COSMO OIL CO., LTD.

Annual Report 2010

for the year ended March 31, 2010

Making a Difference for Growth

Profile

As the Cosmo Oil Group confronts declining domestic demand and the changing composition of such demand, its top priorities are to establish a solid business foundation and reinforce its financial base.

Under our Third Consolidated Medium-Term Management Plan, which ended in March 2010, we made steady investments aimed at resolving the aforementioned problems and laying the groundwork for our next stage of growth. We also sought to identify supply-demand changes in Japan and overseas and build a flexible supply system capable of generating reliable earnings.

In April 2010, we launched our Fourth Consolidated Medium-Term Management Plan. The aims of the new plan are to maximize the benefits derived in the course of implementing the previous plan, and to streamline operations, especially in our core petroleum business. In addition, we will continue investing in our petrochemicals and oil exploration and production businesses in our ongoing quest to establish a solid business foundation and reinforce our financial base.

GLOSSARY

5-Amino Levulinic Acid (ALA)

ALA is a natural and important amino acid that plays a key role as a raw material that produces haem in the blood and chlorophyll in plants. It is used to enhance fertilizer to promote plant growth and is also used in photodynamic cancer therapy. Due to its effectiveness in preventing anemia in pigs and improving disease resistance in fish, ALA has potential applications in the areas of human and animal pharmaceuticals and animal feed. The market for ALA is expected to expand to a size similar to that for main amino acids. Cosmo Oil has developed a low-cost method of manufacturing ALA for supply to a variety of market sectors, including fertilizers, animal feed, cosmetics, health foods, and pharmaceuticals. Cosmo Oil is also working with partners on the development and sales of new applications for these markets.

API Gravity

American Petroleum Institute gravity, or API gravity, is a measure of the density of crude oil or a petroleum liquid. If its API gravity value is greater, it indicates that a larger quantity of lighter and more highly value-added products (gasoline, jet fuel, kerosene and diesel fuel) is likely to be distilled from the liquid, which is priced higher in the market. As a result of Cosmo Oil's installation of heavy oil cracking facilities (coker unit), the API gravity of crude oil processed at the Group's four refineries has been reduced by an average of 1.6 degrees, enabling the procurement of comparatively cheap crude oil.

Light-Heavy Product Price Gap & Heavy-Light Crude Oil Price Gap

The light-heavy product price gap is the difference between the price of heavy fuel products and light petroleum products, such as gasoline, jet fuel, kerosene, and diesel fuel. The light-heavy product price gap tends to increase when demand for light petroleum products increases as a result of growing demand for petrochemical products, gasoline, diesel fuel, and other transportation fuels accompanying rising standards of living in emerging countries undergoing economic development. When the light-heavy product price gap increases, it results in higher prices for light crude oils, from which light petroleum is produced, thus widening the gap between the prices of light crude oils and heavy crude oils. This gap is called the heavy-light crude oil price gap. In the future, a refinery's competitiveness will be influenced by whether or not it has facilities capable of processing comparatively lower-priced heavy crude oils.

	Heavy-light crude oil price gap* (unit: USD/BBL/API)	Light-heavy product price gap** (unit: USD/BBL)
2003	0.13	8.00
2004	0.42	22.50
2005	0.69	27.00
2006	0.72	32.00
2007	0.71	32.08
2008	0.88	36.95
2009	0.25	12.07

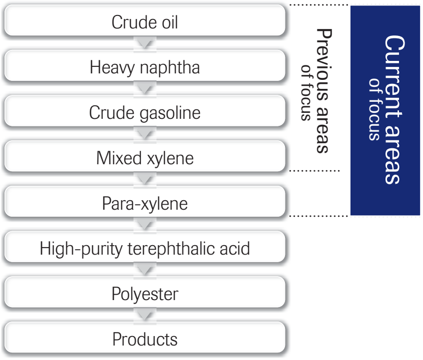
* Annual average for the Jan.-Dec. period
** Annual average for the Apr.- Mar. period

Market-Linked Pricing Formula

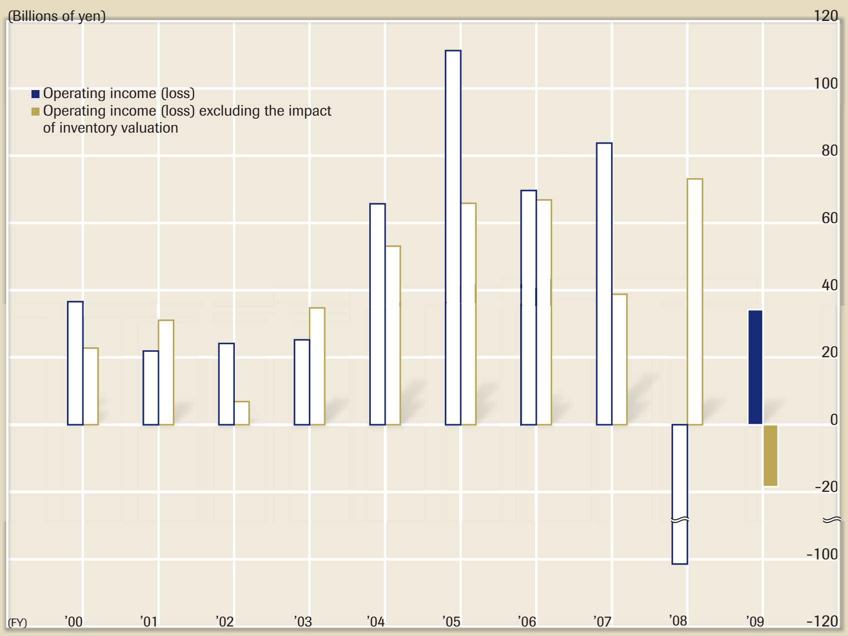
In April 2009, Cosmo Oil introduced a market-linked pricing formula to ensure fair and transparent wholesale prices and to better respond to changes in the market. In April 2010, we revised the formula in order to (1) include the cost of refining in the price floor for wholesale prices, (2) set shipment prices that approximate market prices, and (3) raise the Cosmo Oil brand charge. Under the formula, the price floor is "crude oil price + petroleum tax + in-house fuel cost + refining cost."

Para-Xylene and Mixed Xylene

Para-xylene is an aromatic used to make PET bottles, polyester fiber, and other products. It is made from mixed xylene, which is produced from reformates manufactured by oil companies. Previously, the Cosmo Oil Group produced only mixed xylene, but by entering the para-xylene business, it expects to expand its business portfolio through integrated operations encompassing crude oil through to para-xylene, as well as achieve stable earnings. At the same time, because mixed xylene is a basic component of gasoline, the use of mixed xylene to produce para-xylene will address the significant decline in demand for gasoline in Japan.



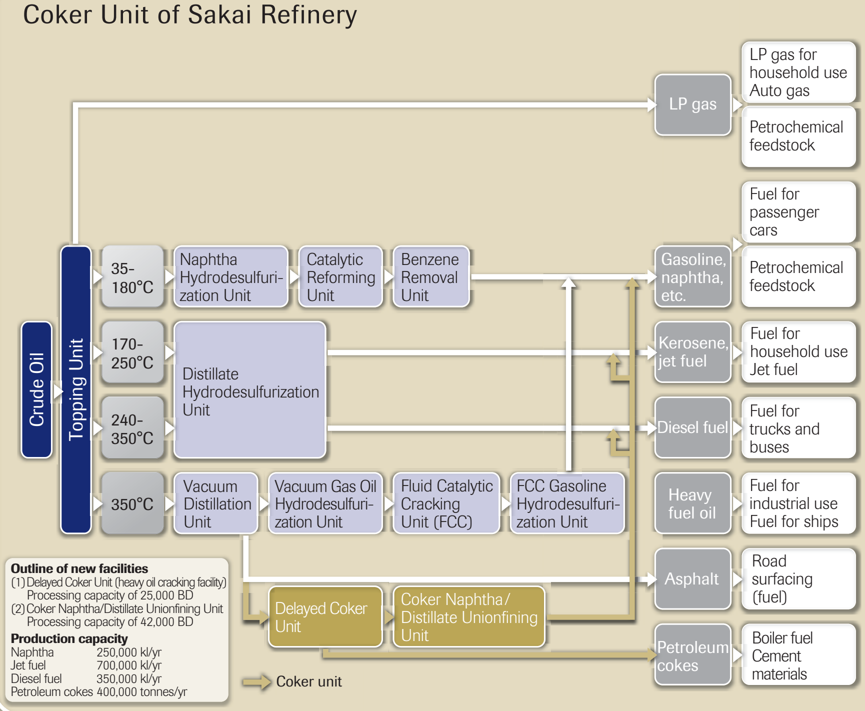
Inventory Valuation Gain (Loss)



Wildly fluctuating crude oil prices cause apparent fluctuations in earnings

The Cosmo Oil Group uses the average cost method for valuing crude oil inventory, under which the average unit cost between inventory assets at the beginning of the reporting period and assets acquired during the year is used as the cost of sales for accounting purposes. To better analyze variable factors that affected Group's operating income (or loss) for the year under review, the difference between the cost of sales and the cost of assets acquired during the period is recognized as an inventory valuation gain or loss, which is excluded from operating income. If the cost of assets acquired during the year is higher than the beginning inventory, it reduces the cost of sales, which has a positive effect on income. However, if the cost of acquired assets is lower than the beginning inventory, it pushes up the cost of sales, which has a negative effect on income.

Coker Unit of Sakai Refinery



Construction of Delayed Coker Unit addresses decline in demand for heavy oil distillates and addresses change in demand structure

Cosmo Oil has built a new Delayed Coker Unit at its Sakai Refinery. In addition to the Delayed Coker Unit, we have also built a Coker Naphtha/ Distillate Unionfining Unit. These units are producing naphtha, jet fuel, and diesel fuel from an asphalt fraction. One benefit is a reduction in raw material costs. This is achieved by taking advantage of the heavy-light crude oil price gap to use heavy crude oil, which is relatively cheap, to obtain the same volumes of light oil distillates. A further benefit is the shift from heavy oil production to middle distillate production taking advantage of the light-heavy product price gap to increase the volumes of high-value-added light distillates we produce. At the same time as addressing changes in the domestic demand structure, higher refining margins are expected to result in improved profitability.

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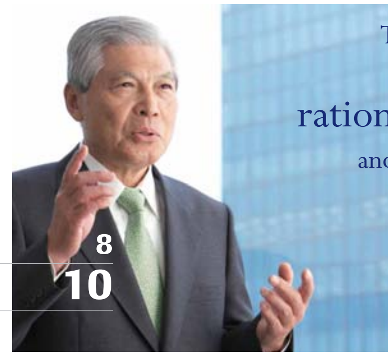


The Cosmo Oil Group will increase earnings by rationalizing production costs and restoring sales margins

The Cosmo Oil Group will maximize corporate value by establishing a solid business base and reinforcing our financial base

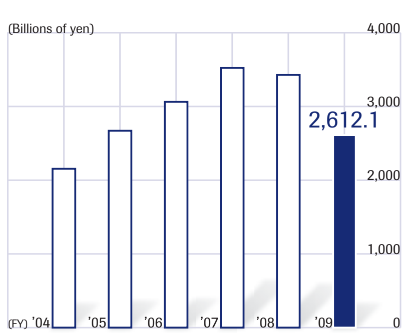
Disclaimer Regarding Forward-Looking Statements
This annual report contains forward-looking statements regarding the Cosmo Oil Group's future plans and strategies, as well as its results, estimates and forecasts. These statements are not based on historical fact, but represent management's assumptions and beliefs based on information currently available, and involve certain risks and uncertainties. Potential risks and uncertainties include, but are not limited to, intense competition, market demand and various regulations relevant to the petroleum industry. Actual results and business performance may differ materially from these statements. Accordingly, investors are cautioned not to base investment decisions exclusively on forward-looking statements. Further, the forecasts included in this report are those that were announced in May 2010.
Note: In this report, "FY 2009" indicates the period that began on April 1, 2009 and ended on March 31, 2010.

Cosmo Oil Company, Limited and Consolidated Subsidiaries

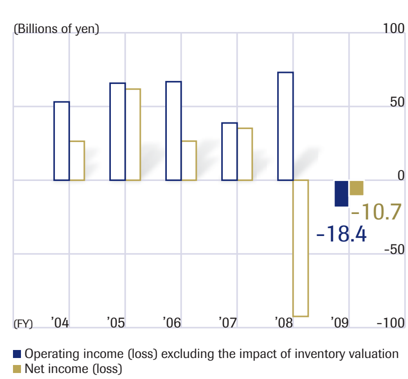
	Millions of yen						Thousands of U.S. dollars
	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
For the Year:							
Net sales	¥2,154,559	¥2,670,628	¥3,062,744	¥3,523,087	¥3,428,211	¥2,612,141	$28,075,462
Operating income (loss)	65,698	111,248	69,643	83,797	(107,006)	34,207	367,659
Inventory valuation gain (loss)	12,600	45,400	2,800	45,000	(180,100)	52,600	565,348
Operating income (loss) excluding the impact of inventory valuation	53,098	65,848	66,843	38,797	73,094	(18,393)	(197,689)
Net income (loss)	26,415	61,795	26,536	35,153	(92,430)	(10,741)	(115,445)
Capital expenditures	30,113	31,762	36,127	48,958	67,025	87,677	942,358
Depreciation and amortization	24,927	28,313	29,246	33,240	34,967	37,995	408,373
Cash flows from operating activities	40,494	(20,685)	25,005	(4,215)	82,136	2,262	24,313
Cash flows from investing activities	(36,577)	(1,348)	(35,868)	(32,806)	(55,953)	(93,306)	(1,002,859)
Cash flows from financing activities	(70,163)	39,608	80,023	(5,229)	57,854	159,302	1,712,188
Cash and cash equivalents at end of year	38,062	56,632	126,106	82,675	159,920	228,908	2,460,319
At Year-End:							
Total assets	¥1,323,149	¥1,463,579	¥1,579,156	¥1,627,904	¥1,440,396	¥1,645,048	$17,681,083
Total shareholders' equity	227,897	312,504	339,701	442,912	328,434	315,747	3,393,670
Interest-bearing debt	497,804	522,430	609,890	521,605	598,609	777,739	8,359,190
	Yen						U.S. dollars
Amounts per Share:							
Net income (loss)	¥ 41.73	¥ 94.54	¥ 39.54	¥ 46.72	¥ (109.11)	¥ (12.68)	$ (0.14)
Net assets	360.93	465.48	506.15	522.84	387.71	372.74	4.0
Cash dividends	8.00	10.00	8.00	8.00	8.00	8.00	0.09
Ratios:							
Return on assets (ROA) (%)	2.0	4.4	1.7	2.2	(6.0)	(0.7)	—
Return on equity (ROE) (%)	12.2	22.9	8.0	9.0	(24.0)	(3.3)	—
Debt-to-equity ratio (times)	2.2	1.7	1.8	1.2	1.8	2.5	—
Payout ratio (%)	14.35	8.37	25.30	15.28	—	—	—

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for the convenience of readers only, at the rate of ¥93.04 to US$1.00, the approximate rate of exchange prevailing at March 31, 2010.
2. Recorded inventory valuation gains (losses) from FY2000 through FY2007 are based on the periodic average method of inventory valuation, whereas recorded inventory valuation gains (losses) from FY2008 are based on the lower of cost or market method as dictated by ASBJ (Accounting Standards Board of Japan) Statement No. 9, "Accounting Standard for Measurement of Inventories."
3. Effective from FY2006, shareholders' equity is calculated as total net assets minus minority interests.
4. Up to and including FY2005, total shareholders' equity per share was presented rather than net assets per share.
5. Up to and including FY2005, ROE was calculated as net income divided by total shareholders' equity.

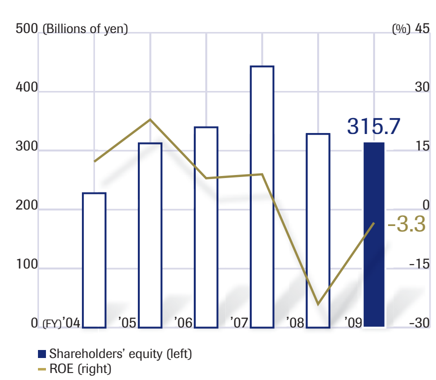
Net sales



Operating income (loss) excluding the impact of inventory valuation, Net income (loss)



Shareholders' equity, ROE



Net sales

Net sales were ¥2,612.1 billion, down ¥816.1 billion from the previous fiscal year.

▼ Prices of both crude oil and petroleum products fell, while the sales volume in Japan of kerosene, diesel fuel, heavy fuel oil A and other products decreased. The gasoline sales volume remained at the previous year's level thanks to the successful promotion of our Cosmo the Card credit card, which offers users various benefits and encourages them to become regular users of Cosmo service stations.

Operating income (loss) excluding the impact of inventory valuation

Operating income amounted to ¥34.2 billion, an increase of ¥141.2 billion over the previous fiscal year thanks to a ¥232.7 billion inventory valuation gain.

Operating loss excluding the impact of inventory valuation (when crude oil prices are rising, relatively inexpensive inventories at the beginning of the period push down the average cost of inventories throughout the period) fell ¥91.5 billion to ¥18.4 billion.

▼ In the petroleum business, petroleum product profit margins deteriorated.
▼ Oil exploration and production earnings declined despite a slight increase in oil production volume, due to falling crude oil prices.
▲ In our petrochemical operations, profits increased for both ethylene and aromatics.

Net loss

The net loss for the period was ¥10.7 billion, representing an improvement of ¥81.7 billion over the previous fiscal year.

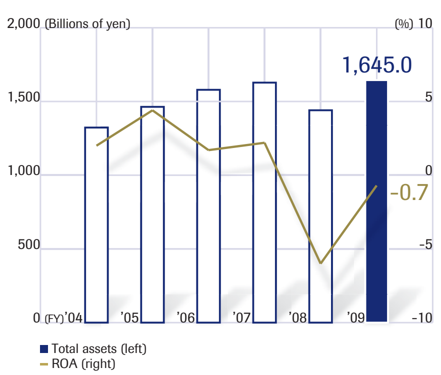
▲ Equity in losses of affiliates increased by ¥8.5 billion, to a net equity gain of ¥7.3 billion.
▲ Net foreign exchange losses improved by ¥11.9 billion, to a net foreign exchange gain of ¥2.6 billion.
▼ Total income taxes rose due to the write-down of ¥20.5 billion in deferred tax assets.

ROA and ROE

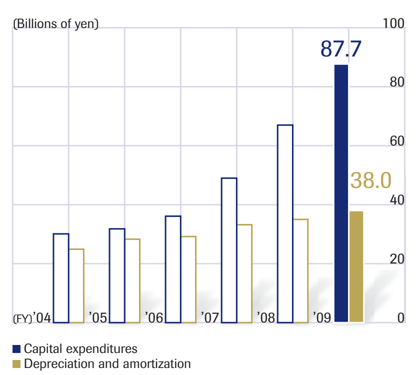
Due to a ¥10.7 billion net loss, ROA and ROE were negative for the fiscal year.

▼ The shareholders' equity ratio declined by 3.6 percentage points, from 22.8% to 19.2%.
▼ The debt-to-equity ratio deteriorated from 1.8 times at the end of the previous fiscal year to 2.5 times.

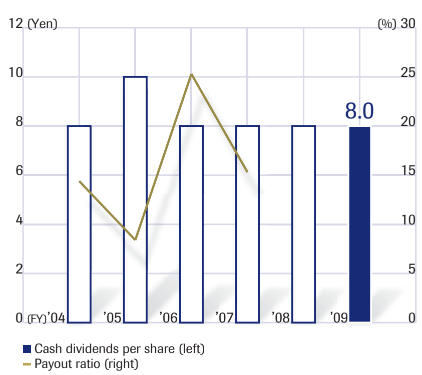
Total assets, ROA



Capital expenditures, Depreciation and amortization



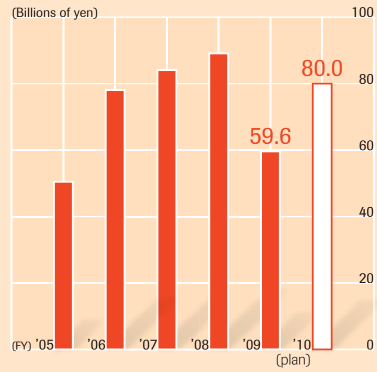
Cash dividends per share, Payout ratio

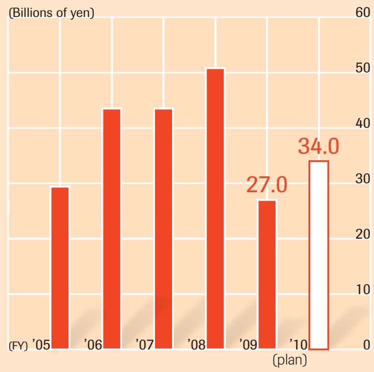


Net Sales

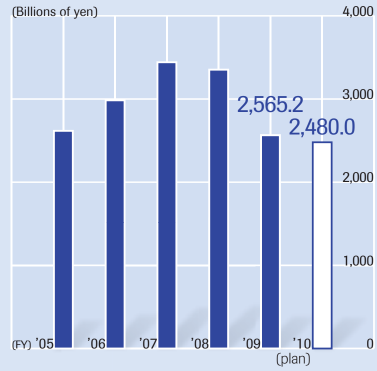
Operating Income (loss)

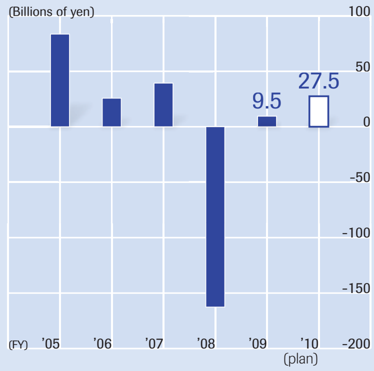
Oil Exploration and Production Business Segment



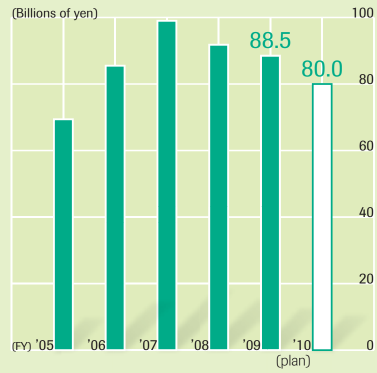


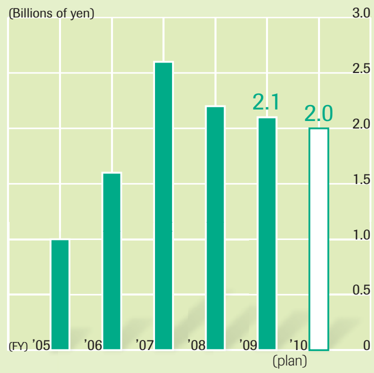
Petroleum Business Segment





Other Business Segment





Overview	Our Strengths
• The core area for the Cosmo Oil Group is the Middle East, and in that region we are engaged in oil exploration and production in the United Arab Emirates (U.A.E.) through the Abu Dhabi Oil Co., Ltd., and the United Petroleum Development Co., Ltd., and in Qatar through the Qatar Petroleum Development Co., Ltd. • Australia is a sub-core area for Cosmo Oil Group, where we conduct oil exploration.	• For over 40 years, the Cosmo Oil Group has built unshakable relationships of trust with Middle East oil-producing nations. These relationships represent a firm foundation for a stable supply of crude oil and consistent earnings by the Group. • The Cosmo Oil Group minimizes risk and ensures stable earnings by framing a clear policy for oil exploration and production and by adhering closely to that basic policy in the conduct of its business.

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Petroleum Refining

• We refine crude oil imported from oil-producing countries into gasoline and other petroleum products at four refineries in Japan, which are located in Chiba, Yokkaichi, Sakai, and Sakaide.

• Cosmo Oil began operations at its heavy oil cracking facilities (coker unit) at the Sakai Refinery in 2010. This facility strengthens Cosmo Oil's cracking capability, which is the source of a refinery's competitiveness, and moves us to the front rank among our competitors.

Petroleum Sales

Domestic Sales

• In addition to direct sales of petroleum products to large users, we sell petroleum products on a wholesale basis to SS operators who manage service stations (SS), as well as to our sales subsidiary.

Overseas Sales

• With a primary focus on diesel fuel, we export our products to North America (West Coast of the United States), South America (Chile), Oceania.

Domestic Sales

• Self SS offer a high degree of sales efficiency, and Cosmo Oil is moving ahead with their deployment in Japan. Cosmo Oil is building customer loyalty throughout Japan thanks to the large number of Cosmo Oil card-members—whose numbers put Cosmo Oil at the forefront of the oil industry—and the high proportion of Cosmo Oil self SS.

Overseas Sales

• The Cosmo Oil Group has established a basis for strong earnings resilient to a changing business environment as a result of stable sales channels characterized by direct, long-term contracts with end-users.

Petrochemicals

• In Japan, petrochemical products are manufactured and sold by the Cosmo Matsuyama Oil Co., Ltd., the CM Aromatics Co., Ltd., and the Maruzen Petrochemical Co., Ltd. Meanwhile, in South Korea, the manufacture and sales of petrochemicals products by the HC Petrochem Co., Ltd. began in February 2010.

• The Cosmo Oil Group has expanded its petrochemicals product line downstream from its mixed xylene segment and entered the para-xylene (PX) business in a joint venture with Hyundai Oilbank Co., Ltd. As a result, preparations have now been completed for the Cosmo Oil Group's integrated production system, which extends from crude oil to para-xylene. This integrated production system promises to make a significant contribution to company earnings.

New Businesses

• The Cosmo Oil Group is rapidly moving forward in the renewable energy field with the wind power business acquired in March 2010 and in the manufacture and sales of polysilicon for photovoltaic cells, as well as in applications for 5-Amino Levulinic Acid (ALA).

• While focusing on specialized products and technologies that minimize environmental load, the Cosmo Oil Group is promoting its business in areas where it already has clear superiority in terms of technology and sales channels.

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• The Cosmo Oil Group is engaged in the construction of petroleum-related facilities, leasing, and insuring sales.

• Stable earnings can be obtained in businesses which are less subject to fluctuations in crude oil prices.

The Cosmo Oil Group is building an operational base that is strong and flexible enough to withstand future changes in our business environment.

Keiichiro Okabe Chairman **Yaichi Kimura** President

The Cosmo Oil Group Mission

The Cosmo Oil Group's mission is to help accommodate the varied needs of society primarily through the supply of petroleum energy products. To this end, we will establish a strong, integrated framework for our core operations—from oil exploration and production to the refining and marketing of petroleum products and petrochemicals—in order to deliver stable energy supplies on a global level while ensuring harmony with the environment.

To achieve these objectives, it is essential for us to remain an organization capable of sustainable growth. We believe we must push ahead with CSR management, with the aim of building an operational base that is strong and flexible enough to withstand future changes in our business environment, while investing for growth and responding to the expectations of all stakeholders.

Performance in FY2009

In FY2009, ended March 31, 2010, consolidated net sales declined ¥816.1 billion year on year, to ¥2,612.1 billion. This was mainly due to falling domestic sales of fuel oil products excluding gasoline stemming from economic stagnation and users switching to alternative fuels. By contrast, the Group posted an increase in gasoline sales volume, reflecting its success in retaining customer loyalty. An inventory valuation undertaken during the year helped boost earnings and led to operating income of ¥34.2 billion. After factoring out the effect of the inventory valuation, however, the Group would have reported an operating loss of ¥18.4 billion, as surging crude oil prices and the depressed state of the market for petroleum products made it difficult to maintain appropriate margins. Income before income taxes and minority interests increased ¥152.7 billion over the previous year to ¥35.5 billion, reflecting the impact of an inventory valuation gain, resulting in a net loss of ¥10.7 billion, after the deduction of corporate income tax. This marks an improvement of ¥81.7 million over the previous year.

Having failed to reach our financial targets, we are not satisfied with our performance for the year. However, we made steady progress in building a foundation for our next stage of growth. For example, we completed construction of a heavy oil cracking facility (coker unit) at the Sakai Refinery, an essential strategy for reinforcing the competitiveness of our refineries. We also built an infrastructure for expanding exports of middle distillates (jet fuel, kerosene, diesel fuel) following the full-scale launch of the coker unit, and we saw an increase in the contribution to total sales by our sales subsidiaries. In other highlights, we commenced operations at our para-xylene joint venture with Hyundai Oilbank, and we made investments to ensure stable production in the Oil Exploration and Production business segment.

Medium-Term Policies from FY2010

The current fiscal period marks the first year of the Group's Fourth Consolidated Medium-Term Management Plan, covering the three-year period from April 2010 to March 2013. Through the plan, we will seek to streamline our operations by taking full advantage of our achievements to date, with the aim of establishing a solid business foundation and reinforcing our financial base. Specifically, we are targeting operating income of ¥69.0 billion in the year ending March 2013—an ¥87.4 billion improvement from the year under review—after factoring out inventory valuations. With domestic demand for petroleum products falling at an accelerated pace, the Group faces a challenging situation that requires drastic measures to address structural changes in the oil industry. However, we intend to streamline our business by making full use of our previous achievements, while continuing to invest in the petrochemicals and the oil exploration and production businesses, in order to establish a solid business foundation and reinforce our financial base. In addition, we will work to create a framework that is impervious to external conditions, such as sharp fluctuations in oil prices, and thus maximize corporate value.

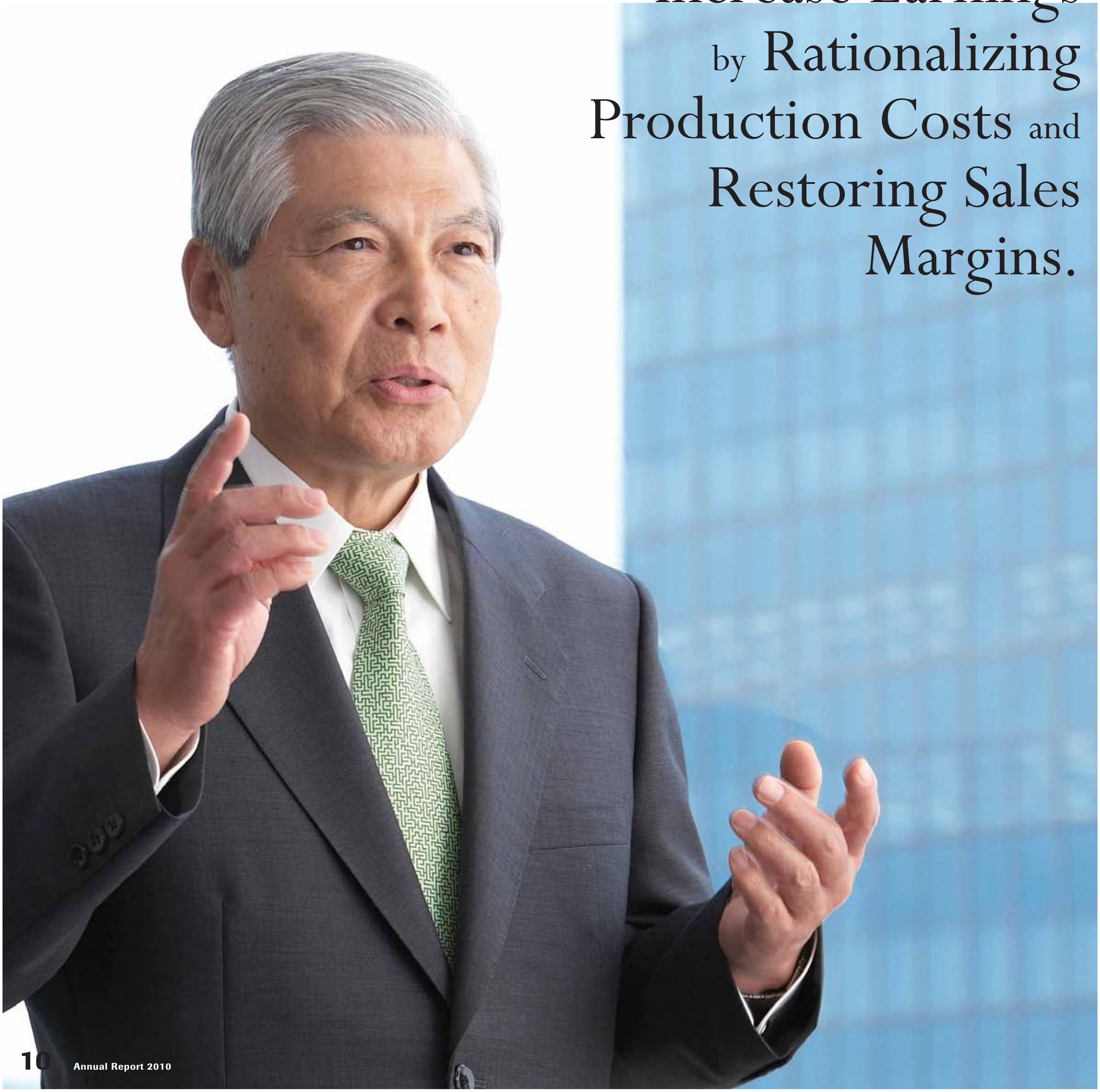
With respect to dividends, our policy is to maintain stable dividend payments without linking them to our bottom line earnings, which incorporate inventory valuations that are hugely impacted by sharp fluctuations in crude oil prices.

June 2010

Keiichiro Okabe
Chairman

Yaichi Kimura
President

The Cosmo Oil Group will Increase Earnings by Rationalizing Production Costs and Restoring Sales Margins.



¥34.2 billion
Operating income

–¥18.4 billion
Operating loss excluding the impact of inventory valuation

–¥10.7 billion
Net loss

FY2009 Results

FY2009 in review >>>>>

Q : The economy was generally weak in FY2009. How do you evaluate the Cosmo Oil Group's performance?

A : Unable to avoid the impact of flagging domestic demand, we posted declines in both revenues and earnings.

The effects of the global economic recession, sparked by the collapse of Lehman Brothers in 2008, continued through FY2009 and had a huge impact on the Group's performance. The fall in domestic demand for petroleum products also had a negative effect on revenues. Exports too were not immune to worsening market conditions. As a result, net sales declined, and on the earnings side we posted an operating loss, excluding the impact of inventory valuation.

Third Consolidated Medium-Term Management Plan >>>>>

Q : The Third Consolidated Medium-Term Management Plan, a three-year plan, was scheduled to wrap up at the end of FY2010. Can you explain why it was stopped at the end of FY2009?

A : The reason is the upheaval that has occurred in the operating environment, with the faster-than-expected decline in domestic demand, which has put pressure on the petroleum industry to make structural changes.

If we take a look at crude oil prices for the past two years, we see that in FY2008 they rose suddenly, and then fell sharply. They rose again in FY2009, and remained high at the fiscal year-end. But if we look at demand, we see that while there was firm demand in FY2008, the situation changed abruptly in FY2009 as a result of the economic recession. Demand for petroleum products declined worldwide, and this put even more pressure on the demand structure in Japan, where demand was falling. Normally, crude oil prices are linked to demand for petroleum products, and these prices fluctuate when demand increases or decreases. But in FY2009, this mechanism failed. As a result, even though global demand for petroleum products fell, crude oil prices rose due to an influx of speculative funds, which had nothing to do with actual demand. The situation has affected not only Cosmo Oil, but also other Japanese distributors, and we are all finding it difficult to achieve a margin that would cover costs at even the lowest levels. Confronted with this major transformation in the market environment, we found it necessary to draft a new plan with bold measures.

Q : Please tell us about the achievements of the Third Medium-Term Management Plan.

A : We steadily implemented measures and made investments that enabled us to solve problems while simultaneously achieving growth.

The Cosmo Oil Group and other members of Japan's petroleum industry have had to create systems to accommodate the changing demand structure that has accompanied the decline in domestic demand. For our part, we are thinking it necessary to make additional capital invest-

The 3rd Medium-Term Management Plan	The 4th Medium-Term Management Plan
Business Environment	Business Environment
• Crude oil prices moved from “wild fluctuations” to “hovering at a high level” • Demand for oil turns sluggish overseas due to the global economic recession, with a rapid falloff in demand in Japan • Sluggish demand for oil products in Japan, and a declining margin	• Anticipated recovery in demand, especially in China, for oil and petrochemical products • Lower demand for oil products and acceleration in changes in the demand structure (higher demand for light distillate products) • Industrywide adjustments in the domestic supply-demand balance, trend toward revision of the wholesale pricing formula

Vision of the 4th Medium-Term Management Plan

Measures	
Oil exploration and production business	• Expand the oil exploration and production business portfolio, making full use of relations with oil producing countries
Petroleum business	• Establish the business base through the core businesses (Enhance competitiveness of refiineries by making full use of coker facilities and shifting focus to petrochemical business)
Petrochemical business	
New businesses	• Diversify environmental and new energy businesses

ments to enhance the competitiveness of our refineries, increase exports to cover the revenue shortfall resulting from the decline in domestic demand, and establish systems that will enable us to secure domestic profit margins even in times of falling demand.

During the period of the plan, we implemented a range of measures to achieve these objectives. They include the construction of coker facilities to increase competitiveness, expanding our export infrastructure, and revising our pricing formula, under which costs are recovered through wholesale prices. In addition to solving problems faced in our core petroleum business, we made new advances in the petrochemicals field, where we entered the para-xylene business. We also made investments aimed at stabilizing production in the exploration and production business.

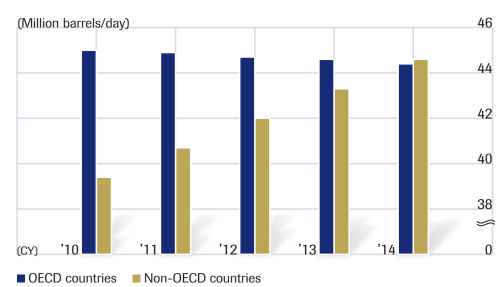
Fourth Consolidated Medium-Term Management Plan >>>>>

Q: The Fourth Medium-Term Management Plan was launched in April 2010. What assumptions does it make regarding the global economy and crude oil prices?

A: We believe that the world economy will make a recovery, albeit a mild one. Coupled with the influx of speculative funds, the recovery in demand for petroleum prompted by an economic upturn will cause a rise in crude oil prices.

In our view, demand for petroleum products will recover as the global economy continues its recovery, driven by the world’s emerging economies. However, the future of Japan’s economy remains uncertain. Due to accelerating changes in the demand structure, we expect that the petroleum industry will continue to experience challenging business conditions. We believe that crude oil prices will remain at a high level, due partly to a recovery in demand but also to the influx of speculative funds, which is unrelated to actual demand.

Outlook for global demand for petroleum products



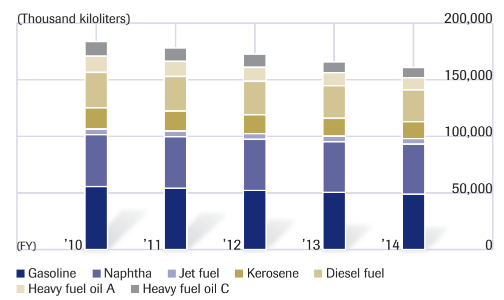
Source: IEA Medium-Term Oil Market Report, July 2009

Q : What are the core objectives in the Fourth Medium-Term Management Plan that will help the Cosmo Oil Group overcome such challenging conditions?

