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## **Financial Summary for FY2004 ended March 31, 2005**

Financial statements for FY2004 (from April 2004 to March 2005) were approved at the meeting of the board of directors held on this day, May 17, 2005.

### **1. Overview of the Consolidated Financial Results**

#### **(1) Consolidated operating results**

Cosmo Oil's consolidated net sales were 2,154.6 billion yen, an increase of 12.4% (¥238.3 billion) compared to the preceding year.

Consolidated operating income increased by ¥40.5 billion from the preceding year to ¥65.7 billion, and consolidated ordinary income was ¥63.2 billion, an improvement by ¥43.7 billion from the same period a year earlier.

With the early application of accounting for the impairment of fixed assets from the current term, extraordinary loss was posted at ¥11.3 billion on impaired assets. In consequence, consolidated net income was ¥26.4 billion, an increase by ¥18.2 billion against the preceding year.

Operating incomes by business segment were as follows:

[Petroleum business]

As for the demand for oil products during fiscal 2004, that for gasoline, diesel oil and heavy fuel oil A steadily increased, assisted by an extremely hot summer and the recovery of the domestic economy, while there was a decline in demand for heavy fuel oil C bound for electric power companies. In addition, along with the escalating price of crude oil, market prices for gasoline and middle distillate rose significantly. However, prices for industrial-use fuel oil, including heavy fuel oil C, only reflected higher costs to a certain extent.

Sales of oil products increased by ¥242.2 billion from the same period last year to ¥2,105.3 billion, helped partly by a rise in the selling prices.

Operating income improved, since value creation and rationalization originating from the implementation of the Medium-Term Management Plan, as well as the fact that the

impact from inventory valuation under the gross average method has lowered the cost of sales due partly to higher crude oil prices, both of which contributed to income. As a result, the operating income for this business stood at ¥54.7 billion, an increase of ¥36.7 billion on a year-on-year basis.

[Oil resource development business]

The company continued to strive for the stabilization and upgrading of the operation of crude oil production, and also the maintaining and expanding of production, aiming for an increased share of self-development of crude oil.

As a result, sales were ¥36.9 billion, an increase by ¥5.3 billion from the same period a year earlier, due partly to the hike in crude oil price, and operating income accounted for ¥12 billion, up by ¥4.5 billion on a year-to-year basis.

[Other business]

As for the real estate business (buying/selling/leasing) and oil-related facilities (construction/leasing/insurance), streamlining and efficiency were promoted in each section. As a consequence, sales were ¥83.0 billion, an increase of ¥16.3 billion over the same period last year, and operating losses accounted for ¥0.1 billion, a decline of ¥0.8 billion on a year-on-year basis.

(2) Consolidated financial position

Consolidated total assets as of the end of fiscal 2004 were ¥1,323.1 billion, an increase by ¥63 billion from the same time of the preceding year, which was due to an increase in accounts receivable, including accounts receivable-trade and accrued income and inventory owing to the hike in oil prices, including crude oil prices, which was partly offset by contracted cash and deposits.

As for the consolidated cash flows, the net cash provided by operating activities was ¥40.5 billion, and net cash used in investment activities was ¥36.6 billion due to payments for the acquisition of fixed assets and investment securities. Net cash used in financing activities was ¥70.2 billion due to progress in the repayment of interest-bearing debt. Cash and deposits at the end of fiscal 2004 were ¥38.1 billion, a decrease by ¥66.4 billion from the same time of the preceding year.

(3) Summary of consolidated financial results for FY2004

[Consolidated operating results]	FY2004	FY2003	Change from FY2003
Net sales	¥2,154.6 billion	¥1,916.3 billion	¥238.3 billion (12.4%)
Operating income	¥65,698 million	¥25,245 million	¥40,453 million (160.2%)
Ordinary income	¥63,175 million	¥19,472 million	¥43,703 million (224.4%)
Net income	¥26,414 million	¥8,178 million	¥18,236 million (223.0%)

<b>[Consolidated financial position]</b> (in billion yen)	As of March 31, 2005	As of March 31, 2004	Change from March 31, 2004
Total assets	1,323.1	1,260.1	63.0
Shareholders' equity	227.9	204.8	23.1
Equity ratio	17.2%	16.3%	0.9%
Interest-bearing debt	497.8	559.3	-61.5
Interest-bearing debt ratio	37.6%	44.4%	-6.8%

<b>[Consolidated cash flow]</b> (in billion yen)	FY2004	FY2003
CF from operating activities	40.5	101.8
CF from investment activities	-36.6	-32.7
CF from financing activities	-70.2	-7.7
Cash and deposits at the end of the fiscal year	38.1	104.5

## 2. Overview of Non-consolidated Financial Results

### (1) Non-consolidated operating results

The non-consolidated sales volume in FY2004 was 45.3 million KL, an increase of 1.6% (0.72 million KL) compared to the same period a year earlier.

In addition, non-consolidated net sales rose by ¥286.3 billion (17.1%) from the preceding year to ¥1,965.0 billion.

