



TonenGeneral Group

CSR Report **2014**





Editorial policy

The purpose of this report is to provide a clear overview of the TonenGeneral Group's approach to corporate social responsibility (CSR) and related initiatives.

The report opens with a message from our president and a general introduction to the Group, followed by in-depth information on our CSR initiatives. The overall design and layout have been optimized for presentation in PDF format to enhance readability on computer screens for those who choose to download it from our website. Text, diagrams, graphs and tables have also been arranged for easy viewing without having to print.

We hope you enjoy reading this report and look forward to receiving your comments and suggestions.

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Scope of the report

TonenGeneral Sekiyu K.K. and consolidated subsidiaries
NUC Corporation became a consolidated subsidiary in July 2013. Kyokuto Petroleum Industries, Ltd., MOC Marketing G.K. and Toyo Sekiyu Hanbai K.K. became consolidated subsidiaries in February 2014.

Period covered

Data covers January 1 – December 31, 2013. Legally mandated environmental data covers the period from April 1, 2013 to March 31, 2014. Some activities from 2014 are also included.

Publication date

September 2014 (next report: September 2015, previous report: December 2013)

Referenced guidelines and standard

- GRI Sustainability Reporting Guidelines, Version 4
- Environmental Reporting Guidelines (2012) of the Japanese Ministry of the Environment
- ISO 26000

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Jun Mutoh
Representative Director, President
TonenGeneral Sekiyu K.K.



Enhancing our CSR framework to contribute to society as a good corporate citizen trusted by our stakeholders

Steadily implementing our medium-term management plan as we strengthen our CSR framework

The TonenGeneral Group was created in June 2012 and features integrated production and sales operations, with roots in the former Esso Sekiyu, Mobil Sekiyu, Tonen, and General Sekiyu. To achieve our mission of becoming Japan's premier energy company, we are maximizing synergy capture enabled by our current corporate structure, allowing us to strengthen our core business in the short term. Synergy capture thus far has progressed more rapidly than projected in our medium-term management plan. We are engaged in a number of initiatives to strengthen our core business, including the addition of NUC (formerly Nippon Unicar) in 2013, and MOC Marketing (formerly MITSUI OIL) and Kyokuto Petroleum Industries in 2014. In addition, our Kyokuto Petroleum Industries Chiba refinery and the COSMO OIL CO., LTD. Chiba refinery are involved in discussions regarding collaboration opportunities. In the medium to long term, we seek to expand strategic investment in our core business and are evaluating opportunities in the electric power sector and other growth areas.

In our CSR efforts, one of our main initiatives has been the establishment last year of the CSR Promotion Council, of which I am chairman, for the sound, proactive implementation of CSR activities. The council comprises seven committees, the Corporate Ethics Committee, SSH&E Committee, Human Rights Promotion and Human Resource Development Committee, Contribution Committee, Product Quality Committee, Risk Management Committee and Disclosure Committee, that present reports on their activities and make recommendations at



MOC Marketing's first Esso Express service station

council meetings. Each committee, chaired by a TonenGeneral Sekiyu director, sets targets and implements a continuous PDCA (plan, do, check, act) cycle for their achievement (see p. 22 and 23).

Contributing to society by providing a stable supply of products at reasonable prices

Energy is an integral aspect of our social infrastructure and therefore our efforts to ensure a safe, stable supply of high-quality products are vital for the wellbeing of society. While this responsibility is imperative under normal circumstances, we also face the significant challenge of maintaining and securing the supply chain in times of emergency or large-scale disaster. In addition, we believe that reducing Japan's energy costs by offering quality products at reasonable prices is also a fundamental aspect of our social contribution. As we steadfastly meet these responsibilities by continually driving down costs, we must also secure an appropriate level of profit to ensure the stability of our business.

Our focus on safety and corporate ethics, and systems to uphold these values

The processes that we employ to obtain business results are just as important as the results themselves. The organization and culture of the TonenGeneral Group are characterized by our focus on safety and corporate ethics, and we consider maintaining the integrity of all of our business operations to be of the utmost importance. Attention to safety, health and the environment is the foundation upon which we base all of our operations. As one of the results of this approach, our employee lost-time incident rate continues to be among the lowest in the industry. In addition, our energy conservation efforts, through which we have achieved reductions in greenhouse gas emissions in both our petroleum and petrochemical segments, were officially acknowledged with the recognition of two of our group companies by the Ministry of Economy, Trade and Industry as having achieved the government's energy benchmarks (see p. 16 and 17).

Our focus on safety and corporate ethics is founded on the honesty and integrity of each and every one of our employees. To ensure the prevalence of these values, we also have a number of systems in place. These include the System of Management Control (SMC), Standards of Business Conduct (SBC), Controls Integrity Management System (CIMS), and Operations Integrity Management System (OIMS), which we introduced under ExxonMobil and have adapted to Japan's business culture (see p. 12 and 13).

Fostering an environment where employees can develop their full potential

To become Japan's premier energy company, we are committed to our mission of maintaining a stable supply of high-quality products, offering high-value-added services, and making meaningful contributions to our customers, employees, shareholders and local communities. Our employees, which we consider to be our most valuable assets, stand at the front line in implementing this mission. The TonenGeneral Group is an efficient team of select employees that attracts highly skilled human resources. We endeavor to foster an environment in which competent personnel can fully develop and demonstrate their capabilities. Our efforts to support the health and well-being of our employees were awarded in 2014 with the highest rating of "A", along with special recognition, by the Development Bank of Japan under its health management rating scheme.

In a broader sense, our mission is to deliver value to society through our business. We will continue to build win-win relationships with our stakeholders and contribute to society as a good corporate citizen trusted by the community.



The TonenGeneral Group received health management-rated financing by the Development Bank of Japan (DBJ) in March, 2014, and was also awarded special recognition as a model company with outstanding programs and performance for the health management of its employees.

Having firmly established our operations in Japan, we are working to become the country's premier energy company

With safe operations as our foundation, we are leveraging our strengths, including superior efficiency and the power of the Esso, Mobil and General brands, to make meaningful contributions to society. We have defined our mission as follows.

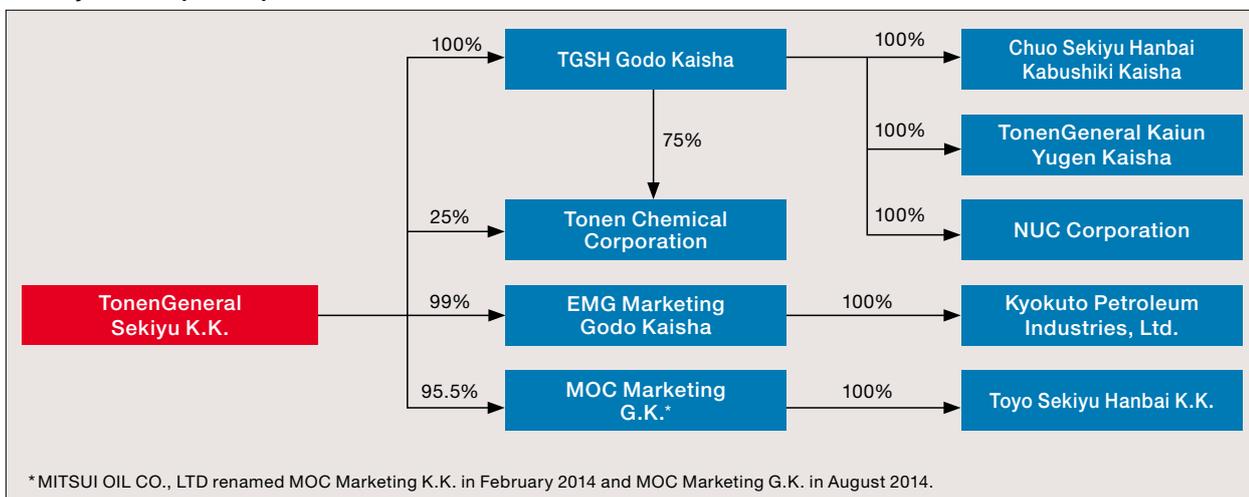


Mission of the TonenGeneral Group

As Japan's premier energy company, the TonenGeneral Group will:

- Maintain a stable supply of high-quality petroleum and petrochemical products
- Respond swiftly to the ever-changing business environment and customer needs while offering high-value-added services
- Make meaningful contributions to our customers, employees, shareholders, local communities, and greater society

● Major Group companies



Integrated supply chain, from crude oil import to product sales

The TonenGeneral Group imports the optimal mix of crude oils and feedstocks from around the world. We efficiently produce a wide range of petroleum and petrochemical products at refineries in Japan and export some of these products overseas.

We also demonstrate our comprehensive strengths as a Group through the systematic integration of operations from import, refining and manufacturing to distribution, sales and export.

Applying the world's most advanced technologies and expertise to all of our business activities, we bring the best to Japanese consumers.

Supply chain

Crude oil purchase and transport



Demand for petroleum products in Japan is primarily supported by crude oil imported from oil producing countries. The TonenGeneral Group's refineries use crude oil from many regions, including the Middle East, Russia and West Africa. Diversifying our sources of procurement not only stabilizes our procurement of crude oil but also enables us to select and purchase crude oil on the basis of economic considerations including the market environment and conditions at our refining facilities. Most of the crude oil we import is delivered by 300,000 ton-class VLCC (Very Large Crude Carrier) tankers to TonenGeneral Sekiyu's three refineries and the Chiba refinery of Kyokuto Petroleum Industries under long-term charter contracts.

Refining and manufacturing



Our refineries and chemical plant efficiently produce LPG, gasoline, naphtha, kerosene, jet fuel, diesel oil, fuel oils, lubricants and other petroleum products, as well as chemical products, at low cost using advanced production systems and rigorous quality control, with an absolute commitment to safe operations and environmental preservation based on our OIMS (Operations Integrity Management System). Throughout our extensive history of energy saving activities we have led the way in implementing advanced initiatives, which has consistently positioned our Group at the top of the industry in energy efficiency. Moreover, two Group companies have been recognized by the Ministry of Economy, Trade and Industry as having achieved the target benchmarks set out in the Energy Conservation Law.

Distribution



Petroleum and petrochemical products produced at our refineries are transported by coastal vessel, tank truck, rail and pipeline to service stations nationwide carrying the Esso, Mobil and General brands, as well as to customers and terminals. In addition to the nine terminals we own and operate in Japan, more than 40 shipping bases owned by other companies are also used for delivering petroleum products nationwide through mutual use and throughput agreements.

We introduced Japan's first bottom-loading system for the Group's tank truck loading facilities for better environmental protection, improved safety and faster loading.

Sales



Our Esso, Mobil and General service stations sell products with the full benefit of the expertise gained over our 120-year history. We lead the industry with our Express brand self-service stations, which offer the quickest, easiest service in the cleanest, most comfortable facilities. The number of Express sites exceeded 1,000 in 2014. We are also developing Express stations with Seven-Eleven convenience stores and Doutor Coffee shops under exclusive agreements.

Apart from fuels, we also provide lubricants and petrochemical products of the highest global standards to meet the needs of our customers.

Highly efficient production systems with the utmost attention to safety

The fundamental role of our production operations is to manufacture petroleum and petrochemical products at low cost from the world's optimum crude oil and feedstocks at our four refineries and other production facilities. With safety as our pre-eminent concern, we continue to pursue greater added value as we carry out our crude procurement and product export operations. We also place great importance on environmental protection efforts, particularly our measures to mitigate climate change.

Kawasaki refinery • TonenGeneral Sekiyu K.K. • Tonen Chemical Corporation

One of Japan's largest integrated refinery and chemical plants

The Kawasaki refinery is located in the Keihin coastal industrial area, a convenient land and sea transport site adjacent to Japan's largest consumer market. At the Kawasaki refinery, the organically-linked TonenGeneral Sekiyu refining facilities and Tonen Chemical petrochemical plant efficiently produce petroleum and petrochemical products through integrated operations.

Our Kawasaki refinery is one of the largest refining facilities in Japan, with the country's largest FCC (fluid catalytic cracker) and its only H-Oil (heavy oil cracking/desulfurization unit). It is also Tonen Chemical's main production site. Ethylene and other petrochemical products manufactured there are supplied to various companies in the same industrial area via pipeline, and are also shipped to destinations both in Japan and overseas.



Sakai refinery • TonenGeneral Sekiyu K.K.

Largest, highly energy-efficient production and shipping base in western Japan

The Sakai refinery is located in the Sakai-Senboku coastal industrial area in Osaka, the largest consumer market in western Japan. In addition to refining, this integrated site also manufactures chemical products such as paraxylene and propylene, and boasts one of the best energy efficiency ratings in the country.

The refinery also generates synergies in the supply of products, feedstocks and utilities using pipelines connected with refineries of other companies in the same industrial area. The land shipping terminal, the largest of its kind in the Kansai area, has introduced Japan's first bottom-loading system for better environmental protection, improved safety and faster loading.



Wakayama refinery • TonenGeneral Sekiyu K.K.

Integrated production center provides flexible support for global and domestic needs

The Wakayama refinery is located in a quiet residential district adjacent to the rich fishing waters of the Kii channel in a region known for its production of Arida tangerines. In these surroundings, the refinery maintains the world's highest level of operational safety with the utmost attention to environmental protection.

The refinery, which has a long history, is an integrated production center for a number of petroleum products including gasoline, lubricants and aromatics in addition to specialty products such as aviation and automotive test fuels.

Taking advantage of its large number of tanks and marine shipping facilities around an ideally situated harbor, the refinery significantly contributes to the domestic energy supply while responding flexibly to export needs.



Chiba refinery • Kyokuto Petroleum Industries, Ltd.

Located in the center of the Keiyo coastal industrial area and seeking further regional alliances

The Chiba refinery is located in the center of the Keiyo coastal industrial area in Japan's largest consumer market, and maintains efficient operations through alliances with adjacent refineries and chemical plants of industry partners. The refinery has the Group's only RFCC (resid fluid catalytic cracker) and MPHC (mild pressure hydro cracker), and is one of our most important export bases. Petroleum products manufactured at the refinery are sold to customers under the Esso, Mobil and General brands.



Tsurumi lube oil blending plant • EMG Marketing Godo Kaisha

Manufacturing and shipping base for lubricants

Built in 1925 in Yokohama, this facility is located within Japan's largest consumer market. The plant specializes in lubricants for passenger vehicles, marine vessels and industrial use and carries out integrated operations from manufacturing to delivery. Mobil 1, a synthetic motor oil, is one of the key products shipped from this plant.



Kawasaki plant • NUC Corporation

Responding to customers' needs through the manufacture of superior-grade polyethylene

The NUC Kawasaki plant, located next to the TonenGeneral Kawasaki refinery, manufactures polyethylene resin from ethylene supplied by Tonen Chemical Corporation. The plant is also a center for the manufacture and sales of high-value-added products, particularly for use in wire and cable applications, and conducts research and development.



World-class products and services

In our Fuels Marketing, Lubricants and Specialties, and Chemical segments, we fully utilize the expertise gained over our 120-year history to offer world-class products and services to our customers.

In addition to our trusted Esso, Mobil and General brands for petroleum products, we market our petrochemical products under the reliable T-SOL, T-REZ and NUC brands.

Fuels Marketing

Retail

The TonenGeneral Group carries out the same initiatives nationwide for the Esso, Mobil and General brands to provide customers with a stable supply of quality petroleum products at reasonable prices. We lead the industry in the expansion of self-service stations and we are working to enhance customer convenience through innovative offerings under the Express brand. We continue to operate our service stations with attention to environmental and safety considerations while accurately responding to our customers' ever-changing expectations.



Express self-service stations



Our Express self-service stations operate under the concept of the quickest, easiest service in the cleanest, most comfortable facilities. For the further evolution of our brand value, we boost the tangible and intangible aspects of our services through our alliance sites with Seven-Eleven and Dotour Coffee shops; Speedpass and other proprietary technologies; the enhancement of our sales promotion programs; improvements in customer service; and by ensuring the cleanliness of our service stations.



Industrial and Wholesales

In our Industrial and Wholesales segment, we provide a safe, stable supply of industrial fuels to power companies, chemical companies and the industrial sector; as well as liquefied petroleum gas (LPG) for industrial and household use. We maintain solid partnerships of trust with our dealers to offer unique added value preferred by our customers.



International Sales

Our International Sales Department sells aviation fuel and marine fuel. A high level of quality is required for these products, which are used both in Japan and overseas, to meet global standards. Our superior-quality aviation and marine fuels are sold to international and domestic airlines, shipping companies, public authorities and trading companies.

Lubricants and Specialties

• Automotive lubricants

Mobil-brand automotive lubricants protect engines effectively to help vehicles achieve the best performance under all conditions. We are especially proud of Mobil 1, a synthetic motor oil that delivers world-class performance. We are also involved in the joint development of next-generation products with major Japanese auto manufacturers and the supply of their private brand engine oils to better meet the needs of customers.

• Industrial lubricants

Mobil-brand industrial lubricants incorporate leading lubricant technology, and our vast expertise and experience have been used extensively to make significant contributions in areas such as improving our customers' equipment productivity and conserving energy. Our products are recommended by major domestic and international machinery manufacturers. Our synthetic lubricant Mobil SHC, featuring leading-edge technology, provides well balanced performance in terms of energy efficiency, sustainability and safety.

• Aviation and marine lubricants

We supply a wide variety of aviation lubricants and a range of technical support, earning us the trust of customers worldwide. With regard to marine lubricants, we supply quality products and services to meet the needs of our customers, including synthetic oils that help reduce the total cost of vessel operation. The Group serves international marine customers in Japan through a strategic alliance with ExxonMobil.

• Base oils and specialties

Through our strategic partnership with ExxonMobil, we produce high-value-added specialty products using an advanced quality control system. We market wax products nationwide in cooperation with Group refineries. In addition, we export base oils, mainly to Asian markets, via ExxonMobil's distribution channels.



Mobil 1™



Mobil SHC™

Chemical

• Basic chemicals

With our competitive edge based on synergies with our refineries, we provide both the domestic and international markets with a stable supply of olefins (ethylene, propylene, butadiene, etc.), which are the building blocks of chemical materials used in aircraft and automobile parts, electric and electronic components, food packaging and household items, along with aromatics (paraxylene, ortho-xylene, benzene, etc.) used as components in polyester fiber, plastic bottles and nylon fiber.

• Specialty chemicals

Methyl ethyl ketone, a highly soluble and functional chemical, is used for a number of applications in diverse fields, ranging from solvents for paint and printing ink and resin treatment for electronic components to film molding for optical panels and chemical process solvents. Hydrocarbon solvent, which is manufactured in our petroleum refining facilities, is added to car paint, agricultural chemicals, metalworking oil and other products. These types of specialty chemicals work behind the scenes to enhance the convenience of our lives.

• Specialty chemical products

We manufacture and sell both hydrogenated and non-hydrogenated petroleum resins. Our products, with excellent cold resistance, heat stability, adhesiveness, transparency and gas barrier properties, demonstrate high functionality that meets the needs of our customers. Our products are used for a wide range of applications including industrial adhesives, high-performance tapes, fuel-efficient tires and disposable diapers.

• Polyethylene resin

NUC Corporation, a fully-owned subsidiary of the TonenGeneral Group, is a specialized manufacturer of polyethylene resin with an unrivaled capability for consistently developing superior-grade products used in power cable insulation. NUC enjoys the solid trust of customers, including power cable manufacturers in Japan and overseas. In its performance material business, NUC develops and sells LDPE, L-LDPE, EVA and EEA products used in applications such as plastic packaging and containers.

T-SOL

T-REZ



Overview of Main Group Companies

TonenGeneral Sekiyu K.K.

Business	Transport of crude oil and petroleum products; manufacture, processing and sales of petroleum and petrochemical products
Head office	W Building, 1-8-15 Konan, Minato-ku, Tokyo 108-8005 Japan Phone: (81) 3-5495-6000
Established	July 26, 1947
Paid-in capital	35.1 billion yen
Listed exchange	Tokyo Stock Exchange (security code: 5012)
Shareholders	ExxonMobil: 12.21%; MITSUI & CO., LTD.: 9.99%; other general shareholders: 77.79% (ratio of voting shares)
Number of shareholders	47,518 (as of December 31, 2013)
Number of employees	1,659 (as of December 31, 2013)
Fiscal year end	December 31

Tonen Chemical Corporation

Business	Manufacture, processing and sales of petrochemical products
Head office	W Building, 1-8-15 Konan, Minato-ku, Tokyo 108-8005 Japan Phone: (81) 3-5495-6000
Established	December 24, 1960
Paid-in capital	1 billion yen
Ownership	TGSH Godo Kaisha (wholly owned subsidiary of TonenGeneral Sekiyu K.K.): 75% TonenGeneral Sekiyu K.K.: 25%
Number of employees	325 (as of December 31, 2013)
Fiscal year end	December 31

Kyokuto Petroleum Industries, Ltd.

Business	Manufacture and processing of petroleum and petrochemical products
Head office	1, Chigusa-kaigan, Ichihara City, Chiba 299-0108 Japan Phone: (81) 436-23-9580
Established	June 15, 1963
Paid-in capital	7 billion yen
Ownership	EMG Marketing Godo Kaisha: 100%
Number of employees	345 (as of December 31, 2013)
Fiscal year end	December 31

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5 Temasek Boulevard
#15-01 Suntec Tower Five
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NUC Corporation Shanghai Representative Office

Unit G, 18F, Jiu Shi Fu Xing Bldg., 918 Huai Hai Middle Rd,
Shanghai, People's Republic of China 200020

EMG Marketing Godo Kaisha

Business	Sales of petroleum and petrochemical products, overall management operations
Head office	W Building, 1-8-15 Konan, Minato-ku, Tokyo 108-8005 Japan Phone: (81) 3-5495-6000
Established	December 11, 1961
Paid-in capital	50 billion yen
Ownership	TonenGeneral Sekiyu K.K.: 99% ExxonMobil: 1%
Number of employees	601 (as of December 31, 2013)
Fiscal year end	December 31

NUC Corporation

Business	Manufacture and sales of high-pressure low-density polyethylene and linear low-density polyethylene
Head office	W Building, 1-8-15 Konan, Minato-ku, Tokyo 108-0075 Japan Phone: (81) 3-5782-9161
Established	January 11, 1961
Paid-in capital	2 billion yen
Ownership	TGSH Godo Kaisha (wholly owned subsidiary of TonenGeneral Sekiyu K.K.): 100%
Number of employees	216 (as of December 31, 2013)
Fiscal year end	December 31

MOC Marketing G.K.

