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## <Financial Summary for 1st half of FY2004>

Financial statements for the 1st half of FY2004 (from April 2004 to September 2004) were approved at the meeting of the board of directors held on this day, November 16, 2004.

### 1. Overview of the Consolidate Financial Results

#### (1) Consolidated operating results

Cosmo Oil's consolidated net sales for the 1st half of fiscal 2004 ending March 2005 accounted for ¥991.0 billion, an increase of 7.4% (¥68.5 billion).

On a year to year basis, consolidated operating income increased by ¥12.2 billion to ¥21.8 billion, and consolidated ordinary profit was ¥20.1 billion, an improvement by ¥12.0 billion from the same period a year earlier.

With the early application of accounting for the impairment of assets from the current term, extraordinary loss was posted at ¥10.1 billion on impaired assets. In consequence, net income for the 1st half of fiscal 2004 year was ¥4.1 billion, an increase by ¥1.3 billion on a year-to-year basis.

Operating incomes by business segment were as follows:

[Petroleum business]

As for the demand for oil products during the 1st half of fiscal 2004, there was a decrease in that of heavy fuel oil C bound for electric power companies. However, sales volume of 4 domestic demand-related oil products, in particular, gasoline increased steadily, assisted by an extremely hot summer. In addition, along with the upward trend in crude oil prices, market prices for gasoline significantly rose, thanks to efforts to shift higher costs to consumer prices. However, sales of industrial-use fuel oil products including heavy fuel oil C, on the whole, did not result in reasonable market prices that reflected the higher cost of crude oil.

Sales of oil products increased by ¥75.0 billion from the same period last year to ¥965.5 billion, helped partly by a rise in the selling prices. While there were a few negative factors including adverse effects from the market prices of oil products, 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 cost of sales, contributed to income. As a result, operating income in this business stood at ¥17.1 billion, an increase of ¥10.5 billion on a year-to-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 ¥18.1 billion, an increase by ¥3.1 billion from the same period a year earlier, due partly to the hike in crude oil price, and operating income accounted for ¥5.4 billion, up by ¥2.2 billion on a year-to-year basis.

[Other business]

As for the businesses of real estate (buying/selling/lease), and oil-related facilities (construction/leasing/insurance), streamlining and efficiency were promoted in each section. As a consequence, sales were ¥35.4 billion, an increase of ¥4.4 billion from the same period last year and operating income was ¥0.0 billion, an improvement of ¥0.2 billion on a year-to-year basis.

(2) Consolidated financial position

Consolidated total assets as of the end of the 1st half of fiscal 2004 were ¥1,294.6 billion, an increase by 34.5 billion from the end of the preceding term, which was caused by increase in inventory owing to the hike in oil prices including crude oil price and stockpiling for the demand season in winter, partly offset by contracted cash and deposits.

As for the consolidated cash flows, net cash consumed in operating activities were minus ¥18.3 billion, due to the increase in inventory caused by a price hike in crude oil, and net cash used in investing activities was minus ¥3.0 billion. Net cash used in financing activities was minus ¥21.9 billion, thanks to progress in the repayment of interest-bearing debt. Cash and cash equivalents at the end of the 1st half of fiscal 2004 were ¥61.4 billion, a decrease by ¥43.1 billion from the end of March 2004.

(3) Summary of consolidated financial results for the 1st half of fiscal 2004

<b>[Consolidated operating results]</b>	Interim, 2004	Interim, 2003	Change from Interim, 2003
Net sales	¥991.0 billion	¥922.5 billion	¥68.5 billion (7.4%)
Operating income	¥21,799 million	¥9,630 million	¥12,169 million (126.4%)
Ordinary profit	¥20,080 million	¥8,064 million	¥12,016 million (149.0%)
Net income for the 1st half	¥4,139 million	¥2,797 million	¥1,342 million (48.0%)

<b>[Consolidated financial position]</b> (in billion yen)	Interim 2004, at end of term	As of March 31, 2004	Change from FY2003
Total assets	1,294.6	1,260.1	34.5
Share holder's equity	206.3	204.8	1.5
Equity ratio	15.9%	16.3%	(0.4%)
Interest-bearing debt	539.9	559.3	(19.4)
Interest-bearing debt ratio	41.7%	44.4%	(2.7%)

<b>[Consolidated cash flow]</b> (in billion yen)	Interim, 2004	Interim, 2003
CF from operating activities	(18.3)	8.8
CF from investment activities	(3.0)	(20.2)
CF from financing activities	(21.9)	8.4
Cash and deposits at the end of the fiscal year	61.4	41.2

## 2. Overview of Non-consolidated Financial Results

### (1) Non-consolidated operating results

The non-consolidated sales volume in the 1st half of fiscal 2004 was 20.95 million KL, an increase of 4.3% (0.86 million KL) compared to the same period a year earlier. In addition, non-consolidated net sales rose by 14.8% (¥116.0 billion), on a year-to-year basis, to ¥900.2 billion.

