

Cosmo Oil Group

Corporate Report 2010



Outline of the Cosmo Oil Group

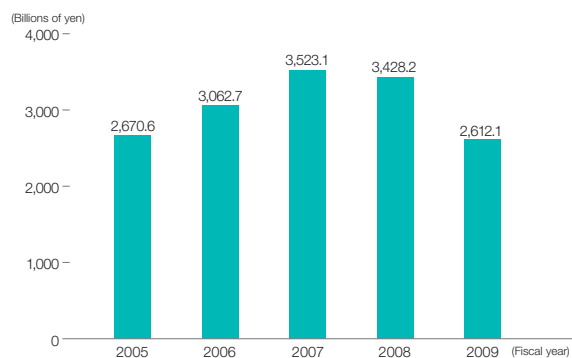
Corporate Profile (as of March 31, 2010)

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.
Head office	1-1-1, Shibaura, Minato-ku, Tokyo 105-8528 Japan	Dealers	257 offices and 3,768 service stations (stationary)
Telephone	+81-3- 3798-3211	Branch offices	Sapporo, Sendai, Tokyo, Kanto-Higashi ¹ , Kanto-Minami, Nagoya, Osaka, Hiroshima, Takamatsu, and Fukuoka
Established	April 1, 1986		1. The Kanto-Higashi Branch was integrated into the Tokyo Branch in June 2010 as a part of the reorganization.
Capital	107,246,816,126 yen	Refineries	Chiba, Yokkaichi, Sakai, and Sakaide
Main business	Oil refining and sales	Oil depots	36 locations (including 34 subcontractors)
No. of employees	2,180		

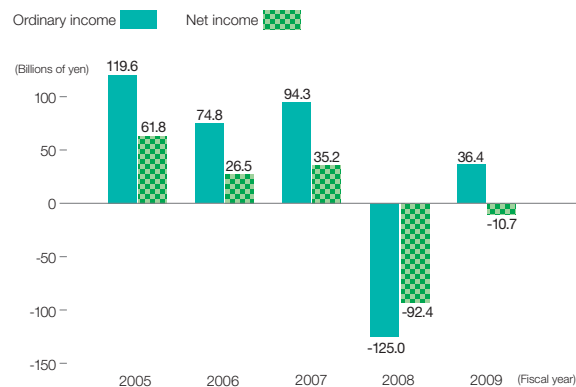
Bases outside of Japan Abu Dhabi (UAE); Beijing and Shanghai (China); Doha (Qatar); Torrance (USA); London (UK); Singapore

Financial Data

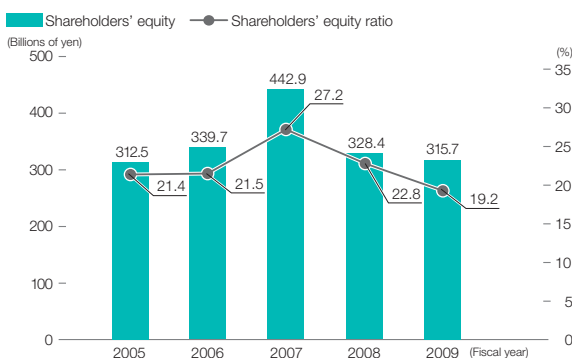
Consolidated Net Sales



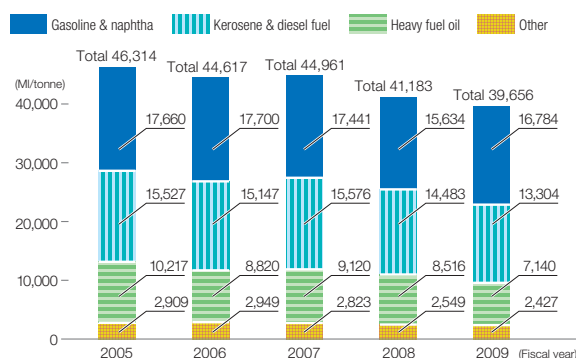
Consolidated Ordinary and Net Income



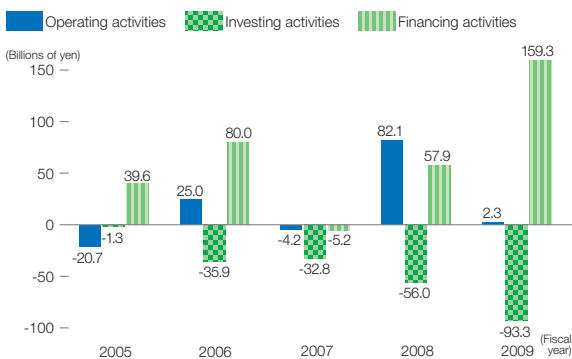
Consolidated Shareholders' Equity and Shareholders' Equity Ratio



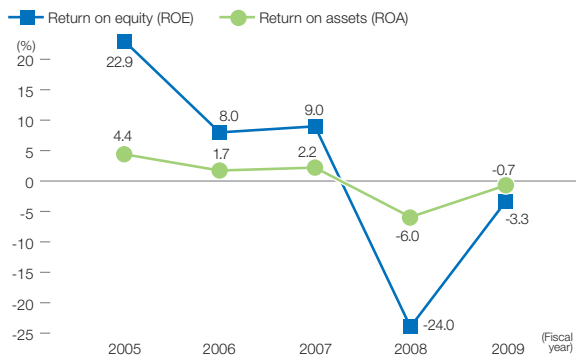
Non-Consolidated Sales Volume



Consolidated Cash Flows



Consolidated Profit Ratios

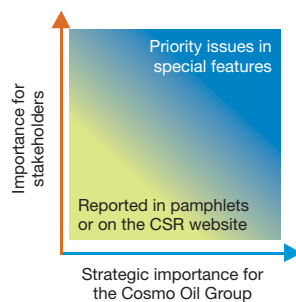


Editorial Policy

The Cosmo Oil Group *Environmental Report* was first published in fiscal 2001 and replaced by the *Sustainability Report* in fiscal 2004. In the current fiscal year, the report was expanded into a company guide to be used as a comprehensive communication tool and renamed the *Corporate Report*.

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. Decisions on content were made in discussions with the CSR Promotion Committee. (See page 40 for details.)

Environmental performance indicators are compiled in reference to the *Environmental Reporting Guidelines 2007*, while environmental accounting indicators are compiled in reference to the *Environmental Accounting Guidelines 2005*, both published by Japan's Ministry of the Environment.



Boundary and Period Covered

This report generally covers the Cosmo Oil Group's CSR and corporate activities during fiscal 2009 (April 1, 2009 to March 31, 2010), though some sections include content from fiscal 2010. See "Cosmo Oil Group Businesses" on pages 3–4 for an overview of the Cosmo Oil Group.

Note: There have been no major changes in the boundary covered since the fiscal 2008 report.

Issue Period

November 2010

Next issue date (tentative): November 2011 (previous issue was November 2009; report issued annually)

Inquiries

CSR and Environmental Affairs Office
Corporate Communication Department
Cosmo Oil Co., Ltd.
TEL: +81-3-3798-3134 FAX: +81-3-3798-3841
<http://www.cosmo-oil.co.jp/eng/>

Corporate Report 2010 and the Website

The Cosmo Oil Group is committed to making the information in its *Corporate Report* available to as many stakeholders as possible. The Group publishes two versions of the report: a concise print version that provides report highlights and an online version that provides detailed data. Access the publicly available Web version of the report at the official Cosmo Oil website.

Detailed information: CSR website
<http://www.cosmo-oil.co.jp/eng/csr/sustain/>

*Scheduled to become available online in November 2010.

Contents

Cosmo Oil Group Businesses	3
Top Management Commitment	5
Cosmo Oil Group Management Vision and CSR Management	9
Medium-Term Management Plan and CSR Promotion	11
① Live up to customer expectations concerning reliability and satisfaction	13
Special Feature 01	
Sakai Refinery—Endeavoring to Secure Stable Supplies and Safe Operations	17
② We aspire to become a safe, accident-free company	21
③ We value people	23
④ We take care of the global environment	27
Special Feature 02	
The Cosmo Oil Group Takes on the Challenge of Tomorrow's Renewable Energy Technologies	33
⑤ We value communications with society	35
⑥ We strive to maintain our position as an honest company	39
External Review / Response to the External Review	41
Independent Assurance Report / GRI Content Index	42

Cosmo Oil Group Businesses

Maintaining safety as priority No. 1, the Cosmo Oil Group fulfills its social responsibility of ensuring a stable energy supply, operating petroleum businesses ranging from the independent development of crude oil (upstream business) to the manufacture, transportation and sale of oil products (downstream businesses). The Group is also working to develop new technologies and new businesses that meet the needs of future generations.



Crude Oil Procurement, Exploration and Production

The Cosmo Oil Group imports crude oil mainly from Middle Eastern countries. The Group is also actively pursuing oil exploration and production in cooperation with oil-producing countries. Independent development and production by the Group is currently underway in the United Arab Emirates (UAE) and Qatar, with the amount of independently developed crude oil accounting for approximately 5% of total imports by the Group to Japan.

Marine Transportation

The Cosmo Oil Group takes measures, such as the use of double-hull tankers, to prevent accidents that may occur during the extensive 20-day transport of crude oil from the Middle East to Japan. The Group is also increasing the efficiency of its crude oil transportation with joint plying and large-sized tankers.

Oil Refining

Safe operations are the highest priority at Cosmo Oil Group refineries and plants. These facilities are making progress through various initiatives to protect the local environment in the production of oil products, including the promotion of efficient energy use, industrial waste reduction, and the prevention of air and water pollution.

LPG

Gasoline/Naphtha

Kerosene/Jet fuel

Diesel fuel

Heavy fuel oil

Asphalt

Lubricant

Petrochemicals

The Cosmo Oil Group manufactures petrochemical products that include xylene and other raw materials used in everyday items such as clothing and PET resin. Demand for these products is expected to rise in China and other countries in Asia.

Storage

In order to ensure that energy supplies remain stable even in emergency situations, Cosmo Oil stockpiles at least 70 days worth of private crude oil reserves. Cosmo Oil is also a key participant in Japan's crude oil storage terminal managed by Shirashima Oil Storage Co., Ltd.



Shirashima National Oil Storage Barges

Research and Development

In addition to its focus on developing environmentally friendly petroleum products and more advanced manufacturing technologies, the Cosmo Oil Group is also engaged in the development of new energies and environmental technologies and in the creation of new businesses.



Research & Development Center

Related information: Consolidated Balance Sheets (pdf file)
http://www.cosmo-oil.co.jp/ir/annual/annual2010e/pdf/annual2010e_22.pdf

Related information: Notes to Consolidated Financial Statements (pdf file)
http://www.cosmo-oil.co.jp/ir/annual/annual2010e/pdf/annual2010e_26.pdf

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



Transportation in Japan

Petroleum products produced at Cosmo Oil refineries are delivered to service stations, oil depots and users across Japan by coastal tanker, tanker truck, railroad tank car and pipelines. The safest and most efficient means of transportation is selected for each trip, taking cost, distance and location into consideration.

Sales in Japan

The Cosmo Oil Group sells directly to large-scale users, delivers wholesale to dealers, and sells to customers at service stations. The Group gives consideration to regional differences in marketing campaigns at Cosmo Oil service stations, providing support for customers and their automotive needs through its "Filling Up Your Hearts, Too" Declaration activities.

Sales Outside of Japan

Although demand for petroleum products in Japan has fallen, global demand is on the rise and expected to remain strong in the future. Anticipating demand outside of Japan, the Cosmo Oil Group is focused on developing sales in North America, South America and Oceania where customers value high-quality products that meet strict environmental regulations.

New and Other Businesses

The Cosmo Oil Group is expanding into new businesses outside of the oil sector. The Group is focused intently on its ALA (5-aminolevulinic acid) business and is also involved in constructing, leasing, and insuring oil-related facilities.

For more information on ALA, see page 31.



Cosmo Oil Group Companies Implementing Consolidated Medium-Term CSR Management Plan (23 in total)

Oil Exploration and Production

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

Petroleum Product Manufacturing and Sales

Cosmo Oil Lubricants Co., Ltd.
Cosmo Matsuyama Oil Co., Ltd.

Sales

Cosmo Petroleum Gas Co., Ltd.
Cosmo Oil Sales Corp.

Distribution

Hokuto Kogyo 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.

Other Businesses

Cosmo Engineering Co., Ltd.
Cosmo Trade & Service Co., Ltd.
Cosmo Business Support Co., Ltd.
Cosmo Research Institute
Cosmo Computer Center Co., Ltd.
Eco Power Co., Ltd.

Outside of Japan


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

Cosmo Oil Co., Ltd.

A promise to engage in socially responsible management by delivering consistent business results while securing the deep-seated satisfaction of all stakeholders—from customers and suppliers to employees—embodying our corporate message of “Filling Up Your Hearts, Too.”

Yaichi Kimura

President
Cosmo Oil Co., Ltd.



Challenging Business Conditions in FY2008–2009

The petroleum industry was confronted with shifting global market conditions in fiscal 2008 and 2009. Crude oil prices fluctuated wildly in fiscal 2008, with the price of benchmark West Texas Intermediate crude oil surging temporarily to above \$140 per barrel in July 2008, before later plunging to less than \$40 per barrel. Crude oil prices surged once again in fiscal 2009, where they continued to hover at high levels.

At the same time, the impact of the global recession has led to depressed demand in and outside of Japan. The Japanese market in particular is suffering from lower demand due to the economic recession. Meanwhile, several factors have led to a stagnant market for petroleum products in Japan, including lower demand for heavy oil from migration to other fuels as well as sharp declines in gasoline demand due to the growing presence of hybrid vehicles.

The challenging business conditions prevented the Cosmo Oil Group from securing appropriate margins in fiscal 2009, and we consequently fell short of our revenue targets. The Group also put in a weaker financial position, as shareholders' equity declined significantly from recording losses on the valuation of inventories due to the sharply fluctuating crude oil prices in fiscal 2008.

Our Third Consolidated Medium-Term Management Plan, which was initiated in fiscal 2008 as a three-year plan,

was concluded after two years in fiscal 2009. We did this in order to formulate a Fourth Consolidated Medium-Term Management Plan, starting in fiscal 2010, that will enable us to adapt to fast-changing external developments.

Third Consolidated Medium-Term Management Plan—Strategic Positioning for New Growth

Under the guidance of the Third Consolidated Medium-Term Management Plan, we succeeded in strategically positioning the Cosmo Oil Group for new growth. In the oil refining and marketing business, we constructed new heavy oil cracking facilities at the Sakai Refinery for refining of diesel fuel and jet fuel, a move that enhanced the competitiveness of the refinery in light of declining demand for heavy oil. We also strengthened the export infrastructure at our refineries throughout Japan, and beginning in February 2010 reduced our official refining capacity by 80,000 barrels per day to further optimize the balance of supply and demand. In terms of marketing, we increased quality market share through our local service station operators and marketing subsidiaries.

In the petrochemical business, we established a para-xylene manufacturing joint venture in November 2009 with Hyundai Oilbank Co., Ltd., a South Korean company, under our business partnership with International Petroleum Investment Company (IPIC). The entry into the para-xylene segment, which is projected to register future growth,



represents an important strategic move that will strengthen the petrochemical business within the Cosmo Oil Group and help us cope with declining future demand for gasoline. In addition, we made investments to stabilize production in the oil exploration and production business, as a segment that provides a significant portion of our revenues.

Fourth Consolidated Medium-Term Management Plan—Building a Foundation for the Future

Under the Fourth Consolidated Medium-Term Management Plan that covers fiscal 2010–2012, the Cosmo Oil Group will capitalize on the moves we took to strategically position the Group for new growth under the previous management plan in order to build a foundation for sustainable growth.

The global economy is moving on a path of gradual recovery in fiscal 2010, with demand for petroleum and petrochemicals projected to rise centering on developing nations including China. The latest projections (as of August 2010) from the International Energy Agency call for petroleum demand to increase by 2.2% year-on-year in fiscal 2010. Meanwhile, demand for petroleum products is declining in Japan, with the composition of demand changing at an even faster rate.

Amid the shifting market conditions, the Group will implement streamlining initiatives while continuing to make investments in petrochemicals and oil exploration and

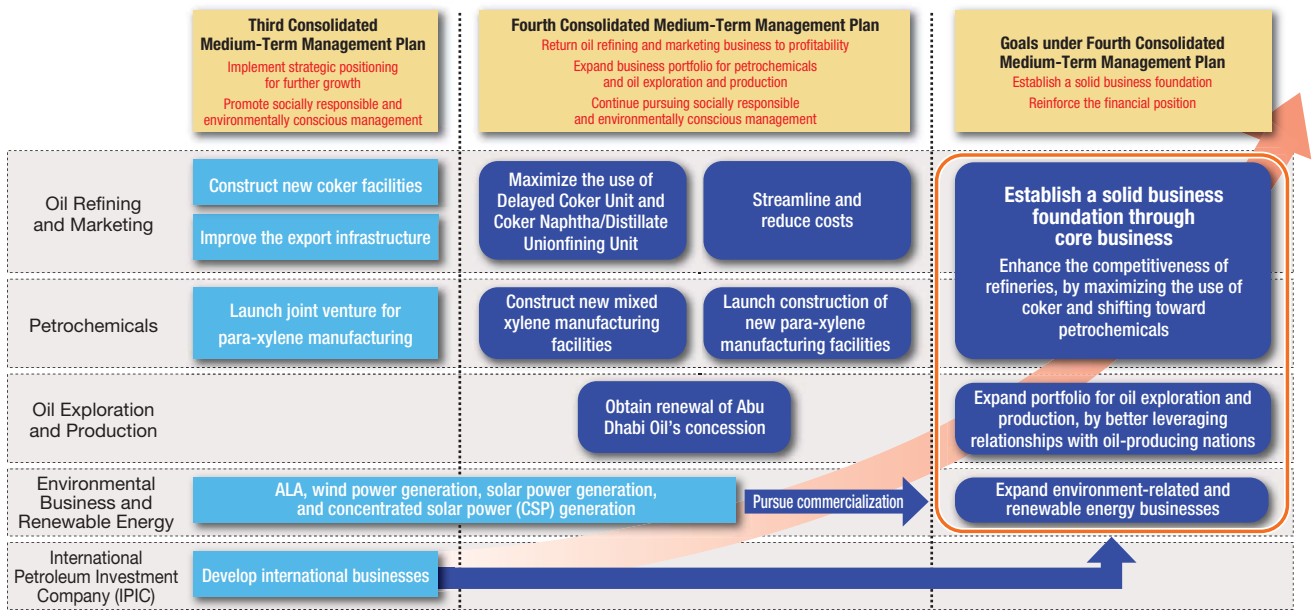
production, as outlined in our latest management plan. We will endeavor to establish a solid business base and reinforce our financial position, while engaging in socially responsible management to further enhance our corporate value.

