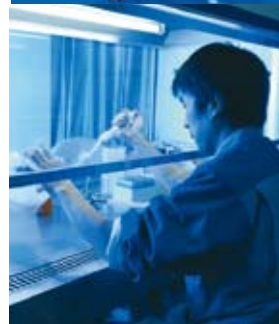




Cosmo Oil Group
Sustainability Report 2008

Filling Up Your Hearts, Too
Living with Our Planet

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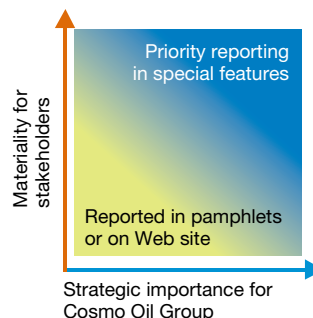
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Editorial Policy

This report aims to present the Cosmo Oil Group's CSR vision and plans as well as the progress it has made in its initiatives in an easy-to-understand manner and is intended to maintain reciprocal communication with its stakeholders.

While the editing of this report was conducted in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2006, we also included special features to highlight issues that we deemed to be important to stakeholders, judging from stakeholders' views as reflected in questionnaires and other sources, as well as the Group's management philosophy, business strategies and other issues that the Company considers to be important risk factors. Moreover, the content of this report was discussed and decided by the CSR Promotion Committee (refer to page 17).



Environmental performance indicators are compiled with reference to the Environmental Reporting Guidelines 2007, while environmental accounting indicators are compiled with reference to the Environmental Accounting Guidelines 2005, both published by Japan's Ministry of the Environment.

Scope and Period Covered

This report discusses the Cosmo Oil Group's CSR activities in fiscal 2007 (April 1, 2007 to March 31, 2008). The examples include some activities from fiscal 2008. Please refer to "Oil Business Flow and Group Summary" on pages 3-4 for an overview of the Cosmo Oil Group.

*There are no major changes in the scope covered since the fiscal 2006 report.

Issuance period:

Issuance date: November 2008

Next issuance date (tentative): November 2009 (previous issuance was in November 2007; report issued annually)

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<http://www.cosmo-oil.co.jp/>

Other Publications

In addition to the Sustainability Report, the following publications are available. The latest versions are posted on our Web site and are downloadable.

● Annual Report/Fact Book

web <http://www.cosmo-oil.co.jp/eng/ir/annual/index.html>

● IR News/News Letters

web <http://www.cosmo-oil.co.jp/eng/ir/newsletters/index.html>

● Activity Report for Cosmo the Card "Eco"

web <http://www.cosmo-oil.co.jp/eng/envi/ecoreport/index.html>



To continue being a corporation whose ongoing existence is essential to society, we are providing value through our business activities while working toward proactive information disclosure and two-way communication.

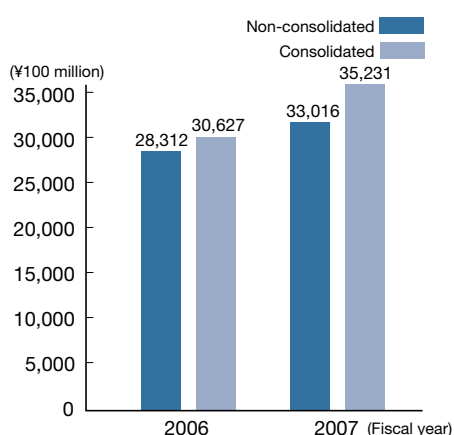
Outline of the Cosmo Oil Group

Corporate Profile (as of March 31, 2008)

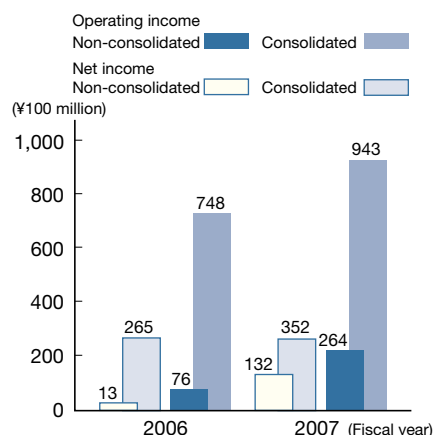
Name	Cosmo Oil Co., Ltd.
Head office	1-1-1, Shibaura, Minato-ku, Tokyo 105-8528 Japan
Telephone	+81-3-3798-3211
Established	April 1, 1986
Capital	107,246,816,126 yen <small>*On October 5, 2007, Cosmo Oil issued 176,000,000 ordinary shares through third-party share allocation at an issuance price of 510 yen per share. This resulted in a capital increase of 89,760 million yen.</small>
Main business	Oil refining and sales
No. of employees	1,957
History	Cosmo Oil Co., Ltd. was established on April 1, 1986 through the merger of Daikyo Oil Co., Ltd., Maruzen Oil Co., Ltd., and their refinery subsidiary, the former Cosmo Oil Co., Ltd. Asia Oil Co., Ltd. was merged with Cosmo Oil on October 1, 1989.
Dealers	270 offices and 4,125 service stations (fixed-type only)
Branch offices	Sapporo (sales), Sendai, Tokyo, Nagoya, Osaka, Hiroshima, Takamatsu, and Fukuoka
Refineries	Chiba, Yokkaichi, Sakai, and Sakaide
Oil depots	38 locations (including 34 subcontractors)

Financial Data

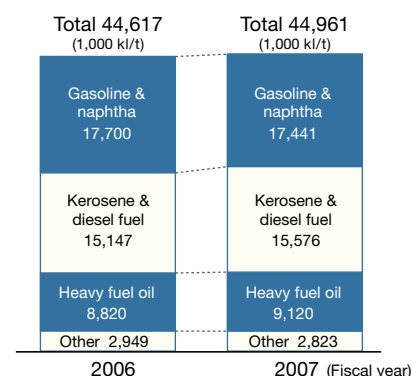
◆ Net Sales



◆ Operating and Net Income



◆ Sales Volume



Detailed information ● Fact Book, Consolidated Financial Statements (PDF)

web http://www.cosmo-oil.co.jp/eng/ir/financial/factbook/2008/pdf/fact2008_19.pdf

Oil Business Flow and Group Summary

The Cosmo Oil Group operates oil businesses ranging from the independent development of crude oil (upstream business) to the manufacture and sale of oil products (downstream business). As a Group, we promote the creation of stable energy supply frameworks, giving priority to safety, as well as keep our sights set on growing future businesses for the next generation. In particular, we aim to provide the best mix of energy and new technology development through advances in our energy business.

◆ Oil Business Flow and Group Summary (as of March 31, 2008)



Crude Oil Development

Cosmo Oil imports crude oil mainly from Middle Eastern countries. We aim to maintain a stable oil supply by dividing our purchases among multiple countries and through the independent development of crude oil by Group companies. Moreover, we are further strengthening amicable relations by engaging in personnel exchanges and technology transfers with Middle Eastern countries.

- ◎ Abu Dhabi Oil Co., Ltd. (Japan)
- ◎ Qatar Petroleum Development Co., Ltd. (Japan)
- United Petroleum Development Co., Ltd. (Japan)

Others:

- ◎ 2 companies
- 1 company

Marine Transportation

We take measures to prevent marine accidents, which include switching to double-hull tankers. We are also increasing crude oil transportation efficiency by establishing Nippon Global Tanker Co., Ltd. with Nippon Oil Corporation to conduct joint plying and by employing large-sized tankers.

- Nippon Global Tanker Co., Ltd.

Oil Refining and Product Manufacturing

At our refineries, we are progressing with various initiatives that include promoting efficient use of energy, reducing industrial waste, and preventing air and water pollution. Additionally, we have started manufacturing environment-friendly sulfur-free fuels (gasoline and diesel oil).

Cosmo Oil Co., Ltd.

Import/export of crude oil and petroleum products

- ◎ Cosmo Oil International Pte., Ltd.
- ◎ Cosmo Oil UK Plc.
- Other:
- ◎ 1 company

Storage

- ◎ Hokuto Kogyo Co., Ltd.
- Tozai Oil Terminal Co., Ltd.
- Okinawa CTS Corp.
- Ohgishima Oil Terminal Co., Ltd.

Others:

- ◎ 2 companies
- 4 companies

Legend

- ◎ Consolidated subsidiary
- Non-consolidated subsidiary under equity method
- Non-consolidated subsidiary not accounted for by equity method
- Affiliate under equity method
- Affiliate not accounted for by equity method

Overseas bases

Six countries: United Arab Emirates, Qatar, UK, US, Singapore, China



Petroleum Product Manufacturing

LPG	Gasoline/ Naphtha	Kerosene/ Jet fuel
Diesel fuel	Heavy fuel oil	Asphalt

Lubricant production

- ◎ Cosmo Oil Lubricants Co., Ltd.

Petrochemicals manufacturing

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

Manufacture and sales of products containing aminolevulinic acid (ALA)

- ◎ Cosmo Seiwa Agriculture Co., Ltd.

Domestic Transportation

We are increasing the efficiency of our distribution system and saving energy by utilizing large-sized tanker trucks and domestic tankers and increasing stowage rates. For land transportation, we are enhancing efficiency and energy savings through independent loading and unloading, and night deliveries.

- ◎ Cosmo Kaiun Co., Ltd.
- ◎ Sakaide Cosmo Kosan Co., Ltd.
- ◎ Cosmo Delivery Service Co., Ltd.

Others:

- ◎ 6 companies
- 5 companies
- 9 companies

Sales

Twice a year, we check approximately 4,100 service stations to ascertain the actual state of environmental control and make improvements based on the results of these checks. Further, we are moving forward with efforts at our new service stations to achieve harmony with local communities and the environment.

- ◎ Cosmo Petroleum Gas Co., Ltd.
- ◎ Cosmo Oil Lubricants Co., Ltd.
- ◎ Cosmo Oil Sales Co., Ltd.

Others:

- ◎ 5 companies
- 1 company
- 12 companies
- 14 companies

Other businesses (construction, insurance, leasing, real estate, rental, etc.)

- ◎ Cosmo Engineering Co., Ltd.
- ◎ Cosmo Trade & Service Co., Ltd.
- ◎ Cosmo Business Support Co., Ltd.

Others:

- ◎ 4 companies
- 15 companies
- 3 companies

Detailed information

- Industry associations and advocacy organizations with membership

web <http://www.cosmo-oil.co.jp/eng/oilbusiness/index.html>

Related information

- "Operational Review," Annual Report (PDF)

web http://www.cosmo-oil.co.jp/eng/ir/annual/annual2008/pdf/annual2008e_06.pdf

Top Management Commitment

Putting CSR into practice

Driven by their motivation and understanding, all employees of the Cosmo Oil Group are putting CSR into practice and giving back to stakeholders.

What is Cosmo Oil's basic concept of CSR?

As many people have learned through newspapers and television as well as in their daily experiences, the environment surrounding Japan's petroleum industry has changed dramatically in recent years, making it increasingly difficult to run a business like Cosmo Oil. The rapid rise in crude oil prices is having a major impact on the lives of citizens and performance of industries in Japan—an impact not limited to the petroleum industry.

Looking ahead, global demand for petroleum is expected to continue to surge, particularly in emerging economies, which is where the world's population will increase. For these reasons, crude oil prices are likely to remain high into the future, yet in Japan, demand for petroleum products is decreasing due to such factors as the declining population, improved fuel consumption in automobiles, and a shift to social practices that leave a smaller carbon footprint.

In this context, we are even more conscious of our social mission to provide a stable supply of petroleum. It is imperative that we focus our energies on stable oil procurement, safety measures at refineries, and capital investments to enhance environmental efficiency. At the same time, we will push forward with activities that fulfill our corporate social responsibility, such as ensuring thorough compliance and addressing global environmental problems to bring about a sustainable society.

How will CSR management be promoted in the New Consolidated Medium-Term Management Plan?

For some time now, the Cosmo Oil Group has positioned reinforcing the earnings foundation and promoting CSR management as the twin pillars of its management in its commitment to realizing sustainable growth while coexisting with the Earth's environment. We also set the two goals of “contributing to harmony and coexistence between society



and the environment through sustainable development” and “becoming a corporate group trusted and preferred by stakeholders” as the core vision of our CSR management. The pillars of our CSR management are “compliance, people and the environment.”

The basic policies of the third Consolidated Medium-Term Management Plan, which we commenced in fiscal 2008, call for promoting CSR management, in addition to rebuilding the earnings foundation and taking the first step in the next growth stage. To put these policies into action, we establish consolidated medium-term CSR management plans every three years.

What kind of progress do you think Cosmo Oil has made with its CSR management?

Looking back on the Company's history, our initiatives in CSR management really got off the ground in 2004; prior to that, the focus was on ensuring that employees understood CSR. Although we are not yet completely satisfied, we have made progress in raising the awareness of employees, and I feel that we are now at the stage at which we can put concrete initiatives into action.

In January 2008, we established the CSR Promotion Committee to oversee CSR and internal control activities under the direct supervision of the president. This integrated the CSR activities that each division had previously carried out independently.

Cosmo Oil has also expanded its “Filling Up Your Hearts, Too” Declaration program as part of CSR.

Along with the Cosmo Oil Group's slogan of “Filling Up Your Hearts, Too,” we launched the “Filling Up Your Hearts,

Too" Declaration in fiscal 2007. Led by the sales divisions, the program aims to bring the experience of "Filling Up Your Hearts, Too" directly to our customers. There are two aspects that I feel are particularly important.

The first is the participation of all employees. If all Cosmo Oil Group employees—from manufacturing divisions, distribution divisions and affiliated companies, along with the sales divisions—participate, we will be able to earn customers' trust and ensure their satisfaction.

The second aspect is the satisfaction and fulfillment of the employees that participate. Our programs will be voluntary and constructive when each employee is highly satisfied, and this is what will enable stakeholders to experience the message behind "Filling Up Your Hearts, Too."

What are your thoughts on Cosmo Oil's mission to provide a stable supply of oil?

Amicable relationships with oil-producing countries are essential to ensuring the stable supply of oil—the mission and fundamental premise of our business. Over the past 40 years, the Cosmo Oil Group has built up a strong relationship of trust with the United Arab Emirates (UAE), particularly the Emirate of Abu Dhabi. We have extended our interactions not only in economic matters, but also cultural, educational and environmental areas, creating a firm partnership that has resulted in the steady supply of oil from this country that continues to this day.

In addition, in 2007 we formed a strategic affiliation with the International Petroleum Investment Company (IPIC), a government investment company in Abu Dhabi. This further reinforced the Cosmo Oil Group's ties with the Emirate of Abu Dhabi.

What have the Company's CSR activities achieved, particularly in the environmental field?

Oil consumption has a heavy impact on the environment. After quickly recognizing this fact, we moved ahead with a variety of initiatives aimed at facilitating coexistence with the Earth's environment.

The most important step we took was reducing the environmental impact of daily business activities. We have endeavored to give back to local communities by employing the technical skills the Group has developed thus far. These initiatives have yielded very promising results. For example, the Cosmo Oil Group succeeded in mass-producing 5-aminolevulinic acid (ALA) that stimulates photosynthesis in plants and enhances their productivity—this can potentially lead to increased food production. We have already commercialized ALA as a fertilizer, and it has won high praise around the world.



In August 2007, we participated in the Cosmo Waku Waku Camp in Yamanashi Prefecture's Yuzurihara Youth Nature Preserve.

Could you tell us about Cosmo Oil's various programs for contributing to society and the environment?

One example is the Living with Our Planet project, which has been ongoing since 2002. It is funded through the Cosmo Oil Eco Card Foundation using donations from members of the Cosmo the Eco Card. With cooperation from NPOs, NGOs, research organizations, local communities and governments, the foundation carries out projects for supporting sustainable development in developing countries and providing environmental education to children, who represent the hope for the next generation.

In addition, we pursue CSR management in accordance with the spirit of the United Nations Global Compact, which we signed in 2006.

In closing, please tell us your message to the stakeholders of the Cosmo Oil Group.

CSR is not a matter of concern for only a handful of employees. It is important that we create a virtuous cycle in which communities deepen their trust in the Cosmo Oil Group based on all Group employees' understanding of CSR as demonstrated in their actions, which in turn leads to greater satisfaction and pride in their work. For this very reason, one of the major aims of the Second Consolidated Medium-Term CSR Management Plan was enhancing measures for promoting human rights and supporting human resources.

The entire Cosmo Oil Group will continue to work together to promote CSR while raising the awareness and satisfaction of all its employees.

Y. Kimura

Yaichi Kimura
President
Cosmo Oil Co., Ltd.

Realizing the Group's Ambition to Inspire

—Putting “Filling Up Your Hearts, Too” into action



Promoting the Group's Declaration to Enhance its Brand Image

Cosmo Oil's slogan “Filling Up Your Hearts, Too” represents the determination of the Group's many divisions to carry out its business operations with the trust of local communities. The Cosmo Oil Group is determined to fully apply this slogan in every day operations to offer customers and stakeholders the opportunity to actually experience the commitment of the Company.

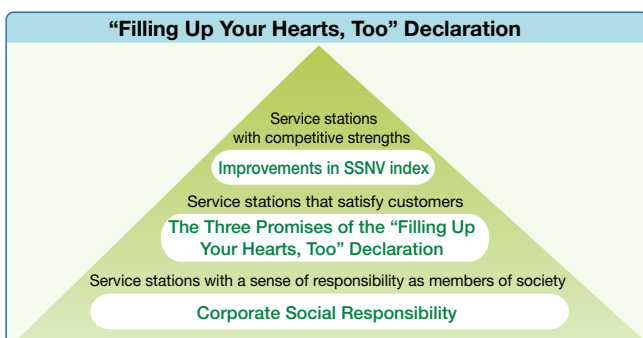
At the same time, this slogan raises the awareness of every employee and inspires pride and satisfaction in their work. The Cosmo Oil Group strives to cultivate in the employees of its wide-ranging divisions a sense of responsibility and pride in their work, and the motivation to work even harder as members of the

same company. We believe that this is the very bedrock of an organization's efforts to fulfill its CSR.

Fulfilling the “Three Promises” and Enhancing the Brand

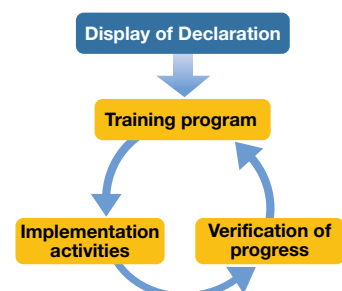
Cosmo Oil has initiated a sales promotion program entitled “Filling Up Your Hearts, Too Declaration 2008” to transform its commitment into specific actions. Since 1996, the Cosmo Oil Group has expanded its NAVI service station structural improvement program. In a response to deregulation of the industry brought on by the annulment of the Special Petroleum Law (Provisional Measures Law on the Importation of Specific Petroleum Refined Products), this program aims to improve the profitability of service stations by promoting self-service,

◆ Diagram



◆ Action Program for “Filling Up Your Hearts, Too” Declaration

Cosmo Oil has formulated an action program to fulfill the Three Promises to customers in the “Filling Up Your Hearts, Too Declaration 2008.” Cosmo Oil works together with its service stations that post the Declaration and participate in the program.



expanding the customer base by promoting Cosmo the Card credit cards, and augmenting car care operations. However, boosting the competitiveness of individual service stations is no longer enough to survive in the current conditions of the industry.

“The nation’s population began to decline in 2006, and with it, the market has been shrinking. In addition, we are seeing a clear downturn in fuel consumption, attributable to skyrocketing crude oil prices and more fuel-efficient cars. This will make customers more selective when choosing service stations. At the same time, the public is taking an increasingly harsh stance on companies’ violations of laws. Companies without thorough compliance will not only be less competitive, but they can be thrown out of the marketplace. In such an environment, it is vital to actually demonstrate to customers the essence of our slogan, ‘Filling Up Your Hearts, Too.’”

Takuichi Yoshimura, Marketing Group,
Retail Marketing Department



Cosmo Oil deems it essential to improve customer satisfaction and reinforce the Group’s brand image by ensuring that its employees observe all laws without exception, its service leaves customers satisfied, and it acts according to the highest standards. This kind of solid foundation is necessary to attract customers to Cosmo Oil’s service stations and improve sales. Based on these concepts, the Company formulated its “Filling Up Your Hearts, Too Declaration 2008.” It lays out the Three Promises to customers for service stations to continuously fulfill, with the aim of further consolidating the brand power of the Cosmo Oil Group. The Three Promises are stated below.

Promise 1	Cosmo Oil service station outlets will be clean and customers will be greeted with a smile.	Comfort
Promise 2	Cosmo Oil Service stations will offer quality assured products and services.	Peace of mind
Promise 3	Cosmo Oil service station staff will be responsible for their answers to customers’ queries.	Trust

The Cosmo Oil Group created an action program for effectively fulfilling these promises. As part of this program, a copy of the “Filling Up Your Hearts, Too Declaration 2008” is posted in service station guest rooms, training is provided to employees, and third-party organizations conduct reviews to assess progress.



The “Filling Up Your Hearts, Too Declaration 2008”

Cosmo Oil is particularly focusing on training in its efforts to ensure that all employees of its service stations across the country fully understand the meaning of the Declaration. With respect to the Three Promises, training consists of keynote lectures and initiative reviews by outside instructors as well as exchanges of opinions. Unlike previous training, the Company has set up various training forums to facilitate participation and promote understanding. Given the numerous laws that service stations must observe, CSR training to ensure strict compliance has been made mandatory. This has deepened understanding of industrial waste disposal, among other matters.

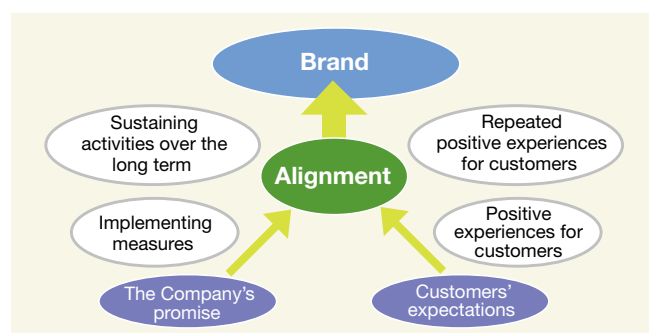


Training on the Three Promises of the Declaration

Third-party organizations review and report on Cosmo Oil’s progress in fulfilling the Three Promises as a means to ensure an objective assessment. Reviews are conducted at about 3,000 service stations where the Declaration is posted. Third-party reviewers visit the stations in the guise of regular customers so that they can evaluate the facilities and staff interactions from the customer’s perspective.

The assessments of compliance implementation is reported in the form of concise figures, and is conducted regularly with a particular focus on the Act on the Protection of Personal Information, the Fire Defense Law, and the Soil Contamination Countermeasures Law. Based on these assessments, the Company presents service stations that receive high marks for CSR, customer satisfaction and competitiveness with the Award for Excellence in “Filling Up Your Hearts, Too” Declaration, as a way to improve the motivation of employees.

◆ Establishing the Cosmo Oil Brand



◆ Main Laws Applicable to Service Stations

● Fire Defense Law
● Soil Contamination Countermeasures Law and Related Ordinances
● Water Pollution Control Law
● Waste Disposal and Public Cleansing Law
● Labor Standards Law
● Law on the Quality Control of Gasoline and Other Fuels
● Act on the Protection of Personal Information
● Consumer Contract Act
● Anti-Monopoly Law
● Law for Preventing Unjustifiable Lagniappes and Misleading Representation
● Road Trucking Vehicle Law

Program Tailored to Local Needs

The training and campaign forming the program's base are standardized nationwide, but the emphasis is changed to fit each branch office and carried out to suit the area's particular conditions.

