

Management Strategy for Cosmo Oil

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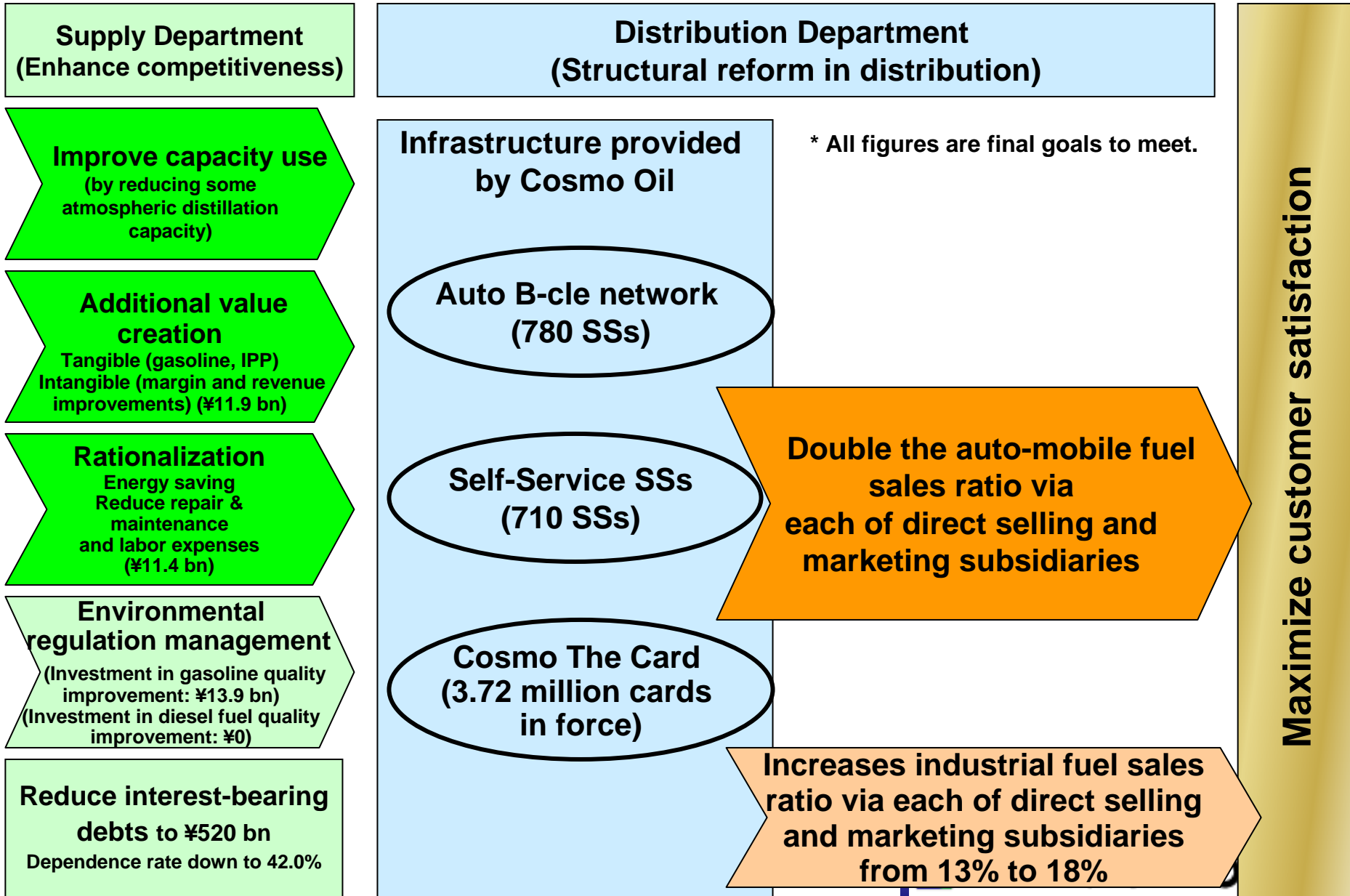
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Consolidated Medium-Term Management Plan – Overview

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Achievements in Rationalization and Value Creation in First Half Year and Outlook – FY2003 on A Non-Consolidated Basis

