

(Attached Documents)

BUSINESS REPORT

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

1. Business Overview

(1) Review of Operations of the Group

In this consolidated fiscal year, **Japan's economy** remained in a severe condition involving mild deflation and continued high unemployment in the wake of the global financial crisis, although it was taking a turn for recovery against the backdrop of economic turnaround in emerging countries. In the meantime, although demand for gasoline steadily increased, **domestic demand for petroleum products** overall was down from the previous term as a result of decreased demand for: diesel oil because of a decline in the number of trucks owned resulting from streamlined logistics; and kerosene and heavy fuel oil A, attributable to energy-saving measures and fuel conversion to other energy sources.

As for the **crude oil price**, Dubai crude oil, which had been around \$47/barrel at the beginning of the term, increased in response to the upward revision of the international oil demand outlook by the International Energy Agency (IEA) and others, as well as the expectation for a pickup in business backed by China's economic growth, formed a price range between \$70 to \$80/barrel after October, and settled at around \$78/barrel at the end of the term. The average price throughout the term was around \$69/barrel, which is about \$13 lower than that of the previous term.

With respect to **exchange rates**, from around the ¥98 per dollar range at the beginning of the term, the weak dollar trend continued and significantly fell to the ¥84 per dollar level in November, which was triggered by credit impairment in Europe and the Dubai debt crisis. Subsequently, the trend changed to a moderately strong dollar in response to certain factors, including additional monetary easing measures by the Bank of Japan, and rising long-term interest rates resulting from heightened expectations for economic recovery in the U.S., and the term ended with a ¥93 per dollar level. For domestic **product market conditions**, a slowdown in demand for petroleum products led to continued sluggish market conditions, which did not allow the industry to adequately pass on the rise in the crude oil price.

In this business environment, **the Cosmo Oil Group** was in the second year of its Third Consolidated Medium-Term Management Plan (2008–2010) for the three-year period starting in FY2008, and has made concerted efforts as a group in positioning the Plan as the “rebuilding its profit base” and the “initial stage for the next stage of growth.”

Petroleum Business

Regarding **sales**, the Company has promoted such distribution structure enhancements as the improvement of the gasoline sales to fuel oil sales ratio, the expansion of sales outlets with high profitability, and has worked to enhance the overall company sales force. In sales at 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 among customers toward self-service stations, the number of self-service stations increased by 49, to 1,004, and the proportion of self-service stations to all service stations increased to 26.6%, a 2.2% 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 210 thousand units over the previous term, to 3,570 thousand. The Company will continue to work toward further expansion and establishment of the number of members in the future as well.

Moreover, the Company has deployed a sales promotion program, “Filling Up Your Hearts, Too—Proclamation 2009,” a program that aims at compliance with related laws and regulations, the provision of a high level of satisfaction to customers, and maintaining the strong competitiveness of Cosmo Oil Group service stations. Specifically, we carried out corporate social responsibility (CSR) diagnosis surveys using external survey institutions, a campaign to listen to opinions and requests about service stations from customers, and service station service diagnosis surveys by external monitors, in order to improve the brand value and competitiveness of the Cosmo Oil Group and to have its service stations be the ones that customers choose. Please note that the Cosmo Oil Group introduced a market-linked wholesale pricing formula for its products and a weekly price setting method in April to address price fluctuations.

As part of an effort to create environment-conscious service stations, the Company developed experimental stations using energy-saving LED illumination for all the light sources, including sign poles, on their premises. Biogasoline has been offered at 191 service stations in the Kanto area since February and at 219 service stations in the Kanto area since the end of April 2010, as a result of the significant increase in the number of service stations selling it. Moreover, as an entrusted operator for the “FY2009 Environmental Improvement Demonstration Project for the Promotion of Electric Vehicles (Demonstration Project for Charging Services at Gas Stations, etc.),” implemented by the Agency for Natural Resources and Energy, METI, the Company installed chargers (fast-charging and 100V/200V charging) in eight service stations in select prefectures, including Kanagawa, Tokyo and Osaka, and has verified an ideal way of providing services for electric vehicles (EVs), including charging services, and the roles of service stations, by developing and providing

[Translation for Reference and Convenience Purposes Only]

services for EVs and by surveying and analyzing the uses of such service stations and the related needs of EVs. In addition to this demonstration project, the Company has also evaluated and verified the feasibility and economy of the overall EV business model as a voluntary business effort. In overseas sales, work has continued on expanding sales outlets, such as sales of diesel oil in Oceania and South America.

Secondly, as for **the procurement of crude oil and petroleum products**, while working to reinforce its relationships with oil-producing countries in the Middle East, and flexibly responding to fluctuations in the supply-and-demand environment and the petroleum market, the Company has been working toward stably securing crude oil and petroleum products and procurement at proper costs. Concerning **production**, the Company in the second year of its Second Consolidated Medium-Term Safety Plan, aiming at an even further reinforced safety management system by working hard at activities to achieve zero accidents. Moreover, we completed in February the construction of a set of heavy fuel oil cracking equipment at Sakai Refinery, which started in July 2008, to deal with future changes in the demand structure, such as declining demand in heavy fuel oil, and to address a stable supply of petroleum products. In addition, our production system has been optimized through the review of the crude oil processing capacity in refineries in February (a total decrease of 80,000 barrels per day) in response to the decline of domestic demand for petroleum products.

In **logistics**, the number of service stations that had introduced the DCD (Driver Controlled Delivery) single discharge system, which aims at reducing the discharge time for tank trucks, increased even further, and this significantly improved operational rates of tank trucks. As for **new business**, the Company has been continuously working on certain businesses, including cogeneration (thermometric sales) and wholesale electrical supply (IPP), as well as demonstration tests of hydrogen stations, as an effort for new energies. In May, the Nippon GTL Technology Research Association, in which the Company has been taking part, achieved 500 barrels per day in liquid fuel production at a pilot plant for GTL (gas to liquids) technology (to convert natural gas to liquid fuels), where demonstration research was carried out in collaboration with Japan Oil, Gas and Metals National Corporation (JOGMEC). Cosmo Petroleum Gas Co., Ltd., a Cosmo Oil Group company, began selling LPG fuel cells for consumers in August. Moreover, the Company has actively worked on environment-conscious business evolution and technology development in order to allow its environmental business serve as a major source of future profits. In March, the Company acquired shares of EcoPower Co., Ltd., which offers a nationwide wind power business, from Ebara Corporation to make EcoPower its subsidiary.

With respect to the “5-aminolevulinic acid (ALA)” business, the Company expanded domestic sales of the “Penta Garden” series, liquid fertilizer for home gardening, and the Pentakeep® series, liquid fertilizer for business use, both of which promote the growth of plants. We will continue expanding sales in Japan and European countries and increasing our sales outlets in China and North America, which are promising markets for sales.

In **R&D**, the Company has carried out technical research on the production and business start-up of inexpensive polysilicon, because the widespread use of solar cells is expected to increase the demand for polysilicon as their raw material. In addition, we accepted two advanced technology R&D projects in July from the New Energy and Industrial Technology Development Organization (NEDO). One of which is a research project in collaboration with Toyota Motor Corporation and the National Institute of Advanced Industrial Science and Technology in regard to biomass to liquid (BTL), which is a technology for producing liquid hydrocarbons equivalent to fuel oils such as kerosene and diesel oil from biomass resources such as wood. Another research project of ours is to solve technical issues on biomass ethanol manufacturing in collaboration with NIPPON PAPER CHEMICALS CO., LTD., The University of Tokyo, and Kyushu University. In **petrochemicals**, in order to cope with a future increase in demand for petrochemical products in the Asia Pacific region, we executed a Memorandum of Understanding in relation to Comprehensive Cooperation of Oil Business in April 2008 and a joint venture agreement on paraxylene business in October with Hyundai Oilbank Co., Ltd. (HDO), from South Korea, and established a joint venture named HC Petrochem Co., Ltd. (HCP), in November. HCP obtained the existing paraxylene equipment (production capacity of 380,000 tons a year) from HDO and started operation in February.

As for **environmental issues**, we have been working on “Realization of a Sustainable Society” and “Fostering of Human Resources for Next Generation.” Using donations we received from approximately 85,000 members of “Cosmo The Card Eco,” which has been supported by the rising consciousness of participation in environmental preservation activities and a portion of the Group sales, we have been extending within and outside Japan the Environmental Contribution Activities “Living with Our Planet” Project (seven overseas and five in Japan). In November, we acquired certification for the environmental conservation activities in which we engage in Ichihara-shi, Chiba Prefecture, under the Prefecture’s program named “Forest Growth for Beautiful Chiba—Certification Program for CO2 Sinks through Forest Improvement.” In addition, as for the issue of soil pollution measures at service stations and refineries, etc., the Company has 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.

Other efforts include the start of full-scale operation of a telecommuting system in April, which allows our employees to use the Company’s personal computers and at-home work systems, and the implementation of a comprehensive drill in September based on a scenario of anticipated damage caused by an inland earthquake in the metropolitan area, as a part of the Business Continuity Plan (basic policies, systems and procedures to keep business running) prepared in 2006 in order to sustain a stable supply of petroleum products at times of large-scale disasters. Despite the abovementioned

[Translation for Reference and Convenience Purposes Only]

efforts, however, affected by the decline of domestic demand for petroleum products, the sales volume of the Company was 39,656 thousand kiloliters, which underperformed the previous year by 3.7%, for all oil types. Net sales in the petroleum business decreased by 23.5% from the previous year, to ¥2,565.2 billion, while operating income totaled ¥9.5 billion.