Enhancing Profitability of Core Business and Achieving Growth in New Business Segments

The Fourth Consolidated Medium-Term Management Plan sets an urgent priority to return our core oil refining and marketing business to profitability. This will require that we optimize our profits through streamlining initiatives and by securing appropriate margins. We have formulated a streamlining plan under which we will adjust our workforce, while reducing costs in a way that balances safety with the need to reduce repair and maintenance costs at our refineries. We will also leverage the newly constructed heavy oil cracking facilities at the Sakai Refinery to optimize the balance of production to cope with changes in the composition of demand.

In the petrochemical business, which is projected to register future growth, together with the oil exploration and production business, we will expand our business portfolio in order to increase profits throughout the Group. The plans for the para-xylene manufacturing business are to construct facilities with the world's largest production capacity of 800 kilotonnes per line, to go on line in fiscal 2013. These facilities

Management Plan Outline



will secure an overwhelming advantage in terms of cost competitiveness.

We are also developing the business for 5-aminolevulinic acid (ALA), which promises to have diverse applications including for fertilizer, feeds, pharmaceuticals, cosmetics, and health products. In addition, we are advancing our businesses for renewable energy including in the areas of wind power generation, solar power generation, and concentrated solar power (CSP) generation.

Setting Our Sights on Sustainable Growth

Our latest management plan sets a mandate for the Cosmo Oil Group to generate consolidated ordinary income of ¥65 billion in fiscal 2012, in the final year of the plan. We will leverage the resulting profit-earning capabilities to reinforce our financial position, with the goal of achieving a net debt-to-equity (D/E) ratio¹ of 1.3 times at the end of fiscal 2012. This will match the net D/E ratio that we recorded at the end of fiscal 2008.

1. Net D/E ratio = (Interest-bearing debt - Cash and deposits) ÷ Net worth

Second Consolidated Medium-Term CSR Management Plan—Successfully Raising Employee Awareness

We have identified socially responsible management as one of our basic policies under the Fourth Consolidated Medium-Term Management Plan. When we formulated the previous management plan, we also drew up the Second Consolidated Medium-Term CSR Management Plan, which set the following priorities: (1) strengthen CSR promotion structures on a consolidated Group basis, (2) build safety management structures, (3) foster the protection of human rights and personnel-related measures, (4) promote environmental response, and (5) strengthen relationships with stakeholders.

We set out to pursue these activities on a Group-wide basis, through concrete initiatives that involve all employees.

The previous CSR management plan had a noticeable effect on our employees, encouraging them to be self-motivated to get involved as opposed to passively involved.

Although we achieved the general goals of the previous CSR management plan, there is still more work to do. Specifically, there is more that we can do to build safety management structures and foster the protection of human rights and personnel-related measures, both of which directly affect all our employees.

Third Consolidated Medium-Term CSR Management Plan—Emphasizing Initiatives through Core Business

The Cosmo Oil Group places the highest emphasis on pursuing CSR initiatives through our core business. In formulating the Fourth Consolidated Medium-Term Management Plan, we identified the need to continue pursuing socially responsible and environmentally conscious management as one of our basic policies. This guided our development of the Third Consolidated Medium-Term CSR Management Plan that we launched in fiscal 2010 to further enhance our socially responsible management.

The latest CSR management plan sets a priority on pursuing initiatives for securing safety and achieving stable operations, as well as conservation of the global environment, for employees to embrace and achieve through their own self-driven actions in each workplace. The Cosmo Oil Group Code of Conduct is central to these activities, guiding all employees to engage in CSR initiatives. In 2008, we revised the wording of the Code of Conduct to consistently use “we” in each major statement, and changed the contents to encourage employees to take direct action. We hope that these changes will further raise CSR awareness among our employees, motivating our employees to give serious thought to what they must do, and translate this into action.

Corporate Continuity Built on Safe Operations

The Third Consolidated Medium-Term CSR Management Plan continues to stress the need to pursue initiatives to secure safe operations as one of our highest priorities. The safety of our day-to-day work and dependability of our operations will enable us to meet our social responsibility, which is to secure a stable supply of oil as our core business.

The Cosmo Oil Group is taking diverse steps to secure the safety of all business activities and build safe workplaces. In our critical production activities, we are implementing further initiatives to strengthen safety management for equipment, together with other initiatives such as having employees routinely point to and call out hazards and actions. Every one of our employees must be self-motivated to pursue these initiatives, if we are to eliminate occupational accidents and incidents. We will raise awareness among all of our employees to embrace this attitude, so that we can pursue safety initiatives at an even more sophisticated level.

Contributing to Environmental Conservation as Citizens of the Earth

Conservation of the global environment is another important cornerstone of our CSR initiatives. The Cosmo Oil Group will strengthen its environmentally conscious management by: (1) responding strategically to prevent global warming while ensuring continuation of business, (2) reducing environmental impact, and (3) promoting environmental contribution activities. We are also working to develop renewable sources of energy that have a low environmental impact, so that we may further integrate CSR initiatives into our business.

Corporations are members of society and citizens of the earth, as are their employees. The Cosmo Oil Group must be

committed to pursuing initiatives for conservation of the global environment through the range of our business activities. Even small acts can have a significant impact on environmental issues, if each of us takes action. We are committed to raising the environmental awareness of our employees, so that they are self-motivated to take action.

Fulfilling the Hearts of Every Employee

Employees are the driving force behind every facet of our corporate activities, as well as being our assets. Under the Third Consolidated Medium-Term CSR Management Plan, we have made it a priority to build positive workplaces that respect human rights and provide a vibrant and motivating working environment for employees. 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 slogan of "Filling Up Your Hearts, Too" drives our pursuit of services that raise customer satisfaction. Likewise, we must also fulfill the hearts of our employees who provide these services, if we are to offer services and business activities that satisfy our customers and society.

At the same time, we have to be profitable and achieve consistent business results, if we are to keep people employed and meet our social responsibility as a corporation. The Cosmo Oil Group is committed to securing full compliance and engaging with society in good faith in order to have a positive social impact and for the sake of all stakeholders including our employees.

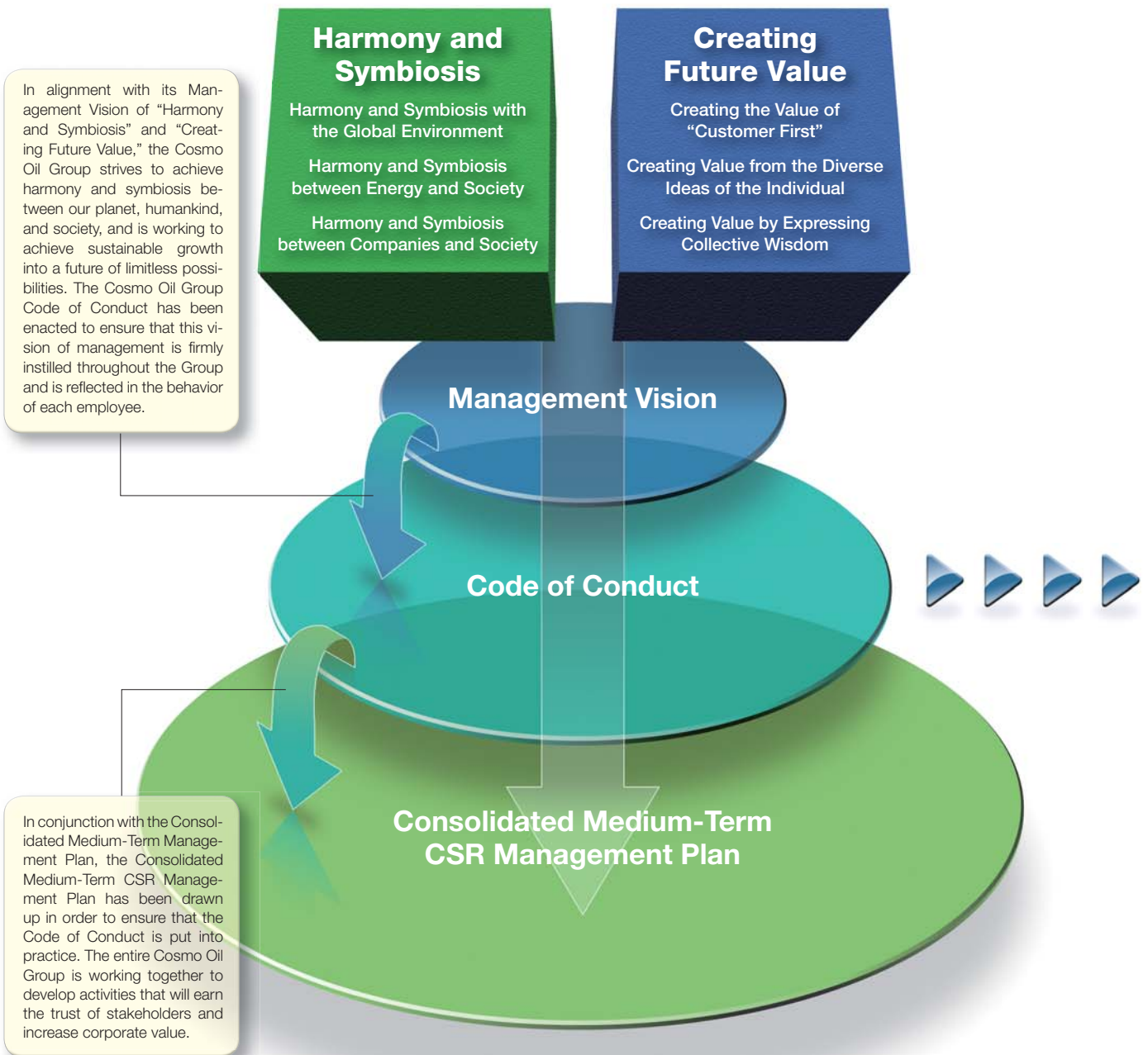


Cosmo Oil Group Management Vision and CSR Management

Cosmo Oil Group employees take initiative in implementing CSR activities to realize the Group Management Vision. The Cosmo Oil Group Code of Conduct provides employees with the tools necessary to make sound judgment as members of the Group. The degree to which employees implement these guidelines is a work in progress that the Group continually strives to enhance.

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.



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

1 Live up to customer expectations concerning reliability and satisfaction

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

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

Chapter 3

We value people

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

3 We value people

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

4 We take care of 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

5 We value communications with society

Chapter 6

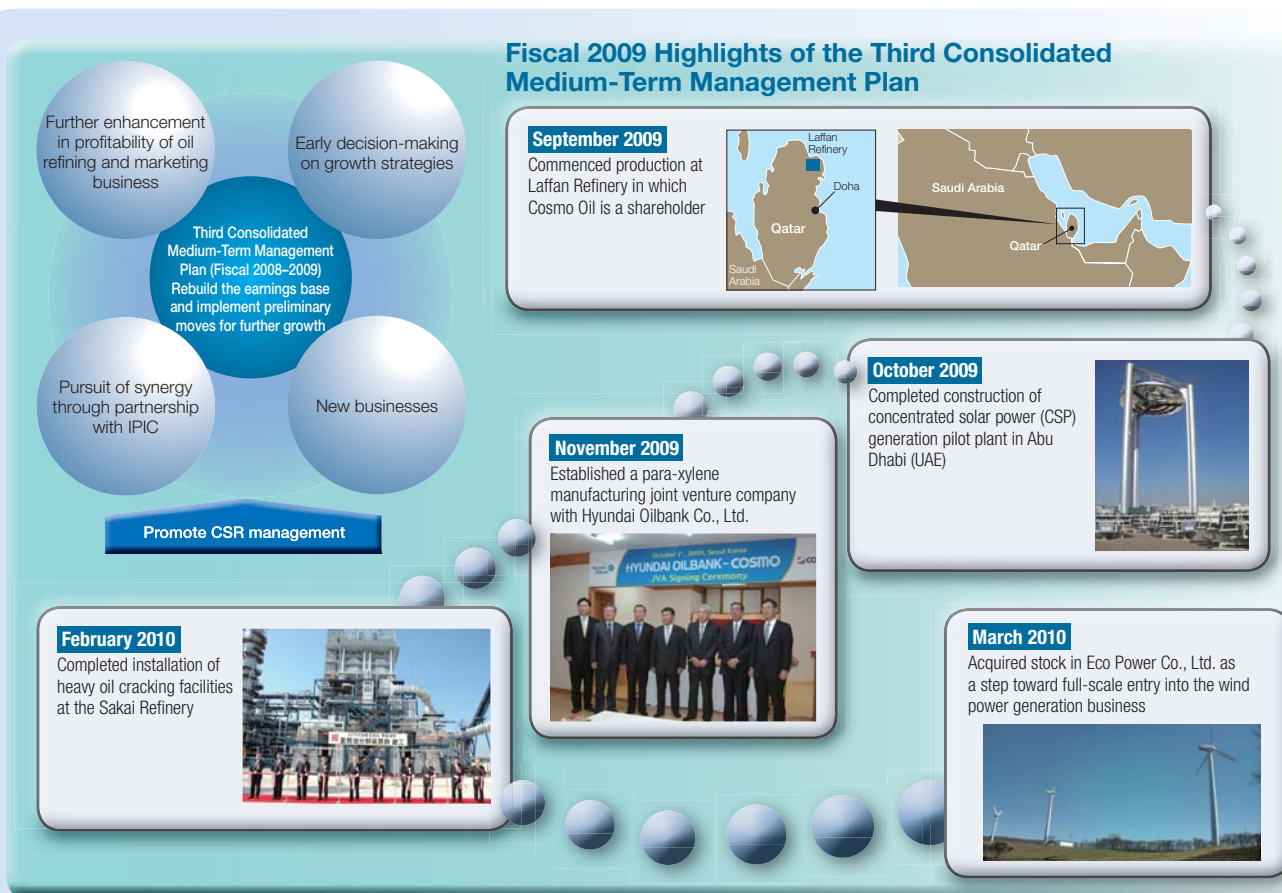
We strive to maintain our position as an honest company

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

6 We strive to maintain our position as an honest company

Medium-Term Management Plan and CSR Promotion

The Cosmo Oil Group has developed a new medium-term management plan and a medium-term CSR management plan. Both new three-year plans that begin in fiscal 2010 aim to fortify the Group structure in order to respond to dramatic change in the management environment and to further increase corporate value.



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

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

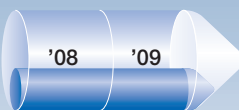
	Key Action Areas	Major Goals	Fiscal 2009 Activities	Achievement of Goal
Second Consolidated Medium-Term CSR Management Plan	Strengthen CSR promotion structures on a consolidated group basis	<ul style="list-style-type: none"> Organizational structures for improving implementation The CSR Promotion Committee 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 Increase awareness and understanding of the Code of Conduct Ensure compliance with risk management/internal control 	<ul style="list-style-type: none"> Had CSR Promotion Committee verify fiscal 2009 CSR performance and issues and adopt policy on activities to start in fiscal 2010 Conducted internal control activities to improve Code of Conduct awareness and understanding through corporate ethics training based on CSR Status Survey results (implemented March 2009) 	○
	Build safety management systems (Second Consolidated Medium-Term Safety Plan) → See page 22 for details.	<ul style="list-style-type: none"> Goals by operational area A) Refining (petroleum and petrochemicals): Reduce unsafe and failure incidents by 90% or more from the benchmark year (Sep. 2006–Aug. 2007) by 2010 B) Manufacturing/Terminal (lubricating oil and gas): Reduce leakages of hazardous materials and combustible gases C) Distribution: Reduce mixing of oil, oil spills, and traffic accidents; maintain zero work-related injuries D) Sales and other operations: Maintain zero work-related injuries in service station construction 	<ul style="list-style-type: none"> Manufacturing Divisions: safety problems and abnormalities reduced to 126 cases in fiscal 2009 compared to 143 cases in fiscal 2008, through safety management activities in both facility and human aspects of manufacturing Accidents or incidents in gas operations: 0 Work-related injuries at oil depots: 0 fire, 1 oil spill Mixing-oil accidents in ground transportation: 6; marine oil spills: 2; ships run aground: 0 Work-related injuries in sales operations: 0 	△
	Strengthen human rights and personnel policies (Second Consolidated Medium-Term Human Rights/Personnel Plan) → See page 24 for details.	<ul style="list-style-type: none"> Shared Group themes (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 	<ul style="list-style-type: none"> Participation rate of employees' of human rights training sessions improved: 77% in fiscal 2009 compared to 70% in fiscal 2008 Days of paid leave taken by employees' increased using company-specified holiday system and other schemes Childcare leave taken by 6 employees, including all eligible female employees Achieved goal of reducing average annual work hours of employees' to 1,900 hours 	○
	Promote environmentally friendly activities (Third Consolidated Medium-Term Environmental Plan) → See page 28 for details.	<ul style="list-style-type: none"> Improve environmental efficiency (1) Implement global warming countermeasures (2) Minimize environmental impact Strengthen environmental management (3) Develop environmentally friendly businesses and technologies (4) Share and disseminate environmental information 	<ul style="list-style-type: none"> Unit energy consumption at the Group's four refineries improved over the previous fiscal year, but decline in demand made achieving fiscal 2010 reduction goal difficult Achieved goal of reducing amount of copy paper used and amount of electricity used at offices, but fell short of the goal to reduce fuel consumption of company vehicles Achieved goal of reducing amount of industrial waste Conducted soil environment surveys at service stations with single-shell tanks on schedule Entered wind power generation sector with full-scale business 	△
	Strengthen relationships with stakeholders	<ul style="list-style-type: none"> Strengthen communications regarding social activities and activities for the environment Strengthen social and environmental activities in local communities Strengthen participation-based projects funded by the Cosmo Oil Eco Card Fund Enhance communication with stakeholders Encourage two-way, mutual communications 	<ul style="list-style-type: none"> Total of 16,817 participants in Clean Campaign; 1,515 Christmas Card project cards made; continued providing support for 12 projects as part of Cosmo Oil Eco Card Fund activities Conducted survey on individual stockholders and collected approx. 7,300 responses (an increase of 1,300 respondents over the previous year); improved CSR evaluation in "Filling Up Your Hearts, Too" Declaration activities over the previous year 	○

1. Excluding shift-work employees

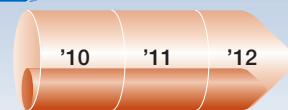
Formulating Fourth Consolidated Medium-Term Management Plan

Owing to the major impact of the fluctuating crude oil prices and the "Lehman Brothers Shock," recovery in general consumer demand has been extremely slow. These circumstances make it difficult to formulate projections for the market environment in which the Cosmo Oil Group operates. In order to facilitate prompt adaptation to such changes in the market environment, the Group has drafted a new consolidated medium-term management plan to commence in fiscal 2010. As one of the basic policies under the new plan, the Group will maintain and advance CSR and environmental management measures, and has adopted the Third Consolidated Medium-Term CSR Plan (2010-2012) to direct these efforts.

