the following:

1) Primary Facilities Completed during the Current Consolidated Fiscal Year
- Cosmo Oil
  Nationwide: New establishment and remodeling of service stations (petroleum business)
- Subsidiaries Qatar Petroleum Development Co., Ltd.
  Qatar: Recoverable accounts under production sharing
- Subsidiaries Abu Dhabi Oil Co., Ltd.
  Abu Dhabi (United Arab Emirates):
  Production facilities (oil exploration and production business)

2) Ongoing New Establishment and Expansion of Primary Facilities during the Current Fiscal Year
- Cosmo Oil
  Sakai Refinery: New establishment of heavy fuel oil cracking equipment group (petroleum business)

(6) Financing Activities

1) The Company issued 176,000,000 shares (issue par: ¥510 per share) by third party allocation on October 5, 2007 as issue date, and raised total ¥89.8 billion funds.

(7) Acquisition or Disposition of Shares or Other Equities or Stock Acquisition Rights, etc. of Other Companies

Not applicable.

(8) Assets, Profit and Loss for Recent Four Fiscal Years

1) Consolidated Assets, Profit and Loss

(Billions of yen)

	The 99th Term FY2004	The 100th Term FY2005	The 101st Term FY2006	The 102nd Term (Current Term) FY2007
Net Sales	2,154.5	2,670.6	3,062.7	3,523.1
Ordinary Income	63.1	119.6	74.8	94.3
Net Income	26.4	61.8	26.5	35.2
Net Income per Share (yen)	41.73	94.54	39.54	46.72
Total Assets	1,323.1	1,463.6	1,579.2	1,627.9
Net Assets	227.8	312.5	361.6	469.7

(Notes) 1. Net income per share is calculated on the basis of the average number of shares outstanding during the term (excluding the average number of treasury shares held during the term).

2. Please refer to "Section 1. Business Overview, (1) Review of Operations of the Group" for the operating results for the 102nd Term.

3. The Company adopted "Accounting Standards on Presentation of Net Assets Sections of Balance Sheets" (Business Accounting Standards Committee, Financial Accounting Standards No. 5, December 9, 2005) and the "Implementation Guidance for Business Accounting Standards, etc. of Net Assets Sections of Balance Sheets" (Business Accounting Standards Committee, Financial Accounting Standards Implementation Guidance No. 8, December 9, 2005) from the 101st Term.

2) Non-consolidated Assets, Profit and Loss

(Billions of yen)

	The 99th Term FY2004	The 100th Term FY2005	The 101st Term FY2006	The 102nd Term (Current Term) FY2007
Net Sales	1,964.9	2,495.4	2,831.2	3,301.6
Ordinary Income	41.7	75.6	7.6	26.4
Net Income	13.7	46.5	1.3	13.2
Net Income per Share (yen)	21.59	71.10	2.00	17.50
Total Assets	1,163.5	1,331.2	1,434.2	1,450.9
Net Assets	181.2	248.4	254.9	338.1

(Notes) 1. Net income per share is calculated on the basis of average number of shares outstanding during the term (excluding the average number of treasury stock held during the term).

2. The Company adopted "Accounting Standards on Presentation of Net Assets Sections of Balance Sheets" (Business Accounting Standards Committee, Financial Accounting Standards No. 5, December 9, 2005) and the "Implementation Guidance for Business Accounting Standards, etc. of Net Assets Sections of Balance Sheets" (Business Accounting Standards Committee, Financial Accounting Standards Implementation Guidance No. 8, December 9, 2005) from the 101st Term.

(9) Principal Business Lines (as of March 31, 2008)

The principal business of the Group is Petroleum Business, including imports, refining, storage, and sales of crude oil and petroleum products, and manufacturing and sales, etc. of petrochemical products, and Oil Exploration and Production Business including exploration and production of crude oil, etc. In other businesses, the Group is engaged in oil-related facilities construction and insurance agency business, etc.

(10) Principal Offices and Plants (as of March 31, 2008)

1) The Company

Head Office	1-1-1, Shibaura, Minato-ku, Tokyo
Branches	Sapporo/Sendai/Tokyo/Nagoya/Osaka/Hiroshima/Takamatsu/Fukuoka
Refineries	Chiba (Ichihara-shi)/Yokkaichi/Sakai/Sakaide
Laboratories	Central laboratory (Satte-shi Saitama Pre.)
Overseas Bases	Abu Dhabi (United Arab Emirates) /Doha (Qatar)/Beijing (China)/Shanghai (China)

(Reference)

Facilities scale of the Company

Crude oil processing capacity	635 thousand barrel per day
Number of oil storage depots (including 34 bailed oil storage depots)	38
Number of affiliated service stations	4,178

2) Major Subsidiaries and Affiliates

COSMO MATSUYAMA OIL CO., LTD.	(Head Office) (Plant)	Minato-ku, Tokyo Matsuyama-shi, Ehime Pre.
COSMO PETROLEUM GAS CO., LTD.	(Head Office)	Minato-ku, Tokyo
COSMO OIL LUBRICANTS CO., LTD	(Head Office) (Plant)	Minato-ku, Tokyo Chiba (Ichihara-shi) / Yokkaichi-shi / Shimotsu (Kainan-shi, Wakayama Pre.) / Osaka
COSMO OIL (U.K.) PLC.	(Head Office)	London (Britain)
COSMO OIL SALES CO., LTD.	(Head Office)	Shinagawa-ku, Tokyo
YOKKAICHI LPG TERMINAL CO., LTD.	(Head Office)	Minato-ku, Tokyo
QATAR PETROLEUM DEVELOPMENT CO., LTD.	(Head Office) (Mining Plant)	Shinagawa-ku, Tokyo Doha (Qatar)
ABU DHABI OIL CO., LTD.	(Head Office) (Mining Plant)	Shinagawa-ku, Tokyo Abu Dhabi (United Arab Emirates)
COSMO ENGINEERING CO., LTD.	(Head Office)	Shinagawa-ku, Tokyo
MARUZEN PETROCHEMICAL CO., LTD.	(Head Office) (Plant)	Chuo-ku, Tokyo Chiba (Ichihara-shi) / Yokkaichi-shi
UNITED PETROLEUM DEVELOPMENT CO., LTD.	(Head Office) (Branch)	Minato-ku, Tokyo Abu Dhabi (United Arab Emirates) / Doha (Qatar)

(11) Major Subsidiaries and Affiliates (as of March 31, 2008)

1) Major Subsidiaries and Affiliates

Company Name	Paid-in Capital	Investment Ratio	Main Operations
(Subsidiaries)	100 million yen	%	
COSMO MATSUYAMA OIL CO., LTD.	35	100.0	Manufacture and sales of petrochemical products/ Storage, receiving and shipping works of petroleum / Lease of oil storage facilities
COSMO PETROLEUM GAS CO., LTD.	35	100.0	Import, storage and sales of LPG
COSMO OIL LUBRICANTS CO., LTD	16	100.0	Research and development, manufacture, export and import, purchase and sales, analysis and test, storage, receiving and shipping works of petroleum
COSMO OIL (U.K.) PLC.	U.S. $4 million	100.0	Purchase and sales of crude oil and finished products
COSMO OIL SALES CO., LTD.	1	100.0	Sales of oil products
YOKKAICHI LPG TERMINAL CO., LTD.	16	55.0	Storage and shipment of LPG
QATAR PETROLEUM DEVELOPMENT CO., LTD.	31	85.8	Crude oil development/production/sales
ABU DHABI OIL CO., LTD.	101	63.0	Crude oil development/production/sales
COSMO ENGINEERING CO., LTD.	4	88.9	Design, procurement and construction of oil exploration unit, other units or facilities
(Affiliates)			
MARUZEN PETROCHEMICAL CO., LTD.	100	40.0	Manufacture and sales of petrochemical products
UNITED PETROLEUM DEVELOPMENT CO., LTD.	20	35.0	Crude oil development/production/sales

(Note) The Company's investment ratio includes a portion of indirect holding via subsidiaries.

