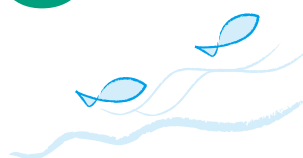


Cosmo Oil Group  
**CORPORATE  
REPORT  
2013**



# Profile of the Cosmo Oil Group

## Corporate Profile

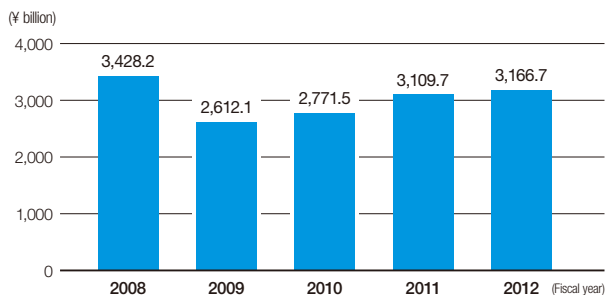
(As of March 31, 2013)

<b>Name</b>	Cosmo Oil Co., Ltd.
<b>Head office</b>	1-1-1, Shibaura, Minato-ku, Tokyo 105-8528 Japan
<b>Telephone</b>	+81-3-3798-3211
<b>Established</b>	April 1, 1986
<b>Capital</b>	¥107,246,816,126
<b>Main business</b>	Oil refining and sales
<b>No. of employees</b>	1,899
<b>History</b>	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. was merged into Cosmo Oil on October 1, 1989.

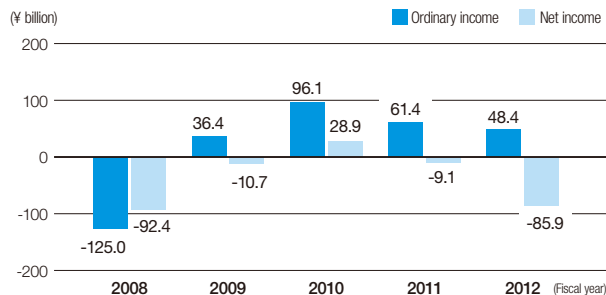
<b>Dealers</b>	244 offices
<b>Service stations</b>	3,325 (stationary)
<b>Branch offices</b>	Sapporo, Sendai, Tokyo, Kanto-Minami, Nagoya, Osaka, Hiroshima, Takamatsu, and Fukuoka
<b>Refineries</b>	Chiba, Yokkaichi, Sakai, and Sakaide
<b>Oil depots</b>	35 locations (including 33 subcontractors)
<b>Bases outside of Japan</b>	Abu Dhabi (UAE); Beijing and Shanghai (China); Doha (Qatar); Torrance, California (USA); London (UK); Singapore

## Financial Data

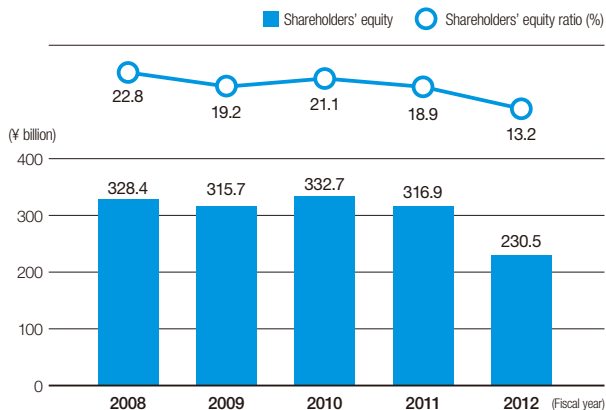
### Consolidated Net Sales



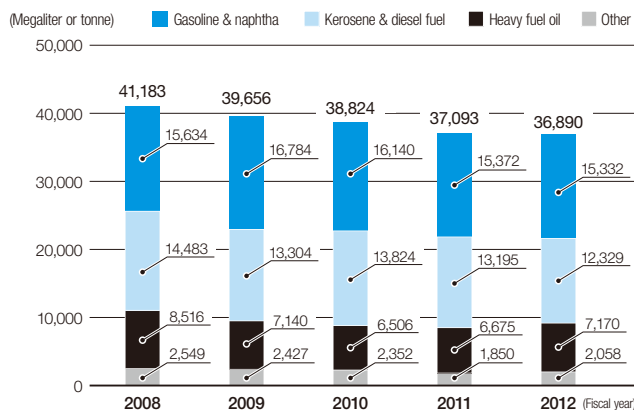
### Consolidated Ordinary and Net Income



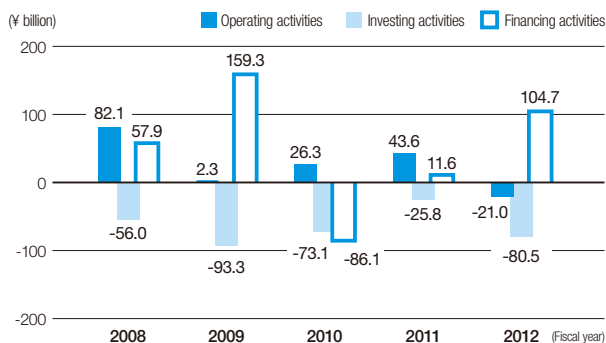
### Consolidated Shareholders' Equity and Shareholders' Equity Ratio



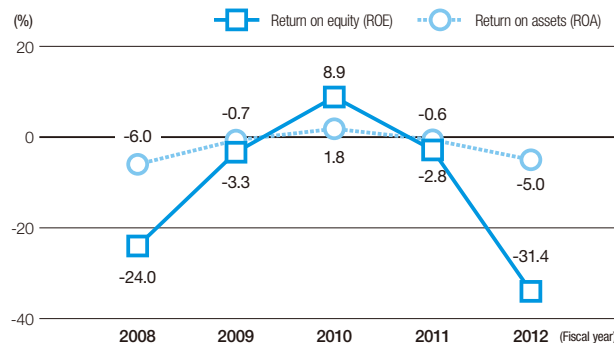
### Non-Consolidated Sales Volume



### Consolidated Cash Flows



### Consolidated Profit Ratios



## Editorial Policy

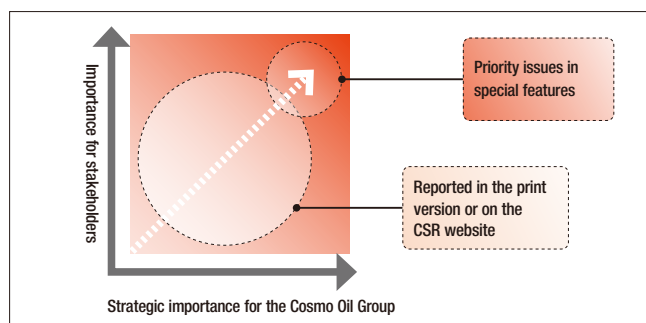
The Cosmo Oil Group *Environmental Report* was first published in fiscal 2001, then replaced by the *Sustainability Report* in fiscal 2004. It was renamed the *Corporate Report* in fiscal 2010 for use as a comprehensive communication tool.

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. 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.

In the *Fiscal 2012 Initiatives* section (starting on page 26), the Group reports on various activities according to items prioritized in the CSR Initiative Policy. The Group references the *Environmental Reporting Guidelines 2012* published by the Ministry of Environment in calculating the Company's environmental performance.

Note: Employee job titles and departmental assignments referred to in this report are current as of March 31, 2013.

## Material Issues in Report



## Corporate Report 2013 and the Website

The Cosmo Oil Group is committed to making the information in *Corporate Report 2013* 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.

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

## Period Covered

This report covers the Cosmo Oil Group's efforts in the area of corporate social responsibility in fiscal 2012 (April 1, 2012 to March 31, 2013), though some sections include content from fiscal 2013. An overview of the Cosmo Oil Group's petroleum business and Group organization is provided on pages 8–9.

## Report Boundary

This report includes information on the 23 Cosmo Oil Group companies, listed at right, which are implementing the CSR Initiative Policy. Data, however, that pertains only to Cosmo Oil or only to certain companies is footnoted to indicate this.

Note: There have been no major changes in the boundary coverage since the fiscal 2011 report.

## Month of Issue

November 2013

## Next issue (tentative):

November 2014 (previous issue was November 2012; report issued annually)

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☑ In this report, this mark indicates that the data has been assured by KPMG AZSA Sustainability Co., Ltd.

### 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.

“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 IPIC<sup>1</sup> and Hyundai Oilbank;<sup>2</sup> 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.

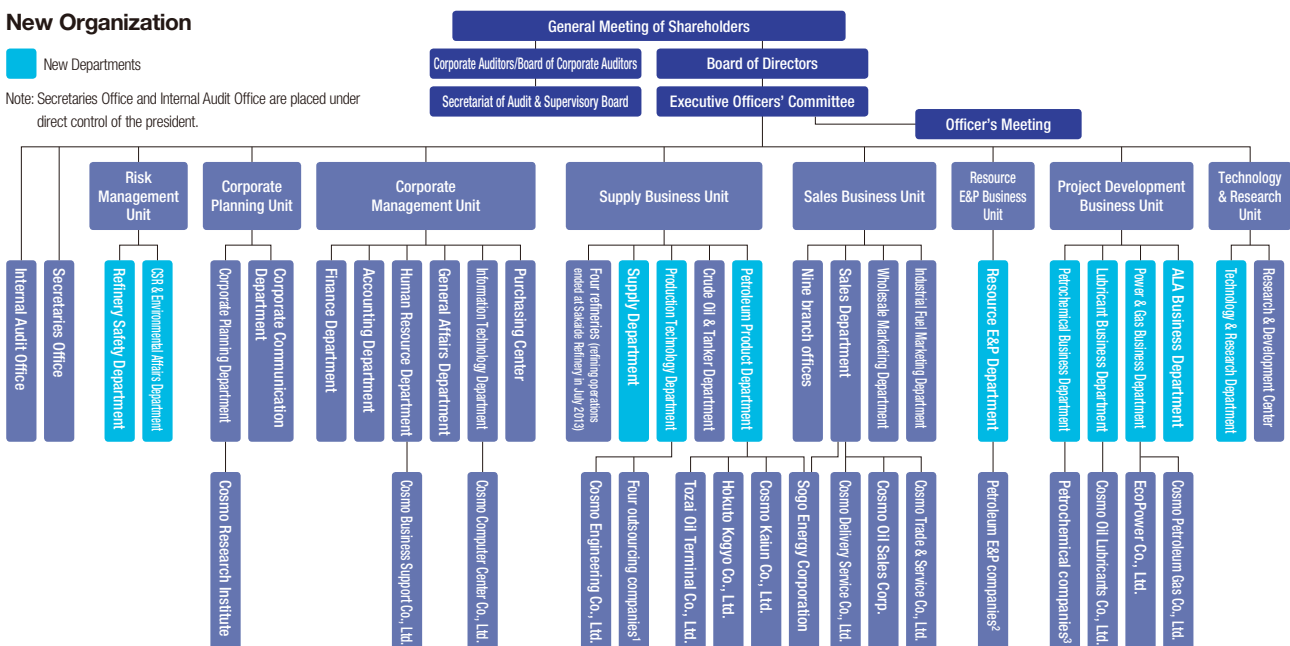
In order to ensure that its CSR activities meet global standards, the Group has been participating in the UN Global Compact since 2006. The Group proactively undertakes CSR management that respects the basic principles of the Global Compact in areas including human rights, labor, the environment, and 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

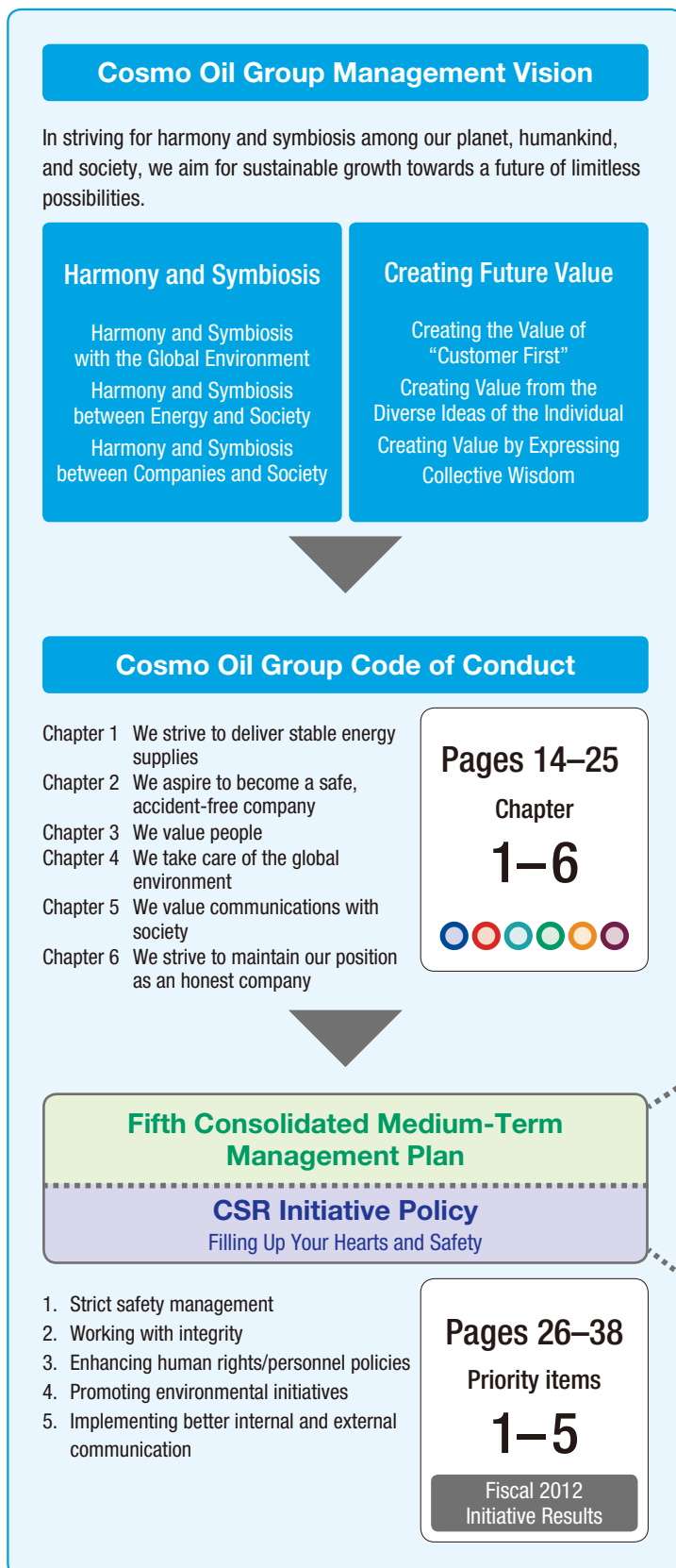
Note: Secretaries Office and Internal Audit Office are placed under direct control of the president.



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.

# CSR Initiatives of the Cosmo Oil Group

In order to realize the Management Vision of the Cosmo Oil Group, all employees are conscientiously engaged in CSR activities. CSR management is being promoted under the Consolidated Medium-Term Management Plan and the CSR Initiative Policy, based on the Cosmo Oil Group Code of Conduct.



## Fifth Consolidated Medium-Term Management Plan

The financial position of the Cosmo Oil Group deteriorated as a result of the Great East Japan Earthquake in March 2011 and an asphalt leak at the Chiba Refinery in June 2012. Under the Fifth Consolidated Medium-Term Management Plan (Fiscal 2013–2017), the Group intends to improve its position mainly by increasing profitability in the oil refining and marketing business, while working towards a resumption of dividend payments. Over the long term, the Group aims to become a vertically integrated global energy company that contributes to society.

1. See footnotes on page 4 for more information concerning the International Petroleum Investment Company (IPIIC) and Hyundai Oilbank, shown in the figure on the right.

## Consolidated Medium-Term Management Plan and CSR Initiative Policy

The Cosmo Oil Group had been promoting CSR activities based on Consolidated Medium-Term CSR Plans. In fiscal 2013, the name was changed to the CSR Initiative Policy (Fiscal 2013–2017): Filling Up Your Hearts and Safety. The Group will continue promoting CSR initiatives under this policy.

While promoting CSR management based on the Management Plan and CSR Initiative Policy, all employees of the Cosmo Oil Group perform their work conscientiously in order to realize the Management Vision and meet the expectations of society.

