COSMO OIL CO., LTD.

Annual Report 2011

for the year ended March 31, 2011

Our Story

State-of-the-art facilities, the driver of growth

photo: Sakai Refinery

Dedicated employees committed to recovery

When reading "Our Story" and the Review of Operations sections please keep both flaps open as you turn the inside pages for a comprehensive overview of Cosmo Oil.

The Dynamics of the 6 Keys to Our Competitiveness

UNIQUENESS 1	A state-of-the-art coker facilities
UNIQUENESS 2	Largest-scale production facility for para-xylene
UNIQUENESS 3	A stable sales network around the Pacific Rim
UNIQUENESS 4	A rock-solid customer base
UNIQUENESS 5	Strong ties with oil producing nations
UNIQUENESS 6	Technologies enabling low-cost volume production of ALA

Corresponding environmental factors

- Peaking oil prices
- In Japan, declining demand and a changing demand structure for oil products
  Rising worldwide demand for oil and petrochemical products, driven by Asia
- The need to maximize income opportunities outside of the petroleum and petrochemical businesses

安定供給の使命

The Japanese phrase appearing above means that “Our mission is to ensure stable supplies.” The Great East Japan Earthquake of March 11, 2011, caused huge damage to our nation and left an indelible mark. In addition, a fire broke out at our Chiba Refinery during the earthquake. The occurrence of such a huge disaster has prompted Cosmo Oil to reaffirm its mission as an energy company, which is to ensure safe, stable supply of valuable energy to its customers. Taking this sense of mission to heart, we will strive to place the Company on a revitalization path underpinned by sustained growth. Initiatives aimed at achieving these goals are described in this report.

In the aftermath of the earthquake, Cosmo Oil sought to fulfill its responsibilities as a company in charge of key infrastructure. With fire having broken out at the Chiba Refinery, therefore, we increased nameplate capacity at three other refineries, with the aims of maintaining supplies to, and restoring the functions of, oil tank facilities in affected regions. At the Chiba Refinery, we lost 17 LPG tanks due to fire, but the flames did not spread to refining facilities. As of August 2011, operations at the Chiba Refinery were still suspended. We take very seriously the fact that fire broke out at our own refinery, and for this reason we set up an Accident Investigation Committee charged with identifying the cause of the fire and preventing a recurrence. Based on the Committee’s findings, we will do our utmost to restore operations at the Chiba Refinery while keeping relevant authorities and local communities closely informed.

While the earthquake had a huge impact on the domestic economy, several major external circumstances confronting the Japanese oil sector from before the disaster have not changed much at all. These are the peaking of crude oil prices, declining demand for petroleum products in Japan and the changing structure of such demand, and rising world demand for petroleum and petrochemical products, centering on Asia.

Fully recognizing these circumstances, Cosmo Oil formed a strategic alliance with Abu Dhabi-based International Petroleum Investment Company (IPIC), constructed a new heavy oil cracking facility (coker unit) at the Sakai Refinery, and established a joint venture in South Korea with Hyundai Oilbank to make para-xylene. Through these and other actions, we have further enhanced our uniqueness.

The diagram on the left page illustrates how our uniqueness, tailored to address the aforementioned circumstances, will lead to sustained profits in the future. In the Special Feature section of this report, we describe in detail the dynamic interplay between the specific aspects of our uniqueness and how this will contribute to the future growth of the Group. When reading “Our Story,” please use the chart on the left as a roadmap. This will help you understand, page by page, where we are positioned in our path to sustained growth.

Now, let’s begin our growth story.

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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 2011.

Note: In this report, "FY2010" indicates the period that began on April 1, 2010 and ended on March 31, 2011.

Our Story

UNIQUENESS 1

What Makes Our Petroleum Business Unique?

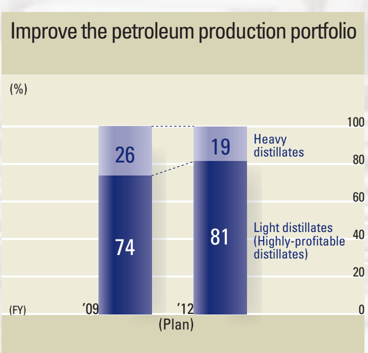
Our Facilities!

— A state-of-the-art coker facilities —

The Cosmo Oil Group's petroleum business is being impacted by such major environmental factors as declining demand and a changing demand structure for petroleum products in Japan, and rising global demand for petroleum and petrochemical products, centering on Asia. In order to take advantage of these factors, it is essential for us to reduce production volume for heavy fuel products, for which demand is falling. At the same time, we must increase production of light petroleum products, such as naphtha, jet fuel, and diesel fuel, which offer high added value and are expected to generate growing demand in Asia. To these ends, we have commenced full-scale operations at our cutting-edge coker facilities and are working to improve our product mix.

When the light-heavy product price gap and the heavy-light crude oil price gap widen, we can raise profitability by increasing the share of highly profitable light petroleum products in our portfolio and lowering the cost of crude oil procurement through the introduction of cutting-edge coker facilities.

What will the introduction of cutting-edge coker facilities achieve? The light-heavy product price gap (the difference that results as prices for light petroleum products rise to exceed those for heavy fuel products) is driven by growing global demand for light petroleum products and declining global demand for heavy fuel products. This is linked to the heavy-light



crude oil price gap—the difference resulting from an increase in price of light crude over heavy crude, caused by rising demand for light crude oils (which permit high production yield for light petroleum products) and falling demand for heavy crude oils.

By installing coker facilities, we will be able to increase the production of highly profitable light petroleum products, such as naphtha, jet fuel, and diesel fuel, using comparatively lower-priced heavy crude oils.

In short, we will be able to make highly profitable products using relatively cheap raw materials. This will generate solid earnings.

In October 2010, we commenced full-scale operations at our heavy oil cracking facilities (coker unit). The profitability of a coker unit increases as the heavy-light crude oil price gap widens. As a result of Cosmo Oil's installation of the cutting-edge coker facilities, its API gravity—a measure of the density of crude oil or a petroleum liquid—has been reduced by an average of 1.6 degrees, enabling the procurement of comparatively cheap crude oil, as well as an increase in the production of light petroleum products. Going forward, we will fully exploit the coker unit to improve our product mix and lower the cost of crude oil procurement, thus further boosting the competitiveness of our refineries.

A Question from Investors The current heavy-light crude oil price gap is quite wide. Do you think this gap will be maintained or further widened in the future?

We believe it is highly likely that the gap will be maintained or widened over the medium and long terms.

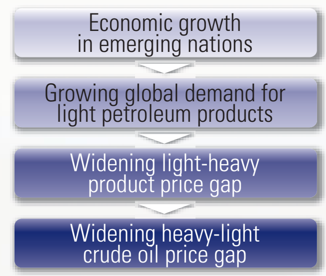
The current heavy-light crude oil price gap is again widening, and we expect this gap to persist and widen in the future. Why? Because demand for light petroleum products is predicted to rise in tandem with economic growth and increasing motorization in emerging nations. This should strengthen demand for light crude oils, which are well suited to the manufacture of light petroleum products. The result will be higher prices of light crude oils and a further widening of the heavy-light crude oil price gap. We believe that these trends will not change dramatically in the future.

To underscore the economic growth scenario in emerging nations, the International Energy Agency (IEA) estimates that demand for oil in China will be 2.7 times the oil demand in Japan by 2015. Moreover, the Indian oil market will grow to rival that of Japan over the same period. These represent explosive growth forecasts for petroleum products in emerging nations.

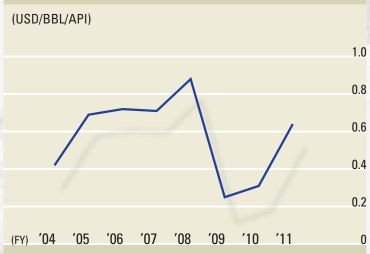
In light of worldwide demand trends for petroleum products, especially in Asia, the Cosmo Oil Group expects that its cutting-edge coker facilities will contribute to earnings over the medium and long terms.

For related information, please refer to pages 83, 84 and 103 of the "Facts and Figures" section, and the Glossary section (pages 104–105).

Relation between demand for light petroleum products and the heavy-light crude oil price gap

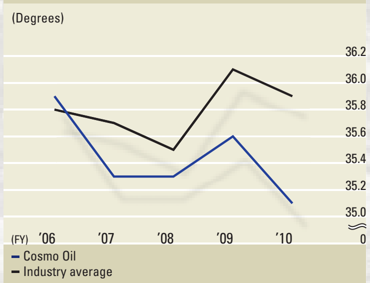


Heavy-light crude oil price gap



Notes: 1. Annual average for the Jan.–Dec. period
2. The FY2011 figure is for the first quarter.

API gravity of crude oil



Our Story

UNIQUENESS 2

What Makes Our Petrochemical Business Unique?

Our Business Model!

— Largest-scale production facility for para-xylene —

Cosmo Oil is implementing a range of measures in order to improve its product mix. As already outlined, we have built a new cutting-edge coker unit in response to falling domestic demand for heavy oil. Declining demand in Japan for gasoline as well has prompted Cosmo Oil to adopt another strategy also aimed at upgrading its portfolio.

By constructing one of the world's largest production facilities for para-xylene in South Korea, we will achieve overwhelming competitiveness through economies of scale and reap healthy profit margins.

In November 2009, Cosmo Oil and Hyundai Oilbank Co., Ltd. (HDO) established the joint venture HC Petrochem Co., Ltd. (HCP). HCP is currently building a new para-xylene facility in South Korea, which will have a production capacity of 800,000 tonnes, making it one of the largest single petrochemical plants in the world. Combined with its existing production capacity for para-xylene, the commissioning of this new facility will raise HCP's production capacity to 1,180,000 tonnes. The facility is scheduled to commence production in 2013, and HCP plans to export the para-xylene it produces to China.

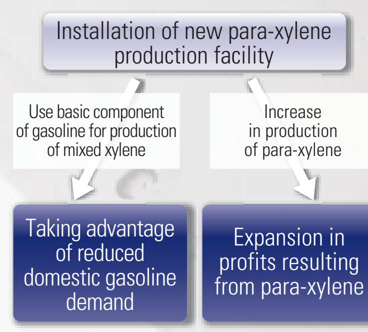
Our decision to build the largest-scale production facility for para-xylene was based on the following considerations. The production chain for polyester final products, such as clothing

Ground-breaking ceremony for the para-xylene production facility and PET bottles, starts with a reformate (a basic component of gasoline), followed by mixed xylene, para-xylene, purified terephthalic acid (PTA), and lastly polyester. Despite plans for the construction of a series of PTA manufacturing facilities in Asia by 2013, there are virtually no plans to build para-xylene production facilities. In other words, we expect there to be a strong demand for para-xylene around 2013, and higher prices will likely result because of the limited supply.

In addition, we expect demand for polyester to increase in Asia, particularly China, which is growing in parallel with the economic development of emerging countries. Taking such developments into account, Cosmo Oil is shifting to the production of para-xylene, a product that holds much promise in terms of both demand and price, using reformates at a time when domestic demand for gasoline is declining.

By moving away from products with declining demand to those with increasing demand, the Cosmo Oil Group is positioning itself for healthy profits in the future. This is also an effective way to address declining demand for gasoline in Japan.

Merits of installation of new para-xylene production facility



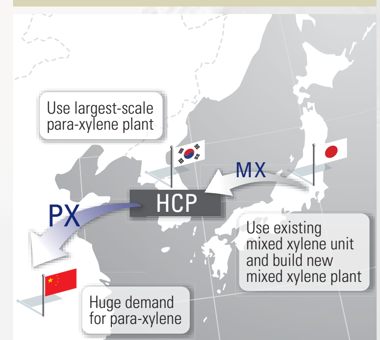
A Question from Investors With the tendency of the para-xylene market to undergo cyclical changes, will it be possible to earn continuous profits even at times of market downturn?

In addition to taking full advantage of the economies of scale, we will work hard to improve profits while reaping the benefits of basing our business in South Korea.

It is true that para-xylene margins are susceptible to cyclical change. Nonetheless, we believe there is a strong possibility that margins will increase once again by 2013 due to the limited supply of para-xylene amid strong demand. Furthermore, we are confident of prevailing against the competition even when margins are low, because we can exploit one of the largest economies of scale in the world.

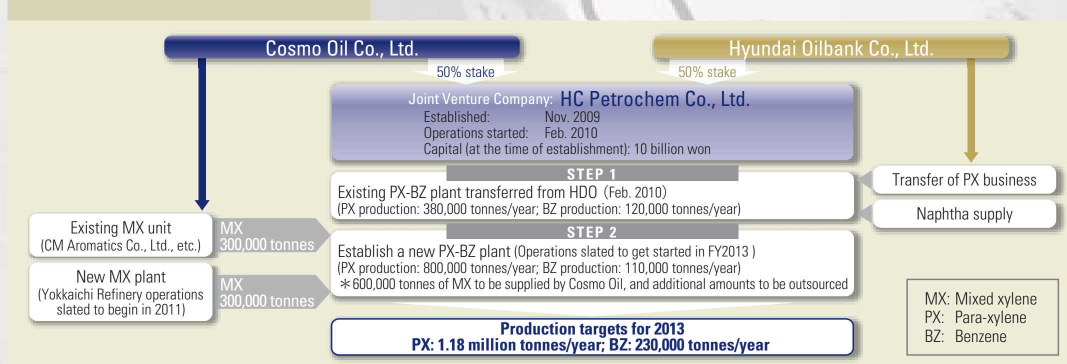
Locating our joint venture business in South Korea also has advantages. The corporate tax rate in South Korea is low compared with Japan, and there is a preferential tax system for foreign capital-backed companies. Under this system, HCP is eligible for preferential tax treatment for the first seven years that it earns taxable income.

Para-xylene business model I



Expand para-xylene sales in China through HCP

Para-xylene business model II



UNIQUENESS 3

What Makes Our Overseas Marketing Channels Unique?

Our Marketing Network!

— A stable sales network around the Pacific Rim —

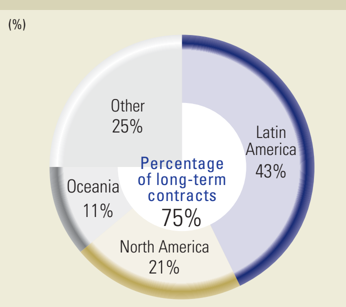
In the preceding discussions on the Cosmo Oil Group's "uniquenesses," we focused on two measures aimed at improving our product mix. Here, we examine how Cosmo Oil sells products made by adopting those measures. In "Uniqueness 2," we looked at the export to China of para-xylene manufactured from reformate (a basic component of gasoline) in South Korea. Here, we tell the story of how we sell the increased volumes of jet fuel, diesel fuel, and other products made possible by the new coker facilities introduced in "Uniqueness 1."

The Cosmo Oil Group ensures stable sales channels and earnings by signing long-term contracts with customers in regions that require high-quality petroleum products due to strict environmental regulations.

Instead of producing gasoline, the coker facilities described in "Uniqueness 1" make such products as jet fuel and diesel fuel by cracking heavy oil. The reason for building coker facilities to increase production of these commodities is that such products are much easier to export than gasoline, which is subject to standards that differ slightly from country to country.

So, where can we export these increased volumes of jet fuel and diesel fuel with the

Overseas sales by region (FY2010)



prospect of solid earnings?

Because of the enormous market in China, located near Japan, you might think that it would be logical to export such products to that country. However, the market there is not very attractive. This is because diesel fuel made in Japan has a low sulfur content and therefore clear stringent environmental regulations, so specifications are much higher than needed to comply with Chinese regulations. Unfortunately, at present it is not possible to add a margin to prices to compensate for such high specifications.

Therefore, Cosmo Oil has established a system that ensures the stable long-term supply of these products. Under this system, we sign long-term contracts with customers in overseas markets where environmental regulations are stringent and customers recognize the value of our premium products. These markets are located around the Pacific Rim, namely North America (California and Alaska), South America (Chile), and Oceania (Australia and New Zealand).

A Question from Investors Is it really profitable to export to regions far away from Japan, such as North and South America? If those markets are so good, isn't it likely that others will seek to enter them too?

It is the severity of these markets' environmental regulations that make them so hard to break into.

As discussed above, the Group exports only to regions that have strict environmental regulations. Consequently, only a limited number of exporters are able to clear such regulations, thereby creating a high threshold for market entry and also making the market a profitable one even for exports from Japan.

Exporters like Cosmo Oil, who can supply petroleum products that clear stringent regulations, are limited mainly to a few petroleum companies in South Korea and Singapore. We have succeeded in signing long-term contracts with customers by exploiting our position as one of the first exporters to such regions. The benefits our customers receive from stable long-term supplies from us outweigh the costs they would incur if shifting to a new supplier. This is a key competitive strength for Cosmo Oil.

As environmental awareness increases, we can expect to see a rise in demand for products that comply with stringent regulations. By pursuing marketing strategies centered on environmental regulations that target demand for high-quality petroleum products worldwide, the Cosmo Oil Group will capture additional demand from new regions and thus make its overseas sales channels even more robust.

For related information, please refer to page 85 of the "Facts and Figures" section.

Diesel sulfur specification for the Pacific Rim

Japan	10ppm
Australia	10ppm
New Zealand	10ppm
North America	CARB diesel fuel: 15ppm
Chile	Cosmo customers: 46ppm
India	Major cities: 350ppm
China	Urban areas: 350ppm

Cosmo's main export destinations

Our Story

UNIQUENESS 4

What Makes Our Domestic Sales Network Unique?

Our Customer Base!

— A rock-solid customer base —

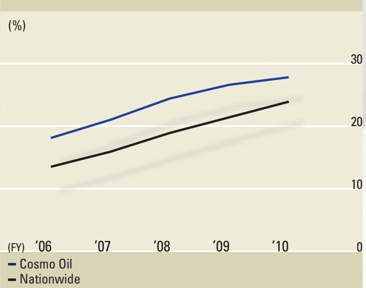
In "Uniqueness 3," we discussed the role of exports in the sales of the petroleum products we manufacture. However, we are not neglecting the domestic market despite ongoing declines in demand. Japan faces a shrinking population and calls for further savings in energy. It is inevitable, therefore, that demand for petroleum products will continue falling. Nevertheless, we believe that we can slow down the rate of decline in sales volume, depending on the actions we take. Below is an outline of such actions.

Thanks to our rock-solid customer base, we are able to maintain stable sales volumes.

Cosmo Oil's first strategy is to increase the number of its self-service stations in Japan. Whereas self-service stations are commonplace overseas, for many years full-service stations with attendants to pump fuel were mainstream in Japan due to government regulations. In 1998, however, there was an easing of regulations that made it possible to operate self-service stations, which have rapidly proliferated as a result. At present, Cosmo Oil's self-service stations sell, on average, twice as much automotive fuel as its full-service stations. This suggests that customers in Japan prefer self-service stations over full-service outlets. Cosmo Oil was one of the first in the industry to embrace self-service stations. The ratio of self-service stations in our overall network recently reached 27%, which is higher than the industry average. This enables Cosmo Oil to maintain a strong competitive edge in the sector.

The second initiative is the issuing of Cosmo the Card credit cards. As of March 31, 2011,

Self-service station ratio



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.

Cosmo Oil had more than 3.6 million credit card members. Our data shows that holders of Cosmo the Card credit cards on average purchase 1.8 times as much fuel at our service stations in value terms compared with non-cardholders. A further benefit of this card is that it helps us identify the purchasing habits of our many customers, which enables us to promote sales of car-care products effectively at our service stations. By responding to the needs of individual customers, we cultivate relationships with them, which encourages them to become regular users of our service stations.

In summary, we are increasing the number of self-service stations to attract new customers, and building relationships with existing customers to encourage regular use of our service stations through the issuing of Cosmo the Card credit cards. These strategies enable us to maintain a rock-solid customer base and slow down the rate of decline in sales volumes. Going forward, we can expect to see a nationwide shakeout of service stations in the face of increasingly severe sales competition. Cosmo Oil will strive to retain its place in the industry by making the most of its two unique features—self-service stations and Cosmo the Card.

A Question from Investors Even if Cosmo Oil prevails amid intense competition, won't the ongoing contraction in domestic demand for petroleum products worsen the profitability of service stations?

We will strive to improve profitability by enhancing the range of additional services provided by our service stations.

In order to enhance the profitability of our service stations, we believe that it is necessary to develop peripheral businesses that meet untapped customer demand. In an effort spearheaded by sales subsidiary Cosmo Oil Sales Corp., we have raised profitability by offering compulsory automobile safety inspections and selling used vehicles, in addition to the usual car-care offerings, such as car washes and oil changes. In December 2010, we established Cosmo B-cle Lease, a car leasing business with a unique brand. With the addition of this new business, Cosmo Oil service stations now offer customers a complete package of services—from vehicle sales to fuel supplies, compulsory automobile safety inspections, and routine maintenance. By encouraging customer loyalty in this way, we will continue improving the profitability of our service stations.

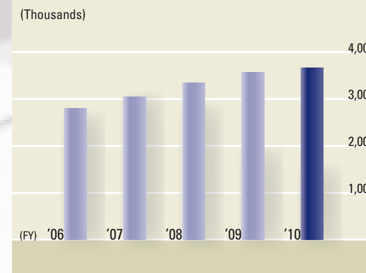
A Question from Investors What are your thoughts on the outlook for domestic fuel oil demand in the wake of the Great East Japan Earthquake?

The impact of the disaster on domestic petroleum product demand will differ according to the type of oil.

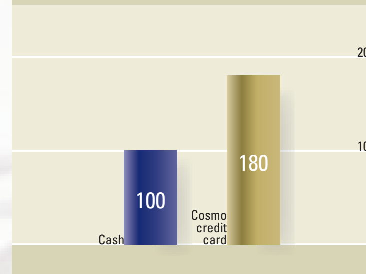
We believe that the earthquake will have a temporary slowing effect on the economy, and the resulting decline in demand will lead to a 2.7% year-on-year decrease in gasoline sales on a volume basis. By contrast, we forecast a 1.4% increase in demand for diesel fuel, especially for industrial use. This is due to solid demand for the transportation of goods associated with restoration efforts, as well as the need to commission heavy equipment in affected regions and generate electric power using gas turbines. With respect to heavy fuel oil C, we anticipate an increase in sales due to growing demand for thermal power generation. In FY2011, therefore, demand will differ according to fuel type, but we have not changed our view that domestic demand for gasoline, diesel fuel, heavy fuel oil, and others will continue to decline moderately over the medium and long terms.

For related information, please refer to pages 86, 87 and 103 of the "Facts and Figures" section, and the Glossary section (pages 104–105).

Number of active Cosmo the Card (Credit Cards)



Automotive fuel sales



Figures calculated with customers paying in cash as 100

Our unique brand logo for our car leasing business, provided at Cosmo Oil service stations

Our Story

UNIQUENESS 5

What Makes Our Oil Exploration and Production Business Unique?

Our Strong Ties!

— Strong ties with oil producing nations —

The Cosmo Oil Group has forged strong ties with the oil-producing nations of Abu Dhabi in the United Arab Emirates (U.A.E.) and Qatar through its oil exploration and development in those countries spanning many years. Stable operations, coupled with the benefit of soaring crude oil prices, have seen the oil exploration and production (E&P) business become one of the Group's main earning pillars. Below, we relate how our enduring ties with these oil-producing nations have become a huge asset in the E&P business and how these relationships contribute to earnings.

We expect to achieve stable high earnings thanks to high crude oil prices.

Having acquired a concession for the Mubarraz Oil Field in the U.A.E. in 1967, we have continued to engage not only in oil exploration and development, but also in a range of other initiatives, including environmental activities, cultural exchanges, and educational support. At the same time, as an ongoing user of oil, we have deepened our relationship with the oil-producing nations in that region on multiple levels. In 2007, Cosmo Oil entered into a strategic partnership with the International Petroleum Investment Company (IPIC*). In 2010, we further strengthened our ties with the U.A.E. when we welcomed H.E. Mohamed Al Hamli, Minister of Energy, and H.E. Nasser Alsowadi, Chairman of the Abu Dhabi Department of Economic Development, to our Board of Directors as outside directors.

Scene at the concession rights renewal ceremony

* IPIC is a wholly owned energy-related investment subsidiary of the Emirate of Abu Dhabi.

In February 2011, Abu Dhabi Oil Co., Ltd. (ADOC), a Cosmo Oil subsidiary, obtained a renewal of its concession agreement and acquired a new concession area. Cosmo Oil will continue generating sustained earnings thanks to its stable and longstanding operations in the region, coupled with high crude oil prices underpinned by strong growth in Asian markets.

A Question from Investors The E&P business has extremely high risks and costs. What kind of policies guide your investment in this business?

The Cosmo Oil Group engages in economically sound exploration and production by pursuing synergies with existing oil fields. Here, our activities center on both already discovered and undeveloped areas in regions with comparatively low exploration and development risks.

It is true that the biggest challenge facing the E&P business are the risks and costs involved. In Abu Dhabi and Qatar in the Middle East, which have been designated by Cosmo Oil as core areas for oil exploration and production, we pursue economically sound operations in relatively shallow waters, taking safety measures in accordance with the safety guidance and environmental regulations of both governments.

ADOC has successfully renewed its concession agreement, backed by its oil exploration and production track record that dates back more than 40 years, advanced environmental and production technologies, and ties with oil-producing nations. Cosmo Oil will continue pursuing stable operations to maintain the friendship and partnership of trust it enjoys with the Emirate of Abu Dhabi.

A Question from Investors What are your strategies to further increase earnings?

We look forward to a boost in earnings thanks to the granting of a new concession area to ADOC together with increased production by Qatar Petroleum Development Co., Ltd. (QPD).

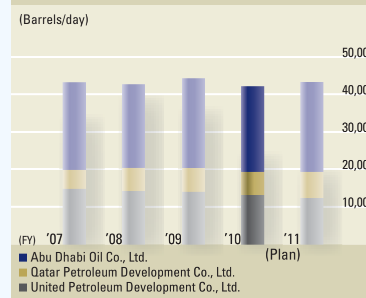
Cosmo Oil's ties with Qatar have deepened as a result of its investment in Laffan Refinery Co., Ltd. The commencement of additional production in the A-Structure South oil field by our consolidated subsidiary QPD in April 2011 is expected to boost production volumes by approximately 3,000 barrels/day. In addition, we are advancing exploration at the Block 3 mining claims in Qatar. While the volume of oil produced in the new concession area acquired by ADOC won't be known until our evaluation work has been completed, we anticipate that production will be similar to the current production rate of our three existing oil fields.

The new concession area is located around 10 kilometers from Mubarraz Island, where ADOC already has crude oil shipment facilities. By taking maximum advantage of ADOC's existing facilities, we expect to engage in highly economical development and production.

Drawing on its strong ties with oil-producing nations in this way, Cosmo Oil will continue steadily increasing earnings through its E&P business while controlling risks and costs.

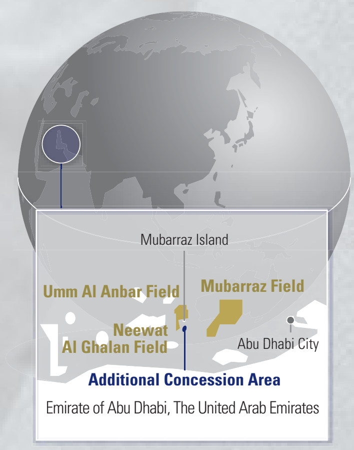
For related information, please refer to pages 80 and 81 of the "Facts and Figures" section.

Outlook for crude oil production volume



Notes: 1. Average production volume during the term for the three companies combined
2. Production volume from January to December 2010

ADOC New Concession Map



Location of A-South Field

Our Story

UNIQUENESS 6

What Makes Our New Businesses Unique?

Our Technology!

— Technologies enabling low-cost volume production of ALA —

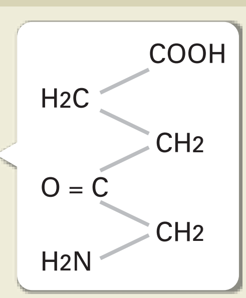
In the preceding discussions on our "uniquenesses," we have described how the Cosmo Oil Group has built up unique businesses based on an awareness of its operating environment in the petroleum and petrochemical businesses. We have also demonstrated how creating linkages between these unique features generates sustainable profits. In this final discussion on the topic, we tell the story of the Group's ALA (5-Amino Levulinic Acid) business. We have been focusing on this business in order to expand our business portfolio by harnessing income opportunities outside of the petroleum and petrochemical businesses.

We are tapping new markets for products made with ALA, underpinned by proprietary technologies enabling efficient and volume production.

There are probably many investors who, upon hearing the phrase "business portfolio expansion," feel some unease due to the substantial risks involved. However, in the case of ALA, which we are developing as a new business, this substance can be produced by employing a fermentation process that we have already developed. Moreover, it is not one of those businesses in which multiple competitors are engaged in a fierce battle for supremacy. Rather, it is a new business that is based on proprietary production technology, for which we are developing new markets.

The structural formula for ALA

ALA



Crop grown with ALA liquid fertilizer on the right

ALA is a naturally occurring amino acid present in all living organisms. This substance, said to be "the source of life," is essential for sustaining life, promoting growth, and producing energy. Until now, ALA was used only as a reagent in laboratory experiments for research purposes, due to the difficulty of producing this substance in large quantities. However, the Cosmo Oil Group has developed proprietary technology for a microbial fermentation process (using photosynthetic microbes), which has enabled volume production of ALA for the first time in the world. The Group patented this production method in 2000.

Our proprietary technology, by enabling volume production, has helped us reduce the cost of ALA. Accordingly, it is now possible to supply ALA for various applications, including fertilizers, animal feed, pet food, health food products, and cosmetics. This has enabled Cosmo Oil to develop products that use ALA.

A Question from Investors What challenges have to be overcome for ALA to become a profitable business?

The main challenge is the need to expand the size of markets by increasing awareness of ALA itself.

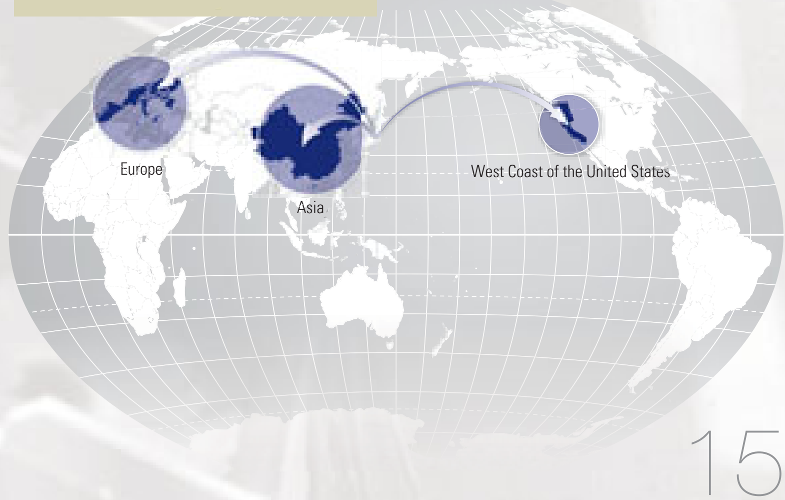
At present, the general public knows little about the benefits of ALA. This is because only a few products made using ALA existed until Cosmo Oil's development of technology that enables volume production. We can envisage ALA applications in a wide variety of sectors. For this to happen, however, we must expand the "ALA market" on a global scale by selling a range of products and thus raising the profile of ALA.

In this age, with heightened worldwide awareness about health, longevity, and quality of life, ALA is a substance with potential in applications that maintain, improve and increase health, and include anti-aging and anti-oxidation functions. In the future, applications in the medical field can also be expected.

Petroleum is an energy product that sustains society, while ALA is a substance essential for producing energy that is the source of life. The Cosmo Oil Group hopes to become a company that provides energy important for both society and life.

