



Value Creation 21-Results and Outlook



Financial and Operating Highlights

Cosmo Oil Co., Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note)
	2001/9	2002/9	2002/9
Net Sales	¥ 915,089	¥ 897,521	\$ 7,320,726
Operating Income	12,077	2,699	22,015
Net Income (loss)	(198)	(2,293)	(18,703)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002/3	2002/9	2002/9
Total Shareholders' Equity	¥ 194,303	¥ 188,040	\$ 1,533,768
Total Assets	1,242,171	1,192,006	9,722,724

	Yen		U.S.dollars (Note 1)
	2002/3	2002/9	2002/9
Amounts per share of common stock:			
Net loss	¥ (8.24)	¥ (3.64)	\$ (0.03)
Diluted net income	-	-	-
Cash dividends	6.00	3.00	0.02

Note: U.S. dollar figures are translated from yen, for convenience only, at the rate of ¥122.60 to US\$1, the approximate rate of exchange as of September 30, 2002.

Cautionary Statement with Respect to Forward-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.

Report on Results for the First Half of Fiscal Year 2003 and Future Management Policies



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

Lower Selling Prices and Volume Reduce Sales Decreased Dividends Received and Other Factors Squeeze Earnings

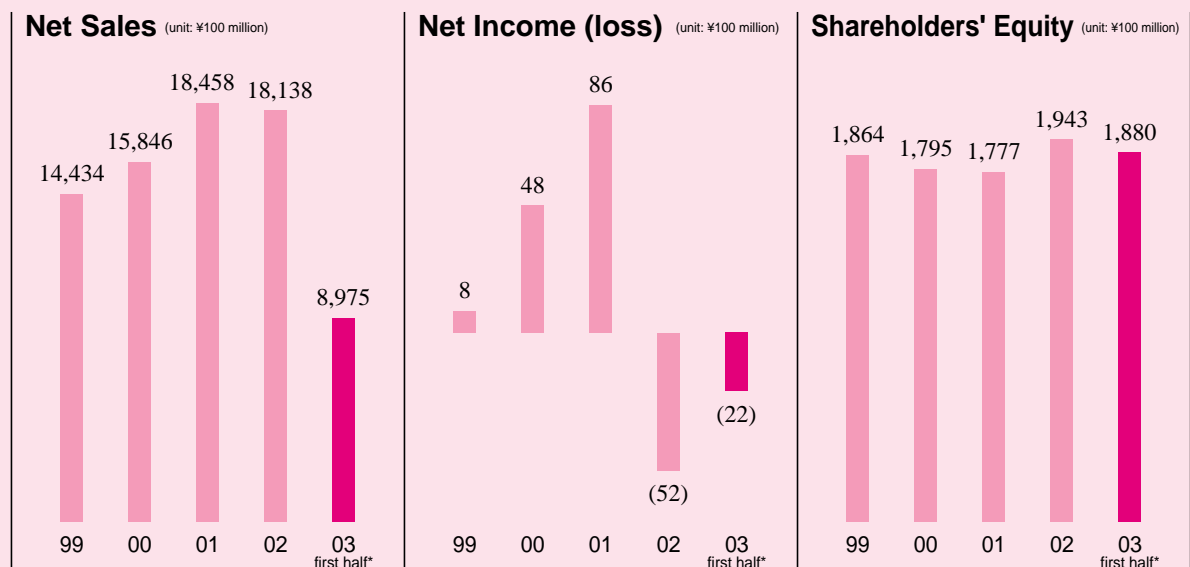
We would like to extend our appreciation for the generous patronage of our shareholders by taking this opportunity of reporting our financial results for the first half of fiscal year 2003, ending March 31, 2003.

At the beginning of the first-half year from April 1, 2002 to September 30, 2002, the Dubai crude oil

price was over the level of \$24 a barrel and went up to about \$27 a barrel at the end of the term. The sales volume of our oil products was 20.21 million kiloliters for the first half of Fiscal 2003, down 0.4% from the same period of last year, reflecting good gasoline sales offset by decreased demand for industries affected by economic downturn in Japan. The environment surrounding oil products continued to be difficult affected by aggravated market conditions, including delay in pass-along of crude oil cost to market prices attributable to lower domestic demand and deteriorated demand-supply situations.

Even in this hostile business environment, the Cosmo Oil Group has continued the two-year “Value Creation 21” management program, which is designed to help us “improve our corporate values” and to build our “absolute competitive advantages,” to change the way we do business across all segments of oil refining, sales and distribution, and business administration.

