



Management Strategy for Cosmo Oil

May 21, 2003

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Chairman and Chief Executive Officer

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1. Value Creation 21 (for Fiscal Years 2001-02) – Review of Results

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● Results of Value Creation 21 (up to Fiscal Year 02)

FY 2002 Plan: 17.5 billion yen Actual: 16 billion yen (achievement level of 91%)

FY2001-02 Plan: 50 billion yen Actual: 43 billion yen (achievement level of 86%)

	FY01 Actual	FY2002							b	a	b/a
		H1 Actual	2nd Half Year			Full Year - Total			Cumulative achievement from FY00	Original Plan	Achieve ment Level
			Forecast	Actual	Achievement	Forecast	Actual	Achievement			
Rationalization	70	19	23	23	100%	42	42	100%	112	142	79%
Value Creation	81	44	89	74	83%	133	118	89%	199	237	84%
Total	151	63	112	97	87%	175	160	91%	311	380	82%
Total (on a normal year basis)	151	82	148	129	87%	230	211	92%	362	435	83%
Subsidiary results	20	6	7	7		13	13	100%	33	30	110%
Achievement brought from previous year									35	35	-
Recalculated total	171	88	155	136	88%	243	224	92%	430	500	86%

*Total amounts on the upper table are accounted for on an income statement basis, while total amounts on the lower table are accounted for based on achievements in the normal year.

*Forecast amounts announced in the previous financial result presentation meeting on November 20, 2002

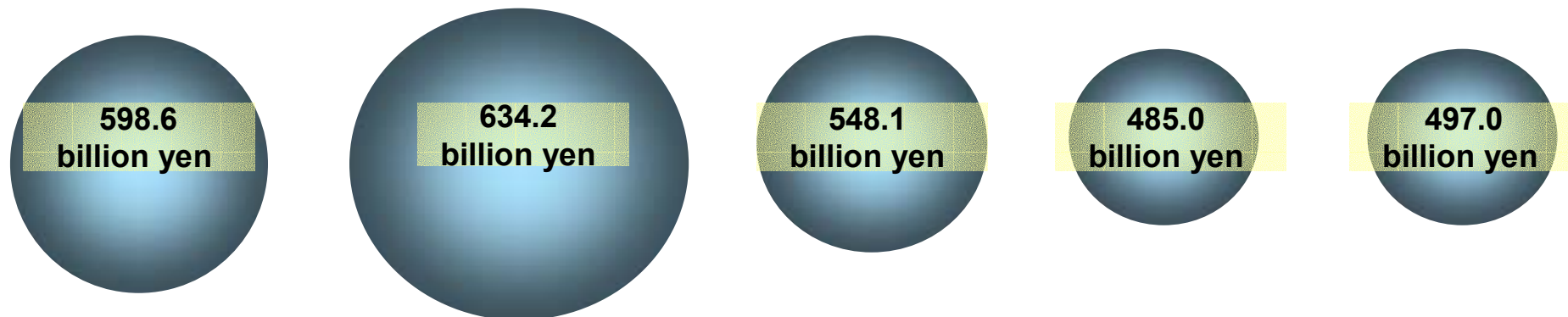
*Please refer to supplementary information (on Page 12) for detailed information by department.

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2. Value Creation 21 (for Fiscal Years 2001-02) - Reductions in Interest-Bearing Debts

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March 31, 1999 → March 31, 2000 → March 31, 2001 → March 31, 2002 → March 31, 2003



