

Cosmo Oil Co., Ltd.
Presentation of Financial Results for the
First Half Period of Fiscal Year 2004

November 17, 2004

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Consolidated Income Statement - Operating Highlights

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(Unit: ¥100 million)

	H1 FY04	H1 FY2004 (Apr. 1–Sept. 30)		Change from H1 FY'03	Change from H1 FY03	
		Cosmo Oil alone	Subsidiaries consolidated		Cosmo Oil alone	Subsidiaries consolidated
Net Sales	9,910	9,002	908	685	1,160	-475
Operating Income	218	168	50	122	128	-6
Ordinary Income	201	137	64	120	127	-7
Net Income	41	45	-4	13	49	-36

Analysis of Factors for An Increase of ¥12.8 Billion in Non-consolidated Operating Income

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(Unit: ¥100 million)

	H1 FY04	Change from H1 FY03	Key factor for increase/decrease
Net Sales	9,002	1,160	1. Increase in selling price +70.1 billion yen 2. Total selling volume increase +45.9 billion yen
Cost of Sales	8,416	1,050	1. Increase in crude oil prices, etc.: +79.6 billion yen 2. Positive factors for selling volume increase +44.2 billion yen 3. Inventory valuation impact -18.8 billion yen
Selling, general and administrative expenses	418	-18	Reductions through rationalization and efficiency
Operating Income	168	128	

	H1 FY04	Change from H1 FY03
Factors affecting increase or decrease of net sales	Selling price (yen/KL)	30,570
	Total sales volume (1,000 KL)	20,953
	% change	—
	Fuel oil sales in Japan (1,000 KL)	13,991
	% change	—
Purchased price of crude oil	FOB (\$/BBL)	35.22
	Exchange rate (JPY/USD)	109.83
	Tax-inclusive price (Yen/KL)	27,560
Impact by inventory valuation (on operating income)	H1 FY04 (100 million yen)	120
	H1 FY03 (100 million yen)	-68

Breakdown of fuel oil sales in Japan	Change from H1 FY03
Gasoline	104.7%
Kerosene	96.0%
Diesel fuel	101.6%
Heavy fuel oil A	106.7%
Total	103.3%
Naphtha	104.8%
Jet fuel	118.6%
Heavy fuel oil C	93.2%
Fuel oil sales in Japan	102.4%

Analysis of Factors for An Increase of ¥4.9 billion in Non-Consolidated Net Income in the First Half Year

