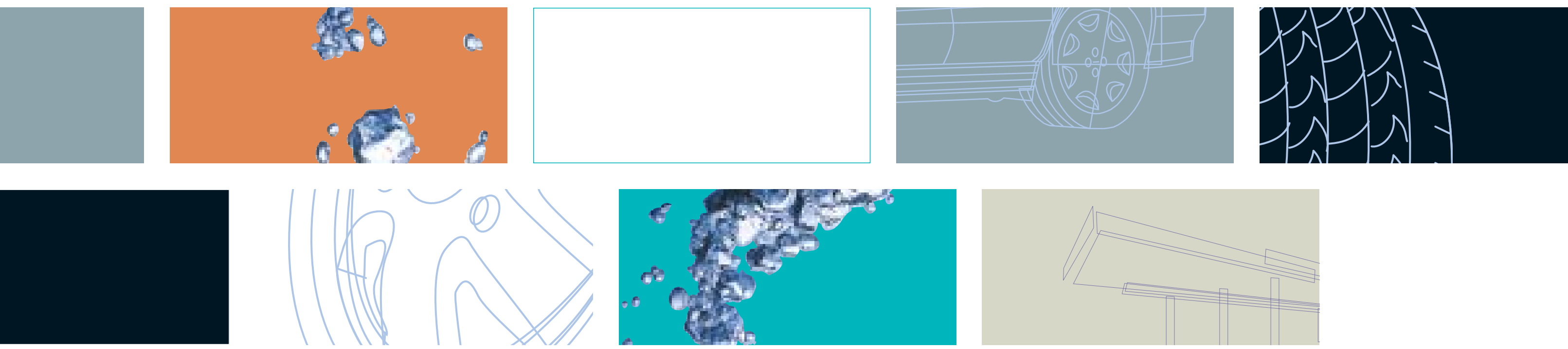
COSMO OIL CO., LTD.   ANNUAL REPORT 2002

COSMO OIL

Your Personal Roadside Partner



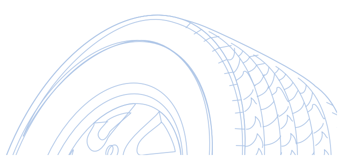
ANNUAL REPORT
2002

YEAR ENDED MARCH 31, 2002

Established in its current form through the 1986 merger of three oil companies, Cosmo Oil Co., Ltd., is an integrated petroleum company engaged in activities ranging from crude oil production to the refining and marketing of petroleum products. The Cosmo Oil Group currently comprises 140 subsidiaries and affiliates. Consolidated net sales amounted to ¥1.81 trillion (US$13.64 billion) in the fiscal year ended March 31, 2002.

Cosmo Oil meets a higher share of its crude-oil needs with its own reserves than any other Japan-based refiner, operates refineries in Japan's three largest metropolitan regions as well as Shikoku, and conducts marketing activities through a domestic network of 382 dealers and 5,541 service stations. The Company engages in a wide range of R&D work aimed at creating high-quality products as well as technologies that help respond to environmental protection concerns and diverse customer needs.

In line with its medium-term business plans, Cosmo Oil has sustained strenuous efforts to respond to changing conditions, strengthen its competitiveness, and become a more comprehensive energy company. The Company has accelerated the implementation of major reform initiatives in its marketing, sourcing, logistics, and administrative support operations that entail the reevaluation and rationalization of existing systems, the consolidation of functions, and the promotion of symbiotic relationships.



Cautionary Statement with Respect to Foward-Looking Statements

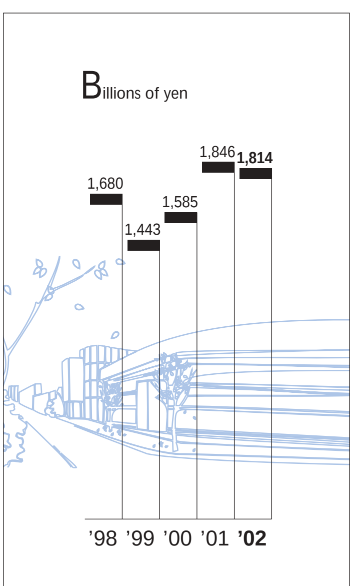
The Group makes projections of future performance based on information currently available. The projections include potential risks and uncertainties. Actual performance and results may differ greatly from the projections if the various assumptions that serve as the basis for these projections prove to be mistaken.

Financial Highlights

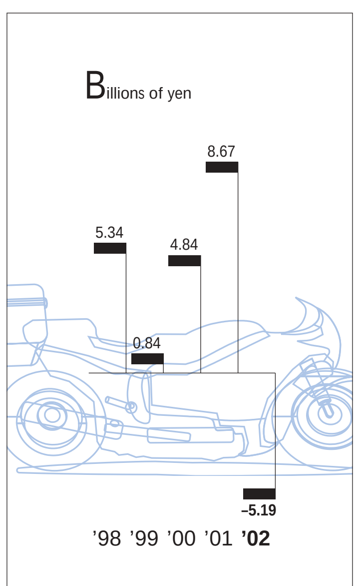
COSMO OIL COMPANY, LIMITED and Its Consolidated Subsidiaries
Years ended March 31, 2000, 2001 and 2002

	Millions of yen			Thousands of U.S. dollars (Note)
	2000	2001	2002	2002
For the year:				
Net sales	¥1,584,678	¥1,845,842	¥1,813,838	$13,637,880
Operating income	16,665	36,582	22,057	165,842
Net income (loss)	4,841	8,674	(5,190)	(39,023)
At year-end:				
Total shareholders' equity	179,536	177,773	194,303	1,460,925
Total assets	1,294,843	1,319,960	1,242,171	9,339,632
	Yen			U.S. dollars (Note)
Per common share:				
Net income (loss)	¥ 7.76	¥ 13.81	¥ (8.24)	$ (0.06)
Cash dividends	6.00	6.00	6.00	0.05

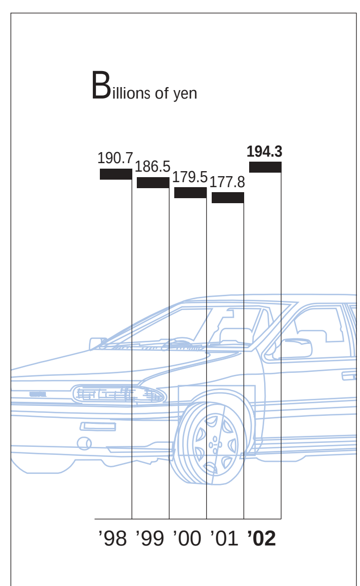
Note: U.S. dollar figures are translated from yen, for convenience only, at the rate of ¥133 to US$1, the approximate rate of exchange at March 31, 2002.



Net Sales

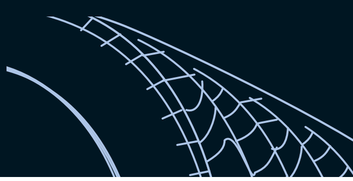


Net Income (Loss)

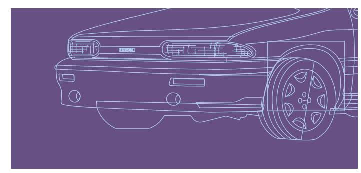


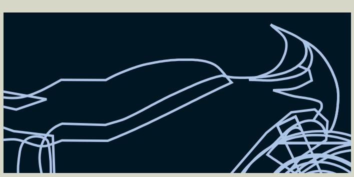
Total Shareholders' Equity

Streamlining & Value Creation



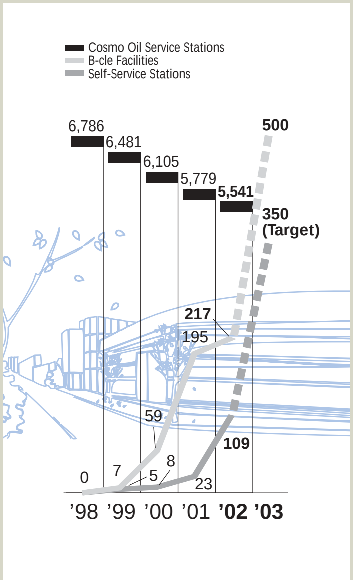
Cosmo Oil Co., Ltd.'s rationalization programs cut annual costs by approximately ¥150.0 billion over the five years through fiscal 2001. The Company is determined to realize ¥50.0 billion in cost reductions and value-added increases during the two years through fiscal 2003, the period of its Value Creation 21 (VC21) management plan.





Keiichiro Okabe
Chairman and Chief Executive Officer

Fiscal 2002 Operating Environment and Performance



Number of Cosmo Oil Service Stations, B-cle Facilities and Self-Service Stations

A variety of factors caused conditions in the Japanese economy to remain harsh during fiscal 2002, ended March 31, 2002. Concerns regarding the domestic financial system and the deceleration of the U.S. economy depressed corporate capital investment and worsened the employment environment, conditions that had the effect of restraining consumption and pushing industrial demand to low levels. Crude oil prices were volatile during the year, falling from approximately $25 per barrel at the start of the fiscal year to $17 per barrel in December and then rising to approximately $23 per barrel at the end of the fiscal year under review.

In the gasoline market, both the growth in the number of self-service stations and other factors caused the further intensification of competition and the deterioration of market conditions. This, in turn, led to additional shrinkage in the “through margin” (calculated by subtracting the crude oil price from the final selling price; in Japan, oil companies and their affiliated marketing outlets earn profits based on decisions on how to allocate the through margin). This presented oil companies and their marketing affiliates with a highly challenging operating environment for yet another year. Conditions in markets for industrial-use fuels also deteriorated due to the economic downturn, while warm winter weather made conditions in the kerosene market particularly harsh.

The gasoline market was relatively robust, and the volume of gasoline sold by Cosmo Oil grew 0.9% from the previous fiscal year. However, the warm winter weather and drop in manufacturing activities caused a 2.9% drop in the volume of domestic sales. Cosmo Oil’s total petroleum fuel sales volume was 43,446,000 kiloliters, down 2.0%.

Amid this operating environment, Cosmo Oil began implementing its two-year management plan, Value Creation 21 (VC21). Based on VC21, Cosmo Oil made progress in rationalizing its operations and increasing the added value it generates throughout its operations. Largely because the downtrend in crude oil prices depressed retail fuel prices, the Company’s net sales declined 1.7%, to ¥1,813.8 billion, and recurring income fell 34.8%, to ¥17.2 billion. Despite deteriorating market conditions and a drop in the volume of kerosene, diesel fuel, and fuel oil A sales, the Company made progress in enhancing its performance in line with VC21. While crude oil prices dropped, Cosmo Oil’s cost of sales based on inventory cost as determined by the gross average cost method was relatively high during the early part of the year as previously procured crude oil was gradually used, and this factor was a principal cause of a year-on-year increase in the Company’s cost of sales ratio. The adoption of the gross average costs inventory evaluation method in fiscal 2001 had a positive effect on performance in fiscal 2001 that amplified the downturn in fiscal 2002. The fall in recurring income and the weakness of the Japanese stock market, which led to an ¥8.0 billion loss on the write-down on stockholdings, caused Cosmo Oil to record a ¥5.2 billion net loss for the fiscal year. Net cash inflow operating activities was up ¥17.8 billion, to ¥76.6 billion, however, and management believes that this and the benefits from measures taken in the first year of VC21 will soon lead to a recovery in the Company's profitability. Accordingly, year-end dividends were maintained at ¥3.00 per share, keeping the total value of dividends applicable to fiscal 2002 at ¥6.00 per share, the same level as in the previous fiscal year.

Cosmo Oil is moving forward with the implementation of its VC21 management plan, which covers both fiscal 2002 and 2003. In fiscal 2002, however, the Company was able to realize ¥17.1 billion in cost reductions and value-added increases, which corresponds to 88.7% of the ¥19.3 billion VC21 target for the year. The target was not attained due to a delay in the marketing units' implementation of value-creation measures, the warm winter weather that softened the kerosene market, and other rapidly proceeding adverse trends in the operating environment during the first half of the fiscal year under review. During the latter half, the Company was unfortunately unable to make up for the previous delay in strategic progress. Although the drop in Cosmo Oil's performance is attributable to rapid changes in its operating environment, I keenly feel my responsibility for not ensuring that the Company could keep up with the pace of change demanded by the market. I am resolved to vigorously implement the management strategies required to ensure that we attain our original VC21 goal of realizing a total of ¥50.0 billion in cost reductions and value-added increases by the end of the current year, the final year of VC21.

Our Value

Since Japan relaxed its regulations governing the import of petroleum products in 1996, intensifying competition has caused market conditions to deteriorate. In response to these conditions, Cosmo Oil has taken a variety of management initiatives while placing strong emphasis on establishing the strongest network in terms of cost-competitiveness and one that attracts and inspires loyalty on the part of customers.

Regarding the first objective of superior cost-competitiveness, Cosmo Oil has implemented rationalization and efficiency-boosting programs that enable it to offer products at competitive prices even amid extremely harsh market conditions. The Company began large-scale rationalization programs in 1996, before other leading oil companies in Japan, and it has been able to attain results greater than originally aimed for.

The second objective of inspiring strong customer loyalty is designed to enable Cosmo Oil to avoid depending on profits from marketing petroleum fuels that are considered undifferentiated commodities. It entails the creation of new business models that can be expected to generate appropriate levels of profit. These models call for providing high-value-added services and other measures that increase the Company's share of Japan's ¥10 trillion annual car-care market as well as measures for responding to the growing demand for self-service stations.When the new business models are in place and boosting our profitability, we will be well positioned to offer greater added value to customers as well as added corporate value for shareholders.

Sustaining progress in Cosmo Oil's efforts to boost efficiency and add greater value throughout its operations is the principal goal of the VC21 plan. Consequently, the plan is expected to help increase the Company's profitability as well as corporate value.

VC21 Progress Report

Aiming to establish the strongest network in terms of cost-competitiveness, Cosmo Oil became the first oil company in Japan to start implementing large-scale rationalization and efficiency-raising programs. These programs have enabled the Company to cut its annual costs approximately ¥150 billion over the five years through fiscal 2001. We are seeking to realize an additional ¥50.0 billion in cost reductions and value-enhancement increases during the two years through fiscal 2003.

Regarding the procurement of crude oil and petroleum products, Cosmo Oil is striving to make the most of its strong capabilities by completely integrating all its operations from production through to marketing. By accurately adjusting its marketing and refining operations as well as crude oil procurement selections, in line with the latest domestic demand and market trends, the Company is effectively working to maintain optimal supply-demand balances and maximize efficiency.

With respect to refining, Cosmo Oil is proceeding with a project that seeks to trim refining costs ¥700 per kiloliter over the six-year period through fiscal 2004. By implementing measures that reduce personnel, maintenance, and other types of costs, the Company believes that it has already advanced the cost-competitiveness of its refining operations to the top level of the industry, and plans call for further reinforcing of this cost-competitiveness.

Cosmo Oil's four refineries are optimally situated adjacent to major regions of consumption, putting the Company in a good position to reduce its distribution costs. Accordingly, the Company has worked to increase the share of shipments made directly from refineries to service stations, reduce the number of transshipment depots (two depots were closed during fiscal 2002), and lower costs stemming from the use of domestic tanker vessels. Cosmo Oil has established an Internet-based order-placement system that has enabled it to reduce the facilities and personnel costs associated with product deliveries to service stations, while the Company's promotion of delivery planning systems is enabling it to make use of tanker trucks more efficiently.

Fiscal 2002 Operating Environment and Performance

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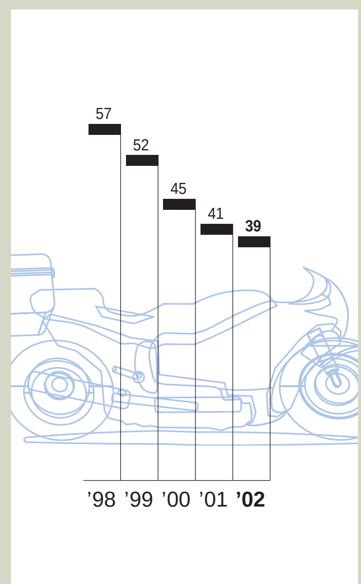
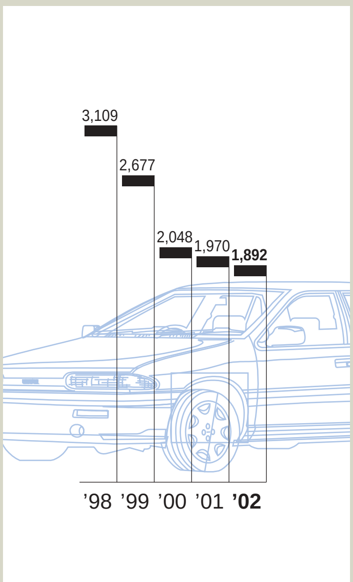


Number of Cosmo Oil Storage Depots

Recent moves to begin relaxing regulations concerning the performance of mandatory vehicle inspections are allowing service stations to enter a market that was previously reserved for motor vehicle dealers and repair shops. This represents an important business opportunity for service stations to expand their foothold in Japan's car-care market—a market worth approximately ¥10 trillion a year. Service stations currently account for only about 7% of this market; so, there is a considerable volume of business to be won. Cosmo Oil intends to work systematically to expand its share of the car-care market.