Oil Exploration and Production Business

In the current consolidated fiscal year, Cosmo Energy Exploration & Development Co., Ltd., the Cosmo Oil Group controlling company of its oil exploration and production business, drilled an appraisal well in May at the Block 11 Mining Claim in Qatar, which was acquired in June 2008. Cosmo Energy Exploration & Development continued its exploration and development in Qatar and Australia, which are set as a core area and sub-core area, respectively. In addition, ABU DHABI OIL CO., LTD., UNITED PETROLEUM DEVELOPMENT CO., LTD. and QATAR PETROLEUM DEVELOPMENT CO., LTD. continued stable production of crude oil in the Middle East, and, as a result, our interest in crude oil acceptance was approximately 23 thousand barrels per day, which makes up approximately 5.1% of the amount of imports of crude oil for the Company.

Furthermore, Laffan Refinery in Qatar, in which the Company has invested 10%, started production in September. The Company intends to further reinforce the relationship with Qatar through the commencement of this refining business to develop its Qatari business in a wide variety of areas such as natural gas and petrochemical businesses.

In addition, Cosmo Energy Exploration & Development Co., Ltd. was merged into the Company in February to enhance the direct control function for the Cosmo Oil Group's oil exploration and production division as it is expected to become increasingly important as a stable major source of operating revenue in the future. As a result of the above efforts, net sales in the oil exploration and production business decreased by 33.1% from the previous year, to ¥59.6 billion, and operating income underperformed the previous year's results by 46.8%, to ¥27.0 billion.

Other Businesses

In such operations as the buying, selling and leasing of real estate facilities, the construction and leasing of petroleum-related facilities, and insurance, the Company has worked to improve profitability through rationalization and efficiency improvements. Net sales in other businesses decreased by 3.6% from the previous year, to ¥88.5 billion, and operating income underperformed the previous year's results, to ¥2.1 billion, a year-on-year decrease of 7.5%.

As a result of such management activities, during the current consolidated fiscal year, our consolidated **net sales** underperformed the previous year's results by 23.8%, to ¥2,612.1 billion, and **operating income** and **ordinary income** were ¥34.2 billion and ¥ 36.4 billion, respectively. **Net loss for the period** totaled ¥10.7 billion.

Business Segment Information

	Petroleum Business	Oil Exploration and Production Business	Other Businesses	Elimination or Corporate	(Millions of yen) Consolidated
Net Sales	2,565,153	59,553	88,470	-101,035	2,612,141
Operating Income	9,470	27,001	2,072	-4,337	34,207

(2) Issues to be Addressed

With regard to **the economic environment going forward**, Japan's economy is on a gradual recovery trend against a backdrop of improved foreign economy centering on Asia. However, as the domestic private sector, particularly in terms of employment and income conditions, remains in a severe condition, it seems that it will take some more time for the economy to fully recover. In the petroleum industry, due to further improved gasoline mileage and the acceleration of the conversion to alternative energies from the perspective of environmental measures, domestic demand is expected to decrease for petroleum products overall. Meanwhile, overseas, although it is also impacted by the deterioration of the world economy, from a mid-to-long term perspective, overall demand for petroleum products and petrochemical products is predicted to expand, thanks to vigorous demand in China, India and the Middle East, etc., and the expansion of business areas in response to such trends is demanded.

The Cosmo Oil Group had made efforts to achieve the Third Stage Consolidated Medium-Term Management Plan (FY2008 to FY2010) but newly formulated the Fourth Stage Consolidated Medium-Term Management Plan (FY2010 to FY2012), which commences in FY2010, because it needs to work on pre-emptive moves and new businesses that will serve as the mainstay of management for the next stage, taking into account the current harsh conditions such as the

[Translation for Reference and Convenience Purposes Only]

worsening global economy and volatility in oil prices. In order to achieve drastic “rationalization” and “change,” the Group will make a concerted effort to work on the following measures.

Fourth Stage Consolidated Medium-Term Management Plan (FY2010 to FY2012)

1) Achievement of Recovery of Profits in Petroleum Refining and Marketing Business

Drastic “Rationalization” and Company-wide “Change”

Drastic “rationalization” and company-wide “change” will be carried out to achieve recovery of profits in the Petroleum Refining and Marketing Business, which is the core business of the Cosmo Oil Group. First of all, as a measure to improve the composition of the oil types to be sold, we will seek cost reduction as the full-scale operation of a production line of the heavy fuel oil cracking equipment at the Sakai Refinery, which was completed in February, will allow us to procure inexpensive heavy crude oil. Our profitability will be improved as well through the changeover of production from heavy fuel oil, for which domestic demand is expected to fall, to higher-value-added naphtha, jet fuel and diesel oil. Moreover, we will establish a low cost system during the downturn in domestic demand, by reducing fixed selling expenses and drastically streamlining the organization and personnel. Eyeing the overseas markets, we will also continue exporting and selling petroleum products. In addition, a market-linked wholesale pricing formula for its products will be reviewed to ensure proper margins.

2) Expansion of Business Portfolio by Petrochemical and Oil Exploration and Production

Mid- and Long-Term Growth Strategy

As a mid- and long-term growth strategy, we will expand our business portfolio by Petrochemical and oil exploration and production. In the Petrochemical Business, after the completion of new paraxylene equipment (production capacity of 800,000 tons a year) at HC Petrochem Co., Ltd. (HCP), which is scheduled to be completed in 2013, a selling system of 1.18 million tons per year for paraxylene will be established. In response to this, new mix xylene distillation equipment (production capacity of 300,000 tons a year) is expected to be completed in November 2011 within the Company’s Yokkaichi Refinery. This will enable the stable supply to HCP of mix xylene, together with that produced by the Company’s existing mix xylene equipment (production capacity of 300,000 tons a year), to expand and stabilize profitability based on an integrated operation system of refining and petrochemicals, which range from crude oil to paraxylene, and will improve the supply-demand balance of its gasoline fraction. In the Oil Exploration and Production Business, we will continue the stable operations of the existing oilfields where the Cosmo Oil Group’s petroleum development companies produce oil. Based on the long-established relationships of trust with oil-producing countries, the Company will aim at the start of production at A-Structure South oilfield (A-South) in Qatar by the end of FY2010 and the renewal of its interests in the Emirate of Abu Dhabi during 2012. In addition, the Company will make an effort to continue the exploration development activities in Qatar and Australia, to increase the percentage of its self-developed crude oil to 10% and to expand the production of crude oil. Furthermore, we will promote early implementation of new non-oil businesses to establish a strong business base for future growth strategies. More specifically, those businesses include the following. We are aiming to make the “silicon business for solar cells” go into commercial production for establishment of low-cost manufacturing technology of polysilicon through the start of a research for the demonstration in FY2010. We will make a full-fledged entry into the “wind power business” through EcoPower Co., Ltd., which became a subsidiary of the Company in March. In the “ALA business,” we aim at enhancement of profitability by promoting the manufacture and sales of active ingredients and carrying out the business start-up to incorporate added value in end products. We will also begin experiments for the “solar concentration power generation business” at the demonstration plant, which was completed in October in the Emirate of Abu Dhabi for the purpose of the commercialization.

3) Continuation and Promotion of CSR Management and Environmental Management

As its approach to CSR management and environmental management, the Cosmo Oil Group will involve all of its Group employees to accelerate its efforts for the realization of a sustainable society and global environment based on “honest and transparent management,” by newly formulating the Third Stage Consolidated Medium-Term CSR Plan (FY2010 to FY2012), with the following focal points: improvement in the function of the CSR promotion system, reinforcement of safety management, enhancement of human rights and personnel measures, promotion of environmental measures, and facilitation of communication activities to respond to society.

Based on Group management concepts grounded in CSR, the Cosmo Oil Group will contribute to the sustainable development of society, while working towards “Harmony and Symbiosis” of energy, society and the global environment through the stable supply of safe and convenient energy, the thoroughgoing implementation of management with an emphasis on compliance, and social contribution activities and global environmental preservation activities, and while resolving to develop a general energy corporate group that aims at “Creating Future Values,”

[Translation for Reference and Convenience Purposes Only]

activating management resources of the Group and bringing together its wisdom to develop and provide new products, technologies, and services in response to the needs of customers and society.

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

[Translation for Reference and Convenience Purposes Only]

(3) Production and Order Acceptance

1) Consolidated Production and Order Acceptance

Name of Business Segment		Production Volume	Changes from FY2008
		Millions of yen	%
Petroleum Business	Gasoline/Naphtha	347,402	-33.9
	Kerosene/Diesel Fuel	504,939	-34.4
	Heavy Fuel Oil	238,614	-43.8
	Other	99,873	-29.5
	Subtotal	1,190,829	-36.0
Oil Exploration and Production Business		15,450	-31.8
Total		1,206,280	-36.0

(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 FY2008	Outstanding Orders	Changes from FY2008
	Millions of yen	%	Millions of yen	%
Other Business	12,848	-16.7	7,721	52.1

(Note) Amount above does not include consumption taxes.

2) Non-consolidated Production and Order Acceptance

Oil Type	FY2009	FY2008	Changes from FY2008
	Thousand kl/t	Thousand kl/t	%
Gasoline/Naphtha	7,684	7,706	-0.3
Kerosene/Diesel Fuel	9,841	10,569	-6.9
Heavy Fuel Oil	5,804	6,706	-13.5
Other	2,087	2,184	-4.4
Total	25,419	27,167	-6.4

(Notes) 1. Production volume includes portions consigned to other companies and excludes portions consigned from other companies.

