

Cosmo Oil
Presentation of Financial Results for
the First Half Period of Fiscal Year 2003

November 19, 2003

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P/L Consolidated Income Statement - Operating Highlights

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(Unit: ¥100 million)

	H1 FY03	H1 FY2003 (Apr. 1–Sept. 30 '03)		Change from H1 FY'02	Change from H1 FY02	
		Cosmo Oil alone	Subsidiaries consolidated		Cosmo Oil alone	Subsidiaries consolidated
Net Sales	9,225	7,842	1,383	250	228	22
Cost of Sales	8,534	7,366	1,168	225	160	65
Selling, general and administrative expenses	595	436	159	-44	-2	-42
Operating Income	96	40	56	69	70	-1
Non-operating income(expenses)	-15	-30	15	17	-20	37
Ordinary Income	81	10	71	86	50	36
Extraordinary Profit (Loss)	-14	-11	-3	-5	-7	2
Net Income	28	-4	32	51	19	32

P/L Non-Consolidated (Cosmo Oil Alone) – Income Statement – Analysis of Key Factors for ¥7.0-Billion Increase in Operating Income

2

	H1 FY03	Change from H1 FY02	Key factor for increase/decrease (Unit: ¥100 million)
Net Sales	7,842	228	Increase in selling price: 39.4 billion yen Decrease in total sales volume: 16.6 bn
Cost of Sales	7,366	160	Increase in crude oil prices, etc.: 33.7 bn (including inventory valuation impact of 15.2 bn under the weighted average method) Decreased sales volume: 17.7 bn
Selling, general and administrative expenses	436	-2	
Operating Income	40	70	

		H1 FY03	Change from H1 FY02
Factors affecting increase or decrease of sales	Selling price (yen/KL)	27,080	1,950
	Total sales volume (1,000 KL)	20,091	-119
	YOY achievement level	–	99.4%
	Oil product sales in Japan (1,000 KL)	13,662	-23
	YOY achievement level	–	99.8%
Purchased price of crude oil	FOB (\$/BBL)	26.52	1.67
	Exchange rate (Yen/US\$)	118.53	-5.94
	Tax-inclusive price (Yen/KL)	22,982	348
Impact by inventory valuation (on operating income)	H1 FY03	-68	Bringing cost of sales up
	H1 FY02	84	Bringing cost of sales down

Breakdown of oil product sales in Japan	Change from H1 FY02
Gasoline	98.3%
Kerosene	94.4%
Diesel fuel	95.8%
Heavy fuel oil A	102.6%
Combined sales of 4 volume products above	97.9%
Naphtha	92.4%
Jet fuel	105.5%
Heavy fuel oil C	126.3%
Domestic oil products sales	99.8%

P/L Non-Consolidated (Cosmo Oil Alone) – Income Statement – Analysis of Key Factors for ¥1.9-Billion Increase in Net Income

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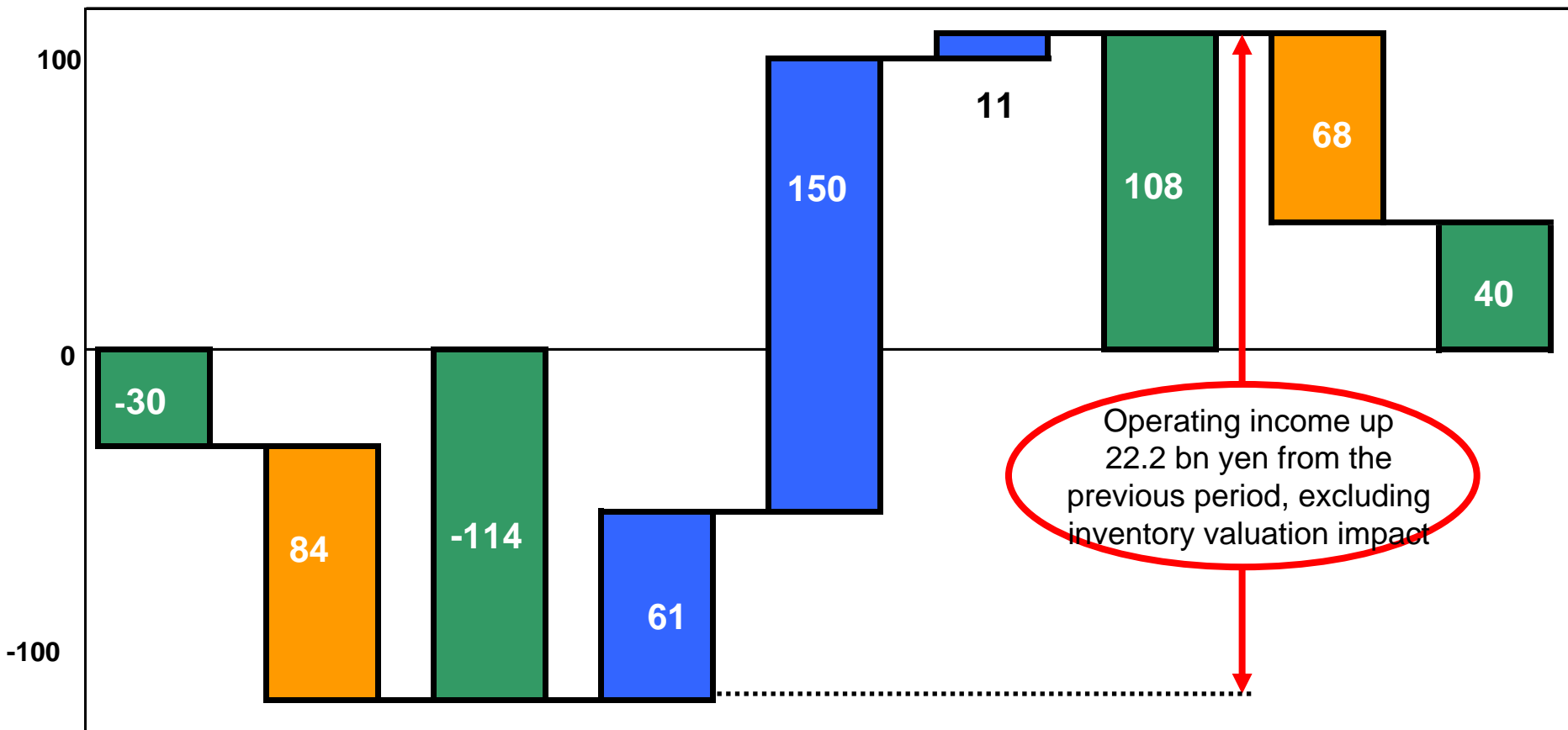
(Unit: ¥100 million)

