

Fourth Consolidated Medium-Term Management Plan and Third Consolidated Medium-Term CSR Management Plan

Initiatives under Fourth Consolidated Medium-Term Management Plan

Under the Fourth Consolidated Medium-Term Management Plan covering fiscal 2010–2012, the Cosmo Oil Group is endeavoring to secure sustainable growth by building a strong business foundation and strengthening the Group's financial base. Specifically, the Group will seek to return the oil refining and marketing business to profitability and enhance the business portfolio for petrochemical and oil exploration and production.

The Great East Japan Earthquake was a major factor in fiscal 2011, and although demand for oil products recovered to a certain extent after the disaster, it was still down from the previous year, while revenues also fell due to factors such as the shutdown of the Chiba Refinery. Moving forward, the Cosmo Oil Group will make every effort to quickly restore operations at the Chiba Refinery and implement comprehensive streamlining and innovation throughout the Group to achieve its medium- and long-range goals under the Fourth Consolidated Medium-Term Management Plan.

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 (coker) 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

Initiatives under Third Consolidated Medium-Term CSR Management Plan

Under the Third Consolidated Medium-Term CSR Management Plan covering fiscal 2010–2012, the Cosmo Oil Group is focusing on improving the framework for pursuing CSR initiatives and strengthening safety management, while enhancing the Group's efforts in the areas of human rights and personnel management. The Group is also focusing on furthering the implementation of environmental measures and engaging in active dialogue with local communities.

The Cosmo Oil Group Management Vision calls on all employees to be actively involved in helping to secure the stable supply of energy, achieve compliance, and pursue social initiatives and activities to conserve the global environment. Above all, it calls for a vision of harmony and symbiosis relating to energy, society, and the global environment. The Cosmo Oil Group is committed to helping achieve sustainable social growth as a comprehensive energy company that aims to create future value by supplying products and services that truly satisfy needs.

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 EcoPower Co., Ltd.

Basic Policy 3

Fiscal 2011 Initiatives and Results under the Third Consolidated Medium-Term CSR Management Plan (Fiscal 2010–2012)

	Priority Items	Themes	Major Activity Policy/Goals
Third Consolidated Medium-Term CSR Management Plan	Improve functioning of CSR promotion structure	Strengthen structures for improving implementation	<ul style="list-style-type: none"> • Review the appointment and duties of personnel in charge of CSR promotion to enhance the Group's CSR promotion system • Continue regular internal training • Implement monitoring (CSR Status Survey)
		Further increase recognition and understanding of Code of Conduct	
		Promote 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) → See p. 28 for more details.	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: Achieve and maintain a record of zero accidents; reduce unsafe and failure incidents by 90% or more from the benchmark year (Sept. 2006–Aug. 2007) by 2011 • 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) → See p. 26 for more details.	Respect human rights: Prevent harassment and eliminate discrimination	<ul style="list-style-type: none"> • Achieve participation rate of 80% or more in human rights training for Cosmo Oil employees
		Respect diversity/equal opportunity: Maintain fairness in hiring	<ul style="list-style-type: none"> • Maintain and improve employment rate of people with disabilities (higher than the legally mandated rate of 1.8%)
		Promote physical and mental health care: Prohibit overwork and implement specified health exams	<ul style="list-style-type: none"> • Gradually decrease excessive working hours (350 working hours per year)
	Promote environmental initiatives (Fourth Consolidated Medium-Term Environment Plan) → See p. 29 for more details.	Support balance between work and home life: Promote childcare and family healthcare leave and support leisure activities	<ul style="list-style-type: none"> • Maintain or improve the average paid time off utilization rate of employees (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% (0.22 million tonnes) or more of annual emissions in Group's business areas (crude oil extraction, crude oil transport, refining, and product transport and storage at oil depots) 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 transport 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% for entire Group • Enhance internal/external audits for thorough environmental management • Adopt rigorous measures to ensure soil preservation • Promote Eco Office activities (Group-wide goal: Reduce copy paper by 9%, company car fuel consumption by 6%, and office electricity consumption by 6% from the averages of fiscal 2007–2009) • Promote green purchasing 	
Promote environmental contribution activities		<ul style="list-style-type: none"> • Promote environmental contribution activities through Cosmo Oil Eco Card Fund • Protect biodiversity 	
Promote communication activities that respond to society	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 	

Fiscal 2011 Initiatives and Future Challenges

The Great East Japan Earthquake that occurred in March 2011 struck a serious blow to the Japanese economy. Despite quickly reestablishing supply chains through post-disaster recovery efforts, the global economic slowdown delayed the pace of economic recovery in Japan, resulting in a weak economy measured over the course of the fiscal year.

The Cosmo Oil Group faced unusual business conditions marked by the accident at the Chiba Refinery resulting from the

Great East Japan Earthquake. The Chiba Refinery also experienced an accident involving the leakage of asphalt in June 2012, and operations at the refinery have yet to be fully restored, reducing revenues. In fiscal 2012, the Cosmo Oil Group will endeavor to recover and expand revenues by resuming operations at the Chiba Refinery and by advancing oil exploration and manufacturing projects and petrochemical businesses.

