

Financial Summary for FY2006 Ended March 31, 2007

Financial statements for Fiscal Year 2006 (from April 2006 to March 2007) were approved at the meeting of the board of directors held today.

1. Overview of the Consolidated Financial Results

(1) Consolidated Operating Results

Cosmo Oil's consolidated net sales for FY2006 were ¥3,062.7 billion, an increase of 14.7% (¥392.1 billion) compared with FY2005.

Factors that caused the differences of consolidated ordinary income compared to the previous term include the following.

1) Impacts from market conditions, including reduction in time lags occurring between rising costs and actually passing on those increases to market prices in the phase of higher crude oil prices, improved income by ¥1.9 billion, but 2) a reduction in the sales volume due to the warm winter, fuel conversion into non-oil fuels and lower demand for oil fuels caused by crude oil price hikes decreased income by ¥9.4 billion. 3) Increases in supply costs including alternative supply cost arising from the impact caused by a reduction in refinery operating levels attributable to the fire at the Chiba Refinery in April 2006, and an increased burden of refining cost (in-house fuel cost) decreased income by ¥23.2 billion.

On the other hand, 4) additional value creation and rationalization efforts brought about by the New Consolidated Medium-Term Management Plan (for FY2005-FY2007) contributed to an improvement in income by ¥5.3 billion. Furthermore, 5) an improvement in income by ¥13.2 billion brought by improved performances in the oil exploration and production business and 6) an improvement in income by ¥10.0 billion owing to improved performances at other consolidated subsidiaries and other factors were recorded. Consolidated ordinary income excluding effects from inventory valuation under the weighted average method was ¥72.0 billion, a decrease of ¥2.2 billion from FY2005. 7) The effects from inventory valuation under the weighted average method pushed down cost of sales by ¥2.8 billion for the year, significantly down ¥42.6 billion from FY2005.

As a result, consolidated ordinary income for FY2006 was ¥74.8 billion, down ¥44.8 billion from FY2005. Consolidated net income for FY2006 was ¥26.5 billion, down ¥35.3 billion from FY2005.

(2) Consolidated financial position

Total assets as of March 31, 2007 amounted to ¥1,579.2 billion, up ¥115.6 billion from March 31, 2006. This mainly reflects increases in cash and cash equivalents and accounts receivable since the last day of FY2006 fell on a holiday.

As for consolidated cash flows as of March 31, 2007, net cash provided by operating activities amounted to ¥25.0 billion. Net cash used in investing activities amounted to ¥35.9 billion mainly reflecting acquisitions and sales of fixed assets. Net cash provided by financial activities amounted to ¥80.0 billion mainly reflecting an increase in debts. As a result, cash and cash equivalents as of March 31, 2007 were ¥126.1 billion, up ¥69.5 billion from March 31, 2006.

(3) Summary of consolidated financial results for FY2006

[Consolidated operating results]	FY2006	FY2005	Change from FY2005
Net sales	¥3,062.7 billion	¥2,670.6 billion	¥392.1 billion (14.7%)
Operating income	¥69,643 million	¥111,247 million	-¥41,604 million (-37.4%)
Ordinary income	¥74,789 million	¥119,557 million	-¥44,768 million (-37.4%)
Net income	¥26,536 million	¥61,795 million	-¥35,259 million (-57.1%)

[Consolidated financial position] (in billion yen)	As of March 31, 2007	As of March 31, 2006	Change from March 31, 2006
Total assets	1,579.2	1,463.6	115.6
Net assets	361.6	*312.5	* —
Net worth ratio	21.5%	*21.4%	0.1%
Interest-bearing debt	609.9	522.4	87.5
Interest-bearing debt ratio	38.6%	35.7%	2.9%

* Figures with asterisk marks above are based on the former definitions of “shareholders’ equity” and “shareholders’ equity ratio.” Therefore, no change in net assets is reported herein.

