



Marketing, Exploration and Production, Refining, Distribution, Gas and Power



Financial and Operating Highlights

Cosmo Oil Co., Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note)
	2000/9	2001/9	2001/9
Net Sales	¥ 846,883	¥ 915,089	\$ 7,664,062
Operating Income	16,361	12,077	101,147
Net Income (loss)	5,517	(198)	(1,658)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001/3	2001/9	2001/9
Total Shareholders' Equity	¥ 177,773	¥ 172,893	\$ 1,448,015
Total Assets	1,319,960	1,289,057	10,796,122

	Yen		U.S.dollars (Note 1)
	2001/3	2001/9	2001/9
Amounts per share of common stock:			
Net income (loss)	¥ 13.81	¥ (0.31)	\$ (0.00)
Diluted net income	13.53	-	-
Cash dividends	6.00	3.00	0.03

Note: U.S. dollar figures are translated from yen, for convenience only, at the rate of ¥119.40 to US\$1, the approximate rate of exchange at September 30, 2001.

Interim Results for the 96th Fiscal Year and Report on the Cosmo Oil Group's Future Management Policies



Keiichiro Okabe
Chairman and
Chief Executive Officer
Cosmo Oil Co., Ltd.

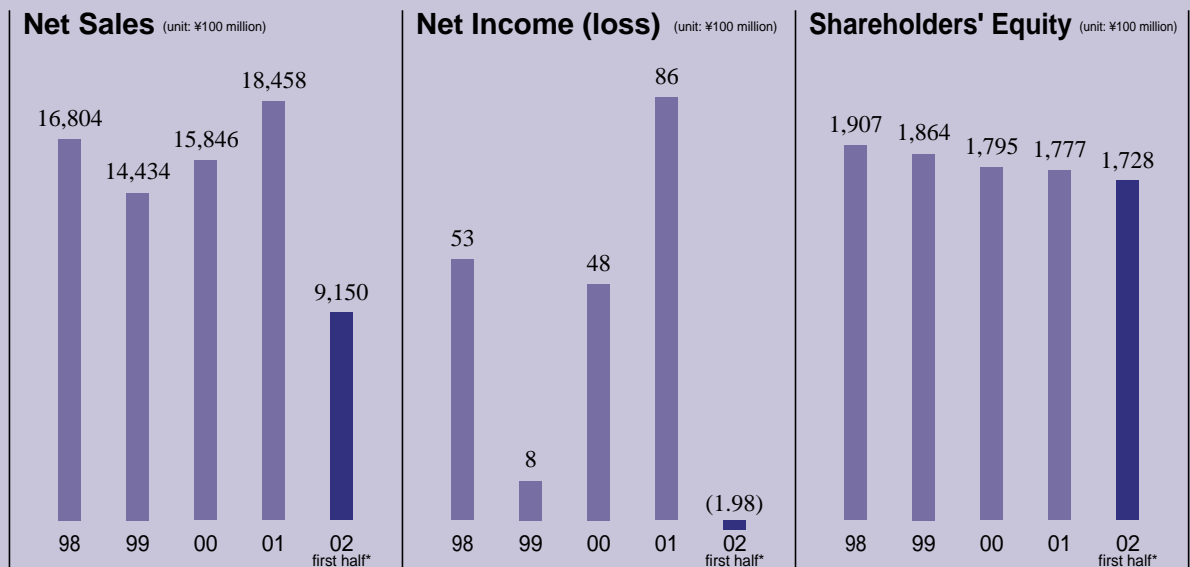
Higher Crude Oil Prices Boost Revenues; Earnings Down Due to Losses from Revaluation of Securities

Once again thanking you for your support and patronage, I take pleasure in reporting the mid-term financial results for our 96th fiscal year ending March 2002.

During the first six months, procurement costs rose as crude oil prices remained relatively high and the

yen relatively weak. Meanwhile, we were unable to fully shift the higher crude oil prices onto any of our oil products except gasoline. Since the beginning of this fiscal year, the management of Cosmo Oil has been making a strenuous effort to respond to an ongoing difficult business environment in which demand for oil products is expected to decline worldwide affected by the September 11th terrorist attacks on America by implementing a new management initiative, "Value Creation 21," designed for even higher efficiency and the creation of new added value.

