

Cosmo Oil Group

Sustainability Report 2009

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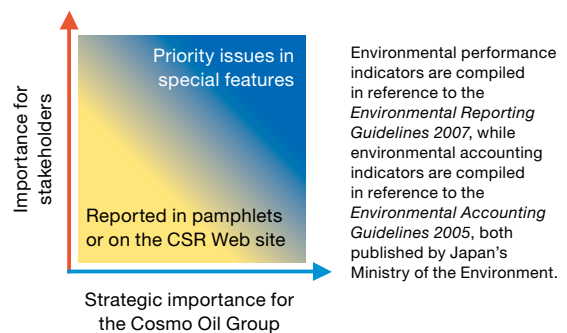
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The Cosmo Oil Group provides value through its business activities and works toward proactive information disclosure and two-way communications in order to remain a corporation whose ongoing existence is essential to society.

• Editorial Policy

The goal of this report is to clearly present the Cosmo Oil Group's CSR vision and plans as well as its progress made on initiatives. This report is one way that Cosmo Oil maintains interactive communications with its stakeholders. It was edited in accordance with the Global Reporting Initiative (GRI) *Sustainability Reporting Guidelines 2006*, and also includes special features that highlight issues deemed important to stakeholders. The issues have been selected to reflect stakeholders' views as expressed in questionnaires and other sources, as well as the Group's management philosophy, business strategies and other matters that the Company considers to be important risk factors. This report was compiled based on the Cosmo Oil Group Code of Conduct, as revised in October 2008. Decisions on content were made in discussions with the CSR Promotion Committee. (See page 39 for details.)



* Note that Web site pages at the URL <http://www.cosmo-oil.co.jp/eng/csr/sustain/index.html> are scheduled to go online in November 2009.

Boundary and Period Covered

This report generally covers the Cosmo Oil Group's CSR activities during fiscal 2008 (April 1, 2008 to March 31, 2009), though some sections include content from fiscal 2009. See "Petroleum Business and Group Summary" on pages 5-6 for an overview of the Cosmo Oil Group.

Note: There have been no major changes in the boundary covered since the fiscal 2007 report.

Issue Period

Issue date: November 2009
 Next issue date (tentative): November 2010 (previous issue was in November 2008; report issued annually)

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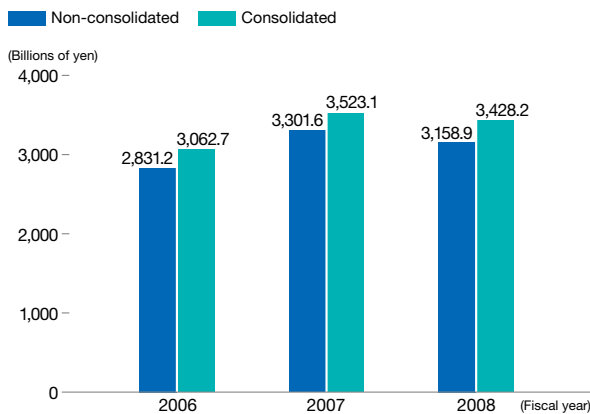
Outline of the Cosmo Oil Group

Corporate Profile (as of March 31, 2009)

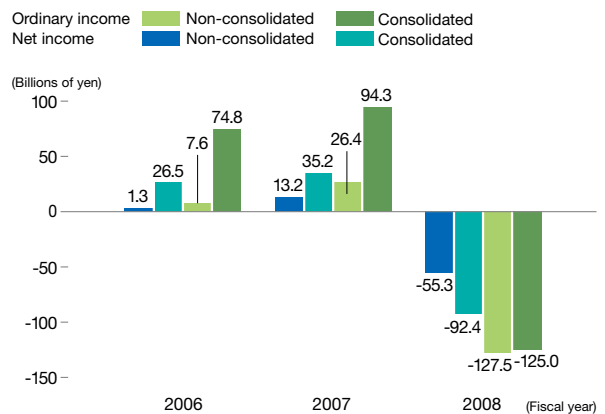
Name	Cosmo Oil Co., Ltd.	History	Cosmo Oil Co., Ltd. was established on April 1, 1986 through the merger of Daikyo Oil Co., Ltd., Maruzen Oil Co., Ltd., and their refinery subsidiary, the former Cosmo Oil Co., Ltd. Asia Oil Co., Ltd. was merged with Cosmo Oil on October 1, 1989.
Head office	1-1-1, Shibaura, Minato-ku, Tokyo 105-8528 Japan	Dealers	264 offices and 3,913 service stations (stationary)
Telephone	+81-3-3798-3211	Branch offices	Sapporo, Sendai, Tokyo, Kanto-Higashi, Kanto-Minami, Nagoya, Osaka, Hiroshima, Takamatsu, and Fukuoka
Established	April 1, 1986	Refineries	Chiba, Yokkaichi, Sakai, and Sakaide
Capital	107,246,816,126 yen	Oil depots	38 locations (including 34 subcontractors)
Main business	Oil refining and sales		
No. of employees	2,064		

Financial Data

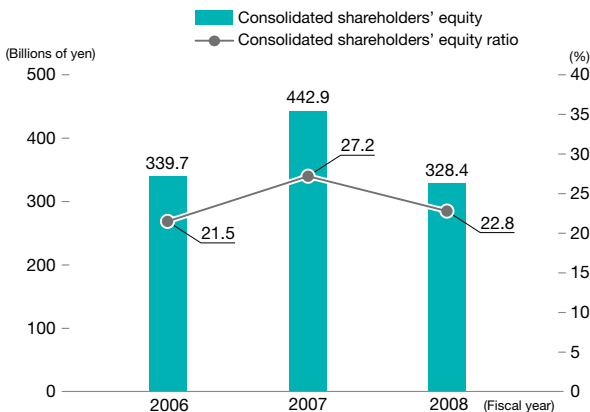
Net Sales



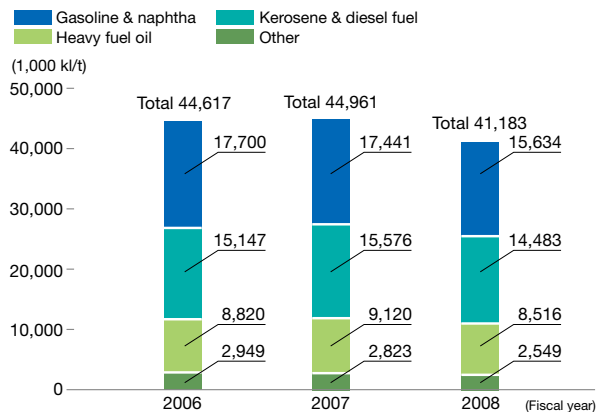
Ordinary and Net Income



Shareholders' Equity and Shareholders' Equity Ratio



Sales Volume



WEB Detailed information: Consolidated financial statements in *Annual Report 2009* (PDF file)
http://www.cosmo-oil.co.jp/eng/ir/annual/annual2009/pdf/annual2009e_30.pdf

• Bases

In Japan

- ① Head Office
- ▶ Branch offices
- ② Sapporo
- ③ Sendai
- ④ Tokyo
- ④ Kanto-Higashi
- ④ Kanto-Minami

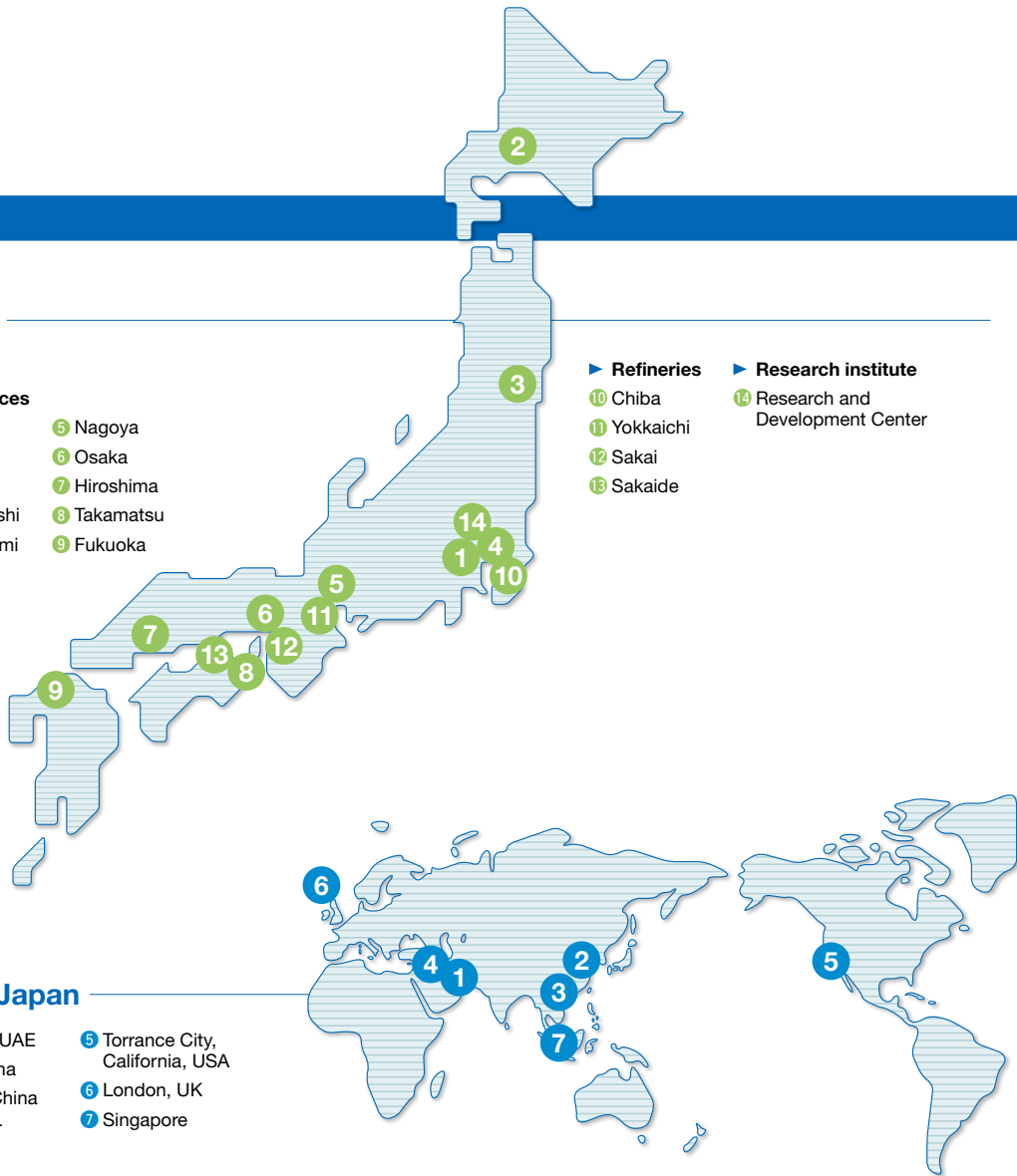
- ⑤ Nagoya
- ⑥ Osaka
- ⑦ Hiroshima
- ⑧ Takamatsu
- ⑨ Fukuoka

▶ Refineries

- ⑩ Chiba
- ⑪ Yokkaichi
- ⑫ Sakai
- ⑬ Sakaide

▶ Research institute

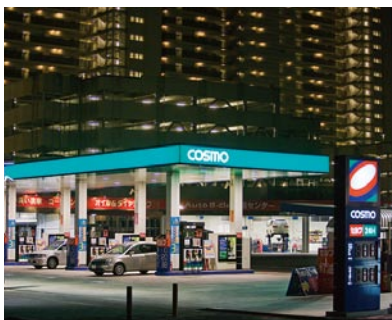
- ⑭ Research and Development Center



Outside Japan

- ① Abu Dhabi, UAE
- ② Beijing, China
- ③ Shanghai, China
- ④ Doha, Qatar
- ⑤ Torrance City, California, USA
- ⑥ London, UK
- ⑦ Singapore

• Business Segments



Petroleum business



Oil exploration and production business



Other businesses (construction, insurance and leasing of oil-related facilities, etc.)

Petroleum Business and Group Summary

The Cosmo Oil Group operates petroleum businesses ranging from the independent development of crude oil (upstream business) to the manufacture and sale of oil products (downstream business). The Group is advancing a sustainable operational framework that ensures a stable energy supply and places the highest priority on safety. The Cosmo Oil Group is also working to develop new technologies and other next-generation businesses.

Petroleum Business Flow and Group Summary (as of March 31, 2009)



Crude Oil Development

The Cosmo Oil Group imports crude oil mainly from Middle Eastern countries. The Group aims to maintain a stable oil supply by procuring oil from multiple countries and promoting the independent development of crude oil by Group companies. Cosmo Oil also works to strengthen friendly relations with Middle Eastern countries by engaging in personnel exchanges and technology transfers.

- ◎ Abu Dhabi Oil Co., Ltd. (Japan)
- ◎ Qatar Petroleum Development Co., Ltd. (Japan)
- United Petroleum Development Co., Ltd. (Japan)

Others:
 2 companies 1 company



Marine Transportation

The Cosmo Oil Group takes measures to prevent accidents at sea, including a switchover to double-hull tankers. The Group is also increasing crude oil transportation efficiency by employing large-sized tankers. To conduct joint plying, the Company has established Nippon Global Tanker Co., Ltd. with Nippon Oil Corporation.

- Nippon Global Tanker Co., Ltd.



Petroleum Refining and Product Manufacturing

Cosmo Oil refineries are making progress with various initiatives that include promoting efficient use of energy, reducing industrial waste, and preventing air and water pollution. The Group also manufactures environmentally friendly sulfur-free gasoline and diesel fuel.

Cosmo Oil Co., Ltd.

Storage

- ◎ Hokuto Kogyo Co., Ltd.
- Tozai Oil Terminal Co., Ltd.
- Okinawa CTS Corp.

Others:
 2 companies 4 companies

Import/export of crude oil and petroleum products

- ◎ Cosmo Oil International Pte., Ltd.
 - ◎ Cosmo Oil (U.K.) Plc.
- Others: 1 company

Legend

- ◎ Consolidated subsidiary
- Non-consolidated subsidiary under the equity method
- Affiliate under the equity method
- Affiliate not accounted for under the equity method



Petroleum Product Manufacturing

LPG	Gasoline/ Naphtha	Kerosene/ Jet fuel
Diesel fuel	Heavy fuel oil	Asphalt

Lubricant production

- Cosmo Oil Lubricants Co., Ltd.

Petrochemicals manufacturing

- Cosmo Matsuyama Oil Co., Ltd.
- CM Aromatics Co., Ltd.
- Maruzen Petrochemical Co., Ltd.

Manufacture and sales of products containing aminolevulinic acid (ALA)

- Cosmo Seiwa Agriculture Co., Ltd.
- Cosmo Oil (Shanghai) Co., Ltd.
- Other: □ 1 company



Transportation in Japan

The Cosmo Oil Group is increasing the efficiency of its distribution system and saving energy by utilizing large tanker trucks and coastal tankers, and by increasing stowage rates. The Group conducts independent loading and unloading as well as night deliveries to enhance the efficiency and energy savings of its transportation.

- Cosmo Kaiun Co., Ltd.
- Sakaide Cosmo Kosan Co., Ltd.
- Cosmo Delivery Service Co., Ltd.
- Others:
 - 6 companies
 - 3 companies
 - 9 companies



Sales

Cosmo Oil surveys about 3,900 service stations twice per year to determine environmental management conditions and make improvements based on the survey results. The Group is also implementing new initiatives at service stations to foster good relations with local communities and harmony with the environment.

- Cosmo Petroleum Gas Co., Ltd.
- Cosmo Oil Lubricants Co., Ltd.
- Cosmo Oil Sales Corp.
- Others:
 - 4 companies
 - 8 companies
 - 1 company
 - 13 companies

Other businesses (construction, insurance, leasing, real estate, rental, etc.)

- Cosmo Engineering Co., Ltd.
- Cosmo Trade & Service Co., Ltd.
- Cosmo Business Support Co., Ltd.
- Others: ○ 2 companies ● 14 companies □ 2 companies

WEB Detailed information: Industrial associations and advocacy organizations with membership
<http://www.cosmo-oil.co.jp/eng/oilbusiness/index.html>

WEB Related information: "Group Information" in *Annual Report 2009* (PDF file)
http://www.cosmo-oil.co.jp/eng/ir/annual/annual2009/pdf/annual2009e_31.pdf

WEB Related information: "Notes to Consolidated Financial Statements" in *Annual Report 2009* (PDF file)
http://www.cosmo-oil.co.jp/eng/ir/annual/annual2009/pdf/annual2009e_16.pdf

WEB Related information: "Review of Operations" in *Annual Report 2009* (PDF file)
http://www.cosmo-oil.co.jp/eng/ir/annual/annual2009/pdf/annual2009e_07_1.pdf

Putting CSR Management into Daily Practice

Every member of the Cosmo Oil Group works as a team on CSR to “Fill Up the Hearts” of all Cosmo Oil stakeholders



Yaichi Kimura
President
Cosmo Oil Co., Ltd.



Progressing Ahead with Our Management Plans

The oil industry in Japan has been undergoing dramatic changes in the face of such issues as global warming and falling domestic demand. In the midst of a once-in-a-century economic crisis and dramatic fluctuations in the price of crude oil, the business environment in fiscal 2008 proved even more challenging. Under these severe conditions, we launched the Third Consolidated Medium-Term Management Plan with the basic policy of rebuilding the Group's earnings base and implementing preliminary moves for future growth. Despite a significant fall in crude oil prices, which decreased the value of inventories causing significant losses in fiscal 2008, the Consolidated Medium-Term Management Plan is gradually producing results in terms of strengthening the management foundation and developing new businesses.

Based on this Plan's fundamental policy of pursuing CSR management, we launched the Second Consolidated Medium-Term CSR Management Plan in fiscal 2008. Our CSR philosophy is well established across the entire Group, and an increasing number of employees are voluntarily

participating in activities to protect the environment and contribute to their communities. Although many challenges lie ahead, the Group has reached the stage where it can begin assessing the progress of its CSR Management Plan.

Revising the Cosmo Oil Group Code of Conduct

The Second Consolidated Medium-Term CSR Management Plan lays out measures for strengthening CSR systems across the entire Group. In fiscal 2008, we revised the Cosmo Oil Group Code of Conduct to promote further understanding of the Management Vision and encourage employees to voluntarily participate in CSR activities. A specific objective of the revision was to make it clear how each individual employee should incorporate the Management Vision into his or her daily conduct. Statements in the Code of Conduct begin with “we,” and the content is designed to concretely describe actions of employees. We are working to ensure that all employees understand that their conduct relates directly to corporate performance, which in turn is directly related to their prosperity. Our objective is to put this CSR philosophy into daily practice.

Ensuring a Stable Supply of Oil and Safe Operations

Today, oil is an energy source that is essential to both industry and society. The primary mission and the foundation of CSR management at the Cosmo Oil Group is to consistently deliver a stable supply of oil to Japan, a country that lacks natural resources. To ensure this supply requires positive relations with oil-producing countries. Over the past 40 years, the Cosmo Oil Group has built close relationships based on trust with the United Arab Emirates (UAE), particularly with the Emirate of Abu Dhabi. The Group has capitalized on this goodwill by forming a strategic partnership with the International Petroleum Investment Company (IPIC), an investment company owned by the Government of Abu Dhabi, in order to ensure further stability in supplying oil and create synergy with this region.

Operations must proceed safely and smoothly at every stage along the supply chain if we are to deliver a stable oil supply. In response to an explosion and fire at the Chiba Refinery in April 2006, we have taken steps to deal with aging equipment and implemented numerous other measures to enhance safety management at refineries. Since the accident, we have also communicated to our employees the importance of dealing with human error. We issued the Cosmo Oil Safety Reinforcement Declaration and a directive to make safety priority number one, renewing our intense focus on safe conduct.