## Basic Policy

Five years to establish a solid business foothold for further expansion

Fiscal 2013

Fiscal 2014

Fiscal 2015

Fiscal 2016

Fiscal 2017

Sustainable growth through continuous innovation

Reposition the businesses and steer them toward growth

Improving financial position and resuming dividend payments to shareholders through increased profitability

Regain profitability in the oil refining and marketing sector

Secure stable income from investments made during the previous medium-term management plan

Further strengthen alliances with IPIC and Hyundai Oilbank<sup>1</sup>

Further enhance CSR management

Long-term goal

Vertically integrated global energy company

Management Vision: "Harmony and Symbiosis" and "Creating Future Value"

### Consolidated Medium-Term Management Plan

Cosmo Oil Group Code of Conduct

CSR Initiative Policy

Practical operations

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

Chapter 6 We strive to maintain our position as an honest company

Chapter 1 Live up to customer expectations concerning reliability and satisfaction

Chapter 3 We value people

Chapter 4 We take care of the global environment

Chapter 5 We value communications with society

#### Highest priority items

1. Strict safety management

2. Working with integrity

#### Existing items

3. Enhancing human rights/personnel policies

4. Promoting environmental initiatives

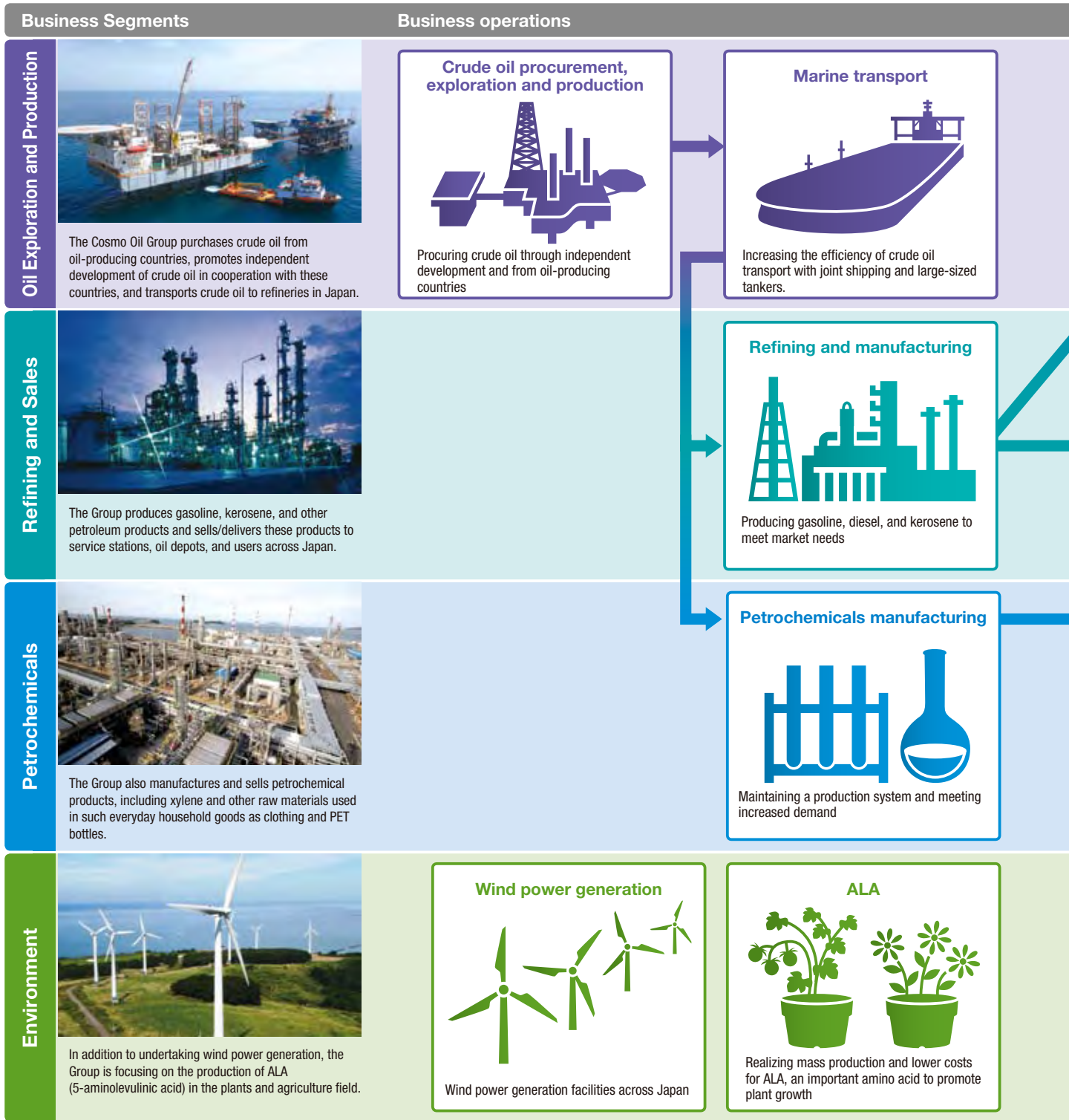
5. Implementing better internal and external communication

Group companies and divisions

All Group employees

The Cosmo Oil Group strives to implement socially responsible management in order to contribute to society, based on the Cosmo Oil Group Code of Conduct and through group-wide efforts to achieve the goals set out under the Management Plan and the CSR Initiative Policy.

# Overview of Cosmo Oil Group Businesses



## Cosmo Oil Group Companies

### Legend:

- : Consolidated subsidiary
  - : Equity-method affiliated company
- As of March 31, 2013

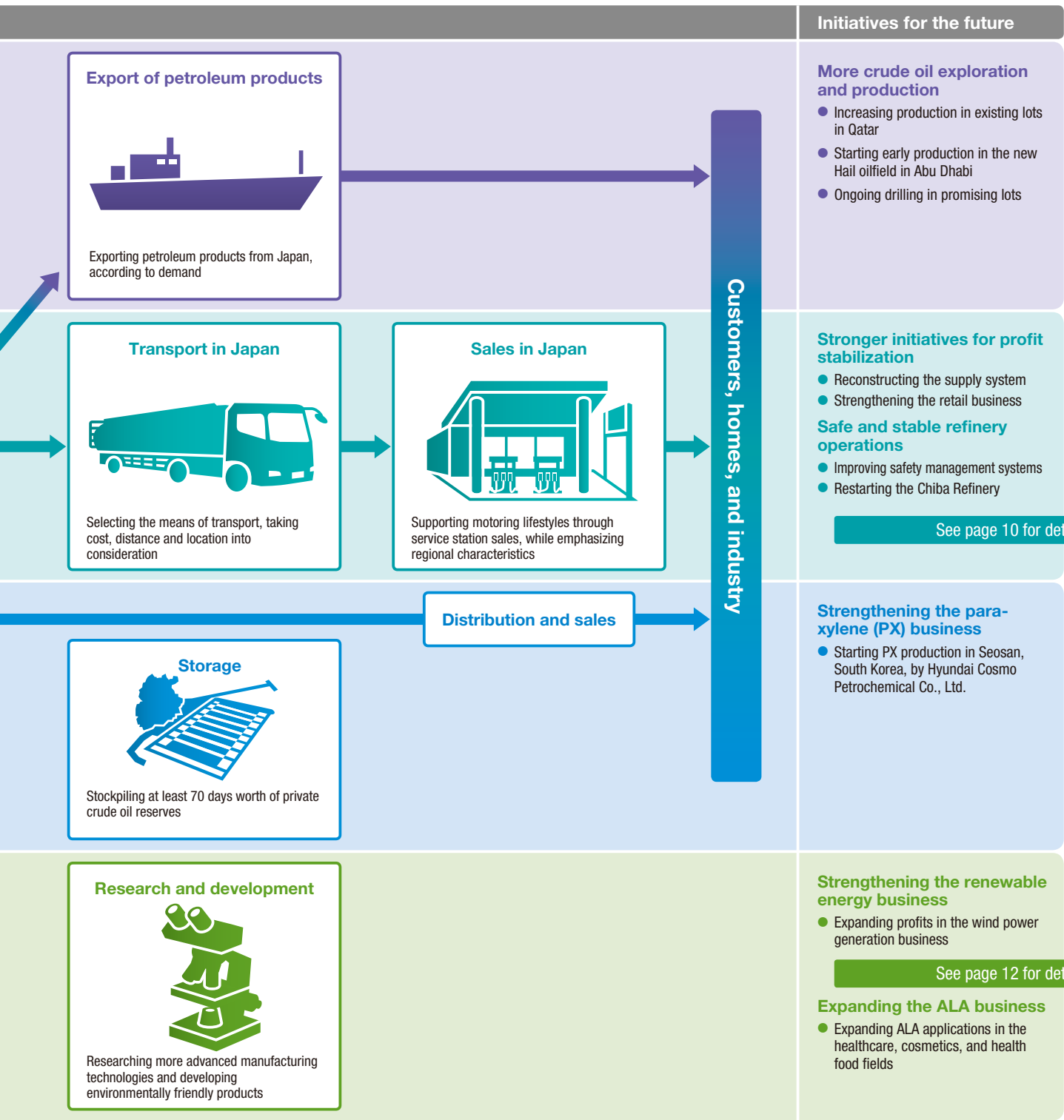
### Oil Exploration and Production

- Crude oil procurement, exploration and production**
- Abu Dhabi Oil Co., Ltd. (Japan)
  - Qatar Petroleum Development Co., Ltd. (Japan)
  - Cosmo Oil Ashmore Co., Ltd.
  - United Petroleum Development Co., Ltd. (Japan)
- Import/export of crude oil and petroleum products**
- Cosmo Oil (U.K.) Plc.
  - Cosmo Oil International Pte. Ltd.
  - Cosmo Oil of U.S.A. Inc.
- Storage**
- Okinawa CTS Corp.

### Refining and Sales

- Refining and manufacturing**
- Cosmo Oil Co., Ltd.
  - Cosmo Oil Lubricants Co., Ltd.
- Transport in Japan**
- 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.
- Sales in Japan**
- 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.
  - Cosmo Oil Sales Corp.
  - Sogo Energy Corp.
  - Cosmo Property Service Corp.
  - Sakurabashisangyo Co., Ltd.
  - TOCOS Car Support Co., Ltd.
  - Cosmo Reform Co., Ltd.
  - Amtecs Co., Ltd.
  - Cosmo Petroleum Gas Co., Ltd.
  - Tohoku Cosmo Gas Co., Ltd.
  - Osadano Gas Center Co., Ltd.





**Petrochemicals**

**Petrochemicals manufacturing**

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

**Environment**

**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.
- Wakkanai Wind Power Co., Ltd.
- ◎ Tachikawa Wind Power Laboratory Co., Ltd.
- ◎ Eco World Kuzumaki Wind Power Co., Ltd.
- Akita Wind Power Laboratory Co., Ltd.
- GotoKishiku Wind Power Laboratory Co., Ltd.
- ALA business**
- ◎ Cosmo ALA Co., Ltd.
- Eco-friendly product manufacturing**
- Cosmo Eco Support Inc.

**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 Sea Farming Inc.
- TOCOS Enterprise Co., Ltd.
- Kitagas Fureasuto Hakodate Minami Co., Ltd.
- Senshinsya Co., Ltd.
- Summit Trading Co., L.L.C.
- Musashi International Co. W.L.L.
- Abu Dhabi Enterprises (Japan) Co., Ltd.
- A.D. Marine Inc.
- ◎ Cosmo Oil (Shanghai) Co., Ltd.
- ◎ Cosmo Oil Europe B.V.

# Targeting Further Growth

## Safe and Stable Refinery Operation

# Steady Innovation to

Due to the Great East Japan Earthquake in March 2011 and an asphalt leak accident in June 2012, the Cosmo Oil Group shut down its main refinery, the Chiba Refinery, for an extended period of time. This resulted in deterioration in the Group's financial position, while serving as a reminder that safe refinery operation is the ultimate foundation of profitability. With a focus on the Chiba Refinery, the Group is implementing various changes to ensure safe refinery operation. Through these efforts, the Group intends to improve the profitability of its oil refining and sales business as well as achieve continuous growth.

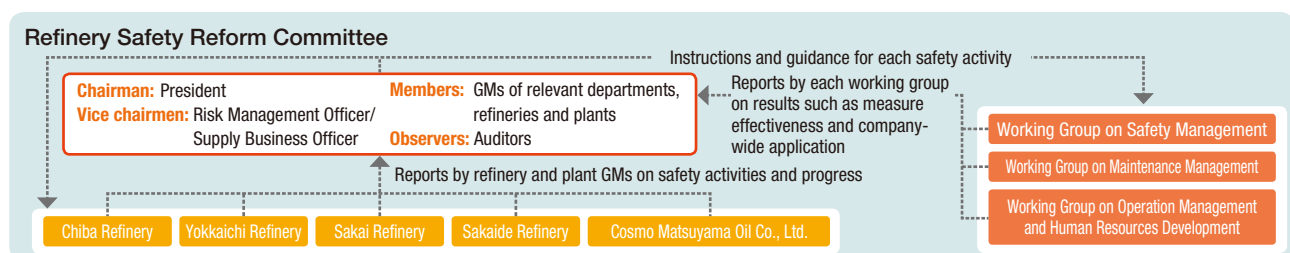
### Reforming the Refinery Safety Management System

In order to improve safety management, the refinery safety and environmental administration system was reorganized in fiscal 2012. A Safety & Environment (Control) Office at each refinery was separated into two sections: a Safety Promotion Section which promotes disaster preparedness and safety management within the refinery, and a Safety & Environment (Control) Section which performs environmental management and oversees compliance with laws relating to security and the environment. These two sections are supervised by a new Deputy General Manager at each refinery, thereby strengthening the safety management system.

### Creation of a Refinery Safety Reform Committee

The Cosmo Oil Group refineries have been working on the elimination of safety issues through Change 21 Activities since 2006. However, the safety targets were not achieved due to the accident at the Chiba Refinery. Focusing on refinery safety as the Group's most important management issue, the Refinery Safety Reform Committee was established in March 2013 to function as a core organization in tracking, evaluating and revising refinery safety measures through management based on PDCA cycles,<sup>1</sup> aiming to realize safe operations and stable supply.

1. A system for ensuring continual improvement of operation management by implementing four-stage cycles of "plan," "do," "check", and "act."



### Road towards Restarting the Chiba Refinery

The Cosmo Oil Chiba Refinery, located in Ichihara City, Chiba Prefecture, was forced to halt operations due to the Great East Japan Earthquake in March 2011 and an asphalt leak in June 2012. Production was increased at the Yokkaichi, Sakai, and Sakaide refineries while operations at the Chiba Refinery were being restored and its safety management system improved.

## 2011

### March 11

Great East Japan Earthquake triggered a fire and explosions at the liquefied petroleum gas (LPG) facilities of the Chiba Refinery. Fire extinguished on March 21 with the assistance of the Ichihara City Fire Department.

### April 1

Accident Investigation Committee including outside experts set up.

### April 5

Chiba Refinery Recovery Committee launched to ensure the safe and efficient recovery of the LPG facilities, using the findings of the Accident Investigation Committee.

### August 2

Accident investigation completed, confirming accident causes and proposing preventive measures: (1) implementation of comprehensive safety inspections; (2) improvement of contingency response; and (3) management of preventive measures and implementation at other refineries.

### October/December

Disaster drill conducted on the scenario of a major earthquake followed by a fire, involving 300 people and confirming coordination and communication with nearby companies and the supervisory authorities. Training on providing information to local residents also conducted.



# Ensure Sustainable Growth

## Renovating the Chiba Refinery and Increasing Long-Term Safety

In order to realize safe refinery operations and stable supply, the Cosmo Oil Group is carrying out various tangible and intangible initiatives. On the tangible side, the Group is strengthening the repair and maintenance of refinery equipment, including a 28-billion-yen investment in the renovation of the Chiba Refinery. Through the repair and updating of an even wider range of equipment, the Group is countering the overall effects of aging and ensuring long-term safety.

As for intangible initiatives, the Group is ensuring safety by using PDCA cycles under the theme of frontline capacity building and legal compliance. With support from outside consulting firms and safety experts, the accidents in fiscal 2011 and fiscal 2012 were thoroughly investigated and operational processes are being redesigned.



**Safety Conference on Regular Maintenance**

In October 2012, a safety conference was held to reconfirm safety targets for the autumn scheduled maintenance at the Chiba Refinery. It was an opportunity to raise awareness of the goals of safe operations and zero accidents not only within Cosmo Oil, but also at partner companies. (Left: Katsuhisa Ohtaki, General Manager, Chiba Refinery. Right: Safety conference)

### Chiba Refinery Safety Management Activities

#### Equipment initiatives

- Safety patrols indicate equipment hazards and check that corrections are implemented
- Equipment repair and updating carried out according to plan
- Thorough inspection carried out to ensure soundness and reliability of equipment

#### Safety education and training

- Training on special provisions such as hazard-prevention regulations provided to all employees
- Safety training by outside instructors provided to all employees
- Drill conducted using a large-scale disaster scenario with the Ichihara City Fire Department

#### Risk assessment

- Risk assessment performed for near-miss accidents and measures taken
- Hazard prediction before the start of operations
- Non-routine work carried out based on thorough awareness of work procedures and risks

## 2012

### January 12

Some refining equipment restarted after safety inspection, backed by united efforts of the entire Group for recovery. Preparation was also carried out for restarting the rest of the facility, based on safety inspections showing thorough safety confirmation.

### March 20

No. 2 Crude Distillation Unit (CDU) started up, resuming production of petroleum products from crude oil.

