

# **Cosmo Oil Presentation of Financial Results for Fiscal Year 2002**

**May 21, 2003**

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# Consolidated Results –

## Key Factors for An Increase of 2.1 Billion Yen in Operating Income

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(Unit: ¥100 million)

	FY2002	Change from FY2001	Cosmo Oil alone	Subsidiaries consolidated
<b>Net Sales</b>	<b>19,028</b>	<b>890</b>	<b>1,174</b>	<b>-284</b>
<b>Cost of Sales</b>	<b>17,549</b>	<b>955</b>	<b>1,120</b>	<b>-165</b>
Selling, general and administrative expenses	<b>1,237</b>	<b>-86</b>	<b>-2</b>	<b>-84</b>
<b>Operating Income</b>	<b>242</b>	<b>21</b>	<b>56</b>	<b>-35</b>

### Key factors for an increase of 89 billion yen in sales:

- Increase in sales earned by Cosmo Oil alone due to increased oil selling prices, etc. 117.4 billion yen
- Increased sales earned by subsidiaries 10.0 billion
- Consolidation adjustments (38.4 billion)

### Key factor for a decrease of 8.6 billion yen in SG&A expenses:

- Operational efforts for rationalization and efficiency, and the accounts of additional subsidiaries included in the consolidated financial statements.

### Key factors for a decrease of 3.5 billion yen in operating income earned by the subsidiaries consolidated

- Decreased operating income earned by Cosmo Petroleum Gas Co., Ltd. (1.6 billion)
- Decreased operating income earned by Abu Dhabi Oil Co., Ltd. (0.3 billion)
- Consolidation adjustments (1.8 billion)

Note: Please refer to the supplementary information for operating highlights (sales, ordinary income, operating income, and net income) of major subsidiaries of the Group.

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# Consolidated Results –

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## Consolidated Results – Key Factors for An Increase of 1.5 Billion Yen in Ordinary Income

(Unit: ¥100 million)

	FY2002	Change from FY2001	Cosmo Oil alone	Subsidiaries consolidated
Operating Income	242	21	56	-35
Non-operating income(expenses)	-54	-6	-6	0
Ordinary Income	188	15	50	-35

### Key factors for a decrease of 0.6 billion yen in non-operating income (expenses):

	FY2002 (1.1 billion)	Change from FY2001 0 billion
● Financing balance: Gain from foreign currency exchange: Return (loss) on investments in subsidiaries under the equity method: Miscellaneous income :	0.4 billion	(2.0 billion)
	1.0 billion	0.7 billion
	4.2 billion	0.7 billion
<b>Total</b>	<b>(5.4 billion)</b>	<b>(0.6 billion)</b>

### Key factors for a decrease of 3.5 billion yen in ordinary income earned by the subsidiaries consolidated:

● Cosmo Petroleum Gas Co., Ltd.:	(1.6 billion)
● Abu Dhabi Oil Co., Ltd.:	(2.2 billion)

# Consolidated Results –

## Key Factors for An Increase of 8.6 Billion Yen in Net Income

(Unit: ¥100 million)

	FY2002	Change from FY2001	Cosmo Oil alone	Subsidiaries consolidated
Ordinary Income	188	15	50	-35
Extraordinary Profit (Loss)	-58	134	162	-28
Net Income	34	86	126	-40

**Key factor for an improvement of 13.4 billion yen in extraordinary profit (loss):**

	FY2002	Change from FY2001
● Decrease of loss on valuation of investment securities	(4.6 billion)	10.9 billion

**Key factors for a decrease of 4.0 billion yen in net income earned by the subsidiaries consolidated:**

● Cosmo Petroleum Gas Co., Ltd.:	(0.7 billion)
● Abu Dhabi Oil Co., Ltd. (accounted for under the equity method):	1.7 billion
● Return (loss) on investments in subsidiaries under the equity method:	0.7 billion
● Consolidation adjustments:	(7.8 billion)

# Consolidated Results – Key Factors for An Increase of 4.5 Billion Yen in Total Assets

(Unit: ¥100 million)

	As of Mar. 31, 2003	Change from Mar. 31, 2002
<b>Total assets</b>	<b>12,467</b>	<b>45</b>

## Key factors for an increase of 4.5 billion yen in total assets:

### Reduction in assets on hand: (31.2 billion)

Increased interest-bearing debts:	14.0 billion
Impact from the previous year's closing day falling on a holiday	(36.8 billion)
Change in accounts payable	(18.5 billion)
Other	10.1 billion

### Accounts receivable, etc. 47.7 billion

Accounts receivable and notes receivable:	14.6 billion
Accrued revenue:	33.1 billion

