

“The Cosmo Oil Group is a vertically integrated global energy company that deeply values public trust and always strives to contribute to society.”

Keizo Morikawa
President, Cosmo Oil Co., Ltd.

K. Morikawa



Mission of the Cosmo Oil Group

Our Chiba Refinery was not able to operate at full capacity for almost two years after the 2011 Great East Japan Earthquake and an asphalt leak in June 2012. After determining the causes of the asphalt leak and taking steps to prevent a recurrence, we resumed crude oil processing in January 2013, and recovered full capacity by July 2013. I recognize that the situation at our refinery has caused great concern and inconvenience to nearby residents and many others concerned. I would like to take this opportunity to express my sincere apologies once again, and to assure you of our renewed commitment to safe and stable operations. We will do everything possible to prevent accidents like these from happening again.

The petroleum products that Cosmo Oil supplies help to protect people and support their daily lives. As seen in the aftermath of the Great East Japan Earthquake, kerosene was used to keep survivors warm, while gasoline and diesel fuel enabled relief supplies to reach the disaster area. These petroleum products literally helped to keep people alive. Many things people use every day, like clothing and plastic bottles, are made from petroleum; it is an integral part of modern daily life.

The mission of the Cosmo Oil Group is to deliver a stable supply of these vital, high-quality petroleum products to our customers. The entire Group is working together to fulfill this mission.

Basic Policies of the Fifth Medium-Term Management Plan

Based on the five-year objective to establish a solid business foothold for further expansion, four basic policies were established in the new medium-term management plan: (1) regain profitability in the refining and marketing sector; (2) secure stable income from investments made during the previous management plan; (3) further strengthen alliances with IPIC¹ and Hyundai Oilbank;² and 4) further enhance CSR management.

We continue to strengthen our dedication to socially responsible management. While conducting business operations according to socially accepted rules and in good faith, we will undertake continual business improvement by consistently implementing plan-do-check-act (PDCA) cycles.

Through these initiatives, the Cosmo Oil Group aims to become a vertically integrated global energy company.

1. **The International Petroleum Investment Company (IPIC)** is a sovereign wealth fund wholly owned by the Emirate of Abu Dhabi, the largest member of the oil-producing United Arab Emirates (UAE). It was established with the aim of constructing an oil industry value chain funded by the country's own crude oil. IPIC mainly invests in oil and petrochemical companies outside the Emirate of Abu Dhabi.

2. **Hyundai Oilbank Co., Ltd.** signed a memorandum with Cosmo Oil Co., Ltd., in May 2013, to establish a reciprocal backup supply system for use in the event of an emergency. Based on this cooperation, the two energy suppliers will work to provide a stable supply of petroleum products even in emergencies.

Restructuring the Supply System

In the 27 years since its founding merger in 1986, Cosmo Oil has maintained a supply system based on its four refineries (Chiba, Yokkaichi, Sakai, and Sakaide). However, there has been a gradual decline in oil demand in Japan, and this trend is expected to continue.

Given this situation, a comprehensive review of the size and location of each refinery was carried out. As a result, the Company decided to focus its management resources on just three refineries, and halted refining operations at the Sakaide Refinery in July 2013. Cosmo Oil will continue to improve its competitiveness and ensure a stable supply by building an efficient supply system based on the three remaining refineries.

Despite discontinuing its refining operations, the Sakaide location will continue to function as an oil terminal and distribution center, in order to ensure a stable supply of petroleum products for West Japan. Cosmo Oil will also look into various options for utilizing the premises after refining equipment is removed to increase corporate value. The affected Cosmo Oil Group employees from the Sakaide Refinery are to be relocated within the Group, and local residents will continue to receive support through social contribution activities.

Organizational Restructuring

The Cosmo Oil Group implemented organizational restructuring on June 25, 2013 to enable better execution of the Fifth Consolidated Medium-Term Management Plan.

Through the introduction of a business unit system, the Head Office departments, branches, refineries, and other sites, as well as affiliated companies, are now organized into business and functional units. Eight new units have been established to clarify responsibilities for planning and execution of strategies as well as revenues, enabling profits to be maximized by each business unit.

A Risk Management Unit has also been established with the aim of managing group-wide risk. A Refinery Safety Department specialized in refinery safety management and a CSR & Environmental Affairs Department that centrally manages group-wide risk have been set up in this unit. In addition to strengthening checks and balances for the entire Group, the new unit will enhance the risk management systems and help ensure the safe and stable operation of refineries.

