

Cosmo Oil Group

CORPORATE REPORT 2012

Message from the President



Keizo Morikawa

President, Cosmo Oil Co., Ltd.

K. Morikawa

Securing Safe and Reliable Operations to Fulfill Our Mandate as a Vertically Integrated, Comprehensive Energy Company

Restoring Operations at the Chiba Refinery

In fiscal 2011, we carefully investigated the causes of the fire and explosions at the Chiba Refinery triggered by the March 2011 earthquake. Based on the results, we formulated detailed measures to prevent similar accidents and worked to restore refinery operations. Here again, I must express our deepest apologies to the people in the community and others who were inconvenienced by the accident. In August 2011, Cosmo Oil submitted an accident investigation report by our Accident Investigation Committee to Japanese authorities. We have made every effort to strengthen our safety management based on the recurrence prevention measures we drew up under the instruction of government authorities.

We partially restarted refining equipment operations in January 2012, and in March and April brought two topping units back online to conduct regular maintenance. We are currently working on replacing the liquefied petroleum gas (LPG) tanks that burned in the accident, in preparation for a full restart of refinery operations.

The Chiba Refinery was the site of another major accident on June 28, 2012, involving a leakage of asphalt outside the refinery grounds. I would like to express our sincere apologies for the accident and assure stakeholders that we will make every effort to prevent any such accident from occurring again. We take seriously the obligation to live up to the trust that has been placed in us.

Moving forward, we will make seismic improvements to storage tanks and secure physical and operational improvements in fields such as emergency response and operating technology, as we strive to enhance operational safety and fully restore operations at the Chiba Refinery.

Business Performance

Our oil refining and sales have been heavily impacted by lower demand and a sluggish economy in Japan, while the long-term shutdown of our main Chiba Refinery has also had a major impact on our business performance. The cost of securing a reliable supply of petroleum products has increased. Lost export opportunities and mounting repair costs have further impacted our results, leading to a consolidated net loss for fiscal 2011.

To address this situation, we continue implementing comprehensive streamlining and innovation as outlined in our Fourth Consolidated Medium-Term Management Plan, which began in fiscal 2010. We are determined to solidify the earnings base for oil refining and sales, and will establish a more direct and flexible supply framework.

To report on the progress of our management plan, in the oil exploration business we expect to continue securing a reliable supply of oil. Our ongoing efforts to build ties with oil-producing nations have resulted in the renewal of concession agreements in Abu Dhabi and signing of concession agreements for new unexplored or discovered areas.

In the petrochemical business, Hyundai Cosmo Petrochemical Co., Ltd., which is our joint venture with international partner Hyundai Oilbank Co., Ltd., is ahead of schedule on expansion plans for paraxylene production. Hyundai Cosmo will finish the construction of large-scale paraxylene production facilities with an 800-kilotonne annual capacity in South Korea in late 2012.

In the oil refining and sales business, we launched the operation of our bio-ETBE manufacturing facilities for eco-friendly fuel, and constructed new mixed xylene (MX) manufacturing facilities and commenced MX exports. Both products illustrate how we are strengthening competitiveness by offering higher added value.

In the environmental business segment, our subsidiary EcoPower Co., Ltd., constructed three new wind power generation sites with a total capacity of some 90,000 kilowatts. This subsidiary is also weighing the possibility of building its first mega solar power generation facility featuring arrays of solar panels on vacant lots where our oil depots used to be. Also in the environmental business, the Cosmo Group supplies 80% of the world's supply of 5-aminolevulinic acid (ALA), which is widely considered an effective fertilizer. We are working to expand the applications for ALA, such as for hair growth treatment and supplements and cosmetics.

Despite the challenging business conditions we face today, we are making steady strides toward growth in the oil exploration, petrochemical, and environmental business segments. As a Group, we are striving to become a vertically integrated, comprehensive energy company, focusing our energies on the environmental business in addition to oil exploration, oil refining and sales, and petrochemicals.

Securing the Confidence of Society

The Cosmo Oil Group is pursuing socially responsible management and a stronger revenue base in every aspect of its business activities in order to perform its responsibilities to society through its main business.

Safety, human rights, and the environment are the highest priorities in our commitment to socially responsible management. We recognize that, to deliver on this pledge, we must ensure that every employee embraces the Cosmo Oil Group Code of Conduct and puts it into action. Our people are the key to running a business that fulfills our responsibilities to society.

Today, the Cosmo Oil Group is tackling the issue of safety in every organization and at every site. Commitment to safety should never be limited to certain business locations or employees. We understand that we will have to work hard to win back the public's trust after the accidents at the Chiba Refinery, by demonstrating a sense of urgency and securing safe and reliable operations. We are confident that our efforts will lead to consistent and appropriate revenues which in turn will allow us to continue fulfilling our vital role in the functioning of Japanese society.

We also have a mission to engage in social, environmental, and community initiatives that give back to society, sharing the financial success that our honest business activities have earned. These efforts will also help us to win back public confidence and enhance the competitiveness of the Cosmo Oil Group. To achieve these aims, it is my duty as a leader to execute the strategies we have outlined in the Third Consolidated Medium-Term CSR Management Plan.

The Cosmo Oil Group has participated in the United Nations Global Compact since 2006. This is another measure of our dedication to socially responsible management that respects basic and global principles in the areas of human rights, labor standards, the environment, and anti-corruption. These basic principles are also reflected in the Cosmo Oil Group Code of Conduct, which governs our efforts to deliver on social expectations and contribute to a sustainable society.

Fiscal 2012 represents the last fiscal year of the Third Consolidated Medium-Term CSR Management Plan. Rather than viewing it as the end of a chapter, we will use it as a building-block year to restore public confidence, and identify both immediate priority areas to address and long-term initiatives. We will re-embrace our corporate principles and focus on the activities that are most meaningful to our valued stakeholders.



Overview of Petroleum Business and Cosmo Oil Group

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 refining and manufacture, transport 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. The Group currently produces oil 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.

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- © Qatar Petroleum Development Co., Ltd. (Japan)
- © Cosmo Oil Ashmore Co., Ltd.
- © United Petroleum Development Co., Ltd. (Japan)



Marine Transport

The Cosmo Oil Group takes measures, such as the use of double-hull tankers, to prevent leakage that may occur in accidents 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 transport with joint shipping and large-sized tankers.

Import/Export of Crude Oil and Petroleum Products

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Refining and Manufacturing

Operational safety is at the backbone of environmental initiatives at the refineries and plants of the Cosmo Oil Group. These initiatives focus on conserving energy, reducing industrial waste, and securing air and water quality for conservation of the environment.

- Cosmo Oil Co., Ltd.
- © Cosmo Oil Lubricants Co., Ltd.



Petrochemicals

The Cosmo Oil Group manufactures petrochemical products, including xylene and other raw materials used in such everyday household goods as clothing and PET bottles. Demand for these products is expected to rise in China and other countries in Asia.

- © Cosmo Matsuyama Oil Co., Ltd.
- © Maruzen Petrochemical Co., Ltd.
- © CM Aromatics Co., Ltd.
- © Hyundai Cosmo Petrochem Co., Ltd.

New and Other Businesses

The Cosmo Oil Group is involved in wind power generation as part of its focus on environmentally friendly businesses. The Group is also expanding into new businesses outside of the oil sector. It is focused intently on its ALA (5-aminolevulinic acid) business and is also engaged in constructing, leasing, and insuring oil-related facilities.



Hazaki Wind Farm

Wind Power Generation

- © EcoPower Co., Ltd.
- © Hazaki Wind Farm Co., Ltd.
- © Choshi Wind Farm Co., Ltd.
- © Dangamine Wind Farm Co., Ltd.
- © Ikata Eco Park Co., Ltd.
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- © Tachikawa Wind Power Laboratory Co., Ltd.
- © Eco World Kuzumaki Wind Power Co., Ltd.
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Other Businesses

- © Cosmo Engineering Co., Ltd.
- © Cosmo Trade & Service Co., Ltd.
- © Cosmo Business Support Co., Ltd.
- © Cosmo Computer Center Co., Ltd.
- © Cosmo Research Institute
- © Cosmo Eco Support Inc.
- © Cosmo Sea Farming Inc.
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- © A.D. Marine Inc.
- © Cosmo Seiwa Agriculture Co., Ltd.
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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 national crude oil storage project, as the primary operator of Shirashima Oil Storage Co., Ltd.



Oil storage site

- © Okinawa CTS Corp.

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Transport 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 pipeline. The safest and most efficient means of transport is selected for each trip, taking cost, distance and location into consideration.



Sales in Japan

The Cosmo Oil Group sells its products 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 activities at Cosmo Oil service stations, providing support for customers and their automotive needs through its "Filling Up Your Hearts, Too" Declaration activities.

- Tozai Oil Terminal Co., Ltd.
- ◎ 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.
- Chiba Cosmo Koun Co., Ltd.
- Cosmo Lubricants Services Co., Ltd.
- ◎ Yokkaichi LPG Terminal Co., Ltd.
- Sakai LPG Terminal Co., Ltd.

- ◎ Cosmo Oil Sales Corp.
- ◎ Cosmo Property Service Corp.
- Sakurabashisangyo Co., Ltd.
- TOCOS Car Support Co., Ltd.
- Road Shizai Co., Ltd.
- Cosmo Reform Co., Ltd.
- Amtecs Co., Ltd.
- ◎ Cosmo Petroleum Gas Co., Ltd.
- Tohoku Cosmo Gas Co., Ltd.
- Hiroshima Cosmo Gas Co., Ltd.
- Osadano Gas Center Co., Ltd.

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. The Cosmo Oil Group focuses on international sales to North America, South America, and Oceania. These markets are expected to generate strong demand, while enforcing strict environmental regulations.

Legend:

- ◎ : Consolidated subsidiary
- : Equity-method affiliated company

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

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Cosmo Oil Group Management Vision, Code of Conduct 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 judgments as members of the Group and to enhance their implementation of CSR activities.

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.

In alignment with its Management Vision of "Harmony and Symbiosis" and "Creating Future Value," the Cosmo Oil Group strives to achieve harmony and symbiosis among our planet, humankind, and society, and is working to achieve sustainable growth into a future of limitless possibilities. The Cosmo Oil Group Code of Conduct has been enacted to ensure that this vision of management is firmly instilled throughout the Group and is reflected in the behavior of each employee.

Harmony and Symbiosis

- Harmony and Symbiosis with the Global Environment
- Harmony and Symbiosis between Energy and Society
- Harmony and Symbiosis between Companies and Society

Creating Future Value

- Creating the Value of "Customer First"
- Creating Value from the Diverse Ideas of the Individual
- Creating Value by Expressing Collective Wisdom

Management Vision

Code of Conduct

Consolidated Medium-Term CSR Management Plan

In conjunction with the Consolidated Medium-Term Management Plan, the Consolidated Medium-Term CSR Management Plan has been drawn up in order to ensure that the Code of Conduct is put into practice. The entire Cosmo Oil Group is working together to develop activities that will earn the trust of stakeholders and increase corporate value.

Cosmo Oil Group Code of Conduct

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

Reliability and satisfaction for customers

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

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

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

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

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

Honest company

Chapter 1

Live up to customer expectations concerning reliability and satisfaction

The Cosmo Oil Group's greatest responsibility to society is the stable supply of energy that is crucial to Japan's economic and social activities. To ensure stable procurement of crude oil, the Group has spent many years building close relationships based on trust with oil-producing countries. The Group also continues to provide the reliable products and quality services that customers expect, as well as to focus on increasing customer satisfaction at Group service stations.

Thank-You Award Recipient Service Stations Meeting Individual Customer Needs

Masatsune Fujiwara, Station Manager
Yutaka Fukazawa, Car-care Advisor

Self-service & Car-care Station
Hachioji-Horinouchi
Tokyo Company, Cosmo Oil
Sales Corp.



“Many customers stop by our service station while out driving or shopping. However, our earnest desire is to make our service station so appealing that it becomes a prime destination for customers. Since our location is self serve, it is not possible to greet every single customer. However, some customers will need assistance, so we try to be responsive if we see them in need. Our aim is to become experts in identifying the needs of customers, determining if they are just in a hurry, or if they need some assistance.

In other words, we strive to be a service station which always serves customers in the way they want to be served.

Recently when a customer in a hurry pulled up to the pump with his gas tank on the opposite side, we held the hose up so that he could refuel across the car without scratching it. The driver reported his appreciation and we received a Thank You Award, but for us this is just common-sense service. It is true, however, that we accurately determined the needs of the customer. We suppose that's why we got the award.”



Hideaki Yoshioka
Sales Department,
Cosmo Oil Co., Ltd.

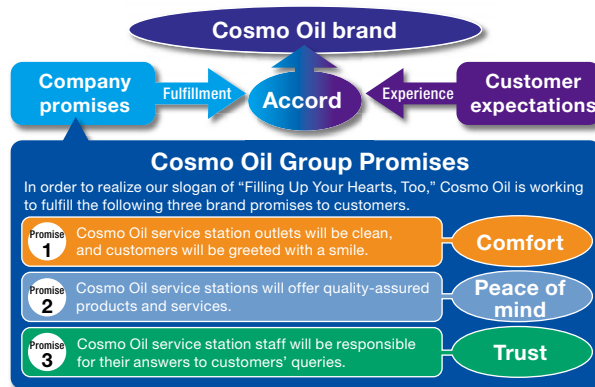
When the Thank You Awards were first introduced in fiscal 2011, we saw it as an opportunity for customers to praise the service station staff and report their experiences to the Customer Center. By recognizing service examples which “fill up customers’ hearts” and then sharing them with service stations across the country, it helps us get that much closer to achieving our goals. Although there were 36 awards given to 34 service stations in 2011, the thing they all had in common is that they represented examples where staff went a step beyond what is prescribed in the manual.

