

# **Cosmo Oil**

## **Presentation of Financial**

### **Results for the Fiscal Year 2004**

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**May 18, 2005**

**Keizo Morikawa**  
**Senior Managing Director**

# Consolidated Statement of Income - Operating Highlights

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(Unit: ¥100 million)

	FY04	Breakdown FY 2004		Change from FY 03	Breakdown FY 2003	
		Cosmo Oil alone	Subsidiaries consolidated		Cosmo Oil alone	Subsidiaries consolidated
Net Sales	21,546	19,650	1,896	2,383	2,863	-480
Operating Income	657	474	183	405	344	61
Ordinary Income	632*	417	215	437	346	91
Net Income	264	137	127	182	106	76

Note: \* FY2004 ordinary income includes ¥5.5 billion return on investment under the equity method, up ¥2.8 billion from the previous year.

**Year-end dividend payable  
(ended March 31, 2005) at**

**¥5 per share (up ¥2 per share)**



**Dividend of ¥8 per share for the  
full-year term**

# Non-Consolidated (Cosmo Oil Alone) Statement of Income – Analysis of Key Factors for ¥34.4 billion Increase in Operating Income

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(Unit: ¥100 million)

	FY04	Change from FY03	Key factor for increase/decrease
Net Sales	19,650	2,863	1. Increase in selling prices: +235.4 billion yen 2. Total selling volume increase: +50.9 billion yen
Cost of Sales	18,318	2,554	1. Increase in crude oil prices, etc.: +228.3 billion yen 2. Positive factors for selling volume increase: +49.2 billion yen 3. Impact of inventory valuation: -22.1 billion yen
Selling, general and administrative expenses	858	-35	Reductions through rationalization and efficiency
Operating Income	474	344	

		FY04	Change from FY03
Factors affecting increase or decrease of sales	Selling price (yen/KL)	32,110	5,280
	Total sales volume (1,000 KL)	45,302	719
	% increase		101.6%
	Fuel oil sales in Japan (1,000 KL)	30,175	-41
	% increase		99.9%
Purchased price of crude oil	FOB (USD/BBL)	37.14	9.47
	Exchange rate (JPY/US\$)	107.69	-5.6(High yen)
	Tax-inclusive price (JPY/KL)	28,383	5,495
Impact by inventory valuation (on operating income)	FY2004 (100 million yen)	126	Bringing cost of sales down
	FY2003 (100 million yen)	-95	Bringing cost of sales up

Breakdown of fuel oil sales in Japan	Change from FY03
Gasoline	102.2%
Kerosene	98.9%
Diesel fuel	101.5%
Heavy fuel oil A	102.5%
Total	101.5%
Naphtha	100.6%
Jet fuel	108.2%
Heavy fuel oil C	90.1%
Fuel oil sales in Japan	99.9%

# Non-Consolidated (Cosmo Oil Alone) Statement of Income – Analysis of Key Factors for ¥10.6-billion Increase in Net Income

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(Unit: ¥100 million)