Asset Liquidation Results

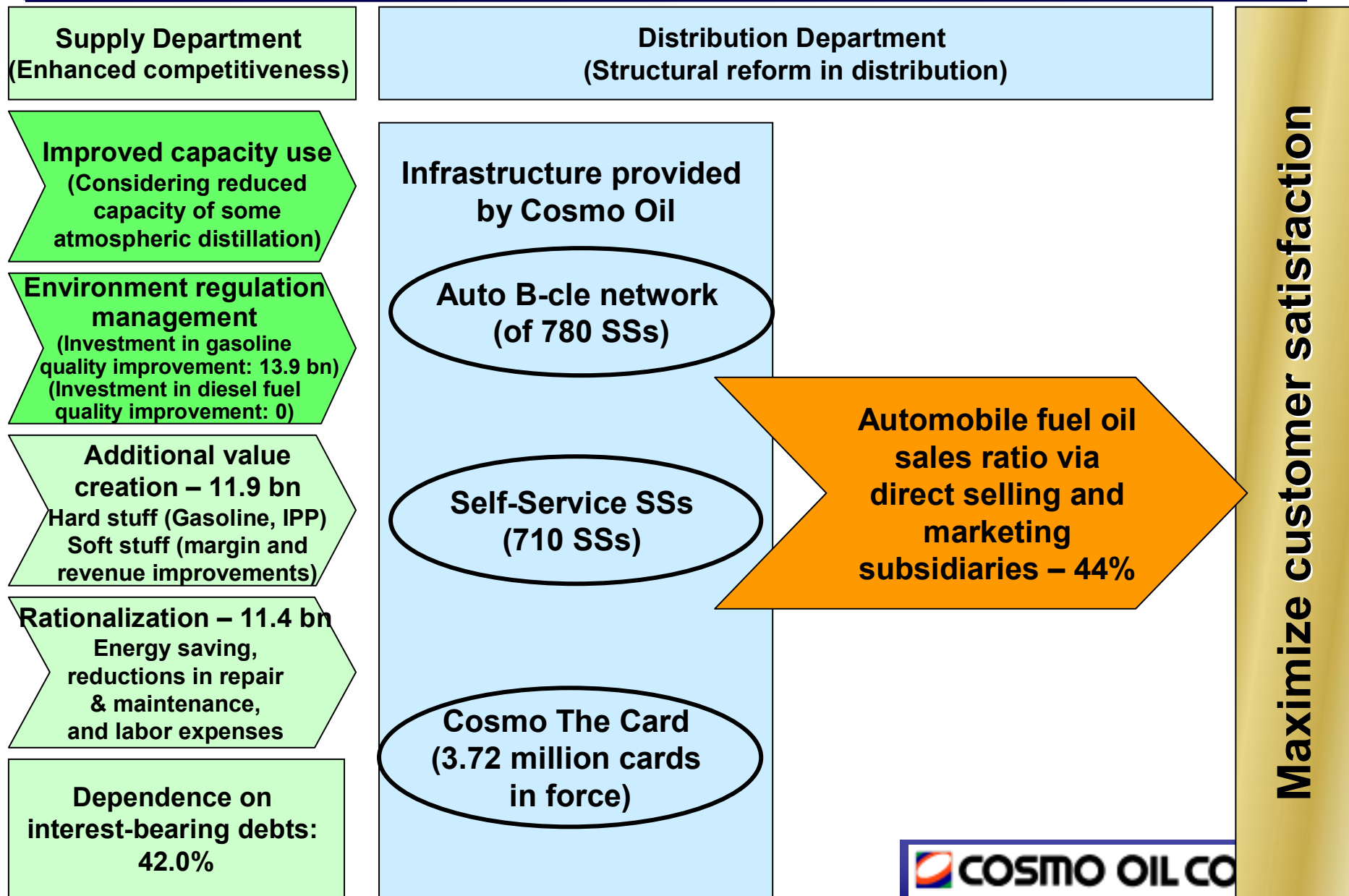
(Unit: 100 million yen)

Description	Results in FY1999-2002
Accelerated collection of accounts receivable through adoption of shorter payment terms	200
Liquidation of accounts receivable	360
Securitization of SSs	336
Disposal of marketable securities	150
Disposal of employee dormitories	100
Disposal of closed DTs and SSs and other unused sites	420
Total	1,570

Original goal: 200 billion yen

**Difference from the goal:
About 43 billion yen**

3. Consolidated Medium -Term Management Plan (for Fiscal Years 03-05) – Overview



4. Consolidated Medium-Term Management Plan (for Fiscal Years 03-05) - Goals for Rationalization and Value Creation for FY2003