2. In addition to the above-mentioned production, domestic purchase (current term 9,477 thousand kiloliters, previous term 10,216 thousand kiloliters) and overseas purchase (current term 4,948 thousand kiloliters, previous term 4,179 thousand kiloliters)

[Translation for Reference and Convenience Purposes Only]

(4) Sales

1) Consolidated Sales

Name of Business Segment	Sales Volume	Changes from FY2008	
	Millions of yen	%	
Petroleum Business	Gasoline/Naphtha	1,283,408	-12.1
	Kerosene/Diesel Fuel	699,271	-33.6
	Heavy Fuel Oil	324,508	-37.2
	Other	257,548	-20.1
	Subtotal	2,564,737	-23.5
Oil Exploration and Production Business	25,427	-32.0	
Other Business	21,976	-43.1	
Total	2,612,141	-23.8	

- (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	FY2009	FY2008	Changes from FY2008
	Thousand kl/t	Thousand kl/t	%
Gasoline/Naphtha	16,784	15,634	7.4
Kerosene/Diesel Fuel	13,304	14,483	-8.1
Heavy Fuel Oil	7,140	8,516	-16.2
Other	2,427	2,549	-4.8
Total	39,656	41,183	-3.7

(5) Capital Expenditures of the Group

The Group spent a total of ¥87.7 billion on capital investments during the consolidated fiscal year, primarily in the following:

Primary Facilities Completed during the Current Consolidated Fiscal Year

- Cosmo Oil
 - Sakai Refinery: Investment for upgrading refineries (petroleum business)
 - 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)

(6) Financing Activities

The Company conducted financing activities during the current consolidated fiscal year as follows:

Issue	Issue Date	Total Issue Amount	Interest Rate	Maturity Date
20th Series Unsecured Bond	January 29, 2010	¥15.0 billion	1.53% annually	January 31, 2017

(7) Succession of Rights and Obligations relating to Business of Other Corporations, etc., through Absorption-type Merger or Absorption-type Split

The Company and its subsidiary, Cosmo Energy Exploration & Development Co., Ltd. implemented an absorption-type merger, whereby the Company became the surviving company on February 28, 2010, the effective date of the merger.

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

In order to improve its environmental business, the Company acquired a 98.8% stake in EcoPower Co., Ltd. from Ebara Corporation on March 25, 2010 to make EcoPower its consolidated subsidiary.

[Translation for Reference and Convenience Purposes Only]

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

1) Consolidated Assets, Profit and Loss

(Billions of yen)

	The 101st Term FY2006	The 102nd Term FY2007	The 103rd Term FY2008	The 104th Term (Current Term) FY2009
Net Sales	3,062.7	3,523.1	3,428.2	2,612.1
Ordinary Income	74.8	94.3	-125.0	36.4
Net Income	26.5	35.2	-92.4	-10.7
Net Income per Share (yen)	39.54	46.72	-109.11	-12.68
Total Assets	1,579.2	1,627.9	1,440.4	1,645.0
Net Assets	361.6	469.7	347.4	331.6

(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 104th Term.

2) Non-consolidated Assets, Profit and Loss

(Billions of yen)

	The 101st Term FY2006	The 102nd Term FY2007	The 103rd Term FY2008	The 104th Term (Current Term) FY2009
Net Sales	2,831.2	3,301.6	3,158.9	2,332.7
Ordinary Income	7.6	26.4	-127.5	23.3
Net Income	1.3	13.2	-55.3	96.4
Net Income per Share (yen)	2.00	17.50	-65.23	11.38
Total Assets	1,434.2	1,450.9	1,282.8	1,520.2
Net Assets	254.9	338.1	257.6	263.8

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

(10) Principal Business Lines (as of March 31, 2010)

The principal business of the Group is the Petroleum Business, including imports and exports, 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.

[Translation for Reference and Convenience Purposes Only]

(11) Principal Offices and Plants (as of March 31, 2010)

1) The Company

Head Office	1-1-1, Shibaura, Minato-ku, Tokyo
Branches	Sapporo/Sendai/Tokyo/ Kanto- Higashi (Tokyo)/Kanto- Minami (Tokyo)/Nagoya/Osaka/Hiroshima/Takamatsu/Fukuoka
Refineries	Chiba (Ichihara-shi)/Yokkaichi/Sakai/Sakaide
Laboratories	Research & Development Center (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	555 thousand barrels per day
Number of oil storage depots (including 34 bailed oil storage depots)	36
Number of affiliated service stations	3,811

2) Major Subsidiaries and Affiliates

COSMO MATSUYAMA OIL CO., LTD.	(Head Office) Minato-ku, Tokyo (Plant) Matsuyama-shi, Ehime Pref.
COSMO PETROLEUM GAS CO., LTD.	(Head Office) Minato-ku, Tokyo
COSMO OIL LUBRICANTS CO., LTD	(Head Office) Minato-ku, Tokyo (Plant) 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) Shinagawa-ku, Tokyo (Mining Plant) Doha (Qatar)
ABU DHABI OIL CO., LTD.	(Head Office) Shinagawa-ku, Tokyo (Mining Plant) Abu Dhabi (United Arab Emirates)
COSMO ENGINEERING CO., LTD.	(Head Office) Shinagawa-ku, Tokyo
MARUZEN PETROCHEMICAL CO., LTD.	(Head Office) Chuo-ku, Tokyo (Plant) Chiba (Ichihara-shi) / Yokkaichi-shi
UNITED PETROLEUM DEVELOPMENT CO., LTD.	(Head Office) Minato-ku, Tokyo (Branch) Abu Dhabi (United Arab Emirates) / Doha (Qatar)

[Translation for Reference and Convenience Purposes Only]

(12) Major Subsidiaries and Affiliates (as of March 31, 2010)

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, and sales of lubrication oils and grease / analysis and test 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	87.6	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	45.0	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)

- i) As a result of the receipt of transfer of shares of UNITED PETROLEUM DEVELOPMENT CO., LTD., the Company's investment ratio increased from 35.0% to 45.0%.
- ii) The Cosmo Oil Group consists of 37 consolidated subsidiaries (an increase of nine companies from the previous term) and 29 companies under the equity method (unchanged) 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 ¥2,612.1 billion, and consolidated net loss for the period was ¥10.7 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.

[Translation for Reference and Convenience Purposes Only]

(13) Employees (as of March 31, 2010)

1) Employees of Cosmo Oil Group

Name of Business Segment	Number of Employees (Persons)		Year-on-year Change (Persons)
Petroleum Business	5,324	(2,894)	63 (increased)
Oil Exploration and Production Business	194	(64)	19 (decreased)
Other Business	900	(12)	39 (increased)
Total	6,418	(2,970)	83 (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
2,180	116 (increased)	20 years and 8 months

(Note) Seconded employees (1,145), temporary employees and part-timers are not included in the number of employees.

(14) Principal Lenders (as of March 31, 2010)

(Billions of yen)

Lenders	Borrowed Amount
Mizuho Corporate Bank, Ltd.	145.0
Japan Oil, Gas and Metals National Corporation	124.4
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	116.0
Sumitomo Mitsui Banking Corporation	69.8
The Chuo Mitsui Trust and Banking Company, Limited	27.3

(Note) In addition to the above, there were borrowings via syndicated loans (¥125.7 billion in total).

(15) 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 the delivery of petroleum products to the Defense Agency, during the current term, there were five trial dates for the Lawsuit on the Claim for the Refund of Unfair Profits pending in the Tokyo District Court, and there were five trial dates for the case involving the adjudication on surcharges by the Fair Trade Commission (FTC). Both are still on trial. Moreover, with regard to this case, the Company filed a Lawsuit on the Claim for Cancellation of Decision by the FTC and received a judgment of dismissal of the claim from the Tokyo High Court, dated April 24, 2009. In response, the Company made a final appeal and filed a petition for acceptance of the final appeal, which is now on trial.

In regard to the Claim for Damage Compensation filed by the Company against the contractor who undertook the inspection construction for Keiyo Sea Berth sea bottom underground crude oil piping at the Chiba Refinery of the Company, where part of the piping floated to the surface of the sea, there were seven trial dates in the Tokyo District Court during the current term, and this case is currently on trial.

[Translation for Reference and Convenience Purposes Only]

2. Share-related Information (as of March 31, 2010)

(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:	261,809 shares)
(3) Number of Shareholders:	44,363
(4) Major Shareholders	

Name of Shareholders	Number of Shares Held (in thousands)	Investment Ratio (%)
Infinity Alliance Limited	176,000	20.76
Japan Trustee Services Bank, Ltd. (Trust Account)	52,481	6.19
Mizuho Corporate Bank, Ltd.	31,320	3.69
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,881	2.81
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,750	2.33
Mitsui Sumitomo Insurance Company, Limited	19,499	2.30
The Kansai Electric Power Co., Inc.	18,600	2.19
Tokio Marine & Nichido Fire Insurance Co., Ltd.	17,335	2.04
Sompo Japan Insurance Inc.	15,792	1.86
Nihon Life Insurance Company	14,632	1.72

(Note) Investment ratio is excluding the number of treasury shares.