A : The main focus of the plan is to see a return to profitability in our core petroleum business. To this end, we will work to secure appropriate profit margins, while increasing competitiveness by promoting cost reductions and rationalization.

The petroleum business is the Group's core business, and as such we must work hard to increase its earnings. In addition to pursuing cost reductions and other rationalization measures, it is important to secure an appropriate profit margin from domestic sales and post profits even when product's prices are weak. In April 2010, we were the first in the business to revise our wholesale pricing formula. In order for Cosmo Oil to ensure a steady supply of petroleum products, it is necessary to sell at a price that will allow us to cover our costs. What is more, we are confident that we can secure an appropriate profit margin by tailoring production to meet demand.

Outlook for domestic demand for petroleum products



Source: Energy Report, Agency for Natural Resources and Energy, METI, April 2010

Q : If domestic demand declines to drastically low levels, do you also have the option of reducing facilities in addition to diverting excess supply capacity to expansion of exports?

A : In February 2010, we reduced the nameplate capacity of our refineries, and we will give consideration to adjusting our output to match the level of demand in Japan and overseas.

In response to domestic demand, overcapacity is having a negative impact on the supply-demand balance in the domestic market. Industrywide, domestic petroleum wholesalers are faced with the same challenge of achieving an appropriate level of capacity.

To address this demand-supply imbalance, in February 2010 we reduced the nameplate capacity of our refineries by 80,000 barrels. During the term of the new plan, we will establish a more efficient and competitive supply structure. This will include considering all possible options, while keeping a watch on the rate of the decline in domestic demand and progress in the expansion of exports.

Our Fourth Consolidated Medium-Term Management Plan >> p.15

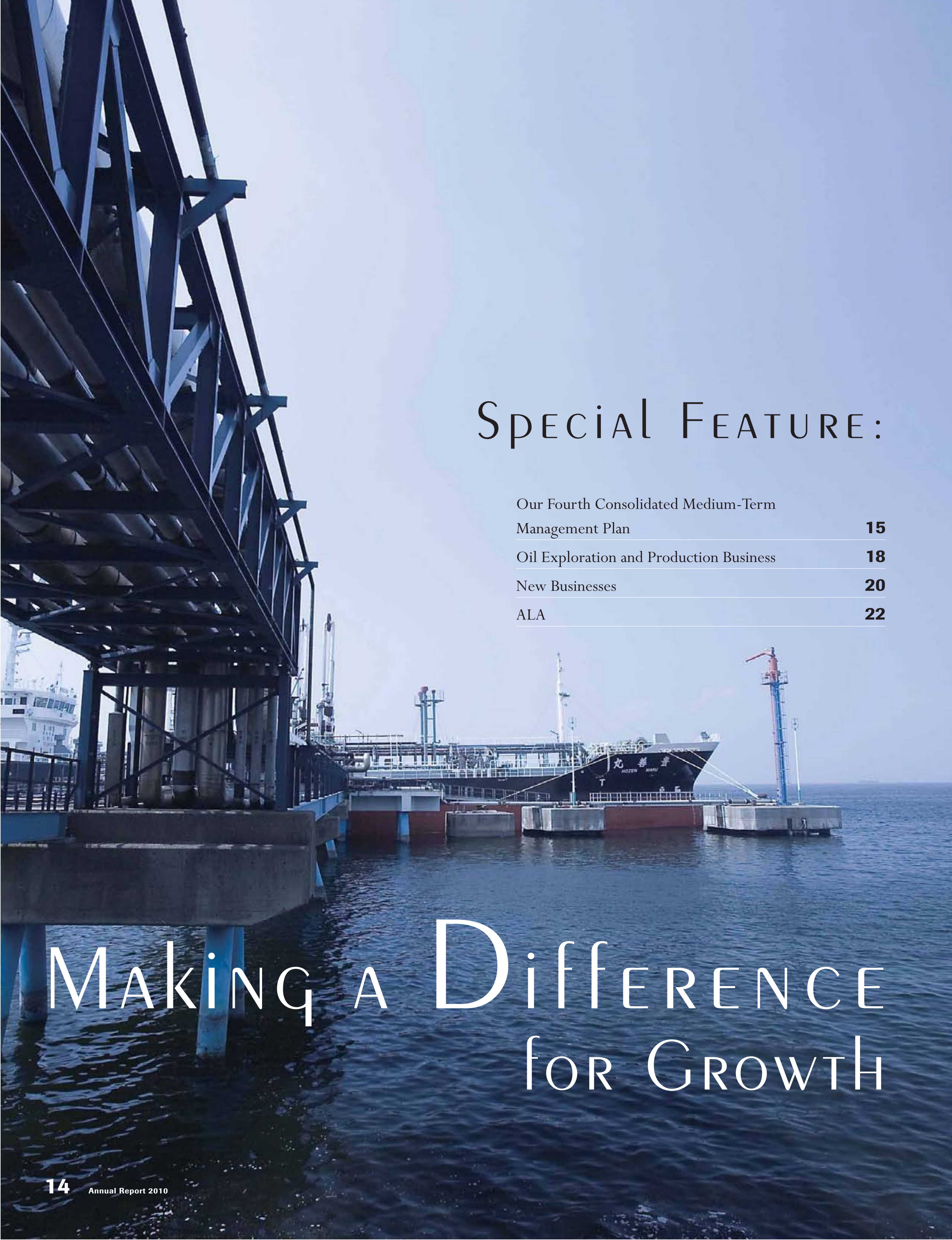
Shareholder return policy >>>>>

Q : What are your policies with respect to shareholder return?

A : We will maintain a policy of stable dividends while continuing investments in growth and bolstering our financial position.

The Cosmo Oil Group regards the return of profits to shareholders as an important management priority. Despite the difficult operating environment, we will maintain our stable dividend policy. At the same time, we will reinforce our corporate structure centering on the core petroleum business, and invest in new businesses that are expected to develop into new earnings drivers in the future, while paying due attention to achieving an adequate balance of funds.

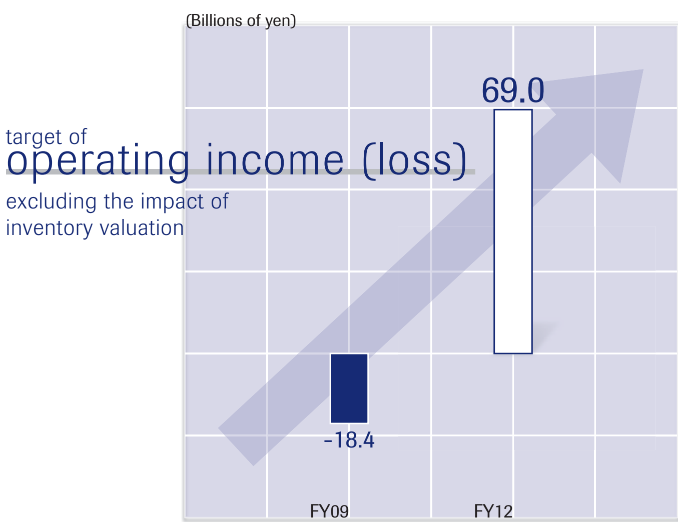
In FY2010, we plan to pay annual dividends of ¥8.00 per share, unchanged from FY2009, reflecting our policy of delivering stable returns to shareholders.

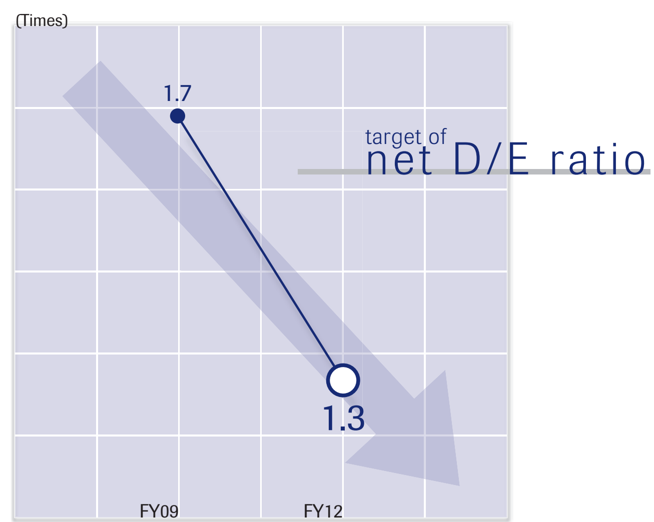


Special Feature:

Making a Difference for Growth

Establishing a business base for sustainable growth and reinforcing Our financial foundation





Basic Policy

During the period of the new medium-term management plan, we believe that crude oil prices will rise and stabilize at high levels, while the world economy will show a mild recovery trend. Global demand for petroleum and petrochemical products are also expected to revive, driven mainly by China. In Japan, demand for petroleum products will decline and the demand structure will change at increasing speed.

In this environment, the basic policy of the new medium-term plan is to return the Group's core oil refining and sales business to profitability. At the same time, we will adopt a medium-to-long-term growth strategy, through which we will target increased Group-wide earnings by expanding our portfolio in the petrochemical and oil exploration and production businesses.

Vision

Under the new plan, we will establish a business base geared to sustainable growth. For FY2012, the final year of the plan, we are targeting consolidated operating income of ¥69.0 billion, assuming no impact from inventory valuation adjustments. We will leverage this earnings power to reinforce the Group's financial base.

Earnings Targets

The aforementioned ¥69.0 billion operating income target represents a ¥34.8 billion increase compared with FY2009 (an ¥87.4 billion increase excluding the impact of inventory valuation). We will achieve this target by securing appropriate margins through comprehensive rationalization efforts and revision of our wholesale pricing formula. An improved performance by the petroleum business will act as the main driver of this earnings growth.

By achieving our earnings target, we will reinforce the Group's financial base by making substantial improvements in key business indicators. Specifically, for FY2012 we are targeting ROE of 9.1% and a net debt-to-equity ratio of 1.3 times, compared with FY2009 figures of -3.3% and 1.7 times respectively.

Management goals

	FY2009 actuals	FY2012 goals	Change
ROE (%)	(3.3)	9.1	+12.4
Net worth ratio (%)	19.2	25.4	+6.2
D/E ratio (times)	2.5	1.6	+0.9
Net D/E ratio (times)	1.7	1.3	+0.4

Targeted improvements in operating income, by segment

Billions of yen

	FY2009 actuals	FY2012 goals
Oil Exploration and Production Business	27.0	20.0
Petroleum Business	9.5	47.0
Other Business	2.1	2.0
Elimination or Corporate	(4.3)	0
Total	34.2	69.0

Cash Flow Balance/Investment Plan

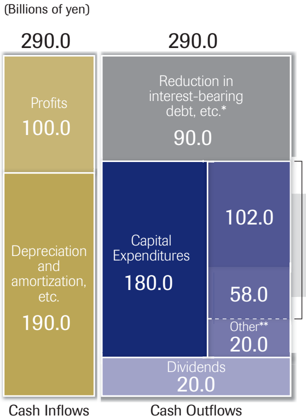
During the term of the plan, we forecast cash inflows of ¥290.0 billion, derived from profits and depreciation expenses. We will allocate ¥180.0 billion of this amount to investments aimed at future growth, ¥20.0 billion to dividends,* and ¥60.0 billion to the reduction of interest-bearing debt.

We will allocate ¥102.0 billion, or 65% of our total investment budget to meticulously selected growth strategy investment projects, mainly in the oil exploration and production business and the overseas petroleum and petrochemical businesses. We will allocate the remaining ¥58.0 billion to various initiatives, including maintaining and upgrading refineries and service stations (SS), as well as ensuring production stability in existing oil fields.

* Presuming a dividend payment of ¥8 per share

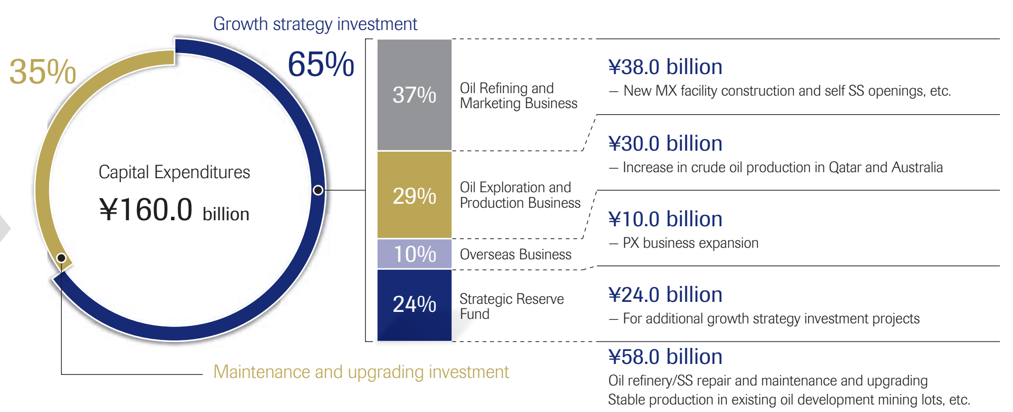
Cash flow balance forecast

(Billions of yen)



Capital expenditure portfolio by segment

Breakdown of the investment plan



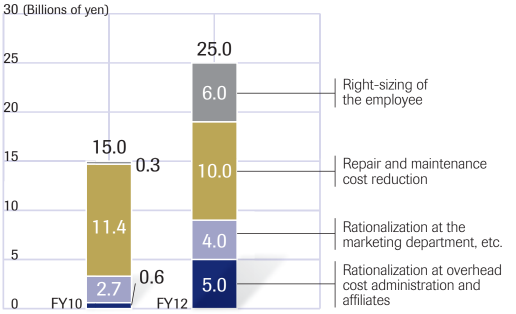
* Reduction in interest-bearing debt: ¥60 billion; Timing difference in gasoline tax payments: ¥30 billion
** Other: Payment for work completed on an actual work basis in the previous fiscal year

Rationalization Plan

We will reduce costs by pushing through rationalization measures in order to establish a sound business base. We will achieve the Group's cost reduction targets primarily by downsizing employee numbers and reducing repair and maintenance costs of refineries.

Specifically, we will reduce the total number of Group employees from 4,500 to 4,000 by cutbacks in the hiring of new employees and attritions through compulsory retirement. At the same time, we will lower refining costs by optimizing maintenance and enhancing safety management levels. Through such efforts, by FY2012, the final year of the plan, we will achieve ¥25.0 billion in cost reductions compared with FY2009.

Rationalization in value vs. FY2009



Breakdown by Business Segment

During the term of the plan, we will focus on the measures listed below with the aim of achieving the plan's basic policy goals.

The main measure

Business Segment	FY2012 Targets (Base year: FY2009)	Measures	
Oil Exploration and Production Business	Operating Income ¥20.0 billion (Up ¥3.0 billion)		Obtain renewal of Abu Dhabi Oil's concession
			Commence commercial production at Qatar Petroleum Development's A-Structure South oil field
			Commence production in the Audacious and Tenacious oil fields in Australia as soon as possible
Petroleum Business	Operating Income ¥47.0 billion (Up ¥12.8 billion)	Oil Refining	Reduce crude oil procurement costs and increase production ratio of highly-profitable products by maximizing use of coker facilities
			Decide on approach for reorganization of production system
			Reduce costs through comprehensive rationalization measures
		Domestic Sales	Leverage introduction of new pricing formula (from April 2010) to maximize brand value
			Use coker facilities to increase sales ratios of highly-profitable products
			Reduce costs primarily by lowering sales promotion costs
		Overseas Sales	Expand existing stable sales channels and attract new customers
			Expand overseas sales of middle distillates by maximizing use of coker facilities
		Petrochemical Business	Construct new mixed xylene manufacturing facility (operation scheduled for 2011)
			Start construction of para-xylene manufacturing facility (operation scheduled for 2013)
		ALA	Increase contribution to earnings
		Wind Power Generation	Ensure stable income stream
		Solar Power Generation	Determine the feasibility of commercialization with respect to the production of polysilicon used in solar power panels
		Concentrated Solar Power Generation	Undertake commercialization feasibility study based on trials

Exploration and development underpinned by solid ties with oil producing nations

In this age of concessions being lost due to an upsurge in resource nationalism around the world, the Cosmo Oil Group is steadily developing oil fields thanks to the strong and longstanding relationships it has with oil producing countries.

Basic Strategy on Oil Exploration and Production

For more than 40 years, the Cosmo Oil Group has enjoyed continuous and stable trade in crude oil and petroleum products with the United Arab Emirates (U.A.E.). We have also undertaken oil exploration and production in the region. As one of the Group's earning pillars, we are expanding this business with the aim of boosting earnings.

The Group's oil exploration and production activities adhere to three basic policies.

The first is to concentrate investment in low-risk projects involving both already discovered and undeveloped oil fields, and to recover cash flows at the earliest opportunity. By following this policy, we are able to shorten the period taken from the acquisition of concession rights through to exploration and the launch of production.

The second is to leverage our current core and sub-core production areas. As areas where we have a proven track record, Abu Dhabi and Qatar are designated as core areas, while Australia is our sub-core area. Our aim is to improve production efficiency by concentrating development in these two areas.

The third policy emphasizes operations to develop technical knowledge and accumulate experience, as well as to build networks with oil producing nations.

By adhering steadfastly to these basic policies, while achieving stable production that maintains longstanding production volumes, the Cosmo Oil Group continues pursuing development of new oil fields.

Reinforcing the Stable Supply of Petroleum: Enduring Relationship with the U.A.E. of More than 40 Years

Today, we are seeing signs of a shift to the nationalization of petroleum in some oil producing countries due to the upsurge in resource nationalism. Therefore, building strong ties with oil producing nations is more important than ever. The Cosmo Oil Group enjoys close relationships with the U.A.E., particularly with the Emirate of Abu Dhabi. We have forged these relationships through multifaceted interaction, including cultural exchanges and technical assistance, that goes back more than 40 years.

On the technical side, we have provided assistance to oil producing countries, including the U.A.E., as well as to developing countries through the auspices of the Cosmo Oil International Cooperation Center. Assistance activities include receiving engineers from the U.A.E., Qatar, China, and Vietnam to provide technical support related to oil refining, as well as sending our own technical experts to refineries in those regions.

The Cosmo Oil Group has also promoted various activities with a strong environmental and cultural focus. The Group's broad range of environmental preservation activities includes the implementation of the Zero Flare project by Group member Abu Dhabi Oil Co., Ltd. The campaign, the first of its kind in the Middle East, reduces the emission of carbon dioxide and sulfur oxides by injecting into a subterranean oil layer the gases found with the crude oil. On the cultural side as well, we provide ongoing support for staff training and the fostering of international relations. Initiatives such as these play a useful role in building important and strong relationships that help us conduct business in the U.A.E. Accordingly, they enable the Cosmo Oil Group to deliver a more stable supply of petroleum.

Expanding Business Opportunities through Strategic Alliance with IPIC

In September 2007, Cosmo Oil entered into a strategic partnership with the International Petroleum Investment Company (IPIC), which is wholly owned by the Emirate of Abu Dhabi. At the same time, IPIC invested in Cosmo Oil through a third-party allotment. As a result, IPIC now owns about 20% of Cosmo Oil shares, making it one of the Company's principal shareholders. Cosmo Oil also accepted two directors from IPIC to the board of directors as outside directors. With the election of two outside directors at the shareholders' meeting held in June 2010, the Cosmo Oil Group has succeeded in further strengthening ties with the U.A.E.: H.E. Mohamed Al Hamli, Minister of Energy, U.A.E., and H.E. Nasser Alsowaidi, Chairman of Abu Dhabi Department of Economic Development.

IPIC has long-term strategic alliances with overseas companies in the energy business through its investments as a minority shareholder.

Press Release

May 25, 2010

Main Terms and Conditions for Concession Renewal and New Concession Area

Abu Dhabi Oil Co., Ltd. (Japan), ADOC, which is a subsidiary of Cosmo Oil Co., Ltd., Cosmo, and an operating company in Abu Dhabi, has agreed to the main terms and conditions as a basis for continuing discussions with the Supreme Petroleum Council of Abu Dhabi, for the renewal of the three operating fields in the current Concession Agreement and the granting of a new concession area.

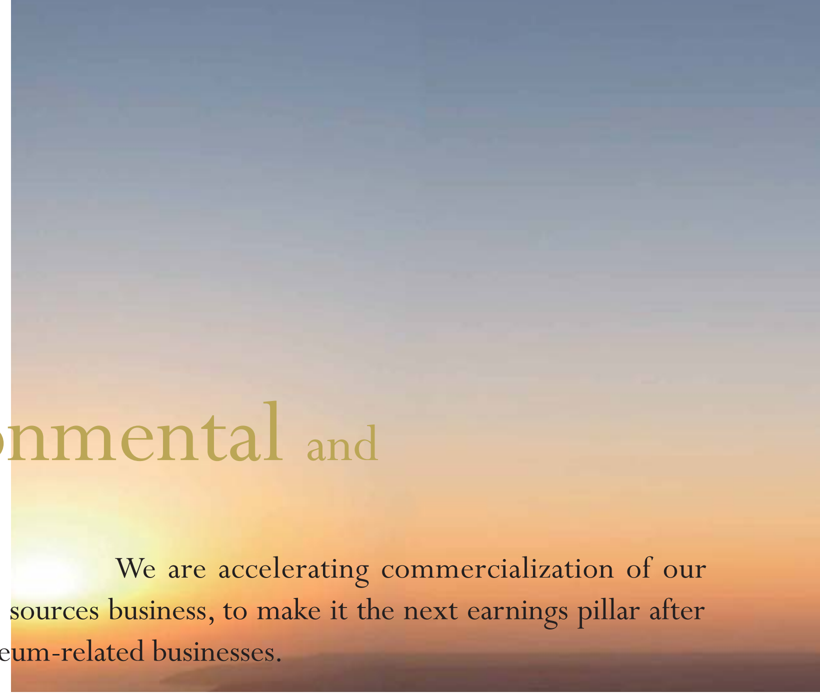
The new Concession Agreement will be a 30-year contract effective as of 6th December 2012 after the expiration of the current Concession Agreement. The new concession area, located adjacent to ADOC's operating fields, covers an undeveloped structure.

After the new concession area is granted, ADOC will conduct evaluation work including drilling appraisal wells and if the oil in place is confirmed to be in commercial quantities, ADOC will be in a position to benefit from the development and oil production through full utilization of ADOC's existing facilities.

Oil exploration update

Country	Oil fields / Mining claims	Status
Qatar	A-Structure South oil field	Start production scheduled for 2011
	Block 3 mining claim	Under exploration
Australia	Audacious, AC/RL6	Start production scheduled for 2013
	Tenacious, AC/RL5	Start production scheduled for 2013
	AC/P4, AC/P17, AC/P32	Under exploration

▲ The mangrove forest we planted on the Mubarraz Island in Abu Dhabi



Diversifying the environmental and new energy business portfolio

We are accelerating commercialization of our renewable energy sources business, to make it the next earnings pillar after our oil and petroleum-related businesses.

Wind Power

A Business with Exciting Growth Potential

Compared with other forms of renewable energy, wind power generation is relatively inexpensive in terms of equipment costs. In such countries as Germany and Spain, the commercialization of wind power generation advanced rapidly thanks to the introduction of the feed-in tariff.* In Japan, wind power remains an extremely small industry. However, in light of recent discussions on introducing a similar tariff under the Democratic Party of Japan (DPJ) administration, the potential for market expansion looks promising.

Acquisition of Eco Power

The Cosmo Oil Group decided to enter the wind power generation business following the introduction of the Renewable Portfolio Standard (RPS) in 2003, which requires electric power companies to obtain some of their electricity from renewal sources. We believe the new standard provides exciting business opportunities for the Group. In December 2004, we commenced operation of a wind-power plant in Sakata City in Yamagata Prefecture. In March 2010, we stepped up our participation in the business with the acquisition of Eco Power Co., Ltd., which has the fourth-largest wind power generation capacity in Japan.

In the wind power generation business, equipment failure is the primary cause of revenue declines. If we can prevent such failures, therefore, we can maintain stable sales and reduce repair costs, resulting in stable earnings. By leveraging the maintenance know-how amassed from its petroleum business, the Cosmo Oil Group will pursue stable earnings through the construction and operation of a first-class preventative maintenance system.

* Feed-in tariff: A policy arrangement designed to encourage the adoption of renewable energy sources, whereby national electric utilities companies are obligated to buy electricity generated from renewable sources, with the purchase price set by the government.

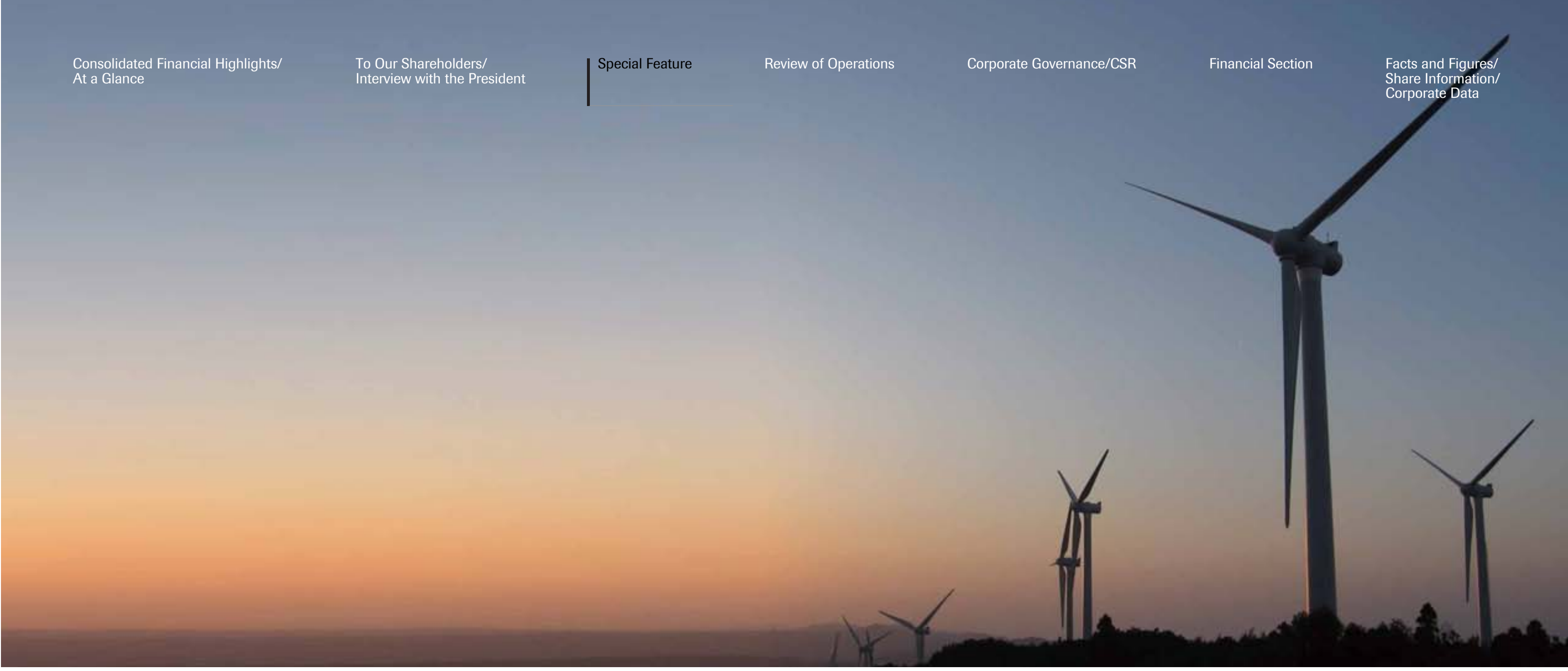
Solar Photovoltaic Power

Demand for Photovoltaic Power Generation is Clearly on the Rise, Supported by Promotion Policy of Japanese Government

The Japanese government introduced a feed-in tariff for solar photovoltaic power generation in FY2009. The use of solar photovoltaic power is consequently expected to grow in the near future as a result of the government's initiative to promote solar photovoltaic power's widespread adoption. In anticipation of this, the Cosmo Oil Group is currently conducting research into technologies that will enable the production of polycrystalline silicon (also known as polysilicon), the principal material to be used in photovoltaic cells, at a competitive cost.

The Cosmo Oil Group Eyes Entry into New Fields, Leveraging Strong Cost-Competitiveness

The polysilicon material production method under development by the Cosmo Oil Group is known as the "zinc reduction method." This method realizes a quality level adequate for photovoltaic cell use while enabling a sharp reduction in production costs. With photovoltaic cell manufacturers urgently seeking ways of reducing their silicon material procurements costs, the Group's cost-competitiveness makes entry into this new business field an attractive prospect, and we are currently examining various options. We intend to examine the feasibility of commercialization before the end of the Fourth Consolidated Medium-Term Management Plan (FY2010-2012).



Concentrated Solar Power

Concentrated Solar Power Seen as Promising Candidate for Core Electricity Generation System Capable of 24/7 Operation

Concentrated solar power (CSP) systems involve the use of mirrors or lenses to focus the sun's radiation onto a small area. The heat of the concentrated radiation is used to produce steam, which drives a turbine to generate electricity. In the Sun Belt regions of the world, the operation of such CSP systems is generally regarded as more economically efficient than photovoltaic (PV) systems. Unlike PV systems, CSP systems employ heat to generate electric power, which enables their operation during the nighttime hours as well. For this reason, CSP is being touted as a promising candidate for a core power generation system. CSP is not expected to compete with PV, which is a supplementary electricity source.

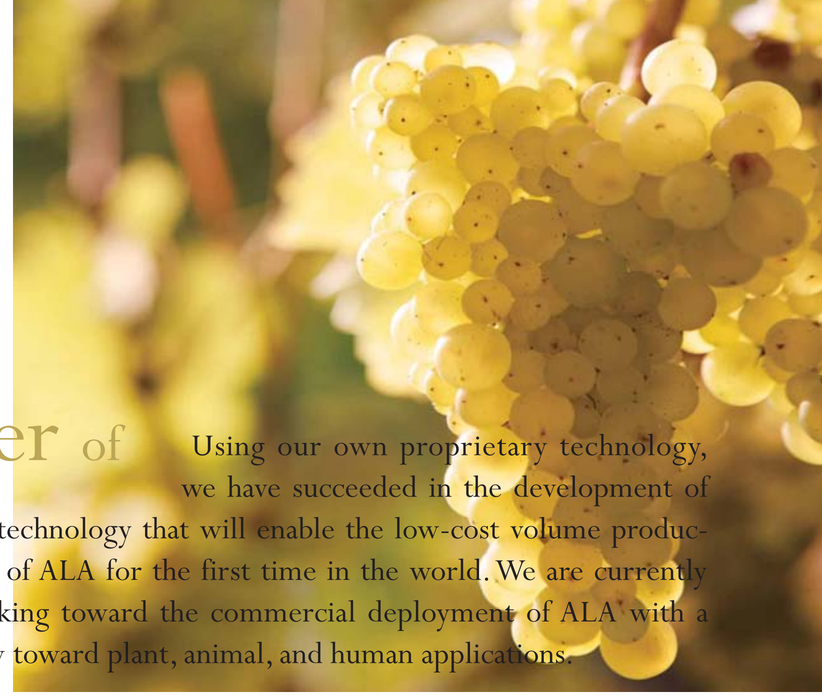
Joint Project with Masdar

The Cosmo Oil Group is working together with Masdar (the Abu Dhabi Future Energy Company), a governmental organization of the U.A.E. Emirate of Abu Dhabi, on a joint project to develop concentrated solar power (CSP) generation technology, employing technology provided by the Tokyo Institute of Technology. The Group's R&D activities are focused on a "beam-down" type solar concentration system, which has the advantage of enabling a stable supply of high-temperature steam for power generation.

We are currently conducting system tests at a pilot plant (100kW) in Masdar City, a carbon-neutral, zero-waste city under construction near Abu Dhabi. Work is proceeding on the pinpointing and analysis of technological problems, with a view to commercialization in the future.

▲ Polysilicon for application in solar photovoltaic power generation devices, produced using our proprietary technology

▲ Pilot plant in Masdar City for testing the "beam-down" type solar concentration system



Cosmo Oil is the pioneer of low-cost volume production of ALA

Using our own proprietary technology, we have succeeded in the development of the technology that will enable the low-cost volume production of ALA for the first time in the world. We are currently working toward the commercial deployment of ALA with a view toward plant, animal, and human applications.

What is ALA?

5-Amino Levulinic Acid (ALA) is a naturally occurring amino acid present in all living organisms, and it is a material that plays an important role in promoting their growth. Until now, ALA was a precious substance only used as a reagent in lab experiments for pharmaceutical and research purposes due to the difficulty of producing this substance in large quantities. However, the Cosmo Oil Group has succeeded in developing and patenting a microbial fermentation process that allows for a low-cost method of mass-producing ALA, marking a world's first.

Status of Business Deployment

We are working to expand commercial applications in a wide range of fields, making the best use of the superior features of ALA.

ALA Active Ingredients

The Cosmo Oil Group manufactures and sells ALA as an active ingredient for fertilizers, foods, and cosmetics, among others, and has more than an 80% share of the global market for ALA as an active ingredient.

ALA End Products

With regard to plant applications, the Cosmo Oil Group has developed a highly effective liquid fertilizer containing ALA for plants, which is being sold in Japan, Europe, and elsewhere, and is reporting a steady growth in sales. In addition, preparations are underway to start sales in the United States, centering on the West Coast, where agricultural production is high. We have also established a local subsidiary in China, the world's largest consumer of fertilizers, in preparation for the commencement of volume sales of ALA.

Regarding applications for animals, ALA is currently being sold as fish feed. We are now undertaking product development with the aim of selling ALA in the animal feed and pet food markets, both in Japan and overseas.

As for human applications, Cosmo Oil had already discovered the hair growth properties of ALA in the late 1990's. Since December 2005, we have been undertaking joint research and development activities with Milbon Co., Ltd. in the hair growth product field. In May 2008, Cosmo Oil established SBI ALApromo Co., Ltd. as a joint venture with SBI Holdings, Inc. This company develops and markets products that contain ALA for the cosmetics, health food and pharmaceuticals markets.

Safeguarding our ALA technology

ALA is produced using a microbial fermentation process. Regarding the safekeeping of these microbes, we are taking the necessary steps to prevent leaks and ensure a steady supply of these microbes, which are housed at facilities in several locations in Japan.

Deployments using ALA

Human applications	Animal applications	Plant applications
Cosmetics / Health food products / Pharmaceuticals	Animal feed / Pet food	Liquid fertilizers for home use
Hair Growth Reagents		Liquid fertilizers for agricultural use

Review of Operations

Making a Difference for Growth

Oil Exploration and Production Business

FY2009 Results

	Results	Year-on-Year Change
Net sales	¥59.6 billion	Down ¥29.5 billion
Operating income	¥27.0 billion	Down ¥23.8 billion

FY2010 Projection (Announced in May 2010)

	Projection	Year-on-Year Change
Net sales	¥80.0 billion	Up ¥20.4 billion
Operating income	¥34.0 billion	Up ¥7.0 billion

In the fiscal year ended March 2010, the Oil Exploration and Production business segment recorded operating income of ¥27.0 billion. This result shows that the segment was able to secure a profit despite the negative impact of falling crude oil prices on earnings. The Cosmo Oil Group will strive to generate consistent profits and boost overall earnings through the stable operation of existing oil fields and the simultaneous development of new ones.

FY2009 Performance

The Cosmo Oil Group undertakes oil exploration and production in the core areas of the United Arab Emirates (U.A.E.) and Qatar, and in the sub-core area of Australia. At present, we carry out stable production in the U.A.E. through Abu Dhabi Oil Co., Ltd. (ADOC), and United Petroleum Development Co., Ltd. (UPD), an equity-method affiliate. In Qatar, Qatar Petroleum Development Co., Ltd. (QPD) is steadily increasing its production volume. In Australia, we are undertaking exploration with a view to commencing production.

In FY2009, we sought to achieve stable production and maintain production volumes at ADOC. In Qatar, we steadily continued preparations for the start of commercial production at the A-Structure South oil field. As a result, production by ADOC rose 8%, to 24,092 barrels/day. Because UPD and QPD maintained production at FY2008 levels, total crude oil production by the three companies amounted to 44,314 barrels/day, a year-on-year increase of 4.0%.

The Oil Exploration and Production business segment reported a ¥23.8 billion decrease year on year in operating income, to ¥27.0 billion. Although production increased slightly in FY2009, falling crude oil prices had a significant impact on the segment's total earnings.

In addition, Cosmo Oil took over its wholly owned subsidiary Cosmo Energy Exploration & Development Co., Ltd. in February 2010. By absorbing the operations of its subsidiary, Cosmo Oil has been able to create an integrated structure, which extends from upstream functions to downstream activities. Through this absorption-type merger, the Company has been able to strengthen its direct control of the subsidiary's operations as well as accelerate the implementation of its own growth strategies.

Strategies and Outlook

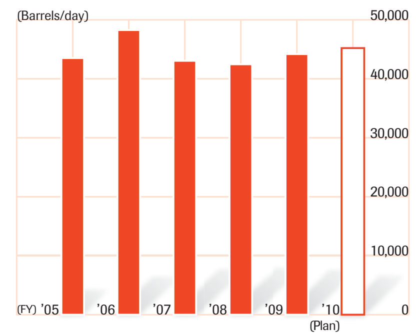
The Cosmo Oil Group adopts a two-pronged approach to expanding its oil exploration and production portfolio to enable steady earnings growth. One is the stable operation of existing oil fields underpinned by the Group's strong relationships with oil producing nations. The other is to continue developing new oil fields based on a policy of early cash flow recovery.

To this end, the Group will continue stable operations in existing oil fields in its core areas while also paying attention to safety and environmental issues. We will also increase oil production through the steady implementation of measures to ensure that production at new oil fields commences on schedule. These oil fields are the A-Structure South oil field in Qatar scheduled to start operation in 2011, and the Audacious and Tenacious oil fields in Australia scheduled to start operation in 2013. In addition, we plan to advance exploration at the Block 3 mining claims in Qatar and the AC/P32 mining claim in Australia with a view to progressing to production at the earliest opportunity.

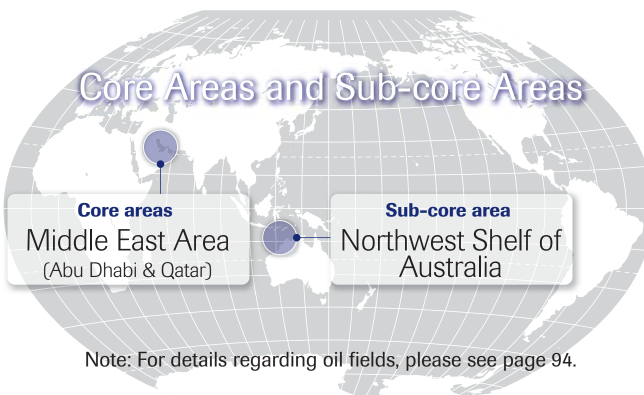
As a result of ongoing negotiations with the Supreme Petroleum Council of Abu Dhabi, the Cosmo Oil Group has reached an agreement on the main terms and conditions for the renewal of ADOC's Concession Agreement. Discussions are proceeding on the basis that a 30-year extension of the Concession Agreement and a new concession area will be granted. For more information, please refer to the "Oil Exploration and Production" special feature on pages 18-19.

Note: For Facts and Figures regarding the holdings of stock in each respective development company and other details, please see page 94.