For the first half of the fiscal year, Cosmo Oil Co., Ltd. alone reported revenues of ¥778 billion on a non-consolidated basis, up ¥41.1 billion from the comparable period of the previous year, due to crude oil price increases. The company's rationalization and value creation efforts contributed to an approximate ¥7.1 billion increase in earnings that more than offset a decline of some ¥1.4 billion in domestic sales for a ¥5.7 billion improvement in earnings overall. However, as the change of our



* First half of FY2002 with the year ending on March 31, 2002. Others indicate each respective fiscal year.

inventory valuation method contributed to a ¥12.4 billion increase in earnings for the first half of the previous year, our operating income for the first half was ¥2.8 billion, down ¥6.7 billion. We achieved ordinary income of ¥2.7 billion as a result of efforts to improve the financial balance and others, although it represented a ¥2.3 billion decrease from the previous year. We, however, reported a net loss of ¥1.2 billion for the first half of this year due mostly to losses from revaluation of securities.

On a consolidated basis, the Cosmo Oil Group reported sales of ¥915 billion, up ¥68.2 billion, as the crude oil development and production remained strong thanks to increased crude oil prices. It reported ordinary income of ¥10.1 billion, down ¥66 million, and a net loss of ¥198 million, down ¥5.7 billion, due to losses from revaluation of securities, among other factors. The board adopted a resolution that the interim dividend will be ¥3 per share, the same as that for the first half of the previous year.

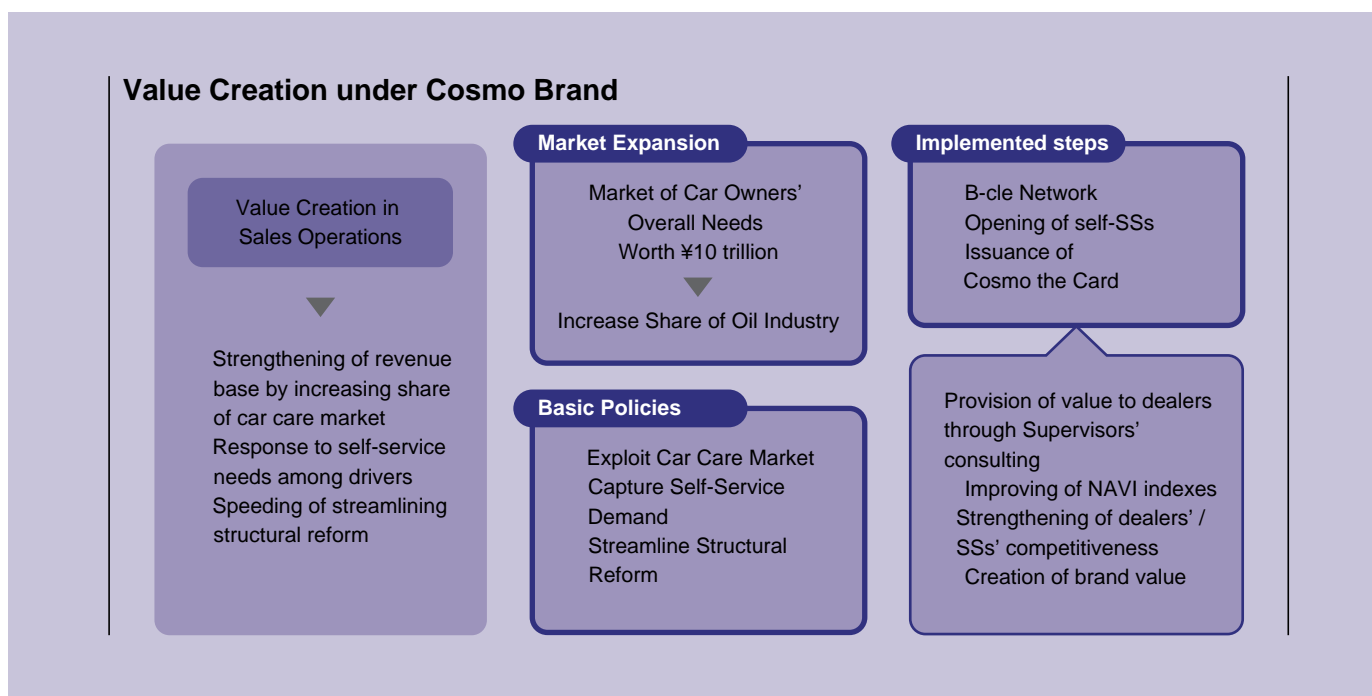
As for our outlook for the entire fiscal year, our goal is to achieve ¥1.84 trillion in sales, ¥26 billion ordinary income and ¥5.5 billion net income on a consolidated basis. The dividend for the year is expected to be ¥6 per share.