The Company uses exclusive administration and management systems for its Cosmo The Card credit cards, and those cards are being used to increase profitability by enhancing customer loyalty. At the end of April 2002, there were 1.8 million active Cosmo The Card credit cards. Each month, 1.2 million credit card statements are sent out, and total sales through credit cards in fiscal 2002 amounted to ¥150.3 billion.

Cosmo Oil's refining units are striving to increase the value they add through their operations by boosting yields of high-value products, particularly gasoline as well as the four medium distillate products. In addition, the Company is placing greater emphasis on building and optimally operating a supply chain management (SCM) system that encompasses all operations from crude oil procurement through refining, distribution, and marketing. This SCM system will employ an Enterprise Resource Planning (ERP) mainframe system as a platform and will be designed to optimize the levels and timing of procurement, supply, inventory, and other activities so that the Cosmo Oil Group's overall efficiency and profitability can be maximized.



Number of Cosmo Oil Employees

To Our Shareholders

Cosmo Oil will finish implementing its VC21 plan on March 31, 2003. During the current fiscal year, the Company will be placing strong emphasis on augmenting value added in all types of operations, particularly marketing. We are confident that our efforts in this vein will promote a rise in Cosmo Oil's corporate brand and corporate value.

As we pursue greater corporate value, we are promoting balance-sheet streamlining through the sale and liquefaction of assets as well as measures to increase the liquidity of our receivables. This, together with our added-value augmentation program, constitutes a broad-based campaign to boost profitability by maximizing the efficiency of asset utilization. Through this medium- to long-term campaign, we are seeking to bring our return on equity to 10%, our equity ratio to 20%, and our interest-bearing debt dependence ratio to 40%.

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Meeting Demand for Self-Service Stations while Addressing Car-Care Needs

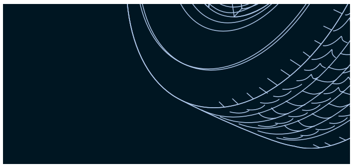
Marketing

Japanese Oil Industry

Exploration and development operations currently constitute a very small share of the operations of the Japanese oil industry, which is primarily engaged in refining and marketing business. Accordingly, Japan-based oil companies must generate most of their profit from petroleum product marketing operations. Cosmo Oil has an exploration and development subsidiary, Abu Dhabi Oil Co., Ltd. (ADOC), and other internal sources of crude oil. The Cosmo Oil Group's crude oil production corresponds to approximately 15% of the crude oil refined by the Company.

Overcoming Post-Deregulation Shrinkage in Profit Margins

Since the implementation of deregulation measures in 1996, the service station through margin, calculated by subtracting crude oil price from final selling prices, has shrunk from ¥25 to the current level of approximately ¥17. This margin is divided between Cosmo Oil, which handles refining and wholesaling operations, and the Company's 382 independently managed affiliated service station operators, and the Company's marketing subsidiaries who market petroleum products under the Cosmo brand name in various locations throughout Japan based on long-term contracts. Because of the difficulty of generating sufficient profit in the current severe operating environment, Cosmo Oil is working concertedly with affiliated service station operators to reform its distribution structure. Cosmo supervisors visit Company-owned and affiliated service stations to provide guidance on how to improve management practices and such management performance indicators as the NV index. In fiscal 2003, all Cosmo Oil service stations are striving to reduce their NV index to below six and, even if the through margin is ¥6 or less, prepare themselves to generate profits.



Responding to Growing Demand for Self-Service Stations

Cosmo Oil annually sells approximately 20 million kiloliters of four relatively profitable petroleum fuels—gasoline, kerosene, diesel fuel, and fuel oil A. The Company's fundamental marketing strategy involves reforming and strengthening the management of service station retailing operations, which account for less than 31% of the Company's sales volume but more than 65% of its profitability.

Japan's service station industry is undergoing major changes due to the relaxation of regulations on self-service stations. The fuel market share of self-service stations was only about 3% in 2000 but is projected to rise sharply to between 20% and 30% in 2003.

To respond to this trend in a timely manner, Cosmo Oil is proactively moving to convert service stations to the self-service station format, based on due consideration of customer needs and other special characteristics of local markets. Cosmo Oil's share of total fuel sales in Japan is currently 11.4%, and the Company has made it an important goal to significantly increase this share.

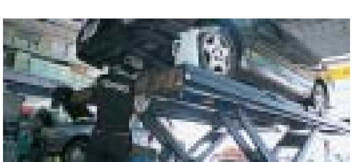
Cosmo Oil's strategy calls for establishing four types of self-service facilities:

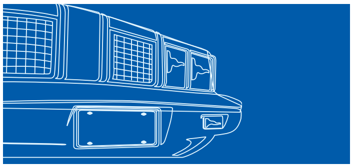
• Self-service & full-scale car-care facilities (key station B-cle)
• Self-service & light car-care facilities (satellite station B-cle)
• Self-service facilities specializing in fuel sales
• Self-service facilities specializing in fuel sales incorporated within shopping mall facilities

Cosmo Oil intends to increase the number of such self-service stations from 109 to 350 during fiscal 2003. Plans call for the average monthly fuel sales volume for self-service stations to be about 400 kiloliters, about three times the level for all Cosmo service stations. Over the past four years, the Company's marketing subsidiaries have created a Cosmo Oil service station business model (Cosmo Model) based on know-how obtained through the arrangement of numerous trials involving the four types of self-service facilities. In addition to management, administrative, and marketing promotion systems, the Cosmo Model will encompass bold new concepts for unified procurement programs, shorter construction periods, and other initiatives that help reduce service station construction costs. As a result, Cosmo Oil's next-generation service stations will boast the stronger competitiveness required in the current and future eras of low profit margins.

Obtaining Additional Profits by Addressing Car-Care Needs with B-cle Facilities

In addition to proactively meeting needs for self-service stations, Cosmo Oil's strategy calls for creating self-service stations that are combined with total car-care, B-cle facilities. These stations handle the performance of mandatory vehicle inspections, vehicle maintenance services, car washes, oil changes,





car body care services, and other value-added services on behalf of customers. In this way, the Company will be differentiating its self-service stations from those of competing companies while aiming to increase both sales volume and profitability.

Japan's annual car-care maintenance market is estimated to be worth roughly ¥10 trillion, but service stations have only 8% of that market. The relaxation of regulations related to mandatory vehicle inspections, a rise in the average age of cars on the road, and other trends are presenting Cosmo Oil with promising business opportunities. Giving due consideration to service station site sizes and the characteristics of local markets, the Company is working to take advantage of the opportunities by establishing service stations with optimal B-cle facilities. Cosmo Oil now covers an extensive area of Japan with a network of key station B-cle facilities that offer a full range of products and services and work closely with nearby satellite B-cle facilities. At the end of the fiscal year under review, the number of service stations in the B-cle network was 217, and plans call for increasing that number to 500 by the end of fiscal 2003.

Augmenting Profitability through Emphasis on Self-Service and Car-Care Markets

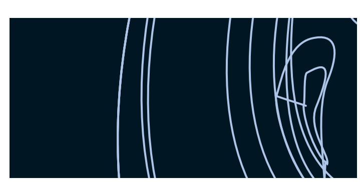
The emergence of self-service and B-cle facilities are greatly changing service station profit structures. While the average monthly fuel sales volume per Cosmo service stations is 130 kiloliters, the level for self-service and full-scale B-cle facilities is 650 kiloliters. The average monthly car-care revenues per Cosmo service station is ¥1.1 million, but the level per self-service & B-cle facilities was ¥10 million.

To ensure that its service station network has a strong profit base and absolute competitive superiority, Cosmo Oil is determined to continue promoting the timely evolution of its network in line with changes in customer needs and the characteristics of local communities.

Card Strategies for Reinforcing Customer Loyalty

The Company uses exclusive administration and management systems for its Cosmo The Card credit cards. In fiscal 2002, there were approximately 1.8 million active Cosmo The Card credit cards. Total sales through credit cards in fiscal 2002 amounted to ¥150.3 billion.

Because Cosmo Oil credit cards can only be used at the Company's service stations, they are very easy for customers to use, and the convenience of the card-use procedure is particularly noteworthy at self-service stations. Moreover, sales commission rates charged for Cosmo The Card credit cards are about a quarter of those for general-use credit cards. The commissions thus represent a relatively small cost for affiliated service stations that benefit from the increased customer loyalty and sales growth



due to card use. The principal benefits that credit cards convey to affiliated service stations include the following:

- The per-customer fuel sales volume for Cosmo The Card credit card users is roughly three times the level for cash customers.
- Per-customer sales of highly profitable nonfuel products for Cosmo The Card credit card users are roughly three times the level for cash customers.
- The rate of return visits to service stations is high for Cosmo The Card credit card users.
- Customer data obtained from Cosmo The Card usage is used to increase the effectiveness of marketing promotion activities.

Thus, when opening new self-service stations, Cosmo Oil seeks to ensure that large numbers of credit cards are issued to local customers to increase sales and help create a large profit base. Loyal customers account for only about 13% of the number of cardholders but 38% of the value of fuel sales and 48% of the value of sales of high-value-added goods and services. During fiscal 2003, the Company is seeking to increase loyal cardholders' share of fuel sales volume and net sales of high-value-added goods to 50%.

Marketing Strategies Focused on Gasoline Mileage and the Internet

One of the main appeals of becoming a Cosmo The Card cardholder is eligibility for the "Cosmo Gasoline Mileage" system. This system allows cardholders to obtain fuel purchase discounts corresponding to 5% of the value of their service station purchases of such nonfuel products and services as car-care goods and car washes. In addition, the Company now operates a Cosmo Gasoline Mileage Web site that allows cardholders to obtain mileage points when they shop on the Internet. Cardholders who register their e-mail addresses with Cosmo Oil are eligible to earn extra mileage points when they purchase goods from retailers associated with the Company's Web site. There is an additional system for awarding "free mileage points" to Net members who complete questionnaires or click on advertisements. The Company is encouraging cardholders to become registered "Net members" through promotional programs at service stations as well as through a cardholder newsletter. Through these activities, the Company is seeking to increase the number of Cosmo The Card cardholders while also obtaining commissions from vendors that advertise on the Company's Web site. At the end of the fiscal year under review, the number of Net members had reached 86,000, and the amount of commissions received (per participating vendor) totaled ¥41,000.

Expanding Electric Power and Natural Gas Supply Business to Become a Comprehensive Energy Company

Gas and Power

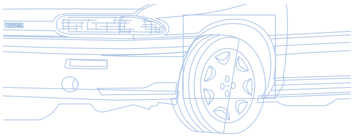
Japan has been progressively relaxing its regulations on the electric power and natural gas supply businesses, thereby reducing the barriers separating different types of energy industries. At the same time, rising concerns about environmental protection are changing the needs of industrial fuel users. Cosmo Oil is expanding its presence in electric power generation and natural gas markets with the goals of proactively responding to changes in its operating environment and developing into a comprehensive energy company.

Initiating IPP Business

Regarding the Company's electric power business, Cosmo Oil has made a successful bid for the right to supply 200,000 kilowatts of power to Chubu Electric Power Co., Inc., as an independent power producer (IPP) from fiscal 2004. Accordingly, the Company has begun constructing a power generation plant at a site adjacent to the Yokkaichi Refinery, in an industrial district within Japan's central Chubu region. By making effective use of heavy fuel oils produced by the Yokkaichi Refinery, the power generation plant will help the refinery plan operations that promote supply-demand balances for various refined products.

An LNG depot

An LNG transport truck



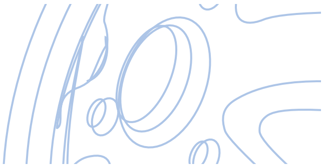
Promoting Dispersed Power Generation Systems

Cosmo Oil is also proceeding with business related to dispersed power generation systems for such facilities as shopping centers, hospitals, and schools. The Company installs multiple diesel-fueled generating units with individual capacities of roughly 300 kilowatts on the customers' property and then handles all related work, from fuel supply through to the operation and maintenance of the on-site generating facilities, thereby supplying customers with both electric power and heat at advantageous prices. The Company plans to be operating on-site generating facilities with an aggregate capacity of 20,000 kilowatts by the end of the current fiscal year, and this figure is expected to reach 80,000 kilowatts in fiscal 2005.

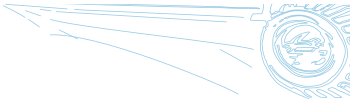
Liquified natural gas (LNG) has attracted increasing attention as a highly clean source of energy, and Cosmo Oil is working to make LNG an integral part of its fuel product lineup so that it can respond to increasingly diverse customer needs. For example, the Company acquired a 15% stake in LNG Chubu Corp., established by Chubu Electric Power Co., Inc., and its partners and the joint venture began supplying natural gas to city gas distribution companies in 2001 and is currently conducting marketing operations aimed at other types of customers with the potential for consuming large volumes of natural gas.

Cosmo Oil has also cooperated with the Kansai Electric Power Co., Inc., and other partners to found Sakai LNG K.K. The new company is planning to construct an LNG base adjacent to Cosmo Oil's Sakai Refinery for use in receiving and storing LNG as well as gasifying the LNG and dispatching natural gas shipments.

Plans call for increasing Cosmo Oil's annual net sales from electric power and LNG operations to between ¥10 billion and ¥15 billion by fiscal 2005.



An LNG tanker at an off-loading station



Stepping Up Exploration and Development Programs to Ensure Stable Crude Oil Supplies and Stabilize Profitability

Exploration and Production

Oil companies based in Japan are principally engaged in downstream operations—importing crude oil that is refined at domestic facilities and marketed through a service station network. Such upstream oil operations as exploration and production are more profitable at times of rising crude oil prices, whereas downstream operations are more profitable at times of falling crude oil prices. Thus, while upstream activities are an extremely important means of ensuring stable energy sources for Japan, they are also an important means of enabling Japanese oil companies to counterbalance changes in the profitability of their downstream operations and thereby limit fluctuations in their overall profitability.

Cosmo Oil produces a volume of crude oil corresponding to approximately 15% of its crude oil imports, which is a high ratio compared with those of other oil companies based in Japan. The Company is determined to further increase the ratio through successful exploration activities as well as through such moves as investing in companies that operate proven oil fields.

Cosmo Oil's upstream operations in Abu Dhabi, United Arab Emirates, made a stable contribution to the consolidated performance during fiscal 2002. In the future, the Company plans to proceed prudently and proactively with the expansion of its oil development activities, with hopes of these efforts resulting in increased cash flows generated by future upstream businesses.

An oil rig off the coast of Australia

Maintaining Stable Production and Strong Relationships in the Middle East

Since the 1960s, Cosmo Oil has undertaken oil exploration, development, and production operations in oil fields centered on the sheikdom of Abu Dhabi within the federated United Arab Emirates. The Company has a 51.1% shareholding in Abu Dhabi Oil, the operator for the Mubarraz, Umm Al Anbar, and Neewat Al Ghalan oil fields, which currently produce a stable yield of approximately 30,000 barrels of crude oil per day.

On the border of the United Arab Emirates and Qatar, United Petroleum Development Co., Ltd. (UPD), operates the El Bundug field. This field currently produces a stable yield of approximately 22,000 barrels of crude oil per day.

In April 2000, Cosmo Oil increased its stake in UPD to 35%, making it the top shareholder. Cosmo Oil also has exploration rights in Block-1 South East (1SE) off the east coast of Qatar and a 39% shareholding in Qatar Petroleum Development Co., Ltd., which is continuing to perform engineering studies in preparation for commercial production in that block.

Through successful exploration and production activities since the 1960s, Cosmo Oil has developed strong relationships with oil-producing countries in that region. Cosmo believes its development of such human resources will continue to contribute to the expansion of the Company's profitable upstream business.

Preparation for Offshore Development Work in Australia

Cosmo Oil has a 35% interest in the exploration permit for the AC/P17 block in the Timor Sea off the Northwest Shelf of Australia, with the remaining interests held by two companies based outside Japan. In February 2000, Cosmo Oil Ashmore Ltd., in which Cosmo Oil has a 51% shareholding, drilled a third exploratory well in the AC/P17 block that confirmed the presence of deposits producing 9,100 barrels of crude oil per day, while predevelopment studies in that block are continuing. Once the production base has been established there, the Timor Sea block is expected to be highly promising because the tax system for the oil and gas industry in Australia is relatively more advantageous and stabler than any other country in the world.

