



Overview of Business Results for Third Quarter of Fiscal Year Ending March 2006 (Consolidated)

February 14, 2006

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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Communication Dept.

1. Important basis of presenting the consolidated quarterly report
 - 1) Adoption of convenient method in accounting: Adopted
Details: Some parts of calculation of income taxes are based on the convenient method.
 - 2) Change in accounting method since the latest fiscal year: None
 - 3) Change in numbers of consolidated subsidiaries and equity method applied companies: Adopted
Details: Consolidation (newly included): 1 Exclusion: 1
2. Summary of consolidated financial results for Third Quarter of FY2005 (For the period from April 1, 2005 to December 31, 2005)

(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	%
Third Quarter, FY2005	1,905,543	22.3	84,536	107.4	91,905	119.3	47,689	190.7
Third Quarter, FY2004	1,558,541	11.1	40,759	-	41,905	-	16,404	-
FY2004 (For reference)	2,154,558		65,698		63,175		26,414	

	Net income for the third quarter per share		Net income for the third quarter per share, fully diluted	
	yen	sen	yen	sen
Third quarter, FY2005	73.69		72.25	
Third quarter, FY2004	25.99		25.36	
FY2004 (For reference)	41.73		-	

Note: Figures in percentage in net sales and operating income indicate percentage of changes on year-to-year basis. In addition, As for data for the third quarter of FY2004, changes from the preceding year are not indicated except net sales.

[Qualitative Information regarding Consolidated Operating Business]

Japanese economy during the third quarter (ended Dec. 31, 2005) steadily continued to grow, assisted by the increase of capital spending and gradual expansion of consumer spending as corporate earnings recovered in the backdrop of a steady recovery of the global market. Under such circumstances, domestic demand for oil products rose, due to the continuing high demand for naphtha and the increased sales for kerosene due to the record-breaking cold weather in December. Cosmo Oil's non-consolidated sales volume during the third quarter was 33.64 million KL, an increase of 103.2% compared with the same term of the preceding year. Market prices of oil products, amidst skyrocketing crude oil price against globally tightened supply-demand conditions, could not form reasonable market prices in parallel with higher crude oil price, in spite of efforts to shift higher costs to consumer prices.

In such business environment, the oil business and oil exploration and production business continued to perform satisfactorily; the consolidated net sales for the third quarter was 1,905.5 billion yen. Consolidated ordinary income and net income for the third quarter were 91.9 billion yen and 47.7 billion yen respectively. Non-consolidated net sales, ordinary income, and net income for the third quarter were 1,787.7 billion yen, 60.5 billion yen, and 36.1 billion yen respectively, assisted by reduced cost of 34.8 billion yen in sales due to effect from inventory valuation under the gross average method, which was caused by the rise in oil price.

(2) 1) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' Equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen sen
Third Quarter, FY2005	1,566,653	299,806	19.1	446.68
Third Quarter, FY2004	1,392,207	217,341	15.6	344.31
FY2004 (For reference)	1,323,149	227,896	17.2	360.93

2) Consolidated Cash Flows

	CF from operating activities	CF from investment activities	CF from financing activities	Cash and cash equivalents at end of third quarter
	million yen	million yen	million yen	million yen
Third Quarter, FY2005	-116,897	-6,878	139,776	54,613
Third Quarter, FY2004	-81,408	-21,065	38,793	41,070
FY2004 (For reference)	40,493	-36,577	-70,163	38,061

[Qualitative Information regarding Consolidated Financial Position]

- 1) Total assets as of the end of the third quarter of the fiscal year 2005 accounted for 1,566.7 billion yen, an increase by 243.5 billion yen compared with the end of the preceding fiscal year. This was due mainly to 1) increased inventories caused by hiked crude oil price and 2) increase of notes and accounts receivable (trade) owing to the same cause described in

the above. Shareholders' equity stood at 299.8 billion yen, up by 71.9 billion yen from the end of the previous fiscal year, and shareholders' equity ratio was 19.1%.

- 2) As for consolidated cash flows during the third quarter, net cash from operating activities resulted in an outflow of cash of 116.9 billion yen, due to the increased inventories and increase of notes and accounts receivable (trade) caused by hiked crude oil price, as described above. Net cash from investing activities resulted in an outflow of 6.9 billion due to acquisition of fixed assets. Net cash from financing activities resulted in an inflow of 139.8 billion yen due to increase of debts. In summary, total cash balance as of the end of the third quarter was 54.6 billion, an increase of 16.6 billion yen from the end of the preceding year.