Increasing Share of Car Care Market

All of us at Cosmo Oil are now engaged in “Value Creation 21,” the new management initiative mentioned above. The primary focus in this program is the creation of added value in sales operations. The objective here is to break away from the conventional style of operating service stations (SS) relying on gas sales volumes and, instead, increase our share of the total car care market serving all a car owner’s needs including car inspection, repair, car washing, Lubricating oil, tires and other related products.

We have been building up the “B-cle Network,” a network of SSs to provide such total car care products and services, and the number of B-cle SSs at the end of the first half of this fiscal year was 224. We will continue to expand the network, with a goal to bring the number to 500 by the end of March, 2003.

Regarding “Cosmo the Card,” our own credit card and one of our key strengths, we have been implementing a number of strategic moves. For instance, we became the first in the industry to add purchase points of non-fuel products and service and ETC function to the card, as well as conducting



various promotional activities. As a result, 2.57 million cards had been issued by the end of the first half of this fiscal year. We are set to continue our efforts to promote both the issuance and use of the card to contribute to overall earnings.

Another important effort in our sales operations has been to respond to diversifying customer needs by opening self-service SSs, and the number of these stations was 55 at the end of the first half. We will continue to further expand self-service SSs, with a goal of bringing the number to 140 by the end of March 2002. Our Supervisors, who offer management consulting to SS operators, will continue to help individual operators strengthen their SS management capabilities by advising measures that combine these new SS management strategies and exhaustive means to improve efficiency. Their objective is for the Cosmo Oil SSs to become leaders in their respective locations.