Making the Most of Broad-Ranging Cooperation with Nippon Oil Corporation

Strategic Alliance with NOC

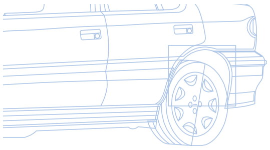
A decline in domestic demand, associated with the Japanese economy's prolonged weakness, has combined with an intensification of competition to depress profit margins. In response, Cosmo Oil has chosen to supplement its ongoing independent rationalization measures by entering into a strategic alliance with Nippon Oil Corp. (NOC, previously Nippon Mitsubishi Oil Co.), which is the largest oil company in Japan and an optimal partner for Cosmo Oil in various ways. In October 1999, Cosmo Oil and NOC signed an agreement providing for their cooperation in every supply-related area other than marketing. Based on that agreement, Cosmo Oil and NOC have implemented rationalization measures with the goal of reducing the annual costs of each company by approximately ¥15 billion, and the cooperative measures are to be sustained throughout the foreseeable future. The concrete benefits of cooperation in individual operating fields are reviewed in the following sections.

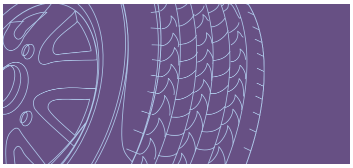
Crude Oil Procurement

In November 2000, Cosmo Oil and NOC merged their oil tanker operations with the establishment of Nippon Global Tanker Co., Ltd.—a joint venture in which the Company has a 35% shareholding—and are promoting the joint arrangement of vessel charters and deliveries. This collaboration has enabled the partners to benefit from the scale merits of chartering 30 very large crude carriers and has strengthened their position when negotiating vessel charter contracts. The partners have also enhanced shipping efficiency by carrying each other's cargo on the crude carriers they charter individually, and in fiscal 2002 they began cooperatively off-loading crude oil cargoes at each other's domestic refineries, thereby reducing secondary transportation costs.

Refining

Since 2000, by coordinating the operations of Cosmo Oil's 4 refineries and 7 NOC refineries, the partners have created an 11-refinery production optimization support system. In the fiscal year under





review, the partners arranged for the commissioned refining of approximately two million barrels of petroleum products. They are also supplying each other with an increasing volume of semifinished products, solvents, and other materials.

Distribution

The largest cost savings generated by the strategic alliance have been achieved in distribution operations. The 11 refineries of the two partners are distributed throughout Japan in an optimal manner with regard to the efficient supply of petroleum fuel products to all major consuming regions. To make the most of the potential benefits of this refinery site distribution, Cosmo Oil and NOC have implemented a product-barter arrangement that is designed to increase the share of tank truck shipments that proceed directly from refineries to service stations without passing through transshipment depots. The volume of products bartered between the two partners has increased steadily, from 12 million barrels in fiscal 2000 to 27 million barrels in fiscal 2002. As a result of all these activities, the share of shipments that proceed directly from refineries to service stations via land transport rose from 50% in fiscal 2001 to the industry's top level of 54% in fiscal 2002. In addition to boosting direct shipments from refineries to nearby service stations, arranging shipments from the refineries nearest to transshipment depots has enabled the partners to reduce the number of coastal tankers they charter.

In view of this, Cosmo Oil is continuing to reduce the number of its transshipment depots. Six such facilities were closed by the end of fiscal 2002 and plans call for closing additional facilities in the future.

Lubricant Oil Business

Cooperation between Cosmo Oil and NOC in the lubricant oil business has involved the bartering of base oil used as a raw material for lubricant oils, the commissioning of OEM, and various other kinds of cooperation aimed at reducing costs.

The partners are continuing their existing collaboration programs while also seeking additional forms of cooperation for the future.

Enhancing Efficiency and Profitability through R&D Related to Core Operations as well as New Energy Technologies and Environmental Protection

R&D

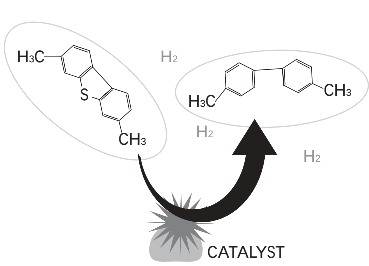
While focusing primarily on work related to petroleum products and refining technologies in its core business operations, Cosmo Oil is undertaking R&D programs in three additional fields—new energy technologies, environmental protection technologies, and derivative technologies. All these programs are aimed at boosting efficiency and creating new profit sources.

Developing Catalysts that Facilitate Fuel Desulfurization

Regarding the technologies associated with petroleum products and refining, Cosmo Oil is placing top priority on catalyst development for a number of years. Advances in catalyst technology are extremely effective in increasing refining efficiency and solving environmental problems. The Japanese government has decided to introduce new long-term regulation policies that call for reducing the sulfur content in diesel fuel from 500 ppm to 50 ppm. In addition, the government is planning to institute even stricter regulations, including those permitting only “sulfur-free” fuels with a sulfur content of 10 ppm or less, beginning some time in the period from 2008 to 2010. To meet these requirements, the Company has developed catalysts with innovative properties that make them greatly superior to the commercial catalysts currently available. The new breed of Cosmo catalysts can easily remove sulfur compounds, which are otherwise difficult to remove, by chemically transforming their structure. Another original concept they utilize is the optimization of their pore size, making them suitable for removal.

Cosmo Oil is continuing to utilize its strengths in product design and catalyst development to meet changes in sulfur content limits and other environmental protection regulations, while continuing to develop high-quality gasoline products.

In addition, there are moves toward instituting new gasoline-related regulations, and it appears that the maximum permitted level of sulfur in gasoline will be reduced from 100ppm to 50ppm and later to the “sulfur free” level (10ppm or less). Cosmo Oil is responding to this trend in diverse ways, including product-design and catalyst-development measures for meeting sulfur regulations as well as the use of Reid Vapor Pressure regulation while developing ever-higher-quality gasoline products.



Hydrodesulfurization Process

Cosmo Oil is also stepping up its efforts to reduce waste volume and cut costs by increasing both catalyst performance and life span. For example, the Company has set itself the goal of reducing the volume of Fluid Catalytic Cracking (FCC) 50%.

New Energy Technologies

While regarding the oil business as its core field, Cosmo Oil is becoming a comprehensive energy company and is therefore dynamically proceeding with R&D programs aimed at commercializing new energy technologies.

Regarding the development of household fuel systems, the Company has succeeded in the application of an experimental butane fuel cell and is planning to complete testing in either 2002 or 2003.

As natural gas has been attracting increased attention as a clean fuel that contains almost no sulfur or other pollutants, Cosmo Oil is working to develop new gas-to-liquid (GTL) technologies for liquefying natural gas. Cosmo Oil is participating in a technology development project of Japan National Oil Corporation that plans to begin operating a pilot plant in Hokkaido employing catalysts developed by the Company.

Environmental Protection Technologies

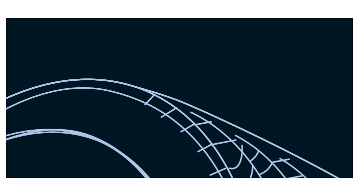
Cosmo Oil is also striving to counter environmental problems associated with refineries and other oil-related facilities by developing technologies for purifying soil and wastewater. The Company has developed technologies for measuring and evaluating soil contamination as well as a sulrry reactor that reduces the time required for the evaluation process. During fiscal 2002, the Company obtained considerable know-how by undertaking a pilot soil purification project.

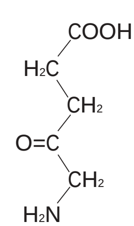
Sludge from wastewater treatment units accounts for the majority of a refinery's waste product volume, and Cosmo Oil has successfully developed a unique technology for reducing the volume of such sludge. The Company is currently conducting pilot tests of this highly promising technology at one of its refineries.

Derivative Technologies that Contribute to Profitability

Cosmo Oil's diverse research programs have led to the development of technologies relating to two highly noteworthy substances. One of these, 5-Amino Levulinic Acid (ALA), is a substance present in both plants and animals, and the Company has developed a technology for its efficient manufacture. This substance is expected to be used as a plant growth accelerator, as a sensitivity-boosting agent that increases the effectiveness of light therapy for cancer, and in other applications. The other substance, thiacalixalene, was developed exclusively by the Company. It has a molecular recognition ability that is expected to facilitate the extraction and isolation of other diverse substances. Both of these substances are believed to have a high probability of contributing to Cosmo Oil's profitability, and the Company is currently proceeding with efforts to develop their practical applications.

Cosmo is a sponsor of Formula Nippon auto racing and provides special lubricants and gasoline for participating race cars.





5-**A**mino **L**evulinic **A**cid (**ALA**)

Environmental Protection

Launching a Medium-Term Environmental Plan

Cosmo Oil's VC21 plan designates "becoming a company that is highly responsive to environmental protection needs" as one of the Company's top corporate goals. From fiscal 2003, Cosmo Oil will draft medium-term environmental plans that will coordinate Groupwide efforts.

Chaired by Cosmo Oil's CEO, the Company's Global Environment Committee drafts basic environmental policies and supervises the activities of subcommittees focused on such themes as energy saving and environmental technology development in addition to undertaking audit and support activities to ensure that the policies are fully carried out by each Cosmo Oil Group unit. Moreover, all four Cosmo Oil refineries have received ISO 14001 certification of their conformance with international environmental management system standards.

In line with growing demand to protect the global environment through measures designed to prevent global warming, Cosmo Oil is endeavoring to reduce its emissions of carbon dioxide. To achieve this, it is systematically upgrading its refinery facilities to decrease energy consumption per unit of output, to 10% below 1990 levels, by 2010. The Company is also working to reduce emissions of atmosphere and water pollutants as well as other substances with negative environmental impact. Regarding industrial waste products, in 2001, Cosmo Oil reduced the volume of unrecyclable or unreusable waste to 78% of the 1990 levels. Since 2001, the Company has appropriately monitored its compliance with laws and regulations on the volume of chemical emissions through the use of a pollutant release and transfer register (PRTR) system.

Similarly, Cosmo Oil is employing a manifest system to ensure strict compliance with laws and regulations related to the appropriate disposal of waste products from service station operations. From the current fiscal year, service station staff are being issued with newly designed uniforms made from recycled fabric. To encourage its customers to participate in environmental protection activities, Cosmo Oil began issuing Cosmo The Card Eco credit cards in April 2002. The Company contributes a specified portion of the annual value of purchases made with this card to nonprofit organizations and public-service corporations engaged in environmental protection activities.

In 2001, Cosmo Oil began issuing comprehensive environmental reports to disclose information on its environmental protection activities and also introduced an experimental environmental accounting system.

In 2001, Cosmo Oil and other corporate partners established Natsource Japan Co., Ltd., a company that brokers intercompany transactions in emissions rights.

A portion of aggregate sales via COSMO THE CARD ECO and COSMO THE CARD credit cards is contributed to NGOs and public-service corporations working to protect the environment.

Community Involvement


A scene from the Cosmo Musical Dramas for children series

The Company's fundamental policy is to proactively engage in long-term social contribution programs regardless of trends in its performance, to undertake innovative social contribution programs, and to encourage the participation of its employees in such programs.

Environmental Books and Educational Campaign for Youth

Cosmo Oil has prepared and distributed for no charge a "Global Environmental Book on the Environment for Primary Schoolchildren" to schools throughout Japan, aiming to provide them with opportunities to learn about nature. The Company is also promoting Cosmo Children's Earth School educational programs, which center on that book.

Cosmo Children's Earth School programs are designed to contribute to society by encouraging children to explore and learn about nature in all four seasons through experience—by looking at, feeling, and making things.

All these programs are operated and staffed by volunteers from among the Company's employees.

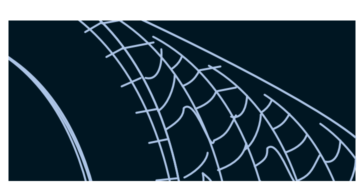
Promoting International Contributions

As a means of promoting international contributions to developing countries, Cosmo Oil began its Rain Forest Preservation Project in 2001. The project aims to restrain the widespread destruction of rain forests in Papua New Guinea and the Solomon Islands due to the use of slash-and-burn agricultural methods that require the periodic clearing of new fields. Besides supporting studies on the means of promoting stationary farming methods, the program has made contributions for the creation of rice milling facilities that are expected to increase the appeal of stationary farming. Plans call for the project to be maintained through close cooperation with government entities and private nonprofit organizations.

Proactive Sponsorship of Cultural Activities

Since 1995, as one of its programs for supporting cultural activities, Cosmo Oil has provided support for the Japan Virtuoso Symphony Orchestra, and such support was again rendered for that orchestra's superlative March 2002 concert, which had the theme "yearning for the countryside." At that time, Cosmo invited children attending a foster home and primary schools near the Company's head office in Tokyo's Minato Ward to attend the Cosmo Charity Concert, an annual event for children managed by employee volunteers.

The tenth session of the Cosmo Waku-Waku Camp have been organized to enable children bereft of parents due to automobile accidents to commune with nature under the guidance of volunteers from among Cosmo Oil's employees.



Board of Directors

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Keiichiro Okabe

Executive Vice President
Yaichi Kimura

Managing Directors

Managing Director
Masaaki Takeda

Managing Director
Yoshiyuki Yuasa

Managing Director
Kazuhisa Tamura

Managing Director
Keizo Morikawa

Managing Director
Yasuo Sakata

Managing Director
Masahide Furuzono

Managing Director
Kenji Hosaka

Chairman and
Chief Executive Officer
Keiichiro Okabe*

Executive Vice President
Yaichi Kimura*

Managing Directors
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Shunsuke Torigoe
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Shinobu Takatani

Corporate Auditors
Keizo Nishimura
Yoshitomi Ebisuya**
Takeo Yamamoto
Susumu Eda

Auditor
Hajime Miyamoto**

***Representative Director**
****Independent Auditor**

(As of June 27, 2002)

Financial Section

Consolidated Five-Year Summary

COSMO OIL COMPANY, LIMITED and Its Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note)
	1998	1999	2000	2001	2002	2002
For the year:						
Net sales	¥1,680,478	¥1,443,457	¥1,584,678	¥1,845,842	¥1,813,838	$13,637,880
Operating income	27,901	22,860	16,665	36,582	22,057	165,842
Net (loss) income	5,340	839	4,841	8,674	(5,190)	(39,023)
At year-end:						
Total shareholders' equity	190,716	186,496	179,536	177,773	194,303	1,460,925
Total assets	1,277,022	1,229,285	1,294,843	1,319,960	1,242,171	9,339,632
	Yen					U.S. dollars (Note)
Per common share:						
Net (loss) income	¥ 8.45	¥ 1.33	¥ 7.76	¥ 13.81	¥ (8.24)	$ (0.06)
Cash dividends	8.00	6.00	6.00	6.00	6.00	0.05
Ratios:						
Operating profit margin (%)	1.7	1.6	1.1	2.0	1.2	
Return on equity (%)	2.8	0.4	2.7	4.9	—	
Return on assets (%)	0.4	0.1	0.4	0.7	—	
Interest coverage ratio (times)	1.5	1.4	1.0	2.1	1.8	
Dividend payout ratio (%)*	98.95	51.67	98.29	72.56	—	

Note: U.S. dollar figures are translated from yen, for convenience only, at the rate of ¥133 to US$1, the approximate rate of exchange at March 31, 2002.
* Dividend payout ratio is calculated on a non-consolidated basis.

Overview

During the first six months of fiscal 2002, ended March 31, 2002, crude oil prices were kept firm by OPEC's quickly implemented production decreases in response to the slackness of demand that accompanied the global economic slowdown. Following the terrorist incidents in the United States, however, demand for crude oil dropped considerably, and the price of Dubai crude oil fell below $20 per barrel. From January 2002, a number of OPEC nonmembers began cooperating with OPEC's production decrease policy, supporting a rise in oil prices, which totalled $20 per barrel at the end of the fiscal year.

In Japan, the adjustment of refining output in line with demand trends and other factors helped improve the supply-demand balance for petroleum products. However, the economic recession caused a decrease in prices of gasoline, diesel fuel, kerosene and fuel oil A, presenting the domestic oil industry with a harsh operating environment. Domestic demand for gasoline was approximately the same as in the previous year, but overall domestic demand for petroleum products was down, reflecting the drops in demand for kerosene and industrial-use fuel oils due to the weakness of the economy and warm winter weather.

