ENSURING VALUE, CAPTURING GROWTH

COSMO OIL CO., LTD.

ANNUAL REPORT 2009

For the year ended March 31, 2009

As we confront both declining domestic demand and the changing composition of this demand, our major theme will be how to address this challenge while strengthening our earnings base and achieving further growth.

We moved ahead of our competitors in pinpointing healthy international market trends and initiating overseas sales. Ever mindful of domestic and overseas supply-demand trends, we are building a flexible supply system aimed at maximizing profits. In June 2009, we signed a Memorandum of Agreement with Hyundai Oilbank Co., Ltd. for the establishment of a joint venture company to enter the para-xylene business, and in 2010 we will finish a major investment program to upgrade the Sakai refinery. As a result of these actions, we will have an optimal system for making and selling higher-value-added products suited to demand in Japan and overseas. Leveraging our integrated structure—ranging from such upstream functions as oil exploration and production to downstream activities, including sales of petroleum and petrochemical products—we will mobilize Group-wide business resources to pursue maximum corporate value. In these ways, we will strive to strengthen our competitiveness and deliver sustained growth in shareholder value.

ENSURING VALUE,
CAPTURING GROWTH

What must the Cosmo Oil Group do to achieve future growth?

Our Strategy——Underpinned by profitable growth

Oil exploration and production	Ensure stable operation of existing oil fields; act swiftly to commence production in new oil fields and mining claims
Petroleum refining	Upgrade refineries (by installing coker unit) to permit flexible responses to supply-demand trends and strengthen competitiveness
Petroleum sales	Reinforce profitability by expanding overseas sales routes while improving the domestic sales channel structure and the product portfolio
Petrochemicals	Strengthen profitability through entry into the para-xylene business
New businesses	Accelerate commercialization of businesses projected to become future earnings pillars

Contents

Amid an adverse operating environment, net sales in fiscal 2009 were ¥3,428.2 billion, while operating income excluding the impact of inventory valuation was ¥73.1 billion. Going forward, we aim to enhance corporate value as we proactively invest to improve profitability.

The Cosmo Oil Group has embraced the adverse environment of declining domestic demand as a growth opportunity, and has implemented three initiatives in its core petroleum business (petroleum refining, petroleum sales and petrochemicals). By clearing this challenge through (1) strengthening the competitiveness of refineries, (2) expanding overseas sales channels, and (3) entering the para-xylene business, we aim to expand earnings.

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 2009.

Note: Unless otherwise indicated, all figures are for fiscal years that end on March 31 of the year indicated.

At a Glance

☞ *Five-year segment data are given on page 92.*

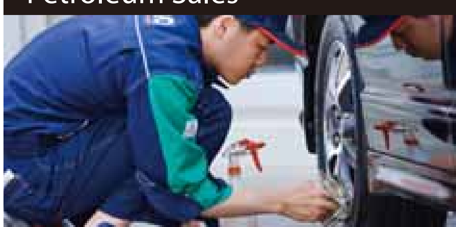
Oil Exploration and Production Business Segment

Because it relies on imports for virtually all of its crude oil needs, Japan must build strong relationships with oil-producing countries in order to ensure a stable supply. Since the 1970s, the Cosmo Oil Group has been producing crude oil in the United Arab Emirates (UAE) through Abu Dhabi Oil Co., Ltd., and United Petroleum Development Co., Ltd., and since 2006 in Qatar through Qatar Petroleum Development Co., Ltd. To procure stable supplies of crude oil for the domestic market and increase earnings, we have designated Abu Dhabi and Qatar as core production areas, and Australia as a sub-core area. Cosmo Oil adheres to a basic policy of independent development by investing in low-risk development projects and seeking early cash flow recovery.

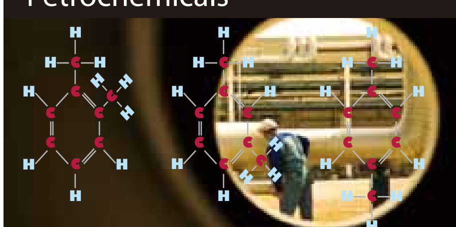
Petroleum Business Segment

Petroleum Refining

Petroleum Sales



Petrochemicals



Petroleum Refining

We refine crude oil at four refineries in Japan, located in Chiba, Yokkaichi, Sakai, and Sakaide. We are implementing measures to strengthen competitiveness, including the installation of heavy oil cracking facilities (coker unit) at our Sakai refinery, scheduled to come on stream in April 2010.

Petroleum Sales

Domestic Sales

We sell petroleum directly to large users, sell petroleum wholesale to contracted distributors, and sell petroleum retail at service stations. Based on investments with an emphasis on local characteristics and our marketing, we aim to expand the sales volume ratio of high-quality sales channels. By leveraging our No. 2 position in terms of the ratio of self-operated service stations and by expanding the number of cards issued under the Cosmo the Card program, we aim to become the preferred service station for customers.

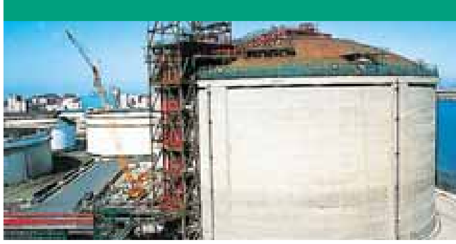
Overseas Sales

We use stable sales channels to sell petroleum overseas under long-term contracts. Because our refineries produce high-quality petroleum, we are able to target regions such as North America, South America, and Oceania, where strict environmental regulations require premium products.

Petrochemicals

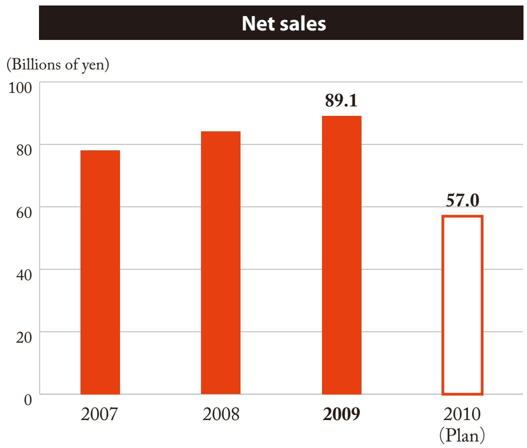
In June 2009, Cosmo Oil signed a Memorandum of Agreement with Hyundai Oilbank Co., Ltd. to establish a joint venture company that will produce para-xylene. We intend to advance this new business to take advantage of economic and population growth in the Asian region.

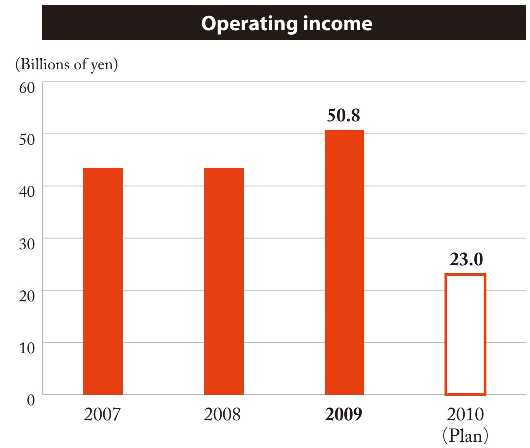
Other Business Segment

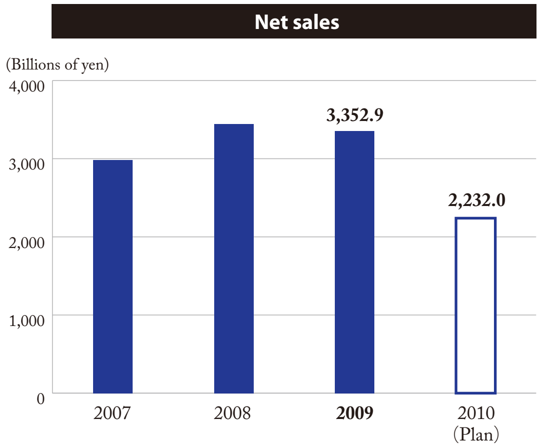


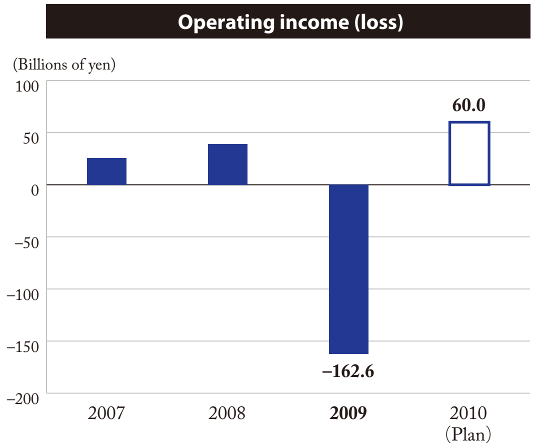
In other businesses including oil-related facility construction and leasing as well as insurance sales, the Group continues to rationalize operations and enhance efficiency.

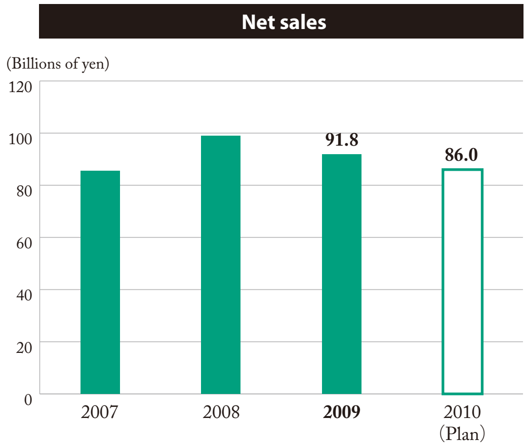
Notes: 1. The figures below represent unadjusted segment totals (including inter-segment amounts).
2. This projection was announced in May 2009.

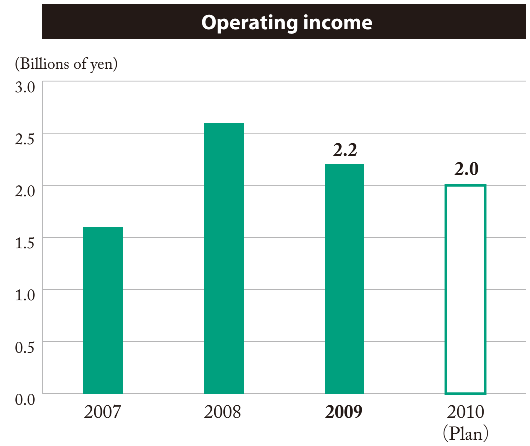










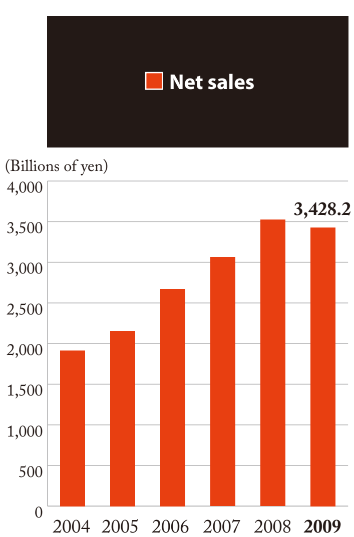


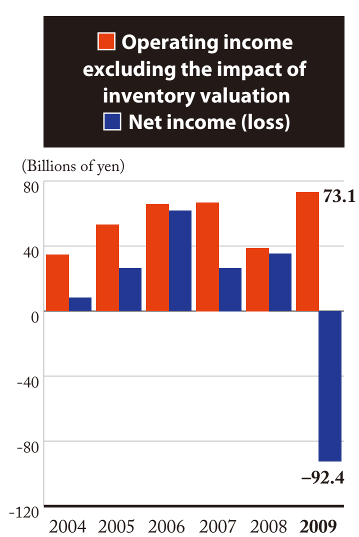
Consolidated Financial Highlights

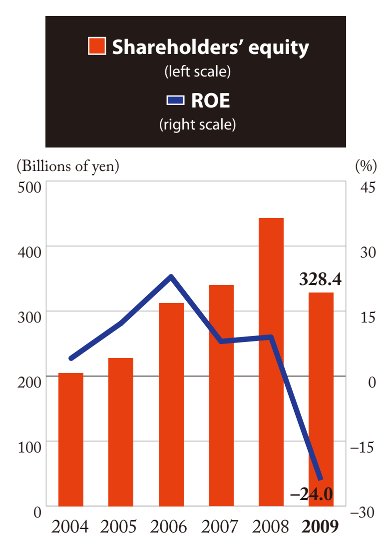
Cosmo Oil Company, Limited and Consolidated Subsidiaries.
Years ended March 31

	2004	2005	2006	2007	2008	Millions of yen 2009	Thousands of U.S. dollars 2009
For the Year:							
Net sales	¥1,916,278	¥2,154,559	¥2,670,628	¥3,062,744	¥3,523,087	**¥3,428,211**	**$34,899,837**
Operating income (loss)	25,246	65,698	111,248	69,643	83,797	**(107,006)**	**(1,089,341)**
Inventory valuation gain (loss)	(9,500)	12,600	45,400	2,800	45,000	**(180,100)**	**(1,833,452)**
Operating income excluding the impact of inventory valuation	34,746	53,098	65,848	66,843	38,797	**73,094**	**744,111**
Net income (loss)	8,179	26,415	61,795	26,536	35,153	**(92,430)**	**(940,955)**
Capital expenditures	36,573	30,113	31,762	36,127	48,958	**67,025**	**682,327**
Depreciation and amortization	23,632	24,927	28,313	29,246	33,240	**34,967**	**355,971**
Cash flows from operating activities	101,827	40,494	(20,685)	25,005	(4,215)	**82,136**	**836,160**
Cash flows from investing activities	(32,709)	(36,577)	(1,348)	(35,868)	(32,806)	**(55,953)**	**(569,612)**
Cash flows from financing activities	(7,679)	(70,163)	39,608	80,023	(5,229)	**57,854**	**588,965**
Cash and cash equivalents at end of year	104,520	38,062	56,632	126,106	82,675	**159,920**	**1,628,016**
At Year-End:							
Total assets	¥1,260,092	¥1,323,149	¥1,463,579	¥1,579,156	¥1,627,904	**¥1,440,396**	**$14,663,504**
Total shareholders' equity	204,806	227,897	312,504	339,701	442,912	**328,434**	**3,343,511**
Interest-bearing debt	559,259	497,804	522,430	609,890	521,605	**598,609**	**6,093,953**
						Yen	U.S. dollars
Amounts per Share:							
Net income (loss)	¥ 12.95	¥ 41.73	¥ 94.54	¥ 39.54	¥ 46.72	**¥(109.11)**	**$(1.11)**
Net assets	324.43	360.93	465.48	506.15	522.84	**387.71**	**3.95**
Cash dividends	6.00	8.00	10.00	8.00	8.00	**8.00**	**0.08**
Ratios:							
Return on assets (ROA) (%)	0.7	2.0	4.4	1.7	2.2	**(6.0)**	
Return on equity (ROE) (%)	4.1	12.2	22.9	8.0	9.0	**(24.0)**	
Debt-to-equity ratio (Times)	2.7	2.2	1.7	1.8	1.2	**1.8**	

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for the convenience of readers only, at the rate of ¥98.23 to US$1.00, the approximate rate of exchange prevailing at March 31, 2009.
2. 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, 2009 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 the fiscal year ended March 31, 2007, shareholders' equity is calculated as total net assets minus minority interests.
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. Up to and including the fiscal year ended March 31, 2006, ROE was calculated as net income divided by total shareholders' equity.

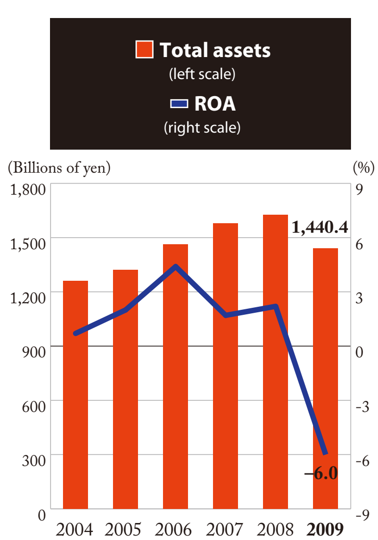


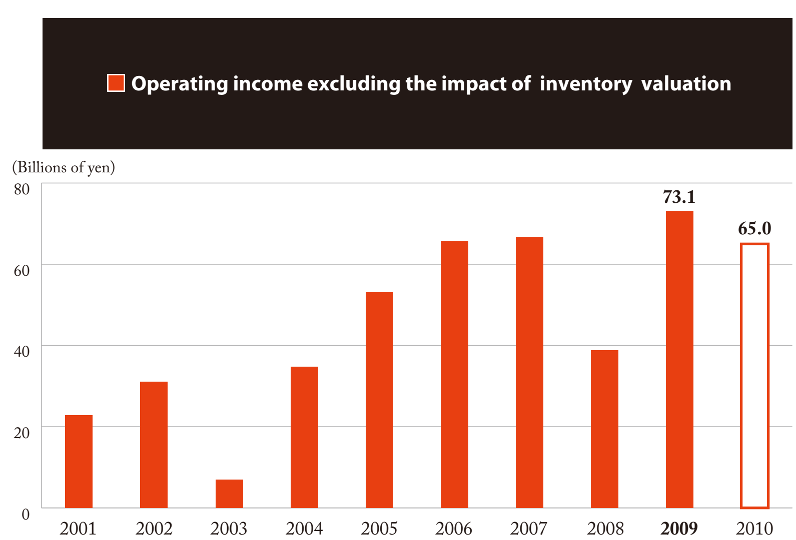




☞ *For more details, please refer to page 41.*

Net sales	■ Net sales were ¥3,428.2 billion and down ¥94.9 billion from the previous fiscal year. ↓ **While selling prices rose due to rising crude oil prices, net sales declined mainly due to lower sales volume and a one-month abolishment of the provisional gasoline excise tax.**
Operating income excluding the impact of inventory valuation	■ The operating loss was ¥107.0 billion, which represented an earnings decline of ¥190.8 billion from the previous fiscal year. ■ Operating income excluding the impact of inventory valuation (when crude oil prices are falling, relatively expensive inventories at the beginning of the period push up the average cost of inventories throughout the period) was increased ¥34.3 billion to ¥73.1 billion. ↑ **While sales volumes in the petroleum business declined, petroleum product profit margins improved.** ↑ **Oil exploration and production earnings increased due to rising crude oil prices.** ↓ **Both margins and sales volumes were lower in the petrochemical business.**
Net loss	■ The net loss for the period was ¥92.4 billion, representing a decline of ¥127.6 billion from the previous fiscal year. ↓ **Net foreign exchange losses were ¥18.2 billion higher than the previous fiscal year.** ↓ **Equity in losses of affiliates increased by ¥9.8 billion.** ↑ **Gains on sales of investment securities increased by ¥3.5 billion.**
ROA and ROE	■ Due to the ¥92.4 billion net loss, ROA and ROE were negative for the fiscal year. ↓ **The net loss resulted in shareholders' equity of ¥328.4 billion, down by ¥114.5 billion, from the end of the previous fiscal year.** ↓ **The shareholders' equity ratio declined by 4.4 percentage points, from 27.2% to 22.8%.** ↓ **The debt-to-equity ratio deteriorated from 1.2 times at the end of the previous fiscal year to 1.8 times.**





*This projection was announced in May 2009.

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 operating environment, while investing for growth and responding to the expectations of all stakeholders.

Fiscal 2009 Performance

In fiscal 2009, ended March 31, 2009, consolidated net sales declined ¥94.9 billion year on year, to ¥3,428.2 billion, due to wildly fluctuating crude oil prices, deteriorating economic conditions, and falling domestic demand as users switched to other fuels. The Group posted an operating loss of ¥107.0 billion, an earnings decline of ¥190.8 billion from the previous year, and the net loss for the year was ¥92.4 billion, a decline of ¥127.6 billion from the previous year.

After factoring out the impact of inventory valuation, the Group would have reported operating income of ¥73.1 billion, up ¥34.3 billion year on year. This was due to improved margins on petroleum products, higher income from overseas sales of diesel and other middle distillates, and declining in-house fuel costs. Such factors compensated for a lower sales volume stemming from falling domestic demand, deteriorating earnings in the petrochemicals business, and pipeline operation-related problems at our Chiba refinery.

Fiscal 2009 was the first year of our Third Consolidated Mid-Term Management Plan, covering the three-year period from April 2008 to March 2011. During the year, we worked hard to rebuild our earnings base and lay the foundation for future growth—the overarching themes of the plan. Due to the changing business environment, we decided to create a new mid-term management plan during fiscal 2010.

Fiscal 2010 Policies

In the current fiscal year, we will continue to rebuild the Group's earnings base and lay the foundation for future growth, in the lead-up to the start of our new management plan in fiscal 2011. Meanwhile, we will strive to ensure stable operation of existing wells in order to ensure profitability in our oil exploration and production, which complements our core petroleum business. In addition, we have introduced a product market-linked wholesale pricing formula for the petroleum business. In order to ensure the effectiveness of this pricing formula, we will be working to expand overseas sales in addition to proactively seeking the proper supply-demand balance in our refinery operations. Key to these efforts will be the relentless pursuit of safe and stable refinery operations. Also, we will expedite actions aimed at commercializing new businesses expected to develop into future earnings drivers.

In fiscal 2008, we concluded a comprehensive strategic partnership with the International Petroleum Investment Company (IPIC), which is wholly owned by the Emirate of Abu Dhabi. Since then, we have investigated various joint initiatives. In June 2009, we signed a Memorandum of Agreement to form a joint venture in the para-xylene business with Hyundai Oilbank Co., Ltd., a South Korean petroleum refining and sales company and equity stakeholder in IPIC.

Going forward, the Cosmo Oil Group will deploy its Groupwide business resources to pursue ever-higher earnings, in its ongoing quest to maximize earnings and enhance shareholder value.

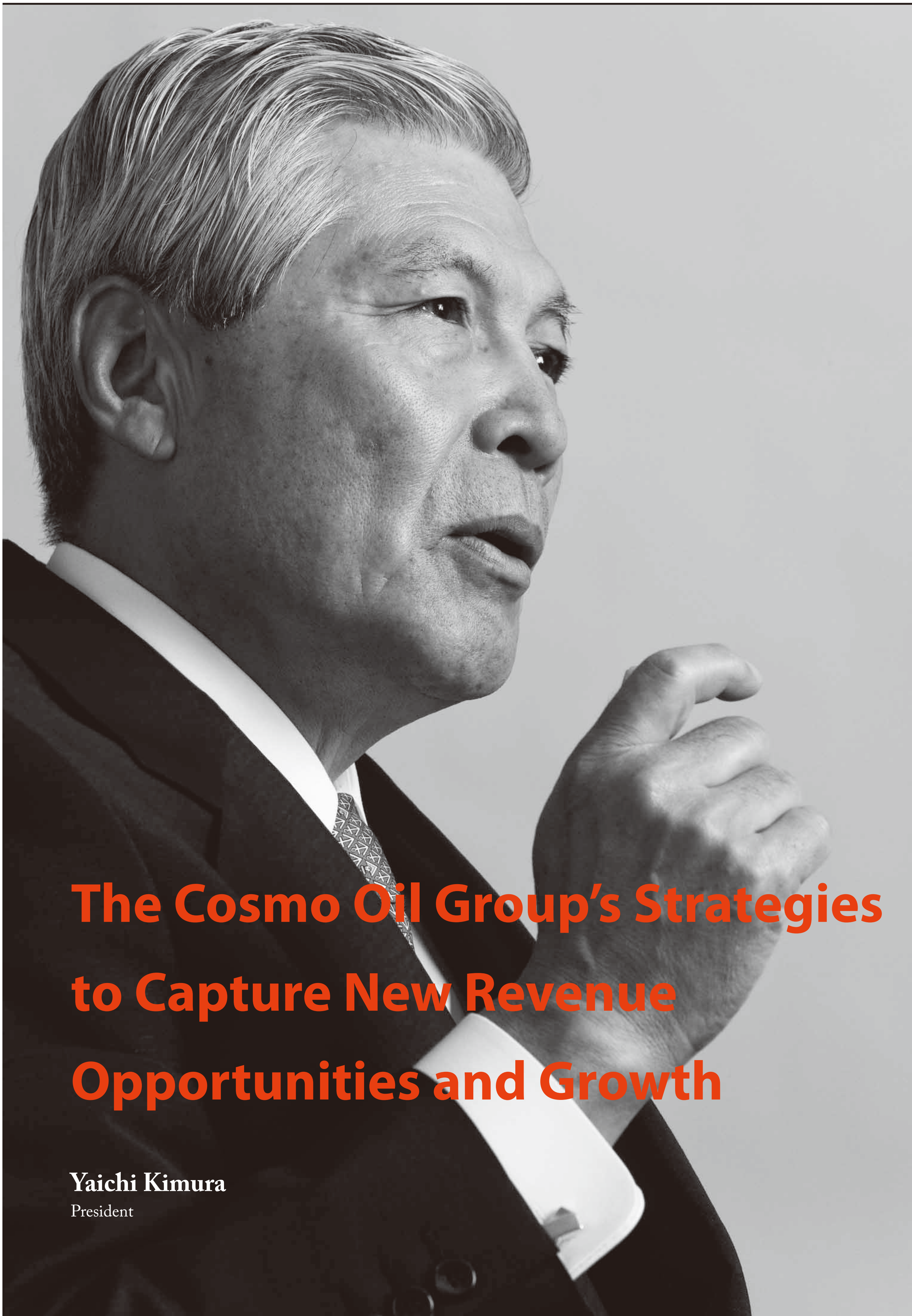
June 2009

Keiichiro Okabe

Keiichiro Okabe
Chairman

Y. Kimura

Yaichi Kimura
President



The Cosmo Oil Group's Strategies to Capture New Revenue Opportunities and Growth

Yaichi Kimura
President

Review of Fiscal 2009 and Management Policy for Fiscal 2010 and Beyond

Fiscal 2009

Business environment	Rapid aggravation of global economy
	Wild fluctuations in crude oil prices
	Reduced petroleum product demand in Japan

Fiscal 2010

Business environment	Global economy expected to hit bottom
	Crude oil prices expected to be adjusted (at US$50/barrel)
	Domestic petroleum product demand expected to continue to fall

Fiscal 2011 and Beyond

Business environment	Global economy expected to enter the recovery phase
	Crude oil prices expected to stabilize (at US$70/barrel)
	The pace of reduction in domestic petroleum product demand expected to be accelerated

Review of Fiscal 2009 (Initial Year of the Third Consolidated Mid-Term Management Plan)

Petroleum business	Improved margins of four petroleum products
	Enhanced export infrastructure
	Increased overseas sales
	Coker construction progress on schedule
	Pipeline-related operating problem
Oil exploration and production business	Increased crude petroleum production at Qatar Petroleum Development Co., Ltd.

Fiscal 2010 Management Policy

Petroleum business	Introduce the product market-linked wholesale pricing formula
	Achieve appropriate supply-demand balance → Increase overseas sales and undertake strategic operations of refineries
	Ensure safe and stable operations of refineries
Oil exploration and production business	Ensure stable production of crude oil
New businesses	Promote commercialization of ALA and other businesses
Synergy with IPIC	Promote the para-xylene business

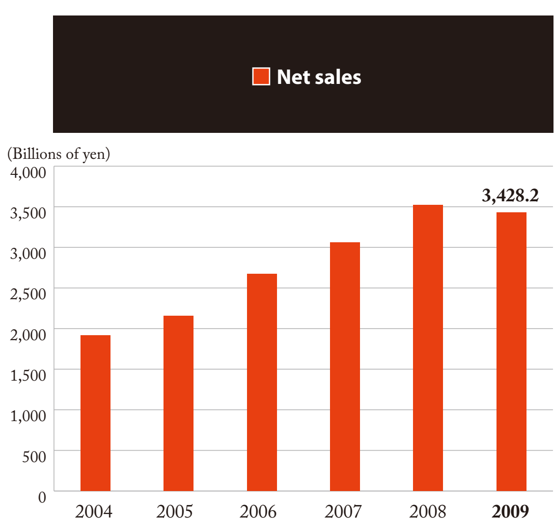
Management Issues for Fiscal 2011 and Beyond

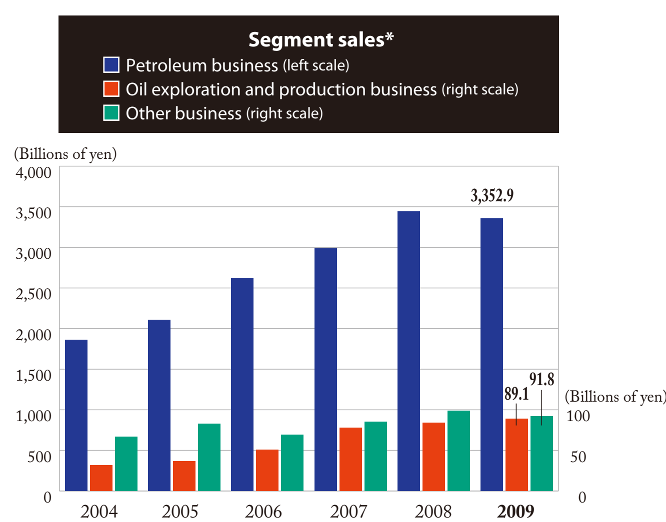
Petroleum business	Maximize coker utilization to increase profit
	Consider supply system optimization
	Consider measures to cope with anticipated reductions in gasoline demand
	Increase quality market share to boost profit in the petroleum business
Oil exploration and production business	Invest in crude oil exploration to increase production volume
New businesses	Upgrade the business portfolio
Synergy with IPIC	Promote the para-xylene business

The Third Consolidated Mid-Term Management Plan (Fiscal 2009 – Fiscal 2011) → **Mid-Term Management Plan under development** → **Promote the Next Mid-Term Management Plan (Fiscal 2011 and Beyond)**

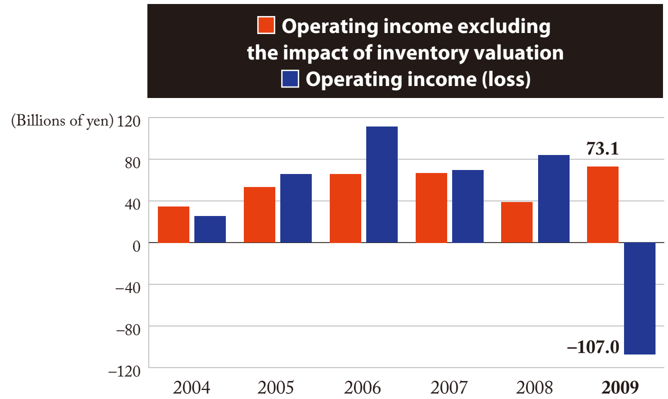
Fiscal 2009 Results

Net sales	**¥3,428.2 billion**
Operating income excluding the impact of inventory valuation	**¥73.1 billion**
Net loss	**¥92.4 billion**





*The figures represent unadjusted segment totals (including inter-segment amounts).



Fiscal 2009 Performance and Forecasts

Fiscal 2009 in Review

Q **Fiscal 2009 was the first year of your Third Consolidated Mid-Term Management Plan. How do your evaluate your business performance for the year?**

A. Excluding the impact of inventory valuation, operating income reached ¥73.1 billion, or 97.5% of our ¥75.0 billion target under the plan.

In the year under review, the operating environment was characterized by a sharp global economic slowdown following the collapse of Lehman Brothers in September 2008. In Japan, meanwhile, corporate earnings and the employment situation deteriorated rapidly. It was also a year of highly volatile crude oil prices. According to the West Texas Intermediate (WTI) index, crude oil peaked at around US$150 in July 2008 before plummeting to the US$30 level at one stage as demand dropped after the September financial crisis. This fall to around one-fifth of the peak level was the primary reason for a large inventory valuation loss incurred by the Group for the year. In Japan, demand for petroleum products decreased due to surging gasoline prices and rising fuel efficiency of automobiles, while demand for diesel fuel was down as economic recession dampened demand from the freight and transportation sector. Demand for kerosene and heavy fuel oil was also affected by a decline as industries switched to other energy sources.

Facing these difficult business conditions, the entire Cosmo Oil Group worked hard to reach the targets of the Third Consolidated Mid-Term Management Plan, and made noteworthy progress in a number of areas. For example, we improved the margins for four products (gasoline, kerosene, diesel fuel, and heavy fuel oil A), reinforced our export infrastructure, and expanded overseas sales. Due to pipeline operation-related problems at one refinery and the aforementioned inventory valuation loss, however, we reported a ¥107.0 billion operating loss for the year, compared with operating income of ¥83.8 billion in the previous fiscal year. Excluding the effect of the inventory valuation, operating income would have been ¥73.1 billion. While this is slightly below our target for the period, it represents a ¥34.3 billion year-on-year increase.

Outlook for Fiscal 2010

Operating Environment

Q **What is your outlook for crude oil prices and domestic and overseas demand in the year ahead?**

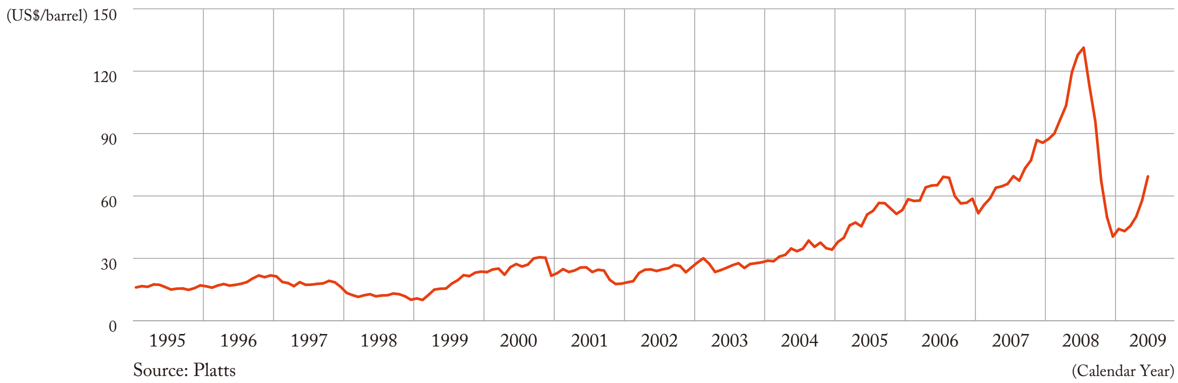
A. We believe domestic demand will continue to decline. Due also to difficult economic conditions worldwide, we think crude oil prices will remain in a state of flux.

■ Crude Oil Prices

We believe that crude oil prices in fiscal 2010 will not reflect true demand, and that market prices will be volatile due to the influence of speculative fund flows.

Due to the volatile state of the crude oil market, it is difficult to predict future prices. Falling prices help the Group keep its in-house fuel costs lower, while rising prices contribute to earnings from the Oil Exploration and Production business segment. With integrated operations ranging from oil

Dubai crude oil prices (January 1995–June 2009)



Source: Platts

exploration and production to oil refining, the Cosmo Oil Group is well positioned to address fluctuations in crude oil prices.

