



Overview of Business Results for Third Quarter of Fiscal Year Ending March 2005 (Consolidated)

February 15, 2005

Name of the Company: Cosmo Oil Co., Ltd.

(Company Code Number: 5007 Share traded: TSE, OSE, and NSE)

(URL <http://www.cosmo-oil.co.jp>)

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Name of Person to contact: Kensuke Suzuki, Director and General Manager, Corporate
Planning Dept.

1. Important basis of presenting the consolidated quarterly report

1) Adoption of convenient method in accounting: Yes

Details: Some parts of calculation of income taxes are based on the convenient method.

2) Change in accounting method since the latest fiscal year: Yes

Details: Accounting standard concerning the impairment of fixed assets

The Company has adopted the “accounting standard concerning the impairment of fixed assets” (“Statement of position for establishment of the accounting standard concerning the impairment of fixed assets”, drafted by the Business Accounting Council on August 9, 2002) and the “Application guideline for the accounting standard concerning the impairment of fixed assets” (Application guideline of the business accounting standard, No.6, prepared by the business accounting standard committee on October 31, 2003) from the current consolidated fiscal year.

3) Change in numbers of consolidated subsidiaries and equity method applied companies: Yes

Details: Consolidation (excluded): 2,

Equity method (excluded): 4

2. Summary of consolidated financial results for Third Quarter of FY2004 (For the nine month period from April 1, 2004 to December 31, 2004)

(1) Consolidated operating results

Note: Figures less than 1 million are rounded off.

	Net sales		Operating income		Ordinary income		Net income for the third quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
nine month period, FY2004	1,558,541	11.1	40,759	–	41,905	–	16,404	–
nine month period, FY2003	1,402,588	–	–	–	–	–	–	–
FY2003 (For reference)	1,916,277		25,245		19,472		8,178	

	Net income for the quarter per share		Net income for the quarter per share, fully diluted	
	yen	sen	yen	sen
nine month period, FY2004	25.99		25.36	
nine month period, FY2003	–		–	
FY2003 (For reference)	12.95		12.74	

Note: Figures in percentage in net sales and operating income indicate percentage of changes on year-to-year basis. In addition, data for the quarter other than net sales are disclosed for the first time in this quarter. Data for the first quarter of FY2003 are not available, and changes from the preceding year are not indicated except for net sales.

[Qualitative Information regarding Consolidated Operating Business]

The Japanese economy during the third quarter (for the nine month period from April 1, 2004 through December 31, 2004) saw many signs of economic recovery including improving corporate profits and increase of capital investment, helped by brisk exports mainly to Asia and the U.S. Under such circumstances, although there was a decline in domestic demand for kerosene and heavy fuel oil C, due partly to an unusually warm winter, demand for gasoline and diesel oil grew steadily. Cosmo Oil's non-consolidated sales volume during the nine month period of FY2004 was 32.6 million KL, an increase of 1.9% compared with the same term of the preceding year. Market prices of oil products generally remained at a high level despite a decline in the price of crude oil from the autumn. Amidst such a market situation, the Company made efforts to form reasonable market prices in response to fluctuations in the price of crude oil. Declining crude oil prices diminished cost-reducing effects from inventory valuation under the gross average method. However, the Company's non-consolidated sales for the nine month period were ¥1,419.9 billion. Non-consolidated ordinary income and net income for the 9 months were ¥28 billion and ¥12.7 billion respectively. In addition, the business performance of each consolidated subsidiary generally showed steady growth on non-consolidated basis. As a result, consolidated net sales for the nine month period of FY2004 were ¥1,558.5 billion. Ordinary income and net income for the nine months ended December, 2004 were ¥41.9 billion and ¥16.4 billion respectively.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' Equity ratio	Shareholders' equity per share	
	million yen	million yen	%	yen	sen
nine month period, FY2004	1,392,207	217,341	15.6	344.31	
nine month period, FY2003	–	–	–	–	
FY2003 (For reference)	1,260,092	204,806	16.3	324.43	

