May 14, 2013

Overview of Business Results of Fiscal Year Ending March 2013 [Japanese Standard Form] (Consolidated)

Name of the Company: Cosmo Oil Co., Ltd. Shares traded: TSE, OSE, and NSE
Company Code: 5007 URL http://www.cosmo-oil.co.jp/
Name of Representative: Keizo Morikawa (Title) President
Name of Person to contact: Akihiko Tobinaga (Title) General Manager of Corporate Communication Dept. Phone: 03-3798-3180
Annual shareholders' meeting is to be held on: June 25, 2013 Dividend payment is to be started on: ー
Securities report is to be submitted on: June 25, 2013
Availability of the Financial Result Supplementary Information: Yes
Execution of the Financial Result Presentation Meeting: Yes (for analysts and institutional investors)

Note: Figures less than 1 million are rounded down.

1. Consolidated Business Results for FY2012 (April 1, 2012 to March 31, 2013)

(1) Consolidated operating results (% indicates change from FY2011)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2012	3,166,689	1.8	52,422	-17.5	48,439	-21.1	-85,882	ー
FY2011	3,109,746	12.2	63,570	-38.9	61,420	-36.1	-9,084	ー

[Reference] Comprehensive income FY2012: -72,543 million yen (ー%) FY2011: -3,471 million yen (ー%)

	Net income per share	Diluted net income per share	Net income to net worth	Ordinary income to total assets	Operating income to net sales
	yen sen	yen sen	%	%	%
FY2012	-101.39	ー	-31.4	2.8	1.7
FY2011	-10.72	ー	-2.8	3.8	2.0

[Reference] Equity in earnings(losses) of affiliates FY2012: 7,083 million yen FY2011: 2,933 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	million yen	million yen	%	yen sen
FY2012	1,743,492	256,932	13.2	272.07
FY2011	1,675,070	337,437	18.9	374.15

[Reference] Net worth FY2012: 230,456 million yen FY2011: 316,931 million yen

(3) Consolidated Cash Flows

	CF from operating activities	CF from investing activities	CF from financing activities	Cash and cash equivalents at the end of the period
	million yen	million yen	million yen	million yen
FY2012	-20,950	-80,481	104,695	129,699
FY2011	43,616	-25,805	11,606	122,431

2. Dividend Payment Results and Outlook

	Annual dividend per share Total					Total amount of dividends paid/payable (full-year)	Dividend payout (consolidated)	Rate of dividend to net assets (consolidated)
	As of Q1-end	As of Q2-end	As of Q3-end	As of Fiscal Year-end	Full year			
	yen sen	yen sen	yen sen	yen sen	yen sen	million yen	%	%
FY2011	ー	0.00	ー	8.00	8.00	6,779	ー	2.1
FY2012	ー	0.00	ー	0.00	0.00	ー	ー	ー
FY2013 (outlook)	ー	0.00	ー	ー	ー		ー	

Note: The year-end dividend for the fiscal year ending March 31, 2014 is yet to be determined.

3. Consolidated Business Outlook for FY2013 (April 1, 2013 to March 31, 2014)

(% indicates for FY2013 change from the corresponding period of FY 2012, while for 1H FY2013 change from 1H FY2012)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
1H FY2013	1,684,000	16.2	34,000	ー	31,500	ー	9,000	ー	10.62
FY2013	3,550,000	12.1	64,000	22.1	61,000	25.9	16,000	ー	18.89

4. Notes to Consolidated Financial Statements

(1) Change in significant subsidiaries during FY2012 : No

Newly ー (Name of Company ー) Exception ー (Name of Company ー)

(2) Changes in accounting policies and processing and representation methods adopted to prepare the consolidated financial statements

1) Changes in accounting policies due to revisions of accounting standards, etc. : No

2) Changes in accounting policies for reasons other than the Item 1 : No

3) Changes in accounting estimates : Yes

4) Restatements : No

(3) Total Number of Outstanding Shares (Ordinary shares)

1) Number of outstanding shares as of end of the period (including treasure stock) :	FY2012	847,705,087 shares	FY2011	847,705,087 shares
2) Number of shares of treasury stock as of end of the period :	FY2012	644,157 shares	FY2011	639,196 shares
3) Average Number of shares outstanding during the period :	FY2012	847,064,923 shares	FY2011	847,070,419 shares

[Reference] Outline of Non-Consolidated Results

1. Non-Consolidated Financial Results for FY2012 (For the period from April 1, 2012 to March 31, 2013)

(1) Non-consolidated Operating Results (% indicates change from FY2011)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2012	2,788,209	1.1	-17,556	ー	-28,686	ー	-111,604	ー
FY2011	2,757,889	8.1	5,006	-90.6	19,566	-61.3	-9,672	ー

	Net income per share	Diluted net income per share
	yen sen	yen sen
FY2012	-131.70	ー
FY2011	-11.41	ー

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	million yen	million yen	%	yen sen
FY2012	1,552,901	143,166	9.2	168.95
FY2011	1,563,901	261,103	16.7	308.12

[Reference] Net worth FY2012 : 143,166 million yen FY2011 : 261,103 million yen

Note : Information about audit procedure execution :

This release the overview of business results is outside the scope of the report audit procedures under the Financial Instruments and Exchange Act in Japan and as of the day of the disclosure of this release, the report audit procedures under the Financial Instruments and Exchange Act had not been completed.

Note : Request for appropriate use of the business outlook and other special remarks :

The above business outlook are based on information available as of the published date of this release and actual results may differ from the forecast subject to various factors that may arise in the future. As for details, please refer to the“(1)Analysis of Consolidated Operating Results”on page 2~3 of this release.

Supplementary information will be uploaded on the COSMO OIL website on May 14, 2013.

【Supporting data】

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1. Analysis of Consolidated Operating Results and Financial Position

(1) Analysis of Consolidated Operating Results

1) Consolidated Operating Results during Fiscal Year 2012

In the 2012 consolidated fiscal year, Japan's economy staged a gradual recovery on the strength of demand from reconstruction projects in the wake of the Great East Japan Earthquake and the introduction of the emergency stimulus package by the government. Nonetheless, the economy continued to deal with challenges that included weaker exports, reflecting the sluggish global economy.

In these circumstances, domestic demand for overall petroleum products rose from the previous term, given an increase in the demand for the heavy fuel oil used to generate electricity at thermal power plants as a result of their increased capacity ratios, as well as a noticeable rise in demand for kerosene due to a cold snap.

Looking at crude oil prices, the Dubai crude oil price stood at US$119 per barrel at the beginning of FY2012, but it temporarily dropped below US$90 per barrel, mainly reflecting the European debt crisis. However, with the steady growth in the U.S. economy and rising tensions in the Middle East, the average price throughout the year was at the level of US$106 per barrel.

As for exchange rates, the Japanese yen was at the level of ¥83 per US$ at the beginning of FY2012. Coupled with a monetary easing policy adopted by the U.S. government and the reemergence of the debt crisis in Europe, the Japanese yen continued to appreciate to the ¥77 range in September 2012. However, it then began to depreciate, mainly reflecting rising anticipation that the Japanese government would adopt an extensive monetary relaxation policy. As a result, the yen stood at the level of ¥96 per US$ in March 2013.

Looking at the petroleum product market conditions in Japan, the retail prices of mass market products and industrial fuels experienced a downturn from the beginning of the fiscal year under review due to the effects of the European debt crisis. However, they gradually rose after summer, given concerns over the confrontation between Iran and Western countries.

Under these business environments, the Cosmo Oil Group joined its forces into one to build stable earnings base and to expand the business scale by improving profitability in the petroleum business and executing of medium-to long-term growth strategy in the petrochemical business.

As a result, consolidated net sales in FY2012 were ¥3,166.7 billion (up ¥57.0 billion from FY2011), consolidated operating income, ¥52.4 billion (down ¥11.2 billion from FY2011), and consolidated ordinary income, ¥48.4 billion (down ¥13.0 billion from FY2011).

After extraordinary gain and loss adjustments and corporation taxes and other adjustments, consolidated net loss for FY2012 was ¥85.9 billion (compared with consolidated net loss of ¥9.1 billion in FY2011).

Segment-specific results were as follows：

[Business Segment Information] (Unit：¥billion)

	Petroleum business	Petrochemical Business	Oil exploration and production business	Other and adjustments	Consolidated
Net sales	3,116.2	30.5	85.9	-65.9	3,166.7
Segment income	-23.7	3.3	60.7	8.1	48.4

[Petroleum business]

In the petroleum business, net sales increased, mainly reflecting higher sale prices on the back of the weak yen and increased sales of heavy oil fuel for electric power generation. As a result, the petroleum business segment reported net sales of ¥3,116.2 billion for FY2012 (up ¥60.6 billion from FY2011). However, the segment reported a segment loss of ¥23.7 billion (compared with a segment income of ¥8.0 billion for FY2011), by the downturn in the product market.

[Petrochemical business]

The petrochemical business segment was benefited by a market recovery. As a result, the segment reported sales of ¥30.5 billion for FY2012 (up ¥1.1 billion from FY2011) and segment income of ¥3.3 billion (up ¥1.2 billion from FY2011).

[Oil exploration and production business]

The oil exploration and production business segment saw crude oil prices keep higher during FY2012 than during the same period of FY2011. As a result, the segment reported sales of ¥85.9 billion for FY2012 (down ¥1.7 billion from FY2011) and segment income of ¥60.7 billion (up ¥8.7 billion from FY2011).

2) Outlook for FY2013

The Cosmo Oil Group will restore the earnings capability of the petroleum refining and sales and marketing businesses, a target set out in the 5th Consolidated Medium-Term Management Plan that commenced in FY2013, and will steadily recoup strategic investments made mainly in the petrochemical and oil exploration and production businesses under the 4th Consolidated Medium-Term Management Plan.

The new fiscal year of 2013 commencing on April 1, 2013 has the assumptions of an average crude oil price of US$100/bbl and an average exchange rate of ¥100/US$ and its business outlook including consolidated net sales of ¥3,550.0 billion (up ¥383.3 billion from FY2012), consolidated operating income of ¥64.0 billion (up ¥11.6 billion), consolidated ordinary income of ¥61.0 billion (up ¥12.6 billion) and consolidated net income of ¥16.0 billion (consolidated net loss for FY2012 was ¥85.9 billion).