■ Domestic Demand for Petroleum Products

We believe that domestic demand for oil products will continue declining. The recommissioning of nuclear power facilities will place particularly strong downward pressure on demand for heavy fuel oil. In fiscal 2010, therefore, the Group assumes a 6.1% year-on-year decline in domestic fuel sales on a volume basis.

■ Overseas Demand for Petroleum Products

The temporary sharp global economic contraction in fiscal 2009 has led to a drop in demand for petroleum products. Going forward, however, we believe that demand will be supported by general industrial and electric power use as the economy recovers, as well as by the transportation sector with ongoing motorization. We also anticipate a recovery in demand for petrochemical products as living standards improve in emerging countries. In summary, therefore, we look forward to solid demand for both oil and petrochemical products. To date, the Group has sold mainly diesel fuel in such nations as the United States, Chile, and Australia. Going forward, we will be looking to expand sales to China and other emerging Asian nations. Further, we will continue to seek high-quality customers with whom we can contract long-term supply agreements.

Performance

Q **In light of such business conditions, what issues will you prioritize in the year ahead?**

A. Our most important priority is to achieve an optimal supply-demand balance in Japan.

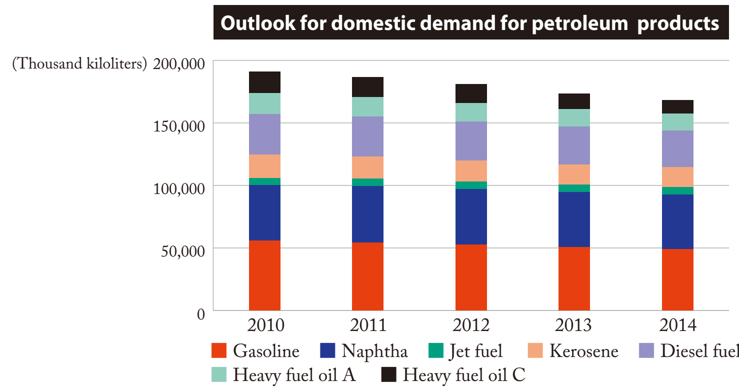
The product market-linked wholesale pricing formula introduced in April 2009 will be directly influenced by the markets' supply-demand balance. Given the challenging conditions that we currently face, securing appropriate profit margins will be a difficult task. Nevertheless, by tailoring production to demand and expanding overseas sales, we are confident that we can maximize the effectiveness of the new formula. To successfully address supply-demand trends in a proactive manner, however, we must ensure safe and reliable operation of our refineries above all else, and we will work tirelessly to achieve this goal.

Meanwhile, crude oil prices will remain volatile and domestic demand is expected to decline further. To flexibly address these changing conditions, we have decided to revise our current medium-term plan during fiscal 2010. (Fiscal 2011 was originally positioned as the final year of the Third Consolidated Mid-Term Management Plan, but will now become the first year of the next plan.)

Outlook for Fiscal 2011 and Beyond

Q **What were the business conditions that prompted you to devise a new mid-term management plan with fiscal 2011 as the initial year, and what new initiatives will the plan entail?**

A. We believe that the world economy will move to a recovery trend and that crude oil prices will stabilize at around US$70 per barrel. However, domestic demand will decline at increasing speed.



Source: Energy Report, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry, March 2009

New Initiatives to Reflect Changes in Demand in Earnings

We look forward to a full-scale recovery in demand, driven by China and other emerging nations, in the wake of economic recovery in the United States. Due also to the effect of output reductions by oil-producing nations, we feel that crude oil prices will stabilize at around US$70 per barrel—the level that oil-producing nations regard as appropriate for their financial stability. The decline in domestic demand is expected to accelerate in fiscal 2011 as automobile fuel efficiency continues to improve. The Cosmo Oil Group will employ a flexible production strategy by utilizing heavy oil cracking facilities (coker unit) to address demand trends. At the same time, we will seek to optimize the supply-demand balance in Japan by expanding our network of reliable overseas sales channels.

Through our Memorandum of Agreement with Hyundai Oilbank (HDO), we will become one of the world's largest producers of para-xylene.

In June 2009, we signed a Memorandum of Agreement with Hyundai Oilbank Co., Ltd. (HDO) to form a joint venture in the para-xylene business. The joint venture company will be a major world player, producing 1,180,000 tons of para-xylene per year as it pursues merits of scale. In addition, we made a decision to build a new mixed-xylene distillation unit within the Yokkaichi refinery, with completion due in November 2011.

Under our collaborative agreement with HDO, the joint venture will construct a new para-xylene manufacturing facility in 2013. From that time, the Cosmo Oil Group will deliver a stable supply of its entire mixed-xylene output to the new facility. This will enable us to create an integrated system ranging from procurement of crude oil to refining and petrifaction of para-xylene, and thus expand and stabilize earnings. Moreover, because mixed-xylene is also a base material of gasoline, the Yokkaichi refinery will be able to shift from gasoline to mixed-xylene production, making it more responsive to declining domestic demand for gasoline.

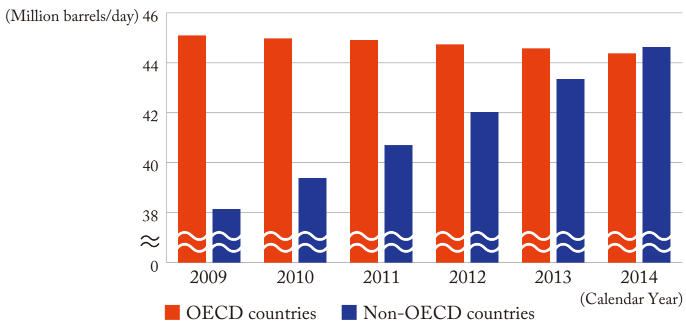
Coker Unit Investment

Q **There is a viewpoint that the ongoing decline in domestic demand may necessitate a reduction in total refining capacity in Japan. However, you are currently constructing heavy oil cracking facilities (coker unit), scheduled to start operation in 2010. What are the reasons for this?**

A. By investing in the coker unit, we can better address declining demand for heavy fuel oils A and C. At the same time, we can lower procurement costs and increase production of high-value-added offerings. These are the two benefits of such an investment.

The primary reason for the coker unit investment is to address falling demand for heavy fuel oils A and C. Without such an investment, the demand situation would become a burden, requiring us to lower the output of our refineries and leaving us no longer able to make and supply other necessary petroleum products. The inevitable outcome of cracking the A and C fractions is light petroleum products. Looking solely at domestic demand trends, our strategy could draw criticism because the coker unit investment will lead to increased production of light petroleum products. In reality, however, overseas demand is rising. Therefore, we do not think there

Outlook for global demand for petroleum products



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

will be an oversupply if we factor overseas demand into our strategy.

It is true that new refineries are being built overseas, but significant time and costs are required until such facilities become fully operational, and there is also a major environmental impact. By contrast, the Cosmo Oil Group and other Japanese oil distributors have completed depreciation of many of their refineries. We also possess secondary processing facilities enabling us to manufacture high-quality petroleum products. These are key strengths. If we did not use our existing refineries as supply bases for Asia and the entire Pacific Rim countries, it would be a waste of our resources.

(For details about our efforts to strengthen the competitiveness of refineries and expand overseas sales channels, please refer to pages 15–22 of the Special Feature section.)

Overseas Sales

Q What are your priority initiatives going forward?

A. As our most important task is to reach an optimal balance between supply and demand in Japan, we will seek to expand earnings through long-term overseas sales, not just sporadic exports.

With respect to overseas sales, we will be focusing on environmentally friendly low-sulfur products, establishment of stable long-term contract-based direct sales channels, and highly profitable regions. We will also open up sales channels in highly profitable regions. Moreover, we are upgrading our export infrastructure, targeting 4,000,000 kiloliters in exports of petroleum products in the year ending March 2011.

We will also emphasize profitability when considering our sales methods. If the competitiveness of our exports declines, we will seek to maximize profitability through overseas procurement.

(For more information about our overseas sales channel expansion strategy, please refer to pages 15–22 of the Special Feature section.)

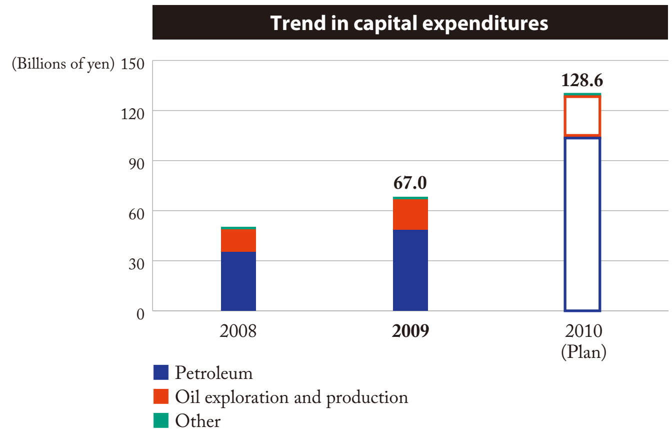
New Businesses

Q Many firms are stepping up new business development efforts. Can you describe the Cosmo Oil Group's approach to developing new businesses?

A. We have positioned 5-aminolevulinic acid (ALA) as a strategic next-generation business, consistent with our focus on the environmental arena. We will actively pursue inter-sector alliances in order to cultivate new markets.

The Cosmo Oil Group is currently expanding its business portfolio by combining fields in which it has expertise with new businesses in the environment arena. For example, we are active in such areas as concentrating solar power (CSP) systems, biomass ethanol, and solar power generation.

One business of particular focus is the ALA business. Traditional methods using chemical synthesis to make ALA were extremely costly and not conducive to mass production. By contrast, a fermentation method developed by the Group (patent acquired in 1999) permits mass production of ALA at



Stable Shareholder Returns and Profitability-Enhancing Investments

low cost. Taking advantage of this feature, we have captured an 80% share of the world market for ALA. ALA can be blended into a variety of products to enhance their benefits, including fertilizers, animal feed, pharmaceuticals, and non-pharmaceutical cosmetics, as well as health foods. Going forward, we will pursue joint R&D and commercialization projects with potential partners that are well versed in these respective areas.

In the field of back-up energy, as well, we will step up efforts aimed at commercializing a CSP system that delivers high efficiency and can even generate power at night. Other initiatives include manufacture of biomass ethanol using fluid waste from paper manufacturing processes.

Capital Strategy and Shareholder Return Policy

Q Can you describe your capital expenditure plans for fiscal 2010?

A. We will seek to improve corporate value by promoting long-term investments aimed at future growth.

In fiscal 2010, ending March 2010, we have a capital expenditure budget of ¥128.6 billion, which is ¥61.6 billion higher than the year just ended. Around half of this amount, or ¥62.1 billion, will go to building the coker unit at the Sakai refinery. In addition to upgrading our refineries, we will continue investing in export-oriented infrastructure, in order to boost overseas sales volumes.

In the Oil Exploration and Production business segment, we will invest to ensure stable or increased production from existing oil fields. Our combined expenditures for exploration and development in new oil fields and mining claims are forecast to be around ¥24.8 billion.

Capital expenditures, by segment (Billions of yen)

	Fiscal 2009 Result	Fiscal 2010 Estimate	Change
Petroleum	¥48.3	¥103.5	+¥55.2
Oil Exploration and Production	18.5	24.8	6.3
Other	0.2	0.3	0.1
Total	¥67.0	¥128.6	+¥61.6

Q What are your policies with respect to shareholder return?

A. We will maintain a stable shareholder return policy in fiscal 2010 and beyond.

Despite the difficult operating environment, we will maintain our stable dividend policy. At the same time, we will continue making proactive investments aimed at developing new oil fields and expanding and upgrading our refineries based on medium- and long-term perspectives. In these ways, we will strive to generate solid earnings and improve corporate and shareholder value.

In fiscal 2010, we plan to pay annual dividends of ¥8.00 per share, unchanged from fiscal 2009, reflecting our policy of delivering stable returns to shareholders.

We look forward to the understanding and cooperation of shareholders and all other investors as we embrace the challenges ahead.

1 Strengthen the competitiveness of refineries 2 Expand overseas sales channels 3 Enter the para-xylene business

ENSURING VALUE, CAPTURING GROWTH

Special Feature

Converting Structural Change into Increased Earnings and Growth: A Three-Part Action Plan

1 Strengthen the competitiveness of refineries 2 Expand overseas sales channels 3 Enter the para-xylene business

Seeking to capitalize on declining domestic demand as an opportunity to generate growth, the Cosmo Oil Group has devised a three-part action plan in its core oil-related businesses (petroleum refining, petroleum sales, and petrochemicals) aimed at addressing various issues and boosting earnings.

Overseas Markets Environment

Increasing demand for petroleum and petrochemical products, but inadequate supply capacity

Domestic Markets Environment

Heavy fuel oil A Heavy fuel oil C Falling demand	Kerosene Diesel fuel Falling demand	Gasoline Falling demand

Three Actions

1 Strengthen the competitiveness of refineries	2 Expand overseas sales channels	3 Enter the para-xylene business
Construct a coker unit	**Upgrade export infrastructure**	**Construct a new MX* facility Enter the PX** business**
● Crack heavy fuel oils A and C fractions for diesel fuel and kerosene production	● Open overseas sales channels ● Sell high-quality products through long-term agreements	● Separate and recover MX from gasoline for supply to the PX facility

Address problems and expand earnings

Benefits

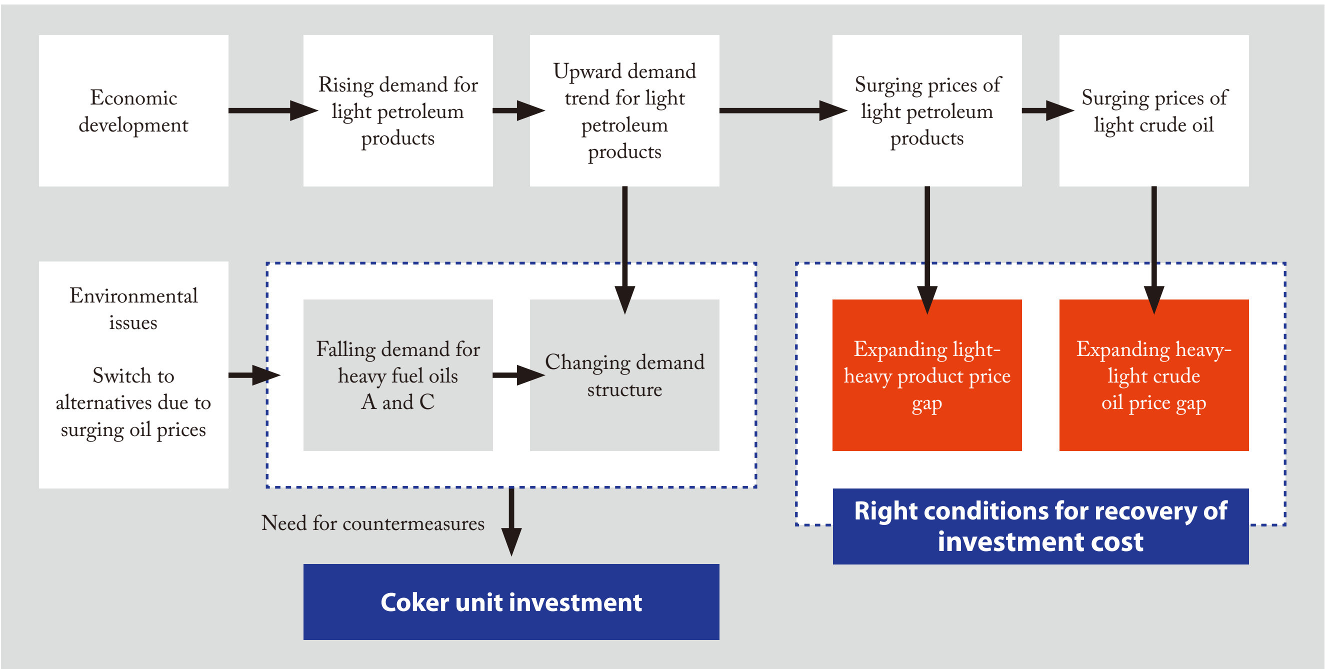
1. Reduce production of heavy fuel oils A and C 2. Increase production of high-value-added products (kerosene and diesel fuel)	1. Receive margins on overseas sales 2. Optimized domestic supply-demand balance = Optimized domestic margins	1. Reduced production of gasoline 2. Increased earnings through entry into the PX business

*MX: Mixed-xylene
**PX: Para-xylene

Contents

ACTION 1 Business Environment Requiring Investment in a Coker Unit

Without the coker unit investment, business conditions will remain unchanged, with no prospects for increasing earnings.



Prolonged Declines in Domestic Demand for Heavy Fuel Oils A And C

Traditionally, heavy fuel oil A was used as fuel for boilers in factories, greenhouses, and the like, while heavy fuel oil C was used as fuel in power generation facilities. Due to surging crude oil prices and environmental considerations, however, there has been a notable shift to alternative fuels such as liquefied natural gas (LNG). This energy shift has been accompanied by capital expenditures to replace actual power generation facilities, leaving no prospect for recovery in demand for the traditional fuel oils.

Widening Light-Heavy Product Price Gap

By contrast, overseas demand for light petroleum products is increasing. This is attributable to rising standards of living in emerging economies, which has led to growing demand for jet fuel, gasoline, diesel fuel, and other transportation-related fuels, as well as other petrochemical products essential for daily living. Also propelling demand for light petroleum products is the lack of viable alternatives for transportation-related fuels. This has resulted in a light-heavy product price gap, which is widening as prices for light petroleum products rise to exceed those for heavy fuel products.

Growing Heavy-Light Crude Oil Price Gap Accompanying Widening Light-Heavy Product Price Gap

Light crude oil can be used to produce light petroleum products, which are in strong demand, with higher yield ratios. Accordingly, increases in demand for light petroleum products will naturally invite a surge in prices of light crude oil, which facilitates production of light petroleum products. The result is an increase in price of light crude over heavy crude, leading to a widening heavy-light crude oil price gap.

ACTION 1 Benefits of Introducing the Coker Units

Installing the coker unit will give the Cosmo Oil Group a greater heavy oil cracking capacity than the average level of its competitors

Purpose and effect of coker unit investment

Respond to declining demand for heavy oil products • Respond to increasing demand for light oil products

Coker unit **Heavy oil cracking facilities** **(25,000 barrels/day)**	Lower procurement costs; increased production of high-value-added products
	Lower costs through greater use of heavy crude: Benefit of expanded heavy-light crude oil price gap → 1.6-degree API (gravity) reduction of processed crude (across four refineries)
Resolved gas oil distillate hydrodesulfurization unit **(25,000 barrels/day)**	Increased added value through emphasis on light petroleum products: Benefit of expanded light-heavy product price gap → Increased production (diesel fuel, jet fuel, kerosene) → Export ■ No increase in gasoline production

The Group has refineries in four locations: Chiba, Yokkaichi, Sakai, and Sakaide. Amid declining domestic demand for heavy fuel oils A and C, however, only the Sakai refinery was not equipped with heavy oil cracking facilities. Now, we are installing a coker unit and resolved gas oil distillate hydrodesulfurization unit at the Sakai refinery. Accordingly, the heavy oil cracking capacity of the Group's four refineries, as a percentage of total topper capacity, will exceed the average of its competitors. In addition to addressing our two major challenges of declining demand for A and C heavy fuel oil, this will deliver two added benefits.

Benefit 1

Exploiting the Heavy-Light Crude Oil Price Gap: Reduced Costs Thanks to Increased Use of Heavy Crude Oil

One advantage of installing the coker unit is a reduction in the cost of crude oil procurements, because the heavy-light crude oil price gap can be exploited to use more heavy crude oil as the raw material. When conventional methods are used to break down crude oil, this leads to an increase in the volume of heavy oil fraction produced. The use of a coker unit to crack the heavy oil into light oil fractions, however, enables creation of light petroleum products in the same volumes as before, even if relatively cheap heavy crude oil (cheap compared with conventional processed crude) is introduced. The coker unit investment is expected to enable the Cosmo Oil Group to lower the crude oil processing API (gravity) of its four refineries by 1.6 degrees.

Benefit 2

Exploiting the Light-Heavy Product Price Gap: Permits Increased Production of High-Value-Added Middle Distillates, Which Are in Strong Demand

The new coker unit will enable heavy oil fractions to be cracked into light petroleum products. In addition, we are installing resolved gas oil distillate hydrodesulfurization unit at the Sakai refinery. This will enable us to raise the quality of processing to produce base high-value-added materials—such as jet fuel and diesel fuel—that are expected to continue generating strong overseas demand. (Conventional refining processes, by comparison, could only produce heavy fuel oil A base materials.) Moreover, we plan to sell all of the increased production of jet fuel and diesel fuel overseas.

ACTION 1 Operating System at Four Refineries after Coker Unit Completion

Considering the four refineries as a single refinery, we can flexibly adjust operation to meet market conditions.

Overseas markets and refinery operations

Healthy overseas markets → Obtain increased margins from exports → Actively promote overseas sales, including increased production portion → **Increase total production of light petroleum products (diesel fuel, jet fuel) at four refineries, for sale overseas**

Weak overseas markets → Exports unprofitable → Do not export / Do not increase production → **Heavily emphasize heavy crude oil for refining to reduce costs**

After the coker unit at the Sakai refinery is commissioned, the Cosmo Oil Group will be able, if overseas markets become buoyant, to lower costs by processing heavier crude oil grades, increase total output of middle distillates at the four refineries, and sell the total volume increase via our overseas sales channels, thereby securing margins in the process.

If overseas market conditions weaken, however, we can maintain an appropriate supply-demand balance while increasing heavy crude oil procurements without any increase in output of light petroleum products. The result is a flexible operational system that can generate procurement cost reductions specifically in response to domestic demand conditions.

FAQ

Q. Do you see any problems with recovering the Sakai refinery investment?

Although the heavy-light crude oil price gap is currently shrinking in the wake of economic recession, the world demand outlook for petroleum products shows that demand for transportation-use light petroleum products, suchas jet fuel and diesel fuel, is expected to increase. We also envisage that the heavy-light crude oil price gap will expand in line with growing demand.

ACTION 2 Expand Overseas Sales

Address declining domestic demand for petroleum products while increasing worldwide demand for petroleum products

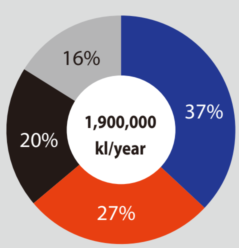
The Cosmo Oil Group will strive to increase overseas sales as a way to address falling demand for petroleum products in Japan and rising demand for such products worldwide. Due to differing market conditions in Japan versus overseas, we can obtain higher margins on overseas sales than on domestic sales. Overseas sales also help to buffer the impact of shifts in supply-demand conditions in Japan. We cannot avoid the decline in domestic demand, but with strong overseas sales we can optimize the supply-demand balance in Japan while obtaining appropriate margins for our petroleum products.

One key feature of the Group's overseas sales is the direct contracts it has with end-users. Indeed, long-term contracts account for around 70% of such contracts, representing a high share. Even if the supply-demand balance in overseas markets breaks down, therefore, we will have reliable sales channels in place. This is a major advantage compared with spot-selling, which is highly vulnerable to supply-demand movements. Our target markets are regions where demand is promising but environmental regulations are stringent. At present, the strictness of such regulations has been a hindrance to market entry. For this reason, our main export targets are North America, South America, and Oceania, where we can best demonstrate the competitiveness of our low-sulfur products. We will concentrate on selling high-value-added products, such as diesel fuel and jet fuel, where we can use the light-heavy product price gap to our advantage.

ACTION 2 Future Targets

Overseas sales in fiscal 2009

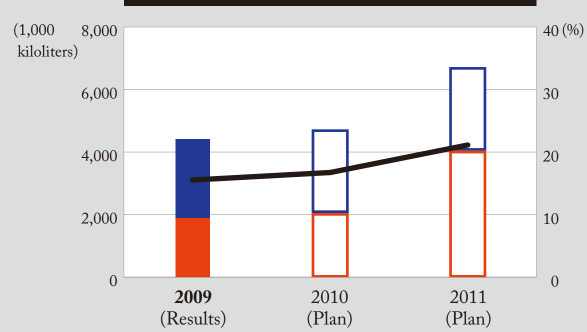
- Oceania
- South America
- North America
- New markets



Note: Excluding bonded product sales volume. Bonded product sales include, for example, jet fuel for international airliners.

The Cosmo Oil Group plans to further increase overseas sales in the future. In the year ended March 2009, we sold 1,900,000 kiloliters of middle distillates overseas. In the year ending March 2011, we are targeting sales of 4,000,000 kiloliters, which we will achieve by reinforcing the export infrastructure of our refineries. If we reach this target, overseas sales will account for around 20% of total crude oil processed products sold by the Cosmo Oil Group (including bonded sales).

Overseas sales volume; overseas sales ratio*



- Left scale: Middle distillate fraction overseas sales (1,000 kl)
- Left scale: Bonded product sales, other (1,000 kl)
- Right scale: Overseas sales ratio (%)

*Overseas sales ratio is calculated as follows: (middle distillate overseas sales + bonded product sales) ÷ crude processing volume.

FAQ

Q. Do you plan to engage in overseas sales of gasoline in the future?

We will investigate appropriate overseas sales destinations and methods conducive to increased earnings.

In light of declining demand for gasoline in Japan, we decided to invest in a coker unit, which does not produce gasoline. Also, each country and region has different and complicated specifications covering gasoline. This requires us to tailor production, storage, and transportation according to overseas sales destination, which causes our costs to balloon. With the growing sales of fuel-efficient automobiles, however, we expect the downtrend in domestic gasoline demand to gain momentum. Accordingly, we are considering overseas sales channels as a means of ensuring stable future gasoline supply.

ACTION 3 Entry into the Para-Xylene Business: Purpose and Background

Upgrade portfolio to increase earnings while addressing decline in gasoline demand

In June 2009, Cosmo Oil entered into a Memorandum of Agreement with Hyundai Oilbank Co., Ltd. (HDO), a South Korean oil refinery and sales company that is a member of the International Petroleum Investment Company (IPIC) Group. Under the agreement, we will establish a joint venture company in the para-xylene business.

In line with the agreement, a decision was also made for Cosmo Oil to construct a new mixed-xylene manufacturing facility at its Yokkaichi refinery.

Established in 1984, IPIC is a wholly owned energy-related investment subsidiary of the Emirate of Abu Dhabi. It specializes in long-term investments in oil and gas-related businesses outside Abu Dhabi. It owns about 20% of Cosmo Oil shares through a third-party allotment offered by Cosmo Oil.

Background				Trigger	Purpose
Asia (including China and India)	Increasing population	Growing demand for polyester fiber and PET resins	Growing demand for PX	Investment plan incorporates increase in PX margins from 2013	Expand and stabilize earnings through integrated crude oil-PX system
	Developing economies				Address declining domestic demand for gasoline

Background for Entry into the Para-Xylene Business

Polyester, which is produced from para-xylene, is an indispensable base material for clothing, PET bottles, and other items in our everyday lives. Demand for polyester continues to steadily expand as it is closely linked to improvements in living standards resulting from population growth and economic development. Around the time the para-xylene facility begins operating from 2013, we foresee tight supply-demand for para-xylene, which should enable us to increase our margins. Consequently, our entry into the para-xylene business market is closely related to our efforts to enhance the profitability of our petrochemical business.

Objective 1

Establishment of the aforementioned joint venture will give the Cosmo Oil Group an integrated operating system ranging from crude oil to production of para-xylene. This will enable us to broaden our portfolio and expand and stabilize earnings.

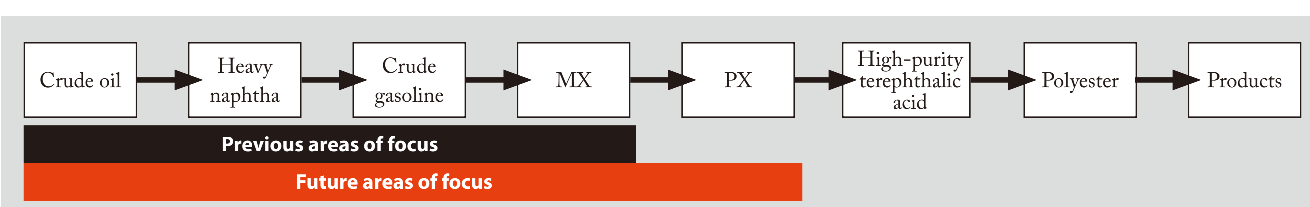
Heretofore, because of the supply-demand balance for gasoline, the Group had been involved in a restricted range from refining crude oil to separate and recover mixed-xylene on the aromatics product chain (shown in the diagram below) for final products such as polyester fiber.

We have therefore been unable heretofore to benefit from high demand and expanding margins for para-xylene. Entering the large-scale para-xylene business will enable us to expand para-xylene margins in the future, providing opportunities to broaden and diversify our income sources.

Objective 2

Another reason for establishing the joint venture is to address the recently large decline in demand for gasoline in Japan.

Because mixed-xylene is a basic component of gasoline, we can restrain the production volume of gasoline by increasing production of mixed-xylene. As part of our strategy to enter the para-xylene business, we will install mixed-xylene separation and recovery facilities at the Yokkaichi refinery. In addition to addressing falling demand for gasoline, we will be able to provide a stable supply of mixed-xylene to the joint venture and thus boost earnings. We plan to invest several billion yen in the mixed-xylene manufacturing facility.



ACTION 3 Investment in the Para-Xylene Business and Benefits Derived

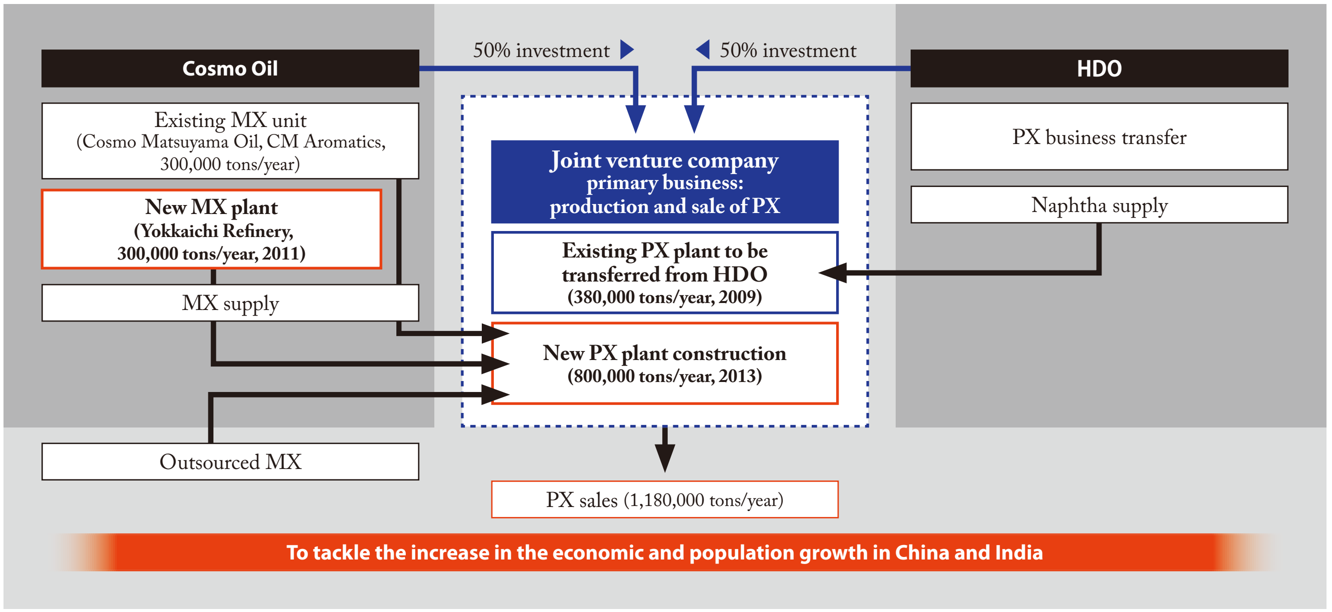
Deploy synergies with IPIC to minimize investment amount; pursue merits of scale as one of world's largest para-xylene businesses

Para-Xylene Business Investment Amounts

The total investment of the joint venture company, including for construction of the new para-xylene facility, will be around ¥100 billion. Approximately 30% of this amount will be provided by investments from both partners (Cosmo Oil 50% and HDO 50%), with the remaining 70% of the investment being provided from borrowings by the joint venture.

Benefits of Investment

Because the joint venture will construct a production facility in a location close to a region of high demand, we can minimize transportations costs as well as obtain scale merits, thereby reducing the required investment outlay. We can also effectively utilize the para-xylene-related business know-how and existing resources of HDO and benefit from overseas business development. Generally speaking, the petrochemical product business is highly susceptible to changing market conditions stemming from economic cycles. However, by minimizing transportation costs and maximizing the scale merits of the world's largest production facility to keep various operating costs low, we will be able to maintain our competitive strength despite any margin deterioration caused by changes in market conditions. Without the partnership between Cosmo Oil and IPIC, this project would not have been achievable.



FAQ

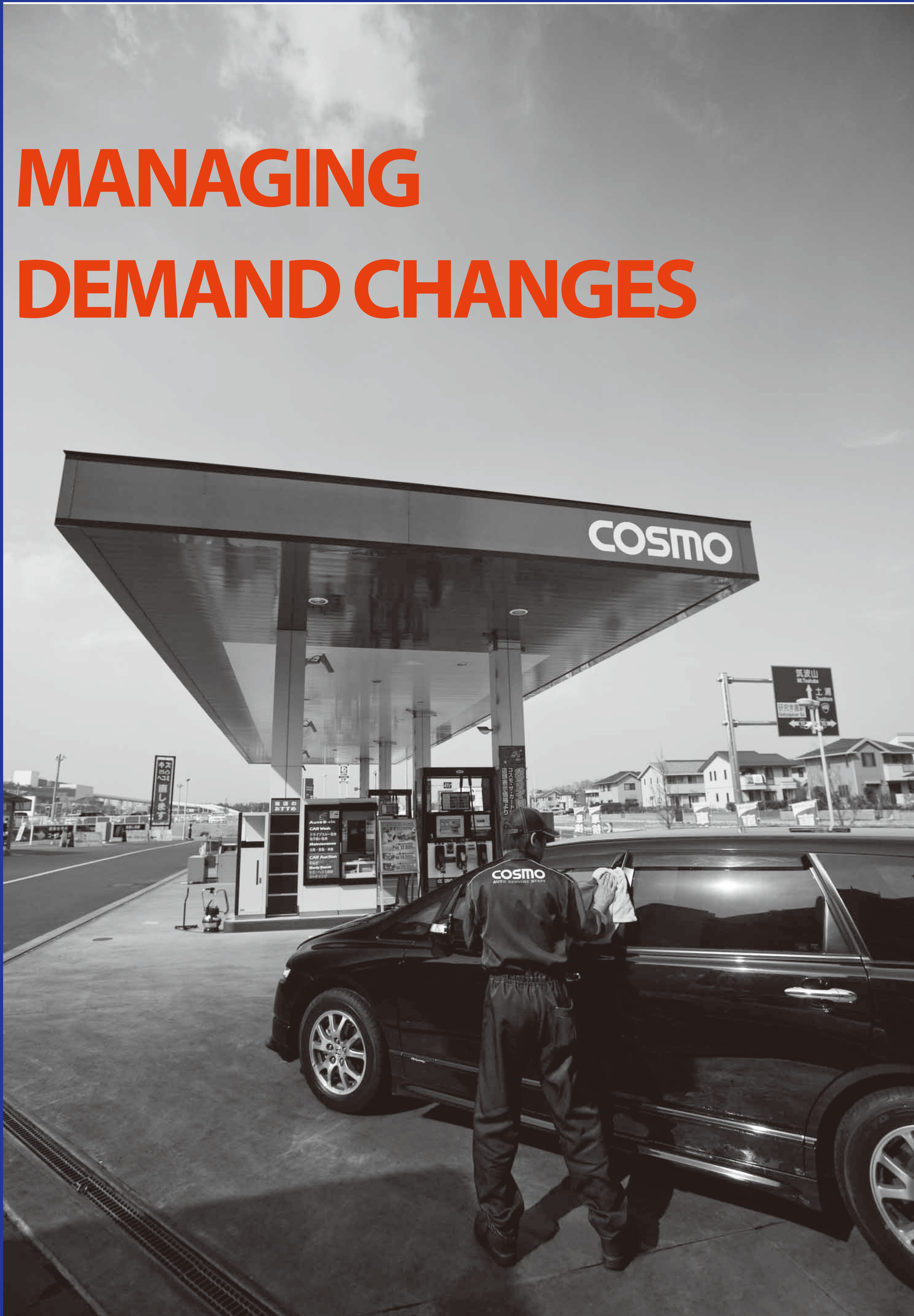
Q. What are the major components of your planned total investment?