Diversification and New Businesses Further Improvement of Financial Foundation

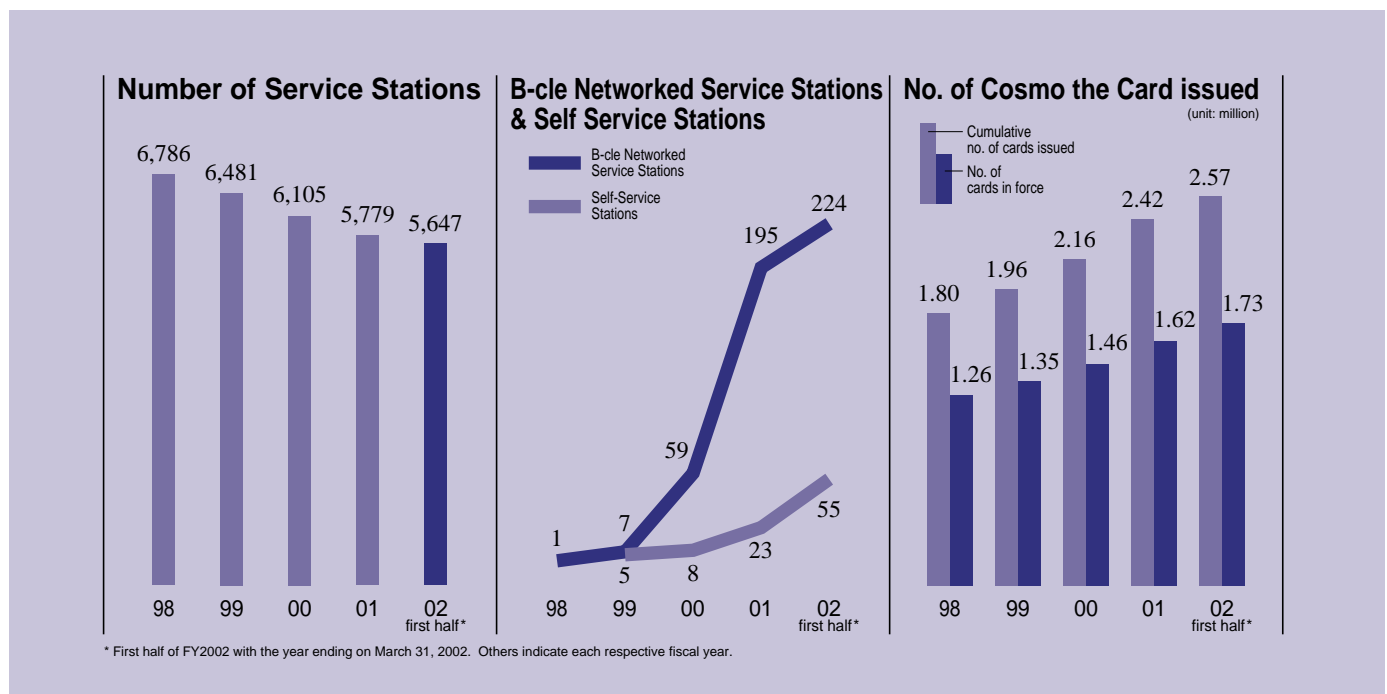
Our other operations, including crude oil purchasing, transportation, storage, refining and logistics, will

also continue their own efforts for even higher efficiency, while at the same time ensuring dynamic operations and increased added value in production by making the best of the SAP integrated platform system.

With regard to crude oil development, while our primary focus will be on Abu Dhabi and Qatar in the Middle East, Australia will be designated as a second core area. For our new businesses, we will address opportunities in electric power, new energy and the Internet that will arise in connection with the oil business, thereby diversifying revenue sources even further.

In terms of finance, we have been taking steps to slim our balance sheet to improve capital efficiency. Our goal with regard to interest-bearing debts is to achieve a decrease of some ¥200 billion by the end of March 2003 as compared to the end of March 1999. In terms of financial indicators, we aim to achieve, also by the end of March 2003, a ROE of 10%, an equity ratio of 20% and reliance on interest-bearing debts of 40% on an unconsolidated basis. Our goals on a consolidated basis are virtually the same.

In our efforts to achieve these and other goals, I again ask for your understanding and support.



Consolidated Balance Sheets (Unaudited)

As of March 31 and September 30, 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001/3	2001/9	2001/9
Current assets:			
Cash and Deposits	¥ 54,157	¥ 50,498	\$ 422,931
Marketable securities	35,817	13,438	112,546
Notes and accounts receivable, trade	248,326	230,244	1,928,342
Less allowance for doubtful accounts	(834)	(651)	(5,452)
	247,492	229,593	1,922,889
Inventories	190,186	191,902	1,607,219
Other current assets	103,298	122,213	1,023,561
Total current assets	630,950	607,644	5,089,146
Property, plant and equipment:			
Land	323,163	322,848	2,703,920
Buildings and structures	369,738	370,147	3,100,059
Machinery and equipment	319,494	323,545	2,709,757
Construction in progress	15,213	21,924	183,617
	1,027,608	1,038,464	8,697,353
Less accumulated depreciation	(492,488)	(502,299)	(4,206,859)
Net property, plant and equipment	535,120	536,165	4,490,494
Other assets:			
Investments in unconsolidated subsidiaries, affiliates and securities	95,637	76,429	640,109
Long-term loans receivable	8,826	10,785	90,327
Other	49,427	58,034	486,047
Total other assets	153,890	145,248	1,216,482
Total	¥ 1,319,960	¥ 1,289,057	\$ 10,796,122