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

	Petroleum business	Petrochemical business	Oil exploration and production business	Other and adjustments	Consolidated
Net sales	3,460.0	80.0	98.0	-88.0	3,550.0
Segment income	3.0	3.5	55.5	-1.0	61.0

[Petroleum business]

Lower burdens in alternative supply costs compared with the previous fiscal year, reflecting reinforced initiatives related to safe operations at refineries, and a steady supply, as well as increases in product exports, have resulted in the expectation that the segment will a report a higher profit for FY2013 than for FY2012.

[Petrochemical business]

The petrochemical business segment is expected to report higher profit for FY2013 than FY2012, by the running start the new equipment and the other factors.

[Oil exploration and production business]

Higher expenses to ensure the ongoing steady production of crude oil, among other factors, have resulted in the expectation that the segment will report a lower profit for FY2013 than for FY2012.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

As for the Company’s financial position on a consolidated basis as of the end of FY2012, total assets as of March 31, 2013 amounted to ¥1,743.5 billion, up ¥68.4 billion from March 31, 2012, the end of FY2011, mainly reflecting increased accounts receivable-trade and inventories along with the rise in crude oil prices, given the effects of the weak yen.

Net assets as of March 31, 2013 amounted to ¥256.9 billion, down ¥80.5 billion from March 31, 2012, with a net worth ratio of 13.2%.

2) Cash Flows

As for consolidated cash flows during FY2012, net cash used in operating activities amounted to ¥21.0 billion, with increased accounts receivable-trade and inventories, mainly reflecting the rise in crude oil prices, and declines in accounts payable-trade due to reduction of alternative supply costs to stop the operations of the Chiba Refinery, and other negative factors.Net cash used in investing activities amounted to ¥80.5 billion, mainly reflecting payments for noncurrent asset acquisitions. Net cash provided by financing activities amounted to ¥104.7billion, mainly reflecting an increase in borrowings.

As a results, cash and cash equivalents as of March 31, 2013 amounted to ¥129.7 billion, up ¥7.3 billion from March 31, 2012.

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

	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013
Net worth ratio	22.8%	19.2%	21.1%	18.9%	13.2%
Net worth ratio on a fair value basis	17.5%	11.6%	13.9%	11.6%	9.6%
Ratio of cash flows to interest-bearing debt	7.3years	343.8years	26.6years	16.5years	-
Interest coverage ratio	7.6times	0.2times	2.1times	3.4times	-

Notes：

Net worth ratio：Net worth divided by total assets

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

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

Interest coverage ratio：Operating cash flow divided by interest payable

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

(3) Basic Policy regarding Earnings Appropriation and Dividend for FY 2012, 2013

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

However, considering the financial situation, among other factors, the Company has regrettably decided not to pay dividends for the term under review.

As stated in the notice published today titled “The reduction of legal capital surplus and legal retained earnings and the appropriation of surplus,” as part of its efforts to resume dividend payments as soon as possible, the Company has decided to present a proposal for the reduction of legal capital surplus and legal retained earnings and the appropriation of surplus at the 107th Ordinary General Meeting of Shareholders that is scheduled to be held on June 25, 2013.

Under the assumption that the implementation of the reversal of the above is made and a stable financial strength is achieved, the company will determine the dividends for the next fiscal year by taking into account its business results and financial status.

(4) Business and Other Risks

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

1) Supply and Demand Trends

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

2) Crude Oil Price Fluctuations and Crude oil procurement risk

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

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

3) Foreign Exchange Rate Fluctuations

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

4) Market Impact

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

5) Interest Rate Fluctuations

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

6) Asset Valuation Fluctuations

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

7) Competition Risk

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

8) Impact by Natural Disasters and Accidents

As its refineries handle large volumes of flammable materials, the Group takes particular care in implementing various safety measures to prevent accidents caused by human errors, and to avoid workplace injuries. Notwithstanding these precautions, the occurrence of an earthquake, other natural disasters or unforeseen accidents can result in unavoidable stoppages of operations. For example, a fire that broke out at the Chiba Refinery caused by the impact of the Great East Japan Earthquake that occurred on March 11, 2011 forced the refinery to suspend operations for a certain period of time. Thus, the Company recorded losses due to the suspended operations and restoration cost in FY2010. In addition, accidents in non-refinery operations, such as oil storage depots, service stations, marine tankers and tanker trucks, could noticeably affect the Group’s operations and have material impact on its business performance and financial condition.

9) Impact by Regulations Applicable to the Oil Industry

Various regulations regarding pollution and environmental issues that affect the oil industry have been implemented, and the Group bears the cost of complying with these regulations. As more stringent environmental countermeasures are expected, the Group recognizes the possibility that it could be subject to new laws, regulations and taxes. Going forward, there is a risk that new laws or amendments to existing laws will result in an additional cost burden for the Group. In promoting its CSR management efforts, the Group positions legal compliance as an integral part of such efforts, establishing the necessary systems and striving to enhance the morale of all employees. However, if the risk of legal infraction materializes because of human error or other factors, the Group may become subject to government penalties that would obstruct business operations, reduce the level of trust among customers and damage the Group’s brand image, which could, in turn, affect the Group’s operating performance. For example, there were some additional maintenance costs required at the Company’s refinery, corresponding to administrative disposition by the Nuclear and Industrial Safety Agency of the Ministry of Economy, Trade and Industry, which had an impact on the Group’s business performance.

10) Information Management

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

2. Current Status of the Cosmo Oil Group

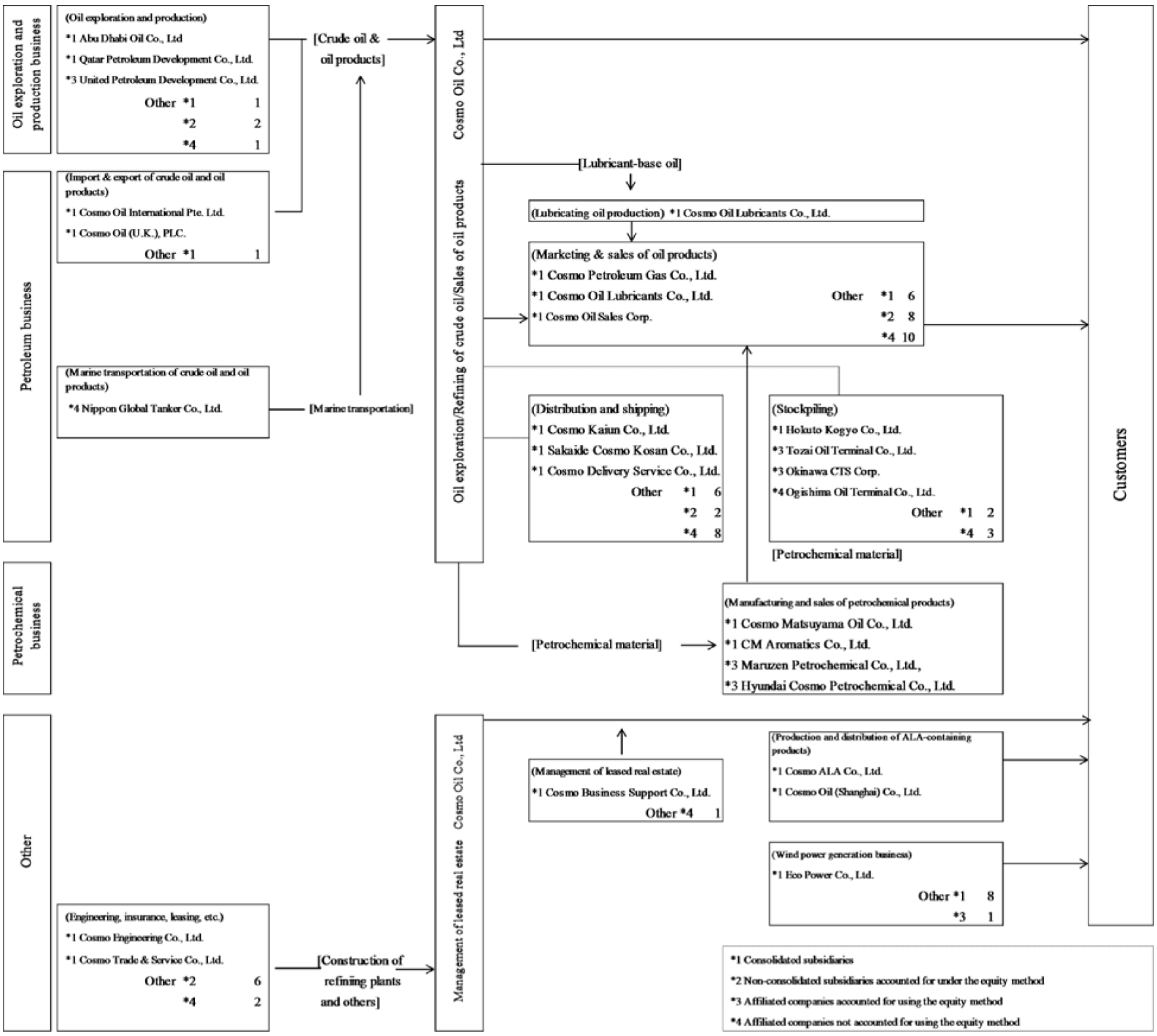
The Cosmo Oil Group consists of Cosmo Oil Co., Ltd. and its 56 subsidiaries and 33 affiliated companies, mainly engaged in businesses ranging from the exploration and production of crude oil on its own to import, refining and storage of crude oil and oil products and to sales and marketing of oil products.

The Group’s businesses also include manufacturing and sales of petrochemical products, leased real estate management, oil-related plant and equipment engineering and insurance agency services operated by Cosmo Oil and some of its affiliates.