As for non-consolidated operating income, 1) implementation of various kinds of rationalization and value creation programs based on the Consolidated Medium-Term Management Plan contributed to the improvement of income by ¥5.4 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. On the other hand, 3) although market price for gasoline 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 ¥13.1 billion. However, 4) while the impact from inventory valuation under the gross average method pushed up cost of sales by ¥6.8 billion in the 1st half of fiscal 2003, that in this 1st half of fiscal 2004 lowered cost of sales by ¥12.0 billion, of which difference at plus ¥18.8 billion contributed to improve income compared to the same term a year earlier. As a result, operating income accounted for ¥16.8 billion,

an increase of ¥12.8 billion from the same period last year.

As for non-operating income and expenses, 5) net interest and dividend income was plus ¥1.3 billion, helped by increased dividends from affiliated companies, and miscellaneous net non-operating income was plus ¥0.6 billion. However, 6) foreign-exchange loss stood at minus ¥2.0 billion. As a result, non-consolidated ordinary profit accounted for ¥13.7 billion, an increase by ¥12.7 billion compared to the same period of the preceding year.

Net extraordinary loss stood at ¥6.8 billion, since loss on impaired assets was posted at ¥7.6 billion with the early application of accounting for the impairment of assets. As a consequence, non-consolidated net income for the 1st half of fiscal 2004 after the withdrawal of corporate taxes was ¥4.5 billion.

(2) Non-consolidated financial position

Non-consolidated total assets at the end of the 1st half of fiscal 2004 was ¥1,162.8 billion, a ¥53.3 billion increase on a year-to-year comparison, affected, as in the case of consolidated total assets, mainly by increase in inventory, notes and accounts receivable-trade, and accounts receivable-other due to hiked prices of oil including crude.

(3) Summary of non-consolidated financial results for the 1st half of fiscal 2004

<b>[Non-consolidate operating results]</b>	Interim, 2004	Interim, 2003	Change from Interim, 2003
Sales volume	20,953 thousand KL·t	20,091 thousand KL·t	(862) thousand KL·t (4.3%)
Net sales	¥900.2 billion	¥784.2 billion	116.0 billion (14.8%)
Operating income	¥16,815 million	¥3,996 million	¥12,819 million (320.8%)
Ordinary profit	¥13,708 million	¥1,014 million	¥12,694 million (-%)
Net income for the 1st half	¥4,537 million	(¥398) million	4,935 million (-%)

**[Dividend]**

Interim dividend	¥3 per share	¥3 per share	-
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Note: Change in the financial position shows a change from the end of March 2004.

<b>[Non-consolidated financial position](in billion yen)</b>	Interim 2004, at end of term	As of March 31, 2004	Change from FY2003
Total assets	1,162.8	1,109.5	53.3
Shareholders' equity	172.6	170.2	2.4
Equity ratio	14.8%	15.3%	(0.5%)
Interest-bearing debt	490.3	494.3	(4.0)
Interest-bearing debt ratio	42.2%	44.6%	(2.4%)

### 3. Outlook for FY2004

- (1) The business environment surrounding the Japanese petroleum industry in the 2nd half of fiscal 2004 ending March 2005 is anticipated to continue to face tough conditions, such as the uncertainty of trends in oil prices affected by international

affairs, forthcoming market fluctuations, and responses to environmental issues. The Cosmo Oil Group will strive to reinforce its competitiveness and profitability of its petroleum business by establishing a more solid management structure through the implementation of the Consolidated Medium-Term Management Plan. Cosmo Oil and its Group will make all efforts to achieve the following projected management goals, including consolidated net sales of ¥2,130.0 billion (non-consolidated sales: ¥1,890.0 billion), consolidated ordinary profit of ¥50.0 billion (non-consolidated ordinary profit: ¥30.0 billion), and consolidated net income of ¥18.0 billion (non-consolidated net income: ¥13.0 billion).

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

	Net sales	Operating income	Ordinary profit	Net income
FY 2004 Forecast	2,130.0	53.0	50.0	18.0

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

	Net sales	Operating income	Ordinary profit	Net income	Dividend
FY 2004 Forecast	1,890.0	37.0	30.0	13.0	¥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): 35\$/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): 99.9% (Full year)
- “Medium-Term Management Plan”: effect from the creation of value and rationalization: ¥13.9 billion per annum