

Message

As a member of community and a pillar of the energy industry, we carry out our business activities honestly, trusted by everyone, so as to continue sustainable growth together with community.



Towards realization of sustainable society

The title of this report, “Living with Our Planet” and the catchphrase “Filling Up Your Hearts, Too”, which has become familiar over many years, are the symbols of our group’s management vision, which aims at the realization at the global level of a sustainable society. In order to realize these slogans, it is not sufficient for us alone to be sustainable. Our vision is to consider what we can do for the sustainable development of society, confront the issues head-on, and deliver *value* going into the future. For this purpose, we must produce “stable profits” and faithfully fulfill our “social responsibility” in our relations with our stakeholders.

These two things are like the wheels of a cart – in my thought we can only gain the trust of society, develop sustainably along with society and give birth to value once the cart is moving on both these wheels in balance.

It is “people” who turn these wheels. “Trust” also arises between people, and “value” is produced by the ideas and the originality and ingenuity of individual people. I believe that an organization is the arena for individuals to give full play to their strengths, by



acting with self-awareness and responsibility. In other words, the most important thing, the driving force for realizing a sustainable society, and the foundation of all business activity, is that individuals and business fulfill their responsibilities to each other.

The issues involved in oil energy are the starting point

The vision of Cosmo Oil Group, with its focus on the oil business, is to bring greater convenience to daily life and to contribute to the stimulation of industry. On the other hand, we are aware that large scale consumption of oil has had a serious impact on the earth. Accordingly, for our sustainable development together with society, grappling with environmental issue is very important to us. Aiming to become “Cosmo Oil - the environmental choice”, we are making great efforts to reduce the environmental impact arising from our business activities, and also, going beyond the scope of our business and our country, we are engaged in activities for preservation of the environment and restoration of nature that has been destroyed. There can be no radical solution of environmental problems unless people with all the points of view who make up society cooperate and unless we also at the same time tackle the underlying problems such as poverty and energy. We are making progress in our efforts to find concrete solutions to environmental problems, together with regional societies, NGOs and a number of national governments - in April 2002 we started issuing Cosmo the Card Eco, enabling our customers to participate by contributing to this struggle.

Furthermore, in parallel with the struggle for the environment, best practice in safety management is a necessary and indispensable proposition for the oil industry. Here at Cosmo we are striving to achieve best practice in safety management. In order that our products may be used safely and with peace of mind, we have implemented safety practices aimed at preventing incidents and ensuring early response if an incident does occur, in full compliance with both statutory regulations and our own voluntary standards. We are also pushing forward with information disclosure.



For Creation of New "Value"

The stable supply of oil supported Japan's rapid economic growth, taking up 80% of the national primary energy supply. Although the ratio has dramatically dropped, to approximately 50% after the oil crisis, oil still supports our lives as an important energy source and in the forms of various materials.

Under these present conditions we are attempting to reduce the environmental impact of oil by improving the quality of petroleum products whilst increasing the number of SS and providing better services. Our aim is to make our customers' "car life" more convenient, safe and secure – by creating new value for our customers.

We are also expanding our business to become an integrated energy company capable of supplying energy stability in the long term, responding to the issues of limitation of natural resources and environmental protection. To accomplish this, we are carrying out R&D and commercialisation of energy for the next generation in order to continuously provide new values to our customers. In the field of renewable energy - the most environmental friendly energy, we are endeavouring to develop hydrogen-powered fuel cells and wind-powered electricity.

Strengthening of Corporate Governance System

We, the Cosmo Oil Group, are trying to strengthen our management systems in order to help make society more sustainable in a more effective and efficient way.

In April 2004 we established an integrated management system highlighting fundamental issues such as business ethics, human rights, security and environment. Previously, these issues were dealt with separately. This integrated management system now enables us to examine our activities far more comprehensively. The roles of both supervision and administration are now more specific and duties have been outlined more clearly. Since July 2004, we have reinforced both these functions, resulting in a more functional and clearer management. Our company-wide risk management cycle established in fiscal 2003 has entered its second year and is presently being settled into final form.

Trustworthy, Honest Management for Our Customers

As stated at the outset, we think "humanity" and the principle of "All for One, One for All" play essential parts in carrying out a variety of activities to assist society to be more sustainable. For this reason we are improving our personnel system and workplace in order to make our company a place where individual employees can make the most of their abilities. Customer confidence can be gained only through our employees' high ethical standards, our responsible actions and the attitude of respecting human rights – in other words, the principle of respecting others. To nurture such a corporate culture within the entire group, we have improved the organisational system by establishing a Business Ethics Promotion Office and Human Rights Committee. In addition, our employees have the opportunity to attend educational and training seminars. We have also established a system that allows employees to voice their own opinions and we are enforcing business ethics rigorously.

In March 2004 there was an incident involving the leakage of personal information of a "Cosmo the Card" members. We sincerely apologise for this incident and in order to ensure there is no re-occurrence, we have put in place new measures, including reviewing our business methods, devise countermeasures to meet the situation and enforce our business ethics.

Three years have passed since our "Environmental Report" was issued. Fundamentally, reports are a tool for companies to communicate their ideas to community. As we are formalising our management concept, we have renewed this report in order to explain to the public our visions and activities more comprehensively. The report has been renamed "Sustainability Report".

Our first Sustainability Report may include some points to ameliorate. However, for our company to continuously grow with society, we believe it is very important to disclose our business information accurately, appropriately and openly. We desire also to reflect our customers' voice in the management of our affairs. We appreciate your frank opinions and suggestions.

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Yaichi Kimura
Chief Executive Officer
Cosmo Oil Co., Ltd.