2) Review and Results of Business Combination

(Review of Business Combination)

Cosmo Oil Group consists of 30 consolidated subsidiaries (an increase by two companies from the previous term) and 36 companies under the equity method (an increase by one company from the previous term) including the major subsidiaries and affiliates as listed in 1) above.

(Results of Business Combination)

Consolidated net sales for the current consolidated fiscal year reached to ¥3,523.1 billion, and consolidated net income was ¥35.2 billion.

3) Status of Other Significant Business Combinations

The Company and International Petroleum Investment Company (IPIC) performed a comprehensive and strategic business alliance and Infinity Alliance Limited, a wholly owned subsidiary of the relevant company, invests in the Company.

(12) Employees (as of March 31, 2008)

1) Employees of Cosmo Oil Group

Name of Business Segment	Number of Employees (Persons)		Year-on-year Change (Persons)
Petroleum Business	5,206	(3,129)	135 (increased)
Oil Exploration and Production Business	206	(59)	4 (increased)
Other Business	883	(19)	53 (increased)
Total	6,295	(3,207)	192 (increased)

(Notes) 1. Number of employees indicates the number of employees in operation.
2. Number in parenthesis in the number of employees column indicates the average employment number of temporary employees.

2) Employees of the Company

Number of Employees (Persons)	Year-on-year Change (Persons)	Average Length of Service
1,957	41 (increased)	21 years and 10 months

(Note) Seconded employees (1,342), temporary employees and part-timers are not included in the number of employees.

(13) Principal Lenders (as of March 31, 2008)

(Billions of yen)

Lenders	Borrowed Amount
Mizuho Corporate Bank, Ltd.	91.2
Japan Oil, Gas and Metals National Corporation	86.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	77.3
Sumitomo Mitsui Banking Corporation	49.0
The Chuo Mitsui Trust and Banking Company, Limited	16.9

(Note) In addition to the above, there were borrowings via syndicated loans (¥83 billion in total).

(14) Other Significant Matters concerning Current Status of the Group

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 (¥1,751,150,000) as of January 16, 2008 from the Fair Trade Commission (FTC), however, the Company submitted a motion for commencement of adjudication procedures to the FTC on February 15, 2008 requesting another trial, and following that motion the FTC issued a decision for commencement of adjudication as of March 24, 2008.

Concerning the Lawsuit on Claim of Refund of Unfair Profits pending in Tokyo District Court, there were six trial dates during the current term, and as for the Lawsuit on Claim of Cancellation of Decision by Fair Trade Commission pending in Tokyo High Court, there were two trial dates during the current term. Note that, as for the relevant decision, with the Tokyo High Court Decision on November 13, 2007, execution was exempted until finalization of the lawsuit for claim of cancellation of the decision, and the Company deposited ¥8 million as security deposit for the execution exemption.

[Translation for Reference and Convenience Purposes Only]

2. Share-related Information (as of March 31, 2008)

(1) Number of Shares Authorized to be Issued: 1,700,000,000 shares

(2) Number of Shares Issued and Outstanding: 847,705,087 shares

(number of treasury shares of above: 223,520 shares)

(3) Number of Shareholders: 39,540

(4) Major Shareholders

Name of Shareholders	Investment in the Company	
	Number of Shares Held (in thousands)	Investment Ratio (%)
Infinity Alliance Limited	176,000	20.76
Japan Trustee Services Bank, Ltd. (Trust Account)	54,976	6.48
Mizuho Corporate Bank, Ltd.	31,320	3.69
Mitsui Sumitomo Insurance Company, Limited	21,878	2.58
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,750	2.32
The Kansai Electric Power Co., Inc.	18,600	2.19
Tokio Marine & Nichido Fire Insurance Co., Ltd.	17,335	2.04
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,145	1.90
Sompo Japan Insurance Inc.	15,792	1.86
Nippon Life Insurance Company	14,632	1.72

3. Stock Acquisition Rights-related Information (as of March 31, 2007)

(1) Stock Acquisition Rights

1) Stock Acquisition Rights Attached to the Fourth Series of Unsecured Convertible Bonds with Stock Acquisition Rights Approved by Resolution of the Board of Directors Meeting Held on August 30, 2005

Outstanding amount of bonds with stock acquisition rights (millions of yen)	18,000
Number of stock acquisition rights (units)	18,000
Class of shares subject to the stock acquisition rights	Common stock
Number of shares subject to stock acquisition rights (shares)	28,846,153
Paid-in value at exercise of stock acquisition rights (yen)	¥617.40 per share
Exercise period of stock acquisition rights	From November 1, 2005 to September 29, 2010

[Translation for Reference and Convenience Purposes Only]

4. Executives of the Company

(1) Directors and Corporate Auditors (as of March 31, 2008)

Position	Name	Responsibilities
Chairman	Keiichiro Okabe	
President	Yaichi Kimura	
Senior Managing Director	Keizo Morikawa	Responsible for Personnel Dept., Sales Control Dept., Retail Marketing Dept., Wholesales Marketing Dept., Industrial Fuel Marketing Dept., and Accounting Dept.
Senior Managing Director	Kenji Hosaka	Responsible for Corporate Planning Dept., International Ventures Dept., and International Business Dept.
Managing Director	Naomasa Kondo	Responsible for Corporate Communication Dept., Project Development Dept., Safety & Environment Control Dept., and Purchasing Center
Managing Director	Kaoru Kawana	Responsible for Information System Planning Dept., Affiliate Relations Dept., and General Affairs Dept.
Managing Director	Satoshi Miyamoto	Responsible for Accounting Dept., Finance Dept., and Distribution Dept.
Managing Director	Seizo Suga	Responsible for R&D Dept., Demand & Supply Coordination Dept., and Refining & Technology Dept.
Outside Director	Saeed Al Mehairbi	
Outside Director	Khalifa Al Romaithi	
Corporate Auditor	Yutaka Shimizu	
Corporate Auditor	Makoto Suzuki	
Corporate Auditor	Hirokazu Ando	
Outside Auditor	Hajime Miyamoto	
Outside Auditor	Yoshitsugu Kondo	

(Notes)
1. Directors Saeed Al Mehairbi and Khalifa Al Romaithi are outside directors.
2. Corporate auditors Hirokazu Ando, Hajime Miyamoto and Yoshitsugu Kondo are outside corporate auditors.
3. Seizo Suga was newly appointed as director on June 28, 2007 and Saeed Al Mehairbi and Khalifa Al Romaithi were appointed as directors on December 11, 2007 and respectively assumed their posts.
4. Director Kenji Hosaka was promoted to representative director and senior managing director as of June 28, 2007.
5. Masahide Furuzono retired as director due to the expiration of his term on June 28, 2007.
6. Corporate auditor Yutaka Shimizu has experience as general manager of Accounting Department of the Company, and possesses a considerable degree of knowledge with respect to financial affairs and accounting.

7. Executive Officers

Position	Name	Responsibility
Senior Executive Officer	Michio Shimizu	General Manager, Tokyo Branch Office
Senior Executive Officer	Kanesada Sufu	General Manager, Affiliate Relations Dept.
Senior Executive Officer	Kensuke Suzuki	General Manager, Corporate Planning Dept.
Executive Officer	Kiyoshi Aoyagi	General Manager, General Affairs Dept.
Executive Officer	Tadashi Kanematsu	General Manager, Refinery & Technology Dept
Executive Officer	Hideto Matsumura	General Manager, Refining & Technology Dept.
Executive Officer	Atsuto Tamura	General Manager, Corporate Communication Dept.
Executive Officer	Hisashi Kobayashi	General Manager, Sales Control Dept.
Executive Officer	Toshiaki Iwana	General Manager, Yokkaichi Refinery
Executive Officer	Hiroaki Fujioka	General Manager, Sakai Refinery
Executive Officer	Hirohiko Ogiwara	General Manager, Wholesales Marketing Dept.
Executive Officer	Satoshi Nishi	General Manager, Finance Dept.
Executive Officer	Yuji Satake	General Manager, Retail Marketing Dept.
Executive Officer	Katsuhisa Ohtaki	General Manager, Industrial Fuel Marketing Dept.
Executive Officer	Isao Kusakabe	General Manager, International Ventures Dept.

