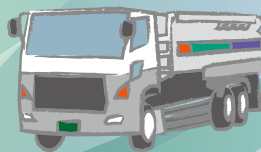
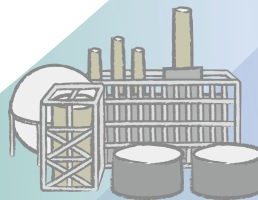
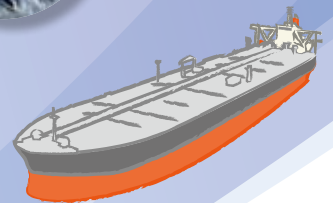
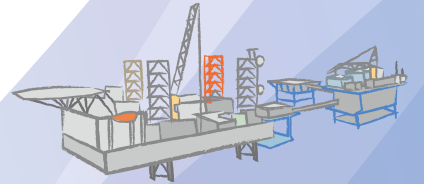


Cosmo Oil Group
**CORPORATE
REPORT**
2015





“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,¹ 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

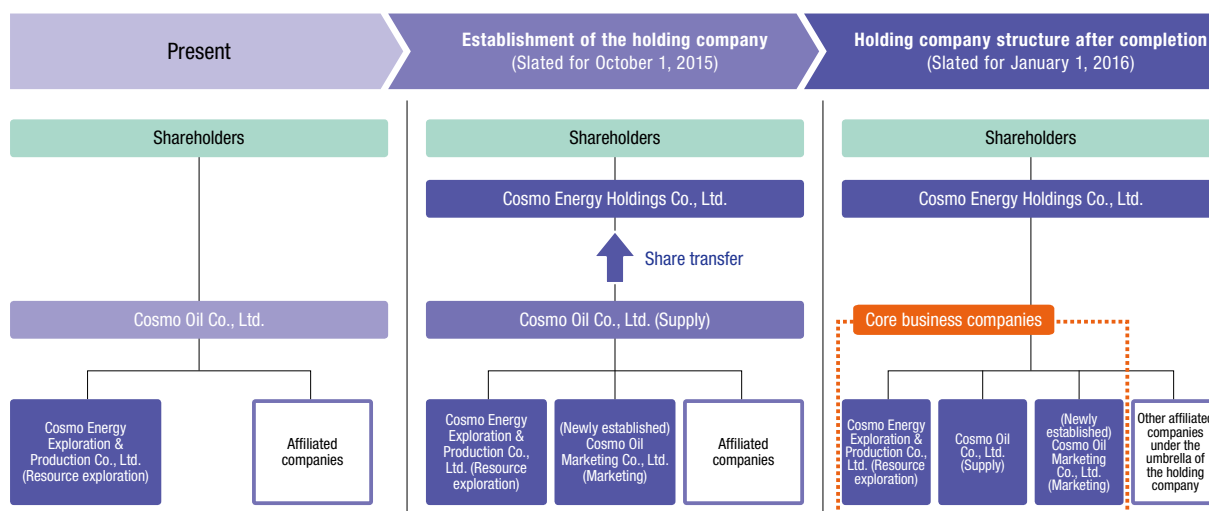
directly held subsidiary. Later, on January 1, 2016, Cosmo Energy Exploration & Production Co., Ltd. and Cosmo Oil Marketing Co., Ltd. will also become directly held subsidiaries, rounding out the portfolio of three core business companies. This will complete the shift to a holding company structure.

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



Profile of the Cosmo Oil Group

Corporate Profile

(As of March 31, 2015)

Name	Cosmo Oil Co., Ltd.
Head office	1-1-1, Shibaura, Minato-ku, Tokyo 105-8528 Japan
Established	April 1, 1986
No. of employees	1,643
Refineries	Chiba, Yokkaichi, and Sakai
Branch offices	Sapporo, Sendai, Tokyo, Kanto-Minami, Nagoya, Osaka, Hiroshima, Takamatsu, and Fukuoka
Oil depots	36 locations (including 33 subcontractors)
Bases outside of Japan	Abu Dhabi (UAE); Beijing (China); Doha (Qatar); Huston, Texas (USA); London (UK); Singapore
Crude oil production volume	38,031 barrels per day
Crude oil throughput capacity	452,000 barrels per day
Refinery operating rates	84% (Fiscal 2014)
Service stations in Japan	3,133 (approx. 9% of all service stations in Japan)
Self-service stations in Japan	1,031 (approx. 11% of all self-service stations in Japan)

Sales Overview

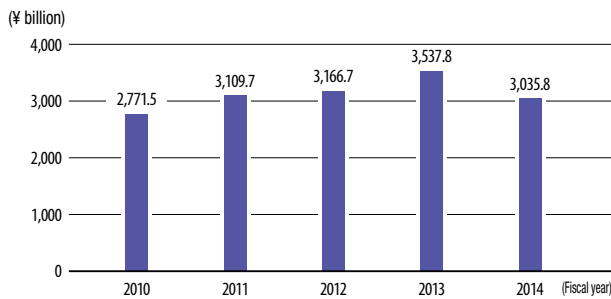
Sales Channels by Petroleum Product

Petroleum Product	Service Stations (Japan)	Companies in Japan ¹	Export from Japan
LP gas	●	●	
Gasoline	●		◆
Naphtha		●	
Kerosene	●	●	
Jet fuel		●	◆
Diesel fuel	●	●	◆
Heavy fuel oil A		●	◆
Heavy fuel oil C		●	◆
Asphalt		●	◆

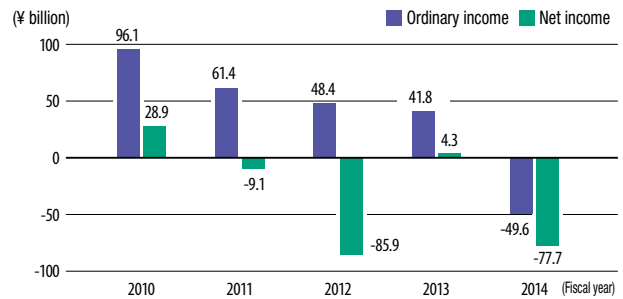
1. Companies in Japan include major power utilities and airlines.

Consolidated Financial Results—Highlights

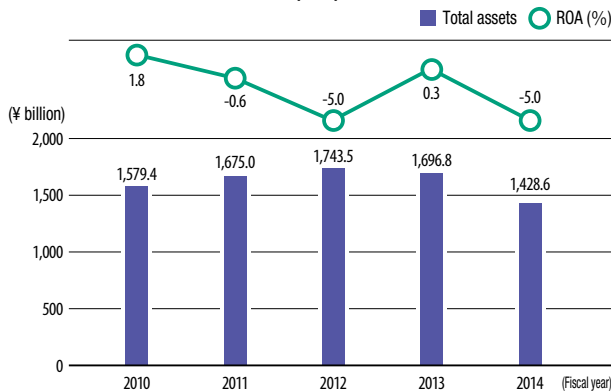
Net Sales



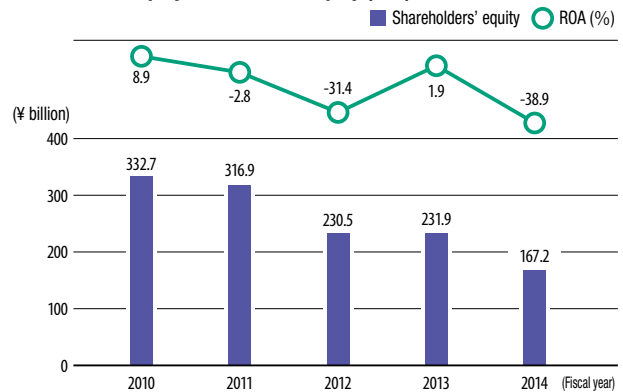
Ordinary and Net Income



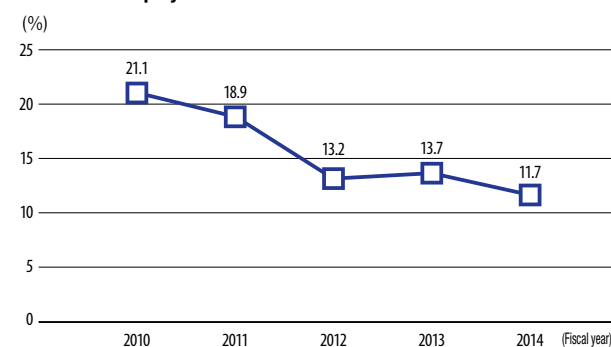
Total Assets and Return on Assets (ROA)



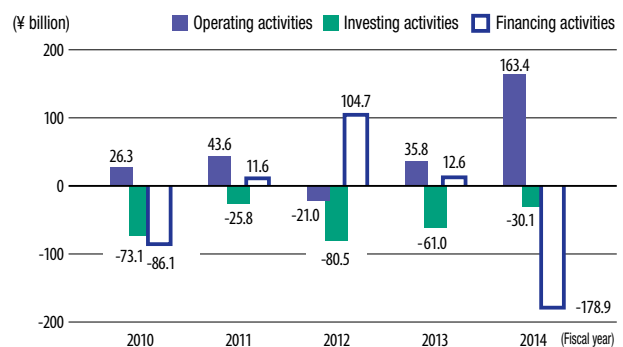
Shareholders' Equity and Return on Equity (ROE)



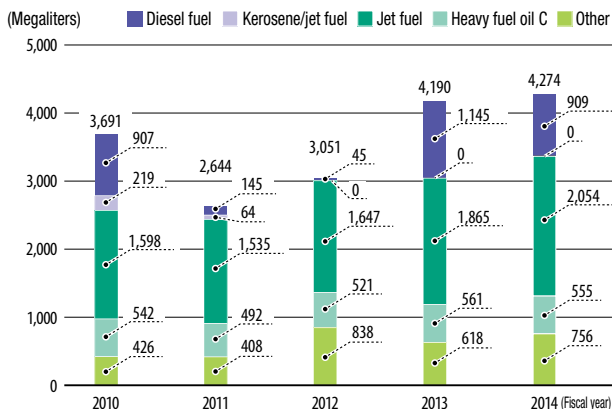
Shareholders' Equity Ratio



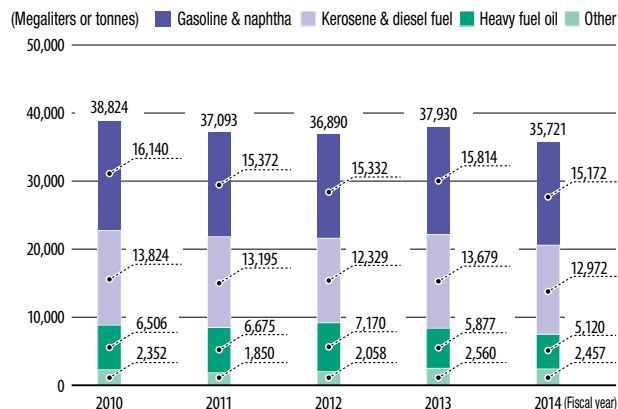
Cash Flows



Export Volumes



Non-Consolidated Sales Volume



Cosmo Oil Group Corporate Report 2015

Editorial Policy

The Cosmo Oil Group issues this report to communicate the Group's initiatives to stakeholders. The first half provides corporate information, and the second half outlines the Group's efforts to meet its corporate social responsibility (CSR) in accordance with the Cosmo Oil Group Code of Conduct and five priority items outlined in the Cosmo Oil Group CSR Initiative Policy (Fiscal 2013–2017).

This report was composed with reference to the *G4 Sustainability Reporting Guidelines* of the Global Reporting Initiative, with a focus on items with the greatest materiality for the businesses of the Cosmo Oil Group and stakeholders. Environmental performance data was calculated by referencing the *Environmental Reporting Guidelines 2012* published by Japan's Ministry of the Environment.

Cosmo Oil Group Corporate Report 2015 and the Website

The Cosmo Oil Group publishes this report in two editions, with the aim of reaching out to as many stakeholders as possible: a printed version edited for ease of reading and comprehension, and a Web version with additional detailed data. Please visit the Cosmo Oil website to read the Web version of this report.

CSR website www.cosmo-oil.co.jp/eng/csr/

Period Covered

April 1, 2014 to March 31, 2015 (including some reporting on fiscal 2015)

Report Boundary

This report includes information on the 24 Cosmo Oil Group companies covered by the CSR Initiative Policy, which are indicated by an asterisk in the list on pages 5–6. Data, however, that pertains only to Cosmo Oil or only to certain companies is footnoted to indicate this.

The Sakaide Refinery ceased refining operations and was reopened as the Sakaide Distribution Terminal in fiscal 2014.

Month of Issue

September 2015

Next issue (tentative): October 2016 (previous issue was in November 2014; report issued annually)

Third Party Assured Data

Check mark indicates that a third party, KPMG AZSA Sustainability Co., Ltd., has provided assurance for the reliability of the data.

Inquiries

CSR Management Department, Corporate Risk Management Unit, Cosmo Oil Co., Ltd.