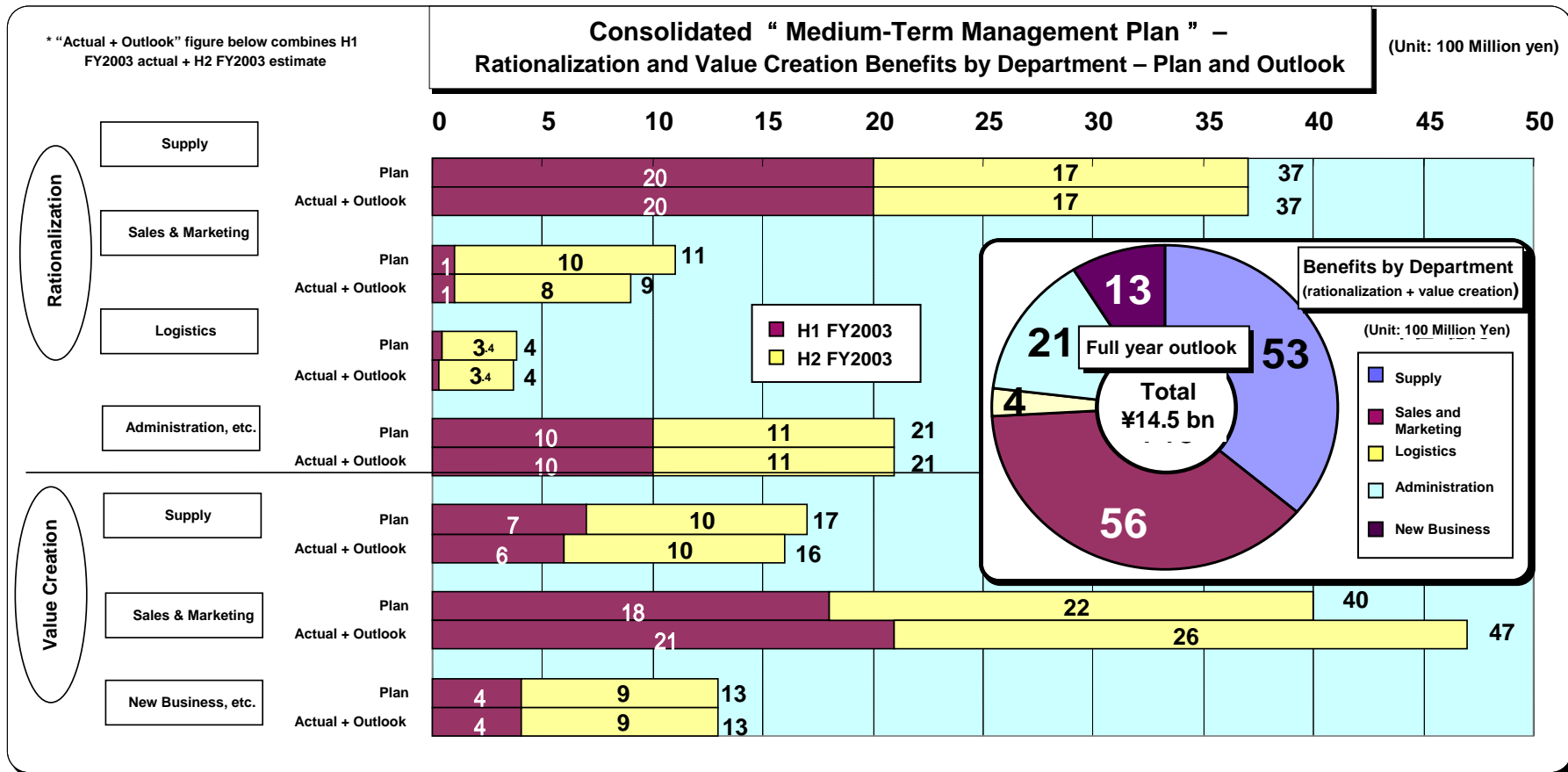
Actual benefits brought by rationalization and value creation efforts in H1 FY2003

Plan: ¥6.0 billion; Actual results: ¥6.1 bn; Achievement level: 101.7% of H1 FY2002

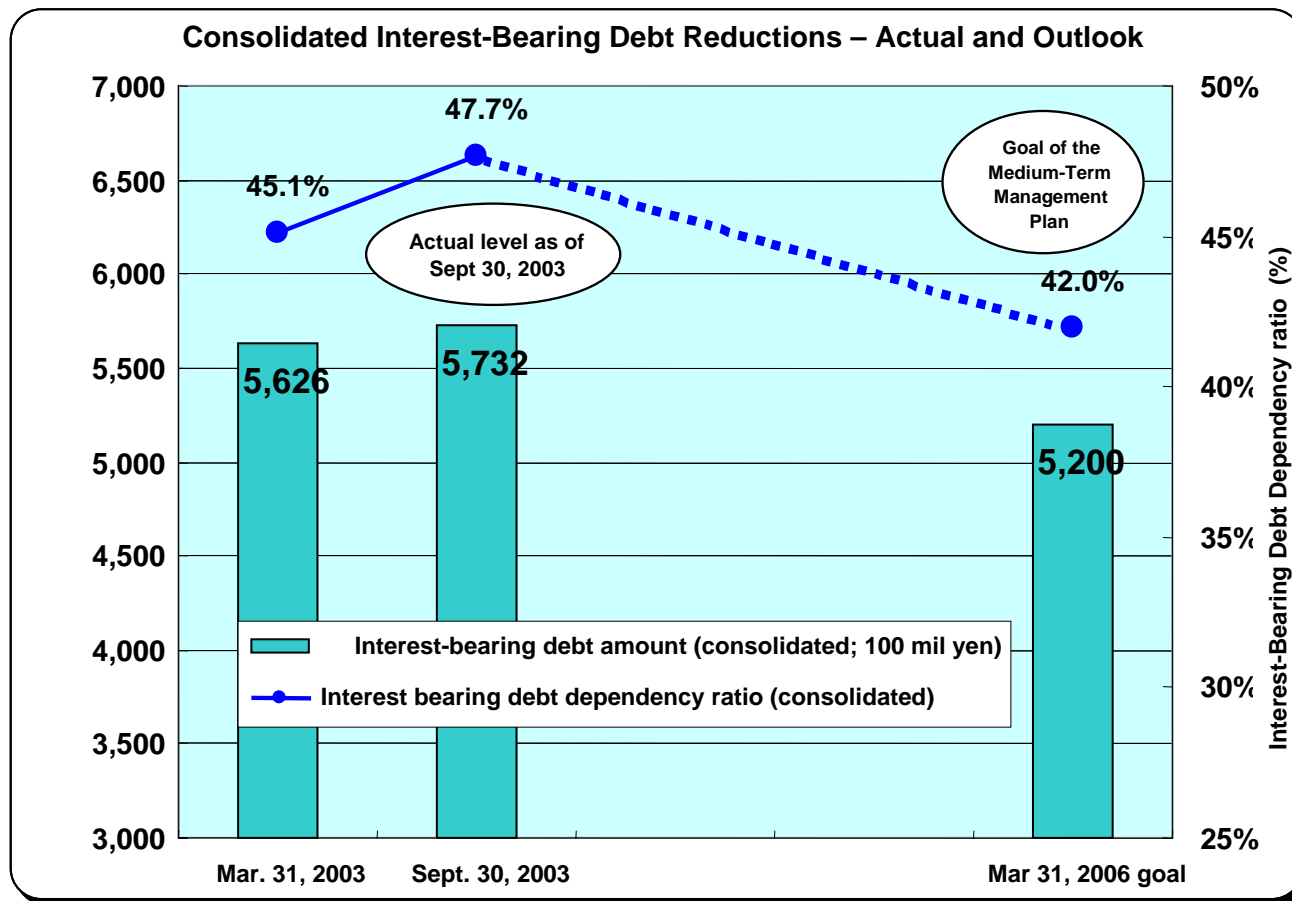
Outlook for FY2003

Plan: ¥14.2 bn; Actual results: ¥14.5 bn; Achievement level: 102.1% of FY2003

(Unit: 100 Million Yen)



