

Management Strategy for Cosmo Oil

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Chairman and Chief Executive Officer

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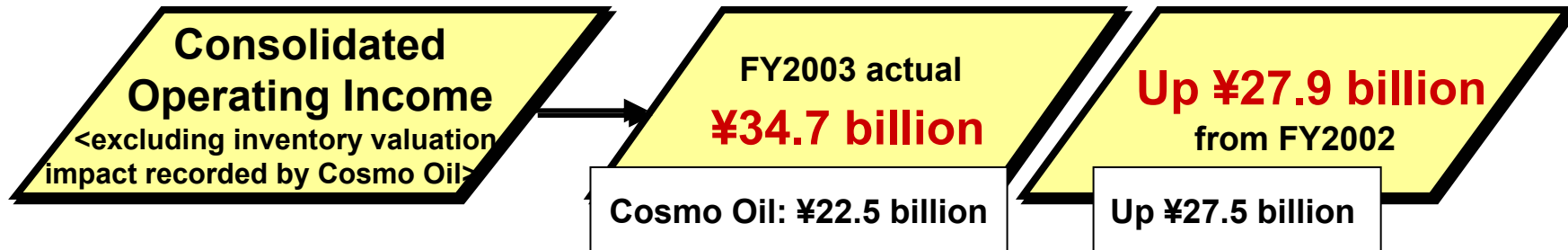
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Operating Highlights of Fiscal Year 2003 Results

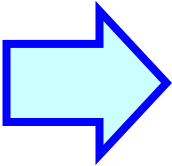
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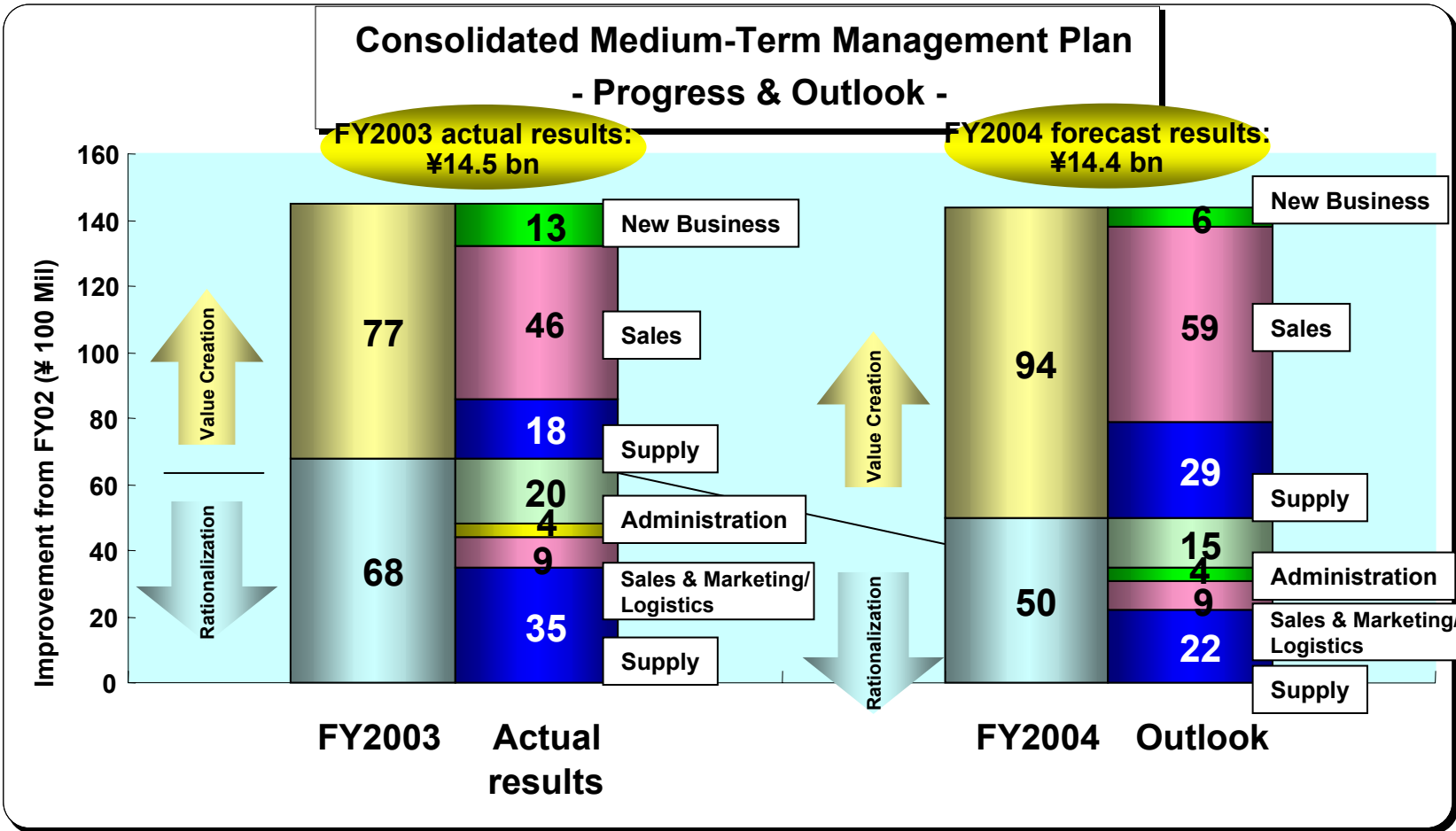
Item	FY2003 Plan	Actual results in FY2003	
Rationalization and value creation	Create total benefits worth ¥14.2 billion	Total benefits worth ¥14.5 billion created 102.4% achievement vs. the plan as the base of 100%	¥6.8 bn in rationalization benefits (achievement level of 94.7%) ¥7.7 bn in value creation benefits (110.2%)
Atmospheric distillation unit capacity utilization at refineries	Estimated to improve to 87.3%	87.8% achieved	Up 5.8% points from FY2002
Shares of automobile fuel sales at directly-run and marketing subsidiary-run SSs	31% of total sales	29% achieved	Up 6% points from FY2002
Consolidated interest-bearing debts	¥520 billion as of March 31, 2006	¥559.3 billion as of March 31, 2004	Down ¥3.3 bn from March 31, 2003

