



**“Cosmo Oil takes a group-wide approach to social responsibility to earn public trust and keep contributing to society.”**

*K. Morikawa*

Keizo Morikawa  
President, Cosmo Oil Co., Ltd.

●●● **Social Responsibility at the Cosmo Oil Group—Fiscal 2014 in Review**

The Cosmo Oil Group has made socially responsible management a fundamental priority under its Fifth Consolidated Medium-Term Management Plan, which runs for five years starting in fiscal 2013. While we must seek to enhance revenues and ensure that our business remains viable, socially responsible management in fact provides an outstanding platform for ensuring that our corporate activities achieve these aims.

The Group has outlined a CSR Initiative Policy (Fiscal 2013–2017) that designates five priority areas. Details start on page 17 of this report. Here, let me review our main initiatives in fiscal 2014. The Refinery Safety Reform Committee drove efforts to identify and improve issues at refineries, focusing on the production floor to secure strict safety management. I personally visited our refineries on a monthly basis and engaged in direct dialogue with employees from the production floor. I used these opportunities to share management’s strong commitment to safety and listen to the challenges the production floor faces and how they are overcoming them. Additionally, we established the COSMO Code of Safety Awareness, pursuing safety group-wide, not just focusing on production sites.

We have also made it a priority to ensure everyone works with integrity. We updated the Cosmo Oil Group Code of Conduct, which guides the behavior and helps shape the attitudes of employees, renewed the guidebook about the Code for employees, and conducted corporate ethics training to facilitate understanding of the updated guidelines. In an effort to enhance human rights and personnel policies, we are working to reduce long working hours and improve hourly productivity to foster better work-life balance. We will continue to address these priorities in fiscal 2015 as we practice socially responsible management throughout the Group.

●●● **Shifting to a Holding Company Structure and Strengthening Governance**

The Cosmo Oil Group will shift to a holding company structure in October 2015. The new holding company will oversee business companies in the three areas of resource exploration, supply, and marketing. These changes will not only enable us to continue to pursue sustainable growth, but also to enhance our competitiveness in each field by optimally allocating business resources from a group-wide perspective. Under the new structure, we will pursue comprehensive streamlining and

efficiency improvements in refining and supply, areas in which our business resources are currently concentrated. We will also position the resource exploration, retail, and wind power businesses as drivers for growth, shifting our business resources to raise our international competitiveness as a vertically integrated global energy company.

The conditions surrounding corporate governance in Japan will change significantly in fiscal 2015. With the shift to a holding company structure, we will also migrate to an audit committee structure for governance. We have already appointed two outside directors from IPIC,<sup>1</sup> and in fiscal 2015 we will further appoint two outside directors from other industries. We will comply with the Japan's Corporate Governance Code and Japan's Stewardship Code, both recently introduced, and will increase our corporate transparency to secure accountability while actively pursuing corporate governance.

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).

## Continuously Contributing to Society

The Cosmo Oil Group has pledged its commitment to the United Nations Global Compact since 2006, under which it is 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 reflected in the Cosmo Oil Group Code of Conduct, which we updated in fiscal 2014 to ensure ethical business conduct by all employees. The greatest mission of the Cosmo Oil Group is to provide a safe, stable supply of energy to society, recognizing that it profoundly affects people's livelihoods and way of life. In fiscal 2015, the Group will keep working to fulfill this mission, earning public trust and making a positive impact on society.

### Shifting to a Holding Company Structure

The Cosmo Oil Group is shifting to a holding company structure to ensure stable dividends and optimal allocation of business resources while facilitating flexible and rapid alliance strategies, including alliances, joint ventures, and mergers.

When Cosmo Energy Holdings Co., Ltd. is established on October 1, 2015, Cosmo Oil Co., Ltd. will become its sole

directly held subsidiary. Later, on January 1, 2016, Cosmo Energy Exploration & Production Co., Ltd. and Cosmo Oil Marketing Co., Ltd. will also become directly held subsidiaries, rounding out the portfolio of three core business companies. This will complete the shift to a holding company structure.

#### Maximizing the corporate value of the Cosmo Oil Group by shifting to a holding company structure

(Cosmo Energy Holdings Co., Ltd. to be established as a holding company through a sole share transfer)

##### Goals of the Shift to a Holding Company Structure

- 1 Strengthen business competitiveness and achieve stable profits at the holding company
- 2 Accelerate the move to stronger group management and increase flexibility to shift management resources
- 3 Facilitate the formation of alliances in each business field

