

Cosmo Oil

Presentation of Financial Results for First Half of Fiscal Year 2002

Nov. 20, 2002

Yaichi Kimura Executive Vice President

Cautionary Statement with Respect to Forward-looking Statement

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.

Consolidated Results – Operating Highlights

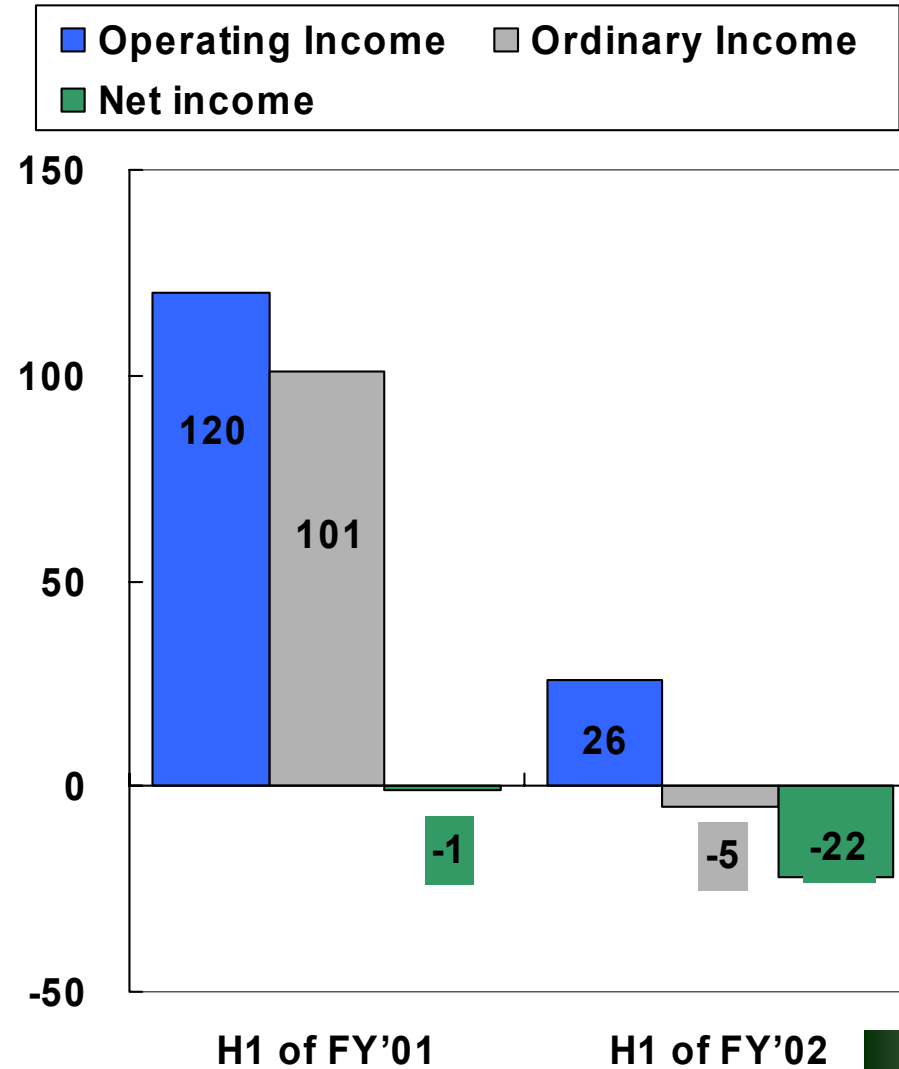
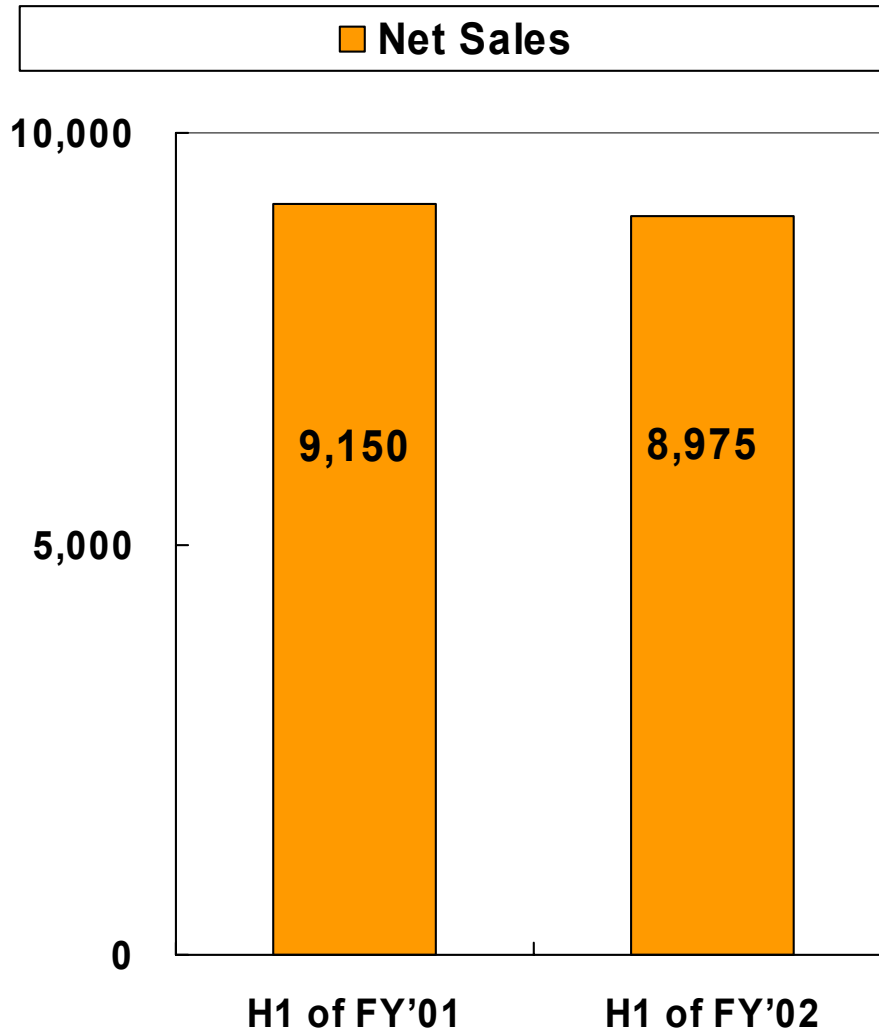
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(Unit: ¥100 million)