"The Tokyo Branch Office, which manages stations in Tokyo and ten prefectures, focused on exceptional customer satisfaction, employee satisfaction and outstanding earnings power when disseminating the Action Program for "Filling Up Your Hearts, Too Declaration 2008" at the dealers. A variety of ideas were introduced to motivate the service station staff, such as setting up a contest."

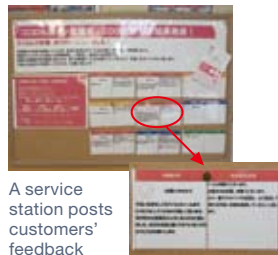
Tadashi Okada, Manager, SS Support Group, Tokyo Branch Office



◆ Survey for Assessing the Success of the "Filling Up Your Hearts, Too" Campaign



The Web site for the survey



A service station posts customers' feedback

Concrete measures taken by the Company include the "Filling Up Your Hearts, Too Challenge" initiative for collecting customers' opinions of Cosmo Oil's service to reflect their views, and the "Clean-Up Campaign" for promoting a variety of concepts, including a tidy personal appearance and clean store displays. Furthermore, Cosmo Oil has prepared various tools for supporting service stations in their efforts, while promoting effective ways of using these tools to help the stations fulfill the "Filling Up Your Hearts, Too Declaration 2008." The ideas of the Declaration are also disseminated at individual service stations.

"The Saitama Company is focusing attention on greeting customers and maintaining cleanliness. We are confident that polite, appropriate responses to customers will raise the



Tsurugashima Service Station, Saitama Company

pride of employees and improve the image of service stations. Because some stations are self-service, employees are encouraged to make extra efforts to concisely explain our concepts to customers and aim to be the best service station in the area."

Chikara Nishikawa, General Manager, SS Department, Saitama Company, Cosmo Oil Sales Co., Ltd.

Service at stations depends significantly on individual staff, and in turn, employee satisfaction has a considerable impact on raising customer satisfaction. The Saitama Company's Tsurugashima Service Station used the "Filling Up Your Hearts, Too Declaration 2008" as an opportunity to focus their energy on enhancing employee satisfaction and motivation. The station manager meets with each employee before an important sales campaign to discuss how to greet and interact with customers to improve customer satisfaction.



"Taking an hour or so for one-on-one discussion considerably raises the understanding of employees. The staff's awareness improves after a thorough explanation of the most effective way to speak with customers and the reasoning behind it."

Takayuki Yamahata, Manager, Self & Car Care Station Tsurugashima, Saitama Company, Cosmo Oil Sales Co., Ltd.



Staff that customers can trust

◆ Rigorous Clean-up Standards

Clean-up concept

1. Cleanliness: operations to maintain a clean service station, and tasks for preventing dirtiness
2. Maintenance: maintenance and repair, regular and objective verification of clean-up operations and concomitant maintenance work
3. Sales promotion: guidelines shown in displays

Concepts are clearly defined, and personal appearance is also reviewed using posters and checklists.

◆ Tools Supporting Initiatives at Service Stations



Stand-by check posters



"Filling Up Your Hearts, Too" Q&A

Pamphlet covering the Three Promises of the "Filling Up Your Hearts, Too" Declaration



Clean-up and personal appearance checklist

Group Programs to Support the “Filling Up Your Hearts, Too” Declaration

Although the Cosmo Oil Group has been actively involved in CSR over many years, the “Filling Up Your Hearts, Too” Declaration has been a catalyst for a new way of thinking.

Because of the Declaration, every Company division, whether logistics, refineries or sales, now shares a common understanding of CSR. This understanding is reflected in all of the Company’s actions, from oil procurement to final delivery to the consumer, with the aim of meeting the public’s expectations and earning the trust of stakeholders. All of the Company’s actions are carried out with an awareness of stakeholders and are based on shared goals from the “Filling Up Your Hearts, Too” Declaration.

The Declaration has also given employees pride in their work and led them to take initiatives. CSR is not fully entrenched in a company if employees are merely passive; they must be proactively involved in carrying it out. The Declaration has provided an opportunity for employees to take more satisfaction in their work and encourage

voluntary actions.

Although the “Filling Up Your Hearts, Too” Declaration commenced only recently, the Group will continue to enhance awareness of CSR and programs promoting it, and strive to further raise the public’s trust in Cosmo Oil as a company people depend on and admire.



Opinion

The Cosmo Oil Group’s Initiatives for the “Filling Up Your Hearts, Too Declaration 2008”

I am very impressed with the Cosmo Oil Group’s proactive efforts to carry out its sales promotion program, “Filling Up Your Hearts, Too Declaration 2008,” both in terms of CSR and brand management.

The Three Promises and CSR training forming the core of the program are framed around the mainstay commerce of the service stations, namely selling gasoline and related products to customers in compliance with laws while at the same time providing “comfort, security and trust.” Such a narrow focus is by no means a weakness. Indeed, having the service stations, which are the first point of contact with consumers along the oil distribution channel, take responsibility for fulfilling Cosmo Oil’s first priority of meeting its social responsibilities demonstrates to me that the Group firmly believes that CSR is carried out through its core business.

The twenty-first century will be the age of the corporate brand rather than the product brand. We are once again seeing a growing focus on companies instead of products as product life cycles have been shortened due to recent consumption trends and the public’s awareness of compliance has been heightened in response to corporate scandals.

Mika Takaoka

Associate Professor, College of Business, Rikkyo University

Profile

Ms. Takaoka received a PhD in Economics from the University of Tokyo’s Graduate School of Economics, specializing in logistics system theory and corporate relations. She has written many books and articles, including *CSR and Corporate Management* (Gakubunsha, co-author) and *Sustainable Lifestyle Navigation* (JUSE Press, author).



In managing a corporate brand, it is crucial that common values are shared throughout the process leading from oil production to refining and sale. Shared values are especially important in the sales division, or in this case, the service stations. The reason for this is simple: companies operate a chain of numerous outlets to ensure that sales bases are located close to consumers, and the brand image associated with this chain and the entire company can be damaged if a customer is dissatisfied with the level of service at a single outlet. Moreover, it has been shown that divisions such as sales divisions that offer services directly to customers must ensure that employees take pride in their own work, as their level of satisfaction affects the level of service they provide, potentially damaging customer satisfaction.

The “Filling Up Your Hearts, Too Declaration 2008” program aims to ensure that all employees working at Cosmo Oil’s service stations share the same clear values that emphasize thorough compliance and ensure customer satisfaction through the Three Promises, while promoting customer service based on pride in their own work. I believe that this program will be extremely effective in maintaining and improving Cosmo Oil’s corporate brand.

Relationships with Oil-producing Countries for Procuring a Stable Supply

—Close partnership with UAE



Procuring a Stable Oil Supply Starts with Trusting Relationships

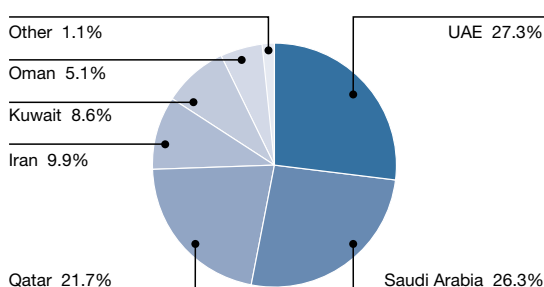
Oil is the energy source that allows society and industry to function. In Japan, a resource-poor country, almost all of the oil it needs must be imported, and its suppliers are mainly concentrated in the Middle East. For many years, the Cosmo Oil Group has made strong efforts to build trusting and cooperative relationships with oil-producing countries in the Middle East. Its relationship with the Emirate of Abu Dhabi of the United Arab Emirates (UAE), precedes their respective creations in their present forms, and the more than 40 years of collaboration since then has yielded impressive results.

Relationship with UAE Stretches Back to 1967

The relationship between the Cosmo Oil Group and the Emirate of Abu Dhabi goes back to 1967. Up until that point, Abu Dhabi had only granted oil concessions to major western countries, but it decided to open its market to Japan in 1967. Maruzen Oil Co., Ltd., Daikyo Oil Co., Ltd. (both now Cosmo Oil) and Nippon Mining Co., Ltd. (currently Japan Energy Corporation) took advantage of this opportunity by jointly placing an international bid. The bid succeeded, and in 1968 the three companies formed a consortium, Abu Dhabi Oil Co., Ltd. (ADOC).

In 1969, the Mubarraz Field was discovered during exploratory drilling of the first exploration well. This was followed in 1970 with the granting of a 50% concession in the offshore Al Bunduq oil field, located on the border between

◆ Percentage of Cosmo Oil's Oil Imports by Country in Fiscal 2007



◆ United Arab Emirates

Situated in the southeast of the Arabian Peninsula, the United Arab Emirates is a federation of seven emirates with Abu Dhabi as the capital city. It is a triangular land mass forming the south and southeast coasts of the Arabian Peninsula and the west coast of the Gulf of Oman. Its main resources are oil and natural gas, most of which are located in Abu Dhabi.



Abu Dhabi and Qatar, and the establishment of the United Petroleum Development Co., Ltd. (UPD) for developing the oil field and managing production. Subsequently, ADOC steadily expanded its business in the face of major shifts in the operating environment, including the founding of the UAE in 1971 and the first oil shock in 1973, followed by the second oil shock in 1979. With the successful development of the Umm Al Anbar Field, oil production surged even further.

When the Cosmo Oil Group was established in 1986, it assumed this mutually beneficial relationship with Abu Dhabi. The Group weathered crises such as the Persian Gulf War, and followed up the success of the Mubarraz Field and Umm Al Anbar Field with the start of commercial production at the Neewat Al Ghalan Field. The crude oil produced from these three fields is mixed together and shipped to Japan as Mubarraz Blended Crude.

Commencement of Commercial Production in Qatar

After acquiring oil concessions in Abu Dhabi, the Cosmo Oil Group signed a development and production sharing agreement with the Government of Qatar in 1997, and acquired concessions to the Al-Karkara oil field and the A-Structure North oil field. This led to the establishment and development of Qatar Petroleum Development Co., Ltd., which began operations in 2006.

Environment-friendly Oil Production

Flames burning in a flare stack have become a symbol of



Before Zero Flare Project



After Zero Flare Project

oil fields. The flare stack incinerates gases released as a by-product in crude oil production, including hydrogen sulfide—a poisonous gas—as well as carbon dioxide.

In 2001, ADOC was the first in the Middle East to succeed with the Zero Flare

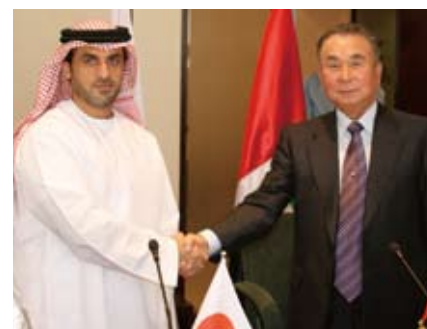
Project by recovering all of the associated gases and injecting them into an underground oil reserve. This allowed the company to reduce its emissions of greenhouse gases by 200,000 tons of CO₂ equivalent per year. Qatar Petroleum Development also began injecting these gases into underground oil reserves when it came onstream in 2006.

Strategic Affiliation with IPIC to Realize Capital Increase and Reinforce Relationships

In recent years, crude oil prices have reached record highs, making stable oil procurement over the long term even more important. High expectations are held for the Cosmo Oil Group's strong ties with the Emirate of Abu Dhabi and oil-producing countries in the Middle East. As part of these efforts, Cosmo Oil formed a strategic alliance with the International Petroleum Investment Company (IPIC) in 2007, an investment company wholly owned by the government of the Emirate of Abu Dhabi, and issued 176,000,000 ordinary shares through a third-party allocation to raise capital. Furthermore, Cosmo Oil will strengthen its ties with Abu Dhabi by accepting two directors from IPIC to the Board of Directors (as outside directors). Combining the Group's management resources with IPIC's financing and international network through this affiliation solidifies Cosmo Oil's system for fulfilling its mission of providing a stable supply of oil. The companies also plan to work together to expand international sales (through exports), reinforce the petroleum development business and build up new businesses (such as the ALA business; refer to Special Feature 3).

Mutual understanding, trust and collaboration that go beyond national boundaries have become even more important now that economic conditions and environmental problems are demonstrating how closely the entire world is linked together.

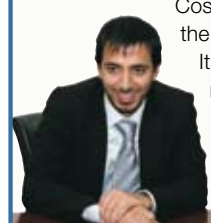
The Cosmo Oil Group will continue to fulfill its mission of providing a stable supply of oil by capitalizing on its firm ties it has built up over a long period in a wide range of areas with the Emirate of Abu Dhabi and oil-producing countries in the Middle East.



Partnership signing ceremony in September 2007

Message

“We hope that this business tie-up will serve as an opportunity for deepening relationships in areas other than oil.”



Cosmo Oil is extremely interesting in terms of the scale of both its operations and marketing. Its strategies are consistent with IPIC's own, making it an ideal partner for strategic affiliations. We hope that this partnership serves as an opportunity to deepen our relationship in areas other than oil, such as

Saeed Al Mehairbi, director from IPIC

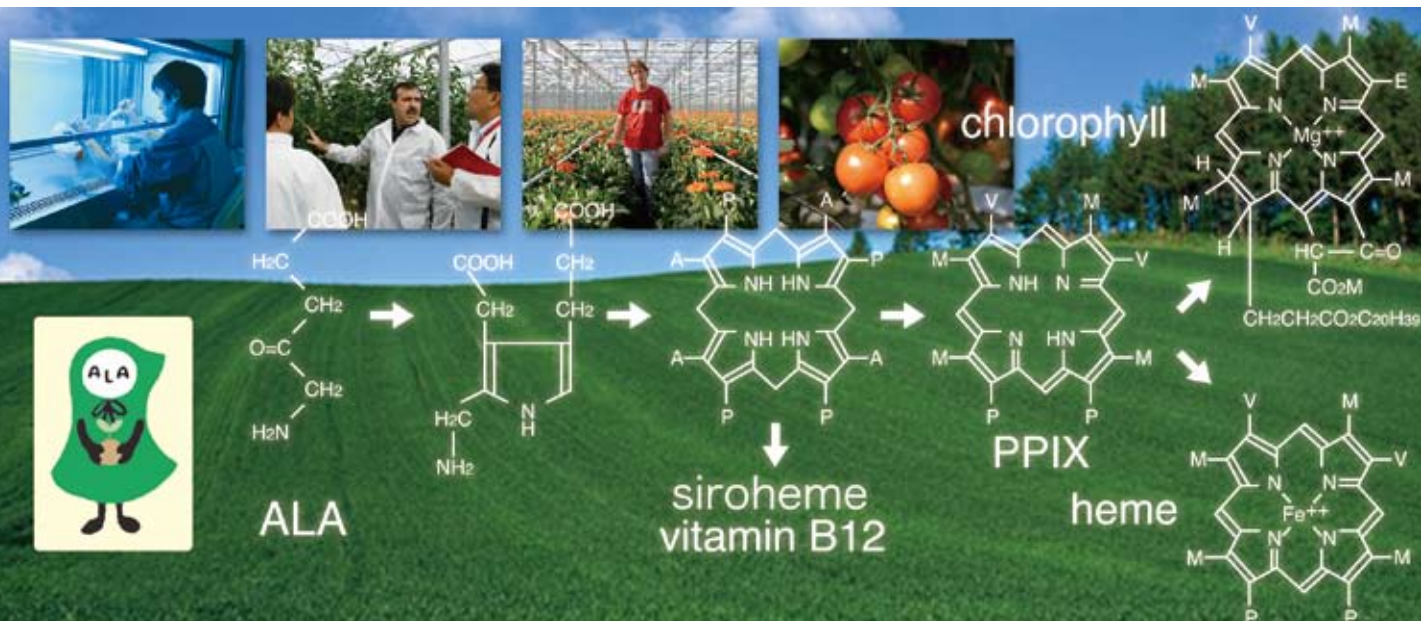
culture, education and technology. We also want to use this relationship of more than 40 years as a springboard from which to enhance our understanding of the Japanese and their culture. In addition, we hope that Cosmo Oil ranks among the most environment-friendly companies in Japan.

Khalifa Al Romaithi, director from IPIC



Beneficial Aspects of ALA Put to Work for the Environment

—Cosmo Oil succeeds in mass production of ALA for commercialization as liquid manure



ALA—the Starting Material Essential to Living Organisms

While the world's population is increasing, arable land is decreasing as the result of urbanization and climate change. As this situation could lead to a global food crisis, the human race now faces the urgent task of raising agricultural productivity. The Cosmo Oil Group has succeeded in mass producing 5-aminolevulinic acid (ALA), a substance that could play a major role in boosting productivity.

ALA is an amino acid present in all living organisms, and is believed to have originated with life itself 3.6 billion years ago. This substance is a building block of the chemical compounds that play important roles in living bodies, such as the hemoglobin in the blood that moves oxygen through an animal's body and the chlorophyll so essential to plant photosynthesis. Even when applied externally, ALA can be expected to have a wide variety of effects. It can be applied in diverse fields, such as medical treatment and diagnosis, enzyme production and the culture of microorganisms, growth induction for plants and enhanced photonic synthesis.

As part of efforts to become a cutting-edge company in the environmental field, Cosmo Oil is involved in research and

development in many areas, including the development of more sophisticated oil production technology, environmental cleanup technology and numerous new technologies. ALA has been one of the focuses of its research since the late 1980s.

Mass Production Allows ALA to be Applied in Many Fields

Previously, ALA could only be produced in small quantities through chemical synthesis, and consequently, only small amounts were used as research applications. Production of ALA in large quantities at low costs means that it can be applied in a wide variety of areas, and its impressive effects can benefit more people. It was this idea that inspired the Cosmo Oil Group to begin mass production of ALA through a fermentation process using photosynthesis bacterium. When this photosynthesis bacterium was initially examined, ALA production volume peaked when a large number of bacteria were present. Resolving this problem led to a major turning point: tens of thousands of variant strains were produced before breeding the current strain in use.

In production, glucose sugar is used as the raw material and no animal ingredients are used in cultivating the bacteria, thereby

◆ ALA Products

Cosmo Oil developed the Pentakeep series, an agricultural fertilizer offering new applications, and Penta Garden series, a fertilizer for home gardeners.



◆ Effects of Pentakeep

Example with fruit cultivation in Slovakia

Crop: Wine grapes

Effect:

Pentakeep not only increased the yield of the grapes, which are naturally sensitive, but also raised the sugar content, resulting in a clear improvement in the flavor of wine.



preventing risks such as Bovine Spongiform Encephalopathy (BSE) and ensuring safety. The Cosmo Oil Group continued to develop high-purity refining techniques and succeeded in extracting ALA crystals with over 99% purity. The Group was first in the world to succeed in using fermentation in its industrial production technique for ALA, and was recognized with the Technical Award of the Society for Biotechnology, Japan, in 1999.



ALA crystals with 99% purity

Extraordinary Effect on Plants Harnesses for Use as Fertilizer

Along with its development of mass-production methods, the Cosmo Oil Group conducted research into ALA applications, which demonstrated particularly notable effects on plants.

● Increase in chlorophyll

Chlorophyll increases when administering moderate amounts of ALA to plants, enhancing photosynthetic capacity and CO₂ sequestration.

● Produce is large and sweet

Increasing photosynthetic capacity results in larger and sweeter fruits and vegetables.

● Plants strengthen in low-sunlight environments

Plants prosper even in environments with little sunlight.

● Improved resistance to cold and salinity tolerance

The large amount of sugar produced through photonic synthesis makes plants resistant to cold and tolerant to soil with high salinity, even alkaline soil.

● More efficient nutrient absorption

ALA accelerates the speed at which nutrients are absorbed from the roots.

To take advantage of the unique properties of ALA, the Cosmo Oil Group joined with Seiwa Co., Ltd. to commercialize the Pentakeep series of liquid fertilizer. Currently, Seiwa is selling the fertilizer to domestic agricultural producers, and Cosmo Oil's subsidiary Cosmo Seiwa Agriculture Co., Ltd. is selling the home gardening variety to general consumers.

The Cosmo Oil Group is particularly focused on marketing Pentakeep outside Japan to fulfill its role in raising global

agricultural production. Tests conducted in the Netherlands, Poland, the Czech Republic, and Hungary demonstrated increased yields and higher quality in many plants, garnering high praise from agricultural producers. The product is now widely sold in Italy, Germany, Greece and Spain. In 2003, Pentakeep was demonstrated at Horti Fair in the Netherlands, the world's largest agricultural exhibit. Cosmo Oil's fertilizer won the theme prize, and attracted a stream of business inquiries from agricultural companies from all over the world. Looking ahead, the Cosmo Oil Group plans to expand into the U.S. and Chinese markets.



Horti Fair agricultural exhibit in the Netherlands

Pursuing ALA's Potential to Contribute to a More Prosperous Life

ALA is demonstrating impressive results in raising crop yields and inducing growth, thereby contributing to agricultural production without harming living organisms or contaminating soil. ALA is currently marketed as the liquid fertilizer Pentakeep, but in a solid form it could be applied to larger land areas and be effective in grain production and other agricultural pursuits. Moreover, as land areas of many regions in the world have been damaged by salt and alkali, making desertification a major problem, ALA's effectiveness in improving the salinity tolerance and alkalinity tolerance of plants makes it a landmark substance that could herald a turning point for the environment in these areas. Cosmo Oil is also moving ahead with research into afforestation and agriculture using ALA.

In addition, the Company expects ALA to have applications in animal feed, hair growth formulas, and tumor diagnosis and treatment. The Cosmo Oil Group will continue to commercialize ALA for applications that can contribute to a wide variety of fields, such as agriculture, the environment and health. As with petroleum, ALA takes its origins from the earth's riches that have been with us since time immemorial. The Cosmo Oil Group will continue to take up the challenge of seeking ALA's potential to pursue better lives for humankind.

◆ Effects of Pentakeep

Example with vegetable cultivation in Italy

Crop: Lettuce (grown in tunnels)

Application method:

500g/ha of Pentakeep Super was applied to leaves one time every eight days for a total of four applications.

Effect:

The mass of lettuce above the ground increased significantly in proportion to the roots, resulting in increased yield.