During the first-half year, Cosmo Oil alone recorded sales at 761.3 billion, down 16.6 billion yen, or 2.1%



* First half of FY2003 with the year ending on March 31, 2003. Others indicate each respective fiscal year.

from the same period last year, reflecting drops in selling prices and volume. Rationalization and value creation efforts improved earnings by 6.3 billion yen, more than offset by negative impact of 18.5 billion yen by aggravated market conditions and a profit improvement factor of 6.4 billion yen arising from effect of inventory valuation, which reduced cost of sales by 8.4 billion yen for the first half of Fiscal 2003 and by 2.0 billion yen for the first half of Fiscal 2002, resulting in an operating loss of 2.9 billion yen for the current first half year, down 5.8 billion yen from the same period of the previous year.

A decrease in dividends received from our affiliated companies and other factors resulted in an ordinary loss of 3.9 billion yen for the first half of Fiscal 2003, down 6.7 billion yen from the same period last year. A net extraordinary loss of 300 million yen, coupled with adjustments of corporate income taxes and other items, resulting in a net loss of 2.2 billion yen for the first half year, down 1.0 billion yen from the same period last year. The company's board adopted a resolution that a dividend per share for the first half of Fiscal 2003 be three yen, unchanged from the same period of the previous year.

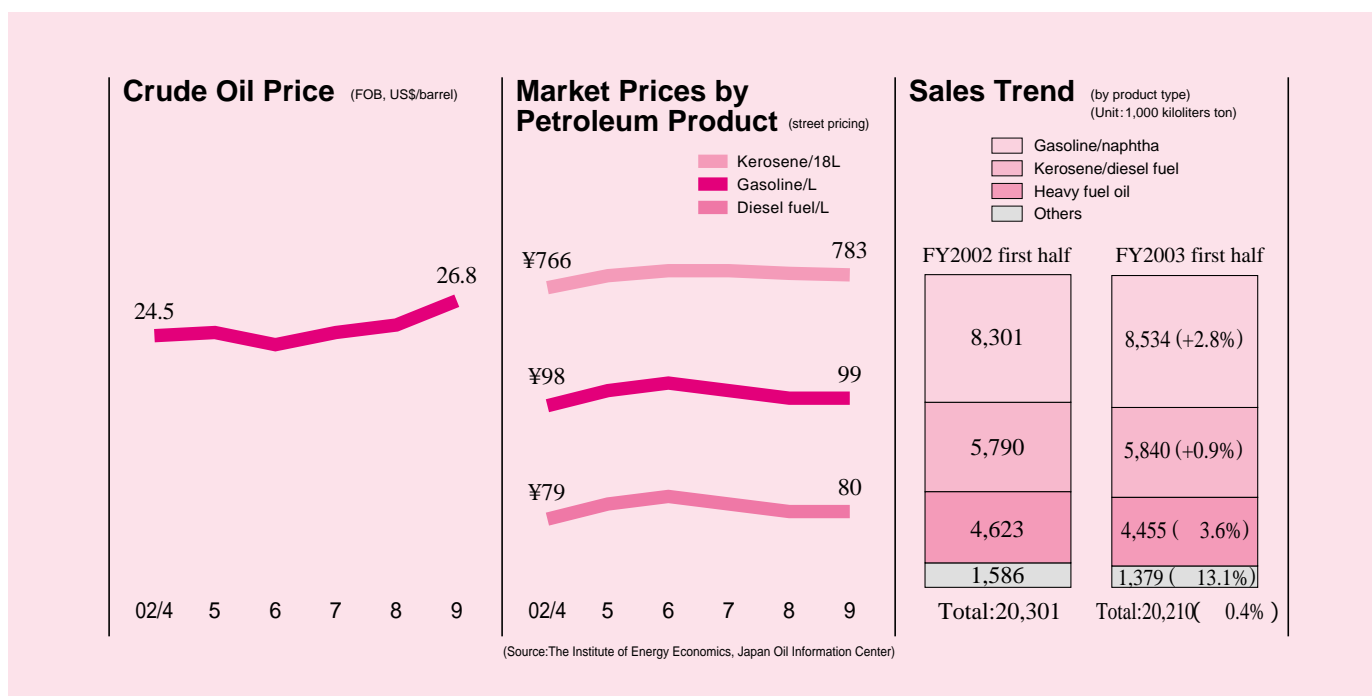
Consolidated sales of the Cosmo Oil Group were 897.5 billion yen for the first half of Fiscal 2003,

down 17.6 billion yen, or 1.9% from the same period of Fiscal 2002. Operating income for the first half year was 2.6 billion yen, down 9.4 billion yen or 77.7%, reflecting a decrease in selling, general and administrative expenses through rationalization efforts. Decreased earnings at subsidiaries and other factors caused an ordinary loss of 0.5 billion yen, down 10.7 billion yen, and a net loss of 2.2 billion, down 2.1 billion yen.