	H1 FY03	Change from H1 FY02	Key factor for increase/decrease
Operating Income	40	70	
Non-operating income(expenses)	-30	-20	Decrease in financing balance: 0.7 bn yen(incl. decreased dividends received from affiliates) Foreign exchange loss: 0.5 bn yen / Miscellaneous loss: 0.8 bn yen
Ordinary Income	10	50	
Extraordinary Profit (Loss)	-11	-7	Extraordinary loss: 1.1 bn yen(including SS elimination costs in connection with promoting structural reforms of the distribution system, including SS transformation)
Net Income	-4	19	

	H1 FY03	Change from H1 FY02
Financing balance	-42	-7
Gain (loss) from foreign currency exchange	7	-5
Miscellaneous gain (loss)	5	-8
Non-operating income(expenses)	-30	-20

P/L Non-Consolidated (Cosmo Oil Alone) – Income Statement – Analysis of Key Factors for ¥7 Billion Increase in Operating Income -1

(Unit: ¥100 million)



H1 FY2002 operating income	Inventory valuation impact on H1 FY02 results	H1 FY02 operating income excluding inventory valuation impact	Benefit from "Mid-term Management Plan" efforts	Market improvement and timing difference adjustments	Increase (decrease) in sales volume (due to increased demand for Heavy fuel oil C by electric power companies)	H1 FY03 operating income excluding inventory valuation impact	Inventory valuation impact on H1 FY03 results	H1 FY03 operating income
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P/L Non-Consolidated (Cosmo Oil Alone) – Income Statement – Analysis of Key Factors for ¥7 Billion Increase in Operating Income -2

Breakdown of A Total Benefit of 6.1 Billion yen from “Mid-term Management Plan” – Contribution by Department

Benefit through “Value Creation” efforts: 3.1 bn

Supply Department: 0.6 bn
Demand met quickly through enhanced SCM

Sales & Marketing Department: 2.1 bn
Increased sales by marketing companies and increased direct selling through retail channel enhancement and price improvement 1.9 bn
Increased revenue from the card business 0.2 bn

New Business Department: 0.4 bn
IPP business, etc.