I believe that our initiatives for facility management and compliance are bearing fruit. There are still, however, a number of policies that must be introduced to ensure that we achieve and maintain a record of zero accidents. Completely eliminating accidents requires that each employee not merely follow rules, but also think seriously about the issue of safety. We will continue to work toward promoting a climate in which employees readily take the initiative in suggesting and implementing safer operations, not only to maintain safety but also to actively create safer conditions.

Promoting Human Resources and Human Rights

Each employee has a vital role to play in the Cosmo Oil Group. They are the Group's principal assets and the driving force behind its activities. In this light, we should deepen our appreciation for the fact that the Group exists because of its employees. From this, we recognize the importance of enhancing human resource systems and employee welfare programs while creating comfortable workplace environments, founded on a management philosophy that values people and respects human rights. The Cosmo Oil Group is committed to this type of management and to promoting a dynamic climate within the organization.

Demonstrating our commitment in this regard, we joined the United Nations Global Compact in 2006, and have continued our focus on management that respects the Compact's basic rules concerning human rights, labor standards, the environment and anti-corruption.

Our Approach to the Global Environment

While oil is a substance that we require to maintain our comfortable lifestyles, it also has a major impact on the environment. We acknowledge this and are working to further reduce the environmental burden of the Group's daily business activities with the ultimate aim of coexisting with the global environment. To raise awareness among employees, we encourage their voluntary participation in Team Minus 6% activities for individuals. This approach to protecting the environment on an individual level is growing significantly, with more than 1,200 employees having participated during fiscal 2008.

The Cosmo Oil Group is actively working to incorporate the technologies it has developed into new businesses that can help solve global environmental problems. One example of this is the Group's 5-aminolevulinic acid (ALA) business. It has successfully mass-produced ALA at a low cost, and is currently producing several series of fertilizers that have been praised around the world as innovations for increasing harvests and improving the quality of crops. The Group is also developing technologies for the renewable energy sector in areas such as solar heat, solar power generation and biomass fuel.

Future Prospects for CSR Management

To advance our CSR management approach in the future, it is important to carry out our activities with a clear definition of corporate social responsibility. In the past, we viewed corporate performance and CSR as two wheels aligning management, but we must integrate them into a single unit with even greater priority in the future.

Our slogan "Filling Up Your Hearts, Too" is, I believe, a key concept for developing a CSR formula for the Group in the future. At present, our "Filling Up Your Hearts, Too" Declaration is designed to ensure customer satisfaction, and accordingly, it is central to our sales operations. We intend to expand its application to manufacturing, distribution and other operations, as well as to subsidiaries and affiliates, so that all Group employees become fully committed to the Declaration. At the core of the Cosmo Oil Group's CSR management are sustainable business practices that are necessary to earn the trust of communities and to "Fill Up the Hearts" of all Group stakeholders—customers, shareholders and investors, companies with which we do business including business partners, communities where we operate, and employees alike.

Putting the “Filling Up Your Hearts, Too” Declaration into Practice at Service Stations

The Cosmo Oil Group works to realize all aspects of the “Filling Up Your Hearts, Too” Declaration to provide service stations that customers prefer.

The slogan “Filling Up Your Hearts, Too” represents the Cosmo Oil Group’s mission to earn the trust of local communities and be a corporate group that customers prefer. As part of its policy to put this slogan into action at Cosmo Oil service stations throughout Japan, the Group promotes its “Filling Up Your Hearts, Too” Declaration by providing support to employees to raise their awareness of comprehensive corporate social responsibility (CSR), and to assist them in pursuing customer satisfaction and enhancing competitiveness. In the previous year’s report, Mika Takaoka, a professor at the College of Business at Rikkyo University, kindly shared her opinions on the Group’s activities. For this report, she visited a Cosmo Oil service station to observe firsthand the status of the Declaration, now in its third year.



From left to right: Masahide Masumoto (from the Sales Support Department’s Sales Promotion Group, Cosmo Oil Co., Ltd.), Akito Tsukazawa (manager of Kita-Kanto Company’s Yoshioka Self-Service Station, Cosmo Oil Sales Corp.) who guided the visit, and Mika Takaoka (professor, College of Business, Rikkyo University)

Enhancing CSR, Customer Satisfaction, and Competitiveness at Cosmo Oil Service Stations

Fiscal 2009 marks the third year since Cosmo Oil launched “Filling Up Your Hearts, Too” Declaration activities in fiscal 2007. These activities are founded on three pillars: dedication to CSR as a responsible member of society by managing the environment, ensuring safety, and protecting personal privacy; promotion of the Three Promises of the “Filling Up Your Hearts, Too” Declaration to increase customer satisfaction; and raising the competitiveness of Cosmo Oil service stations through improvements in the SSNV index.

The Cosmo Oil Group regularly assesses the progress of these activities through three activities at service stations: conducting CSR evaluations of compliance with laws and regulations; having service evaluations by external organizations posing as customers to check staff attitudes and responses at service stations; and following up on actual improvements made on the SSNV index. Cosmo Oil supports participating service stations’ Declaration activities by holding regional training sessions and meetings based on the Action Program, as well as by distributing manuals and checksheets. Since fiscal 2008, the Group has commended service stations that achieve high marks in all three of the above areas with the “Filling Up Your Hearts, Too” Award for Excellence, and is focused on expanding activities and further motivating staff.

Cleaning Up for Customer Comfort

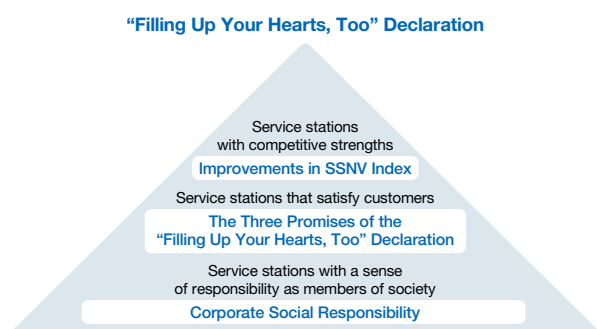
In fiscal 2008, nine service stations across Japan that have endorsed and participated in the “Filling Up Your Hearts, Too” Declaration campaign were presented with the Award for Excellence. One of these stations was the Yoshioka Self-Service Station of Cosmo Oil Sales’ Kita-Kanto Company, located in the Kitagunma district of Gunma Prefecture. The visit was made to this service station to observe firsthand how it puts initiatives into action.

The Yoshioka Self-Service Station opened in April 2004 in the town of Yoshioka in Gunma Prefecture. The surrounding area features large home centers, cafes and day-trip spa facilities, and attracts crowds of shoppers on holidays and weekends. Competition with nearby service stations is fierce, and the Yoshioka Station has faced problems such as low sales of car care services in recent years. When Akito Tsukazawa was appointed as manager in April 2008, he began by having all employees uphold the Three Promises of the “Filling Up Your Hearts, Too” Declaration, including greeting customers with a smile and cleaning up the facility, in addition to CSR activities. He particularly put emphasis on thoroughly cleaning the service station.



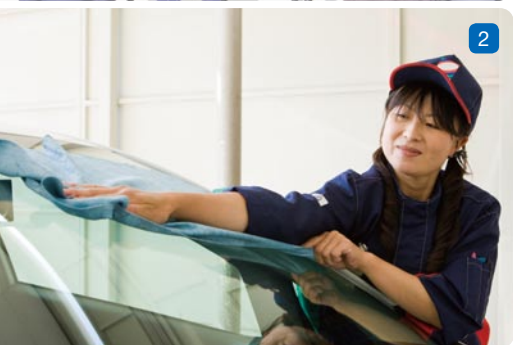
- 1 Tsukazawa talks about activities at Yoshioka Self-Service Station with Professor Takaoka, pointing out that “Making our customers feel comfortable is a top priority.”
- 2 Only service stations presented with the Award for Excellence are allowed to display this special “Filling Up Your Hearts, Too” Declaration. Nine Cosmo Oil service stations across Japan have received this honor.
- 3 Guest rooms provide customers with a place to wait while their cars are washed or serviced. These rooms are regularly cleaned, and offer magazines and other amenities to create a space where customers can relax in comfort.

▶ Diagram of the “Filling Up Your Hearts, Too” Declaration



▶ Three Promises of the “Filling Up Your Hearts, Too” Declaration

- Promise 1 Comfort**
Cosmo Oil service station outlets will be clean and customers will be greeted with a smile.
- Promise 2 Peace of mind**
Cosmo Oil service stations will offer quality assured products and services.
- Promise 3 Trust**
Cosmo Oil service station staff will be responsible for their answers to customers’ queries.



- 1 The gas pump hose is straightened and the nozzle is wiped after use for the next customer's convenience. Tsukazawa points out, "Ultimately, these details also help maintain the station's thorough cleanliness."
- 2 Employees at Yoshioka Self-Service Station offer to clean windshields while customers pump their own gas. They also clean ashtrays and check tire pressure free of charge to increase opportunities to engage with customers.
- 3 Building trust by communicating with the customer leads not only to car wash and wax sales, but also to orders for statutory vehicle inspections and other services.

Tsukazawa explains, "Besides the basic points covered in the Three Promises, such as daily cleanings of guest rooms, gas pump areas and restrooms, I stressed to all service station employees that they make a habit of checking and cleaning station facilities after customers have used them. In addition to cleaning guest rooms and restrooms, this also includes wiping smudges off of gas pump touch panels, straightening twisted gas pump hoses and handling other details that enhance customer comfort. Making sure the customers who visit our service station feel comfortable is fundamental to all the services we offer. Our employees focus on cleaning from the time we open to the time we close, and whenever a staff person notices that an area needs cleaning, he or she immediately attends to it."

Serving Customers' Needs and Improving Performance

Although the Yoshioka Station is self serve, station employees never fail to approach each customer with a smile and greeting. According to Tsukazawa, "Some of our customers forget whether their gas cap is on the left or right side of the car. Some are not familiar with how the gas pumps work. Our employees direct customers to the right spot at the gas pump and take that opportunity to find out if they can help in any other way."

These efforts by service station employees to foster communication with customers have increased the number of station regulars, which has in turn led to an increase in car wash and oil change sales. Tsukazawa says, "What is more important than making that sale is providing the advice that our customers are looking for so they can enjoy a safe and comfortable drive. We show our customers how dirty their oil is so that they understand that an oil change is necessary before we do it. This results in these customers coming back to us for service."

These initiatives have built trust with regular customers and led to an increase in orders for statutory vehicle inspections, which is the ultimate car care that service stations provide. Following a campaign by Cosmo Oil Sales' Kita-Kanto Company, the number of orders at the Yoshioka Self-Service Station reached 73 during March 2009, 3.5 times higher than the 20 inspections carried out during the same month of the previous year. The Station attends to approximately 6,000 vehicles per month, of which about 200 require the inspection, assuming a rate of one in 30. This means that more than one in three customers seeking the vehicle inspections in March 2009 entrusted Yoshioka Self-Service Station to provide the service.

In addition to the basic items laid out in the Three Promises of the "Filling Up Your Hearts, Too" Declaration, the station manager and all employees at the Yoshioka Self-Service Station have steadily improved performance by focusing on the customer's perspective to provide the services that he or she actually needs. It is this same philosophy that guides all Cosmo Oil service stations in their daily activities for ensuring customer comfort, peace of mind and trust.

Staff Voice



The Three Promises of the "Filling Up Your Hearts, Too" Declaration were not created merely out of some kind of initiative. These promises represent the basic responsibilities of each employee as a member of the service industry. We are, however, human, so we might lose some of our energy toward the end of busy holidays or on extremely hot days, for example. To counter this, we work to enhance communication between employees by holding more frequent meetings, and to maintain a high level of motivation among our entire staff.

Akito Tsukazawa
Manager, Yoshioka Self-Service Station, Kita-Kanto Company
Cosmo Oil Sales Corp.



Yoshioka Self-Service Station:

- Opened April 2004
- Site: 2,480 sq. meters, including 8 gas pumps, 1 hand car wash, 1 automatic car wash, and a certified maintenance garage with 2 service lifts
- Staff members: 12 (4 full-time employees and 8 part-time staff)

Cosmo Oil Group Is Taking “Filling Up Your Hearts, Too” Declaration to the Next Level

Service Station Case Study



Launched in fiscal 2007, the “Filling Up Your Hearts, Too” Declaration is in its third year, and Cosmo Oil is focusing on enhancing activities under “Filling Up Your Hearts, Too” Declaration 2009. To gain a firsthand view of such activities, Professor Mika Takaoka of Rikkyo University’s College of Business toured the Yoshioka Self-Service Station. She spoke about her assessment of the Cosmo Oil Group’s activities as a third party and what she would like to see from the Group in the future, with Koji Moriyama, general manager of the Sales Support Department, and Koji Ishimoto, manager of the Sales Promotion Group of the Sales Support Department.

Takaoka: I toured the Yoshioka Self-Service Station and saw just how clean and comfortable a service station it is. I also admired how polite the manager and the rest of the service station staff were when serving their customers. I felt that the entire staff were not only upholding the Cosmo Oil Group’s Three Promises, but had also learned from experience the fundamentals of the service industry, including thinking about what the customer needs at any given moment and delivering that.

Moriyama: We appreciate your kind words. The Yoshioka Self-Service Station is one of nine stations that performed with excellence in fiscal 2008 across all indices covering CSR, customer satisfaction, and competitiveness. In addition to customer satisfaction, the station also performed exceptionally well in environmental management and personal privacy protection.

Ishimoto: Service stations handle gasoline and other hazardous materials, so it is vital that measures to prevent fire, cope with disasters and prevent environmental pollution are strictly enforced. We also have to be careful in handling card enrollment documents and other personal information. That

is why we conduct CSR assessments twice a year.

Moriyama: We are also working to increase customer satisfaction through surveys conducted by external monitors twice a year. To increase motivation, we launched awards for competitiveness and already hold annual ceremonies for service station managers whose stations perform excellently. Attending the awards ceremonies is matter of prestige for service stations across Japan, and this in itself should also motivate service stations in their daily activities.

Takaoka: The first law of service management is “satisfying customers begins with satisfied employees,” so increasing employee motivation with events like these is important. How do you ensure that customer feedback is reflected in the services you provide at the service stations?

Moriyama: We collect all the opinions, suggestions and complaints we receive from customers at the Cosmo Oil Customer Center. The details of this feedback, including how the issue was resolved and by whom and when, is entered into a database and passed on as needed to station employees.

Ishimoto: Of course, we don’t only receive complaints. We also receive a large number of comments thanking us, where customers say, “You gave me the exact advice I needed when my car was acting up and I didn’t know what to do. Thank you!”

Takaoka: Chain service stations run the risk of having their entire brand image affected by good or bad service given at a single station. If a chain is small,

the head office can closely supervise each individual station, but at a nationwide chain this level of monitoring corporate governance is impossible. It then becomes necessary to establish a set of values and a vision that the entire chain shares to form the basis of conduct at each independent station. I see the Cosmo Oil Group’s “Filling Up Your Hearts, Too” Declaration and its list of initiatives as this kind of shared values and vision.

Moriyama: The vision behind the “Filling Up Your Hearts, Too” Declaration has already been integrated across the entire Group. Our next plan of action is to increase the degree of implementation for each specific item it calls for.

Takaoka: Today’s consumers are beginning to consider things other than simply cost and the quality of goods and services when deciding where to make their purchases. For example, they think about environmental impact, corporate management style, and even the personality of a salesperson. I would like to see the Cosmo Oil Group establish these aspects of management even more solidly to provide consumers with more quality options.

Moriyama: We are working not just to boost the level of service at each individual service station, but also to improve services across larger sales areas. Our goal is to further expand our approach in order to establish a brand image that attracts even more customers who know they can entrust the servicing of their cars to a Cosmo Oil service station. We thank you for sharing your valuable insights with us today.



Mika Takaoka

Professor, College of Business, Rikkyo University

Ms. Takaoka received a PhD in Economics from the University of Tokyo’s Graduate School of Economics, specializing in logistics system theory and corporate relations. She has written many books and articles, including *CSR and Corporate Management* (Gakubunsha, co-author) and *Sustainable Lifestyle Navigation* (JUSE Press, editor and contributor).



Koji Moriyama

General Manager,
Sales Support
Department



Koji Ishimoto

Manager,
Sales Promotion Group,
Sales Support
Department

Cosmo Oil carries out a diverse range of activities for enhancing safety to achieve a zero-accident record.

With the goal of achieving and maintaining a record of zero accidents, the Cosmo Oil Group is focused on enhancing its safety management system, ensuring full compliance, and shifting emphasis among employees from productivity to safety. The Group also works to prevent human error and improve procedural safety by ensuring that all employees have a thorough understanding of the basics of safe conduct.

Learning from Refinery Accidents—Rebuilding the Safety Management System and Raising Safety Awareness

The Cosmo Oil Group thoroughly re-evaluated its safety management system and assessed safety awareness among employees after an explosion and fire occurred at its Chiba Refinery on April 16, 2006. Based on this review, measures to prevent recurrence in the future were drafted and implemented as a safety policy comprised of three pillars: rebuilding the safety management system, ensuring thorough compliance with corporate ethics, and putting restraints on productivity to ensure safety.

● Change 21 Activities—Rebuilding the Safety Management System

The Change 21 Activities Promotion Committee was formed to oversee the rebuilding of the refinery safety management system. It works with employees from many departments within and outside the refineries to incorporate a range of perspectives into the review of safety management activities and the addition of new items to the list of safety activities. The Committee has developed a structure for improving the level of maintenance through reviews of maintenance parameters, a variety of inspections, and reviews of policies to prevent malfunctions when changes in equipment or operations are made. (See the chart on the next page for details.)

● Thorough Compliance with Corporate Ethics

An investigation into the cause of the accident found that the refinery had violated mandatory procedures for reporting incidents to the government prior to the accident. The Cosmo Oil Group expressed deep remorse that neglecting these procedures led to this serious accident, and is taking thorough steps to ensure that all workplaces comply with corporate ethics rules. The Cosmo Oil Group has a specific policy of strictly enforcing reporting rules, which is not limited to the mandatory reporting of accidents

to government organizations. The Group enforces the basic rule of “if in doubt, report it,” requiring that employees make an immediate report to local authorities whenever they are unsure if one is required. These reports are not limited to incident reports for government officials. The Group now requires that even unsafe and failure incidents¹ that were previously handled in the workplace, such as minor failures or employee injuries, be reported within 30 minutes to the Safety and Environment Control Department. Submitted reports are immediately forwarded to all relevant Cosmo Oil departments. Sharing this information eliminates the risks that arise from decisions made only by those individuals involved. The Group makes relevant information public at the outset in order to bring a diverse range of perspectives to problem-solving and prevent the recurrence of the same or similar kind of accident.

● Putting Restraints on Productivity to Ensure Safety

The Cosmo Oil Group recognizes that an emphasis on efficiency and speed in the production process can lead to confusion about the Group’s policy on safety and reporting. Therefore, the Group is taking steps to lessen the overriding emphasis on productivity and shift priority to safety. To this end, it has developed a structure to ensure that opinions regarding safety management are fully reflected in operations and facilities management through a direct and independent link between the Head Office’s Safety and Environment Control Department and a safety and environment office at each refinery. The Group has also added to its internal audits an audit system of double and triple checks through comparison inspections by the Head Office and other refineries to assess the safety measures in place.

¹ Unsafe and failure incidents: Left unattended, minor incidents and failures can develop into large-scale accidents. Cosmo Oil’s Change 21 Activities define minor incidents and failures as “unsafe and failure incidents,” and focus on eliminating these to achieve and maintain a record of zero accidents.

