



## Message from the President

**“The Cosmo Oil Group is united in socially responsible management, working to earn public trust and to help build a more sustainable society.”**



Keizo Morikawa  
President, Cosmo Oil Co., Ltd.



### **Socially Responsible Management at the Cosmo Oil Group**

Fiscal 2013 marked the first year of the Fifth Consolidated Medium-Term Management Plan that will guide the Cosmo Oil Group through the next five years. Under the plan, we are redoubling our focus on socially responsible management. As a corporate group that handles petroleum products so important to people’s everyday lives, we must ensure that our business fulfills all of our corporate social responsibilities. We are determined to earn the trust and meet the expectations of our many stakeholders, including customers, shareholders, people in local communities, and the broader society.

In response to the damage that occurred during the 2011 Great East Japan Earthquake and the asphalt leak accident that we experienced in June 2012, we have even further heightened our emphasis on safety and stable operations. One of the priorities that we outlined in the CSR Initiative Policy (Fiscal 2013–2017) is to practice uncompromising safety management. In order to improve our safety and risk management, we established a Refinery Safety Reform Committee and created a Risk Management Unit, adding these into our corporate structure. These measures, together with the initiatives conducted at work sites, have helped to reinforce the safety framework and kept safety practices at our refineries at an all-time high.

In fiscal 2014, we will continue to position safety front-and-center every day at refineries and all other Group facilities, aiming to build an unshakeable bedrock of safety culture across the Group. Another priority that we have outlined in the CSR Initiative Policy is to make sure everyone always works with integrity. This has brought a renewed focus on rigorous compliance with all regulations and rules, even in the smallest daily tasks, and we are communicating this stance to all stakeholders.

### **Supply Framework**

With petroleum demand in Japan projected to continue declining, we conducted an overall review of our refineries including such factors as location and production volume. As a result, we shut down the refinery operations of the Sakaide Refinery in July 2013, leaving three operating refineries. In April 2014, the former refinery officially became the Sakaide Distribution Terminal. We will fulfill our responsibility to supply Shikoku and other regions from the terminal, which is the Group’s largest logistics facility in western Japan and also serves as an emergency supply point.

Cosmo Oil has signed an MOU with the Tonen General Sekiyu Group on collaboration between our Chiba Refinery and the Chiba refinery operations of Kyokuto Petroleum

Industries, a subsidiary of Tonen. Under the MOU, the partners will form a joint company to pursue synergies that will enhance international competitiveness, taking concrete measures such as constructing a pipeline linking the refineries and achieving joint facility optimization.

## Alliances with Japanese and International Partners

The Cosmo Oil Group will pursue alliances with ideal business partners in each business segment and region, as we seek to maximize corporate value. We regularly meet with IPIC<sup>1</sup> to explore potential joint projects. This led to a strategic comprehensive cooperation agreement with CEPSA<sup>2</sup> of the IPIC Group in fiscal 2013 aimed at expanding petroleum exploration. In the LP gas business, the Group has been discussing integrating the wholesale operations of Cosmo Oil, Showa Shell Sekiyu K.K., Tonen General Sekiyu K.K., Sumitomo Corporation, and Enessance Holdings Co., Ltd., which was established in 2008 by Showa Shell Sekiyu (51% stake) and Sumitomo

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. Compañía Española de Petróleos, S.A.U. (CEPSA) is an integrated petroleum company based in Spain.

Corporation (49% stake). Through these efforts to strengthen revenues in our business segments, we are aiming to become a vertically integrated global energy company.

## A Trusted Corporation That Contributes to the Larger Community

The Cosmo Oil Group has pledged its commitment to the United Nations Global Compact since 2006, under which we are advancing initiatives that adhere to its basic principles in the areas of human rights, labor standards, the environment and anti-corruption. These basic principles are conveyed in our Cosmo Oil Group Code of Conduct to guide the conduct and shape the attitudes of our employees. We expect each employee to contribute to our mission of ensuring the safe operation of refineries and a stable supply of petroleum products. This is the foundation of our effort to earn public trust as an energy company that helps build a more sustainable society.

In fiscal 2014, the Group will work as one to practice socially responsible management as we work toward the overall objective for fiscal 2017 in the CSR Initiative Policy: "Earning social trust and always making a positive contribution to society."

## Corporate Organization

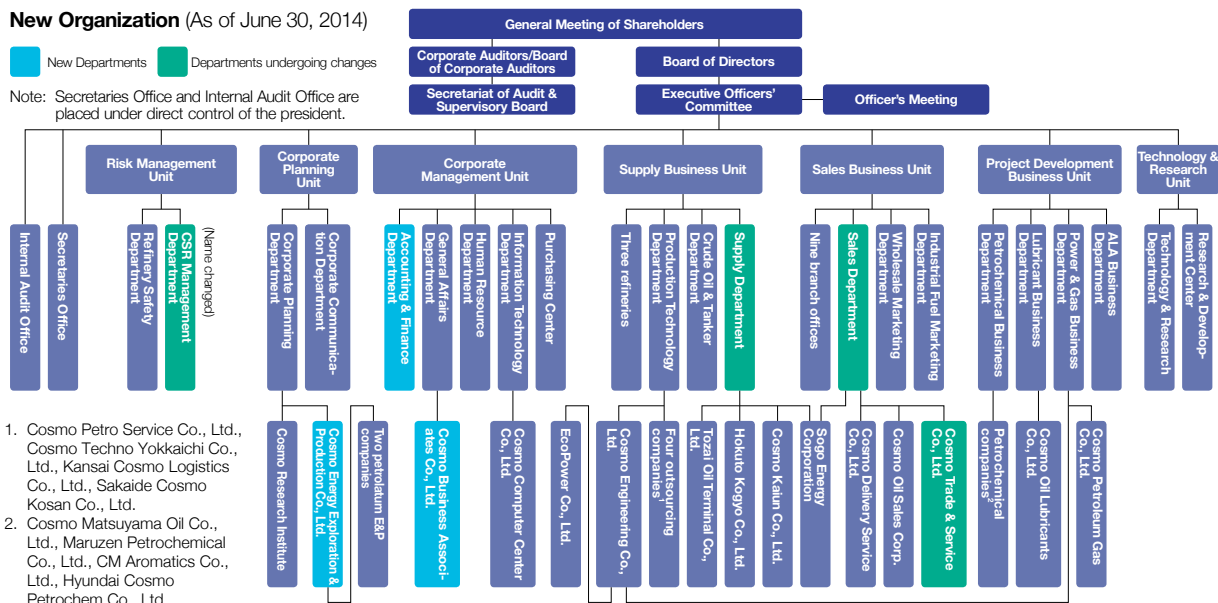
Cosmo Oil Co., Ltd. has been reviewing its organizational structure to better position the Group to deliver on the Fifth Consolidated Medium-Term Management Plan. Under the plan, the Company spun off its oil exploration and production business, forming Cosmo Energy Exploration & Production Co., Ltd. in February 2014 to facilitate nimbler management. In June 2014, the Company established Cosmo Business Associates Co., Ltd., an administrative subsidiary tasked with creating efficiencies in specialized

services and strengthening industry operations. The subsidiary functions like a department within the Cosmo Oil Head Office, implementing ongoing business process reengineering and expanding the scope of its influence across the Group. The Company also consolidated sales promotion for Cosmo Oil Group service stations and auto leasing operations under Cosmo Trade & Service Co., Ltd., to strengthen support.

### New Organization (As of June 30, 2014)

■ New Departments ■ Departments undergoing changes

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