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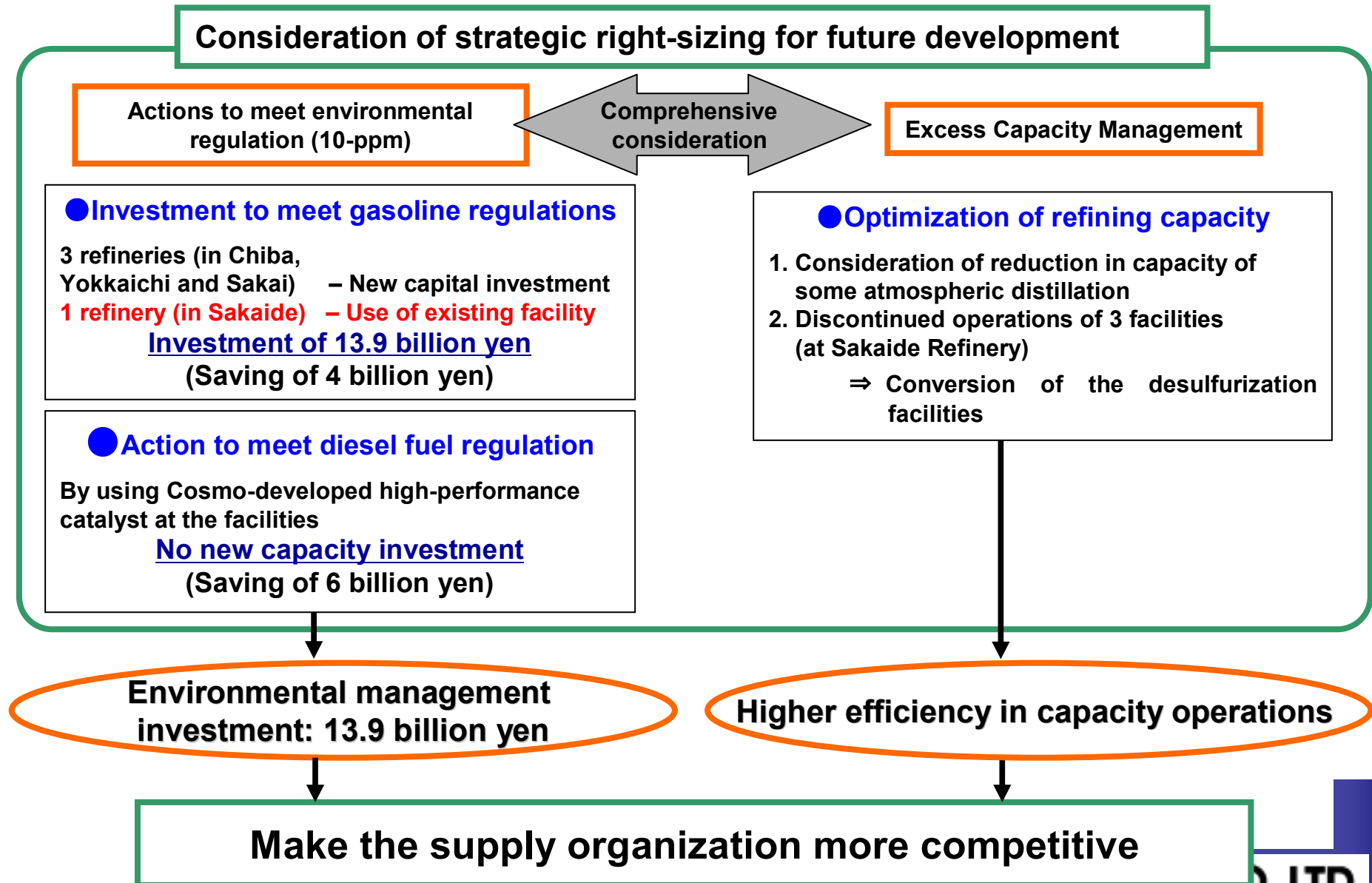
(Unit: 100 Million Yen)

			FY 2003
Oil Business	Rationalization	Supply	36
		Marketing	11
		Logistics	4
		Administration, etc.	21
	Sub total		72
	value Creation	Supply	17
		Marketing	40
		New Business, etc.	14
	Sub total		70
	Oil Business – Total		
Oil exploration and production	Expected earnings improvement	30	
Other affiliates	Expected earnings improvement	30	
Total - Consolidated			202

Execution plan		
H1	H2	Full Year
20	17	36
1	10	11
0	3	4
10	11	21
31	41	72
7	10	17
18	22	40
4	9	14
29	41	70
60	82	142
-	-	13
-	-	19
		174

Note: The goals above were announced at the new medium-term management plan presentation meeting on February 28, 2003

5.Consolidated Medium-Term Management Plan (for Fiscal Years 03-05) – Response to Environmental Regulation and Excess Capacity Issue