◆ Fields where Cosmo Oil Applies ALA

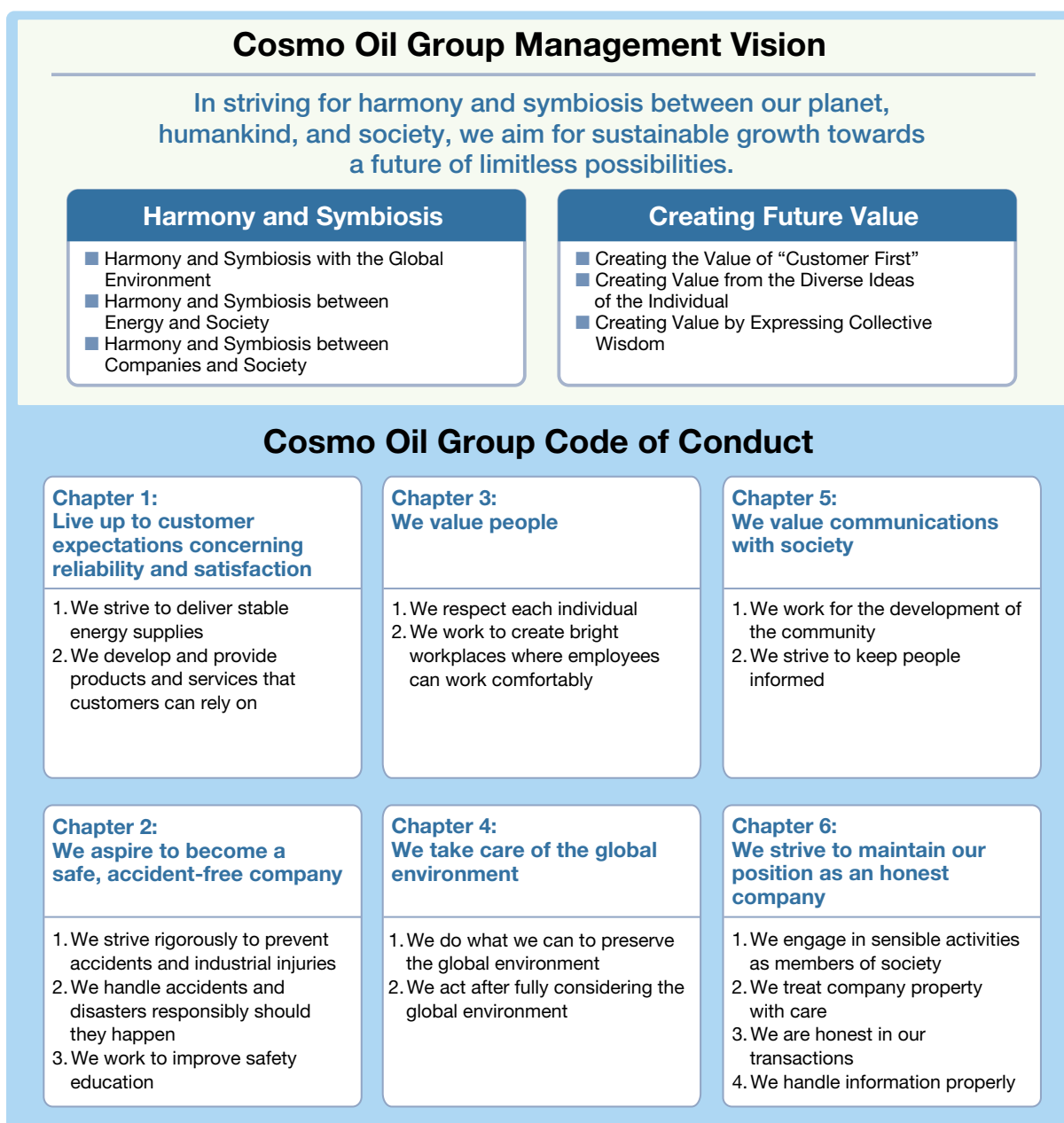
	Microorganisms and fermentation fields	Animal and medical fields	Plant and agriculture fields
	Anti-infective drugs Disinfection Hemophilia diagnosis Heme enzyme production VB12 production Microbial culture Porphyrin production	ALA derivatives Rheumatism treatments Blood clot treatments Cancer treatments Cancer intraoperative diagnosis and treatment Animal cell culture Heme metabolic research Hair growth UV cut Diagnosis of heavy-metal poisoning in porphyrin cases Prevention of severe anemia	Improved yields Enhanced photonic synthesis Improved resistance to cold Improved tolerance to salinity
Exposure to light	Addition of elevated concentration Addition of low concentration		

CSR Management

The Cosmo Oil Group has adopted the Management Vision of “Harmony & Symbiosis” and “Creating Future Value,” and is promoting CSR management to achieve a sustainable society and help protect the global environment.

The Cosmo Oil Group’s CSR Management

Operating on the dual axes of establishing a stable revenue base and promoting CSR management, the Company is implementing CSR management with the help of all employees.



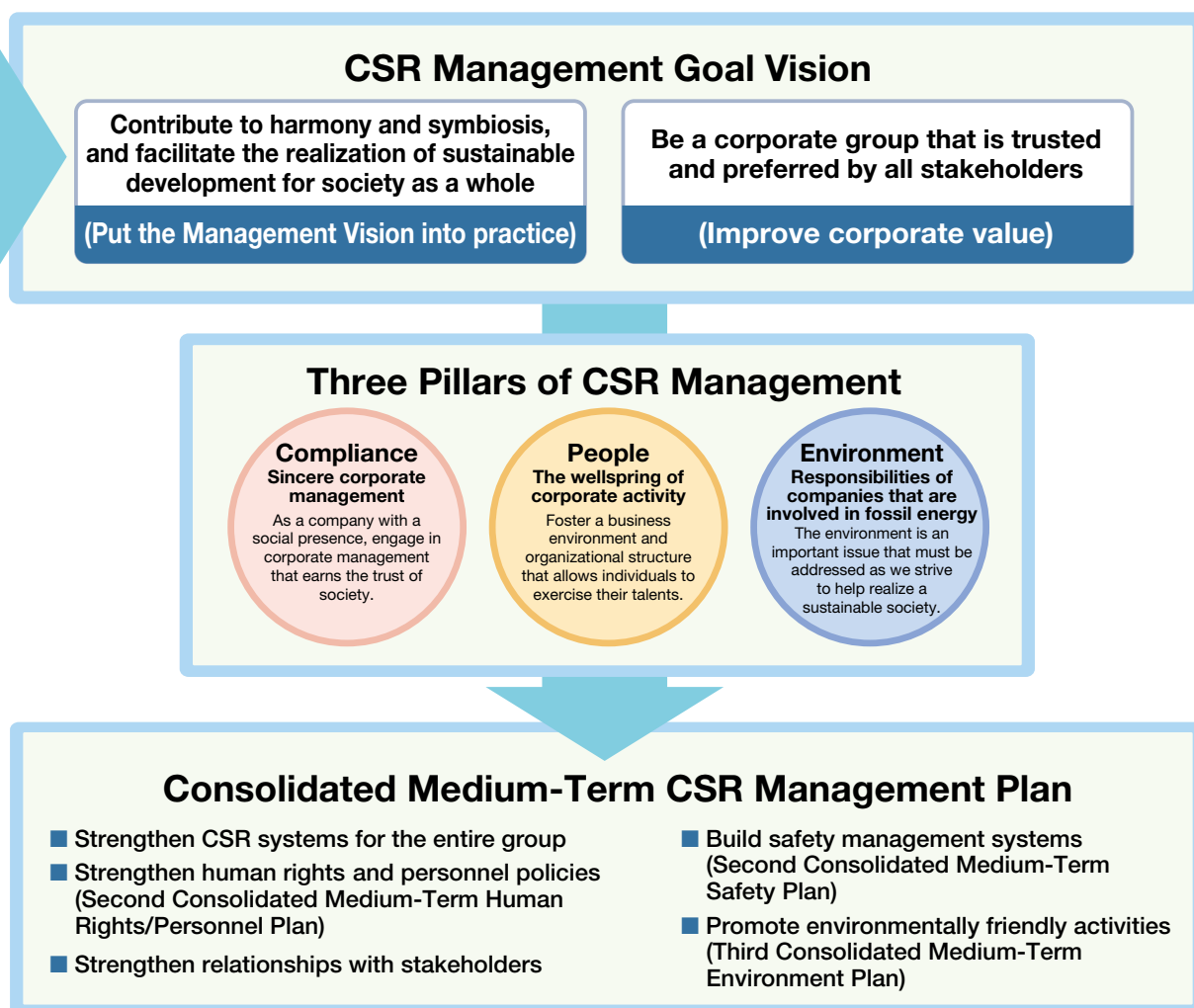
Detailed information on the Cosmo Oil Group Code of Conduct can be found at the following Web page:

web <http://www.cosmo-oil.co.jp/eng/company/guideline.html>

Basic Stance

In alignment with its Management Vision of Harmony & Symbiosis and Creating Future Value, the Cosmo Oil Group strives to achieve harmony and symbiosis between our planet, humankind, and society, and is working to achieve sustainable growth into a future of limitless possibilities. We know that a stable revenue base must go hand in hand with CSR management if we are to achieve perpetual growth and realize our role in creating a sustainable global environment for the future.

To give concrete shape to our Management Vision, we have developed the CSR Management Goal Vision and the Three Pillars of CSR Management, as well as formulated the Three-Year Consolidated Medium-Term CSR Plan. Furthermore, we are practicing CSR management with the help of employees throughout the Group.



Cosmo Oil Group companies promoting the Consolidated Medium-Term CSR Management Plan (24 companies)

Cosmo Oil Co., Ltd.	Hokuto Kogyo Co., Ltd.	Kansai Cosmo Logistics Co., Ltd.	Qatar Petroleum Development Co., Ltd. (Japan)
Cosmo Engineering Co., Ltd.	Cosmo Business Support Co., Ltd.	Sakaide Cosmo Kosan Co., Ltd.	Cosmo Oil (U.K.) Plc.
Cosmo Petroleum Gas Co., Ltd.	Cosmo Kaiun Co., Ltd.	Cosmo Computer Center Co., Ltd.	Cosmo Oil of U.S.A., Inc.
Cosmo Oil Lubricants Co., Ltd.	Cosmo Delivery Service Co., Ltd.	Cosmo Research Institute Co., Ltd.	Cosmo Oil International Pte., Ltd.
Cosmo Trade & Service Co., Ltd.	Cosmo Petro Service Co., Ltd.	Abu Dhabi Oil Co., Ltd. (Japan)	Cosmo Oil Sales Co., Ltd.
Cosmo Matsuyama Oil Co., Ltd.	Cosmo Techno Yokkaichi Co., Ltd.	Cosmo Energy Exploration & Development Co., Ltd.	Mikawa CSN Co., Ltd.

Corporate Governance

Cosmo Oil is developing structures to ensure the continuous stable supply of energy, putting safety as the highest priority, and is constantly striving to raise awareness.

Corporate Governance

Basic Stance on Corporate Governance

The Cosmo Oil Group promotes “raising management transparency and efficiency,” “rapidly executing business,” and “implementing thorough risk management and compliance” in order to maximize the satisfaction of all stakeholders. The Group also strives to further bolster corporate governance based on the Cosmo Oil Group Management Vision, which is grounded on Cosmo Oil’s corporate mission and responsibility toward the broader society, and the Cosmo Oil Group Code of Conduct, which contains specific stipulations for promoting and achieving the Management Vision.

Corporate Governance Structure, Measures, and Implementation Status

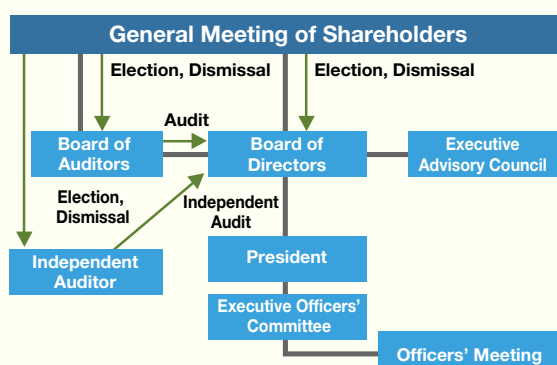
The Cosmo Oil Group has adopted a corporate auditor system. Under this system, the three management functions of management decision-making and supervision, execution of business duties, and the evaluation of director performance have been separated according to the Board of Directors, which includes two outside directors, the Executive Officers’ Committee, and the Executive Advisory Council, respectively. The corporate auditors strive to enhance their supervisory functions by attending important meetings including those of the Board of Directors and Executive Officers’ Committee, while three outside corporate auditors are utilized to provide external checks. In this manner, the Company has established an effectively functioning structure for supervising and evaluating Group management.

Cosmo Oil introduced an executive officer system to further clarify the separation between management supervision and business operations and to swiftly respond to changes in the business environment. Along with the introduction of this system, the Officers’ Meeting was established as a sub-organization under the Executive Officers’ Committee to more flexibly execute business and to enhance the sharing of information.

Related Information can be found in the CSR Management section of the Annual Report (PDF) at the following Web page:

web http://www.cosmo-oil.co.jp/eng/ir/annual/annual2008/pdf/annual2008e_08.pdf

◆ Corporate Governance Organization Chart



Measures for Internal Controls

Basic Approaches to Internal Control

Cosmo Oil is progressing with the establishment of a variety of management systems, including policies and procedures for executing duties by directors and employees, to enable the implementation of the Cosmo Oil Group Management Vision and the Cosmo Oil Group Code of Conduct and to ensure proper and efficient business execution. To support this system, the Company established a framework for risk management and internal audits in addition to systematic measures for ensuring the efficient execution of auditing by corporate auditors.

Implementation Status of the Internal Control System

The CSR Promotion Committee was established under the direct supervision of the president to handle all activities related to the Group’s CSR efforts and internal controls. The Corporate Communication Department assists with its management, and strives to promote ethical corporate activities based on a spirit of respect for the laws while promoting adherence to the Cosmo Oil Group Code of Conduct.

As the implementing organization, the CSR Promotion Committee oversees six committees: the Corporate Ethics Committee, Risk Management Committee, Comprehensive Safety Action Headquarters Committee, Global Environment Committee, Human Rights Committee, and Quality Assurance Committee. In addition, each executive committee receives management support from relevant departments, and promotes focused and active efforts throughout the Company.

CSR Status Survey

To promote the advancement of the Cosmo Oil Group’s CSR management, the Company conducted the “Employee CSR Perception Poll” in September 2007. The survey probed the status of its CSR activities, and was aimed at (1) ascertaining actual conditions, (2) identifying areas needing improvement, and (3) assisting with CSR outreach. The survey was conducted among the officers and employees of 20 Cosmo Oil Group companies, and respondents remained anonymous in order to ensure the reliability of results. The surveys were collected by an outside organization, and the response rate was 93% (a total of 4,198 surveys).

◆ Internal Control Chart



Compliance and Risk Management

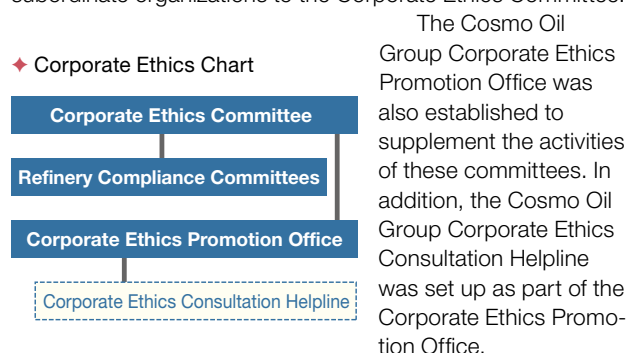
To ensure honest and transparent corporate management and raise the ethical standards of Group employees, we strive to promote compliance and strengthen risk management.

Promotion of Compliance

Corporate Ethics Promotion Structure

The Cosmo Oil Group has established a Corporate Ethics Committee (chaired by the director in charge of general affairs) to decide on, promote, implement, and monitor the results of the basic corporate ethics guidelines.

To prevent the recurrence of accidents and legal violations and to achieve full compliance at oil refineries, the Company has established a Refinery Compliance Committee (chaired by general managers at the refineries) at each refinery, as subordinate organizations to the Corporate Ethics Committee.



Meetings of the Refinery Compliance Committees

The refinery compliance committees, which were established in fiscal 2006, began meeting once every three months in 2007. Since measures to ensure the security of the refineries were fully implemented as a result, the frequency of these meetings was reduced in fiscal 2008 to only once every six months and other times as necessary. Monthly follow-up committee meetings are also held at each refinery, and the Company is continuously strengthening monitoring activities by creating opportunities where general managers at refineries can confirm individual reports and construction work.

Corporate Ethics Consultation Helpline

Cosmo Oil has set up a helpline by which employees or persons outside the Company can discuss or report legal or ethical problems concerning Group operations or other related matters. In addition to the helpline, as part of the Corporate Ethics Promotion Office, a consultation helpline staffed by external experts has been established. Callers are assured anonymity to avoid any adverse repercussions. In fiscal 2007, five consultation cases were received and promptly addressed. The Company has also set up a consultation helpline within the Personnel Department to respond to reports of sexual or power harassment.

Corporate Ethics Training

Cosmo Oil conducts annual corporate ethics training for Group employees. In addition to stratified training according to rank, training sessions are sponsored by both the general managers of offices and departments and the presidents of Group companies. In the fiscal 2007 training sessions, the Company worked to instill a greater awareness of compliance issues by reconfirming the content of its manual covering the Cosmo Oil Group Code of Conduct.

Risk Management System

Since fiscal 2003, the Cosmo Oil Group has been conducting company-wide risk management activities on an annual basis. Specifically, each year it undertakes a cyclical process to identify, organize, and evaluate risk; consider and implement appropriate countermeasures; and evaluate monitoring results. In July 2005, it established the Risk Management Committee with a major emphasis on “considering responses to crisis situations.” In fiscal 2006, the Company formulated its company-wide Business Continuity Plan (BCP) to respond to disaster situations.

Business Continuity Plan (BCP)

In April 2008, the Company conducted its second real-time simulation drill based on a hypothetical scenario of damage resulting from an epicentral earthquake in the Tokyo area. Employees practiced returning home, and placing and receiving orders during emergencies, and conducted Cosmo Computer Center crisis management drills. These drills created an opportunity for each department to develop its own emergency response manual. In fiscal 2008, to promote the BCP, the Company is raising the bar on comprehensive drills and formulating new influenza policies and risk management policies that emphasize solutions covering work from home.

Message

From the factory floor to top executives, all refinery personnel must work together to ensure safety

Teruyuki Takishima

General Manager, Chiba Refinery



The Chiba Refinery established its Compliance Committee in 2006 to focus on ensuring compliance, improve the reliability of equipment, and bolster communication. The committee was initially comprised of only section managers and higher-ranking employees. However, to ensure that its work would not end at the doors of the reporting meeting held at headquarters, in 2007, participation was expanded to include all employees at the supervisory level and higher, and structures were created for making improvements by repeatedly researching and implementing new ideas in the areas of workplace safety management and applications to public administrations. As deregulation has progressed and corporate responsibility has increased, we have actively progressed not only in the area of legal compliance, but also in risk management. We want the refinery to be a safe facility that is fully trusted and appreciated by customers and local community residents.

Consolidated Medium-Term Management Plan and CSR Promotion

We are implementing the Consolidated Medium-Term Management Plan and Consolidated Medium-Term CSR Management Plan to establish a stable earnings foundation and fulfill our social responsibilities.

Consolidated Medium-Term Management Plan

The Cosmo Oil Group has formulated its Second Consolidated Medium-Term Management Plan covering the three-year period from fiscal 2005 through fiscal 2007, and has been working in unison on basic policies aimed at “strengthening the management foundation to withstand future structural changes” and “transitioning to a growth strategy.”

The Group’s efforts in oil development have led to the launch of commercial production through Qatar Petroleum Development Co., Ltd., and in the petrochemical industry, have led to the start of production of mixed xylene at CM Aromatics Co., Ltd. In fiscal 2007, Cosmo Oil entered into a comprehensive strategic business partnership with the International Petroleum Investment Company (IPIC), which is 100% capitalized by the government of the Emirate of Abu Dhabi in the United Arab Emirates. Nonetheless, the Company has yet to reach its profit targets due to changes in the business environment, including a higher-than-expected rise in crude oil prices and a slump in demand, as well as to the effects of an accident at the Chiba Refinery.

Commencing in fiscal 2008 and covering a three-year period, the Third Consolidated Medium-Term Management Plan identifies the strategic theme for this period as “rebuilding the earnings base and laying the foundation for future growth.” It places priority on “promoting CSR management” and encourages management practices that enable the Company to fulfill its social responsibilities.

Third Consolidated Medium-Term Management Plan Framework

(1) Rebuild the earnings base and lay the foundation for future growth

Reinforce the profit-earning capacity of the oil refining and sales businesses

- Build a strong domestic sales network
- Expand international sales
- Strengthen refinery competitiveness

Prompt decision-making to accelerate growth strategies

- Oil development business
- Petrochemical business

Pursue partnership synergy with IPIC

- Investigate business opportunities across a wide range of fields

New businesses

- ALA business
- Light-condensing solar heat generation

(2) Promote CSR and environmental management

Formulate the Second Consolidated Medium-Term CSR Management Plan

Related information on the Third Consolidated Medium-Term Management Plan can be found at the following Web page:

[web http://www.cosmo-oil.co.jp/eng/ir/newsletters/pdf/2008_summer/2008summer.pdf](http://www.cosmo-oil.co.jp/eng/ir/newsletters/pdf/2008_summer/2008summer.pdf)

Consolidated Medium-Term CSR Management Plan (FY 2005 – 2007)

In keeping with the Group Management Vision, the Cosmo Oil Group strives to contribute to the continuous development of society by promoting “harmony and symbiosis” between energy, society, and the global environment. The Group also strives to “create future value” by developing businesses that meet the needs of customers and society as a whole. To share and steadily implement these concepts throughout the Group, we included “strengthening CSR” in the Consolidated Medium-Term Management Plan initiated in fiscal 2005. As a specific initiative in our ongoing efforts to promote CSR-based management, we have been formulating the Consolidated Medium-Term CSR Management Plan to be implemented over the same three-year period.

Basic Framework and Status of Efforts

Different departments and companies within the Group have different kinds of relationships with stakeholders. Accordingly, although the Consolidated Medium-Term Management Plan entails the initiatives of respective business sites, it also establishes five basic policies shared throughout the Group, particularly focusing on “improving the awareness of CSR.”

Five Key Priorities: Major Accomplishments and Challenges

1. Improving the Awareness of CSR

Achievements

- Implemented corporate ethics training and monitoring checks to educate employees about the Management Vision and the Code of Conduct
- Established the Refinery Compliance Committee

Challenges

- CSR awareness is growing, but individual employees need to voluntarily practice CSR activities

2. Reinforcing Risk Management and Internal Audit Functions

Achievements

- Developed structures for internal audits at all subsidiaries and affiliates
- Established the Risk Management Committee and identified risk criteria
- Formulated the Business Continuity Plan (BCP)

3. Strengthening Safety Control

Achievements

- Activities were conducted in four key areas:
(1) Development of safety management systems (2) Identification of potential risks
(3) Strengthening of crisis management systems (4) Systematic implementation of educational programs and drills
- “Change 21 Activities” implemented to rebuild safety management systems at refineries

Challenges

- It has been difficult to evaluate performance because we have set broad, qualitative goals

4. Enhancing Environmental Efforts

Achievements

- Steadily implemented global warming mitigation policies and soil contamination countermeasures
- Developed Team Minus 6% activities for offices and individuals
- Concluded an agreement for the purchase of CO₂ emission credits
- Used the Cosmo Oil Eco Card Fund to promote global activities for the environment and other participation-based projects

Challenges

- Strengthen activities for the environment that involve stakeholder participation

5. Fostering the Protection of Human Rights and Implementing Personnel-Related Measures

Achievements

- Undertook measures to encourage employees to maintain a work-life balance by increasing the amount of time that can be taken for childcare leave and increasing subsidies granted for the use of childcare facilities

Challenges

- We have improved various policies and systems, but employees do not yet fully understand or utilize the systems available to them

Second Consolidated Medium-Term CSR Management Plan (Fiscal 2008 – 2010)

The Second Consolidated Medium-Term CSR Management Plan, which commences in fiscal 2008, aims to “strengthen CSR promotion structures on a consolidated Group basis,” and to promote the voluntary participation of Cosmo Oil Group employees in the following key areas: “building safety

management structures,” “fostering the protection of human rights and implementing personnel-related measures,” “promoting environmental adaptation,” and “strengthening relationships with stakeholders.” It also promotes efforts aimed at achieving a sustainable society and global environment.

