



# TonenGeneral Group



## CSR Report 2015

# CONTENTS

	page		
<b>Message from the President</b>	2	<b>Governance Systems</b>	
Enhancing our CSR framework to contribute to society as a good corporate citizen trusted by our stakeholders		Corporate Governance	18
		Standards of Business Conduct	20
<b>About the TonenGeneral Group</b>		CSR Management	21
Our Mission	4	Risk Management	24
Business Overview	5	Internal Controls System	26
Refining and Manufacturing	6	Compliance	28
Products and Services	8	<b>Safety, Health and the Environment</b>	
Overview of Main Group Companies and Overseas Offices	10	OIMS	30
Consolidated Financial Highlights	11	Safety Initiatives	32
<b>CSR Activities Report</b>		Health Initiatives	34
<b>Focus 01</b>		Environmental Initiatives	36
World-class, environmentally conscious, energy-saving refineries	12	<b>Relationship with Stakeholders</b>	
<b>Focus 02</b>		Relationship with Customers	46
Supporting the functioning of society – business continuity plans help to ensure a stable supply	16	Relationship with Employees	49
		Relationship with Shareholders and Investors	54
		Relationship with Business Partners	56
		Social Contributions	58
		GRI Sustainability Reporting Guidelines, Version 4	62
		Environmental Reporting Guidelines 2012 (Japanese Ministry of the Environment)	66
		Third-Party Opinion	67

## 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.

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

## Inquiries

CSR Department, Public and Government Relations  
TonenGeneral Group  
W Building, 1-8-15 Kohnan, Minato-ku, Tokyo 108-8005, Japan  
Phone: (81) 3-6713-4400 Fax: (81) 3-6713-4389  
<http://www.tonengeneral.co.jp/english>

Shimizu Port and Mt. Fuji seen from Nihondaira  
The district of Shimizu in Shizuoka City is one of the sites where we began our oil refining business.



## Scope of the report

---

TonenGeneral Sekiyu K.K. and consolidated subsidiaries  
For scope of published data, please refer to annotations.

## Period covered

---

Data covers January 1 – December 31, 2014. Legally mandated environmental data covers the period from April 1, 2014 to March 31, 2015.  
Some activities from 2015 are also included.

## Publication date

---

September 2015 (next report: September 2016, previous report: September 2014)

## Referenced guidelines and standard

---

- GRI Sustainability Reporting Guidelines, Version 4  
This report contains information for indicators.
- Environmental Reporting Guidelines (2012) of the Japanese Ministry of the Environment
- ISO 26000

# Message from the President

## 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 Mobil Sekiyu, Esso Sekiyu, Tonen, and General Sekiyu. To achieve our mission as Japan's premier energy company, in the short term, we are maximizing synergy capture enabled by our current corporate structure, allowing us to strengthen our core business. 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 integration of MOC Marketing (formerly MITSUI OIL) and Kyokuto Petroleum Industries (the Kyokuto Petroleum Industries Chiba refinery is currently the TonenGeneral Sekiyu Chiba refinery). In addition, the COSMO OIL CO., LTD. Chiba refinery and our 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, we have established 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 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 pages 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 ordinary 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 in both our petroleum and petrochemical segments have been officially recognized by the Ministry of Economy, Trade and Industry. TonenGeneral has achieved the government's energy benchmarks for three consecutive years, and Tonen Chemical Corporation for two consecutive years.

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 pages 20, 26-27, and 30-31).



## 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. We endeavor to foster an environment where all of our employees can fully develop and demonstrate their capabilities as a select, highly skilled team. 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 addition, in 2015 we were selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a "Brand of Companies Enhancing Corporate Value through Health and Productivity Management (KENKO KEIEI Brand)".

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.

Jun Mutoh  
Representative Director  
President  
TonenGeneral Sekiyu K.K.



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

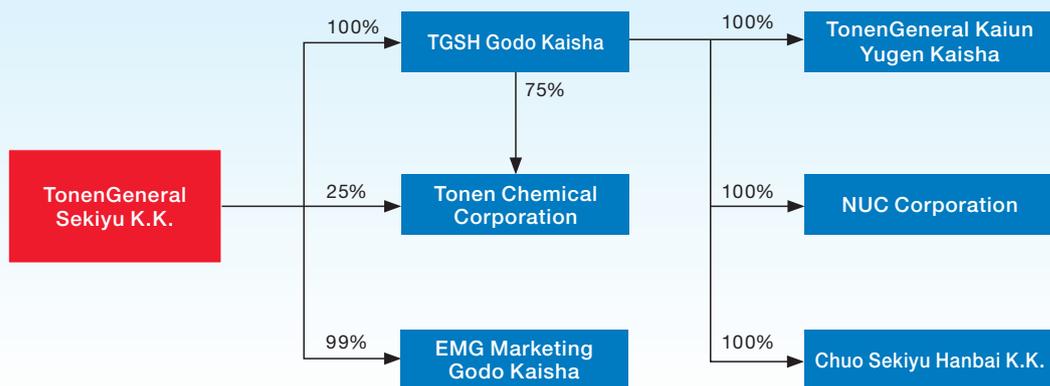
With safe operations as our foundation, we are leveraging our strengths, including superior efficiency and the power of the Esso, Mobil and General brands, to make meaningful contributions to society. We have defined our mission as follows.

### 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

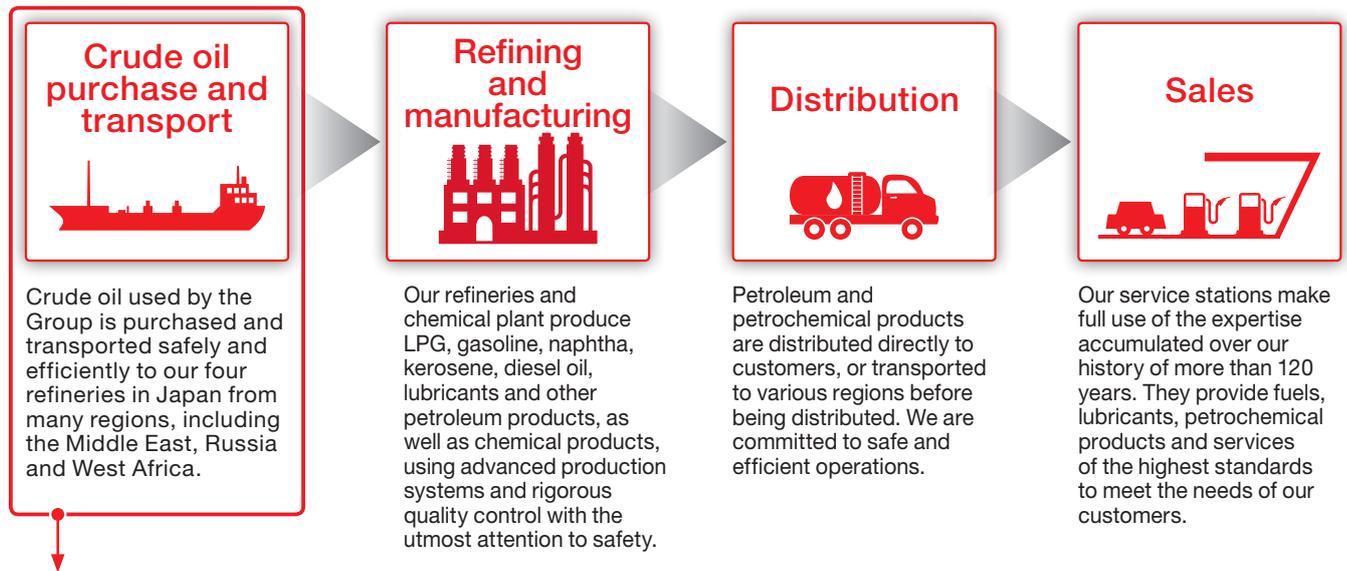
#### ● Capital relationships of major Group companies as of July 1, 2015



# 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

#### Diversification of procurement sources and in-house management of purchase and transport operations for flexibility in crude oil selection

Demand for petroleum products in Japan is primarily supported by crude oil imported from oil-producing countries in the Middle East. The TonenGeneral Group's refineries use crude oil from many regions, including the Middle East, Russia, West Africa and South America. 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. All of our trading operations, including crude oil procurement, vessel chartering, and product import and export, are managed in house, primarily through our Singapore branch office and our representative offices in Abu Dhabi and Doha.



## 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.

### One of Japan's largest integrated refinery and chemical plants

#### Kawasaki refinery

The Kawasaki refinery is located in the Keihin coastal industrial area, a convenient land and sea transport site adjacent to the Tokyo metropolitan area, 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.



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

#### Sakai refinery

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.



### Integrated production center provides flexible support for global and domestic needs

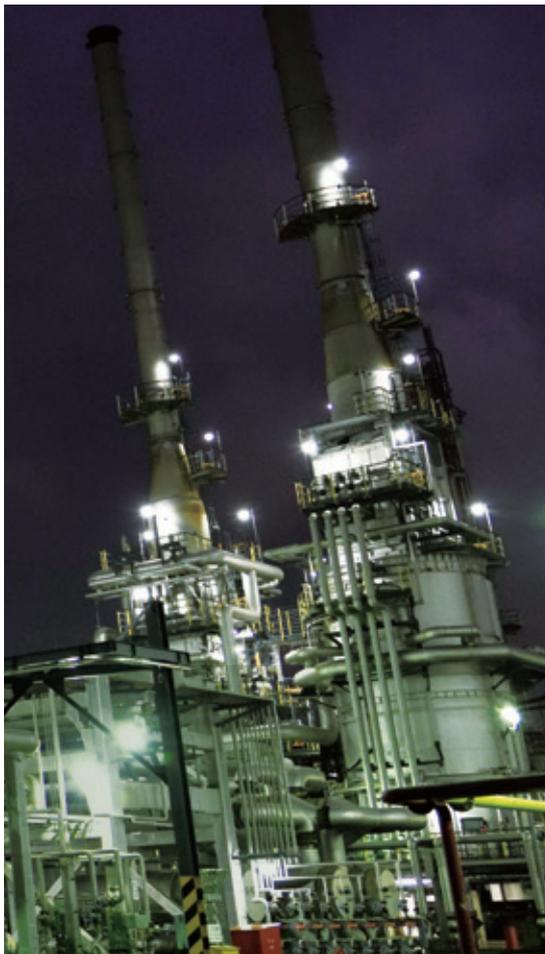
#### Wakayama refinery

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 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 product 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.





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

## Chiba refinery

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.

In addition, to become a top-tier refinery in Japan and achieve international competitiveness, the refinery is collaborating with the Chiba refinery of Cosmo Oil Co., Ltd., to optimize facilities by linking the two refineries via pipelines, and to integrate production plans.



## Manufacturing Technology & Engineering Division

In our Manufacturing Technology & Engineering Division, our team of specialists in process engineering, equipment, systems and project-related technical fields utilize the latest information on domestic and global technology as well as technological support from ExxonMobil in continuous efforts to ensure the safe, high-performance and high-efficiency operation of our existing facilities and projects for new facilities.

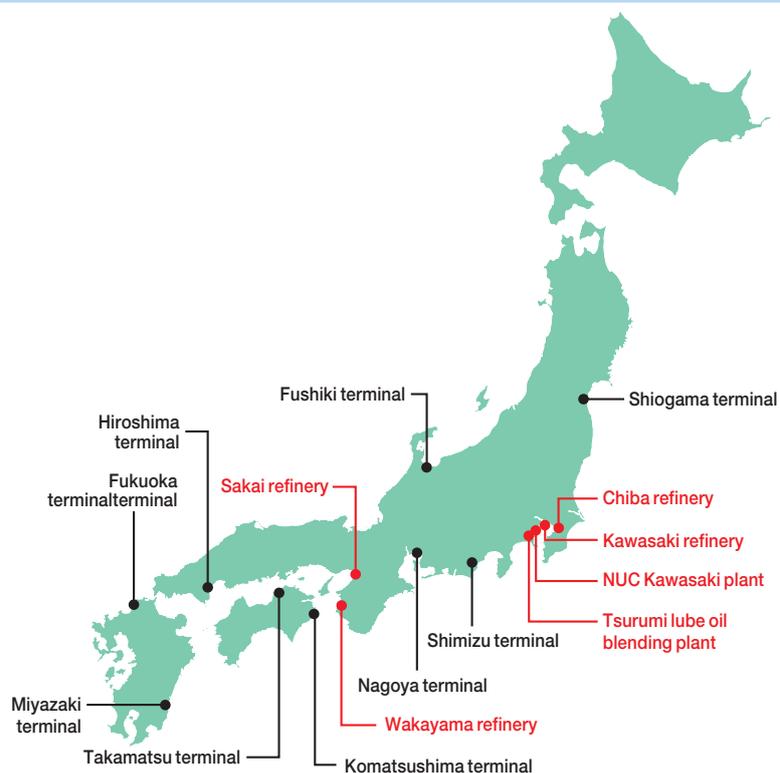


## TonenGeneral Research Center

In addition to conducting product research and development, the TonenGeneral Research Center continuously seeks science-based, strategic solutions to issues involving product quality, energy, and the environment. In our fuels segment, we provide technical support for product quality and performance to the Group's refineries and its marketing and sales division, while actively engaging in joint research and study programs funded by the industry or the government from the planning stage. Since its establishment more than 70 years ago, our laboratory has developed a number of advanced, high-performance lubricant products. In our passenger vehicle lubricants segment in particular, we have formed an alliance with



ExxonMobil, and through joint research with auto manufacturers, we offer products that can improve various aspects of vehicle performance including fuel efficiency, reliability, and driving comfort. In our petrochemicals segment, we are engaged in initiatives that enable us to respond even more rapidly to customer needs through our products. Other endeavors include ensuring the effective use and proper management and maintenance of the Group's intellectual property, and promoting awareness of energy issues to external parties as part of the Group's CSR activities.



Manufacturing and shipping base for lubricants

## Tsurumi lube oil blending plant

Built in 1925 in Yokohama, this facility is within the greater Tokyo metropolitan area, 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 high-performance, synthetic motor oil, is one of the key products shipped from this plant.

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

## NUC Kawasaki plant

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

#### Service stations

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 the ever-changing needs of our customers.

#### Industrial and Wholesales

In our Industrial and Wholesales segment, we maintain solid partnerships of trust with our dealers, continuously adding value that is unique and matches their respective sales strategies, in addition to providing a stable supply of products at competitive prices. LP gas import and wholesale operations have been transferred to Gyxis Corporation, a LP gas distributor established on April 1, 2015.



#### Express self-service stations **Express**

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 by enhancing sales promotion programs, improving customer service and ensuring cleanliness at our service stations.

#### Aviation and marine fuels

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

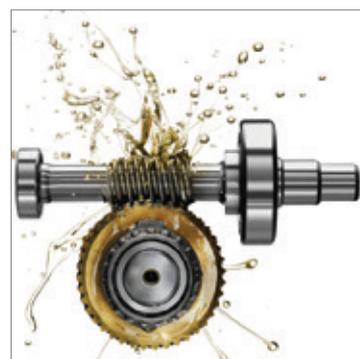
A Seven-Eleven alliance site



## Lubricants and Specialties



**Mobil 1**



**Mobil SHC**

### 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.

### 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 provides international marine customers with standardized Mobil brand products in Japanese ports through a strategic alliance with ExxonMobil.

### 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.

### Base oils and specialties

Through our strategic partnership with ExxonMobil, we produce and sell wax products and other high-value-added specialty products using an advanced quality control system. In addition, we export base oils, mainly to Asian markets, via ExxonMobil's distribution channels.

## 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.

### Hydrocarbon resin

We manufacture and sell both hydrogenated and non-hydrogenated hydrocarbon resins. Our products, with excellent 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.

**T-REZ**



### 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 materials business, NUC develops and sells products used in applications such as plastic packaging and containers.

Esso and Mobil are trademarks of Exxon Mobil Corporation, used under license. T-SOL, T-REZ and NUC are registered trademarks of TonenGeneral Sekiyu K.K. and its subsidiaries.

### Fluids

Methyl ethyl ketone, a highly soluble and functional chemical, is used for a number of applications in diverse industries, 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 fluids, which are manufactured in our petroleum refining facilities, are key components of 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.