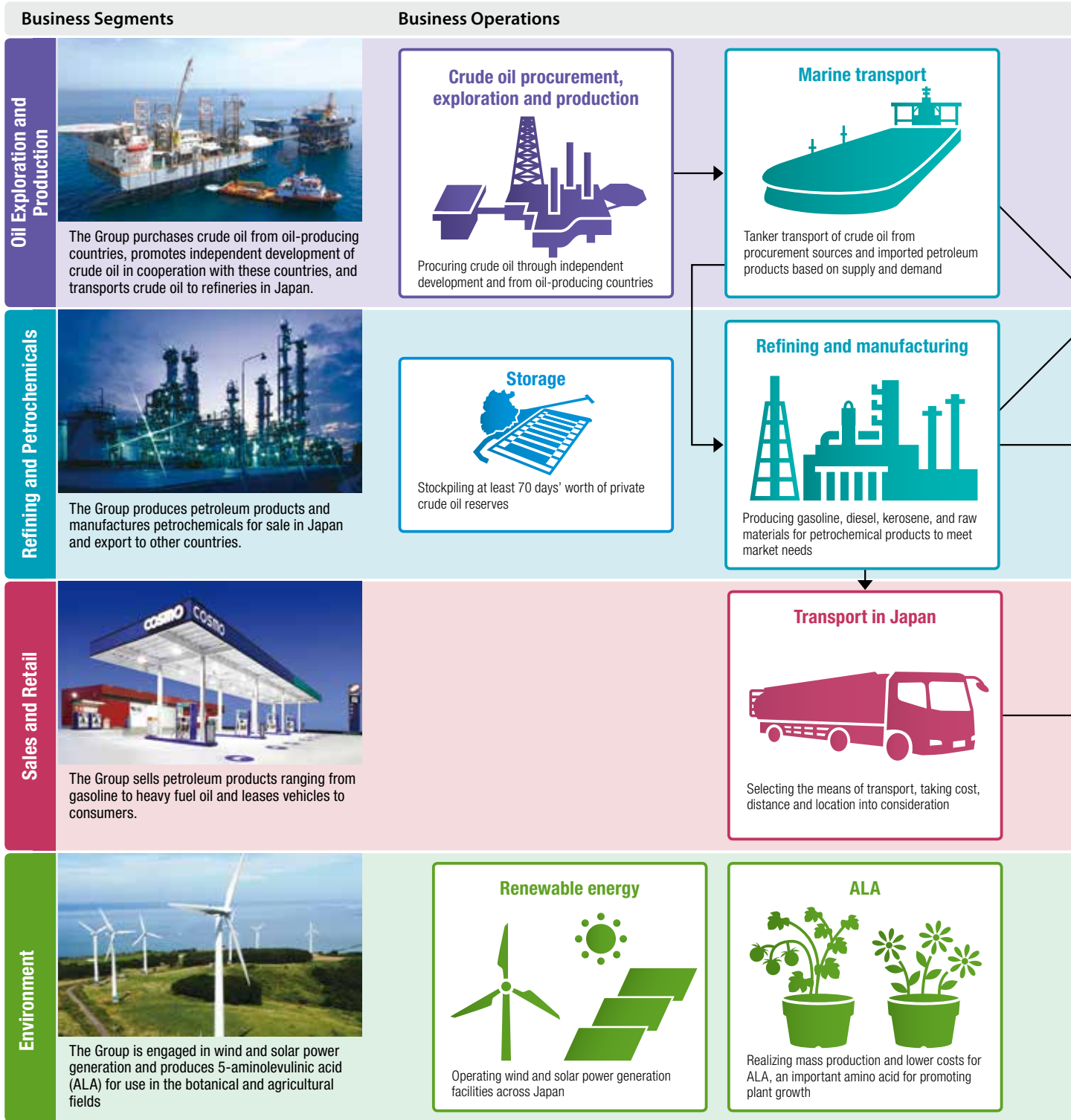
Email: cosmo_csr@cosmo-oil.co.jp

We welcome any feedback you may have regarding this report or the social responsibility initiatives of the Cosmo Oil Group.

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Overview of Cosmo Oil Group Businesses



Cosmo Oil Group Companies

Legend:

- ◎: Consolidated subsidiary
 - : Equity-method affiliated company
 - * (Asterisk) indicates the 24 group companies covered by the CSR Initiative Policy
- As of June 30, 2015

Oil Exploration and Production

Crude oil procurement, exploration and production

- ◎ Cosmo Energy Exploration & Production Co., Ltd.*
- ◎ Cosmo Abu Dhabi Energy Exploration & Production Co., Ltd.
- ◎ 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

Refining and manufacturing

- ◎ Cosmo Oil Co., Ltd.*
- ◎ Cosmo Oil Lubricants Co., Ltd.*

Petrochemicals

Petrochemicals manufacturing

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

Sales and Retail

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.*
- ◎ Kansai Cosmo Logistics Co., Ltd.*
- ◎ Sakaide Cosmo Kosan Co., Ltd.*
- Chiba Cosmo Koun Co., Ltd.
- Cosmo Lubricants Services Co., Ltd.

2015 Initiatives for the Future

Export of petroleum products



Exporting petroleum products from Japan, according to demand

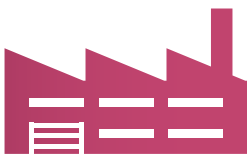
Petrochemicals manufacturing



Maintaining a production system in and outside of Japan and meeting increased demand

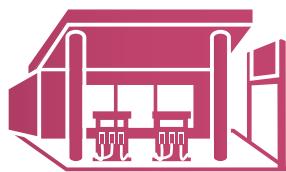
Distribution and sales

Sales in Japan



Supplying petroleum products to meet the needs of customers, including users in various industries and dealers

Car life business



Supporting motoring lifestyles through service station sales, while emphasizing regional characteristics

Research and development



Researching more advanced manufacturing technologies and developing environmentally friendly products

Customers, homes, and industry

Expanding crude oil exploration and production

- Strengthen alliances with oil-producing nations
 - Start early production in the new Hail Field in Abu Dhabi (UAE)
 - Ongoing drilling in promising lots
- ➔ pp. 9-10

Ensuring safety of operations and supply

- Establish Operation Management Systems
- ➔ p. 11
- Achieve greater efficiencies in the supply framework
- ➔ p. 12
- Improve safety management systems
- ➔ pp. 17-18

Enhancing relations with customers

- Expand the retail business
 - Cross-industry tie-ups (AEON Group)
 - Develop demand through direct sales
- ➔ pp. 13-14

Strengthening the renewable energy business

- Expand profits in the wind power generation business
- ➔ pp. 15-16
- Launch full-scale operation of mega-solar power plant ➔ p. 16

Expanding the ALA business

- Expand ALA applications in the healthcare, cosmetics, and health food fields

Sales in Japan

- ◎ Cosmo Oil Sales Corp.*
- ◎ Sogo Energy Corp.*
- ◎ Cosmo Property Service Corp.
- Osadano Gas Center Co., Ltd.
- Gyxis Corporation
- Sakurabashisangyo Co., Ltd.
- TOCOS Car Support Co., Ltd.
- Cosmo Reform Co., Ltd.
- Amtecs Co., Ltd.
- Road Shizai Co., Ltd.

Environment

Wind power generation

- ◎ EcoPower 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.*

Other Businesses

- ◎ Cosmo Engineering Co., Ltd.*
- ◎ Cosmo Trade & Service Co., Ltd.*
- ◎ Cosmo Business Associates Co., Ltd.*
- ◎ Cosmo Computer Center Co., Ltd.*
- 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 Europe B.V.

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

Cosmo Oil Group Management Vision

In striving for harmony and symbiosis among our planet, humankind, and society, we aim for sustainable growth towards a future of limitless possibilities.

Cosmo Oil Group Code of Conduct

Chapter 1 We are determined to be a safe, accident-free corporate group

Chapter 2 We 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

Chapter 6 We strive to maintain our position as an honest corporate group

Fifth Consolidated Medium-Term Management Plan

(Fiscal 2013–2017)

Under the Fifth Consolidated Medium-Term Management Plan, 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.

Basic Policy

Five years to establish a solid business foothold for further expansion

- 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 Oilbank¹
- Further enhance CSR management

Long-term goal
Vertically integrated global energy company

Corporate message to customers

“Filling Up Your Hearts, Too”

Corporate message to society

“Living with Our Planet”

Harmony and Symbiosis

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

Creating Future Value

Creating the Value of “Customer First”
Creating Value from the Diverse Ideas of the Individual
Creating Value by Expressing Collective Wisdom

CSR Initiative Policy “Filling Up Your Hearts” and Safety

(Fiscal 2013–2017)

While undertaking 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.

Initiative Themes

- Safety and Integrity (Restore social trust)
- Sharing and Self-driven (Share across the organization until established as routine)

Goal for Fiscal 2017

Cosmo Oil Group—Earning social trust and always making a positive contribution to society

Items and Themes of the CSR Initiative Policy

Fiscal 2013–2017

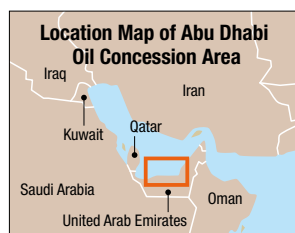
Priority Items	Initiative Themes
1. Strict safety management Priority Item 1 → p. 17	Safety management initiatives for refineries by Refinery Safety Reform Committee
	Group-wide safety management initiatives by Group Safety Promotion Committee
2. Working with integrity Priority Item 2 → p. 22	Emphasize CSR, ensure compliance, and increase employee understanding of Code of Conduct
	Reorganize risk management structure
	Group-wide quality management by Quality Assurance Committee
3. Enhancing human rights/ personnel policies Priority Item 3 → p. 26	Pursuit of customer satisfaction
	Increase work efficiency and better manage working hours
	Encourage work-life balance
	Create workplaces with respect for diversity
4. Promoting environmental initiatives Priority Item 4 → p. 29	Maintain/improve mental and physical health
	Eliminate power/sexual harassment
	Respond strategically to global warming
	Reduce environmental impact
	Promote environmental contribution activities
5. Implementing better internal and external communication Priority Item 5 → p. 32	Community contribution initiatives
	Social initiatives
	Internal and external corporate communications

1. Established in 1964, Hyundai Oilbank is an oil refining and marketing company in South Korea. Cosmo Oil established a joint venture with the company in 2009 to develop a paraxylene business.

Expanding Oil Exploration and Production to Secure Stable Supplies, Building on Strong Relations with Oil-Producing Nations

Strong Relations with Abu Dhabi Emirate

Cosmo Oil established Abu Dhabi Oil Co., Ltd. (Japan)¹ after obtaining concessions in the Emirate of Abu Dhabi, UAE in 1967, and has been producing oil for shipments to Japan from three oil fields in the emirate for more than 40 years. In that time, Abu Dhabi Oil (Japan) has established a close cooperative relationship with Abu Dhabi National Oil Company (ADNOC), and has also built positive relations with the emirate and the surrounding oil-producing nations by providing human resources, technical collaboration, and cultural exchange, as well as supporting Japanese language education for young people in UAE. The positive relations helped the company to obtain concessions for the new Hail Field, which lies adjacent to three existing oil fields. The Cosmo Oil Group is committed to securing stable supplies of energy by pursuing oil exploration and production built on strong relations with oil-producing nations.



1. Cosmo Oil Group owns a 63% stake in Abu Dhabi Oil Co., Ltd. (Japan)

Progress Report on Development of New Hail Oil Field

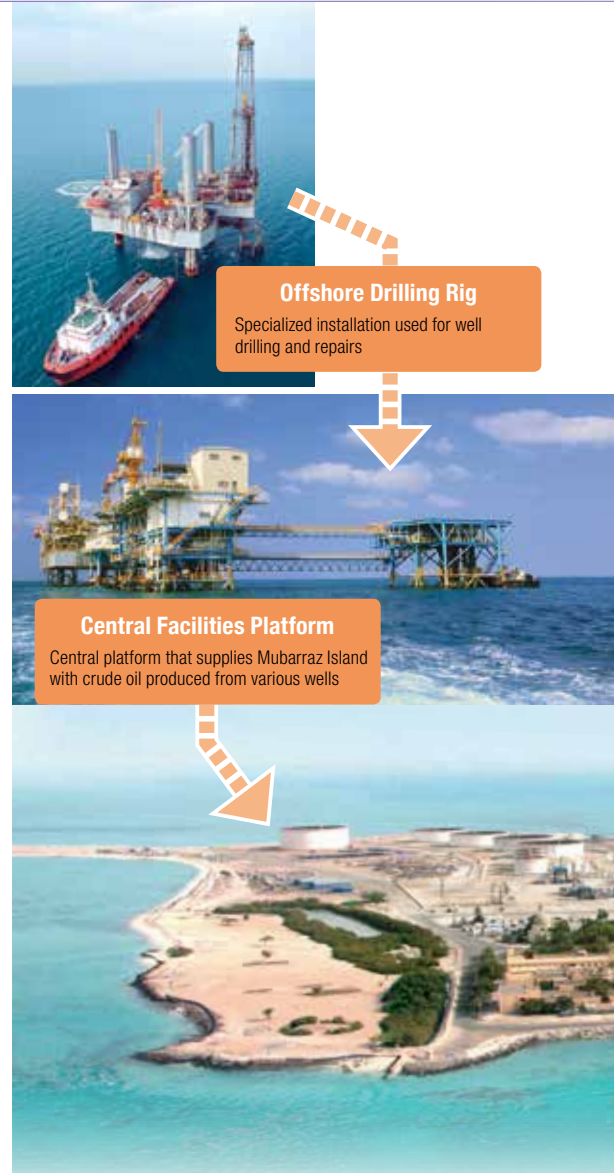
Situated south of Mubarraz Island, the Hail Oil Field is expected to produce approximately 20,000 barrels of crude oil per day, which is equivalent to the combined production of three existing oil fields. Since its launch in 2014, the project has been steadily advancing, with channel dredging for rig and man-made island construction currently underway for oil production to start in fiscal 2016.

Development Schedule to Start of Production

	FY2014	FY2015	FY2016	FY2017
Survey	3D seismic survey	Data analysis		
Development	Basic design	Channel dredging, man-made island construction	Aboveground facilities construction	Start of production
		Drilling preparations	Start of drilling	

Development Aims to Steadily Increase Production

Qatar Petroleum Development Co., Ltd. (Japan) of the Cosmo Oil Group is engaged in the additional development of an offshore oil field in Qatar that started producing oil in 2006. The goal is production of around 9,000 barrels per day.





We pursue the upstream business of oil exploration and production to raise revenues for the Cosmo Oil Group. The core company in these efforts is Abu Dhabi Oil (Japan), which successfully renewed oil concessions for existing fields and obtained a new concession for the Hail Field. With development as planned, the company's oil production will double by around 2020, reaching around 40,000 barrels per day. We are also considering maintaining existing concessions for our two other operating companies, United Petroleum Development (Japan) and Qatar Petroleum Development (Japan), set to expire in 2018 and 2022, respectively. Looking ahead, we will work to obtain new upstream concessions and assets, including more in Abu Dhabi, working closely with CEPSA, our strategic partner since 2014.

