

CORPORATE SOCIAL RESPONSIBILITY (CSR)

COSMO OIL GROUP'S VIEW OF CSR

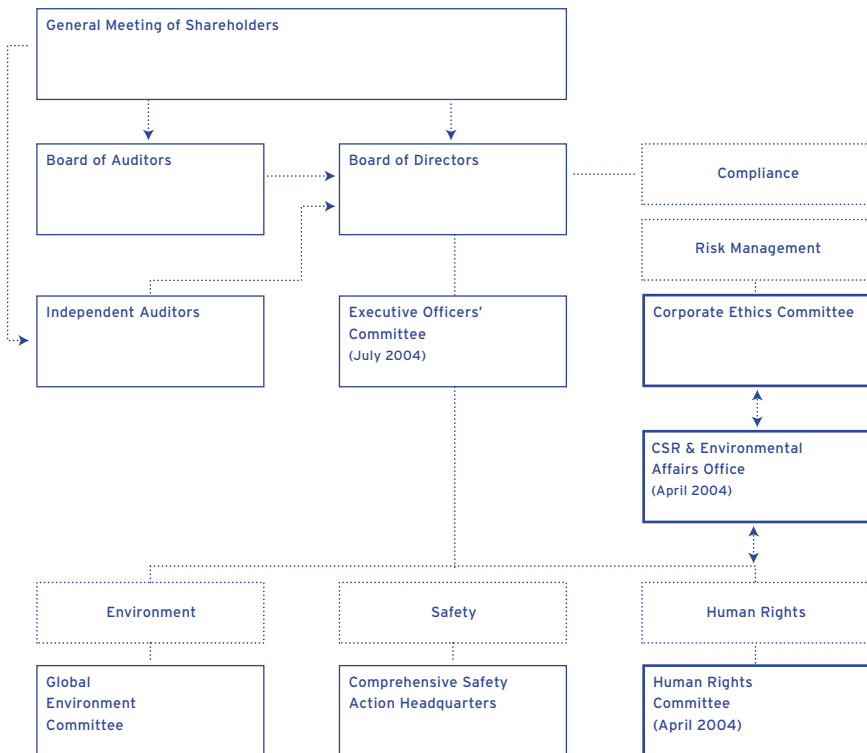
The Cosmo Oil Group is aware that its most crucial social mission is to provide a stable and efficient supply of the oil and energy necessary for daily life and the growth of business. The oil that we deal in offers a variety of benefits to the human race, and yet the fact remains that mass consumption of that oil is a heavy burden on the global environment. As an oil company, therefore, we recognize that the social responsibility of environmental preservation is equal to that of stable supply.

In striving for harmony and symbiosis among our planet, man and society, we aim for sustainable growth towards a future of limitless possibilities. The Group is also emphasizing its concept of the "triple bottom line"—the financial, environmental, and social dimensions of a business—strengthening its management foundations, and striving to increase corporate value.

We have addressed the Group's financial results elsewhere in this report. In terms of environmental preservation, Cosmo Oil recognizes that it is a global citizen, and as such has formulated a medium-term environmental plan called Blue Earth 21. In the course of its management, Cosmo Oil considers environmental protection activities taken in step with its customers, such as lowering the environmental impact of its business activities and products, to be an important issue.

As a member of society, Cosmo Oil also recognizes the importance of fairness and the sincerity of its actions, and while maintaining compliance in its corporate activities, has upgraded and strengthened its corporate structure to be highly transparent. These activities are discussed in detail in the following section.

CSR Management and Corporate Governance Structure



Note: Dates show when established.

THE BLUE EARTH 21 MEDIUM-TERM ENVIRONMENTAL PLAN

Cosmo Oil has adopted its own environmental management system, and is making vigorous efforts to achieve the goals of its Blue Earth 21 Medium-Term Environmental Plan. Under Cosmo Oil's Executive Officers' Committee, the supreme operating body, we have incorporated the Global Environment Committee and the Comprehensive Safety Action Headquarters. These organizational arrangements clarify decision-making processes involving environmental and safety measures, and facilitate the effective implementation of the plan-do-check-action (PDCA) cycle.

The Blue Earth 21 plan comprises nine core themes. These are explained in detail in the Sustainability Report 2004, but here we would like to detail two areas of success in fiscal 2004.

1. PRODUCING ENVIRONMENTALLY FRIENDLY PRODUCTS

Alongside stable supply of petroleum products, Cosmo Oil considers the production of environmentally friendly products to be its highest mission. Products with sulfur content of less than 50ppm have been available since April 2003, but Cosmo Oil is voluntarily putting in place a structure, ahead of government regulations, that will allow it to supply environmentally friendly gasoline and diesel fuel with even less sulfur content. Specifically, we expect to begin shipments of gasoline and diesel fuel with sulfur content of less than 10ppm beginning in January 2005.