[Reference 1]

Non-consolidated Business Results for Third Quarter, FY2005 (For the period from April 1, 2005 to December 31, 2005)

(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	%
Third Quarter, FY2005	1,787,688	25.9	59,526	92.2	60,527	116.0	36,058	185.0
Third Quarter, FY2004	1,419,940	-	30,975	-	28,021	-	12,652	-
FY2004 (For reference)	1,964,962		47,369		41,736		13,705	

	Net income for third quarter per share	
	yen	sen
Third Quarter, FY2005		55.68
Third Quarter, FY2004		20.03
FY2004 (For reference)		21.59

(2) Non-consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' Equity ratio	Shareholders' equity per share	
	million yen	million yen	%	yen	sen
Third Quarter, FY2005	1,403,911	239,743	17.1		357.01
Third Quarter, FY2004	1,242,586	179,359	14.4		283.99
FY2004 (For reference)	1,163,543	181,268	15.6		286.91

3. Business Outlook for FY2005 ending March 2006

(1) Consolidated Business Outlook (For the period from April 1, 2005 to March 31, 2006)

	Estimated Net sales	Estimated Ordinary income	Estimated Net income
	million yen	million yen	million yen
Latest outlook (A)	2,650,000	117,000	60,000
Previously publicized outlook (B)	2,550,000	93,000	44,000
Change (A-B)	100,000	24,000	16,000
Rate of change (%)	3.9%	25.8%	36.4%

[Qualitative Information regarding Business Outlook]

With substantial hike of crude oil price from that in the previous business outlook publicized on November 15, 2005, the Company revised the consolidated and non-consolidated business outlook for the fiscal year 2005 (from April 1, 2005 to March 31, 2006). Major factors for the latest revision of the business forecast are the estimated reduced cost of sales due to effect from inventory valuation caused by the rise in crude oil price (previous estimated reduced costs: previous outlook: ¥24.0 billion; the latest revision: ¥42.0 billion yen, up by ¥18.0 billion). The latest revision assumes that crude oil price during the fourth quarter (January to March), FY2005 to be \$58.0 per 1 bbl, on FOB basis, and foreign exchange rate during the fourth quarter to be ¥115.0 per \$1.

In addition, the dividends plan for the year-end dividend is planned to be ¥ 7 per share, consisting of ¥5 per share of ordinary dividend and ¥2 per share of commemorative dividend for the 20th anniversary of consolidation, and in consequence, the annual dividends plan was revised up for ¥10 per share from ¥8 per share publicized on November 15, 2005.

[Reference 2]

Business Outlook for FY2005 ending March 2006

(1) Non-consolidated Business Outlook (For the period from April 1, 2005 to March 31, 2006)

	Estimated net sales	Estimated ordinary income	Estimated net income
	million yen	million yen	million yen
Latest outlook (A)	2,490,000	73,000	45,000
Previously publicized outlook (B)	2,350,000	49,000	30,000
Change (A-B)	140,000	24,000	15,000
Rate of change (%)	6.0%	49.0%	50.0%

Notes: The forecast and business outlook for FY2005 is based on data and information available as of the date of publication. However, actual results may differ materially from the forecasts due to effects from various factors.

Appendix

1. Consolidated Balance Sheet

(Unit: million yen)

Item	Third Quarter, FY2005 (As of December 31, 2005)	FY2004 (As of March 31, 2005)	Change	Third Quarter, FY2004 (As of December 31, 2004)
Assets:				
I. Current assets	(844,672)	(611,213)	(233,459)	(698,965)
Cash and deposits	54,627	28,987	25,640	33,992
Notes and accounts receivable, trade	334,148	192,295	141,853	291,963
Marketable securities	1,531	5,896	-4,365	7,246
Inventories	314,583	233,076	81,507	240,842
Others	139,782	150,957	-11,175	124,919
II. Fixed Assets	(721,980)	(711,935)	(10,045)	(693,242)
Tangible fixed assets	555,549	557,233	-1,684	554,722
Intangible fixed assets	12,585	14,419	-1,834	11,643
Investment and other assets	153,845	140,282	13,563	126,876
Total assets	1,566,653	1,323,149	243,504	1,392,207
Liabilities:				
I. Current liabilities	(837,884)	(692,620)	(145,264)	(791,034)
Notes and accounts payable, trade	242,719	279,154	-36,435	226,448
Short-term loans	221,568	150,113	71,455	234,554
Current maturities of bonds to be redeemed	11,300	21,500	-10,200	13,200
Current maturities of convertible bonds to be redeemed	–	–	–	16,523
Commercial paper	47,000	–	47,000	32,000
Accrued payable	202,134	165,135	36,999	201,143
Others	113,162	76,716	36,446	67,165
II. Long-term liabilities	(409,125)	(384,687)	(24,438)	(360,125)
Bonds	32,800	35,800	-3,000	44,100
Bonds with share warrant	18,000	–	18,000	–
Long-term debt	291,442	290,390	1,052	262,022
Others	66,883	58,496	8,387	54,003
Total Liabilities	1,247,009	1,077,307	169,702	1,151,160
Minority interests	19,836	17,944	1,892	23,705
Shareholders' equity:				
I. Common stocks	62,366	51,886	10,480	51,886
II. Capital surplus	44,560	34,093	10,467	34,092
III. Retained earnings	158,557	115,161	43,396	105,694
IV. Revaluation reserve for land	20,106	20,076	30	19,762
V. Net unrealized holding gains (losses) on securities	15,205	7,862	7,343	6,964
VI. Foreign currency translation adjustments	-897	-1,104	207	-983
VII. Less treasury stock	-92	-78	-14	-76
Total shareholders' equity	299,806	227,896	71,910	217,341
Total liabilities, minority interest in consolidated companies and shareholders' equity	1,566,653	1,323,149	243,504	1,392,207