### June 28

Asphalt leaked from a tank, some of which spilled into the ocean. The Group took measures including installing an oil fence to prevent further spread, and recovered the leaked asphalt.

### July 10

Accident Investigation Committee including outside academic experts and representatives of relevant organizations established.

### September 13

Accident investigation completed, confirming accident causes and proposing preventive measures (i.e., enhanced management of maintenance and operation of asphalt tanks).

## 2013

### January 30

No. 2 CDU restarted after it was completely safe, as a step towards full recovery.

### May 10

No. 1 CDU restarted for crude oil processing when No. 2 CDU was shut down for regular maintenance.

**July 24**  
**Both CDUs in operation**

Both CDUs in operation after the No. 2 CDU was restarted upon completion of maintenance. This brought crude oil processing back to the level prior to the Great East Japan Earthquake. An increase in revenues is expected due to the elimination of alternative supply costs and the resumption of exports.

# New Horizons for Cosmo Oil

## Power Generation Business

There are rising expectations for renewable energy as a domestic and environmentally friendly energy source that can address social issues such as natural resource depletion, energy supply stability, and global warming. Further development is expected for wind power in particular, which is comparatively low cost and can also generate power at night. The Cosmo Oil Group has built new wind farms, embracing the challenge of the renewable energy business to help build a more sustainable society.

# Expanding the Business Portfolio with Sustainable Energy

## 1

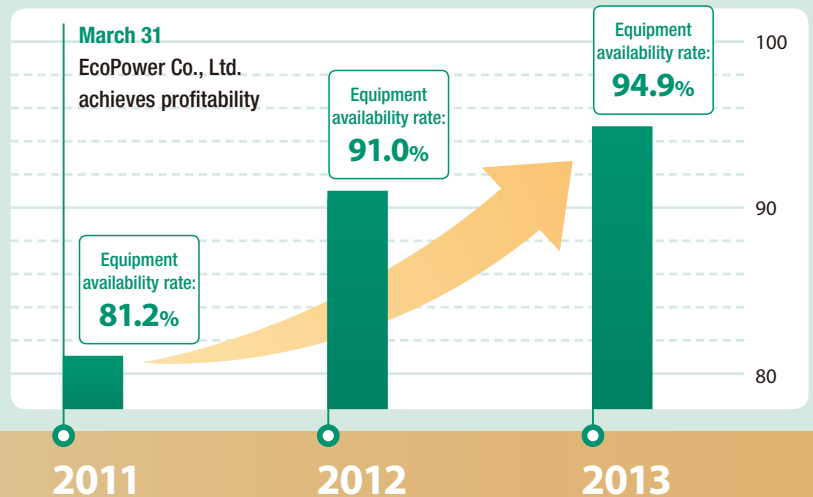
### Maximizing output from existing equipment

Working to enhance maintenance in order to improve operating rates and reduce downtime due to malfunctions.

#### March Acquisition of EcoPower Co., Ltd

Cosmo Oil acquired EcoPower to further develop its wind power business after launching commercial operation of a wind power plant in Sakata City, Yamagata Prefecture in 2004.

#### March 31 EcoPower Co., Ltd. achieves profitability



#### Initiatives to improve equipment availability rates

##### Past issues

- Maintenance technology not yet reliable
- Parts procurement at the time of accidents
- Maintenance measures



##### Specific measures for enhancing maintenance

- Additional personnel and skill training
- Inventory management for spare parts and development of global procurement channels
- Improvement of repair methods to enable rapid recovery and better maintenance



## Solar Power Business Built on Unused Land

In March 2013, Cosmo Oil established CSD Solar, a joint venture with Showa Shell Sekiyu K.K. and the Development Bank of Japan Inc., marking the Company's full-scale entry into the massive-scale solar ("mega solar") power business. Solar panels will be installed on eight sites, including the Company's former oil depots whose operations were ceased due to a direct delivery system from refineries to service stations. The panels were made by Solar Frontier K.K., a subsidiary of Showa Shell Sekiyu. The eight mega solar sites, which will start operation sequentially as construction is completed, are expected to output a total of 24,000 kW.

Through its mega solar power business, the Cosmo Oil Group will work to create a safe, clean and sustainable energy supply in Japan.

### Overview of the Mega Solar Business

- Managed by CSD Solar
- Generation capacity: Approx. 24,000 kW
- Uses panels manufactured by Solar Frontier
- Eight sites to be constructed, including on the former sites of Ohgishima Oil Terminal (jointly owned by Cosmo Oil and Showa Shell) and the Cosmo Oil Hitachi Depot



Mega solar power plant (provided for illustrative purposes only)

## Strengthening the Wind Power Generation Business

After the Great East Japan Earthquake, the Japanese public has higher expectations for renewable energy. The business environment has also changed significantly with the introduction of a feed-in tariff (FIT)<sup>1</sup> scheme in July 2012, resulting in an increasing number of renewable energy installations.

The Cosmo Oil Group has targeted business portfolio expansion in its new Medium-Term Management Plan. Renewable energy, and wind power generation in particular, is one of the pillars of this growth strategy. In 2010, the proven expertise of EcoPower Co., Ltd. in the

wind power business was brought into the Group. EcoPower achieved profitability in just one year, helping to solidify the Group's efforts to build a new growth foundation and expand wind power generation.

<sup>1</sup> **Feed-in tariff scheme** is a government initiative requiring electric utilities to purchase renewable energy (wind, solar, hydro, geo-thermal and biomass power) at a fixed price in order to promote renewable energy production. The additional cost to the utilities is partly passed on to consumers in higher electric rates.

# 2

## New wind farms

Studying sites with good wind conditions in Japan, and building consensus with local governments and residents for the establishment of new wind farms.

**October:**  
**Wakayama Prefecture**  
Scheduled start of the Hirogawa and Hidakagawa wind farms

Estimated output:  
**20,000 kW**

2014

**March:**  
**Fukushima Prefecture**  
Scheduled start of Aizu Wakamatsu Wind Farm

Estimated output:  
**16,000 kW**

2015

**Mie Prefecture**  
Scheduled start of a project in Watarai

Estimated output:  
**50,000 kW**

2016

Also studying the development of wind farms in other locations

# 3

## Potential for offshore wind farms using floating turbines



As an island nation, Japan has a natural interest in offshore wind power. EcoPower participates in the Ministry of the Environment's Floating Offshore Wind Turbine Demonstration Project as an outside partner, seeking to gain expertise in this area.

### Floating Offshore Wind Turbine Demonstration Project

Will generate wind power offshore using floating wind turbines (a 100 kW small-scale test plant and a 2,000 kW demonstration plant)  
Location: Offshore Kabashima Island, Goto City, Nagasaki Prefecture  
Photo: 100 kW small-scale test plant



## Initiatives for stable crude procurement

# Feeling the Responsibility to Support Japan's Social Infrastructure



Crude Oil Group, Crude Oil & Tanker Department, Cosmo Oil Co., Ltd.

Takahiro Yamada

(Currently at Cosmo Oil of U.S.A. Inc.)

## ● Negotiating Contracts for 100 million Barrels of Oil Per Year

After joining Cosmo Oil in 2009, I worked in the Crude Tanker Group of the Crude Oil & Tanker Department for three years. I have now been in the Crude Oil Group for one year. In the Tanker Group, I managed tankers bringing purchased crude oil to refineries in Japan. I now use that experience in my current position procuring condensate, a kind of crude oil.

Specifically, my work mainly consists of negotiating contract terms and conditions with producing countries and making monthly adjustments. There are one-year term contracts and monthly spot contracts: Our term contracts cover purchases of 300,000 barrels of oil per day, or 100 million barrels per year.

## ● Always Ready with a Backup Plan in Case of Problems

As term contracts are renewed each year in January, the negotiations begin two or three months prior. For monthly shipment, a detailed plan including the grade and quantity of crude oil, as well as the tanker and loading date is submitted to the producing country two months ahead of time.

Spot contracts are determined in meetings held two months in advance, concerning the amount of crude required and the supplier. Since spot contracts make up about 30% of total procurement, it is important to ascertain needs two months in advance and get the best conditions possible. Various issues both large and small arise in the course of this work. Therefore, alternative plans are always prepared, in order to ensure stable procurement of crude oil.

### What Is a Barrel?

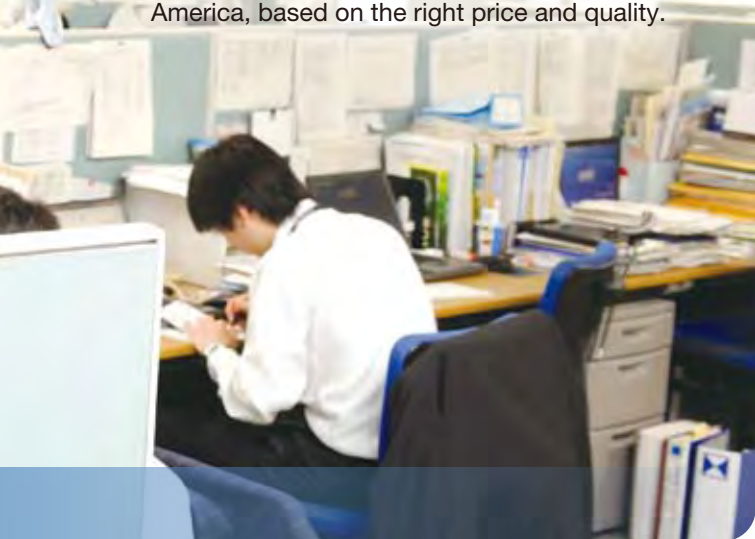
A barrel is a unit of volume measurement for oil. In addition to market transactions, it is the unit used to express the size of an oilfield in terms of the amount of crude it can produce. It also measures refinery production capacity and the amount of petroleum products that can be refined. There are various definitions of a barrel depending on the application or country, but a standard barrel of oil is 42 U.S. gallons, or about 159 liters. The tanker shown at right can transport about 2 million barrels of crude oil, the amount the Chiba Refinery can process in about 9 days.



◀ Crude oil tanker: *Maersk Hakata*

Far right  
Negotiation meeting ▶  
(at the Cosmo Oil Head Office)

In order to ensure a stable supply of crude oil, the Cosmo Oil Group began building relationships of trust and cooperation with oil-producing countries in the Middle East from early on. The Crude Oil Group of the Crude Oil & Tanker Department is responsible for stable procurement of crude oil, at the best possible price, which is used to make petroleum products. Crude oil is procured from other regions as well, such as East Asia and South America, based on the right price and quality.



### ● Seeking to Understand the World of Crude Oil from a Broader Perspective

In addition to the large amounts of money involved in this work, it is a heavy responsibility to handle procurement of a product that supports the foundations of daily life. If any problems arise in procurement or planning, the economy and production activities in Japan could even be impacted.

I joined this company because I want to do a job that supports the national interest of Japan. This job is never easy. For example, since the price of crude oil fluctuates due to the effects of speculation, I need to have knowledge not only of price and production trends in producing countries, but also hedging. Petroleum is a vitally important factor in the social infrastructure. By getting to know this world better and further broadening my perspective, I would like to help generate even greater trust and satisfaction among customers.



## Work and Mission of the Crude Oil Group

### Main operations

Devising and implementing crude oil import policies and plans (including crude oil procurement for Japan's national oil stockpiling)

### Cosmo Oil Group Code of Conduct

Chapter 1, 1 (1) Stable energy supplies  
Chapter 6, 3 (1) Honest transactions

Insurance

Chapter 1, 1 (1) Stable energy supplies

Preparing and submitting data to government agencies, as well as performance reports and external reports

Chapter 5, 2 (2) Appropriate information disclosure  
Chapter 6, 3 (5) Build highly transparent relationships with government and administrative agencies  
4 (1) Handle information properly



Visiting the Far Eastern Branch of the Economic Research Institute at the Russian Academy of Sciences (top) and the Far Eastern Federal University (bottom)

### Maintaining Stable Supply through Careful Negotiations

The Crude Oil Group procures oil from oil-producing countries, traders, and trading companies, and sells any surplus that is not refined. It performs various controls and procedures including insuring the process from purchase, to loading and shipping.

Our greatest mission is to ensure a stable supply of oil, which is the foundation of industry. Therefore, communication is actually the most important skill we have. Even in the main procurement region of the Middle East, social conditions and cultures vary substantially from country to country, which I learned during my three-year posting in Abu Dhabi. The most important thing is to communicate with people politely and sincerely, based on a good understanding of that country's people and culture. This is the key to securing stable procurement of oil at the best price possible.



Crude Oil Group Manager, Crude Oil & Tanker Department  
Cosmo Oil Co., Ltd.

Eitaro Sakaya ○

# Putting Customer Safety First by Strengthening Safety Measures



Manager, Car Care Station Ishinomaki Higashi, Sendai Branch  
Minato Corporation (Cosmo Oil dealer)

Ryoichi Katsushika

## When the Quake Struck

The station was operating normally when the quake hit. It started shaking so violently I couldn't stay upright without holding on to something. I wasn't even able to get under a table. I had never experienced anything like it before.

We sent home the part-time staff soon afterwards. The station couldn't operate due to the power outage, and a tsunami warning was issued on the radio. As the remaining employees were closing up the station, I heard one of them yell, "It's here!" I saw the breakwater disappear and the tsunami wiping out a pine forest, coming our way. I yelled, "Everybody run!" We took refuge in a five-story apartment building as the water came up to the second floor. If it had come any faster, we probably wouldn't have made it.

## The First Step Toward Reconstruction

When I went back to the service station at dawn the next day, there was nothing left—only the framework of the building. Everything else had been washed away. After being in business at this location for more than thirty years, I was at a loss. Despite it all, some customers urged me to reopen. In May, we set up a generator amongst the rubble to run one fuel pump, and started providing gas for the interim.

The reconstruction work began on February 1, 2012, and the station was completely rebuilt in two months. Of course, measures were taken to prepare for any future earthquakes and tsunamis. We have a generator, a waterproof fuel pump, and a portable, emergency fuel pump which refuels directly from the underground tank on power from a car battery. A satellite phone and an evacuation ladder to the roof of the building have also been installed.



◀ With staff (Katsushika second from left)



Disaster preparedness equipment:  
Satellite phone ▲  
Generator ▶  
Waterproof fuel pump ▶  
Evacuation ladder to the rooftop (left to right) ▶







The Ishinomaki Higashi Service Station was forced to halt operations due to the Great East Japan Earthquake on March 11, 2011. The service station was fully reopened on April 20, 2012, after reinforcing safety measures based on lessons from the quake. With the aim of ensuring zero accidents, all Cosmo Group frontline employees maintain high safety awareness and the Group has introduced accident prevention technologies and systems.

### ● Valuing Ties with Local Customers

The Ishinomaki Higashi Service Station is next to a residential area and has close ties to the community. We have many warm-hearted, long-term customers and some come from far away. Although the fuel pumps are self-service, we wash customer's cars by hand, just like the good old days. We love it whenever a customer strikes up a friendly conversation.

As a community-based service station, we intend to maintain our strong ties with customers and make ourselves indispensable to the area. By learning from the experience of the earthquake, we aim to be a safe service station without any accidents, always prepared for a disaster. I believe this is my role, and this is what motivates me every day.



## Making Every Effort to Support Service Station Operations

### Reconstruction Timeline for the Ishinomaki Higashi Service Station

2011

○ March 11 Great East Japan Earthquake



#### Damage situation

Canopy	Partly damaged
Building	Debris inside
Fuel pumps	All destroyed
Car wash and fire containment fence	Washed away
Sign pole	Wiring damage
Concrete slab	Broken up

○ May 28 Start of interim operations

2012

○ February 1 Start of reconstruction

#### Introduction of Disaster Preparedness Equipment

Flood-resistant multi-fuel pump	Can dispense fuel even after being temporarily submerged in a flood (1 pump)
Emergency fuel pump	Can dispense fuel directly above the underground tank during a power outage
Generator	Enables operation during a power outage
Evacuation ladder	Allows evacuation to the office rooftop during flooding
LED sign	Reduces maintenance costs and environmental impact due to low power consumption and long life
LED lighting	



○ April 20 Full restoration

Photo shows current Ishinomaki Higashi Service Station

### Aiming for Even Better Results

As a sales representative, I have been working to support service stations' efforts to improve their operations for three years. The Ishinomaki Higashi Service Station is very important to Cosmo Oil due to its excellent sales and operations. The station is such an integral part of the community that local customers urged it to reopen soon after the disaster. This is mainly due to the

personality of the station manager, Ryoichi Katsushika. He has also earned a lot of trust from employees.

We received the request to reopen the station only a month after the earthquake. We wanted to move faster, but full-scale reconstruction could not start until

February 2012 due to delays in the overall recovery effort and a shortage of personnel. I think the period of interim operations was the most difficult. My goal is to assist the station to achieve even higher sales than before the earthquake.





## Developing global human resources

## Chapter

## 3

# Empowering Employees with the Big Picture



Manager, Cosmo Oil International Pte. Ltd.