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001/3	2001/9	2001/9
Current liabilities:			
Short-term loans and current maturities of long-term debt	¥ 237,067	¥ 233,760	\$ 1,957,789
Notes and accounts payable, trade	228,563	233,859	1,958,618
Income, excise and other taxes payable	116,042	111,354	932,613
Accrued expenses and other current liabilities	120,884	113,570	951,173
Total current liabilities	702,556	692,543	5,800,193
Long-term debt, less current maturities	373,619	358,679	3,004,012
Retirement and severance benefits	3,612	3,942	33,014
Other long-term liabilities	41,157	38,858	325,444
Minority interests	21,243	22,142	185,444
Shareholders' equity:			
Common stock, par value ¥50 per value authorized 1,700,000,000 shares issued 631,705,087 shares	51,887	51,887	434,564
Additional paid-in capital	34,092	34,092	285,528
Retained earnings (Notes 2, 3)	92,848	91,692	767,940
Net unrealized holding losses on securities	-	(3,616)	(30,285)
Foreign currency translation adjustments	(693)	(619)	(5,184)
Less treasury stock, at cost	(361)	(543)	(4,548)
Total shareholders' equity	177,773	172,893	1,448,015
Total	¥ 1,319,960	¥ 1,289,057	\$ 10,796,122

Consolidated Interim Statements of Income (Unaudited)

For the six months ended September 30, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000/9	2001/9	2001/9
Net sales	¥ 846,883	¥ 915,089	\$ 7,664,062
Cost of sales	763,414	834,053	6,985,369
Gross profit	83,469	81,036	678,693
Selling, general and administrative expenses	67,108	68,959	577,546
Operating income	16,361	12,077	101,147
Other income (expenses):			
Interest and dividend income	1,482	1,633	13,677
Interest expense	(9,059)	(7,231)	(60,561)
Foreign currency exchange gain, net	1,477	1,901	15,921
Net gain on sale and disposal of property, plant and equipment	6,926	139	1,164
Equity in earnings of affiliates	270	34	285
Loss on revaluation of investment securities	(2,697)	(5,141)	(43,057)
Gain (Loss) on sale of investment securities	(263)	896	7,504
Other, net	(811)	389	3,258
	(2,675)	(7,380)	(61,809)
Income before income taxes and minority interests	13,686	4,697	39,338
Income taxes :			
Current	3,720	5,150	43,132
Deferred	3,974	(1,616)	(13,534)
	7,694	3,534	29,598
Income before minority interests	5,992	1,163	9,740
Minority interests	(475)	(1,361)	(11,398)
Net income (loss)	¥ 5,517	¥ (198)	\$ (1,658)

	Yen		U.S.dollars (Note 1)
	2001/3	2001/9	2001/9
Amounts per share of common stock:			
Net income (loss)	¥ 13.81	¥ (0.31)	\$ (0.00)
Diluted net income	13.53	-	-
Cash dividends	6.00	3.00	0.03

Consolidated Statements of Stockholder's Equity (Unaudited)

For the year ended March 31, 2001 and the six months ended September 30, 2001

	Number of shares of common stock	Millions of yen					
		Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2000	631,705,087	¥51,887	¥34,092	¥94,883	¥ -	¥ -	¥(476)
Net income for the year	-	-	-	8,674	-	-	-
Change in presentation due to adoption of new accounting method	-	-	-	-	-	(693)	-
Cash dividends paid	-	-	-	(3,779)	-	-	-
Bonuses to directors and corporate auditors ..	-	-	-	(8)	-	-	-
Cumulative effect of adopting deferred income tax accounting ..	-	-	-	(1,982)	-	-	-
Change 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	631,705,087	¥51,887	¥34,092	¥92,848	¥ -	¥(693)	¥(361)
Net loss for the year	-	-	-	(198)	-	-	-
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	74	-
Change resulting from increase in consolidated subsidiaries ..	-	-	-	931	-	-	(485)
Increase resulting from mergers	-	-	-	2	-	-	-
Adoption of new accounting standard for financial instruments	-	-	-	-	(3,616)	-	-
Cash dividends paid	-	-	-	(1,882)	-	-	-
Bonuses to directors and corporate auditors ..	-	-	-	(9)	-	-	-
Sales of treasury stock	-	-	-	-	-	-	303
Balance at September 30, 2001	631,705,087	¥51,887	¥34,092	¥91,692	¥(3,616)	¥74	¥(543)