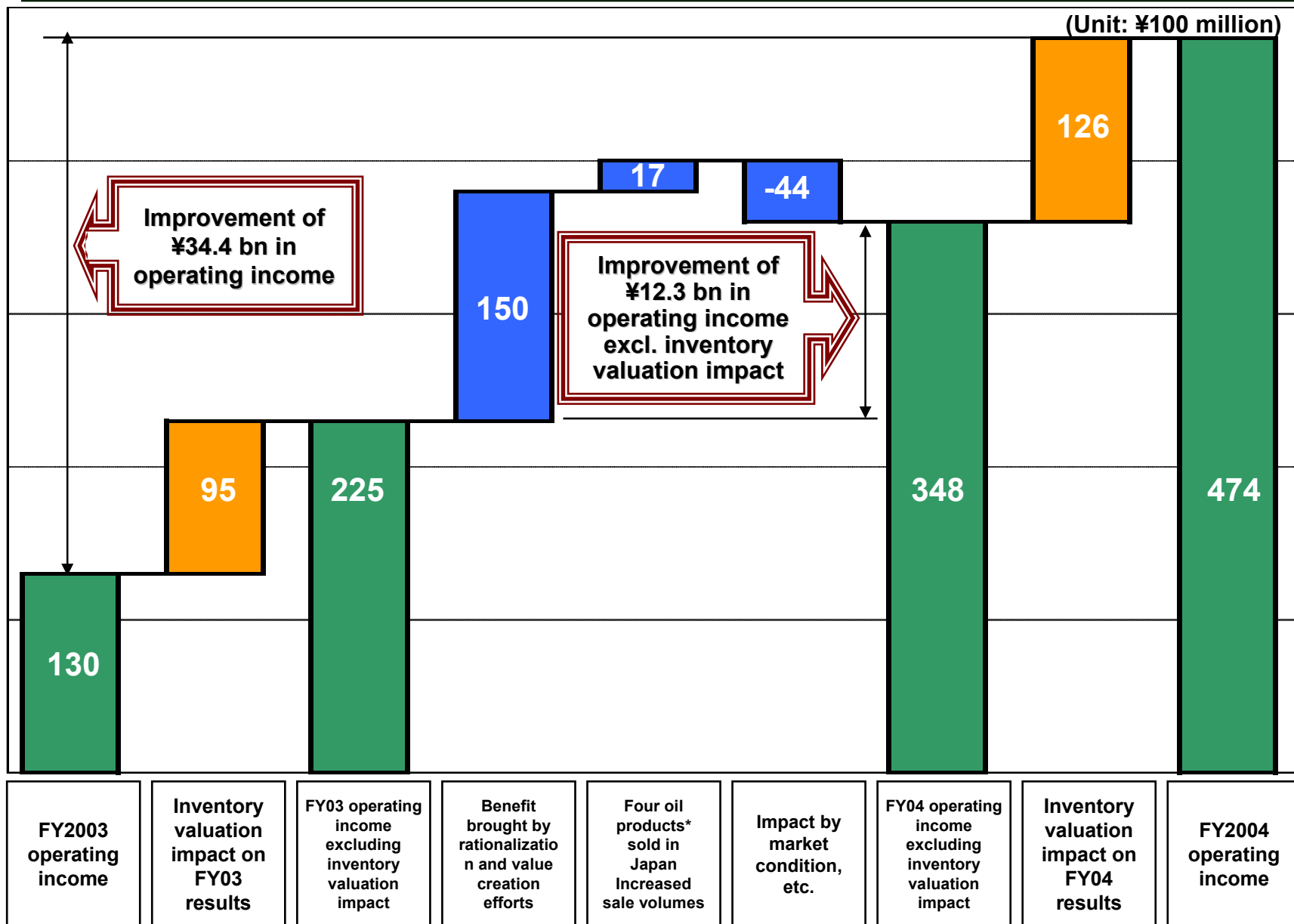
	FY04	Change from FY03	Key factor for increase/decrease
Operating Income	474	344	
Non-operating income(expenses)	-57	2	1. Increase in financing balance: 1.8 bn yen 2. Foreign exchange loss, etc. (1.6) bn yen
Ordinary Income	417	346	
Extraordinary Profit (Loss)	-152	-137	Early application of accounting for the impairment of fixed assets from FY2004
Net Income	137	106	

## Impaired Assets by Asset Group in Value (No. of Properties)

Asset group	Cosmo Oil alone	Subsidiaries consolidated*	Total
Oil business	—	12(8)	12(8)
Real estate lease business	5(9)	3(3)	8(12)
Idle assets (inc. SS and refineries)	81(84)	12(32)	93(116)
Total	86(93)	27(43)	113(136)

Note: \* Cosmo Oil marketing subsidiaries only

# Non-Consolidated (Cosmo Oil Alone) Statement of Income – Analysis of Key Factors for ¥34.4-billion Increase in Operating Income



\* Four oil products are gasoline, kerosene, diesel fuel and Heavy Oil A

# Non-Consolidated (Cosmo Oil Alone) – Breakdown of ¥15 Billion Achieved by Rationalization and Value Creation Efforts

**Total benefit of ¥15 bn achieved by rationalization and value creation at an achievement level of 108% as compared with the initial goal of ¥14 bn (consisting of ¥5.1bn in rationalization and ¥8.9 bn in value creation)**

Item	Segment	Description	Actual	(Unit: ¥100 million)
Rationalization	Supply Department	Decrease in VLCC vessel cost	3	
		Energy saving and reduced repair & maintenance costs at refineries	21	
	Sales & Marketing Department	Reductions in operating expenses	11	
	Distribution Dept	Effective use of Como Oil and joint basic oil storage depots	5	
	Administration Dept	Reduction in payroll and other general administrative expenses	12	
	<b>Rationalization total</b>			<b>52</b>
Value Creation	Supply Department	Introduction of the profitability improvement program to increase additional values	23	
		Enhanced FCCs and improved refining process	8	
	Sales & Marketing Department	Improve the distribution and oil product structures and enhance the mass retail channel	63	
		Increased revenue from the card business	4	
	<b>Value creation total</b>			<b>98</b>
<b>Rationalization &amp; Value creation total</b>			<b>150</b>	

\* The benefits are spread across all the departments in accordance with the established accounting rules.