Minako Fujimoto

## • Women Play a Major Role in Singapore

Cosmo Oil International is a Cosmo Oil subsidiary located in Singapore. We carry out specific purchase and sales negotiations with oil companies and traders, based on detailed plans from the Petroleum Product Department and Supply Department of the Cosmo Oil Head Office related to domestic production and import/export of petroleum products, including gasoline and kerosene.

We have eight staff: five local hires and three employees from Cosmo Oil in Japan. I am the only woman among the employees from Japan, but four of the local hires are women. There are many career women in Singapore. In every industry, you can find expat female employees of my generation, and I have gotten to know a lot of people outside the company since coming here.

## • A Business Hub for Human and Information Exchange

As a center for trade in Asia, Singapore has a dense concentration of people and information. This means it is vital to maintain good communication with people here and build relationships based on trust. These interpersonal relationships keep me plugged into a lot of information, and sometimes this can have a significant impact on our business.

However, Singapore is also a fiercely competitive society, and just being here in itself is not going to provide me with more information than being in Japan. To succeed here, you have to reach out to people and work on your relationships every day, and you always have to keep your eyes open. And of course, relationships need to involve both giving and receiving information because information is never free.



Left to right  
 ◀ Merlion Park  
 ▶ Singapore skyline

Left to right  
 Monitoring the market ▶  
 Meeting at the office ▶





The Cosmo Oil Group understands that employees are the driving force behind the business. Employees are the ones that actually provide the products and services that society needs. In addition to creating workplaces that are positive and supportive, and evaluating employees fairly based on their competence and abilities, the Group has been implementing new work arrangements that help employees balance work and personal life.

### ● Becoming a Trusted Source of Information for Many

Since joining Cosmo Oil, people tell me that I have been really fortunate: I've been doing work that interests me under supportive superiors. Working in Singapore was one of my ambitions. I have more opportunities here to meet people outside the company than I did in Japan, so now I see myself not just as an individual, but also as a representative of the company.

In the future, I want to use my experience to perform my job from a broad perspective on the logistical operations of the entire company. Therefore, I would like to make good use of my current situation to gain even greater knowledge and experience, and ultimately become a trusted source of information for people in and outside the company.



## The People the Cosmo Oil Group Needs

### Preparing Employees to Seize Opportunities

Singapore is a leading center for global oil transactions. Many petroleum companies have oil trading offices here. With Ms. Fujimoto's wealth of knowledge, outstanding communication skills, and great personality, she is able to build relationships of trust with many oil traders and related companies. She really gets things done.

In a global business, it is important to understand the customs, cultures, and religions of different countries and regions, and to build relationships of trust by acting with sincerity. This is why we need human resources that can think for themselves, who are able to quickly recognize changes in the business atmosphere and market and reliably seize good business opportunities. Experience with people in the field is the most important factor for understanding the perspectives of others and creating win-win business opportunities.



Singapore office





## Environmental initiatives

## Chapter

## 4

# Striving to Prevent Accidents and Minimize Risk: Soil Preservation

The Cosmo Oil Group works hard to provide environmentally friendly petroleum products. It is also striving to ensure the next generation will inherit a healthy global environment, by for example, offering renewable energies and protecting biodiversity. The Group conducts careful study, management and inspection to ascertain the environmental impact and risks associated with its business activities and makes continual improvements.



Environment & Technology Group, Safety & Environment Control Department<sup>1</sup>  
Cosmo Oil Co., Ltd.

Yuya Takagi

1. As of June 25, 2013, the Safety & Environment Control Department has been reorganized as the CSR & Environmental Affairs Department in the Risk Management Unit.

## ● Preventing Soil Contamination and Minimizing Risk

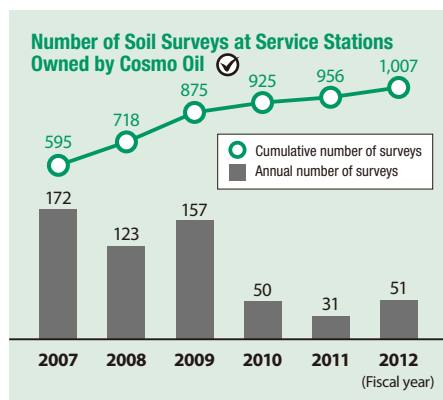
The public is concerned about soil contamination. Service stations are a part of the local community, so any contamination at one would create anxiety for nearby residents and harm public confidence. As a part of its advanced environmental initiatives, in August 2004 Cosmo Oil set up an organization dedicated to the centralized management of its soil preservation efforts, called the Environment & Technology Group.

This group is focused on preventing soil contamination, and also ensures a quick response in the event of an oil leak to minimize risk to soil. The group checks the equipment at sites and service stations within the Cosmo Oil Group, conducts soil surveys, and undertakes soil remediation.

## ● Responding Quickly and Properly with Central Information Management

The primary objective of soil surveys is to quantify soil contamination. There are various forms of soil contamination depending on the type and concentration of oil, the soil properties, and the groundwater. Central information management helps to minimize risk to soil and ensures a quick and proper response.

If the results of a soil survey indicate a problem, we carefully determine the impact in relation to the surrounding environment. Then we determine the scope, technique and schedule for soil remediation. With the reorganization of service stations owned by Cosmo Oil, soil surveys were conducted at 51 locations in fiscal 2012. As of last year, 1,007 service stations had been surveyed, and the necessary surveys were mostly completed.



▲ Survey using ground radar



▲ Soil sampling by boring



▲ Storing soil samples for testing



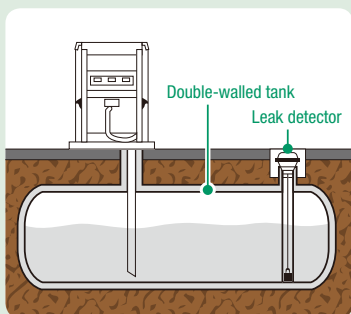
### ● Taking the Time to Address Concerns

Soil preservation is technical and complex, and tends to have a bad image. People are usually quite concerned about it. At one service station we surveyed, the neighbors were very worried about soil contamination at first, but we alleviated their concerns by patiently explaining the survey methods and action we would take. I have learned that it is very important to listen carefully to people and provide them with polite, accurate explanations.

Cosmo Oil's strength lies in how we carefully address each case while making the most of central information management and our accumulated expertise in soil preservation. In order to increase confidence in Cosmo Oil as an environmentally advanced company, we want to continue addressing soil issues with great sincerity.

#### Improvement of Equipment and Facilities

For new service stations, Cosmo Oil is installing equipment with very low leakage risk, such as corrosion-free resin pipes and double-walled tanks. For existing service stations, the Company is replacing and reinforcing piping as necessary, and is improving metal equipment through cathodic protection.



## The Potential of 5-Amino Levulinic Acid (ALA)

### Utilizing the Benefits of ALA for the Global Environment

ALA is a naturally occurring amino acid present in all living organisms. Although it has long been utilized for cancer drugs, it is difficult to produce and very expensive, impeding the development of new applications.

In 1999, the Cosmo Oil Group developed fermentation-based ALA mass production technology. In 2003, the Group launched the PENTAKEEP series, the world's first liquid fertilizer containing ALA. This fertilizer promotes the growth of plants and can help prevent declines in crop yield due to climate change. The Group is pursuing the full potential of ALA in areas such as livestock feed, pharmaceuticals, cosmetics and health food. Helping to solve social issues such as the need for more food production and better health is yet another way the Cosmo Oil Group is building a more sustainable society.



PENTAGARDEN series of liquid fertilizers

### New Lineup

In March 2013, the Group released a solid fertilizer, PENTAGARDEN Pellet, to complement its liquid fertilizers. The product is 80% organic material for a slow-release effect, and 20% chemical fertilizer which works faster. It is popular for use indoors or on balconies that do not get much sun and also for improving garden soil.



### History of the Cosmo Oil Group's ALA Business


- 1995 ○ Growth-promoting effects of ALA in plants discovered
- 1999 ○ Fermentation-based ALA mass production technology invented
- 2003 ○ PENTAKEEP liquid fertilizer released in Japan
- 2004 ○ Cosmo Seiwa Agriculture Co., Ltd. established (now Cosmo ALA Co., Ltd.)
  - Sales start outside Japan
- 2006 ○ PENTAGARDEN for home gardening released
- 2013 ○ PENTAGARDEN Pellet (with organic material) released

Refineries contributing to the local community

Chapter

5

# Cleaning Up to Show Appreciation

 General Affairs Section, General Affairs Department  
Sakaide Cosmo Kosan Co., Ltd.

Kaori Tanikawa / Toshihisa Okawa

## ● Volunteer Cleanup Activities

The Sakaide Refinery has been helping with local community cleanups since 2007. The refinery also holds its own neighborhood cleanup activities each spring and fall. Bulletin boards around the worksite promote the events, and employees volunteer.

The first time I joined a local cleanup, the shoreline was not as littered as I had expected. Apparently that particular beach was once covered in plastic bottles washed ashore, so these regular cleanups must be making a difference. A lot of people from our refinery were there, and we had a lot of fun. Even the little children were working hard to pick up garbage, so I also felt I had to do my best.

## ● Stimulating Internal Communication

In addition to beautifying the community, these cleanups offer the opportunity to talk with people, even those from my own company, who I wouldn't ordinarily see. It's fun to talk with new friends at the post-cleanup barbeque.

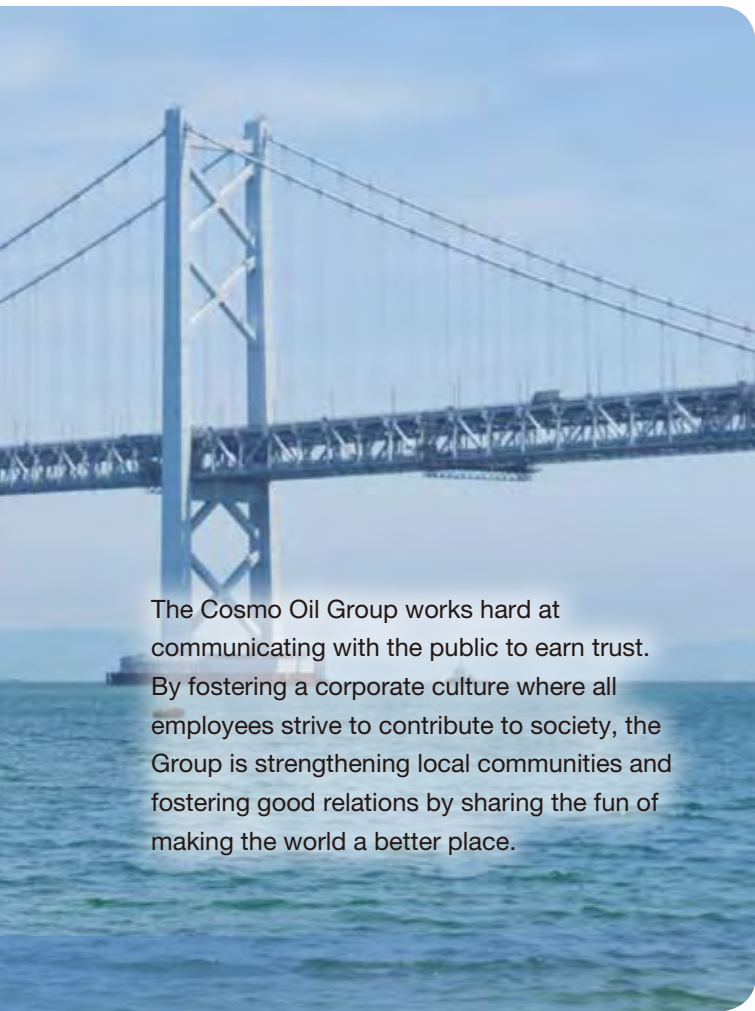
I grew up here in Kagawa Prefecture, and I wanted to work for a local company. So I joined Cosmo Oil in quality testing at the Sakaide Refinery. While learning about the petroleum business, something that was completely new to me, I thought it would be great to be able to contribute to the local community via this kind of volunteer activity. I will certainly participate again. (Tanikawa)



Employees and their families

◀ Shoreline cleanup  
Barbeque afterwards ▶





The Cosmo Oil Group works hard at communicating with the public to earn trust. By fostering a corporate culture where all employees strive to contribute to society, the Group is strengthening local communities and fostering good relations by sharing the fun of making the world a better place.

### Showing Appreciation

The garbage found on the beach is not left there by the locals, but rather brought in by the ocean. Most of the plastic bottles, styrene foam and other rubbish are made from petrochemicals. So it makes sense that we help pick them up. We have been refining oil here for more than 40 years and, although that ended in July 2013, we continue, as an oil terminal, to supply petroleum products to the local community. These cleanups give us a way to show our appreciation to the community, and they also promote interaction and cooperation among employees. (Okawa, Manager)



#### Sakaide Refinery

As part of a supply system reorganization, in August 2012 Cosmo Oil announced that refining operations would end at the Sakaide Refinery. Refining ended in July 2013, but the site continues to operate as an oil terminal and distribution base that ensures a stable supply of petroleum products for Western Japan.

## Responsibility to Ensure Community Safety

### Creating Accident Prevention Systems

Our disaster preparedness work involves a 24-hour system of refinery safety and security. The two main areas are safety management to prevent accidents, and acting to minimize damage in the event of an accident.

Specifically, we carry out onsite facility security, and perform firefighting with our own brigade when a fire occurs. Although there have been no major accidents so far, we hold a comprehensive disaster drill four times a year. We also participate in annual disaster drills held in cooperation with local petroleum industrial complexes. Since the Great East Japan Earthquake, people's awareness of disaster preparedness has really increased. By strengthening our initial earthquake response system, based on the scenario of an earthquake in the Nankai Trough, we are working to ensure peace of mind for everyone in the community.



Disaster drills



Manager, Disaster Prevention Section, General Affairs Department  
Sakaide Cosmo Kosan Co., Ltd.

Toshifumi Ozaki

# Cosmo Oil's Obligation to Maintain Public Confidence

## Chapter

# 6



Director and Senior Executive Officer  
Cosmo Oil Co., Ltd.

Hirohiko Ogiwara

### ● Employees Who See Things Like the Public Have Greater Safety Awareness

**Ogiwara:** The fire and explosions at the Chiba Refinery at the time of the Great East Japan Earthquake and the asphalt leak in June 2012 caused much concern and inconvenience, especially among local residents. Seeking to respond, in April of this year we established the CSR Initiative Policy—Filling Up Your Hearts and Safety, and we are determined to regain public confidence within two years. Please share your thoughts on how we can raise employee awareness and promote a stronger culture of safety.

**Kikkawa:** I think you're already doing everything you can as a company to improve public confidence. It is important not to lose sight of your good reputation—employees need to have confidence in how Cosmo Oil is seen by society.

The earthquake reminded us all of the importance of oil in modern society: oil and LP gas were the main energy sources that saved people's lives. For example, there were many cases where a Cosmo Oil service station helped people recover from the quake. By sharing each of these stories with employees, you can raise their morale and confidence.

### ● Being Aware of Risk and Facing It Head On

**Ogiwara:** What do you think of Cosmo Oil's responsibilities and risk management as a provider of Japan's petroleum energy?

**Kikkawa:** It is important to remain aware how big the risks are: this was emphasized by the nuclear accident. The BP oil spill in the Gulf of Mexico in 2010 caused extensive damage. So I was quite impressed, when I visited Louisiana recently, that most people had nothing bad to say about BP. This likely reflects BP's thorough cleanup activities and information disclosure. While recognizing the size of the risks, the Company must also face them head on. This is something that needs to be thoroughly understood by everyone in the Company.

**Ogiwara:** I agree. The primary goal is to prevent accidents from happening in the first place. We need to keep total safety management top priority to prevent accidents, yet be ready to take proper measures quickly if one occurs. Business continuity is also important. Emergency drills need to be carried out according to a business continuity plan.



Loading operation



As a key energy provider in Japan, the Cosmo Oil Group engages in a business with a high degree of public interest. What should the Group be doing to maintain public confidence and live up to the expectations of society? We invited Professor Takeo Kikkawa of Hitotsubashi University to give us his opinions concerning the Group's compliance and risk management initiatives.

(May 2013)



Professor, Graduate School of Commerce and Management Hitotsubashi University

Takeo Kikkawa

### CSR—A Great Corporate Asset

**Kikkawa:** Your promotional campaign “Filling Up Your Hearts, Too” has steadily caught the attention of the Japanese public. Rather than just being a marketing slogan, this phrase directly expresses Cosmo Oil’s commitment to corporate social responsibility. Employees must know that the message has reached the public and should carry out their work accordingly. Your commitment to CSR is a great asset and it is viewed favorably by society. I think this is true not only in Japan, but overseas as well.

**Ogiwara:** Thank you. We really want to do our best to live up to this promise.

**Kikkawa:** The employees of the Cosmo Oil Group, especially the younger ones, should be made aware of what the Group has achieved in Abu Dhabi. I think Cosmo Oil is the Japanese company that the leaders of Abu Dhabi trust most.