Overview of ALA operations

Major overseas markets for ALA

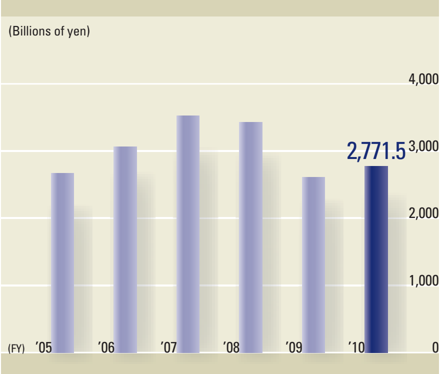


Cosmo Oil Company, Limited and Consolidated Subsidiaries

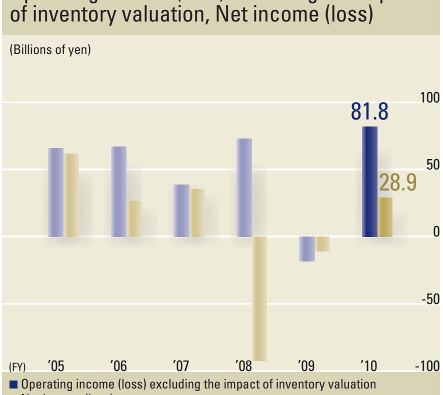
	FY2005	FY2006	FY2007	FY2008	FY2009	Millions of yen FY2010	Thousands of U.S. dollars FY2010
For the Year:							
Net sales	¥ 2,670,628	¥ 3,062,744	¥ 3,523,087	¥ 3,428,211	¥ 2,612,141	¥ 2,771,523	$ 33,331,606
Operating income (loss)	111,248	69,643	83,797	(107,006)	34,207	104,097	1,251,918
Inventory valuation gain (loss)	45,400	2,800	45,000	(180,100)	52,600	22,300	268,190
Operating income (loss) excluding the impact of inventory valuation	65,848	66,843	38,797	73,094	(18,393)	81,797	983,728
Net income (loss)	61,795	26,536	35,153	(92,430)	(10,741)	28,933	347,962
Capital expenditures	31,762	36,127	48,958	67,025	87,677	64,369	774,131
Depreciation and amortization	28,313	29,246	33,240	34,967	37,995	44,218	531,786
Cash flows from operating activities	(20,685)	25,005	(4,215)	82,136	2,262	26,297	316,260
Cash flows from investing activities	(1,348)	(35,868)	(32,806)	(55,953)	(93,306)	(73,109)	(879,242)
Cash flows from financing activities	39,608	80,023	(5,229)	57,854	159,302	(86,077)	(1,035,201)
Cash and cash equivalents at end of year	56,632	126,106	82,675	159,920	228,908	94,343	1,134,612
At Year-End:							
Total assets	¥ 1,463,579	¥ 1,579,156	¥ 1,627,904	¥ 1,440,396	¥ 1,645,048	¥ 1,579,424	$ 18,994,877
Total shareholders' equity	312,504	339,701	442,912	328,434	315,747	332,730	4,001,563
Interest-bearing debt	522,430	609,890	521,605	598,609	777,739	700,131	8,420,096
						Yen	U.S. dollars
Amounts per Share:							
Net income (loss)	¥ 94.54	¥ 39.54	¥ 46.72	¥ (109.11)	¥ (12.68)	¥ 34.16	$ 0.41
Net assets	465.48	506.15	522.84	387.71	372.74	392.80	4.72
Cash dividends	10.00	8.00	8.00	8.00	8.00	8.00	0.10
Ratios:							
Return on assets (ROA) (%)	4.4	1.7	2.2	(6.0)	(0.7)	1.8	—
Return on equity (ROE) (%)	22.9	8.0	9.0	(24.0)	(3.3)	8.9	—
Debt-to-equity ratio (times)	1.7	1.8	1.2	1.8	2.5	2.1	—
Payout ratio (%)	8.37	25.30	15.28	—	—	23.42	—

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for the convenience of readers only, at the rate of ¥83.15 to US$1.00, the approximate rate of exchange prevailing at March 31, 2011.
2. Recorded inventory valuation gains (losses) from FY2000 through FY2007 are based on the periodic average method of inventory valuation, whereas recorded inventory valuation gains (losses) from FY2008 are based on the lower of cost or market method as dictated by ASBJ (Accounting Standards Board of Japan) Statement No. 9, "Accounting Standard for Measurement of Inventories."
3. Effective from FY2006, shareholders' equity is calculated as total net assets minus minority interests.
4. Up to and including FY2005, total shareholders' equity per share was presented rather than net assets per share.
5. Up to and including FY2005, ROE was calculated as net income divided by total shareholders' equity.
6. Up until FY2009, the figures had been rounded up or down to the nearest million. From FY2010 onward, the figures have been rounded off to the nearest million.

Net sales



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



Shareholders' equity, ROE

Net sales

Net sales totaled **¥2,771.5** billion, up **¥159.4** billion from the previous fiscal year.

▲ The purchase price of crude oil increased for the year, which helped boost prices of Cosmo Oil's products. During the year, we led the industry in modifying our pricing formula in April 2010. This, together with the effect of the Great East Japan Earthquake in March 2011, led to a 3.3% year-on-year decline in volume sales of fuel oil.

Operating income excluding the impact of inventory valuation

Operating income jumped **¥69.9** billion, to **¥104.1** billion.

Operating income excluding the impact of inventory valuation (when crude oil prices are rising, relatively inexpensive inventories at the beginning of the period push down the average cost of inventories throughout the period) amounted to **¥81.8** billion, an improvement of **¥100.2** billion over the previous year.

▲ In the petroleum business, we maintained appropriate profit margins on petroleum products owing to modification of our pricing formula and proper management of a tight supply-demand situation.
▲ Oil exploration and production earnings increased on the back of rising crude oil prices.
▼ Earnings in the petrochemical business declined due to worsening market conditions.

Net income

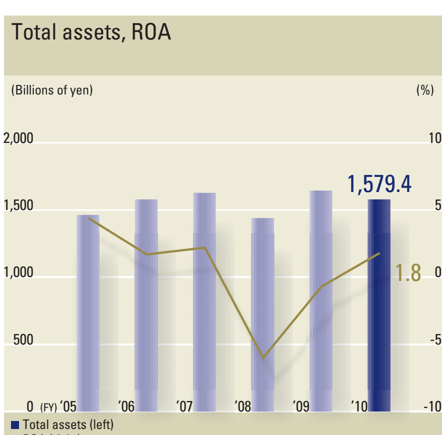
Net income amounted to **¥28.9** billion — the Company's first bottom-line profit in three years. This represented an improvement of **¥39.6** billion from the previous year.

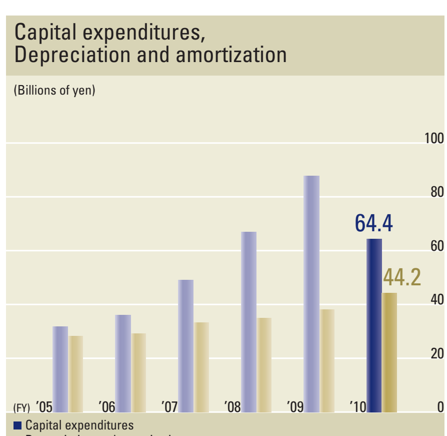
▲ Operating income rose ¥69.9 billion year-on-year thanks to improved margins on petroleum products and the rationalization of operations.
▼ The Great East Japan Earthquake incurred extraordinary losses of ¥5.7 billion. This consisted mainly of disposal and removal costs for LPG tanks at the Chiba Refinery, which sustained fire damage, and disposal and removal costs for service stations affected by the earthquake.

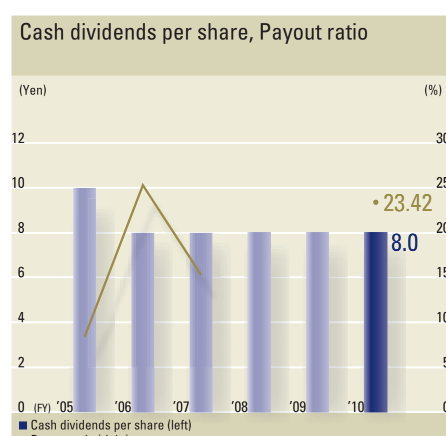
ROA and ROE

Thanks to a positive net income figure for the first time in three years, both ROA and ROE also became positive, reaching **1.8**% and **8.9**%, respectively.

▲ The shareholders' equity ratio increased 1.9 percentage points, from 19.2% to 21.1%.
▲ The debt-to-equity ratio improved from 2.5 times at the end of the previous fiscal year to 2.1 times.








We are committed to fulfilling our responsibilities as an energy company through the stable supply of petroleum products.
Yaichi Kimura
President
Keiichiro Okabe
Chairman

The Cosmo Oil Group Mission

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

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

Review of FY2010

Great East Japan Earthquake: Impact and Responses

Immediately after the Great East Japan Earthquake struck on March 11, 2011, LPG tanks at our Chiba Refinery caught fire (extinguished on March 21). We deeply regret the major anxiety caused to shareholders and other investors as a result of this event.

Although we managed to prevent the fire from spreading to refining equipment, a total of 17 LPG tanks were destroyed, incurring extraordinary losses of ¥5.7 billion. On June 30, 2011, meanwhile, we received notice of revocation of self-certification for the Chiba Refinery from the Nuclear and Industrial Safety Agency, Ministry of Economy, Trade and Industry, for the Chiba Refinery. This notice disallows the refinery from conducting legal inspections of its own equipment, and such inspections will now be done by Chiba Prefecture. We take very seriously the fact that a fire broke out at our refinery. Seeking to identify the cause of the fire and prevent a recurrence, therefore, we established an Accident Investigation Committee, which includes outside experts. Based on the findings of the Committee, we will devote our entire efforts to restoring the Chiba Refinery's operations.

Performance in FY2010

In fiscal 2010, the Cosmo Oil Group made steady progress in streamlining operations while at the same time securing appropriate and stable margins in its petroleum business.

As a result, consolidated net sales increased ¥159.4 billion year on year, to ¥2,771.5 billion, and operating income jumped ¥69.9 billion, to ¥104.1 billion. Operating income excluding the impact of inventory valuation surged ¥100.2 billion, to ¥81.8 billion. Net income amounted to ¥28.9 billion, returning to positive territory for the first time in three years.

Fiscal 2011 Policies

The Great East Japan Earthquake has underscored the greater-than-ever importance of our responsibility to ensure stable supplies. To fulfill that responsibility, we must have a robust earnings base. In the current fiscal year, we will do our utmost to restore the Chiba Refinery, where operations have been suspended since the LPG tanks caught fire. At the same time, we will continue striving to secure optimal margins while making maximum use of the coker facilities at the Sakai Refinery completed in the previous year.

In the oil exploration and production and the petrochemical business segments, we will deploy our distinctive strengths to increase Group-wide output of crude oil and raise production of para-xylene and mixed xylene, in order to generate sustained profits.

Given that crude oil prices are expected to remain at a high level and domestic demand is declining, for FY2011 we forecast consolidated net sales of ¥2,920.0 billion (up ¥148.5 billion year on year), operating income of ¥90.0 billion (down ¥14.1 billion), and net income of ¥28.0 billion (down ¥0.9 billion).

June 2011

Keiichiro Okabe
Chairman

Keiichiro Okabe

Yaichi Kimura
President

Y. Kimura

In FY2010, we made steady progress on our Consolidated Medium-Term Management Plan.

FY2010 Results

Operating income
¥104.1 billion

Operating income excluding the impact of inventory valuation
¥81.8 billion

Net income
¥28.9 billion

FY2010 in review and progress of the Fourth Medium-Term Management Plan

Q Please tell us about the Cosmo Oil Group's performance in FY2010.

We undertook the revision of our wholesale pricing formula with unwavering resolve, and succeeded in achieving an appropriate supply-demand balance. These initiatives contributed significantly to an improved performance by the petroleum business, resulting in a substantial rise in income.

Responding to the deterioration of our profit margins in fiscal 2009, we, acting with strong resolve, became the first in the industry to undertake the revision of our wholesale pricing formula. We were able to secure a stable profit margin on petroleum products as a result of other companies' following our lead by revising their own pricing formulas. This was also the result of cautiously balancing supply and demand while making smooth progress in the implementation of rationalization programs.

However, the petrochemical business posted lower revenue and earnings due to worsening market conditions. The oil exploration and production business was able to secure both revenue and earnings growth again in FY2010 thanks to high crude oil prices.

As a result of the above, consolidated net sales for the year totaled ¥2,771.5 billion, up ¥159.4 billion compared with FY2009. Operating income, excluding the impact of inventory valuation, amounted to ¥81.8 billion, an increase of ¥100.2 billion, owing largely to an improved performance by the petroleum business.

Q FY2010 was the inaugural year of the three-year Fourth Consolidated Medium-Term Management Plan. What progress has been made so far?

Two notable achievements are the improved petroleum product margin and the renewal of the concession agreement by Abu Dhabi Oil Co., Ltd. (ADOC). During the year, we also implemented rationalization measures and other key programs.

In FY2010, the plan's main focus was to achieve a return to profitability in the petroleum business. We secured appropriate profit margin levels on the sales side and gradually implemented rationalization measures. As a result, improved sales margins contributed ¥77.8 billion and rationalization ¥15.7 billion to increased income.

In the oil exploration and production business, stable crude oil production continued, and ADOC renewed its concession agreement. In the petrochemical business, we made steady progress with plans for the construction of a para-xylene plant in South Korea and other projects.

As these achievements illustrate, the first year of the Consolidated Medium-Term Management Plan proceeded smoothly. When I look back at the Group's performance in FY2010, however, I am saddened by the fire that broke out at the Chiba Refinery during the Great East Japan Earthquake.

Impact of the Great East Japan Earthquake, the Group's response, and outlook

Q Please tell us about the current state of the Chiba Refinery, where LPG tanks caught fire on March 11 as a result of the Great East Japan Earthquake, and the outlook for the refinery's recovery.

At present, its operations as a refinery are suspended. Based on a report from the Accident Investigation Committee, we will make utmost efforts to achieve the earliest possible resumption in operations.

Although there was no damage to refining equipment, the Chiba Refinery currently functions as an oil storage and shipping facility.

Cosmo Oil has three other refining facilities besides the Chiba Refinery. To compensate for the shortfall caused by the fire, we have boosted refining capacity at the Yokkaichi Refinery and Sakaide Refinery by a total of 80,000 barrels/day. But because this is not sufficient, we are also relying on imports and purchases in the domestic market. In our FY2011 budget, we included provision for costs incurred as a result of these purchases and imports.

Going forward, we will formulate measures to prevent a recurrence based on the findings of our Accident Investigation Committee, which includes outside experts. Under the guidance of the relevant supervisory authorities, as well, we will strive to resume the stable oil supplies with top priority on safety, while keeping local communities fully informed. We will do our best to realize the resumption of operations, taking into account the findings of the aforementioned committee. Reconstruction of the affected LPG tanks will be covered by insurance to a certain extent.

Q What is the outlook for the Group's performance in FY2011?

We will generate operating income on par with the FY2010 level by working to secure profit margins and stabilize operations.

As for the market environment, on which we base our performance forecasts, in Japan we anticipate steady demand for diesel, asphalt, and heavy fuel oil for reconstruction purposes. In the long term, however, the market will continue the current downward trend, and it is likely that demand for gasoline and other light petroleum products will decrease due to the prevailing mood of consumer restraint. If we take into account the recent situation in the Middle East and speculative buying, moreover, we can expect prices to remain high.

Under these circumstances, we will endeavor to achieve an appropriate supply-demand balance in order to continue securing profit margins. I think sales volumes will fall below FY2010 levels on the back of declining demand. Still, we forecast operating income, excluding the impact of inventory valuation, of ¥86.0 billion, which is about the same as FY2010. We anticipate a rise in operating income will result from the securing of profit margins in the petroleum business and an increase in revenue by the oil exploration and production business, reflecting the high crude oil prices. This figure also assumes that the Chiba Refinery will be able to resume partial production in the second half of the year, and it factors in the cost of alternative supply during that period.

Now that our authority to self-certify safety and completion inspections has been revoked, we will be required to halt facility operations for maintenance on an annual basis. This will have an impact on revenue in the year ending March 2013 and beyond.

Q In light of changes to the business environment following the earthquake, have you made any changes in your approach to the Amended Basic Guidelines on the Promotion of the Use of Nonfossil Energy Sources and Effective Use of Fossil Energy Source Materials by Energy Suppliers?

At present we have not made any changes, although the outcome will depend on discussions related to the government's forthcoming energy policies.

In light of the situation concerning to nuclear power generation, we can expect all sorts of discussions regarding Japan's future energy policies. However, from the long-term perspective, structurally we still expect to see a decline in domestic demand for petroleum.

Furthermore, because there have been no changes to the Guidelines themselves, there will be no change in our initiatives.

The uniqueness of the Cosmo Oil Group

Q Please outline the background to ADOC's renewal of the concession agreement. Also, how will Cosmo Oil Group leverage this concession for its future growth?

The renewal of the agreement is the fruition of a trusting 40-year relationship. The extra output from the new concession area will contribute to increased income.

The renewal of the agreement is a validation of our safe and careful crude oil production and environmentally conscious operations over the 40 years since we began operations in Abu Dhabi. As a result, we have obtained a 30-year extension of the concession rights for the current three operating fields, as well as a new concession area.

Because the new concession area is an already discovered but as yet undeveloped oil field, we will be able to shorten the run-up to the start of production. Moreover, we will be able to produce crude oil extremely efficiently owing to the field's location near existing facilities, which will allow us to curb investments in unloading equipment. Production volume is expected to be similar to that of our existing concession rights. This will contribute to an increase in the Group's total production, which will in turn boost earnings. (Please refer to pages 12 and 28 for further details.)

Q Please tell us about the progress of the petrochemical business in South Korea.

Preparations are proceeding smoothly ahead of the start of production in 2013.

The Group's petrochemical business in South Korea covers the production of para-xylene by HC Petrochem Co, Ltd. (HCP), a joint venture between Cosmo Oil and Hyundai Oilbank Co., Ltd. (HDO). At present, HCP's annual production capacity for para-xylene is 380,000 tonnes, but the completion of construction of a new facility in 2013 will raise capacity by a further 800,000 tonnes. With a combined production capacity of 1,180,000 tonnes, this business will be one of the largest of its kind in the world. Construction on the new plant began in July 2011, and is expected to be completed in 2013.

For Cosmo Oil, this business is our first full-scale move into the petrochemicals field in overseas markets. Simultaneously, we have entered the para-xylene business, after considering this option for many years. We consider it a big advantage to have formed a joint venture in South Korea, which has a big market like China behind it. (Please refer to pages 06 and 32 for further details.)

Q Since the suspension of nuclear power generation facilities in the wake of the Great East Japan Earthquake, attention has turned to renewable energy. What initiatives is Cosmo Oil undertaking in this area?

We have been focusing on wind power generation. Eco Power Co., Ltd., which we acquired last year, turned a profit in its first year under our umbrella.

In 2010, we acquired Eco Power Co., Ltd., a long-established wind power generator. In the wind power generation business, it is important to have a high utilization rate. Targeting a utilization rate of 25%, we have reduced the downtime required for correcting malfunctions and breakdowns by enhancing maintenance. As a result, in FY2010 we succeeded in raising the utilization rate from 18% to 22%, and in the space of a single year Eco Power has moved into the black.

Following the earthquake, the Japanese government has proposed that natural energy sources be included among its core energies. Therefore, we are laying the groundwork for further investment opportunities while giving due consideration to the government's energy policies. (Please refer to page 31 for details of other initiatives.)

Q Is Cosmo Oil Group undertaking any unique initiatives in new business fields?

As a future earnings pillar, we are developing a business that uses ALA as an active ingredient.

The Cosmo Oil Group possesses proprietary technology that allows for a low-cost method of achieving volume production of 5-Amino Levulinic Acid (ALA), an amino acid that is vital for promoting the growth of living organisms. We are working hard to develop businesses in a range of fields that use ALA as an active ingredient. In FY2011, we plan to file for approval for hair growth products made with ALA for use as a quasi-drug. ALA is considered to have much potential in pharmaceutical applications. We are currently conducting research into the application of ALA for drugs that are in worldwide demand, such as those used to treat cancer and brain tumors. (Please refer to pages 14 and 31 for further details.)

Shareholder return policy

Q Lastly, what are your policies with respect to shareholder return?

We will maintain a policy of stable dividends. In FY2011, we plan to pay annual dividends of ¥8.00 per share, unchanged from FY2010.

The Cosmo Oil Group will maintain its policy of making stable dividends to shareholders. First, we will allocate cash obtained through the implementation of the Consolidated Medium-Term Management Plan to reinforce our financial position—the bedrock of stable operations. Next, we will invest in carefully selected businesses recognized as future earnings drivers.

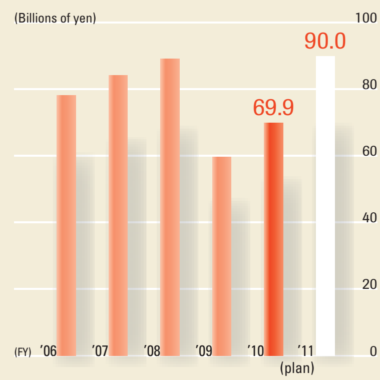
In FY2011, we plan to pay annual dividends of ¥8.00 per share, unchanged from FY2010.

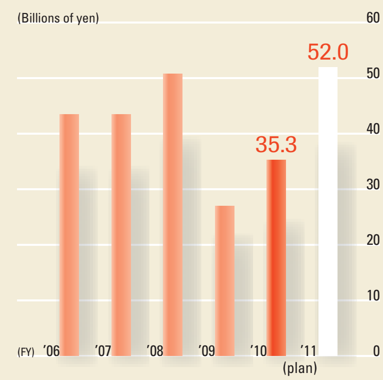
We will continue leveraging our Uniquenesses for increased profitability.

REVIEW OF OPERATIONS

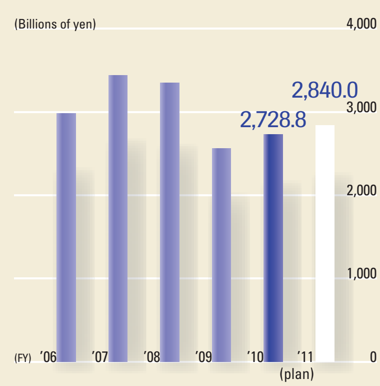
NET SALES	OPERATING INCOME (LOSS)

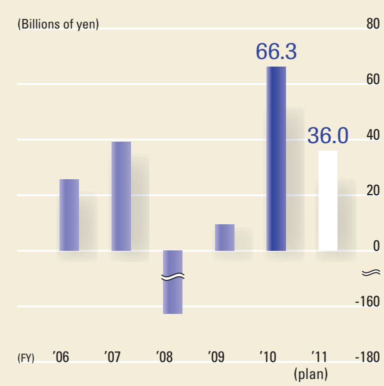
Oil Exploration and Production Business





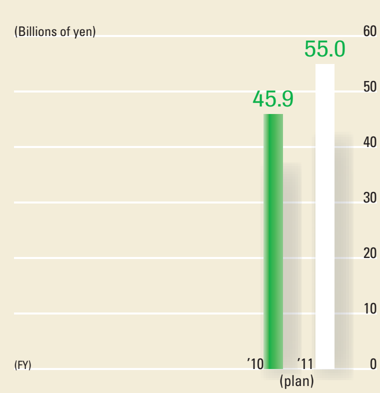
Petroleum Business

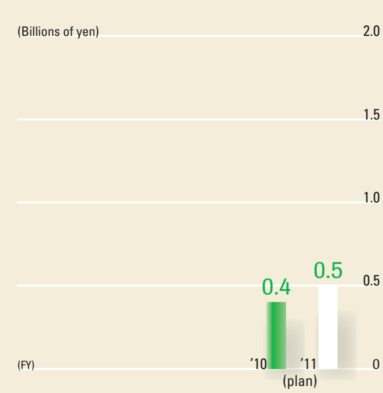




The Petrochemical Business, which had previously been included in the Petroleum Business segment, was made a separate segment from FY2010.

Petrochemical Business





OVERVIEW | THE UNIQUE FEATURES OF EACH BUSINESS

- The core area for the Cosmo Oil Group is the Middle East. In the United Arab Emirates (U.A.E.), we are engaged in oil exploration and production through Abu Dhabi Oil Co., Ltd. (ADOC), and United Petroleum Development Co., Ltd. In Qatar, we conduct such activities through Qatar Petroleum Development Co., Ltd.
- In Australia, a sub-core area for the Cosmo Oil Group, oil exploration is conducted by Cosmo Oil Ashmore Ltd.

- **Solid ties with oil-producing nations** — For over 40 years, the Cosmo Oil Group has built unshakable relationships of trust with oil-producing nations. For example, we recently obtained renewal of ADOC's Concession Agreement in February 2011 for a 30-year extension and acquired a new concession area. Our close ties with oil-producing nations provide a firm foundation for stable earnings over the long term, backed by steady crude oil production and peaking oil prices.

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Petroleum Refining and Sales

- We refine crude oil imported from oil-producing countries into gasoline and other petroleum products at four refineries in Japan, which are located in Chiba, Yokkaichi, Sakai, and Sakaide. In addition to direct sales of refined products to large users in Japan, we sell on a wholesale basis to service station operators, as well as to our sales subsidiaries. Overseas, we mainly export our diesel fuel products to the West Coast of the United States, Chile, Oceania and elsewhere.

- **Cutting-edge coker facilities** — Cosmo Oil began full-scale operation of heavy oil cracking facilities (coker unit) at the Sakai Refinery in FY2010. By permitting more efficient production of high-value-added products from relatively cheap crude oil, this facility will help improve the Group's overall profitability.
- **A rock-solid customer base** — Self-service stations boast a high degree of sales efficiency. In Japan, Cosmo Oil is ahead of the industry average with respect to the proportion of self-service stations in its network. We have a rock-solid customer base built on customer brand loyalty, as evidenced by our industry-leading card membership rate.
- **Stable sales network around the Pacific Rim** — Regarding overseas sales operations, Cosmo Oil has formed direct, long-term contracts with end-users in overseas regions where environmental regulations are strict and barriers to entry high. This gives us strong, stable sales channels that are resilient to changing market conditions.

New Businesses

- The Cosmo Oil Group is rapidly moving forward in the wind power business and other renewable energy fields. We are particularly focusing on 5-Amino Levulinic Acid (ALA), which has broad potential applications in such areas as pharmaceuticals and fertilizers.

- **Technologies enabling low-cost volume production of ALA** — Cosmo Oil has proprietary technologies allowing the low-cost volume production of ALA, which represents a core new business. We are currently tapping markets for products that use ALA.

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- In Japan, petrochemical products are manufactured and sold by Cosmo Matsuyama Oil Co., Ltd., CM Aromatics Co., Ltd., and Maruzen Petrochemical Co., Ltd. In South Korea, HC Petrochem Co., Ltd., a joint venture with Hyundai Oilbank Co., Ltd. (HDO), began making and selling petrochemicals products in February 2010.

- **Largest-scale production facility for para-xylene** — Cosmo Oil entered the para-xylene business through a joint venture with HDO. We are now constructing one of the world's largest-scale production facilities for para-xylene, which when completed will deliver merits of scale that will significantly boost our cost-competitiveness.

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OIL EXPLORATION AND PRODUCTION BUSINESS

FY2010 Results

	Results	Year-on-Year Change
Net sales	¥69.9 billion	Up ¥10.3 billion
Operating income	¥35.3 billion	Up ¥8.3 billion

FY2011 Projection (Announced in May 2011)

	Projection	Year-on-Year Change
Net sales	¥90.0 billion	Up ¥20.1 billion
Operating income	¥52.0 billion	Up ¥16.7 billion

In the fiscal year ended March 2011, the Oil Exploration and Production Business segment, buoyed by rising prices of crude oil, reported operating income of ¥35.3 billion, up ¥8.3 billion from the previous year. Our foremost accomplishment of the fiscal year under review was the renewal of oil concessions and acquisition of new concession rights by Abu Dhabi Oil Co., Ltd., with the signing of a New Concession Agreement (covering three existing fields and an additional concession area) with the Supreme Petroleum Council of Abu Dhabi.

FY2010 Performance

In the year under review, crude oil prices increased over the previous fiscal year, and the yen remained strong on foreign exchange markets. Under these conditions, we continued ensuring stable production and achieved year-on-year increases in sales and income.

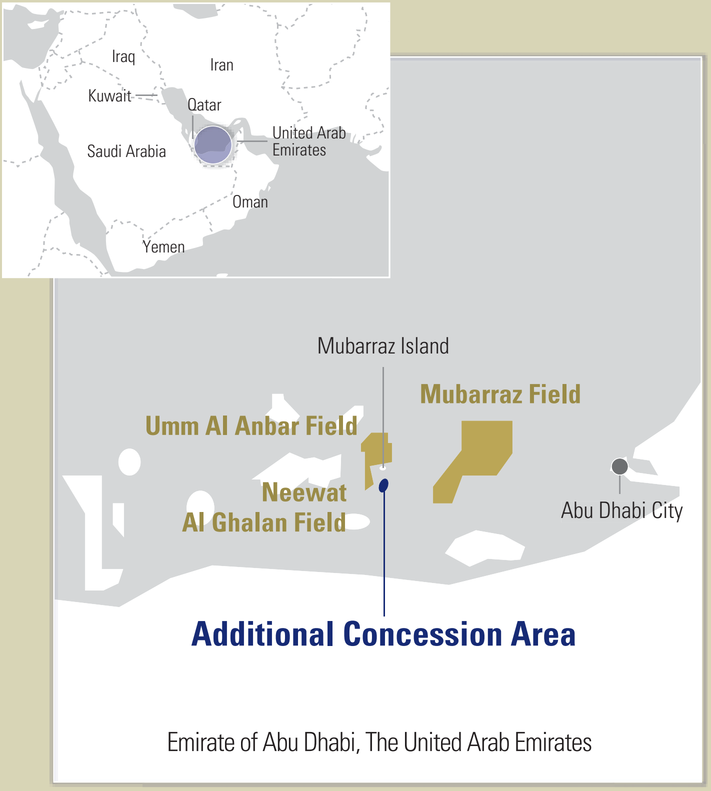
Total crude oil production by the three project companies in the Cosmo Oil Group—Abu Dhabi Oil Co., Ltd. (ADOC), United Petroleum Development Co., Ltd. (UPD), and Qatar Petroleum Development Co., Ltd. (QPD)—amounted to 42,154 barrels/day, down 5.0% from the previous year. This decline stemmed mainly from regular inspection work carried out by ADOC. Nevertheless, we maintained stable production throughout the year and also benefited from high crude oil prices. Accordingly, the Oil Exploration and Production Business segment posted a ¥10.3 billion year-on-year increase in net sales, to ¥69.9 billion, and an ¥8.3 billion rise in operating income, to ¥35.3 billion.

In February 2011, ADOC signed a New Concession Agreement covering the three existing fields it operates in Abu Dhabi and one new field (Hail Field). ADOC will continue its operations for a further 30 years under the agreement.

Strategies and Outlook

Going forward, we will strive to secure stable income through operation of existing oil fields. At the same time, we will start preparing for development of new fields. On April 27, 2011, QPD got off to a smooth start with oil production from A-Structure South Field in Qatar, and we expect total production to increase by around 3,000 barrels/day as a result. In the year ending March 2012, we forecast further increases in sales and income, with segment net sales of ¥90.0 billion and segment operating income of ¥52.0 billion. These forecasts assume an average crude oil price of US$100/barrel and an exchange rate of ¥82.50 per U.S. dollar. (These forecasts are based on the information available in May 2011.)

PRESS RELEASE ADOC SIGNS A NEW CONCESSION AGREEMENT (February 3, 2011)



Abu Dhabi Oil Co., Ltd. (Japan), ADOC, a subsidiary of Cosmo Oil Co., Ltd. and an oil operating company in Abu Dhabi, United Arab Emirates, announced today the signing of a New Concession Agreement with the Supreme Petroleum Council of Abu Dhabi. ADOC holds a 100% stake in the new concession.

The New Concession Agreement covering the three existing fields (Mubarraz Field, Umm Al Anbar Field and Neewat Al Ghalan Field) and an additional concession area, namely the Hail Field, is valid for 30 years from December 6, 2012, following the expiration of the current Concession Agreement.

ADOC has been operating in Abu Dhabi since its establishment in January 1968, and will continue its operations for another 30 years under the new concession agreement.

The Hail Field is located adjacent to ADOC's existing operating fields and includes undeveloped reservoirs, with the maximum oil production from these reservoirs anticipated to be similar to the current production rate of the existing oil fields. ADOC will commence exploration activities in the Hail Field, which will include drilling appraisal wells, and will develop and produce crude oil in a highly efficient and cost-effective manner through full utilization of ADOC's existing facilities, taking into high consideration the protection of the environment in the area.