6. Consolidated Medium-Term Management Plan (for Fiscal Years 03-05) - Response to Diesel Fuel Regulation

● Environmental regulation on diesel fuel ⇒ Respond to it by using Cosmo-newly developed catalyst

New catalyst developed by Cosmo Oil

Its strong desulfurization eliminates the need for new capacity investment

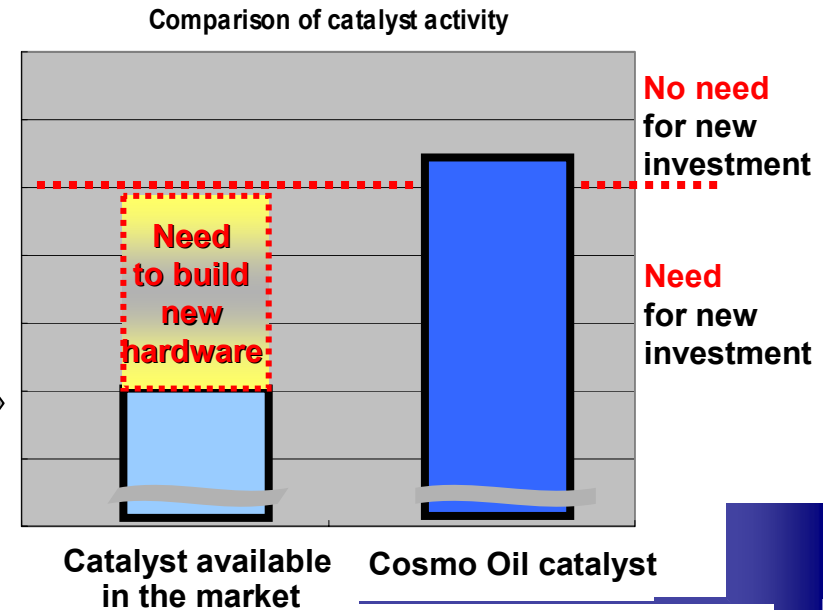
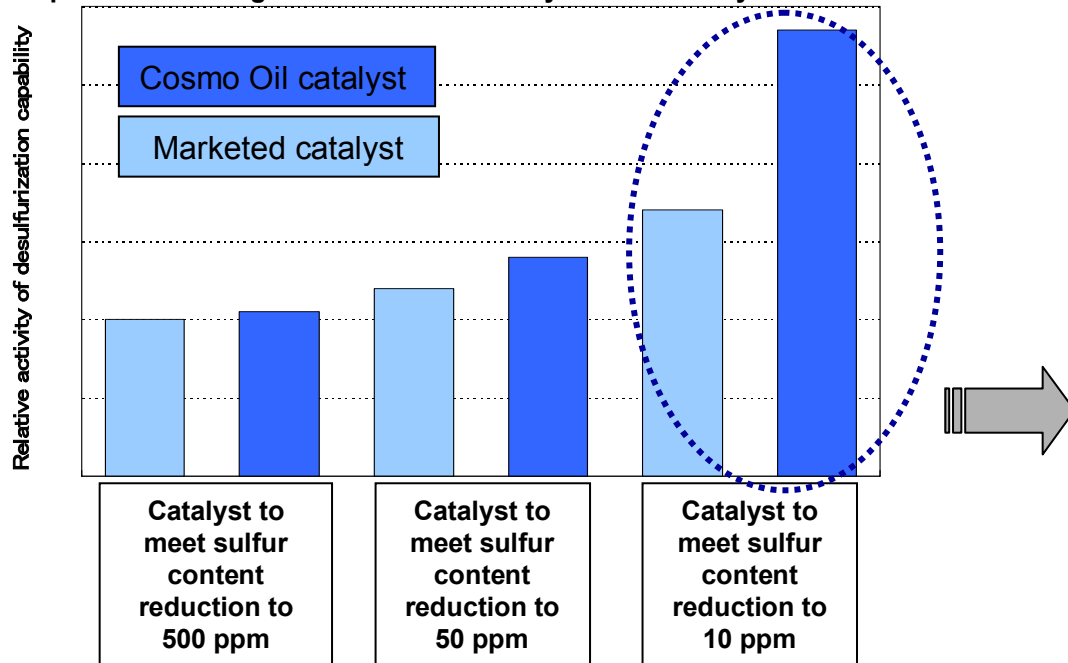
* The new catalyst developed by Cosmo Oil with support provided by NEDO/PEC
The following comparative data cited from laboratory-scale test results