Rationalization and Value Creation Benefits Created by Department – Cosmo Oil Alone Progress and Outlook

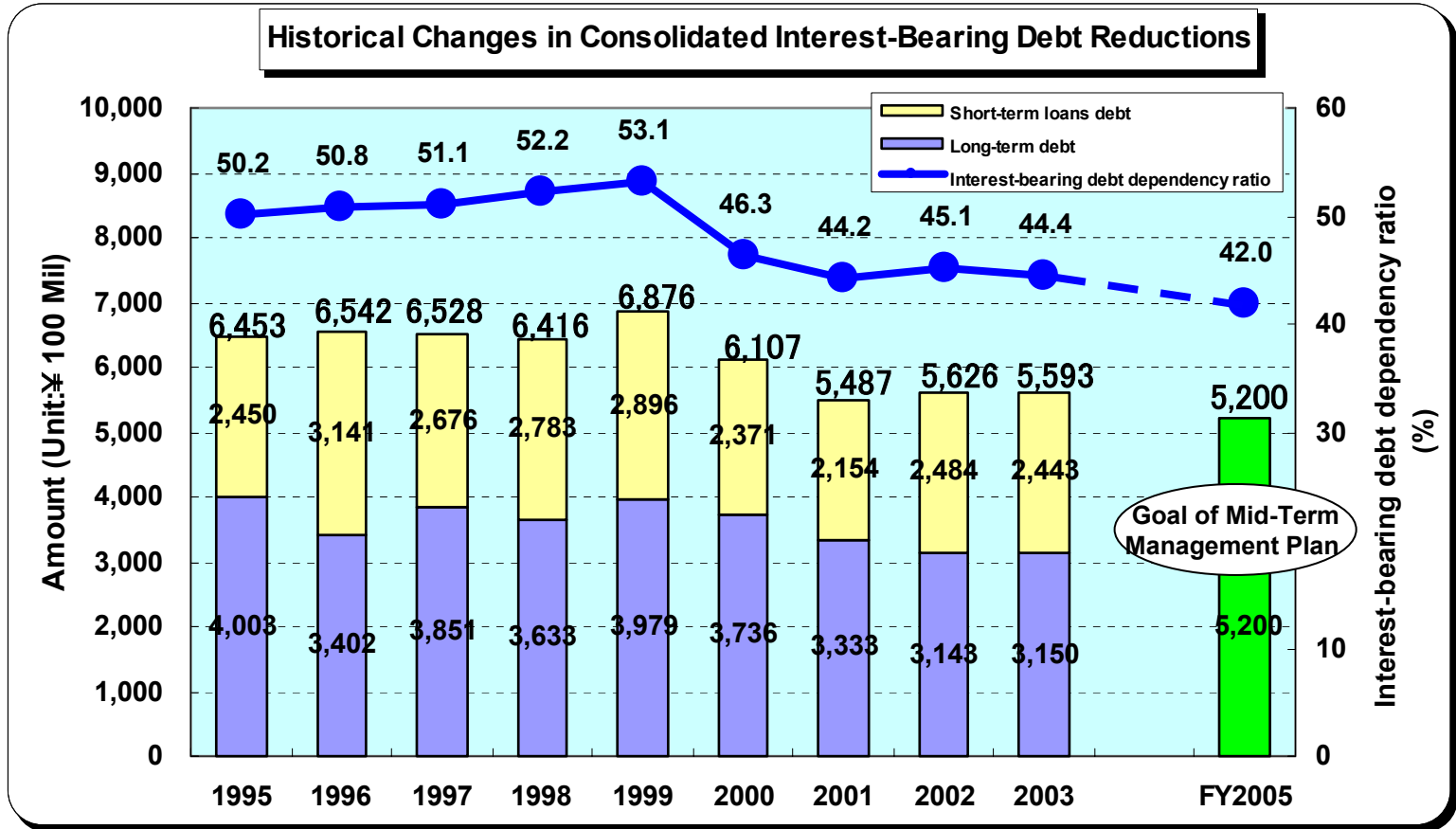
◆ Actual benefits created in FY2003 ◆
 Plan: ¥14.2 billion
 Actual results: ¥14.5 bn
 Achievement level: 102.4%