Strengthening Relations to Obtain New Concessions

In January 2014, Cosmo Oil signed a strategic comprehensive agreement with CEPSA¹, a leading petroleum company based in Spain. Under the agreement, the two companies will jointly identify business opportunities for oil-related business, pursuing expansion. In November 2014, Cosmo Oil transferred a stake in Cosmo Abu Dhabi Energy Exploration & Production Co., Ltd., which was newly created as a holding company of Abu Dhabi Oil (Japan), to CEPSA. Moving forward, the two companies will jointly operate the new holding company in an effort to strengthen the projects of Abu Dhabi Oil (Japan) and obtain new concessions.

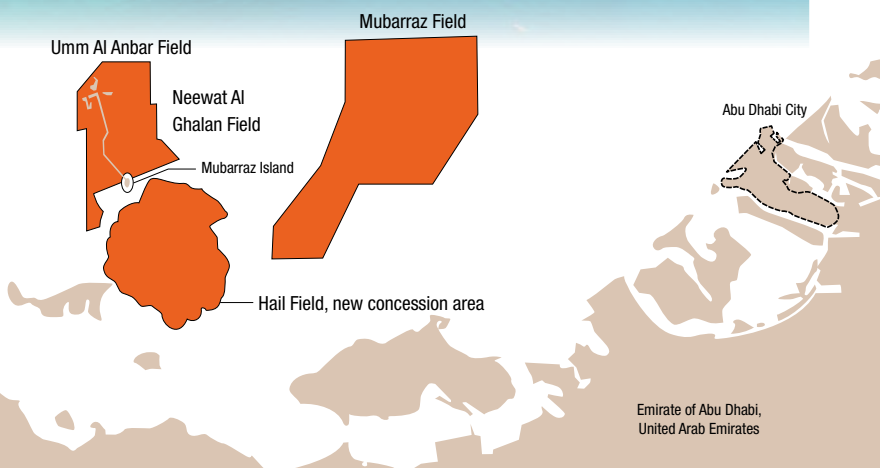


Signing ceremony with CEPSA.

1. Compañía Española de Petróleos, S.A.U. (CEPSA) is a wholly-owned subsidiary of the International Petroleum Investment Company (IPIC).



Mubarraz Island
All crude oil from three existing oil fields and the new Hail Field is sent by pipeline to Mubarraz Island for refining and shipment



Emirate of Abu Dhabi, United Arab Emirates

Environmental Initiatives in Abu Dhabi

Abu Dhabi Oil (Japan) is strongly committed to environmental initiatives. By re-injecting the gases liberated in crude oil production into the ground, the company achieved zero gas flaring¹ at three oil fields in 2001, helping to reduce air pollution and greenhouse gas emissions. It also plants mangroves and treats household wastewater for use in watering trees, to add greenery to Mubarraz Island. These extended efforts earned Abu Dhabi Oil (Japan) an ADNOC HSE Award² for HSE Performance in 2014.

1. Flaring involves igniting associated gases to dispose of the gases.
2. ADNOC HSE Awards were established by ADNOC to give recognition for health, safety, and environmental initiatives.



Mangroves planted through the efforts of Abu Dhabi Oil (Japan).



Receiving an ADNOC HSE Award for HSE Performance.

Building an Operation Management System to Realize Safe Operations and Stable Supply Exceeding International Standards

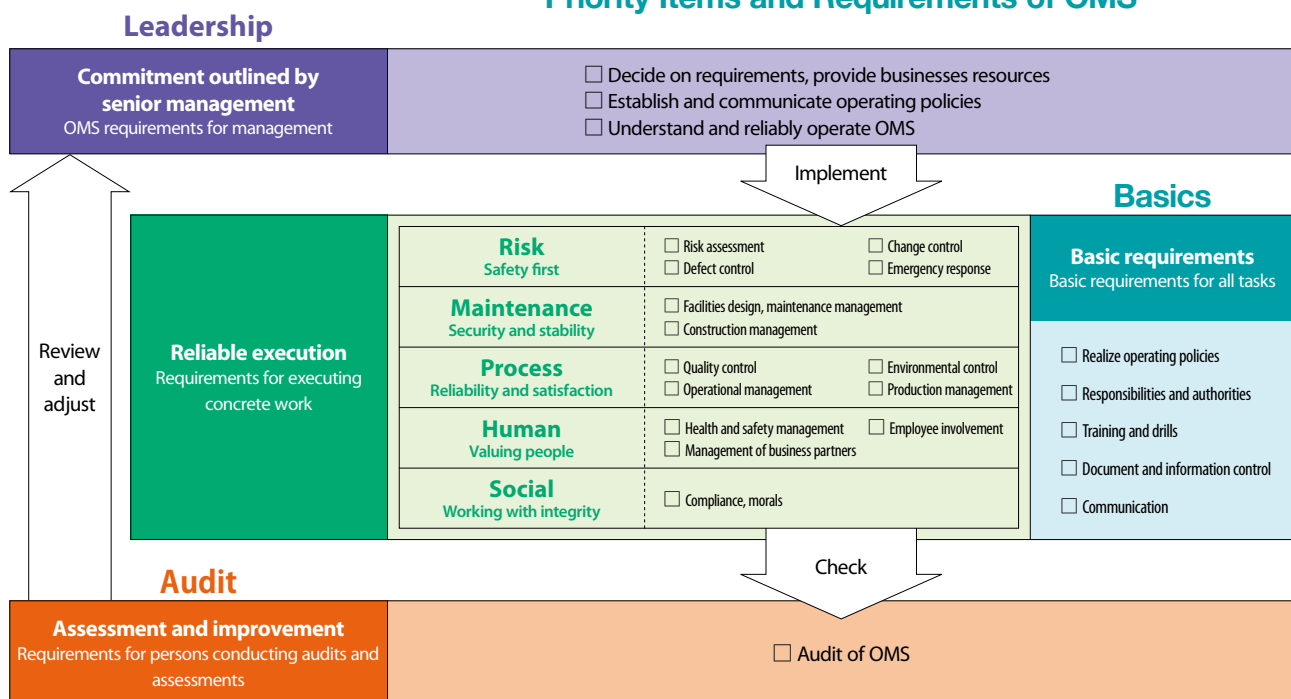


Operation Management System

The Cosmo Oil Group's Change 21 Activities for refineries have been helping to reduce unsafe and failure incidents since 2006. In 2013, the new Refinery Safety Reform Committee took over the overall implementation of plan-do-check-act (PDCA) cycles for safety at refineries.

With the Chiba Refinery initiating a plan for collaborative operations with TonenGeneral Sekiyu K.K., Cosmo Oil is preparing a company-wide, unified Operation Management System (OMS), based on a comprehensive review of management frameworks and systems. It will launch in January 2016. The OMS will prescribe initiatives for 23 essential requirements for realizing safe operations and stable supply. The Company will use it to take steps at its Head Office and refineries, and strengthen collaboration among them. The Cosmo Oil Group will continuously operate and enhance the OMS to realize operational safety and stable supply exceeding international standards.

Priority Items and Requirements of OMS



(To be appointed on October 1, 2015)

Cosmo Oil's business platform revolves around refining, and includes R&D, crude oil procurement, petrochemicals, lubricants, and international trading. Petroleum refining is considered a capital-intensive industry, but our greatest asset is the creativity of employees and their eagerness to take on new challenges in today's changing social and economic conditions.

Cosmo Oil is pioneering major structural changes in Japan's petroleum industry, aiming to meet customer needs and stakeholder expectations. This means achieving world-class operational safety and stable supply; it also calls for creative collaboration with other companies in each business sector and region. At Cosmo Oil, we are unleashing the collective wisdom and strength of our people to enhance growth potential across our diversified business portfolio.



Cosmo Oil Group Refineries Near Three Major Markets

Sakai Refinery (Sakai City, Osaka Pref.)

Started operating: October 1968
Supplies energy to the Kansai region, which includes major cities such as Kyoto, Osaka, and Kobe, plus jet fuel to the Kansai International Airport and Kobe Airport. Operates state-of-the-art heavy oil cracking units for environmentally friendly production.



Yokkaichi Refinery (Yokkaichi City, Mie Pref.)

Started operating: July 1943
Supplies energy to the Chubu, Hokuriku, and Kinki regions. Built a new mixed xylene distillation unit in 2011 and exports petrochemicals to international markets.



Chiba Refinery

(Ichihara City, Chiba Pref.)

Started operating: February 1963
Cosmo Oil's largest refinery, with a crude oil processing capacity of 220,000 barrels per day. One of the largest refineries in Japan, supplying all of eastern Japan including the Tokyo metropolitan area.

Business Alliances Secure International Competitiveness

Cosmo Oil and Kyokuto Petroleum Industries of the TonenGeneral Sekiyu Group established the joint venture Keiyo Seisei JV G.K. on January 7, 2015, seeking to integrate their refinery operations in Chiba. The joint venture will install pipelines linking the two refineries and then operate them centrally.

Cosmo Oil and Showa Yokkaichi Sekiyu of the Showa Shell Sekiyu Group have agreed on a business partnership between their refineries in Yokkaichi, starting in March 2017. Under the agreement, the refineries will pursue facility optimization to enhance competitiveness.

The Cosmo Oil Group will continue to leverage synergies obtained in business alliances to strengthen international competitiveness.

Diversifying Crude Oil Products

Japan's crude oil procurement is almost entirely reliant on imports, most of which are from the Middle East and other parts of Asia. Yet change is coming to the global supply structure of crude oil, driven by the shale oil boom in the United States and increasing demand for oil in developing nations.

The Cosmo Oil Group is responding not only by engaging in oil exploration and development in the Middle East to secure a stable supply of energy, but also by diversifying its crude oil procurement. This allows the Group to procure crude oil at lower prices amid volatile oil markets, greatly enhancing both refinery competitiveness and procurement stability.

Lately, the Group has expanded its procurement operations to include the United States, Russia, Mexico, Kazakhstan, and Western African nations.

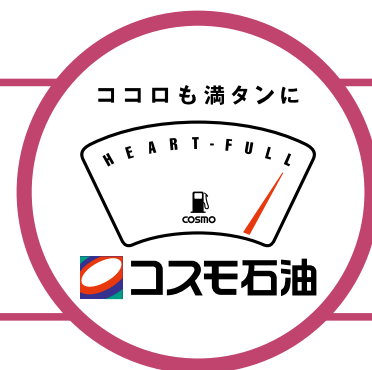


In October 2014, Cosmo Oil became the first Japanese company to import condensate from U.S. shale wells to Japan, moving to further diversify its oil products. Condensate (shown at left) is a type of crude oil yielded from gas wells as a liquid, which foams because of its high gravity and low viscosity.

“Filling Up Your Hearts, Too” — In Every Situation

Cosmo Vehicle Vision Commitment to “Filling Up Your Hearts, Too”

Cosmo Oil is working to transform its business model to one focusing on providing value for motoring lifestyles. The Cosmo Vehicle Vision aims to support service stations, which are at the center of the transformation. It aims to enable the Group to provide new value to more customers—by developing new customers, building stronger relations with existing customers, and proactively expanding vehicle sales.



Three Strategies for Transformation

► In fiscal 2015

Developing New Customers

Cosmo the Card cardholders
4.31 million



In addition to strengthening existing strategies such as winning more loyal customers by issuing Cosmo the Card and corporate cards for businesses, there will be stronger tie-ins with the major retailer, the AEON Group.

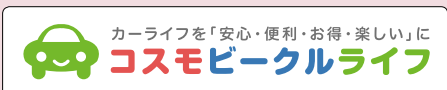
Strengthening collaboration with the AEON Group

The Cosmo Oil Group will strengthen customer referrals from the AEON Group via a tie-up with AEON's online shopping site, an AEON customer appreciation day for Cosmo the Card Opus cardholders, acceptance of WAON electronic payments at Ministop convenience stores, and other measures.



Strengthening Relations with Customers

Cosmo Vehicle Life members
Surpassed 200,000



Cosmo Vehicle Life logo

Cosmo Vehicle Life is a website for Cosmo the Card cardholders. Cardholders can log in to check fuel prices, get coupons, view

their vehicle maintenance schedule, and collect points. The program will help to build stronger ties with customers.

Maximizing benefits with the Vehicle Life app

This new app enables users to check fuel prices, get coupons, and collect points by playing a game, anywhere and at any time, significantly enhancing the benefits of the Vehicle Life program.



Proactively Expanding Vehicle Sales

Vehicles under lease
Surpassed 20,000



Cosmo Smart Vehicle logo

Cosmo Smart Vehicle is a branded vehicle sales program focusing on vehicle leasing for consumers. The monthly fee covers mandatory inspection, taxes, and maintenance costs, and provides discounts for gasoline and car washes. The program promises to create a new motoring lifestyle market.

Launching Smart Vehicle Shops across Japan

Smart Vehicle Shops will be launched across Japan, offering a new approach to vehicle sales. Acting as motoring lifestyle



consultants, the shops will comprehensively provide everything from vehicle sales to maintenance, insurance, and vehicle trade-ins.



Cosmo Oil Marketing is engaged in sales of products from gasoline to heavy fuel oil offered by the Cosmo Oil Group. We are the interface with the Cosmo Oil brand strategy “Filling Up Your Hearts, Too” for both service station customers and industrial users such as power utilities, steel manufacturers, and airlines. We focus on providing value for customers’ motoring lifestyles through our service stations, going beyond fuel oil sales to realize our Cosmo Vehicle Vision for the entire ¥36 trillion vehicle-related market.

Cosmo Oil is committed to expanding its service stations to provide new value, while supplying fuels to support industry in general, in order to satisfy diverse needs for every situation.

Launch of Flagship Self & Car Care Service Station



On October 18, 2014, Cosmo Oil opened the flagship Self & Car Care Station, the first of its next-generation service stations,¹ at AEON Mall Kisarazu, one of the largest shopping malls in Japan. Taking advantage of its location, the service station offers a wide range of services from vehicle sales and leasing to fuel, mandatory inspections, maintenance, insurance arrangements, and vehicle trade-ins. These services focus on the Cosmo Smart Vehicle program, helping customers make the most of their time. This flagship service station will realize the Cosmo Vehicle Vision and capitalize on the tie-up with the AEON Group to supply new value for the motoring lifestyle of customers.

1. **Next-generation service stations** support every aspect of motoring lifestyles, in addition to refueling. The stations are equipped with solar panels and EV charging stations to accommodate use of new energy, and are prepared for emergencies with portable fuel pumps, portable generators, and satellite phones.

