



“Filling Up Your Hearts, Too”

As part of the “Living With Our Planet” Project, the Cosmo Oil Eco Card Fund is supporting environmental education in elementary schools in the hope of preserving this rich natural environment for the future generations. This photo was taken during an environmental education program in rice terrace, Samizu Village, Nagano Prefecture in 2003.

We aspire to create future value for all stakeholders and to be the trusted corporation of choice.

- 1 We promote business ethics in order to become a corporation trusted by society.
- 2 We endeavor to create future value in our relationships with stakeholders.
- 3 We actively disclose information and implement two-way communications.

Relationships with stakeholders

In order to maintain trust of the stakeholders who support Cosmo Oil and to remain a corporation they want to continue dealing with, we endeavor to provide value for them through our business activities as well as actively disclosing information and implementing two-way communications.

In order to build the Cosmo network loved by all customers, we are listening to our customers and working to provide valuable services including improved levels of service, establishment of safety, etc.

As a constituent member of communities, for example, our refineries develop community disaster prevention systems in cooperation with authorities and other corporations in the vicinity of petrochemical complexes. We also promote and support community activities such as cleaning and local events.

We actively engage in IR activities including publication of our quarterly newsletter (C's MAIL) to shareholders, annual report, facts book, etc. and information disclosure on our website.



Our ties with our long standing business partners are not limited to crude oil trading. We have been working on conservation of the environment and promotion of safety management technologies in these oil producing countries using our human and technological resources. We also develop human resource and cultural exchanges.

We regard respect for human rights as the foundation of our corporate activities and endeavor to provide a more attractive work environment in which our employees can not only work safely and comfortably but also realize their potential.

To be a corporation trusted by society

We, the Cosmo Oil Group, maintain a high standard of ethics and actively promote strict compliance, risk management, information disclosure, etc. in order to remain a trustworthy corporate group. At the same time, we are committed to clarity and transparency of our decision making process and operating structure.

Reinforcing corporate ethics

Our aim is to become a highly ethical corporation. In order to maintain and promote the Cosmo Oil Group Management Vision and the Cosmo Oil Group Corporate Activity Guideline, the Corporate Ethics Committee, chaired by the President of Cosmo Oil Company and directly reporting to the Board, takes the lead in setting annual policies and action plans which are checked and reviewed by the management. The Guideline is published in Japanese, English and Arabic.

Reference For details, please see p. 2 of the Data Book (The Cosmo Oil Group Corporate Activity Guideline).

Compliance awareness among all members of the Group and maintenance and promotion of ethics are supported by the awareness and morals of individuals. At the Cosmo Oil Group, we have appointed Corporate Ethics Promotion Officers in all our business sites and group companies to promote and

strengthen ethics while our Corporate Ethics Promotion Office is promoting strict compliance by our employees through the following activities.

- Ensuring all employees carrying/with the management vision card (business card size)
- Organizing briefings for Corporate Ethics Promotion Officers
- Organizing training seminars for employees

Reference For details, please see p. 17 of the Data Book.

- Surveying employees to determine their levels of understanding (March 2004)

A helpline has been set up so that employees can discuss any legal or ethical concerns they may face in day-to-day work. Discussions on the helpline are protected by company regulations so as not to disadvantage the users.

Establishing highly transparent management systems

Here at the Cosmo Oil Group, we promote corporate governance to improve transparency and efficiency of corporate management, speedy execution of operational duties, risk management and strict compliance in order to enhance value for all stakeholders.

Corporate governance structure

In our organizational structure relating to management decision making, enforcement and supervision, the Board of Directors is the highest decision making body and the Executive Committee is the advisory body for CEO. To keep managerial and executive functions separated from supervisory functions, audits are conducted by the Board of Auditors appointed by the General Meeting of Shareholders. Managerial (executive) appointment and remuneration are considered by appraisal and selection committees set up to ensure transparency.