Business	Sales of petroleum and petrochemical products
Head office	W Building, 1-8-15 Konan, Minato-ku, Tokyo 108-8005 Japan Phone: (81) 3-5495-6000
Established	February 18, 1961
Paid-in capital	3 billion yen
Ownership	TonenGeneral Sekiyu K.K.: 95.5% Other: 4.5%
Number of employees	98 (as of December 31, 2013)
Fiscal year end	December 31

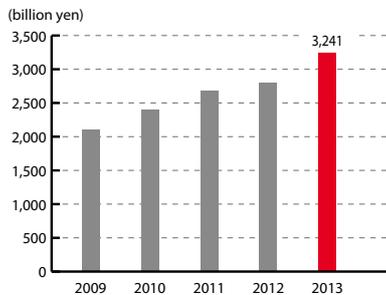
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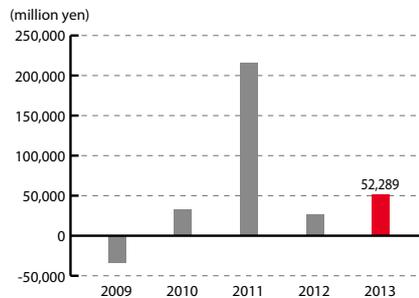
Consolidated Financial Highlights

Major financial indicators

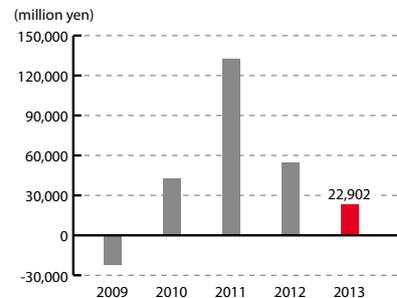
Net sales



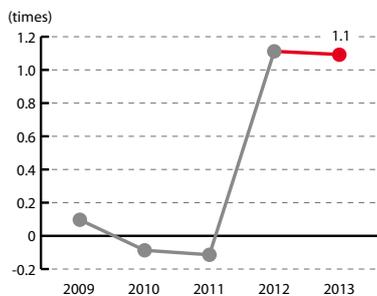
Operating income (loss)



Net income (loss)

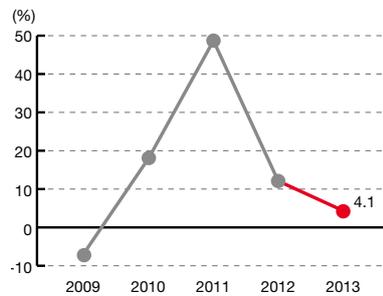


Net D/E ratio



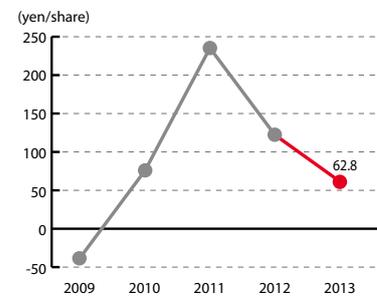
Net debt (excluding effect of cash and loan receivables) / total net assets excluding minority interests

Return on average capital employed



Net income before interest and after tax / (average total net assets + average net debt)

Net income (loss) per common share



Management indicators by business segment

		(million yen)				
Major data	Segment	2009	2010	2011	2012	2013
Production volume	Oil*1 (1,000 kl)	30,143	29,188	26,871	27,534	27,118
	Chemical*2 (1,000 tonnes)	2,625	2,584	2,529	2,769	2,856
Net sales	Oil*1	1,917,453	2,178,937	2,425,189	2,533,844	2,896,844
	Chemical*2	193,518	219,780	251,925	271,085	344,305
	Other*3	781	—	—	—	—
	Total	2,111,753	2,398,718	2,677,115	2,804,929	3,241,150
Operating income (loss)	Oil*1	-38,414	31,518	211,971	34,369	46,622
	Chemical*2	3,821	2,010	4,399	1,391	22,591
	Other*3	33	—	—	—	—
	Adjustment*4	—	—	—	-8,462	-16,924
	Total	-34,559	33,528	216,191	27,298	52,289

*1 Gasoline, naphtha, jet fuel, kerosene, diesel fuel, fuel oils, lubricants, LPG, etc.

*2 Ethylene, propylene, benzene, toluene, paraxylene, etc.

*3 Construction management included in Oil segment from 2010

*4 Goodwill amortization



Focus 01

Controls that support the integrity of the TonenGeneral Group

The TonenGeneral Group views high ethical standards, effective corporate governance, sound financial management, operations integrity and due consideration toward safety, health and the environment as fundamental to being a good corporate citizen. As a result of the thorough implementation of controls throughout our organization, the quality of integrity has become a prominent feature of our corporate culture and the basis for promoting corporate social responsibility.

Introduction and establishment of controls

The framework that we refer to as “controls” is based on operations management systems developed and continuously refined over many years by ExxonMobil. These systems, based on a structure of checks and balances, segregation of duties, and other mechanisms, were first introduced by the former Esso Sekiyu K.K., a wholly-owned subsidiary of the Exxon Group, which comprises one of the lineages of the TonenGeneral Group. These systems were then applied throughout the ExxonMobil Japan Group (currently the TonenGeneral Group) after its founding in 2000. Though the TonenGeneral Group moved into a new partnership with ExxonMobil in June 2012, it continues to utilize these highly effective systems. The systems are currently being optimized to better suit Japan’s business environment.

Controls framework and J-SOX

At the center of our controls framework is our System of Management Controls (SMC), which is the foundation of all of our operations management systems. The SMC, which has been documented in a 150-page manual, stipulates the basic principles and standards for operations management. Along with the SMC, we employ other systems and standards including the Controls Integrity Management System (CIMS) to specify processes for establishing control methods, monitoring compliance, and resolving controls-related weaknesses; the Standards of Business Conduct (SBC); and the Delegation of Authority Guide (DOAG) to ensure appropriate levels of approval for business transactions. Our controls framework has been organized systematically, as illustrated on page 13.

Our controls framework requires an even more rigorous degree of internal controls than that stipulated by the internal controls regulation commonly referred to as J-SOX, which was introduced in 2006 with revisions to Japan’s corporate laws. For example, for high-risk

business processes, our SMC specifies which operations require independent verification, as well as which require segregation of duties. Therefore, as we already have a systematically organized, well documented controls framework in place, very few additional measures have been required in response to the introduction of J-SOX or other internal controls regulations.

Framework for ensuring the integrity of controls

To ensure the integrity of controls throughout our organization, a control advisor has been assigned to each site. The control advisors offer support to ensure that members of management at their respective sites provide the leadership necessary to encourage a high awareness of corporate ethics, and assist management in offering guidance to employees. Control advisors also share information at their respective sites regarding controls and risks, and along with site management and controls-related personnel, promote controls compliance.

The TonenGeneral Group has three processes for internally checking the soundness of our internal controls system. First, we conduct internal audits to check our business processes every two to three years. Under the second process, each division conducts a self-evaluation called a Unit Internal Assessment (UIA) midway through the internal audit cycle. The third process is the regular application of internal controls to test and monitor the status of controls. This process is internally referred to as In-Line Controls (ILC).

Controls compliance and integrity

It is the policy of the TonenGeneral Group to strictly comply with all laws and regulations applicable to our business activities. Even where the law is permissible, we believe it is our corporate responsibility to choose the course of highest integrity. This is clearly set forth in the company's basic policy.

In accordance with this policy, the TonenGeneral Group requires self-discipline and honesty of its employees. The Group also periodically holds Business Practices Review (BPR) sessions, training that uses business scenarios to illustrate the importance of controls and encourage employees to ascertain their compliance status.

Controls have been firmly established throughout our organization through rules and regulations that have been incorporated as management systems, as well as measures implemented to ensure compliance with these systems. This has resulted in the sound integrity of the Group and the development of our distinctive corporate culture.

• Controls framework of the TonenGeneral Group



1	SMC (System of Management Control) • Basic rules and standards for control of management
2	CIMS (Controls Integrity Management System) • Provides processes for establishing control methods, monitoring compliance, and mitigating concerns as required
3	SBC (Standards of Business Conduct) • Basic policies and standards for maintaining high standards of ethics in the execution of business operations
4	DOAG (Delegation of Authority Guide) • A framework for the appropriate delegation of authority and ensuring appropriate levels of approval for business processes



Video used in BPR sessions

The role of controls as seen through an audit of the Payable Division, Procurement Services Department

Key points of audits by the Audit Department

Frequency

It is our standard to conduct audits every three years, and after each audit, a risk assessment is implemented, which covers categories such as potential risks and their impact on corporate value; monetary significance of profits, costs, assets and other items associated with auditable unit; and the relative complexity of business processes. The result of the assessment determines the frequency of audits going forward.

Auditing standards

The status of compliance with policies and guidelines such as the Standards of Business Conduct (SBC), System of Management Controls (SMC) and Delegation of Authority Guide (DOAG) is verified as well as the effectiveness and validity of the controls processes of auditable unit.

Auditing methodology

Interviews are primarily held with key persons in auditable unit. After the population of transactions is determined, sampling tests are conducted.

Framework for ensuring independence

Ensuring the independence of Audit Department staff members is vital for guaranteeing an objective assessment. TonenGeneral Sekiyu ensures the independence of the Audit Department through its System of Management Controls (SMC) and Internal Audit Charter adopted by the Board of Directors. A mechanism is also in place for all managers above a certain level to reconfirm the independence of the Audit Department in an annual representation letter.

Risk response status reviewed in a rigorous audit

Hideo Hatano Audit Department

In our most recent audit, I led the audit team, which was composed of staff members from the Audit Department. As the team leader, I believe it is important to ascertain the scope of business and the internal and external interfaces of the auditable unit, as well as to confirm the business processes and organizational changes pertaining to the auditing period, at the preparatory stage of the audit in order to determine appropriate staff assignments and allocation of time. We ascertain the current status and identify fundamental issues by efficiently conducting interviews, gaining an understanding of business processes and checking records within the limited span of the auditing period.



If controls concerns are identified, we follow a process that begins by informing the auditable unit at the earliest possible stage and then seeking through discussions to gain an accurate, mutual understanding of both actual and potential risks. The process is completed when agreement has been reached on precise, efficient countermeasures that the company can put to action.

An audit was recently conducted at the Payable Division of the Procurement Services Department, where major business risks included the risk of fraud associated with the abuse of various settlement methods, the risk of overpayment from duplicate invoice processing and the risks of indemnification and contractual noncompliance, including payment arrears. With these in mind, we placed an emphasis on verifying whether control processes for preventing and discovering such potential risks have been designed and are functional. It was confirmed that appropriate management is being undertaken, due in part to the ongoing efforts of the control advisor.

Serving the division as the “guardian of controls”

Makoto Yuge Control Advisor, Procurement Services Department

Control advisors like myself are called line control advisors who serve as the “guardians of controls” for operations related to controls specific to each division. As a member of the Procurement Services Department, my duties include offering advice on controls related to the department’s operations such as contracts, payment and management of materials; conducting departmental training; implementing, promoting and managing ILC^{*1}; and coordinating audits, UIA^{*2} and other controls-related reviews.

In our most recent audit of the Procurement Services Department, I was the coordinator of the division undergoing the audit and sought to facilitate the audit by coordinating such aspects as preparing preliminary reference materials for the Audit Department; scheduling and conducting meetings before, during and after the audit; and confirming questions and answers with Audit Department staff members. With respect to concerns presented by Audit Department staff members during the audit, I supported the division being audited in checking facts, identifying actual risks and ascertaining their relative significance. I also reviewed the appropriateness of the points raised during the audit with these staff members.

The latest audit was conducted by four staff members from the Audit Department over a period of three weeks, a smaller-scale audit for the TonenGeneral Group. The result of the audit was “Satisfactory,” confirming that the state of controls of the Payable Division was in good order. As a “guardian,” I will continue to focus my efforts on applying appropriate controls in response to risks.



^{*1} ILC (In-Line Controls): Regular application of internal controls to test and monitor the status of controls

^{*2} UIA (Unit Internal Assessment): Self-evaluation conducted by each division midway through the internal audit cycle

Active engagement to achieve compliance and efficient operations

Megumi Banno

Division Manager, Payable Division, Procurement Services Department

Given our first-hand experience with ExxonMobil's stringent controls, it would be fair to say we have mastered the fundamentals of controls. Since the establishment of the TonenGeneral Group, one of our greatest challenges has been determining the level of management commensurate with current risks, while giving due consideration to the multifaceted aspects of objective benchmarks, such as industry standards and future trends, as well as the current state of the Group. While there is a tendency to adopt a conservative attitude toward controls, it is also important to introduce changes that will allow us to make more balanced judgments on risks and controls. This is an ongoing challenge.

In our division we must comply with various rules in our day-to-day business and therefore always strive to maintain an environment in which we can actively embrace compliance as opposed to adopting a passive attitude. Accordingly, we share the background and concepts behind each rule through our daily operations and through regular refresher training, while at the same time reviewing the rules from a perspective of being realistic and efficient.

I believe each one of us considers the TonenGeneral Group's controls from a broad perspective and a sense of balance anchored in integrity, and therefore our controls will be adapted over time to better reflect Japanese business practices and our own business model.



The voice of an independent director

Solid discipline

Yukinori Ito

Independent Director, TonenGeneral Sekiyu K. K.

I assumed the post of independent director of TonenGeneral Sekiyu in March, 2011. I had already served as an independent director and auditor at several other companies, but the thing that really impressed me about the TonenGeneral Group was the discipline that permeated every site and every workplace in the company. This discipline was a product of the controls systems that had been introduced during the Group's long association with ExxonMobil as part of ExxonMobil's global management framework, and it was evident that these systems had taken root throughout the organization.

Now that the TonenGeneral Group has moved into a new partnership with ExxonMobil, it is endeavoring to make the invaluable attributes acquired under ExxonMobil's global framework even more effective and efficient in the context of Japan's business environment. To do this, it is taking steps such as revising some aspects of its controls to make them more compatible with business conditions in Japan, as well as making the controls consistent across all Group companies, while maintaining a firm foundation of discipline.

Ultimately, the TonenGeneral Group is striving to fulfill its social responsibility by applying even more rigorous discipline to continuously raise its corporate value in the energy industry, a part of the economy that plays an important role in people's daily lives.



Career

Apr. 1962	Joined The Export-Import Bank of Japan (currently Japan Bank for International Cooperation)
Jun. 1991	Senior Executive Director, The Export-Import Bank of Japan
Apr. 1995	Corporate Advisor, Mitsubishi Corporation
Apr. 2002	Professor, Faculty of Economics, Teikyo University
Jan. 2003	Statutory Auditor, AOC Holdings, Inc.
Jun. 2007	Independent Director, Shinsei Bank, Limited
Mar. 2011	Independent Director, Tonen General Sekiyu (present)



Group of heat exchangers, the cornerstone of energy conservation (Kawasaki refinery)

Focus 02

World-class, environmentally conscious, energy-saving refineries

The TonenGeneral Group leads the industry in implementing advanced initiatives for energy conservation at our refineries and petrochemical plant. As a result, our track record for energy conservation is consistently among the best in the industry. This success is founded on the following systems and organizational culture.

The TonenGeneral Group's energy efficiency

In September 2014, the Agency for Natural Resources and Energy published the names of companies that had achieved the targets for energy benchmarks under the revised Energy Conservation Law of 2010. According to data for FY2012, TonenGeneral Sekiyu K.K. was the only company in the oil refining industry to have achieved the targets for the third consecutive year. Tonen Chemical Corporation was the only company similarly recognized in the category of petrochemical base product manufacturers for the second consecutive year, confirming the TonenGeneral Group's status as an industry leader in energy conservation. This is evidence of public recognition of the fact that we operate our refineries and petrochemical plant with the highest level of efficiency in Japan. Moreover, the unit energy consumption for the TonenGeneral Group's four refineries is 10% lower than the average for Japanese refineries. Furthermore, as indicated in an international comparative analysis on refinery competitiveness, the Group surpassed the global average

in terms of energy efficiency by approximately 20%.

The TonenGeneral Group is therefore already among the world's top ranks in energy efficiency and we will continue to strive for energy conservation to reduce greenhouse gas emissions. The stated goal in our medium-term management plan is to improve energy conservation by 1% annually, which is equivalent to reducing CO₂ emissions by 50,000 tonnes per year.



Satoshi Ikenoue
Energy Team Leader
Manufacturing Technology &
Engineering Division

Mechanisms for ensuring energy conservation

(1) Appointment of energy leaders

The effective promotion of energy conservation initiatives requires capital investment for improving energy efficiency, and the TonenGeneral Group has been making these types of investments for years. In addition to these financial and technological efforts, we believe our various initiatives in the area of human efforts have also contributed to our world-class status in energy conservation.

This human aspect is represented by our system for guiding a Group-wide energy conservation effort. The TonenGeneral Group appoints a leader in the Manufacturing Technology & Engineering Division to oversee energy conservation activities for the entire Group. In addition to devising strategies and setting goals for energy conservation activities as well as supervising follow-ups, the leader serves as a technical advisor in determining practical ways to conserve more energy.

Along with a leader to oversee Group-wide efforts, we also appoint energy leaders for each refinery location. By appointing a senior manager to this position to exercise leadership with authority and influence, we ensure that each site is steadily implementing actions. These leaders take the initiative on energy conservation efforts at their respective locations while exchanging information and sharing best practices with other sites.

We are also engaged in bottom-up energy conservation efforts as operators working at the front lines of site operations at each location actively participate in energy conservation activities at their own initiative. In this way we pursue energy-saving activities through a united effort between our technical and operational segments.



Monthly meeting of the Energy Management Committee at the Kawasaki refinery

(2) Visualizing data

What types of energy are we using and where is the energy being used? Where can we find additional opportunities to reduce energy consumption? How should we change our operating variables? To answer these questions, the TonenGeneral Group visualizes data. In concrete terms, we visually portray the targets for operating variables related to energy and confirm the current status. Data can be accessed by the refinery manager and other senior managers in addition to operators responsible for the facility. The use of real-time data makes this system unique and effective.

We begin each day by confirming the status of energy conservation and identifying opportunities for improvement. Senior managers at each location review results monthly and present quarterly reports to the company's executive management. This system ensures that every refinery location and the Group as a whole maintain a high awareness of energy conservation.

(3) Setting targets and identifying means for their achievement

Identifying concrete means for improving energy efficiency is essential. We base our targets on the results of deliberation on both the content and areas of actions to be taken, as well as our estimates related to the outcomes of these actions. We also appoint staff to oversee each measure. Discrepancies between targets and results for each action are analyzed and further improvements are made.

As a result of these efforts, we have developed a shared awareness of energy conservation, from executive management to operators at the front lines of work sites.



An energy conservation initiative at the Kawasaki refinery

An organizational culture that encourages energy conservation efforts

In addition to the mechanisms described above, our world-class status in energy conservation is also due to the high level of technical expertise and awareness of the employees behind our efforts. Each year, the TonenGeneral Group offers a presentation on energy conservation at the Kawasaki International Eco-Tech Fair. This report is particularly noteworthy in that it is not presented by technical staff but by

site operators, who summarize their own energy conservation activities and prepare the necessary reference materials.

We take pride in knowing that the advanced technological capability of our technical staff and our front line operators, along with a strong sense of purpose in our Group-wide energy conservation activities, help to make us a global leader in energy conservation.



- ▶ Corporate Governance
- ▶ Standards of Business Conduct
- ▶ CSR Management
- ▶ Risk Management
- ▶ Internal Controls System
- ▶ Compliance

As a premier energy company with a long history in Japan, the TonerGeneral Group seeks to maximize performance by demonstrating superior management and applying rigorous ethical standards to control operational risks.

▶ Corporate Governance

Basic approach

The TonerGeneral Group's focus on good corporate citizenship begins with our commitment to high ethical standards, effective corporate governance, sound financial controls, operational integrity, and attention to safety, health and the environment. We believe our straightforward business model, culture of integrity, legal compliance, governance practices, and management control systems are keys to achieving long-term sustainable results.

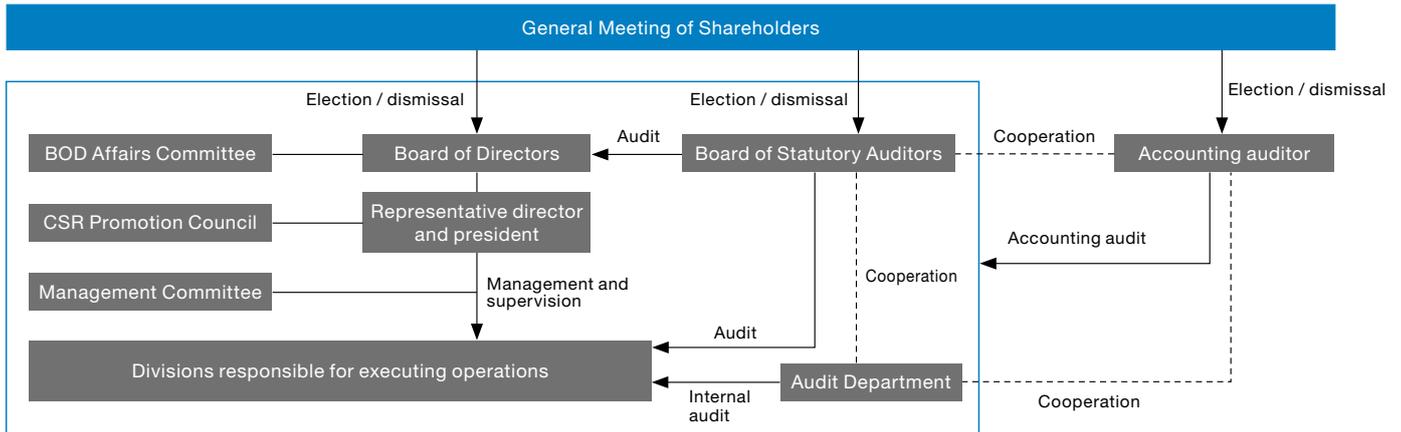
The Group's directors and employees are responsible for developing, approving and implementing plans and actions designed to achieve our objectives. We believe that the methods we employ to attain results are as important as the results themselves. Therefore, our directors and employees are expected to observe the highest standards of integrity in all aspects of business conduct. In addition, we are committed to fairness, honesty and integrity in the reports that we make to our investors.

Relevant policies under the Standards of Business Conduct (SBC)

- Directorships Policy
- Ethics Policy
- Conflicts of Interest Policy

Overview of corporate governance

• Corporate governance system



• Board of Directors

Directors have the fiduciary duty to exercise their business judgment in the best interests of shareholders. The Board of Directors as approved by the Ordinary General Meeting of Shareholders in March 2014 consists of eight directors, who execute the business of the functions to which they are assigned in roles described as "in charge" or "coverage"; and two part-time directors, including one outside director, who are expected to bring independent perspectives to the board's decision-making processes. We consider the size and configuration of the board appropriate because it allows each director to participate meaningfully

and exercise effective business judgment through free and vigorous discussion. In addition, the BOD Affairs Committee, comprising the outside director and representative directors, has been established as an advisory body to the Board of Directors to ensure the transparency and objectivity of decision-making processes regarding management systems and other matters.