Supporting Industry and Japan’s Way of Life

The Industrial Fuel Sales Department of Cosmo Oil oversees the supply of boiler fuels for industrial plants and fuels used for electricity generation, as well as transport fuels used for aircraft, marine vessels, trucks, and buses. With so many and such diverse applications for fuel oils, the department sometimes receives specific quality requests based on the performance requirements of customer’s equipment. Where possible, the department strives to satisfy the different needs of customers, for the stable supply of high-quality fuel oils to support industry and Japan’s way of life.



Refueling an aircraft via the main wing.



Refueling a large marine vessel at sea (fueling vessel in the foreground).

Proactively Expanding Wind Power and Other Clean Energy Projects

Humanity faces a number of critical issues including dwindling resources, stable supply of energy, and global warming. As an energy company, Cosmo Oil is helping to address these social issues by proactively pursuing renewable energy projects such as wind and solar power generation and providing clean, green energy generated in Japan.



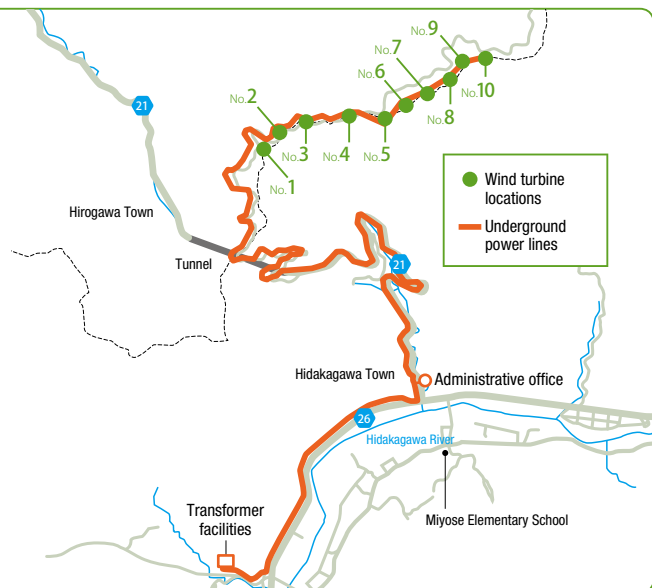
New Wind Farm Goes Online

EcoPower Co., Ltd. was established in 1997, becoming the first Japanese company engaging in both maintenance and operation of wind power generation facilities. It joined the Cosmo Oil Group in 2010 and drives the Group's wind power business today. EcoPower has improved wind turbine operating rates to deliver more stable power and continues to build new, large-scale wind farms. In November 2014, the Hirogawa-Hidakagawa Wind Farm, the first wind farm it built since joining the Group, went into operation.

This wind farm is situated on a ridge of the Shirama mountains in Wakayama Prefecture. Based on environmental assessments done in the planning stages of the project, EcoPower took steps to mitigate the anticipated impact on the ecosystem, and also provided extensive information to community residents to gain their support. EcoPower will continue to supply clean wind power for a sustainable Japan.

Hirogawa-Hidakagawa Wind Farm

Project size	2,000 × 10 turbines kW-class capacity each
CO ₂ reduction	Approx. 19,000 tonnes/year
Annual generating capacity	Enough energy to supply Approx. 11,000 households for a full year
Equivalent crude oil reduction	Approx. 12,000 kl/year (60,000 drums)



EcoPower's Wind Power Plants

Total power generating capacity: 182,510 kW
Total number of wind turbines: 145

Wakkanai: 2,300 kW

Reuke: 2,960 kW

Rumoi: 2,400 kW

Atsuta: 900 kW

Oiwake-Souran: 800 kW

Matsumae: 800 kW

Hebiura: 400 kW

Noheji: 800 kW

Mutsu-Ogawara Wind Farm: 31,500 kW

Akitaaraya Wind Farm: 6,800 kW

Sakata Port: 1,500 kW

Tachikawa Wind Farm: 3,200 kW

Goto-Kishiku:
1,200 kW

Ikata Wind Farm: 18,000 kW

Nemuro-Habomai: 750 kW

Iwaya: 800 kW

Iwaya Wind Park: 27,000 kW

Sodeyama Heights:
1,200 kW

Launched in February 2015

Aizuwakamatsu Wind Farm:
16,000 kW

Hazaki: 1,200 kW

Hazaki Wind Farm: 15,000 kW

Choshi Wind Farm: 10,500 kW

Sodegaura: 1,500 kW

Iwata Wind Farm: 15,000 kW

Scheduled to go online in 2017

Watarai Project: 28,000 kW
(increasing to 50,000 kW)

Launched in November 2014

Hirogawa-Hidakagawa Wind Farm: 20,000 kW

Safe and Reliable Maintenance to Ensure High Availability

It has been five months since the Hirogawa-Hidakagawa Wind Farm went online in November 2014. Everything is going as planned, and we have met our target of achieving 94% availability. This is the first time EcoPower has used made-in-Japan turbines. They are specifically designed for wind conditions in Japan, where wind direction and speed can change from day to day. We are currently working with the maker to collect data so that we can further improve availability.

Maintenance and inspections are essential to securing the safe operation of a wind farm. We conduct monthly, biannual and annual inspections and also respond as needed to unforeseen situations. We track the operating status of every turbine owned by EcoPower in a database, and we have a framework for quickly responding and implementing safe and reliable measures in an emergency. We will keep working to maintain high availability to secure stable supply of electricity.

Yoshikazu Hashimoto

Administrative Office, Hirogawa-Hidakagawa Wind Farm, EcoPower Co., Ltd.



Hitachi Solar Power Plant (CSD Solar)

More Mega-solar Power Plants Launched

In March 2013, Cosmo Oil entered the mega-solar power business in earnest by establishing CSD Solar, a joint venture with Showa Shell Sekiyu and the Development Bank of Japan. CSD Solar has stepped up its wholesale power generation business with the launch of the Hitachi Solar Power Plant and four other mega-solar power plants in 2014 and the Kasumi Solar Power Plant in June 2015. The company will soon construct two additional mega-solar plants to bring the total number of sites across Japan to eight, for a total generating capacity of 24,000 kW.

CSD Solar's Main Power Plants

Launched in June 2014; 384 kW capacity

Hitachi Solar Power Plant (Ibaraki Pref.)

Launched in July 2014; 1,229 kW capacity

Tokushima Solar Power Plant (Tokushima Pref.)

Launched in July 2014; 573 kW capacity

Oita Solar Power Plant (Oita Pref.)

Launched in October 2014; 1,188 kW capacity

Taniyama Solar Power Plant (Kagoshima Pref.)

Launched in November 2014; 1,966 kW capacity

Fukui Solar Power Plant (Fukui Pref.)

Launched in June 2015; 4,608 kW capacity

Kasumi Solar Power Plant (Mie Pref.)

Strict Safety Management

Safety Initiatives

The Cosmo Oil Group prioritizes strict safety management as part of the CSR Initiative Policy for fiscal 2013–2017. Under the Consolidated Medium-Term Safety Plans (Fiscal 2013–2017), the Refinery Safety Reform Committee concentrates on safety management at refineries, with the Group Safety Promotion Committee advancing safety management at the group-wide level. The committees strive to eliminate work-related accidents and incidents in each division and to secure safe operations and stable supply.

Safety Management Systems of the Cosmo Oil Group

Group Safety Promotion Committee

The Cosmo Oil Group operates the Group Safety Promotion Committee, which meets twice a year to implement and expand initiatives for safety management. The Committee conducts inspections at the Group’s work sites (listed at right) to verify and supervise initiatives for safety management.

Number of Work-Related Accidents in Fiscal 2014

	Accidents requiring time off from work	Accidents not requiring time off from work	Total
Cosmo Oil	6	16	22
Affiliated companies ¹	18	64	82

Safety and Environmental Inspections Conducted in Fiscal 2014

Cosmo Oil	Affiliated Companies
<ul style="list-style-type: none"> ● Refineries (Chiba, Yokkaichi, Sakai) ● Sakaide Distribution Terminal ● Hakodate Distribution Terminal ● Supply Department, Head Office 	<ul style="list-style-type: none"> ● Cosmo Matsuyama Oil ● Cosmo Oil Lubricants ● Cosmo Engineering ● Cosmo Trade & Service ● Cosmo Delivery Service ● EcoPower ● Cosmo ALA

¹.Affiliated companies: Cosmo Oil Lubricants, Cosmo Oil Sales, Cosmo Trade & Service, EcoPower, Cosmo Energy Exploration & Production, Cosmo Techno Yokkaichi, Cosmo Matsuyama Oil, Kansai Cosmo Logistics, Sakaide Cosmo Kosan, Hokuto Kogyo, Cosmo Engineering, Sogo Energy.

COSMO Code of Safety Awareness

The Cosmo Oil Group pursues safety by involving all employees, not just those at production sites. The COSMO Code of Safety Awareness directs all employees to share the same commitment to safety and action

regardless of the type of work or workplace, helping to establish better and safer working conditions and foster a culture of safety.

COSMO Code of Safety Awareness

	Slogan	Specific Actions (Example)
C	Compliance Comply with the rules that must be observed.	Comply with laws and regulations, company regulations and in-house rules.
O	Open Open your heart and be considerate of other people and property.	Greet people you pass inside and outside the company worksite.
S	5S Practice the 5S basics of safety— <i>seiri</i> (sorting), <i>seiton</i> (standardizing), <i>seiso</i> (sweeping), <i>seiketsu</i> (sanitizing), and <i>shitsuke</i> (self-discipline).	Don't leave documents out on your desk when you go home.
M	Maintenance Maintain your equipment and your mind.	Take care of equipment and prevent falls. Remove obstacles from evacuation routes.
O	Oval Spread awareness of safety from yourself to the colleagues around you.	Start action yourself and call on the colleagues around you. Correct unsafe conditions through checking and double-checking by multiple organizations and group companies.

Refinery Safety Reform Committee

The Cosmo Oil Group established the Refinery Safety Reform Committee headed by the president in March 2013 to enhance safety at refineries and secure stable operations, which are major management priorities. The Committee implements management based on PDCA cycles to identify and address weaknesses at refineries and secure continuous improvement.

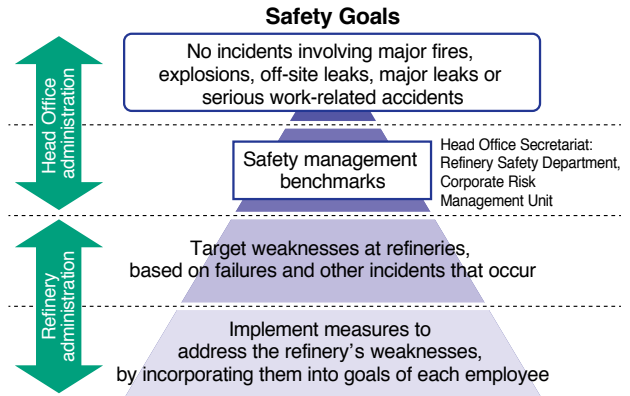
Unsafe and Failure Incidents

Fiscal Year	2009	2010	2011	2012	2013	2014
Change from previous fiscal year	-10%	-2%	-9%	-8%	-15%	-22%

→ Significant reduction in unsafe and failure incidents, from systematic application of PDCA cycles

Operation of Refinery Safety Reform Committee

Safety Benchmarks



Example Initiatives for Safety Management

Refineries

Machinery operators and maintenance staff at refineries work together to conduct inspections for external corrosion. Refineries have more than 100 kilometers of piping, which makes it difficult for maintenance staff to perform all maintenance work. Since there are many machinery operators who are frequently on site, they are entrusted with the critical task of conducting inspections for external corrosion of piping. Maintenance staff prepare inspection checklists and train operators so that they are able to identify irregularities, which maintenance staff rapidly address. These efforts have significantly reduced the number of incidents at refineries in fiscal 2014.



Training machinery operators to conduct inspections for external corrosion.

Sales

To comply with Japan's revised Fire Service Act, the Group has finished mandatory repairs on underground storage tanks that were installed more than 40 years ago at directly-owned service stations. The Group is also supporting dealer-owned service stations to ensure they conduct the repairs within the expected timeframe in order to prevent leaks from underground tanks.



Highlight Top Managers Visit the Production Floor for Dialogue

President Keizo Morikawa and officers in charge of refineries visited the frontlines to dialogue with employees. The personal interaction between senior management and the people on the production floor helps to foster unity, show management's strong commitment to safety, and highlight the challenges employees are facing and overcoming. The Group is united in its mission to secure safe refinery operations.



President Keizo Morikawa (far left) speaking with employees.

Stakeholder Dialogue

Securing Petroleum Supplies: Group-Wide, Industry-Coordinated Business Continuity Planning

The Cosmo Oil Group's business continuity plan (BCP) aims to secure the rapid supply of petroleum products in the event of a large-scale disaster. The Group is always working to improve its disaster response. Dr. Tomohisa Sashida, Executive Chief Consultant, Tokio Marine & Nichido Risk Consulting Co., Ltd., joined us to discuss business continuity planning.

Expectations for the Petroleum Industry in a Disaster

Yoshimochi: We would like to ask your expert advice on business continuity planning. As you know, Cosmo Oil first assembled an earthquake BCP in 2006, in response to guidance from the Cabinet Office issued in 2005, and later prepared a BCP for a flu pandemic in 2009.

Sashida: Business continuity planning has become more prevalent globally, sparked by events such as the year 2000 computer problem and the 2001 terrorist attacks in the U.S. In fact, some U.S. corporations triggered their BCPs to

secure business continuity when the World Trade Center towers were destroyed.

Yoshimochi: Some elements of our BCP did not operate properly when one of our refineries was damaged in the Great East Japan Earthquake. We then spent two years comprehensively reviewing our risk management, and formulated a new earthquake BCP in 2013.

Sashida: Cosmo Oil's BCP focuses on a large-scale earthquake. A good BCP will include disaster mitigation measures to protect residents from fires and explosions. I'm glad that Cosmo Oil is addressing this with measures such as seismic reinforcement at refineries. The next critical aspect is to fulfill supply responsibilities; in your case, reopening service stations quickly, restarting shipments from refineries and oil depots, and securing the logistics network, in order to ensure fuel supply to disaster areas.