**Ogiwara:** Last December, the Group’s development rights in Abu Dhabi were renewed for 30 years. The Group also obtained new development rights for the Hail Field, which shows our relationship of trust with the country is becoming stronger.

**Kikkawa:** You should respect and make the most of the trust you have earned as a petroleum company that runs a supply chain extending from oil exploration and production to service station operation.

Related information, p. 10

Special Feature 1: Targeting Further Growth— Safe and Stable Refinery Operation

Related information, p. 30

Priority Item 2: Working with Integrity

#### Profile of Takeo Kikkawa

Born in Wakayama Prefecture in 1951, Kikkawa earned a Ph.D. in economics from The University of Tokyo. After teaching at Aoyama Gakuin University and then The University of Tokyo, he was named Professor at the Graduate School of Commerce and Management of Hitotsubashi University.

Professor Kikkawa has authored many publications including *Denryoku Kaikaku* (“Reformation of the Electric Power Industry”), Kodansha. He has also written numerous histories of the energy industry including *Hiyaku e no Kakehashi* (“Bridging the Way Forward”), which covers 20 years of Cosmo Oil’s history.

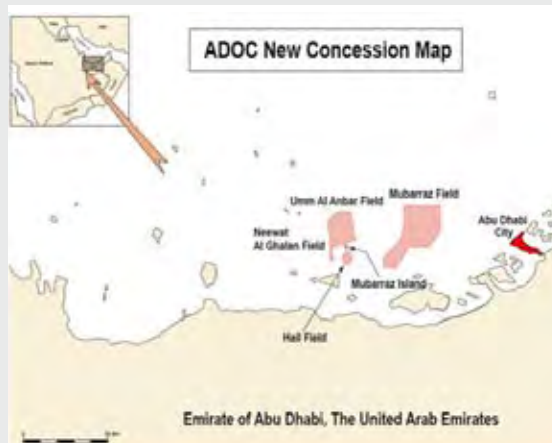


#### New Concession for Abu Dhabi Oil Co., Ltd.

In December 2012, Abu Dhabi Oil Co., Ltd., a Cosmo Oil Group company, was granted a new concession covering not only its three existing oilfields, but also an additional undeveloped concession area, the Hail Field. This achievement is due to the 40-year operating record of Abu Dhabi Oil and its environmental and production technologies. It is also a reflection of how the UAE values Japan as a friendly and reliable partner. The Hail Field is expected to have production yield equaling the three existing fields. Abu Dhabi Oil will strive for an early start of production in the Hail Field, and the expanded output will ensure a safe and stable supply of oil for the next 30 years.



Cake cutting ceremony



# Fiscal 2012 Initiatives

## Results and Issues for the Third Consolidated Medium-Term CSR Management Plan for Fiscal 2010–2012

Based on the Third Consolidated Medium-Term CSR Management Plan, the Cosmo Oil Group carried out CSR and environmental management initiatives with the following five objectives: (1) Improve functioning of CSR promotion structure; (2) Strengthen safety management; (3) Enhance human rights/personnel policies; (4) Promote environmental initiatives; and (5) Promote communication activities that respond to society.

Overall, the qualitative targets were mostly achieved. However, some quantitative targets fell short of the goal for the second and third objectives above. While the CSR management principles continued to take root, the Group will work to promote greater implementation of CSR activities based on these principles, and it will put them into practice.

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

Priority Items	Themes	Major Activity Policy/Goals	Fiscal 2012 Results
Improve functioning of CSR promotion structure	Strengthen structures for improving implementation	Review the appointment and duties of personnel in charge of CSR promotion to enhance the Group's CSR promotion system	<ul style="list-style-type: none"> <li>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.</li> </ul>
	Further increase recognition and understanding of Code of Conduct	<ul style="list-style-type: none"> <li>Continue regular internal training</li> <li>Implement monitoring (CSR Status Survey)</li> </ul>	<ul style="list-style-type: none"> <li>Implemented internal corporate ethics training from October 2012 to February 2013 (3,798 participants)</li> <li>Informed the Group of results from the CSR Status Survey conducted in November 2012</li> </ul>
	Promote efficient operations in conformity with company rules and manuals	Standardize and simplify business operations by using internal infrastructures, and strengthen information management	<ul style="list-style-type: none"> <li>Revised the rules for decision-making authority in July 2012 (to clarify the roles of confirmation givers and approvers)</li> <li>Revised the insider trading prevention rules in November 2012</li> <li>Revised the rules on use of the corporate seal</li> </ul>
	Restructure risk management structure	<ul style="list-style-type: none"> <li>Identify risks on a company-wide basis and establish countermeasures</li> <li>Conduct continual education and training on business continuity plan (BCP)</li> </ul>	<ul style="list-style-type: none"> <li>Identified Company-wide risks and revised countermeasures during March and April 2013</li> <li>Conducted BCP drills in March 2013 for scenarios involving earthquakes in Tokyo and the Tokai, Tonankai, and Nankai regions</li> </ul>
Strengthen safety management (Third Consolidated Medium-Term Safety Plan) → See p. 28 for more details.	Raise safety level by setting quantitative targets for reducing accidents, assessing results and making improvements	<p>Refineries and Cosmo Matsuyama Oil: Achieve and maintain a record of zero accidents; reduce unsafe and failure incidents<sup>1</sup> by 90% or more from the benchmark year<sup>2</sup> by 2012</p> <p>Offices and Group companies: Continue and develop safety management activities to meet objectives, i.e., reduce or eliminate work-related accidents, reduce or eliminate accidents/incidents</p>	<ul style="list-style-type: none"> <li>Manufacturing: Unsafe and failure incidents slightly decreased to 112 compared with 117 in the benchmark year</li> <li>Implemented measures to prevent reoccurrence of asphalt leak</li> <li>Distribution: 4 work-related accidents and 9 accidents/incidents (including 5 oil-mixing accidents, 2 maritime accidents, 1 traffic accident, and 1 oil spill)</li> <li>Marketing and other departments: 16 work-related accidents and 6 incidents</li> </ul>
Enhance human rights/personnel policies (Third Consolidated Medium-Term Human Rights/Personnel Plan) → See p. 32 for more details.	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 87%
	Respect diversity/equal opportunity: Maintain fairness in hiring	Maintain and improve employment rate of people with disabilities (higher than the legally mandated rate of 1.6%)	Achieved employment rate of 2.20% at Cosmo Oil
	Promote physical and mental health care: Prohibit excessive overwork and implement specified health exams	Gradually decrease the number of employees with long working hours (over 350 excessive working hours per year)	478 employees worked excessive hours (up by 32 persons from fiscal 2011)
	Support balance between work and home life: Promote childcare and family healthcare leave and support leisure activities	Maintain or improve the average paid time off utilization rate of employees (Cosmo Oil: 80% or more; Group companies: improve current records)	Achieved goal at Cosmo Oil (83.3%); rates improved at 9 of 18 target Group companies in Japan
Promote environmental initiatives (Fourth Consolidated Medium-Term Environment Plan) → See p. 34 for more details.	Respond strategically to prevent global warming while ensuring continuation of business	Reduce CO <sub>2</sub> emissions by amount equivalent to approx. 3% (0.22 million tonnes) or more of annual emissions in the 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.	<ul style="list-style-type: none"> <li>Reduced annual CO<sub>2</sub> emissions by 0.278 million tonnes (not including CO<sub>2</sub> emissions reduction due to the temporary shutdown of the Chiba Refinery)</li> <li>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</li> </ul>
	Reduce environmental impact	<ul style="list-style-type: none"> <li>Identify environmental risks that may arise at times of normal operations and times of irregular operations; implement response measures</li> <li>Reduce industrial waste: achieve final disposal rate of less than 0.5% at Cosmo Oil and less than 5.0% for Group companies</li> <li>Enhance internal/external audits for thorough environmental management</li> <li>Adopt rigorous measures to ensure soil preservation</li> <li>Promote Eco Office activities (Group-wide goal: Reduce copy paper by 9%, company car fuel consumption by 6%, and office electricity consumption by 7% from the averages of fiscal 2007–2009)</li> <li>Promote green purchasing</li> </ul>	<ul style="list-style-type: none"> <li>For the 5 cases in progress, 3 saw measures implemented, 1 was suspended and 1 is not yet completed.</li> <li>Final disposal rate of 0.23% at Cosmo Oil and 1.98% for Group companies</li> <li>Conducted internal/external audits and environmental inspections</li> <li>Systematically implemented soil cleanup, environmental monitoring, and facilities management based on the environmental impact at various sites</li> <li>Group-wide goals were achieved; some Group companies fell short of copy paper reduction target</li> <li>Followed up on "non-green" suppliers</li> </ul>
	Promote environmental contribution activities	<ul style="list-style-type: none"> <li>Promote environmental contribution activities through Cosmo Oil Eco Card Fund</li> <li>Protect biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Continued to implement 14 Cosmo Oil Eco Card Fund projects, and held eco tour for Cosmo Oil Eco Card cardholders</li> <li>Participated in the editing and preparation of Forest Creation Guidelines through intercompany study groups</li> </ul>
Promote communication activities that respond to society	Establish effective communication activities based on stakeholder feedback	Maintain communication with all stakeholders, including customers, local communities, shareholders, investors and societies around the world	<ul style="list-style-type: none"> <li>Conducted Cosmo Forest activities in Sakai and Matsuyama cities</li> <li>Held Family Concerts in the cities of Sakai and Sakaide</li> <li>Sent 730 Christmas cards to hospitalized children at 12 hospitals</li> <li>14,372 people participated in Clean Campaign held at 39 locations</li> </ul>

1. "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 accidents that do not rise to the level of extraordinary accidents.

2. Benchmark year: September 2006–August 2007

## CSR Initiative Policy: Overview, Issues and Targets for Fiscal 2013–2017

Along with the start of the Fifth Consolidated Medium-Term Management Plan covering fiscal 2013–2017, the CSR Initiative Policy for fiscal 2013–2017 has been established based on the Cosmo Oil Group Code of Conduct. In order for all Group employees to become more familiar with socially responsible management, the name of the Consolidated Medium-Term CSR Management Plan was changed to the CSR Initiative Policy. The additional phrase, “Filling Up Your Hearts and Safety” was added, reflecting the Group’s familiar slogan, “Filling Up Your Hearts, Too.”

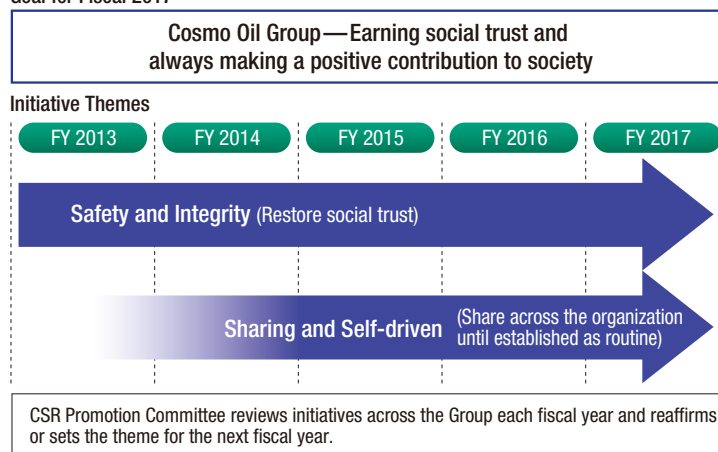
Based on progress made under the Third Consolidated Medium-Term CSR Management Plan, five priority items were established for the new CSR Initiative Policy. The highest priority items are “Strict safety management” and “Working with integrity.” The CSR Initiative Policy goes hand in hand with the Consolidated Medium-Term Management Plan. With all employees working to achieve the Management Plan, the Cosmo Oil Group is aiming to conduct its business with safety and integrity while furthering its contributions to society.

Degree of achievement: Achieved (A), Partially achieved (B), Not achieved (C)

Results (Fiscal 2010–2012)	Achievement of Goal
Targets were mostly achieved, and the organizational structure for CSR promotion was implemented along with the activity content	A
Did not achieve target of reducing accidents by 90%	C
Targets were mostly achieved in other departments including reducing accidents compared to the previous year	
Achieved participation rate of 80% or more	B
Improved the rate of employment for persons with disabilities	
Failed to reduce excessive working hours	
Improved rate of paid holidays taken	A
Achieved target annual reduction of 0.24 million tonnes	
Achieved targets on industrial waste, electricity, and fuel for company vehicles	
Continued Cosmo Oil Eco Card Fund projects	
<ul style="list-style-type: none"> <li>Continued Cosmo Forest activities at Sakai Refinery, Cosmo Matsuyama Oil and Chiba Refinery</li> <li>Held Family Concerts across Japan</li> <li>Sent 4,834 Christmas cards to children hospitalized at 54 hospitals</li> <li>Clean Campaigns held (45,018 people participated at 116 locations)</li> </ul>	A

### Goal and Initiative Themes

Goal for Fiscal 2017



“**Safety**” means observing rules (both legal and social rules) and maintaining stable, continuous operations

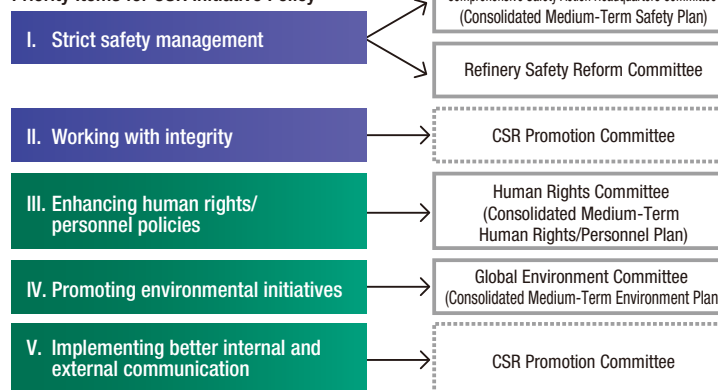
“**Integrity**” means displaying a consistently honest stance toward all stakeholders

“**Self-driven**” means that each employee puts the Cosmo Oil Group Code of Conduct into action on the job every day

### Priority Items for CSR Initiative Policy

Fiscal 2013–2017

Priority Items for CSR Initiative Policy



• Five priority items were established for activities to realize the goal.

• A priority item of the Third Consolidated Medium-Term CSR Management Plan, “Strengthen safety management,” was changed to a highest priority item, “Strict safety management,” in the new CSR Initiative Policy.

• “Working with integrity” was also established as a highest priority item, since it is indispensable for maintaining safe business operations.

• Communication activities are also to be strengthened both in and outside the Group.

# Strict Safety Management

## Safety Initiatives

### Consolidated Medium-Term Safety Plans for Fiscal 2010–2012 and Fiscal 2013–2017

Since fiscal 2005, the Cosmo Oil Group has carried out the Consolidated Medium-Term Safety Plan 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).

In fiscal 2012, the final year of the Third Consolidated Medium-Term Safety Plan, safety activities were carried out based on the Group-wide safety goal of achieving zero

accidents. The strategy was to identify and eliminate latent risks in the workplace, while ensuring that everyone is fully aware of their roles and responsibilities. Under the next Consolidated Medium-Term Safety Plan (Fiscal 2013–2017), the safety level will be further improved through the enhancement of management by using PDCA cycles, with the aim of realizing and maintaining safe operations and stable supply systems.