	H1 of FY2002	Change from H1 of FY'01	% Change
Net Sales	8,975	176	1.9%
Operating Income	26	94	77.7%
Non-operating Income (Expenses)	32	13	-
Ordinary Income	5	107	-
Extraordinary Profit (Loss)	8	46	-
Net Income (for 1st half (H1) year)	22	21	-

Consolidated Results – Operating Highlights

(Unit: ¥100 million)



Consolidated Results – Financial Position

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(Unit: ¥100 million)

	As of Sept. 30, 2002	Cange from Mar.31,2002
Total Assets	11,920	▲ 502
Shareholders' Equity	1,880	▲ 63
Shareholders' Equity as Percentage of Total Assets	15.8%	0.2%
Interest-Bearing Debts	5,559	73
Interest-Bearing Debts as Percentage of Total Assets	46.6%	▲ 2.4%

Consolidated Results – Cash Flows

(Unit: ¥100 million)

	H1 of FY'02
Cash flows from operating activities	411
Cash flows from investing activities	65
Cash flows from financing activities	44
Cash and cash equivalents at end of the period	301

Consolidated Results – Basis of Consolidation

(Unit: Number of firms)

	FY'01	Increase	Decrease	H1 of FY'02
No. of subsidiaries consolidated	24	2	0	26
No. of subsidiaries applicable to the accounting policy under the equity method	9	1	2	8
No. of affiliated companies applicable to the accounting policy under the equity method	3	0	0	3

Due to subsidiaries newly consolidated:
Cosmo Oil of U.S.A., Inc.
Cosmo Technology Research Institute

Due to merger of marketing subsidiaries

Consolidated Results –

Key Factors for A Decrease of 9.4 Billion Yen in Operating Income

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(Unit: ¥100 million)

	H1 of FY'02	Change from H1 of FY'01	Cosmo alone	Subsidiaries consolidated
Net Sales	8,975	176	166	10
Cost of Sales	8,309	31	96	65
Selling, General and Administrative Expenses	638	51	12	39
Operating Income	26	94	58	36

Key factors for a decrease of 3.6 billion yen in operating income at subsidiaries consolidated:

Cosmo Petroleum Gas Co., Ltd: (1.6)
Abu Dhabi Oil Co., Ltd: (1.2)

Key factors for a decrease of 5.1 billion yen in selling, general and administrative expenses:

Rationalization and efficiency improvement efforts, and elimination of transactions among subsidiaries consolidated: (5.1)

Consolidated Results –

Key Factors for A Decrease of 10.7 Billion Yen in Ordinary Income

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(Unit: ¥100 million)

	H1 of FY'02	Change from H1 of FY'01	Cosmo alone	Subsidiaries consolidated
Operating Income	26	94	58	36
Non-operating Income (Expenses)	32	13	9	4
Ordinary Income	5	107	67	40

Key factors for a decrease of 1.3 billion yen in non-operating income (Expenses)

Financing balance:	0.2
Gain from foreign currency exchange:	(1.9)
Return (loss) on investments in subsidiaries under the equity method:	(0.1)
Miscellaneous income:	0.5

Key factors for a decrease of 4 billion yen at subsidiaries consolidated

Abu Dhabi Oil Co., Ltd:	(2.7)
Cosmo Petroleum Gas Co., Ltd:	(1.6)

Consolidated Results –

Key Factors for A Decrease of 2.1 Billion Yen in Net Income

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(Unit: ¥100 million)

	H1 of FY'02	Change from H1 of FY'01	Cosmo alone	Subsidiaries consolidated
Ordinary Income	5	107	67	40
Extraordinary Profit (Loss)	8	46	52	6
Net Income (for 1st half (H1) year)	22	21	10	11

Key factors for improved extraordinary profit by 4.6 billion yen

Disposal of valuation loss of investment securities during
the first half of FY2001 5.1

Key factors for a decrease of 1.1 billion yen in net income at subsidiaries consolidated

Cosmo Petroleum Gas Co., Ltd: (0.9)
Abu Dhabi Oil Co., Ltd: (0.5)

