

Value Creation 21

Information for Analyst Meeting

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 **COSMO OIL CO., LTD.**

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Rationalization / Value Creation Plan

Review of Cosmo Oil's "Value Creation 21" Management Plan

(Unit: ¥100mil.)

Department	FY2001			FY2002		Cumulative achievement from FY00	Original plan	
	Revised plan	Result	Achievement %	Plan	Incorporated into P/L			
Rationalization	Supply	18	10	56%	23	(23)	33	49
	Sales	8	10	125%	8	(8)	18	20
	Logistics	46	40	87%	4	(4)	44	52
	Administration, etc.	8	10	125%	7	(7)	17	21
	Sub total	80	70	88%	42	(42)	112	142
Created value	Supply	16	21	131%	26	(26)	47	39
	Sales	82	60	73%	162	(107)	222	253
	Sub total	98	81	83%	188	(133)	269	292
Total	178	151	85%	230	(175)	381	435	
Sales subsidiary results	15	20	133%	13	(0)	33	30	
Overachieved results brought over from previous year						35	35	
Grand total	193	171	89%	243	(175)	449	500	

Value Creation in Marketing

Basic Strategy:
Enhance service station (SS) retailing business

1. Deploy more **self- service SSs** addressing self-service needs

New categorization of SSs:
Self-Service & B-cle SS
Mid-Range Self SS
Self-Pure SS

2. Effort to the car care market

Deploy more **“B-cle”** car care convenience stores network

3. Convert casual customers into loyal customers

Promote issuance of **“Cosmo The Card”** credit cards

Increase retail profits = > **Reform the distribution structure**

Cosmo's Self-Service SSs & B-cle SSs – Management Analysis

(* Best Car Life Entertainment)

- Self-service & B-cle SSs -

	Auto fuel sales	SS NAVI Index	F Index	Share of The Card transactions	Products & services				Repair and maintenance for car inspection
					Car wash	Car inspection	Oil change	Polish&coating	
B-cle 1	650	1	170%	50% or more					
General SS	201	8	110%	25%					

- Mid-Range Self-Service SSs -

	Auto fuel sales	SS NAVI Index	F Index	Share of The Card transactions	Products & services			
					Car wash	Car inspection	Oil change	Polish&coating
Mid-Range 1	500	2	160%	50% or more		-		
General SS	201	8	110%	25%				

- Self-Pure Self-Service SSs -

	Auto fuel sales	SS NAVI Index	F Index	Share of The Card transactions	Products & services			
					Car wash	Car inspection	Oil change	Polish&coating
Self-Pure SS	270	-	-	50% or more		-	-	-
General SS	201	8	110%	25%				