The New Concession Agreement symbolizes the excellent bilateral relations between the U.A.E. and Japan. ADOC's experience of more than 40 years in Abu Dhabi and the various environmental protection activities carried out by the company utilizing advanced technology, such as zero gas flaring and sour gas injection into reservoirs, are all important factors that will continue to further the bilateral relations between both countries.

REVIEW OF OPERATIONS: PETROLEUM BUSINESS

(PETROLEUM REFINING, SALES, AND NEW BUSINESSES)

FY2010 Results

	Results	Year-on-Year Change
Net sales	¥2,728.8 billion	Up ¥140.1 billion
Operating income	¥66.3 billion	Up ¥57.6 billion
Impact of inventory valuation	¥22.3 billion	Down ¥29.3 billion

FY2011 Projection (Announced in May 2011)

	Projection	Year-on-Year Change
Net sales	¥2,840.0 billion	Up ¥111.2 billion
Operating income	¥36.0 billion	Down ¥30.3 billion
Impact of inventory valuation	¥4.0 billion	Down ¥18.3 billion

Petroleum Refining and Sales

In the year under review, the Petroleum Business segment reported a significant year-on-year increase in income. Contributing factors were a revision of its pricing formula, improved profit margins achieved via tight control of the supply-demand balance, and an enhanced profit structure resulting from rationalization programs.

FY2010 Performance

In FY2010, the Petroleum Business segment posted sales of ¥2,728.8 billion, up ¥140.1 billion year on year, owing to higher product prices on the back of soaring crude oil prices. Segment operating income, excluding the impact of inventory valuation, jumped ¥86.9 billion, to ¥44.0 billion. This increase in income is attributable to improved profit margins and rationalization programs.

Profit margins increased ¥77.8 billion as a result of two initiatives. One is the move by the Cosmo Oil Group in April 2010, ahead of others in the industry, to revise its wholesale pricing formula. This move was prompted by a growing sense of crisis concerning a difficult earnings environment in FY2009. The other is management of refinery operations throughout the year that reflected demand-supply conditions. Through the implementation of rationalization measures, the Group set a target of ¥15.0 billion in cost reductions for FY2010, the inaugural year of its Fourth Consolidated Medium-Term Management Plan. Thanks to steady enforcement of these measures, mainly in refining and sales, we achieved total cost reductions of ¥15.7 billion for the year.

In October 2010, our new heavy oil cracking facilities (coker unit) went into full operation at the Sakai Refinery. As a result, we began exporting diesel fuel and jet fuel produced at the plant to business partners around the Pacific Rim.

Strategies and Outlook

In the wake of the shutdown of the Group's Chiba Refinery following the Great East Japan Earthquake, an Accident Investigation Committee, established in April 2011 and including outside experts, examined the accident at the LPG tank yard, which remains closed. Based on the investigation report and under the guidance of regulatory authorities, we will take every possible measure to restore the plant's operations while making safety the No.1 priority.

Our forecasts for FY2011 are based on the assumption that the Chiba Refinery will recommence operation in the second half of the year. Therefore, they take account of costs incurred due to an increase in imports and purchases in the first half of the year.

In addition to maximizing gains from the heavy-light crude oil price gap by making optimum use of the coker unit commissioned in FY2010, we will continue measures taken during the year to secure appropriate and stable profit margins. We expect domestic sales to increase on the back of reconstruction-related demand, as well as demand for fuel for power generation to replace power produced by nuclear plants. Therefore, we expect higher sales of diesel fuel, heavy fuel oil C, and asphalt, although demand for other oil products is expected to decline due to the economic downturn and consumer restraint.

As a result, in FY2011 we forecast segment sales of ¥2,840.0 billion, up ¥111.2 billion. However, operating income, excluding the impact of inventory valuation, is expected to decline ¥12.0 billion, to ¥32.0 billion. (These forecasts are based on the information available in May 2011.)

New Businesses

FY2010 Performance

In new businesses, the Cosmo Oil Group is focusing on ALA, where it deploys proprietary technologies, and renewable energy, such as wind power, which is garnering widespread attention since the Great East Japan Earthquake.

In the ALA business, Cosmo Seiwa Agriculture Co., Ltd., a wholly owned subsidiary of Cosmo Oil Co., Ltd., formed an agreement with Earth Chemical Co., Ltd., a prominent name in the household products sector. The agreement, signed in February 2011, covers the supply of active ingredients for liquid fertilizers used in residential gardens. By exploiting various synergies—the technological and distribution capabilities of Earth Chemical in the household products market and the commercial potential of ALA—we are targeting further expansion of the market for fertilizers containing ALA.

In the health food products field, as well, we are working to expand the market for products using ALA. In April 2010, for example, SBI ALApromo Co., Ltd., in which Cosmo Oil has a 15% equity stake, began selling supplements made by synthesizing ALA.

In the wind power business, Cosmo Oil acquired Eco Power Co., Ltd., in March 2010. During the year, Eco Power undertook extensive preventative maintenance of its facilities and boosted its utilization rate. Accordingly, it turned a profit in its first year as a member of the Cosmo Oil Group.

Strategies and Outlook

Cosmo Oil is nurturing new businesses with the aim of enhancing its portfolio in areas outside of petroleum and petrochemicals, in light of the inevitable contraction of the domestic market for petroleum products.

In ALA, we will work to increase revenue in fields where we have already made good commercial progress, including fertilizers, animal feed, and health food products. At the same time, we will pursue product development in the pharmaceuticals field, which is expected to be highly profitable in the future.

In the wind power business, we will continue undertaking preventative maintenance in order to secure stable earnings. We will also search for new investment opportunities while monitoring trends in the government’s renewable energy policies.

PETROCHEMICAL BUSINESS

FY2010 Results

	Results	Year-on-Year Change
Net sales	¥45.9 billion	Down ¥5.9 billion
Operating income	¥0.4 billion	Down ¥0.5 billion
Impact of inventory valuation	¥0.0 billion	Down ¥1.0 billion

FY2011 Projection (Announced in May 2011)

	Projection	Year-on-Year Change
Net sales	¥55.0 billion	Up ¥9.1 billion
Operating income	¥0.5 billion	Up ¥0.1 billion
Impact of inventory valuation	¥0.0 billion	¥0.0 billion

The Petrochemical Business segment reported year-on-year declines in sales and income due to a difficult market environment. Meanwhile, we steadily increased production of mixed xylene and para-xylene.

FY2010 Performance

In the year under review, the Petrochemical Business segment reported sales of ¥45.9 billion, down ¥5.9 billion from the previous year, and operating income of ¥0.4 billion, down ¥0.5 billion. This was due to a challenging market environment in the first half. By contrast, the petrochemical product market showed signs of recovery toward the end of the period.

In the para-xylene business, HC Petrochem Co., Ltd. (HCP), a 50-50 joint venture in South Korea, began construction in July 2011 of a para-xylene production facility that will have an annual production capacity of 800,000 tonnes. The new facility is scheduled to start operating in 2013. The Cosmo Oil Group is also building a new mixed xylene production facility at its Yokkaichi Refinery. Completion of the facility, which will have an annual capacity of 300,000 tonnes, is scheduled for November 2011.

Strategies and Outlook

When the mixed xylene production facility at the Yokkaichi Refinery complex is completed in November 2011, the Cosmo Oil Group will have a total annual production capacity for mixed xylene of 600,000 tonnes. We will sell mixed xylene produced at the facility to para-xylene manufacturers in Asia up until 2013, when HCP's new para-xylene facility comes on stream. Once the new facility is up and running, we intend to sell all of the Group's mixed xylene to HCP.

At present, HCP continues to operate its existing para-xylene facility, which has an annual production capacity of 380,000 tonnes. In FY2011, we expect to see an upturn in the para-xylene market compared with FY2010, which should boost income.

Meanwhile, the methyl ethyl ketone production facility belonging to Maruzen Petrochemical Co., Ltd., an equity-method affiliate of the Cosmo Oil Group, was damaged as a result of the Great East Japan Earthquake. We expect a decline in earnings of this affiliate due to the closure of the facility throughout FY2011. The plant is scheduled to resume operations in June 2012.

As a result of the aforementioned, in FY2011 we forecast segment sales of ¥55.0 billion, up ¥9.1 billion year on year, and operating income of ¥0.5 billion, up ¥0.1 billion. (These forecasts are based on the information available in May 2011.)

COSMO OIL GROUP MANAGEMENT VISION AND CSR MANAGEMENT

COSMO OIL GROUP MANAGEMENT VISION

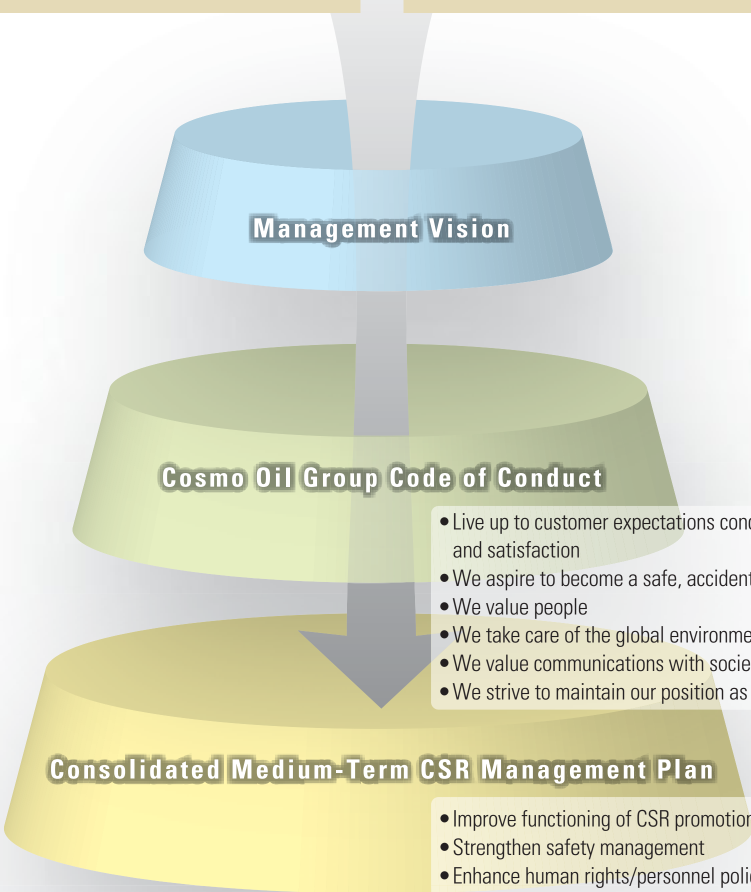
In striving for harmony and symbiosis between our planet, humankind, and society, we aim for sustainable growth toward a future of limitless possibilities.

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



Cosmo Oil Group Code of Conduct

- Live up to customer expectations concerning reliability and satisfaction
- We aspire to become a safe, accident-free company
- We value people
- We take care of the global environment
- We value communications with society
- We strive to maintain our position as an honest company

Consolidated Medium-Term CSR Management Plan

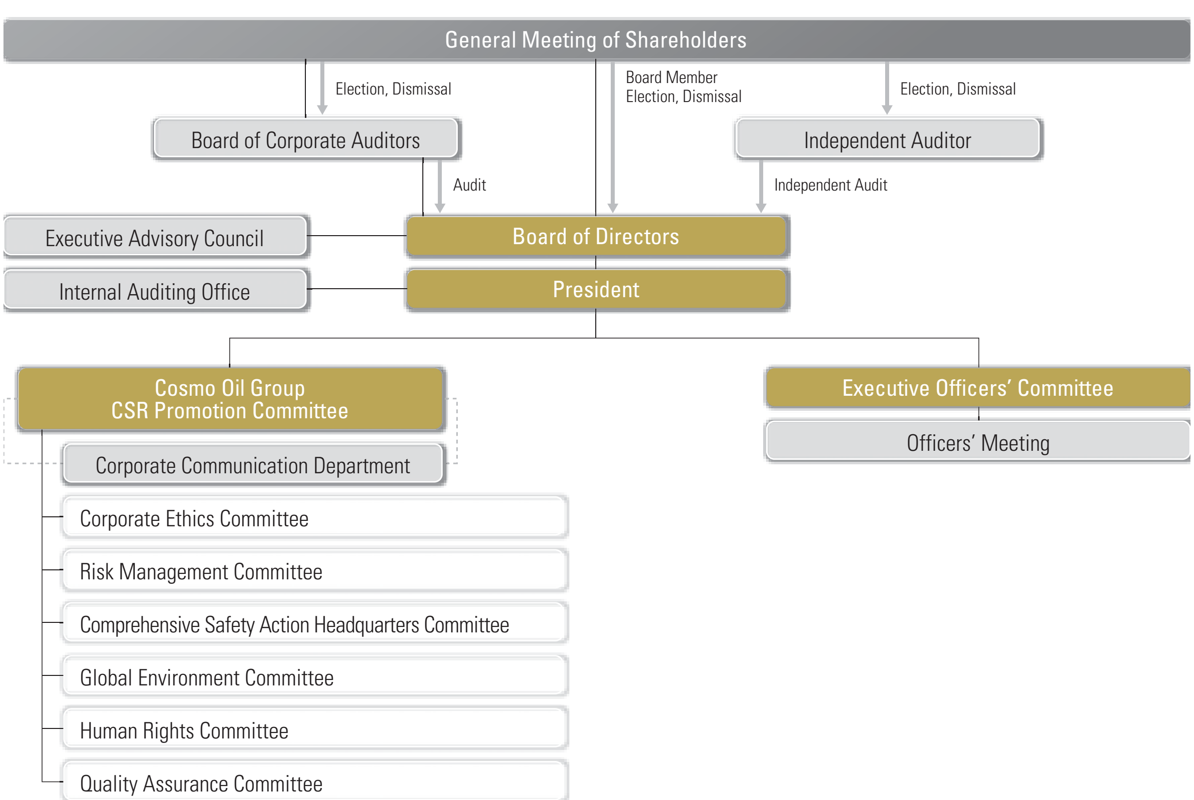
- Improve functioning of CSR promotion structure
- Strengthen safety management
- Enhance human rights/personnel policies
- Promote environmental initiatives
- Promote communication activities that respond to society

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, 2011)



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

Corporate Governance Structure, Measures and Implementation Status

Directors and Board of Directors

• Board of Directors

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

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

• Appointment and Term

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

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

• Outside Directors

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

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

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

• Separation of Roles of Chairman and President

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

• Frequency and Attendance

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

In the period from the 2010 Ordinary General Meeting of Shareholders to the 2011 General Meeting, the Board of Directors met on 15 occasions. Major topics covered at these meetings included the renewal of the concessions agreement by Abu Dhabi Oil Co., Ltd., a report on the current situation of Eco Power Co., Ltd., and an improvement plan for that company's maintenance system. Reports on sales, exports, supply and demand, and monthly income summaries were presented at each meeting.

Directors		Board of Directors (15 times)	
		Attendance Ratio*	
8 Directors		99%	
2 Outside Directors	Mohamed Al Hamli	100%	15 of 15
	Nasser Alsowaidi	73%	11 of 15

* Attendance ratios are calculated for the period from the Ordinary General Meeting of Shareholders, held on June 23, 2010, to the General Meeting held on June 23, 2011.

• 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 12 Directors*	¥318.36 million
Remuneration for 4 Outside Directors included in the above	¥22.44 million

* Includes two directors (including two outside directors) who retired upon the completion of the 104th Ordinary General Meeting of Shareholders held on June 23, 2010.
Payments to directors exclude employee bonuses paid to directors who are also employees.

Executive Officer System

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

• Appointment and Term

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

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

Executive Officers' Committee

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

Officers' Meeting

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

Auditors

• Board of Corporate Auditors

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

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

• Outside Auditors

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

• Background and Reason for Selection of Outside Auditors

Name	Hirokazu Ando (full-time)
Background	Former executive officer and general manager of the Group Planning Department at Mitsubishi UFJ Financial Group (formerly UFJ Holdings Inc.) Currently, an independent officer of Cosmo Oil.
Reason for selection	Mr. Ando has extensive experience in a broad range of industries besides the petroleum industry. He is a former executive officer and general manager of UFJ Holdings Inc. (currently Mitsubishi UFJ Financial Group), one of the Company's main business partners. A considerable period of time has elapsed since Mr. Ando retired from UFJ Holdings in June 2003, and the business relationship between the Company and UFJ Holdings is not deemed excessive. Consequently, Mr. Ando maintains a position of independence with no conflicts of interest between himself and regular shareholders.
Name	Hajime Miyamoto
Background	Former chairman and representative director of Kansai International Airport Co., Ltd. Currently, an independent officer of Cosmo Oil.
Reason for selection	Mr. Miyamoto is not an executive of a subsidiary or major client of the Company as defined in the Guidelines Concerning Listed Company Compliance, etc., which prescribes measures for determining the independence of independent directors and auditors. Consequently, Mr. Miyamoto maintains a position of independence with no conflicts of interest between himself and regular shareholders.
Name	Yoshitsugu Kondo
Background	Partner attorney at SANOCONDOW LAW OFFICE. Currently, an independent officer of Cosmo Oil.
Reason for selection	As an attorney, Mr. Kondo has expertise in corporate law and possesses ample knowledge of corporate governance. Although Mr. Kondo is a partner attorney at a law office with which Cosmo Oil has a legal advisory contract, the value of this contract is not sufficient to cause pecuniary dependence on the Company. Consequently, Mr. Kondo maintains a position of independence with no conflicts of interest between himself and regular shareholders.

• 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 14 times in the period between the 2010 and 2011 Ordinary General Meetings.

Outside Auditors	Board of Directors (15 times)		Board of Corporate Auditors (14 times)	
	Attendance Ratio		Attendance Ratio	
Hirokazu Ando	100%	15 of 15	100%	14 of 14
Hajime Miyamoto	93%	14 of 15	100%	14 of 14
Yoshitsugu Kondo	100%	15 of 15	100%	14 of 14

• Remuneration (FY2010)

	Remuneration
Remuneration for 6 auditors	¥92.28 million
Remuneration for 3 outside auditors included in the above	¥43.56 million

Internal Auditing System

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

Accounting Audits

In the fiscal year ended March 31, 2011, the Group's accounts were audited independently by KPMG AZSA LLC in accordance with Japan's Corporation Law and the Financial Instruments and Exchange Law. Designated limited liability and certified public accountants Naoto Yokoi, Masahiko Kobayashi, and Hiroshi Takasaki were assigned by KPMG AZSA LLC to audit the Company's accounts. Seven additional certified public accountants and 17 assistants also participated in the audit.

• Independent Audit Company Remuneration

	Remuneration
Remuneration for audit certification*	¥159.6 million
Remuneration for purposes other than the above	¥6.5 million
Total	¥166.1 million

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

Internal Control System: Compliance and Risk Management

Internal Control System Fundamentals

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

• Compliance with Japan's Financial Instruments and Exchange Law

Since April 2008, it has been mandatory for all corporations in Japan to comply with new standards for the evaluation and auditing of internal controls over financial reporting in accordance with Japan's Financial Instruments and Exchange Law, the Japanese version of the Sarbanes-Oxley Act. An evaluation of internal controls relating to the reliability of financial reporting as required by the Law found that as of March 31, 2011, the internal control systems of the Company and its subsidiaries were "effective." An evaluation by the Company's independent auditor found its internal controls were appropriate.

Promotion of Corporate Ethics

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

• Corporate Ethics Training

The Cosmo Oil Group conducts annual corporate ethics training for Group employees. In addition to stratified training according to rank, training sessions are sponsored by both the general managers of offices and departments and the presidents of Group companies. In order to reaffirm the importance of compliance, the Company in FY2010 held training sessions on various issues, including appropriate use of information systems and harassment.

• Corporate Ethics Consultation Helpline

The Cosmo Oil Group has set up a helpline by which employees or persons outside the Company can discuss or report legal or ethical problems concerning Group operations or other related matters. In addition to the helpline, as part of the Corporate Ethics Promotion Office, a consultation helpline staffed by external experts has been established. Callers are assured anonymity to avoid any adverse repercussions. In FY2010, five consultation cases were received and promptly addressed.

• Business Continuity Plan (BCP)

Earthquake Drills and BCP Revisions

In September 2010, the Company conducted its fourth real-time simulation drill based on a hypothetical scenario of an earthquake of 7.3 magnitude or higher in the northern section of Tokyo Bay. We plan to continue BCP training as part of our risk management program. When the Great East Japan Earthquake struck on March 11, 2011, we immediately established the Comprehensive Disaster Countermeasures Headquarters Committee, which initiated a BCP on the day after the earthquake. That BCP generally functioned effectively, with priority on supplying petroleum products to disaster-affected regions. It also placed maximum emphasis on quickly restoring refineries and shipment facilities where operations had been suspended. At present, we are coordinating our responses to the recent earthquake and are considering a reassessment of the BCP to include Tokai, East Nankai, Nankai, and other regions where earthquakes could potentially occur.

Initiatives Aimed at Reinforcing Corporate Governance

• Share Acquisition Guidelines

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

• Basic Policy on Large-Scale Share Acquisition

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

• Ordinary General Meeting of Shareholders

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

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

Concept of social contribution activity

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

Basic policy of social contribution activity

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

Activities for Children, the Environment, and Society

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

Cosmo Waku Waku Camp

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

Spreading the Environmental Message

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

Clean Campaign

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

SRI Index

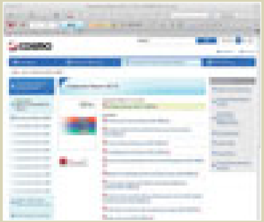
As of July 2011, Cosmo Oil was included in two internationally recognized SRI indexes: FTSE4Good Global Index (since March 2003) and Morningstar Socially Responsible Investment Index (since July 2003).

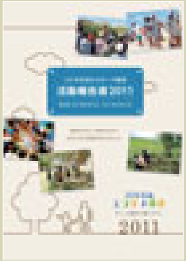
MS-SRI

FTSE4Good

Information on CSR Activities

For more detailed information on the Group's CSR and environmental activities, please visit the following site
http://www.cosmo-oil.co.jp/eng/csr/sustain/index.html





Social Contribution Activities: Cosmo Oil Eco Card Fund Activity Report 2011
http://www.cosmo-oil.co.jp/company/publish/ecoreport/index.html

CSR Activities: Corporate Report 2011
http://www.cosmo-oil.co.jp/eng/csr/sustain/index.html
Note: This report will be available for viewing on this website from December 2011.

Cosmo Oil Eco Card Fund

The Cosmo Oil Eco Card Fund "Living with Our Planet" projects are run in partnership with NPOs, nongovernmental organizations (NGOs), research institutes, and overseas communities. The Fund operates with donations from Cosmo The Card Opus Eco and Cosmo The Card House Eco cardholders and a portion of sales donated by the Cosmo Oil Group. Donations are made to 11 projects underway in Japan and other Asian countries. One of these projects is introduced below.

Qin Ling Mountains Forest and Ecosystem Recovery Project

The Qin Ling Mountains in China are a veritable treasure trove of rare wildlife where critically endangered species such as the golden snub-nosed monkey and the giant panda can be found. We are restoring biodiversity to its forests through the afforestation of forest roads that impede the movement of animals and research into the ecology of local flora and fauna. In fiscal 2010, 9,500 pine seedlings were planted along 12km of forest road. We are continuing to study the ecology of the golden snub-nosed money.

(From front left) Yaichi Kimura, Keiichiro Okabe, Keizo Morikawa
(From back left) Hisashi Kobayashi, Hideto Matsumura, Satoshi Miyamoto, Atsuto Tamura, Isao Kusakabe

Chairman, Representative Director

Keiichiro Okabe

President, Representative Director, Chief Executive Officer

Yaichi Kimura

Representative Director, Executive Vice President

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

Directors, Senior Executive Officers

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

Hideto Matsumura
Refining & Technology Dept., Maintenance & Engineering Dept., Safety & Environment Control Dept., and R&D Dept.

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

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

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

Directors

Mohamed Al Hamli

Nasser Alsowaidi

Auditors

Makoto Suzuki

Hirokazu Ando*

Hideo Suzuki

(*Outside Auditor)

Independent Auditors

Hajime Miyamoto*

Yoshitsugu Kondo*

(*Outside Auditor)

Senior Executive Officers

Kanesada Sufu
General Manager, Project Development Dept.

Hirohiko Ogiwara
General Manager, Tokyo Branch Office

Satoshi Nishi
General Manager, Accounting Dept.

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

Katsuhisa Ohtaki
General Manager, Yokkaichi Refinery

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

Executive Officers

Toshiaki Iwana
General Manager, Chiba Refinery

Teruyuki Takishima
General Manager, Maintenance & Engineering Dept.

Muneyuki Sano
General Manager, Industrial Fuel Marketing Dept.

Masayoshi Ishino
General Manager, Crude Oil & Tanker Dept.

Takashi Shono
General Manager, Sakaide Refinery

Yasushi Ohe
General Manager, Demand & Supply Coordination Dept.

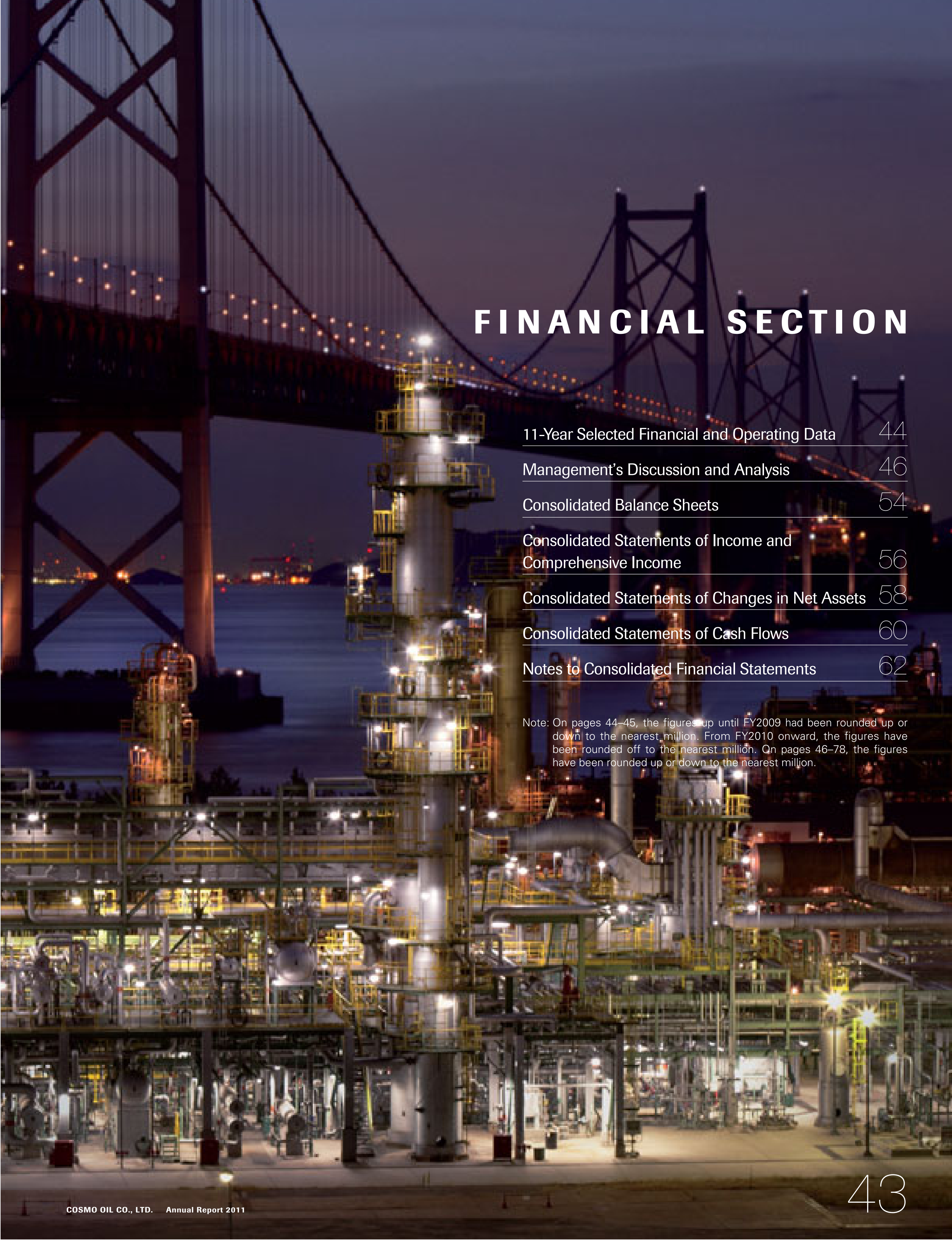
Katsuyuki Ihara
General Manager, Refining & Technology Dept.

Shigenori Nakano
General Manager, Distribution Dept.

Yoshimitsu Watanabe
General Manager, Information System Planning Dept.

Koji Goto
General Manager, Purchasing Center

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



FINANCIAL SECTION

Note: On pages 44–45, the figures up until FY2009 had been rounded up or down to the nearest million. From FY2010 onward, the figures have been rounded off to the nearest million. On pages 46–78, the figures have been rounded up or down to the nearest million.

11-YEAR SELECTED FINANCIAL AND OPERATING DATA

Cosmo Oil Company, Limited and Consolidated Subsidiaries

Millions of yen

	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
For The Year						
Net sales	¥ 1,845,842	¥ 1,813,838	¥ 1,902,768	¥ 1,916,278	¥ 2,154,559	¥ 2,670,628
Petroleum*	N.A.	1,749,882	1,832,598	1,863,091	2,105,257	2,617,446
Petrochemical	—	—	—	—	—	—
Oil exploration and production	N.A.	30,532	33,397	31,646	36,903	50,476
Other	N.A.	77,221	73,928	66,734	83,006	69,369
Elimination or corporate	N.A.	(43,797)	(37,157)	(45,194)	(70,607)	(66,663)
Cost of sales	1,664,757	1,659,438	1,754,853	1,758,858	1,956,160	2,422,272
Selling, general and administrative expenses	144,503	132,343	123,748	132,174	132,701	137,108
Operating income (loss)	36,582	22,057	24,167	25,246	65,698	111,248
Inventory valuation gain (loss)	13,800	(9,000)	17,300	(9,500)	12,600	45,400
Operating income (loss) excluding the impact of inventory valuation	22,782	31,057	6,867	34,746	53,098	65,848
Income (loss) before income taxes and minority interests	22,460	(1,881)	12,966	17,592	47,533	120,393
Net income (loss)	8,674	(5,190)	3,426	8,179	26,415	61,795
Capital expenditures	17,108	25,430	24,132	36,573	30,113	31,762
R&D costs	3,566	3,805	3,867	3,558	3,635	3,483
Depreciation and amortization	24,672	23,492	22,843	23,632	24,927	28,313
Cash flows from operating activities	58,824	76,646	(26,975)	101,827	40,494	(20,685)
Cash flows from investing activities	27,348	(13,944)	(12,811)	(32,709)	(36,577)	(1,348)
Cash flows from financing activities	(87,229)	(88,546)	10,127	(7,679)	(70,163)	39,608
At Year-End						
Total assets	¥ 1,319,960	¥ 1,242,171	¥ 1,246,730	¥ 1,260,092	¥ 1,323,149	¥ 1,463,579
Minority interests	21,243	23,395	24,773	24,887	17,945	20,803
Total shareholders' equity	177,773	194,303	193,595	204,806	227,897	312,504
Total current assets	630,950	535,125	557,460	560,843	611,213	762,404
Total current liabilities	702,556	635,358	659,223	659,402	692,620	733,452
Interest-bearing debt	610,686	548,653	562,649	559,259	497,804	522,430
Shares of common stock issued (thousands)	631,705	631,705	631,705	631,705	631,705	671,705

Yen

	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
Per Share Data						
Net income (loss)	¥ 13.81	¥ (8.24)	¥ 5.42	¥ 12.95	¥ 41.73	¥ 94.54
Diluted net income	13.53	—	—	12.74	—	92.17
Net assets	282.09	308.65	306.67	324.43	360.93	465.48
Cash dividends	6.00	6.00	6.00	6.00	8.00	10.00
Ratios						
Return on assets (ROA) (%)	0.7	—	0.3	0.7	2.0	4.4
Return on equity (ROE) (%)	4.9	—	1.8	4.1	12.2	22.9
Shareholders' equity ratio (%)	13.5	15.6	15.5	16.3	17.2	21.4
Debt-to-total capital ratio (%)	77.5	73.8	74.4	73.2	68.6	62.6
Debt-to-total assets (%)	46.3	44.2	45.1	44.4	37.6	35.7
Debt-to-equity ratio (times)	3.4	2.8	2.9	2.7	2.2	1.7

Notes: 1. U.S. dollar amounts are translated from Japanese yen, for the convenience of readers only, at the rate of ¥83.15 to US$1.00, the approximate rate of exchange prevailing at March 31, 2011.
2. Effective from the fiscal year ended March 31, 2003, the Company adopted a new standard for earnings per share; prior-year figures have not been restated.
3. Recorded inventory valuation gains (losses) from the fiscal year ended March 31, 2001 through the fiscal year ended March 31, 2008 are based on the periodic average method of inventory valuation, whereas recorded inventory valuation gains (losses) from the fiscal year ended March 31, 2010 are based on the lower of cost or market method as dictated by ASBJ (Accounting Standards Board of Japan) Statement No. 9, "Accounting Standard for Measurement of Inventories." Regarding the effect of inventory gain (loss) for the fiscal year ended March 31, 2001, stated inventory valuation gain reflects a change in accounting for inventory valuation from the last-in, first-out (LIFO) accounting method to the overall average price method.