Consolidated Results – Increase/Decrease of Total Assets

(Unit: ¥100 million)

	As of Sept. 30, 2002	Change from Mar.31, 2002
Total assets	11,920	▲ 502

Key factors for a reduction of 50.2 billion yen in total assets :

Reduction in assets on hand :	(44.1)
Reductions in accounts receivable, etc. :	(10.9)
Other :	4.9

Total: (50.2)

Key factors for reduction of 44.1 billion yen in assets on hand from Mar.31, 2002

Increase in interest-bearing debts (mainly due to import financing)	7.3
Effect of timing difference in payment of gasoline and liquefied petroleum gas taxes recorded in the previous term, the closing date of which fell into a holiday.	(37.4)
Impact by weighted average inventories (increased inventory volume)	(8.4)
Changes in debts and credits, etc.	(5.6)

Total: (44.1)

Consolidated Results – Cash Flows

(Unit: ¥100 million)

	H1 of FY2002	Change from Mar.31, 2002
● Cash flows from operating activities	411	-
Cash flows from investing activities	65	-
● Cash flows from financing activities	44	-
Cash and cash equivalents at end of the period	301	439

Cash flows from operating activities	(¥bil)
Increased payments of gasoline tax due to timing difference	(37.4)
Impact by inventory valuation through weighted average method	(8.4)

Cash flows from investing activities	(¥bil)
Acquisitions and disposal of fixed assets	(7.8)

Cash flows from financing activities	(¥bil)
Payments of long and short-term debts and redemption of corporate bonds	(27.7)
Increase in long and short-term debts and issuance of corporate bonds	34.6

Non-Consolidated (Cosmo Alone) Results – Operating Highlights

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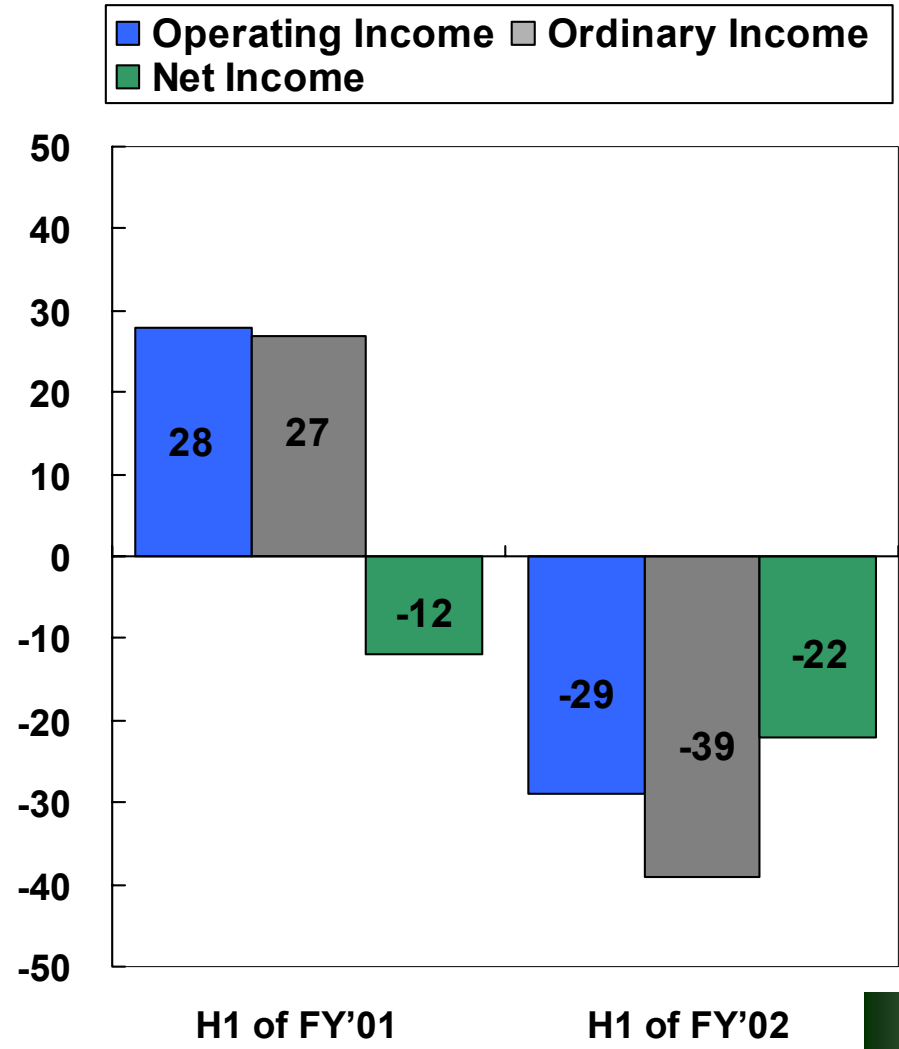
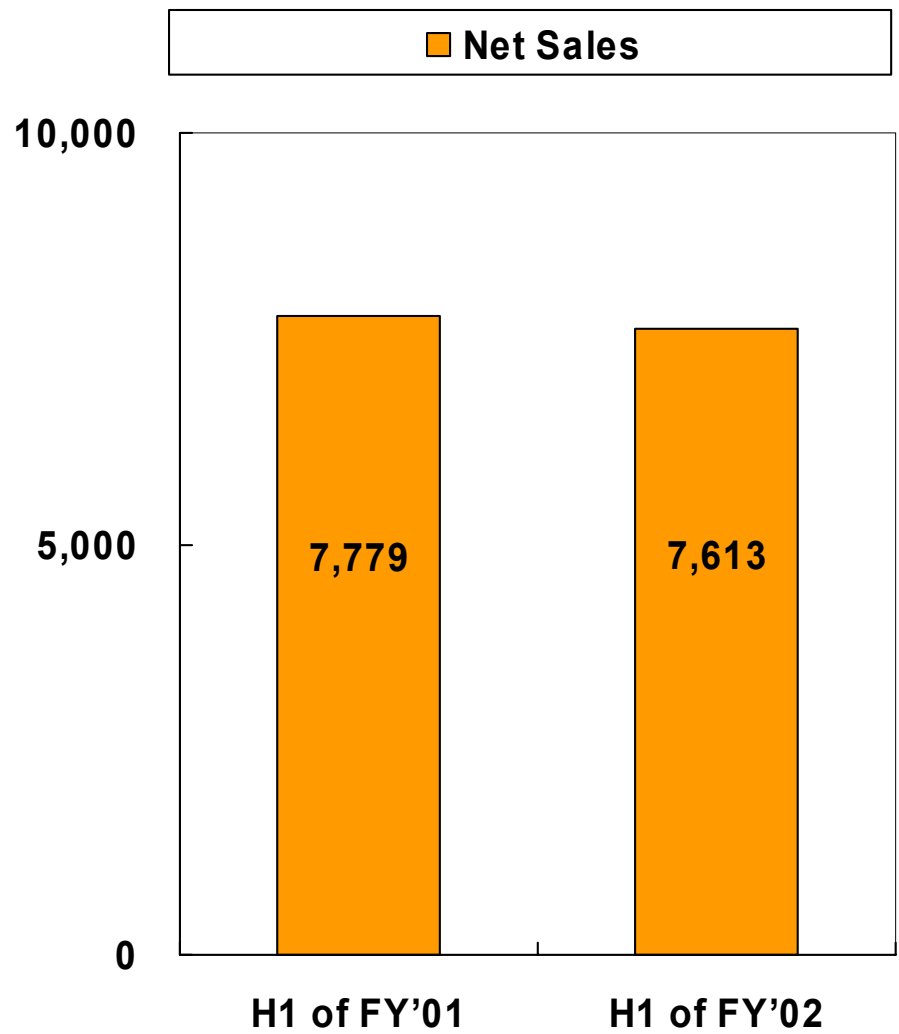
(Unit: ¥100 million)