# Analysis of Changes in Operating Income Increase by Major Consolidated Subsidiaries

(Unit: ¥100 million)

Abu Dhabi Oil Co., Ltd.	126	51	1. Crude oil price hike (28.35→36.61\$/BBL) 2. Negative impact of USD-JPY exchange rate (117.22→108.84¥/\$) Other
Marketing subsidiary	20	5	1. Promotion of rationalization and efficiency and improvement in market conditions 2. Provision for marketing subsidiary merger
Cosmo Oil Lubricants Co., Ltd.	10	3	Rationalization and efficiency implementation, etc.
Cosmo Matsuyama Oil Co., Ltd.	17	5	Increased sales of petrochemical products and improved conditions of the aromatics market
Cosmo Petroleum Gas Co., Ltd.	20	5	Improvement in the propane gas market for petrochemicals

\* Please refer to Supplementary Information Page 13 to get information about sales, operating income, ordinary income and net income by major subsidiary and by Cosmo Oil business segment.

# Consolidated Balance Sheet – Key Factors for An Increase of ¥63 Billion in Total Assets

(Unit: ¥100 million)

	As of March 31, 2005	Change from March 31, 2004
<b>Total Assets</b>	<b>13,231</b>	<b>630</b>
<b>Interest-bearing debt</b>	<b>4,978</b>	<b>-615</b>

## Key Factors for Increase in ¥63 Billion in Total Assets

<b>1. Decrease in cash and cash equivalents on hand:</b>	<b>¥(70.5) bn</b>
Impact by accrued volatile oil and other petroleum taxes due to their payment due date that fell on a holiday at end of FY2003	(35)
Decreased interest-bearing debt	(61.5)
Other	(26)
<b>2. Increased accounts receivable due to crude oil hikes:</b>	<b>93.6</b>
Increase in inventories	56.2
Increase in accounts and notes receivable	11.6
Increase in accrued income	25.8
<b>3. Other</b>	<b>39.9</b>
Increase in fixed assets	12.7
Other	27.2

**Total: ¥63 Billion**

Medium-Term Management  
Plan  
Goal to reduce interest-  
bearing debt down to  
**¥520 billion**  
(as of March 31, 2006)  
↓  
**More reduction  
achieved than the  
above goal**



# Consolidated Cash Flows

(Unit: ¥100 million)

	FY04	Change from FY 2003	Key Elements of FY2004
Cash flow from operating activities	405	-	Including negative impact (of 35 billion yen) by a timing difference in the payment of volatile oil and other petroleum taxes (please refer to Supplementary Information - Page 14)
Cash flow from investing activities	-366	-	Acquisitions of fixed assets and investment securities, etc.
Cash flow from financing activities	-702	-	Reduction in interest-bearing debt
Cash and cash equivalents at end of the period	381	-664	

# Supplementary Information – 1.

## Review of Sales and Crude Oil Business Situation

### Sales

	FY2004	Change from FY03	% Change
Total sales volume (1,000 KL)	45,302	719	101.6%
Fuel oil sales in Japan (1,000 KL)	30,175	-41	99.9%
Gasoline, kerosene, diesel fuel, heavy fuel oil A (1,000 KL)	19,262	276	101.5%
High-octane ratio	17.3%	-0.8%	—

### Crude Oil Processing, Crude Oil Prices and Currency Exchange

	FY2004	Change from FY03	% Change
Purchased price of crude oil (FOB)USD/BBL	37.14	9.47	—
JPY/USD exchange rate	107.69	-5.6(High yen)	—
Purchased price of crude oil (tax inclusive) yen/KL	28,383	5,495	—
Processed crude oil volume (1,000 KL) (Right to ownership)	29,544	-860	97.2%
Atmospheric distillation operating ratio (Calendar Day)	85.6%	-2.2%	—
Atmospheric distillation operating ratio (Streaming Day)	92.3%	3.0%	—

Streaming Day: Operating ratio excluding the impact by shutting down maintenance

## Supplementary Information – 2. Changes in the Number of Employees, Oil Storage Depots, SSs and Cosmo The Cards in Force

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Workforce size (No. of persons)								Actual
	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Mar 31, '04	Mar 31, '05
Cosmo Oil alone	3,109	2,677	2,048	1,970	1,892	1,837	1,764	1,729
Cosmo Oil Group	5,678	5,256	4,600	4,416	3,978	3,736	3,565	3,480

\* Cosmo Oil Group = No. of employees at Cosmo Oil alone + Transfers from Cosmo Oil

No. of oil storage depots (DTs)								Actual
	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Mar 31, '04	Mar 31, '05
	57	52	45	41	39	39	38	38