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

Segment	Description	Major operating companies	No. of companies
Oil exploration & production business	Crude oil exploration & production	Cosmo Oil Co., Ltd., Abu Dhabi Oil Co., Ltd、Qatar Petroleum Development Co., Ltd., United Petroleum Development Co., Ltd. and other 4 companies	8
Petroleum business	Import & export of crude oil and oil products	Cosmo Oil International Pte. Ltd., Cosmo Oil (U.K.) Plc. and other 1 company	3
	Marine transportation of crude oil and oil products	Nippon Global Tanker Co., Ltd.	1
	Crude oil refining	Cosmo Oil Co., Ltd.	1
	Manufacturing of lubricating oil	Cosmo Oil Lubricants Co., Ltd.	1
	Sales of oil products	Cosmo Oil Co., Ltd., Cosmo Petroleum Gas Co., Ltd., Cosmo Oil Lubricants Co., Ltd., Cosmo Oil Sales Corp. and other 24 companies	28
	Storage of crude oil and oil products	Hokuto Kogyo Co., Ltd., Tozai Oil Terminal Co., Ltd., Okinawa CTS Corp., Ogishima Oil Terminal Co., Ltd. and other 5 companies	9
	Distribution	Cosmo Kaiun Co., Ltd., Sakaide Cosmo Kosan Co., Ltd., Cosmo Delivery Service Co., Ltd. and other 16 companies	19
Petrochemical business	Manufacturing and sales of petrochemical products	Cosmo Matsuyama Oil Co., Ltd., CM Aromatics Co., Ltd., Maruzen Petrochemical Co., Ltd. and Hyundai Cosmo Petrochemical Co., Ltd.	4
Other	Leased real estate management, etc.	Cosmo Oil Co., Ltd.、Cosmo Business Support Co., Ltd. and other 1 company	3
	Production and distribution of ALA-containing products	Cosmo ALA Co., Ltd. and Cosmo Oil (Shanghai) Co., Ltd.	2
	Engineering, insurance, leasing, etc.	Cosmo Engineering Co., Ltd., Cosmo Trade & Service Co., Ltd. and other 8 companies	10
	Wind power generation business	Eco Power Co.,Ltd. and other 9 companies	10

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



3. Policy for Corporate Management

(1) Basic Policy for Corporate Management

The Cosmo Oil Group aims to achieve sustainable development as a vertically integrated global energy company that helps to meet diverse social needs with a focus on petroleum energy. We aim to increase our competitiveness and profitability through a solid, integrated system from the upstream to downstream segments in our core petroleum business. We are also continuously involved in other businesses such as electric power generation and liquefied natural gas (LNG), and we have established the Cosmo Oil Group as a company that is recognized for its environmental initiatives, both to ensure that it is an environmentally advanced company and to maximize the satisfaction of our stakeholders.

(2) Medium to Long-Term Corporate Management Strategies

1) Fifth Consolidated Medium-Term Management Plan (for Fiscal Years 2013-2017)

We have established our Fifth Consolidated Medium-Term Management Plan (fiscal years 2013 – 2017), which commences in 2013. We have positioned this consolidated medium-term management plan as five years to establish a solid business foothold for further expansion, and we will increase our earnings strength based on the following fundamental policies. In doing so, our aim is to improve our financial strength and achieve an early resumption of dividends:

[Fundamental Policies]

1. <u>Regain profitability in the refining & marketing sector</u>
2. <u>Secure stable income from investments made during the previous consolidated medium-term management plan</u>
3. <u>Further strengthen our alliance with IPIC and Hyundai Oilbank</u>
4. <u>Further enhance CSR management</u>

Fulfilling this consolidated medium-term management plan will mean we are involved in the entire process from petroleum development to refining and sales, simultaneously expanding our portfolio to include the petrochemical and renewable energy businesses, in our long-term endeavor to become a vertically integrated global energy company.

In this consolidated medium-term management plan, we will implement six programs that will support the above fundamental policies. By steadily implementing these six programs, we will restore our profitability from fiscal 2013 and improve our financial strength so that we can resume our dividend distribution.

2) Six programs supporting the fundamental policies

[Six programs]

Regain profitability in the refining & marketing sector(programs(i)~(iii))

<u>(i)Further enhancement of safe refinery operation and stable supply</u>

We will pursue both physical and non-physical initiatives by positioning the enhancement of safe refinery and stable supply as the most important measure in the recovery of profits in oil refining and sales as the Group’s core business.

For physical infrastructure, we will allocate management resources to oil refinery facilities to improve refinery safety and increase our earnings strength. More specifically, we aim to execute a revival plan at our Chiba Refinery, which is our largest oil plant. To improve facility safety, 28 billion yen, or about 10% of the total capital expenditure in the consolidated medium-term management plan, will be allocated to increase the proportion of renewal construction to renovate a wider area than ordinary repair work comprising primarily facility replacement. We acknowledge that the safe operation of our oil refineries constitutes an important revenue base for the Group, and we will begin reinforcing aging facilities at nationwide petroleum complexes. While increasing the proportion of renewal construction from repair work increases temporarily capital expenditure in exchange for improved safety, a medium long-term effect is the reduction of future repair expenses, which is therefore a measure that contributes to greater earning power.

In the non-physical aspect, we will work to improve our workplace skills and ensure the legal compliance of our employees. Our workplace skills will be improved by restructuring the operational process in the workplace while using multiple external consulting services such as operation consulting, workplace consulting, and the Japan Society for Safety Engineering, and by comprehensively reforming the process in view of the PDCA cycle to achieve safe operation and stable supply.

We will continue to improve our profitability in the refining & marketing sector by achieving the restart and stable operation of our Chiba Refinery through such measures in both the physical and non-physical aspects.

(ii)Extensive rationalization focusing mainly in the supply division

We will implement extensive rationalization measures within each division and reduce fixed costs by during the period.

The refining division is expecting a substantial fixed cost cut through the closure of the Sakaide Refinery, which is scheduled to take place in July this year. We will work to simultaneously achieve increases in the operating ratio and the percentage of secondary device installations. We are expecting a reduction in repair expenses through the above revival plan for the Chiba Refinery. Through these efforts, the refining and marketing division will achieve a cost reduction of during the period of the consolidated medium-term management plan.

The Group is also expecting a significant natural decrease in its personnel by about 400 employees.

Furthermore by carrying out complete budget control for controllable expenses such as sales promotions, advertising, and consumable expenses, we will reduce the total expenses during the period of the consolidated medium-term management plan. In addition, we will work on additional cost reduction through other measures such as mergers and the abolition of distribution centers.

Because all these cost reduction measures are highly feasible, including the closure of the Sakaide Refinery, the natural decrease in personnel, and the reduction of controllable expenses, we will work to achieve the rationalization of ahead of schedule as much as possible.

(iii)Strengthening the retail business

Domestic demand for petroleum products and their sales volume have been declining due to the decreasing population and the improved fuel efficiency of automobiles. In response to a decline in earnings associated with the reduced domestic sales volume, we will continue to strengthen our retail business and increase earnings from sales of our petroleum products.

Cosmo Oil Sales Corporation, a wholly-owned sales subsidiary of Cosmo Oil, has already established its position as the leader in the retail petroleum sector. We will continue to improve the profitability of Cosmo Oil Sales and bolster revenue by accelerating the transformation of the business model of service stations from conventional “fuel oil margin-centric” to “car life value proposition. ”More specifically, we will actively develop the Cosmo B-cle Lease, which will provide customers with total support for their automobiles, including the purchase, refueling, maintenance, statutory safety inspections, tax payments, insurance, and sale of their cars. A total of 5,000 vehicles have been sold to date, and we will provide the Cosmo B-cle Lease service at approximately 1,000 service stations using our nationwide service station network, targeting the sale of 10,000 vehicles in fiscal 2017 and strive to increase earnings.

The new acquisition of Sogo Energy Corporation (formerly Sojitz Energy Corporation) by the Group now allows us to earn profits from petroleum distribution in addition to refining. Further, we recognize the considerable benefit of an increase in the quantity sold, which allows the improvement and maintenance of the refinery operating ratio. In addition, we will maximize the synergy between Sogo Energy and Cosmo Oil in manufacturing and retail by actively using the trading business function of Sogo Energy based on its history of affiliation with a trading company.

We are also seeking to strengthen our cross-industry alliance with Aeon Group. More specifically, we will implement mutual promotion with Aeon Group by adopting the payment service of the WAON electronic money system operated by Aeon Group in our service station network. The total number of WAON cards issued has reached 27.7 million, and we will work to increase our earnings by capturing these customers in our service station network.

By strengthening these retail businesses, we will continue to improve our profitability in the refining & marketing sector.

Secure stable income from investments made during the previous medium-term management plan(programs(iv)~(vi))

(iv)Petrochemical business(increase in refinery competitiveness based on the operation of new para-xylene equipment and synergy)

In our petrochemical business, we will seek steady returns on investment in growth achieved in the previous (fourth) consolidated medium-term management plan.

We installed new mixed-xylene (MX) production equipment at our Yokkaichi Refinery during the period of the last consolidated medium-term management plan, which has already begun operating. We have installed new para-xylene (PX) production equipment at Hyundai Cosmo Petrochemical Co., Ltd. (HCP), our petrochemical joint venture with Hyundai Oilbank, a South Korean oil refining and sales company, and we commenced commercial production in January 2013, significantly ahead of schedule.

We will increase our production of PX by adding to the production of MX, which is made from the same raw materials as gasoline, as a measure against falling domestic demand for gasoline. We will supply all MX produced in Japan, which can be a raw material for PX, to HCP of South Korea. Because PX produced in South Korea can be a raw material for polyester, which is certain to be subject to increased demand in China in the future, we will develop our businesses in China and other Asian countries.

We are aiming to boost our earnings by creating more added value from petroleum fuel, for which domestic demand is likely to decline, to raw material for petrochemical products, which is expected to be in higher demand in overseas markets, and by serving this growing demand.

(v)Oil exploration & production business (start of production at new Hail oil field)

In the oil exploration & production business, as one of the major income sources of the Group, we renewed our 30-year concessions for three existing oil fields, the previous concessions for which had expired during the period of the last consolidated medium-term management plan, and successfully acquired a new concession field, the Hail Field. This is the result of recognition of our petroleum development business in Abu Dhabi, which we had operated since the time before the establishment of the United Arab Emirates, and we believe that it also serves as evidence of the relationship of trust we have built with Abu Dhabi through this petroleum development business.

Petroleum development in the Middle East is characterized in part by the low cost of exploration, development, and production due to the shallow water in the area (which has a depth of approximately 20 meters). This is proportional to the low level of risk associated with the business. In particular, the Hail Field acquired on this occasion is a “discovered, undeveloped oil field” where the presence of oil reserves has been confirmed, and is also located in proximity to another oil field that is part of the Group’s production. This allows us to use existing shipping and other facilities, helping to substantially reduce the development period and investment, and making the site an extremely promising project. The production volume is expected to almost equal the production volume from the three existing oil fields, and we will carry out exploration and development at the site from now on, with the aim of commencing production in fiscal 2016.