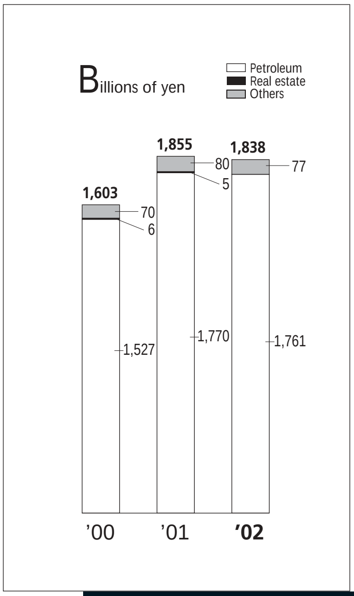
Against this backdrop, the Cosmo Oil Group began its new Value Creation 21 (VC21) management plan, which calls for undertaking value-added-boosting and rationalization measures throughout the Group's refining, distribution and administration operations, and places particular attention on implementing such measures in marketing operations. These measures had the effect of augmenting both non-consolidated operating income and gross profit by ¥15.1 billion. However, the decreases in both crude oil prices and demand for petroleum products caused consolidated net sales to decline 1.7%, to ¥1,813.8 billion. However, the positive effects of VC21 were offset by the negative effects of a delay in the drop in cost of sales due to both the use of the overall average cost inventory valuation method and losses on the write-down of securities owing to weak stock market conditions. These factors caused the Company to record a consolidated net loss of ¥5.2 billion.

Net Sales

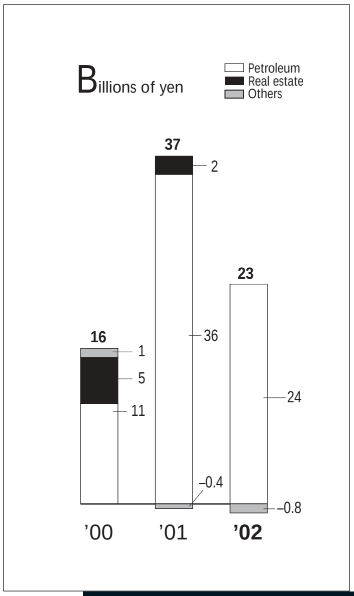
Consolidated net sales declined 1.7% from the previous fiscal year, to ¥1,813.8 billion ($13,637.9 million), due principally to the drops in both crude oil prices and sales volume of industrial fuels and other petroleum fuels.

Performance by business segment was as follows. The Company's adopted new business segment definitions from fiscal 2002 and fiscal 2001, performance has been restated in line with the new definitions to facilitate year-on-year performance comparisons.

Petroleum—Net sales in the petroleum business segment edged down 0.5%, to ¥1,757.5 billion, while operating income for the segment dropped 33.3%, to ¥23.7 billion. The principal reasons for the decline in net sales were the deterioration of petroleum product



Segment Sales



Segment Operating Income

market conditions compared with the previous year and a fall in domestic demand that depressed petroleum product sales volumes. The first cause of the decrease in operating income was the higher level of sales cost per unit as calculated based on the overall average cost of crude oil inventory when compared with sales cost per unit calculated based on the cost of concurrently procured crude oil. This factor increased cost of sales despite a considerable drop in crude oil prices during the latter half of the year. The switch to a new inventory valuation method in fiscal 2001 also had a positive effect on profitability in that year but did not have an effect on profitability during fiscal 2002.

Other—The principal components of the other business segment are real estate, engineering, and leasing businesses. Net sales for this segment fell 29.1%, to ¥56.3 billion. Operating loss amounted to ¥0.8 billion, down ¥2.7 billion.

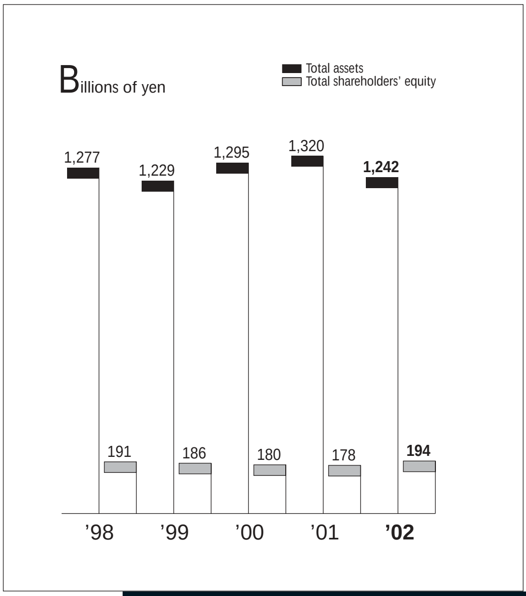
Costs, Expenses and Earnings

On a consolidated basis, the cost of sales declined 0.3% from the previous fiscal year, to ¥1,659.4 billion ($12,477.0 million). This caused the gross profit ratio to decrease 1.3 percentage point, to 8.5%. The main reason for the decrease in the gross profit ratio is that, although the large drop in crude oil prices was reflected in petroleum product selling prices per unit, the use of the overall average method to value inventories prevented the drop in crude oil prices from being reflected in sales cost per unit. This caused an upward tendency in the cost of sales ratio.

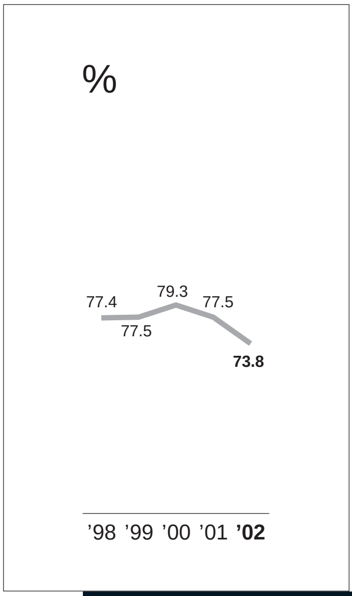
Selling, general and administrative (SG&A) expenses dropped 8.4%, to ¥132.3 billion ($995.1 million), and the ratio of SG&A expenses to net sales edged down 0.5 percentage point, to 7.3%. As a result, the operating income ratio declined 0.8 percentage point, to 1.2%. The decrease in SG&A expenses primarily reflected a drop in transportation costs, outside contractor costs and personnel costs due to rationalization and efficiency-boosting efforts, including those involving alliances with Nippon Oil Corp. (previously Nippon Mitsubishi Oil Co.), and other companies.

Other expenses, net, surged ¥9.8 billion, to ¥23.9 billion ($180.0 million). This was mainly attributable to considerable increases in losses on the sale and write-down of investment securities due to the weakness of conditions in the stock market. The rise in such expenses was partially offset by an improvement of the net balance of interest income and expenses on financial assets and liabilities that reflected the Company’s efforts to reduce the balance of interest-bearing debt.

As a result, the Company recorded a ¥1.9 billion ($14.1 million) loss before income taxes and minority interests, compared with ¥22.5 billion in income before income taxes and minority interests in the previous year, and a ¥5.2 billion ($39.0 million) net loss, compared with ¥8.7 billion in net income in the previous fiscal year.



Total Assets and Total Shareholders’ Equity



Debt-to-Total Capital Ratio

Note: Debt-to-total capital ratio= $\frac{\text{Interest bearing debt}}{\text{Interest-bearing debt+Total shareholders' equity}}$ X100

Financial Position

In line with its strategy of increasing the efficiency of total capital employed, the Company has worked to improve its balance sheet structure. Specifically, the Company has used cash reserves and proceeds from the sale of idle assets to reduce its interest-bearing debt while also working to increase the liquidity of its assets. As a result, the current ratio decreased 5.6 percentage points, to 84.2%. The debt-to-equity ratio fell 3 percentage points, to 73.8%, and the equity ratio increased 2.1 percentage points, to 15.6%. Thus, although asset liquidity decreased somewhat, capital structure stability was considerably enhanced.

Total assets decreased 5.9%, or ¥77.8 billion, from the previous fiscal year-end, to ¥1,242.2 billion ($9,339.6 million).

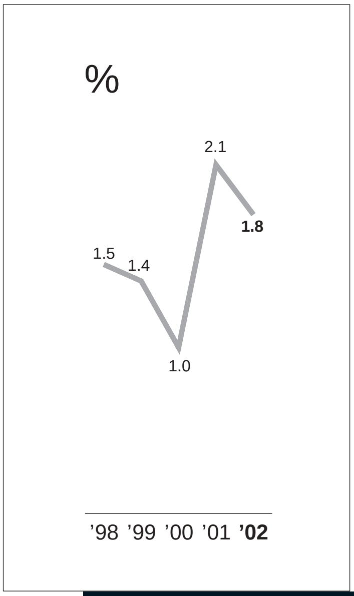
Total current assets fell ¥95.8 billion, to ¥535.1 billion ($4,023.5 million). This was principally the result of drops of ¥54.0 billion in trade notes and accounts receivable and ¥10.5 billion in inventories as well as a ¥24.2 billion decrease in marketable securities reflecting the sale of securities with the objective of increasing asset liquidity. The drop in trade notes and accounts receivable was mainly due to asset liquefaction measures and the effect of the fall in crude oil prices. The drop in inventories resulted from the effect of the fall in crude oil prices.

Net property, plant and equipment grew ¥31.1 billion, to ¥566.2 billion ($4,257.0 million). Such depreciable assets as structures and equipment decreased, as depreciation and sales of such assets were greater than acquisitions. Due to the revaluation of land assets based on the Land Revaluation Law, however, land assets increased.

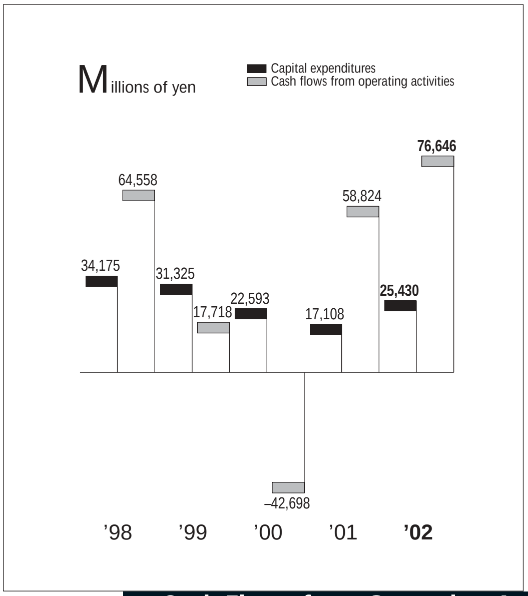
Investments in securities decreased, primarily due to write-downs of investment securities that reflected the slackness of the stock market.

Excluding minority interests, total liabilities dropped 8.6%, or ¥96.5 billion, to ¥1,024.5 billion ($7,702.8 million). Current liabilities were down ¥67.2 billion, to ¥635.4 billion ($4,777.1 million). Short- and long-term interest-bearing liabilities fell ¥62.0 billion, to ¥548.7 billion ($4,125.2 million). The drop in current liabilities was mainly owing to falls in trade notes and accounts payable as well as in short-term interest bearing liabilities. Long-term debt was down considerably, reflecting efforts to expedite repayments in line with the Company's financial strategy.

Total shareholders' equity grew 9.3%, or ¥16.5 billion, to ¥194.3 billion ($1,460.9 million). Although the net loss for the period reduced retained earnings, the reduction was offset and growth was achieved in shareholders' equity mainly due to the previously mentioned unrealized net gain on land that reflected the effect of Land Revaluation Law, and to the recording of net unrealized gains on securities in line with accounting standards for financial products. The increase in the book values of land and securities due to revaluation was included within shareholders' equity after deduction of deferred taxes in line with tax-effect accounting.



Interest Coverage



Cash Flows from Operating Activities and Capital Expenditures

Capital investments during the year were mainly related to oil business and totaled ¥25.4 billion in value. Principal projects included an approximately ¥7.6 billion investment in the construction of electric power generation facilities at the Yokkaichi Refinery in preparation for power wholesaling operations, ¥7.1 billion for construction of cogeneration facilities at production bases, ¥2.8 billion for the construction and refurbishment of service stations and ¥2.0 billion for environmental countermeasure investments including the installation of equipment for reducing hydrocarbon emissions.

Cash Flows

During the year, net cash flows from operating activities were the principal source of funds for funding requirements in operating activities, capital investments and dividend payments. The Company had a net inflow of free cash flow from operating and investing activities. However, the Company's use of a considerable portion of its abundant cash reserves to reduce the balance of interest-bearing debt caused a large net outflow of cash in financing activities. Thus, cash and cash equivalents decreased ¥23.8 billion during the year under review and amounted to ¥74.0 billion ($556.4 million) at March 31, 2002.

Net cash provided by operating activities increased ¥17.8 billion, to ¥76.6 billion ($576.3 million). Principal reasons for the increase included a net cash inflow of operating funds due to changes in receivables, inventories and payables, compared with a new outflow in the previous year, and a considerable increase in loss on the write-down of investment securities, which did not entail cash outflow.

Net cash used in investing activities amounted to ¥13.9 billion ($104.8 million), compared with ¥27.3 billion of cash provided by investing activities in the previous year. This primarily reflected the ¥42.0 billion in cash inflow in proceeds from sales of settled property during the previous year and the lack of such a large source of cash inflow in the year under review. In addition, net cash outflow from sales and purchases of tangible assets were higher than in the previous year.

Net cash used in financing activities increased ¥1.3 billion, to ¥88.5 billion ($665.8 million), primarily due to the Company's previously mentioned campaign to reduce interest-bearing debt with the goal of increasing the efficiency of capital employed.

Dividends

Cosmo Oil has a basic policy of setting dividends at a level commensurate with performance. The Company makes decisions on the use of internal fund reserves while giving due consideration to measures for improving its financial position and while emphasizing capital investments related to maintenance or renewal as well as strategic investments that promote rationalization, the augmentation of value added and the creation of cash flow. Based on these policies, the parent company maintained its cash dividends applicable to the fiscal year at ¥6.00 ($0.05) per share, the same level as in the previous year. The dividends on equity ratio decreased 0.2 percentage point, to 1.9%.

Outlook

In fiscal 2003, Cosmo Oil will proceed with its VC21 two-year management plan, which aims to rationalize the Company's management in advance of similar efforts by other companies, thereby enabling Cosmo Oil to strengthen its competitiveness in its core oil business while also proactively developing business in peripheral and new fields.

Assuming that the average price of Dubai crude oil will be $24 per barrel and the average level of the yen-dollar exchange rate will be ¥130 to US$1, the volume of petroleum fuels sold in Japan will decline 2.4%, and the implementation of VC21 will enable Cosmo Oil to achieve ¥17.5 billion in annual cost reductions and value-added increases. The Company projects that its consolidated net sales and net income will amount to ¥1,880.0 billion and ¥14.0 billion, respectively.