No. of Cosmo Oil-affiliated SSs (including mobile stations)								Actual
	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Mar 31, '04	Mar 31, '05
Cosmo Oil-owned	1,172	1,105	1,065	1,010	977	959	930	899
Individually-owned	5,614	5,376	5,040	4,769	4,564	4,313	4,112	3,912
Total	6,786	6,481	6,105	5,779	5,541	5,272	5,042	4,811

Out of the total above, no. of self-service SSs	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Mar 31, '04	Mar 31, '05
	5	8	23	109	285	398	483

Out of the total above, no. of Auto B-cle SSs	Mar 31, '02	Mar 31, '03	Mar 31, '04	Mar 31, '05
	217	428	652	652

Cosmo The Card – Number of cards issued (10,000 cards)								Actual
	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Mar 31, '04	Mar 31, '05	
No. of cards in force	135	146	162	185	213	239	242	

# Supplementary Information - 3. Operating & Financial Highlights of Consolidated and Non-Consolidated Results for FY2004

(Unit: ¥100 million)

Consolidated	FY04	Change from FY03	% Change
Net Sales	21,546	2,383	12.4%
Operating Income	657	405	160.2%
Ordinary Income	632	437	224.4%
Net Income	264	182	223.0%
Total Assets	13,231	630	—
Shareholders' Equity	2,279	231	—
Shareholders' Equity Ratio	17.2%	0.9%	—
Interest-Bearing Debts	4,978	-615	—
Interest-Bearing Debts Ratio	37.6%	-6.8%	—

Non-Consolidated (Cosmo Oil alone)	FY04	Change from FY03	% Change
Net Sales	19,650	2,863	17.1%
Operating Income	474	344	265.3%
Ordinary Income	417	346	491.5%
Net Income	137	106	340.8%
Total Assets	11,635	540	—
Shareholders' Equity	1,813	111	—
Shareholders' Equity Ratio	15.6%	0.3%	—
Interest-Bearing Debts	4,608	-335	—
Interest-Bearing Debts Ratio	39.6%	-5.0%	—

# Supplementary Information - 4.

## Table for Progress Made in Rationalization and Value Creation

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Item	Department	FY2004								
		First Half			Second Half			Full Year		
		Planned	Actual	Achievement	Outlook	Actual	Achievement	Outlook	Actual	Achievement
		(100 million yen)	(100 million yen)	(%)	(100 million yen)	(100 million yen)	(%)	(100 million yen)	(100 million yen)	(%)
Rationalization	Supply Department	12	10	89.0%	10	11	115.8%	20	22	107.5%
	Sales & Marketing Department	1	1	100.0%	8	8	100.0%	9	9	100.0%
	Distribution Dept	3	3	102.9%	1	1	100.0%	5	5	100.0%
	Administration Dept	9	10	105.6%	8	7	86.7%	17	16	94.1%
	<b>Subtotal</b>	<b>25</b>	<b>24</b>	<b>97.1%</b>	<b>27</b>	<b>27</b>	<b>101.9%</b>	<b>51</b>	<b>52</b>	<b>101.0%</b>
Value Creation	Supply Department	13	14	104.6%	19	18	92.1%	33	31	95.4%
	Sales & Marketing Department	15	14	97.3%	42	53	127.4%	56	67	120.4%
	New Business Department	6	2	32.0%	-2	-2	100.0%	0	0	100.0%
	<b>Subtotal</b>	<b>34</b>	<b>30</b>	<b>88.6%</b>	<b>59</b>	<b>69</b>	<b>116.9%</b>	<b>89</b>	<b>98</b>	<b>111.2%</b>
<b>Grand total</b>	<b>59</b>	<b>54</b>	<b>92.3%</b>	<b>86</b>	<b>96</b>	<b>112.2%</b>	<b>140</b>	<b>150</b>	<b>107.5%</b>	

## Supplementary Information 5. Operating Highlights in FY2004 by Major Subsidiary/Business Segment

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### <Operating highlights by major consolidated subsidiary>

(Unit: ¥100 million)

	Net Sales	Operating Income	Ordinary Income	Net Income
Abu Dhabi Oil Co., Ltd.	367	126	119	3
Marketing subsidiaries	3,050	20	18	-19
Cosmo Oil Lubricants Co., Ltd.	302	10	10	7
Cosmo Matsuyama Oil Co., Ltd.	200	17	16	9
Cosmo Petroleum Gas Co., Ltd.	856	20	19	11

