

Environmental Preservation Measures

Reducing environmental impacts and creating a sustainable society are issues that concern everyone. In accordance with this thinking, we are steadily expanding our environmental preservation activities.

“Team Minus 6%”^{*1} Initiatives

In October 2005, the Cosmo Oil Group began participating in the government-sponsored “Team Minus 6%” activities to prevent global warming. Since 2007, the entire Cosmo Oil Group has carried out activities with its “Cosmo Team Minus 6%.” The Company also independently created its “Cosmo Team Minus 6% for Individuals” for Group employees. Furthermore, the government Web site for Team Minus 6%, which can be accessed through the Company’s groupware, serves to inspire participants.

To encourage participation in these activities, information is provided as needed through the Company’s intranet, COSMO WISE PLACE, as well as the Company’s internal newsletter and meetings at business sites. As a result, 3,775 employees participated in Team Minus 6%, while 3,532 employees voluntarily took the “One Person, One Day, One Kilogram Personal Challenge” to reduce shower time and stop engine-idling when driving their cars.

In the future, we will make efforts to ensure that all employees maintain an awareness of the importance of reducing greenhouse gas emissions and putting the precepts of Cosmo Team Minus 6% into practice at their homes in addition to business sites, as well as using resources with care throughout their daily lives.

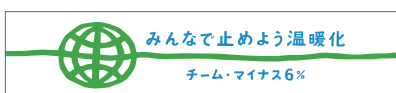
^{*1}Team Minus 6% is a national project promoted by the Japanese government to achieve the 6% reduction target in Japan’s greenhouse gas emissions as established under the Kyoto Protocol. The Cosmo Oil Group has participated since October 2005.



Cosmo Team Minus 6% database site
The tree grows larger as the number of participants increases.



The Company’s intranet,
COSMO WISE PLACE



“Office Clean” Activities

We promote “Office Clean” activities throughout the Cosmo Oil Group, specifically focusing on the 3R (Reduce, Reuse, and Recycle) concept for such resources and energy as materials and lighting used daily in offices. In fiscal 2008, as part of the Cosmo Team Minus 6% efforts, office clean activities were managed by using a database to monitor their progress.



Office Clean database

	Second Consolidated Medium-Term Environmental Plan ^{*1} Fiscal 2007 achievements		Third Consolidated Medium-Term Environmental Plan ^{*2} Fiscal 2008 targets	
	Cosmo Oil Increase/decrease from FY2003	Affiliates Increase/decrease from FY2004	Cosmo Oil Compared to Second Medium-Term Plan	Affiliates Compared to Second Medium-Term Plan
Reduction of copy paper	-5%	+10%	-4.8%	-4.5%
Reduction of company car fuel consumption	-14%	+6%	-5.0%	-4.8%
Reduction of office electricity consumption	-10%	+9%	-4.9%	-1.7% ^{*3}

^{*1} In the Second Consolidated Medium-Term Environmental Plan, fiscal 2003 is the base year for Cosmo Oil and fiscal 2004 is the base year for subsidiaries and affiliates.

Additional subsidiaries and affiliates were included in results for fiscal 2007, and results for the base year include estimates.

^{*2} The Third Consolidated Medium-Term Environmental Plan uses the average of results in the Second Consolidated Medium-Term Environmental Plan (fiscal 2005 – 2007) as its base.

^{*3} As offices for several companies were moved in fiscal 2007, these results were considered in determining targets for reduction of office electricity consumption by subsidiaries and affiliates in the Third Consolidated Medium-Term Environmental Plan.

Promoting Green Purchasing with Suppliers

Green Purchasing

Cosmo Oil has established a set of green purchasing criteria covering a wide range of product categories that not only include general office supplies but also catalysts, containers, and building materials. In fiscal 2008, Team Minus 6% activities will drive our efforts to achieve our target of a 100% green purchasing rate for consumables.

Green Suppliers

The Cosmo Oil Group asks suppliers to abide by our environmental management policies and establishes a set of criteria for green suppliers to ensure that suppliers employ environment-conscious management practices. Moreover, we give priority to conducting business with suppliers that proactively promote activities that contribute to the environment. Also, for those partners not yet meeting relevant criteria, we take a concentrated, bottom-up approach that encourages these partners to become green suppliers.