• Statutory auditors and Board of Statutory Auditors

The statutory auditors and the Board of Statutory Auditors are independent from the Board of Directors. Their role is to audit the execution of business by directors. In order to carry out this role, they monitor business decisions and execution by the Board of Directors to confirm compliance with laws, the articles of incorporation, and internal standards of business conduct, as well as the establishment and state of implementation of corporate governance and internal controls systems, to appropriately preserve shareholder interests. Currently there are four statutory auditors, including three outside statutory auditors, as approved by the Ordinary General Meeting of Shareholders in March 2014.

• Management Committee and CSR Promotion Council

The Management Committee consists of eight directors who execute business and deliberate important matters regarding business operations to ensure expeditious and effective decision making. We have established the CSR Promotion Council (chairperson: TonenGeneral Sekiyu K.K. president) to further our efforts as a good corporate citizen.

• Link between statutory auditors, accounting auditor and internal auditors

The statutory auditors, in close coordination with accounting auditor, audit various TonenGeneral Sekiyu accounting statements, the maintenance and effectiveness of internal controls systems, the maintenance of company assets and the status of subsidiary and affiliated companies. The statutory auditors review in advance the accounting auditor's annual audit plan, ask for explanations of financial results from relevant departments, observe inspections by accounting auditor, and discuss other important issues as necessary with the accounting auditor. The audit results, which include the audit scope and opinions, are received in writing.

Internal audit review is conducted by the Audit Department of EMG Marketing Godo Kaisha (EMGM), a TonenGeneral Sekiyu subsidiary, pursuant to a comprehensive service agreement between TonenGeneral Sekiyu and EMGM under which administrative and service functions are entrusted to EMGM. The Audit Department reports in a timely manner to the Board of Statutory Auditors any information it receives from an employee or any other source regarding a director's breach of duty, and shares information regarding annual audit plans and internal audit results with the Board of Statutory Auditors. Assistance to the statutory auditors is, upon their request, provided by employees of the company.

• Remuneration for directors and statutory auditors

The amount of remuneration to be paid to directors was approved at the Annual General Meeting of Shareholders held on March 27, 2012 as no more than 700 million yen per year (including no more than 70 million yen per year for outside directors). This amount does not include the portion of compensation allocated to the position of an employee who is serving concurrently as a director. The amount of remuneration to be paid to statutory auditors was approved at the Annual General Meeting of Shareholders held on June 29, 1994 as no more than 7 million yen per month. In addition, the retirement benefits program for directors was terminated in March 2013, and that for statutory auditors in March 2014.

In accordance with a review of the remuneration system for directors, the retirement benefits program for directors was terminated, as stated above. In addition, a resolution was passed at the Annual General Meeting of Shareholders on March 26, 2013 to introduce payment of a portion of the remuneration in the form of stock compensation-type stock options for directors (excluding outside directors), within the amount of remuneration, to enable directors to share the interests in stock price movement with shareholders and to further motivate them to contribute to the enhancement of the corporate value of the company.

- Number of Board of Directors meetings and attendance of outside director and statutory auditors in 2013

Number of meetings: 14

Attendance: 100%

- Number of Board of Statutory Auditors meetings and attendance of outside statutory auditors in 2013

Number of meetings: 9

Attendance: 100%

- Remuneration for directors and statutory auditors in 2013

Directors (excluding outside director): ten recipients, remuneration total: 303 million yen

Outside director and statutory auditors: three recipients, remuneration total: 57 million yen

There are no directors or statutory auditors whose total consolidated remuneration is 100 million yen or more.

▶ Standards of Business Conduct

Standards of Business Conduct

The TonenGeneral Group has established the Standards of Business Conduct (SBC) as the basis for the implementation of operations by directors and employees. The 130-page SBC is printed in a convenient booklet format and distributed to all Group employees.

The SBC begins with the Guiding Principles (at right), comprising guidelines related to our relationships with the Group's various stakeholders, followed by the 18 policies, shown below, with greater detail on associated guidelines and procedures.

• 18 Policies

- Ethics Policy
- Conflicts of Interest Policy
- Corporate Assets Policy
- Directorships Policy
- Gifts and Entertainment Policy
- Political Activities Policy
- International Operations Policy
- Antitrust Policy
- Health Policy
- Environment Policy
- Safety Policy
- Product Safety Policy
- Customer Relations and Product Quality Policy
- Alcohol and Drug Use Policy
- Equal Employment Opportunity Policy
- Harassment in the Workplace Policy
- Anticorruption Policy
- Open Door Communication Policy

• Guidelines and procedures

- Conflicts of Interest Guidelines
- Directorships Guidelines
- Gifts and Entertainment Guidelines
- Procedures for Cash Gifts
- Guidelines for Interactions with Government Officials

• Effectiveness of the Standards of Business Conduct

The Board of Directors of TonenGeneral Sekiyu K.K. is responsible for adopting and supervising the implementation of the Standards of Business Conduct. No member of the Group has the right to approve any exceptions to the basic policies or to offer exemption from liability. No intentional breach of these basic policies can be justified under any circumstances, regardless of the difficulties or pressures encountered in undertaking work responsibilities.



• Guiding Principles

The Standards of Business Conduct begins with the Guiding Principles, which describe the guidelines for our relationships with the Group's various stakeholders.

• Shareholders

Enhance the long-term value of funds invested by shareholders.

• Customers

Provide high-quality products and services at competitive prices and quickly deliver innovative solutions that meet customer needs.

• Employees

Endeavor to maximize opportunities for success and maintain diversity, open communication, trust, fair treatment and a safe work environment.

• Communities

Maintain high ethical standards as a good corporate citizen, comply with all laws, rules and regulations, and respect local and national cultures. Above all, we are dedicated to conducting safe and environmentally responsible operations.

▶ CSR Management

The TonenGeneral Group has established a CSR management framework consisting of the CSR Promotion Council and the CSR Department.

Approach to CSR

The TonenGeneral Group believes that companies are integral members of society, which is why we strive to be a good corporate citizen in the communities where we operate.

We will maintain these corporate ideals and comply with relevant laws and regulations as we improve and expand initiatives that contribute to the development and vitalization of the communities around us. These endeavors will remain aligned with our Group mission as we advance in a concerted Group-wide effort to achieve the goals of our mission by embracing the high ethical standards detailed in our Standards of Business Conduct.

Reinforcing our CSR management framework

In exercising the initiative to independently promote CSR activities as the TonenGeneral Group, we established the CSR Department within our Public and Government Relations Division on June 1, 2012. In July 2013 we established the CSR Promotion Council, chaired by the president, which has been charged with formulating the Group's CSR policies and action plans.

From August 2013, we broadened the organizational structure of the CSR Promotion Council to comprise seven committees responsible for all 18 policies of the Standards of Business Conduct.

• Communication with stakeholders



CSR Promotion Council and its seven committees

The TonenGeneral Group has established a CSR Promotion Council, chaired by the president of TonenGeneral Sekiyu K.K. The council comprises the Corporate Ethics Committee, SSH&E Committee, Human Rights Promotion and Human Resource Development Committee, Contribution Committee, Product Quality Committee, Risk Management Committee and Disclosure Committee. These seven committees engage in reporting and discussion, contributing to monitoring and improvement activities for the 18 policies of the Standards of Business Conduct.

• TonenGeneral Group stakeholders

Customers

Customers of the TonenGeneral Group are those who visit our service stations and those who purchase petroleum or petrochemical products via pipelines, trucks, marine vessels or other means. Customer feedback fielded by our Marketing and Customer Service divisions is shared with Product Quality and other relevant divisions to facilitate prompt and appropriate responses.

Employees

A number of initiatives have been introduced to encourage employees to fully utilize and develop their abilities through their work and to help them balance their work and private lives while fulfilling their obligations. We are also undertaking initiatives to promote the career development of our female employees.

Shareholders

In addition to maximizing shareholder value, we regard fair, honest and timely reporting to be of paramount importance.

Business partners

Suppliers, contractors, dealers and transportation companies are all vital business partners of the TonenGeneral Group. Ideas and issues that emerge through two-way communication are incorporated into the formulation of our business strategies.

Local communities

We place high priority on contributing to the development and vitalization of the communities in which we operate. We are strengthening linkages to local communities through social contribution and cultural activities in a number of areas, including culture, the arts, sports, education, the environment, community engagement, health, disaster response and prevention, and diversity.

• CSR Promotion Council

CSR Promotion Council (Chair: Representative director and president)

- Formulate CSR policies and action plans
- Provide guidance and advice to each committee
- Monitor external evaluations
- Publish CSR reports and set disclosure policies for CSR-related information

Corporate Ethics Committee	Chair: Representative director and vice president
SSH&E Committee	Chair: Representative director and president
Human Rights Promotion and Human Resource Development Committee	Chair: Representative director and president
Contribution Committee	Chair: Managing director
Product Quality Committee	Chair: Managing director
Risk Management Committee	Chair: Managing director
Disclosure Committee	Chair: Managing director

* The CSR Promotion Council and its committees are chaired by officers of TonenGeneral Sekiyu K.K.

PDCA in seven committees of CSR Promotion Council

	P Action guidelines	P Priority items	D 2013 Performance	C A Assessment and improvement	P 2014 Plan
Corporate Ethics Committee	<ul style="list-style-type: none"> Strengthen the foundation for business management with fairness and integrity through strict compliance with our policy on laws and corporate ethics Formulate specific policies and measures that support the above efforts Cultivate a corporate culture of internal controls and compliance 	<ul style="list-style-type: none"> Strengthen compliance with our policies on laws and corporate ethics Enhance employee awareness and knowledge of the company's basic policies 	<ul style="list-style-type: none"> Began revising policy guidelines using simpler language, toward maintaining and systematically organizing existing rules based on the current state of the Group Enhanced intranet content Sent an email to employees calling for strict compliance with key policies Conducted regular Group-wide training and organized additional training as required Widely disseminated information on internal and external hotlines to promote our Open Door Communication Policy 	<ul style="list-style-type: none"> Achieved more effective compliance with policy guidelines Seek further improvements in internal controls through ongoing efforts to maintain and systematically organize existing rules Achieved a greater understanding of the company's policies and processes by disseminating our Open Door Communication Policy 	<ul style="list-style-type: none"> Continue to strengthen compliance with our policies on laws and corporate ethics Continue initiatives for enhancing employee awareness and knowledge of policies Promote the maintenance and systematic organization of existing rules Thoroughly implement the above activities at new Group affiliates
SSH&E Committee	<ul style="list-style-type: none"> Develop, fully coordinate and implement plans related to safety and disaster prevention, environmental preservation and industrial hygiene under the company's basic policies on the environment, safety, health and security, as well as other associated guidelines, laws and regulations 	<ul style="list-style-type: none"> Securely implement measures to prevent a recurrence of the sulfur leak incident at the Sakai refinery (independent investigation committee recommendations) Ensure mandatory reporting of abnormal conditions: improve procedures (refineries) and auditing (head office) Comply with improved procedures (refineries) 	<ul style="list-style-type: none"> Improved procedures for the mandatory reporting of abnormal conditions and established an auditing method at the head office Checked compliance with improved work procedures confirmed by OIMS assessment 	<ul style="list-style-type: none"> Proper reporting in accordance with the improved procedures Audit was conducted in accordance with the improved auditing method 	<ul style="list-style-type: none"> Continuously confirm the effectiveness of the measures through audits and OIMS assessment
Human Rights Promotion and Human Resource Development Committee	<ul style="list-style-type: none"> Cultivate highly motivated and diverse human resources with excellent qualities as the strongest driving force of the Group Develop personnel who are capable of meeting the requirements of our business strategies and can demonstrate results, and ensure a timely and optimal allocation of personnel Respect human rights and create a work environment free of human rights abuses and harassment 	<ul style="list-style-type: none"> Undertake continuous and consistent human resource development from a long-term perspective Seek optimal allocation of personnel and development of skills using the dual approach of career and position planning Respect human rights and continue efforts to develop awareness and train employees 	<ul style="list-style-type: none"> Completed the development of a new training program Established the Group-wide Human Resource Development meeting Compiled the "Working Together" booklet for human rights training and distributed it to all employees Conducted human rights training on utilizing employees with disabilities at each workplace 	<ul style="list-style-type: none"> Developed training program with desired results Increased inter-division transfers Implemented human rights training at all workplaces and enhanced employee awareness 	<ul style="list-style-type: none"> Implement the new training program Actively promote inter-division transfers and reallocation by regularly holding the Human Resource Development meeting Implement human rights training focused on harassment prevention
Contribution Committee	<ul style="list-style-type: none"> Cultivation and promotion of social contribution activities Develop standards and provide recommendations for social contribution programs 	<ul style="list-style-type: none"> Confirm the direction of the Group Review implemented programs and formulate new ones 	<ul style="list-style-type: none"> Formulated new standards for social contribution programs based on the new Group values adopted in 2012 Performed checks using new standards for social contribution programs 	<ul style="list-style-type: none"> Achieved centralized management of the Group's social contribution programs by establishing the Contribution Committee and further clarified the initiatives and direction of the Group Continue holding discussions on the future direction of the Group 	<ul style="list-style-type: none"> Confirm that implemented programs meet standards based on Group values Formulate programs to be implemented in 2015

	P Action guidelines	P Priority items	D 2013 Performance	C A Assessment and improvement	P 2014 Plan
Product Quality Committee	<ul style="list-style-type: none"> • Confirm effective implementation of product quality control in accordance with our management system • Review the performance of product quality control in each Group division • Confirm the appropriate execution of product safety and chemical substance management 	<ul style="list-style-type: none"> • Reduce quality-related incidents, and quickly and effectively respond should they occur • Ensure the strict implementation of the quality management system • Effectively manage quality-related risks and seek to enhance profit according to the business environment • Reinforce chemical substance management by structuring and effectively aligning the management system 	<ul style="list-style-type: none"> • Developed a unified process for responding to quality-related incidents • Formulated a quality management system covering all products • Ensured the strict implementation of quality risk assessment and its compliance with the quality management system • Improved the process for providing chemical substance information to customers, including measures for the Product Quality Department 	<ul style="list-style-type: none"> • Soundness of the quality management system reviewed at each level of the Product Quality Committee • Implemented regular quality audits and ensured continuous improvements • Product Quality Committee reviewed profit improvements and the management of associated quality risks • Achieved the timely and appropriate provision of information and provided safety data sheets to customers 	<ul style="list-style-type: none"> • Reduce quality-related incidents and strengthen the response of the Group and its business partners • Confirm and improve the ISO compatibility of the Group's quality management system • Review and improve the quality risk assessment for operational changes during quality audits • Provide customers with timely and appropriate information as well as safety data sheets
Risk Management Committee	<ul style="list-style-type: none"> • Rationally assess the various risks involved in business operations and implement preventive initiatives • Minimize potential damage in the event a risk materializes by fulfilling the company's social responsibility to maintain and enhance corporate value 	<ul style="list-style-type: none"> • Introduce a Group-wide risk management system and structure • Identify weak areas in risk management that may impact the corporate foundation, and report and present reinforcement strategies and other measures for addressing weak areas to the Board of Directors 	<ul style="list-style-type: none"> • Completed the introduction of the Group-wide risk management system and structure • Completed identification of Group-wide risks • Prioritized our response to identified risks based on the magnitude of impact on the company • Reported and presented high-priority risks and responses to the Board of Directors 	<ul style="list-style-type: none"> • Identified new risks caused by changes in the company and business environment, as well as risks that increase in magnitude due to such changes, and accordingly strengthened the risk management system and structures 	<ul style="list-style-type: none"> • Identify new risks caused by changes in the company and business environment, as well as risks that increase in magnitude due to such changes, and develop responses as required • Conduct a detailed study of situations that caused serious impacts at other companies to determine whether we have processes in place to respond to similar cases; develop processes as necessary
Disclosure Committee	<ul style="list-style-type: none"> • Confirm the appropriate execution of disclosure management and related processes 	<ul style="list-style-type: none"> • Prepare and disclose accurate and appropriate financial information 	<ul style="list-style-type: none"> • No actual corrections to the financial information or disclosed information were required 	<ul style="list-style-type: none"> • Respond to the increase in consolidated subsidiaries 	<ul style="list-style-type: none"> • Appropriately respond to regulatory changes related to accounting and disclosure

▶ Risk Management

The TonenGeneral Group strives to take appropriate risk management steps against all potential risks, for which it assumes worst-case scenarios.

Basic approach

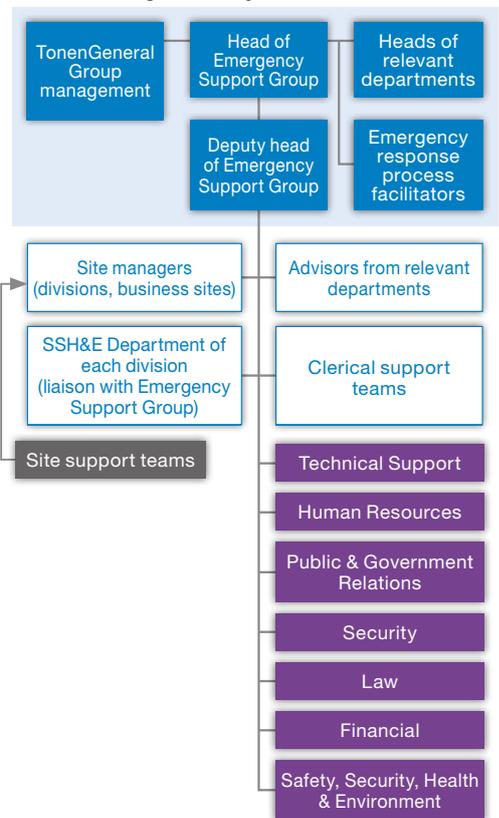
The TonenGeneral Group strives to identify every possible risk, from situations that could endanger the safety and health of the employees of the Group and its partners and residents of nearby communities to incidents that could harm the environment or disrupt the stable supply of petroleum products, as well as leakages of information that could adversely impact stakeholders. To prevent the occurrence of such risks, the TonenGeneral Group has established a risk management system, with specific actions detailed below. To minimize damage in the event a risk materializes, we act quickly, having prepared for worst-case scenarios based on our “no regrets” philosophy.

Risk management system

Our risk management system comprises a number of programs based on our Operations Integrity Management System (OIMS; see p. 30-31). We use these programs to systematically evaluate a wide range of elements within the scope of our operations, including new manufacturing and shipping facilities, the technical aspects of existing facilities, procedures for operations and maintenance work, and compliance with applicable laws and regulations as well as internal rules.

In the event of an emergency, we activate the Emergency Support Group at our head office and business sites. We also dispatch emergency site support teams of employees with specialized knowledge and skills to assist the Emergency Support Group as needed. We conduct annual seminars, held over two and a half days, to train senior managers on the roles and procedures of the Emergency Support Group, of which they are members, to ensure that this organization functions as effectively as possible. The Emergency Support Group also holds classroom exercises to train key employees how to handle possible scenarios such as earthquakes and new strains of influenza. It also holds training involving a number of risk scenarios at our business offices and on-site disaster response training for the emergency site support teams at our refineries and terminals in collaboration with our business sites.

• Risk management system



Response to the Great East Japan Earthquake

Our initial focus immediately following the Great East Japan Earthquake of 2011 was to confirm the safety of people in the affected areas. We utilized our safety confirmation system to check on employees and their families, and disseminated information from the company as needed. We also responded appropriately to requests from governmental agencies and industry organizations such as the Petroleum Association of Japan. In addition, we formed individual teams under the Emergency Support Group at our head office to handle the transport of petroleum products to disaster-stricken areas, set up a temporary service station, provide some petroleum products free of charge, and institute electricity conservation measures at all of our business sites, including offices.



A temporary service station using chemical containers was installed in the city of Rikuzentakata

BCP

Ensuring a stable supply of petroleum products that are essential for daily life and the functioning of society is at the heart of our mission, and we have created business continuity plans (BCPs) for potential emergencies to secure our ability to fulfill this mission. Although recent events differed from the scenarios we had assumed in previous BCPs for new strains of influenza and possible earthquakes and tsunamis, we were able to act quickly and effectively by applying the BCP measures we had developed for worst-case scenarios. To improve existing BCPs, we incorporated the lessons we had learned from actual experience, such as the actions taken to address new problems that arose as events unfolded and the methods we used to disseminate information to employees.

The type, frequency and associated risks of natural disasters we may face, however, such as the series of strong earthquakes expected to affect all areas adjacent to the Pacific Ocean and localized torrential rains, will constantly change.

The Group reorganized its BCPs in March 2014 in response to a requirement by the Ministry of Economy, Trade and Industry for the formulation of affiliated BCPs in addition to the Supply Cooperation Plan already formulated by the Japanese government and the Petroleum Association of Japan. We also checked emergency generators, drum shipping facilities, satellite phones and other supplies and facilities at each of our sites and made reinforcements where needed. We will continue to regularly apply our verification program to reassess our emergency response plans and training programs to verify their effectiveness.

Industrial safety

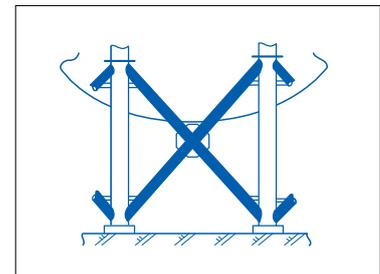
The TonenGeneral Group has been thorough in its efforts to prevent the occurrence of industrial incidents associated with natural disasters as a cornerstone of safe operations. For example, to prevent liquefaction at storage tank sites, we constructed cutoff walls using advanced engineering technology to prevent groundwater seepage. In view of the Great East Japan Earthquake that occurred in 2011, we are responding to the risks posed by earthquakes and tsunamis on manufacturing facilities at our sites by inspecting the strength of braces* attached to spherical tanks for high-pressure gas and making repairs if needed, promoting the assessment of compatibility with quake-resistance standards at our facilities, and establishing procedures and other standards for tsunami response.

Information security

To minimize the risk of information leakage, the TonenGeneral Group has established the TonenGeneral Information Security Policy (TGISP), which encompasses maintenance of information integrity, protection of confidential information, maintenance of information processing capability, and compliance with laws and regulations. The TGISP guides our efforts to continually enhance our level of security.

Individual departments have clearly defined their information security management roles and responsibilities for the effective management and protection of confidential information, operational data and personal information, as well as infrastructure and applications. Our Information Systems Department is also working to further bolster information security.

The companies that have joined the Group since 2013 have similar policies and are in the process of aligning their information security systems with those of the Group.



* Parts used for cross bracing, which reinforces steel frames, are erected at the base of spherical tanks to enhance their safety.



▶ Internal Controls System

The TonenGeneral Group exercises all necessary and appropriate controls in the conduct of corporate activities to fulfill its promise to customers, employees, shareholders and local communities.

Basic approach

The TonenGeneral Group views high ethical standards, effective corporate governance, sound financial management, operational integrity and due consideration toward safety, health and the environment as fundamental to being a good corporate citizen. We believe the keys to consistently attaining performance targets over the long term are developing a straightforward business model, cultivating a highly principled corporate culture, complying with laws, executing corporate governance and maintaining our operations management systems.