Second Consolidated Medium-Term CSR Management Plan	Key Action Areas	Major Goals	
	Strengthen CSR Promotion Structures on a Consolidated Group Basis	◆ Organizational structures for improving implementation The CSR Promotion Committee oversees all efforts, while the CSR Promotion Liaison Meeting strives to make connections with subsidiaries and affiliates and to improve implementation for the entire Group ◆ Redevelop and ensure the dissemination of the Code of Conduct and other systems (compliance with risk management/internal control)	
	Build Safety Management Structures (Second Consolidated Medium-Term Safety Plan)	◆ Goals by department	
		A) Refining Department (oil, petrochemicals)	Change 21 Activity Goals: Reduce safety problems by 90% or more from the base year
		B) Refining/Terminal Department (lubricating oil, gas)	Reduce leakages of hazardous materials and combustible gases
		C) Distribution Department	Ground shipments: Reduce mixing of oil, oil leakages, shipping errors, and traffic accidents
			Sea shipments: Incorporate vessel management systems
		D) Sales and other departments	Oil depots: Continue record of zero occupational accidents, reduce accidents
			Continue record of zero occupational accidents in SS construction, adopt SS equipment risk countermeasures
	Foster the Protection of Human Rights and Personnel-Related Measures (Second Consolidated Medium-Term Human Rights/Personnel Plan)	◆ Shared Group themes	
		1. Improve sense of participation	Achieve 100% awareness among employees of personnel regulations and employee benefit systems
		2. Respect for diversity, equality of opportunity	Maintain a rate of employment of disabled persons of 2% or higher, ensure 80% or higher participations in human rights training
		3. Cultivate personnel, skills development	Continuously implement training programs for employees at different levels and promote internal recruitment
		4. Promote physical and mental health care	Implement measures to ensure that employees work 1,900 or fewer total hours/year, implement special health exams
		5. Support balance between work and home life	Support childcare leave, increase the number of days of paid leave taken by 10%
		6. Support employment stability and re-employment	Continuously support re-employment
		◆ Individual themes: Comply with the Law for Measures to Support the Development of the Next Generation (applicable to workplaces with more than 100 employees)	
	Promote Environmental Response Measures (Third Consolidated Medium-Term Environment Plan)	◆ Improve environmental efficiency	
		1. Global warming countermeasures	Improve unit energy consumption costs at the Group's four refineries (achieve a 15% reduction compared to 1990 by 2010)
			Manage greenhouse gas emissions (quantitative assessments from the International Development Department through the Distribution Department)
			Promote energy and resource conservation (save energy by improving distribution efficiency: reduce unit energy consumption by 1% from the previous year) (save resources: Team Minus 6% activities for the office)
			Use Kyoto Mechanisms (obtain emissions rights as a complementary approach to global warming countermeasures)
		2. Minimize environmental impact	Reduce industrial waste (rate of final disposal: less than 0.5% for Cosmo Oil; less than 5% for the Group)
			Adopt stringent measures to ensure soil preservation
			Promote and expand green purchasing
		◆ Strengthen environmental management	
		3. Develop environmentally friendly businesses and develop new technologies	Develop new environmental business, conduct R&D in the oil industry and new industries
		4. Share and disseminate environmental information	Team Minus 6% activities for individuals (efforts that involve individuals and families)
	Strengthen Relationships with Stakeholders	◆ Strengthen communications regarding social activities and activities for the environment	
		◆ Strengthen social and environmental activities in local communities	
		◆ Strengthen participation-based projects funded by the Cosmo Oil Eco Card Fund	
		◆ Enhance communication with stakeholders	
		◆ Encourage two-way, mutual communications	

Safety Report

The Cosmo Oil Group continuously considers the adequacy of its current safety activities and measures to better ensure employee safety. We are striving to build a safety management system for making significant improvements in this area.



Initiatives for Safety

We aim to raise the level of safety control through company-wide efforts to implement autonomous safety activities that refocus on the fundamentals.

Safety Policy

Explosions and Fires Present Opportunities for Reexamination

On April 16, 2006, an explosion occurred at the Chiba Refinery. This event motivated the Cosmo Oil Group to think more carefully about its approach to safety. We began thinking about whether the various safety-related activities implemented up to that point were adequate, and about what employees could do to ensure their own safety. In this process, we decided to reconstruct our safety management system so as to significantly improve the level of safety at the Company.

To rebuild the safety management systems at refineries, we established the Change 21 Activities Promotion Committee in fiscal 2006. Various departments participated in this committee, allowing us to develop dramatic revisions informed by diverse perspectives.

To establish a safety management system for the entire Cosmo Oil Group, we formulated the First Consolidated Medium-Term Safety Plan in fiscal 2005, and worked to construct a framework for a safety management system for each department. As a result, we developed a safety management framework that involves the implementation of safety management systems and monthly goal assessments for all production and distribution departments. In addition, we launched the Second Consolidated Medium-Term Safety Plan in fiscal 2008. The Company is striving to achieve stronger safety management systems by engaging in activities aimed at completely eliminating accidents in each department.

Cosmo Oil Group's Safety Management Organization

Comprehensive Safety Action Headquarters Committee

To ensure safety at every stage of business, through production, distribution, sales, R&D, and business development, the Cosmo Oil Group has established a Comprehensive Safety Action Headquarters Committee to oversee its safety management affairs. The director in charge of the Safety and Environment Control Department serves as the chairperson of the Headquarters, which is comprised of members from each of the Company's departments.

The Comprehensive Safety Action Headquarters Committee coordinates and examines important matters related to safety management contained in the Consolidated Medium-Term Safety Plan, and monitors the implementation of safety management measures in each workplace. It also conducts safety inspections and confirms the safety management status at each workplace, and offers advice and proposals on how to make improvements when needed.

The Headquarters compiles a safety management activity performance report and its results of evaluations and safety inspections. These are presented at the annual Comprehensive Safety Action Headquarters Committee Conference, discussed at meetings of the Executive Officers' Committee, and distributed to all employees.



Comprehensive Safety Action Headquarters Committee

Consolidated Medium-Term Safety Plan

To help Group companies work together in a coordinated way on raising the level of safety, the Cosmo Oil Group has been formulating its Consolidated Medium-Term Safety Plan since fiscal 2005. This plan is formulated for each stage of business, through production, distribution, sales, R&D, and business development, as well as for engineering and other departments.

Fiscal 2007 was the final year covered by the First Consolidated Medium-Term Safety Plan, which began in fiscal 2005. It set out the following vision for the Company: "We will build a safety management system governed by the Cosmo Oil Group as a whole, strive to further improve the safety level of operations and ensure a stable supply through voluntary security efforts."

The Second Consolidated Medium-Term Safety Plan commenced in fiscal 2008. This plan also stipulates a vision for "actively promoting activities aimed at achieving a zero-accidents record, and building a safe and secure Cosmo Oil Group that is trusted by society and a source of employee pride." We will strive to continue undertaking the efforts identified in the shared Group themes, and work to step up activities by establishing quantitative goals.

Distribution Policy

To help raise the level of safety awareness and eliminate accidents in ground transportation, the Company gives annual awards to ground transportation companies and truck drivers who maintain a zero-accidents record. The fiscal 2007 award ceremony for zero accidents in ground transportation was held on May 20, 2008. The Cosmo Oil President's Award was granted to seven companies that have maintained their zero-accidents records for six years, one company that has maintained its record for five years, and eight drivers who have been accident-free for 20 years. The Executive Managing Director Award was presented to 25 drivers who have been accident-free for 15 years. Winners received a certificate and supplementary prize. Also at the ceremony, 12 workplaces that had maintained a zero-accidents record for one year since fiscal 2007 were introduced. The ceremony was followed by a lecture by a former Japan Airlines pilot and former Japan Air Self-Defense Force official who spoke on the theme, "Work as a Pilot: Thoughts on Safety."

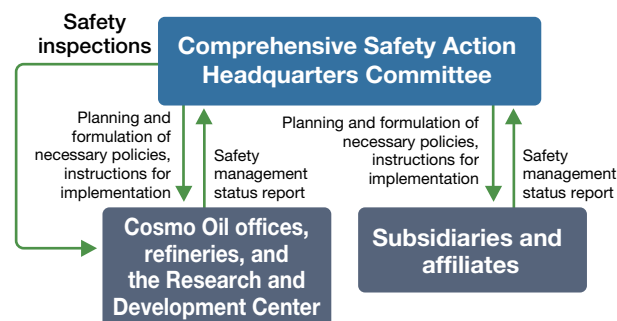
To ensure that more shipping companies will be able to participate in the award ceremony for fiscal 2008, we are building even stronger safety systems with partner shipping companies.



Ground Transportation Zero Accidents Award Ceremony

Key Efforts and Results of the First Consolidated Medium-Term Safety Plan	
Key efforts	Results
I. Construct a framework for a safety control system	A safety system based on ISO and other globally recognized standards for production and distribution departments as well as a safety framework that includes monthly goal assessments were developed.
II. Identify, evaluate, and reduce potential risks	Potential risks were reduced by implementing activities suited to each business, such as evaluating and improving existing equipment and procedural safety measures, and solutions were further developed.
III. Enhance and strengthen the crisis control structure	All workplaces prepared for a large-scale disaster by conducting drills and developing emergency manuals. According to the BCP, major earthquake response measures were coordinated group-wide, and systems and manuals were improved.
IV. Systematically implement education and training	Education and training programs suited to each business were improved, and included security education, disaster management drills, hazard prediction activities, and various other activities.

Safety Management System



Message

"Taking Responsibility for Your Own Safety"
One Year of Developing the Groundwork for
a Voluntary Safety System

Kazuto Ichikawa

President,
Cosmo Delivery Service Co., Ltd.



Cosmo Delivery Service has achieved results in safety management by providing guidance on specific matters (such as training and inspections) to its contracted shipping service providers. Fiscal 2007 was identified as the year for developing the groundwork for a "Voluntary Safety System" that takes this approach one step further. We support the development of systems that enable shipping companies to voluntarily establish, implement, and maintain safety management systems that conform to the various standards established by Cosmo Delivery Service. The social need for safety assurances is growing ever stronger, and to meet this need, we will work toward the full implementation of voluntary safety systems over the course of the next three years, starting in 2008.

Safety Activities in Fiscal 2007

With the establishment of the Change 21 Activities Promotion Committee, we are striving to reexamine our conventional safety management activities and rebuild our safety management system.

Painstaking Identification of Causes and Lateral Development of Solutions The Refinery Safety Control System

Change 21 Activities are governed by the slogan “Let’s build a safe and secure refinery that employees can be proud of and that will enable us to earn the continued trust of society.” Guided by the Vision of Goal, “Achieve and maintain zero accidents,” we have set a quantitative target to “Achieve over 90% reduction in unsafe and failure incidents by 2010 compared with the base year.” During the base year, defined as September 1, 2006 to August 31, 2007, 110 unsafe incidents or malfunctions occurred at the four Cosmo Oil refineries and at Cosmo Matsuyama Oil.

To achieve our goal, we are reviewing maintenance parameters and working to improve the level of maintenance by conducting various inspections. We are also striving to make improvements by reviewing the transition management

framework that governs the implementation of policies to prevent malfunctions when changes in equipment or operations are made.

To reduce malfunctions, it is important to painstakingly identify their causes and remove the seeds of failure. The identification of causes is performed by dedicated inter-workplace teams organized to address specific malfunctions. By assigning designated team members from the refineries and Head Office to undertake this task, the Head Office and refineries work together to identify problem origins.

We believe that the lateral development of solutions is an important way to prevent the recurrence of similar types of malfunctions, and in April 2007, we began to conduct malfunction management using a database accessible to all the refineries. Each refinery can view information on malfunctions reported at other refineries, as well as information on lateral development surveys and countermeasures implemented at each refinery, all in a single database.

Rebuilding the Refinery Safety Management System (Change 21 Activities)

To redevelop our safety management system, we established the Change 21 Activities Promotion Committee, chaired by the director in charge of maintaining safety, reviewed the safety management activities implemented in the past, and added new activities. By establishing working groups and task teams as sub-organizations of this committee, the Head Office and refineries are now able to work in unison toward common goals.

Slogan: “Let’s build a safe and secure refinery that employees can be proud of and that will enable us to earn the continued trust of society.”

Vision of Goal: “Achieve and maintain zero accidents”—Achieve over 90% reduction in unsafe and failure incidents by 2010 compared with the base year¹

To achieve our goals, we will shift our previous focus from “early detection” to “prevention (zero malfunctions).” In addition, to ensure that these efforts are not limited to top management but extend to the front lines of operations, we are carrying out activities based on the fundamental policy of encouraging individuals to take voluntary actions based on an understanding of the spirit of the measures adopted.

Details of Activities

Improve level of maintenance

- Improve coverage:** review scope of maintenance, review all regular inspections of machinery, complete early diagnosis of age-related deterioration, review parameters of inspections for any expansion of erosion and corrosion,² among other measures
- Improve predictability:** review structural changes over the past 10 years, among other measures
- Improve reliability:** develop equipment with durability to withstand operational variations and disturbances
- Improve control:** organize basic maintenance materials, among other measures

Solid initiatives and operations

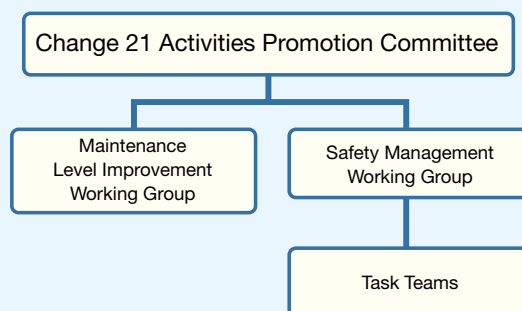
- Optimize regulations and standards:** review control of modifications, etc.
- Ensure implementation of initiatives:** rebuild framework for the lateral promotion of initiatives
- Strengthen initiatives:** implement an array of ongoing safety evaluations and other actions

Notes:

1. Base year: September 1, 2006 to August 31, 2007

2. Erosion and corrosion: Repeated collisions of fluid with material results in a thinning effect due to the synergy of erosion, the physical damage caused by the surface being worn down, and corrosion, brought on by acid and other corrosive materials.

Framework of Activities



Numerous Safety Efforts

Safety inspections

The Comprehensive Safety Action Headquarters Committee conducts annual safety inspections of the Cosmo Oil Group workplaces and the departments at the Head Office that manage those workplaces. It directly verifies the safety management status at each workplace and provides guidance and advice for making improvements as necessary. It also strives to ensure good communication with employees on the factory floor. In fiscal 2007, safety inspections were conducted at 12 workplaces and departments, including the four refineries.

During the refinery inspections, we bolstered the verification of the practical implementation of safety measures. The inspection teams included Head Office representatives as in the past, and also members from other refineries, thus allowing the teams to provide more practical guidance and advice for making improvements based on hands-on knowledge. We are also spending more time engaging in practical discussions of the challenges facing the refineries, and will treat these as company-wide challenges that require broad-based solutions.

Zero Accidents Awards

Cosmo Oil grants annual awards to refineries that have achieved zero occupational accidents and zero operational accidents. In 2007, the Chiba Refinery and the Research and Development Center received Zero Occupational Accidents awards.

Message

Utilizing the ideas of young people:
Bottom-up management is the key to revitalization

Yoshihiro Takagi

Manager, Maintenance and Engineering Section, Yokkaichi Refinery



I am a member of the Maintenance Level Improvement Working Group of the Change 21 Activities Promotion Committee, which implements maintenance improvement measures and reports to the Committee on the progress made. The measures taken include the development of policies to prevent the recurrence of the Chiba Refinery accident and early diagnoses of age-related deterioration through inspection reviews of all equipment and investigations of structural changes made over the past 10 years. The age-related deterioration diagnosis consisted of a physical assessment of tens of thousands of pieces of equipment in 83 categories, and was completed last October. We are now in the implementation phase of the process. Because the planning and implementation are being conducted simultaneously, we are following the PDCA cycle on a large scale while also paying attention to smaller scale items. To ensure that maintenance improvement measures are implemented smoothly and effectively, it is important to review and improve routine tasks, and ensure that the personnel who are actually involved in maintenance take a central role in discussions and investigations. Incorporating their feedback ensures that we achieve a bottom-up flow of information—a factor that has helped revitalize the Company's maintenance efforts.

◆ Sites and Companies where Safety Inspections Were Performed in Fiscal 2007

Cosmo Oil	Chiba Refinery
	Yokkaichi Refinery
	Sakai Refinery
	Sakaide Refinery
	Research and Development Center
	Retail Sales Department
	Distribution Department
Subsidiaries and Affiliates	Project Development Department
	Cosmo Matsuyama Oil Co., Ltd.
	Cosmo Engineering Co., Ltd.
	Cosmo Oil Lubricants Co., Ltd.
	Cosmo Petroleum Gas Co., Ltd.

Executives Visit Workplaces

Because the key to our safety management activities is the team of employees working on the front lines, top executives make visits to workplaces around the Group. In fiscal 2007, the president and director in charge of maintaining safety visited workplaces, toured equipment rooms, and spoke with about 500 employees. The director in charge of maintaining safety spoke directly with employees on the factory floor about safety issues while sharing views on safety awareness.



Top executives visit the Chiba Refinery.

Crisis Management

In addition to conducting annual company-wide drills based on large-scale disaster scenarios, we are taking actions to minimize the potential damage from an earthquake epicentered in the Tokyo area or the Tonankai/Nankai region. We are conducting seismic examinations on all buildings regularly used by people, including the Cosmo Oil Group offices and equipment rooms, and are developing and moving forward on plans to upgrade buildings that are currently below seismic resistance standards. We also have conducted drills at the refineries based on hypothetical scenarios involving large-scale disasters and ring fires.¹



Holding a large-scale disaster drill

Note:

1. A ring fire occurs around the inner walls of a tank and is caused by oil leaking from the gap between the floating lid and tank interior of a floating-lid tank, which is used for highly volatile liquids such as oil and gasoline.

Environmental Report

The Cosmo Oil Group believes that the world's environmental problems are a major issue for management. Accordingly, the Group strives to reduce the economic impact and protect the environment in all processes involved in its business activities, from material procurement, research and development, manufacturing and distribution, to sales and disposal.

Comprehensive Overview of Environmental Activities

Under the Consolidated Medium-Term Environmental Plan, the Cosmo Oil Group is carrying out environmental activities with the dual goals of "Reducing Environmental Impacts" and "Creating Future Value." The purpose of the latter is to realize a sustainable society on a global scale.

◆ Targets of the Second Consolidated Medium-Term Environmental Plan (Fiscal 2005 – 2007) and Achievements of the Consolidated Medium-Term Environmental Plan

Consolidated Medium-Term Environmental Plan				
Themes		Main Targets	Main Achievements	Evaluation
Reducing Environmental Impacts	Prevention of Global Warming	● Cosmo Oil: Reduce unit energy consumption by 15% over FY1990 levels by implementing energy conservation initiatives at refineries and the utilization of the Kyoto Mechanisms	FY2005 – 2007: Targets for reducing unit energy consumption were achieved every year. FY2007: Unit energy consumption was reduced 12.0% (compared to a target of 11.0%), surpassing the previous year's achievement of an 11.6% reduction.	○
	Pollutant Control and Waste Management	● Cosmo Oil: Maintain our FY2005 – 2007 three-year average industrial waste landfill rate of less than 1% ● Execute comprehensive environmental management covering pollutants, harmful substances, and industrial waste	FY2005 – 2007: The three-year average landfill rate for Cosmo Oil was 0.7%. ¹ Subsidiaries and affiliates also generally achieved their independent targets. FY2007: Cosmo Oil's landfill rate was 0.5%. Five of six sites of five subsidiaries and affiliates achieved their independent targets. ²	○
	Soil Preservation	● Reduce risk with preventative and post-facto countermeasures tailored to sites (refineries, oil depots, service stations, and idle land)	FY2005 – 2007: Soil surveys were carried out as planned at service stations. The management system was also reinforced. FY2007: Countermeasures addressing issues identified in service station soil surveys as well as educational programs were carried out as planned. Refineries conducted inspections, made repairs and also took steps to prevent dispersion.	○
Creating Future Value	Environmental Preservation Measures	Office Clean Activities ● Cosmo Oil (Base year: FY2003; Target year: FY2007): Copy paper to be cut by 16%; company car fuel consumption to be cut by 18%; office electricity consumption to be cut by 10% ● Subsidiaries and affiliates (Base year: FY2004; Target year: FY2007): Copy paper to be cut by 14%; company car fuel consumption to be cut by 12%; office electricity consumption to be cut by 11%	Office Clean Activities FY2007 ● At Cosmo Oil, copy paper was cut by 5%, company car fuel consumption by 14%, and office electricity consumption by 10%. ● At subsidiaries and affiliates, copy paper increased by 10%, company car fuel consumption increased by 6%, and office electricity consumption increased by 9%.	△
		Green Purchasing ● Promote green purchasing of office supplies and other consumable goods as well as the “greening of suppliers”	Green Purchasing FY2005 – 2007: ● The number of green suppliers reached 331 companies (125 companies in FY2007).	
		Activities that Contribute to Society and the Environment ● Further strengthen cooperation with communities (at refineries and service stations)	Activities that Contribute to Society and the Environment FY2005 – 2007: ● Forest upkeep was conducted at the Chiba Refinery, cleanup activities were undertaken at the Yokkaichi Refinery, and Cosmo Matsuyama Oil planted the “Cosmo Forest.” ● Expenditures on activities contributing to the environment totaled 278,010 thousand yen (95,221 thousand yen in FY2007). ● The Clean Campaign was held at 117 venues with 42,391 participants, and the total garbage collected amounted to 1,226,543L.	
	Environmental Communication	● Disseminate information to society and our stakeholders and promote two-way communication	● Cosmo Oil displayed eco-products that utilize experimental CO ₂ absorber at Eco-Products, and participated in the World Future Energy Summit in Abu Dhabi. ● The Furano Eco Tour was held, sponsored by the Cosmo Oil Eco Card Fund, with 20 “Eco” members of Cosmo the Card participating. Advertisements on environmental themes were aired on TV and radio.	○

*Fiscal 2007 performance evaluation: ○ achieved; △ partially achieved; X not achieved.

Notes:

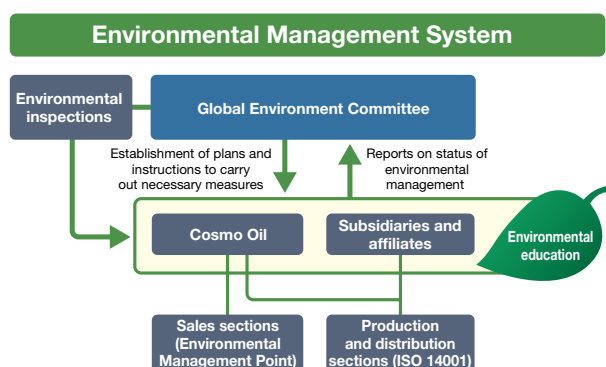
1. The industrial waste landfill rate covers the four refineries, the Yokkaichi Kasumi Power Station (IPP) facility, oil depots, and the Research & Development Center.
2. The five subsidiaries and affiliates were Cosmo Matsuyama Oil Co., Ltd., Cosmo Engineering Co., Ltd., Cosmo Oil Lubricants Co., Ltd. (two sites), Cosmo Petroleum Gas Co., Ltd., and Hokuto Kogyo Co., Ltd.

Environmental Management System

Through its own environmental management system, the Cosmo Oil Group implements an array of environmental initiatives to fulfill its crucial social responsibilities as an energy company.

Environmental Management System

The Cosmo Oil Group has established its own environmental management system. The Global Environment Committee, an organization cutting across divisions, drafts the Consolidated Medium-Term Environmental Plan and reports on and evaluates the results, and then provides feedback to the business divisions. The Global Environment Committee reports to the CSR Promotion Committee to ensure that the PDCA cycle is efficiently implemented. Moreover, the Group continues to provide education on environmental issues to raise awareness among employees, and has adopted schemes so that environmental initiatives are shared throughout the Company, from the management level to work sites. Environmental inspections are conducted at each site as part of the Group's efforts to ensure that its environmental standards are observed at its sites.