FY2006	FY2007	FY2008	FY2009	Millions of yen FY2010	Thousands of U.S. dollars FY2010	
						For The Year
¥ 3,062,744	¥ 3,523,087	¥ 3,428,211	¥ 2,612,141	¥ 2,771,523	$ 33,331,606	Net sales
2,984,516	3,442,186	3,352,916	2,565,153	2,728,754	32,817,246	Petroleum*
—	—	—	—	45,940	552,495	Petrochemical
78,132	84,069	89,054	59,553	69,938	841,106	Oil exploration and production
85,517	99,010	91,790	88,470	68,652	825,640	Other
(85,421)	(102,178)	(105,549)	(101,035)	(141,762)	(1,704,895)	Elimination or corporate
2,852,242	3,290,688	3,389,408	2,435,366	2,539,032	30,535,562	Cost of sales
140,859	148,602	145,809	142,568	128,393	1,544,113	Selling, general and administrative expenses
69,643	83,797	(107,006)	34,207	104,097	1,251,918	Operating income (loss)
2,800	45,000	(180,100)	52,600	22,300	268,190	Inventory valuation gain (loss)
66,843	38,797	73,094	(18,393)	81,797	983,728	Operating income (loss) excluding the impact of inventory valuation
71,243	95,561	(117,180)	35,527	73,451	883,355	Income (loss) before income taxes and minority interests
26,536	35,153	(92,430)	(10,741)	28,933	347,962	Net income (loss)
36,127	48,958	67,025	87,677	64,369	774,131	Capital expenditures
3,753	3,840	3,863	3,657	3,834	46,109	R&D costs
29,246	33,240	34,967	37,995	44,218	531,786	Depreciation and amortization
25,005	(4,215)	82,136	2,262	26,297	316,260	Cash flows from operating activities
(35,868)	(32,806)	(55,953)	(93,306)	(73,109)	(879,242)	Cash flows from investing activities
80,023	(5,229)	57,854	159,302	(86,077)	(1,035,201)	Cash flows from financing activities
						At Year-End
¥ 1,579,156	¥ 1,627,904	¥ 1,440,396	¥ 1,645,048	¥ 1,579,424	$ 18,994,877	Total assets
21,912	26,815	19,016	15,833	17,508	210,559	Minority interests
339,701	442,912	328,434	315,747	332,730	4,001,563	Total shareholders' equity
882,082	933,722	688,310	845,337	793,363	9,541,347	Total current assets
811,846	812,028	683,883	744,174	622,173	7,482,538	Total current liabilities
609,890	521,605	598,609	777,739	700,131	8,420,096	Interest-bearing debt
671,705	847,705	847,705	847,705	847,705		Shares of common stock issued (thousands)
				Yen	U.S. dollars	
						Per Share Data
¥ 39.54	¥ 46.72	¥ (109.11)	¥ (12.68)	¥ 34.16	$ 0.41	Net income (loss)
37.91	44.98	—	—	33.58	0.40	Diluted net income
506.15	522.84	387.71	372.74	392.80	4.72	Net assets
8.00	8.00	8.00	8.00	8.00	0.10	Cash dividends
						Ratios
1.7	2.2	(6.0)	(0.7)	1.8		Return on assets (ROA) (%)
8.0	9.0	(24.0)	(3.3)	8.9		Return on equity (ROE) (%)
21.5	27.2	22.8	19.2	21.1		Shareholders' equity ratio (%)
64.2	54.1	64.6	71.1	67.8		Debt-to-total capital ratio (%)
38.6	32.0	41.6	47.3	44.3		Debt-to-total assets (%)
1.8	1.2	1.8	2.5	2.1		Debt-to-equity ratio (times)

4. Shareholders' equity until the fiscal year ended March 31, 2006 excluded minority interests. Shareholders' equity = Net assets – Minority interests.
5. Up to and including the fiscal year ended March 31, 2006, total shareholders' equity per share was presented rather than net assets per share.
6. Up to and including the fiscal year ended March 31, 2006, ROE was calculated as net income divided by total shareholders' equity.
7. Up to and including the fiscal year ended March 31, 2006, the debt-to-equity ratio was calculated using total shareholders' equity.
8. Up until FY2009, the figures had been rounded up or down to the nearest million. From FY2010 onward, the figures have been rounded off to the nearest million.

* The Petrochemical Business, which had previously been included in the Petroleum Business segment, was made a separate segment from FY2010.

Operating Environment

In the fiscal year ended March 31, 2011, there was anticipation of moderate recovery in the world economy and signs of a domestic economic turnaround stemming from an increase in exports and firm consumer spending. However, the Japanese economy continued to mark time, due to such factors as the yen's sharp appreciation after the summer of 2010 and a slowdown in export growth. Amid these conditions, domestic demand for petroleum products increased thanks to healthy demand for gasoline and diesel fuel, while sales of kerosene were also buoyed by a harsh winter. By contrast, demand for heavy fuel oil A decreased as users converted to other energy sources and adopted progressive energy-saving measures. Overall sales of petroleum products, therefore, remained mostly unchanged year on year.

The average price of crude oil for the year was in the US$84/barrel range, up US$15 from the previous year. This was due to a sharp rise in prices amid an increasingly volatile international situation, including political instability in Africa and the Middle East from January 2011.

With respect to exchange rates, the yen appreciated throughout the first half of the term from the ¥93 per dollar level at the beginning of the term, due to a flow of capital into the yen prompted by the sovereign debt crisis in Europe. Subsequently, the exchange rate moved in the low to mid- ¥80 per dollar range in the second half. Although the dollar weakened to the ¥76 per dollar level due to market volatility, which was triggered by the Great East Japan Earthquake in March, the term ended with the exchange rate at the ¥83 per dollar level due to factors including joint intervention by the G7 nations. As for domestic product market conditions, service station prices as well as the delivery price for industrial use followed an upward trend amid rising crude oil prices.

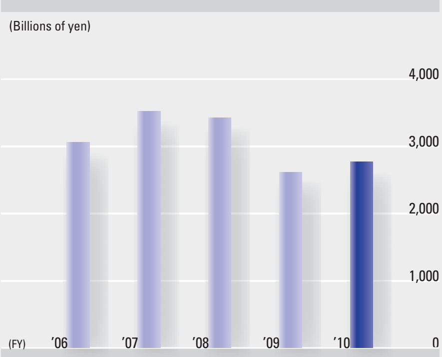
The period under review was the first year of the Group's Fourth Consolidated Medium-Term Management Plan. Facing the aforementioned conditions, Cosmo Oil executives and employees united in a campaign of rigorous rationalization and Group-wide reforms aimed at achieving the targets of the plan.

Review of Operations

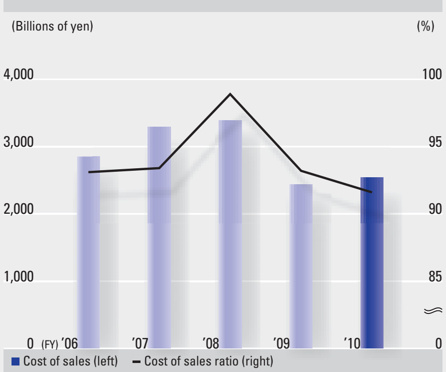
Overview

Consolidated net sales for the year amounted to ¥2,771.5 billion, up ¥159.4 billion from the previous year. Operating income rose ¥69.9 billion, to ¥104.1 billion. After accounting for extraordinary items and deducting income taxes, the Group posted net income of ¥28.9 billion, compared with a net loss of ¥10.7 bil-

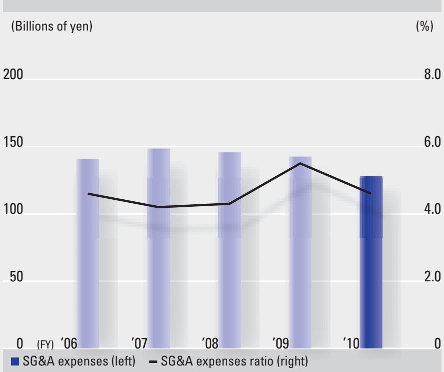
Net sales



Cost of sales, Cost of sales ratio



SG&A expenses, SG&A expenses ratio



lion in the previous year. Due to the increase in oil prices, the Group posted a ¥22.3 billion inventory valuation gain. Excluding the impact of inventory valuation, the Group posted operating income of ¥81.8 billion.

Net Sales

Consolidated net sales for the year increased ¥159.4 billion, to ¥2,771.5 billion.

In the Petroleum Business segment, sales rose ¥140.1 billion, to ¥2,728.8 billion. This was due to increasing crude oil prices and a continued recovery in the domestic market for petroleum products.

The Petrochemical Business segment reported a ¥5.9 billion decline in sales, to ¥45.9 billion. This segment faced a difficult earnings situation due to a worsening balance between demand and supply.

The Oil Exploration and Production Business segment posted a ¥10.3 billion increase in sales, to ¥69.9 billion, due to year-on-year growth in crude oil prices.

Operating Income

Operating income for the year increased ¥69.9 billion, to ¥104.1 billion. Main factors included higher margins stemming from recovery in the domestic product market, as well as rationalization measures and other efforts to reduce operating expenses.

In the Petroleum Business segment, operating income jumped ¥57.6 billion, to ¥66.3 billion. The segment benefited from higher year-on-year prices of both crude oil and petroleum products, but lower overall sales volumes. Other contributing factors included an improved earnings situation resulting from rising product prices, as well as the impact of inventory valuation, which pushed down cost of sales. Excluding the impact of a ¥22.3 billion inventory valuation gain, the segment posted operating income of ¥44.0 billion.

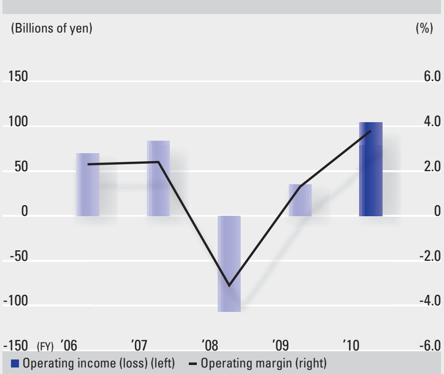
In the Petrochemical Business segment, operating income fell ¥0.5 billion, to ¥0.4 billion. This was due to declining margins stemming from the worsening supply-demand balance.

In the Oil Exploration and Production Business segment, operating income rose ¥8.3 billion, to ¥35.3 billion, buoyed by increasing crude oil prices. This was despite a slight decline in production volume due to regular equipment inspections.

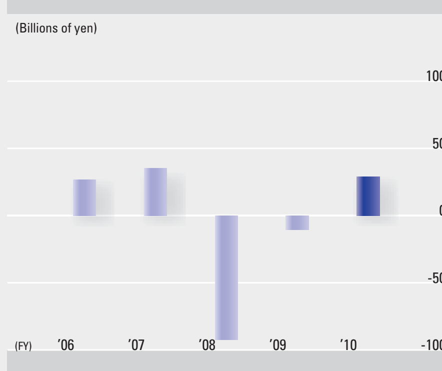
Net Income

Extraordinary losses totaled ¥22.6 billion, consisting mainly of losses on disposal of LPG tanks and service stations damaged by the Great East Japan Earthquake. Accordingly, income

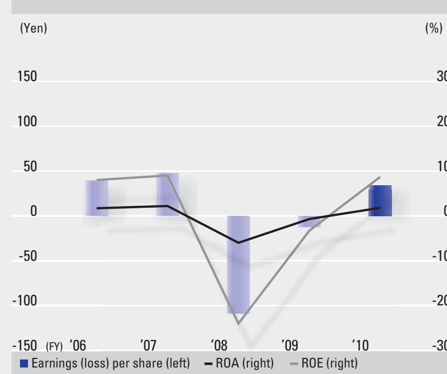
Operating income (loss), Operating margin



Net income (loss)



Earnings (loss) per share, ROA, ROE



before income taxes and minority interests amounted to ¥73.5 billion, up ¥38.0 billion from the previous year. After deducting total income taxes, including current income taxes (consisting of corporate, residence, and other income taxes) of ¥42.1 billion and minority interests in income of ¥2.4 billion, the Group recorded net income of ¥28.9 billion, compared with a net loss of ¥10.7 billion in the previous fiscal year. This marked a return to profitability for the first time in three years.

Outlook

In the period ending March 2012, the Group will steadily implement various measures under its Fourth Consolidated Medium-Term Management Plan, which began in April 2010. Under the plan, the Group is rationalizing and reforming its petroleum refining and petroleum sales businesses. In the Petrochemical and Oil Exploration and Production Business segments, meanwhile, we will pursue medium- and long-term growth strategies.

For the year, the Group expects crude oil prices of around the US$100/barrel level and an exchange rate of ¥82.5 per U.S. dollar. On a consolidated basis, we forecast net sales of ¥2,920 billion (up ¥148.5 billion year on year), operating income of ¥90.0 billion (down ¥14.1 billion), operating income excluding the impact of inventory valuation of ¥86.0 billion (up ¥4.2 billion), and net income of ¥28.0 billion (down ¥0.9 billion).

Segment Information

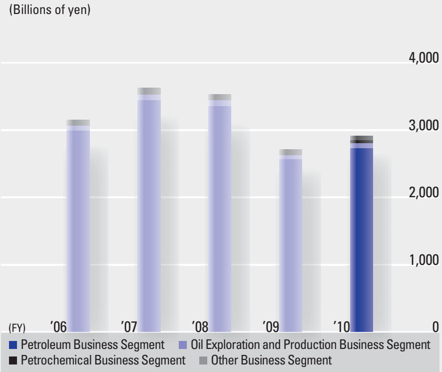
• Petroleum

In the period under review, sales in the Petroleum Business segment increased ¥140.1 billion, to ¥2,728.8 billion.

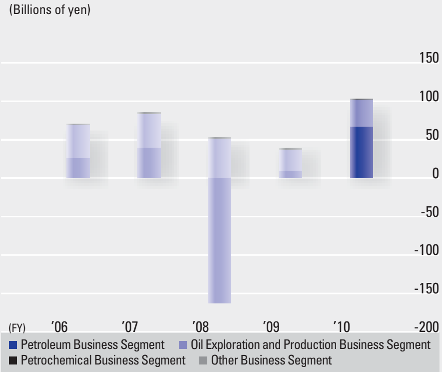
For the year, the average price of crude oil, which has an impact on petroleum product prices, was in the US$84/barrel range, up US$15 from the previous year. This was due to a sharp rise in prices amid an increasingly volatile international situation, including political instability in Africa and the Middle East from January 2011. As a result, market conditions for petroleum products showed improvement.

Volume sales, including exports, declined 2.1%, to 38,825,000 kiloliters. Within this amount, domestic gasoline volume sales declined 4.1% as the Group moved ahead of other companies in modifying its pricing formula, which caused volume sales to fall in April and May 2010. Total domestic sales volume, including gasoline, diesel fuel, and kerosene, decreased 3.3%, to 24,950,000 kiloliters. On the export side, export sales volume of middle distillates, including diesel fuel, kerosene, and jet fuel, increased 2.2%, to 1,125,000 kiloliters. This was due to an upturn in exports of such fuels produced by

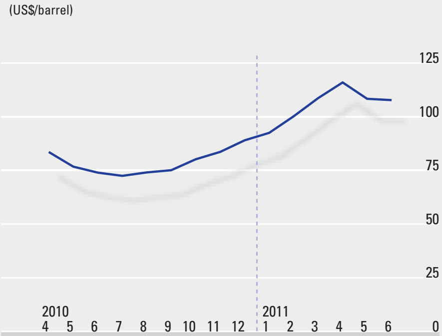
Segment sales



Segment operating income (loss)



Crude oil price (Dubai)



the Group's coker unit, which commenced operation in the second half of the year. During the year, the Group also undertook local procurement and local sales, which amounted to 810,000 kiloliters. Accordingly, the segment's total overseas sales volume increased 18.9%, to 1,935,000 kiloliters.

As a result of the above, the increase in product prices compensated for the decline in volume sales, leading to year-on-year growth in segment revenue.

• Petrochemicals

The Group's Petrochemical Business segment centers mainly on ethylene-related and aroma-related products. In the year under review, segment sales declined ¥5.9 billion, to ¥45.9 billion, due mainly to a deteriorating supply-demand balance.

• Oil Exploration and Production

Sales in this segment increased ¥10.3 billion, to ¥69.9 billion, owing to an improved revenue environment amid rising crude oil prices.

Sources of Liquidity and Funds

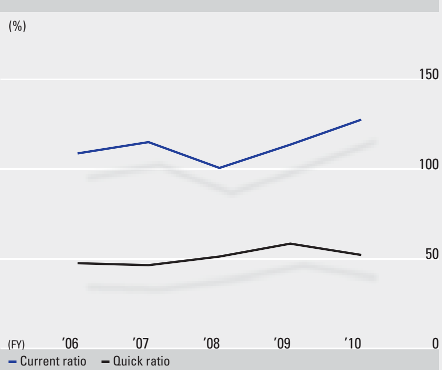
The Cosmo Oil Group's core petroleum business is its principal source of income. While rising crude oil prices benefit sales and operating income in the Company's Oil Exploration and Production Business segment, high tax rates in oil producing countries mean that the negative impact in terms of cash 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 Group is also affected significantly by fluctuations in exchange rates, which influence import costs, and in domestic sales prices. The Company engages in forward foreign exchange contracts to hedge this risk.

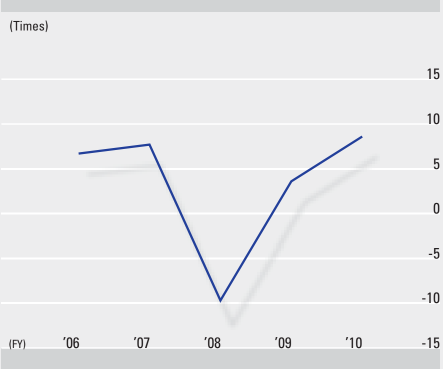
The Company must undertake short-term borrowings from time to time to provide additional working capital to facilitate crude oil imports. Long-term debt at the fiscal year-end totaled ¥466.8 billion, down ¥8.4 billion, or 1.8%, from a year earlier. Total interest-bearing debt decreased ¥77.6 billion, or 10.0%, to ¥700.1 billion.

Regarding our credit rating, in November 2007 Japan Credit Rating Agency, Ltd., raised the Company's rating for senior

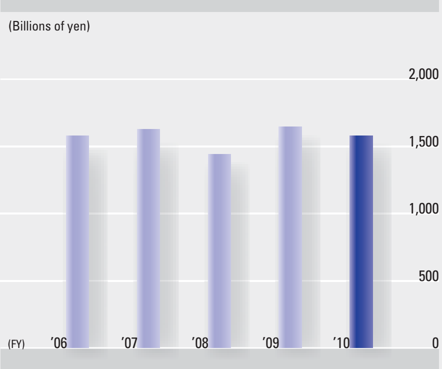
Current ratio, Quick ratio



Interest coverage ratio



Total assets



debt of the issuer to BBB+, from BBB. In July 2011, meanwhile, we received a Baa3 rating from Moody's Investors Service, Inc.

The Cosmo Oil Group plans strategic capital investments under its Fourth Consolidated Medium-Term Management Plan. Moving forward, the Company will seek to flexibly raise funds while monitoring market trends, and 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, 2011, total assets amounted to ¥1,579.4 billion, down ¥65.6 billion from a year earlier. This was despite an increase in the value of inventories stemming from rising crude oil prices. Specifically, merchandise and finished goods rose from ¥145.7 billion to ¥204.8 billion, and raw materials and supplies increased from ¥165.3 billion to ¥197.1 billion. The main reason for the decline in assets was cash and deposits, which fell from ¥226.6 billion to ¥94.3 billion due to repayment of interest-bearing debt.

During the year, the Group commenced operation of heavy oil cracking facilities (coker unit) at its Sakai Refinery. Accordingly, machinery, equipment and vehicles (included in property, plant and equipment) increased from ¥104.1 billion to ¥163.2 billion.

Liabilities and Shareholders' Equity

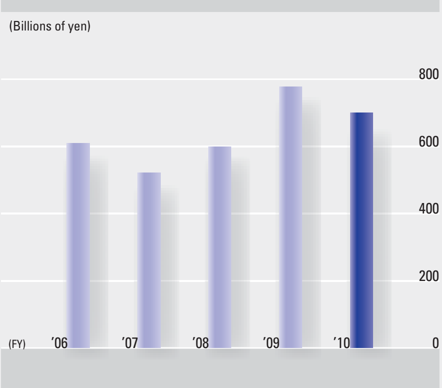
Total liabilities at fiscal year-end stood at ¥1,229.1 billion, down from ¥1,313.4 billion a year earlier. This was mainly due to a decrease in short-term borrowings, from ¥269.5 billion to ¥176.3 billion. By contrast, the Group issued bonds totaling ¥42.0 billion, bringing the balance of bonds from ¥15.0 billion to ¥57.0 billion. At fiscal year-end, therefore, total interest-bearing debt amounted to ¥7,001 million, down from ¥777.7 billion a year earlier.

Net assets climbed ¥18.6 billion, to ¥350.2 billion, and the shareholders' equity ratio grew 1.9 percentage points, to 21.1% at fiscal year-end.

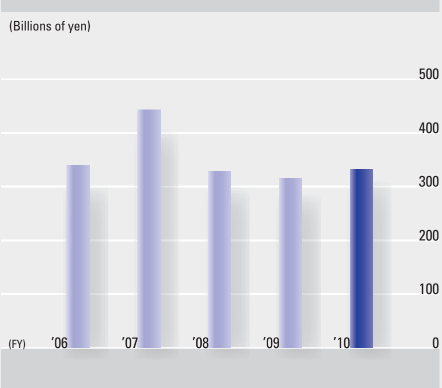
Cash Flows

Net cash provided by operating activities amounted to ¥26.3 billion. Main factors boosting cash flows were increases in income before income taxes, depreciation expenses, and notes and accounts payable. These contrasted with factors driving down cash flows, which included increases in inventories and

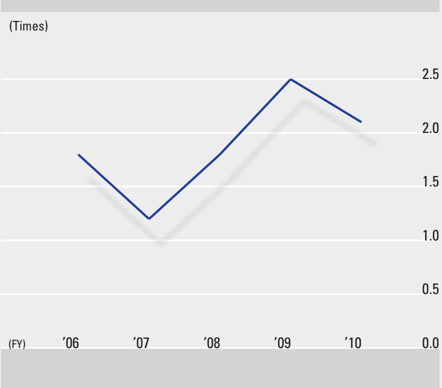
Interest-bearing debt



Shareholders' equity



Debt-to-equity ratio



notes and accounts receivable.

Net cash used in investing activities totaled ¥73.1 billion, down ¥20.2 billion from the previous year. This improvement stemmed mainly from decreases in payments for purchases of property, plant and equipment and stocks of subsidiaries and affiliates. By contrast, there were declines in proceeds from sales of property, plant and equipment and investment securities.

Net cash used in financing activities was ¥86.1 billion, compared with net cash provided by such activities of ¥159.3 billion in the previous year. This was mainly due to an increase in repayments of loans receivable. As a result, cash and cash equivalents at fiscal year-end totaled ¥94.3 billion, down ¥134.6 billion from a year earlier.

Capital Expenditures

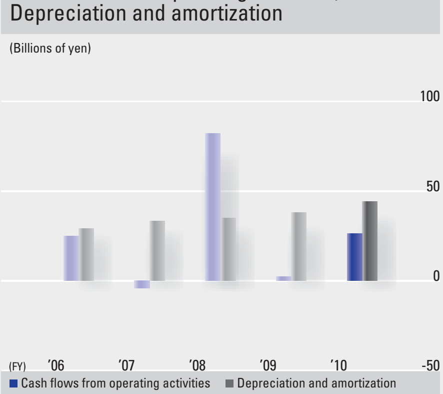
In the year under review, the Company made total capital expenditures of ¥64.4 billion, down ¥23.3 billion from the previous year. This was mainly due to expenditures on equipment related to petroleum refining and sales of ¥41.2 billion, down ¥29.4 billion from the previous year, as the heavy oil cracking facilities (coker unit) at the Sakai Refinery entered the post-construction inspection stage. Capital expenditures in petrochemicals-related equipment increased ¥0.4 billion, to ¥1.1 billion, and capital expenditures in the Oil Exploration and Production Business segment rose ¥5.7 billion, to ¥22.0 billion. Depreciation and amortization increased ¥8.4 billion, to ¥51.1 billion, as the period for depreciating the coker unit (at the rate of ¥9.0 billion/year) commenced in the second half of the year under review. (Included in depreciation and amortization is "Recovery of recoverable accounts under production sharing," listed in the "Cash Flows" section.)

Basic Policy Regarding Earnings Appropriation

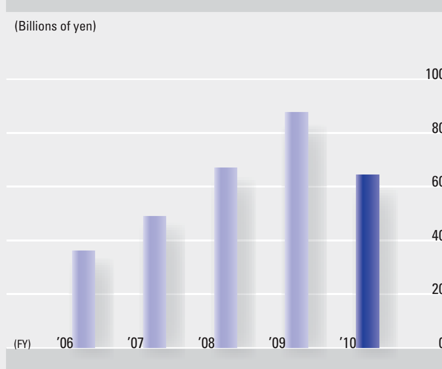
The Cosmo Oil Group places particular emphasis on shareholder returns, and its basic policy is to maintain a balance between stable dividends and retained earnings to enhance its financial structure and fund future business development. In line with this policy, the Company declared dividends for the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

With respect to appropriation of retained earnings, the Group emphasizes capital expenditures related to equipment maintenance and renewal and strategic projects related to business rationalization and the creation of added value, while at the same time giving ample consideration to the enhancement of the financial position. The generation of cash flows is also a key point when selecting expenditure targets.

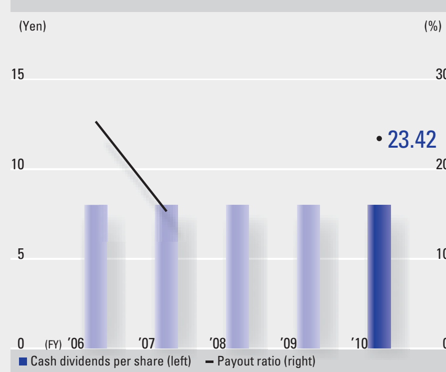
Cash flows from operating activities, Depreciation and amortization



Capital expenditures



Cash dividends per share, Payout ratio



Business and Other Risks

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

(1) Supply and Demand Trends

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

(2) Crude Oil Prices and Procurement

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

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 Japanese yen.

(4) Market Impact

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

(5) Interest Rate Fluctuations

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

(6) Asset Valuation Fluctuations

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

(7) Competition Risk

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

(8) Impact by Natural Disasters and Accidents

As its refineries handle large volumes of flammable materials, the Group takes particular care in implementing various safety measures to prevent accidents caused by human errors, and to avoid workplace injuries. Notwithstanding these precautions, the occurrence of an earthquake, other natural disasters or unforeseen accidents can result in unavoidable stoppages of operations. For example, a fire broke out at the Chiba Refinery during the Great East Japan Earthquake of March 11, (it was extinguished on March 21). As a result of the damage, the Group was forced to suspend operations of the refinery for a while and consequently incur losses and restoration costs. 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 Control Law and other regulations and that some construction was unauthorized, which resulted in the imposition of administrative penalties by the Nuclear and Industrial Safety Agency of the Ministry of Economy, Trade and Industry, which had an impact on the Group's business performance and financial condition.