Consolidated Balance Sheets

COSMO OIL COMPANY, LIMITED and Its Consolidated Subsidiaries
March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
ASSETS:			
Current assets:			
Cash and deposits (Note 5)	¥ 54,157	¥ 65,310	$ 491,053
Marketable securities (Notes 5 and 10)	35,817	11,625	87,406
Notes and accounts receivable, trade (Note 3)	248,326	194,279	1,460,745
Less allowance for doubtful accounts	(834)	(539)	(4,053)
	247,492	193,740	1,456,692
Inventories (Notes 2 and 4)	190,186	179,670	1,350,902
Other current assets (Note 13)	103,298	84,780	637,443
Total current assets	630,950	535,125	4,023,496
Property, plant and equipment (Notes 6 and 7):			
Land	323,163	358,570	2,696,015
Buildings and structures	369,738	361,956	2,721,474
Machinery and equipment	319,494	326,877	2,457,722
Construction in progress	15,213	23,482	176,556
	1,027,608	1,070,885	8,051,767
Less accumulated depreciation	(492,488)	(504,709)	(3,794,805)
Net property, plant and equipment	535,120	566,176	4,256,962
Other assets:			
Investments in unconsolidated subsidiaries, affiliates and other securities (Note 10)	95,637	79,934	601,008
Long-term loans receivable	11,459	10,817	81,331
Other (Notes 6 and 13)	49,613	55,542	417,609
Less allowance for doubtful accounts	(2,634)	(4,625)	(34,774)
Reserve for loss on investments in unconsolidated subsidiaries and affiliates	(185)	(798)	(6,000)
Total other assets	153,890	140,870	1,059,174
Total assets	¥1,319,960	¥1,242,171	$9,339,632

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Current liabilities:			
Short-term loans and current maturities of long-term debt (Note 6)	¥ 237,067	¥ 215,376	$1,619,368
Notes and accounts payable, trade (Note 3)	228,563	197,864	1,487,699
Income, excise and other taxes payable	116,042	118,995	894,699
Accrued expenses and other current liabilities	120,884	103,123	775,362
Total current liabilities	702,556	635,358	4,777,128
Long-term debt, less current maturities (Note 6)	373,619	333,277	2,505,842
Deferred taxes for revaluation reserve for land (Note 7)	—	8,536	64,180
Retirement and severance benefits (Note 12)	3,612	4,043	30,398
Other long-term liabilities (Note 13)	41,157	43,259	325,257
Minority interests	21,243	23,395	175,902
Contingencies (Note 9)			
Shareholders' equity:			
Common stock			
Authorized—1,700,000,000 shares;			
Issued—631,705,087 shares	51,887	51,887	390,128
Additional paid-in capital	34,092	34,092	256,331
Revaluation reserve for land, net of tax (Note 7)	—	12,067	90,729
Retained earnings	92,848	95,224	715,970
Net unrealized holding gains on securities	—	2,060	15,489
Foreign currency translation adjustments	(693)	(508)	(3,820)
Less treasury stock, at cost (Note 6)	(361)	(519)	(3,902)
Total shareholders' equity	177,773	194,303	1,460,925
	¥1,319,960	¥1,242,171	$9,339,632

Consolidated Statements of Operations

COSMO OIL COMPANY, LIMITED and Its Consolidated Subsidiaries
Years ended March 31, 2000, 2001 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000	2001	2002	2002
Net sales (Note 14)	¥1,584,678	¥1,845,842	¥1,813,838	$13,637,880
Cost of sales (Note 14)	1,427,640	1,664,757	1,659,438	12,476,978
Gross profit	157,038	181,085	154,400	1,160,902
Selling, general and administrative expenses (Note 14)	140,373	144,503	132,343	995,060
Operating income (Note 14)	16,665	36,582	22,057	165,842
Other income (expenses):				
Interest and dividend income	2,171	3,445	3,192	24,000
Interest expense (Note 6)	(18,991)	(18,692)	(14,220)	(106,917)
Foreign currency exchange gain, net	3,502	1,347	2,373	17,842
Net gain on sale and disposal of property, plant and equipment	13,819	7,024	661	4,970
Equity in (losses) or earnings of affiliates	(1,798)	555	268	2,015
Write-down of marketable securities and investments in securities	(2,312)	(2,536)	(15,484)	(116,421)
Gain on sale of investments in securities	7,063	376	3,392	25,503
Loss on sale of investments in securities	—	(6,044)	(2,763)	(20,774)
Special severance payments for early retired employees	(6,956)	—	—	—
Other, net	150	403	(1,357)	(10,203)
	(3,352)	(14,122)	(23,938)	(179,985)
Income (loss) before income taxes and minority interests	13,313	22,460	(1,881)	(14,143)
Income taxes:				
Current	4,379	8,245	7,122	53,549
Deferred (Note 13)	3,745	4,430	(6,262)	(47,083)
	8,124	12,675	860	6,466
Income (loss) before minority interests	5,189	9,785	(2,741)	(20,609)
Minority interests	(348)	(1,111)	(2,449)	(18,414)
Net income (loss)	¥ 4,841	¥ 8,674	¥ (5,190)	$ (39,023)

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock:				
Net income (loss)	¥ 7.76	¥ 13.81	¥ (8.24)	$ (0.06)
Diluted net income	7.68	13.53	—	—
Cash dividends (Note 15)	6.00	6.00	6.00	0.05

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

COSMO OIL COMPANY, LIMITED and Its Consolidated Subsidiaries
Years ended March 31, 2000, 2001 and 2002

	Number of shares of common stock (Thousands)	Millions of yen						
		Common stock	Additional paid-in capital	Revaluation reserve for land, net of tax	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 1999	631,705	¥51,887	¥34,092	¥ —	¥100,517	¥ —	¥ —	¥ —
Net income for the year	—	—	—	—	4,841	—	—	—
Cash dividends paid	—	—	—	—	(3,742)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(26)	—	—	—
Cumulative effect of adopting deferred income tax accounting	—	—	—	—	955	—	—	—
Increase resulting from increase in consolidated subsidiaries	—	—	—	—	2,710	—	—	(476)
Decrease resulting from increase in affiliates on equity method	—	—	—	—	(3,751)	—	—	—
Decrease resulting from decrease in affiliates on equity method	—	—	—	—	(972)	—	—	—
Decrease resulting from mergers	—	—	—	—	(5,649)	—	—	—
Balance at March 31, 2000	631,705	51,887	34,092	—	94,883	—	—	(476)
Net income for the year	—	—	—	—	8,674	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	(693)	—
Cash dividends paid	—	—	—	—	(3,779)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(8)	—	—	—
Cumulative effect of adopting deferred income tax accounting	—	—	—	—	(1,982)	—	—	—
Decrease resulting from increase in consolidated subsidiaries	—	—	—	—	(30)	—	—	(106)
Decrease resulting from increase in affiliates on equity method	—	—	—	—	(522)	—	—	—
Decrease resulting from mergers	—	—	—	—	(4,388)	—	—	—
Sales of treasury stock	—	—	—	—	—	—	—	221
Balance at March 31, 2001	631,705	51,887	34,092	—	92,848	—	(693)	(361)
Net loss for the year	—	—	—	—	(5,190)	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	185	—
Cash dividends paid	—	—	—	—	(3,774)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(9)	—	—	—
Increase resulting from increase in consolidated subsidiaries	—	—	—	—	1,186	—	—	(263)
Increase due to adjustment to land as a result of revaluation of land (Note 7)	—	—	—	12,067	10,476	—	—	—
Decrease resulting from mergers	—	—	—	—	(313)	—	—	—
Adoption of new accounting standard for financial instruments	—	—	—	—	—	2,060	—	—
Sales of treasury stock	—	—	—	—	—	—	—	105
Balance at March 31, 2002	631,705	¥51,887	¥34,092	¥12,067	¥ 95,224	¥2,060	¥(508)	¥(519)

	Thousands of U.S. dollars (Note 1)						
	Common stock	Additional paid-in capital	Revaluation reserve for land, net of tax	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	$390,128	$256,331	$ —	$698,106	$ —	$(5,211)	$(2,714)
Net loss for the year	—	—	—	(39,023)	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	1,391	—
Cash dividends paid	—	—	—	(28,376)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(68)	—	—	—
Increase resulting from increase in consolidated subsidiaries	—	—	—	8,917	—	—	(1,977)
Increase due to adjustment to land as a result of revaluation of land (Note 7)	—	—	90,729	78,767	—	—	—
Decrease resulting from mergers	—	—	—	(2,353)	—	—	—
Adoption of new accounting standard for financial instruments	—	—	—	—	15,489	—	—
Sales of treasury stock	—	—	—	—	—	—	789
Balance at March 31, 2002	$390,128	$256,331	$90,729	$715,970	$15,489	$(3,820)	$(3,902)

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows (2000)

COSMO OIL COMPANY, LIMITED and Its Consolidated Subsidiaries
Year ended March 31, 2000

	Millions of yen
	2000
Cash flows from operating activities:	
Income before income taxes and minority interests	¥13,313
Adjustments to reconcile income before income taxes and minority interests to net cash used in operating activities:	
Depreciation and amortization	23,436
Amortization of consolidation goodwill	431
Decrease in allowance for doubtful accounts	(121)
Increase in valuation allowance for investments in securities	185
Decrease in retirement and severance benefits	(1,502)
Increase in provision for loss of loan guarantee	558
Interest and dividend income	(2,171)
Interest expense	18,991
Equity in earnings or losses of affiliates	1,798
Net gain on sale and disposal of property, plant and equipment	(14,520)
Special severance payments for early retired employees	6,956
Increase in notes and accounts receivable	(11,731)
Increase in inventories	(22,364)
Increase in notes and accounts payable	37,916
Increase in other current assets	(23,297)
Decrease in other current liabilities	(28,289)
Decrease in other long-term liabilities	(11,720)
Other, net	(3,186)
Subtotal	(15,317)
Interest and dividends received	2,008
Interest paid	(18,841)
Amount of special severance payments for early retired employees	(6,956)
Income taxes paid	(3,592)
Net cash used in operating activities	(42,698)
Cash flows from investing activities:	
Payments for purchases of marketable securities	(16,708)
Proceeds from disposal of marketable securities	18,193
Payments for purchases of property, plant and equipment	(24,239)
Proceeds from disposal of property, plant and equipment	29,165
Payments for purchases of investments in securities	(6,274)
Proceeds from sale of investments in securities	8,719
Increase in intangible assets and deferred charges	(1,950)
Proceeds from purchase of investment in newly consolidated subsidiaries	3,206
Payments for long-term loans	(2,319)
Proceeds from long-term loans receivable	6,091
Other, net	(346)
Net cash provided by investing activities	13,538
Cash flows from financing activities:	
Increase in short-term loans	19,767
Repayments for commercial papers	(10,000)
Proceeds from long-term loans payable	61,516
Repayments for long-term loans payable	(48,999)
Proceeds from issuing straight bonds	55,000
Repayments of convertible bonds	(42,054)
Cash dividends paid	(3,742)
Other, net	(217)
Net cash provided by financing activities	31,271
Effect of exchange rate changes on cash and cash equivalents	(54)
Net increase in cash and cash equivalents	2,057
Cash and cash equivalents at beginning of year (Note 5)	89,735
Cash and cash equivalents from newly consolidated subsidiaries	4,221
Cash and cash equivalents at end of year (Note 5)	¥96,013

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows (2001 and 2002)

COSMO OIL COMPANY, LIMITED and Its Consolidated Subsidiaries
Years ended March 31, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Cash flows from operating activities:			
Income (Loss) before income taxes and minority interests	¥22,460	¥ (1,881)	$ (14,143)
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash used in operating activities:			
Depreciation and amortization	24,672	23,492	176,632
Amortization of consolidation goodwill	274	138	1,038
(Decrease) increase in allowance for doubtful accounts	(469)	1,658	12,466
Decrease in retirement and severance benefits	(4,090)	—	—
Increase in liability for severance and retirement benefits	3,633	280	2,105
Increase in provision for loss of investment	—	798	6,000
Decrease in provision for loss of loan guarantees	(558)	—	—
Interest and dividend income	(3,445)	(3,192)	(24,000)
Interest expense	18,692	14,220	106,917
Equity in earnings or losses of affiliates	(555)	(268)	(2,015)
Net gain on sale and disposal of property, plant and equipment	(7,024)	(661)	(4,970)
Gain on sale of investments in securities	(377)	(3,392)	(25,503)
Loss on sale of investments in securities	6,044	2,763	20,774
Write-down of marketable securities and investments in securities	2,536	15,484	116,421
(Increase) decrease in notes and accounts receivable	(31,786)	62,189	467,586
(Increase) decrease in inventories	(26,549)	10,622	79,865
Decrease (increase) in notes and accounts payable	44,935	(16,146)	(121,398)
(Increase) decrease in other current assets	(11,987)	1,691	12,714
Increase (decrease) in other current liabilities	49,650	(8,112)	(60,992)
Increase in other long-term liabilities	645	307	2,308
Other, net	(3,685)	(3,168)	(23,820)
Subtotal	83,016	96,822	727,985
Interest and dividend received	2,743	1,820	13,684
Interest paid	(18,515)	(14,260)	(107,218)
Income taxes paid	(8,420)	(7,736)	(58,165)
Net cash provided by operating activities	58,824	76,646	576,286
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(19,626)	(21,742)	(163,474)
Proceeds from sale and disposal of property, plant and equipment	16,551	9,332	70,165
Proceeds from sale of settled property	42,000	—	—
Payments for purchases of investments in securities	(7,036)	(14,609)	(109,842)
Proceeds from sale of investments in securities	7,335	18,704	140,632
Increase in intangible assets and deferred charges	(1,923)	(3,885)	(29,211)
Proceeds from sale of investment in a consolidated subsidiary	915	—	—
Decrease (increase) in short-term loans	(609)	1,831	13,767
Payments for long-term loans	(3,916)	(1,952)	(14,677)
Proceeds from long-term loans receivable	4,554	2,396	18,015
Payments for (proceeds from) investment money	(8,454)	—	—
Payments for factoring	—	(3,866)	(29,068)
Other, net	(2,443)	(153)	(1,150)
Net cash provided by (used in) investing activities	27,348	(13,944)	(104,843)
Cash flows from financing activities:			
Decrease in short-term loans	(16,627)	(66,298)	(498,481)
Proceeds from long-term loans payable	4,905	30,430	228,797
Repayments for long-term loans payable	(36,947)	(37,462)	(281,669)
Proceeds from issuing straight bonds	10,000	—	—
Payments for bonds	—	(10,200)	(76,692)
Repayments of convertible bonds	(44,584)	(1,332)	(10,015)
Cash dividends paid	(3,779)	(3,774)	(28,376)
Other, net	(197)	90	677
Net cash used in financing activities	(87,229)	(88,546)	(665,759)
Effect of exchange rate changes on cash and cash equivalents	588	1,078	8,105
Net decrease in cash and cash equivalents	(469)	(24,766)	(186,211)
Cash and cash equivalents at beginning of year (Note 5)	96,013	97,788	735,248
Cash and cash equivalents from newly consolidated subsidiaries	1,515	934	7,023
Cash and cash equivalents from mergers	729	44	331
Cash and cash equivalents at end of year (Note 5)	¥97,788	¥ 74,000	$556,391

The accompanying notes are an integral part of these statements.

1 SUMMARY OF ACCOUNTING POLICIES

(1) Basis of presenting consolidated financial statements

Cosmo Oil Company, Limited (the "Company"), and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company and its consolidated subsidiaries, which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statement of cash flows for 2000 and shareholders' equity for 2000, 2001 and 2002 have been prepared for the purpose of inclusion in the consolidated financial statements although such statements were not required for domestic purposes and not filed with the regulatory authorities.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2002, which was ¥133 to US$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(2) Reporting entity

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany transactions and account balances are eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The excess of cost over net assets of subsidiaries acquired is amortized on a straight-line basis over a period of five years.

Investments in nonconsolidated subsidiaries and affiliates of which the Company has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. Prior to April 1, 2000, only investments in companies of which the Company owned 20% to 50% of the voting rights and had the ability to significantly influence financial, operational or business policies were accounted for using the equity method. There was no effect of adopting the new accounting standard.

The numbers of consolidated subsidiaries and affiliates accounted for using the equity method at March 31, 2000, 2001 and 2002 were as follows:

	2000	2001	2002
Consolidated subsidiaries	22	20	24
Subsidiaries using the equity method	—	12	9
Affiliates using the equity method	3	3	3

Investments in unconsolidated subsidiaries and affiliates not accounted for using the equity method are carried at cost (adjusted for any substantial and nonrecoverable decline in value). The effect on consolidated net income of not applying the equity method for these investments is not material in the aggregate.

(3) Statements of cash flows

In preparing the consolidated statements of cash flows for 2000, 2001 and 2002, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

The Company prepared the 2001 and 2002 consolidated statements of cash flows as required by and in accordance with the “Standards for Preparation of Consolidated Cash Flow Statements, etc.” effective from the year ended March 31, 2001. The 2000 consolidated statement of cash flows, which was voluntarily prepared for the purpose of inclusion in the consolidated financial statements in a form familiar to readers outside Japan has not been restated. Significant differences in the consolidated statements of cash flows for 2001, 2002 and previous years include the use of pretax income in 2001 and 2002 instead of net income and additional disclosure in cash flows from operating activities in 2001 and 2002 of interest expense, interest and dividend income, interest and dividend received and income taxes paid.

(4) Conversion of foreign currencies and translation of statements

Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Prior to April 1, 2000, long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the revised accounting standard for foreign currency translation, “Opinion Concerning Revision of Accounting Standard for Foreign Translation,” issued by the Business Accounting Deliberation Council on October 22, 1999. Under the revised accounting standard, long-term receivables and payables denominated in foreign currencies are also translated into Japanese yen at the year-end rate.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate, except that shareholders’ equity accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company.

(5) Allowance for doubtful accounts

Notes and accounts receivable, as well as loans and other receivables, are evaluated as to their collectibility. Effective April 1, 2000, a new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments," issued by the Business Accounting Deliberation Council on January 22, 1999) was adopted in the year ended March 31, 2001, and the Company and its consolidated domestic subsidiaries provide the allowance for doubtful accounts by estimating uncollectible amount with respect to certain identified doubtful receivables and by calculating the amounts using the percentage of actual collection losses. Previously, the allowance for doubtful accounts was provided at the maximum amount deductible under the Japanese tax laws plus certain uncollectable amounts.

As a result of adopting the new accounting standard for financial instruments, operating income and income before income taxes increased by ¥3,234 million in the year ended March 31, 2001.

(6) Marketable securities and investments in unconsolidated subsidiaries, affiliates and other securities

Marketable securities, investments in unconsolidated subsidiaries, affiliates and other securities are primarily stated at cost determined by the moving-average method.

Prior to April 1, 2000, securities of the Company and its consolidated subsidiaries were stated at moving-average cost.

Effective April 1, 2000, the Companies adopted a new Japanese accounting standard for financial instruments.