	Thousands of U.S.dollars (Note 1)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	\$434,564	\$285,528	\$777,621	\$ -	\$(5,804)	\$(3,023)
Net loss for the year	-	-	(1,658)	-	-	-
Adjustments from translation of foreign currency financial statements	-	-	-	-	620	-
Change resulting from increase in consolidated subsidiaries	-	-	7,797	-	-	(4,062)
Increase resulting from mergers	-	-	17	-	-	-
Adoption of new accounting standard for financial instruments	-	-	-	(30,285)	-	-
Cash dividends paid	-	-	(15,762)	-	-	-
Bonuses to directors and corporate auditors ..	-	-	(75)	-	-	-
Sales of treasury stock	-	-	-	-	-	2,538
Balance at September 30, 2001	\$434,564	\$285,528	\$767,940	\$(30,285)	\$(5,184)	\$(4,548)

Consolidated Interim Statements of Cash Flows (Unaudited)

For the six months ended September 30, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000/9	2001/9	2001/9
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 13,686	¥ 4,697	39,338
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	11,205	11,803	98,853
Interest and dividend income	(1,482)	(1,633)	(13,677)
Interest expense	9,059	7,231	60,561
Decrease (Increase) in notes and accounts receivable	(18,676)	18,621	155,955
Increase in inventories	(31,007)	(1,687)	(14,129)
Increase in notes and accounts payable	9,698	2,915	24,414
Increase in other current assets	(4,826)	(26,051)	(218,183)
Increase (Decrease) in other current liabilities	28,885	(13,909)	(116,491)
Other, net	(7,322)	4,520	37,856
Sub total	9,220	6,507	54,497
Interest and dividends received	1,489	1,635	13,693
Interest paid	(8,808)	(7,239)	(60,628)
Income taxes paid	(4,405)	(4,070)	(34,087)
Net cash used in operating activities	(2,504)	(3,167)	(26,525)
Cash flows from investing activities:			
Proceeds from sale of marketable securities	49	41	343
Payments for purchases of property, plant and equipment	(8,102)	(13,167)	(110,276)
Proceeds from sale of property, plant and equipment	52,902	1,994	16,700
Payments for purchases of investment in securities	(1,552)	(10,470)	(87,688)
Proceeds from sale of investment in securities	1,607	10,436	87,404
Other-net	(5,796)	569	4,765
Net cash provided by (used in) investing activities	39,108	(10,597)	(88,752)
Cash flows from financing activities:			
Increase (Decrease) in short-term loans payable	(9,913)	(12,160)	(101,843)
Proceeds from long-term loans payable	2,362	10,113	84,698
Repayments for long-term loans payable	(17,235)	(18,766)	(157,169)
Proceeds from issuing straight bonds	10,000	-	-
Repayments for convertible bonds	(1,328)	-	-
Cash dividends paid	(2,404)	(2,297)	(19,238)
Other-net	-	303	2,538
Net cash used in financing activities	(18,518)	(22,807)	(191,014)
Effect of exchange rate changes on cash and cash equivalents			
	34	486	4,070
Net increase (decrease) in cash and cash equivalents	18,120	(36,085)	(302,219)
Cash and cash equivalents at beginning of the period	96,013	97,787	818,987
Cash and cash equivalents from newly consolidated subsidiaries . . .	-	362	3,032
Cash and cash equivalents from mergers	730	-	-
Cash and cash equivalents at end of the period	¥ 114,863	¥ 62,064	\$ 519,799

Notes to Consolidated Interim Financial Statements (Unaudited)

September 30, 2001

1 **Basis of Consolidated Interim Financial Statements**

The Company and its consolidated domestic subsidiaries maintain their records and prepare their financial statements in Japanese yen in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. Foreign subsidiaries' financial statements are prepared in conformity with generally accepted accounting principles in respective countries of domicile.