### Other (12.0 billion)

Inventories	5.8 billion
Fixed assets	(10.3 billion)
Investment securities	(7.5 billion)

**Total 4.5 billion**

- ① Increased debts due to advance procurements 27.7 billion
- ② Increased borrowings due to import financing 15.6 billion
- ③ Repayments, etc. (29.3 billion)

# Consolidated Results – Cash Flows

(Unit: ¥100 million)

	FY2002	Change from Mar. 31, 2002
● Cash flows from operating activities	-270	-
Cash flows from investing activities	-128	-
Cash flows from financing activities	101	-
Cash and cash equivalents at end of the period	438	-302

## Cash flows from operating activities

● Increased payment of oil-related taxes due to the previous year's closing day falling on a holiday

(36.8 billion)

Cash flows from operating activities count out of the impact from the increased tax payment above:

9.8 billion

## Cash flows from investing activities

● Acquisition and disposal of fixed assets:

(12.6 billion)

## Non-Consolidated (Cosmo Alone) Results – Key Factors for An Increase of 5.6 Billion Yen in Operating Income - ①

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(Unit: ¥100 million)

	FY2002	Change from FY2001
Net Sales	16,809	1,174
Cost of Sales	15,783	1,120
Selling, general and administrative expenses	904	-2
Operating Income	122	56

### Key factors for an increase of 117.4 billion yen in sales

Increase in selling prices 69.1 billion  
¥26,370 per kiloliter, up ¥1,590 per KL from FY 01

Increase in sales volume 48.3 billion  
Total sales volume: 45,236,000 KL, up 1,790,000 KL, or 4.1% from FY01  
Domestic demand for oil product: 31,049,000 KL, up 1,467,000 KL, or 5.0% from FY01

	% Change from FY'01
Gasoline	101.5%
Kerosene	109.0%
Diesel fuel	97.3%
Heavy fuel oil A	112.8%
Combined sales of 4 volume products above	103.9%

	% Change from FY'01
Naphtha	107.0%
Jet fuel	98.5%
Heavy fuel oil C	107.4%
Domestic oil products sales	105.0%

# Non-Consolidated (Cosmo Alone) Results – Key Factors for An Increase of 5.6 Billion Yen in Operating Income - ②

(Unit: ¥100 million)

	FY2002	Change from FY2001
Net Sales	16,809	1,174
Cost of Sales	15,783	1,120
Selling, general and administrative expenses	904	-2
<b>Operating Income</b>	<b>122</b>	<b>56</b>

### Key factors for an increase of ¥112.0 billion in cost of sales

Increased cost of sales due to crude oil prices, etc.: 67.3 billion  
¥24,210 per kiloliter, up ¥1,570 per KL from FY 01

	FY2002	Change from FY2001
FOB (\$/BBL)	26.25	4.03
Foreign currency exchange (yen/US\$)	122.39	-1.67
Prices including taxes (yen/KL)	23,448	2,885

(or appreciation of yen)

Impact from inventory valuation under the weighted average method: Down 26.3 billion yen (down of cost of sales from FY01)

[ Impact from valuation for FY02: 17.3 billion yen (bringing cost of sales down)  
Impact from valuation for FY01: - 9.0 billion yen (bringing cost of sales up) ]

Increase in sales volume 44.7 billion

● Reduction in SG&A expenses (0.2 billion)



## Non-Consolidated (Cosmo Alone) Results – Key Factors for An Increase of 5.0 Billion Yen in Ordinary Income

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(Unit: ¥100 million)

	FY2002	Change from FY2001
Operating Income	122	56
● Non-Operating Income (Expenses)	-31	-6
Ordinary Income	91	50
Extraordinary Profit (Loss)	-45	162
Net Income	28	126