► **Change 21 Activities for Rebuilding the Refinery Safety Management System**

Slogan: Let's build a safe and secure refinery that employees can be proud of and that will enable us to earn the continued trust of society

Vision of Goal: "Achieve and maintain zero accidents"—Achieve 90% or more reduction in unsafe and failure incidents by 2010 compared with the benchmark year¹

Activities	
<p style="text-align: center; background-color: #0070C0; color: white; padding: 2px;">Improve level of maintenance</p> <p>Improve coverage: Review scope of maintenance, review all regular inspections of machinery, complete early diagnosis of age-related deterioration, review parameters of inspections for any expansion of erosion and corrosion²</p> <p>Improve predictability: Review structural changes over the past 10 years, among other measures</p> <p>Improve reliability: Develop equipment with durability to withstand operational variations and disturbances</p> <p>Improve control: Organize basic maintenance materials, among other measures</p>	<p style="text-align: center; background-color: #0070C0; color: white; padding: 2px;">Solid initiatives and operations</p> <p>Optimize regulations and standards: Review control of modifications, etc.</p> <p>Ensure implementation of initiatives: Rebuild framework for the lateral promotion of initiatives</p> <p>Strengthen initiatives: Implement an array of ongoing safety evaluations and other actions</p>

1. Benchmark year: September 1, 2006 to August 31, 2007

2. Erosion and corrosion: Repeated collisions of fluid with material results in a thinning effect due to the synergy of erosion, the physical damage caused by the surface being worn down, and corrosion brought on by acid and other corrosive materials.

Declaring Safety as a Primary Responsibility and Promoting Basic Safety Conduct

The Cosmo Oil Group's measures to prevent the recurrence of accidents are showing steady results. Progress has been made in its approach to improving the level of maintenance, thereby substantially lowering the probability of the recurrence of a major accident like the April 2006 explosion and fire at the Chiba Refinery.

In recent years, there have been numerous minor incidents, failures, and work-related injuries in areas where maintenance has not received special attention in the past, such as in narrow pipes and chemical pipes, as well as drainage pipes that carry trace amounts of oil. To remedy this, the Group has added a number of points to its safety checklist and taken other steps to boost the level of maintenance. In addition, the Group has also introduced initiatives designed to further ensure safety by focusing on activities that highlight unsafe conduct involving employees. Sadly, as these initiatives were being put in place, an employee on tank patrol at the Chiba Refinery lost his life in a tragic and unfortunate accident on October 8, 2008.

It was against this backdrop that the Cosmo Oil Group's Safety Reinforcement Declaration was enacted on October 15, 2008. The declaration is designed to ensure that employees follow three basic tenets: **(1) fully comply**

with basic items and rules of safety; (2) thoroughly execute duties based on clearly defined responsibilities and authority of departments and individuals; and (3) completely eliminate ambiguity in the implementation of procedures. Under this declaration, employees promise "to never undertake any prohibited conduct" and "not to take any action until they have a clear understanding of all details." The Cosmo Oil Group understands, however, that a zero-accident record is not achievable until all employees disregard the overriding priority of production efficiency and return to the basics of day-to-day safety. The Group encourages employees to recognize this clearly, to treat all problems as their own and discuss them with other offices, departments and workplaces, and to follow them up in order to check the progress made in resolving these issues.

The Cosmo Oil Group considers safety to be its primary corporate responsibility. The Group recognizes that ensuring safety gives peace of mind to the local communities in which it operates, and benefits the Cosmo Oil Group employees, customers, and all other stakeholders. The Group will continue its commitment to activities aimed at achieving and maintaining a zero-accident record.

Cultivating a Corporate Climate That Ensures Safety by Removing All Risks of Unsafe and Failure Incidents



Kaoru Sato
General Manager, Safety and Environment Control Department

The refinery accident in April 2006 taught us that ensuring safe operations requires not only strengthening the safety management system but also changing the organizational climate and employees' awareness. This laid the groundwork for the policy to prevent recurrence based on three pillars of safety. I believe we are now seeing the effects of this policy.

Employees in various workplaces perform thousands of procedures and operations every day. If even one operation is performed unsafely, we can run

the risk of a major accident. Our Safety Reinforcement Declaration is meant to remove all risks of failure from these operations by making certain that employees fully understand the basic commitments to safety. Each employee must work to remove these risks by taking time to stop and double-check for safety. We continue to focus on reinforcing safety by considering what we must do as an organization and as individual employees to achieve and maintain a record of zero accidents.

Cosmo Oil pursues the potential of ALA, a substance present in all life, to help realize sustainable societies.

The Cosmo Oil Group has been closely focusing on the effect of 5-aminolevulinic acid (ALA) on inducing plant growth, and has brought to market the Pentakeep and Penta Garden series of liquid fertilizers that contain ALA. The Group has developed high-value-added fertilizer businesses primarily in the Japanese and European markets, and is working to release these products in the United States and China. Steps are also being taken to introduce ALA in animal feed, pet food, hair growth formulas, pharmaceuticals and health food products.

Entering the Global Market with Innovative Fertilizers That Create High-Value Agriculture

After discovering that a combined dosage of iron, magnesium and other minerals with low concentrations of ALA increases chlorophyll and enhances photosynthesis activity, the Cosmo Oil Group began working on this combination to promote plant absorption of nutrition. In 2003, the Group joined with Seiwa Co., Ltd., a company widely known in the Japanese gardening sector, to commercialize and market the Pentakeep series—the world's first liquid fertilizer containing ALA—in Japan.

Cosmo Oil went on to establish Cosmo Seiwa Agriculture Co., Ltd. in 2004, and launched full-scale sales of this series outside of Japan. In addition to marketing in Japan, Europe and South Korea, Cosmo Seiwa Agriculture is developing its business in China and the United States by registering the fertilizers and building sales networks.

The Pentakeep series is having a significant impact across the steadily expanding ALA market, particularly in the Netherlands and other European countries that are eager to shift to high-value-added agriculture. Joint tests with local universities and research institutions have found that the use of Pentakeep boosts sugar content, increases yields and improves resistance to cold, heat and salinity in paprika, grapes, lettuce and numerous other crops. These properties have earned the series high praise from agricultural producers who laud them as innovative fertilizers.

In Japan, ensuring food safety and improving the rate of self-sufficiency of the food supply are major issues. The country's home gardening market has grown in recent years, and ALA has proven extremely popular in this sector for its unique ability to promote the growth and quality of plants without harming living organisms or contaminating soil. Japan's agriculture industry has also given attention to ALA, with expectations that it will contribute to agricultural development in the future.

▶ What is ALA?

ALA, or 5-aminolevulinic acid, is an amino acid present in all living organisms, and is believed to have originated with life itself 3.6 billion years ago. Previously, ALA could only be produced through chemical synthesis, however, the Cosmo Oil Group developed a fermentation process that utilizes photosynthesis bacterium. This method is key to pioneering new technology to mass-produce large volumes of high-quality ALA safely and at a low cost.



The Penta Garden series of liquid fertilizers containing ALA for home gardening. Effective enough for professionals, these fertilizers have a wide range of applications and can be used not only in flower gardens but also home vegetable gardens. Photo at left: A magazine article featuring the Penta Garden series



► **Markets for Fertilizers Containing ALA to Expand Worldwide**

Solid Fertilizers for North American and Chinese Markets

China and the United States are both large countries with vast areas of land for large-scale production of grains such as wheat, soybeans and corn, as well as fruits and vegetables. While there is significant demand for fertilizers used for growing grains in these countries, farmers also demand the lowest price. These conditions require methods that simplify the application of fertilizers and reduce the number of applications in order to cut the amount of labor required to fertilize large grain fields and to contain costs.

To make this series of fertilizers more suitable for grain crops, the Cosmo Oil Group is working to expand beyond

the existing liquid fertilizers by creating powder and solid forms of fertilizers for general-purpose application. The new formulas not only simplify application on large fields but also dissolve during rains and are effective for longer periods of time, resulting in fewer applications required before crops are harvested.

By offering a variety of formulas for a greater range of crops, the series is expected to not only improve the self-sufficiency of the food supply, but also help ensure a stable food supply by meeting growing demands for grain.

New Applications as Animal Feed and Pharmaceuticals

The Cosmo Oil Group is actively working to move beyond fertilizers and develop new ALA applications in areas such as animal feed, pet food, pharmaceuticals, cosmetics and health food. In one study, pigs that were administered ALA and a variety of irons demonstrated comparatively higher rates of weight gain. Studies have also shown that ALA can increase activity levels of older mice, and lower the rates of anemia in piglets. These findings indicate that ALA could also improve basal metabolism and immunity. The Cosmo Oil Group is conducting market research into joint development with animal feed manufacturers in Japan and other countries with the aim of developing a high-value-added animal feed business that capitalizes on the beneficial properties -of ALA.

When applied to the scalp, ALA collects at the hair roots, and when combined with iron, it has been found to facilitate extraordinary hair growth properties. The Group is currently conducting the necessary experiments to apply for quasi drug status, with plans to develop a hair growth formula business in Japan and other countries in the future.

In May 2008, Cosmo Oil established SBI ALApromo Co., Ltd. as a joint venture with SBI Holdings, Inc. This company is working on developing medicine, cosmetics and health food products that contain ALA. The Cosmo Oil Group is working to realize ALA's wide range of potential to help expand food production, promote health and ultimately contribute to sustainable societies.

Expanding Applications and Opening New Markets through ALA



Hidejiro Inoue
 Manager, Agrobusiness Group
 Manager, ALA Marketing Center
 International Ventures
 Department



Hiroshi Aoyama
 Manager,
 Agrobusiness Group
 International Ventures
 Department

If ALA is administered in high concentrations, it results in a collapse of cells from the active oxygen generated with exposure to light. These properties have been used in the past as a curative medicine and diagnostic drug for cancer. However, only small amounts of ALA could be produced through chemical synthesis, which has made products extremely expensive and stalled the development of new uses.

However, in 1995 the Cosmo Oil Group discovered that low concentrations of ALA administered with minerals enhance plant growth. Using a process of fermentation, the Group developed a technique for mass-producing ALA in 1999, clearing the way for new uses in fertilizers, animal feed and other

products to impart the positive effects of ALA on living organisms.

Using ALA in fertilizer not only increases harvest yields and improves quality, but improves resistance to such environmental stresses as cold, heat and salinity. It also makes it possible to plant trees and crops in alkaline soil and cold climates that have previously been unsuitable for growing plants. ALA in fertilizer can be used to prevent weak harvests caused by global warming and other climatic changes.

The Cosmo Oil Group is committed to cultivating promising applications in food production and other sectors and to developing ALA as a pillar of the Group's new businesses.

Cosmo Oil Group CSR Management

The Cosmo Oil Group has adopted the Management Vision of “Harmony and Symbiosis” and “Creating Future Value,” and is promoting CSR management to achieve a sustainable society and help protect the global environment.

At the Cosmo Oil Group, each individual employee takes the initiative in implementing CSR management to realize the Group’s Management Vision. In October 2008, Cosmo Oil thoroughly revised the Cosmo Oil Group Code of Conduct, a fundamental element in its CSR management, and then took steps to familiarize it among employees.

Cosmo Oil Group Management Vision

In striving for harmony and symbiosis among our planet, humankind, and society, we aim for sustainable growth towards a future of limitless possibilities.

Harmony and Symbiosis

- Harmony and Symbiosis with the Global Environment
- Harmony and Symbiosis between Energy and Society
- Harmony and Symbiosis between Companies and Society

Creating Future Value

- Creating the Value of “Customer First”
- Creating Value from the Diverse Ideas of the Individual
- Creating Value by Expressing Collective Wisdom

Cosmo Oil Group Code of Conduct

Chapter 1 Live up to customer expectations concerning reliability and satisfaction

- 1 We strive to deliver stable energy supplies
- 2 We develop and provide products and services that customers can rely on

Chapter 2 We aspire to become a safe, accident-free company

- 1 We strive rigorously to prevent accidents and industrial injuries
- 2 We handle accidents and disasters responsibly should they happen
- 3 We work to improve safety education

Chapter 3 We value people

- 1 We respect each individual
- 2 We work to create bright workplaces where employees can work comfortably

Chapter 4 We take care of the global environment

- 1 We do what we can to preserve the global environment
- 2 We act after fully considering the global environment

Chapter 5 We value communications with society

- 1 We work for the development of the community
- 2 We strive to keep people informed

Chapter 6 We strive to maintain our position as an honest company

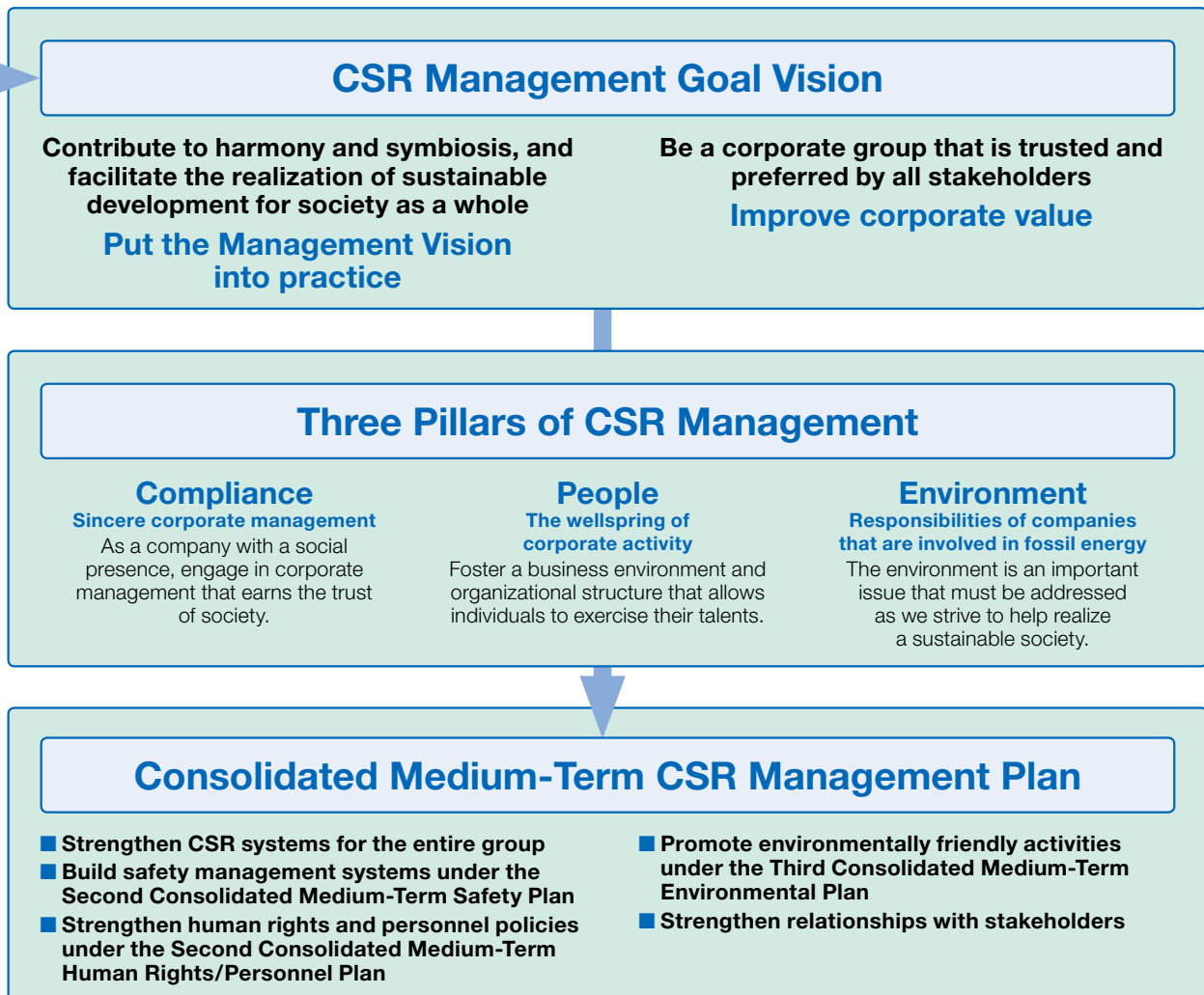
- 1 We engage in sensible activities as members of society
- 2 We treat company property with care
- 3 We are honest in our transactions
- 4 We handle information properly

 Detailed information: Cosmo Oil Group Code of Conduct
<http://www.cosmo-oil.co.jp/eng/company/guideline.html>

Basic Stance

In alignment with its Management Vision of Harmony and Symbiosis and Creating Future Value, the Cosmo Oil Group strives to achieve harmony and symbiosis between our planet, humankind, and society, and is working to achieve sustainable growth into a future of limitless possibilities. We know that a stable revenue base must go hand in hand with CSR management if we are to achieve perpetual growth and realize our role in creating a sustainable global environment for the future.

To give concrete shape to our Management Vision, we have developed the CSR Management Goal Vision and the Three Pillars of CSR Management, as well as formulated the Three-Year Consolidated Medium-Term CSR Management Plan. Furthermore, we are practicing CSR management with the help of employees throughout the Group.



Cosmo Oil Group companies promoting the Consolidated Medium-Term CSR Management Plan (23 companies)

Cosmo Oil Co., Ltd.
Cosmo Engineering Co., Ltd.
Cosmo Petroleum Gas Co., Ltd.
Cosmo Oil Lubricants Co., Ltd.
Cosmo Trade & Service Co., Ltd.
Cosmo Matsuyama Oil Co., Ltd.
Hokuto Kogyo Co., Ltd.

Cosmo Business Support Co., Ltd.
Cosmo Kaiun Co., Ltd.
Cosmo Delivery Service Co., Ltd.
Cosmo Petro Service Co., Ltd.
Cosmo Techno Yokkaichi Co., Ltd.
Kansai Cosmo Logistics Co., Ltd.
Sakaide Cosmo Kosan Co., Ltd.

Cosmo Computer Center Co., Ltd.
Cosmo Research Institute
Abu Dhabi Oil Co., Ltd. (Japan)
Cosmo Energy Exploration & Development Ltd.
Qatar Petroleum Development Co., Ltd. (Japan)

Cosmo Oil (U.K.) Plc.
Cosmo Oil of U.S.A., Inc.
Cosmo Oil International Pte., Ltd.
Cosmo Oil Sales Corp.

Medium-Term Management Plan and CSR Promotion

The Cosmo Oil Group launched the Third Consolidated Medium-Term Management Plan and the Second Consolidated Medium-Term CSR Management Plan in fiscal 2008 to strengthen its earnings foundation and fulfill its social responsibilities.



Fiscal 2008 Highlights of the Third Consolidated Medium-Term Management Plan



July 2008
Groundbreaking ceremony for installation of heavy oil cracking facilities at the Sakai Refinery

Block 11

Qatar

Saudi Arabia

Qatar Petroleum Development Co., Ltd.

October 2008
Signing of agreement to participate in Block 11 exploration project in Qatar. Photo of the oil platform currently operated by Qatar Petroleum Development Co., Ltd.

Fiscal 2008 Initiatives of the Second Consolidated Medium-Term CSR Management Plan

Key Action Areas	Goals
Strengthen CSR Promotion Structures on a Consolidated Group Basis	<ul style="list-style-type: none"> ■ Organizational structures for improving implementation The CSR Promotion Committee to oversee all efforts to improve the degree of implementation for the entire Group ■ Redevelop and ensure the dissemination of the Code of Conduct and other systems <ul style="list-style-type: none"> • Increase awareness and understanding of the Code of Conduct • Ensure compliance with risk management/internal control
Build Safety Management Structures under the Second Consolidated Medium-Term Safety Plan ⇒ See page 23 for details.	<ul style="list-style-type: none"> ■ Goals by operational area <ul style="list-style-type: none"> A) Refining: Reduce unsafe and failure incidents by 90% or more from the benchmark year by 2010 B) Manufacturing/Terminal (lubricating oil and gas): Reduce leakages of hazardous materials and combustible gases C) Distribution: Reduce mixing of oil, oil leakages, and traffic accidents; continue record of zero work-related injuries D) Sales and other operations: Continue record of zero work-related injuries in SS construction
Foster the Protection of Human Rights and Personnel-Related Measures under the Second Consolidated Medium-Term Human Rights/Personnel Plan ⇒ See page 25 for details.	<ul style="list-style-type: none"> ■ Shared Group themes <ul style="list-style-type: none"> (1) Improve the sense of participation; (2) Respect for diversity and equal opportunity; (3) Cultivate personnel and develop skills; (4) Promote physical and mental health care; (5) Support balance between work and home life; (6) Support employment stability and re-employment
Promote Environmental Response Measures under the Third Consolidated Medium-Term Environmental Plan ⇒ See page 27 for details.	<ul style="list-style-type: none"> ■ Improve environmental efficiency <ul style="list-style-type: none"> (1) Implement global warming countermeasures; (2) Minimize environmental impact ■ Strengthen environmental management <ul style="list-style-type: none"> (3) Develop environmentally friendly businesses and technologies; (4) Share and disseminate environmental information
Strengthen Relationships with Stakeholders	<ul style="list-style-type: none"> ■ Strengthen communications regarding social activities and activities for the environment <ul style="list-style-type: none"> • Strengthen social and environmental activities in local communities • Strengthen participation-based projects funded by the Cosmo Oil Eco Card Fund ■ Enhance communication with stakeholders <ul style="list-style-type: none"> • Encourage two-way, mutual communications



November 2008

Commenced construction of the demonstration plant for a beam-down solar thermal power concentration system in Abu Dhabi (scheduled for completion in December 2009). Photo of the demonstration heliostat system installed by the Tokyo Institute of Technology.