Catalyst available in the market

Requires new capacity investment

- To build new desulfurization facilities
- To reinforcement existing desulfurization facilities

Competitive advantage of Cosmo Oil's catalyst over a catalyst available in the market



7. Consolidated Medium-Term Management Plan (for Fiscal Years 03-05) - Marketing Strategy – 1) Enhancement of Direct-Selling and Marketing Subsidiary

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- Increase the combined share of sales from direct-selling and marketing subsidiaries:
23% ⇒ 44%

Aim at increasing sales via direct selling and marketing subsidiaries in total automobile fuel sales at Cosmo Oil in volume

Investment centering
on Self-Service SSs

265 self-service SSs directly run
by Cosmo Oil and its marketing subsidiaries

Aim at building the Auto B-cle network by organizing 600 SSs directly run by Cosmo Oil and its marketing subsidiaries

Increasing customer need for “self-service SSs”

Benefits from direct selling

Allow Cosmo Oil to transfer its operating expertise and concepts to SSs directly run by it and by its subsidiaries
Allow Cosmo Oil to dispatch its supervisors to these SSs for operational improvement campaign deployment

Increase revenue and brand value

Dealer management – Introduce Cosmo Oil’s operating know-how to special dealers for revenue improvement

Marketing subsidiaries: Dealers run by subsidiaries that are members of the Cosmo Oil Group and that are reported in the Group’s consolidated financial statements

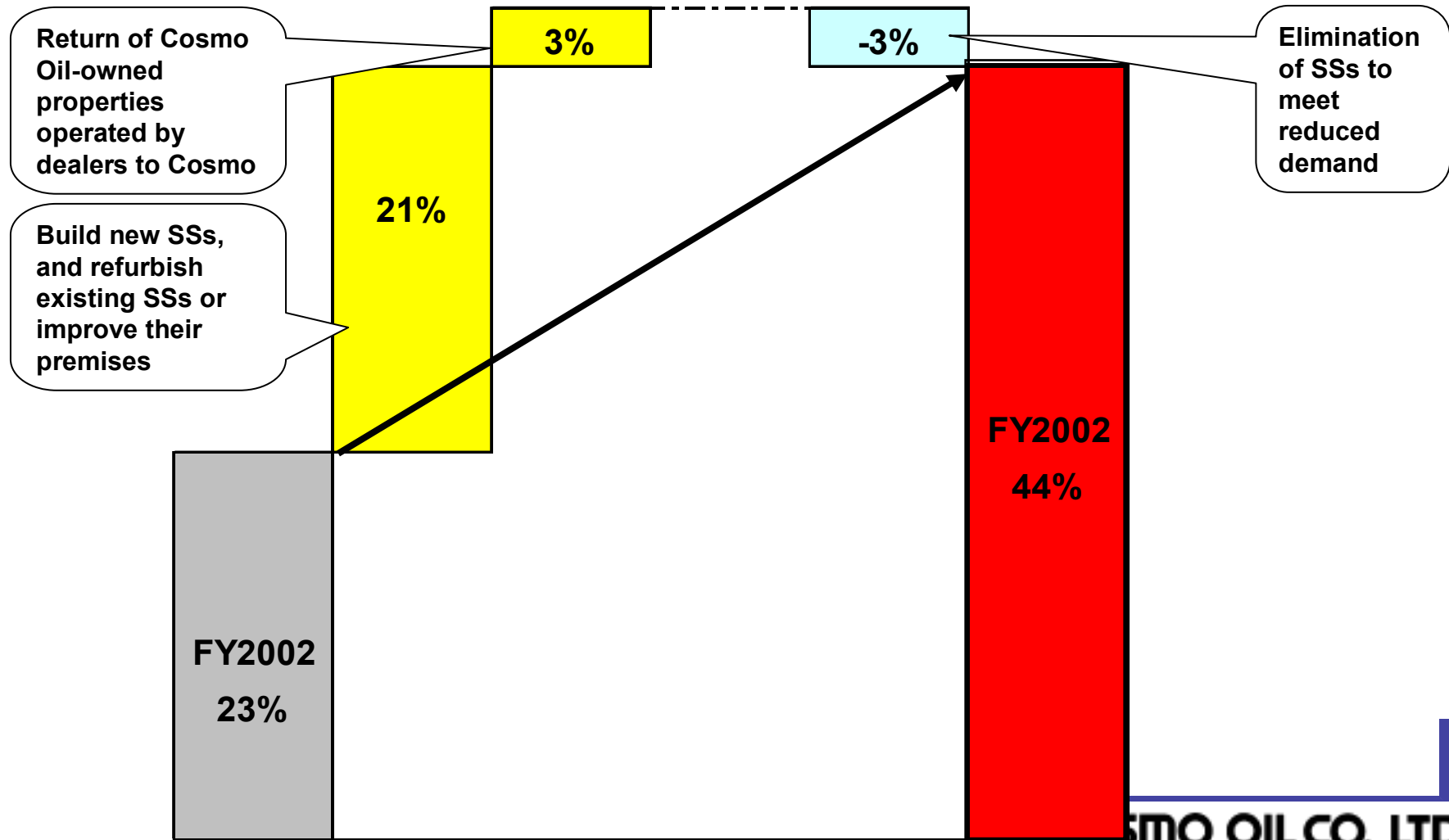
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7. Consolidated Medium-Term Management Plan (for Fiscal Years 03-05)
- Marketing Strategy – 2) Direct-Selling and Marketing Subsidiary Enhancement Plan