(vi)Renewable energy segment (boost in earnings from wind power generation)

In addition to petroleum business, petrochemical business, and oil exploration & production business, we will actively develop our renewable energy business. We will expand our wind power generation business amid the argument on the optimal energy mix. EcoPower Co., Ltd., one of our group companies, has already established a profitable financial system after increasing the facility availability and utilization rate by improving the maintenance capacity of its windmills. The government’s energy purchase system (Feed-in Tariffs) is also encouraging the business, and the company is accelerating the development of its new sites. EcoPower currently holds a generation capacity of 145,000 kW, and is planning to add 86,000 kW from its three new sites combined (Hirogawa in Wakayama, Aizu in Fukushima, and Watarai in Mie). The selling price set by the Feed-in Tariffs system is 23.1 yen/ kW, the company is therefore accelerating the development of the new sites in order to fully enjoy the benefits of the system.

By steadily implementing the above six programs, will continue to improve our profitability .

3) Investment plan and cash balance

(i) Investment plan (FY2013 – 2017)

To achieve the goal of becoming a vertically integrated global energy company, we plan to make capital investments primarily in the oil exploration & production business, our largest growth driver, and the petroleum business, our existing core business, in the medium-term management plan.

Investment in the profitable oil exploration & production business will amount to 127 billion yen (45% of the total amount invested), and will be made primarily in the new Hail Field. Investment in our core petroleum business, will be 122 billion yen (44% of the total amount invested), with the aim of improving and stabilizing the earnings strength of the business.

EcoPower is also planning an investment in the power generation facilities at the three new sites, which is expected to increase the company’s power generation capacity to 233,000 kW.

Oil exploration & production business (new Hail Field, etc.)	127 billion yen(45%)
Petroleum business	122 billion yen(44%)
(Oil refinery facility renewal)	(approx. 54 billion yen)
(Chiba Refinery Revival Plan)	(approx. 28 billion yen)
(Sales division, management division, etc.)	(approx. 40 billion yen)
Renewable energy business, overseas businesses, etc.	31 billion yen(11%)
Total (FY2013 – 2017 investment plan)	280 billion yen(100%)

(ii) Cash balance (FY2013 – 2017)

We are forecasting a profit cash flow of 190 billion yen through returns on the growth strategy investments made in the previous consolidated medium-term management plan, and steady implementation of the programs through the new consolidated medium-term management plan. We will allocate 280 billion yen out of the cash inflow of 370 billion yen, (depreciation cost of 180 billion yen plus profit cash flow of 190 billion yen), to the capital expenditure based on the above investment plan to further strengthen our earnings capabilities.

The free cash flow of 90 billion yen expected in the consolidated medium-term management plan, added to the 50 billion yen in reduced inventory expected from the rationalization of supply chains primarily through the closure of Sakaide Refinery, will be allocated to dividend funds and the reduction of interest-bearing debt.

To further improve our balance sheet, we will examine the profitability of existing businesses and consider the addition of divestiture in the consolidated medium-term management plan.

Cash inflow	370 billion yen	
Cash outflow	280 billion yen	
Free cash flow	90 billion yen	･･･ Dividend payment and reduction of interest-bearing debts
Effect of inventory reduction	50 billion yen	･･･ Reduction of interest-bearing debts

(3) Promotion of CSR Management and Environmental Management

By establishing our CSR Activity Policy (FY2013 – 2017) with a focus on the “comprehensive implementation of safety management,” “sincere business attitude,” “adequate measures for human rights and human resources,” “implementation of environmental measures,” and “promotion of communication activities within the Group and with communities,” we will fulfill our corporate social responsibility with the goal of equipping the Cosmo Oil Group with the ability to maintain trust and make a sustained contribution to society.

Based on its management vision, the Group strives to achieve harmony and symbiosis with the global environment and harmony and symbiosis between energy and society through the stable supply of safe and comfortable energy, comprehensive legal compliance, social contribution activities, and preservation of the global environment. The Cosmo Oil Group is united in its determination to fulfill its mission of safe refinery operation and the stable supply of petroleum products.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit：million yen)

	FY2011 As of March 31, 2012	FY2012 As of March 31, 2013
Assets		
Current assets		
Cash and deposits	122,031	130,264
Notes and accounts receivable-trade	261,067	282,889
Short-term investment securities	413	512
Merchandise and finished goods	232,505	248,524
Work in process	1,051	998
Raw materials and supplies	210,004	242,378
Accounts receivable-other	60,861	34,886
Deferred tax assets	6,712	3,325
Other	26,056	23,703
Allowance for doubtful accounts	-292	-334
Total current assets	920,412	967,148
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	100,167	104,986
Oil storage depots, net	17,381	19,000
Machinery, equipment and vehicles, net	149,529	132,903
Land	299,772	304,495
Lease assets, net	575	615
Construction in progress	6,346	14,628
Other, net	6,474	6,079
Total property, plant and equipment	580,246	582,709
Intangible assets		
Leasehold right	986	945
Software	3,090	2,411
Goodwill	3	3,645
Other	5,436	44,516
Total intangible assets	9,517	51,518
Investments and other assets		
Investment securities	102,062	118,770
Investments in capital	214	221
Long-term loans receivable	1,434	1,282
Long-term prepaid expenses	4,315	3,795
Deferred tax assets	32,230	1,791
Other	25,243	16,337
Allowance for doubtful accounts	-863	-613
Total investments and other assets	164,635	141,586
Total noncurrent assets	754,400	775,814
Deferred assets		
Bond issuance cost	257	529
Total deferred assets	257	529
Total assets	1,675,070	1,743,492

(Unit：million yen)

	FY2011 As of March 31, 2012	FY2012 As of March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	294,906	277,934
Short-term loans payable	207,447	277,429
Current portion of bonds	840	1,680
Accounts payable-other	100,184	123,991
Accrued volatile oil and other petroleum taxes	99,786	97,708
Income taxes payable	12,181	10,175
Accrued consumption taxes	3,744	1,406
Accrued expenses	9,279	7,194
Deferred tax liabilities	5	847
Provision for loss on disaster	3,512	648
Provision for business structure improvement	－	7,743
Provision for environmental measures	－	26
Other	12,388	9,824
Total current liabilities	744,275	816,611
Noncurrent liabilities		
Bonds payable	56,160	74,480
Long-term loans payable	456,755	489,299
Deferred tax liabilities	10,042	19,690
Deferred tax liabilities for land revaluation	29,027	29,301
Provision for special repairs	7,984	8,700
Provision for retirement benefits	6,795	8,506
Provision for business structure improvement	－	4,260
Provision for environmental measures	723	4,058
Negative goodwill	3,769	2,512
Other	22,098	29,138
Total noncurrent liabilities	593,357	669,948
Total liabilities	1,337,632	1,486,559
Net assets		
Shareholders’ equity		
Capital stock	107,246	107,246
Capital surplus	89,440	89,440
Retained earnings	103,454	10,531
Treasury stock	-140	-140
Total shareholders’ equity	300,001	207,078
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,540	3,770
Deferred gains or losses on hedges	2,579	1,422
Revaluation reserve for land	18,776	19,037
Foreign currency translation adjustment	-5,965	-851
Total accumulated other comprehensive income	16,930	23,378
Minority interests	20,506	26,475
Total net assets	337,437	256,932
Total liabilities and net assets	1,675,070	1,743,492

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Unit：million yen)

	FY2011 From April 1, 2011 to March 31, 2012	FY2012 From April 1, 2012 to March 31, 2013
Net sales	3,109,746	3,166,689
Cost of sales	2,918,238	2,989,274
Gross profit	191,508	177,415
Selling, general and administrative expenses	127,937	124,992
Operating income	63,570	52,422
Non-operating income		
Interest income	119	196
Dividends income	1,898	1,778
Rent income on noncurrent assets	1,221	1,101
Amortization of negative goodwill	1,251	1,281
Foreign exchange gains	451	―
Equity in earnings of affiliates	2,933	7,083
Gain on valuation of derivatives	1,668	―
Other	3,955	3,758
Total non-operating income	13,498	15,200
Non-operating expenses		
Interest expenses	12,323	12,430
Foreign exchange losses	―	1,242
Other	3,324	5,510
Total non-operating expenses	15,648	19,183
Ordinary income	61,420	48,439
Extraordinary income		
Gain on sales of noncurrent assets	642	904
Gain on sales of investment securities	67	―
Gain on sales of subsidiaries and affiliates’ stocks	946	―
Insurance income	4,639	360
Compensation income	186	―
Total extraordinary income	6,482	1,264
Extraordinary loss		
Loss on sales of noncurrent assets	70	401
Loss on disposal of noncurrent assets	3,140	2,906
Impairment loss	3,397	5,032
Loss on valuation of investment securities	1,240	515
Loss on valuation of stocks of subsidiaries and affiliates	19	―
Business structure improvement expenses	―	20,334
Loss on accident of asphalt leakage	―	14,304
Environmental expenses	―	3,559
Loss on litigation	―	3,230
Loss on recoverable accounts under production sharing	―	1,955
Loss on disaster	22,694	―
Retirement benefit expenses	1,844	―
Other	112	―
Total extraordinary losses	32,520	52,240
Income (loss) before income taxes and minority interests	35,381	-2,536
Income taxes-current	37,973	31,500
Income taxes-deferred	944	44,700
Total income taxes	38,917	76,200
Income (loss) before minority interests	-3,535	-78,736
Minority interests in income	5,548	7,145
Net income (loss)	-9,084	-85,882

(Consolidated Statements of Comprehensive Income)

(Unit：million yen)

	FY2011 From April 1, 2011 to March 31, 2012	FY2012 From April 1, 2012 to March 31, 2013
Income (loss) before minority interests	-3,535	-78,736
Other comprehensive income		
Valuation difference on available-for-sale securities	939	2,190
Deferred gains or losses on hedges	-3,933	-1,104
Revaluation reserve for land	4,143	－
Foreign currency translation adjustment	-492	1,740
Share of other comprehensive income of associates accounted for using equity method	-593	3,367
Total other comprehensive income	63	6,193
Comprehensive income	-3,471	-72,543
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	-9,017	-79,694
Comprehensive income attributable to minority interests	5,545	7,151

(3) Consolidated Statements of Changes in Net Assets

(Unit：million yen)