3. Stock Acquisition Rights-related Information (as of March 31, 2010)

(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)	29,154,518
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 Auditors (as of March 31, 2010)

Position	Name	Responsibilities
Chairman	Keiichiro Okabe	
President	Yaichi Kimura	
Executive Vice President Representative Director	Keizo Morikawa	Assistant to President. Responsible for Personnel Dept., Sales Control Dept., Sales Support Dept., Wholesales Marketing Dept., Industrial Fuel Marketing Dept., and Demand & Supply Coordination Dept.
Senior Managing Director	Kenji Hosaka	Responsible for Corporate Planning Dept., International Ventures Dept., Crude Oil & Tanker Dept., and Petroleum Products Trading Dept.
Managing Director	Naomasa Kondo	Responsible for Refining & Technology Dept., Maintenance & Engineering Dept., and Safety & Environment Control Dept.
Managing Director	Satoshi Miyamoto	Responsible for Accounting Dept., Finance Dept., Distribution Dept., and Project Development Dept.
Managing Director	Hideto Matsumura	Responsible for Corporate Communication Dept., R&D Dept., and Purchasing Center
Managing Director	Atsuto Tamura	Responsible for General Affairs Dept., Affiliate Relations Dept., and Information System Planning Dept.
Director	Khalifa Al Romaihi	
Director	Jeffrey Kirk	
Corporate Auditor	Yutaka Shimizu	
Corporate Auditor	Makoto Suzuki	
Corporate Auditor	Hirokazu Ando	
Auditor	Hajime Miyamoto	
Auditor	Yoshitsugu Kondo	

- (Notes)
1. Directors Khalifa Al Romaihi and Jeffrey Kirk are Outside Directors.
 2. Auditors Hirokazu Ando, Hajime Miyamoto and Yoshitsugu Kondo are Outside Auditors.
 3. Auditors Hirokazu Ando, Hajime Miyamoto and Yoshitsugu Kondo are Independent Directors/Auditors under the rules of the Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange. Each of the stock exchanges was notified of the names of these Independent Directors/Auditors.
 4. Hideto Matsumura, Atsuto Tamura and Jeffrey Kirk were newly elected as Director and assumed the positions on June 23, 2009.
 5. Kaoru Kawana, Seizo Suga and Saeed Al Mehairbi retired as Director at the expiration of their term on June 23, 2009.
 6. 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.

[Translation for Reference and Convenience Purposes Only]

5. Executive Officers

Position	Name	Responsibility
Senior Executive Officer	Kanesada Sufu	General Manager, Project Development Dept.
Senior Executive Officer	Hisashi Kobayashi	General Manager, Sales Control Dept. and Assistant in Charge of Sales
Senior Executive Officer	Hirohiko Ogiwara	General Manager, Tokyo Branch Office
Senior Executive Officer	Satoshi Nishi	General Manager, Accounting Dept.
Senior Executive Officer	Isao Kusakabe	General Manager, International Ventures Dept. and Assistant in Charge of International Affairs
Executive Officer	Toshiaki Iwana	General Manager, Chiba Refinery
Executive Officer	Hiroaki Fujioka	General Manager, Sakai Refinery
Executive Officer	Yuji Satake	General Manager, Osaka Branch Office
Executive Officer	Katsuhisa Ohtaki	General Manager, Yokkaichi Refinery
Executive Officer	Teruyuki Takishima	General Manager, Maintenance & Engineering Dept.
Executive Officer	Hideo Suzuki	General Manager, Secretariat
Executive Officer	Hiroshi Kiriya	General Manager, Corporate Planning Dept.
Executive Officer	Muneyuki Sano	General Manager, Industrial Fuel Marketing Dept.
Executive Officer	Masayoshi Ishino	General Manager, Crude Oil & Tanker Dept.
Executive Officer	Takashi Shono	General Manager, Sakaide Refinery
Executive Officer	Yasushi Ohe	General Manager, Demand & Supply Coordination Dept.
Executive Officer	Katsuyuki Ihara	General Manager, Refining & Technology Dept.

(2) Amount of Compensation to Directors and Auditors

Category	Number of Persons Remunerated	Amount of Compensation
Directors (Outside Directors of Above)	13 (3)	Thousands of yen 363,060 (17,760)
Auditors (Outside Auditors of Above)	5 (3)	100,200 (46,200)
Total	18	463,260

- (Notes) 1. The amounts include the compensation for the three individuals who retired from Directors (including one Outside Director) at the conclusion of the 103rd Ordinary General Meeting of Shareholders held on June 23, 2009.
2. The amount of compensation to Directors does not include the salary for employees for those who also work as Directors
3. The amount of compensation to Directors was set by resolution at up to ¥750 million per year (the 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.
4. The amount of compensation to 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) Significant Concurrent Service Status of Directors and Auditors

Name	Corporate Name	Title
Keiichiro Okabe	QATAR PETROLEUM DEVELOPMENT CO., LTD.	President
	TOKYO BROADCASTING SYSTEM HOLDINGS, INC.	Outside Auditor (assumed in April)
	TOKYO BROADCASTING SYSTEM TELEVISION, INC.	Outside Auditor (assumed in April)
	COSMO PETROLEUM GAS CO., LTD.	Director
	COSMO OIL SALES CO., LTD.	Director
	ABU DHABI OIL CO., LTD.	Director
	COSMO ENGINEERING CO., LTD.	Director

[Translation for Reference and Convenience Purposes Only]

Yaichi Kimura	UNITED PETROLEUM DEVELOPMENT CO., LTD. MARUZEN PETROCHEMICAL CO., LTD.	President Director
Kenji Hosaka	COSMO OIL (U.K.) PLC. KYOEI TANKER CO., LTD. QATAR PETROLEUM DEVELOPMENT CO., LTD. ABU DHABI OIL CO., LTD. MARUZEN PETROCHEMICAL CO., LTD.	Chairman Outside Director Director Director Director
Naomasa Kondo	COSMO ENGINEERING CO., LTD. COSMO MATSUYAMA OIL CO., LTD.	Director Director (assumed in June)
Atsuto Tamura	COSMO PETROLEUM GAS CO., LTD.	Director (assumed in June)
Khalifa Al Romaihi (Outside Director)	International Petroleum Investment Company (UAE) Energias de Portugal (EDP) (Portugal)	Investment Management Division Manager Board member
Jeffrey Kirk (Outside Director)	International Petroleum Investment Company (UAE)	Investment Management Division Investment Manager
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 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 Kansai International Airport Co., Ltd.	Corporate Adviser Corporate Adviser (assumed in June)
Yoshitsugu Kondo (Outside Auditor)	Sano Kondo Law Offices	Attorney at law

- (Notes) 1. Keiichiro Okabe also serves as Representative Director of the Company's subsidiary Qatar Petroleum Development Co., Ltd., and the Company and the relevant company are in transaction relationships for such as the sale and purchase of crude oil, etc.
2. Yaichi Kimura also serves as Representative Director of our affiliate company UNITED PETROLEUM DEVELOPMENT CO., LTD., and the Company and the relevant company are in transaction relationships for such things as the sale and purchase of crude oil, etc.
3. Yoshitsugu Kondo serves as joint-representative of Sano Kondo Law Offices and the Company has executed a Legal Retainer Agreement with the Firm.

[Translation for Reference and Convenience Purposes Only]

(4) Outside Directors and Outside Auditors

1) Major Activities in the Fiscal Year

-Attendance at Board of Directors Meetings and Board of 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	
Khalifa Al Romaithi (Outside Director)	80% range (13 out of 15 times)	-	Expresses opinions as needed from the international viewpoint relevant to petroleum industry
Jeffrey Kirk (Outside Director)	90% range (10 out of 11 times)	-	Expresses opinions as needed from the international viewpoint relevant to petroleum industry
Hirokazu Ando (Outside Auditor)	Attended all (15 out of 15 times)	Attended all (14 out of 14 times)	Makes efforts to understand the management in general as Corporate Auditor and expresses opinions as needed
Hajime Miyamoto (Outside Auditor)	90% range (14 out of 15 times)	90% range (13 out of 14 times)	Has abundant experience and knowledge concerning corporate management and expresses opinions as needed
Yoshitsugu Kondo (Outside Auditor)	Attended all (15 out of 15 times)	90% range (13 out of 14 times)	Mainly expresses opinions as needed from specialist viewpoint as lawyer

2) Outline of the Terms and Conditions of Agreements for Limitation of Liability

Pursuant to the provisions of Article 427, Paragraph 1 of the Corporate Law, the Company has entered into agreements with all of the Outside Directors and with two Outside Auditors, Hajime Miyamoto and Yoshitsugu Kondo, to limit the liability for damages under Paragraph 1, Article 423 of the said law.

The limitation of the liability for damages under the relevant agreement is the minimum liability amount set forth in Article 425, Paragraph 1 of the Corporate Law.

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	91,528
Amount of Moneys and Other Property Benefits to be Paid to the Accounting Auditor by the Company and Its Subsidiaries	191,773

(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., Cosmo Oil of U.S.A. Inc., Cosmo Oil (Shanghai) Co., Ltd. and EcoPower Co., Ltd. undergo audits by audit corporations other than the Account Auditor of the Company.

(3) Contents of Non-audit Business

The Company requested financial due diligence services relating to the acquisition of shares of EcoPower Co., Ltd. to the Accounting Auditor and paid the Accounting Auditor compensation for such services.

[Translation for Reference and Convenience Purposes Only]

(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.

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 Auditors.

1) System to Ensure Conformance of Execution of Duties by Directors and Employees to Laws, Ordinances and Articles of Incorporation (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 Committee 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.

[Translation for Reference and Convenience Purposes Only]

- 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 Execution 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 5)
- 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 Code of Conduct, 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 Auditors Secretariat will be established under the Board of 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 Board of 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 Auditors by Directors and Employees, and Other Systems for Reporting to Auditors, and Other Systems to Ensure Effectiveness of Audits by 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 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 Auditors, the President, primary departments and office managers, and Auditors of affiliates will be held on regular basis to prepare systems to ensure audit effectiveness.
 - Sufficient collaboration among Auditors, Audit Office and the Accounting Auditor shall be attempted.