The most important objective for the Cosmo Oil Group is to provide a stable supply of energy and service that satisfies customers.

Pursuing Customer Satisfaction and Stable Energy Supply

As a part of Japan's energy supply network, the greatest mission of the Cosmo Oil Group is to deliver products and services that earn the trust of society, and to provide them in a stable, safe, and reliable way across the entire supply chain, from crude oil procurement and refining, to distribution and sales. Through activities based on the "Filling Up Your Hearts, Too" Declaration, the Group continues its efforts to ensure that customers experience comfort, peace of mind, and trust.

In fiscal 2011, the Group worked to ensure that Cosmo Oil remained the brand of choice for customers, focusing on the four proficiencies of product knowledge, solution proposals, technology, and after-sales service in order to meet diverse customer needs.



Response to the Great East Japan Earthquake

Many Group service stations and distribution facilities were directly affected by the Great East Japan Earthquake. Although the ability to supply petroleum products temporarily suffered, especially in the Tohoku region, the Cosmo Oil Group was able to provide a stable supply of heating fuel, especially in the disaster region where the need was great in the winter months. In regions with severe disaster damage, the Cosmo

Oil Group provided free loaner vehicles that had been fully fueled, insured, and serviced, in order to meet the needs of local governments for transporting reconstruction volunteers, local residents, and supplies. The Group will continue to support reconstruction in the disaster area and strive to provide a stable supply of petroleum products.

Securing Trust in Petroleum Products

The Quality Assurance Committee¹ established at the Cosmo Oil Head Office has set out a Group-wide quality assurance policy, thereby creating a uniform quality assurance structure for the entire Group. The Group constantly works to prevent accidents or problems and improve product quality and reliability.

In order to facilitate a rapid and appropriate response in the event of a quality incident, Cosmo Oil has prepared a manual outlining the incident contact and response flow, as well as a handy booklet, "Quality Incident Contact Chart," for employees to keep with them.

In fiscal 2011, with an emphasis on proper quality management, Cosmo Oil made a group-wide effort to restore production at the Chiba Refinery and to rebuild its supply system, both of which were affected by the Great

East Japan Earthquake. In addition, the Company resumed delivery and sales operations after inspection of the equipment at oil depots and service stations that were affected by the earthquake and confirmed the quality of the product remaining in the tanks.

1. The Quality Assurance Committee is an execution organization under the CSR Promotion Committee. See page 25 for more details on the internal control system.



Quality Incident Contact Chart

Risk Management Initiatives

The Cosmo Oil Group has established a Risk Management Committee² to serve as an execution organization under the CSR Promotion Committee. The Risk Management Committee follows a plan-do-check-act (PDCA) cycle with the following steps: 1) identify risks, 2) organize/draw up countermeasures, 3) reevaluate risk and review countermeasures, 4) implement countermeasures, and 5) monitor.

After the Great East Japan Earthquake, Cosmo Oil conducted a review of its earthquake response measures. The Company established new business continuity plans (BCP) against major quakes that could occur in the Tokai, Tonankai and Nankai regions, respectively, where major earthquakes have occurred regularly in the past. The BCP for an earthquake occurring directly beneath Tokyo was also revised. On March 12, 2012, the Company carried out a general BCP training for the fifth time, based on the hypothetical scenarios of earthquakes in the Tokai, Tonankai, and Nankai regions.



2. See page 25 for more details on the internal control system.

Chapter 2

We aspire to become a safe, accident-free company

Fostering an acute awareness of safety in the workplace on the part of each and every employee is as important to establishing a safe business environment as instituting technologies and systems to prevent accidents. The Cosmo Oil Group focuses daily on safety in order to build an environment in which employees are able to work with peace of mind. Placing the highest priority on safety at all times and working to eliminate accidents entirely, the Cosmo Oil Group is committed to building a society where all people can feel safe and secure.

Raising Safety Awareness from the Bottom Up

Yoji Senga
Technical Training Center,
Yokkaichi Refinery,
Cosmo Oil Co., Ltd.



“Cosmo Oil has focused on human resource development as the foundation for safe operations. This is based on the belief that people are the ultimate line of defense when it comes to safety. The Company’s Technical Training Center was established in 1994 as a place for employees to acquire techniques for operating oil production equipment and to learn ways to deal with any problems that may arise.

In addition to learning on simulators for each piece of equipment, trainees learn about the design of machinery using miniature devices. The main objective is for trainees to learn normal operating techniques. However, after the Great East Japan Earthquake

last year, the Company is also putting effort into emergency training to teach employees how to deal with disasters.

The role of the Technical Training Center is to provide support for the improvement of operation techniques and safety awareness among operation personnel, from the standpoint of frontline manufacturing. Although responses to frequently occurring incidents are covered by the regular training, in order to further improve safety in refineries, we must foster the ability for people to think for themselves, make decisions, and take proper action when emergencies or unforeseen circumstances arise.”



Trainee Comment

The simulators are identical to the actual equipment, including the operations and alarm sounds. This helped us learn how to handle the actual equipment for specific products. The training on the simulator gave us confidence about operating the real machinery. Having the training makes a big difference in terms of how easy it is to do the job. Even though it was just on the simulator, we all felt a great sense of accomplishment when we first performed an operation correctly. It gave us a real sense of personal growth.

Safety and security depend on various measures to prevent accidents, and reliable preparations to deal with any accidents that may occur.

Change 21 Activities at Refineries

All Cosmo Oil refineries and Cosmo Matsuyama Oil Co., Ltd., have introduced Change 21 Activities,¹ the ultimate goal of which is achieving and maintaining a record of zero accidents. These activities are designed to strengthen the safety management system and further improve the level of equipment



At a meeting of the Comprehensive Safety Action Headquarters Committee

maintenance. As a result of these efforts, the number of unsafe and failure incidents² in 2011 stood at 111, a 13% decrease from the 127 incidents in 2010.³

A fire and several explosions occurred in the LPG tank area at the Chiba Refinery when the Great East Japan Earthquake struck on March 11, 2011, and there was an asphalt leak from an outside tank at the Chiba Refinery on June 28, 2012. After reviewing and learning lessons from these incidents, the Cosmo Oil Group is striving to steadily overcome challenges and foster a strong culture of safety in order to maintain safe operations and stable product supply.

1. Activities under the Third Consolidated Medium-Term Safety Plan, including Change 21 Activities, are based on a calendar year rather than a fiscal year.
2. "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; and trouble, failures and work-related injuries that do not rise to the level of extraordinary accidents.
3. In February 2011, the definition of "unsafe and failure incidents" was revised to include a wider range of incidents. Therefore, although 99 incidents were reported for 2010 in last year's Corporate Report, using the new definition, the number for 2010 has been revised retroactively to 127.

Disaster Drills

Each year, disaster drills are conducted at the Cosmo Oil Head Office and refineries. In fiscal 2011, a disaster drill was carried out based on lessons learned from the Great East Japan Earthquake. The drill at the Chiba Refinery, where a fire broke out following the quake, included a confirmation of the system for notifying the government and nearby companies and was conducted in cooperation with relevant government agencies and Maruzen Petrochemical Co., Ltd. which is located in the same industrial area.

Emergency drills assuming a tsunami warning were also carried out at the Yokkaichi Refinery, Sakai Refinery, and Sakaide Refinery, which would be affected in the case of an earthquake in the historically active seismic zones of Tonankai or Nankai.

The Cosmo Oil Group will continue to carry out disaster prevention training in order to minimize the impact of any future disaster, including secondary disasters. In this way, the Group strives to earn the trust and confidence of society, including people living near Cosmo Oil facilities.



Firefighting drill using an elevated water cannon

Safety Forum for Partners Involved in Service Station Construction

Cosmo Trade and Service Co., Ltd., which builds and maintains service stations under the Cosmo Oil service station strategy, holds a safety forum for all its partner companies every March. The forum is designed to improve the safety awareness of all those involved.

At the fiscal 2011 safety forum, partner companies involved in service station operations such as maintenance, painting, dismantling, and soil environmental protection gave presentations on their efforts to improve safety. A fuel pump manufacturer also gave a presentation on the condition of



Manual portable emergency pump (left) and an emergency generator for service stations

service stations affected by the Great East Japan Earthquake, and gave an estimate for reconstruction work. Participants left with a renewed determination to

improve day-to-day safety during service station construction, by focusing efforts on earthquake recovery work and applying the resources of the entire Cosmo Oil Group.¹

The Cosmo Oil Group has architectural engineers conduct safety patrols in each stage of construction, greatly contributing to worksite safety. The Group is determined to maintain its record of zero construction accidents in order to keep strengthening the Cosmo Oil brand.



Refueling using a portable emergency pump²

1. The safety forum also presented the actual initial responses during the earthquake, including rapid fueling for emergency vehicles using portable emergency pumps, even when service stations experienced power outages or were at risk from ruptured pipes. Information was also shared concerning fuel supply methods during emergencies.
2. Refueling from a vehicle was an emergency exception and was carried out under the watchful eye of the fire department.

Chapter 3

We value people

The Cosmo Oil Group recognizes that its employees are the driving force behind its business. Each and every employee is responsible for communicating with customers and delivering the environmentally friendly products and services that society expects. As a corporate group that values people, the Cosmo Oil Group strives to create a positive and dynamic work environment. The Group aims not only to provide fair and impartial evaluations that reflect individual employees' aptitude and abilities, but also to accommodate new working styles that help employees to achieve work-life balance.



Participating in Earthquake Reconstruction through the Volunteer Leave Program

Hayato Ishibashi
No.2 Refining Section, Sakaide Refinery, Cosmo Oil Co., Ltd.



“Using the volunteer leave program, I helped out with earthquake reconstruction work in Ishinomaki City, Miyagi Prefecture, from September 1 to 16, 2011. The number of eligible days for the volunteer leave program was increased after the Great East Japan Earthquake, and so I was able to take half a month of leave using the new program and paid absence.

The reason I participated in volunteer earthquake reconstruction work was that I wanted to see the situation in the disaster region with my own eyes, rather than just thinking about it, and I thought I would learn a lot through new experiences.

Surprisingly, my biggest shock came when I became the recipient of concern from a local person I met there. He said to me, ‘Tohoku has been devastated, but what are you doing to prepare for earthquakes in other regions?’ I was embarrassed to realize that while being so eager to serve as a volunteer, I had neglected to make my own personal disaster readiness preparations.

That’s why this experience became an opportunity to renew my awareness of dangers on the job. I would also like to use my recent volunteer experience to increase disaster prevention awareness throughout the entire Sakaide Refinery.”



Tsukasa Shitsukawa
Manager,
No.2 Refining Section,
Sakaide Refinery,
Cosmo Oil Co., Ltd.

I think the situation in the disaster area after the Great East Japan Earthquake has affected everyone so deeply that we all wish we could volunteer to help. Feeling a bit envious of Mr. Ishibashi’s ability to take action, I sent him off with my best wishes for a safe return. After coming back from his volunteer leave, it was obvious that his awareness had been changed by the experience. In the future, if an employee indicates a desire to take volunteer leave, I will gladly agree to the request. I would like my staff to gain personal growth by learning from experiences they cannot have anywhere else.

Labor and management are working together to deepen communication and achieve the best work methods for individual employees.

Balancing Work and Home Life

The Third Consolidated Medium-Term Human Rights/Personnel Plan identifies child/family care leave and leisure activities as important elements for employees to balance work and home life, and focuses on enhancing various systems to provide better support. With regard to supporting leisure activities, one of the plan's targets is that employees would actually take 80% or more of their annual paid leave, thereby increasing the number of days off taken by all employees. The goal was achieved in fiscal 2011 at an average rate of 86.0%, which represents a slight decline over the previous fiscal year (86.2%). Out of the 18 Cosmo Oil Group companies that were targeted for increasing the percentage of employees taking paid leave, 11 saw an improvement over the previous year.

The fourth action plan required for general business owners for fiscal 2011–2012¹ was submitted to Japan's Ministry of Health, Labour and Welfare, as part of Cosmo Oil's measures to support the raising of the next generation of children. The applicable law was revised in April 2011, requiring participation by additional Cosmo Oil Group companies. As one of these companies, Cosmo Trade & Service Co., Ltd. has shown progress, including the number of eligible employees taking childcare leave.

Comment from Childcare Leave Recipients at Cosmo Trade & Service

I did not hesitate to request childcare leave, since the company's great support system includes subsidies for using childcare facilities and shorter working hours. When I was ready to come back to work, I again felt very supported. Being welcomed back after more than a year off felt really good, setting my mind at ease. Thanks to the warm support that I have received from both the company and my colleagues, I am able to fulfill my dual roles as a mother and a member of the workforce.



Saori Igarashi
Insurance & Lease Department,
Cosmo Trade & Service Co., Ltd.

I worried about what would happen with my job after having a baby. But I really wanted to keep working, so I looked into childcare leave and decided to keep my job. Thanks to the leave, I was able to watch my newborn grow and enjoyed a lot of time for bonding. Although there was a new supervisor by the time I came back to work, I was welcomed back with kindness and assistance. It was the support of my family, superiors and others that enabled me to return to work, so I am very grateful to all concerned.



Miyuki Kokubu
Fukuoka Branch,
Cosmo Trade & Service Co., Ltd.

1. Action plan required for general business owners: These plans outline timeframes, objectives, and duration of implementation for measures to support and enhance working conditions for workers who are raising children.