### Key factors for a decrease of 0.6 billion yen in non-operating expenses:

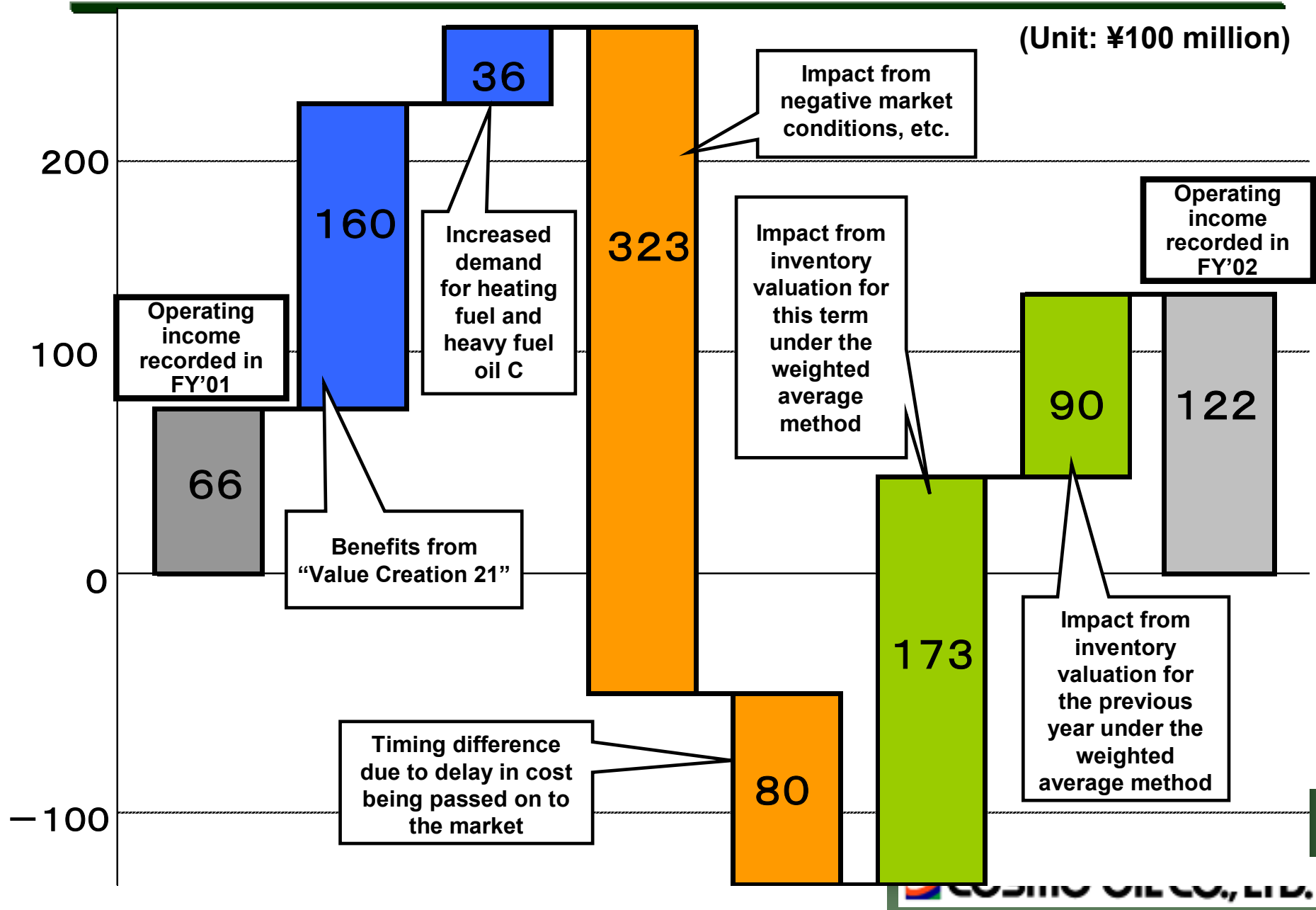
- Decrease of Financing balance (1.0 billion)  
Due to decreased dividends received from affiliated companies, etc.
- Foreign exchange gains 0.4 billion

### Key factors for an improvement of 16.2 billion yen in extraordinary profit (loss)

- |  | FY2002        | Change from FY 2001 |
|--|---------------|---------------------|
| ● Decrease of loss on valuation of investment securities | (4.3 billion) | 11.0 billion        |
| ● Decrease in the investment securities provision        | (0.2 billion) | 4.0 billion         |

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# Non-Consolidated (Cosmo Alone) Results – Analysis of Key Factors for An Increase of 5.6 Billion Yen in Operating Income -



# Non-Consolidated (Cosmo Alone) Results –

## Analysis of Key Factors for An Increase of 5.6 Billion Yen in Operating Income -

### Breakdown of A Total Benefit of ¥16.0 Billion from “Value Creation 21” – Contribution by Department

#### Benefit through “Value Creation” efforts:

¥11.8 bn

#### Supply Department: 2.6 bn

- Incremental value through optimized use of refineries 2.0 bn
- Optimized crude oil selection through enhanced SCM and higher hedge functionality 0.6 bn

#### Sales & Marketing Department: 9.2 bn

- Incremental sales through enhanced retail and direct-selling channels and improvement brand loyalty revenue 8.3 bn
- Increased revenue from the credit card business 0.9 bn