Third Consolidated Medium-Term Management Plan
(Second Consolidated Medium-Term CSR Management Plan)



Fourth Consolidated Medium-Term Management Plan
(Third Consolidated Medium-Term CSR Management Plan)



Basic Policy, Earnings, and Financial Goals of the Fourth Consolidated Medium-Term Management Plan

Basic Policy 1

Return oil refining and marketing business to profitability

Basic Policy 2

Enhance the portfolio of petrochemical and oil exploration and production businesses

Basic Policy 3

Maintain and promote CSR and environmental management

	Consolidated Ordinary Income	Consolidated Ordinary Income ¹	Return on Equity (ROE)	Shareholders' Equity Ratio	Debt-to-Equity (D/E) Ratio	Net D/E Ratio
Fiscal 2009 Results	36.4 billion yen	-16.2 billion yen	-3.3%	19.2%	2.5 times	1.7 times
Fiscal 2012 Goals	65.0 billion yen	65.0 billion yen	9.1%	25.4%	1.6 times	1.3 times

1. Excludes inventory evaluation impact

Basic Policy 1

Return Oil Refining and Marketing Business to Profitability

1. Rationalization

- Right-sizing of workforce
- Keep a good balance between "safe operations" and "repair and maintenance cost reduction"

2. Oil refining

- "Reduce crude oil procurement cost" and "improve product mix" through maximum use of the heavy oil cracking facilities
- Maximize the supply-demand balancing mechanism through appropriate operations of the refineries

3. Oil sales in Japan

- Improve the distilled product structure for sale
- Secure appropriate margins in both distribution and wholesale

4. Oil sales outside of Japan

- Expand stable sales channels in the Asian and Pacific Rim region

Basic Policy 2

Enhance the Portfolio of Petrochemical and Oil Exploration and Production Businesses

1. Petrochemical Business

- Establish new mixed xylene (MX) manufacturing facilities (300 kilotonnes/year)
- Start building new para-xylene (PX) manufacturing facilities (800 kilotonnes/year)

2. Oil Exploration and Production Business

- Obtain renewal of Abu Dhabi Oil's concession
- Start commercial production in the "A-Structure South oil field" being developed by Qatar Petroleum Development Co., Ltd.
- Start early production in the Audacious and Tenacious oil fields off the coast of Australia.

3. Environmental and Renewable Energy Businesses

- ALA: Accelerate commercialization and enhance sales and marketing power
- Wind power generation: Enter the market on a full scale by acquiring stock in Eco Power Co., Ltd.
- Solar photovoltaic power generation: Establish the low-cost production technology for polysilicon
- Concentrated solar power (CSP) generation: Verify feasibility of commercialization

Basic Policy 3

Third Consolidated Medium-Term CSR Management Plan (FY2010-2012)

	Priority Items	Themes	Major Activity Policy/Targets
Third Consolidated Medium-Term CSR Management Plan	Improve functioning of CSR promotion structure	Strengthen structures for improving implementation	Review the appointment and duties of personnel in charge of CSR promotion to enhance the Group's CSR promotion system
		Further increase recognition and understanding of Code of Conduct	<ul style="list-style-type: none"> • Continue regular internal training • Implement monitoring (CSR Status Survey)
		Promote proper and efficient operations in conformity with company rules and manuals	<ul style="list-style-type: none"> • Standardize and simplify business operations by using internal infrastructures, and strengthen information management
	Strengthen safety management (Third Consolidated Medium-Term Safety Plan)	Restructure risk management structure	<ul style="list-style-type: none"> • Identify risks on a company-wide basis and establish countermeasures • Conduct continual education and training on business continuity plan (BCP)
		Raise safety level by setting quantitative targets for reducing accidents, assessing results and making improvements	<ul style="list-style-type: none"> • Refineries and Cosmo Matsuyama Oil Co., Ltd. Achieve and maintain a record of zero accident: Reduce unsafe and failure incidents by 90% or more from the benchmark year (Sep. 2006-Aug. 2007) by 2010 • Other departments (offices/Group companies) Continue and develop safety management activities to meet specific objectives, i.e. reduce or eliminate work-related injuries, reduce or eliminate accidents/incidents
	Enhance human rights/personnel policies (Third Consolidated Medium-Term Human Rights/Personnel Plan)	Respect human rights: Prevent harassment and eliminate discrimination	<ul style="list-style-type: none"> • Achieve participation rate of 80% or more for employees (excluding shift workers) in human rights training
		Respect diversity/equal opportunity: Maintain fairness in hiring	<ul style="list-style-type: none"> • Maintain and improve employment rate of people with disabilities
		Promote physical and mental health care: Prohibit overwork and implement specified health exams	<ul style="list-style-type: none"> • Gradually decrease excessive working hours
	Promote environmental initiatives (Fourth Consolidated Medium-Term Environment Plan)	Support balance between work and home life: Promote childcare leave and support leisure activities	<ul style="list-style-type: none"> • Maintain or improve percentage of employees (excluding shift workers) taking paid leave (Cosmo Oil: 80% or more, Group companies: improve current records)
		Respond strategically to prevent global warming while ensuring continuation of business	<ul style="list-style-type: none"> • Reduce CO₂ by amount equivalent to approx. 3% (220 kilotonnes) or more of annual emissions in Group's current business areas¹ by fiscal 2012 (compared to level before implementation of measures). Reductions achieved by the wind power generation business will be included in overall amount. • Control the volume of greenhouse gas emissions in manufacturing, product transportation and storage processing as well as in offices and the R&D Center
Reduce environmental impact		<ul style="list-style-type: none"> • Identify environmental risks that may arise at times of normal operations and times of irregular operations; implement response measures for each • Reduce industrial waste: achieve final disposal rate of less than 0.5% at Cosmo Oil and less than 5.0% in total at target companies² • Enhance internal/external audits for thorough environmental management • Adopt rigorous measures to ensure soil preservation • Promote Eco Office activities (Group-wide goal set based on result averages of activities conducted in FY2007-2009: Reduce copy paper by 9%, company car fuel consumption by 6%, and office electricity consumption by 7%) • Promote green purchasing 	
Promote communication activities that respond to society	Promote environmental contribution activities	<ul style="list-style-type: none"> • Promote environmental contribution activities through Cosmo Oil Eco Card Fund • Protect biodiversity 	
	Establish effective communication activities based on stakeholder feedback	<ul style="list-style-type: none"> • Maintain communication with all stakeholders, including customers, local communities, shareholders, investors and societies around the world 	

1. Current business areas include crude oil extraction, crude oil transportation, refining, and product transportation and storage at oil depots.

2. Target companies include Cosmo Oil Co., Ltd., Cosmo Engineering Co., Ltd., Cosmo Matsuyama Oil Co., Ltd., Cosmo Oil Lubricants Co., Ltd., Cosmo Petroleum Gas Co., Ltd., and Hokuto Kougyo Co., Ltd.

1 Live up to customer expectations concerning reliability and satisfaction



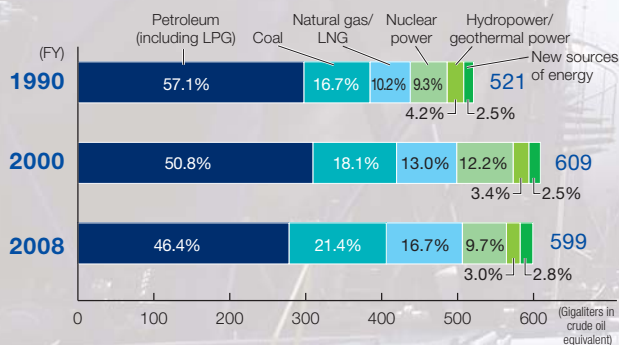
The Cosmo Oil Group strives to deliver a stable and long-term supply of oil that fuels our lives.



Statistical Glance at Society

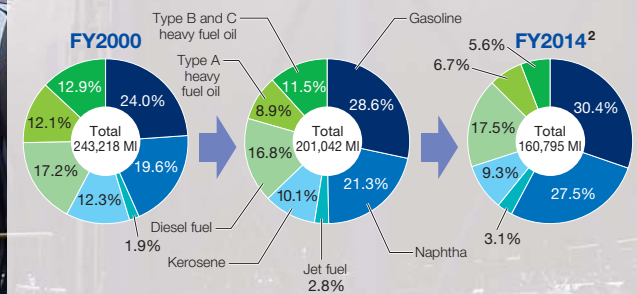
In Japan, although efforts to promote the use of alternative energy sources have shifted demand for primary energy supplies away from petroleum, approximately half of the nation's domestic energy supply is still met with petroleum. This tendency indicates just how deeply rooted petroleum is in the livelihoods of the Japanese population. In the meantime, the makeup of oil product demand is shifting. While demand for heavy fuel oil is falling, demand for gasoline, naphtha, and diesel fuel are on the rise.

Primary Energy Supplies (Overall)



Source: *Energy Balances in Japan (Processed Statistics)* (Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry [METI])

Oil Product Demand Balance¹



1. Figures have been rounded and may not total 100%.
 2. Figures for fiscal 2014 are projections.
 Source: *Preliminary Report on Mineral Resources and Petroleum Products* (METI)
 Excerpt from a report issued by Petroleum Committee, Advisory Committee for Natural Resources and Energy, METI

As an Energy Supplier, Cosmo Oil Provides a Stable Supply of Oil

The ultimate mission of the Cosmo Oil Group is to ensure a stable supply of oil, an indispensable source of energy to Japanese industry and society at large. Two aspects are key to a stable oil supply—the consistent procurement of crude oil and the development and delivery of the products that customers demand. Building friendly, enduring relations with oil-producing countries is the most important factor in ensuring the stable procurement of crude oil. Cosmo Oil also stockpiles at least 70 days worth of petroleum reserves to ensure that oil supplies remain stable even if incoming supplies fall short.

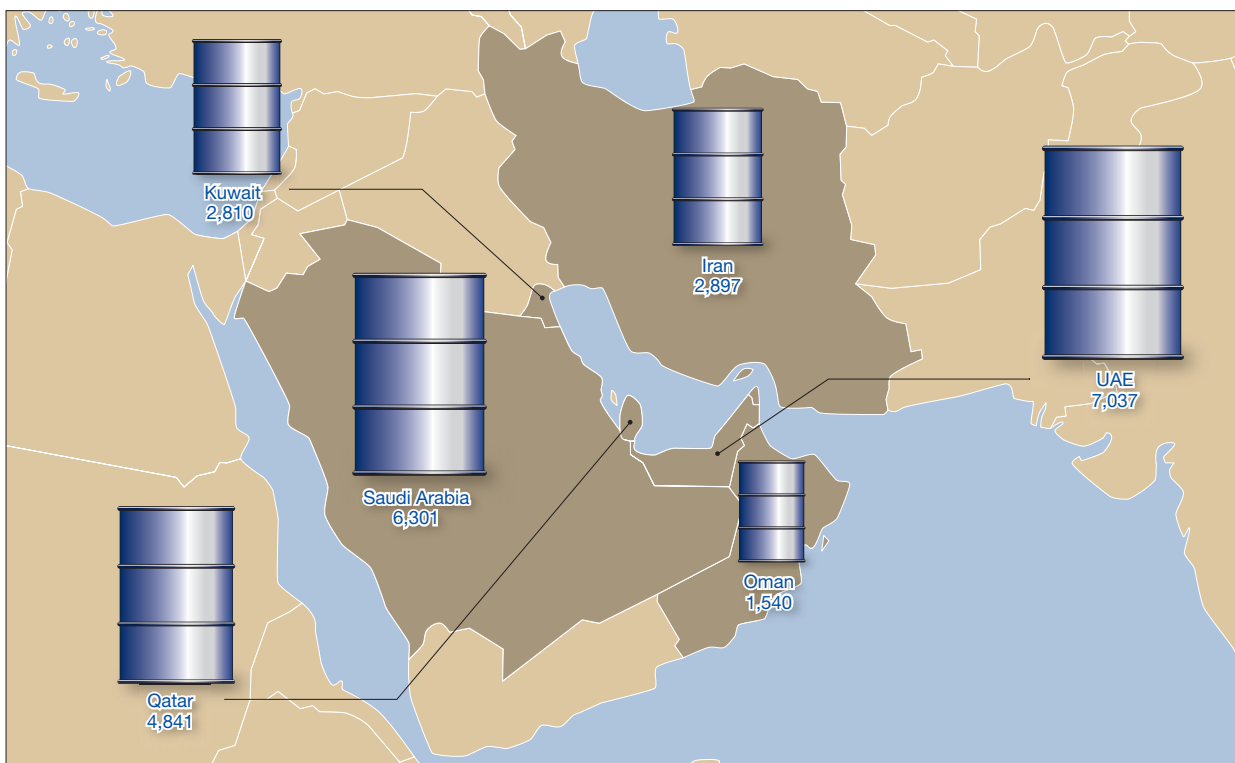
To develop and deliver the products customers trust, the Cosmo Oil Group works to ensure product and service quality and safety. The Group takes to heart customer feedback on products and services, and incorporates these opinions in its development of new products and improvements to services.

Mutual Trust with Oil-Producing Countries Key to Stable Oil Supply

Japan lacks natural resources and imports some 87.8% of its oil from the Middle East. The Cosmo Oil Group has long focused on building cooperative relations based on trust with Middle Eastern oil-producing countries. The Group's relations with the Emirate of Abu Dhabi in the UAE, in particular, date back to 1967. More recently, Cosmo Oil signed a Development and Production Sharing Agreement in 1997 with the Qatari government for oil field development and began commercial production in 2006. The recent record surge in crude oil prices has made the stable procurement of crude oil for future use even more important. The Cosmo Oil Group's strong ties with oil-producing countries in the Middle East have proven invaluable in this regard.

It is in this context that Cosmo Oil has formed a strategic partnership with the International Petroleum Investment Company (IPIC), an investment company owned by the government of Abu Dhabi. The partnership allows for the consideration of collaborations in oil exploration and production, petrochemical and other growth businesses to maximize the merger of the Group's management resources with IPIC's international network and capital. One of such collaborations was the establishment of a para-xylene manufacturing joint venture with South Korean Hyundai Oilbank Co., Ltd. in November 2009. Cosmo Oil continues to explore projects with IPIC that will enhance the Group's competitiveness and profitability.

Cosmo Oil Fiscal 2009 Crude Oil Imports by Country (Unit: M)



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

① Live up to customer expectations concerning reliability and satisfaction

Customer Satisfaction and a Stable Oil Supply

Ensuring Safety in Maritime Transportation

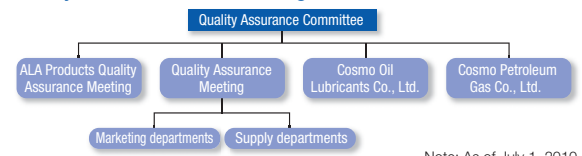
It takes approximately 20 days to transport crude oil the 12,500 km distance from the Middle East to Japan. The Cosmo Oil Group regularly charters nine large tankers that are approximately 300 meters in length with 300,000-tonne capacities. This fleet ensures that supplies can be shipped continuously and without interruption. Cosmo Oil's entire fleet is made up of double-hull tankers built to prevent oil leaks in case of accidents at sea. The Group plans to renew its contracts on two ships in fiscal 2010 in order to build a Cosmo Oil fleet of ships equipped with the latest technologies. The Group is scheduled to add a number of new ships to its fleet in the near future.



Customer Trust in Cosmo Oil Products

The Quality Assurance Committee has been established within the Head Office to decide upon product quality assurance policies and ensure the soundness of the Cosmo Oil Group's cross-divisional product quality assurance structure. Under this structure, the manufacturing, distribution, and sales departments work together to maintain quality and ensure the safety of Cosmo Oil products and services.

