

# To be a company that is honest and transparent to our shareholders

## ➤ Promotion of reform toward maximization of corporate value

We endeavor to reform into a high-profit structure capable of achieving our mid-term business plan at an early stage and sustaining stable performance regardless of changes in the price of crude oil or deterioration of market conditions. We are also practicing a highly transparent corporate management, disclosing corporate information appropriately and widely to the public, as well as to shareholders and investors.

## We report below on the progress of our consolidated mid-term business plan.

### ➤ Economic performance in FY 2003 value

**Our performance in this term has dramatically improved from that of the previous year, despite only achieving 81% of target. The target for the FY 2003 remains 66 billion yen.**

Although our performance in this term dramatically improved from that of the previous year, we failed to achieve our initial target for operating income. In FY 2003, sales of kerosene and heavy fuel oil A for heating purposes decreased due to the warm winter. Accordingly, our non-consolidated operating income excluding the affect of inventory valuation was 22.5 billion yen (4.5 billion yen below the non-consolidated operating profit target of 27 billion yen).

In our consolidated income, the price of crude oil hovered at a high level throughout the term, which was favorable for Abu Dhabi Oil. However, the negative impact of the stronger yen and the temporary decrease in production volume was so significant that

### ■ Operating income

	Non-consolidated	Consolidated
Operating income	13 billion yen	25.2 billion yen
Achieved operating profit (excl. effects of inventory valuation)	22.5 billion yen	34.7 billion yen
Operating income	27 billion yen	43 billion yen
Target ratio	83.3%	80.7%

consolidated operating income was 34.7 billion yen (8.3 billion yen below the target of 43 billion yen).

### ➤ Progress in value creation and rationalization plan

#### Steady achievement in value creation

In FY 2003, we started "Medium-Term Busines Plan," which is a three year plan aiming at rationalization of the whole Cosmo Oil Group and creation of value. The income improved by value creation had a steady result of 7.7 billion yen, over the target of 7 billion yen (percentage of target: 110.2%). On the other hand, the income improved by rationalization was 6.8 billion yen, below the initial target of 7.2 billion yen (percentage of target: 94.7%). We will make a further effort to achieve the unachieved target in FY 2005, the last year of our plan.

#### Measures for income improvement by value creation

In Sales Division, we achieved 4.6 billion yen of value creation, promoting new establishment of large scale self-service stations. In Supply Division, we were able to achieve 1.8 billion yen of income improvement by rationalization of oil refining costs and changing operation of the current equipment to manufacturing high-value added products. In our new business, the IPP has started operations in Yokkaichi Kasumi Power Station, producing 1.3 billion yen of income.

### ■ Value creation / rationalization

	Rationalization	Value creation
Initial plan	7.2 billion yen	7 billion yen
Result	6.8 billion yen	7.7 billion yen
Achievement ratio	94.7%	110.2%

#### Measures for income improvement by rationalization

In Supply Division, we were able to cut more costs than we planned and achieved a good result. However, in Sales Division we could not achieve our target because we accelerated establishment of new self-service stations and hence could not cut promotional expenses as we planned and because implementation of rationalization of the distribution system was delayed.

### ➤ We disclose corporate information appropriately and implement positive communication activities.

We publish a newsletter to shareholders (C's MAIL), Annual Report, etc. for the purpose of positive communication with shareholders and investors, informing them clearly of our management vision / business policy and disclosing appropriately corporate information such as our business and financial situation.

We also endeavor to disclose corporate information appropriately and widely to the public as well as to shareholders and investors, through a variety of information communication network such as the internet.

