

Financial Summary for FY2005 ended March 31, 2006

Financial statements for FY 2005 (from April 2005 to March 2006) were approved at the meeting of the board of directors held on this day, May 16, 2006.

1. Overview of the Consolidated Financial Results

(1) Consolidated Operating Results

Cosmo Oil's consolidated net sales were ¥2670.6 billion, an increase of 24.0% (¥516.0 billion) compared to the preceding year.

Factors that caused the differences compared to the previous term include the following.

- 1) A decrease in the consolidated ordinary income by ¥16.5 billion due to soaring crude oil price and other market price-related factors, in spite of efforts to improve supply and demand relationship such as promoting exports of oil products. Such factors include:
 - (a) Unsatisfactory shift of increasing costs to consumer prices resulting from escalating crude oil price, despite a rise in market prices to some extent,
 - (b) The time lag between rising costs and the actual shift to costs in market prices,
 - (c) An increase in the cost of petroleum refinery (in-house fuel cost).

Yet 2) value-adding efforts and various rationalization brought by the New Consolidated Medium-Term Management Plan, which was implemented this year, contributed to the recovery in income by ¥11.7 billion. Furthermore, 3) improvement in income by ¥22.2 billion of the oil exploration and production business and 4) improvement by ¥6.2 billion thanks to recovery in other intercompany income and increased dividend income contributed to ¥74.2 billion in consolidated ordinary profit (not including effects from inventory valuation under the gross average method), an increase of ¥23.6 billion on a year-on-year basis. In addition, 5) while the effects from inventory valuation under the gross average method pushed cost of sales by ¥45.4 billion in fiscal 2005 of which difference at plus ¥32.8 billion contributed to improve income compared to the same term a year earlier.

The consolidated ordinary income accounted for ¥119.6 billion, an increase of ¥56.4 billion from the same period last year.

The consolidated net income for fiscal 2005 was ¥61.8 billion, an improvement by ¥35.4 billion from the same period last year.

(2) Consolidated financial position

Consolidated total assets as of the end of fiscal 2005 were ¥1,463.6 billion, an increase by ¥140.4 billion from the same time of the preceding year, which is due to increases in inventories and trade accounts receivable owing to hikes in oil prices including crude oil

price.

As for the consolidated cash flows for fiscal 2005, cash flow from operating activities was a minus at ¥20.7 billion, due mainly to an increase in inventories caused by inflated oil prices. Cash flow from investing activities resulted in minus ¥1.3 billion owing to the net expenditures for acquisition of fixed assets. Cash flow from financing activities recorded a plus at ¥39.6 billion, assisted by an increase in interest-bearing debt and proceeds from issuing new stocks.

As a result, cash and cash equivalents at the end of fiscal 2005 was ¥56.6 billion, an increase by ¥18.5 billion from the end of the preceding fiscal year.

(3) Summary of consolidated financial results for FY2005

[Consolidated operating results]	FY2005	FY2004	Change from FY2004
Net sales	¥2,670.6 billion	¥2,154.6 billion	¥516.0 billion (24.0%)
Operating income	¥111,247 million	¥65,698 million	¥45,549 million (69.3%)
Ordinary income	¥119,557 million	¥63,175 million	¥56,382 million (89.2%)
Net income	¥61,795 million	¥26,414 million	¥35,381 million (133.9%)

[Consolidated financial position] (in billion yen)	As of March 31, 2006	As of March 31, 2005	Change from March 31, 2005
Total assets	1,463.6	1,323.2	140.4
Shareholders' equity	312.5	227.9	84.6
Equity ratio	21.4%	17.2%	4.2%
Interest-bearing debt	522.4	497.8	24.6
Interest-bearing debt ratio	35.7%	37.6%	-1.9%

[Consolidated cash flow] (in billion yen)	FY2005	FY2004
CF from operating activities	-20.7	40.5
CF from investment activities	-1.3	-36.6
CF from financing activities	39.6	-70.2
Cash and deposits at the end of the fiscal year	56.6	38.1

2. Overview of Non-consolidated Financial Results

(1) Non-consolidated operating results

The non-consolidated sales volume in fiscal 2005 46.31 million KL, an increase of 2.2% (1.01 million KL) compared to the same period a year earlier. The non-consolidated net sales was ¥2,495.4 billion, a rise by ¥530.4 billion (27.0%) compared with same term of the preceding year.

