

Becoming a company able to provide service of value to customers

➤ Towards the next generation of business networks, with value for our customers

The largest contact point between our customers and Cosmo Oil is our service stations. Therefore, improvement in service quality and ensuring safety at service stations are important tasks for us. Our company aims at creating “the next generation of business network with value for our customers,” enabling us to deal with customers’ individual needs in a timely fashion.

Value that customers expect in their "car life"

We will evolve into a next-generation business addressing the value that customers expect in their car life.

There are two main types of value customers expect in their car life; value in fuel oil and value in car care (car maintenance).

➤ Response to the “value” in fuel oil

Promoting the conversions of existing stations into, and the establishment of, new self-service stations

According to the findings from the surveys conducted by Petroleum Association of Japan, 45% of customers prefer self-service. Our company is promoting the conversion of existing service stations into self-service stations and the establishment of new self-service stations in order to meet such customer needs. Current figure shows that 8% of our existing service stations are self-service, accounting 20% of total sales.

➤ Response to customers’ needs for “value’ in car care

Toward a comprehensive "car life" solution that also covers potential needs

Car care needs can be categorized into products of which customers readily understand the need for replacement (e.g. oil, tires, car inspection, etc.) and products for which such timing is difficult for customers to judge (e.g. batteries, coolant water, etc.). We believe that providing appropriate advice tailored to each car’s condition will contribute to improving customer satisfaction with the “value” that they expect to gain from their car life.

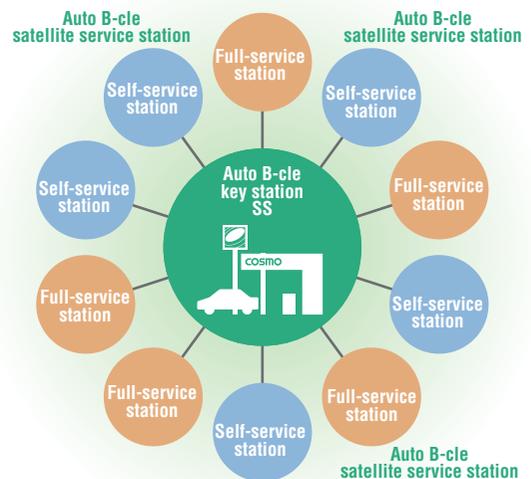
Service station network

By developing “Auto B-cle” and networking our service stations, we address diversifying customer needs.

In order to provide a "car life solution" which can respond to the diversifying needs of our customers, we have developed the concept of an "Auto-B-cle", located next to service stations, to serve as an inspection/maintenance shop that has sophisticated car wash equipment and sells car care products including tires and batteries. We endeavor to address the various car care needs of our customers, aiming to become a consulting station close to our customers where they can visit at any time and ask us anything about their cars. We also promote networking between large-scale Auto B-cle "key stations" with inspection/maintenance shops and small to medium scale Auto B-cle satellite service stations.

This allows us to provide our customers with Auto B-cle service through satellite service stations even in areas where there is no key station in the neighborhood.

■ Service station network



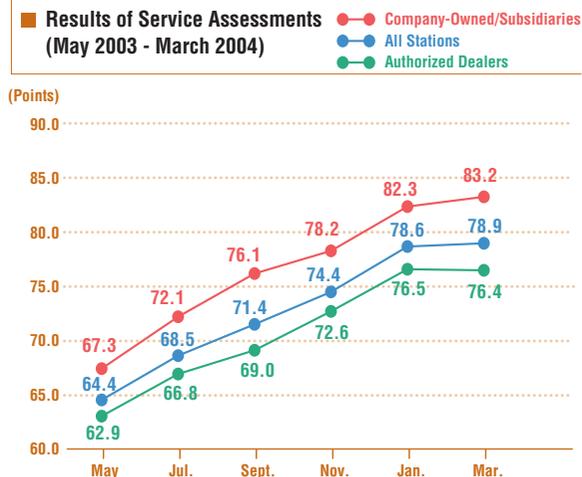
Auto B-cle

Service assessment at service stations

We conduct assessments at SSs every two months, taking immediate action for improved service quality.

For a service station to be trusted by its customers, it is essential to follow the basic rule of retailing. Our basic rule is "To Keep Faith with Customers." Our service stations promise four service qualities to customers — Friendliness, Cleanliness, A Sense of Security and High Quality. We conduct service assessments every two months. Inspection monitors inspect our service quality from a customer's point of view, for items such as Impression, Operation and Sales Activity, and grade each item on a scale of one to four: strongly wish to visit again, wish to visit again, not sure or do not wish to visit again.

