

Cosmo Oil

Presentation of Financial Results for the Fiscal Year 2003

May 20, 2004
Keizo Morikawa
Managing Director

Consolidated Statement of Income - Operating Highlights

1

(Unit: ¥100 million)

	FY03	Full year 2003 (Apr. 1, '03 – Mar. 31, '04)		Change from FY 02	Change from FY 2002	
		Cosmo Oil alone	Subsidiaries consolidated		Cosmo Oil alone	Subsidiaries consolidated
Net Sales	19,163	16,787	2,376	135	-21	156
Operating Income	252	130	122	11	7	4
Ordinary Income	195	71	124	7	-20	27
Net Income	82	31	51	48	3	45

Non-Consolidated (Cosmo Oil Alone) Statement of Income – Analysis of Key Factors for ¥700-Million Increase in Operating Income

2

(Unit: ¥100 million)

	FY03	Change from FY02	Key factor for increase/decrease
Net Sales	16,787	-21	1. Increase in selling prices: ¥ 20.8 bn 2. Decrease in total sales volume: ¥ 22.9 bn
Cost of Sales	15,764	-18	1. Decrease in crude oil purchase cost: ¥ 7.4 bn 2. Decrease in sales volume: ¥ 21.2 bn 3. Impact of inventory valuation: ¥ 26.8 bn
Selling, general and administrative expenses	893	-10	
Operating Income	130	7	

	FY03	Change from FY02	
Factors affecting increase or decrease of sales	Selling price (yen/KL)	26,830	460
	Total sales volume (1,000 KL)	44,583	-653
	YOY achievement level	—	98.6%
	Oil product sales in Japan (1,000 KL)	30,216	-833
	YOY achievement level	—	97.3%
	Purchased price of crude oil	FOB (\$/BBL)	27.67
Exchange rate (Yen/US\$)		113.29	-9.1
Tax-inclusive price (Yen/KL)		22,888	-560
Impact by inventory valuation (on operating income)	FY2003 (¥ 100 million)	-95	Cost of sales up
	FY2002 (¥ 100 million)	173	Cost of sales down

Breakdown of oil product sales in Japan	Change from FY02
Gasoline	101.1%
Kerosene	89.2%
Diesel fuel	96.6%
Heavy fuel oil A	98.2%
Combined sales of 4 volume products above	97.0%
Naphtha	95.2%
Jet fuel	94.3%
Heavy fuel oil C	103.3%
Oil product sales in Japan	97.3%

Non-Consolidated (Cosmo Oil Alone) Statement of Income – Analysis of Key Factors for ¥300-Million Increase in Net Income

