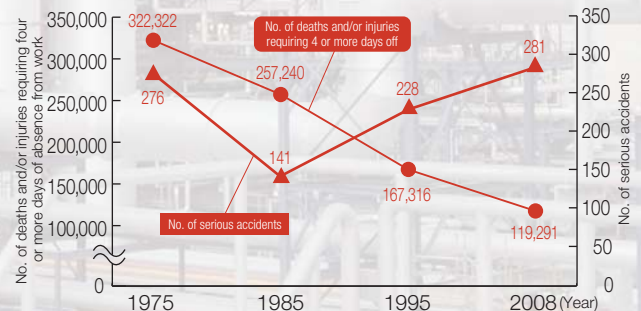


The Cosmo Oil Group is united in its efforts to prevent accidents and reach its zero-accident goal.

Statistical Glance at Society

The increasing diversification and complexity of production lines in recent years has led to an expanded range of causes for work-related injuries and deaths. Based on the 11th Industrial Accident Prevention Plan (2008–2012) adopted by the Ministry of Health, Labour and Welfare, companies in Japan are required to initiate efforts to raise levels of operational health and safety. Although these efforts have lowered the number of work-related deaths and injuries that result in four or more days of leave taken at workplaces in Japan, there are still more than 100,000 such injuries a year. The number of serious accidents (involving three or more simultaneous employee injuries) is rising, and reducing this figure has become a matter of great urgency.

Shift in Work-Related Injuries



Source: Health, Labour and Welfare White Paper 2009 (Ministry of Health, Labour and Welfare)

Working in Harmony with Society; Securing Steady Energy Supplies through Safe Operations

To achieve a record of zero accidents, it is essential to secure technologies and equipment for preventing accidents, maintain safety management systems, and promote a strong awareness of accident prevention among all employees. The Cosmo Oil Group verifies current safety measures and activities daily to ensure preparedness at all times and safety in extenuating circumstances. It also works to build a more advanced system based on the following three perspectives.

First, the Group focuses on creating an environment in which compliance with safety-related laws and regulations, such as the Act on the Prevention of Disaster in Petroleum Industrial Complexes and Other Petroleum Facilities, is maintained in order to prevent accidents and work-related injuries. The Group works closely with business partners in managing safety, and incorporates the most appropriate and flexible accident prevention measures available for all of its business activities from oil exploration and production through product sales.

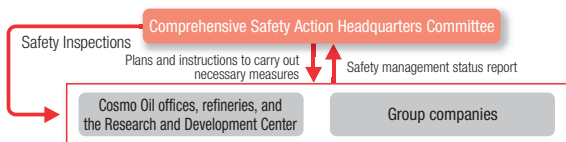
Second, the Group has put emergency management procedures in place to minimize injuries resulting from an accident or disaster situation. The highest priority is placed on protecting human life, while relevant organizations are to be immediately contacted in an appropriate manner and provided with all necessary information.

Third, the Group undertakes extensive safety education and training to ensure safe operation. Group safety education includes training in, and raising awareness of, safety measures and safety-related technologies; emergency drills to facilitate a swift, appropriate response when accidents occur; and safety improvements and recommendations not only for Group companies, but also business partners. Safety measures are never considered complete. The Cosmo Oil Group is constantly expanding and improving the measures it takes to ensure safety.

Building a Group-Wide Safety Management System

The Cosmo Oil Group has established the Comprehensive Safety Action Headquarters Committee to manage safety throughout the entire Group. The Committee reviews and coordinates important matters related to safety management at regular meetings each year and verifies the status of safety management 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



Safety Management in Ground Transportation

The Cosmo Oil distribution division is committed to maintaining a safety management system with contracted ground shipment service providers who aim to establish their own independent safety systems. In fiscal 2009, Cosmo Delivery Service Co., Ltd. audited the operations of contracted shipment service providers with large warehouses and verified the precision of their shipping practices. In fiscal 2010, auditing will be implemented at all contracted shipment service providers in succession. Truck drivers who maintain a zero-accident record and contracted ground transportation companies with perfect records are recognized each year with an award from Cosmo Oil. These awards are designed to help raise awareness of safe ground transportation as well as eliminate accidents.

Second Consolidated Medium-Term Safety Plan

Since fiscal 2005, the Cosmo Oil Group has made a practice of putting together the Consolidated Medium-Term Safety Plan on a three-year basis. Under the Plan, the Group implements initiatives for each stage of business from production through distribution and sales, as well as for engineering and other departments.