#### Benefit through “Rationalization” efforts: ¥4.2 bn

#### Supply Department: 2.1 bn

- Decrease in VLCC vessel cost 0.4 bn
- Workforce reductions at refineries 0.6 bn
- Other cost reductions 1.1 bn

#### Sales & Marketing Department: 0.8 bn

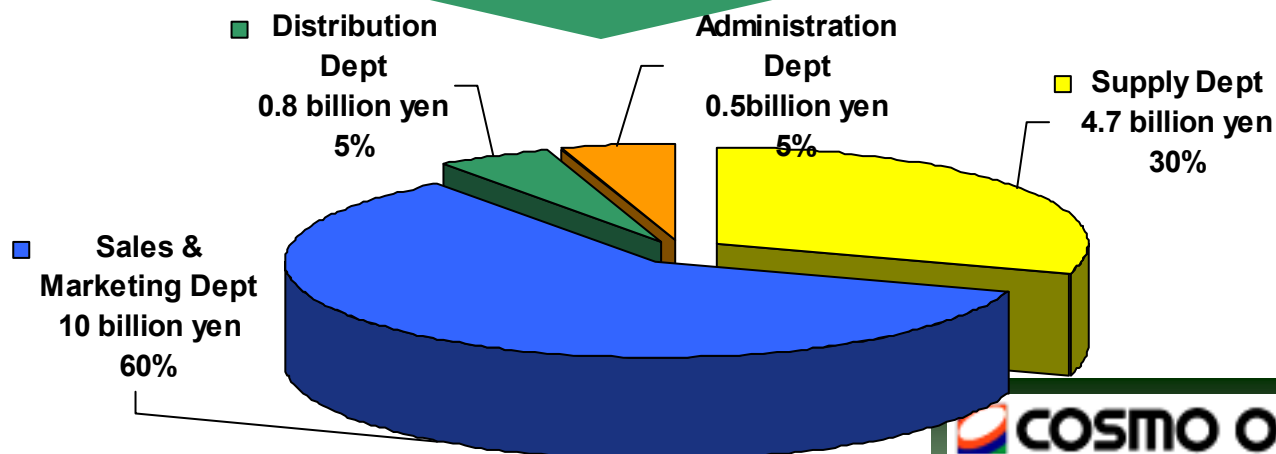
- Reductions in labor and other costs

#### Distribution Dept: 0.8 bn

- Reductions in freight cost and improved efficiency in operations of oil storage depots

#### Finance & Administration Dept: 0.5 bn

- Reductions in labor cost, etc.



## Consolidated (Cosmo Oil Group) – Outlook for FY2003 Results

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(Unit: ¥100 million)

	First Half (up to Sept. 30, 2003)	Full Year (ending in March 31, 2004)	Change from FY2002
<b>Net Sales</b>	<b>9,700</b>	<b>19,400</b>	<b>372</b>
<b>Operating Income</b>	<b>105</b>	<b>310</b>	<b>68</b>
<b>Ordinary Income</b>	<b>80</b>	<b>270</b>	<b>82</b>
<b>Net Income</b>	<b>20</b>	<b>110</b>	<b>76</b>

Outlook for major Group members (on an ordinary income basis)	Full Year	Change from FY'02
<b>Cosmo Oil Co., Ltd. (non-consolidated)</b>	<b>120</b>	<b>29</b>
<b>Abu Dhabi Oil Co., Ltd.</b>	<b>85</b>	<b>13</b>
<b>Marketing subsidiaries</b>	<b>17</b>	<b>0</b>
<b>Cosmo Oil Lubricants Co., Ltd.</b>	<b>9</b>	<b>1</b>
<b>Cosmo Matsuyama Oil Co., Ltd.</b>	<b>8</b>	<b>-3</b>
<b>Cosmo Petroleum Gas Co., Ltd.</b>	<b>15</b>	<b>23</b>
<b>Other subsidiaries</b>	<b>16</b>	<b>19</b>
<b>Total</b>	<b>270</b>	<b>82</b>

# Non-Consolidated (Cosmo Oil Alone) – Outlook for FY2003 Results –

(Unit: ¥100 million)

	First Half (up to Sept. 30, 2003)	Full Year (ending in March 31, 2004)	Change from FY2002
<b>Net Sales</b>	<b>8,100</b>	<b>16,800</b>	<b>-9</b>
<b>Operating Income</b>	<b>35</b>	<b>170</b>	<b>48</b>
<b>Ordinary Income</b>	<b>10</b>	<b>120</b>	<b>29</b>
<b>Net Income</b>	<b>5</b>	<b>70</b>	<b>42</b>