Other critical aspects include identifying the priorities for restoring operations, including outside of disaster areas, and predicting the time needed to restore operations and the level of operation that can be secured. And it is vital to consider earnings and costs when setting these targets.

Meeting National and Public Expectations

Yoshimochi: One core element of our BCP is the plan for coordinating petroleum supply in a disaster. We are ready to work with the Petroleum Association of Japan and wholesalers to fulfill fuel supply requests from the Japanese government in a disaster.

Sashida: The Great East Japan Earthquake reminded all of us of the importance of lifeline infrastructure, including petroleum supply. A good BCP also needs to include frameworks for mutual support and cooperation in a disaster.

Yoshimochi: We established a business tie-up with Hyundai Oilbank of South Korea in 2013, and signed a mutual supply agreement for petroleum products in an emergency. In April 2015, Cosmo Oil and other petroleum wholesalers became designated public institutions based on Japan's



Tomohisa Sashida, Ph.D.

Executive Chief Consultant,
Tokio Marine & Nichido Risk Consulting Co., Ltd.

Joined Tokio Marine Fire Insurance Co., Ltd. in 1979. Worked as a consultant on information security and risk management including earthquake measures. In 1996, was assigned to work at Tokio Marine & Nichido Risk Consulting Co., Ltd., where he consulted on risk management, information security, business continuity, and internal control. Has served on advisory committees on disaster mitigation and business continuity planning for small and medium-sized enterprises organized by the Cabinet Office of Japan and the Small and Medium Enterprise Agency.

Basic Act on Disaster Control Measures.

Sashida: This is welcome, because it allows Cosmo Oil to pre-register emergency vehicles like tanker trucks and to use the government's anti-disaster radio communication system. These measures should speed up disaster recovery and help secure stable supplies. At the same time, the public institution designation means Cosmo Oil must act as a national public servant, so it must do a solid job in protecting the citizenry.

Alternative Strategies Essential for the BCP to Operate

Yoshimochi: Our next task is to make sure we are fully prepared for actual BCP implementation in an emergency. It has to be more than a guidance document.

Sashida: In the face of the Great East Japan Earthquake, BCPs in some companies did not function at all. The companies that were able to operate their BCPs were those that regularly conducted drills and were able to execute alternative strategies. It is better to repeat drills and exercises—even if they are short. This way, problems can be identified each time and addressed to improve the BCP. Alternative strategies involve either temporarily relocating operations outside of disaster areas, or getting support from partner companies to overcome the emergency, and during this time restoring operations at impacted facilities.

In my view, business continuity planning at the level of the single company is not sufficient; it should be pursued by each industry as a whole. Alternative strategies are needed, which encompass collaboration among companies in the same sector, as well as internal collaboration across business locations.

Yoshimochi: In 2014, we held a drill based on the scenario of a major earthquake in Tokyo, on top of the refinery and divisional drills. Going forward, we will conduct drills in coordination with service stations and business partners. Also, Cosmo Oil will adopt a holding company structure in October 2015, which gives us an opportunity to enhance our Group management. We have made a renewed commitment to stepping up our efforts group-wide to ensure that our BCP operates effectively.



Atsuhito Yoshimochi

General Manager, CSR Management Department,
Corporate Risk Management Unit, Cosmo Oil Co., Ltd.

Highlight BCP Drills in Fiscal 2014

In June 2014, Cosmo Oil implemented a joint petroleum supply drill at the Sakai Refinery in collaboration with the Japan Self-Defense Forces, Agency for Natural Resources and Energy, and Petroleum Association of Japan, as part of the FY2014 Joint Exercise for Rescue by the Ministry of Defense. At the same time, the Company conducted a drill for the Cooperation Plan for Oil Supplies during a Disaster¹ of the Nankai Trough earthquake scenario.



The Cosmo Oil Head Office also conducted a BCP drill using a scenario of a major earthquake in Tokyo and focusing on (1) behavior based on BCP manual, (2) centralized information management and countermeasures by the Crisis Response Headquarters, and (3) group-wide coordination of information. The Cosmo Oil Group will keep holding BCP drills at various divisions to enhance the level of execution.



1. **The Cooperation Plan for Oil Supplies during a Disaster** is mandated under Japan's Oil Stockpiling Act to secure stable petroleum supplies in a disaster.

Industry Collaboration on Industrial Safety

Representing the petroleum refining and wholesaling industry, the Petroleum Association of Japan formulates voluntary action plans to secure industrial safety in Japan. Cosmo Oil helps to implement these industry plans while taking the initiative to fulfill its social responsibility as a petroleum company.

Highlights of Initiatives Implemented by Cosmo Oil

Period: April 1, 2014 to March 31, 2015

Management Commitment to Industrial Safety

The Cosmo Oil Group is determined to ensure safe refinery operation and stable supply of petroleum products. The Group is also reinforcing its broader CSR efforts to earn public trust as a responsible energy company. In fiscal 2014, the Group stepped up dialogue with frontline employees to convey senior management's firm resolve about safety. For instance, top management spent time discussing safety in person with frontline employees.

Implementation Plan for Industrial Safety Measures

A. Concrete measures to reduce accidents

1. Facility management (corrosion, etc.)

Facilities maintenance staff from different sites met to discuss ways to enhance the precision of maintenance planning (launched in fiscal 2014).

2. Preventing human errors, implementing risk assessments

While conducting hazard prediction training for irregular operations and having employees use the point-and-call method before starting each task, in fiscal 2014, the Group also extended its zero accident campaigns to involve on-site employees of business partners. In addition, it implemented a risk assessment methodology developed based on past critical accidents from irregular operations at its industrial complexes.

3. Preparation of procedures and manuals

In fiscal 2014, the Group started preparing reference schedules for everyday construction management to ensure safe work cycles in all construction projects. This effort resulted in a major reduction in problems during construction management.

B. Training and drills

The Group conducts hands-on drills and disaster mitigation drills to raise hazard awareness as well as study meetings to learn from past accidents. In fiscal 2014, a training device was introduced to teach employees, including business partner staff, to use the point-and-call method of confirming safety of tasks.

Safety Management by Cosmo Oil Head Office

Launched in March 2013, the Refinery Safety Reform Committee is responsible for ensuring the execution of PDCA cycles, including assessment and review of refinery safety measures and their progress, in order to secure operational safety and stable supply. Starting in fiscal 2014, regular newsletters have been posted as a visible safety reminder to employees.

Setting Targets for Industrial Safety

- Fiscal 2014 Cosmo Oil Group Safety Policy: Establish "a culture of safety" for compliance in good faith
- Fiscal 2014 Safety Goal for Refineries: Maintain a record of zero major fires, explosions, off-site leaks, major leaks, and serious work-related accidents

Survey and Assessment of Target Achievement and Execution of Measures

The Refinery Safety Reform Committee sets safety benchmarks on a quarterly basis, monitoring achievement levels and discussing measures. These efforts have made safety measures more effective, enabling refineries to keep meeting the fiscal 2014 safety goal.

Group-wide Voluntary Safety Initiatives

The Group continues to conduct corporate ethics workshops for all employees. In fiscal 2014, all employees were required to take a correspondence course on compliance.

Preventing Industrial Accidents Related to Natural Disasters

- The Group prepared a BCP manual for the entire supply network, implemented BCP drills, and improved the manual based on the issues identified. The Group is also improving refinery facilities to strengthen their supply-side resilience.
- High-pressure gas facilities and other equipment were assessed in order of priority for preparedness against damage from a major earthquake, based on experiences in the Great East Japan Earthquake. The needed seismic upgrades are being made systematically.

Working with Integrity

Compliance Promotion

Corporate Ethics Promotion Framework

The Cosmo Oil Group has established two working organizations under the CSR Promotion Committee: the Corporate Ethics Committee decides, promotes, and implements basic policy relating to corporate ethics, while the Corporate Ethics Promotion Office serves as a facilitator for the Committee.

Additionally, the Group has set up helplines within the Group and at an outside law firm by which employees or persons outside the Group can discuss legal or ethical problems concerning Group operations. Details of the report and the Group's response to the reported issues are forwarded to the Corporate Ethics Committee and are reflected in future activities. There is also a consultation helpline within the Human Resource Department for matters related to sexual and power harassment.

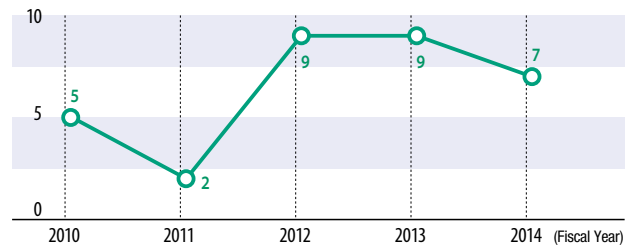
There were zero incidents involving serious compliance violations¹ in fiscal 2014.

1. Includes serious legal or regulatory violations relating to the use or supply of products or services, and serious violations relating to environmental laws or regulations. Minor violations such as temporarily exceeding regulatory values are reported on the Cosmo Oil Group website.

Corporate Ethics Promotion Framework



Number of Helpline Inquiries



Corporate Ethics Training

The Cosmo Oil Group conducts annual corporate ethics training for employees. In fiscal 2014, the training focused on educating employees about the updated Cosmo Oil Group Code of Conduct (see page 23) as well as addressing the following topics: (1) safety first, (2) changes in public morals and common-sense rules, and (3) consideration for others (teamwork).

Using examples from everyday work, employees discussed what they would do in the same situation. Participants felt good about the training, indicating that it helped them to raise their safety awareness and examine their own actions. They also appreciated hearing the views of their colleagues.



Fiscal 2014 Results for Corporate Ethics Training

Training Category	Theme	Participants	Hours
New employees	Code of Conduct, CSR Initiative Policy, group discussion on ethics, information about helpline	74 ¹	3
Newly promoted line managers	Code of Conduct, role of line managers in achieving goals of CSR Initiative Policy	30	1.5
Training at worksites	Message from the President, improving revenues and elevating ethics, changes to Code of Conduct, group discussion on ethics, feedback on results of employee attitude survey (harassment)	3,609 ²	1.5

1. Includes Cosmo Oil employees only.
2. Conducted 76 sessions at 32 work sites.



Updated Cosmo Oil Group Code of Conduct

The Cosmo Oil Group Code of Conduct was updated in September 2014, adding some guidelines in keeping with the times and revising others to better guide the company to sustainable growth.

Guidelines regarding safety were moved up from Chapter 2 to Chapter 1, to ensure that the Group is united in the mission of pursuing safety and stable operation, responding to accidents at the Cosmo Oil Chiba Refinery in 2011 and 2012. Chapter 1 now declares that “We are determined to be a safe, accident-free corporate group.”

The six chapters of the Code of Conduct cover guidelines that are rooted in safety. By ensuring each employee applies the Code, the Group will meet its social responsibilities while earning the trust and meeting the expectations of stakeholders.

The Group also updated the Cosmo Oil Group Code of Conduct booklet, which is distributed to each employee.

 [Detailed information](http://www.cosmo-oil.co.jp/eng/company/guideline.html)

Cosmo Oil Group Code of Conduct
<http://www.cosmo-oil.co.jp/eng/company/guideline.html>

Cosmo Oil Group Code of Conduct

- Chapter 1** We are determined to be a safe, accident-free corporate group
- Chapter 2** We 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
- Chapter 6** We strive to maintain our position as an honest corporate group

Employee Attitude Survey

In October 2014, the Group surveyed 6,215 employees online to gauge attitudes toward compliance and assess workplace culture. The response rate was 99.8%.

The questions were updated from the 2012 survey, phrased more directly to better grasp attitudes. The answer format was also revised to protect the confidentiality of respondents. The survey results were tabulated and reported to Group companies and business sites to help them improve their working conditions.

Survey Outline

Category and Theme	# of Questions
1 Basic understanding of management philosophy and medium-term management plan	12
2 Attitude toward compliance, trust in the workplace	9
3 Trust in officers and managers, management behavior	11
4 Risks and possibility of illegal behavior	38
5 Attractiveness of work and organization	13
6 Execution of CSR Initiative Policy	8
Total	91

Panda Magazine

Panda Magazine is a bimonthly email newsletter intended to educate employees about corporate ethics. In the magazine, a mouse poses questions about ethical situations that may fall in the “gray” area, and a panda gives clear, black and white answers to help employees understand situations that can easily be overlooked. Since January 2014, this has been helping Group employees to tune in to ethical issues that can come up in their everyday work.



Pursuing Customer Satisfaction

Securing Trust in Petroleum Products

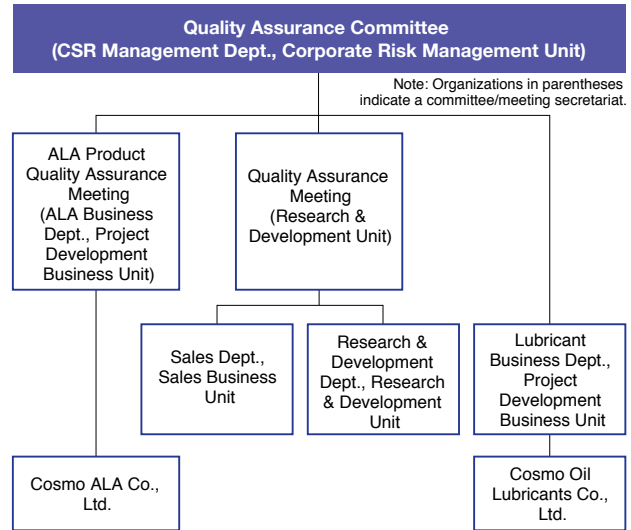
Initiatives of the Quality Assurance Committee

The Quality Assurance Committee operates the quality assurance framework for the entire Group and ensures that the Group consistently and economically supplies customers with safe products at the quality they expect.

In fiscal 2014, the Committee pursued quality control initiatives in two areas: comprehensive measures to secure safety and stable supply (prevent quality defects), and rapid and appropriate response to product problems.