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes, (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with no fair value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by nonconsolidated subsidiaries and affiliated companies and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. For equity securities with no available fair market value, if the net asset value of the investee decline significantly, such securities are required to be written down to the net asset value with the corresponding losses in the period of decline. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Based on the examination of the intent of holding each security upon application of the new accounting standard on April 1, 2000, held-to-maturity debt securities and available-for-sale securities maturing within one year from the balance sheet date, which are similar to cash, are included in current assets, and other securities are included in investments and other assets.

As permitted under the new accounting standard, available-for-sale securities were not stated using fair value at March 31, 2001. Effective for the year ended March 31, 2002, however, the Company and its consolidated subsidiaries are required to state available-for-sale securities at fair value with unrealized holding gains and losses on these securities reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains on sale of such securities are computed using moving-average costs. The adoption of the new accounting standard resulted in recording net unrealized holding gains on securities of ¥2,060 million (US$15,489 thousand), deferred tax assets of ¥13 million (US$98 thousand), deferred tax liabilities of ¥1,083 million (US$8,143 thousand) and minority interests of ¥6 million (US$45 thousand), on consolidated balance sheet as of March 31, 2002. There was no effect from the adoption the accounting method on net income for the year ended March 31, 2002.

(7) Inventories

Effective April 1, 2001, Cosmo Matsuyama Oil Company, Limited, changed its inventory costing method for finished products, semifinished products and materials from the last-in, first-out (LIFO) method to the overall average method as discussed in Note 2.

In-transit inventory is stated at cost determined by the specific identification method.

(8) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets.

The cost and accumulated depreciation applicable to assets retired or otherwise disposed of are eliminated from the related accounts and the gain or loss on disposal is credited or charged to income.

Expenditures for new facilities and those that substantially increase the useful lives of existing property, plant and equipment are capitalized. Maintenance, repair and minor renewals are charged to income as incurred.

(9) Research and development costs

Research and development costs for the improvement of existing skills and technologies or the development of new skills and technologies, including basic research and fundamental development costs, are charged to operations in the period incurred.

The Company and its consolidated subsidiaries amortize software for its own using the straight-line method over the estimated useful lives (five years).

(10) Retirement and severance benefits and pension costs

Effective April 1, 2000, the Company adopted a new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries provided allowance for employees' severance and retirement benefits at March 31, 2002, based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The net transition obligation amounting to ¥24,222 million ($182,120 thousand) will be recognized in expenses in equal amounts primarily over five years commencing with the year ended March 31, 2001. Actuarial gains and losses are recognized in expenses in equal amounts over 10 years, which is the average of the estimated remaining service lives, and commenced in the following period.

(11) Valuation allowance for investment in unconsolidated subsidiaries and affiliates and for investment in unlisted securities

Valuations allowance for investment in unconsolidated subsidiaries and affiliates and for investment in unlisted securities are provided for based on the evaluation of individual financial and other conditions of investees.

Prior to the year ended March 31, 2002, valuation losses in relation to unlisted securities were recorded as valuation allowance for investment in unconsolidated and affiliates.

For the year ended March 31, 2002, the Company has reviewed its accounting policies, in accordance with Accounting Standard for Financial Instruments. As a result, valuation losses in relation to investment in unconsolidated subsidiaries and affiliates are recorded as valuation allowance for investment in unlisted securities, and possible loss on investment in unlisted securities is written down. Such write-down of unlisted securities amounted to ¥185 million ($1,391 thousand) and is included in write-down of marketable and investment securities.

(12) Finance leases

Finance leases except for those leases that the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

(13) Shareholders' equity

Under the Japanese Commercial Code, at least 50% of the issue price of new shares, is required to be credited to common stock. The portion which is to be credited to common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts credited to common stock are credited to additional paid-in capital.

Effective October 1, 2001, the Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the board of directors. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, it is available for distributions by the resolution of the shareholders' meeting. Legal reserve is included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company and in accordance with the Japanese Commercial Code, subject to certain covenants regarding convertible bonds (see Note 6).

(14) Issuance costs of corporate bonds

Issuance costs of corporate bonds are charged to income in the fiscal year incurred.

(15) Derivative transactions and hedge accounting

The new accounting standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company defers the recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(16) Income taxes

The Companies provide for income taxes on basis of current tax liabilities and reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purpose.

(17) Net income per share

Net income per share is computed based upon the weighted-average number of shares of common stock outstanding during the fiscal year.

Diluted net income per share was not disclosed for the year ended March 31, 2002, as net income per share, assuming all potential shares were converted, was not diluted for the year.

(18) Reclassifications

Certain prior year amounts have been reclassified to conform to the A 2002 presentation.

These changes had no impact on previously reported results of operations or shareholders' equity.

2 CHANGES IN ACCOUNTING POLICY

(1) Change in inventory costing method

Prior to April 1, 2001, Cosmo Matsuyama Oil Company, Limited, its consolidated subsidiaries (Cosmo Matsuyama Oil), computed costs of inventories including finished products, semi-finished products, and raw materials, using original costs based on the last-in, first-out (LIFO) method. However, as the Company changed the method of costing inventories, March 31, 2001, therefore, effective April 1, 2001, Cosmo Matsuyama Oil adopted the method of costing inventories using original cost based on the overall average price method.

As a result of the change, the balance of inventories at March 31, 2002, and operating income were decreased by ¥81 million ($609 thousand), and loss before income taxes and minority interests was increased by the same amounts. The effect of the change on segment information is described in Note 14.

Prior to April 1, 2000, the Company computed costs of inventories including finished products, semi-finished products, and raw materials, using original costs based on the last-in, first-out (LIFO) method. However, as the Company's operating environment has recently featured large fluctuation in crude oil prices, the gap between the book value of inventories and the current market value of inventories tends to become larger. In addition, there has been the progressive shift to the use of current market price-based accounting, and the introduction of new standards for financial instruments, from the fiscal year. Therefore, effective April 1, 2000, the Company adopted the method of costing inventories using original costs based on the overall average price method.

As a result of the change, the balance of inventories at March 31, 2001, was increased by ¥13,566 million, and operating income and income before income taxes and minority interests were increased by the same amounts. The effect of the change on segment information is described in Note 14.

(2) Change of allowance for special repair works

Effective April 1, 2001, Cosmo Matsuyama Oil provided an allowance for special repair works in an amount equal to the estimated cost of periodically required repairs for machinery and equipment of oil refineries.

Prior to April 1, 2001, Cosmo Matsuyama Oil Company only provided such allowance for oil tanks. The reason for this change is to match revenue against expenses more accurately, as the term of periodically required repairs for machinery and equipment of oil refineries has changed longer.

As a result of the change, the balance of allowance for special repair works at March 31, 2002, was increased by ¥237 million ($1,782 thousand), and loss before income taxes and minority interests was increased by ¥213 million ($1,602 thousand). Operating income was decreased by ¥213 million ($1,602 thousand). The effect of the change on segment information is described in Note 14.

3 EFFECT OF BANK HOLIDAY ON MARCH 31, 2002

As financial institutions in Japan were closed on March 31, 2002, amounts that would normally be settled on March 31, 2002 were collected or paid on the following business day, April 1, 2002. The effects of the settlements on April 1 instead of March 31 included the following:

Notes and accounts receivable, trade	Increased by approximately ¥1,106 million ($8,316 thousand)
Accounts payable, trade	Increased by approximately ¥80 million ($602 thousand)

4 INVENTORIES

Inventories at March 31, 2001 and 2002 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Finished products	¥ 44,284	¥ 44,907	$ 337,647
Semi-finished products	28,408	26,355	198,158
Materials—crude oil, auxiliary materials, etc.	44,674	40,384	303,639
Supplies—spare parts, etc.	3,735	4,727	35,541
In-transit crude oil and oil products	63,607	57,980	435,940
Land for sale	1,112	912	6,857
Others	4,366	4,405	33,120
Total	¥190,186	¥179,670	$1,350,902

5 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash and deposits and cash and cash equivalents

A reconciliation of cash and deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2001 and 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Cash and deposits	¥54,157	¥65,310	$491,053
Add:			
Marketable securities	35,817	11,625	87,406
Other current assets (short-term loans receivable)	10,498	—	—
Less:			
Deposits with maturities exceeding three months	1,073	720	5,414
Stocks and bonds with maturities exceeding three months included in marketable securities above	1,611	2,215	16,654
Total	¥97,788	¥74,000	$556,391

6

SHORT-TERM LOANS AND LONG-TERM DEBT

Included in short-term loans at March 31, 2001 and 2002 were import bills payable and import financing bills payable to banks aggregating ¥1,988 million and ¥1,917 million ($14,413 thousand), respectively. These bills bear interest from 5.50% to 5.75% and from 2.24% to 5.25% per annum, respectively, and mature at various dates, mainly 45 days after issuance. The remaining short-term loans of ¥200,271 million and ¥156,128 million ($1,173,895 thousand), at March 31, 2001 and 2002, respectively, from banks bear interest from 0.10% to 2.25% and from 0.10% to 2.92% per annum, respectively. The banks have basic agreements with the Company and its consolidated subsidiaries to the effect that, with respect to all present or future loans with the banks, the Company and its consolidated subsidiaries shall provide collateral (including sums on deposit with such banks) or a guarantee immediately upon request from the banks and that any collateral furnished, pursuant to such agreement or otherwise, will be applicable to all indebtedness to the banks.

Short-term loans and current maturities of long-term debt at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Short-term loans	¥202,259	¥158,045	$1,188,308
Current maturities of long-term debt	34,808	57,331	431,060
Total	¥237,067	¥215,376	$1,619,368

Long-term debt at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Loans from banks, insurance companies and other financial institutions, secured, with interest at 1.0%–7.5% due serially through 2015	¥278,559	¥272,400	$2,048,120
1.1% unsecured convertible yen bonds due in 2005	19,868	18,508	139,158
2.8% unsecured straight yen bonds due in 2003	15,000	14,700	110,526
3.3% unsecured straight yen bonds due in 2007	10,000	10,000	75,188
3.15% unsecured straight yen bonds due in 2007	10,000	10,000	75,188
2.30% unsecured straight yen bonds due in 2002	10,000	10,000	75,188
2.72% unsecured straight yen bonds due in 2003	5,000	2,000	15,038
3.08% unsecured straight yen bonds due in 2004	5,000	4,500	33,835
3.50% unsecured straight yen bonds due in 2005	5,000	4,200	31,579
3.10% unsecured straight yen bonds due in 2005	5,000	5,000	37,594
2.34% unsecured straight yen bonds due in 2003	5,000	4,500	33,835
2.70% unsecured straight yen bonds due in 2004	5,000	4,700	35,338
3.00% unsecured straight yen bonds due in 2006	5,000	4,800	36,090
2.45% unsecured straight yen bonds due in 2004	5,000	5,000	37,594
2.83% unsecured straight yen bonds due in 2005	5,000	4,700	35,338
3.05% unsecured straight yen bonds due in 2006	5,000	4,100	30,827
2.86% unsecured straight yen bonds due in 2005	5,000	3,300	24,812
2.50% unsecured straight yen bonds due in 2004	5,000	5,000	37,594
2.84% unsecured straight yen bonds due in 2005	5,000	3,200	24,060
	408,427	390,608	2,936,902
Less current maturities	(34,808)	(57,331)	(431,060)
Total	¥373,619	¥333,277	$2,505,842

The aggregate annual maturities of long-term debt at March 31, 2002 were as follows:

Years ending March 31,	Millions of yen	Thousands of Millions of yen (Note 1)
2003	¥ 57,331	$ 431,060
2004	92,509	695,556
2005	116,153	873,331
2006	65,755	494,399
2007 and thereafter	58,860	442,556
	¥390,608	$2,936,902

The 1.1% unsecured convertible yen bonds in the original principal amount of ¥30,000 million were issued in March 1994. The bonds are subject to conversion currently at ¥877 ($6.59) for one share of the common stock of the Company from April 1, 1994, to March 30, 2005. At March 31, 2002, 21,104 thousand additional shares of common stock of the Company would have been issued upon full conversion at the current conversion price. The bonds may be redeemed, at the option of the Company, beginning April 1, 2002, in whole or in part at prices which range from 104% to 100% of the principal amount plus interest accrued. The Company redeemed a part of the bonds from the market in this fiscal year.

So long as the 1.1% bonds are outstanding, the cumulative amounts of payments of cash dividends must not exceed ¥7,300 million ($54,887 thousand) plus the Company's cumulative net income for the fiscal years following March 31, 1994.

Assets pledged as collateral primarily for short-term loans and long-term debt at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Land	¥270,787	$2,035,992
Buildings and structures at net book value	39,506	297,038
Machinery and equipment at net book value	47,966	360,647
Investments in securities	3,092	23,248
Less treasury stock, at cost	26	195
	¥361,377	$2,717,120

7

REVALUATION RESERVE FOR LAND

Pursuant to Article 2, Paragraphs 4 and 5 of the Enforcement Ordinance for the Law concerning Revaluation Reserve for Land (the "Law"), effective March 31, 1998, and partial revision to the Law on March 31, 2001, the Company and its two consolidated subsidiaries recorded their own lands used for business at fair value of ¥335,225 million ($2,520,489 thousand) (the original book value was ¥314,634 million ($2,365,669 thousand)) as of March 31, 2002, and the related unrealized gain net of income taxes was credited to "Revaluation reserve for land, net of tax" in the equity section, and the applicable income tax portion was reported as "Deferred taxes for revaluation reserve for land" in liabilities. According to the Law, the Company and its two consolidated subsidiaries are not permitted to revalue the land at any time in the future, even in case the fair value of the land declines.

8 LEASE TRANSACTIONS

A. Lessee leases

Lease payments of finance leases which do not transfer ownership of the leased assets to lessees for the years ended March 31, 2000, 2001 and 2002 were ¥5,234 million, ¥5,012 million and ¥4,208 million ($31,639 thousand), respectively.

Total lease commitment as of March 31, 2000, 2001 and 2002, inclusive of interest expense under such leases, were ¥11,407 million, ¥10,641 million and ¥10,041 million ($75,496 thousand), including ¥4,706 million, ¥4,240 million and ¥3,763 million ($28,293 thousand) due within one year. Included in the total lease commitment as of March 31, 2002 is a commitment for a sub-lease payment of ¥5,760 million ($43,308 thousand).

Equivalents of the acquisition cost, accumulated depreciation and net book value of leased properties for the years ended March 31, 2001 and 2002, were as follows:

	Millions of yen		
Year ended March 31, 2001	Machinery & vehicles	Other	Total
Acquisition cost	¥3,174	¥7,497	¥10,671
Accumulated depreciation	(1,761)	(4,930)	(6,691)
Net book value	¥1,413	¥2,567	¥ 3,980

	Millions of yen			Thousands of U.S. dollars (Note 1)		
Year ended March 31, 2002	Machinery & vehicles	Other	Total	Machinery & vehicles	Other	Total
Acquisition cost	¥3,218	¥6,929	¥10,147	$24,195	$52,098	$76,293
Accumulated depreciation	(1,530)	(4,336)	(5,866)	(11,503)	(32,602)	(44,105)
Net book value	¥1,688	¥2,593	¥ 4,281	$12,692	$20,702	$32,188

B. Lessor leases

Rental income from finance leases which do not transfer ownership of the leased assets to lessees and related depreciation for the year ended March 31, 2002 were ¥2,504 million ($18,827 thousand) and ¥5 million ($38 thousand), respectively.

Total lease commitment as of March 31, 2002, inclusive of interest income under such leases, was ¥6,069 million ($45,632 thousand), including ¥2,195 million ($16,504 thousand) due within one year. Included in the total lease commitment as of March 31, 2002 is a commitment for a sub-lease payment of ¥6,036 million ($45,383 thousand).

Acquisition cost, accumulated depreciation and net book value of leased properties for the years ended March 31, 2001 and 2002, were as follows:

	Millions of yen		
Year ended March 31, 2001	Machinery & vehicles	Other	Total
Acquisition cost	¥27	¥762	¥789
Accumulated depreciation	(26)	(718)	(744)
Net book value	¥ 1	¥ 44	¥ 45

	Millions of yen			Thousands of U.S. dollars (Note 1)		
Year ended March 31, 2002	Machinery & vehicles	Other	Total	Machinery & vehicles	Other	Total
Acquisition cost	¥27	¥636	¥663	$203	$4,782	$4,985
Accumulated depreciation	(25)	(604)	(629)	(188)	(4,541)	(4,729)
Net book value	¥ 2	¥ 32	¥ 34	$ 15	$ 241	$ 256

9
CONTINGENCIES

(a) Contingent liabilities for notes receivable discounted at banks with recourse and endorsed to others at March 31, 2002 were ¥330 million ($2,480 thousand).
(b) Contingencies at March 31, 2002 for loans guaranteed, in the ordinary course of business, by the Company and its consolidated subsidiaries, mainly for unconsolidated subsidiaries, affiliates and employees of the Company and its consolidated subsidiaries were ¥22,052 million ($165,802 thousand).