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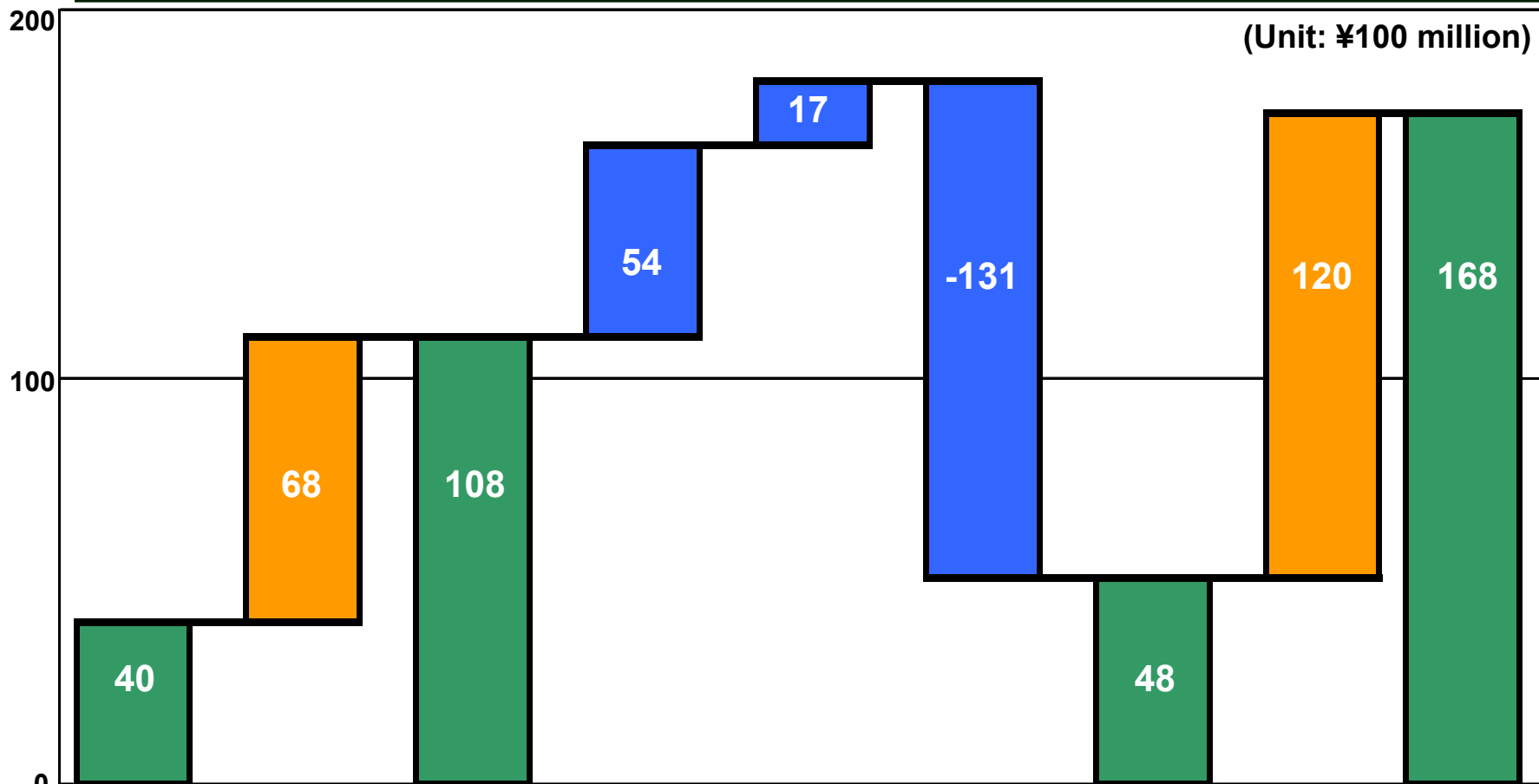
(Unit: ¥100 million)

	H1 FY04	Change from H1 FY03	Key factor for increase/decrease
Operating Income	168	128	
Non-operating income(expenses)	-31	-1	1. Increase in financing balance: 1.3 bn yen, other non-operating income (expenses) 0.6 bn yen 2. Foreign exchange loss of 2 billion yen
Ordinary Income	137	127	
Extraordinary Profit (Loss)	-68	-57	7.6 billion yen loss from early adoption of the “accounting for the impairment of assets,” from the first half period
Net Income	45	49	

Impaired Assets by Asset Group in Value			
Asset group	Non-consolidates	Consolidated*	Total
Oil business	—	11	11
Real estate lease business	5	3	8
Idle assets	71	11	82
Total	76	25	101

* Cosmo Oil sales only

Non-Consolidated (Cosmo Oil Alone) – Income Statement – Analysis of Key Factors for ¥12.8 Billion Increase in Operating Income



H1 FY03 operating income	Inventory valuation impact on H1 FY03 results	H1 FY03 operating income excluding inventory valuation impact	Benefit brought by rationalization and value creation efforts	Four oil products* sold in Japan Increased sale volumes	Impact by market condition, etc.	H1 FY04 operating income excluding inventory valuation impact	Inventory valuation impact on H1 FY04 results	H1 FY04 operating income
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* Four oil products are gasoline, kerosene, diesel fuel and Heavy Oil A

Analysis of Changes in Operating Income Increase by Major Consolidated Subsidiaries

(Unit: ¥100 million)

	FY04	Change from H1 FY03	Key factor for increase/decrease
Abu Dhabi Oil Co., Ltd.	57	25	1. Crude oil price hike (from \$28 to \$34 at BBL) 2. Negative impact of USD-JPY exchange rate (from 119 JPY/USD to 109 JPY/USD, Appreciation of yen value)
Marketing subsidiary	-9	-12	1. Implement provisions for marketing subsidiary mergers 2. Negative impact market conditions for the first six months (due to the company's settlement of accounts in December)
Cosmo Oil Lubricants Co., Ltd.	6	4	Effort of rationalization, etc,
Cosmo Matsuyama Oil Co., Ltd.	8	1	Increased selling prices of products centering on aromatic series
Cosmo Petroleum Gas Co., Ltd.	-4	-17	Due to timing difference through an increase in prices of imported LPG

* Please refer to the Supplementary Information 5 about the respective subsidiaries' sales, operating income and net income for 1H FY04.