Environmental Inspections

The Global Environment Committee conducts regular environmental inspections of field divisions and the Head Office supervising these field divisions. After confirming the status of their environmental management, the Committee recommends improvements and provides advice as necessary. The results of the environmental inspection are reported to the CSR Promotion Committee.

Environmental inspections for fiscal 2007 were carried out from October 2007 through February 2008. The inspections focused primarily on environmental management and impact reduction during irregular but occasionally necessary facility

♦ Sites and Companies where Environmental Inspections Were Performed in Fiscal 2007

Cosmo Oil	Chiba Refinery
	Yokkaichi Refinery
	Sakai Refinery
	Sakaide Refinery
	Research and Development Center
	Retail Sales Department
	Distribution Department
	Project Development Department
Subsidiaries and affiliates	Cosmo Matsuyama Oil Co., Ltd.
	Cosmo Engineering Co., Ltd.
	Cosmo Oil Lubricants Co., Ltd.
	Cosmo Petroleum Gas Co., Ltd.

operation, such as when equipment must be shut down or started, also the time at which accidents and the overstepping of regulation values are likely to occur. In addition, the status of daily environmental management was audited through interviews to identify operations on site and material surveys. This also verified progress made in the Consolidated Medium-Term Environmental Plan. As a result, the Group was able to confirm that its businesses and affiliates were conducting their environmental management appropriately.

With respect to environmental laws, in fiscal 2007 the Cosmo Oil Group made no violations that would have resulted in criminal penalties, administrative penalties or administrative directives.

Employee Environmental Education

To ensure the smooth functioning of our environmental management systems, we believe that all employees of the Cosmo Oil Group must correctly understand the background and purpose of environmental activities. With this in mind, we provide environmental education as part of position-based training and allow employees to take educational courses at each professional development stage of their career. Refineries also provide their employees with ISO-related training at production sites.

Promotion of Efforts to Obtain ISO 14001 Certification

The Cosmo Oil Group encourages business sites, particularly those that exert significant environmental impact, to obtain ISO 14001 certification. Thus far, 10 business sites, including four refineries, have earned certification. The Group strives to promote its plan at business sites by incorporating their environmental targets in the Consolidated Medium-Term Environmental Plan. The Group also regularly carries out internal audits, has certification bodies carry out external audits, and implements the PDCA system. These initiatives confirm that operations function effectively.

♦ Sites with ISO Certification

Name of site	Date obtained
Sakaide Refinery	June 1997
Chiba Refinery	March 1998
Yokkaichi Refinery	March 1998
Sakai Refinery	March 1998
Cosmo Matsuyama Oil Co., Ltd.	December 1998
Cosmo Oil Lubricants Co., Ltd., Shimotsu Plant	June 2003
Cosmo Kaiun Co., Ltd.	August 2003
Cosmo Oil Lubricants Co., Ltd., Osaka Plant	October 2003
Yokkaichi LPG Terminal	September 2006
Research and Development Center	December 2006

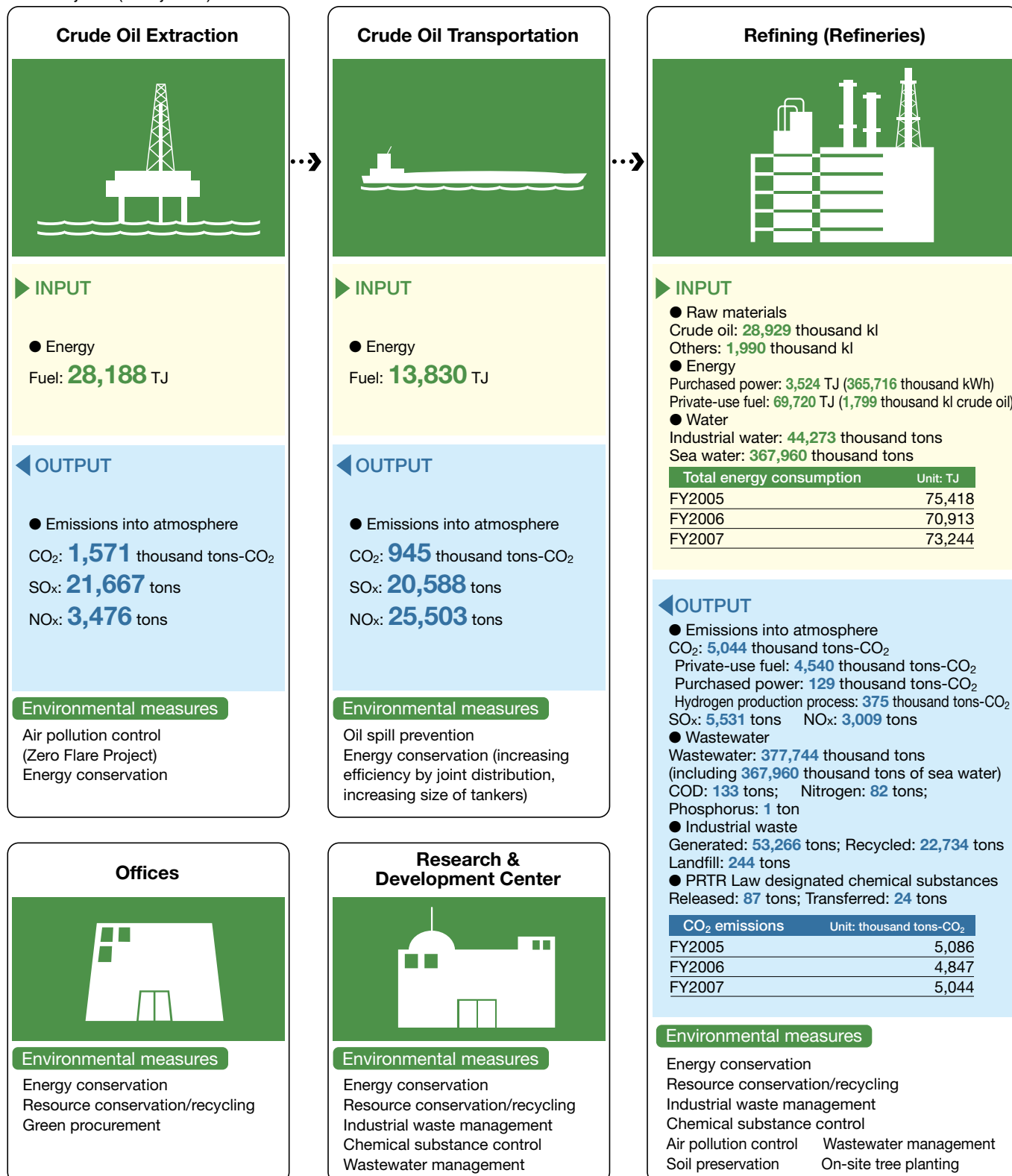
Environmental Management at Service Stations

The Environmental Management (EM) Point Survey is conducted twice per year at all service stations. It examines management issues such as equipment inspections and industrial waste measures, and recommends improvements.

Environmental Impacts of Business Activities

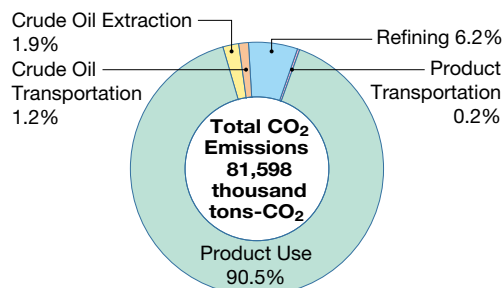
To offer products with less environmental impact, the Cosmo Oil Group works to reduce the environmental load of oil throughout its life cycle, including when used by customers. The Group not only ascertains the environmental impacts at every stage along the way, but also strives to reduce these impact through continuous improvements.

TJ: Terajoule (10¹² joules)



- SOx and NOx Figures for "Crude Oil Extraction," "Crude Oil Transportation," and "Product Transportation and Stockpiling (Oil Depots)" (SOx and NOx only) 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 (JPEC).
- CO₂ emissions for "Refining (Refineries)" and "Product Transportation" were calculated in accordance with the *Guidelines for Accounting Greenhouse Gas Emissions from the Industry (Draft)*, published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.
- See the Web site for methods and the basis of "Product Use" calculations.
 - Detailed data on environmental accounting can be found at the following Web page:
http://www.cosmo-oil.co.jp/eng/csr/accounting/ev_calculation.html
 Energy consumption is calculated in accordance with the stipulations of the Energy Conservation Law regarding the rational use of energy.
- "Refining (Refineries)" includes data from the Yokkaichi Kasumi Power Station and Cosmo Matsuyama Oil Co., Ltd.
- "Electricity sold" refers to power sold by Chiba Refinery, Yokkaichi Kasumi Power Station, and Cosmo Matsuyama Oil Co., Ltd. CO₂ emissions for "Refining (Refineries)" were calculated after deducting the portion of CO₂ emissions that results from generating electricity sold. Conversely, the purchased power portion of CO₂ emissions is included in "Refining (Refineries)" data.
- "Steam sold" refers to steam sold by the Chiba Refinery and Cosmo Matsuyama Oil Co., Ltd. CO₂ emissions for "Refining (Refineries)" were calculated after deducting the portion of CO₂ emissions that results from generating steam sold.
- CO₂ emissions attributable to the construction of facilities are not included in calculations.
- SOx emissions for "Product Use" are included for reference, and were estimated from the sulfur content of products without accounting for sulfur reduction during use. Accordingly, actual SOx emissions are lower than the estimate.
- With regard to CO₂ for "Product Use," in addition to CO₂ emissions resulting from the use of products, CO₂ emissions attributable to generating electricity and steam sold are estimated separately.
- Naphtha used mainly as a petrochemical material does not directly emit CO₂ or SOx. However, naphtha is included with other petroleum products when calculating CO₂ and SOx emissions for "Product Use."

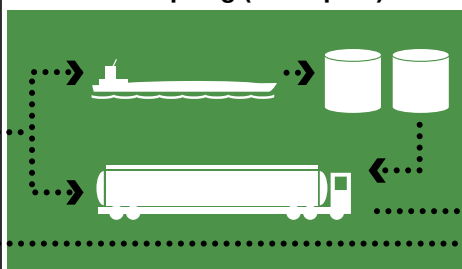
CO₂ Emissions throughout the Life Cycle of Oil



Products

- Production:
29,627 thousand kl
- Sulfur recovered:
258 thousand kl (by-product)
- Electricity sold:
1,538,105 thousand kWh (15,012 TJ)
- Steam sold:
1,964 TJ
- CO₂ sold:
144 thousand tons-CO₂

Product Transportation and Stockpiling (Oil Depots)



INPUT

- Energy
Fuel: **2,319 TJ**

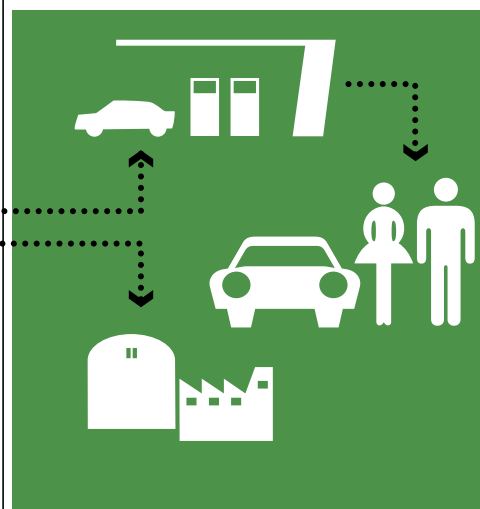
OUTPUT

- Emissions into atmosphere
CO₂: **159** thousand tons-CO₂
SOx: **1,866** tons
NOx: **3,614** tons

Environmental measures

- Maritime transportation (ships)
Oil spill prevention
Energy conservation
(increased efficiency through mutual accommodations, larger tankers for coastal routes)
- Land transportation
Energy conservation (larger vehicles and high stowage rates)
- Stockpiling (oil depots)
Energy conservation
Resource conservation
Chemical substance control
Soil preservation
Oil spill prevention

Product Use



OUTPUT

- Emissions into atmosphere
CO₂: **73,878** thousand tons-CO₂
(The figure above does not include CO₂ emissions of 1,049 thousand tons-CO₂ attributable to generating electricity sold and CO₂ emissions of 96 thousand tons-CO₂ attributable to generating steam sold.)

- SOx: **152,896** tons

CO ₂ emissions	Unit: thousand tons-CO ₂
FY2005	77,015
FY2006	68,253
FY2007	73,878

Environmental measures

- Service stations
Energy conservation
Resource conservation/recycling
Industrial waste management
Chemical substance control
Air pollution control
Wastewater management
Soil preservation

Efforts to Prevent Global Warming

We work to prevent global warming by promoting resource and energy conservation in all stages of our business activities, such as material procurement, research and development, production, distribution, sales and waste disposal.

Policy

Because the Cosmo Oil Group is involved in the production and sale of petroleum products, we believe that addressing global warming is a crucial issue. Efforts in this area are particularly important at refineries, which account for more than 60% of total CO₂ emissions produced by the Cosmo Oil Group. Accordingly, the refineries are undertaking energy conservation initiatives with an autonomous target of achieving a 15% reduction in unit energy consumption over the period from fiscal 2008 to 2012 compared to fiscal 1990 levels. Other key initiatives in our efforts to prevent global warming are described below.

1. Crude oil extraction: The associated gases previously burned off during excavation are injected into the ground.
2. Refining: Production of sulfur-free gasoline and diesel oil
3. Distribution: Efficient delivery
4. Service stations: Distribution trials of bio-gasoline

Cosmo Oil is currently involved in other environmental activities intended to prevent global warming.

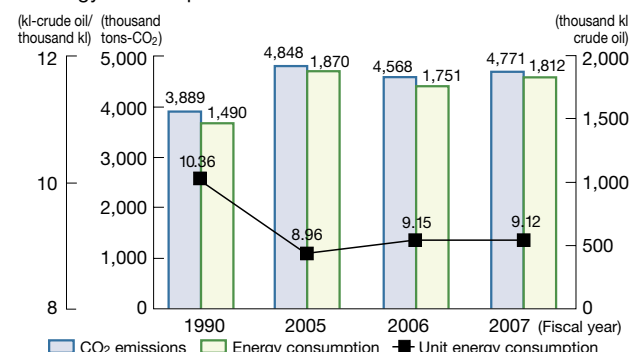
Initiatives at Refineries

The Group's oil refineries conserve energy by implementing such measures as introducing high-efficiency equipment and improving operating control.

In fiscal 2007, we raised pump efficiency, while also reviewing operating conditions, reducing the volume of steam consumption, and undertaking other measures to improve operating methods. Unit energy consumption* was 9.12 kl-crude/ton of product in fiscal 2007, an improvement over the previous year. This represents a 12.0% reduction in unit energy consumption compared to the fiscal 1990 level.

*Unit energy consumption is expressed as the total energy consumption divided by crude oil equivalent throughput taking into account the complexity of refining techniques. The unit is kl-crude oil/ton of product. Note that different types of energy consumed are converted into a common denominator of kl crude oil equivalent.

◆ Energy Consumption and CO₂ Emissions at Four Refineries



*Beginning with fiscal 2006 results, the method of calculating CO₂ was revised as stipulated by the Law Concerning the Promotion of the Measures to Cope with Global Warming.

*Fiscal 2006 CO₂ emissions have been recalculated using the CO₂ emission factor for electricity in fiscal 2006.

*In addition to the figures shown in the diagram, N₂O was released from the catalyst regeneration tower in an amount of 22 thousand tons of CO₂ equivalent in fiscal 2007.

Initiatives at Research & Development Center

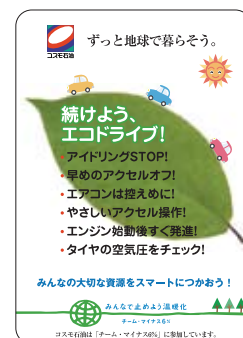
The Research & Development Center has set targets for reducing its total emissions of greenhouse gases. In fiscal 2007, it cut emissions of greenhouse gases from electrical power and cogeneration fuels by about 12% over fiscal 2004 levels.



Research & Development Center

Initiatives at Subsidiaries and Affiliates

The Osaka plant of Cosmo Oil Lubricants Co., Ltd. has set targets for reducing its electricity consumption. Its steady efforts to carefully adjust the temperature settings of air-conditioning equipment in offices and recreation facilities, along with other efforts, were successful. Hokuto Kogyo Co., Ltd. has promoted its Eco Drive since fiscal 2006, and has also improved its management of fuel consumption by equipping its tanker trucks with digital tachographs.



Eco Drive sticker

Message

We steadily carry out energy conservation plans to raise awareness and operate more equipment at a higher level of efficiency.

Hideshi Kurimoto

Manager, Technology Group,
Refining & Technology Department



We conserve energy at refineries by investing in and improving the operation of equipment such as heat exchangers and inverters. No major investments were undertaken in fiscal 2007; instead, we focused on saving energy by operating equipment more efficiently. Energy conservation is monitored on a monthly basis, with energy consumption units reported every month. Employee awareness of energy conservation is high, and the views of those actually operating the equipment at refineries are reflected in energy conservation plans to the greatest extent possible. From fiscal 2008, we will look at energy conservation in terms of the entire industrial complex, and collaborate with other companies through synergistic effects.

Initiatives in Distribution

In fiscal 2006, amendments to the Energy Conservation Law were enacted to clearly define the responsibility of cargo owners for conserving energy in their logistics processes. Accordingly, the Cosmo Oil Group's energy conservation initiatives focused even more on efficient distribution. Beginning in fiscal 2007, the Company was primarily involved in measures to carry out the plan it submitted to regulatory authorities, based on the Energy Conservation Law. Cosmo Oil's efforts resulted in an improvement in energy consumption units to 9.22 kl/million ton-kilometers, down 0.20 kl/million ton-kilometers over the previous year (on an unconsolidated basis). The Company engaged in the transport of 6,504 million ton-kilometers of freight (up 0.4% over the previous year*), and CO₂ emissions amounted to 159,702 tons (down 1.9%*).

*Due to errors in the data for fiscal 2006, year-on-year comparisons are based on revised data.

Land Transportation: Tanker Trucks

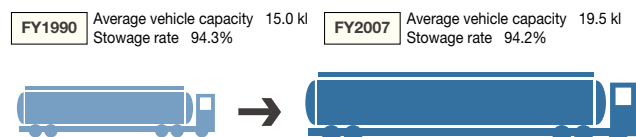
Through the utilization of large trucks and the maintenance of high stowage rates, the transportation volume per vehicle improved 0.11 kl per delivery over the previous year to 17.6 kl. Energy use (diesel fuel) fell 2.3% compared with the previous year, but the energy consumption unit worsened 0.01 over the previous year to 37.74 kl/million ton-kilometers. To further conserve energy, our efforts to promote efficiency will focus on systematic delivery and independent unloading.

Domestic Marine Transportation: Coastal Tankers

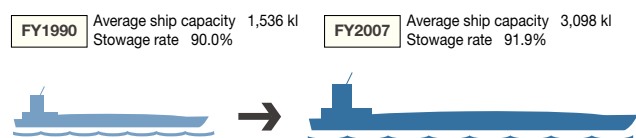
Cosmo Oil has been using larger tankers and maintaining a high stowage rate. We plan to increase the size of two new tankers (6,000 kl) to be completed in fiscal 2008. In our efforts to conserve energy, this capacity will be used to the optimum extent with the aim of improving on the fiscal 2007 stowage rate of 91.9%.

◆ Average Stowage Rate

Tanker Truck (White Oil)



Coastal Tankers



Message

We work to reduce logistics costs and conserve energy by using large tankers and improving stowage rates.

Yoriaki Soga

Manager, Planning 2 Group,
Distribution Department



We conserve energy by reducing the distance travelled through the use of tanker trucks. This is achieved by using large tankers and increasing stowage rates. Using larger tanker trucks results in larger service stations, but improved stowage rates are leading to higher stocks at service stations and planned distribution based on sales. Since fiscal 2007 and the implementation of the revised Energy Conservation Law, cargo owners have reported quantitative data on energy consumption in distribution to the regulatory authorities. In the future, we will reinforce affiliations with distribution sub-contractors with the Eco Drive and other programs and make further cuts in energy used in tanker truck distribution.

Activities at Service Stations

Installing solar cell panels is one approach being taken to realize more environmentally compatible service stations. Currently, 37 service stations use solar energy. In fiscal 2007, we installed and measured the effect of energy-efficient lighting to illuminate service stations.

Kyoto Mechanisms

Greenhouse gas emissions trading, one of the Kyoto Mechanisms, is the framework for flexibly reducing greenhouse gases on a global basis, in addition to domestic efforts to cut greenhouse gases. To reduce greenhouse gas emissions, the Cosmo Oil Group participates in GG-CAP^{*1}, the first private scheme for purchasing carbon credits set up by Natsource LLC, a major emissions broker, with the aim of acquiring carbon credits arising from CDM^{*2}/JI^{*3} projects.

*1 GG-CAP: Scheme for acquiring emission credits operated by a subsidiary of Natsource LLC, an organization that specializes in emissions trading.

*2 Clean Development Mechanism (CDM): A Kyoto Mechanism that allows industrialized countries to generate emission credits through investment in emission reduction projects in developing countries.

*3 Joint Implementation (JI): A Kyoto Mechanism that allows developed countries to invest in other developed countries to earn carbon allowances that can be used to meet their emission reduction commitments.

Pollutant Control and Waste Management

Cosmo Oil works to reduce environmental impacts by properly controlling pollutants and minimizing and recycling industrial waste.

Policy

The Group's refineries discharge exhaust gases and wastewater subject to control by the Air Pollution Control Law and the Water Pollution Control Law, respectively. Additionally, the refineries handle chemical substances that are specified in the Pollutant Release and Transfer Register Law. When the Cosmo Oil Group recognizes that measurable quantities of gas emissions and wastewater from its operations are nearing the maximum levels set by the Company, efforts are taken to prevent this ceiling from being reached.

In fiscal 2007, relevant authorities inspected the Chiba, Yokkaichi and Sakaide refineries as a result of cases in other industries in which air quality data was falsified. No significant findings were uncovered by these inspections.

The Group undertakes environmental impact assessments when installing large facilities or undertaking large-scale engineering work in accordance with relevant laws. For industrial waste, Cosmo Oil sets its own targets to reduce the volume of waste generated and to reduce and recycle excess sludge.

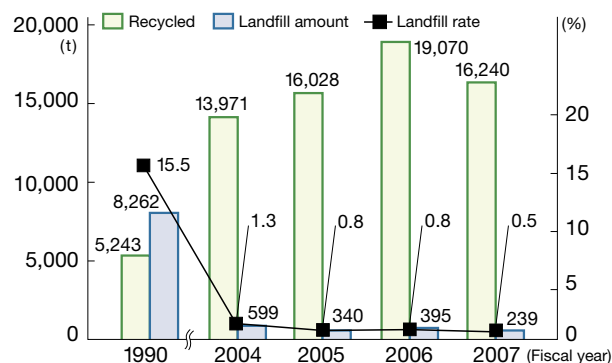
Striving to Achieve Zero Industrial Waste

In fiscal 2007, the Group's refineries made efforts to encourage the reuse of sludge as cement materials and materials for road beds, thereby decreasing the amount of waste. As a result, the Company reduced landfill produced by 97.1% over fiscal 1990 levels for a landfill rate of 0.5%. This met the target of the Petroleum Association of Japan's voluntary action plan.* Initiatives to reduce waste in oil depots and research centers were also successful, resulting in 244 tons of landfill for a landfill rate of 0.5% in fiscal 2007, reaching the target rate of less than 1% set in the Consolidated Medium-Term Environmental Plan. Cosmo Oil's subsidiaries and affiliates have also individually established their own targets and made efforts to reduce industrial waste materials.