System of Management Control

The basic principles, concepts and norms undergirding the TonenGeneral Group's internal controls are designated by the System of Management Control (SMC), which extends beyond the development and effective functioning of a sound internal controls system to define appropriate controls for each process. The SMC specifically requires the establishment of a governing authority that will clearly define the corporate policies to be observed and an approval authority for each operation. It also describes processes for which preventive controls are needed such as the segregation of duties. For those responsible for management and controls, the SMC lays out the basic standards for establishing effective controls and promotes awareness of their responsibilities for establishing and maintaining the management system as well as the procedures based on these standards.

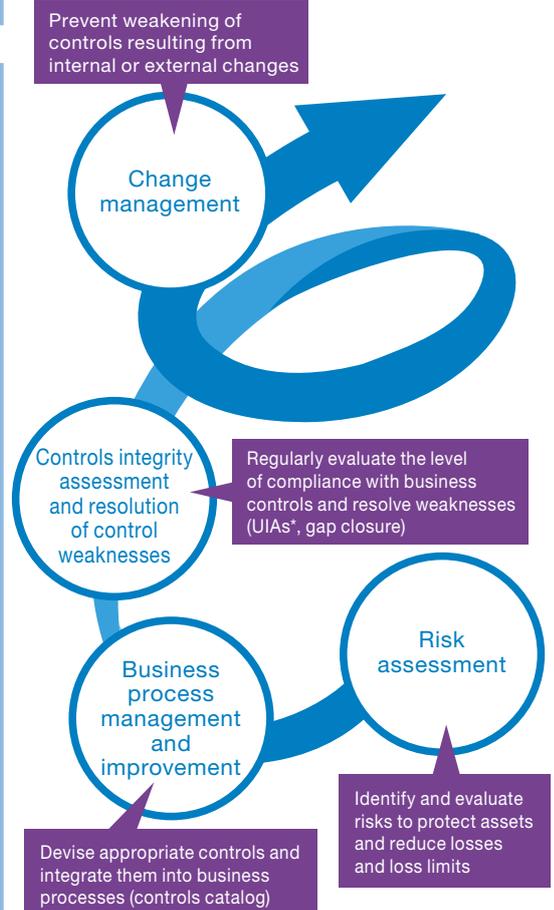
Internal controls system

The TonenGeneral Group exercises all necessary and appropriate controls in the conduct of corporate activities to fulfill its promise to customers, employees, shareholders and local communities. This includes establishing and implementing effective methods of control and continuously monitoring the status of compliance as well as resolving concerns related to controls in a timely manner. These efforts are coordinated through a system we call CIMS (Controls Integrity Management System), which provides a standardized, systematic approach for the entire Group to meet our commitments.

The following objectives are achieved with CIMS:

- Assess control risks pertaining to operations, finances and management, and reduce risks through cost-effective methods
- Apply a common risk assessment template for all internal processes and uniformly evaluate risks
- Encourage the establishment and documentation of internal controls processes aimed at mitigating risk for business processes determined to involve high risk
- Promote the timely reporting to management of concerns related to the internal controls processes cited above as well as ethical issues
- Management undertakes appropriate measures for addressing issues related to controls or ethics and monitors progress of improvement

• CIMS controls framework



*Unit Internal Assessment: a self-evaluation undertaken by each division midway through the internal audit cycle

Examples of high-risk business processes include the receipt of orders and payments, credit management, shipment volume measurement, inventory management, contract management and the management of customers and vendors.

CIMS requires an effective, systematic method for change management with appropriate controls maintained during the implementation of change. Particularly with regard to the introduction of new processes or changes in high-risk processes, the system also calls for clarification of responsibilities and segregation of duties related to the change, ascertaining the scope of impact and potential risks associated with the change, carrying out necessary training and monitoring the status and impact of the change.

Checking process for maintaining the soundness of the internal controls system

The TonerGeneral Group has three processes for internally checking the soundness of our internal controls system.

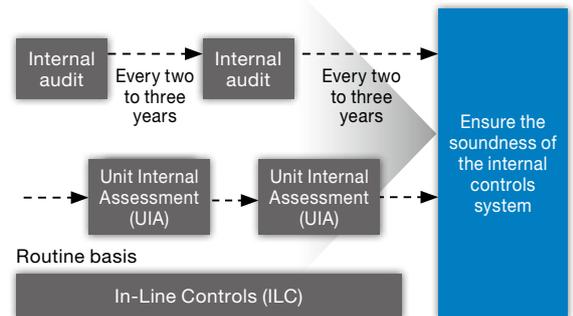
First, we conduct internal audits to check our business processes. Our Audit Department, which exists independently from the business divisions, provides its independent audit opinion on the soundness of the business divisions' internal controls systems and reports its internal audit results to the Board of Directors. Each business division is subjected to an internal audit every two to three years. Actions to mitigate weaknesses in controls identified during audits are agreed upon by the division. After the actions have been addressed, improvements are reconfirmed during the next internal audit.

Under the second process, each division conducts a self-evaluation called a Unit Internal Assessment (UIA) midway through the internal audit cycle. The UIA is performed to confirm that issues identified during the internal audit have been addressed and mitigating actions have either been completed or are ongoing. It also checks whether controls are being appropriately and effectively implemented through evaluation by individuals who are not involved in the operation. In addition, UIA results serve as a reference during the internal audit and are recorded so that the same check can be performed by a third party to assess the validity of the evaluation. As with any weaknesses in controls identified by the internal audit, weaknesses discovered during the UIA are also reported to the officers responsible for the management and controls of the division, and progress on mitigation is monitored through the Controls Committee and other opportunities.

The third process is the regular application of internal controls to test and monitor the status of controls. This process is internally referred to as In-Line Controls (ILC), and their frequency and checkpoints are tailored to each business process. They also serve as a controls reminder. In some cases, continuous reviews are conducted in accordance with ILC checklists to ensure that effective measures are in place.

These three internal checking processes confirm the soundness of our internal controls system. Depending on the level of importance, weaknesses or points requiring correction revealed during the checking process are reported within each division or to the Controls Committee, which holds regular meetings chaired by senior management. The content and progress of corrective measures are also reviewed. This continuous cycle of checking, reporting weaknesses and monitoring improvement ensures that the soundness of our internal controls system is maintained.

• Checking process for internal controls



► Compliance

The Group complies with all applicable laws and regulations and operates its business through sound corporate governance under its conviction that the methods used to achieve business results are as important as the results themselves.

Basic approach

The Ethics Policy of the Tonen General Group calls on employees to place just as much emphasis on the methods used to achieve business results as on the results themselves and to act with the highest ethical standards and integrity, which requires compliance with all laws and regulations applicable to the Group's business operations.

Thorough compliance through the Corporate Ethics Committee

With the restructuring of our capital in 2012, the TonenGeneral Group established a Corporate Ethics Committee under the CSR Promotion Council to monitor the status of compliance and educational activities and to formulate compliance policies and initiatives.

The representative director and vice president responsible for internal controls chairs the committee and the director in charge of corporate services serves as general secretary. Committee membership consists of the heads of the Controller's, Human Resources, Law, Public and Government Relations, and Audit departments. The committee meets at least once every six months. Statutory auditors and the outside director also attend meetings as necessary.

At the meeting held in June 2013, the committee deliberated its activity policies as well as the content of its activities and received reports from each division on training plans and other matters.

At the November meeting, participants reported on the progress of action plans announced at the June meeting and discussed action plans for 2014.

Compliance system in the workplace

To promote the thorough understanding and dissemination of key corporate policies such as our Ethics Policy, each division and office is assigned a specialized staff member with the title Control Advisor and a liaison staff member, who oversee control issues and are always available to consult with other employees. Depending on the specific content of a consultation, the control advisor and liaison staff member may directly offer advice or consult with specialized departments to support workplace compliance. In addition to Group-wide training, they also plan training programs that address the unique characteristics of each workplace. Moreover, they follow up and share information on issues raised by internal audits.

Under the TonenGeneral Group's rules regarding approval, the signing of certain contracts, information disclosure and payments require prior approval from specific departments. This ensures that each case is checked to confirm applicability of the subcontract law or that clauses prohibiting relationships with antisocial forces have been included in contracts. In regard to import and export restrictions, we have a system for verifying that the counterparty and destination related to a contract are not subject to sanctions or restrictions under Japanese or relevant foreign laws. In addition, since we handle petroleum and other hazardous materials at our refineries and other worksites, we must comply with all laws and regulations related to safety, health and the environment, such as the High Pressure Gas Safety Act, the Fire Service Act, the Industrial Safety and Health Act and the Air Pollution Control Act. We have therefore established a system that maintains a current list of applicable laws and regulations and facilitates regular collections of information on regulatory revisions and checks on the status of compliance at each workplace.

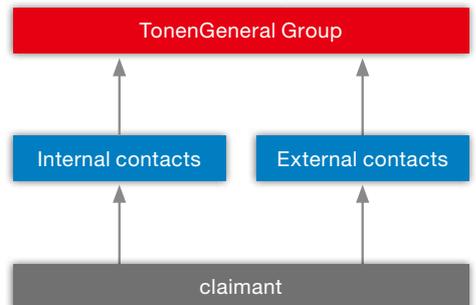
Relevant policies under the Standards of Business Conduct (SBC)

- ☑ Ethics Policy
- ☑ Anticorruption Policy
- ☑ Alcohol and Drug Use Policy
- ☑ Gifts and Entertainment Policy
- ☑ Political Activities Policy
- ☑ International Operations Policy
- ☑ Antitrust Policy
- ☑ Open Door Communication Policy

• Corporate Ethics Committee



• Flow of internal reporting



The corporate policy of the TonenGeneral Group encourages employees to ask questions, express their concerns about any operation and recommend solutions. To ensure that this policy functions as intended, we set up a hotline to a specialized external firm in addition to an internal contact point in order to further safeguard anonymity and facilitate reporting by employees. In 2013, the internal and external contacts were contacted a total of 13 times by employees reporting issues such as harassment, and offering suggestions for operational improvements.

Compliance training

The TonenGeneral Group has actively sought compliance in legal matters over the years by upholding our Antitrust Policy, Anticorruption Policy and Rules for Preventing Insider Trading, in addition to the Ethics Policy.

To raise knowledge and awareness among our workforce, staff members in our Law Department regularly organize training tailored to the specific operations of each workplace to explain the content of laws and specific situations that could arise.

In 2013, we organized a total of 74 training sessions in the areas of antitrust law, anticorruption, export and import restrictions, personal information protection law and prevention of insider trading. Primarily intended for head office departments, the training was attended by a cumulative total of about 1,700 employees. The training materials were posted on the Group intranet so that employees could review the content whenever necessary.

We have also published and disseminated to employees the Handbook on Antitrust Law, which addresses issues requiring attention when exchanging information with other companies or participating in industry associations.

TOPICS

It was widely reported in 2013 that a leading banking group had extended loans to antisocial organizations. The TonenGeneral Group has consistently prohibited involvement with antisocial forces by taking measures such as verifying the identity of contractual counterparties. We further strengthened our efforts surrounding this issue by including a clause prohibiting involvement with organized crime groups in all contracts signed by the Group since December 2012, as required under the Tokyo Metropolitan Ordinance for Eliminating Organized Crime Groups. The clause gives the Group the right to immediately terminate a contract in the event the counterparty is revealed to have ties to organized crime.

COLUMN

Fuels Marketing: Guidelines for Reporting Incidents to Authorities

After a failure to report a sulfur leak at our Sakai refinery was discovered in 2012, we determined that steps were needed to ensure immediate reporting of any incidents that may occur, not only at our refineries, but also at our affiliated sites that handle fuel sales. We therefore published the “Guidelines for Reporting Incidents to Authorities” in our quarterly magazine “COM.”, distributed to our retail dealers, at the beginning of 2013. We also made laminated versions of the guidelines (shown at right), which we distributed to all of our affiliated service stations.

The guidelines use icons to illustrate which authorities (e.g. fire department, police department, coast guard) should be contacted for different types of incidents, including fuel leaks and fires, enabling users to quickly determine an appropriate response and helping to ensure timely reporting of incidents.

Safety, Health and the Environment

- ▶ OIMS
- ▶ Safety Initiatives
- ▶ Health Initiatives
- ▶ Environmental Initiatives

Attention to safety, health and the environment is indispensable to the continuity of our business. We therefore strive for flawless operations in order to conduct our business free of incidents in these three areas.



▶ OIMS

The Operations Integrity Management System (OIMS) is the cornerstone of our commitment to managing safety, health and environmental risks and achieving excellent business results.

Why we consider attention to safety, health and the environment to be of the utmost importance

The TonenGeneral Group handles oil, a hazardous material, and takes responsibility for ensuring a stable, safe supply of energy in Japan at all times, especially during times of crisis. Attention to safety, health and the environment is therefore of the utmost importance in maintaining our ability to consistently contribute to the advancement of society.

With respect to safety, we believe the very foundation of our enterprise depends on rigorously upholding our Safety Policy to completely secure the health and well-being of our stakeholders, from customers and employees to local residents, before launching any business operation. TonenGeneral Group managers and employees aggressively work to prevent incidents, injuries and occupational hazards by continuously working to identify risks related to our business operations and taking action to minimize or eliminate them.

The health of our workforce is the key to corporate progress and growth. Our Health Policy focuses on industrial hygiene activities that exceed simple compliance with prevailing laws and regulations to meet broader standards that we voluntarily adopt in the absence of public mandates. At the same time, we share information and learnings with other companies and society as a whole to encourage the sustainable development of industrial hygiene across Japan.

Our concern for the environment is embodied in our Environment Policy, which guides our ongoing efforts to eliminate incidents that could have an adverse impact on the environment.

OIMS: Application and guiding principles

We exercise oversight of safety, health and the environment through OIMS (Operations Integrity Management System), which was independently developed by ExxonMobil in 1992. The TonenGeneral Group began adopting the system in the mid-1990s, and today it is the standard operating procedure for all our divisions.

The purpose of OIMS is to provide a systematic method for accomplishing the objectives shown at right.

Relevant policies under the Standards of Business Conduct (SBC)

- ✔ Safety Policy
- ✔ Health Policy
- ✔ Environment Policy

- Structurally and systematically identify, evaluate and control hazardous situations
- Thoroughly manage these situations to prevent exposing employees, contractor personnel, customers, local residents and the environment to associated risks
- Fully comply with laws and regulations related to safety, security, health and the environment

• 11 Elements of OIMS



OIMS structure

• **Framework**

The framework comprising 11 elements is the core of OIMS and defines the common expectations the Group must meet to address the risks inherent in our business. The 11 elements are each composed of a basic principle and a number of expectations, which also include the requirements and processes for implementing and evaluating management systems.

• **Characteristics of management systems**

Properly designed and documented management systems that address all the expectations set out in the OIMS framework are required for each operating unit. These management systems must incorporate the following five characteristics.

- Scope and objectives
- Processes and procedures
- Responsible and accountable resources
- Verification and measurement
- Feedback and improvement mechanisms

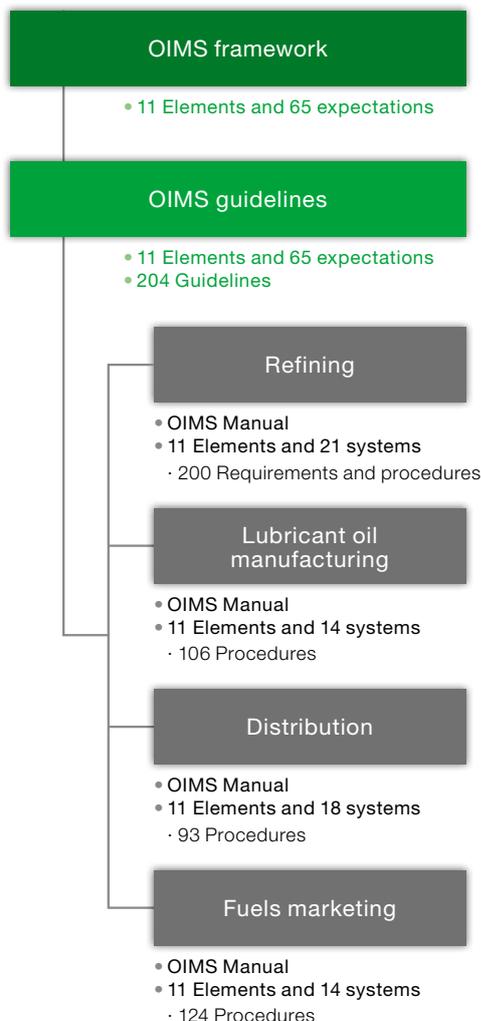
• **Evaluation**

Ongoing evaluation is essential to make sure that the expectations in the framework are being met. OIMS involves regular assessments by specialized Group staff, along with participants from other business sites, to gauge the degree to which the expectations are being satisfied. These assessments provide the information needed to further improve both performance and supportive management systems with respect to safety, security, health and the environment.

• **Responsibilities for management above the assessable unit**

Some aspects of management require oversight and support above the level of the assessable unit, so the responsibilities of management above the assessable unit must be clear.

• **OIMS framework**



▶ Safety Initiatives

Basic approach

The TonenGeneral Group regards the maintenance of safety, health and the environment not simply as our highest priority, but as the foundation upon which all of our operations must be based. We are committed to upholding our industry-leading safety record while continuing our efforts to achieve flawless operations. Under our Safety Policy, we have established the seven guidelines listed at right.

Safety initiatives

• Personnel safety

We utilize OIMS to continuously strengthen our efforts to manage risks related to safety, health and the environment. Under this system, we also operate the Loss Prevention System (LPS) to give concrete form to our corporate slogan, "Nobody Gets Hurt." LPS activities seek to prevent incidents by focusing on employee behavior to discover and eliminate the causes of incidents involving people and equipment, as well as near misses and the unsafe behavior of individuals that lead to such incidents. LPS has achieved remarkable results since its introduction in 2000.

More recently, we have sought to prevent any decline in the quality of our LPS activities over time or due to the changing composition of our workforce as employees retire. To this end, we continually train and reallocate key personnel to lead the LPS activities at each workplace. We also invite specialists from the Loss Prevention System™ to assess our efforts.

We have set safety targets of zero fatalities and lost-time injuries for employees and contractor company personnel in 2014 and 2015. In 2013, in our refining, manufacturing and distribution segments, we had no fatalities and two lost-time injuries for employees and contractor company personnel.

Relevant policy under the Standards of Business Conduct (SBC)

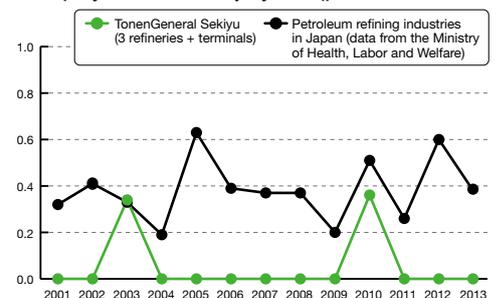
☑ Safety Policy

• Safety Policy

The basic policy of the TonenGeneral Group is to conduct its business in a manner that protects the safety of employees, others involved in its operations, customers and local residents. All employees of the TonenGeneral Group actively seek to prevent all incidents, injuries and occupational illnesses. The TonenGeneral Group is committed to continuous efforts to identify and eliminate or manage safety risks associated with its activities. Accordingly, its policy is to:

- design and maintain facilities, establish management systems, provide training and conduct operations in a manner that safeguards people and property;
- respond quickly, effectively, and with care to emergencies or accidents resulting from its operations, in cooperation with industry organizations and authorized government agencies;
- comply with all applicable laws and regulations, and apply responsible standards where laws and regulations do not exist;
- work with government agencies and others to develop responsible laws, regulations, and standards based on sound science and consideration of risk;
- conduct and support research to extend knowledge about the safety effects of its operations, and promptly apply significant findings and, as appropriate, share them with employees, contractors, government agencies, and others who might be affected;
- stress to all employees, contractors, and others working on its behalf their responsibility and accountability for safe performance on the job and encourage safe behavior off the job;
- undertake appropriate reviews and evaluations of its operations to measure progress and to foster compliance with this policy.

• Employee lost-time injury rate (per 1 million hours)



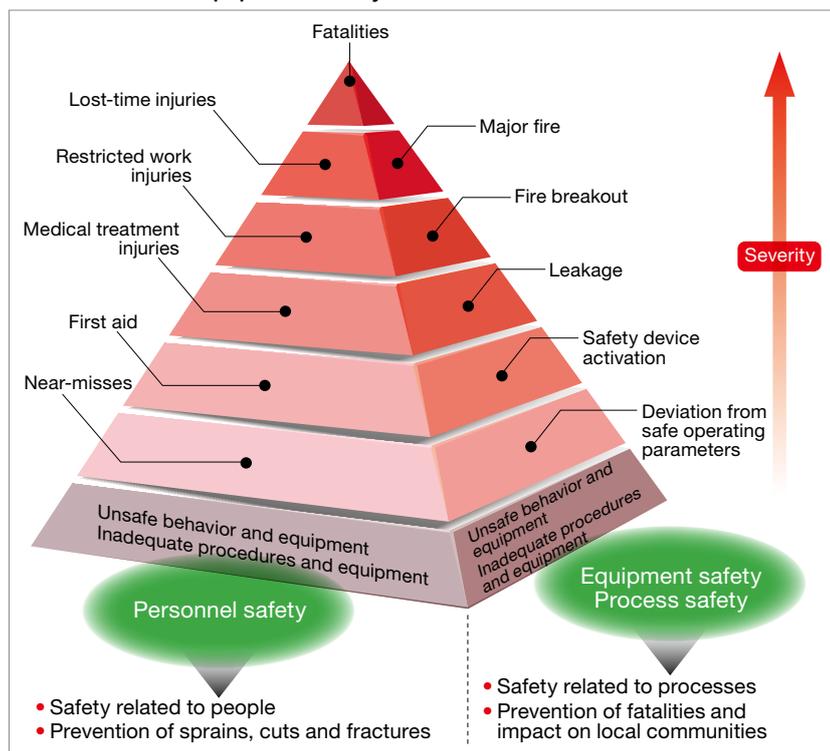
	2009	2010	2011	2012	2013
Number of lost-time injuries	0	1	0	0	0

• **Equipment safety**

Recent accidents involving fires and explosions in the oil and petrochemical industries have clearly shown that these incidents and associated damage to equipment can severely impact worksite operations and the surrounding areas.

We use a variety of methods to estimate and assess the severity of risks associated with equipment and its operation, and apply the results to prioritize and systematically implement safety measures, including facility investments. We also collect and categorize data on near-miss incidents to assess potential risks that may require further investigation and appropriate countermeasures. In addition, we review operation and maintenance procedures, such as examining equipment and cleaning tanks. The procedures were developed as a result of lessons learned from major internal and external incidents. We rigorously apply these best practices at our worksites as procedures requiring strict adherence.