As we continue our efforts to improve demand and supply situations for us through cuts in production, we see market conditions for oil products gradually recovering. We will step up our efforts to help improve market conditions for the second half of the fiscal year to improve margins across all oil products. Our 12-month outlook for the year includes consolidated sales of 1,840 billion yen, ordinary income of 22 billion yen, and net income of 7.5 billion yen. We will aim at meeting these goals to offer annual dividend of six yen per share to our shareholders.

Aim at Achieving 90% of the Original Goal of the "Value Creation 21"

Recently, prolonged economic recession has lowered oil demand across all industries in Japan, and



continued market deterioration by intensifying competition among service stations (SSs) have significantly squeezed automobile fuel margins, or difference between crude oil prices from market prices, making our operation environment remain difficult.

In this difficult environment, nonetheless, we continue the two-year “Value Creation 21” program to improve earnings by 50 billion yen, starting Fiscal 2002. The Group achieved an improvement of 17.1 billion yen in Fiscal 2002 and 8.8 billion yen in the first half of Fiscal 2003. The program consists of value creation and rationalization of operations. “Value creation” efforts include improvement of values added to manufacturing through optimized operations of oil refining facilities, keeping production and inventory levels at optimum levels by enhanced supply chain management (SCM), and creating highly added-value sales through enhancement of the retail (SS sales) channel and direct selling. “Rationalization” efforts, on the other hand, mainly consist of reductions in personnel and operating expenses, improvement of efficiency of logistics, and decreases in repair and maintenance expenses for SSs. We will be in the final phase of the program in the second half of the year to further

create values and cut costs by 15.5 billion yen, and we aim at achieving total earnings improvement of 44.9 billion yen, or about 90% of the original goal of 50 billion yen for the two years.

Value Creation Centering on Creating Highly Added Values to Sales = Enhancing Retail to Strengthen Sales

We are working on the “Value Creation 21” initiative mainly through creating highly value-added sales by enhancing the retail channel and direct selling. We believe that building a new business model that will help us create new values in this area provide the source for profitability in the future.

Our basic strategy or business model to grow SS sales is to converge the following three services to create a synergy effect:

1. Address self-service needs = self-service SSs
2. Effort to the car care market = “B-cle” car care convenience stores network (A B-cle represents a facility providing car care services equivalent to those offered by a service garage.)
3. Acquire many excellent customers = “Cosmo The Card” credit cards

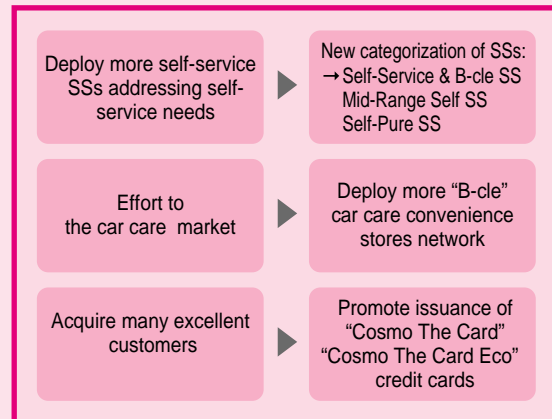
First off, we will open more self-service SSs. As of

Value Creation 21 - Results and Plans

(¥100 million)

		FY2002 Actual	FY2003		Cumulative achievement from FY01	Original plan
			1st Half Actual	2nd Half Forecast		
Rationalization	Supply	10	8	15	33	49
	Marketing	10	5	4	19	20
	Logistics	40	4	1	45	52
	Administration, etc.	10	2	3	15	21
	Sub total	70	19	23	112	142
Value creation	Supply	21	11	15	47	39
	Marketing	60	33	74	167	198
	Sub total	81	44	89	214	237
Total (on an average year basis)		151	82	148	381	435
Sales subsidiary results		20	6	7	33	30
Overachieved results brought over from previous year					35	35
Grand total		171	88	155	449	500