	FY2011 From April 1, 2011 to March 31, 2012	FY2012 From April 1, 2012 to March 31, 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	107,246	107,246
Balance at the end of current period	107,246	107,246
Capital surplus		
Balance at the beginning of current period	89,440	89,440
Changes of items during the period		
Disposal of treasury stock	-0	-0
Total changes of items during the period	-0	-0
Balance at the end of current period	89,440	89,440
Retained earnings		
Balance at the beginning of current period	119,803	103,454
Changes of items during the period		
Dividends from surplus	-6,779	-6,779
Net income (loss)	-9,084	-85,882
Reversal of revaluation reserve for land	-485	-260
Total changes of items during the period	-16,348	-92,922
Balance at the end of current period	103,454	10,531
Treasury stock		
Balance at the beginning of current period	-138	-140
Changes of items during the period		
Purchase of treasury stock	-1	-1
Disposal of treasury stock	0	0
Total changes of items during the period	-1	-0
Balance at the end of current period	-140	-140
Total shareholders' equity		
Balance at the beginning of current period	316,351	300,001
Changes of items during the period		
Dividends from surplus	-6,779	-6,779
Net income (loss)	-9,084	-85,882
Reversal of revaluation reserve for land	-485	-260
Purchase of treasury stock	-1	-1
Disposal of treasury stock	0	0
Total changes of items during the period	-16,350	-92,923
Balance at the end of current period	300,001	207,078
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	669	1,540
Changes of items during the period		
Net changes of items other than shareholders' equity	870	2,230
Total changes of items during the period	870	2,230
Balance at the end of current period	1,540	3,770
Deferred gains or losses on hedges		
Balance at the beginning of current period	6,459	2,579
Changes of items during the period		
Net changes of items other than shareholders' equity	-3,879	-1,156
Total changes of items during the period	-3,879	-1,156
Balance at the end of current period	2,579	1,422

(Unit：million yen)

	FY2011 From April 1, 2011 to March 31, 2012	FY2012 From April 1, 2012 to March 31, 2013
Revaluation reserve for land		
Balance at the beginning of current period	14,147	18,776
Changes of items during the period		
Reversal of revaluation reserve for land	485	260
Net changes of items other than shareholders’ equity	4,143	－
Total changes of items during the period	4,628	260
Balance at the end of current period	18,776	19,037
Foreign currency translation adjustment		
Balance at the beginning of current period	-4,898	-5,965
Changes of items during the period		
Net changes of items other than shareholders’ equity	-1,067	5,113
Total changes of items during the period	-1,067	5,113
Balance at the end of current period	-5,965	-851
Total accumulated other comprehensive income		
Balance at the beginning of current period	16,378	16,930
Changes of items during the period		
Reversal of revaluation reserve for land	485	260
Net changes of items other than shareholders’ equity	66	6,187
Total changes of items during the period	551	6,448
Balance at the end of current period	16,930	23,378
Minority interests		
Balance at the beginning of current period	17,508	20,506
Changes of items during the period		
Net changes of items other than shareholders’ equity	2,997	5,969
Total changes of items during the period	2,997	5,969
Balance at the end of current period	20,506	26,475
Total net assets		
Balance at the beginning of current period	350,239	337,437
Changes of items during the period		
Dividends from surplus	-6,779	-6,779
Net income (loss)	-9,084	-85,882
Reversal of revaluation reserve for land	－	－
Purchase of treasury stock	-1	-1
Disposal of treasury stock	0	0
Net changes of items other than shareholders’ equity	3,063	12,156
Total changes of items during the period	-12,801	-80,505
Balance at the end of current period	337,437	256,932

(4) Consolidated Statements of Cash Flows

(Unit：million yen)

	FY2011 From April 1, 2011 to March 31, 2012	FY2012 From April 1, 2012 to March 31, 2013
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	35,381	-2,536
Depreciation and amortization	39,738	36,789
Amortization of negative goodwill	-1,251	-1,281
Amortization of goodwill	ー	206
Impairment loss	3,397	5,032
Loss (gain) on sales of noncurrent assets	-572	-502
Loss (gain) on disposal of noncurrent assets	3,140	2,906
Loss on disaster	22,694	ー
Loss on accident of asphalt leakage	ー	14,304
Loss on litigation	ー	3,230
Loss (gain) on sales of investment securities	-67	ー
Loss (gain) on sales of stocks of subsidiaries and affiliates	-946	ー
Loss (gain) on valuation of investment securities	1,240	515
Loss on valuation of stocks of subsidiaries and affiliates	19	ー
Insurance income	-4,639	-360
Interest and dividends income	-2,017	-1,974
Interest expenses	12,323	12,430
Foreign exchange losses (gains)	911	-2,287
Equity in (earnings) losses of affiliates	-2,933	-7,083
Increase (decrease) in allowance for doubtful accounts	-88	-260
Increase (decrease) in provision for special repairs	1,294	716
Increase (decrease) in provision for retirement benefits	1,148	649
Increase (decrease) in provision for business structure improvement	ー	12,003
Increase (decrease) in provision for environmental measures	-48	3,350
Decrease (increase) in notes and accounts receivable-trade	-31,449	-14,941
Recovery of recoverable accounts under production sharing	7,512	6,414
Decrease (increase) in inventories	-40,547	-48,205
Increase (decrease) in notes and accounts payable-trade	50,992	-23,877
Decrease (increase) in other current assets	-25,549	21,072
Increase (decrease) in other current liabilities	31,149	12,640
Decrease (increase) in investments and other assets	3,964	1,806
Increase (decrease) in other noncurrent liabilities	1,662	2,604
Other, net	-1,324	3,167
Subtotal	105,136	36,530
Interest and dividends income received	5,910	3,315
Interest expenses paid	-12,743	-12,863
Payments for loss on disaster	-16,811	-7,348
Payments for loss on litigation	-2,259	ー
The amount of the money deposit paid	-3,225	ー
Payments for loss on accident of asphalt leakage	ー	-12,593
Proceeds from insurance income	3,547	1,712
Income taxes paid	-35,937	-29,703
Net cash provided by (used in) operating activities	43,616	-20,950

(Unit：million yen)

	FY2011 From April 1, 2011 to March 31, 2012	FY2012 From April 1, 2012 to March 31, 2013
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	-9	-9
Proceeds from sales and redemption of securities	11	11
Purchase of investment securities	-776	-411
Proceeds from sales and redemption of investment securities	226	793
Purchase of stocks of subsidiaries and affiliates	-3,791	-4,683
Proceeds from sales and liquidation of stocks of subsidiaries and affiliates	1,444	62
Purchase of investments in subsidiary resulting in change in scope of consolidation	―	-6,268
Purchase of property, plant and equipment	-17,497	-30,415
Payments for disposal of property, plant and equipment	-1,526	-2,023
Proceeds from sales of property, plant and equipment	1,763	2,413
Payments for purchases of intangible assets and long-term prepaid expenses	-7,104	-38,284
Decrease (increase) in short-term loans receivable	1,204	-478
Payments of long-term loans receivable	-79	-106
Collection of long-term loans receivable	264	340
Proceeds from withdrawal of time deposits	―	23,657
Payments into time deposits	―	-25,125
Other, net	65	45
Net cash provided by (used in) investing activities	-25,805	-80,481
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	17,436	67,435
Proceeds from long-term loans payable	50,140	85,733
Repayment of long-term loans payable	-46,504	-59,681
Proceeds from issuance of bonds	―	19,631
Redemption of bonds	―	-840
Cash dividends paid	-6,779	-6,779
Cash dividends paid to minority shareholders	-2,576	-671
Proceeds from stock issuance to minority shareholders	28	11
Other, net	-137	-144
Net cash provided by (used in) financing activities	11,606	104,695
Effect of exchange rate change on cash and cash equivalents	-1,329	4,005
Net increase (decrease) in cash and cash equivalents	28,088	7,268
Cash and cash equivalents at beginning of period	94,343	122,431
Cash and cash equivalents at end of period	122,431	129,699

(5)Notes to Consolidated Financial Statements

(Notes to going concern)

None

(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：38

Sogo Energy Corporation was included in the scope of the consolidated subsidiaries of the Company, since it became a subsidiary of the company through stock acquisition during FY2012.

(2) Major Non-consolidated Subsidiaries：

Tohoku Cosmo Gas Co., Ltd.

Reason for exclusion from accounting consolidation：

The Company has 18 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：18

Major subsidiaries：Tohoku Cosmo Gas Co., Ltd.

Sakai LPG Terminal Co., Ltd. was excluded from the scope of consolidated companies accounted for using the equity method due to the sale of all of its shares owned by the Company during FY2012.

Hiroshima Cosmo Gas Co., Ltd. and Yamato Trading Co. L.L.C. were excluded from the application of the equity method since their liquidation processes were completed during FY2012.

(2) Number of Affiliated Companies Accounted for Using the Equity Method：6

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

(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 affiliates because their net income/loss and retained earnings (both amounts equivalent to what is accounted for under the equity method) have little impact on the consolidated financial statements of the Company on an individual basis, nor have any material impact on them on an aggregate basis.

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

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

3. Items concerning the Accounting Periods of the Consolidated Subsidiaries

Of the 38 consolidated subsidiaries, Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., Cosmo Oil Ashmore Ltd., Cosmo Oil International Pte. Ltd., Cosmo Oil (U.K.) Plc., Cosmo Oil Europe B.V. 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, 2012 or February 28, 2013 and any material transactions arising between end of their fiscal year and consolidated fiscal year, the date for the consolidated settlement of accounts for the Company, are reflected on the consolidated financial statements herein by making necessary adjustments.

4. Items concerning the Accounting Standards

(1) Significant Asset Valuation Standards and Methods

1) 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 sheet 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 and the economic useful life of 14 years is adopted for the Company's Coker Unit. As for Abu Dhabi Oil Co., Ltd., a consolidated subsidiary of the Company, adopts the number of years for useful life as defined in the concession agreements and economic useful life by taking into account the durability and other conditions of the assets currently owned. As for EcoPower Co., Ltd., a consolidated subsidiary of the Company, and its subsidiaries, an economic useful life of 20 years is mainly adopted for the windmills operated by them.

2) Intangible 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 noncurrent assets owned by the Company.