• **Personnel and equipment safety**



• **Non-stationary operation safety**

Eliminating equipment-related incidents is a vital issue of the petroleum and petrochemical industries in terms of social impact and preventing occupational injuries. In general, the root causes of equipment-related incidents involve operating procedures under non-stationary conditions and the management of maintenance operations. The equipment used in these industries for handling combustible materials, high temperatures, extreme pressures and toxic substances requires particularly rigorous oversight.

The Group's work permit system for equipment maintenance operations strictly regulates work conditions, operating requirements and operational procedures. We have also introduced a work permit audit to confirm that these rules are adhered to at our worksites and that operators and supervisors have the required knowledge. We designate specialized staff to conduct daily audits on work permits issued by each refinery, with a focus on high-risk operations. Auditors have the authority to suspend operations as needed, supervise the worksite on matters concerning work permits and call for the creation of improvement plans as necessary. We have achieved significant results in the dissemination and education of work permit rules, which are constantly being improved.



On an inspection tour during periodic maintenance, the TonenGeneral Sekiyu president talks to workers about the importance of maintaining safety.

▶ Health Initiatives

Healthy employees benefit the entire community, and the Group provides various programs to help its employees lead healthier lives.

TonenGeneral Group Health Policy

In accordance with its Health Policy, the TonenGeneral Group has established the Medicine and Occupational Health (MOH) Department to manage health in the workplace. The MOH Department promotes workplace health initiatives based on this policy.

Voluntary, comprehensive occupational health management with the collaboration of specialists

Our MOH Department comprises occupational health specialists including occupational physicians, occupational health nurses and industrial hygienists. While this organizational structure is unusual in Japan, the staff members closely collaborate in their respective fields of expertise to implement occupational health initiatives that cover the three occupational health management functions designated by the government: work environment management, work management, and health management. In terms of overall work flow, the industrial hygienists are responsible for upstream work and work environment management, while the occupational physicians and occupational health nurses are responsible for downstream health management. This system enables each specialized staff member to fully apply his or her expertise.

Support for employee health management

Based on our belief that a healthy workforce is essential to the success of our business activities, we have implemented a number of programs to support the health of our employees. To help prevent lifestyle-related illnesses, we work to raise employee health awareness and promote disease prevention efforts through initiatives such as providing employees with health-related information focused on diet and exercise, and offering healthy menus in our cafeterias.

Our mental health initiatives include regular training and education regarding improvements in the work environment and other workplace elements that could affect mental health, response to employees who experience mental health problems, and support for employees returning to work after mental health-related leaves of absence. In 2013, we held 27 mental health training sessions attended by a total of 643 employees. In addition to these efforts, we conduct employee mental health screenings via questionnaire and hold private interviews with new employees to promote the early detection and treatment of employees who may be experiencing mental health issues.

A workplace environment that would not typically affect healthy workers may still cause problems for workers with compromised health conditions. Therefore, we conduct evaluations of medical fitness, before assigning employees to job categories involving relatively high workloads or health risks, for example, those involving the use of respiratory protective devices.

The TonenGeneral Group voluntarily implements these initiatives to maintain the health of all of our employees and help them achieve an appropriate work-health balance.

Relevant policy under the Standards of Business Conduct (SBC)

☑ Health Policy

VOICE

Industrial hygiene initiatives with an emphasis on refinery work sites

Mikiro Arai

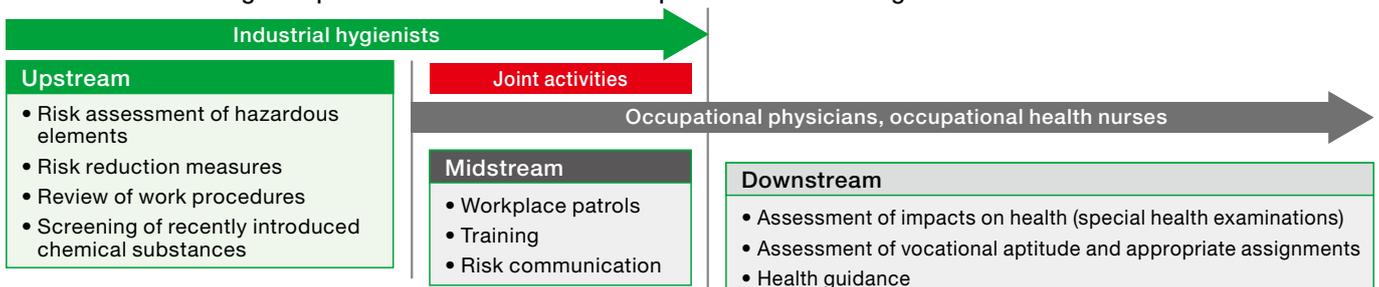
Industrial Hygiene Advisor
Wakayama Refinery Lead
Medicine & Occupational Health



I firmly believe that flawless operations and sound judgment cannot be achieved unless our employees are in good health, both physically and mentally. Accordingly, I implement industrial hygiene initiatives with an emphasis on refinery work sites. For example, to prevent work-related illnesses and protect the health of our employees and employees of contractor companies during their employment as well as after retirement, I identify, assess, and control, as scientifically and objectively as possible, noise, chemical substances and other elements at work sites that could have adverse effects on health. The operating environment at work sites changes all the time, just like a living creature, so I have to be especially vigilant in my activities there.

Seeing our current and retired employees in vigorous health makes all my efforts worthwhile.

• Collaboration among our specialist staff in the three occupational health management functions



Social contributions

The TonenGeneral Group proactively shares information to facilitate the continuous development of occupational health throughout Japan in addition to maintaining and improving the health of its employees. From 2011 to 2013, the nine staff members of our MOH Department made a total of 49 presentations at academic conferences and lectures for external audiences.

In addition, the Group's initiatives in occupational health technology have received recognition from various industries and occupational health academic societies in Japan, and in 2014 we received the encouragement prize from Occupational Hygiene & Ergonomics, Japan Society for Occupational Health. We also provide support for occupational health education and training in Japan by accepting students from university nursing departments as interns at our sites.

• Number of students accepted from university nursing departments

	2012	2013
Kawasaki refinery	—	10
Wakayama refinery	5	5

TOPICS

TonenGeneral Group awarded "A" rating and special recognition under Development Bank of Japan health management rating scheme

The TonenGeneral Group was awarded the highest rating of "A" under the health management rating scheme sponsored by the Development Bank of Japan (DBJ) in March 2014, and also received special recognition as a model company with outstanding programs and performance for the health management of its employees.

DBJ has developed this scheme for facilitating favorable financing conditions according to the results of its assessments of employee health management. The Group was the first company in the petroleum industry to receive this type of recognition from DBJ. Recognition for its health-related initiatives demonstrates that the Group has established excellent company-wide working conditions through its comprehensive workplace safety and health systems and personnel benefits programs, as well as employee health management.

The rating was based on the Group's response to a list of around 120 questions from DBJ, as well as interviews with DBJ, regarding the Group's initiatives. The questions on the list were primarily focused on health. Other topics included occupational health technology, human resources, labor-related measures (paid vacation, overtime work), safety (safety indicators, OIMS, etc.), and measures to ensure product safety.

Initiatives for which the Group received particularly high ratings are shown at right. In addition to health management, the Group received high ratings for its outstanding initiatives in a number of other areas.



The TonenGeneral Group received health management-rated financing from the Development Bank of Japan (DBJ) in March 2014, and also received special recognition from DBJ as a model company with outstanding programs and performance for the health management of its employees.



The TonenGeneral Group received a certificate of rating and a plaque for special recognition from the Development Bank of Japan.

• TonenGeneral Group initiatives rated highly by the Development Bank of Japan

Area assessed	Highly rated initiatives
Health management	Establishment of specific targets for employee health and implementation of measures to achieve targets Measures to address overwork Robust TG initiatives • Establishment of MOH Department as a specialized, independent entity in TG's occupational health segment (health-related activities for entire company implemented by specialists, including occupational physicians, occupational health nurses and industrial hygienists) • Social contributions through external activities • Financial assistance for cancer screenings and other medical exams
Occupational health technology	Risk assessment and control of hazardous substances and elements Assignment of technical positions (industrial hygienists)
HR- and labor-related measures	Paid vacation usage rate, low number of overtime hours (work-life balance)
Company-wide safety and occupational health management	Active involvement of management Establishment of basic policies for health and safety Amount and implementation rate of safety- and occupational health-related training
Safety-related measures and guidance	Management through OIMS Safety indicators (low lost-time injury rate, etc.) Attention to safety of contractor company employees
Product safety	Product Safety Policy and product safety-related measures

▶ Environmental Initiatives

Basic approach

Under its Environment Policy, the TonenGeneral Group strives to continuously improve its environmental performance by eliminating incidents that could adversely impact the environment.

Environment Policy

The TonenGeneral Group maintains a high level of responsibility for the environmental impact of all of its operations and strives to continuously improve its environmental performance while satisfying all environment-related legal requirements. Our Environment Policy establishes guidelines consisting of the eight items described at right.

Environmental business plan (EBP)

The Group's refineries, petrochemical plant, lubricant plant and terminals formulate EBPs for each refinery, plant or operational unit every year in accordance with the guidelines and goals of the TonenGeneral Group's EBP. The following components are required in these EBPs:

1. Environmental vision: dissemination of the Environment Policy and environmental expectations throughout each organizational unit
2. Understanding the current situation: analysis and assessment of recent trends in areas such as environmental performance indicators (EPI), local community claims and the status of legal compliance
3. Factors of environment-related changes: a review of future trends in environmental regulations, on-site activities that impact environmental performance and environmental protection activities and the results of the environmental aspect assessment (EAA), followed by the development of responses and priority setting
4. Environmental action plan: a statement of priority initiatives along with a budget and annual plans for the specific tasks incorporated into the business plan

EBPs are developed annually in parallel with business plans, including budgets. They incorporate concrete action plans and quantitative targets and reflect due consideration for the actual circumstances of each plant or operational unit. The plans are then implemented and related progress is monitored. This PDCA (plan-do-check-act) cycle has been implemented under OIMS (Operations Integrity Management System).

Relevant policy under the Standards of Business Conduct (SBC)

☑ Environment Policy

• Environment Policy

It is the TonenGeneral Group's policy to conduct its business in a manner that is compatible with the balanced environmental and economic needs of the communities in which it operates. The TonenGeneral Group is committed to continuous efforts to improve environmental performance throughout its operations. Accordingly, the TonenGeneral Group's policy is to:

- comply with all applicable environmental laws and regulations and apply responsible standards where laws and regulations do not exist;
- encourage concern and respect for the environment, emphasize the responsibility of every employee in environmental performance, and foster appropriate operating practices and training;
- work with government and industry groups to foster timely development of effective environmental laws and regulations based on sound science and considering risks, costs, and benefits, including effects on energy and product supply;
- manage its business with the goal of preventing incidents and of controlling emissions and waste to below harmful levels; design, operate, and maintain facilities to this end;
- respond quickly and effectively to incidents resulting from its operations, in cooperation with industry organizations and authorized government agencies;
- conduct and support research to improve understanding of the impact of its business on the environment, to improve methods of environmental protection, and to enhance its capability to make operations and products compatible with the environment;
- communicate with the public on environmental matters and share its experience with others to facilitate improvements in industry performance;
- undertake appropriate reviews and evaluations of its operations to measure progress and to foster compliance with this policy.

Collection and evaluation of environmental protection data

The Group routinely monitors environment-related data at all of its refineries and its petrochemical plant, releases timely reports on results to national and local governments, and effectively utilizes the summarized data in its environmental protection activities. Our Environmental Performance Indicators, shared commonly across the Group, provide the baseline for comparing data from all the refineries and for creating the Environmental Business Plan, and is used for planning and follow-up of environmental improvement activities.

To ensure that the Environmental Performance Indicators are firmly grounded in the same definitions, calculation methods and level of data accuracy throughout the Group, we have published a common manual that lists all relevant details. Reports are prepared using a common data collection template and are reviewed by the environment advisor* at the head office before being submitted with the approval of the respective business line. Data of the Group and Group companies is disclosed in the Group's CSR Report and is also compiled in a database for responding to surveys conducted by the Petroleum Association of Japan and the Japan Chemical Industry Association.

Assessment of environmental impact

Our refineries, petrochemical plant, lubricant plant and terminals identify the environmental impacts of their operations and regularly assess potential environmental risks. This assessment covers a wide range of items, including the release or discharge of regulated substances and the management of industrial waste, as well as effects on biodiversity; the natural environment; environmental resources in relation to water intake, land utilization and other considerations; and local communities.

If the assessment reveals that any item is significantly impacting the environment, we consider and implement countermeasures and actions for mitigation. We regularly reevaluate the environmental impact of all items and make necessary modifications taking into consideration changes in operations, equipment, laws and regulations, and the environment. The results are incorporated into the EBPs mentioned above.

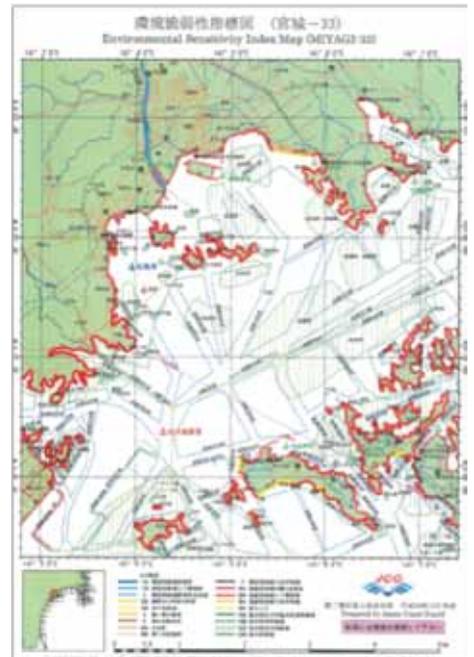
For example, in assessing the environmental impact of the distribution division, we assigned four- or five-member teams, which included staff members from other terminals and environmental advisors, to conduct assessments of all of our terminals over a two-year period starting in 2009. The results were compiled into an overall assessment of the entire distribution division with annual follow-up plans. The assessment also included a survey of the surrounding natural environment and endangered species, drawing upon references such as environmental sensitivity index maps published by the government. Consequently, we discovered many locations, such as a nearby national park, that required special attention to the natural environment, and we renewed our commitment to carefully monitor these areas.

• Data collection template for Environmental Performance Indicators

We collect data on 50 environmental performance indicators every year and use them in reports and for identifying areas that require improvements.

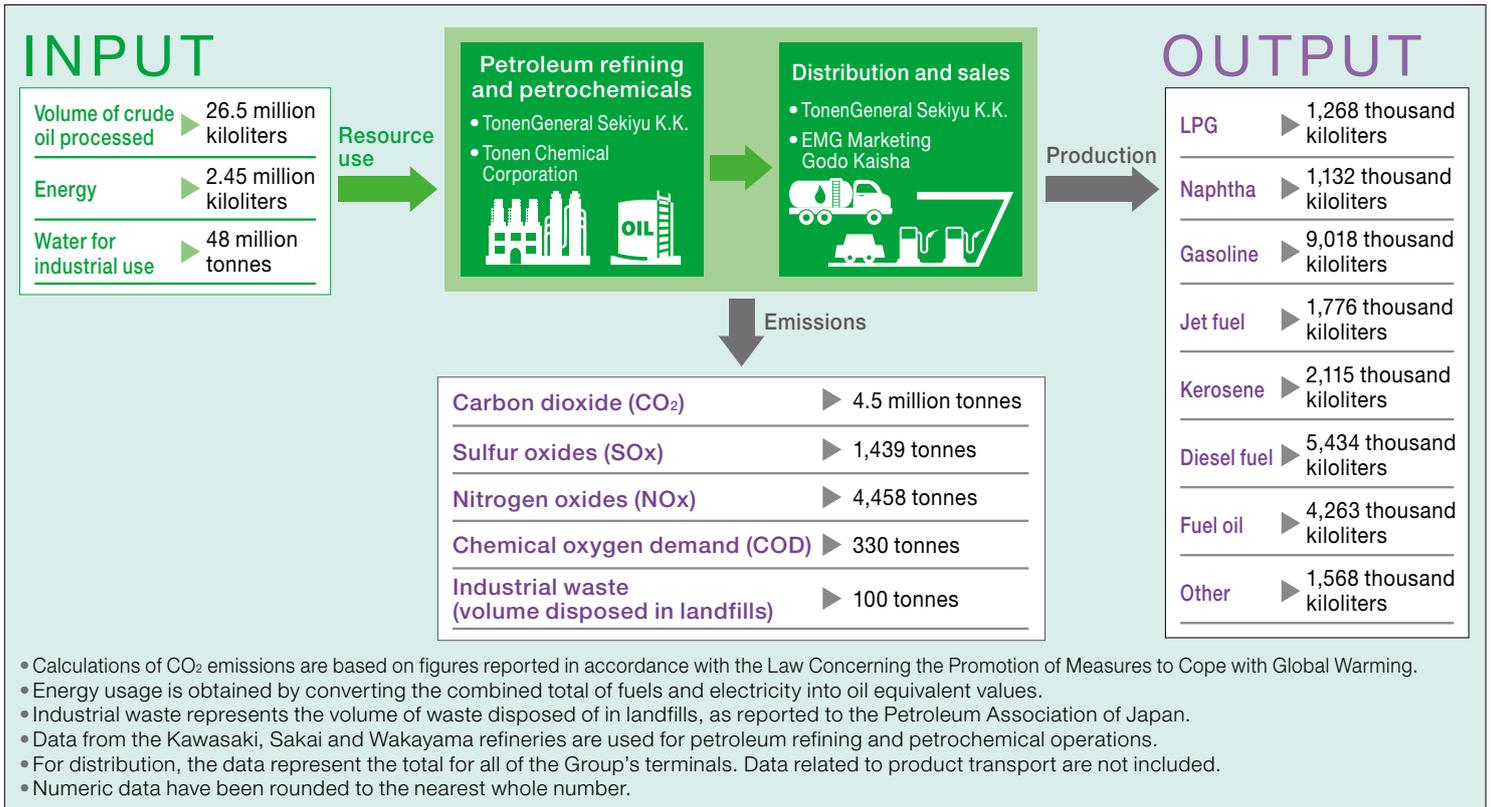
*An environment advisor has been stationed in the Environment Department of our head office to oversee the entire TonenGeneral Group. As specialists, they manage and control all operations related to the environment.

• Environmental sensitivity index map



Environmental sensitivity index map (Miyagi 33) published by the Second Regional Coast Guard Headquarters, Japan Coast Guard, in October 2008

Environmental impact associated with business activities (FY2013)



Legal and regulatory compliance

Environmental laws and regulations are wide-ranging and include the Basic Environment Act, Air Pollution Control Act, Water Pollution Prevention Act and Soil Contamination Countermeasures Act, which seek to prevent regional pollution, as well as the Law Concerning the Promotion of Measures to Cope with Global Warming and Act on the Rational Use of Energy, which focus on global issues. To comply with existing regulations, we carefully monitor our daily operations to ensure their level of impact remains within the limits of regulatory targets as well as local targets set by pollution prevention agreements with communities. A legal compliance assessment is conducted approximately every four years as an external audit under OIMS. Outside experts are invited to spend about three days at the sites being audited, and the results are used to make improvements.

To identify future trends in environmental regulations, the Environment Department at the head office takes the lead in continuously monitoring public announcements by related ministries and developments in various committees. It also gathers information on commonly identified issues in the industry by participating in the committees of organizations such as the Petroleum Association of Japan and the Japan Petrochemical Industry Association, and incorporates this information into our EBPs and considerations for input into the early stages of policy development. At the same time, in accordance with our Environment Policy, we collaborate with the government and industry organizations to foster timely development of effective environmental laws and regulations based on sound science and due consideration of the risks, costs, and benefits, including effects on energy and product supply.

Environmental communication

The Group releases a message from the TonenGeneral Sekiyu president to all employees every June, which has been designated as Environment Month, to communicate the importance of environmental protection activities as part of our day-to-day operations. Moreover, since there are many ways to protect

the environment in the office or at home, the president releases a message to convey the significance of these activities as opportunities for seriously thinking about conserving energy and resources as a new cultural value.

Our refineries and petrochemical plant strive to improve employee awareness about environmental protection activities and to prevent environmental incidents through measures such as releasing newsletters and conducting environmental patrols during regularly scheduled maintenance. With regard to local communities, we hold public meetings to explain regularly scheduled maintenance, host plant tours, distribute our newsletters, and organize voluntary cleanup events for local areas. We view these events as opportunities to communicate the Group's absolute commitment to safe operations and environmental protection and to strengthen our partnerships and relationships of mutual trust with local communities.

• Message from the president

▼ President's message for Environment Month, June 2014

To all employees of the TonenGeneral Group:

June 5 is World Environment Day, which was designated by the United Nations in response to a suggestion by Japan. Japan has also designated the entire month of June as Environment Month with the goal of raising public interest and understanding about environmental protection and to publicize and educate the public on practical ways to protect the environment.

I would like to take this opportunity to thank everyone at the TonenGeneral Group for your day-to-day efforts to protect the environment. This message should encourage you to remember how important these activities are to us as employees as well as citizens of the world and convey my hope that these efforts will serve as the starting point for new initiatives.

Under its Environment Policy, the TonenGeneral Group embraces a high level of responsibility for all aspects of the environment, and strives to continuously improve its environmental performance while complying with all legal requirements in this area. Efforts at our refineries and plants include preventing oil leakage, complying with standards for air and water pollution, reducing emissions of air and water pollutants, responding to climate change, reducing industrial waste and preventing soil and groundwater contamination. Many of you are already actively involved in these environmental protection activities.

In regard to these activities, I particularly want to share with you some achievements resulting from our energy conservation efforts, which contribute to preventing climate change. Last year, TonenGeneral Sekiyu K.K. was publicly recognized for having achieved the Energy Benchmark (EBM) targets under the Act on the Rational Use of Energy (Energy Conservation Law) for the second consecutive year, and was the only oil company to be so recognized. In addition, Tonen Chemical Corporation was the only company out of nine petrochemical base products manufacturers to have achieved the targets. For more information, please refer to the intranet article dated October 16, 2013.

We have always led the industry in energy conservation at refineries and petrochemical plants by implementing advanced measures, and we will continue to actively engage in these activities as the industry's front-running enterprise. Consequently, it will become even more important for all of our refinery locations to work together in the area of energy conservation.

The oil industry has formulated the Low-Carbon Society Action Plan for FY2020 (details of the plan can be found in "Petroleum Industry in Japan" published by the Petroleum Association of Japan), and TonenGeneral Sekiyu must shoulder part of the responsibility for attaining its goals. Since the Great East Japan Earthquake in 2011, Japan has become increasingly dependent on fossil fuels to meet its energy needs, which also raises the importance of energy conservation. We will continue our rigorous efforts to reduce energy consumption at our refinery locations and throughout the process of delivering our manufactured products to customers, as well as electricity use at the head office and branch offices, regardless of the relative magnitude of impact. Needless to say, these energy conservation activities also enhance business efficiency.