February 2009

Service station managers from across Japan are recognized for excellence at the 2008 NV Zero Challenge Awards ceremony



April 2008

Signing of a Memorandum of Understanding with Hyundai Oilbank Co., Ltd. in relation to the Strategic Cooperation of Oil Business

June 2009

Signing of the basic agreement to cooperate in the paraxylene business with Hyundai Oilbank. Photo of the Hyundai Oilbank Daesan Refinery.

Degree of achievement: ○Achieved △Partially achieved ×No progress

Fiscal 2008 Initiatives and Results	Achievement of Goal	Fiscal 2009 Goals and Plans
<ul style="list-style-type: none"> ■ CSR Promotion Committee verified fiscal 2008 CSR activity performance and issues and set policy on fiscal 2009 activities ■ Thoroughly revised the Code of Conduct; compiled and distributed educational pamphlets; monitored understanding among employees of the Code of Conduct to improve surveys; developed internal control system for financial reporting 	○	<ul style="list-style-type: none"> ■ Further improve understanding and application of the Code of Conduct and internal manuals; compile communication tools for specific departments; enhance education and training ■ Educate and train line managers and others to handle compliance risk
<ul style="list-style-type: none"> ● Reduced extraordinary accidents, as defined by the Act on the Prevention of Disaster in Petroleum Industrial Complexes and Other Petroleum Facilities ● Accidents or incidents in gas operations: 0 ● Work-related injuries, fires or leaks at oil depots: 0 ● Mixing-oil incidents in ground transportation: 4 ● Marine oil spills or ships run aground: 0 ● Work-related injuries in sales operations and at the Research and Development Center: 0 	△	<p>Set "following the basics, taking initiative to ensure safety" as a Group-wide goal; introduce further safety management activities in each department; enforce strict compliance with the Cosmo Oil's Safety Reinforcement Declaration at refineries.</p>
<ul style="list-style-type: none"> ● Application of company-specified holiday system resulted in more days of leave taken by employees (excluding shift-work employees) over benchmark year ● Childcare leave taken by 8 employees, including all eligible female employees ● Average annual work hours of salaried employees was 1,909, 9 hours above the target 	△	<p>Continue initiatives taken in fiscal 2008; increase application of personnel systems and regulations and raise awareness of human rights among employees; promote work-life balance; promote independent activities tailored to conditions at subsidiaries and affiliates</p>
<ul style="list-style-type: none"> ■ Failed to achieve goals of reducing unit energy consumption at the Group's 4 refineries, amount of copy paper used at offices, amount of fuel used in company vehicles, and industrial waste at subsidiaries and affiliates ■ Increased Team Minus 6% activities for individuals by 1,233 participants, and achieved goal of reducing CO₂ emissions by 1.066 kg/day per person 	△	<ul style="list-style-type: none"> ■ Work with other departments to reduce unit energy consumption at 4 refineries; promote energy and resource conservation; and reduce industrial waste ■ Develop and commercialize new environmental businesses; conduct R&D to improve performance of existing projects
<ul style="list-style-type: none"> ■ Total of 16,181 participants in Clean Campaign, and 1,775 Christmas Card project cards made (both major increases over the previous year); called for applications for Eco Card Fund projects and began funding for three projects ■ Surveyed individual stockholders and collected responses from approx. 6,000; improved CSR evaluation in "Filling Up Your Hearts, Too" Declaration activities 	○	<ul style="list-style-type: none"> ■ Make further progress on various communications programs; plan programs to differentiate Eco Card members and to promote their participation; offer employees opportunities for participation in Eco Card Fund activities ■ Reflect stakeholder opinions and expectations in CSR management through dialogues and other activities; continue to distribute information on CSR activities via the Web site and other media



Customer Satisfaction and a Stable Energy Supply

The Cosmo Oil Group dependably delivers products and services that earn customers' trust and satisfaction.

Partnerships with Oil-Producing Countries for a Stable Energy Supply

For more than 40 years, the Cosmo Oil Group has been building a strong relationship founded on mutual trust with the oil-producing United Arab Emirates (UAE). The Group's ties are particularly close with the Emirate of Abu Dhabi and extend to economic, cultural, educational and environmental matters. In 2007, the Group further strengthened its relationship with the UAE through its affiliation with the International Petroleum Investment Company (IPIC)¹. Cosmo Oil also signed a Memorandum of Understanding in relation to the Strategic Cooperation of Oil Business in April 2008 with Hyundai Oilbank Co., Ltd., in order to ensure maximum stability for the system of Asia Pacific refineries and to build a structure that facilitates the Group's mission of securing petroleum and energy supplies.

The Cosmo Oil Group is also actively pursuing exploration in newly accessible areas of Qatar, as well as increasing production in already-producing oil fields.

While regarding the Middle East as a core area for exploration, the Group is also exploring opportunities in Australia as a sub-core area, with the overall goal of raising the amount of independently developed crude oil to a level equal to 10% of the crude oil imported to Japan as quickly as possible.

¹ IPIC is an investment company fully funded by the Emirate of Abu Dhabi government.

Stable Supplies of Petroleum Products in the Event of Disaster

To secure stable supplies of petroleum products in the event of a disaster, we have undertaken efforts to develop our Business Continuity Plan (BCP). Countermeasures to a major earthquake in the Tokyo Metropolitan area are covered in company-wide training, and the Group provides information on emergency shipping operations and other matters stipulated in the Agreement Concerning Uninterrupted Supply of Petroleum Fuel in Times of Major Disaster between the Petroleum Association of Japan and the Tokyo Metropolitan Government. The Cosmo Oil Group is installing hand pumps and power generators at approximately 50 service stations in the Tokyo Metropolitan area to serve as "lifeline support service stations" that can respond to power outages caused by disasters. Following the June 2008 Iwate-Miyagi Inland Earthquake and the July 2008 Iwate Prefecture Northern Coast Earthquake, Cosmo Oil conducted emergency inspections of underground tanks and pipes at its service stations located in areas struck at a magnitude of 6 or higher to ensure that the equipment remained safe to operate.



Hand pump (left) and power generator (right)

Customer Trust in Cosmo Oil Products

In order to provide products that meet the needs of customers and society, The Cosmo Oil Group focuses intently on research into the development of high-quality products. In addition to the Quality Assurance Committee, a decision-making body that deliberates all matters related to product quality, the Group has also established the Quality Assurance Liaison Group and Quality Assurance Meetings at its Head Office. These bodies form a cross-sectional quality assurance structure designed to ensure swift and efficient responses to product quality issues. Refineries, which produce all major products, are certified under the ISO 9001 international standards for quality management systems, and the Group completed the switchover to the New JIS Mark Certification Scheme in October 2008.

Initiatives for Cosmo Service Stations

○ Cosmo Oil Self-Service Stations

The Cosmo Oil Group aims to deliver a high level of car care service at its self-service stations to meet the increasingly diverse needs of customers.

○ Cosmo the Card

The Cosmo Oil Group continues to actively market Cosmo the Card as a means of further deepening its relations with customers. Data derived from card purchases are utilized to provide greater support for customers and their driving needs.

○ Cosmo Academy

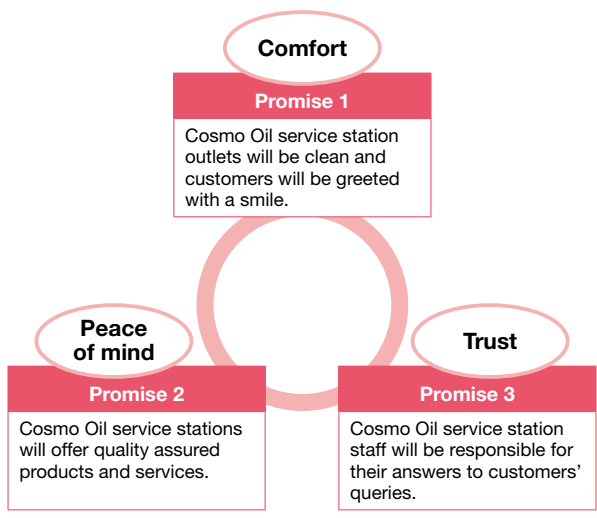
The Cosmo Oil Group focuses on developing the kind of highly trained personnel that customers look for. Providing multifaceted support in the form of employee training, call centers and online education ensures that all Cosmo Oil employees are equipped with the accurate knowledge and superior technical capabilities required to flexibly meet evolving car maintenance demands.

Responding to Customer Feedback

Cosmo Oil has established the Cosmo Oil Customer Center to facilitate greater interaction with customers. In fiscal 2008, customers contacted the center on 4,475 occasions, making 3,195 inquiries and 1,280 comments via a toll-free telephone number or e-mail. The Center's mission is to further improve customer satisfaction by responding quickly to feedback with accurate and detailed answers to customers' questions. Inquiries and comments are immediately relayed to relevant Cosmo Oil divisions so that feedback is swiftly incorporated to improve service and business practices.

“Filling Up Your Hearts, Too” Declaration

The Cosmo Oil Group is actively committed to its “Filling Up Your Hearts, Too” Declaration, establishing the motto “Filling Up Your Hearts, Too” as the Cosmo Oil service station brand image to promote to customers.

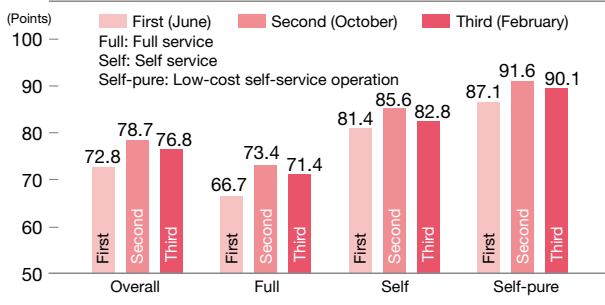


Service Evaluations

The Cosmo Oil Group surveys its customers to assess the level of comfort, peace of mind and trust provided by service stations and check that the Three Promises made to customers are being met.

In fiscal 2008, three service evaluation surveys were carried out at approximately 2,100 service stations. The results of the evaluations were used to provide feedback to the service stations for the purpose of improving services.

“Filling Up Your Hearts, Too” Declaration Service Evaluation Results



CSR at Cosmo Oil Service Stations

CSR Training

The Cosmo Oil Group adheres to all laws and ordinances regulating service stations, particularly the Soil Contamination Countermeasures Act, the Fire Service Law and the Act on the Protection of Personal Information.



CSR training seminar

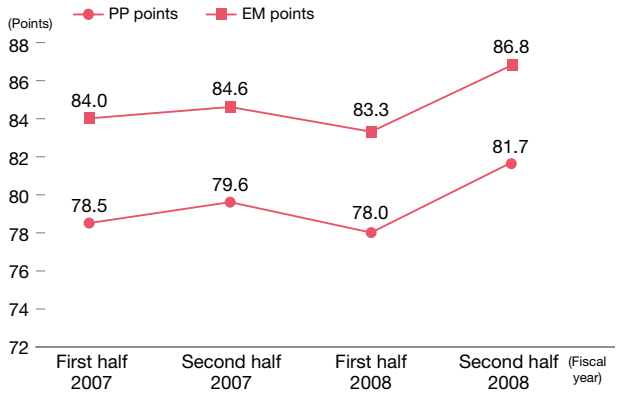
To provide information on these laws and CSR, 28 training seminars were conducted at 14 locations around Japan in fiscal 2008, attended by dealer owners, division managers, supervisors, service station managers and other dealer employees.

CSR Evaluations

The Cosmo Oil Group conducts a privacy policy (PP) point survey and an environment management (EM) point survey every six months to ensure that the entire Group is in compliance with the laws and ordinances that regulate service stations and other CSR matters. The survey results are incorporated to make necessary improvements in specific areas. In fiscal 2008, about 3,900 service stations participated in these surveys to assess their current status and implement improvements.

In the latter half of fiscal 2008, Cosmo Oil service stations scored an average of 81.7 PP points and 86.8 EM points (with 100 points representing a perfect score), an improvement of 2.1 PP points and 2.2 EM points above respective results year on year.

Average PP and EM Points





Safe Operations

The Cosmo Oil Group considers safe operations and stable energy supplies to be issues of the highest priority. The Group aims to serve as a responsible member of society by ensuring safety in all of its business practices.

Initiatives for Safety

○ Safety Policy

Consolidated Medium-Term Safety Plan

The Cosmo Oil Group has been implementing initiatives for safety under its Consolidated Medium-Term Safety Plan since formulating it in fiscal 2005. Initiatives are formulated for each stage of business from production through distribution and sales, as well as for engineering and other departments.

The Group commenced its Second Consolidated Medium-Term Safety Plan in fiscal 2008. Based on the Plan's vision of "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," the Group is committed to increasing safety by setting targets aimed at reducing accidents, evaluating safety conditions and implementing improvements.

Safety as Priority Number One

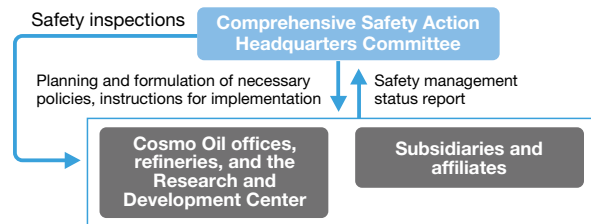
On April 1, 2009, the president of Cosmo Oil launched the fiscal year with a clearly defined policy on safety, issuing a message calling on all employees to make "safety priority number one." The message covered in detail the need to "increase awareness regarding the prevention of accidents, disasters and incidents in absolute terms, and a policy in all business practices that makes safety the first priority based on the active participation and self-awareness of each and every employee."

Safety Management

To ensure safety in every stage of business operations from production through distribution, sales, and engineering, Cosmo Oil has established the 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 Group's operational areas.

In addition to holding regular meetings each year, the Comprehensive Safety Action Headquarters Committee reviews and coordinates important matters related to safety issues, and verifies the Group's safety management status in each department and workplace. The Committee also conducts annual safety inspections at Cosmo Oil Group workplaces and the Head Office departments that oversee these workplaces.

▶ Safety Management System



▶ Fiscal 2008 Initiatives and Results under the Second Consolidated Medium-Term Safety Plan

Degree of achievement:

○ Achieved △ Partially achieved × No progress

Divisions		Major Goals	Major Initiatives and Results in 2008	Achievement of Goal
Refining and manufacturing	4 refineries and Cosmo Matsuyama Oil Co., Ltd.	• Reduce unsafe and failure incidents by 90% or more from the benchmark year by 2010 (meaning 11 or less incidents)	• Unsafe and failure incidents: 142	N.A.
	Cosmo Oil Lubricants Co., Ltd. (manufacturer of lubricating oil)	• Zero work-related injuries • Reduce accidents/incidents by 30% over previous year	• Work-related injuries: 2 • The benchmark was determined for evaluating results from 2009	△
	Cosmo Petroleum Gas Co., Ltd. (LPG storage/delivery)	• Maintain zero accidents/incidents	• Accidents/incidents: 0	○
Distribution	Cosmo Delivery Service Co., Ltd. (ground shipments)	• Eliminate oil-mixing accidents to zero • Encourage employees to report near-miss accidents, with a target of 10,000 reports	• Oil-mixing accidents: 4 • Approx. 20,000 near-miss accidents reported	△
	Cosmo Kaiun Co., Ltd. (sea shipments)	• Maintain zero accidents involving marine oil spills/ships run aground • Reduce equipment failure to 50% of previous year	• Marine oil spills/ships run aground: 0 • The benchmark was determined for evaluating results from 2009	○
	Oil depots	• Maintain zero work-related injuries • Limit the number of fires/oil spills to less than 2 incidents per year	• Work-related injuries: 0 • Fires/oil spills: 0	○
Sales and other operations	Sales Support Department	• Maintain zero work-related injuries in service station construction	• Work-related injuries: 0	○
	Project Development Department (co-generation, etc.)	• Limit the number of accidents to no more than 1 annually	• Accidents: 0	○
	Research and Development Center	• Maintain zero work-related injuries • Reduce number of accidents/incidents	• Work-related injuries: 0 • The benchmark was determined for evaluating results from 2009	○
	Cosmo Engineering Co., Ltd.	• Steadily reduce work-related injuries to zero	• Work-related injuries: 14 • The benchmark was determined for evaluating results from 2009	N.A.

Initiatives at Refineries

Change 21 Activities

Cosmo Oil refineries have incorporated the Group's Change 21 Activities, setting a target of reducing unsafe and failure incidents by 90% or more by 2010 compared to the benchmark year, covering September 2006 to August 2007. The refineries' ultimately aim to achieve and maintain zero accidents.

Unsafe and Failure Incidents

The number of unsafe and failure incidents totaled 142 in 2008, an increase over the benchmark year. However, in fiscal 2008 the Group recorded fewer extraordinary accidents, which are defined by the Act on the Prevention of Disaster in Petroleum Industrial Complexes and Other Petroleum Facilities and include fires, explosions, spills, damage, and control breakdowns.

Number of Unsafe and Failure Incidents

	2008	Benchmark year (Sept. 2006 to Aug. 2007)
Unsafe and failure incidents	142	110
Extraordinary accidents (as defined by law)	14	21

Future Initiatives

Boost Maintenance Levels

The Cosmo Oil Group is strengthening efforts to deal with narrow pipes and chemical pipes, as well as drainage pipes that carry trace amounts of oil, through proper maintenance. This issue had not received special attention in the past.

Eliminate Unsafe Actions

- The Group is conducting ongoing activities to ensure that all employees have a thorough knowledge of its declaration on promoting safety, which mandates that all business practices be grounded in a back-to-basics approach to safety.
- The Group is actively focused on a zero-accident campaign, which promotes respect for individuals based on the belief that every human life is irreplaceable. As an example, the campaign requires employees to point to and say aloud every step in certain work processes. Employees are also expected to stop and double check during certain operations in order to eliminate unsafe actions.

Safety Inspections

In fiscal 2008, the Cosmo Oil Group carried out safety inspections at 12 workplaces and departments, and all four refineries. The refinery inspection teams, historically comprised of Head Office representatives, now include representatives from other Cosmo Oil refineries, better enabling the teams to provide practical guidance on making improvements to refinery practices and operations.

Initiatives in Distribution

Zero Accident Awards

Aiming to eliminate truck accidents during ground shipments, the Cosmo Oil Group raises awareness of safety by presenting annual awards to ground transportation companies and truck drivers who maintain a zero-accident record. Held on May 20, 2009, the fiscal 2008 awards ceremony presented these awards to a total of nine companies, including five that have maintained zero-accident records for seven years, and 16 truck drivers, including eight that have maintained zero-accident records for 20 years. Certificates and additional prizes were also handed out at the ceremony.

Safety Management Systems

With the goal of establishing a voluntary safety system for contracted ground shipment service providers, in fiscal 2008 the Cosmo Oil Group began setting up a safety management system under the leadership of Cosmo Delivery Service Co., Ltd. Efforts focused on setting policies and targets, documenting plans, and compiling procedures and manuals for system enforcement and application. In fiscal 2009, the Group is aiming for the practical application and full-scale incorporation of this management system.