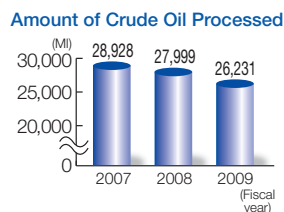
Quality Assurance Committee Organization



Note: As of July 1, 2010

Refining and Production at Refineries

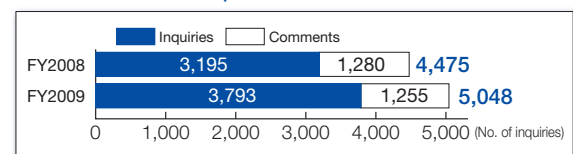
Crude oil shipped in from oil-producing countries is refined at four Cosmo Oil refineries in Japan—the Chiba, Yokkaichi, Sakai, and Sakaide refineries—and then shipped out again as LPG, gasoline, kerosene, diesel fuel, heavy fuel oil, and other oil products. The refineries processed a total of 26,231 MI of crude oil in fiscal 2009. In February 2010, heavy oil cracking facilities were completed at the Sakai Refinery, which will help Cosmo Oil adjust to the changing balance in oil product demand.



Ensuring Customer Support

The Cosmo Oil Group has established the Cosmo Oil Customer Center to facilitate greater interaction with customers. The Group strives to respond accurately, quickly and courteously to customer inquiries and comments, relaying feedback immediately to the relevant divisions to improve service and business procedures.

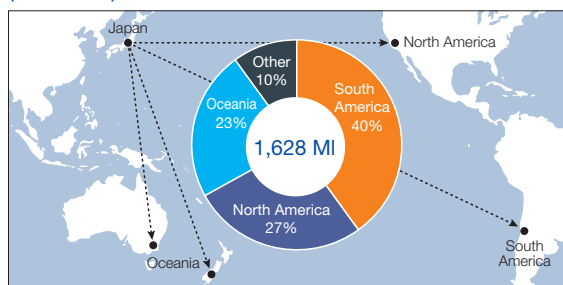
Number of Customer Inquiries



Oil Product Sales Outside of Japan

Products manufactured at Cosmo Oil refineries are sold both domestically and internationally. On the basis of long-term contracts, Cosmo Oil maintains stable market routes for its products, primarily in regions that value high-quality oil products that comply with strict environmental regulations, such as North America, South America, and Oceania.

Main Destinations for Cosmo Oil Diesel and Jet Fuel Sales (Fiscal 2009)

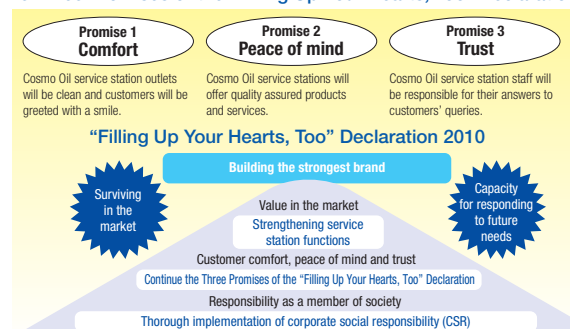


Note: Includes local procurement

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

Cosmo Oil stations have conducted “Filling Up Your Hearts, Too” Declaration activities since fiscal 2007 to deliver comfort, peace of mind and trust to customers.

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

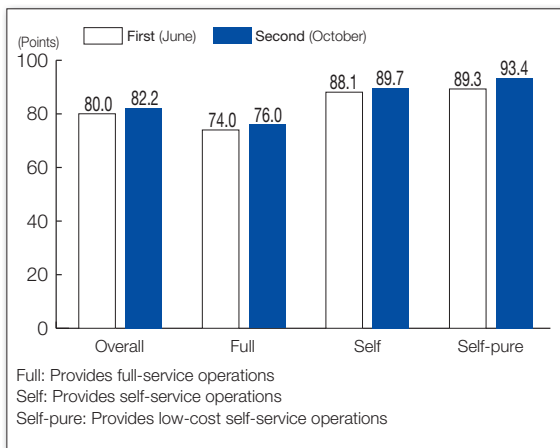


Service Evaluations Monitor Three Promises

The Cosmo Oil Group focuses intently on customer satisfaction. The Group surveys its customers to assess the level of comfort, peace of mind and trust provided by service stations and review the fulfillment of the Three Promises made to customers.

In fiscal 2009, two 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



Voice



Working Hard Every Day to Deliver Customer Satisfaction

As a Cosmo Oil dealer, we operate 14 service stations in Chiba Prefecture. It has been our daily mission since our company was founded to treat our customers with respect, kindness and courtesy and to deliver high-quality services. Even before the "Filling Up Your Hearts, Too" Declaration activities were introduced, we were working

on improvements to create service stations that customers would want to visit. Not only do we thoroughly clean all of the facilities in our service stations, but also consider the entire vicinity to be our responsibility and work to keep it clean and looking good. We also serve customers by proposing solutions to potential future car care needs.

From the beginning our attention to our customers has embodied the spirit of the "Filling Up Your Hearts, Too" Declaration, and this spirit goes beyond our Declaration activities. We are dedicated to ensuring that our customers are completely satisfied and that our service stations are valued by local communities.

CSR Training Across Japan

The Cosmo Oil Group conducts training seminars that address service station laws and ordinances such as the Soil Contamination Countermeasures Act, the Fire Service Act, and the Act on the Protection of Personal Information.



CSR training seminar

Attended by dealer owners, division managers and service station managers, these seminars are intended to foster a shared awareness of the day-to-day legalities of operating a service station and the importance of addressing these in all aspects of operation.

3,700 Service Stations Assessed for CSR

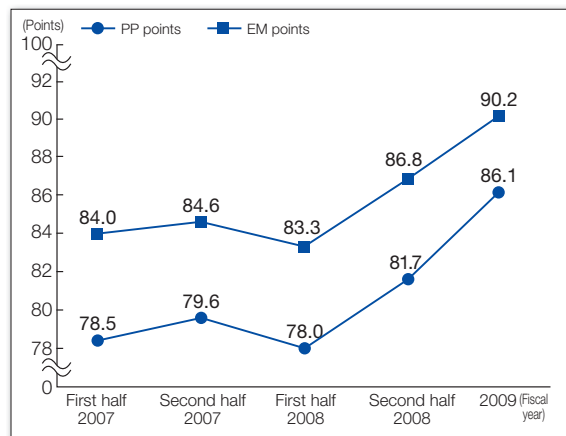
The Cosmo Oil Group conducts a privacy policy (PP) survey and an environment management (EM) survey annually to ensure that the entire Group is in compliance with the laws and ordinances that regulate service stations and other CSR matters. The survey results are incorporated to make necessary improvements in specific areas.

In fiscal 2009, some 3,700 service stations participated in these surveys. Cosmo Oil service stations scored an average of 86.1 PP points and 90.2 EM points, an improvement of 4.4 PP points and 3.4 EM points above the results in the latter half of fiscal 2008.



CSR Assessment PP Survey Sheet

Average PP and EM Points



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

Sakai Refinery—Endeavoring to Secure Stable Supplies and Safe Operations

The Cosmo Oil Group pursues comprehensive initiatives to secure the stable supply of petroleum that sustains society and day-to-day livelihoods, while placing a strict emphasis on safe operations with the goal of eliminating accidents. The Sakai Refinery recently deployed the Group's first heavy oil cracking facilities and is one of many production sites where employees pursue autonomous initiatives for safety management. In this feature article, frontline employees describe the initiatives that the Group is pursuing to secure stable supplies and safe operations that are eco-friendly by leveraging cutting-edge equipment and each individual's expertise.

Data for Sakai Refinery

Address: Chikko Shinmachi 3-16, Nishi-ku, Sakai City, Osaka Prefecture

Started Operations: October 1968

Site Area: 1,246,368 m²

Crude Oil Refining Capacity: 100,000 barrels/day

Delayed Coker Unit Capacity: 25,000 barrels/day

Coker Naphtha/Distillate Unionfining Unit Capacity: 42,000 barrels/day

ISO 9001 Certification: Acquired February 18, 1997

ISO 14001 Certification: Acquired March 20, 1998

Launch of Heavy Oil Cracking Facilities to Cope with Shifts in the Composition of Demand

A Group Mission to Secure the Stable Supply of Petroleum

The business climate that surrounds the petroleum industry is shifting today in significant ways. Demand for petroleum is shrinking in Japan due to factors such as factories and power plants migrating to LNG and other fuels away from heavy fuel oil (heavy oil distillates), which is being driven by high crude oil prices and global warming measures. Meanwhile, there is rising global demand for light oil distillates, such as gasoline, jet fuel, kerosene and diesel fuel, driven by higher living standards in developing countries and other factors.

In July 2008, the Cosmo Oil Group launched the Cosmo Bottom Upgrading (CBU) Project at the Sakai Refinery. The purpose of the project was to enable the refinery to flexibly respond to changes in the composition of demand for petroleum products and fulfill its social responsibility to secure the stable supply of petroleum. Yasuaki Iwata, the Assistant GM at the Sakai Refinery who previously held the position of CBU Project Manager, speaks more about the CBU Project.

CBU Project Aimed at Developing High-Added-Value Products

Q: What was the purpose of the CBU Project?

Iwata: The purpose of the CBU Project was to deploy new heavy oil cracking facilities at the Sakai Refinery for the production of high-demand naphtha and diesel fuel. Both naphtha and diesel fuel are produced using heavy oil that is ordinarily turned into products such as heavy fuel oil and asphalt through distillation.



Delayed Coker Unit



Coker Naphtha/Distillate Unionfining Unit



Yasuaki Iwata
Assistant General Manager, Sakai Refinery

The heavy oil cracking facilities comprise a Delayed Coker Unit (coker unit) for the pre-process and a Coker Naphtha/Distillate Unionfining Unit for the post-process. The coker unit conducts thermal cracking of heavy oil to generate oil for processing in the Coker Naphtha/Distillate Unionfining Unit. This process removes the sulfur components to produce light naphtha, heavy naphtha, jet fuel or diesel fuel according to the product specifications. The facilities effectively convert heavy fuel oil—for which there is shrinking demand—into high-added-value light oil distillates.

The heavy oil cracking facilities at the Sakai Refinery went on line in fiscal 2010. The new facilities have positioned the Cosmo Oil Group to effectively utilize heavy oil and secure the stable supply of petroleum to cope with changes in the composition of demand for petroleum products.

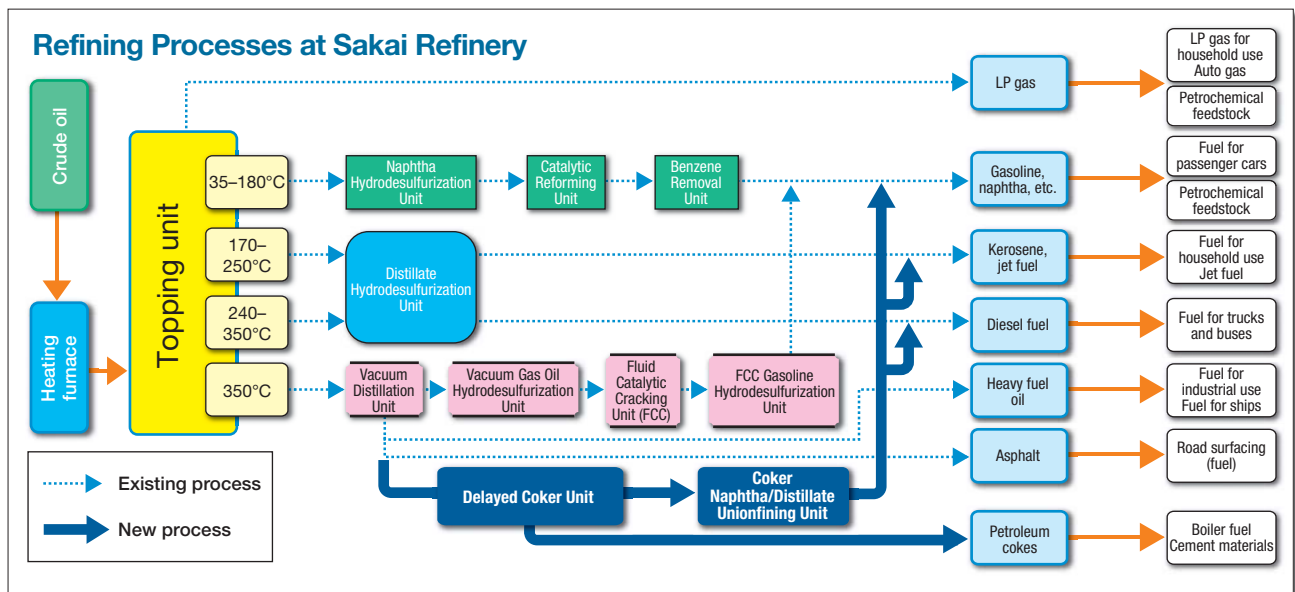
Four-and-a-Half Year Project Necessitated Environmental Initiatives and Comprehensive Safety Management

Q: The whole process from launching the CBU Project until the completion of the facilities took four and a half years, including the preparations. How was the project carried out?

Iwata: The coker unit at the Sakai Refinery is the fourth in Japan, while the Coker Naphtha/Distillate Unionfining Unit is the first in Japan. Since we didn't have any expertise with this kind of unit, we had to start from the ground up.

First, we worked with an American licensor who holds a process license for thermal cracking and light oil distillate production. We spent the initial 18 months on drawing up the basic plan and an additional 18 months on the detailed design. The remainder of the project duration was devoted to construction of the facilities. It was a huge project involving a total of 520,000 people to build the facilities.

One of the major challenges in advancing the project was dealing with the environmental assessments. We had to calculate the volume of expected CO₂ emissions from the heating furnace of the coker unit, and repeatedly coordinated with government authorities to devise methods for offsetting the expected increase in emissions through the overall business operations of the Cosmo Oil Group. For nitrogen oxide (NOx) emissions, we made improvements to our existing machinery and reduced the overall environmental impact of the refinery. We also placed an emphasis on dialogue with local residents. We held community meetings





and conducted public hearings to brief the community on our environmental and safety initiatives, which helped contribute to their understanding.

Aiming for Top-Notch Performance in Japan

Q: What kind of cutting edge

safety technologies is the Sakai Refinery using for the heavy oil cracking facilities, and what is the future vision for the facilities?

Iwata: We have taken steps to increase the sophistication of the safety instrumentation. For example, we are using sensors and other safety mechanisms in redundancy to thoroughly eliminate risks and deploying more sophisticated

communications systems between the production floor and control center. We have also incorporated self-analysis features into our instrumentation.

Moving forward, the Sakai Refinery will endeavor to deliver top-notch production from the heavy cracking facilities at an unsurpassed level in Japan. We will achieve this by collecting diverse production floor expertise and organizing the information so that it can be shared throughout the Group. Our aim is to achieve high added-value that is No. 1 in Japan.

The Cosmo Oil Group will continue to secure stable supplies regardless of how the composition of demand for petroleum products changes by leveraging cutting-edge technology and the expertise of its employees. That is the kind of commitment that the Group has embraced for the heavy oil cracking facilities at the Sakai Refinery.



Hiroki Yamamoto
Engineer, No. 2 Refining Section, Sakai Refinery

Each Person Striving to Enhance Safety, to Achieve and Maintain a Zero Accident Record

Change 21 Activities Aimed at Rebuilding the Framework for Safety Management

The Cosmo Oil Group engages in Group-wide initiatives from the production floor that aim to enhance safety from various angles in order to achieve and maintain a zero accident record.

The Group launched a major push to enhance safety in response to an explosion and fire that occurred at the Chiba Refinery in April 2006. The Group organized the Change 21 activities in order to rebuild the framework for safety management through the combined efforts of all members at refineries, the head office, Group companies and business partners. Under the program, the Group is implementing initiatives to enhance safety by leveraging input from the production floor. The Group has since revealed the Cosmo Oil Safety Reinforcement Declaration in 2008, and is presently implementing a zero-accident campaign. This campaign is aimed at raising safety awareness throughout the Group and

implementing autonomous safety initiatives at refineries, with a focus on encouraging behavior and verification that pays strict attention to safety.

An important cornerstone of the Change 21 Activities is the autonomous safety initiatives that are driven by each individual working at the refineries. We spoke with Hiroki Yamamoto, Engineer of the No. 2 Refining Section at the Sakai Refinery, who is responsible for overseeing the autonomous safety initiatives implemented by the production side at the Sakai Refinery.

Four Areas of Autonomous Safety Initiatives, Implemented through the Efforts of Each Individual

Q: Could you give us a concrete description of the autonomous safety initiatives?

Yamamoto: The autonomous safety initiatives at the Sakai Refinery center around four main areas of activities: on-stream

inspection (OSI) recommendation, risk assessment, My Area activities, and skills enhancement.

OSI recommendation is an initiative under which our equipment operators conduct inspections and verification by themselves during the operation of the equipment. This enables the operators to identify irregularities such as corrosion in pipes and wastage, so that they can recommend that repair and maintenance staff take action. We carry out routine inspections and patrols six times a day together with critical inspection patrols conducted several times a month. These inspections have become a critical part of the operators' work.

Under our risk assessment initiatives, each employee endeavors to identify potential risks attached to their equipment and work, and share this information to prevent accidents. My Area activities encourage strict adherence to the three principles of tidiness, orderliness and cleanliness, in order to build an environment that facilitates the early identification of predictive factors for malfunctions. Our skills enhancement initiatives are currently focused on teaching younger employees how to deal with defects or irregularities that occur with the equipment that they oversee during night shifts or on weekends when repair and maintenance staff may not be available.

The Cosmo Oil Safety Reinforcement Declaration clearly outlines the responsibilities and authorities of departments and individuals for enhancing safety, encouraging each production floor employee to take action to enhance safety. This approach is at the heart of the autonomous safety initiatives that we implement at the refinery.

Pursuing a Group-Wide Zero-Accident Campaign

Q: Could you describe the production floor initiatives that are being carried out under the zero-accident campaign?