Consolidated Cash Flows

	CF from operating activities	CF from investment activities	CF from financing activities	Cash and cash equivalents at end of first quarter
	million yen	million yen	million yen	million yen
nine month period, FY2004	-81,408	-21,065	38,793	41,070
nine month period, FY2003	-	-	-	-
FY2003 (For reference)	101,826	△ 32,709	△ 7,679	104,520

[Qualitative Information regarding Consolidated Financial Position]

Total assets as of end of the third quarter of fiscal 2004 stood at ¥1,392.2 billion, an increase of ¥132.1 billion compared to the end of the previous fiscal year. The increase of total assets occurred mainly because notes and accounts receivable (trade) increased due to increase in sales and due to the fact that cash receipts were delayed, since the end of December, 2004 fell on a bank holiday. In addition, piled-up stock of oil products for the demand season and increased inventories due to the hiked crude oil price also contributed to the increase of total assets.

Total liabilities as of end of December 2004 were ¥1,151.2 billion, an increase of ¥120.8 billion from the end of the preceding fiscal year. This increase was caused by an increase of accounts payable (trade) due to the hiked crude oil price as in the case of the increase of total assets.

Shareholders' equity stood at ¥217.3 billion, up by ¥12.5 billion from the end of the previous fiscal year, and shareholders' equity ratio was 15.6%.

As for consolidated cash flows, net cash from operating activities resulted in an outflow of ¥81.4 billion, because note and account receivables (trade) increased due to the fact that cash receipts were delayed affected by bank holiday for the same reason as mentioned above and increase notes and account receivables and inventories caused by higher crude oil price. Net cash used in investing activities resulted in an outflow of ¥21.1 billion due to acquisition of tangible fixed assets. Net cash from financing activities resulted in an inflow of ¥38.8 due to increase of debts. In summary, total cash balance as of the end of the third quarter was ¥41.1, a decrease of ¥63.5 billion from the end of the preceding fiscal year.

[Reference 1]

(1) Non-consolidated Operating Results

Note: Figures less than 1 million are rounded off.

	Net sales		Operating income		Ordinary income		Net income for the third quarter	
	million yen	%	million yen	%	million yen	%	million yen	%
nine month period, FY2004	1,419,940	-	30,975	-	28,021	-	12,652	-
nine month period, FY2003	-	-	-	-	-	-	-	-
FY2003 (For reference)	1,678,736		12,965		7,056		3,109	

	Net income for third quarter per share		Net income for third quarter per share, fully diluted	
	yen	sen	yen	sen
nine month period, FY2004		20.03		19.58
nine month period, FY2003		–		–
FY2003 (For reference)		4.92		–

(2) Non-consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' Equity ratio	Shareholders' equity per share	
	million yen	million yen	%	yen	sen
nine month period, FY2004	1,242,586	179,359	14.4	283.99	
nine month period, FY2003	–	–	–	–	–
FY2003 (For reference)	1,109,494	170,248	15.3	269.55	

[Reference 2]

Business Outlook for FY2004 (For the period from April 1, 2004 to March 31, 2005)

[Qualitative Information regarding business outlook]

Consolidated and non-consolidated interim forecast and business outlook for FY2004 which were publicized on November 16, 2004 are unchanged, because variable factors such as movement of demand, market prices of oil and foreign exchange rate may affect the business operation materially.

1. Consolidated Balance Sheet

(Unit: million yen)