Outlook for crude oil production volume



Notes: 1. Average production volume during the term for the three companies combined
2. Production volume from January to December 2009



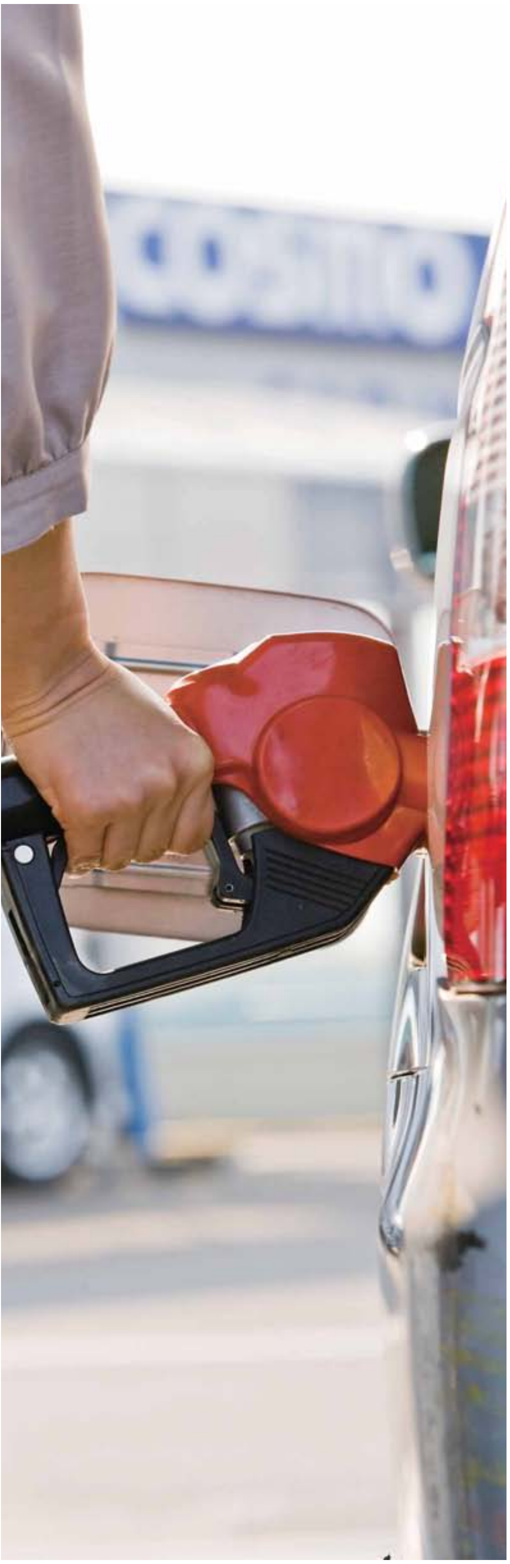
Note: For details regarding oil fields, please see page 94.

Yosuke Watanabe
Manager
Technical Group
Petroleum E&P Dept.

"We are getting ready to start up commercial production at the new oil field in Qatar."

The Cosmo Oil Group recognizes the importance of further deepening the strong relationships that its three oil exploration and production subsidiaries have forged through their business in Abu Dhabi and Qatar, which span many years. We also understand the significance of maintaining safe and stable operations of the companies producing oil fields over the long term. To this end, Qatar Petroleum Development has undertaken successful trial production at a well in the A-Structure South oil field, where it is readying to commence commercial production. We will continue preparing for the start of production in March 2011, while liaising closely with the involved parties.

Petroleum Business
(Petroleum Refining, Sales, Petrochemicals, and New Businesses)



FY2009 Results

	Results	Year-on-Year Change
Net sales	¥2,565.2 billion	Down ¥787.7 billion
Petroleum refining, sales	¥2,512.0 billion	Down ¥771.6 billion
Petrochemicals	¥53.2 billion	Down ¥16.1 billion
Operating income	¥9.5 billion	Up ¥172.1 billion
Petroleum refining, sales	¥8.7 billion	Up ¥169.0 billion
Petrochemicals	¥0.8 billion	Up ¥3.1 billion
Impact of inventory valuation	¥52.6 billion	Up ¥232.8 billion
Petroleum refining, sales	¥51.6 billion	Up ¥230.8 billion
Petrochemicals	¥1.0 billion	Up ¥2.0 billion

FY2010 Projection (Announced in May 2010)

	Projection	Year-on-Year Change
Net sales	¥2,480.0 billion	Down ¥85.2 billion
Petroleum refining, sales	¥2,416.5 billion	Down ¥95.5 billion
Petrochemicals	¥63.5 billion	Up ¥10.3 billion
Operating income	¥27.5 billion	Up ¥18.0 billion
Petroleum refining, sales	¥27.6 billion	Up ¥18.9 billion
Petrochemicals	-¥0.1 billion	Down ¥0.9 billion
Impact of inventory valuation	¥0	Down ¥52.6 billion
Petroleum refining, sales	¥0	Down ¥51.6 billion
Petrochemicals	¥0	Down ¥1.0 billion

In the year under review, the Petroleum Business segment reported an operating income of ¥9.5 billion (operating loss of ¥18.4 billion excluding the impact of inventory valuation). This was due to various factors, including a languishing market for petroleum products, as well as weak overseas demand and plummeting domestic demand stemming from the economic recession.

Petroleum Refining

FY2009 Performance

During the year, we built heavy oil cracking facilities (coker unit) at our Sakai Refinery to address the cutback in production of heavy oil due to a sharp decline in domestic demand. The commissioning of this facility will see a 1.6 million kiloliter reduction in the annual production of heavy fuel oil C and a 1.3 million kiloliter increase in the production of high-value-added middle distillates, such as diesel fuel and jet fuel. To address falling demand for petroleum products in Japan, in February 2010 we cut authorized capacity at the Group's refineries by 80,000 barrels/day.

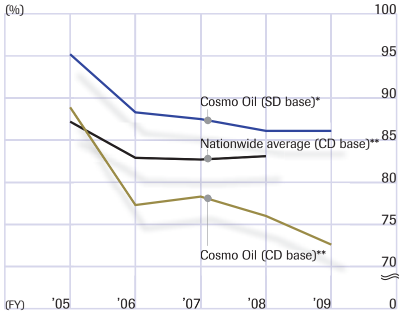
Strategies and Outlook

The commissioning of the new coker unit enhances the competitiveness of the Group's refineries, which had been relatively weak. This will be achieved by increasing production of high-value-added products and reducing the cost of raw materials by using more heavy crude oil, which is relatively inexpensive. The Group's aim is to increase earnings by maximizing these benefits and adjusting refinery operation to match current demand.

At the same time, we face the urgent issue of establishing an optimal petroleum product system that adjusts production to reflect the decrease in demand for petroleum products in Japan. The Group intends to address this issue during the implementation of its Fourth Consolidated Medium-Term Management Plan, covering the period from April 2010 to March 2013.

▲ Cosmo Oil Group's self-service station

Topper operating ratio



*SD base: Stream day base indicates calculations based on the number of operating days.
**CD base: Calendar day base is calculated using the number of calendar days.

Petroleum Domestic Sales

FY2009 Performance

In the year under review, weaker domestic demand for petroleum products resulted in a 0.3% year-on-year decline in overall demand. Factors included lower demand for heavy fuel oils, kerosene, diesel oils, and other oils used in industrial applications due to the economic downturn and the shift to alternative energy sources. This was despite steady demand for gasoline.

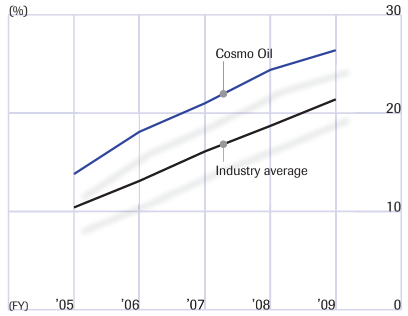
Although the Dubai crude oil price was at the US$40 per barrel level in April 2009, an influx of speculative money on top of expectations of a global economic recovery saw it rise sharply to the US$70-80 level from October. As a result, caught between high raw material prices and cheap product prices, the entire industry struggled to secure appropriate margins from their refining operations.

"We can maintain refining profits even when market prices are weak."

We have generated strong petroleum sales in Japan by adopting a number of strategies, including issuance of Cosmo the Card credit cards, which encourage users to become regular customers of our service stations, while also increasing the number of self-service stations (self SS). By leveraging our position, we aim to expand highly-profitable sales channels primarily through our sales subsidiaries and SS operators. In April 2010, we revised our product market-linked wholesale pricing formula. This will enable us to recover refining costs even when prices are low and to set shipment prices that are similar to current market prices. Although domestic demand is not expected to improve in 2010, the new pricing formula ensures that we can maintain refining profits even when market prices are weak.

Ryuichiro Makino
Manager
Administration Group
Sales Dept.

Self-service station ratio



Strategies and Outlook

The Cosmo Oil Group will revise its pricing formula to ensure that rises in crude oil prices are reflected in its wholesale prices. At the same time, we will establish an appropriate pricing structure by tailoring production to meet demand.

In April 2010, the Group was the first in the industry to revise its market-linked pricing formula, introduced in April 2009. The aim of the revision is to set wholesale prices as close as possible to current market prices and to ensure the recovery of raw materials and refining costs. The establishment of appropriate pricing is an issue shared by all domestic petroleum companies, and others are following suit.

We will also adopt measures to increase earnings by securing higher profit margins on refining and improve the margins of SS operators. To this end, we will increase sales volume ratios of our sales subsidiaries, invest in carefully selected self SS with high sales efficiency, and enhance customer brand loyalty by issuing more Cosmo the Card credit cards, which also benefit self SS.

Petroleum Overseas Sales

FY2009 Performance

In the year under review, exports of middle distillates (jet fuel, kerosene, and diesel fuel), declined to 1,100,000 kiloliters, a considerable fall from the previous year, due to a slow recovery in demand from languishing overseas markets affected by the economic downturn. In Japan, we were forced to scale back operations of our refineries due to the slump in domestic demand. For this reason, we did not have the capacity to export. Therefore, we procured 530,000 kiloliters locally when market prices proved advantageous. As a result, total overseas sales amounted to 1,630,000 kiloliters. We also exported a total of 60,000 kiloliters of asphalt.

Tetsuo Fukumoto

Manager
Products Trading Group
Petroleum Products Trading Dept.

"We will promote optimal procurement and sales according to trends in our various markets."

In FY2009, exports on a spot contract basis languished amid dramatic fluctuations in market conditions and a deteriorating overall export environment. However, the Cosmo Oil Group adopts a sales method emphasizing long-term contracts—where contract quantities are determined in advance—and thus was able to generate stable revenue.

With respect to sales to the United States, our leading overseas market, initially we exported from Japan, based on our assumption that market prices in the United States are higher than in Asia. However, market prices fell in the U.S. after the collapse of Lehman Brothers, and for this reason we switched to local procurement. Going forward, we will promote optimal procurement and sales according to trends in our various markets, including Japan, Asia, and the United States.

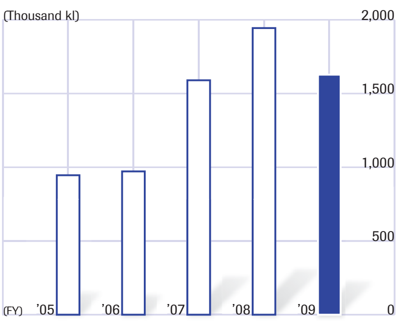
Strategies and Outlook

The Cosmo Oil Group has long-term contracts with more than 90% of its overseas customers. In North America, we have greater resilience to demand fluctuations compared with other companies due to having our own oil tanks and wholesale sales channels. A further strength of the Group's overseas sales business is its ability to respond to market price fluctuations by choosing the most appropriate sellers and procurement systems for all our markets, whether they be in Asia, Europe, or North America.

Looking ahead, markets in North America, South America, and Oceania, where we already have reliable sales channels, will remain key export markets. At the same time, we will develop new markets, primarily in emerging countries.

In addition to overseas sales of middle distillates, such as jet fuel, kerosene, and diesel fuel, we are currently developing sales channels with the intention of exporting other products, including gasoline and heavy oils.

Overseas sales of middle distillates



Note: Figures for FY2008 and FY2009 include amounts procured locally.

Petrochemicals

Note: The results in FY2009 and projections for FY2010 of the petrochemicals segment are included in the results and projections for the Petroleum Business on page 26.

FY2009 Performance

In the year under review, the petrochemicals segment reported an improved performance compared with the previous year, with operating income of ¥0.8 billion. This was due to a recovery in demand, mainly for ethylene.

In February 2010, HC Petrochem Co., Ltd. (HCP), a joint venture between Cosmo Oil and Hyundai Oilbank Co., Ltd. (HDO), commenced operations as a producer of para-xylene.* HCP will enable the Cosmo Oil Group to tailor its production to meet future increases in demand for para-xylene.

* Para-xylene is used to make polyester fiber and PET bottles. Population growth is expected to help boost demand for para-xylene.

Strategies and Outlook

At present, HCP's annual production capacity for para-xylene stands at 380,000 tonnes. The commissioning of a new production facility in 2013 will raise its capacity to 1,180,000 tonnes, making the new business one of the largest of its kind in the world.

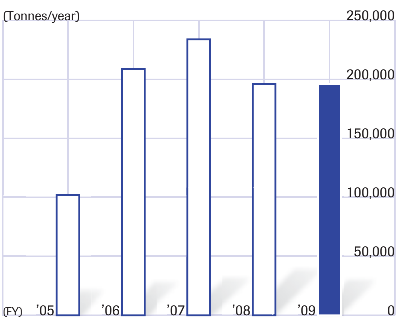
HCP was established at a total investment cost of ¥100 billion. The business was funded by a loan of ¥70.0 billion taken out by HCP, with the remaining ¥30.0 billion funded equally by HDO and Cosmo.

Demand for para-xylene is expected to grow in emerging economies, such as China and India. However, the para-xylene market is subject to extreme price fluctuations. When entering the para-xylene business, it is essential to ensure solid cost competitiveness through economies of scale, in order to generate earnings when market prices are low. HCP's strength lies in this area.

Cosmo Oil will benefit greatly from its participation in such a competitive joint venture for a relatively low level of investment. Going forward, we plan to build a new facility to produce mixed xylene, a raw material used to make para-xylene, at our Yokkaichi Refinery complex. This will double our production capacity, currently at 300,000 tonnes, enabling us to supply HCP with 600,000 tonnes of mixed xylene annually. By establishing integrated operations, extending from crude oil through to para-xylene, we will achieve both diversified sources of earnings and enhanced earnings power.

▲ Cosmo Oil Group's petrochemicals plant

Annual shipments of mixed xylene by the Cosmo Oil Group



Note: The amount of annual shipments is the combined total of shipments by CM Aromatics Co., Ltd. and Cosmo Matsuyama Oil Co., Ltd.

▲ Our wind power generation facilities

▲ Crop grown with ALA liquid fertilizer on the right

New Businesses

Note: The results in FY2009 and projections for FY2010 of the new businesses segment are included in the results and projections for the Petroleum Business on page 26.

Strategies and Outlook

The Cosmo Oil Group is pursuing new business opportunities in the environmental technology field, where it possesses significant know-how and expertise. Two such businesses are the renewable energy business, including wind power, and 5-Amino Levulinic Acid (ALA), in which we will deploy the Group's proprietary technologies to achieve low-cost mass production.

In the renewable energy field, we are working to establish new businesses in wind power generation, the manufacturing of silicon for use in solar power generation, and concentrated solar power generation. In March 2010, the Cosmo Oil Group entered the commercial wind power business when it acquired a power generation company.

In the ALA business, Cosmo Oil is already engaged in research, development, and sales activities, including in partnership with other companies, in a range of fields. In addition to the active ingredient supply business, these include fertilizers, animal feed and pet food, cosmetics, health food products, and pharmaceuticals.

Fumiaki Nokura
Director
Eco Power Co., Ltd.

"We will increase the utilization rate of wind turbines by focusing on preventative maintenance."

Eco Power Co., Ltd. (Eco Power) is a long-established wind power generator and has numerous power generation facilities in Hokkaido and Tohoku, where wind conditions are excellent.

The profitability of any wind power generation business depends upon the ability to operate generators as reliably as possible without breakdowns. Unfortunately, however, although Eco Power has a number of sites with excellent wind conditions, it has struggled with low operation because it has not been possible to make full use of these sites. In order to overcome this situation, Eco Power has established a system enabling prompt repairs in the unlikely event that a generator fails. In addition, we have been working on a "preventative maintenance" system. Under this system, we perform preventative maintenance work using empirical evidence as a basis for predicting which parts are likely to malfunction. We will employ this system to increase the utilization rate of wind power generation facilities, with the aim of turning a profit in the year ending March 2011.

With the prospect of the introduction of feed-in tariffs,* we will work hard to seize every opportunity to expand this business. To this end, we will not only develop new sites, but also upgrade equipment and increase the capacity of existing sites, in addition to considering site expansion.

* Feed-in tariff: A policy arrangement designed to encourage the adoption of renewable energy sources, whereby national electric utilities companies are obligated to buy electricity generated from renewable sources, with the purchase price set by the government.

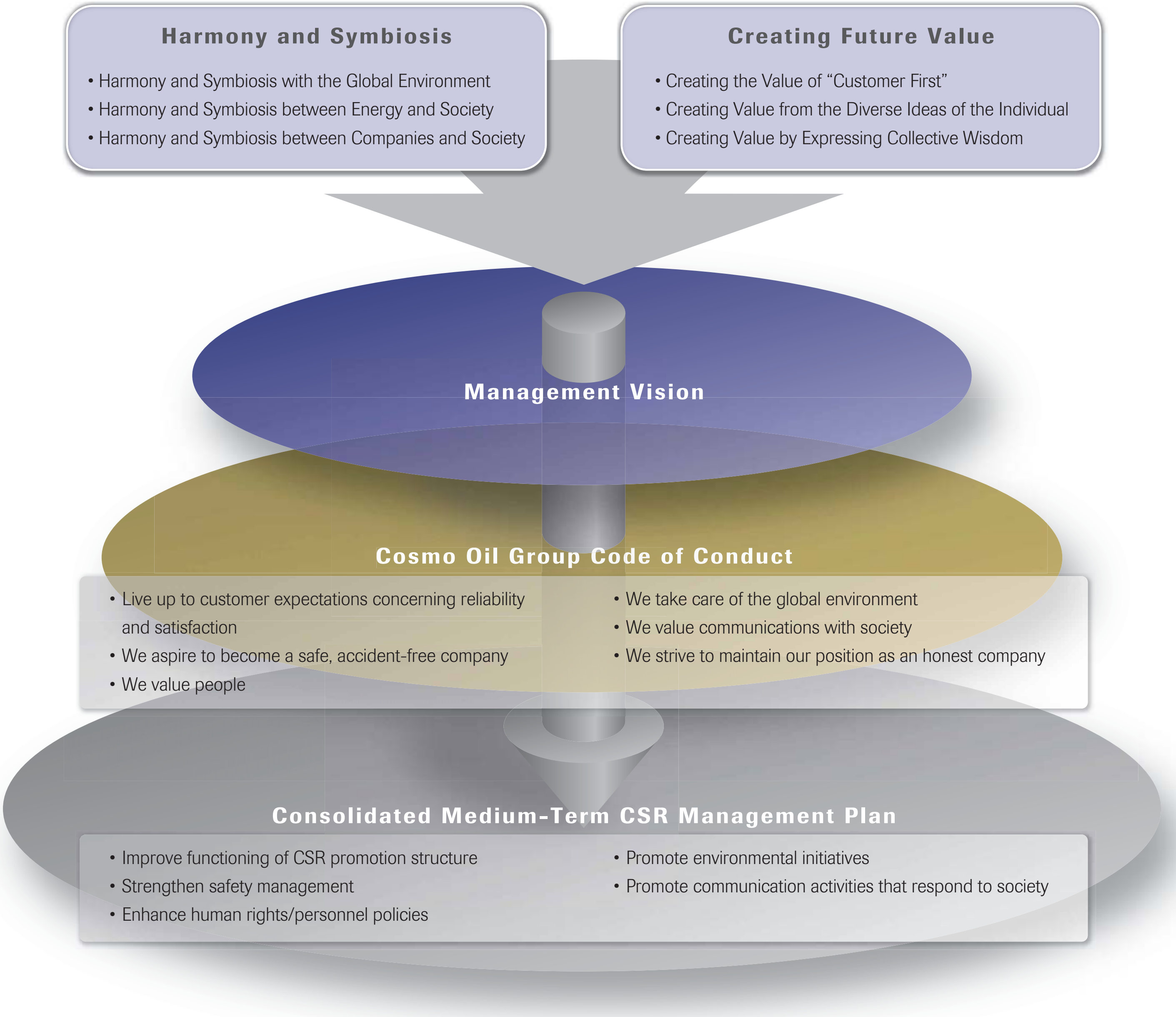
Corporate Governance / CSR

Making a Difference for Growth

Cosmo Oil Group Management Vision and CSR Management

Cosmo Oil Group Management Vision

In striving for harmony and symbiosis between our planet, humankind, and society, we aim for sustainable growth toward a future of limitless possibilities.

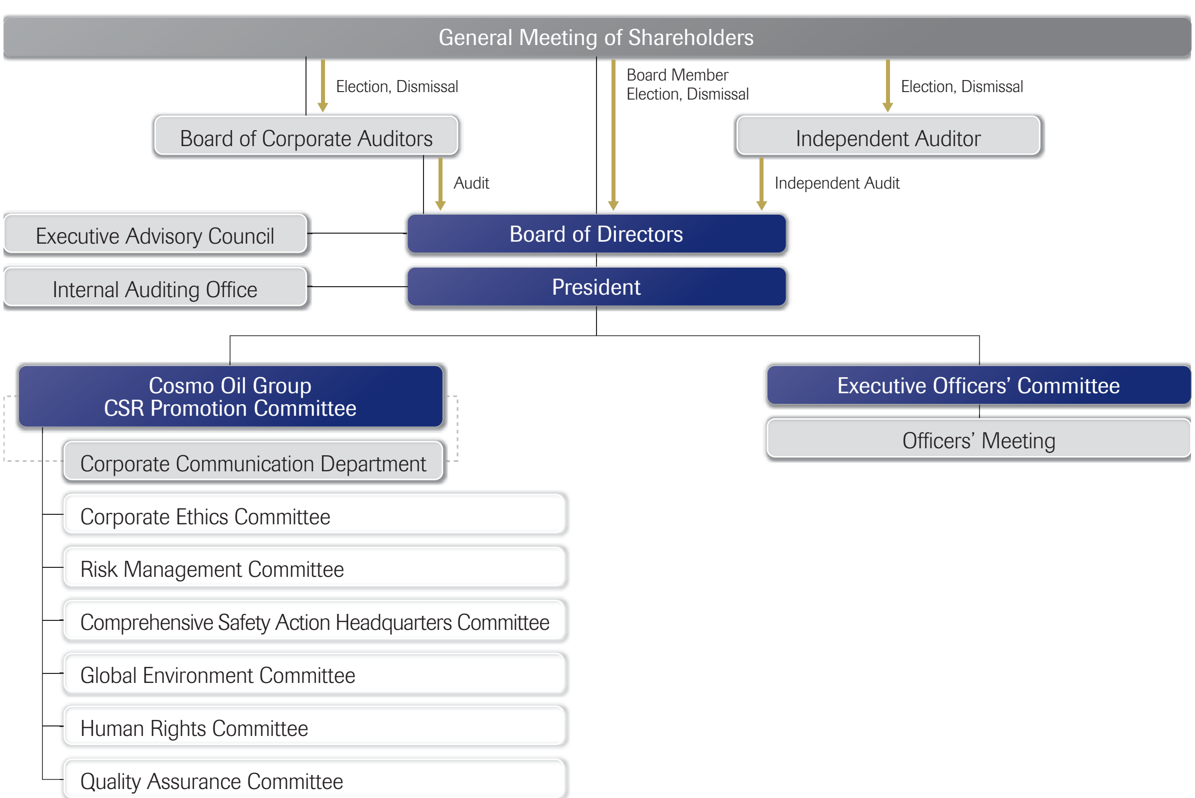


Basic Stance on Corporate Governance

Aiming to satisfy the requirements of investors and all other stakeholders to the utmost, we seek to achieve corporate governance that "manages operations more transparently and efficiently, implements decisions swiftly, and thoroughly scrutinizes risk management and compliance." We have established the Cosmo Oil Group Management Vision, and the Cosmo Oil Group Code of Conduct, which serve as our guiding principles for achieving our goals.

The Group recognizes that the standards of corporate governance are susceptible to change along with global trends and revisions to corporate legislation. Accordingly, while keeping an eye on these trends, we will continue to examine the best possible system for the Group by drawing on cases of excellent corporate governance systems in other countries.

Corporate governance structure (As of June 23, 2010)



Note: Each of these committees receives management support from relevant departments.

Corporate Governance Structure, Measures and Implementation Status

Directors and Board of Directors

• Board of Directors

The Board of Directors is the Group's top decision-making organ. It is responsible for resolving legal and regulatory issues and items in the Articles of Incorporation. The Board also establishes management policy and supervises directors' execution of business duties.

To enable prompt decision-making on management-related matters, we have set the maximum number of directors at 15.

• Appointment and Term

A provision in the Articles of Incorporation stipulates that directors shall be appointed by a method other than accumulative voting.

In order to clarify evaluation and responsibility for fiscal year results, the term of appointment has been shortened to the period from appointment through to the conclusion of the general meeting of shareholders held to finalize matters regarding the fiscal year that ends within a year of a director's appointment.

• Outside Directors

Two of the Board's 10 directors are appointed from outside the Group. Although outside directors do not have dedicated staff, they have immediate access to necessary information via the Corporate Planning Department.

• Separation of Roles of Chairman and President

Under the structure adopted by the Cosmo Oil Group, the Chairman heads meetings of the Board of Directors (except when concurrently president).

• Frequency and Attendance

Regulations governing the Board of Directors stipulate that in principle meetings are to be held once monthly, and that extraordinary meetings are to be held when necessary. At meetings, directors make decisions on important management-related matters and examine progress on business initiatives and measures for resolving problems.

In the period from the 2009 Ordinary General Meeting of Shareholders to the 2010 General Meeting, the Board of Directors met on 14 occasions. Major topics covered at these meetings included the Fourth Consolidated Medium-Term Management Plan (FY2010-FY2012), the establishment of the para-xylene joint venture with Hyundai Oilbank Co., Ltd., and the acquisition of Eco Power Co., Ltd. Reports on sales, exports, supply and demand, and monthly income summaries were presented at each meeting.

Directors		Board of Directors (14 times) Attendance Ratio*	
8 Directors		99%	
2 Outside Directors	Khalifa Al Romaithi	86%	12 of 14
	Jeffrey Kirk	93%	13 of 14

* Attendance ratios are calculated for the period from the Ordinary General Meeting of Shareholders, held on June 23, 2009, to the General Meeting held on June 23, 2010.

• Nominations and Evaluation by the Executive Advisory Council

The Council is responsible for evaluating the performance of directors, determining director remuneration, and deliberating on the selection of directors and auditors nominated for election at general meetings of shareholders. As an organ responsible for clarifying responsibility for management outcomes, the Council has been separated from the Board of Directors to ensure greater fairness and transparency.

Remuneration	
Remuneration for 13 Directors*	¥363.06 million
Remuneration for 3 Outside directors included in the above	¥17.76 million

* Includes three directors (including one outside director) who retired upon the completion of the 103rd Ordinary General Meeting of Shareholders held on June 23, 2009.

Executive Officer System

The Company has introduced an executive officer system to separate management oversight and business execution, as well as to facilitate swift responses to changes in the operating environment. To clarify the roles and responsibilities of "Directors" in charge of decision-making and management oversight, and those of "Executive Officers" in charge of business execution, on June 23, 2010 two new positions were created as executive officers with titles: "Chief Executive Officer" and "Executive Vice President."

• Appointment and Term

The Board of Directors appoints executive officers recommended by the Executive Advisory Council for one-year terms. The executive officers work under the Board of Directors and the president.

Important decision-making, deliberation, and information sharing concerning the execution of business are the responsibilities of the following committees.

Executive Officers' Committee

This committee is charged with making decisions and deliberating on basic policies and important matters concerning the execution of business in accordance with basic management policies determined by the Board of Directors. Regulations governing the Committee stipulate that it meets once weekly, and that additional meetings are convened as required. With the president as the chair of the committee, its membership comprises executive officers and auditors nominated by the President.

Officers' Meeting

This group was established below the Executive Officers' Committee to ensure the swift Group-wide implementation of matters decided by the Executive Officers' Committee. The Officers' Meeting convenes once monthly.

Auditors

• Board of Corporate Auditors

Members of the Board of Corporate Auditors attend Board of Directors' meetings and Executive Officers' Committee meetings to monitor the execution of business activities by directors and executive officers. They conduct effective audits in a fair manner by working closely with accounting auditors, internal audit entities, and the auditors of affiliates.

At present, the Board consists of five auditors: two full-time auditors, one full-time outside auditor, and two outside auditors.

Messages to Shareholders from Outside Directors

H. E. Mohamed Al Hamli
Minister of Energy, U.A.E.

As director of Cosmo Oil, I will do my best to ensure the Company meets shareholders' expectations. I have known the chairman and other officers of Cosmo Oil for a long, long time, and have been associated with them for more than twenty years. I am sure we will all work together to ensure that we add value for the shareholders of Cosmo Oil. I look forward to working with my colleagues, other directors, at Cosmo Oil.

H. E. Nasser Alsowaidi
Chairman of Abu Dhabi Department of Economic Development

I have known the executive management and the chairman of Cosmo Oil for many years, and am pleased to have the opportunity to serve as director of Cosmo Oil. As a member of the Board of Directors, I will do my best to uphold the responsibility of governance and to seek business opportunities for Cosmo Oil in and outside of Japan. I appreciate your support in the fulfillment of my duties as a director.

• Outside Auditors

To ensure the objective auditing of the Company's operations, three of the five corporate auditors are outside auditors, one of whom works full-time. The full-time outside auditor attends Board of Directors' meetings and other important committee meetings. The Company's audit secretariat provides administrative support to all auditors.

• Background and Reason for Selection of Outside Auditors

Name	Hirokazu Ando (full-time)
Background	Former executive officer and general manager of the Group Planning Department at Mitsubishi UFJ Financial Group, formerly UFJ Holdings Inc. Currently, an independent officer of Cosmo Oil.
Reason for selection	Mr. Ando has extensive experience in a broad range of industries besides the petroleum industry. He is a former executive officer and general manager of UFJ Holdings Inc. (currently Mitsubishi UFJ Financial Group), one of the Company's main business partners. A considerable period of time has elapsed since Mr. Ando retired from UFJ Holdings in June 2004, and the business relationship between the Company and UFJ Holdings is not deemed excessive. Consequently, Mr. Ando maintains a position of independence with no conflicts of interest between himself and regular shareholders.
Name	Hajime Miyamoto
Background	Former chairman and representative director of Kansai International Airport Co., Ltd. Currently, an independent officer of Cosmo Oil.
Reason for selection	Mr. Miyamoto is not an executive of a subsidiary or major client of the Company as defined in the Guidelines Concerning Listed Company Compliance, etc., which prescribes measures for determining the independence of independent directors and auditors. Consequently, Mr. Miyamoto maintains a position of independence with no conflicts of interest between himself and regular shareholders.
Name	Yoshitsugu Kondo
Background	Partner attorney at SANOCONDOW LAW OFFICE. Currently, an independent officer of Cosmo Oil.
Reason for selection	As an attorney, Mr. Kondo has expertise in corporate law and possesses ample knowledge of corporate governance. Although Mr. Kondo is a partner attorney at a law office with which Cosmo Oil has a legal advisory contract, the value of this contract is not sufficient to cause pecuniary dependence on the Company. Consequently, Mr. Kondo maintains a position of independence with no conflicts of interest between himself and regular shareholders.

• Attendance

Outside Auditors	Board of Directors (14 times)		Board of Corporate Auditors (14 times)	
	Attendance Ratio		Attendance Ratio	
Hirokazu Ando	100%	14 of 14	100%	14 of 14
Hajime Miyamoto	100%	14 of 14	92%	13 of 14
Yoshitsugu Kondo	100%	14 of 14	92%	13 of 14

• Remuneration

Remuneration	
Remuneration for 5 auditors	¥100.2 million
Remuneration for 3 outside auditors included in the above	¥46.2 million

Internal Auditing System

The Company's Internal Auditing Office, which is under the direct supervision of the president, has 13 full-time staff members. The Office conducts audits of the Company and Group subsidiaries in accordance with the annual internal auditing plan formulated by the Executive Officers' Committee. In addition to making specific suggestions for improving business efficiency, the Internal Auditing Office submits audit reports to senior management, the Executive Officers' Committee, and corporate auditors.

Accounting Audits

In the fiscal year ended March 31, 2010, the Group's accounts were audited independently by KPMG AZSA & Co. in accordance with Japan's Corporation Law and the Financial Instruments and Exchange Law. KPMG AZSA assigned certified public accountants Takaya Abe, Naoto Yokoi, and Hironori Iwamoto to audit the Company's accounts, which they conducted with the cooperation of our corporate auditors. Eight additional certified public accountants and ten assistants also participated in the audit.

• Independent Audit Company Remuneration

Remuneration	
Remuneration for audit certification*	¥177.7 million
Remuneration for purposes other than the above	¥14.0 million
Total	¥191.7 million

* Remuneration was made for services rendered in accordance with Article 2-1 of the Certified Public Accountants Law.

• Audit Coordination

To reinforce corporate governance, the Group strives to coordinate the auditing activities of its corporate auditors, accounting auditors, and the Internal Auditing Office.

In order to strengthen the auditing functions of the Group's companies, the corporate auditors hold Group audit liaison meetings once every three months. The Internal Auditing Office holds similar Group internal audit liaison meetings once every six months. Our corporate auditors and Internal Auditing Office staff attend these liaison meetings.

Internal Control System: Compliance and Risk Management

Internal Control System Fundamentals

Cosmo Oil is establishing systems to ensure effective risk management, internal auditing, and auditing by corporate auditors. The Cosmo Oil Group CSR Promotion Committee, which is under the direct supervision of the president, manages the Group's CSR initiatives and internal controls. The Committee also shares information concerning CSR management with affiliates.

• Compliance with Japan's Financial Instruments and Exchange Law

Since April 2008, it has been mandatory for all corporations in Japan to comply with new standards for the evaluation and auditing of internal controls over financial reporting in accordance with Japan's Financial Instruments and Exchange Law, the Japanese version of the Sarbanes-Oxley Act. An evaluation of internal controls relating to the reliability of financial reporting as required by the Law found that as of March 31, 2010, the internal control systems of the Company and its subsidiaries were "effective." An evaluation by the Company's independent auditor found its internal controls were appropriate.

Promotion of Corporate Ethics

The Cosmo Oil Group's Corporate Ethics Committee is charged with determining, promoting, and implementing its basic policy on corporate ethics. The Corporate Ethics Promotion Office assists the Committee with these tasks. Each of the Group's refineries has its own compliance committee to ensure rigorous compliance at these sites.

• Corporate Ethics Training

The Cosmo Oil Group conducts annual corporate ethics training for Group employees. In addition to stratified training according to rank, training sessions are sponsored by both the general managers of offices and departments and the presidents of Group companies. In order to reaffirm the importance of compliance, the Company in FY2009 held training sessions using topical examples on various issues, including legal violations and power harassment.

• Corporate Ethics Consultation Helpline

The Cosmo Oil Group has set up a helpline by which employees or persons outside the Company can discuss or report legal or ethical problems concerning Group operations or other related matters. In addition to the helpline, as part of the Corporate Ethics Promotion Office, a consultation helpline staffed by external experts has been established. Callers are assured anonymity to avoid any adverse repercussions. In FY2009, five consultation cases were received and promptly addressed.

• Business Continuity Plan (BCP)

Earthquake Drill and Anti-Influenza Measures

In September 2009, the Company conducted its third real-time simulation drill based on a hypothetical scenario of an earthquake of 7.3 magnitude or higher in the northern section of Tokyo Bay. In FY2010 and beyond, we plan to continue comprehensive BCP training incorporating the results of this drill. We revised the Action Plan to Deal with New Influenzas formulated in July 2007, and in October 2009 formulated a Group-wide BCP manual, as well as BCP manuals for each division.

Initiatives Aimed at Reinforcing Corporate Governance

• Share Acquisition Guidelines

In June 2006, the Cosmo Oil Group established share acquisition guidelines as an internal standard for executives who own Company shares to encourage continued long-term increases in corporate value. The Group does not grant stock options to directors.

• Basic Policy on Large-Scale Share Acquisition

At the present time, the Cosmo Oil Group does not have a specific policy in place for handling shareholders with multiple voting rights that would enable them to control resolutions on the Group's financial and business policies. Nor has the Company introduced measures for defending such attempts to gain control. However, we plan to examine whether such measures are required in order to maintain and enhance shareholder value. We will do this by considering changes to laws and regulations, changes in the operating environment, the wishes of shareholders, and cases of the introduction of such measures by other companies.

• Ordinary General Meeting of Shareholders

In Japan, there is a tendency for companies to hold their annual general shareholder meetings around the same time. In order to encourage as many Cosmo Oil shareholders as possible to attend our meetings, the Group schedules its annual meeting so that it does not clash with the majority of other meetings. In addition to introducing a system enabling shareholders to exercise their voting rights via the Internet, institutional investors are able to exercise their rights promptly and accurately using our institutional investor electronic proxy voting platform.

• Corporate Governance Quotient

The Corporate Governance Quotient (CGQ) is the industry's standard rating system devised by RiskMetrics Group to evaluate corporate governance, and is used by more than 7,500 companies worldwide. As of July 1, 2010, the Cosmo Oil Group had a relative percentile ranking of 99.3% as a Japanese company, placing it in the top 0.7% of companies in Japan.

A company is a part of society. For a company to grow and develop, therefore, it must earn the recognition of society. Moreover, society must be peaceful and healthy, and the global environment must be properly protected. We are committed to fulfilling our corporate responsibilities and making broad contributions to society. To this end, we seek to serve as a company where each and every employee embraces a social contribution mindset.

Concept of social contribution activity

- To educate children who will be part of the future society
- To preserve the global environment—the foundations of a sustainable society
- To form a peaceful, considerate and cultural society

Basic policy of social contribution activity

- Activities unique to the Cosmo Oil Group
- Full personnel participation
- Lasting presence regardless of the Group's business status

Activities for Children, the Environment, and Society

These activities are designed to foster the emergence of healthy future generations and encourage employees to give back to the community in the spirit of voluntary participation. We are also working to improve the quality of our activities and expand our fields of involvement, by extending our partnerships with customers, nonprofit organizations (NPOs), and entities that we support. Such ongoing activities help raise our profile both within and outside the Group and help foster the spirit of social contribution. The know-how, human resources, and other assets acquired through these activities form a foundation enabling the Group to implement programs that address social issues in a timely manner.

Cosmo Waku Waku Camp

The Cosmo Oil Group has deep ties with the automobile-based society. With this in mind, since 1993 we have held our annual Cosmo Waku Waku Camp, a nature-oriented program for primary school children orphaned by traffic accidents. Employee volunteers play a broad role in planning and managing this event, which is designed to foster the healthy development of children and raise their environmental awareness.