SS Retail Enhancement Programs



Increase retail profits ▶ Reform the distribution structure

September-end 2002, we had 148 Cosmo-owned self-service SSs and 63 special agent owned self-service stations, totaling 211 outlets, accounting for 11.1% of total self-service SSs operational in Japan. We plan to speed up new station opening to increase the number to 350 by March-end 2003. Statistical data show overwhelmingly strong sales of self-service SSs that one self-service station sells an average of 403 kiloliters of automobile fuels a month, while one conventional full-service station only sells an average of 190 kiloliters a month. When they are compared by using the measurement of operating efficiency by converting operating expenses to fuel sales volume (namely Cosmo's unique NV Index), it is also proven that self-service SSs do more efficient and profitable operations than full-service SSs.

We are driving to reorganize Cosmo Oil self-service SSs into three different categories of stations offering different types of services that can meet different customer needs and fit in geographical location conditions, as follows:

1. Key stations on the B-cle network
= Self-service & B-cle SSs
2. Single self-service stations with B-cle stores in their site
= Mid-Range self-service
3. Stations specialized in fuel sales
= Self-Pure SSs

Grow Our Share in the Car Care Market

The second pillar of "effort to the car care market" in the SS basic sales strategy refers to Cosmo's efforts to gain our share in the car care market valued at 10 trillion yen. Currently, Cosmo's SSs and other SSs offering car care services together account for a 7-8% share in the entire car care market in Japan but the market is expected to provide us with great opportunities in the future; for example, deregulation of car inspection will allow more SSs to offer car inspection services to extend useful life of passenger cars, likely to broaden the car repair and maintenance market. With this in mind, Cosmo will cover large trade areas by networking smaller local SSs around large SSs which also operate B-cle stores offering value-added services, including car inspection and service garages, quality car wash, lubricating oil exchange, and car accessory sales. As of September 30, 2002, we had a network of 220 B-cle stores and we plan to increase the number to 500 by March 31, 2003. One B-cle SS earns an average gross profit of 2.45 million yen on car care sales, larger than one general full-service SS with a profit of 1.96 million

Sales at Self-Service SSs

	Self-service service stations				Ordinary full-service SSs
	B-cle	Pure	Other	Total	
No. of SSs	25	58	128	211	-
Automobile fuel sales in volume (KL/month)	587	337	397	403	190
Gross profit from car care business (1,000 yen/month)	3,813	310	1,381	1,926	1,965
Share of card sales against total sales (%)	48	61	35	47	26

Notes: 1) Full-service SS sales represent sales by Value Creation Program participating SSs
2) The number of SSs above as of September 30, 2002

Sales at Full-Service SSs

	Full-service SSs			
	B-cle (Key stations)	B-cle (Satellite stations)	B-cle (Total)	Ordinary SSs
No. of SSs	24	171	195	-
Automobile fuel sales in volume (KL/month)	264	187	195	190
Gross profit from car care business (1,000 yen/month)	3,733	2,318	2,451	1,965
Share of card sales against total sales (%)	39	32	33	26

Notes: 1) Full-service SS sales represent sales by Value Creation Program participating SSs
2) The number of SSs above as of September 30, 2002

yen. Score levels of F Index, or a scale to measure how much of personnel cost can be covered by non-fuel revenue, also confirm that B-class SSs do lower cost and more highly profitable operations. In this sense, what we do in the car care market represent a shift from conventional SS operations heavily dependent on fuel sales to the new business model that will create new values.

Marketing Strategy by Issuing More Cards

The third pillar of “acquiring many excellent customers” refers to our commitment to our card service by placing “Cosmo The Card” and “Cosmo The Card – ‘Eco’” credit cards in the core of our marketing strategy. Cardmember customers are proven to be good customers, as they purchase an average of 100 liters of automobile fuels a month (and Eco cardmember customers purchase 110 liters of fuels a month), more than 56 liters purchased by cash customers; they purchase more car care products other than fuels; and they out-purchase high-octane gasoline by a ratio of high-octane gasoline to total gasoline purchases. This means that we could improve SS profitability by acquiring more purchases by cardmember customers than by cash customers. To do this, we will focus on issuing more

new cards. We issued 300,000 new cards during the first half of Fiscal 2003 and aim at issuing 350,000 new cards in the second half of the year.