*Petroleum Association of Japan's voluntary action plan

- 94% decrease in landfill production amount over fiscal 1990 levels in fiscal 2010.
- Landfill rate under 1%.

◆ Trends in the Volume of Industrial Waste at Four Refineries



Reducing Excess Sludge

Excess sludge discharged from wastewater treatment facilities accounts for the largest portion of all industrial waste in Japan. Sludge also makes up 57% of industrial waste generated at Cosmo Oil's refineries, and therefore, managing this sludge is extremely important. Up to the present, we have been researching* technologies for reducing excess sludge generated at refineries and have achieved large reductions in excess sludge at the Chiba and Sakaide refineries.

*Research is being carried out as a project supported by the Japan Petroleum Energy Center (JPEC).

Column

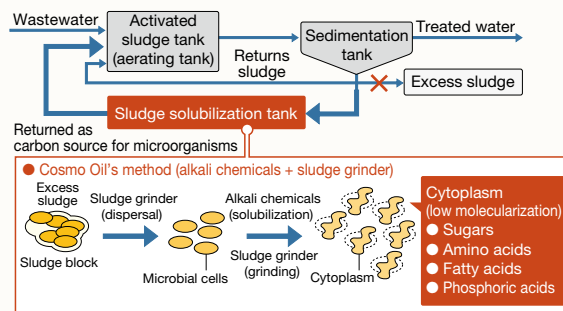
Development of technology for reducing excess sludge

The excess sludge discharged from wastewater treatment facilities accounts for the largest proportion of industrial waste. Cosmo Oil has developed efficient sludge volume-reduction technologies that combine physical crushing using a grinding machine with alkali chemical treatment.

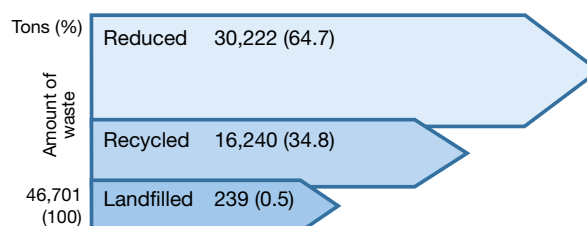
Based on these technologies, Cosmo Oil participated in the JPEC project beginning in 2001, and began to operate sludge reduction facilities at the Sakaide Refinery in 2002. Since then, stable operation of this equipment has achieved an excess sludge reduction rate of 50%.* In addition, Cosmo Oil, in cooperation with another major Japanese company, developed and delivered the device to a major Japanese chemical manufacturer in fiscal 2006, and has reduced excess sludge by more than 80% in its operations. The Chiba refinery is serving as the test site for ongoing research to develop technology that will reduce excess sludge by more than 90%.

*Cosmo Oil received the Japan Petroleum Institute Award for Technological Progress in fiscal 2006 for this achievement.

◆ Fundamental Principle of Volume Reduction



◆ Flow of Industrial Waste at Four Refineries



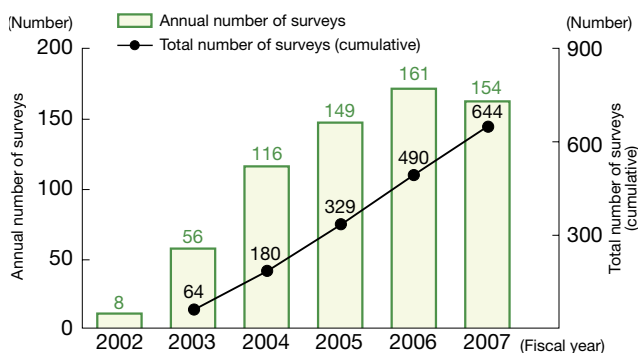
Soil Preservation

We are promoting soil preservation by preventing soil contamination and responding quickly to minimize the environmental impacts of any oil leaks.

Policy

"Soil preservation" is one of the crucial themes of the Consolidated Medium-Term Environmental Plan. In August 2004, we set up a specialist department that has been efficiently and systematically promoting initiatives for soil preservation. To reduce the risk of contaminating soil, particularly at service stations, we take preventive measures and strive to minimize the environmental impact in the event of an oil leakage. In fiscal 2002, we carried out interviews about the operating status of service stations affiliated with the Cosmo Oil Group. Based on these interviews, we began systematically surveying the soil environment at service stations owned by Cosmo Oil, placing priority on service stations with a higher risk profile, including those possessing older facilities such as single-shell tanks. We also provided instructions and guidance to our dealers when necessary. In fiscal 2007, we surveyed soil at approximately 150 service stations and plan to continue to implement surveys at 100 to 140 service stations annually, with completion of all stations currently owned by the Company scheduled by 2010. In fiscal 2007, approximately ¥1.2 billion was expended for these soil preservation measures at service stations and other sites.

◆ Number of Soil Surveys at Service Stations Owned by Cosmo Oil

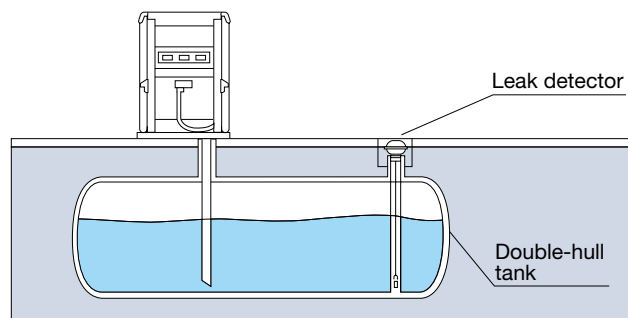


Early Detection of Soil Contamination at Service Stations and Preventive Measures

Reinforcing Facilities

At Cosmo Oil's new service stations, we are proceeding with the installation of equipment and facilities that have an extremely low risk of leakage, including double-hull tanks that prevent oil leakage and plastic pipes that do not corrode. Meanwhile, at older service stations, we are working to upgrade facilities and equipment by replacing and reinforcing pipe materials and using electrical anti-corrosion treatments. We have also built a communication contact structure that prevents failures or delays in making necessary contact. For example, this structure ensures that engineering staff immediately contact the department in charge if an irregularity is discovered during inspections. In addition, we are installing high-performance oil-surface meters and FRP protectors at new and remodeled service stations, and are working to further strengthen early discovery and preventive measures.

◆ Double-Hull Tank



Educational Activities

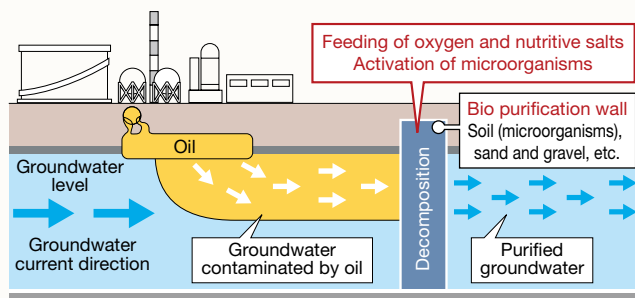
We carry out Environmental Management Point (EM Point) surveys at all service stations twice per year. By doing so, we can objectively evaluate inspections undertaken at service stations, while the stations can reaffirm their awareness of daily environmental management and raise their appreciation of preserving the soil environment.

Column

Development of groundwater and soil purification technology

Bioremediation is a technology that utilizes microorganisms to clean environments such as water and soil. Cosmo Oil participated in the PEC project and examined the types and amounts of nutrients needed to activate microorganisms as well as the way in which decomposition occurred in a variety of groundwater flow and soil conditions. We are working to develop effective purification technologies, such as groundwater purification technologies using purification walls applying bioremediation.

◆ Purification Wall Mechanism



Environmental Preservation Measures

Reducing environmental impacts and creating a sustainable society are issues that concern everyone. In accordance with this thinking, we are steadily expanding our environmental preservation activities.

“Team Minus 6%”¹ Initiatives

In October 2005, the Cosmo Oil Group began participating in the government-sponsored “Team Minus 6%” activities to prevent global warming. Since 2007, the entire Cosmo Oil Group has carried out activities with its “Cosmo Team Minus 6%.” The Company also independently created its “Cosmo Team Minus 6% for Individuals” for Group employees. Furthermore, the government Web site for Team Minus 6%, which can be accessed through the Company’s groupware, serves to inspire participants.

To encourage participation in these activities, information is provided as needed through the Company’s intranet, COSMO WISE PLACE, as well as the Company’s internal newsletter and meetings at business sites. As a result, 3,775 employees participated in Team Minus 6%, while 3,532 employees voluntarily took the “One Person, One Day, One Kilogram Personal Challenge” to reduce shower time and stop engine-idling when driving their cars.

In the future, we will make efforts to ensure that all employees maintain an awareness of the importance of reducing greenhouse gas emissions and putting the precepts of Cosmo Team Minus 6% into practice at their homes in addition to business sites, as well as using resources with care throughout their daily lives.

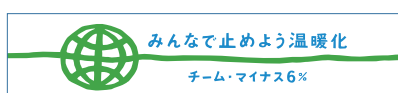
¹Team Minus 6% is a national project promoted by the Japanese government to achieve the 6% reduction target in Japan’s greenhouse gas emissions as established under the Kyoto Protocol. The Cosmo Oil Group has participated since October 2005.



Cosmo Team Minus 6% database site
The tree grows larger as the number of participants increases.



The Company’s intranet,
COSMO WISE PLACE



“Office Clean” Activities

We promote “Office Clean” activities throughout the Cosmo Oil Group, specifically focusing on the 3R (Reduce, Reuse, and Recycle) concept for such resources and energy as materials and lighting used daily in offices. In fiscal 2008, as part of the Cosmo Team Minus 6% efforts, office clean activities were managed by using a database to monitor their progress.



Office Clean database

	Second Consolidated Medium-Term Environmental Plan ^{*1} Fiscal 2007 achievements		Third Consolidated Medium-Term Environmental Plan ^{*2} Fiscal 2008 targets	
	Cosmo Oil Increase/decrease from FY2003	Affiliates Increase/decrease from FY2004	Cosmo Oil Compared to Second Medium-Term Plan	Affiliates Compared to Second Medium-Term Plan
Reduction of copy paper	−5%	+10%	−4.8%	−4.5%
Reduction of company car fuel consumption	−14%	+6%	−5.0%	−4.8%
Reduction of office electricity consumption	−10%	+9%	−4.9%	−1.7% ^{*3}

^{*1} In the Second Consolidated Medium-Term Environmental Plan, fiscal 2003 is the base year for Cosmo Oil and fiscal 2004 is the base year for subsidiaries and affiliates.

Additional subsidiaries and affiliates were included in results for fiscal 2007, and results for the base year include estimates.

^{*2} The Third Consolidated Medium-Term Environmental Plan uses the average of results in the Second Consolidated Medium-Term Environmental Plan (fiscal 2005 – 2007) as its base.

^{*3} As offices for several companies were moved in fiscal 2007, these results were considered in determining targets for reduction of office electricity consumption by subsidiaries and affiliates in the Third Consolidated Medium-Term Environmental Plan.

Promoting Green Purchasing with Suppliers

Green Purchasing

Cosmo Oil has established a set of green purchasing criteria covering a wide range of product categories that not only include general office supplies but also catalysts, containers, and building materials. In fiscal 2008, Team Minus 6% activities will drive our efforts to achieve our target of a 100% green purchasing rate for consumables.

Green Suppliers

The Cosmo Oil Group asks suppliers to abide by our environmental management policies and establishes a set of criteria for green suppliers to ensure that suppliers employ environment-conscious management practices. Moreover, we give priority to conducting business with suppliers that proactively promote activities that contribute to the environment. Also, for those partners not yet meeting relevant criteria, we take a concentrated, bottom-up approach that encourages these partners to become green suppliers.

Next-Generation Energy with Minimal Environmental Impacts

Bio-Gasoline (Bio-ETBE Blend) Distribution Trials

Japan's petroleum industry has commenced trial sales of bio-gasoline, a regular gasoline formulated with bio-ETBE, as part of the Ministry of Economy, Trade and Industry's "FY2007 Introduction of Biomass-Derived Fuel Program." The trials began in April 2007 at 50 service stations (of which six were Cosmo Oil service stations) in the Tokyo area, and were expanded nationwide in fiscal 2008 to 100 service stations (of which nine were Cosmo Oil service stations) in cities including Sendai and Osaka. Used in exactly the same way as regular gasoline, bio-gasoline blends regular gasoline with bio-ETBE that is synthesized from bio-ethanol (grain alcohol derived from such plants as corn or sugarcane) and isobutene, a petroleum-based gas. The sale of bio-gasoline is aimed at meeting greenhouse gas reduction targets to which Japan made a global commitment under the Kyoto Protocol. The oil industry is working in cooperation to meet the targets set by the Japanese government. A full-scale introduction of bio-gasoline is scheduled for fiscal 2010.

◆ Cosmo Oil Service Stations Selling Bio-Gasoline

Self Station Higashi Toyonaka	Self Pure Kita Atsugi
Self Pure Kami Tsuruma	Self Pure Urawa Tokiwa
Self Pure Kitamoto Fukai	Self Pure Kamisato Shichihongi
Self Pure Nagasaki	Self Pure Mizuho
Self Pure Kashiwada	

Gas To Liquids (GTL)

Cosmo Oil partnered with five other private-sector companies to establish the Nippon GTL Technology Research Association. This entity has commenced verification research on GTL technology* in collaboration with Japan Oil, Gas and Metals National Corporation (JOGMEC). The liquid fuel manufactured through GTL technology is expected to be an environmentally friendly clean fuel. Through this research, Cosmo Oil intends to develop technology to compete with the major oil companies that have taken the lead in this field, as it works toward achieving harmonization between ensuring future stable supplies of energy and preserving the global environment.

*GTL technology is a refinery process that chemically converts natural gas into synthetic gas (mixed CO and H₂ gas). The mixed gas is then converted into liquid fuel using the Fischer-Tropsch process.

Hydrogen & Fuel Cells

In fiscal 2005, Cosmo Oil commenced field trials of liquid petroleum gas (LPG) stationary fuel cell systems for general household use, and in fiscal 2007, began field trials of kerosene-powered fuel cell systems. In working to commercialize and develop technology for kerosene-powered fuel cell systems, we are evaluating the conservation, economical usage and efficiency of energy in households that have installed fuel cells.

Cosmo Oil commenced operation of the JHFC Yokohama-Daikoku Hydrogen Station in fiscal 2002 to develop hydrogen production and replenishment technologies for fuel cell vehicles. We are also considering the possibility of a hydrogen supply infrastructure in the future. From fiscal 2005 through fiscal 2007, we participated in the research and development of high-grade fuel for the future with JPEC, and developed technology for highly efficient, compact hydrogen production systems to be installed at service stations.

Environmental Accounting

Detailed information on environmental accounting can be found at the following Web page:

web http://www.cosmo-oil.co.jp/eng/csr/accounting/ev_calculation.html

To effectively carry out environmental conservation initiatives, the Cosmo Oil Group initiated environmental accounting in fiscal 2000 to ascertain environmental conservation costs and benefits, as well as economic effects.

Summary of Tabulated Results for Fiscal 2007

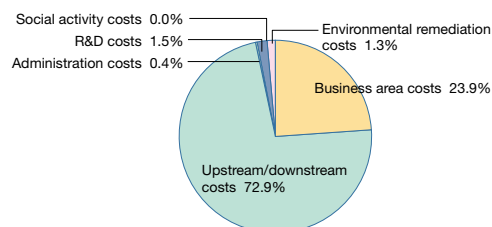
Scope of Coverage

The scope of environmental accounting covers Cosmo Oil's four refineries, the Yokkaichi Kasumi Power Station, the Head Office and branch offices, the Research & Development Center, Cosmo Matsuyama Oil Co., Ltd. (affiliate), and Cosmo Oil Lubricants Co., Ltd. (affiliate).

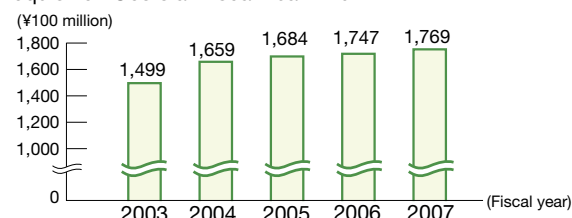
Summary

Environmental conservation costs in fiscal 2007 consisted mainly of business area costs as well as upstream/downstream costs. During the fiscal year, expenses amounted to ¥94.9 billion and investments totaled ¥2.8 billion. The economic benefits totaled ¥1.0 billion. As a result of environmental investments over the long term, the Company's aggregate acquisition costs as of the end of fiscal 2007 reached ¥176.9 billion.

◆ Breakdown of Environmental Conservation Costs (%)



◆ Acquisition Costs at Fiscal Year-End



* Figures for fiscal 2003 through fiscal 2006 are restated as a result of a re-examination of upstream/downstream costs and business area costs.

Communications Report

Begin working for tomorrow—today.
The Cosmo Oil Group works to preserve the environment and build a peaceful and healthy society.



Status of Communication Activities

The Cosmo Oil Group undertakes communication activities to create a sustainable society based on a vision of coexistence between the earth and society under the themes of “Educating children to build a society of the future,” “Preserving the earth’s environment—the key to the sustainability of society,” and “Building a peaceful and rich culture.”

◆ List of Communication Activities

Activities through the Cosmo Oil Eco Card Fund	Tropical Rainforest Conservation Project
	South Pacific Countries Support Project
	Silk Road Afforestation Project
	Sustainable Farming Support Project
	Environmental Education Support Project at Schools
	Satoyama Preservation School (formerly Terraced Paddy Preservation)
	Noguchi Ken Environmental School (formerly Environmental Schools Support Project)
	Qinling Mountains Forest and Ecosystem Recovery Project
	Participatory comprehensive learning and environmental educational Web site “EEkids”
	Seed Planting School (formerly Supply Seedlings/Young Plants for Forestation Project)
Sending Out an Environmental Message	Cosmo Earth Conscious Act, Earth Day Concert
	Cosmo Earth Conscious Act, “Living with Our Planet” radio program
	Cosmo Earth Conscious Act, Clean Campaign
	Cosmo Earth Conscious Act, Ken Noguchi Lectures
	Environmental culture magazine <i>TERRE</i>
	Internet movie and DVD Ken Noguchi’s Ogasawara Environmental School
Activities Centered on Children, the Environment, and Society	Cosmo Waku Waku Camp
	Natural art workshops for children
	Distribution of the <i>Earth Environment Book</i> for elementary school children
	Christmas card project
	Cosmo Children’s Earth School “econets” Web site
	Cosmo EkaKids
	Youth philanthropy
	Art Program for Daddies and Kids
	Happy Doll Project
Support for Artistic and Cultural Programs	A Day in the Museum (co-sponsor)
	Osaka European Film Festival: Special Children’s Film Feature (co-sponsor)
	“Playing with Musicians and Music! Gift from New York” (co-sponsor)
	New National Theater, Tokyo series (co-sponsor)

Activities through the Cosmo Oil Eco Card Fund

Cosmo Oil uses donations from customers for activities that contribute to the environment at locations around the world.

Cosmo Oil Eco Card Fund

Related information on the Cosmo Oil Eco Card Fund Activities can be found at the following Web site:

web <http://www.cosmo-oil.co.jp/eng/envi/eco/index.html>

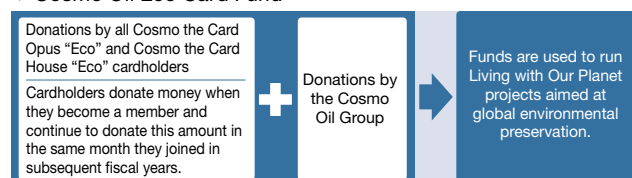


What is the Cosmo Oil Eco Card Fund?

The Cosmo Oil Eco Card Fund supports contributions to the Earth's environment through "Living with Our Planet" projects. The fund operates with donations from sources that include Cosmo the Card Opus "Eco" and Cosmo the Card House "Eco" cardholders along with a portion of sales donated by the Cosmo Oil Group. We promote projects backed by the fund in partnership with non-profit organizations (NPOs), non-governmental organizations (NGOs), research organizations, and others to reach out directly to local communities and governments.

Established in fiscal 2002, the Cosmo Oil Eco Card Fund marked its seventh year of operation in April 2008. As of March 2008, there were approximately 86,600 "Eco" card members from both Cosmo the Card Opus "Eco," issued in 2007, and Cosmo the Card House "Eco," issued in 2002.

◆ Cosmo Oil Eco Card Fund



Seed Planting School for "Planting Seeds in the Heart and the Earth"

In Furano, Hokkaido, we plant forests that will perpetuate the natural growth cycle while providing environmental education under the slogan, "Plant seeds of hope and gratitude in the heart and the earth of the future." We pick seeds and seedlings from the mountains, raise them in nurseries and give them to people planting forests in the area. By raising seedlings and planting trees, we help people enrich their senses and provide an environmental education program that inspires them to think about how people can harmoniously coexist with nature. Following its success in fiscal 2006, the Furano Eco Tour was held again in fiscal 2007, and "special environmental correspondents" chosen to participate summarized their experiences in reports, which are available on Cosmo Oil's Web site.

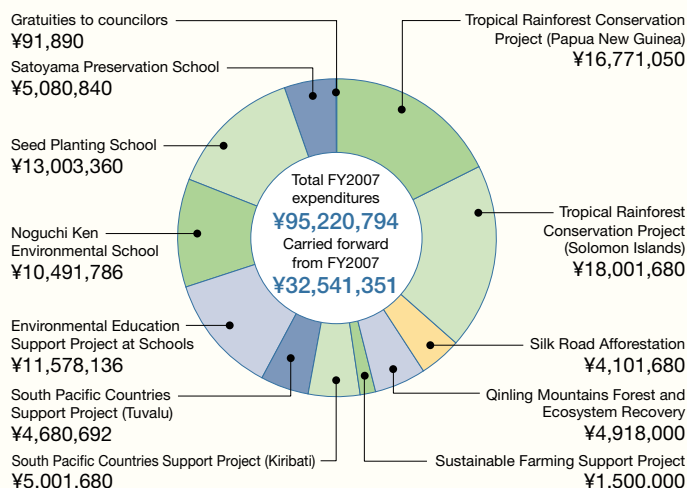
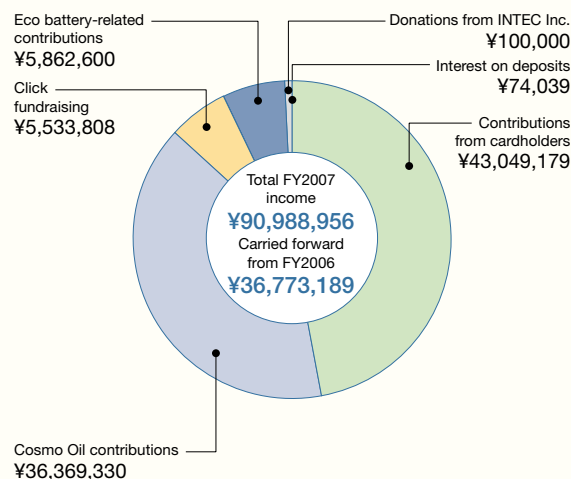


Furano Eco Tour

Project Concept

"Living with Our Planet" projects are centered on the prevention of global warming, which is the most critical issue related to oil. Our efforts therefore focus on two types of activities. First, we promote the sustainable development of regions, mainly developing countries, where hardships are expected as a result of soaring levels of CO₂ emissions and climate changes such as global warming. Secondly, we support environmental education for children as the leaders of the next generation.