(2) Amount of Compensation to Directors and Auditors

Category	Number of Persons Remunerated	Amount of Compensation
		Thousands of yen
Directors (Outside Directors of Above)	10 (2)	334,140 (4,440)
Auditor (Outside Auditors of Above)	5 (3)	100,200 (46,200)
Total	15	434,340

(Notes) 1. Amounts of compensation to directors does not include salary for employees for those who also work as directors.
2. Amount of compensation to directors was set by resolution at up to ¥750 million per year (salary for employees for those who also work as directors is not included) at the 101st Ordinary General Meeting of Shareholders held on June 28, 2007.
3. Amount of compensation to corporate auditors was set by resolution at up to ¥9 million per month at the 89th Ordinary General Meeting of Shareholders held on June 29, 1995.

(3) Concurrent Service Status of Directors and Corporate Auditors

1) Representing of Other Companies, etc.

Name	Corporate Name	Title
Keiichiro Okabe	QATAR PETROLEUM DEVELOPMENT CO., LTD.	President
Kenji Hosaka	COSMO OIL (U.K.) PLC.	Chairman
Hajime Miyamoto (Outside Auditor)	Kansai International Airport Co., Ltd.	Chairman

(Note) Keiichiro Okabe also serves as Representative Director of our subsidiary Qatar Petroleum Development Co., Ltd., and the Company and the relevant company have transaction relationships for such as the sale and purchase of crude oil, etc.

2) Other Significant Concurrent Service

Name	Corporate Name	Title
Keiichiro Okabe	TOKYO BROADCASTING SYSTEM, INCORPORATED COSMO PETROLEUM GAS CO., LTD. COSMO OIL SALES CO., LTD. ABU DHABI OIL CO., LTD. COSMO ENGINEERING CO., LTD.	Outside auditor Director Director Director Director
Yaichi Kimura	MARUZEN PETROCHEMICAL CO., LTD. UNITED PETROLEUM DEVELOPMENT CO., LTD.	Outside director Director
Kenji Hosaka	KYOEI TANKER CO., LTD. QATAR PETROLEUM DEVELOPMENT CO., LTD. ABU DHABI OIL CO., LTD. MARUZEN PETROCHEMICAL CO., LTD.	Outside director Director Director Outside director
Naomasa Kondo	COSMO ENGINEERING CO., LTD.	Director
Kaoru Kawana	COSMO PETROLEUM GAS CO., LTD.	Director (assumed in June)
Seizo Suga	COSMO MATSUYAMA OIL CO., LTD.	Director (assumed in June)
Saeed Al Mehairbi (Outside Director)	International Petroleum Investment Company (UAE) Sumed Pipeline (Egypt) CEPSA, S.A. (Spain)	Project Management Division Manager (assumed in August) Board member (assumed in August) Board member (assumed in September)
Khalifa Al Romaithi (Outside Director)	International Petroleum Investment Company (UAE) Hyundai Oilbank Co., Ltd. (Korea)	Investment Management Division Manager (assumed in June) Board member
Yutaka Shimizu	COSMO OIL SALES CO., LTD. ABU DHABI OIL CO., LTD. UNITED PETROLEUM DEVELOPMENT CO., LTD.	Corporate auditor Outside auditor Corporate auditor
Makoto Suzuki	COSMO PETROLEUM GAS CO., LTD. COSMO ENGINEERING CO., LTD.	Corporate auditor (assumed in June) Corporate auditor
Hirokazu Ando (Outside Auditor)	COSMO MATSUYAMA OIL CO., LTD. COSMO OIL LUBRICANTS CO., LTD. QATAR PETROLEUM DEVELOPMENT CO., LTD.	Corporate auditor Corporate auditor Corporate auditor
Hajime Miyamoto (Outside Auditor)	KINDEN CORPORATION	Corporate adviser (assumed in June)
Yoshitsugu Kondo (Outside Auditor)	Sano Kondo Law Offices	Attorney at law

(Note) Yoshitsugu Kondo serves as joint-representative of Sano Kondo Law Offices and the Company has executed a Legal Retainer Agreement with the Firm.

(4) Outside Directors and Outside Corporate Auditors

1) Major Activities in the Fiscal Year

- Attendance at Board of Directors Meetings and Board of Corporate Auditors Meetings, and status of expression of opinions

Name	Record of Attendance		Status of Expression of Opinions
	Board of Directors Meeting	Board of Auditors Meeting	
Saeed Al Mehairbi (Outside Director)	80% (3 out of 4 times)	-	Expresses opinions as needed from the international viewpoint relevant to petroleum industry
Khalifa Al Romaithi (Outside Director)	Attended all (4 out of 4 times)	-	Expresses opinions as needed from the international viewpoint relevant to petroleum industry
Hirokazu Ando (Outside Auditor)	Attended all (19 out of 19 times)	Attended all (15 out of 15 times)	Makes efforts to understand the management in general as standing corporate auditor and expresses opinions as needed
Hajime Miyamoto (Outside Auditor)	60% (12 out of 19 times)	70% (10 out of 15 times)	Has abundant experience and knowledge concerning corporate management and expresses opinions as needed
Yoshitsugu Kondo (Outside Auditor)	Attended all (19 out of 19 times)	Attended all (15 out of 15 times)	Mainly expresses opinions as needed from specialist viewpoint as lawyer

5. Accounting Auditor

(1) Name of Accounting Auditor

KPMG Azsa & Co.

(2) Amount of Compensation, etc. pertaining to the Current Fiscal Year to Accounting Auditor

(Thousands of Yen)

	Amount of Compensation
Amount of Compensation to be Paid to the Accounting Auditor	61,943
Amount of Moneys and Other Property Benefits to be Paid to the Accounting Auditor by the Company and Its Subsidiaries	152,343

(Notes) 1. The audit agreement entered into by the Company and the Accounting Auditor does not clearly distinguish the amount derived from an audit under the Corporate Law and that which is from the audit under the Financial Instruments and Exchange Law, and those cannot be substantially distinguished from each other, either, and therefore, the aforementioned amount of compensation pertaining to the current fiscal year indicates the total amount of these.

2. Our subsidiaries Cosmo Oil (U.K.) PLC., Cosmo Oil International Pte., Ltd., and Cosmo Oil of U.S.A. Inc. undergo audits by audit corporations other than the Account Auditor of the Company.

(3) Contents of Non-audit Business

Advisory services from with respect to internal controls systems pertaining to financial affairs reporting.

(4) Guidelines for Decisions on Dismissal or Non-renewal of Accounting Auditor

If the Company judges that any of the respective items of Article 340 of the Corporate Law is applicable to the Accounting Auditor, such as violation of duty-related obligations or neglect of duties, or fraudulent conduct not appropriate as Accounting Auditor, the Board of Corporate Auditors will decide on dismissal of the Accounting Auditor. In addition, in any case if it is judged that hiring it as the Accounting Auditor gives material disturbance on the Company, the Board of Corporate Auditors will submit a proposal to the General Meeting of Shareholders with regard to dismissal or non-renewal of the Accounting Auditor.

[Translation for Reference and Convenience Purposes Only]

6. Systems to Ensure Conformance of Execution of Duties by Directors to Laws, Ordinances and Articles of Incorporation and Systems to Ensure Appropriateness of Other Operations

In order to put into practice the management concepts and corporate action policies of the Cosmo Oil Group, and to execute duties appropriately and efficiently, the Company determined the following basic policies with respect to preparation of a system for job performance of directors and employees, system for risk management and internal auditing to support the above, and a system to ensure effective auditing by corporate auditors.

1) System to Ensure Conformance of Execution of Duties by Directors and Employees to Laws, Ordinances and Articles of Incorporation and Systems to Ensure Appropriateness of Other Operations (Corporate Law Article 362, Paragraph 4, Item 6, Enforcement Regulations Article 100, Paragraph 1, Item 4)

<Management Concepts and Corporate Action Policy>

- The Company will formulate Cosmo Oil Group Management Vision, and determine Corporate Action Policy with respect to corporate ethics (Cosmo Oil Group Companies Action Policy), and prepare a promotional system for building up the corporate ethics of the Cosmo Oil Group, and under which the directors and employees can put these ethics into practice, including establishment of the CSR Promotion Board (chaired by the president) as an organization to administrate CSR activities and internal controls overall.
- The CSR Promotion Board will prepare manuals on corporate ethics, and carry out training, etc., thus working toward thoroughgoing compliance and fostering and improvement of ethical viewpoints.