Yamamoto: We are pursuing a Group-wide zero-accident campaign as part of our risk assessment initiatives to raise awareness of zero-accident goals and encourage action, from senior management through to the production floor. The most important activity under the zero-accident campaign is risk prediction. On the production side, we conduct training for the prediction of human risks, together with regular training for predicting equipment risks, which are effectively enhancing each employee's ability to predict risks. We are also encouraging the comprehensive use of point-and-call procedures in situations where there are probable risks.

Many accidents occur when unsafe circumstances overlap with unsafe actions. By pointing and calling to alert other employees to risks, we can prevent most accidents from occurring.



Q: What kind of results have you achieved from implementing the zero-accident campaign?

Yamamoto: As a result of encouraging each production floor employee to focus on safety and thoroughly verify their work, we are seeing a decrease in problems and malfunctions that can develop into accidents when not properly dealt with. By implementing Group-wide initiatives to ensure that employees engage in safe actions as a force of habit on the production floor, we are endeavoring to eliminate risks at the source, to achieve and maintain a zero-accident record.

Integrating Environmental Management Initiatives with Safety Management

Q: Restricting emissions of environmentally hazardous substances is another important area of activity for refineries. Could you tell us what the Sakai Refinery is doing in this area?

Yamamoto: The refineries of the Cosmo Oil Group place a strong emphasis on their impact on air and water quality, focusing on facility management to reduce emissions of environmentally hazardous substances. At the Sakai Refinery, we conduct regular inspection patrols as part of our autonomous safety initiatives, which also benefit our environmental management. We conduct six patrols per day that include inspecting NOx and sulfur oxide (SOx) analyzers to ensure that they are functioning properly, and we constantly monitor water quality. Safety management and environmental management initiatives are fully integrated at the production floor level.

The Cosmo Oil Group is pursuing both safety and environmental performance by raising the awareness of each production floor employee. These activities will evolve together with employees.

Securing a Stable Supply and Safe Operations at the Forefront of the Cosmo Oil Group



Hiroaki Fujioka
Senior Executive Officer
and GM of Sakai Refinery

The Sakai Refinery is fulfilling its responsibilities to secure a stable supply and safe operations through the construction of the heavy oil cracking facilities, which are a first for the Cosmo Oil Group.

The deployment of heavy oil cracking facilities to produce high-demand diesel fuel and jet fuels enables us to fulfill our mission to secure stable supplies of petroleum on a global basis. We succeeded in constructing the facilities with no major accidents through comprehensive safety management. Looking ahead, I am personally committed to further spreading the message of safety, and continuing to engage in dialogue with each of our employees.

We have also reexamined our environmental equipment together with the construction of the heavy oil cracking facilities. We made upgrades to our existing equipment in order to reduce the overall environmental impact of the refinery, enabling the refinery to keep NOx emission levels the same despite bringing the heavy oil cracking facilities on line.

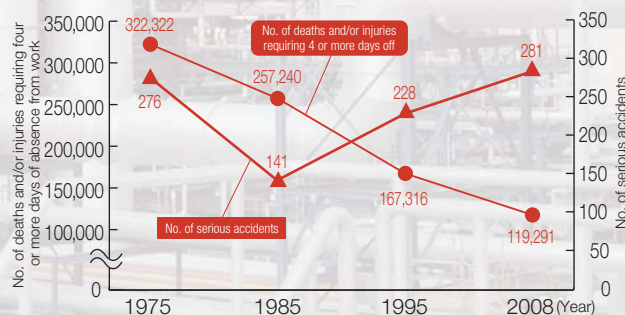
The diverse activities implemented at the Sakai Refinery are a snapshot of the initiatives that are being pursued throughout the Cosmo Oil Group. The Sakai Refinery will continue endeavoring to secure stable supplies and safe operations that are environmentally friendly, at the forefront of the Group.

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



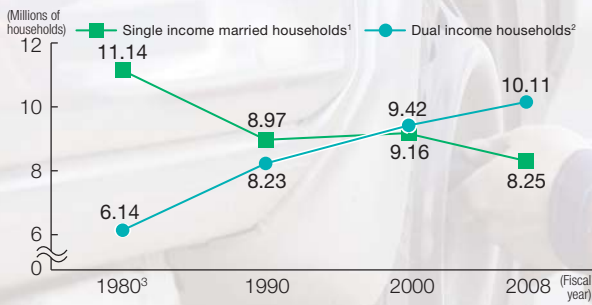
Society today is marked by increasingly diverse lifestyles and values. The Cosmo Oil Group is committed to creating comfortable workplaces that meet these diverse needs.



Statistical Glance at Society

The number of dual income households in Japan has increased dramatically since the 1980s. In the first half of the 1990s, the number of dual income households rapidly approached the large number of single income married households. Subsequently, dual income households have become the clear majority since 2000. As Japan's labor environment continues to evolve, the ability to choose a work style that suits one's lifestyle is essential from the standpoint of a workforce looking to strike a balance between work and home life. The Japanese national government sets numerical targets to promote a healthy work-life balance for employees.

Shift in Number of Dual Income Households



1. A single income married household is defined as a household wherein the husband is employed (excluding employment in agriculture and forestry industries) and the wife is unemployed (not a member of the workforce/completely unemployed).
 2. A dual income household is defined as a household wherein both the husband and the wife are employed (excluding employment in agriculture and forestry industries).
 3. Data dated from 1980 to 2000 is based on the Special Labour Force Survey that is conducted by the Ministry of Internal Affairs and Communications every February (excluding 1980 when the survey was conducted in March). Data for 2008 is based on the Labour Force Survey (Basic Tabulation/Yearly Average Results) also conducted by the Ministry.
 Source: *White Paper on Gender Equality 2009* (Gender Equality Bureau, Cabinet Office)

National Work-Life Balance Objectives

Target Indicator	Current Status	2020
Employment rate (women aged 25-44)	66.0%	73%
Percentage of overworked employees (60 hours or more per week)	10.0%	Reduce by half
Annual paid leave rate	47.4%	70%
Childcare leave rate for male employees	1.23%	13%

Source: Excerpt from Action Policy for Promoting Work-Life Balance (Council of Executives of Public and Private Sectors to Promote Work-Life Balance)

Creating Workplaces Conducive to Employee Excellence

The Cosmo Oil Group maintains the utmost respect for each and every one of its employees and is committed to creating a positive, dynamic work environment for employees to allow them to fully demonstrate their abilities. As part of this effort, the Group focuses on achieving greater efficiency in business practices, properly managing employee work hours, and evaluating employee performance in a suitable, fair and just manner that takes the abilities of each individual into consideration.

The emergence of a wide variety of life and work styles in recent years has placed increased pressure on companies to consider employees' "work-life balance." It is important that companies give priority to addressing these needs not only as a matter of corporate sustainability, but also for the continued well being of society at large. As such, the Cosmo Oil Group respects each employee's set of values and approach to life. The Group is therefore committed to helping employees maintain a healthy work-life balance so that employees are able to achieve their life goals.

Second Consolidated Medium-Term Human Rights/Personnel Plan

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. In addition, 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.



Preventing and Eliminating the Violation of Human Rights

The Cosmo Oil Group established its Human Rights Committee for the purpose of promoting initiatives designed to prevent and eliminate all violations of human rights. The director in charge of the Personnel Department serves as the chairperson of the Committee, which comprises members from each of the Group's operational areas. The Committee meets annually as a rule and promotes basic policies regarding human rights. The Cosmo Oil Group also conducts human rights training annually for upper management at Cosmo Oil and Group companies. In 2009, 84 persons participated in this training.



Human rights training for upper management

Fiscal 2009 Initiatives and Achievements of the Second Consolidated Medium-Term Human Rights/Personnel Plan¹

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

Second Consolidated Medium-Term Human Rights/Personnel Plan	Themes		Fiscal 2009 Goals	Fiscal 2009 Results	Achievement of Goal
	Improve the sense of participation	Conduct survey on and increase awareness of personnel regulations and welfare systems	<ul style="list-style-type: none"> Continue publicizing personnel regulations and welfare systems Conduct survey on awareness of welfare systems 	<ul style="list-style-type: none"> Worked to increase awareness through one-on-one support, training and other initiatives; survey on awareness not yet conducted 	△
Respect for diversity and equal opportunity	Promote fair employment	<ul style="list-style-type: none"> Maintain a rate of employment of persons with disabilities of 2% or higher 	<ul style="list-style-type: none"> Rate of employment of persons with disabilities: 2.0% in June 2009 → 2.1% in June 2010 	○	
	Prevent harassment	<ul style="list-style-type: none"> Enhance human rights training targeting harassment prevention, and ensure 80% or higher rate of participation among employees² 	<ul style="list-style-type: none"> Incorporated power harassment prevention as a training theme; 77% attendance rate, a 7-percentage-point increase, year on year 	△	
Cultivate personnel and develop skills	Provide support for career development, and implement in-house recruiting	<ul style="list-style-type: none"> Continue the Career Challenge Program 	<ul style="list-style-type: none"> Continued to implement Career Challenge Program 	○	
Promoting physical and mental health care	Prohibit overwork, and institute supplemental health exams	<ul style="list-style-type: none"> Ensure that the average annual work hours of employees² does not exceed 1,900 Continue offering specialized healthcare advice 	<ul style="list-style-type: none"> Average annual work hours of employees²: 1,900 Continued offering specialized healthcare advice 	○	
Supporting balance between work and home life	Continue promoting childcare leave and supporting leisure activities	<ul style="list-style-type: none"> Maintain or improve the average number of paid leave days taken by employees² Continue promoting childcare leave and supporting leisure activities 	<ul style="list-style-type: none"> Paid leave taken by employees² was 15.8 days, a 22% increase from the benchmark year of fiscal 2006 Childcare leave taken by 6 employees: 4 female employees (including all eligible female employees) and 2 male employees 	○	
Support employment stability and re-employment	Support re-employment and rehiring	<ul style="list-style-type: none"> Continue to support re-employment and rehiring 	<ul style="list-style-type: none"> 63 senior employees hired from among 122 eligible candidates 66 employees participated in life design training, and 22 employees participated in second career training 	○	

1. Data covers employees at Cosmo Oil Co., Ltd. (including those temporarily dispatched).
2. Excluding shift-work employees

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

Promoting Dynamic Working Environments

Increasing Awareness of Programs

Cosmo Oil has a wide array of personnel regulations and employee welfare programs in place and is gradually increasing awareness of these by creating opportunities to educate employees and by providing one-on-one counseling. The Group will continue to increase awareness by educating employees through training sessions and other means.



Instituting the Career Challenge Program

Cosmo Oil established 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 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.

Number of Employees (as of March 31, 2010)¹

		Men	Women	Total
Cosmo Oil	Unlon members	1,505	224	1,729
	Management positions	389	4	393
	Others ²	55	3	58
	Subtotal	1,949	231	2,180
Group companies ³	Unlon members	780	95	875
	Management positions	263	0	263
	Others ²	6	1	7
	Subtotal	1,049	96	1,145
Total		2,998	327	3,325

1. As of fiscal 2009, data includes senior employees, but excludes workers seconded from outside organizations.
 2. "Others" includes 64 senior employees and 1 employee hired on a trial basis.
 3. Number of employees at Group companies includes temporarily dispatched employees of Cosmo Oil Co., Ltd.

Extensive Support for Re-Employment

In April 2006, Cosmo Oil adopted a senior employee system. As of the March 31, 2010, 164 employees throughout the Group were employed under this system. In fiscal 2009, the Group also introduced Life Design Training for employees aged 55 and Second Career Training for employees seeking training before they retire.

Voice



Norio Yoneda
Cosmo Business Support Co., Ltd.

Working as a Senior Employee

It has now been a year since I started working as a senior employee. Looking back at that year, I can't say that I've felt any major difference, psychologically, between this year and any other previous year of my career here. Although my current position requires me to draw on my past working experience, because of the many new tasks that I am tackling, I sometimes get lost. The private joy, however, that I feel when I overcome such obstacles to get the job done, reminds me of when I was working at my very first job. My coworkers have also been extremely kind in lending me a hand, and I am enjoying my work as a senior employee.

Respect for Human Rights to Provide Equal Opportunity

In fiscal 2009, the Cosmo Oil Group incorporated human rights training into its corporate ethics curriculum, to focus specifically on the theme of power harassment prevention. The Group will continue to conduct educational activities that create truly positive work environments where every employee is committed to taking a zero tolerance stance on power harassment. Under this training scheme, the Group aims to get employees to understand that the key to resolving power harassment is respect for human rights.

Cosmo Oil has also voluntarily set a rate of employment of persons with disabilities to 2.1% (as of June 2010), higher than the legally mandated rate of 1.8%. In addition to raising awareness of these issues among employees, the Group is committed to creating working environments that ensures all of its employees are able to work enthusiastically and with peace of mind.

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

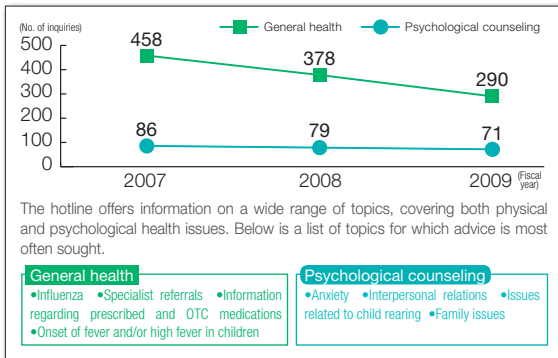
Promoting Physical and Mental Health Care

The Cosmo Oil Group has begun working with the Cosmo Oil Health Insurance Society to introduce a special health guidance system to take over the special health checks mandated since fiscal 2008. The Group has also been promoting its flextime system to reduce the number of total hours worked, while taking measures to encourage employees to take annual paid days of leave. As a result, the average work hours of employees in fiscal 2009 totaled 1,900 hours, a reduction of 16 hours¹ over the previous fiscal year. The Cosmo Oil Health Insurance Society operates

the Group's Health and Counseling Online Hotline staffed with specialists in psychology, psychosomatic medicine and other fields. This hotline gives employees and their families immediate access to responsible answers and advice on a wide range of topics.

1. In fiscal 2009, Cosmo Oil revised its methods for calculating total hours worked at Group companies to more accurately reflect actual conditions.

Number of Inquiries Submitted to the Health and Counseling Online Hotline



Voice



Encouraging Employees to Stay Healthy

As a nurse, my job is to plan and carry out physical examinations for our employees, set up consultations with doctors for employees who are overworked, and conduct follow up exams. To help our employees stay healthy, it is important for them to be aware of, and take steps to maintain, their own health. Our doctors and nurses, including myself, work hard every day to support our employees in this regard. It is, in fact, our ultimate duty. Demographically, Cosmo Oil employees include a large number of older workers. For this reason, we see a high incidence rate of health problems related to blood pressure, fat and sugar metabolism, as well as increased risk of cerebrovascular and heart disease among employees. To ensure that each and every one of our employees stays healthy, Cosmo Oil will work in conjunction with local offices to continue to increase awareness among employees about the need to manage their health.

Akiko Okude
Health Center,
Personnel Department,
Cosmo Oil Co., Ltd.

Striking a Balance between Work and Home Life

The Cosmo Oil Group believes that providing a work environment that enables employees to comfortably balance their work and private lives is key to both maintaining motivation among personnel and to retaining a pool of talented workers. With this in mind, the Group has stepped up efforts to make it easier for employees to balance childrearing and work responsibilities. As a result, all four eligible female employees, and two male employees, took childcare leave in fiscal 2009. Although relatively few male employees have taken childcare leave, the Group recognizes that measures to increase this number are necessary.

The Cosmo Oil Group has continued to implement a company-specified holiday system¹ to encourage employees to use annual paid days of leave. As a result, an average of 15.8 annual paid leave days have been taken, an increase of 0.3 days from the previous fiscal year, and an increase of 2.9 days from the benchmark year of fiscal 2006. The Group also introduced the Cosmo Well Box welfare program which can be used in conjunction with travel, leisure and a variety of life plans in fiscal 2008. In fiscal 2009, this program continued to have an extremely

high rate of usage and significantly contributed to the work-life balance of Cosmo Oil employees.

- Company-specified holiday system: The Company specifies three days of annual paid leave for each employee at the beginning of each fiscal year.
- Kurumin Mark: Indicates that a company or enterprise has been certified by the Ministry of Health, Labour and Welfare for implementing support for childrearing as a measure to counter Japan's declining birthrate.

Voice



My Childcare Leave

I took a month of childcare leave just before my wife went into the hospital to give birth to our child. Thanks to this leave package, I was able to be with her when she went into labor, gave birth, and after she came home from the hospital. I believe that by being with her I was able to share some of her anxiety before and after the birth. Once she was home, we were able to share in every aspect of caring for our child, which was a first for us. Being there with her to deal with the anxieties and to experience the daily changes in my child's first month of life was something that I will always treasure.

Haruki Kanazashi
Accounting Department,
Cosmo Oil Co., Ltd.



Kurumin
Mark

Number of Employees Taking Maternity and Childcare Leave and Support Courses for Returning to Work; and Child Care Leave Rate¹

	Fiscal 2007		Fiscal 2008		Fiscal 2009	
	Women	Men	Women	Men	Women	Men
Maternity leave	8	0	5	0	6	0
Childcare leave ²	4 (7)	1 (1)	7 (12)	1 (1)	4 (10)	2 (2)
Support courses for returning to work	8	0	7	0	2	0
Childcare leave rate (%)	75%	—	100%	—	100%	—

1. Data covers employees at Cosmo Oil Co., Ltd. (including those temporarily dispatched).

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

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

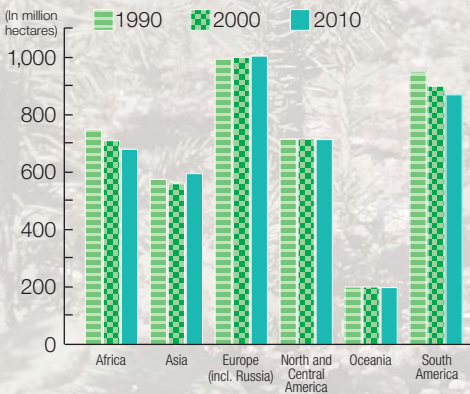
4 We take care of the global environment

Our planet is irreplaceable, and the Cosmo Oil Group recognizes protecting the environment as one of its most important responsibilities.