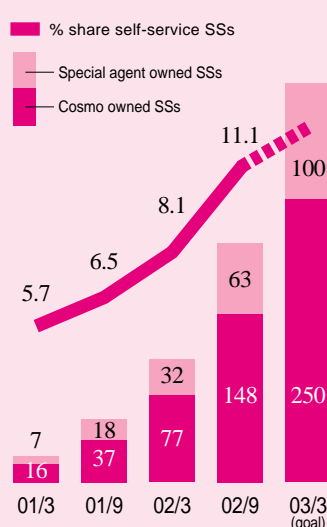
Enhance Our Financial Position to Maximize Efficiency in Equity Capital to Assets

We will improve our group’s financial position by repaying borrowings through liquidation of accounts receivable, disposal of securities and sales of unused land sites, which will reduce interest-bearing liabilities to increase profitability, as well as to improve efficiency in equity capital to assets. Specifically, we aim at improving return on earnings to 10%, increasing a ratio of shareholders’ equity to total assets to 20%, and reducing a ratio of interest-bearing liabilities to total assets down to 40% in the medium to long term.

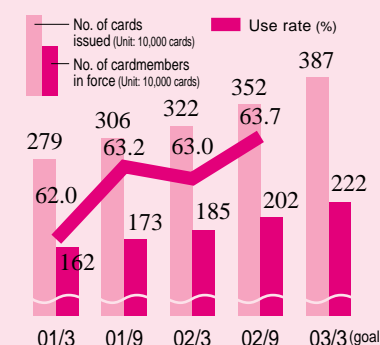
Our future efforts will be dedicated to creating new values across supply, logistics, crude oil exploration and production and all other segments, centering on sales in particular. We strongly believe that these efforts will help improve corporate values of the Cosmo Oil Group.

We hope that our shareholders will continue to understand and support us in the future.

Number of Self-Service SSs



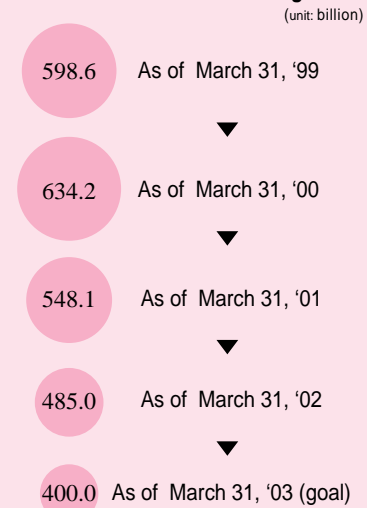
Cosmo The Card – Cards Issued



Evaluation of Cosmo The Card Membership

	Cosmo The Card 'Eco' cardmembers	Cosmo The Card cardmembers	Cash members
Monthly auto fuel purchase volume (L/month)	109.5	100.3	55.8
High-octane gasoline ratio (%)	31.8	22.4	17.9
Value creation Profit (¥/L)	18.1	11.0	7.2

Plan to Reduce Interest-Bearing Debts



Consolidated Balance Sheets (Unaudited)

As of March 31 and September 30, 2002

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002/3	2002/9	2002/9
Current assets:			
Cash and deposits	¥ 65,310	¥ 21,948	\$ 179,021
Marketable securities	11,625	10,279	83,842
Notes and accounts receivable, trade	194,279	170,710	1,392,414
Less allowance for doubtful accounts	(539)	(472)	(3,850)
	193,740	170,238	1,388,564
Inventories	179,670	193,756	1,580,392
Other current assets	84,780	96,534	787,390
Total current assets	535,125	492,755	4,019,209
Property, plant and equipment:			
Land	358,570	358,281	2,922,357
Buildings and structures	361,956	359,651	2,933,532
Machinery and equipment	326,877	327,599	2,672,096
Construction in progress	23,482	25,328	206,591
	1,070,885	1,070,859	8,734,576
Less accumulated depreciation	(504,709)	(507,360)	(4,138,336)
Net property, plant and equipment	566,176	563,499	4,596,240
Other assets:			
Investments in unconsolidated subsidiaries, affiliates and other securities	79,934	77,490	632,055
Long-term loans receivable	10,817	10,422	85,008
Other	55,542	51,332	418,695
Less allowance for doubtful accounts	(4,625)	(2,694)	(21,974)
Reserve for loss on investments in unconsolidated subsidiaries and affiliates . . .	(798)	(798)	(6,509)
Total other assets	140,870	135,752	1,107,275
Total	¥ 1,242,171	¥ 1,192,006	\$9,722,724