10
SECURITIES

The following tables summarize acquisition costs, book values and fair values of securities as of March 31, 2001 and 2002:

Year ended March 31, 2001

(a) Held-to-maturity bonds
Bonds with fair value

	Millions of yen		
	Book value	Fair value	Difference
Bonds with fair value exceeding book value	¥3,296	¥3,456	¥160
Other	9	8	(1)
Total	¥3,305	¥3,464	¥159

(b) Available-for-sale securities sold

	Millions of yen		
	Amount of sales	Gain	Loss
	¥6,093	¥244	¥5,579

The following table summarizes book values of securities with no available fair value:

	Millions of yen
	Book value
(a) Held-to-maturity bonds:	
Nonlisted bonds	¥ 3,101
(b) Shares issued by subsidiaries and affiliates:	
Nonlisted securities	23,275
(c) Available-for-sale securities:	
Money management funds	31,206
Mutual funds	3,000
Nonlisted securities	14,865
Total	¥49,071

Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Government bonds and municipal bonds	¥1,441	¥1,302	¥13	¥ 4
Corporate bonds	117	497	—	3,020
Total	¥1,558	¥1,799	¥13	¥3,024

Year ended March 31, 2002

(a) Held-to-maturity bonds

Bonds with fair value

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Bonds with fair value exceeding book value	¥471	¥474	¥ 3	$3,541	$3,564	$ 23
Other	272	256	(16)	2,045	1,925	(120)
Total	¥743	¥730	¥(13)	$5,586	$5,489	$ (97)

(b) Available-for-sale securities

Securities with fair value

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Fair value exceeding book value:						
Securities	¥14,121	¥18,179	¥4,058	$106,172	$136,684	$30,512
Bonds	2,130	2,166	36	16,015	16,286	271
Other	1,391	1,409	18	10,459	10,594	135
Total	17,642	21,754	4,112	132,646	163,564	30,918
Other:						
Securities	9,297	7,799	(1,498)	69,902	58,639	(11,263)
Bonds	1,795	1,773	(22)	13,496	13,331	(165)
Other	500	488	(12)	3,759	3,669	(90)
Total	11,592	10,060	(1,532)	87,157	75,639	(11,518)
	¥29,234	¥31,814	¥2,580	$219,803	$239,203	$19,400

(c) Available-for-sale securities sold

Millions of yen			Thousands of U.S. dollars (Note 1)		
Amount of sales	Gain	Loss	Amount of sales	Gain	Loss
¥16,110	¥3,306	¥2,708	$121,128	$24,857	$20,361

The following table summarizes book values of securities with no available fair value:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	Book value	Book value
(a) Held-to-maturity bonds		
Non-listed bonds	¥ 3,350	$ 25,188
(b) Shares issued by subsidiaries and affiliates		
Non-listed securities	22,514	169,278
(c) Available-for-sale securities		
Money management funds	4,947	37,195
Free financial funds	1,502	11,294
Mutual funds	2,472	18,586
Non-listed securities	13,617	102,383
Total	¥22,538	$169,458

Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

	Millions of yen			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Government bonds and municipal bonds	¥ 577	¥3,409	¥15	¥ 1
Corporate bonds	535	495	—	3,020
Total	¥1,112	¥3,904	¥15	¥3,021

	Thousands of U.S. dollars			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Government bonds and municipal bonds	$4,338	$25,632	$113	$ 8
Corporate bonds	4,023	3,722	—	22,707
Total	$8,361	$29,354	$113	$22,715

11

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

(1) Nature and objective of derivative transactions

The Company uses foreign currency forward contracts and currency option contracts to hedge risks due to the effect of currency exchange rate fluctuations on U.S.-dollar-denominated imports of crude oil and petroleum products. The Company uses interest rate swap contracts to exchange floating-rate payment obligations for fixed-rate payment obligations. The Company also uses crude oil and petroleum product swap contracts and commodity forward contracts to hedge risks stemming from commodity price fluctuations. The Company undertakes hedge accounting for these derivative transactions, where required.

A. Hedging instruments and hedged items

Hedging instruments	Hedged items
Interest rate swaps	Borrowings
Crude oil and petroleum transactions	Purchases and sales of crude oil and petroleum products

B. Hedge policy

In accordance with internal rules that determine derivative transaction-related authority levels and transaction value limits, hedging activities are undertaken within specified limits to hedge price fluctuation risks and interest rate fluctuation risks.

C. Method of evaluating hedge effectiveness

The Company evaluates hedge effectiveness semiannually by comparing cumulative changes in cash flows from or changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments. The effectiveness evaluation is omitted, however, with regard to certain specially handled interest rate swaps.

(2) Operating policy of derivative transactions

In accordance with internal rules that determine derivative transaction-related authority levels and transaction value limits, hedge target-related currency exchange rate fluctuation risks, interest rate fluctuation risks and price fluctuation risks are hedged within a specified range. Each derivative transaction is based on actual business transactions, and the Company has a policy of not executing speculative derivative transactions.

(3) Risks related to derivative transactions

The Company faces currency market fluctuation risks related to foreign currency forward contracts and currency option contracts, and also faces market interest rate fluctuation risks related to interest rate swaps associated with interest rate-related transactions. In addition, the Company faces market price fluctuation risks and currency market fluctuation risks related to commodity associated crude oil and petroleum product swap transactions. In all these types of transactions, the Company deals with large banks, trading companies, oil companies and similar enterprises and therefore considers there to be almost no credit risk associated with these derivative transactions.

(4) Management of risks related to derivative transactions

Currency- and interest-related derivative transactions are implemented and controlled by the Finance Department in accordance with internally authorized rules. The General Manager of the Finance Department reports the results of transactions to, and obtains authorization of basic transaction policy from, the meeting of the Executive Committee on a quarterly basis for foreign currency forward contracts and semiannually for other contracts.

Regarding commodity-related derivative transactions, the Demand & Supply Coordination Department, International Petroleum Department, Industrial Fuel Marketing Department and the second Corporate Planning Department consult with each other, obtain approval of the annual basic transaction policy from the meeting of the Executive Committee and implement and control transactions in accordance with internally authorized rules. Regarding control, the Demand & Supply Coordination Department, International Petroleum Department and Industrial Fuel Marketing Department control derivative transactions on a single-department basis and the second Corporate Planning Department controls derivative transactions on a Companywide basis. General managers of the Demand & Supply Coordination Department, International Petroleum Department and Industrial Fuel Marketing Department report to the meeting of the Executive Committee semiannually.

(5) Other

The contract amount figures, notional amounts, and other figures shown in the items related to derivative transaction market prices do not necessarily indicate the magnitude of market risk associated with derivative transactions.

The following tables summarize market value information as of March 31, 2001 and 2002 of derivative transactions for which hedge accounting has not been applied:

(1) Currency-related

	Millions of yen				
	Contract amounts			Market value	Unrealized gain
Year ended March 31, 2001	Due within one year	Due after one year	Total		
Forward exchange contracts purchased U.S. dollars	¥61,827	—	¥61,827	¥64,676	¥2,849
Currency option contracts purchased call U.S. dollars	2,478	—	2,478	89	61

	Millions of yen				
	Contract amounts			Market value	Unrealized gain
Year ended March 31, 2002	Due within one year	Due after one year	Total		
Forward exchange contracts purchased U.S. dollars	¥66,642	—	¥66,642	¥67,425	¥ 783
Currency option contracts purchased call U.S. dollars	665	—	665	7	1

	Thousands of U.S. dollars (Note 1)				
	Contract amounts			Market value	Unrealized gain
	Due within one year	Due after one year	Total		
Forward exchange contracts purchased U.S. dollars	$501,068	$—	$501,068	$506,955	$5,887
Currency option contracts purchased call U.S. dollars	5,000	—	5,000	53	8

(2) Commodity-related

Year ended March 31, 2001	Millions of yen				
	Notional amount			Market value	Unrealized gain
	Due within one year	Due after one year	Total		
Forward contracts of crude oil					
Sell	¥17	—	¥17	¥16	¥1

Year ended March 31, 2002	Millions of yen				
	Notional amount			Market value	Unrealized gain (loss)
	Due within one year	Due after one year	Total		
Forward contracts of crude oil					
Sell	¥303	—	¥303	¥351	¥(48)
Buy	161	—	161	176	15

	Thousands of U.S. dollars (Note 1)				
	Notional amount			Market value	Unrealized gain (loss)
	Due within one year	Due after one year	Total		
Forward contracts of crude oil					
Sell	$2,278	—	$2,278	$2,639	$(361)
Buy	1,211	—	1,211	1,323	112

12
RETIREMENT AND SEVERANCE BENEFITS

The Company and its consolidated subsidiaries provide two types of postemployment benefit plans, unfunded lump-sum payment plans and funded noncontributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2001 and 2002 consists of the following:

March 31, 2001	Millions of yen
Projected benefit obligation	¥(90,116)
Pension assets	57,572
Unrecognized net transition obligation	18,957
Unrecognized actuarial differences	11,947
Less prepaid pension costs	(1,972)
Liability for severance and retirement benefits	¥ (3,612)

March 31, 2002	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥(91,670)	$(689,248)
Pension assets	59,677	448,699
Unrecognized net transition obligation	14,219	106,910
Unrecognized actuarial differences	15,987	120,203
Less prepaid pension costs	(2,256)	(16,962)
Liability for severance and retirement benefits	¥ (4,043)	$ (30,398)

Included in the consolidated statements of operations for the year ended March 31, 2001 and 2002 are severance and retirement benefit expenses composed of the following:

March 31, 2001	Millions of yen
Service costs	¥3,105
Interest cost on projected benefit obligation	2,614
Expected return on plan assets	(1,802)
Amortization of net transition obligation	4,739
Severance and retirement benefit expenses	¥8,656

March 31, 2002	Millions of yen	Thousands of U.S. dollars
Service costs	¥3,192	$24,000
Interest cost on projected benefit obligation	2,076	15,609
Expected return on plan assets	(1,916)	(14,406)
Amortization of net transition obligation	5,079	38,188
Amortization of net actuarial loss	1,195	8,985
Severance and retirement benefit expenses	¥9,626	$72,376

The discount rate and the rate of expected return on plan assets used by the Company are 2.5% and mainly 3.5%, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains or losses are recognized as an expense in equal amounts over 10 years, the average of the estimated remaining service lives of the employees, commencing with the following period. The net transition obligation will be recognized in expenses in equal amounts primarily over five years commencing with the year ended March 31, 2001.

13
INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 40.87% for the years ended March 31, 2001 and 2002.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2001:

Year ended March 31, 2001	
Statutory tax rate	40.87%
Non-Japanese taxes	15.20
Non-taxable dividend income	(2.65)
Non-deductible expenses	8.10
Equity in earning of affiliates	(2.47)
Other	(2.62)
Effective tax rate	56.43%

The significant differences between the statutory tax rate and the Company's effective tax rate was not disclosed for the year ended March 31, 2002, as loss before income tax was recorded.

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2001 and 2002 are as follows:

Year ended March 31, 2001	Millions of yen
Current deferred tax assets:	
Accounts receivable	¥ 1,541
Unrealized gains	453
Excess bonuses accrued	1,124
Other	510
Total current deferred tax assets	3,628
Valuation allowance	(72)
Total current deferred tax assets	3,556
Account offset against deferred tax liabilities	(78)
Net current deferred tax assets	¥ 3,478
Current deferred tax liabilities:	
Allowance for doubtful accounts	¥ (76)
Other	(12)
Total current deferred tax liabilities	(88)
Account offset against deferred tax assets	78
Net current deferred tax liabilities	¥ (10)
Non-current deferred tax assets:	
Unrealized gains	¥ 10,048
Net operating loss carry forward	5,916
Depreciation	2,271
Costs for retirement and severance benefits	797
Other	955
Total non-current deferred tax assets	19,987
Valuation allowance	(846)
Total non-current deferred tax assets	19,141
Account offset against deferred tax liabilities	(16,035)
Net non-current deferred tax assets	¥ 3,106
Non-current deferred tax liabilities:	
Reserve for deferred gains on sales of fixed assets for tax purposes	¥(19,860)
Retirement and severance benefits	(1,249)
Non-Japanese taxes	(4,984)
Reserve for losses on overseas investments	(674)
Special depreciation	(310)
Other	(62)
Total non-current deferred tax liabilities	(27,139)
Account offset against deferred tax assets	16,035
Net non-current deferred tax liabilities	¥(11,104)

Year ended March 31, 2002	Millions of yen	Thousands of U.S. dollars (Note 1)
Current deferred tax assets:		
Excess bonuses accrued	¥ 1,331	$ 10,008
Accounts receivable	1,079	8,113
Unrealized gains	398	2,992
Other	698	5,248
Total current deferred tax assets	3,506	26,361
Valuation allowance	(204)	(1,534)
Total current deferred tax assets	3,302	24,827
Account offset against deferred tax liabilities	(78)	(586)
Net current deferred tax assets	¥ 3,224	$ 24,241
Current deferred tax liabilities:		
Allowance for doubtful accounts	¥ (54)	$ (406)
Other	(24)	(180)
Total current deferred tax liabilities	(78)	(586)
Account offset against deferred tax assets	78	586
Net current deferred tax liabilities	¥ (0)	$ (0)
Non-current deferred tax assets:		
Marketable securities	¥ 4,007	$ 30,128
Net operating loss carry forward	3,049	22,925
Depreciation	2,287	17,195
Unrealized gains	1,666	12,526
Allowance for doubtful accounts	1,194	8,977
Golf-club membership	1,177	8,850
Costs for retirement and severance benefits	804	6,045
Other	1,698	12,768
Total non-current deferred tax assets	15,882	119,414
Valuation allowance	(1,923)	(14,459)
Total non-current deferred tax assets	13,959	104,955
Account offset against deferred tax liabilities	(10,867)	(81,707)
Net non-current deferred tax assets	¥ 3,092	$ 23,248
Non-current deferred tax liabilities:		
Reserve for deferred gains on sales of fixed assets for tax purposes	¥(14,563)	$(109,496)
Non-Japanese taxes	(5,790)	(43,534)
Unrealized gain on marketable securities	(1,077)	(8,098)
Retirement and severance benefits	(922)	(6,933)
Reserve for losses on overseas investments	(841)	(6,323)
Special depreciation	(257)	(1,932)
Other	(49)	(368)
Total noncurrent deferred tax liabilities	(23,499)	(176,684)
Account offset against deferred tax assets	10,867	81,707
Net noncurrent deferred tax liabilities	¥(12,632)	$ (94,977)

In addition, deferred tax liability related to land revaluation of ¥8,536 million ($64,180 thousand) was included in addition to the above mentioned items.

14
SEGMENT INFORMATION

The Company and its consolidated subsidiaries primarily operate in the oil business, importing and refining crude oil to produce and distribute a variety of petroleum products.

For the years ended March 31, 2001 and 2002, business operations of the Company and its consolidated subsidiaries are summarized by product groups as follows:

Year ended March 31, 2001	Millions of yen					
	Petroleum	Real estate	Others	Total	Elimination or corporate	Consolidated
Sales:						
Outside customers	¥1,766,456	¥5,412	¥73,974	¥1,845,842	¥ —	¥1,845,842
Intersegment	3,931	—	6,087	10,018	(10,018)	—
Total	1,770,387	5,412	80,061	1,855,860	(10,018)	1,845,842
Operating expenses	1,734,873	3,150	80,421	1,818,444	(9,184)	1,809,260
Operating income (loss)	¥ 35,514	¥2,262	¥ (360)	¥ 37,416	¥ (834)	¥ 36,582
Identifiable assets, depreciation and capital expenditures:						
Assets	¥1,204,473	¥3,712	¥37,495	¥1,245,680	¥74,280	¥1,319,960
Depreciation and amortization	¥ 25,247	¥ 157	¥ 153	¥ 25,557	¥ (885)	¥ 24,672
Capital expenditures	¥ 19,394	¥ 1	¥ 177	¥ 19,572	¥ (220)	¥ 19,352

Year ended March 31, 2002	Millions of yen				
	Petroleum	Others	Total	Elimination or corporate	Consolidated
Sales:					
Outside customers	¥1,757,516	¥56,322	¥1,813,838	¥ —	¥1,813,838
Intersegment	3,393	20,899	24,292,	(24,292)	—
Total	1,760,909	77,221	1,838,130	(24,292)	1,813,838
Operating expenses	1,737,217	78,009	1,815,226	(23,445)	1,791,781
Operating income (loss)	¥ 23,692	¥ (788)	¥ 22,904	¥ (847)	¥ 22,057
Identifiable assets, depreciation and amortization and capital expenditures:					
Assets	¥1,138,174	¥37,122	¥1,175,296	¥66,875	¥1,242,171
Depreciation and amortization	¥ 24,120	¥ 147	¥ 24,267	¥ (775)	¥ 23,492
Capital expenditures	¥ 25,450	¥ 198	¥ 25,648	¥ (218)	¥ 25,430

Year ended March 31, 2002	Thousands of U.S. dollars (Note 1)				
	Petroleum	Others	Total	Elimination or corporate	Consolidated
Sales:					
Outside customers	$13,214,406	$423,474	$13,637,880	$ —	$13,637,880
Inter-segment	25,511	157,135	182,646	(182,646)	—
Total	13,239,917	580,609	13,820,526	(182,646)	13,637,880
Operating expenses	13,061,782	586,534	13,648,316	(176,278)	13,472,038
Operating income (loss)	$ 178,135	$ (5,925)	$ 172,210	$ (6,368)	$ 165,842
Identifiable assets, depreciation and capital expenditures:					
Assets	$ 8,557,699	$279,113	$ 8,836,812	$502,820	$ 9,339,632
Depreciation and amortization	181,353	1,106	182,459	(5,827)	176,632
Capital expenditures	$ 191,353	$ 1,489	$ 192,842	$ (1,639)	$ 191,203

Geographic segment information is not disclosed as the Company and its consolidated subsidiaries operate mainly in one geographic segment, being Japan.