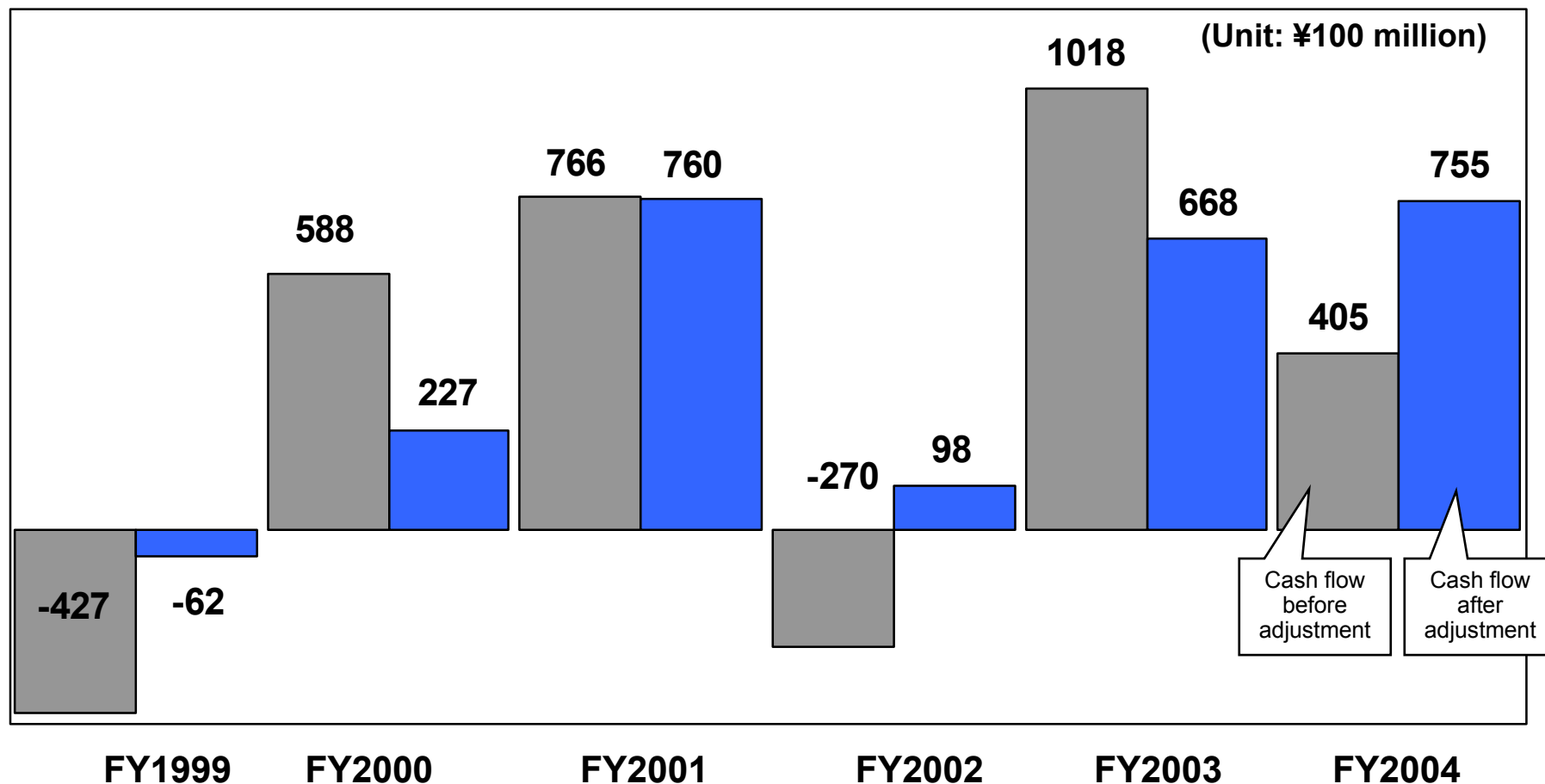
Note: Net income for each of the subsidiaries above is accounted for under the equity method.

### <Operating highlights by business segment >

	Net Sales	Operating Income
Petroleum business	21,053	547
Oil exploration and production business	369	120
Other business	830	-1
Write-off	-706	-9
Total	21,546	657

## Supplementary Information – 6. Historical Changes in Consolidated Operating Cash Flow Excluding Impact by Volatile Oil and Other Petroleum Tax Payments

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### Adjustments for cash flow from operating activities

Volatile oil and other petroleum taxes are usually paid at the end of every month. However, if the closing date for a given accounting period falls on a holiday, the payment will be made in the following accounting period, when the taxes will be paid for 13 months. This makes it necessary to adjust the operating cash flow from operating activities to correct the tax payment from 13 to 12 months.