As for non-consolidated operating income, 1) implementation of various kinds of rationalization and value creation programs based on the Medium-Term Management Plan contributed to the improvement of income by ¥15.0 billion, and 2) 4 domestic demand-related oil products, centering on gasoline made a contribution to an improvement of income through increase of sales volume by ¥1.7 billion due to an unusually hot summer and the recovery of the domestic economy. On the other hand, 3) although market prices for gasoline and middle distillate rose significantly, being affected by the price hike in crude oil, market prices for industrial-use fuel oil including heavy fuel oil C only partially reflected higher costs, in addition to the time-lag between higher cost and partial rise of oil products prices, which reduced income by ¥4.4 billion. However, 4) inventory costing under the gross average method decreased the cost of sales by ¥22.1 billion compared to the preceding year (cost lowering by ¥12.6 billion in FY2004, cost rise by ¥9.5 billion in FY2003). As a result, non-consolidated operating income increased by ¥34.4 billion from the same period a year earlier to ¥47.4 billion.

As for the non-consolidated non-operating profit and loss, 5) net interest and dividend income was plus ¥1.8 billion, helped by increased dividends. However, 6) foreign-exchange losses and miscellaneous net non-operating losses stood at ¥1.5 billion and ¥1.0 billion respectively. As a result, non-consolidated ordinary income accounted for ¥41.7 billion, an increase of ¥34.6 billion compared to the same period of the preceding year.

Net extraordinary loss stood at ¥15.2 billion, since loss on impaired assets was posted at ¥8.6 billion with the early application of accounting for the impairment of fixed assets.

As a consequence, non-consolidated net income for the fiscal 2004 after the withdrawal of corporate taxes was ¥13.7 billion, an increase by ¥10.6 billion compared to the same period of the preceding year.

In addition, it is our basic policy on profit distribution to maintain sustained payments of a stable dividend and at the same time to invest in reinforcing the corporate structure. The Company considers that this basic policy is the most appropriate way of returning profits to shareholders. As for the year-end dividend for fiscal 2004, in consideration of the favorable business achievement in the period, the Company will increase the year-end dividend by ¥2 to ¥5 per share, totaling ¥8 per share for the full term to reward shareholders for their support.

## (2) Non-consolidate financial position

Non-consolidate total assets at the end of the fiscal year were ¥1,163.5 billion, a ¥54.0 billion increase on a year-to-year basis, as in the case of consolidated total assets, mainly due to an increase in accounts receivable-trade and inventory as a result of hikes in prices of oil, including crude, which were partly offset by contracted cash and deposits.

## (3) Summary of non-consolidated financial results for FY2004

<b>[Non-consolidate operating results]</b>	FY2004	FY2003	Change from FY2003
Sales volume	45,302 thousand KL·t	44,583 thousand KL·t	719 thousand KL·t (1.6%)
Net sales	¥1,965.0 billion	¥1,678.7 billion	¥286.3 billion (17.1%)
Operating income	¥47.369 million	¥12,965 million	¥34,404 million (265.3%)
Ordinary income	¥41,736 million	¥7,056 million	¥34,680 million (491.5%)
Net income	¥13,705 million	¥3,109 million	¥10,596 million (340.8%)

### **[Dividend]**

Dividend	¥8 per share	¥6 per share	Year-end dividend: planned to be increased by ¥2 per share

<b>[Non-consolidated financial position]</b> (in billion yen)	As of March 31, 2005	As of March 31, 2004	Change from March 31, 2004
Total assets	1,163.5	1,109.5	54.0
Shareholders' equity	181.3	170.2	11.1
Equity ratio	15.6%	15.3%	0.3%
Interest-bearing debt	460.8	494.3	-33.5
Interest-bearing debt ratio	39.6%	44.6%	-5.0%

## 3. Outlooks for FY2005

(1) The business environment surrounding the Japanese petroleum industry in the fiscal 2005 ending March 2006 is anticipated to continue to face unpredictable conditions, such as the

uncertainty of trends in oil prices affected by international events, forthcoming market fluctuations, and responses to environmental issues. At the 20th anniversary in fiscal 2005 of the establishment of the Cosmo Oil Group, the Company established a Consolidated Medium-Term Management Plan (Fiscal 2005-2007) starting from fiscal 2005 and attaches importance to these three years as the period for further growth over the “next 20 years”, placing emphasis on strengthening the revenue base of the Cosmo Oil Group, including oil refining and sales of oil products. Cosmo Oil and its Group will make every effort to achieve the following projected management goals, including consolidated net sales of ¥2,160.0 billion (non-consolidated sales: ¥1,970.0 billion), consolidated ordinary income of ¥70.0 billion (non-consolidated ordinary profit: ¥38.0 billion), and consolidated net income of ¥32.0 billion (non-consolidated net income: ¥21.0 billion) for fiscal 2005.

(2) Consolidated outlook for FY2005 (in billion yen)

	Net sales	Operating income	Ordinary income	Net income
Interim Forecast	1,030	23.0	26.0	11.0
FY2005 Forecast	2,160	71.0	70.0	32.0

(3) Non-consolidated outlook for FY2005 (in billion yen)

	Net sales	Operating income	Ordinary income	Net income	Dividend
Interim Forecast	930	7.0	8.5	4.0	¥3 per share
FY2005 Forecast	1,970	40.0	38.0	21.0	¥8 per share

(Note) Business projections for FY2005 are based on the following conditions that Cosmo Oil anticipates at this time. Crude oil price (FOB): 38\$/BBL  
 Yen/dollar exchange rate: ¥105.0/USD (Full year)  
 Volume of oil production: volume in accordance with demand  
 Sales volume (of domestic demand for oil products): 98.7% (Full year)  
 Benefit from the “Consolidated Medium-Term Management Plan”: ¥8.8 billion annually