Respecting Diversity and Providing Equal Opportunities

The Cosmo Oil Group set the goal of maintaining and improving its employment rate of people with disabilities, under the theme of sustaining fair employment practices. Working hard to meet the goal, in fiscal 2011 the Group achieved Japan's legally mandated rate of 1.8% or more, with a result of 2.19%. The relevant law will be revised in fiscal 2013 requiring a higher rate of 2.0%. Accordingly, the Group will ensure compliance with the new requirement, through measures that aim to create workplace environments where diverse human resources can demonstrate their different abilities to the full extent.

Cosmo Oil Group Employee Appears in Career Support DVD for University Students with Disabilities

Megumi Morisaki, who works in the Payroll Department of Cosmo Business Support Co., Ltd., appeared in a DVD produced by the Postsecondary Education Programs Network of Japan (PEPNet-Japan), as a model case of a person with hearing challenges excelling in a corporate environment. Since joining the company, Morisaki has worked hard to communicate with those around her, and has been recognized for her leadership role in the workplace. These accomplishments led to her selection for the DVD.



Megumi Morisaki
Payroll Department,
Cosmo Business
Support Co., Ltd.

Someone who has seen the DVD told me that she wants to show it to many other people of all abilities, saying the DVD communicates its content very effectively. I am happy to think that it will be helpful and encouraging for all kinds of people and not just students with hearing challenges. Also, I am filled with gratitude to all the supervisors and senior colleagues who have generously taught me over the years. Thinking that it would be a waste not to share this knowledge, I saw the DVD as a valuable opportunity to give something back.

The Postsecondary Education Programs Network of Japan (PEPNet-Japan)
Official site: www.pepnet-j.com/ (in Japanese only)



Chapter 4

We take care of the global environment

The oil products that the Cosmo Oil Group delivers to its customers represent an invaluable source of energy that is essential to modern lifestyles. The fact is, however, that the use of oil impacts the global environment in no small measure. To deal with this, the Cosmo Oil Group works on various fronts, striving to produce and deliver environmentally friendly oil products, while also focusing on renewable energy, the protection of biodiversity and other activities designed to preserve the planet's irreplaceable natural environment for future generations.

Japan Petroleum Institute Award

The Cosmo Oil Group won the Fiscal 2011 Japan Petroleum Institute Award for Technological Progress in the petroleum, natural



Shigezuki Funada of Cosmo Oil's Research & Development Center accepts the award

gas, or petrochemical industries. By developing a fermentation process that utilizes a photosynthesis bacterium, the Group has realized more cost-effective, mass production of ALA. The Group also discovered ALA's beneficial effects on plant growth and salt tolerance. The award recognized this entire set of achievements.



Greening Our Neighborhoods

Shingo Tsubouchi
ALA Products Division¹
Cosmo Seiya Agriculture Co., Ltd.



“After the earthquake and nuclear accident last year, an increasing number of people in Japan seem to be growing their own vegetables in gardens and on balconies in order to secure a safe food supply in case of emergencies. The cultivation of bitter melon and morning glory to create ‘green curtains’ for windows is also on the rise, due to increased awareness of energy saving methods.

Although home gardening is familiar and easy to start, people often give up on their gardens before too long because of insufficient sunlight due to the orientation of the home or other environmental conditions that are not suitable for growing plants. The Penta Garden liquid fertilizer series containing ALA (5-aminolevulinic acid) developed by Cosmo Oil helps to enhance the photosynthetic capacity of plants and has

been well received. Since it works to promote the absorption of nutrients at the root, it enables the cultivation of healthy plants. It is even effective in indoor gardens or on balconies with less sunlight, where cultivation was not possible before.

ALA is a natural amino acid found in plants and animals and can be made with a natural fermentation process using photosynthesis bacteria, such as those contained in soy sauce.

Although more and more consumers are aware of global environmental issues, the population of gardeners is decreasing along with urbanization and an aging society. This could mean the loss of very familiar greenery in neighborhoods. Since indoor or balcony gardening is easy to start even for beginners, we aim to maximize the number of long-term gardeners using Cosmo Oil's ALA products.”

1. Current position: Sales Department, Cosmo Oil Co., Ltd.

Cosmo Oil continues to promote neighborhood greening while contributing to environmental preservation on a global scale.

Saving Energy in Refineries

Every stage of the Cosmo Oil Group's operations, from extracting crude oil to shipping it, to refining it and then storing products, generates CO₂ emissions, but approximately 60% are generated by refining. The Group is working to reduce this figure and conserve energy, both by introducing high-efficiency equipment and improving operational performance.

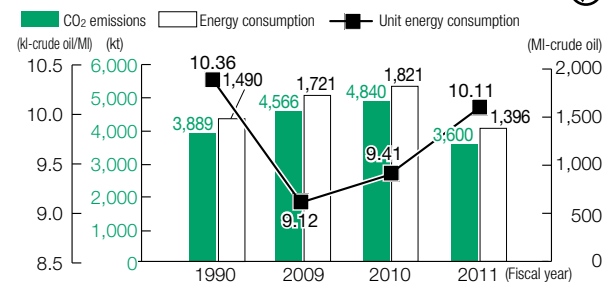
As part of equipment and performance efforts to reduce CO₂ emissions in fiscal 2011, the Group improved pump efficiency using plastic coatings, while also reducing the amount of steam used, and revising operation conditions. The Third Consolidated Medium-Term Environmental Plan set a refinery CO₂ reduction target of 21,900 tonnes (crude oil equivalent of 8,430 kiloliters) for fiscal 2011. By the end of the year, the refineries had reduced CO₂ emissions by 37,900 tonnes (crude oil equivalent of 14,490 kiloliters), exceeding the goal.

In fiscal 2011, the Chiba Refinery halted production for an extended period of time. Consequently, the refinery's total CO₂ emissions fell along with its energy consumption, causing the unit energy consumption to deteriorate.

Leveraging creative ideas that only an energy company can come up with, the Cosmo Oil Group will steadily execute

new energy-saving initiatives while maintaining existing improvement efforts.

Energy Consumption and CO₂ Emissions at Four Refineries



Notes:

- Unit energy consumption indicates total energy consumption divided by the total crude oil equivalent processed, taking into account the complexity of refining technology. The unit used is kiloliters of crude oil equivalent/megaliters (kl-crude oil/M). Total energy consumption is calculated by converting heat, electricity, and other energy use into the megaliters of crude oil equivalent (MI-crude oil). The unit used for CO₂ emissions is kilotonnes (kt).
- Beginning with fiscal 2006 results, the method of calculating CO₂ was revised as stipulated by Japan's Act on Promotion of Global Warming Countermeasures.
- CO₂ emissions for each fiscal year have been calculated using the CO₂ emission factor for electricity for the previous fiscal year.
- In addition to the figures shown in the graph, N₂O released from the catalyst regeneration tower amounted to 14 kilotonnes of CO₂ equivalent in fiscal 2011.

Energy Measures and CSR/Environmental Management

A pioneer in environmental economics, Kazuhiro Ueda is a professor at the Graduate School of Kyoto University and is also a trustee of the Cosmo Oil Eco Card Fund.¹ Keizo Morikawa asked him about how the Cosmo Oil Group should promote CSR and environmental management.

Morikawa: Cosmo Oil emphasizes harmony and symbiosis among society, humankind and the environment, and pursues management based on both business performance and CSR. This effort began with the Cosmo Oil Eco Card Fund.

Ueda: The Eco Card Fund is a great initiative. However, it is necessary to further clarify the significance of these activities. I think it is important to consider CSR and management in an integrated way.

Morikawa: You mean incorporating CSR into the business itself?

Ueda: Exactly. It is important for the main business to have CSR significance.

Morikawa: In order to ensure our business activities as an energy company help to build a more sustainable world, it is necessary to combine diverse energy sources and pursue symbiosis with the environment.

Ueda: While carefully using non-renewable resources such as oil, you now need to put more effort into renewable energy

Interviewer

Keizo Morikawa

Executive Vice President, Cosmo Oil Co., Ltd.
Chairman, Cosmo Oil Eco Card Fund
(As of March 2012)



sources, and make a smooth transition. That is the general direction you should be heading.

Morikawa: Speaking about renewable energy, Cosmo Oil made a full-scale entry into the wind power business by welcoming EcoPower Co., Ltd., as a subsidiary in March 2010.

Ueda: I have to say that Japan is still lagging behind in the renewable energy field, but by implementing two major mechanism changes, progress can be expected. One is balanced development for regional economies, and the other is development of new production technology infrastructure.

Morikawa: Certainly we can expect a lot from the development of technology for renewable energy.

Ueda: If Cosmo Oil employees come together to work on environmental protection, they will be able to develop awareness as global citizens. I have a lot of optimism for the future.

Note: This conversation took place in March 2012. Keizo Morikawa became President of Cosmo Oil in June 2012.

1. Please refer to Cosmo Eco Card Fund on page 16 for details.

Chapter 5

We value communications with society

The Cosmo Oil Group values communications with society, recognizing this as an important aspect of earning society's trust. The Group seeks to foster a corporate culture that encourages individual employees to participate positively in social contribution activities as one opportunity for sincere, face-to-face dialogue. The Group will strive to communicate accurate information to ensure greater awareness of its initiatives in this arena.



Doing My Best to Ensure the Long-term Success of the Cosmo Waku Waku Camp

Anna Suzuki
Direct Sales Department
Cosmo Oil Lubricants Co., Ltd.



Cosmo Waku Waku Camp

As a responsible member of a modern, automotive society, Cosmo Oil has offered the Cosmo Waku Waku Camp, a nature program for elementary students orphaned by traffic accidents, every year since 1993.



"I have participated as a volunteer at the Cosmo Waku Waku Camp for the last two years. It is a nature program for elementary students who have lost parents in traffic accidents.

Each time, the children are full of energy and embrace their first camp experience without hesitation. Their curiosity is stimulated by playing excitedly in their natural surroundings, and they see things that adults overlook. As volunteers, we were able to foster communication with and among the children by serving as team leaders and ensuring that everyone was having fun.

At the camp, we have to pay attention to the children's health, safety, and state of mind. In order to do this, I tried to look at them not from an adult's standpoint but always from a child's perspective.

The Cosmo Waku Waku Camp has been very meaningful for me. However, if the Cosmo Oil Group did not fulfill its role in society and earn profits, this kind of activity could not continue. This made me realize once again that I want to contribute as much as I can to society by helping these kids while also steadily carrying out my duties on the job."



Kazuho Koda
Group Manager,¹
Direct Sales Department
Cosmo Oil Lubricants Co., Ltd.

While always doing a flawless job, Ms. Suzuki is also the kind of person who respects the feelings of others. That is why I think the Cosmo Waku Waku Camp is a perfect fit for her. As a supervisor, I welcome staff participation in this kind of volunteer activity, since it promotes personal growth beyond the job. Personally, I believe that it is only natural for a company to be actively involved in the community. It is very significant that the Cosmo Oil Group engages in many unique social contribution activities not undertaken by other companies.

1. Current position: East Japan Branch Office, Cosmo Oil Lubricants Co., Ltd.

Developing ongoing social contribution activities that enable Cosmo Oil to walk together with society over the long term.

Cosmo Earth Conscious Act Clean Campaign in Mt. Fuji

Since 2001, together with 38 Japan FM Network member radio stations, Cosmo Oil has been promoting Cosmo Earth Conscious Act initiatives for the preservation and conservation of the global environment. The effort includes Clean Campaigns, where participants enjoy nature while cleaning up mountains, rivers, oceans, lakes and parks throughout Japan. These campaigns have taken place at 436 locations over the past 11 years, and have involved a total of more than 170,000 participants. One of the flagship events, the Cosmo Earth Conscious Act Clean Campaign in Mt. Fuji, attracts a lot of attention. This year the event welcomed

alpinist Ken Noguchi, and 185 participants collected 558 (45-liter) garbage bags of litter over two days.

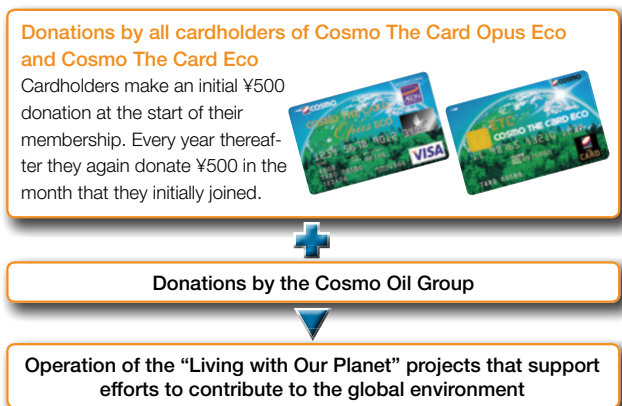


Cosmo Oil Eco Card Fund Provides Reconstruction Support for Tohoku

Thanks to donations from approximately 80,000 cardholders, the Cosmo Oil Eco Card Fund has developed “Living with Our Planet” projects to protect the irreplaceable global environment for future generations of children. With fiscal 2011 marking the 11th year of the projects, these valuable donations are used to find solutions to environmental issues and fund environmental preservation activities under the themes of environmental

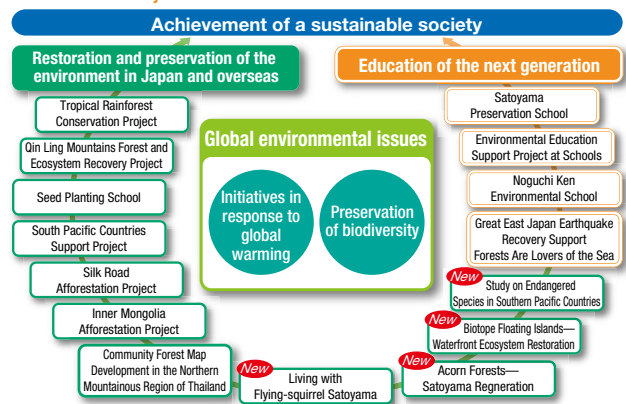
restoration and preservation, and educating the next generation. In fiscal 2011, the Fund selected four new projects from many project proposals based on the theme of biodiversity. After the Great East Japan Earthquake, the Fund also decided to support projects that contribute to reconstruction in the stricken Tohoku region. More detailed information is available in the *Cosmo Oil Eco Card Fund Activity Report 2012*.