Spreading the Environmental Message

The Cosmo Oil Group holds various events under the theme of the environment. We also provide relevant information via radio, our corporate website, and publications, thus expanding opportunities for people to consider and act in the interests of the environment.

Clean Campaign

While promoting familiarity with nature, we conduct environmental cleanup campaigns throughout the year in mountains, rivers, ocean beaches, lakes, parks, and other locations across Japan. We also hold various events after each cleanup, including live concerts by various artists and sports events, enabling people of all ages, from children to adults, to enjoy nature as they participate in environmental activities. Additionally, every summer we hold a cleanup campaign and an eco-trekking event on Mt. Fuji.

Cosmo Oil Eco Card Fund

The Cosmo Oil Eco Card Fund "Living with Our Planet" projects are run in partnership with NPOs, nongovernmental organizations (NGOs), research institutes, and overseas communities. The Fund operates with donations from Cosmo the Card Opus "Eco" and Cosmo the Card House "Eco" cardholders and a portion of sales donated by the Cosmo Oil Group.

Protecting Tropical Rainforests

In Papua New Guinea and the Solomon Islands the Fund is providing technical guidance and promoting the widespread practice of sedentary organic farming as a means of controlling excessive slash-and-burn agricultural practices and at the same time ensuring local residents can earn adequate cash income to enable them to be self-sufficient in feeding themselves and maintaining stable livelihoods. Its efforts to improve training facilities where agricultural instructors will receive training will enable local residents who undergo training there to become leaders in teaching technical skills in their areas. Through this project the Fund hopes to conserve tropical rainforests and help local residents secure stable livelihoods.

SRI Index

Whereas regular investing is based solely on economic perspectives, socially responsible investing (SRI) is receiving attention because it also incorporates environmental and social contribution benchmarks in its investment criteria. As of July 2010, Cosmo Oil was included in two internationally recognized SRI indexes: FTSE4Good Global Index (since March 2003) and Morningstar Socially Responsible Investing Index (since July 2003).

MS-SRI

FTSE4Good

Information on CSR Activities

For more detailed information on the Group's CSR and environmental activities, please visit the following site

http://www.cosmo-oil.co.jp/eng/csr/sustain/index.html

Social Contribution Activities: Social Contribution Activities Report 2010

http://www.cosmo-oil.co.jp/company/publish/sc_report/index.html

CSR Activities: Corporate Report 2010

http://www.cosmo-oil.co.jp/eng/csr/sustain/index.html

Note: This report will be available for viewing on this website from October 2010.

(From front left) Keizo Morikawa, Keiichiro Okabe, Yaichi Kimura, Kenji Hosaka
(From back left) Hideto Matsumura, Naomasa Kondo, Satoshi Miyamoto, Atsuto Tamura

Chairman, Representative Director

Keiichiro Okabe

President, Representative Director, Chief Executive Officer

Yaichi Kimura

Representative Director, Executive Vice President

Keizo Morikawa
Assistant of President, Change Promotion Dept., and Personnel Dept.

Representative Director, Senior Managing Executive Officer

Kenji Hosaka
Corporate Planning Dept., and Petroleum E & P Dept.

Directors, Senior Executive Officers

Naomasa Kondo
Refining & Technology Dept., Maintenance & Engineering Dept., and Safety & Environment Control Dept.

Satoshi Miyamoto
Accounting Dept., Finance Dept., Distribution Dept., and Project Development Dept.

Hideto Matsumura
Corporate Communication Dept., R&D Dept., and Purchasing Center

Atsuto Tamura
General Affairs Dept., Affiliate Relations Dept., and Information System Planning Dept.

Directors

Mohamed Al Hamli

Nasser Alsowaidi

Auditors

Makoto Suzuki

Hirokazu Ando*

Hideo Suzuki

(*Outside Auditor)

Independent Auditors

Hajime Miyamoto*

Yoshitsugu Kondo*

(*Outside Auditor)

Senior Executive Officers

Kanesada Sufu
General Manager, Project Development Dept.

Hisashi Kobayashi
Sales Dept., Wholesale Marketing Dept., Industrial Fuel Marketing Dept., and Demand & Supply Coordination Dept.

Hirohiko Ogiwara
General Manager, Tokyo Branch Office

Satoshi Nishi
General Manager, Accounting Dept.

Isao Kusakabe
International Ventures Dept., Crude Oil & Tanker Dept., and Petroleum Products Trading Dept.

Hideo Matsushita
General Manager, Petroleum E & P Dept., Assistant of Director for E & P Business

Hiroaki Fujioka
General Manager, Sakai Refinery

Executive Officers

Toshiaki Iwana
General Manager, Chiba Refinery

Katsuhisa Ohtaki
General Manager, Yokkaichi Refinery

Teruyuki Takishima
General Manager, Maintenance & Engineering Dept.

Hiroshi Kiriyama
General Manager, Corporate Planning Dept., and General Manager, Change Promotion Dept.

Muneyuki Sano
General Manager, Industrial Fuel Marketing Dept.

Masayoshi Ishino
General Manager, Crude Oil & Tanker Dept.

Takashi Shono
General Manager, Sakaide Refinery

Yasushi Ohe
General Manager, Demand & Supply Coordination Dept.

Katsuyuki Ihara
General Manager, Refining & Technology Dept.

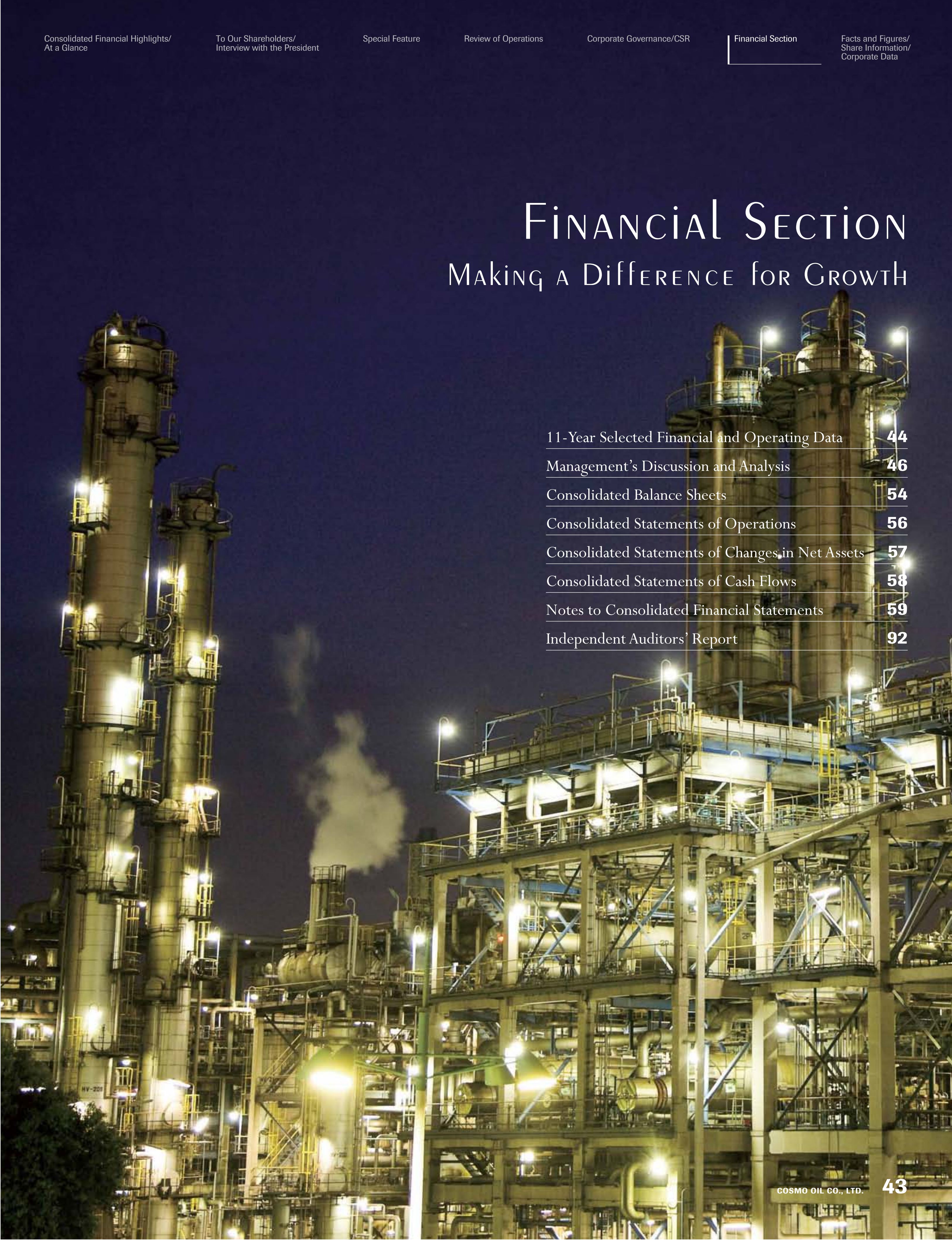
Shigenori Nakano
General Manager, Distribution Dept.

Yoshimitsu Watanabe
General Manager, Information System Planning Dept.

Note: The Internal Auditing Office reports directly to the President.

Financial Section

Making a Difference for Growth



11-YEAR SELECTED FINANCIAL AND OPERATING DATA

Cosmo Oil Company, Limited and Consolidated Subsidiaries / Years ended March 31

	Millions of yen					
	2000	2001	2002	2003	2004	2005
For The Year						
Net sales	¥1,584,678	¥1,845,842	¥1,813,838	¥1,902,768	¥1,916,278	¥2,154,559
Petroleum business	N.A.	N.A.	1,749,882	1,832,598	1,863,091	2,105,257
Oil exploration and production	N.A.	N.A.	30,532	33,397	31,646	36,903
Other	N.A.	N.A.	77,221	73,928	66,734	83,006
Elimination or corporate	N.A.	N.A.	(43,797)	(37,157)	(45,194)	(70,607)
Cost of sales	1,427,640	1,664,757	1,659,438	1,754,853	1,758,858	1,956,160
Selling, general and administrative expenses	140,373	144,503	132,343	123,748	132,174	132,701
Operating income (loss)	16,665	36,582	22,057	24,167	25,246	65,698
Inventory valuation gain (loss)	—	13,800	(9,000)	17,300	(9,500)	12,600
Operating income (loss) excluding the impact of inventory valuation	16,665	22,782	31,057	6,867	34,746	53,098
Income (loss) before income taxes and minority interests	13,313	22,460	(1,881)	12,966	17,592	47,533
Net income (loss)	4,841	8,674	(5,190)	3,426	8,179	26,415
Capital expenditures	22,593	17,108	25,430	24,132	36,573	30,113
R&D costs	4,567	3,566	3,805	3,867	3,558	3,635
Depreciation and amortization	23,436	24,672	23,492	22,843	23,632	24,927
Cash flows from operating activities	(42,698)	58,824	76,646	(26,975)	101,827	40,494
Cash flows from investing activities	13,538	27,348	(13,944)	(12,811)	(32,709)	(36,577)
Cash flows from financing activities	31,271	(87,229)	(88,546)	10,127	(7,679)	(70,163)
At Year-End						
Total assets	¥1,294,843	¥1,319,960	¥1,242,171	¥1,246,730	¥1,260,092	¥1,323,149
Minority interests	21,462	21,243	23,395	24,773	24,887	17,945
Total shareholders' equity	179,536	177,773	194,303	193,595	204,806	227,897
Total current assets	614,992	630,950	535,125	557,460	560,843	611,213
Total current liabilities	658,966	702,556	635,358	659,223	659,402	692,620
Interest-bearing debt	687,563	610,686	548,653	562,649	559,259	497,804
Shares of common stock issued (thousands)	631,705	631,705	631,705	631,705	631,705	631,705

	Yen					
Per Share Data						
Basic net income (loss)	¥ 7.76	¥ 13.81	¥ (8.24)	¥ 5.42	¥ 12.95	¥ 41.73
Diluted net income	7.68	13.53	—	—	12.74	—
Net assets	286.75	282.09	308.65	306.67	324.43	360.93
Cash dividends	6.00	6.00	6.00	6.00	6.00	8.00
Ratios						
Return on assets (ROA) (%)	0.4	0.7	—	0.3	0.7	2.0
Return on equity (ROE) (%)	2.6	4.9	—	1.8	4.1	12.2
Shareholders' equity ratio (%)	13.9	13.5	15.6	15.5	16.3	17.2
Debt-to-total capital ratio (%)	79.3	77.5	73.8	74.4	73.2	68.6
Debt-to-total assets (%)	53.1	46.3	44.2	45.1	44.4	37.6
Debt-to-equity ratio (times)	3.8	3.4	2.8	2.9	2.7	2.2

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for the convenience of readers only, at the rate of ¥93.04 to US$1.00, the approximate rate of exchange prevailing at March 31, 2010.
2. Effective from the fiscal year ended March 31, 2003, the Company adopted a new standard for earnings per share; prior-year figures have not been restated.
3. Recorded inventory valuation gains (losses) from the fiscal year ended March 31, 2001 through the fiscal year ended March 31, 2008 are based on the periodic average method of inventory valuation, whereas recorded inventory valuation gains (losses) from the fiscal year ended March 31, 2010 are based on the lower of cost or market method as dictated by ASBJ (Accounting Standards Board of Japan) Statement No. 9, "Accounting Standard for Measurement of Inventories." Regarding the effect of inventory gain (loss) for the fiscal year ended March 31, 2001, stated inventory valuation gain reflects a change in accounting for inventory valuation from the last-in, first-out (LIFO) accounting method to the overall average price method.

	Millions of yen					Thousands of U.S. dollars
	2006	2007	2008	2009	2010	2010
For The Year						
Net sales	¥2,670,628	¥3,062,744	¥3,523,087	¥3,428,211	¥2,612,141	$28,075,462
Petroleum business	2,617,446	2,984,516	3,442,186	3,352,916	2,565,153	27,570,432
Oil exploration and production	50,476	78,132	84,069	89,054	59,553	640,080
Other	69,369	85,517	99,010	91,790	88,470	950,881
Elimination or corporate	(66,663)	(85,421)	(102,178)	(105,549)	(101,035)	(1,085,931)
Cost of sales	2,422,272	2,852,242	3,290,688	3,389,408	2,435,366	26,175,473
Selling, general and administrative expenses	137,108	140,859	148,602	145,809	142,568	1,532,330
Operating income (loss)	111,248	69,643	83,797	(107,006)	34,207	367,659
Inventory valuation gain (loss)	45,400	2,800	45,000	(180,100)	52,600	565,348
Operating income (loss) excluding the impact of inventory valuation	65,848	66,843	38,797	73,094	(18,393)	(197,689)
Income (loss) before income taxes and minority interests	120,393	71,243	95,561	(117,180)	35,527	381,847
Net income (loss)	61,795	26,536	35,153	(92,430)	(10,741)	(115,445)
Capital expenditures	31,762	36,127	48,958	67,025	87,677	942,358
R&D costs	3,483	3,753	3,840	3,863	3,657	39,306
Depreciation and amortization	28,313	29,246	33,240	34,967	37,995	408,373
Cash flows from operating activities	(20,685)	25,005	(4,215)	82,136	2,262	24,313
Cash flows from investing activities	(1,348)	(35,868)	(32,806)	(55,953)	(93,306)	(1,002,859)
Cash flows from financing activities	39,608	80,023	(5,229)	57,854	159,302	1,712,188
At Year-End						
Total assets	¥1,463,579	¥1,579,156	¥1,627,904	¥1,440,396	¥1,645,048	$17,681,083
Minority interests	20,803	21,912	26,815	19,016	15,833	170,174
Total shareholders' equity	312,504	339,701	442,912	328,434	315,747	3,393,670
Total current assets	762,404	882,082	933,722	688,310	845,337	9,085,737
Total current liabilities	733,452	811,846	812,028	683,883	744,174	7,998,431
Interest-bearing debt	522,430	609,890	521,605	598,609	777,739	8,359,189
Shares of common stock issued (thousands)	671,705	671,705	847,705	847,705	847,705	
	Yen					U.S. dollars
Per Share Data						
Basic net income (loss)	¥ 94.54	¥ 39.54	¥ 46.72	¥ (109.11)	¥ (12.68)	$ (0.14)
Diluted net income	92.17	37.91	44.98	—	—	—
Net assets	465.48	506.15	522.84	387.71	372.74	4.0
Cash dividends	10.00	8.00	8.00	8.00	8.00	0.09
Ratios						
Return on assets (ROA) (%)	4.4	1.7	2.2	(6.0)	(0.7)	
Return on equity (ROE) (%)	22.9	8.0	9.0	(24.0)	(3.3)	
Shareholders' equity ratio (%)	21.4	21.5	27.2	22.8	19.2	
Debt-to-total capital ratio (%)	62.6	64.2	54.1	64.6	71.1	
Debt-to-total assets (%)	35.7	38.6	32.0	41.6	47.3	
Debt-to-equity ratio (times)	1.7	1.8	1.2	1.8	2.5	

4. Shareholders' equity until the fiscal year ended March 31, 2006 excluded minority interests. Shareholders' equity = Net assets − Minority interests.
5. Up to and including the fiscal year ended March 31, 2006, total shareholders' equity per share was presented rather than net assets per share.
6. Up to and including the fiscal year ended March 31, 2006, ROE was calculated as net income divided by total shareholders' equity.
7. Up to and including the fiscal year ended March 31, 2006, the debt-to-equity ratio was calculated using total shareholders' equity.

Operating Environment

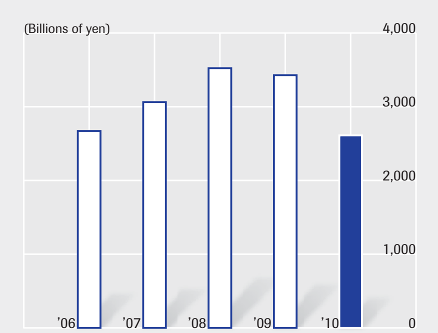
In the fiscal year ended March 31, 2010, the Japanese economy, while remaining impacted by the worldwide financial crisis that began in the second half of 2008, showed signs of turning around owing to several factors. These included independent economic recovery in newly emerging countries and recovery in demand sparked by economic stimulus measures taken by governments in industrialized nations. However, overall conditions remained challenging amid ongoing moderate deflation and a high unemployment rate. Accordingly, real GDP posted negative 5.3% growth in 2009. Under these circumstances, overall domestic demand for oil products declined due to various factors. These included high gasoline prices, which have been growing year by year, as well as a trend among young people to shun automobile ownership. Demand for diesel fuel has also declined due to a decrease in the number of trucks on the road as companies rationalize their logistics operations. Meanwhile, demand for kerosene and heavy fuel oil A have been affected by people's efforts to save energy and convert to other forms of energy.

The price of Dubai crude oil began the year in the US$47/barrel range. After October 2009, however, the price rose to between US$70 and the US$80 range, following upward revisions in forecasts for international oil demand by the International Energy Agency and others, as well as expectations of economic recovery driven by growth in China. Accordingly, the Dubai crude oil ended the year in the US$78/barrel range. The average price over the year was in the US$69/barrel range, down US$13 from the previous year.

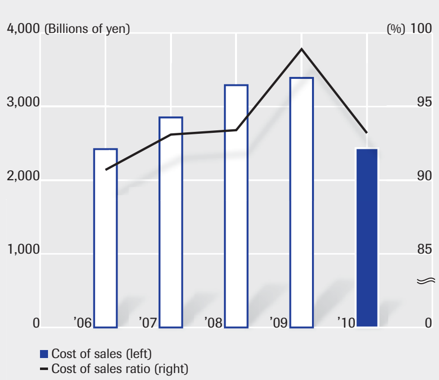
In the foreign exchange market, the Japanese yen was at ¥98=US$1.00 at the beginning of the year, reflecting weakness in the U.S. dollar, which then declined dramatically to ¥84=US$1.00 in November 2009 following credit concerns in Europe and the so-called "Dubai shock." The U.S. dollar subsequently appreciated moderately, due to additional financial easing measures taken by the Bank of Japan, as well as an increase in long-term interest rates stemming from anticipation of economic recovery in the United States. The Japanese yen was at ¥93=US$1.00 at the end of the year. The average exchange rate for the year was in the high ¥92=US$1.00 range, marking an appreciation of 10 yen over the previous year's level.

In Japan, the market for petroleum products remained depressed due to a retreat in demand. Increases in crude oil prices during the year failed to fully compensate for such weakness, as we were unable to pass on the full amount of the rise in crude oil prices to the sales price. The period under review was the second year of our Third Consolidated Medium-Term Management Plan, a three-year plan which began in April 2008. During the year, the Group united in an effort to rebuild its earnings base

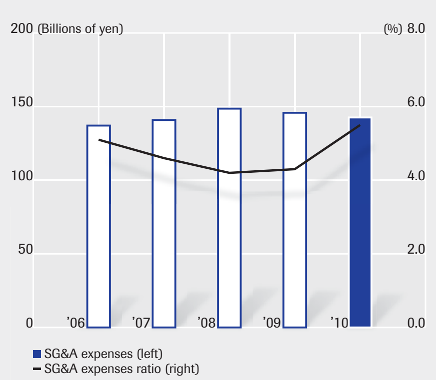
Net sales



Cost of sales, Cost of sales ratio



SG&A expenses, SG&A expenses ratio



and lay the foundation for future growth. However, domestic demand has declined more rapidly than expected, and markets for our products have languished. Meanwhile, it has remained difficult to maintain good margins with crude oil prices remaining at high levels. For these reasons, we ended our Third Consolidated Medium-Term Management Plan after the completion of its second year, and launched our Fourth Consolidated Medium-Term Management Plan (FY2010-2012) in April 2010.

Review of Operations

Overview

Consolidated net sales for the year amounted to ¥2,612.1 billion, down ¥816.1 billion from the previous year. Operating income totaled ¥34.2 billion, compared with an operating loss of ¥107.0 billion in the previous year, and the Group posted a net loss of ¥10.7 billion, compared with a net loss of ¥92.4 billion in the previous year.

Due to the increase in oil prices, the Group posted a ¥52.6 billion inventory valuation gain. Excluding the impact of inventory valuation, the Group posted an operating loss of ¥18.4 billion.

Net Sales

Consolidated net sales for the year declined ¥816.1 billion, to ¥2,612.1 billion.

In the Petroleum business segment, sales decreased ¥787.7 billion, to ¥2,565.2 billion. This was mainly due to declines in domestic sales, exports, and sales volume, as well as falling sales prices.

In the Oil Exploration and Production business segment, sales dropped ¥29.5 billion, to ¥59.6 billion. This was mainly due to a decline in crude oil prices compared with the previous fiscal year, which more than offset a slight increase in production volume.

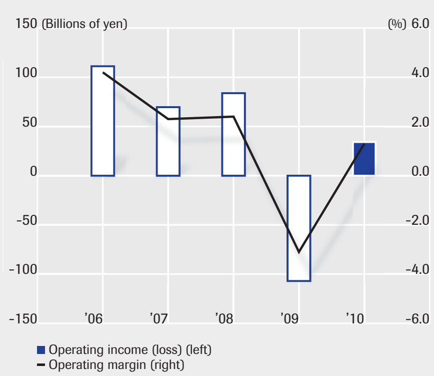
In the Other business segment sales declined ¥3.3 billion, to ¥88.5 billion.

Operating Income

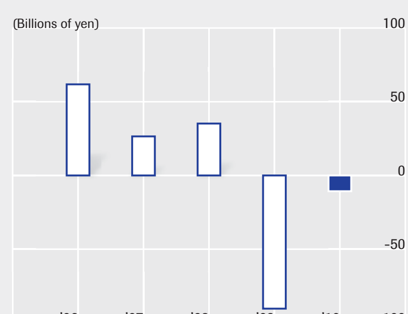
Operating income for the year amounted to ¥34.2 billion, compared with an operating loss of ¥107.0 billion in the previous year.

In the Petroleum business segment, sales of petroleum products declined in tandem with crude oil and product prices. Sales volumes of petroleum products were also down. Despite deteriorating market conditions, however, the impact of inventory valuation helped suppress increases in cost of sales. Accordingly, segment operating income totaled ¥9.4 billion, compared with an operating loss of ¥162.6 billion in the previous year. Excluding the impact of inventory valuation, the segment posted an operating loss of ¥43.1 billion. Earnings from the petrochemicals business increased year on year, thanks to a recovery in demand for petrochemical products.

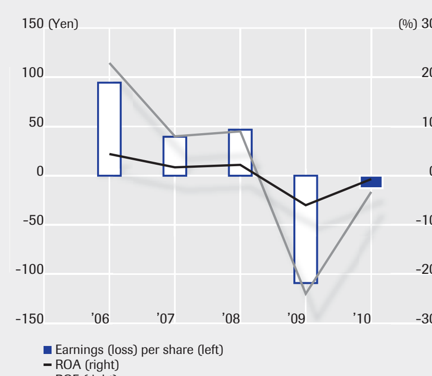
Operating income (loss), Operating margin



Net income (loss)



Earnings (loss) per share, ROA, ROE



The Oil Exploration and Production business segment reported a ¥23.8 billion fall in operating income, to ¥27.0 billion, due to the negative impact of price declines, which more than offset a slight increase in production volume.

Other Income (expenses)

Other income (net of other expenses) amounted to ¥1.32 billion, compared with other expenses (net of other income) of ¥10.2 billion in the previous year. Major factors included a foreign currency exchange gain of ¥2.5 billion, compared with a foreign currency exchange loss of ¥9.3 billion in the previous year, as well as equity in earnings of affiliates of ¥7.3 billion, compared with equity in losses of affiliates of ¥1.1 billion in the previous year. The Group also posted a ¥0.3 billion net loss on sales of investments in securities, a ¥2.1 billion loss on valuation of investments in securities, and a ¥1.9 billion gain on sales of shares in affiliates.

Net Income

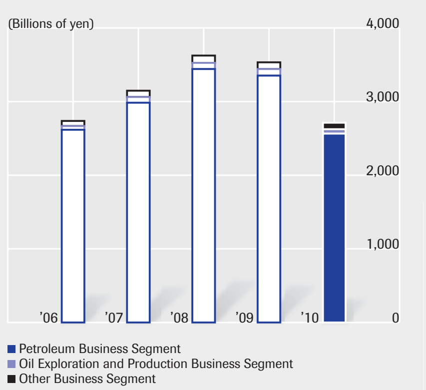
Income before income taxes and minority interests totaled ¥35.5 billion, compared with a loss before income taxes and minority interests of ¥117.1 billion in the previous year. After deducting current income taxes (consisting of corporate, residence, and other business taxes) of ¥43.4 billion and minority interests of ¥2.7 billion, the Group recorded a net loss of ¥10.7 billion, compared with a net loss of ¥92.4 billion in the previous fiscal year.

Outlook

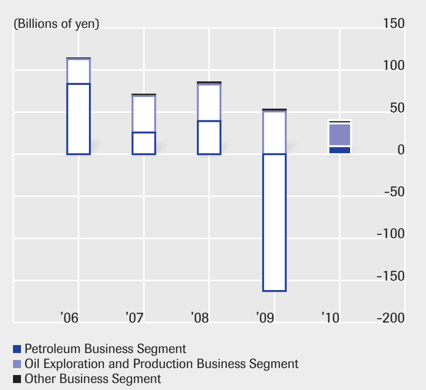
The period ending March 2011 is the first year of the Cosmo Oil Group's Fourth Consolidated Medium-Term Management Plan (FY2010-2012), which began in April 2010. Under the plan, the Group will rationalize its Petroleum Refining and Petroleum Sales businesses in order to establish a solid operational foundation. At the same time, we will reinforce our financial base and steadily implement various measures aimed at realizing the medium-to-long-term growth strategies of our Oil Exploration and Production business segment and our Petrochemicals business.

The Group expects crude oil prices of around the US$75/barrel level in the year ending March 2011. On a consolidated basis, we forecast net sales of ¥2,550 billion (down ¥62.1 billion year on year), operating income of ¥63.0 billion (up ¥28.8 billion), operating income excluding the effect of inventory valuation of ¥63.0 billion (from an operating loss of ¥18.4 billion), and net income of ¥18.0 billion (from a net loss of ¥10.7 billion). These forecasts are based on an assumed exchange rate of ¥90.00 per U.S. dollar.

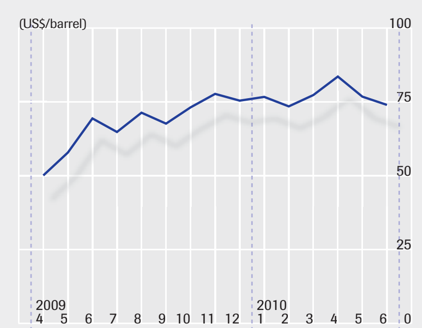
Segment sales



Segment operating income (loss)



Crude oil price (Dubai)



Segment Information

• Petroleum

In the period under review, sales in the Petroleum business segment slipped ¥787.7 billion, to ¥2,565.2 billion.

Volume sales, including exports, declined 3.7%, to 39,657,000 kiloliters. Within this amount, domestic sales volume edged down 0.3%, to 25,802,000 kiloliters. On the export side, export sales volume of middle distillates, including jet fuel, kerosene, and diesel fuel, fell 29.3%, to 1,101,000 kiloliters, due to unstable domestic demand, as well as limitations in export surplus capacity caused by shut down maintenance. However, the Group took advantage of high domestic prices versus low overseas prices to undertake local procurement and local sales, which amounted to 527,000 kiloliters. Accordingly, the segment's total overseas sales volume decreased 16.3%, to 1,628,000 kiloliters.

With respect to industrial-use fuels, such as heavy fuel oil A and heavy fuel oil C, business conditions remained unstable due to energy-saving efforts and conversion to alternative forms of energy, in addition to delays in economic recovery. As a result, sales in the Petroleum business segment declined ¥787.7 billion, to ¥2,565.2 billion. The Group's petrochemicals business, which is included in this segment, generated positive earnings thanks to a recovery in demand, centering on ethylene-related products.

• Oil Exploration and Production

Sales in the Oil Exploration and Production business segment fell ¥29.5 billion, to ¥59.6 billion, due to the dramatic impact of plummeting crude oil prices compared with the previous fiscal year.

• Other

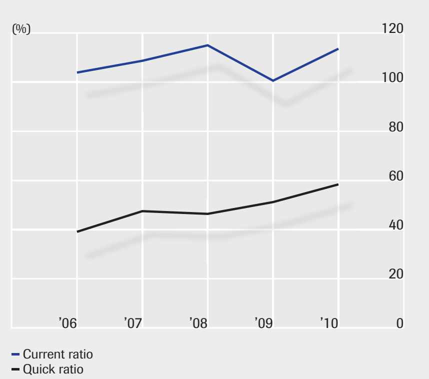
In this segment, the Group sought to rationalize and enhance the efficiency of various businesses, including oil-related facility construction and leasing, as well as insurance sales. For the year, segment sales declined ¥3.3 billion, to ¥88.5 billion.

Sources of Liquidity and Funds

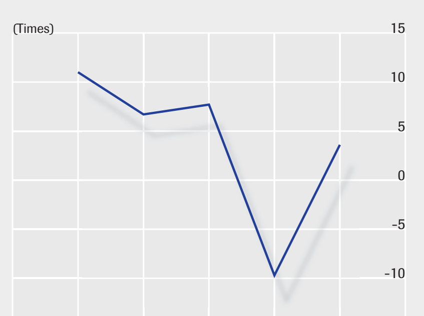
The Cosmo Oil Group's core petroleum business is its principal source of income. While rising crude oil prices benefit sales and operating income in the Company's Oil Exploration and Production business segment, the high tax rates in oil producing countries compared with Japan's corporation tax mean that the impact in terms of cash inflow is limited.

In the Petroleum business segment, there is a noticeable lag between the import of crude oil and the receipt of funds from the sale of petroleum products. This is because the transportation of crude oil requires a significant amount of time. Also, the Company is obligated to maintain reserves equivalent to 70 days of domestic sales volume. Because it is

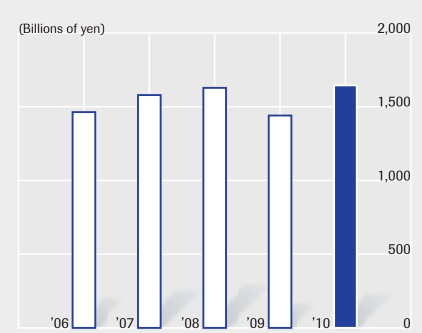
Current ratio, Quick ratio



Interest coverage ratio



Total assets



entirely dependent on imports of raw materials, the Cosmo Oil Group is also affected significantly by fluctuations in exchange rates, which influence import costs, and in domestic sales prices. The Company engages in forward foreign exchange contracts to hedge this risk.

The Company must undertake short-term borrowings from time to time to provide additional working capital to facilitate crude oil imports. In the period under review, the Company brought forward borrowings in consideration of the difficult financial environment, prior to making large scale cash outlays for construction of heavy oil cracking facilities (coker unit) at its Sakai Refinery. Accordingly, long-term loans payable at the fiscal year-end totaled ¥475.2 billion, up ¥156.3 billion, or 49.1%, from a year earlier. Total interest-bearing debt rose ¥179.1 billion, or 29.9%, to ¥777.7 billion.

Regarding our credit rating, in November 2007 Japan Credit Rating Agency, Ltd., raised the Company's rating for senior debt of the issuer to BBB+, from BBB.

The Cosmo Oil Group plans strategic capital investments under its Fourth Consolidated Medium-Term Management Plan. Moving forward, the Company will seek to flexibly raise funds while monitoring market trends, and simultaneously endeavor to optimize its balance sheet, thereby reinforcing its financial condition and ensuring its ability to support strategic investments.

Financial Position

Assets

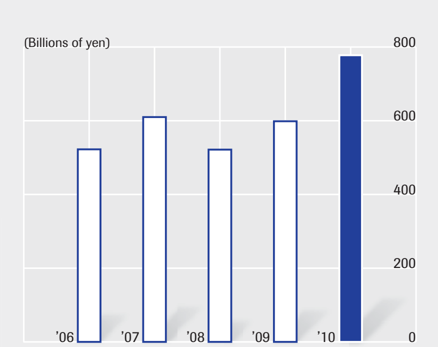
As of March 31, 2010, total assets amounted to ¥1,645.0 billion, up ¥204.6 billion from a year earlier. This was mainly due to an increase in the value of inventories stemming from rising crude oil prices. Specifically, merchandise and finished goods rose from ¥116.7 billion to ¥145.7 billion, and raw materials and supplies increased from ¥121.1 billion to ¥165.3 billion. During the year, the Group made good progress in construction of heavy oil cracking facilities (coker unit) at its Sakai Refinery. Accordingly, machinery, equipment and vehicles (included in property, plant and equipment) increased from ¥76.7 billion to ¥104.1 billion.

Liabilities and Shareholders' Equity

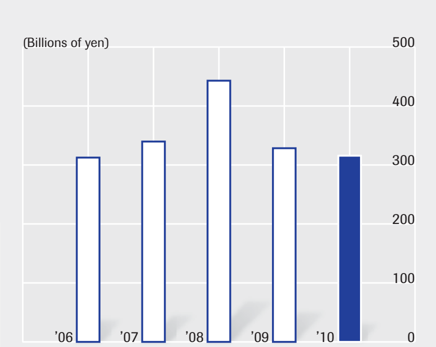
Total liabilities at fiscal year-end stood at ¥1,313.4 billion, up from ¥1,092.9 billion a year earlier. This was mainly due to a ¥156.3 billion increase in long-term loans payable (included in noncurrent liabilities), to ¥475.2 billion. During the year, the Group issued bonds totaling ¥15.0 billion. At fiscal year-end, therefore, total interest-bearing debt amounted to ¥777.7 billion, up from ¥598.6 billion a year earlier.

Net assets declined ¥15.8 billion, to ¥331.5 billion. The main factor

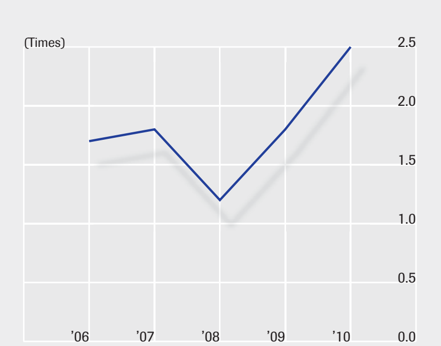
Interest-bearing debt



Shareholders' equity



Debt-to-equity ratio



was a net loss caused by reversal of deferred tax assets. This was despite posting ¥35.5 billion in income before income taxes and minority interests. The shareholders' equity ratio at fiscal year-end was 19.2%.

Cash Flows

Net cash provided by operating activities amounted to ¥2.2 billion. For the year, cash flows were negatively impacted by an increase in inventories accompanying rises in crude oil prices. However, this impact was mitigated by income tax rebates. Net cash used in investing activities totaled ¥93.3 billion. The primary factor was payments for purchases of property, plant and equipment. Net cash provided by financing activities was ¥159.3 billion, mainly reflecting an increase in loans payable. As a result, net cash and cash equivalents at fiscal year-end totaled ¥228.9 billion, up ¥69.0 billion from a year earlier.

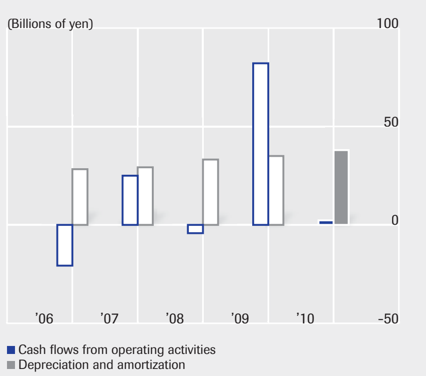
Capital Expenditures

In the year under review, the Company made total capital expenditures of ¥87.6 billion, up a significant ¥20.7 billion from the previous year. This was mainly due to expenditures on equipment related to oil refining and sales of ¥71.5 billion, up ¥25.4 billion from the previous year. Specifically, the Company continued constructing heavy oil cracking facilities (coker unit) at its Sakai Refinery. Compared with the previous fiscal year, the Company moderately restrained capital expenditures in its Petrochemicals business and its Oil Exploration and Production business segment. Depreciation and amortization remained mostly unchanged, at ¥42.7 billion. (Included in depreciation and amortization is "Recovery of recoverable accounts under production sharing," listed in the "Cash Flows" section.)

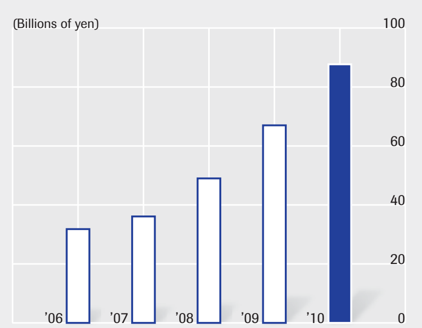
Basic Policy Regarding Earnings Appropriation

The Cosmo Oil Group places particular emphasis on shareholder returns, and its basic policy is to maintain a balance between stable dividends and retained earnings to enhance its financial structure and fund future business development. In line with this policy, the Company declared dividends for the year of ¥8.00 per share.