Consolidated Balance Sheet

Fiscal Year 2009 (As of March 31, 2010)

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

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	845,336	Current liabilities	744,174
Cash and deposits	226,608	Notes and accounts payable-trade	216,111
Notes and accounts receivable-trade	206,168	Short-term loans payable	269,514
Short-term investment securities	2,310	Current portion of bonds with subscription rights to shares	18,000
Merchandise and finished goods	145,720	Accounts payable-other	95,337
Work in process	469	Accrued volatile oil and other petroleum taxes	107,457
Raw materials and supplies	165,351	Income taxes payable	9,194
Accounts receivable-other	50,844	Accrued expenses	10,525
Deferred tax assets	3,890	Deferred tax liabilities	2,330
Other	44,193	Other	15,704
Allowance for doubtful accounts	-222		
Noncurrent assets	799,569	Noncurrent liabilities	569,293
Property, plant & equipment	597,693	Bonds payable	15,000
Buildings and structures, net	102,058	Long-term loans payable	475,225
Oil storage depots, net	14,233	Deferred tax liabilities	8,806
Machinery, equipment and vehicles, net	104,156	Deferred tax liabilities for land revaluation	33,293
Land	303,104	Provision for special repairs	6,333
Lease assets, net	659	Provision for retirement benefits	5,899
Construction in progress	65,157	Negative goodwill	6,284
Other, net	8,322	Other	18,449
Intangible fixed assets	12,563		
Leasehold right	1,142	Total liabilities	1,313,468
Software	4,236		
Other	7,184	Net asset	
Investments and other assets	189,312	Shareholders' equity	296,239
Investment securities	100,950	Capital stock	107,246
Investments in capital	188	Capital surplus	89,440
Long term loans receivable	1,790	Retained earnings	99,685
Long-term prepaid expenses	6,095	Treasury stock	-134
Deferred tax assets	46,888	Valuation and translation adjustments	19,507
Other	34,275	Valuation difference on available-for-sale securities	-529
Allowance for doubtful accounts	-876	Deferred gains or losses on hedges	8,761
		Revaluation reserve for land	12,593
		Foreign currency translation adjustment	-1,318
Deferred assets	142	Minority interests	15,832
Bond issuance cost	142		
		Total net assets	331,579
Total assets	1,645,048	Total liability and net assets	1,645,048

Consolidated Statement of Income

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

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

Item	Amount	
I Net sales		2,612,141
II Cost of sales		2,435,365
Gross profit		176,775
III Selling, general and administrative expenses		142,568
Operating income		34,207
IV Non-operating income		
Interest income	495	
Dividends income	915	
Rent income on noncurrent assets	1,136	
Foreign exchange gains	2,581	
Equity earnings of affiliates	7,348	
Other	4,055	16,533
V Non-operating expenses		
Interest expenses	9,855	
Other	4,474	14,329
Ordinary income		36,411
VI Extraordinary income		
Gain on sales of noncurrent assets	5,206	
Gain on sales of investment securities	110	
Gain on sales of subsidiaries and affiliates' stocks	1,994	
Other	389	7,700
VII Extraordinary loss		
Loss on sales of noncurrent assets	96	
Loss on disposal of noncurrent assets	3,752	
Impairment loss	1,976	
Loss on sales of investment securities	450	
Loss on valuation of investment securities	2,183	
Other	125	8,584
Income before income taxes and minority interests		35,526
Income taxes-current	21,948	
Income taxes-deferred	21,540	43,488
Minority interests in income		2,778
Net loss		10,740

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Changes in Net Assets

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

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

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2009	107,246	89,440	115,732	-129	312,290
Changes during the period					
Cash dividends			-4,237		-4,237
Net loss			-10,740		-10,740
Reversal of revaluation reserve for land			-1,069		-1,069
Acquisition of treasury stock				-4	-4
Disposal of treasury stock		-0		0	0
Changes in items other than shareholders' equity during the period, net					
Total changes during the period	-	-0	-16,047	-4	-16,051
Balance at March 31, 2010	107,246	89,440	99,685	-134	296,239

	Valuation and Translation Adjustment					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Total valuation and translation adjustment		
Balance at March 31, 2009	-2,099	8,084	11,523	-1,365	16,142	19,015	347,449
Changes during the period							
Cash dividends							-4,237
Net loss							-10,740
Reversal of revaluation reserve for land			1,069		1,069		-
Acquisition of treasury stock							-4
Disposal of treasury stock							0
Changes in items other than shareholders' equity during the period, net	1,570	676	1	47	2,295	-3,182	-886
Total changes during the period	1,570	676	1,070	47	3,364	-3,182	-15,869
Balance at March 31, 2010	-529	8,761	12,593	-1,318	19,507	15,832	331,579

[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: 37

Abu Dhabi Oil Co., Ltd.	Akita Wind Power Laboratory Co., Ltd.	Ikata Eco Park Co., Ltd.	Iwata Wind Farm Co., Ltd.
EcoPower Co., Ltd.	Eco World Kuzumaki Wind Power Co., Ltd.	Qatar Petroleum Development Co., Ltd.	Kansai Cosmo Logistics Co., Ltd.
Cosmo Oil Ashmore, Ltd.	Cosmo Engineering Co., Ltd.	Cosmo Oil International. Pte. Ltd.	Cosmo Oil of U.S.A., Inc.
Cosmo Oil (U.K.) Plc.	Cosmo Kaiun Co., Ltd.	Cosmo Computer Center Co., Ltd.	Cosmo Seiwa Agriculture CO., Ltd.
Cosmo Petroleum Gas Co., Ltd.	Cosmo Oil (Shanghai) Co., Ltd.	Cosmo Oil Sales Corp.	Cosmo Oil Lubricants Co., Ltd.
Cosmo Research Institute	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.	Tachikawa Wind Power Laboratory Co., Ltd.	Dangamine Wind Farm Co., Ltd.
Choshi Wind Farm Co., Ltd.	Hasaki Wind Farm Co., Ltd.	Hokuto Kogyo Co., Ltd.	Yokkaichi LPG Terminal Co., Ltd.
Wakkanai Wind Farm Co., Ltd.			

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

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

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

(2) Major Non-consolidated Subsidiaries:

Tohoku Cosmo Gas Co., Ltd.

Reason for exclusion from accounting consolidation:

The Company has 24 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: 24

Major subsidiaries: Tohoku Cosmo Gas Co., Ltd.

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

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

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

Gotokishuku Wind Power Laboratory Co., Ltd. is accounted for in the equity method since it became an affiliate company of the Company through its share (Eco Power Co, Ltd) acquisition during FY2009.

(3) Major Business Entities of Affiliated Companies Not Accounted for Using the Equity Method:

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.

[Translation for Reference and Convenience Purposes Only]

3. Items concerning the Accounting Periods of the Consolidated Subsidiaries

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

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

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

4. Items concerning the Accounting Standards

(1) Significant Asset Valuation Standards and Methods

1) Securities

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

b. Other securities:

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

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

2) Inventories:

Principally stated at cost determined by the weighted average method (however, the amounts of inventories stated in the balance sheets were computed by using the method that book values are reduced to reflect declines in profitability).

3) Derivative financial instruments: Stated at fair value.

(2) Significant Depreciable Assets and Depreciation Methods

1) Property, Plant and Equipment (except lease assets):

The straight line method is mainly adopted to calculate depreciation expenses for these asset items. The number of years of their useful lives and their residual value are calculated based on the criteria defined under the Corporation Tax Law of Japan, providing that the economic useful life of 15 years is adopted for the Company's service stations by taking their actual past performances into consideration. As for Abu Dhabi Oil Co., Ltd., a consolidated subsidiary of the Company, is adopted the number of years for useful life provided under the interest right agreement on the subsidiary signed by the investment partners thereto. As for Eco Power Co., Ltd. and its subsidiaries, which are now consolidated subsidiaries of the Company, economic useful life of 20 years is adopted mainly for the wind mills run by them.

2) Intangible Fixed Assets (except lease assets):

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

3) Lease assets :

Leased assets involving finance lease transactions under which the ownership of the leased assets is transferred to lessees: The method to calculate depreciation expenses for such assets is the same as that applied to fixed assets owned by the Company.

Leased assets involving finance lease transactions under which the ownership of the leased assets is not transferred to lessees:

The method to calculate depreciation for such assets is the straight line method with their residual values being zero over their leased periods used as the number of years for useful life.

Out of finance lease transactions other than those under which the ownership of the leased assets is considered to be transferred to lessees, such transactions, of which the lease term each commenced before the initial year of the application of the ASBJ Statement No. 13 "Accounting Standards for Lease Transactions," are continuously accounted for in conformity with the accounting process applicable to operating lease transactions.

4) Long-term Prepaid Expenses :

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

[Translation for Reference and Convenience Purposes Only]

(3) Accounting Process Applied to Deferred Assets

Bond Issuance Cost:

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

(Additional Information)

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

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

(4) Standards for Recording Significant Allowances

1) Allowance for Doubtful Accounts

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

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

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

2) Allowance for Special Repair Work

An allowance is set aside to cover expenses arising from the inspection and repairs of the oil tanks subject to the open regular inspection in compliance with the Fire Service Law of Japan, and an amount equal to the estimated cost of periodically required repairs was added to the provision for FY2009.

As for Cosmo Matsuyama Oil Co., Ltd., one of the subsidiaries of the Company, a certain amount of money to cover expenses arising from regular repairs of the machinery and equipment of its refinery was recorded for FY2009 in addition to the above charge.

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, 2010.

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

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

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

(Change in Accounting Policy)

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

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

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

1) Standards for Recognition of Construction Revenue

In recognizing construction revenues of engineering contracts undertaken by the Company, the percentage-of-completion method is applied to such contracts in which the outcome of the construction activity is deemed certain by the end of FY2009, while the completed contract method (The percentage of construction as of the end of FY2009 is estimated based on the method of the ratio of actual cost incurred to total estimated cost.) is applied to other construction contracts.

(Change in Accounting Policy)

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

[Translation for Reference and Convenience Purposes Only]

contract method is applied to other construction contracts.

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

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

The Company and some of its 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.

