

## External Review

Amid a severe operating environment, the Cosmo Oil Group undertook a review of business operations by launching its Fourth Consolidated Medium-Term Management Plan one year ahead of schedule. While proceeding with drastic streamlining and setting aggressive business strategies, it also focused on CSR efforts, bringing about the early formulation of the Third Consolidated Medium-Term CSR Management Plan (2010–2012). The Group must be highly commended not only for defining the philosophies and action guidelines of its CSR management, but also for the consecutive formulation of CSR plans in line with successive management plans since fiscal 2005.

The Third Consolidated Medium-Term CSR Management Plan was fundamentally formulated on the five-pillar pattern set out in the Second Consolidated Medium-Term Management Plan. Under the latest plan, the Group is working toward strengthening the CSR promotion structure and promoting communication activities with society, in addition to the specific areas of safety management, human rights and personnel, and environmental initiatives. Evident in its March 2010 settlement of accounts and securities filing reports as well as its president's statements in last year's annual report and the *Corporate Report 2010*, "business management capable of performing corporate social responsibility" and "enhancement of its earnings base" are dually vital to Cosmo Oil management. While the Cosmo Oil Group declares that the medium-term management and CSR management plans exist in parallel, this relationship, however, is not always made clear. I believe Cosmo Oil needs to provide the Group, internally, with a more concrete understanding of this relationship and moreover make it a part of its management system. Also, assuming the overall management goal is to "maximize corporate value," how does the improvement of non-financial performance elements, particularly environmental, social and governance components, lead to strengthening the business management foundation, such as reduction of future risk, value creation, and corporate recognition, for example? I encourage Cosmo Oil to show stakeholders its understanding of these issues. By doing so, CSR can be successfully built into the management structure to create a stronger, disciplined organization with a clear vision. This I believe will lead to earning stakeholder, including shareholder and investor, support.

I compliment the Cosmo Oil Group for the detailed and steady efforts made by each of its six committees in addressing the individual issues on corporate ethics, risk management,



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### 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.

comprehensive safety action, global environment, human rights, and quality assurance under the Cosmo Oil Group CSR Promotion Committee. However, how does the internal control function compile these individual efforts? It is unclear as to how the annual meeting of the Cosmo Oil Group CSR Promotion Committee functions and how the CSR Promotion Liaison Meeting exerts control over the entire Group. Also, while Cosmo Oil shows the highest level of commitment to CSR with steadfast efforts at various sites, how are such commitment and efforts incorporated into and executed within the management systems of Cosmo Oil and the Group as a whole? Providing clarification here will preserve the system's core while allowing each of the committees to function organically, which is key.

This fiscal year, the Cosmo Oil Group renamed its Sustainability Report the "Corporate Report." I've been told the reason for this change was to create a report that was more appealing to employees and customers. Although I can see where such improvements have been made, the content is basically unchanged from last year. On the other hand, I believe that by going one step beyond a specific CSR activity report, it will be easier to provide a more comprehensive overview of the whole company from both a financial and non-financial perspective. Moreover, it allows the Group to focus not only on a variety of activities, but on the efforts of the entire Group and how these efforts will translate into both raising corporate value and contributing to the development of a sustainable society. This is, of course, not an easy challenge.

## Response to External Review

Thank you for your valuable opinion.

The extreme importance of the role played by management in driving the Group's dual aim for a business management capable of performing corporate social responsibility and the enhancement of its earnings base was stated anew. Further, I sensed ardency about the importance of maintaining a workforce with an elevated sense of CSR and executing CSR in our daily operations.

The current fiscal year marks the start of the Third Consolidated Medium-Term CSR Plan (2010–2012) whose basic policies and specific measures have been approved by the Board of Directors. As we proceed with CSR management, it is apparent that there are several areas

that need further attention. Group company initiatives need to be shared. Also, the Group management and meeting systems must function with coherency. Recognizing this, we plan to move forward while making adjustments for improvement along the way.

As we work toward expanding our corporate value and becoming a company that meets the expectations of all our stakeholders, we will take each of our efforts one step at a time.



**Hideto Matsumura**

Director, Senior Executive Officer