#### Initiatives and Results in 2012 under the Third Consolidated Medium-Term Safety Plan

Degree of achievement: Achieved (A), Partially achieved (B), Not achieved (C)

Divisions		2012 Goals	2012 Results	Achievement of Goal
Refining and manufacturing	4 refineries and Cosmo Matsuyama Oil	Reduce unsafe and failure incidents <sup>1</sup> by 90% or more from the benchmark year <sup>2</sup> (meaning 11 or less incidents)	Unsafe and failure incidents: 112 (4% reduction from benchmark year)	C
	Cosmo Oil Lubricants (manufacturer of lubricating oil)	<ul style="list-style-type: none"> <li>Achieve target of zero work-related accidents</li> <li>Reduce accidents/incidents by 30% over previous year</li> </ul>	<ul style="list-style-type: none"> <li>Work-related accidents: 6 (2 requiring time off from work, 4 not requiring time off from work)</li> <li>Accidents/incidents: 14 (down 7% year on year)</li> </ul>	C
	Cosmo Petroleum Gas (LPG storage/delivery)	Maintain zero accidents/incidents	Accidents/incidents: 0	A
Distribution	Cosmo Delivery Service (ground shipments)	<ul style="list-style-type: none"> <li>Eliminate oil-mixing accidents to zero</li> <li>Encourage employees to report near-miss accidents, with a target of 20,000 reports</li> </ul>	<ul style="list-style-type: none"> <li>Oil-mixing accidents: 5</li> <li>Near-miss accident reports: Over 20,000</li> </ul>	C
	Cosmo Kaiun (sea shipments)	<ul style="list-style-type: none"> <li>Maintain zero accidents involving marine oil spills/ships run aground</li> <li>Reduce equipment failure to 50% of benchmark year (2008)</li> </ul>	<ul style="list-style-type: none"> <li>Marine oil spills: 0; maritime accidents: 2</li> <li>Equipment failures: 8 incidents (down 72% compared to 2008)</li> </ul>	C
	Oil depots	<ul style="list-style-type: none"> <li>Maintain zero work-related accidents</li> <li>Limit the number of fires/oil spills to less than 2 incidents per year</li> </ul>	<ul style="list-style-type: none"> <li>Work-related accidents: 0</li> <li>Oil spill: 1 (2010–2012 annual average: 1.3)</li> </ul>	A
	Crude Oil & Tanker Dept.	Complete action plan (prevent accident reoccurrence and strengthen prevention measures)	<ul style="list-style-type: none"> <li>Incidents: 3</li> <li>Incidents were substantially reduced compared to the 12 incidents in 2010 (75% reduction)</li> </ul>	A
	Petroleum Products Trading Dept.	Achieve target of zero serious accidents relating to ship movements	Serious accidents relating to ship movements: 0	A
Sales and other operations	Sales & Marketing Coordination Dept. (Service Station)	Maintain zero work-related accidents in service station construction	Work-related accidents: 0 (2010–2012)	A
	Project Development Dept. (co-generation, etc.)	Achieve target of an average of no more than one accident a year during the Medium-Term Plan (2010–2012)	Accidents/incidents: 0 (2010–2012)	A
	R&D Dept.	<ul style="list-style-type: none"> <li>Achieve target of no incident per year</li> <li>Continue analysis on near-miss accident reports</li> </ul>	<ul style="list-style-type: none"> <li>Incidents: 1</li> <li>Continued analysis on near-miss accident reports</li> </ul>	B
	Research and Development Center	<ul style="list-style-type: none"> <li>Maintain zero work-related accidents</li> <li>Reduce number of accidents/incidents compared to previous year</li> <li>Achieve zero cases of seriously unsafe incidents</li> </ul>	<ul style="list-style-type: none"> <li>Work-related accidents: 3 (not requiring time off from work)</li> <li>Incidents: 5</li> <li>Seriously unsafe incidents: 0</li> </ul>	B
	Cosmo Engineering	Steadily reduce work-related accidents to zero	Work-related accidents: 13 (4 requiring time off from work, 9 not requiring time off from work)	B

1. "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 accidents that do not rise to the level of extraordinary accidents.  
 2. Benchmark year: September 2006–August 2007

### Change 21 Activities

All Cosmo Oil refineries and Cosmo Matsuyama Oil Co., Ltd. have introduced Change 21 Activities, 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 maintenance. While these efforts have produced a certain level of results, they have also uncovered new issues. Under the new management system, the activities will be continued by the Refinery Safety Reform Committee, chaired by the President, further strengthening the safety management system.



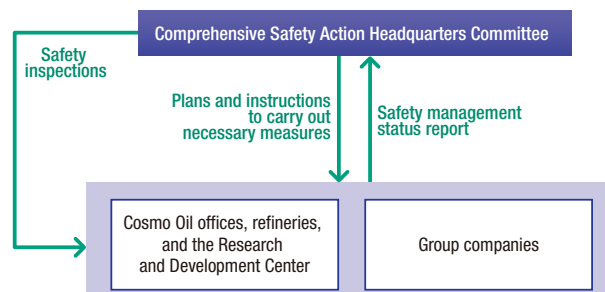
Change 21 activity

## Safety Inspections

The Cosmo Oil Group has established a Comprehensive Safety Action Headquarters Committee, as its Group-wide safety management organization, in the Cosmo Oil Head Office. This Committee performs coordination and deliberation of important safety management matters in order to ensure thorough initiatives for enhancing safety management systems. An annual safety inspection is also held each year for operation sites and the Head Office divisions that oversee them.

In fiscal 2012, safety inspections were conducted at 12 workplaces and departments, including four refineries. 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 workers from the Head Office, among the internal inspectors.

## Safety Management System



## General BCP Training

In March 2013, the Group conducted business continuity plan (BCP) training for the sixth time, based on the hypothetical scenario of earthquakes in the Tokai, Tonankai, and Nankai regions immediately after a major earthquake in Tokyo. This time, a communication drill was carried out using a new multi-channel access wireless system. The Group will continue to perform these exercises based on various assumptions in order to strengthen its system for ensuring a stable supply of petroleum products, with the top priority being placed on human life in the event of a major disaster.



General BCP training

## Initiatives to Foster a Culture of Safety

The Company fosters Cosmo Oil Small Group Initiatives<sup>1</sup> at its refineries in order to achieve safer operations, stable supply, and even better competitiveness. These initiatives involve a bottom-up system in which each group works on the safety themes it decides on, using its creative approaches. Representative groups from each refinery then gather at an annual presentation meeting to share the results of their activities. Through these activities, Cosmo Oil is working to foster a culture of safety at its refineries, while improving human resources management capabilities at the same time.

1. Cosmo Oil Small Group Initiatives are voluntary initiatives implemented by small groups formed in the workplace to achieve the objectives of Cosmo Oil Group's management policies



Group-wide activity presentation meeting

## Establishment of Refinery Safety Reform Committees

All Cosmo Oil refineries, along with Cosmo Matsuyama Oil Co., Ltd., have revised their previous safety management activities through the Change 21 Activities Promotion Committee. In fiscal 2013, a Refinery Safety Reform Committee was established, aiming to strengthen and enhance PDCA management and to establish systems for safe operations and stable supply.

In order to foster a culture of safety, the Cosmo Oil Group is working to strengthen its safety management systems and to raise its level of equipment maintenance. The Group will do this by encouraging even greater safety awareness among employees, in addition to the introduction of systems and technologies to prevent accidents.

Note: Please refer to Special Feature 1 on page 10 for more details.



Refinery Safety Reform Committee meeting

# Working with Integrity

## Compliance Promotion

### Corporate Ethics Framework

As the organization responsible for the execution of matters under the CSR Promotion Committee, a Corporate Ethics Committee has been established to decide, promote, and implement basic policy relating to corporate ethics. A Corporate Ethics Promotion Office has also been set up to serve as a facilitator for the Committee. Additionally, the Cosmo Oil Group has created corporate ethics consultation helplines to promote the early discovery of and response to corporate ethics issues. In fiscal 2013, the Group will begin revising part of its corporate ethics promotion framework.

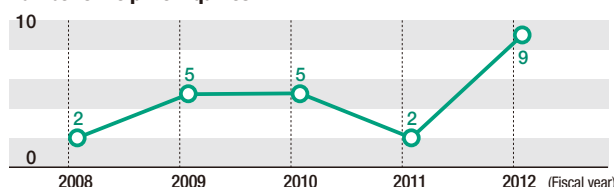
### Corporate Ethics Promotion Framework



### 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. There is also a consultation helpline within the Personnel Department for matters related to sexual and power harassment.

### Number of helpline inquiries



### 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 the presidents of Group companies.

In fiscal 2012, training was carried out for the themes shown in the table on the right. Along with improving awareness of safety and information management, employee knowledge of the law was also strengthened.

### Fiscal 2012 Results for Corporate Ethics Training

Training category	Theme	No. of Participants	No. of Training Hours
New employees	Compliance and corporate ethics; Code of Conduct; and Company decision-making rules	27	3-6
Newly promoted line managers	Compliance; role of line managers to promote corporate ethics	39	2
Sectoral training	All departments: Corporate ethics; helpline system; thorough information management; and the proper use of information systems Sales departments: Act on the Quality Control of Gasoline and Other Fuels / Antimonopoly Act, and personal information Engineering departments: Ensuring safety	3,798	2

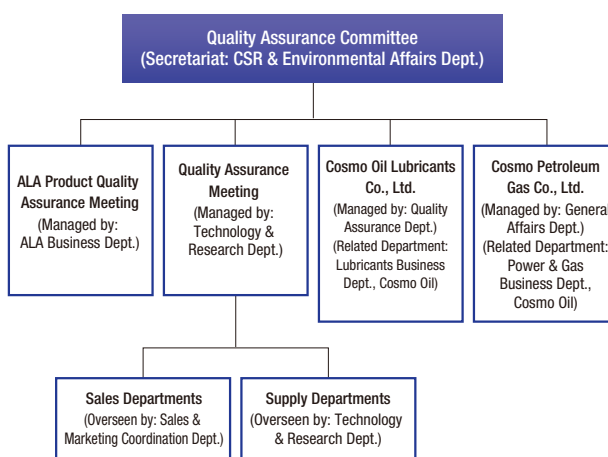
### Securing Trust in Petroleum Products

The Quality Assurance Committee<sup>1</sup> 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 eliminate quality problems, the Group always strives to prevent defects by ensuring that employees always comply with laws, follow prescribed rules, confirm procedures before operations, and confirm quality after operations. The Cosmo Oil Group will continue these quality assurance activities in the future.

Efforts were made to fully restore operations at the Chiba Refinery, damaged by the 2011 Great East Japan Earthquake. In order to prevent any quality problems, the Group carried out thorough preliminary checks before restarting the facilities in fiscal 2012.

### New Quality Assurance Committee Framework



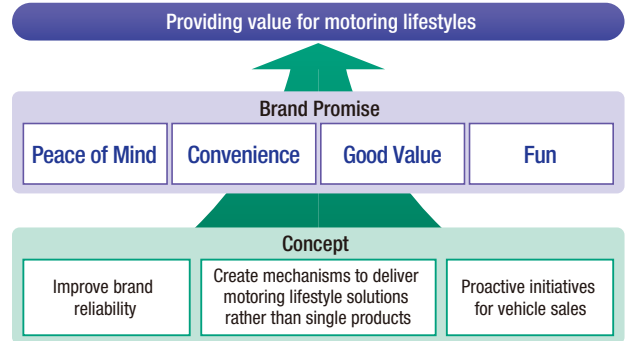
1. The Quality Assurance Committee is an execution organization under the CSR Promotion Committee.

# Pursuing Customer Satisfaction

## Pursuing Customer Satisfaction and Stable Supply—Providing Value for Motoring Lifestyles

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 2013, the Cosmo Oil Group will continue responding to a wide range of motoring lifestyle needs. It will do this by further enhancing its product lineup with a focus on auto leasing, under the brand promise, “peace of mind, convenience, good value, and fun.” The Group’s aim is to transform itself from a petroleum distributor centered on fuel oil into a company that can provide value for all aspects of customer motoring lifestyles.



## 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 2012, a total of three surveys were conducted, and about 1,360 service stations participated. The surveys will continue in fiscal 2013, mainly to ascertain customer intentions to make repeat visits.

Note: The third survey targeted service stations that scored less than 90 points in the two previous surveys.

### “Filling Up Your Hearts, Too” Declaration Service Evaluation Results for Fiscal 2012

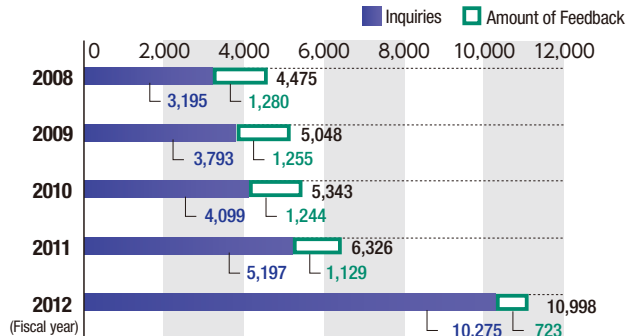
		First	Second	Third
Overall	Regular hours	85.0	86.4	83.6
	Late night	86.1	87.5	78.9
Self-service operations	Regular hours	91.9	92.1	89.3
	Late night	84.9	86.4	80.1
Full-service operations	Regular hours	74.5	77.2	80.6
	Late night	71.4	75.7	57.7
Self-pure <sup>1</sup>	Regular hours	93.6	92.9	80.5
	Late night	90.4	91.1	90.5

1. Self-pure: Provides low-cost self-service operations

## Ensuring Customer Support

The Cosmo Oil Customer Center facilitates communication with customers through a support phone line, which launched 24-hour operations in 2010. In fiscal 2012, the amount of feedback decreased, even though the number of inquiries increased significantly, due to the expansion of vehicle leasing and cross-industry alliances such as a campaign with the Aeon Group.

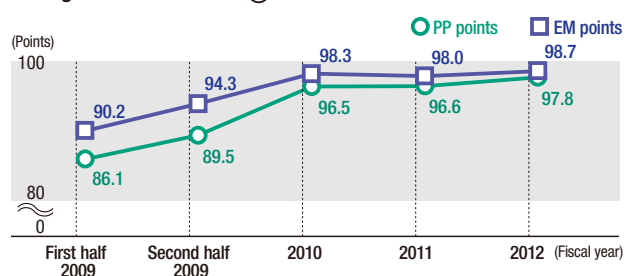
### Number of Customer Inquiries



## Survey of CSR at Service Stations

The Cosmo Oil Group conducts annual privacy policy (PP) surveys and environmental management (EM) surveys to check and improve regulatory compliance among service stations. In fiscal 2012, survey takers visited 1,275 service stations. However, the remaining 1,800 plus service stations conducted their own self-assessments.

### Average PP and EM Points



# Enhancing Human Rights/Personnel Policies

## Respect for Human Rights

### Consolidated Medium-Term Human Rights/Personnel Plans for Fiscal 2010–2012 and Fiscal 2013–2017

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 healthcare, and supporting a balance between work and home life.

In the next Consolidated Medium-Term Human Rights/Personnel Plan (Fiscal 2013–2017), the Cosmo Oil Group has added efforts to eliminate power and sexual harassment and is continuing to work on unfinished themes from the third medium-term plan.

#### Fiscal 2012 Initiatives and Results under the Third Consolidated Medium-Term Human Rights/Personnel Plan Degree of achievement: Achieved (A), Partially achieved (B), Not achieved (C)

Theme		Fiscal 2012 Goals	Fiscal 2012 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 87%	A
	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 Cosmo Oil (2.20%); goals not achieved at Cosmo Oil Sales (1.52%) and Cosmo Engineering (1.75%)	B
	Promote physical and mental healthcare	Prohibit excessive overwork and implement specified health exams	Gradually decrease the number of employees with long working hours (over 350 excessive working hours per year), aiming to decrease total working hours	478 employees worked excessive hours (up by 32 persons from fiscal 2011)	C
	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	Achieved goal at Cosmo Oil (83.3%); rates improved at 9 of 18 target Group companies in Japan	B
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 <sup>1</sup>	A	

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

### Global Human Resources Development

There are 94 Cosmo Oil Group employees stationed in eight countries outside Japan, engaging in resource development, crude oil and petroleum product transactions, and project operations in the petrochemical and ALA businesses. With the aim of becoming a comprehensive global energy company, the Group has an urgent need to develop human resources that can respond to a variety of challenges both in and outside Japan. Building on the strengths of the current international employees, it is necessary to develop more global human resources with a diverse range of experience and skills. Therefore, the Group will transfer about 30% of young and mid-career employees to international offices to increase the number of personnel that can operate effectively outside Japan.

#### Number of Employees Stationed Outside Japan by Country: Fiscal 2012

As of March 31, 2013

Country	No. of Employees
UAE	61
Bahrain	1
Qatar	15
China	2
USA	3
UK	1
Singapore	3
South Korea	8

Note: The number of employees includes those dispatched from Cosmo Oil and full-time employees of Cosmo Engineering Co., Ltd., Cosmo Trade & Service Co., Ltd., and Cosmo Research Institute.

#### Number of Employees Stationed Outside Japan: Fiscal 2008–2012

Fiscal Year	No. of Employees
2008	77
2009	84
2010	91
2011	89
2012	94

### Respecting Diversity and Providing Equal Opportunity

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. In fiscal 2012 the Group achieved Japan's legally mandated rate of 1.8% or more, with an actual result of 2.2%. A revision to the relevant law enforced in fiscal 2013 requiring a higher rate of 2.0%. Accordingly, the Group is striving to ensure that it maintains and improves the employment rate of people with disabilities through measures that aim to create workplace environments where diverse human resources can demonstrate their different abilities to the fullest extent.

#### Employment of People with Disabilities (data reported to Japan's Ministry of Health, Labour and Welfare)<sup>1</sup>

	June 2009	June 2010	June 2011	June 2012	June 2013
Total number of employees with disabilities	44	46	45	46	41
(Number with severe disabilities)	22	25	23	23	21
Employment rate of people with disabilities <sup>2</sup>	2.0%	2.1%	2.1%	2.3%	2.1%
Shortfall in the mandatory number of employees with disabilities	0	0	0	0	0

1. For Cosmo Oil Co., Ltd., as of June 1 in each year

2. Legally mandated employment rate: 1.8% (rounded to the second decimal place)



# Work-Life Balance

## 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 it focuses on enhancing various systems to provide better support. 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.

The fifth action plan required for general business owners for fiscal 2013–2014<sup>1</sup> 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.