◆ Outlook for FY2004 ◆
¥14.4 billion



Historical Change of Consolidated Interest-Bearing Debt Reductions – Historical Changes and Future Outlook

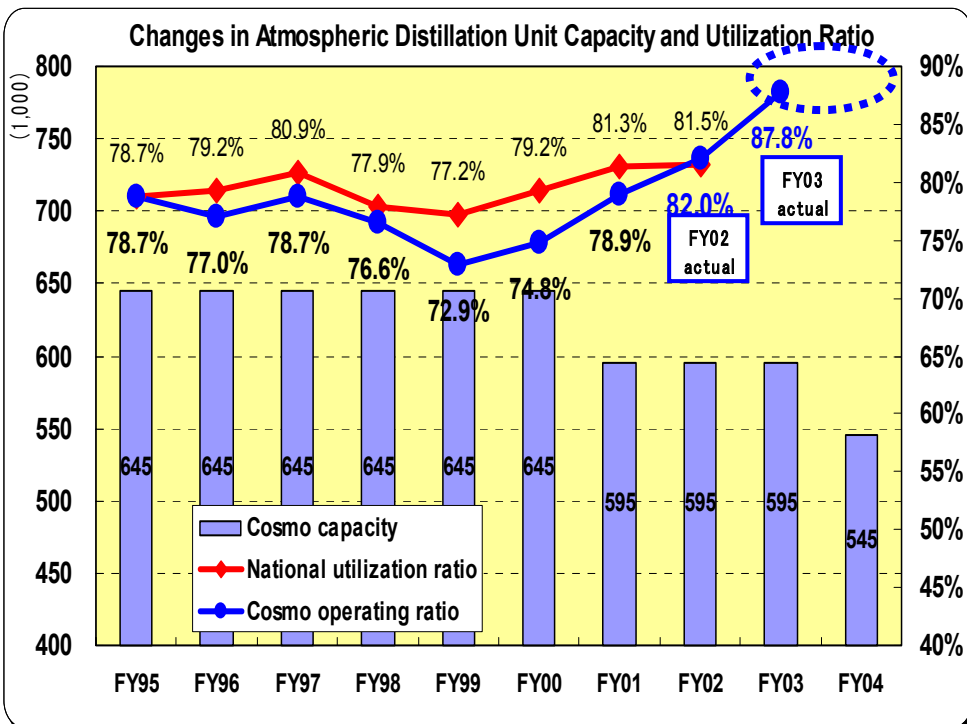


Supply Strategy: Optimization of Refining Capacity and Utilization Ratio

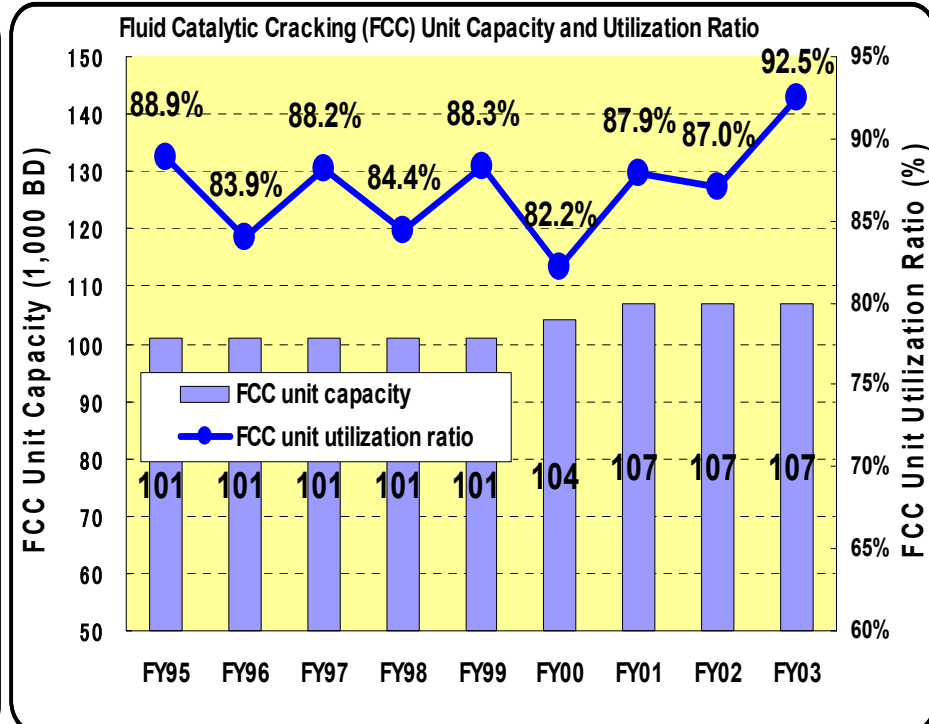
◆ Goal set in the Medium-Term Management Plan ◆
Reduce combined atmospheric distillation capacity at Yokkaichi and Sakaide Refineries by 50,000 BD

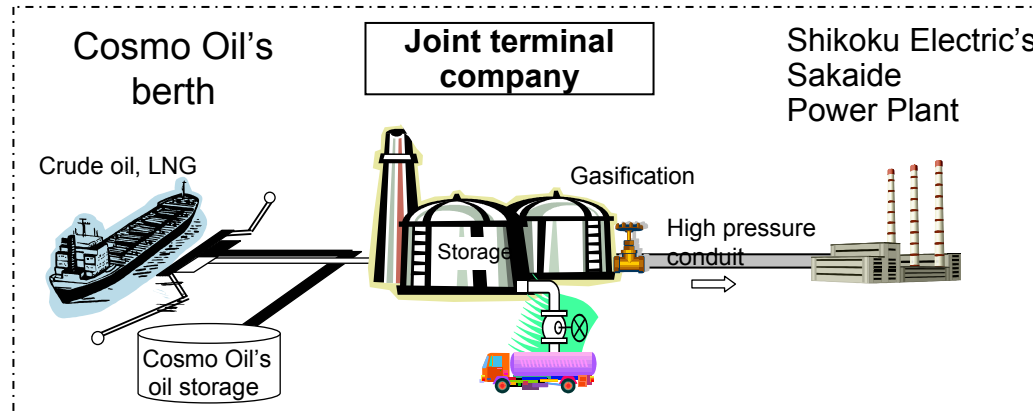
**Atmospheric distillation unit capacity utilization ratio:
Improved to 87.8% in FY2003**

Capacity utilization ratio = CD %



Capacity utilization ratio = CD %





In order to transform Sakaide Refinery into a comprehensive energy platform, three companies of Como Oil Co., Ltd., Shikoku Electric Power Co., Inc. (SEPCO) and Shikoku Gas Co., Ltd. (SGC) will jointly build an LNG terminal within the site of the refinery, while they will jointly invest, establish and operate an operating company.

<Outline of a new LNG operating company>

The new company to be established in and around mid-June 2004

Name of the company: Sakaide LNG Co., Ltd.

Capital at the time of establishment: ¥900 million (consisting of capital of ¥450 mil and capital reserve of ¥450 mil)

Investment ratio: 70% by SEPCO, 20% by Cosmo Oil and 10% by SGC

Board of directors: 5 directors (3 to be sent by SEPCO; 1, by Como Oil; and 1, by SGC)

Max 3 auditors (1 auditor for the time being)

Businesses: Operations related to building of the LNG terminal;

Operations related to reception, storage and gasification of LNG, and transportation and shipment of the gasified product

Marketing Strategy: Earnings Structures of the Cosmo Oil and Marketing Subsidiary Enhancement Strategy

- Our revenues are generated through SS sales.
- Revenues brought by SSs directly run by Cosmo Oil and its marketing subsidiaries are proven as more profitable than other SSs.