<Report at Meetings>

- The Company will establish the Board of Directors Meeting Rules and Management Execution Board Rules, and prepare a system under which reports on the status of job performance for each director are made in Meetings.

<Separation of Duty Execution and Supervision >

- The Company will introduce an executive officer system, for separation of job performance and supervision, and for enhancement of the supervisory function of the Board of Directors.

<Operations Rules>

- The Company will establish the operational rules in which are prescribed the organization, posts, command and control system, and duty sharing, etc., and decision making authority rules to provide for basic matters with respect to operation of decision-making system, and prepare a system under which job performance will be in compliance with these, and reexamine the rules persistently in response to changes in the management environment.

<Internal Audit Enhancement>

- The Company will prepare the system to ensure effective implementation of internal audits, and implement highly specialized audits from highly ethical viewpoints by the audit office.

<Acquisition, Use and Conveyance of Information>

- The Company will establish a corporate ethics consultation window (Help Line) with measures to prevent penalization of whistleblowers such as ensuring whistleblower anonymity, and will also establish a Customer Center, as a window to deal with inquiries, etc. from customers, and prepare a system to acquire and use information widely from inside and outside the Company.
- The Company will determine basic matters with respect to risk management, and prepare systems for swift and accurate conveyance of information to management and timely and proper transmission of information to outside the Company

<IT Handling>

- In order to achieve the above purposes, the Company will deal with the advance of IT properly, and use IT effectively and efficiently.

2) Rules and Other Systems concerning Management of Risk of Loss (Corporate Law Enforcement Regulations Article 100, Paragraph 1, Item 2)

- The Company will determine basic matters with regard to risk management (establishment of Risk Management Rules, Risk Measures Rules, General Disaster Measures Rules, etc.), and establish a Risk Management Committee (chaired by executives in charge of the General Affairs Department) for smooth and effective promotion of risk management, for assessment and reexamination of management risks, and for taking proper measures.

3) Systems to Ensure Efficient Execution of Duties by Directors (Corporate Law Enforcement Regulations Article 100, Paragraph 1, Item 3)
- The Board of Directors Meetings shall be held once per month in principle in accordance with the Board of Directors Rules, and determine matters prescribed in the laws or ordinances, or in the Articles of Incorporation, and management policies and other material matters relevant to management, and also supervise the job performance of directors.
- The Management Execution Board shall be held once a week in principle in accordance with the Management Executive Board Rules, and shall be a decision making organ for job performance, discussing basic policies and material matters relevant to job performance in accordance with management policies determined at Board of Directors Meetings.
- The Company shall establish the Operational Rules, etc., in which are prescribed the organization, post, command and control system, and duty sharing, etc., and work toward efficient job performance through the establishment of a responsibility system for job performance in accordance with the rules for decision making authority.
- Targets the Company should achieve shall be clarified upon determination of the management plan based on management policies, and a yearly plan for the overall company, department, office and business office, etc. shall be formulated and management of performance shall be carried out.

4) System with regard to Information Retention and Management pertaining to Execution of Duties of Directors (Corporate Law Enforcement Regulations Article 100, Paragraph 1, Item 1)
- In accordance with the internal rules with respect to information management, such as Board of Directors Rules and Information Management Rules, etc., information pertaining to job performance by directors shall be properly retained and managed.

5) System to Ensure Appropriateness of Business in the Company and Cosmo Oil Group (Corporate Law Enforcement Regulations Article 100, Paragraph 1, Item 5)
- The Company will establish the Cosmo Oil Group Management Vision and Corporate Action Policy, and other necessary rules, etc. and appoint a corporate ethics promotion manager (president) in each company of the Group, for preparation of a system as a united Group to ensure business appropriateness.
- The Company will prepare a system concerning internal auditing as a group, such as audit implementation or support of internal auditing of each company by the audit office as to job performance status of Group companies.

6) Matters concerning Employees to Assist the Duties of Auditors in case the Appointment thereof is Requested by Auditors, and Matters concerning Independence of the Relevant Employees from Directors (Corporate Law Enforcement Regulations, Article 100, Paragraph 3, Items 1,2)
- For enhancement of audit functions, Board of Corporate Auditors Secretariat will be established under the Board of Corporate Auditors, and employees dedicated to such work will be arranged, and for the personnel transfer and personnel appraisal of these employees, appraisal of personnel for audit assistant employees shall be carried out by corporate auditors, and in appointing, to ensure the independence of the relevant employees, the consent of the corporate auditors shall be obtained.

7) System for Reporting to Corporate Auditors by Directors and Employees, and Other Systems for Reporting to Corporate Auditors, and Other Systems to Ensure Effectiveness of Audits by Corporate Auditors (Corporate Law Enforcement Regulations, Article 100, Paragraph 3, Items 3,4)
- Directors and employees shall report to corporate auditors on statutory matters and (1) material matters that affect the management and results of the Cosmo Oil Group, (2) overview of activities of audit office and corporate auditors and audit office of affiliates, (3) overview of activities with respect to internal controls of the Group, and (4) status of operation and whistle blowing at Help Line.
- Meetings among corporate auditors, the president, primary departments and office managers, and corporate auditors of affiliates will be held on regular basis to prepare systems to ensure audit effectiveness.
- Sufficient collaboration among corporate auditors, Audit Office and the Accounting Auditor shall be attempted.

[Translation for Reference and Convenience Purposes Only]

Consolidated Balance Sheet

Fiscal Year 2007 (March 31, 2008)

Cosmo Oil Co., Ltd.

(Unit: million yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	**933,721**	**Current liabilities**	**812,027**
Cash and deposits	72,193	Notes and accounts payable, trade	312,656
Notes and accounts receivable, trade	293,549	Short-term loans	257,100
Marketable securities	10,992	Corporate bond redeemable within one year	2,500
Inventories	440,091	Accounts payable, other	86,252
Accounts receivable, other	60,804	Accrued volatile oil and other petroleum taxes	77,240
Deferred tax assets	5,448	Accrued tax payable	21,688
Others	50,994	Accrued consumption taxes payable	3,844
Allowance for doubtful accounts	−352	Accrued expenses	12,437
Fixed assets	**694,182**	Deferred tax liabilities	10,363
Property, plant & equipment	**529,023**	Others	27,944
Buildings and Structures	95,978	**Long-term liabilities**	**346,149**
Oil storage depots	11,251	Warrant bond (CB type)	18,000
Machinery and equipment, Automotive equipment	79,689	Long-term loans	244,004
Land	308,277	Deferred tax liabilities	16,806
Construction in progress	26,810	Deferred tax liability related to land revaluation	33,946
Others	7,016	Allowance for special repair work	7,367
Intangible fixed assets	**9,779**	Retirement and severance benefits for employees	6,300
Leaseholds	1,211	Others	19,722
Software	4,001		
Goodwill	181	**Total liabilities**	**1,158,176**
Others	4,385	Net assets	
Investment and other assets	**155,378**	**Shareholders' equity**	**411,952**
Investments in securities	103,614	Common stock	107,246
Investments	213	Capital surplus	89,442
Long term loans receivable	2,643	Retained earnings	215,388
Long-term prepaid expenses	7,838	Less treasury stock, at cost	−125
Others	38,819	**Valuation and translation adjustments**	**30,960**
Deferred tax assets	3,473	Unrealized gains on securities	5,909
Allowance for doubtful accounts	−1,224	Deferred gains on hedges	14,603
		Revaluation reserve for land	11,084
		Foreign currency translation adjustments	−638
		Minority interests	**26,814**
		Total net assets	**469,726**
Total assets	**1,627,903**	**Total liabilities and net assets**	**1,627,903**

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Income

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

Cosmo Oil Co., Ltd.

