

Cosmo Oil Group Medium-Term Management Plan

Cosmo Oil Group profit structure vision

Today

Operating profits: 24.2 billion yen

Fiscal 2005

Expansion of existing businesses and strengthening our electricity and gas businesses.

Operating profits: 66 billion yen

Long-term

Business expansion of electricity and gas, oil exploration, new energy, and affiliates to establish a robust profit structure.

We plan to invest 111 billion yen in capital investments over the next three years. Strategic investments to enhance profitability will amount to 58.6 billion yen or about 53% of the total investment, and include installation and renovation of self-service gas stations operated by Cosmo Oil and its subsidiaries (14.7 billion yen), electricity and gas businesses (16.9 billion yen), and oil exploration (19.3 billion yen). The investment for upgrading facilities to respond to tougher regulations on sulfur content for gasoline (13.9 billion yen) and for capacity maintenance (38.5 billion yen) will be 52.4 billion yen.

We are undertaking two major initiatives in upgrading service stations to enhance customer satisfaction. One initiative is to expand the number of self-service stations, which have been deregulated in Japan since 1998. The other is to set up what we call "Auto B-Cle" branded shops in large-scale service stations at key locations, which offer automobile inspection and maintenance services, premium car washes, and automotive products, and to develop an "Auto B-Cle Network"

with small- and medium-sized satellite service stations.

As a further effort to strengthen our sales infrastructure to enhance customer satisfaction, we will increase the users of the "Cosmo the Card," credit card operated by our group. The member in force reached 2,250,000, as of March 2003, and we find that cardholders tend to buy twice as much fuel as regular customers and to buy car care products more often. By utilizing the card effectively, we will provide optimal service for customer needs for self-service fueling and car care.

In April 2002, we started a new program called "Cosmo the Card Eco," and the number of cardholders climbed to 56,000 during the first year. Through this card, customers can support efforts to build a sustainable society. We will continue striving to enhance corporate value by staying ahead of the needs of customers and society, and by being proactive in our initiatives.

Socially responsible investment

Cosmo Oil has been given recognition as a socially responsible investment since fiscal 2001 when Cosmo Oil shares were included in the Midori-no-Tsubasa ("Green Wings") fund of the UFJ Partners Asset Management Co. In March 2003, Cosmo Oil became the first Japanese oil company to make it to the FTSE4Good Global Index, an internationally-known index of socially responsible investments. Since July 2003, Cosmo Oil has been also included in the Morningstar Socially Responsible Investment Index.



*1. FTSE4Good Global Index:

FTSE4Good Global Index is a socially responsible investment index, one of many indices provided by FTSE Group, an independent company co-owned by the London Stock Exchange and the Financial Times. Aside from the Global Index, there are also U.K, U.S. and pan-European indices in the FTSE4Good family.

*2. Morningstar Socially

Responsible Investment Index:

This is Japan's first socially responsible investment index, based on the share prices of 150 Japanese publicly-traded companies selected for excellent social performance by Morningstar Japan KK.