This will cover the transfer of HDO's existing para-xylene manufacturing facility (capacity of 380,000 tons/year) to the joint venture, as well as the construction of a new para-xylene (capacity of 800,000 tons/year), to start operation in 2013.

Q. How will you procure the remaining funds?

We initiated discussions with several major financial institutions, but no final decision has been made yet.

MANAGING DEMAND CHANGES



Oil Exploration and Production Business

Fiscal 2009 Performance

Fiscal 2009 Results	Results	Year-on-Year Change
Net sales	¥89.1 billion	Up ¥5.0 billion
Operating income	¥50.8 billion	Up ¥7.3 billion

Operational Review

The Cosmo Oil Group undertakes oil exploration and production in the United Arab Emirates (UAE), Qatar. These activities adhere to our basic policies of (1) investing in low-risk deals; (2) leveraging our current core production areas, namely, Abu Dhabi and Qatar, and our sub-core production area in Australia; (3) early cash flow recovery; and (4) concentrating on operations to develop technical knowledge and accumulate experience.

At present, we carry out stable production in the UAE through Abu Dhabi Oil Co., Ltd., and United Petroleum Development Co., Ltd., an equity-method affiliate. In Qatar, Qatar Petroleum Development Co., Ltd. is steadily increasing its production volume. In Australia, Japan Oil, Gas and Metals National Corporation (JOGMEC) has a 50% stake in a Cosmo Oil Ashmore Ltd. exploration project. It is currently undertaking exploration in the Audacious and Tenacious oil fields with a view to commencing production in 2012.

Qatar Petroleum Development, which commenced production from two new wells in fiscal 2009, has been increasing its daily crude oil production, which reached 6,177 barrels in fiscal 2009, a 20% year-on-year increase. By contrast, production by Abu Dhabi Oil and United Petroleum Development declined. As a result, total crude oil production was 42,590 barrels/day, down 1.4% from the previous year. Main factors behind this decline include the breakdown of production well pumps.

As a result, the Oil Exploration and Production business segment reported operating income of ¥50.8 billion, up ¥7.3 billion, or 16.9%, from the previous year. Although earnings slumped in the second half of the year due to a sudden fall in crude oil prices and rapid appreciation of the Japanese yen, high crude prices in the first half of the year made a significant contribution to the segment's total earnings.

Strategies and Outlook

- **Reinforce a stable supply of petroleum based on the Group's strong relationships with oil producing nations**
- **Focus on stable operation of existing oil fields**
- **Accelerate development of new oil fields and mining claims to increase production volumes**
- **Achieve a 10% equity crude oil production ratio* over the medium term**

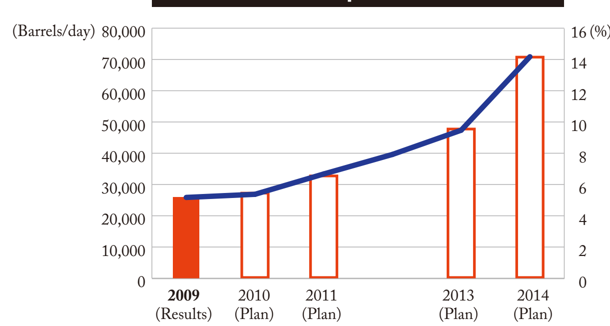
*The equity crude production ratio is the percentage of crude oil in which the Cosmo Oil Group has equity among total crude oil imports by the Group.

Fiscal 2010 Projection (Announced in May 2009)	Projection	Year-on-Year Change
Net sales	¥57.0 billion	Down ¥32.1 billion
Operating income	¥23.0 billion	Down ¥27.8 billion

The forecast price of crude oil for the year ending March 2010 that we announced on May 7, 2009 assumes a price of US$50/barrel. This forecast is based on the belief that demand for both crude oil and petroleum products will slump until there is a full-scale economic recovery.

Record oil prices have reaffirmed the importance of possessing oil field exploration concessions. Today, we are seeing cases where concessions are lost due to the effects of resource nationalism around the world. Under these circumstances, the Cosmo Oil Group will continue reinforcing its stable supply of oil aided by the strong relationships it has forged with the UAE, particularly Abu Dhabi, in which the Group has conducted oil development for over four decades. The Group's equity crude oil production ratio currently stands at around 5%, but we expect this to grow to a maximum ratio of 14%, provided that all current mining and exploration projects advance smoothly to the production stage. For the time being, we have set a target of 10%.

Outlook for crude oil production volume and equity crude oil production ratio (in the best possible case)



Left scale: Total crude oil production volume (Cosmo Oil Group purchase volume)
Right scale: Equity crude oil production ratio

Oil Exploration and Production Business

Oil Exploration and Production Update (As of December 31, 2008)

Abu Dhabi

Oil fields

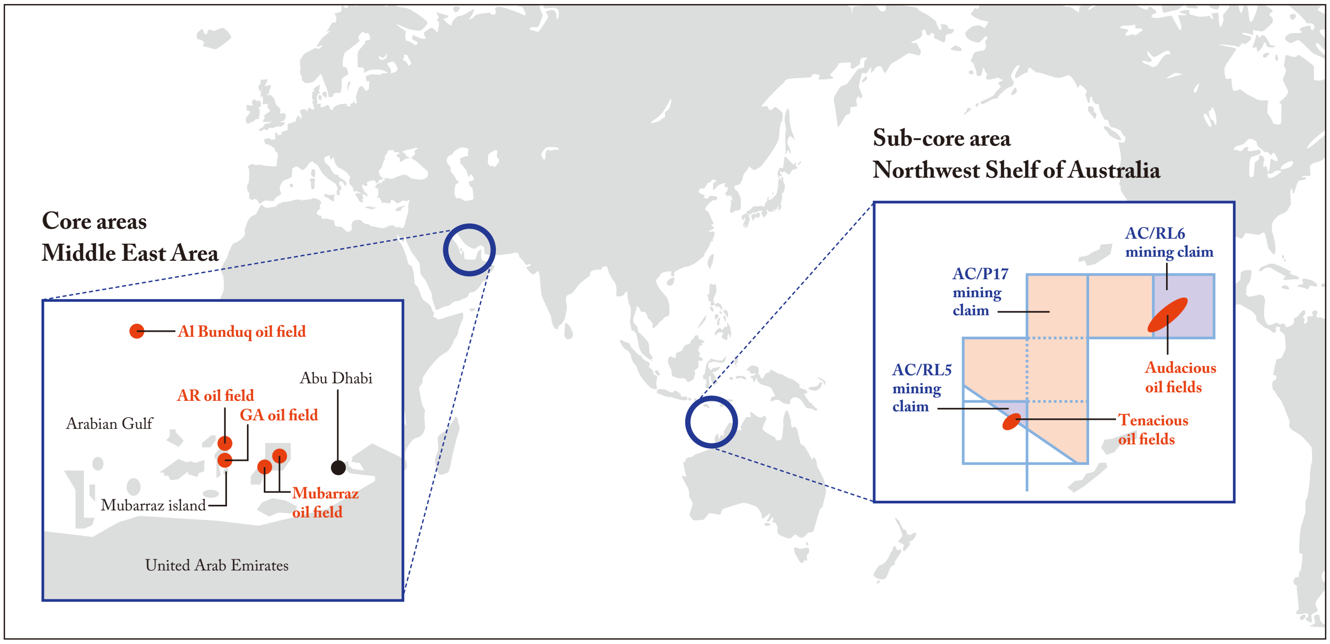
Oil exploration company	Oil fields	Status
Abu Dhabi Oil Co., Ltd.	Mubarraz AR GA	Start production
United Petroleum Development Co., Ltd. (an equity-method affiliate)	Al Bunduq	Start production

Qatar

Oil fields and mining claims

Oil exploration company	Oil fields/mining claims	Status
Qatar Petroleum Development Co., Ltd.	A-Structure North oil field Al-Karkara oil field	Start production
Cosmo Energy Exploration & Development Co., Ltd.	Block 3 mining claim Block 11 mining claim	Under exploration
Qatar Petroleum Development Co., Ltd.	A-Structure South oil field	Start production scheduled for 2010

Oil Exploration and Production



Australia

Oil fields and mining claims

Oil exploration company	Oil fields	Mining claims	Status
Cosmo Oil Ashmore Ltd.	Tenacious	AC/RL5	Under exploration
Cosmo Energy Exploration & Development Co., Ltd. Cosmo Oil Ashmore Ltd.	—	AC/P17	Under exploration
	Audacious	AC/RL6	Under exploration
Cosmo Energy Exploration & Development Co., Ltd.	—	AC/P4 AC/P32	Under exploration

Petroleum Business (Petroleum Refining, Sales, and Petrochemicals)

Fiscal 2009 Performance (Petroleum Refining and Sales)

Fiscal 2009 Results	Results	Year-on-Year Change
Net sales	¥3,283.6 billion	Down ¥70.2 billion
Operating loss	¥160.3 billion	Down ¥194.9 billion
Impact of inventory valuation	¥–179.2 billion	Down ¥224.2 billion
Operating income excluding the impact of inventory valuation	¥18.9 billion	Up ¥29.3 billion

Operational Review

In the year under review, the Petroleum business segment reported operating income of ¥18.9 billion, compared with an operating loss of ¥10.4 billion in the previous year. This result excludes the petrochemical business and the impact of inventory valuation.

In the first half of the year, crude oil prices continued rising, reflecting an ongoing trend from fiscal 2008, while the decline in domestic demand gained momentum. By contrast, earnings benefited from special demand from the Beijing Olympics and growth in exports owing to healthy overseas markets. In the second half of the year, in-house fuel costs declined on the back of falling crude oil prices, although the economic downturn had a negative effect in overseas markets. To improve margins for four products* sold in Japan, we utilized our stable overseas sales channels and emphasized optimal operations of our oil refineries. As a result, we reported an increase in segment net operating income excluding the impact of inventory valuation, despite a ¥9.0 billion rise in costs associated with a pipeline-related operating problem at the Chiba refinery.

*Four products: Gasoline, kerosene, diesel fuel, and heavy fuel oil A

Strategies and Outlook

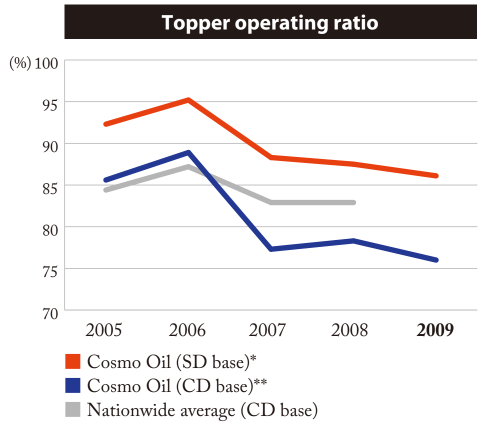
- **Increase earnings by reinforcing the competitiveness of refineries and maximizing utilization of heavy oil cracking facilities (coker unit)**
- **Optimize the supply structure**

Fiscal 2010 Projection (Announced in May 2009)	Projection	Year-on-Year Change
Net sales	¥2,188.0 billion	Down ¥1,095.2 billion
Operating income	¥57.5 billion	Up ¥217.8 billion
Impact of inventory valuation	¥19.0 billion	Up ¥198.2 billion
Operating income excluding the impact of inventory valuation	¥38.5 billion	Up ¥19.6 billion

Domestic fuel oil supply and demand trends are expected to remain challenging in the year ahead, with the domestic sales volume forecast to fall 6.1% year on year. However, we estimate a ¥2/liter improvement in the throughput margin owing to the introduction of a product market-linked wholesale pricing formula in April 2009 and production adjustments to match demand.

We will continue aggressively marketing our middle distillates* overseas. In fiscal 2010, we forecast overseas sales of 2,000,000 kiloliters. Going forward, we will upgrade our infrastructure as we target overseas of 4,000,000 kiloliters in the year ending March 2011.

*Middle distillates: Jet fuel, kerosene, diesel fuel, and heavy oil A



*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 Business (Petroleum Refining, Sales, and Petrochemicals)

Operational Review (Petroleum Domestic Sales)

Domestic demand for petroleum products declined sharply due to a decline in demand stemming from a number of factors. These included the effect of Japan's falling birthrate, a decline in vehicle ownership mainly among the younger generation, and the sudden downturn in the economy, as well as high market prices for petroleum products in the first half of the year. However, increased exports by refinery distributors and balanced domestic supply and demand brought about by optimal refinery operations contributed to improved margins. In the year under review, domestic sales by volume by the Cosmo Oil Group totaled 25,891,000 kiloliters, down 8.4% from the previous year. The decline was due to higher retail prices at service stations stemming from soaring crude oil prices in the first half of the year, as well as lower sales volumes for our main oil types in response to production cutbacks brought about by worsening economic conditions in the second half of the year.

Strategies	Fiscal 2009 Results	Fiscal 2011 Projection
Expand sales share via high-quality sales channels	Up to 45%	Up to 51%
Increase percentage of self-service stations	Up to 24%	Up to 30%
Number of Cosmo the Card credit cards in use	Up to 3.35 million (Target achieved ahead of schedule)	3.34 million

Strategies

- **Introduce a product market-linked wholesale pricing formula (April 2009); set prices on weekly basis**
- **Increase sales volume ratios using high-quality sales channels**
- **Advance shift to self-operated service stations**
- **Use Cosmo cards to enhance customer loyalty**

The Cosmo Oil Group will expand earnings from its domestic and overseas sales by strengthening its sales networks and channels.

In April 2009, we introduced a product market-linked wholesale pricing formula for setting domestic prices. Here, our aim is to establish an appropriate pricing structure by operating refineries in line with demand. We will continue to ensure stable earnings by raising the ratio of sales made via high-quality sales channels, such as wholly owned subsidiary Cosmo Oil Sales Corp. The Cosmo Oil Group currently ranks second in the industry in terms of the self-operated service stations ratio, accounting for 24.4% of such stations currently in operation. Given the advantages of self-operated service stations, such as efficient sales and strong latent demand, we will work to increase the ratio to 30%. We will also enhance customer brand loyalty by issuing more Cosmo the Card credit cards, which encourage customers to become regular users of our service stations. Through these measures, we will endeavor to raise the profitability of our domestic sales activities.

Hisashi Kobayashi

Senior Executive Officer
General Manager,
Sales Control Dept.

To build a robust domestic sales network, we will pursue investment and marketing strategies with an emphasis on local characteristics. We will boost efficiency by avoiding excessive expenditures and focusing investment in service stations based on rigorous marketing, in order to maximize synergies with other Group service stations in each area. In addition, we will apply more stringent criteria for appropriating investments in new service stations. With the decline in demand for gasoline expected to gain further momentum, we will target investments that balance location, capital recovery period, and sales volume while allowing sufficient scope for investment in additional facilities that can service electric and other vehicles. Our overall aim is to equip service stations so that they can survive well into the future.

As electric vehicles require the same safety inspections, auto insurance, and other car care as conventional cars, the Cosmo Oil Group recognizes that establishing services at its service stations will provide greater opportunities to increase income.

Petroleum Business (Petroleum Refining, Sales, and Petrochemicals)

Operational Review (Petroleum Overseas Sales)

In the year under review, exports of petroleum products totaled 1,560,000 kiloliters, largely unchanged from the previous year, thanks to buoyant overseas markets in the first half of the period. In the United States, we procured CARB diesel fuel* locally for sale on the wholesale market, recognizing the advantages of this strategy over exporting from Japan due to falling local market prices caused by the economic recession. When these sales are added, total overseas sales amounted to 1,900,000 kiloliters, close to our target for the year of 2,000,000 kiloliters.

*CARB diesel fuel: On-specification product that meets California Air Resources Board environmental criteria.

Fiscal 2009 Results	
Middle distillates (diesel fuel and jet fuel)	1,900,000 kiloliters (19.4% year-on-year increase)
Overseas sales ratio	Approximately 15%

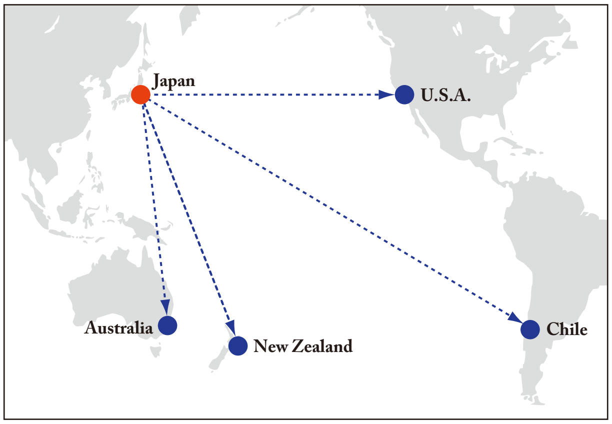
Strategies

Expand overseas sales channels based on long-term contracts with end-users

Export Targets (Volume)	Fiscal 2010 Plan	Fiscal 2011 Targets
Middle distillates (diesel fuel and jet fuel)	2,000,000 kiloliters	4,000,000 kiloliters
Overseas sales ratio	Approximately 15%	Approximately 20%

In the year ending March 2010, we are targeting overseas sales of 2,000,000 kiloliters by promoting direct sales to end-users through long-term contracts. Higher overseas sales enhance our ability to improve domestic margins by maintaining a healthy domestic supply-demand balance. With this in mind, we will continue actively expanding overseas sales. Our target is for overseas sales to comprise roughly 20% of total sales by the year ending March 2011. In effect, this will mean that the output of around one of the Cosmo Oil Group's four refineries will be sold to overseas markets. For further details, please refer to pages 15–22.

Exports of middle distillates by the Cosmo Oil Group



Review of Operations

Petroleum Business (Petroleum Refining, Sales, and Petrochemicals)

Fiscal 2009 Performance (Petrochemicals)

Fiscal 2009 Results

	Fiscal 2009 Results	Year-on-Year Change
Net sales	¥69.3 billion	Down ¥19.1 billion
Operating loss	¥2.3 billion	Down ¥7.1 billion
Impact of inventory valuation	¥–1.0 billion	Down ¥1.0 billion
Operating loss excluding the impact of inventory valuation	¥1.3 billion	Down ¥6.1 billion

Operational Review

In the year under review, the petrochemical market deteriorated rapidly due to the drop in demand for petrochemical products caused by the sudden economic downturn from the second half of the year. As a result, earnings were well down on the healthy result recorded in the previous year. The segment reported an operating loss (excluding the impact of inventory valuation) of ¥1.3 billion, compared with operating income of ¥4.8 billion in the previous year.

Strategies and Outlook

- **Reinforce production structure for high-value-added products, such as mixed-xylene; address falling demand for gasoline**
- **Expand business portfolio by establishing a joint venture with Hyundai Oilbank Co., Ltd. (HDO) and enter the para-xylene business**

Fiscal 2010 Projection (Announced in May 2009)

	Projection	Year-on-Year Change
Net sales	¥44.0 billion	Down ¥25.3 billion
Operating income	¥2.5 billion	Up ¥4.8 billion
Impact of inventory valuation	¥1.0 billion	Up ¥2.0 billion
Operating income excluding the impact of inventory valuation	¥1.5 billion	Up ¥2.8 billion

Wholly owned subsidiary Cosmo Matsuyama Oil Co., Ltd., and joint venture CM Aromatics Co., Ltd., owned 65% by Cosmo Oil and 35% by Maruzen Petrochemical Co., Ltd., are engaged in the production and sale of mixed-xylene.

In June 2009, Cosmo Oil entered into a Memorandum of Agreement with HDO for the establishment of a joint venture company that will produce para-xylene. HDO will transfer existing para-xylene facilities, with an annual production capacity of 380,000 tons, to the joint venture company. In 2013, the joint venture will commence operation of a new plant with an annual production capacity of 800,000 tons. This will raise the volume of para-xylene produced and sold annually to 1,180,000 tons, making the new business one of the largest of its kind in the world.

We will establish a large-scale production structure capable of efficient operations in order to meet rising demand for petrochemical products against the backdrop of economic growth in India and China.

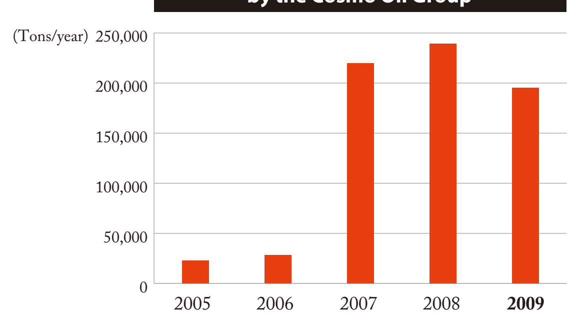
Hiroshi Kiriyama

Executive Officer
General Manager,
Corporate Planning Dept.

This entry into the para-xylene business and construction of a new mixed-xylene plant at the Yokkaichi refinery will enable us to separate and recover mixed-xylene left in gasoline distillate. Reducing the amount of gasoline produced will also address the downturn in demand for gasoline. We will supply the joint venture company with mixed-xylene produced at this new plant, as well as mixed-xylene yielded at CM Aromatics's existing facilities. This will enable us to establish integrated operations capable of producing para-xylene, which will provide a stable base for increasing earnings.

Previously, the Group's petrochemical business centered on the manufacture of olefin products, such as ethylene. However, the addition of a large-scale para-xylene business, which had not been feasible for the Group on its own, will enable the Cosmo Oil Group to establish a business portfolio incorporating aromatics, for which demand is stable.

Annual shipments of mixed-xylene by the Cosmo Oil Group

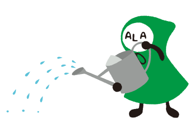


New Businesses

Progress in the Year under Review 2009

The Cosmo Oil Group is working to establish new businesses besides oil by developing products and technologies with low environmental impact. One business with huge growth potential is 5-aminolevulinic acid (ALA). We are accelerating market development and the expansion of product domains for this compound, whose applications include pharmaceuticals. In 2001, the Group developed a new low-cost, mass-production fermentation process that has dramatically increased potential applications for ALA used in low concentrations. The Cosmo Oil Group has already begun marketing active ingredients and liquid fertilizers combined with ALA. Capitalizing on our position as a pioneer in this field, we will expedite development of finished products that contain ALA, including marine and animal feed, cosmetics, and pharmaceuticals. The Group already markets fertilizer combined with ALA in Europe and other regions. Our plans are to expand sales in existing markets and export such fertilizer to China and the United States, the two largest consumers of fertilizers in the world.

The Group is also developing a concentrated solar power (CSP) generation business using technology provided by the Tokyo Institute of Technology with MASDAR, an organization funded by the Abu Dhabi government. The technology produces a large amount of power more efficiently and for less cost than existing solar power generation systems. As a power generation system particularly suited to regions with high temperatures, low humidity, and high sunshine hours, we are currently constructing a pilot plant in Abu Dhabi.



With application of PENTA GARDEN®

Without application of PENTA GARDEN®

(Left) PENTAKEEP® (fertilizer containing ALA) for professional use
(Right) PENTA GARDEN® (fertilizer containing ALA) for home use

Strategies

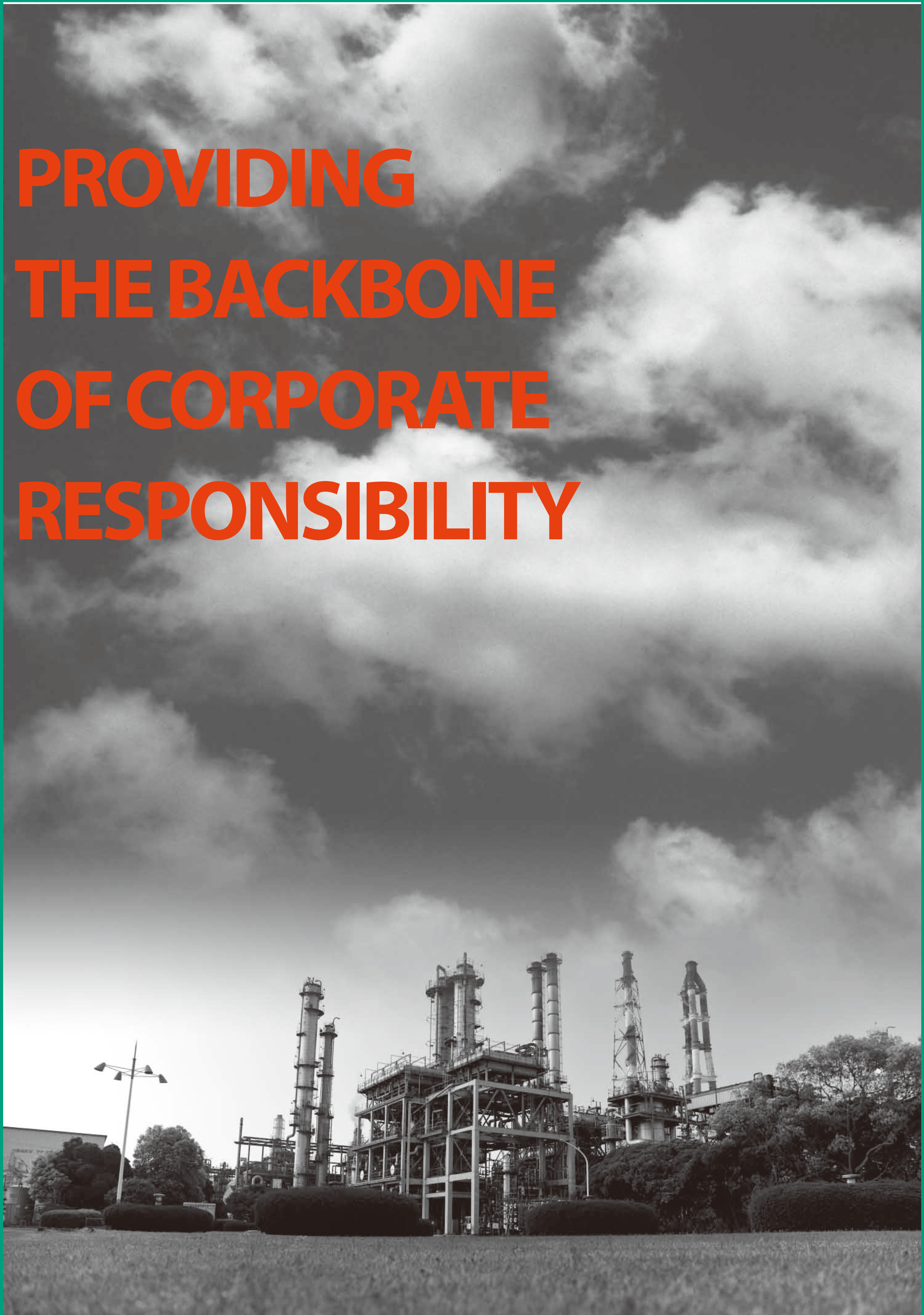
- **Raise the profile of ALA and promote development of functional products**
- **Concentrated solar power generation**
- **Biomass ethanol**
- **Solar power generation**

New business related to environmental technology: ALA	
Raw material business	Active ingredient supply business Currently manufacturing and selling ALA as raw material for fertilizers, animal feed and research reagents
Finished products	Fertilizer business
	Animal feed business
	Pharmaceutical, cosmetic, and health food business
Other new businesses related to environmental technology	
Concentrated solar power generation	Launch a new CSP generation business in areas that are in the sunbelt region and that have a high demand for power in particular.
Biomass ethanol (1)	Grow crops as a raw material for bio-fuels production (a project expected to be promoted via a JV company to be established together with the East Sepik provincial government and local residents).
Biomass ethanol (2)	Commercialize manufacturing of biomass ethanol using second-generation raw materials (from plants or wood).
Solar power generation	Launch a new business to manufacture polysilicon (polycrystalline silicon) in the future.

Isao Kusakabe

Senior Executive Officer
General Manager,
International Ventures Dept.

The Group is actively developing ALA as a new business in the environmental technology field with the aim of establishing this business as a key earnings pillar. We are currently working on fertilizer and animal feed applications in two huge markets in particular. These are the United States, the largest exporter of agricultural products in the world, and China, which is finding it difficult to increase its self-sufficiency ratio due to its rising population. In addition to promoting animal growth, ALA has huge benefits as animal feed. This is because it permits reductions in the amount of corn and other major ingredients used in feed, which are also sought after as a food source for human consumption. By building cooperative relationships with other companies and research organizations, we are working on using ALA to develop high-quality products that will meet the rigid standards demanded by the pharmaceutical, cosmetic, and health food sectors.


PROVIDING
THE BACKBONE
OF CORPORATE
RESPONSIBILITY

Corporate Governance

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.

Harmony and Symbiosis

- Harmony and Symbiosis with the Global Environment
- Harmony and Symbiosis between Energy and Society
- Harmony and Symbiosis between Companies and Society

Creating Future Value

- Creating the Value of "Customer First"
- Creating Value from the Diverse Ideas of the Individual
- Creating Value by Expressing Collective Wisdom

CSR Management Goal Vision

Contribute to harmony and symbiosis, and facilitate the realization of sustainable development for society as a whole

(Put the Management Vision into practice)

Be a corporate group that is trusted and preferred by all stakeholders

(Improve corporate value)

Three Pillars of CSR Management

Compliance

Sincere corporate management

As a company with a social presence, engage in corporate management that earns the trust of society.

People

The wellspring of corporate activity

Foster a business environment and organizational structure that allows individuals to exercise their talents.

Environment

Responsibilities of companies that are involved in fossil energy

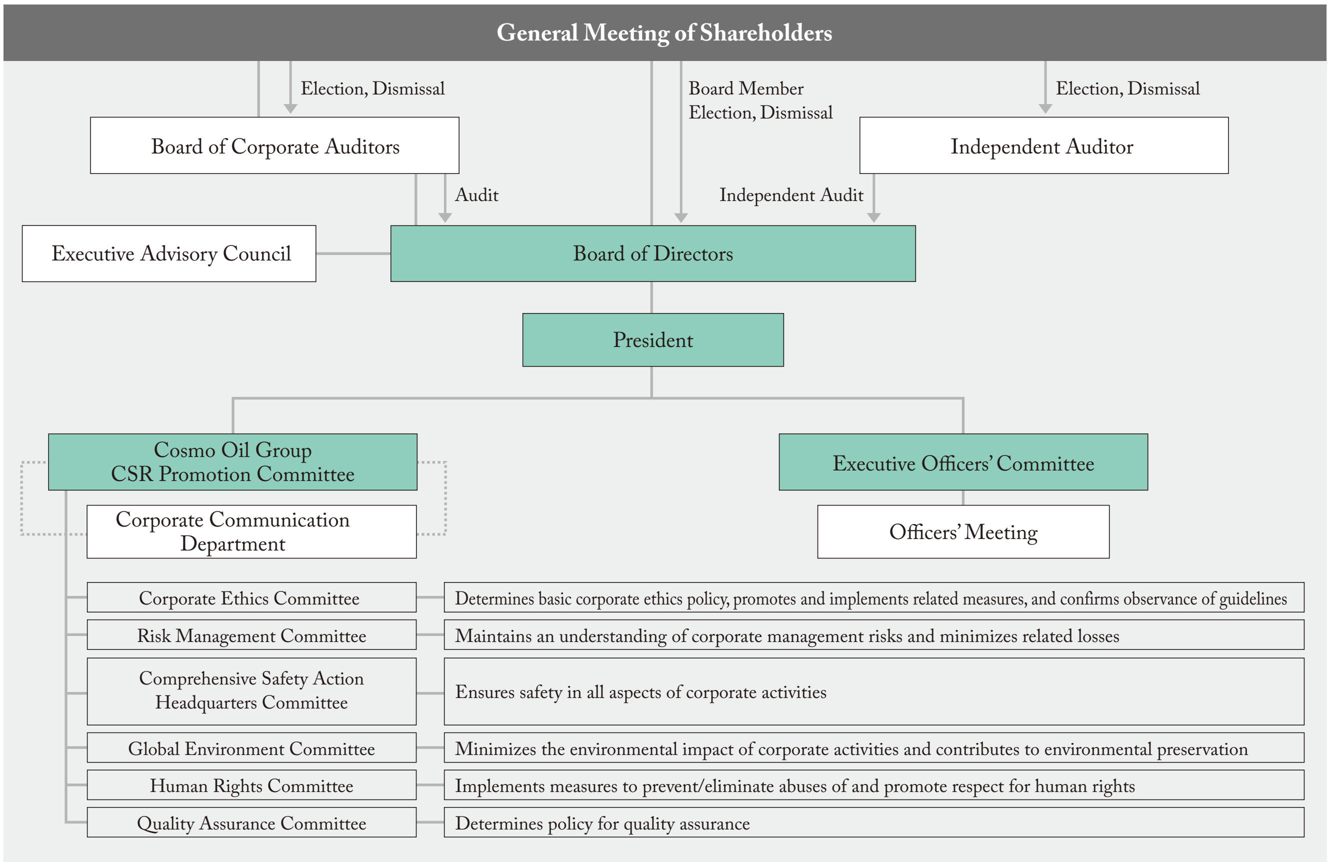
The environment is an important issue that must be addressed as we strive to help realize a sustainable society

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, 2009)



1 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. Consequently, they are appointed by an affirmative vote of the majority of voting rights of shareholders present at a meeting attended by at least one-third of shareholders entitled to exercise voting rights.

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.

External Directors

Two of the Board's 10 directors are appointed from outside the Group. Although external 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.

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 2008 Ordinary General Meeting of Shareholders to the 2009 General Meeting, the Board of Directors met on 13 occasions. Major topics covered at these meetings included the revision of the Cosmo Oil Group Code of Conduct, participation in the Block 11 EPSA (Exploration and Production Sharing Agreement) in the state of Qatar, and work to expand the Group's export capabilities. Reports on sales, exports and imports, demand, and monthly income summaries were presented at each meeting.