[Structure by segment in sales volume]



[Earnings structure by segment]



Profitability ratio twice or higher

Profitability ratio 2.5 times or higher

Strategy to enhance direct selling and marketing subsidiary operations

- ◆ Strengthen the earnings structure by increasing the combined share of SSs run directly by Cosmo Oil and its marketing subsidiaries (Increase SS automobile fuel sales from 23% to 44%)
 - Auto B-cle network
 - Self-Service SSs
 - Cosmo The Card (Credit card)



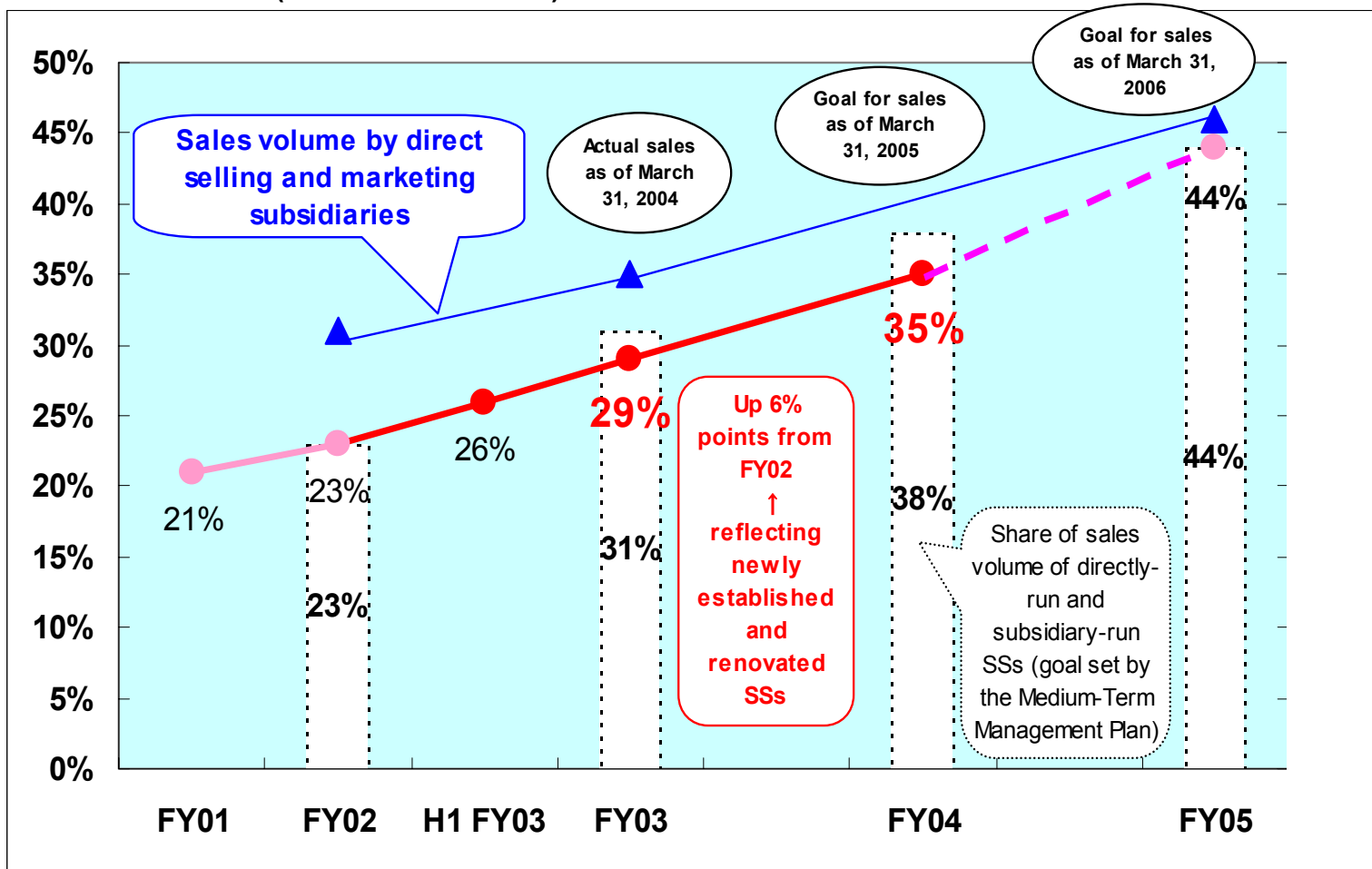
Enhance dealer sales

- ◆ Provide the management expertise built through subsidiary management experience for other dealers as well to keep the entire Cosmo Oil Group more competitive.