I hope this year's Environment Month will serve as a reminder that the many ways in which we are protecting the environment, such as our response to climate change risks, are the very backbone of our business, and I encourage you to continue your efforts. I also expect you to actively engage in environmental initiatives outside the company as part of your responsibility as a citizen of this world.

Thank you again for your continuous efforts to protect the environment.

Jun Mutoh
Representative Director, President,
TonenGeneral Sekiyu K.K.

• Newsletter for environmental communication

▼ "Protect Tomorrow. Today.", distributed in the Wakayama refinery



Response to climate change risks

Energy conservation at refineries

The oil industry has upheld its target of reducing the average refinery unit energy consumption for FY2008 through FY2012 by 13% compared to FY1990 levels. The Group has consistently led the industry in energy conservation activities by implementing advanced initiatives at its refineries and petrochemical plant. As a result, we have continuously maintained our refinery unit energy consumption at the best levels in the industry. Our figures remained far below the industry average in FY2013.

In July 2012, the Ministry of Economy, Trade and Industry's Agency for Natural Resources and Energy began releasing the names of companies that had achieved the targets for energy benchmarks under the Act on the Rational Use of Energy (Energy Conservation Law), enacted in April 2010. In the oil refining industry, TonenGeneral Sekiyu K.K. was publicly acknowledged as having achieved the targets in FY2012 for the third consecutive year. In the category of petrochemical base products manufacturers, Tonen Chemical Corporation received public recognition for having achieved the targets in FY2012 for the second consecutive year. The Group will continue to aggressively pursue initiatives to further reduce greenhouse gas emissions through energy conservation.

Initiatives at the TonenGeneral Research Center

Our history of researching and developing lubricants extends more than 70 years into the past to the establishment of the Research Center, and we have developed a number of advanced high-performance lubricants. Our automotive lubricants, in particular, have significantly improved fuel efficiency through joint research with automakers and also contribute to the reduction of automotive CO₂ emissions.

CO₂ reduction

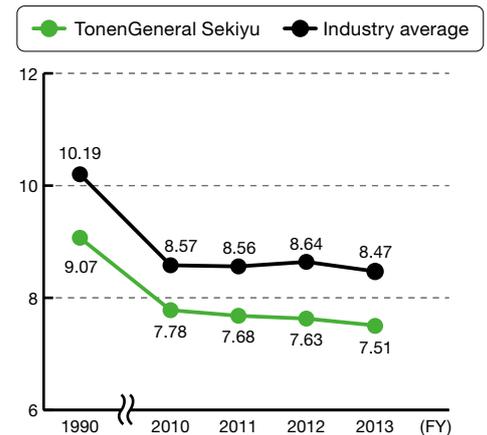
As shown in the graph at right, CO₂ emissions attributable to the combined total energy usage by TonenGeneral Sekiyu K.K., Tonen Chemical Corporation and EMG Marketing Godo Kaisha, reported in accordance with the revised Energy Conservation Law, have declined from 4.8 million tonnes in FY2009 to 4.5 million tonnes in FY2013.

Initiatives for reducing emissions of volatile organic compounds

Volatile organic compounds (VOCs) are thought to cause urban ozone through a photochemical reaction with nitrogen oxide (NOx) and ultraviolet rays from sunlight. While the industries associated with this concern had been required to reduce VOC emissions by 30% from 2000 levels by 2010, the oil industry, including the TonenGeneral Group, met this target before the deadline. Combined VOC emissions at our Kawasaki, Sakai and Wakayama refineries and our distribution division was 4,580 tonnes in FY2013, 33% lower than 2000 levels.

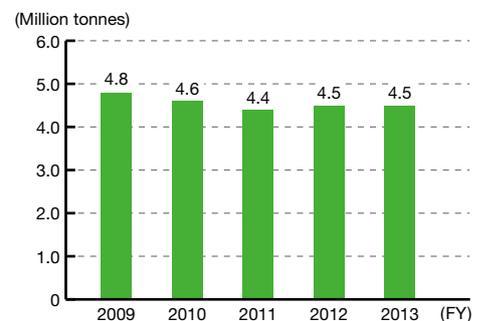
We have installed cameras at the Group's production sites to visually identify VOCs that may be emitted through pipes, valves and tanks. We regularly inspect our facilities using these cameras in an effort to reduce VOC emissions.

Change in refinery unit energy consumption*1



*1 Refinery unit energy consumption = oil equivalent consumption volume (kl) per CDU equivalent throughput

CO₂ emissions*2



*2 CO₂ emissions attributable to the combined total energy usage by TonenGeneral Sekiyu K.K., Tonen Chemical Corporation and EMG Marketing Godo Kaisha reported in accordance with the revised Energy Conservation Law



Inspection of VOC emissions

Air pollution prevention measures

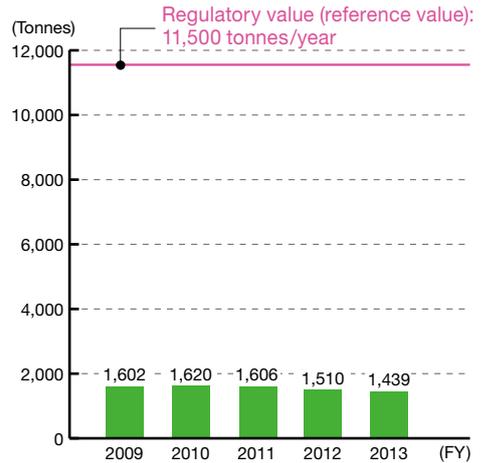
Refineries and petrochemical plants generate sulfur oxides (SOx) and nitrogen oxides (NOx) in their furnaces and boilers when burning fossil fuel. We utilize devices that remove sulfur from fuel gases and flue gas desulfurizers to reduce SOx emissions, and low-NOx burners and flue gas denitrizers to reduce NOx emissions.

As shown in the graphs at right, the Group has maintained low levels of SOx and NOx emissions; approximately 10% and 60% of regulatory value (annual reference values), respectively.

Water pollution prevention measures

We implement measures for recycling and reuse of water in our refineries and petrochemical plants. Water that must be discharged into the ocean is first run through a processing system using oil separators and activated sludge to reduce impacts on the environment. As measured in terms of chemical oxygen demand (COD), a widely accepted water quality indicator, the Group has maintained a low level of approximately 40% of the total volume compared to the regulatory value (annual reference value) of the total pollutant load control.

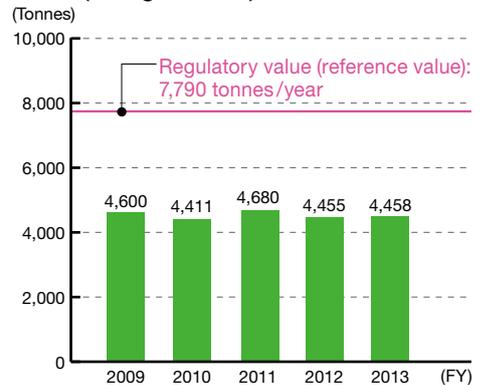
• SOx (sulfur oxide) emissions



Note: Data represent combined total for the TonenGeneral Sekiyu K.K. refineries (Kawasaki, Sakai and Wakayama) and the Tonen Chemical Corporation Kawasaki plant.

The calendar year (January 1 through December 31) is used for 2009 through 2010, and the fiscal year (April 1 through March 31) for 2011 through 2013.

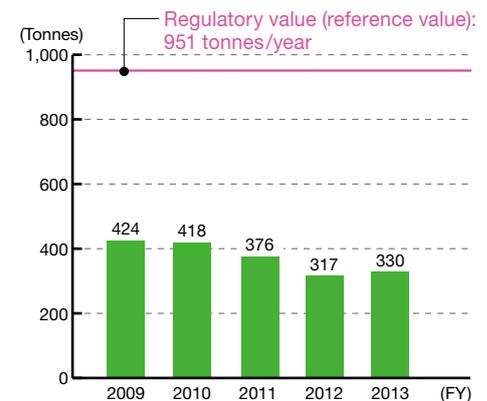
• NOx (nitrogen oxide) emissions



Note: Data represent combined total for the TonenGeneral Sekiyu K.K. refineries (Kawasaki, Sakai and Wakayama) and the Tonen Chemical Corporation Kawasaki plant.

The calendar year (January 1 through December 31) is used for 2009 through 2010, and the fiscal year (April 1 through March 31) for 2011 through 2013.

• COD (chemical oxygen demand) emissions



Note: Data represent combined total for the TonenGeneral Sekiyu K.K. refineries (Kawasaki, Sakai and Wakayama) and the Tonen Chemical Corporation Kawasaki plant. The calendar year (January 1 through December 31) is used for 2009 through 2010, and the fiscal year (April 1 through March 31) for 2011 through 2013.

Measures for reducing industrial waste

The industrial waste discharged from our refineries and petrochemical plant primarily consists of oil-bearing sludge discharged during the cleaning of equipment and tanks, spent catalysts, and sludge from wastewater treatment equipment. We strive to limit the volume of waste generated and to reduce and recycle the waste into raw materials and usable resources through intermediate processing. As a result, the volume of waste disposed of in landfills, a key indicator of industrial waste volume, dropped to 100 tonnes in FY2013 from 2,300 tonnes in FY2003, a reduction of approximately 95%.

Reporting in accordance with the PRTR Law

In accordance with the Law Concerning Pollutant Release and Transfer Register (the PRTR Law) passed in 1999, refineries, petrochemical plants and terminals tally and report the volumes of specific chemical substances released and transferred. A revised enforcement order changed the definition of Class I designated chemical substances beginning in FY2010.

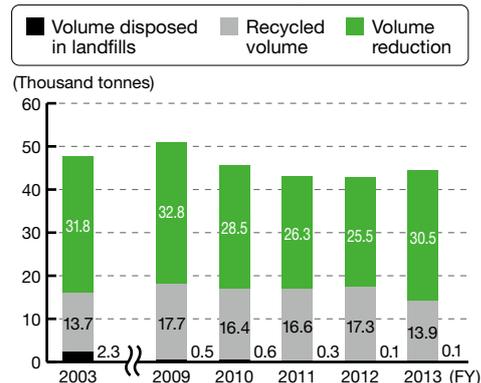
The substances released or transferred from our refineries, petrochemical plant and terminals primarily consist of the benzene, toluene, xylene, and normal hexane contained in gasoline, as well as phenol waste materials.

• PRTR substance release and discharge (FY2013) (Tonnes/year)

Government ordinance No.	PRTR substances	Volume released into the air	Volume discharged into waterways	Volume of waste material transferred	Total
1	Water-soluble zinc compounds	0	8	0	8
20	2-Aminoethanol	0	2	0	2
36	Isoprene	0	0	0	0
53	Ethylbenzene	3	0	0	3
80	Xylene	49	0	0	49
83	Cumene	0	0	0	0
207	2,6-Di-tert-butyl-4-cresol	0	0	0	0
219	Dimethyl disulfide	0	0	0	0
232	N,N-Dimethylformamide	0	0	0	1
262	Tetrachloroethylene	0	0	0	0
296	1,2,4-Trimethylbenzene	2	0	0	2
297	1,3,5-Trimethylbenzene	0	0	0	0
300	Toluene	81	0	0	81
302	Naphthalene	0	0	0	0
309	Nickel compounds	0	0	3	3
349	Phenol	0	0	0	0
351	1,3-Butadiene	1	0	0	1
392	Normal hexane	118	0	0	118
400	Benzene	27	0	0	27
408	Poly(oxyethylene) octylphenyl ether	0	0	0	0
438	Methylnaphthalene	0	0	0	0
453	Molybdenum and its compounds	0	0	0	0
455	Morpholine	0	13	7	20
Total		281	23	9	314

Note: Data represent the combined totals for the TonenGeneral Sekiyu refineries (Kawasaki, Sakai and Wakayama) and terminals, the Tonen Chemical Corporation Kawasaki plant, and EMG Marketing Godo Kaisha terminals (only rounded values of 1 tonne or greater are listed).

• Industrial waste discharge



Note: Data represent combined total for the TonenGeneral Sekiyu K.K. refineries (Kawasaki, Sakai and Wakayama) and the Tonen Chemical Corporation Kawasaki plant. The industrial waste volume represents the volume of waste disposed of in landfills, as reported to the Petroleum Association of Japan.

Measures for preserving soil and groundwater environments

The Group is actively protecting the soil and groundwater environments at its operational sites and the surrounding areas. Since the enforcement of the Soil Contamination Countermeasures Act in 2003, corporate responsibility for the environment has become increasingly important. The Group has voluntarily implemented a number of steps from a variety of perspectives to minimize its environmental impact, from upgrading facilities and improving operations management, to conducting environmental surveys and purification work.

Measures to prevent soil and groundwater contamination

With regard to soil and groundwater contamination caused by leakage from aging facilities, our Environmental Services Department has been conducting environmental surveys and implementing purification measures to preserve the environment surrounding our facilities. We report to appropriate local government departments on any incidence of contamination levels exceeding environmental regulations, and we take corrective actions based on their guidance and in accordance with the Soil Contamination Countermeasures Act. Furthermore, depending on the specific facility, we apply our own environmental standards, which are more stringent than legally required, for greater effectiveness in preserving the surrounding environment.

Measures to prevent leakage at service stations

To prevent leakage at our service stations, we are introducing equipment of the highest standard in Japan. For example, we are installing double-walled tanks as well as resin pipes and high-performance oil level gauges at new facilities. Moreover, using our Underground Tank Risk Management Program (URM Program), if we detect a high risk of leakage at one of our service stations, we reduce the risk through measures such as installing additional leakage control equipment. In addition, in the area of operations, we use OIMS as well as service station safety inspection logs as we work with our dealers to ensure compliance with all relevant laws and regulations, carry out risk assessments, conduct regular facility inspections, and ensure proper management of fuel oil stocks. We also educate operators on the importance of soil contamination countermeasures.



Installation of flexible resin pipes

COLUMN

Responsible Care

Responsible Care is an initiative of the International Council of Chemical Associations. Chemical companies that participate in Responsible Care make voluntary efforts to maintain the safety, health and environment; report the results of their activities; and maintain dialog and communication with stakeholders and the general public regarding all of their chemical-related business processes, from the development, manufacture, distribution, use, and final consumption of chemical substances to their disposal and recycling. Tonen Chemical Corporation has implemented Responsible Care and currently serves as a member of the Japan Chemical Industry Association's Responsible Care Committee. As part of these efforts, the Tonen Chemical Kawasaki plant reported on its industrial zone safety and disaster response activities at the Responsible Care Kawasaki regional dialog held in January, 2014. The TonenGeneral Group has adopted the Responsible Care initiative within the framework of OIMS to protect the environment and maintain safety and health.



Responsible Care Kawasaki regional dialog

Site Data

Kawasaki refinery • TonenGeneral Sekiyu K.K. • Tonen Chemical Corporation

Address: 7-1 Ukishima-cho, Kawasaki-ku, Kawasaki City, Kanagawa 210-8523, Japan
Phone: (81) 44-288-8301
Start of operations: 1960 (TonenGeneral Sekiyu), 1962 (Tonen Chemical)
Site area: Approximately 2.05 million m²
Crude oil processing capacity: 268,000 barrels/day
Ethylene production capacity: 478,000 tonnes/year



• Control status for environmental regulatory values

	Applicable laws and regulations	Regulated item	Classification	Unit	Current regulatory value	FY2013 actual value (maximum value)
SOx	Air Pollution Control Act	Total volume	TG*1	Nm ³ /H	82.488	0.8(5.3)
			TCC*2	Nm ³ /H	101.678	2.0(3.5)
	Kawasaki City ordinance	Total volume	TG	g/10 ³ Kcal	0.34	0.003(0.019)
			TCC	g/10 ³ Kcal	0.34	0.007(0.011)
NOx	Air Pollution Control Act	Total volume	TG	Nm ³ /H	108.054	61.5(73.4)
			TCC	Nm ³ /H	140.13	79.6(96.3)
	Kawasaki City ordinance	Voluntary control value (4-year average)	Combined total for TG and TCC	tonnes/year	2,040	1,918*3
		Total volume (daily limit)	TG	g/10 ³ Kcal	0.26	0.13 (0.15)
TCC	g/10 ³ Kcal		0.26	0.14 (0.16)		
Particulate	Kawasaki City ordinance	Total volume	Combined total for TG and TCC	tonnes/year	363.7	291.6*3
Soot	Air Pollution Control Act	Concentration	Boiler	g/Nm ³	0.07	0.014(0.022)*4
			Petroleum-heating furnace	g/Nm ³	0.10	0.001(0.001)*4
			CO boiler	g/Nm ³	0.30	0.012(0.02)*4
	—	Soot release volume	TG	tonnes/year	—	40.2*3
			TCC	tonnes/year	—	57.4*3
COD	Water Pollution Prevention Act, city ordinance	Total volume	Combined total for TG and TCC	kg/day	1,691	960(1,570)
Nitrogen	Kawasaki City ordinance	Total volume	Combined total for TG and TCC	kg/day	1,146	660.4(740)
Phosphorous	Kawasaki City ordinance	Total volume	Combined total for TG and TCC	kg/day	86.4	22.4(25.9)

*1 TG: TonenGeneral Sekiyu K.K. *2 TCC: Tonen Chemical Corporation *3 Annual total *4 Concentration limit for each furnace
 Note: Fiscal year (FY 2013: April 1, 2013-March 31, 2014) used for environmental regulatory values and actual values.

Sakai refinery • TonenGeneral Sekiyu K.K.

Address: 1 Chikko Hamadera-cho, Nishi-ku, Sakai City, Osaka 592-8550, Japan
Phone: (81) 72-269-2011
Start of operations: 1965
Site area: Approximately 770,000 m²
Crude oil processing capacity: 156,000 barrels/day



• Control status for environmental regulatory values

	Applicable laws and regulations	Regulated item	Unit	Current regulatory value (maximum value)	FY2013 actual value (maximum value)
SOx	Air Pollution Control Act	Total volume	Nm ³ /H	90.6	2.6 (3.9)
NOx	Air Pollution Control Act	Total volume	Nm ³ /H	114.2	22.2 (28.8)
Soot	Air Pollution Control Act	Concentration	g/Nm ³	0.05	0.009 (0.017)
COD	Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea, Osaka prefectural ordinances	Concentration	mg/l	9.3 (15.0)	6.8 (9.3)
		Total volume	kg/day	109.4 (176.2)	51 (82)
Nitrogen	Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea, Osaka prefectural ordinances	Concentration	mg/l	20 (21.5)	6.2 (17.8)
		Total volume	kg/day	228.8 (270.8)	47 (146)
Phosphorous	Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea, Osaka prefectural ordinances	Concentration	mg/l	0.8 (2.3)	0.3 (0.7)
		Total volume	kg/day	9.8 (29.1)	2.5 (5.6)

Note: Fiscal year (April 1-March 31) used for actual values.

Wakayama refinery • TonenGeneral Sekiyu K.K.

Address: 1000 Hama, Hatsushima-cho, Arida City, Wakayama 649-0393, Japan
Phone: (81) 737-85-1010
Start of operations: 1941
Site area: Approximately 2.48 million m²
Crude oil processing capacity: 132,000 barrels/day



• Control status for environmental regulatory values

	Applicable laws and regulations	Regulated item	Unit	Current regulatory value	FY2013 actual value (maximum value)
SOx	Air Pollution Control Act	Total volume	Nm ³ /H	184.6	52.4 (87.0)
NOx	Pollution prevention agreements	Total volume	Nm ³ /H	186.4	120.4 (141.0)
Soot	Air Pollution Control Act	Concentration	g/Nm ³	0.05–0.15*1	0.001* (0.004)
				0.2	0.082 (0.140)*2
COD	Water Pollution Prevention Act, Wakayama prefectural ordinances	Concentration	mg/l	25	2.2 (4.1)
		Total volume	kg/day	739.7	229.0 (522.0)
Nitrogen	Water Pollution Prevention Act, Wakayama prefectural ordinances	Concentration	mg/l	60	2.3 (4.0)
		Total volume	kg/day	397.6	208.0 (371.0)
Phosphorous	Water Pollution Prevention Act, Wakayama prefectural ordinances	Concentration	mg/l	8	0.1 (0.2)
		Total volume	kg/day	43.8	11.0 (23.0)

*1 Concentration limit for each furnace *2 CO boiler

Chiba refinery • Kyokuto Petroleum Industries, Ltd.

Address: 1 Chigusa-kaigan, Ichihara City, Chiba 299-0108, Japan
Phone: (81) 436-23-9580
Start of operations: 1968
Site area: Approximately 1.44 million m²
Crude oil processing capacity: 152,000 barrels/day



Kawasaki plant • NUC Corporation

Address: 8-1 Ukishima-cho, Kawasaki-ku, Kawasaki City, Kanagawa 210-0862, Japan
Phone: (81) 44-299-5711
Start of operations: 1961
Site area: Approximately 170,000 m²
Polyethylene production capacity: 300,000 tonnes/year



Note: Kyokuto Petroleum Industries, Ltd. and NUC Corporation became subsidiaries of the Group in February 2014 and July 2013, respectively. Therefore, data from these subsidiaries for the applicable reporting period is not included in this report.

Relationship with Stakeholders

- ▶ Customers
- ▶ Employees
- ▶ Shareholders
- ▶ Business Partners
- ▶ Local Communities

As a good corporate citizen that enjoys the trust of its stakeholders, we strive toward sustainable management while maintaining the appropriate balance of economic growth, social development and environmental protection.



▶ Relationship with Customers

The TonenGeneral Group believes it is essential to obtain the satisfaction of the customers who purchase our petroleum products and visit our service stations. Bearing this in mind, the Group strives to understand and effectively respond to customer needs and requests.

Basic approach

The TonenGeneral Group works to supply a wide range of reliable products, including fuels, LP gas, lubricants, and petrochemical products. Our Customer Relations and Product Quality Policy, specified in our Standards of Business Conduct, is described below.

- Provide high-quality products that meet or exceed equipment specifications and consumer needs under all reasonable circumstances.
- Furnish services that reliably meet responsible standards of performance, efficiency, and courtesy.
- Furnish accurate and sufficient information about our products and services, including details of guarantees and warranties, so that customers can make informed purchasing decisions.
- Require truth in advertising and other communications.
- Actively encourage wholesalers, dealers, and service stations to adhere to equivalent standards when supplying Group products to customers.

Quality management structure

The TonenGeneral Group employs the TonenGeneral Product Quality Management System (TG PQMS), a proprietary system that oversees quality control activities for all processes from product manufacturing to sales. TG PQMS is based on risk management that satisfies the requirements of the ISO 9001 quality management system, and conformance to ISO 9001 has been recognized by JMA Consultants Inc.