We conduct these assessments with a short interval of two months in order to feed back the results promptly to each service station for prompt improvement and motivate customers to come back to our stations. In order to facilitate such prompt improvement, we issue the "Guidebook for the Use of Service Assessment Results at Service Stations", which includes descriptions of the purpose of service assessments and directions for appropriate response to the results, and distribute it to each service station.

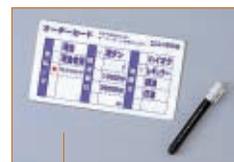


Barrier free service stations

We are expanding barrier free service stations by implementing accessible bathrooms and ramps for wheelchair users, together with the Service Station Order Card for hearing impaired customers.

Our service stations operate in harmony with the local community by supplying fuel to it. On the basis of our wish for more people in local areas to take advantages of our service just because our service stations are so close to them, we are promoting expansion of barrier free service stations by implementing accessible bathrooms

and ramps for wheelchair users. There are reportedly 30,000 hearing impaired drivers in Japan. We have implemented the "Service Station Order Card for the Hearing Impaired" to enable hearing impaired customers to order fuel smoothly. This card was introduced thanks to a suggestion by one of our hearing impaired employees.



Service Station Order Card

WEB ► <http://www.cosmo-oil.co.jp/ss/society/index.html>

Cosmo customer center

We strive for accurate, polite and timely responses to our customers, and to ensure that their voices are reflected in improvements to our services and operations.

We established the "Cosmo Customer Center" in October 2000 to promote two-way communication with customers.

In FY2003, we received an average of almost 309 comments per month from our customers via toll-free telephone line and email, broken down into questions (57%), complaints (23%), requests (17%), and other contacts (3%).

The Cosmo Customer Center is an integrated department to gather, categorize and analyze these comments. This allows us to respond to our customers accurately, quickly and politely, communicate comments from our customers to the related departments and make sure to reflect these comments in improving our service and operation, striving to further improve customer satisfaction.

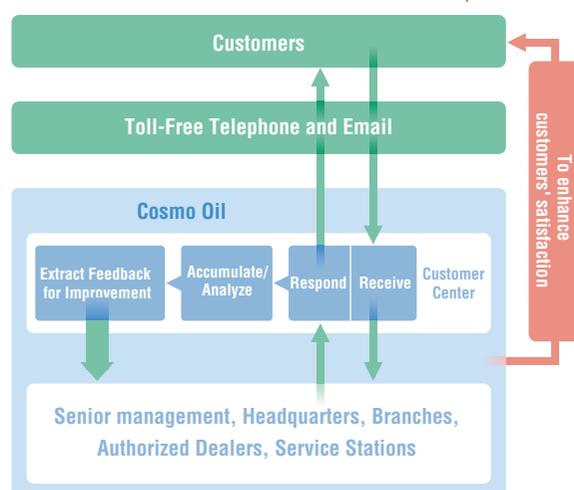
We also issue a "Service Station Customer Support Guidebook", which explains the important points in responding to customers' comments by referring actual examples and good/bad responses in customer support, and distribute it to each service station, endeavoring in this way to lay the foundation for customer support.

WEB ► <http://www.cosmo-oil.co.jp>

Toll-Free Telephone ► 0120-530-372 (from within Japan only)

Role of customer center

To reflect customers' comments in better service and products



Fulfilling the role of a corporate citizen living on the earth

➤Promoting environmental activities together with customers, community, NGOs.

Petroleum products generate large environmental impact when they are used. We consider it important to develop and provide petroleum products with less environmental impact as well as to work on environmental protection together with our customers. With these considerations in mind, we promote the following events where our customers can easily participate in environmental protection activities.

Cosmo the Card Eco

This card was created when our customers' and Cosmo Oil's wish "to do something for Earth" became one.

With "Living with Our Planet" as its slogan, Cosmo the Card Eco is implementing activities in support of environmental conservation activities and of education for children, who will bear the burden in the next generation, both within Japan and overseas, focusing mainly on prevention of climate change. The activities are supported by donations from Cosmo the Card Eco members (they donate 500 yen when they join, and continue to donate that amount every subsequent year in the month in which they joined) and by donations from Cosmo Oil. The number of members has reached almost 75,000 in the two years since the inauguration of the project. To implement effective support, the staff is promoting environmental restoration and protection projects and the "Living with Our Planet" project, discussing and listening to opinions from local residents and public administration together with project partners.