Actual Level of Interest-Bearing Debts Reduced As Of Sept. 30, 2003 and Outlook



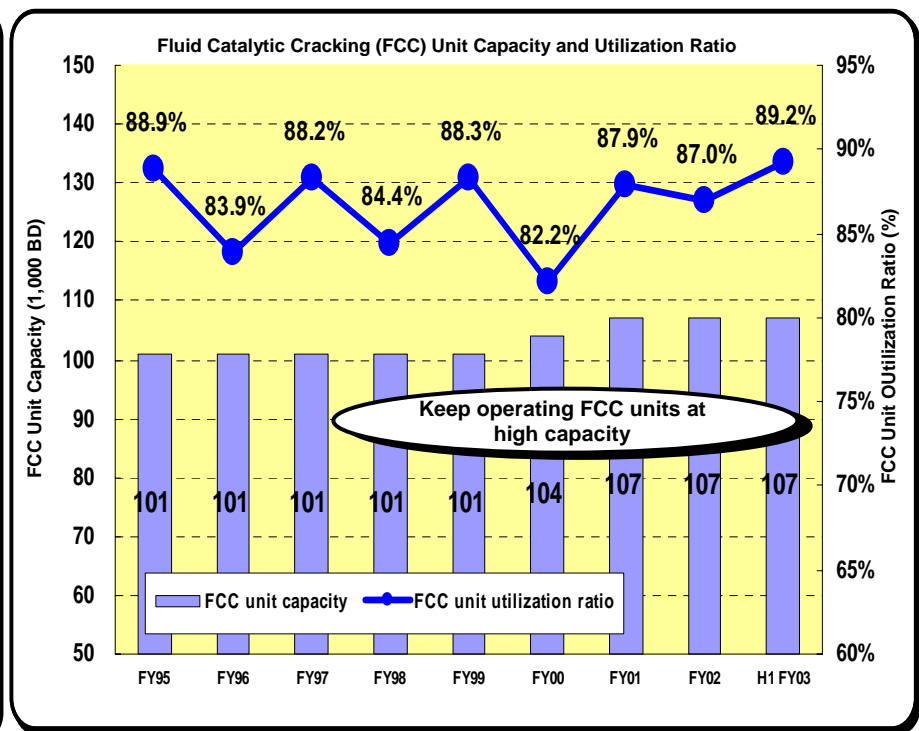
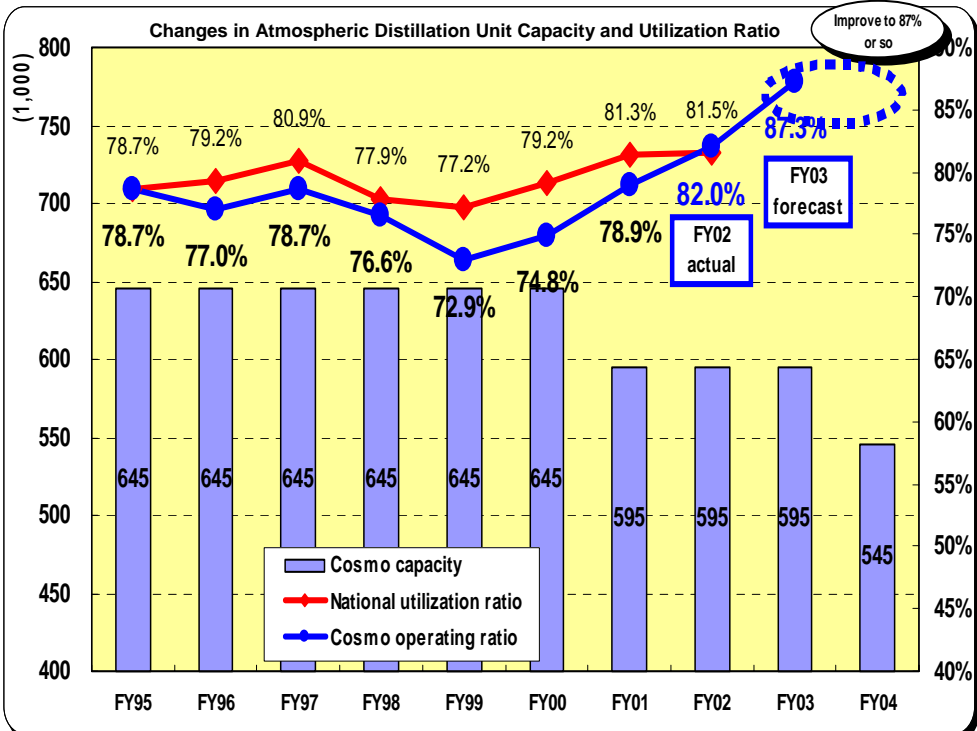
Supply Strategy: Optimization of Refining Capacity and Utilization Ratio

Objective of the Medium-Term Management Plan
Reduce combined atmospheric distillation capacity at Yokkaichi and Sakaide Refineries by 50,000 BD after Spring 2004

**Atmospheric distillation unit capacity utilization ratio :
 Improve to 87% or so (forecast)**

Capacity utilization ratio = CD %

Capacity utilization ratio = CD %



Supply Strategy: Voluntary Environmental Management and Refining Capacity Reduction Efforts

Voluntary environmental management to meet environmental regulation (10 ppm)

Measures to meet gasoline regulations

(Investment at ¥13.9 billion to save ¥4 bn)

- Chiba, Yokkaichi and Sakai Refineries
Install new desulfurization units in the FCC units
- Sakaide Refinery
Convert the existing direct heavy fuel oil desulfurization unit into a pre-processing device for the FCC unit

Measures to meet diesel fuel regulations

(No Investment made to save ¥6 bn)

- Use Cosmo-developed high-performance catalyst* for desulfurization

Save
¥10-billion
investment

Implement both measures in a coordinated manner

Excess capacity management

Refining capacity reductions

1. Reduce some atmospheric distillation capacity
Yokkaichi Refinery: -20,000 BD
Sakaide Refinery: -30,000 BD } By spring 2004
2. Discontinue operations of 3 units at the Sakaide Refinery
Vacuum gas oil hydrodesulfurization, hydrogen producing and sulfur recovery units

Improve
utilization
ratio

Make the Cosmo Oil supply system more competitive

Note: * New catalyst was developed by Cosmo Oil by receiving subsidies from the Petroleum Energy Center and New Energy and Industrial Technology Development Organization.

