

May 18, 2004

Cosmo Oil Co. Ltd.
Corporate Planning Dept. 1
Tel.: 03-3798-3101

<Financial Summary for FY2003 ended March 31, 2004>

Financial statements for FY2003 (from April 2003 to March 2004) were approved at the meeting of the board of directors held on this day, May 18, 2004.

1. Overview of the Consolidated Financial Results

(1) Consolidated operating results

Cosmo Oil's consolidated net sales were 1,916.3 billion yen, an increase of 0.7% (¥13.5 billion) compared to the preceding year. Consolidated operating income increased by ¥1.1 billion from the preceding year to ¥25.2 billion, and consolidated ordinary profit was ¥19.5 billion, an improvement by ¥0.7 billion from the same period a year earlier. Consolidated net income was ¥8.2 billion, an increase by ¥4.8 billion against the preceding year. Operating incomes by business segment were as follows:

[Petroleum business]

As for the demand for oil products during the fiscal year 2003, that for gasoline and heavy fuel oil C increased steadily, however, that for kerosene, diesel oil and heavy fuel oil A declined, affected by the fall in domestic demand due to the unusually warm winter. In addition, along with the upward trend in crude oil prices, market prices for oil products improved to some degree, thanks to efforts to shift higher costs to consumer prices. However, such endeavours did not, on the whole, result in reasonable market prices in parallel with the higher cost of crude oil. Sales of oil products rose to ¥1,863.1 billion, helped partly by a rise in the selling prices. Operating income improved, since value creation and rationalization originating from implementation of the Consolidated Medium-term Management Plan that commenced in fiscal year 2003 contributed to income. The situation surrounding market prices, which improved compared to the preceding year, also contributed. However, the impact from inventory valuation under the gross average method pushed up the cost of sales, which had an adverse effect on operating income. As a result, the operating income in this business stood at ¥18.0 billion.

[Oil resource development business]

The company continued to make efforts with regard to the stabilization and upgrading of the operation of crude oil production, as well as maintaining and expanding crude oil production. As a result, sales were ¥31.6 billion and operating income accounted for ¥7.5 billion.

[Other businesses]

As for the real estate business, and the oil-related facilities construction, leasing and insurance business, streamlining and efficiency were promoted in each business. As a consequence, sales were ¥66.7 billion and operating income was ¥0.7 billion.

(2) Consolidated financial position

Consolidated total assets as of the end of fiscal 2003 were ¥1,260.1 billion, an increase by ¥13.4 billion from the same time of the preceding year, which was mainly a result of an increase in cash and deposits due to the deferred payment of gasoline excise and petroleum taxes since the due date fell on a holiday. However, part of this was offset by a decrease in accounts receivable including account receivable-trade and accrued income. As for the consolidated cash flow, the net cash provided by operating activities was ¥101.8 billion, and net cash used in investment activities was ¥32.7 billion due to payments for the acquisition of tangible assets. Net cash used in financing activities was ¥7.7 billion due to progress in the repayment of interest-bearing debt. Cash and deposits at the end of fiscal 2003 were ¥104.5 billion, an increase by ¥60.7 billion from the same time of the preceding year.

(3) Summary of consolidated financial results for FY2003

[Consolidated operating results]	FY2003	FY2002	Change from FY2002
Net sales	¥1,916.3 billion	¥1,902.8 billion	¥13.5 billion (0.7%)
Operating income	¥25,245 million	¥24,166 million	¥1,079 million (4.5%)
Ordinary profit	¥19,472 million	¥18,800 million	¥672 million (3.6%)
Net income	¥8,178 million	¥3,425 million	¥4,753 million(138.7%)

[Consolidated financial position] (in billion yen)	As of March 31, 2004	As of March 31, 2003	Change from March 31, 2003
Total assets	1,260.1	1,246.7	13.4
Shareholders' equity	204.8	193.6	11.2
Equity ratio	16.3%	15.5%	0.8%
Interest-bearing debt	559.3	562.6	(3.3)
Interest-bearing debt ratio	44.4%	45.1%	(0.7%)

[Consolidated cash flow] (in billion yen)	FY2003	FY2002
CF from operating activities	101.8	(27.0)
CF from investment activities	(32.7)	(12.8)
CF from financing activities	(7.7)	10.1
Cash and deposits at the end of the fiscal year	104.5	43.8

2. Overview of Non-consolidated Financial Results

(1) Non-consolidated operating results

The non-consolidated sales volume in FY2003 was 44.58 million KL, a decline of 1.4% (0.65 million KL) compared to the same period a year earlier. In addition, non-consolidated net sales fell by ¥2.1 billion (0.1%) from the preceding year to ¥1,678.7 billion.