(10) Information Management

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

CONSOLIDATED BALANCE SHEETS

Cosmo Oil Company, Limited and Consolidated Subsidiaries

	Millions of yen	
	FY2009 (As of March 31, 2010)	FY2010 (As of March 31, 2011)
ASSETS		
Current assets		
Cash and deposits	¥ 226,608	¥ 94,343
Notes and accounts receivable-trade	206,168	229,618
Short-term investment securities	2,310	—
Merchandise and finished goods	145,720	204,867
Work in process	469	985
Raw materials and supplies	165,351	197,122
Accounts receivable-other	50,844	28,405
Deferred tax assets	3,890	3,680
Other	44,193	34,673
Allowance for doubtful accounts	(222)	(332)
Total current assets	845,336	793,363
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	102,058	103,949
Oil storage depots, net	14,233	16,551
Machinery, equipment and vehicles, net	104,156	163,298
Land	303,104	302,808
Lease assets, net	659	641
Construction in progress	65,157	9,026
Other, net	8,322	7,362
Total property, plant and equipment	597,693	603,639
Intangible assets		
Leasehold right	1,142	1,125
Software	4,236	3,587
Goodwill	17	10
Other	7,166	6,794
Total intangible assets	12,563	11,517
Investments and other assets		
Investment securities	100,950	99,668
Investments in capital	188	202
Long-term loans receivable	1,790	1,314
Long-term prepaid expenses	6,095	4,840
Deferred tax assets	46,888	35,081
Other	34,275	30,384
Allowance for doubtful accounts	(876)	(912)
Total investments and other assets	189,312	170,579
Total noncurrent assets	799,569	785,736
Deferred assets		
Bond issuance cost	142	324
Total deferred assets	142	324
Total assets	¥ 1,645,048	¥ 1,579,424

	Millions of yen	
	FY2009 (As of March 31, 2010)	FY2010 (As of March 31, 2011)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	¥ 216,111	¥ 243,914
Short-term loans payable	269,514	176,366
Current portion of bonds with subscription rights to shares	18,000	—
Accounts payable-other	95,337	80,336
Accrued volatile oil and other petroleum taxes	107,457	71,431
Income taxes payable	9,194	7,252
Accrued consumption taxes	613	13,222
Accrued expenses	10,525	11,023
Deferred tax liabilities	2,330	567
Provision for loss on disaster	—	4,237
Other	15,091	13,823
Total current liabilities	744,174	622,173
Noncurrent liabilities		
Bonds payable	15,000	57,000
Long-term loans payable	475,225	466,765
Deferred tax liabilities	8,806	11,268
Deferred tax liabilities for land revaluation	33,293	33,210
Provision for special repairs	6,333	6,689
Provision for retirement benefits	5,899	5,647
Negative goodwill	6,284	5,027
Other	18,449	21,403
Total noncurrent liabilities	569,293	607,011
Total liabilities	1,313,468	1,229,185
NET ASSETS		
Shareholders' equity		
Capital stock	107,246	107,246
Capital surplus	89,440	89,440
Retained earnings	99,685	119,803
Treasury stock	(134)	(138)
Total shareholders' equity	296,239	316,351
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(529)	669
Deferred gains or losses on hedges	8,761	6,459
Revaluation reserve for land	12,593	14,147
Foreign currency translation adjustment	(1,318)	(4,898)
Total accumulated other comprehensive income	19,507	16,378
Minority interests	15,832	17,508
Total net assets	331,579	350,239
Total liabilities and net assets	¥ 1,645,048	¥ 1,579,424

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(CONSOLIDATED STATEMENTS OF INCOME)

Cosmo Oil Company, Limited and Consolidated Subsidiaries

Millions of yen

	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Net sales	¥ 2,612,141	¥ 2,771,523
Cost of sales	2,435,365	2,539,032
Gross profit	176,775	232,490
Selling, general and administrative expenses	142,568	128,393
Operating income	34,207	104,097
Non-operating income		
Interest income	495	150
Dividends income	915	1,171
Rent income on noncurrent assets	1,136	1,190
Amortization of negative goodwill	—	1,251
Foreign exchange gains	2,581	106
Equity in earnings of affiliates	7,348	407
Oil price change gains	223	—
Other	3,832	3,519
Total non-operating income	16,533	7,797
Non-operating expenses		
Interest expenses	9,855	12,242
Other	4,474	3,557
Total non-operating expenses	14,329	15,799
Ordinary income	36,411	96,094
Extraordinary income		
Gain on sales of noncurrent assets	5,206	1,044
Gain on sales of investment securities	110	—
Gain on allotment of investment securities	—	151
Gain on sales of subsidiaries and affiliates' stocks	1,994	13
Other	389	—
Total extraordinary income	7,700	1,209
Extraordinary loss		
Loss on sales of noncurrent assets	96	213
Loss on disposal of noncurrent assets	3,752	3,521
Impairment loss	1,976	3,857
Loss on sales of investment securities	450	—
Loss on sales of stocks of subsidiaries and affiliates	—	22
Loss on valuation of investment securities	2,183	2,983
Loss on valuation of stocks of subsidiaries and affiliates	—	29
Loss on adjustment for changes of accounting standard	—	1,660
Loss on disaster	—	5,749
Loss on disposal of recoverable accounts under production sharing	—	3,523
Loss on litigation	—	2,291
Other	125	—
Total extraordinary losses	8,584	23,852
Income before income taxes and minority interests	35,526	73,451
Income taxes-current	21,948	27,958
Income taxes-deferred	21,540	14,175
Total income taxes	43,488	42,133
Income before minority interests	—	31,318
Minority interests in income	2,778	2,384
Net income (loss)	¥ (10,740)	¥ 28,933

(CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

Cosmo Oil Company, Limited and Consolidated Subsidiaries

	Millions of yen	
	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Income before minority interests	¥ —	¥ 31,318
Other comprehensive income		
Valuation difference on available-for-sale securities	—	1,112
Deferred gains or losses on hedges	—	(2,110)
Foreign currency translation adjustment	—	(2,957)
Share of other comprehensive income of associates accounted for using equity method	—	(1,199)
Total other comprehensive income	—	(5,156)
Comprehensive income	—	26,161
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	—	23,800
Comprehensive income attributable to minority interests	¥ —	¥ 2,360

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Cosmo Oil Company, Limited and Consolidated Subsidiaries

	Millions of yen	
	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	¥ 107,246	¥ 107,246
Balance at the end of current period	107,246	107,246
Capital surplus		
Balance at the end of previous period	89,440	89,440
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	89,440	89,440
Retained earnings		
Balance at the end of previous period	115,732	99,685
Changes of items during the period		
Dividends from surplus	(4,237)	(6,779)
Net income (loss)	(10,740)	28,933
Change of scope of equity method	—	(483)
Reversal of revaluation reserve for land	(1,069)	(1,553)
Total changes of items during the period	(16,047)	20,117
Balance at the end of current period	99,685	119,803
Treasury stock		
Balance at the end of previous period	(129)	(134)
Changes of items during the period		
Purchase of treasury stock	(4)	(4)
Disposal of treasury stock	0	0
Total changes of items during the period	(4)	(4)
Balance at the end of current period	(134)	(138)
Total shareholders' equity		
Balance at the end of previous period	312,290	296,239
Changes of items during the period		
Dividends from surplus	(4,237)	(6,779)
Net income (loss)	(10,740)	28,933
Change of scope of equity method	—	(483)
Reversal of revaluation reserve for land	(1,069)	(1,553)
Purchase of treasury stock	(4)	(4)
Disposal of treasury stock	0	0
Total changes of items during the period	(16,051)	20,112
Balance at the end of current period	296,239	316,351
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(2,099)	(529)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,570	1,198
Total changes of items during the period	1,570	1,198
Balance at the end of current period	(529)	669
Deferred gains or losses on hedges		
Balance at the end of previous period	8,084	8,761
Changes of items during the period		
Net changes of items other than shareholders' equity	676	(2,301)
Total changes of items during the period	676	(2,301)
Balance at the end of current period	¥ 8,761	¥ 6,459

	Millions of yen	
	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Revaluation reserve for land		
Balance at the end of previous period	¥ 11,523	¥ 12,593
Changes of items during the period		
Reversal of revaluation reserve for land	1,069	1,553
Net changes of items other than shareholders' equity	1	—
Total changes of items during the period	1,070	1,553
Balance at the end of current period	12,593	14,147
Foreign currency translation adjustment		
Balance at the end of previous period	(1,365)	(1,318)
Changes of items during the period		
Net changes of items other than shareholders' equity	47	(3,579)
Total changes of items during the period	47	(3,579)
Balance at the end of current period	(1,318)	(4,898)
Total accumulated other comprehensive income		
Balance at the end of previous period	16,142	19,507
Changes of items during the period		
Reversal of revaluation reserve for land	1,069	1,553
Net changes of items other than shareholders' equity	2,295	(4,683)
Total changes of items during the period	3,364	(3,129)
Balance at the end of current period	19,507	16,378
Minority interests		
Balance at the end of previous period	19,015	15,832
Changes of items during the period		
Net changes of items other than shareholders' equity	(3,182)	1,675
Total changes of items during the period	(3,182)	1,675
Balance at the end of current period	15,832	17,508
Total net assets		
Balance at the end of previous period	347,449	331,579
Changes of items during the period		
Dividends from surplus	(4,237)	(6,779)
Net income (loss)	(10,740)	28,933
Change of scope of equity method	—	(483)
Reversal of revaluation reserve for land	—	—
Purchase of treasury stock	(4)	(4)
Disposal of treasury stock	0	0
Net changes of items other than shareholders' equity	(886)	(3,007)
Total changes of items during the period	(15,869)	18,659
Balance at the end of current period	¥ 331,579	¥ 350,239

CONSOLIDATED STATEMENTS OF CASH FLOWS

Cosmo Oil Company, Limited and Consolidated Subsidiaries

		Millions of yen
	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	¥ 35,526	¥ 73,451
Depreciation and amortization	37,994	44,218
Amortization of goodwill	89	—
Amortization of negative goodwill	—	(1,251)
Impairment loss	1,976	3,857
Loss (gain) on sales of noncurrent assets	(5,110)	(831)
Loss (gain) on disposal of noncurrent assets	3,748	3,521
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	1,660
Loss on disaster	—	5,749
Loss on disposal of recoverable accounts under production sharing	—	3,523
Loss on litigation	—	2,291
Loss (gain) on sales of investment securities	340	—
Loss (gain) on sales of stocks of subsidiaries and affiliates	(1,994)	9
Loss (gain) on valuation of investment securities	2,183	2,983
Loss on valuation of stocks of subsidiaries and affiliates	—	29
Gain on allotment of investment securities	—	(151)
Interest and dividends income	(1,410)	(1,322)
Interest expenses	9,855	12,242
Foreign exchange losses (gains)	(833)	1,440
Equity in (earnings) losses of affiliates	(7,348)	(407)
Increase (decrease) in allowance for doubtful accounts	(182)	145
Increase (decrease) in provision for special repairs	(342)	355
Increase (decrease) in provision for retirement benefits	(227)	(252)
Increase (decrease) in other provision	(323)	1
Decrease (increase) in notes and accounts receivable-trade	(16,570)	(24,048)
Recovery of recoverable accounts under production sharing	4,750	6,850
Decrease (increase) in inventories	(72,346)	(92,696)
Increase (decrease) in notes and accounts payable-trade	39,808	27,802
Decrease (increase) in other current assets	(135)	15,244
Increase (decrease) in other current liabilities	(14,679)	(33,138)
Decrease (increase) in investments and other assets	5,272	4,731
Increase (decrease) in other noncurrent liabilities	(2,975)	(330)
Other, net	393	5
Subtotal	17,457	55,686
Interest and dividends income received	10,871	4,230
Interest expenses paid	(9,818)	(12,726)
Payments for loss on disaster	—	(118)
Payments for loss on litigation	—	(31)
Income taxes paid	(16,248)	(20,742)
Net cash provided by (used in) operating activities	¥ 2,261	¥ 26,297

	Millions of yen	
	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	¥ (9)	¥ (9)
Proceeds from sales and redemption of securities	1,510	10
Purchase of investment securities	(7,784)	(276)
Proceeds from sales and redemption of investment securities	3,462	140
Purchase of stocks of subsidiaries and affiliates	(13,976)	(6,131)
Proceeds from sales of stocks of subsidiaries and affiliates	2,614	482
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	1,333	—
Purchase of property, plant and equipment	(72,956)	(59,600)
Payments for disposal of property, plant and equipment	(2,807)	(1,403)
Proceeds from sales of property, plant and equipment	9,829	5,901
Payments for purchases of intangible fixed assets and long-term prepaid expenses	(10,466)	(13,682)
Decrease (increase) in short-term loans receivable	(4,600)	869
Payments of long-term loans receivable	(55)	(55)
Collection of long-term loans receivable	414	482
Other, net	187	163
Net cash provided by (used in) investing activities	(93,305)	(73,109)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	12,757	(107,286)
Proceeds from long-term loans payable	177,476	36,289
Repayment of long-term loans payable	(34,892)	(30,836)
Proceeds from issuance of bonds	15,000	41,775
Redemption of portion of bonds with subscription rights to shares	—	(18,000)
Cash dividends paid	(4,237)	(6,779)
Cash dividends paid to minority shareholders	(6,741)	(1,126)
Other, net	(60)	(114)
Net cash provided by (used in) financing activities	159,301	(86,077)
Effect of exchange rate change on cash and cash equivalents	729	(1,674)
Net increase (decrease) in cash and cash equivalents	68,987	(134,564)
Cash and cash equivalents at beginning of period	159,919	228,907
Cash and cash equivalents at end of period	¥ 228,907	¥ 94,343

1 Notes to Going Concerns

None

2 Notes Concerning Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements

1. Items Concerning the Scope of Consolidation for Reporting

(1) Number of consolidated subsidiaries: 37

Cosmo Oil Europe B.V. which was established by the Company is included in the consolidated subsidiaries, effective from FY2010.

Eco Power Co., Ltd. merged with Iwata Wind Farm Co., Ltd. during FY2010.

(2) Number of Non-consolidated Subsidiaries: 22

2. Items Concerning the Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for Using the Equity Method: 22

Chubu Shizai, Ltd. was excluded from the scope of consolidated companies accounted for using the equity method due to the sale of all of its shares owned by the Company during FY2010.

PCS Co., Ltd. was excluded from the application of the equity method since its liquidation processes were completed during FY2010.

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

HC Petrochem Co., Ltd. was included in the scope of consolidated companies accounted for using the equity method due to the increased importance of the company during FY2010.

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

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

Reasons for Exclusion from the Application of the Equity Method:

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

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

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

3. Items concerning the Accounting Periods of the Consolidated Subsidiaries

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

The consolidated financial statements herein have been developed by using their financial reports as of December 31, 2010 or February 28, 2011 and any material transactions arising between the end of their FY and the consolidated FY, the date for the consolidated settlement of accounts for the Company, are reflected on the consolidated financial statements herein by making the necessary adjustments.

4. Items concerning the Accounting Standards

(1) Significant Asset Valuation Standards and Methods

1) Marketable securities

a. Securities held to maturity:

Stated at amortized cost method

b. Other securities:

— Securities available for sale with fair market value:

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

— Securities with no available fair market value:

Stated at cost determined by the moving average method

2) Inventories:

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

3) Derivative financial instruments:

Stated at fair value.

(2) Significant Depreciable Assets and Depreciation Methods

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

The straight line method is mainly adopted to calculate depreciation expenses for these asset items. The number of years of their useful lives and their residual value are calculated based on the criteria defined under the Corporate Income Tax Law of Japan, providing that the economic useful life of 15 years is adopted for the Company's service stations by taking their actual past performances into consideration and the economic useful life of 14 years is adopted for the Company's Coker Unit. As for Abu Dhabi Oil Co., Ltd., a consolidated subsidiary of the Company, has adopted the number of years for useful life provided under the interest right agreement on the subsidiary signed by the investment partners thereto. As for Eco Power Co., Ltd. and its subsidiaries, which are now consolidated subsidiaries of the Company, the economic useful life of 20 years is adopted for the wind mills run by them.

2) Intangible Fixed Assets (except lease assets):

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

3) Lease assets:

Leased assets involving finance lease transactions under which the ownership of the leased assets is transferred to lessees:

The method to calculate depreciation expenses for such assets is the same as that applied to fixed assets owned by the Company.

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

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

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

4) Long-term Prepaid Expenses

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

(3) Accounting Process Applied to Deferred Assets

Bond Issuance Cost:

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

(4) Standards for Recording Significant Allowances

1) Allowance for Doubtful Accounts

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

a. Ordinary accounts receivable:

The amount of allowance calculated at the actual ratio of bad debts

b. Highly doubtful receivables and claims in bankruptcy and reorganization, etc.:

The amount of allowance calculated based on the evaluation of financial situations of individual accounts involved.

2) Provision for loss on disaster

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

3) Provision for special repairs

An allowance is set aside to cover expenses arising from the inspection and repairs of the oil tanks subject to the open regular inspection in compliance with the Fire Service Law of Japan, and an amount equal to the estimated cost of periodically required repairs was added to the provision for FY2010.

As for Cosmo Matsuyama Oil Co., Ltd., one of the subsidiaries of the Company, a certain amount of money to cover expenses arising from regular repairs of the machinery and equipment of its refinery was recorded for FY2010 in addition to the above charge.

4) Provision for retirement benefits

An allowance is put aside to cover retirement and severance benefits payable to employees and a certain amount was recorded based on the estimated amount of projected benefit obligation and the fair value of the pension assets as of March 31, 2011.

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

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

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

(5) Important Standards for Revenue and Cost Recognition

Standards for Recognition of Construction Revenue

In recognizing construction revenues of engineering contracts undertaken by the Company, the percentage-of-completion method is applied to such contracts in which the outcome of the construction activity is deemed certain by the end of FY2010, while the completed contract method is applied to other construction contracts.

The percentage of construction as of the end of FY2010 is estimated based on the method of the ratio of actual cost incurred to total estimated cost.

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

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

All the items of the financial statements of subsidiaries which are stated in currencies other than Japanese yen are translated into Japanese yen at the fiscal year-end spot exchange rate of each subsidiary. The resulting foreign currency translation adjustments are included among adjustments in net assets.

(7) Significant Hedge Accounting Methods

1) Hedge Accounting Methods

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

2) Hedging Instruments and Hedged Items

(Currency)

Hedging Instrument	Hedged Item
Forward exchange, Currency option	Foreign currency credit and debt

(Interest rate)

Hedging Instrument	Hedged Item
Interest rate swap	Borrowings

(Commodity)

Hedging Instrument	Hedged Item
Crude oil and oil product forward Crude oil and oil product swap	Purchases and sales of crude oil and oil products

3) Hedging Policy

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

4) Method of Evaluating Hedge Effectiveness

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

(8) Items Concerning Amortization on Goodwill, Positive and Negative

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

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

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

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

1) Accounting Process for Consumption Tax

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

2) Accounting Process for Cost Recovery under Production Sharing

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

3 Change in notes concerning Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements

1. Changes in Accounting Standards

a. [Adoption of the Accounting Standard for Asset Retirement Obligations]

Effective from FY2010, the Company adopted the "Accounting Standard for Asset Retirement Obligations" (the Accounting Standards Board of Japan (ASBJ) Statement No. 18 issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (the ASBJ Guidance No. 21 issued on March 31, 2008).

This change reduced consolidated operating income and ordinary income by ¥226 million, respectively, and reduced consolidated net income before taxes and other adjustments by ¥1,892 million, for FY2010.

b. [Adoption of the "Accounting Standard for Equity Method of Accounting for Investments" and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method"]

Effective from FY2010, the Company adopted the "Accounting Standard for Equity Method of Accounting for Investments" (the ASBJ Statement No. 16 issued on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (the ASBJ Practical Issues Task Force (PITF) No. 24 issued on March 10, 2008), making necessary adjustments for consolidated financial reporting.

This change was not important to consolidated ordinary income and consolidated net income before taxes and other adjustments.

c. [Adoption of the Accounting Standard for Measurement of Inventories]

Some consolidated subsidiaries of the Company, effective from FY2010, adopted the "Accounting Standard for Measurement of Inventories" (the ASBJ Statement No. 9 issued on September 26, 2008) and changed inventory valuation methods from the LIFO method to the weighted average method.

This change increased consolidated operating income, ordinary income and net income before taxes and other adjustments for FY2010 by ¥4,170 million, respectively.

d. [Application of the Accounting Standard for Business Combinations, etc.]

Effective from FY2010, the Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on December 26, 2008), and the "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

2. Changes in Representation Methods, etc.

a. [Consolidated Statement of Income]

Effective from FY2010, the Company discloses the account item of "net income before minority interests" by applying the "Cabinet Office Ordinance for Partial Revisions of the Regulations for Terminology, Forms and Preparations of Financial Statements" (Cabinet Office Ordinance No. 5 issued on March 24, 2009), based on the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008).

b. [Additional Information]

Effective from FY2010, the Company adopts the "Accounting Standard for Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010). However, the amounts of "accumulated other comprehensive income" and "total accumulated other comprehensive income" in FY2009 are equal to the amounts of "valuation and translation adjustments" and "total valuation and translation adjustments" of the same fiscal year.

4 Notes to Consolidated Financial Statements

(Notes to Consolidated Balance Sheets)

	FY2009 (As of March 31, 2010)	FY2010 (As of March 31, 2011)
1. Accumulated depreciation for property, plant and equipment	¥704,232 million	¥736,646 million
2. Pledged assets		
1) Plant foundation		
Pledged assets	¥337,365 million	¥333,804 million
Secured liabilities	¥132,107 million	¥120,199 million
2) Fixed assets other than plant foundation		
Pledged assets	¥16,702 million	¥16,541 million
Secured liabilities	¥6,521 million	¥5,615 million
3. Contingencies		
1) Guaranty Liabilities	¥15,894 million	¥13,813 million

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

2) Suits, etc.

Concerning the matter in which the Company and other companies were claimed to have violated the Antimonopoly Act with respect to bidding related to delivery of petroleum products to the then Japanese Defense Agency (now, the Ministry of Defense), 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, 2011, one session of trial was held, resulting in the court decision made on February 16, 2011. Upon its receipt, the Company's Board of Directors adopted a resolution not to file a claim to rescind the decision on March 15, 2011. Thus, the Company recorded ¥1,751 million as a part of loss on litigation (extraordinary losses) in the Consolidated Statement of Income for FY2010.

4. Revaluation of land

The Company and two of its consolidated subsidiaries revalued their land properties used for business under the "Law concerning Revaluation Reserve for Land" (Law No. 34 issued on March 31, 1998). The income tax portion on variances due to revaluation is stated in the "Deferred taxes for revaluation reserve for land" account in the "liabilities" section on the balance sheet and the revaluation variances, net of the income tax portion, are stated in the "Revaluation reserve for land" account in the "net assets" section on the balance sheet.

— Revaluation method

The land sites for the refineries were valued in accordance with the appraisal provided in Paragraph 5 of Article 2 of the "Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land" (Government Ordinance No. 119 issued on March 31, 1998), and other land sites were valued by referring to the road ratings provided in Paragraph 4 of Article 2 of the "Enforcement Ordinance for the Law concerning the Revaluation Reserve for Land," as well as making some rational adjustments.

— Date of revaluation

March 31, 2002 (and December 31, 2001 completed by one consolidated subsidiary)

	FY2009 (As of March 31, 2010)	FY2010 (As of March 31, 2011)
— Difference between the total amount of the revalued land at fair value as of March 31 of each year and their total carrying amount after revaluation	¥ (90,236) million	¥ (96,143) million

(Notes to Consolidated Statements of Income)

	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
1. Selling, general and administrative expenses		
Outsourcing expense	¥ 23,878 million	¥ 22,168 million
Salaries and wages	¥ 24,083 million	¥ 20,381 million
Freight expense	¥ 22,331 million	¥ 19,513 million
Rent expense	¥ 17,036 million	¥ 13,714 million
Depreciation expense	¥ 6,450 million	¥ 7,168 million
Retirement and severance benefit payment to employees	¥ 3,500 million	¥ 2,824 million
Amount transferred to allowance for doubtful accounts	¥ 68 million	¥ 302 million
2. Research and development expenses included in administrative expenses and production expenses	¥ 3,657 million	¥ 3,834 million

3. Loss on disaster

The Company and some subsidiaries recorded the amount of losses attributable to the Great East Japan Earthquake that occurred in March 2011 as loss on disaster in the section of extraordinary losses for FY2010, with the breakdown of major items including:

Cost for removal of damaged assets, etc.	¥ 2,154 million
Cost for disaster relief support for victimized business partners and employees, etc.	¥ 1,688 million
Cost for restoration of stricken assets, etc.	¥ 1,160 million

The amount of loss on disaster above includes ¥4,237 million transferred to the provision for loss on disaster.

(Notes to Consolidated Statements of Comprehensive Income)

	FY2010 (From April 1, 2010 to March 31, 2011)
1. Comprehensive income FY2010 (From April 1, 2010 to March 31, 2011)	
Comprehensive income attributable to owners of the parent	¥ (8,444) million
Comprehensive income attributable to minority interests	¥2,790 million
Total	¥ (5,654) million
2. Other comprehensive income FY2010 (From April 1, 2010 to March 31, 2011)	
Valuation difference on available-for-sale securities	¥ 1,333 million
Deferred gains or losses on hedges	¥ 793 million
Revaluation reserve for land	¥ 1 million
Foreign currency translation adjustment	¥ 35 million
Share of other comprehensive income of associates accounted for using equity method	¥ 143 million
Total	¥ 2,307 million

(Notes to Consolidated Statements of Changes in Net Assets)

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

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

(Number of shares)

	Type of stock	Total number of shares as of March 31, 2009	Increase in the number of shares during the year	Decrease in the number of shares during the year	Total number of shares as of March 31, 2010
Outstanding shares	Ordinary shares	847,705,087	—	—	847,705,087
Less treasury stock, at cost	Ordinary shares	593,521	20,436	500	613,457

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

2. Distribution of Surplus

(1) Dividend Payments

(Resolution adopted by)	Type of stock	Total dividend amount	Dividend per share (¥)	Base date for dividend payment	Effective date
Shareholders' Meeting held on June 23, 2009	Ordinary shares	¥4,237 million	5	Mar. 31, 2009	June 24, 2009

(2) The dividend payment for which the base date belongs to FY2009 but for which the effective date comes FY2010

(Resolution adopted by)	Type of stock	Total dividend amount	Funded by	Dividend per share (¥)	Base date for dividend payment	Effective date
Shareholders' Meeting held on June 23, 2010	Ordinary shares	¥6,779 million	Retained earnings	8	Mar. 31, 2010	June 24, 2010

Consolidated Fiscal Year 2010 (From April 1, 2010 to March 31, 2011)

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

(Number of shares)

	Type of stock	Total number of shares as of March 31, 2010	Increase in the number of shares during the year	Decrease in the number of shares during the year	Total number of shares as of March 31, 2011
Outstanding shares	Ordinary shares	847,705,087	—	—	847,705,087
Less treasury stock, at cost	Ordinary shares	613,457	18,744	740	631,461

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

2. Distribution of Surplus

(1) Dividend Payments

(Resolution adopted by)	Type of stock	Total dividend amount	Dividend per share (¥)	Base date for dividend payment	Effective date
Shareholders' Meeting held on June 23, 2010	Ordinary shares	¥6,779 million	8	Mar. 31, 2010	June 24, 2010

(2) The dividend payment for which the base date belongs to FY2010 but for which the effective date comes FY2011

The Company plans a resolution at the annual shareholders' meeting as follows:

(Resolution adopted by)	Type of stock	Total dividend amount	Funded by	Dividend per share (¥)	Base date for dividend payment	Effective date
Shareholders' Meeting held on June 23, 2011	Ordinary shares	¥6,779 million	Retained earnings	8	Mar. 31, 2011	June 24, 2011

(Notes to Consolidated Statements of Cash Flows)

1. Relations between the amounts of cash and cash equivalents as of March 31, 2010 and 2011 and the account items shown in the balance sheets

FY2009
From April 1, 2009 to March 31, 2010 (As of March 31, 2010)

Cash and deposits	¥226,608 million
Short-term investment securities	¥2,310 million
Total	¥228,919 million
Securities with time between acquisition and redemption for 3 months or more	¥(11) million
Cash and cash equivalents	¥228,907 million

FY2010
From April 1, 2010 to March 31, 2011 (As of March 31, 2011)

Cash and deposits	¥94,343 million
Cash and cash equivalents	¥94,343 million

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

FY2009
From April 1, 2009 to March 31, 2010 (As of March 31, 2010)

The major breakdown of the assets and liabilities of Eco Power Co., Ltd. and its subsidiaries, newly consolidated into the accounts of the Company through its share acquisition during the FY2009, and relations between the total amount of the shares of the newly consolidated subsidiaries acquired by the Company and (net) income from such acquisition at the time when the consolidation became effective, are stated as follows:

Current assets	¥2,943 million
Property, plant and equipment	¥19,190 million
Current liabilities	¥(4,935) million
Long-term debts	¥(10,671) million
Negative goodwill	¥(6,274) million
Minority interests	¥(175) million
Total amount of the shares of the newly consolidated subsidiaries acquired by the Company	¥76 million
Cash and cash equivalents of the newly consolidated subsidiaries	¥1,409 million
Balance: Net income from the acquisition of the subsidiaries requiring changes in the scope of consolidated subsidiaries	¥1,333 million

FY2010
From April 1, 2010 to March 31, 2011 (As of March 31, 2011)

—

(Segment information)

1. Business segment information

FY2009 (From April 1, 2009 to March 31, 2010)

(Millions of yen)

	Petroleum business	Oil exploration and production business	Other businesses	Total	Elimination or corporate	Consolidated
I Net sales and operating income or loss						
Net sales						
(1) Outside customers	2,564,737	25,427	21,976	2,612,141	—	2,612,141
(2) Inter-segment	415	34,125	66,494	101,035	(101,035)	—
Total	2,565,153	59,553	88,470	2,713,176	(101,035)	2,612,141
Operating expenses	2,555,683	32,551	86,397	2,674,632	(96,698)	2,577,933
Operating income	9,470	27,001	2,072	38,544	(4,337)	34,207
II Asset, depreciation expenses, Impairment loss on fixed assets and capital expenditures						
Assets	1,298,990	102,250	53,812	1,455,053	189,994	1,645,048
Depreciation and amortization	28,329	10,225	118	38,673	(678)	37,994
Impairment loss on fixed assets	1,976	—	—	1,976	—	1,976
Capital expenditures	72,908	16,256	101	89,267	(1,590)	87,677

Notes: 1 The business segments are determined in accordance with the Company's internal business management policy.
2 Major products or details of each segment
(1) Petroleum: gasoline, naphtha, kerosene, diesel fuel, heavy fuel oil, crude oil, lubricating oil, LP gas, asphalt, and various petrochemical products
(2) Oil exploration & production: production, drilling and exploration of crude oil
(3) Other: construction works, insurance agency, leasing, travel agency, wind power generation business, etc.
3 Out of the assets shown above, the elimination and corporate category includes corporate assets recorded at ¥220,127 million.
The corporate assets mainly consist of assets involving surplus capital for working funds and the business administration department.

2. Geographic segment information

FY2009 (From April 1, 2009 to March 31, 2010)

(Millions of yen)

	Japan	Other	Total	Elimination or corporate	Consolidated
I Net sales and operating income or loss					
Net sales					
(1) Outside customers	2,544,286	67,854	2,612,141	—	2,612,141
(2) Inter-segment	27,936	185,118	213,055	(213,055)	—
Total	2,572,222	252,973	2,825,196	(213,055)	2,612,141
Operating expenses	2,564,134	225,261	2,789,396	(211,462)	2,577,933
Operating income	8,087	27,712	35,800	(1,592)	34,207
II Asset	1,304,715	161,797	1,466,512	178,535	1,645,048

Notes: 1 The method of division of countries or regions and major countries included
(1) The method of division of countries or regions: geographic proximity
(2) Countries included in the other area: Singapore, the U.S., U.K., U.A.E., Qatar, Australia and China
2 Out of the assets shown above, the elimination and corporate category includes corporate assets recorded at ¥220,127 million.
The corporate assets mainly consist of assets involving surplus capital for working funds and the business administration department.

3. Overseas Sales

FY2009 (From April 1, 2009 to March 31, 2010)

Overseas net sales accounted for less than 10% of consolidated net sales of the Group. Therefore, the amount of the overseas net sales and its share of consolidated net sales are not disclosed.

4. Segment Information

(1) Overview of Reporting Segments

The reporting segments of the Cosmo Group are comprised of those entities where obtaining separate financial reports are possible and those which the board members regularly review and decide the distribution of management resources.

Cosmo Group conducts the Petroleum Business, the Petrochemical Business and the Petroleum Exploration and Production Business and Cosmo Oil or its affiliate companies operate these businesses independently depending on the type of services or products handled.

Therefore the three reporting segments by the Cosmo Group are, the Petroleum Business, the Petrochemical Business and the Petroleum Exploration and Production Business, based on the services and/or the products handled.

In further detail, the Petroleum Business produces and markets gasoline, naphtha, kerosene, diesel, fuel oil, crude oil, lubricants, LPG, asphalt, etc. the Petrochemical Business produces and markets mixed xylene, benzene, toluene, solvents, etc. the Petroleum Exploration and Production Business explores and produces crude oil.

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

The accounting methods by business segment reported herein are almost the same as the description of the "(6) Notes concerning Important Items that Provide the Basic Information for the Development of the Consolidated Financial Statements."

Profit by business segment is stated on an ordinary income basis.

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

FY2009 (From April 1, 2009 to March 31, 2010)

(Millions of yen)

	Petroleum business	Petrochemical business	Oil exploration and production business	Other (Note 1)	Adjustments (Note 2)	Consolidated (Note 3)
Net sales						
(1) Outside customers	2,542,709	22,028	25,427	21,976	—	2,612,141
(2) Inter-segment	45,980	29,786	34,125	66,494	(176,386)	—
Total	2,588,689	51,814	59,553	88,470	(176,386)	2,612,141
Segment Income (Loss)	3,221	5,894	29,887	2,337	(4,929)	36,411
Other items						
Depreciation and amortization	27,292	1,037	10,225	118	(678)	37,994
Amortization of goodwill and negative goodwill	(8)	—	(204)	122	—	(89)
Interest income	302	20	180	29	(37)	495
Interest expenses	9,789	8	89	5	(37)	9,855
Equity earnings of affiliates (Loss)	461	4,933	2,011	(57)	—	7,348

Notes: 1 "Other" segment is non-classified, and includes construction works, insurance agency,leasing,travel agency wind power generation, etc.
2 Segment Income (Loss) in "Adjustments" (-¥4,929 million) are included in -¥2,349 million internal eliminations and -¥1,238 million Inventory adjustments and -¥1,219 million adjustment of fixed assets
3 Segment Income (Loss) is adjusted to ordinary income of consolidated quarterly statements of income
4 No asset allocation is made into each segment, so that the description of such information is omitted.