Supply Strategy: Progress in Rationalization and Value Creation Efforts

Objective of the Medium-Term Management Plan
Improve supply cost competitiveness and refine demand and supply management to increase profitability

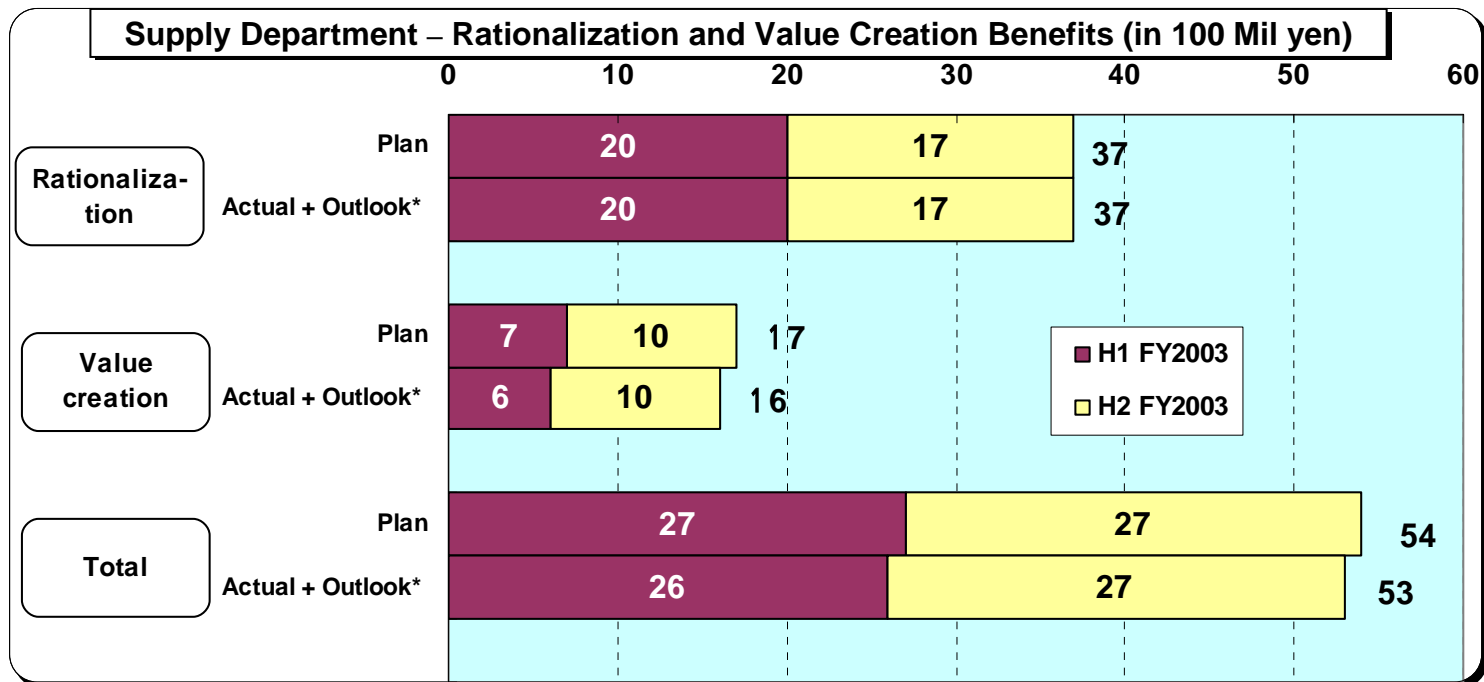
Improve supply cost competitiveness

- Reduce costs through rationalization
 Reduce fuel and power costs by promoting repair and maintenance reduction and energy saving
- Reduce unit costs by adding value to production
 Improve yields of middle distillates and profitability improvement programs, etc.)

Refine demand and supply management by leveraging on the integrated manufacturing and marketing system (by establishing the SCM system)



