

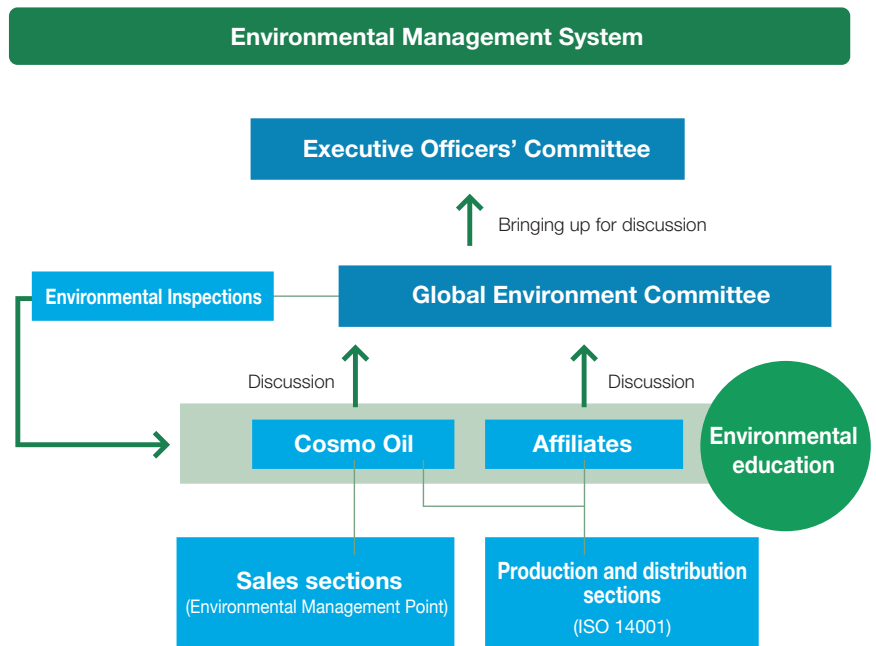
# Environmental Management System

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

Through its own environmental management system, the Cosmo Oil Group implements an array of environmental initiatives to fulfill its crucial social responsibilities as an energy company.

## ► Environmental Management System

The Cosmo Oil Group has established its own environmental management system that also encompasses affiliates. This system features a framework under which each business division specifies its own targets based on the Consolidated Medium-Term Environmental Plan, with the results of activities for attaining targets used as feedback. The nucleus of our environmental management system is the Global Environment Committee, which links all departments horizontally as the organization for promoting environmental preservation. This committee discusses plans and activity performance results and reports the discussion results to the Executive Officers' Committee. This approach enables the effective implementation of the Plan-Do-Check-Act (PDCA) cycle and adoption of a framework that allows environmental initiatives to be shared throughout our operations in areas ranging from top management to front-line workers. We also carry out environmental inspections to ascertain the status of environmental management activities at each business site. Also, to ensure thorough on-site environmental management, each business site has developed its own environmental management system and provides employees with environmental education to raise their environmental awareness.



## ► Environmental Inspections

In efficiently implementing our environmental management system, it is important not merely to ascertain results but also to verify whether proper environmental control is being carried out and to correct any problems identified. The Cosmo Oil Group has entrusted the members of the Global Environment Committee with the task of undertaking environmental inspections at each site. As a rule, these inspections are carried out once per year and cover the production, distribution, sales, and project development departments. At business sites such as refineries, which exert a large environmental impact, the director in charge of the Safety and Environment Control Department serves as the inspection leader and the persons in charge of environmental management at other sites participate as observers. The inspectors report the results to the Executive Officers' Committee via the Global Environment Committee.

In fiscal 2006, we carried out environmental inspections between October 2006 and February 2007, as we inspected the state of daily environmental management and the status of progress in attaining the targets of the Consolidated Medium-Term Environmental Plan. As a result of these inspections, we confirmed that Cosmo Oil and its affiliated companies are properly implementing environmental management and did not find any violations of environmental-related laws and ordinances.

### Sites where environmental inspections were implemented in fiscal 2006

Cosmo Oil	Chiba Refinery
	Yokkaichi Refinery
	Sakai Refinery
	Sakaide Refinery
	Retail Marketing Department
	Distribution Department
	Project Development Department
Cosmo Matsuyama Oil Co., Ltd.	

## ► Employee Environmental Education

To ensure the smooth functioning of our environmental management systems, we believe that all employees of the Cosmo Oil Group must correctly understand the background and purpose of environmental activities. With this in mind, we provide environmental education as part of position-based training and allow employees to take educational courses at each professional development stage of their career. Refineries also provide their employees with ISO-related training at production sites.

## ▶ Environmental Management System at Respective Business Sites

In addition to a cross-departmental environmental management system implemented throughout the Group, we are also introducing frameworks for environmental management at each business site.