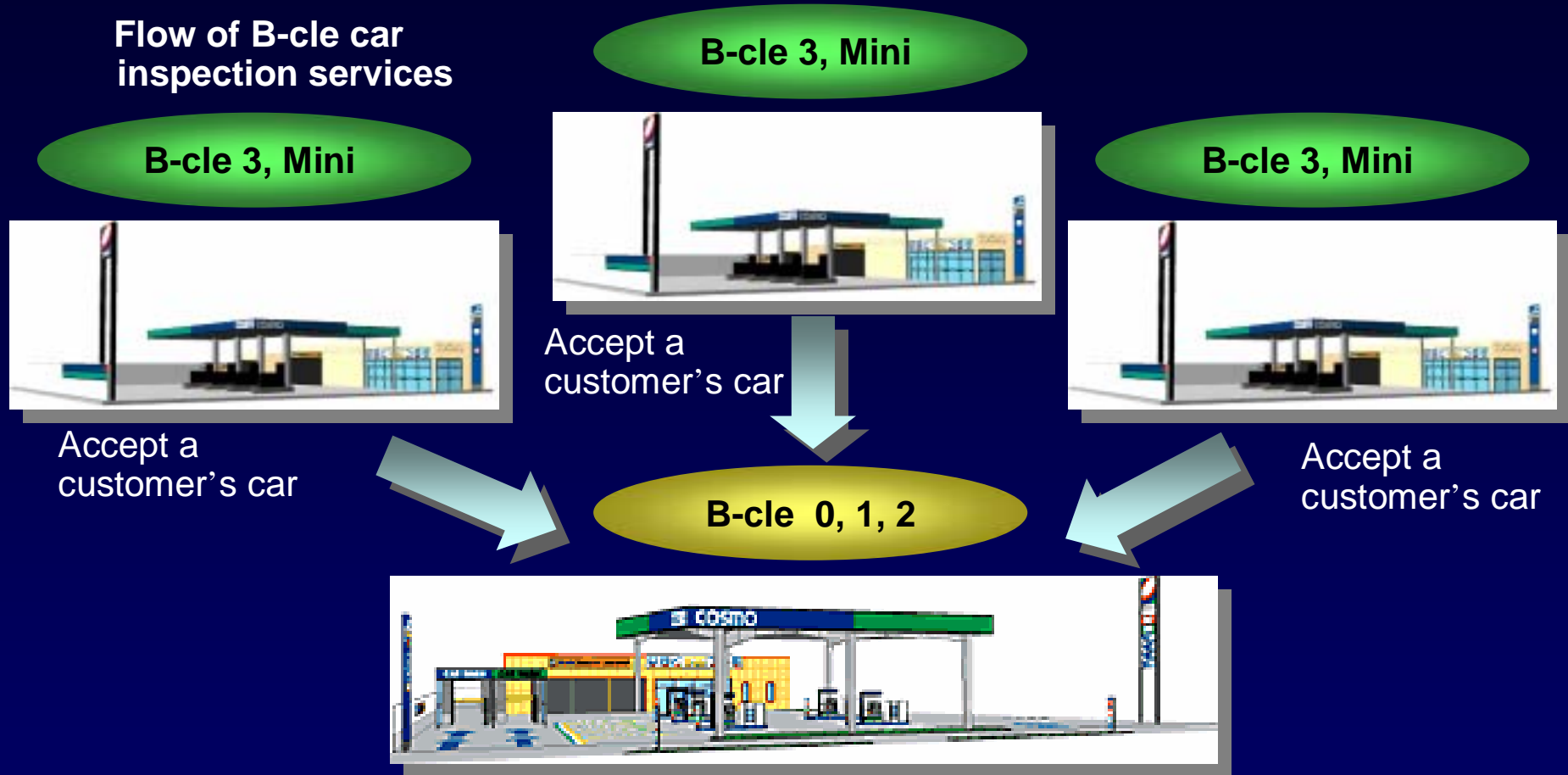
Self-Service SSs & B-cle SSs – Effort to the Car Care Market

Car Care Market Size

Product/ service	Total sales (¥ 100mil.)	Sales per car (¥ 1,000)	Gross margin (%)	Gross profit per car		SS share (¥/L)
				(¥)	(¥/L)	
Car wash	35	47	90%	42	5.8	1.8
Repair and maintenance for car inspection	286	384	80%	307	41.8	1.0
Regular inspection	38	51	80%	41	5.5	0.1
Repair & maintenance	256	344	80%	275	37.4	3.3
Tire	63	85	15%	13	1.7	0.0
Oil change	30	40	70%	28	3.8	1.2
Battery	13	17	25%	4	0.6	0.0
Detailing	40	54	90%	49	6.6	0.0
Total	761	102	74%	759	103.1	7.5