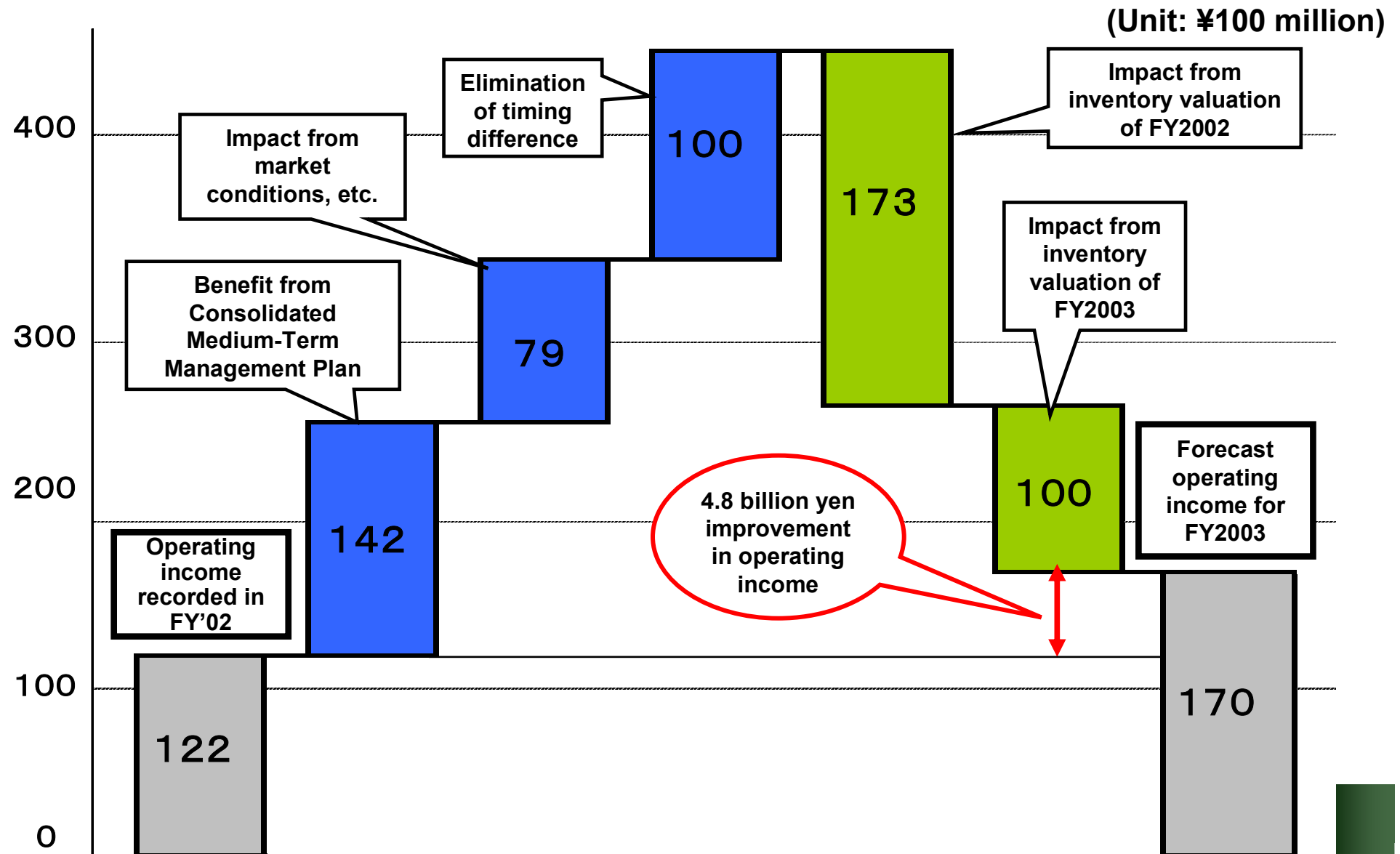
Assump-  
tions for  
the above  
forecast:

- ① Crude oil price (FOB) : \$25.0 /BBL
- ② Yen/ dollar exchange rate : ¥120/USD
- ③ Sales volume (of domestic demand for oil product) : 97.1%(Full year)
- ④ Total selling volume : 44,100,000 KL (at 97.5% of FY2002 level)
- ⑤ Benefit from the “Consolidated Medium-Term Management Plan” :14.2 billion yen a year