(Unit: million yen)

Item	Amount	
I Net sales		**3,523,086**
II Cost of sales		**3,290,687**
Gross profit		**232,399**
III Selling, general and administrative expenses		148,602
Operating income		**83,796**
IV Non-operating income		
Interest income	1,976	
Dividend income	1,511	
Rental income on fixed assets	913	
Foreign currency exchange gains	8,886	
Equity in earnings of affiliates	8,662	
Others	6,083	28,033
V Non-operating expenses		
Interest expenses	11,357	
Others	6,142	17,499
Ordinary income		**94,330**
VI Extraordinary income		
Gain on sale of property, plant and equipment	5,417	
Gain on sale of investments in securities	726	
Gain on reversal of allowance for doubtful accounts	456	
Gain on abolishment of retirement benefit plan	3,155	
Gain on exchange of stock	393	
Others	82	10,232
VII Extraordinary losses		
Loss on sale of property	100	
Loss on disposal of property	2,554	
Impairment loss	4,510	
Loss on valuation of membership	56	
Loss on liquidation of business of subsidiaries and affiliates	1,625	
Others	155	9,002
Income before taxes		**95,560**
Income taxes	47,982	
Income tax adjustments	7,088	55,070
Minority interests		5,337
Net income		**35,152**

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Changes in Net Assets

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

Cosmo Oil Co., Ltd.
(Unit: million yen)

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

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

[Translation for Reference and Convenience Purposes Only]

Notes to Consolidated Financial Statements

In the consolidated balance sheet, consolidated statement of income and consolidated statement of changes in net assets of Cosmo Oil Co., Ltd. (the "Company") represented in the million yen unit, figures less than 1 million yen are rounded down.

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

1. Items concerning the Scope of Consolidation for Reporting

(1) Number of consolidated subsidiaries: 30

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

The Company makes Cosmo Seiwa Agriculture Co., Ltd. the subsidiary by the additional acquisition of stocks. Therefore, the company is included in the consolidated subsidiaries of Cosmo Oil, effective from the year period.

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

(2) Major Non-consolidated Subsidiaries:

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

Reason for exclusion from accounting consolidation:

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

2. Items Concerning the Application of the Equity Method

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

Major subsidiaries: Kanto Cosmo Gas Co., Ltd., Tohoku Toyo Shoji Co., Ltd.

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

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

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

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

Maruzen Petrochemical Co., Ltd., United Petroleum Development Co., Ltd., Tozai Oil Terminal Co., Ltd. and Okinawa CTS Corp.

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

Affiliated Company:

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

Reasons for Exclusion from the Application of the Equity Method:

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

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

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

3. Items concerning the Accounting Periods of the Consolidated Subsidiaries

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

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

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

4. Items concerning the Accounting Standards

(1) Significant Asset Valuation Standards and Methods

1) Securities

a. Securities held to maturity: Stated at amortized cost method

b. Other securities:

Securities available for sale with fair market value: Stated at fair value based on market values applicable on the date of consolidated settlement of accounts (in which all differences between the carrying amounts and the fair values are reported as a separate component of net assets, while the cost of securities sold is calculated by the moving average method)

Securities with no available fair market value: Stated at cost determined by the moving average method

2) Inventories: Principally stated at cost determined by the weighted average method

3) Derivative financial instruments: Stated at fair value.

(2) Significant Depreciable Assets and Depreciation Methods

1) Property, Plant and Equipment:

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

(Change in Accounting Policy)

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

The impact of this change on operating income, ordinary income and pre-tax net income for the year of FY2007 was slight, respectively.

(Additional Information)

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

2) Intangible Fixed Assets

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

3) Long-term Prepaid Expenses

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

(3) Standards for Recording Significant Allowances

1) Allowance for Doubtful Accounts

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

a) Ordinary accounts receivable: The amount of allowance calculated at the actual ratio of bad debts

b) Highly doubtful receivables and claims in bankruptcy and reorganization, etc.: The amount of allowance calculated based on the evaluation of financial situations of individual accounts involved.

2) Allowance for Special Repair Work

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

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

3) Retirement and Severance Benefits for Employees

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

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

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

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

(Discontinuation of the Conventional Qualified Retirement Annuity System)

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

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

4) Retirement Benefits for Directors and Corporate Auditors

(Additional Information)

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

(4) Method to Account for Significant Finance Leases

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

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

1) Standards for Recognition of Construction Revenue

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

2) Accounting Process for Consumption Tax

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

3) Accounting Process for Cost Recovery under Production Sharing

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

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

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

6. Items concerning Amortization on Goodwill, Positive and Negative

Positive and negative goodwill items are in principle amortized in accordance with the equal installment method over 5 years, providing that small-amount and negative ones are amortized in a lump sum.

(Notes to Consolidated Balance Sheet)

1. Cumulative depreciation expenses for the property, plant and equipment ¥661,454 million
2. Pledged Assets

   Breakdown of Assets Pledged as Collateral and Amounts thereof:

Property, plant and equipment	¥333,128 million
Marketable securities	¥10 million
Investments in securities	¥79million

   Secured Liabilities:

Long-term debts (including repayments due within one year)	¥139,325 million
Debts related to transactions with banks	¥20,996 million

3. Contingencies

   (1) Guaranty Liabilities

Employees (liabilities to guarantee their borrowings from financial institutions, etc.)	¥2,358 million
4 Dealers, etc. (liabilities to guarantee their borrowings from financial institutions, etc.)	¥291 million

   (2) Suits, etc.

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

4. Items concerning 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)
   - The total amount of the revalued land at fair value as of March 31, 2008 is smaller than their total carrying amount after revaluation and the difference amounted to:

     ¥81,539 million

(Notes to Consolidated Statement of Changes in Net Assets)

1. Types and Number of Outstanding Shares and Treasury Stock as of March 31, 2008

Outstanding shares:	Ordinary shares	847,705,087 shares
Less treasury stock, at cost	Ordinary shares	575,168 shares

2. Distribution of Surplus:

(1) Dividend Payments

(Resolution adopted by)	Total dividend amount (¥ mil)	Funded by	Dividend per share (¥)	Base date for dividend payment	Effective date
Shareholders' Meeting held on June 28, 2007	3,357	Retained earnings	5	March 31, 2007	June 29, 2007
Meeting of Board of Directors held on Nov. 6, 2007	2,014	Retained earnings	3	September 30, 2007	December 5, 2007

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

The following proposal is to be made at the annual shareholders' meeting held on June 24, 2008:

(Resolution adopted by)	Total dividend amount (¥ mil)	Funded by	Dividend per share (¥)	Standard date for dividend payment	Effective date
Shareholders' Meeting held on June 24, 2008	4,237	Retained earnings	5	March 31, 2008	June 25, 2008

(Notes to Per-Share Information)

1. Net assets per share	¥522.84
2. Net income per share	¥46.72

(Notes to Material Contingencies)

None

[Translation for Reference and Convenience Purposes Only]

Balance Sheet

Fiscal Year 2007 (As of March 31, 2008)

Cosmo Oil Co., Ltd.