Note: Sales include automobile fuel, kerosene, diesel fuel and Heavy Fuel Oil A products.

Marketing Strategy: Direct-Selling and Marketing Subsidiary Enhancement – Progress and Outlook

Direct Selling and Marketing Subsidiaries – Share of Automobile Fuel Sales Volume (Actual and Outlook)

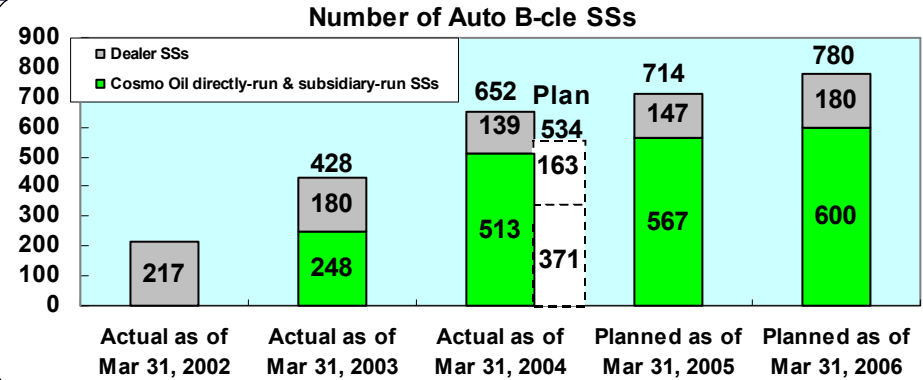


Marketing Strategy: Overview of the Auto B-cle, Self-Service SS and Cosmo The Card Businesses – Progress and Outlook

Auto B-cle Business Results

Auto B-cle SSs vs. General SSs

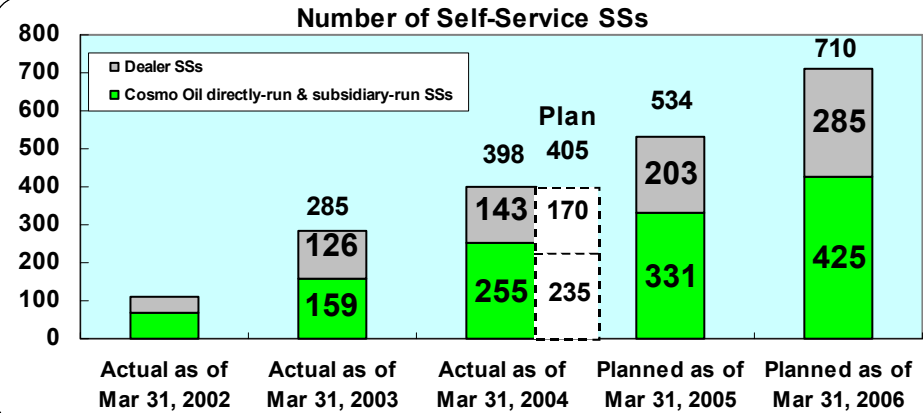
Item	Unit	Auto B-cle			General SS
		Key station	Satellite station	Total	
Auto fuel sales volume	KL/month	465	264	279	214
Gross car care service margin	¥ 1,000/month	3,187	2,334	2,401	1,847
Cosmo The Card use rate	%	55%	43%	45%	22%



Self-Service SS Business Results

Self-service SSs vs. General SSs

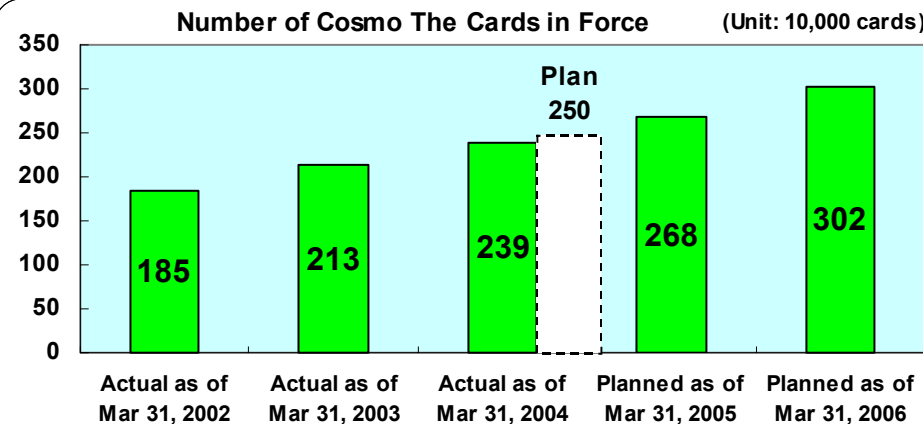
		Self-Service SS	General SS
Auto fuel sales volume	KL/month	391	106
Cosmo The Card use rate	%	55%	19%