As for non-consolidated operating income, 1) implementation of a variety of rationalization and value creation programs based on the Consolidated Medium-Term Management Plan contributed to the improvement of income by ¥14.5 billion, and 2) higher market prices for oil products compared to the preceding year also contributed to an increase in income by ¥14.7 billion. On the other hand, 3) while the sales volume of gasoline and heavy fuel oil C grew steadily, that of kerosene and heavy oil A declined as a result of a fall in domestic demand due to the unusually warm winter. The decline in the non-consolidated overall sales volume reduced profits by ¥1.7 billion against the previous year, and 4) inventory costing under the overall average method increased the cost of sales by ¥26.8 billion compared to the preceding year (cost rise by ¥9.5 billion in FY2003, cost lowering by ¥17.3 billion in FY2002). As a result, non-consolidated operating income increased by ¥0.7 billion from the same period a year earlier to ¥13.0 billion. As for non-operating income and expenses, 5) net interest expenses increased by ¥0.5 billion from the level of the preceding year due to decreased dividends from affiliated companies, despite a reduction in interest expenses, and 6) foreign currency exchange gains and miscellaneous net income diminished by ¥0.3 billion and ¥1.9 billion respectively on a year-to-year basis. As a result, non-consolidated ordinary profit decreased by ¥2.0 billion against the previous year to ¥7.1 billion. As a consequence, non-consolidated net income was ¥3.1 billion, after posting a loss of ¥1.5 billion on fixed assets disposal and the withdrawal of corporate taxes.

(2) Non-consolidate financial position

Non-consolidate total assets at the end of the fiscal year were ¥1,109.5 billion, a ¥27.9 billion increase on a year-to-year basis, affected mainly by the increase in cash and deposits due to the deferred payment of gasoline excise and petroleum taxes since the due date fell on a holiday, but this was partly offset by a decrease in accounts receivable.

(3) Summary of non-consolidated financial results for FY2003

[Non-consolidate operating results]	FY2003	FY2002	Change from FY2002
Sales volume	44,583 thousand KL·t	45,236 thousand KL·t	(653) thousand KL·t (-1.4%)
Net sales	¥1,678.7 billion	¥1,680.8 billion	(¥2.1 billion) (-0.1%)
Operating income	¥12,965 million	¥12,243 million	¥722 million (5.9%)
Ordinary profit	¥7,056 million	¥9,062 million	(¥2,006 million) (-22.1%)
Net income	¥3,109 million	¥2,761 million	¥348 million (12.6%)
[Dividend]			
Dividend	¥6 per share	¥6 per share	-

[Non-consolidated financial position] (in billion yen)	As of March 31, 2004	As of March 31, 2003	Change from March 31, 2003
Total assets	1,109.5	1,081.6	27.9
Shareholders' equity	170.2	165.0	5.2
Equity ratio	15.3%	15.3%	-
Interest-bearing debt	494.3	497.0	(2.7)
Interest-bearing debt ratio	44.6%	45.9%	(1.3%)

3. Outlooks for FY2004

- (1) The business environment surrounding the Japanese petroleum industry is anticipated to remain harsh in fiscal 2004, due to the uncertainty of trends in oil prices, which will fluctuate according to the international situation, prolonged turmoil in market prices for oil products, and responses to environmental issues. The Cosmo Oil Group will strengthen its competitiveness and the profitability of its petroleum business by establishing a more solid management base through the implementation of the Consolidated Medium-Term Management Plan. The company will make every effort to achieve the following projected management goals, including consolidated net sales of ¥1,910 billion, consolidated ordinary profit of ¥34 billion, and consolidated net income of ¥15 billion (on a non-consolidated basis, ¥1,670.0 billion, ¥15.0 billion and ¥8.0 billion, respectively).

- (2) Consolidated outlook for FY2004 (in billion yen)

	Net sales	Operating income	Ordinary profit	Net income
Interim Forecast	900.0	12.0	8.5	2.5
FY2004 Forecast	1,910.0	39.0	34.0	15.0

- (3) Non-consolidated outlook for FY2004 (in billion yen)

	Net sales	Operating income	Ordinary profit	Net income	Dividend
Interim Forecast	770.0	4.5	1.0	0.5	¥3 per share
FY2004 Forecast	1,670.0	22.0	15.0	8.0	¥6 per share

(Note) Business projections for FY2004 are based on the following conditions that Cosmo Oil anticipates at this time.

- Crude oil price (FOB): 29\$/BBL
- Yen/dollar exchange rate: ¥110.0/USD (Full year)
- Volume of oil production: volume in accordance with demand
- Sales volume (of domestic demand for oil products): 97.2% (Full year)
- Benefit from the "Consolidated Medium-Term Management Plan": ¥14.4 billion