3

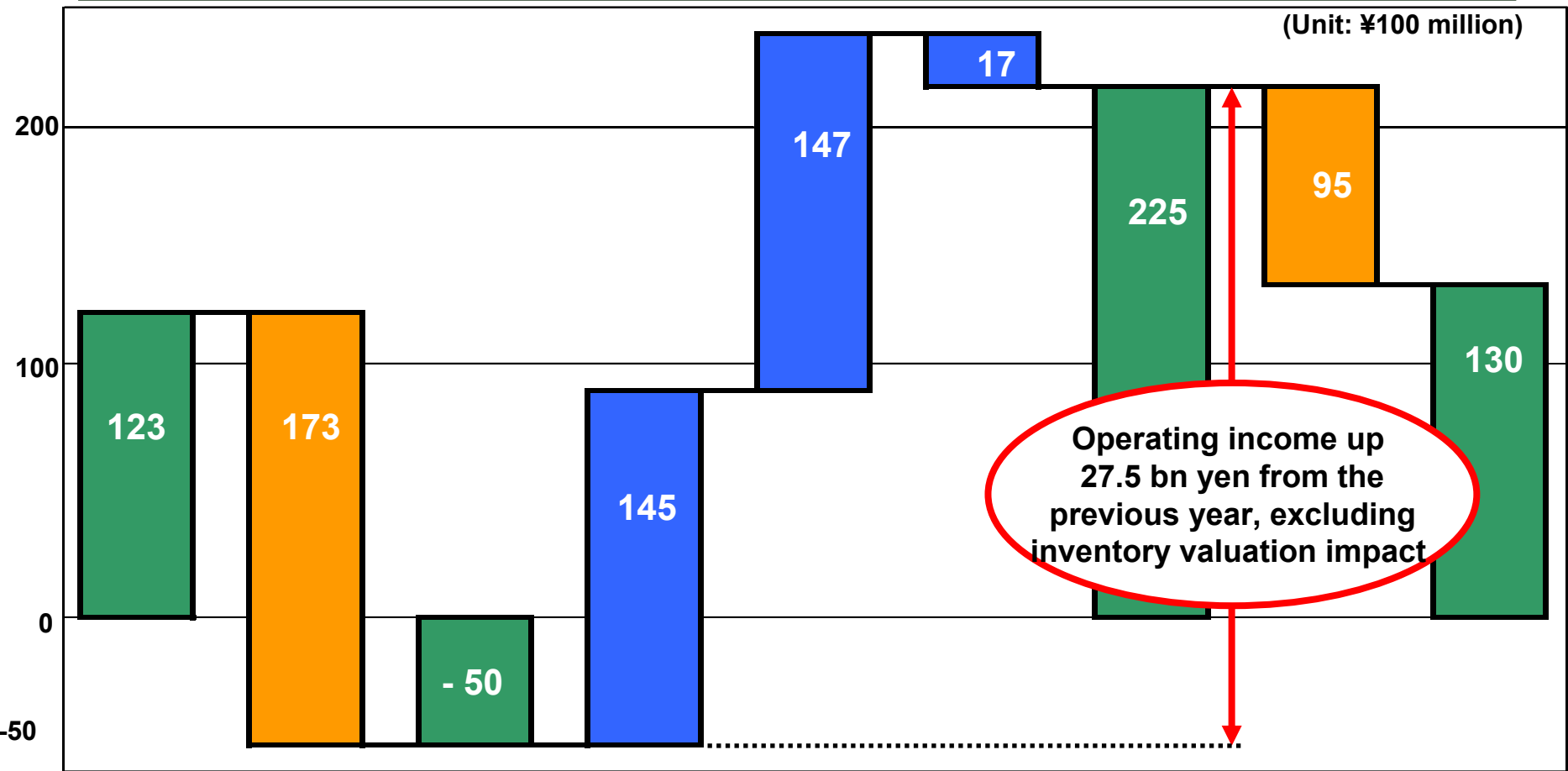
(Unit: ¥100 million)

	FY03	Change from FY02	Key factor for increase/decrease
Operating Income	130	7	
Non-operating income(expenses)	-59	-27	1. Decrease in financial balance due to decrease in dividends received from affiliates: 0.5 bn yen 2. Foreign exchange loss: 0.3 bn yen / Miscellaneous loss: 1.9 bn yen
Ordinary Income	71	-20	
Extraordinary Profit (Loss)	-15	30	Reversal of loss on investment securities valuation from the previous year
Net Income for FY2003	31	3	

	FY03	Change from FY02	
Breakdown of non- operating income and expenses	Financing balance	-85	-5
	Gain (loss) from foreign currency exchange	12	-3
	Miscellaneous gain (loss)	14	-19
	Non-operating income(expenses)	-59	-27

Non-Consolidated (Cosmo Oil Alone) Statement of Income – Analysis of Key Factors for ¥700-Million Increase in Operating Income – 1

(Unit: ¥100 million)



Operating income up 27.5 bn yen from the previous year, excluding inventory valuation impact

FY2002 operating income	Inventory valuation impact on FY02 results	FY02 operating income excluding inventory valuation impact	Benefit from "Medium-Term Management Plan" efforts	Market improvement and other favorable effects	Decreased sales volume	FY03 operating income excluding inventory valuation impact	Inventory valuation impact on FY03 results	FY2003 operating income
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Non-Consolidated (Cosmo Oil Alone) Statement of Income – Analysis of Key Factors for ¥700-Million Increase in Operating Income – 2

Breakdown of A Total Benefit of 14.5 Billion yen from “Mid-term Management Plan” – Contribution by Department

Benefit through “Value Creation” efforts: **7.7 bn**

Supply Department: **1.8 bn**

Demand met quickly through enhanced SCM 1.5 bn
 Additional values created by the introduction of the earnings improvement program: 0.3 bn

Sales & Marketing Department: **4.6 bn**

Enhanced and expanded sales reported by marketing subsidiaries in the retail business segment and direct selling enhancement, improved selling price through structural reform in the distribution: 4.4 bn
 Increased revenue from the card business 0.2 bn

New Business Department: **1.3 bn**

IPP business, etc.