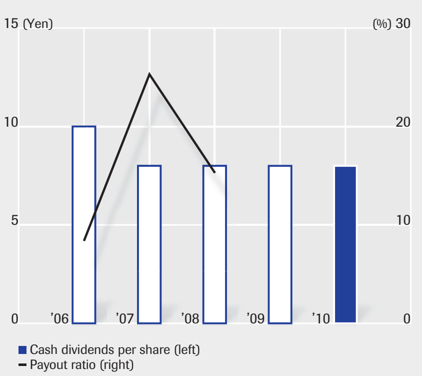
Cash flows from operating activities,
Depreciation and amortization



Capital expenditures



Cash dividends per share, Payout ratio



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

(1) Supply and Demand Trends

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

(2) Crude Oil Price Fluctuations

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

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

(3) Foreign Exchange Rate Fluctuations

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

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

(4) Market Impact

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

(5) Interest Rate Fluctuations

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

(6) Asset Valuation Fluctuations

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

(7) Competition Risk

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

(8) Impact by Natural Disasters and Accidents

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

(9) Impact by Regulations Applicable to the Oil Industry

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

(10) Information Management

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

CONSOLIDATED BALANCE SHEETS

Cosmo Oil Company, Limited and Consolidated Subsidiaries / March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
ASSETS			
Current assets:			
Cash and deposits (Note 4)	¥ 147,452	¥ 226,609	$ 2,435,608
Marketable securities (Notes 4, 10 and 17)	13,984	2,311	24,839
Notes and accounts receivable, trade	189,037	206,168	2,215,907
Less allowance for doubtful accounts	(403)	(222)	(2,386)
	188,634	434,866	4,673,968
Inventories (Notes 2 and 3)	239,092	311,542	3,348,474
Current deferred tax assets (Note 13)	7,321	3,891	41,821
Other current assets	91,827	95,038	1,021,474
Total current assets	688,310	845,337	9,085,737
Property, plant and equipment (Notes 2, 6 and 17):			
Land	305,566	303,104	3,257,782
Buildings and structures	447,633	460,090	4,945,077
Machinery and equipment	423,548	472,849	5,082,212
Leases assets (Note 1)	100	726	7,803
Construction in progress	46,665	65,157	700,312
	1,223,512	1,301,926	13,993,186
Less accumulated depreciation	(680,095)	(704,233)	(7,569,143)
Net property, plant and equipment	543,417	597,693	6,424,043
Other assets:			
Investments in securities (Notes 10 and 17)	88,657	101,139	1,087,049
Long-term loans receivable	1,987	1,790	19,239
Non-current deferred tax assets (Note 13)	63,179	46,889	503,966
Bond issuance cost (Note 1)	—	143	1,537
Other	55,724	52,933	568,927
Less allowance for doubtful accounts	(878)	(876)	(9,415)
Total other assets	208,669	202,018	2,171,303
Total	¥ 1,440,396	¥ 1,645,048	$ 17,681,083

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans and current maturities of long-term debts (Notes 5 and 17)	¥ 261,778	¥ 287,514	$ 3,090,219
Notes and accounts payable, trade	191,883	216,112	2,322,786
Income, excise and other taxes payable	118,636	117,265	1,260,372
Current deferred tax liabilities (Note 13)	5	2,330	25,043
Accrued expenses and other current liabilities	111,581	120,953	1,300,011
Total current liabilities	683,883	744,174	7,998,431
Long-term debts, less current maturities (Notes 5 and 17)	336,831	490,225	5,268,970
Non-current deferred tax liabilities (Note 13)	6,957	8,807	94,658
Deferred tax for revaluation reserve for land (Notes 6 and 13)	33,493	33,294	357,846
Retirement and severance benefits (Note 12)	6,097	5,900	63,414
Negative goodwill	—	6,285	67,552
Other long-term liabilities (Note 17)	25,686	24,783	266,368
Contingencies (Note 8)			
Net assets:			
Common stock:			
authorized - 1,700,000,000 shares			
issued - 847,705,087 shares in 2008, 847,705,087 shares in 2009	107,247	107,247	1,152,698
Capital surplus	89,441	89,441	961,318
Retained earnings	115,733	99,686	1,071,432
Less treasury stock, at cost	(130)	(134)	(1,440)
Unrealized gains on securities	(2,100)	(529)	(5,686)
Deferred gains on hedges	8,085	8,761	94,164
Revaluation reserve for land (Note 6)	11,524	12,594	135,361
Foreign currency translation adjustments	(1,367)	(1,319)	(14,177)
Minority interests	19,016	15,833	170,174
Total net assets	347,449	331,580	3,563,844
Total	¥ 1,440,396	¥ 1,645,048	$ 17,681,083

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Cosmo Oil Company, Limited and Consolidated Subsidiaries / Years ended March 31, 2008, 2009 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	2010	2010
Net sales (Note 16)	¥ 3,523,087	¥ 3,428,211	¥ 2,612,141	$ 28,075,462
Cost of sales	3,290,688	3,389,408	2,435,366	26,175,473
Gross profit	232,399	38,803	176,775	1,899,989
Selling, general and administrative expenses	148,602	145,809	142,568	1,532,330
Operating income (loss) (Note 16)	83,797	(107,006)	34,207	367,659
Other income (expenses):				
Interest and dividend income	3,488	2,317	1,411	15,165
Interest expenses (Note 5)	(11,358)	(10,767)	(9,855)	(105,922)
Foreign currency exchange gains (losses), net	8,887	(9,326)	2,582	27,752
Net gain (loss) on sales and disposal of property, plant and equipment	2,764	3,266	1,358	14,596
Impairment loss on fixed assets (Notes 14 and 16)	(4,511)	(1,239)	(1,976)	(21,238)
Equity in earnings (losses) of affiliates	8,662	(1,127)	7,349	78,987
Loss on valuation of investment securities	—	—	(2,184)	(23,474)
Net gain (loss) on sales of investment in securities	726	4,194	(340)	(3,654)
Gain on sales of subsidiaries and affiliates' stocks	—	—	1,994	21,432
Gain on insurance adjustment	—	1,750	—	—
Gain on abolishment of retirement benefit plan (Note 1)	3,156	—	—	—
Gain on exchange of stock	393	—	—	—
Loss on liquidation of business of subsidiaries and affiliates	(1,625)	—	—	—
Other, net	1,182	758	981	10,544
	11,764	(10,174)	1,320	14,188
Income (loss) before income taxes and minority interests	95,561	(117,180)	35,527	381,847
Income taxes :				
Current	47,983	43,828	21,948	235,899
Deferred (Note 13)	7,088	(71,523)	21,541	231,524
	55,071	(27,695)	43,489	467,423
Income (loss) before minority interests	40,490	(89,485)	(7,962)	(85,576)
Minority interests	(5,337)	(2,945)	(2,779)	(29,869)
Net income (loss)	¥ 35,153	¥ (92,430)	¥ (10,741)	$ (115,445)

	Yen			U.S. dollars (Note 1)
Earnings (loss) per share :				
Basic	¥ 46.72	¥ (109.11)	¥ (12.68)	$ (0.14)
Diluted (Note 1)	44.98	—	—	—
Cash dividends (Note 18)	8.00	8.00	8.00	0.09

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Cosmo Oil Company, Limited and Consolidated Subsidiaries / Years ended March 31, 2009 and 2010

	Number of shares of common stock (Thousands)	Millions of yen									
		Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Minority interests	Total
Net assets at April 1, 2008	847,705	¥107,247	¥89,442	¥215,388	¥(125)	¥ 5,909	¥14,604	¥11,085	¥ (638)	¥26,815	¥469,727
Net income (loss) for the year	–	–	–	(92,430)	–	–	–	–	–	–	(92,430)
Dividends from surplus	–	–	–	(6,779)	–	–	–	–	–	–	(6,779)
Reversal of revaluation reserve for land (Note 6)	–	–	–	(446)	–	–	–	446	–	–	–
Purchase of treasury stock	–	–	–	–	(14)	–	–	–	–	–	(14)
Disposal of treasury stock	–	–	(1)	–	9	–	–	–	–	–	8
Net changes during the year	–	–	–	–	–	(8,009)	(6,519)	(7)	(729)	(7,799)	(23,063)
Balance at March 31, 2009	847,705	¥107,247	¥89,441	¥115,733	¥(130)	¥(2,100)	¥ 8,085	¥11,524	¥(1,367)	¥19,016	¥347,449
Net income (loss) for the year	–	–	–	(10,741)	–	–	–	–	–	–	(10,741)
Dividends from surplus	–	–	–	(4,237)	–	–	–	–	–	–	(4,237)
Reversal of revaluation reserve for land (Note 6)	–	–	–	(1,069)	–	–	–	1,069	–	–	–
Purchase of treasury stock	–	–	–	–	(4)	–	–	–	–	–	(4)
Disposal of treasury stock	–	–	(0)	–	0	–	–	–	–	–	0
Net changes during the year	–	–	–	–	–	1,571	676	1	48	(3,183)	(887)
Balance at March 31, 2010	847,705	¥107,247	¥89,441	¥ 99,686	¥(134)	¥ (529)	¥ 8,761	¥12,594	¥(1,319)	¥15,833	¥331,580

	Thousands of U.S. dollars (Note 1)									
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Minority interests	Total
Balance at March 31, 2009	$1,152,698	$961,318	$1,243,906	$(1,397)	$(22,571)	$86,898	$123,861	$(14,693)	$204,385	$3,734,405
Net income (loss) for the year	–	–	(115,445)	–	–	–	–	–	–	(115,445)
Dividends from surplus	–	–	(45,540)	–	–	–	–	–	–	(45,540)
Reversal of revaluation reserve for land (Note 6)	–	–	(11,489)	–	–	–	11,489	–	–	–
Purchase of treasury stock	–	–	–	(43)	–	–	–	–	–	(43)
Disposal of treasury stock	–	(0)	–	0	–	–	–	–	–	0
Net changes during the year	–	–	–	–	16,885	7,266	11	516	(34,211)	(9,533)
Balance at March 31, 2010	$1,152,698	$961,318	$1,071,432	$(1,440)	$ (5,686)	$94,164	$135,361	$(14,177)	$170,174	$3,563,844

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Cosmo Oil Company, Limited and Consolidated Subsidiaries / Years ended March 31, 2008, 2009 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2008	2009	2010	2010
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ 95,561	¥ (117,180)	¥ 35,527	$ 381,847
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:				
Depreciation and amortization	33,240	34,967	37,995	408,373
Amortization of consolidation goodwill	46	76	90	967
Impairment loss on fixed assets	4,511	1,239	1,976	21,238
Increase (decrease) in allowance for doubtful accounts	(937)	(294)	(182)	(1,956)
Interest and dividends income	(3,488)	(2,317)	(1,411)	(15,166)
Interest expenses	11,358	10,767	9,855	105,922
Equity in losses (earnings) of affiliates	(8,662)	1,127	(7,349)	(78,987)
Net loss (gain) on sales or disposal of property, plant and equipment, net	(2,764)	(3,266)	(1,363)	(14,650)
Net loss (gain) on sales of investment securities	—	—	340	3,654
Net loss (gain) on sales of stocks of subsidiaries and affiliates	—	—	(1,994)	(21,432)
Loss (gain) on valuation of investment securities	—	—	2,184	23,474
Gain on insurance claim	—	(1,750)	—	—
Decrease (increase) in notes and accounts receivable	(1,563)	103,775	(16,571)	(178,106)
Recovery of recoverable accounts under production sharing	9,536	6,525	4,751	51,064
Decrease (increase) in inventories	(92,345)	200,933	(72,347)	(777,590)
Increase (decrease) in notes and accounts payable	31,131	(120,037)	39,809	427,870
Decrease (increase) in other current assets	(7,058)	12,282	(136)	(1,462)
Increase (decrease) in other current liabilities	(34,136)	28,467	(14,680)	(157,782)
Decrease (increase) in other investments	(271)	2,692	5,273	56,675
Other, net	688	851	(4,309)	(46,312)
Subtotal	34,847	158,857	17,458	187,641
Interest and dividends income received	4,361	5,546	10,871	116,842
Interest expenses paid	(11,872)	(10,872)	(9,818)	(105,525)
Proceeds from insurance income	—	931	—	—
Income taxes paid	(31,551)	(72,326)	(16,249)	(174,645)
Net cash provided by (used in) operating activities	(4,215)	82,136	2,262	24,313
Cash flows from investing activities:				
Payments for purchase of property, plant and equipment	(34,823)	(55,214)	(72,956)	(784,136)
Proceeds from sales of property, plant and equipment	9,461	10,815	9,830	105,653
Payments for purchase of marketable securities and investment securities	(6,490)	(5,539)	(7,795)	(83,781)
Proceeds from sales of marketable securities and investment securities	7,417	6,925	4,973	53,450
Payments for intangible assets and deferred charges	(8,641)	(14,026)	(10,467)	(112,500)
Purchase of stocks of subsidiaries and affiliates	—	—	(13,977)	(150,226)
Decrease (increase) in short-term loans receivable	545	1,379	(4,600)	(49,441)
Payments of long-term loans receivable	(785)	(796)	(55)	(591)
Proceeds from collection of long-term loans receivable	1,708	1,444	414	4,450
Proceeds from sales of stocks of subsidiaries and affiliates	—	924	2,614	28,095
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	—	1,333	14,327
Other, net	(1,198)	(1,865)	(2,620)	(28,159)
Net cash used in investing activities	(32,806)	(55,953)	(93,306)	(1,002,859)
Cash flows from financing activities:				
Increase (decrease) in short-term loans payable	(11,736)	46,841	12,757	137,113
Proceeds from long-term loans payable	7,454	111,231	177,476	1,907,524
Repayments of long-term loans payable	(53,868)	(77,915)	(34,892)	(375,021)
Proceeds from issuance of common stock	89,281	—	—	—
Proceeds from issuance of bonds	—	—	15,000	161,221
Redemptions of bonds	(30,300)	(2,500)	—	—
Cash dividends paid	(5,372)	(6,780)	(4,237)	(45,540)
Cash dividends paid to minority shareholders	(616)	(13,548)	(6,742)	(72,463)
Proceeds from stock issuance to minority shareholders	—	541	—	—
Other, net	(72)	(16)	(60)	(646)
Net cash provided by (used in) financing activities	(5,229)	57,854	159,302	1,712,188
Effect of exchange rate changes on cash and cash equivalents	(1,244)	(6,792)	730	7,846
Net increase (decrease) in cash and cash equivalents	(43,494)	77,245	68,988	741,488
Cash and cash equivalents at beginning of year	126,106	82,675	159,920	1,718,831
Increase in cash and cash equivalents from newly consolidated subsidiaries	63	—	—	—
Cash and cash equivalents at end of year (Note 4)	¥ 82,675	¥ 159,920	¥ 228,908	$ 2,460,319

The accompanying notes are an integral part of these statements.

note 1 Summary of Accounting Policies

(1) Basis of presenting consolidated financial statements

Cosmo Oil Company, Limited (the "Company"), and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen, in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements as of March 31, 2010 have been prepared in accordance with the new accounting standard as discussed in Note 2 (2) (3) (4) (5) (6).

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which was ¥93.04 to US$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(2) Reporting entity

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany transactions and account balances and unrealized profits are eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The difference between the acquisition cost and net assets ("Goodwill") is amortized on a straight-line basis over a period of five years. If the amounts are insignificant, they are expensed as incurred.

Investments in non-consolidated subsidiaries and affiliates of which the Company has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method.

The numbers of consolidated subsidiaries and affiliates accounted for using the equity method at March 31, 2008, 2009 and 2010 were as follows:

	2008	2009	2010
Consolidated subsidiaries	30	28	37
Subsidiaries using the equity method	32	25	24
Affiliates using the equity method	4	4	5

Investments in unconsolidated subsidiaries and affiliates not accounted for using the equity method are carried at cost (adjusted for any substantial and non-recoverable decline in value). The effect on consolidated net income and retained earnings of not applying the equity method for these investments is not material in the aggregate.

(3) Cash and cash equivalents in the statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(4) Conversion of foreign currencies and translation of statements

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end exchange rates with resulting gains or losses included in the current statements of operations.

All the items of financial statements of subsidiaries, which are stated in currencies other than Japanese yen, are translated at the year-end exchange rate of each subsidiary, except for shareholders' equity, which is translated at historical rates. The resulting foreign currency translation adjustments are included in foreign currency translation adjustments in net assets.

(5) Allowance for doubtful accounts

Allowance for doubtful accounts are provided based on the amount calculated at the actual ratio of bad debt for ordinary receivables, and an amount recognized for uncollectible accounts for specific doubtful receivables.

(6) Marketable securities and investments in unconsolidated subsidiaries, affiliates and other securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliates that are not consolidated or accounted for using the equity method are stated at cost, as determined by the moving-average method. Available-for-sale securities with fair market values are stated at fair market value with unrealized gains and losses reported, net of applicable income taxes, as a separate component of net assets. The cost of securities sold is calculated by the moving-average method. Realized gains and losses on sale of such securities are computed using the moving-average method. Other securities with no available fair market value are stated at cost, as determined by the moving-average method.

(7) Inventories

Prior to April 1, 2008, inventories of the Company and consolidated domestic subsidiaries are stated at cost determined by the periodic-average method. As discussed in Note 2, effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted a new accounting standard for measurement of inventories and stated the inventories at the lower of periodic-average cost or net realizable value at March 31, 2009.

Inventories of consolidated foreign subsidiaries are stated at the lower of periodic-average cost or market.

(8) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed primarily using the straight-line method.

The cost and accumulated depreciation applicable to assets retired or otherwise disposed of are eliminated from the related accounts and the gain or loss on sale and disposal is credited or charged to income.

Expenditures for new facilities and those that substantially increase the useful lives of existing property, plant and equipment are capitalized. Maintenance, repair and minor renewals are expensed as incurred.

In accordance with revisions to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries adopted a method of calculation whereby the remaining acquisition cost of each of the tangible fixed assets acquired on or before March 31, 2007 will be depreciated equally over five years starting from the following fiscal year when its depreciation expenses reach the final deductible limit under the former law. This arrangement increased depreciation expenses by ¥3,198 million and decreased operating income, ordinary income and income before income taxes and minority interests by ¥3,011 million for the year ended March 31, 2008.

In accordance with revisions to the Corporation Tax Law, the Company and some of its domestic consolidated subsidiaries used the number of years for useful life defined starting from the fiscal year, 2008. This change increased depreciation expenses of property, plant and equipment by ¥1,691 million and thus increased operating loss, ordinary loss and loss before income taxes and minority interests by ¥1,578 million for the year ended March 31, 2009, respectively, as compared with the conventional number of years adopted for useful life.

(9) Leases assets

The Company and consolidated domestic subsidiaries account for finance leases commencing prior to April 1, 2008 which do not transfer the ownership of the leased property to the lessee as operating leases with disclosures of certain "as if capitalized" information. As discussed in Note 2. (4), the Company and consolidated domestic subsidiaries adopted a new accounting standard and capitalized finance leases which commenced after March 31, 2008, except for certain immaterial or short-term finance leases, which are accounted for as operating leases.

(10) Deferred Assets

Bond Issuance Cost:

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

The full amount of bond issuance cost had conventionally been recorded as an expense at the time of its payment but the cost for bond issuance made during for the year ended March 31, 2010, was recorded as a deferred asset which will be depreciated in the straight-line method over the term of redemption. The Company adopted this change to treat the bond issuance cost as a fund-raising expense, which should be allocated rationally to state profit and loss during the term in an appropriate manner.

This change resulted in increasing ordinary income and income before income taxes and minority interests for the year ended March 31, 2010, by ¥142 million ($1,526 thousand), respectively, as compared with the conventional method.

(11) Research and development costs

Research and development costs for the improvement of existing skills and technologies or the development of new skills and technologies, including basic research and fundamental development costs, are expensed as incurred.

(12) Retirement and severance benefits and pension costs

(a) Retirement and severance benefits and pension costs for employees

The Company and its consolidated subsidiaries provided allowance for retirement and severance benefits for employees at the balance sheet date based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

Actuarial gains and losses are recognized in expenses at an amount prorated using 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, commencing in the fiscal year following the accrual.

Prior service cost obligation is recognized as an expense item at an amount prorated using 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.

On April 1, 2007, the Company discontinued its qualified retirement annuity system, a defined-benefit pension system, and instead introduced a defined-benefit pension plan, a defined-contribution pension plan, an advance-payment plan for retirement benefits and an additional retirement benefit plan. Owing to the discontinuation of the previous system, an extraordinary income of ¥3,008 million and an unrecognized prior service cost (positive difference) of ¥1,592 million were recorded.

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

(b) Retirement benefits for directors and corporate auditors

In June 2007, at the shareholders' meetings of several consolidated subsidiaries, it was resolved to abolish the system of retirement allowances for directors and corporate auditors and to provide a severance payment. As a result, during the consolidated fiscal year ended March 31, 2008, the entire amount of the provision for retirement benefits for directors and corporate auditors was reversed.

(13) Allowance for special repair works

The Company and its consolidated subsidiaries provide an allowance for special repair works in an amount equal to the estimated cost of periodically required repairs for oil tanks.

(14) Derivative transaction and hedge accounting

The Company and its consolidated subsidiaries state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are realized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(15) Income taxes

The Company and its consolidated subsidiaries provide for income taxes payable on the basis of current tax liabilities and reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax purposes and those for financial reporting purposes.

(16) Revenue recognition

Revenue from sales of finished products is generally recognized when such products are shipped to customers.

In recognizing construction revenues of engineering contracts undertaken by the Company, the percentage-of-completion method (The percentage of construction as of the year ended March 31, 2010, is estimated based on the method of the ratio of actual cost incurred to total estimated cost.) is applied to such contracts in which the outcome of the construction activity is deemed certain by the year ended March 31, 2010, while the completed contract method is applied to other construction contracts.

(17) Earnings per share

Net earnings per share are computed based upon the weighted-average number of shares of common stock outstanding during each year.

Diluted earnings per share are computed based on the assumption that the convertible bonds were fully converted into common stock on the date of issuance.

Diluted earnings per share for the years ended March 31, 2009 and 2010 is not disclosed, as the Company incurred a loss before income taxes and minority interests in the years ended March 31, 2009 and 2010.

(18) Recoverable accounts under production sharing

The Company and a consolidated subsidiary post exploration and development costs in investments on the basis of development and production sharing agreements. After production commences, these exploration and development costs are recovered by the products, based on the agreements.

(19) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2010 presentation.

These changes had no impact on previously reported results of operations or net assets.

note 2 Changes in Accounting Policies

(1) Amendment on calculation of annual depreciable amount-assets

In accordance with revisions to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries changed the method of calculating depreciation expenses for tangible fixed assets acquired from April 1, 2007 onwards to that required under the revised law, effective from the beginning of the year ended March 31, 2008 (April 1, 2007). The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2008 was slight.

(2) Accounting Standard for Measurement of Inventories

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No.9, “Accounting Standard for Measurement of

Inventories." As permitted under the superseded accounting standard, the Company and consolidated domestic subsidiaries previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses. Replacement cost may be used in lieu of the net realizable value, if appropriate.

This change increased operating loss, ordinary loss and loss before income taxes and minority interests by ¥8,498 million for the year ended March 31, 2009, respectively, as compared with the case when the conventional inventory valuation method is adopted.

(3) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries

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

(4) Accounting Standard for Lease Transactions

Prior to April 1, 2008, the Company and consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information in the notes to the consolidated financial statements.

On March 31, 2007, the Accounting Standards Board of Japan issued Statement No.13, "Accounting Standard for Lease Transactions" and Guidance No.16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

This change, however, only brought a minor impact on operating loss, ordinary loss and loss before income taxes and minority interests for the year ended March 31, 2009.

(5) Accounting Standard for Recognition of Construction Revenue

Prior to the year ended March 31, 2010, some consolidated domestic subsidiaries accounted for revenues and costs of construction contracts exceeding ¥100 million ($1,075 thousand) of contract amount and with the construction period exceeding one year using the percentage-of-completion method, and those of the other construction contracts using the completed-contract method. Effective from the year ended March 31, 2010, the domestic companies adopted the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan ("ASBJ") Statement No.15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, issued on December 27, 2007). Accordingly, when the outcome of individual contracts can be estimated reliably, the domestic companies apply the percentage-of-completion method for work commencing in the year ended March 31, 2010, otherwise the completed-contract method is applied. The stage of completion at the end of the reporting period is measured by the proportion of costs incurred for work performed to the estimated total cost.

As a result, sales increased by ¥71 million ($763 thousand), and operating income and income before income taxes and minority interests increased by ¥4 million ($43 thousand) for the year ended March 31, 2010.

(6) Accounting Standard for Retirement Benefits

Effective from the year ended March 31, 2010, the Company and consolidated domestic subsidiaries adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan ("ASBJ") Statement No.19 issued on July 31, 2008). However, the change had no impact on the consolidated financial statements for the year ended March 31, 2010.

note 3 Inventories

Inventories at March 31, 2009 and 2010 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
Finished products	¥ 69,498	¥ 80,089	$ 860,802
Semi-finished products	40,951	58,229	625,849
Materials-crude oil, auxiliary materials, etc.	53,425	69,766	749,850
Supplies-spare parts, etc.	7,463	8,106	87,124
In-transit crude oil and oil products	66,572	94,897	1,019,959
Land for sale	13	13	140
Others	1,170	442	4,750
Total	¥ 239,092	¥ 311,542	$ 3,348,474

note 4 Notes to the Consolidated Statements of Cash Flows

Cash and deposits, and cash equivalents

Reconciliation between cash and deposits in the consolidated balance sheets with cash and cash equivalents in the consolidated statements of cash flows at March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
Cash and deposits	¥ 147,452	¥ 226,609	$ 2,435,608
Add:			
Marketable securities	13,984	2,311	24,839
Less:			
Bonds with maturities exceeding three months included in marketable securities above	(1,516)	(12)	(128)
Cash and cash equivalents	¥ 159,920	¥ 228,908	$ 2,460,319

note 5 Short-Term Loans and Long-Term Debt

The short-term loans from banks of ¥226,009 million and ¥238,901 million ($2,567,723 thousand), as of March 31, 2009 and 2010, bear interest ranging from 0.10% to 2.84% and from 0.10% to 1.88% per annum, respectively. The banks have basic agreements with the Company and its consolidated subsidiaries to the effect that, with respect to all present or future loans with the banks, the Company and its consolidated subsidiaries shall provide collateral (including sums on deposit with such banks) or guarantees immediately upon request from the banks and that any collateral furnished, pursuant to such agreement or otherwise, will be applicable to all indebtedness to the banks.

Short-term loans and current maturities of long-term debts at March 31, 2009 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
Short-term loans	¥ 226,009	¥ 238,901	$ 2,567,723
Current maturities of long-term debts	35,769	48,613	522,496
Total	¥ 261,778	¥ 287,514	$ 3,090,219

Long-term debts at March 31, 2009 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
Loans from banks, insurance companies and other financial institutions, secured, with interest at 0.77% - 4.30%, due serially through 2021	¥ 354,600	¥ 505,838	$ 5,436,780
1.53% unsecured straight yen bonds due in 2017	—	15,000	161,221
Unsecured zero coupon convertible bonds due in 2010 (bonds with stock acquisition rights)	18,000	18,000	193,465
	372,600	538,838	5,791,466
Less current maturities	(35,769)	(48,613)	(522,496)
Total	¥ 336,831	¥ 490,225	$ 5,268,970

The aggregate annual maturities of long-term debts at March 31, 2010 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2011	¥ 44,824	$ 481,771
2012	59,287	637,221
2013	53,568	575,752
2014	88,165	947,603
2015 and thereafter	244,381	2,626,623
Total	¥ 490,225	$ 5,268,970

Information with respect to the Company's convertible bonds (bonds with stock acquisition rights) is as follows:

a. Issued on	September 26, 2005
b. Initial principal	¥18,000 million
c. Maturity	September 30, 2010
d. Term of conversion	November 1, 2005 to September 29, 2010
e. Conversion price per share at March 31, 2010	¥617.4 ($6.64)
f. Balance of debt at March 31, 2010	¥18,000 million ($193,465 thousand)
g. Accumulated number of shares issued upon conversion in exchange for treasury stock through March 31, 2010	—
h. Number of additional shares that would be issued upon conversion at March 31, 2010	29,154,518 shares

note 6 Revaluation Reserve for Land

Pursuant to Article 2, Paragraphs 4 and 5 of the Enforcement Ordinance for the Law concerning Revaluation Reserve for Land (the "Law"), enacted on March 31, 1998, and partial revision to the Law on March 31, 2001, the Company and two of its consolidated subsidiaries recorded their own lands used for business at fair value as of March 31, 2002 and the related unrealized gain, net of income taxes, was credited to "Revaluation reserve for land" in net assets, and the applicable income tax portion was reported as "Deferred taxes for revaluation reserve for land" in liabilities. According to the Law, the Company and two of its consolidated subsidiaries are not permitted to revalue the land at any time in the future.

Differences between the fair value and carrying amount of the revalued land as of March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
Difference between the fair value and carrying amount of the revalued land	¥ (84,225)	¥ (90,236)	$ (969,862)

note 7 Lease Transactions

(1) Lessee leases

Lease payments of finance leases under which the ownership of the leased assets is not transferred to lessees for the years ended March 31, 2008, 2009 and 2010 were ¥3,553 million, ¥3,551 million and ¥2,794 million ($30,030 thousand), respectively.

Total lease obligations as of March 31, 2009 and 2010 with interest portion under such leases were ¥8,486 million and ¥5,602 million ($60,211 thousand), including ¥2,865 million and ¥2,113 million ($22,711 thousand) due within one year. Included in the total lease obligations as of March 31, 2010 is obligation for sub-lease payment of ¥929 million ($9,985 thousand).

Equivalent of acquisition cost, accumulated depreciation, and net book value of leased properties for the years ended March 31, 2009 and 2010 were as follows:

	Millions of yen			
Year ended March 31, 2009	Buildings & structures	Machinery & equipment	Other	Total
Acquisition cost equivalent	¥ 12,583	¥ 3,262	¥ 7,218	¥ 23,063
Accumulated depreciation equivalent	(9,188)	(2,236)	(4,894)	(16,318)
Net book value equivalent	¥ 3,395	¥ 1,026	¥ 2,324	¥ 6,745

	Millions of yen			
Year ended March 31, 2010	Buildings & structures	Machinery & equipment	Other	Total
Acquisition cost equivalent	¥ 11,222	¥ 2,495	¥ 5,504	¥ 19,221
Accumulated depreciation equivalent	(8,483)	(1,826)	(4,239)	(14,548)
Net book value equivalent	¥ 2,739	¥ 669	¥ 1,265	¥ 4,673

	Thousands of U.S. dollars (Note 1)			
Year ended March 31, 2010	Buildings & structures	Machinery & equipment	Other	Total
Acquisition cost equivalent	$ 120,615	$ 26,816	$ 59,157	$ 206,588
Accumulated depreciation equivalent	(91,176)	(19,626)	(45,561)	(156,363)
Net book value equivalent	$ 29,439	$ 7,190	$ 13,596	$ 50,225

(2) Lessor leases

Rental income from finance leases under which the ownership of the leased assets is not transferred to lessees for the years ended March 31, 2008, 2009 and 2010 were ¥1,271 million, ¥1,043 million and ¥774 million ($8,319 thousand), respectively.

Total lease obligations as of March 31, 2009 and 2010, inclusive of interest income under such leases, were ¥1,884 million and ¥1,034 million ($11,113 thousand), respectively, including ¥839 million and ¥579 million ($6,223 thousand) due within one year. Included in the total lease obligations as of March 31, 2010 is obligation for sub-lease payment of ¥972 million ($10,447 thousand).

Acquisition cost, accumulated depreciation and net book value of leased properties for the years ended March 31, 2009 and 2010, were as follows:

	Millions of yen			
Year ended March 31, 2009	Buildings & structures	Machinery & equipment	Other	Total
Acquisition cost	¥ 44	¥ 25	¥ 36	¥ 105
Accumulated depreciation	(14)	(15)	(35)	(64)
Net book value	¥ 30	¥ 10	¥ 1	¥ 41

	Millions of yen			
Year ended March 31, 2010	Buildings & structures	Machinery & equipment	Other	Total
Acquisition cost	¥ 44	¥ 25	¥ 28	¥ 97
Accumulated depreciation	(17)	(18)	(27)	(62)
Net book value	¥ 27	¥ 7	¥ 1	¥ 35

	Thousands of U.S. dollars (Note 1)			
Year ended March 31, 2010	Buildings & structures	Machinery & equipment	Other	Total
Acquisition cost	$ 473	$ 268	$ 301	$ 1,042
Accumulated depreciation	(183)	(193)	(290)	(666)
Net book value	$ 290	$ 75	$ 11	$ 376

note 8 Contingencies

Contingencies for loans guaranteed by the Company and its consolidated subsidiaries, mainly for unconsolidated subsidiaries, affiliates, employees of the Company and its consolidated subsidiaries and its sales agents at March 31, 2010 were ¥15,894 million ($170,830 thousand).

Concerning the matter in which the Company and other companies are claimed to have violated the Antimonopoly Act with respect to bidding relating to delivery of petroleum products to the Japanese Defense Agency ("JDA"), the Company received an order for payment of surcharges (¥1,751 million) on January 16, 2008 from the Fair Trade Commission ("FTC"). However, the Company submitted a motion for commencement of adjudication procedures to the FTC on February 15, 2008 requesting another trial, and following that motion the FTC issued a decision for commencement of adjudication on March 24, 2008 and during the year ended March 31, 2010, five sessions of trial were held.

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

1) The Company shall not record ordinary loss, as stated in its consolidated and non-consolidated income statements, for three consecutive years;
2) The Company shall maintain the amount of net assets at ¥296,000 million ($3,181,427 thousand) or more as stated in its consolidated balance sheets at the end of each fiscal year and of the second quarter thereof;
3) The Company shall maintain the amount of net assets at 75% or more of the level recorded as of September 30, 2006 as stated in its non-consolidated balance sheets at the end of each fiscal year and of the second quarter thereof.

Out of borrowings made by some subsidiaries of the Company, borrowings amounting to ¥967 million ($10,393 thousand) come with financial covenants and if any of such subsidiaries falls in any of the events, as described below, by failing to comply with such financial covenants, they will be requested by the financial institutions, or parties to loan agreements signed by such subsidiaries, that the terms and conditions of such loan agreements be reviewed. As of for the year ended March 31, 2010, a part of the financial covenants was not complied with (financial covenants vary from different loan contracts, but key covenants are stated below):

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

note 9 Financial Instruments

Effective from the year ended March 31, 2010, the Company and its consolidated domestic subsidiaries adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No.10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008). Information on financial instruments for the year ended March 31, 2010 required pursuant to the revised accounting standards is as follows.

(1) Qualitative information on financial instruments

1) Policies for using financial instruments

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

As for the use of derivative transactions, in accordance with the internal rules that determine derivative transaction-related authority levels and transaction value limits, fluctuation risks of foreign currency exchange rates, interest rates and commodity prices involving hedged items are hedged within a fixed range. Each derivative transaction is based on the actual business transactions and the Group has no policy of executing any speculative derivative transaction.

2) Details of financial instruments used and risks

Notes and accounts receivable and accrued income are exposed to credit risks of the customers. A part of them is denominated in foreign currencies involving product exports and is exposed to foreign currency exchange fluctuation risks, but it is constantly within the range of the balance of trade debts. Marketable securities and investment securities are mainly equity securities the Group holds in relation to operations, capital partnerships and other deals with its business partners and are exposed to market value volatility risks.

Notes and accounts payable and accrued expenses and others will mostly be due within the next year. A part of them is denominated in foreign currencies involving crude oil imports and other transactions and is exposed to foreign currency exchange fluctuation risks. The Group uses forward exchange contracts and other instruments to hedge the net position of trade claims denominated in foreign currencies. Loans and corporate bonds are executed mainly to raise funds for capital expenditures and working capital and have their repayment or redemption dates set after the date of settlement of the current fiscal year, including the longest one 14 years after that date. A part of the loans and bonds offer floating interest rates and is exposed to interest rate fluctuation risks, which derivative transactions (interest rate swaps) are used to hedge.

Derivative transactions used by the Group are forward exchange contract and currency option transactions to hedge foreign exchange fluctuation risks involving crude oil and oil product imports denominated in the US dollar, etc.; interest swap transactions to fix interest rate fluctuation risks involving the payment of loans; and crude oil and petroleum products forward contract and swap and crude oil collar option transactions to hedge price volatility risks involving crude oil and oil products importing and exporting.

For information about the hedging instruments and hedged items, hedging policy and method of evaluating hedging effectiveness concerning the hedge accounting methods adopted by the Company, please refer to “4. Items concerning the Accounting Standards - (7) Significant Hedge Accounting Methods” of “Notes concerning Important Items that Provide the Basic Information for Development of the Consolidated Financial Statements.”

3) Policies and systems for risk management

a. The management of the credit risk (a risk to affect the inobservance of a contract of the client)

The Group periodically monitors the performance of business partners and sets collaterals or the ceiling amount for transactions or takes other necessary measures in accordance with the credit management scheme in order to early grasp or alleviate potential concerns about collections of its trade claims due to the aggravation of the business partners’ financial positions or other reasons.

Held-to-maturity debt securities are all highly graded securities, offering very low credit risks.

Parties the Group makes derivative transactions with other than those in the open futures market are major banks, trading firms, oil companies and others, offering little credit risks.

b. The management of the market risk (the fluctuation risks such as exchange or the interest rate)

Marketable securities and investment securities are mainly equity securities, of which listed stocks are monitored by grasping their fair values on a quarterly basis. The Group mainly uses forward exchange contract and currency option transactions to hedge foreign currency exchange fluctuation risks involving its trade debts denominated in foreign currencies. The Group also uses interest rate swap transactions to hedge interest rate volatility risks involving the payment of loans.

As for derivative transactions, in accordance with the internal rules that determine derivative transaction-related authority levels and transaction value limits, the Company’s department in charge of executing such transactions submits the key policy for a transaction to the Executive Officers’ Committee for approval before actually executing the transaction and reports transaction results to the Committee on a regular basis. Each consolidated subsidiary also follows the internal control rules for the execution and management of such transactions.

c. The management of the fluidity risk to affect finance (the risk that cannot carry out payment on the date of payment)

At the Company, the Finance Department manages liquidity risks by developing and updating fund-raising management plans on a timely basis to maintain necessary liquidity at hand.

4) Supplemental information on market values

The fair value of financial instruments reported herein includes value determined based on market values of some instruments, as well as value reasonably estimated about other instruments if they have no market value. The fair value, as being determined on a certain set of assumptions, may be subject to change if valuated on different assumptions.

As for derivative transaction amounts and other information provided in the "Notes to Derivative Transactions" herein, such amounts alone do not show market risks involving such derivative transactions.

(2) Market values of financial instruments

Book values and market values of the financial instruments on the consolidated balance sheet at March 31, 2010 are following.