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.

### Comment from Childcare Leave Recipients

**Yuko Tomite**

CSR & Environmental Affairs  
Department, Cosmo Oil Co., Ltd.



I'm currently on childcare leave until the end of the fiscal year, when my son will reach the age of three. Although I was apprehensive about going on long-term leave, the understanding and support of my boss and senior colleagues enabled me to take advantage of the program. I am very grateful for this time and opportunity to provide full-time care for my son. After returning to work, I would like to give back as much as possible through my performance at the job. I also want to tell others about the benefits of this program, so that those expecting a child can take childcare leave without any worries.

## Physical and Mental Healthcare

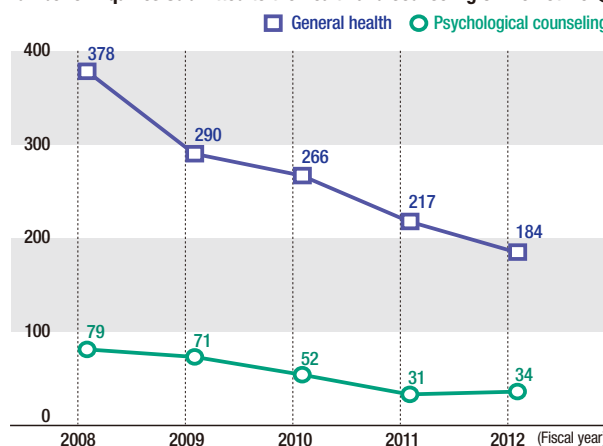
The Cosmo Oil Group has been working with the Cosmo Oil Health Insurance Society to fully implement the special check-ups. The Cosmo Oil Health Insurance Society operates a Group Health and Counseling Online Hotline that is staffed by specialists in psychiatry and psychosomatic medicine, which employees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

Set up to handle a wide variety of inquiries, the hotline can be used by employees to discuss everyday worries such as health concerns, medication, and emotional issues.

**General health:** Medicines, gastrointestinal illness, child fever, influenza, other

**Psychological counseling:** Anxiety, parental and family issues, spousal relations, other

Number of Inquiries Submitted to the Health and Counseling Online Hotline

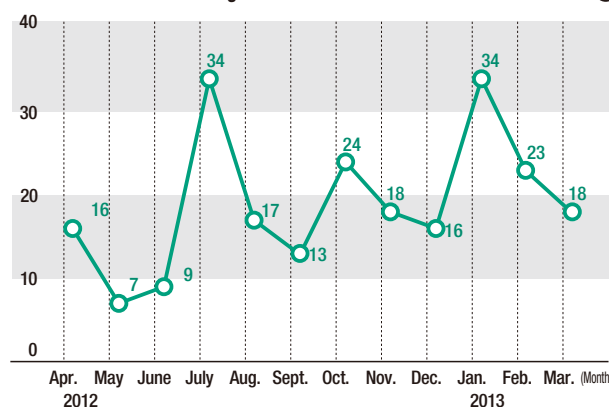


## Reducing Long Working Hours

The Cosmo Oil Group has set the theme of prohibiting excessive work and implementing specified health exams in order to maintain employee health, and is making efforts to decrease excessive working hours gradually by setting limits on the number of overtime hours on a monthly and yearly basis.

However, in fiscal 2012 the number of employees working long hours on a yearly basis increased by 32 from the previous year to 478. The number of employees working long hours decreased year on year at refineries, but it still accounts for two-thirds of the total number of employees with long working hours. The main cause for overtime work in the Head Office departments is new business projects. Under the upcoming Consolidated Medium-Term Human Rights/Personnel Plan (Fiscal 2013–2017), the goal is to reduce total annual work hours, and guidance will continue to be provided in individual cases.

Number of Workers Exceeding Fixed Hours for Overtime Work in Fiscal 2012



# Promoting Environmental Initiatives

## Environmental Initiatives

### Fourth Consolidated Medium-Term Environmental Plan (Fiscal 2010–2012)

The Cosmo Oil Group has been enhancing its initiatives on the environment since fiscal 2002. In fiscal 2010, the Group introduced its Fourth Consolidated Medium-Term Environmental Plan and generally achieved the goals it set based on the following policies: respond strategically to

prevent global warming while ensuring continuation of business, reduce environmental impact, and promote environmental contribution activities. The Group will continue these initiatives under the next Consolidated Medium-Term Environmental Plan (Fiscal 2013–2017).

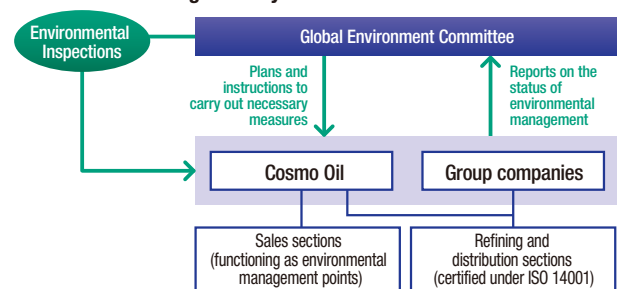
### Fiscal 2012 Initiatives and Results under the Fourth Consolidated Medium-Term Environmental Plan Degree of achievement: Achieved (A), Partially achieved (B), Not achieved (C)

Themes		Fiscal 2012 Goals	Fiscal 2012 Results	Achievement of Goal
Respond strategically to prevent global warming while ensuring continuation of business	Reduce CO <sub>2</sub> emissions	Reduce CO <sub>2</sub> emissions by 0.22 million tonnes per year compared to level before implementation of measures 1. Reduce CO <sub>2</sub> emissions in business areas: Energy savings at refineries, use of biogasoline, etc. (Anticipated reduction of 88 kt) 2. Develop wind power business (equivalent to reduction of 146 kt of CO <sub>2</sub> ) 3. Conduct environmental technology development and commercialization study aimed at future CO <sub>2</sub> reductions	Reduced 278 kt of CO <sub>2</sub> emissions 1. Reduced 117 kt of CO <sub>2</sub> emissions 2. Reduced 161 kt of CO <sub>2</sub> emissions through wind power business 3. Conducted bio-fuel development and EV recharger service demonstration projects	A
	Manage greenhouse gas (GHG) emissions	Control the volume of GHG emissions in manufacturing, product transport and storage processing as well as in offices and the R&D Center	<ul style="list-style-type: none"> <li>Continued to control the volume of GHG emissions in the specified areas</li> <li>Submitted report summarizing GHG emissions in accordance with Japan's Act on the Rational Use of Energy and Act on Promotion of Global Warming Countermeasures</li> </ul>	A
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 8 risks; consideration suspended for 1 risk and ongoing for 1 risk)	C
	Reduce industrial waste	<ul style="list-style-type: none"> <li>Final disposal rate: Less than 0.5% for Cosmo Oil; less than 5.0% for Group companies</li> <li>Introduce electronic manifests</li> </ul>	<ul style="list-style-type: none"> <li>Final disposal rate: 0.23% for Cosmo Oil; 1.98% for Group companies</li> <li>Introduced electronic manifests at Sakai, Yokkaichi, and Sakaide refineries; consideration ongoing at Chiba Refinery</li> </ul>	A
	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"> <li>Conducted internal/external audits and environmental inspections</li> <li>Ascertained environmental management conditions using the meeting minutes from environmental management committees at each site</li> </ul>	B
	Adopt rigorous measures to ensure soil preservation	<ul style="list-style-type: none"> <li>Continue environmental monitoring and facilities management at refineries, oil depots, and Cosmo Oil service stations</li> <li>Take action according to equipment renovations at Cosmo Oil service stations</li> </ul>	<ul style="list-style-type: none"> <li>Cosmo Oil service stations: Took action as planned; surveys at 61 stations (51 new and 10 previously surveyed service stations) and soil cleanup at 20 service stations</li> <li>Refineries: Systematically implemented soil cleanup, environmental monitoring, and facilities management based on the environmental impact at various sites</li> </ul>	A
	Promote Eco Office activities	Conduct energy- and resource-saving activities throughout the Cosmo Oil Group	<ul style="list-style-type: none"> <li>Achieved Group-wide targets to reduce the use of copy paper, fuel for company vehicles, and electricity in offices</li> <li>Some Group companies fell short of copy paper reduction target</li> </ul>	A
	Promote green purchasing	Reconsider specified items (office supplies) and require each Group company to purchase only such specified items	Achieved the goals for specified items (office supplies)	A
Promote environmental contribution activities	Promote environmental communication	Promote environmental contribution activities through Cosmo Oil Eco Card Fund	<ul style="list-style-type: none"> <li>Promoted environmental contribution activities in all 14 projects</li> <li>Held eco tour for Cosmo Oil Eco Card cardholders</li> </ul>	A
	Protect biodiversity	<ul style="list-style-type: none"> <li>Survey the level of impact on biodiversity in business areas and prepare new initiatives</li> <li>Conduct initiatives to protect <i>satoyama</i> near workplaces</li> <li>Conduct projects through the Cosmo Oil Eco Card Fund with the aim of protecting biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Participated in the editing and preparation of Forest Creation Guidelines through intercompany study groups</li> <li>Chiba Refinery, Sakai Refinery, and Cosmo Matsuyama Oil engaged in <i>satoyama</i> preservation activities on 5 occasions</li> <li>Commenced support for projects aimed at preserving biodiversity</li> </ul>	A

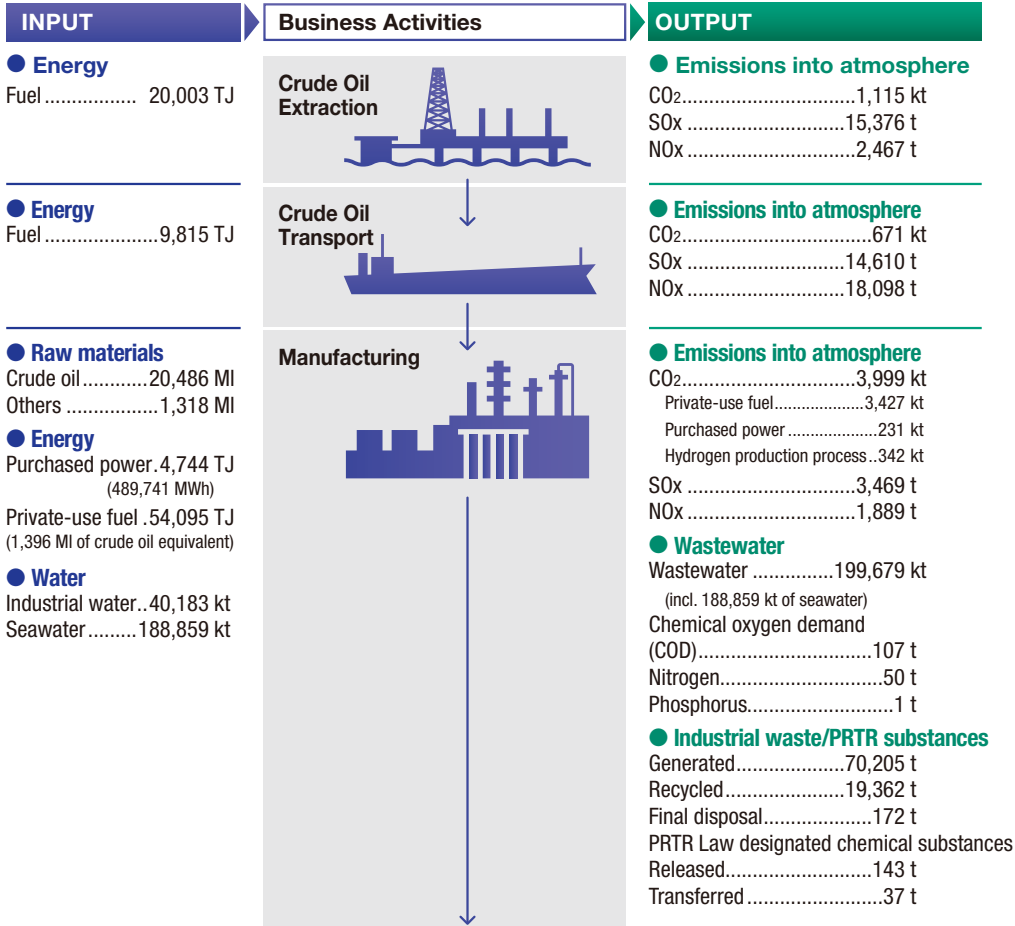
### Cross-Sectional Environmental Management Structure

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.

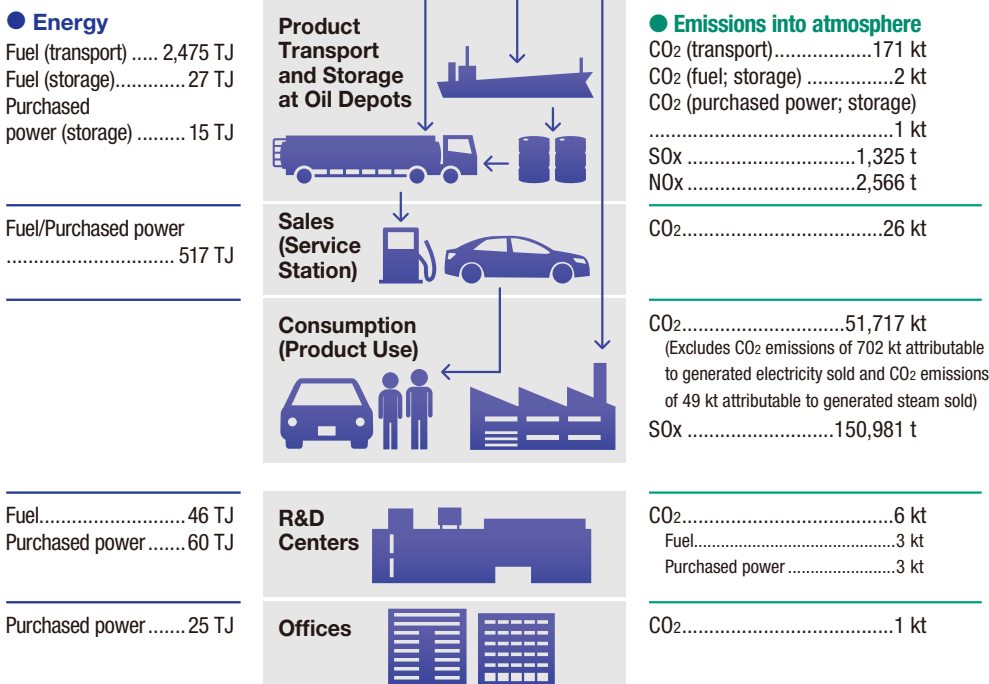
#### Environmental Management System



## Environmental Impact of Business Activities



Products	Production	Sulfur recovered	Electricity sold	Steam sold	CO <sub>2</sub> sold
	21,031 MI	191 kt (by-product)	1,022,150 MWh	936 TJ	73 kt



- SO<sub>x</sub> and NO<sub>x</sub> 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.
- For "Manufacturing" and subsequent stages, energy consumption is calculated in accordance with the Act on the Rational Use of Energy.
- CO<sub>2</sub> 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.
- Figures given for "Manufacturing" include data from the Cosmo Oil refineries, 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<sub>x</sub>, and NO<sub>x</sub>.
- "Industrial waste" refers to waste generated during business activities, which includes waste that could be sold.
- "Electricity sold" refers to electricity supplied to outside customers by the Chiba Refinery, Yokkaichi Kasumi Power Station, and Cosmo Matsuyama Oil. CO<sub>2</sub> emissions from "Manufacturing" were calculated by deducting the portion of CO<sub>2</sub> emissions attributed to electricity sold. CO<sub>2</sub> emissions from utility (power) were included in the CO<sub>2</sub> emissions from "Manufacturing."
- "Steam sold" refers to steam sold by the Chiba Refinery and Cosmo Matsuyama Oil. CO<sub>2</sub> emissions for "Manufacturing" were calculated after deducting the portion of CO<sub>2</sub> emissions that results from the generated steam sold.
- "Sales (service stations)" is based on data from Cosmo Oil Sales Corp.
- See the Environmental Accounting web page on the Cosmo Oil Group website for the methodology and basis of "Consumption (Product Use)" calculations.
- With regard to CO<sub>2</sub> emissions for "Consumption (Product Use)," CO<sub>2</sub> emissions attributable to generated electricity and steam sold are estimated separately.
- SO<sub>x</sub> emissions for "Consumption (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<sub>x</sub> emissions are lower than the estimate.
- Naphtha used mainly as a petrochemical material does not directly emit CO<sub>2</sub> or SO<sub>x</sub>. However, naphtha is included with other petroleum products when calculating CO<sub>2</sub> and SO<sub>x</sub> emissions for "Product Use."
- Data for "R&D Centers" includes the R&D Center of Cosmo Oil and the R&D Laboratory of Cosmo Oil Lubricants.
- Figures given for "Offices" include data from the Cosmo Oil Head Office and branch offices.
- In fiscal 2012, the Cosmo Oil Group's total direct (Scope 1) emissions from business activities were 3,714 kt CO<sub>2</sub> equivalent, and its indirect (Scope 2) emissions were 321 kt CO<sub>2</sub> equivalent.