**T-SOL**



Hydrogenated petroleum resin



## TonenGeneral Sekiyu K.K.

<b>Business</b>	Transport of crude oil and petroleum products; manufacture, processing and sales of petroleum and petrochemical products
<b>Head office</b>	W Building, 1-8-15 Konan, Minato-ku, Tokyo 108-8005 Japan Phone: (81) 3-5495-6000
<b>Established</b>	July 26, 1947
<b>Paid-in capital</b>	35.1 billion yen
<b>Listed exchange</b>	Tokyo Stock Exchange (security code: 5012)
<b>Shareholders</b>	ExxonMobil MITSUI & CO., LTD. Other general shareholders
<b>Number of shareholders</b>	45,267 (as of December 31, 2014)
<b>Number of employees</b>	1,707 (as of December 31, 2014)
<b>Fiscal year end</b>	December 31

## EMG Marketing Godo Kaisha

<b>Business</b>	Sales of petroleum and petrochemical products, overall management operations
<b>Head office</b>	W Building, 1-8-15 Konan, Minato-ku, Tokyo 108-8005 Japan Phone: (81) 3-5495-6000
<b>Established</b>	December 11, 1961
<b>Paid-in capital</b>	20 billion yen
<b>Ownership</b>	TonenGeneral Sekiyu K.K. ExxonMobil
<b>Number of employees</b>	653 (as of December 31, 2014)
<b>Fiscal year end</b>	December 31

## Tonen Chemical Corporation

<b>Business</b>	Manufacture, processing and sales of petrochemical products
<b>Head office</b>	W Building, 1-8-15 Konan, Minato-ku, Tokyo 108-8005 Japan Phone: (81) 3-5495-6000
<b>Established</b>	December 24, 1960
<b>Paid-in capital</b>	1 billion yen
<b>Ownership</b>	TGSH Godo Kaisha TonenGeneral Sekiyu K.K.
<b>Number of employees</b>	300 (as of December 31, 2014)
<b>Fiscal year end</b>	December 31

## NUC Corporation

<b>Business</b>	Manufacture and sales of high-pressure low-density polyethylene and linear low-density polyethylene
<b>Head office</b>	W Building, 1-8-15 Konan, Minato-ku, Tokyo 108-0075 Japan Phone: (81) 3-5782-9161
<b>Established</b>	January 11, 1961
<b>Paid-in capital</b>	2 billion yen
<b>Shareholders</b>	TGSH Godo Kaisha
<b>Number of employees</b>	233 (as of December 31, 2014)
<b>Fiscal year end</b>	December 31

## Singapore Branch Office

#15-01 Suntec Tower Five  
5 Temasek Boulevard  
Singapore 038985

## Abu Dhabi Representative Office

Level 4, Building B, Al Mamoura  
Abu Dhabi, U.A.E.  
P.O. Box: 38078

## Doha Representative Office

Level 21, Burj Doha, West Bay  
Doha, Qatar  
P.O. Box : 27110

## NUC Corporation Shanghai Representative Office

Unit G, 18F, Jiushi Fuxing Building  
918, Huai Hai Middle Road  
Shanghai, China



## Major business results

(billion yen)

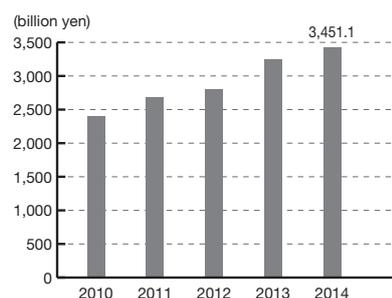
Major data	Segment	2010	2011	2012	2013	2014
Production volume	Oil* <sup>1</sup> (1,000 kl)	29,188	26,871	27,534	27,118	31,704
	Chemical* <sup>2</sup> (1,000 tonnes)	2,584	2,529	2,769	2,856	2,670
Net sales	Oil* <sup>1</sup>	2,178.9	2,425.2	2,533.8	2,896.8	3,104.2
	Chemical* <sup>2</sup>	219.8	251.9	271.1	344.3	346.9
	Total	2,398.7	2,677.1	2,804.9	3,241.2	3,451.1
Operating income		33.5	216.2	27.3	52.3	-72.9
Net income		42.9	132.8	54.8	22.9	-14.0

### Breakdown of operating income

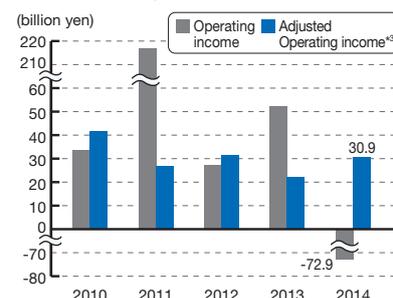
Inventory gain/loss etc.		-8.2	189.1	4.4	47.0	-86.5
Goodwill amortization		—	—	-8.5	-16.9	-17.3
Adjusted operating income* <sup>3</sup>		41.7	27.1	31.4	22.2	30.9
	Oil* <sup>1</sup>	39.7	24.1	31.5	1.7	17.7
	Chemical* <sup>2</sup>	2.0	3.0	-0.1	20.6	13.2

## Major financial indicators

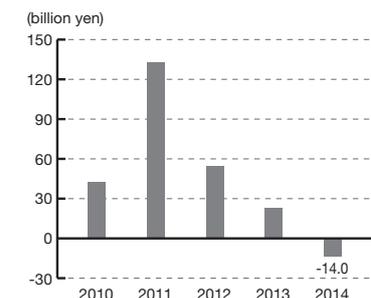
### Net sales



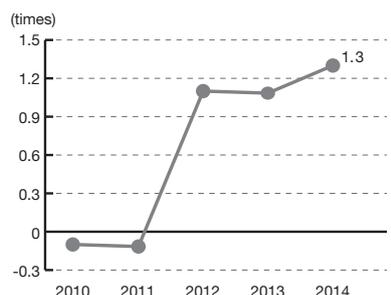
### Operating income (loss)



### Net income (loss)

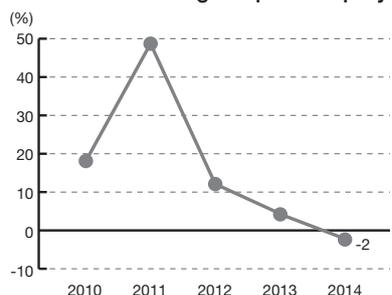


### Net D/E ratio



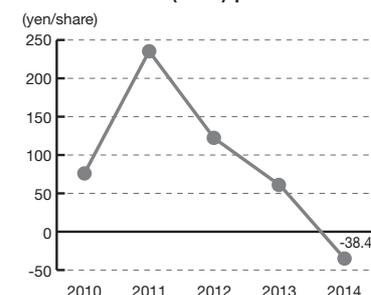
Net debt (excluding effect of cash and loan receivables) / total net assets excluding minority interests

### 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



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

\*2 Olefins, aromatics, fluids, hydrocarbon resin, polyethylene resin, etc.

\*3 Operating income excluding inventory effects, goodwill amortization, etc.



## Focus 01

## 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 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 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 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 CO<sub>2</sub> emissions by 50,000 tonnes per year.

**Satoshi Ikenoue**  
Energy Team Leader  
Manufacturing Technology &  
Engineering Division





Monthly meeting of the Energy Management Committee at the Kawasaki refinery

## 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 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 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.

### (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 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.

An energy conservation initiative at the Wakayama refinery



### (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 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 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.

# Interview

## Kawasaki refinery



### Efficient energy utilization through integration of the Group refineries and chemical plant, and cooperation in the Keihin industrial zone

**Shinji Arimori, Kawasaki Refinery Energy Leader**

Energy conservation activities at the Kawasaki refinery are driven by three energy teams from our operations division, which are led by the energy leader and supported by our technical and maintenance divisions. In the past, individual energy conservation strategies were developed and implemented for each refining unit. However, in our continuing quest to improve our energy conservation efforts, we now pursue greater energy conservation for the entire refinery by incorporating strategies that have been successful at other refineries, as well as implementing inter-departmental energy efficiency improvement initiatives.

Unique features of the Kawasaki refinery include the integrated production and sales operations of the oil refinery and petrochemical plant, as well as links via pipeline to other companies also located in the Keihin industrial zone. The petrochemical plant contains large boilers and electric power generation facilities, and steam generated with low-cost fuel produced in the refinery is supplied not only to our oil refining units, but to the adjacent plants of other companies as well. We also exchange fuels, hydrogen, and other products with nearby plants, thereby contributing to energy conservation not only in our own complex, but throughout the entire Keihin industrial zone.

Our energy conservation efforts at the refinery have led to a reduced demand for steam, which has in turn enabled us to reduce our consumption of high-value-added LPG, one of the products required for steam generation, and sell it as a product. In addition, as steam produced in the refinery is used for in-house electric power generation, our reduction of steam costs leads to a reduction in our power generation costs, thereby increasing the advantages of the sale of surplus power. Seeing how our efforts can produce these kinds of results gives us additional motivation to continue our energy conservation activities.

The role of the energy leader is to provide support to ensure the smooth implementation of the activities of the energy teams in order to contribute to the achievement of TonenGeneral's energy conservation targets. The activities of the energy teams over the past few years have resulted in increased energy conservation awareness not only among team members, but among other employees as well, and this has enabled us to achieve good results. Led by the three energy teams from our refining, manufacturing and offsite divisions, the refinery is working as a team toward even greater improvements in energy conservation.

## Sakai refinery

### Pursuing finely tuned, energy-saving operations utilizing a monitoring system

**Toshihiko Minami, Energy Team Lead, Process Department**

Every year at the Sakai refinery, we hold an Energy Meet in which we report our energy results for the entire year. In addition to our reporting of our own results, we invite participants from other refineries to report their results as well. The variation in design among the different facilities makes it difficult to fully incorporate initiatives from other refineries, but sharing information about our energy conservation activities often leads to new ideas.

A unique feature of the Sakai refinery is the fact that we have almost no intermediate tanks, and consequently very little energy loss compared to other refineries. However, this means that if trouble occurs in one of our refining units we have no back-up tanks, which could result in an energy loss chain reaction.

In our pursuit of finely tuned, energy saving operations, the Sakai refinery introduced real-time monitoring ahead of the other refineries, and we have begun identifying opportunities for optimization and comprehensively managing energy loss. We utilize a system whereby the energy situation for the entire refinery can be instantly assessed from the control rooms, enabling us to take immediate action if energy loss occurs. Before we implemented this system, we had been checking our energy results, identifying opportunities for improvement and taking appropriate action for a given day on the following morning, resulting in a time lag of up to 24 hours. The current system has enabled us to eliminate this time loss, resulting in greater energy saving.

The development of the real-time monitoring system is a complex project requiring a great deal of operations expertise, but we are proud of the fact that more and more people are taking a positive approach and a sense of ownership in the pursuit of energy efficiency, and that the entire refinery is working together to achieve further improvements.



Note: As a framework for the TonenGeneral Group's energy-related efforts, an energy leader is appointed at each of its refineries to oversee the energy conservation efforts of the entire refinery. In addition, energy coordinators and energy leads are assigned in the refineries' technical and process divisions, respectively. This system enables the rapid and sound implementation of individual energy conservation initiatives.

## Wakayama refinery

### Cooperation among three departments for efficient energy conservation

From left:

**Yoshitaka Nakamura, Equipment Engineering Section, Mechanical Engineering and Maintenance Department**  
**Yasuyuki Kanzaki, No. 2 Process Operation Section, Process Department**  
**Jun Sakamoto, Process Engineering Section, Technical and Engineering Department**

At the Wakayama refinery, the process, technical and maintenance departments work together on energy conservation initiatives. As we are the only Group refinery that produces lubricants, steam traps\* are critical for us in the processing of high-pour-point oil. In the past, when we experienced trouble with steam traps, we had to allow steam losses in order to maintain safe operations. These steam losses resulted in financial losses of several tens of millions of yen annually. To mitigate this problem, we introduced a wireless steam trap monitoring system.

First, the process and technical departments jointly selected around 300 of the most cost-effective steam traps from a total of around 3,000 in the refinery. Then the maintenance department worked with the IT department on the introduction of a wireless system, the first for our refinery, while the technical department developed an easy-to-use monitor screen structure in the control rooms. The system identified a number of faulty steam traps, which needed to be replaced. This replacement work would normally take three months, but with the strong cooperation of the process department, we completed the work through our own efforts in just one week, enabling us to rapidly reduce our steam losses. The success of these kinds of inter-departmental efforts attests to the high level of energy conservation awareness at our refinery.

The monitoring system enabled us to implement predictive maintenance, and within six months of installing the system, our steam



losses, as well as the number of steam traps requiring replacement, had been reduced to zero. This led to other benefits such as the reduction of our steam trap replacement costs and the reduction of our workload.

After introduction of the system was completed, we explained and illustrated our efforts in a number of communications to all refinery members in order to increase understanding and awareness of our activities. We also established the Steam Loss Elimination Team, comprising members from the technical, maintenance and process departments, as part of our continuing efforts to improve energy efficiency.

\* Steam trap

Steam produced from water placed under high heat and pressure turns to condensate with the release of latent heat. A steam trap is an automatic valve that rapidly removes this condensate, which cannot be used for heating or other applications.

## Chiba refinery

### Pursuing optimization of the entire refinery as an integrated organization

**Shinji Shinozuka, Energy Coordinator, Process Engineering Section, Technical Department**

In a refinery, where the operations of all refining units are organically linked, improving the efficiency of any one unit does not necessarily lead to improved energy conservation for the refinery as a whole. This is the most difficult aspect of our energy conservation activities. While the operators on the front lines of refinery operations and the contract engineers who provide technical support continuously pursue greater efficiency in our refining units, we energy coordinators take their proposals and work toward optimized energy efficiency that is well balanced throughout the refinery. Appropriate activities for saving energy change frequently depending on a number of factors, such as the properties of the crude oil being processed, ambient temperature, and the weather. For this reason, representatives from each of our departments gather each day to discuss energy conservation objectives for that day. When the objectives have been determined, they are communicated to the operators on duty, and we energy coordinators evaluate the activities implemented.

The Chiba refinery has a resid fluid catalytic cracking unit (RFCC). Effective utilization of equipment that recovers steam and electricity from high-temperature waste gas generated by the recovery tower has greatly contributed to high-efficiency operations. We are also seeking additional partnerships in our industrial zone and pursuing optimization of all of our operations, including the integrated utilization of the RFCC, which has residual oil processing capacity, in order to contribute to even greater improvements in energy efficiency at our refinery.

Understanding the qualities and attributes of every unit in the refinery is key to energy conservation. We will continue working to achieve even greater energy efficiency in our refining units and throughout the entire refinery.





## Focus 02

# Supporting the functioning of society – business continuity plans help to ensure a stable supply

In order to fulfill its mission of providing a stable supply of petroleum products, an integral part of the infrastructure that supports people's daily lives and the functioning of society, the TonenGeneral Group has created business continuity plans (BCPs) for potential emergency situations and conducts BCP training on a regular basis.

## Background and purpose of BCP introduction and establishment

The TonenGeneral Group formulated its BCPs in 2000 based on guidelines developed by ExxonMobil. Since that time, the BCPs have undergone numerous revisions in accordance with guideline revisions, the results of BCP training sessions, and other factors. For natural disasters such as earthquakes, communicable disease epidemics such as pandemic flu, and other disruptions, BCPs specify actions for ensuring the ability to continue operations to support the functioning of society and to return to normal business operations as quickly as possible, as well as methods and procedures for continuing business operations while minimizing damage to assets in the event of an emergency.

The TonenGeneral Group transitioned to a new business relationship with ExxonMobil in 2012. Now, under our own organization and systems, we are endeavoring to optimize our BCPs for Japan's business environment, and we will continue to administer BCPs as appropriate.

## ESG and BCP framework - major earthquakes

### 01 General BCPs for all Group companies

The president of TonenGeneral Sekiyu K.K. is the owner of all BCPs for the TonenGeneral Group. These BCPs, administered by the Safety, Health & Environment Department, form our BCP framework. This framework consists of the general BCPs, shared by the entire Group, and BCPs for each division.

With the general BCPs, the anticipated type and scale of damage in the event of an emergency, along with appropriate

actions at each stage of response and key operations for the continuance of business operations, are shared throughout the Group. Based on the general BCPs, we coordinate the division BCPs to ensure the integrity of BCPs among the various divisions.

### 02 Major earthquakes

For example, the following is a description of the general BCP for a major earthquake in the Tokyo metropolitan area. This BCP involves a scenario in which the head office in Tokyo has suspended operations due to a major earthquake in the immediate area, necessitating the establishment of an alternate head office for use until resumption of operations at the original office.

We have formulated an emergency response plan as a series of organizational and systematic procedures whereby we endeavor to minimize adverse effects on personal and environmental safety and health, our customers, our business, and the operation of our facilities through humanitarian assistance and public relations activities to enable the strategic advancement of our business operations and business plans in the event of disasters and other emergencies. Based on this emergency response plan, the Emergency Support Group (ESG) is activated if damage or emergency conditions surpass certain levels. The ESG functions around the clock, with members gathering information to keep apprised of conditions and responding appropriately.

To use the Earthquake Response ESG as an example, in the event of an earthquake with an intensity of 6 lower or above in the Tokyo area, the ESG leader activates the Earthquake Response ESG after assessing the situation in accordance with the emergency response plan. Accordingly, an alternate head office is set up in the West Japan area or overseas, and the ESG

that will carry out operations at the alternate office is mobilized. This scenario is divided into three stages: activation of the BCP for assessing conditions such as personnel safety immediately after the earthquake, resumption of business operations when employees are able to return to work, and resumption of business operations with the restoration of the head office building. Target times, critical operations for the continuation of business, and the persons and divisions in charge of those operations have been specified for each of the three stages. Critical operations include checking facilities, including those for crude oil tanker docking and product export; assessing the possibility of shifting operations overseas or to other domestic locations; and establishing systems for cooperation with other oil companies in accordance with the revised Oil Stockpiling Act. In order to support these operations, we have taken steps such as establishing an information systems infrastructure, which includes satellite phone teleconference networks and alternate servers.

Guidelines have also been established for response in accordance with the lessening of severity of any of the conditions set forth in the scenario, and we conduct training on a regular basis to ensure that all Group employees follow these guidelines until the completion of the BCP.

### 03 Group-wide training

Each division carries out training for its own BCPs, while training for the general BCPs is implemented regularly on a Group-wide basis. Earthquake response ESG/BCP training for the continuation of fuel supply after a major earthquake was conducted in November 2014 for around 100 participants, including members of management and persons responsible for the implementation of critical operations in the BCPs of the various divisions. For this BCP in particular, it was important

to assess the degree of coordination among the divisions and identify obstacles to the continuation of business operations, as time and access to information would likely be severely limited after a major earthquake.

In this training session, participants were not apprised of the training scenario in advance, and therefore did not know the extent of the damage immediately after the hypothetical earthquake. Limitations on normal communications by telephone and e-mail were also stipulated in the scenario. Through trial and error, the participants established contact and exchanged information with other divisions, identified conditions that would hinder the continuation of business operations, and worked to resolve these issues in accordance with the emergency response plan and the BCPs. After completion of the training, opportunities for improvement for the general BCPs and the division BCPs were shared among all participants through an opinion exchange by management and training participants, as well as a review of the training conducted by a specialist from ExxonMobil who was in Japan.