Statistical Glance at Society

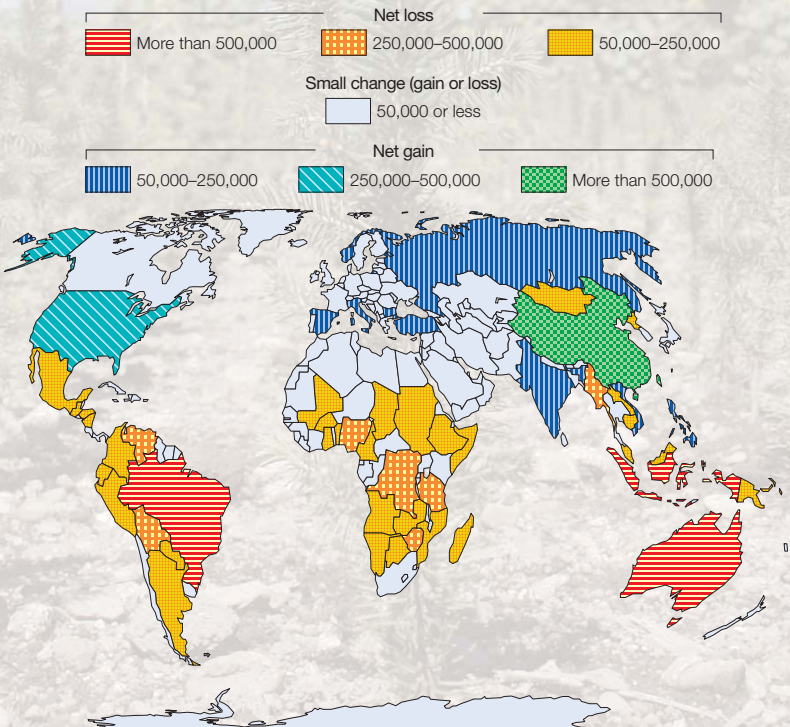
Although some parts of the world are more affected than others, the shrinking of forested areas is of global proportions. While the disappearance of forests is particularly serious in South America and Africa, large-scale forestation campaigns in China and India have increased forested land in Asia. In Oceania, drought has triggered the disappearance of forests. This decline of forest resources is said to impact the global environment in various ways such as contributing to global warming and the loss of biodiversity.

Trends in Forest Area, 1990–2010



Note: Quoted from the *Global Forest Resources Assessment 2010: Key Findings* issued by the UN Food and Agricultural Organization (FAO) in March 2010. (An official report is scheduled to be issued in October 2010.)
Source: *Global Forest Resources Assessment 2010: Key Findings* (UN FAO)

Net Change in Forest Area by Country, 2005–2010 (ha/year)



Note: Quoted from the *Global Forest Resources Assessment 2010: Key Findings* issued by the UN FAO in March 2010. (An official report is scheduled to be issued in October 2010.)
Source: *Global Forest Resources Assessment 2010: Key Findings* (UN FAO)

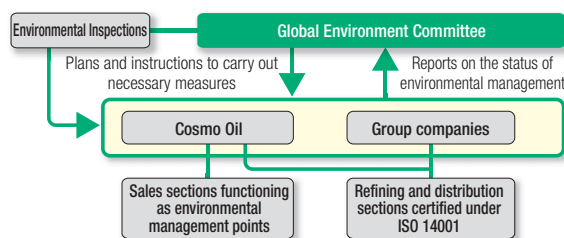
Taking Steps to Protect the Global Environment through Business Activities

In full recognition of the burden that oil places on the environment, the Cosmo Oil Group acts as a responsible corporate citizen by taking steps to conserve the global environment through the course of its business operations. Efforts begin with initiatives such as reducing greenhouse gas emissions in business operations, but also include the action of every single employee who contributes by using less copy paper and practicing energy-saving methods. The Group also develops environment-friendly products while entering into renewable energy businesses. The Cosmo Oil Group will actively continue these efforts as it works toward successful cohabitation with our planet.

Cross-Sectional Environmental Management System

Under a proprietary environmental management system, the Cosmo Oil Group encourages employees to take self-initiated environmental action. Also under this structure, the Global Environment Committee, a cross-sectional body, drafts the Consolidated Medium-Term Environmental Plan, reports on and evaluates plan results, and provides feedback to specified departments. The Cosmo Oil Group shares environmental initiatives throughout the Group, from the front lines to the management level.

Environmental Management System



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: implement global warming countermeasures, minimize environmental impact, develop environmentally friendly businesses and technologies, and share and disseminate environmental information.

Third Consolidated Medium-Term Environmental Plan Fiscal 2009 Initiatives

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

	Themes	Major Goals	Fiscal 2009 Initiatives and Results	Achievement of Goal
Third Consolidated Medium-Term Environmental Plan	Implement global warming countermeasures	Improve unit energy consumption at the Group's four refineries, targeting a 15% reduction by 2010 compared to 1990	Achieved energy saving goals: 11.97% reduction in unit energy consumption due to fewer refinery operations as a result of a decrease in domestic demand	×
		Manage greenhouse gas emissions: Expand target workplaces for quantitative assessments (at each stage from oil exploration and production to distribution)	Completed quantitative assessment covering oil exploration and production to distribution (product transportation and storage) by adding Qatar Petroleum Development Co. Ltd. as a target workplace	○
		Promote energy and resource conservation to achieve goals for Team Minus 6% Activities at Offices	Achieved Group-wide goals for reducing amount of copy paper used at offices and amount of electricity consumed at offices; fell short of goal to reduce fuel consumption of Group company vehicles	△
	Minimize environmental impact	Reduce industrial waste, targeting a final disposal rate of less than 0.5% at Cosmo Oil and a total of less than 5.0% at target companies ¹	Achieved final disposal rate for industrial waste of 0.47% at Cosmo Oil and 4.98% in total at target companies Each target company also achieved its respective final disposal rate objective	○
		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	Proceeded with plan introduced in previous year for measures at service stations and refineries (soil environment surveys, educational activities, and management improvement)	○
	Develop environmentally friendly businesses and technologies	Progress with the commercialization of new environmental businesses	Made steady progress in developing businesses across sectors, including full-scale entry into wind power generation (by acquiring stock in Eco Power Co., Ltd.) and R&D in polysilicon manufacturing technologies for solar-powered batteries	○
		Conduct R&D related to the oil industry and new industries: • Conduct R&D to improve performance in existing businesses • Seek out new businesses		
	Share and disseminate environmental information	Carry out Team Minus 6% Activities for Individuals: 3,300 participants, reducing 2,800kg of CO ₂ per day	5,209 individuals took up the Team Minus 6% challenge to achieve a total CO ₂ reduction of 5,615 kg/day	○
		Greater cooperation in Cosmo Oil Eco Card Fund: strengthen interactive communication with stakeholders	Continued to provide support for 12 projects as part of Cosmo Oil Eco Card Fund activities; Conducted eco-tour (September 2009)	○

1. Target companies include Cosmo Oil Co., Ltd., Cosmo Engineering Co., Ltd., Cosmo Matsuyama Oil Co., Ltd., Cosmo Oil Lubricants Co., Ltd., Cosmo Petroleum Gas Co., Ltd., and Hokuto Kougyo Co., Ltd.

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

④ We take care of the global environment

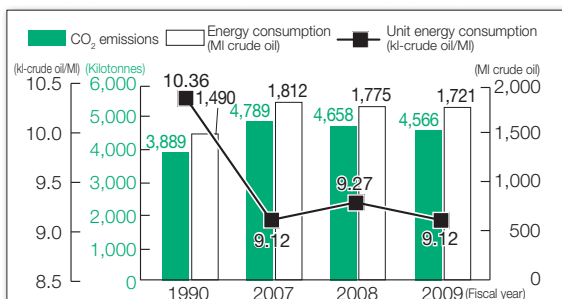
Reducing the Environmental Impact of Business Activities

Oil Refineries Conserve Energy

The Group's refineries conserve energy by implementing measures such as installing high-efficiency equipment and improving operating control. In fiscal 2009, Cosmo Oil took initiatives on production lines to raise efficiency of gas compressors and furnaces. In terms of operational initiatives, the Company reevaluated operating conditions and reduced steam consumption. Unit energy consumption¹ in fiscal 2009 was 9.12 kl-crude oil/Ml, an improvement over the previous fiscal year due to optimal operation in production lines. This level of consumption represented an 11.97% reduction over fiscal 1990.

1. Unit energy consumption is expressed as total energy consumption divided by crude oil equivalent throughput taking into account the complexity of refining techniques. The unit is kl-crude oil/Ml. Note that the total energy consumed is calculated by converting the use of heat, electricity and other types of energy used into a common denominator of kl crude oil equivalent.

Energy Consumption and CO₂ Emissions at Four Refineries



Notes:

- Beginning with fiscal 2006 results, the method of calculating CO₂ was revised as stipulated by the Act on Promotion of Global Warming Countermeasures.
- Fiscal 2009 CO₂ emissions have been calculated using the CO₂ emission factor for electricity for fiscal 2008. CO₂ emissions up to fiscal 2008 have been calculated using the CO₂ emission factor for electricity for each fiscal year.
- In addition to the figures shown in the graph, N₂O released from the catalyst regeneration tower amounted to 23 kilotonnes of CO₂ equivalent in fiscal 2009.

Environmentally Friendly Service Stations

To create environmentally friendly service stations, the Group is installing solar power systems and LED lights at Cosmo Oil service stations. A total of seven service stations in Kanagawa, Tokyo, and Osaka Prefectures have had electric vehicle rechargers installed, and the infrastructure needed for the widespread use of electric vehicles is being put in place. Initiatives designed to make Cosmo Oil service stations globally eco-friendly are being assessed and implemented.



LED-lit sign pole



High-speed recharger for electric vehicles

Saving Energy in Distribution Divisions

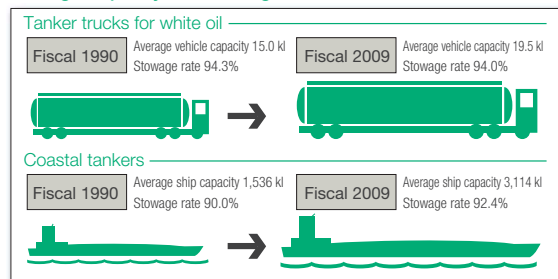
In fiscal 2009, unit energy consumption in transportation¹ at Cosmo Oil alone was 8.85 kl/million tonne-kilometers, a 0.10 kl/million tonne-kilometer improvement over the previous fiscal year. The Company engaged in the transport of 6,237 million tonne-kilometers of freight, or 94.5% of the volume transported in the previous fiscal year.

The Cosmo Oil Group continues to implement energy conservation initiatives in ground transportation by utilizing large tanker trucks and maintaining high stowage rates. The transportation volume per vehicle stood at 17.55 kiloliters per delivery, an improvement of 0.07 kiloliters per delivery, year on year. Energy use in diesel fuel fell significantly by 8.2% compared to the previous fiscal year, while unit energy consumption was 36.93 kl/million tonne-kilometers, an improvement of 0.88 kl/million tonne-kilometers over the previous year. To further conserve energy, the Group will focus on systematic delivery, independent unloading and other means of raising efficiency.

The Group also continues to focus on the use of large coastal tankers and maintaining high stowage rates for maritime transportation activities. Unit energy consumption in maritime transportation, however, remained nearly the same as the previous fiscal year at 6.19 kl/million tonne-kilometers. In fiscal 2010, Cosmo Oil will once again focus on the use of large coastal tankers and improving stowage rates.

1. Unit energy consumption in transportation (kl/million tonne-kilometer) is calculated by energy consumption (kiloliters in crude oil equivalent) divided by tonne-kilometers (weight in tonnes of material transported multiplied by the number of kilometers transported).

Average Capacity and Stowage Rate



Promoting Effective Eco Office Activities

The Cosmo Oil Group conducts "Eco Office" activities to reduce the amount of copy paper used, the amount of fuel consumed by company vehicles and the amount of electricity consumed at its offices. To attain these overall goals, each and every employee will engage in initiatives to achieve reduction targets set by each workplace.

Eco Office Activities¹

Targeted Area	FY2009 Goal		FY2009 Results (Compared to Goal)			
	Cosmo Oil	Group companies	Cosmo Oil	Group companies		
Copy paper (thousand sheets)	15,527	20,148	13,501	-13.1%	18,976	-5.8%
Company car fuel consumption (kl)	303	648	295	-2.8%	674	4.1%
Office electricity consumption (MWh)	1,495	2,774	1,381	-7.6%	2,654	-4.4%


1. The "Team Minus 6% Activities at Offices" campaign was renamed "Eco Office Activities" in fiscal 2010.

Environmental Impact of Business Activities

- 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, published by the Japanese Ministry of the Environment and the Ministry of Economy, Trade and Industry.
- See the Cosmo Oil Group website 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.

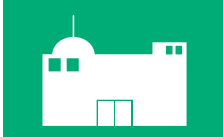
- "Steam sold" refers to steam sold by the Chiba Refinery and Cosmo Matsuyama Oil Co., Ltd. CO₂ emissions for "Refining" were calculated after deducting the portion of CO₂ emissions that results from generating steam sold.
- CO₂ emissions attributable to the construction of facilities are not included 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.
- Figures given for "Offices" include data from the Cosmo Oil Head Office and branch offices.

Crude Oil Extraction




▶ INPUT		◀ OUTPUT	
Energy		Emissions into atmosphere	
Fuel	25,292 TJ	CO ₂	1,410 kilotonnes
		SOx	19,441 tonnes
		NOx	3,119 tonnes

R&D Center



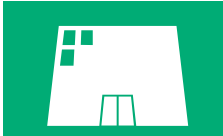
▶ INPUT		◀ OUTPUT	
Energy		Emissions into atmosphere	
Fuel	111 TJ	CO ₂	7 kilotonnes

Crude Oil Transportation



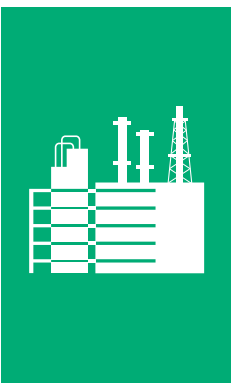
▶ INPUT		◀ OUTPUT	
Energy		Emissions into atmosphere	
Fuel	12,410 TJ	CO ₂	848 kilotonnes
		SOx	18,473 tonnes
		NOx	22,883 tonnes

Offices



▶ INPUT		◀ OUTPUT	
Energy		Emissions into atmosphere	
Fuel	23 TJ	CO ₂	1 kilotonnes

Refining




▶ INPUT		◀ OUTPUT	
Raw materials		Water	
Crude oil	26,231 MI	Industrial water	39,350 kilotonnes
Other	1,434 MI	Sea water	361,159 kilotonnes
Energy		Total energy consumption Unit: TJ	
Purchased power	3,116 TJ (321,904 MWh)	Fiscal 2007	73,244
Private-use fuel	66,020 TJ (1,703 MI-crude oil)	Fiscal 2008	71,499
		Fiscal 2009	69,136
		Emissions into atmosphere	
		CO ₂	4,813 kilotonnes
		Private-use fuel	4,330 kilotonnes
		Purchased power	125 kilotonnes
		Hydrogen production process	357 kilotonnes
		SOx	5,437 tonnes
		NOx	3,104 tonnes
		Wastewater	
		Wastewater	371,489 kilotonnes (including 361,159 kilotonnes of sea water)
		Chemical oxygen demand (COD)	110 tonnes
		Nitrogen	59 tonnes
		Phosphorus	2 tonnes
		Industrial waste	
		Generated	53,718 tonnes
		Recycled	21,591 tonnes
		Final disposal	250 tonnes
		PRTR Law designated chemical substances	
		Released	65 tonnes
		Transferred	106 tonnes
		CO₂ emissions Unit: kilotonnes	
		Fiscal 2007	5,063
		Fiscal 2008	4,912
		Fiscal 2009	4,813

Products

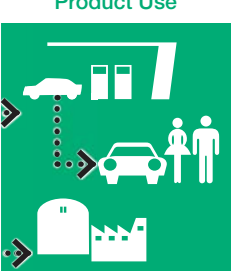
● Production:	● Sulfur recovered:	● Electricity sold:	● Steam sold:	● CO ₂ sold:
26,568 MI	239 MI (by-product)	1,436,053 MWh (14,016 TJ)	1,730 TJ	125 kilotonnes

Product Transportation and Storage at Oil Depots



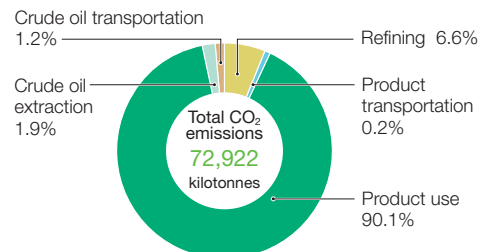
▶ INPUT		◀ OUTPUT	
Energy		Emissions into atmosphere	
Fuel	2,139 TJ	CO ₂	148 kilotonnes
		SOx	1,674 tonnes
		NOx	3,241 tonnes

Product Use



◀ OUTPUT	
Emissions into atmosphere	
CO ₂	65,695 kilotonnes
(The figure above does not include CO ₂ emissions of 962 kilotonnes attributable to generating electricity sold, and CO ₂ emissions of 86 kilotonnes attributable to generating steam sold.)	
SOx	121,252 tonnes
CO₂ emissions Unit: kilotonnes	
Fiscal 2007	73,878
Fiscal 2008	70,736
Fiscal 2009	65,695

CO₂ Emissions Throughout the Oil Lifecycle



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

④ We take care of the global environment

Reducing Environmental Impact of Business Activities

Expanding Bio-Gasoline Sales Area

In fiscal 2007, Japan's petroleum industry launched a distribution demonstration project to offer trial sales of bio-gasoline, a regular gasoline mixed with bio-ETBE, as a part of the biomass-derived fuel introduction project led by the Japanese Ministry of Economy, Trade and Industry. After the

trial sales, the Cosmo Oil Group started a full-scale sales campaign in February 2009 and has introduced the sale of bio-gasoline at 410 service stations as of April 2010.