The Cosmo Oil Eco Card Fund System



Related information: Environment
www.cosmo-oil.co.jp/eng/envi/index.html

Fiscal 2011 Projects



Related information: *Cosmo Oil Eco Card Fund Activity Report 2012*
www.cosmo-oil.co.jp/eng/envi/ecoreport/index.html

Cosmo Forest Initiative Helps Conserve Nature

The Cosmo Forest Initiative is a program that works with local governments across Japan to preserve *satoyama* (managed woodlands near populated areas) close to Cosmo Oil Group sites. The aim is to maintain these forests for future generations.

In fiscal 2010, the Sakai Refinery adopted a *satoyama* in Higashiyoshino Village in Nara Prefecture, a sister city to Sakai, as a Cosmo Forest. This was the first project based on the guidelines for forest creation programs established by the local government. In June and October 2011, Cosmo Oil employees and their families helped to clear undergrowth and thinned trees in the forest. Elsewhere, the Cosmo Forest

near the Chiba Refinery provides a venue for local elementary school children to enjoy environmental education.

Since April 2007, Cosmo Matsuyama Oil Co., Ltd., has also been engaging in the Cosmo Forest Initiative under an Ehime Prefecture program for involving local residents in forest creation. In June and October 2011, current and retired employees of Cosmo Matsuyama Oil joined *satoyama* preservation efforts in the forest.



Cosmo Forest activities for *satoyama* preservation

Chapter 6

We strive to maintain our position as an honest company

The Cosmo Oil Group defines “honesty” as corporate activities that do not merely follow the letter of the law, but value the individual’s feelings and foster a warm relationship with society at large. Recognizing this as the only way to earn trust, the Group discloses all information, including the negative, strives to ensure total transparency in management, and implements education and policies that promote self-awareness among all employees.

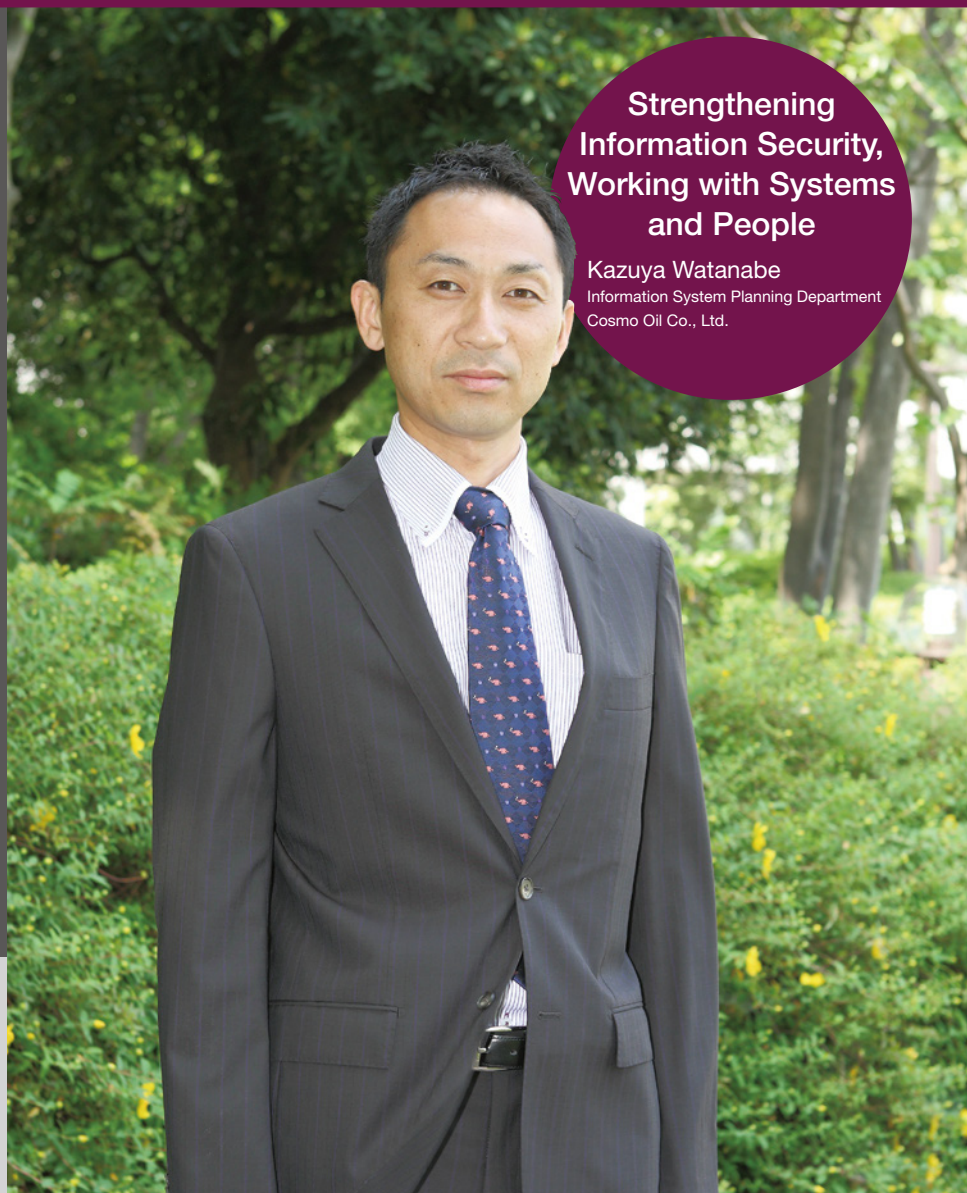
Code of Conduct

The Cosmo Oil Group Code of Conduct articulates the Group’s mission and the expectations of society by outlining themes for the Group to pursue in order to realize its Management Vision. The following are points quoted from the code.



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 |



Strengthening Information Security, Working with Systems and People

Kazuya Watanabe
Information System Planning Department
Cosmo Oil Co., Ltd.



“It is no exaggeration to say that companies today are highly reliant on IT and use IT systems in every department. Varied and vast amounts of data are stored in information systems, ranging from basic company data to order, technical, and cardmember personal information. Since almost all of this data is extremely important, information security must be performed with a great deal of care.

Information risk can be broadly divided into two areas: the vulnerability of information systems to attack, and the vulnerability of the people that use them. The risks change on a daily basis along with the growing sophistication of cyber attacks, including attacks targeting specific organizations, which have been widely covered by the media in recent years. Since security efforts never cease, measures must be investigated and implemented based on the continual gathering of information concerning attacks at other companies and the latest technology trends.

Security measures need to be taken while still maintaining a certain level of convenience. If the awareness of system users is low, significant risk becomes apparent. For example, external recording media such as USB memory sticks are only permitted when required business operations. However, when employees inadvertently connect personal devices such as smartphones to company computers, the company equipment can become infected with new viruses, causing problems that cannot be prevented by the system security measures. This is why we are putting effort into awareness raising and education through new employee training and corporate ethics training, our *Information System User Guidelines and Handbook* and the company intranet (CWP). We are also looking into other measures for each situation, in addition to conducting surveys on system usage and providing improvement instructions.”

Never satisfied with the status quo, Cosmo Oil is strengthening its people and its organizations, always reflecting on lessons learned, and determined to maintain the trust of society.

CSR Status and Union Member Awareness Surveys

In addition to conducting a CSR Status Survey every two years, the Cosmo Oil Group carries out Union Member Awareness Surveys for the 2,400 members (as of July 31, 2011) of the Cosmo Oil Labor Union. Both surveys are conducted on an anonymous basis, with an external organization gathering the questionnaires and analyzing the results. The Union Member Awareness Survey has a high response rate of 93.6%.

While enabling the understanding and improvement of job satisfaction among Cosmo Oil Group employees, these surveys also aim to objectively evaluate the Group's CSR management. Accordingly, the survey results are shared with labor and management, and used for discussions in good faith from multiple perspectives. As a result, the Group can confirm the awareness of employees concerning their individual jobs and the company they work for, as well as their level of corporate ethics understanding. This helps to reduce risk relating to CSR management.

Based on the results of these two surveys, the Cosmo Oil Group reviews and implements measures for better

communication among employees, improves education and training, and provides easy-to-understand information on compliance, while enhancing CSR management and minimizing risks.

Feedback from the Union Member Awareness Survey (Excerpts)

- I think there is strong connection between compliance and the issue of generational change. Younger people have a much higher awareness of compliance. If we continue with the current compliance education, I believe things will improve. (Male refinery employee)
- There is not much education about rules, and I think some people are deviating from the rules without knowing it. Time should be set aside to thoroughly educate people. (Female refinery employee)
- I think there should be more substantial training on compliance, which is very important. We can't take the proper action if we don't know specifically what we should be watching out for. (Male head office employee)

Corporate Ethics Training

In order to maintain a high level of awareness of corporate ethics, the Cosmo Oil Group conducts annual corporate ethics training for Group employees. In addition to providing training tailored to job levels to help employees gain the expertise they need in specific positions, training sessions tailored to specific Group companies are also led by Group company presidents.

By sharing concrete examples, the fiscal 2011 corporate ethics training further increased understanding of the appropriate use of information systems, thereby raising the information security awareness of all employees. The ethics training for engineers, which was introduced in 2010, reinforced understanding of legal compliance under the theme of defects in safety and environment management. In addition, awareness-raising sessions were carried out on other individual themes including the Corporate

Ethics Consultation Helpline system, the Antimonopoly Act and personal information protection, as well as physical and mental health management.

Due in part to the increase in training opportunities for employees, the total number of training participants Group-wide in fiscal 2011 rose to 3,790, an increase of 179 participants over the previous fiscal year. Evaluations received after participants completed training will be used in developing sessions for the following years.



Training at Cosmo Matsuyama Oil

Corporate Ethics Consultation Helplines

The Cosmo Oil Group has set up internal and external helplines by which employees or persons outside the Group can discuss legal or ethical problems concerning Group operations. The internal helpline is set up within the Corporate Ethics Promotion Office, while the external helpline is staffed by outside experts.

Both helplines assure anonymity and guard against adverse repercussions to the caller. In fiscal 2011, the helplines received a total of two requests for consultations. There also is a consultation helpline within the Personnel Department for matters related to sexual and power harassment.

Full-scale Development of a Promising Renewable Energy Businesses

Renewable energy sources have many advantages: they are clean and environmentally friendly, they are available anywhere and thus less susceptible to political situations abroad, and they are stable and will never run out. True to its commitment to providing a stable supply of energy, the Cosmo Oil Group is working to expand its renewable energy business, focusing primarily on wind power.

Iwaya Wind Park, Aomori Prefecture

Best-mix Energy Procurement through Wind Power

The Cosmo Oil Group aims to help realize a zero emissions society and build a sustainable energy community on a global scale. By revising its energy policy following the major earthquake in 2011 in Japan, the Group is now promoting best-mix diversification of energy procurement, in order to fulfill its responsibilities as a comprehensive energy company.

After the recent natural disaster, there are growing expectations in Japan for renewable energy to move beyond its current role and become a principal power source of the future. In 2010, EcoPower Co., Ltd., with its proven wind power generation results, was welcomed into the Cosmo Oil Group, marking the Group's full-scale entry into the renewable energy business.

While wind power's greatest attraction is its limitless supply, it also has drawbacks such as frequent periods of downtime due to wind conditions and equipment maintenance. Accordingly, the most important challenge is to improve operating rates and stabilize production. During the last two years, EcoPower has been working on streamlining wind turbine maintenance in order to increase operating efficiency. As a result of these efforts, the company has dramatically improved its turbine operating rates, and was able to turn a profit just one year after joining the Cosmo Oil Group.

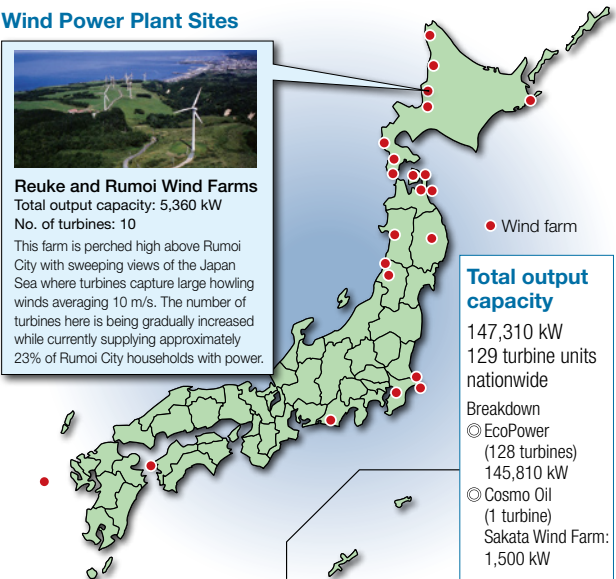
In 2012 and beyond, the Cosmo Oil Group plans to develop three new wind power generation sites in Fukushima, Mie, and Wakayama prefectures. Also eyeing expansion outside Japan in the future, the Group will actively expand its wind power business.

Wind Power Plant 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.



Operating Rate¹ Improvement



1. Operating rate: Operating time – down time (regardless of reason) / total time

EcoPower's Strengths and Future Growth

Established in 1997, EcoPower Co., Ltd., is a pioneer in the Japanese wind power industry and now plays a central role in the Cosmo Oil Group's renewable energy business. It operates 128 wind turbines, mostly in Tohoku and Hokkaido, where wind conditions are ideal. The company's total generating capacity of about 146,000 kW is enough to power 80,000 homes.

