

Consolidated Medium-Term Management Plan and CSR Promotion

We are implementing the Consolidated Medium-Term Management Plan and Consolidated Medium-Term CSR Management Plan to establish a stable earnings foundation and fulfill our social responsibilities.

Consolidated Medium-Term Management Plan

The Cosmo Oil Group has formulated its Second Consolidated Medium-Term Management Plan covering the three-year period from fiscal 2005 through fiscal 2007, and has been working in unison on basic policies aimed at “strengthening the management foundation to withstand future structural changes” and “transitioning to a growth strategy.”

The Group’s efforts in oil development have led to the launch of commercial production through Qatar Petroleum Development Co., Ltd., and in the petrochemical industry, have led to the start of production of mixed xylene at CM Aromatics Co., Ltd. In fiscal 2007, Cosmo Oil entered into a comprehensive strategic business partnership with the International Petroleum Investment Company (IPIC), which is 100% capitalized by the government of the Emirate of Abu Dhabi in the United Arab Emirates. Nonetheless, the Company has yet to reach its profit targets due to changes in the business environment, including a higher-than-expected rise in crude oil prices and a slump in demand, as well as to the effects of an accident at the Chiba Refinery.

Commencing in fiscal 2008 and covering a three-year period, the Third Consolidated Medium-Term Management Plan identifies the strategic theme for this period as “rebuilding the earnings base and laying the foundation for future growth.” It places priority on “promoting CSR management” and encourages management practices that enable the Company to fulfill its social responsibilities.

Third Consolidated Medium-Term Management Plan Framework

(1) Rebuild the earnings base and lay the foundation for future growth

Reinforce the profit-earning capacity of the oil refining and sales businesses

- Build a strong domestic sales network
- Expand international sales
- Strengthen refinery competitiveness

Prompt decision-making to accelerate growth strategies

- Oil development business
- Petrochemical business

Pursue partnership synergy with IPIC

- Investigate business opportunities across a wide range of fields

New businesses

- ALA business
- Light-condensing solar heat generation

(2) Promote CSR and environmental management

Formulate the Second Consolidated Medium-Term CSR Management Plan

Related information on the Third Consolidated Medium-Term Management Plan can be found at the following Web page:

[web http://www.cosmo-oil.co.jp/eng/ir/newsletters/pdf/2008_summer/2008summer.pdf](http://www.cosmo-oil.co.jp/eng/ir/newsletters/pdf/2008_summer/2008summer.pdf)

Consolidated Medium-Term CSR Management Plan (FY 2005 – 2007)

In keeping with the Group Management Vision, the Cosmo Oil Group strives to contribute to the continuous development of society by promoting “harmony and symbiosis” between energy, society, and the global environment. The Group also strives to “create future value” by developing businesses that meet the needs of customers and society as a whole. 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 in our ongoing efforts to promote CSR-based management, we have been formulating the Consolidated Medium-Term CSR Management Plan to be implemented over the same three-year period.

Basic Framework and Status of Efforts

Different departments and companies within the Group have different kinds of relationships with stakeholders. Accordingly, although the Consolidated Medium-Term Management Plan entails the initiatives of respective business sites, it also establishes five basic policies shared throughout the Group, particularly focusing on “improving the awareness of CSR.”

Five Key Priorities: Major Accomplishments and Challenges

1. Improving the Awareness of CSR

Achievements

- Implemented corporate ethics training and monitoring checks to educate employees about the Management Vision and the Code of Conduct
- Established the Refinery Compliance Committee

Challenges

- CSR awareness is growing, but individual employees need to voluntarily practice CSR activities

2. Reinforcing Risk Management and Internal Audit Functions

Achievements

- Developed structures for internal audits at all subsidiaries and affiliates
- Established the Risk Management Committee and identified risk criteria
- Formulated the Business Continuity Plan (BCP)

3. Strengthening Safety Control

Achievements

- Activities were conducted in four key areas: (1) Development of safety management systems (2) Identification of potential risks (3) Strengthening of crisis management systems (4) Systematic implementation of educational programs and drills
- “Change 21 Activities” implemented to rebuild safety management systems at refineries

Challenges

- It has been difficult to evaluate performance because we have set broad, qualitative goals

4. Enhancing Environmental Efforts

Achievements

- Steadily implemented global warming mitigation policies and soil contamination countermeasures
- Developed Team Minus 6% activities for offices and individuals
- Concluded an agreement for the purchase of CO₂ emission credits
- Used the Cosmo Oil Eco Card Fund to promote global activities for the environment and other participation-based projects

Challenges

- Strengthen activities for the environment that involve stakeholder participation