Directors		Board of Directors (13 times)	
		Attendance Ratio*	
8 Directors		97%	
2 External Directors**	Saeed Al Mehairbi	54%	7 of 13
	Khalifa Al Romaithi	85%	11 of 13

*Attendance ratios are calculated for the period from the Ordinary General Meeting of Shareholders held, on June 24, 2008, to the General Meeting held on June 23, 2009.
**Saeed Al Mehairbi resigned at the general meeting of shareholders held on June 23, 2009. Jeffrey Kirk was appointed as a new external director.
Jeffrey Kirk served at the Abu Dhabi Investment Authority (ADIA) and has expertise and experience in finance and management.

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 10 Directors*	¥363 million
Remuneration for 2 External directors included in the above	¥17 million

*Payments to directors exclude employee bonuses paid to directors who are also employees.

Executive Officer System

The Company 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.

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 directors, auditors, and executive officers 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 external auditor, and two external auditors.

External Auditors

To ensure the objective auditing of the Company's operations, three of the five corporate auditors are external auditors, one of whom works full-time. The full-time external auditor attends Board of Directors' meetings and other important committee meetings. Hirokazu Ando, one of our current external auditors, is former executive officer and general manager of the Group Planning Department at Mitsubishi UFJ Financial Group (formerly UFJ Holdings Inc.). Until recently, Hajime Miyamoto was chairman and representative director of Kansai International Airport Co., Ltd. (He retired from those positions at Kansai International Airport's annual general meeting on June 25, in 2009, whereupon he was appointed as an executive adviser consultant to that company.) These individuals were chosen as external auditors on the strength of their extensive experience in related businesses. The other external auditor is Yoshitsugu Kondo, a partner attorney at Sano Kondo Law Offices, with which Cosmo Oil has a legal advisory contract. We chose Mr. Kondo as an external auditor on account of his expertise in corporate law and his ample knowledge of corporate governance. The Company's audit secretariat provides administrative support to all auditors.

External Auditor Profiles

Hirokazu Ando (full-time) Former executive officer and general manager of the Group Planning Department at Mitsubishi UFJ Financial Group (formerly UFJ Holdings Inc.).
Hajime Miyamoto Executive adviser of Kansai International Airport Co., Ltd. appointed June 25, 2009 (Former chairman and representative director at that company)
Yoshitsugu Kondo Partner attorney at Sano Kondo Law Offices

Meetings and Attendance

In principle, the Board of Corporate Auditors meets once monthly, and at other times as necessary. The Board receives reports from the auditors based on the audit policies, plans, and schedule determined by the Board, and presents proposals to directors as required. The Board convened 13 times in the period between the 2008 and 2009 Ordinary General Meetings.

External Auditors	Board of Directors (13 times)		Board of Corporate Auditors (13 times)	
	Attendance ratio		Attendance ratio	
Hirokazu Ando	100%	13 of 13	100%	13 of 13
Hajime Miyamoto	77%	10 of 13	77%	10 of 13
Yoshitsugu Kondo	100%	13 of 13	100%	13 of 13

Remuneration

In fiscal 2009, the following remuneration was made to the Company's corporate auditors.

Remuneration	
Remuneration for 5 auditors	¥100 million
Remuneration for 3 external auditors included in the above	¥46 million

Internal Auditing System

The Company's Internal Auditing Office has 16 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, 2009, 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. Six additional certified public accountants and seven assistants also participated in the audit.

Independent Audit Company Remuneration

In the fiscal year under review, the following remuneration was made for the auditing of accounts by the firm of independent auditors contracted by the Group.

Remuneration	
Remuneration for audit certification*	¥165 million
Remuneration for purposes other than the above	¥0 million
Total	¥165 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 Company strives to coordinate the auditing activities of its corporate auditors, accounting auditors, and the Internal Auditing Office.

The accounting auditors advise the corporate auditors of their audit plans in advance, update them on progress, and present them with reports explaining audit findings concerning financial documents and supporting statements. The corporate auditors discuss audit data with the accounting auditors and assist them whenever necessary. The corporate auditors also receive reports from the Internal Auditing Office and the firm of independent auditors evaluating aspects of internal controls related to financial reporting. They also provide explanatory information on matters requiring follow-up.

The Internal Auditing Office conducts audits in accordance with an annual plan, and works with accounting auditors as necessary in the course of conducting these audits. The Office's auditors prepare reports on the findings of individual audits for the corporate auditors, and together they discuss related issues.

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.

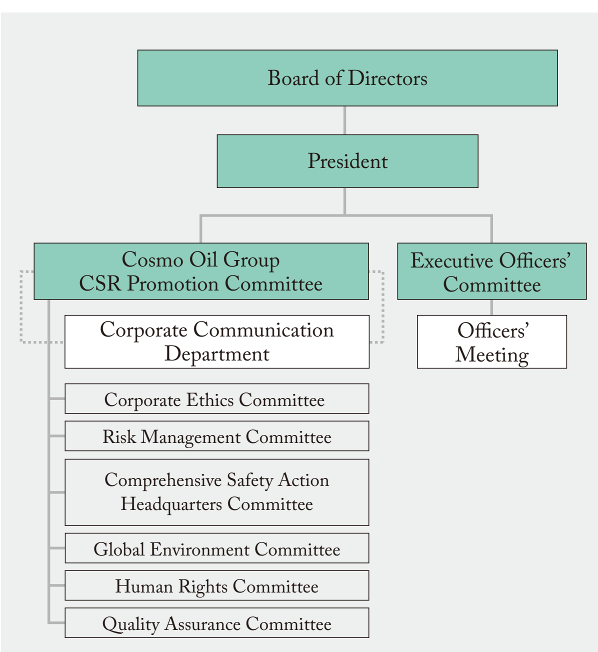
2 Internal Control System: Compliance and Risk Management

Internal Control System Fundamentals

Cosmo Oil is progressing with the establishment of systems for implementing the Cosmo Oil Group Management Vision and Code of Conduct, and for enabling employees and directors to execute their tasks properly and efficiently. Initiatives include a framework for the execution of tasks by directors and employees, providing support for risk management and internal control systems, and a system that ensures the effective execution of auditing by corporate auditors.

To push forward our management vision, we established the Cosmo Oil Group CSR Promotion Committee to manage all activities related to the Group's CSR initiatives and internal controls. The Committee, which is under the direct supervision of the president, receives assistance from the Corporate Communication Department. It strives to promote ethical corporate activities based on a spirit of respect for laws, while promoting adherence to the Cosmo Oil Group Corporate Activity Guidelines.

The CSR Promotion Committee oversees the activities of six committees shown in the chart below. Each of these committees receives management support from relevant departments, and promotes focused and active efforts throughout the Company.



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, 2009, the internal controls of the Company and its subsidiaries were "effective."

Compliance

In addition to the Cosmo Oil Group Corporate Activity Guidelines, the Company established a Corporate Ethics Committee in order to promote compliance. The Committee is chaired by the director in charge of general affairs. It is charged with establishing systems and policies for enhancing compliance among all executives and employees and endeavors to resolve any compliance-related problems.

The Cosmo Oil Group Code of Conduct

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 fiscal 2009, the Company worked to instill a greater awareness of compliance issues by holding training sessions on the Cosmo Oil Group Corporate Activity Guidelines, which were revised in October 2008. A total of 2,700 employees from the Group's headquarters, 10 branches, 4 refineries, the research and development center, and 19 affiliates took part in these sessions.

CSR Status Survey

In March 2009, the Company conducted a "CSR Status Survey" (employee perception poll), as it did in the previous year. Conducted with the aim of promoting CSR-oriented Group management, the survey sought to (1) ascertain the current status of CSR, (2) verify the results of initiatives implemented to date, (3) identify areas needing improvement, and (4) assist with CSR outreach. Executives and employees from 20 Group companies took part in the survey, and respondents remained anonymous to ensure the reliability of results. A total of 4,567 survey forms, a high response rate of 97%, were collected by an outside organization. Once the results have been analyzed by outside experts, they will be utilized in initiatives aimed at further improving CSR management within the Group.

■ 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 fiscal 2009, two consultation cases were received and promptly addressed. The Company has also set up a consultation helpline within the Personnel Department to respond to reports of sexual or power harassment.

■ Risk Management System

Since fiscal 2004, the Company has been conducting Group-wide risk management activities on an annual basis. Each year it undertakes a cyclical process to identify, organize, and evaluate risk, consider and implement appropriate countermeasures, and evaluate monitoring results. In fiscal 2006, it established the Risk Management Committee, which has been conducting a general management review of the Group's business continuity plans. These plans are important given the Group's business of supplying oil needed to maintain basic social services. In fiscal 2009, the Committee incorporated measures to deal with the emergence of a new strain of influenza in its plans. In addition to revising the Group's operation plan enacted in fiscal 2008, the Committee is working on introducing an at-home work system, part of which was introduced in April 2009.

■ Business Continuity Plan (BCP)

In April 2008, the Company conducted its second real-time simulation drill based on a hypothetical scenario of damage caused by an earthquake centered in the Tokyo metropolitan area. In fiscal 2010, we are preparing a new comprehensive BCP drill that incorporates the results of previous drills.

3 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. This makes it difficult for shareholders to attend meetings held by different companies. 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 a rating system devised by RiskMetrics Group to evaluate corporate governance, and is used by more than 7,500 companies worldwide. As of June 23, 2009, 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. Experts from academia, industry, and RiskMetrics formulate a company's CGQ based on a large quantity of provided data. The CGQ has become the standard by which a company's corporate governance structure is measured, and many institutional investors refer to it when making investment decisions.

Social Contribution Activities

A company is a part of society. In order for it to grow and develop in society, one natural assumption is that its existence should be recognized by society, yet other assumptions are that society is peaceful and healthy and that the global environment is preserved properly. The Cosmo Oil Group's management vision is that it will strive to ensure symbiosis among the planet, humanity and society and to aim at sustainable growth. The Cosmo Oil Group is engaged in social contribution activities by encouraging people both inside and outside the Company to join them.

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 our business status**

Activities for Children, the Environment, and Society

These activities help foster a spirit of generosity in children, who represent and hold the key to the future of our planet. They also encourage employees to give back to the community.

By extending our partnerships with customers, nonprofit organizations (NPOs), and the groups to whom we provide support, we strive to improve the quality of activities and expand our fields of involvement. Ongoing activities raise our profile both within and outside the Group and help foster the spirit of social contribution. The know-how, human resources, and external networks acquired through these continuing activities form a platform that enables the implementation of programs needed to deal with social issues in a timely manner.

Cosmo Waku Waku Camp

▲ **This is a nature program lasting three days and two nights for schoolchildren orphaned by traffic accidents. To ensure the safety and health of children, the NPO and Cosmo Oil Group volunteers attend a field training session that is a dress rehearsal with the same program as the day of the camp. At the 16th Cosmo Waku Waku Camp held in fiscal 2009, 28 children had great fun observing the forest and animals during the day and at night, and producing their own newspaper based on the experience.**

Natural Art Workshops for Children

▲ **The Cosmo Oil Group hosts an art workshop designed for children to "observe, feel and learn" different aspects manifested by nature in four seasons, guiding them toward self-motivation to act to protect nature.**

In fiscal 2009, we invited Aboriginal artist Marika Patrick from Australia to lead the seventh series of workshops. Marika Patrick taught the children about making "earth coloring" from natural materials like clay, which they used in their paintings.

Information on Social Contribution Activities

The Cosmo Oil Group undertakes a variety of contribution activities besides the ones listed above. Information on these activities can be found in the 2009 Report on Social Contribution Activities available on the Cosmo Oil website.

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

Spreading the Message on the Environment

The Cosmo Oil Group holds events under the theme of the environment and provides relevant information via radio, the website, and publications to offer opportunities for people to consider and act toward environmental protection.

Clean Campaign

◀ **While promoting familiarity with nature, we conduct environmental activities throughout the year in areas such as mountains, rivers, ocean beaches, lakes, parks, and other locations across Japan. Through a diverse menu of activities, including live concerts by various artists and sports events held after cleanup activities, this campaign allows people of all ages, from children to adults, to enjoy nature as they participate in environmental activities. Additionally, every summer we hold our trademark event, the "Cosmo Earth Conscious Act Cleanup Campaign on Mt.Fuji," for cleanup activities and eco-trekking on Mt. Fuji.**

Cosmo Oil Eco Card Fund

The Cosmo Oil Eco Card Fund "Living with Our Planet" projects run in partnership with NPOs, non-governmental organizations (NGOs), and research institutes with the cooperation of local communities and governments. 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.

Support for Sustainable Development (Support for Developing Countries)

These projects provide support for areas affected by serious environmental degradation. They include the Tropical Rainforest Conservation Project and the Afforestation Project in Silk Road and Inner Mongolia.

Education of the Next Generation (Support for Environmental Education)

These projects support environmental education for young people as the leaders of the next generation. They cover provision of environmental education programs and support for spreading environmental education in schools.

Information on CSR Activities

A Sustainability Report is available for downloading at the website shown below. The report aims to present the Cosmo Oil Group's CSR vision, plans, and progress it has made on its initiatives in an easy-to-understand manner and is intended to maintain reciprocal communication with its many stakeholders. The website also contains detailed information on the Group's CSR activities and environmental activities.

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

Directors and Auditors (As of June 23, 2009)

(From left) Khalifa Al Romaithi, Hideto Matsumura, Naomasa Kondo, Keizo Morikawa, Keiichiro Okabe, Yaichi Kimura, Kenji Hosaka, Satoshi Miyamoto, Atsuto Tamura and Jeffrey Kirk

Chairman
Representative Director
Keiichiro Okabe

President
Representative Director
Yaichi Kimura

Executive Vice President
Representative Director
Keizo Morikawa
Assistant of President, Personnel Dept., Sales Control Dept., Sales Support Dept., Wholesale Marketing Dept., Industrial Fuel Marketing Dept., and Supply & Demand Coordination Dept.

Senior Managing Director
Representative Director
Kenji Hosaka
Corporate Planning Dept., International Ventures Dept., Crude Oil & Tanker Dept., and Petroleum Products Trading Dept.

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

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

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

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

Directors

Khalifa Al Romaithi

Jeffrey Kirk

Auditors

Yutaka Shimizu

Makoto Suzuki

Hirokazu Ando*

Hajime Miyamoto*

Yoshitsugu Kondo*

(*External Auditor)

Senior Executive Officers

Kanesada Sufu
General Manager, Project Development Dept.

Hisashi Kobayashi
General Manager, Sales Control Dept., Assistant of Director for Sales

Hirohiko Ogiwara
General Manager, Tokyo Branch Office

Satoshi Nishi
General Manager, Accounting Dept.

Isao Kusakabe
General Manager, International Ventures Dept., and Assistant of Director for International Business

Executive Officers

Toshiaki Iwana
General Manager, Chiba Refinery

Hiroaki Fujioka
General Manager, Sakai Refinery

Yuji Satake
General Manager, Osaka Branch Office

Katsuhisa Ohtaki
General Manager, Yokkaichi Refinery

Teruyuki Takishima
General Manager, Maintenance & Engineering Dept.

Hideo Suzuki
General Manager, Secretariat

Hiroshi Kiriyama
General Manager, Corporate Planning 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.

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

Financial Section

Contents

11-Year Selected Financial and Operating Data

	1999	2000	2001	2002	2003
For The Year					
Net sales	¥1,443,457	¥1,584,678	¥1,845,842	¥1,813,838	¥1,902,768
Petroleum business	N.A.	N.A.	N.A.	1,749,882	1,832,598
Oil exploration and production	N.A.	N.A.	N.A.	30,532	33,397
Other	N.A.	N.A.	N.A.	77,221	73,928
Elimination or corporate	N.A.	N.A.	N.A.	(43,797)	(37,157)
Cost of sales	1,265,443	1,427,640	1,664,757	1,659,438	1,754,853
Selling, general and administrative expenses	155,154	140,373	144,503	132,343	123,748
Operating income (loss)	22,860	16,665	36,582	22,057	24,167
Inventory valuation gain (loss)	–	–	13,800	(9,000)	17,300
Operating income excluding the impact of inventory valuation	22,860	16,665	22,782	31,057	6,867
Income (loss) before income taxes and minority interests	4,351	13,313	22,460	(1,881)	12,966
Net income (loss)	839	4,841	8,674	(5,190)	3,426
Capital expenditures	31,325	22,593	17,108	25,430	24,132
R&D costs	N.A.	4,567	3,566	3,805	3,867
Depreciation and amortization	21,773	23,436	24,672	23,492	22,843
Cash flows from operating activities	17,718	(42,698)	58,824	76,646	(26,975)
Cash flows from investing activities	(17,806)	13,538	27,348	(13,944)	(12,811)
Cash flows from financing activities	(14,592)	31,271	(87,229)	(88,546)	10,127
At Year-End					
Total assets	¥1,229,285	¥1,294,843	¥1,319,960	¥1,242,171	¥1,246,730
Minority interests	23,915	21,462	21,243	23,395	24,773
Total shareholders' equity	186,496	179,536	177,773	194,303	193,595
Total current assets	512,838	614,992	630,950	535,125	557,460
Total current liabilities	614,076	658,966	702,556	635,358	659,223
Interest-bearing debt	641,562	687,563	610,686	548,653	562,649
Shares of common stock issued (Thousands)	631,705	631,705	631,705	631,705	631,705

Per Share Data					
Basic net income (loss)	¥ 1.33	¥ 7.76	¥ 13.81	¥ (8.24)	¥ 5.42
Diluted net income	–	7.68	13.53	–	–
Net assets	295.23	286.75	282.09	308.65	306.67
Cash dividends	6.00	6.00	6.00	6.00	6.00
Ratios					
Return on assets (ROA) (%)	0.1	0.4	0.7	–	0.3
Return on equity (ROE) (%)	0.4	2.6	4.9	–	1.8
Shareholders' equity ratio (%)	15.1	13.9	13.5	15.6	15.5
Debt-to-total capital ratio (%)	77.5	79.3	77.5	73.8	74.4
Debt-to-total assets (%)	52.2	53.1	46.3	44.2	45.1
Debt-to-equity ratio (Times)	3.4	3.8	3.4	2.8	2.9

Notes:
1. U.S. dollar amounts are translated from Japanese yen, for the convenience of readers only, at the rate of ¥98.23 to US$1.00, the approximate rate of exchange prevailing at March 31, 2009.
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, 2009 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

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

					Millions of Yen	Thousands of U.S. dollars
2004	2005	2006	2007	2008	2009	2009
¥1,916,278	¥2,154,559	¥2,670,628	¥3,062,744	¥3,523,087	¥3,428,211	$34,899,837
1,863,091	2,105,257	2,617,446	2,984,516	3,442,186	3,352,916	34,133,320
31,646	36,903	50,476	78,132	84,069	89,054	906,587
66,734	83,006	69,369	85,517	99,010	91,790	934,439
(45,194)	(70,607)	(66,663)	(85,421)	(102,178)	(105,549)	(1,074,509)
1,758,858	1,956,160	2,422,272	2,852,242	3,290,688	3,389,408	34,504,815
132,174	132,701	137,108	140,859	148,602	145,809	1,484,363
25,246	65,698	111,248	69,643	83,797	(107,006)	(1,089,341)
(9,500)	12,600	45,400	2,800	45,000	(180,100)	(1,833,452)
34,746	53,098	65,848	66,843	38,797	73,094	744,111
17,592	47,533	120,393	71,243	95,561	(117,180)	(1,192,915)
8,179	26,415	61,795	26,536	35,153	(92,430)	(940,955)
36,573	30,113	31,762	36,127	48,958	67,025	682,327
3,558	3,635	3,483	3,753	3,840	3,863	39,326
23,632	24,927	28,313	29,246	33,240	34,967	355,971
101,827	40,494	(20,685)	25,005	(4,215)	82,136	836,160
(32,709)	(36,577)	(1,348)	(35,868)	(32,806)	(55,953)	(569,612)
(7,679)	(70,163)	39,608	80,023	(5,229)	57,854	588,965
¥1,260,092	¥1,323,149	¥1,463,579	¥1,579,156	¥1,627,904	¥1,440,396	$14,663,504
24,887	17,945	20,803	21,912	26,815	19,016	193,586
204,806	227,897	312,504	339,701	442,912	328,434	3,343,511
560,843	611,213	762,404	882,082	933,722	688,310	7,007,126
659,402	692,620	733,452	811,846	812,028	683,883	6,962,058
559,259	497,804	522,430	609,890	521,605	598,609	6,093,953
631,705	631,705	671,705	671,705	847,705	847,705	
					Yen	U.S. dollars
¥ 12.95	¥ 41.73	¥ 94.54	¥ 39.54	¥ 46.72	¥(109.11)	$(1.11)
12.74	–	92.17	37.91	44.98	–	–
324.43	360.93	465.48	506.15	522.84	387.71	3.95
6.00	8.00	10.00	8.00	8.00	8.00	0.08
0.7	2.0	4.4	1.7	2.2	(6.0)	
4.1	12.2	22.9	8.0	9.0	(24.0)	
16.3	17.2	21.4	21.5	27.2	22.8	
73.2	68.6	62.6	64.2	54.1	64.6	
44.4	37.6	35.7	38.6	32.0	41.6	
2.7	2.2	1.7	1.8	1.2	1.8	

(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.
4. The Company began reporting R&D costs in the fiscal year ended March 31, 2000.
5. Shareholders' equity until the fiscal year ended March 31, 2006 excluded minority interests. Shareholders' equity = Net assets – minority interests.
6. Up to and including the fiscal year ended March 31, 2006, total shareholders' equity per share was presented rather than net assets per share.
7. Up to and including the fiscal year ended March 31, 2006, ROE was calculated as net income divided by total shareholders' equity.
8. Up to and including the fiscal year ended March 31, 2006, the debt-to-equity ratio was calculated using total shareholders' equity.

Operating Environment

During the fiscal year ended March 31, 2009, conditions in the Japanese economy became extremely difficult. In the first half of the year, surging prices of crude oil and raw materials, together with languishing exports, caused the economy to stagnate. In the second half as well, the global financial crisis resulted in severe economic contraction, leading to sharp deterioration of domestic corporate earnings and the employment situation. Under these circumstances, demand for petroleum products in Japan declined significantly year on year. By product genre, demand for gasoline declined due to falling consumption caused by wild price fluctuations, as well as improving fuel efficiency of passenger vehicles. Demand for diesel fuel was negatively impacted by a drop in freight cargo volume as the economy worsened, while the market for kerosene and heavy fuel oil A was impacted by falling industrial demand and conversion to other energy sources.

The price of Dubai crude oil began the year in the US$94/barrel range, but then jumped to a high of US$140/barrel in July 2008 following a series of record-breaking price increases. This was due to the influx of investment funds into the oil market in the wake of financial instability sparked by the subprime loan crisis. Subsequently, the price plummeted to US$36/barrel in December 2008 due to the sudden economic downturn, before ending the year at US$46/barrel, buoyed somewhat by reductions in oil production by OPEC nations. The average price for the year was US$82/barrel, up US$5 over the previous year.

In the foreign exchange market, the Japanese yen was at ¥99=US$1.00 at the beginning of the period. Due to anticipation that financial instability in the United States had peaked, together with the impact of surging crude oil prices, the U.S. dollar appreciated, reaching ¥110=US$1.00 in August 2008. The subsequent collapse of major U.S. investment banks in September 2008 caused the financial crisis to deepen and the real economy to deteriorate. This led to a weakening of the dollar, which finished out the period at ¥98=US$1.00.

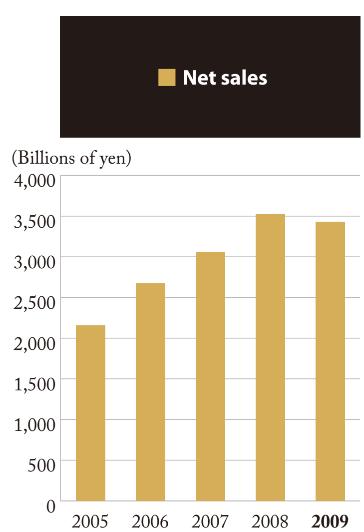
In Japan, the market for petroleum products was disrupted temporarily at the beginning of the period due to the impact of provisional oil-related tax rate issues (expiration of terms for provisional measures for the gasoline tax rates and the diesel oil transaction tax in April 2008, as well as the restoration of provisional measures in May). Retail prices then showed an upward trend until August amid fluctuations in crude oil prices, but turned downward in September, resulting in a volatile year overall.

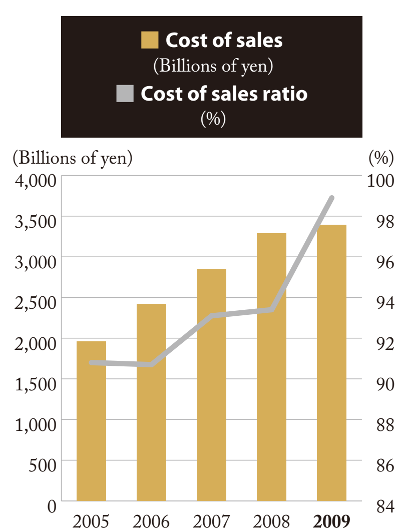
Results of Operations

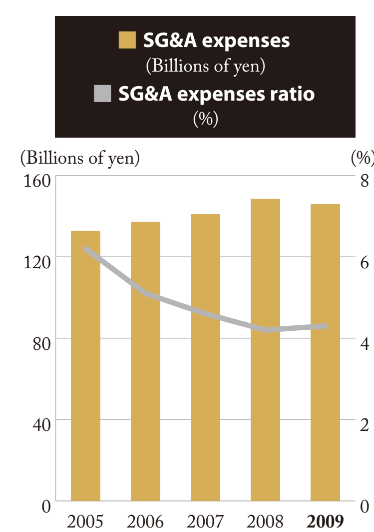
OVERVIEW

Consolidated net sales for the year amounted to ¥3,428.2 billion, down ¥94.9 billion from the previous year. The Group posted an operating loss of ¥107.0 billion, compared with operating income of ¥83.8 billion in the previous year, and a net loss of ¥92.4 billion, compared with net income of ¥35.2 billion in the previous year.

Due to the decline in crude oil prices, the Group posted a ¥180.1 billion valuation loss due to the impact of







inventory valuation and cost or market method adoption. Operating income (excluding the impact of inventory valuation) totaled ¥73.1 billion, up ¥34.3 billion, or 88.4%, from the previous fiscal year.

NET SALES

Consolidated net sales for the year declined ¥94.9 billion, or 2.7%, to ¥3,428.2 billion.

In the Petroleum business segment, total sales volume (including exports) was 41,184,000 kiloliters, down 3,778,000 kiloliters, or 8.4%, from the previous year. Domestic sales volume declined by 2,367,000 kiloliters, or 8.4%, to 25,891,000 kiloliters, while overseas sales volume (including bonded product sales) was down 191,000 kiloliters, or 4.5%, to 4,083,000 kiloliters. In addition, overseas sales of locally procured petroleum were 340,000 kiloliters. Negative factors included energy-saving initiatives, conversion to alternative fuels, and continued declines in demand for heavy fuel oils A and C. However, economic recession led to weakened consumption, while conversion to other fuels caused demand to decline and market conditions to deteriorate. As a result, sales in this segment declined ¥89.3 billion, or 2.6%, to ¥3,352.9 billion.

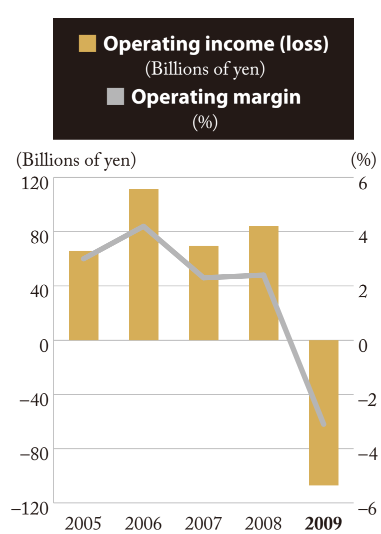
In the Oil Exploration and Production business segment, net sales increased ¥5.0 billion, or 5.9%, to ¥89.1 billion. Factors contributing to segment revenue included high crude oil prices in the first half of the year, as well as the commencement of production at two new wells by Qatar Petroleum Development Co., Ltd.

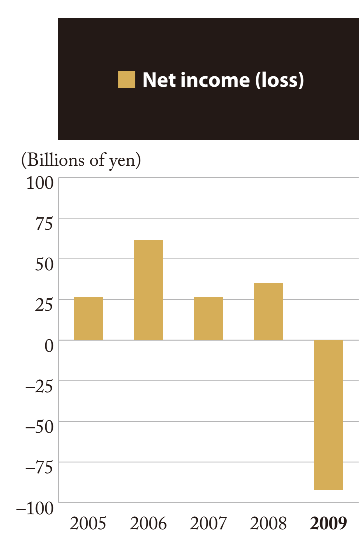
OPERATING INCOME

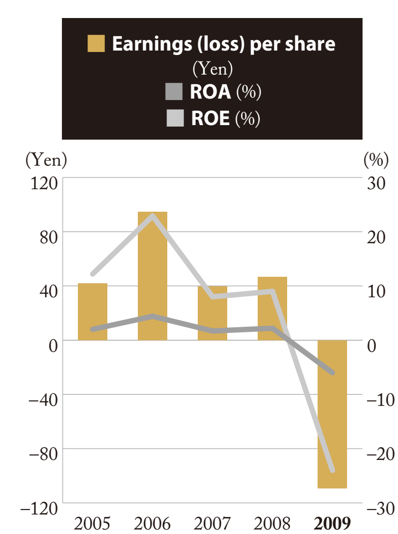
The Group posted an operating loss of ¥107.0 billion, compared with operating income of ¥83.8 billion in the previous year. The main reason for the decline was the inventory valuation loss, which had a ¥180.1 billion negative impact on earnings due to the sharp drop in crude oil prices from the second half of the period. In the previous fiscal year, by contrast, an inventory valuation gain had a ¥45.0 billion positive impact on earnings. This was because falling crude oil prices caused the average cost of inventories throughout the period, which was relatively high at the beginning of year, to increase over the period.

Operating income excluding the impact of inventory valuation jumped ¥34.3 billion, or 88.4%, to ¥73.1 billion.

The Petroleum business segment reported a ¥162.6 billion operating loss, compared with segment operating income of ¥39.3 billion in the previous fiscal year. This was due mainly to the impact of inventory valuation and cost or market method adoption. However, segment net operating income totaled ¥17.6 billion, compared with a segment net operating loss of ¥5.6 billion in the previous fiscal year. Factors driving down segment earnings included increased freight costs stemming from refinery pipeline-related operating problems. Nevertheless, we greatly improved the margins on middle distillate, especially diesel fuel, as distributors made good progress in optimizing the supply-demand balance. Other factors boosting segment net operating income included improved profits from exports in the first half of the year, as well as







a decline in in-house refinery fuel costs accompanying the fall in crude oil prices from the second half.

The Oil Exploration and Production business segment posted a ¥7.3 billion increase in operating income, to ¥50.8 billion, due to sharp rises in crude oil prices in the first half of the period, together with higher output at Qatar Petroleum Development. This was despite a decline in sales volume at Abu Dhabi Oil Co., Ltd. and foreign exchange fluctuations.

OTHER INCOME (EXPENSES)

Other expenses (net of other income) amounted to ¥10.2 billion, compared with other income (net of other expenses) of ¥11.8 billion in the previous fiscal year. The primary factor causing net expenses was a foreign currency exchange loss of ¥9.3 billion, which contrasted with an ¥8.9 billion foreign currency exchange gain in the previous year. This was despite a ¥3.5 billion year-on-year increase in gain on sales of investments in securities, to ¥4.2 billion.

Equity in losses of affiliates totaled ¥1.1 billion, compared with equity in earnings of affiliates of ¥8.7 billion in the previous year. Major factors included falling petroleum production and sales volumes of United Petroleum Development Co., Ltd., as well as shrinking margins reported by Maruzen Petrochemical Co., Ltd., reflecting deteriorating conditions in the market for petrochemical products.

The Group reported a ¥3.3 billion net gain on sales and disposal of property, plant and equipment, largely due to the sale of buildings owned by Group companies. By contrast, we posted a ¥1.2 billion impairment loss on fixed assets, centering on service stations and oil storage facilities.

NET INCOME

The Group reported a loss before income taxes and minority interests of ¥117.2 billion, compared with income before income taxes and minority interests of ¥95.6 billion in the previous year. Current income taxes, consisting of corporate, residence, and other business taxes, totaled ¥43.8 billion. Due to the consolidated losses reported for the year, however, there was a tax deduction of ¥71.5 billion.

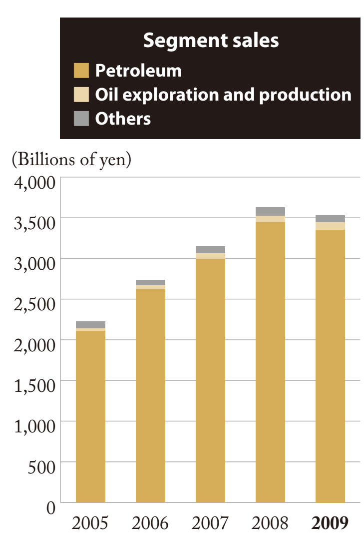
After deducting minority interests of ¥2.9 billion, the Group reported a net loss of ¥92.4 billion, compared with net income of ¥35.2 billion in the previous fiscal year.

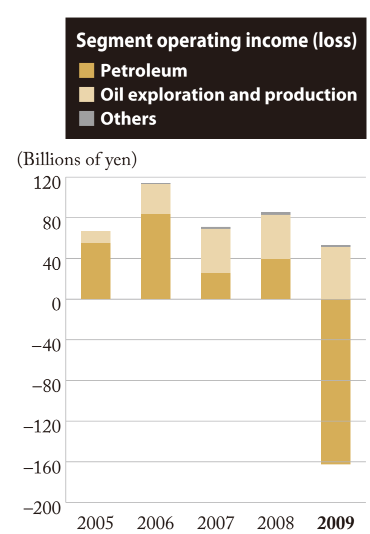
Segment Information

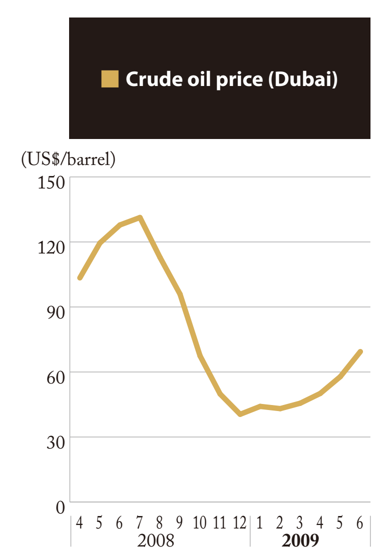
• *Petroleum*

In the period under review, sales in the Petroleum business segment slipped ¥89.3 billion, or 2.6%, to ¥3,352.9 billion. This was mainly because sales of fuel oil in volume terms declined 3,778,000 kiloliters, or 8.4%, to 41,183,000 kiloliters, due to falling demand in the wake of economic deterioration and conversion to other fuels. Other factors included worsening market conditions.

