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Financial Summary for 1st half of FY2005

Financial statements for the 1st half of FY2005 (from April 2005 to September 2005) were approved at the meeting of the board of directors held on this day, November 15, 2005.

1. Overview of the Consolidate Financial Results

(1) Consolidated Financial Results

Cosmo Oil's consolidated net sales for the 1st half of fiscal 2005 ending March 2006 accounted for ¥1,203.2 billion, an increase of 21.4% (¥212.2 billion) compared with the same term of the preceding year.

The consolidated ordinary profit accounted for ¥57.2 billion, an increase of ¥37.1 billion from the same period last year.

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

1) There was a ¥5.0 billion decrease in the consolidated ordinary profit due to soaring crude oil price and other market price-related factors. Such factors include:

a) Deteriorated market prices for industrial-use fuel oil (regardless of increases in the domestic market prices of four oil products (gasoline, kerosene, diesel fuel, heavy fuel oil A)).

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 the New Consolidated Medium-Term Management Plan, which was implemented this year, contributed to the recovery in income by ¥4.8 billion. Furthermore, 3) improvement in income by ¥10.4 billion of the oil exploration and production business and 4) improvement by ¥7.3 billion thanks to recovery in other intercompany income and increased dividend income contributed to ¥25.6 billion in consolidated ordinary profit (not including effects from inventory valuation under the gross average method), an increase of ¥17.5 billion on a year-on-year basis.

In addition, 5) while the effects from inventory valuation under the gross average method pushed down cost of sales by ¥31.6 billion in the 1st half of fiscal 2005 of which difference at plus ¥19.6 billion contributed to improve income compared to the same term a year earlier.

Net consolidated extraordinary loss recorded ¥1.1 billion, due mainly to the accounting of loss on impaired assets. As a consequence, consolidated net income for the 1st half of

fiscal 2005 was ¥29.6 billion, an improvement by ¥25.5 billion from the same period last year.

(2) Consolidated financial position

Consolidated total assets as of the end of the 1st half of fiscal 2005 were ¥1,458.3 billion, an increase by ¥135.2 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 consolidated cash flows during the 1st half of fiscal 2005, cash flow from operating activities was a minus at ¥20.5, due mainly to an increase in inventories caused by inflated oil prices. Cash flow from investing activities resulted in minus ¥28.0 billion owing to expenditures for acquisition of fixed assets, and cash flow from financing activities recorded a plus at ¥ 56.2 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 the 1st half of fiscal 2005 was ¥46.4 billion, an increase by ¥8.3 billion from the end of the preceding fiscal year.

(3) Summary of consolidated financial results for the 1st half of fiscal 2005

[Consolidated operating results]	Interim, 2005	Interim, 2004	Change from Interim, 2004
Net sales	¥1,203.2 billion	¥991 billion	¥212.2 billion (21.4%)
Operating income	¥50,682 million	¥21,799 million	¥28,883 million (132.5%)
Ordinary profit	¥57,169 million	¥20,080 million	¥37,089 million (184.7%)
Net income for the 1st half	¥29,566million	¥4,139 million	¥25,427 million (614.3%)

Note: Change in the financial position shows from the end of March 2005.

[Consolidated financial position] (in billion yen)	Interim 2005, at end of term	As of March 31, 2005	Change from FY2004
Total assets	1,458.3	1,323.1	135.2
Share holder's equity	281	227.9	53.1
Equity ratio	19.3%	17.2%	2.1%
Interest-bearing debt	536.6	497.8	38.8
Interest-bearing debt ratio	36.8%	37.6%	(0.8%)

[Consolidated cash flow] (in billion yen)	Interim, 2005	Interim, 2004
CF from operating activities	(20.5)	(18.3)
CF from investment activities	(28)	(3)
CF from financing activities	56.2	(21.9)
Cash and deposits at the end of the fiscal year	46.4	61.4

2. Overview of Non-consolidated Financial Results

(1) Non-consolidated operating results

The non-consolidated sales volume in the 1st half of fiscal 2005 was 21.64 million KL, an increase of 3.3% (0.69 million KL) compared to the same period a year earlier. The non-consolidated net sales was ¥1,124.1 billion, a rise by ¥223.9 billion (24.9%) compared with the same term of the preceding year.