FY2010 (From April 1, 2010 to March 31, 2011)

(Millions of yen)

	Petroleum business	Petrochemical business	Oil exploration and production business	Other (Note 1)	Adjustments (Note 2)	Consolidated (Note 3)
Net sales						
(1) Outside customers	2,688,417	19,495	35,012	28,598	—	2,771,523
(2) Inter-segment	40,337	26,445	34,926	40,053	(141,762)	—
Total	2,728,754	45,940	69,938	68,652	(141,762)	2,771,523
Segment Income (Loss)	58,388	(329)	34,657	2,656	721	96,094
Other items						
Depreciation and amortization	32,847	1,097	9,780	1,342	(849)	44,218
Amortization of goodwill and negative goodwill	(6)	—	—	1,257	—	1,251
Interest income	112	4	24	38	(29)	150
Interest expenses	11,935	16	97	223	(29)	12,242
Equity earnings of affiliates(Loss)	161	(748)	1,023	(29)	—	407

Notes: 1 "Other" segment is non-classified, and includes construction works, insurance agency, leasing, travel agency, wind power generation, etc.
2 Segment Income (Loss) in "Adjustments" (¥721 million) are included in -¥52 million internal eliminations and ¥1,029 million Inventory adjustments and -¥250 million adjustment of fixed assets
3 Segment Income (Loss) is adjusted to ordinary income of Consolidated quarterly statements of income
4 No asset allocation is made into each segment, so that the description of such information is omitted.
(Additional Information)
Effective from the beginning of the consolidated fiscal year ending March 31, 2011, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (the ASBJ Statement No. 17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (the ASBJ Guidance No. 20 issued on March 21, 2008).

(Tax Effective Consequence Accounting)

1. Significant Components of Deferred Tax Assets and Deferred Tax Liabilities as of March 31, 2010 and 2011

(Millions of yen)

FY2009
As of March 31, 2010

(1) Current	
(Deferred tax assets)	
Loss brought forward	2,130
Reserve for bonuses	1,785
Unrealized gains (losses) of inventories	2,411
Other	2,120
Subtotal current deferred tax assets	8,446
Valuation allowance	(846)
Total current deferred tax assets	7,600
Account offset against deferred tax liabilities	(3,709)
Net current deferred tax assets	3,890
(Deferred tax liabilities)	
Deferred gains (losses) on hedges	(5,989)
Other	(50)
Total current deferred tax liabilities	(6,040)
Account offset against deferred tax assets	3,709
Net current deferred tax liabilities	(2,330)
(2) Non-Current	
(Deferred tax assets)	
Loss brought forward	69,131
Other	24,100
Sub total non-current deferred tax assets	93,231
Valuation allowance	(30,835)
Total non-current deferred tax assets	62,396
Account offset against deferred tax liabilities	(15,507)
Net non-current deferred tax assets	46,888
(Deferred tax liabilities)	
Reserve for reduction of fixed assets	(12,315)
Redemption difference in foreign corporation tax calculation	(7,211)
Other	(4,787)
Total non-current deferred tax liabilities	(24,314)
Account offset against deferred tax assets	15,507
Net non-current deferred tax liabilities	(8,806)

Deferred tax liabilities other than those shown above include one for revaluation of land at ¥33,293 million.

FY2010
As of March 31, 2011

(Deferred tax assets)	
Reserve for bonuses	1,900
Unrealized gains (losses) of inventories	1,814
Provision for loss on disaster	1,713
Accrued enterprise taxes	595
Other	2,118
Subtotal current deferred tax assets	8,143
Valuation allowance	(468)
Total current deferred tax assets	7,675
Account offset against deferred tax liabilities	(3,994)
Net current deferred tax assets	3,680
(Deferred tax liabilities)	
Deferred gains (losses) on hedges	(4,521)
Other	(39)
Total current deferred tax liabilities	(4,561)
Account offset against deferred tax assets	3,994
Net current deferred tax liabilities	(567)
(Deferred tax assets)	
Loss brought forward	43,668
Impairment loss	9,305
Other	17,727
Sub total non-current deferred tax assets	70,702
Valuation allowance	(31,673)
Total non-current deferred tax assets	39,028
Account offset against deferred tax liabilities	(3,947)
Net non-current deferred tax assets	35,081
(Deferred tax liabilities)	
Redemption difference in foreign corporation tax calculation	(9,210)
Prepaid pension cost	(1,197)
Asset retirement obligations (PP&E)	(746)
Other	(4,059)
Total non-current deferred tax liabilities	(15,215)
Account offset against deferred tax assets	3,947
Net non-current deferred tax liabilities	(11,268)

Deferred tax liabilities other than those shown above include one for revaluation of land at ¥33,210 million.

2. Breakdown of 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, 2010 and 2011

FY2009
From April 1, 2009 to March 31, 2010

Statutory income tax rate	40.44%
(Adjustment)	
Non-deductible expenses, including entertainment expenses	1.67%
Effect on equity in earnings of affiliates	(8.37)%
Non-Japanese taxes	23.80%
Valuation allowance	64.65%
Other	0.21%
Effective income tax rate (after the application of tax consequence accounting)	122.41%

FY2010
From April 1, 2010 to March 31, 2011

Statutory income tax rate	40.44%
(Adjustment)	
Non-deductible expenses, including entertainment expenses	0.70%
Non-deductible revenue, including dividends receivable	(2.59)%
Loss on litigation	0.96%
Effect on consolidated elimination of dividends receivable	2.68%
Effect on equity in earnings of affiliates	(0.22)%
Non-Japanese taxes	13.88%
Valuation allowance	(0.66)%
Other	2.17%
Effective income tax rate (after the application of tax consequence accounting)	57.36%

(Information about Business Combinations, etc.)

FY2009 (From April 1, 2009 to March 31, 2010)

<Application of the Purchase Method>

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

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

Names of companies acquired	Eco Power Co., Ltd.
Line of business	Wind power generation business

(2) Major reasons for the business combination

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

(3) Date of business combination

March 25, 2010

(4) Legal form of business combination
Stock acquisition

(5) Names of companies upon combination
Cosmo Oil Co., Ltd.

(6) Ratio of voting right acquired
98.75 % acquired by the Company

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

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

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

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

(1) Amount of negative goodwill generated
¥6,274 million

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

(3) Amortization method and period
The negative goodwill will be amortized in the straight line method over the next five years.

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

(1) Assets

Current assets	2,943
Property, plant and equipment	19,190
Total assets	22,133

(2) Liabilities

Current liabilities	4,935
Long-term debts	10,671
Total liabilities:	15,607

<Common Control Transaction>

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

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

1) Company Controlling:

Cosmo Oil Co., Ltd.	Oil refining and marketing

2) Company combined :

Cosmo Energy Exploration & Development Ltd.	Direction of the crude oil exploration and production businesses

(2) Legal form of business combination

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

(3) Name of the company upon business combination

Cosmo Oil Co., Ltd.

(4) Outline of the transaction including the purpose thereof

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

2. Outline of Accounting Process Execute

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

FY2010 (From April 1, 2010 to March 31, 2011)

<Common Control Transaction>

1. The outline of the transaction

(1) Name of the business and the description of their businesses

1) Name of the business:

FCC-based and other product business of Cosmo Petroleum Gas Co., Ltd., a consolidated subsidiary of Cosmo Oil Co., Ltd.

2) Line of the business :

Sales and incidental businesses of propane and butane manufactured in the FCC and alkylation units at the Company's refinery.

(2) Date of business combination

July 1, 2010

(3) Legal form of business combination

Absorption-type split of Cosmo Petroleum Gas Co., Ltd. (a consolidated subsidiary of Cosmo Oil Co., Ltd.), with Cosmo Oil Co., Ltd. as the continuing company.

(4) Name of the company upon business combination

Cosmo Oil Co., Ltd.

(5) Item concerning the outline of other transactions

FCC-based and other products are sold as raw materials used to manufacture petrochemical products. The Company acquired the business of the subsidiary to integrate sales contacts into one, designed to improve efficiency in operations of the entire Cosmo Oil Group.

2. Outline of Accounting Process Execute

The above transaction was accounted for as a common control transaction based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008) and the "Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

(Per-share Information)

	FY2009 (From April 1, 2009 to March 31, 2010)	**FY2010** (From April 1, 2010 to March 31, 2011)
Net assets per share (¥)	372.74	392.80
Net income (loss) per share (¥)	(12.68)	34.16
Diluted net income per share (¥)	—	33.58

Note: The basic information used to calculate net income per share or net loss per share and diluted net income per share for the years ended March 31, 2010 and 2011 is as follows:

	FY2009 (From April 1, 2009 to March 31, 2010)	**FY2010** (From April 1, 2010 to March 31, 2011)
Net income (loss) per share		
Net income (loss) for the year (¥ mil)	(10,740)	28,933
Amount that does not belong to common stock (¥ mil)	—	—
Net income (loss) that belongs to common stock (¥ mil)	(10,740)	28,933
Average number of common shares outstanding during the year (thousands of shares)	847,103	847,083
Diluted net income per share		
Net income adjustments (¥ mil)	—	—
Increase in the number of common stock (thousands of shares)	—	14,577

(Material Contingencies)

None

FACTS AND FIGURES

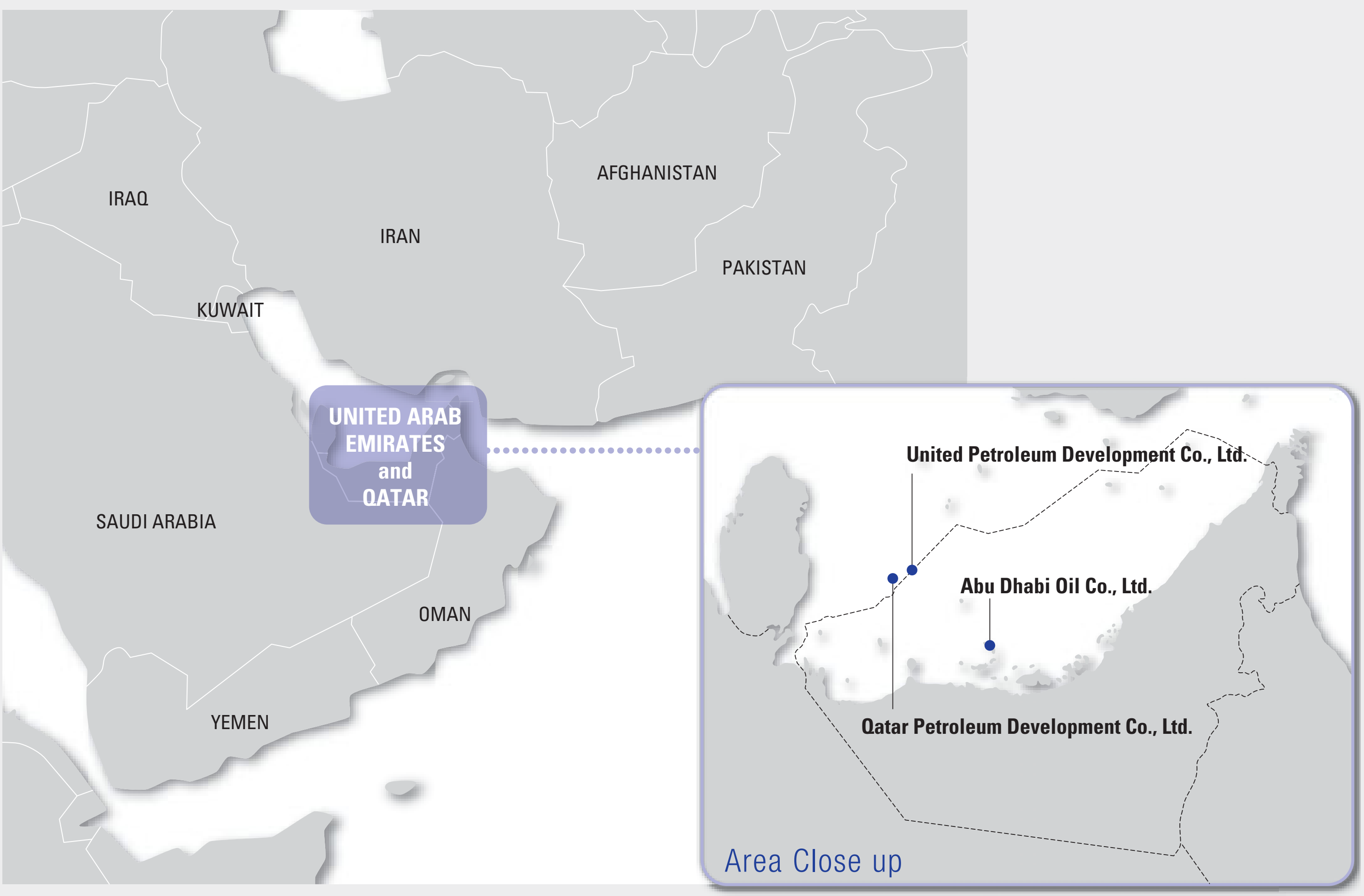
Notes: 1. Unless otherwise indicated, "FY2010" indicates the period that began on April 1, 2010 and ended on March 31, 2011.
2. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥83.15 = US$1, the approximate exchange rate prevailing on March 31, 2011.
3. The data ascribed to Cosmo Oil in this fact book represent figures for Cosmo Oil Company, Limited, its consolidated subsidiaries and affiliated companies that are accounted for by the equity method. Data has been reclassified in certain sections so as to allow comparisons with overseas companies.
4. On pages 80–93, the figures up until FY2009 had been rounded up or down to the nearest million. From FY2010 onward, the figures have been rounded off to the nearest million. On pages 94–101, the figures have been rounded up or down to the nearest million.

Oil Exploration and Production

Major Petroleum Development Companies (Fiscal year to March 31, 2011 actual)

	Abu Dhabi Oil Co., Ltd.	Qatar Petroleum Development Co., Ltd.	United Petroleum Development Co., Ltd.
Crude oil production (Barrels/day)	22,909	6,236	13,009
Shareholders (%)			
Cosmo Oil Co., Ltd.	63.0	75.0	45.0
Other Private Sector	37.0	25.0	55.0

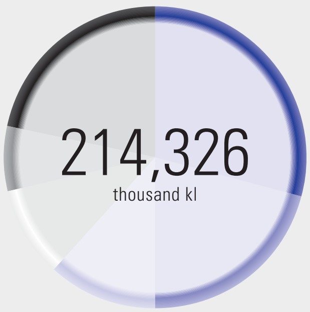
Note: Average production volume for January-December, as the company's financial year ends in December.



Crude Oil Imports

Crude Oil Import Share by Country (Total Industry/Cosmo Oil) (Fiscal year to March 31, 2011 actual) (%)

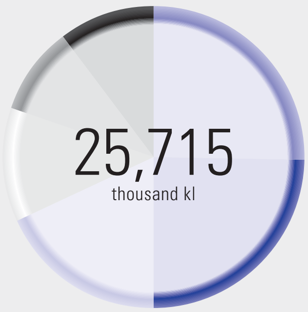
Total industry



Saudi Arabia	29.2
United Arab Emirates	20.9
Qatar	11.6
Iran	9.8
Kuwait	7.0
Others	21.5

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

Cosmo Oil



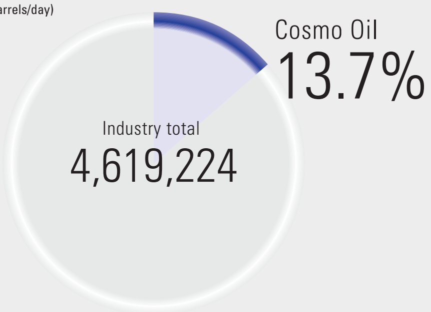
United Arab Emirates	25.5
Saudi Arabia	24.5
Qatar	18.2
Iran	12.1
Kuwait	9.5
Others	10.2

Refining: 1

Processing Capacity by Refinery (As of April 30, 2011)

(Barrels/day)

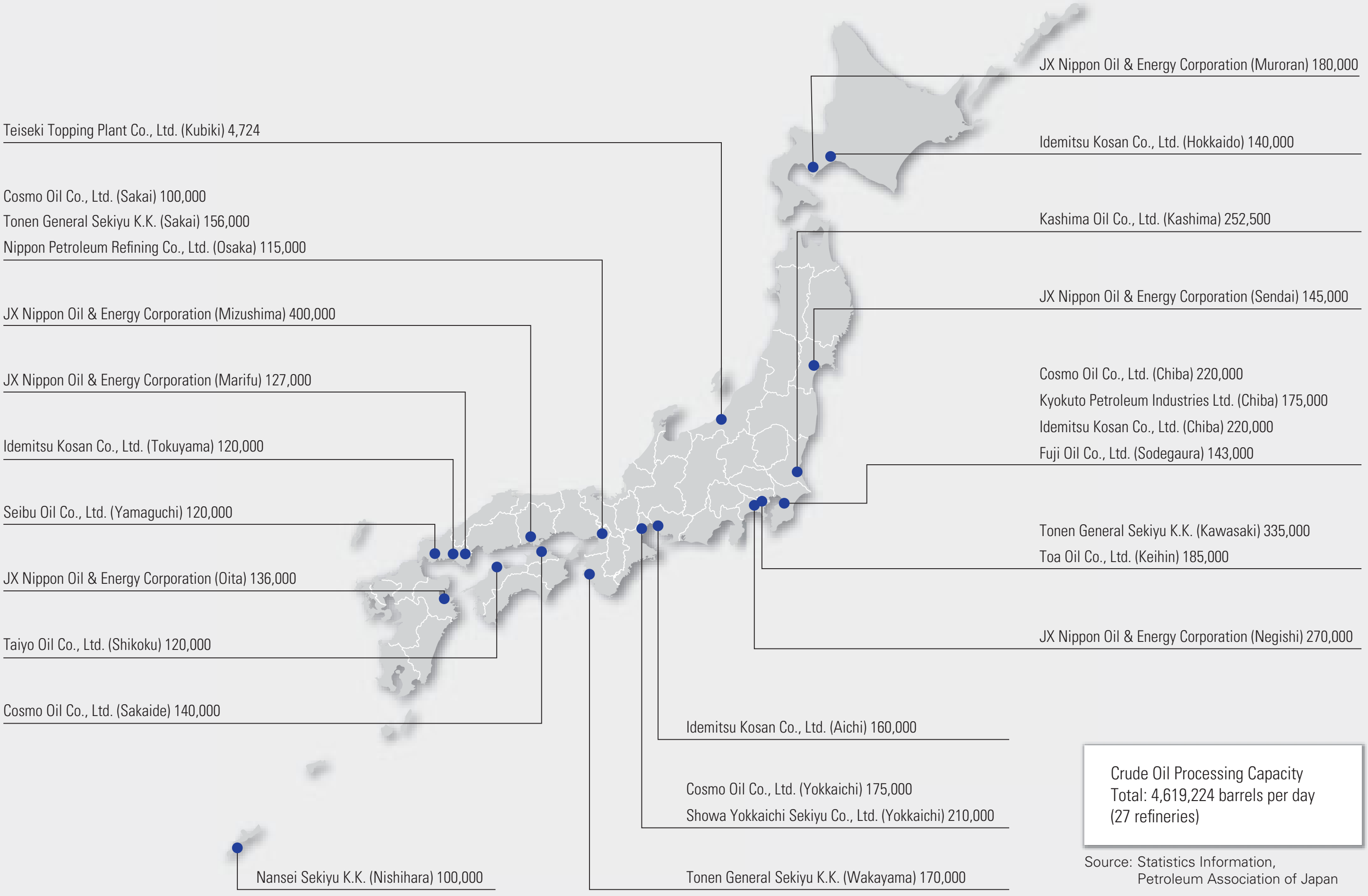
(Barrels/day)



Chiba Refinery	220,000
Yokkaichi Refinery	175,000
Sakai Refinery	100,000
Sakaide Refinery	140,000
Cosmo Oil total	635,000
Industry total	4,619,224
Cosmo Oil share of Japan's total topper capacity	13.7%

Refinery Location and Crude Oil Processing Capacity in the Japanese Petroleum Industry (As of April 30, 2011)

(Barrels/day)



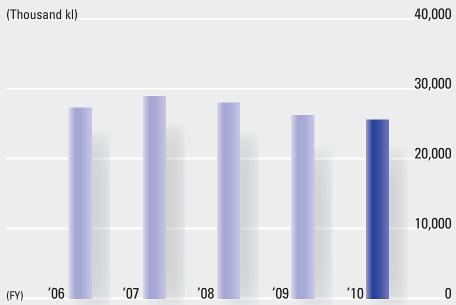
Crude Oil Processing Capacity
Total: 4,619,224 barrels per day
(27 refineries)

Source: Statistics Information, Petroleum Association of Japan

Refining: 2

Volume of Crude Oil Processed

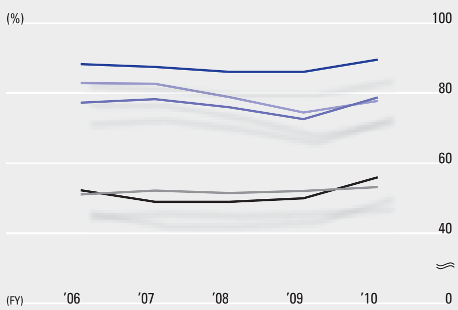
(Thousand kl)



	FY2006	FY2007	FY2008	FY2009	FY2010
■ Volume of Crude Oil Processed	27,283	28,928	27,999	26,231	25,562

Topper Capacity Utilization Rate, Secondary Unit Ratio

(%)



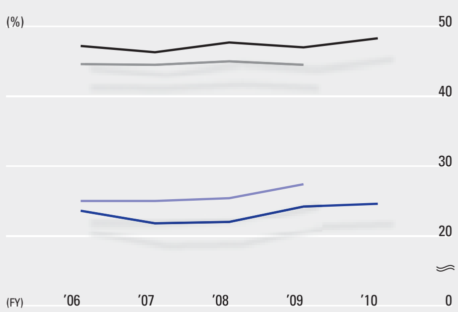
	FY2006	FY2007	FY2008	FY2009	FY2010
Topper capacity utilization rate					
- Cosmo Oil (SD)	88.3	87.5	86.1	86.1	89.6
- Cosmo Oil (CD)	77.3	78.3	76.0	72.6	78.8
- Industry average (CD)	82.9	82.7	78.9	74.5	77.8
FCC capacity utilization rate					
Cosmo Oil	76.2	76.5	72.7	78.0	73.5
Secondary unit ratio					
- Cosmo Oil	52.3	49.0	49.0	50.0	56.0
- Industry average	51.1	52.2	51.5	52.1	53.2

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

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

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

(%)

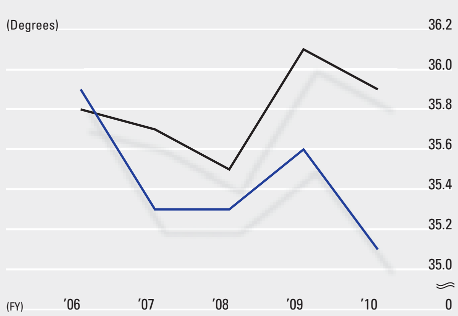


	FY2006	FY2007	FY2008	FY2009	FY2010
Gasoline					
- Cosmo Oil	23.6	21.8	22.0	24.2	24.6
- Industry average	25.0	25.0	25.4	27.4	N.A.
Four middle distillates					
- Cosmo Oil	47.2	46.3	47.7	47.0	48.3
- Industry average	44.6	44.5	45.0	44.5	N.A.

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

API Gravity

(Degrees)



	FY2006	FY2007	FY2008	FY2009	FY2010
- Cosmo Oil	35.9	35.3	35.3	35.6	35.1
- Industry average	35.8	35.7	35.5	36.1	35.9

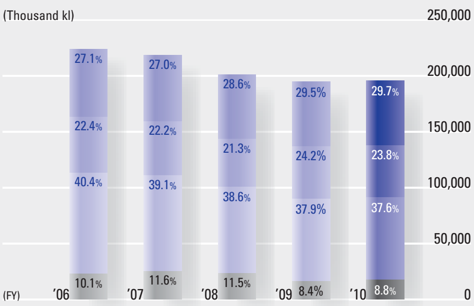
Source: Japan Petroleum Statistics Association, "Statistical Indicator No. 11"; Ministry of Economy, Trade and Industry, "Petroleum Data"

Sales: 1

Domestic Sales by Product (Total Industry/Cosmo Oil)

(Thousand kl)

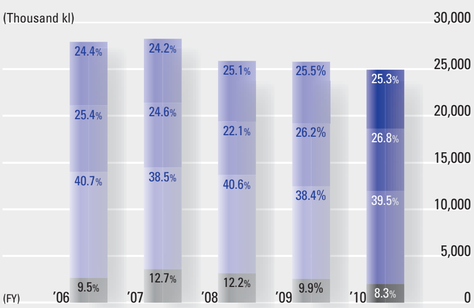
Total industry



	FY2006	FY2007	FY2008	FY2009	FY2010
■ Gasoline	60,552	59,076	57,473	57,522	58,197
■ Naphtha	50,078	48,548	42,873	47,225	46,668
■ Four middle distillates	90,518	85,514	77,539	73,731	73,753
Jet fuel	5,453	5,916	5,676	5,229	5,154
Kerosene	24,498	22,672	20,250	20,062	20,332
Diesel fuel	36,606	35,557	33,722	32,391	32,864
Heavy fuel oil A	23,961	21,369	17,891	16,049	15,404
■ Heavy fuel oil C	22,696	25,341	23,158	16,277	17,330
Total	223,843	218,479	201,042	194,755	195,948

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

Cosmo Oil

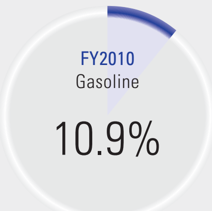


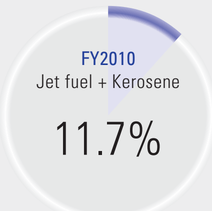
	FY2006	FY2007	FY2008	FY2009	FY2010
■ Gasoline	6,813	6,848	6,486	6,584	6,316
■ Naphtha	7,103	6,940	5,734	6,749	6,693
■ Four middle distillates	11,355	10,872	10,504	9,916	9,867
Jet fuel	479	445	424	443	533
Kerosene	2,900	2,811	2,687	2,458	2,442
Diesel fuel	4,783	4,864	4,728	4,526	4,462
Heavy fuel oil A	3,193	2,752	2,665	2,489	2,429
■ Heavy fuel oil C	2,659	3,597	3,165	2,553	2,075
Total	27,929	28,258	25,891	25,802	24,950

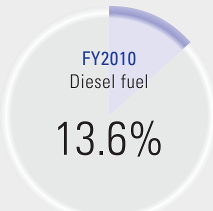
Source: Ministry of Economy, Trade and Industry, "Natural Resources and Energy Statistics"

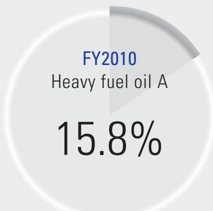
Market Share by Product

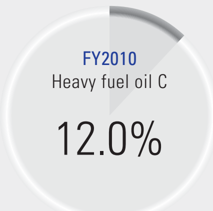
(%)

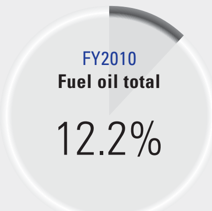












	FY2006	FY2007	FY2008	FY2009	FY2010
Gasoline	11.3	11.6	11.3	11.4	10.9
Jet fuel + Kerosene	11.3	11.4	12.0	11.5	11.7
Diesel fuel	13.1	13.7	14.0	14.0	13.6
Heavy fuel oil A	13.3	12.9	14.9	15.5	15.8
Heavy fuel oil C	11.7	14.2	13.7	15.7	12.0
Fuel oil total	12.0	12.5	12.7	12.9	12.2

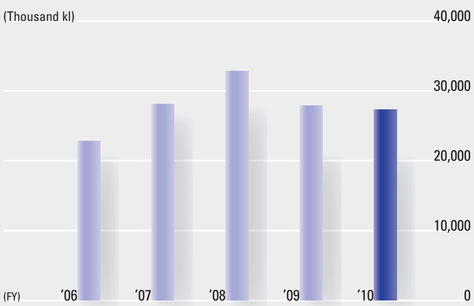
Note: The total market share for fuel oil excludes naphtha sales (on a volume basis).
Source: Ministry of Economy, Trade and Industry, "Natural Resources and Energy Statistics"

Sales: 2

Exports by Product (Total Industry/Cosmo Oil)

(Thousand kl)

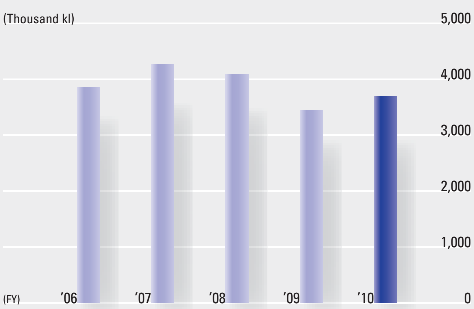
Total industry Total exports



	FY2006	FY2007	FY2008	FY2009	FY2010
Diesel	4,950	9,027	13,020	11,358	11,046
Kerosene/Jet fuel	N.A.	N.A.	N.A.	N.A.	N.A.
Total	4,950	9,027	13,020	11,358	11,046
Bonded products sales, others					
Jet fuel	7,955	9,277	10,080	8,376	8,936
Heavy fuel oil C	9,409	9,183	9,274	7,798	7,172
Others	499	644	444	357	198
Total	17,863	19,104	19,798	16,531	16,306
■ Total exports	22,814	28,132	32,819	27,888	27,352

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

Cosmo Oil Total exports

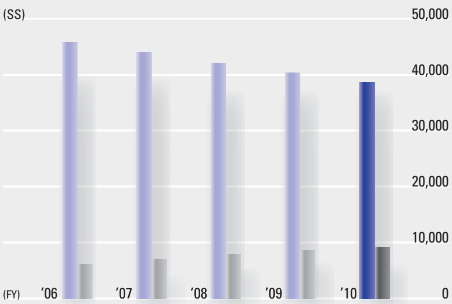


	FY2006	FY2007	FY2008	FY2009	FY2010
Diesel	944	1,331	1,457	991	907
Kerosene/Jet fuel	102	259	101	110	219
Total	1,046	1,590	1,558	1,101	1,125
Bonded products sales, others					
Jet fuel	1,647	1,766	1,587	1,478	1,598
Heavy fuel oil C	842	783	716	716	542
Others	317	135	222	145	426
Total	2,806	2,684	2,525	2,339	2,566
■ Total exports	3,852	4,274	4,083	3,440	3,691

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

Sales: 3

Number of Service Stations (Nationwide)

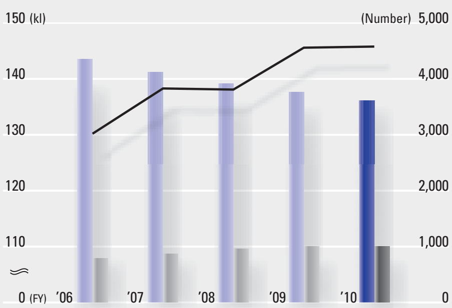


	FY2006	FY2007	FY2008	FY2009	FY2010
Nationwide					
Number of national brand SS	35,486	33,670	31,831	30,339	29,001
Number of non-brand SS	10,306	10,387	10,259	10,018	9,624
■ Total (SS)	45,792	44,057	42,090	40,357	38,625
Number of national brand self SS	5,316	6,004	6,596	6,906	6,935
Number of non-brand self SS	846	1,019	1,366	1,736	2,206
■ Total (Self SS)	6,162	7,023	7,962	8,642	9,141

Notes: 1. Total number of SS in Japan is based on "Law on the Quality Control of Gasoline and Other Fuels."
2. The number of self SS is included in the number of SS.

Source: Number of nationwide SS compiled by the Agency for Natural Resources and Energy, number of wholesaler SS compiled by the Daily Nenryo Yushi Japan, number of other SS represents the difference between the number of nationwide SS and the number of distributor SS.

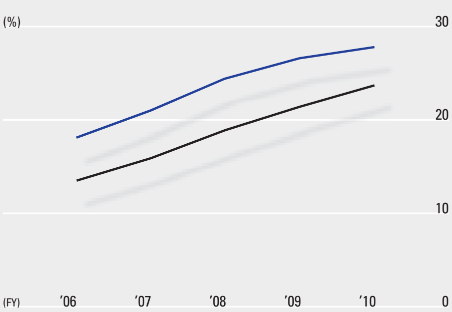
Gasoline Volume Sold per Service Station (Cosmo Oil)



	FY2006	FY2007	FY2008	FY2009	FY2010
Cosmo Oil					
■ Number of SS (right scale)	4,359	4,125	3,913	3,768	3,609
■ Number of self SS (right scale)	789	867	955	1,004	1,003
– Gasoline volume sold per SS (kl/month/SS) (left scale)	130.2	138.3	138.1	145.6	145.8

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

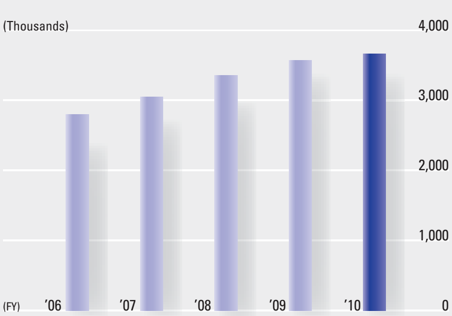
Self-service Station Ratio (%)



	FY2006	FY2007	FY2008	FY2009	FY2010
– Cosmo Oil	18.1	21.0	24.4	26.6	27.8
– Nationwide	13.5	15.9	18.9	21.4	23.7

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.