The accompanying notes are an integral part of these statements.
Amounts are rounded off to the nearest million yen or thousand U.S. dollars.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002/3	2002/9	2002/9
Current liabilities:			
Short-term loans and current maturities of long-term debt	¥ 215,376	¥ 229,324	\$ 1,870,506
Notes and accounts payable, trade	197,864	180,409	1,471,525
Income, excise and other taxes payable	118,995	93,639	763,777
Accrued expenses and other current liabilities	103,123	98,718	805,203
Total current liabilities	635,358	602,090	4,911,011
Long-term debt, less current maturities	333,277	326,593	2,663,891
Deferred income taxes for revaluation reserve for land	8,536	8,634	70,424
Retirement and severance benefits	4,043	4,215	34,380
Other long-term liabilities	43,259	39,092	318,858
Minority interests	23,395	23,342	190,392
Shareholders' equity:			
Common stock, authorized - 1,700,000,000 shares;			
issued - 631,705,087 shares	51,887	51,887	423,222
Capital reserve	34,092	34,092	278,075
Revenue reserve	95,224	91,060	742,741
Revaluation reserve for land, net of tax	12,067	12,224	99,706
Unrealized gains (losses) on securities, net of tax	2,060	(11)	(90)
Foreign currency translation adjustments	(508)	(756)	(6,167)
Less treasury stock, at cost	(519)	(456)	(3,719)
Total shareholders' equity	194,303	188,040	1,533,768
Total	¥ 1,242,171	¥ 1,192,006	\$ 9,722,724

Consolidated Statements of Income (Unaudited)

For the six months ended September 30, 2000, 2001 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000/9	2001/9	2002/9	2002/9
Net sales	¥ 846,883	¥ 915,089	¥ 897,521	\$ 7,320,726
Cost of sales	763,414	834,053	830,947	6,777,708
Gross profit	83,469	81,036	66,574	543,018
Selling, general and administrative expenses	67,108	68,959	63,875	521,003
Operating income	16,361	12,077	2,699	22,015
Other income (expenses):				
Interest and dividend income	1,482	1,633	1,312	10,701
Interest expense	(9,059)	(7,231)	(6,680)	(54,486)
Foreign currency exchange gains, net	1,477	1,901	90	734
Net gain (loss) on sale and disposal of property, plant and equipment	6,926	139	(675)	(5,506)
Equity in earnings (losses) of affiliates	270	34	(151)	(1,232)
Loss on revaluation of investment securities	(2,697)	(5,141)	(103)	(840)
Net gain (loss) on sale of investment securities	(263)	896	193	1,574
Other, net	(811)	389	1,944	15,857
	(2,675)	(7,380)	(4,070)	(33,198)
Income (loss) before income taxes and minority interests	13,686	4,697	(1,371)	(11,183)
Income taxes :				
Current	3,720	5,150	3,598	29,347
Deferred	3,974	(1,616)	(3,153)	(25,718)
	7,694	3,534	445	3,629
Income (loss) before minority interests	5,992	1,163	(1,816)	(14,812)
Minority interests	(475)	(1,361)	(477)	(3,891)
Net income (loss)	¥ 5,517	¥ (198)	¥ (2,293)	\$ (18,703)

The accompanying notes are an integral part of these statements.

Amounts are rounded off to the nearest million yen or thousand U.S. dollars.

Consolidated Statements of Shareholder's Equity (Unaudited)

For the year ended March 31, 2002 and the six months ended September 30, 2002

	Number of shares of common stock (Thousands)	Millions of yen						
		Common stock	Capital reserve	Revenue reserve	Revaluation reserve for land, net of tax	Unrealized gains (losses) on securities, net of tax	Foreign currency translation adjustments	Treasury stock
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	-	-	-	10,476	12,067	-	-	-
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	95,224	12,067	2,060	(508)	(519)
Net loss for the year	-	-	-	(2,293)	-	-	-	-
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	-	(248)	-
Cash dividends paid	-	-	-	(1,888)	-	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(12)	-	-	-	-
Increase resulting from increase in consolidated subsidiaries	-	-	-	185	-	-	-	-
Increase due to adjustment to land as a result of revaluation of land	-	-	-	(157)	157	-	-	-
Increase resulting from mergers	-	-	-	1	-	-	-	-
Decrease due to revaluation of available-for-sale securities	-	-	-	-	-	(2,071)	-	-
Sales of treasury stock	-	-	-	-	-	-	-	63
Balance at September 30, 2002	631,705	¥51,887	¥34,092	¥91,060	¥12,224	¥(11)	¥(756)	¥(456)