**Goals for FY2003 (April '03 – March '04)**

- Dividend: 6 yen
- Earnings per share: 11.08 yen

# Non-Consolidated (Cosmo Oil Alone) – Outlook for FY2003 Results –



# Non-Consolidated (Cosmo Oil Alone) – Outlook for FY2003 Results –

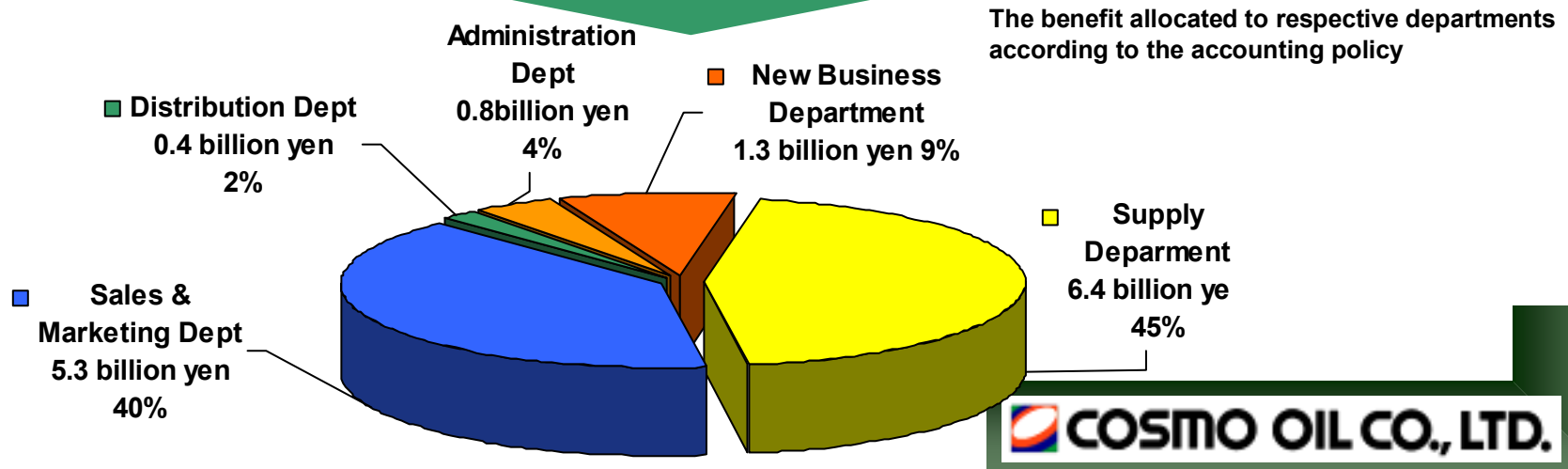
## Breakdown of an estimated total benefit of 14.2 billion yen from the “Consolidated Medium-Term Management Plan”

**Benefit from “Value Creation” efforts: ¥7.0 bn**

<b>Supply Department:</b>	<b>1.7 bn</b>
Incremental value through the introduction of the revenue improvement program	0.7 bn
Agile demand-supply management through enhanced SCM	1.0 bn
<b>Sales &amp; Marketing Department:</b>	<b>4.0 bn</b>
Incremental sales through enhanced retail and direct-selling channels and improvement brand loyalty revenue	3.4 bn
Increased revenue from the credit card business	0.6 bn
<b>New Business Department</b>	<b>1.3 bn</b>
IPP business & ERP consultancy	1.3 bn

**Benefit through “Rationalization” efforts: : ¥7.2 bn**

<b>Supply Department:</b>	<b>4.7 bn</b>
Decrease in VLCC vessel cost	1.0 bn
Cost reductions through energy saving and maintenance at refineries	2.6 bn
Workforce reduction	1.1 bn
<b>Sales &amp; Marketing Department:</b>	<b>1.3 bn</b>
Reductions in labor and other costs	1.3 bn
<b>Distribution Dept:</b>	<b>0.4 bn</b>
Reductions in freight cost and improved efficiency in operations of oil storage depots	0.4 bn
<b>Finance &amp; Administration Dept:</b>	<b>0.8 bn</b>
Reductions in labor cost, etc.	0.8 bn



## Supplementary Information – 1.

### Review of Sales and Crude Oil Business

<b>Sales</b>			
	<b>FY2002</b>	<b>Change from FY2001</b>	<b>% Change</b>
Total sales volume (1,000 KL)	<b>45,236</b>	<b>1,790</b>	<b>104.1%</b>
Domestic demand for oil product (1,000 KL)	<b>31,049</b>	<b>1,467</b>	<b>105.0%</b>
Total sales of gasoline, kerosene, diesel fuel, heavy fuel oil A (1,000 KL)	<b>19,573</b>	<b>732</b>	<b>103.9%</b>
High-octane ratio	<b>18.7%</b>	<b>-1.0%</b>	<b>-</b>
<b>Crude Oil Processing, Crude Oil Prices and Currency Exchange</b>			
	<b>FY2002</b>	<b>Change from FY2001</b>	<b>% Change</b>
Purchased price of crude oil (FOB) USD/BBL	<b>26.25</b>	<b>4.03</b>	<b>—</b>
Yen/dollar exchange rate	<b>122.39</b>	<b>-1.67</b>	<b>—</b>
Purchased price of crude oil (tax inclusive) ¥/KL	<b>23,448</b>	<b>2,885</b>	<b>—</b>
Self-processed crude oil volume (1,000 KL)	<b>28,310</b>	<b>1,059</b>	<b>—</b>
Share of yields of four middle distillates	<b>47.3%</b>	<b>-0.7%</b>	<b>-</b>