Benefit through “Rationalization” efforts: **6.8 bn**

Supply Department: **4.1 bn**

Decrease in VLCC vessel cost 1.0 bn
 Energy saving and reduced repair & maintenance costs at refineries 2.5 bn
 Workforce downsizing, etc. 0.6 bn

Sales & Marketing Department: **1.1 bn**

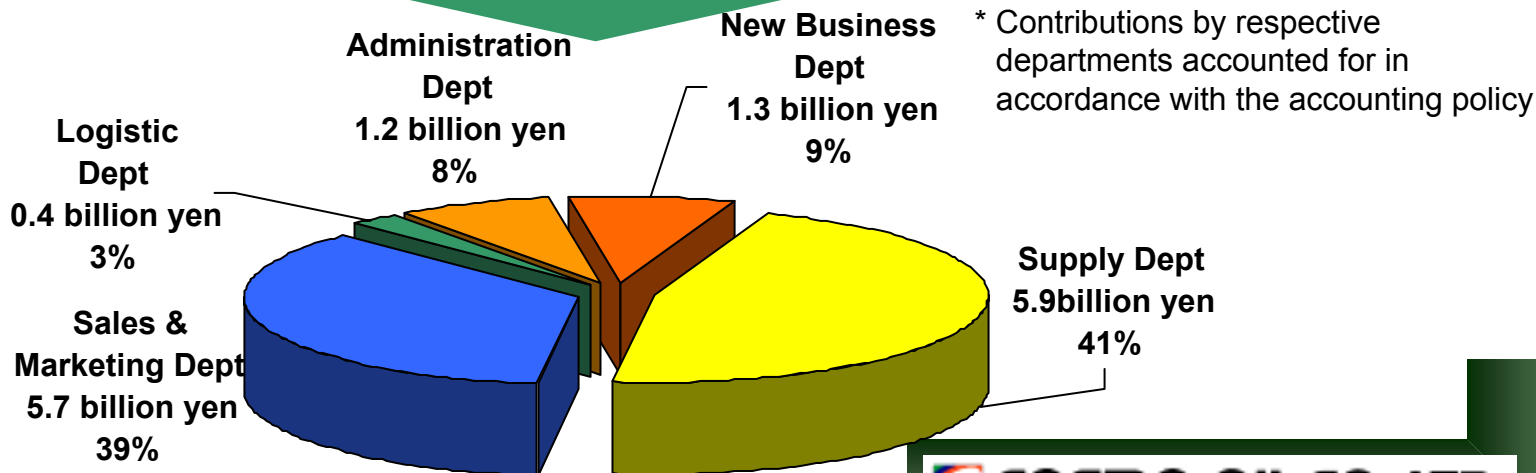
Reductions in labor and other costs

Logistic Department: **0.4 bn**

Effective use of both Cosmo Oil and shared oil storage depots

Administration Department: **1.2 bn**

Reductions in labor and other cost



Consolidated Statement of Income of Consolidated Subsidiaries

– Analysis of Key Factors for Changes in Profit (Loss)

6

(Unit: ¥100 million)

	FY03	Change from FY02	Key factor for increase/decrease
Net Sales	2,376	156	Increased sales reported by marketing subsidiaries, etc.: 21.0 bn Elimination of sales through consolidated accounting process: -5.4 bn
Cost of Sales	1,825	58	Impact of accounting changes: -11.0 bn (reclassified to S, G&A Expenses)
Selling, General & Administrative Expenses	429	94	Impact of accounting changes: 11.0 bn (reclassified from Cost of Sales) Benefits from streamlining and efficiency efforts: -1.6 bn
Operating Income	122	4	Cosmo Petroleum Gas Co., Ltd.: 2.3 bn Abu Dhabi Oil Co., Ltd.: -0.4 bn Marketing subsidiaries: -0.4 bn Loss uniquely brought by consolidated accounting processing: -1.1 bn
Non-operating income(expenses)	2	23	Profit from investment in consolidated subsidiaries accounted for under the equity method: 1.7 bn Gains brought by consolidated accounting processing: 0.6 bn
Ordinary Income	124	27	Cosmo Petroleum Gas Co., Ltd.: 2.2 bn Abu Dhabi Oil Co., Ltd.: -1.3 bn Profit from investment in consolidated subsidiaries accounted for under the equity method: 1.8 bn
Extraordinary Profit (Loss)	-4	9	
Net Income	51	45	Cosmo Petroleum Gas Co., Ltd.: 1.4 bn, Abu Dhabi Oil Co., Ltd.: -0.5 bn Profit from investment in consolidated subsidiaries accounted for under the equity method (Maruzen Petrochemical Co., Ltd., etc.) 1.7 bn Gains uniquely brought by consolidated accounting processing: 1.9 bn