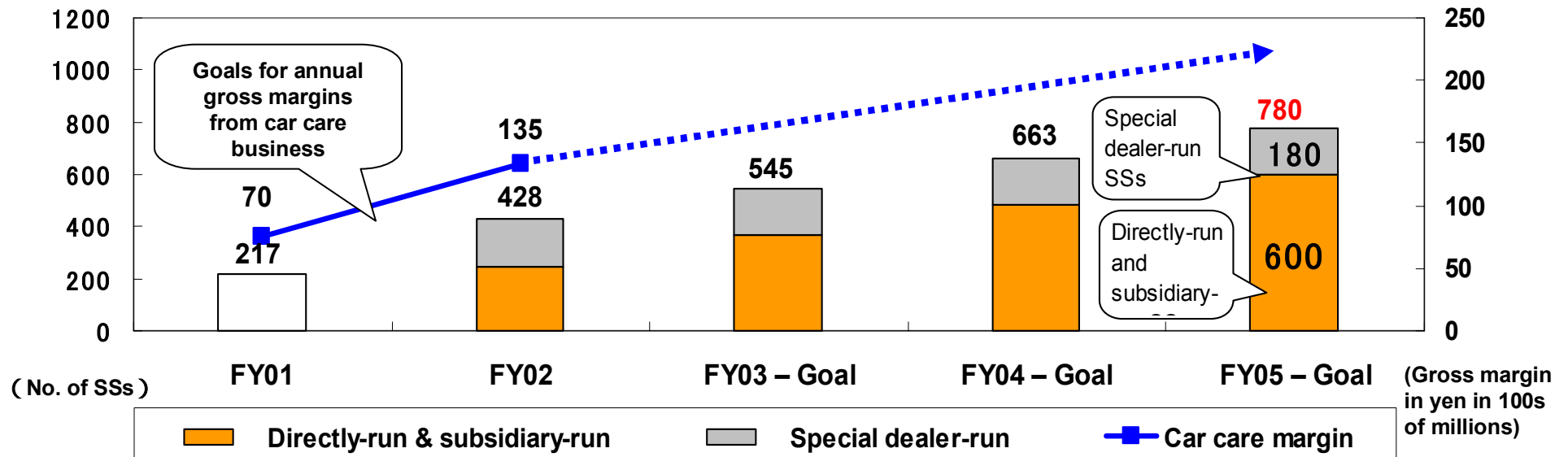
Action plans to achieve the sales share of 44% and their contributions



7. Consolidated Medium-Term Management Plan (for Fiscal Years 03-05) - Marketing Strategy – 3) Auto B-cle Networking

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- **Improve customer satisfaction – Build the Auto B-cle network**
Provide car life solutions for customers and increase revenue



Competitive advantages brought by Auto B-cles

		Directly-run B-cle	General Cosmo SS
Automobile fuel sales volume	(KL/month)	245	107
Gross margin from car care business	(1,000 yen/month)	2,742	1,597
Share of Cosmo The Card sales against total sales	(%)	41%	21%