As a result, the Group had almost no quality problems at refineries and oil depots. There were, however, two accidents involving oil mixing, caused by human error when unloading. Neither led to a serious accident, thanks to the cooperation of customers and the quick response. Precautions have been put in place to prevent a reoccurrence, such as verifying the actual loading against the loading data and ensuring that an observer is always present.

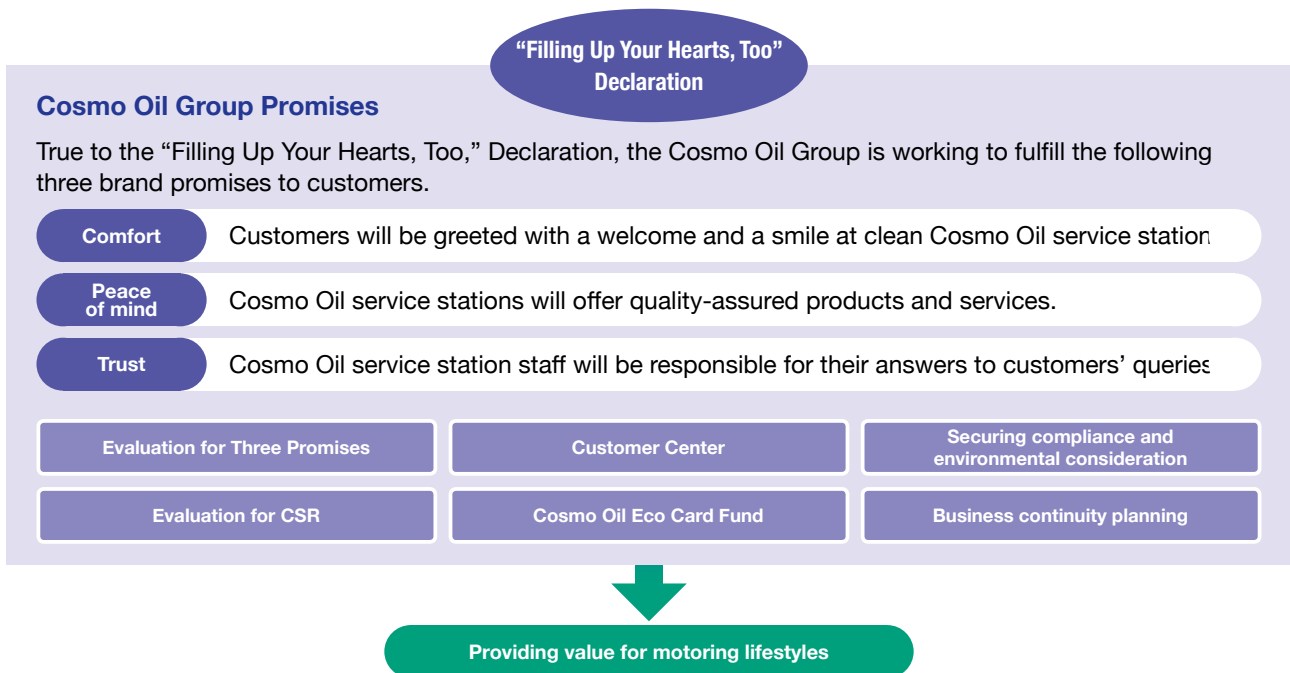
Quality Assurance Committee Framework



“Filling Up Your Hearts, Too” Declaration

Under the “Filling Up Your Hearts, Too” Declaration, the Cosmo Oil Group is working hard to give customers a true

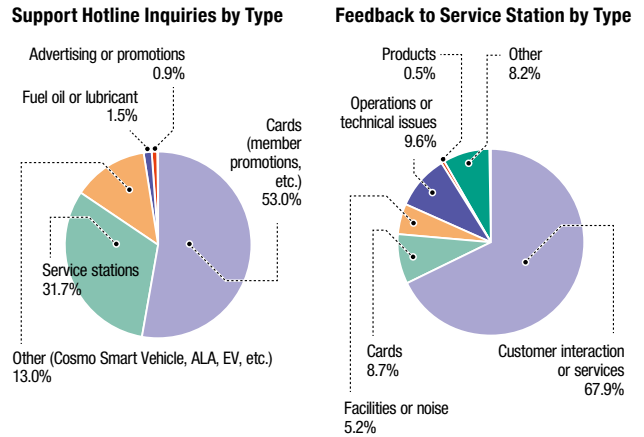
sense of comfort, peace of mind, and trust when they visit service stations.



Under the brand promises of providing comfort, peace of mind, and trust, the Group is transforming its business model from one of petroleum sales focusing on fuel oils, to one of providing broad-based value for motoring lifestyles.

Ensuring Customer Support

The Cosmo Oil Customer Center was launched in 2010 and operates a customer support hotline 24 hours a day. The support hotline received 10,875 inquiries in fiscal 2014, with card-related inquiries accounting for more than half of inquiries, and customer feedback accounting for 517 calls (down 102 calls, or 16% from the previous year). Of the customer feedback calls, 478 calls concerned service stations. The support line also received 41 calls expressing gratitude or praise, up 14% from the previous year.



Calls to Cosmo Oil Customer Center

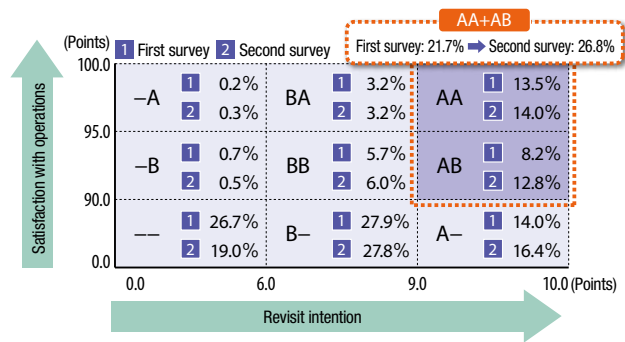
Praise	<p>“I was lost and in a rush to keep my appointment, when I just happened to pull into your service station. One of your employees brought out a map and gave me directions. I was really pleased with the great service I received.”</p>	➔	<p>Response from service station operator: “We often get asked for directions and we make sure to use a map. If it is close by, then we give verbal directions. We are very pleased to hear the customer appreciated it.”</p>
Feedback	<p>“The staff started cleaning my windows without even asking me, and they didn’t look happy when I asked them to clean the ashtray and trash in my car. They didn’t say a word as I pulled away, and it made for an unpleasant visit.”</p>	➔	<p>Response from service station operator: “We looked into the matter and confirmed that we failed to provide the respectful service which is our policy. We will train our staff to ensure that it doesn’t happen again.”</p>

Service Evaluations for Fulfillment of Three Promises

To ensure that service stations are fulfilling the three brand promises of the Cosmo Oil Group (see page 24), the Group surveys its service stations twice a year to gauge the customer experience and satisfaction, and uses the results to improve customer satisfaction. In fiscal 2014, surveys were conducted covering 1,414 and 1,326 service stations, respectively.

The survey questions focus on operational aspects to verify that operations are suitably conducted and gauge the revisit intention of customers. The survey results are analyzed and applied to training in order to improve service stations.

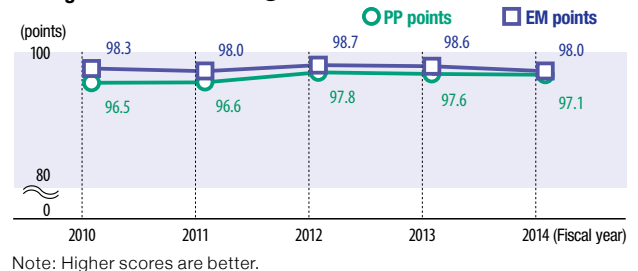
Evaluation Results for Three Promises of “Filling Up Your Hearts, Too” Declaration for Fiscal 2014



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 at service stations. In fiscal 2014, inspectors visited 1,338 service stations, and more than 1,600 service stations conducted their own self-assessments.

Average PP and EM Points



Enhancing Human Rights/Personnel Policies

Respect for Human Rights and Better Working Conditions

Under the Consolidated Medium-Term Human Rights/Personnel Plan (Fiscal 2013–2017), the Cosmo Oil Group is providing even better working conditions for employees, focusing on five areas: increasing work efficiency and better managing working hours, encouraging work-life balance, respecting diversity, maintaining and improving mental and physical health, and eliminating power and sexual harassment.

Global Human Resources Development

The Cosmo Oil Group has 125 employees stationed in eight countries outside Japan. Aiming to become a vertically integrated global energy company, the Group is developing human resources who are capable of tackling diverse projects in and outside of Japan. To foster global personnel with diverse experience and skills, the Group sends younger and mid-career employees to work on international projects outside Japan and also sends employees for continuing education abroad. In fiscal 2014, the Group sponsored two employees' education at institutions outside of Japan, and it has already selected an additional employee to study abroad in fiscal 2015. The Group also regularly sends employees for continuing education at an international college in Niigata, Japan.

Number of Employees Stationed Outside Japan by Country: Fiscal 2014

As of March 31, 2015

Country	No. of Employees ¹
UAE	88
Bahrain	1
Qatar	14
China	3
USA	3
UK	1
Singapore	8
South Korea	7

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

Number of Employees Stationed Outside Japan: Fiscal 2010–2014

Fiscal Year	No. of Employees ¹
2010	91
2011	89
2012	94
2013	104
2014	125

Number of Sponsored Employees Continuing Their Education: Fiscal 2014

As of March 31, 2015

Country	No. of Employees
Studying in Japan	2
Studying in US	2

Skills Management

Cosmo Oil's on-the-job and grade-specific training programs aim to foster active, self-motivated personnel. In fiscal 2015, the Company launched initiatives to encourage women in the workplace, including training for all employees who have been transitioned from the non-management track¹ and diversity training for line managers.

The Company will continue to support the professional development and growth of employees, through greater integration of skills development (such as through training programs and correspondence courses) and job placement. These efforts will further enhance human resources development, building upon the personnel policies that the Company instituted in April 2015 and the Cosmo Oil Group's new holding company structure, which is to be adopted in October 2015.



Diversity training for line managers.

Fiscal 2014 Management Training

Period: April 1, 2014 to March 31, 2015

Training Category	No. of Participants	Approx. Hours
All line managers (assessor training, diversity training)	402	7
Newly promoted line managers	30	24
Newly promoted managers	16	15

Fiscal 2014 Management-Track Employee Training²

Period: April 1, 2014 to March 31, 2015

Training Category	No. of Participants	Approx. Hours
Newly promoted 3rd-grade employees	47	15 hours
5th-year employees	30	15 hours
2nd-year employees	24	15 hours
New employees	30	2 months

1. Cosmo Oil Co., Ltd. rearranged its employment system in fiscal 2015, abolishing the category of "non-management track employees."
2. The Company also helps interested employees to pay for correspondence courses and/or acquire work-related qualifications.

Respecting Diversity and Providing Equal Opportunity

Committed to offering fair employment opportunities, the Cosmo Oil Group seeks to maintain and, when possible, increase its employment of persons with disabilities. In fiscal 2014, persons with disabilities accounted for 1.99% of the workforce of Cosmo Oil Co., Ltd., falling just short of the 2.0% rate mandated in Japan. In response, the Company is taking steps group-wide to hire more persons with disabilities, and will offer working conditions that enable all employees to realize their full potential.

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

	June 2011	June 2012	June 2013	June 2014	June 2015
Total number of employees with disabilities	45	46	41	39	37
(Number with severe disabilities)	23	23	21	20	18
Employment rate of people with disabilities ²	2.1%	2.3%	2.1%	2.07%	1.99%
Shortfall in the mandatory number of employees with disabilities	0	0	0	0	1

1. For Cosmo Oil Co., Ltd., as of June 1 in each year.
2. Legally mandated employment rate: 2.00% (rounded to the second decimal place).

Facilitating Work-Life Balance

Identifying the need for better work-life balance as a priority task under its Consolidated Medium-Term Human Rights/Personnel Plan, Cosmo Oil actively encourages employees to utilize company provisions and benefits.

For example, the Company encourages employees to use their paid holidays by, for instance, taking summer vacations, and to take the special occasion paid holidays it provides for first wedding anniversaries and each child's first birthday. Based on the report from the Cosmos Project,¹ launched in January 2014, the Company will do more to encourage male employees in particular to take childcare leave, making it a core measure under its sixth action plan for general business owners.²

1. For more information, see page 28.
2. **Action plan required for general business owners:** Based on Japan's Act on Advancement of Measures to Support Raising Next-Generation Children, these plans outline timeframes, objectives, and duration of implementation for measures to support and enhance working conditions for workers who are raising children.

Special Occasion Paid Holidays¹

As of March 31, 2015

	FY2013	FY2014
Employees qualifying to receive paid holidays	121	135
Number of employees taking paid holidays	49	63
Percentage of paid holidays taken	40.5%	46.7%

1. Special occasion paid holidays have been provided since fiscal 2013 for the first wedding anniversary (one day) and the first birthday of each child (two days), separate from designated paid holidays.

Number of Employees Taking Childcare Leave¹

As of March 31, 2015

	FY2012	FY2013	FY2014
Men	2	4	2
Women	15	17	16

1. If a person's childcare leave stretches across two fiscal years, that person is counted in the number for both fiscal years.

Employees Working Reduced Hours

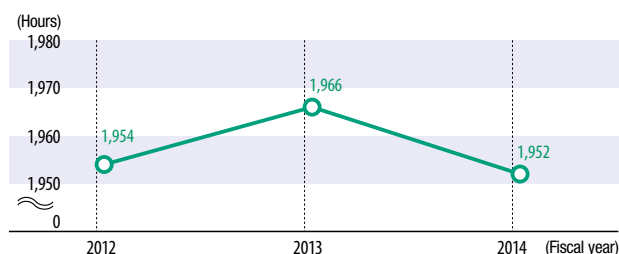
As of March 31, 2015

	FY2012	FY2013	FY2014
Men	0	1	1
Women	8	9	14

Reducing Long Working Hours

Valuing the health of employees and working to facilitate work-life balance, Cosmo Oil aims to optimize working hours by improving productivity. In addition to establishing and adjusting labor and personnel systems to encourage employees to work mornings rather than nights, the number of hours worked is factored into personnel assessments. In fiscal 2015, the Company increased the number of paid holidays that are booked at the start of the business year. This initiative encourages more employees to take their paid holidays and helps the Company to improve the rate of paid holidays taken by employees, which currently stands at about 80%.