	H1 of FY2002	Change from H1 of FY'01	% Change
Net Sales	7,613	166	2.1%
Operating Income	29	58	-
Non-operating Income (Expenses)	9	9	-
Ordinary Income	39	67	-
Extraordinary Profit (Loss)	3	52	-
Net Income (for 1st half (H1) year)	22	10	-

**Dividend for the first half year
remains at 3 yen per share**

Non-Consolidated (Cosmo Alone) Results – Operating Highlights

(Unit: ¥100 million)



Non-Consolidated (Cosmo Alone) Results – Financial Position

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(Unit: ¥100 million)

	As of Sept. 30, 2002	Change from Mar. 31, 2002
Total Assets	10,448	▲ 479
Shareholders' Equity	1,622	▲ 60
Shareholders' Equity as Percentage of Total Assets	15.5%	0.1%
Interest-Bearing Debts	4,990	140
Interest-Bearing Debts as Percentage of Total Assets	47.8%	3.4%

Non-Consolidated (Cosmo Alone) Results –

Key Factors for A Decrease of 5.8 Billion Yen in Operating Income - 1

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(Unit: ¥100 million)

	H1 of FY'02	Change from H1 of FY'01
Net Sales	7,613	166

Key factors for a decrease of 16.6 billion yen in sales

Decrease in selling prices (21.7)

25,130 yen per kiloliter (1,070) yen per kiloliter

Decrease in sales volume (2.3)

Total sales volume: 20,210,000 KL, down 91,000 KL

Change from H1, FY01: 99.6%

Domestic demand for fuel oil: 13,685,000 KL, up 12,000 KL

Change from H1, FY01: 100.1%

Increase in gasoline taxes due to an increase in gasoline sales volume 7.4

Non-Consolidated (Cosmo Alone) Results –

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Key Factors for A Decrease of 5.8 Billion Yen in Operating Income - 2

(Unit: ¥100 million)

	H1 of FY'02	Change from H1 of FY'01
Net Sales	7,613	166
Cost of Sales	7,205	96

Key factors for a decrease of 9.6 billion yen in cost of sales

Decrease in cost of sales (due to unit price decline) (7.7)

23,610 yen per kiloliter (380) yen per kiloliter

	H1 FY'02	H1 FY'01	Change
Crude oil purchase price FOB	\$24.85/BBL	24.92	(0.07)
Exchange rate	¥124.47/US\$	122.50	Down ¥1.97 against \$
Price Include tax	¥22,634/KI	22,398	236
Decrease in selling volume			(2.9)
Increase in cost of sales of products subject to gasoline taxes, etc.			7.4
Impact by weighted average method-used inventory valuation			(6.4)
	H1 FY'02	H1 FY'01	
	8.4	2.0	Net 6.4 billion yen