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and deposits	¥ 226,609	¥ 226,609	¥ –	$ 2,435,608	$ 2,435,608	$ –
Notes and accounts receivable-trade	206,168	206,168	–	2,215,907	2,215,907	–
Short-term investment securities and Investment securities						
1) Bonds held-to-maturity	10	10	0	107	107	0
2) Other securities	16,046	16,046	–	172,463	172,463	–
Accounts receivable-other	50,844	50,844	–	546,476	546,476	–
Total assets	¥ 499,677	¥ 499,677	¥ 0	$ 5,370,561	$ 5,370,561	$ 0
Notes and accounts payable-trade	216,112	216,112	–	2,322,786	2,322,786	–
Short-term loans payable	269,514	269,514	–	2,896,754	2,896,754	–
Current portion of bonds with subscription rights to shares	18,000	18,000	–	193,465	193,465	–
Accounts payable-other	95,337	95,337	–	1,024,688	1,024,688	–
Accrued volatile oil and other petroleum taxes	107,458	107,458	–	1,154,966	1,154,966	–
Income taxes payable	9,194	9,194	–	98,818	98,818	–
Bonds payable	15,000	14,990	(10)	161,221	161,113	(108)
Long-term loans payable	475,225	475,305	80	5,107,749	5,108,609	860
Total liabilities	¥ 1,205,840	¥ 1,205,910	¥ 70	$ 12,960,447	$ 12,961,199	$ 752
Derivative transactions	¥ 17,572	¥ 17,572	¥ –	$ 188,865	$ 188,865	$ –

Assets

(1) Cash and deposits, (2) Notes and accounts receivable-trade and (4) Accounts receivable-other

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

(3) Short-term investment securities and Investment securities

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

Non-marketable equity securities ("¥10 million ($107 thousand) Bonds held-to-maturity" and "¥87,195 million ($937,178 thousand) Other securities") are not listed item (3) above, because it was extremely difficult to figure out the fair value.

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term loans payable, (3) Current portion of bonds with subscription rights to shares, (4) Accounts payable-other, (5) Accrued volatile oil and other petroleum taxes and (6) Income taxes payable

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

(7) Bonds payable

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

(8) Long-term loans payable

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

Derivative Transactions

For information about the Derivative transactions, please refer to Note 11.

A specially treated interest rate swap is accounted for as an integral part of Long-term loans payable, or the subject of hedging, so that the fair value of the swap is stated by being included in the fair value of Long-term loans payable (Please refer to Items (8) above).

(3) Amount of repayment schedule after day of consolidation of securities with money claim and expiration

	Millions of yen				Thousands of U.S. dollars (Note 1)			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	¥226,609	¥ —	¥ —	¥ —	$2,435,608	$ —	$ —	$ —
Notes and accounts receivable-trade	206,168	—	—	—	2,215,907	—	—	—
Short-term investment securities and Investment securities								
1) Bonds held-to-maturity	—	—	—	—	—	—	—	—
2) Other securities	12	9	—	—	129	97	—	—
Accounts receivable-other	50,844	—	—	—	546,475	—	—	—
Total	¥483,633	¥ 9	¥ —	¥ —	$5,198,119	$97	$ —	$ —

note 10 Securities

The following tables summarize acquisition costs, book value, and fair value of securities as of March 31, 2009 and 2010:

As of March 31, 2009

(a) Held-to-maturity debt securities

Bonds with fair value

	Millions of yen		
	Book value	Fair value	Difference
Fair value exceeding book value	¥ 10	¥ 10	¥ 0

(b) Available-for-sale securities with fair value

	Millions of yen		
	Acquisition cost	Book value	Difference
Book value exceeding acquisition cost:			
Equity securities	¥ 4,630	¥ 6,257	¥ 1,627
Bonds	499	500	1
Sub-total	5,129	6,757	1,628
Book value not exceeding acquisition cost:			
Equity securities	11,605	9,152	(2,453)
Bonds	1,004	1,000	(4)
Others	3	3	(0)
Sub-total	12,612	10,155	(2,457)
Total	¥ 17,741	¥ 16,912	¥ (829)

(c) Available-for-sale securities sold during year ended March 31, 2009

	Millions of yen		
	Amount of sales	Gain	Loss
	¥ 6,416	¥ 3,321	¥ 7

The following table summarizes book values of securities without fair value:

	Millions of yen
	Book value
(a) Held-to-maturity debt securities	
Non-listed bonds	¥ 16
(b) Shares issued by unconsolidated subsidiaries and affiliates	
Non-listed securities	¥ 52,634
(c) Available-for-sale securities	
Commercial paper	12,468
Non-listed securities	20,415
Total	¥ 32,883

The schedule of redemption for available-for-sale securities with maturities and held-to-maturity debt securities is as follows:

	Millions of yen			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Government bonds and municipal bonds	¥ 1,016	¥ 8	¥ 3	¥ —
Corporate bonds	500	—	—	—
Total	¥ 1,516	¥ 8	¥ 3	¥ —

As of March 31, 2010

(a) Held-to-maturity debt securities

Bonds with fair value

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Fair value exceeding book value	¥ 10	¥ 10	¥ 0	$ 107	$ 107	$ 0

(b) Available-for-sale securities with fair value

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Book value exceeding acquisition cost:						
Equity securities	¥ 5,992	¥ 8,694	¥ 2,702	$ 64,403	$ 93,444	$ 29,041
Bonds	—	—	—	—	—	—
Others	4	4	0	42	42	0
Sub-total	5,996	8,698	2,702	64,445	93,486	29,041
Book value not exceeding acquisition cost:						
Equity securities	8,340	7,348	(992)	89,639	78,977	(10,662)
Bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Sub-total	8,340	7,348	(992)	89,639	78,977	(10,662)
Total	¥ 14,336	¥ 16,046	¥ 1,710	$ 154,084	$ 172,463	$ 18,379

(c) Available-for-sale securities sold during year ended March 31, 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Amount of sales	Gain	Loss	Amount of sales	Gain	Loss
	¥ 457	¥ 110	¥ 450	$ 4,912	$ 1,182	$ 4,837

The following table summarizes book values of securities without fair value:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	Book value	Book value
(a) Held-to-maturity debt securities		
Non-listed bonds	¥ 10	$ 107
(b) Shares issued by unconsolidated subsidiaries and affiliates		
Non-listed securities	¥ 61,228	$ 658,083
(c) Available-for-sale securities		
Commercial paper	2,299	24,710
Non-listed securities	23,669	254,396
Total	¥ 25,968	$ 279,106

The schedule of redemption for available-for-sale securities with maturities and held-to-maturity debt securities is as follows:

	Millions of yen				Thousands of U.S. dollars (Note 1)			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Government bonds and municipal bonds	¥ 12	¥ 9	¥ –	¥ –	$ 129	$ 97	$ –	$ –

note 11 Derivative Financial Instruments and Hedging Transactions

Derivative transactions for which hedge accounting has not been applied

(1) Currency related

	Millions of yen				
	Contract amounts			Market value	Unrealized gains and losses
Year ended March 31, 2009	Due within 1 year	Due after 1 year	Total		
Forward exchange contracts					
Buy					
U.S. dollars	¥ 41,854	¥ –	¥ 41,854	¥ 42,684	¥ 830
Currency option contracts					
Buy					
Call U.S. dollars	19,646	–	19,646	229	(17)

	Millions of yen				
	Contract amounts			Market value	Unrealized gains and losses
Year ended March 31, 2010	Due within 1 year	Due after 1 year	Total		
Forward exchange contracts					
Buy					
U.S. dollars	¥ 99,083	¥ 3,574	¥ 102,657	¥ 2,870	¥ 2,870
Sell					
U.S. dollars	2,050	–	2,050	(65)	(65)
Currency option contracts					
Buy					
Call U.S. dollars	10,700	–	10,700	319	257
Sell					
Put U.S. dollars	930	–	930	(1)	10

Year ended March 31, 2010	Thousands of U.S. dollars (Note 1)				
	Contract amounts			Market value	Unrealized gains and losses
	Due within 1 year	Due after 1 year	Total		
Forward exchange contracts					
Buy					
U.S. dollars	$ 1,064,951	$ 38,413	$ 1,103,364	$ 30,847	$ 30,847
Sell					
U.S. dollars	22,034	—	22,034	(699)	(699)
Currency option contracts					
Buy					
Call U.S. dollars	115,004	—	115,004	3,429	2,762
Sell					
Put U.S. dollars	9,996	—	9,996	(11)	107

(2) Interest rate related

Year ended March 31, 2009	Millions of yen				
	Contract amounts			Market value	Unrealized gains
	Due within 1 year	Due after 1 year	Total		
Swap transaction of interest rates					
Receive-fixed; pay-variable	¥ 3,000	¥ 8,000	¥ 11,000	¥ 9	¥ 44
Receive-variable; pay-fixed	3,000	8,000	11,000	(633)	221

Year ended March 31, 2010	Millions of yen				
	Contract amounts			Market value	Unrealized gains
	Due within 1 year	Due after 1 year	Total		
Swap transaction of interest rates					
Receive-fixed; pay-variable	¥ 3,000	¥ 5,000	¥ 8,000	¥ 71	¥ 61
Receive-variable; pay-fixed	3,176	7,308	10,484	(583)	207

Year ended March 31, 2010	Thousands of U.S. dollars (Note 1)				
	Contract amounts			Market value	Unrealized gains
	Due within 1 year	Due after 1 year	Total		
Swap transaction of interest rates					
Receive-fixed; pay-variable	$ 32,245	$ 53,740	$ 85,985	$ 763	$ 656
Receive-variable; pay-fixed	34,136	78,547	112,683	(6,266)	2,214

(3) Commodity related

	Millions of yen				
	Contract amounts			Market value	Unrealized gains and losses
Year ended March 31, 2009	Due within 1 year	Due after 1 year	Total		
Petroleum products futures contracts					
Sell	¥ 1,263	¥ —	¥ 1,263	¥ 1,281	¥ (18)
Petroleum products forward contracts					
Sell	10	—	10	17	(7)
Petroleum swap contracts					
Receive-fixed; pay-variable	102	833	935	265	265
Receive-variable; pay-fixed	26	376	402	268	268

	Millions of yen				
	Contract amounts			Market value	Unrealized gains and losses
Year ended March 31, 2010	Due within 1 year	Due after 1 year	Total		
Petroleum products futures contracts					
Sell	¥ 3,731	¥ —	¥ 3,731	¥ (282)	¥ (282)
Buy	43	—	43	4	4
Petroleum products forward contracts					
Sell	33	—	33	(1)	(1)
Petroleum swap contracts					
Receive-fixed; pay-variable	102	731	833	139	(126)
Receive-variable; pay-fixed	26	350	376	318	50

	Thousands of U.S. dollars (Note 1)				
	Contract amounts			Market value	Unrealized gains and losses
Year ended March 31, 2010	Due within 1 year	Due after 1 year	Total		
Petroleum products futures contracts					
Sell	$ 40,101	$ —	$ 40,101	$ (3,031)	$ (3,031)
Buy	462	—	462	43	43
Petroleum products forward contracts					
Sell	355	—	355	(11)	(11)
Petroleum swap contracts					
Receive-fixed; pay-variable	1,096	7,857	8,953	1,494	(1,354)
Receive-variable; pay-fixed	280	3,761	4,041	3,418	537

Derivative transactions for which hedge accounting has been applied

(1) Currency related

Year ended March 31, 2010	Millions of yen: Contract amounts: Due within 1 year	Due after 1 year	Total	Market value	Unrealized gains and losses
Forward exchange contracts					
Buy					
Korea won	¥ 154	¥ —	¥ 154	¥ 9	¥ —

Year ended March 31, 2010	Thousands of U.S. dollars (Note 1): Contract amounts: Due within 1 year	Due after 1 year	Total	Market value	Unrealized gains and losses
Forward exchange contracts					
Buy					
Korea won	$ 1,655	$ —	$ 1,655	$ 97	$ —

(2) Interest rate related

Year ended March 31, 2010	Millions of yen: Contract amounts: Due within 1 year	Due after 1 year	Total	Market value	Unrealized gains
Swap transaction of interest rates					
Receive-variable; pay-fixed	¥ 20,831	¥ 329,612	¥ 350,443	¥ —	¥ —

Year ended March 31, 2010	Thousands of U.S. dollars (Note 1): Contract amounts: Due within 1 year	Due after 1 year	Total	Market value	Unrealized gains
Swap transaction of interest rates					
Receive-variable; pay-fixed	$ 223,893	$ 3,542,691	$ 3,766,584	$ —	$ —

(3) Commodity related

Year ended March 31, 2010	Millions of yen				
	Contract amounts			Market value	Unrealized gains and losses
	Due within 1 year	Due after 1 year	Total		
Petroleum products futures contracts					
Sell	¥ 1,769	¥ —	¥ 1,769	¥ (44)	¥ —
Buy	1,922	—	1,922	109	—
Petroleum products forward contracts					
Sell	3,271	—	3,271	(216)	—
Buy	1,185	—	1,185	110	—
Petroleum swap contracts					
Receive-variable; pay-fixed	2,435	4,855	7,290	14,608	—
Petroleum products swap contracts					
Receive-fixed; pay-variable	1,373	—	1,373	(53)	—
Receive-variable; pay-fixed	2,318	—	2,318	263	—

Year ended March 31, 2010	Thousands of U.S. dollars (Note 1)				
	Contract amounts			Market value	Unrealized gains and losses
	Due within 1 year	Due after 1 year	Total		
Petroleum products futures contracts					
Sell	$ 19,013	$ —	$ 19,013	$ (473)	$ —
Buy	20,648	—	20,648	1,172	—
Petroleum products forward contracts					
Sell	35,156	—	35,156	(2,322)	—
Buy	12,736		12,736	1,183	—
Petroleum swap contracts					
Receive-variable; pay-fixed	26,172	52,182	78,353	157,008	—
Petroleum products swap contracts					
Receive-fixed; pay-variable	14,757	—	14,757	(570)	—
Receive-variable; pay-fixed	24,914	—	24,914	2,827	—

note 12 Retirement and Severance Benefits

The Company and some of its domestic consolidated subsidiaries provide a defined-benefit pension plan, a defined-contribution pension plan, an advance-payment plan for retirement benefits and an additional retirement benefit plan. Other domestic consolidated subsidiaries provide funded non-contributory pension plans and unfunded lump-sum payment plans, under which all eligible employees are entitled to benefit based on their wages and salaries at the time of retirement or termination, length of service and certain other factors.

The liabilities for retirement and severance benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2010 consist of the following:

March 31, 2009	Millions of yen
Projected benefit obligation	¥ (67,133)
Pension assets	47,393
Unrecognized actuarial differences	25,703
Unrecognized prior service cost	(1,554)
Prepaid pension costs	(10,506)
Liabilities for retirement and severance benefits	¥ (6,097)

March 31, 2010	Millions of yen	Thousands of U.S. dollars (Note 1)
Projected benefit obligation	¥ (62,481)	$ (671,550)
Pension assets	45,247	486,318
Unrecognized actuarial differences	19,228	206,664
Unrecognized prior service cost	(1,333)	(14,327)
Prepaid pension costs	(6,561)	(70,518)
Liabilities for retirement and severance benefits	¥ (5,900)	$ (63,414)

Included in the consolidated statements of operations for the years ended March 31, 2008, 2009 and 2010 are retirement and severance benefit expenses comprised of the following:

March 31, 2008	Millions of yen
Service costs	¥ 2,055
Interest cost on projected benefit obligation	1,087
Expected return on plan assets	(2,802)
Amortization of prior service cost	(208)
Amortization of net actuarial loss	602
Other costs	420
Retirement and severance benefit expenses	¥ 1,154

March 31, 2009	Millions of yen
Service costs	¥ 2,006
Interest cost on projected benefit obligation	1,040
Expected return on plan assets	(2,184)
Amortization of prior service cost	(209)
Amortization of net actuarial loss	2,179
Other costs	448
Retirement and severance benefit expenses	¥ 3,280

March 31, 2010	Millions of yen	Thousands of U.S. dollars (Note 1)
Service costs	¥ 1,741	$ 18,712
Interest cost on projected benefit obligation	1,010	10,856
Expected return on plan assets	(1,613)	(17,337)
Amortization of prior service cost	(221)	(2,375)
Amortization of net actuarial loss	3,568	38,349
Other costs	332	3,568
Retirement and severance benefit expenses	¥ 4,817	$ 51,773

Actuarial assumptions used in computation of retirement and severance liabilities for the year ended March 31, 2010 were as follows:

a. Allocation of expected benefit obligation	Straight-line method by equal allocation to each year
b. Discount rate	Primarily 1.5%
c. Expected rate of return on plan assets	Primarily 3.5%
d. Amortization of actuarial gains/losses	From 8 to 10 years (a prorated amount will be amortized by the straight-line method over a certain number of years within the estimated average number of remaining service years of employees, starting from the year following the year when actuarial gain/loss is incurred)
e. Amortization of prior service cost	From 8 to 10 years (a prorated amount will be amortized by the straight-line method over a certain number of years within the estimated average number of remaining service years of employees, starting the year when prior service cost is incurred)

note 13 Income Taxes

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2009 and 2010:

The significant differences for the year ended March 31, 2009 are not disclosed, as the Company incurred a loss before income taxes and minority interests in the year ended March 31, 2009.

Year ended March 31, 2010	
Statutory income tax rate	40.44%
Increase (decrease) in taxes resulting from:	
Non-Japanese taxes	23.80
Non-deductible expenses	1.67
Effect on equity in earnings of affiliates	(8.37)
Valuation allowance	64.65
Other	0.21
Effective income tax rate	122.41%

Significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2009 and 2010 were as follows:

Year ended March 31, 2009	Millions of yen
Current deferred tax assets:	
Tax loss carry forwards	¥ 6,905
Unrealized gains	1,840
Excess bonuses accrued	1,948
Other	2,937
Total current deferred tax assets	13,630
Valuation allowance	(586)
Total current deferred tax assets, net of valuation allowance	13,044
Account offset against deferred tax liabilities	(5,723)
Net current deferred tax assets	¥ 7,321
Current deferred tax liabilities:	
Deferred gains on hedges	¥ (5,474)
Other	(254)
Total current deferred tax liabilities	(5,728)
Account offset against deferred tax assets	5,723
Net current deferred tax liabilities	¥ (5)
Non-current deferred tax assets:	
Tax loss carry forwards	¥ 67,153
Other	22,798
Total non-current deferred tax assets	89,951
Valuation allowance	(9,386)
Total non-current deferred tax assets, net of valuation allowance	80,565
Account offset against deferred tax liabilities	(17,386)
Net non-current deferred tax assets	¥ 63,179
Non-current deferred tax liabilities:	
Reserve for deferred gains on sales of fixed assets for tax purposes	¥ (12,012)
Non-Japanese taxes	(7,036)
Other	(5,295)
Total non-current deferred tax liabilities	(24,343)
Account offset against deferred tax assets	17,386
Net non-current deferred tax liabilities	¥ (6,957)
Deferred tax asset and liability related to land revaluation:	
Deferred tax asset related to land revaluation	¥ 15,299
Valuation allowance	(15,299)
Deferred tax liability related to land revaluation	(33,493)
Net deferred tax liability related to land revaluation	¥ (33,493)

Year ended March 31, 2010	Millions of yen	Thousands of U.S. dollars (Note 1)
Current deferred tax assets:		
Tax loss carry forwards	¥ 2,130	$ 22,893
Unrealized gains	2,411	25,914
Excess bonuses accrued	1,785	19,185
Other	2,121	22,797
Total current deferred tax assets	8,447	90,789
Valuation allowance	(846)	(9,093)
Total current deferred tax assets, net of valuation allowance	7,601	81,696
Account offset against deferred tax liabilities	(3,710)	(39,875)
Net current deferred tax assets	¥ 3,891	$ 41,821
Current deferred tax liabilities:		
Deferred gains on hedges	¥ (5,990)	$ (64,381)
Other	(50)	(537)
Total current deferred tax liabilities	(6,040)	(64,918)
Account offset against deferred tax assets	3,710	39,875
Net current deferred tax liabilities	¥ (2,330)	$ (25,043)
Non-current deferred tax assets:		
Tax loss carry forwards	¥ 69,131	$ 743,025
Other	24,100	259,028
Total non-current deferred tax assets	93,232	1,002,064
Valuation allowance	(30,836)	(331,427)
Total non-current deferred tax assets, net of valuation allowance	62,396	670,636
Account offset against deferred tax liabilities	(15,507)	(166,670)
Net non-current deferred tax assets	¥ 46,889	$ 503,966
Non-current deferred tax liabilities:		
Reserve for deferred gains on sales of fixed assets for tax purposes	¥ (12,315)	$ (132,362)
Non-Japanese taxes	(7,211)	(77,504)
Other	(4,788)	(51,462)
Total non-current deferred tax liabilities	(24,314)	(261,328)
Account offset against deferred tax assets	15,507	166,670
Net non-current deferred tax liabilities	¥ (8,807)	$ (94,658)
Deferred tax asset and liability related to land revaluation:		
Deferred tax asset related to land revaluation	¥ 14,743	$ 158,459
Valuation allowance	(14,743)	(158,459)
Deferred tax liability related to land revaluation	(33,294)	(357,846)
Net deferred tax liability related to land revaluation	¥ (33,294)	$ (357,846)

note 14 Impairment on Fixed Assets

The Company and its consolidated subsidiaries classified fixed assets into groups according to their respective business types, which are the minimum units generating cash flows. For fixed assets in the petroleum business, each service station operated by the Company and its consolidated subsidiaries is considered to constitute a group, and other assets are classified as one group. For fixed assets in the oil resource development business, IPP business, buildings for rent business and idle assets, each property is considered to constitute a group.

Due to the significant decrease in the market value of the Company and its consolidated subsidiaries' land as well as the overall deterioration of its business environment, book value of these fixed assets was reduced to recoverable amounts and impairment losses of ¥1,239 million and ¥1,976 million ($21,238 thousand), consisting of the following, were recognized for the years ended March 31, 2009 and 2010 respectively.

Year ended March 31, 2009

Use	Location	Type of assets	Impairment loss Millions of yen
Petroleum	Cosmo Property Service Corp. service stations	Land	¥ 146
	Otsu-shi, Shiga and 7 others	Other	104
			250
Idle assets	Cosmo Oil Co., Ltd.	Land	532
	Chiba-shi, Chiba and 110 others	Other	457
			989
Total			¥ 1,239

Recoverable amounts of petroleum business and buildings for rent business are primarily determined by value in use, which is the present value of expected future cash flows from ongoing utilization based on a discount rate of 7.5%.

Recoverable amounts of idle assets are primarily determined by their estimated fair values. Such fair values were determined by real estate appraisal standards in case of material assets.

Year ended March 31, 2010

Use	Location	Type of assets	Impairment loss Millions of yen	Impairment loss Thousands of U.S. dollars (Note 1)
Petroleum	Cosmo Property Service Corp. service stations	Land	¥ 175	$ 1,881
	Takasaki-shi, Gunma and 5 others	Other	197	2,117
			372	3,998
Idle assets	Cosmo Oil Co., Ltd.	Land	1,036	11,134
	Sakano-gun, Tokushima and 109 others	Other	568	6,105
			1,604	17,239
Total			¥ 1,976	$ 21,238

Recoverable amounts of petroleum business and buildings for rent business are primarily determined by value in use, which is the present value of expected future cash flows from ongoing utilization based on a discount rate of 6.0%.

Recoverable amounts of idle assets are primarily determined by their estimated fair values. Such fair values were determined by real estate appraisal standards in case of material assets.

note 15 Investment and Rental Property

Effective from the year ended March 31, 2010 the domestic companies apply the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan ("ASBJ") Statement No.20 issued on November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No.23 issued on November 28, 2008). Pursuant to the new requirements, information about fair value of investment and rental property is as follows:

The Company and some subsidiaries own service stations, office buildings and other properties for rent, and idle properties which are not expected to be used in the future, in Tokyo and other areas.

The book values of these properties for rent recorded on the consolidated balance sheets as of March 31, 2009 and 2010, and changes in the book values as of March 31, 2010 from those as of March 31, 2009, and their fair values as of March 31, 2010 are as follows:

	Millions of yen			
Purpose of use	Book value on the balance sheet as of March 31, 2009	Increase/decrease from March 31, 2009	Book value on the balance sheet as of March 31, 2010	Fair value
Idle properties	¥ 10,158	¥ 123	¥ 10,281	¥ 13,678
Service stations	4,409	(832)	3,577	2,903
Refining facilities	3,016	(1,405)	1,611	1,336
Employee dormitories, apartments, etc.	3,506	(44)	3,462	3,564
Office buildings	794	(56)	738	2,733
Commercial establishments, etc.	4,635	(40)	4,595	5,000
Other	4,962	334	5,296	3,782
Total	¥ 31,480	¥ (1,920)	¥ 29,560	¥ 32,996

	Thousands of U.S. dollars (Note 1)			
Purpose of use	Book value on the balance sheet as of March 31, 2009	Increase/decrease from March 31, 2009	Book value on the balance sheet as of March 31, 2010	Fair value
Idle properties	$ 109,179	$ 1,322	$ 110,501	$ 147,012
Service stations	47,388	(8,942)	38,446	31,202
Refining facilities	32,416	(15,101)	17,315	14,359
Employee dormitories, apartments, etc.	37,683	(473)	37,210	38,306
Office buildings	8,534	(602)	7,932	29,374
Commercial establishments, etc.	49,817	(430)	49,387	53,740
Other	53,332	3,590	56,922	40,649
Total	$ 338,349	$ (20,636)	$ 317,713	$ 354,642

1. The book value of each property on the balance sheet is its acquisition cost less cumulative depreciated expenses and cumulative impairment losses.

2. The breakdown of the changes (increases/decreases) in the book values as of March 31, 2010 from those as of March 31, 2009 mainly includes:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Increase due to properties becoming idle	¥ 3,142	$ 33,770
Decrease due to sale of idle properties	1,318	14,166
Decrease due to impairment losses on idle properties	1,586	17,046
Decrease due to sale of refining facilities	1,428	15,348

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

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

The amounts of income and expenses of the rental and other properties are stated as follows:

	Millions of yen				
Purpose of use	Rental income	Rental cost	Net gain	Gain/loss on sale (losses)	Impairment loss
Idle properties	¥ —	¥ —	¥ —	¥ 450	¥ 1,586
Service stations	355	98	257	—	—
Refining facilities	784	105	679	4,406	—
Employee dormitories, apartments, etc.	166	118	48	(0)	—
Office buildings	178	39	139	—	—
Commercial establishments, etc.	360	97	263	—	2
Other	320	63	257	—	—
Total	¥ 2,163	¥ 520	¥ 1,643	¥ 4,856	¥ 1,588

	Thousands of U.S. dollars (Note 1)				
Purpose of use	Rental income	Rental cost	Net gain	Gain/loss on sale (losses)	Impairment loss
Idle properties	$ —	$ —	$ —	$ 4,837	$ 17,046
Service stations	3,816	1,053	2,763	—	—
Refining facilities	8,426	1,129	7,297	47,356	—
Employee dormitories, apartments, etc.	1,784	1,268	516	(0)	—
Office buildings	1,913	419	1,494	—	—
Commercial establishments, etc.	3,869	1,043	2,826	—	21
Other	3,439	677	2,762	—	—
Total	$ 23,247	$ 5,589	$ 17,658	$ 52,193	$ 17,067

The rental cost refers to expenses required to earn rental income (such as depreciation expenses and taxes).

note 16 Segment Information

(1) Business segment information

The Company and its consolidated subsidiaries primarily operate in the oil business, importing and refining crude oil to produce and distribute a variety of petroleum products and oil resource development.

For the years ended March 31, 2008, 2009 and 2010, summarized product group business operations of the Company and its consolidated subsidiaries were as follows:

	Millions of yen					
Year ended March 31, 2008	Petroleum	Oil exploration and production	Other	Total	Elimination or corporate	Consolidated
Net sales:						
Outside customers	¥ 3,441,558	¥ 32,250	¥ 49,279	¥ 3,523,087	¥ —	¥ 3,523,087
Inter-segment	628	51,819	49,731	102,178	(102,178)	—
Total	3,442,186	84,069	99,010	3,625,265	(102,178)	3,523,087
Operating expenses	3,402,871	40,615	96,434	3,539,920	(100,630)	3,439,290
Operating income	¥ 39,315	¥ 43,454	¥ 2,576	¥ 85,345	¥ (1,548)	¥ 83,797
Identifiable assets, depreciation and amortization, impairment loss on fixed assets and capital expenditures:						
Assets	¥ 1,439,281	¥ 145,242	¥ 40,958	¥ 1,625,481	¥ 2,423	¥ 1,627,904
Depreciation and amortization	¥ 25,666	¥ 7,850	¥ 153	¥ 33,669	¥ (429)	¥ 33,240
Impairment loss on fixed assets	¥ 4,511	¥ —	¥ —	¥ 4,511	¥ —	¥ 4,511
Capital expenditures	¥ 36,189	¥ 13,721	¥ 180	¥ 50,090	¥ (1,132)	¥ 48,958

	Millions of yen					
Year ended March 31, 2009	Petroleum	Oil exploration and production	Other	Total	Elimination or corporate	Consolidated
Net sales:						
Outside customers	¥ 3,352,214	¥ 37,391	¥ 38,606	¥ 3,428,211	¥ —	¥ 3,428,211
Inter-segment	702	51,663	53,184	105,549	(105,549)	—
Total	3,352,916	89,054	91,790	3,533,760	(105,549)	3,428,211
Operating expenses	3,515,562	38,274	89,548	3,643,384	(108,167)	3,535,217
Operating income	¥ (162,646)	¥ 50,780	¥ 2,242	¥ (109,624)	¥ 2,618	¥ (107,006)
Identifiable assets, depreciation and amortization, impairment loss on fixed assets and capital expenditures:						
Assets	¥ 1,161,035	¥ 129,439	¥ 26,538	¥ 1,317,012	¥ 123,384	¥ 1,440,396
Depreciation and amortization	¥ 26,571	¥ 8,818	¥ 124	¥ 35,513	¥ (546)	¥ 34,967
Impairment loss on fixed assets	¥ 1,239	¥ —	¥ —	¥ 1,239	¥ —	¥ 1,239
Capital expenditures	¥ 49,779	¥ 18,472	¥ 227	¥ 68,478	¥ (1,453)	¥ 67,025

Year ended March 31, 2010	Millions of yen Petroleum	Oil exploration and production	Other	Total	Elimination or corporate	Consolidated
Net sales:						
Outside customers	¥2,564,738	¥ 25,427	¥21,976	¥2,612,141	¥ —	¥2,612,141
Inter-segment	415	34,126	66,494	101,035	(101,036)	—
Total	2,565,153	59,553	88,470	2,713,176	(101,035)	2,612,141
Operating expenses	2,555,683	32,552	86,397	2,674,632	(96,698)	2,577,934
Operating income	¥ 9,470	¥ 27,001	¥ 2,073	¥ 38,544	¥ (4,337)	¥ 34,207
Identifiable assets, depreciation and amortization, impairment loss on fixed assets and capital expenditures:						
Assets	¥1,298,991	¥102,250	¥53,812	¥1,455,053	¥ 189,995	¥1,645,048
Depreciation and amortization	¥ 28,330	¥ 10,225	¥ 118	¥ 38,673	¥ (678)	¥ 37,995
Impairment loss on fixed assets	¥ 1,976	¥ —	¥ —	¥ 1,976	¥ —	¥ 1,976
Capital expenditures	¥ 72,909	¥ 16,257	¥ 101	¥ 89,267	¥ (1,590)	¥ 87,677

Year ended March 31, 2010	Thousands of U.S. dollars (Note 1) Petroleum	Oil exploration and production	Other	Total	Elimination or corporate	Consolidated
Net sales:						
Outside customers	$27,565,972	$ 273,291	$236,199	$28,075,462	$ —	$28,075,462
Inter-segment	4,460	366,789	714,682	1,085,931	(1,085,931)	—
Total	27,570,432	640,080	950,881	29,161,393	(1,085,931)	28,075,462
Operating expenses	27,468,648	349,871	928,601	28,747,120	(1,039,317)	27,707,803
Operating income	$ 101,784	$ 290,209	$ 22,280	$ 414,273	$ (46,614)	$ 367,659
Identifiable assets, depreciation and amortization, impairment loss on fixed assets and capital expenditures:						
Assets	$13,961,640	$1,098,990	$578,375	$15,639,005	$ 2,042,078	$17,681,083
Depreciation and amortization	$ 304,493	$ 109,899	$ 1,268	$ 415,660	$ (7,287)	$ 408,373
Impairment loss on fixed assets	$ 21,238	$ —	$ —	$ 21,238	$ —	$ 21,238
Capital expenditures	$ 783,630	$ 174,731	$ 1,086	$ 959,447	$ (17,089)	$ 942,358

(2) Geographic segment information

Geographic segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2008, 2009 and 2010 was as follows:

	Millions of yen				
Year ended March 31, 2008	Japan	Other	Total	Elimination or corporate	Consolidated
Net sales:					
Outside customers	¥ 3,404,003	¥ 119,084	¥ 3,523,087	¥ —	¥ 3,523,087
Inter-segment	93,026	361,972	454,998	(454,998)	—
Total	3,497,029	481,056	3,978,085	(454,998)	3,523,087
Operating expenses	3,455,606	437,715	3,893,321	(454,031)	3,439,290
Operating income	¥ 41,423	¥ 43,341	¥ 84,764	¥ (967)	¥ 83,797
Assets	¥ 1,456,136	¥ 201,808	¥ 1,657,944	¥ (30,040)	¥ 1,627,904

	Millions of yen				
Year ended March 31, 2009	Japan	Other	Total	Elimination or corporate	Consolidated
Net sales:					
Outside customers	¥ 3,287,552	¥ 140,659	¥ 3,428,211	¥ —	¥ 3,428,211
Inter-segment	84,060	313,455	397,515	(397,515)	—
Total	3,371,612	454,114	3,825,726	(397,515)	3,428,211
Operating expenses	3,532,740	402,424	3,935,164	(399,947)	3,535,217
Operating income	¥ (161,128)	¥ 51,690	¥ (109,438)	¥ 2,432	¥ (107,006)
Assets	¥ 1,177,463	¥ 152,303	¥ 1,329,766	¥ 110,630	¥ 1,440,396

	Millions of yen				
Year ended March 31, 2010	Japan	Other	Total	Elimination or corporate	Consolidated
Net sales:					
Outside customers	¥ 2,544,286	¥ 67,855	¥ 2,612,141	¥ —	¥ 2,612,141
Inter-segment	27,937	185,118	213,055	(213,055)	—
Total	2,572,223	252,973	2,825,196	(213,055)	2,612,141
Operating expenses	2,564,135	225,261	2,789,396	(211,462)	2,577,934
Operating income	¥ 8,088	¥ 27,712	¥ 35,800	¥ (1,593)	¥ 34,207
Assets	¥ 1,304,716	¥ 161,797	¥ 1,466,513	¥ 178,535	¥ 1,645,048

	Thousands of U.S. dollars (Note 1)				
Year ended March 31, 2010	Japan	Other	Total	Elimination or corporate	Consolidated
Net sales:					
Outside customers	$ 27,346,152	$ 729,310	$ 28,075,462	$ —	$ 28,075,462
Inter-segment	300,269	1,989,660	2,289,929	(2,289,929)	—
Total	27,646,421	2,718,970	30,365,391	(2,289,929)	28,075,462
Operating expenses	27,559,490	2,421,120	29,980,610	(2,272,807)	27,707,803
Operating income	$ 86,931	$ 297,850	$ 384,781	$ (17,122)	$ 367,659
Assets	$ 14,023,173	$ 1,739,004	$ 15,762,177	$ 1,918,906	$ 17,681,083

(3) Overseas sales information

Overseas sales information of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2009 was as follows:

Year ended March 31, 2008	Millions of yen
Overseas net sales	¥ 386,342
Consolidated net sales	¥ 3,523,087
Overseas net sales share of consolidated net sales	11.0%

Year ended March 31, 2009	Millions of yen
Overseas net sales	¥ 399,071
Consolidated net sales	¥ 3,428,211
Overseas net sales share of consolidated net sales	11.6%

Overseas sales information is not disclosed, as overseas sales represent less than 10% of the consolidated net sales for the year ended March 31, 2010.

note 17 Pledged Assets

Assets pledged as collateral at March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
Land	¥ 230,276	¥ 230,343	$ 2,475,742
Buildings and structures at net book value	35,280	39,613	425,763
Machinery and equipment at net book value	64,876	82,734	889,230
Investments in securities	71	68	731
Total	¥ 330,503	¥ 352,758	$ 3,791,466

Secured liabilities at March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
Long-term debts	¥ 123,465	¥ 117,633	$ 1,264,327
Debts relating to transactions with banks	20,996	20,996	225,667
Total	¥ 144,461	¥ 138,629	$ 1,489,994

Other pledged assets at March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2010	2010
Deposits as security for dealing:			
Marketable securities	¥ 10	¥ 10	$ 107
Investments in securities	9	1,300	13,973
Total	¥ 19	¥ 1,310	$ 14,080

note 18 Subsequent Events

1. On June 23, 2010, the Company's annual shareholders' meeting approved the year-end cash dividend payment of ¥8.00 ($0.09) per share, or a total of ¥6,779 million ($72,861 thousand) to shareholders of record at March 31, 2010.
2. On May 25, 2010, Board of Directors approved a part of LPG business, operated by Cosmo Petroleum Gas Co., Ltd, Cosmo Oil's wholly-owned subsidiary, be transferred to the Company using an absorption-type company split (the "Company Split") as of July 1, 2010.

note 19 Business Combinations

Application of the Purchase Method

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

(1) Name of company acquired and the description of their businesses

Name of company acquired

Eco Power Co., Ltd.

Line of business

Wind power generation business

(2) Major reasons for the business combination

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

(3) Date of business combination

March 25, 2010

(4) Legal form of business combination

Stock acquisition

(5) Name of company upon business combination

Cosmo Oil Co., Ltd.

(6) Ratio of voting right acquired

98.75% acquired by the Company

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

Since the company was regarded as being acquired on March 31, 2010, none of its business results is included in the financial statements of the Company.

3. Acquisition Cost of the Company and Breakdown of the Cost

		Millions of yen	Thousands of U.S. dollars (Note 1)
Consideration as a result of acquisition	Common stock of Eco Power Co., Ltd.	¥ 0	$ 0
Expenses directly incurred for acquisition	Advisory and other expenses	76	817
Acquisition cost		¥ 76	$ 817

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

(1) Amount of negative goodwill generated

¥6,274 million ($67,433 thousand)

(2) Reason for generation

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

(3) Amortization method and period

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

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

	Millions of yen	Thousands of U.S. dollars (Note 1)
(1) Assets		
Current assets	¥ 2,943	$ 31,632
Property, plant and equipment	19,191	206,266
Total assets	22,134	237,898
(2) Liabilities		
Current liabilities	¥ 4,936	$ 53,053
Long-term debts	10,672	114,703
Total liabilities	15,608	167,756

Common Control Transaction, etc.

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

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

a. Company Controlling:

Cosmo Oil Co., Ltd.

Oil refining and marketing

b. Company combined:

Cosmo Energy Exploration & Development Ltd.

Direction of the crude oil exploration and production businesses

(2) Legal form of business combination

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

(3) Name of the company upon business combination

Cosmo Oil Co., Ltd.

(4) Outline of the transaction including the purpose thereof

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

2. Outline of Accounting Process Execution

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

KPMG

Independent Auditors' Report

To the Board of Directors of
COSMO OIL COMPANY, LIMITED:

We have audited the accompanying consolidated balance sheets of COSMO OIL COMPANY, LIMITED and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations for the three years in the period ended March 31, 2010, the consolidated statements of changes in net assets for the year ended March 31, 2010 and 2009, and the consolidated statements of cash flows for the three years in the period ended March 31, 2010, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of COSMO OIL COMPANY, LIMITED and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 23, 2010

Facts and Figures

Making a Difference for Growth

Notes: 1. Unless otherwise indicated, “FY2009” indicates the period that began on April 1, 2009 and ended on March 31, 2010.
2. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥93.04 = US$1, the approximate exchange rate prevailing on March 31, 2010.
3. The data ascribed to Cosmo Oil in this fact book represent figures for Cosmo Oil Company, Limited, its consolidated subsidiaries and affiliated companies that are accounted for by the equity method. Data has been reclassified in certain sections so as to allow comparisons with overseas companies.