Consolidated Balance Sheet –

Key Factors for An Increase of ¥34.5 Billion in Total Assets

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(Unit: ¥100 million)

	As of Sept. 30, 2004	Change from March 31, 2004
Total assets	12,946	345
Interest-bearing debts	5,399	-194

Key Factors for An increase of ¥34.5 Billion in Consolidated Total Assets

① Increase in inventory asset	65.7
② Reduction in interest-bearing debts	-19.4
③ Reduction in fixed assets due to early adaptation of accounting for the impairment of assets	-10.1
④ Other	-1.7

Total: ¥34.5 billion

C/F Consolidated Cash Flows

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(Unit: ¥100 million)

	H1 FY04	Change from Mar. 31, 2004	Key factor for increase/decrease
Cash flows from operating activities	-183	-	Increased inventory levels due to crude oil price increases, etc.
Cash flows from investing activities	-30	-	Acquisition and disposal of fixed assets, etc.
Cash flows from financing activities	-219	-	Reduction in interest-bearing debts
Cash and cash equivalents at end of the period	614	-431	

Consolidated Outlook for FY2004 Results

(Unit: ¥100 million)

	FY04	Change from FY03
Net Sales	21,300	2,137
Operating Income	530	278
Ordinary Income	500	305
Net Income	180	98

Outlook for operating income by subsidiaries

	FY04	Change from FY03
Cosmo Oil alone	370	240
Abu Dhabi Oil Co., Ltd.	130	55
Marketing subsidiaries	5	-10
Cosmo Oil Lubricants Co., Ltd.	9	2
Cosmo Matsuyama Oil Co., Ltd.	14	2
Cosmo Petroleum Gas Co., Ltd.	9	-6

Non-Consolidated (Cosmo Oil Alone) Outlook for FY2004 Results 9

(Unit: ¥100 million)

	FY04	Change from H1 FY03
Net Sales	18,900	2,113
Operating Income	370	240
Ordinary Income	300	229
Net Income	130	99
Dividend (yen)	6	-