B-cle Network for Car Inspection Services

Flow of B-cle car inspection services



“Cosmo The Card” Credit Card Business



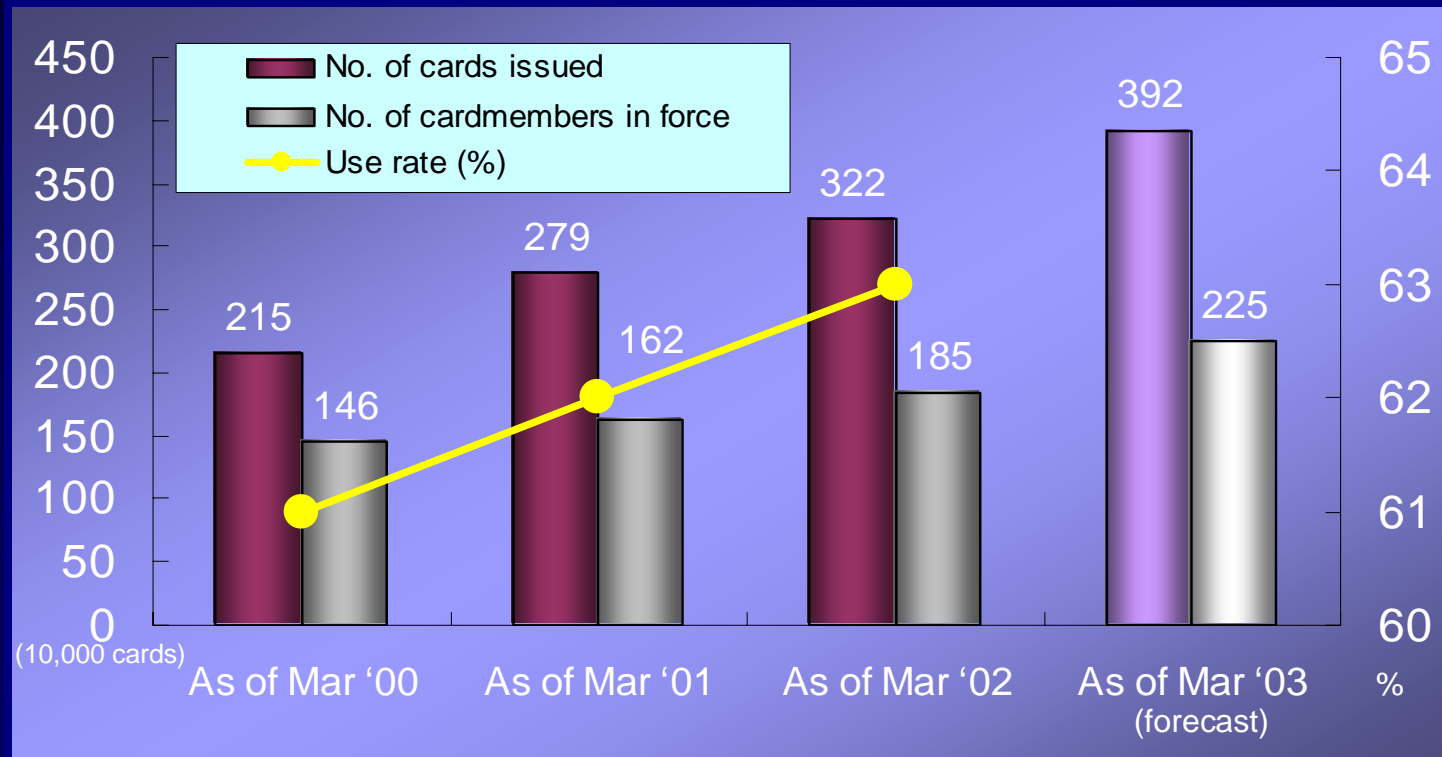
Cosmo The Card

Cosmo The Card Eco



Cosmo The Card – Business Results

Cosmo The Card – Cards issued



Evaluation of Cosmo The Card membership

	Card customer	Cash customer
Monthly auto fuel purchase volume (L/month)	73.5	23.4
High-octane gasoline ratio (%)	23	19
Value creation (¥/L)	9.6	6.1

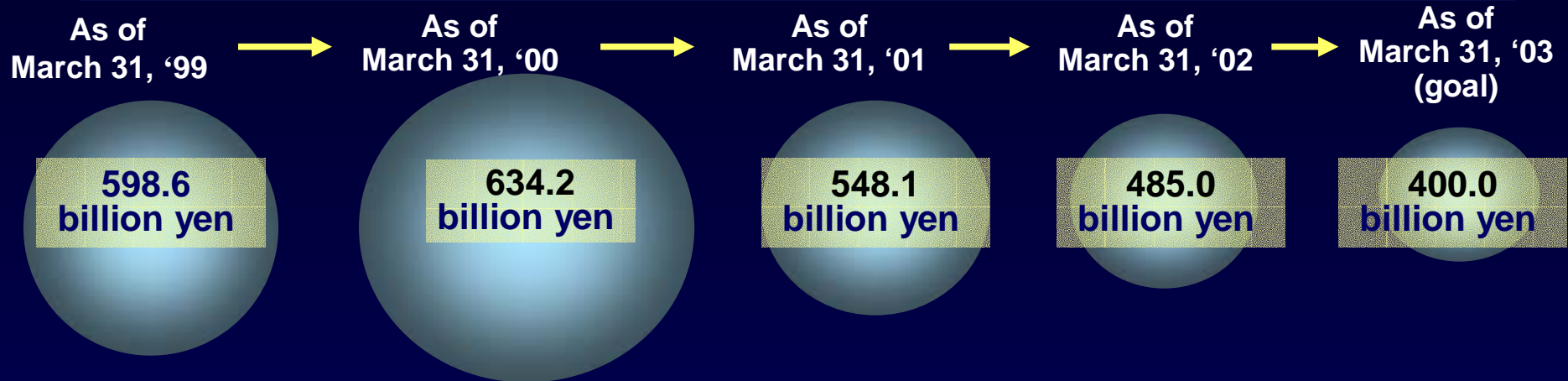
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Cosmo The Card – Competitive Advantages