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

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

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

4) Long-term Prepaid Expenses:

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

(3) Accounting Process Applied to Deferred Assets

Bond Issuance Cost:

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

(4) Standards for Recording Significant Allowance/Provisions

1) Allowance for Doubtful Accounts

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

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

2) Provision for loss on disaster

The Company recorded a reasonably estimated amount, expected to be incurred as of March 31, 2013, of costs for removal and restoration of its assets damaged by the Great East Japan Earthquake in March 2011.

3) Provision for special repairs

A provision 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 FY2012.

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 FY2012 in addition to the above charge.

4) Provision for retirement benefits

A provision 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, 2013.

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.

5) Provision for business structure improvement

The Company recorded the estimated amount of a provision to cover expenses and losses that were expected to be incurred in the near future following the closure of the refinery and the legal measures associated with the operations of the refinery.

6) Provision for environmental measures

The Company recorded the estimated amount of a provision to cover expenses to treat contaminated soil.
It also recorded the estimated amount of a provision to cover expenses to treat the PCB waste in accordance with the Law Concerning Special Measures Against Polychlorinated Biphenyl Waste.

(5) Important Standards for Revenue and Cost recognition

Standards for Recognition of Construction Revenue and Cost

As for recognition of revenues from constructions undertaken by the Company, 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 construction contracts in process in which the outcome of the construction activity is deemed certain by the end of FY2012, while the completed contract method is applied to other construction contracts.

(6) Standards for Conversion of Significant Foreign Currency-Denominated Assets and Liabilities into Japanese Yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the fiscal year-end spot exchange rates with resulting gains or losses included in the current statements of income.
All the items of the financial statements of subsidiaries which are stated in currencies other than Japanese yen are translated into Japanese yen at the fiscal year-end spot exchange rate of each subsidiary. The resulting foreign currency translation adjustments are included among adjustments in net assets.

(7) Significant Hedge Accounting Methods

1) Hedge Accounting Methods

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

2) Hedging Instruments and Hedged Items

(Currency)	
Hedging Instrument	Forward exchange, Currency option
Hedged Item	Foreign currency credit and debt
(Interest rate)	
Hedging Instrument	Interest rate swap
Hedged Item	Borrowings
(Commodity)	
Hedging Instrument	Crude oil/Product swaps, Crude oil/Product futures trading
Hedged Item	Crude oil/Product trading

3) Hedging Policy

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

4) Method of Evaluating Hedge Effectiveness

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

(8) Amortization period and the amortization method for goodwill

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

(9) Scope of Cash and Cash Equivalents Reported in Statements of Consolidated Cash Flows

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

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

1) Accounting Process for Consumption Tax, etc.

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

2) Accounting Process for Cost Recovery under Production Sharing

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 consolidated balance sheet herein.

3) Accounting for introduction of tax consolidation

The Company files a tax return under the consolidated corporate-tax system from the fiscal year ending March 31, 2014, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

Accordingly the parent company and its wholly owned domestic subsidiaries are accounting based on “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)” (ASBJ Practical Issues Task Force (PITF) No.5, March 18, 2011) and “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)” (ASBJ Practical Issues Task Force (PITF) No.7, June 30, 2010)

(Changes in Representation Methods)

(Consolidated Balance Sheet)

“Provision for environmental measures” included in “Other” assets of the “Noncurrent liabilities” section of the Consolidated Balance Sheet for FY2011 are stated as a separate account item in the Consolidated Balance Sheet for FY2012 due to an increase in their importance.

As a result, the amount of ¥22,821 million stated in “Other” of “Noncurrent liabilities” in the Consolidated Balance Sheet for FY2011 is reclassified into “Provision for environmental measures” of ¥723 million and “Other” of ¥22,098 million for the Consolidated Balance Sheet of FY2012.

(Consolidated Statements of Cash Flows)

The Company finds it necessary that “Increase (decrease) in provision for environmental measures,” which were included in “Increase (decrease) in other noncurrent liabilities” of “Net cash provided by (used in) operating activities” in the previous consolidated fiscal year, should be stated as a separate account item in FY2012 due to the increased importance of its financial value of the account item; therefore, in order to reflect this change in the representation method in the FY2012, necessary reclassification of the financial statements presented in the previous fiscal year has been made.

As a result, the amount of ¥1,613 million stated in “Increase (decrease) in other noncurrent liabilities” of “Net cash provided by (used in) operating activities” in the Consolidated Statements of Cash Flows for FY2011 is reclassified into “Increase (decrease) in provision for environmental measures” of ¥ -48 million and “Increase (decrease) in other noncurrent liabilities” of ¥1,662 million for the Consolidated Statements of Cash Flows of FY2011.

(Changes in Accounting Estimates)

(Change of the Number of Years of Useful Life)

Abu Dhabi Oil Co., Ltd., a consolidated subsidiary of the Company, conventionally calculated deprecation by using the number of years of useful life for the oil wells currently operational, as defined by the concession agreements, among buildings and structures included in the account item of property, plant and equipment. However, by taking the opportunity of the recent execution of the new concession agreement, a review was conducted about the durability and other conditions of these assets currently owned. As a result, it was revealed that they can be used for longer years. Therefore, the number of years of useful life of the oil wells is changed to 30 years, and said change will be effective from consolidated fiscal year 2012 and be adopted over the years to come.

This change decreased depreciation expenses for FY2012 by ¥1,979 million as compared with the conventional method. And operating income and ordinary income for FY2012 were increased by ¥1,790 million, loss before income taxes was reduced by the same amount.

(Changes in estimation of provision)

The Company recorded estimated expenses for treating a small amount of PCB as environmental expenses under extraordinary loss in FY2012, in addition to expenses for treating the highly-concentrated PCB waste that had been recorded as the provision for environmental measures, because it became possible to obtain a reasonable estimate of the expenses for treating the waste with a small amount of PCB.

This change increased loss before income taxes and minority interests for the FY2012 by ¥1,797 million as compared with the conventional method.

(Notes to Consolidated Balance Sheet)

	FY2011 As of March 31, 2012	FY2012 As of March 31, 2013
1. Accumulated depreciation for property, plant and equipment	¥766,731 million	¥782,746 million

2. Pledged assets

	FY2011 As of March 31, 2012	FY2012 As of March 31, 2013
1) Plant foundation		
Pledged assets	¥329,320 million	¥324,431 million
Secured liabilities	¥99,833 million	¥71,310 million
2) Assets other than plant foundation		
Pledged assets	¥11,701 million	¥10,963 million
Secured liabilities	¥4,171 million	¥3,264 million

3. Contingencies

Guaranty Liabilities	¥11,714 million	¥10,883 million

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

4. Revaluation of land

The Company and three 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 tax liabilities for land revaluation” account in the “Liabilities” section on the Consolidated 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 Consolidated 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)

	FY2011 As of March 31, 2012	FY2012 As of March 31, 2013
・Difference between the total amount of the revalued land at fair value as of March 31of each year and their total carrying amount after revaluation	¥ -101,499 million	¥ -105,828 million

(Notes to Consolidated Statements of Income)

	FY2011 April 1, 2011-March 31, 2012	FY2012 April 1, 2012-March 31, 2013
1. Selling, general and administrative expenses		
Outsourcing expense	¥22,238 million	¥22,419 million
Salaries and wages	¥19,829 million	¥19,851 million
Freight expense	¥20,481 million	¥17,009 million
Rent expense	¥13,094 million	¥12,963 million
Depreciation expense	¥6,823 million	¥6,362 million
Retirement and severance benefit payment to employees	¥2,156 million	¥2,422 million
Amount transferred to allowance for doubtful accounts	¥162 million	¥140 million
2. Research and development expenses included in administrative expenses and production cost	¥3,791 million	¥3,765 million

3. Business structure improvement expenses

The Company recorded expenses related to the closure of the refinery and the legal measures associated with the operations of the refinery as business structure improvement expenses under the extraordinary loss on the consolidated statements of income for FY2012, with the breakdown of major items including：

Expenses related to the closure of the refinery	¥7,666 million
Expenses related to the legal measures associated with the operations of the refinery	¥12,668 million

The amount of business structure improvement expenses includes ¥12,003million transferred to the provision for business structure improvement.

4. Loss on accident of asphalt leakage

The Company recorded the loss from the asphalt leakage at the Chiba Refinery that took place in June 2012 as a loss on an asphalt leakage accident under extraordinary loss on the consolidated statements of income for FY2012, with the breakdown of major items including：

Fixed costs incurred during the period of suspended operations	¥11,808 million
Restoration expenses, etc.	¥2,495 million

(Notes to Consolidated Statements of Changes in Net Assets)

FY2011 (From April 1, 2011 to March 31, 2012)

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

(Unit : Number of shares)

	Type of stock	Total number of shares as of April 1, 2011	Increase in the number of shares during the year	Decrease in the number of shares during the year	Total number of shares as of March 31, 2012
Outstanding shares	Ordinary shares	847,705,087	―	―	847,705,087
Treasury stock,	Ordinary shares	631,461	7,835	100	639,196

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

2. Distribution of Surplus

(1) Dividend Payments

(Resolution adopted by)	Type of stock	Total dividend amount	Dividend per share	Record date	Effective date
Shareholders' Meeting held on June 23, 2011	Ordinary shares	¥6,779 million	¥8	March. 31, 2011	June 24, 2011

(2) The dividend payment for which the base date belongs to FY2011 but for which the effective date comes FY2012

(Resolution adopted by)	Type of stock	Total dividend amount	Funded by	Dividend per share	Record date	Effective date
Shareholders' Meeting held on June 26, 2012	Ordinary shares	¥6,779 million	Retained earnings	¥8	March. 31, 2012	June 27, 2012

FY2012 (From April 1, 2012 to March 31, 2013)

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

(Unit : Number of shares)

	Type of stock	Total number of shares as of April 1, 2012	Increase in the number of shares during the year	Decrease in the number of shares during the year	Total number of shares as of March 31, 2013
Outstanding shares	Ordinary shares	847,705,087	―	―	847,705,087
Treasury stock	Ordinary shares	639,196	6,811	1,850	644,157

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

2. Distribution of Surplus

Dividend Payments

(Resolution adopted by)	Type of stock	Total dividend amount	Dividend per share	Record date	Effective date
Shareholders' Meeting held on June 26, 2012	Ordinary shares	¥6,779 million	¥8	March 31, 2012	June 27, 2012

(Notes to Consolidated Statements of Cash Flows)