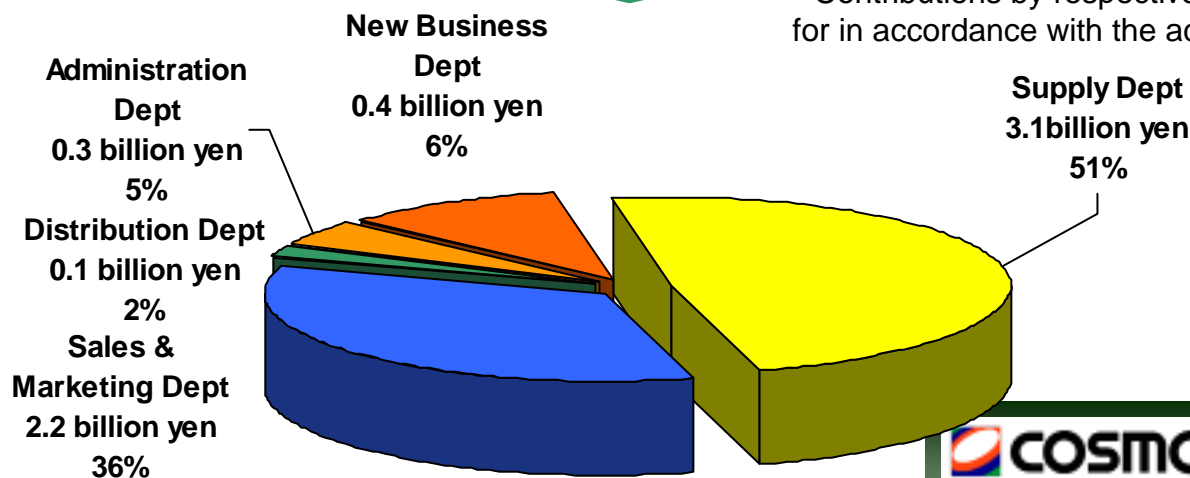
Benefit through “Rationalization” efforts: 3 bn

Supply Department: 2.5 bn
Decrease in VLCC vessel cost 0.7 bn
Energy saving and reduced repair & maintenance costs at refineries 1.3 bn
Workforce downsizing, etc. 0.5 bn

Sales & Marketing Department: 0.1 bn
Reductions in labor and other costs

Distribution Dept: 0.1 bn
Improved efficiency in operating oil storage depots

Administration Dept: 0.3 bn
Reductions in labor and other costs



* Contributions by respective departments accounted for in accordance with the accounting policy

P/L Subsidiaries Consolidated – Income Statement

Analysis of Key Factors for Changes in Profit (Loss)

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	H1 FY03	Change from H1 FY02	Key factor for increase/decrease (Unit: ¥100 million)
Net Sales	1,383	22	
Selling, general and administrative expenses	159	-42	
Operating Income	56	-1	Abu Dhabi Oil: -1.0 bn / Marketing subsidiaries: -0.7 bn Other: 1.6 bn
Non-operating income(expenses)	15	37	
Ordinary Income	71	36	Subsidiaries accounted for under the equity method: 1.9 bn / Other: 1.7 bn
Extraordinary Profit (Loss)	-3	2	
Net Income	32	32	Marketing subsidiaries: -0.5 bn Other: 0.8 bn Subsidiaries accounted for under the equity method: 1.9 bn Other gains unique to consolidated accounting processing: 1.0 bn

B/S Consolidated Balance Sheet - Key Factors for A Decrease of ¥44.1 Billion in Total Assets

(Unit: ¥100 million)

	As of Sept. 30, 2003	Change from March 31, 2003
Total Assets	12,026	-441

Key factors for a decrease of 44.1 billion yen in total assets

Increase in assets on hand: 0.4 billion yen

Decrease in accounts receivable, etc.: -72 bn → Decrease due to seasonal factors

Decreased accounts receivable -46.1 bn

Decreased accrued revenue -25.9 bn

Increase in inventories: 24.5 bn → More inventories ready for the high-demand winter season

Other: 3.0 bn

Total: -44.1 billion

	As of Sept. 30, 2003	Change from Mar. 31, 2003
Interest-bearing debt	5,732	106

C/F Consolidated Cash Flows

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(Unit: ¥100 million)

	H1 FY03	Change from Mar. 31, 2003	Key factor for increase/decrease
Cash flow from operating activities	88	—	
Cash flow from investing activities	-202	—	Acquisition of fixed assets (for IPP and self-service SS investments, etc.)
Cash flow from financing activities	84	—	Increase in borrowings
Cash and cash equivalents at end of the period	412	-26	

Consolidated Outlook for FY2003 Results

(Unit: ¥100 million)

	FY03	Change from FY02
Net Sales	19,000	-28
Operating Income	300	58
Ordinary Income	250	62
Net Income	100	66

Outlook for ordinary income by Cosmo Oil Group member company	FY03	Change from FY02
Cosmo Oil alone	100	9
Abu Dhabi Oil Co., Ltd.	74	2
Marketing subsidiaries	15	-2
Cosmo Oil Lubricants Co., Ltd.	7	-1
Cosmo Matsuyama Oil Co., Ltd.	9	-2
Subsidiaries accounted for under the equity method	31	21
Other subsidiaries	14	35
Total	250	62

Non-Consolidated (Cosmo Oil Alone) Outlook for FY2003 Results 10

(Unit: ¥100 million)

	FY03	Change from H1 FY02
Net Sales	16,600	-209
Operating Income	165	43
Ordinary Income	100	9
Net Income	40	12
Dividend(yen)	6	—
Earnings per share(yen)	6.33	—