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

Achievements

- Undertook measures to encourage employees to maintain a work-life balance by increasing the amount of time that can be taken for childcare leave and increasing subsidies granted for the use of childcare facilities

Challenges

- We have improved various policies and systems, but employees do not yet fully understand or utilize the systems available to them

Second Consolidated Medium-Term CSR Management Plan (Fiscal 2008 – 2010)

The Second Consolidated Medium-Term CSR Management Plan, which commences in fiscal 2008, aims to “strengthen CSR promotion structures on a consolidated Group basis,” and to promote the voluntary participation of Cosmo Oil Group employees in the following key areas: “building safety

management structures,” “fostering the protection of human rights and implementing personnel-related measures,” “promoting environmental adaptation,” and “strengthening relationships with stakeholders.” It also promotes efforts aimed at achieving a sustainable society and global environment.

Key Action Areas		Major Goals	
Second Consolidated Medium-Term CSR Management Plan	Strengthen CSR Promotion Structures on a Consolidated Group Basis	<ul style="list-style-type: none"> ◆ Organizational structures for improving implementation The CSR Promotion Committee oversees all efforts, while the CSR Promotion Liaison Meeting strives to make connections with subsidiaries and affiliates and to improve implementation for the entire Group ◆ Redevelop and ensure the dissemination of the Code of Conduct and other systems (compliance with risk management/internal control) 	
	Build Safety Management Structures (Second Consolidated Medium-Term Safety Plan)	◆ Goals by department	
		A) Refining Department (oil, petrochemicals)	Change 21 Activity Goals: Reduce safety problems by 90% or more from the base year
		B) Refining/Terminal Department (lubricating oil, gas)	Reduce leakages of hazardous materials and combustible gases
		C) Distribution Department	Ground shipments: Reduce mixing of oil, oil leakages, shipping errors, and traffic accidents
			Sea shipments: Incorporate vessel management systems
	D) Sales and other departments	Oil depots: Continue record of zero occupational accidents, reduce accidents Continue record of zero occupational accidents in SS construction, adopt SS equipment risk countermeasures Reduce leakages of hazardous materials and combustible gases, etc.	
	Foster the Protection of Human Rights and Personnel-Related Measures (Second Consolidated Medium-Term Human Rights/Personnel Plan)	◆ Shared Group themes	
		1. Improve sense of participation	Achieve 100% awareness among employees of personnel regulations and employee benefit systems
		2. Respect for diversity, equality of opportunity	Maintain a rate of employment of disabled persons of 2% or higher, ensure 80% or higher participations in human rights training
3. Cultivate personnel, skills development		Continuously implement training programs for employees at different levels and promote internal recruitment	
4. Promote physical and mental health care		Implement measures to ensure that employees work 1,900 or fewer total hours/year, implement special health exams	
5. Support balance between work and home life		Support childcare leave, increase the number of days of paid leave taken by 10%	
6. Support employment stability and re-employment		Continuously support re-employment	
◆ Individual themes: Comply with the Law for Measures to Support the Development of the Next Generation (applicable to workplaces with more than 100 employees)			
Promote Environmental Response Measures (Third Consolidated Medium-Term Environment Plan)	◆ Improve environmental efficiency		
	1. Global warming countermeasures	Improve unit energy consumption costs at the Group's four refineries (achieve a 15% reduction compared to 1990 by 2010)	
		Manage greenhouse gas emissions (quantitative assessments from the International Development Department through the Distribution Department)	
		Promote energy and resource conservation (save energy by improving distribution efficiency: reduce unit energy consumption by 1% from the previous year) (save resources: Team Minus 6% activities for the office)	
		Use Kyoto Mechanisms (obtain emissions rights as a complementary approach to global warming countermeasures)	
	2. Minimize environmental impact	Reduce industrial waste (rate of final disposal: less than 0.5% for Cosmo Oil; less than 5% for the Group)	
		Adopt stringent measures to ensure soil preservation	
		Promote and expand green purchasing	
	◆ Strengthen environmental management		
	3. Develop environmentally friendly businesses and develop new technologies	Develop new environmental business, conduct R&D in the oil industry and new industries	
4. Share and disseminate environmental information	Team Minus 6% activities for individuals (efforts that involve individuals and families)		
Strengthen Relationships with Stakeholders	◆ Strengthen communications regarding social activities and activities for the environment		
	◆ Strengthen social and environmental activities in local communities		
	◆ Strengthen participation-based projects funded by the Cosmo Oil Eco Card Fund		
	◆ Enhance communication with stakeholders		
	◆ Encourage two-way, mutual communications		