Consolidated Balance Sheet – Key Factors for An Increase of ¥13.4 Billion in Total Assets

(Unit: ¥100 million)

	As of March 31, 2004	Change from March 31, 2003
Total Assets	12,601	134

Key Factors for Increase in ¥13.4 Billion in Total Assets

- Increase in funds on hand: **63.3 bn**
 - Increase in accrued volatile oil and other petroleum taxes, reflecting impact of timing difference in payment since the closing date happened to fall on a holiday: **35.0 bn**
 - Advanced procurement of funds for bond redemptions in FY04: **16.5 bn**
 - Other: **11.8 bn**
- Decrease in accounts receivable and accrued revenues: **-56.1 bn**
 - Decrease in accounts receivable and notes receivable: **-28.2 bn**
 - Decrease in accrued revenues due to crude oil consumption debit and credit transaction settlements, etc.: **-22.6 bn**
 - Other: **-5.3 bn**
- Increase in fixed assets, etc.: **6.2 bn**

Total: 13.4 bn

Similarly, decrease of ¥22.7 bn recorded in accounts payable

	As of March 3, 2004	Change from Mar. 31, 2003
Interest-bearing debt	5,593	-33

Consolidated Cash Flows

(Unit: ¥100 million)

	FY03	Change from Mar. 31, 2003	Key factor for increase/decrease
Cash flow from operating activities	1,018	-	Impact of timing difference in volatile tax and other petroleum tax payment: (35 bn) (See Supplementary Information 6)
Cash flow from investing activities	-327	-	Payments for acquisitions of property, plant and equipment: (36 bn); Proceeds from sales of property, plant and equipment: 1.1bn; Payments for acquisitions of and proceeds from sales of securities, etc.
Cash flow from financing activities	-77	-	Advanced procurement of funds for bond redemptions in FY04, and reduction in interest-bearing debt was achieved.
Cash and cash equivalents at end of the period	1,045	607	

Consolidated Outlook for First Half and FY 2004 Results

(Unit: ¥100 million)

	H1 FY04	FY2004	Changes from FY03
Net Sales	9,000	19,100	-63
Operating Income	120	390	138
Ordinary Income	85	340	145
Net Income	25	150	68

Outlook for ordinary income by Cosmo Oil Group member company

	FY2004	Changes from FY03
Cosmo Oil alone	150	79
Abu Dhabi Oil Co., Ltd.	98	39
Marketing subsidiaries	16	3
Cosmo Oil Lubricants Co., Ltd.	8	1
Cosmo Matsuyama Oil Co., Ltd.	8	-1
Cosmo Petroleum Gas Co., Ltd.	14	0