Overseas sales information is not disclosed as the amount of overseas sales is less than 10% of the consolidated net sales.

As described in Note 2, Cosmo Matsuyama Oil changed in the inventory costing method and the estimated cost of periodically required repairs for machinery and equipment of oil refineries, in the year ended March 31, 2002. As a result, operating expense for petroleum was increased by ¥295 million ($2,218 thousand) for the year ended March 31, 2002.

Sales, operating income, and assets for real estate segment are disclosed as a part of these for others, respectively, for the year ended March 31, 2002, as the amounts of these for real estate are less than 10% of these of the consolidated.

As a result, sales, operating expenses, assets, depreciation and amortization, and capital expenditures for others were increased by ¥853 million ($6,414 thousand) and ¥1,071 million ($8,053 thousand), ¥3,213 million ($24,158 thousand), ¥51 million ($383 thousand), and ¥1 million ($8 thousand), respectively, and operating income for others was decreased by ¥217 million ($1,632 thousand), for the year ended March 31, 2002.

As described in Note 2, the Company changed in the inventory costing method in the year ended March 31, 2001. As a result, operating income for petroleum was increased by ¥13,566 million, for the year ended March 31, 2001.

As described in Note 1, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for severance and pension benefits, in the year ended March 31, 2001. As a result, operating income for petroleum and real estate and others and elimination or corporate were increased by ¥2,203 million, ¥22 million, ¥114 million and ¥24 million, respectively, for the year ended March 31, 2001.

15 SUBSEQUENT EVENTS

On June 27, 2002, the Company's annual shareholders' meeting approved the payment of year-end cash dividends of ¥3.00 (US$0.02) per share, or a total of ¥1,895 million ($14,249 thousand) to shareholders of record, at March 31, 2002.

Report of Independent Public Accountants

ASAHI & CO

CERTIFIED PUBLIC ACCOUNTANTS
(ASAHI KANSA-HOJIN)

To the Shareholders and the Board of Directors of
COSMO OIL COMPANY, LIMITED:

We have audited the accompanying consolidated balance sheets of COSMO OIL COMPANY, LIMITED (a Japanese corporation) and its consolidated subsidiaries as of March 31, 2001 and 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2002, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of COSMO OIL COMPANY, LIMITED and its consolidated subsidiaries as of March 31, 2001 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 1, COSMO OIL COMPANY, LIMITED and consolidated subsidiaries prospectively adopted new Japanese accounting standards for foreign currency translation, financial instruments and employees' severance and retirement benefits in the year ended March 31, 2001, and for consolidation and equity method accounting, income tax and research and development costs in the year ended March 31, 2000. Also, COSMO OIL COMPANY, LIMITED changed the valuation method of inventories, effective April 1, 2000, as referred to in Note 2.

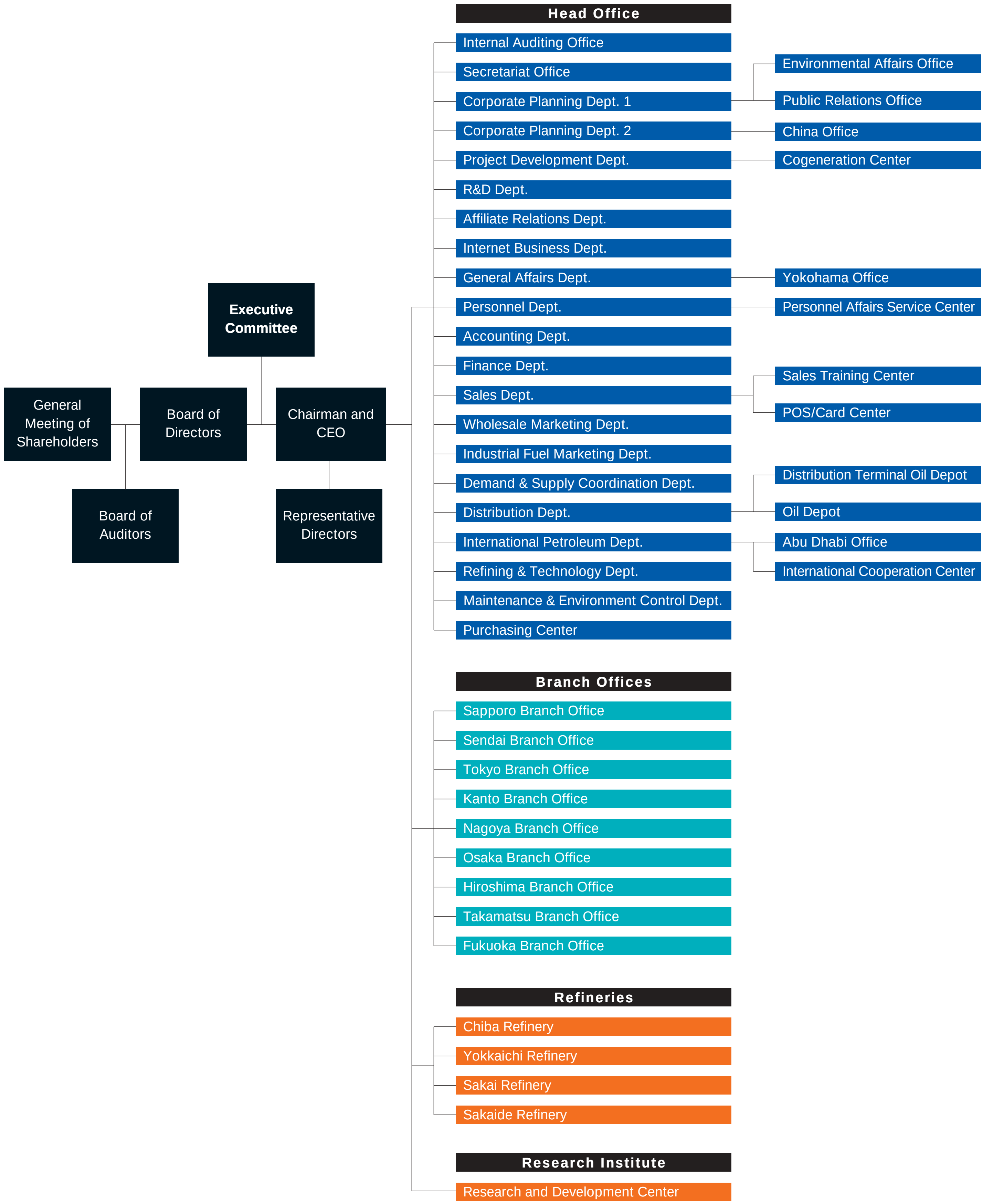
Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

Tokyo, Japan
June 27, 2002

Organization Chart

(As of June 27, 2002)



Major Subsidiaries and Affiliates

(As of March 31, 2002)

JAPAN

Crude Oil Development

Abu Dhabi Oil Co., Ltd. (Japan)*
- Tokyo
- ¥10,090 million
- 51.14%
- Petroleum exploration and production

Cosmo Oil Ashmore Ltd.*
- Tokyo
- ¥1,176 million
- 51.0%
- Petroleum exploration

United Petroleum Development Co., Ltd.#
- Tokyo
- ¥34,074 million
- 18.31% (5.04%)
- Petroleum exploration and production

Mubarraz Oil Co., Ltd.#
- Tokyo
- ¥32,877 million
- 33.49% (13.19%)
- Petroleum exploration and production

Transportation

Cosmo Tanker Co., Ltd.*
- Tokyo
- ¥30 million
- 100.00%
- Marine transportation

Cosmo Kaiun Co., Ltd.
- Tokyo
- ¥330 million
- 50.00%
- Marine transportation and shipping agency

Tokyo Cosmo Logistics Co., Ltd.
- Chiba Pref.
- ¥50 million
- 52.00%
- Trucking and transportation services

Petrochemical Production

Cosmo Matsuyama Oil Co., Ltd.*
- Ehime Pref.
- ¥3,500 million
- 100.00%
- Manufacture and sales of petrochemical products

Maruzen Petrochemical Co., Ltd.#
- Tokyo
- ¥10,000 million
- 30.00%
- Petrochemical development

Distribution & Storage

Yokkaichi LPG Terminal Co., Ltd.*
- Mie Pref.
- ¥1,600 million
- 55.00%
- LPG import, storage, and shipment

Tozai Oil Terminal Co., Ltd.
- Tokyo
- ¥480 million
- 50.00%
- Contracts for oil receiving and shipping works

Okinawa CTS Corp.
- Okinawa Pref.
- ¥4,000 million
- 35.00%
- Oil storage, receiving, and shipping works

Ogishima Oil Terminal Co., Ltd.
- Kanagawa Pref.
- ¥1,000 million
- 50.00%
- Oil storage

Hokuto Kogyo Co., Ltd.*
- Hokkaido
- ¥20 million
- 100.00%
- Oil receiving and shipping works

Sakaide Cosmo Kosan Co., Ltd.
- Kagawa Pref.
- ¥30 million
- 50.00%
- Marine transportation agency and port services

Sales

Cosmo Oil Lubricants Co., Ltd.*
- Tokyo
- ¥1,620 million
- 100.00%
- Information and technical services related to lubricating oil

Cosmo Petroleum Gas Co., Ltd.*
- Tokyo
- ¥3,500 million
- 100.00%
- Import and sales of LPG

Cosmo Asphalt Co., Ltd.*
- Tokyo
- ¥300 million
- 98.10%
- Sales of asphalt

Cosmo Oil Service Co., Ltd.*
- Tokyo
- ¥585 million
- 100%
- Marketing and sales of oil products

Toyo Kokusai Oil Co., Ltd.*
- Tokyo
- ¥232 million
- 96.25%
- Marketing and sales of oil products

Research & Development

Cosmo Research Institute*
- Tokyo
- ¥300 million
- 100.00%
- Research and development

Cosmo Technology Research Institute*
- Tokyo
- ¥10 million
- 100%
- Research and development of petroleum refining technology, etc.

Engineering

Cosmo Engineering Co., Ltd.*
- Tokyo
- ¥385 million
- 50.00%
- General plant and equipment engineering

Others

Cosmo Ventures Inc.*
- Tokyo
- ¥300 million
- 100.00%
- Integrated human resources services and management of leased real estate

Cosmo Trade & Service Co., Ltd.*
- Tokyo
- ¥200 million
- 100.00%
- Service-station-related business and other services

Cosmo Computer Center Co., Ltd.*
- Tokyo
- ¥50 million
- 100.00%
- Computer business consignee

Cosmo Carelife Co., Ltd.
- Mie Pref.
- ¥100 million
- 100%
- Home care services

OVERSEAS

Cosmo Oil International Pte., Ltd.*
- Singapore
- S$19,500 million
- 100.00%
- Purchase and sale of crude oil and finished products

Cosmo Oil of U.S.A., Inc.
- New York
- US$250,000
- 100.00%
- Business services for Cosmo Oil Co., Ltd.

Cosmo Oil (U.K.) Plc.*
- London
- US$4,982 million
- 100.00%
- Purchase and sale of crude oil and finished products

Cosmo Lubricants (Taiwan) Co., Ltd.
- Taipei
- NT$15 million
- 100.00%
- Lubricating oil sales

- Location
- Paid-in Capital
- Shareholdings (including indirect shareholdings)
- Principal Business

* Consolidated
# Accounted for by the equity method

COSMO OIL CO., LTD.

Head Office
1-1, Shibaura 1-chome, Minato-ku,
Tokyo 105-8528, Japan
Phone: (03) 3798-3211
Fax: (03) 3798-3237
URL: http://www.cosmo-oil.co.jp

Established
April 1, 1986

Common Shares
Authorized: 1,700,000,000
Issued: 631,705,087

Paid-in Capital
¥51,887 million

Stock Listings
Tokyo, Osaka, Nagoya

Number of Employees
1,892

Number of Dealers
382

Number of Service Stations Owned
5,373 (Fixed type)
168 (Portable stand)

Number of Branches
9

Number of Shareholders
42,767

Transfer Agent
The Chuo Mitsui Trust & Banking Co., Ltd.
33-1, Shiba 3-chome, Minato-ku,
Tokyo 105-8574, Japan

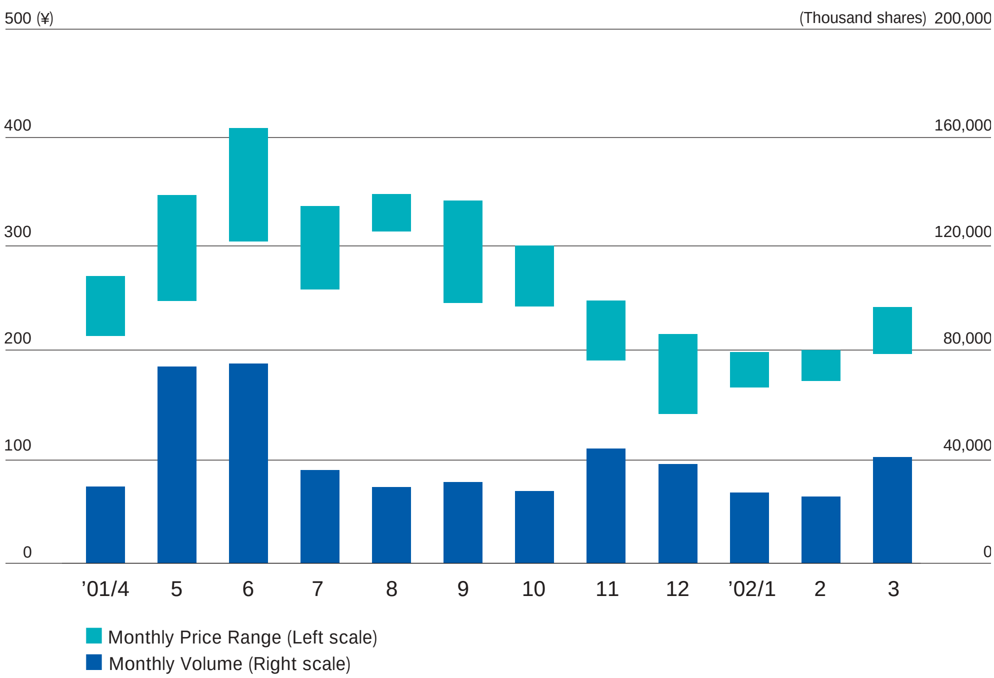
Independent Certified Public Accountants
Asahi & Co.

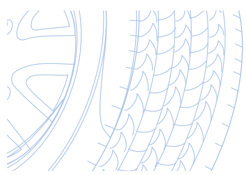
Principal Shareholders

	Number of shares owned (Thousands)	Percentage of total shares issued
UFJ Bank, Ltd.	31,584	4.99%
The Industrial Bank of Japan, Limited	31,531	4.99
Japan Trustee Services Bank, Ltd. (trust account)	31,040	4.91
Mitsui Sumitomo Marine and Fire Insurance Company, Limited	22,952	3.63
The Mitsubishi Trust and Banking Corporation (trust account)	20,409	3.23
The Kansai Electric Power Company, Incorporated	18,600	2.94
Cosmo Oil Employees' Shareholding Association	18,519	2.93
The Tokio Marine and Fire Insurance Company, Limited	16,337	2.58
The Yasuda Fire and Marine Insurance Company, Limited	14,473	2.29
UFJ Trust Bank, Limited	12,790	2.02

* Bank names shown are those used by the relevant institutions as of April 1, 2002.

Price Range of Stock and Trading Volume





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COSMO OIL CO., LTD.

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