(Unit: million yen)

Assets		Liabilities	
Item	**Amount**	**Item**	**Amount**
Current assets	**876,963**	**Current liabilities**	**794,024**
Cash and deposits	23,739	Accounts payable, trade	308,907
Notes receivable	223	Short-term loans	147,889
Accounts receivable, trade	257,538	Long-term loans payable within one year	76,966
Marketable securities	11	Corporate bond redeemable within one year	2,500
Finished products	98,975	Accounts payable, other	103,239
Semi-finished products	83,953	Accrued volatile oil and other petroleum taxes	77,240
Raw materials	94,876	Accrued tax payable	5,939
In-transit products	4,823	Accrued tax payable, con-tax	3,174
In-transit raw materials	125,288	Accrued expenses	4,839
Supplies	3,665	Advance payments received	6,559
Land for sale	363	Deposits payable	41,425
Advances	1,229	Advance income	72
Prepaid expenses	2,972	Deferred tax liabilities	10,757
Short-term loans	27	Others	4,511
Short-term loans to subsidiaries/ affiliate	36,610	**Long-term liabilities**	**318,754**
Accounts receivable, other	102,673	Warrant bond (CB type)	18,000
Interest swaps	33,059	Long-term loans	239,239
Others	7,209	Deferred tax liabilities	9,263
Allowance for doubtful accounts	-280	Deferred tax liabilities related to land revaluation	31,153
Fixed assets	**573,955**	Long-term deposits	9,013
Property, plant & equipment	**440,305**	Allowance for special repair work	5,984
Buildings	23,177	Provision for retirement benefits	2,227
Structures	44,950	Others	3,871
Oil storage depots	9,175		
Machinery and equipment	66,316	**Total liabilities**	**1,112,778**
Automotive equipment	332	**Net asset**	
Tools, instruments and fixture	3,960	**Shareholders' equity**	**305,857**
Land	269,674	Common stock	107,246
Construction in progress	22,718	Capital surplus	89,442
Intangible fixed assets	**4,023**	Capital reserve	89,439
Leaseholds	1,055	Other capital reserve	2
Trademarks	1	Retained earnings	109,245
Software	2,721	Legal reserve	7,407
Others	244	Other retained earnings	101,837
Investments and other assets	**129,627**	Special reserve for equalization of redemption	12
Investments in securities	42,571	Reserve for reduction of fixed assets	17,218
Stocks of subsidiaries and affiliates	38,603	Retained earnings carried forward	84,607
Investments	131	Less treasury stock, at cost	-76
Long term loans receivable	462	**Valuation and translation adjustments**	**32,282**
Long-term loans to employees	4	Unrealized gains on securities	4,758
Long-term loans to subsidiaries and affiliates	19,309	Deferred gains on hedges	19,347
Long-term prepaid expenses	4,046	Revaluation reserve for land	8,176
Long-term receivables	412		
Long-term deposits	12,231		
Others	14,191		
Allowance for doubtful accounts	-763		
Reserve for loss on investments in unconsolidated subsidiaries and affiliates	-1,575		
		Total net assets	**338,140**
Total assets	**1,450,919**	**Total liability and net assets**	**1,450,919**

[Translation for Reference and Convenience Purposes Only]

Statement of Income

Fiscal Year 2007 from April 1, 2007 to March 31, 2008

Cosmo Oil Co., Ltd.

(Unit: million yen)

Item	Amount	
I Net sales		**3,301,597**
II Cost of sales		**3,192,523**
Gross profit		**109,073**
III Selling, general and administrative expenses		88,473
Operating income		**20,600**
IV Non-operating income		
Interest income	1,592	
Interest on securities	4	
Dividends received	3,533	
Rental income on fixed assets	979	
Foreign currency exchange gains	10,554	
Others	5,606	22,270
V Non-operating expenses		
Interest expenses	11,170	
Bond interest expenses	291	
Others	5,029	16,491
Ordinary income		**26,379**
VI Extraordinary income		
Gain on sale of property, plant and equipment	4,237	
Gain on sale of investments in securities	659	
Benefits from reversal of allowance for doubtful accounts	540	
Gain on reversal of evaluation on investments in unconsolidated subsidiaries and affiliates	600	
Gain on abolishment of retirement benefit plan	3,007	
Gain on exchange of stock	366	9,411
VII Extraordinary losses		
Loss on sale of property	88	
Loss on disposal of property	1,966	
Impairment loss	3,000	
Loss on valuation of membership	53	
Provision for reserve of evaluation on investments in unconsolidated subsidiaries and affiliates	28	
Loss on business liquidation of subsidiaries and affiliates	1,625	6,762
Income before taxes		**29,028**
Income taxes	6,028	
Income taxes for previous year	449	
Income tax adjustments	9,381	15,859
Net income		**13,168**

[Translation for Reference and Convenience Purposes Only]

Statement of Changes in Net Assets

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

Cosmo Oil Co., Ltd.

(Unit: million yen)

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

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

[Translation for Reference and Convenience Purposes Only]

Breakdown of Other Retained Earnings

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

[Translation for Reference and Convenience Purposes Only]

Notes to Financial Statements

1. In the non-consolidated balance sheet, non-consolidated statement of income and non-consolidated statement of changes in net assets of Cosmo Oil Co., Ltd. (the "Company"), figures less than 1 million yen are rounded down.

2. Notes to Items regarding Significant Accounting Policies

(1) Standards and Methods for Valuation of Securities

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

(2) Standards and Methods for Valuation of Inventories

Finished products, semi-finished products, raw materials:	Stated at cost determined by the weighted average method
In-transit products:	Stated at cost determined by the specific identification method
Supplies:	Stated at cost determined by the weighted average method
Land for sale:	Stated at cost determined by the specific identification method

(3) Valuation of Net Amounts of the Assets and Liabilities for which Derivative Transactions Are Executed:
Stated at fair value

(4) Methods for Depreciation of Fixed Assets

Property, plant & equipment	The straight-line method The number of years of their useful lives and their residual value are calculated based on the criteria defined under the Corporation Tax Law of Japan, providing that the economic useful life of 15 years is adopted for the Company's service station by taking their actual past performances into consideration. (Change in Accounting Policy) In accordance with revisions of the Corporation Tax Law, the Company changed the method of calculating depreciation expenses for tangible fixed assets acquired from April 1, 2007 onwards into the method under the revised law, effective from the beginning of FY2007 (April 1, 2007). The impact of this change on the bottom line for FY2007 was slight. (Additional Information) In accordance with revisions of the Corporation Tax Law, the Company adopted a method in which the remaining acquisition cost of each of the tangible fixed assets acquired on or before March 31, 2007 will be depreciated equally over five years starting in the fiscal year that follows the fiscal year when its depreciation expenses reaches the final deductible limit under the former law. This arrangement increased depreciation expenses by ¥2,714 million and decreased operating income, ordinary income and pre-tax net income for the fiscal year by ¥2,533 million, respectively.
Intangible fixed assets	The straight-line method The number of years of their useful lives is calculated based on the criteria defined under the Corporate Income Tax Law of Japan, providing that amortization expenses for the software used by the Company is calculated on the straight line method over the period of its availability in-house (5 years).
Long-term Prepaid Expenses	The equal installment method The equal installment method is adopted to calculate depreciation expenses for these account items over the period defined under the Corporate Income Tax Law of Japan.

(5) Standards for Recording Allowances

Allowance for doubtful accounts	An estimated amount of irrecoverable debts is set aside against any potential losses on the failure to collect the accounts receivable. a) Ordinary accounts receivable: The amount of allowance calculated at the actual ratio of bad debts b) Highly doubtful receivables and claims in bankruptcy and reorganization, etc.: The amount recognized for uncollectible accounts
Reserve for loss on investments in unconsolidated subsidiaries and affiliates:	A reserve is kept aside to cover any potential losses on the Company's investments in its subsidiaries and affiliated companies and it is provided based on an estimated amount of losses by taking the financial positions of such subsidiaries and affiliates and expected recovery from them into consideration.
Allowance for special repair work	An allowance is set aside to cover expenses arising from the inspection and repairs of the oil tanks subject to the open regular inspection in compliance with the Fire Service Law of Japan, and an amount equal to the estimated cost of periodically required repairs was added to the provision for FY2007. An allowance is put aside to cover retirement and severance benefits payable to employees and a certain amount was recorded based on the estimated amount of projected benefit obligation and the fair value of the pension assets as of March 31, 2008.
Retirement and severance benefits for employees	Actual gains and losses are recognized in expenses at an amount prorated in the straight line method over a certain number of years (primarily 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 (primarily 10 years) within the average of the remaining years of service to be performed by the employees at the time of accrual. The pension plan asset amounts exceeded the projected benefit obligation amounts after the deduction of unrecognized actuarial differences, and these excess portions are stated in the "Other" item of the "Investment and other assets" account on the balance sheet herein. (Discontinuation of the Conventional Qualified Retirement Annuity System) The Company, on April 1, 2007, discontinued its conventional qualified retirement annuity system, or a defined-benefit pension system, and instead introduced a defined-benefit pension plan, a defined-contribution pension plan, an advance-payment plan for retirement benefits and an additional retirement benefit plan. Owing to the discontinuation of the system, an extraordinary income of ¥3,007 million and an unrecognized prior service cost (positive difference) of ¥1,591 million were recorded.