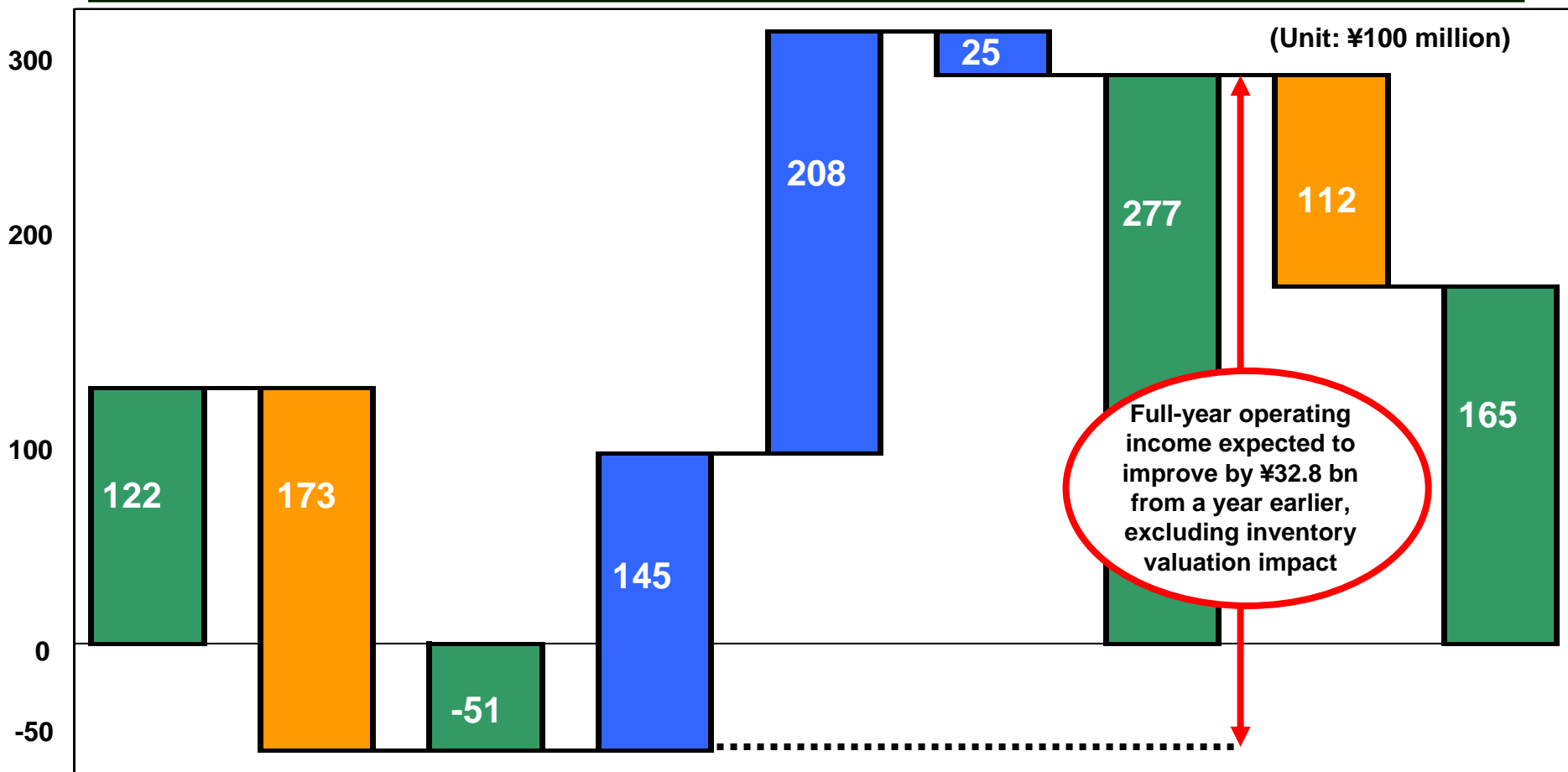
Assumptions for the outlook above

	FY03
FOB (\$/BBL) <2nd half year>	27.00
Yen/ dollar exchange rate <2nd half year>	110.00
Total selling volume (1,000 KL)	43,800
Total sales volume (% achievement of the FY02 level)	96.8%
Oil product sales in Japan (% achievement of the FY02 level)	96.8%
Benefit to be brought by "Mid-term Management Plan" efforts (Unit: 100 mil yen)	145

Oil product sales in Japan

	FY03		FY03
Gasoline	99.2%	Naphtha	96.4%
Kerosene	94.8%	Jet fuel	102.3%
Diesel fuel	96.4%	Heavy fuel oil C	91.4%
Heavy fuel oil A	100.2%		
Combined sales of 4 volume products above	97.8%	Domestic oil products sales	96.8%

Non-Consolidated (Cosmo Oil Alone) Outlook for FY2003 Results – Key Factors for Forecast Increase of ¥4.3 Billion in Operating Income – 1