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

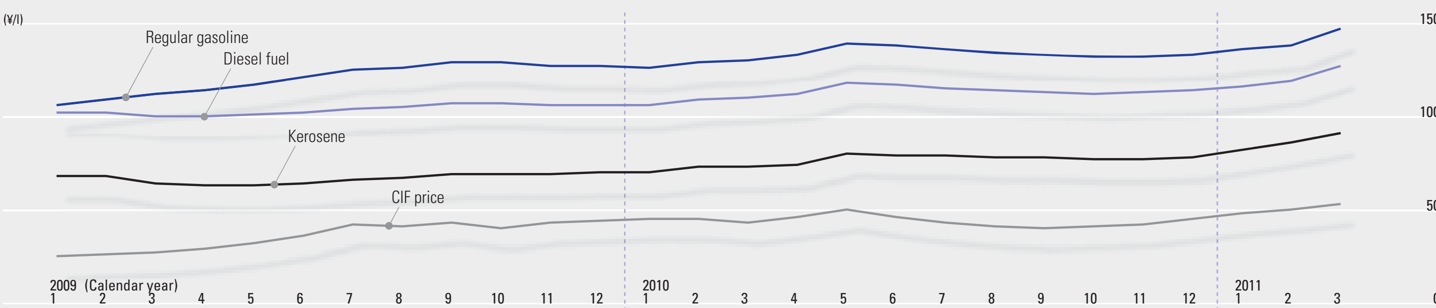


	FY2006	FY2007	FY2008	FY2009	FY2010
■ Total number of active cards	2,803	3,049	3,357	3,570	3,667

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) (¥)



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

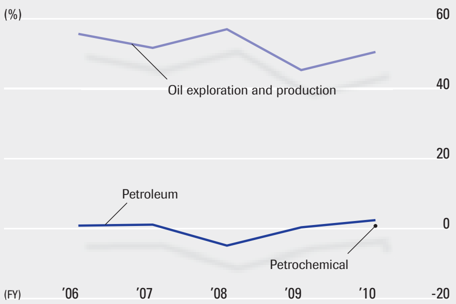
2010	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Regular gasoline (¥/l)	126	129	130	133	139	138	136	134	133	132	132	133
Diesel fuel (¥/l)	106	109	110	112	118	117	115	114	113	112	113	114
Kerosene (¥/l)	70	73	73	74	80	79	79	78	78	77	77	78
CIF price (¥/l)	45	45	43	46	50	46	43	41	40	41	42	45

2011	Jan.	Feb.	Mar.
Regular gasoline (¥/l)	136	138	147
Diesel fuel (¥/l)	116	119	127
Kerosene (¥/l)	82	86	91
CIF price (¥/l)	48	50	53

Note: 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.
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



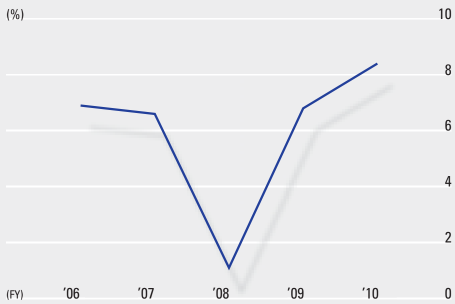
	FY2006	FY2007	FY2008	FY2009	FY2010 (Millions of yen)	FY2010 (Thousands of U.S. dollars)
Segment sales						
Petroleum	¥2,984,516	¥3,442,186	¥3,352,916	¥2,565,153	¥2,728,754	$32,817,246
Petrochemical	—	—	—	—	45,940	552,495
Oil exploration and production	78,132	84,069	89,054	59,553	69,938	841,106
Others	85,517	99,010	91,790	88,470	68,652	825,640
Elimination and corporate	(85,421)	(102,178)	(105,549)	(101,035)	(141,762)	(1,704,895)
Total	3,062,744	3,523,087	3,428,211	2,612,141	2,771,523	33,331,618
Segment operating income (loss)						
Petroleum	25,668	39,315	(162,646)	9,470	66,268	796,969
Petrochemical	—	—	—	—	356	4,281
Oil exploration and production	43,515	43,454	50,780	27,001	35,334	424,943
Others	1,613	2,576	2,242	2,073	1,298	15,610
Elimination and corporate	(1,153)	(1,548)	2,618	(4,337)	842	10,126
Total	69,643	83,797	(107,006)	36,411	104,098	1,251,930

	FY2006	FY2007	FY2008	FY2009	FY2010	%
Segment operating income ratio						
Petroleum	0.86	1.14	(4.85)	0.37	2.43	—
Oil exploration and production	55.69	51.69	57.02	45.34	50.52	—
Petrochemical	—	—	—	—	0.77	—

Note: Effective from the beginning of the consolidated fiscal year ending March 31, 2011, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (the ASBJ Statement No. 17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (the ASBJ Guidance No. 20 issued on March 21, 2008).

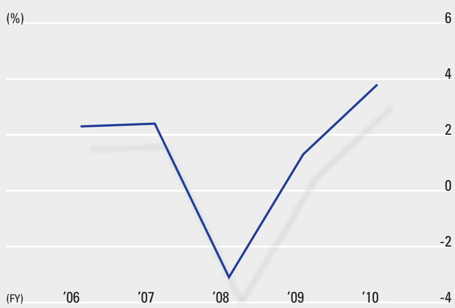
Profitability

Gross Profit Ratio



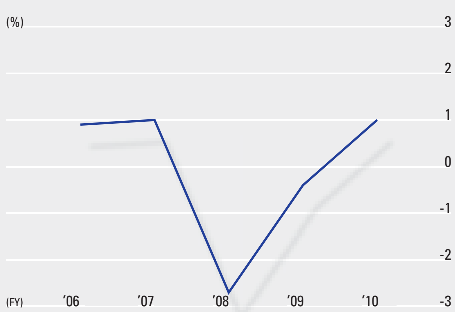
	FY2006	FY2007	FY2008	FY2009	FY2010 (Millions of yen)	FY2010 (Thousands of U.S. dollars)
Net sales	¥3,062,744	¥3,523,087	¥3,428,211	¥2,612,141	¥2,771,523	$33,331,606
Gross profit	210,502	232,399	38,803	176,775	232,490	2,796,031
Gross profit ratio (%)	6.9	6.6	1.1	6.8	8.4	—

Operating Income Ratio



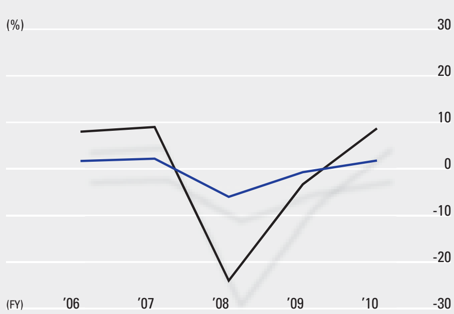
	FY2006	FY2007	FY2008	FY2009	FY2010 (Millions of yen)	FY2010 (Thousands of U.S. dollars)
Net sales	¥3,062,744	¥3,523,087	¥3,428,211	¥2,612,141	¥2,771,523	$33,331,606
Operating income (loss)	69,643	83,797	(107,006)	34,207	104,097	1,251,918
Operating income ratio (%)	2.3	2.4	(3.1)	1.3	3.8	—

Return on Sales



	FY2006	FY2007	FY2008	FY2009	FY2010 (Millions of yen)	FY2010 (Thousands of U.S. dollars)
Net sales	¥3,062,744	¥3,523,087	¥3,428,211	¥2,612,141	¥2,771,523	$33,331,606
Net income (loss)	26,536	35,153	(92,430)	(10,741)	28,933	347,962
Return on sales (%)	0.9	1.0	(2.7)	(0.4)	1.0	—

ROA / ROE

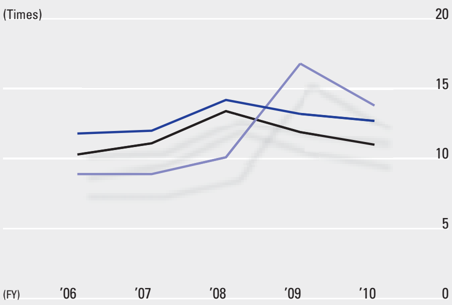


	FY2006	FY2007	FY2008	FY2009	FY2010 (Millions of yen)	FY2010 (Thousands of U.S. dollars)
Net income (loss)	¥ 26,536	¥ 35,153	¥ (92,430)	¥ (10,741)	¥ 28,933	$ 347,962
Total assets	1,579,156	1,627,904	1,440,396	1,645,048	1,579,424	18,994,877
Total shareholders' equity	339,701	442,912	328,434	315,747	332,730	4,001,563
Return on assets (ROA) (%)	1.7	2.2	(6.0)	(0.7)	1.8	—
Return on equity (ROE) (%)	8.0	9.0	(24.0)	(3.3)	8.9	—

Notes: 1. ROA = Net income ÷ Average total assets at beginning and end of the fiscal year X 100
2. ROE = Net income ÷ Average shareholders' equity at beginning and end of the fiscal year X 100

Efficiency/Productivity

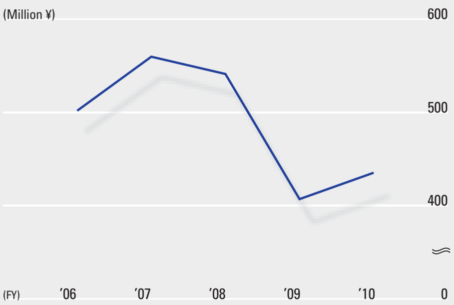
Trade Receivables Turnover, Inventory Turnover, Accounts Payable Turnover



	FY2006	FY2007	FY2008	FY2009	FY2010 (Millions of yen)	FY2010 (Thousands of U.S. dollars)
Notes and accounts receivable, trade	¥ 291,964	¥ 293,549	¥ 189,037	¥ 206,168	¥ 229,618	$ 2,761,491
Inventories	347,739	440,092	239,092	311,542	402,975	4,846,362
Trade receivables turnover (times)*	11.8	12.0	14.2	13.2	12.7	—
Inventory turnover (times)*	8.9	8.9	10.1	16.8	13.8	—
Notes and accounts payable, trade	281,520	312,657	191,883	216,112	243,914	2,933,422
Cost of sales	2,852,242	3,290,688	3,389,408	2,435,366	2,539,032	30,535,562
Accounts payable turnover (times)*	10.3	11.1	13.4	11.9	11.0	—

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

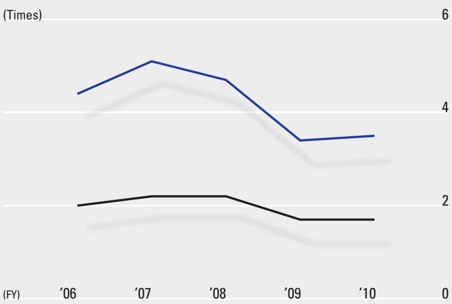
Net Sales per Employee



	FY2006	FY2007	FY2008	FY2009	FY2010 (Millions of yen)	FY2010 (Thousands of U.S. dollars)
Net sales per employee	¥501.8	¥559.7	¥541.2	¥407.0	¥435.3	$5,235.1
Consolidated number of employees	6,103	6,295	6,335	6,418	6,366	—

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

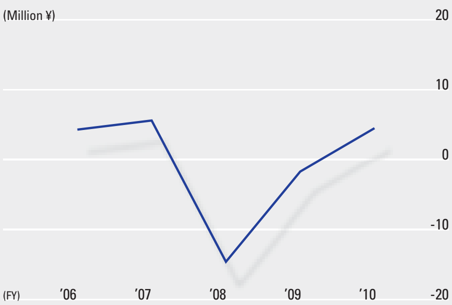
Fixed Assets Turnover, Total Assets Turnover



	FY2006	FY2007	FY2008	FY2009	FY2010 (Millions of yen)	FY2010 (Thousands of U.S. dollars)
Total assets	¥1,579,156	¥1,627,904	¥1,440,396	¥1,645,048	¥1,579,424	$18,994,877
Fixed assets	697,073	694,182	752,086	799,569	785,736	9,449,621
Fixed assets turnover (times)*	4.4	5.1	4.7	3.4	3.5	—
Total assets turnover (times)*	2.0	2.2	2.2	1.7	1.7	—

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

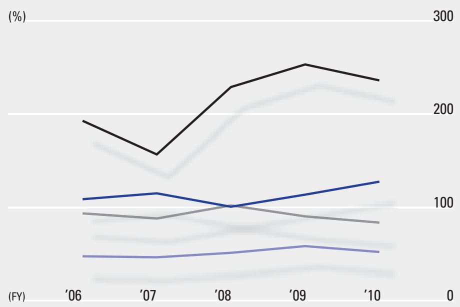
Net Income (loss) per Employee



	FY2006	FY2007	FY2008	FY2009	FY2010 (Millions of yen)	FY2010 (Thousands of U.S. dollars)
Net income (loss) per employee	¥ 4.3	¥ 5.6	¥ (14.6)	¥ (1.7)	¥ 4.5	$54.1
Consolidated number of employees	6,103	6,295	6,335	6,418	6,366	—

Stability

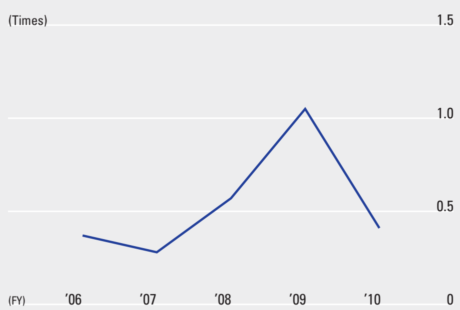
Current Ratio, Quick Ratio, Fixed Ratio, Fixed Assets Capitalization



	Millions of yen					Thousands of U.S. dollars
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010
Current ratio (%)	108.7	115.0	100.6	113.6	127.5	—
Quick ratio (%)	47.5	46.4	51.2	58.5	52.1	—
Fixed ratio (%)	192.8	156.7	229.0	253.2	236.1	—
Fixed assets capitalization (%)	93.5	88.0	102.0	90.3	83.6	—
Short-term debt	¥274,577	¥259,600	¥261,778	¥269,514	¥176,366	$2,121,058
Long-term debt, less current maturities	335,313	262,005	336,831	490,225	523,765	6,299,038

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

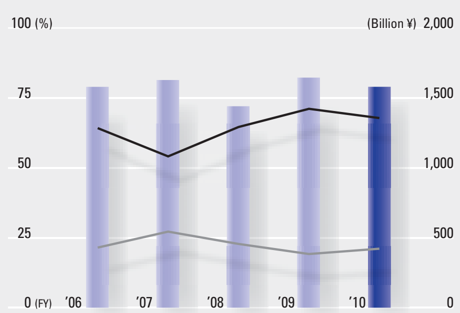
Liquidity



	Millions of yen					Thousands of U.S. dollars
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010
Cash and deposits and marketable securities	¥93,744	¥83,185	¥161,435	¥228,919	¥94,343	$1,134,612
Liquidity (times)	0.37	0.28	0.57	1.05	0.41	—

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

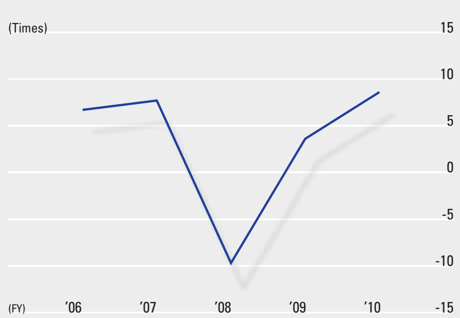
Total Assets, Debt-to-Total Capital Ratio, Shareholders' Equity Ratio



	Millions of yen					Thousands of U.S. dollars
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010
Total assets (right scale)	¥1,579,156	¥1,627,904	¥1,440,396	¥1,645,048	¥1,579,424	$18,994,877
Interest-bearing debt	609,890	521,605	598,609	777,739	700,131	8,420,096
Total shareholders' equity	339,701	442,912	328,434	315,747	332,730	4,001,563
Debt-to-total capital ratio (%) (left scale)	64.2	54.1	64.6	71.1	67.8	—
Total debt to total assets (%)	38.6	32.0	41.6	47.3	44.3	—
Shareholders' equity ratio (%) (left scale)	21.5	27.2	22.8	19.2	21.1	—
Debt-to-equity ratio (times)	1.8	1.2	1.8	2.5	2.1	—

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

Interest Coverage

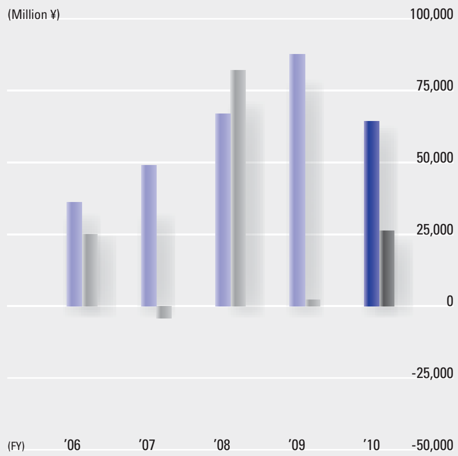


	Millions of yen					Thousands of U.S. dollars
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010
Interest expense	¥10,686	¥11,358	¥ 10,767	¥ 9,855	¥ 12,242	$ 147,228
Interest and dividend income	1,845	3,488	2,317	1,411	1,321	15,887
Operating income (loss)	69,643	83,797	(107,006)	34,207	104,097	1,251,918
Interest coverage (times)	6.7	7.7	(9.7)	3.6	8.6	—

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

Cash Flows

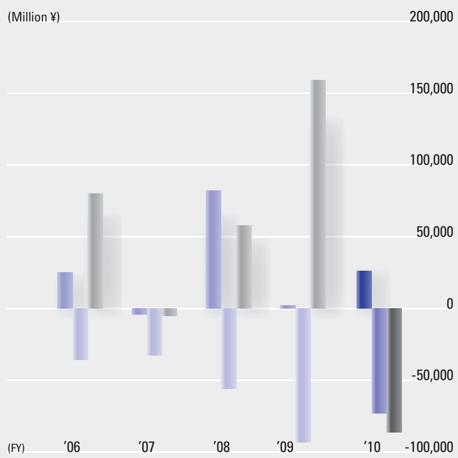
Cash Flows from Operating Activities and Capital Expenditures



	Millions of yen					Thousands of U.S. dollars
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010
■ Capital expenditures	¥36,127	¥48,958	¥ 67,025	¥ 87,677	¥64,369	$774,131
Depreciation and amortization	29,246	33,240	34,967	37,995	44,218	531,786
Net income (loss)	26,536	35,153	(92,430)	(10,741)	28,933	347,962
Cash dividends paid and bonuses to directors and statutory auditors	6,799	5,372	6,780	4,237	6,779	81,527
■ Cash flows from operating activities	25,005	(4,215)	82,136	2,262	26,297	316,260

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

Cash Flows by Activity

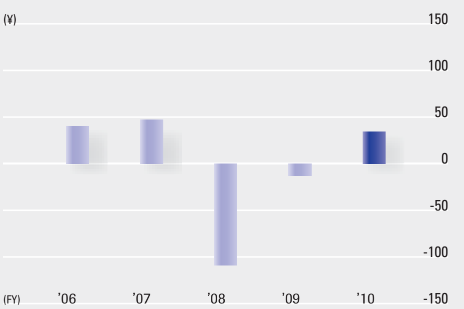


	Millions of yen					Thousands of U.S. dollars
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010
■ Cash flows from operating activities	¥ 25,005	¥ (4,215)	¥ 82,136	¥ 2,262	¥ 26,297	$ 316,260
■ Cash flows from investing activities	(35,868)	(32,806)	(55,953)	(93,306)	(73,109)	(879,242)
■ Cash flows from financing activities	80,023	(5,229)	57,854	159,302	(86,077)	(1,035,201)
Cash and cash equivalents at the end of year	126,106	82,675	159,920	228,908	94,343	1,134,612
Simplified cash flows	48,983	63,021	(64,243)	23,017	66,372	798,220

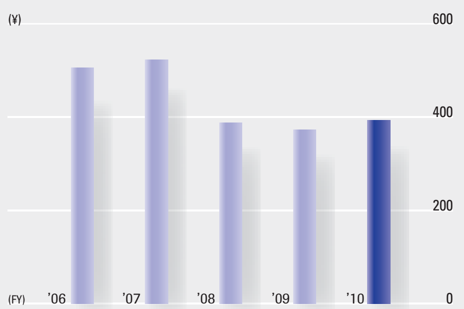
Note: Simplified cash flows are calculated as the sum of depreciation and net income after deducting cash dividends paid and bonuses to directors and statutory auditors.

Per Share Data

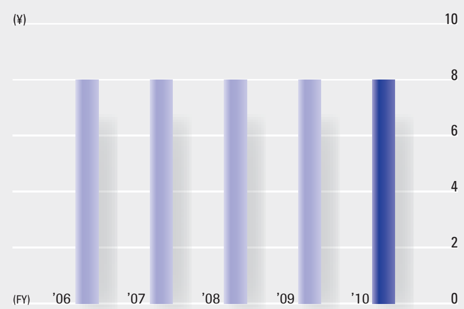
Net Income (Loss) per Share



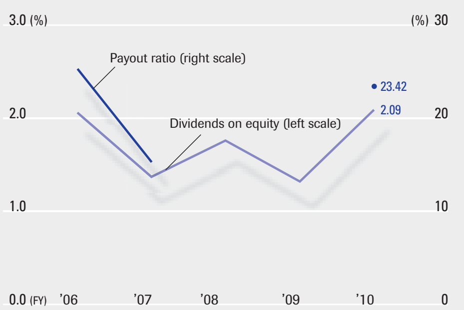
Net Assets per Share



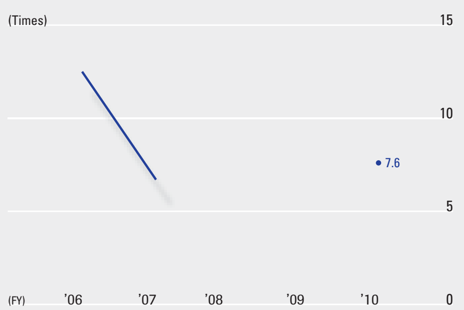
Cash Dividends per Share



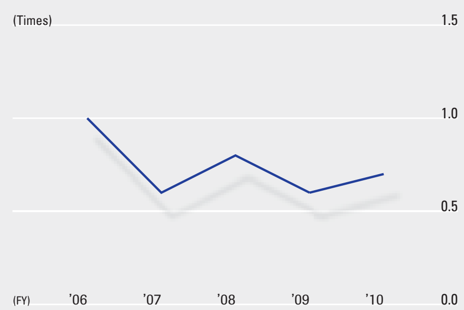
Payout Ratio and Dividends on Equity



Price Earnings Ratio (PER)



Price Book Value Ratio (PBR)



	Millions of yen					Thousands of U.S. dollars
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010
Stock price at the end of fiscal year (¥, $)	¥ 494	¥ 313	¥ 298	¥ 226	¥ 259	$ 3.11
Cash dividends per share (¥, $)	8.00	8.00	8.00	8.00	8.00	0.10
Cash dividends	6,715	5,372	6,780	4,237	6,779	81,527
Number of shares of common stock (millions)	671.7	847.7	847.7	847.7	847.7	—
Net income (loss)	26,536	35,153	(92,430)	(10,741)	28,933	347,962
Total shareholders' equity	339,701	442,912	328,434	315,747	332,730	4,001,563
Payout ratio (%)	25.30	15.28	—	—	23.42	—
Dividends on equity (%)	2.06	1.37	1.76	1.32	2.09	—
					Yen	U.S. dollars
Net income (loss) per share (¥, $)	¥ 39.54	¥ 46.72	¥ (109.11)	¥ (12.68)	¥ 34.16	$ 0.41
Diluted net income per share (¥, $)	37.91	44.98	—	—	33.58	0.40
Net assets per share (¥, $)	506.15	522.84	387.71	372.74	392.80	4.72
PER (times)	12.5	6.7	—	—	7.6	—
PBR (times)	1.0	0.6	0.8	0.6	0.7	—

Notes: 1. Dividend value is cash flow base.
2. DOE = Dividend amount ÷ Average beginning and end of period shareholders' equity X 100
3. Net income (loss) per share is based on the average number of outstanding shares.
4. 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.
5. 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, 2007, 2008, 2009, 2010 and 2011)

Millions of yen

	FY2006 (As of March 31, 2007)	FY2007 (As of March 31, 2008)	FY2008 (As of March 31, 2009)	FY2009 (As of March 31, 2010)	FY2010 (As of March 31, 2011)
ASSETS					
Current assets					
Cash and deposits	¥ 84,104	¥ 72,193	¥ 147,451	¥ 226,608	¥ 94,343
Notes and accounts receivable-trade	291,964	293,549	189,036	206,168	229,618
Short-term investment securities	9,639	10,992	13,983	2,310	—
Inventories	347,738	440,091	—	—	—
Merchandise and finished goods	—	—	116,732	145,720	204,867
Work in process	—	—	1,198	469	985
Raw materials and supplies	—	—	121,160	165,351	197,122
Accounts receivable-other	62,414	60,804	57,781	50,844	28,405
Deferred tax assets	4,955	5,448	7,321	3,890	3,680
Other	82,236	50,994	34,046	44,193	34,673
Allowance for doubtful accounts	(970)	(352)	(402)	(222)	(332)
Total current assets	882,082	933,721	688,310	845,336	793,363
Noncurrent assets					
Property, plant and equipment					
Buildings and structures, net	101,064	95,978	94,611	102,058	103,949
Oil storage depots, net	11,787	11,251	11,030	14,233	16,551
Machinery, equipment and vehicles, net	88,766	79,689	76,732	104,156	163,298
Land	313,181	308,277	305,565	303,104	302,808
Lease assets, net	—	—	91	659	641
Construction in progress	7,447	26,810	46,665	65,157	9,026
Other, net	6,100	7,016	8,719	8,322	7,362
Total property, plant and equipment	528,347	529,023	543,416	597,693	603,639
Intangible assets					
Leasehold right	1,239	1,211	1,201	1,142	1,125
Software	4,981	4,001	3,206	4,236	3,587
Goodwill	132	181	107	17	10
Other	4,076	4,385	7,668	7,166	6,794
Total intangible assets	10,430	9,779	12,183	12,563	11,517
Investments and other assets					
Investment securities	107,690	103,614	88,471	100,950	99,668
Investments in capital	217	213	185	188	202
Long-term loans receivable	3,440	2,643	1,987	1,790	1,314
Long-term prepaid expenses	4,156	7,838	6,970	6,095	4,840
Deferred tax assets	41,152	3,473	63,179	46,888	35,081
Other	3,181	38,819	36,570	34,275	30,384
Allowance for doubtful accounts	(1,542)	(1,224)	(878)	(876)	(912)
Total investments and other assets	158,295	155,378	196,485	189,312	170,579
Total noncurrent assets	697,073	694,182	752,085	799,569	785,736
Deferred assets					
Bond issuance cost	—	—	—	142	324
Total deferred assets	—	—	—	142	324
Total assets	¥ 1,579,155	¥ 1,627,903	¥ 1,440,395	¥ 1,645,048	¥ 1,579,424

Millions of yen

	FY2006 (As of March 31, 2007)	FY2007 (As of March 31, 2008)	FY2008 (As of March 31, 2009)	FY2009 (As of March 31, 2010)	FY2010 (As of March 31, 2011)
LIABILITIES					
Current liabilities					
Notes and accounts payable-trade	¥ 281,519	¥ 312,656	¥ 191,883	¥ 216,111	¥ 243,914
Short-term loans payable	244,277	257,100	261,778	269,514	176,366
Current portion of bonds with subscription rights to shares	30,300	2,500	—	18,000	—
Accounts payable-other	82,210	86,252	71,523	95,337	80,336
Accrued volatile oil and other petroleum taxes	110,138	77,240	112,663	107,457	71,431
Income taxes payable	12,120	21,688	5,770	9,194	7,252
Accrued consumption taxes	668	3,844	201	613	13,222
Accrued expenses	11,642	12,437	11,202	10,525	11,023
Deferred tax liabilities	9,544	10,363	4	2,330	567
Provision for loss on disaster	—	—	—	—	4,237
Reserve for compensation for completed contracts	17	—	—	—	—
Provision for loss on construction contracts	—	—	327	—	—
Other	29,406	27,944	28,537	15,091	13,823
Total current liabilities	811,845	812,027	683,883	744,174	622,173
Noncurrent liabilities					
Bonds payable	2,500	—	—	15,000	57,000
Bonds with subscription rights to shares	18,000	18,000	18,000	—	—
Long-term loans payable	314,812	244,004	318,830	475,225	466,765
Deferred tax liabilities	13,445	16,806	6,957	8,806	11,268
Deferred tax liabilities for land revaluation	23,752	33,946	33,492	33,293	33,210
Provision for special repairs	7,887	7,367	6,676	6,333	6,689
Provision for retirement benefits	4,280	6,300	6,096	5,899	5,647
Negative goodwill	—	—	—	6,284	5,027
Retirement benefits for directors and corporate auditors	334	—	—	—	—
Other	20,684	19,722	19,009	18,449	21,403
Total noncurrent liabilities	405,697	346,149	409,063	569,293	607,011
Total liabilities	1,217,542	1,158,176	1,092,946	1,313,468	1,229,185
NET ASSETS					
Shareholders' equity					
Capital stock	62,366	107,246	107,246	107,246	107,246
Capital surplus	44,561	89,442	89,440	89,440	89,440
Retained earnings	185,851	215,388	115,732	99,685	119,803
Treasury stock	(111)	(125)	(129)	(134)	(138)
Total shareholders' equity	292,667	411,952	312,290	296,239	316,351
Accumulated other comprehensive income					
Valuation difference on available-for-sale securities	14,507	5,909	(2,099)	(529)	669
Deferred gains or losses on hedges	12,141	14,603	8,084	8,761	6,459
Revaluation reserve for land	20,917	11,084	11,523	12,593	14,147
Foreign currency translation adjustment	(533)	(638)	(1,365)	(1,318)	(4,898)
Total accumulated other comprehensive income*	47,033	30,960	16,142	19,507	16,378
Minority interests	21,911	26,814	19,015	15,832	17,508
Total net assets	361,612	469,726	347,449	331,579	350,239
Total liabilities and net assets	¥ 1,579,155	¥ 1,627,903	¥ 1,440,395	¥ 1,645,048	¥ 1,579,424

* Effective from FY2010, the Company adopts the "Accounting Standard for Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010). However, the amounts of "accumulated other comprehensive income" and "total accumulated other comprehensive income" in FY2009 are equal to the amounts of "valuation and translation adjustments" and "total valuation and translation adjustments" of the same fiscal year.