(6) Methods for Accounting for Finance Leases

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

(7) Accounting Process for Consumption Tax, etc.

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. Notes to Non-Consolidated Balance Sheet

(1) Short-term loans receivable from subsidiaries and affiliates:	¥161,307 million
Long-term loans receivable from subsidiaries and affiliates:	¥20,122 million
Short-term loans payable to subsidiaries and affiliates:	¥158,599 million
Long-term loans payable to subsidiaries and affiliates:	¥1,001 million
(2) Cumulative depreciation expenses for the property, plant and equipment	¥431,718 million
(3) Pledged Assets	
Breakdown of Assets Pledged as Collateral and Amounts thereof:	
Property, plant & equipment	¥308,017 million
Marketable securities	¥10 million
Secured Liabilities:	
Long-term debts (including repayments due within the next year)	¥139,138 million
Debts related to transactions with banks	¥20,996 million
(4) Contingencies	
a. Guaranty Liabilities	
Employees (liabilities to guarantee their borrowings from financial institutions, etc.)	¥2,346 million
Cosmo Oil Lubricants Co., Ltd. (amount required to guarantee its transactions with dealers, etc.)	¥837 million
Cosmo Oil of U.S.A., Inc. (amount required to guarantee its diesel fuel transactions)	¥470 million
Cosmo Oil International Pte., Ltd. (amount required to guarantee its option transactions)	¥500 million
3 Dealers, etc. (liabilities to guarantee their borrowings from financial institutions, etc.)	¥166 million

b. Suits, etc.

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

(5) Loans to directors and corporate auditors due to transactions with them ¥611 million

(6) Items concerning Revaluation of Land

The Company revalued their land properties used for business under the “Law concerning Revaluation Reserve for Land” (Law No. 34 issued on March 31, 1998). The income tax portion on variances due to revaluation is stated in the “Deferred taxes for revaluation reserve for land” account in the “Liabilities” section on the Balance Sheet and the revaluation variances, net of the income tax portion, are stated in the “Revaluation reserve for land” account in the “Net Assets” section on the Balance Sheet.

- Revaluation method
  The land sites for the refineries were valued in accordance with the appraisal provided in Paragraph 5 of Article 2 of the “Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land” (Government Ordinance No. 119 issued on March 31, 1998), and other land sites were valued by referring to the road ratings provided in Paragraph 4 of Article 2 of the “Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land,” as well as making some rational adjustments.
- Date of Revaluation
  March 31, 2002
- The total amount of the revalued land at fair value as of March 31, 2008 is smaller than their total carrying amount after revaluation and the difference amounted to:
  ¥74,085million

4. Notes to Non-Consolidated Statement of Income

Sales to subsidiaries and affiliates:	¥1,037,955 million
Purchases from subsidiaries and affiliates:	¥552,293 million
Non-business transaction with subsidiaries and affiliates:	¥17,151 million

5. Notes to Non-Consolidated Statement of Changes in Net Assets

Type and Number of Treasury Stock as of March 31, 2008

Common stock	223,520 shares

6. Notes to Tax Effective Consequence Accounting

(Unit: million yen)

1. Current Deferred Tax Assets and Liabilities	
(1) Deferred tax assets:	
Reserve for bonuses:	1,091
Accrued business tax:	629
Others	691
Total current deferred tax assets:	2,412
(2) Deferred tax liabilities:	
Deferred gains on hedges	(13,169)
Total current deferred tax liabilities:	(13,169)
Net current deferred tax liabilities:	(10,757)
2. Non-Current Deferred Tax Assets and Liabilities	
(1) Deferred tax assets:	
Investments in securities	5,372
Impairment loss on fixed assets	5,325
Loss brought forward	
Excess part of depreciation deductible limit	2,626
Others	6,998
Non-current deferred tax assets – Sub-total:	20,322
Valuation allowance:	(8,998)
Total non-current deferred tax assets:	11,324
(2) Deferred tax liabilities:	
Reserve for reduction of fixed assets:	(11,690)
Prepaid pension cost	(4,987)
Net unrealized gains (losses) on securities:	(2,953)
Others	(956)
Total non-current deferred tax liabilities:	(20,588)
Net non-current deferred tax liabilities:	(9,263)
(3) Deferred tax asset and liability related to land revaluation:	
Deferred tax asset related to land revaluation:	15,248
Valuation allowance:	(15,248)
Total	—
Deferred tax liability related to land revaluation:	(31,153)
Net deferred tax liability related to land revaluation:	(31,153)

7. Notes to Fixed Assets Used Under Leases

1. Finance leases other than those under which the ownership of the leased assets is regarded as being transferred to lessees (in millions of yen):

(1) Amounts equivalent to the acquisition cost, accumulated depreciation and net book value of leased properties as of March 31, 2008:

Acquisition cost equivalent:	1,104
Accumulated depreciation equivalent:	512
Net book value equivalent as of March 31, 2008:	592

(2) Net book value of lease obligations as of March 31, 2008

Due within one year:	122
Due more than one year:	469
Total:	592

(3) Lease payments and depreciation equivalent:

Lease payment:	133
Deprecation equivalent	133

(4) How to calculate the amounts equivalent to depreciation expenses

The amount equivalent to a depreciation expense for a leased property is determined by the straight line method over its leasing term, which is regarded as its useful life, at the residual value of nil.

[Translation for Reference and Convenience Purposes Only]

8. Notes to the Company's Transactions with Relevant Parties

(1) Subsidiaries

Name of subsidiary (Ownership type & ratio)	Line of business	Cosmo Oil's relationship with subsidiary	Account item for record entry	Transaction amount (¥mil)	Item	Balance as of Mar 31, '08 (¥mil)
Cosmo Oil Sales Corporation (directly, 100% owned)	Sale of oil products	3 Cosmo Oil directors are concurrently the directors of the subsidiary Sales of oil products made by Cosmo Oil	Oil product sales (*1)	361,281	Accounts receivable, trade	36,358
Cosmo Property Service Corporation (directly, 100% owned)	Management and lease of service station equipments	3 Cosmo Oil directors are concurrently the directors of the subsidiary Loans to it	Loans to it (*2)	21,974	Short-term loans to subsidiaries/ affiliate	19,491
					Long-term loans to subsidiaries/ affiliate	2,692
			Interest receivable (*3)	240	Accounts receivable, other	151
			Loans to it (*4)	620	Short-term loans to subsidiaries/ affiliate	1,100
			Interest receivable (*3)	6	Accrued revenue	5
Cosmo Oil (U.K.) Plc. (directly, 100% owned)	Purchase and sale of crude oil and oil products	2 Cosmo Oil directors are concurrently directors of the subsidiary Crude oil purchase from it	Crude oil purchases (*1)	262,043	Account payable, trade	44,567
			Interest payable (*3)	1,470		
Cosmo Petroleum Gas Co., Ltd. (directly, 100% owned)	Import, storage and sale of LPG	4 Cosmo Oil directors are concurrently directors of the subsidiary LPG sales to/purchase from it	Representing to make LPG overseas transactions	147,444	Accounts receivable, other	26,499
			Interest receivable (*3)	323	Account payable, trade	7,119
			LPG purchases(*5)	40,120	Account payable, trade	8,211
			LPG sales(*5)	77,113	Accounts receivable	14,657
			Fund deposit (*4)	12,860	Deposits payable	16,796
			Interest payable(*3)	157	Accounts payable, other	99
Cosmo Matsuyama Oil Co., Ltd. (directly, 100% owned)	Manufacture and sale of Petrochemical Products, Storage, loading and discharging of petroleum products	4 Cosmo Oil directors are concurrently directors of the subsidiary Receipt of debt guaranteed mortgage	Receipt of debt guaranteed mortgage (*6)	139,138	-	-

Out of the amounts shown above, the transaction amounts are exclusive of consumption tax charges, while the balance amounts as of March 31, 2008 include such charges.

