

## Striving to Be an Environmentally Advanced Company as a Member of Society and a Global Citizen

The 20th century was an era of economic growth, and also an era when human beings, for the first time in history, acknowledged the fact that the Earth was approaching its carrying capacity. Today's environmental problems, which include global warming, destruction of the ozone layer, deforestation, desertification, acid rain, and the loss of biological diversity, are all warning alarms issued by the Earth. They are, without exception, the consequences of activities by human beings, who have been enjoying the Earth's resources and petroleum in particular. It is also true, however, that only through these consequences could human beings be reminded of the finiteness of the Earth. Cosmo Oil is promoting innovative solutions by interweaving environmental concerns with every single aspect of our business. We recognize that we are part of an industry that has supported economic development through exploiting petroleum and delivering oil-based products and thus, we have undoubtedly caused negative impacts on the environment. We are striving to contribute to the protection of the environment on a global scale, acknowledging that we are indeed, global citizens.

### Possible Actions as a Petroleum Company

Japan currently relies upon oil-based products for more than half of its energy consumption, and thus it is hard to imagine that society's dependence on oil-based energies could radically change in the near future. We therefore believe that the efficient use of petroleum products—producing more valuable products from crude oil—is crucial. Cosmo Oil refines crude oil and produces and sells various kinds of oil-based products including gasoline, jet fuel, kerosene, diesel oil, and heavy fuel oil. We are now trying to raise the proportion of products other than heavy fuel oil through more sophisticated refining processes to respond to the fall in demand for heavy fuel oil. The reduction of sulfur content in diesel fuel is an area in which the oil industry as a whole is exerting great efforts. The oil industry is going to start providing low-sulfur diesel fuel in September 2002 in response to the Tokyo Metropolitan Government's plan to strengthen its regulations on emissions from diesel

vehicles in October 2003. The Metropolitan Government gave the Petroleum Association of Japan the "Environmental Grand Prize (Governor Prize)" for the industry's active involvement. The oil industry, which consumes energy through refining crude oil, has also set the target of reducing crude oil energy consumption units by 2010 to 10 percent below 1990 levels. Cosmo Oil had achieved a 9.1% reduction by the end of 2001.

### Cosmo Oil Tackles Global Warming on a Global Scale

Among environmental problems, most of which are global by nature, global warming is the one that many countries are addressing. South Pacific island countries are in danger of being submerged due to the rising sea level, which is caused mainly by the gradual melting of the Antarctic icecaps and Alpine glaciers. There is also concern that climatic changes may trigger a food crisis. The main cause is the increasing emissions of CO<sub>2</sub> (carbon dioxide), which is one of the major greenhouse gases.

CO<sub>2</sub> is generated through the burning of gasoline and diesel fuel when our customers drive a car, as well as in the process of refining crude oil. The CO<sub>2</sub> that has been emitted can no longer be turned into petroleum again. Cosmo Oil, which emits a sizeable amount of CO<sub>2</sub> in its business processes, is committed to contributing to the prevention of global warming, through our activities implemented on a global scale.

For example, in the Zero-Flare Project at Abu Dhabi Oil, a subsidiary of Cosmo Oil, the gases that emerge during crude oil drilling are not burned off but instead returned to the ground, thus reducing CO<sub>2</sub> emitted in the host country. In Papua New Guinea, we are consistently supporting local people in refraining from slash-and-burn farming, where forest is burned to develop land for farming, and we are encouraging settled farming. We also seek possibilities of CO<sub>2</sub> emissions trading in view of hedging the risks associated with the reduction of greenhouse gases, enhancing business opportunities in future, and contributing to forest conservation and afforestation in host countries.



**To Become an Environmentally Advanced Company**

We have declared our resolve to become “environmentally advanced company”, but we are still in the process. In order to reach this ultimate goal, it is necessary to continuously improve our business processes, through a close combination of environmental protection activities, employee training and enlightenment, and social communications. We therefore set up the Environment Affairs Office and Public Relations Office within the Corporate Planning Department, and prepared our medium-term environmental plan for the period FY 2002-2004, replacing our previous action plan. It is also important to develop environmental technologies such as for VOC (volatile organic compounds) absorption, wastewater treatment and soil improvement, and new energy technologies including GTL (Gas to Liquid) and fuel cell systems. We incorporated our research and development arm into Cosmo Oil in FY 2001 and

decided to focus on three research subjects: support for the oil-based primary business, environmental technology development, and new energies.

We published our first environmental report in 2001, in the belief that it is crucial, as a corporate citizen, to disclose our business activities and to listen to the voices of society. This report, which has been reviewed by an independent party to ensure the correctness and transparency of the information contained, provides detailed information on our approach to our social responsibilities. To help us to continuously improve our environmental protection and social responsibility activities, we welcome your opinions and comments.

A handwritten signature in black ink that reads "Keiichiro Okabe". The signature is written in a cursive, flowing style.

Keiichiro Okabe  
 Chairman and Chief Executive Officer  
 Cosmo Oil Co., Ltd.