

Consolidated Medium-Term Management Plan and CSR Promotion

<http://www.cosmo-oil.co.jp/eng/sustainable/07/gov/csr.html>

To establish a stable earnings foundation and fulfill our social responsibilities, we are implementing our “New Consolidated Medium-Term Management Plan.”

► Consolidated Medium-Term Management Plan

The Cosmo Oil Group formulated its New Consolidated Medium-Term Management Plan (fiscal 2005 to fiscal 2007), which covers a three-year period from fiscal 2005. The plan designates this three-year period as a time to prepare for growth over the “next 20 years,” focusing on the themes of “strengthening the management foundation to withstand future structural changes” and “transitioning to a growth strategy.”

Strengthening the Management Foundation to Withstand Future Structural Changes

The Cosmo Oil Group continually carries out such businesses as oil exploration and production and petroleum refining and sales and works to bolster a stable earnings foundation. At the same time, we are striving to establish a financial constitution capable of withstanding changes in the business environment and realize future business development. Further, we will strengthen our CSR structure in accordance with our Group Management Vision that is based on CSR and strive toward “Harmony and Symbiosis” and “Creating Future Value” to contribute to the sustainable development of society. Specifically, we have established the Consolidated Medium-Term CSR Management Plan in our efforts to promote CSR management.

Transitioning to a Growth Strategy

To adapt to changes in domestic and overseas demand structures, we have undertaken efforts to rationalize and enhance the efficiency of operations. At the same time, we are making comprehensive upgrades at refineries, focusing mainly on strengthening linkages between petroleum refining and petrochemicals. Moreover, to expand our business domains, we are working to expand the scale of our oil product exports to Asia and Pacific Rim markets, strengthen ties with petrochemical businesses, and increase our ratio of equity oil produced.

In our credit card business, under a basic agreement for a strategic business alliance with Aeon Credit Service Co., Ltd., in June 2006 we began soliciting members for “Cosmo the Card Opus.”

Regarding new business fields, in Japan and Europe we are promoting the commercialization and development of business for 5-aminolevulinic acid (ALA), which is expected to have applications in agriculture, healthcare, and a wide range of other fields. In new energy fields, we are conducting research and development aimed at commercializing and cultivating markets for Gas to Liquids (GTL) and fuel cell systems.

 **WEB** Detailed data Consolidated Group Earnings Targets/Indicators
<http://www.cosmo-oil.jp/eng/sustainable/07/gov/csr.html>

► Participation in the United Nations Global Compact

In February 2006, the Cosmo Oil Group agreed to participate in the Global Compact. The Global Compact consists of 10 principles defined by the United Nations that are to be honored by corporate participants. Its goal is to realize a sustainable society and solutions to problems related to poverty, human rights, the environment, and other issues confronting international society. Support for these 10 principles represents a commitment to society in demonstrating corporate leadership in advancing CSR-based management. The Global Compact promotes a consciousness of CSR in conducting business among Group management and employees.

 **WEB** Global Compact Initiatives
http://www.cosmo-oil.jp/eng/sustainable/07/gl_cp.html

► Consolidated Medium-Term CSR Management Plan

In keeping with our Group Management Vision, the Cosmo Oil Group strives to carry out thorough management that emphasizes compliance and stable supplies of safe and adequate energy. We also make efforts to achieve “Harmony and Symbiosis” among energy, society, and the Earth’s environment through activities that contribute to society and protect the environment. Additionally, through business development focused on customer and societal needs, we strive toward “Creating Future Value” as we contribute to the development of a sustainable society. To share and steadily implement these concepts throughout the Group, we included “strengthening CSR” in the Consolidated Medium-Term Management Plan initiated in fiscal 2005. As a specific initiative, we also formulated the Consolidated Medium-Term CSR Management Plan to be implemented over the same three-year period in our ongoing efforts to promote CSR-based management.

Basic Framework and Status of Efforts

Different departments and companies that comprise the Group have different relationships with stakeholders. Accordingly, although the Consolidated Medium-Term Management Plan fundamentally entails the initiatives of respective business sites, the plan establishes five policies shared throughout the Group.

1. Improving the Awareness of CSR

In fiscal 2006, the series of legal violations spurred us to strengthen adherence to corporate ethics. We have worked to achieve an understanding of CSR and a familiarity with the Management Vision and Corporate Activity Guidelines through corporate ethics training and level-based training.

2. Reinforcing Risk Management and Internal Audit Functions

Each affiliated company has developed a structure for internal audits. Cross-sectional risk management activities are developed by the Risk Management Committee company-wide. In fiscal 2006, this committee established the Business Continuity Plan (BCP) in conjunction with strengthening the internal corporate structure.

3. Strengthening Safety Control

We formulated our Consolidated Medium-Term Safety Plan, and along with applying the lessons learned from the accident at our Chiba Refinery, in fiscal 2006 we commenced activities meant to prevent a recurrence (Change 21). For details, please refer to the “Safety Report” on page 26.

4. Enhancing Environmental Efforts

We have established the Consolidated Medium-Term Environmental Plan, and in fiscal 2006 we concluded an agreement for the purchase of CO₂ carbon credits. Also, as one element of our environmental communication, we initiated participation-based projects under the Cosmo Oil Eco Card Fund. For details please refer to the “Environmental Report” on pages 27-38.

5. Fostering the Protection of Human Rights and Implementing Personnel-Related Measures

We have established the Consolidated Medium-Term Human Rights/Personnel Plan. From fiscal 2007, we are expanding the amount of time that can be taken off work for childcare leave and upgrading Company subsidizations for usage of childcare facilities as we implement measures to promote a balance between work and private life. For details, refer to “Social Report: Relationship with Our Employees” on pages 47-48.