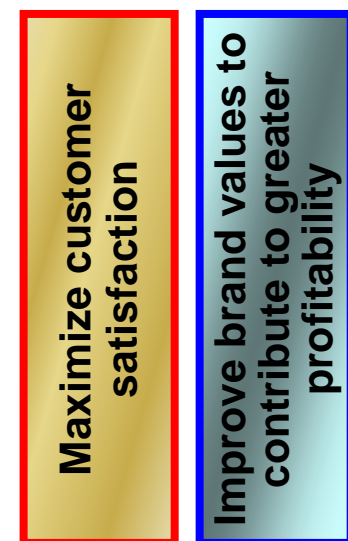
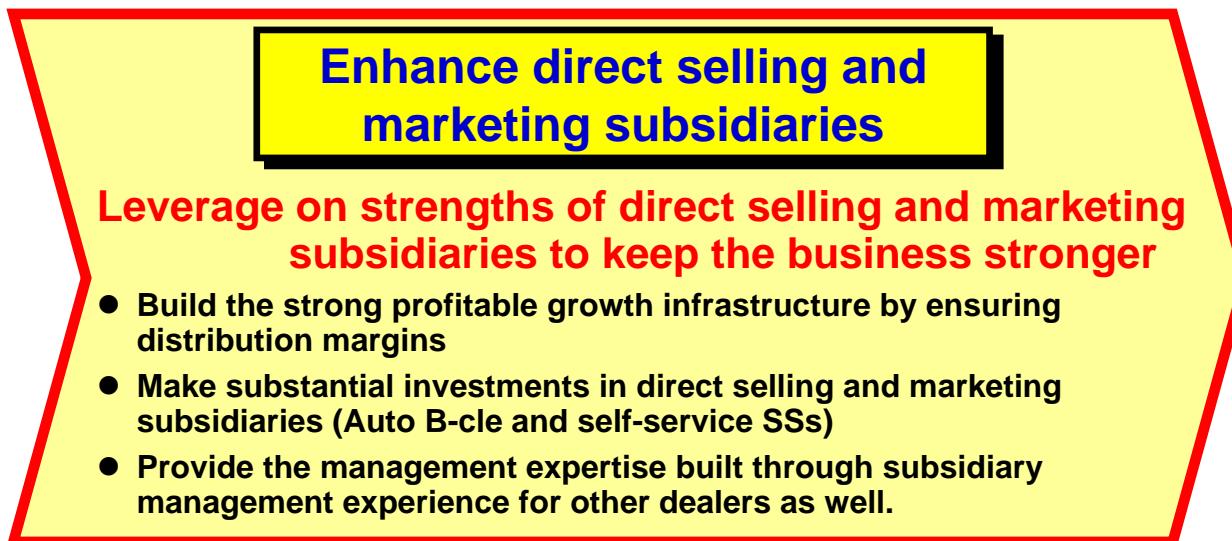
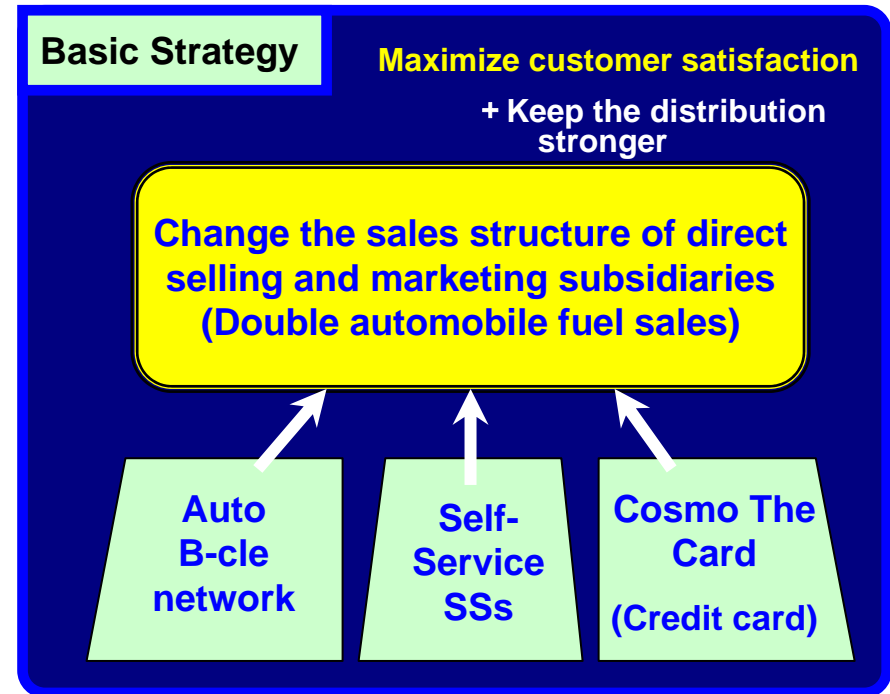
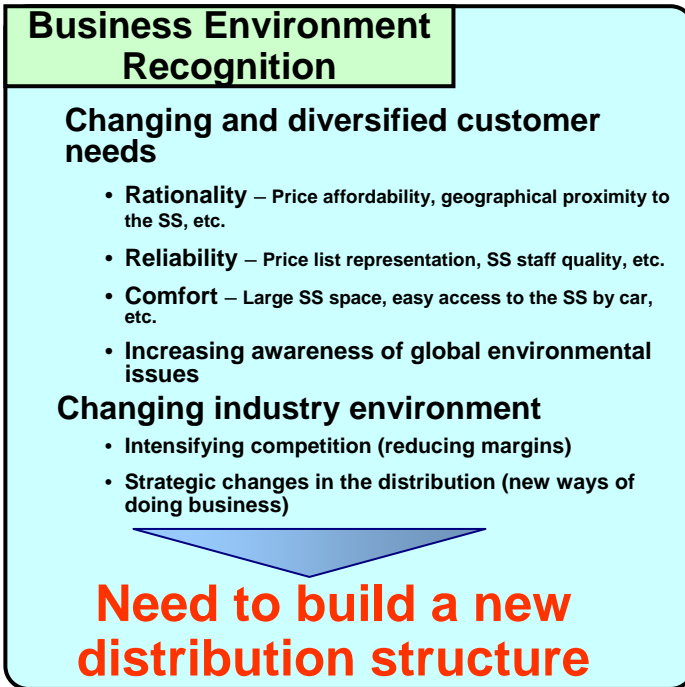
Complete the operating environment improvement program by running the SAP system on a full-scale basis