Assumptions for the outlook above

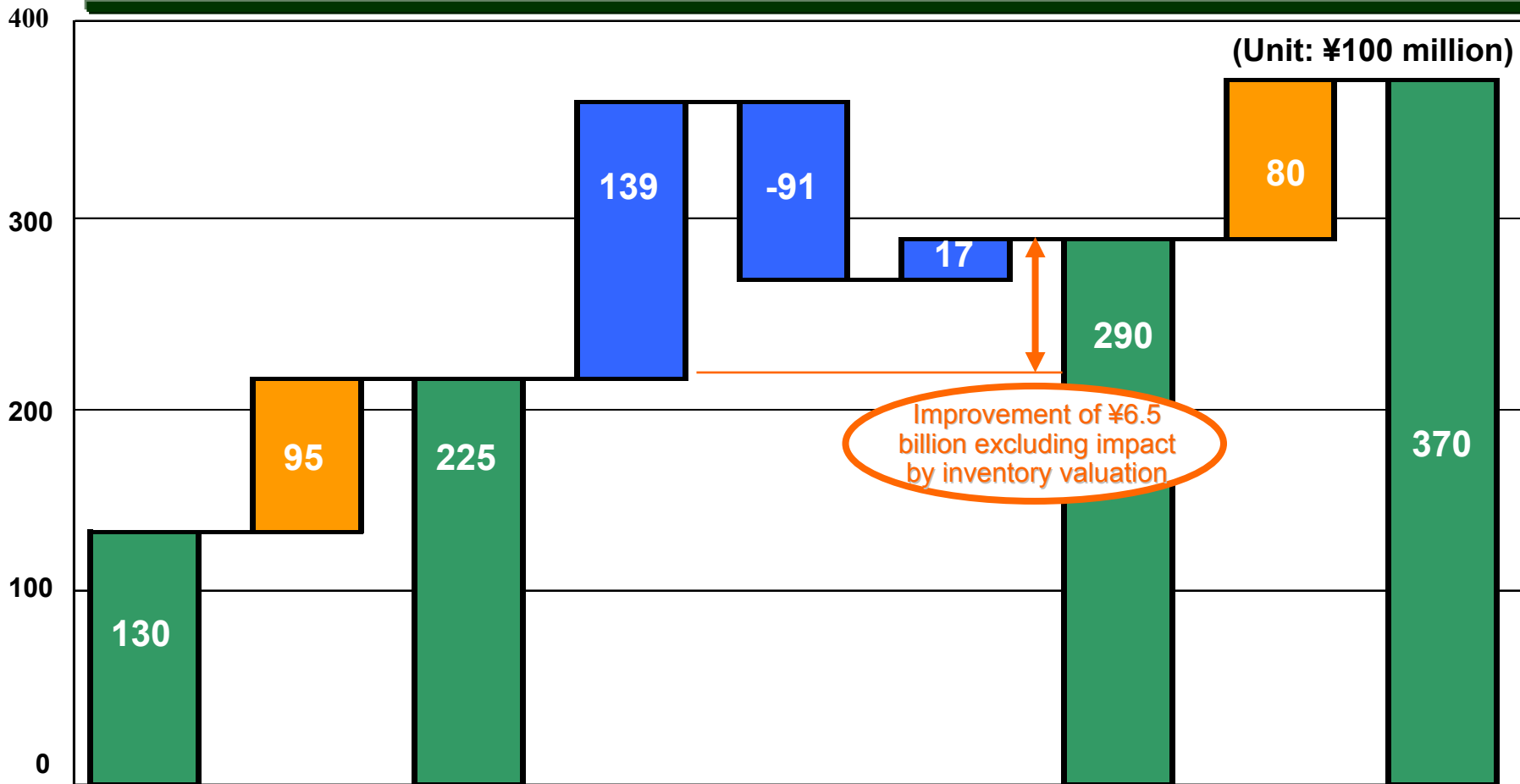
	FY04
FOB (\$/BBL) <2nd half year>	35.00
Yen/ dollar exchange rate <2nd half year>	110.00
Total selling volume (1.000 KL)	44,000
Total sales volume (% achievement of the FY03 level)	98.7%
Oil product sales in Japan (% achievement of the FY03 level)	99.9%
Rationalization and value creation benefit (100 mil yen)	139

Oil product sales in Japan

	FY04		FY04
Gasoline	102.4%	Naphtha	102.2%
Kerosene	101.1%	Jet fuel	107.4%
Diesel fuel	99.3%	Heavy fuel oil C	86.4%
Heavy fuel oil A	103.9%		
Total	101.7%	Fuel oil sales in Japan	99.9%

FY2004 – Outlook of Full-Year –

Analysis for Key Factors for An Increase of ¥24 Billion in **Non-Consolidated Operating Income**



FY03 operating income	Inventory valuation impact on FY03 results	FY03 operating income excluding inventory valuation impact	Benefit brought by rationalization and value creation efforts	Impact by market condition, etc.	Increased sales volume	FY04 operating income excluding inventory valuation impact	Inventory valuation impact on FY04 results	FY04 operating income
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FY2004 – Breakdown of ¥13.9 Billion Achieved by Rationalization and Value Creation Efforts

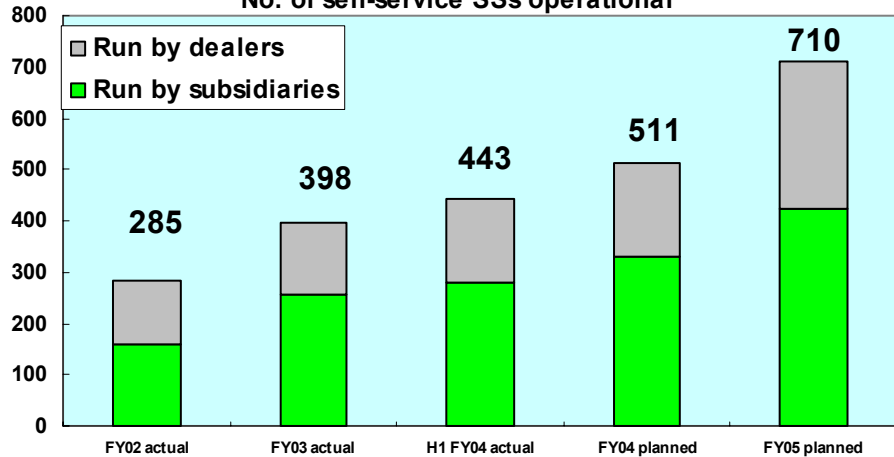
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Item	Segment	Description	1H FY04 actual	2H FY04 planned	Full-year of FY'04
Rationalization	Supply Department	Decrease in VLCC vessel cost	2	1	3
		Energy saving and reduced repair & maintenance costs at refineries	8	9	17
	Sales & Marketing Department	Reductions in operating expenses	1	8	9
	Distribution Dept	Effective use of Como Oil and joint basic oil storage depots	3	1	4
	Administration Dept	Reduction in payroll and other general administrative expenses	10	7	17
Rationalization total (Unit: ¥100 million)			24	26	50
Value Creation	Supply Department	Introduction of the profitability improvement program to increase additional values	10	14	24
		Enhanced FCCs and improved refining process	4	5	9
	Sales & Marketing Department	Structural reform in centering marketing subsidiaries	12	42	54
		Increased revenue from the card business	2	0.1	2
	New Business Department	Power generation (IPP) business, etc.	2	-2	0
Value creation total (Unit: ¥100 billion)			30	59	89
Rationalization & Value creation total (Unit: ¥100 billion)			54	85	139