[Translation for Reference and Convenience Purposes Only]

(Notes to Consolidated Balance Sheet)

1. Cumulative depreciation expenses for the property, plant and equipment	¥704,232 million
2. Pledged Assets	
Breakdown of Assets Pledged as Collateral and Amounts thereof:	
Property, plant and equipment	¥352,339 million
Cash and deposits	¥284million
Notes and accounts receivable-trade	¥10million
Accounts receivable-other	¥54million
Marketable securities	¥9 million
Investments in securities	¥1,368million
Secured Liabilities:	
Long-term debts (including repayments due within one year)	¥117,633 million
Debts related to transactions with banks	¥20,996 million

3. Contingencies

(1) Guaranty Liabilities

HC Petrochem Co., Ltd. (liabilities to guarantee their borrowings from financial institutions, etc.)	¥11,933 million
Employee and 5 Dealers, etc. (liabilities to guarantee their borrowings from financial institutions, etc.)	¥3,960 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. There were five trial dates as for the case of adjudication of surcharges by FTC, during FY2009.

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, 2010 is smaller than their total carrying amount after revaluation and the difference amounted to:

¥90,236 million

[Translation for Reference and Convenience Purposes Only]

5. Financial Covenants

Out of borrowings made by the Company, borrowings amounting to ¥129,110 million (including those payable within the next year) come with financial covenants with the acceleration clause which will be activated with respect to such liabilities under certain loan contracts if the Company fails to comply with any of the following financial covenants (financial covenants vary from different loan contracts, but key covenants are stated below):

- ① The Company shall not record ordinary loss, as stated in its consolidated and non-consolidated income statements, for three consecutive years;
- ② The Company shall maintain the amount of net assets at ¥296.0 billion or more as stated in its consolidated balance sheets at the end of each fiscal year and of the second quarter thereof;
- ③ The Company shall maintain the amount of net assets at 75% or more of the level recorded as of September 30, 2006 as stated in its non-consolidated balance sheets at the end of each fiscal year and of the second quarter thereof.

Out of borrowings made by some subsidiaries of the Company, borrowings amounting to ¥967 million come with financial covenants and if any of such subsidiaries falls in any of the events, as described below, by failing to comply with such financial covenants, they will be requested by the financial institutions, or parties to loan agreements signed by such subsidiaries, that the terms and conditions of such loan agreements be reviewed. As of the end of FY2009, a part of the financial covenants was not complied with. (financial covenants vary from different loan contracts, but key covenants are stated below):

- ① If the interest coverage ratio of any of such subsidiaries shall be 1.0 or lower;
- ② If any of such subsidiaries should record net loss for two consecutive years; and
- ③ If any of such subsidiaries shall record negative net worth.

(Notes to Consolidated Statement of Changes in Net Assets)

1. Types and Number of Outstanding Shares and Treasury Stock as of March 31, 2010

Outstanding shares	Ordinary shares	847,705,087 shares
Treasury stock	Ordinary shares	613,457 shares

2. Distribution of Surplus:

(1) Dividend Payments

(Resolution adopted by)	Total dividend amount (¥ mil)	Funded by	Dividend per share (¥)	Standard date for dividend payment	Effective date
Shareholders' Meeting held on June 23, 2009	4,237	Retained earnings	5	March 31, 2009	June 24, 2009

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

The following proposal is to be made at the annual shareholders' meeting held on June 23, 2010:

(Resolution adopted by)	Total dividend amount (¥ mil)	Funded by	Dividend per share (¥)	Standard date for dividend payment	Effective date
Shareholders' Meeting held on June 23, 2010	6,779	Retained earnings	8	March 31, 2010	June 24, 2010

[Translation for Reference and Convenience Purposes Only]

(Notes to Financial Products)

1. Information on the Status of Financial Products

The Group procures funds mainly necessary to undertake the oil refining and marketing and oil exploration and production businesses based on the capital spending plans therefore. Temporary extra funds are invested in highly safe financial instruments, while short-term working funds are raised through borrowings from financial institutions, etc.

The Group also keeps credit risks involving customers with respect to notes receivable, accounts receivable and accounts receivable-other lower by managing them in accordance with its credit management scheme. Investment securities are mainly equity securities, out of which listed shares are reviewed on a quarterly basis to keep track of their fair value.

Borrowings and corporate bonds are used to raise working funds (mainly short-term) and capital spending funds (long-term) and interest rate swap contracts are purchased to reduce interest rate fluctuations on some long-term borrowings to get interest payable fixed.

The Group uses foreign currency forward contracts and currency option contracts to hedge risks due to the effect of currency exchange rate fluctuations, and also uses crude oil and petroleum product swap contracts and commodity forward contracts in open market to hedge risks stemming from commodity price fluctuations.

The Group trades derivatives within the range of actual demand in accordance with its internal control rules, and The Group has a policy of not executing speculative derivative transactions.

2. Information about Fair Value of Financial Products, etc.

The book value of the following items on the consolidated balance sheet, their fair value and the variance between the two amounts as of March 31, 2010 are stated as follows:

(Millions of yen)

	Book value on the consolidated balance sheet *	Fair value*	Variance
(1) Cash and cash equivalents	226,608	226,608	-
(2) Notes and accounts receivable	206,168	206,168	-
(3) Securities and Investment securities			
1) Bonds of held-to-maturity	9	9	0
2) Other securities	16,045	16,045	-
(4) Accounts receivable-other	50,844	50,844	-
(5) Notes and accounts payable	(216,111)	(216,111)	-
(6) Short-term borrowings	(269,514)	(269,514)	-
(7) Current portion of bonds with subscription rights to shares	(18,000)	(18,000)	-
(8) Accounts payable-other	(95,337)	(95,337)	-
(9) Accrued volatile oil and other petroleum taxes	(107,457)	(107,457)	-
(10) Income taxes payable	(9,194)	(9,194)	-
(11) Corporate Bonds	(15,000)	(14,990)	-9
(12) Long-term borrowings	(475,225)	(475,305)	80
(13) Derivative transactions	17,571	17,571	-

Notes: * Items recorded in the liabilities section are stated in ().

(Note 1) How to calculate the fair value of financial products and information about securities and derivative transactions are stated as follows:

(1) Cash and Cash Equivalents, (2) Notes and Accounts Receivable and (4) Accounts receivable-other

They are settled on a short-term basis and their fair values are roughly equal to their book value, so that they are stated at book value.

(3) Securities and Investment securities

As for their fair value, equity securities are stated at fair value on the trade exchanges they are listed.

Non-marketable equity securities (“¥10million Bonds of held-to-maturity” and “¥87,195million Other securities”) are not listed item (3) above, because there were extremely difficult to figure out the fair value.

[Translation for Reference and Convenience Purposes Only]

(5) Notes and Accounts Payable, (6) Short-Term Borrowings, (7) Current portion of bonds with subscription rights to shares, (8) Accounts payable-other, (9) Accrued volatile oil and other petroleum taxes and (10) Income taxes payable

They are settled on a short-term basis and their fair value is roughly equal to their book value, so that they are stated at book value.

(11) Corporate Bonds

The fair value of a corporate bond is calculated by discounting the sum of its principal and interest at an interest rate at which a similar corporate bond is assumed to be issued in the market.

(12) Long-Term Borrowings

The fair value of a long-term borrowing is calculated by discounting the sum of its principal and interest at an interest rate at which a similar, new borrowing is assumed to be made.

(13) Derivative Transactions

The fair value of a derivative contract is calculated based on the price provided by the financial institution, etc. from which it was purchased and its final value in the forward market.

A specially treated interest rate swap is accounted for as an integral part of the long-term borrowing, or the subject of hedging, so that the fair value of the swap is stated by being included in the fair value of the long-term borrowing (Please refer to Items (12) above).

(Additional Information)

Effective FY2009, the Company adopted the “Accounting Standard for Financial Products” (ASBJ Statement No. 10 issued on March 10, 2008) and the “Guidance on Accounting Standard for Financial Products” (ASBJ Guidance No. 19 issued on March 10, 2008).

(Notes to Leasehold Properties and Other Real Estate)

1. Information about the Current Status of Leasehold Properties and Other Real Estate

The Company and some subsidiaries own leasehold service stations, office buildings and other properties in Tokyo and other areas, and they also own idle properties which are not expected to be utilized in the future.

2. Information on the Fair Value of the Leasehold Properties Held

(Millions of yen)

Purpose of use	Book value on the balance sheet	Fair value
Idle properties	10,279	13,677
Service stations	3,577	2,903
Refining facilities	1,610	1,336
Employee dormitories, apartments, etc.	3,248	3,249
Office buildings	738	2,733
Other	10,103	9,096
Total amount	29,558	32,996

(Note 1) The book value of each property on the balance sheet is its acquisition cost less cumulative depreciated expenses therefore.

(Note 2) The fair value of major properties as of the end of the current fiscal year is the amount based on the statement of the property appraisal standard provided by the external licensed appraiser, while the fair value of other properties is determined by referring to the amount assessed based the property appraisal standard.

As for properties of less importance, certain assessed amounts or the amounts based on the measurement indices which are considered as reflecting appropriate market prices are regarded as the fair value of such properties, while the appropriate book value of some buildings and other depreciated assets is regarded as their fair value.

[Translation for Reference and Convenience Purposes Only]

(Additional Information)

Effective FY2009, the Company adopted the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20 issued on November 28, 2008) and the “Guidance on Accounting Standard for Disclosure about Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23 issued on November 28, 2008).