2. Consolidated Statements of Operations

(Unit: million yen)

Item	Third Quarter, FY2005 (For the period from April 1, 2005 to December 31, 2005)	Third Quarter, FY2004 (For the period from April 1, 2004 to December 31,2004)	Change	FY2004 (For the period from April 1, 2004 to March 31, 2005)
I. Net sales	1,905,543	1,558,541	347,002	2,154,558
II. Cost of sales	1,719,129	1,419,737	299,392	1,956,159
Gross profit	186,413	138,804	47,609	198,399
III. Selling, general and administrative expenses	101,877	98,045	3,832	132,701
Operating income	84,536	40,759	43,777	65,698
IV. Non-operating income	18,469	12,160	6,309	14,937
Interest and dividends income	(6,142)	(2,001)	(4,141)	(2,333)
Foreign currency exchange gains	(1,144)	(988)	(156)	(-)
Equity in earnings of affiliates	(7,198)	(4,917)	(2,281)	(5,508)
Others	(3,984)	(4,252)	(-268)	(7,095)
V. Non-operating expenses	11,099	11,014	85	17,459
Interest expenses	(8,048)	(8,621)	(-573)	(11,483)
Foreign currency exchange losses	(-)	(-)	(-)	(648)
Others	(3,051)	(2,393)	(658)	(5,326)
Ordinary income	91,905	41,905	50,000	63,175
VI. Extraordinary income	2,179	2,163	16	3,437
VII. Extraordinary losses	3,401	16,491	-13,090	19,080
Net income before income taxes for the third quarter (the period)	90,683	27,577	63,106	47,532
Income taxes	40,641	11,706	28,935	20,792
Minority interests	2,352	-533	2,885	325
Net income for the third quarter (the period)	47,689	16,404	31,285	26,414

3. Consolidated Statements of Cash Flows

(Unit: million yen)

Item	Third Quarter, FY2005 (For the period from April 1, 2005 to December 31, 2005)	Third Quarter, FY2004 (For the period from April 1, 2004 to December 31, 2004)	FY2004 (For the period from April 1, 2004 to March 31, 2005)
I. Cash flows from operating activities			
Income before income taxes for the third quarter	90,683	27,577	47,532
Depreciation and amortization	21,059	18,595	24,927
Loss of impaired assets	1,184	10,134	11,329
Interest and dividends income	-6,142	-2,001	-2,333
Interest expenses	8,048	8,621	11,483
Decrease (increase) in notes and accounts receivable-trade	-141,853	-111,276	-9,374
Decrease (increase) in inventories	-81,506	-63,953	-55,233
Increase (decrease) in notes and accounts payable-trade	-36,434	39,879	92,504
Others	66,428	7,202	-58,906
Sub-total	-78,532	-65,222	61,930
Balance between interest received and interest paid, and dividends received	2,052	-5,363	-8,341
Income taxes paid	-40,417	-10,823	-13,095
Total	-116,897	-81,408	40,493
II. Cash flows from investing activities			
Payment or proceeds for sale or acquisition of fixed assets	-12,678	-22,186	-21,406
Payment or proceeds for loan	1,561	-5,104	-4,115
Payment or proceeds for sale or acquisition of marketable securities	4,239	6,226	-11,054
Total	-6,878	-21,065	-36,577
III. Cash flows from financing activities			
Increase of short-term loans and long-term debts	72,982	11,209	-49,206
Increase (decrease) of commercial papers	47,000	32,000	-
Proceeds from issuance of stock	20,810	-	-
Increase (decrease) of bonds and convertible bonds	4,770	-	-16,523
Cash dividends paid	-5,172	-3,789	-3,789
Others	-614	-625	-644
Total	139,776	38,793	-70,163
IV. Effect of exchange rate changes on cash and cash equivalents	450	230	-211
V. Net increase (decrease) in cash and cash equivalents (I+ II + III + IV)	16,451	-63,449	-66,458
VI. Cash and cash equivalents at beginning of the third quarter (the financial year)	38,061	104,520	104,520
VII. Cash and cash equivalents from newly consolidated subsidiaries	100	-	-
VIII. Cash and cash equivalents at end of the third quarter (the financial year)	54,613	41,070	38,061