Since joining the Cosmo Oil Group, EcoPower has focused on improving its operating rates by rebuilding its maintenance system. It has now established itself as a sustainable and profitable business.

Since the Great East Japan Earthquake, there have been growing expectations for the creation of a renewable energy society. A feed-in tariff (FIT) scheme has also been introduced in Japan, and there has been a major shift toward the popularization of renewable energy. Utilizing the expertise that it has accumulated over the years, EcoPower is actively expanding its business, including the development of new power generation sites.

Visit the official site of EcoPower for more detail on its business activities.

Official site: www.eco-power.co.jp/crp_profile.html



FIT Scheme Helping to Promote Renewable Energy

A feed-in tariff (FIT) scheme for renewable energy was launched in Japan in July 2012. Under this system, electric utilities are required to purchase power generated by solar, wind, hydro, geothermal, and biomass on a fixed-period contract at a fixed price. Power customers are also required to cover part of the cost of purchasing renewable energy, in the form of a surcharge that varies according to the customer's consumption level.¹

1. Excerpt from an online government report

Considering Massive-scale Solar Commercialization

The Cosmo Oil Group is also looking into entering the massive-scale solar power generation ("mega solar") business, leveraging the Group's underutilized land holdings. By incorporating mega solar facilities into the wind power sites of EcoPower, there would be the benefit of developing a more effective renewable energy business, since the electrical transmission equipment and maintenance system could be shared by the two power sources.



Mega solar power plant
(provided for illustrative purposes only)

Optimal Maintenance for Streamlining and More Stable Power Generation

Aiming to raise the operating rate of wind power equipment, I strive to assess the causes of malfunction and find ways to ensure the same problem does not occur again.

Wind turbines are constantly exposed to a very harsh environment for equipment that must continually operate. Since conditions are always changing, regular maintenance has a major impact on operating rates. We focus on five methods of increasing the operating rates of our equipment: (1) revising repair methods; (2) optimizing parts inventory; (3) optimizing inspection items; (4) improving the reliability of parts; and (5) performing preventative maintenance.



Hiroki Hayashi
Technical Administration Division
EcoPower Co., Ltd.

We keep a record of failures for each turbine and ascertain failure trends. Then we ready the right parts in advance, ensure they are more reliable than past ones, and when possible replace them before they fail. As for the actual repair, turbines used to be taken down with a crane and moved to a repair plant, but now we fix them without removing them from their towers. These steps have helped us dramatically cut downtime for wind turbines.

Compared to other types of power generation, wind power has a short history and faces many issues. But we can solve these issues with technology. This is why I find it so rewarding to develop the right wind power technology.

Corporate Profile and Financial Data

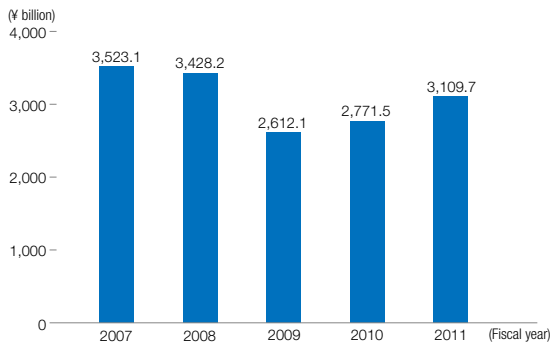
Corporate Profile (as of March 31, 2012)

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. Asian Oil Co., Ltd. merged into Cosmo Oil on October 1, 1989.
Head office	1-1-1, Shibaura, Minato-ku, Tokyo 105-8528 Japan	Dealers	248 offices
Telephone	+81-3-3798-3211	Service stations	3,498 (stationary)
Established	April 1, 1986	Branch offices	Sapporo, Sendai, Tokyo, Kanto-Minami, Nagoya, Osaka, Hiroshima, Takamatsu, and Fukuoka
Capital	¥107,246,816,126	Refineries	Chiba, Yokkaichi, Sakai, and Sakaide
Main business	Oil refining and sales	Oil depots	35 locations (including 33 subcontractors)
No. of employees	2,025		

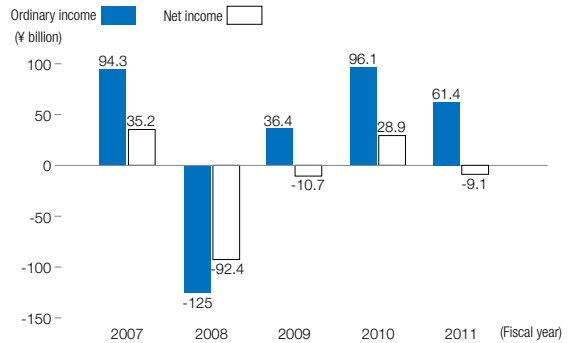
Bases outside of Japan Abu Dhabi (UAE); Beijing and Shanghai (China); Doha (Qatar); Torrance, California (USA); London (UK); Singapore

Financial Data

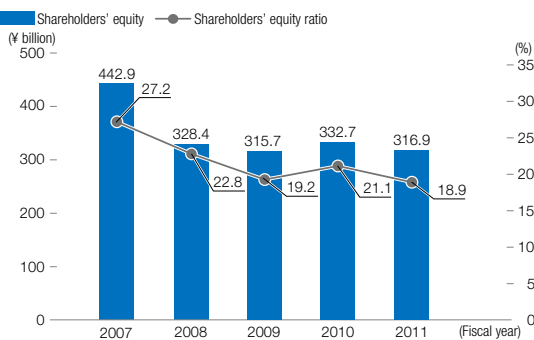
Consolidated Net Sales



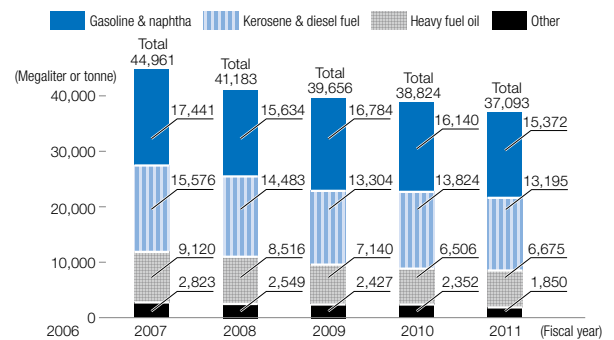
Consolidated Ordinary and Net Income



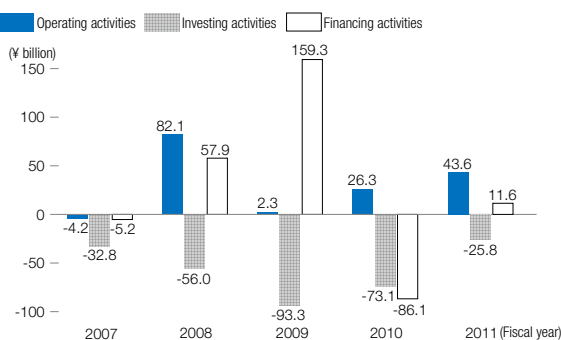
Consolidated Shareholders' Equity and Shareholders' Equity Ratio



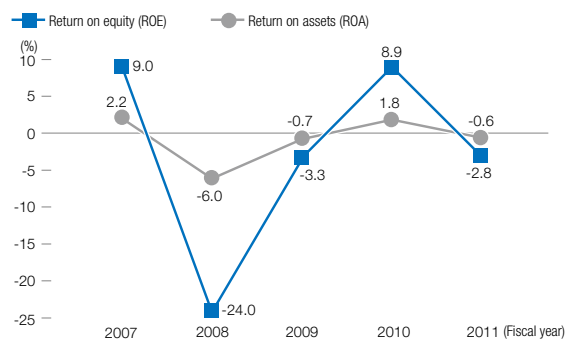
Non-Consolidated Sales Volume



Consolidated Cash Flows



Consolidated Profit Ratios



Editorial Policy

The Cosmo Oil Group *Environmental Report* was first published in fiscal 2001, then replaced by the *Sustainability Report* in fiscal 2004. It was changed into a corporate profile in fiscal 2010 for use as a comprehensive communication tool and renamed the *Corporate Report*.

This year's report was prepared with reference to the Global Reporting Initiative (GRI) *Sustainability Reporting Guidelines 2006* and includes a special feature that highlights issues deemed important to stakeholders.¹ The issues have been selected to reflect stakeholders' views as expressed in questionnaires and other sources, as well as the Group's management philosophy, its business strategies, and the risk factors that it considers to be material.

This report organizes the Company's data into seven core subjects under ISO 26000:2010, which provides guidance on social responsibility. It also references the *Environmental Reporting Guidelines 2012* published by the Ministry of Environment in calculating the Company's environmental performance. Employee job titles and departmental assignments referred to in this report are current as of March 31, 2012.

Report Boundary and Period Covered

This report covers² the Cosmo Oil Group's efforts in the area of corporate social responsibility in fiscal 2011 (April 1, 2011 to March 31, 2012), though some sections include content from fiscal 2012. An overview of the Cosmo Oil Group's petroleum business and Group organization is provided on pages 3-4.

The report includes information on the 23 Cosmo Oil Group companies, listed below, which are implementing the Third Consolidated Medium-Term CSR Management Plan. Data, however, that pertains only to Cosmo Oil or only to certain companies is footnoted to indicate this.

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

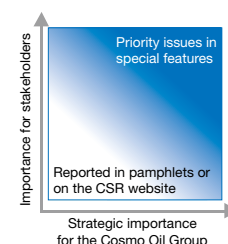
Cosmo Engineering Co., Ltd.
Cosmo Trade & Service Co., Ltd.
Cosmo Business Support Co., Ltd.
Cosmo Research Institute
Cosmo Computer Center Co., Ltd.
EcoPower Co., Ltd.

Outside of Japan

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

Cosmo Oil Co., Ltd.

1. Items of importance in report



2. There have been no major changes in the boundary coverage since the previous report.

Month of Issue

November 2012

Next issue (tentative): November 2013 (previous issue was December 2011; report issued annually)

Corporate Report 2012 and the Website

The Cosmo Oil Group is committed to making the information in *Corporate Report 2012* 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

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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

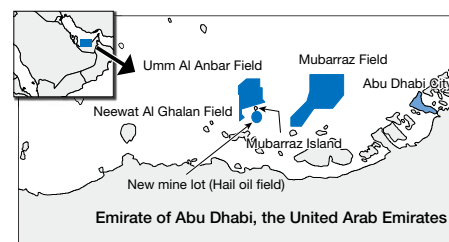
- Restore operations at Chiba Refinery
- Restore crude oil production volumes
- Rebuild supply framework

Future Challenges

- Secure safe and stable operations at refineries

Oil Exploration and Manufacturing Projects

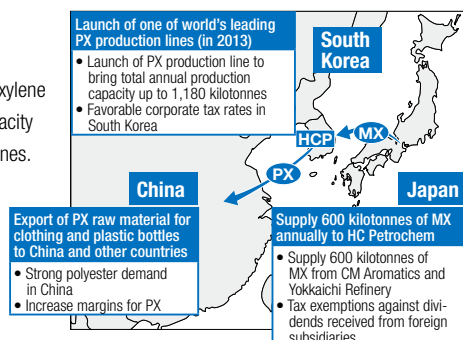
- Qatar: Started production from new A-Structure South oil field in April 2011
- Abu Dhabi: Currently preparing for 3-D seismic exploration of new Hail oil field
- Australia: Shifted to drilling operations at AC/P4 mining lot



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

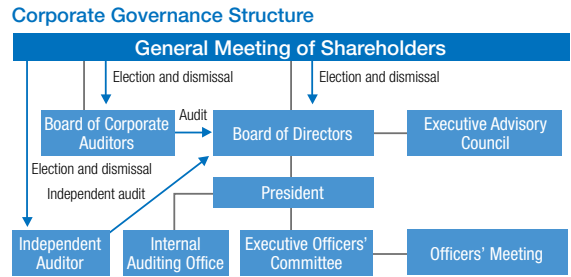


Degree of achievement: ○ Achieved △ Partially achieved × Not achieved

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 satoyama preservation activities at Sakai Refinery, Cosmo Matsuyama Oil and Chiba Refinery • 13,975 participants in Clean Campaign 		○

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. Having adopted a corporate auditor system, the Group has a Board of Directors, Executive Officers' Committee, and Executive Advisory Council, a structure which separates the functions of (1) management decision-making and supervision, (2) execution of duties, and (3) performance evaluation of directors. Moreover, management oversight has been enhanced through the attendance of corporate auditors at important meetings, including those of the Board of Directors.



Internal Controls

The Cosmo Oil Group maintains a structure for the execution of duties by directors and employees, systems for risk management and internal auditing to support the execution of duties, and systems to ensure effective auditing by corporate 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.



Corporate Ethics Framework

The Corporate Ethics Committee reports to the CSR Promotion Committee and decides on the fundamental policies covering corporate ethics. It is also responsible for monitoring and advancing ethical principles. The Corporate Ethics Committee is assisted by the Corporate Ethics Office, which also reports to the CSR Promotion Committee and operates the Corporate Ethics Consultation Helpline to facilitate the early identification and resolution of ethical issues while adhering to guidelines in the Whistle-Blower Protection Act. The Corporate Ethics Committee is also served by compliance committees at each refinery, which are headed by the general managers of the refineries and endeavor to strengthen compliance at refineries.

The refinery compliance committees compiled a report on the status of regulatory compliance at refineries, which the Corporate Ethics Committee used in formulating a corporate ethics plan for fiscal 2012 based on data such as the number of cases handled by the Corporate Ethics Consultation Helpline and corporate ethics training implemented in fiscal 2011.