This training was also covered in a television news segment as an example of innovative training in which scenarios are not revealed to participants in advance.

The TonenGeneral Group's general BCPs are revised annually based on factors such as the results of regular training sessions and employees' suggestions for improvement. To better fulfill our mission of providing a stable supply of petroleum products, an integral part of the infrastructure that supports people's daily lives and the functioning of society, all of our employees will continue to work diligently on BCP initiatives in order to ensure the expeditious resumption of supply operations and implementation of restoration strategies in the event of an emergency.

## COLUMN

### Support for areas affected by the Great East Japan Earthquake

Immediately after the Great East Japan Earthquake struck in March 2011, the Group acted quickly in accordance with the disaster response plan for the entire organization. Specifically, the Group promptly set up emergency headquarters to ensure the safety of employees and their families in affected areas, established a secure system to supply petroleum products, formed a joint support network with the government and the industry, and then put all these measures into practice, contributing to the stable supply of petroleum products to affected areas immediately after the earthquake.

#### • Prompt recovery of the product supply system

After the earthquake, all oil supply facilities on the Pacific coastline in the Tohoku region were temporarily out of operation. The Group, however, took immediate action to restore the Shiogama terminal in Miyagi Prefecture.

Consequently, it took only nine days after the earthquake to resume shipment of petroleum products. The terminal played an important role as a fuel supply hub for the Tohoku region and was also used by other oil companies.

#### • Emergency shipments of fuel in drums

In response to a request from the Ministry of Economy, Trade and Industry, the Group shipped gasoline, diesel and kerosene in 200-liter drums from its Wakayama refinery (1,000 drums) and Chiba refinery (630 drums) to the disaster-stricken region from March 19 to 26.

The fuels, shipped from filling facilities at the refineries were first transported by land to the Air Self-Defense Force's Iruma base and the Ground Self-Defense Force's Camp Tagajo. From there, they were flown to evacuation centers in areas suffering from severe fuel shortages due to the disaster.

#### • Installation of a temporary service station

For more than one month after the quake, no service stations were in operation in Rikuzentakata in Iwate prefecture. With the instruction of the Ministry of Economy, Trade and Industry and the Fire and Disaster Management Agency, the Group installed an unprecedented type of temporary service station using containers normally employed to transport specialty chemicals. The temporary service station was completed on April 21 and handed over free of charge to the city of Rikuzentakata the following day to serve the community as a fuel supply center.

# Governance Systems

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



## Corporate Governance

### Basic philosophy

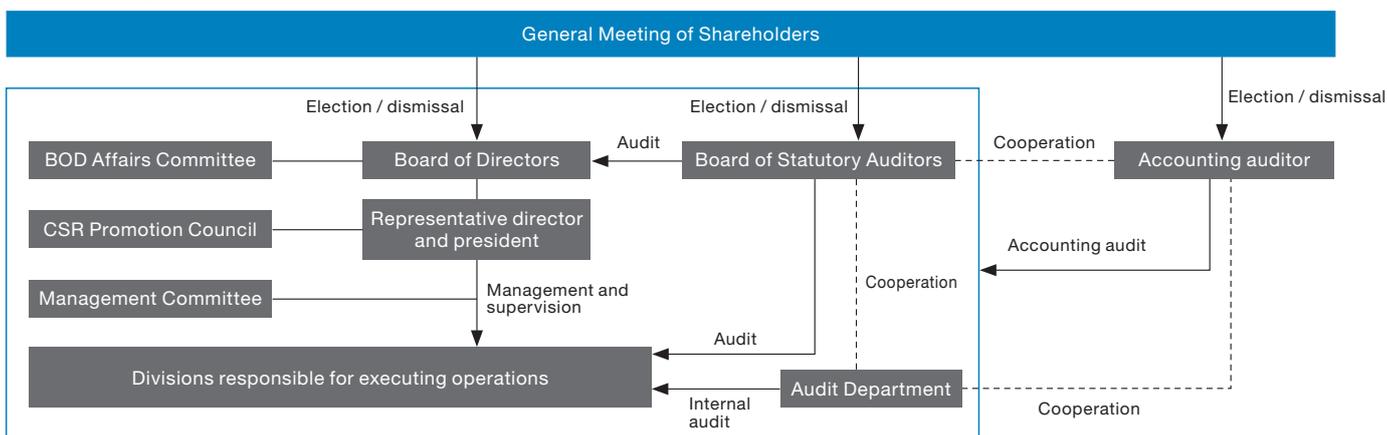
The TonenGeneral Group's focus on good corporate citizenship begins with our commitment to high ethical standards, effective corporate governance, sound financial controls, operational integrity, and attention to safety, health and the environment. We believe our straightforward business model, culture of integrity and 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

#### Relevant policies under the Standards of Business Conduct (SBC)

- Directorships Policy
- Ethics Policy
- Conflicts of Interest Policy

#### • Corporate governance system



business conduct. In addition, we are committed to fairness, honesty and integrity in the reports that we make to our investors.

### Overview of corporate governance

#### • 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 2015 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 outside directors 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 directors 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.

- Number of Board of Directors meetings and attendance of outside directors and outside statutory auditors in 2014

Number of meetings:	15
Attendance:	96.5%

#### • 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 Group's 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 2015.

- Number of Board of Statutory Auditors meetings and attendance of outside statutory auditors in 2014

Number of meetings:	13
Attendance:	97.2%

#### • Management Committee and CSR Promotion Council

The Management Committee consists of eight directors who 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 auditors and internal auditors

The statutory auditors, in close coordination with accounting auditors, audit various TonenGeneral Sekiyu accounting statements, the maintenance and operation 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 auditors' annual audit plan, ask for explanations of financial results from relevant departments, observe inspections by accounting auditors, and discuss other important issues as necessary with the accounting auditors. 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. Assistance to the statutory auditors shall, upon their request, be provided by all employees, including those in the Audit Department, pursuant to the Comprehensive Service Agreement. The Group also has an internal reporting (whistleblower) system, and directors and statutory auditors periodically receive reports on the utilization of this system as well as the content of information reported.

#### • 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, 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 further motivate directors to contribute to the enhancement of the corporate value of the company. In addition, retirement benefits programs for officers were terminated in 2013 and 2014. Outside directors also participate in decision-making processes regarding remuneration for directors.

- Remuneration for directors and statutory auditors in 2014  
Directors and statutory auditor (excl. outside directors and outside statutory auditors)  
Number of recipients: 11  
Total remuneration: 314 million yen  
Outside directors and outside statutory auditors  
Number of recipients: 4  
Total remuneration: 56 million yen

#### • Independence of outside directors and reasons for appointment

While the Group has not adopted its own standard of independence for appointing outside statutory auditors, the Group refers to the qualification of independence as stipulated in the Tokyo Stock Exchange's listing requirements as appropriate in making decisions on the appointment of candidates for these positions. The reasons for appointment are as follows.:

**Mr. Makoto Matsuo**, Outside Director, has a thorough familiarity with corporate law as an attorney-at-law. The Company appointed him based on the expectation that he can take advantage of this abundant expertise and experience to properly perform duties as an outside director of the Company.

**Mr. Yoshiiku Miyata**, Outside Director, has abundant experience and extensive insight as a company manager. The Company appointed him based on the expectation that he can take advantage of these qualifications to properly perform duties as an outside director of the Company.

**Mr. Masaaki Ayukawa**, Outside Statutory Auditor, is qualified as a certified public accountant of Japan and has abundant experience concerning auditing at listed companies. The Company appointed him based on the expectation that he can take advantage of these qualifications to properly perform duties as an outside statutory auditor of the Company.

**Mr. Kyoichi Ikee**, Outside Statutory Auditor, has many years of experience in research and teaching as a university professor of business administration. The Companies appointed him based on the expectation that he can take advantage of this abundant expertise and experience to properly perform duties as an outside statutory auditor of the Company.

**Ms. Nobuko Takahashi**, Outside Statutory Auditor, has many years of experience as a journalist, providing insight from the point of view of an ordinary citizen, as well as insight concerning economics and finance. The Company appointed her based on the expectation that she can take advantage of these qualifications to properly perform duties as an outside statutory auditor of the Company.

There are no business, capital or personal relationships among the Group and its outside directors, its outside statutory auditors and the Companies to which they belong, which risk having an impact on the independence of the relevant persons. Therefore, we have notified the Tokyo Stock Exchange that the above outside directors and outside statutory auditors are independent officers for whom there is no risk of conflicts of interest with general shareholders.

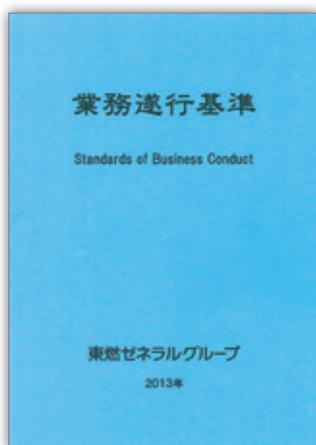
# Standards of Business Conduct

All directors and employees of the TonenGeneral Group carry out business operations based on the 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, shown below, comprising guidelines related to our relationships with the Group's various stakeholders, followed by the 18 policies, shown at right, with greater detail on associated guidelines and procedures.



### 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.

### 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.

# CSR Management

The TonenGeneral Group has established a CSR management framework centered on the CSR Promotion Council.

## 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.

Throughout our long history, we have adhered to an approach that includes rigorous safety standards, solid business controls, the implementation of global standards and best practices and a relentless focus on continuous improvements. These activities are now firmly rooted in our corporate culture and are a source of strength for the TonenGeneral Group.

We will maintain these corporate ideals and comply with relevant laws and regulations as we endeavor to 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

The TonenGeneral Group established the CSR Department within its Public and Government Relations division in June, 2012, for the promotion of its CSR activities. In July, 2013, the Group established the CSR Promotion Council, which is charged with formulating the Group's CSR policies and action plans. Now 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 (see p. 22-23).

## TonenGeneral Group stakeholders

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.



Employees



Customers

Customers of the TonenGeneral Group are those who visit our service stations as well as 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.



Shareholders and investors

In addition to maximizing shareholder value, we regard fair, honest and timely disclosure 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.

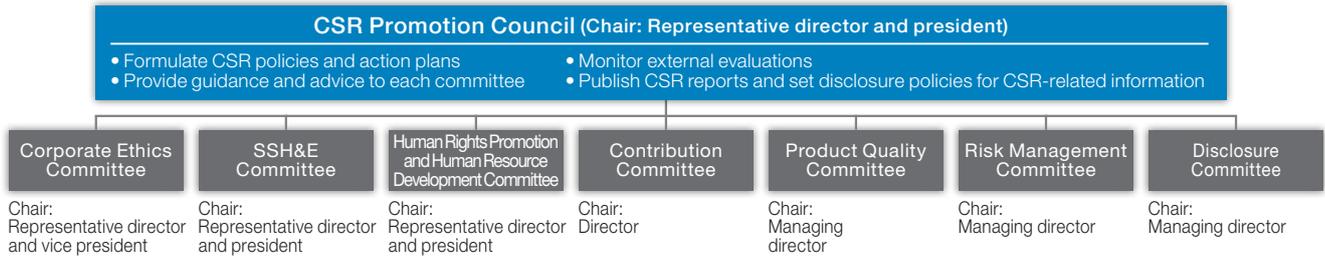
## PDCA in the seven committees of the CSR Promotion Council

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, which formulate the Group's CSR policies and action plans, upon which the relevant divisions base their CSR activities. The seven committees review these activities and report their implementation status to the CSR Promotion Council, thereby contributing to the monitoring and improvement of the 18 policies of the Standards of Business Conduct.

### • PDCA for the seven committees of the CSR Promotion Council

	<b>P</b> Action guidelines	<b>P</b> Priority items	<b>D</b> Results of activities implemented in 2014 by the relevant divisions in accordance with committee policies and plans
Corporate Ethics Committee	<ul style="list-style-type: none"> <li>Ensure the maintenance of the foundation for business activities implemented with fairness and integrity through strict compliance with all applicable laws and our Corporate Ethics Policy</li> <li>Cultivate a corporate culture of internal controls and compliance</li> <li>Formulate specific policies and measures to support the above efforts</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen compliance with all applicable laws and our Corporate Ethics Policy</li> <li>Enhance employee awareness and knowledge of the Group's basic policies</li> </ul>	<ul style="list-style-type: none"> <li>Achieved more thorough compliance with laws and our Corporate Ethics Policy.</li> <li>Implemented educational activities and regular consulting needed for the maintenance of the foundation for business activities implemented with fairness and integrity.</li> <li>Ensured the functioning of processes to maintain and strengthen controls compliance for items identified by the Corporate Ethics Committee.               <ol style="list-style-type: none"> <li>Organized and systematized existing rules throughout the Group.</li> <li>Checked and strengthened legal compliance systems at the head office.</li> <li>Established effective processes for sharing matters pertaining to controls compliance.</li> </ol> </li> <li>Thoroughly applied the above to new Group companies.</li> </ul>
SSH&E Committee	<ul style="list-style-type: none"> <li>Develop, fully coordinate and implement plans related to safety, 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</li> </ul>	<ul style="list-style-type: none"> <li>Follow up implementation of measures to prevent recurrence of the sulfur leak incident at the Sakai refinery (independent investigation committee recommendation)</li> <li>Ensure thorough understanding of the principle that safety is the foundation of all of our operations</li> <li>Strengthen disaster response (risk management and emergency response/BCP)</li> </ul>	<ul style="list-style-type: none"> <li>The SSH&amp;E Steering Committee held three meetings (two ordinary meetings and one extraordinary meeting to strengthen safety initiatives).</li> <li>Extensively implemented hazard recognition training at refineries and other sites to increase hazard recognition capability (approx. 2,100 participants).</li> <li>Implemented advanced emergency response training (approx. 50 participants) and BCP training exercises for major earthquakes.</li> <li>As in 2013, implemented regulatory environmental surveys for the four refineries.</li> <li>Received rating of "A" and special recognition under Development Bank of Japan health management rating scheme.</li> </ul>
Human Rights Promotion and Human Resource Development Committee	<ul style="list-style-type: none"> <li>Cultivate high-quality, highly motivated and diverse human resources as the Group's greatest driving force</li> <li>Foster the development of employees who are capable of meeting the requirements of our business strategies and can demonstrate results; ensure the optimal allocation of personnel</li> <li>Ensure respect for human rights and foster a work environment free of human rights abuses and harassment</li> </ul>	<ul style="list-style-type: none"> <li>Undertake continuous and consistent human resource development from a long-term perspective</li> <li>Seek optimal allocation of personnel and development of skills using the dual approach of career planning and position planning</li> <li>Ensure respect for human rights, continue efforts to raise awareness, continue to implement training for employees</li> </ul>	<ul style="list-style-type: none"> <li>Completed development of new training programs (follow-up training for third-year employees, etc.).</li> <li>Held four human resource development meetings; actively implemented inter-division transfers (job rotation) to promote the optimal allocation of personnel.</li> <li>At each workplace, implemented human rights training on the employment of people with disabilities (conducted trainer training for all 65 members of the Human Rights Education Promotion Committee).</li> </ul>
Contribution Committee	<ul style="list-style-type: none"> <li>Cultivate and promote social contribution activities</li> <li>Develop standards and provide recommendations for social contribution programs</li> <li>Assess and monitor new and existing social contribution activities</li> </ul>	<ul style="list-style-type: none"> <li>Reconfirm the direction in which the Group wants to progress through its social contribution activities</li> <li>Review programs implemented and develop new programs</li> </ul>	<ul style="list-style-type: none"> <li>Conducted regular assessments of programs implemented and carried out appropriate social contribution activities based on social contribution activity standards.</li> <li>Reconfirmed the direction of social contribution activities with representatives and officers of each division.</li> </ul>
Product Quality Committee	<ul style="list-style-type: none"> <li>Confirm effective implementation of product quality control in accordance with our management system</li> <li>Review the performance of product quality control in each Group segment</li> <li>Confirm the appropriate execution of product safety and chemical substance management</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate quality-related incidents</li> <li>Strengthen the foundation of the quality management system</li> <li>Continue to improve the quality management system for chemical substances</li> </ul>	<ul style="list-style-type: none"> <li>Developed and rolled out TG PQMS, a quality management system better suited to Japan's business environment.</li> <li>Analyzed product quality incident trends from 2013 and 2014; began a number of improvement initiatives in the second quarter of 2014 (examples below).               <ol style="list-style-type: none"> <li>Management improvement activities for our contractor companies</li> <li>Timely sharing of information throughout the organization about quality incidents; enhanced implementation of product NLI/HIT</li> <li>Strengthening product quality risk assessments for projects as well as equipment and operational changes</li> </ol> </li> <li>Conducted product quality audits at a total of six TG Group refineries and other sites in our operations and business segments to check conformance with an effectiveness of product quality management system.</li> <li>Conducted product quality and chemical substance management training: seven new types of training, total 710 participants.</li> <li>Provided timely and appropriate provision of information to customers on around 250 occasions; revised safety data sheets for almost 200 products.</li> </ul>
Risk Management Committee	<ul style="list-style-type: none"> <li>Rationally assess the various risks involved in business operations and implement preventive measures</li> <li>Minimize potential damage in the event a risk materializes by fulfilling the Group's social responsibility to maintain and enhance corporate value</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the Group's risk management systems and framework</li> <li>Identify weak areas in risk management for risks that could impact the corporate foundation, and report and present proposed measures for strengthening and addressing these weak areas to the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Followed up risk response status.</li> <li>Investigated whether any new risks occurred with changes in the business environment.</li> <li>Utilized tools for comprehensive and complete review and identification of potential risks to the Group.</li> <li>Conducted a detailed study of situations that caused serious impacts at other companies and devised a framework for preventing such situations from developing within the Group.</li> <li>Reported and presented proposed measures for high-priority risks to the Board of Directors.</li> </ul>
Disclosure Committee	<ul style="list-style-type: none"> <li>Ensure proper control of TonenGeneral Group disclosures, especially those involving financial reporting</li> <li>Ensure proper implementation of accounting and disclosure for major business events in accordance with laws, TSE guidelines, accounting standards and other rules</li> <li>Ensure that information concerning the above is shared among the relevant divisions, ensure uniformity of disclosure among different sources (timely disclosure at TSE, press releases, disclosure materials for analysts, etc.) and transmission of messages to external parties</li> </ul>	<ul style="list-style-type: none"> <li>Regular review of accounting processes and disclosure of results to ensure development and disclosure of accurate and appropriate financial information</li> </ul>	<ul style="list-style-type: none"> <li>Ensured accurate disclosure through prior assessment of events affecting financial statements along with confirmation of account organization methods and disclosure requirements while maintaining communication with relevant divisions.</li> <li>With the increase in consolidated subsidiaries, established guidance for disclosure of information pertaining to financial results of subsidiaries.</li> </ul>