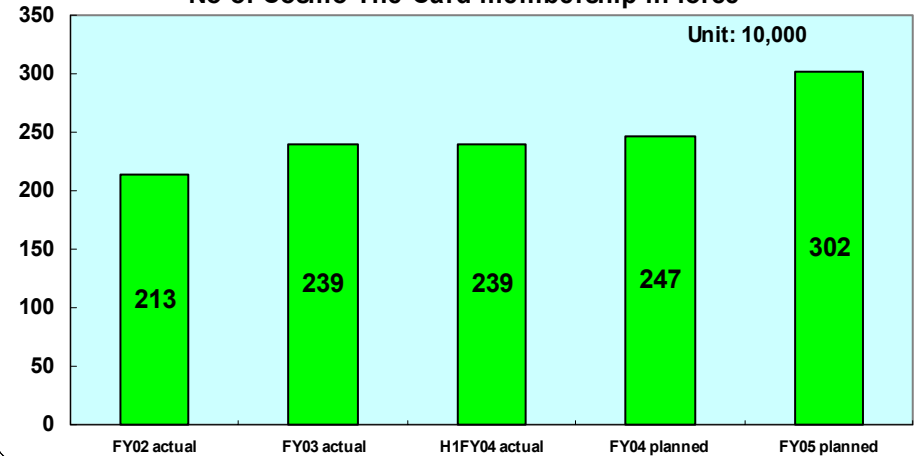
Progress Being Made in Value Creation Efforts by the Sales Department

Progress in the number of self-service SSs opened, of Auto B-cle SS opened, and of Cosmo The Card members in force

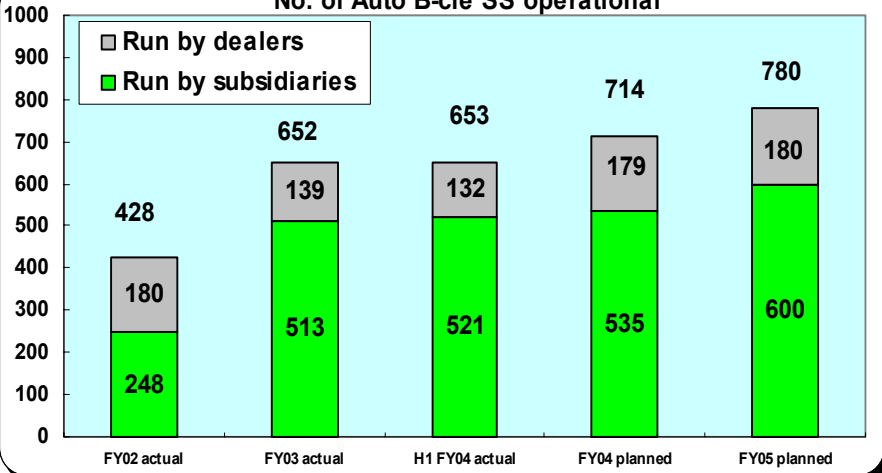
No. of self-service SSs operational



No of Cosmo The Card membership in force



No. of Auto B-cle SS operational



Supplementary Information – 1.