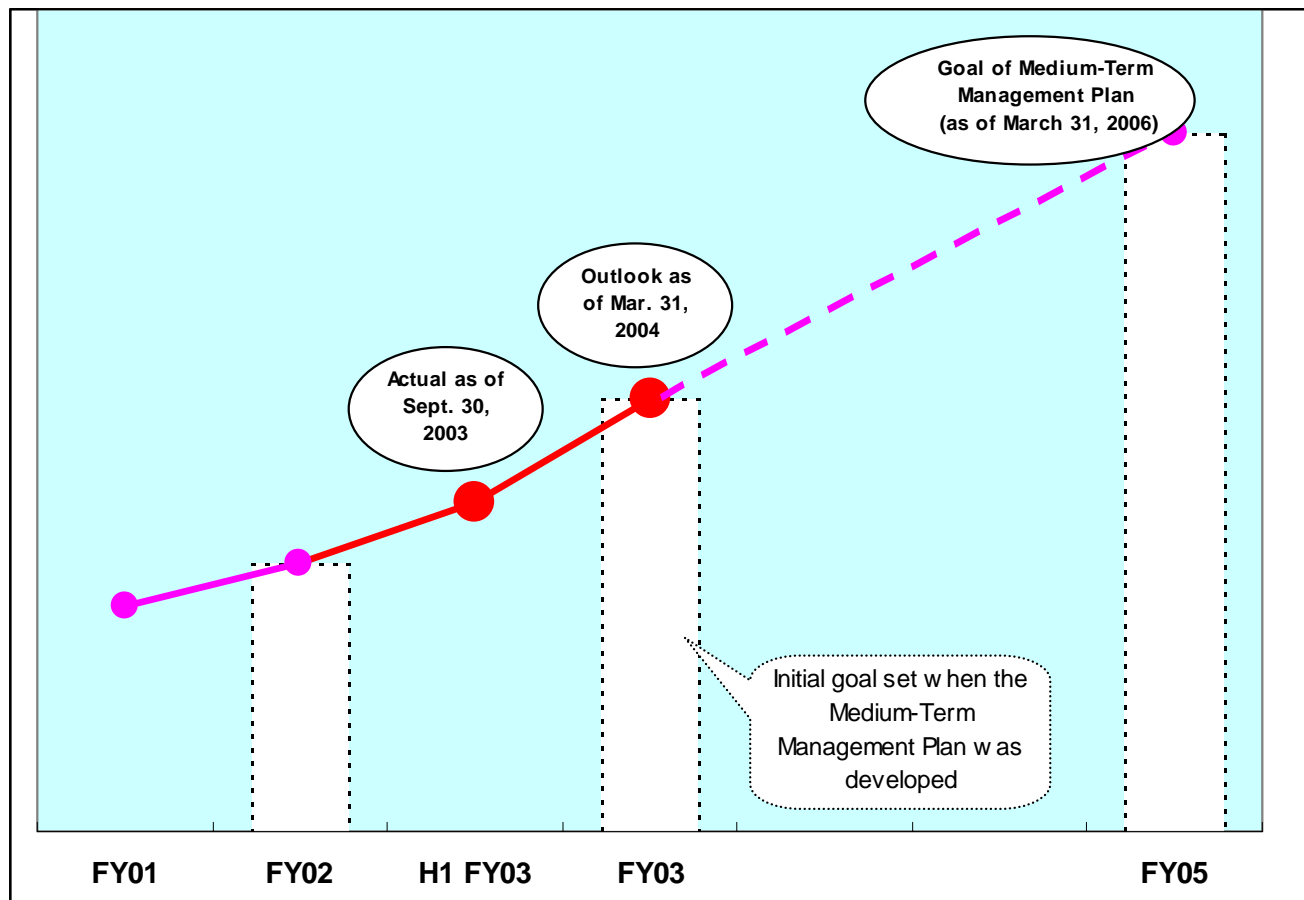
Note: *Actual + Outlook = H1 FY2003 actual + H2 FY2003 estimate

Marketing Strategy: Business Environment Recognition and Basic Strategy

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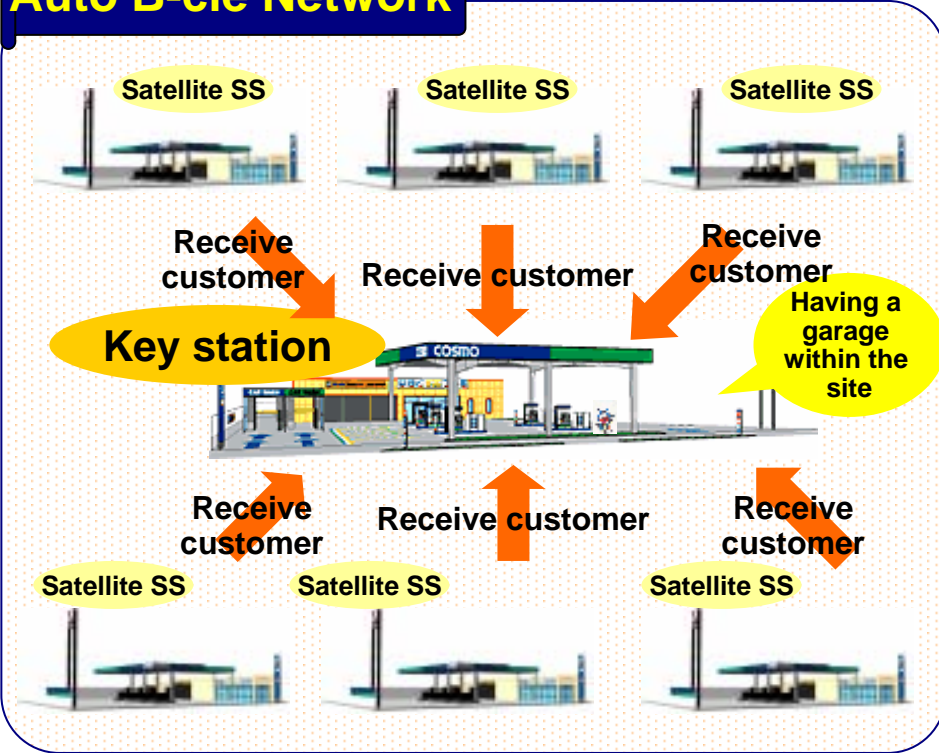


Direct Selling and Marketing Subsidiaries – Share of Automobile Fuel Sales Volume (Actual and Outlook)