FY2002 operating income	Inventory valuation impact on FY02 results	FY02 operating income excluding inventory valuation impact	Benefit from "Mid-term Management Plan" efforts	Market improvement and timing difference adjustment	Decreased sales volume	FY03 operating income excluding inventory valuation impact	Inventory valuation impact on FY03 results	FY03 operating income
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Non-Consolidated (Cosmo Oil Alone) Outlook for FY2003 Results – Key Factors for Forecast Increase of ¥4.3 Billion in Operating Income – 2

Breakdown of Forecast Benefit of 14.5 Bn Yen from “Mid-term Management Plan” – Contribution by Department

Benefit through “Value Creation” efforts: 7.6 bn

Supply Department: 1.6 bn
 Demand met quickly through enhanced SCM 12 bn
 Introduction of revenue improvement programs 0.4 bn

Sales & Marketing Department: 4.7 bn
 Increased sales by marketing companies and increased direct selling through retail channel enhancement and price improvement 4.2 bn
 Increased revenue from the card business 0.5 bn

New Business Department: 1.3 bn
 Power generation business, etc.

Benefit through “Rationalization” efforts: 6.9 bn

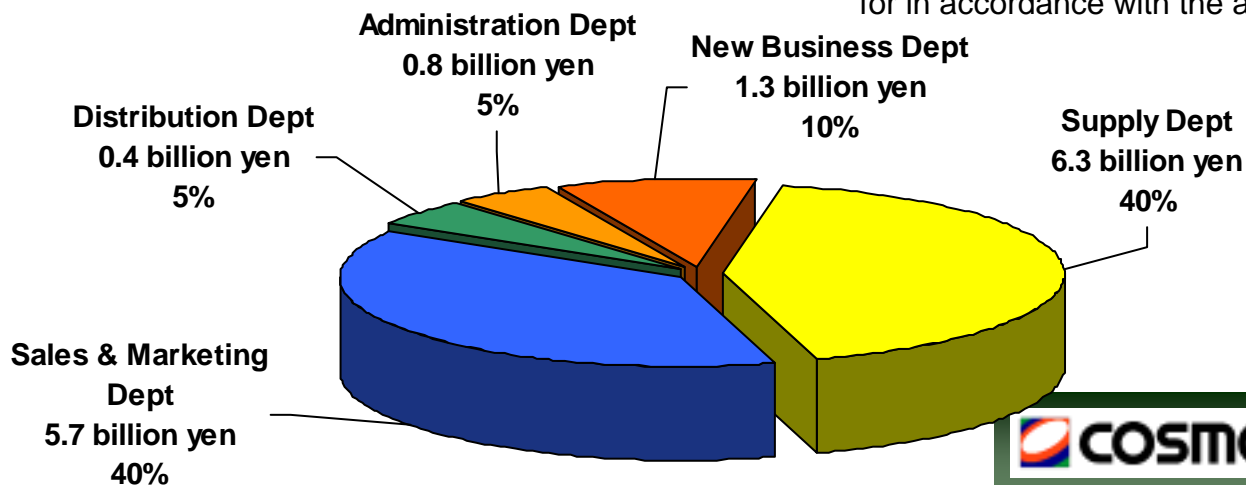
Supply Department: 4.7 bn
 Decrease in VLCC vessel cost 1.0 bn
 Energy saving and reduced repair & maintenance costs at refineries 2.7 bn
 Workforce downsizing, etc. 1.0 bn

Sales & Marketing Department: 1.0 bn
 Reductions in labor and other costs

Distribution Dept: 0.4 bn
 Improved efficiency in operating oil storage depots

Administration Dept: 0.8 bn
 Reductions in labor and other costs

* Contributions by respective departments accounted for in accordance with the accounting policy



Supplementary Information – 1.

Review of Sales and Crude Oil Business Situation

Sales			
	H1 FY03	Change from H1 FY02	% Change
Total sales volume (1,000 KL)	20,091	-119	99.4%
Domestic demand for oil products (1,000 KL)	13,662	-23	99.8%
Incl. 4 major oil product sales (1,000 KL)	8,362	-176	97.9%
High-octane ratio	18.1%	-0.8%	–

Crude Oil Processing, Crude Oil Prices and Currency Exchange			
	H1 FY03	Change from H1 FY02	% Change
Purchased price of crude oil (FOB) USD/BBL	26.52	1.67	–
Yen/dollar exchange rate	118.53	-5.94	–
Purchased price of crude oil (tax inclusive) yen/KL	22,982	348	–
Self-processed crude oil volume (1,000 KL)	14,145	1,232	109.5%
Share of yields of four middle distillates	45.2%	-2.5%	–

Supplementary Information – 2.