## Supplementary Information – 2.

### Changes in the Number of Employees, Oil Storage Depots and SSs

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#### Workforce size (No. of persons)

	Mar 31, '97	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03
Oil business segment	3,395	3,109	2,677	2,048	1,970	1,892	1,837
Cosmo Oil Group	6,103	5,678	5,256	4,600	4,416	3,978	3,736

#### No. of oil storage depots (DTs)

	Mar 31, '97	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03
No. of DTs	61	57	52	45	41	39	39

#### No. of Cosmo-affiliated SSs

							Actual	Planned
	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Mar 31, '04	
Cosmo-owned	1,172	1,105	1,065	1,010	977	959	970	
Individually-owned	5,614	5,376	5,040	4,769	4,564	4,313	4,050	
Total	6,786	6,481	6,105	5,779	5,541	5,272	5,020	

#### No. of self-service SSs out of the above total:

	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Mar 31, '04
Cosmo-owned	0	3	6	16	77	198	363
Individually-owned	0	2	2	7	32	87	87
Total	0	5	8	23	109	285	450

## Supplementary Information – 3.

### Operating & Financial Highlights of Consolidated Results for FY2002

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(Unit: ¥100 million)

	FY2002	Change from FY2001	% Change
Net Sales	19,028	890	4.9%
Operating Income	242	21	9.6%
Ordinary Income	188	15	8.8%
Net Income	34	86	

	As of Mar. 31, 2003	Change from Mar. 31, 2002
Total Assets	12,467	45
Shareholders' Equity	1,936	-7
Shareholders' Equity as Percentage of Total Assets	15.5%	-0.1%
Interest-Bearing Debts	5,626	140
Interest-Bearing Debts as Percentage of Total Assets	45.1%	0.9%

	FY2002	FY2001
Retained earnings	-4	-89
Depreciation expenses	228	235
Capital investment	241	255
Free cash flows	-17	-109

Note: Please refer to the Data Book on Page 5 for estimated capital investment and depreciation expenses for FY2003.

## Supplementary Information – 4. Operating Highlights of Major Subsidiaries for FY2002

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(Unit: ¥100 million)

	FY2001	Increase	Decrease	FY2002
No. of subsidiaries consolidated	24	3	0	27
No. of subsidiaries applicable to the accounting policy under the equity method	9	30	2	37
No. of affiliated companies applicable to the accounting policy under the equity method	3	2	0	5

	Net Sales	Operating Income	Ordinary Income	Net Income
Abu Dhabi Oil Co., Ltd.	334	79	72	14
Marketing subsidiaries	2,451	19	17	1
Cosmo Oil Lubricants Co., Ltd.	296	8	8	4
Cosmo Matsuyama Oil Co., Ltd.	145	13	11	6
Cosmo Petroleum Gas Co., Ltd.	791	-8	-8	-6
Other subsidiaries	2,855	14	14	8
<b>Total</b>	<b>6,872</b>	<b>125</b>	<b>114</b>	<b>27</b>

Note: Net income for subsidiaries is accounted for under the equity method.

## Supplementary Information – 5.

### Operating & Financial Highlights of Non-Consolidated (Cosmo Oil Alone) Results for FY2002

19

(Unit: ¥100 million)

	FY2002	Change from FY2001	% Change
Net Sales	16,809	1,174	7.5%
Operating Income	122	56	85.1%
Ordinary Income	91	50	124.1%
Net Income	28	126	-