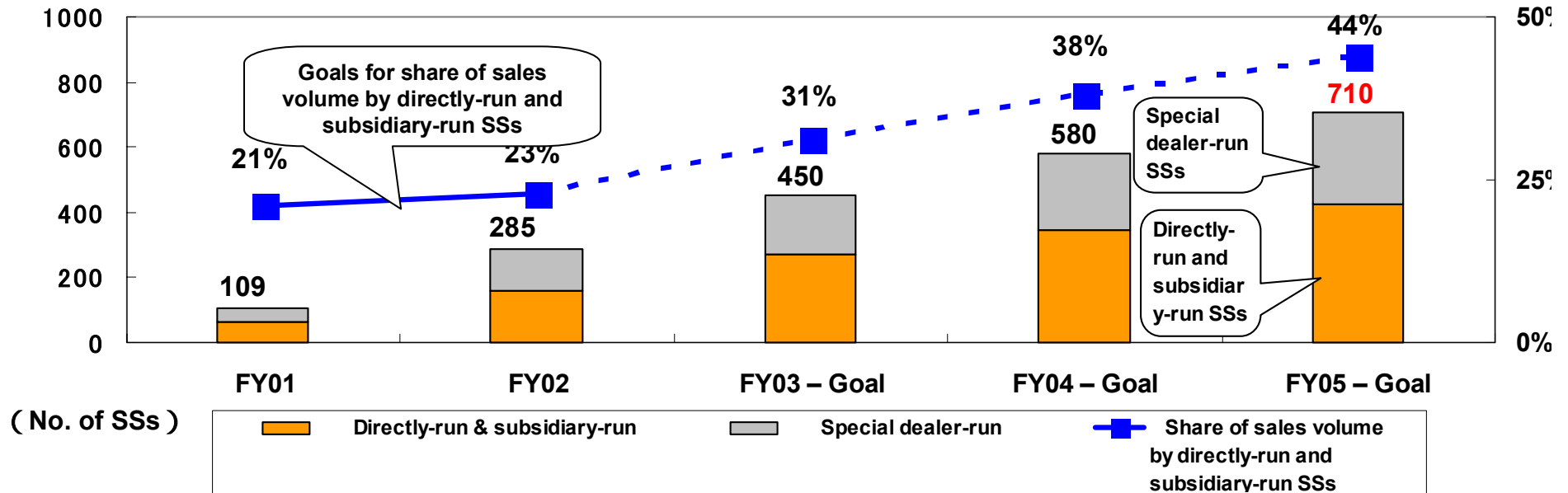
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7. Consolidated Medium-Term Management Plan (for Fiscal Years 03-05) - Marketing Strategy – 4) Self-Service SS Investment

● Improve customer satisfaction – Build more self-service SSs

Self-service SSs investment centers on directly-run and subsidiary-run SSs
(14.7 billion yen)



*Self-service SSs invested by independent dealers alone exclusive of the number of SSs above.
(About 50 sites as new self-service SS candidates currently under negotiations)

Competitive advantages brought by self-service SSs

Item	Unit	Self-service	General Cosmo SS
Automobile fuel sales volume	(KL/month)	420	107
Share of Cosmo The Card sales against total sales	(%)	49%	21%

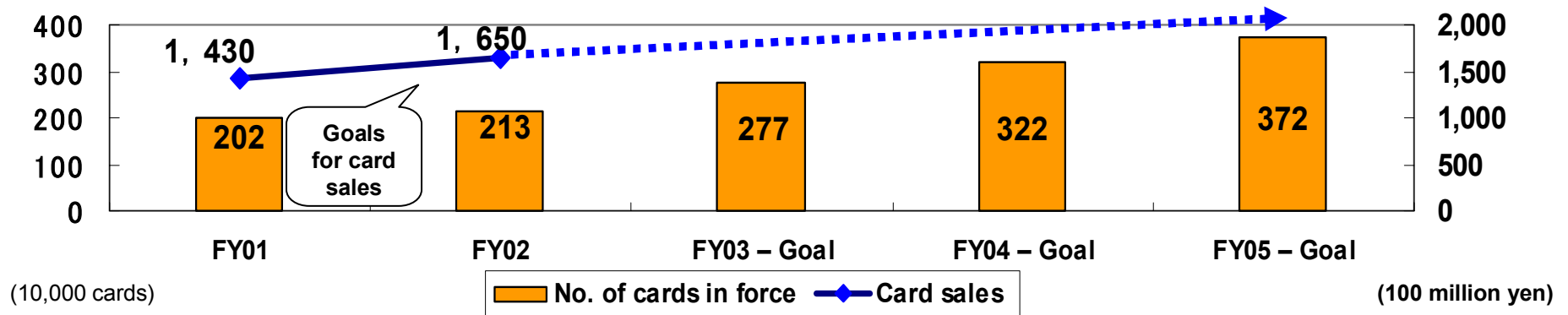
7. Consolidated Medium-Term Management Plan (for Fiscal Years 03-05) - Marketing Strategy – 5) Cosmo The Card Business