• CSR Promotion Council



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

	<b>2014 Performance assessment and improvement</b>	<b>2015 Plan</b>
	<ul style="list-style-type: none"> <li>Achieved more effective compliance with policies and guidelines.</li> <li>Further strengthened internal controls systems through organization and systematization of rules.</li> <li>Checked legal compliance systems throughout the Group to further strengthen internal controls systems.</li> <li>Increased employee awareness and knowledge through the establishment of effective processes for sharing matters pertaining to controls compliance.</li> <li>Strengthened internal controls systems for new Group companies.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to strengthen compliance with laws and our Corporate Ethics Policy</li> <li>Further promote and strengthen the organization and systematization of rules, further promote and strengthen legal compliance systems</li> <li>Continue initiatives to enhance employee awareness and knowledge of policies</li> <li>Thoroughly implement the above for new Group companies</li> <li>Analyze cases of non-compliance from other companies; check whether we have processes to avoid similar violations; formulate countermeasures as needed</li> </ul>
	<ul style="list-style-type: none"> <li>Proper reporting in accordance with improved procedures</li> <li>Audits conducted in accordance with improved auditing methods.</li> <li>Increased hazard recognition capability as a result of restructuring systematic hazard recognition training in accordance with the Group's current circumstances, and implemented this training for a great number of employees.</li> <li>Implemented effective emergency response training</li> <li>Confirmed that there were no violations of environmental regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to confirm the effectiveness of measures to prevent the recurrence of the sulfur leak incident through audits and OIMS assessments</li> <li>Prevent occupational accidents and injuries, ensure safe facilities and operations, achieve safety targets for environmental protection</li> <li>Continue implementation of effective training to maintain safety</li> <li>Continue to strengthen disaster response</li> <li>Continue establishment of an effective environmental management system</li> </ul>
	<ul style="list-style-type: none"> <li>Developed training programs in accordance with expectations; enabled employee development in a greater number of fields; made improvements that will contribute to the development of each employee.</li> <li>Further promoted inter-division transfers between the human resources division and other divisions and formulated career development plans for all employees; implemented employee transfers for the further training and development of employees in accordance with these plans.</li> <li>Implemented human rights training at each workplace to raise awareness of human rights.</li> <li>Further promoted hiring of employees with disabilities; raised our employment rate of employees with disabilities.</li> </ul>	<ul style="list-style-type: none"> <li>Implement new training programs for follow-up training for new employees, etc.</li> <li>Hold human resource development meetings regularly, actively promote inter-division transfers (job rotation), formulate employee career development plans</li> <li>Implement human rights education about harassment prevention</li> <li>Promote and further establish the hiring of employees with disabilities</li> </ul>
	<ul style="list-style-type: none"> <li>Clarified overall vision of contribution initiatives and direction through integrated management of the Group's social contribution programs.</li> <li>Achieved inter-divisional cooperation in our social contribution activities through the active participation of our sales office employees in contribution activities implemented by nearby production sites.</li> <li>Ascertained that there is a division that has not participated in the Contribution Committee.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct regular assessments of existing activities, develop programs for implementation in 2016</li> <li>Expand and further energize our contribution programs with employee participation as a key element</li> <li>Implement social contribution activities with our dealers (target: three activities)</li> <li>Add a member from our distribution division to the Contribution Committee to ensure integrated management of the contribution activities of the entire Group</li> </ul>
	<ul style="list-style-type: none"> <li>Achieved consistent quality management throughout the Group with the application of our revised product quality management system (TG PQMS).</li> <li>Achieved significant reduction in the number of product quality incidents for fuels, chemicals and lubricants compared to 2013 as a result of product quality incident elimination initiatives launched in 2014 (2015 YTD).</li> <li>Weaknesses identified in each division through product quality audits in 2014 were rectified according to plan in order to prevent further quality issues.</li> <li>Increased understanding by relevant staff through product quality and chemical substance management training.</li> </ul>	<p>Development and implementation of product quality improvement plans by all divisions in accordance with major items (product quality targets):</p> <ol style="list-style-type: none"> <li>Enhance initiatives to eliminate product quality incidents                         <ol style="list-style-type: none"> <li>Enhance sharing of information about product quality incidents and near misses in effort to achieve target of zero occurrences of similar incidents/near misses.</li> <li>Strengthen product quality management by contractor companies</li> <li>Enhance awareness and risk identification of work that is critical to product quality</li> </ol> </li> <li>Strengthen product quality management system                         <ol style="list-style-type: none"> <li>Identify weaknesses through TG PQMS assessments and address identified weaknesses before incidents occur</li> <li>Use checklists to perform self-assessments</li> </ol> </li> <li>Implement risk management appropriate to the business environment and contribute to profit improvement                         <ol style="list-style-type: none"> <li>Manage risks appropriately in response to customer needs</li> <li>Achieve balance between maintaining market competitiveness and relaxing restrictions related to quality risk management</li> </ol> </li> <li>Enhance quality management for chemical substances through systematization and organization of management systems                         <ol style="list-style-type: none"> <li>Steady rollout of rules and procedures for quality management of chemical substances</li> </ol> </li> <li>Implement effective training for product quality management and quality management of chemical substances</li> </ol>
	<ul style="list-style-type: none"> <li>Systematically identified new risks resulting from changes in the business environment, as well as risks that increase in magnitude due to such changes, and strengthened the risk management systems to enable appropriate response to these risks.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to identify new risks resulting from changes in the business environment, as well as risks that increase in magnitude due to such changes, and develop response systems for these risks as required</li> <li>Using examples from other companies for reference, continue to check and develop processes for responding to and avoiding risks that could lead to serious impacts on our business</li> </ul>
	<ul style="list-style-type: none"> <li>One reissuance of a report was required. This was carried out appropriately, achieving proper disclosure of financial information.</li> <li>Disclosure of earnings information for a subsidiary that became a consolidated company was carried out in accordance with uniform standards.</li> </ul>	<ul style="list-style-type: none"> <li>Respond appropriately to law revisions affecting future accounting and disclosure</li> <li>Consider processes to further enhance disclosure accuracy</li> </ul>

# 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

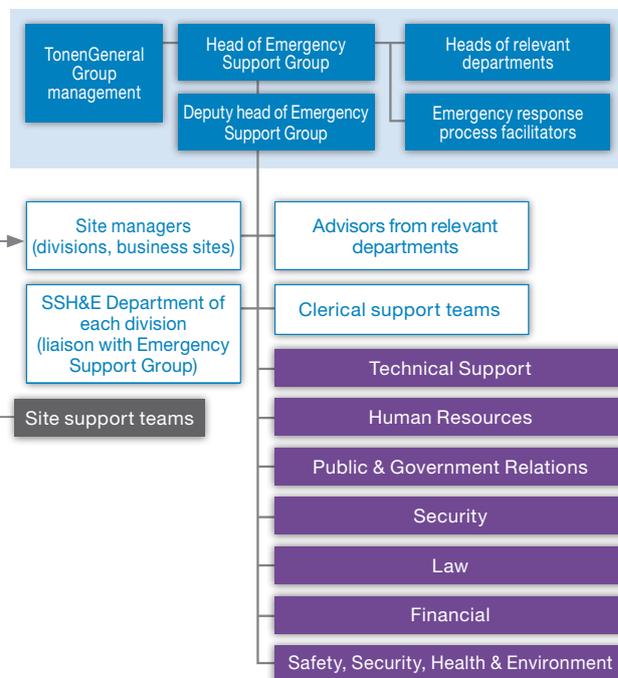
The Group strives to identify every possible risk, from situations that could endanger the safety and health of the employees of the Group and its partners and residents of nearby communities to incidents that could harm the environment or disrupt the stable supply of petroleum products, as well as leakages 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, and procedures for operations and maintenance work.

As a system for managing risks 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, comprising employees who have undergone specialized training, to assist the Emergency Support Group as needed. To ensure that the Emergency Support Group functions as effectively as possible, we hold advanced training seminars over two and a half days, using practical exercises to train members on the individual roles and emergency response procedures for which they are responsible. In addition, we hold scenario-based classroom training exercises for potential emergencies, such as major earthquakes and new strains of influenza. We also hold training exercises at all of our business sites involving a number of scenarios. The emergency site support teams take part in this training, and also hold joint training exercises with our refineries and terminals on a regular basis.

### • 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

Our mission is to ensure a stable supply of petroleum products, which are essential for daily life and the functioning of society, and we have created business continuity plans (BCPs) for potential emergencies to secure our ability to fulfill this mission. We use worst-case scenarios for our BCPs, particularly those for earthquakes and tsunamis, as well as new strains of influenza, as the risk of occurrence of these types of disasters is of general concern. In responding to actual events that have taken place within the last several years, we have taken prompt and effective action based on these scenarios. To improve existing BCPs, we incorporated the lessons we had learned from actual experience, such as the methods we used to disseminate information to employees and the actions taken to address new issues that arose as events unfolded.

However, the generally assumed scenarios for the risk and degree of natural disasters we may face, such as the severity of the series of strong earthquakes expected to affect all areas adjacent to the Pacific Ocean, as well as localized torrential rains, are constantly changing.

The Group participates in the Supply Cooperation Plan for fuel products, formulated by the Japanese government and the Petroleum Association of Japan. We also formulated a systematic series of BCPs for the Group, covering operations from supply to sales, and submitted them to the Ministry of Economy, Trade and Industry in March 2014. In addition, we checked emergency generators, drum shipping facilities, satellite phones and other supplies and facilities at each of our sites and made reinforcements where needed. As a verification program for our BCPs, we will continue to employ training and periodic review to assess the effectiveness of our emergency response plans, for the further improvement of our BCPs.



Drum shipment at Wakayama refinery

## Information security

To minimize the risk of information leakage, the 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.

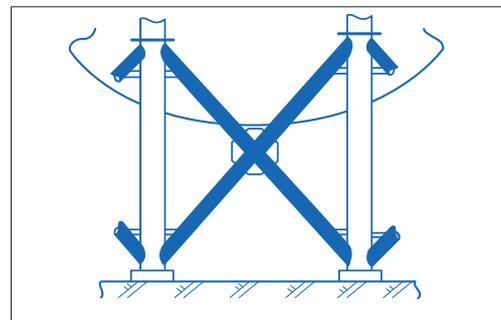
The companies that have joined the Group since 2013 have similar policies and are in the process of aligning their information security systems with those of the Group.



Server room

## 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.



\*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 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 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 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.

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.

### 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



# Compliance

The TonenGeneral 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 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 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 outside directors also attend meetings as necessary.

### • Corporate Ethics Committee



### Relevant policies under the Standards of Business Conduct (SBC)

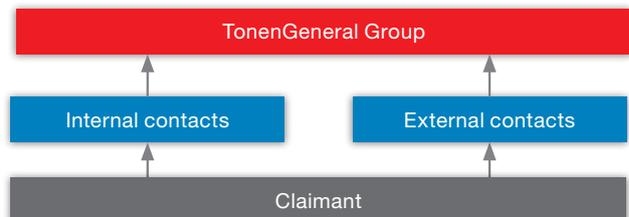
- Ethics Policy
- Anticorruption Policy
- Alcohol and Drug Use Policy
- Gifts and Entertainment Policy
- Political Activities Policy
- International Operations Policy
- Antitrust Policy
- Open Door Communication Policy

## 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 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.

### • Flow of internal reporting



The corporate policy of the 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. This policy also states explicitly that employees reporting issues must never be subject to disadvantageous treatment for filing a report. In 2014, the internal and external contacts were contacted a total of 11 times by employees reporting issues such as harassment, and offering suggestions for operational improvements.

## Compliance training

The 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.

We have raised knowledge and awareness of these matters among our workforce through regular training tailored to the operations of each workplace, with additional training sessions implemented by staff members of our law department as needed. The training includes discussion and explanation of hypothetical case studies that help to illustrate the content of various laws and specific work-related situations that could arise.

In 2014, we organized 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 branch offices and refineries, the training was attended by all of the targeted employees. The training materials were posted on the Group intranet so that employees could review the content whenever necessary.

Content of training	Number of attendees
Antitrust laws and the Subcontract Act	1,022
Insider trading	163
Bribery – Unfair Competition Prevention Act and related laws and regulations, the Group's policy and guideline	1,485

## TOPICS

It was widely reported in 2013 that a leading banking group had extended loans to antisocial organizations. The Group has consistently prohibited involvement with antisocial forces by taking measures such as verifying the identity of contractual counterparties. We have 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.



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.

## Anticorruption

The TonenGeneral Group's guiding principles regarding anticorruption have been set forth its Anticorruption Policy as well as its Guidelines for Interactions with Government Officials. The Anticorruption Policy states that officers, employees, and third parties acting on the Group's behalf are prohibited from offering or paying bribes in connection with the business or activities of the Group, and that it should never be assumed that the Group's interest requires otherwise. "Bribe" as defined in the policy includes any money, goods, services or other thing of value offered or given with the intent to gain any improper advantage for the company. The Guidelines for Interactions with Government Officials states that for gifts to, entertaining of, hosting of and other interactions with government officials, it must be determined whether these activities involve any vested interests between the Group and the government officials in question, and based on the conclusion, advance approval of multiple departments may be required. Employee training is conducted on a regular basis to communicate the content of the above policy and guidelines, reinforcing the Group's Ethics Policy, which requires all Group members to choose the course of highest integrity.

# Safety, Health and the Environment

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.

Relevant policies under the Standards of Business Conduct (SBC)

- Safety Policy
- Health Policy
- Environment Policy

### 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 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 below.

- 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

• The 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

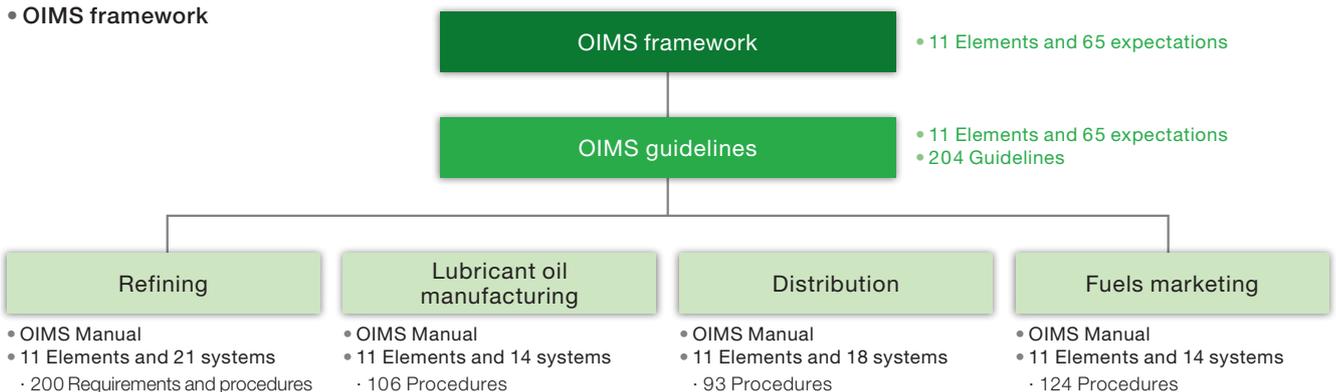
• Evaluation

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 below.

### • 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 the public. 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, the TonenGeneral Group's 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 foster compliance with this policy.

Relevant policy under the Standards of Business Conduct (SBC)

Safety Policy

## Safety initiatives

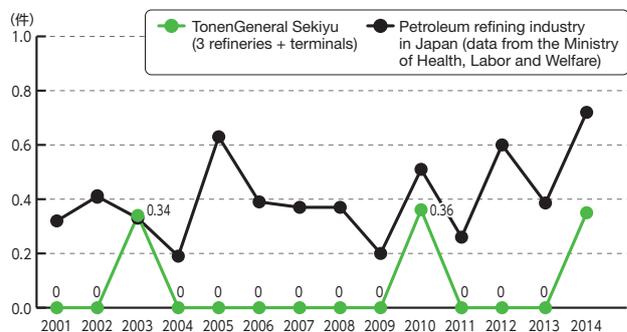
### • Personnel safety

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 annual safety targets of zero fatalities and lost-time injuries for our employees and the employees of our contractor companies. In 2014, in our refining, manufacturing and distribution segments, we had no fatalities and five lost-time injuries for employees and contractor company personnel.