Consolidated Statements of Income (Years ended March 31, 2007, 2008, 2009, 2010 and 2011)

Millions of yen

	FY2006 (From April 1, 2006 to March 31, 2007)	FY2007 (From April 1, 2007 to March 31, 2008)	FY2008 (From April 1, 2008 to March 31, 2009)	FY2009 (From April 1, 2009 to March 31, 2010)	**FY2010 (From April 1, 2010 to March 31, 2011)**
Net sales	¥3,062,743	¥3,523,086	¥3,428,211	¥2,612,141	¥2,771,523
Cost of sales	2,852,242	3,290,687	3,389,407	2,435,365	2,539,032
Gross profit	210,501	232,399	38,803	176,775	232,490
Selling, general and administrative expenses	140,858	148,602	145,809	142,568	128,393
Operating income	69,643	83,796	(107,005)	34,207	104,097
Non-operating income					
Interest income	1,133	1,976	1,485	495	150
Dividends income	711	1,511	831	915	1,171
Rent income on noncurrent assets	1,038	913	982	1,136	1,190
Amortization of negative goodwill	—	—	—	—	1,251
Foreign exchange gains	2,884	8,886	—	2,581	106
Equity in earnings of affiliates	9,920	8,662	—	7,348	407
Oil price change gains	—	—	—	223	—
Other	5,138	6,083	5,897	3,832	3,519
Total non-operating income	20,827	28,033	9,197	16,533	7,797
Non-operating expenses					
Interest expenses	10,686	11,357	10,767	9,855	12,242
Equity in losses of affiliates	—	—	1,126	—	—
Foreign exchange losses	—	—	9,325	—	—
Other	4 994	6,142	5,975	4,474	3,557
Total non-operating expenses	15,680	17,499	27,195	14,329	15,799
Ordinary income	74,789	94,330	(125,004)	36,411	96,094
Extraordinary income					
Gain on sales of noncurrent assets	2,004	5,417	6,899	5,206	1,044
Gain on sales of investment securities	66	726	4,193	110	—
Reversal of allowance for doubtful accounts	—	456	—	—	—
Gain on allotment of investment securities	—	—	—	—	151
Relocation compensations received	1,500	—	—	—	—
Gain on sales of subsidiaries and affiliates' stocks	—	—	—	1,994	13
Bad debts recovered	277	—	—	—	—
Gain on abolishment of retirement benefit plan	—	3,155	—	—	—
Gain on exchange of stock	—	393	—	—	—
Gain on insurance adjustment	—	—	1,749	—	—
Other	34	82	182	389	—
Total extraordinary income	3,883	10,232	13,025	7,700	1,209
Extraordinary loss					
Loss on sales of noncurrent assets	516	100	216	96	213
Loss on disposal of noncurrent assets	3,336	2,554	3,417	3,752	3,521
Impairment loss	2,440	4,510	1,239	1,976	3,857
Loss on sales of investment securities	788	—	—	450	—
Loss on sales of stocks of subsidiaries and affiliates	—	—	—	—	22
Loss on valuation of investment securities	—	—	—	2,183	2,983
Loss on valuation of stocks of subsidiaries and affiliates	—	—	—	—	29
Loss on adjustment for changes of accounting standard	—	—	—	—	1,660
Loss on disaster	—	—	—	—	5,749
Loss on disposal of recoverable accounts under production sharing	—	—	—	—	3,523
Loss on litigation	—	—	—	—	2,291
Loss on valuation of membership	—	56	—	—	—
Loss on liquidation of subsidiaries and affiliates	313	—	—	—	—
Loss on liquidation of business of subsidiaries and affiliates	—	1,625	—	—	—
Other	35	155	327	125	—
Total extraordinary losses	7,429	9,002	5,200	8,584	23,852
Income before income taxes and minority interests	71,243	95,560	(117,179)	35,526	73,451
Income taxes-current	37,200	47,982	43,828	21,948	27,958
Income taxes-deferred	1,484	7,088	(71,522)	21,540	14,175
Total income taxes	38,684	55,070	(27,694)	43,488	42,133
Income before minority interests	—	—	—	—	31,318
Minority interests in income	6,021	5,337	2,944	2,778	2,384
Net income (loss)	¥ 26,536	¥ 35,152	¥ (92,429)	¥ (10,740)	¥ 28,933

Consolidated Statements of Comprehensive Income (Years ended March 31, 2010 and 2011)

		Millions of yen
	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Income before minority interests	¥ —	¥ 31,318
Other comprehensive income		
Valuation difference on available-for-sale securities	—	1,112
Deferred gains or losses on hedges	—	(2,110)
Foreign currency translation adjustment	—	(2,957)
Share of other comprehensive income of associates accounted for using equity method	—	(1,199)
Total other comprehensive income	—	(5,156)
Comprehensive income	—	26,161
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	—	23,800
Comprehensive income attributable to minority interests	¥ —	¥ 2,360

Consolidated Statements of Changes in Net Assets (Years ended March 31, 2011)

	Millions of yen FY2010 (From April 1, 2010 to March 31, 2011)
Shareholders' equity	
Capital stock	
Balance at the end of previous period	¥ 107,246
Balance at the end of current period	107,246
Capital surplus	
Balance at the end of previous period	89,440
Changes of items during the period	
Disposal of treasury stock	(0)
Total changes of items during the period	(0)
Balance at the end of current period	89,440
Retained earnings	
Balance at the end of previous period	99,685
Changes of items during the period	
Dividends from surplus	(6,779)
Net income (loss)	28,933
Change of scope of equity method	(483)
Reversal of revaluation reserve for land	(1,553)
Total changes of items during the period	20,117
Balance at the end of current period	119,803
Treasury stock	
Balance at the end of previous period	(134)
Changes of items during the period	
Purchase of treasury stock	(4)
Disposal of treasury stock	0
Total changes of items during the period	(4)
Balance at the end of current period	(138)
Total shareholders' equity	
Balance at the end of previous period	296,239
Changes of items during the period	
Dividends from surplus	(6,779)
Net income (loss)	28,933
Change of scope of equity method	(483)
Reversal of revaluation reserve for land	(1,553)
Purchase of treasury stock	(4)
Disposal of treasury stock	0
Total changes of items during the period	20,112
Balance at the end of current period	316,351
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	
Balance at the end of previous period	(529)
Changes of items during the period	
Net changes of items other than shareholders' equity	1,198
Total changes of items during the period	1,198
Balance at the end of current period	669
Deferred gains or losses on hedges	
Balance at the end of previous period	8,761
Changes of items during the period	
Net changes of items other than shareholders' equity	(2,301)
Total changes of items during the period	(2,301)
Balance at the end of current period	¥ 6,459

	Millions of yen FY2010 (From April 1, 2010 to March 31, 2011)
Revaluation reserve for land	
Balance at the end of previous period	¥ 12,593
Changes of items during the period	
Reversal of revaluation reserve for land	1,553
Net changes of items other than shareholders' equity	—
Total changes of items during the period	1,553
Balance at the end of current period	14,147
Foreign currency translation adjustment	
Balance at the end of previous period	(1,318)
Changes of items during the period	
Net changes of items other than shareholders' equity	(3,579)
Total changes of items during the period	(3,579)
Balance at the end of current period	(4,898)
Total accumulated other comprehensive income	
Balance at the end of previous period	19,507
Changes of items during the period	
Reversal of revaluation reserve for land	1,553
Net changes of items other than shareholders' equity	(4,683)
Total changes of items during the period	(3,129)
Balance at the end of current period	16,378
Minority interests	
Balance at the end of previous period	15,832
Changes of items during the period	
Net changes of items other than shareholders' equity	1,675
Total changes of items during the period	1,675
Balance at the end of current period	17,508
Total net assets	
Balance at the end of previous period	331,579
Changes of items during the period	
Dividends from surplus	(6,779)
Net income (loss)	28,933
Change of scope of equity method	(483)
Reversal of revaluation reserve for land	—
Purchase of treasury stock	(4)
Disposal of treasury stock	0
Net changes of items other than shareholders' equity	(3,007)
Total changes of items during the period	18,659
Balance at the end of current period	¥ 350,239

Consolidated Statements of Cash Flows (Years ended March 31, 2007, 2008, 2009, 2010 and 2011)

Millions of yen

	FY2006 (From April 1, 2006 to March 31, 2007)	FY2007 (From April 1, 2007 to March 31, 2008)	FY2008 (From April 1, 2008 to March 31, 2009)	FY2009 (From April 1, 2009 to March 31, 2010)	**FY2010 (From April 1, 2010 to March 31, 2011)**
Net cash provided by (used in) operating activities					
Income before income taxes and minority interests	¥ 71,243	¥ 95,560	¥ (117,179)	¥ 35,526	¥ 73,451
Depreciation and amortization	29,246	33,240	34,966	37,994	44,218
Amortization of goodwill	2	45	75	89	—
Amortization of negative goodwill	—	—	—	—	(1,251)
Impairment loss	2,440	4,510	1,239	1,976	3,857
Loss (gain) on sales of noncurrent assets	—	(5,317)	(6,682)	(5,110)	(831)
Loss (gain) on disposal of noncurrent assets	3,336	2,554	3,417	3,748	3,521
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	—	—	—	1,660
Loss on disaster	—	—	—	—	5,749
Loss on disposal of recoverable accounts under production sharing	—	—	—	—	3,523
Loss on litigation	—	—	—	—	2,291
Loss (gain) on sales of investment securities	—	—	—	340	—
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	—	—	(1,994)	9
Loss (gain) on valuation of investment securities	788	—	—	2,183	2,983
Loss on valuation of stocks of subsidiaries and affiliates	—	—	—	—	29
Gain on allotment of investment securities	—	—	—	—	(151)
Gain on insurance claim	—	—	(1,749)	—	—
Interest and dividends income	(1,845)	(3,488)	(2,317)	(1,410)	(1,322)
Interest expenses	10,686	11,357	10,767	9,855	12,242
Foreign exchange losses (gains)	—	—	—	(833)	1,440
Equity in (earnings) losses of affiliates	(9,920)	(8,662)	1,126	(7,348)	(407)
Increase (decrease) in allowance for doubtful accounts	—	(937)	(293)	(182)	145
Increase (decrease) in provision for special repairs	—	(520)	(690)	(342)	355
Increase (decrease) in provision for retirement benefits	—	2,020	(158)	(227)	(252)
Increase (decrease) in other provision	(337)	(238)	303	(323)	1
Decrease (increase) in notes and accounts receivable-trade	(63,956)	(1,562)	103,774	(16,570)	(24,048)
Recovery of recoverable accounts under production sharing	8,541	9,536	6,524	4,750	6,850
Decrease (increase) in inventories	(9,398)	(92,345)	200,933	(72,346)	(92,696)
Increase (decrease) in notes and accounts payable-trade	8,337	31,130	(120,036)	39,808	27,802
Decrease (increase) in other current assets	21,089	(7,058)	12,281	(135)	15,244
Increase (decrease) in other current liabilities	26,745	(34,136)	28,466	(14,679)	(33,138)
Decrease (increase) in investments and other assets	—	(271)	2,692	5,272	4,731
Increase (decrease) in other noncurrent liabilities	—	2,265	(279)	(2,975)	(330)
Other, net	(6,034)	(2,838)	1,675	393	5
Subtotal	90,964	34,847	158,856	17,457	55,686
Interest and dividends income received	3,331	4,360	5,545	10,871	4,230
Interest expenses paid	(10,519)	(11,871)	(10,872)	(9,818)	(12,726)
Payments for loss on disaster	—	—	—	—	(118)
Payments for loss on litigation	—	—	—	—	(31)
Proceeds from insurance income	—	—	930	—	—
Income taxes paid	(58,771)	(31,551)	(72,325)	(16,248)	(20,742)
Net cash provided by (used in) operating activities	¥ 25,004	¥ (4,214)	¥ 82,135	¥ 2,261	¥ 26,297

Millions of yen

	FY2006 (From April 1, 2006 to March 31, 2007)	FY2007 (From April 1, 2007 to March 31, 2008)	FY2008 (From April 1, 2008 to March 31, 2009)	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Net cash provided by (used in) investing activities					
Purchase of short-term investment securities	¥ (3,506)	¥ (1,906)	¥ (508)	¥ (9)	¥ (9)
Proceeds from sales and redemption of securities	—	—	—	1,510	10
Proceeds from sales of short-term investment securities	2,979	4,956	509	—	—
Purchase of investment securities	(6,338)	(4,583)	(5,029)	(7,784)	(276)
Proceeds from sales and redemption of investment securities	—	—	—	3,462	140
Proceeds from sales of investment securities	363	2,460	6,416	—	—
Purchase of stocks of subsidiaries and affiliates	—	—	—	(13,976)	(6,131)
Proceeds from sales of stocks of subsidiaries and affiliates	—	—	923	2,614	482
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	—	—	1,333	—
Purchase of property, plant and equipment	(30,263)	(34,822)	(55,213)	(72,956)	(59,600)
Payments for disposal of property, plant and equipment	(2,029)	(1,188)	(1,761)	(2,807)	(1,403)
Proceeds from sales of property, plant and equipment	7,507	9,461	10,815	9,829	5,901
Payments for purchases of intangible fixed assets and long-term prepaid expenses	(5,334)	(8,640)	(14,026)	(10,466)	(13,682)
Decrease (increase) in short-term loans receivable	857	545	1,378	(4,600)	869
Payments of long-term loans receivable	(1,466)	(784)	(796)	(55)	(55)
Collection of long-term loans receivable	1,102	1,708	1,444	414	482
Other, net	260	(10)	(104)	187	163
Net cash provided by (used in) investing activities	(35,868)	(32,805)	(55,953)	(93,305)	(73,109)
Net cash provided by (used in) financing activities					
Net increase (decrease) in short-term loans payable	42,115	(11,736)	46,840	12,757	(107,286)
Proceeds from long-term loans payable	94,501	7,454	111,230	177,476	36,289
Repayment of long-term loans payable	(46,268)	(53,868)	(77,914)	(34,892)	(30,836)
Proceeds from issuance of bonds	—	—	—	15,000	41,775
Proceeds from issuance of common stock	—	89,281	—	—	—
Redemption of portion of bonds with subscription rights to shares	—	—	—	—	(18,000)
Redemption of bonds	(3,000)	(30,300)	(2,500)	—	—
Cash dividends paid	(6,715)	(5,371)	(6,779)	(4,237)	(6,779)
Cash dividends paid to minority shareholders	(471)	(616)	(13,548)	(6,741)	(1,126)
Proceeds from stock issuance to minority shareholders	—	—	541	—	—
Other, net	(139)	(72)	(15)	(60)	(114)
Net cash provided by (used in) financing activities	80,022	(5,229)	57,853	159,301	(86,077)
Effect of exchange rate change on cash and cash equivalents	313	(1,244)	(6,791)	729	(1,674)
Net increase (decrease) in cash and cash equivalents	69,473	(43,494)	77,245	68,987	(134,564)
Cash and cash equivalents at beginning of period	56,632	126,105	82,674	159,919	228,907
Increase in cash and cash equivalents from newly consolidated subsidiary	—	63	—	—	—
Cash and cash equivalents at end of period	¥ 126,105	¥ 82,674	¥ 159,919	¥ 228,907	¥ 94,343

Group Information (As of March 31, 2011)

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 75.0%

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

Others: ● 1 company
□ 1 company

Petroleum Business

Import and export of crude oil and petroleum products

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

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

Others: ● 1 company

Marine transportation

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

Other Businesses

Engineering, insurance, leasing

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

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

Others: ● 2 companies
○ 13 companies
□ 2 companies

Crude oil & petroleum products

Marine transportation

Construction of refining plants and others

COSMO OIL CO., LTD.

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

Lubricant-base oil

Manufacturing of lubricating oil

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

Petrochemical material

Manufacturing of petrochemical products

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

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

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

■ HC PETROCHEM CO., LTD.
₩357,000 million 50.0%

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: ● 3 companies ○ 6 companies
□ 11 companies

Research and development

● COSMO RESEARCH INSTITUTE ¥50 million 100%

Production and distribution of ALA-containing products

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

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

Others: □ 1 company

Management of leased real estate

● COSMO BUSINESS SUPPORT CO., LTD.
¥90 million 100%

Others: □ 1 company

Wind power generation

● ECO POWER CO., LTD.
¥6,164 million 98.7%

Others: ● 8 companies
■ 1 company

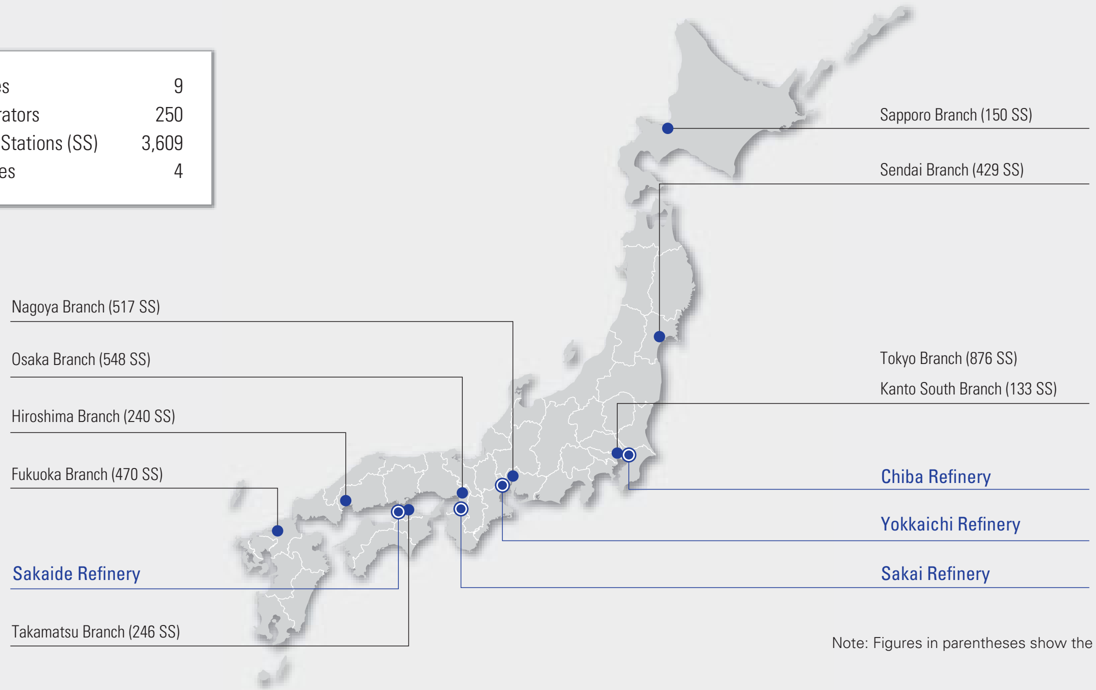
CUSTOMERS

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

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

Branches and Refineries (As of March 31, 2011)

Branches	9
SS Operators	250
Service Stations (SS)	3,609
Refineries	4



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

Principal Overseas Bases (As of March 31, 2011)

5-Amino Levulinic Acid (ALA)

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

API Gravity

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

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

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

	Heavy-light crude oil price gap* (unit: USD/BBL/API)	Light-heavy product price gap** (unit: USD/BBL)
2003	0.13	8.00
2004	0.42	22.50
2005	0.69	27.00
2006	0.72	32.00
2007	0.71	32.08
2008	0.88	36.95
2009	0.25	12.07
2010	0.33	22.58

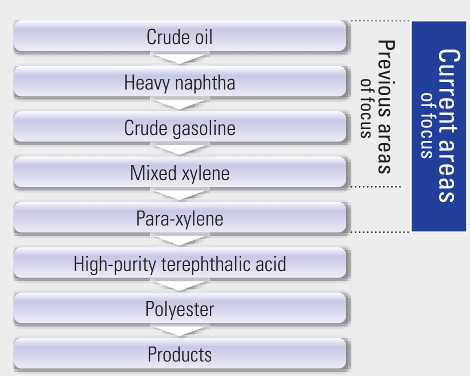
* Annual average for the Jan.–Dec. period
** Annual average for the Apr.–Mar. period

Market-Linked Pricing Formula

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

Para-Xylene and Mixed Xylene

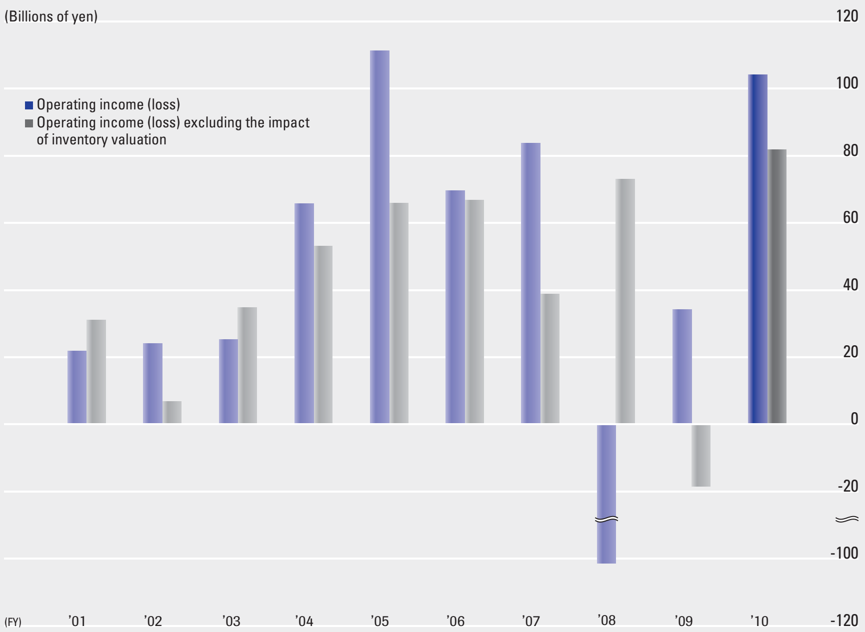
Para-xylene is an aromatic used to make PET bottles, polyester fiber, and other products. It is made from mixed xylene, which is produced from reformates manufactured by oil companies. Previously, the Cosmo Oil Group produced only mixed xylene, but by entering the para-xylene business, it expects to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



Inventory Valuation Gain (Loss)

Wildly fluctuating crude oil prices cause apparent fluctuations in earnings

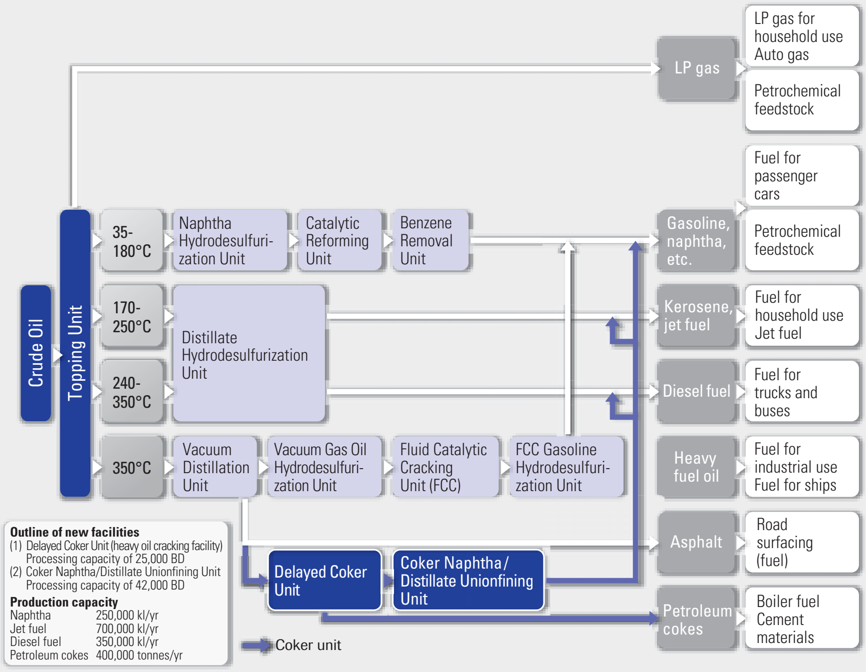
The Cosmo Oil Group uses the average cost method for valuing crude oil inventory, under which the average unit cost between inventory assets at the beginning of the reporting period and assets acquired during the year is used as the cost of sales for accounting purposes. To better analyze variable factors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



Coker Unit of Sakai Refinery

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

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



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	39,878
Number of shares per trading unit	1,000 shares
Stock listing	Tokyo, Osaka, Nagoya

Principal Shareholders (As of March 31, 2011)

	Investment in the Company	
Shareholder	Number of shares owned (Thousands)	Percentage of total shares issued (%)
Infinity Alliance Limited*	176,000	20.76
Japan Trustee Services Bank, Ltd. (Trust account)	56,808	6.70
Mizuho Corporate Bank, Ltd.	31,320	3.69
The Master Trust Bank of Japan, Ltd. (Trust account)	20,126	2.37
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,750	2.33
Mitsui Sumitomo Insurance Co., Ltd.	18,878	2.22
The Kansai Electric Power Co., Inc.	18,600	2.19
Aioi Nissay Dowa Insurance Co., Ltd.	18,583	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)

Bond Issue Information

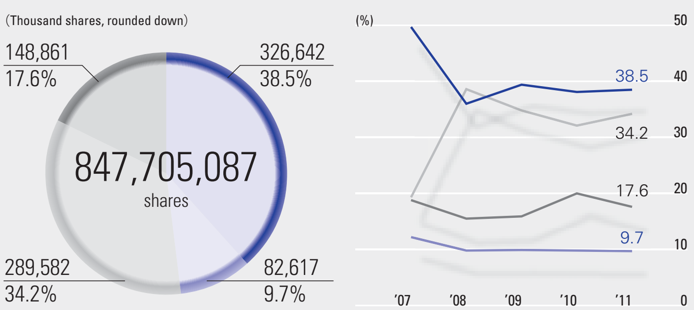
Unsecured Bonds (No. 20)	
Date of issue	January 29, 2010
Balance of debt at March 31, 2010	¥15 billion
Balance of debt at March 31, 2011	¥15 billion
Due date	January 31, 2017

Unsecured Bonds (No. 21)	
Date of issue	September 21, 2010
Balance of debt at March 31, 2010	—
Balance of debt at March 31, 2011	¥22 billion
Due date	September 18, 2015

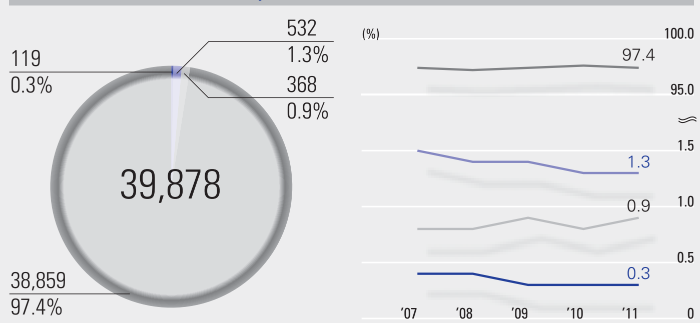
Unsecured Bonds (No. 22)	
Date of issue	December 9, 2010
Balance of debt at March 31, 2010	—
Balance of debt at March 31, 2011	¥10 billion
Due date	December 9, 2014

Unsecured Bonds (No. 23)	
Date of issue	December 9, 2010
Balance of debt at March 31, 2010	—
Balance of debt at March 31, 2011	¥10 billion
Due date	December 9, 2016

Number of shares / Trend of shares by types of shareholders

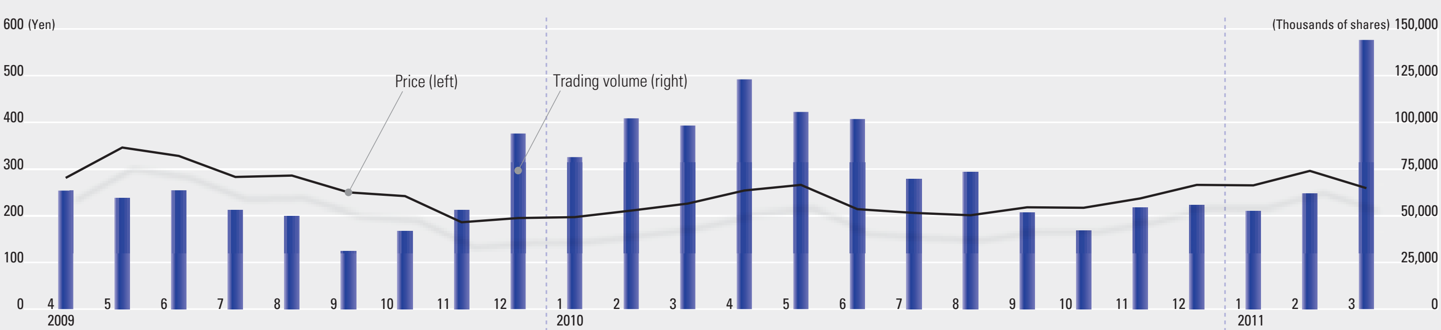


Number of shareholders / Trend of shareholders



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

Stock information



CORPORATE DATA (As of March 31, 2011)

Company Name	COSMO OIL CO., LTD.
Head Office	Toshiba Bldg., 1-1, Shibaura 1-chome, Minato-ku
Phone	+81-3-3798-3211
Fax	+81-3-3798-3237
URL	http://www.cosmo-oil.co.jp
Established	April 1, 1986
Common Shares	Authorized: 1,700,000,000, Issued: 847,705,087
Paid-in Capital	¥107,246,816,126
Type of Business	Refining and sales of oil products
Fiscal Year-End	March 31
Number of Employees	2,135
Branches (9 locations)	Sapporo, Sendai, Tokyo, Kanto South, Nagoya, Osaka, Hiroshima, Takamatsu, Fukuoka
Refineries (4 locations)	Chiba, Yokkaichi, Sakai, Sakaide
Principal Overseas Bases	• Overseas Offices (4 locations) Beijing, Shanghai, Abu Dhabi, Doha • Subsidiaries (4 locations) COSMO OIL OF U.S.A. INC. COSMO OIL INTERNATIONAL PTE. LTD. COSMO OIL (U.K.) PLC. COSMO OIL (SHANGHAI) CO., LTD.
Number of SS Operators	250

Inquiries:

COSMO OIL CO., LTD.

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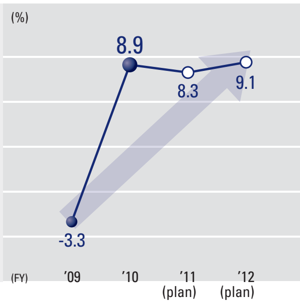
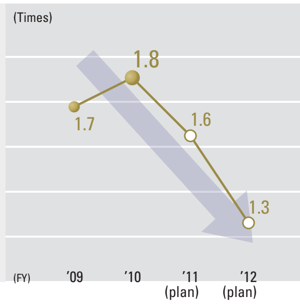
URL: http://www.cosmo-oil.co.jp/eng/index.html

Our Achievements

ROE

8.9%





Net D/E Ratio

1.8 times

Status of Business Deployment

	FY2010	FY2011	FY2012
UNIQUENESS 1 **Maximize utilization of coker facilities** pg. 30	Constructed coker facilities	With the commencement of full-scale coker facility operation (in October 2010), maximize heavy-light crude oil price gap	
UNIQUENESS 2 **Expand petrochemical business** pg. 32	Designed 800,000-tonne PX production facility for HCP	Construction started in July 2011 (scheduled for operation in 2013)	
	300,000-tonne MX production facility under construction at Yokkaichi Refinery		Scheduled to start operation in November 2011 (bringing group-wide MX production capacity to 600,000 tonnes)
UNIQUENESS 3 **Maintain and expand sales network around the Pacific Rim** pg. 30	Maintained existing sales routes and tapped new ones (such as Alaska)	Export middle distillates (such as diesel fuel and jet fuel) produced by coker facilities	
UNIQUENESS 4 **Maintain and expand domestic sales routes; secure appropriate margins** pg. 30	Secured appropriate margins through modification of pricing formula	Improve margins via management of tight demand-supply situation Continue promoting the issuance of Cosmo the Card and establishment of self-service stations	
UNIQUENESS 5 **Increase crude oil production volume** pg. 28	Renewed concession (Abu Dhabi Oil Co., Ltd.); acquired new concession areas	Prepare for new exploration and development by Abu Dhabi Oil Co., Ltd.; and commence commercial crude oil production from A-Structure South Field in Qatar (April 2011)	
UNIQUENESS 6 **Upgrade business portfolio in environment and new energy** pg. 31	Signed agreement with Earth Chemical Co., Ltd. to supply active ingredients for ALA (fertilizer business)	Apply for assignment of "quasi drug" designation to hair growth products Promote R&D in medical treatment field	
	Achieved profitability in wind power generation business in a single year after our acquisition of Eco Power (New energy)	Maintain stable earnings at Eco Power Co., Ltd. Prepare for new investment opportunities in light of government energy policies	
Rationalization **Reinforce earnings base through cost-cutting**	Achieved ¥15.7 billion cost reduction (compared with FY2009) by reducing employee numbers and other measures	Reduce costs in peripheral departments and subsidiaries; target cumulative cost reduction of ¥25 billion (FY2010–2012)	

COSMO OIL CO., LTD.

This report was printed with attention to minimizing environmental impact by using a waterless printing method and ink manufactured from vegetable oil.

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