Surfacing of Ocean-Bottom Crude Oil Pipes

Crude oil pipes laid on the ocean bottom by the Chiba Refinery surfaced on June 19, 2008. The pipes then cracked on July 31 as they were being relaid, resulting in oil-tainted water spilling into the ocean. The director in charge of the Safety and Environment Control Department at Cosmo Oil formed the Comprehensive Disaster Countermeasures Headquarters Committee to develop measures for recovering the spilt oil and replacing sections of the surfaced piping. The pipeline was successfully restored in February 2009. The accidental surfacing was attributed to a failure during the execution of airtight inspections. To prevent a similar accident from recurring, the Group is revising methods for managing airtight inspections and systems for construction procedures based on the lessons learned from this accident.



Restoration of ocean-bottom crude oil pipes



Working with Employees

With an appreciation for individuals and respect for human rights, the Cosmo Oil Group is committed to building a workplace environment that maximizes the potential of each employee.

Medium-Term Human Rights and Personnel Plans

Introduced in fiscal 2008, the Second Consolidated Medium-Term Human Rights/Personnel Plan sets out initiatives based on six priority themes: improving the sense of participation; respect for diversity and equal opportunity; cultivating personnel and developing skills; promoting physical and mental health care; supporting balance between work and home life; and supporting employment stability and re-employment. Cosmo Oil has actively focused on human rights and employee issues since 2006 when the Company declared its support for the United Nations Global Compact.

WEB Detailed information: The United Nations Global Compact Initiatives <http://www.cosmo-oil.co.jp/eng/csr/globalcompact.html>

Improving the Sense of Participation

In order to improve employees' sense of active participation at the Cosmo Oil Group, in fiscal 2008 the Group implemented Group-wide human rights training focused on personnel regulations and employee welfare systems. A total of 3,285 employees attended two training sessions for a participation rate of 70%. Although the Cosmo Oil Group had enacted a wide diversity of personnel regulations and employee welfare programs, they had not been sufficiently acknowledged by employees. Therefore, the Group is committed to increasing awareness to 100% and further educating employees on these matters through training and other opportunities.

Number of Employees (as of March 31, 2009)

		Men	Women	Total
Cosmo Oil	Union members	1,466	217	1,683
	Management positions	377	4	381
	Other ¹	35	0	35
	Subtotal	1,878	221	2,099
Subsidiaries and affiliates ²	Union members	819	96	915
	Management positions	290	0	290
	Other ¹	18	0	18
	Subtotal	1,127	96	1,223
Total		3,005	317	3,322

1. Seconded employees from other companies and full-time labor union staff.
2. Cosmo Oil employees dispatched as staff members, primarily to Cosmo subsidiaries.

Respect for Diversity and Equal Opportunity

The Cosmo Oil Group continually promotes fair employment initiatives with the aim to expand the number of workplaces where women can play active roles. For example, in fiscal 2008 Cosmo Oil hired 10 women as career track employees from among 64 new graduate applicants. The Company's employment of persons with disabilities was 2.1% (as of June 2008), exceeding the government-mandated rate of 1.8%. To ensure that persons with disabilities are able to work comfortably and without impediment, the Cosmo Oil Group has focused on raising awareness, educating employees and creating comfortable workplace environments. In fiscal 2008, human rights training included educational and awareness-raising activities covering the prevention of employee harassment, including power harassment and sexual harassment.

Fiscal 2008 Initiatives and Achievements of the Second Consolidated Medium-Term Human Rights/Personnel Plan

Degree of achievement:

○ Achieved △ Partially achieved × No progress

Themes		Fiscal 2008 Goals	Fiscal 2008 Major Initiatives and Results	Achievement of Goal	Fiscal 2009 Goals and Plans	
Shared Group themes	Improve the sense of participation	Conduct survey on and increase awareness of personnel regulations and welfare systems	Achieve 100% awareness among employees of personnel regulations and employee welfare systems	Increased awareness of the childcare support system	△ • Continue publicizing personnel regulations and welfare systems • Conduct survey on awareness of welfare systems	
	Respect for diversity and equal opportunity	Promote fair employment	Maintain a rate of employment of persons with disabilities of 2% or higher	Rate of employment of persons with disabilities was 2.0% as of June 2009 (2.1% in June 2008)	○	Continue fair employment and maintain a rate of employment of persons with disabilities of 2% or higher
		Prevent harassment	Ensure 80% or higher rate of participation in human rights training among employees ¹	Conducted two human rights training sessions attended by 3,285 employees for a participation rate of 70% Focused on measures to prevent power harassment	△	Enhance human rights training targeting harassment prevention, and ensure 80% or higher rate of participation among employees ¹
	Cultivate personnel and develop skills	Provide support for career development, and implement in-house recruiting	Enhance training at different employment levels, and continue the Career Challenge Program	Continued the Career Challenge Program	○	Provide support for career development, and continue the Career Challenge Program
	Promote physical and mental health care	Prohibit over-work, and institute supplemental health exams	Ensure that the average annual work hours of employees ¹ does not exceed 1,900	• Average annual work hours of employees ¹ was 1,909, 9 hours above the target • Introduced specialized healthcare advice for employees who require support	△	• Reduce the average annual work hours of employees ¹ to no more than 1,900 • Continue offering specialized healthcare advice
	Support balance between work and home life	Promote childcare leave and support leisure activities	Increase the average number of paid leave days taken by employees ¹ by 10%	• Average paid leave taken by employees ¹ was 15.5 days, a 2.6-day increase from the benchmark year of fiscal 2006 • Childcare leave taken by 8 employees, including all eligible female employees	○	• Continue promoting childcare leave and supporting leisure activities • Maintain or improve the average number of paid leave days taken by employees ¹
	Support employment stability and re-employment	Support re-employment and rehiring	Support employment in-house and outside of the Cosmo Oil Group	• 54 senior employees hired from among 138 eligible candidates • 145 employees participated in life design training, and 48 employees participated in second career training	○	Continue to support re-employment and rehiring

1. Excluding shift-work employees

○ Cultivating Personnel and Developing Skills

The Cosmo Oil Group renewed its in-house recruiting system under its Career Challenge Program in fiscal 2008. This move constituted a shift from the conventional job recruitment system (in which departments seek out employees) to a job application system (in which employees approach departments), thereby allowing employees to take the initiative in applying for the jobs and positions they like. The goals of this new system are to foster a work environment where enthusiastic and motivated employees are able to challenge themselves and to create opportunities for employees to develop careers that reflect their individual interests. The Group expects the system to provide employees the opportunity to take on challenging positions and utilize all of their skills in their jobs.

○ Promoting Physical and Mental Health Care

In fiscal 2008, the Cosmo Oil Group began implementing mandatory supplemental health exams. The Group is also working with the Cosmo Oil Health Insurance Society to promote health exams for employees and their families and to provide advice on healthcare to selected employees in certain workplaces. Health advice at all workplaces is expected to be in place in fiscal 2009. In addition, the Group offered training sessions at business sites focusing on measures to prevent metabolic syndrome and to relieve stress, which has a major impact on mental health.

The Cosmo Oil Group has also been promoting its flex-time system designed to reduce the number of total hours worked, while taking measures to encourage employees to take paid days of leave. Despite these efforts, in fiscal 2008 the average work hours of employees (excluding shift-work employees) totaled 1,909, an increase of seven hours over the previous fiscal year, and above the target of 1,900. To meet this target, the Group intends to introduce further initiatives to reduce the number of hours worked.

○ Supporting Balance between Work and Home Life

The Cosmo Oil Group believes that providing comfortable working environments that enable employees to balance their work and private lives is key to motivating them and retaining a talented pool of workers. With this in mind, the Group has stepped up its efforts to make it easier for employees to balance childrearing and work. As a result, all seven eligible female employees as well as one male employee took childcare leave in fiscal 2008.

The Cosmo Oil Group continued to encourage employees to use their paid days of leave through its holiday system, resulting in employees taking an average of 15.5 paid leave days, an increase of 2.6 days from the benchmark year of fiscal 2006. In addition, the Group introduced its welfare program, the Well Box, which can be used in conjunction with travel, leisure and a variety of life plans. It has proven extremely popular, contributing significantly to the promotion of work-life balance among employees.

▶ Number of Employees Taking Maternity and Childcare Leave/Support Courses for Returning to Work

	Fiscal 2006		Fiscal 2007		Fiscal 2008	
	Women	Men	Women	Men	Women	Men
Maternity leave	6	—	8	—	5	—
Childcare leave ¹	6 (8)	1 (1)	4 (7)	1 (1)	7 (12)	1 (1)
Support courses for returning to work	3	0	8	0	7	0
Childcare leave rate ²	83%	—	75%	—	100%	—

1. Figures show the number of employees who applied for leave in the corresponding fiscal year while figures in parentheses show the number of employees who took leave.

2. Figures show the percentage of employees who followed their maternity leave with childcare leave.

○ Supporting Employment Stability and Re-employment

In accordance with the enactment of the Revised Law Concerning the Stabilization of Employment of Older Persons, the Cosmo Oil Group adopted a senior employee system in April 2006 for employees of the 60-year retirement age or older. As of March 2009, 114 employees in this category were working in Cosmo Oil workplaces under this system.

The Group supports employment programs including “life design” training, a pre-retirement course for employees aged 55, and “second career” training, which offers workshops on writing resumes and honing interview skills for employees seeking re-employment at outside companies after they reach retirement age. In fiscal 2008, 145 employees participated in life design training and 48 employees participated in second career training.

Message

Promoting Personnel Systems for a Better Working Environment



Shino Sasagawa
Labor and Human Rights Group,
Personnel Department

I believe that each employee needs to understand the personnel systems at Cosmo Oil in order for us to build an even better workplace environment. With this in mind, we are not only working to increase employees' understanding through human rights and work-life balance training, but also focusing on raising awareness of our flextime system while encouraging employees to take advantage of its provision for leaving work earlier in the day. We are also looking at the possibility of a telecommuting system to provide further support for childcare. These types of initiatives provide the support needed to elicit the best performance from each individual employee. At the same time, these schemes are also expected to generate synergy between the Group and individual employees, leading the entire Group along a more successful path in the future.



Working in Harmony with the Global Environment

The Cosmo Oil Group recognizes that global warming and other issues related to the global environment are among the most serious problems that demand solutions. The Group takes an active, steadfast and transparent approach to its measures and initiatives designed to preserve the environment.

Overview of Environmental Activities

Third Consolidated Medium-Term Environmental Plan

The Cosmo Oil Group launched its first initiatives under its Consolidated Medium-Term Environmental Plan in fiscal 2002. In fiscal 2008, the Group introduced its Third Consolidated Medium-Term Environmental Plan based on the following policies:

- Expand the boundary of initiatives, and further reinforce Group-wide environmental management
- Further improve environmental performance, and implement strategic responses to risks related to global warming
- Encourage employees to independently promote the Group's environmental initiatives with the overall aim of establishing Cosmo Oil as an environmental brand.

The Consolidated Medium-Term Environmental Plan incorporates the following four themes:

1. Implement global warming countermeasures including energy conservation at refineries and other workplaces, and government-sponsored Team Minus 6% activities at offices
2. Minimize environmental impact by reducing industrial waste, ensuring soil preservation, and properly managing chemical substances
3. Develop environmentally friendly businesses and technologies in the new areas of alternative energy and non-petroleum energy
4. Share and disseminate information on the environment through Team Minus 6% activities for individuals, the Cosmo Oil Eco Card Foundation, and other activities.

Third Consolidated Medium-Term Environmental Plan Fiscal 2008 Initiatives

Degree of achievement:

○ Achieved △ Partially achieved × No progress

	Themes	Goals	Fiscal 2008 Initiatives and Results	Achievement of Goal	Fiscal 2009 Goals and Plans
Improve environmental efficiency	Implement global warming countermeasures	Improve unit energy consumption at the Group's four refineries, targeting a 15% reduction by 2010 compared to 1990	Unit energy consumption was reduced by 10.54% compared to fiscal 1990	×	Further reduce unit energy consumption to achieve a 15% reduction by fiscal 2010
		Manage greenhouse gas emissions and conduct quantitative assessments at each stage of operations from international development to distribution	Quantitative assessments were started for Abu Dhabi Oil at the international development stage and for regular crude oil shipments at the distribution stage	△	Expand targeted workplaces for quantitative assessments and set a policy aimed at post-Kyoto Protocol standards for CO ₂ emissions
		Promote energy and resource conservation to achieve goals for Team Minus 6% activities at offices	Goals were not achieved for the amount of copy paper used at offices or fuel used in company vehicles, however, the goal for the amount of electricity consumed at offices was attained	△	Achieve goals set in fiscal 2008 for each targeted area
	Minimize environmental impact	Reduce industrial waste, targeting a final disposal rate ¹ of less than 0.5% for Cosmo Oil and less than 5% for subsidiaries and affiliates ²	Cosmo Oil achieved a final disposal rate of 1.0%, and 5 of 6 subsidiaries and affiliates achieved their goals	△	Achieve final disposal rate of less than 0.5% at Cosmo Oil Achieve final disposal rate of less than 5% at subsidiaries and affiliates
Adopt stringent measures to ensure soil preservation, reducing risks through preventative and post-response measures tailored to sites, including refineries, R&D Center, service stations, and idle land		At refineries, drainage pipes carrying oil were inspected and repaired, and at service stations, soil was evaluated and treated and employees were given training	○	Apply the same stringent measures to ensure soil preservation as in fiscal 2008, reducing risks through preventative and post-response measures tailored to sites, including refineries, R&D Center, service stations, and idle land	
Strengthen environmental management	Develop environmentally friendly businesses and technologies	Develop new environmental businesses and conduct R&D related to the oil industry and new industries	Steady progress was made in each area, including the manufacture of biomass fuel, concentrated solar thermal power generation and other new environmental businesses	○	Progress with the commercialization of new environmental businesses, conduct R&D to improve performance in existing businesses, and seek out new business opportunities
	Share and disseminate environmental information	Carry out Team Minus 6% activities for individuals as well as their families	The number of participants in activities increased by 1,233 CO ₂ emissions were reduced by 1.066 kg each day per person	○	Further increase the number of participants in activities Maintain a CO ₂ reduction amount of 1.0 kg or more each day per person

1. The industrial waste final disposal rate covers Cosmo Oil's four refineries, the Yokkaichi Kasumi Power Station (IPP) facility, oil depots, and the Research and Development Center.

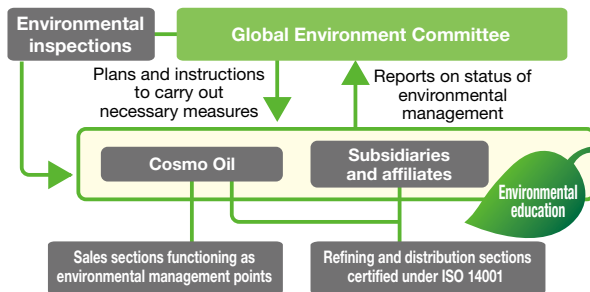
2. The six subsidiaries and affiliates are Cosmo Matsuyama Oil Co., Ltd., Cosmo Engineering Co., Ltd., Cosmo Oil Lubricants Co., Ltd. (two sites), Cosmo Petroleum Gas Co., Ltd., and Hokuto Kogyo Co., Ltd.

Environmental Management System

Under its own environmental management system, the Cosmo Oil Group encourages employees Group-wide to take independent initiatives. To ensure that environmental management proceeds smoothly and efficiently, the Group has created a structure under which the Global Environment Committee, a cross-sectional body, drafts the Consolidated Medium-Term Environmental Plan, reports on and evaluates the results, and then provides feedback to specific departments.

The Global Environment Committee reports to the CSR Promotion Committee to ensure that the PDCA (plan, do, check, and act) cycle is efficiently implemented. The Cosmo Oil Group continues to provide education on environmental issues to raise awareness among employees, and has adopted schemes so that environmental initiatives are shared throughout the Group, from work sites to the management level. Environmental inspections are conducted at each site as part of the Group's efforts to ensure that its environmental standards are observed at all sites.

► Environmental Management System



Environmental Inspections

The Global Environment Committee conducts regular environmental inspections of refineries, the Research and Development Center and the Head Office departments that supervise sales and distribution. After assessing the environmental management status of these workplaces, the Committee recommends improvements and provides advice as necessary. The results of the environmental inspections are reported to the CSR Promotion Committee. In fiscal 2008, inspections focused primarily on environmental management and impact reduction during irregular but occasionally necessary facility operations, such as when equipment must be shut down or powered up. In addition, the daily environmental management status was audited through interviews to identify operations on site, as well as document reviews, which also verified progress made in the Consolidated Medium-Term Environmental Plan. As a result, the Group was able to confirm that the sites, subsidiaries and affiliates surveyed were conducting their environmental management appropriately.

► Sites and Companies Where Inspections Were Performed in Fiscal 2008

Cosmo Oil	Chiba Refinery
	Yokkaichi Refinery
	Sakai Refinery
	Sakaide Refinery
	Sales Support Department
	Project Development Department
	Distribution Department
Subsidiaries and affiliates	Research and Development Center
	Cosmo Matsuyama Oil Co., Ltd.
	Cosmo Engineering Co., Ltd.
	Cosmo Oil Lubricants Co., Ltd.
	Cosmo Petroleum Gas Co., Ltd.

ISO 14001 Environmental Management System in the Workplace

The Cosmo Oil Group has acquired ISO 14001 certification for ten business sites, including the Group's four refineries, which have a significant impact on the environment. These workplaces incorporate the Consolidated Medium-Term Environmental Plan into their business objectives and adopt a systematic approach to achieving its goals. The Group also regularly carries out internal audits, has certification bodies carry out external audits, and checks that PDCA and other aspects of the system are functioning effectively.

► Sites with ISO 14001 Certification

Name of site	Date Obtained
Sakaide Refinery	June 1997
Chiba Refinery	March 1998
Yokkaichi Refinery	March 1998
Sakai Refinery	March 1998
Cosmo Matsuyama Oil Co., Ltd.	December 1998
Cosmo Oil Lubricants Co., Ltd., Shimotsu Plant	June 2003
Cosmo Kaiun Co., Ltd.	August 2003
Cosmo Oil Lubricants Co., Ltd., Osaka Plant	October 2003
Yokkaichi LPG Terminal Co., Ltd.	September 2006
Research and Development Center	December 2006

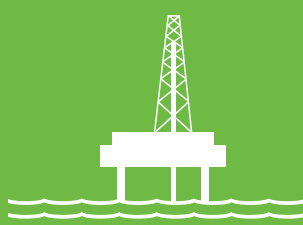


Environmental Impact of Business Activities

To deliver oil products that have minimum impact on the environment, the Cosmo Oil Group works to reduce the environmental load of oil throughout its lifecycle, including when used by customers. At every stage of the lifecycle, the Group assesses the environmental impact and makes continuous improvements.