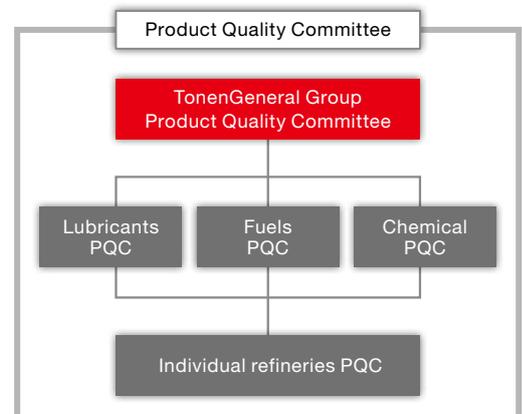
We have significantly improved quality management by assessing relevant risks and implementing preventive measures, drawing upon a global knowledge base and best practices. We ascertain conformance with TG PQMS requirements and confirm the effectiveness of the system by periodically conducting audits from a third-party perspective as part of PDCA (Plan-Do-Check-Act) cycles at all divisions subject to quality management in manufacturing, sales and other areas.

We have obtained ISO 9001 certification at the Kawasaki, Wakayama and Sakai refineries, the Tsurumi lube oil blending plant, the TonenGeneral Research Center, the Kyokuto Petroleum Industries Chiba refinery, and the NUC Kawasaki plant to assure the public that our quality management activities are effectively safeguarding quality. In addition,

Relevant policies under the Standards of Business Conduct (SBC)

- Customer Relations and Product Quality Policy
- Product Safety Policy
- Antitrust Policy

• Quality management structure



an ISO certification body has confirmed that our quality management at the Wakayama refinery is in full compliance with the ATIEL Code of Practice, the guidelines for quality management required by the European Automobile Manufacturers' Association (ACEA) for base oil used in engine oil. Accordingly, TonenGeneral is the only Japanese refiner registered on the ATIEL website (<http://www.atiel.org/>).

To reinforce governance of quality management, the Product Quality Department at our head office comprehensively oversees the quality management of the Group's products. Audits conducted from a third-party perspective are carried out at all of our refinery locations and businesses under the guidance of the Product Quality Department. In 2014, audits have been planned and carried out at 13 sites, including third-party terminals and testing facilities. The Product Quality Committee, established at each management level and encompassing processes from manufacturing to sales, regularly checks the execution status of quality management.

Quality improvement initiatives

To ensure that our products satisfy equipment specifications and to supply high-quality products that meet customer needs, the marketing division and the quality assurance, production control, and engineering divisions at our head office as well as our refineries, along with the TonenGeneral Research Center, collaborate to improve product quality and work on product development programs.

Responding to customer needs

Customer feedback received by the marketing and customer service divisions is shared with all related divisions, including our Product Quality Department, to ensure fast and accurate response. In determining product quality design and specifications, we draw upon a database of our abundant experience and knowledge. We conduct thorough evaluations to ensure that each product satisfies legal requirements and industry standards such as the Japanese Industrial Standards (JIS), as well as the specifications in our customer contracts to prevent any problems in usage. These practices enable us to supply highly reliable, high-quality products.

Control of chemical substances

To protect the health and safety of everyone involved with our products, as well as the environment, the Group exercises complete control of the chemical substances contained in our products. We thoroughly implement our legal monitoring and compliance systems to ensure that we satisfy all legal requirements applicable to our products and chemical substances. Furthermore, we publish safety data sheets to provide the necessary safety information to customers and anyone else who may come into contact with our products.

We are continuously enhancing the safety management systems for our products and the chemical substances contained therein.

• Safety data sheet for ethylene



Creating customer-friendly service stations

The Group implements common sales policies for all three of its brands (Esso, Mobil, and General) throughout Japan to provide a stable supply of high-quality petroleum products at reasonable prices. We operate our service stations in a safe and environmentally conscious manner while responding to the ever-changing needs of our customers.

At our service stations, we provide products and services that accurately address customer needs. Examples include Synergy brand high-quality fuels; our leading Mobil 1 brand lubricants; the Synergy Card, which can be used at Esso, Mobil, and General service stations nationwide; the Speedpass, with which customers can complete payments by simply holding the pass over the payment terminal; and a point system that enables customers to accumulate “nanaco” points through cash purchases.

In addition, the industry-leading Express brand self-service stations, numbering over 1,000 locations, offer various innovative features. In addition to the aforementioned Speedpass, these stations feature the Video Pump (fuel pumps equipped with a high-resolution color display), the Express Wash (a car wash with high-performance equipment that offers simple, speedy and high-quality self-service car washing), Mobil 1 Centers (offering high-quality lubricants and other products with quick, professional service), and alliance sites with Seven-Eleven convenience stores and Doutor Coffee shops. These features provide drivers with the quickest, simplest and cleanest services available.



* The TonenGeneral Group integrated the sales businesses of MOC Marketing G.K. and EMG Marketing Godo Kaisha on July 1, 2014.

Mission of the Customer Service division

The Customer Service division responds to requests and inquiries from dealers as well as the end users who purchase our products. We receive around 3,500 customer communications a year. In the event of customer dissatisfaction or complaints, we immediately report to the department responsible so that measures for improvement can be instigated. We also receive expressions of gratitude from our customers (for example, for assistance from our service station staff when a customer’s car was stuck in the snow), and we share these messages with service station staff and departments involved, contributing to the Group’s pursuit of ever-higher standards of service.

Petroleum products are an important source of the energy that people need for their daily lives. All of us at the TonenGeneral Group therefore work together to promptly deliver the highest quality services to our customers.



Express brand self-service station



The Synergy Card offers discounts up to 7 yen per liter of fuel.

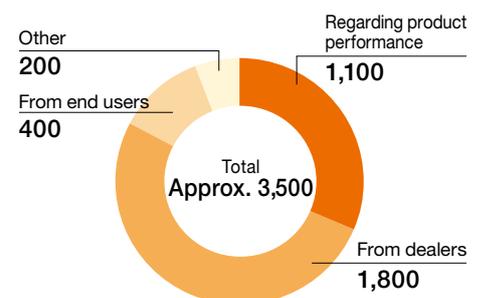


Nanaco card users receive nanaco points each time they swipe their cards to refuel.



A Mobil 1 Center

• Number of inquiries received by Customer Service division (2013)



▶ Relationship with Employees

The source of the TonenGeneral Group's competitive edge is, above all, its people. We have implemented a number of policies to enable our employees to achieve their full potential through their work and attain a good work-life balance.

Basic approach

The TonenGeneral Group considers its employees to be valuable assets and therefore supports them in achieving their full potential. Our human resources policies encourage the hiring of capable personnel and the development of competent leaders by providing a diverse range of job experiences and ample opportunities for education. The Standards of Business Conduct, which sets out the Group's basic policies, clearly defines the guiding principle in the relationship between the company and employees as follows.

The exceptional quality of our workforce provides a valuable competitive edge. To build on this advantage, we will strive to hire and retain the most qualified people available and to maximize their opportunities for success through training and development. We are committed to maintaining a safe work environment enriched by diversity and characterized by open communication, trust and fair treatment.

Respect for human rights

The Group's Standards of Business Conduct clearly prohibits any form of discrimination or harassment. We make continuous efforts to maintain a comfortable workplace, free of harassment or human rights issues.

Employees are required to report any incidence of harassment they may witness to their supervisors, a manager, or the Human Resources Division, which also operates a harassment consultation center to accept direct complaints, eye-witness reports, and questions on what constitutes harassment in the workplace. In addition to the harassment consultation center operated by the Human Resources Division, the Group has both internal and external hotlines to facilitate reporting by employees (see p.28).

We have also designated human rights promotion representatives in each workplace to raise employee awareness. These representatives receive training in human rights and harassment issues and then conduct annual human rights training sessions in their respective workplaces.

• Number of employees*1

	2011	2012	2013
Number of employees	2,171	2,805*2	2,921

*1 Includes consolidated subsidiaries as of December 31

*2 When EMG Marketing Godo Kaisha became a consolidated subsidiary of TonenGeneral Sekiyu K.K., the number of employees increased by 634 compared to the end of the previous fiscal year.

• Employee makeup*3

	2013
Average age	41.9
Average number of years of service	19.6
Percentage of female employees	8.4
Percentage of managerial positions occupied by female employees	4.9

*3 Data applies to employees of TonenGeneral Group companies TonenGeneral Sekiyu K.K., EMG Marketing Godo Kaisha, and TonenChemical Corporation.

Relevant policy under the Standards of Business Conduct (SBC)

Harassment in the Workplace Policy

Diversity

In rapidly changing times, strong creativity and ideas based on diversity are essential for the sustainable development of any company. The Group respects the individuality of each employee and strives to provide a workplace that will maximize their talents. We also actively recruit female employees. The table at right shows the numbers of female employees hired into professional positions in the past three years and their percentage of the total.

Every TonenGeneral Group company seeks to create a workplace where diverse human resources can fully demonstrate their abilities. In addition, we are working to go beyond simply maintaining the statutory employment rate for persons with disabilities by adhering to proactive hiring policies and promoting understanding throughout the Group.

Human resource development

Based on the belief that the source of the Group's competitive strength is, above all, its people, we have implemented an evaluation and human resources development system to help our employees grow and achieve their full potential through their work. The system comprises a number of human resources-related elements, such as hiring, allocation and development planning, education and training, and performance evaluation.

• Structured evaluation and development program

Hiring	<p>Switch to centralized Group hiring for professional positions</p> <ul style="list-style-type: none"> • Hire individuals for the Group instead of each division
Allocation and development planning	<p>Introduce a company-wide structure for allocating human resources</p> <ul style="list-style-type: none"> • Develop human resources with an understanding of the integrated management of production and sales • Further promote job rotation across divisions
Education and training	<p>Construct a new training system tailored to the TonenGeneral Group</p> <ul style="list-style-type: none"> • Cultivate new values • Develop leaders who can open new avenues
Performance evaluation	<p>Performance evaluation based on new values</p> <ul style="list-style-type: none"> • Promote the embodiment and dissemination of TonenGeneral Group values through self-evaluations and discussion with supervisors

Relevant policy under the Standards of Business Conduct (SBC)

☑ Equal Employment Opportunity Policy

• Number of employees hired into professional positions*1

	Total number of employees hired into professional positions (2012-2014)	Number of women	Percentage
Marketing, administrative and general	11	7	64
Engineering	45	10	22
Total	56	17	30

*1 Total for TonenGeneral Sekiyu K.K., EMG Marketing Godo Kaisha, and TonenChemical Corporation

• Ratio of employees with disabilities (%)

	2011	2012	2013	2014
TonenGeneral Sekiyu	1.79	1.85	2.13	2.06
EMG Marketing	1.92	1.61	2.17	2.12
Tonen Chemical	2.62	2.08	1.91	1.96

Statutory employment rate: 1.8% (until 2012); 2.0% (from 2013)
Note: Percentages as of June 1 for each year

• Attrition rate for new graduates within first three years of employment*2

	2009 Hires	2010 Hires	2011 Hires
Attrition rate within first three years of employment	5.1%	5.9%	5.8%

*2 Total for TonenGeneral Sekiyu K.K., EMG Marketing Godo Kaisha, and TonenChemical Corporation

TOPICS

The Next Generation (TNG), an initiative for considering the future of the TonenGeneral Group, was introduced in 2014. Young employees who apply to participate in this program are divided into eight teams comprising a diverse array of members, who freely discuss and make recommendations for the future of the Group. The fifty-one participants included three from Kyokuto Petroleum Industries, three from MOC Marketing and two from NUC, making this activity representative of the integration of the Group.

Six executive officers and six managers of the Group also participate in the activities, offering support to the team members and helping to further enliven the discussions.

As the number of participants exceeded expectations, the kickoff meeting was held in two sessions. The first session, with 24 participants, was held on May 26 and 27, and the second session, with 27 participants, was held on July 9 and 10.

A final report on the activities of the 2014 sessions will be presented in February 2015.



Evaluation system

Under our evaluation system, managers and employees share responsibility for managing the progress of employees' short-term performance goals and creating mid- to long-term career plans, as well as developing and implementing training plans through effective, ongoing communication. Fair and objective performance evaluations are vital for human resource development. Multiple perspectives are therefore applied by having several supervisors, engaged in similar types of work, confer on employee evaluations to eliminate any potential personal bias. The TonenGeneral Group applies creative methods to consistently encourage superior performance and fairly evaluate and reward results. Our evaluation standards emphasize each individual's contribution to the team in addition to the progress employees make toward achieving agreed-upon objectives. Evaluators seek input from multiple sources to arrive at a comprehensive and objective evaluation of employee performance. To encourage the acquisition and development of specialized knowledge, employees are asked to set personal business goals and development plans aligned with the goals of the company and to frequently review progress with their supervisors, who in turn provide ongoing feedback and coaching.

Additionally, the evaluation system calls for periodic gatherings of supervisors for the purpose of reaching a consensus on details related to the development of subordinates and personnel allocation plans.

These processes are applied to all employees, both male and female, to ensure fair evaluation and equitable treatment.

Training system

Our training system consists of a number of programs, including the Leadership Program for each job position and the Individual Effectiveness (IE) Program to improve the skills required of each individual. In contrast with short-term intensive programs, our Leadership Program is designed to steadily reinforce and strengthen skill acquisition over an extended period by incorporating a training camp format and involving leading business schools in Japan. A distinctive feature of our IE Program is that employees take the initiative to attend courses for work-related skills they want to develop in consultation with supervisors, further reinforcing the key TonenGeneral Group values of self-reliance and self-determination.

Generational turnover is another issue we are addressing as many employees who joined the company around the same time approach retirement. Consequently, the Group is introducing a new educational system that will effectively accelerate the abilities of the next cohort of employees to seamlessly replace those who are retiring. This system offers several thousand course units related to areas such as operations, maintenance and engineering. Beyond simply introducing the system, we have assigned experts from various company divisions to serve as instructors to help evolve and expand the program. This carefully designed training program accelerates the upgrading of skills by each subsequent cohort of employees.

• Training hours per employee*1 (Hours/year)

	2011	2012	2013
Hours	31.3	27.6	37.0

*1 Total for TonenGeneral Sekiyu K.K., EMG Marketing Godo Kaisha, and TonenChemical Corporation

• Training program (overview)

Job position	Reconstruction of conventional programs	New program			
	Job-specific training	Training for honing necessary skills	Opportunity for younger employees to work abroad	Personal development for management	Business needs
Director	Director training ★				
Department manager	Department manager training ★			Participation in open-admission courses at business schools	Camp where participants train with experts
Division manager	Division manager training		Opportunity to work abroad at ExxonMobil	Open-admission courses for managers ★	Persuasive speaking skills ★
Supervisor	Supervisor training Newly appointed supervisor training	Individual Effectiveness (IE) Program	Overseas Development Assignment (ODA)		
Employee	Follow-up training ★ New employee training				

★ Scheduled for introduction in 2014

Work-life balance

The TonenGeneral Group recognizes how important maintaining a healthy work-life balance is to employees and has systems in place to support them.

• Work-parenting balance

In accordance with the Act on the Advancement of Measures to Support Raising the Next Generation, passed in 2005, TonenGeneral Sekiyu K.K. and EMG Marketing Godo Kaisha formulated an action plan to help employees achieve a work-parenting balance and have been establishing systems to support the plan.

The Ministry of Health, Labor and Welfare has recognized the actions these companies have taken to support the raising of future generations by certifying them as having met its work-parenting balance standards and allowing the use of its “Kurumin” certification mark, shown at right.

We support employees in balancing their work and lives by encouraging them to take advantage of our flextime system. Furthermore, we have made progress at each refinery in reducing overtime through measures such as “no overtime” days.

• Paid vacation

A maximum of 25 paid vacation days are granted to employees depending on their length of service, and employees throughout the entire Group are encouraged to take all of their paid vacation days. As a result of our improvement in operational efficiency, we have consistently ranked high among large companies in Japan in terms of the numbers of days of paid vacation both offered and taken and the ratio of paid vacation taken.

• Annual actual overtime

Annual actual overtime has remained at between 18 and 20 hours per employee per month. We are striving to further reduce these hours through operational improvement projects and by introducing and establishing “no overtime” days.

• Total annual actual working hours

The average of total annual actual working hours, including actual overtime and paid vacation, was 2,046.8 hours for all industries in fiscal 2012, according to the 2013 General Survey on Working Hours conducted by the Institute of Labor Administration, and 1,882 hours for the Group in calendar year 2012. Using this point of comparison, we believe we are providing a working environment in which employees can comfortably achieve a healthy balance between work and life.

• Nursing care leave

Employees with family members who require nursing care may take nursing care leave of up to an aggregate total of 365 days. The system flexibly accommodates a variety of circumstances, allowing employees to take leave for consecutive days, single days or by the hour.



“Kurumin” certification mark

• Annual paid vacation*1

	2011	2012	2013
Paid vacation offered (days)	22.9	23.0	23.1
Paid vacation taken (days)	21.8	21.0	21.8
Ratio of paid vacation taken (%)	95.0	91.4	94.4

• Overtime*1 (Hours/month/person)

	2011	2012	2013
TonenGeneral Group average overtime	19.2	20.0	18.8

• Total annual actual working hours*1

	2011	2012	2013
TonenGeneral Group average total annual actual working hours	1,862	1,882	1,847

• Number of employees who took nursing care leave*1

	2011	2012	2013
Women	—	2	—
Men	2	4	2
Total	2	6	2

*1 Total for TonenGeneral Sekiyu K.K., EMG Marketing Godo Kaisha, and TonenChemical Corporation

• Child care leave

The Group offers longer child care leave than legally required, allowing employees at their discretion to stay at home until their child reaches two years of age. An increasing number of male employees have been taking paternity leave. Furthermore, we have established a comprehensive childrearing support system, which includes permitting shorter workdays for employees with children through the fourth grade and granting partially paid time off to care for sick children.

To further support our employees in more effectively balancing work and life, and in an effort to promote the use of related systems, we have created an online reference guide which is accessible at any time and includes information about the content and application procedures for the systems.

• Systems and programs that support a work-life balance

Support for flexible work styles				
System	Flextime system, annual paid leave, floating leave, compensation days, telecommuting system for managers			
	<table border="1"> <thead> <tr> <th>Childbirth and child care</th> <th>Nursing care</th> </tr> </thead> <tbody> <tr> <td>Maternity leave, special paid leave to care for wife during childbirth, child care leave, shorter work hours for child care, paid leave to care for a sick child, limits on overtime and work on holidays, exemption from late-night shifts, hospitalization benefits, subsidy for hiring a nursing care attendant, subsidy for hiring a home aide</td> <td>Nursing care leave (long and short term), limits on overtime and work on holidays, exemption from late-night shifts, hospitalization benefits, subsidy for hiring a nursing care attendant, subsidy for hiring a home aide</td> </tr> </tbody> </table>	Childbirth and child care	Nursing care	Maternity leave, special paid leave to care for wife during childbirth, child care leave, shorter work hours for child care, paid leave to care for a sick child, limits on overtime and work on holidays, exemption from late-night shifts, hospitalization benefits, subsidy for hiring a nursing care attendant, subsidy for hiring a home aide
Childbirth and child care	Nursing care			
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Welfare program				
Programs provided by external providers	Lodging in Japan and overseas Quality of life assistance (child care coupons, subsidized nursing care, consultation services, support for celebrations, support for use of fitness club)			

• Number of employees taking child care leave*1

	2011	2012	2013
Women	6	12	10
Men	3	2	5
Total	9	14	15

• Number of employees working reduced hours*1

	2011	2012	2013
Women	7	7	7
Men	2	1	—
Total	9	8	7

*1 Total for TonenGeneral Sekiyu K.K., EMG Marketing Godo Kaisha, and TonenChemical Corporation

VOICE

Currently a stay-at-home dad

Yukio Yonetsu
Controller's



I am currently taking the maximum two-year child care leave. I feel fortunate to be able to witness the growth of my three sons – a rowdy five-year-old, a two-year-old who has just started talking, and an infant. Children grow up quickly, so the time we have with them is extremely limited. Right now, it's quite unusual for a company to offer long-term child care leave to its male employees, but I think it will become more and more common. The TonenGeneral Group is leading this trend with its efforts to promote work-life balance. I'm grateful that the Group has this outstanding system in place.

Communication with employees

To prevent any gaps in communication between Group management and employees, management members take every opportunity to disseminate information to all employees through email and our intranet. We also hold employee forums on a regular basis to provide an opportunity for face-to-face interaction between management and employees.

From February to April 2014, employee forums were held at 17 of our business sites across Japan, and were attended by a total of around 2,250 employees. Management members attended these events whenever possible to speak directly with employees.

Relevant policy under the Standards of Business Conduct (SBC)

Open Door Communication Policy

▶ Relationship with Shareholders

TonenGeneral Sekiyu K.K. maintains a high level of competitiveness and capital efficiency while working continuously to increase shareholder value. To keep investors up to date on these efforts, we place shareholder communications as a top priority and employ a variety of methods for sharing information.

Basic approach

TonenGeneral Sekiyu K.K. has long maintained a basic policy of disclosing information quickly, transparently and accurately to enable investors to fairly assess the company's value. TonenGeneral Sekiyu's management team and Board of Directors place the highest priority on communicating with investors, and we strive to provide useful information about the company's performance and future outlook.

In February 2013, TonenGeneral Sekiyu announced a medium-term management plan, which summarizes our business activities and goals for the five-year period to 2017. As part of the plan, we acquired ownership of MITSUI OIL CO., LTD. (currently MOC Marketing G.K.) and converted it into a consolidated subsidiary in February 2014. TonenGeneral Sekiyu will continue to release information concerning progress in achieving our medium-term management plan in the same timely manner as we customarily announce revisions in earnings forecasts.

Communication with shareholders

Communication with investors involves far more than the legally and regulatory mandated disclosure of information. In addition to annual reports, our Fact Book and timely website updates, we provide our shareholders with dividend notices on a semi-annual basis, along with our shareholder brochure, which includes a broad range of information including current performance data.

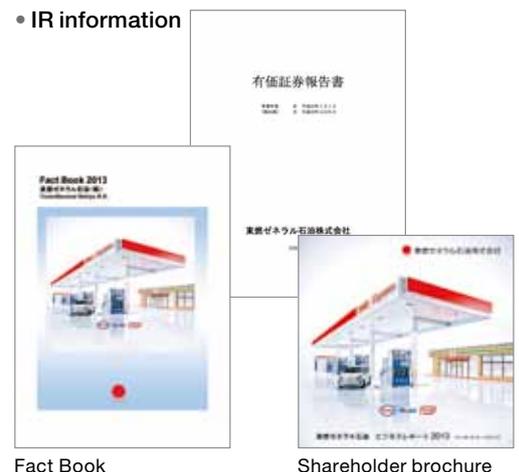
Our website offers a straightforward presentation of the Group's business structure. Visitors are readily able to navigate and find information on the user-friendly site. Web content encompasses a diverse range of useful information for investors and other stakeholders, from the latest investment data to service station campaigns. Standard information is also provided, such as our corporate profile and introductions to Group activities, including CSR initiatives.