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

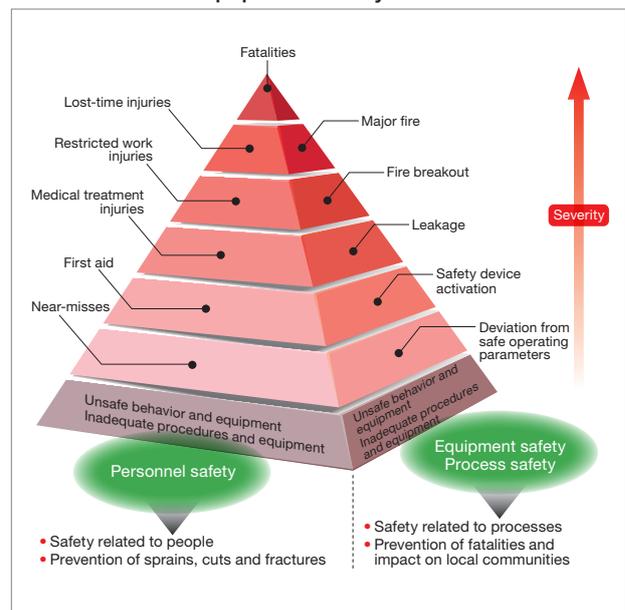


	2010	2011	2012	2013	2014
Number of employee lost-time injuries	1	0	0	0	1

### • 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.

### • Personnel and equipment safety



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.

#### • 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 industrial 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.

## COLUMN

### Measures for fire incident in resid hydrocracking reactor at TonenGeneral Kawasaki refinery

A fire broke out in the reactor of the resid hydrocracking unit at our Kawasaki refinery on March 1, 2014, during periodic maintenance. Five contractors were treated for injuries at a nearby hospital. We once again extend our sincere apologies to the contractors, the local community and all those involved for any inconvenience and anxiety caused by the incident.

Since the incident, we have further strengthened measures for safe execution of hot work in towers and vessels to prevent recurrence of the incident. In addition, we have improved our work processes to ensure that all high-risk work is identified, and that high-quality instructions and procedures are developed and executed to mitigate the identified risks. The following is the improved process to deal with high-risk work.

1. The Process Operations Department and Maintenance Department develop lists of potential high-risk maintenance work, which reflect lessons learned from past incidents and trouble, including those that have occurred when working with contractors.
2. Led by a safety engineer, a cross-functional team comprising representatives from the Process Operations Department, Maintenance Department and Technical Department assesses the risk levels of the maintenance work in the lists to identify high-risk work.
3. The relevant department develops detailed procedures for the high-risk work to mitigate the identified risks through job safety analysis. Each detailed procedure requires approval by the appropriate level of manager depending on the risk level.
4. Once the procedure is approved, it is read through by the relevant staff including the contractor execution supervisors in charge in a face-to-face meeting to ensure full understanding of the procedure and the associated risks.
5. At the appropriate opportunity, such as a morning toolbox meeting, the execution supervisor communicates the risks and the procedure for the relevant high-risk work to all workers involved before the work begins.

Major improvements achieved through this process are (i) risk assessment by a cross-functional team to reliably identify risks at the interface between Process Operation and Maintenance and development of optimum risk mitigation procedures, and (ii) participation by a safety engineer as a leader in risk assessment to ensure high-quality risk assessment.

We operate our facilities in accordance with the basic principle that safety is the foundation of our business, and we will continue improve our safety management system in our efforts to eliminate safety-related incidents.

# 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

The Occupational Health (OH) Department and the Industrial Hygiene (IH) Department collectively promote workplace health initiatives based on the TonenGeneral Group's Health Policy.

### • Health Policy

#### It is the TonenGeneral Group's policy to:

- identify and evaluate health risks related to its operations that potentially affect its employees, contractors or the public;
- implement programs and appropriate protective measures to control such risks, including appropriate monitoring of its potentially affected employees;
- communicate in a reasonable manner to potentially affected individuals or organizations and the scientific community knowledge about health risks gained from its health programs and related studies;
- determine at the time of employment and thereafter, as appropriate, the medical fitness of employees to do their work without undue risk to themselves or others;
- provide or arrange for medical services necessary for the treatment of employee occupational illnesses or injuries and for the handling of medical emergencies;
- 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 health effects of its operations;
- undertake appropriate reviews and evaluations of its operations to measure progress and to foster compliance with this policy;
- provide voluntary health promotion programs designed to enhance employees' well-being, productivity, and personal safety.

These programs should supplement, but not interfere with, the responsibility of employees for their own health care and their relationships with personal physicians. Information about employees obtained through the implementation of these programs should be considered confidential and should not be revealed to non-medical personnel except: at the request of the employee concerned, when required by law, when dictated by overriding public health considerations, or when necessary to implement the Alcohol and Drug Use Policy.

Relevant policy under the Standards of Business Conduct (SBC)

✓ Health Policy

## Voluntary, comprehensive occupational health management with the collaboration of specialists

Our OH and IH Departments comprise occupational health specialists including occupational physicians, occupational health nurses and industrial hygienists. While this administrative 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 (see chart below).

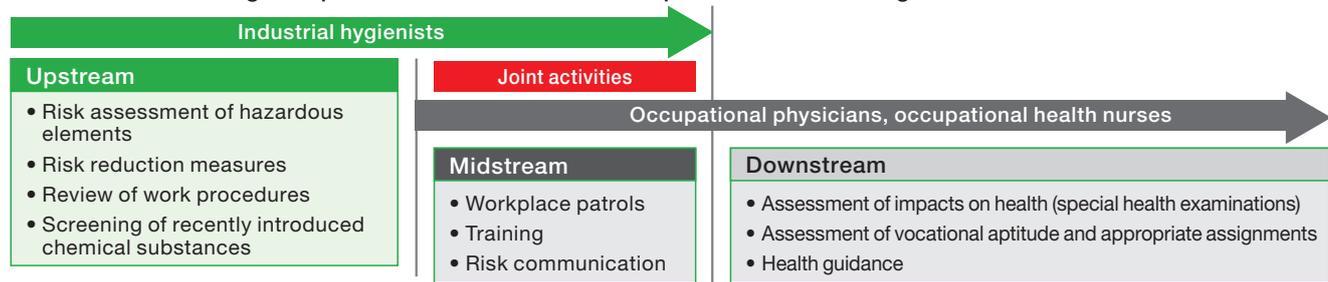
For example, as part of our work environment management efforts, we conduct voluntary risk assessments based on direct measurements of employees' exposure to harmful elements. For work where risks are deemed to be high, we implement countermeasures to lower the risks, for thorough work management. For employees working under the risks that remain after these countermeasures have been implemented, we implement health examinations for specific risks and to lower impacts on health. In addition, our occupational physicians and industrial hygienists jointly implement workplace inspection rounds and health-related training in their efforts to ensure an appropriate work environment.

## 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

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



2014, we held 35 mental health training sessions attended by a total of 736 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 Group voluntarily implements these initiatives to maintain the health of all of our employees and help them achieve an appropriate work-health balance.

## Social contributions

The 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.

In addition, the Group's initiatives in occupational health technology have received recognition from various industries and occupational health academic societies in Japan. We received the encouragement prize in 2014 and the Good Practice prize in 2015, both from Occupational Hygiene & Ergonomics, Japan Society for Occupational Health.

## TOPICS

### TonenGeneral Sekiyu K.K. Selected as KENKO KEIEI Brand by METI and TSE

On March 25, 2015, the TonenGeneral Group was selected for the "Brand of Companies Enhancing Corporate Value through Health and Productivity Management (KENKO KEIEI Brand)" designation for its outstanding efforts in health and productivity management (KENKO KEIEI). Health and productivity management is an approach in which enterprises focus on and strategically carry out efforts with regard to their employees' health from the viewpoint of management. The TonenGeneral Group was the only company from the oil and coal products sector among the 22 companies chosen for this distinction out of 3,561 eligible companies in Japan.

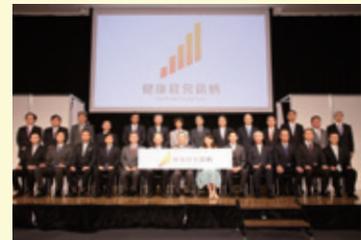
The Group was selected in recognition of its management philosophy and its establishment of clear policies thoroughly rooted in the Group's culture that employees' health, along with safety and the environment, is the foundation upon which we base all of our operations and contribute to society.

We were also recognized for our employee health management centering on higher rates of screening and health direction by occupational physicians and nurses after health exams; our organizational cooperation between the Industrial Hygiene Department, which is experienced in operations, and the Occupational Health Department, which is in charge of health management, for providing thoroughgoing care to prevent work-related illnesses; our identification and evaluation of health risks related to our operations that could potentially affect our employees; and our personnel system that encourages use of paid vacation days and promotes work-life balance.

We will continue our efforts to maintain the health of our employees in all of our business operations.



Ms. Ai Sugiyama, a presenter at the ceremony, and Soichiro Fukiya, executive officer (Human Resources and General Affairs) of TonenGeneral Sekiyu K.K.



Commemorative photograph with Mr. Yoichi Miyazawa, Minister of Economy, Trade and Industry, Ms. Ai Sugiyama (presenter), and members of companies selected



## COLUMN

### 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 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.

# 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 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 below.

### • 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 every employee's responsibility 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.

Relevant policy under the Standards of Business Conduct (SBC)

Environment Policy

## 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 Group's EBPs. 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).

## 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.

\* An environment advisor has been stationed in the Safety, Health & Environment Department of our head office to oversee the entire Group. As a specialist, the environment advisor manages and controls all operations related to the environment.

### • 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.

## 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.

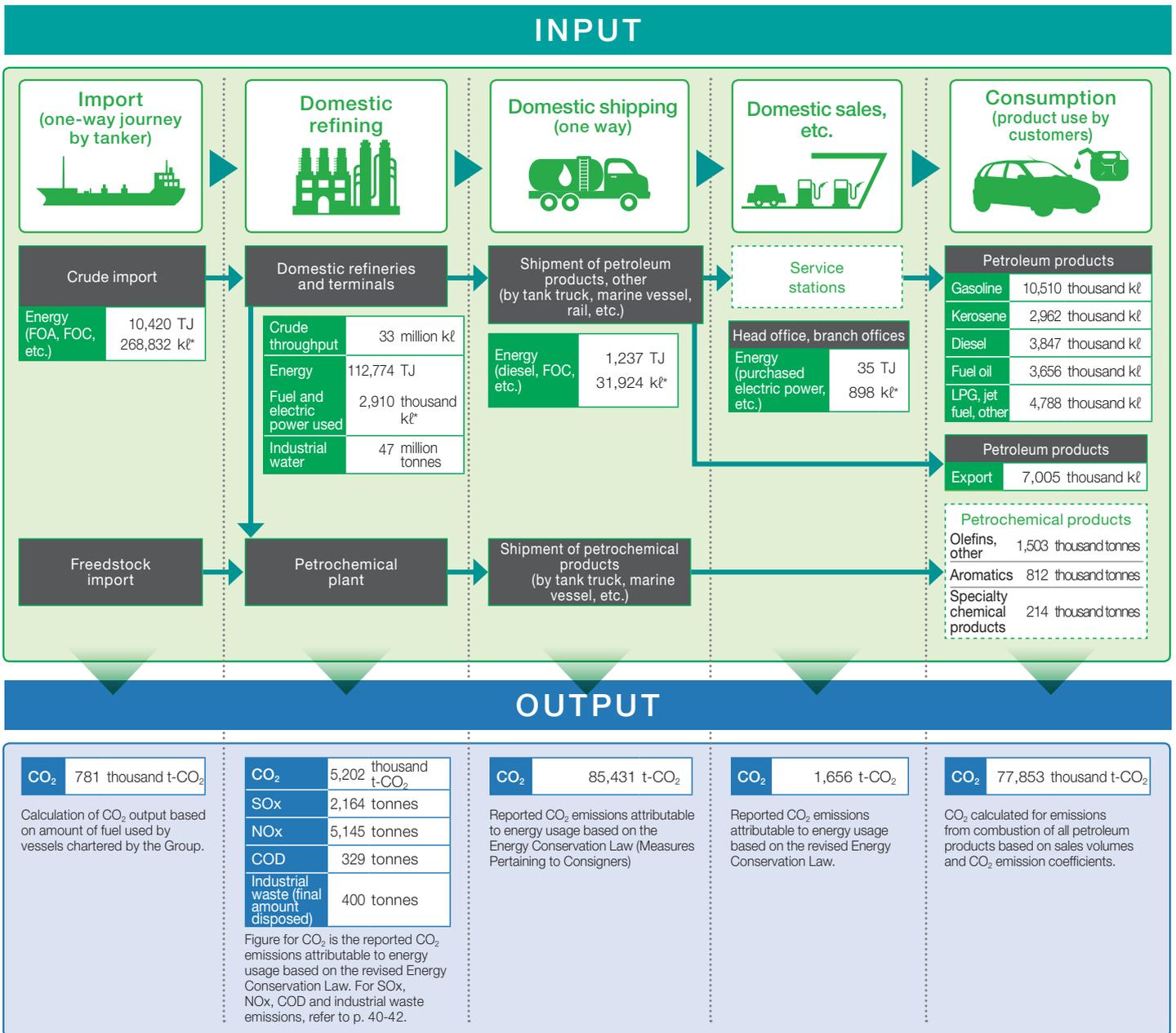
For example, in assessing the environmental impact of the distribution division, we assigned four- or five-member teams, which included staff members from other terminals and environmental advisors, to conduct assessments of all of our terminals over a two-year period starting in 2009. The assessment 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. These results were compiled into an overall assessment of the distribution division, with annual follow-up.

### • 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 (FY2014)



\* All figures are approximate. • Dotted line is outside the scope of output totals.  
\*Oil equivalent volume

## 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 Safety, Health & 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 considering risks, costs, and benefits, including effects on energy and product supply."

## Response to and educational activities for the Fluorocarbons Law

The Act on Rational Use and Proper Management of Fluorocarbons (the Fluorocarbons Law) was enacted on April 1, 2015. The TonenGeneral Group's refineries contain facilities that use fluorocarbons in the form of refrigerants. As the manager of these facilities, we comply with the Fluorocarbons Law by making lists of all relevant facilities, followed by planning, implementation, and recording of facility inspections, along with measurement of any fluorocarbon leakage that occurs and implementation of appropriate reporting.

In order to increase understanding of these new initiatives, staff from our Safety, Health & Environment Department met with the relevant staff from each refinery starting more than two months before the new law took effect to identify revisions from the former law and discuss steps to be implemented by the Group. This enabled us to achieve trouble-free implementation of our quarterly simple inspections, the first inspections scheduled after the enactment of the law. These inspections involve checking the units for things such as unusual noises, external damage, corrosion, rust, leakage, and frost on heat exchangers. Inspection results are recorded in inspection logs, which have been developed for each unit and are maintained until the unit is decommissioned.

As we work further to ensure thorough management of fluorocarbons at our refining sites, we will utilize our intranet to educate all Group members on how our initiatives help to curb fluorocarbon emissions, which contribute to climate change and depletion of the ozone layer, as part of our ongoing environmental efforts.

### • Message from the president

#### ▼ Message from Jun Mutoh for Environment Month, June 2015

#### To All Employees of the TonenGeneral Group

I would like to take this opportunity to thank you for your day-to-day efforts for improving our environmental performance in accordance with our Environment Policy. In our environmental protection activities, we maintain a high level of responsibility in all aspects of the environment while thoroughly complying with all relevant legal requirements. Our wide-ranging efforts include prevention of leakage during oil shipment and storage, treatment of soot and wastewater resulting from our refinery operations, reduction and proper disposal of waste products generated through our refinery operations, response to climate change issues, and prevention of soil and groundwater pollution.

I would like to share with you some of our achievements in addressing the risks associated with climate change, an issue of great concern worldwide.

- Last year, TonenGeneral Sekiyu K.K. was the only company to have been recognized for three consecutive years for having attained the government's energy benchmarks based on the Act on the Rational Use of Energy (Energy Conservation Law). In addition, out of nine petrochemical base products manufacturers recognized for having attained the benchmarks, Tonen Chemical Corporation was the only one to have achieved the benchmarks for two consecutive years.
- The CO<sub>2</sub> Emission Reduction by H<sub>2</sub> Optimization Between Two Companies in Kawasaki project, a joint initiative of our Kawasaki refinery and the JX Nippon Oil & Energy Corporation Kawasaki plant, was selected for recognition under the Low CO<sub>2</sub> Kawasaki Brand 2012 program implemented by the city of Kawasaki.

## 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.

### • Newsletter for environmental communication

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



- Fuel-efficient motor oil and continuously variable transmission oil developed for automotive manufacturers by the TonenGeneral Research Center were certified as advanced lubricants with high environmental performance through the Kawasaki Mechanism certification system, implemented by the city of Kawasaki.

We have always led the industry in implementing advanced measures for energy conservation at our refineries, and we will continue our proactive implementation of innovative efforts as the industry's front-running enterprise. To this end, it is important that we continue our efforts to devise new approaches to energy conservation. In addition to conserving energy in our refinery operations, we must not forget the importance of achieving further energy conservation in our crude procurement operations and the transport of products to our customers, as well as contributing to the reduction of CO<sub>2</sub> emissions, widely considered to be a risk factor for climate change.

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 urge you to actively engage in initiatives to reduce environmental impacts in other aspects of your daily lives as citizens of this country and this world.