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

Workforce size (No. of persons)								Planned
	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Sep 30, '03	Mar 31, '04
Cosmo Oil alone	3,109	2,677	2,048	1,970	1,892	1,837	1,799	1,792
Cosmo Oil Group	5,678	5,256	4,600	4,416	3,978	3,736	3,666	3,566

* Cosmo Oil Group = No. of employee at Cosmo Oil alone + Transfers from Cosmo Oil + Acceptance of transfers

No. of oil storage depots (DTs)								Planned
	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Sep 30, '03	Mar 31, '04
No. of DTs	57	52	45	41	39	39	38	38

No. of Cosmo Oil-affiliated SSs	Actual							Planned
	Mar 31, '98	Mar 31, '99	Mar 31, '00	Mar 31, '01	Mar 31, '02	Mar 31, '03	Sep 30, '03	Mar 31, '04
Cosmo Oil-owned	1,172	1,105	1,065	1,010	977	959	955	957
Individually-owned	5,614	5,376	5,040	4,769	4,564	4,313	4,185	4,085
Total	6,786	6,481	6,105	5,779	5,541	5,272	5,140	5,042

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	Sep 30, '03	Mar 31, '04
Cosmo Oil-owned	0	3	6	16	77	198	237	283
Individually-owned	0	2	2	7	32	87	99	122
Total	0	5	8	23	109	285	336	405

Supplementary Information – 3.

Operating & Financial Highlights of Consolidated Results for FY2003 H1

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(Unit: ¥100 million)

	H1 FY03	Change from H1 FY02	% Change
Net Sales	9,225	250	2.8%
Operating Income	96	69	256.8%
Ordinary Income	81	86	–
Net Income	28	51	–
Total Assets	12,026	-441	–
Shareholders' Equity	1,975	39	–
Shareholders' Equity as Percentage of Total Assets	16.4%	0.9%	–
Interest-Bearing Debts	5,732	106	–
Interest-Bearing Debts as Percentage of Total Assets	47.7%	2.6%	–

Supplementary Information – 4. Operating & Financial Highlights of Non-Consolidated (Cosmo Oil Alone) Results for FY2003 H1

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(Unit: ¥100 million)

	H1 FY03	Change from H1 FY02	% Change
Net Sales	7,842	228	3.0%
Operating Income	40	70	–
Ordinary Income	10	50	–
Net Income	-4	19	–
Total Assets	10,512	-304	–
Shareholders' Equity	1,652	2	–
Shareholders' Equity as Percentage of Total Assets	15.7%	0.4%	–
Interest-Bearing Debts	5,067	97	–
Interest-Bearing Debts as Percentage of Total Assets	48.2%	2.3%	–

Supplementary Information – 5.

Operating Highlights of Major Consolidated Subsidiaries for FY2003 H1

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(Unit: ¥100 million)

	H1 FY2002	Increase	Decrease	H1 FY2003
No. of subsidiaries consolidated	27	5	1	31
No. of subsidiaries applicable to the accounting policy under the equity method	37	3	1	39
No. of affiliated companies applicable to the accounting policy under the equity method	5	0	0	5

	Net Sales	Operating Income	Ordinary Income	Net Income
Abu Dhabi Oil Co., Ltd.	150	32	33	7
Marketing subsidiaries	1,290	3	1	-4
Cosmo Oil Lubricants Co., Ltd.	146	2	2	1
Cosmo Matsuyama Oil Co., Ltd.	82	7	6	4