CSR Training

The Cosmo Oil Group conducts CSR training as part of its education efforts on corporate ethics in order to equip help employees to better understand the Group's CSR management. In fiscal 2011, the Group reported on the results of the CSR Status Survey that was conducted in fiscal 2010, and briefed employees on the Corporate Ethics Consultation Helpline in an effort to raise its profile.¹

The Company also implements annual CSR training for each new employee. The training is designed to teach employees to be aware of compliance in their work and to stress the importance of a corporate culture that encourages workplace communication and one where regulatory violations are not tolerated. The training also teaches employees to make decisions that are consistent with the corporate Code of Conduct.

1. Employees were specifically briefed on the workings of the helpline, including whom it is available to and the procedures for using the service, as well as the fact that users' privacy is protected at each stage of consultation, investigation, and reporting. Furthermore, it was emphasized that the service provides fair and impartial verdicts and results in the implementation of suitable measures as needed, along with later follow-up action.

Human Rights

Third Consolidated Medium-Term Human Rights/Personnel Plan

The Cosmo Oil Group is striving to create workplaces that respect human rights and the diversity of personnel. Introduced in fiscal 2010, the Third Consolidated Medium-Term Human Rights/Personnel Plan is divided into shared Group themes on which Cosmo Oil and its main Group companies (18 companies) work, and individual themes in which initiatives differ according to the number of employed workers at each company. Shared Group themes include respect for human rights, respect for diversity and equal opportunity, promoting physical and mental health care, and supporting balance between work and home life.

Fiscal 2011 Initiatives and Results under the Third Consolidated Medium-Term Human Rights/Personnel Plan

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

Third Consolidated Medium-Term Human Rights/Personnel Plan	Themes		Fiscal 2011 Goals	Fiscal 2011 Results	Achievement of Goal
	Shared Group Themes	Respect human rights	Prevent harassment, eliminate discrimination	Achieve participation rate of 80% or more in human rights training for Cosmo Oil employees	Achieved participation rate of 85%
Respect diversity/equal opportunity		Maintain fairness in hiring	Maintain and improve employment rate of people with disabilities (higher than the legally mandated rate of 1.8%) for 3 target companies	Achieved goals at target companies: Cosmo Oil (2.19%), Cosmo Oil Sales (1.26%), and Cosmo Engineering (0.67%)	△
Promote physical and mental health care		Prohibit excessive overwork and implement specified health exams	Gradually decrease excessive working hours (350 working hours per year) *Aim to decrease total working hours	446 employees worked excessive hours (up by 87 persons from fiscal 2010) Reason: Impact of Great East Japan Earthquake and increase in repairs	×
Support balance between work and home life		Promote childcare and family healthcare leave and support leisure activities	Average paid time-off utilization rate of employees • Cosmo Oil: 80% or more • Group companies: Improve current record	• Cosmo Oil: 86% • Group companies: Improved at 11 of 18 target companies	△
Individual Themes	Comply with Act on Advancement of Measures to Support Raising Next-Generation Children	Establish an action plan required for general business owners and notify the authorities	Plan establishment or notification completed at 5 target companies ¹	○	

1. Cosmo Oil Co., Ltd., Cosmo Oil Sales Corp., Cosmo Engineering Co., Ltd., Cosmo Trade & Service Co., Ltd., and Cosmo Petro Service Co., Ltd.

Respect for Human Rights

The Cosmo Oil Group has a wide array of personnel regulations and employee welfare programs, all of which give consideration to human rights. Under the Third Consolidated Medium-Term Human Rights/Personnel Plan, the Group conducts human rights training at business locations, with a focus on preventing harassment and eliminating discrimination. The plan sets the goal of achieving an 80% or greater participation rate for human rights training. The Group surpassed this goal with an 85% participation rate in fiscal 2011 and is striving to further increase the future participation rate. The Group also conducts training for specific groups of employees, including new employees and newly promoted line managers.

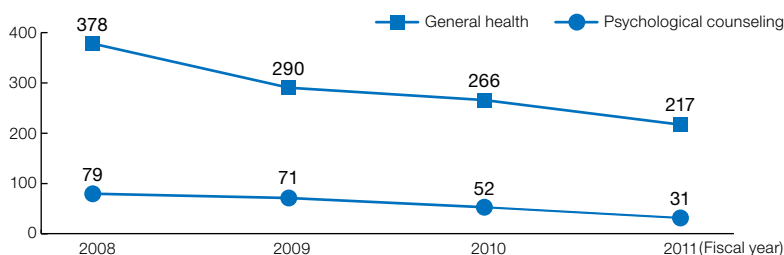
[Detailed information](#) Consolidated Medium-Term Human Rights/Personnel Plan

www.cosmo-oil.co.jp/eng/csr/social/employee.html

Physical and Mental Health Care

With the introduction of mandatory special health check-ups in fiscal 2008, the Cosmo Oil Group has been working with the Cosmo Oil Health Insurance Society to fully implement the special check-ups. The Cosmo Oil Health Insurance Society operates a Group Health and Counseling Online Hotline that is staffed by specialists in psychiatry and psychosomatic medicine, which employees and their families can access to receive immediate counseling on a variety of subjects.

Number of Inquiries Submitted to the Health and Counseling Online Hotline



The hotline offers information on a wide range of topics, covering both physical and psychological health issues. Below is a list of topics for which advice is most often sought.

General health

Medicines, gastrointestinal illness, child fever, influenza, other

Psychological counseling

Anxiety, parental and family issues, spousal relations, other

Promoting Work-Life Balance

There is an increasing need to promote work-life balance that respects the diversity of lifestyles and working styles that exist today. The Cosmo Oil Group is committed to creating positive and dynamic work environments for all employees and respects the values and life perspectives of each employee. The Group is implementing initiatives to enable employees to achieve a work-life balance with the flexibility to tailor their desired lifestyles.

1. Employees of Cosmo Oil and those assigned to affiliated companies.

Number of Cosmo Oil Employees (as of March 31, 2012)¹

		Men	Women	Total
Cosmo Oil		1,797	228	2,025
	Union members	1,371	221	1,592
	Management positions	333	5	338
	Senior employees	93	2	95
Dispatched to Group companies ²		980	93	1,073
	Union members	673	92	765
	Management positions	298	1	299
	Senior employees	9	0	9
Total	2,777	321	3,098	

2. Data covers employees at Cosmo Oil Co., Ltd. (including those temporarily dispatched).
3. 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.

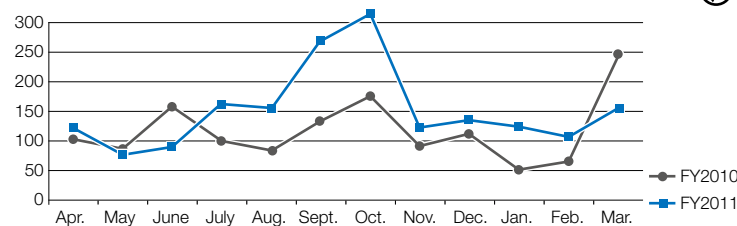
Number of Employees Taking Maternity and Childcare Leave and Support Courses for Returning to Work; and Child Care Leave Rate²

	Fiscal 2011		Fiscal 2010		Fiscal 2009	
	Men	Women	Men	Women	Men	Women
Maternity leave	0	9	0	4	0	6
Childcare leave ³	1 (1)	5 (12)	2 (2)	5 (9)	2 (2)	4 (10)
Support course for returning to work	0	5	0	4	0	2
Childcare leave rate (%)	—	86%	—	75%	—	100%

Protecting Employee Health by Reducing Long Working Hours

In the Third Consolidated Medium-Term Human Rights/Personnel Plan, the Cosmo Oil Group included the theme of prohibiting excessive work and implementing specified health exams in order to maintain employee health. The Group is making efforts to decrease excessive working hours gradually. It sets limits on the number of overtime hours on a monthly and yearly basis. However, in fiscal 2011 the number of employees working long hours on a yearly basis increased by 87 from the previous year to 446. The increase is due to significant overtime that was mainly accrued at refineries and distribution sites for recovery efforts in response to the Great East Japan Earthquake that occurred in March 2011. Despite this temporary increase, the Group is committed to reducing excessive working hours.

Number of Workers Exceeding Fixed Hours for Overtime Work in a Month



Labor-Management Cooperation to Resolve Labor Issues

Labor issues that affect employees and employment conditions are first addressed through advance meetings between labor and management and are outlined in collective labor agreements. Issues are further addressed through regular meetings between management and labor unions that are held as the need arises at the Cosmo Oil Head Office and other business locations.

A Work Hour Review Meeting was held by labor and management to discuss measures to prevent health problems from overwork and encourage shorter working hours. The committee also monitors compliance with labor agreements and promotes longer paid leave for employees in the summer and winter.

Labor-Management Councils and Committees

Meeting	Frequency	Description
Joint Management Council	1	General meeting including management strategy and attitude survey results
Central Labor-Management Council	5	Spring labor-management negotiations
Work Hour Review Meeting	3	Labor hours, vacation privileges

Third Consolidated Medium-Term Safety Plan

Since fiscal 2005, the Cosmo Oil Group has carried out the Consolidated Medium-Term Safety Plan on a three-year basis to eliminate work-related accidents and injuries and secure the confidence and trust of the community. Under the Plan, the Group implements initiatives for each stage of business (production, distribution and sales).

Launched in fiscal 2010, the Third Consolidated Medium-Term Safety Plan was designed to further 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 is trusted by society.

Fiscal 2011 Initiatives and Results under the Third Consolidated Medium-Term Safety Plan

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

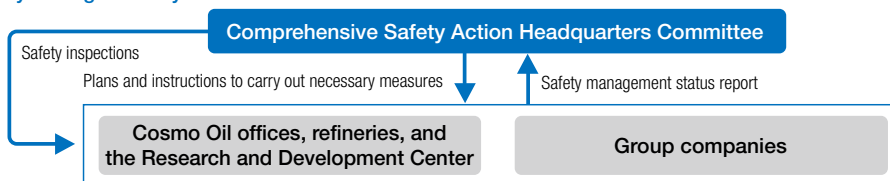
Divisions		Fiscal 2011 Goals	Fiscal 2011 Results	Achievement of Goal
Refining and manufacturing	4 refineries and Cosmo Matsuyama Oil	• Reduce unsafe and failure incidents by 90% or more from the benchmark year ¹ by 2011 (meaning 11 or less incidents)	• Unsafe and failure incidents: 111 (3% reduction from benchmark year ¹)	×
	Cosmo Oil Lubricants (manufacturer of lubricating oil)	• Achieve target of zero work-related injuries • Reduce accidents/incidents by 30% over previous year	• Work-related injuries: 1 • Accidents/incidents: 15 (same as previous year)	×
	Cosmo Petroleum Gas (LPG storage/delivery)	• Maintain zero accidents/incidents	• Accidents/incidents: 0	○
Distribution	Cosmo Delivery Service (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: 5 • Near-miss accident reports: 22,000	△
	Cosmo Kaiun (sea shipments)	• Maintain zero accidents involving marine oil spills/ships run aground • Reduce equipment failure to 50% of benchmark year (2008)	• Marine oil spills: 0; ships run aground: 0 • Equipment failures: 12 incidents (down 20% compared to 2008)	△
	Oil depots	• Maintain zero work-related injuries • Limit the number of fires/oil spills to less than 2 incidents per year	• Work-related injuries: 0 • Oil spill: 1	○
	Crude Oil & Tanker Dept.	• Complete action plan	• Reduced the number of incidents from 12 to 5 incidents by identifying the source of problems and implementing countermeasures through operating staff and captains • Held safety meetings and shared information • Made sure all personnel were aware of the steps to take in an accident and clarified the emergency contact network and other necessary information	○
	Petroleum Products Trading Dept.	• Achieve target of zero serious accidents relating to ship movements	• Serious accidents relating to ship movements: 0	○
	Service Station Dept.	• Maintain zero work-related injuries in service station construction	• Work-related injuries: 0	○
Sales and other operations	Project Development Dept. (co-generation, etc.)	• Achieve target of no more than one accident a year	• Accidents: 0	○
	R&D Dept.	• Achieve target of no more than one incident per year	• Incidents: 0	○
	Research and Development Center	• Maintain zero work-related injuries • Reduce number of accidents/incidents compared to previous year	• Work-related injuries: 1 (not requiring time off from work) • Accidents/incidents: 53 (down 25% year on year) • Accidents outside the workplace: 2	○
	Cosmo Engineering	• Steadily reduce work-related injuries to zero	• Work-related injuries: 28 (down 10% year on year)	○

1. Benchmark year: September 2006–August 2007

Building a Group-Wide Safety Management Structure

The Cosmo Oil Group has established the Comprehensive Safety Action Headquarters Committee to manage safety throughout the Group. The Committee reviews and coordinates important matters related to safety management at regular meetings each year and verifies the status of safety activities in each department and workplace, while working to enhance safety management and safety initiatives.

Safety Management System



Safety Inspections

The Comprehensive Safety Action Headquarters Committee conducts annual safety inspections at workplaces and the Head Office departments that oversee these workplaces. In fiscal 2011, safety inspections were conducted at 12 workplaces and departments, including three refineries (except for the Chiba Refinery).² Especially in the inspection of refineries, efforts are made to enable better, more effective improvements and guidance from a third-party perspective by including personnel from other refineries in addition to those from the Head Office among the internal inspectors.