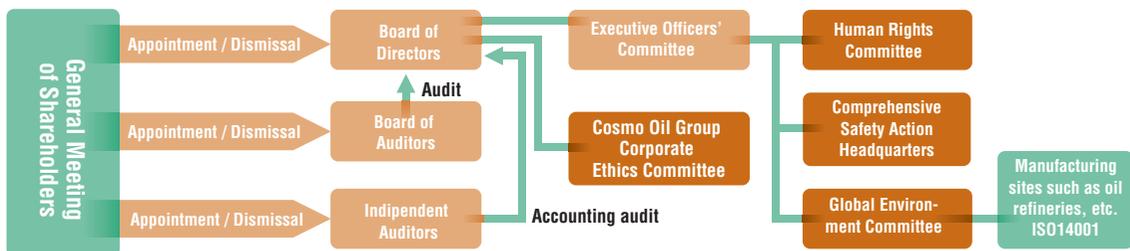
Risk management system

Minimizing business risk and preventing problems from occurring are fundamental requirements for ongoing stability of management. In 2003, we implemented the PDCA (Plan, Do, Check and Action) cycle starting from an annual review of risks for all business activities. The progress is monitored by the internal auditing office and reported to the management.

Promotion of socially responsible management

In the past, our efforts to discharge our social responsibilities were made in individual areas. Since April 2004 when we set up a section to deal with all areas of social responsibilities, we have been developing a lateral structure to carry out a group-wide promotion to clarify responsibilities and ramp up our efforts. We have committees reporting directly to the management in the areas of corporate ethics, environment, safety and human rights.

Management structure



Socially important issues

Although the Cosmo Oil Group has been endeavoring to reinforce compliance and enhance transparency of corporate activities in order to discharge our social responsibilities and exist in harmony and coexistence with society, we have experienced some regrettable incidents that have caused concern in the community. We investigate the causes of these incidents as well as endeavor to prevent them by raising the awareness of all our employees and making necessary improvements to our facilities.

The Leakage of Personal Information of the Cosmo the Card Members

Leakage of personal information

On April 8, 2004, we received an enquiry from a customer regarding possible leakage of Cosmo the Card credit card customer information. The customer received suspicious direct mail containing characteristic spelling or terms that were used in the name and address when the customer registered or updated personal details.

Our investigation has found evidence that some data was downloaded from a particular server that stored membership data (up to 923,239 records) that had been extracted previously for the purpose of system development. We consider that it is extremely likely that all or part of the 923,239 records of personal information were leaked.

Initial response

Following the enquiry, we set up a task force on April 13 according to our emergency measures regulations and began an investigation in cooperation with an external specialist investigation service company and in consultation with the police. In view of concerns and damage that fraudulent invoices and direct mail might cause to our customers, we held a press conference even before we confirmed a possibility of information leakage and at the same time we warned our card holders about fraudulent billing through notification in newspapers, our website, direct mail, etc.

Preventive measures

In preparation for the enactment of the Personal Information Protection Law, we began the development of a personal information handling system in 2003 and established a personal information protection policy, privacy policy and personal information protection code. These measures came into operation on April 1, 2004, just before this incident occurred.

We accept the gravity of the situation and are endeavoring to raise awareness about the importance of the personal information protection policy, the privacy policy and the personal information protection code and their strict operation and management by conducting information sessions at all business sites and group companies and through individual guidance under the direction of the officer in charge of personal information management promotion (Director of Administrative Affairs).

We have also taken measures to make our facilities more secure by reinforcing physical access control, making partial modifications to office layout and establishing a 24-hour security camera surveillance system as well as proceeding with the introduction of an advanced security system with biometric identification system as part of technical countermeasures.

In addition to enhancement to operation and management, we take seriously the extremely high possibility that customer information was leaked from our contractor and are reinforcing management of contractors by the newly established Information Planning Department.

We will continue to raise awareness about compliance and refine internal management systems throughout the Cosmo Oil Group in order to prevent this type of incident from re-occurring.

Alleged Antimonopoly Law Violation Concerning Supply of Petroleum Products to the Defense Agency

Allegation of Antimonopoly Law violation

On November 9, 1999, a criminal charge was laid against us for an alleged violation of the Antimonopoly Law in relation to tendering for petroleum products supplied to the Procurement Department of the Defense Agency by oil wholesalers.

Cosmo Oil argued in court that the bidding was done in accordance with the rules of the Procurement Department at the time and that our actions were lawful. However, after an unusually long period of deliberations extending to more than 4 years, Cosmo Oil was found guilty by the Tokyo High Court on March 24, 2004.

Our response to the judgment

While we take the court judgment seriously and are endeavoring to improve the transparency of our business activities through information sessions and seminars within the Group to prevent any conduct that would invite suspicion, we consider that fair reconsideration of our arguments against the judgment is required and have accordingly appealed to Supreme Court.