



**The Cosmo Oil Group Is Implementing Strategies to Strengthen Its Earnings Base and Foster Further Growth, as Evidenced by Coker Operations and Entry into the Para-Xylene Business.**

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## The Cosmo Oil Group Mission

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

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

## Fiscal 2009 Performance

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

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

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

## Fiscal 2010 Policies

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

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

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

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