Total Annual Work Hours



Average Monthly Overtime Hours and Average Annual Paid Holidays Taken

	FY2012	FY2013	FY2014
Average monthly overtime hours	22.5	23.2	22.3
Percentage of paid holidays taken	83.0%	74.0%	85.0%

Notes:

1. Employees receive 15 days of paid holidays in their first year, then 17 days after one year of employment, 19 days after two consecutive years, and 21 days after three consecutive years.
2. Data for Cosmo Oil employees and dispatched employees, excluding shift workers.

Highlights 2014 Activity Report on Cosmos Project

The Cosmos Project, launched in January 2014 by 11 women from various departments to study ways of encouraging women in the workplace, conducted a survey, did many interviews and held more than 100 hours of discussion, before compiling the results in a final report in July 2014. Presented below are some of the 40 recommendations for encouraging women in the workplace which have already been acted on by the Group. Moving forward, the Diversity Promotion Department will implement initiatives to secure an environment in which all employees can thrive and actively contribute.



Overview of Cosmos Project Activities

General Meetings	41 (including subcommittees)
Hours of Discussion	109.5 hours
Survey of Female Employees	263 responses received (out of 284 persons surveyed, 92.6% response rate)
Interviews with Female Employees	Approx. 100 women interviewed from 19 business locations (not including the many male employees and managers interviewed)

Cosmos Project Final Report and Action Taken by the Group (Excerpt)

Recommended Action	Detailed Request	Action Taken
Encourage female employees to have long careers at the company		
Be a company that is appealing as a place to have a long career		13 actions
Actively support women in the workplace		
Management training for line managers	Designed to foster line managers who can support the career development of their staff and work-life balance, and perform efficiency-based assessments. The company must have managers who can precisely outline what employees need to do.	Implemented assessor training for all line managers and diversity training led by an outside instructor. Training will be implemented for all line managers once a year.
Recognize that diverse working conditions can contribute to the company		
Shift to an assessment system that emphasizes efficiency	Long working hours are the greatest issue in workplaces where some employees have reduced work hours due to child/family care. Consequently, initiatives to encourage better productivity should be taken.	Targets set for overall working hours to encourage the reduction of overtime and work-life balance. Fiscal 2015 focuses on initiatives to improve productivity and optimize working hours, moving away from traditional working conditions.
Adopt a system to help employees continue working without having to resign		14 actions
Enable diverse working conditions among employees		
Increase days eligible for employees with child/family care requirements to work from home	Secure greater diversity of working conditions by increasing work from home	Increased days eligible for working from home, from one day to two days per week
Provide opportunities for employees to work again, if they chose to resign		2 actions
Adopt a system to rehire employees who had to resign due to a life event		
Creation of systems for rehiring full-time employees	Take advantage of the benefit to both the company and the employee by enabling employees who chose to resign due to a life event to return to work	Created the following systems to welcome back employees who were unable to keep working due to child/family care or a spouse's job transfer: <ul style="list-style-type: none"> • Re-employment of those who resigned due to child/family care or a spouse's job transfer • Extended leave of absence due to spouse's job transfer
Enable female employees to fully perform their skills		
Clearly identify the skills that should be performed, and provide opportunities to demonstrate those skills		5 actions
Set clear standards for determining the value of results, and provide fair evaluations and pay		2 actions
Ensure that women are a permanent part of the workplace		4 actions
Increase the number of female employees		
Consistent hiring of female employees	Women account for about 10% of Cosmo Oil employees. Increasing the number of female employees will result in more role models, expanding women's presence in the workplace.	Set employment rate target of at least 30% female employees
Externally announce the ratio of female managers (target figure)	Cosmo Oil must meet its social responsibility to increase the ratio of female managers.	Set target of roughly quadrupling the number of female managers by 2020, compared with fiscal 2014 levels

Promoting Environmental Initiatives

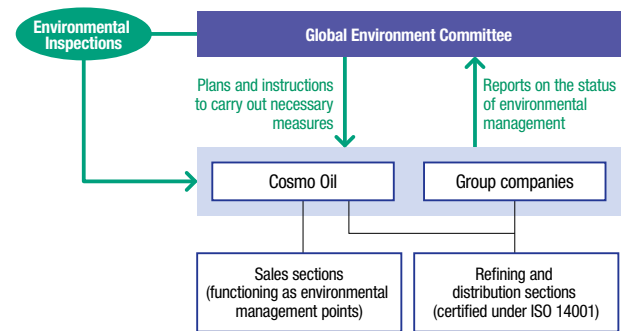
Environmental Initiatives

The Cosmo Oil Group has been focusing on strengthening its environmental initiatives since fiscal 2002. Under the Consolidated Medium-Term Environmental Plan (Fiscal 2013–2017), the Group has three priorities: responding strategically to global warming while ensuring business continuity, reducing environmental impact, and promoting environmental contribution activities. All of these efforts are aimed to realize Cosmo Oil’s corporate message, “Living with Our Planet.”

Environmental Management Structure

The Cosmo Oil Group has acquired ISO 14001 certification for 10 sites, including refineries, which have significant environmental impact. In addition to internal audits, external audits are conducted by certification verification agencies to regularly confirm that environmental management systems are operating effectively. The Group operates a cross-divisional Global Environment Committee which drives its overall environmental management, formulates the Consolidated Medium-Term Environmental Plan, reports on performance and evaluates results under the plan, and provides feedback to business divisions.

Environmental Management System



Consolidated Medium-Term Environmental Plan (Fiscal 2013–2017)

Theme 1	Respond strategically to global warming while ensuring continuation of business	Theme 2	Reduce environmental impact	Theme 3	Promote environmental contribution activities
1.	Reduce CO ₂ emissions: Reduction of CO ₂ emissions by 853 kt in fiscal 2017 compared to the emissions level in fiscal 2010	1.	Respond to environmental issues in business activities	1.	Continue promoting environmental communication
2.	Manage greenhouse gas (GHG) emissions: Energy management consistent with Japan’s Act on the Rational Use of Energy	2.	Reduce industrial waste	2.	Promote protecting biodiversity
		3.	Enhance internal/external audits for thorough environmental management		
		4.	Adopt rigorous measures to ensure soil preservation		
		5.	Promote Eco Office activities and green purchasing		

Reducing Industrial Waste

For fiscal 2014, Cosmo Oil tightened the target percentage of industrial waste disposed of in landfills from refineries, oil depots, and the R&D Center to 0.3% from the previous target of 0.5%. In fiscal 2014, the Company achieved a 0.29% rate, thanks to ongoing efforts to reduce landfill waste.

Group companies set their own targets, with Cosmo Matsuyama Oil, Cosmo Oil Lubricants and Hokuto Kogyo achieving their targets. Cosmo Engineering did not achieve its target due to dismantling work involved in redeveloping

the Sakaide Refinery into a distribution terminal and construction of the Hirogawa-Hidakagawa Wind Farm.

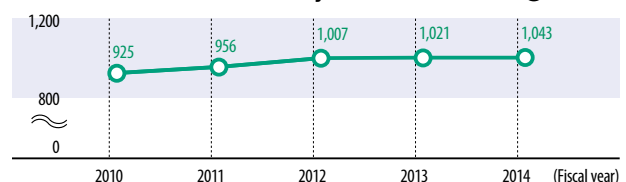
Percentage of Industrial Waste Disposed in Landfills in Fiscal 2014

	Target	Actual
Cosmo Oil	Less than 0.3%	0.29%
Cosmo Engineering	Less than 15%	21.45%
Cosmo Matsuyama Oil	Less than 1%	0.05%
Cosmo Oil Lubricants	Less than 1%	0.25%
Hokuto Kogyo	Less than 1%	0.53%

Addressing Soil Contamination

The Cosmo Oil Group conducts soil surveys for service stations and sites, seeking to prevent soil contamination and ensure a quick response if an oil leak is detected. If needed, soil remediation and monitoring are undertaken to address environmental impacts.

Cumulative Number of Soil Surveys at Service Stations



Initiatives in Response to Global Warming

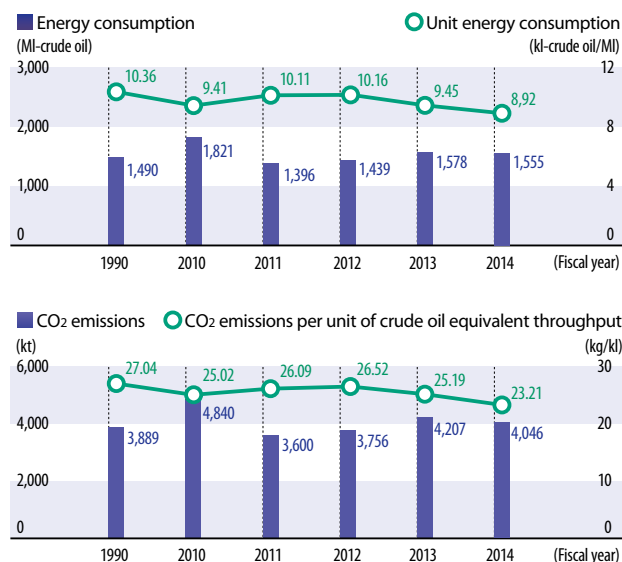
Energy Conservation in Refining and Manufacturing

Approximately 60% of the Cosmo Oil Group's CO₂ 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 2014, unit energy consumption¹ and CO₂ emissions per crude oil equivalent throughput improved after the Chiba Refinery restored production to former levels. Energy consumption and total CO₂ emissions were down due to the end of refining operations at the Sakaide Refinery in July 2013, leaving three operating refineries. Compared with fiscal 2010 data, the end of refining operations at the Sakaide Refinery and energy-savings measures at other refineries resulted in a decrease of 794 kilotonnes of CO₂ emissions.

1. Unit energy consumption indicates total energy consumption divided by the total crude oil equivalent throughput, taking into account the complexity of refining technology. The unit used is kiloliters of crude oil equivalent/megaliters (kl-crude oil/MI). Total energy consumption is calculated by converting heat, electricity, and other energy use into the megaliters of crude oil equivalent (MI-crude oil).

Energy Consumption and CO₂ Emissions at Three Refineries



Note: In addition to the figures shown in the graph, N₂O released from the catalyst regeneration tower amounted to 18 kt of CO₂ equivalent in fiscal 2014.

Eco Office Initiatives

The Cosmo Oil Group engages in Eco Office initiatives in an effort to conserve energy and resources in offices. Focusing on four areas listed in the table at right, the Group tracks performance at each site, with each office and affiliated company responsible for achieving targets set for each fiscal year. The Cosmo Oil Group as a whole achieved its targets in fiscal 2014.

Performance Criteria:

Copy paper, fuel consumption of company vehicles, office electricity consumption: ○ Achieved × Not achieved
Green purchasing (percentage purchased): ○ 80% or above × Below 80%

Eco Office and Green Purchasing Performance in Fiscal 2014

Area	Organization	Goal	Result	% Compared to Goal	Performance
Copy paper (10 thousand sheets)	Cosmo Oil	992	894	-9.9%	○
	Group companies	1,837	1,899	+3.4%	×
	Cosmo Oil Group total	2,829	2,793	-1.3%	○
Company car fuel consumption (kl)	Cosmo Oil	218	171	-21.9%	○
	Group companies	775	656	-15.5%	○
	Cosmo Oil Group total	994	826	-16.9%	○
Office electricity consumption (MWh)	Cosmo Oil	680	641	-5.7%	○
	Group companies	1,625	1,463	-10.0%	○
	Cosmo Oil Group total	2,305	2,103	-8.7%	○
Green purchasing (%)	Cosmo Oil	80.0	88.2	+8.2%	○
	Group companies	80.0	88.7	+8.7%	○
	Cosmo Oil Group total	80.0	88.3	+8.3%	○

CO₂ Emission Reductions from Renewable Energy

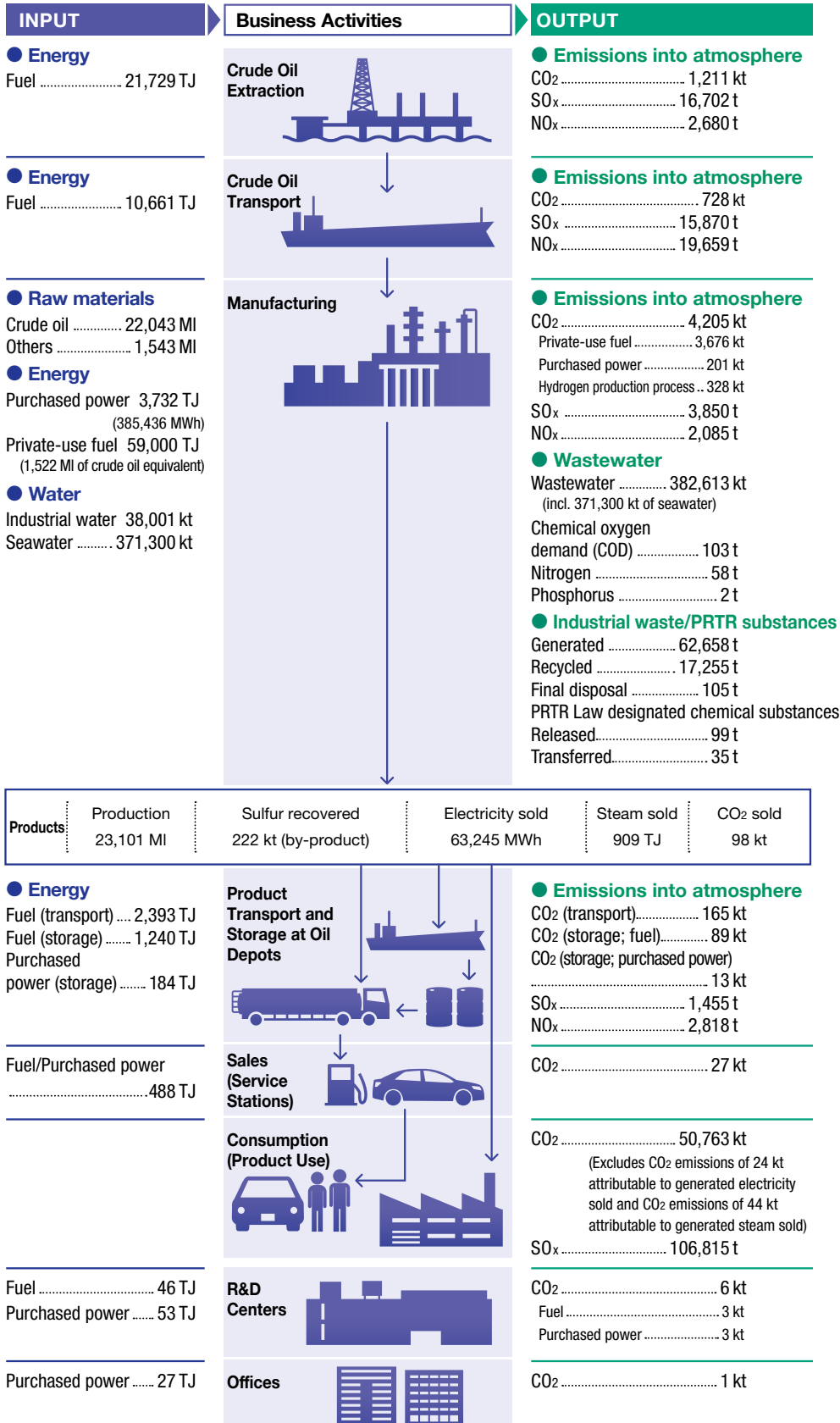
The Cosmo Oil Group actively pursues wind and solar power businesses to supply clean energy. In fiscal 2014, the Group operated 137 wind turbines and five solar power generation sites, generating a total of 301,058,150 kWh of electricity, equivalent to a reduction of 165,883 t-CO₂ of emissions.¹

1. Calculated using a factor of 0.000551 for kWh to t-CO₂ conversion, as per fiscal 2013 guidelines for actual and adjusted emissions coefficients for power utilities published by the Ministry of the Environment.