Item	Third Quarter, FY2004 (As of December 31, 2004)	FY2003 (As of March 31, 2004)	Change
Assets:			
I. Current assets	(698,965)	(560,842)	(138,123)
Cash and deposits	33,992	99,450	-65,458
Notes and accounts receivable, trade	291,963	180,687	111,276
Marketable securities	7,246	8,412	-1,166
Inventories	240,842	176,888	63,954
Others	124,919	95,403	29,516
II. Fixed Assets	(693,242)	(699,249)	(-6,007)
Tangible fixed assets	554,722	561,454	-6,732
Intangible fixed assets	11,643	13,056	-1,413
Investment and other assets	126,876	124,737	2,139
Total assets	1,392,207	1,260,092	132,115
Liabilities:			
I. Current liabilities	(791,034)	(659,402)	(131,632)
Notes and accounts payable, trade	226,448	186,568	39,880
Short-term loans	234,554	227,766	6,788
Current maturities of bonds to be redeemed	13,200	-	13,200
Current maturities of convertible bonds to be redeemed	16,523	16,523	-
Commercial paper	32,000	-	32,000
Accrued payable	201,143	188,719	12,424
Others	67,165	39,824	27,341
II. Long-term liabilities	(360,125)	(370,996)	(-10,871)
Bonds	44,100	57,300	-13,200
Long-term debt	262,022	257,669	4,353
Others	54,003	56,026	-2,023
Total Liabilities	1,151,160	1,030,398	120,762
Minority interests	23,705	24,886	-1,181
Shareholders' equity:			
I. Common stocks	51,886	51,886	-
II. Capital surplus	34,093	34,092	1
III. Retained earnings	105,694	97,883	7,811
IV. Revaluation reserve for land	19,762	15,445	4,317
V. Net unrealized holding gains (losses) on securities	6,964	6,601	363
VI. Foreign currency translation adjustments	-983	-1,038	55
VII. Less treasury stock	-76	-64	-12
Total shareholders' equity	217,341	204,806	12,535
Total liabilities, minority interest in consolidated companies and shareholders' equity	1,392,207	1,260,092	132,115

2. Consolidated Statements of Operations

(Unit: million yen)

Item	nine month period, FY2004 (For the period from April 1, 2004 to December 31, 2004)	FY2003 (For the period from April 1, 2003 to March 31, 2004)
I. Net sales	1,558,541	1,916,277
II. Cost of sales	1,419,737	1,758,857
Gross profit	138,804	157,420
III. Selling, general and administrative expenses	98,045	132,174
Operating income	40,759	25,245
IV. Non-operating income	12,160	10,649
Interest and dividends income	(2,001)	(1,559)
Foreign currency exchange gain	(988)	(-)
Equity in earnings of affiliates	(4,917)	(2,717)
Others	(4,252)	(6,372)
V. Non-operating expenses	11,014	16,422
Interest expenses	(8,621)	(11,866)
Foreign currency exchange losses	(-)	(17)
Others	(2,393)	(4,538)
Ordinary income	41,905	19,472
VI. Extraordinary income	2,163	1,935
VII. Extraordinary losses	16,491	3,815
Net income before income taxes for the third quarter	27,577	17,592
Income taxes	11,706	8,734
Minority interests	-533	679
Net income for the third quarter	16,404	8,178

3. Consolidated Statements of Cash Flows

(Unit: million yen)

Item	nine month period, FY2004 (For the period from April 1, 2004 to December 31, 2004)	FY2003 (For the period from April 1, 2003 to March 31, 2004)
I. Cash flows from operating activities		
Income before income taxes for the third quarter	27,577	17,592
Depreciation and amortization	18,595	23,632
Impairment loss	10,134	–
Interest and dividends income	-2,001	-1,559
Interest expenses	8,621	11,866
Decrease (increase) in notes and accounts receivable-trade	-111,276	28,541
Decrease (increase) in inventories	-63,953	8,576
Increase (decrease) in notes and accounts payable-trade	39,879	-35,414
Others	7,202	67,842
Sub-total	-65,222	121,077
Balance between interest received and interest paid, and dividends received	-5,363	-10,234
Income taxes paid	-10,823	-9,015
Net cash provided by (used in) operating activities	-81,408	101,826
II. Cash flows from investing activities		
Payment for acquisition of tangible fixed assets	-21,756	-27,813
Proceeds from sale of tangible fixed assets	1,816	2,068
Net increase (decrease) in marketable and investment securities	5,959	1,704
Others	-7,084	-8,669
Net cash used in investing activities	-21,065	-32,709
III. Cash flows from financing activities		
Increase of short-term loans and long-term debts	11,209	42,692
Net increase (decrease) of commercial paper	32,000	–
Net increase (decrease) of bonds and convertible bonds	–	-46,117
Cash dividends paid	-3,789	-3,791
Others	-625	-462
Net cash provided by (used in) financing activities	38,793	-7,679
IV. Effect of exchange rate changes on cash and cash equivalents	230	-1,169
V. Net increase (decrease) in cash and cash equivalents (I+ II + III + IV)	-63,449	60,267
VI. Cash and cash equivalents at beginning of the third quarter (the financial year)	104,520	43,809
VII. Cash and cash equivalents from newly consolidated subsidiaries	–	248
VIII. Cash and cash equivalents from merger and acquisition	–	193
IX. Cash and cash equivalents at end of the third quarter (the financial year)	41,070	104,520