1. Relations between the amounts of cash and cash equivalents as of March 31, 2012 and 2013 and the account items shown in the consolidated balance sheet

FY2011 April 1, 2011 - March 31, 2012 (As of March 31, 2012)		FY2012 April 1, 2012 - March 31, 2013 (As of March 31, 2013)	
Cash and deposits	¥122,031 million	Cash and deposits	¥130,264 million
Cash and cash equivalents	¥413	Cash and cash equivalents	¥512
Total	¥122,445	Total	¥130,776
Securities with time between acquisition and redemption for 3 months or more	¥-14	Securities with time between acquisition and redemption for 3 months or more	¥-12
Cash and cash equivalents	¥122,431	Deposits of more than 3 months	¥-1,064
		Cash and cash equivalents	¥129,699

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

FY2011
April 1, 2011 - March 31, 2012
(As of March 31, 2012)

――――――

FY2012
April 1, 2012 - March 31, 2013
(As of March 31, 2013)

The major breakdown of the assets and liabilities of Sogo Energy Corporation, newly consolidated into the accounts of the Company through its share acquisition during the FY2012, and relations between the total amount of the shares of the newly consolidated subsidiary acquired by the Company and net payments from such acquisition at the time when the consolidation became effective, are stated as follows:

Current assets	¥22,188million
Noncurrent assets	¥7,406
Goodwill	¥3,476
Current liabilities	¥-23,323
Noncurrent liabilities	¥-3,084
Minority interests	¥-0
Total amount of the shares of the newly consolidated subsidiary acquired by the Company	¥6,663
Transfer amount from investment securities	¥-7
Cash and cash equivalents of the newly consolidated subsidiaries	¥-388
Balance: Purchase of investments in subsidiary resulting in change in scope of consolidation	¥6,268

(Segment information)

1. Overview of Reporting Segments

The reporting segments of the Cosmo Group are comprised of those entities where obtaining separate financial reports are possible and those which the board members regularly review and decide distribution of management resources.
The Cosmo Group conducts “Petroleum Business”, “Petrochemicals Business” and “Petroleum Exploration and Production Business” and Cosmo Oil or its affiliate companies operate these businesses independently depending on the type of services or products handled.
Therefore the 3 reporting segments by the Cosmo Group are, “Petroleum Business”, “Petrochemicals Business” and Petroleum Exploration and Production Business, based on the services and/or the products handled.
In further detail, “Petroleum Business” produces and markets gasoline, naphtha, kerosene, diesel, fuel oil, crude oil, lubricants, LPG, asphalt, etc. “Petrochemicals Business” produces and markets mixed-xylene, para-xylene, benzene, toluene, solvents, etc. Petroleum Exploration and Production Business explores and produces crude oil.

2. Methods to Determine Net Sales, Income or Loss, Assets, Liabilities and Other Items by Business Segment

The accounting methods by business segment reported herein are almost the same as the description of the “Notes concerning Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements”.
Profit by business segment is stated on an ordinary income basis.

3. Information about net sales and income or loss amounts by segment reported

FY2011(From April 1, 2011 to March 31, 2012)

(unit：million yen)

	Petroleum business	Petrochemical business	Oil exploration and production business	Other Note：1	Adjustments Note：2	Consolidated Note：3
Net sales						
Outside customers	3,031,193	12,715	43,457	22,380	-	3,109,746
Inter-segment	24,435	16,706	44,187	49,248	-134,577	-
Total	3,055,628	29,422	87,644	71,628	-134,577	3,109,746
Segment Income (Loss)	7,996	2,079	52,023	2,879	-3,558	61,420
Other items						
Depreciation and amortization	32,163	969	6,086	1,358	-839	39,738
Amortization of goodwill and negative goodwill	-6	-	-	1,257	-	1,251
Interest income	82	3	26	39	-32	119
Interest expenses	12,041	4	136	173	-32	12,323
Equity earnings of affiliates(Loss)	-10	1,231	1,739	-26	-	2,933

Note 1 Other is segment of non-classified, including construction works, insurance agency, leasing, travel agency and wind power generation, etc.
2 Segment Income (Loss) in “Adjustments” ¥-3,558 million includes ¥-724 million for internal eliminations, ¥-2,735 million for inventory adjustments and ¥-93 million for adjustment of noncurrent assets.
3 Segment Income (Loss) is adjusted to ordinary income of consolidated statements of income.
4 No asset allocation is made into each segment, so that the description of such information is omitted.

FY2012 (From April 1, 2012 to March 31, 2013)

(unit：million yen)

	Petroleum business	Petrochemical business	Oil exploration and production business	Other Note：1	Adjustments Note：2	Consolidated Note：3
Net sales						
Outside customers	3,091,739	12,458	37,531	24,961	-	3,166,689
Inter-segment	24,474	18,011	48,412	61,351	-152,250	-
Total	3,116,214	30,469	85,943	86,312	-152,250	3,166,689
Segment Income (Loss)	-23,681	3,329	60,688	4,857	3,245	48,439
Other items						
Depreciation and amortization	31,880	784	3,742	1,348	-966	36,789
Amortization of goodwill	3	-	6	196	-	206
Amortization of negative goodwill	-	-	-	1,281	-	1,281
Interest income	90	2	96	30	-22	196
Interest expenses	12,224	2	111	113	-22	12,430
Equity earnings of affiliates	918	1,838	4,308	17	-	7,083

Note 1 Other is segment of non-classified, including construction works, insurance agency, leasing, travel agency and wind power generation, etc.
2 Segment Income (Loss) in “Adjustments” ¥3,245million includes ¥-192 million for internal eliminations, ¥3,624 million for inventory adjustments and ¥-175 million adjustment of noncurrent assets.
3 Segment Income (Loss) is adjusted to ordinary income of consolidated statements of income.
4 No asset allocation is made into each segment, so that the description of such information is omitted.

(Information about Business Combinations, etc.)

(Corporate integration through Acquisition)

FY2012 (from April 1, 2012 - March 31, 2013)

1. Outline of the business combination

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

Names of companies acquired	Sojitz Energy Corporation
Line of business	Sales of oil products

(2) Major reasons for the business combination

The business combination was carried out to establish a strong domestic sales structure.
The Company expects to strengthen its domestic sales business by using a variety of procurement resources, the customer base, human resources and know-how that Sojitz Energy Corporation possesses, and exert synergy effects through the Company's ability to steadily supply petroleum products, as well as its extensive logistics network and customer base.

(3) Date of business combination

January 31, 2013

(4) Legal form of business combination

Acquisition of shares by cash

(5) Names after integration

Sogo Energy Corporation

(6) Ratio of voting right acquired

Ratio of voting rights held immediately before the business combination date	0.15%
Ratio of voting rights additionally acquired on the business combination date	99.37%
Ratio of voting rights after the acquisition	99.52%

(7) Main background for determining a target company

The Company acquired a majority of the voting rights of Sojitz Energy Corporation through the acquisition of its stocks in cash.

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, 2013, 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

Consideration as a result of acquisition:	Cash used to additionally acquire the common stocks of Sojitz Energy Corporation that the Company held immediately before the business combination	¥6,484 million
Expenses directly incurred for acquisition:	Advisory and other expenses	¥147 million
Acquisition cost:		¥6,631 million

4. Amounts of goodwill incurred, reasons for goodwill generated, amortization method and period

(1) Amounts of goodwill incurred

¥3,476 million

(2) Reasons for goodwill generated

Excess earning capability that is expected to be achieved through improved profitability on the back of the synergy effects.

(3) Amortization method and period

Amortized equally 5 years

5. The amounts of assets and liabilities taken over from the acquired companies on the day of business combination and major breakdown thereof

Current assets	¥22,188 million
Noncurrent assets	¥7,406 million
Total assets	¥29,595 million
Current liabilities	¥23,323 million
Noncurrent liabilities	¥3,084 million
Total liabilities	¥26,407 million

(Per-share Information)

	FY2011 April 1, 2011 - March 31, 2012	FY2012 April 1, 2012 - March 31, 2013
Net assets per share (¥)	374.15	272.07
Net loss per share (¥)	10.72	101.39

Note：1. Since no diluted securities exist, diluted net income per share is omitted.

2. The basic information used to calculate net loss per share for the years ended March 31, 2012 and 2013 is as follows.

	FY2011 April 1, 2012 - March 31, 2012	FY2012 April 1, 2012 - March 31, 2013
Net loss per share		
Net loss for the year (¥mil)	9,084	85,882
Amount that does not belong to ordinary share holders (¥mil)	—	—
Net loss that belongs to ordinary shares (¥mil)	9,084	85,882
Average number of ordinary shares outstanding during the year (thousands of shares)	847,070	847,064

(Material Contingencies)

At a meeting of its Board of Directors held on May 14, 2013, the Company resolved that it would present a proposal for the reduction of legal capital surplus and legal retained earnings and the appropriation of surplus at the Ordinary General Meeting of Shareholders that is scheduled to be held on June 25, 2013.

For more information, please refer to the notice published today (May 14, 2013) titled “The reduction of legal capital surplus and legal retained earnings and the appropriation of surplus.”

