

November 7, 2006

Cosmo Oil Co., Ltd.

## **Financial Summary for the First Half of Fiscal Year 2006 Ending March 31, 2007**

The financial statements for the first half of the fiscal year 2006 ending March 31, 2007 (for the six-month period from April 1, 2006 to September 30, 2006) were approved at the meeting of the board of directors held today.

### **1. Overview of the Consolidated Financial Results for the First Half of FY2006**

#### **(1) Consolidated Operating Results**

Cosmo Oil's consolidated net sales were ¥1,469.5 billion, up 22.1%, or ¥266.3 billion, from the first half of FY2005.

Factors responsible for the difference, compared to the previous term, include the following:

1) A reduction in the time lag between rising costs and the shift to market pricing costs, arising from increased crude oil prices, as well as other market conditions, improved consolidated ordinary income by ¥3.4 billion. 2) Crude oil price hikes also urged fuel conversion and reduced oil demand, decreasing sales volumes, resulting in reducing income by ¥2.8 billion. 3) an increase in the petroleum refining cost (in-house fuel cost), and alternate supply cost due to suspended operations at the Chiba Refinery caused by an accident in April 2006, reduced income by ¥8.7 billion.

On the other hand, 4) the company continued to make progress on the New Consolidated Medium-Term Management Plan (starting in FY2005 and continuing through FY2007) to achieve ¥3.0 billion in additional value creation and rationalization in operations, which contributed to improving income. Further, 5) a ¥7.4 billion improvement in income in oil exploration and production operations, and 6) improvement in income at other consolidated subsidiaries more than offset a decrease in dividend income receivable and other factors, bringing a negative effect of ¥2.5 billion on income. This resulted in ¥25.4 billion in consolidated ordinary income (excluding the impact of inventory valuation under the weighted average method), down ¥200 million from the first half of FY2005. In addition, 7) the effects of inventory valuation under the weighted average method pushed down the cost of sales by ¥25.2 billion in the first half of FY2006, but income reduced by ¥6.4 billion from the same

period in the previous year.

As a result, consolidated ordinary income for the first half of FY2006 was ¥50.6 billion, down ¥6.6 billion compared with the first half of FY2005.

Consolidated net income for the first half of FY2006 was ¥21.0 billion, down ¥8.6 billion compared with the first half of FY2005.

## (2) Consolidated Financial Position

Consolidated total assets were ¥1,611.9 billion as of September 30, 2006, up ¥148.3 billion as of March 31, 2006, mainly a reflection of increases in inventories and trade accounts receivable due to rising crude oil and other oil prices.

For consolidated cash flows for the first half of FY2006, net cash flows from operating activities resulted in an outflow of ¥55.1 billion, mainly reflecting increases in inventories and trade accounts receivable primarily due to a surge in oil prices, corporate taxes and other payments. Net cash flows from investing activities resulted in an outflow of ¥14.6 billion, largely a reflection of payments for the acquisition of fixed assets. Net cash flows from financing activities resulted in an inflow of ¥80.3 billion, mainly reflecting an increase in debt financing.

As a result, cash and cash equivalents as of September 30, 2006 were ¥67.2 billion, up ¥10.6 billion from March 31, 2006.

## (3) Summary of Consolidated Financial Results for the First Half of FY2006

<b>[Consolidated operating results]</b>	1H of FY2006	1H of FY2005	Change from 1H of FY2005
Net sales	¥1,469.5 billion	¥1,203.2 billion	¥266.3 billion (22.1%)
Operating income	¥48,558 million	¥50,682 million	-¥2,124 million (-4.2%)
Ordinary income	¥50,576 million	¥57,169 million	-¥6,593 million (-11.5%)
Net income	¥21,049 million	¥29,566 million	-¥8,517 million (-28.8%)

<b>[Consolidated financial position]</b> (in billion yen)	As of Sept. 30, 2006	As of March 31, 2006	Change as of March 31, 2006
Total assets	1,611.9	1,463.6	148.3
Net assets	353.3	*312.5	* —
Net worth ratio	20.9%	*21.4%	-0.5%
Interest-bearing debt	608.1	522.4	85.7
Interest-bearing debt ratio	37.7%	35.7%	2.0%

Notes:

1. The above comparison is made between the financial position as of September 30, 2006 and that as of March 31, 2006.
2. Figures as of March 31, 2006 shown above are based on the former definitions of “shareholders’ equity” and “shareholders’ equity ratio.” Therefore, the change in net assets was not shown here.

<b>[Consolidated cash flow]</b> (in billion yen)	1H of FY2006	1H of FY2005
CF from operating activities	-55.1	-20.5
CF from investment activities	-14.6	-28.0
CF from financing activities	80.3	56.2
Cash and deposits at the end of the fiscal year	67.2	46.4

## 2. Overview of the Non-consolidated Financial Results for the First Half of FY2006

### (1) Non-consolidated Operating Results

The non-consolidated oil products sales volume for the first half of FY2006 was 21.29 million KL, down 1.6% or 350,000 KL compared with the first half of FY2005.