Segment Information

1. Business segment information

Third Quarter, FY2004 (For the period from April 1, 2004 to December 31, 2004)

(Unit: million yen)

	Petroleum	Oil resource development	Others	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Outside customers	1,521,190	8,862	28,489	1,558,541	–	1,558,541
(2) Inter-segment	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 expenses	1,487,455	18,662	50,930	1,557,048	(39,265)	1,517,782
Operating income (loss)	34,115	8,275	49	42,440	(1,680)	40,759

Third Quarter FY2005 (For the period from April 1, 2005 to December 31, 2005)

(Unit: million yen)

	Petroleum	Oil resource development	Others	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Outside customers	1,867,509	11,640	26,393	1,905,543	–	1,905,543
(2) Inter-segment	437	25,894	23,241	49,573	(49,573)	–
Total	1,867,947	37,534	49,634	1,955,116	(49,573)	1,905,543
Operating expenses	1,802,898	15,422	49,166	1,867,487	(46,481)	1,821,006
Operating income (loss)	65,049	22,111	467	87,628	(3,091)	84,536

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

	Petroleum	Oil resource development	Others	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Outside customers	2,104,736	11,543	38,278	2,154,558	–	2,154,558
(2) Inter-segment	520	25,359	44,727	70,606	(70,606)	–
Total	2,105,256	36,902	83,006	2,225,165	(70,606)	2,154,558
Operating expenses	2,050,523	24,941	83,062	2,158,527	(69,666)	2,088,860
Operating income (loss)	54,733	11,961	-56	66,638	(940)	65,698

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, LP 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, etc.

2. Geographic segment information

Third Quarter, FY2004 (For the period from April 1, 2004 to December 31, 2004)

(Unit: million yen)

	Japan	Other region	Total	Eliminations or corporate	Consolidated
Net Sales					
(1) Outside customers	1,530,859	27,682	1,558,541	–	1,558,541
(2) Inter-segment	9,725	152,712	162,438	(162,438)	–
Total	1,540,585	180,395	1,720,980	(162,438)	1,558,541
Operating 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

Third Quarter, FY2005 (For the period from April 1, 2005 to December 31, 2005)

(Unit: million yen)

	Japan	Other region	Total	Eliminations or corporate	Consolidated
Net Sales					
(1) Outside customers	1,869,436	36,106	1,905,543	–	1,905,543
(2) Inter-segment	38,358	212,764	251,123	(251,123)	–
Total	1,907,795	248,871	2,156,666	(251,123)	1,905,543
Operating expenses	1,842,394	226,666	2,069,060	(248,053)	1,821,006
Operating income	65,401	22,204	87,606	(3,069)	84,536

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

(Unit: million yen)

	Japan	Other region	Total	Eliminations or corporate	Consolidated
Net Sales					
(1) Outside customers	2,121,279	33,279	2,154,558	–	2,154,558
(2) Inter-segment	12,266	203,122	215,389	(215,389)	–
Total	2,133,545	236,402	2,369,947	(215,389)	2,154,558
Operating expenses	2,079,013	224,421	2,303,434	(214,573)	2,088,860
Operating income	54,532	11,980	66,513	(815)	65,698

Note: The method of division of countries or regions and major countries 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, Qatar, and Australia

Appendix

4. Non-consolidated Balance Sheet

(Unit: million yen)