Management Strategy for FY2012

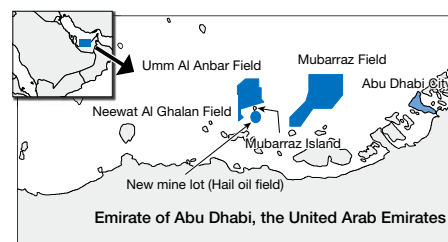
- Restore operations at Chiba Refinery
- Restore crude oil production volumes
- Rebuild supply framework

Future Challenges

- Secure safe and stable operations at refineries

Oil Exploration and Manufacturing Projects

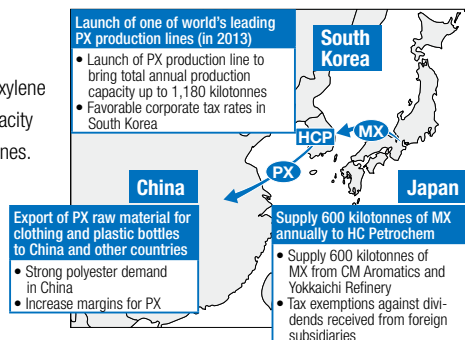
- Qatar: Started production from new A-Structure South oil field in April 2011
- Abu Dhabi: Currently preparing for 3-D seismic exploration of new Hail oil field
- Australia: Shifted to drilling operations at AC/P4 mining lot



Abu Dhabi Oil Co., Ltd. New Concession Map

Petrochemical Projects

- Expansion of aroma-manufacturing business for mixed xylene (MX), para-xylene (PX), and benzene, increasing the capacity from 800 kilotonnes to 2.0 million tonnes.



New Business Projects

- 5-aminolevulinic acid (ALA) Launch a new product in March 2012 in the liquid fertilizer line for the horticulture market
- Wind power generation Aim to earn more income through the wind power business and consider developing new sites for power generation



Degree of achievement: ○ Achieved △ Partially achieved × Not achieved

Fiscal 2011 Initiatives and Results		Achievement of Goal
<ul style="list-style-type: none"> • CSR staff kept employees informed of the activities of the Group's 6 CSR-related committees and advanced CSR initiatives at their departments and companies. • Implemented internal corporate ethics training from October 2011 to February 2012 (3,790 participants) • Informed the Group of results from the CSR Status Survey conducted in February 2011 		
<ul style="list-style-type: none"> • Revised the rules for decision-making authority in November 2011 (to clarify conflict-of-interest transactions) • Conducted information management questionnaire survey in December 2011 • Strengthened the management of use of external media in March 2012 		○
<ul style="list-style-type: none"> • Identified Company-wide risks and revised countermeasures based on a review of measures taken for the Great East Japan Earthquake • Conducted BCP training drills in March 2012 for scenarios involving earthquakes in the Tokai, Tonankai, and Nankai regions 		
<ul style="list-style-type: none"> • Manufacturing: Recorded 111 unsafe and failure incidents compared with 115 incidents in the benchmark year • Implemented recurrence prevention measures in response to fire and explosions at the Chiba Refinery 		×
<ul style="list-style-type: none"> • Distribution: 1 extraordinary accident (as defined by law); 5 mixing-oil accidents • Marketing and other departments: 2 incidents 		
<ul style="list-style-type: none"> • Achieved participation rate of 85% 		
<ul style="list-style-type: none"> • Achieved employment rate of 2.19% 		
<ul style="list-style-type: none"> • The number of employees working excessively long hours increased to 446 (compared to 359 in fiscal 2010) 		△
<ul style="list-style-type: none"> • Cosmo Oil achieved goal at 86.0%; 11 of 18 Group companies improved rate 		
<ul style="list-style-type: none"> • Reduced CO₂ emissions by 0.27 million tonnes • Submitted report summarizing greenhouse gas emissions in accordance with Japan's Act on the Rational Use of Energy and Act on Promotion of Global Warming Countermeasures 		
<ul style="list-style-type: none"> • Identified 10 risks and considered precautions (Precautions completed for 5 risks and under ongoing consideration for 5 risks) • Final disposal rate of 0.4% at Cosmo Oil and 5.0% for entire Group • Conducted internal/external audits and environmental inspections • Systematically implemented soil cleanup, environmental monitoring, and facilities management based on the environmental impact at various sites • Achieved reduction goals for office copy paper consumption, fuel consumption for company vehicles, and office electricity consumption. Significantly reduced the office electricity consumption in response to energy-saving campaign in Japan • Followed up on 45 major "non-green" suppliers 		○
<ul style="list-style-type: none"> • Continued to implement 15 Cosmo Oil Eco Card Fund projects • Commenced supporting 4 new projects aimed at preserving biodiversity and 1 project aimed at supporting recovery from the Great East Japan Earthquake 		
<ul style="list-style-type: none"> • Made donations: ¥100 million from Cosmo Oil, and ¥16.3 million from employees and the Cosmo Oil Group • Implemented <i>satoyama</i> preservation activities at Sakai Refinery, Cosmo Matsuyama Oil and Chiba Refinery • 13,975 participants in Clean Campaign 		○