(Notes to Per-Share Information)

- | | |
|-------------------------|---------|
| 1. Net assets per share | ¥372.46 |
| 2. Net loss per share | ¥12.96 |

(Notes to Material Contingencies)

None

(Notes to Business Combinations)

<Application of the Purchase Method>

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

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

Names of companies acquired	Eco Power Co., Ltd. and its 9 consolidated subsidiaries and one affiliated company
Line of business	Wind power generation business

- (2) Major reasons for the business combination

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

- (3) Date of business combination

March 25, 2010

- (4) Legal form of business combination

Stock acquisition

- (5) Names of companies upon combination

Cosmo Oil Co, Ltd

- (6) Ratio of voting right acquired

98.75% acquired by the Company

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

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

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

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

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

- (1) Amount of negative goodwill generated

¥6,274million

- (2) Reason for generation

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

- (3) Amortization method and period

[Translation for Reference and Convenience Purposes Only]

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

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

(1) Assets	
Current assets	¥2,943 million
Property, plant and equipment	¥19,190 million
Total assets	¥22,133 million
<hr/>	
(2) Liabilities	
Current liabilities	¥4,935 million
Long-term debts	¥10,671 million
Goodwill	¥6,274 million
Total liabilities:	¥21,882 million

< Common Control Transaction, etc. >

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

- (1) Name of the corporate parties to the business combination or name of the business and the description of their businesses
 - a Company Controlling: Cosmo Oil Co., Ltd. Oil refining and marketing
 - b Company combined : Cosmo Energy Exploration & Development LTD. Direction of the crude oil exploration and production businesses

(2) Legal form of business combination

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

(3) Name of the company upon business combination

Cosmo Oil Co., Ltd.

(4) Outline of the transaction including the purpose thereof

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

2. Outline of Accounting Process Execute

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

[Translation for Reference and Convenience Purposes Only]

Balance Sheet

Fiscal Year 2009 (As of March 31, 2010)

Cosmo Oil Co., Ltd.

(Unit: million yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	827,249	Current liabilities	728,901
Cash and deposits	197,117	Accounts payable-trade	226,353
Notes receivable-trade	90	Short-term loans payable	205,118
Accounts receivable-trade	196,979	Current portion of long-term loans payable	29,011
Short-term investment securities	11	Current portion of bonds with subscription rights to shares	18,000
Merchandise and finished goods	126,264	Accounts payable-other	103,496
Raw materials and supplies	160,988	Accrued volatile oil and other petroleum taxes	107,457
Advance payments-trade	586	Income taxes payable	455
Prepaid expenses	2,725	Accrued expenses	4,625
Short-term loans receivable	11	Advances received	5,028
Short-term loans receivable to subsidiaries and affiliates	33,892	Deposits payable	26,390
Accounts receivable-other	79,329	Unearned revenue	31
Swap assets	14,668	Deferred tax liabilities	2,440
Other	14,772	Other	493
Allowance for doubtful accounts	-191		
Noncurrent assets	692,766	Noncurrent liabilities	527,440
Property, plant & equipment	496,449	Bonds payable	15,000
Buildings, net	23,440	Long-term loans payable	463,420
Structures, net	51,032	Deferred tax liabilities for land revaluation	30,941
Oil storage depots, net	12,549	Long-term deposits payable	8,254
Machinery and equipment, net	75,471	Provision for special repairs	5,064
Vehicles, net	174	Provision for retirement benefits	2,298
Tools, furniture and fixtures, net	3,355	Other	2,462
Land	267,384		
Lease assets, net	428	Total liabilities	1,256,342
Construction in progress	62,611		
Intangible fixed assets	7,166	Net asset	
Patent right	91	Shareholders' equity	247,360
Leasehold right	1,004	Capital stock	107,246
Right of Trademark	0	Capital surplus	89,440
Software	3,473	Legal capital surplus	89,439
Other	2,596	Other capital surplus	1
Investments and other assets	189,150	Retained earnings	50,758
Investment securities	34,994	Legal retained earnings	7,407
Stocks of subsidiaries and affiliates	51,706	Other retained earnings	43,350
Investments in capital	129	Reserve for special depreciation	0
Long term loans receivable	424	Reserve for overseas investment loss	119
Long-term loans receivable from employees	11	Reserve for advanced depreciation of noncurrent assets	16,625
Long-term loans receivable from subsidiaries and affiliates	31,074	Retained earnings brought forward	26,604
Long-term prepaid expenses	4,492	Treasury stock	-85
Long-term accounts receivable-other	403	Valuation and translation adjustments	16,455
Long-term deposits	10,831	Valuation difference on available-for-sale securities	-2,267
Deferred tax assets	43,324	Deferred gains or losses on hedges	8,717
Other	12,119	Revaluation reserve for land	10,004
Allowance for doubtful accounts	-360		
Deferred assets	142		
Bond issuance cost	142	Total net assets	263,815
Total assets	1,520,157	Total liability and net assets	1,520,157

Statement of Income

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

Cosmo Oil Co., Ltd.

(Unit: million yen)

Item	Amount	
I Net sales		2,332,742
II Cost of sales		2,251,274
Gross profit		81,467
III Selling, general and administrative expenses		80,970
Operating profit		496
IV Non-operating income		
Interest income	1,408	
Interest on securities	69	
Dividends income	28,079	
Foreign exchange gains	2,234	
Rent income on noncurrent assets	1,186	
Other	3,902	36,881
V Non-operating expenses		
Interest expenses	9,728	
Interest on bonds	37	
Other	4,344	14,111
Ordinary profit		23,267
VI Extraordinary income		
Gain on sales of noncurrent assets	8,451	
Gain on sales of investment securities	1,561	
Gain on sales of subsidiaries and affiliates' stocks	2,132	
Gain on reversal of evaluation on investments in	816	
Gain on extinguishment of tie-in shares	1,227	
Reversal of loss on liquidation of business of subsidiaries	389	14,578
VII Extraordinary losses		
Loss on sales of noncurrent assets	1	
Loss on disposal of noncurrent assets	3,280	
Impairment loss	1,435	
Loss on sales of investment securities	450	
Loss on valuation of investment securities	2,157	
Loss on valuation of stocks of subsidiaries and affiliates	119	
Other	125	7,570
Income before income taxes		30,274
Income taxes-current	41	
Income taxes for prior periods	59	
Income taxes-deferred	20,530	20,632
Net income		9,642

[Translation for Reference and Convenience Purposes Only]

Statement of Changes in Net Assets

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

Cosmo Oil Co., Ltd.

(Unit: million yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total
		Legal capital surplus	Other capital surplus	Total	Legal retained earnings	Other retained earnings	Total		
Balance at March 31, 2009	107,246	89,439	1	89,440	7,407	38,814	46,222	-81	242,829
Changes of items during the period									
Dividends from surplus						-4,237	-4,237		-4,237
Net Income						9,642	9,642		9,642
Reversal of revaluation reserve for land						-869	-869		-869
Purchase of treasury stock								-4	-4
Disposal of treasury stock			-0	-0				0	0
Addition to other retained earnings						-	-		-
Reversal of other retained earnings						-	-		-
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	-0	-0	-	4,535	4,535	-4	4,531
Balance at March 31, 2010	107,246	89,439	1	89,440	7,407	43,350	50,758	-85	247,360

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at March 31, 2009	-2,461	8,067	9,135	14,741	257,570
Changes of items during the period					
Dividends from surplus					-4,237
Net Income					9,642
Reversal of revaluation reserve for land			869	869	-
Purchase of treasury stock					-4
Disposal of treasury stock					0
Addition to other retained earnings					-
Reversal of other retained earnings					-
Net changes of items other than shareholders' equity	193	650		844	844
Total changes of items during the period	193	650	869	1,713	6,245
Balance at March 31, 2010	-2,267	8,717	10,004	16,455	263,815

[Translation for Reference and Convenience Purposes Only]

Breakdown of Other Retained Earnings

	Reserve for special depreciation	Reserve for advanced depreciation of noncurrent assets	Reserve for advanced depreciation of noncurrent assets	Retained earnings brought forward	Total
Balance at March 31, 2009	5	-	17,690	21,118	38,814
Changes of items during the period					
Dividends from surplus				-4,237	-4,237
Net Income				9,642	9,642
Reversal of revaluation reserve for land				-869	-869
Purchase of treasury stock					
Disposal of treasury stock					
Addition to other retained earnings		130		-130	-
Reversal of other retained earnings	-5	-10	-1,064	1,080	-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-5	119	-1,064	5,486	4,535
Balance at March 31, 2010	0	119	16,625	26,604	43,350

[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

Inventories are principally stated at cost determined by the weighted average method or the specific identification method (however, the amounts of inventories stated in the balance sheets were computed by using the method that book values are reduced to reflect declines in profitability).

(3) 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.
-----------------------------	---

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).
-------------------------	--

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

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) Accounting Process Applied to Deferred Assets.