(Segment Information)

1. Business segment information

Third Quarters of FY2004 (For the nine month period from April 1, 2004 to December 31, 2004)
(Unit: ¥million)

	Petroleum	Oil resource development	Others	Total	Eliminations	Consolidated
Sales						
(1) Sales to outside customers	1,521,190	8,862	28,489	1,558,541	–	1,558,541
(2) Sales between segments or amount of transfer	380	18,075	22,490	40,946	(40,946)	–
Total	1,521,571	26,937	50,980	1,599,488	(40,946)	1,558,541
Operating costs and expenses	1,487,455	18,662	50,930	1,557,048	(39,265)	1,517,782
Operating income	34,115	8,275	49	42,440	(1,680)	40,759

FY 2003 (For the period from April 1, 2003 to March 31, 2004)
(Unit: ¥million)

	Petroleum	Oil resource development	Others	Total	Eliminations	Consolidated
Sales						
(1) Sales to outside customers	1,862,554	12,949	40,773	1,916,277	–	1,916,277
(2) Sales between segments or amount of transfer	536	18,696	25,960	45,194	(45,194)	–
Total	1,863,091	31,646	66,734	1,961,471	(45,194)	1,916,277
Operating costs and expenses	1,845,140	24,120	66,061	1,935,322	(44,290)	1,891,032
Operating income	17,950	7,525	672	26,149	(903)	25,245

- Notes: 1. Business segments are those adopted in interior management.
2. Major products or details of each segment
(1) Petroleum business: gasoline, naphtha, kerosene, diesel oil, heavy fuel oil, crude oil, lubricant, LG gas, asphalt, and various petrochemical products
(2) Oil resource development business: production, drilling and exploration of crude oil
(3) Others business: construction works, insurance agency, leasing, travel agency, communications, etc.

2. Geographic segment information

Third Quarters (For the nine month period from April 1, 2004 to December 31, 2004)
(Unit: ¥million)

	Japan	Other region	Total	Eliminations	Consolidated
Sales					
(1) Sales to outside customers	1,530,859	27,682	1,558,541	–	1,558,541
(2) Sales between segments or amount of transfer	9,725	152,712	162,438	(162,438)	–
Total	1,540,585	180,395	1,720,980	(162,438)	1,558,541
Operating costs and expenses	1,506,672	172,094	1,678,767	(160,984)	1,517,782
Operating income	33,912	8,300	42,213	(1,453)	40,759

FY2003 (For the period from April 1, 2003 to March 31, 2004)
(Unit: ¥million)

	Japan	Other region	Total	Eliminations	Consolidated
Sales					
(1) Sales to outside customers	1,871,452	44,825	1,916,277	–	1,916,277
(2) Sales between segments or amount of transfer	9,673	175,055	184,728	(184,728)	–
Total	1,881,126	219,880	2,101,006	(184,728)	1,916,277
Operating costs and expenses	1,863,114	212,314	2,075,429	(184,397)	1,891,032
Operating income	18,011	7,565	25,577	(331)	24,245

- Note: The method of division of countries or regions and major country included
(1) The method of division of countries or regions: geographic proximity
(2) Countries included in the other region: Singapore, the U.S., UK, UAE, and Australia