Conditions for Transactions with the Subsidiaries Above and the Policy to Determine such Conditions:

Notes:
1. Conditions for transactions with such subsidiaries are similar to conditions under which the Company usually does business with companies in which the Company makes no capital investment.
2. Loans are used by the loan receivers as their working funds and each of the transaction amounts shown above is stated at an average amount of balance during FY2007.
3. Interest rates are determined by taking market rates of interest and other conditions into consideration.
4. Loans/Deposits are based on the Company's group financing program and the transaction amounts are stated at an average amount of balance during FY2007.
5. Conditions for transactions are determined by taking market value and other conditions into consideration.
6. For the Company's loans from financial institutions, it arranges a mortage with a part of our fixed assets. The transaction amounts are the balance of such loans at the end of FY2007.

(2) Director

Name of party (voting stock ownership)	Occupation of party	Cosmo Oil's relationship w/ party	Transaction with party	Transaction amount (¥mil)	Item	Balance as of Mar 31, '07 (¥mil)
Naomasa Kondo (directly, 0.0% owned)	Managing Director of Cosmo Oil Co., Ltd.	Managing Director of Cosmo Oil Co., Ltd. Chairman of Cosmo Oil Eco Card Fund	Contributions (*1)	41	-	-
Yoshitsugu Kondo (none)	Attorney at law	Auditor and legal advisor to Cosmo Oil Co., Ltd.	Compensation payable to him, incl. legal advisor fee (*2)	8	-	-

The transaction amount shown above is exclusive of consumption tax charges.

Conditions for the Transaction with the Party Above and the Policy to Determine such Conditions:
Notes:
1. It is transaction for so-called third party.
2. He is paid for his legal advisor and other services under the legal advisor service agreement between the Company and the attorney at law.

9. Notes to Per-Share Information

(1) Net assets per share ¥398.99

(2) Net income per share ¥17.50

10. Notes to Material Contingencies

None

[Translation for Reference and Convenience Purposes Only]

Accounting Auditors' Audit Report concerning the Consolidated Financial Statements: Full Copy

Independent Auditors' Audit Report

May 8, 2008

To the Board of Directors,
COSMO OIL CO., LTD.

KPMG AZSA & Co.

Designated and Engagement Partner, Certified Public Accountant	Takaya Abe	Seal
Designated and Engagement Partner, Certified Public Accountant	Naoto Yokoi	Seal
Designated and Engagement Partner, Certified Public Accountant	Hirotoshi Iwamoto	Seal

In accordance with Article 444, Paragraph 4 of the Corporate Law, we, the audit corporation, audited the consolidated financial statements, that is, the consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets and the notes to the consolidated financial statements of the Company for the consolidated fiscal term from April 1, 2007 to March 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the consolidated financial statements.

We, the audit corporation, conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

These consolidated financial statements are in accordance with auditing standards generally accepted in Japan and they present fairly the financial position and the results of operations in every material matter which consists of COSMO OIL CO., LTD. and its subsidiaries for the period of the consolidated financial statements of the Group.

Our firm and engagement partners have no interest in the Company which must be disclosed pursuant to the provisions of the Certified Public Accountants Law.

- END -

[Translation for Reference and Convenience Purposes Only]

Accounting Auditors' Audit Report concerning the Non-consolidated Financial Statements: Full Copy

Independent Auditors' Audit Report

May 8, 2008

To the Board of Directors,
COSMO OIL CO., LTD.

KPMG AZSA & Co.

Designated and Engagement Partner, Certified Public Accountant	Takaya Abe	Seal
Designated and Engagement Partner, Certified Public Accountant	Naoto Yokoi	Seal
Designated and Engagement Partner, Certified Public Accountant	Hirotoshi Iwamoto	Seal

In accordance with Article 436, Paragraph 2 Item 1 of the Corporate Law, we, the audit corporation audited the non-consolidated financial statements, that is, the non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements of changes in net assets and the notes to non-consolidated financial statements and supplementary schedules of the Company for the 102nd fiscal term from April 1, 2007 to March 31, 2008. These non-consolidated financial statements and supplementary schedules are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit.

We, the audit corporation, conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements and supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements and supplementary schedules, assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

These non-consolidated financial statements and supplementary schedules are in accordance with auditing standards generally accepted in Japan and they present fairly the financial position and the results of operations in every material matter for the period of the non-consolidated financial statements.

Our firm and engagement partners have no interest in the Company which must be disclosed pursuant to the provisions of the Certified Public Accountants Law.

- END -

[Translation for Reference and Convenience Purposes Only]

Board of Corporate Auditors' Audit Report: Full Copy

Audit Report

The Board of Corporate Auditors, based on the audit reports made by each Corporate Auditor concerning the execution of duties by Directors for the 102nd fiscal term from April 1, 2007 to March 31, 2008, prepared this Audit Report and hereby submit it as follows:

1. The Methods and Details of the Audit Conducted by the Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors determined auditing policies and allocation of duties, received reports from each Corporate Auditor concerning the implementation and the results of the audits, obtained reports on business operations from Directors and other relevant persons as well as the Accounting Auditors concerned, and requested explanations as necessary.

In accordance with the audit standards for the Corporate Auditors as established by the Board of Corporate Auditors, the auditing policies, the audit execution plan and allocation of duties, each Corporate Auditor communicated Directors, Internal Audit Department as well as other employees, committed to gather information and develop an audit environment, attended the meetings of the Board of Directors and other significant meetings; obtained reports on business operations from Directors and others; requested explanation as necessary; reviewed documents which record approval of material matters; conducted investigations regarding the status of the business operations and assets of the head office and other major offices.

In addition, the Corporate Auditors monitored and confirmed the condition of the system (the internal control system) implemented based on the corporate resolution concerning the implementation of system set forth in the Article 100, Paragraph 1 and 3 of the Corporate Law and required to ensure the execution of duties by Directors in accordance with related laws, regulations and the Articles of Incorporation of the Company. With respect to subsidiaries, we communicated and exchanged information with Directors, Auditors, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary.

Based on the methods as described above, the Board of Corporate Auditors deliberated the business reports and supplementary schedules for the period under review.

Furthermore, the Corporate Auditors monitored and confirmed if the Accounting Auditors holding independent position and performing appropriate audit received reports on auditing operations from the Accounting Auditors; and requested explanation as necessary. Also, the Corporate Auditors received a report from the Accounting Auditors that the Company implemented the "system to ensure appropriate execution of duties" (set forth in Article 159 of the Company's Calculation Rules) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005) and others, and requested explanation as necessary.

Based on the methods as described above, the Board of Corporate Auditors deliberated the non-consolidated financial statements (the non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements of changes in net assets and the notes to non-consolidated financial statements) and supplementary schedules and the consolidated financial statements. (the consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets and the notes to consolidated financial statements for the period under review.)

2. Results of Audit

(1) Audit results of business reports and other documents concerned

1. The business report and supplementary schedules comply with the laws and regulations and with the Articles of Incorporation and correctly represents the company status.
2. The business activities performed by the Directors were correct and did not seriously violate the laws, regulations, or the Articles of Incorporations.
3. The corporate resolution concerning the internal control system is fair and reasonable. There are not matters to be pointed out for the execution of duties by Directors regarding the internal control system.

(2) Audit results of the non-consolidated financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditors, KPMG AZSA & Co., are fair and reasonable.

(3) Audit results of the consolidated financial statements

The auditing methods and results of the Accounting Auditors, KPMG AZSA & Co., are fair and reasonable.

May 8, 2008

COSMO OIL CO., LTD. Board of Corporate Auditors

Corporate Auditor	Yutaka Shimizu	Seal
Corporate Auditor	Makoto Suzuki	Seal
Corporate Auditor	Hirokazu Ando	Seal
Outside Auditor	Hajime Miyamoto	Seal
Outside Auditor	Yoshitsugu Kondo	Seal

(Note) Corporate Auditors Hirokazu Ando, Hajime Miyamoto and Yoshitsugu Kondo are outside corporate auditors as stipulated in Article 2, Item 16 and Article 335, Paragraph 3 of the Corporation Law.

- END -