



Think deeply. Shape the future.

Tonengeneral Group

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Tonengeneral Group CSR Report 2016

Tonengeneral Group CSR Report 2016



Think deeply. Shape the future.

We take pride in all we've done for today's energy supply in Japan.
Where can we go from here to contribute to an even brighter future?
Thinking deeply, fueled by our commitment, we are mobilizing
our unique capabilities to offer unique solutions for tomorrow.
Shaping the future - the TonenGeneral Group.

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.

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, 2015. Legally mandated environmental data covers the period from April 1, 2015 to March 31, 2016.

Some activities from 2016 are also included.

Publication date

September 2016 (previous report: September 2015)

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

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

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

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

Safety, health, and the environment, along with honesty, integrity and fairness

The TonenGeneral Group was created in June 2012 as a group of companies featuring integrated production and sales operations, with roots in the former Mobil Sekiyu, Esso Sekiyu, Tonen, and General Sekiyu. The defining characteristic of our organization and corporate culture, developed over our long history of over 120 years, is our integrity, which is rooted in our focus on safety and corporate ethics.

In 2015, we summarized our corporate philosophy for the further growth of the TonenGeneral Group. In formulating this philosophy, we reaffirmed the elements that form the foundation of the Group, namely safety, health, and the environment, along with honesty, integrity and fairness.

In our corporate philosophy, we have designated seven values, with safety, health and the environment, and honesty, integrity and fairness, at their core. These values are our guiding principles and serve as the criteria for judgment and action in all facets of our business operations. Our values also form the basis for the other elements that make up our corporate philosophy, including the mission that we are working to achieve and the solutions we offer for the enhancement of day-to-day life and the benefit of society. (see Corporate Philosophy, p. 4-6)

Contributing to society through our mission

Our mission, as stated in our Corporate Philosophy, is to provide a stable supply of energy and high-quality

products and services, make effective use of limited resources and seek to maintain a sustainable environment, and create value that is chosen and appreciated by our stakeholders.

Energy is an integral aspect of our social infrastructure, and therefore we have the important social responsibility of ensuring a safe, stable, sustainable supply of high-quality products and helping to support day-to-day life, while maintaining attention to the environment, local communities and society as a whole. While providing a stable supply of energy is imperative under ordinary circumstances, we also face the significant challenge of maintaining and securing the supply chain in the event of large-scale disasters or other emergencies. The TonenGeneral Group has created business continuity plans (BCPs) and employs risk management to mitigate potential impacts by implementing BCP training on a regular basis and periodically reviewing BCPs to confirm their effectiveness.

(see Business Overview, p. 7-9; Risk Management, p. 36-37).

Established systems and a disciplined workforce

The processes that we employ to obtain business results are just as important as the results themselves. As we handle oil, a hazardous substance, attention to safety, health and the environment is the foundation upon which we base all of the Group's operations.

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).

Our employees, which we consider to be our most valuable assets, fully understand the importance and effectiveness of these systems and implement them in a disciplined and self-directed manner. The TonenGeneral

Group is an efficient team of select employees. The integrity that is firmly rooted throughout the Group is supported by a strong framework and the honesty, integrity and fairness of each and every employee.

The SBC is the basis for the Group's CSR activities. From a CSR standpoint, the Guiding Principles and the 18 policies of the SBC can be divided into seven important areas. We have established the CSR Promotion Council, of which I am the chairman, and its seven committees, each corresponding to one of the aforementioned seven areas and chaired by our directors, to monitor the progress of our CSR activities and make recommendations for improvement. (see Internal Controls System, p. 26-29; CSR Management, p. 32-33; OIMS p. 38-39)

Our robust systems and the activities of our disciplined, self-motivated workforce have yielded favorable results; for example, in the area of safety, our employee lost-time incident rate continues to be among the lowest in the industry.

As for our efforts to preserve the environment, TonenGeneral Sekiyu K.K., the former Kyokuto Petroleum Industries and Tonen Chemical Corporation were recognized for the fifth, second and fourth consecutive year, respectively, by the Ministry of Economy, Trade and Industry for having achieved the government's energy benchmarks, which are used to determine the degree of advancement of energy conservation initiatives that contribute to the reduction of greenhouse gas emissions.

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 both 2015 and 2016 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)."

Think Deeply. Shape the Future.

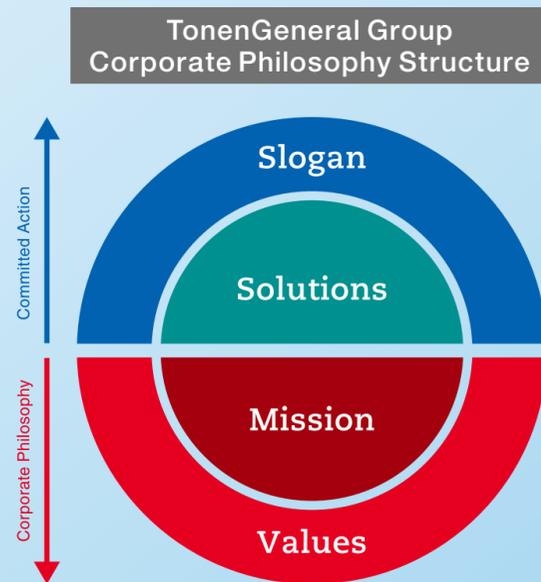
We have created a new slogan, "Think deeply. Shape the future.", to epitomize our corporate philosophy. This slogan expresses our wisdom in getting down to the essence and thinking rationally, and our enthusiasm in taking steady action to effect positive change for the future.

Under this slogan, we will work to fulfill our role as an energy business with due attention to the environment, as we continue to build win-win relationships with our stakeholders and contribute to society as a good corporate citizen, trusted by our stakeholders.