The accompanying consolidated financial statements have been translated from the financial statements that are prepared for Japanese domestic purposes in accordance with the provisions of the Securities and Exchange Law of Japan and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required.

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 financial statements are stated in Japanese yen. The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at September 30, 2001, which was ¥119.40 to U.S.\$1. Those conversions, which are merely provided for convenience, 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 **The New Japanese Accounting Standard on Financial Instruments Securities**

As permitted under the new accounting standard, available-for-sale securities were not stated using fair values at March 31, 2001. Effective in the six months ended September 30, 2001, however, the Company is required to state available-for-sale securities at fair values 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. There is no effect from the application of the new accounting method on net income for the period ended September 30, 2001.

There were no effects from adopting the accounting method on the income statement for the six months ended September 30, 2001.

3 **Subsequent Events (Appropriation of Retained Earnings)**

On October 27, 2001, the Board of Directors of the Company approved payment of interim cash dividends of ¥3 (US\$ 0.03) per share or a total of ¥1,895million (US\$ 15,872 thousand) to the stockholders of record at September 30, 2001.

Investor Information

As of September, 2001

Overview

NAME

COSMO OIL CO., LTD.

HEAD OFFICE

1-1-1, Shibaura, 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

1,911

NUMBER OF DEALERS

404

NUMBER OF SERVICE STATIONS

5,647

NUMBER OF BRANCHES

9

REFINERIES

Chiba, Yokkaichi, Sakai, Sakaide

NUMBER OF SHAREHOLDERS

40,270

MAIN SHAREHOLDERS

Japan Trustee Services Bank, Ltd.

The Industrial Bank of Japan, Ltd.

The Sanwa Bank, Ltd.

The Kansai Electric Power Co., Inc.

The Tokio Marine And Fire Insurance Co., Ltd.

The Sumitomo Marine And Fire Insurance Co., Ltd.

TRANSFER AGENT

The Chuo Mitsui Trust & Banking Co.,Ltd.

33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Asahi & Co.

Overseas Offices

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Shaikh Hamdan St. 10th Floor, Suite No.1001

Phone : 971-2-6334155

COSMO OIL CO., LTD. BEIJING OFFICE

Room No. 719 Beijing Fortune Bldg., No.5 Dong San
Huan Beilu Chao Yang District Beijing 100004. China

Phone : 86-10-6590-8626

Overseas affiliates

COSMO OIL OF U.S.A., INC.

Head Office : 150 East 52nd Street, 22nd FL., New York
N.Y.10022, U.S.A.

Phone : 1-212-486-3700

Capital : US\$250,000

Line of Business : Oil-related information services

COSMO OIL (U.K.) PLC.

Head Office : 7 Old Park lane, London W1K 1QR, U.K.

Phone : 44-20-7629-3031

Capital : US\$4,982,000

Line of Business : Purchase and sales of crude oil and
finished products

COSMO OIL INTERNATIONAL PTE., LTD.

Head Office : 6 Battery Road #26-06 Singapore 049909

Phone : 65-324-3722

Capital : S\$19,500,000

Line of Business : Purchase and sales of crude oil and
finished products

COSMO LUBRICANTS (TAIWAN) CO., LTD.

Head Office : Rm.1210,11FL-10, No.205, Sec.1

Tun Hwa S. Rd., Taipei, Taiwan

Phone : 886-2-2781-0766

Capital : NT\$15,000,000

Line of Business : Lubricating oil sales

 **COSMO OIL CO., LTD.**

1-1-1, Shibaura, Minato-ku,
Tokyo 105-8528, Japan

Please visit our internet website at
<http://www.cosmo-oil.co.jp>

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