Review of Sales and Crude Oil Business Situation

Sales			
	H1 FY04	Change from H1 FY03	% Change
Total sales volume (1,000 KL)	20,953	862	104.3%
Fuel oil sales in Japan (1,000 KL)	13,991	329	102.4%
Gasoline, kerosene, diesel fuel, heavy fuel oil A (1,000 KL)	8,639	277	103.3%
High-octane ratio	17.7%	-0.4%	—

Crude Oil Processing, Crude Oil Prices and Currency Exchange			
	H1 FY04	Change from H1 FY03	% Change
Purchased price of crude oil (FOB) USD/BBL	35.22	8.70	—
JPY/USD exchange rate	109.83	-8.70	—
Purchased price of crude oil (tax inclusive) yen/KL	27,560	4,578	—
Processed crude oil volume (1,000 KL)	14,261	176	101.2%
Atmospheric distillation operating ratio (Calendar Day)	82.4%	0.7%	—
Atmospheric distillation operating ratio (Streaming Day)	92.3%	7.9%	—

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

Supplementary Information – 2.

Changes in the Number of Employees, Oil Storage Depots and SSs

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Workforce size (No. of persons)								Actual	Planned
	Mar. 31, '98	Mar. 31, '99	Mar. 31, '00	Mar. 31, '01	Mar. 31, '02	Mar. 31, '03	Mar. 31, '04	Sep.30, '04	Mar.31, '05
Cosmo Oil alone	3,109	2,677	2,048	1,970	1,892	1,837	1,764	1,754	1,694
Cosmo Oil Group	5,678	5,256	4,600	4,416	3,978	3,736	3,565	3,528	3,482

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

No. of oil storage depots (DTs)								Actual	Planned
	Mar. 31, '98	Mar. 31, '99	Mar. 31, '00	Mar. 31, '01	Mar. 31, '02	Mar. 31, '03	Mar. 31, '04	Sep.30, '04	Mar.31, '05
No. of DTs	57	52	45	41	39	39	38	38	38

No. of Cosmo Oil-affiliated SSs (including mobile stations)								Actual	Planned
	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Mar 31, '04	Sep 30, '04	May 31, '05
Owned by Cosmo Oil	1,172	1,105	1,065	1,010	977	959	930	918	919
Owned by dealers	5,614	5,376	5,040	4,769	4,564	4,313	4,112	4,015	3,947
Total	6,786	6,481	6,105	5,779	5,541	5,272	5,042	4,933	4,866

No. of self-service SSs out of the above total:

	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Mar 31, '04	Apr 30, '04	Mar 31, '05
Owned by Cosmo Oil	0	3	6	16	77	198	279	305	356
Owned by dealers	0	2	2	7	32	87	119	138	155
Total	0	5	8	23	109	285	398	443	511

Supplementary Information – 3. Operating & Financial Highlights of Consolidated & Non-consolidated Results for FY2004 H1

(Unit: ¥100 million)

Consolidated	H1 FY04	Change from H1 FY03	% Change
Net Sales	9,910	685	7.4%
Operating Income	218	122	126.4%
Ordinary Income	201	120	149.0%
Net Income	41	13	48.0%
Total Assets	12,946	345	—
Shareholders' Equity	2,063	15	—
Shareholders' Equity Ratio	15.9%	-0.4%	—
Interest-Bearing Debts	5,399	-194	—
Interest-Bearing Debts Ratio	41.7%	-2.7%	—

Non-Consolidated	H1FY04	Change from H1 FY03	% Change
Net Sales	9,002	1,160	14.8%
Operating Income	168	128	320.8%
Ordinary Income	137	127	—
Net Income	45	49	—
Total Assets	11,628	533	—
Shareholders' Equity	1,726	24	—
Shareholders' Equity Ratio	14.8%	-0.5%	—
Interest-Bearing Debts	4,903	-40	—
Interest-Bearing Debts Ratio	42.2%	-2.4%	—

Supplementary Information - 4.