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital reserve	Revenue reserve	Revaluation reserve for land, net of tax	Unrealized gains (losses) on securities, net of tax	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2002	\$423,222	\$278,075	\$776,705	\$98,426	\$16,803	\$(4,144)	\$(4,233)
Net loss for the year	-	-	(18,703)	-	-	-	-
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	(2,023)	-
Cash dividends paid	-	-	(15,400)	-	-	-	-
Bonuses to directors and corporate auditors	-	-	(98)	-	-	-	-
Increase resulting from increase in consolidated subsidiaries	-	-	1,509	-	-	-	-
Increase due to adjustment to land as a result of revaluation of land	-	-	(1,280)	1,280	-	-	-
Increase resulting from mergers	-	-	8	-	-	-	-
Decrease due to revaluation of available-for-sale securities	-	-	-	-	(16,893)	-	-
Sales of treasury stock	-	-	-	-	-	-	514
Balance at September 30, 2002	\$423,222	\$278,075	\$742,741	\$99,706	\$(90)	\$(6,167)	\$(3,719)

The accompanying notes are an integral part of these statements.
 Amounts are rounded off to the nearest million yen or thousand U.S. dollars.

Consolidated Statements of Cash Flows (Unaudited)

For the six months ended September 30, 2000, 2001 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2000/9	2001/9	2002/9	2002/9
Cash flows from operating activities:				
Income (Loss) before income taxes and minority interests	¥ 13,686	¥ 4,697	¥ (1,371)	\$(11,183)
Adjustments to reconcile income(loss) before income taxes and minority interests to net cash used in operating activities:				
Depreciation	11,205	11,803	11,618	94,763
Interest and dividend income	(1,482)	(1,633)	(1,312)	(10,701)
Interest expense	9,059	7,231	6,680	54,486
Decrease (Increase) in notes and accounts receivable	(18,676)	18,621	23,579	192,325
Increase in inventories	(31,007)	(1,687)	(14,086)	(114,894)
Increase (Decrease) in notes and accounts payable	9,698	2,915	(17,455)	(142,374)
Increase in other current assets	(4,826)	(26,051)	(7,919)	(64,592)
Increase (Decrease) in other current liabilities	28,885	(13,909)	(31,962)	(260,701)
Other, net	(7,322)	4,520	(160)	(1,305)
Sub total	9,220	6,507	(32,388)	(264,176)
Interest and dividends received	1,489	1,635	1,008	8,222
Interest paid	(8,808)	(7,239)	(6,479)	(52,847)
Income taxes paid	(4,405)	(4,070)	(3,266)	(26,639)
Net cash used in operating activities	(2,504)	(3,167)	(41,125)	(335,440)
Cash flows from investing activities:				
Proceeds from sale of marketable securities	49	41	1,384	11,289
Payments for purchases of property, plant and equipment	(8,102)	(13,167)	(9,187)	(74,935)
Proceeds from sale of property, plant and equipment	52,902	1,994	989	8,067
Payments for purchases of investment in securities	(1,552)	(10,470)	(2,300)	(18,760)
Proceeds from sale of investment in securities	1,607	10,436	641	5,228
Other, net	(5,796)	569	1,914	15,612
Net cash provided by (used in) investing activities	39,108	(10,597)	(6,559)	(53,499)
Cash flows from financing activities:				
Decrease in short-term loans payable	(9,913)	(12,160)	(709)	(5,783)
Proceeds from long-term loans payable	2,362	10,113	24,654	201,093
Repayments for long-term loans payable	(17,235)	(18,766)	(15,828)	(129,103)
Proceeds from issuing straight bonds	10,000	-	9,951	81,166
Repayments for straight bonds	-	-	(10,600)	(86,460)
Repayments for convertible bonds	(1,328)	-	(620)	(5,057)
Cash dividends paid	(2,404)	(2,297)	(2,303)	(18,785)
Other, net	-	303	(65)	(529)
Net cash provided by (used in) financing activities	(18,518)	(22,807)	4,480	36,542
Effect of exchange rate changes on cash and cash equivalents				
	34	486	(939)	(7,660)
Net increase (decrease) in cash and cash equivalents	18,120	(36,085)	(44,143)	(360,057)
Cash and cash equivalents at the beginning of the period	96,013	97,787	74,000	603,589
Cash and cash equivalents from newly consolidated subsidiaries	-	361	247	2,014
Cash and cash equivalents from mergers	730	1	31	253
Cash and cash equivalents at the end of the period	¥ 114,863	¥ 62,064	¥ 30,135	\$ 245,799