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

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

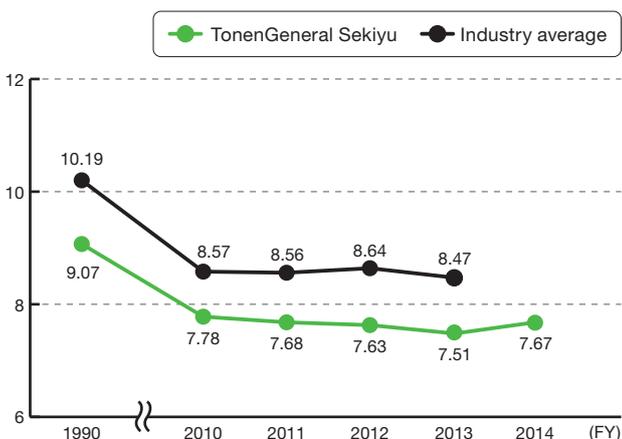
## Response to climate change risks

### • Energy conservation at refineries

The oil industry has upheld its target of reducing the average refinery energy consumption unit 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 energy consumption unit at the best levels in the industry.

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 public energy costs through energy conservation.

### • Change in refinery unit energy consumption\*1



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

### • Initiatives at the TonenGeneral Research Center

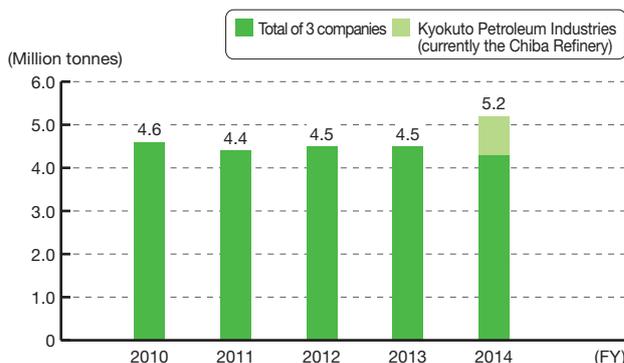
Our history of researching and developing lubricants extends more than 70 years into the past to the establishment of the Research Center, and we have developed a number of advanced high-performance lubricants. Our automotive lubricants in particular have significantly improved fuel efficiency through joint research with automakers and contribute to reducing automotive CO<sub>2</sub> emissions.

In 2014, fuel-efficient motor oil and continuously variable transmission (CVT) oil developed for automotive manufacturers by the TonenGeneral Research Center were certified as "advanced lubricants with high environmental performance" through the Kawasaki Mechanism Certification System, operated by the city of Kawasaki. According to criteria established by the city of Kawasaki, in a comparison based on identical annual sales volumes, use of these lubricants developed by the TonenGeneral Research Center can contribute to a reduction in CO<sub>2</sub> emissions 350,000 tonnes greater than that of conventional lubricants.

### • CO<sub>2</sub> reduction

As shown in the graph below, CO<sub>2</sub> emissions attributable to the combined total energy usage by TonenGeneral Sekiyu K.K., Tonen Chemical Corporation, EMG Marketing Godo Kaisha and Kyokuto Petroleum Industries, Ltd., have increased from 4.6 million tonnes in FY2010 to 5.2 million tonnes in FY2014; however, this increase can be attributed to the inclusion of Kyokuto Petroleum Industries, Ltd., as a consolidated company starting in FY2014.

### • CO<sub>2</sub> emissions\*2



\*2 CO<sub>2</sub> 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  
Data from FY2014 represent combined total for the above three companies and Kyokuto Petroleum Industries, Ltd. (currently the TonenGeneral Sekiyu Chiba refinery)

## 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 (NO<sub>x</sub>) 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 4,720 tonnes in FY2014, 31% 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.



Inspection of VOC emissions

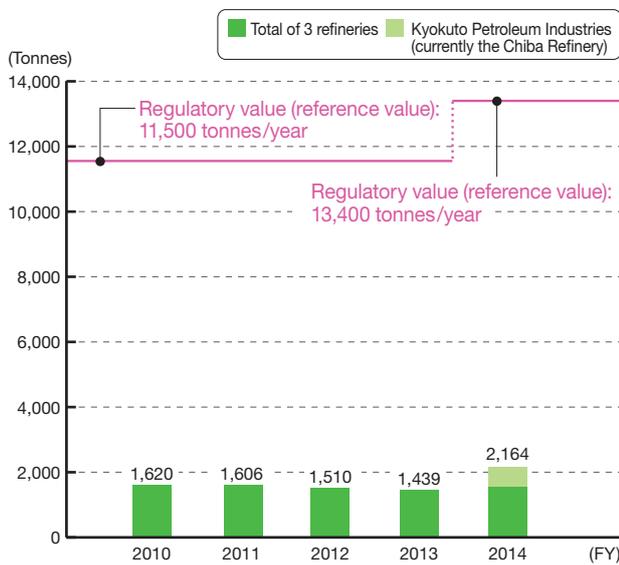
## Air pollution prevention measures

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 below, the Group has maintained low levels of SOx and NOx emissions; approximately 20% and 60% of regulatory value (annual reference values), respectively.

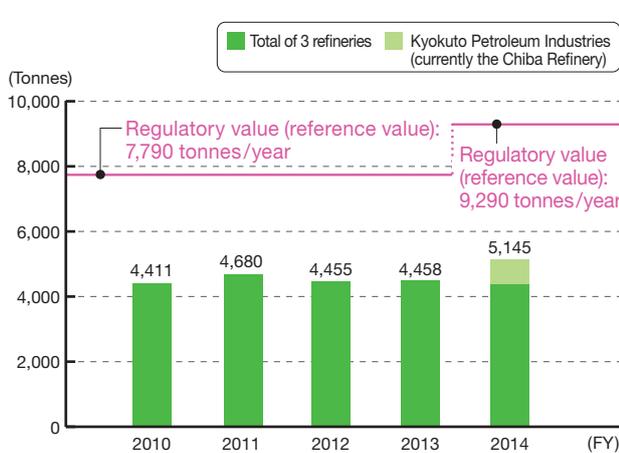
The increase in FY2014 can be attributed to the inclusion of Kyokuto Petroleum Industries, Ltd., as a consolidated company.

### • SOx (sulfur oxide) emissions



Note: Data represent combined total for the TonenGeneral Sekiyu K.K. and Tonen Chemical Corporation refineries and plant located in Kawasaki, Sakai and Wakayama. Data from FY2014 represent combined total for the above and Kyokuto Petroleum Industries, Ltd. (currently the TonenGeneral Sekiyu Chiba refinery). The calendar year (January 1 through December 31) is used for 2010, and the fiscal year (April 1 through March 31) for 2011 through 2014.

### • NOx (nitrogen oxide) emissions

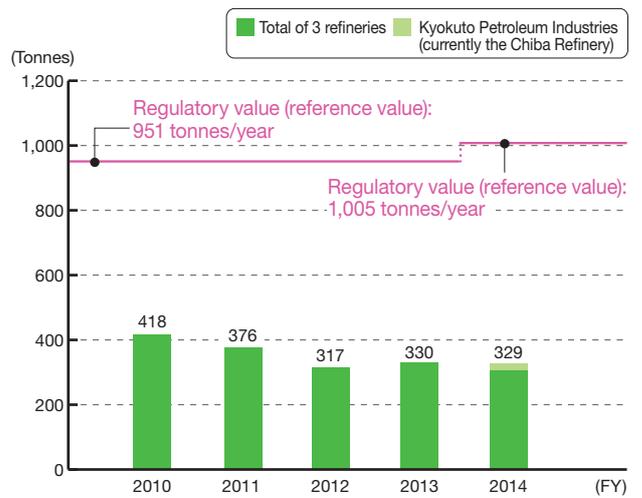


Note: Data represent combined total for the TonenGeneral Sekiyu K.K. and Tonen Chemical Corporation refineries and plant located in Kawasaki, Sakai and Wakayama. Data from FY2014 represent combined total for the above and Kyokuto Petroleum Industries, Ltd. (currently the TonenGeneral Sekiyu Chiba refinery). The calendar year (January 1 through December 31) is used for 2010, and the fiscal year (April 1 through March 31) for 2011 through 2014.

## Water pollution prevention measures

We implement measures for recycling and reuse of water in our refineries and petrochemical plant. 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 32% of the total volume compared to the regulatory value (annual reference value) of the total pollutant load control.

### • COD (chemical oxygen demand) emissions



Note: Data represent combined total for the TonenGeneral Sekiyu K.K. and Tonen Chemical Corporation refineries and plant located in Kawasaki, Sakai and Wakayama. Data from FY2014 represent combined total for the above and Kyokuto Petroleum Industries, Ltd. (currently the TonenGeneral Sekiyu Chiba refinery). The calendar year (January 1 through December 31) is used for 2010, and the fiscal year (April 1 through March 31) for 2011 through 2014.

## VOICE

### Developing reliable lubricants that contribute to high environmental performance

Masanori Suemitsu, Lubricants, TonenGeneral Research Center

One of the main activities of the TonenGeneral Research Center is the research and development of lubricants for automotive manufacturers. We help to improve vehicle performance by developing optimal lubricants for specific equipment and hardware. Auto manufacturers value fuel-efficient performance, and in developing the next generation of lubricants, in which I am involved, we aim to improve fuel efficiency while increasing the reliability of automotive equipment and hardware.

The improvement of fuel efficiency is directly proportional to the reduction of CO<sub>2</sub> emissions. For example, use of our fuel-efficient motor oil can contribute to an annual reduction in CO<sub>2</sub> emissions 300,000 tonnes greater than that of conventional lubricants.

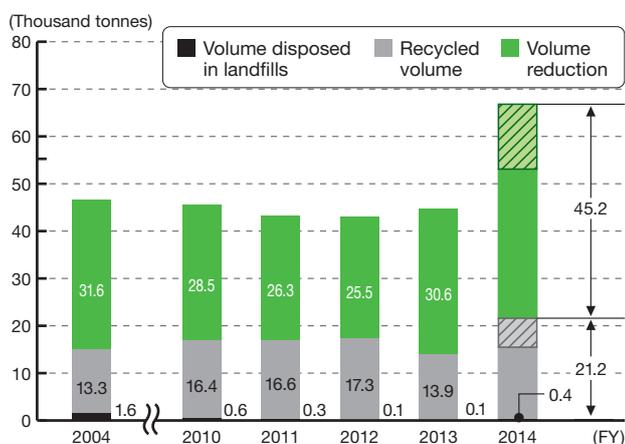
I take a great deal of pride in contributing the reduction of impacts on the environment through the research and development of new products.



## 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 reduce the volume of waste generated and to 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 400 tonnes in FY2014, a reduction of approximately 75% over the 10-year period since FY2004.

### • 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. Data from FY2014 represent combined total for the above and Kyokuto Petroleum Industries, Ltd. (currently the TonenGeneral Sekiyu Chiba refinery). 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 for soil and groundwater purification

With regard to soil and groundwater contamination caused by leakage from aging facilities, our Environmental Services Department conducts environmental surveys and implements purification measures to preserve

the environment surrounding our facilities. We report to the 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.

## 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 include the benzene, toluene, xylene, and normal hexane contained in gasoline, as well as waste material such as nickel compounds.

### • PRTR substance release and discharge (FY2014)

(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	1	0	1
53	Ethylbenzene	3	0	0	3
80	Xylene	42	0	0	42
232	N,N-Dimethylformamide	0	0	0	1
296	1,2,4-Trimethylbenzene	2	0	0	2
300	Toluene	80	0	0	80
309	Nickel compounds	0	0	8	8
351	1,3-Butadiene	1	0	0	1
392	Normal hexane	142	0	0	142
400	Benzene	25	0	0	25
438	Methylnaphthalene	6	0	0	6
455	Morpholine	0	13	3	16
Total		301	22	11	355

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



Environmental examination

## 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 (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

### Green purchasing

As part of our efforts to reduce our burden on the environment, we practice “green” purchasing, in which we give priority to vendors who provide products and services with the least possible impact on the environment. At our Wakayama refinery, our green purchasing initiatives include the replacement, completed in 2014, of incandescent light bulbs with LED bulbs at 160 locations around the refinery, thereby contributing to energy conservation efforts; as well as the recovery of 2,500 oil drums a year from

a disposal contractor for reuse in the transport of industrial waste. In addition, when purchasing goods, taking environmental considerations into account, in addition to quality and price, also enables us to reduce costs. For example, at our Kawasaki refinery, there was a shortage of portable gas detectors for use during periodic maintenance. Instead of purchasing additional detectors for the refinery, we borrowed the devices from our other refineries and completed the maintenance safely and without incident.

## 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. In addition, in

December 2014, Tonen Chemical Corporation signed the revised Responsible Care Global Charter. The charter is a global effort that has been put into practice by chemical companies in 58 countries and regions. A great number of global chemical companies have ratified the charter since its establishment in 2005. The TonenGeneral Group has continued to apply the Responsible Care initiative proactively within the framework of OIMS to protect the environment and maintain safety and health.



Signatures on the Global Charter

# 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 m<sup>2</sup>

**Crude oil processing capacity:** 268,000 barrels/day\*

**Ethylene production capacity:** 478,000 tonnes/year



\*Changed to 258,000 barrels/day after March 31, 2015

### • Control status for environmental regulatory values

	Applicable laws and regulations	Regulated item	Classification	Unit	Current regulatory value	FY2014 actual value (maximum value)
SOx	Air Pollution Control Act	Total volume	TG*1	Nm <sup>3</sup> /H	82.488	0.4 (1.3)
			TCC*2	Nm <sup>3</sup> /H	101.678	3.3 (5.2)
	Kawasaki City ordinance	Total volume	TG	g/10 <sup>3</sup> Kcal	8	0.05 (0.19)
			TCC	g/10 <sup>3</sup> Kcal	8	0.33 (1.10)
NOx	Air Pollution Control Act	Total volume	TG	Nm <sup>3</sup> /H	104.432	67.7 (74.5)
			TCC	Nm <sup>3</sup> /H	140.13	75.5 (92.8)
	Kawasaki City ordinance	Voluntary control value (4-year average)	Combined total for TG and TCC	tonnes/year	2,040	1,867 *3
		Total volume (daily limit)	TG	g/10 <sup>3</sup> Kcal	6.3	3.24 (3.63)
TCC	g/10 <sup>3</sup> Kcal		6.3	3.33 (4.18)		
Particulate	Kawasaki City ordinance	Total volume	Combined total for TG and TCC	tonnes/year	353.9	293.6 *3
Soot	Air Pollution Control Act	Concentration	Boiler	g/Nm <sup>3</sup>	0.07	0.014 (0.021)*4
			Petroleum-heating furnace	g/Nm <sup>3</sup>	0.10	0.002 (0.005)*4
			CO boiler	g/Nm <sup>3</sup>	0.30	0.016 (0.044)*4
	—	Soot release volume	TG	tonnes/year	—	47.8 *3
			TCC	tonnes/year	—	51.8 *3
COD	Water Pollution Prevention Act, city ordinance	Total volume	Combined total for TG and TCC	kg/day	1,691	825 (1,028)
Nitrogen	Kawasaki City ordinance	Total volume	Combined total for TG and TCC	kg/day	1,146	647 (890)
Phosphorous	Kawasaki City ordinance	Total volume	Combined total for TG and TCC	kg/day	86.4	23.2 (35.7)

\*1 TG: TonenGeneral Sekiyu K.K. \*2 TCC: Tonen Chemical Corporation \*3 Annual total \*4 Concentration limit for each furnace

Note: Fiscal year (FY 2014: April 1, 2014-March 31, 2015) 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 m<sup>2</sup>

**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)	FY2014 actual value (maximum value)
SOx	Air Pollution Control Act	Total volume	Nm <sup>3</sup> /H	90.6	2.5 (4.0)
NOx	Air Pollution Control Act	Total volume	Nm <sup>3</sup> /H	114.2	21.4 (29.1)
Soot	Air Pollution Control Act	Concentration	g/Nm <sup>3</sup>	0.05	0.010 (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)	7.0 (9.3)
		Total volume	kg/day	109.4 (176.2)	53.1 (83.3)
Nitrogen	Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea, Osaka prefectural ordinances	Concentration	mg/l	20 (21.5)	7.7 (18.7)
		Total volume	kg/day	228.8 (270.8)	58.4 (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)	0.2 (0.7)
		Total volume	kg/day	9.8 (29.1)	1.8 (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 m<sup>2</sup>

**Crude oil processing capacity:** 132,000 barrels/day

### • Control status for environmental regulatory values

	Applicable laws and regulations	Regulated item	Unit	Current regulatory value	FY2014 actual value (maximum value)
SOx	Air Pollution Control Act	Total volume	Nm <sup>3</sup> /H	184.6	54.9 (93.0)
NOx	Pollution prevention agreements	Total volume	Nm <sup>3</sup> /H	186.4	118.2 (145.0)
Soot	Air Pollution Control Act	Concentration	g/Nm <sup>3</sup>	0.05–0.15* <sup>1</sup>	0.001~0.005 (0.005)
				0.2	0.069 (0.120)* <sup>2</sup>
COD	Water Pollution Prevention Act, Wakayama prefectural ordinances	Concentration	mg/l	25	2.6 (4.6)
		Total volume	kg/day	739.7	144.5 (427.80)
Nitrogen	Water Pollution Prevention Act, Wakayama prefectural ordinances	Concentration	mg/l	60	2.4 (4.0)
		Total volume	kg/day	397.6	205.2 (343.9)
Phosphorous	Water Pollution Prevention Act, Wakayama prefectural ordinances	Concentration	mg/l	8	0.1 (0.1)
		Total volume	kg/day	43.8	6.8 (20.3)

\*1 Concentration limit for each furnace \*2 CO boiler

## Chiba refinery • TonenGeneral Sekiyu K.K.



**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 m<sup>2</sup>

**Crude oil processing capacity:** 152,000 barrels/day

### • Control status for environmental regulatory values

	Applicable laws and regulations	Regulated item	Classification	Unit	Current regulatory value	FY2014 actual value (maximum value)
SOx	The Agreement on the Conservation of the environment	Total volume		Nm <sup>3</sup> /H	77.98	35.3 (40.9)
NOx	The Agreement on the Conservation of the environment	Total volume		Nm <sup>3</sup> /H	86.22	49.0 (56.8)
Soot	The Agreement on the Conservation of the environment* <sup>2</sup>	Concentration	Boiler* <sup>1</sup>	g/Nm <sup>3</sup>	0.04	0.009 (0.034)
			Petroleum-heating furnace* <sup>1</sup>	g/Nm <sup>3</sup>	0.04	0.005 (0.020)
			Catalyst regeneration tower	g/Nm <sup>3</sup>	0.05	0.009 (0.017)
COD	The Agreement on the Conservation of the environment* <sup>2</sup>	Total volume		mg/l	17	8.1 (13.8)
		Total volume		kg/day	150	67.2 (108.8)
Nitrogen	The Agreement on the Conservation of the environment	Total volume		mg/l	15	6.3 (14.4)
		Total volume		kg/day	125	53.2 (121.3)
Phosphorous	The Agreement on the Conservation of the environment	Total volume		mg/l	1.5	0.16 (0.53)
		Total volume		kg/day	11	1.28 (3.18)

\*1 Concentration Limit for each furnace \*2 Total Volume after April 2004

## 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 m<sup>2</sup>

**Polyethylene production capacity:** 300,000 tonnes/year

### • Control status for environmental regulatory values

	Applicable laws and regulations	Regulated item	Unit	Current regulatory value	FY2014 actual value (maximum value)
COD	Water Pollution Prevention ACE, City ordinance	Total volume	kg/day	148.3	42.0 (97.3)
Nitrogen	Kawasaki City ordinance	Total volume	kg/day	56.3	8.7 (18.5)
Phosphorous	Kawasaki City ordinance	Total volume	kg/day	5.91	1.47 (3.73)

# Relationship with Stakeholders

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 Group works to supply a wide range of reliable products, including fuels, lubricants, petrochemical products, and LP gas. 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.