### ISO Certification for Production and Distribution

The Cosmo Oil Group works to obtain ISO 14001 certification at business sites that exert a significant environmental impact. In the past, we have secured this certification at eight business sites, including at four refineries. In fiscal 2006, the Research & Development Center and Yokkaichi LPG Terminal Co., Ltd. obtained ISO certification. As a result, 10 business sites in the Cosmo Oil Group have now secured ISO 14001 certification. Based on ISO 14001, each business site thoroughly implements PDCA in working to make continuous improvements. Additionally, each business site carries out internal audits apart from regular external audits undertaken by external certification bodies.

### Environmental Management (EM Point) at Services Stations

The Cosmo Oil Group has been implementing the NAVI service station sales promotion program. Under this program, we have used the Service Station Environmental Management (EM) Point Checklist since April 2003 for reviewing performance indicators, including for such categories as measures against leaks, facility inspections, and industrial waste treatment, to ascertain the actual state of operations at service stations and to improve any areas of deficiency.

In fiscal 2006, we implemented EM Point surveys of actual conditions on two occasions at approximately 4,300 Cosmo Oil service stations throughout Japan. The checklist rate and the resulting scores have been improving each time we implement our surveys. In the first half of fiscal 2006, surveys were implemented at 4,333 services stations (checklist rate of 99.7%), and the average score was 80.3 points. In the second half of fiscal 2006, surveys were implemented at 4,285 services stations (checklist rate of 99.4%), and the average score was 82.6 points, an all-time high, with 670 service stations recording perfect scores of 100 points. In the future as well, we will strive to ascertain the actual state of safety control at our service stations and strive for improvements in our control capabilities.



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Detailed data Environmental Management Point (EM Point)

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

## ▶ Environmental Accounting

To effectively carry out environmental conservation initiatives, in fiscal 2000 the Cosmo Oil Group initiated environmental accounting to ascertain environmental conservation costs, environmental conservation benefits, as well as economic effects.

### Summary of Tabulated Results for Fiscal 2006

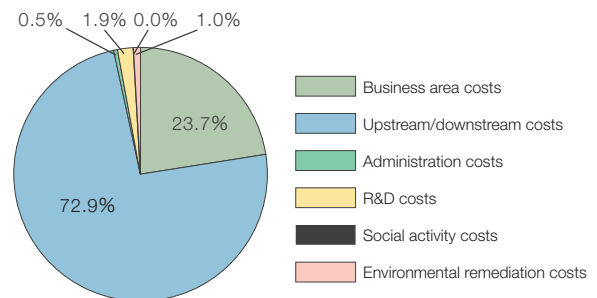
#### Scope of Coverage

The scope of environmental accounting covers Cosmo Oil's four refineries, the Yokkaichi Kasumi Power Station, the head office and branch offices, the Research & Development Center, Cosmo Matsuyama Oil Co., Ltd. (affiliate), and Cosmo Oil Lubricants Co., Ltd. (affiliate). With regard to affiliates, we have ascertained and tabulated the costs and benefits of environmental conservation measures that are closely related to our refineries.

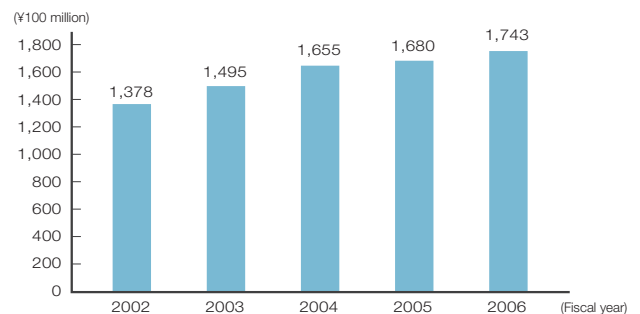
#### Summary

Environmental conservation costs in fiscal 2006 consisted mainly of business area costs as well as upstream/downstream costs. During the fiscal year, expenses amounted to ¥82.8 billion and investments totaled ¥7.4 billion. The economic benefits totaled ¥700 million. As a result of environmental investments over the long term, our aggregate acquisition costs as of the end of fiscal 2006 reached ¥174.3 billion.

### Breakdown of Environmental Conservation Costs (%)



### Acquisition Costs at Fiscal Year-End



\* Figures for fiscal 2002 through fiscal 2004 are restated as a result of a re-examination of upstream/downstream costs and R&D costs.



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For detailed information on environmental accounting

[http://www.cosmo-oil.co.jp/eng/sustainable/07/info/ev\\_accounting.html](http://www.cosmo-oil.co.jp/eng/sustainable/07/info/ev_accounting.html)