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements (Unaudited)

September 30, 2002

1 --- **Basis of Consolidated Financial Statements**

Cosmo Oil Company, Limited (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 (Japanese GAAP). Foreign subsidiaries' financial statements are prepared in conformity with those of their 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 Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required, which may differ in certain material respects from accounting principles and practices generally accepted in countries other than Japan.

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 translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate on

September 30, 2002, which was ¥122.60 to U.S.\$1. The convenience translations are not intended to imply that yen amounts have been or could be readily converted, realized or settled in US dollar at that or any other rate.

2 --- **Subsequent Events (appropriation of retained earnings)**

On November 19, 2002, the Board of Directors of the Company approved payment of interim cash dividends of ¥3 (US\$0.02) per share or a total of ¥1,895 million (US\$15,457 thousand) to the shareholders of record as of September 30, 2002.

3 --- **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 six months ended September 30, 2002, business operations of the Company and its consolidated subsidiaries are summarized by product group as follows:

Notes to Consolidated Financial Statements (Unaudited)

Six months ended September 30, 2002

Millions of yen

	Petroleum	Oil resources development	Other	Total	Elimination or corporate	Consolidated
Sales;						
Outside customers	¥871,744	¥4,976	¥20,801	¥897,521	¥ -	¥897,521
Inter-segment	1,491	11,058	6,746	19,295	(19,295)	-
Total	873,235	16,034	27,547	916,816	(19,295)	897,521
Operating expenses	874,230	11,876	27,689	913,795	(18,973)	894,822
Operating income (loss)	¥ (995)	¥4,158	¥ (142)	¥3,021	¥ (322)	¥2,699

Thousands of U.S. dollars (Note 1)

	Petroleum	Oil resources development	Other	Total	Elimination or corporate	Consolidated
Sales;						
Outside customers	\$7,110,473	\$40,587	\$169,666	\$7,320,726	\$ -	\$7,320,726
Inter-segment	12,162	90,196	55,024	157,382	(157,382)	-
Total	7,122,635	130,783	224,690	7,478,108	(157,382)	7,320,726
Operating expenses	7,130,751	96,868	225,848	7,453,467	(154,756)	7,298,711
Operating income (loss)	\$ (8,116)	\$33,915	\$(1,158)	\$24,641	\$ (2,626)	\$22,015

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

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

4

Amounts per Share

The Company has computed amounts per share of net loss, diluted net income, cash dividends and net assets, as shown below, based on the weighted-average number of shares of common stock

outstanding during the period and the number of shares of common stock outstanding at the period-end, respectively:

	Yen		U.S.dollars (Note 1)
	2002/3	2002/9	2002/9
Amounts per share of common stock:			
Net loss	¥ (8.24)	¥ (3.64)	\$ (0.03)
Diluted net income	-	-	-
Cash dividends	6.00	3.00	0.02
Net assets	308.65	298.65	2.44

Investor Information

As of September 30, 2002

Overview

NAME

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

1,860

NUMBER OF DEALERS

376

NUMBER OF SERVICE STATIONS

5,388

NUMBER OF BRANCHES

9

REFINERIES

Chiba, Yokkaichi, Sakai, Sakaide

NUMBER OF SHAREHOLDERS

45,387

MAIN SHAREHOLDERS

Japan Trustee Services Bank, Ltd. (Trust Account)

Mizuho Corporate Bank, Ltd.

UFJ Bank, Ltd.

Mitsui Sumitomo Insurance Co., Inc.

The Master Trust Bank of Japan, Ltd. (Trust Account)

Cosmo Oil Employees' Shareholders Association

TRANSFER AGENT

The Chuo Mitsui Trust & Banking Co., Ltd.

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

Overseas Offices

COSMO OIL CO., LTD. ABU DHABI OFFICE

P.O.Box 26811 Abu Dhabi U.A.E. Al Masaood Tower,
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\$4,982,432

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 : 65-6324-3722

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 (REP)

Capital : NT\$15,000,000

Line of Business : Lubricating oil sales



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

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



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