Non-Consolidated (Cosmo Oil Alone) Outlook for First Half and FY 2004 Results

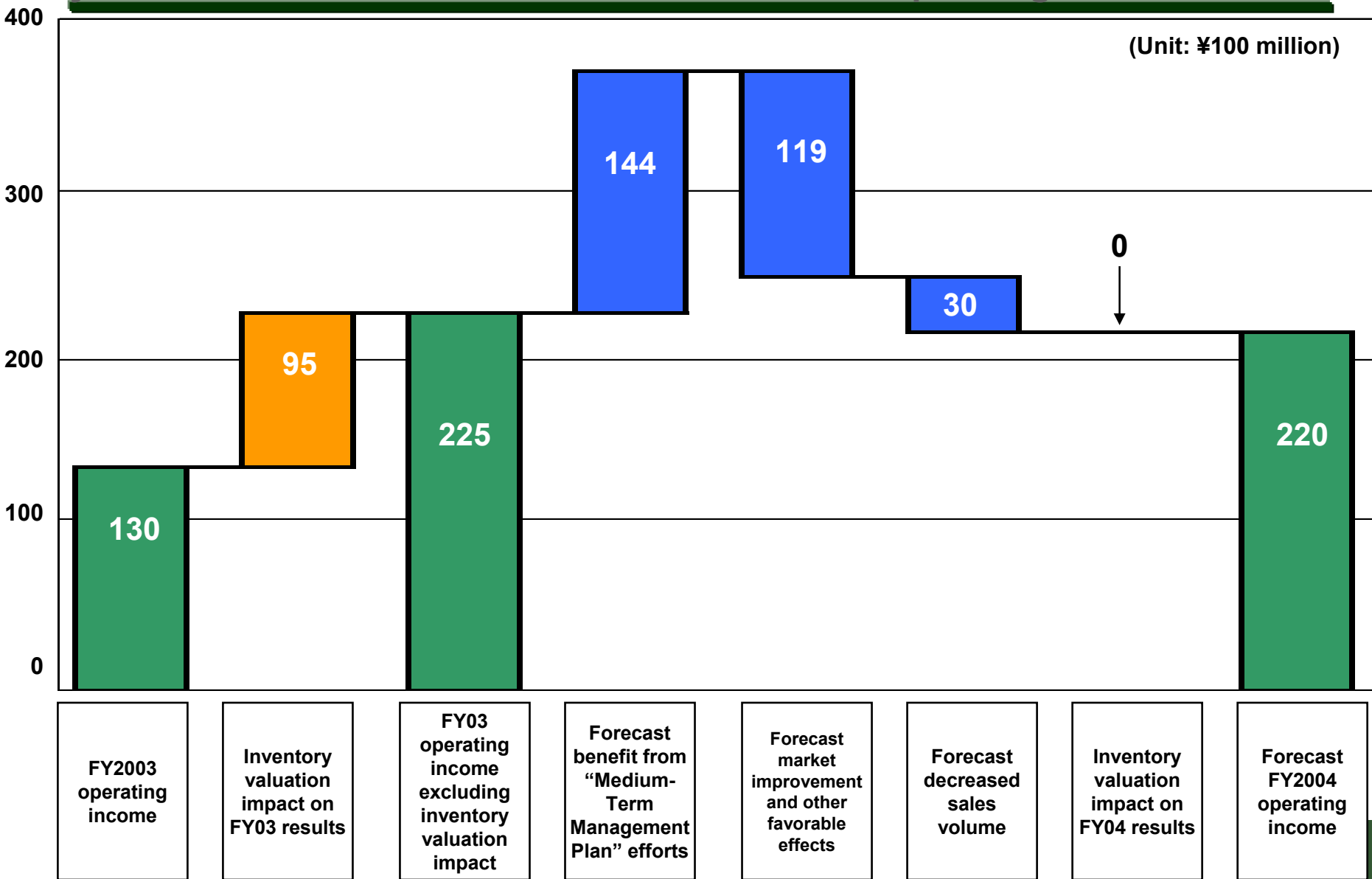
(Unit: ¥100 million)

	H1 FY04	FY2004	Changes from FY03
Net Sales	7,700	16,700	-87
Operating Income	45	220	90
Ordinary Income	10	150	79
Net Income	5	80	49
Dividend(yen)	3	6	-

Assumptions for the outlook above	
	FY2004
FOB (\$/BBL)	\$29.00
Yen/dollar exchange rate	¥110
Total selling volume (1,000 KL)	43,400
Total sales volume (% achievement of the FY02 level)	97.3%
Oil product sales in Japan (% achievement of the FY02 level)	97.2%
Benefit to be brought by "Mid-term Management Plan" efforts (Unit: 100 mil yen)	144

Oil product sales in Japan			
	FY04		FY04
Gasoline	100.8%	Naphtha	99.8%
Kerosene	101.6%	Jet fuel	100.9%
Diesel fuel	96.7%	Heavy fuel oil C	79.7%
Heavy fuel oil A	100.5%		
Combined sales of 4 volume products above	99.9%	Oil products sales in Japan	97.2%

Non-Consolidated (Cosmo Oil Alone) Outlook for Full Year 2004 Results – Key Factors for Forecast Increase in ¥9.0 Billion in Operating Income - 1



Non-Consolidated (Cosmo Oil Alone) Outlook for Full Year 2004 Results – Key Factors for Forecast Increase in ¥9.0 Billion in Operating Income - 2

Breakdown of Forecast Benefit of ¥14.4 Billion from “Medium-Term Management Plan” – Contribution by Department

Benefit through “Value Creation” efforts: 9.4 bn

Supply Department: 2.9 bn

Additional value created by the introduction of the earnings improvement program 2.4 bn

Additional values created through fluid catalyst cracking (FCC) facility enhancement 0.5 bn

Sales & Marketing Department: 5.9bn

Enhanced and expanded sales reported by marketing subsidiaries in the retail business segment and direct selling enhancement, improved selling price through structural reform in the distribution: 5.7 bn

Increased revenue from the card business 0.2 bn

New Business Department: 0.6 bn

IPP business and ALA sales business, etc.