Workplaces/Companies Given Safety Inspections in Fiscal 2011

Cosmo Oil			Group companies	
Chiba Refinery ²	Sakaide Refinery	Distribution Department	Cosmo Matsuyama Oil Co., Ltd.	Cosmo Oil Lubricants Co., Ltd.
Yokkaichi Refinery	Research & Development Center	Project Development Department	Cosmo Engineering Co., Ltd.	Cosmo Petroleum Gas Co., Ltd.
Sakai Refinery	Sales Department	R&D Department		

2. Fiscal 2011 safety inspection for Chiba Refinery conducted in April 2012.

Fourth Consolidated Medium-Term Environmental Plan

The Cosmo Oil Group launched the first initiatives under its Consolidated Medium-Term Environmental Plan in fiscal 2002. In fiscal 2010, the Group introduced its Fourth Consolidated Medium-Term Environmental Plan based on the following policies: respond strategically to prevent global warming while ensuring continuation of business, reduce environmental impact, and promote environmental contribution activities.

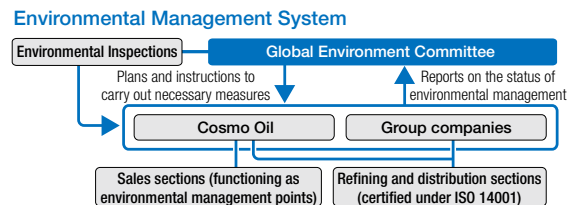
Fiscal 2011 Initiatives and Results under the Fourth Consolidated Medium-Term Environmental Plan

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

Themes		Fiscal 2011 Goals	Fiscal 2011 Results	Achievement of Goal
Respond strategically to prevent global warming while ensuring continuation of business	Reduce CO ₂ emissions	Reduce CO ₂ by 241 kt per year compared to level before implementation of measures 1. Reduce CO ₂ in business areas (energy savings at refineries, use of biogasoline, etc.) (Anticipated reduction of 95 kt) 2. Develop wind power business (equivalent to reduction of 146 kt of CO ₂) 3. Conduct environmental technology development and commercialization study aimed at future CO ₂ reductions	Reduced 274 kt of CO ₂ emissions 1. Reduced 112 kt of CO ₂ emissions (39 kt from energy conservation and 66 kt from biogasoline use) 2. Reduced 161 kt of CO ₂ emissions through wind power generation	○
	Manage greenhouse gas emissions	Control the volume of greenhouse gas emissions in manufacturing, product transport and storage processing as well as in offices and the R&D Center	<ul style="list-style-type: none"> Continued to control the volume of greenhouse gas emissions in the specified areas 3.60 million tonnes of CO₂ emissions from refinery operations (down 1.24 million tonnes year on year) 	○
Reduce environmental impact	Identify environmental risks that may arise at times of normal operations and times of irregular operations; implement countermeasures	Consider precautions for times of normal/irregular operations at refineries facing risk of regulatory or agreement violation	Identified 10 risks and considered precautions (Precautions completed for 5 risks and consideration ongoing for 5 risks)	○
	Reduce industrial waste	<ul style="list-style-type: none"> Final disposal rate: less than 0.5% for Cosmo Oil; less than 5.0% for entire Group Introduce electronic manifests 	<ul style="list-style-type: none"> Final disposal rate: 0.4% for Cosmo Oil; 5.0% for entire Group Conducted survey to introduce electronic manifests at refineries that were not using them during current medium-term plan 	○
	Enhance internal/external audits for thorough environmental management	Continue ISO internal/external audits and environmental inspections in each workplace	<ul style="list-style-type: none"> Conducted internal/external audits and environmental inspections; environmental management was generally good 1 case of air pollution exceeding regulatory values, and 3 cases of air pollution exceeding treaty values. The violations were reported to local authorities and corrective measures were taken. 	△
	Adopt rigorous measures to ensure soil preservation	<ul style="list-style-type: none"> Continue environmental monitoring and facilities management at refineries, oil depots, and Cosmo Oil service stations Take action according to equipment renovations at Cosmo Oil service stations 	<ul style="list-style-type: none"> Cosmo Oil service stations: Took action as planned (surveys at 47 service stations and cleanup at 26 service stations) Refineries: Action being taken in sequence 	○
	Promote Eco Office activities	Conduct energy- and resource-saving activities throughout the Cosmo Oil Group (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)	Significantly surpassed the goals by reducing copy paper consumption by 10.9% and reducing fuel consumption from company vehicles by 19.6%. Significantly reduced electricity consumption at offices by 23.6% for business locations serviced by Tokyo Electric Power and Tohoku-Electric Power, particularly from July to September.	○
	Promote green purchasing	<ul style="list-style-type: none"> Reconsider specified items (office supplies) and require each Group company to purchase only such specified items Follow-up through reexamination of suppliers 	<ul style="list-style-type: none"> Achieved the goals, with the exception of replacement purchases after the earthquake Followed up on 45 major "non-green" suppliers 	○
Promote environmental contribution activities	Promote environmental communication	Promote environmental contribution activities through Cosmo Oil Eco Card Fund	<ul style="list-style-type: none"> Promoted environmental contribution activities in all 15 projects Held eco tour for Cosmo Oil Eco Card Fund members: creating biotopes, restoring <i>satoyama</i> (managed woodlands near populated area) 	○
	Protect biodiversity	<ul style="list-style-type: none"> Promote preservation of biodiversity in the Group's business areas Conduct initiatives to protect <i>satoyama</i> near workplaces Conduct projects through the Cosmo Oil Eco Card Fund with the aim of protecting biodiversity (Newly solicited project) 	<ul style="list-style-type: none"> Conducted biodiversity surveys in areas of Cosmo operations through intercompany study groups Sakai Refinery and Cosmo Matsuyama Oil engaged in <i>satoyama</i> preservation activities on 4 occasions Commenced support for 4 new projects aimed at preserving biodiversity and 1 project aimed at supporting recovery from the Great East Japan Earthquake 	○

Cross-Sectional Environmental Management Structure

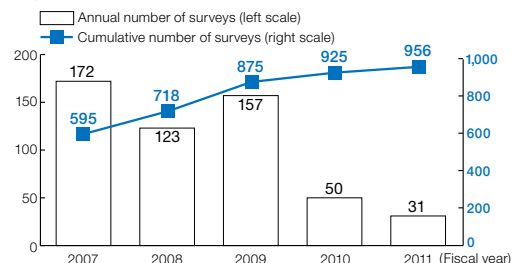
The Cosmo Oil Group has established a unique environmental management system centered on the Global Environment Committee, a body that cuts across the Group and departments. The Global Environment Committee drafts the Consolidated Medium-Term Environmental Plan, reports on and evaluates plan results, and provides feedback to specified departments. Through this structure the Group encourages all employees to voluntarily engage in environmental action and shares actions taken throughout the Group, from the front lines to the management level.



Reducing Environmental Risk in Soil

To reduce the risk of soil contamination from a petroleum leak at service stations or business locations, the Cosmo Oil Group takes preventative measures and works to minimize impact on the surrounding environment in the case of spills and leaks. In fiscal 2011, surveys were conducted at 47 service stations owned by Cosmo Oil in conjunction with equipment renovations (of these, surveys at 31 stations were new). Soil decontamination was conducted at 26 service stations, including those that were still ongoing from the previous fiscal year, and completed at 15 stations. The Group will continue to conduct soil environment surveys at other service stations as they undergo renovations and will keep striving to minimize the risk of soil contamination.

Number of Soil Surveys at Service Stations Owned by Cosmo Oil



Reducing Transportation-Related Energy Consumption

In fiscal 2011, unit energy consumption in the transport¹ sector at Cosmo Oil alone was 8.93 kiloliters per million tonne-kilometers (kl/Mt-km), a 0.17 kl/Mt-km improvement over the previous fiscal year. The Company transported 6,739 Mt-km of freight, up 9.8% year on year. As a result, the total energy consumption was equivalent to 60,175 kiloliters of crude oil, up 11.9% year on year, causing the unit energy consumption to increase.

For ground transport that mainly relies on tanker trucks, the Company is continuing its efforts to achieve high stowage rates by using larger trucks and improving order management. The average payload increased to 17.90 kiloliters of freight per trip, an improvement of 0.05 kiloliters year on year, while unit energy consumption also improved to 36.26 kiloliters per trip, an improvement of 0.15 kiloliters year on year. Actual energy consumption from diesel oil was up 1.0% year on year, but the total freight volume increased significantly, so that the unit energy consumption improved year on year. The Company will continue striving to achieve further energy reductions through efficiency improvements centering on systematic and driver-controlled deliveries.

For marine transport involving the use of coastal tankers, the Company is making ongoing efforts to maintain high stowage rates and use larger tankers. However, due to circumstances such as accidents at the Chiba Refinery and production stoppages during the Great East Japan Earthquake, unit energy consumption from marine transport was 6.62 kl/Mt-km, up 0.48 kl/Mt-km, or 7.8% year on year. The Company will continue working to reduce energy consumption in fiscal 2012, taking into account the fact that production will resume at the Chiba Refinery.

Average Capacity and Stowage Rate

Tanker trucks for white oil



Coastal tankers



Environmentally Friendly Service Stations

In an effort to create service stations that are friendlier to the environment, the Cosmo Oil Group is making enhancements such as installing solar panels and LED lighting. Electric vehicle (EV) charging stations have been installed at eight service stations in Kanagawa Prefecture, Tokyo, Osaka Prefecture, and Shizuoka Prefecture, in an active effort to provide necessary infrastructure for the spread of EVs. LED lighting is being used at nine service stations, including those with LED lighting for canopies only, while new service stations are being designed to incorporate all-LED lighting including in signage. The Cosmo Oil Group will continue to examine and find ways to make service stations more eco-friendly.



High-speed recharger for electric vehicles

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. Every employee is engaging in initiatives to achieve reduction targets set by each workplace.

The Group achieved each goal established for fiscal 2011, with targets being set by taking the average performance for the fiscal years from 2007 to 2009 and multiplying it by the reduction rate. Notably, the Group attained a significant reduction of electricity consumption at offices in response to energy-savings campaigns instituted after the Great East Japan Earthquake, as offices in areas serviced by Tokyo Electric Power and Tohoku-Electric Power raised their reduction goals.

Eco Office Activities


Targeted Area	Fiscal 2011 Goal		Fiscal 2011 Results (% Compared to Goal)			
	Cosmo Oil	Group companies	Cosmo Oil		Group companies	
Copy paper (thousand sheets)	12,955	19,030	12,772	-1.4%	18,621	-2.1%
Company car fuel consumption (kl)	277	808	205	-26.2%	728	-9.9%
Office electricity consumption (MWh)	1,012	2,216	764	-24.5%	1,884	-15.0%

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

The Environment

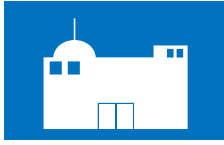
Environmental Impact of Business Activities

Crude Oil Extraction




▶ INPUT		◀ OUTPUT	
Energy		Emissions into atmosphere	
Fuel	18,856 TJ	CO ₂	1,051 kt
		SO _x	14,494 t
		NO _x	2,325 t

R&D Center



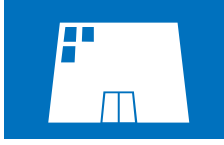
▶ INPUT		◀ OUTPUT	
Energy		Emissions into atmosphere	
Purchased power and fuel	99 TJ	CO ₂	5 kt

Crude Oil Transport



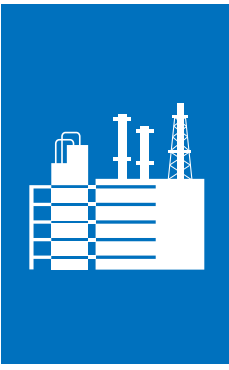
▶ INPUT		◀ OUTPUT	
Energy		Emissions into atmosphere	
Fuel	9,252 TJ	CO ₂	632 kt
		SO _x	13,772 t
		NO _x	17,060 t

Offices



▶ INPUT		◀ OUTPUT	
Energy		Emissions into atmosphere	
Purchased power and fuel	24 TJ	CO ₂	1 kt

Manufacturing



▶ INPUT		Water		◀ OUTPUT	
Raw materials		Industrial water	40,505 kt	Emissions into atmosphere	
Crude oil	18,990 MI	Sea water	197,848 kt	CO ₂	3,865 kt
Others	1,374 MI	Total energy consumption (TJ)		Private-use fuel	3,372 kt
Energy		Fiscal 2009	69,136	Purchased power	157 kt
Purchased power	4,519 TJ (466,504 MWh)	Fiscal 2010	73,358	Hydrogen production process	335 kt
Private use fuel	52,577 TJ (1,356 MI of crude oil equivalent)	Fiscal 2011	57,096	SO _x	3,473 t
				NO _x	1,801 t

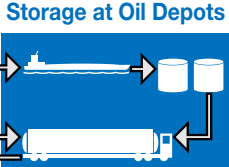
Industrial waste	
Generated	64,032 t
Recycled	20,501 t
Final disposal	262 t
PRTR Law designated chemical substances	
Released	132 t
Transferred	52 t
CO ₂ emissions (kt)	
Fiscal 2009	4,813
Fiscal 2010	5,093
Fiscal 2011	3,865

Wastewater	
Wastewater	206,521 kt (including 197,848 kt of sea water)
Chemical oxygen demand (COD)	96 t
Nitrogen	46 t
Phosphorus	1 t

Products

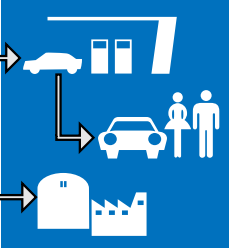
- Production: 19,739 MI
- Sulfur recovered: 185 kt (by-product)
- Electricity sold: 1,311,666 MWh
- Steam sold: 341 TJ
- CO₂ sold: 75 kt