Non-Consolidated (Cosmo Alone) Results –

Key Factors for A Decrease of 5.8 Billion Yen in Operating Income –3

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(Unit: ¥100 million)

	H1 of FY'02	Change from H1 of FY'01
Net Sales	7,613	166
Cost of Sales	7,205	96
Selling, General and Administrative Expenses	437	12
Operating Income	29	58

Key factors for a decrease of 1.2 billion yen in selling, general and administrative expenses

Rationalization and efficiency improvement brought by “Value Creation 21”

(1.2)

Non-Consolidated (Cosmo Alone) Results – Key Factors for A Decrease of 6.7 Billion Yen in Ordinary Income

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(Unit: ¥100 million)

	H1 of FY'02	Change from H1 of FY'01
Operating Income	29	58
Non-operating Income (Expenses)	9	9
Ordinary Income	39	67
Extraordinary Profit (Loss)	3	52
Net Income (for 1st half (H1) year)	22	10

Key factors for a decrease of 0.9 billion yen in non-operating income

A decrease in financial income

(A decrease in dividend income from affiliated companies, etc.) (1.0)

Other non-operating income

0.1

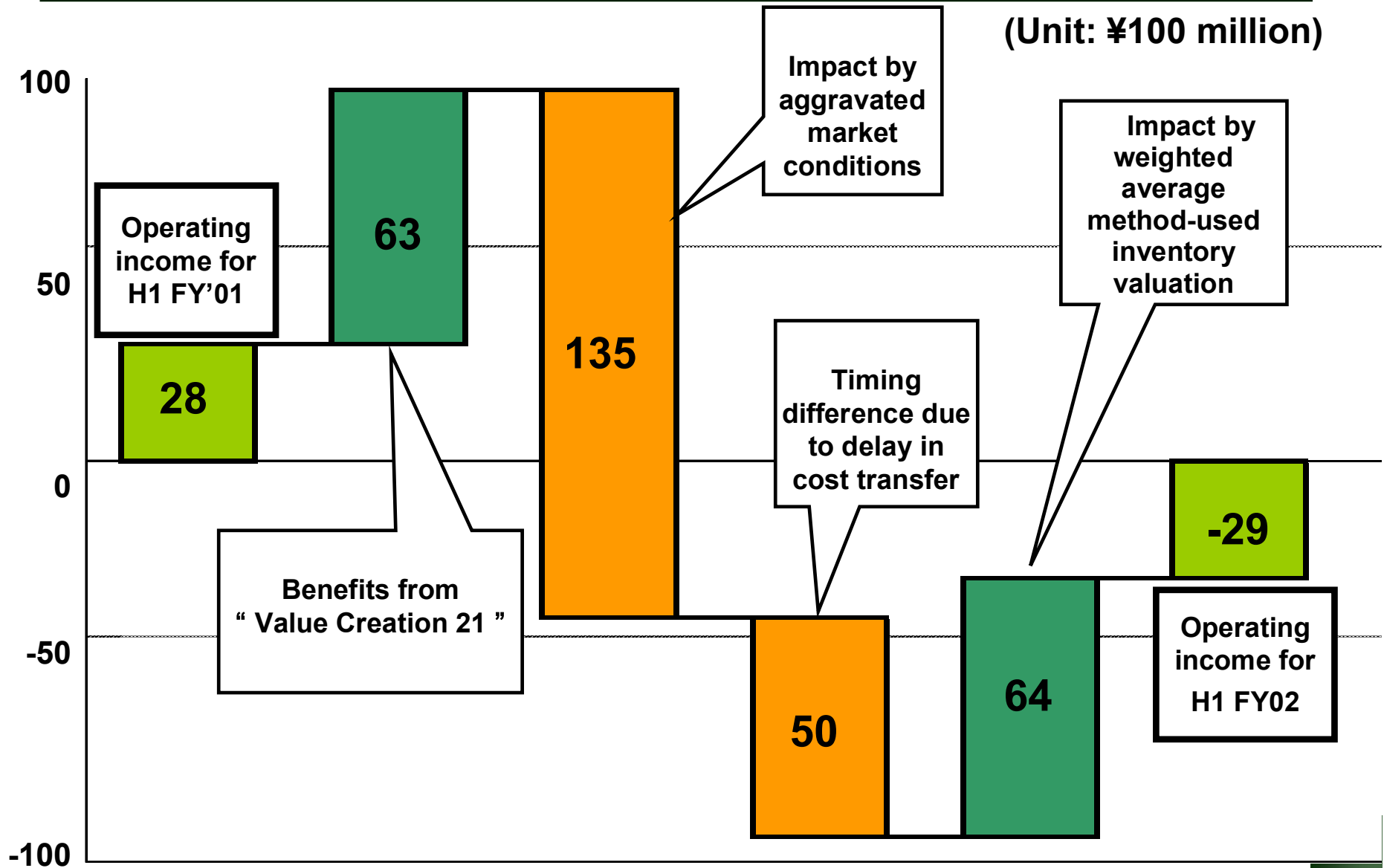
Key factors for an improvement of 5.2 billion yen in the balance between extraordinary profit and loss