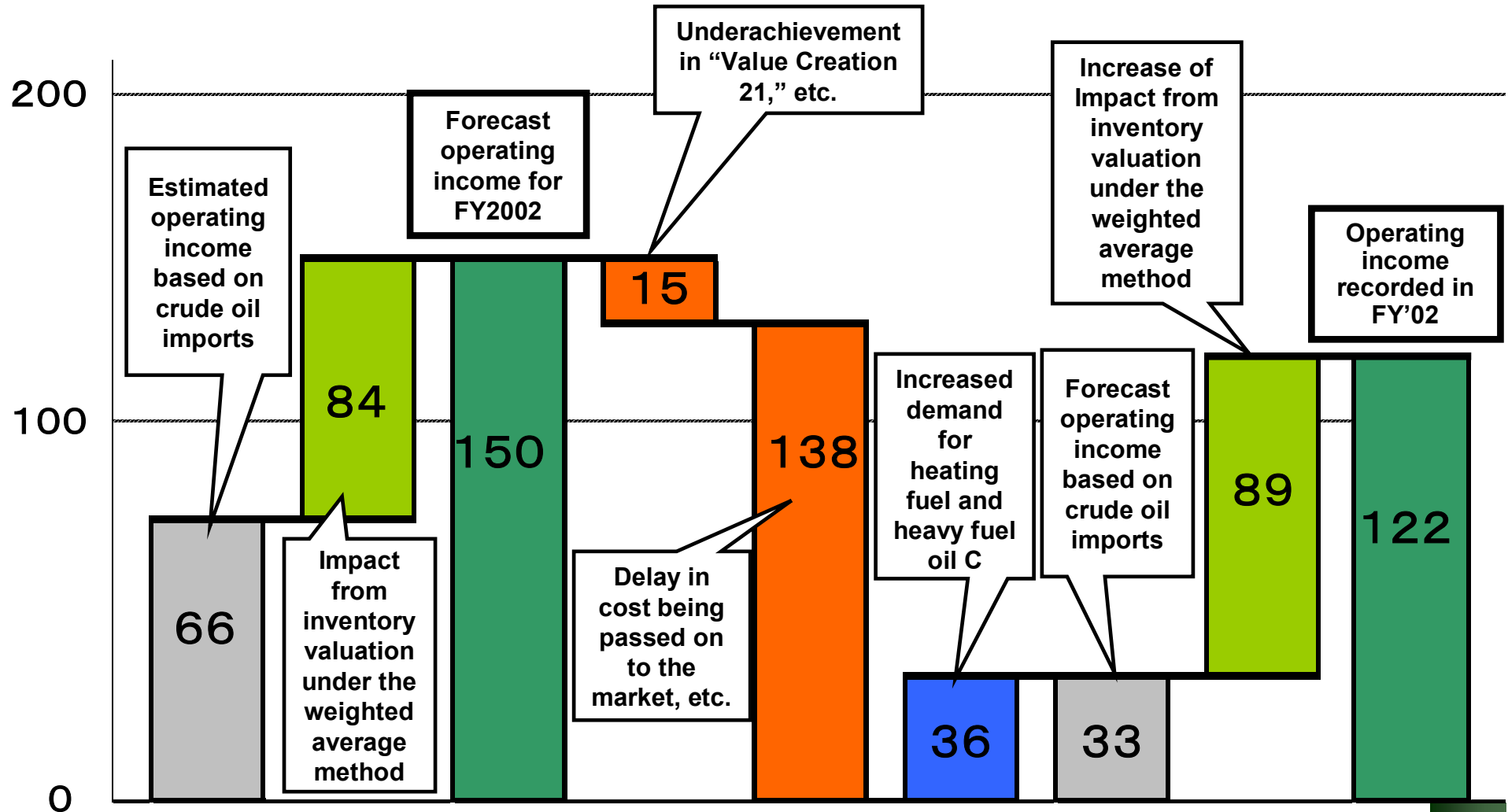
	As of Mar. 31, 2003	Change from Mar. 31, 2002
Total Assets	10,816	-112
Shareholders' Equity	1,650	-33
Shareholders' Equity as Percentage of Total Assets	15.3%	-0.1%
Interest-Bearing Debts	4,970	120
Interest-Bearing Debts as Percentage of Total Assets	45.9%	1.5%

	FY2002	FY2001
Retained earnings	-10	-135
Depreciation expenses	174	184
Capital investment	196	212
Free cash flows	-32	-163

Note: Please refer to the Data Book on Page 12 for estimated capital investment and depreciation expenses for FY2003.

**Supplementary Information – 6.**  
**Analysis of Difference between Actual FY2002 Results from Forecast Published at the**  
**First Half Year Result Announcement**

(Unit: ¥100 million)



## Cautionary Statement Regarding Forward-Looking Scenarios

### Cautionary Statement Regarding Forward-Looking Scenarios

**This presentation contains statements that constitute forward-looking scenarios. While such forward-looking scenarios may include statements based on a variety of assumptions and relating to our plans, objectives or goals for the future, they do not reflect our commitment or assurance to the realization of such plans, objectives or goals.**