

● The Fourth Consolidated Medium-Term Management Plan

Cosmo Oil Will Work on Establishing the Business Base for Sustainable Growth and Re-enhancing the Financial Base

With the basic policy of “establishing the stable earnings base” and “shifting toward growth strategy” in the Third Consolidated Medium-Term Management Plan, the Cosmo Oil Group had steadily executed a variety of programs and investments. However, as crude oil prices are hovering at high levels, we were unable to secure appropriate margins. The result is that the earnings goals set out in the Third Plan were not met. In the Fourth Consolidated Medium-Term Management Plan for FY 2010-12, the Group will establish the business base and re-enhance the financial base for sustainable growth by “the oil refining and marketing business to return to profitability” and “increasing the portfolio of petrochemical and oil exploration and production businesses.”



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President,
Representative Director
Chief Executive Officer,
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The Basic Policy and Earnings Goals for the Fourth Consolidated Medium-Term Management Plan

[Business Environment]

It is expected that demand for petroleum and petrochemical products will likely show a moderate recovery outside Japan, while the demand for petroleum products in Japan may continue to decrease. This tells us that we need to assume that crude oil prices could remain high in the future.

Consolidated Business Outlook

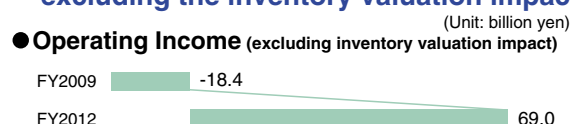
(Unit: billion yen)

FY2012 Earnings Goals		Change from FY2009
Net sales	2,643.0	Up 30.9
Operating income	69.0	Up 34.8
Operating income (excluding the inventory valuation impact)	69.0	Up 87.4
Net income	33.0	Up 43.7
FY2012 Financial Goals		Change from FY2009
Interest-bearing debt	602.0	Down 175.7
Total shareholder's equity	374.0	Up 58.3

[Basic Policy and Earnings Goals]

In the Fourth Consolidated Medium-Term Management Plan, the Group will move forward with rationalization and make maximum use of the results so far achieved, while continuing to invest in the petrochemical and oil exploration and production businesses. These measures are intended to “establish the business base” and “re-enhance the financial base” while improving consolidated operating income (excluding inventory valuation impact) by ¥87.4 billion from FY 2009 to ¥69.0 billion in FY 2012.

■ Improvement of ¥87.4 billion in consolidated operating income, excluding the inventory valuation impact



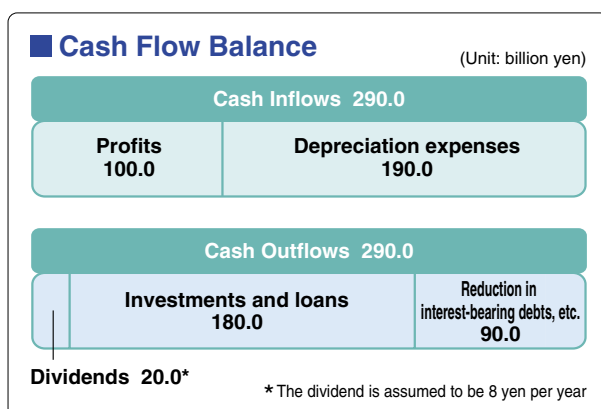
Management index Goals

FY2012 Financial Goals		Change from FY2009
ROE (%)	9.1	Improved by 12.4 points
Net worth ratio (%)	25.4	Improved by 6.2 points
Debt-to-equity (D/E) ratio (times)	1.6	Improved by 0.9 points
Net D/E ratio (times)	1.3	Improved by 0.4 points

Note: D/E ratio = Interest-bearing debt divided by net worth

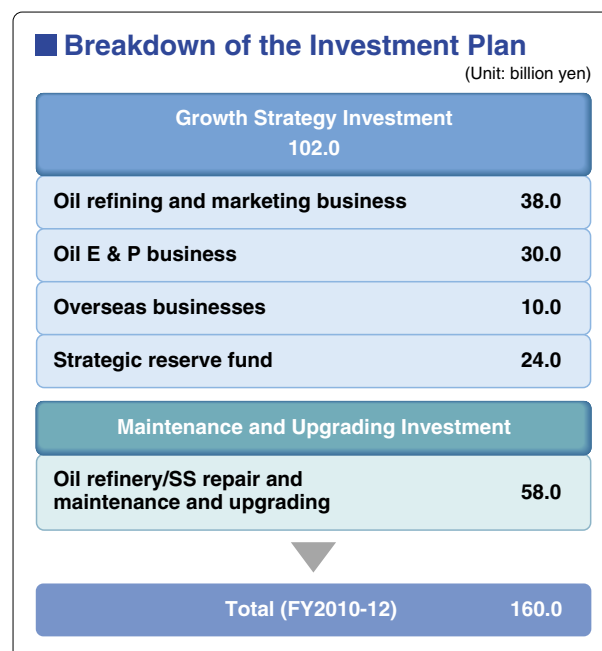
[Cash Flow Balances]

We have the basic policy of stable delivery of dividends as part of our efforts to return profits to our shareholders. We will also strictly select projects for investment and financing and endeavor to reduce interest-bearing debt as well as improve our financial structure.