#### Relevant policies under the Standards of Business Conduct (SBC)

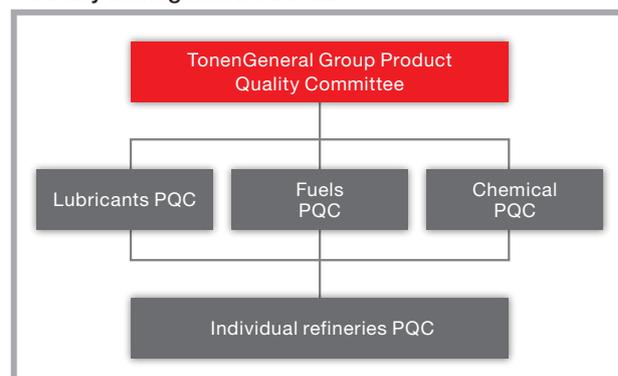
- Customer Relations and Product Quality Policy
- Product Safety Policy
- Antitrust Policy

### Quality management structure

The 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 certified 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

#### • Quality management structure



manufacturing, sales and other areas.

We have obtained ISO 9001 certification at the Kawasaki, Wakayama and Sakai refineries, Kyokuto Petroleum Industries, Ltd. (currently the Chiba refinery), the Tsurumi lube oil blending plant, the TonenGeneral Research Center, and the NUC Kawasaki plant to assure the public that our quality management activities are effectively safeguarding quality. In addition, an ISO certification body has confirmed that our quality management for lubricant production 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, we established the Product Quality Department at our head office as an organization independent of our business and manufacturing divisions to comprehensively oversee 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 business divisions. In 2015, audits have been planned and carried out at 16 sites, including contract manufacturer 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, including these auditing activities.

### 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.



Plaques and certificate of appreciation from Toyota Motor Corporation

### 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 worldwide 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; 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, including Speedpass, an electronic device that customers simply hold over a terminal to make payments; the Video Pump, a fuel pump equipped with a high-resolution color display; the Express Wash, a car wash with high-performance equipment that offers simple, speedy, 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 Synergy Card offers discounts up to 7 yen per liter of fuel.



Express brand self-service station



A Mobil 1 Center



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

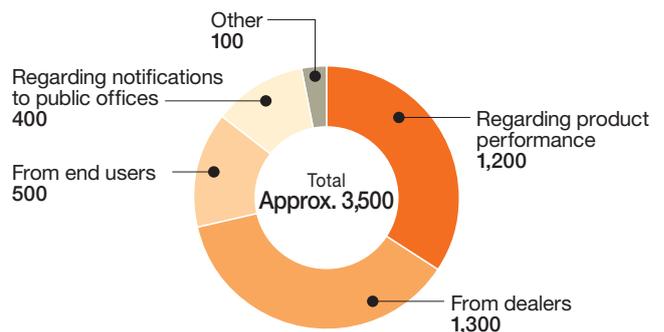


Speedpass Plus, a keychain device for electronic payment not only at our service stations, but also at convenience stores and restaurants

## Mission of the Customer Service division

The Customer Service division responds to requests and inquiries from dealers as well as customers who visit our service stations. 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 prompt action and 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 or when a customer needed directions), and we share these messages with service station staff and the departments involved, contributing to the Group's pursuit of ever-higher standards of service. All of us in the Customer Service division therefore work together to promptly deliver the highest quality services to our customers.

### • Number of inquiries received by Customer Service division (2014)



## 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.

#### • Number of employees\*1

	2012	2013	2014
Number of employees	2,805	2,921	3,512*2

\*1 Includes consolidated subsidiaries as of December 31

\*2 The number of employees has increased by 591 from December 31, 2013, mainly due to the consolidation of MOC Marketing G.K., Kyokuto Petroleum Industries, Ltd., and Toyo Sekiyu Hanbai K.K.

#### • Employee makeup\*3

	2013	2014
Average age	41.9	41.5
Average number of years of service	19.6	19.1
Number of female employees	224	239
Percentage of female employees	8.4	8.9
Number of managerial positions occupied by female employees	57	62
Percentage of managerial positions occupied by female employees	4.9	5.2

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

### 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 and General Affairs Department, which also operates a harassment consultation center at the head office in Shinagawa, as well as our refineries in Kawasaki, Sakai, Wakayama and Chiba, that accepts direct complaints, eye-witness reports, and questions on what constitutes harassment in the workplace, and also issues reminders and implements other initial response actions if required. In addition to the harassment consultation center operated by the Human Resources and General Affairs Department, the Group has both internal and external hotlines to facilitate reporting by employees (see p. 28).

We have also designated a total of 79 human rights promotion representatives in our workplaces 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. These training sessions are for all workplace personnel, from regular, dispatched and contracted employees to staff from contractor companies. In FY2014, approximately 3,200 persons attended the trainings, which mainly focused on harassment in the workplace.

#### 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 below 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, and we are working to promote the hiring of persons with disabilities as part of these efforts. We aim to go beyond simply maintaining the statutory employment rate, and accordingly, the Human Resources and General Affairs Department has assigned a vocational consultant for persons with disabilities, as well as a job coach to provide support for adaptation to the workplace. Through these endeavors, we are supporting the continued hiring and career development of persons with disabilities and promoting understanding throughout the Group.

### 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 (2013-2015)	Number of women	Percentage
Marketing, administrative and general	21	11	52
Engineering	51	10	20
Total	72	21	29

\*1 Total for TonenGeneral Sekiyu K.K., EMG Marketing Godo Kaisha, and Tonen Chemical Corporation

#### • Ratio of employees with disabilities (%)

	2012	2013	2014	2015
TonenGeneral Sekiyu	1.85	2.13	2.06	2.12
EMG Marketing	1.61	2.17	2.12	2.92
Tonen Chemical	2.08	1.91	1.96	2.02

Statutory employment rate: 18% (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

	2010 Hires	2011 Hires	2012 Hires
Attrition rate within first three years of employment	5.9%	5.8%	2.0%

\*\*2 Total for TonenGeneral Sekiyu K.K., EMG Marketing Godo Kaisha, and Tonen Chemical Corporation

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

## TOPICS

The Next Generation (TNG), an initiative introduced in 2014 for considering the future of the TonenGeneral Group, has completed its first year of activity.

This program was introduced as a practical way for young employees to acquire business conceptual planning skills. Fifty employees from the Group were divided into eight teams, with six executive officers and six managers of the Group also participating in the activities to offer support to the team members and help to enliven the discussions.

Over a six-month period, each team freely discussed and made recommendations for the creation of a business model that has the potential to be one of the Group's primary sources of revenue in the business environment of 2030, and that can generate enthusiasm for our business among employees. For the final presentation, each of the teams presented their recommendations to senior management, followed by incisive

question and answer sessions.

This initiative, which was well received by both senior management and participants, also attracted the attention of employees, so that openings for the second year of activities in 2015 were promptly filled by young employees who had been waiting for the opportunity. The kickoff meeting was held at the end of June, and each team is currently in the process of discussing and making recommendations for the future of the Group in 2030. Final presentations are scheduled for the end of December, 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. 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. We also provide opportunities for growth for the younger generation through assignments at our overseas offices and ExxonMobil, and assignments to other companies using our job assignment program. 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 program (overview)

	Job-specific training	Training for honing necessary skills	Opportunities for younger employees to work outside the group	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		Current loan partners: Mitsui & Co., Ltd.; The Institute of Energy Economics, Japan; ExxonMobil		
Supervisor	Supervisor training Newly appointed supervisor training	Individual Effectiveness (IE) Program	Personnel loan program for the training of young employees	Open-admission courses for managers	Persuasive speaking skills
Employee	Follow-up training New employee training				

## 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.



"Kurumin" certification mark

### • 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 paid vacation\*1

	2012	2013	2014
Paid vacation offered (days)	23.0	23.1	22.6
Paid vacation taken (days)	21.0	21.8	20.9
Ratio of paid vacation taken (%)	91.4	94.4	92.3

### • 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.

#### • Overtime\*1

(Hours/month/person)

	2012	2013	2014
TonenGeneral Group average overtime	20.0	18.8	19.2

### • Total annual actual working hours

The average of total annual actual working hours, including actual overtime and paid vacation, was 2,045.9 hours for all industries in fiscal 2013, according to the 2014 General Survey on Working Hours conducted by the Institute of Labor Administration, and 1,851 hours for the Group in calendar year 2014. 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.

#### • Total annual actual working hours\*1

(Hours)

	2012	2013	2014
TonenGeneral Group average total annual actual working hours	1,882	1,847	1,851

### • 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.

#### • Number of employees who took nursing care leave\*1

	2012	2013	2014
Women	2	0	0
Men	4	2	2
Total	6	2	2

### • 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.

#### • Number of employees taking child care leave\*1

	2012	2013	2014
Women	12	10	10
Men	2	5	6
Total	14	15	16

#### • Number of employees working reduced hours\*1

	2012	2013	2014
Women	7	7	8
Men	1	0	0
Total	8	7	8

\*1 Total for TonenGeneral Sekiyu K.K., EMG Marketing Godo Kaisha, and Tonen Chemical Corporation

• Systems and programs that support work-life balance

Support for flexible work styles	
System	Flextime system, annual paid leave, floating leave, compensation days, telecommuting system for managers
	Childbirth and child 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
	Nursing care
	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

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)

## VOICE

### Utilizing human resources systems to design individual work style

Tae Sugihara Public and Government Relations

I have returned from my second maternity leave and am now continuing with my work while raising my three-year-old daughter and one-year-old son. Before I took my leave, my supervisors met with me to discuss my desired work location, hours, and even my career plan after my return. I am grateful that the type of work I was assigned was what I had hoped for.

The TonenGeneral Group offers various programs to support each stage of an employee's life, including flex time and nursing care leave in addition to maternity leave and child care leave. One of the great things about the Group is that it doesn't simply put human resources systems in place; it utilizes those systems to help employees design their own work styles, which helps employees maintain their motivation in a way that is mutually beneficial for the Group and its employees. The strong support I received encouraged me to renew my determination to make even greater contributions to the Group after my return to work.



## Communication with employees

To prevent any gaps in communication between Group management and employees, we make annual communication plans for management members to disseminate information to all employees through email, our intranet and video delivery. 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 2015, employee forums, in which members of management addressed employees directly, were held at 17 of our business sites across Japan, and were attended by a total of around 2,250 employees, who freely engaged in discussions and the exchange of opinions with management.



Employee forum

### Relevant policy under the Standards of Business Conduct (SBC)

Open Door Communication Policy

# Relationship with Shareholders and Investors

TonenGeneral Sekiyu K.K. maintains a high level of competitiveness and capital efficiency while working continuously to increase shareholder value. To keep shareholders and 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 shareholders and investors to fairly assess the company's value. TonenGeneral Sekiyu's management team and Board of Directors place the highest priority on communicating with shareholders and 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. 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 and investors

Communication with shareholders and 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 shareholders, 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 a September 2014 tour of our Chiba 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 shareholders and 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



Chiba 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.

### • Annual dividends

	2010	2011	2012	2013	2014
Dividend per share (yen)	38.0	38.0	38.0	38.0	38.0

## Stock information (as of December 31, 2014)

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

**Number of shares issued:** 565,182,000

**Number of shareholders:** 45,267

### • Monthly share price range and trading volume



### • Major shareholders

Shareholder	Number of shares (thousand)	Percentage of total shares
MOBIL OIL EXPLORATION AND PRODUCING SOUTHEAST INC.	41,885	7.41
NETSCOUT SYSTEMS INC.	36,000	6.37
Japan Trustee Services Bank, Ltd. (Trust account)	12,669	2.24
The Master Trust Bank of Japan, Ltd. (Trust account)	11,980	2.12
Kochi Shinkin Bank	8,547	1.51
Barclays Securities Japan Limited	6,000	1.06
STATE STREET BANK WEST CLIENT - TREATY	5,008	0.89
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	3,464	0.61
Japan Trustee Services Bank, Ltd. (Trust account 1)	3,304	0.58
Japan Trustee Services Bank, Ltd. (Trust account 5)	3,290	0.58

Treasury shares (200,876 thousand shares) are excluded from the above list.

## 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.mufig.jp/daikou/>

**Unit of stock:** 1,000 shares

**Publication method:**

Electronic publication

(<http://www.tonengeneral.co.jp>)

(Publication in the Nihon Keizai Shimbun 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, petroleum products and 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 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.

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.

### Relationship with suppliers

The 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.

### Supplier audits

The Group conducts audits of its suppliers as needed to ensure that they are in compliance with the terms and conditions of their contracts. These audits are conducted by specialist auditors from our Audit Department, which operates independently from our Procurement Services Department, which negotiates contracts with suppliers, and from our other departments, for whom the Procurement Services Department secures supplier services, thus ensuring that audits are carried out from an independent and objective standpoint. These audits help to improve supplier compliance by identifying inaccurate charges, failure to comply with contract terms and conditions, and other irregularities.

In addition, we exercise audit clauses in our supplier contracts through supplier audits conducted by our Procurement Services Department and the departments that request the services of suppliers. Through our supplier audits, we endeavor to gain further cooperation from our suppliers and increase their understanding of our compliance requirements.

### 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.



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

• 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.

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 twelve branch offices and three sales offices in Japan staffed by around 180 sales personnel who work in close communication with dealers to provide strong support for the development of their businesses based on our sales policies.

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 and IF associations that represent dealers. We support the activities of these associations and, when formulating Group strategies, carefully consider the ideas and issues they raise.



Grand Dealer Meeting



SS Masters awards presentation ceremony

• Strengthening dealer business foundations

Having established solid relationships of mutual trust over the years, the 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 management, 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.



Counseling model



Seminar for senior executives of dealerships

VOICE

A trustworthy partner

Toshimichi Yoshida Real Estate Seven-Eleven Japan Co., Ltd.

Since concluding an alliance contract in December, 2003, we have been involved with the TonenGeneral Group in the joint development of alliance sites, where Express self-service stations and our convenience stores are located on the same sites. We have expanded this enterprise with the introduction of initiatives such as our nationwide campaigns and the nanaco point program. These were all new efforts accomplished through discussion and testing of various models, but from the beginning, I have felt that the TonenGeneral Group was a trustworthy business partner. Their corporate culture, like our own business philosophy, places great emphasis on corporate social responsibility. Along with the TonenGeneral Group, we will continue to strengthen this business as part of our mutual efforts to contribute to society and provide support for people's daily lives.



# 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 2014, the Children's Culture Award was presented for the forty-ninth time and was granted certification as "This is MECENAT 2015" by the Association for Corporate Support of the Arts. The Music Awards were presented for the forty-fourth time.



### ◆ 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 2014, which marked the forty-first year of this initiative, a total of 39 children of preschool and elementary school age participated in the lessons.



### ◆ Phoenix Christmas Concert .....

Since 2008, the Sakai refinery has organized and invited readers of the monthly newsletter Phoenix to an annual Christmas concert.



## 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, 2015, a total of 192 students from 28 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 offers scholarships to students majoring in science and engineering, and provides financial support for young researchers at graduate schools and research institutions involved in unique, cutting-edge research and technological development related to energy and its effective utilization in Japan. Over the foundation's history, grants totaling over 541 million yen have been awarded to 827 projects and 882 recipients.



### ◆ 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 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 2015, a total of 335 volunteers participated in the effort, including staff and their families from our refineries, head office and branch offices; our dealers and their families; and external parties.



### ◆ 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 cleanups .....

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.

Our Tsurumi lube oil blending plant has also begun participating in cleanups organized by a local neighborhood association.



## 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/evening 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, in commemoration of the fiftieth anniversary of the TonenGeneral Children's Culture Award, the Muza Day program featured a puppet show and puppet-making by Puppet Theatre PUK, the recipient of the second Children's Culture Award in 1967. A total of 750 visitors attended the event.



### ◆ 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 2014, the Group entered 16 teams comprising a total of 96 runners in the race.