2. GLOBAL WARMING PREVENTION AT REFINERIES

Cosmo Oil was able to exceed its environmental targets during fiscal 2004 for energy conservation at its refineries. Energy consumption increased as we built up the supply structure for low-sulfur products described above, but the introduction of energy saving devices and flexible operations allowed us to achieve a 10.3% reduction from 1990 levels, surpassing the target of a reduction of 8.3%.



(From left to right)
Global Environment
Book,
Eleventh Annual
Cosmo Waku Waku
Camp,
"Cosmo Oil-Voice
of the Earth"
Concert

ENVIRONMENTAL AWARENESS FOR CHILDREN—THE COSMO CHILDREN'S EARTH SCHOOL

The Cosmo Children's Earth School is an environmental education program for elementary school children, the guardians of the next generation. Using the *Global Environment Book*, an environmental textbook published in 2002, the program seeks to make children aware of nature through a variety of experiences, and provide them with the opportunity to act on their own. Activity highlights from fiscal 2004 are as follows:

1. ELEVENTH ANNUAL COSMO WAKU WAKU CAMP

With a business closely related to today's "car society," every year since 1993 Cosmo Oil has held the Cosmo Waku Waku Camp for elementary students orphaned by traffic accidents. Since fiscal 2003 the program has emphasized environmental awareness. In fiscal 2004, 47 students were welcomed to the three-day camp, where 19 volunteers recruited from among Cosmo Goup's employees planned, organized and conducted a variety of fun activities.

2. NATURE ART WORKSHOP FOR KIDS

Artists are invited for this program in which children produce artworks inspired by their feelings toward nature. In fiscal 2004 the workshop welcomed the popular artist Jimmy Onishi, who led the children on a walk through a rain-filled forest and created a large canvas filled with images of living things in this forest. Postcards were created from the painting, which the children and staff at the workshop sent to 300 hospitalized children with a Christmas message.

3. ECONETS—WEB SITE FOR CHILDREN TO LEARN ABOUT THE EARTH

In an effort to support the integrated study periods in elementary schools, in September 2003 Cosmo Oil created a Web site for environmental education. Focusing on the activities and thoughts of people actually engaged in environmental preservation activities, the site provides useful information regarding environmental education, and notices of opportunities to participate in environmental activities.

URL: <http://www.cosmo-oil.co.jp/econets> (Japanese only)



(From left to right)
Postcards from
Nature Art
Workshop for Kids,
Econets Web site,
Environmental
magazine *Terre*

COSMO OIL ECO CARD FUND—PROTECTING THE ENVIRONMENT TOGETHER WITH CUSTOMERS

The Cosmo Oil Group has issued Cosmo The Card Eco as a way for its customers to participate in environmental preservation activities. Under this program, customers receive credit cards to use at Cosmo Oil service stations. A ¥500 donation is collected annually, and Cosmo Oil makes an additional contribution based on the purchase amount made with the card. There were approximately 75,000 card members in fiscal 2004, with the contributions collected used to benefit environmental preservation projects in developing countries and other areas. In order to make the aid more efficient, staff members from the Cosmo Oil Group are dispatched to the areas, and work in direct partnership with nonprofit organizations (NPOs) and other organizations. As more customers become cardholders and participate in these activities, synergies are generated among Cosmo Oil, its customers and NPOs, and activities with a significant social impact become possible. The results of activities during fiscal 2004 are detailed in the chart below.

ENVIRONMENTAL COMMUNICATION—PROVIDING OPPORTUNITIES TO ENJOY LEARNING ABOUT THE NATURAL ENVIRONMENT

It is important that more people become aware of the environment, and participate in environmental preservation activities. Cosmo Oil has sponsored an Earth Day Concert since 1990, and organizes cleanup campaigns in which radio announcements invite local residents to participate. Cosmo Oil also sponsors classical music concerts, which offer people high-quality cultural experiences and help attendees deepen understanding of its environmental activities. Cosmo Oil also publishes the environmental magazine *Terre*, combining entertainment and the opportunity to learn about the environment.

Cosmo Oil Eco Card Fund Fiscal 2004 Accomplishments

Purpose		Project	Contributions	
Prevent Global Warming	Support Developing Countries	• Tropical Rainforest Protection Project (Papua New Guinea)	¥9,500,525	
		• Tropical Rainforest Protection Project (Solomon Islands)	¥16,501,680	
		• Greening the Silk Road Project (China)	¥500,420	
		• Support Project for Environmental Refugees from Island Countries (Kiribati)	¥5,250,210	
		• Silkworm Project (Philippines)	¥500,420	
		• Endangered Natural Habitat Protection Project	¥9,944,620	
	Environmental Education	• Rice Terrace Conservation Project (protection of terraced fields)	¥5,330,864	
		• Environment education in elementary schools (Environmental Education Program)		
				¥47,528,739