TJ: Terajoule (10¹² joules)

Crude Oil Extraction



INPUT

- Energy**
Fuel: 26,978 TJ


OUTPUT

- Emissions into atmosphere**
CO₂: 1,504 kilotonnes
SOx: 20,737 tonnes
NOx: 3,327 tonnes

Environmental measures

- Air pollution control (Zero Flare Project)
- Energy conservation

Crude Oil Transportation



INPUT

- Energy**
Fuel: 13,237 TJ


OUTPUT

- Emissions into atmosphere**
CO₂: 904 kilotonnes
SOx: 19,704 tonnes
NOx: 24,408 tonnes

Environmental measures

- Energy conservation (increasing efficiency by joint distribution, increasing size of tankers)

Refining



INPUT

- Raw materials**
Crude oil: 27,999 MI
Others: 1,631 MI
- Energy**
Purchased power: 3,757 TJ (389,726 MWh)
Private-use fuel: 67,743 TJ (1,748 MI crude oil)
- Water**
Industrial water: 44,483 kilotonnes
Sea water: 372,091 kilotonnes

Total energy consumption	Unit: TJ
FY2006	70,913
FY2007	73,244
FY2008	71,499

OUTPUT

- Emissions into atmosphere**
CO₂: 4,917 kilotonnes
Private-use fuel: 4,384 kilotonnes
Purchased power: 158 kilotonnes
Hydrogen production process: 375 kilotonnes
SOx: 5,178 tonnes NOx: 3,194 tonnes
- Wastewater**
Wastewater: 381,758 kilotonnes (including 372,091 kilotonnes of sea water)
Chemical oxygen demand (COD): 119 tonnes
Nitrogen: 75 tonnes
Phosphorus: 1 tonne
- Industrial waste**
Generated: 58,482 tonnes
Recycled: 24,235 tonnes
Final disposal: 601 tonnes
- PRTR Law designated chemical substances**
Released: 79 tonnes
Transferred: 406 tonnes

CO ₂ emissions	Unit: kilotonnes
FY2006	4,847
FY2007	5,063
FY2008	4,917

Environmental measures

- Energy conservation
- Resource conservation/recycling
- Industrial waste management
- Chemical substance control
- Air pollution control
- Wastewater management
- Soil preservation
- On-site tree planting


Offices



Environmental measures

- Energy conservation
- Resource conservation/recycling
- Green purchasing

Research and Development Center



Environmental measures

- Energy conservation
- Resource conservation/recycling
- Industrial waste management
- Chemical substance control
- Wastewater management

- SOx and NOx figures for "Crude Oil Extraction," "Crude Oil Transportation," and "Product Transportation and Storage at Oil Depots" are estimated based on *LCI for Petroleum Products by Fuel and Environmental Impact Assessment for Petroleum Products*, published in March 2000 by the Japan Petroleum Energy Center (JPEC).
- CO₂ emissions for "Refining" and "Product Transportation and Storage at Oil Depots" are calculated in accordance with the Guidelines for Accounting Greenhouse Gas Emissions from the Industry (Draft), published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.
- See the Cosmo Oil Group Web site for the methodology and basis of "Product Use" calculations.
 - Detailed information: Environmental accounting
http://www.cosmo-oil.co.jp/eng/csr/accounting/ev_calculation.html
- Energy consumption is calculated in accordance with the stipulations regarding the rational use of energy in the Act on the Rational Use of Energy.
- "Refining" includes data from the Yokkaichi Kasumi Power Station and Cosmo Matsuyama Oil Co., Ltd.
- Electricity sold refers to power sold by Chiba Refinery, Yokkaichi Kasumi Power Station, and Cosmo Matsuyama Oil Co., Ltd. CO₂ emissions for "Refining" were calculated after deducting the portion of CO₂

- emissions that results from generating electricity sold. Conversely, the purchased power portion of CO₂ emissions is included in "Refining" data.
- "Steam sold" refers to steam sold by the Chiba Refinery and Cosmo Matsuyama Oil Co., Ltd. CO₂ emissions for "Refining" were calculated after deducting the portion of CO₂ emissions that results from generating steam sold.
- CO₂ emissions attributable to the construction of facilities are not included in calculations.
- SOx emissions for "Product Use" are included for reference, and were estimated from the sulfur content of products without accounting for sulfur reduction during use. Accordingly, actual SOx emissions are lower than the estimate.
- With regard to CO₂ for "Product Use," in addition to CO₂ emissions resulting from the use of products, CO₂ emissions attributable to generating electricity and steam sold are estimated separately.
- Naphtha used mainly as a petrochemical material does not directly emit CO₂ or SOx. However, naphtha is included with other petroleum products when calculating CO₂ and SOx emissions for "Product Use."
- "Industrial waste" refers to waste generated during business activities, which includes waste that could be sold.

Products

- **Production:**
28,340 MI
- **Sulfur recovered:**
257 MI
(by-product)
- **Electricity sold:**
1,533,679 MWh
(14,969 TJ)
- **Steam sold:**
1,800 TJ
- **CO₂ sold:**
132 kilotonnes

Product Transportation and Storage at Oil Depots

▶ INPUT

- **Energy**
Fuel: **2,291 TJ**

◀ OUTPUT

- **Emissions into atmosphere**
 CO₂: **158 kilotonnes**
 SOx: **1,785 tonnes**
 NOx: **3,457 tonnes**

Environmental measures

- **Maritime transportation**
Oil spill prevention
Energy conservation (increased efficiency through mutual accommodations, and use of larger tankers for coastal routes)
- **Ground transportation**
Energy conservation (larger vehicles and high stowage rates)
- **Storage at oil depots**
Energy conservation
Resource conservation
Chemical substance control
Soil preservation
Oil spill prevention

Product Use

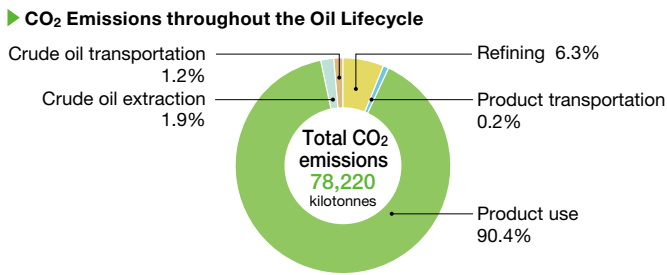
◀ OUTPUT

- **Emissions into atmosphere**
 CO₂: **70,736 kilotonnes**
 (The figure above does not include CO₂ emissions of 1,048 kilotonnes attributable to generating electricity sold, and CO₂ emissions of 86 kilotonnes attributable to generating steam sold.)
 SOx: **141,811 tonnes**

CO ₂ emissions	Unit: kilotonnes
FY2006	68,253
FY2007	73,878
FY2008	70,736

Environmental measures

- **Service stations**
Energy conservation
Resource conservation/recycling
Industrial waste management
Chemical substance control
Air pollution control
Wastewater management
Soil preservation





Efforts to Prevent Global Warming

The Cosmo Oil Group focuses on preventing global warming by promoting resource and energy conservation at all stages of its business activities, including material procurement, research and development, production, distribution, sales and waste disposal.

Policy

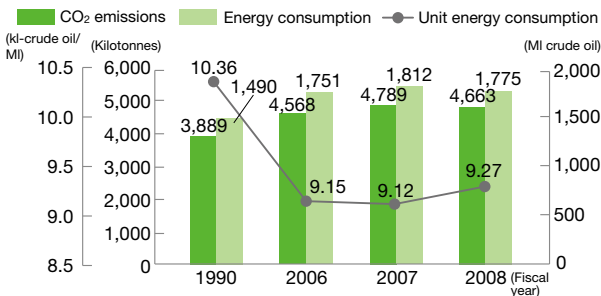
As a corporate group that handles fossil fuels, the Cosmo Oil Group regards the prevention of global warming as a matter of great importance. The Cosmo Oil Group pays particular attention to this issue at the refining stage, as it is responsible for more than 60% of the CO₂ emitted by the Group's business operations from crude oil production through the transport and storage of the finished product. All employees at refineries work together to improve energy conservation at the levels of the production line and operational aspects of production. Measures to conserve energy are also being taken at the Research and Development Center, distribution sections, and service stations.

Initiatives at Refineries

The Group's refineries conserve energy by implementing measures such as installing high-efficiency equipment and improving operating control. In fiscal 2008, Cosmo Oil took initiatives on production lines to raise pump efficiency and upgraded air heaters for furnaces. In terms of operational initiatives, the Company re-evaluated operating conditions and reduced steam consumption. Unit energy consumption¹ in fiscal 2008 was 9.27 kl-crude oil/MI, an increase over the previous fiscal year due in part to low rates of production line efficiency. Nevertheless, this level of consumption represented a 10.5% reduction over fiscal 1990.

1. Unit energy consumption is expressed as total energy consumption divided by a crude oil equivalent throughput taking into account the complexity of refining techniques. The unit is kl-crude oil/MI. Note that different types of energy consumed are converted into a common denominator of kl crude oil equivalent.

Energy Consumption and CO₂ Emissions at Four Refineries



*Beginning with fiscal 2006 results, the method of calculating CO₂ was revised as stipulated by the Act on Promotion of Global Warming Countermeasures.
*Fiscal 2008 CO₂ emissions have been calculated using the CO₂ emission factor for electricity for fiscal 2007. CO₂ emissions up to fiscal 2007 have been calculated using the CO₂ emission factor for electricity for each fiscal year.
*In addition to the figures shown in the diagram, N₂O released from the catalyst regeneration tower amounted to 21 kilotonnes of CO₂ equivalent in fiscal 2008.

Initiatives in Distribution

In fiscal 2006, amendments to the Act on the Rational Use of Energy were enacted to clearly define the responsibilities of cargo owners for conserving energy in their logistics processes. Accordingly, the Cosmo Oil Group's energy conservation initiatives focused more intently on efficient distribution. Beginning in fiscal 2007, the Group was primarily involved in measures to carry out the plan it submitted to regulatory authorities, based on the Energy Conservation Law. In fiscal 2008, unit energy consumption in transportation at Cosmo Oil alone was 8.95 kl/million tonne-kilometers, a 0.27 kl/million tonne-kilometer improvement over the previous fiscal year. The Group engaged in the transport of 6,603 million tonne-kilometers of freight, an increase of 1.5% compared to the previous fiscal year, while CO₂ emissions decreased 1.1% to 157,873 tonnes.

Ground Transportation Using Tanker Trucks

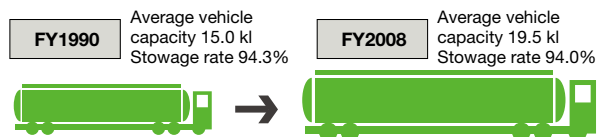
Despite using large trucks and maintaining high stowage rates, the transportation volume per vehicle stood at 17.5 kiloliters per delivery, a decrease of 0.1 kiloliters over the previous year. Energy use in diesel fuel fell 4.1% compared to the previous fiscal year. Unit energy consumption in shipments was 37.81 kiloliter/million tonne-kilometers, an increase of 0.08 kiloliter/million tonne-kilometers over the previous fiscal year. To further conserve energy, the Group will focus efforts on raising the efficiency of systematic delivery and independent unloading.

Sea Transportation Using Coastal Tankers

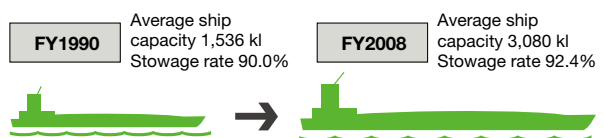
The Cosmo Oil Group has continued to utilize large ships and maintain high stowage rates. In fiscal 2008, the Group brought two new 6,000-kiloliter ships on line, raising the average capacity of the Group's white-oil tanker fleet by 3%. In fiscal 2009, the Group will work to further conserve energy by maximizing the use of this capacity and improving stowage rates.

Average Capacity and Stowage Rate

Tanker trucks for white oil



Coastal tankers



Message

Strengthening Efforts to Reduce Our Environmental Impact through Eco Drive



Masayuki Yuki
Director
Yuki Unyu Soko
Co., Ltd.

Having reached a basic shipping agreement with Cosmo Delivery Service Co., Ltd. for truck delivery, we have installed Eco Drive navigation systems in all of our tanker trucks. These systems, which are compatible with the shipping management system adopted by the Cosmo Oil Group in fiscal 2005, are now fully operational. Our drivers have worked to fully utilize the Eco Drive system, resulting in an average improvement in fuel consumption of 15% since the system was introduced. We remain committed to reducing our environmental impact and working with the Cosmo Oil Group to help build a sustainable society.

Initiatives at Service Stations

To create advanced, environmentally friendly service stations, the Group is installing solar power systems at 37 Cosmo Oil service stations. Cosmo Oil has endorsed an initiative by Kanagawa Prefecture to promote electric vehicles, and plans to install high-speed rechargers for electric car batteries at service stations in the prefecture in fiscal 2009. In addition, Cosmo Oil is reviewing and implementing effective initiatives to enhance the environmentally friendliness of its service stations, including the installation of LED lights to save electricity.



High-speed EV battery recharger

Kyoto Mechanisms

To reduce greenhouse gas emissions, the Cosmo Oil Group works to acquire carbon credits under the Greenhouse Gas Credit Aggregation Pool (GG-CAP), the first private scheme for purchasing carbon credits, which was set up by major emissions broker Natsource LLC. The Group's goal is to acquire credits arising from effective Kyoto Protocol Clean Development Mechanisms (CDM)² and Joint Implementation (JI)³ projects.

- 2. Clean Development Mechanisms: A Kyoto Mechanism that allows industrialized countries to generate emission credits through investment in emission reduction projects in developing countries.
- 3. Joint Implementation (JI): A Kyoto Mechanism that allows developed countries to invest in other developed countries to earn carbon allowances that can be used to meet their emission reduction commitments.

Team Minus 6% Initiatives

Team Minus 6% Activities at Offices

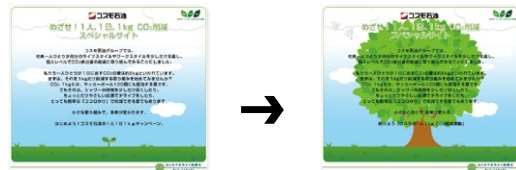
As part of its Team Minus 6% activities at offices, the Cosmo Oil Group has set reduction goals for the amounts of copy paper it uses, fuel consumed by company vehicles, and electricity consumed at offices. To attain these overall goals, each workplace sets its own targets and tracks its progress via a database.

Team Minus 6% Activities at Offices

Targeted Area	FY2008 Goal		FY2008 Results (Compared to Goal)	
	Cosmo Oil	Subsidiaries and affiliates	Cosmo Oil	Subsidiaries and affiliates
Copy paper	15,527 thousand sheets	20,148 thousand sheets	16,203 thousand sheets (+4.4%)	21,243 thousand sheets (+5.4%)
Company car fuel consumption	303 kl	648 kl	310 kl (+2.3%)	678 kl (+4.6%)
Office electricity consumption	1,495 MWh	2,769 MWh	1,431 MWh (-4.3%)	2,788 MWh (+0.7%)

Team Minus 6% Activities for Individuals

With the goal of raising awareness of environmental issues among employees, in 2007 the Cosmo Oil Group began soliciting participation in activities promoted by the Japanese government to reduce CO₂ emissions by one kilogram each day per person. In fiscal 2008, 4,765 employees participated in these activities and succeeded in reducing CO₂ by 1.066 kilogram each day per person. The activities encourage participants to conserve resources not only in the workplace, but at home as well.



The Team Minus 6% activities for individuals database site features an image of a tree that grows larger as the number of participants increases.

Initiatives at the Research and Development Center

The Research and Development Center has set the goal of reducing total greenhouse gas emissions for its ISO 14001 activities. The Center has adjusted the temperature settings for air-conditioners and is re-evaluating the concurrent operation of refrigerators and freezers used in testing. In fiscal 2008, it upgraded its power transformers and water pressure pumps to energy-saving models and made efforts to conserve electricity. As a result, the Center reduced the amount of electricity (both purchased and self-generated) it consumed by 7.5% compared to fiscal 2007.



Pollutant Control, Waste Management, Soil Preservation, and Other Activities

Cosmo Oil works to reduce its environmental impact by properly controlling pollutants and minimizing and recycling industrial waste.

Pollutant Control and Waste Management

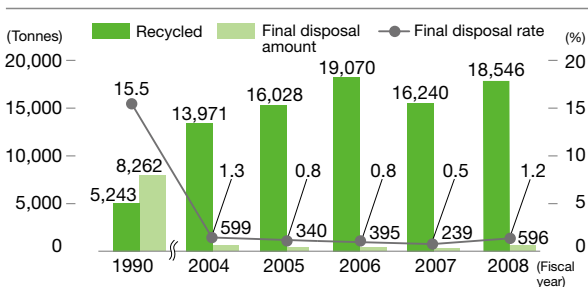
Policy

The Cosmo Oil Group has set maximum permissible levels for gas emissions and wastewater, which are more stringent than those designated by laws and regulations, as part of its strict standards for preventative measures. The Group has also set voluntary targets related to industrial waste and is making efforts to reduce waste volume and recycle the waste it generates.

Striving to Achieve Zero Industrial Waste

In fiscal 2008, the amount of waste sent for final disposal from Cosmo Oil totaled 598 tonnes, for a final disposal rate of 1.0%. The amount of waste sent for final disposal at refineries (excluding Yokkaichi Kasumi Power Station, oil depots, and the Research and Development Center) was 596 tonnes, a 93% reduction from fiscal 1990 and a 1.2% final disposal rate.

Volume of Industrial Waste at Four Refineries



Reducing Excess Sludge

Excess sludge discharged from wastewater treatment facilities accounts for the largest portion of all industrial waste in Japan. Sludge also makes up 58% of industrial waste generated at Cosmo Oil's refineries, which makes managing this sludge extremely important. To date, the Group has conducted research¹ into technologies for reducing excess sludge generated at refineries and has achieved large reductions in excess sludge at the Chiba Refinery and the Sakaide Refinery.

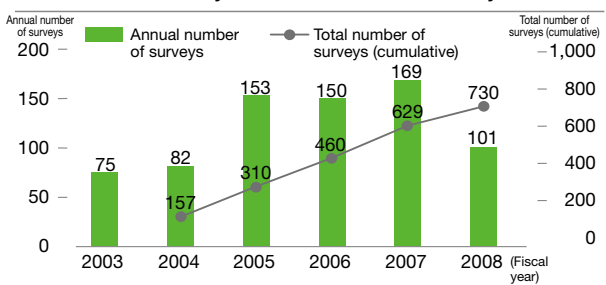
1. Research is being carried out as a project supported by the Japan Petroleum Energy Center (JPEC).

Soil Preservation

Policy

To reduce the risk to the environment from soil contamination, particularly at service stations, the Cosmo Oil Group takes preventative measures and works to minimize environmental damage in the case of spills and leaks. The Group has been conducting soil environment surveys at its service stations, placing priority on stations with a higher risk profile such as older facilities and those with single-shell tanks. As part of these efforts, Cosmo Oil also offers instructions and guidance to its dealers. In fiscal 2008, Cosmo Oil carried out approximately 100 surveys of soil and expended some ¥1 billion on soil preservation measures. The Group will continue to carry out soil surveys as required and conduct surveys at service stations with older types of equipment. Cosmo Oil expects to complete the surveys for all of its service stations in fiscal 2010.

Number of Soil Surveys at Service Stations Owned by Cosmo Oil

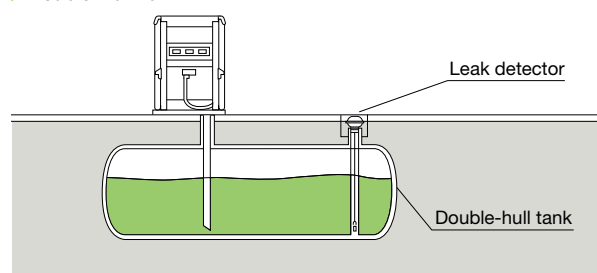


*Figures in prior years' reports included surveys in progress. In the current year's report, however, data has been recalculated to reflect the number of service stations for which surveys have been completed, and figures in 2007 and prior years have been restated according to these changes.

Early Detection of Soil Contamination at Service Stations and Preventative Measures

At its new service stations, the Cosmo Oil Group is proceeding with the installation of equipment and facilities that have an extremely low risk of leakage, including double-hull tanks that prevent oil leakage and plastic pipes that do not corrode. At older service stations, the Group is working to upgrade facilities and equipment by replacing and reinforcing pipe materials and using electrical anti-corrosion treatments.

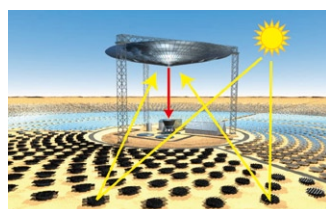
Double-Hull Tank



Lowering Environmental Impact with Next-Generation Energy

Experiments in Concentrated Solar Thermal Power Generation

Cosmo Oil has joined forces with the Abu Dhabi Future Energy Company (Masdar), a governmental organization of the UAE Emirate of Abu Dhabi, and the Tokyo Institute of Technology to develop concentrated solar thermal power generation technology. Experiments in Abu Dhabi utilizing beam-down solar concentrating technology developed by the Tokyo Institute of Technology are collecting massive amounts of data that will be crucial for designing large-scale commercial plants in the future. The goal of this project is to further reduce the cost of power generation.