[Investment and Loans]

About 65% of the total budget for investments and loans will be dedicated to the growth strategy. We will carry out strategic growth investments in the oil refining and marketing business by strictly selecting projects to invest in, while focusing our efforts on investing in the oil exploration and production and the petrochemical businesses.



Initiatives by Business Segment

We will present the initiatives by business segment as follows:

Our earnings goals for FY 2012 by business segment are such that we will aim at earning ¥45.5 billion in operating income from the oil refining and marketing business; ¥1.2 billion from the petrochemical business; ¥20.0 billion from the oil exploration and production business segment; and ¥2.0 billion from the other business segment. The total goal is

Segment-Specific Improvement Plans

 (Unit: billion yen)

FY2012 Earnings and Financial Goals		Change from FY2009
Oil refining and marketing business	45.5	Up 38.7
Petrochemical business	1.5	Down 1.2
Oil E & P business	20.0	Down 7.0
Other	2.0	Up 4.2
Total	69.0	Up 34.8

¥69.0 billion in consolidated operating income.

The oil refining and marketing business to return to profitability

◇ Rationalization

The right-sizing of employees will be achieved through a significant reduction in the number of employees, expected from compulsory retirement, by the end of FY 2012, as well as by the program for re-employment after compulsory retirement and other programs. We will promote rationalization of the way of operating our refineries

through a combination of “ensuring safe operations” and “reducing repair and maintenance costs.” We aim at rationalizing our business by ¥25.0 billion in total by the end of FY2012, including cost reductions in sales and marketing, paid advertising and publicity, and at subsidiary and affiliated companies.

◇ Oil Refining

We will make our refineries more competitive by maintaining their safe and stable operations, while operating the coker facilities at the Sakai Refinery on a full-scale basis. The introduction of the coker facilities allows us to use less costly heavy crude oil as a raw material to produce highly profitable jet fuel and diesel fuel.

■ Oil Refining

- ◆ “Reduce crude oil procurement cost” and “Increase profitable petroleum products” through maximum use of the coker facilities
- ◆ Appropriate operations of the refineries
- ◆ Reduce costs through rationalization of operations



Improve the competitiveness of the refineries

◇ Petroleum Product Sales in Japan

We will enhance the petroleum product sales and marketing business in Japan by increasing the share of sales of highly profitable petroleum products, such as gasoline, diesel fuel, and kerosene, while reducing the share of sales of less profitable products, such as heavy fuel oil. We will also endeavor to reduce costs through rationalization. By taking these measures, we will improve the profitability of this domestic petroleum business.

■ Petroleum Product Sales in Japan

- ◆ Maximize brand values
 - Increase the sales ratio of highly-profitable petroleum products
 - Revise the product market-linked wholesale pricing formula plan
- ◆ Reduce costs by rationalization



Improve the petroleum product structure for sale / Secure appropriate margins

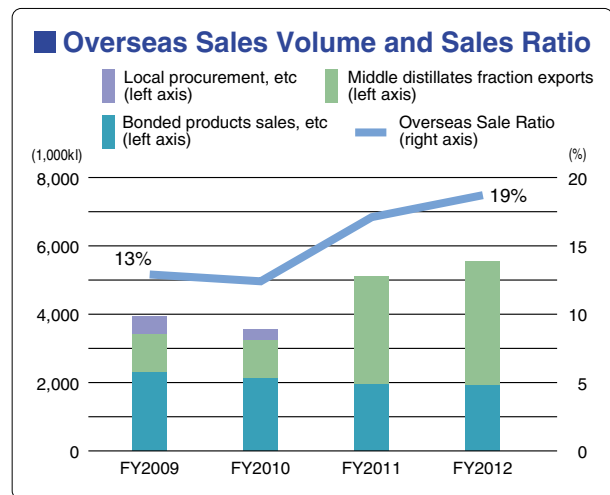
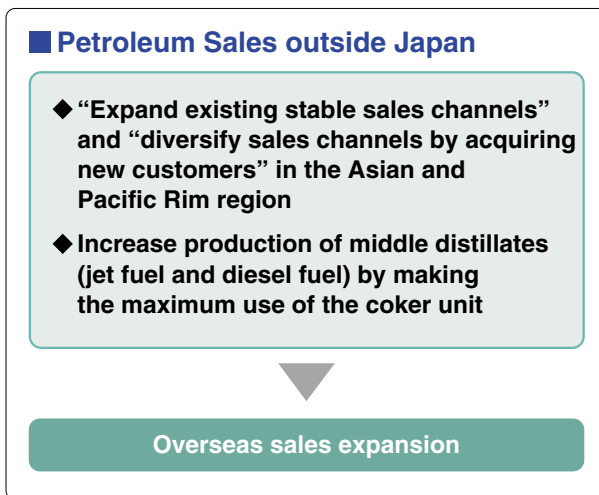
◇ Petroleum Product Sales outside Japan

By using our increased capacity for producing jet and diesel fuels through the introduc-

tion of the coker facilities, and the infrastructure for exporting 4 million kl to overseas

markets per year, we will increase overseas sales. In addition to increasing sales through existing stable sales channels based on conventional long-term and direct contracts, we will focus our efforts on developing new channels in areas where the demand for products is expected to grow. Also, in the

future, we will extend our new channel development plan to include Asia, in addition to the existing markets of Oceania, Latin America, and North America. We will aim at increasing the share of overseas sales to 19% of our total sales by the end of FY 2012.