Next-Generation Energy with Minimal Environmental Impacts

Bio-Gasoline (Bio-ETBE Blend) Distribution Trials

Japan's petroleum industry has commenced trial sales of bio-gasoline, a regular gasoline formulated with bio-ETBE, as part of the Ministry of Economy, Trade and Industry's "FY2007 Introduction of Biomass-Derived Fuel Program." The trials began in April 2007 at 50 service stations (of which six were Cosmo Oil service stations) in the Tokyo area, and were expanded nationwide in fiscal 2008 to 100 service stations (of which nine were Cosmo Oil service stations) in cities including Sendai and Osaka. Used in exactly the same way as regular gasoline, bio-gasoline blends regular gasoline with bio-ETBE that is synthesized from bio-ethanol (grain alcohol derived from such plants as corn or sugarcane) and isobutene, a petroleum-based gas. The sale of bio-gasoline is aimed at meeting greenhouse gas reduction targets to which Japan made a global commitment under the Kyoto Protocol. The oil industry is working in cooperation to meet the targets set by the Japanese government. A full-scale introduction of bio-gasoline is scheduled for fiscal 2010.

◆ Cosmo Oil Service Stations Selling Bio-Gasoline

Self Station Higashi Toyonaka	Self Pure Kita Atsugi
Self Pure Kami Tsuruma	Self Pure Urawa Tokiwa
Self Pure Kitamoto Fukai	Self Pure Kamisato Shichihongi
Self Pure Nagasaki	Self Pure Mizuho
Self Pure Kashiwada	

Gas To Liquids (GTL)

Cosmo Oil partnered with five other private-sector companies to establish the Nippon GTL Technology Research Association. This entity has commenced verification research on GTL technology* in collaboration with Japan Oil, Gas and Metals National Corporation (JOGMEC). The liquid fuel manufactured through GTL technology is expected to be an environmentally friendly clean fuel. Through this research, Cosmo Oil intends to develop technology to compete with the major oil companies that have taken the lead in this field, as it works toward achieving harmonization between ensuring future stable supplies of energy and preserving the global environment.

*GTL technology is a refinery process that chemically converts natural gas into synthetic gas (mixed CO and H₂ gas). The mixed gas is then converted into liquid fuel using the Fischer-Tropsch process.

Hydrogen & Fuel Cells

In fiscal 2005, Cosmo Oil commenced field trials of liquid petroleum gas (LPG) stationary fuel cell systems for general household use, and in fiscal 2007, began field trials of kerosene-powered fuel cell systems. In working to commercialize and develop technology for kerosene-powered fuel cell systems, we are evaluating the conservation, economical usage and efficiency of energy in households that have installed fuel cells.

Cosmo Oil commenced operation of the JHFC Yokohama-Daikoku Hydrogen Station in fiscal 2002 to develop hydrogen production and replenishment technologies for fuel cell vehicles. We are also considering the possibility of a hydrogen supply infrastructure in the future. From fiscal 2005 through fiscal 2007, we participated in the research and development of high-grade fuel for the future with JPEC, and developed technology for highly efficient, compact hydrogen production systems to be installed at service stations.

Environmental Accounting

Detailed information on environmental accounting can be found at the following Web page:

http://www.cosmo-oil.co.jp/eng/csr/accounting/ev_calculation.html

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

Summary of Tabulated Results for Fiscal 2007

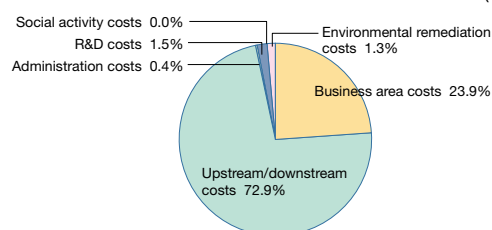
Scope of Coverage

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).

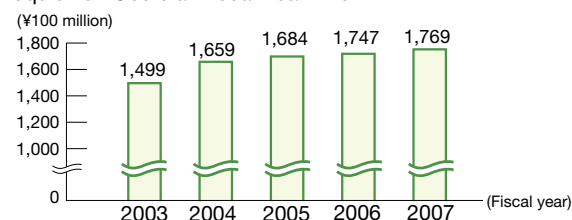
Summary

Environmental conservation costs in fiscal 2007 consisted mainly of business area costs as well as upstream/downstream costs. During the fiscal year, expenses amounted to ¥94.9 billion and investments totaled ¥2.8 billion. The economic benefits totaled ¥1.0 billion. As a result of environmental investments over the long term, the Company's aggregate acquisition costs as of the end of fiscal 2007 reached ¥176.9 billion.

◆ Breakdown of Environmental Conservation Costs (%)



◆ Acquisition Costs at Fiscal Year-End



* Figures for fiscal 2003 through fiscal 2006 are restated as a result of a re-examination of upstream/downstream costs and business area costs.