Artist rendering of concentrated solar thermal power generation

Message

Leading the Way to Success in Concentrated Solar Thermal Power Generation



Hiroyuki Wada
Manager
Future Energy Group,
International Ventures
Department

We have faced a number of challenges in this project, which is our first foray into developing concentrated solar thermal power generation technology, and also a significant undertaking based outside of Japan. Nevertheless, like the solar-powered battery field, this area holds great promise for the future. We are working hard to solve technical problems as they arise to deliver as soon as possible this new technology, which represents a significant advance for Cosmo Oil and an even greater development for the environment.

Distribution Trials of Bio-Gasoline with Bio-ETBE

Aiming to reduce greenhouse gas, in fiscal 2007 Japan's petroleum industry launched a distribution demonstration project to offer trial sales of bio-gasoline,² a regular gasoline mixed with bio-ETBE. The trial was expanded in fiscal 2008 to involve 100 service stations, including nine owned by Cosmo Oil, in various cities in Japan such as Sendai and Osaka. The number of service stations involved continued to expand after the trial was complete, and a full-scale introduction of bio-gasoline is scheduled for fiscal 2010.

² Bio-gasoline: Used exactly as regular gasoline, bio-gasoline is a blend of regular gasoline and bio-ETBE, a compound substance of bio-ethanol derived from plants such as corn or sugarcane and the petroleum-based gas isobutene.

Hydrogen and Fuel Cells

As part of the Japan Hydrogen and Fuel Cell Demonstration Project,³ Cosmo Oil began operating the Yokohama-Daikoku Hydrogen Station in fiscal 2002. In fiscal 2008, the Group began 70 MPa replenishment experiments to increase the capacity for hydrogen replenishment, and is currently reviewing the possibility of a hydrogen supply infrastructure in the future. In the stationary fuel cell business, based on the results of a stationary fuel cell demonstration project carried out in fiscal 2005, Cosmo Oil intends to bring LPG fuel cell systems to the market in fiscal 2009, which will help reduce the typical household's CO₂ emissions.

³ Japan Hydrogen and Fuel Cell Demonstration Project: This project is supported by the Japanese Ministry of Economy, Trade and Industry and involves field testing of fuel cell-powered vehicles and hydrogen supply equipment.

Gas to Liquid (GTL) Technology

Cosmo Oil partnered with five other private sector companies to establish the Nippon GTL Technology Research Association, which is currently working with Japan Oil, Gas and Metals National Corporation to field test GTL technology.⁴



GTL demonstration plant

To conduct the testing, a GTL demonstration plant was completed in Niigata City in April 2009 and trial operations were launched. GTL is an effective technology for providing alternative fuel sources to petroleum and for manufacturing clean fuel. Through this testing and research, a unique Japanese GTL technology is expected to be developed and commercialized. As a participant in activities such as these, Cosmo Oil is working to achieve an optimum balance between securing energy supplies in the future and preserving the global environment.

⁴ GTL technology: This 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.

Environmental Accounting

The Cosmo Oil Group introduced environmental accounting in fiscal 2000 to ensure the effective implementation of environmental preservation measures. In fiscal 2008, the Group continued to employ this type of accounting to determine environmental preservation costs and benefits, as well as the economic effects of these measures.



Detailed information: Environmental accounting

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



Communicating with Society

The Cosmo Oil Group understands the value of communicating with society and takes the initiative in helping to develop the local communities in which it operates.

Working with Stakeholders

○ Stakeholders of the Cosmo Oil Group

The Cosmo Oil Group enjoys the support of a broad range of stakeholders as it expands its business of providing a stable supply of oil and energy. The Group is particularly connected to such stakeholders as customers, local communities, shareholders and investors, employees, oil-producing countries and global society.

▶ The Cosmo Oil Group Stakeholders



Customers

The Cosmo Oil Group works to deliver services that its customers value by listening to their suggestions for enhancing the level of services it offers and ensuring safety.

Local communities

As a member of the local communities in which it operates, the Cosmo Oil Group participates in grassroots activities such as cleanup campaigns and local events.

Shareholders and investors

The Cosmo Oil Group is committed to disclosing information to shareholders and investors in a timely manner, and to issuing its regular *C's Mail* shareholder report, annual report and other publications.

Employees

The Cosmo Oil Group bases all of its corporate activities on respect for human rights, and strives to create comfortable workplaces in which employees are free to express themselves.

Oil-producing countries

In its relations with oil-producing countries, the Cosmo Oil Group does not limit its activities to the purchase and sale of crude oil, but also strives to utilize its human resources and expertise to disseminate technology that preserves the environment and ensures safety.

Global society

The Cosmo Oil Group is focused on participating in international cooperation activities, including those aimed at curbing global warming, that contribute to sustainable growth for the entire international community.

WEB Detailed information: CSR Accounting (Economic value added generated and its distribution to stakeholders)
<http://www.cosmo-oil.co.jp/eng/csr/accounting/stakeholders.html>

Working with Shareholders and Investors

○ Basic Policy of Our IR Activities

The basic policy of our IR activities is to promote a deeper understanding of the Cosmo Oil Group and to build relationships of long-term mutual trust with shareholders and investors by providing appropriate and timely disclosure of our management philosophy and policies, financial condition, and business strategies.

○ IR Web Site Wins Awards

Cosmo Oil's IR Web site has been singled out for high praise. It has been selected by Daiwa Investor Relations Co. Ltd. as one of the Best IR Web Sites every year since 2003, and has received the Best Corporate Web Site award from Nikko Investor Relations Co., Ltd. every year since 2005.



○ SRI Information

In recent years, Socially Responsible Investment (SRI) has been gaining increasing attention. SRI refers to investments that enable investors to decide on which companies to invest in based not only on a company's financial performance but also taking into consideration whether that company fulfills its environmental and social responsibilities. Cosmo Oil has been included on the FTSE4 Good Global Index, an SRI index,¹ since March 2003, and the Morningstar Socially Responsible Investment Stock Price Index since July 2003.



FTSE4Good

¹ SRI Index: An index of selected companies that fulfill their social responsibilities in terms of social justice, ethics, environmental considerations and responsibility toward consumers, employees and local communities.

WEB Related information: Investor relations
<http://www.cosmo-oil.co.jp/eng/ir/index.html>

Working in Global Society

Overseas Technological Cooperation

The Cosmo Oil International Cooperation Center utilizes the public business training programs offered by the Japan Cooperation Center, Petroleum (JCCP). The center also strives to maintain and develop good relationships via technology exchanges with oil-producing and developing nations that also use such programs. These efforts have earned the center high praise from other countries.

Principal Activities in Fiscal 2008

A basic policy of the center is to strengthen technical relationships with oil-producing countries in the Middle East and countries in Asia. As part of this outreach, the center conducted surveys, held training sessions and dispatched technicians on a long-term basis to such countries in fiscal 2008.



Surveys

The center carried out surveys in Iran and Oman as part of a JCCP project to subsidize business costs related to petroleum refining technology in oil-producing countries.

Training

As part of its JCCP training, the Group accepted 13 trainees from and dispatched five instructors for training to 11 institutions in six countries—UAE, Qatar, China, Vietnam, Indonesia and Thailand.

Dispatching of technicians on a long-term basis

Technicians have been dispatched to engineering companies to support the operations of new equipment overseas.

International Technical Cooperation Activities in Fiscal 2008

Country	Description of technical support
UAE	Facility maintenance, oil-refining technology, retail sales management, and product quality management
Iran	Surveys on environmental preservation at refineries
Oman	Surveys on improving operation methods at refineries
Qatar	Energy conservation at refineries, environmental management, and LNG plant commissioning
Indonesia	Production/quality/environmental management of gasoline and high-quality automotive fuel
Thailand	Distribution, energy conservation, environment, and refinery quality-improving equipment commissioning
China	Environmental management, energy conservation, and quality management
Vietnam	Oil distribution system, and oil distribution management

Working with Local Communities

Chiba Refinery's Cosmo Forest Initiative

In April 2008, the Chiba Refinery reached an agreement to lease a tract of public woodlands in Ichihara City, naming it Cosmo Forest. The Group began maintenance on this natural urban greenbelt soon after the agreement. In September, the Cosmo Oil Group employees and their families cleared underbrush and participated in nature craft activities. In February and March 2009, the Group cut back branches, bamboo and other overgrowth, installed a wooden bridge and prepared for an environmental fieldtrip for local elementary school students to be held in fiscal 2009. The Cosmo Oil Group plans to continue utilizing this Cosmo Forest to foster communication with the local community through environmental education and other activities.



Cosmo Matsuyama Oil's Cosmo Forest Initiative

Cosmo Matsuyama Oil Co., Ltd. came to an agreement with Ehime Prefecture in fiscal 2007 to plant a Cosmo Forest. In fiscal 2007, the first year of the project, the company planted 40 cherry tree saplings and 45 Japanese maple tree saplings on the land. In fiscal 2008, current and retired employees got together in July and October to cut underbrush around the cherry and maple trees planted in the previous fiscal year. These activities foster greater communication between employees, and at the same time help to maintain a natural environment in the local community.



Local Cleanup Campaigns at Refineries

The Cosmo Oil Group organizes cleanup campaigns in the vicinity of its refineries, plants, the Research and Development Center, and offices. In June 2008, approximately 160 employees from the Yokkaichi Refinery and subsidiaries and affiliates worked together to clean up the Mitaki River. In the vicinity of the Sakaide Refinery, employees worked with employees from neighboring companies to clean roads and highways. The Group remains committed to these types of activities as a means of maintaining positive relationships with the local communities in which the Group operates.



Yokkaichi Refinery employees clean the Mitaki River.



Activities for Society and the Environment

The Cosmo Oil Group is engaged in activities that contribute to communities and conserve the environment as part of its commitment to realizing sustainable growth and an abundant society as a good corporate citizen.

Eco Card Fund Activities



Detailed information: Cosmo Oil Eco Card Fund activities
<http://www.cosmo-oil.co.jp/eng/envi/eco/index.html>

“Living with Our Planet” Projects (1) Supporting Sustainable Growth in Developing Countries



Inner Mongolia, an autonomous region in China, is facing rapid desertification. Cosmo Oil provides assistance for environmental education and planting sea buckthorns, a tree that can not only withstand dry climates and extreme temperatures but also provides significant economic value.



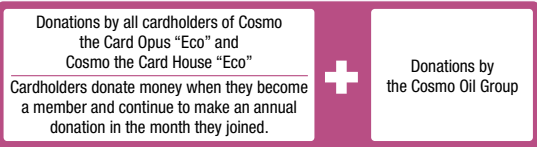
Aiming to preserve tropical rainforests and resolve underlying issues arising from poverty, Cosmo Oil provides assistance to help farmers in Papua New Guinea and the Solomon Islands switch from slash-and-burn farming techniques to cyclical organic farming on fixed plots of land.

“Living with Our Planet” Projects (2) Supporting Environmental Education for the Next Generation



Cosmo Oil provides support to environmental programs for elementary and junior high schools with an eye to increase the number of schools able to independently offer environmental education.

Cosmo Oil Eco Card Fund



Funds are used to run Living with Our Planet projects aimed at global environmental preservation.

Donations from customers and a portion of the Cosmo Oil Group’s revenues are used to help fund activities that contribute to the global environment in Japan and other countries. The Group provides assistance for a total of 12 projects that focus on preventing global warming and educating the next generation on the environment.

Spreading the Message on the Environment

Cosmo Earth Conscious Act



Cosmo Oil has formed a partnership with 38 radio stations affiliated with the Japan FM Network (JFN) Association, including Tokyo FM. This partnership aims to motivate citizens around the world to protect and preserve the global environment with Clean Campaigns, lectures by alpinist Ken Noguchi and other events.



Detailed information: Cosmo Earth Conscious Act
<http://www.tfm.co.jp/earth/concept/english.html>

Eco-Products 2008



Cosmo Oil operated a booth at Eco-Products 2008, Japan’s largest exhibition of environmentally friendly products. The Group’s booth featured the theme of environmental preservation and plants.

Activities Centered on Children, the Environment, and Society



Detailed information: Social Contribution Activities Report
http://www.cosmo-oil.co.jp/company/publish/sc_report/pdf/phil_report2009.pdf

Cosmo Waku Waku Camp



This nature camp is for children orphaned by traffic accidents, and has been run mainly by employee volunteers since 1993.

Art Program for Daddies and Kids



With the aim of supporting fathers' participation in childrearing, Cosmo Oil sponsors a workshop designed to encourage communication between fathers and their children through art. Operated with support from employee volunteers, the workshop was held around Japan in fiscal 2008 and featured Noppo-san, a Japanese actor and writer popular across generations in Japan.

Cosmo EkaKids



Cosmo EkaKids is a program for employees to volunteer at childcare institutions to bring joy to the children living in these facilities. Activities in fiscal 2008 included planting fruit, fishing and cooking up the fish that were caught.

Jazz Charity Concert



In collaboration with two non-profit organizations, Cosmo Oil co-sponsors a jazz charity concert held at a temple. The Company donates all admission proceeds to Family House, an NPO that supports children with intractable diseases and their families.

Natural Art Workshop for Children Christmas Card Project



Cosmo Oil sponsors an art workshop, which includes a Christmas card project, to give children firsthand experiences in nature. Children create cards based on the motifs of art pieces created at the workshop, write holiday messages and send them to children who are hospitalized.

Support for Arts and Culture

Ballet for Junior High Students at the New National Theatre



Cosmo Oil sponsors a ballet appreciation program for junior high school students. In 2008, about 1,200 students from schools near Cosmo Oil refineries participated. They received an introduction to the highlights of ballet and the etiquette observed at the theater prior to the performance.



Integrity in Corporate Practices

The Cosmo Oil Group will continue acting with integrity toward global society, sensibly conducting its corporate practices as a responsible corporate citizen.

Corporate Governance

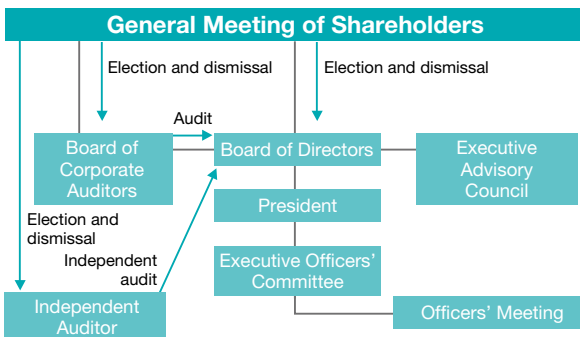
Initiatives in Corporate Governance

In line with the Cosmo Oil Group Management Vision and Code of Conduct, the Group works to raise management transparency and efficiency, rapidly execute business, and implement thorough risk management and compliance in order to ensure maximum satisfaction for all stakeholders.

To facilitate good corporate governance, Cosmo Oil has adopted a corporate auditor system, under which the three distinct functions of management decision-making and supervision, execution of business duties, and evaluation of directors' performance are separated according to the Board of Directors, Executive Officers' Committee and Executive Advisory Council, respectively. The corporate auditors enhance their supervisory function by attending important management meetings such as those of the Board of Directors.

WEB Detailed information: Corporate Governance/CSR in the Annual Report (pdf file)
http://www.cosmo-oil.co.jp/eng/ir/annual/annual2009/pdf/annual2009e_08_1.pdf

Corporate Governance Structure



Internal Control System



Approach to Internal Control

The Cosmo Oil Group maintains various management systems, including a system for facilitating the proper execution of duties by directors and employees, a support system for risk management and internal audits, and a system to ensure the efficient execution of audits by corporate auditors.

CSR Promotion Committee

Under the direct supervision of the president, the CSR Promotion Committee handles all activities related to Group-wide CSR and internal control. The Committee also oversees six committees: the Corporate Ethics Committee, Risk Management Committee, Comprehensive Safety Action Headquarters Committee, Global Environment Committee, Human Rights Committee, and Quality Assurance Committee. The CSR Promotion Liaison Meeting was held to ensure that CSR management information is shared in a timely manner with subsidiaries and affiliates.

CSR Status Survey

To promote CSR management, the Group conducted its CSR Status Survey in March 2009, surveying executives and employees at 20 Group companies. First carried out in the previous fiscal year, the poll is designed to identify areas requiring improvement and to measure the results of previous initiatives. Respondents remained anonymous and an outside organization collected the surveys, thereby ensuring a high response rate of 97% (a total of 4,567 responses). Outside experts analyzed the results and concluded that the level of employees' understanding of the Cosmo Oil Group Code of Conduct, which was comprehensively revised in fiscal 2008, had significantly increased. The results of the survey will be incorporated into initiatives designed to further enhance CSR management.

Revisions to the Cosmo Oil Group Code of Conduct

In October 2008, the Cosmo Oil Group undertook a comprehensive revision of the Cosmo Oil Group Code of Conduct, a principal element in its CSR management. The revisions were designed to realign the Code with the Management Vision, incorporate additional items that respond to new societal demands on corporations, and encourage individual employees to emphasize CSR management in their day-to-day duties.



WEB Detailed information: Cosmo Oil Group Code of Conduct
<http://www.cosmo-oil.co.jp/eng/company/guideline.html>

Promotion of Compliance

Corporate Ethics Promotion Structure

The Cosmo Oil Group established its Corporate Ethics Committee, chaired by the director in charge of general affairs, to determine, promote, implement, and monitor results of the basic corporate ethics guidelines. In order to ensure full compliance at refineries, the Group formed a refinery compliance committee at each of its refineries, chaired by the general manager of the respective refinery, to function under the Corporate Ethics Committee. To supplement the management activities of the Corporate Ethics Committee, the Company established the Cosmo Oil Group Corporate Ethics Promotion Office and the Corporate Ethics Consultation Helpline within it.

Corporate Ethics Promotion Structure



Corporate Ethics Consultation Helpline

The Cosmo Oil Group has set up helplines by which employees or persons outside the Group can discuss or report legal or ethical problems concerning Group operations or other related matters. In addition to a helpline within the Corporate Ethics Promotion Office, another helpline staffed by external experts was established to assure callers' anonymity and guard against any adverse repercussions. In fiscal 2008, two consultation cases were received and promptly addressed. Furthermore, Cosmo Oil has set up a consultation helpline within the Personnel Department to respond to reports of sexual or power harassment.

Corporate Ethics Training

The Cosmo Oil Group conducts annual corporate ethics training for Group employees. In addition to training according to job level, training sessions are led by the general managers of offices and departments and the presidents of Group companies. In fiscal 2008, training focused on instilling greater awareness of compliance issues by covering the content of the revised Cosmo Oil Group Code of Conduct.



Corporate Ethics Training

Risk Management System

The Cosmo Oil Group has established the Risk Management Committee, and has been implementing a cyclical process to identify and categorize risk, consider and implement countermeasures, and evaluate the results of monitoring. As a business involved in supporting social infrastructure, in fiscal 2008 the Company devised countermeasures to deal with a major earthquake in the Tokyo Metropolitan area and an outbreak of a new strain of influenza. Implementation committees and businesses throughout the Group are studying and formulating appropriate responses to particular risks.

Countermeasures for Earthquakes and New Strains of Influenza

As part of its preparations for responding to a major earthquake in the Tokyo Metropolitan area, the Cosmo Oil Group conducted its second real-time simulation drill based on the scenario of an earthquake epicentered in northern Tokyo Bay with a magnitude of 7.3 or higher. The Group will continue to conduct comprehensive training under its Business Continuity Plan (BCP), incorporating the results of this drill from fiscal 2009.