 **Detailed information**  
**Environmental accounting**  
[http://www.cosmo-oil.co.jp/eng/csr/accounting/ev\\_accounting.html](http://www.cosmo-oil.co.jp/eng/csr/accounting/ev_accounting.html)

## Initiatives in Response to Global Warming

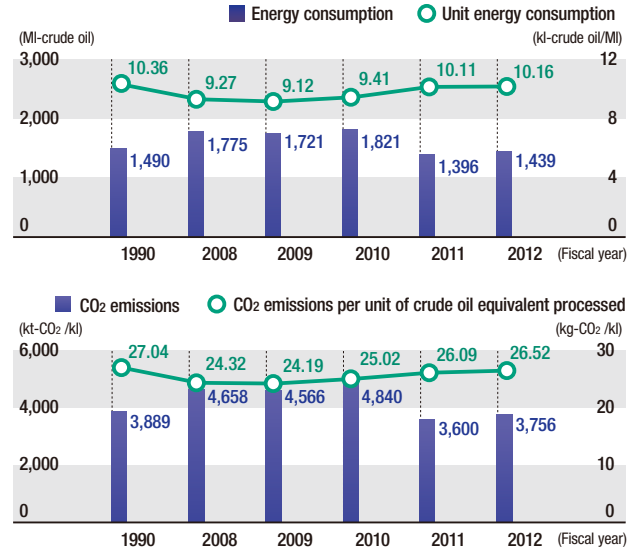
### Saving Energy in Refineries

Approximately 60% of the Cosmo Oil Group's CO<sub>2</sub> emissions are generated by refining. The Group is working to reduce this figure and conserve energy by introducing high-efficiency equipment and improving operational performance.

In fiscal 2012, measures such as revising operating conditions for advanced equipment at the Sakai Refinery contributed to CO<sub>2</sub> emissions reduction. The Group reduced 42.9 kilotonnes of CO<sub>2</sub> emissions (crude oil equivalent of 16,390 kiloliters) from its refineries, exceeding the reduction target of 34.2 kilotonnes (crude oil equivalent of 13,150 kiloliters) for fiscal 2012 under the Fourth Consolidated Medium-Term Environmental Plan. At the Chiba Refinery, however, production had been halted for most of fiscal 2012. Consequently, despite a decrease in total energy consumption and CO<sub>2</sub> emissions at the refinery, the unit energy consumption<sup>1</sup> figure deteriorated compared to the regular production year of fiscal 2010 due to preparations for restarting production. After production has been stabilized, the refinery will continue working to execute and improve its energy-saving measures.

1. 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/Ml). Total energy consumption is calculated by converting heat, electricity, and other energy use into the megaliters of crude oil equivalent (Ml-crude oil).

#### Energy Consumption and CO<sub>2</sub> Emissions at Four Refineries



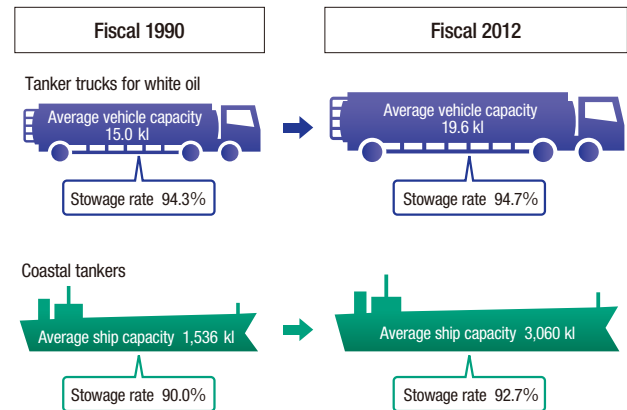
Note: In addition to the figures shown in the graph, N<sub>2</sub>O released from the catalyst regeneration tower amounted to 13 kilotonnes of CO<sub>2</sub> equivalent in fiscal 2012.

### Reducing Transport-related Energy Consumption

In fiscal 2012, unit energy consumption in the transport<sup>1</sup> sector at Cosmo Oil alone was 8.77 kiloliters per million tonne-kilometers (kl/Mt-km), a 0.16 kl/Mt-km improvement over the previous fiscal year. This is attributable to the Company's ongoing efforts to achieve high stowage rates by using larger trucks and ships. The Company transported 6,833 Mt-km of freight, up 1.4% year on year. However, due to the increased use of railroad and coastal tankers in transport, the total energy consumption was equivalent to 59,915 kiloliters of crude oil, down 0.4% year on year, causing the unit energy consumption to decrease.

For ground transport, the average payload increased to 17.93 kiloliters of freight per trip, an improvement of 0.03 kiloliters year on year, while unit energy consumption also improved to 35.62 kiloliters per trip, an improvement of 0.65 kiloliters year on year. For marine transport involving the use of coastal tankers, unit energy consumption was 6.63 kl/Mt-km on a par with previous year, partly due to the long-term shutdown of the Chiba Refinery.

#### Average Capacity and Stowage Rate



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).

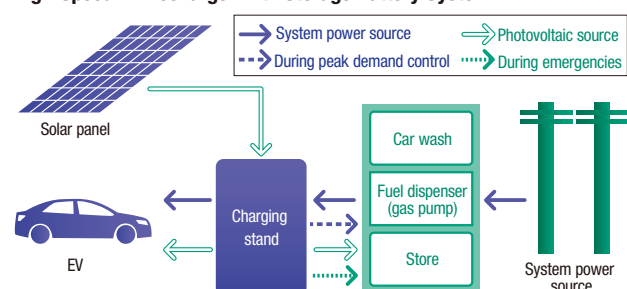
### Environmentally Friendly Service Stations

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 nine service stations, in an active effort to provide necessary infrastructure for the spread of EVs.

In fiscal 2012, the Group began a demonstration project in which a service station acquires all the electricity for its operations, including electricity for an EV recharging service, using a high-speed EV recharger with a storage battery. The storage battery stores and supplies not only power generated by solar panels installed at the station, but also commercial power obtained at night when the

rates are lower. The project will also demonstrate the ability to refuel vehicles during power outages.

#### High-Speed EV Recharger with Storage Battery System



# Promoting Communication Activities That Respond to Society

## Environmental Activities Promoted with Society

### Cosmo Earth Conscious Act Clean Campaign

Since 2001, the Cosmo Oil Group 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, and beaches throughout Japan. At 475 locations over the past 13 years, these campaigns have involved 187,111 participants who collected a total of 4,753,632 liters of garbage. As a part of the initiative, the Cosmo Earth Conscious Act Clean Campaign at Mt. Fuji is also held each summer. In fiscal 2012, the event involved a clean-up campaign on Mt. Fuji, along with trekking. Together, 180 participants collected 440 (45-liter) garbage bags of litter.

In order to further enhance communication with participants, the latest event information will continue to be provided online through a blog and Facebook.



Cosmo Earth Conscious Act event


 **Related information:**

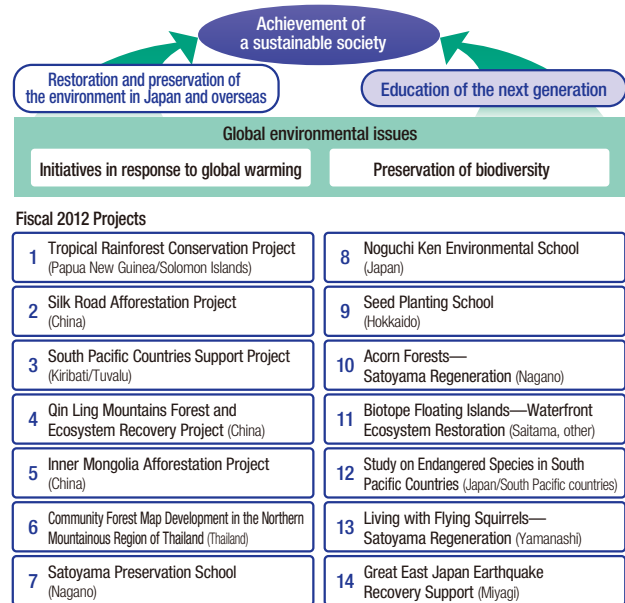
**Cosmo Earth Conscious Act official website**  
<http://www.tfm.co.jp/earth/concept/english.html>

### Cosmo Oil Eco Card Fund

The Cosmo Oil Eco Card Fund has developed “Living with Our Planet” projects to protect the irreplaceable global environment for future generations. Thanks to donations from approximately 80,000 cardholders, it marked the 11th year of the projects in fiscal 2013. 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 2012, 14 projects were carried out. For more information, see the *Cosmo Oil Eco Card Fund Activity Report 2013*.

 **Related information:**  
**Environment**  
[www.cosmo-oil.co.jp/eng/envi/index.html](http://www.cosmo-oil.co.jp/eng/envi/index.html)  
**Cosmo Oil Eco Card Fund Activities**  
<http://www.cosmo-oil.co.jp/eng/envi/eco/project.html>



### Cosmo Forest Activities for Satoyama Preservation

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. The Sakai Refinery and Cosmo Matsuyama Oil Co., Ltd. hold Cosmo Forest conservation activities twice a year, with the participation of employees and their families. In April 2012, the Chiba Refinery held an event at a nearby Cosmo Forest for local children.



Participants in the event

## Various Social Contribution Activities

### 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.

### The UN Global Compact's Ten Principles



<b>Human Rights</b>	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
<b>Labour</b>	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.
<b>Environment</b>	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.
<b>Anti-Corruption</b>	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

### International Technology Exchanges

The Cosmo Oil International Cooperation Center maintains and develops positive relations with oil-producing 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), Japan Oil, Gas and Metals National Corporation (JOGMEC) and other organizations to conduct training projects.

In the area of technical cooperation in fiscal 2012, the Group provided technical guidance for environmentally friendly equipment and operations in refineries in Oman. For training projects, the Group accepted trainees for 13 sessions and sent instructors for two sessions, working with 10 organizations in seven countries including the UAE, Qatar, Oman, Vietnam, Ecuador, Myanmar, and China.

#### Trainings with Trainees Accepted

Country	Description of Training	No. of Sessions
UAE	Petroleum refining technology, etc.	2
Qatar	Refinery equipment operating techniques, etc.	6
Oman	Environmental management	1
Vietnam	Logistics management system	1
Ecuador	Safety and environmental management and crude oil sludge measures	1
Myanmar	Safety and environmental management	1
China	Safety and environmental management	1
<b>Total</b>		<b>13</b>

#### Trainings with Experts Dispatched

Country	Description of Training	No. of Sessions
Oman	Refinery management	1
Vietnam	Refinery profitability improvement, and catalyst selection	1
<b>Total</b>		<b>2</b>

### Main Social Initiatives

Cosmo Oil 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.

With the Cosmo Waku Waku Camp reaching its 20th year, a letter of appreciation was received from the National Agency for Automotive Safety & Victims' Aid. The letter expressed gratitude for inviting 980 children to participate in the camp over the last two decades. Cosmo Oil will continue to promote various kinds of social contribution activities in the future.

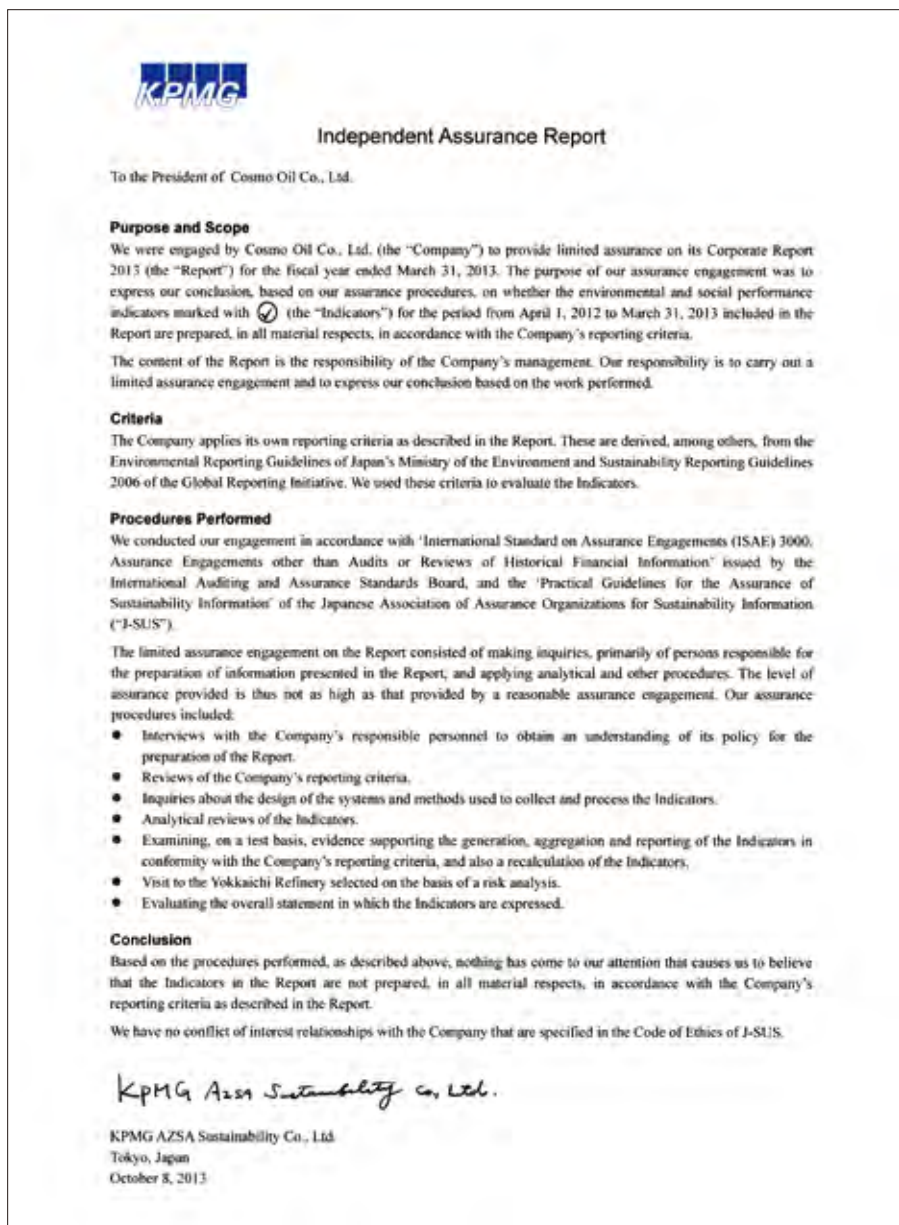


Participants enjoying the river at the Cosmo Waku Waku Camp

### Social Initiatives in Fiscal 2012

Program	Description	Dates
20th Cosmo Waku Waku Camp	Nature camp for elementary-school-aged children who have been orphaned as a result of traffic accidents	Aug. 2-4, 2012
Let's play musical instruments! Cosmo Family Concert	Concert program in which residents living near Cosmo Oil Group sites can participate	June 3, 2012 (Sakaide) Mar. 9, 2013 (Sakai)
Christmas Card Project 2012	Project to send Christmas cards with words of encouragement to children in long-term hospital care	Nov.-Dec. 2012
Jazz Night at Gyoranji Temple	Charity concert to benefit the Family House, a housing option for families of children in long-term hospital care	Nov. 8, 2012
Cosmo EkaKids	Hands-on craft workshop conducted by Group employees at an orphanage	Dec. 8, 2012
Blood drive	Employee blood-giving drive	Sept. 5, 2012; Feb. 1, 2013 (Cosmo Oil Head Office); also conducted at other Cosmo Oil offices

# Independent Assurance Report



## Report on Independent Assurance Work

With this report, the environmental performance indicators now include the environmental impact of service stations. This means virtually all significant environmental impacts of the Cosmo Oil Group in Japan are being accounted for and disclosed. The Group should now look into how to track and disclose the impact of its production and transport of crude oil.

The report discloses detailed data on social performance indicators, but most of the indicators are for Cosmo Oil Co., Ltd. only. For the major social performance indicators, Cosmo Oil should aim to disclose performance for the entire Cosmo Oil Group and build information-gathering systems and mechanisms to make this possible.

The Global Reporting Initiative (GRI) issued in May 2013 the fourth generation of its *Sustainability Reporting Guidelines*, which is regarded as the global standard for CSR reporting. The G4 guidelines introduce some major changes that will affect CSR reporting by, for example, requiring reporting companies to explain the process of identifying what is to be reported and disclose the identified material aspects. Whether or not the Group follows the G4 Guidelines, steps should be taken to address this new CSR reporting trend.



**Shinichiro Akasaka**  
KPMG AZSA Sustainability Co., Ltd.



## COSMO OIL CO., LTD.

The design of the *Cosmo Oil Group Corporate Report 2013* incorporates the following principles.



### Color Universal Design

This report 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