

## Message from the Chairman

Society today is encountering a difficulty never before faced. For the first time, there is strong concern about the limitations of our global environment—something always seen as nearly infinite—and that the Earth can no longer bear many of our human activities. To hand down a healthy Earth to future generations, it is our duty to find effective solutions and implement them.

A first step toward creating solutions to environmental problems is to fully grasp the present condition, and to understand the seriousness of the difficulties being faced. Japan first confronted serious pollution problems during the nation's period of rapid economic development, with such famous cases as Yokkaichi asthma, Itai-itai disease and Minamata disease. For the petroleum industry, a turning point was the serious air pollution in the Shinjuku area of Tokyo caused by lead in automobile exhaust gases.

In general, these cases of pollution occurred in relatively restricted areas, so it was possible to find the causes and thereby come to an effective solution. But the potential impact and causation of today's environmental problems—global warming, acid rain, desertification, destruction of the ozone layer, the decrease of diversity of species and others—are not as clearly identifiable. To make matters worse, results will take a long time to be seen, even if countermeasures are found.

To find effective solutions for these global issues, the international community must come to a consensus—and then act. Although overcoming differences of opinion and conflicts of interest can be very difficult, we can still surmount these problems through a strong will and high ethical purpose. Clear understanding of the facts will help to strengthen both the will and the high ethical position.

Cosmo Oil's main business activity is the importing of crude oil from the producing nations of the Middle East, refining this crude oil and selling oil-based products in Japan. In our business activities, the single greatest environmental impact comes in the refining processes at our refineries. The use of our oil-based products by our customers also have environmental impacts, even though these products are the essential energy sources of today's society. The major impact from oil-based products is in car-

bon dioxide gas, a substance tied to the problem of global warming. Understanding this fact, we are advancing our environmental conservation activities through three key concepts: technological innovation, changing values and global activity.

"Technological innovation" means the production of oil-based products with reduced environmental impact, and research and development into new energy systems. Cosmo Oil has long been involved in technological developments to reduce lead and sulfur in our products. Recently we have developed new catalysts for refinery processes which help us produce cleaner products, and have advanced new energy technologies, such as fuel cells, which make it possible for us to be a true integrated energy company. We have also focused on new technologies for the environment.

"Changing values" refers to a major shift occurring in Japanese society. An increasing number of people are "green consumers"—those with a stronger sense of the environment as a key value in their lives. To meet their needs, and to contribute to the reduction of environmental impact, we are providing much cleaner products, as well as services such as Cosmo the Card ETC (Electronic Toll Collection system), which, by reducing traffic jams at toll booths, also reduces CO<sub>2</sub> emissions. While on one level these efforts might seem small, it must be remembered that the CO<sub>2</sub> generated through consumer use of our products is some 20 times greater than that generated in refinery processes. Therefore, all our efforts in fact make a major contribution to the prevention of global warming.

Environmental issues concern the entire world, so actions by global partnerships are very important. One such global activity can be seen in our Zero Flare Project at oil fields in Abu Dhabi. In this, the gas which emerges during crude oil drilling is not burned, as has been done in the past. Instead, the gases are returned to the ground, contributing to the reduction of CO<sub>2</sub> generated in the country. Although the project is only in its initial stage, it has already resulted in our being awarded the Grand Prix commendation by the Abu Dhabi National Petroleum Organization.



To support developing nations, we work in partnership with NPOs in projects such as introducing paddy field cultivation as an alternative to slash and burn agriculture. Also, while Japan has agreed under the Kyoto Protocol to reduce greenhouse gas emissions over the period 2008 to 2012 by six percent below 1990 figures, it is seen that this cannot be achieved solely by self-initiated reductions by homes and industry. Since the Kyoto Protocol allows for CO<sub>2</sub> emissions trading as a supplementary measure for the reduction of greenhouse gas emissions, we see taking a leading role in emissions trading as an important part of our risk management activities.

To build a sustainable society, citizens, corporations and governments must both understand each other and work closely together. Corporations recognize their important role in supporting and leading the activities of governments and NPOs, playing their role in accordance with the circumstances. To meet our corporate responsibility, we act both locally and globally on environmental issues, and do our part to build a sustainable society.

Finally, I would like to touch on our thinking on business management and environmental protection. We created a two-year plan for 2001 and 2002 called Value Creation 21, under which we first declared Cosmo Oil to be an "environmentally advanced company." We are taking a positive role in dealing with environmental issues, actively speaking and acting on

behalf of both national interests and the citizens of the world, while taking an environmental view in appropriating management resources and restructuring the corporation.

We believe that our actions can both build a sustainable society and build on our corporate foundation at the same time. This is because our business is supported by our customers, and by society as a whole.

This report is our first full-scale environmental report. To provide comprehensive information, we have referred to GRI and Ministry of the Environment guidelines in its preparation. To ensure the correctness and transparency of the information contained here, the report has been verified by an independent review. To help us to continuously improve our environmental protection activities, we welcome your opinions and comments.

Chairman and Chief Executive Officer  
Global Environment Committee Chairman  
Cosmo Oil Co., Ltd.

*Keiichiro Okabe*