WEB ▶ <http://www.cosmo-oil.co.jp/ir/index.html>



Annual Report



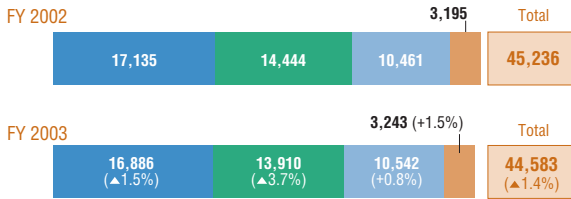
C's MAIL

## Financial information

### Sales situations (sales for each type of oil)

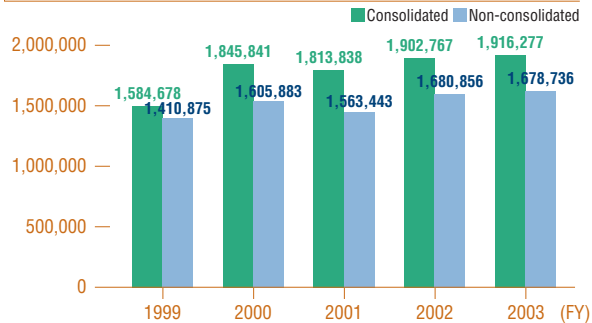
Unit: 1000kl-t

Gasoline / naphtha Kerosene / diesel fuel Heavy fuel oil Others



### Sales

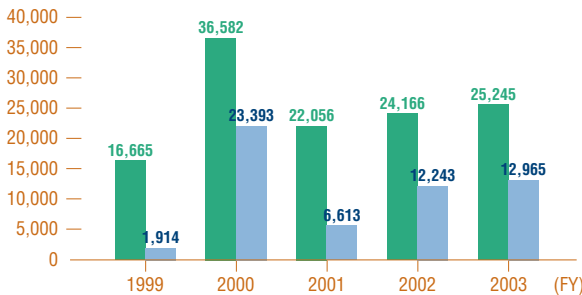
Unit: million yen (fractions rounded off)



### Operating income

Unit: million yen (fractions rounded off)

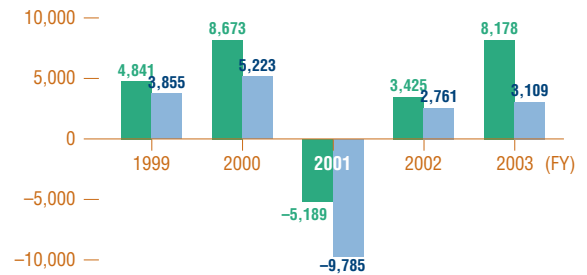
Consolidated Non-consolidated



### Net income

Unit: million yen (fractions rounded off)

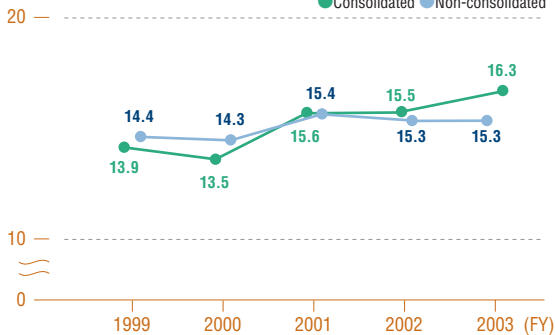
Consolidated Non-consolidated



### Shareholders' equity ratio

Unit: %

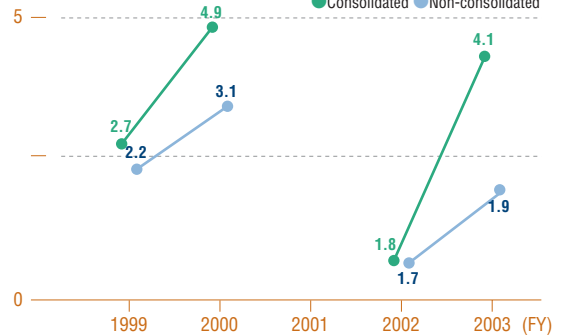
Consolidated Non-consolidated



### ROE

Unit: %

Consolidated Non-consolidated



## SRI information

### Cosmo is included in Socially Responsible Investment (SRI) funds

In assessment of companies by shareholders and investors, SRI is receiving attention lately. SRI is an evaluation which includes assessment of companies' fulfillment of environmental and social responsibility, not only of their financial performance. Our company has been included in the FTSE\*4 Good Global Index since March 2003 and the Morning Star SRI Index since July 2003.

\*4 FTSE: A joint venture company of the Financial Times and the London Stock Exchange