Benefit through “Rationalization” efforts: 5.0 bn

Supply Department: 2.5 bn

Decrease in VLCC vessel cost 0.3 bn

Energy saving and reduced repair & maintenance costs at refineries 1.9 bn

Workforce downsizing, etc. 0.3 bn

Sales & Marketing Department: 1.0 bn

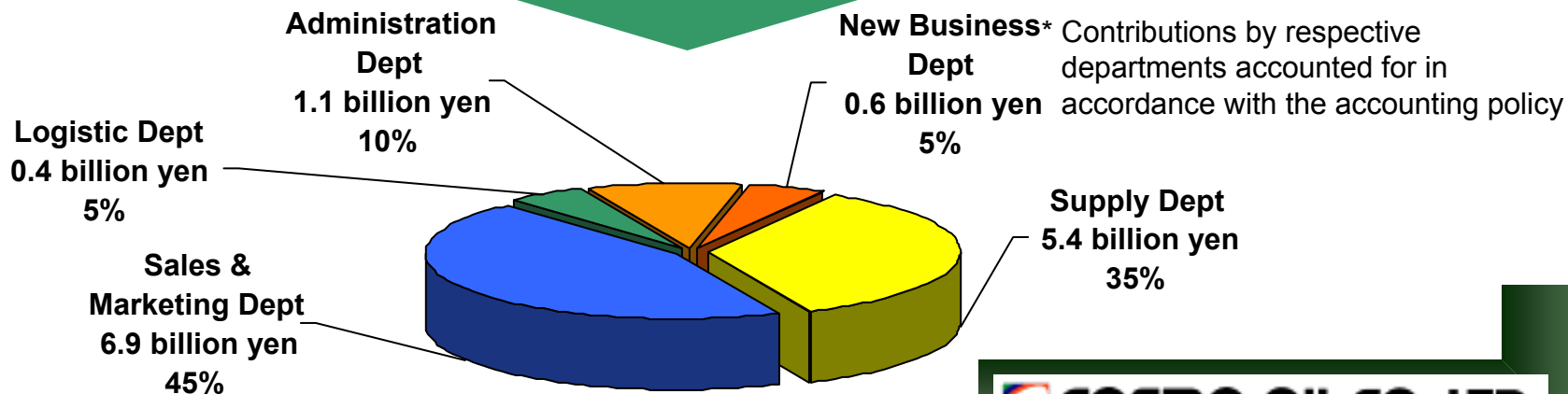
Reductions in labor and other cost

Logistic Department: 0.4 bn

Effective use of both Cosmo Oil and shared oil storage depots

Administration Department: 1.1 bn

Reductions in labor and other costs



Supplementary Information – 1.

Review of Sales and Crude Oil Business Situation

Sales			
	FY2003	Change from FY02	% Change
Total sales volume (1,000 KL)	44,583	-653	98.6%
Oil product sales in Japan (1,000 KL)	30,216	-833	97.3%
Incl. 4 major oil product sales (1,000 KL)	18,986	-587	97.0%
High-octane ratio	18.1%	-0.6%	—

Crude Oil Processing, Crude Oil Prices and Currency Exchange			
	FY2003	Change from FY02	% Change
Purchased price of crude oil (FOB) \$/BBL	27.67	1.42	—
Exchange rate (Yen/US\$)	113.29	-9.1	—
Purchased price of crude oil (tax inclusive) yen/KL	22,888	-560	—
Self-processed crude oil volume	30,404	2,094	107.4%
Atmospheric distillation capacity ratio	87.80%	5.80%	—

Supplementary Information – 2.

14

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

Workforce size (No. of persons)	Actual							Planned
	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Mar 31, '04	Mar 31, '05
Cosmo Oil alone	3,109	2,677	2,048	1,970	1,892	1,837	1,764	1,692
Cosmo Oil Group	5,678	5,256	4,600	4,416	3,978	3,736	3,565	3,493

* Cosmo Oil Group = No. of employees at Cosmo Oil alone + Transfers from Cosmo Oil

No. of oil storage depots (DTs)	Actual							
	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Mar 31, '04	Mar 31, '05
No. of DTs	57	52	45	41	39	39	38	38

No. of Cosmo Oil SSs (Including Mobile SSs)	Actual							Planned
	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Mar 31, '04	Mar 31, '05
Cosmo Oil-owned	1,172	1,105	1,065	1,010	977	959	930	948
Individually-owned	5,614	5,376	5,040	4,769	4,564	4,313	4,112	3,943
Total	6,786	6,481	6,105	5,779	5,541	5,272	5,042	4,891