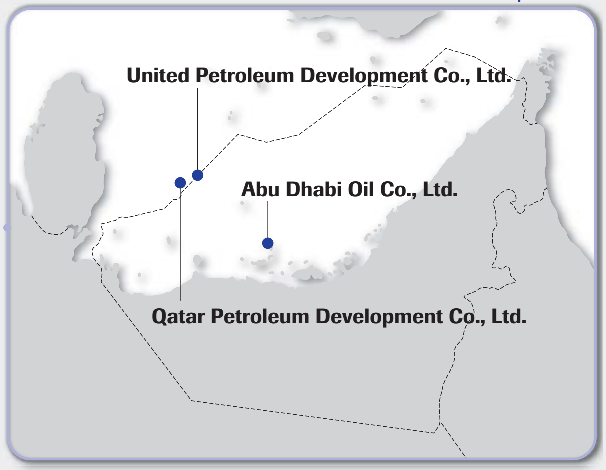
Oil Exploration and Production

Major Petroleum Development Companies (Fiscal year to March 31, 2010 actual)

	Abu Dhabi Oil Co., Ltd.	Qatar Petroleum Development Co., Ltd.		United Petroleum Development Co., Ltd.
		As of March 2010	As of July 2010	
Crude oil production (Barrels/day)	24,092	6,191		14,031
Shareholders (%)				
Cosmo Oil Co., Ltd.	63.0	85.8	75.0	45.0
Other Private Sector	37.0	14.2	25.0	55.0

Notes: 1. Average production volume for January–December, as the company's financial year ends in December.
2. Cosmo Oil reduced its stake in Qatar Petroleum Development Co., Ltd. from 85.8% to 75.0% in July 2010.

QATAR, U.A.E. AREA Close up



Crude Oil Import

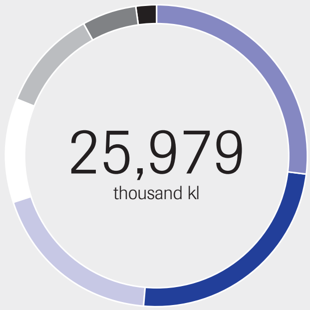
Crude Oil Import Share by Country (Total Industry/Cosmo Oil) (Fiscal year to March 31, 2010 actual) (%)

Total industry

Saudi Arabia	29.5
United Arab Emirates	21.3
Qatar	12.1
Iran	10.9
Kuwait	7.7
Others	18.5

Note: Others includes countries where percentage of imports is less than 5%.
Source: Petroleum Association of Japan, "Crude Oil Imports by Country"

Cosmo Oil

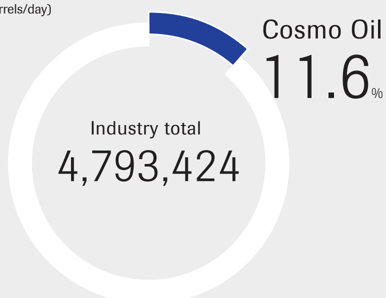


United Arab Emirates	27.1
Saudi Arabia	24.3
Qatar	18.6
Iran	11.2
Kuwait	10.8
Oman	5.9
Others	2.1

Refining: 1

Processing Capacity by Refinery (As of April 1, 2010) (Barrels/day)

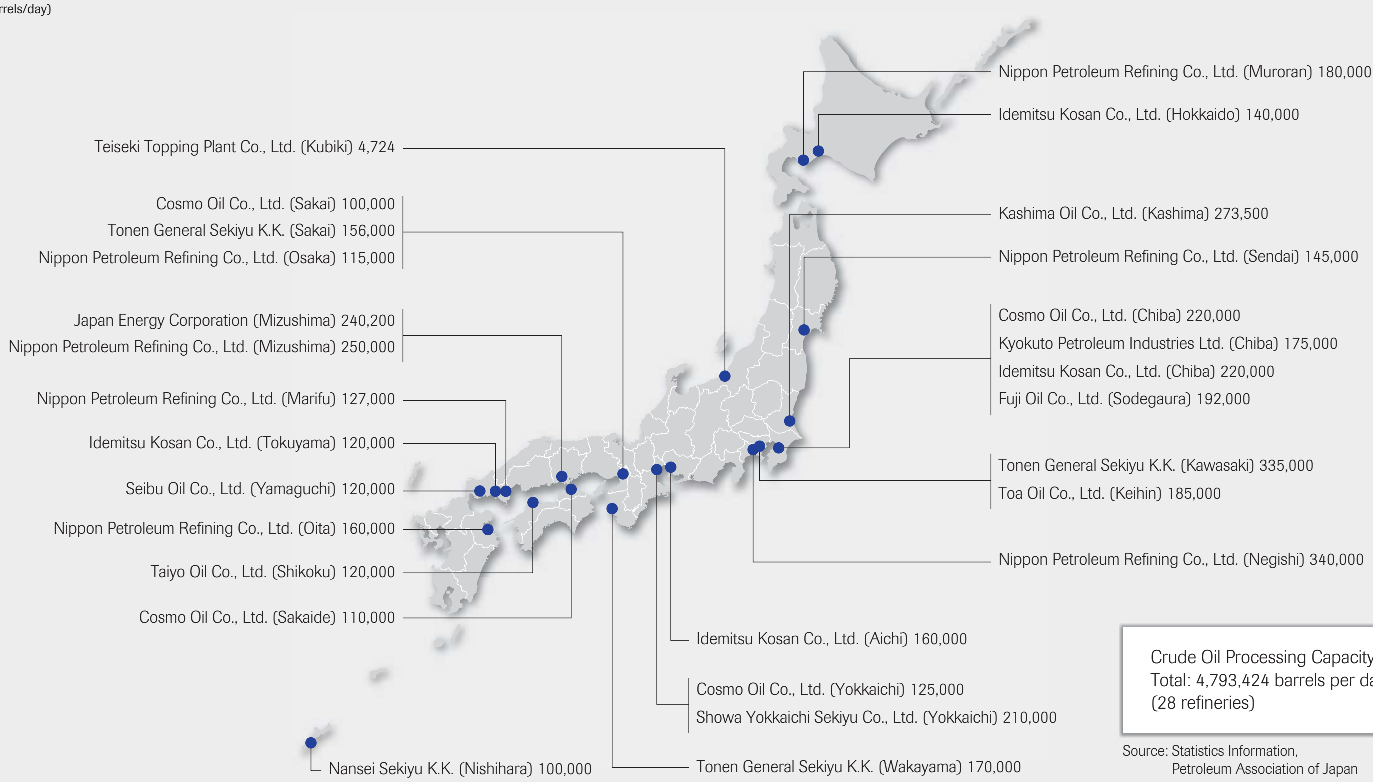
(Barrels/day)



Chiba Refinery	220,000
Yokkaichi Refinery	125,000
Sakai Refinery	100,000
Sakaide Refinery	110,000
Cosmo Oil total	555,000
Industry total	4,793,424
Cosmo Oil share of Japan's total topper capacity	11.6%

Refinery Location and Crude Oil Processing Capacity in the Japanese Petroleum Industry (As of April 1, 2010)

(Barrels/day)

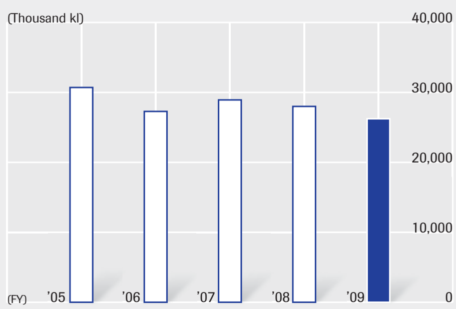


Crude Oil Processing Capacity
Total: 4,793,424 barrels per day
(28 refineries)

Source: Statistics Information, Petroleum Association of Japan

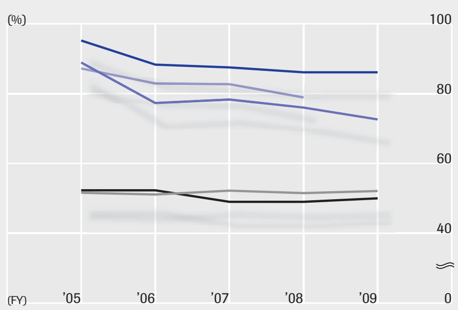
Refining: 2

Volume of Crude Oil Processed (Thousand kl)



	FY2005	FY2006	FY2007	FY2008	FY2009
■ Volume of Crude Oil Processed	30,707	27,283	28,928	27,999	26,231

Topper Capacity Utilization Rate, Secondary Unit Ratio (%)

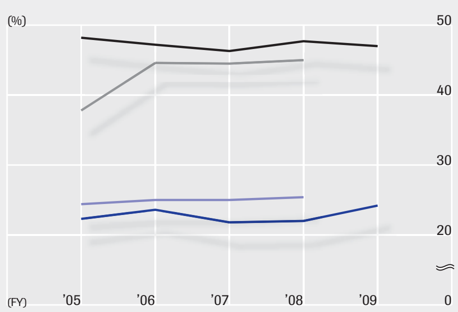


	FY2005	FY2006	FY2007	FY2008	FY2009
Topper capacity utilization rate					
Cosmo Oil (SD)	95.2	88.3	87.5	86.1	86.1
Cosmo Oil (CD)	88.9	77.3	78.3	76.0	72.6
Industry average (CD)	87.2	82.9	82.7	78.9	N.A.
FCC capacity utilization rate					
Cosmo Oil	90.0	76.2	76.5	72.7	78.0
Secondary unit ratio					
Cosmo Oil	52.3	52.3	49.0	49.0	50.0
Industry average	51.6	51.1	52.2	51.5	52.1

Notes: 1. SD: stream-day basis CD: calendar-day basis
2. Secondary units include direct desulfurization units, catalytic reformer units, fluid catalytic cracking units and alkylation units. Secondary unit ratio is based on Petroleum Association of Japan data.

Source: Figures for the industry average topper capacity utilization rate are from the Petroleum Association of Japan, and the volume of crude oil processed is the moving average for the period, based on the newest capacity data as of April 1, 2010.

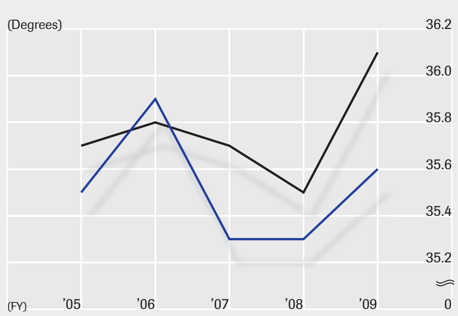
Yields of Gasoline and Four Middle Distillates (Jet Fuel, Kerosene, Diesel Fuel, and Heavy Fuel Oil A) (%)



	FY2005	FY2006	FY2007	FY2008	FY2009
Gasoline					
Cosmo Oil	22.3	23.6	21.8	22.0	24.2
Industry average	24.4	25.0	25.0	25.4	N.A.
Four middle distillates					
Cosmo Oil	48.2	47.2	46.3	47.7	47.0
Industry average	37.8	44.6	44.5	45.0	N.A.

Source: Japan Petroleum Statistics Association, "Statistical Indicator No.11"; Ministry of Economy, Trade and Industry, "Petroleum Data"

API Gravity (Degrees)



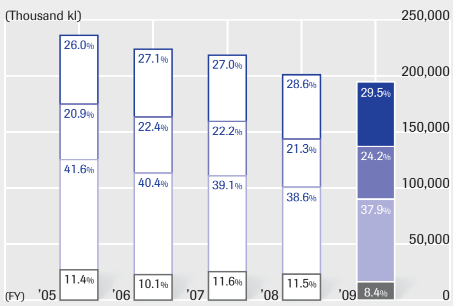
	FY2005	FY2006	FY2007	FY2008	FY2009
Cosmo Oil	35.5	35.9	35.3	35.3	35.6
Industry average	35.7	35.8	35.7	35.5	36.1

Source: Japan Petroleum Statistics Association, "Statistical Indicator No.11"; Ministry of Economy, Trade and Industry, "Petroleum Data"

Sales: 1

Domestic Sales by Product (Total Industry/Cosmo Oil) (Thousand kl)

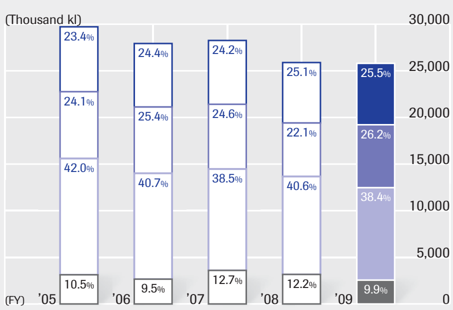
Total industry



	FY2005	FY2006	FY2007	FY2008	FY2009
■ Gasoline	61,422	60,552	59,076	57,473	57,522
■ Naphtha	49,431	50,078	48,548	42,873	47,225
■ Four middle distillates	98,326	90,518	85,514	77,539	73,731
Jet fuel	5,145	5,453	5,916	5,676	5,229
Kerosene	28,265	24,498	22,672	20,250	20,062
Diesel fuel	37,136	36,606	35,557	33,722	32,391
Heavy fuel oil A	27,780	23,961	21,369	17,891	16,049
■ Heavy fuel oil C	27,009	22,696	25,341	23,158	16,277
Total	236,188	223,843	218,479	201,042	194,755

Source: Ministry of Economy, Trade and Industry, "Natural Resources and Energy Statistics"

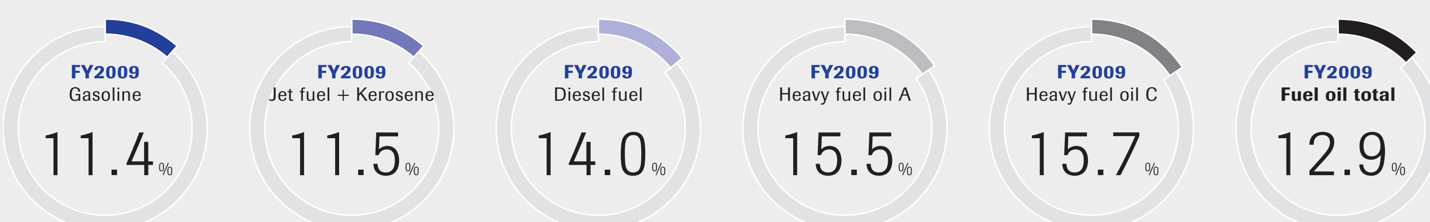
Cosmo Oil



	FY2005	FY2006	FY2007	FY2008	FY2009
■ Gasoline	6,958	6,813	6,848	6,486	6,584
■ Naphtha	7,165	7,103	6,940	5,734	6,749
■ Four middle distillates	12,469	11,355	10,872	10,504	9,916
Jet fuel	336	479	445	424	443
Kerosene	3,507	2,900	2,811	2,687	2,458
Diesel fuel	4,831	4,783	4,864	4,728	4,526
Heavy fuel oil A	3,795	3,193	2,752	2,665	2,489
■ Heavy fuel oil C	3,127	2,659	3,597	3,165	2,553
Total	29,719	27,929	28,258	25,891	25,802

Source: Ministry of Economy, Trade and Industry, "Natural Resources and Energy Statistics"

Market Share by Product (%)



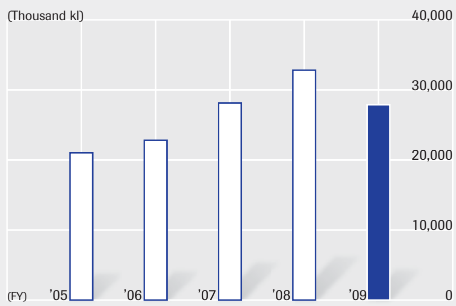
	FY2005	FY2006	FY2007	FY2008	FY2009
Gasoline	11.3	11.3	11.6	11.3	11.4
Jet fuel + Kerosene	11.5	11.3	11.4	12.0	11.5
Diesel fuel	13.0	13.1	13.7	14.0	14.0
Heavy fuel oil A	13.7	13.3	12.9	14.9	15.5
Heavy fuel oil C	11.6	11.7	14.2	13.7	15.7
Fuel oil total	12.1	12.0	12.5	12.7	12.9

Note: The total market share for fuel oil excludes naphtha sales (on a volume basis).
Source: Ministry of Economy, Trade and Industry, "Natural Resources and Energy Statistics"

Sales: 2

Exports by Product (Total Industry/Cosmo Oil) (Thousand kl)

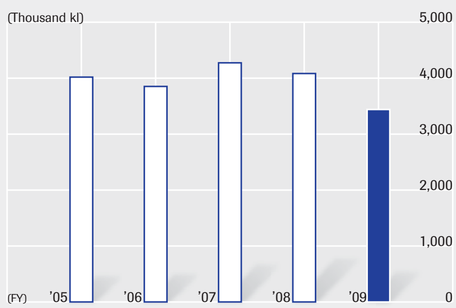
Total industry Total exports



	FY2005	FY2006	FY2007	FY2008	FY2009
Diesel	4,087	4,950	9,027	13,020	11,358
Kerosene/Jet fuel	N.A.	N.A.	N.A.	N.A.	N.A.
Total	4,087	4,950	9,027	13,020	11,358
Bonded products sales, others					
Jet fuel	6,689	7,955	9,277	10,080	8,376
Heavy fuel oil C	9,867	9,409	9,183	9,274	7,798
Others	383	499	644	444	357
Total	16,939	17,863	19,104	19,798	16,531
■ Total exports	21,026	22,814	28,132	32,819	27,888

Source: Ministry of Economy, Trade and Industry, "Natural Resources and Energy Statistics"

Cosmo Oil Total exports

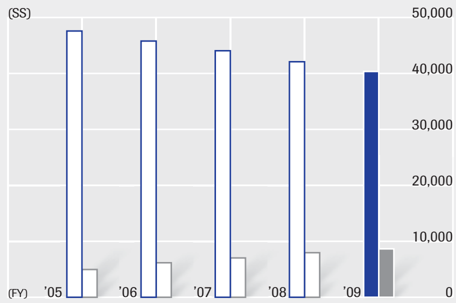


	FY2005	FY2006	FY2007	FY2008	FY2009
Diesel	913	944	1,331	1,457	991
Kerosene/Jet fuel	33	102	259	101	110
Total	946	1,046	1,590	1,558	1,101
Bonded products sales, others					
Jet fuel	1,678	1,647	1,766	1,587	1,478
Heavy fuel oil C	1,036	842	783	716	716
Others	359	317	135	222	145
Total	3,073	2,806	2,684	2,525	2,339
■ Total exports	4,019	3,852	4,274	4,083	3,440

Source: Ministry of Economy, Trade and Industry, "Natural Resources and Energy Statistics"

Sales: 3

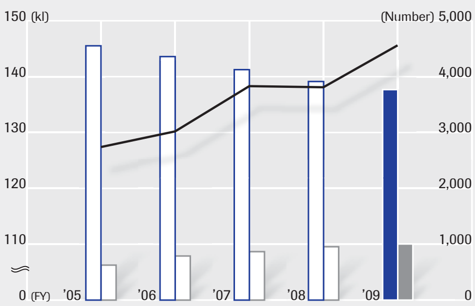
Number of Service Stations (Nationwide)



	FY2005	FY2006	FY2007	FY2008	FY2009
Nationwide					
Number of national brand SS	37,033	35,486	33,670	31,831	30,339
Number of non-brand SS	10,551	10,306	10,387	10,259	10,014
■ Total (SS)	47,584	45,792	44,057	42,090	40,353
Number of national brand self SS	4,257	5,316	6,004	6,596	6,906
Number of non-brand self SS	699	846	1,019	1,366	1,736
■ Total (Self SS)	4,956	6,162	7,023	7,962	8,642

Notes: 1. Total number of SS in Japan is based on "Law on the Quality Control of Gasoline and Other Fuels."
2. The number of self SS is included in the number of SS.
Source: Number of nationwide SS compiled by the Agency for Natural Resources and Energy. Number of wholesaler SS compiled by the Daily Nenryo Yushi Japan, number of other SS represents the difference between the number of nationwide SS and the number of distributor SS.

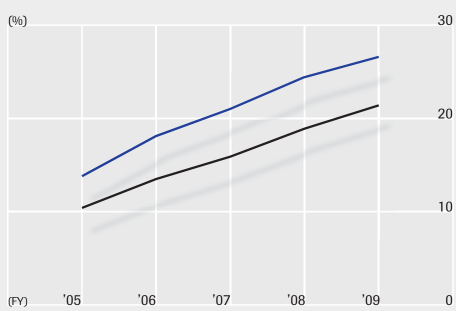
Gasoline Volume Sold per Service Station (Cosmo Oil)



	FY2005	FY2006	FY2007	FY2008	FY2009
Cosmo Oil					
■ Number of SS (right scale)	4,552	4,359	4,125	3,913	3,768
■ Number of self SS (right scale)	626	789	867	955	1,004
– Gasoline volume sold per SS (kl/month/SS) (left scale)	127.4	130.2	138.3	138.1	145.6

Notes: 1. Gasoline volume sold per SS = The annual volume of gasoline sold by the Group ÷ number of SS at the end of each year ÷ 12 months
2. The number of self SS is included in the number of SS.

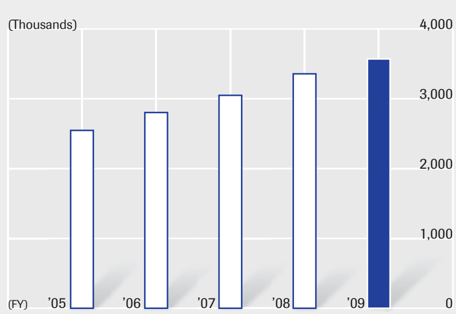
Self-service Station Ratio (%)



	FY2005	FY2006	FY2007	FY2008	FY2009
– Cosmo Oil	13.8	18.1	21.0	24.4	26.6
– Nationwide	10.4	13.5	15.9	18.9	21.4

Source: Nationwide SS is based on data provided by the Oil Information Center and National Federation of Petroleum Commercial Associations and National Federation of Petroleum Co-op Associations.

Number of Active Cosmo the Card (Credit Cards) (Thousands)

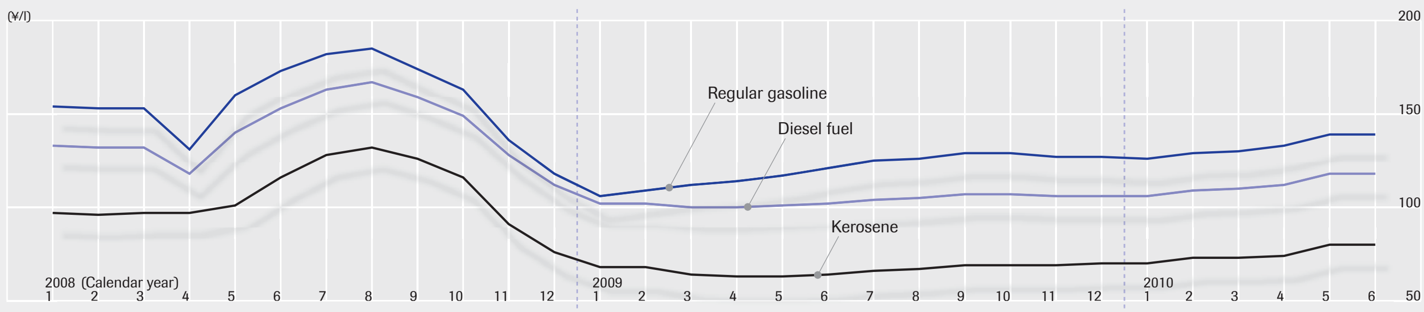


	FY2005	FY2006	FY2007	FY2008	FY2009
■ Total number of active cards	2,547	2,803	3,049	3,357	3,570

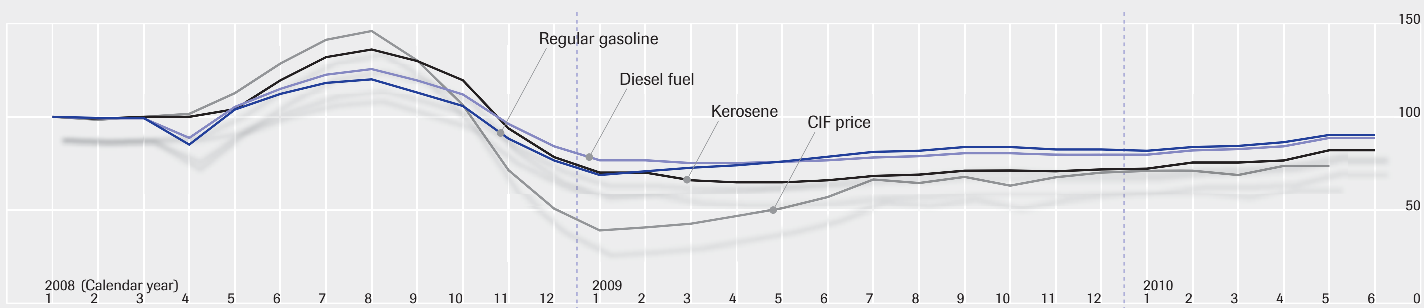
Note: Total number of active cards = Total number of cards issued – Total number of deactivated cards

Price

Retail Prices for Petroleum Products (Regular Gasoline, Diesel Fuel, and Kerosene) (Industry Average) (¥)



Retail Prices for Petroleum Products and Crude Oil Price (Figures are calculated with January 2008 (industry average) as 100)



2008	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Regular gasoline (¥/l)	154	153	153	131	160	173	182	185	174	163	136	118
Diesel fuel (¥/l)	133	132	132	118	140	153	163	167	159	149	128	112
Kerosene (¥/l)	97	96	97	97	101	116	128	132	126	116	91	76
CIF price (¥/l)	63	62	63	64	71	81	89	92	82	67	45	32

2009	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Regular gasoline (¥/l)	106	109	112	114	117	121	125	126	129	129	127	127
Diesel fuel (¥/l)	102	102	100	100	101	102	104	105	107	107	106	106
Kerosene (¥/l)	68	68	64	63	63	64	66	67	69	69	69	70
CIF price (¥/l)	25	26	27	29	32	36	42	41	43	40	43	44

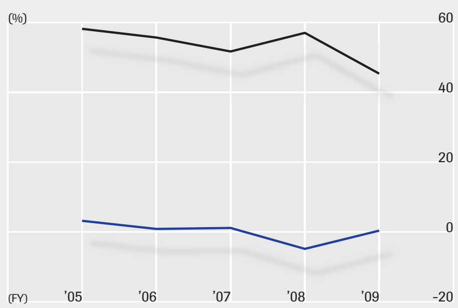
2010	Jan.	Feb.	Mar.	Apr.	May	Jun.
Regular gasoline (¥/l)	126	129	130	133	139	138
Diesel fuel (¥/l)	106	109	110	112	118	117
Kerosene (¥/l)	70	73	73	74	80	79
CIF price (¥/l)	45	45	43	46	50	—

Notes: 1. Figures for regular gasoline and diesel fuel prices include crude oil tariffs, either gasoline taxes or diesel fuel transaction taxes and consumption taxes, Kerosene prices include oil tariffs, oil taxes and consumption taxes.
2. In April 2008, the provisional gasoline tax was temporarily revoked. Tax rates: Gasoline: Provisional tax is ¥25.1/liter, plus consumption tax of ¥1.26/liter, for total tax/liter of ¥26.36. Kerosene: Provisional tax is ¥17.1/liter, plus consumption tax of ¥0.86/liter, for total tax/liter of ¥17.96.

Source: Ministry of Finance, "Trade Statistics"; Oil Information Service Center, "Oil Information Center Report"/"Service Station Petroleum Product Market Survey," Crude oil CIF price for the most recent month is based on the preliminary report provided by "Trade Statistics."

Segment Performance

Segment Operating Income Ratio

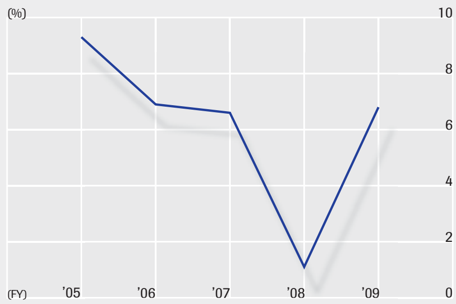


	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Segment sales						
Petroleum	¥2,617,446	¥2,984,516	¥3,442,186	¥3,352,916	¥2,565,153	$27,570,432
Oil exploration and production	50,476	78,132	84,069	89,054	59,553	640,080
Others	69,369	85,517	99,010	91,790	88,470	950,881
Elimination and corporate	(66,663)	(85,421)	(102,178)	(105,549)	(101,035)	(1,085,931)
Total	2,670,628	3,062,744	3,523,087	3,428,211	2,612,141	28,075,462
Segment operating income (loss)						
Petroleum	83,536	25,668	39,315	(162,646)	9,470	101,784
Oil exploration and production	29,367	43,515	43,454	50,780	27,001	290,209
Others	1,004	1,613	2,576	2,242	2,073	22,280
Elimination and corporate	(2,659)	(1,153)	(1,548)	2,618	(4,337)	(46,614)
Total	111,248	69,643	83,797	(107,006)	34,207	367,659

	%					
Segment operating income ratio						
Petroleum	3.19	0.86	1.14	(4.85)	0.37	–
Oil exploration and production	58.18	55.69	51.69	57.02	45.34	–

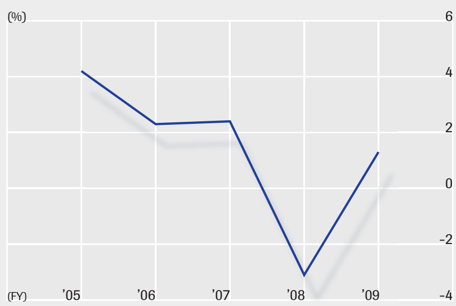
Profitability

Gross Profit Ratio



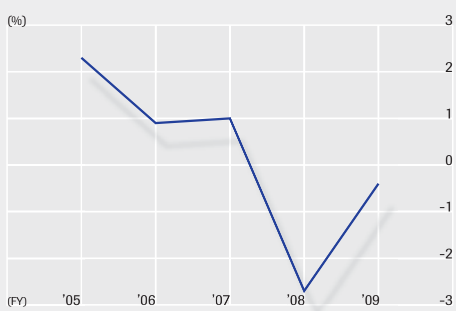
	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Net sales	¥2,670,628	¥3,062,744	¥3,523,087	¥3,428,211	¥2,612,141	$28,075,462
Gross profit	248,356	210,502	232,399	38,803	176,775	1,899,989
Gross profit ratio (%)	9.3	6.9	6.6	1.1	6.8	–

Operating Income Ratio



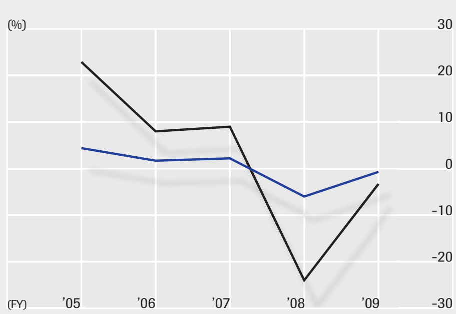
	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Net sales	¥2,670,628	¥3,062,744	¥3,523,087	¥3,428,211	¥2,612,141	$28,075,462
Operating income (loss)	111,248	69,643	83,797	(107,006)	34,207	367,659
Operating income ratio (%)	4.2	2.3	2.4	(3.1)	1.3	–

Return on Sales



	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Net sales	¥2,670,628	¥3,062,744	¥3,523,087	¥3,428,211	¥2,612,141	$28,075,462
Net income (loss)	61,795	26,536	35,153	(92,430)	(10,741)	(115,445)
Return on sales (%)	2.3	0.9	1.0	(2.7)	(0.4)	–

ROA / ROE

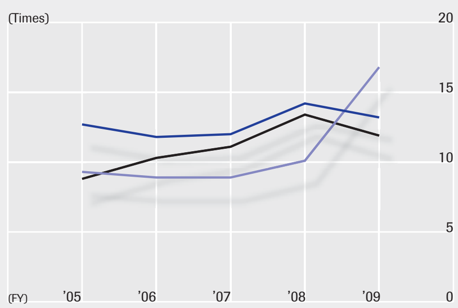


	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Net income (loss)	¥ 61,795	¥ 26,536	¥ 35,153	¥ (92,430)	¥ (10,741)	$ (115,445)
Total assets	1,463,579	1,579,156	1,627,904	1,440,396	1,645,048	17,681,083
Total shareholders' equity	312,504	339,701	442,912	328,434	315,747	3,393,670
Return on assets (ROA) (%)	4.4	1.7	2.2	(6.0)	(0.7)	–
Return on equity (ROE) (%)	22.9	8.0	9.0	(24.0)	(3.3)	–

Notes: 1. ROA = Net income/Average total assets at beginning and end of the fiscal year X 100
2. ROE = Net income/Average shareholders' equity at beginning and end of the fiscal year X 100
3. Shareholders' equity until the fiscal year ended March 31, 2006 excluded minority interests.
Shareholders' equity = Net assets – minority interests.

Efficiency/Productivity

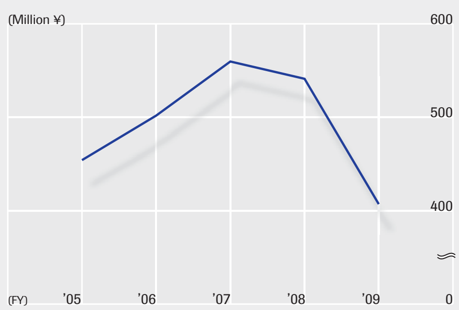
Trade Receivables Turnover, Inventory Turnover, Accounts Payable Turnover



	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Notes and accounts receivable, trade	¥ 228,008	¥ 291,964	¥ 293,549	¥ 189,037	¥ 206,168	$ 2,215,907
Inventories	338,340	347,739	440,092	239,092	311,542	3,348,474
Trade receivables turnover (times)*	12.7	11.8	12.0	14.2	13.2	–
Inventory turnover (times)*	9.3	8.9	8.9	10.1	16.8	–
Notes and accounts payable, trade	273,182	281,520	312,657	191,883	216,112	2,322,786
Cost of sales	2,422,272	2,852,242	3,290,688	3,389,408	2,435,366	26,175,473
Accounts payable turnover (times)*	8.8	10.3	11.1	13.4	11.9	–

* Calculated based on average trade receivables, total assets, and inventories at the beginning and end of each fiscal year.

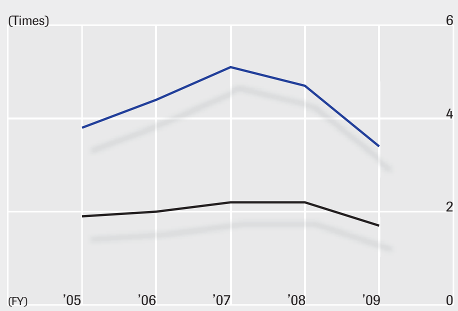
Net Sales per Employee



	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Net sales per employee	¥454.1	¥501.8	¥559.7	¥541.2	¥407.0	$4,374.5
Consolidated number of employees	5,881	6,103	6,295	6,335	6,418	–

Note: Net sales per employee are based on the average number of employees at the beginning and end of each fiscal year.

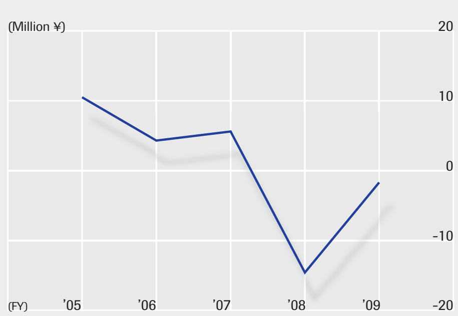
Fixed Assets Turnover, Total Assets Turnover



	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Total assets	¥1,463,579	¥1,579,156	¥1,627,904	¥1,440,396	¥1,645,048	$17,681,083
Fixed assets	701,175	697,073	694,182	752,086	799,569	8,595,820
Fixed assets turnover (times)*	3.8	4.4	5.1	4.7	3.4	–
Total assets turnover (times)*	1.9	2.0	2.2	2.2	1.7	–

* Calculated based on average trade receivables, total assets, and inventories at the beginning and end of each fiscal year.