Fiscal 2009 Initiatives and Results under the Second Consolidated Medium-Term Safety Plan

| Second Consolidated Medium-Term Safety Plan | Divisions | Accident Reduction Targets | Fiscal 2009 Initiatives and Results | Achievement of Goal ¹ |
|--|--|---|--|---|
| | Refining and manufacturing | 4 refineries and Cosmo Matsuyama Oil Co., Ltd. | • Reduce unsafe and failure incidents by 90% or more from the benchmark year ² by 2010 (meaning 11 or less incidents) | • Unsafe and failure incidents: 126 (12% reduction from 2008 results) |
| Cosmo Oil Lubricants Co., Ltd. (manufacturer of lubricating oil) | | • Zero work-related injuries • Reduce accidents/incidents by 30% over previous year | • Work-related injuries: 1 • 6% reduction in accidents/incidents over previous year (15 in 2009, 16 in 2008) | △ |
| Cosmo Petroleum Gas Co., Ltd. (LPG storage/delivery) | | • Maintain zero accidents/incidents | • Zero accidents/incidents | ○ |
| 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: 6 • Near-miss accident reports: 20,000 | △ |
| | Cosmo Kaiun Co., Ltd. (sea shipments) | • Maintain zero accidents involving marine oil spills/ships run aground • Reduce equipment failure to 50% of benchmark year (2008) | • Marine oil spills: 2; ships run aground: 0 • 47% reduction in equipment failures (8 in 2009, 15 in 2008) | △ |
| | Oil depots | • Maintain zero work-related injuries • Limit the number of fires/oil spills to less than 2 incidents per year | • Zero work-related injuries • Fire: 0; oil spill: 1 | ○ |
| Sales and other operations | Sales Support Department | • Maintain zero work-related injuries in service station construction | • Zero work-related injuries | ○ |
| | Project Development Department (co-generation, etc.) | • Achieve target of no more than 1 accident a year during Second Consolidated Medium-Term Safety Plan | • Accidents: 1 (0 in 2008) | ○ |
| | Research and Development Center | • Maintain zero work-related injuries • Reduce number of accidents/incidents | • Work-related injuries: 2 • Accidents/incidents increased ³ by 4 over previous year (54 in 2009, 50 in 2008) | △ |
| | Cosmo Engineering Co., Ltd. | • Steadily reduce work-related injuries to zero | • Work-related injuries: 31* (14 in 2008) | △ |

1. Evaluation includes qualitative performance. 2. The benchmark year is September 2006 to August 2007. 3. The number of electrical system incidents associated with aging equipment and facilities increased. The increase can also be attributed to the inclusion of all minor incidents, as well. 4. Twenty-eight of the 31 injuries occurred at companies with whom Cosmo Oil maintains business partnerships.

Promoting Change 21 Activities

Cosmo Oil refineries and Cosmo Matsuyama Oil Co., Ltd. have incorporated the Group's Change 21 Activities under the ultimate aim of achieving and maintaining zero accidents. These activities set a target of reducing the number of unsafe and failure incidents¹ by 90% or more by 2010² compared to the benchmark year.³ In 2009, there were 126 unsafe and failure incidents, an approximate 12% reduction from the 143 incidents⁴ in 2008.

While taking every safety precaution, an employee at the Chiba Refinery fell to his death in a tragic accident on June 19, 2010. The Cosmo Oil Group takes this incident extremely seriously, and in reviewing its operations, places the highest priority on safety in order to prevent this type of accident from reoccurring. The Group is taking steps to make sure that each and every employee is vigilant in regard to accident prevention. The Cosmo Oil Group considers safety to be its most important duty and will continue to implement initiatives to improve safety levels and achieve a record of zero accidents.

Number of Unsafe and Failure Incidents

| | 2009 | 2008 ² | Benchmark year ³ |
|---|------|-------------------|-----------------------------|
| Unsafe and failure incidents ¹ | 126 | 143 | 110 |
| Extraordinary accidents (as defined by law) | 16 | 14 | 21 |

- "Unsafe and failure incidents," as defined by the Cosmo Oil Group, include the following: extraordinary accidents as defined by the Act on the Prevention of Disaster in Petroleum Industrial Complexes and Other Petroleum Facilities; trouble and failures that do not rise to the level of extraordinary accidents; leaks of non-toxic substances (industrial water, steam, etc.); and work-related injuries that require days off of work. The Group is taking steps to achieve and maintain a record of zero accidents by reducing unsafe and failure incidents.
- Activities under the Second Consolidated Medium-Term Safety Plan, including Change 21 Activities, are based on a calendar year rather than a fiscal year.
- Sept. 2006 to Aug. 2007
- The number of incidents in 2008 includes an additional incident that was verified after the *Cosmo Oil Group Sustainability Report 2009* had been published in November 2009.

Launched in fiscal 2008, the Second Consolidated Medium-Term Safety Plan was designed to improve safety based on a vision of "diligently promoting a zero-accident record and initiatives with the aim of building a safe and secure Cosmo Oil Group that is a source of employee pride and trusted by society."

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

1 Live up to customer expectations concerning reliability and satisfaction

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

3 We value people

4 We take care of the global environment

5 We value communications with society

6 We strive to maintain our position as an honest company