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

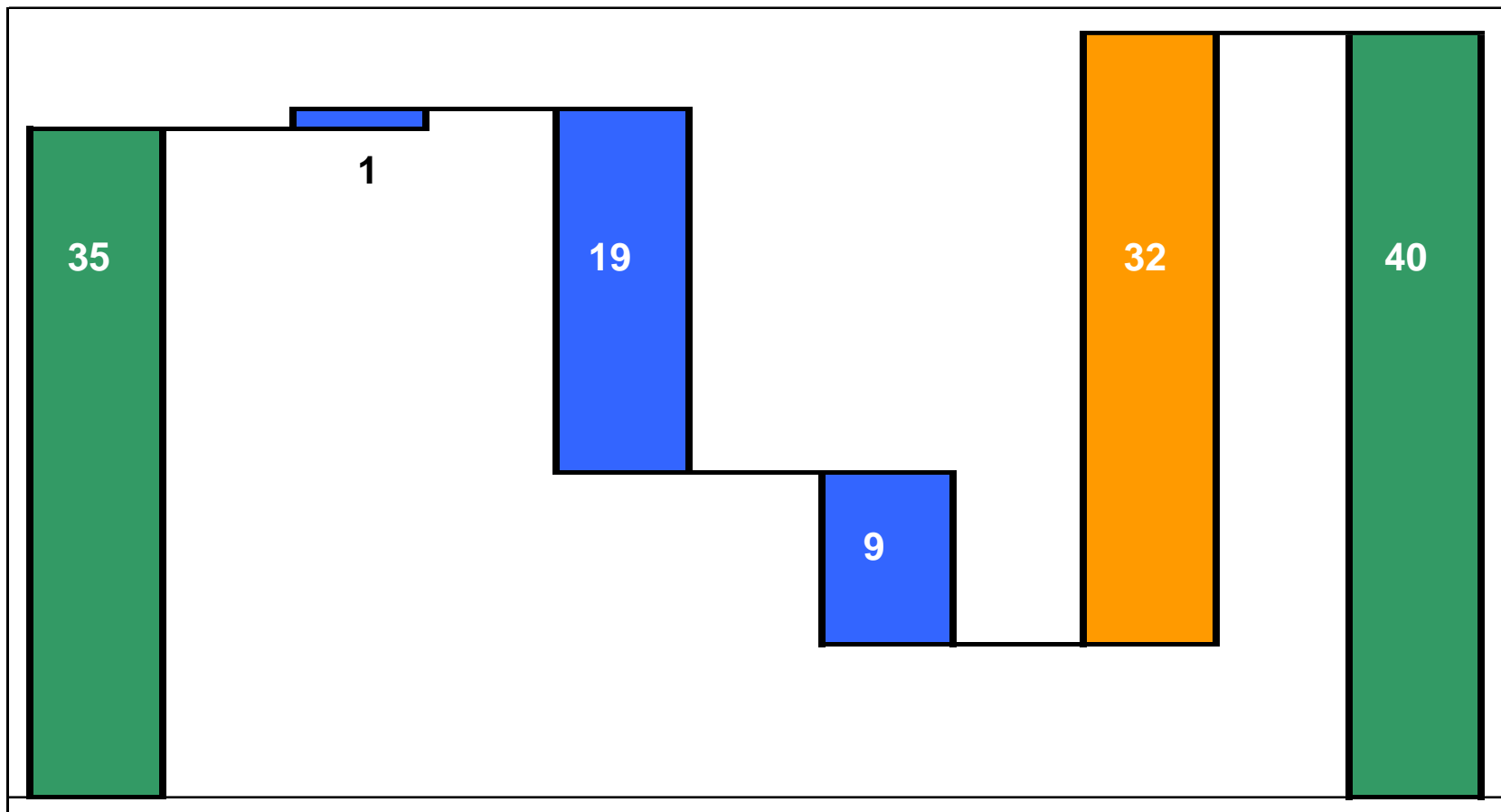
Supplementary Information – 6. Cosmo Oil Alone – Analysis of Difference between Actual H1 FY2003 Results from Forecast Published on May 20, 2003

(Unit: ¥100 million)

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20

0



H1 FY03
Operating
income forecast
earlier

Incremental
benefit from
" Mid-term
Management
Plan" efforts
60 61

Impact from
changing market
conditions and
timing difference
adjustments,
etc.

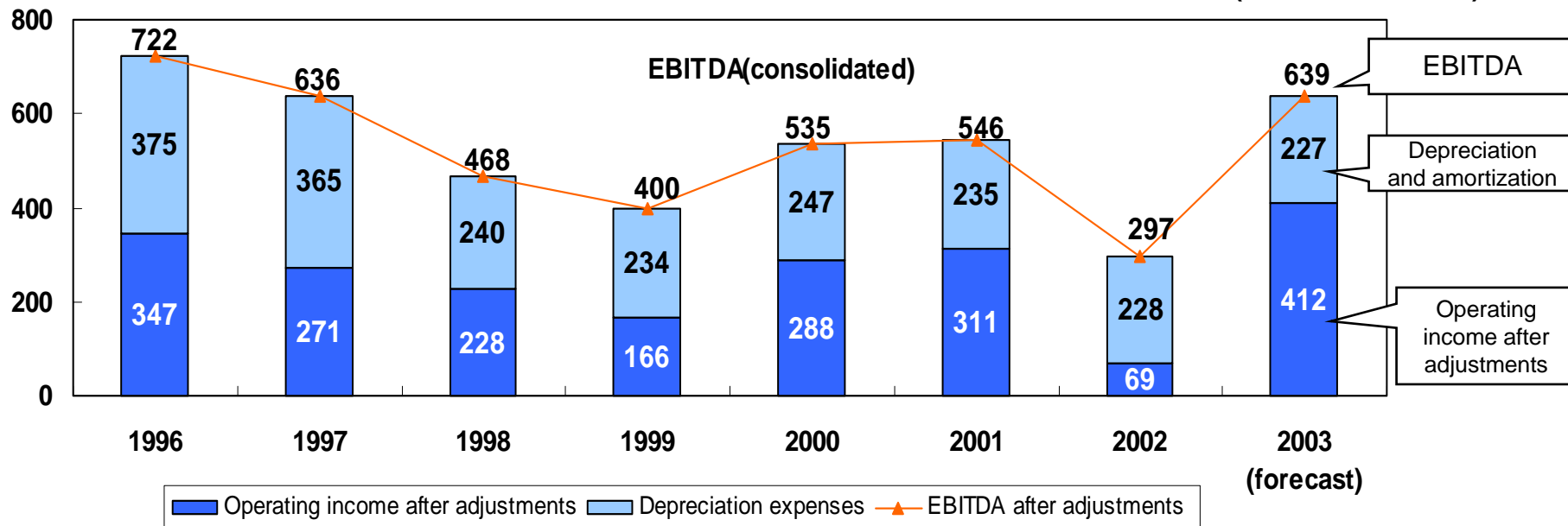
Reduced sales
volume due to
cool summer
and SARS
epidemic