Cosmo the Card Eco



"Living with Our Planet" Project

With prevention of climate change as the main theme, we promote activities focused on global environmental protection and environmental education for the next generation in cooperation with NGOs operating in the local areas, considering "what we can do" and "what we should do" as a corporate citizen of the earth.



Tropical Rainforest Protection
Papua New Guinea and Solomon Islands
As a first step to preserving the tropical rainforests, which absorb carbon dioxide greatly, this project supports the spread of forest-friendly, recycling-oriented farming practices.



Recycling-Oriented Farming Support
Philippines
This project supports the sustainable development of the region that is based on recycling-oriented farming in which Cassava leaves are recycled.



South Pacific Support
Kiribati
With rising sea levels, which are regarded to be caused by global warming, this project supports island countries that are faced with damage such as the salinization of well water and the erosion of coastlines.



Support for Environmental Education
Japan
This project supports environmental education in schools through the provision of such curricula as an environmental education program for "Integrated Studies" at schools.



Silk Road Afforestation
China
In collaboration with local residents and governments, this project promotes afforestation along the Silk Road in the name of combating desertification.



Environmental Schools Support
Japan
Through simultaneously experiencing and learning about the natural and social environments, this project supports the nurturing of children who are capable of working for the environment independently.

Column

The Corporation's Commitment to the "Century of the Environment"



Kei Karasawa
Professor, Tokyo International University
Professor Emeritus, Ritsumeikan University



Both corporations and citizens are facing increasing pressure to adapt to structural changes in economies (markets) and societies engendered by today's globalization, market-oriented economic reform and accelerating computerization. While the flourishing of private-sector initiative, regional economic integration beyond the framework of national life and the progress of the IT revolution underlie this pressure, it is also essential to tackle global environmental issues. In this "Century of the Environment," it is the responsibility of every economic entity to realize globally sustainable development, and for this reason corporations are expanding their movements toward new roles and social contributions more actively each year and the community's expectations in this regard are also rising.

Recognizing that "the roles of corporations have expanded further in order to reduce environmental impact given by the whole society and promote the building of a sustainable society," as pointed out by the chairman Mr. Okabe, Cosmo Oil has been committed to various activities for environmental protection and social contribution from an early stage. Oil continues to be the most basic substance supporting the world economy and society through its roles not only as a precious source of energy but also as the fundamental material of everything, one of the biggest trading products, a unique substance that has become a financial commodity and moreover, the creator of massive amounts of petrodollars. At the same time, as vividly demonstrated during the era of high economic growth, oil has a significant impact on the environment and the potential to deprive our economy and society of sustainability through its combustion. With development and competition currently being promoted globally through acceleration of economic globalization and computerization, oil consumption is rapidly increasing especially in the developing countries, and emissions of environmental pollutants such as carbon dioxide are also increasing globally.

At this juncture, especially because it is an oil company, Cosmo Oil's management strategies and prioritizing of the environment are meaningful and pioneering and have a significant economic and social impact. Their "Cosmo the Card-Eco" program is particularly notable. This program aims not only to reduce the environmental impact in each of Cosmo's oil related business activities but also to achieve both global environmental conservation and economic development, working together with different layers such as customers, NGOs, governments and so forth. The Tropical Rainforest Protection Projects in Papua New Guinea and the Solomon Islands are part of the above program. These are unique international projects that focus on both environmental conservation and sustainable development of the local community, and the company's relations with NGOs are also noteworthy as an indication of Japan's new direction for development cooperation.

In March 2004 in Rabaul, Papua New Guinea, I had an opportunity to observe in detail the current status of support provided for the development of settled organic farming, including the rice-milling machines donated by Cosmo Oil and rice polishing by the local people. Organic farming linking rice farming with pig farming is suitable to the conditions of Papua New Guinea. Cosmo has ambitious targets to stop rainforest destruction and solve the food shortage and the poverty problem there.

Recently, it is often said that in a number of industries, there is a growing trend to shift from the conventional mass production systems where industries depend on natural resources into product manufacturing and market oriented production systems which focus on intelligence, information and technology. I plan to observe closely Cosmo Oil's ongoing handling of its commitment to give top priority to the environment.