<Reference> (in billion yen)

Net interest-bearing debt	483.8	465.8	18.0
Net interest-bearing debt ratio	30.6%	31.8%	-1.2%

* Net interest-bearing debt refers to total interest-bearing debt less cash and cash equivalents and short-term working capital balance

[Consolidated cash flow] (in billion yen)	FY2006	FY2005
CF from operating activities	25.0	-20.7
CF from investment activities	-35.9	-1.3
CF from financing activities	80.0	39.6
Cash and cash equivalents at the end of the fiscal year	126.1	56.6

2. Non-Consolidated Operating Highlights

(1) Non-Consolidated Operating Results

	FY2006	FY2005	Change from FY2005
Sales volume	44,617 thousand KL-t	46,314 thousand KL-t	-1,697 thousand KL-t (-3.7%)
Net sales	¥2,831.2 billion	¥2,495.3 billion	¥335.9 billion (13.5%)
Operating income	¥8,333 million	¥75,127 million	-¥66,794 million (-88.9%)
Ordinary income	¥7,562 million	¥75,558 million	-¥67,996 million (-90.0%)
Net income	¥1,341 million	¥46,497 million	-¥45,156 million (-97.1%)

[Dividend]

Dividend	¥8 per share	¥10 per share
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(2) Non-Consolidated Financial Position (in billion yen)

	As of March 31, 2007	As of March 31, 2006	Change from March 31, 2006
Total assets	1,434.2	1,331.2	103.0
Net assets	254.9	*248.4	* —
Net worth ratio	17.8%	*18.7%	-0.9%
Interest-bearing debt	572.7	485.6	87.1
Interest-bearing debt ratio	39.9%	36.5%	3.4%

* Figures with asterisk marks above are based on the former definitions of “shareholders’ equity” and “shareholders’ equity ratio.” Therefore, no change in net assets is reported herein.

<Reference> (in billion yen)

Net interest-bearing debt	492.5	463.9	28.6
Net interest-bearing debt ratio	34.3%	34.9%	-0.6%

* Net interest-bearing debt refers to total interest-bearing debt less cash and cash equivalents and short-term working capital balance

3. Business Outlook for FY2007 Ending March 31, 2008

- (1) Based on its assumptions of a crude oil price at US \$60.0 per barrel (on an FOB basis) and a foreign exchange rate of ¥120.0 per US dollar and a reduction of about ¥11.0 billion in cost of sales by an inventory valuation impact under the weighted average method, Cosmo Oil expects operating results for FY2007 to be ¥3,160 billion for consolidated net sales (¥2,930 billion for non-consolidated net sales), ¥89 billion for consolidated operating income (¥31 billion for non-consolidated operating income), ¥88 billion for consolidated ordinary income (¥26 billion for non-consolidated ordinary income) and ¥37 billion for consolidated net income (¥16 billion for non-consolidated net income).

Regarding the outlook for the oil business segment, costs for enhancing safety and security measures for the refineries and an increase in depreciation expenses due to tax reforms are expected to be offset by positive factors including elimination of a negative impact by reduced operating levels at the refinery and an impact from inventory valuation, likely to allow the segment to report a year-on-year improvement in profit for FY2007.

As for the crude oil exploration and production business segment, Cosmo Oil will continue to focus on stable crude oil production but forecasts a year-on-year decrease in profit,

anticipating negative factors including a reduction in crude oil prices.

(2) Consolidated outlook for FY2007 (in billion yen)

	Net sales	Operating income	Ordinary income	Net income
Interim Forecast	1,510.0	42.0	42.0	17.0
FY2007 Forecast	3,160.0	89.0	88.0	37.0

(3) Business Outlook by Segment (in billion yen)

	Oil business	Crude oil exploration & production business	Other businesses	Deletion or other adjustments	Consolidated
Net sales	3,078.0	75.0	87.0	-80.0	3,160.0
Operating income	46.0	42.0	2.0	-1.0	89.0

(4) Non-consolidated outlook for FY2007 (in billion yen)

	Net sales	Operating income	Ordinary income	Net income	Dividend
Interim Forecast	1,410.0	15.0	11.0	7.0	¥3 per share
FY2007 Forecast	2,930.0	31.0	26.0	16.0	¥8 per share

(Note) Business projections for FY2007 are based on the following conditions that Cosmo Oil anticipates at this time.

Crude oil price (FOB): 60.0\$/BBL

Yen/dollar exchange rate: ¥120.0/USD

Sales volume (of domestic demand for oil products): 100.3%

Benefit from the "Consolidated Medium-Term Management Plan" (Added value, rationalization: ¥4.2 billion annually)