Marketing Strategy: Basic Strategy (1) Strengths of the Auto B-cle Network

Auto B-cle Network

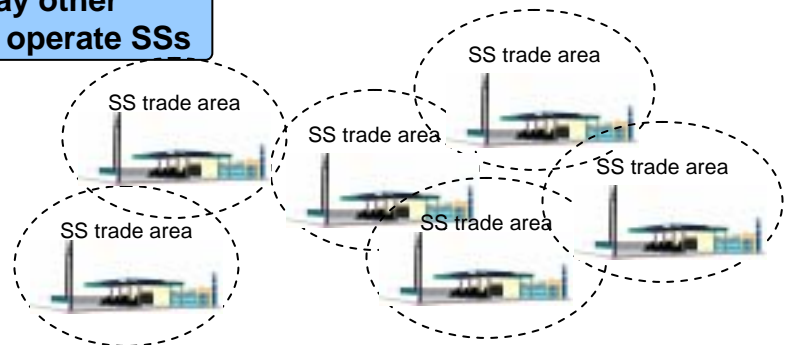


Competitive strength of Cosmo Oil's network

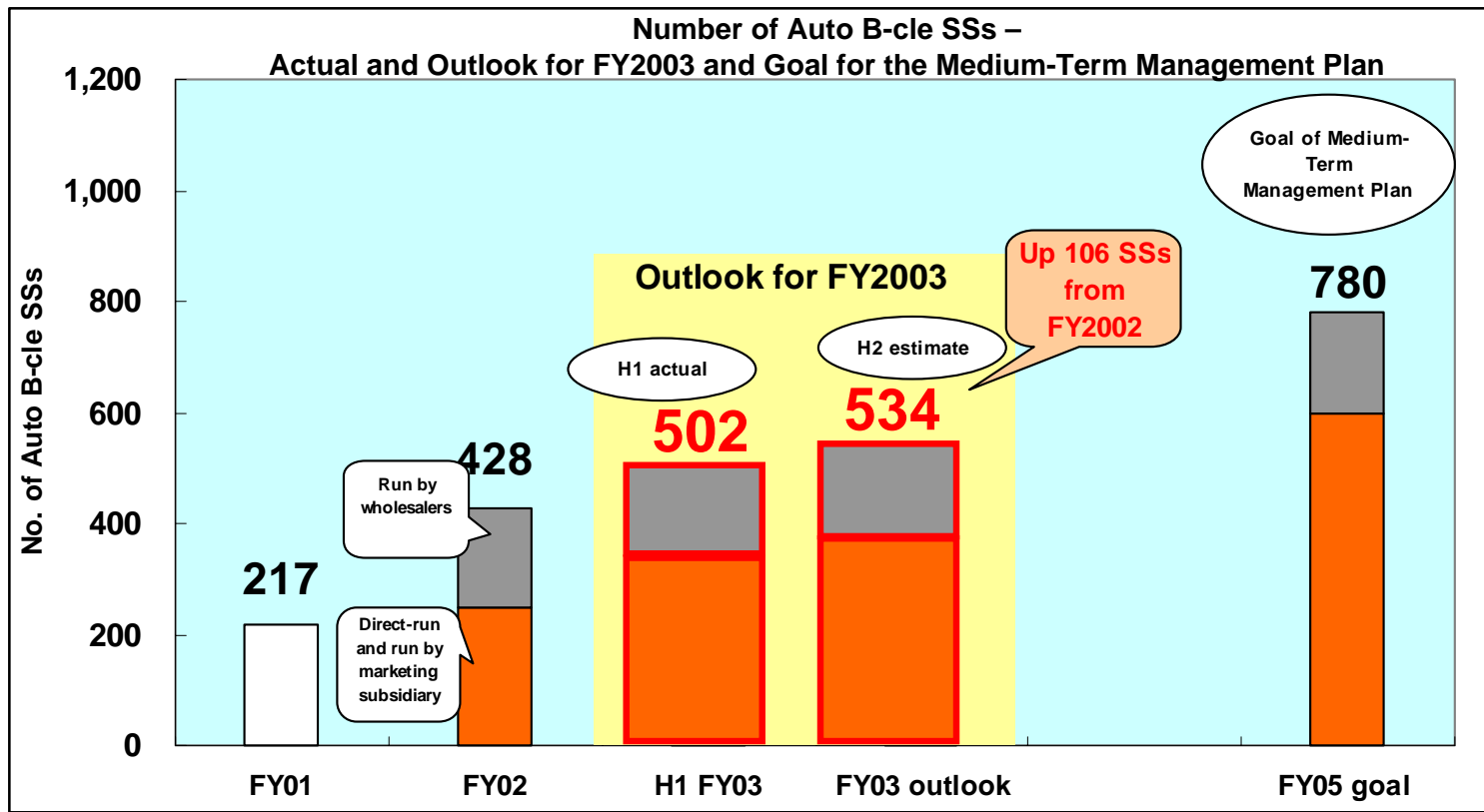
	Deployment	Investment cost
Cosmo Oil	Area coverage	Low
Competition	Point to point	High

• Reduce capital investment by consolidating facilities into key stations

The way other companies operate SSs



**Number of Auto B-cle SSs
(Actual and outlook)**



Marketing Strategy: Basic Strategy (2) Self-Service SSs - Strengths, and Progress and Outlook

Customer wants & needs (for self-service filling)

- Want to fill up their cars anytime they like
- Want to fill whatever volume of gasoline they want on their own casually
- Want to fill quickly