Developing Hydrogen and Fuel Cells

The Cosmo Oil Yokohama-Daikoku Hydrogen Station launched demonstrations in fiscal 2002, and in fiscal 2008 began 70MPa (700 atmospheric pressure) replenishment experiments to increase hydrogen replenishment capacity. Cosmo Petroleum Gas Co., Ltd. launched sales of LPG fuel cells for household use under the Japanese government's subsidy program for consumer fuel cells introduced in fiscal 2009.



Yokohama-Daikoku Hydrogen Station

Field Testing GTL¹ 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. Completed in Niigata City in April 2009, the GTL demonstration plant reached production of 500 barrels a day (approximately 80 kl/day) in early June 2009.

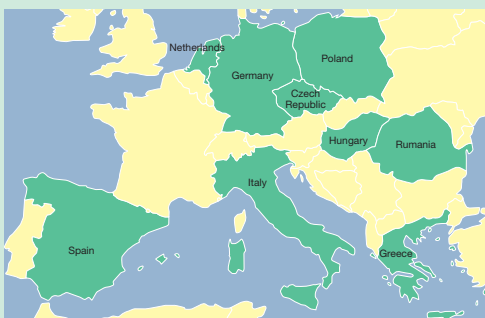
1. GTL technology: This technology is a refinery process that chemically converts natural gas into synthetic gas (mixed CO and H₂ gas). The mixed gas is then converted into liquid fuel using the Fischer-Tropsch process. GTL is an effective technology for providing alternative fuel sources to petroleum and for manufacturing clean fuel.



GTL demonstration plant

ALA Spreads Around the World

The Pentakeep and Penta Garden series of liquid fertilizers containing ALA, which was first globally marketed by the Cosmo Oil Group, are extremely popular both in Japan and in European markets where there has been an enthusiastic shift to high-value-added agriculture. As of May 2010, this series was being commercially marketed in nine European countries. In Japan, fiscal 2009 sales of ALA-containing liquid fertilizers increased by 164%, year on year, responding to demand in the fertilizer sector. Preparations are underway for future sales in the US and Chinese markets with their massive agricultural acreage and expected strong demand.



The Cosmo Oil Group is actively developing new, non-fertilizer uses for ALA. The Group is focusing on a number of different promising sectors, including the use of ALA in pharmaceuticals, cosmetics, health food products, animal feed and pet food. ALA products promise to be a pillar for new Cosmo Oil businesses 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 a 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.

User Voice

Consistency in Administering ALA is Key

Cucumber Farmer in the Netherlands

Once I started seriously using Pentakeep S, an agricultural consultant recommended that I use 0.5 liters per hectare each week and that I administer it early in the morning using specialized piping. After administering Pentakeep S three times at these regular intervals, total production output increased to 195 cucumbers per square meter.



The crops that resulted are fresh, healthy and robust throughout the year. Both the fruit and the leaves are a deep, dark green, and the plants are less affected by mold and other diseases. This is a great product all around.



Significant Difference in Growth Mid-Cycle

40-year-old male, living in Tokyo

The difference in plant growth between garland chrysanthemums that are grown in soil treated with Penta Garden PRO and those grown in untreated soil becomes more and more obvious once the plants have grown to 10 cm. The photo at right was taken two months after the vegetables were planted. Both batches of soil contained fertilizer, and I was shocked by just how stark a difference the Penta Garden PRO made.



With Penta Garden

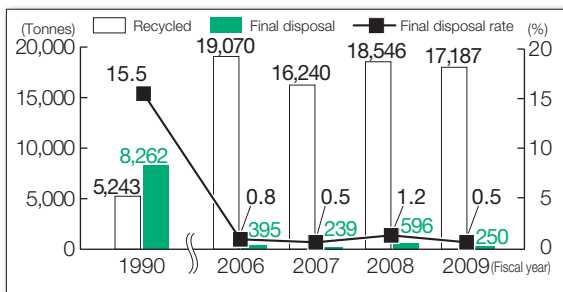
Without Penta Garden

Striving to Achieve Zero Industrial Waste

In fiscal 2009, the final disposal rate of waste from target companies¹ was 4.98%, achieving one of the Third Consolidated Medium-Term Environmental Plan goals. The amount of waste sent for final disposal at Cosmo Oil's four refineries (including Yokkaichi Kasumi Power Station) was 250 tonnes, a 97% reduction from fiscal 1990 and a 0.47% final disposal rate. This fiscal 2009 reduction surpassed the target—94% reduction over fiscal 1990 and a 1.0% or less final disposal rate—set in the Petroleum Association's voluntary action plan.

1. Target companies include Cosmo Oil Co., Ltd., Cosmo Engineering Co., Ltd., Cosmo Matsuyama Oil Co., Ltd., Cosmo Oil Lubricants Co., Ltd., Cosmo Petroleum Gas Co., Ltd., and Hokuto Kougyo Co., Ltd.

Volume of Industrial Waste at Four Refineries



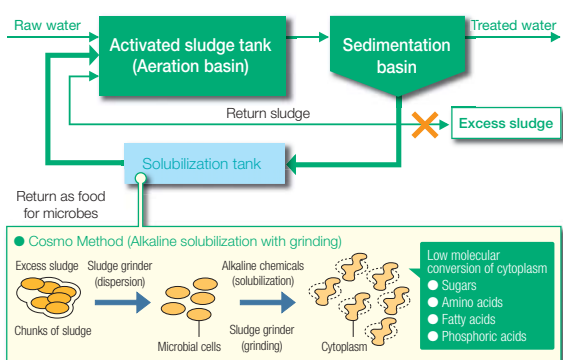
Reducing Excess Sludge

Excess sludge discharged from wastewater treatment facilities accounts for the largest portion of all industrial waste in Japan. Sludge also makes up approximately 50% of industrial waste generated at Cosmo Oil's refineries, which makes managing this sludge extremely important.

The Company 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).

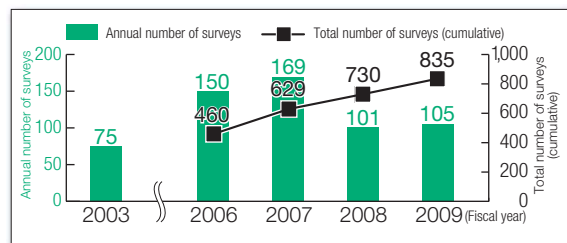
Methods for Reducing Sludge



Reducing Risk from Soil Contamination

To reduce the risk of environmental impact 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 Company 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. In fiscal 2009, the Company completed soil environment surveys at almost all Cosmo Oil service stations with single-shell tanks by conducting 105 surveys, while expending some ¥1.1 billion on soil preservation measures. The Company plans to conduct soil environment surveys at other service stations as they undergo renovations and to implement the measures that these surveys indicate are appropriate.

Number of Soil Surveys at Service Stations Owned by Cosmo Oil



Promoting VOC Countermeasures

Volatile organic compounds (VOC) are thought to be the cause of photochemical oxidants being released into the atmosphere. Cosmo Oil was already addressing this issue before the Japanese oil industry as a whole first introduced measures in fiscal 2000. As part of its effort to reduce VOCs even more, the Company installed VOC recovery equipment at the Sakaide Refinery in November 2009. Total VOC emissions in fiscal 2009 stood at 2,820 tonnes¹ (a 19% reduction from fiscal 2000). The Company is committed to further reducing emissions to achieve the targets set by the Petroleum Association's voluntary action plan.



VOC recovery equipment

1. The figure includes 1,043 tonnes of VOC emitted from the oil depot which Cosmo Oil had owned at the time of the benchmark year (2000) of the Petroleum Association of Japan's voluntary action plan and then transferred to Tozai Oil Terminal Co., Ltd.

Environmental Accounting

The Cosmo Oil Group introduced environmental accounting in fiscal 2000 to ensure the effective implementation of environmental preservation measures. In fiscal 2009, 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

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

The Cosmo Oil Group Takes on the Challenge of Tomorrow's Renewable Energy Technologies

As a company whose business activities impinge upon the global environment, the Cosmo Oil Group is making every effort to lighten its load on our planet. This feature describes the Group's multifaceted approach to environmental projects and the development of environmentally sound technologies.

Iwaya Wind Park, Aomori Prefecture

Wind Power Generation

Guided by its Fourth Consolidated Medium-Term Management Plan, the Cosmo Oil Group is developing environment-conscious businesses and technologies that will firmly establish the eco business as a future leading source of revenue. Among such efforts is the wind power plant (output capacity of 1,500 kW) it has operated in Sakata City, Yamagata Prefecture since 2004. In a move to fully secure this business as a mainstay, the Group acquired wind power generation company Eco Power Co., Ltd. in March 2010.

A Japanese pioneer in the wind power industry, Eco Power Co., Ltd. possesses a wealth of developmental and technical strength as well as many wind turbines in Tohoku and Hokkaido where wind conditions are ideal.

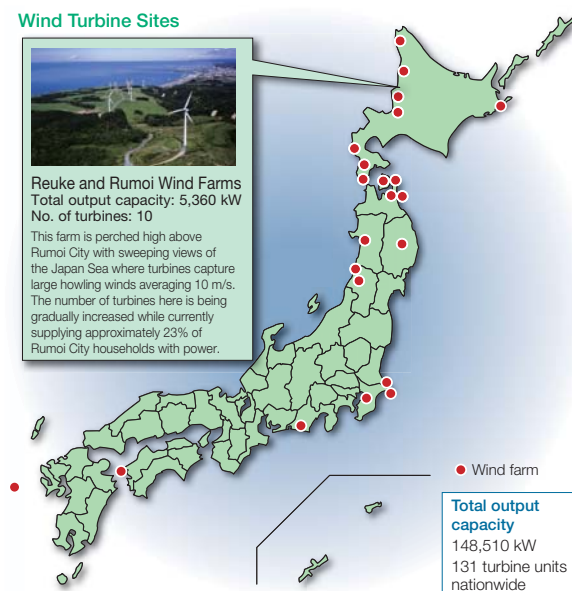
As of March 31, 2010, the Cosmo Oil Group's fleet of wind turbines has grown to 131 units with a total output capacity of 148,510 kW. On an annual basis, these turbines are expected to reduce CO₂ emissions by approximately 150 kilotonnes.

Wind Turbine Sites



Reuke and Rumoi Wind Farms
Total output capacity: 5,360 kW
No. of turbines: 10

This farm is perched high above Rumoi City with sweeping views of the Japan Sea where turbines capture large howling winds averaging 10 m/s. The number of turbines here is being gradually increased while currently supplying approximately 23% of Rumoi City households with power.



Voice



Kei Hirowatari
Business Development
Division
Eco Power Co., Ltd.

Creating a Recycling Oriented Society, as a Member of the Cosmo Oil Group

Wind power generation, which occurs year-round in consistently windy areas, is one of the lowest-cost sources of renewable energy and is expected to see future expansion. There is, however, the frequent issue of turbine damage caused by wild winds and heavy snow in wind farming areas that are likely to be situated in difficult area in Japan's uniquely complex terrain.

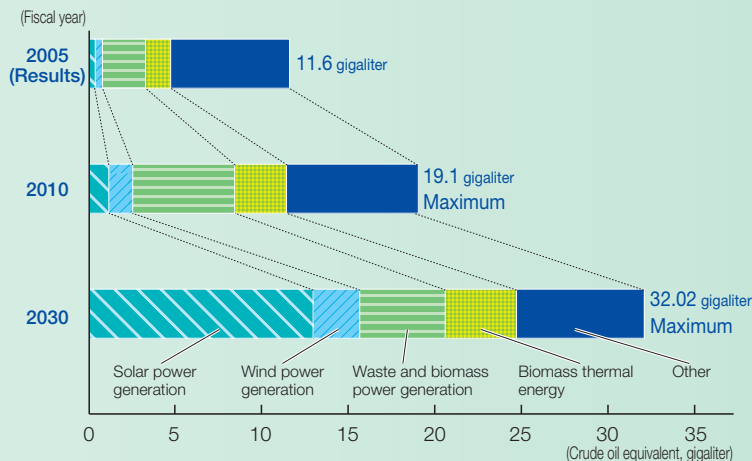
Eco Power became a part of the Cosmo Oil Group in March 2010. As such, I would like to see the full utilization of this union—Cosmo Oil's long history of plant and equipment management know-how and our company's accumulated experience and knowledge in this field—to realize efficient wind power generation facility operation. The Cosmo Oil Group aims to peacefully coexist and prosper with the residents near its wind power generation facilities while working to secure domestic energy needs and contribute to CO₂ emission reduction.

Renewable Energy Aims to “Stabilize Energy Supply” and “Halt Global Warming”

The oil upon which Japan relies to meet half of its energy needs is largely imported. However, greenhouse gas such as carbon dioxide emitted through the consumption of fossil fuel is believed to be one of the root causes of global warming.

Renewable energy with few emissions and as a contributor to the diversification of energy sources is an important element in responding to global warming and the stable supply of energy. In June 2010, Japan’s Ministry of Economy, Trade and Industry announced its Basic Energy Plan that aims to expand renewable energy sources to account for 10% of Japan’s primary energy supply by 2020. Accordingly, growth in development of renewable energy is anticipated.

Past and Future Performance in the Introduction of New Energies



Note: Kyoto Protocol Target Achievement Plan (revised March 2008) stipulates the introduction of 15.6–19.1 gigaliters in new energy for fiscal 2010.

Source: Long-term Energy Supply and Demand Outlook (Energy Supply and Demand Subcommittee of the Advisory Committee for Natural Resources and Energy, METI)

Concentrated Solar 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 power generation technology. In October 2009, a 100 kW capacity solar beam-down demonstration and pilot plant was completed in Masdar City, where experiments are currently being held. While the beam-down model has proven to have a high solar concentration capacity, issues such as commercialization, enhancing performance and bringing down costs are still being reviewed.



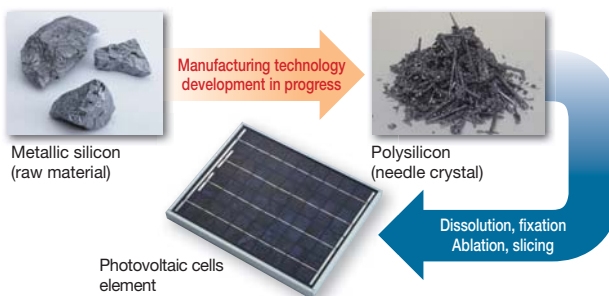
BTL and Bioethanol

Cosmo Oil is participating in a biofuel production research project led by the New Energy and Industrial Technology Development Organization (NEDO). As part of this project, the Company has taken on research in two specific areas: a biomass to liquid (BTL) process that produces diesel oil from biomass resources such as lumber and conjointly with Nippon Paper Chemicals Co., Ltd., bioethanol, which involves the production of ethanol through the fermentation of sugar in black liquor that comes from pulp factories.

Polysilicon Manufacturing for Photovoltaic Cells

Accompanying the recent popularization of the photovoltaic cells is an increasing demand for high purity polysilicon that is used in its production. Addressing this demand, Cosmo Oil is not only working to establish a business for the production of polysilicon for photovoltaic cells, but also to develop unique production techniques to drastically cut current manufacturing costs.

High-Purity Polysilicon R&D



5 We value communications with society

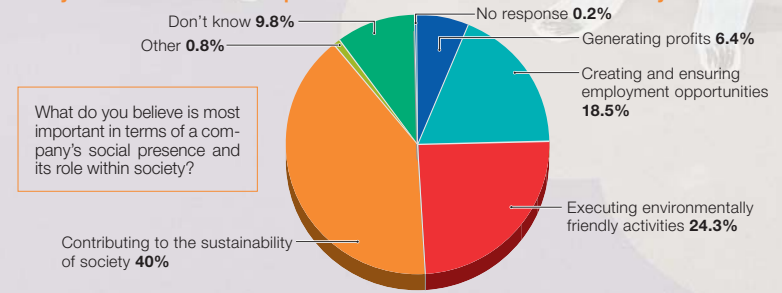


The role of a corporation is to contribute to society. The Cosmo Oil Group takes a variety of steps to be a valuable part of society.

Statistical Glance at Society

According to Japan's Cabinet Office, "Contributing to the sustainability of society" and "engaging in environmentally friendly activities" represent approximately 60% of the company functions that society values. This suggests that the concept of corporate social responsibility (CSR) is now widely recognized and that expectations concerning companies' contributions to society and the environment are high.

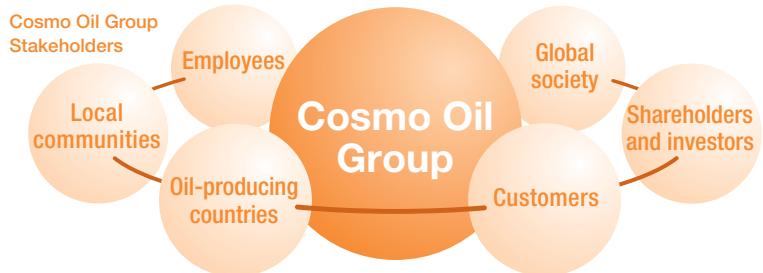
Survey of Attitudes toward Corporate Social Presence and Role in Society



Note: The 4,164 respondents include men and women from 15 to 80 years of age throughout Japan. Source: FY2007 National Survey on Lifestyle Preferences (Cabinet Office)

Cosmo Oil Emphasizes Communication to Maintain the Trust of Society

Social and environmental activities to help create a safe and prosperous society as well as securing these qualities for future generations are essential aspects of Cosmo Oil's greater mission as a responsible corporate citizen. Communication and working well with the communities in which it operates is therefore an important step to accomplishing its mission. As such, Cosmo Oil works to earn trust by disclosing accurate information in a timely and appropriate manner to help communities gain an understanding of the Group.