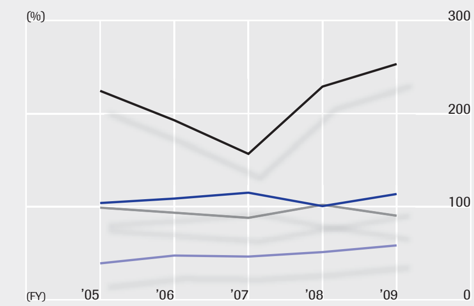
Net Income (loss) per Employee



	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Net income (loss) per employee	¥ 10.5	¥ 4.3	¥ 5.6	¥ (14.6)	¥ (1.7)	$ (18.3)
Consolidated number of employees	5,881	6,103	6,295	6,335	6,418	–

Stability

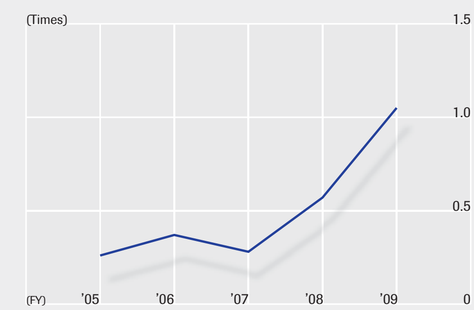
Current Ratio, Quick Ratio, Fixed Ratio, Fixed Assets Capitalization



	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Current ratio (%)	103.9	108.7	115.0	100.6	113.6	–
Quick ratio (%)	39.1	47.5	46.4	51.2	58.5	–
Fixed ratio (%)	224.4	192.8	156.7	229.0	253.2	–
Fixed assets capitalization (%)	98.9	93.5	88.0	102.0	90.3	–
Short-term debt	¥197,797	¥274,577	¥259,600	¥261,778	¥269,514	$2,896,754
Long-term debt, less current maturities	324,633	335,313	262,005	336,831	490,225	5,268,970

Notes: 1. Short-term debt includes the current maturities of long-term debt.
2. Current ratio = Current assets at fiscal year-end ÷ Current liabilities X 100
3. Quick ratio = (Cash and bank deposits + Notes and accounts receivable + Marketable securities) ÷ Current liabilities X 100
4. Fixed ratio = Fixed assets ÷ Total shareholders' equity X 100
5. Fixed assets capitalization = Fixed assets ÷ (Total shareholders' equity + Long-term liabilities)

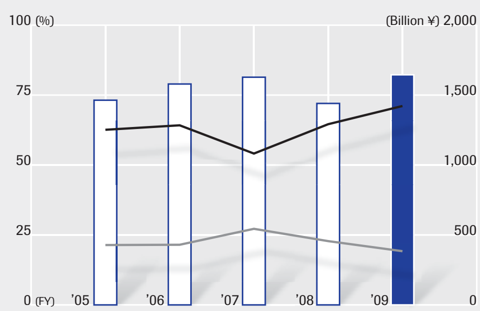
Liquidity



	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Cash and deposits and marketable securities	¥58,893	¥93,744	¥83,185	¥161,435	¥228,919	$2,460,436
Liquidity (times)	0.26	0.37	0.28	0.57	1.05	–

Note: Liquidity = (Cash deposits + Securities) ÷ Net sales (monthly average)

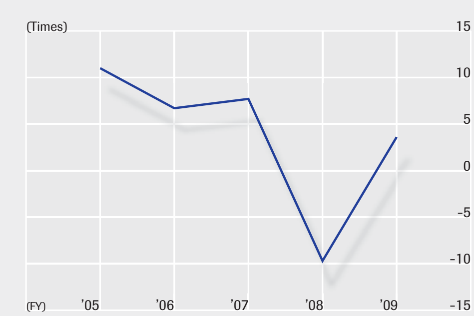
Total Assets, Debt-to-Total Capital Ratio, Shareholders' Equity Ratio



	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Total assets (right scale)	¥1,463,579	¥1,579,156	¥1,627,904	¥1,440,396	¥1,645,048	$17,681,083
Interest-bearing debt	522,430	609,890	521,605	598,609	777,739	8,359,189
Total shareholders' equity	312,504	339,701	442,912	328,434	315,747	3,393,669
Debt-to-total capital ratio (%) (left scale)	62.6	64.2	54.1	64.6	71.1	–
Total debt to total assets (%)	35.7	38.6	32.0	41.6	47.3	–
Shareholders' equity ratio (%) (left scale)	21.4	21.5	27.2	22.8	19.2	–
Debt-to-equity ratio (times)	1.7	1.8	1.2	1.8	2.5	–

Note: Debt-to-total capital ratio = Interest-bearing debt ÷ (Interest-bearing debt + Total shareholders' equity)

Interest Coverage

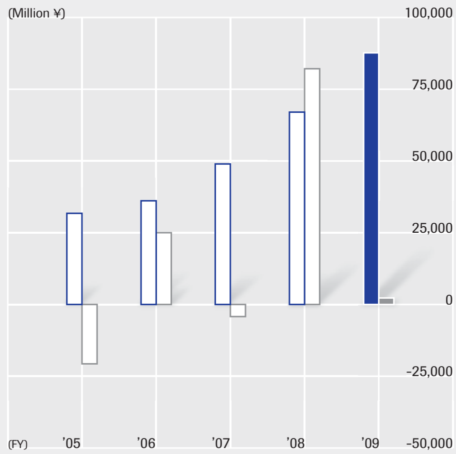


	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Interest expense	¥ 10,747	¥10,686	¥11,358	¥ 10,767	¥ 9,855	$105,922
Interest and dividend income	6,490	1,845	3,488	2,317	1,411	15,166
Operating income (loss)	111,248	69,643	83,797	(107,006)	34,207	367,659
Interest coverage (times)	11.0	6.7	7.7	(9.7)	3.6	–

Note: Interest coverage = (Operating income + Interest and dividend income) ÷ Interest expense

Cash Flows

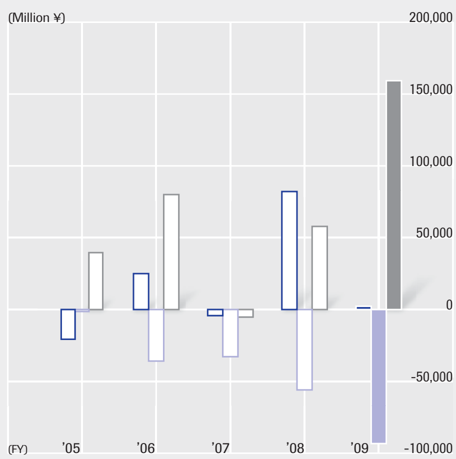
Cash Flows from Operating Activities and Capital Expenditures



	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
■ Capital expenditures	¥ 31,762	¥36,127	¥48,958	¥ 67,025	¥ 87,677	$ 942,358
Depreciation and amortization	28,313	29,246	33,240	34,967	37,995	408,373
Net income (loss)	61,795	26,536	35,153	(92,430)	(10,741)	(115,445)
Cash dividends paid and bonuses to directors and statutory auditors	5,243	6,799	5,372	6,780	4,237	45,540
■ Cash flows from operating activities	(20,685)	25,005	(4,215)	82,136	2,262	24,313

Note: Figures for capital investment include intangible fixed assets and long-term prepaid expenses.

Cash Flows by Activity

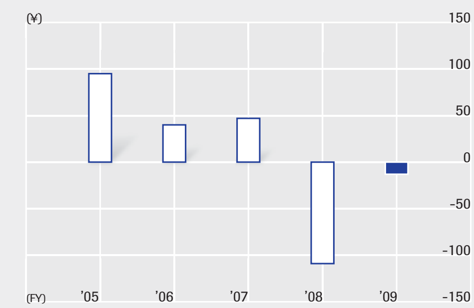


	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
■ Cash flows from operating activities	¥(20,685)	¥ 25,005	¥ (4,215)	¥ 82,136	¥ 2,262	$ 24,313
■ Cash flows from investing activities	(1,348)	(35,868)	(32,806)	(55,953)	(93,306)	(1,002,859)
■ Cash flows from financing activities	39,608	80,023	(5,229)	57,854	159,302	1,712,188
Cash and cash equivalents at the end of year	56,632	126,106	82,675	159,920	228,908	2,460,319
Simplified cash flows	84,865	48,983	63,021	(64,243)	23,017	247,388

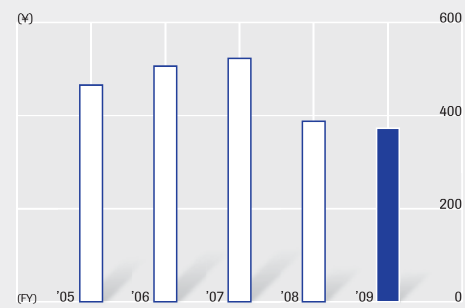
Note: Simplified cash flows are calculated as the sum of depreciation and net income after deducting cash dividends paid and bonuses to directors and statutory auditors.

Per Share Data

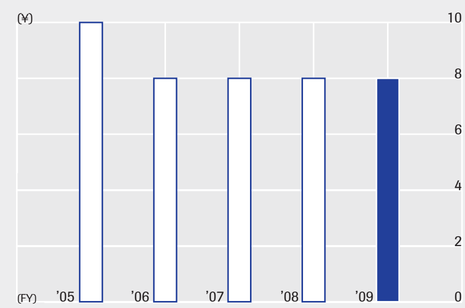
Net Income (Loss) per Share



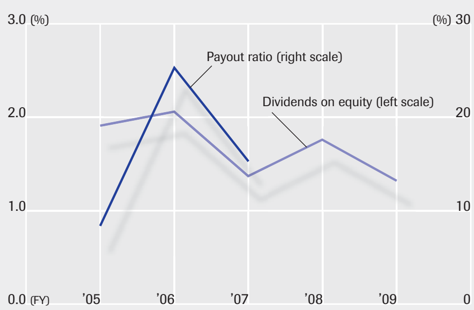
Net Assets per Share



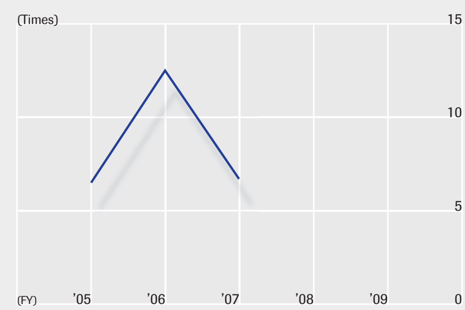
Cash Dividends per Share



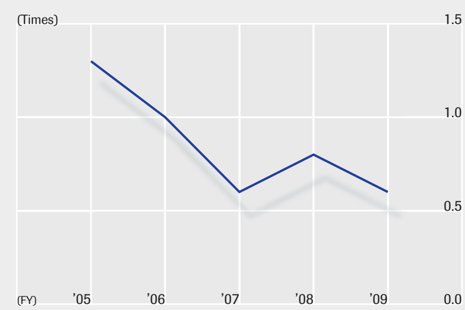
Payout Ratio and Dividends on Equity



Price Earnings Ratio (PER)



Price Book Value Ratio (PBR)



	Millions of yen					Thousands of U.S. dollars
	FY2005	FY2006	FY2007	FY2008	FY2009	FY2009
Stock price at the end of fiscal year (¥, $)	¥ 617	¥ 494	¥ 313	¥ 298	¥ 226	$ 2.43
Cash dividends per share (¥, $)	10.00	8.00	8.00	8.00	8.00	0.09
Cash dividends	5,172	6,715	5,372	6,780	4,237	45,540
Number of shares of common stock (millions)	671.7	671.7	847.7	847.7	847.7	–
Net income (loss)	61,795	26,536	35,153	(92,430)	(10,741)	(115,445)
Total shareholders' equity	312,504	339,701	442,912	328,434	315,747	3,393,670
Payout ratio (%)	8.37	25.30	15.28	–	–	–
Dividends on equity (%)	1.91	2.06	1.37	1.76	1.32	–
	Yen					U.S. dollars
Net income (loss) per share (¥, $)	¥ 94.54	¥ 39.54	¥ 46.72	¥(109.11)	¥ (12.68)	$ (0.14)
Diluted net income per share (¥, $)	92.17	37.91	44.98	–	–	–
Net assets per share (¥, $)	465.48	506.15	522.84	387.71	372.74	4.01
PER (times)	6.5	12.5	6.7	–	–	–
PBR (times)	1.3	1.0	0.6	0.8	0.6	–

Notes: 1. Dividend value is cash flow base.
2. DOE = Dividend amount/Average beginning and end of period shareholders' equity X 100
3. Net income (loss) per share is based on the average number of outstanding shares.
4. Up to and including the fiscal year ended March 31, 2006, total shareholders' equity per share was presented rather than net assets per share.
5. Figures for PER and PBR are calculated based on the closing price of the Company's shares listed on the First Section of the Tokyo Stock Exchange on the last trading day in March of each year. These figures are for the parent company only.
6. Payout ratio, diluted net income per share and PER for the fiscal year to March 2009 are not meaningful because of the net loss recorded for the year.

Consolidated Financial Statements

Consolidated Balance Sheets (March 31, 2006, 2007, 2008, 2009, and 2010)

	Millions of yen					Thousands of U.S. dollars
	2006	2007	2008	2009	2010	2010
ASSETS						
Current assets:						
Cash and deposits	¥ 56,646	¥ 84,105	¥ 72,193	¥ 147,452	¥ 226,609	$ 2,435,608
Marketable securities	2,247	9,640	10,992	13,984	2,311	24,839
Notes and accounts receivable, trade	228,008	291,964	293,549	189,037	206,168	2,215,907
Less allowance for doubtful accounts	(553)	(971)	(352)	(403)	(222)	(2,386)
	227,455	290,993	293,197	188,634	434,866	4,673,968
Inventories	338,340	347,739	440,092	239,092	311,542	3,348,474
Other current assets	137,716	149,605	117,248	99,148	98,929	1,063,295
Total current assets	762,404	882,082	933,722	688,310	845,337	9,085,737
Property, plant and equipment:						
Land	319,765	313,181	308,277	305,566	303,104	3,257,782
Buildings and structures	440,742	444,249	442,416	447,633	460,090	4,945,077
Machinery and equipment	396,607	409,514	412,974	423,548	472,849	5,082,212
Lease assets	—	—	—	100	726	7,803
Construction in progress	6,742	7,447	26,811	46,665	65,157	700,312
	1,163,856	1,174,391	1,190,478	1,223,512	1,301,926	13,993,186
Less accumulated depreciation	(630,850)	(646,044)	(661,454)	(680,095)	(704,233)	(7,569,143)
Net property, plant and equipment	533,006	528,347	529,024	543,417	597,693	6,424,043
Other assets:						
Investments in securities	98,318	107,908	103,827	88,657	101,139	1,087,049
Long-term loans receivable	3,134	3,440	2,643	1,987	1,790	19,239
Other	68,239	58,922	59,913	118,903	99,965	1,074,430
Less allowance for doubtful accounts	(1,522)	(1,543)	(1,225)	(878)	(876)	(9,415)
Total other assets	168,169	168,727	165,158	208,669	202,018	2,171,303
Total assets	¥ 1,463,579	¥ 1,579,156	¥ 1,627,904	¥ 1,440,396	¥ 1,645,048	$ 17,681,083

	Millions of yen					Thousands of U.S. dollars
	2006	2007	2008	2009	2010	2010
LIABILITIES AND NET ASSETS						
Current liabilities:						
Short-term loans and current maturities of long-term debts	¥ 197,797	¥ 274,577	¥ 259,600	¥ 261,778	¥ 287,514	$ 3,090,219
Notes and accounts payable, trade	273,182	281,520	312,657	191,883	216,112	2,322,786
Income, excise and other taxes payable	121,822	122,928	102,774	118,636	117,265	1,260,372
Accrued expenses and other current liabilities	140,651	132,821	136,997	111,586	123,283	1,325,054
Total current liabilities	733,452	811,846	812,028	683,883	744,174	7,998,431
Long-term debts, less current maturities	324,633	335,313	262,005	336,831	490,225	5,268,970
Deferred tax for revaluation reserve for land	20,332	23,752	33,947	33,493	33,294	357,846
Retirement and severance benefits	5,565	4,614	6,301	6,097	5,900	63,414
Negative goodwill	—	—	—	—	6,285	67,552
Other long-term liabilities	46,290	42,018	43,896	32,643	33,590	361,026
Minority interests	20,803	—	—	—	—	—
Shareholders' equity:						
Common stock	62,367	—	—	—	—	—
Additional paid-in capital	44,561	—	—	—	—	—
Retained earnings	166,149	—	—	—	—	—
Revaluation reserve for land	24,277	—	—	—	—	—
Net unrealized gains on securities	15,999	—	—	—	—	—
Foreign currency translation adjustments	(753)	—	—	—	—	—
Less treasury stock, at cost	(96)	—	—	—	—	—
Total shareholders' equity	312,504	—	—	—	—	—
Total liabilities and shareholders' equity	1,463,579	—	—	—	—	—
Net assets:						
Common stock	—	62,367	107,247	107,247	107,247	1,152,698
Capital surplus	—	44,562	89,442	89,441	89,441	961,318
Retained earnings	—	185,851	215,388	115,733	99,686	1,071,432
Less treasury stock, at cost	—	(112)	(125)	(130)	(134)	(1,440)
Unrealized gains on securities, net of taxes	—	14,508	5,909	(2,100)	(529)	(5,686)
Unrealized gains on hedging derivatives, net of taxes	—	12,142	14,604	8,085	8,761	94,164
Revaluation reserve for land	—	20,918	11,085	11,524	12,594	135,361
Foreign currency translation adjustments	—	(535)	(638)	(1,367)	(1,319)	(14,177)
Minority interests	—	21,912	26,815	19,016	15,833	170,174
Total net assets	—	361,613	469,727	347,449	331,580	3,563,844
Total liabilities and net assets	¥ —	¥ 1,579,156	¥ 1,627,904	¥ 1,440,396	¥ 1,645,048	$ 17,681,083

Consolidated Statements of Operations (Years ended March 31, 2006, 2007, 2008, 2009 and 2010)

	Millions of yen					Thousands of U.S. dollars
	2006	2007	2008	2009	2010	2010
Net sales	¥ 2,670,628	¥ 3,062,744	¥ 3,523,087	¥ 3,428,211	¥ 2,612,141	$ 28,075,462
Cost of sales	2,422,272	2,852,242	3,290,688	3,389,408	2,435,366	26,175,473
Gross profit	248,356	210,502	232,399	38,803	176,775	1,899,989
Selling, general and administrative expenses	137,108	140,859	148,602	145,809	142,568	1,532,330
Operating income (loss)	111,248	69,643	83,797	(107,006)	34,207	367,659
Interest and dividend income	6,490	1,845	3,488	2,317	1,411	15,165
Interest expenses	(10,747)	(10,686)	(11,358)	(10,767)	(9,855)	(105,922)
Foreign currency exchange gains (losses), net	3,439	2,884	8,887	(9,326)	2,582	27,752
Net gain (loss) on sales and disposal of property, plant and equipment	(1,141)	(1,848)	2,764	3,266	1,358	14,596
Impairment loss on fixed assets	(1,976)	(2,440)	(4,511)	(1,239)	(1,976)	(21,238)
Equity in earnings (losses) of affiliates	9,578	9,921	8,662	(1,127)	7,349	78,987
Loss on valuation of investment securities	—	—	—	—	(2,184)	(23,474)
Write-down of marketable securities and investments in securities	(79)	(788)	—	—	—	—
Provision for prior year portion of allowance for retirement benefits for directors and corporate auditors	—	—	—	—	—	—
Gain on sales of investments in securities	344	66	726	4,194	(340)	(3,654)
Gain on sales of subsidiaries and affiliates' stocks	—	—	—	—	1,994	21,432
Loss on sale of investments in securities	(24)	—	—	—	—	—
Gain on insurance adjustment	—	—	—	1,750	—	—
Gain on abolishment of retirement benefit plan	—	—	3,156	—	—	—
Gain on exchange of stock	—	—	393	—	—	—
Loss on liquidation of business of subsidiaries and affiliates	—	—	(1,625)	—	—	—
Bad debt expense for affiliates	—	—	—	—	—	—
Compensation received for the transfer of the facilities	1,200	1,500	—	—	—	—
Collection of receivables written-off	2,602	278	—	—	—	—
Other, net	(541)	868	1,182	758	981	10,544
	9,145	1,600	11,764	(10,174)	1,320	14,188
Income before income (loss) taxes and minority interests	120,393	71,243	95,561	(117,180)	35,527	381,847
Income taxes:						
Current	50,741	37,200	47,983	43,828	21,948	235,899
Deferred	4,556	1,485	7,088	(71,523)	21,541	231,524
Income before minority interests	65,096	32,558	40,490	(89,485)	(7,962)	(85,576)
Minority interests	(3,301)	(6,022)	(5,337)	(2,945)	(2,779)	(29,869)
Net income (loss)	¥ 61,795	¥ 26,536	¥ 35,153	¥ (92,430)	¥ (10,741)	$ (115,445)

	Yen					U.S. dollars
Earnings (loss) per share:						
Basic	¥ 94.54	¥ 39.54	¥ 46.72	¥ (109.11)	¥ (12.68)	$ (0.14)
Diluted	92.17	37.91	44.98	—	-	-
Cash dividends	10.00	8.00	8.00	8.00	8.00	0.09

Consolidated Statements of Changes in Net Assets (Years ended March 31, 2009 and 2010)

Millions of yen

	Shareholders' equity					Discrepancies in appraisals and conversions						
	Capital stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total discrepancies appraisals and conversions	Minority interests	Total net assets
Balance at March 31, 2009	¥107,247	¥89,441	¥115,733	¥(130)	¥312,291	¥(2,100)	¥8,085	¥11,524	¥(1,367)	¥16,142	¥19,016	¥347,449
Change of items												
Net income (loss) for the year	–	–	(10,741)	–	(10,741)	–	–	–	–	–	–	(10,741)
Dividends from surplus	–	–	(4,237)	–	(4,237)	–	–	–	–	–	–	(4,237)
Reversal of revaluation reserve for land	–	–	(1,069)	–	(1,069)	–	–	1,069	–	1,069	–	–
Purchase of treasury stock	–	–	–	(4)	(4)	–	–	–	–	–	–	(4)
Disposal of treasury stock	–	(0)	–	0	0	–	–	–	–	–	–	0
Change in items other than shareholders' equity	–	–	–	–	–							
Net changes during the year	–	–	–	–	–	1,571	676	1	48	2,269	(3,183)	(887)
Balance at March 31, 2010	¥107,247	¥89,441	¥ 99,686	¥(134)	¥296,240	¥ (529)	¥8,761	¥12,594	¥(1,319)	¥19,507	¥15,833	¥331,580

Thousands of U.S. dollars

	Shareholders' equity					Discrepancies in appraisals and conversions						
	Capital stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total discrepancies appraisals and conversions	Minority interests	Total net assets
Balance at March 31, 2009	$1,152,698	$961,318	$1,243,906	$(1,397)	$3,356,525	$(22,571)	$86,898	$123,861	$(14,693)	$173,495	$204,385	$3,734,405
Change of items												
Net income (loss) for the year	–	–	(115,445)	–	(115,445)	–	–	–	–	–	–	(115,445)
Dividends from surplus	–	–	(45,540)	–	(45,540)	–	–	–	–	–	–	(45,540)
Reversal of revaluation reserve for land	–	–	(11,489)	–	(11,489)	–	–	11,489	–	11,489	–	–
Purchase of treasury stock	–	–	–	(43)	(43)	–	–	–	–	–	–	(43)
Disposal of treasury stock	–	(0)	–	0	0	–	–	–	–	–	–	0
Change in items other than shareholders' equity	–	–	–	–	–							
Net changes during the year	–	–	–	–	–	16,885	7,266	11	516	24,678	(34,211)	(9,533)
Balance at March 31, 2010	$1,152,698	$961,318	$1,071,432	$(1,440)	$3,184,008	$ (5,686)	$94,164	$135,361	$(14,177)	$209,662	$170,174	$3,563,844

Consolidated Statements of Cash Flows (Years ended March 31, 2006, 2007, 2008, 2009 and 2010)

	Millions of yen					Thousands of U.S. dollars
	2006	2007	2008	2009	2010	2010
CASH FLOWS FROM OPERATING ACTIVITIES:						
Income (loss) before income taxes and minority interests	¥ 120,393	¥ 71,243	¥ 95,561	¥ (117,180)	¥ 35,527	$ 381,847
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:						
Depreciation and amortization	28,313	29,246	33,240	34,967	37,995	408,373
Amortization of consolidation goodwill	380	3	46	76	90	967
Impairment loss on fixed assets	1,976	2,440	4,511	1,239	1,976	21,238
Increase (decrease) in allowance for doubtful accounts	(1,912)	439	(937)	(294)	(182)	(1,956)
Increase (decrease) in retirement and severance benefits	(2,795)	—	—	—	—	—
Interest and dividend income	(6,490)	(1,845)	(3,488)	(2,317)	(1,411)	(15,166)
Interest expenses	10,747	10,686	11,358	10,767	9,855	105,922
Equity in losses (earnings) of affiliates	(9,578)	(9,921)	(8,662)	1,127	(7,349)	(78,987)
Net gain (loss) on sale or disposal of property, plant and equipment	1,141	1,848	(2,764)	(3,266)	(1,363)	(14,650)
Net loss (gain) on sales of investment securities	—	—	—	—	340	3,654
Net loss (gain) on sales of subsidiaries and affiliates' stocks	—	—	—	—	(1,994)	(21,432)
Loss (gain) on valuation of investment securities	—	—	—	—	2,184	23,474
Gain on insurance claim	—	—	—	(1,750)	—	—
Decrease (increase) in notes and accounts receivable	(35,713)	(63,956)	(1,563)	103,775	(16,571)	(178,106)
Recovery of recoverable accounts under production sharing	—	8,542	9,536	6,525	4,751	51,064
Decrease (increase) in inventories	(105,263)	(9,398)	(92,345)	200,933	(72,347)	(777,590)
Increase (decrease) in notes and accounts payable	(5,972)	8,337	31,131	(120,037)	39,809	427,870
Decrease (increase) in other current assets	10,774	21,089	(7,058)	12,282	(136)	(1,462)
Increase (decrease) in other current liabilities	14,862	26,745	(34,136)	28,467	(14,680)	(157,782)
Decrease (increase) in other investments	5,712	(5,783)	(271)	2,692	5,273	56,675
Other, net	(529)	1,250	688	851	(4,309)	(46,312)
Subtotal	26,046	90,965	34,847	158,857	17,458	187,641
Interest and dividend received	10,193	3,331	4,361	5,546	10,871	116,842
Interest paid	(10,804)	(10,520)	(11,872)	(10,872)	(9,818)	(105,525)
Proceeds from insurance income	—	—	—	931	—	—
Income taxes paid	(46,120)	(58,771)	(31,551)	(72,326)	(16,249)	(174,645)
Net cash provided by (used in) operating activities	¥ (20,685)	¥ 25,005	¥ (4,215)	¥ 82,136	¥ 2,262	$ 24,313

	Millions of yen					Thousands of U.S. dollars
	2006	2007	2008	2009	2010	2010
CASH FLOWS FROM INVESTING ACTIVITIES:						
Payments for purchases of property, plant and equipment	¥ (18,989)	¥ (30,263)	¥ (34,823)	¥ (55,214)	¥ (72,956)	$ (784,136)
Proceeds from sale or disposal of property, plant and equipment	25,918	7,508	9,461	10,815	9,830	105,653
Payments for purchases of marketable securities and investment in securities	(76)	(9,846)	(6,490)	(5,539)	(7,795)	(83,781)
Proceeds from sale of marketable securities and investments in securities	2,139	3,343	7,417	6,925	4,973	53,450
Payments for intangible assets and deferred charges	(11,885)	(5,334)	(8,641)	(14,026)	(10,467)	(112,500)
Purchase of stocks of subsidiaries and affiliates	—	—	—	—	(13,977)	(150,226)
Decrease (increase) in short-term loans receivable	(535)	857	545	1,379	(4,600)	(49,441)
Payments for long-term loans receivable	(154)	(1,467)	(785)	(796)	(55)	(591)
Proceeds from long-term loans receivable	1,428	1,102	1,708	1,444	414	4,450
Proceeds from factoring	514	—	—	—	—	—
Proceeds from sales of stocks of subsidiaries and affiliates	—	—	—	924	2,614	28,095
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	—	—	—	1,333	14,327
Other, net	292	(1,768)	(1,198)	(1,865)	(2,620)	(28,159)
Net cash provided by (used in) investing activities	(1,348)	(35,868)	(32,806)	(55,953)	(93,306)	(1,002,859)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Increase (decrease) in short-term loans payable	47,750	42,115	(11,736)	46,841	12,757	137,113
Proceeds from long-term loans payable	29,794	94,502	7,454	111,231	177,476	1,907,524
Repayments for long-term loans payable	(48,911)	(46,268)	(53,868)	(77,915)	(34,892)	(375,021)
Proceeds from issuance of common stock	20,811	—	89,281	—	—	—
Proceeds from issuance of convertible bonds	17,971	—	—	—	15,000	161,221
Redemptions of bonds	(21,500)	(3,000)	(30,300)	(2,500)	—	—
Cash dividends paid	(5,172)	(6,715)	(5,372)	(6,780)	(4,237)	(45,540)
Cash dividends paid for minority shareholder	(498)	(471)	(616)	(13,548)	(6,742)	(72,463)
Proceeds from stock issuance to minority shareholders	—	—	—	541	—	—
Other, net	(637)	(140)	(72)	(16)	(60)	(646)
Net cash provided by (used in) financing activities	39,608	80,023	(5,229)	57,854	159,302	1,712,188
Effect of exchange rate changes on cash and cash equivalents	895	314	(1,244)	(6,792)	730	7,846
Net increase (decrease) in cash and cash equivalents	18,470	69,474	(43,494)	77,245	68,988	741,488
Cash and cash equivalents at beginning of year	38,062	56,632	126,106	82,675	159,920	1,718,831
Cash and cash equivalents from newly consolidated subsidiaries	100	—	63	—	—	—
Cash and cash equivalents at end of year	¥ 56,632	¥ 126,106	¥ 82,675	¥ 159,920	¥ 228,908	$ 2,460,319

Group Information (As of March 31, 2010)

Oil Exploration and Production Business

Oil exploration and production

● ABU DHABI OIL CO., LTD. (JAPAN)
¥10,090 million 63.0%

● QATAR PETROLEUM DEVELOPMENT CO., LTD. (JAPAN)
¥3,148 million 85.8% (75.0%)*

■ UNITED PETROLEUM DEVELOPMENT CO., LTD.
¥2,010 million 45.0%

Others: ● 1 company
□ 1 company

Petroleum Business

Import and export of crude oil and petroleum products

● COSMO OIL INTERNATIONAL PTE. LTD.
S$19,500,000 100%

● COSMO OIL (U.K.) PLC.
US$4,982,000 100%

Others: ● 1 company

Marine transportation

□ NIPPON GLOBAL TANKER CO., LTD.
¥50 million 35.0%

Other Businesses

Engineering, insurance, leasing

● COSMO ENGINEERING CO., LTD.
¥390 million 87.6%

● COSMO TRADE & SERVICE CO., LTD.
¥200 million 58.7%

Others: ● 2 companies
○ 13 companies
□ 2 companies

Crude oil & petroleum products

Marine transportation

Construction of refining plants and others

COSMO OIL CO., LTD.

Refining of crude oil / Sales of petroleum products / Management of leased real estate

Lubricant-base oil

Manufacturing of lubricating oil

● COSMO OIL LUBRICANTS CO., LTD.
¥1,620 million 100%

Petrochemical material

Manufacturing of petrochemical products

● COSMO MATSUYAMA OIL CO., LTD.
¥3,500 million 100%

● CM AROMATICS CO., LTD.
¥100 million 65.0%

■ MARUZEN PETROCHEMICAL CO., LTD.
¥10,000 million 43.9%

Stockpiling

● HOKUTO KOGYO CO., LTD.
¥20 million 100%

■ TOZAI OIL TERMINAL CO., LTD.
¥480 million 50.0%

■ OKINAWA CTS CORP.
¥495 million 35.0%

Others: ● 2 companies
□ 4 companies

Distribution

● COSMO KAIUN CO., LTD.
¥330 million 100%

● SAKAIDE COSMO KOSAN CO., LTD.
¥30 million 100%

● COSMO DELIVERY SERVICE CO., LTD.
¥50 million 100%

Others: ● 6 companies
○ 3 companies
□ 9 companies

Sales of petroleum products

● COSMO PETROLEUM GAS CO., LTD.
¥3,500 million 100%

● COSMO OIL LUBRICANTS CO., LTD.

● COSMO OIL SALES CORP.
¥80 million 100%

Others: ● 4 companies ○ 8 companies
■ 1 company □ 14 companies

Research and development

● COSMO RESEARCH INSTITUTE ¥50 million 100%

Production and distribution of ALA-containing products

● COSMO SEIWA AGRICULTURE CO., LTD.
¥10 million 100%

● COSMO OIL (SHANGHAI) CO., LTD.
US$300,000 100%

Others: □ 1 company

Management of leased real estate

● COSMO BUSINESS SUPPORT CO., LTD.
¥300 million 100%

Wind Power Generation

● Eco Power Co., Ltd.
¥6,164 million 98.7%

Others: ● 9 companies
■ 1 company

CUSTOMERS

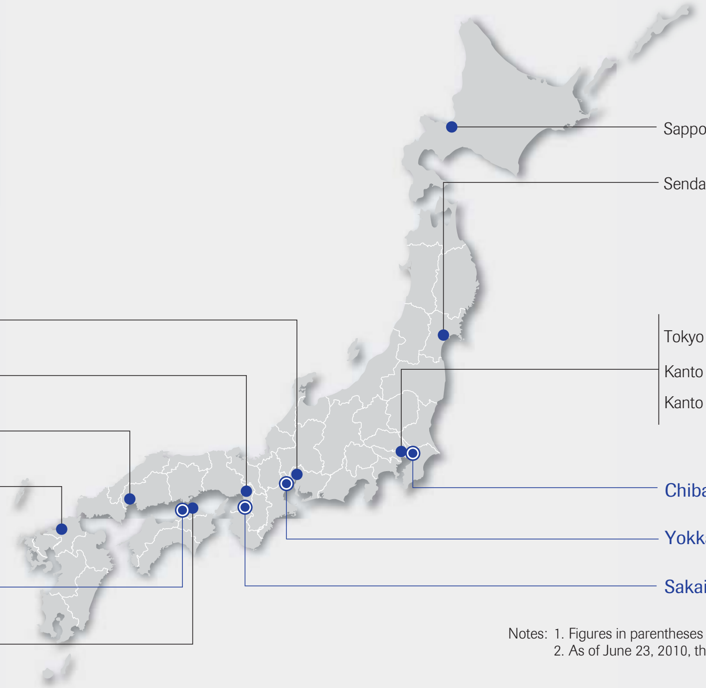
● Consolidated subsidiaries
■ Affiliated companies accounted for using the equity method
○ Unaffiliated companies accounted for using the equity method
□ Affiliated companies not accounted for using the equity method

Lower line: Amount of money = Capital % = Percentage of voting rights

* Cosmo Oil reduced its stake in Qatar Petroleum Development Co., Ltd. from 85.8% to 75.0% in July 2010.

Branches and Refineries (As of March 31, 2010)

Branches	10
SS Operators	257
Service Stations (SS)	3,768
Refineries	4



Notes: 1. Figures in parentheses show the number of service stations.
2. As of June 23, 2010, the Kanto East Branch will be integrated into the Tokyo Branch.

Principal Overseas Bases (As of March 31, 2010)

Ordinary General Meeting of Shareholders	June
Transfer agent for common stock	The Chuo Mitsui Trust & Banking Co., Ltd.
Number of common shares issued	847,705,087 shares
Number of shareholders	44,363
Number of shares per trading unit	1,000 shares
Stock listing	Tokyo, Osaka, Nagoya

Bond Issue

Convertible Bonds with Stock Acquisition Rights (No. 4)

Date of issue	September 26, 2005
Balance of debt at March 31, 2008	¥18 billion
Balance of debt at March 31, 2009	¥18 billion
Due date	September 30, 2010

Unsecured Bonds (No. 20)

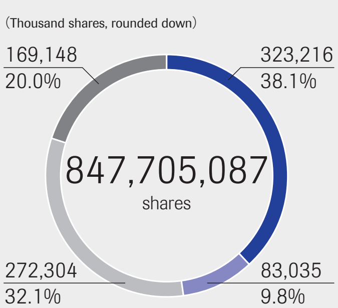
Date of issue	January 29, 2010
Balance of debt at March 31, 2009	—
Balance of debt at March 31, 2010	¥15 billion
Due date	January 31, 2017

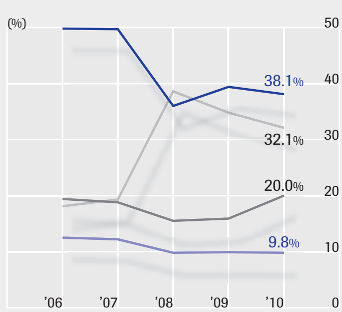
Principal Shareholders (As of March 31, 2010)

Shareholder	Investment in the Company: Number of shares owned (Thousands)	Investment in the Company: Percentage of total shares issued (%)
Infinity Alliance Limited*	176,000	20.76
Japan Trustee Services Bank, Ltd. (Trust account)	52,481	6.19
Mizuho Corporate Bank, Ltd.	31,320	3.69
The Master Trust Bank of Japan, Ltd. (Trust account)	23,881	2.81
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,750	2.33
Mitsui Sumitomo Insurance Co., Ltd	19,499	2.30
The Kansai Electric Power Co., Inc.	18,600	2.19
Tokio Marine & Nichido Fire Insurance Co., Ltd.	17,335	2.04
Sompo Japan Insurance Inc.	15,792	1.86
Nippon Life Insurance Company	14,632	1.72

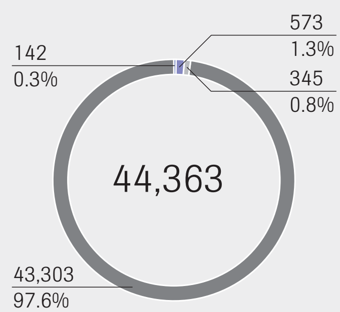
* Special-purpose company established by the International Petroleum Investment Company (IPIC)

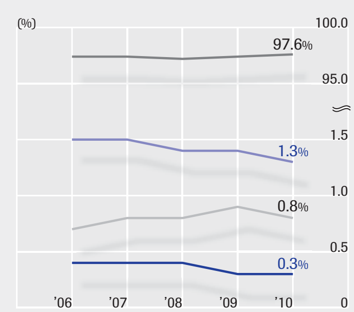
Number of shares / Trend of shares by types of shareholders





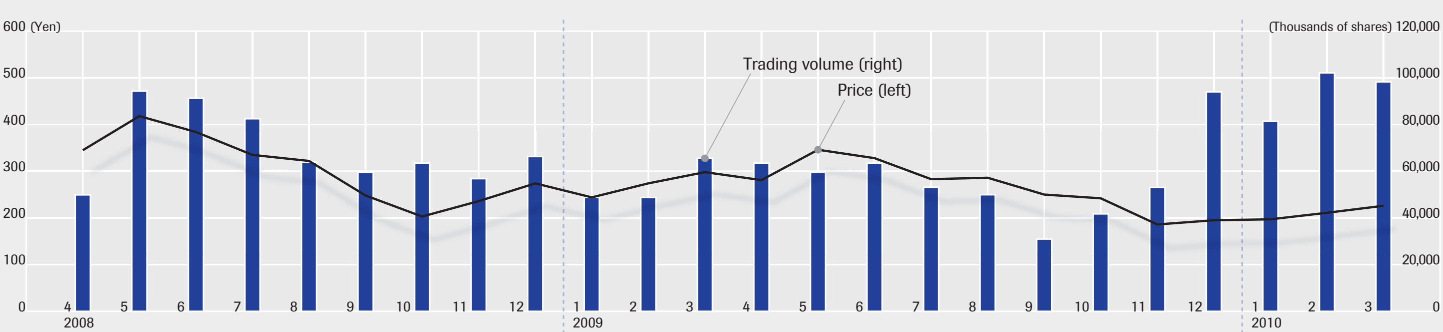
Number of shareholders / Trend of shareholders





■ Japanese financial institutions and securities firms (including trust accounts) ■ Other Japanese companies and corporations ■ Foreign investors ■ Japanese individuals and others

Stock information



Company Name	COSMO OIL CO., LTD.
Head Office	Toshiba Bldg., 1-1, Shibaura 1-chome, Minato-ku
Phone	+81-3-3798-3211
Fax	+81-3-3798-3237
URL	http://www.cosmo-oil.co.jp
Established	April 1, 1986
Common Shares	Authorized: 1,700,000,000, Issued: 847,705,087
Paid-in Capital	¥107,246,816,126
Type of Business	Refining and sales of oil products
Fiscal Year-End	March 31
Number of Employees	2,180
Branches (10 locations)	Sapporo, Sendai, Tokyo, Kanto East, Kanto South, Nagoya, Osaka, Hiroshima, Takamatsu, Fukuoka
Refineries (4 locations)	Chiba, Yokkaichi, Sakai, Sakaide
Principal Overseas Bases	• Overseas Offices (4 locations) Beijing, Shanghai, Abu Dhabi, Doha • Subsidiaries (4 locations) COSMO OIL OF U.S.A. INC. COSMO OIL INTERNATIONAL PTE. LTD. COSMO OIL (U.K.) PLC. COSMO OIL (SHANGHAI) CO., LTD.
Number of SS Operators	257

Inquiries:

COSMO OIL CO., LTD.

Corporate Communication Department / IR Office
Toshiba Bldg., 1-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8528, Japan
Phone: +81-3-3798-3180
Fax: +81-3-3798-3841
E-mail: webmaster@cosmo-oil.co.jp
URL: http://www.cosmo-oil.co.jp/eng/index.html

COSMO OIL CO., LTD.

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