4. Non-consolidated Balance Sheet

(Unit: million yen)

Item	Third quarter, FY2004 (As of December 31, 2004)	FY2003 (As of March 31, 2004)	Change
Assets:			
I. Current assets	(634,993)	(495,164)	(139,829)
Cash and deposits	11,603	74,499	-62,896
Notes and accounts receivable, trade	240,627	138,549	102,078
Marketable securities	11	11	0
Inventories	212,885	155,564	57,321
Others	169,865	126,539	43,326
II. Fixed Assets	(607,592)	(614,330)	(-6,738)
Tangible fixed assets	470,848	473,046	-2,198
Intangible fixed assets	5,921	6,933	-1,012
Investment and other assets	130,822	134,350	-3,528
Total assets	1,242,586	1,109,494	133,092
Liabilities:			
I. Current liabilities	(725,301)	(590,045)	(135,256)
Accounts payable, trade	210,306	181,217	29,089
Short-term loans	184,303	166,523	17,780
Current maturities of bonds to be redeemed	13,200	-	13,200
Current maturities of convertible bonds to be redeemed	16,523	16,523	-
Commercial paper	32,000	-	32,000
Accrued payable	210,040	191,628	18,412
Others	58,927	34,152	24,775
II. Long-term liabilities	(337,925)	(349,200)	(-11,275)
Bonds	44,100	57,300	-13,200
Long-term debts	258,492	253,952	4,540
Others	35,332	37,947	-2,615
Total liabilities	1,063,226	939,246	123,980
Shareholders' equity:			
I. Common stocks	51,886	51,886	-
II. Capital surplus	34,093	34,092	1
III. Retained earnings	71,354	66,833	4,521
IV. Revaluation reserve for land	16,649	12,306	4,343
V. Net unrealized holding gains (losses) on securities	5,406	5,147	259
VI. Less treasury stock	-29	-18	-11
Total shareholders' equity	179,359	170,248	9,111
Total liabilities and shareholders' equity	1,242,586	1,109,494	133,092

Appendix

5. Non-consolidated Statements of Operations

(Unit: million yen)

Item	Nine month period, FY2004 (For the period from April 1, 2004 to December 31, 2004)	FY2003 (For reference) (For the period from April 1, 2003 to March 31, 2004)
I. Net sales	1,419,940	1,678,736
II. Cost of sales	1,325,195	1,576,453
Gross profit	94,744	102,283
III. Selling, general and administrative expenses	63,769	89,317
Operating income	30,975	12,965
IV. Non-operating income	7,422	9,490
Interest and dividends income	(3,364)	(2,753)
Foreign currency exchange gains	(755)	(1,248)
Others	(3,301)	(5,488)
V. Non-operating expenses	10,375	15,399
Interest expenses	(8,320)	(11,309)
Others	(2,055)	(4,090)
Ordinary income	28,021	7,056
VI. Extraordinary income	1,939	1,584
VII. Extraordinary losses	9,305	3,056
Net income before income taxes for the first quarter (the period)	20,656	5,584
Income taxes	8,003	2,474
Net income for the third quarter (period)	12,652	3,109
Retained earnings brought forward from the previous year	36,698	38,024
Interim dividends	1,894	1,894
Reversal of revaluation reserve for land	-4,342	-187
Unappropriated retained earnings, end of period	43,113	39,051

6. Breakdown of Net Sales by Product (Non-consolidated)

	Nine month period, FY2004 (For the period from April 1, 2004 to December 31, 2004)		(For reference) FY2003 (For the period from April 1, 2003 to March 31, 2004)	
	Sales volume	Amounts	Sales volume	Amounts
	thousand KL.t	million yen	thousand KL.t	million yen
Gasoline	13,057	821,218	16,886	948,029
Kerosene and diesel fuel	9,989	329,088	13,910	384,297
Heavy fuel oil	7,461	207,124	10,542	260,865
Others	2,103	62,508	3,243	85,543
Total	32,612	1,419,940	44,583	1,678,736