Increase the Portfolios of the Petrochemical and Oil Exploration and Production Businesses

Promote the Medium-to-Long-Term Growth Strategy to Increase the Business Sizes

◇ Petrochemical Business

In FY 2009, we established HC Petrochem Co., Ltd. (HCP), a joint venture with Hyundai Oilbank Co., Ltd. in South Korea to go into the business of para-xylene (PX), which is a raw material used to produce PET bottles and synthetic fibers. We will build new facilities by the end of 2011 to distill mixed-xylene (MX), a raw material used to produce PX, at the Yokkaichi Refinery to supply to HCP 600,000 tonnes of MX per year, including 300,000 tonnes produced at existing facilities (starting from 2013). HCP

plans to build a new unit for PX with the capacity to produce 800,000 tonnes per year, which will be one of the world’s largest such plants; This unit, when completed, coupled with existing facilities, would boost PX production capacity at HCP to 1.18 million tonnes per year by the end of 2013. By shifting more resources to the petrochemical business, we will promote measures to both address shrinking gasoline demand in Japan and the expansion of the petrochemical business, by an increase in scale.

■ **Activities in the petrochemical business**

- ◆ Establish new MX manufacturing facilities (300,000 tonnes/year) → 600,000 tonnes/year
- ◆ Start building new PX manufacturing facilities (800,000 tonnes/year) → 1,180,000 tonnes/year

Diversify the petrochemical product portfolio in pursuit of scale merit

Take measures against the shrinking demand for gasoline in Japan

Goal for FY2012: Operating Income of ¥4.0 billion yen

Furthermore, it is aimed at increasing profit to ¥8.0~16.0 billion from FY2013 onward, when the new PX facilities will be completed in the Republic of Korea

(MX: mixed-xylene, PX: para-xylene)

◇ **Oil Exploration and Production Business**

We have been stabilizing and expanding the production of crude oil in Abu Dhabi and Qatar based on more than 40 years of reliable relations with them. In Abu Dhabi, Abu Dhabi Oil Co.,Ltd., which is a subsidiary of Cosmo Oil, is discussing with the Supreme Petroleum Council of Abu Dhabi for renewal of the three operating fields in the current concession agreement and the granting of a new concession area. In Qatar, we plan to start commercial production of crude oil in the A-Structure South oilfield. Furthermore, in the Audacious and Tenacious oilfields off the northwestern coast of Australia, we will make steady preparations for production, which are expected to begin during FY 2013.



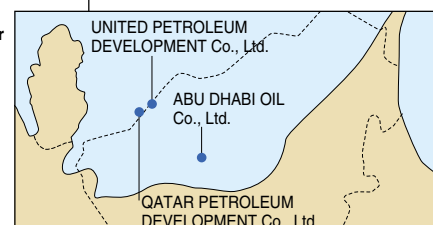
■ **Activities in the oil exploration and production business**

- ◆ Extension of the term for Abu Dhabi Co., Ltd.'s interest in oil exploration and production in Abu Dhabi under negotiations
- ◆ Start commercial production in the “A-Structure South oil field” being developed by Qatar Petroleum Development Co., Ltd. (as forecast for the second half of FY2010)
- ◆ Start early production in the Audacious and Tenacious oil fields off the coast of Australia. (FY2013 Forecast)

● **Oil fields operational in Abu Dhabi and Qatar**



Operating Areas in Abu Dhabi and Qatar



Increase the Portfolio through the Environmental and New Energy Businesses

In the near future, Cosmo Oil will accelerate moves to realize the commercialization of on-going projects in order to make them grow into the core part of stable income sources.

◇ ALA

ALA is expected to find a variety of applications and the size of its market is anticipated to grow. We will accelerate the commercialization and marketability of new

products using ALA, which will make a greater contribution to the bottom line of the Company.

◇ Wind Power Generation

By acquiring EcoPower Co., Ltd. in FY 2009, Cosmo Oil entered into the wind power generation market on a full-scale

basis. We will aim at ensuring stable income from this business.

◇ Solar Power Generation

We are working on research and development to establish the technology to manufacture polysilicon at a lower cost, as the demand for this raw material is growing due to the wider acceptance of solar cells in the market. We will conduct feasibility studies to

explore possible early commercialization of this project and make a decision on whether or not to pursue commercialization before the end of the Fourth Consolidated Medium-Term Management Plan period.

◇ Concentrated Solar Power (CSP) Generation

Based on data obtained from demonstration tests since October 2009 in Abu Dhabi, we will examine the possibility of the commercialization of this project.



CSP generation demonstration plant