Cosmo The Card Business Results

Card-using customers vs. cash customers

		Cosmo The Card member		Cash customers
		(Eco member)		
Auto fuel sales volume	KL/month	102	114	55
High-octane gasoline sales ratio	%	22%	31%	17%
Amount of value creation	yen/month	1,118	1,429	171



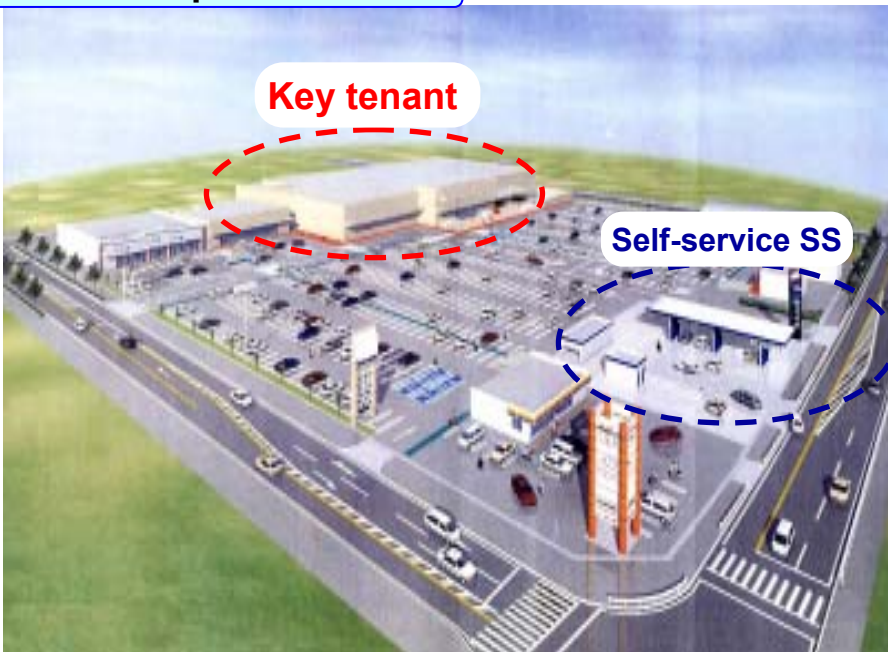
SS Business Models

SS with car care garage: Auto B-cle Network

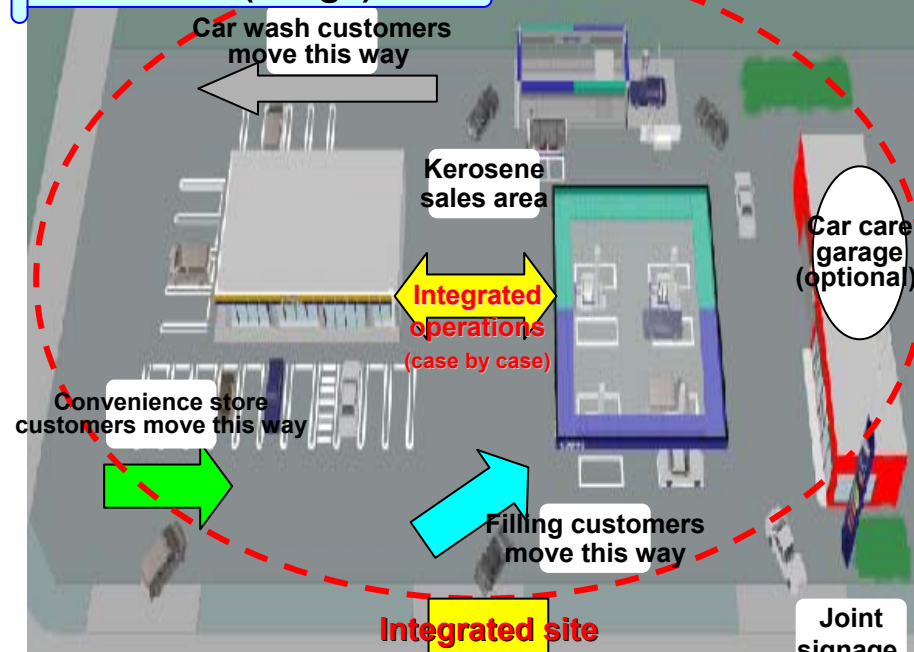
SS in the shopping complex site: Presence in shopping mall sites of a plural number of major retailers