Product Transport and Storage at Oil Depots



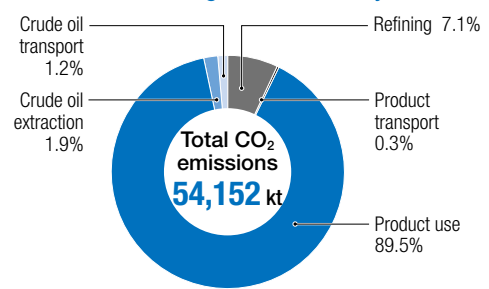
▶ INPUT		◀ OUTPUT	
Energy		Emissions into atmosphere	
Fuel	2,494 TJ	CO ₂	173 kt
		SO _x	1,244 t
		NO _x	2,408 t

Product Use



◀ OUTPUT	
Emissions into atmosphere	
CO ₂	48,431 kt
<small>(Excludes CO₂ emissions of 906 kt attributable to generated electricity sold and CO₂ emissions of 19 kt attributable to generated steam sold)</small>	
SO _x	133,039 t
CO ₂ emissions (kt)	
Fiscal 2009	65,695
Fiscal 2010	63,909
Fiscal 2011	48,431

CO₂ Emissions throughout the Oil Lifecycle



- SO_x and NO_x figures for "Crude Oil Extraction," "Crude Oil Transport," and "Product Transport 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.
- CO₂ emissions for "Manufacturing" and "Product Transport 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 Environmental Accounting web page on the Cosmo Oil Group website for the methodology and basis of "Product Use" calculations. Energy consumption is calculated in accordance with the stipulations regarding the rational use of energy in the Act on the Rational Use of Energy.
- Figures given for "Manufacturing" include data from the Yokkaichi Kasumi Power Station, Cosmo Matsuyama Oil, and Cosmo Oil Lubricants. However, data from Cosmo Oil Lubricants are not included in the figures for water, wastewater, SO_x, NO_x, and CO₂ emissions in fiscal 2009 and 2010.
- "Electricity sold" refers to electricity supplied to outside customers by the Chiba Refinery, Yokkaichi Kasumi Power Station, and Cosmo Matsuyama Oil. CO₂ emissions from "Manufacturing" were calculated by deducting the portion of CO₂ emissions attributed to electricity sold. CO₂ emissions from utility (power) were included in the CO₂ emissions from "Manufacturing."
- "Steam sold" refers to steam sold by the Chiba Refinery and Cosmo Matsuyama Oil. CO₂ emissions for "Manufacturing" were calculated after deducting the portion of CO₂ emissions that results from the generated steam sold.
- SO_x 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 SO_x emissions are lower than the estimate.
- With regard to CO₂ emissions for "Product Use," CO₂ emissions attributable to generated electricity and steam sold are estimated separately.
- Naphtha used mainly as a petrochemical material does not directly emit CO₂ or SO_x. However, naphtha is included with other petroleum products when calculating CO₂ and SO_x 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.
- Data for "R&D Centers" includes the R&D Center of Cosmo Oil and the R&D Laboratory of Cosmo Oil Lubricants.

Detailed information Environmental accounting
www.cosmo-oil.co.jp/eng/csr/accounting/ev_accounting.html

Consumer-Related Issues

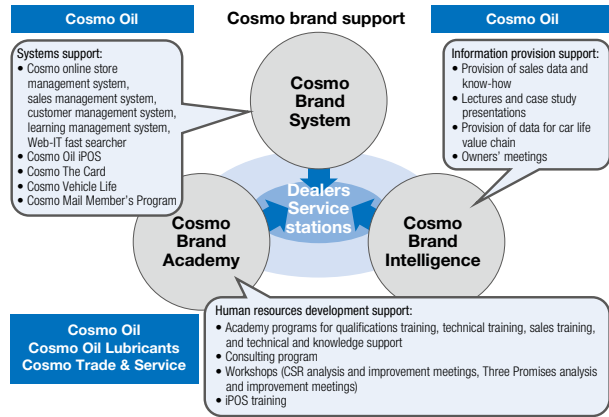
Brand Support Declaration

In fiscal 2011, the Cosmo Oil Group sought to enhance the appeal of the Cosmo Oil brand to customers through positive activities that meet customer needs. The Group has formulated a brand support statement that describes three specific strategies to support the Cosmo Oil brand. They are designed to encourage actions that fulfill the corporate mission of "Filling Up Your Hearts, Too" and secure a positive view of the brand among stakeholders.

Statement No. 1 Provide systems that support customer management and service station operations, as only the Cosmo brand can
 ⇒ **Cosmo Brand System**

Statement No. 2 Provide practical expertise backed by actual results
 ⇒ **Cosmo Brand Academy**

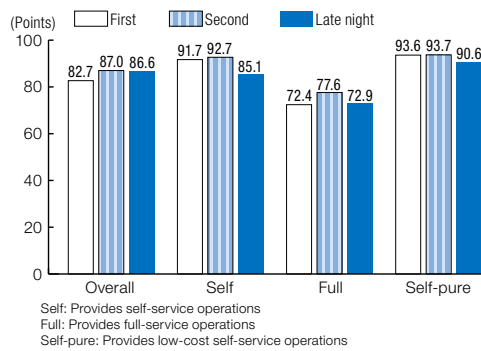
Statement No. 3 Develop products for the future and provide the latest retail data
 ⇒ **Cosmo Brand Intelligence**



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 reviews the fulfillment of the Three Promises made to customers. In fiscal 2011, the Group implemented a late-night survey covering some 1,300 service stations with 24-hour operations. The survey results were provided to service stations as feedback to help improve retail services.

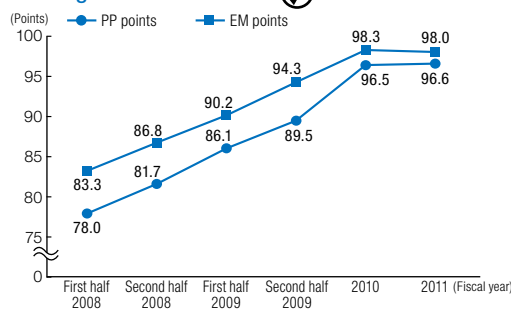
"Filling Up Your Hearts, Too" Declaration ✓
Service Evaluation Results



Survey of CSR at Service Stations

A strong commitment to CSR is essential for the Cosmo Oil Group to fulfill its social mandate of "Filling Up Your Hearts, Too." The Group conducts annual privacy policy (PP) surveys and environmental management (EM) surveys to check for regulatory compliance among service stations. The survey results are used to improve CSR performance. Some 1,350 service stations were surveyed in fiscal 2011.

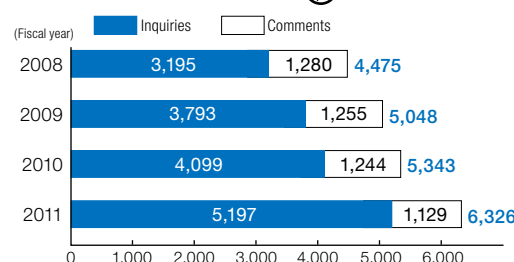
Average PP and EM Points ✓



Ensuring Customer Support

The Cosmo Oil Group has established the Cosmo Oil Customer Center to facilitate greater interaction with customers. Since October 2010 the Center has been open to telephone inquiries 24 hours a day. Customer feedback is used to help improve service and business procedures.

Number of Customer Inquiries¹ ✓



1. Figures for fiscal 2010 are adjusted to exclude customer inquiries related to the Great East Japan Earthquake.

United Nations Global Compact

The Cosmo Oil Group has pledged its commitment to the United Nations Global Compact since 2006, supporting ten principles in the areas of human rights, labor standards, the environment and anti-corruption. The Group's embrace of the Global Compact shows that it is committed to CSR and is striving to improve its initiatives for social responsibility.

The Cosmo Oil Group is also involved in the Global Compact Japan Network, which promotes local activities of the Global Compact. Through the commitment to the Global Compact, the Group is actively contributing to the realization of a sustainable society alongside its business activities, aiming for the sustainable development of society by promoting harmony between corporations and local communities.



International Technology Exchanges

The Cosmo Oil International Cooperation Center maintains and develops positive relations with oil-producing and developing nations through technical cooperation and training projects. These efforts have earned high praise from the countries with which the Center conducts exchanges. The Center also utilizes assistance programs offered by the Japan Cooperation Center, Petroleum (JCCP) and other organizations to conduct training projects.

Main Activities in Fiscal 2011

In the area of technical cooperation, the Group participated in a study for environmental improvements of equipment and operations in the Mina Al-Fahal Refinery in Oman, under a JCCP-led project to develop oil industry infrastructure in oil-producing nations. For training projects, the Group accepted trainees for 10 sessions and sent instructors for seven sessions, working with 13 organizations in seven countries including the UAE, Qatar, Oman, Vietnam, Indonesia, Thailand, and China. Additionally, the Group conducted five training seminars led directly by JCCP.

International Technical Cooperation and Training Projects in Fiscal 2011

Trainings with Trainees Accepted			Trainings with Experts Dispatched		
Country	Description of Training	No. of Sessions	Country	Description of Training	No. of Sessions
UAE	CSR and environmental management	1	UAE	Global environmental issues and initiatives by oil companies	1
Qatar	Refinery equipment operating techniques, etc.	3	Qatar	Refinery management and technical challenges	1
Thailand	Refinery management, environmental and safety technology	2	Oman	Safe operations and equipment management	1
China	Safe operations, environmental management, energy conservation, etc.	4	Vietnam	Refining technology	1
Total		10	Indonesia	Environmental management and catalyst development	1
			China	Environmental management and energy conservation, etc.	2
			Total		7

Main Social Initiatives

The Cosmo Oil Group pursues social initiatives under a management vision to achieve harmony and symbiosis between companies and society. These initiatives focus on educating children for the future development of society and on conservation of the global environment and cultural development.

Social Initiatives in Fiscal 2011

Program	Description	Dates
19th Cosmo Waku Waku Camp	Nature camp for elementary school-aged children who have been orphaned as a result of traffic accidents	Aug. 4-6, 2011
Art Program for Daddies and Kids Part 3	Program to foster communication and encourage parenting involvement by fathers	Sept. 19, 2011 (Takamatsu) Oct. 15, 2011 (Osaka) Jan. 14, 2012 (Chiba) Mar. 10, 2012 (Yokkaichi)
Christmas Card Project 2011	Project to send Christmas cards with words of encouragement to children in long-term hospital care	Nov.-Dec. 2011
Cosmo EkaKids	Hands-on craft workshop conducted by Group employees at an orphanage	Dec. 17, 2011
Jazz Night at Gyoranji Temple	Charity concert to benefit the Family House, a housing option for families of children in long-term hospital care	Mar. 2, 2012
Blood drive	Employee blood-giving drive	June 20, 2011 Dec. 15, 2011
Cosmo Sweets Market	Company bake sale to benefit the independence of mentally challenged persons	May 27, 2011 Feb. 28, 2012



Independent Assurance Report

To the President of Cosmo Oil Co., Ltd.

Purpose and Scope

We were engaged by Cosmo Oil Co., Ltd. (the "Company") to provide limited assurance on its Corporate Report 2012 (the "Report") for the fiscal year ended March 31, 2012. The purpose of our assurance engagement was to express our conclusion, based on our assurance procedures, on whether the environmental and social performance indicators marked with (✓) (the "Indicators") for the period from April 1, 2011 to March 31, 2012 included in the Report are prepared, in all material respects, in accordance with the Company's reporting criteria.

The content of the Report is the responsibility of the Company's management. Our responsibility is to carry out a limited assurance engagement and to express our conclusion based on the work performed.

Criteria

The Company applies its own reporting criteria as described in the Report. These are derived, among others, from the Environmental Reporting Guidelines of Japan's Ministry of the Environment and Sustainability Reporting Guidelines 2006 of the Global Reporting Initiative. We used these criteria to evaluate the Indicators.

Procedures Performed

We conducted our engagement in accordance with 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines of Sustainability Information Assurance' of the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS").

The limited assurance engagement on the Report consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviews with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the Report.
- Reviews of the Company's reporting criteria.
- Inquiries about the design of the systems and methods used to collect and process the Indicators.
- Analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also a recalculation of the Indicators.
- Visit to the Sakai Refinery selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

We have no conflict of interest relationships with the Company that are specified in the Code of Ethics of J-SUS.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 24, 2012

Report on Independent Assurance Work

With this report, the Cosmo Oil Group's disclosure of the environmental impact of its business activities has been expanded to cover additional Group companies; specifically, it has added environmental performance data associated with manufacturing carried out by Cosmo Oil Lubricants Co., Ltd., and that associated with transport of products by Cosmo Oil Lubricants and Cosmo Petroleum Gas Co., Ltd. In the future, it would be advisable for the Group to add a category for product sales in its environmental impact assessments as an environmental performance indicator for service stations, to ensure comprehensive disclosure of the environmental performance of all business activities from oil exploration through petroleum product sales.

In addition, the environmental performance data for newly added Group companies has not yet been standardized with the data management practices for the rest of the Group companies.

This needs to be standardized to ensure the data compilation is error free.

The Group should also look to expand the boundary of its social performance indicators to encompass Group companies in addition to Cosmo Oil Co., Ltd., just as it does for its environmental performance assessments. For the Fourth Consolidated Medium-Term CSR Management Plan, which starts in fiscal 2013, we hope that the Group will set targets and formulate measures that place an even stronger emphasis on socially responsible management by the entire Cosmo Oil Group.

Shinichiro Akasaka

KPMG AZSA Sustainability Co., Ltd.





Color Universal Design

Cosmo Oil Group Corporate Report 2012 incorporates Color Universal Design principles to convey information to people who see color differently, in addition to people with normal color vision, and is certified by the non-profit Color Universal Design Organization (CUDO).

Printed in Japan