Notes to Consolidated Financial Statements

1 Notes to going concern

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: 38

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

(2) Major Non-consolidated Subsidiaries:

Tohoku Cosmo Gas Co., Ltd.

Reason for exclusion from accounting consolidation:

The Company has 18 subsidiaries that were excluded from its consolidated subsidiaries because they are small businesses and their respective total assets, net sales, and net income/loss and retained earnings (both amounts equivalent to what is accounted for under the equity method) have no material impact on the consolidated financial statements of the Company.

2. Items concerning the Application of the Equity Method

(1) Number of Non-consolidated Subsidiaries Accounted for Using the Equity Method:18

Major subsidiaries: Tohoku Cosmo Gas Co., Ltd.

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

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

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

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

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

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

Reasons for Exclusion from the Application of the Equity Method:

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

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

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

3. Items concerning the Accounting Periods of the Consolidated Subsidiaries

Of the 38 consolidated subsidiaries, Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., Cosmo Oil Ashmore Ltd., Cosmo Oil International Pte. Ltd., Cosmo Oil (U.K.) Plc., Cosmo Oil Europe B.V. and Cosmo Oil (Shanghai) Co., Ltd. adopt a fiscal year ending December 31 and Akita Wind Power Laboratory Co., Ltd. adopts a fiscal year ending February 28, respectively. The consolidated financial statements herein have been developed by using their financial reports as of December 31, 2012 or February 28, 2013 and any material transactions arising between end of their fiscal year and consolidated fiscal year, the date for the consolidated settlement of accounts for the Company, are reflected on the consolidated financial statements herein by making necessary adjustments.

4. Items concerning the Accounting Standards

(1) Significant Asset Valuation Standards and Methods

1) Securities:

a. Securities held to maturity: Stated at amortized cost method

b. Other securities:

— Securities available for sale with fair market value:

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

— Securities with no available fair market value:

Stated at cost determined by the moving average method

2) Inventories:

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

3) Derivative financial instruments:

Stated at fair value

(2) Significant Depreciable Assets and Depreciation Methods

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

The straight line method is mainly adopted to calculate depreciation expenses for these asset items. The number of years of their useful lives and their residual value are calculated based on the criteria defined under the Corporation Tax Law of Japan, providing that the economic useful life of 15 years is adopted for the Company's service stations by taking their actual past performances into consideration and the economic useful life of 14 years is adopted for the Company's Coker Unit. As for Abu Dhabi Oil Co., Ltd., a consolidated subsidiary of the Company, adopts the number of years for useful life as defined in the concession agreements and economic useful life by taking into account the durability and other conditions of the assets currently owned. As for EcoPower Co., Ltd., a consolidated subsidiary of the Company, and its subsidiaries, an economic useful life of 20 years is mainly adopted for the windmills operated by them.

2) Intangible Assets (except lease assets):

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

3) Lease assets:

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

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

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

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

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

4) Long-term Prepaid Expenses:

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

(3) Accounting Process Applied to Deferred Assets

Bond Issuance Cost:

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

(4) Standards for Recording Significant Allowance/Provisions

1) Allowance for Doubtful Accounts

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

a. Ordinary accounts receivable: The amount of allowance calculated at the actual ratio of bad debts.

b. Highly doubtful receivables and claims in bankruptcy and reorganization, etc.: The amount of allowance calculated based on the evaluation of financial situations of individual accounts involved.

2) Provision for loss on disaster

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

3) Provision for special repairs

A provision is set aside to cover expenses arising from the inspection and repairs of the oil tanks subject to the open regular inspection in compliance with the Fire Service Law of Japan, and an amount equal to the estimated cost of periodically required repairs was added to the provision for FY2012.

As for Cosmo Matsuyama Oil Co., Ltd., one of the subsidiaries of the Company, a certain amount of money to cover expenses arising from regular repairs of the machinery and equipment of its refinery was recorded for FY2012 in addition to the above charge.

4) Provision for retirement benefits

A provision is put aside to cover retirement and severance benefits payable to employees and a certain amount was recorded based on the estimated amount of projected benefit obligation and the fair value of the pension assets as of March 31, 2013. Actual gains and losses are recognized in expenses at an amount prorated in the straight line method over a certain number of years (from 8 to 10 years), which is within the average of the estimated remaining years of service to be performed by the employees at the time of accrual, commencing with the fiscal year following the accrual time.

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

5) Provision for business structure improvement

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

6) Provision for environmental measures

The Company recorded the estimated amount of a provision to cover expenses to treat contaminated soil.

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

(5) Important Standards for Revenue and Cost recognition

Standards for Recognition of Construction Revenue and Cost

As for recognition of revenues from constructions undertaken by the Company, the percentage of completion method (the percentage of construction is estimated based on the method of the ratio of actual cost incurred to total estimated cost) is applied to construction contracts in process in which the outcome of the construction activity is deemed certain by the end of FY2012, while the completed contract method is applied to other construction contracts.

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

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

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

(7) Significant Hedge Accounting Methods

1) Hedge Accounting Methods

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

2) Hedging Instruments and Hedged Items

(Currency)

Hedging Instrument	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/Product swaps, Crude oil/Product futures trading	Crude oil/Product trading

3) Hedging Policy

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

4) Method of Evaluating Hedge Effectiveness

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

(8) Amortization period and the amortization method for goodwill

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

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

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

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

1) Accounting Process for Consumption Tax, etc.