SS with a convenience store: Tie-up with the "Mini Stop" convenience store chain

SS in the Shopping Complex Site



SS with A Convenience Store (image)



Crude Oil Exploration and Production & New Business: Progress and Forecast

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Crude Oil Exploration and Production

1. Abu Dhabi Oil Co., Ltd. and United Petroleum Development Co., Ltd.
– Stabilize and upgrade operations
2. Start commercial oil production off the coast of Qatar

<Qatar Project – Outline of Commercial Production Plan>

Field acquired in:	1997
Production period:	2005 – 2015
Production volume:	Early stage: About 6,000 BD Max: About 10,000 BD
Crude oil quality:	API: About 40 To be shipped as Qatar Marine Oil from Halul Island

● Qatar Project – Map of the field's location



Electricity and New Energy Businesses

1. July 2003: Stated IPP business at the Yokkaichi site to supply electricity for Chubu Electric Power Co., Inc.
2. March 2003: Started operations of the JHFC Yokohama-Daikoku Hydrogen Fuel Station *¹
March 2004: Cosmo Oil leased from Nissan Motor its “X-TRAIL FCV” fuel cell vehicle to research hydrogen supply technologies from the consumer’s perspective.
The company has started joint research with Nissan on how to fill the vehicle with hydrogen fuel.

ALA Business *²

- Technology and product developed by Cosmo Oil on its own
Cosmo Oil developed a technology to produce ALA by using a fermentation method and obtained a patent about ALA with benefits of plant growth. The company also holds a patent for the world’s first ALA-contained high-performance, liquid fertilizer called the “Pentakeep-V” (distributed by Seiwa Co., Ltd.).
- April 2004: Formed the new ALA Business Group within the R&D Department to seriously develop the ALA business, with planned sales of ¥2 billion for FY2007

In addition to what is mentioned above, other businesses include the supply of electricity and heat by using the co-generation facility and the SAP consultancy business to help clients introduce SAP systems.

Note: Concerning the businesses with an asterisk (*) above, please refer to Page 12.

Reference: Overview of Progress Made in Rationalization and Value Creation Efforts

Item	Department	FY2003			FY2004				
		Original plan	Actual results	% achievement (vs. plan as 100%)	Original plan	Forecast			
						H1	H2	Full-year total	Achievement level
		(100 Million Yen)	(100 Million Yen)	(%)	(100 Million Yen)	(100 Million Yen)	(100 Million Yen)	(100 Million Yen)	(%)
Rationalization	Supply	36	35	97.6%	20	12	10	22	106.2%
	Sales & Marketing	11	9	81.8%	2	1	8	9	459.0%
	Logistics	4	4	90.1%	5	3	1	4	89.2%
	Administration, etc.	21	20	97.8%	18	9	6	15	83.2%
	Total	72	68	94.7%	45	25	25	50	110.7%
Value Creation	Supply	16	18	107.0%	32	13	16	29	88.8%
	Sales & Marketing	40	46	115.9%	55	15	44	59	108.5%
	New Business, etc.	14	13	97.6%	11	6	0.3	6	58.6%
	Total	70	77	110.2%	98	34	60	94	96.6%
Grand total		142	145	102.4%	143	59	85	144	100.4%

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.

<Notes on Page 10>

***1. Japan Hydrogen & Fuel Cell Demonstration (JHFC) Project**

This project consists of the Demonstration Study of Hydrogen Fueling Facilities for Fuel Cell Vehicles being conducted by the Engineering Advancement Association of Japan, and the Fuel Cell Vehicle Demonstration Program being conducted by the Japan Automobile Research Institute. These demonstration activities are included in a support project for “empirical and other research on the demonstration of high-polymer fuel cell system” sponsored by the Ministry of Economy, Trade and Industry.

***2. ALA**

ALA, or 5-Aminolaevulinic acids, is a natural and important amino acid found in all organisms, necessary for synthesizing chlorophyll and blood.