Economic recession and conversion to alternative fuels had a major impact on domestic sales of fuel oil, as sales of naphtha dropped 17.4% and sales of heavy fuel oil C fell 12.0%. Moreover, sales of gasoline, kerosene, diesel fuel, and heavy fuel oil A declined 5.3%, 4.4%, 2.8%, and 3.2%, respectively. The fall in sales of heavy fuel oil C stemmed mainly from a decline in demand in the electric power sector due to re-commissioning of nuclear power stations.







Despite the decline in revenue, segment operating income (excluding the impact of inventory valuation) totaled ¥17.6 billion, compared with a segment operating loss of ¥5.6 billion in the previous fiscal year. Overseas sales increased 19.4%, to 1,898,000 kiloliters. Domestic sales declined in volume terms, but benefited from an increase in exports and adjustments to the supply-demand balance by various distributors. Accordingly, we achieved improved margins on our four main domestic products (gasoline, kerosene, diesel fuel, and heavy fuel oil A) and the decline in crude oil prices reduced our in-house fuel costs.

In the petrochemicals business, a sharp decline in demand for petrochemicals and narrowing margins due to economic recession caused a significant decline in earnings. The business reported an operating loss of ¥2.3 billion, compared with operating income of ¥4.8 billion in the previous year.

Reason for Change	Change (¥ billions)	Details
Improved margins	+¥29.4	Increase in exports by distributors; supply-demand adjustments for four domestic middle distillates (gasoline, kerosene, diesel fuel, heavy fuel oil A)
Decline in domestic sales volume	–¥13.2	Decline in domestic demand
Expanded exports	+¥2.8	Same volume as the previous year; exports benefited from healthy overseas market conditions
Lower in-house fuel costs	+¥2.4	Decline in crude oil prices
Problems at refinery	–¥9.0	Increased costs due to oil pipeline-related operating problems

• *Oil Exploration and Production*

Sales in the Oil Exploration and Production business segment increased ¥5.0 billion, or 5.9%, to ¥89.1 billion. Segment earnings were impacted by a fall in sales volume accompanying a decline in production volume, as well as an increase in maintenance costs and the impact of unfavorable exchange rates. Owing to a surge in crude oil prices, however, segment operating income jumped ¥7.3 billion, or 16.9%, to ¥50.8 billion.

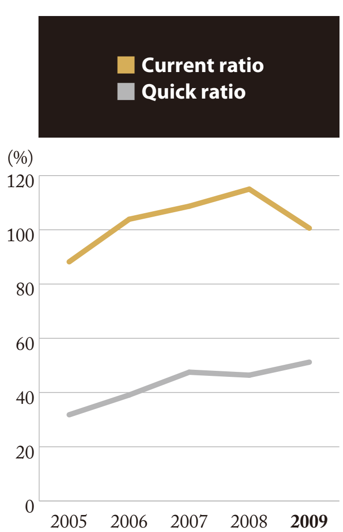
• *Other*

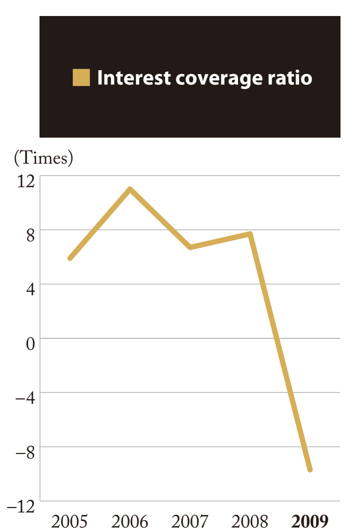
This segment encompasses a variety of businesses, including the purchase, sale, and rental of real estate premises, the construction and leasing of oil-related facilities, and insurance sales. In the year under review, segment sales declined ¥7.2 billion, or 7.3%, to ¥91.8 billion, and segment operating income fell ¥0.3 billion, or 12.0%, to ¥2.2 billion. During the year, various Group companies in this segment took steps to rationalize their business and enhance operating efficiency.

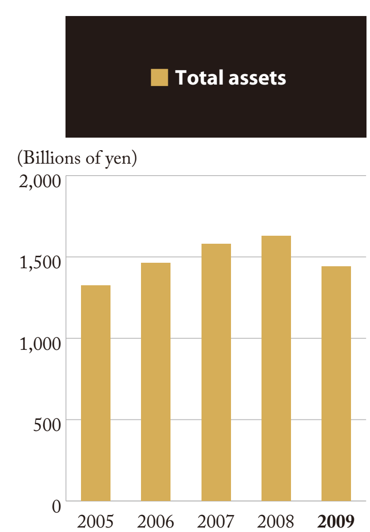
SOURCES OF LIQUIDITY AND FUNDS

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, high tax rates in oil producing countries mean the negative 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 entirely dependent on imports of raw materials, Cosmo Oil 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 debt at fiscal year-end was ¥336.8 billion, up ¥74.8 billion, or 28.6%, from a year earlier. Total interest-bearing debt rose ¥77.0 billion, or 14.8%, to ¥598.6 billion.

To facilitate the smooth acquisition of funds, Cosmo Oil has obtained long-term obligation ratings from two respected ratings agencies. In July 2007, Moody's Japan K.K. raised the Company's senior unsecured debt rating to Baa3, from Ba1, while 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 Third Consolidated Mid-Term Management Plan. Moving forward, the Company will seek to flexibly raise funds while monitoring market trends, while at the same time 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, 2009, total assets amounted to ¥1,440.4 billion, down ¥187.5 billion, or 11.5%, from a year earlier. This was primarily due to a decline in current assets as falling crude oil prices led to a ¥201.0 billion, or 45.7%, decrease in inventories, to ¥239.1 billion.

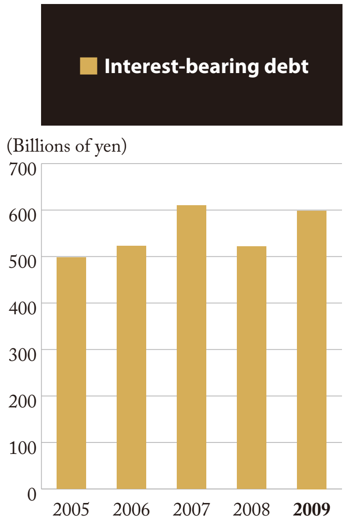
Net property, plant and equipment at fiscal year-end totaled ¥543.4 billion, up ¥14.4 billion, or 2.7%. This was mainly due to construction of new heavy oil cracking facilities (coker unit) at the Sakai refinery, which led to increases in machinery and equipment and construction in progress.

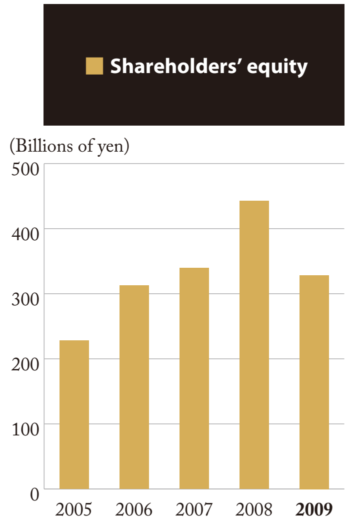
Investments and other assets rose ¥43.5 billion, or 26.3%, to ¥208.7 billion. This was mainly due to a ¥59.7 billion year-on-year increase in deferred tax assets, to ¥63.2 billion, stemming from the net loss. Investments in securities declined ¥15.2 billion, or 14.6%, to ¥88.7 billion. This was primarily due to a decrease in the market value of securities as a result of falling share prices.

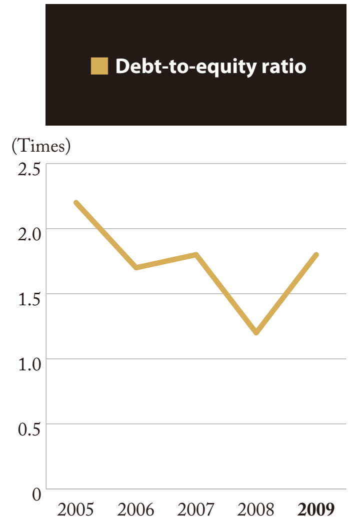
LIABILITIES AND SHAREHOLDERS' EQUITY

Total current liabilities were ¥683.9 billion at fiscal year-end, down ¥128.1 billion, or 15.8%, from a year earlier. This was primarily due to notes and accounts payable, trade, which declined ¥120.8 billion, or 38.6%, to ¥191.9 billion.

Long-term debts, less current maturities, rose ¥74.8 billion, or 28.6%, to ¥336.8 billion. As a consequence, interest-bearing debt climbed ¥77.0 billion, or 14.8%, to ¥598.6 billion. The interest-bearing debt ratio rose 9.6 percentage points, from 32.0% to 41.6%. Net interest-bearing







debt, which excludes cash and short-term operating funds, edged down ¥0.2 billion, to ¥438.7 billion, and the net interest-bearing debt ratio increased from 27.0% to 30.5%.

Shareholders' equity at fiscal year-end totaled ¥328.4 billion, down ¥114.5 billion, or 25.8%, from a year earlier. The primary factor in this decline was retained earnings, which fell ¥99.7 billion, or 46.3%, to ¥115.7 billion, as the Company reported a net loss due to the impact of inventory valuation and cost or market method adoption. The shareholders' equity ratio declined 4.4 percentage points, to 22.8%. Meanwhile, the debt-to-equity ratio climbed 0.6 point, to 1.8 times, and the net debt-to-equity ratio edged up 0.3 point, to 1.3 times.

CASH FLOWS

Net cash provided by operating activities amounted to ¥82.1 billion. The main factor boosting operating cash flows was a decrease in inventories stemming from a fall in crude oil prices.

Net cash used in investing activities totaled ¥56.0 billion. The primary factor was ¥55.2 billion in payments for purchases of property, plant and equipment, which included construction of heavy oil cracking facilities (coker unit) at the Sakai refinery, construction of export infrastructure for each of our refineries, and construction of new service stations.

Net cash provided by financing activities was ¥57.9 billion. This was mainly due to ¥111.2 billion in proceeds from long-term loans payable.

As a result, net cash and cash equivalents at fiscal year-end totaled ¥159.9 billion, up ¥77.2 billion, or 93.4%, from a year earlier.

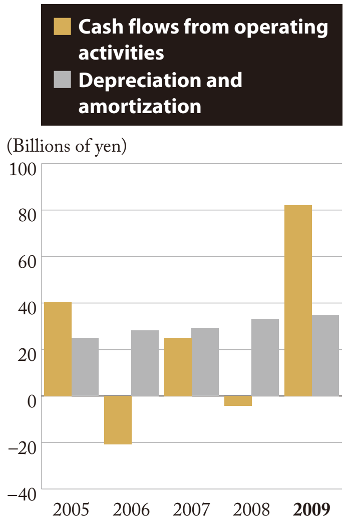
CAPITAL EXPENDITURES

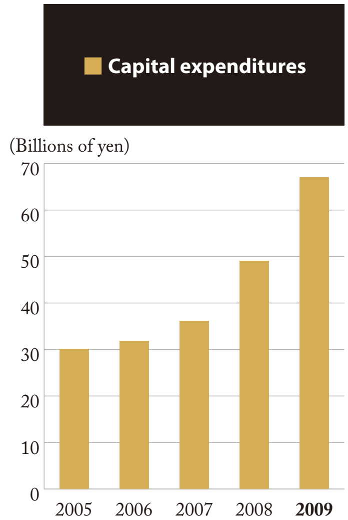
In the year under review, the Company made total capital expenditures of ¥67.0 billion, up ¥18.1 billion, or 36.9%, from the previous year. In the Petroleum business segment, capital expenditures amounted to ¥48.3 billion. This was used primarily for upgrading the Sakai refinery, as well as regular construction-related activities, construction of new self-operated service stations and renovation of existing ones, and facility maintenance and refurbishment. In the Oil Exploration and Production business segment, capital expenditures totaled ¥18.5 billion.

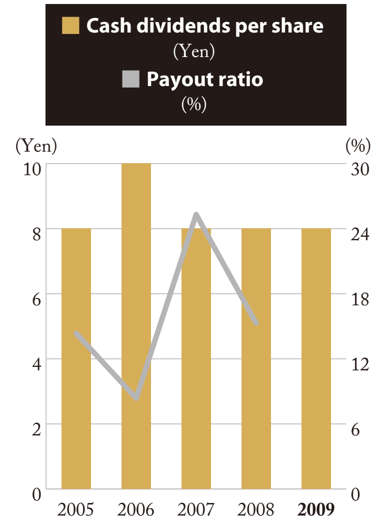
Under the Third Consolidated Mid-Term Management Plan, the Company planned to make total capital expenditures of ¥265.0 billion over the three-year period from April 2008 to March 2011. However, we have decided to revise the current plan and formulate a new plan starting April 2010, for which we will revisit our capital expenditure budget. Under both plans, capital expenditures will be earmarked for refinery upgrades, investment in self-operated service stations, and the implementation of growth strategies in the Oil Exploration and Production business segment, as well as efforts to enhance refinery safety, measures to make facilities more environment-friendly, and ongoing refinery maintenance, refurbishment and repairs.

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, consisting of an interim dividend of ¥3.00 per share and a year-end dividend of ¥5.00 per share.

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, service stations, 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 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.

Outlook

Despite signs that the credit squeeze in the United States is easing and that the world economy has turned the corner toward recovery, the Cosmo Oil Group recognizes that conditions will remain difficult. Although crude oil prices are currently in a correction phase, the Group expects prices around the US$50/barrel level in the year ending March 2010. On a consolidated basis, we forecast net sales of ¥2,300 billion, operating income of ¥85 billion, and net income of ¥33 billion. These forecasts are based on an assumed exchange rate of ¥100 per U.S. dollar.

The year ending March 2010 is the second year of the Group's Third Consolidated Mid-Term Management Plan. To respond more effectively to changing conditions, however, we have decided to roll the existing plan into a new plan that will start in April 2010. Accordingly, the year ending March 2010 is the final year of the existing plan. We will formulate the new plan during the current fiscal year. The Cosmo Oil Group will harness its entire efforts to achieve its targets.

Consolidated Balance Sheets

Cosmo Oil Company, Limited and
Consolidated Subsidiaries.
March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
ASSETS			
Current assets:			
Cash and deposits (Note 4)	¥ 72,193	¥ 147,452	$ 1,501,089
Marketable securities (Notes 4, 9 and 15)	10,992	13,984	142,360
Notes and accounts receivable, trade	293,549	189,037	1,924,432
Less allowance for doubtful accounts	(352)	(403)	(4,102)
	293,197	188,634	1,920,330
Inventories (Notes 2 and 3)	440,092	239,092	2,434,002
Current deferred tax assets (Note 12)	5,448	7,321	74,529
Other current assets	111,800	91,827	934,816
Total current assets	933,722	688,310	7,007,126
Property, plant and equipment (Notes 2, 6 and 15)**:**			
Land	308,277	305,566	3,110,720
Buildings and structures	442,416	447,633	4,556,989
Machinery and equipment	412,974	423,548	4,311,799
Leases assets (Note 1)	—	100	1,018
Construction in progress	26,811	46,665	475,058
	1,190,478	1,223,512	12,455,584
Less accumulated depreciation	(661,454)	(680,095)	(6,923,496)
Net property, plant and equipment	529,024	543,417	5,532,088
Other assets:			
Investments in securities (Notes 9 and 15)	103,827	88,657	902,545
Long-term loans receivable	2,643	1,987	20,228
Non-current deferred tax assets (Note 12)	3,474	63,179	643,174
Other	56,439	55,724	567,281
Less allowance for doubtful accounts	(1,225)	(878)	(8,938)
Total other assets	165,158	208,669	2,124,290
Total	¥1,627,904	¥1,440,396	$14,663,504

The accompanying notes are an integral part of these statements.

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2008	2009	2009
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans and current maturities of long-term debts (Notes 5 and 15)	¥ 259,600	¥ 261,778	$ 2,664,950
Notes and accounts payable, trade	312,657	191,883	1,953,405
Income, excise and other taxes payable	102,774	118,636	1,207,737
Current deferred tax liabilities (Note 12)	10,364	5	51
Accrued expenses and other current liabilities	126,633	111,581	1,135,915
Total current liabilities	812,028	683,883	6,962,058
Long-term debts, less current maturities (Notes 5 and 15)	262,005	336,831	3,429,003
Non-current deferred tax liabilities (Note 12)	16,807	6,957	70,824
Deferred tax for revaluation reserve for land (Notes 6 and 12)	33,947	33,493	340,965
Retirement and severance benefits (Note 11)	6,301	6,097	62,069
Other long-term liabilities (Note 15)	27,089	25,686	261,488
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	1,091,795
Capital surplus	89,442	89,441	910,526
Retained earnings	215,388	115,733	1,178,184
Less treasury stock, at cost	(125)	(130)	(1,323)
Unrealized gains on securities	5,909	(2,100)	(21,378)
Deferred gains on hedges	14,604	8,085	82,307
Revaluation reserve for land (Note 6)	11,085	11,524	117,317
Foreign currency translation adjustments	(638)	(1,367)	(13,917)
Minority interests	26,815	19,016	193,586
Total net assets	469,727	347,449	3,537,097
Total	¥1,627,904	¥1,440,396	$14,663,504

Consolidated Statements of Operations

Cosmo Oil Company, Limited and Consolidated Subsidiaries.
Years ended March 31, 2007, 2008 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2008	2009	2009
Net sales (Note 14)	¥3,062,744	¥3,523,087	¥3,428,211	$34,899,837
Cost of sales	2,852,242	3,290,688	3,389,408	34,504,815
Gross profit	210,502	232,399	38,803	395,022
Selling, general and administrative expenses	140,859	148,602	145,809	1,484,363
Operating income (loss) (Note 14)	69,643	83,797	(107,006)	(1,089,341)
Other income (expenses):				
Interest and dividend income	1,845	3,488	2,317	23,587
Interest expenses (Note 5)	(10,686)	(11,358)	(10,767)	(109,610)
Foreign currency exchange gains (losses), net	2,884	8,887	(9,326)	(94,940)
Net gain (loss) on sales and disposal of property, plant and equipment	(1,848)	2,764	3,266	33,248
Impairment loss on fixed assets (Notes 13 and 14)	(2,440)	(4,511)	(1,239)	(12,613)
Equity in earnings (losses) of affiliates	9,921	8,662	(1,127)	(11,473)
Write-down of marketable securities and investments in securities	(788)	—	—	—
Gain on sales of investment in securities	66	726	4,194	42,696
Gain on insurance adjustment	—	—	1,750	17,815
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)	—	—
Compensation received for the transfer of the facilities	1,500	—	—	—
Collection of receivables written-off	278	—	—	—
Other, net	868	1,182	758	7,716
	1,600	11,764	(10,174)	(103,574)
Income (loss) before income taxes and minority interests	71,243	95,561	(117,180)	(1,192,915)
Income taxes:				
Current	37,200	47,983	43,828	446,177
Deferred (Note 12)	1,485	7,088	(71,523)	(728,118)
	38,685	55,071	(27,695)	(281,941)
Income (loss) before minority interests	32,558	40,490	(89,485)	(910,974)
Minority interests	(6,022)	(5,337)	(2,945)	(29,981)
Net income (loss)	¥ 26,536	¥ 35,153	¥ (92,430)	$ (940,955)

			Yen	U.S. dollars (Note 1)
Earnings (loss) per share:				
Basic	¥39.54	¥46.72	¥(109.11)	$(1.11)
Diluted (Note 1)	37.91	44.98	—	—
Cash dividends (Note 16)	8.00	8.00	8.00	0.08

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Millions of yen

	Number of shares of common stock (Thousands)	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 adjustments	Minority interests	Total
Net assets at April 1, 2007	671,705	¥ 62,367	¥44,562	¥185,851	¥(112)	¥14,508	¥12,142	¥20,918	¥ (535)	¥21,912	¥361,613
Issuance of new shares	176,000	44,880	44,880	—	—	—	—	—	—	—	89,760
Net income (loss) for the year	—	—	—	35,153	—	—	—	—	—	—	35,153
Dividends from surplus	—	—	—	(5,372)	—	—	—	—	—	—	(5,372)
Reversal of revaluation reserve for land (Note 6)	—	—	—	(244)	—	—	—	244	—	—	—
Purchase of treasury stock	—	—	—	—	(15)	—	—	—	—	—	(15)
Disposal of treasury stock	—	—	0	—	2	—	—	—	—	—	2
Net changes during the year	—	—	—	—	—	(8,599)	2,462	(10,077)	(103)	4,903	(11,414)
Balance at March 31, 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 resereve 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

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 adjustments	Minority interests	Total
Balance at March 31, 2008	$1,091,795	$910,536	$2,192,691	$(1,272)	$ 60,155	$148,672	$112,848	$ (6,495)	$272,981	$4,781,911
Net income (loss) for the year	—	—	(940,955)	—	—	—	—	—	—	(940,955)
Dividends from surplus	—	—	(69,012)	—	—	—	—	—	—	(69,012)
Reversal of revaluation reserve for land (Note 6)	—	—	(4,540)	—	—	—	4,540	—	—	—
Purchase of treasury stock	—	—	—	(143)	—	—	—	—	—	(143)
Disposal of treasury stock	—	(10)	—	92	—	—	—	—	—	82
Net changes during the year	—	—	—	—	(81,533)	(66,365)	(71)	(7,422)	(79,395)	(234,786)
Balance at March 31, 2009	$1,091,795	$910,526	$1,178,184	$(1,323)	$(21,378)	$ 82,307	$117,317	$(13,917)	$193,586	$3,537,097

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, 2007, 2008 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2008	2009	2009
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ 71,243	¥ 95,561	¥(117,180)	$(1,192,915)
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:				
Depreciation and amortization	29,246	33,240	34,967	355,971
Amortization of consolidation goodwill	3	46	76	774
Impairment loss on fixed assets	2,440	4,511	1,239	12,613
Increase (decrease) in allowance for doubtful accounts	439	(937)	(294)	(2,993)
Interest and dividends income	(1,845)	(3,488)	(2,317)	(23,587)
Interest expenses	10,686	11,358	10,767	109,610
Equity in losses (earnings) of affiliates	(9,921)	(8,662)	1,127	11,473
Net loss (gain) on sales or disposal of property, plant and equipment, net	1,848	(2,764)	(3,266)	(33,248)
Gain on insurance claim	—	—	(1,750)	(17,815)
Decrease (increase) in notes and accounts receivable	(63,956)	(1,563)	103,775	1,056,449
Recovery of recoverable accounts under production sharing	8,542	9,536	6,525	66,426
Decrease (increase) in inventories	(9,398)	(92,345)	200,933	2,045,536
Increase (decrease) in notes and accounts payable	8,337	31,131	(120,037)	(1,221,999)
Decrease (increase) in other current assets	21,089	(7,058)	12,282	125,033
Increase (decrease) in other current liabilities	26,745	(34,136)	28,467	289,799
Decrease (increase) in other investments	(5,783)	(271)	2,692	27,405
Other, net	1,250	688	851	8,662
Subtotal	90,965	34,847	158,857	1,617,194
Interest and dividends income received	3,331	4,361	5,546	56,459
Interest expenses paid	(10,520)	(11,872)	(10,872)	(110,679)
Proceeds from insurance income	—	—	931	9,478
Income taxes paid	(58,771)	(31,551)	(72,326)	(736,292)
Net cash provided by (used in) operating activities	25,005	(4,215)	82,136	836,160
Cash flows from investing activities:				
Payments for purchase of property, plant and equipment	(30,263)	(34,823)	(55,214)	(562,089)
Proceeds from sales of property, plant and equipment	7,508	9,461	10,815	110,099
Payments for purchase of marketable securities and investment securities	(9,846)	(6,490)	(5,539)	(56,388)
Proceeds from sales of marketable securities and investment securities	3,343	7,417	6,925	70,498
Payments for intangible assets and deferred charges	(5,334)	(8,641)	(14,026)	(142,787)
Decrease (increase) in short-term loans receivable	857	545	1,379	14,038
Payments of long-term loans receivable	(1,467)	(785)	(796)	(8,103)
Proceeds from collection of long-term loans receivable	1,102	1,708	1,444	14,700
Proceeds from sales of stocks of subsidiaries and affiliates	—	—	924	9,406
Other, net	(1,768)	(1,198)	(1,865)	(18,986)
Net cash used in investing activities	(35,868)	(32,806)	(55,953)	(569,612)
Cash flows from financing activities:				
Increase (decrease) in short-term loans payable	42,115	(11,736)	46,841	476,850
Proceeds from long-term loans payable	94,502	7,454	111,231	1,132,353
Repayments of long-term loans payable	(46,268)	(53,868)	(77,915)	(793,189)
Proceeds from issuance of common stock	—	89,281	—	—
Redemptions of bonds	(3,000)	(30,300)	(2,500)	(25,450)
Cash dividends paid	(6,715)	(5,372)	(6,780)	(69,022)
Cash dividends paid to minority shareholders	(471)	(616)	(13,548)	(137,921)
Proceeds from stock issuance to minority shareholders	—	—	541	5,507
Other, net	(140)	(72)	(16)	(163)
Net cash provided by (used in) financing activities	80,023	(5,229)	57,854	588,965
Effect of exchange rate changes on cash and cash equivalents	314	(1,244)	(6,792)	(69,144)
Net increase (decrease) in cash and cash equivalents	69,474	(43,494)	77,245	786,369
Cash and cash equivalents at beginning of year	56,632	126,106	82,675	841,647
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	63	—	—
Cash and cash equivalents at end of year (Note 4)	¥126,106	¥ 82,675	¥ 159,920	$ 1,628,016

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial 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, 2009 have been prepared in accordance with the new accounting standard as discussed in Note 2 (2)(3)(4).

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, 2009, which was ¥98.23 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, 2007, 2008 and 2009 were as follows:

	2007	2008	2009
Consolidated subsidiaries	28	30	28
Subsidiaries using the equity method	31	32	25
Affiliates using the equity method	4	4	4

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

Inventories are stated principally at cost determined by the periodic average method.

In-transit inventory and land for sale are stated at cost determined by the specific identification method.

However, the amounts of inventories stated in the balance sheets were computed by using the method that book values are reduced to reflect declines in profitability.

(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 ($17,215 thousand) and thus increased operating loss, ordinary loss and loss before income taxes and minority interests by ¥1,578 million ($16,064 thousand) for the year ended March 31, 2009, respectively, as compared with the conventional number of years adopted for useful life.

(9) Leases assets

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

(b) Leased assets involving finance lease transactions under which the ownership of the leased assets is not transferred to lessees:
The method to calculate depreciation for such assets is the straight line method with their residual values being zero over their leased periods used as the number of years for useful life.

Finance lease transactions which commenced before the initial year of the adoption of the accounting standard and the guidance thereon by the Company and which do not transfer ownership continue to be accounted for in a similar manner to the accounting treatment for operating leases.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) Revenue recognition

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

One of the Company's consolidated subsidiaries recognize their construction revenue by using the completed contract method, except for long-term and large engineering contracts, which are longer than one year in duration and for which the contract amount is more than ¥100 million ($1,018 thousand). Such long-term and large engineering contracts are recognized by the percentage of completion method.

(16) 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 year ended March 31, 2009 is not disclosed, as the Company incurred a loss before income taxes and minority interests in the year ended March 31, 2009.

(17) Recoverable accounts under production sharing

Some consolidated subsidiaries 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.

(18) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2009 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

Though conventionally, the Company and its domestic consolidated subsidiaries had principally stated inventories at cost determined by the periodic average method, the new Accounting Standard for Measurement of Inventories (the Accounting Standards Board of Japan (ASBJ) Statement No. 9 issued on July 5, 2006) became effective, which the Company and its domestic consolidated subsidiaries complied with in application.

This change increased operating loss, ordinary loss and loss before income taxes and minority interests by ¥8,498 million ($86,511 thousand) 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

Financial lease transactions which do not transfer the ownership had conventionally been accounted for in a similar manner to the accounting treatment for operating leases. However, the Company and its domestic consolidated subsidiaries, effective from the consolidated fiscal year 2008, adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, originally issued by the First Subcommittee of the Business Accounting Council on June 17, 1993 and revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, originally issued by the Law and Regulation Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised on March 30, 2007) to account for such transactions in a similar manner to the accounting treatment for ordinary sale and purchase transactions.

Finance lease transactions which commenced before the initial year of the adoption of the accounting standard and the guidance thereon by the Company and which do not transfer ownership continue to be accounted for in a similar manner to the accounting treatment for operating leases.

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.

Note 3. Inventories

Inventories at March 31, 2008 and 2009 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Finished products	¥117,060	¥ 69,498	$ 707,503
Semi-finished products	86,420	40,951	416,889
Materials-crude oil, auxiliary materials, etc.	93,530	53,425	543,877
Supplies-spare parts, etc.	7,257	7,463	75,975
In-transit crude oil and oil products	133,551	66,572	677,716
Land for sale	13	13	132
Others	2,261	1,170	11,910
Total	¥440,092	¥239,092	$2,434,002

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, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Cash and deposits	¥72,193	¥147,452	$1,501,089
Add:			
Marketable securities	10,992	13,984	142,360
Less:			
Bonds with maturities exceeding three months included in marketable securities above	(510)	(1,516)	(15,433)
Cash and cash equivalents	¥82,675	¥159,920	$1,628,016

Note 5. Short-Term Loans and Long-Term Debt

The short-term loans from banks of ¥179,821 million and ¥226,009 million ($2,300,814 thousand), as of March 31, 2008 and 2009, bear interest ranging from 0.10% to 5.55% and from 0.10% to 2.84% 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, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Short-term loans	¥179,821	¥226,009	$2,300,814
Current maturities of long-term debts	79,779	35,769	364,136
Total	¥259,600	¥261,778	$2,664,950

Long-term debts at March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Loans from banks, insurance companies and other financial institutions, secured, with interest at 0.55% - 4.11%, due serially through 2021	¥321,284	¥354,600	$3,609,896
1.60% unsecured straight yen bonds due in 2008	2,500	—	—
Unsecured zero coupon convertible bonds due in 2010 (bonds with stock acquisition rights)	18,000	18,000	183,243
	341,784	372,600	3,793,139
Less current maturities	(79,779)	(35,769)	(364,136)
Total	¥262,005	¥336,831	$3,429,003

The aggregate annual maturities of long-term debts at March 31, 2009 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2010	¥ 35,770	$ 364,145
2011	47,153	480,026
2012	43,374	441,556
2013	56,457	574,743
2014 and thereafter	189,846	1,932,669
Total	¥372,600	$3,793,139

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, 2009	¥617.4 ($6.29)
f. Balance of debt at March 31, 2009	¥18,000 million ($183,243 thousand)
g. Accumulated number of shares issued upon conversion in exchange for treasury stock through March 31, 2009	—
h. Number of additional shares that would be issued upon conversion at March 31, 2009	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, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	**2009**	**2009**
Difference between the fair value and carrying amount of the revalued land	¥(81,539)	**¥(84,225)**	**$(857,426)**

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, 2007, 2008 and 2009 were ¥3,682 million, ¥3,553 million and ¥3,551 million ($36,150 thousand), respectively.

Total lease obligations as of March 31, 2008 and 2009 with interest portion under such leases were ¥7,963 million and ¥8,486 million ($86,389 thousand), including ¥2,963 million and ¥2,865 million ($29,166 thousand) due within one year. Included in the total lease obligations as of March 31, 2009 is obligation for sub-lease payment of ¥1,741 million ($17,724 thousand).

Equivalent of acquisition cost, accumulated depreciation, and net book value of leased properties for the years ended March 31, 2008 and 2009 were as follows:

			Millions of yen
Year ended March 31, 2008	Machinery & equipment	Other	Total
Acquisition cost equivalent	¥4,308	¥8,534	¥12,842
Accumulated depreciation equivalent	(2,710)	(4,852)	(7,562)
Net book value equivalent	¥1,598	¥3,682	¥ 5,280

				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**

Year ended March 31, 2009	Buildings & structures	Machinery & equipment	Other	Total
	Thousands of U.S. dollars (Note 1)			
Acquisition cost equivalent	$128,097	$33,208	$73,481	$234,786
Accumulated depreciation equivalent	(93,536)	(22,763)	(49,822)	(166,121)
Net book value equivalent	$ 34,561	$10,445	$23,659	$ 68,665

(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, 2007, 2008 and 2009 were ¥1,887 million, ¥1,271 million and ¥1,043 million ($10,618 thousand), respectively.

Total lease obligations as of March 31, 2008 and 2009, inclusive of interest income under such leases, were ¥2,795 million and ¥1,884 million ($19,179 thousand), respectively, including ¥1,059 million and ¥839 million ($8,541 thousand) due within one year. Included in the total lease obligations as of March 31, 2009 is obligation for sub-lease payment of ¥1,815 million ($18,477 thousand).

Acquisition cost, accumulated depreciation and net book value of leased properties for the years ended March 31, 2008 and 2009, were as follows:

Year ended March 31, 2008	Machinery & equipment	Other	Total
	Millions of yen		
Acquisition cost	¥4	¥49	¥53
Accumulated depreciation	(4)	(47)	(51)
Net book value	¥0	¥ 2	¥ 2

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

Year ended March 31, 2009	Buildings & structures	Machinery & equipment	Other	Total
	Thousands of U.S. dollars (Note 1)			
Acquisition cost	$448	$255	$366	$1,069
Accumulated depreciation	(143)	(153)	(356)	(652)
Net book value	$305	$102	$ 10	$ 417

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, 2009 were ¥2,194 million ($22,335 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, 2009, five sessions of trial were held.