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	Mar 31, '05
	Cosmo Oil-owned	0	3	6	16	77	198	279
Individually-owned	0	2	2	7	32	87	119	152
Total	0	5	8	23	109	285	398	534

Supplementary Information - 3. Operating and Financial Highlights of **Non-Consolidated** and **Consolidated** Results for FY2003

(Unit: ¥100 million)

Consolidated	FY03	Change from FY02	% Change
Net Sales	19,163	135	0.7%
Operating Income	252	11	4.5%
Ordinary Income	195	7	3.6%
Net Income	82	48	138.7%
Total Assets	12,601	134	—
Shareholders' Equity	2,048	112	—
Shareholders' Equity as Percentage of Total Assets	16.3%	0.8%	—
Interest-Bearing Debts	5,593	-33	—
Interest-Bearing Debts as Percentage of Total Assets	44.4%	-0.7%	—
Non-Consolidated (Cosmo Oil alone)	FY03	Change from FY02	% Change
Net Sales	16,787	-21	-0.1%
Operating Income	130	7	5.9%
Ordinary Income	71	-20	-22.1%
Net Income	31	3	12.6%
Total Assets	11,095	279	—
Shareholders' Equity	1,702	52	—
Shareholders' Equity as Percentage of Total Assets	15.3%	0.0%	—
Interest-Bearing Debts	4,943	-27	—
Interest-Bearing Debts as Percentage of Total Assets	44.6%	-1.3%	—

Supplementary Information – 4.

Operating Highlights of **Major Consolidated Subsidiaries** for FY2003

16

(Unit: ¥100 million)

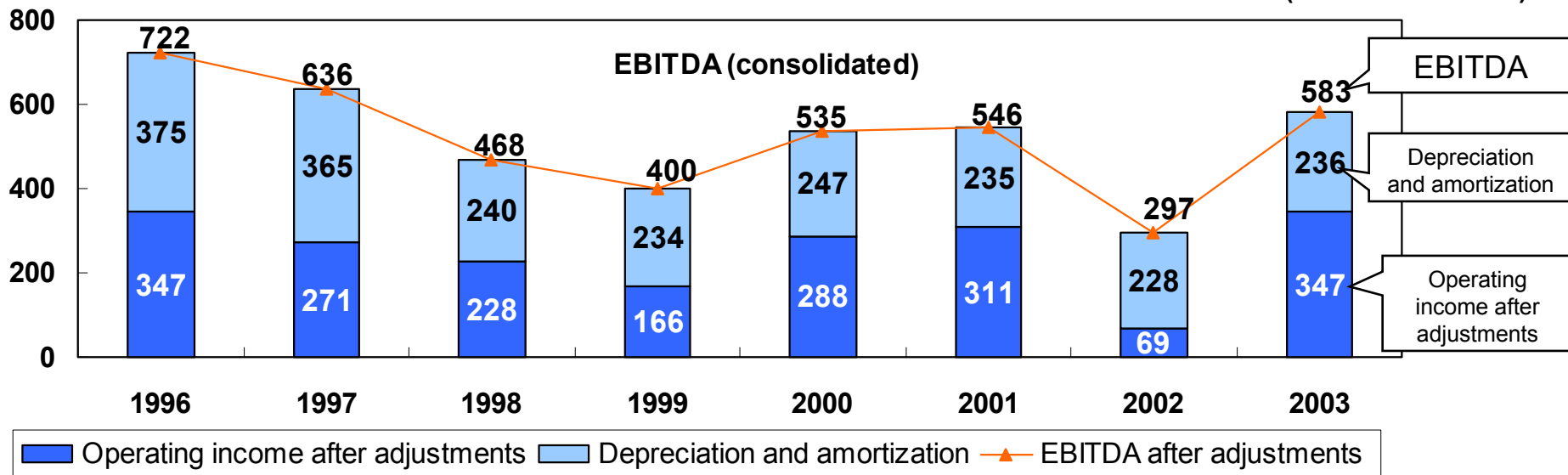
	Net Sales	Operating Income	Ordinary Income	Net Income
Abu Dhabi Oil Co., Ltd.	315	75	59	9
Marketing subsidiaries	2,652	15	13	0
Cosmo Oil Lubricants Co., Ltd.	294	7	7	4
Cosmo Matsuyama Oil Co., Ltd.	164	12	9	5
Cosmo Petroleum Gas Co., Ltd.	768	15	14	7