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

2) Accounting Process for Cost Recovery under Production Sharing

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

3) Accounting for introduction of tax consolidation

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

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

3 Changes in Representation Methods

(Consolidated Balance Sheet)

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

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

(Consolidated Statements of Cash Flows)

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

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

(Changes in Accounting Estimates)

(Change of the Number of Years of Useful Life)

Abu Dhabi Oil Co., Ltd., a consolidated subsidiary of the Company, conventionally calculated deprecation by using the number of years of useful life for the oil wells currently operational, as defined by the concession agreements, among buildings and structures included in the account item of property, plant and equipment. However, by taking the opportunity of the recent execution of the new concession agreement, a review was conducted about the durability and other conditions of these assets currently owned. As a result, it was revealed that they can be used for longer years. Therefore, the number of years of useful life of the oil wells is changed to 30 years, and said change will be effective from consolidated fiscal year 2012 and be adopted over the years to come. This change decreased depreciation expenses for FY2012 by ¥1,979 million as compared with the conventional method. And operating income and ordinary income for FY2012 were increased by ¥1,790 million, loss before income taxes was reduced by the same amount.

(Changes in estimation of provision)

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

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

4 Notes to Consolidated Financial Statements

(Notes to Consolidated Balance Sheet)

(Millions of yen)

	FY2011 (As of March 31, 2012)	FY2012 (As of March 31, 2013)
1. Accumulated depreciation for property, plant and equipment	¥766,731	¥782,746
2. Pledged assets		
1) Plant foundation		
Pledged assets	¥329,320	¥324,431
Secured liabilities	¥99,833	¥71,310
2) Assets other than plant foundation		
Pledged assets	¥11,701	¥10,963
Secured liabilities	¥4,171	¥3,264
3. Contingencies		
Guaranty Liabilities	¥11,714	¥10,883

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

4. Revaluation of land

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

—Revaluation method

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

—Date of revaluation

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

(Millions of yen)

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

(Notes to Consolidated Statements of Income)

(Millions of yen)

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

3. Business structure improvement expenses

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

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

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

4. Loss on accident of asphalt leakage

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

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

(Notes to Consolidated Statements of Changes in Net Assets)

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

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

(Number of shares)

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

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

2. Distribution of Surplus

(1) Dividend Payments

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

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

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

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

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

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

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

2. Distribution of Surplus

Dividend Payments

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

(Notes to Consolidated Statements of Cash Flows)

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

(Millions of yen)

	FY2011 From April 1, 2011 to March 31, 2012 (As of March 31, 2012)
Cash and deposits	¥122,031
Cash and cash equivalents	¥413
Total	¥122,445
Securities with time between acquisition and redemption for 3 months or more	¥(14)
Cash and cash equivalents	¥122,431

(Millions of yen)

	FY2012 From April 1, 2012 to March 31, 2013 (As of March 31, 2013)
Cash and deposits	¥130,264
Cash and cash equivalents	¥512
Total	¥130,776
Securities with time between acquisition and redemption for 3 months or more	¥(12)
Deposits of more than 3 months	¥(1,064)
Cash and cash equivalents	¥129,699

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

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

(Millions of yen)

	FY2012 From April 1, 2012 to March 31, 2013 (As of March 31, 2013)
Current assets	¥22,188
Noncurrent assets	¥7,406
Goodwill	¥3,476
Current liabilities	¥(23,323)
Noncurrent liabilities	¥(3,084)
Minority interests	¥(0)
Total amount of the shares of the newly consolidated subsidiary acquired by the Company	¥6,663
Transfer amount from investment securities	¥(7)
Cash and cash equivalents of the newly consolidated subsidiaries	¥(388)
Balance: Purchase of investments in subsidiary resulting in change in scope of consolidation	¥6,268

(Segment information)

1. Overview of Reporting Segments

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

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

Therefore the 3 reporting segments by the Cosmo Group are, "Petroleum Business", "Petrochemicals Business" and Petroleum Exploration and Production Business, based on the services and/or the products handled.

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

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

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

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

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

(Information about Business Combinations, etc.)

(Corporate integration through Acquisition)

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

1. Outline of the business combination

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

Names of companies acquired　Sojitz Energy Corporation

Line of business　Sales of oil products

(2) Major reasons for the business combination

The business combination was carried out to establish a strong domestic sales structure.

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

(3) Date of business combination

January 31, 2013

(4) Legal form of business combination

Acquisition of shares by cash

(5) Names after integration

Sogo Energy Corporation

(6) Ratio of voting right acquired

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

(7) Main background for determining a target company

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

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

Since the companies were regarded as being acquired on March 31, 2013, none of their business results is included in the financial statements of the Company.

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

(Millions of yen)

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

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

(1) Amounts of goodwill incurred

¥3,476 million

(2) Reasons for goodwill generated

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

(3) Amortization method and period

Amortized equally 5 years

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

(Millions of yen)

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

(Per-share Information)

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

Note: 1. Since no diluted securities exist, diluted net income per share is omitted.
2. The basic information used to calculate net loss per share for the years ended March 31, 2012 and 2013 is as follows.

	FY2011 (From April 1, 2011 to March 31, 2012)	FY2012 (From April 1, 2012 to March 31, 2013)
Net loss per share		
Net loss for the year (¥mil)	9,084	85,882
Amount that does not belong to ordinary share holders (¥mil)	—	—
Net loss that belongs to ordinary shares (¥mil)	9,084	85,882
Average number of ordinary shares outstanding during the year (thousands of shares)	847,070	847,064

(Material Contingencies)

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

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