Income and Expenditures of the Cosmo Oil Eco Card Fund in Fiscal 2007



Spreading the Message on the Environment

We provide people the opportunity to reflect on environmental issues by engaging in environment-focused events and public relations activities.

Cosmo Earth Conscious Act



Cosmo Oil has formed a partnership with 38 broadcasting stations affiliated with the Japan FM Network (JFN) Association, including TOKYO FM. This partnership is aimed at motivating all of the world's citizens to protect and preserve the Earth's environment under the theme, "Earth Conscious—Hearts to Love & Feel the Earth" through the Cosmo Earth Conscious Act.

Clean Campaign

While promoting a familiarity with nature, we conduct environmental activities throughout the year in areas such as mountains, rivers, ocean beaches, lakes, parks, and other locations across Japan. Through a diverse menu of activities, including live concerts by various artists and sports events held after cleanup activities, this campaign allows people of all ages, from children to adults, to enjoy nature as they participate in environmental activities. Additionally, in August we hold our trademark event, the "Cosmo Earth Conscious Act Cleanup Campaign on Mt. Fuji," for cleanup activities and eco-trekking on Mt. Fuji.



Ken Noguchi Lectures

We hold lectures across Japan featuring Ken Noguchi, an alpinist active in cleanup efforts in the Himalayas and on Mt. Fuji. Ken Noguchi also works toward the preservation of Japan's precious nature and the promotion of environmental education.



Earth Day Concert, Japan

Since 1990, Cosmo Oil has hosted Tokyo's annual Earth Day Concert, an Earth Day headliner event held every April 22 and aimed at sending out the environmental message through music to young people everywhere. In fiscal 2007, the message was dubbed "Earth Conscious—Hearts to Love & Feel the Earth" and delivered from the Nippon Budokan concert arena in Tokyo. In fiscal 2008, the concert, in its nineteenth year, was given the theme moniker "Plant a Forest from the Budokan" with a percentage of concert ticket revenues being donated to afforestation activities in Africa. This allowed all concertgoers to take an active role in creating forests in Africa.

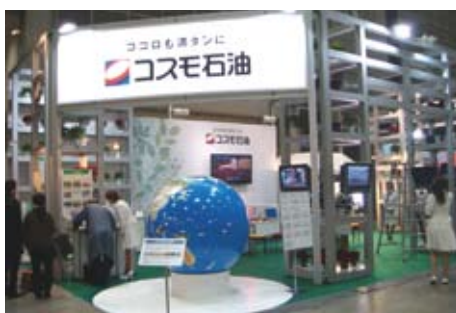
"Living with Our Planet" Radio Program

Broadcast live, this informational program introduces the natural environment of various regions and topics related to conservation activities.

Airs every week, Monday through Friday, from 6:40 a.m. to 6:45 a.m. on JFN's 38-station network.

Participation in Eco-Products 2007

Cosmo Oil operated a booth at Eco-Products 2007, Japan's largest environmental exhibition of environment-friendly products and services as well as cutting-edge social and corporate programs. The Cosmo Oil booth featured an experimental CO₂ absorber to express the Group's main theme of "the important relationship between plants and people." We used this CO₂ absorber to provide an actual demonstration of plants absorbing CO₂, and displayed an "original environmental globe" showing forest destruction and growing desertification. In addition, we used pictures and displays to provide information on Cosmo Oil's efforts to tackle environmental impact and convey the vital connection between plants and the environment.



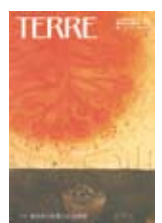
Communicating Our Initiatives to Society

Environmental Advertising

Cosmo Oil carries out environmental preservation activities both in Japan and overseas while creating advertising to publicize its environmental contributions. In fiscal 2007, we introduced our Clean Campaign using pictures of participants as well as images of a lecture by alpinist Ken Noguchi. These advertisements stimulated interest in the Clean Campaign and the environment, and led to an increase in the number of people hoping to participate in environmental activities.

Environmental Culture Magazine *TERRE*

We actively present our message based on the concept of "thinking about the environment through people, seeing people through the environment." This enables us to consider the environment and to take action together with even more people.



Activities Centered on Children, the Environment, and Society

We carry out various activities to foster a spirit of generosity in children, who essentially represent and hold the key to the future of our planet, while also encouraging employees to give back to the community.

Concepts behind the Initiatives

In 1992, we formulated our basic policy for contributing to society and initiated social contribution activities. As one of our social contribution activities, in 1993 we held the first Cosmo Waku Waku Camp, a nature experience program for schoolchildren orphaned by traffic accidents that is run mainly by Cosmo Oil employee volunteers.

Since then, Cosmo Oil has conducted various next-generation education programs with the participation of employees. Through such programs, we have been able to fully utilize our accumulated know-how and build partnerships with NPOs at the forefront of activities in specialized fields.

Cosmo Waku Waku Camp

This is a nature program lasting three days and two nights for schoolchildren orphaned by traffic accidents. This camp is run mainly by Cosmo Oil employees from around Japan, who learn about safety control and child psychology through training courses prior to participation. At the camp held in fiscal 2007, 34 children observed fish and water bugs, caught cherry salmon with their hands, and made dishes out of bamboo at the Yuzurihara Youth Nature Preserve in Yamanashi Prefecture.



Happy Doll Project

Cosmo Oil held the Happy Doll Project nationwide in six cities, primarily where its business sites are located. The project is a workshop intended to entertain children who have been hospitalized for a long period. The dolls made in one hospital are displayed and then taken to the next hospital. After the program was completed, all of the dolls made at the six hospitals were displayed together.



Art Program for Daddies and Kids

With the aim of supporting the participation of fathers in child rearing, we hold the Art Program for Daddies and Kids, a workshop that enables fathers and children to enjoy communication and art. The program takes place at Cosmo Oil branch offices throughout Japan. Fathers talk about their own childhood experiences, and children expand upon these images to make their own drawings that go into a "one-of-a-kind book of art."



Column

Award for Volunteerism

On September 22, 2007, Cosmo Oil was awarded the Official Commendation of Volunteerism by the Minister of Health, Labour and Welfare for its long track record of giving back to the community. Cosmo Oil was the only group in Japan to receive an endorsement from the central government.



Social Report

The Cosmo Oil Group is supported by a broad range of stakeholders. We strive to raise the trust that stakeholders place in us and to build a sustainable society.

Together with Stakeholders

With the understanding and participation of all employees, we give back to all of the Group's many stakeholders.

The Cosmo Oil Group enjoys the support of a broad range of stakeholders as it expands its business of providing a stable supply of oil and energy. We feel a particularly close connection to stakeholders such as our customers, local communities, shareholders and investors, employees, oil-producing countries and international society. The Cosmo Oil Group provides

value through its business activities and strives to disclose constructive information and engage in dialogue with the aim of remaining a company that stakeholders can expect to prosper into the future. Together with these stakeholders, the Group is working to build a sustainable society.

International society

The Cosmo Oil Group focuses on a variety of international cooperation activities, such as programs to prevent global warming, both within and outside the scope of the oil business. Such efforts represent our commitment to contributing to the sustainable growth of international society, particularly developing nations.

Oil-producing countries

The Cosmo Oil Group is not limited to selling and buying crude oil, but also strives to capitalize on its human resources and know-how to disseminate technology that can preserve the environment and ensure safety. Moreover, we encourage interaction between personnel and work to build relationships as partners—beyond the sphere of business—in a bid for sustainable growth.

Customers

While providing valuable products, Cosmo Oil works to enhance its services and ensure safety by listening to its customers' views.

Local communities

As a member of local communities, Cosmo Oil engages in grass roots activities such as cooperating with cleanups and local events.

Shareholders and investors

In addition to its timely disclosure of information, Cosmo Oil publishes its *C's MAIL* shareholder report, an annual report and fact book, and other corporate publications.



Employees

Cosmo Oil believes that respect for human rights is at the root of all corporate activities, and strives to create a comfortable workplace in which employees can freely express their abilities.

Detailed information on CSR Accounting (Value added generated and its distributions to stakeholders) can be found at the following Web page:

[web http://www.cosmo-oil.co.jp/eng/csr/accounting/stakeholders.html](http://www.cosmo-oil.co.jp/eng/csr/accounting/stakeholders.html)

Relationships with Our Customers

We strive to offer safe and reliable service to ensure that our slogan, “Filling Up Your Hearts, Too,” is meaningful to all our customers.

Initiatives at Service Stations

Cosmo Oil Self-Service Stations

A notable trend in customer consumption has been a shift toward the use of self-service stations. As of March 31, 2008, the ratio of self-service stations in Japan was 16.1%, as compared with a ratio of 21.0% for the Cosmo Oil Group, a figure well above the industry average. In this context, and amid intensifying market competition among self-service stations, we aim to establish Cosmo Oil self-service stations that realize superb sales capabilities through car care service and goods to meet diversifying customer needs.

Cosmo the Card

Customers are more keenly aware of gasoline prices as soaring crude oil prices drive up prices. Our Cosmo the Card credit card enables customers to purchase gasoline at a more economical members' rate, thus supporting our efforts to build long-term relationships with customers. Furthermore, in June 2006 we launched a membership drive for Cosmo the Card Opus through an alliance with Aeon Credit Service Co., Ltd., a member company of the AEON Group, which is the leading operator of integrated supermarkets. This has enabled us to maximize revenues through the acquisition of new cardholders.

Cosmo Academy

The Cosmo Academy supports the development of service station staff, who are the main point of contact with our customers. The academy provides training that enables employees at every level, from new employees to managers, to acquire qualifications as well as improve upon maintenance skills and sales aptitude. Additionally, through establishing a call center for car maintenance and providing the latest auto-related information via the Internet, the academy supports the efforts of service station staff to swiftly respond to customer needs.

“Filling Up Your Hearts, Too” Declarations

As part of Cosmo Oil's NAVI sales promotion program, we began the “Filling Up Your Hearts, Too” Declarations in fiscal 2007 as a new program. We make and fulfill these promises to our customers to strengthen our commitment to Cosmo Oil's motto of “Filling Up Your Hearts, Too.” Three Promises were made in fiscal 2007, and Cosmo Oil carried out inspections to confirm that they were being put into practice.

“Filling Up Your Hearts, Too” Declarations: Three Promises

- Cosmo Oil service station outlets will be clean and customers will be greeted with a smile. **Comfort**
- Cosmo Oil service stations will offer quality assured products and services. **Peace of mind**
- Cosmo Oil service station staff will be responsible for their answers to customers' queries. **Trust**

Beginning in fiscal 2008, “Filling Up Your Hearts, Too” Declarations became the name for Cosmo Oil's NAVI sales promotion program. This initiative was revised to encompass not only structural reforms at service stations, but also to ensure that CSR is fulfilled and customer satisfaction improved.

Service Evaluation at Service Stations

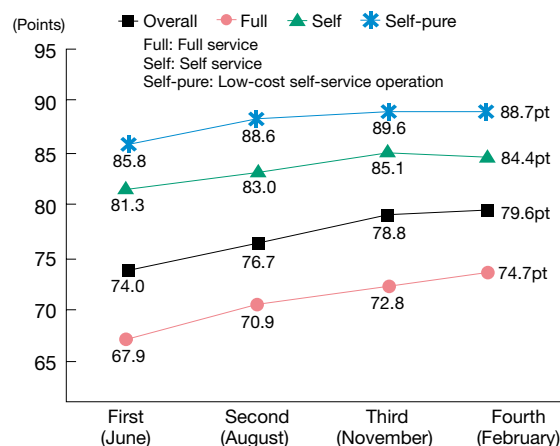
We implement monitoring surveys from the customer's point of view to assess the level of comfort, peace of mind and trust provided by service stations and check that the Three Promises made to customers are being met. In fiscal 2007, four such surveys were carried out, and the results were used to provide feedback to the service stations and improve service.

Column

Customer Center

In October 2000, we opened the Cosmo Customer Center to facilitate two-way communication with our customers. In fiscal 2007, customers contacted the center on 4,756 occasions via a toll-free telephone number or e-mail. We collect, classify, and analyze customer feedback to respond accurately, quickly, and politely, as well as convey such input as soon as possible to the relevant departments. In this way, we work to ensure that comments are reflected in improvements to the Company's services and business operations, and in turn, further increase customer satisfaction.

◆ Service Evaluation Results at Service Stations



Relationships with Our Customers

CSR at Cosmo Oil Service Stations

Cosmo Oil Group service stations undertake the following initiatives as part of CSR-based management.

Thorough Implementation of Compliance

The Cosmo Oil Group publishes the *NAVI Guidebook*, a pamphlet for Cosmo Oil service stations and dealers that lists and describes major laws that pertain to service stations. The guidebook instructs employees involved in the retail business as well as dealers and Cosmo Oil service stations in thoroughly adhering to these laws.

Keeping in mind the importance of adherence to all of these laws, we undertake the following activities with regards to the Act on the Protection of Personal Information, the Fire Defense Law and Soil Contamination Countermeasures Ordinance.

Act on the Protection of Personal Information

We utilize the following:

- *Personal Information Protection Text*
- *Personal Information Protection Manual*
- *Personal Information Leak Incident Response Manual*

Personal Information Protection Privacy Policy Point (PP Point) Survey

Every six months we conduct a point-based privacy policy point (PP point) survey and a survey on the status of personal information management. With 100 points being a perfect score, we take action to realize improvements in categories as required. In the latter half of fiscal 2007, the average score was 79.6 points, an improvement of 1.1 points from the first half and an improvement of 3.2 points from the second half of fiscal 2006.

Fire Defense Law and Soil Contamination Countermeasures Ordinance

Inventory management and checkups based on the *Safety Inspection Logbook*

Environmental Management Point (EM point) Survey

Use of various types of management tools and manuals

We also conduct environmental management point (EM point) surveys and inspections of service stations as well as examine the state of inventories, industrial waste countermeasures, and facilities every six months. Points are given (total of 100 points) and efforts made to improve weak areas. The average score in the second half of fiscal 2007 was 84.6, a 0.6-point improvement from the first half and a 2.0-point improvement from the second half of fiscal 2006.

Service Stations that are Friendly to People, Society, and the Earth

Recognizing that service stations are the primary point of contact with customers, we are initiating measures to develop service stations that are friendly to people, society, and the Earth. The following initiatives were introduced from fiscal 2007.

- **Wheelchair access ramps**
- **Restrooms with wide stalls as a standard feature**
- **Cooperation with local communities:** Establishment of a distribution structure to ensure stable supplies of petroleum products for emergency vehicles as part of the BCP (Business Continuity Plan)
- **Facilities:** Installation of energy-saving lights
- **Systems and processes:** EM point surveys and risk management training to raise awareness of environmental preservation



Wheelchair access ramp

Column

Stable Supplies of Petroleum Products in the Event of a Disaster

To secure stable supplies of petroleum products in the event of a disaster, we have undertaken efforts to develop our Business Continuity Plan (BCP). With respect for human life as the highest priority, we

will maintain stable supplies of petroleum products to the greatest extent possible, while providing support for the prevention of secondary disasters and the recovery and restoration of damaged areas. As one aspect of the BCP, we are equipping approximately 50 service stations that will serve as "lifeline support service stations" with generators and hand pumps so that they can respond to power outages caused by disasters. In this way, we are developing systems to ensure that the Company can promptly supply petroleum products in the event of a disaster.

In addition to reinforcing facilities as well as systems and processes for disaster response, we are considering expanding the number of service stations in this program.



Relationships with Our Shareholders and Investors

Cosmo Oil discloses accurate information to shareholders and investors in a timely manner while striving to improve corporate management.

Communications Activities

Related information on investor information can be found at the following Web page:

[web http://www.cosmo-oil.co.jp/eng/ir/index.html](http://www.cosmo-oil.co.jp/eng/ir/index.html)

Basic Policy of Our IR Activities

The basic policy of our IR activities is to promote a deeper understanding of the Cosmo Oil Group and build relationships of long-term mutual trust with shareholders and investors by providing appropriate and timely disclosure of our management philosophy and policies, financial condition, and business strategies.

Promoting a Deeper Understanding of Cosmo Oil

We work to deepen people's understanding of the Cosmo Oil Group. Besides publishing annual reports and quarterly shareholder reports, we also work to upgrade information disclosure via our Web site, including providing streaming videos of shareholders' meetings and posting all documents that have been distributed. Of particular note, the Web site has been upgraded as part of efforts to promote a deeper understanding of Cosmo Oil among a broad range of shareholders as well as individual investors. By taking this approach, we have continually earned high marks from IR consulting companies and other external institutions that survey IR Web sites.



Annual Report



Shareholder report
C's MAIL

IR Web Site Wins Awards

Cosmo Oil's IR Web site has attracted high praise, and was selected for Nikko Investor Relations Co. Ltd.'s "Fiscal 2007 Best Corporate Web site Ranking," and as one of Daiwa Investor Relations' "402 Companies with Best Internet IR Sites."



Shareholder Survey

Every year, we send questionnaires to shareholders via the shareholder report, C's MAIL. The opinions of shareholders are then used as feedback that is reflected in our management policies and the contents of our reports. In fiscal 2007, 7,000 completed questionnaires were received. In response to a question asking what they wanted from Cosmo Oil, 60% of respondents answered "stable procurement of crude oil." This response reflects the awareness of the high price of crude oil, and indicates the public's concern.

Related information on IR News/News Letters can be found at the following Web page:

[web http://www.cosmo-oil.co.jp/eng/ir/newsletters/index.html](http://www.cosmo-oil.co.jp/eng/ir/newsletters/index.html)

Example of a response to a common question from shareholders:

Questions were answered in the 57th issue of the shareholders report, C's MAIL (issued March 2008).

Question:

What type of crude oil development programs is Cosmo Oil involved in? (One 42-year-old male shareholder and 12 other survey respondents)

Answer:

Cosmo Oil develops and produces crude oil with the aim of improving the proportion of independently developed crude oil that it procures. Specifically, its subsidiary Abu Dhabi Oil Co., Ltd. and an equity-method affiliate United Petroleum Development Co., Ltd. produce crude oil in the Emirate of Abu Dhabi, while another subsidiary Qatar Petroleum Development Co., Ltd. began commercial production in Qatar in 2006. Cosmo Oil also continues exploratory work aimed at oil production in the northwest region of Australia.

◆ The Cosmo Oil Group's Crude Oil Production Volume

	Production volume (barrels/day)* ¹	Controlling share* ²
Abu Dhabi Oil Co., Ltd.	23,288	63.0%
Qatar Petroleum Development Co., Ltd.	5,290	85.8%
United Petroleum Development Co., Ltd.	16,578	35.0%

*¹ The production volume is the average amount produced from January to September 2007.

*² Controlling share owned by Cosmo Energy Development Co., Ltd., a wholly owned subsidiary of Cosmo Oil.

Related information on the General Meeting of Shareholders can be found at the following Web page:

[web http://www.cosmo-oil.co.jp/eng/ir/meeting/index.html](http://www.cosmo-oil.co.jp/eng/ir/meeting/index.html)

SRI Information

In recent years, there has been increased focus on Socially Responsible Investment (SRI)*, a generic term for investments that enable investors to decide on which companies to invest in based not only on a company's financial performance but also taking into consideration whether that company fulfills its environmental and social responsibilities. Cosmo Oil has been included in the FTSE4Good Global Index since March 2003 and in the Morningstar Socially Responsible Investment Index since July 2003. Additionally, Cosmo Oil is incorporated into numerous SRI funds.

*SRI funds invest in companies that fulfill their social responsibilities in terms of social justice, ethics, environmental considerations, consumers, employees, and local communities.

Relationships with Our Employees

Cosmo Oils operations are supported by each of its employees. With this in mind, we strive to create working environments in which all employees can maintain an awareness of their social responsibilities through their own work while fully utilizing their capabilities.

Consolidated Medium-Term Human Rights/ Personnel Plan

In fiscal 2005, we formulated the three-year First Consolidated Medium-Term Human Rights/ Personnel Plan, and have promoted initiatives in the six categories of human rights, respect for diversity and equal opportunity, health and safety in the workplace, education and skills development, welfare, and creation and guarantee of employment. Under this plan, we will strive to realize our vision of creating a workplace and corporate climate and culture in which each employee can optimize their own abilities and uniqueness. Our initiatives are based on the following two commitments:

- (1) We will continue implementing personnel-related measures that emphasize fundamental human rights.
- (2) We will adhere to a spirit of respect for diversity and focus on *people* as we strive to create vibrant and comfortable working environments and raise employee motivation.

Major results over the three years were as follows:

- (1) Participation in the United Nations Global Compact (since February 2006)
- (2) Increase in the employment rate of persons with disabilities to 2.1% in June 2008
- (3) Compliance with the Law for Measures to Support the Development of the Next Generation, and recipient of the "Kurumin" Next Generation Certification Mark in May 2007
- (4) Promotion of measures to prevent overwork, including the distribution of pamphlets on work hours to all employees, and training given to all employees that manage work hours (line managers)
- (5) Provision of mental health care, including the distribution of pamphlets on mental health care to employees and line managers, and training given to line managers

Human Rights

On February 7, 2006, we expressed our support for the United Nations Global Compact, and are now progressing with various initiatives as we strive to realize the principles of this compact.

In May 2007, we held human rights awareness training for top-level managers, including managers at subsidiaries and affiliates, and have also given training to new employees and all human rights managers at business sites.

Detailed information on the United Nations Global Compact initiatives can be found at the following Web page:

<http://www.cosmo-oil.co.jp/eng/csr/globalcompact.html>

Respect for Diversity and Equal Opportunity

Aiming to expand the number of workplaces where women can play active roles, Cosmo Oil continually promotes fair employment initiatives. For example, in fiscal 2007 Cosmo Oil hired 16 women as career track employees from among 51 new graduate applicants. As of March 2008, we have assigned six out of the 16 women to the Sales Department as sales representatives, making a total of 17 women in that department, and have assigned two women to refineries as engineers.

The Company's employment rate of persons with disabilities is 2.1%, which exceeds the legally mandated rate of 1.8%. To ensure that persons with disabilities can work comfortably in the Cosmo Oil Group, we have focused our efforts on normalization, which includes improving the awareness of staff and creating a good working environment.

In fiscal 2007, we held training on harassment to raise awareness among employees, and in addition to the corporate ethics helpline, set up a sexual harassment and power harassment help desk in the Personnel Department.