## 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 .....

In addition to safety training and emergency drills in its own workplaces, the TonenGeneral Group strengthens its ties with local communities through its participation in emergency response training programs, which include activities such as joint drills in petroleum complexes, as well as with the fire department and the Japan Coast Guard.



Arida City disaster prevention drill



Wakayama prefecture industrial complex emergency drill

### ◆ 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.



Fire drill at Tank 604



A U.S. Navy official reviews the drill.

### ◆ Large-capacity foam firefighting system .....

The large-capacity foam firefighting system is a mobile system with a maximum water spray capacity much higher than the 3,000 liters per minute of a firefighting vehicle. The system is held jointly with the local Joint Disaster Response Association for response in the event of a large-scale fire in the outdoor storage tanks.

As a member of the Osaka-Wakayama Regional Joint Disaster Response Association, the Sakai refinery serves as the base for the development of equipment for large-capacity foam firefighting systems. The association has the capacity to simultaneously operate two water sprays of 30,000 liters per minute.



### ◆ 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.



# GRI Sustainability Reporting Guidelines, Version 4

The TonenGeneral Group CSR Report 2015 contains information for the standard disclosure indicators of the GRI Sustainability Reporting Guidelines, Version 4.

Indicator	Report page	
<b>Strategy and analysis</b>		
G4-1	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	2-3
G4-2	Provide a description of key impacts, risks, and opportunities	2-3, 24-25
<b>Organizational profile</b>		
G4-3	The name of the organization	Editorial policy, 4, 10
G4-4	The primary brands, products, and services	8-10
G4-5	The location of the organization's headquarters	10
G4-6	The number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	10
G4-7	The nature of ownership and legal form	4, 10
G4-8	The markets served	8-10
G4-9	The scale of the organization	10-11
G4-10	The breakdown of the employees	10, 49
G4-11	The percentage of total employees covered by collective bargaining agreements	—
G4-12	The organization's supply chain	5
G4-13	Any significant changes during the reporting period	Not applicable
G4-14	Whether and how the precautionary approach or principle is addressed by the organization	24-25
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	43
G4-16	Memberships of associations and national or international advocacy organizations	—
<b>Identified material aspects and boundaries</b>		
G4-17	All entities included in the organization's consolidated financial statements or equivalent documents; whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	Editorial policy, 4, 10
G4-18	The process for defining the report content and the aspect boundaries; how the organization has implemented the reporting principles for defining report content	22
G4-19	All the material aspects identified in the process for defining report content	—
G4-20	The aspect boundary within the organization for each material aspect	—
G4-21	The aspect boundary outside the organization for each material aspect	—
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	Not applicable
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	36-45 Addition of Kyokuto Petroleum Industries, Ltd. (currently the Chiba refinery)
<b>Stakeholder engagement</b>		
G4-24	A list of stakeholder groups engaged by the organization	21
G4-25	The basis for identification and selection of stakeholders with whom to engage	21
G4-26	The organization's approach to stakeholder engagement	21, 30-61
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded; the stakeholder groups that raised each of the key topics and concerns	30-45
<b>Report profile</b>		
G4-28	Reporting period (such as fiscal or calendar year) for information provided	Editorial policy
G4-29	Date of most recent previous report (if any)	Editorial policy
G4-30	Reporting cycle (such as annual, biennial)	Editorial policy
G4-31	The contact point for questions regarding the report or its contents	Editorial policy
G4-32	The 'in accordance' option the organization has chosen; the GRI Content Index for the chosen option; the reference to the External Assurance Report, if the report has been externally assured	Editorial policy
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	—
<b>Governance</b>		
G4-34	The governance structure of the organization; any committees responsible for decision-making on economic, environmental and social impacts	18-19
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	21-23
G4-36	Delegation of responsibility for economic, environmental and social topics to executive and/or other positions, and process for directly reporting to the highest governance body	21-23
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics, delegation of consultation and feedback processes to the highest governance body	21-23
G4-38	Composition of the highest governance body and its committees	18-19
G4-39	Whether the chair of the highest governance body is also an executive officer	18-19
G4-40	Nomination and selection processes for the highest governance body and its committees	19
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	18-20
G4-42	Roles of the highest governance body and senior executives in the organization's actions related to economic, environmental and social impacts	21-23
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	—
G4-44	Performance evaluation process for the highest governance body with respect to governance of economic, environmental and social topics	18-19
G4-45	The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities, including the implementation of due diligence processes	20, 24-27
G4-46	The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	20, 24-27

Indicator		Report page
G4-47	The frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	24-27
G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report	23
G4-49	The process for communicating critical concerns to the highest governance body	18-19, 21-23
G4-50	The nature and total number of critical concerns communicated to the highest governance body and the mechanism(s) used to address and resolve them	Not applicable
G4-51	Remuneration policies for the highest governance body and senior executives, and how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	19
G4-52	The process for determining remuneration	19
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	19
G4-54	The ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees	—
G4-55	The ratio of percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees	—
<b>Ethics and integrity</b>		
G4-56	The organization's values, principles, standards and norms of behavior	4
G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behavior and matters related to organizational integrity	28, 49
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	28

Specific standard disclosures		Report page
<b>Disclosures on management approach</b>		
G4-DMA	Reasons why the Aspects are of material significance, impacts that affect judgment, approach to organizational management, and evaluation of management approach	21-23, 30-31
<b>Economic</b>		
<b>Economic performance</b>		
G4-EC1	Direct economic value generated and distributed	11, 55
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	—
G4-EC3	Coverage of the organization's defined benefit plan obligations	—
G4-EC4	Financial assistance received from government	—
<b>Market presence</b>		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	—
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	—
<b>Indirect economic impacts</b>		
G4-EC7	Development and impact of infrastructure investments and services supported	58-61
G4-EC8	Significant indirect economic impacts, including the extent of impacts	58-61
<b>Procurement practices</b>		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	—
<b>Environmental</b>		
<b>Materials</b>		
G4-EN1	Materials used by weight or volume	38
G4-EN2	Percentage of materials used that are recycled input materials	—
<b>Energy</b>		
G4-EN3	Energy consumption within the organization	38
G4-EN4	Energy consumption outside of the organization	38
G4-EN5	Energy intensity	12-15, 40
G4-EN6	Reduction of energy consumption	12-15, 40
G4-EN7	Reductions in energy requirements of products and services	—
<b>Water</b>		
G4-EN8	Total water withdrawal by source	38
G4-EN9	Water sources significantly affected by withdrawal of water	—
G4-EN10	Percentage and total volume of water recycled and reused	—
<b>Biodiversity</b>		
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	—
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	—
G4-EN13	Habitats protected or restored	37
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	—
<b>Emissions</b>		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	38
G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	38
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	38
G4-EN18	Greenhouse gas (GHG) emissions intensity	—
G4-EN19	Reduction of greenhouse gas (GHG) emissions	40
G4-EN20	Emissions of ozone-depleting substances (ODS)	—
G4-EN21	NOx, SOx, and other significant air emissions	38, 40-41

Specific standard disclosures		Report page
<b>Effluents and waste</b>		
G4-EN22	Total water discharge by quality and destination	—
G4-EN23	Total weight of waste by type and disposal method	38, 42
G4-EN24	Total number and volume of significant spills	Not applicable
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Not applicable
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	Not applicable
<b>Products and services</b>		
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	—
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	—
<b>Compliance</b>		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Not applicable
<b>Transport</b>		
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	—
<b>Overall</b>		
G4-EN31	Total environmental protection expenditures and investments by type	—
<b>Supplier environmental assessment</b>		
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	56
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	—
<b>Environmental grievance mechanisms</b>		
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	—
<b>Social</b>		
<b>Labor practices and decent work</b>		
<b>Employment</b>		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	50
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	50-53
G4-LA3	Return to work and retention rates after parental leave, by gender	52-53
<b>Labor/Management relations</b>		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	—
<b>Occupational health and safety</b>		
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	—
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	32
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	—
G4-LA8	Health and safety topics covered in formal agreements with trade unions	—
<b>Training and education</b>		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	—
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	50-51
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	51
<b>Diversity and equal opportunity</b>		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	49-50
<b>Equal remuneration for women and men</b>		
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	51
<b>Supplier assessment for labor practices</b>		
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	56
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	—
<b>Labor practices grievance mechanisms</b>		
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	28, 33
<b>Human rights</b>		
<b>Investment</b>		
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	—
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	22, 49
<b>Non-discrimination</b>		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	—

Specific standard disclosures		Report page
<b>Freedom of association and collective bargaining</b>		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Not applicable
<b>Child labor</b>		
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Not applicable
<b>Forced or compulsory labor</b>		
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Not applicable
<b>Security practices</b>		
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	—
<b>Indigenous rights</b>		
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	Not applicable
<b>Assessment</b>		
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	28
<b>Supplier human rights assessment</b>		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	56
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	—
<b>Human rights grievance mechanisms</b>		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	28
<b>Society</b>		
<b>Local communities</b>		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	—
G4-SO2	Operations with significant actual and potential negative impacts on local communities	—
<b>Anti-corruption</b>		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and significant risks identified	26-29
G4-SO4	Communication and training on anti-corruption policies and procedures	26-29
G4-SO5	Confirmed incidents of corruption and actions taken	Not applicable
<b>Public policy</b>		
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Not applicable
<b>Anti-competitive behavior</b>		
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Settlement reached on a civil suit filed by the government for the restitution of unjust enrichment (more information available in the securities report)
<b>Compliance</b>		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Not applicable
<b>Supplier assessment for impacts on society</b>		
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	56
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	—
<b>Grievance mechanisms for impacts on society</b>		
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	28
<b>Product responsibility</b>		
<b>Customer health and safety</b>		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	—
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcome	Not applicable
<b>Product and service labeling</b>		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	—
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Not applicable
G4-PR5	Results of surveys measuring customer satisfaction	46-48
<b>Marketing communications</b>		
G4-PR6	Sale of banned or disputed products	Not applicable
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcome	Not applicable
<b>Customer privacy</b>		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	—
<b>Compliance</b>		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not applicable

## Environmental Reporting Guidelines 2012 (Japanese Ministry of the Environment) Content Index

Information	Page no.
<b>1. Fundamental reporting requirements</b>	—
(1) Scope of organizations covered by reporting and reporting periods	1,4,10
(2) Capture rate of reporting scope and variations in reporting periods	1
(3) Reporting policy	0
(4) Policy on reporting media	0
<b>2. CEO's statement</b>	2-3
<b>3. Overview of environmental reporting</b>	—
(1) Overview of environmental management	30-31, 36-37
(2) List of historical key performance indicators	—
(3) Summary of action on individual environmental issues	—
<b>4. Material balance</b>	38

Information and indicators describing the status of environmental management	
<b>1. Environmental policy, visions and business strategies</b>	
(1) Organizational structure for environmental management	36
(2) Major issues, visions and business strategies	36
<b>2. Status of organizational structure and governance</b>	
(1) Organizational structure for environmental management	18-19, 21, 30-31
(2) Environmental risk management structure	24-25
(3) Status of compliance with environmental regulations	38-39
<b>3. Status of response to stakeholders</b>	
(1) Response to stakeholders	21,38-39
(2) Social contribution activities related to the environment	58-61
<b>4. Status of environmental initiatives within the value chain</b>	
(1) Policy and strategies for environmental initiatives within the value chain	—
(2) Green purchasing or procurement	43
(3) Products and services that contribute to the reduction of negative environmental impacts	9
(4) Research and development and new technologies related to the environment	40
(5) Environmentally conscious transportation	5,56-57
(6) Environmentally conscious resource and real estate development and investment	—
(7) Environmentally conscious waste disposal and recycling	42

Information and indicators describing the status of environmental impacts from business activities and environmental initiatives	
<b>1. Status of resource and energy inputs</b>	
(1) Total amount of energy input and reduction measures	12-15, 38, 40
(2) Total amount of material input and reduction measures	38
(3) Amount of water input and reduction measures	38
<b>2. Status of resource recycling (in operational areas)</b>	42
<b>3. Status of products, generation of environmental impacts, and emissions</b>	
(1) Total amount of manufactured products or sales	38
(2) Amount of greenhouse gas emissions and reduction measures	38, 40
(3) Total amount of waste water and reduction measures	—
(4) Air pollution, its environmental impacts on living conditions, and reduction measures	40-41, 44-45
(5) Amount of release and transfer of chemical substances and reduction measures	42-45
(6) Total amount of waste generation and final disposal and reduction measures	42
(7) Amount of leakage of hazardous substances and prevention measures	42-45
<b>4. Status of biodiversity conservation and sustainable use of biological resources</b>	37

Information and indicators describing the status of economic and social aspects of environmental management	
<b>1. Status of economic aspects of environmental management</b>	
(1) Status of economic aspects relating to businesses	—
(2) Status of economic aspects relating to society	—
<b>2. Status of social aspects of environmental management</b>	
Governance	18-21
Human rights	49
Labor practices	32-35, 49-53
Consumer protection and product safety	46-48
Local communities and society	58-61

Other information	
<b>1. Subsequent and extraordinary events</b>	
(1) Subsequent events	N/A
(2) Extraordinary events	N/A
<b>2. Third party evaluation of environmental information</b>	—

We have conducted a third-party check to make sure the page numbers listed here in the content indices of the GRI Sustainability Reporting Guideline, 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 2015.

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



Takashi Fukushima  
Chief Executive, Sustainability Accounting Co., Ltd.

# Third-party Opinion



**Yoshinao Kozuma**  
Professor of Economics,  
Sophia University

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.

## 1. BCP for serving a public mission

The BCPs (business continuity plans) featured in this year's report reminded us that the TonenGeneral Group belongs to the energy industry. The BCP of a common business enterprise is aimed at establishing the necessary methods and procedures for avoiding damage to its corporate assets and maintaining core operations in the face of contingencies such as natural disasters, pandemics and terrorist attacks. However, companies in the energy industry must consider the public nature of their corporate mission, in which maintaining their operations is crucial to securing a stable energy infrastructure for society at large.

Accordingly, the TonenGeneral Group formulated a new, systematic series of BCPs covering operations from supply to sales in March 2014, as requested by Japan's Ministry of Economy, Trade and Industry, in addition to its participation in the Supply Cooperation Plan formulated by the government and the Petroleum Association of Japan. The Group also sought to assess the effectiveness of its BCP system by simulating its response to a major earthquake during Group-wide training conducted in November 2014. All of these efforts have been carried out under the efficient organizational management system inherited from ExxonMobil, which has since been enhanced by the TonenGeneral Group. This approach is highly commendable as a concrete example of sound CSR management.

## 2. Selection to the KENKO KEIEI Brand

In March 2015, TonenGeneral Sekiyu was selected to the "Brand of Companies Enhancing Corporate Value through Health and Productivity Management (KENKO KEIEI Brand)" jointly designated by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. The company earned this distinction for its employee health management, efforts to prevent occupation-related illnesses, and personnel system that promotes work-life balance. It was a laudable accomplishment for the fiscal year under review, coming after the "A" rating received by the TonenGeneral Group under the health management rating scheme sponsored by the Development Bank of Japan in April 2014.

In view of the nature of its business, which is to provide a stable supply of energy to society, the TonenGeneral Group has consistently pursued management that recognizes safety, health and the environment as the foundation of all its operations. The Group's recent selection is a significant achievement that testifies to the sound functioning of its OIMS, which forms the basis of its efforts.

## 3. The fire incident at the Kawasaki refinery and safety measures

In March 2014, a fire broke out in the reactor of the resid hydrocracking unit at the TonenGeneral Kawasaki refinery. This broke the Group's remarkable track record of "zero lost-time injuries" that had been maintained for three consecutive years. The incident occurred under OIMS operations, which made it all the more disappointing.

However, a detailed analysis of the causes seems to have taken place, and it is commendable that the Group has promptly formulated multi-layered improvements for work processes. I hope these measures will function properly so that serious incidents can be completely eliminated and that the Group will maintain its efforts to ensure even safer operations.

## 4. Future challenges

The CSR Promotion Council and its seven committees form the critical organizational framework that sustains CSR management at the TonenGeneral Group. Yet while the report presents relatively detailed information on the overall framework, the actual picture of its PDCA management remains difficult to grasp.

The difficulty is due to having relatively little quantitative management of the results, with only general descriptions of the policies and action plans. This makes it impossible to externally verify the Group's self-assessment on appropriateness, which in turn has become a factor that reduces the reliability of the content. It is unclear whether this is an issue related to information disclosure or to the nature of the initiatives themselves, but the Group must address this issue if it hopes to ensure the transparency of its organizational activities.

There is yet another point concerning the responsibility of producing the CSR Report, which lies with the CSR Promotion Council. As opposed to the financial report, which is reviewed by the Disclosure Committee as part of its responsibility, it is unclear which organization is responsible for providing management functions, such as internal controls and review, for the report. I advise the Group to also disclose information on this point.

## Response to third-party opinion

We deeply appreciate Professor Kozuma's generally positive evaluation of this year's report.

In response to issues identified in the "future challenges" portion of the evaluation last year, we advanced toward providing the report on a consolidated basis by incorporating as much data as possible for MOC Marketing (formerly MITSUI OIL) and Kyokuto Petroleum Industries, which became our consolidated subsidiaries, in an effort to improve our "data boundary." We also sought to enhance the information we provide with regard to "PDCA for CSR management" and "Environmental impact associated with business activities." We are aware, however, that there is still room for improvement in both areas.

We will consider Professor Kozuma's recommendations in the "future challenges" section for our CSR management system in the development of our next report.



**Reiko Kawakubo**  
Executive Officer  
Public & Government Relations  
TonenGeneral Sekiyu K.K.



Tonengeneral

# Tonengeneral Group

W Building, 1-8-15 Kohnan, Minato-ku, Tokyo 108-8005  
<http://www.tonengeneral.co.jp>