Strengths of the Cosmo Oil's Self-Service SS

- Establish a plural number of business models to meet customer needs

Model to meet car care needs – Self-service & Auto B-cle SS

Model dedicated to auto fuel sales – Self-service Pure SS

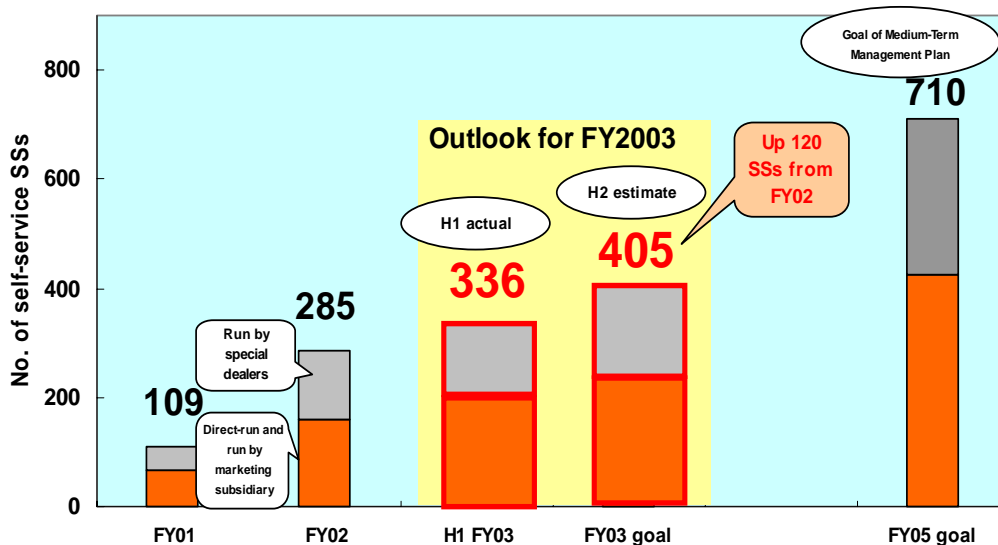
- Integrated operating policy applicable to self-service SS

All self SSs basically adopt 24-hour operation, a island pump payment style and the like.

- Strong sales through synergy with Cosmo The Card use

Earn more than four times the level of sales earned by general SSs

Number of Self-Service SSs (Actual and Outlook)



Comparison between Self-Service and General SSs

		Self-Service SS	General SS
Auto fuel sales volume	KL/month	422	105
Cosmo the Card use	%	54%	16%

Marketing Strategy: Basic Strategy (3) Cosmo The Card - Strengths, and Progress Vs. Outlook

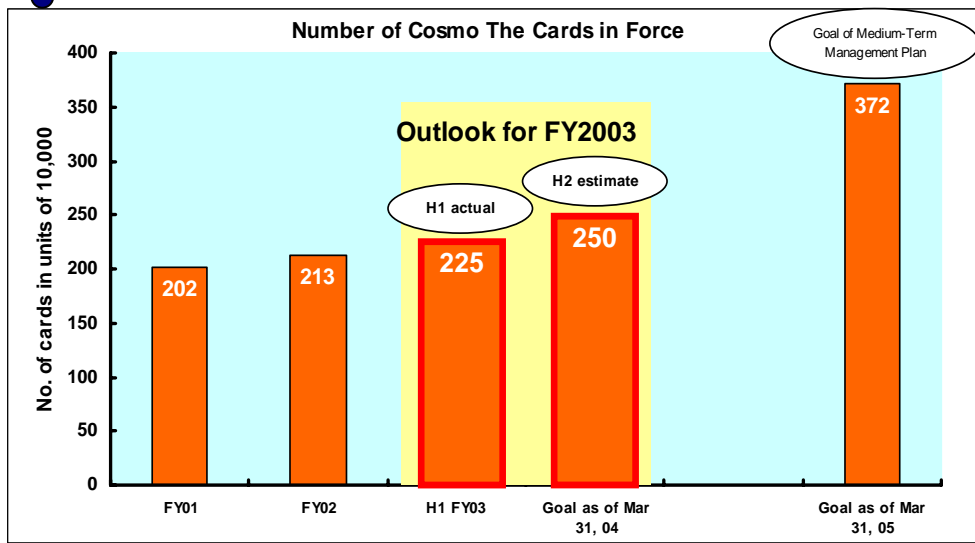
Customer needs

- Want to be treated as loyal customers
- Don't like to spend very much time and trouble
- Interested in enjoying benefits

Strengths of Cosmo The Card

- High card use rate (some 60% of customers use the card)
- Its proprietary card allows Cosmo Oil to issue new cards quickly
(through the development of "Quick Box" that simplifies the credit examination necessary for the card issuance)
- Introduce the mileage program

Number of Cosmo The Cards in Force (Actual and Outlook, No. of cards in units of 10,000)



Comparison with Competitors in Number of Cards Issued (Unit: 1,000 cards)

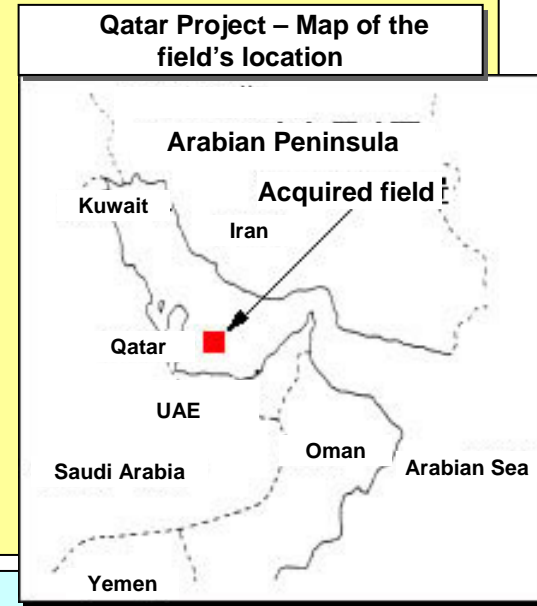
	Company A	Company B	Company C	Company D	Company E
No. of cards	1,800	1,170	650	1,200	380

Comparison between cash customers and card customers among Cosmo The Card members

		Cosmo the Card member		Cash customer
			(Eco member)	
Auto fuel sales volume	L/month	104	116	57
High-octane gasoline sales ratio	%	22%	31%	18%
Car care products purchase amount	Yen/month	1,160	1,540	168

Crude Oil Exploitation 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: Jan 2005 (planned) – 2014
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



Electricity and New Energy Businesses

1. July 2003 – Started IPP business by supplying 200,000 kw for Chubu Electric Power Co., Inc.
2. Supply and distribute electricity and heat by using the co-generation facility – having actually sold more than 10,000 kw to factories and other distribution facilities
3. The first success in producing hydrogen by using the raw material of GTL oil for fuel cell vehicles at the Daikoku Hydrogen Station in Yokohama

New Business

1. Established Real Partners Co. to provide the new SAP consultancy business

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.