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 by 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

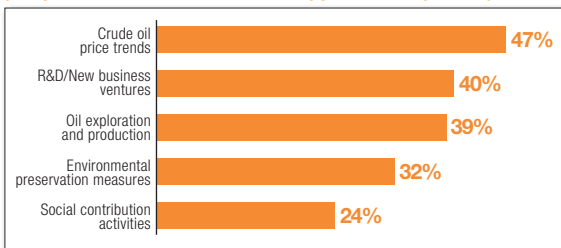
The Cosmo Oil Group is focused on participating in international cooperation activities, including those aimed at curbing global warming, that contribute to sustainable growth for the entire international community.

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

Shareholder Survey

As one of its investor relations activities aimed at fostering interactive communication with shareholders, Cosmo Oil conducts an annual survey of shareholders through its regular *C's Mail* shareholder report. Shareholder perspectives gathered through the survey are featured in the pages of *C's Mail*, and survey results are passed on to management as feedback, which is then reflected in the Group's management policy. Approximately 7,300 persons responded to the fiscal 2009 survey, with results that indicated shareholders were most interested in crude oil price trends and the oil exploration and production business.

Results of Shareholder Interest Survey (Respondents asked to check all applicable responses)



Recipient of Nikkei Annual Report Award

The Cosmo Oil Group issues an annual report to inform shareholders and investors of the Group's fiscal year performance. The Cosmo Oil fiscal 2009 annual report was honored with the Nikkei Annual Report Award 2009, presented by Nikkei Inc. in December 2009. Out of 79 participating companies, Cosmo Oil was one of 12 to receive an award.



Selected for SRI Indexes

Socially responsible investing that not only takes into account a company's fiscal position, but also its environmental and social activities, is gaining attention among shareholders and investors as an investment decision strategy. Cosmo Oil has been included on the FTSE4Good Global Index, an SRI index¹, since March 2003, and the Morningstar Socially Responsible Investment Index since July 2003.



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.

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

Promoting International Technology Exchanges

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



Article in *Takreer News* from a training visit to the Abu Dhabi Oil Refining Company (TAKREER)

International Technical Cooperation Activities in Fiscal 2009

Country	Description of technical support
UAE	Oil refining technology, oil products analysis, production management, personnel management and corporate social responsibility (CSR)
Qatar	Oil refining technology and production management
Oman	Surveys on improving operation methods at refineries
Iran	Quality management and oil products analysis
China	Environmental management and energy conservation
Indonesia	Oil refining technology, production management, environmental management, energy conservation and facility maintenance
Vietnam	Quality management, environmental management, facility maintenance, personnel management and CSR
Thailand	Facility management

Establishing the Cosmo Forest Urban Greenbelt

● Cosmo Forest Initiative at Chiba and Sakai Refineries

In April 2008, the Chiba Refinery leased an area of public woodlands in Ichihara City and began maintenance of the forest, which it named the Cosmo Forest.



With help from the Chiba Nature School, an NPO, the Chiba Refinery invites local elementary school children to experience and learn about forests and the environment.

In October 2009, the Tsurumai prefectural forests, which include the Cosmo Forest, received certification from Chiba Prefecture under its CO₂ absorption program in support of creating and maintaining beautiful forests.¹

In June 2010, the Sakai Refinery conducted its first activities to protect the public woodlands in Higashiyoshino Village, Nara Prefecture, with which Sakai City has a friendship agreement.

1. This program was established by Chiba Prefecture in August 2009. The 1.8 hectares of prefectural forests in Tsurumai, the site of the Cosmo Forest, were certified as absorbing 16.8 tonnes of CO₂ between August 2008 and March 2011.

● Cosmo Matsuyama Oil's Cosmo Forest Initiative

Cosmo Matsuyama Oil Co., Ltd. came to an agreement to lease an area of public woodlands with Ehime Prefecture in fiscal 2007 to maintain as a Cosmo Forest. Since planting 40



cherry tree saplings and 45 Japanese maple tree saplings on the land, the company conducts regular maintenance of the forest. In June and October 2009, the current and retired employees got together to cut underbrush.

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

5 We value communications with society

Eco Card Fund Activities

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



The Cosmo Oil Eco Card Fund provides support for projects that address approaches to global warming and preserving biodiversity. In doing so, the Fund focuses its efforts on the two major themes of “restoration and preservation of the environment in Japan and overseas” and “education of the next generation.”

The Cosmo Oil Eco Card Fund System



Donations by all cardholders of Cosmo The Card Opus Eco and Cosmo The Card House Eco
Cardholders make an initial ¥500 donation at the start of their membership. Every year thereafter they again donate ¥500 in the month that they initially joined.



Donations by the Cosmo Oil Group

Operation of the “Living with Our Planet” projects that support efforts to contribute to the global environment



Qin Ling Mountains Forest and Ecosystem Recovery Project

The Qin Ling Mountains are a treasure trove of rare wildlife where critically endangered species such as giant pandas and golden snub-nosed monkeys can be found.

Cosmo Oil aims to restore the biodiversity of the forests through the afforestation of abandoned commercial logging roads that impede the movement of animals, and the observation of local animals and plant life. In fiscal 2009, the Company planted 11,000 pine tree seedlings along 14 km of road and continued its research into the behavior and habitat of the golden snub-nosed monkey. In fiscal 2010, the Company will plant 9,500 more trees and continue its research and lectures.



Environmental Education Support Project at Schools

Cosmo Oil brings nature oriented non-profit organizations from across Japan together with

schools looking for expertise and opportunities to provide environmental education programs to its students. The Company has also developed an environmental education program based on the educational website *EE kids*. The Company provided support for environmental programs in 14 schools around Japan in fiscal 2009, and plans to support such programs at nine elementary and junior high schools in fiscal 2010.

Cosmo Earth Conscious Act

Cosmo Oil operates Earth Conscious Act initiatives together with 38 Japan FM Network member radio stations including TOKYO FM under the theme of Earth Conscious: Hearts to Love & Feel the Earth. The initiative includes the Clean Campaign, which provides participants with the opportunity to enjoy nature while cleaning up mountains, rivers, oceans, lakes and parks throughout Japan. These campaigns have taken place at 358 locations over the past nine years, and have involved a total of more than 140,000 participants.

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



Other Activities in Fiscal 2009

- Earth Day Concert
- Radio show *Living with Our Planet*
- Ken Noguchi lectures

Activities That Focus on Children, Environment, and Society

Detailed information: Social contribution activities
http://www.cosmo-oil.co.jp/company/publish/sc_report/pdf/phil_report2010.pdf

Basic social contribution activity concepts

- To educate children who will be part of the future society
- To preserve the global environment, the foundations of a sustainable society
- To form a peaceful, considerate, and cultural society

Basic social contribution activity policies

- Activities unique to the Cosmo Oil Group
- Full personnel participation
- Lasting presence regardless of our business status



Cosmo Waku Waku Camp

Cosmo Waku Waku Camp is a two-night, three-day nature camp for elementary school children orphaned by traffic accidents. Operated primarily by employee volunteers, the camp is Cosmo Oil's first social contribution activity and has been operated every year since 1993. Employee volunteers train on-site beforehand, and are at the camp to run the program and to make sure that the children are safe and healthy.

Art Program for Daddies and Kids

With the aim of supporting father participation in childrearing, this program brings fathers and their children together to simultaneously create artwork and foster communication. The program featured artist Maya Maxx from 2005 to 2007, and from 2008, Noppo-san, a Japanese actor and author popular among many age groups. With Cosmo Oil's support, the program is executed at various Cosmo Oil locations in Japan by employee volunteers together with local art museum and other venue staff.



Christmas Card Project

Cosmo Oil Group employees and their friends and families write encouraging messages to children whose long hospital stays prohibit them from returning home for Christmas. This project was launched in 2003, and in 2009, its seventh year, delivered a total of 1,515 cards to 16 hospitals throughout Japan. The medical staff at these hospitals reports that the project is eagerly anticipated each year.

Voice



Kayoko Watanabe
 Finance Department,
 Cosmo Oil Co., Ltd.

The Joy of Social Contribution

I took the opportunity to participate in the Cosmo Waku Waku Camp because I was impressed with how excited my colleagues were in preparing for and putting together this project. Also, it was Cosmo's volunteer leave program and its working environment that encourages us to participate in these types of activities that helped give me the courage to join the camp this year. Volunteering at the camp brought back my sense of childhood wonder and fun, and living with the children and other volunteers was new and refreshing. Through this program, one of our company's social contribution activities, I have come to understand the significance of participating for the benefit of the community. I am especially happy that I was able to participate in a program with such a long history at Cosmo Oil.

Other Activities

- 2002 – present
Natural Art Workshop for Children
- 2004 – present
Cosmo EkaKids
- 2007 – present
Jazz Charity Concert

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

6 We strive to maintain our position as an honest company

It all begins with integrity in corporate practices. The Cosmo Oil Group is committed to behaving with integrity as a responsible member of society.

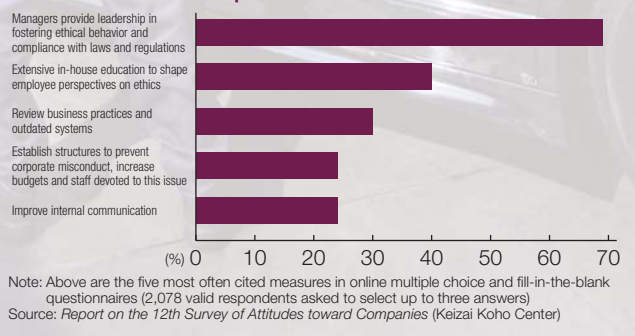
Statistical Glance at Society

Since the spate of corporate misconduct episodes in the US and other countries around the world in the 2000s, governments have endeavored to review their laws regarding internal corporate control. A single incident of misconduct not only has the power to erase the trust and value a company has built up, but in some cases, can completely destroy a company. It is therefore essential that managers maintain high ethical standards in the conduct of business and provide employees with extensive compliance training.

Establishment of Regulations in Japan and Around the World



Measures to Prevent Corporate Misconduct



Each Employee Pledging to Act in a Responsible and Sensible Manner to Ensure Integrity in Corporate Practices That Earn the Trust of Society

In order to have earned the trust of society, a company must do more than merely comply with laws and regulations; it must follow social norms, as well. In addition to making its Management Vision well known among all employees, the Cosmo Oil Group has also put internal regulations and systems in place to ensure thorough legal, regulatory and ethical compliance.

The Cosmo Oil Group Code of Conduct was extensively revised in 2008 to clearly delineate important evaluation standards for decision-making in the execution of duties and to ensure that these standards are widely known across the Group through training and other means. The Group incorporates the knowledge and experience that each employee has gained, interacts with society in a sincere and straightforward manner, and displays good sense and good faith in its business activities.

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.

Corporate Governance Structure



Maintaining an Internal Control System

Cosmo Oil maintains a structure for effective risk management and undergoes auditing conducted by internal and external auditors. In addition, the CSR Promotion Committee handles all activities related to Group-wide CSR and internal control under the direct supervision of the president, while ensuring that CSR management information is shared in a timely manner with Group companies.

Internal Control System



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 third real-time simulation drill in September 2009 based on the scenario of an earthquake centered in the 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 2010. In developing countermeasures for new strains of influenza, Cosmo Oil revised its previous Action Plan to Deal with New Influenzas (developed in July 2007) and formulated a BCP based on basic manuals for the entire Group and division manuals drawn up in October 2009.



Comprehensive BCP Training

Corporate Ethics Promotion Structure

The Cosmo Oil Group Corporate Ethics Committee determines, promotes, implements, and monitors basic corporate ethics guidelines, while its Corporate Ethics Promotion Office undertakes activities to complement the Committee's initiatives. The Group also maintains a refinery compliance committee at each of its refineries to ensure full compliance at refineries.

Corporate Ethics Promotion Structure



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 general managers and Group company presidents. Training in fiscal 2009 drew on familiar situations to illustrate unlawful conduct and examples of power harassment, as well as reiterated the importance of corporate ethics.

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, there is another helpline staffed by external experts to assure callers' anonymity and guard against any adverse repercussions. In fiscal 2009, five consultation cases were received. Furthermore, Cosmo Oil has set up a consultation helpline within the Personnel Department to respond to reports of sexual or power harassment.

Voice



Nobuyuki Fukaya
General Affairs
Department, Cosmo Oil
Co., Ltd.

Ensuring Business Continuity When Disaster Strikes

Cosmo Oil's businesses are very much tied in with the public good in that ensuring a stable supply of oil products is an important part of what we do. Any interruption of the services we provide would have a major impact on society. To manage these risks, the Cosmo Oil Risk Management Committee has formulated business continuity plans (BCPs) that address outbreaks of new influenza strains and major earthquakes in the Tokyo Metropolitan area. The latter contingency plan can be adapted and applied in the event of other types of disasters. In the face of any type of disaster, I advise all of our employees to stay calm and make sure they have accurate information before taking action.

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

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,



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.

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.

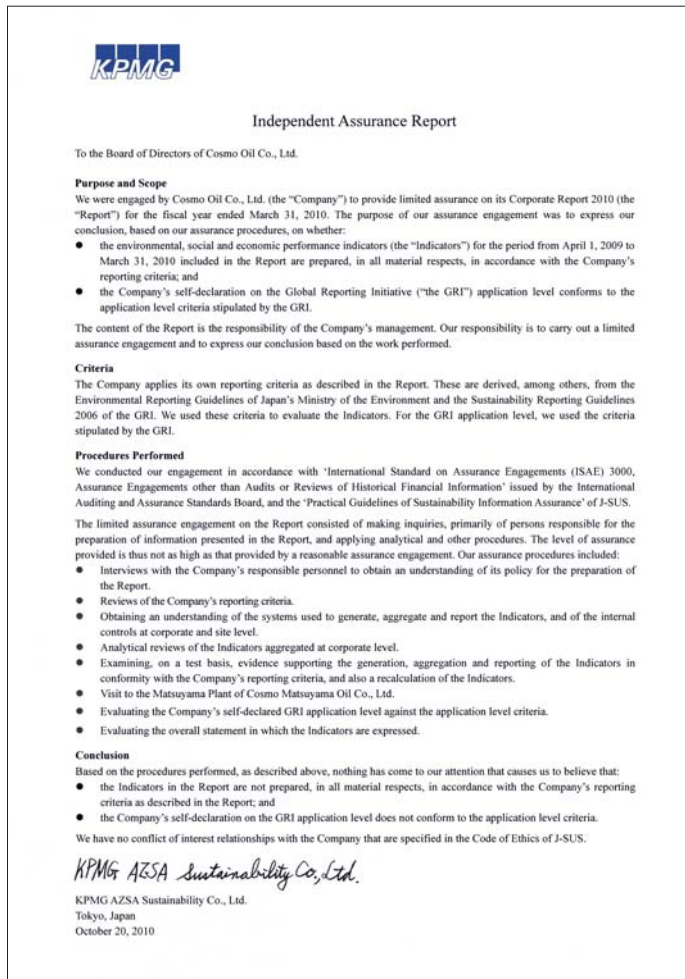
As we work toward expanding our corporate value and becoming a company that meets the expectations of all our stakeholders, we will take each of our efforts one step at a time.



Hideto Matsumura

Director, Senior Executive Officer

Independent Assurance Report



The conclusion of our assurance engagement is stated in our Independent Assurance Report. The following summarizes improvements from previous years and further recommendations, as identified in the course of our assurance procedures.



Ryota Ando
KPMG AZSA
Sustainability Co., Ltd.

The Cosmo Oil Group has successively prepared reports in compliance with *GRI Sustainability Guidelines 2006*. While GRI Guidelines continue to be an important global standard in sustainability reporting, Japan has yet to completely embrace these initiatives. In the globalization of its business activities, Cosmo Oil is recognized as a leader within Japan for its efforts in sustainability reporting.

Cosmo Oil independently evaluates its major goals, activity performance and the achievement of targets for fiscal 2009 under the Second Consolidated Medium-Term Safety Plan, Second Consolidated Medium-Term Human Rights/Personnel Plan and Third Consolidated Medium-Term Environmental Plan as components of the Second Consolidated Medium-Term CSR Management Plan (see page 11). While quantitative criteria have been used in the self-evaluation of achievement of targets wherever possible, certain areas have been evaluated on a qualitative basis. We strongly encourage the Company to establish, wherever possible, quantitative objectives and evaluation criteria to be applied and managed internally in the assessment of each of the themes of its Third Consolidated Medium-Term CSR Plan (2010–2012) (see page 12), and also to report such objectives, criteria and results to its stakeholders in an objective and clear manner.

GRI Content Index

The Cosmo Oil Group has prepared this report using the *GRI Sustainability Reporting Guidelines 2006*.¹ Cosmo Oil self-declares that this report achieves 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.



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

1. 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.

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 on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5–4.13, 4.16–4.17		Same as requirement for Level B	
	G3 Management Approach Disclosures OUTPUT Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures 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		Report Externally Assured		Report Externally Assured	

For more details on the corresponding section of GRI Guidelines, please visit the Cosmo Oil website.
<http://www.cosmo-oil.co.jp/eng/csr/gri.html>

COSMO OIL CO., LTD.



- This report is printed on paper certified by the Forest Stewardship Council (FSC), indicating that the trees used to make the paper were from responsibly managed forests.
- This report is printed using non-VOC 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