Disposal of valuation loss of investment securities during the first half of lase year

4.9

Non-Consolidated (Cosmo Alone) Results –

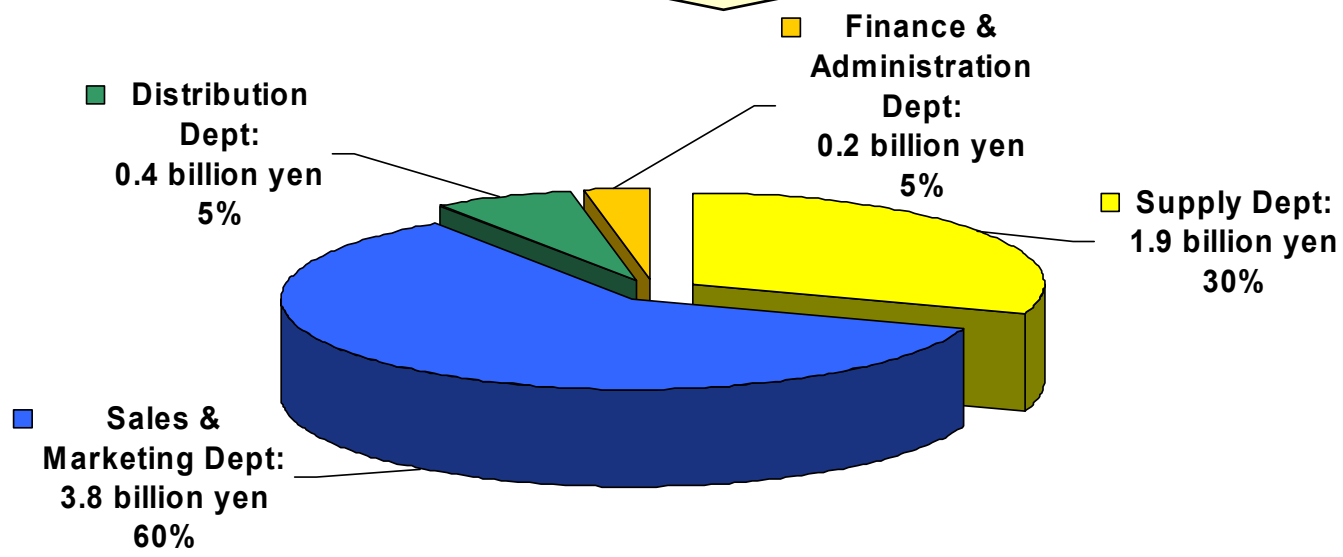
Key Factors for A Decrease of 5.8 Billion Yen in Operating Income - 1



Non-Consolidated (Cosmo Alone) Results – Key Factors for A Decrease of 5.8 Billion Yen in Operating Income - 2

Breakdown of a total benefit of 6.3 billion yen brought by the “Value Creation 21” initiative by department

Value creation: 4.4	Rationalization efforts: 1.9 (bil yen)
Supply Department: 1.1	0.8
Sales & Marketing Department: 3.3	0.5
Distribution Dept: -	0.4
Finance & Administration Dept: -	0.2



Non-Consolidated (Cosmo Alone) Results –

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Key Factors for A Decrease of 5.8 Billion Yen in Operating Income - 3

Breakdown of impact brought by aggravated market conditions – (18.5) billion yen

Impact by reduced domestic demand and aggravated supply and demand environment	(13.5)
Time difference by delay in cost transfer (Adoption of predetermined pricing and delay in cost transfer of industrial fuel oil)	(5.0)

Breakdown of a benefit of 6.4 billion yen brought by inventory valuation using the weighted average method

Impact by inventory valuation during the first half of FY2002 (reducing cost of sales)	8.4
- Impact by inventory valuation during the first half of FY2001 (reducing cost of sales)	2.0
<hr/>	
Difference	6.4

, and bring a decrease of ¥5.8 billion in operating income

Non-Consolidated (Cosmo Alone) Results –

Outlook of FY2002 (April 2002 – March 2003) - 1

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(Unit: ¥100 million)

	Outlook of FY'02	FY2001	Change
Net Sales	15,900	15,634	266
Operating Income	150	66	84
Non-operating Income (Expenses)	40	26	14
Ordinary Income	110	40	70
Extraordinary Profit (Loss)	10	207	197
Net Income (for 1st half (H1) year)	60	97	157

Assumptions
for the above
forecast:

Crude oil price (FOB) : \$25 /BBL

Yen/ dollar exchange rate : ¥120/USD

Sales volume (of fuel oil in Japan) : 98.1%(FY 2002)

Total sales volume 42,300,000 KI (down 2.6% from FY 2001)

Benefits from “Value Creation 21 ” : ¥17.5 billion per year

FY2002:

Dividend:

6 yen

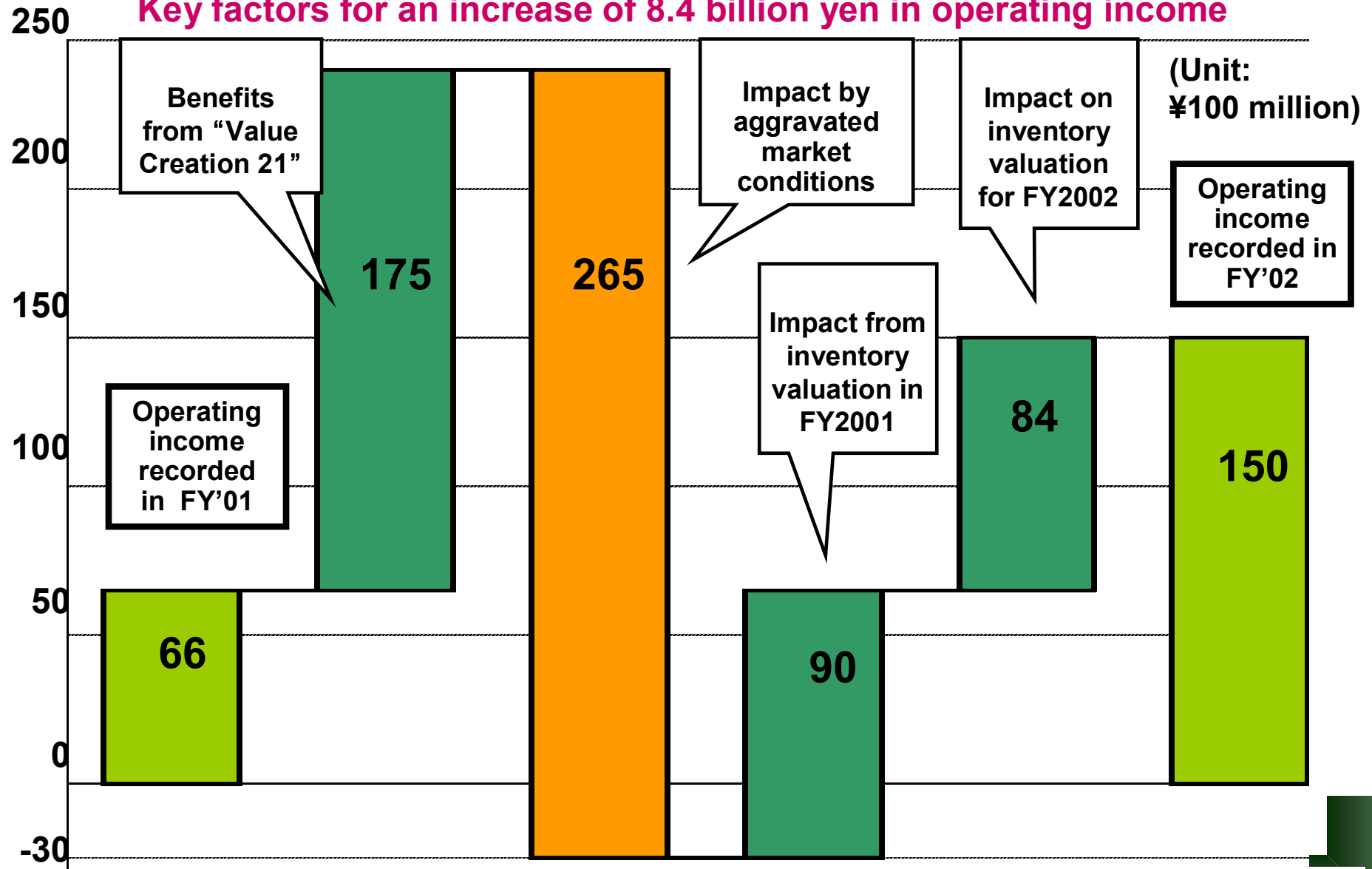
Earnings per share:

9.50 yen

Non-Consolidated (Cosmo Alone) Results –

Outlook of FY2002 (April 2002 – March 2003) - 2

Key factors for an increase of 8.4 billion yen in operating income



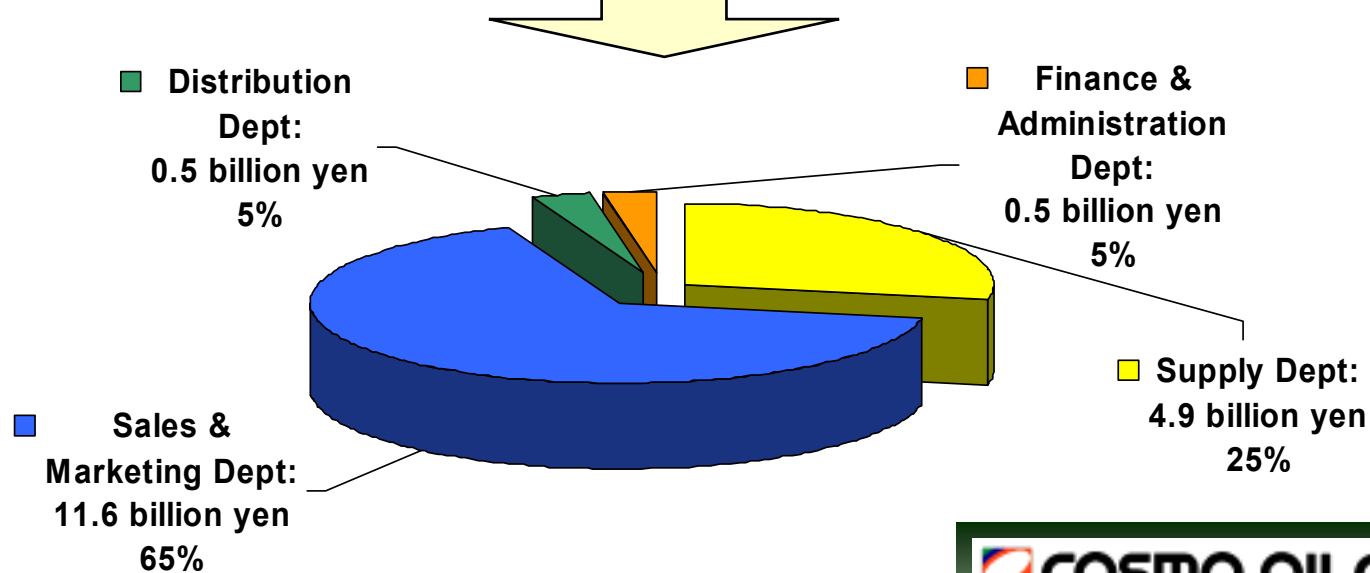
Non-Consolidated (Cosmo Alone) Results –