Note 9. Securities

The following tables summarize acquisition costs, book value, and fair value of securities as of March 31, 2008 and 2009:

As of March 31, 2008

(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
Fair value not exceeding book value	499	499	(0)
Total	¥509	¥509	¥(0)

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

Millions of yen

	Acquisition cost	Book value	Difference
Book value exceeding acquisition cost:			
Equity securities	¥ 9,785	¥20,878	¥11,093
Bonds	—	—	—
Others	3	4	1
Sub-total	9,788	20,882	11,094
Book value not exceeding acquisition cost:			
Equity securities	¥ 6,486	¥ 5,182	¥(1,304)
Bonds	1,001	998	(3)
Sub-total	7,487	6,180	(1,307)
Total	¥17,275	¥27,062	¥ 9,787

(c) Available-for-sale securities sold during year ended March 31, 2008

Millions of yen

Amount of sales	Gain	Loss
¥1,312	¥727	¥ —

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	¥ 18
(b) Shares issued by unconsolidated subsidiaries and affiliates	
Non-listed securities	¥57,538
(c) Available-for-sale securities	
Commercial paper	10,482
Non-listed securities	18,998
Total	¥29,480

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	¥512	¥ 513	¥ 3	¥ —
Corporate bonds	—	500	—	—
Total	¥512	¥1,013	¥ 3	¥ —

As of March 31, 2009

(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	$102	$102	$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	¥ 4,630	¥ 6,257	¥1,627	$ 47,134	$ 63,697	$16,563
Bonds	499	500	1	5,080	5,090	10
Sub-total	5,129	6,757	1,628	52,214	68,787	16,573
Book value not exceeding acquisition cost:						
Equity securities	11,605	9,152	(2,453)	118,141	93,169	(24,972)
Bonds	1,004	1,000	(4)	10,221	10,180	(41)
Others	3	3	(0)	31	31	(0)
Sub-total	12,612	10,155	(2,457)	128,393	103,380	(25,013)
Total	¥17,741	¥16,912	¥ (829)	$180,607	$172,167	$ (8,440)

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

Millions of yen			Thousands of U.S. dollars (Note 1)		
Amount of sales	Gain	Loss	Amount of sales	Gain	Loss
¥6,416	¥3,321	¥7	$65,316	$33,808	$71

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	¥ 16	$ 163
(b) Shares issued by unconsolidated subsidiaries and affiliates		
Non-listed securities	¥52,634	$535,824
(c) Available-for-sale securities		
Commercial paper	12,468	126,927
Non-listed securities	20,415	207,828
Total	¥32,883	$334,755

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	¥—

	Thousands of U.S. dollars (Note 1)			
	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Government bonds and municipal bonds	$10,343	$81	$ 31	$ —
Corporate bonds	5,090	—	—	—
Total	$15,433	$81	$ 31	$ —

Note 10. Derivative Financial Instruments and Hedging Transactions

(1) Nature and objective of derivative transactions

The Company and its consolidated subsidiaries use foreign currency forward contracts and currency option contracts to hedge risks due to the effect of currency exchange rate fluctuations on U.S.-dollar-denominated imports of crude oil and petroleum products. The Company and its consolidated subsidiaries use interest rate swap contracts to exchange floating-rate payment obligations for fixed-rate payment obligations. The Company and its consolidated subsidiaries also use crude oil and petroleum product swap contracts, option contracts and commodity forward contracts to hedge risks stemming from commodity price fluctuations. If these derivative transactions are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries undertake hedge accounting for the derivatives.

A. Hedging instruments and hedged items

Hedging instruments	Hedged items
(Currency)	
Forward exchange	Foreign currency credit and dept
Currency option	
(Interest rate)	
Interest rate swaps	Borrowings
(Commodity)	
Crude oil and petroleum products forward contracts	Purchases and sales of crude oil and petroleum products
Crude oil collar option	
Crude oil and petroleum products swap	

B. Hedge policy

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

C. Method of evaluating hedge effectiveness

The Company and its consolidated subsidiaries evaluate hedge effectiveness semi-annually by comparing cumulative changes in cash flows from or changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments. The evaluation of hedge effectiveness is not considered necessary for certain interest rate swaps, which are used to hedge and meet certain hedging criteria.

(2) Operating policy of derivative transactions

In accordance with internal rules that determine derivative transaction-related authority levels and transaction value limits, fluctuation risks of foreign currency exchange rate, interest rate and commodity prices are hedged within a fixed range. Each derivative transaction is based on the actual business transactions, and the Company has a policy of not executing speculative derivative transactions.

(3) Risks related to derivative transactions

The Company and its consolidated subsidiaries incurs exchange rate fluctuation risks related to foreign currency forward contracts and currency option contracts, and also incurs interest rate fluctuation risks related to interest rate swaps associated with interest rate-related transactions. In addition, the Company and its consolidated subsidiaries face price fluctuation risks and exchange rate fluctuation risks related to crude oil and petroleum product swap transactions, collar option transactions and forward transactions. In all these types of transactions, the Company and its consolidated subsidiaries deal with large banks, trading companies and oil companies, and therefore consider that there is insignificant credit risk associated with these derivative transactions.

(4) Management of risks related to derivative transactions

Currency and interest-related derivative transactions are implemented and controlled by the Finance Department in accordance with internally authorized rules. The General Manager of the Finance Department reports the results of transactions to, and obtains authorization of the basic transaction policy from, the meeting of the Executive Officers' Committee on a quarterly basis.

Regarding commodity-related derivative transactions, the Demand & Supply Coordination Department, International Business Department, Industrial Fuel Department, Crude Oil & Tanker Department and Corporate Planning Department consult with each other and obtain approval of the annual basic transaction policy from the meeting of the Executive Officers' Committee, and implement and control transactions in accordance with internally authorized rules. Regarding control, the Demand & Supply Coordination Department, International Petroleum Department and Industrial Fuel Department control derivative transactions on a single-department basis and the second Corporate Planning Department controls derivative transactions on a Company-wide basis. General Managers of the Demand & Supply Coordination Department, International Petroleum Department and Industrial Fuel Department report the results of transactions to the meeting of the Executive Officers' Committee semi-annually.

(5) Other

The contract amount, notional amounts and other figures shown in the items related to derivative transaction market prices do not necessarily indicate the magnitude of market risk associated with derivative transactions.

The following tables summarize market value information as of March 31, 2008 and 2009 of derivative transactions for which hedge accounting has not been applied:

(1) Currency related

	Contract amounts			Market value	Unrealized gains and losses
Year ended March 31, 2008	Due within 1 year	Due after 1 year	Total		
					Millions of yen
Forward exchange contracts					
Buy					
U.S. dollars	¥113,704	¥ —	¥113,704	¥112,183	¥(1,521)
Sell					
U.S. dollars	1,107	—	1,107	1,072	35
Currency option contracts					
Buy					
Call U.S. dollars	11,021	—	11,021	103	(57)

	Contract amounts			Market value	Unrealized gains and losses
Year ended March 31, 2009	Due within 1 year	Due after 1 year	Total		
					Millions of yen
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)

	Contract amounts			Market value	Unrealized gains and losses
Year ended March 31, 2009	Due within 1 year	Due after 1 year	Total		
					Thousands of U.S. dollars (Note 1)
Forward exchange contracts					
Buy					
U.S. dollars	$426,082	$ —	$426,082	$434,531	$8,449
Currency option contracts					
Buy					
Call U.S. dollars	200,000	—	200,000	2,331	(173)

(2) Interest rate related

				Millions of yen	
	Contract amounts			Market value	Unrealized gains
Year ended March 31, 2008	Due within 1 year	Due after 1 year	Total		
Swap transaction of interest rates					
Receive-fixed; pay-variable	¥3,000	¥11,000	¥14,000	¥ (52)	¥ 85
Receive-variable; pay-fixed	3,000	11,000	14,000	(919)	257

				Millions of yen	
	Contract amounts			Market value	Unrealized gains
Year ended March 31, 2009	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

				Thousands of U.S. dollars (Note 1)	
	Contract amounts			Market value	Unrealized gains
Year ended March 31, 2009	Due within 1 year	Due after 1 year	Total		
Swap transaction of interest rates					
Receive-fixed; pay-variable	$30,540	$81,442	$111,982	$ 92	$ 448
Receive-variable; pay-fixed	30,540	81,442	111,982	(6,444)	2,250

(3) Commodity related

				Millions of yen	
	Contract amounts			Market value	Unrealized gains and losses
Year ended March 31, 2008	Due within 1 year	Due after 1 year	Total		
Petroleum products futures contracts					
Sell	¥ 253	¥ —	¥ 253	¥ 244	¥ 9
Buy	890	—	890	917	27
Petroleum products forward contracts					
Sell	1,109	—	1,109	1,206	(97)

	Contract amounts			Market value	Unrealized gains and losses
Year ended March 31, 2009	Due within 1 year	Due after 1 year	Total		Millions of yen
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

	Contract amounts			Market value	Unrealized gains and losses
Year ended March 31, 2009	Due within 1 year	Due after 1 year	Total		Thousands of U.S. dollars (Note 1)
Petroleum products futures contracts					
Sell	$12,858	$ —	$12,858	$13,041	$ (183)
Petroleum products forward contracts					
Sell	102	—	102	173	(71)
Petroleum swap contracts					
Receive-fixed; pay-variable	1,038	8,480	9,518	2,698	2,698
Receive-variable; pay-fixed	264	3,828	4,092	2,728	2,728

Note 11. 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, 2008 and 2009 consist of the following:

March 31, 2008	Millions of yen
Projected benefit obligation	¥(70,436)
Pension assets	64,244
Unrecognized actuarial differences	14,293
Unrecognized prior service cost	(1,763)
Prepaid pension costs	(12,639)
Liabilities for retirement and severance benefits	¥ (6,301)

March 31, 2009	Millions of yen	Thousands of U.S. dollars (Note 1)
Projected benefit obligation	**¥(67,133)**	**$(683,427)**
Pension assets	**47,393**	**482,470**
Unrecognized actuarial differences	**25,703**	**261,661**
Unrecognized prior service cost	**(1,554)**	**(15,820)**
Prepaid pension costs	**(10,506)**	**(106,953)**
Liabilities for retirement and severance benefits	**¥ (6,097)**	**$ (62,069)**

Included in the consolidated statements of operations for the years ended March 31, 2007, 2008 and 2009 are retirement and severance benefit expenses comprised of the following:

March 31, 2007	Millions of yen
Service costs	¥3,040
Interest cost on projected benefit obligation	1,377
Expected return on plan assets	(3,040)
Amortization of prior service cost	(23)
Amortization of net actuarial loss	759
Retirement and severance benefit expenses	¥2,113

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	Thousands of U.S. dollars (Note 1)
Service costs	**¥2,006**	**$20,421**
Interest cost on projected benefit obligation	**1,040**	**10,587**
Expected return on plan assets	**(2,184)**	**(22,234)**
Amortization of prior service cost	**(209)**	**(2,128)**
Amortization of net actuarial loss	**2,179**	**22,183**
Other costs	**448**	**4,562**
Retirement and severance benefit expenses	**¥3,280**	**$33,391**

Actuarial assumptions used in computation of retirement and severance liabilities for the year ended March 31, 2009 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 12. 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, 2008:

Year ended March 31, 2008	
Statutory income tax rate	40.44%
Increase (decrease) in taxes resulting from:	
Non-Japanese taxes	14.06
Non-deductible revenue	(0.88)
Non-deductible expenses	0.82
Effect on equity in earnings of affiliates	(3.67)
Valuation allowance	5.74
Other	1.12
Effective income tax rate	57.63%

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.

Significant components of the Company and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2008 and 2009 were as follows:

Year ended March 31, 2008	Millions of yen
Current deferred tax assets:	
Unrealized gains	¥ 3,856
Excess bonuses accrued	2,002
Other	2,448
Total current deferred tax assets	8,306
Valuation allowance	(9)
Total current deferred tax assets, net of valuation allowance	8,297
Account offset against deferred tax liabilities	(2,849)
Net current deferred tax assets	¥ 5,448
Current deferred tax liabilities:	
Deferred gains on hedges	¥(13,053)
Other	(160)
Total current deferred tax liabilities	(13,213)
Account offset against deferred tax assets	2,849
Net current deferred tax liabilities	¥(10,364)
Non-current deferred tax assets:	
Impairment loss on fixed assets	¥ 7,583
Depreciation	2,841
Investments in securities	2,728
Costs for retirement and severance benefits	2,371
Retirement benefit trust	1,991
Other	6,932
Total non-current deferred tax assets	24,446
Valuation allowance	(8,852)
Total non-current deferred tax assets, net of valuation allowance	15,594
Account offset against deferred tax liabilities	(12,120)
Net non-current deferred tax assets	¥ 3,474
Non-current deferred tax liabilities:	
Reserve for deferred gains on sales of fixed assets for tax purposes	¥(11,691)
Non-Japanese taxes	(8,022)
Prepaid pension costs	(5,112)
Other	(4,102)
Total non-current deferred tax liabilities	(28,927)
Account offset against deferred tax assets	12,120
Net non-current deferred tax liabilities	¥(16,807)
Deferred tax asset and liability related to land revaluation:	
Deferred tax asset related to land revaluation	¥ 15,736
Valuation allowance	(15,736)
Deferred tax liability related to land revaluation	(33,947)
Net deferred tax liability related to land revaluation	¥(33,947)

Year ended March 31, 2009	Millions of yen	Thousands of U.S. dollars (Note 1)
Current deferred tax assets:		
Tax loss carry forwards	¥ 6,905	$ 70,294
Unrealized gains	1,840	18,732
Excess bonuses accrued	1,948	19,831
Other	2,937	29,899
Total current deferred tax assets	13,630	138,756
Valuation allowance	(586)	(5,966)
Total current deferred tax assets, net of valuation allowance	13,044	132,790
Account offset against deferred tax liabilities	(5,723)	(58,261)
Net current deferred tax assets	¥ 7,321	$ 74,529
Current deferred tax liabilities:		
Deferred gains on hedges	¥ (5,474)	$ (55,726)
Other	(254)	(2,586)
Total current deferred tax liabilities	(5,728)	(58,312)
Account offset against deferred tax assets	5,723	58,261
Net current deferred tax liabilities	¥ (5)	$ (51)
Non-current deferred tax assets:		
Tax loss carry forwards	¥ 67,153	$ 683,630
Other	22,798	232,088
Total non-current deferred tax assets	89,951	915,718
Valuation allowance	(9,386)	(95,551)
Total non-current deferred tax assets, net of valuation allowance	80,565	820,167
Account offset against deferred tax liabilities	(17,386)	(176,993)
Net non-current deferred tax assets	¥ 63,179	$ 643,174
Non-current deferred tax liabilities:		
Reserve for deferred gains on sales of fixed assets for tax purposes	¥(12,012)	$(122,284)
Non-Japanese taxes	(7,036)	(71,628)
Other	(5,295)	(53,905)
Total non-current deferred tax liabilities	(24,343)	(247,817)
Account offset against deferred tax assets	17,386	176,993
Net non-current deferred tax liabilities	¥ (6,957)	$ (70,824)
Deferred tax asset and liability related to land revaluation:		
Deferred tax asset related to land revaluation	¥ 15,299	$ 155,747
Valuation allowance	(15,299)	(155,747)
Deferred tax liability related to land revaluation	(33,493)	(340,965)
Net deferred tax liability related to land revaluation	¥(33,493)	$(340,965)

Note 13. 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 ¥4,511 million and ¥1,239 million ($12,613 thousand), consisting of the following, were recognized for the years ended March 31, 2008 and 2009.

Year ended March 31, 2008

Use	Location	Type of assets	Impairment loss Millions of yen
Petroleum	Cosmo Property Service Corp. service stations	Land	¥ 255
	Fukushima-shi, Fukushima and 7 others	Other	127
			382
Buildings for rent	Cosmo Oil Co., Ltd.	Other	101
	Kuze-gun, Kyoto		
			101
Idle assets	Cosmo Oil Co., Ltd.	Land	2,790
	Kobe-shi, Hyogo and 124 others	Other	1,238
			4,028
Total			¥4,511

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%.

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, 2009

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	¥ 146	$ 1,486
	Otsu-shi, Shiga and 7 others	Other	104	1,059
			250	2,545
Idle assets	Cosmo Oil Co., Ltd.	Land	532	5,416
	Chiba-shi, Chiba and 110 others	Other	457	4,652
			989	10,068
Total			¥1,239	$12,613

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.

Note 14. 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, 2007, 2008 and 2009, summarized product group business operations of the Company and its consolidated subsidiaries were as follows:

Millions of yen

Year ended March 31, 2007	Petroleum	Oil exploration and production	Other	Total	Elimination or corporate	Consolidated
Net sales:						
Outside customers	¥2,983,900	¥ 31,905	¥46,939	¥3,062,744	¥ —	¥3,062,744
Inter-segment	616	46,227	38,578	85,421	(85,421)	—
Total	2,984,516	78,132	85,517	3,148,165	(85,421)	3,062,744
Operating expenses	2,958,848	34,617	83,904	3,077,369	(84,268)	2,993,101
Operating income (loss)	¥ 25,668	¥ 43,515	¥ 1,613	¥ 70,796	¥ (1,153)	¥ 69,643
Identifiable assets, depreciation and amortization, impairment loss on fixed assets and capital expenditures:						
Assets	¥1,357,558	¥130,354	¥43,133	¥1,531,045	¥ 48,111	¥1,579,156
Depreciation and amortization	¥ 22,396	¥ 7,098	¥ 141	¥ 29,635	¥ (389)	¥ 29,246
Impairment loss on fixed assets	¥ 2,440	¥ —	¥ —	¥ 2,440	¥ —	¥ 2,440
Capital expenditures	¥ 28,387	¥ 8,203	¥ 151	¥ 36,741	¥ (614)	¥ 36,127

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 (loss)	¥ 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 (loss)	¥ (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

Thousands of U.S. dollars (Note 1)

Year ended March 31, 2009	Petroleum	Oil exploration and production	Other	Total	Elimination or corporate	Consolidated
Net sales:						
Outside customers	$34,126,173	$ 380,647	$393,017	$34,899,837	$ —	$34,899,837
Inter-segment	7,147	525,940	541,422	1,074,509	(1,074,509)	—
Total	34,133,320	906,587	934,439	35,974,346	(1,074,509)	34,899,837
Operating expenses	35,789,087	389,637	911,615	37,090,339	(1,101,161)	35,989,178
Operating income (loss)	$ (1,655,767)	$ 516,950	$ 22,824	$ (1,115,993)	$ 26,652	$ (1,089,341)
Identifiable assets, depreciation and amortization, impairment loss on fixed assets and capital expenditures:						
Assets	$11,819,556	$1,317,714	$270,162	$13,407,432	$ 1,256,072	$14,663,504
Depreciation and amortization	$ 270,498	$ 89,769	$ 1,262	$ 361,529	$ (5,558)	$ 355,971
Impairment loss on fixed assets	$ 12,613	$ —	$ —	$ 12,613	$ —	$ 12,613
Capital expenditures	$ 506,760	$ 188,048	$ 2,311	$ 697,119	$ (14,792)	$ 682,327

(2) Geographic segment information

Geographic segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2007, 2008 and 2009 was as follows:

Millions of yen

Year ended March 31, 2007	Japan	Other	Total	Elimination or corporate	Consolidated
Net sales:					
Outside customers	¥2,960,343	¥102,401	¥3,062,744	¥ —	¥3,062,744
Inter-segment	55,592	415,456	471,048	(471,048)	—
Total	3,015,935	517,857	3,533,792	(471,048)	3,062,744
Operating expenses	2,989,948	474,297	3,464,245	(471,144)	2,993,101
Operating income	¥ 25,987	¥ 43,560	¥ 69,547	¥ 96	¥ 69,643
Assets	¥1,392,640	¥165,800	¥1,558,440	¥ 20,716	¥1,579,156

Year ended March 31, 2008	Japan	Other	Total	Elimination or corporate	Consolidated
					Millions of yen
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

Year ended March 31, 2009	Japan	Other	Total	Elimination or corporate	Consolidated
					Millions of yen
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 (loss)	¥ (161,128)	¥ 51,690	¥ (109,438)	¥ 2,432	¥ (107,006)
Assets	¥1,177,463	¥152,303	¥1,329,766	¥ 110,630	¥1,440,396

Year ended March 31, 2009	Japan	Other	Total	Elimination or corporate	Consolidated
					Thousands of U.S. dollars (Note 1)
Net sales:					
Outside customers	$33,467,902	$1,431,935	$34,899,837	$ —	$34,899,837
Inter-segment	855,747	3,191,031	4,046,778	(4,046,778)	—
Total	34,323,649	4,622,966	38,946,615	(4,046,778)	34,899,837
Operating expenses	35,963,962	4,096,753	40,060,715	(4,071,537)	35,989,178
Operating income (loss)	$ (1,640,313)	$ 526,213	$ (1,114,100)	$ 24,759	$ (1,089,341)
Assets	$11,986,796	$1,550,474	$13,537,270	$ 1,126,234	$14,663,504

(3) Overseas sales information

Overseas sales information is not disclosed, as overseas sales represent less than 10% of the consolidated net sales for the years ended March 31, 2007.

Overseas sales information of the Company and its consolidated subsidiaries for the year 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	Thousands of U.S. dollars (Note 1)
Overseas net sales	¥ 399,071	$ 4,062,618
Consolidated net sales	¥3,428,211	$34,899,837
Overseas net sales share of consolidated net sales		11.6%

Note 15. Pledged Assets

Assets pledged as collateral at March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Land	¥230,308	¥230,276	$2,344,253
Buildings and structures at net book value	35,701	35,280	359,157
Machinery and equipment at net book value	67,119	64,876	660,450
Investments in securities	70	71	723
Total	¥333,198	¥330,503	$3,364,583

Secured liabilities at March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Long-term debts	¥139,326	¥123,465	$1,256,897
Debts relating to transactions with banks	20,996	20,996	213,743
Total	¥160,322	¥144,461	$1,470,640

Other pledged assets at March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2009	2009
Deposits as security for dealing:			
Marketable securities	¥10	¥10	$102
Investments in securities	9	9	91
Total	¥19	¥19	$193

Note 16. Subsequent Events

On June 23, 2009, the Company's annual shareholders' meeting approved the year-end cash dividend payment of ¥5.00 ($0.05) per share, or a total of ¥4,237 million ($43,133 thousand) to shareholders of record at March 31, 2009.

Independent Auditors' Report

To the Shareholders and 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, 2009 and 2008, the related consolidated statements of operations for the three years in the period ended March 31, 2009, the consolidated statements of changes in net assets for the year ended March 31, 2009 and 2008, and the consolidated statements of cash flows for the three years in the period ended March 31, 2009, 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 consolidated financial position of COSMO OIL COMPANY, LIMITED and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

As discussed in Note 2 (2) to the consolidated financial statements, effective April 1, 2008, COSMO OIL COMPANY, LIMITED and the domestic consolidated subsidiaries have adopted the new accounting standard for measurement of inventories in the year ended March 31, 2009.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 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, 2009

Facts and Figures

Contents

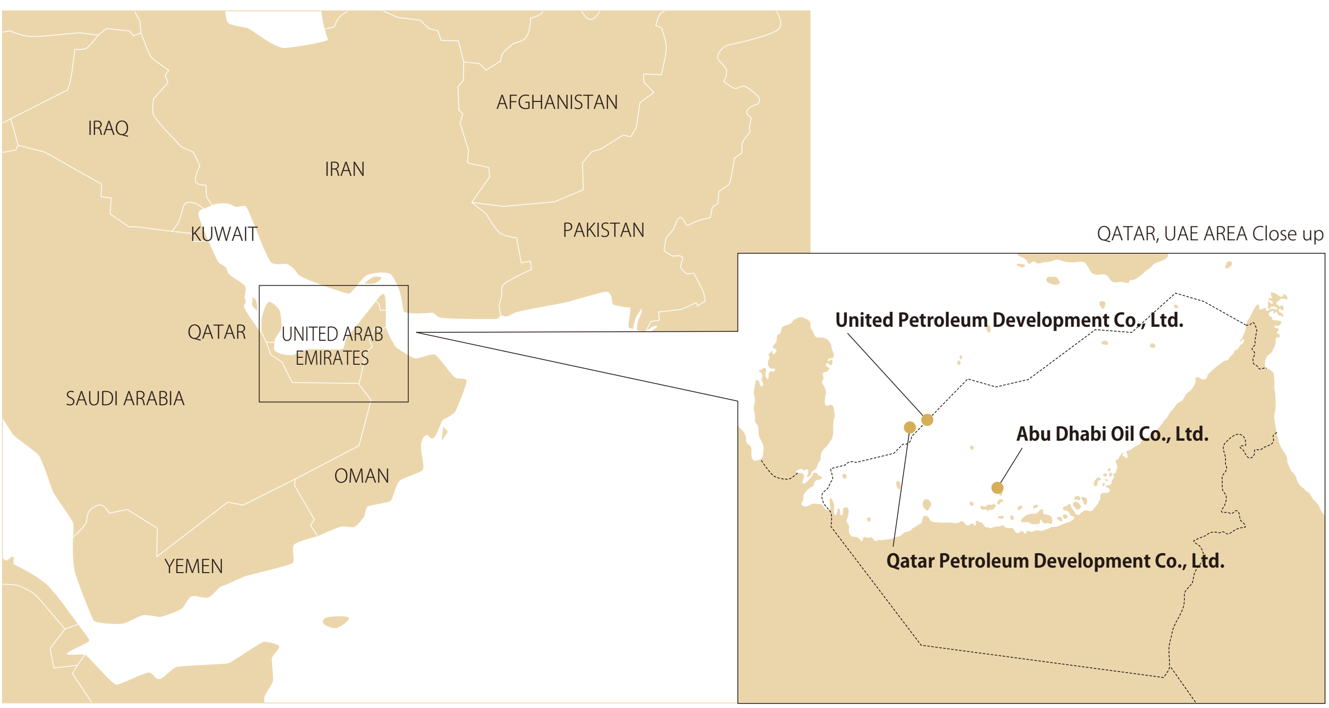
Notes: 1. Unless otherwise indicated, all figures are for fiscal years that end on March 31 of the year indicated.
2. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥98.23=US$1, the approximate exchange rate prevailing on March 31, 2009.
3. The data ascribed to 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 have 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, 2009 actual)

	Abu Dhabi Oil Co., Ltd.	Qatar Petroleum Development Co., Ltd.	United Petroleum Development Co., Ltd.
Crude oil production (Barrels/day)	22,246	6,177	14,167
Shareholders (%)			
Cosmo Energy Exploration & Development Ltd.	63.0	85.8	35.0
Other Private Sector	37.0	14.2	65.0

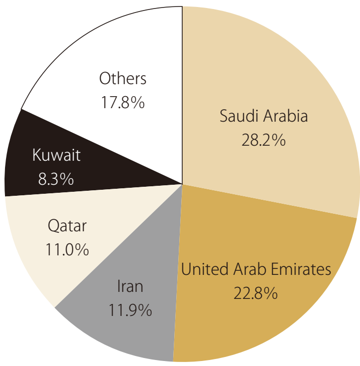
Notes : 1. Qatar Petroleum Development Co., Ltd. began production in March 2006.
2. Average production volume for January–December, as the company's financial year ends in December.
3. In August 2007, Cosmo Oil Co., Ltd. holdings of stock in each respective development company were transferred to Cosmo Energy Exploration & Development Ltd., a 100% -owned subsidiary of Cosmo Oil Co., Ltd.



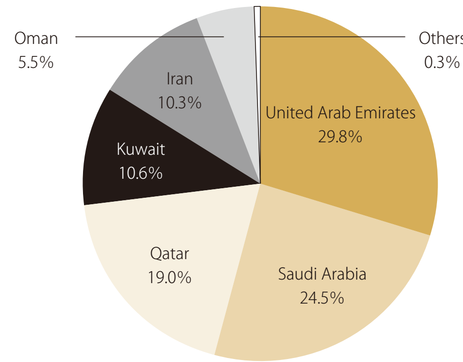
Crude Oil Import

Crude Oil Import Share by Country (Total Industry/Cosmo Oil) (Fiscal year to March 31, 2009 actual)

Total Industry



Cosmo Oil



%

Total Industry	
Saudi Arabia	28.2
United Arab Emirates	22.8
Iran	11.9
Qatar	11.0
Kuwait	8.3
Others	17.8

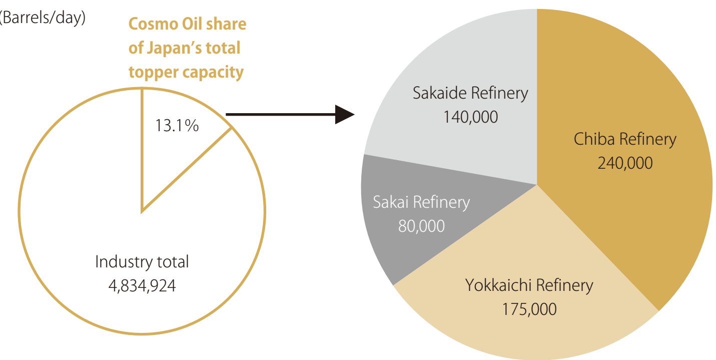
Note: Others includes countries where percentage of imports is less than 5%.
Source: Petroleum Association of Japan, "Crude Oil Import by Countries"

%

Cosmo Oil	
United Arab Emirates	29.8
Saudi Arabia	24.5
Qatar	19.0
Kuwait	10.6
Iran	10.3
Oman	5.5
Others	0.3

Refining ❶

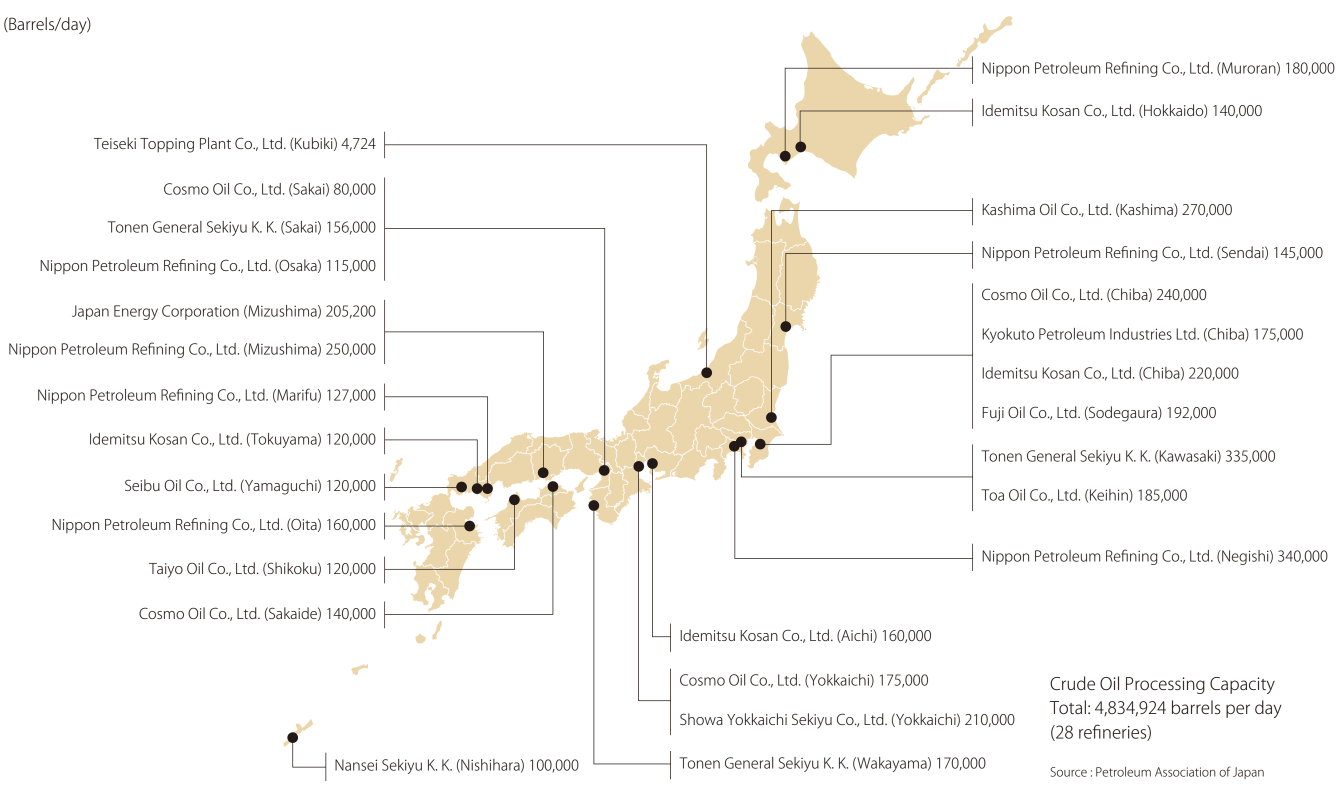
Processing Capacity by Refinery (As of April 1, 2009)



	Barrels/day
Chiba Refinery	240,000
Yokkaichi Refinery	175,000
Sakai Refinery	80,000
Sakaide Refinery	140,000
Cosmo Oil total	635,000
Industry total	4,834,924
Cosmo Oil share of Japan's total topper capacity	13.1%

Refinery Location and Crude Oil Processing Capacity in the Japanese Petroleum Industry (As of April 1, 2009)

(Barrels/day)

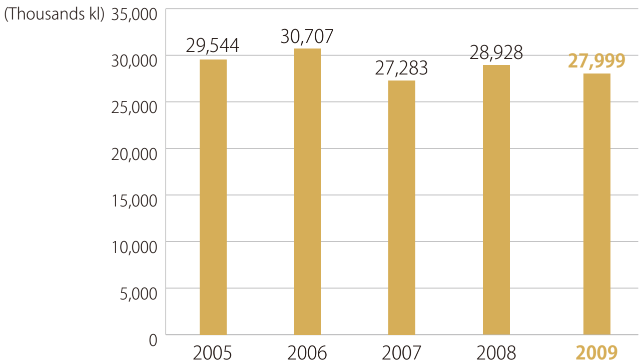


Crude Oil Processing Capacity
Total: 4,834,924 barrels per day
(28 refineries)

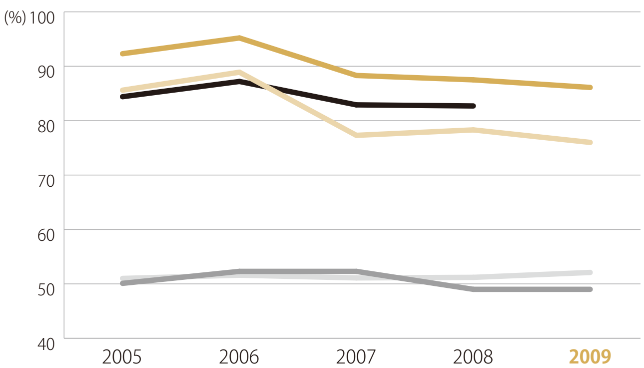
Source : Petroleum Association of Japan

Refining ❷

Volume of Crude Oil Processed



Topper Capacity Utilization Rate, Secondary Unit Ratio



Topper capacity utilization rate
- Cosmo Oil (SD)
- Cosmo Oil (CD)
- Industry average (CD)

Secondary unit ratio
- Cosmo Oil
- Industry average

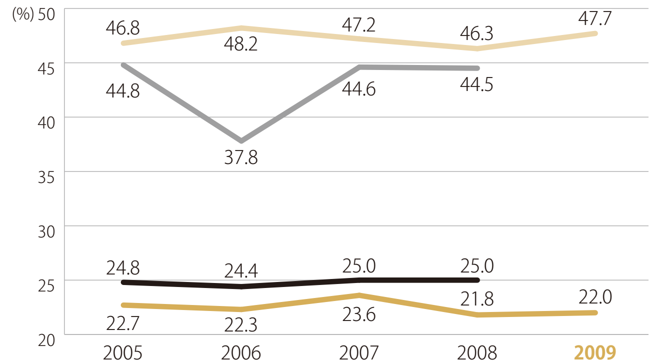
%

	2005	2006	2007	2008	2009
Topper capacity utilization rate					
Cosmo Oil (SD)	92.3	95.2	88.3	87.5	86.1
Cosmo Oil (CD)	85.6	88.9	77.3	78.3	76.0
Industry average (CD)	84.4	87.2	82.9	82.7	N.A.
FCC capacity utilization rate					
Cosmo Oil	86.5	90.0	76.2	76.5	72.7
Secondary unit ratio					
Cosmo Oil	50.1	52.3	52.3	49.0	49.0
Industry average	51.0	51.6	51.1	51.2	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, 2009.