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheet

(Unit：million yen)

	FY2011 As of March 31, 2012	FY2012 As of March 31, 2013
Assets		
Current assets		
Cash and deposits	76,684	80,722
Notes receivable-trade	121	78
Accounts receivable-trade	248,965	264,643
Short-term investment securities	11	9
Merchandise and finished goods	205,067	219,049
Raw materials and supplies	205,517	235,658
Advance payments-trade	105	171
Prepaid expenses	2,811	2,623
Short-term loans receivable	13	12
Short-term loans receivable from subsidiaries and affiliates	13,287	21,839
Accounts receivable-other	116,799	84,317
Swap assets	5,526	1,883
Deferred tax assets	906	ー
Other	10,855	10,105
Allowance for doubtful accounts	-196	-189
Total current assets	886,477	920,926
Noncurrent assets		
Property, plant and equipment		
Buildings, net	22,050	20,885
Structures, net	52,204	49,842
Oil storage depots, net	15,806	17,431
Machinery and equipment, net	123,027	106,701
Vehicles, net	109	76
Tools, furniture and fixtures, net	2,582	2,224
Land	266,810	268,214
Lease assets, net	377	350
Construction in progress	4,071	10,531
Total property, plant and equipment	487,041	476,258
Intangible assets		
Patent right	63	29
Leasehold right	848	786
Software	2,415	1,782
Other	1,659	624
Total intangible assets	4,986	3,223
Investments and other assets		
Investment securities	22,506	24,016
Stocks of subsidiaries and affiliates	71,105	82,857
Investments in capital	156	156
Long-term loans receivable	143	132
Long-term loans receivable from employees	2	0
Long-term loans receivable from subsidiaries and affiliates	44,930	33,310
Long-term prepaid expenses	2,523	2,667
Long-term accounts receivable-other	296	224
Long-term deposits	9,056	8,114
Deferred tax assets	28,835	ー
Other	5,957	1,405
Allowance for doubtful accounts	-377	-398
Allowance for loss on investments in subsidiaries and affiliates	ー	-523
Total investments and other assets	185,138	151,964
Total noncurrent assets	677,166	631,445

(Unit：million yen)

	FY2011 As of March 31, 2012	FY2012 As of March 31, 2013
Deferred assets		
Bond issuance cost	257	529
Total deferred assets	257	529
Total assets	1,563,901	1,552,901
Liabilities		
Current liabilities		
Accounts payable-trade	302,759	278,704
Short-term loans payable	119,895	181,011
Current portion of long-term loans payable	56,990	52,343
Current portion of bonds	840	1,680
Accounts payable-other	107,415	117,786
Accrued volatile oil and other petroleum taxes	99,786	97,708
Income taxes payable	73	217
Accrued consumption taxes	3,349	893
Accrued expenses	3,897	2,781
Advances received	4,484	3,438
Deposits received	44,437	55,008
Unearned revenue	17	23
Deferred tax liabilities	―	975
Provision for loss on disaster	3,512	648
Provision for business structure improvement	―	7,743
Asset retirement obligations	67	74
Other	58	804
Total current liabilities	747,585	801,841
Noncurrent liabilities		
Bonds payable	56,160	74,480
Long-term loans payable	448,218	469,474
Deferred tax liabilities	―	1,422
Deferred tax liabilities for land revaluation	26,981	26,942
Long-term deposits received	8,067	8,174
Provision for special repairs	6,453	7,247
Provision for retirement benefits	3,913	4,757
Provision for business structure improvement	―	4,260
Provision for environmental measures	723	3,876
Provision for loss on business of subsidiaries and affiliates	―	220
Asset retirement obligations	2,664	2,680
Other	2,029	4,355
Total noncurrent liabilities	555,212	607,893
Total liabilities	1,302,798	1,409,734

(Unit：million yen)

	FY2011 As of March 31, 2012	FY2012 As of March 31, 2013
Net assets		
Shareholders’ equity		
Capital stock	107,246	107,246
Capital surplus		
Legal capital surplus	89,439	89,439
Other capital surplus	1	0
Total capital surpluses	89,440	89,440
Retained earnings		
Legal retained earnings	7,407	7,407
Other retained earnings		
Reserve for overseas investment loss	13	―
Retained earnings brought forward	38,798	-79,880
Total retained earnings	46,219	-72,472
Treasury stock	-91	-92
Total shareholders’ equity	242,815	124,121
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	-409	1,145
Deferred gains or losses on hedges	2,782	1,676
Revaluation reserve for land	15,913	16,222
Total valuation and translation adjustments	18,287	19,044
Total net assets	261,103	143,166
Total liabilities and net assets	1,563,901	1,552,901

(2) Non-consolidated Statements of Income

(Unit：million yen)

	FY2011 From April 1, 2011 to March 31, 2012	FY2012 From April 1, 2012 to March 31, 2013
Net sales	2,757,889	2,788,209
Cost of sales		
Beginning merchandise and finished goods	101,677	110,554
Cost of purchased goods	1,065,998	967,688
Cost of products manufactured	1,254,832	1,417,662
Volatile oil and other petroleum taxes	444,337	440,376
Transfer from other account	4,868	3,454
Private consumption amount	-85,046	-96,580
Total	2,786,668	2,843,157
Ending merchandise and finished goods	110,554	110,681
Cost of sales	2,676,114	2,732,476
Gross profit	81,775	55,732
Selling, general and administrative expenses	76,768	73,289
Operating income (loss)	5,006	-17,556
Non-operating income		
Interest income	1,242	1,177
Interest on securities	1	1
Dividends income	19,496	3,192
Rent income on noncurrent assets	1,332	1,229
Foreign exchange gains	1,790	—
Other	5,320	3,590
Total non-operating income	29,183	9,191
Non-operating expenses		
Interest expenses	11,371	11,410
Interest on bonds	705	848
Foreign exchange losses	—	3,573
Other	2,547	4,488
Total non-operating expenses	14,624	20,321
Ordinary income (loss)	19,566	-28,686
Extraordinary income		
Gain on sales of noncurrent assets	327	134
Gain on sales of investment securities	20	—
Gain on sales of subsidiaries and affiliates’ stocks	868	—
Insurance income	4,639	360
Total extraordinary income	5,856	495
Extraordinary loss		
Loss on sales of noncurrent assets	49	389
Loss on disposal of noncurrent assets	2,592	2,500
Impairment loss	2,571	2,295
Loss on valuation of investment securities	1,195	512
Loss on valuation of stocks of subsidiaries and affiliates	19	1,666
Provision for reserve of evaluation on investments in subsidiaries and affiliates	—	523
Provision for loss on business of subsidiaries and affiliates	—	220
Business structure improvement expenses	—	20,334
Loss on accident of asphalt leakage	—	14,108
Environmental expenses	—	3,361
Loss on litigation	—	3,230
Loss on recoverable accounts under production sharing	—	1,955
Loss on disaster	22,429	—
Retirement benefit expenses	1,844	—
Total extraordinary losses	30,702	51,099
Income (loss) before income taxes	-5,280	-79,289
Income taxes-current	37	37
Income taxes-deferred	4,355	32,277
Total income taxes	4,392	32,314
Net income (loss)	-9,672	-111,604

(3) Non-consolidated Statements of Changes in Net Assets

(Unit：million yen)

	FY2011 From April 1, 2011 to March 31, 2012	FY2012 From April 1, 2012 to March 31, 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	107,246	107,246
Balance at the end of current period	107,246	107,246
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	89,439	89,439
Balance at the end of current period	89,439	89,439
Other capital surplus		
Balance at the beginning of current period	1	1
Changes of items during the period		
Disposal of treasury stock	-0	-0
Total changes of items during the period	-0	-0
Balance at the end of current period	1	0
Total capital surplus		
Balance at the beginning of current period	89,440	89,440
Changes of items during the period		
Disposal of treasury stock	-0	-0
Total changes of items during the period	-0	-0
Balance at the end of current period	89,440	89,440
Retained earnings		
Legal retained earnings		
Balance at the beginning of current period	7,407	7,407
Balance at the end of current period	7,407	7,407
Other retained earnings		
Reserve for special depreciation		
Balance at the beginning of current period	0	－
Changes of items during the period		
Reversal of other retained earnings	-0	－
Total changes of items during the period	-0	－
Balance at the end of current period	－	－
Reserve for overseas investment loss		
Balance at the beginning of current period	57	13
Changes of items during the period		
Reversal of other retained earnings	-44	-13
Total changes of items during the period	-44	-13
Balance at the end of current period	13	－
Retained earnings brought forward		
Balance at the beginning of current period	55,695	38,798
Changes of items during the period		
Dividends from surplus	-6,779	-6,779
Net income (loss)	-9,672	-111,604
Reversal of revaluation reserve for land	-489	-308
Reversal of other retained earnings	44	13
Total changes of items during the period	-16,896	-118,679
Balance at the end of current period	38,798	-79,880

(Unit：million yen)

	FY2011 From April 1, 2011 to March 31, 2012	FY2012 From April 1, 2012 to March 31, 2013
Total retained earnings		
Balance at the beginning of current period	63,161	46,219
Changes of items during the period		
Dividends from surplus	-6,779	-6,779
Net income (loss)	-9,672	-111,604
Reversal of revaluation reserve for land	-489	-308
Total changes of items during the period	-16,941	-118,692
Balance at the end of current period	46,219	-72,472
Treasury stock		
Balance at the beginning of current period	-90	-91
Changes of items during the period		
Purchase of treasury stock	-1	-1
Disposal of treasury stock	0	0
Total changes of items during the period	-1	-0
Balance at the end of current period	-91	-92
Total shareholders’ equity		
Balance at the beginning of current period	259,758	242,815
Changes of items during the period		
Dividends from surplus	-6,779	-6,779
Net income (loss)	-9,672	-111,604
Reversal of revaluation reserve for land	-489	-308
Purchase of treasury stock	-1	-1
Disposal of treasury stock	0	0
Total changes of items during the period	-16,943	-118,693
Balance at the end of current period	242,815	124,121
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	-1,159	-409
Changes of items during the period		
Net changes of items other than shareholders’ equity	750	1,554
Total changes of items during the period	750	1,554
Balance at the end of current period	-409	1,145
Deferred gains or losses on hedges		
Balance at the beginning of current period	6,670	2,782
Changes of items during the period		
Net changes of items other than shareholders’ equity	-3,887	-1,106
Total changes of items during the period	-3,887	-1,106
Balance at the end of current period	2,782	1,676
Revaluation reserve for land		
Balance at the beginning of current period	11,574	15,913
Changes of items during the period		
Reversal of revaluation reserve for land	489	308
Net changes of items other than shareholders’ equity	3,850	ー
Total changes of items during the period	4,339	308
Balance at the end of current period	15,913	16,222

(Unit：million yen)

	FY2011 From April 1, 2011 to March 31, 2012	FY2012 From April 1, 2012 to March 31, 2013
Total valuation and translation adjustments		
Balance at the beginning of current period	17,084	18,287
Changes of items during the period		
Reversal of revaluation reserve for land	489	308
Net changes of items other than shareholders' equity	713	448
Total changes of items during the period	1,202	757
Balance at the end of current period	18,287	19,044
Total net assets		
Balance at the beginning of current period	276,843	261,103
Changes of items during the period		
Dividends from surplus	-6,779	-6,779
Net income (loss)	-9,672	-111,604
Reversal of revaluation reserve for land	ー	ー
Purchase of treasury stock	-1	-1
Disposal of treasury stock	0	0
Net changes of items other than shareholders' equity	713	448
Total changes of items during the period	-15,740	-117,936
Balance at the end of current period	261,103	143,166