The non-consolidated ordinary profit accounted for ¥38.3 billion, an increase of ¥24.6 billion from the same period last year.

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

1) There was a ¥5.0 billion decrease in the non-consolidated ordinary profit due to soaring crude oil price and other market price-related factors. Such factors include:

a) Deteriorated market prices for industrial-use fuel oil (regardless of increases in the domestic market prices of four oil products (gasoline, kerosene, diesel fuel, heavy fuel oil A)).

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 the New Consolidated Medium-Term Management Plan, which was implemented this year, contributed to the recovery in income by ¥4.8 billion, and 3) recording of net non-operating income by ¥5.2 billion due to an increase in dividend income contributed to the improvement in income. Non-consolidated ordinary profit (not including effects from inventory valuation under the gross average method) stood at ¥6.7 billion, an increase by ¥5.0 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 ¥31.6 billion in the 1st half of fiscal 2005 of which difference at plus ¥19.6 billion contributed to improve income compared to the same term a year earlier. As a result, non-consolidated ordinary profit accounted for ¥38.3 billion, an increase of ¥24.6 billion from the same period last year.

Net extraordinary loss stood at ¥0.8 billion, due mainly to accounting of loss on impaired assets. Non-consolidated net income for the 1st half of fiscal 2005 was ¥22.9 billion, an increase by ¥18.4 billion.

(2) Non-consolidated financial position

Non-consolidated total assets at the end of the 1st half of fiscal 2005 was ¥1,330.4 billion, a ¥166.9 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 consolidated financial results for the 1st half of fiscal 2005

[Non-consolidate operating results]	Interim, 2005	Interim, 2004	Change from Interim, 2004
Sales volume	21,639 thousand KL·t	20,953 thousand KL·t	686 thousand KL·t

			(3.3%)
Net sales	¥1,124.1 billion	¥900.2 billion	¥223.9 billion (24.9%)
Operating income	¥36,174 million	¥16,815 million	¥19,359 million (115.1%)
Ordinary profit	¥38,339 million	¥13,708 million	¥24,631 million (179.7%)
Net income for the 1st half	¥22,881 million	¥4,537 million	¥18,344 million (404.2%)

[Dividend]

Interim dividend	¥3 per share	¥3 per share	-
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Note: Change in the financial position shows changes from the end of March 2005.

[Non-consolidated financial position] (in billion yen)	Interim 2005, at end of term	As of March 31, 2005	Change from FY2004
Total assets	1,330.4	1,163.5	166.9
Shareholders' equity	226.2	181.3	44.9
Equity ratio	17.0%	15.6%	1.4%
Interest-bearing debt	510.3	460.8	49.5
Interest-bearing debt ratio	38.4%	39.6%	(1.2%)

3. Outlooks for FY2005

- (1) The consolidated outlook for operating results for the whole term of fiscal 2005 ending March 2006 is expected, after taking consideration of the anticipated trend in crude oil prices to remain high and the expected cost-lowering effects by ¥24.0 billion from inventory valuation under the gross average method, to be ¥2,550.0 billion for consolidated net sales (non-consolidated net sales: ¥2,350.0 billion), ¥93.0 billion for consolidated ordinary profit (non-consolidated ordinary profit: ¥49.0 billion), and ¥44.0 billion for consolidated net income (non-consolidated net income: ¥30.0 billion).

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

	Net sales	Operating income	Ordinary profit	Net income
FY 2005 Forecast	2,550.0	86.0	93.0	44.0

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

	Net sales	Operating income	Ordinary profit	Net income	Dividend
FY 2004 Forecast	2,350.0	49.0	49.0	30.0	¥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): 52\$/BBL (Second half)
- Yen/dollar exchange rate: ¥110.0/USD (Second half)
- Volume of oil production: volume in accordance with demand
- Sales volume (of domestic demand for oil products): 99.1% (Full year)
- “New Consolidated Medium-Term Management Plan ”: effects from value-adding efforts and rationalization: ¥10.8 billion per annum