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

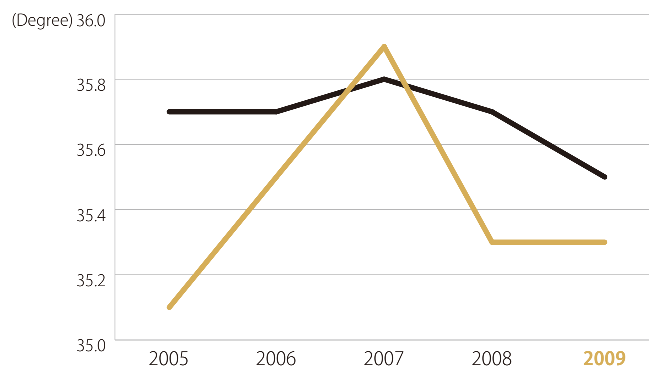


Gasoline
- Cosmo Oil
- Industry average

Four middle distillates
- Cosmo Oil
- Industry average

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

API Gravity



- Cosmo Oil
- Industry average

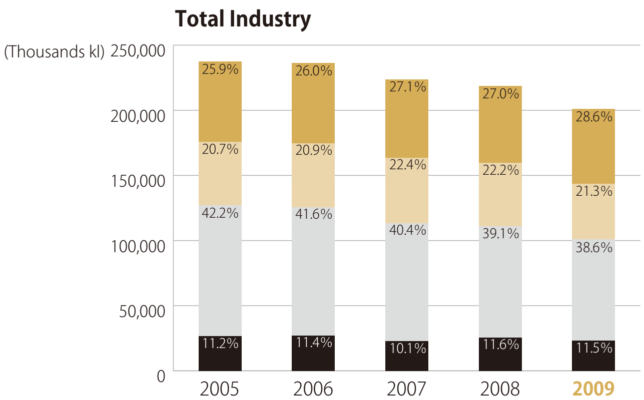
Degrees

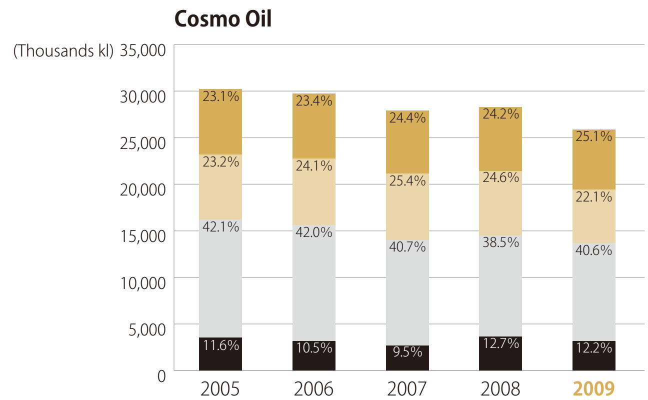
	2005	2006	2007	2008	2009
Cosmo Oil	35.1	35.5	35.9	35.3	35.3
Industry average	35.7	35.7	35.8	35.7	35.5

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)





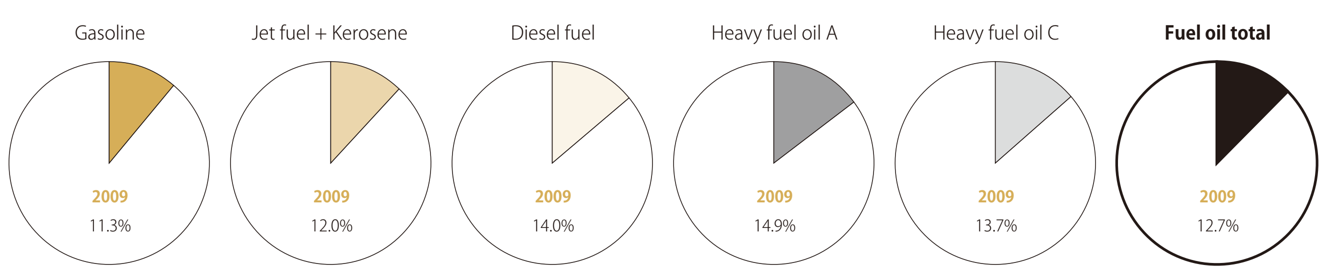
Gasoline　Naphtha　Four middle distillates (Jet fuel, kerosene, diesel fuel, and heavy fuel oil A)　Heavy fuel oil C

Thousands kl

	Total Industry					Cosmo Oil				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Domestic sales by product										
Gasoline	61,476	61,422	60,552	59,076	**57,473**	6,992	6,958	6,813	6,848	**6,486**
Naphtha	49,026	49,431	50,078	48,548	**42,873**	6,986	7,165	7,103	6,940	**5,734**
Jet fuel	4,906	5,145	5,453	5,916	**5,676**	412	336	479	445	**424**
Kerosene	27,977	28,265	24,498	22,672	**20,250**	3,517	3,507	2,900	2,811	**2,687**
Diesel fuel	38,203	37,136	36,606	35,557	**33,722**	4,860	4,831	4,783	4,864	**4,728**
Heavy fuel oil A	29,100	27,780	23,961	21,369	**17,891**	3,893	3,795	3,193	2,752	**2,665**
Heavy fuel oil C	26,557	27,009	22,696	25,341	**23,158**	3,515	3,127	2,659	3,597	**3,165**
Total	237,245	236,188	223,843	218,479	**201,042**	30,175	29,719	27,929	28,258	**25,891**

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

Market Share by Product



%

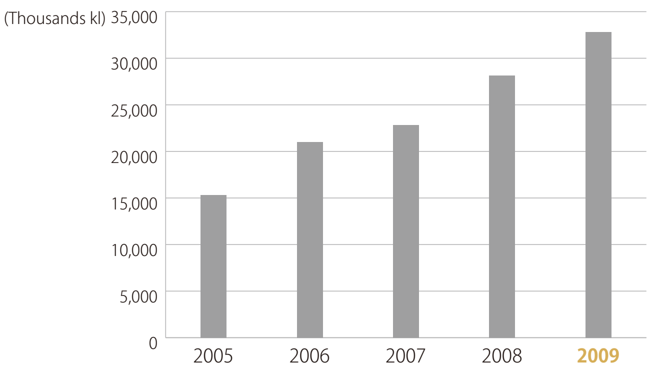
	2005	2006	2007	2008	2009
Gasoline	11.4	11.3	11.3	11.6	**11.3**
Jet fuel + Kerosene	11.9	11.5	11.3	11.4	**12.0**
Diesel fuel	12.7	13.0	13.1	13.7	**14.0**
Heavy fuel oil A	13.4	13.7	13.3	12.9	**14.9**
Heavy fuel oil C	13.2	11.6	11.7	14.2	**13.7**
Fuel oil total	12.3	12.1	12.0	12.5	**12.7**

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

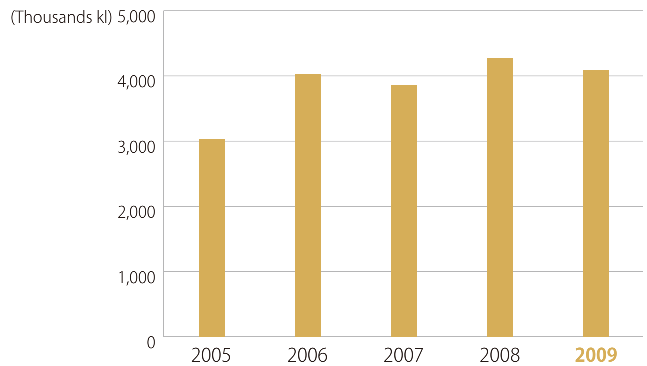
Sales 2

Exports by Product (Total Industry/Cosmo Oil)

Total Industry Total exports



Cosmo Oil Total exports



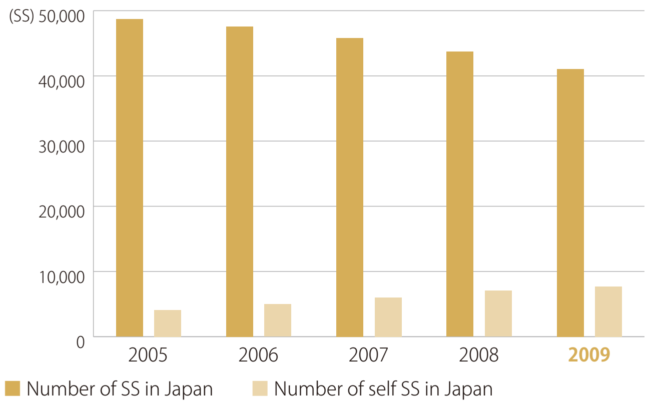
Thousands kl

	Total Industry					Cosmo Oil				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
Exports by product										
Diesel	1,525	4,087	4,950	9,027	13,020	332	913	944	1,331	1,457
Kerosene/Jet fuel	N.A.	N.A.	N.A.	N.A.	N.A.	0	33	102	259	101
Total	1,525	4,087	4,950	9,027	13,020	332	946	1,046	1,590	1,558
Bonded products sales, others										
Jet fuel	5,888	6,689	7,955	9,277	10,080	1,717	1,678	1,647	1,766	1,587
Heavy fuel oil C	7,770	9,867	9,409	9,183	9,274	781	1,036	842	783	716
Others	155	383	499	644	444	204	359	317	135	222
Total	13,813	16,939	17,863	19,104	19,798	2,702	3,073	2,806	2,684	2,525
Total exports	15,338	21,026	22,814	28,132	32,819	3,034	4,019	3,852	4,274	4,083

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

Sales 3

Number of SS (Nationwide)

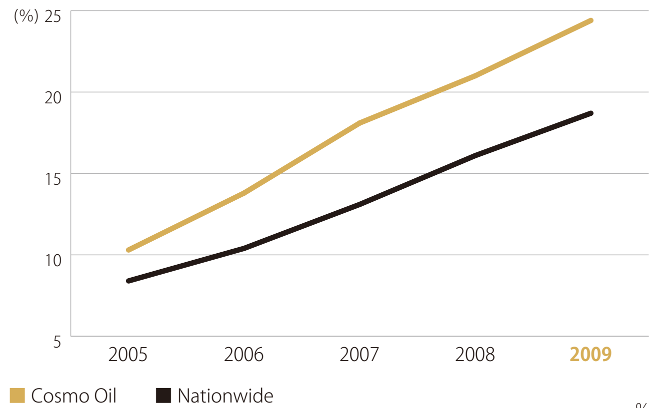


	2005	2006	2007	2008	**2009**
Nationwide					
National brand SS	38,158	37,033	35,486	33,670	**31,284**
Non-brand SS	10,514	10,551	10,306	10,019	**9,750**
Total	48,672	47,584	45,792	43,689	**41,034**
National brand SS	3,495	4,257	5,316	6,006	**6,315**
Non-brand SS	608	700	685	1,028	**1,366**

Note: Total number of SS in Japan is based on "Law on the Quality Control of Gasoline and Other Fuels."

Source: Number of nationwide SS compiled by 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.

Self-Service Station Ratio

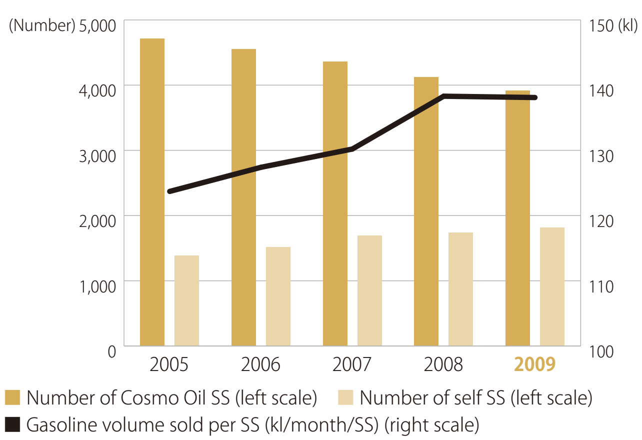


%

	2005	2006	2007	2008	**2009**
Cosmo Oil	10.3	13.8	18.1	21.0	**24.4**
Nationwide	8.4	10.4	13.1	16.1	**18.7**

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.

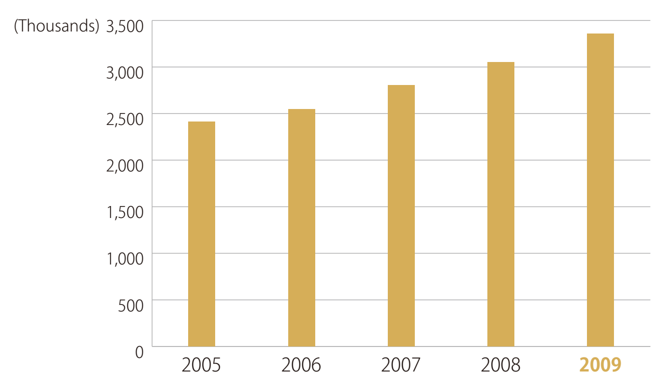
Gasoline Volume Sold per SS and Number of SS (Cosmo Oil)



	2005	2006	2007	2008	**2009**
Cosmo Oil					
Number of SS	4,709	4,552	4,359	4,125	**3,913**
Number of self SS	483	626	789	867	**955**
Number of company-owned SS	899	886	901	870	**858**
Share of company-owned SS (%)	19.1	19.5	20.7	21.1	**21.9**
Gasoline volume sold per SS (kl/month/SS)	123.7	127.4	130.2	138.3	**138.1**

Note: 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

Number of Active Cosmo The Card (Credit Cards)



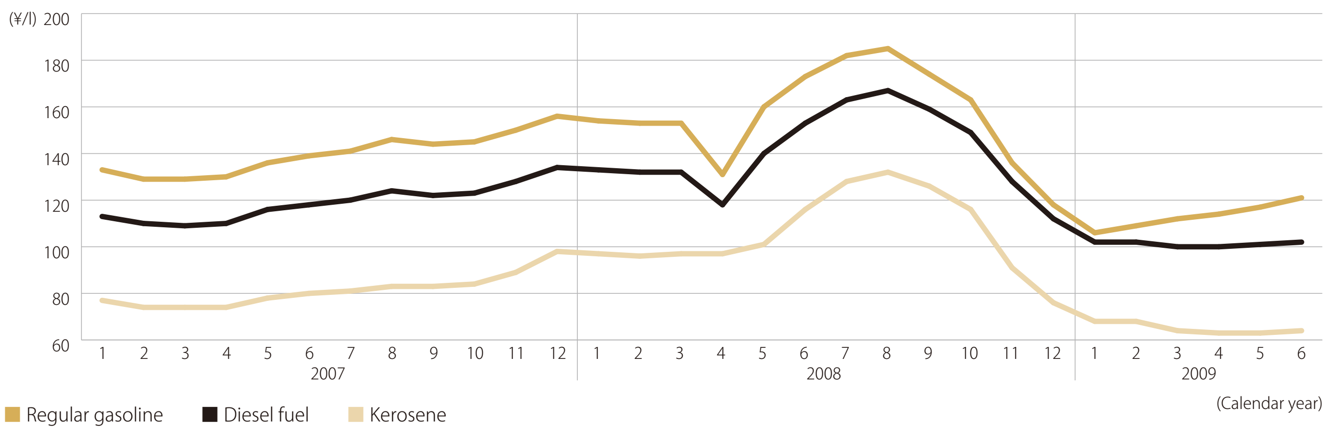
Thousands

	2005	2006	2007	2008	**2009**
Total number of active cards	2,415	2,547	2,803	3,049	**3,357**

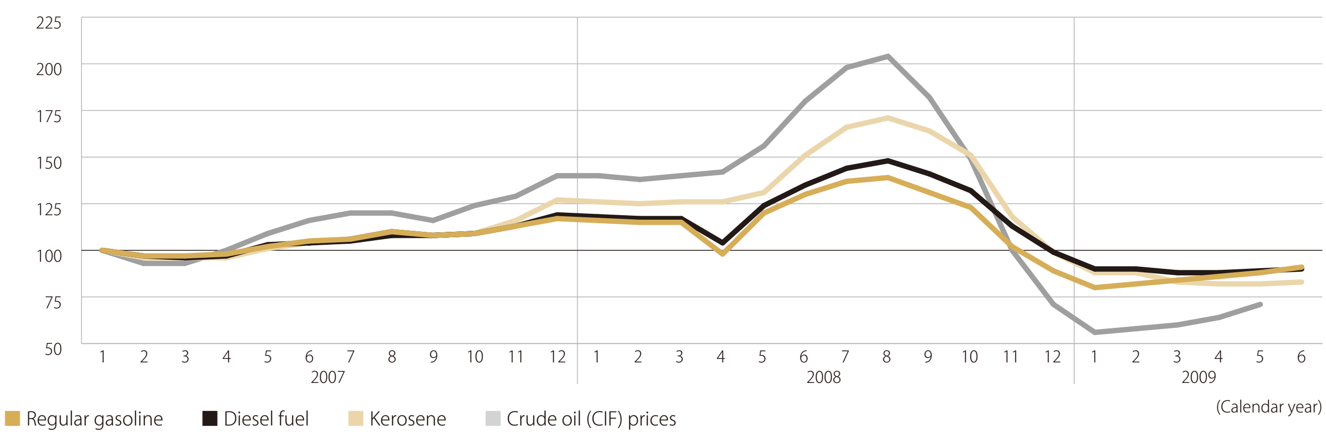
Note: Total number of active cards = Total number of cards issued – Total number of deactivated cards

Price

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



Retail Prices for Petroleum Products and Crude Oil (Figures are calculated with January 2007 (industry average) as 100)



2007		Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Regular gasoline	(¥/l)	133	129	129	130	136	139	141	146	144	145	150	156
Diesel fuel	(¥/l)	113	110	109	110	116	118	120	124	122	123	128	134
Kerosene	(¥/l)	77	74	74	74	78	80	81	83	83	84	89	98
CIF prices	(¥/l)	45	42	42	45	49	52	54	54	52	56	58	63

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 prices	(¥/l)	63	62	63	64	71	81	89	92	82	67	45	32

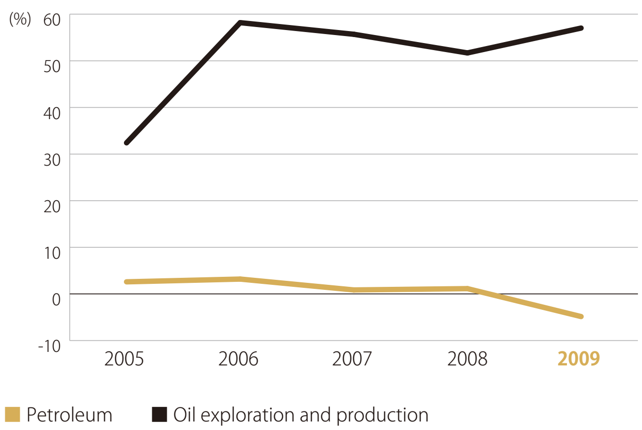
2009		Jan.	Feb.	Mar.	Apr.	May	Jun.
Regular gasoline	(¥/l)	106	109	112	114	117	121
Diesel fuel	(¥/l)	102	102	100	100	101	102
Kerosene	(¥/l)	68	68	64	63	63	64
CIF prices	(¥/l)	25	26	27	29	32	—

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

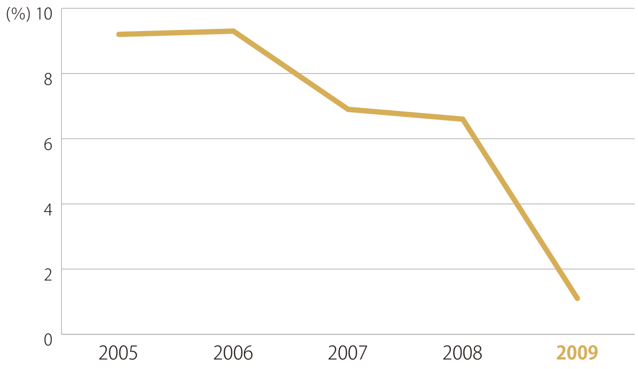
Segment Operating Income Ratio



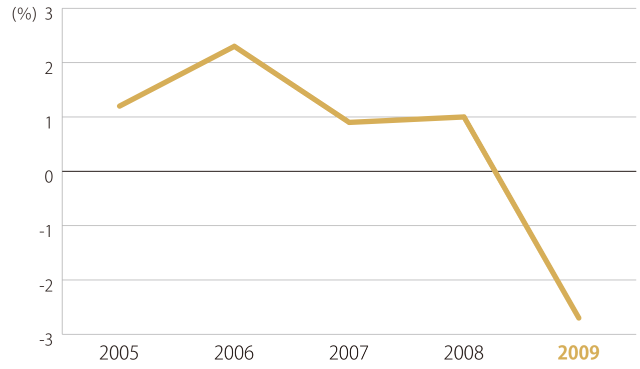
	2005	2006	2007	2008	Millions of yen 2009	Thousands of U.S. dollars 2009
Segment sales						
Petroleum	¥2,105,257	¥2,617,446	¥2,984,516	¥3,442,186	**¥3,352,916**	**$34,133,320**
Oil exploration and production	36,903	50,476	78,132	84,069	**89,054**	**906,587**
Others	83,006	69,369	85,517	99,010	**91,790**	**934,439**
Elimination and corporate	(70,607)	(66,663)	(85,421)	(102,178)	**(105,549)**	**(1,074,509)**
Total	2,154,559	2,670,628	3,062,744	3,523,087	**3,428,211**	**34,899,837**
Segment operating income (loss)						
Petroleum	54,734	83,536	25,668	39,315	**(162,646)**	**$(1,655,767)**
Oil exploration and production	11,961	29,367	43,515	43,454	**50,780**	**516,950**
Others	(57)	1,004	1,613	2,576	**2,242**	**22,824**
Elimination and corporate	(940)	(2,659)	(1,153)	(1,548)	**2,618**	**26,652**
Total	65,698	111,248	69,643	83,797	**(107,006)**	**(1,089,341)**
						%
Segment operating income ratio						
Petroleum	2.60	3.19	0.86	1.14	**(4.85)**	**—**
Oil exploration and production	32.41	58.18	55.69	51.69	**57.02**	**—**

Profitability

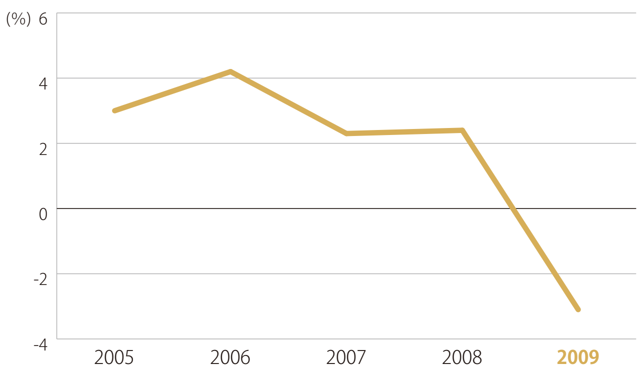
Gross Profit Ratio



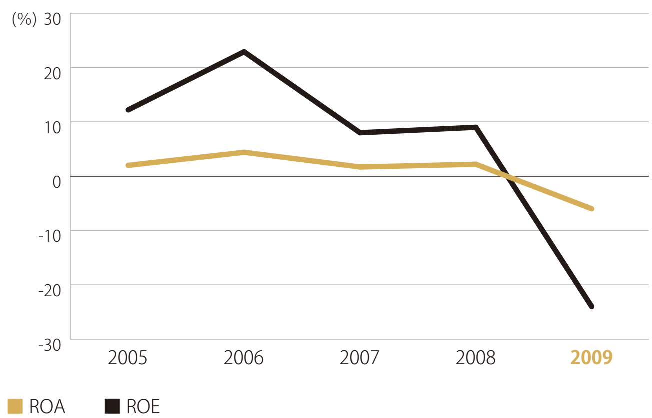
Return on Sales



Operating Income Ratio



ROA/ROE

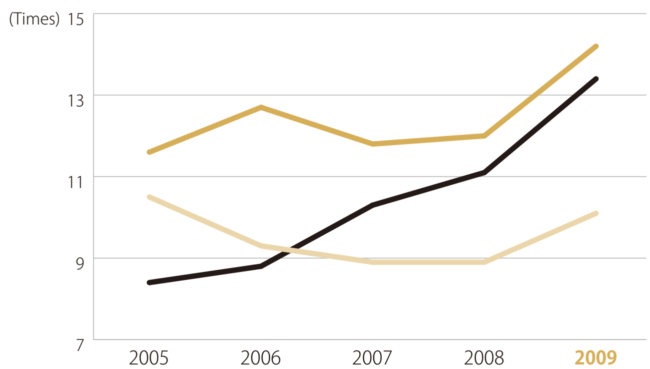


	Millions of yen					Thousands of U.S. dollars
	2005	2006	2007	2008	**2009**	**2009**
Net sales	¥2,154,559	¥2,670,628	¥3,062,744	¥3,523,087	**¥3,428,211**	**$34,899,837**
Gross profit	198,399	248,356	210,502	232,399	**38,803**	**395,022**
Gross profit ratio (%)	9.2	9.3	6.9	6.6	**1.1**	**—**
Operating income (loss)	65,698	111,248	69,643	83,797	**(107,006)**	**(1,089,341)**
Operating income ratio (%)	3.0	4.2	2.3	2.4	**(3.1)**	**—**
Net income (loss)	26,415	61,795	26,536	35,153	**(92,430)**	**(940,955)**
Return on sales (%)	1.2	2.3	0.9	1.0	**(2.7)**	**—**
Total assets	1,323,149	1,463,579	1,579,156	1,627,904	**1,440,396**	**14,663,504**
Total shareholders' equity	227,897	312,504	339,701	442,912	**328,434**	**3,343,511**
Return on assets (ROA) (%)	2.0	4.4	1.7	2.2	**(6.0)**	**—**
Return on equity (ROE) (%)	12.2	22.9	8.0	9.0	**(24.0)**	**—**

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

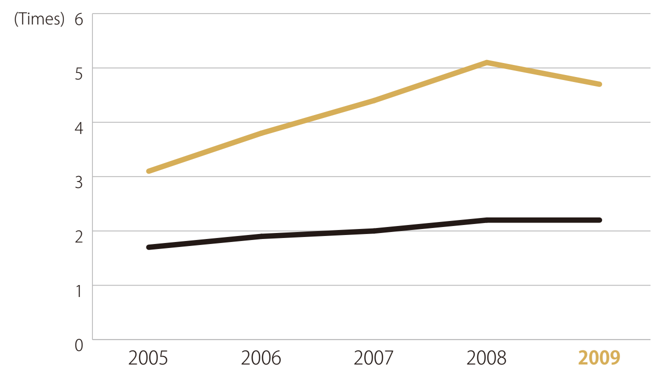
Efficiency/Productivity

Trade Receivables Turnover, Inventory Turnover, Accounts Payable Turnover



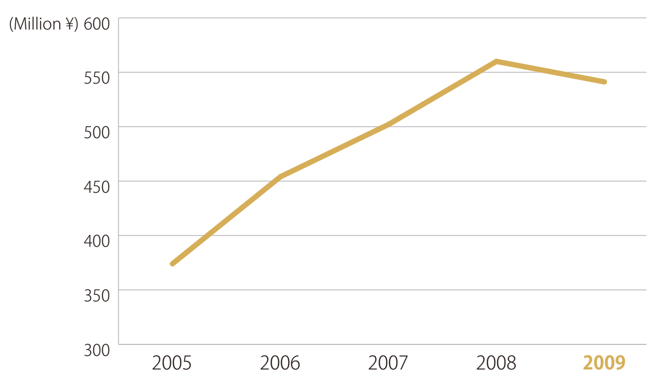
Trade receivables turnover Inventory turnover
Accounts payable turnover

Fixed Assets Turnover, Total Assets Turnover

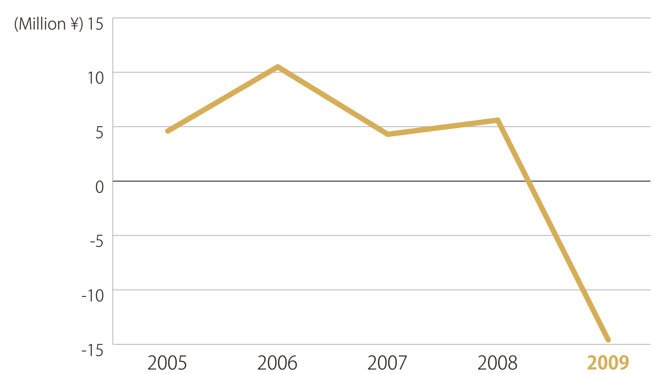


Fixed assets turnover Total assets turnover

Net Sales per Employee



Net Income (Loss) per Employee

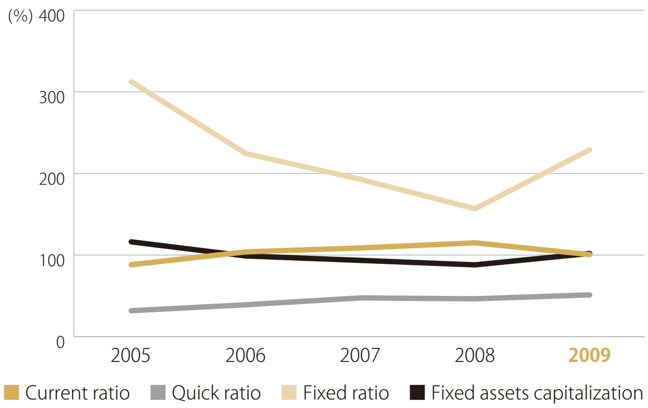


	Millions of yen					Thousands of U.S. dollars
	2005	2006	2007	2008	**2009**	**2009**
Notes and accounts receivable, trade	¥192,295	¥228,008	¥291,964	¥293,549	**¥189,037**	**$1,924,432**
Inventories	233,077	338,340	347,739	440,092	**239,092**	**2,434,002**
Total assets	1,323,149	1,463,579	1,579,156	1,627,904	**1,440,396**	**14,663,504**
Trade receivables turnover (Times)	11.6	12.7	11.8	12.0	**14.2**	—
Inventory turnover (Times)	10.5	9.3	8.9	8.9	**10.1**	—
Fixed assets	711,936	701,175	697,073	694,182	**752,086**	**7,656,378**
Fixed assets turnover (Times)	3.1	3.8	4.4	5.1	**4.7**	—
Total assets turnover (Times)	1.7	1.9	2.0	2.2	**2.2**	—
Notes and accounts payable, trade	279,154	273,182	281,520	312,657	**191,883**	**1,953,405**
Cost of sales	1,956,160	2,422,272	2,852,242	3,290,688	**3,389,408**	**34,504,815**
Accounts payable turnover (Times)	8.4	8.8	10.3	11.1	**13.4**	—
Net sales per employee	374.1	454.1	501.8	559.7	**541.2**	**5,509.5**
Net income (loss) per employee	4.6	10.5	4.3	5.6	**(14.6)**	**(148.6)**
Consolidated number of employees	5,793	5,881	6,103	6,295	**6,335**	—

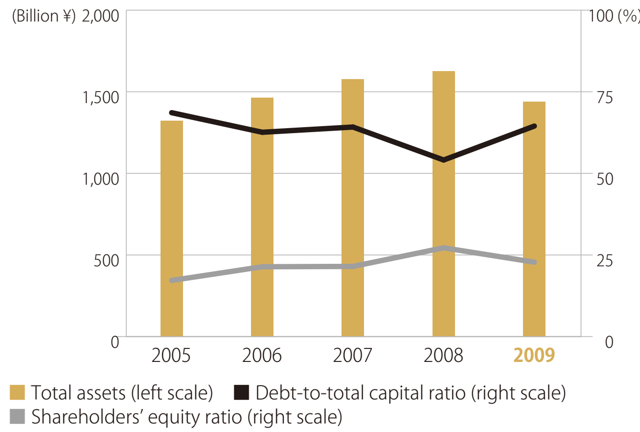
Notes: 1. Figures for trade receivables turnover, inventory turnover, fixed assets turnover, total assets turnover, and accounts payable turnover are calculated based on average trade receivables, total assets, and inventories at the beginning and end of each fiscal year.
2. Net sales per employee are based on the average number of employees at the beginning and end of each fiscal year.

