

3. Policy for Corporate Management

1. Basic Policy for Corporate Management

The Cosmo Oil Group focuses on energy from petroleum as it endeavors to help meet the various needs of society and to aim at sustainable development. We are working to improve competitiveness and boost profitability through the further integration of our core petroleum business, which range from upstream development to downstream sales of oil products and petrochemicals. Furthermore, as a “comprehensive energy company,” we will continue to operate electric power generation, liquefied natural gas (LNG) and other related businesses, while at the same time striving to position the Cosmo Oil Group as a company of choice for its pursuit of responsible “environmental management” to grow it into an “environmentally advanced company” providing maximum satisfaction for its stakeholders.

2. Medium to Long-Term Corporate Management Strategies

(1) Third Consolidated Medium-Term Management Plan (for Fiscal Years 2008-2010)

The Company has developed its “Third Consolidated Medium-Term Management Plan (for Fiscal Years 2008-2010)” starting from Fiscal Year 2008 to make all-out efforts to fulfill the plan by positioning this three-year period as a critical one for “restructuring its earnings base and making strategic moves for further growth.”

1) Restructuring the Earnings Base and Making Strategic Moves for Further Growth

[Reinforcement of Profitability of the Crude Oil Refining and Marketing Businesses]

The Company aims at establishing its strong refining and product production system and marketing network by involving member companies of the Group to unify all of their forces to work on a variety of activities so that people really perceive that Cosmo Oil lives up to its sales pitch of “Kokoro mo Mantan ni (filling up your heart, too).” With the basic policy of keeping the refineries’ operations safe and stable, the refining department will invest in upgrading the refineries, including the construction of a heavy oil cracking unit (coker) and other related units (scheduled for starting operations in FY2010) at the Sakai Refinery, the decision of which was made in November 2006, to improve the refining system that can flexibly respond to future changes in structural changes in the oil product demand and to continue to enhance the competitiveness of the refineries. As for oil product sales in Japan, the Company will build its strong service station (SS) networks by closely working with marketing subsidiaries and dealers to secure profit. As for overseas sales, the Company will take advantage of its strength of offering ultra-low-sulfur-content oil products which are excellent in environmental management, while broadening sales channels and territories by developing overseas business customers, including importers of the Company’s products, to build the stable sales network which will lead to a future success in the export business.

[Early Decision Making to Accelerate the Pace to Implement the Growth Strategies for the Oil Exploration/Production and Petrochemical Businesses]

In the oil exploration and production business, the Company will strive to increase crude oil production by ensuring the stable production of crude oil, as led by Abu Dhabi Oil Co., Ltd. and United Petroleum Development Co., Ltd., which are members of the Group, by expanding production by Qatar Petroleum Development Co., Ltd. and by making preparations for starting production in Australia to increase the equity crude oil ratio of the Group as a whole up to 10%. In the petrochemical business, it will further enhance its partnership with Maruzen Petrochemical Co., Ltd. and consider upgrading production facilities for petrochemical products to make various plans move forward to diversify the scope of businesses involved and to grow such businesses.

[Pursuit of Synergy through Partnership with IPIC]

The Company will discuss proposed joint projects with IPIC in various fields, such as new crude oil exploration outside the Emirate of Abu Dhabi and mainly in Asia, further upgrading and creating additional values of the Cosmo Oil refineries, including those for petrochemical production, the internationalization of the liquefied petroleum gas (LPG) and 5-aminolaevulinic acids (ALA) businesses, and the expansion of the oil product marketing business outside Japan, so that efforts will be made for early implementation of such projects to help enhance the profitability of the two companies.

2) Promotion of CSR Management and Environmental Management

[Business Management Capable of Performing Corporate Social Responsibility]

The Company positions “business management capable of performing corporate social responsibility (CSR)” and the “enhancement of its earnings base” as the “dual-point focus of management” and will make group-wide implementation of CSR management based on the “Second Consolidated Medium-Term CSR Management Plan (for FY2008-2010).”

(2) Second Consolidated Medium-Term CSR Management Plan (for FY2008-2010)

The Company will promote CSR and environmental management based on the “Second Consolidated Medium-Term CSR Management Plan (for FY2008-2010)” to enhance the “group-wide consolidated CSR promotion system,” while having set four other key objectives of “building the safety management system,” “improving human right and human resource management programs,” “promoting environmental management programs” and “enhancing relations with stakeholders” to motivate employees of member companies of the Group to join various programs on their own and to promote initiatives that will help realize sustainable society and global environment.

1) Promotion of Group-Wide Consolidated CSR Promotion System

Concerning progress being made so far in its CSR efforts, the Company has the “CSR Promotion Committee” chaired by the Cosmo Oil President to integrate efforts across the Headquarters and has its “CSR Promotion Liaison Committee” to coordinate efforts with affiliated companies to improve the level of CSR achievements across the entire Group.

2) Building the Safety Management System (Second Consolidated Medium-Term Safety Plan)

The plan has “Change 21 Activities” designed to reduce the number of incidents that may threaten safe and smooth operations of facilities in the refining department by more than 90% from the base year (one year starting from September 2006) by 2010. It also has numerical targets to reduce occupational accidents set for the department and affiliated companies, respectively, to improve the levels of safe operations across the Group.

3) Improvement in Human Right/Human Resource Management Programs (Second Consolidated Medium-Term Human Right/Human Resource Management Plan)

The plan is designed to continue and maintain a variety of human right and human resource management programs that respect basic human rights, to set numerical targets for each of the challenges to meet, and to let all employees know the programs and institutions available for and applicable to them, thereby realizing the “pleasant and good place to work” and better motivating employees to work.

4) Promotion of Environmental Management Programs (Third Consolidated Medium-Term Environmental Management Plan)

The plan consists of two pillars of “improving environmental efficiency” and “enhancing environmental business management” to conduct strategic management of global warming risks, while encouraging employees to take environmental actions on their own through “Team Minus 6% Activities” and other programs.

5) Enhancement of Relations with Stakeholders

The Company will enhance Cosmo Eco Card Fund projects and social and environmental contribution activities close to local communities where its refineries and offices are located to improve interactive communication to further strengthen relations with stakeholders.