Impact from
inventory
valuation
-100 -68

Actual H1 FY03
operating
income

Supplementary Information – 7. Historical Changes in Consolidated EBITDA After Inventory Valuation Impact Adjustments

(Unit: ¥100 million)

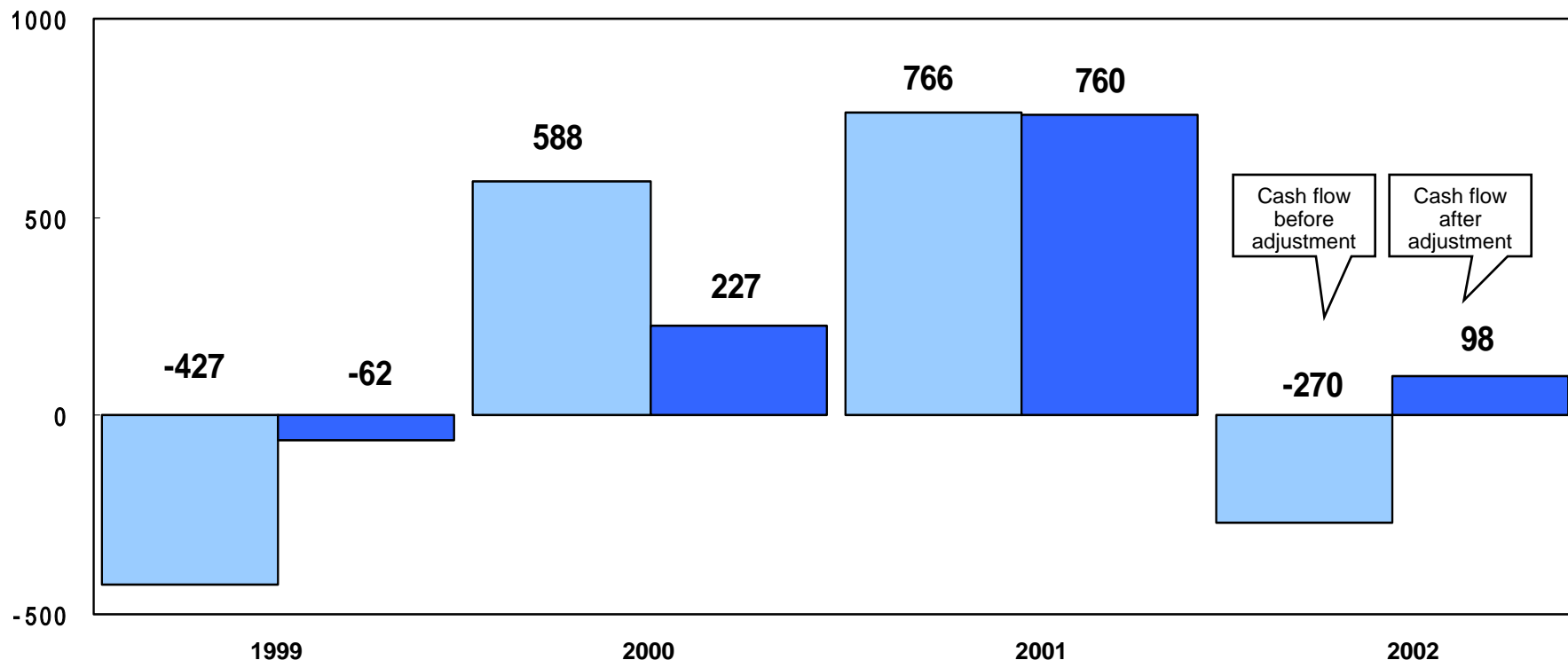


	2000	2001	2002	2003(forecast)
Operating income on accounting method	366	221	242	300
Impact of inventory valuation (on operating income)	78	-90	173	-112
Operating income after adjustments (operating income on accounting method – inventory valuation impact)	288	311	69	412

Inventory valuation method changed since FY2000

Supplementary Information – 8. Historical Changes in Adjustments Made in Consolidated Cash Flow from Operating Activities

(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.