Stability

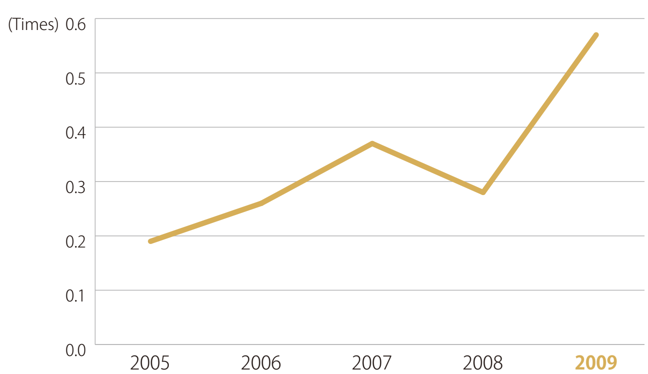
Current Ratio, Quick Ratio, Fixed Ratio, Fixed Assets Capitalization



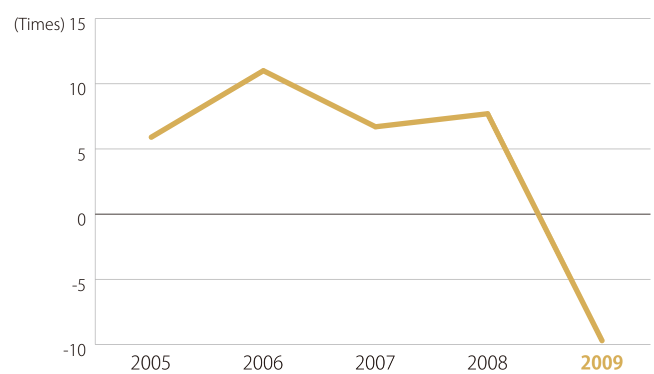
Total Assets, Debt-to-Total Capital Ratio, Shareholders' Equity Ratio



Liquidity



Interest Coverage

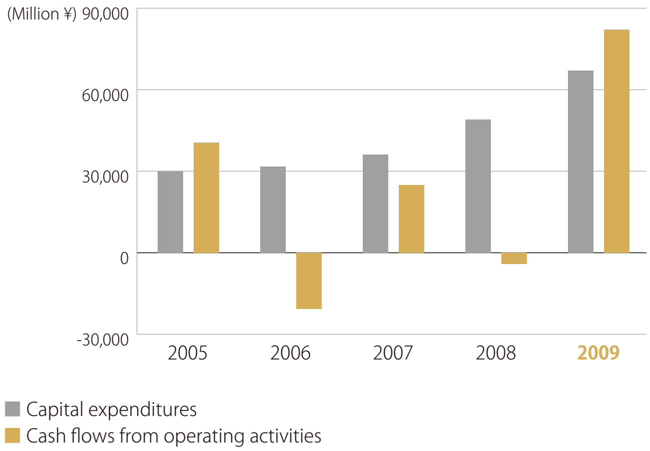


					Millions of yen	Thousands of U.S. dollars
	2005	2006	2007	2008	**2009**	**2009**
Current ratio (%)	88.2	103.9	108.7	115.0	**100.6**	–
Quick ratio (%)	31.8	39.1	47.5	46.4	**51.2**	–
Fixed ratio (%)	312.4	224.4	192.8	156.7	**229.0**	–
Fixed assets capitalization (%)	116.2	98.9	93.5	88.0	**102.0**	–
Short-term debt	¥171,613	¥197,797	¥274,577	¥259,600	**¥261,778**	**$2,664,950**
Long-term debt, less current maturities	326,191	324,633	335,313	262,005	**336,831**	**3,429,003**
Interest-bearing debt	497,804	522,430	609,890	521,605	**598,609**	**6,093,953**
Total shareholders' equity	227,897	312,504	339,701	442,912	**328,434**	**3,343,511**
Total assets	1,323,149	1,463,579	1,579,156	1,627,904	**1,440,396**	**14,663,504**
Debt-to-total capital ratio (%)	68.6	62.6	64.2	54.1	**64.6**	–
Total debt to total assets (%)	37.6	35.7	38.6	32.0	**41.6**	–
Shareholders' equity ratio (%)	17.2	21.4	21.5	27.2	**22.8**	–
Debt-to-equity ratio (Times)	2.2	1.7	1.8	1.2	**1.8**	–
Cash and deposits and marketable securities	¥34,883	¥58,893	¥93,744	¥83,185	**¥161,435**	**$1,643,439**
Liquidity (Times)	0.19	0.26	0.37	0.28	**0.57**	–
Interest expense	¥11,484	¥10,747	¥10,686	¥11,358	**¥10,767**	**$109,610**
Interest and dividend income	2,333	6,490	1,845	3,488	**2,317**	**23,587**
Operating income (loss)	65,698	111,248	69,643	83,797	**(107,006)**	**(1,089,341)**
Interest coverage (Times)	5.9	11.0	6.7	7.7	**(9.7)**	–

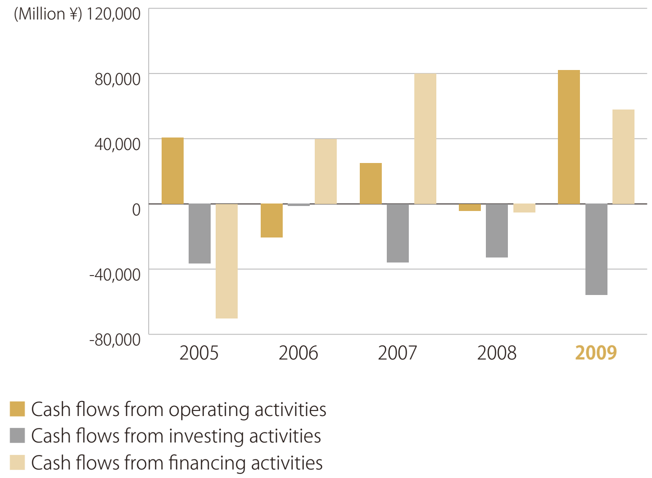
Notes: 1. Short-term debt includes the current maturities of long-term debt.
2. Current ratio = Current assets at fiscal year-end ÷ Current liabilities × 100
3. Quick ratio = (Cash and bank deposits + Notes and accounts receivable + Marketable securities) ÷ Current liabilities × 100
4. Fixed ratio = Fixed assets ÷ Total shareholders' equity × 100
5. Fixed assets capitalization = Fixed assets ÷ (Total shareholders' equity + Long-term liabilities)
6. Debt-to-total capital ratio = Interest-bearing debt ÷ (Interest-bearing debt + Total shareholders' equity)
7. Liquidity = (Cash deposits + Securities) ÷ Net sales (monthly average)
8. Interest coverage = (Operating income + Interest and dividend income) ÷ Interest expense

Cash Flows

Cash Flows from Operating Activities and Capital Expenditures



Cash Flows by Activity

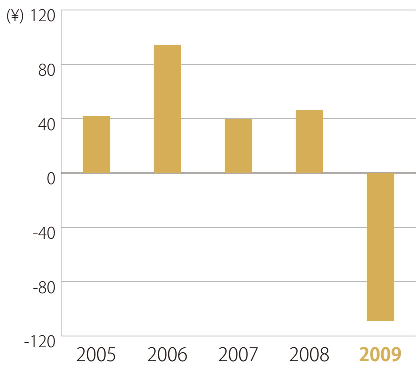


					Millions of yen	Thousands of U.S. dollars
	2005	2006	2007	2008	2009	2009
Capital expenditures	¥30,113	¥31,762	¥36,127	¥48,958	¥67,025	$682,327
Depreciation and amortization	24,927	28,313	29,246	33,240	34,967	355,971
Net income (loss)	26,415	61,795	26,536	35,153	(92,430)	(940,955)
Cash dividends paid and bonuses to directors and statutory auditors	3,794	5,243	6,799	5,372	6,780	69,022
Cash flows from operating activities	40,494	(20,685)	25,005	(4,215)	82,136	836,160
Cash flows from investing activities	(36,577)	(1,348)	(35,868)	(32,806)	(55,953)	(569,612)
Cash flows from financing activities	(70,163)	39,608	80,023	(5,229)	57,854	588,965
Cash and cash equivalents at the end of year	38,062	56,632	126,106	82,675	159,920	1,628,016
Simplified cash flows	47,548	84,865	48,983	63,021	(64,243)	(654,006)

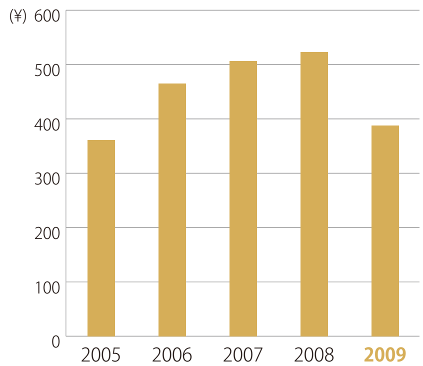
Notes: 1. Simplified cash flows are calculated as the sum of depreciation and net income after deducting cash dividends paid and bonuses to directors and statutory auditors.
2. Figures for capital investment include intangible fixed assets and long-term prepaid expenses.

Per Share Data

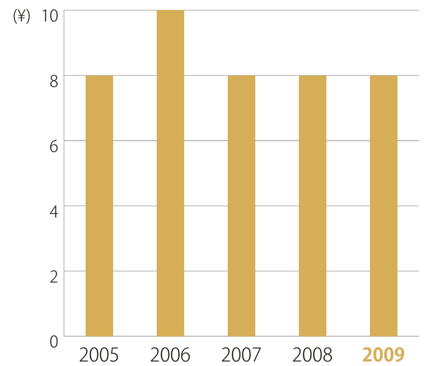
Net Income (Loss) per Share



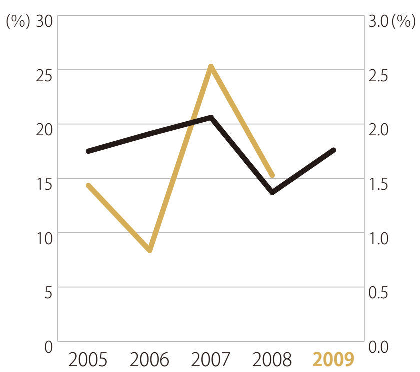
Net Assets per Share



Cash Dividends per Share

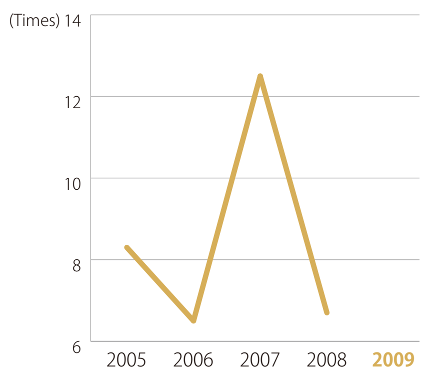


Payout Ratio and Dividends on Equity



■ Payout ratio (left scale)
■ Dividends on equity (right scale)

Price Earnings Ratio (PER)



Price Book Value Ratio (PBR)

					Millions of yen	Thousands of U.S. dollars
	2005	2006	2007	2008	**2009**	**2009**
Stock price at the end of fiscal year (¥, $)	¥347	¥617	¥494	¥313	**¥298**	**$3.03**
Cash dividends per share (¥, $)	8.00	10.00	8.00	8.00	**8.00**	**0.08**
Cash dividends	3,790	5,172	6,715	5,372	**6,780**	**69,022**
Number of shares of common stock (Millions)	631.7	671.7	671.7	847.7	**847.7**	—
Net income (loss)	26,415	61,795	26,536	35,153	**(92,430)**	**(940,955)**
Total shareholders' equity	227,897	312,504	339,701	442,912	**328,434**	**3,343,511**
Payout ratio (%)	14.35	8.37	25.3	15.28	—	—
Dividends on equity (%)	1.75	1.91	2.06	1.37	**1.76**	—
					Yen	U.S. dollars
Net income (loss) per share	¥41.73	¥94.54	¥39.54	¥46.72	**¥(109.11)**	**$(1.11)**
Diluted net income per share	—	92.17	37.91	44.98	—	—
Net assets per share	360.93	465.48	506.15	522.84	**387.71**	**3.95**
PER (Times)	8.3	6.5	12.5	6.7	—	—
PBR (Times)	1.0	1.3	1.0	0.6	**0.8**	—

Notes: 1. The foreign currency translation adjustment item has been moved from the asset section to the shareholders' equity section from fiscal 2001.
2. Dividend value is cash flow base.
3. DOE = Dividend amount/Average beginning and end of period shareholders' equity × 100
4. Net income (loss) per share is based on the average number of outstanding shares.
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. 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.
7. 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, 2005, 2006, 2007, 2008 and 2009)

					Millions of yen	Thousands of U.S. dollars
	2005	2006	2007	2008	**2009**	**2009**
ASSETS						
Current assets:						
Cash and deposits	¥28,987	¥56,646	¥84,105	¥72,193	**¥147,452**	**$1,501,089**
Marketable securities	5,896	2,247	9,640	10,992	**13,984**	**142,360**
Notes and accounts receivable, trade	192,295	228,008	291,964	293,549	**189,037**	**1,924,432**
Less allowance for doubtful accounts	(914)	(553)	(971)	(352)	**(403)**	**(4,102)**
	191,381	227,455	290,993	293,197	**188,634**	**1,920,330**
Inventories	233,077	338,340	347,739	440,092	**239,092**	**2,434,002**
Other current assets	151,872	137,716	149,605	117,248	**99,148**	**1,009,345**
Total current assets	611,213	762,404	882,082	933,722	**688,310**	**7,007,126**
Property, plant and equipment:						
Land	338,188	319,765	313,181	308,277	**305,566**	**3,110,720**
Buildings and structures	437,681	440,742	444,249	442,416	**447,633**	**4,556,989**
Machinery and equipment	388,968	396,607	409,514	412,974	**423,548**	**4,311,799**
Leases assets	—	—	—	—	**100**	**1,018**
Construction in progress	6,716	6,742	7,447	26,811	**46,665**	**475,058**
	1,171,552	1,163,856	1,174,391	1,190,478	**1,223,512**	**12,455,584**
Less accumulated depreciation	(614,319)	(630,850)	(646,044)	(661,454)	**(680,095)**	**(6,923,496)**
Net property, plant and equipment	557,234	533,006	528,347	529,024	**543,417**	**5,532,088**
Other assets:						
Investments in securities	88,327	98,318	107,908	103,827	**88,657**	**902,545**
Long-term loans receivable	4,578	3,134	3,440	2,643	**1,987**	**20,228**
Other	64,870	68,239	58,922	59,913	**118,903**	**1,210,455**
Less allowance for doubtful accounts	(3,073)	(1,522)	(1,543)	(1,225)	**(878)**	**(8,938)**
Total other assets	154,702	168,169	168,727	165,158	**208,669**	**2,124,290**
Total assets	1,323,149	1,463,579	1,579,156	1,627,904	**1,440,396**	**14,663,504**

					Millions of yen	Thousands of U.S. dollars
	2005	2006	2007	2008	**2009**	**2009**
LIABILITIES AND NET ASSETS						
Current liabilities:						
Short-term loans and current maturities of long-term debts	¥171,613	¥197,797	¥274,577	¥259,600	**¥261,778**	**$2,664,950**
Notes and accounts payable, trade	279,154	273,182	281,520	312,657	**191,883**	**1,953,405**
Income, excise and other taxes payable	116,860	121,822	122,928	102,774	**118,636**	**1,207,737**
Accrued expenses and other current liabilities	124,993	140,651	132,821	136,997	**111,586**	**1,135,966**
Total current liabilities	692,620	733,452	811,846	812,028	**683,883**	**6,962,058**
Long-term debts, less current maturities	326,191	324,633	335,313	262,005	**336,831**	**3,429,003**
Deferred tax for revaluation reserve for land	13,705	20,332	23,752	33,947	**33,493**	**340,965**
Retirement and severance benefits	8,234	5,565	4,614	6,301	**6,097**	**62,069**
Other long-term liabilities	36,557	46,290	42,018	43,896	**32,643**	**332,312**
Minority interests	17,945	20,803	—	—	**—**	**—**
Shareholders' equity:						
Common stock	51,887	62,367	—	—	**—**	**—**
Additional paid-in capital	34,093	44,561	—	—	**—**	**—**
Retained earnings	115,161	166,149	—	—	**—**	**—**
Revaluation reserve for land	20,076	24,277	—	—	**—**	**—**
Net unrealized gains on securities	7,862	15,999	—	—	**—**	**—**
Foreign currency translation adjustments	(1,103)	(753)	—	—	**—**	**—**
Less treasury stock, at cost	(79)	(96)	—	—	**—**	**—**
Total shareholders' equity	227,897	312,504	—	—	**—**	**—**
Total liabilities and shareholders' equity	1,323,149	1,463,579	—	—	**—**	**—**
Net assets:						
Common stock	—	—	62,367	107,247	**107,247**	**1,091,795**
Capital surplus	—	—	44,562	89,442	**89,441**	**910,526**
Retained earnings	—	—	185,851	215,388	**115,733**	**1,178,184**
Less treasury stock, at cost	—	—	(112)	(125)	**(130)**	**(1,323)**
Unrealized gains on securities, net of taxes	—	—	14,508	5,909	**(2,100)**	**(21,378)**
Unrealized gains on hedging derivatives, net of taxes	—	—	12,142	14,604	**8,085**	**82,307**
Revaluation reserve for land	—	—	20,918	11,085	**11,524**	**117,317**
Foreign currency translation adjustments	—	—	(535)	(638)	**(1,367)**	**(13,917)**
Minority interests	—	—	21,912	26,815	**19,016**	**193,586**
Total net assets	—	—	361,613	469,727	**347,449**	**3,537,097**
Total liabilities and net assets	—	—	1,579,156	1,627,904	**1,440,396**	**14,663,504**

Consolidated Statements of Operations (Years ended March 31, 2005, 2006, 2007, 2008 and 2009)

					Millions of yen	Thousands of U.S. dollars
	2005	2006	2007	2008	**2009**	**2009**
Net sales	¥2,154,559	¥2,670,628	¥3,062,744	¥3,523,087	**¥3,428,211**	**$34,899,837**
Cost of sales	1,956,160	2,422,272	2,852,242	3,290,688	**3,389,408**	**34,504,815**
Gross profit	198,399	248,356	210,502	232,399	**38,803**	**395,022**
Selling, general and administrative expenses	132,701	137,108	140,859	148,602	**145,809**	**1,484,363**
Operating income (loss)	65,698	111,248	69,643	83,797	**(107,006)**	**(1,089,341)**
Interest and dividend income	2,333	6,490	1,845	3,488	**2,317**	**23,587**
Interest expenses	(11,484)	(10,747)	(10,686)	(11,358)	**(10,767)**	**(109,610)**
Foreign currency exchange gains (losses), net	(649)	3,439	2,884	8,887	**(9,326)**	**(94,940)**
Net gain (loss) on sales and disposal of property, plant and equipment	(1,832)	(1,141)	(1,848)	2,764	**3,266**	**33,248**
Impairment loss on fixed assets	(11,330)	(1,976)	(2,440)	(4,511)	**(1,239)**	**(12,613)**
Equity in earnings (losses) of affiliates	5,508	9,578	9,921	8,662	**(1,127)**	**(11,473)**
Write-down of marketable securities and investments in securities	(70)	(79)	(788)	—	**—**	**—**
Provision for prior year portion of allowance for retirement benefits for directors and corporate auditors	(460)	—	—	—	**—**	**—**
Gain on sales of investments in securities	1,974	344	66	726	**4,194**	**42,696**
Loss on sale of investments in securities	(26)	(24)	—	—	**—**	**—**
Gain on insurance adjustment	—	—	—	—	**1,750**	**17,815**
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	(3,300)	—	—	—	**—**	**—**
Compensation received for the transfer of the facilities	—	1,200	1,500	—	**—**	**—**
Collection of receivables written-off	—	2,602	278	—	**—**	**—**
Other, net	1,171	(541)	868	1,182	**758**	**7,716**
	(18,165)	9,145	1,600	11,764	**(10,174)**	**(103,574)**
Income before income (loss) taxes and minority interests	47,533	120,393	71,243	95,561	**(117,180)**	**(1,192,915)**
Income taxes:						
Current	28,113	50,741	37,200	47,983	**43,828**	**446,177**
Deferred	(7,320)	4,556	1,485	7,088	**(71,523)**	**(728,118)**
Income before minority interests	26,740	65,096	32,558	40,490	**(89,485)**	**(910,974)**
Minority interests	(325)	(3,301)	(6,022)	(5,337)	**(2,945)**	**(29,981)**
Net income (loss)	26,415	61,795	26,536	35,153	**(92,430)**	**(940,955)**

					Yen	U.S. dollars
Earnings (loss) per share:	2005	2006	2007	2008	**2009**	**2009**
Basic	¥41.73	¥94.54	¥39.54	¥46.72	**¥(109.11)**	**$(1.11)**
Diluted	—	92.17	37.91	44.98	**—**	**—**
Cash dividends	8.00	10.00	8.00	8.00	**8.00**	**0.08**

Consolidated Statements of Changes in Net Assets (Years ended March 31, 2008 and 2009)

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, 2008	¥107,247	¥89,442	¥215,388	¥(125)	¥411,952	¥5,909	¥14,604	¥11,085	¥ (638)	¥30,960	¥26,815	¥469,727
Change of items												
Net income (loss) for the year	—	—	(92,430)	—	(92,430)	—	—	—	—	—	—	(92,430)
Dividends from surplus	—	—	(6,779)	—	(6,779)	—	—	—	—	—	—	(6,779)
Reversal of revaluation reserve for land	—	—	(446)	—	(446)	—	—	446	—	446	—	—
Purchase of treasury stock	—	—	—	(14)	(14)	—	—	—	—	—	—	(14)
Disposal of treasury stock	—	(1)	—	9	8	—	—	—	—	—	—	8
Change in items other than shareholders' equity	—	—	—	—	—	(8,009)	(6,519)	(7)	(729)	(15,264)	(7,799)	(23,063)
Net changes during the year	—	(1)	(99,655)	(5)	(99,661)	(8,009)	(6,519)	(439)	(729)	(14,818)	(7,799)	(122,278)
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**

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, 2008	$1,091,795	$910,536	$2,192,691	$(1,272)	$4,193,750	$60,155	$148,672	$112,848	$ (6,495)	$314,580	$272,981	$4,781,911
Change of items												
Net income (loss) for the year	—	—	(940,955)	—	(940,955)	—	—	—	—	—	—	(940,955)
Dividends from surplus	—	—	(69,012)	—	(69,012)	—	—	—	—	—	—	(69,012)
Reversal of revaluation reserve for land	—	—	(4,540)	—	(4,540)	—	—	4,540	—	4,540	—	—
Purchase of treasury stock	—	—	—	(143)	(143)	—	—	—	—	—	—	(143)
Disposal of treasury stock	—	(10)	—	92	92	—	—	—	—	—	—	82
Change in items other than shareholders' equity	—	—	—	—	—	(81,533)	(66,365)	(71)	(7,422)	(133,413)	(79,395)	(234,786)
Net changes during the year	—	(10)	(1,014,507)	(51)	(1,014,558)	(81,533)	(66,365)	(71)	(7,422)	(128,879)	(79,395)	(234,786)
Balance at March 31, 2009	**$1,091,795**	**$910,526**	**$1,178,184**	**$(1,323)**	**$3,179,182**	**$(21,378)**	**$ 82,307**	**$117,317**	**$(13,917)**	**$185,707**	**$193,586**	**$3,537,097**

Consolidated Statements of Cash Flows (Years ended March 31, 2005, 2006, 2007, 2008 and 2009)

					Millions of yen	Thousands of U.S. dollars
	2005	2006	2007	2008	**2009**	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES:						
Income (loss) before income taxes and minority interests	¥47,533	¥120,393	¥71,243	¥95,561	**¥(117,180)**	**$(1,192,915)**
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:						
Depreciation and amortization	24,927	28,313	29,246	33,240	**34,967**	**355,971**
Amortization of consolidation goodwill	(86)	380	3	46	**76**	**774**
Impairment loss on fixed assets	11,330	1,976	2,440	4,511	**1,239**	**12,613**
Increase (decrease) in allowance for doubtful accounts	325	(1,912)	439	(937)	**(294)**	**(2,993)**
Increase (decrease) in retirement and severance benefits	2,574	(2,795)	—	—	**—**	**—**
Interest and dividend income	(2,333)	(6,490)	(1,845)	(3,488)	**(2,317)**	**(23,587)**
Interest expenses	11,484	10,747	10,686	11,358	**10,767**	**109,610**
Equity in losses (earnings) of affiliates	(5,508)	(9,578)	(9,921)	(8,662)	**1,127**	**11,473**
Net gain (loss) on sale or disposal of property, plant and equipment	2,481	1,141	1,848	(2,764)	**(3,266)**	**(33,248)**
Write-down of marketable securities and investments in securities	70	—	—	—	**—**	**—**
Gain on insurance claim	—	—	—	—	**(1,750)**	**(17,815)**
Decrease (increase) in notes and accounts receivable	(9,374)	(35,713)	(63,956)	(1,563)	**103,775**	**1,056,449**
Recovery of recoverable accounts under production sharing	—	—	8,542	9,536	**6,525**	**66,426**
Decrease (increase) in inventories	(55,233)	(105,263)	(9,398)	(92,345)	**200,933**	**2,045,536**
Increase (decrease) in notes and accounts payable	92,504	(5,972)	8,337	31,131	**(120,037)**	**(1,221,999)**
Decrease (increase) in other current assets	(50,137)	10,774	21,089	(7,058)	**12,282**	**125,033**
Increase (decrease) in other current liabilities	(7,495)	14,862	26,745	(34,136)	**28,467**	**289,799**
Decrease (increase) in other investments	—	5,712	(5,783)	(271)	**2,692**	**27,405**
Other, net	(1,131)	(529)	1,250	688	**851**	**8,662**
Subtotal	61,931	26,046	90,965	34,847	**158,857**	**1,617,194**
Interest and dividend received	2,918	10,193	3,331	4,361	**5,546**	**56,459**
Interest paid	(11,259)	(10,804)	(10,520)	(11,872)	**(10,872)**	**(110,679)**
Proceeds from insurance income	—	—	—	—	**931**	**9,478**
Income taxes paid	(13,096)	(46,120)	(58,771)	(31,551)	**(72,326)**	**(736,292)**
Net cash provided by (used in) operating activities	40,494	(20,685)	25,005	(4,215)	**82,136**	**836,160**

					Millions of yen	Thousands of U.S. dollars
	2005	2006	2007	2008	**2009**	**2009**
CASH FLOWS FROM INVESTING ACTIVITIES:						
Payments for purchases of property, plant and equipment	¥(26,349)	¥(18,989)	¥(30,263)	¥(34,823)	**¥(55,214)**	**$(562,089)**
Proceeds from sale or disposal of property, plant and equipment	8,723	25,918	7,508	9,461	**10,815**	**110,099**
Payments for purchases of marketable securities and investment in securities	(13,959)	(76)	(9,846)	(6,490)	**(5,539)**	**(56,388)**
Proceeds from sale of marketable securities and investments in securities	11,721	2,139	3,343	7,417	**6,925**	**70,498**
Payments for intangible assets and deferred charges	(2,692)	(11,885)	(5,334)	(8,641)	**(14,026)**	**(142,787)**
Decrease (increase) in short-term loans receivable	943	(535)	857	545	**1,379**	**14,038**
Payments for long-term loans receivable	(11,207)	(154)	(1,467)	(785)	**(796)**	**(8,103)**
Proceeds from long-term loans receivable	6,148	1,428	1,102	1,708	**1,444**	**14,700**
Proceeds from factoring	1,283	514	—	—	**—**	**—**
Payments for acquisition of shares of newly consolidated subsidiaries	(10,573)	—	—	—	**—**	**—**
Proceeds from acquisition of shares of newly consolidated subsidiaries	427	—	—	—	**—**	**—**
Proceeds from sales of stocks of subsidiaries and affiliates	—	—	—	—	**924**	**9,406**
Other, net	(1,042)	292	(1,768)	(1,198)	**(1,865)**	**(18,986)**
Net cash provided by (used in) investing activities	(36,577)	(1,348)	(35,868)	(32,806)	**(55,953)**	**(569,612)**
CASH FLOWS FROM FINANCING ACTIVITIES:						
Increase (decrease) in short-term loans payable	(47,854)	47,750	42,115	(11,736)	**46,841**	**476,850**
Proceeds from long-term loans payable	77,087	29,794	94,502	7,454	**111,231**	**1,132,353**
Repayments for long-term loans payable	(78,439)	(48,911)	(46,268)	(53,868)	**(77,915)**	**(793,189)**
Proceeds from issuance of common stock	—	20,811	—	89,281	**—**	**—**
Proceeds from issuance of convertible bonds	—	17,971	—	—	**—**	**—**
Redemptions of bonds	—	(21,500)	(3,000)	(30,300)	**(2,500)**	**(25,450)**
Redemptions of convertible bonds	(16,523)	—	—	—	**—**	**—**
Cash dividends paid	(3,790)	(5,172)	(6,715)	(5,372)	**(6,780)**	**(69,022)**
Cash dividends paid for minority shareholder	(510)	(498)	(471)	(616)	**(13,548)**	**(137,921)**
Proceeds from stock issuance to minority shareholders	19	—	—	—	**541**	**5,507**
Other, net	(153)	(637)	(140)	(72)	**(16)**	**(163)**
Net cash provided by (used in) financing activities	(70,163)	39,608	80,023	(5,229)	**57,854**	**588,965**
Effect of exchange rate changes on cash and cash equivalents	(212)	895	314	(1,244)	**(6,792)**	**(69,144)**
Net increase (decrease) in cash and cash equivalents	(66,458)	18,470	69,474	(43,494)	**77,245**	**786,369**
Cash and cash equivalents at beginning of year	104,520	38,062	56,632	126,106	**82,675**	**841,647**
Cash and cash equivalents from newly consolidated subsidiaries	—	100	—	63	**—**	**—**
Cash and cash equivalents at end of year	38,062	56,632	126,106	82,675	**159,920**	**$1,628,016**

Group Information (As of March 31, 2009)

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%
- □ UNITED PETROLEUM DEVELOPMENT CO., LTD. ¥2,010 million 35.0%

Others: ●→ 2 companies; ●→ 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%

Other: ●→ 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 100%

Others: ●→ 2 companies; ○→ 14 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; ●→ 13 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%

Other: ●→ 1 company

Management of leased real estate

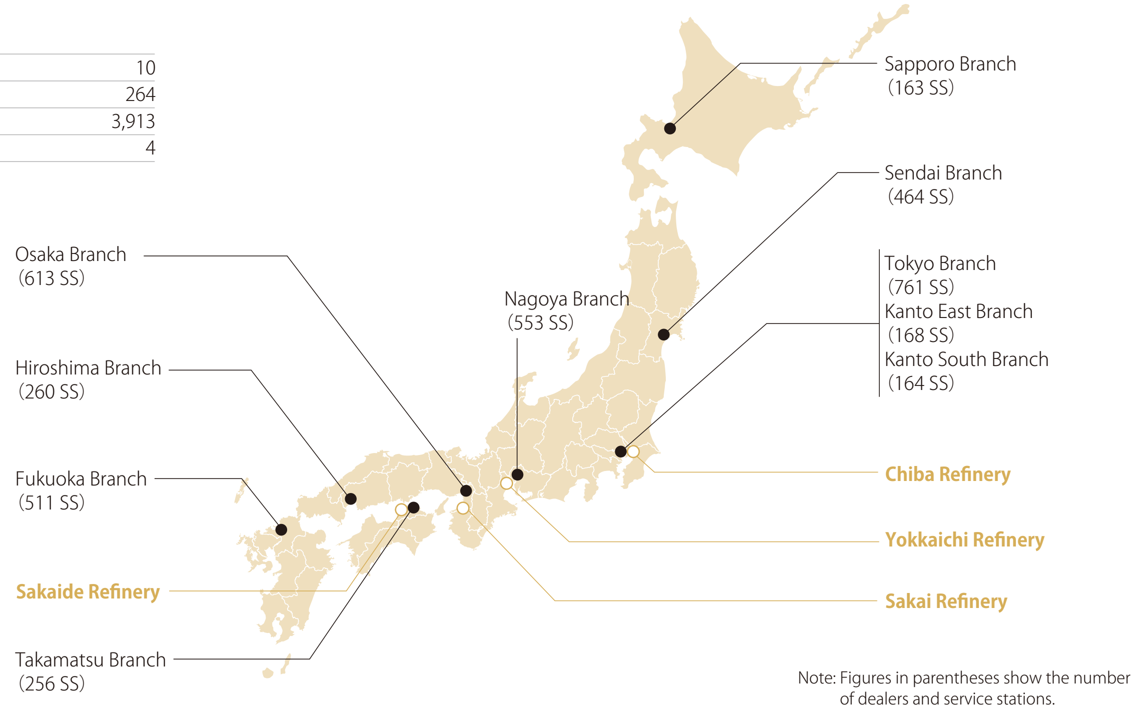
- ● COSMO BUSINESS SUPPORT CO., LTD. ¥300 million 100%

CUSTOMERS

● Consolidated subsidiaries ○ Unaffiliated companies accounted for using the equity method
□ Affiliated 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
*In August 2007, Cosmo Oil Co., Ltd. holdings of stock in each respective development company were transferred to Cosmo Energy Explorations & Development Ltd., a 100%-owned subsidiary of Cosmo Oil Co., Ltd

Branches and Refineries (As of March 31, 2009)

Branches	10
Dealers	264
Service Stations (SS)	3,913
Refineries	4



Note: Figures in parentheses show the number of dealers and service stations.

Principal Overseas Bases (As of March 31, 2009)

Share Information (As of March 31, 2009)

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	38,602
Number of shares per trading unit	1,000 shares
Stock listing	Tokyo, Osaka, Nagoya

Convertible 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

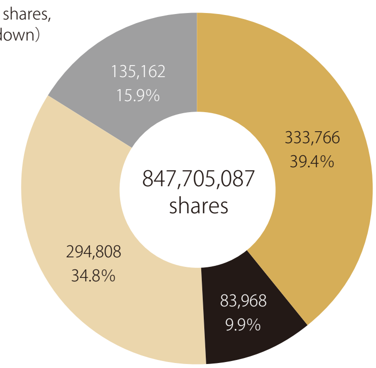
Principal Shareholders (As of March 31, 2009)

Shareholder	Investment in the Company	
	Number of shares owned (Thousands)	Percentage of total shares issued (%)
Infinity Alliance Limited*	176,000	20.76
Japan Trustee Services Bank, Ltd. (Trust account)	58,292	6.87
Japan Trustee Services Bank, Ltd. (Trust account 4G)	32,449	3.82
The Master Trust Bank of Japan, Ltd. (Trust account)	31,496	3.71
Mizuho Corporate Bank, Ltd.	31,320	3.69
Mitsui Sumitomo Insurance Co., Ltd	21,878	2.58
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,750	2.32
The Kansai Electric Power Co., Inc.	18,600	2.19
Tokio Marine & Nichido Fire Insurance Co., Ltd.	17,335	2.04
Sompo Japan Insurance Inc.	15,792	1.86

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

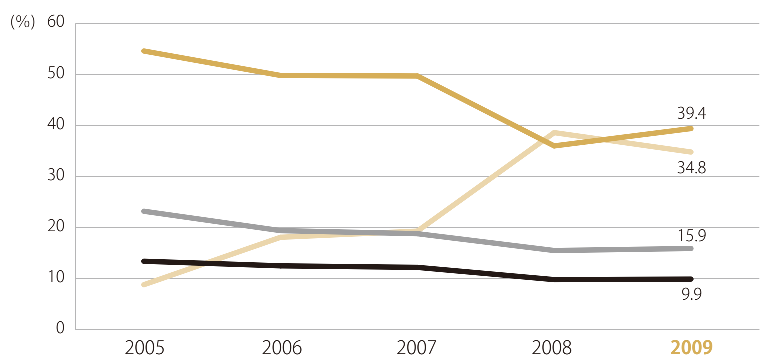
Number of Shares

(Thousand shares, rounded down)



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

Trend of Shares by Types of Shareholders



- Japanese financial institutions and securities firms (including trust accounts)
- Other Japanese companies and corporations
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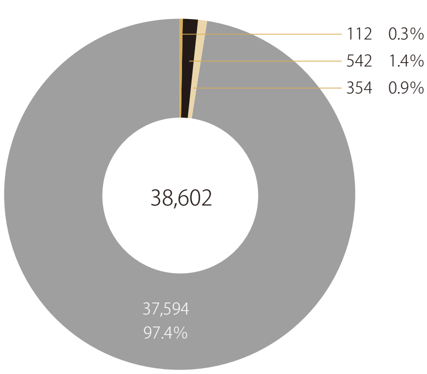
- Japanese companies and corporations

Number of Shareholders



- Japanese financial institutions and securities firms (including trust accounts)
- Other Japanese companies and corporations
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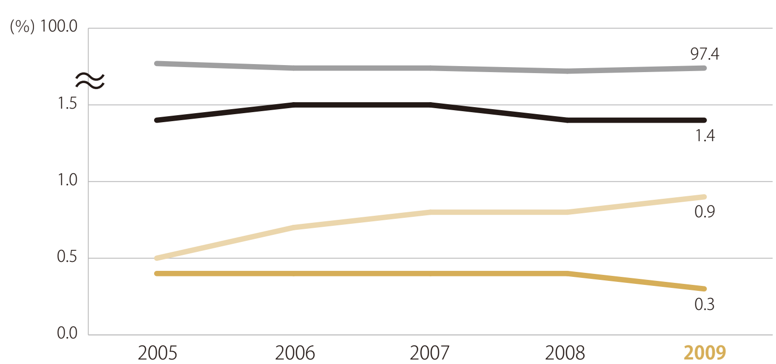
- Japanese companies and corporations

Trend of Shareholders



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

Corporate Data (As of March 31, 2009)

Company Name	COSMO OIL CO., LTD.
Head Office	Toshiba Bldg., 1-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8528, Japan
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	2,064
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 Dealers	264

Inquiries:

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COSMO OIL CO., LTD.

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