Item	Third Quarter, FY2005 (As of December 31, 2005)	FY2004 (As of March 31, 2005)	Change	Third Quarter, FY2004 (As of December 31, 2004)
Assets:				
I. Current assets	(797,499)	(554,122)	(243,377)	(634,993)
Cash and deposits	27,330	11,463	15,867	11,603
Notes and accounts receivable, trade	285,830	159,410	126,420	240,627
Marketable securities	11	11	–	11
Inventories	290,713	210,571	80,142	212,885
Others	193,614	172,665	20,949	169,865
II. Fixed Assets	(606,411)	(609,421)	(-3,010)	(607,592)
Tangible fixed assets	461,456	462,457	-1,001	470,848
Intangible fixed assets	5,416	6,310	-894	5,921
Investment and other assets	139,538	140,653	-1,115	130,822
Total assets	1,403,911	1,163,543	240,368	1,242,586
Liabilities:				
I. Current liabilities	(790,343)	(625,595)	(164,748)	(725,301)
Accounts payable, trade	241,678	242,168	-490	210,306
Short-term loans	171,880	119,834	52,046	184,303
Current maturities of bonds to be redeemed	11,300	21,500	-10,200	13,200
Current maturities of convertible bonds to be redeemed	–	–	–	16,523
Commercial paper	47,000	–	47,000	32,000
Accrued payable	219,769	169,050	50,719	210,040
Others	98,715	73,041	25,674	58,927
II. Long-term liabilities	(373,823)	(356,680)	(17,143)	(337,925)
Bonds	32,800	35,800	-3,000	44,100
Bonds with share warrant	18,000	–	18,000	–
Long-term debts	284,493	283,625	868	258,492
Others	38,530	37,254	1,276	35,332
Total liabilities	1,164,167	982,275	181,892	1,063,226
Shareholders' equity:				
I. Common stocks	62,366	51,886	10,480	51,886
II. Capital surplus	44,560	34,093	10,467	34,093
III. Retained earnings	102,860	72,092	30,768	71,354
IV. Revaluation reserve for land	17,013	16,963	50	16,649
V. Net unrealized holding gains (losses) on securities	12,985	6,265	6,720	5,406
VI. Less treasury stock	-43	-32	-11	-29
Total shareholders' equity	239,743	181,268	58,475	179,359
Total liabilities and shareholders' equity	1,403,911	1,163,543	240,368	1,242,586

Appendix

5. Non-consolidated Statements of Operations

(Unit: million yen)

Item	Third Quarter, FY2005 (For the period from April 1, 2005 to December 31, 2005)	Third Quarter, FY2004 (For the period from April 1, 2004 to December 31, 2004)	Change	FY2004 (For reference) (for the period from April 1, 2004 to March 31, 2005)
I. Net sales	1,787,688	1,419,940	367,748	1,964,962
II. Cost of sales	1,666,013	1,325,195	340,818	1,831,759
Gross profit	121,674	94,744	26,930	133,203
III. Selling, general and administrative expenses	62,147	63,769	-1,622	85,833
Operating income	59,526	30,975	28,551	47,369
IV. Non-operating income	11,690	7,422	4,268	10,643
Interest and dividends income	(8,295)	(3,364)	(4,931)	(4,387)
Foreign currency exchange gains	(18)	(755)	(-737)	(-)
Others	(3,376)	(3,301)	(75)	(6,256)
V. Non-operating expenses	10,689	10,375	314	16,276
Interest expenses	(7,917)	(8,320)	(-403)	(11,073)
Foreign currency exchange losses	(-)	(-)	(-)	(283)
Others	(2,772)	(2,055)	(717)	(4,919)
Ordinary income	60,527	28,021	32,506	41,736
VI. Extraordinary income	2,035	1,939	96	3,140
VII. Extraordinary losses	2,926	9,305	-6,379	18,377
Net income before income taxes for the third quarter (the period)	59,636	20,656	38,980	26,500
Income taxes	23,578	8,003	15,575	12,795
Net income for the third quarter (the period)	36,058	12,652	23,406	13,705
Balance brought forward	42,293	36,698	5,595	36,698
Interim dividends paid	2,014	1,894	120	1,894
Reversal of revaluation reserve for Land	-50	-4,342	4,292	-4,656
Undivided profits of the third quarter (the period)	76,286	43,113	33,173	43,852

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

	Third Quarter, FY2005 (For the period from April 1, 2005 to December 31, 2005)		Third Quarter, FY2004 (For the period from April 1, 2004 to December 31,2004)		Change	
	Sales volume	Amounts	Sales volume	Amounts	Sales volume	Amounts
	thousand KL.t	million yen	thousand KL.t	million yen	thousand KL.t	million yen
Gasoline, Naphtha	13,429	944,075	13,057	821,218	372	122,857
Kerosene and diesel fuel	10,702	480,999	9,989	329,088	713	151,911
Heavy fuel oil	7,397	275,502	7,461	207,124	-64	68,378
Others	2,110	87,110	2,103	62,508	7	24,602
Total	33,640	1,787,688	32,612	1,419,940	1,028	367,748