Contributing to Society and Earning Public Trust

We launched our five-year CSR Initiative Policy, "Filling Up Your Hearts and Safety," in fiscal 2013. The goal for the Cosmo Oil Group for fiscal 2017—"Earning public trust and always making a positive contribution to society"—has been shared with all employees, and we are taking various steps to implement the Policy.

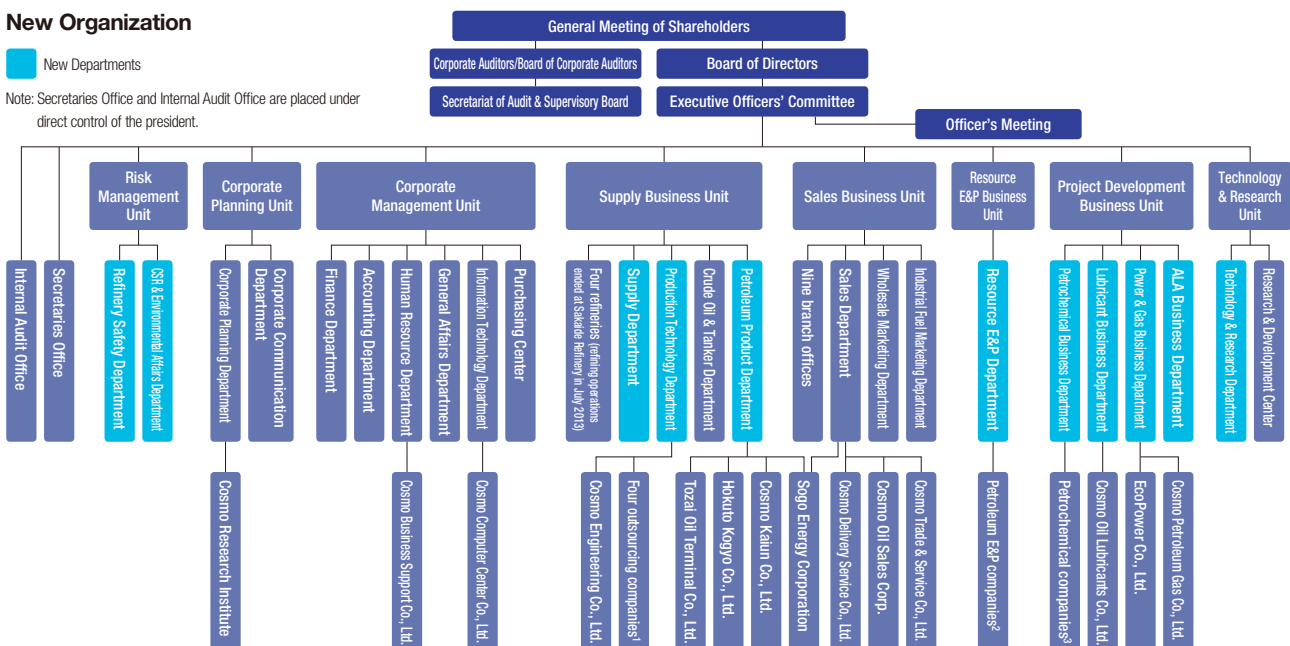
In order to ensure that its CSR activities meet global standards, the Group has been participating in the UN Global Compact since 2006. The Group proactively undertakes CSR management that respects the basic principles of the Global Compact in areas including human rights, labor, the environment, and anti-corruption. These basic principles are also found in the Cosmo Oil Group Code of Conduct. The Group will continue to promote socially responsible management while helping to build a more sustainable society.

In fiscal 2013, the Cosmo Oil Group stood united in its mission to ensure the safe operation of refineries and a stable supply of petroleum products. We are working harder than ever on our CSR initiatives with the goal of earning the complete trust of the public.

New Organization

■ New Departments

Note: Secretaries Office and Internal Audit Office are placed under direct control of the president.



1. Cosmo Petro Service Co., Ltd., Cosmo Techno Yokkaichi Co., Ltd., Kansai Cosmo Logistics Co., Ltd., Sakaide Cosmo Kosan Co., Ltd.
 2. Abu Dhabi Oil Co., Ltd. (Japan), Qatar Petroleum Development Co., Ltd. (Japan), Cosmo Oil Ashmore Co., Ltd., United Petroleum Development Co., Ltd. (Japan)
 3. Cosmo Matsuyama Oil Co., Ltd., Maruzen Petrochemical Co., Ltd., CM Aromatics Co., Ltd., Hyundai Cosmo Petrochem Co., Ltd.