The non-consolidated ordinary income accounted for ¥75.6 billion, an increase of ¥33.9 billion from the same period last year.

Factors that caused the differences compared to the previous term include the following.

1) A decrease in the non-consolidated ordinary income by ¥16.5 billion due to market price-related factors, but 2) value-adding efforts and various rationalization brought by

the New Consolidated Medium-Term Management Plan contributed to the recovery in income by ¥11.7 billion, and 3) recording of net non-operating income at ¥5.9 billion contributed to the improvement in income. Non-consolidated ordinary income (not including effects from inventory valuation under the gross average method) stood at ¥30.2 billion, an increase by ¥1.1 billion on a year-on-year basis. In addition, 4) while the effects from inventory valuation under the gross average method pushed down cost of sales by ¥45.4 billion in fiscal 2005 of which difference at plus ¥32.8 billion contributed to improve the income compared to the same term a year earlier.

Non-consolidated net income for fiscal 2005 was ¥46.5 billion, an increase by ¥32.8 billion compared with a year earlier.

(2) Non-consolidated financial position

Non-consolidated total assets at the end of the fiscal year were ¥1331.2 billion, a ¥167.7 billion increase on a year-to-year comparison, affected, as in the case of consolidated total assets, mainly by increase in inventory, and notes and accounts receivable-trade due to hiked prices of oil including crude.

(3) Summary of non-consolidated financial results for FY2005

[Non-consolidated operating results]	FY2005	FY2004	Change from FY2004
Sales volume	46,314 thousand KL-t	45,302 thousand KL-t	1,012 thousand KL-t (2.2%)
Net sales	¥2,495.4 billion	¥1,965.0 billion	¥530.4 billion (27.0%)
Operating income	¥75,127 million	¥47,369 million	¥27,758 million (58.6%)
Ordinary income	¥75,558 million	¥41,736 million	¥33,822 million (81.0%)
Net income	¥46,497 million	¥13,705 million	¥32,792 million (239.3%)

[Dividend]			
Dividend	¥10 per share	¥8 per share	Year-end dividend: Commemorative dividend (planned to be increased by ¥2 per share)

[Non-consolidated financial position] (in billion yen)	As of March 31, 2006	As of March 31, 2005	Change from March 31, 2005
Total assets	1,331.2	1,163.5	167.7
Shareholders' equity	248.4	181.3	67.1
Equity ratio	18.7%	15.6%	3.1%
Interest-bearing debt	485.6	460.8	24.8
Interest-bearing debt ratio	36.5%	39.6%	-3.1%

3. Outlooks for FY2006

(1) With respect to the consolidated outlooks for fiscal 2006, effects from fire at the Chiba oil refinery on April 16 still holds uncertain factors such as in the prospect for restoration and in measures to provide oil products to the general public. The Company estimates cost increase due to alternative supply of about ¥10.0 billion. And, cost of sales will increase by around ¥8.0 billion, affected by inventory valuation under the gross average method. Based on these assumptions, the Company expects operating results for fiscal 2006 to be ¥2,680.0 billion for consolidated net sales (non-consolidated net sales: ¥2,500.0 billion), ¥66.0 for consolidated ordinary income (non-consolidated ordinary income: ¥13.0 billion), and ¥22.0 billion for

consolidated net income (non-consolidated net income: ¥6.5 billion).

(2) Consolidated outlook for FY2006 (in billion yen)

	Net sales	Operating income	Ordinary income	Net income
Interim Forecast	1,230.0	22.0	20.0	3.0
FY2006 Forecast	2,680.0	69.0	66.0	22.0

(3) Non-consolidated outlook for FY2006 (in billion yen)

	Net sales	Operating income	Ordinary income	Net income	Dividend
Interim Forecast	1,150.0	-3.0	-5.0	-3.0	¥3 per share
FY2006 Forecast	2,500.0	17.0	13.0	6.5	¥8 per share

(Note) Business projections for FY2006 are based on the following conditions that Cosmo Oil anticipates at this time. Crude oil price (FOB): 56.5\$/BBL
Yen/dollar exchange rate: ¥115.0/USD
Sales volume (of domestic demand for oil products): 97.1%
Benefit from the "Consolidated Medium-Term Management Plan" (Added value, rationalization: ¥6.1 billion annually)