Table for Progress Made in Rationalization and Value Creation

Item	Department	FY2004					
		First Half			Second Half	Full Year	
		Planned	Actual	Achievement	Outlook	Outlook	Achievement
		(100 million yen)	(100 million yen)	(%)	(100 million yen)	(100 million yen)	(%)
Rationalization	Supply Department	12	10	89.0%	10	20	94.7%
	Sales & Marketing Department	1	1	100.0%	8	9	100.0%
	Distribution Dept	3	3	102.9%	1	4	112.1%
	Administration Dept	9	10	105.6%	7	17	111.4%
	Subtotal	25	24	97.1%	26	50	102.3%
Value Creation	Supply Department	13	14	104.6%	19	33	113.3%
	Sales & Marketing Department	15	14	97.3%	42	56	94.5%
	New Business Department	6	2	32.0%	-2	0	4.2%
	Subtotal	34	30	88.6%	59	89	93.9%
Grand total		59	54	92.3%	85	139	96.8%

Supplementary Information - 5. Operating Highlights in 1H FY2004 at Major Consolidated Subsidiaries

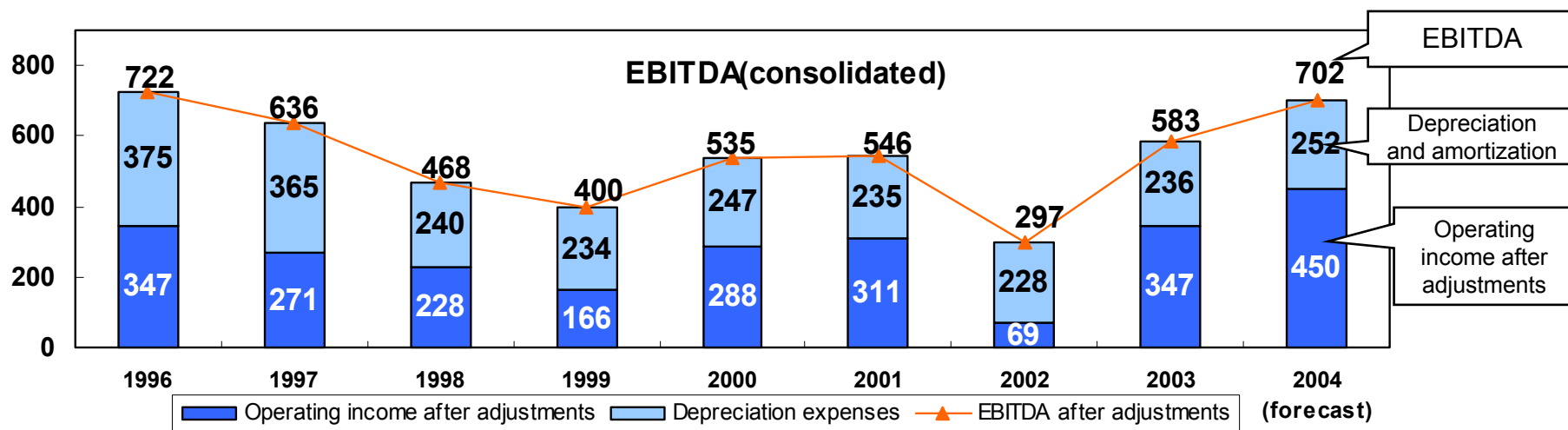
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(Unit: ¥100 million)

	Sales	Operating income	Ordinary income	Net income for 1H FY2004
Abu Dhabi Oil Co., Ltd.	180	57	56	9
Marketing subsidiary	1,368	-9	-9	-27
Cosmo Oil Lubricants Co., Ltd.	150	6	6	4
Cosmo Matsuyama Oil Co., Ltd.	93	8	8	5
Cosmo Petroleum Gas Co., Ltd.	366	-4	-4	-3

Supplementary Information – 6. Historical Changes in Consolidated EBITDA After Inventory Valuation Impact Adjustments

(Unit: ¥100 million)



	2000	2001	2002	2003	2004 (forecast)
Operating income on accounting method	366	221	242	252	530
Impact of inventory valuation (on operating income)	78	-90	173	-95	80
Operating income after adjustments (operating income on accounting method – inventory valuation impact)	288	311	69	347	450

Inventory valuation method changed since FY2000

Cautionary Statement Regarding Forward-Looking Scenarios

Cautionary Statement Regarding Forward-Looking Scenarios

This presentation contains statements that constitute forward-looking scenarios. While such forward-looking scenarios may include statements based on a variety of assumptions and relating to our plans, objectives or goals for the future, they do not reflect our commitment or assurance of the realization of such plans, objectives or goals.