1) A reduction in the time lag between rising costs, the shift to market pricing costs, and other market conditions improved non-consolidated ordinary income by ¥3.4 billion, 2) decreased sales volumes reduced income by ¥2.8 billion, 3) a supply cost increase and other factors reduced income by ¥8.7 billion, 4) progress made in the New Consolidated Medium-Term Management Plan improved income by ¥3.0 billion, and 5) a non-operating loss (¥2.5 billion) reduced the non-consolidated ordinary income to a loss of ¥900 million (excluding the impact by inventory valuation under the weighted average method), down ¥7.6 billion from the first half of FY2005. In addition, 6) the effects of inventory valuation under the weighted average method pushed down the cost of sales by ¥25.2 billion in the first half of FY2006, but income reduced by ¥6.4 billion compared with the same period in the previous year.

As a result, non-consolidated ordinary income for the first half of FY2006 was ¥24.3 billion, down ¥14.0 billion compared with the first half of FY2005.

Non-consolidated net income for the first half of FY2006 was ¥10.7 billion, down ¥12.2 billion compared with the first half of FY2005.

## (2) Non-consolidated Financial Position

Non-consolidated total assets were ¥1,491.1 billion as of September 30, 2006, up by ¥159.9 billion from March 31, 2006, mainly reflecting increases in inventories and trade accounts receivable due to rising crude oil and other oil prices, which is similar to the consolidated financial position.

## (3) Summary of Non-consolidated Financial Results for the First Half of FY2006

<b>[Non-consolidated operating results]</b>	1H of FY2006	1H of FY2005	Change from 1H of FY2005
Sales volume	21,292 thousand KL·t	21,639 thousand KL·t	-347 thousand KL·t (-1.6%)
Net sales	¥1,366.9 billion	¥1,124.1 billion	¥242.8 billion (21.6%)
Operating income	¥24,644 million	¥36,174 million	-¥11,530 million (-31.9%)
Ordinary income	¥24,255 million	¥38,339 million	-¥14,084 million (-36.7%)
Net income	¥10,737 million	¥22,881 million	-¥12,144 million (-53.1%)

### **[Dividend]**

Dividend	¥3 per share	¥3 per share	No change
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<b>[Non-consolidated financial position]</b> (in billion yen)	As of Sept. 30, 2006	As of March 31, 2006	Change as of March 31, 2006
Total assets	1,491.1	1,331.2	159.9
Net assets	269.2	248.4	* —
Net worth ratio	18.1%	18.7%	-0.6%
Interest-bearing debt	567.5	485.6	81.9
Interest-bearing debt ratio	38.1%	36.5%	1.6%

Notes:

1. The above comparison is made between the financial position as of September 30, 2006 and that as of March 31, 2006.

2. Figures as of March 31, 2006 shown above are based on the former definitions of “shareholders’ equity” and “shareholders’ equity ratio.” Therefore, the change in net assets was not shown here.

### 3. Outlook for FY2006

- (1) Regarding the outlook for the full fiscal year (2006), there are uncertainties, including the management of the fire at the Chiba Refinery in April 2006, the restoration of the damaged facilities and taking measures for regulatory compliance. As of today, the company expects the impact of cost increases due to alternate supply to be about ¥17 billion. Assuming that inventory valuation under the weighted average method is likely to reduce the cost of sales by about ¥12.0 billion, the company expects consolidated net sales for the full year to be ¥3,170.0 billion (¥2,960.0 billion for non-consolidated net sales), consolidated ordinary income to be ¥79.0 billion (¥17.0 billion for non-consolidated ordinary income), and consolidated net income for the year to be ¥29.0 billion (¥6.0 billion for non-consolidated net income).

#### (2) Consolidated Outlook for FY2006 (in billion yen)

	Net sales	Operating income	Ordinary income	Net income
Full year	3,170.0	79.0	79.0	29.0

#### (3) Non-consolidated Outlook for FY2006 (in billion yen)

	Net sales	Operating income	Ordinary income	Net income	Dividend
Full year	2,960.0	20.0	17.0	6.0	¥8 per share

Notes: Assumptions on which the above outlook is based include:

- Crude oil price (FOB): US\$58.0/BBL  
Yen-dollar exchange rate: ¥120.0/US\$(for the second half of FY2006)
- Full-year total sales volume (of domestic demand for oil products): 96.0% of the FY2005 level
- New Consolidated Medium-Term Management Plan: Full-year benefit of ¥5.4 billion through added value creation and rationalization.

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