Outlook of FY2002 (April 2002 – March 2003) - 3

Breakdown of estimated benefit of ¥17.5 billion from “Value Creation 21” – Estimated contribution by department

Value creation:	13.3	Rationalization efforts: 4.2
	(4.4)	(1.9)
Supply Department:	2.6 (1.1)	2.3 (0.8)
Sales & Marketing Department:	10.7(3.3)	0.9 (0.5)
Distribution Dept:	-	0.5 (0.4)
Finance & Administration Dept:	-	0.5 (0.2)

Note: () indicates benefit actually achieved during the first half FY 2002)



Consolidated Results –

Outlook of FY2002 (April 2002 – March 2003) - 1

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(Unit: ¥100 million)

	Outlook of FY'02	FY2001	Change
Net Sales	18,400	18,138	262
Operating Income	280	220	60
Non-operating Income (Expenses)	▲ 60	▲ 47	▲ 13
Ordinary Income	220	172	48
Extraordinary Profit (Loss)	▲ 21	▲ 191	170
Net Income (for 1st half (H1) year)	75	▲ 51	126

Forecast for operating income by segment (¥ bil)

Oil business	20.0
Oil exploring and productuin business	7.5
Other businesses	0.5
Operating income	28.0

Supplementary Information – 1.

Review of Sales and Crude Oil Business

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Sales			
	H1 of FY2002	Change from H1 of FY'01	% Change
Total sales volume (1,000 KL)	20,210	▲ 91	99.6%
Fuel oil sales in Japan (1,000 KL)	13,685	12	100.1%
Incl. volume product sales (1,000 KL)	8,538	241	102.9%
High-octane ratio (%)	18.9%	▲ 0.9%	-
Crude Oil Processing, Crude Oil Prices and Currency Exchange			
	H1 of FY2002	Change from H1 of FY'01	% Change
Purchased price of crude oil (FOB) USD/BBL	24.85	▲ 0.07	-
Yen/dollar exchange rate	124.47	1.97	-
Purchased price of crude oil (tax inclusive) Yen/KL	22,634	236	-
Processed crude oil volume (1,000 KL)	12,913	▲ 45	99.7%
Share of yields of four middle distillates (%)	47.7%	1.0%	-

Supplementary Information – 2.

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Capital Expenditures and Depreciation

Capital expenditures and depreciation (on a consolidated basis) (100 mil yen)

	H1 of FY'02	H1 of FY'01	Outlook of FY'02
Retained earnings	▲ 41	▲ 21	39
Depreciation expenses	116	118	232
Capital expenditures	111	143	290
Free cash flow	▲ 36	▲ 46	▲ 19

Capital expenditures and depreciation (on a non-consolidated basis)

	H1 of FY'02	H1 of FY'01	Outlook of FY'02
Retained earnings	▲ 40	▲ 31	48
Depreciation expenses	89	94	175
Capital expenditures	82	133	227
Free cash flow	▲ 33	▲ 70	▲ 4

Note: Capital expenditures include intangible fixed assets and long-term prepaid expenses starting from FY2001.

Supplementary Information – 3.

Changes in Workforce and Oil Storage Depots

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Workforce size (No. of persons)							Actual
	Mar 31, '97	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Sep 30, '02
Oil business	3,395	3,109	2,677	2,048	1,970	1,892	1,860
Cosmo Oil Group	6,103	5,678	5,256	4,600	4,416	3,978	3,850
No. of oil storage depots (DTs)							Actual
	Mar 31, '97	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Sep 30, '02
No. of DTs	61	57	52	45	41	39	39

Supplementary Information – 4. Changes in No. of Service Stations

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No. of Cosmo-affiliated SSs							Actual	Plan
	Mar 31, '97	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Sep 30, '02	Mar 31, '03
Cosmo-owned	1,193	1,172	1,105	1,065	1,010	977	972	982
Individually-owned	5,855	5,614	5,376	5,040	4,769	4,564	4,416	4,172
Total	7,048	6,786	6,481	6,105	5,779	5,541	5,388	5,154

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

	Mar 31, '97	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Sep 30, '02	Mar 31, '03
Cosmo-owned	0	0	3	6	16	77	148	250
Individually-owned	0	0	2	2	7	32	63	100
Total	0	0	5	8	23	109	211	350