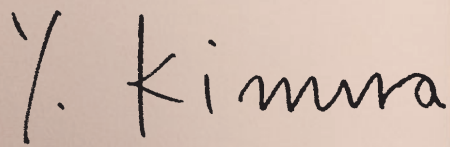


# Top Management Commitment

## Yaichi Kimura

President  
Cosmo Oil Co., Ltd.



### Great East Japan Earthquake and Chiba Refinery Accident

On March 11, 2011, the Great East Japan Earthquake and ensuing tsunami caused widespread devastation in eastern Japan, taking many lives. I would like to take this opportunity to express my sincere condolences to everyone affected by the earthquake. I pray for the earliest possible reconstruction of the areas devastated by the quake.

The earthquake also damaged service stations and oil depots of the Cosmo Oil Group, impacting the supply of our petroleum products in the affected areas as well as greater Tokyo and causing major inconvenience to our customers. Fighting back, we made an all-out effort to reestablish lines of supply to the affected areas as quickly as possible. We are deeply grateful for the understanding and cooperation of everyone involved.

The March 11 quake also triggered an accident at our Chiba Refinery, involving a fire and explosions of liquefied petroleum gas (LPG) tanks. I deeply regret the impact the accident had on nearby residents as well as people working at nearby companies and government authorities. (See pages 3–4 for more details.)

We formed the Accident Investigation Committee and are using the committee's findings to proceed with preparations to restart the Chiba Refinery. We are implementing company-wide measures to prevent future accidents and upgrading our safety management system. The Chiba Refinery will be restarted only with the full understanding of local residents and the guidance of supervising authorities.

The investigation of the accident revealed a number of inadequacies in connection with safety equipment at the Chiba Refinery, leading to administrative dispositions from the Nuclear and Industrial Safety Agency of Japan's Ministry of Economy, Trade and Industry, and from the government of Chiba Prefecture. Recognizing the seriousness of the situation, we will further educate employees on the need for compliance and endeavor to prevent future accidents. We are determined to ensure that the Chiba Refinery regains the confidence of the public.

### Securing Safe, Stable Operations

The Cosmo Oil Group initiated its Third Consolidated Medium-Term Corporate Social Responsibility (CSR) Management Plan in fiscal 2010. The plan positions safety of operations as a top-priority issue. In our determination to prevent future accidents, we are redoubling our commitment to safety as first priority and to regulatory compliance. Accordingly, we are carefully reviewing our existing safety initiatives and taking steps to reinforce their implementation. We are doing all we can to secure the safety and continuity of operations by enhancing our safety management.

Several types of disasters occurred with the March 11 quake, which affected a vast region of Japan. In order to establish a crisis management framework that is capable of responding to multiple disaster elements, we will review our risk management system including the business continuity plan (BCP) for an earthquake occurring directly beneath Tokyo. We will also formulate new BCPs against major quakes that could occur in the Tokai, Tonankai and Nankai regions, respectively, where major earthquakes have occurred regularly every 100 to 150 years. In addition, we will identify risks other than disasters and review our planned response, in order to ensure that we will be able to meet our responsibilities as an energy provider.

### Business Performance

Following two years of very challenging business conditions, the Cosmo Oil Group initiated its Fourth Consolidated Medium-Term Management Plan in fiscal 2010. The plan makes it a priority to resuscitate revenues from the petroleum business. Despite the negative impact from the earthquake, by implementing various initiatives, we successfully increased revenues and profits in fiscal 2010.

The Group continues to derive steady production from the oil exploration business. Building on more than 40 years of steady crude oil production, our group company Abu Dhabi Oil Co., Ltd. (Japan) recently had its existing production rights extended and was awarded an additional concession agreement. In the petrochemicals business, we successfully made our first

# Redoubling Our Dedication to Safety and Stable Supply to Meet Our Responsibilities as an Energy Provider

international foray into the petrochemicals segment by establishing HC Petrochem Co., Ltd. (HCP) with Hyundai Oilbank Co., Ltd. of South Korea. We plan to expand the production of para-xylene through a new plant to be constructed by the joint venture. This business development in South Korea will be a major asset for capitalizing on the great demand in the Chinese market.

In the sustainable energy business, we acquired the wind power provider, Eco Power Co., Ltd., in 2010 and made it a Group company. In order to raise wind power operating rates to increase revenues, we enhanced equipment maintenance and repairs. As a result of these efforts, we succeeded in raising operating rates in fiscal 2010 and turning a profit within just one year of the acquisition.

In terms of new business development, the Group possesses proprietary technology for cost-effective mass production of 5-aminolevulinic acid (ALA), which we are counting on as a future revenue stream. We are pursuing business development in a various fields that involve using ALA as an intermediate, including the development of a hair growth solution that uses ALA.

The long-term gradual decline in petroleum demand in Japan is expected to continue in fiscal 2011. In particular, the sluggish economy in Japan is expected to lower consumer sentiment and reduce demand for gasoline. Furthermore, the accident at the Chiba Refinery continues to impact our business, even as we face very challenging general conditions. Still, we will continue making every effort to return the oil refining and marketing business to profitability, a goal set as a basic policy under the Fourth Consolidated Medium-Term Management Plan.

## Realizing the Promises of Our “Filling Up Your Hearts, Too” Declaration

Drawing from the recent experience of the March 11 quake, the Cosmo Oil Group will redouble its commitment to safety and continuity, both at our refinery operations and through the steady supply of petroleum products. As an energy provider, we understand that we have a responsibility to maintain a

strong supply chain and build a consistent track record. Each of our employees has pledged to show initiative and engage in responsible conduct as we strive to build a corporate culture that makes the most of the collective strengths of our outstanding workforce.

Moving forward, we will work even harder to build a positive, vibrant workplace environment that is motivating for employees, a priority theme under our Third Consolidated Medium-Term CSR Management Plan. Our employees all embrace the “Filling Up Your Hearts, Too” Declaration, and we are making a Group-wide effort to provide services and deliver initiatives that earn the loyalty of stakeholders including customers, shareholders and the general public.

The Cosmo Oil Group has pledged its commitment to the United Nations Global Compact since 2006, endeavoring to actively pursue CSR initiatives that respect the basic principles of human rights, labor standards, the environment and anti-corruption. We will continue to operate in a socially responsible way and contribute to the sustainable development of society.