<p>Spot card issuance</p>	<p>“Cosmo The Card” is Cosmo’s proprietary credit card. The simplified authorization examination process allows the company to immediately issue a card to a new member. It has also developed the new “Quick Box” unmanned, automated card issuing machine.</p>
<p>Unique value creation</p>	<p>Its unique services benefit its members:</p> <ul style="list-style-type: none"> <p>“Mileage” frequent customer program A member can earn 1 mile per 200-yen-worth purchase of products other than fuel oil 1-liter-worth cash refund awarded per mile (or 10 yen per L)</p> <p>ETC (Electronic Toll Collection) chip embedded in the card Every “Cosmo the Card Eco” card gets an ETC chip embedded in it.</p> <p>Internet membership An Internet member can earn miles from purchases on the shopping website.</p> <p>Consumer financing service A small-amount loan service is also added to the card (as requested).</p>
<p>Customer information</p>	<p>Cosmo manages member accounts on its own and processed transaction information can be utilized to plan marketing programs.</p>

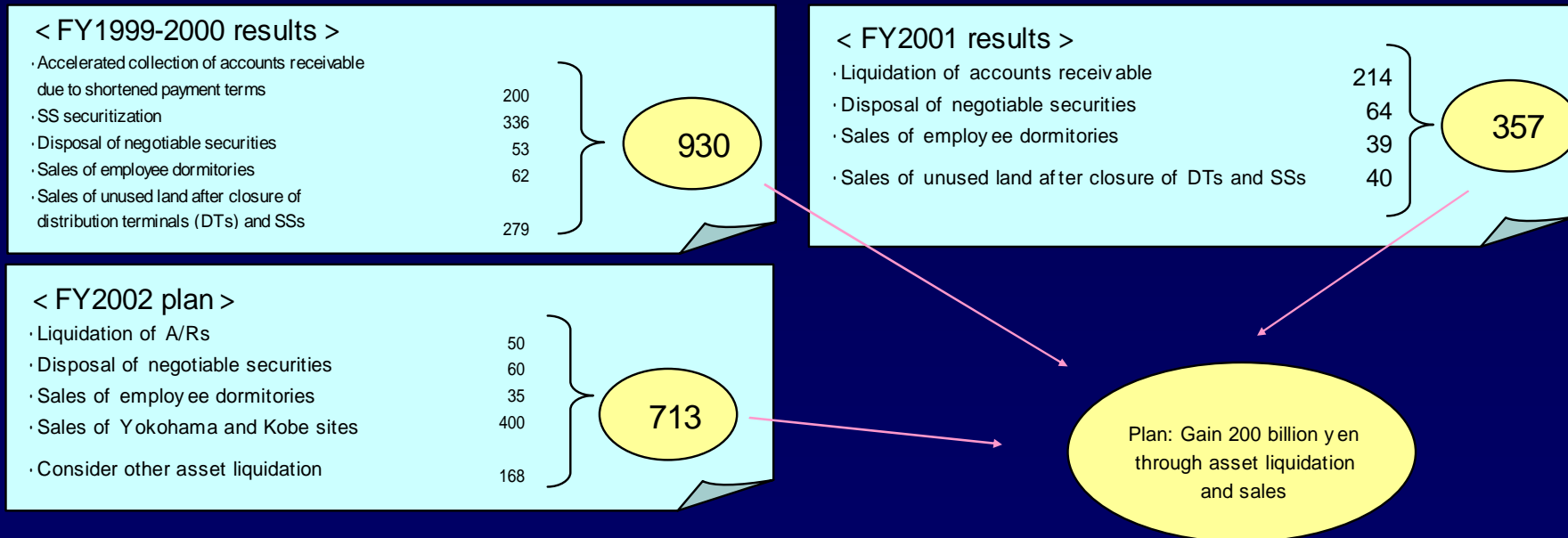


Plan to Reduce Interest-Bearing Debts



Asset liquidation, sales results and future plan

(Unit: ¥100 mil.)



Note: The execution of commitment line agreements has backed us up in our debt payments



Introduction of the Medium-Term Environmental Plan (Blue Earth 21)

Cosmo recognizes the importance of corporate environmental stewardship.

- Global environmental issues looking more serious and obvious
- Social responsibility becoming more essential as part of corporate activities in addition to profit pursuit
- Entering an era when companies are increasingly selected depending on their environmental responsiveness

Need to make environmental efforts company-wide

- Need a mechanism to provide information about all employees' efforts for environmentalism to both internal and external stakeholders

Introduction of the "Medium-Term Environmental Plan (Blue Earth 21)" (in April 2002)

- The key tool to help the company establish an environmental management organization covering all processes from production to sales.

What is Cosmo's vision for corporate environmentalism?

By establishing its position as an environmentally advanced company, "Cosmo Oil aims to grow as consumers' company of choice for its responsible environmentalism"