

Safety Report

The Cosmo Oil Group continuously considers the adequacy of its current safety activities and measures to better ensure employee safety. We are striving to build a safety management system for making significant improvements in this area.



Initiatives for Safety

We aim to raise the level of safety control through company-wide efforts to implement autonomous safety activities that refocus on the fundamentals.

Safety Policy

Explosions and Fires Present Opportunities for Reexamination

On April 16, 2006, an explosion occurred at the Chiba Refinery. This event motivated the Cosmo Oil Group to think more carefully about its approach to safety. We began thinking about whether the various safety-related activities implemented up to that point were adequate, and about what employees could do to ensure their own safety. In this process, we decided to reconstruct our safety management system so as to significantly improve the level of safety at the Company.

To rebuild the safety management systems at refineries, we established the Change 21 Activities Promotion Committee in fiscal 2006. Various departments participated in this committee, allowing us to develop dramatic revisions informed by diverse perspectives.

To establish a safety management system for the entire Cosmo Oil Group, we formulated the First Consolidated Medium-Term Safety Plan in fiscal 2005, and worked to construct a framework for a safety management system for each department. As a result, we developed a safety management framework that involves the implementation of safety management systems and monthly goal assessments for all production and distribution departments. In addition, we launched the Second Consolidated Medium-Term Safety Plan in fiscal 2008. The Company is striving to achieve stronger safety management systems by engaging in activities aimed at completely eliminating accidents in each department.

Cosmo Oil Group's Safety Management Organization

Comprehensive Safety Action Headquarters Committee

To ensure safety at every stage of business, through production, distribution, sales, R&D, and business development, the Cosmo Oil Group has established a Comprehensive Safety Action Headquarters Committee to oversee its safety management affairs. The director in charge of the Safety and Environment Control Department serves as the chairperson of the Headquarters, which is comprised of members from each of the Company's departments.

The Comprehensive Safety Action Headquarters Committee coordinates and examines important matters related to safety management contained in the Consolidated Medium-Term Safety Plan, and monitors the implementation of safety management measures in each workplace. It also conducts safety inspections and confirms the safety management status at each workplace, and offers advice and proposals on how to make improvements when needed.

The Headquarters compiles a safety management activity performance report and its results of evaluations and safety inspections. These are presented at the annual Comprehensive Safety Action Headquarters Committee Conference, discussed at meetings of the Executive Officers' Committee, and distributed to all employees.



Comprehensive Safety Action Headquarters Committee

Consolidated Medium-Term Safety Plan

To help Group companies work together in a coordinated way on raising the level of safety, the Cosmo Oil Group has been formulating its Consolidated Medium-Term Safety Plan since fiscal 2005. This plan is formulated for each stage of business, through production, distribution, sales, R&D, and business development, as well as for engineering and other departments.

Fiscal 2007 was the final year covered by the First Consolidated Medium-Term Safety Plan, which began in fiscal 2005. It set out the following vision for the Company: "We will build a safety management system governed by the Cosmo Oil Group as a whole, strive to further improve the safety level of operations and ensure a stable supply through voluntary security efforts."

The Second Consolidated Medium-Term Safety Plan commenced in fiscal 2008. This plan also stipulates a vision for "actively promoting activities aimed at achieving a zero-accidents record, and building a safe and secure Cosmo Oil Group that is trusted by society and a source of employee pride." We will strive to continue undertaking the efforts identified in the shared Group themes, and work to step up activities by establishing quantitative goals.

Distribution Policy

To help raise the level of safety awareness and eliminate accidents in ground transportation, the Company gives annual awards to ground transportation companies and truck drivers who maintain a zero-accidents record. The fiscal 2007 award ceremony for zero accidents in ground transportation was held on May 20, 2008. The Cosmo Oil President's Award was granted to seven companies that have maintained their zero-accidents records for six years, one company that has maintained its record for five years, and eight drivers who have been accident-free for 20 years. The Executive Managing Director Award was presented to 25 drivers who have been accident-free for 15 years. Winners received a certificate and supplementary prize. Also at the ceremony, 12 workplaces that had maintained a zero-accidents record for one year since fiscal 2007 were introduced. The ceremony was followed by a lecture by a former Japan Airlines pilot and former Japan Air Self-Defense Force official who spoke on the theme, "Work as a Pilot: Thoughts on Safety."

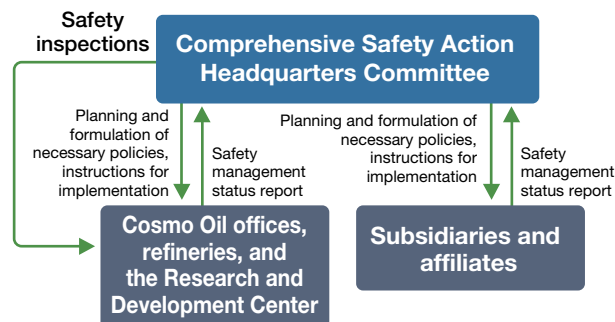
To ensure that more shipping companies will be able to participate in the award ceremony for fiscal 2008, we are building even stronger safety systems with partner shipping companies.



Ground Transportation Zero Accidents Award Ceremony

Key Efforts and Results of the First Consolidated Medium-Term Safety Plan	
Key efforts	Results
I. Construct a framework for a safety control system	A safety system based on ISO and other globally recognized standards for production and distribution departments as well as a safety framework that includes monthly goal assessments were developed.
II. Identify, evaluate, and reduce potential risks	Potential risks were reduced by implementing activities suited to each business, such as evaluating and improving existing equipment and procedural safety measures, and solutions were further developed.
III. Enhance and strengthen the crisis control structure	All workplaces prepared for a large-scale disaster by conducting drills and developing emergency manuals. According to the BCP, major earthquake response measures were coordinated group-wide, and systems and manuals were improved.
IV. Systematically implement education and training	Education and training programs suited to each business were improved, and included security education, disaster management drills, hazard prediction activities, and various other activities.

Safety Management System



Message

"Taking Responsibility for Your Own Safety"
One Year of Developing the Groundwork for a Voluntary Safety System

Kazuto Ichikawa

President,
Cosmo Delivery Service Co., Ltd.



Cosmo Delivery Service has achieved results in safety management by providing guidance on specific matters (such as training and inspections) to its contracted shipping service providers. Fiscal 2007 was identified as the year for developing the groundwork for a "Voluntary Safety System" that takes this approach one step further. We support the development of systems that enable shipping companies to voluntarily establish, implement, and maintain safety management systems that conform to the various standards established by Cosmo Delivery Service. The social need for safety assurances is growing ever stronger, and to meet this need, we will work toward the full implementation of voluntary safety systems over the course of the next three years, starting in 2008.