The site is updated frequently, so visit often.

 <http://www.tonengeneral.co.jp/english>

In addition to these activities, TonenGeneral Sekiyu offers a variety of other channels through which securities analysts and institutional investors can obtain information on the company's financial performance and strategies. These include briefings on financial results, individual meetings and site visits, all attended by senior executives. For example, we invited institutional investors and securities analysts to participate in an October 2013 tour of our Sakai refinery, during which we explained our initiatives on safety, energy efficiency and the development of an optimal configuration for refining facilities in our refining and distribution operations. We believe all investors benefit from activities such as this, in which opinion leaders in the securities industry gain a better understanding of our company.

• IR information



Fact Book

Shareholder brochure



Website



Sakai refinery tour for institutional investors and securities analysts

Returns to shareholders

We will continue to maintain a high level of competitiveness and capital efficiency as well as a strong focus on our shareholders. Our basic policy on returns to shareholders remains unchanged. We will endeavor to maintain a sound financial structure and provide stable dividends to shareholders from a long-term perspective.

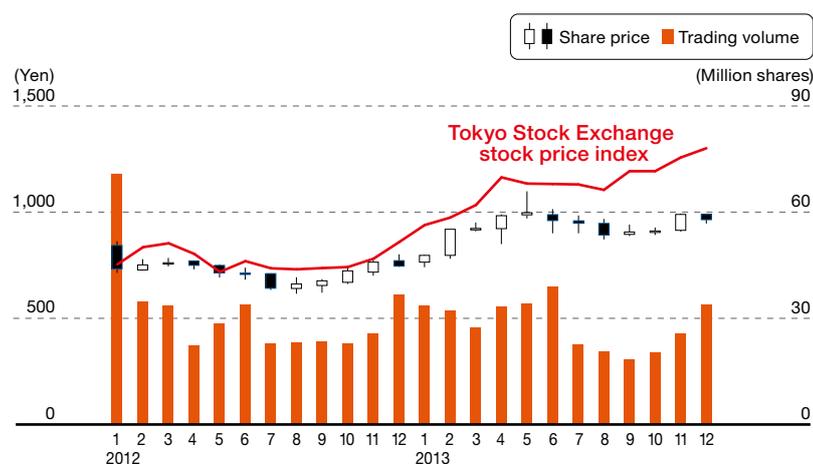
Stock information (as of December 31, 2013)

Number of shares authorized to be issued: 880,937,982

Number of shares issued: 565,182,000

Number of shareholders: 47,518

• Monthly share price range and trading volume



• Major shareholders

Shareholder	Number of shares (thousand)	Percentage of total shares
EXXON MOBILE BAY LIMITED PARTNERSHIP	80,000	14.15
The Master Trust Bank of Japan, Ltd. (Trust account)	9,912	1.75
Japan Trustee Services Bank, Ltd. (Trust account)	9,377	1.66
Kochi Shinkin Bank	8,547	1.51
Barclays Securities Japan Limited	6,000	1.06
Nomura Securities Co., Ltd.	4,869	0.86
STATE STREET BANK WEST CLIENT - TREATY	4,067	0.72
Nippon Life Insurance Company	3,785	0.67
Nomura Bank (Luxembourg) S.A.	3,330	0.59
SIX SIS Swiss National Bank	2,938	0.52

Note: Treasury shares (200,813,000 shares or 35.53%) are excluded from the above list.

• Annual dividends

	2009	2010	2011	2012	2013
Dividend per share (yen)	38.0	38.0	38.0	38.0	38.0

• Shareholders' memo

Fiscal year: January 1 to December 31
 Annual general meeting of shareholders: March
 Record dates: Voting rights for annual general meeting of shareholders: December 31
 Year-end dividend: December 31
 Interim dividend: June 30

Shareholder register manager (special account management institution): Mitsubishi UFJ Trust and Banking Corporation

Handling office: Mitsubishi UFG Trust and Banking Corporation
 Corporate Agency
 Department
 7-10-11 Higashisuna
 Koto-ku, Tokyo
 137-8081, Japan
 0120-232-711 (toll free)
<http://www.tr.mufg.jp/daikou/>

Unit of stock: 1,000 shares

Publication method:
 Electronic publication
<http://www.tonengeneral.co.jp>
 (Publication in the Nihon Keizai Shimbum when electronic publication is not possible)

▶ Relationship with Business Partners

Business partners support the TonenGeneral Group in numerous areas, including the procurement and transport of crude oil and petroleum feedstocks; capital investment in and day-to-day maintenance of refineries and chemical and lubricant plants; purchasing and management of direct and indirect materials; and product sales and delivery.

Basic approach

The business operations of the TonenGeneral Group depend on the cooperation of a large number of business partners, with whom we endeavor to build strong, trust-based relationships. At the same time, we require our business partners to comply with the law and acknowledge and conform to the high ethical standards the Group demands. Here we introduce typical relationships the Group maintains with suppliers of direct and indirect materials, services and construction work, with the dealers who sell our products, and with the contract carriers that deliver our products.

Relationship with suppliers

The TonenGeneral Group selects suppliers in a fair manner having put in place a set of purchasing rules based on company regulations. Accordingly, tasks related to purchasing agreements are performed from an independent standpoint by the Procurement Services Department, which is in charge of procuring direct and indirect materials, services, and construction work for facilities and operations.

Applying procurement expertise, experience and networks acquired over the years, the Procurement Services Department has built a framework that enables us to carry out procurement operations at optimal cost for the TonenGeneral Group. Moreover, the Group selects suppliers who are capable of consistently providing a high level of expertise and service and who actively seek greater efficiencies through ongoing improvements.

In the selection process, suppliers are comprehensively assessed on reliability of compliance. In concrete terms, we emphasize health, safety, the environment, information management and observance of the law, as well as price, quality, delivery, technological capability, and supply stability. In addition to legal compliance, suppliers are also required to comply with health and safety policies and other elements of our corporate standards, just like our employees, as well as specific compliance clauses incorporated into basic agreements.

For example, our agreements include an alcohol and regulated drugs clause under which we conduct snap inspections to prevent on-the-job incidents. Suppliers of our suppliers are also required to practice ethical behavior under the “corporate code of conduct and workplace harassment” clause. An audit clause allows us to conduct on-site audits of suppliers to monitor overall compliance with agreements.

At the end of the year, we send letters to major suppliers to deepen understanding and commitment to our compliance expectations and to request their cooperation with our policy on declining to follow the traditional Japanese custom of receiving summer and year-end gifts.

We believe this approach to CSR, through which performing our business in strict legal and regulatory compliance in turn strengthens the compliance of our suppliers, creates a ripple effect across our supply chain and society as a whole.

Note: In the TonenGeneral Group, procurement of crude oil, petroleum feedstocks and marine vessels is carried out by the operating divisions, while procurement of materials (including indirect materials), services and construction work for facilities and operations is handled by the Procurement Services Department.

VOICE

Making recommendations and improvements together

Isao Hayashi
President, Representative Director
Hayashi Kaiun Co., Ltd.



Hayashi Kaiun has conducted marine cargo handling for TonenGeneral Sekiyu since 1951. Throughout this association of over 60 years, with the conclusion of each contract, we have engaged in active discussions about matters such as improving efficiency, thus maintaining a constructive tension in our relationship.

TonenGeneral Sekiyu employs a number of excellent tools, including OIMS, LPS, and CIMS, to promote safety and corporate ethics. The company also has a buddy manager system in which TonenGeneral supervisors are responsible for the safety of the contractor company employees who work with them. In addition, TonenGeneral and Hayashi Kaiun work to promote safety by discussing a broad range of topics, including Hayashi Kaiun's recommendations for improving operations. While efficiency is important, the most important thing is safe operations. Both TonenGeneral and Hayashi Kaiun recognize the importance of making recommendations and improvements together in order to maintain safety.

Communication with dealers

We consider dealers to be key business partners of the TonenGeneral Group. Accordingly, at the beginning of each year, our sales and marketing divisions for fuels and lubricants jointly hold the Grand Dealer Meeting to announce our sales policies for the year to our dealers. We have nine branch offices and three sales offices in Japan staffed by around 150 sales personnel who work in close communication with dealers to provide strong support for the development of their businesses based on our sales policies, fostering a relationship that is beneficial for both the Group and our dealers.

We also hold the EMG SS Masters national tournament, an annual event in which we meet with service station managers to recognize excellence in service station management as well as to communicate our sales policies and other pertinent information, and share managers' success stories.

The Group also values two-way communication with regional EMG, IF and LPG associations that represent dealers. We support the activities of these associations and, when formulating Group strategies, carefully consider the ideas and issues they raise.

• Strengthening dealer business foundations

Having established solid relationships of trust over the years, the TonenGeneral Group supports dealers in strengthening their business foundations by providing a range of programs for improving management skills in addition to sales promotion programs. In particular, the Group offers counseling in business plan development, from business analysis that takes into account anticipated environmental changes and related challenges, to network analysis associated with service station network restructuring, and business model optimization.

The Group also offers seminars for owners, future management and senior executives of dealerships across Japan as well as a variety of training programs for service station managers and sales personnel in areas such as service station operation and management, human resource development techniques, basic customer service and safety management.

Top-quality delivery service by contract carriers

Contract carriers that deliver the Group's products are vital business partners. We conduct a variety of training and education activities for all contract carriers to raise safety awareness, strengthen skills and upgrade facilities for safe delivery. In times of emergency as well as under normal circumstances, the Group promptly teams up with contract carriers to ensure a stable supply of products.

• Main efforts undertaken in collaboration with contract carriers

1. Attention to the environment

We continue to promote the use of large-capacity tank trucks. This has helped to reduce the number of deliveries to service stations, resulting in reduced emissions and diesel consumption volumes.

2. Communication of Group policies

We hold kickoff meetings for all of our contract carriers at the beginning of each year to communicate our safety policies and targets for the year.

3. Efforts to ensure transport safety

In an industry-leading initiative, a clause requiring the installation of drive recorders in all delivery vehicles is included in our carrier contracts, and installation of the devices has been completed. In addition, defensive driving training has been adopted for delivery businesses serving the Group. We also host a truck rodeo (a national competition to test driving skills) to bolster the skills of tank truck drivers and an unloading contest to raise safety awareness.

4. Establishment of BCP system

In addition to counseling for BCP development, we offer support for periodic emergency response training. We also participate jointly in training with local authorities and fire departments in regions where contract carriers are located.



Grand Dealer Meeting



SS Masters awards presentation ceremony



Counseling model



Seminar for senior executives of dealerships



Latest-model 30-kiloliter tank truck, the largest in the industry

▶ Social Contributions

The TonenGeneral Group fulfills its social responsibility primarily by providing a stable supply of energy and ensuring safety and reliability. We also believe that contributing to the development and vitalization of the communities where we operate is a key part of our mission. Accordingly, we are working to strengthen our ties with local citizens through social contributions and activities in such diverse areas as culture, the arts, sports, education, the environment, local communities, health, disaster response and prevention, and diversity.

Culture, the arts, sports

◆ The TonenGeneral Children's Culture Award and Music Awards

These awards are presented in recognition of those who have contributed to the development and improvement of music and children's culture in Japan, and to encourage future achievements. In 2013, the Children's Culture Award and the Music Awards were presented for the forty-eighth and forty-third time, respectively.



◆ Phoenix Tennis School

At our Sakai refinery, employees offer tennis lessons on the refinery's courts to children who are new to the sport. In 2013, which marked the fortieth year of this initiative, 68 children participated in the lessons, which were held offsite for the first time at a local elementary school.



◆ Sakai City Opera dress rehearsal

The Sakai refinery invites readers of Phoenix, a local monthly newsletter, to a dress rehearsal for a performance by the Sakai City Opera.



◆ Phoenix Christmas Concert

Since 2008, the Sakai refinery has invited readers of the monthly newsletter Phoenix to a Christmas concert held at the Nankai Electric Railway's Hamadera Koen Station, a nationally registered tangible cultural property.



Education

◆ Support for the Tonen International Scholarship Foundation

This organization provides scholarships for foreign exchange students enrolled at Japanese graduate schools as a way to promote friendly relations between Japan and other countries and to broadly contribute to society. As of April 1, 2014, a total of 185 students from 25 countries have received scholarships since the foundation's establishment in 1989.



◆ On-site learning program

The Sakai refinery welcomes students from a local junior high school to an on-site learning program designed to help them learn about local businesses and deepen their interest in their community.



◆ Support for the TonenGeneral Sekiyu R&D Encouragement and Assistance Foundation

This organization was established in 1981 to provide financial support for research related to energy and its effective utilization in Japan. Every year, grant applications are received from young scientists involved in unique, cutting-edge research and technological development. Over the 32 years of the foundation's history, grants totaling over 524 million yen have been awarded to 510 projects.



◆ Donations to schools

Under a matching donation program, the company matches employee donations to schools, thereby doubling the amount donated.

Environment

◆ Forest conservation activities (Adopt Forest Nijozan)

The TonenGeneral Goodwill Forest Maintenance program is implemented on Mt. Nijo in Taishi-cho, Osaka prefecture, to help prevent the deterioration of woodlands due to a shortage of people in local communities to maintain them.



◆ Kawasaki International Eco-Tech Fair

The Kawasaki International Eco-Tech Fair showcases Kawasaki City's innovative, world-class environmental technology. This year, the TonenGeneral Group, one of over 240 exhibitors at the event, introduced its energy-saving technologies and its alliances with industry partners. In addition, the environmental quiz that we hold for children was a great success once again this year.



◆ Green curtain

Since 2010, the Kyokuto Petroleum Industries Chiba refinery has actively participated in Ichihara City's "green curtain" project by growing climbing plants to provide shade for buildings and other structures. The refinery won the city's green curtain grand prize in the shop and office category in two consecutive years.



◆ Jinoshima volunteer cleanup

Prior to the start of the swimming season, the Wakayama refinery conducts a beach cleanup on Jinoshima, an island located about 1 km off the coast adjacent to the refinery, in a joint effort with Arida City and the Arida City Tourism Office. In June 2014, a total of 335 volunteers participated in the effort, including 185 refinery workers and 150 others affiliated with the refinery.



◆ Tangerine orchard patrols

From June to September every year, the Wakayama refinery partners with local tangerine growers to survey tangerine groves. The refinery has participated in this project for over 30 years as part of its efforts to safeguard the surrounding environment.



◆ Volunteer cleanup

Sakai refinery employees take part in a voluntary roadside cleanup organized in conjunction with environmental conservation efforts through the company's membership in the corporate network for the Sakai-Senboku Coastal Industrial Zone. More than 400 employees have participated in the cleanups, which are held six times a year.



Local communities

◆ Phoenix monthly newsletter

The monthly newsletter *Phoenix*, distributed to residents near the Sakai refinery since 1974, has become a recognized medium for communication between the refinery and the community. A variety of events are arranged for *Phoenix* readers to promote interaction with the refinery.



◆ Flower arrangement classes

The Kawasaki refinery hosts a flower arrangement class for the nearby Rokucho community association for women so they can enjoy this traditional Japanese form of artistic expression. Every three months, refinery personnel report to the class about the refinery's social contribution activities and exchange ideas and opinions with participants.



◆ Hajikami Kofun Nagaya-no-Okimi festival

Many people from the community take part in the annual Hajikami Kofun Nagaya-no-Okimi festival, a local historical and cultural event that takes place in front of a fifth-century burial mound located on the refinery grounds.



◆ MUZA Kawasaki lunchtime/night concerts



The Kawasaki refinery cosponsors these concerts in support of the Kawasaki – City of Music project promoted by Kawasaki City. It also hosts a children's event on Muza Day, this year featuring a program that included reading aloud to children and teaching participants about petroleum through scientific experiments.



◆ Refinery tours for local elementary and junior high school students

Students from local elementary and junior high schools are invited to Group refineries to give them opportunities to learn about petroleum refining and safety.



Health

◆ Blood drives

As an active supporter of the Japanese Red Cross Society's blood donation program, the Group has held blood drives for employees at its head office and refineries since 1968.



◆ Charity Run

The TonenGeneral Group supports the Tokyo YMCA International Charity Run, an event held to raise money to support outdoor activities for children with disabilities. In 2013, the Group entered 19 teams in the race, with family members and colleagues who turned out to support the runners bringing the total number of Group participants to around 150.



Disaster response and prevention

◆ Support for areas affected by the Great East Japan Earthquake

We share the joy of reading with children in communities that lost libraries in the Great East Japan Earthquake by providing fuel through our Esso, Mobil and General service station network for mobile library buses that routinely circuit those areas as part of the Books for Tomorrow project.



◆ Safety training and emergency drills

The TonenGeneral Group strengthens its ties with local communities through its participation in emergency response training programs, which include activities such as joint public-private sector drills with large-capacity fire extinguishers used for responding to tank fires.



◆ Japan-U.S. joint firefighting drill

The Tsurumi lube oil blending plant is located adjacent to a U.S. Navy oil storage facility. The plant took part in a collaborative exercise with the fire departments of the U.S. Navy, the city of Yokohama and the town of Anzen to reinforce the joint action framework for mitigating damage in the event of an incident on the grounds of the oil storage facility.



A fire drill at Tank 604



A U.S. Navy official reviews the drill.

◆ Large-capacity foam firefighting system

As a member of the Osaka-Wakayama Regional Joint Disaster Response Association, District 8, the Sakai refinery serves as the base for deployment of equipment for a large-capacity foam firefighting system. This mobile system has a maximum water spray capacity of 60,000 liters per minute (as opposed to 3,000 liters per minute for a firefighting vehicle), and is capable of fighting fires for up to 10 hours.



◆ Firefighting training and observation

We provide opportunities for local residents to participate in firefighting training, including instruction in the use of fire extinguishers and fire hoses. We also invite local students to observe firefighting drills. By observing fire hose drills and simulated rescues of people with injuries, the students learn about the importance of being prepared for accidents and emergencies.



Diversity

◆ Japan National Para-Swimming Championships

Each year, the Group sponsors the Japan National Para-Swimming Championships run by the Japan Swimming Federation for the Disabled.



◆ Handicapped Skiers Association of Japan

We provide support each year for the Japanese National Disabled Ski Meet, sponsored by the Handicapped Skiers Association of Japan.



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(2) Extraordinary events	N/A
2. Third party evaluation of environmental information	66

We have conducted a third-party check to make sure the page numbers listed here in the content indices of the GRI Guidelines, Version 4, and the Environmental Reporting Guidelines (2012) of the Japanese Ministry of the Environment, correlate with the content of the TonenGeneral Group's CSR Report 2014.

As a result of the review, we confirm that the information on the page reference column has been properly presented.

Third-party opinion

1. Organizational mentality

The TonenGeneral Group is a group of petroleum and petrochemical companies with integrated production and sales operations. Although owned primarily by Japanese shareholders, the Group's background as part of a major oil company is still very much in evidence and is exemplified by a deeply-rooted American-style organizational mentality, which gives it a corporate culture that is unique among Japanese companies.

This mentality is characterized by the thorough implementation of risk management. Risks associated with business activities are identified and analyzed in detail, after which the required resources are deployed for risk avoidance and mitigation in order to ensure safe operations over the long term and a stable cost structure, contributing to the growth of the organization.

Risk management is based on a business management system called "controls". This is a disciplined system of self-management in which sub-systems including SMC, CIMS, SBC and DOAG are organically and solidly interlocked to form a framework for the administration of controls throughout the entire organization, supporting the Group's governance systems and its commitment to integrity, resulting in sound financial health, flawless operations, and close attention to safety, health and the environment.

The investment behavior, operating systems and information systems that support the TonenGeneral Group's industry-leading energy conservation efforts in Japan are the products of the Group's controls. Other controls-derived CSR management tools, such as the Group's incident reporting guidelines and its buddy manager system for suppliers, are also described in this report.

2. Development of good work environment

The sound implementation of controls has resulted in the development of and continuous improvements in the Group's work environment. In March 2014, the Group was awarded the highest rating of "A" under the health management rating scheme sponsored by the Development Bank of Japan, and also received special recognition as a model company. This is a testament to the Group's attention to the health management of its employees as well as its commitment to the implementation of systems, including human resources- and labor-related measures and company-wide safety and health initiatives, to ensure a good work environment. As indicated by the award, these efforts are reflected in the Group's outstanding performance, including its low workplace incident rate, low number of overtime hours, and high paid vacation usage rate. Continuation of these efforts is highly recommended.

3. PDCA for CSR management

The best feature of this year's CSR Report is a table showing the plans and results for the Group's PDCA (Plan-Do-Check-Act) for CSR management. This table, developed by each of the seven committees of the CSR Promotion Council, shows the action guidelines, priority items, performance for the year, assessment and improvement, and plan for the following year, enabling each of the committees to view its activities in terms of PDCA. Currently the focus is on qualitative plans and results, but incorporation of KPI in the future and quantitative management of targets and results would make this initiative even more effective.

4. Future challenges

A major issue that remains is reporting boundaries. This includes both the standardization of reporting boundaries and the setting of boundaries on a consolidated basis. "Standardization of boundaries" refers to the application of a single set of boundaries to all data disclosed. "Setting of boundaries on a consolidated basis" refers to the expansion of standardized boundaries to cover a consolidated scope. While standardization is essential to the proper communication of information, at the very least, in cases where complete standardization is technically difficult, adjustments should be made to allow the same boundaries to be applied to related categories of information. The scope of this report includes TonenGeneral Sekiyu K.K. and its consolidated subsidiaries, but the scope is irregular within individual sets of data, and the environment-related information has not been reported on an entirely consolidated basis. In addition, the number of employees is shown on a consolidated basis, but it appears that different boundaries have been applied to the breakdowns that illustrate the employee makeup. As much time is required for a shift to a completely consolidated basis, it would be advisable for the Group to make this type of reporting a goal and begin making continuous efforts toward achieving it.



Yoshinao Kozuma
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Professor Kozuma has chaired the Committee for the Revision of Reporting Guidelines of the Japanese Ministry of the Environment and has variously served as the chairman or a member of councils, review committees and research groups on CSR and the environment organized by the Ministry of the Environment; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism; Ministry of Agriculture, Forestry and Fisheries; the Cabinet Office; and the Japanese Institute of Certified Public Accountants.

Response to third-party opinion

This is our third CSR Report published as the TonenGeneral Group. As in our previous report, we asked Professor Kozuma to provide a third-party opinion. We would like to express our appreciation to Professor Kozuma for his generally positive evaluation of this year's report.

In response to issues identified in the "future challenges" portion of the evaluation last year, we added "volume of manufactured products" and "VOC emissions" to our data this year. Although we were not able to formulate data for the total volume of wastewater including seawater, we will continue to work toward the inclusion of this data. We also made other improvements, including two special reports and a description of our PDCA cycle, and in addition included more robust human resources data.

Under "future challenges" regarding this report, we received comments concerning data boundaries and other areas. We will consider Professor Kozuma's recommendations in the development of our next report.

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