Environmental Impact of Business Activities

Environmental Impact in Fiscal 2014



- SO_x and NO_x figures for "Crude Oil Extraction," "Crude Oil Transport," and "Product Transport and Storage at Oil Depots" are estimated based on LCI for Petroleum Products by Fuel and Environmental Impact Assessment for Petroleum Products, published in March 2000 by the Japan Petroleum Energy Center.
- For "Manufacturing" and subsequent stages, energy consumption is calculated in accordance with the Act on the Rational Use of Energy.
- CO₂ emissions for "Manufacturing," "Product Transport," and "Sales (Service Stations)," which is based on data from Cosmo Oil Sales Corp., are calculated in accordance with a manual for GHG emissions accounting, reporting, and disclosure systems published by Japan's Ministry of the Environment and Ministry of Economy, Trade and Industry.
- Figures given for "Manufacturing" include data from the Cosmo Oil refineries, Cosmo Matsuyama Oil, and Cosmo Oil Lubricants. However, data from Cosmo Oil Lubricants is not included in the figures for water, wastewater, SO_x, and NO_x.
- "Industrial waste" refers to waste generated during business activities, which includes waste that could be sold.
- "Electricity sold" refers to electricity supplied externally by the Chiba Refinery and Cosmo Matsuyama Oil. CO₂ emissions from "Manufacturing" were calculated by deducting the portion of CO₂ emissions attributed to electricity sold. CO₂ emissions from utility (power) were included in the CO₂ emissions from "Manufacturing."
- "Steam sold" refers to steam sold by the Chiba Refinery and Cosmo Matsuyama Oil. CO₂ emissions for "Manufacturing" were calculated after deducting the portion of CO₂ emissions that results from the generated steam sold.
- CO₂ emissions from product transport include data from the specified consigners in accordance with the Act on the Rational Use of Energy.
- CO₂ emissions for "Consumption (Product Use)" are calculated by multiplying shipped volume of fuel products (such as gasoline and heavy fuel oil) by CO₂ emission coefficient. CO₂ emissions attributable to generated electricity and steam sold are calculated separately.
- SO_x 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_x emissions are lower than the estimate.
- 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.
- The Cosmo Oil Group's total direct (Scope 1) emissions from business activities were 4,046 kt CO₂ equivalent, and its indirect (Scope 2) emissions were 297 kt CO₂ equivalent.

Detailed information

Environmental accounting
http://www.cosmo-oil.co.jp/csr/environment/ev_accounting.html

Implementing Better Internal and External Communication

Working with Society on Environmental Activities

Cosmo Earth Conscious Act Cleanup 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 cleanup campaigns, where participants enjoy nature while cleaning up mountains, rivers, and beaches throughout Japan. At 553 locations over the past 14 years, these campaigns have involved 214,828 participants, who collected a total of 5,824,677 liters of garbage. As a part of the initiative, a cleanup campaign is also held at Mt. Fuji each summer. In fiscal 2014, the event drew 158 participants, who collected 16,695 liters of garbage while enjoying Mt. Fuji trekking.



Activity information

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



Cosmo Oil Eco Card Fund

Cosmo Oil's environmental efforts are guided by its vision of harmony and symbiosis with the global environment. Cosmo Oil recognizes that humankind has benefited from the use of oil, and that mass consumption of oil has heavily impacted the global environment. Launched in 2002, the Cosmo Oil Eco Card Fund allows cardholders to donate ¥500 a year to environmental initiatives. Together with contributions from the Cosmo Oil Group, these funds are used to support environmental non-profits.

In fiscal 2014, donations totaling ¥35,373,500 were collected from some 70,000 cardholders, and the Cosmo Oil Group donated ¥49,891,209. The funds were used to support 14 projects around the globe, including mangrove planting projects in the South Pacific nations of Tuvalu and Kiribati, which are facing rising sea levels due to global warming.

Cosmo Oil
Eco Card Fund



Thank you for your support. The mangroves that we planted with the children of Kiribati are now producing seedlings.



Planting mangroves in the Republic of Kiribati.



A donation of just ¥500 a year can make a real difference for the environment!



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

Cosmo Forest Activities for Satoyama Preservation

This program works with local governments to preserve and maintain *satoyama* (managed woodlands near populated areas) close to the business sites of the Cosmo Oil Group for future generations. At the Sakai Refinery and Cosmo Matsuyama Oil Co., Ltd., employees and their families participate in the forest maintenance work, while at the Chiba Refinery, not only forest maintenance but also year-round activities for local children are held.



United Nations Global Compact

The Cosmo Oil Group has pledged its commitment to the United Nations Global Compact since 2006, supporting ten principles (listed at right) 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 from an international perspective and that it is striving to improve its initiatives for social responsibility.



Human Rights	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.
Labour	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.
Environment	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.
Anti-Corruption	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 subsidies offered by the Japan Cooperation Center, Petroleum (JCCP) and other organizations to conduct projects.

The fiscal 2014 activity involved technical cooperation projects in Ecuador, Oman and the UAE, under a JCCP-led project to develop oil industry infrastructure in oil-producing nations. For technical training projects, the Center worked with seven organizations in Ecuador, Qatar, and the UAE, accepting trainees for five training sessions and sending instructors for two sessions. The Center also conducted six lectures and sent instructors for one session of the training seminars led directly by JCCP.

International Technical Cooperation Projects in Fiscal 2014

Country	Project Description	No. of Projects
UAE	ADNOC Group study to strengthen marine environment conservation (Phase II)	1
Ecuador	Study to address soil pollution at service stations	1
Oman	Joint project to improve environmental performance of refineries through equipment and operation	1
		Total: 3

International Technical Training Projects in Fiscal 2014

	Country	Training Description	No. of Sessions
Accepting trainees	UAE	Energy saving/environment, oil refining technology, quality control for oil products	3
	Qatar	Energy saving/environment, renewable energy, training course for senior management candidates	2
Sending instructors	UAE	Energy saving, risk management, maintenance and environmental management	1
	Ecuador	International petroleum market	1
			Total: 5
			Total: 2

Main Social Initiatives

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

The Cosmo Waku Waku Camp is held every summer for elementary-school aged children who have lost parents to traffic accidents. The nature discovery camp is held over three days and was first launched in 1993. In fiscal 2014, the camp took place at a campsite in Tsuru City, Yamanashi Prefecture for 38 children.

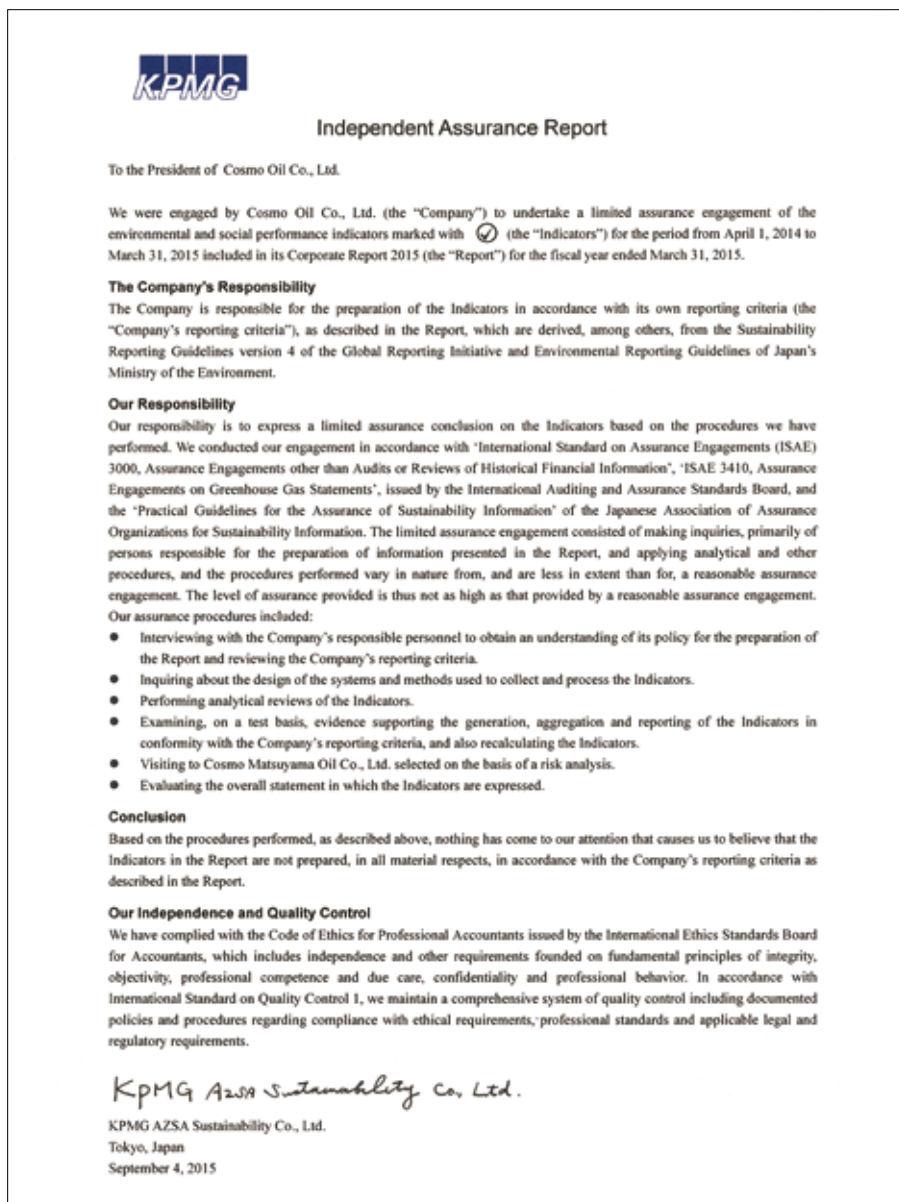


Group dinner at the Cosmo Waku Waku Camp.

Social Initiatives in Fiscal 2014

Program	Description	Dates
22nd Cosmo Waku Waku Camp	Nature camp for elementary-school-aged children who have been orphaned as a result of traffic accidents	Aug. 7–9, 2014
Christmas Card Project 2014	Project to send Christmas cards with words of encouragement to children in long-term hospital care	Nov.–Dec. 2014
Jazz Night at Gyoranji Temple	Charity concert to benefit the Family House, a housing option for families of children in long-term hospital care	Sept. 5, 2014
Cosmo EkaKids	Hands-on craft workshop conducted by Group employees at an orphanage	Nov. 30, 2014
Cosmo Science Classes for the Future	Program for junior and senior high school students to learn about petroleum refining operations	Mar. 12, 2015
Happy Doll Project	A project to make "happy dolls" with children in long-term hospital care	Jan. 20, 2015; Feb. 6, 2015
Blood drive	Employee blood-giving drive (Conducted at Cosmo Oil Head Office and other sites)	Sept. 17, 2014; Feb. 10, 2015

Independent Assurance Report



Comment Following Independent Assurance Engagement

Starting in October 2015, the Cosmo Oil Group will shift to a holding company structure focusing on three business companies engaged in resource exploration, supply, and marketing. In anticipation of this change, the feature articles in this report introduce the Group's operations in the core areas of resource exploration, supply, marketing, and renewable energy to give a clear and comprehensible picture of the entire Group. In the area of renewable energy, the report describes the amount of energy that was generated through wind and solar power generation and the associated savings in CO₂ emissions, quantitatively indicating just how much these renewable energy projects are positively impacting society.

The corporate report is currently organized along the priority items outlined in the CSR Initiative Policy (Fiscal 2013–2017), which is based on the Fifth Consolidated Medium-Term Management Plan. This is easy to understand, but the report would be even more accessible if it went a step further in elaborating on why it is important for the Cosmo Oil Group to respond to these priority items. At some point before putting together the next CSR Initiative Policy, it would be advisable for the Group to reexamine its material issues.

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The design and printing of the *Cosmo Oil Group Corporate Report 2015* incorporate the following materials, processes and principles.



Waterless Printing

This report uses waterless printing, an offset lithographic printing process that eliminates the water used in conventional printing.



VOC-free Ink

This report is printed with environmentally-friendly inks that do not use petroleum solvents and are free of volatile organic compounds (VOCs).