◆ Initiatives and Achievements of the First Consolidated Medium-Term Human Rights/Personnel Plan (Fiscal 2005 – 2007)

Themes	Initiatives	Achievements
Human Rights	Consideration given to subscribing to the U.N. Global Compact	Submitted and approved signature to the United Nations
Respect for Diversity and Equal Opportunity	Promoted hiring of persons with disabilities (in the context of the legally mandated rate of 1.8%)	Employment rate of persons with disabilities increased from 1.8% in June 2005 to 2.1% in June 2008
	Promoted measures for preventing sexual harassment	Sexual harassment/power harassment help desk set up in the Personnel Department
Health and Safety in the Workplace	Pushed forward measures to prevent overwork	Program put in place mandating that employees working overtime (over 80 hours) take alternative holidays and makeup holidays Distribution of <i>Complete Guidebook to Work Hours</i> and training given to line managers
	Provided health care	Introduction of on-line mental health check-ups with 24-hour access through the Corporate Health Insurance Society Distribution of mental health pamphlet and training given to line managers
Education and Skills Development	Supported career skills development	Ongoing in-house recruitment Adoption of the "Career Challenge Program" (for employees seeking jobs) in place of the previous recruitment program (in which the Company sought employees)
Welfare	Compliance with the Law for Measures to Support the Development of the Next Generation	Certification received and awarded the Kurumin Next Generation Certification Mark from the Ministry of Health, Labour and Welfare
	Promotion of childcare and nursing care programs	Childcare leave extended until the fiscal year-end in which the child turns three (the legally-mandated maximum is one year and six months)
	Encouragement of leisure activities	Introduction of a volunteer holiday program (18 employees have taken this holiday since fiscal 2007)
Creation and Guarantee of Employment	Compliance with revised Law Concerning the Stabilization of Employment of Older Persons	Introduction of a program for rehiring senior employees (78 employees, or 38%, have been rehired since fiscal 2006)

*Percentage of rehired employees out of cumulative retired employees in 2006 and 2007

Health and Safety in the Workplace

As a preventative measure for mental health problems, the Cosmo Oil Health Insurance Society formed an affiliation with an external organization so that employees and their families can take stress diagnosis tests on their computers at any time. Cosmo Oil has also set up a mental and physical health consultation desk that employees can contact by phone or by using a Web site. Employees can discuss not only their own issues, but also consult on matters connected with their subordinates or family. This can be helpful in dealing with subordinates who are under excessive stress. In addition, beginning in April 2008, the Company offered training on preventative measures for metabolic syndrome at all business sites, including its affiliates.

Education and Skills Development

We introduced an in-house recruiting system that allows employees to apply for jobs offered by other departments or subsidiaries and affiliates without having to notify superiors, and to accept such positions if the applicant and respective department can reach an agreement. We named this system the "Career Challenge Program" in fiscal 2008, changing it from a job recruitment system (in which divisions seek employees) to a job application system (in which employees approach the divisions). This is intended to foster a work environment where enthusiastic and motivated employees can take up challenges, and to create opportunities for employees' interests to be reflected in their career paths. Concretely, it allows employees to apply for challenging positions in other divisions rather than remaining in a specific division.

	Previous in-house recruitment system	New job application system Career Challenge Program
Features	Job recruitment system (divisions seek employees)	Job application system (employees approach divisions)
Eligible employees	Based on conditions set by division	Career track, Tier 2
Procedures for selection	(1) Personnel Department screens applicants (2) Selection by division, decisions made on job offers	(1) Personnel Department screens applicants (2) Division and Personnel Department work together and make decisions on job offers

◆ Number of Employees

		Men	Women	Total
Cosmo Oil	Union members	1,328	200	1,528
	Management positions	424	5	429
	Other	27	0	27
	Subtotal	1,779	205	1,984
Subsidiaries and affiliates	Union members	918	99	1,017
	Management positions	328	0	328
	Other	16	0	16
	Subtotal	1,262	99	1,361
Total		3,041	304	3,345

*Other refers to seconded employees from other companies and full-time labor union staff

Welfare

In May 2007, Cosmo Oil was awarded the Kurumin Next Generation Certification Mark from the Ministry of Health, Labour and Welfare.

In response to the Law for Measures to Support the Development of the Next Generation, we submitted a General Business Owner's Action Plan to the Ministry of Health, Labour, and Welfare with the aim of creating a work environment that enables an appropriate work-life balance. We revised this plan to include the target of child care leave taken by at least one male employee and more than 70% of eligible female employees, and have established a system that allows paid vacation days to be used for a portion of the childcare leave period.



Message

Proactively addressing childcare and deepening the understanding of women in the home

Toyohiro Yamada

Tax and Education Group, Accounting Department



In May 2008, I took childcare leave from the start of Japan's "Golden Week" holiday at the beginning of the month through the end of the month. I intended to help take care of my children, and I took over all meal preparation from my wife, who was suffering from tendonitis, and was able to take on the role of househusband. It was a great experience because I was able to really enjoy caring for my children for the first time and having long hours of conversation with my wife. It was also an opportunity for me to realize how tough it is for women in the home. It was a time for me to take another look at why I work. I think it would be valuable for many male employees to take advantage of this system and experience the results for themselves.

◆ Employment of Persons with Disabilities Submitted to the Ministry of Health, Labour and Welfare in June 2008

	June 1, 2006	June 1, 2007	June 1, 2008
Number of employees with disabilities	43	45	48
Persons with severe disabilities among the number of persons with disabilities	21	23	23
Employment rate of persons with disabilities*	1.9%	2.0%	2.1%
Number of persons with disabilities still to be hired	0	0	0

*Legally mandated employment rate: 1.8%

Relationships with Our Employees

● Measures for Promoting Work-Life Balance

Providing comfortable workplaces that enable workers to achieve a balance between their work and private lives allows us to motivate our employees and retain a talented workforce. With this in mind, we have stepped up efforts to support work-life balance among employees.

To encourage employees to use their paid vacation days, we have designated specific times when all employees company-wide must take three days of their annual paid holidays. In fiscal 2007, the vacation day usage rate was 81%.

To support employee participation in volunteer and social contribution activities, we have set up a leave system of three vacation days per year for such activities. Up until now, 18 employees have taken these vacation days.

Cosmo Oil also takes measures to support child rearing. To allow employees to devote themselves to childcare, we have adopted measures that enable employees to take childcare leave until the end of the fiscal year in which his or her child reaches three years of age.

We also allow employees to reduce their specified working hours by up to two hours per day until his or her child has begun the fourth year of elementary school. For employees choosing to continue working while raising children, Cosmo Oil subsidizes up to one-half of the costs, with an upper limit of ¥25,000 per month, for the use of childcare facilities until the end of the fiscal year in which a child reaches three years of age.

Other measures that encourage employees to take their annual leave include a campaign promoting the use of long vacations of consecutive paid holidays. These measures raised the paid vacation usage rate to about 80%. In fiscal 2007, one male and four female employees took maternity leave (for a usage rate of 75%), and one male employee used the nursing care leave system.

◆ Number of Employees Taking Maternity and Childcare Leave and Support Courses for Returning to Work

	Fiscal 2005		Fiscal 2006		Fiscal 2007	
	Women	Men	Women	Men	Women	Men
Maternity leave	6	0	6	0	8	0
Childcare leave*	8 (11)	0	6 (8)	1 (1)	4 (7)	1 (1)
Support courses for returning to work	3	0	3	0	8	0
Childcare leave rate	100%	-	83%	-	75%	-

*Figures show the number of employees who applied for leave in the corresponding fiscal year while figures in parentheses show the number of employees who took leave.

Message

Cosmo Oil introduced a program offering vacation days for volunteer activities in response to top management's policy to promote CSR management



Hideyoshi Nagaya

Manager, Labor and Human Rights Group,
Personnel Department

Cosmo Oil initiated a program offering vacation days for volunteer activities in April 2007. Through this program, employees receive three paid vacation days a year when they participate in volunteer activities approved by the Company. This sends the message that, as part of its promotion of CSR, Cosmo Oil wants many employees to take an interest in social contribution activities and the initiative to participate. As of March 31, 2008, 18 employees have taken vacation days for these volunteer activities, but we do not feel this number is adequate. With the view that higher participation will invigorate the Company, we intend to familiarize employees with the program through training so that they take advantage of it.

Creation and Guarantee of Employment

In response to the Law concerning Stabilization of Employment of Older Persons, on April 1, 2006, we adopted a senior employee employment system for rehiring employees after they reach the mandatory retirement age of 60. In this manner, we are upgrading our existing re-employment support measures to enable older employees to continue working for the Cosmo Oil Group.

As of March 31, 2008, 78 seniors were working for Cosmo Oil under this system. In addition to "life design" training, a pre-retirement course that employees take at the age of 55, we also support re-employment by having an outside company provide "second career" training that gives employees seeking re-employment after retirement at age 60 an opportunity to learn how to write resumes and receive advice on job interviews. In fiscal 2007, 160 employees participated in life design training and 38 employees participated in second career training.

Management and Labor

The Company's labor-management contract clearly stipulates that management and the labor union shall meet for discussions before any alteration to work conditions, such as employees' positions and employment. Top management from Cosmo Oil and representatives from the labor union gather and engage in discussions at regular meetings and within a variety of committees at the Head Office or at individual business sites.

Labor and management together hold the Committee for Optimum Working Hour Management, which strives to prevent health problems caused by overwork and to reduce working hours accordingly. Cosmo Oil ensures compliance with the 36 Agreement (an agreement between labor and management per Article 36 under the Labor Standards Act) and encourages employees to take long paid vacations in the summer and winter seasons.

Relationships with Local Communities

Cosmo Oil expands and deepens communication with local residents and employees and their families through activities that give back to local communities.

Numerous Activities Contribute to Communities

Cosmo Matsuyama Oil Co., Ltd.

Cosmo Forest: 45 Trees Planted

Beginning in fiscal 2007, Cosmo Oil came to an agreement with Ehime Prefecture to plant a company forest. In April 2007, 22 people from regular employees to the company president planted 40 cherry tree saplings.

In September 2007, 40 employees and their families cut the underbrush of the planted cherry tree saplings. This was the first task since the saplings had been planted, so grass and vines had grown and spread, creating a demanding task for the participants. Nevertheless, the work was finished earlier than planned through the teamwork of this large group.

In March 2008, 42 people participated in a third activity to plant 45 saplings with autumn foliage. Each person named the sapling that they had planted. These afforestation activities gave employees an opportunity for more meaningful interaction with each other.



Cosmo Oil Sales Co., Ltd.

Loggerhead Sea Turtle Release

In September 2007, Cosmo Oil Sales Hamamatsu Company held the Loggerhead Sea Turtle Release. At Hamamatsu City's Nakatajima Sandhill, employees with their children and families worked together with a community environmental conservation group for a total of 320 participants in the event, which was being held for the fifth time.

The Sea Turtle Release is intended to familiarize participants with coastal conditions, encourage a feeling of protectiveness toward sea turtles by having participants handle the newly-hatched turtles, and provide an opportunity for participants to think about volunteer work. This experience taught participants a respect for life and the importance of conserving the environment.



Chiba Refinery

Project to Protect and Use Kinada Mountain

In November 2007, the Chiba Refinery carried out a project to preserve and use Kinada Mountain. About 70 people participated, comprising employees from the Cosmo Oil Chiba Refinery and the Head Office, along with their families. Everyone worked together to cut underbrush at nearby forests on and around Kinada Mountain. As many employees at the refinery live in the local community, this was not only a good opportunity to communicate with each other, but also a chance to encourage employees and their families to promote community harmony and coexistence with nature.



Message

When I give back to the local community, I get the sense that what I'm doing is really valuable, and that gives me pride and confidence.

Koji Goto

Assistant General Manager in charge of General Affairs, Chiba Refinery



Through this activity, I could express the importance I've always felt should be given to communication between employees outside of work. We planned the project to preserve and use Kinada Mountain in consultation with the Head Office and an NPO. The project provided an opportunity for employees of the refinery to communicate with the community, feel inspired, and raise their pride and confidence through activities that give back to the community. At the same time, we recruited line managers and employees to participate by explaining Cosmo Oil's position and the purpose and content of the activities. This information spreads from employees to their families and then out into the community. The government also provided PR and newspaper articles that recorded the day's events. I really sensed that these activities were valuable, and although some employees said that they came because their bosses had asked them to, later they were really glad to have experienced the activities. From their own unique perspectives, the Company, government and the local community learned the importance of sharing a vision for the community and working together to realize it. We will continue these activities with the aim of playing a leadership role in our community.

Relationships with the International Community and Oil-Producing Countries

As a member of the international community, Cosmo Oil engages in activities that extend beyond the boundaries of its regular business operations to include exchanges of human resources, culture, and technology with developing and oil-producing countries.

Overseas Technology Cooperation

The Cosmo Oil International Cooperation Center utilizes the public business training programs offered by the Japan Cooperation Center, Petroleum (JCCP) and the Information Center for Petroleum Exploration and Production (ICEP), and also strives to maintain and develop good relationships via technology exchanges with oil-producing and developing nations that also use such programs. These efforts have earned Cosmo Oil high praise from other countries.

Principal Activities in Fiscal 2007

The primary objective of our operations is to reinforce relationships through technical cooperation with oil-producing countries in the Middle East such as the UAE and Qatar and countries in Asia such as China, Vietnam and Indonesia. In fiscal 2007, we conducted surveys, held training sessions and dispatched long-term technicians.

● Surveys

In a JCCP project to subsidize business costs including petroleum refining technology in oil-producing countries, we participated in and carried out the following two studies:

- Survey on environmental preservation at Iran's Bandar Abbas Refinery
- Survey on improving operational methods at Oman's refineries



● Training

- Iraq technician training**
ICEP entrusted Cosmo Oil with part of its program to provide business cost subsidies and training in refinery technology in oil-producing countries by accepting technicians in the petroleum field from Iraq, based on an agreement between the governments of Iraq and Japan. Training on petroleum refining technology and facility maintenance and management was given to 20 interns over a period of 22 days.



- JCCP training**
In JCCP training, 21 interns were accepted and 15 instructors dispatched for training at 19 institutions in 11 countries, primarily major oil-producing countries such as the UAE and Qatar and potential overseas sales targets such as China, Vietnam and Indonesia. In addition, 10 training sessions were given directly by JCCP.



● Dispatch of long-term technicians

Technicians were dispatched to domestic engineering companies to support the operations of the Cosmo Oil Group, which operates new equipment overseas.

- Pre-commissioning for equipment to improve the quality of refineries in Bangchak, Thailand
- Commissioning of an LNG facility in Qatar

◆ List of International Technical Cooperation Projects

Name of country	Description of technical support
UAE	Petroleum refining technology, environmental and safety management, productivity improvements, test analysis
Yemen	Test analysis, environmental management, petroleum refining process, refinery management
Iran	Environmental preservation
Iraq	Petroleum refining technology, facility preservation technology
Oman	Petroleum refining process and operation management, environmental management
Qatar	Environmental management, machinery preservation, LNG facility commissioning
Kuwait	Practical energy-conservation technology
Pakistan	Facility operation management
Indonesia	Refinery management
Thailand	LPG packing, refinery technology, pre-commissioning for equipment to improve quality
China	Energy-conservation management at refineries, environmental and safety management, environmental preservation
Vietnam	Petroleum product quality management, petroleum product export and import management, education system

Column

Planting of Mangrove Trees on a Deserted Island

Abu Dhabi Oil Co., Ltd. began planting mangrove trees on a deserted island in 1983. The island was transformed by newly grown lush greenery and rare osprey that are now laying and hatching eggs in the area.

Cosmo Oil's environmental initiatives are also attracting attention locally.



Independent Review Report



Independent Review Report on "Cosmo Oil Group Sustainability Report 2008"

To the Board of Directors of Cosmo Oil Co., Ltd.,

1. Purpose and Scope of our Review

We have reviewed "Cosmo Oil Group Sustainability Report 2008" ("the Report") of Cosmo Oil Co., Ltd. ("the Company") for the year ended March 31, 2008. Our engagement was designed to report to the Company, based on the results of our review, whether:

- the environmental, social and economic performance indicators and the environmental accounting indicators ("the Indicators") for the period from April 1, 2007 to March 31, 2008 included in the Report are collected, compiled and reported, in all material respects, rationally and in conformance with the Company's policies and standards;
- all the material sustainability information defined by the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS") is included in the Report; and
- the Company's self-declaration on the Global Reporting Initiative (GRI) application level conforms to the application level criteria stipulated by the GRI.

Within the scope of our review are the Indicators disclosed under the directory: <http://www.cosmo-oil.co.jp/eng/csr/> and all subdirectories thereof to which the Report explicitly refers.

The Report, including the identification of material issues, is the responsibility of the Company's management. Our responsibility is to independently report the results of our procedures performed.

2. Procedures Performed

We have performed the following review procedures:

- Interviewed the Company's responsible personnel as to the Company's policies for compilation of the Report.
- With respect to the Indicators,
 - assessed the Company's standards used for collecting, compiling and reporting the Indicators;
 - interviewed the Company's responsible personnel as regards the way of collecting the Indicators and the process flow of calculating them, and reviewed the systems and processes used to generate the values of the indicators;
 - compared the Indicators on a sample basis with the supporting evidences to test the conformity in collection, compilation and reporting of the Indicators to the Company's policies and standards, and recomputed the Indicators; and
 - made an on-site inspection of the Chiba Refinery.
- Assessed whether all the material sustainability information defined by J-SUS is included in the Report.
- Evaluated the Company's self-declared GRI application level against the application level criteria.
- Evaluated the overall statement in which the Indicators are expressed.

We conducted our engagement in accordance with the Assurance Standard for Environmental Reports (pilot version) of the Ministry of the Environment (March 2004) and the Practical Guidelines of Sustainability Information Assurance of J-SUS (revised February 2008).

3. Results of the Procedures Performed

Based on our review, nothing has come to our attention that causes us to believe that:

- the Indicators in the Report are not collected, compiled and reported, in all material respects, rationally and in conformance with the Company's policies and standards;
- all the material sustainability information defined by J-SUS is not included in the Report; and
- the Company's self-declaration on the GRI application level does not conform to the application level criteria.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
August 5, 2008

The reliability of the sustainability information contained in this report meets the standards for sustainability report assurance and registration established by The Japanese Association of Assurance Organizations for Sustainability Information (<http://www.j-sus.org/>). This report has therefore been duly granted this assurance and registration mark.



GRI Content Index

The Cosmo Oil Group has prepared this report using the GRI Sustainability Reporting Guidelines 2006. We self-declare it to GRI Application Level B+ to clearly indicate to its readers the extent to which elements of the GRI Guidelines framework were applied in preparing this report.

KPMG AZSA Sustainability Co., Ltd. provides assurance on the self-declared application level as well as the performance indicators disclosed in this report.

GRI Guidelines are a set of guidelines developed by the Global Reporting Initiative, an international non-profit organization working in close collaboration with the United Nations Environment Programme. It provides a framework for reporting on an organization's economic, environmental and social performance.



This report is aligned with the GRI Sustainability Reporting Guidelines 2006 at an application level of B+.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for Level B	
	G3 Management Approach Disclosures	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core G3 and Sector Supplement indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

GRI Guidelines 2006

No.	Indicator	Page
1. Strategy and Analysis		
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	P5
1.2	Description of key impacts, risks, and opportunities.	P17-20
2. Organizational Profile		
2.1	Name of the organization.	P2
2.2	Primary brands, products, and/or services.	P3-4
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	P3-4
2.4	Location of organization's headquarters.	P2
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	P3-4
2.6	Nature of ownership and legal form.	P3-4 P4 ► web (Annual Report)
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	P4 ► web (Annual Report)
2.8	Scale of the reporting organization, including: Number of employees; Net sales (for private sector organizations) or net revenues (for public sector organizations); Total capitalization broken down in terms of debt and equity (for private sector organizations); and Quantity of products or services provided	P2, P44 P2 ► web (Fact Book)
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: The location of, or changes in operations, including facility openings, closings, and expansions; and Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	P2
2.10	Awards received in the reporting period.	P31, P38, P42

No.	Indicator	Page
3. Report Parameters		
Report Profile		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	P1
3.2	Date of most recent previous report (if any).	P1
3.3	Reporting cycle (annual, biennial, etc.)	P1
3.4	Contact point for questions regarding the report or its contents.	P1
Report Scope and Boundary		
3.5	Process for defining report content, including: -Determining materiality; -Prioritizing topics within the report; and -Identifying stakeholders the organization expects to use the report.	P1
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	P1
3.7	State any specific limitations on the scope or boundary of the report.	P1, P3-4, P15, P25-32, P34, P43-45
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	P1-4
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	P27-28
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, measurement methods).	P29-30, P34
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	P2
GRI Content Index		
3.12	Table identifying the location of the Standard Disclosures in the report.	P49-50
Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	P48

No.	Indicator	Page
4. Governance, Commitments, and Engagement		
Governance		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	P17
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	P17 P17 ► web (The CSR Management section of the Annual Report)
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	P17 P17 ► web (The CSR Management section of the Annual Report)
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	P45 P42 ► web (The General Meeting of Shareholders, the shareholders report C's MAIL)
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	P17 P17 ► web (The CSR Management section of the Annual Report)
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	P17 P17 ► web (The CSR Management section of the Annual Report)
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	P17 ► web (The CSR Management section of the Annual Report)
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	P15-16, P17-18, P19-20
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	P17 ► web (The CSR Management section of the Annual Report)
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	P17 P17 ► web (The CSR Management section of the Annual Report)
Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	P25-32 P43 ► web (The United Nations Global Compact)
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	P33, P43-44
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership dues; or Views membership as strategic.	P4 ► web (Industry associations and advocacy organizations with membership)
Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organization.	P39
4.15	Basis for identification and selection of stakeholders with whom to engage.	P39
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	P1, P39-47
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	P10, P39-45
5. Management Approach and Performance Indicators		
Economic		
	Management Approach	P19
Economic Performance Indicators		
Aspect: Economic Performance		
EC1. CORE	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	P2 P39 ► web (CSR Accounting (Value added generated and its distributions to stakeholders))
Environmental		
	Management Approach	P25-26
Environmental Performance Indicators		
Aspect: Materials		
EN1. CORE	Materials used by weight or volume.	P27-28

No.	Indicator	Page
Aspect: Energy		
EN3. CORE	Direct energy consumption by primary energy source.	P27-28
EN4. CORE	Indirect energy consumption by primary source.	P27-28
EN6. ADD	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	P27-30
EN7. ADD	Initiatives to reduce indirect energy consumption and reductions achieved.	P29
Aspect: Water		
EN8. CORE	Total water withdrawal by source.	P27-28
Aspect: Emissions, Effluents, and Waste		
EN16. CORE	Total direct and indirect greenhouse gas emissions by weight.	P27-28, P29-30
EN17. CORE	Other relevant indirect greenhouse gas emissions by weight.	P27-28
EN18. ADD	Initiatives to reduce greenhouse gas emissions and reductions achieved.	P29-30
EN20. CORE	NO, SO, and other significant air emissions by type and weight.	P27-28
EN21. CORE	Total water discharge by quality and destination.	P27-28
EN22. CORE	Total weight of waste by type and disposal method.	P27-28, P31
Aspect: Products and Services		
EN26. CORE	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	P29-34
Aspect : Transport		
EN29. ADD	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	P27-28, P29-30
Aspect: Overall		
EN30. ADD	Total environmental protection expenditures and investments by type.	P34
Labor Practices and Decent Work		
	Management Approach	P43
Labor Practices and Decent Work Performance Indicators		
Aspect: Labor/Management Relations		
LA4. CORE	Percentage of employees covered by collective bargaining agreements.	P44
Aspect: Occupational Health and Safety		
LA9. CORE	Health and safety topics covered in formal agreements with trade unions.	P45
Aspect: Training and Education		
Human Rights		
	Management Approach	P43, P45
Human Rights Performance Indicators		
Aspect: Investment and Procurement Practices		
Aspect: Freedom of Association and Collective Bargaining		
HR5. CORE	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	P43 ► web (The United Nations Global Compact)
Aspect: Child Labor		
HR6. CORE	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	P43 ► web (The United Nations Global Compact)
Aspect: Forced and Compulsory Labor		
HR7. CORE	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	P43 ► web (The United Nations Global Compact)
Society		
	Management Approach	P18
Society Performance Indicators		
Aspect: Corruption		
SO2. CORE	Percentage and total number of business units analyzed for risks related to corruption.	P17
Product Responsibility		
	Management Approach	P40-41
Product Responsibility Performance Indicators		
Aspect: Product and Service Labeling		
PR5. ADD	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	P40



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