The Cosmo Oil Group is introducing a number of initiatives to deal with new influenza strains, and developed its Action Plan to Deal with New Influenzas in July 2007. The Group is also formulating a BCP, with an initial draft planned for fiscal 2009, incorporating basic manuals, employee guidelines, and division manuals, and has also introduced a tele-



Real-time simulation training held for the second time

New Influenza Task Force

In response to the confirmed outbreak of the type A(H1N1) influenza virus (swine flu) in the United States and Mexico and the subsequent spread of the virus to countries around the world, the Japanese government established the Headquarters for Countermeasures against Pandemic Influenza. The Cosmo Oil Group also established its New Influenza Task Force on April 28, 2009, with the president acting as head. The Task Force reviewed the Group's emergency contact system and operation schedule, and directed employees to refrain from traveling overseas for business or pleasure. It also gathered data on infection from employees in and outside of Japan, encouraged the use of surgical masks, issued reminders on measures to prevent the spread of the virus such as proper etiquette when coughing or sneezing, and developed purchase plans for the goods required to respond to an influenza outbreak.

Workplaces That Encourage Employee Opinions Put CSR into Practice

As part of its approach to promoting CSR management that accurately reflects current trends and issues, the Cosmo Oil Group is committed to dialogue with external stakeholders. Kanji Tanimoto, professor at the Hitotsubashi University Graduate School of Commerce and Management and a pioneer in CSR research, sat down with Hideto Matsumura, managing director in charge of CSR, and Kunihiro Shoda, general manager of the Corporate Communication Department, to offer his opinions and suggestions for the Cosmo Oil Group's approach to CSR management.

CSR as Part of Corporate Management Spanning the Entire Supply Chain

Tanimoto: The oil industry provides the lifeblood of all industries, and its influence is immeasurable. Delivering oil safely, smoothly and without incident to the consumer is the Cosmo Oil Group's mission and social responsibility. There are now expectations globally for management to place as much emphasis on environmental considerations, human rights, labor issues, and building relationships with local communities as it does on ensuring a stable, secure, and safe supply of oil.

Matsumura: Yes, that is exactly right.

Tanimoto: For these reasons, I believe it is important to create corporate value from a CSR standpoint throughout the industry's extremely long supply chain, spanning from crude oil development through refining, distribution and sales.

Matsumura: Yes, that is true. In order for the Cosmo Oil Group to ensure that we operate safely and secure a stable oil supply, as well as to satisfy society's demands that we take care of the global environment, respect human rights and coexist with local communities, it is important that we optimize the entire supply chain through CSR management, not just certain parts of it.

Tanimoto: Optimizing from a CSR standpoint means re-evaluating management based on the type of company you plan to be, or aspire to be, in the future. I believe this is a concept with both medium- and long-term implications with regard to reinforcing the Group's foundations.

Matsumura: Last year we drafted our Second Consolidated Medium-Term CSR Management Plan and established the CSR Promotion Committee, headed by the president, as part of creating a structure to promote such CSR-related issues as the environment, safety, and corporate ethics. The CSR Promotion Committee oversees activities across the entire Group to ensure that the activities of all our organizations run smoothly.

Tanimoto: In addition to the Consolidated Medium-Term Management Plan, Cosmo Oil takes a Group-wide approach by drawing up medium-term plans for CSR. It seems that the Group's financial objectives are driven by a desire to build trust in management.

Establishing the Code of Conduct and Stakeholder Engagement

Shoda: In October of last year, we undertook a comprehensive revision of the Cosmo Oil Code of Conduct, which had been in place since 2003, as part of our approach to CSR activities throughout the entire Group. The Code was revised to encourage individual employees to take it upon themselves to put CSR into practice in their own workplace.

Tanimoto: In CSR, there are trends in Japan along with global trends. It is extremely important, in fact fundamental, to revise the Code of Conduct to reflect such changes in social demands.

Shoda: The same is true of our objective to transform our CSR philosophy into concrete actions. In the Employee Status Survey, there were employees who responded, "I don't understand how it applies to actual conditions" to questions about the Code of Conduct.

Tanimoto: We protect our company and ourselves when we understand and put into practice guidelines for conduct and compliance, but there is really no point unless every employee comprehends and puts these guidelines into practice. Because employees are also stakeholders in a company, it is essential that their opinions are heard and addressed. "Stakeholder engagement" will undoubtedly become a key concept in the future. There are a variety of ways in which a company communicates with its stakeholders, and I think it's important to be careful to use the appropriate way at the right time.

Matsumura: It would be better if communication with stakeholders were not limited to a given workplace, but rather the Corporate Communication Department or management as a whole could present the opinions of stakeholders to the entire Group.

Tanimoto: I agree. One possibility is to bring people from the local community, NGOs, and experts together in order



Kanji Tanimoto

Professor,
Graduate School of Commerce
and Management, Hitotsubashi
University

Profile

Born in Osaka, Japan in 1955, Kanji Tanimoto graduated from the Osaka City University Faculty of Business, and then earned a PhD from the Graduate School of Business Administration at Kobe University. He joined Hitotsubashi University as a professor in the Faculty of Commerce and Management in 1997, and has occupied his current position since 2000.



to hear what they have to say in regard to specific issues. Another possibility is to survey customers and shareholders about specific issues. In any case, the question will be how stakeholders' opinions on each issue are addressed, as well as how feedback is incorporated within the Group.

Shoda: Since the accident in 2006, the Corporate Communication Department has worked hard to convey the Group's policies to various stakeholders. And for that reason, we have been very careful in how we handle information coming from the workplace.

Matsumura: Straightforward and sincere responses are important in this context.

Shoda: It is the role of the Corporate Communication Department to gather suggestions for how the Group and management can most appropriately deal with incidents that occur. If the Department is known as the place in the Group to come for consultations, then we will receive more information and be able to create a virtuous cycle.

Tanimoto: The issue of how opinions from outside and from within the Group are incorporated into daily management and business practices becomes important.

Communication between Individuals as the Foundation for CSR

Tanimoto: I think that, in addition to the maintenance of structure and systems, the roles of the individual and of the organization become all the more important to putting CSR management into practice. For example, even if there are regulations to prevent long work hours and a system for taking holidays in place, these systems lose their purpose if a company does not provide concrete support in the workplace to make it easy for employees to take days off.

Matsumura: As you correctly point out, I also believe a shared understanding in the workplace and a practical management approach is important in this instance.

Tanimoto: I believe the most important factor in these cases is communication within the organization. If the

atmosphere in the workplace is open and employees are able to freely share their opinions without being inhibited by concerns about age, gender or status differences, I think that open and frank discussions will take place and violations of codes of conduct, laws and regulations will no longer be ignored.

Matsumura: I would like to see the creation of workplace environments that motivate everyone to work with a positive attitude. This would also include a change of awareness at the management level.

Tanimoto: I think that the starting point is encouraging communication within each department, then throughout the entire Group and finally with those outside of it. This can foster an organic organization built on mutual understanding, which is important in promoting CSR management.

Shoda: It really is all about communication between people, isn't it? The Cosmo Oil Group supply chain includes Group companies and affiliates, and with a variety of employees working at each, it is not always easy to increase mutual understanding across the entire chain. However, I think we in the Corporate Communication Department need to take the lead in encouraging communication between those in each of the organizations and workplaces and those in the Head Office.

Matsumura: This discussion affirms that we are not mistaken in our basic policy on CSR and the way we have developed our systems. You have, however, offered a valuable lesson by pointing out that, even with our progress on putting structures and systems into place, instituting CSR management ultimately comes down to the organizations and individuals at each workplace. For us to continue to be a corporate group that society trusts and expects much from, we must continue to work hard to put CSR management into practice. Thank you so much for taking the time to share your insights with us today.



Hideto Matsumura

Managing Director in charge of CSR



Kunihiko Shoda

General Manager,
Corporate Communication Department

Sustainability Report 2009 and the Web Site

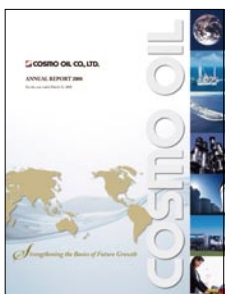
The Cosmo Oil Group releases its annual Sustainability Report to promote greater understanding of its CSR activities. The Group also publishes detailed information on the official Cosmo Oil Web site, featuring information on CSR, environmental activities, social contribution activities, and investor relations. The Group is committed to making information available to the public and enhancing Web site content.

Items in this report marked “**WEB**” detailed information” and “**WEB**” related information” are featured on the official Cosmo Oil Web site. The CSR Web site also includes links to PDF versions of reports that are available to the public. Click on the link to access the relevant detailed or related information.

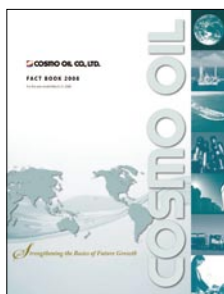
- WEB** Detailed information: CSR page
<http://www.cosmo-oil.co.jp/eng/csr/sustain/index.html>
- WEB** Detailed information: Environmental activities page
<http://www.cosmo-oil.co.jp/eng/envi/vision/index.html>
- WEB** Detailed information: Investor Relations page
<http://www.cosmo-oil.co.jp/eng/ir/index.html>

Other Publications

In addition to the Sustainability Report, the following publications are also available on the Cosmo Oil Web site, where they can be viewed or downloaded.



Annual Report / Fact Book



WEB Detailed information: Annual Report / Fact Book
<http://www.cosmo-oil.co.jp/eng/ir/annual/index.html>



Cosmo Oil Eco Card Fund Activity Report

WEB Detailed information: Cosmo Oil Eco Card Fund Activity Report
<http://www.cosmo-oil.co.jp/eng/envi/ecoreport/index.html>



Social Contribution Activities Report

WEB Detailed information: Social Contribution Activities Report
http://www.cosmo-oil.co.jp/company/publish/sc_report/pdf/phil_report2009.pdf

Independent Assurance Report



Independent Assurance Report

To the Board of Directors of Cosmo Oil Co., Ltd.,

1. Purpose and Scope of our Review

We have been engaged by Cosmo Oil Co., Ltd. ("the Company") to perform limited assurance procedures on the Company's Sustainability Report 2009 ("the Report") for the fiscal year ended March 31, 2009. The purpose of our assurance engagement was to express our conclusion, based on our assurance procedures, on whether:

- the environmental, social and economic performance indicators ("the Indicators") for the period from April 1, 2008 to March 31, 2009 included in the Report are fairly generated, aggregated and reported, in all material respects, in accordance with the Company's reporting standards; and
- the Company's self-declaration on the Global Reporting Initiative ("the GRI") application level conforms to the application level criteria stipulated by the GRI.

The content of the Report is the responsibility of the Company's management. Our responsibility is to express our conclusion to the Company, based on our independent assurance engagement.

2. Criteria

The Company applies its own reporting standards, derived, among others, from Sustainability Reporting Guidelines 2006 of the GRI and Environmental Reporting Guidelines 2007 of the Ministry of the Environment. We used these standards as the criteria for evaluating the Indicators. A major part of the Company's reporting standards is described in the Report.

3. Procedures Performed

We conducted our engagement in accordance with the Practical Guidelines of Sustainability Information Assurance (revised February 2008) issued by the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS"). We have performed the following review procedures:

- Interviewed the Company's responsible personnel to obtain an understanding of the Company's policy for the preparation of the Report.
- Reviewed the Company's reporting standards.
- Obtained an understanding of the systems used to generate, aggregate and report the Indicators, and of the internal controls at corporate and site level.
- Performed an analytical review of the Indicators aggregated at corporate level.
- Examined, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting standards, and also recalculated the Indicators.
- Made an on-site inspection of the Yokkaichi Refinery.
- Evaluated the Company's self-declared GRI application level against the application level criteria.
- Evaluated the overall statement in which the Indicators are expressed.

4. Conclusion

Based on our review, nothing has come to our attention that causes us to believe that:

- the Indicators in the Report are not fairly generated, aggregated and reported, in all material respects, in accordance with the Company's reporting standards; and
- the Company's self-declaration on the GRI application level does not conform to the application level criteria.

5. Independence

We have no conflict of interest relationships with the Company that are specified in the Code of Ethics of J-SUS.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 14, 2009

GRI Content Index

The Cosmo Oil Group has prepared this report using the *GRI Sustainability Reporting Guidelines 2006*. Cosmo Oil self-declares that this report achieves a GRI Application Level B+ to clearly indicate to its readers the extent to which elements of the GRI Guidelines framework were applied in preparing this report.

KPMG AZSA Sustainability Co., Ltd. provides assurance on the self-declared application level as well as the performance indicators disclosed in this report.

•GRI Guidelines are a set of guidelines developed by the Global Reporting Initiative, an international non-profit organization working in close collaboration with the United Nations Environment Programme. It provides a framework for reporting on an organization's economic, environmental and social performance.



This report is aligned with the *GRI Sustainability Reporting Guidelines 2006* at an application level of B+.

Report Application Level	C	C+	B	B+	A	A+	
Standard Disclosures	G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 – 2.10 3.1 – 3.8, 3.10 – 3.12 4.1 – 4.4, 4.14 – 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 – 4.13, 4.16 – 4.17	Report Externally Assured	Same as requirement for Level B	
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category			Management Approach disclosed for each Indicator Category
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.			Respond on each core G3 and Sector Supplement indicator with due regard to the materiality principle by either: a) reporting on the indicator or b) explaining the reason for its omission.
						Report Externally Assured	

GRI Sustainability Reporting Guidelines 2006

Item	Indicator	Location
1. Strategy and Analysis		
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	P7 – 8
1.2	Description of key impacts, risks, and opportunities.	P19 – 20, P39 – 40 P6 ► web (Annual Report)
2. Organizational Profile		
2.1	Name of the organization.	P3
2.2	Primary brands, products, and/or services.	P5 – 6
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	P5 – 6
2.4	Location of organization's headquarters.	P3
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	P4
2.6	Nature of ownership and legal form.	P3 – 4 P6 ► web (Annual Report)
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	P6 ► web (Annual Report)
2.8	Scale of the reporting organization, including: Number of employees; Net sales (for private sector organizations) or net revenues (for public sector organizations); Total capitalization broken down in terms of debt and equity (for private sector organizations); and Quantity of products or services provided.	P3 – 4, P25 P3 ► web (Annual Report)
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: The location of, or changes in operations, including facility openings, closings, and expansions; and Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	N.A.
2.10	Awards received in the reporting period.	P35
3. Report Parameters		
Report Profile		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	P2

Item	Indicator	Location
3.2	Date of most recent previous report (if any).	P2
3.3	Reporting cycle (annual, biennial, etc.)	P2
3.4	Contact point for questions regarding the report or its contents.	P2
Report Scope and Boundary		
3.5	Process for defining report content, including: Determining materiality; Prioritizing topics within the report; and Identifying stakeholders the organization expects to use the report.	P2
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	P2
3.7	State any specific limitations on the scope or boundary of the report.	P2, P13 – 14, P23 – 34
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	P2
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	P29 – 30, P31 P34 ► web (Environmental Accounting)
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, measurement methods).	P31, P33
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	P2
GRI Content Index		
3.12	Table identifying the location of the Standard Disclosures in the report.	P45 – 46
Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	P44
4. Governance, Commitments, and Engagement		
Governance		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	P39 ► P39 web (Corporate Governance/ CSR in the Annual Report)

Item	Indicator	Location
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	P39 P39 ►web (Corporate Governance/ CSR in the Annual Report)
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	P39 ►web (Corporate Governance/ CSR in the Annual Report)
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	P39 ►web (Corporate Governance/ CSR in the Annual Report)
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	P39 P39 ►web (Corporate Governance/ CSR in the Annual Report)
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	P39 P39 ►web (Corporate Governance/ CSR in the Annual Report)
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	P39 ►web (Corporate Governance/ CSR in the Annual Report)
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	P17 – 18, P19 – 20, P39 – 40
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	P39 ►web (Corporate Governance/ CSR in the Annual Report)
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	P39
Commitments To External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	P27 – 34 P25 ►web (The United Nations Global Compact Initiatives)
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	P25 P25 ►web (The United Nations Global Compact Initiatives)
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership dues; or Views membership as strategic.	P6 ►web (Industrial associations and advocacy organizations with membership)
Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organization.	P35
4.15	Basis for identification and selection of stakeholders with whom to engage.	P35
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	P2, P21 – 22, P25 – 26, P35 – 36
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	P12, P21 – 22, P25 – 26, P35 – 36, P41 – 42
5. Management Approach and Performance Indicators		
Economic		
	Disclosure on Management Approach	P19 – 20
Economic Performance Indicators		
Aspect: Economic Performance		
EC1 CORE	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	P3 P35 ►web (CSR Accounting)
Environmental		
	Disclosure on Management Approach	P27 – 28
Environmental Performance Indicators		
Aspect: Materials		
EN1 CORE	Materials used by weight or volume.	P29 – 30
Aspect: Energy		
EN3 CORE	Direct energy consumption by primary energy source.	P29 – 30
EN4 CORE	Indirect energy consumption by primary source.	P29 – 30
EN6 ADD	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	P31 – 32
EN7 ADD	Initiatives to reduce indirect energy consumption and reductions achieved.	P31 – 32

Item	Indicator	Location
Aspect: Water		
EN8 CORE	Total water withdrawal by source.	P29 – 30
Aspect: Emissions, Effluents, and Waste		
EN16 CORE	Total direct and indirect greenhouse gas emissions by weight.	P29 – 30, P31 – 32
EN17 CORE	Other relevant indirect greenhouse gas emissions by weight.	P29 – 30
EN18 ADD	Initiatives to reduce greenhouse gas emissions and reductions achieved.	P31 – 32
EN20 CORE	NO, SO, and other significant air emissions by type and weight.	P29 – 30
EN21 CORE	Total water discharge by quality and destination.	P29 – 30
EN22 CORE	Total weight of waste by type and disposal method.	P29 – 30, P33
Aspect: Products and Services		
EN26 CORE	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	P29 – 30, P31 – 32, P33 – 34 P34 ►web (Environmental Accounting)
Aspect: Transport		
EN29 ADD	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	P29 – 30, P31 – 32
Aspect: Overall		
EN30 ADD	Total environmental protection expenditures and investments by type.	P34 ►web (Environmental Accounting)
Labor Practices and Decent Work		
	Disclosure on Management Approach	P25
Labor Practices and Decent Work Performance Indicators		
Aspect: Labor/Management Relations		
LA4 ADD	Percentage of employees covered by collective bargaining agreements.	P25
Aspect: Occupational Health and Safety		
LA8 CORE	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	P26
LA9 ADD	Health and safety topics covered in formal agreements with trade unions.	P25 ►web (Consolidated Medium-Term Human Rights/ Personnel Plan)
Aspect: Training and Education		
LA10 CORE	Average hours of training per year per employee by employee category.	P25 ►web (Consolidated Medium-Term Human Rights/ Personnel Plan)
LA11 ADD	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	P25 – 26 P25 ►web (Consolidated Medium-Term Human Rights/ Personnel Plan)
Human Rights		
	Disclosure on Management Approach	P25 – 26
Human Rights Performance Indicators		
Aspect: Investment and Procurement Practices		
HR3 ADD	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	P25 ►web (Consolidated Medium-Term Human Rights/ Personnel Plan)
Aspect: Freedom of Association and Collective Bargaining		
HR5 ADD	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	P25 ►web (The United Nations Global Compact Initiatives)
Aspect: Child Labor		
HR6 ADD	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	P25 ►web (The United Nations Global Compact Initiatives)
Aspect: Forced and Compulsory Labor		
HR7 CORE	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	P25 ►web (The United Nations Global Compact Initiatives)
Society		
	Disclosure on Management Approach	P39 – 40
Society Performance Indicators		
Aspect: Corruption		
SO2 CORE	Percentage and total number of business units analyzed for risks related to corruption.	P39
Product Responsibility		
	Disclosure on Management Approach	P21 – 22, P40
Product Responsibility Performance Indicators		
Aspect: Product and Service Labeling		
PR5 ADD	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	P9 – 12, P21 – 22



COSMO OIL CO., LTD.



- This report is printed on paper certified by the Forest Stewardship Council (FSC), indicating that trees were from responsibly managed forests.
- This report is printed using soy ink and an environmentally friendly waterless printing process.
- This report is designed for easy readability regardless of individual differences in color vision.

Printed in Japan