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

[Translation for Reference and Convenience Purposes Only]

	<p>appropriate manner. This change resulted in increasing ordinary income and income before income taxes for FY2009 by ¥142 million, respectively, as compared with the conventional method.</p>
(6) Standards for Recording Allowances	
Allowance for doubtful accounts	<p>An estimated amount of irrecoverable debts is set aside against any potential losses on the failure to collect the accounts receivable.</p> <p>a) Ordinary accounts receivable: The amount of allowance calculated at the actual ratio of bad debts</p> <p>b) Highly doubtful receivables and claims in bankruptcy and reorganization, etc.: The amount recognized for uncollectible accounts</p>
Allowance for special repair work	<p>An allowance is set aside to cover expenses arising from the inspection and repairs of the oil tanks subject to the open regular inspection in compliance with the Fire Service Law of Japan, and an amount equal to the estimated cost of periodically required repairs was added to the provision for FY2009. An allowance is put aside to cover retirement and severance benefits payable to employees and a certain amount was recorded based on the estimated amount of projected benefit obligation and the fair value of the pension assets as of March 31, 2010.</p>
Retirement and severance benefits for employees	<p>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.</p> <p>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.</p> <p>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.</p> <p>(Change in Accounting Policy) The Company, effective from FY2009, adopted the “Revised Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19 issued on July 31, 2008).</p> <p>This change, however, brought no impact on operating income, ordinary income and net income before income taxes and minority interests for FY2009.</p>
(7) Accounting Process for Consumption Tax, etc.	
	<p>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.</p>

[Translation for Reference and Convenience Purposes Only]

3. Notes to Non-Consolidated Balance Sheet

(1) Short-term loans receivable from subsidiaries and affiliates:	¥125,400 million
Long-term loans receivable from subsidiaries and affiliates:	¥31,620 million
Short-term loans payable to subsidiaries and affiliates:	¥126,721 million
Long-term loans payable to subsidiaries and affiliates:	¥651 million
(2) Cumulative depreciation expenses for the property, plant and equipment	¥450,140 million
(3) Pledged Assets	
Breakdown of Assets Pledged as Collateral and Amounts thereof:	
Property, plant & equipment	¥310,895 million
Marketable securities	¥9 million
Investment securities	¥1,295 million
Secured Liabilities:	
Long-term debts (including repayments due within the next year)	¥110,334 million
Debts related to transactions with banks	¥20,996 million
(4) Contingencies	
a. Guaranty Liabilities	
HC Petrochem Co.,Ltd.(guaranteed loan from financial institutions, etc.)	¥11,933 million
Eco Power Co.,Ltd. (guaranteed loan from financial institutions, etc.)	¥5,296 million
Ikata Eco Park Co.,Ltd (the Company's submission of the letter of undertaking business management guidance (for the company) to financial institutions, etc.)	¥2,594 million
4 Dealers, etc. (guaranteed loan from financial institutions, etc.)	¥9,104 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. There were five trial dates as for the case of adjudication of surcharges by FTC, during FY2009.

(5) Loans to directors and corporate auditors due to transactions with them	¥540 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, 2010 is smaller than their total carrying amount after revaluation and the difference amounted to:

¥85,978million

[Translation for Reference and Convenience Purposes Only]

(7) Financial Covenants, etc.

Out of borrowings made by the Company, borrowings amounting to ¥125,740 million (including those payable within the next year) come with financial covenants with the acceleration clause which will be activated with respect to such liabilities under certain loan contracts if the Company fails to comply with any of the following financial covenants (financial covenants vary from different loan contracts, but key covenants are stated below):

- ①The Company shall not record ordinary loss, as stated in its consolidated and non-consolidated income statements, for three consecutive years;
- ②The Company shall maintain the amount of net assets at ¥296.0 billion or more as stated in its consolidated balance sheets at the end of each fiscal year and of the second quarter thereof;
- ③The Company shall maintain the amount of net assets at 75% or more of the level recorded as of September 30, 2006 as stated in its non-consolidated balance sheets at the end of each fiscal year and of the second quarter thereof.

4. Notes to Non-Consolidated Statement of Income

Sales to subsidiaries and affiliates:	¥728,801 million
Purchases from subsidiaries and affiliates:	¥318,186 million
Non-business transaction with subsidiaries and affiliates:	¥66,273 million

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

Type and Number of Treasury Stock as of March 31, 2010	
Common stock	261,809 shares

[Translation for Reference and Convenience Purposes Only]

6. Notes to Tax Effective Consequence Accounting	(Unit: million yen)
1. Current Deferred Tax Assets and Liabilities	
(1) Deferred tax assets:	
Loss brought forward:	2,060
Reserve for bonuses:	823
Others	1,120
Current deferred tax assets – Sub-total:	<u>4,004</u>
Valuation allowance:	<u>(531)</u>
Total current deferred tax assets:	<u>3,472</u>
(2) Deferred tax liabilities:	
Deferred gains on hedges	<u>(5,913)</u>
Total current deferred tax liabilities:	<u>(5,913)</u>
Net current deferred tax liabilities:	<u>(2,440)</u>
2. Non-Current Deferred Tax Assets and Liabilities	
(1) Deferred tax assets:	
Loss brought forward	67,984
Others	19,694
Non-current deferred tax assets – Sub-total:	<u>87,679</u>
Valuation allowance:	<u>(29,447)</u>
Total non-current deferred tax assets:	<u>58,232</u>
(2) Deferred tax liabilities:	
Reserve for reduction of fixed assets:	(11,288)
Others	(3,619)
Total non-current deferred tax liabilities:	<u>(14,908)</u>
Net non-current deferred tax assets:	<u>43,324</u>
(3) Deferred tax asset and liability related to land revaluation:	
Deferred tax asset related to land revaluation:	14,382
Valuation allowance:	(14,382)
Total	<u>—</u>
Deferred tax liability related to land revaluation:	<u>(30,941)</u>
Net deferred tax liability related to land revaluation:	<u>(30,941)</u>

7. Notes to Fixed Assets Used Under Leases

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, 2010:	
Acquisition cost equivalent:	12,214
Accumulated depreciation equivalent:	9,117
Net book value equivalent as of March 31, 2010:	<u>3,096</u>
(2) Net book value of lease obligations as of March 31, 2010	
Due within one year:	574
Due more than one year:	2,522
Total:	<u>3,096</u>
(3) Lease payments and depreciation equivalent:	
Lease payment:	762
Depreciation equivalent	762
(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 and Affiliated companies

Type	Name (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, '10 (¥mil)
Subsidiary	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)	311,567	Accounts receivable, trade	34,051
Subsidiary	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 (*4) And Fund deposit (*2) Interest receivable (*3)	19,625 251	Short-term loans to subsidiaries/ affiliate Long-term loans to subsidiaries/ affiliate Accounts receivable, other	16,500 5,500 119
Subsidiary	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) Interest payable (*3)	149,142 216	Account payable, trade	37,158
Subsidiary	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 Loans to it	Receipt of debt guaranteed mortgage (*5) Loans to it (*4) And Fund deposit (*2) Interest receivable (*3)	110,334 16,816 273	- Short-term loans to subsidiaries/ affiliate Long-term loans to subsidiaries/ affiliate Accounts receivable, other	- 4,934 12,157 28
Subsidiary	Cosmo Engineering Co., Ltd. (Direct ownership ratio: 87.6%)	Undertaking of facility construction and other related work	4 Cosmo Oil directors concurrently assuming the office of directors of the subsidiary Construction of oil-related facility and other related work	Purchases of oil-related facilities (*1)	25,200	Accrued payable	9,738
Affiliated company	Maruzen Petrochemical Co., Ltd. (Direct ownership ratio: 32.9%) (Indirect ownership ratio: 10.9%)	Petrochemical product manufacturing and sales	2 Cosmo Oil directors concurrently assuming the office of directors of the affiliated company Sales of raw materials for petrochemical precuts	Sales of oil-related facilities (*1)	9,290	Accrued income	3,244

Out of the amounts shown above, the transaction amounts are exclusive of consumption tax charges, while the balance amounts as of March 31, 2010 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/Deposits are based on the Company's group financing program and the transaction amounts are stated at an average amount of balance during FY2009.
 3. Interest rates are determined by taking market rates of interest and other conditions into consideration.
 4. 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 FY2009.
 5. For the Company's loans from financial institutions, it arranges a mortgage with a part of our fixed assets. The transaction amounts are the balance of such loans at the end of FY2009

[Translation for Reference and Convenience Purposes Only]

(2) Director

Name of party (voting stock ownership)	Occupation of party	Cosmo Oil's relationship with party	Transaction with party	Transaction amount (¥mil)	Item	Balance as of Mar 31, '09 (¥mil)
Hideto Matsumura (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(*)	30	-	-

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: It is transaction for so-called third party.

9. Notes to Per-Share Information

(1) Net assets per share	¥311.31
(2) Net income per share	¥11.38

10. Notes to Material Contingencies

None

11. Notes to Business Combinations

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

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

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

(2) Legal form of business combination

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

(3) Name of the company upon business combination

Cosmo Oil Co., Ltd.

(4) Outline of the transaction including the purpose thereof

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

2. Outline of Accounting Process Execute

The above transaction was accounted for as a common control transaction based on the "Accounting Standard for Business Combinations" (issued by the ASBJ on October 31, 2003) and the "Guidance on Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on November 15, 2007). Therefore, the Company recorded a gain on extinguishment of tie-in shares as extraordinary income for the difference amount of ¥1,227 million between the difference between assets and liabilities (or the amount of shareholders' equity) of Cosmo Oil Exploration & Development Co., LTD. received by the Company at the appropriate book value recorded on the day before the day of the merger, and the appropriate book value of the shares of the dissolved subsidiary (tie-in shares) owned by the Company immediately prior to the merger in the FY2009 financial statements of the Company.

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

Independent Auditors' Audit Report

May 7, 2010

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

KPMG AZSA & Co.

Designated and Engagement Partner, Certified Public Accountant	Naoto Yokoi	Seal
---	-------------	------

Designated and Engagement Partner, Certified Public Accountant	Takaya Abe	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, 2009 to March 31, 2010. 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 -

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

Independent Auditors' Audit Report

May 7, 2010

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

KPMG AZSA & Co.

Designated and Engagement Partner, Certified Public Accountant	Naoto Yokoi	Seal
Designated and Engagement Partner, Certified Public Accountant	Takaya Abe	Seal
Designated and Engagement Partner, Certified Public Accountant	Hirotoishi 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 104th fiscal term from April 1, 2009 to March 31, 2010. 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 -

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 104th fiscal term from April 1, 2009 to March 31, 2010, 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. Concerning internal controls pertaining to financial reports, we received reports with respect to appraisal and status of auditing of the relevant internal controls and requested explanations as necessary from Directors and others, and from KPMG AZSA & Co. 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 131 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, including internal controls pertaining to financial reports.
- (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 7, 2010

COSMO OIL CO., LTD. Board of Corporate Auditors

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

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

- END -