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● Improve customer satisfaction

– Build the strong business model using “Como The Card” credit card

Important part of infrastructure supporting Self-service SSs and Auto B-cles



Competitive advantages brought by Cosmo The Card

	Cosmo The Card – Eco cardmember	Cosmo The Card cardmember	Cash customer
Automobile fuel purchase volume (L/month)	109.5	100.3	55.8
High octane gasoline purchase ratio (%)	31.8	22.4	17.9
Added value (Yen/L)	18.1	11.0	7.2

Immediate card issuance	<ul style="list-style-type: none"> • Cosmo The Card is a credit card issued and operated by Cosmo Oil. • Adoption of simplified credit-offering examination for immediate card issuance • Development of the Quick Box, an unmanned credit card issuing machine • Patent applied and pending for the developed scheme for immediate temporary card issuance (including the use of the Quick Box) as an innovative business model
Mileage	<ul style="list-style-type: none"> • Cosmo's frequent customer program by leveraging on features of its proprietary card

8. Supplementary Information - Value Creation 21 (for Fiscal Years 2001-02) 12

	Department	FY2001 Result	FY2002						Cumulative achievement from FY00	a Original Plan	b/a Achievement %
			First Half Year Actual	Second Half Year		Full Year		Achievement %			
				Forecast	Actual	Forecast	Actual				
Rationalization	Supply	10	8	15	13	23	21	91%	31	49	63%
	Marketing	10	5	4	3	9	8	89%	18	20	90%
	Logistics	40	4	1	4	5	8	160%	48	52	92%
	Administration, etc.	10	2	3	3	5	5	100%	15	21	71%
	Sub Total	70	19	23	23	42	42	100%	112	142	79%
Value Creation	Supply	21	11	15	15	26	26	100%	47	39	121%
	Marketing	60	33	74	59	107	92	86%	152	198	77%
	Sub Total	81	44	89	74	133	118	89%	199	237	84%
Total	151	63	112	97	175	160	91%	311	380	82%	
Total (on an average year basis)		151	82	148	129	230	211	92%	362	435	83%
Subsidiary results		20	6	7	7	13	13	100%	33	30	110%
Overachieved results brought over from previous year									35	35	100%
Grand Total		171	88	155	136	243	224	92%	430	500	86%

9. Supplementary Information – Cosmo Oil’s Enhanced Commitment to Corporate Ethics

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<Background>

Recently, a number of issues have emerged to severely question fair practices of businesses (corporate ethics and legal compliance), raising doubts and criticism against the business community in society.

In order to **further enhance our commitment to observing corporate ethics and legal compliance** in our business practices, we have taken the following actions:

<Actions Taken>

- 1) We have established the **“Guidelines for Corporate Ethics (for Business Practices) for the Cosmo Oil Group”** as the basic code of ethics put above existing corporate rules and regulations and manuals for employees in order to provide guidelines for them to specifically recognize and live up to the “management vision at the Cosmo Oil Group” and to perform their duties from the perspectives of corporate ethics and legal compliance.
- 2) As an organization to promote, implement and supervise the “Guidelines for Corporate Ethics” above, we have established the **“Corporate Ethics Committee for the Cosmo Oil Group”** chaired by the president of Cosmo Oil.
- 3) In order to provide support for operations of the “Corporate Ethics Committee” above, we have also formed the **“Corporate Ethics Promotion Office”** and the **“Corporate Ethics Consultation Help Desk for the Cosmo Oil Group”** within that office.

Cautionary Statement Regarding Forward-Looking Scenarios

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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 to the realization of such plans, objectives or goals.