Trial use of CO2 “emissions rights”

As part of our activities to deal with the issues of climate change and CO2, we are making use of “emissions rights” resulting from CO2 absorbed by forests we support.

➤ Cosmo Oil’s emissions rights

Cosmo Oil is supporting the eucalyptus forest of approximately 5,100 ha in the South West of Australia. We obtained emissions rights based on the CO2 absorption by the forest, totaling 24,000 tons in 2002 and 47,489 tons in 2003. The CO2 absorption is audited by a Norwegian forestry management company, Jaakko Poyry Consulting and Asahi & Co. (currently KPMG AZSA & Co.)

➤ Providing Cosmo the Card Eco members with CO2 free-gasoline and diesel oil

We have implemented the “CO2 free-gasoline” program since 2002 to offset the CO2 emission from gasoline purchased by Cosmo the Card Eco members in a month by emissions rights. 11,195 tons of CO2 emissions from gasoline were offset by emissions rights in December 2002 and 16,228 tons of CO2 emissions from gasoline and diesel oil were offset in December 2003, meaning the same amount of CO2 was absorbed by the rainforest in Australia.

➤ First in Japan to offer “CO2 Sequestration Certificate” to individual customers

To share our thoughts and actions for the prevention of climate change with as many people as possible, we have been selling “CO2 Sequestration Certificate” for 500 yen per ton of CO2 at various environment related events in which we have participated since January 2003. We have also started selling the certificates on our website since February 2004, in response to requests from many people who could not attend the event but were interested in purchasing the certificates. Over the past 18 months, approximately 3,000 certificates have been delivered to individual customers. Revenue from the sales is used for environmental activities that we are promoting together with the Cosmo the Card Eco members.

The “Click Fund”

Each time that the icon for a particular environmental project is clicked on our website, Cosmo Oil makes a donation of one yen per click on behalf of the visitor.

This is a system to enable visitors to donate one yen automatically by choosing an environmental protection project they want to support on Cosmo Oil’s website and clicking its icon. This system allows Cosmo Oil to make a donation on behalf of the visitors who click the icon. Since its start on 14 February 2003, the amount of donation has totaled 1,378,230 yen as of the end of March 2004.

WEB ▶ <http://www.cosmo-oil.co.jp/kankyo/charity/index.html>

For better understanding

What are emissions rights?

Emissions rights are the rights to emit certain amount of CO2 equivalent to the amount absorbed by the growing trees planted. We have been supporting the planting of eucalyptus trees in Australia since 2001, obtaining emissions rights for the amount of CO2 equivalent to the absorption by the forest measured and verified by specialized agencies.

How emissions rights work

CO2 Absorption by Planted Trees

Energy Conservation, etc.



Emissions rights

Acquisition of the rights

Emissions rights are the rights to emit certain amounts of greenhouse gases such as CO2 equivalent to the absorption by the growing trees planted or reduced by energy saving, etc.

Green House Gas Emissions
 Approx. 1.33 billion tons per annum in Japan
 Including CO2 emissions of approx. 1.25 billion tons

Per capita annual CO2 emissions in Japan are approximately half that in the US; however, they are still more than 4 times those of China. Japan's emissions account for 5.2% of global annual emissions, and are the 4th highest in the world.

Source: Report published by Ministry of the Environment in 2002

Source: Website of Japan Center for Climate Change Actions (Data 2000)



CM

Introducing our environmental advertising

“Preserve the Forests”

30 secs.
October 2002 and on



STILL BLUE



Narration:

Slash-and-burn agriculture can be carried out in harmony with nature. However, with the impact of population increase, etc. the cultivated lands are expanding faster than forest recovery.



This is a cause of the destruction of tropical rain forests.



We are supporting people in the villages of Papua New Guinea, who are struggling to shift from slash-and-burn agriculture to settled farming.



Sound logo

Filling Up Your Hearts, Too.
Cosmo Oil



“Efforts for Farming”

30 secs.
February 2004 and on



STILL BLUE



Narration:

A South Pacific village has recently started rice farming.



The people of the village want their rice crops to go on supporting the village and their life in harmony with nature.



We have established a farm in this village in order to expand settled organic farming. Sometimes environmental activities make people's wishes come true.



Sound logo

Filling Up Your Hearts, Too.
Cosmo Oil