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

	As of Mar 31, 2003	Increase	Decrease	As of Mar 31, 2004
No. of subsidiaries consolidated	27	5	1	31
No. of subsidiaries applicable to the accounting policy under the equity method	37	4	3	38
No. of affiliated companies applicable to the accounting policy under the equity method	5	0	0	5

Supplementary Information – 5. Historical Changes in Consolidated EBITDA After Inventory Valuation Impact Adjustments

(Unit: ¥100 million)



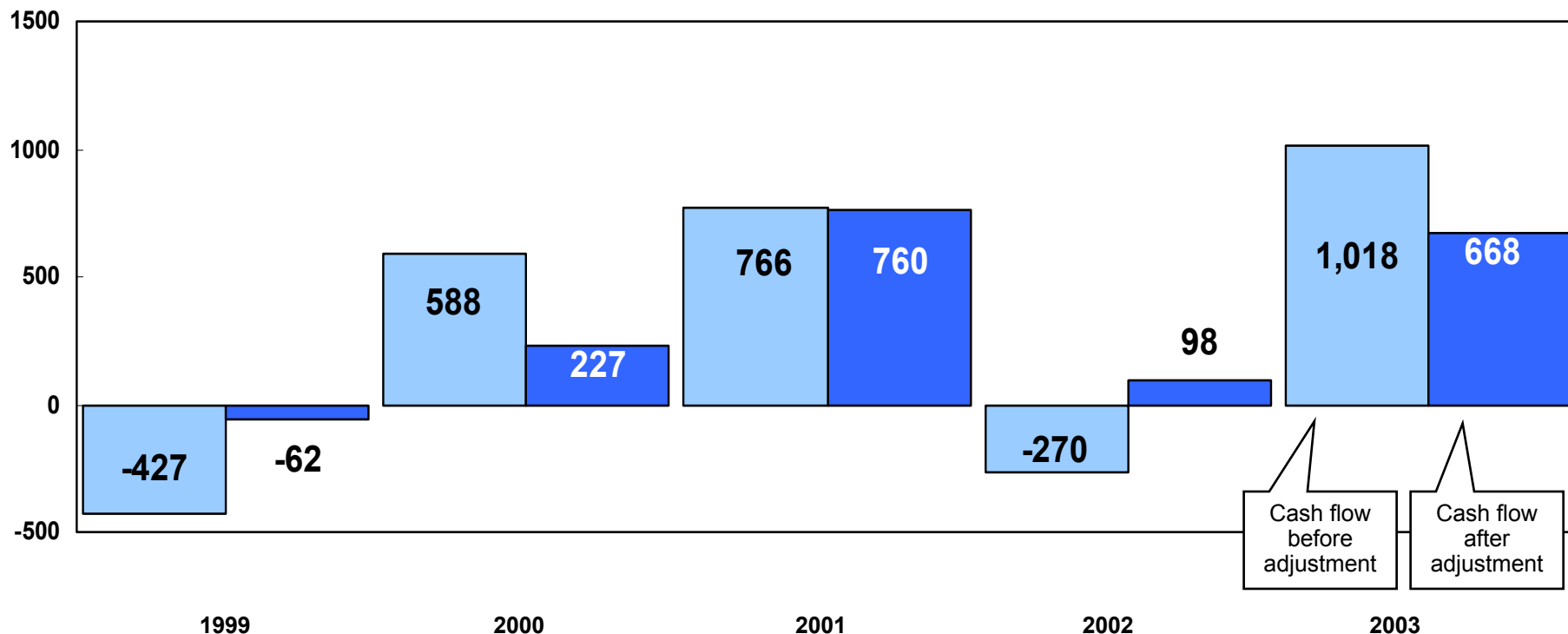
	2000	2001	2002	2003
Operating income on accounting method	366	221	242	252
Impact of inventory valuation (on operating income)	78	-90	173	-95
Operating income after adjustments (operating income on accounting method – inventory valuation impact)	288	311	69	347

Inventory valuation method changed since FY2000

Supplementary Information – 6. Historical Changes in Adjustments Made in Consolidated Cash Flow from Operating Activities

18

(Unit: ¥100 million)



Adjustments for cash flow from operating activities

Volatile oil and other petroleum taxes are usually paid at the end of every month. However, if the closing date for a given accounting period falls on a holiday, the payment will be made in the following accounting period, when the taxes will be paid for 13 months. This makes it necessary to adjust the operating cash flow from operating activities to correct the tax payment from 13 to 12 months.

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 of the realization of such plans, objectives or goals.