Our enthusiasm, actions, and solidarity are epitomized in our Corporate Philosophy.

We have set forth our Corporate Philosophy to express our commitment to further growth, while maintaining the strengths and unique characteristics we have cultivated over our long history.



Our role in society

Mission

For Society

Contribute to the development of a vibrant society by maintaining a stable supply of energy and high-quality products and services.

For the Environment

Make effective use of limited resources and seek to maintain a sustainable environment.

For Our Stakeholders

Create value that is chosen and appreciated by customers, employees, shareholders, business partners and local communities.



Shared and highly esteemed throughout the Group

Values

Our code of conduct, an important criterion in decision-making processes in all facets of our business.

Safety, Health, Environment

Safety, health and the environment (SHE) are fundamental values in our business operations. We offer safe, reliable products through safe manufacturing operations that mitigate effects on the environment, and maintain stable supplies.

Honesty, Integrity, Fairness

Honesty, integrity and fairness are at the heart of our corporate culture, the foundation for our standard of absolute compliance in all of our operations. We adhere to relevant laws and regulations as well as social norms and corporate ethics, which we hold in the highest regard.

Focus on Customers

The utmost attention to customer needs is key to providing high-value solutions. We focus on user needs and convenience to create value that is chosen and appreciated by our customers.

Take on Challenges

We willingly take on new challenges, constantly evolving to meet the ever-changing needs of the times. We seek out new possibilities, taking the lead in offering innovative solutions.

Take Action

Keeping our core objectives in sight, we think of the most rational and efficient solutions, and take quick and thorough action. Our group earns the trust of society through the commitment of each and every one of our employees.

Diversity

We have the greatest respect for the attributes and individuality of each person. In accordance with ongoing changes in society and the social climate, we seek diversity in our workforce to ensure a strong, productive organization where employees can fully develop their ingenuity and creativity, enabling us to achieve results in the most effective way.

Growth

We are engaged in ongoing efforts to improve our work environment so that our employees can fully develop their capabilities. The strong growth of our employees along with the growth of our corporate group is integral to the fulfillment of employee potential and our corporate mission.



Offering new value to support day-to-day life and society

Solutions

ENERGY SOLUTIONS Support for day-to-day life

We contribute to customers' comfort and well-being by pursuing product convenience and economy through our energy mix, from manufacture to supply.

PRODUCT SOLUTIONS Creation of new value

In response to changing times and industry demands, we are working to develop the full potential of our products, services and technology to offer new value for the future.

PROCESS SOLUTIONS Optimization

We are working to achieve further efficiency and rationalization in processes and other areas to enhance your life and business for the future.



An expression of our committed action and corporate philosophy

Slogan

A slogan is a clear statement, to both internal and external parties, of a company's achievements thus far as well as its future potential.

Think deeply. Shape the future.

This slogan epitomizes the corporate philosophy of the TonerGeneral Group.

Think deeply. Shape the future.

Maintaining a stable supply of energy Providing support for day-to-day life 24 hours a day, 7 days a week

The TonenGeneral Group imports the optimal mix of raw materials and feedstocks from around the world. We efficiently produce a wide range of petroleum and petrochemical products at our manufacturing and production sites in Japan and sell these products both in Japan and overseas. We also demonstrate our comprehensive strengths as a corporate group through the systematic integration of operations from import, refining and manufacturing to distribution, sales and export. We contribute to the development of a vibrant society by maintaining a stable supply of energy and high-quality products and services.

Supply Chain

Purchase and transport of raw materials

In Japan, over 80% of crude oil imports are supplied by oil-producing countries in the Middle East. However, the TonenGeneral Group uses raw materials and feedstocks not only from the Middle East, but from many other regions as well, including Russia, West Africa, and North, Central and South America.

Diversifying our supply sources enables flexibility and stability in our procurement of raw materials and feedstocks, which can be selected on the basis of economic considerations, taking into account the market environment and conditions at our refining facilities.



Diversification of procurement sources for flexibility in the selection of raw materials and feedstocks

Crude procurement BCPs

To mitigate the risk of crude oil import interruptions due to factors such as political instability in oil-producing countries, the Group has developed business continuity plans (BCPs), through which it works to minimize impacts on the functioning of society.



300,000 deadweight-ton VLCC (very large crude carrier)

Petroleum stockpiling

In preparation for possible interruptions to the import of crude oil caused by unforeseen circumstances, oil refineries, terminals and other facilities maintain a 70-day inventory of crude oil and petroleum products under the private-sector stockpiling program, while cooperating in the management of national stockpiling bases. In the event of large-scale disasters or other emergencies, the stockpiles are released, enabling the supply of products to nearby communities.

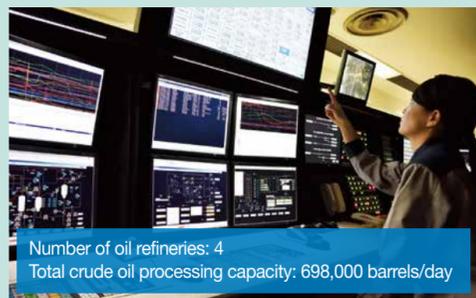
National stockpiling program: 117-day consumption equivalent;
private-sector stockpiling program: 80-day consumption equivalent
(nationwide total as of 2015 year end)



Stockpiling tank yard in Mutsu-Ogawara, Aomori

Refining and manufacturing

Our refineries and chemical plant, which operate around the clock, efficiently produce LPG, gasoline, naphtha, jet fuel, kerosene, diesel, lubricants and other petroleum products, as well as petrochemical products, using advanced production systems and rigorous quality control with the utmost attention to safety.



Number of oil refineries: 4
Total crude oil processing capacity: 698,000 barrels/day

Collaboration in industrial zones

Pipelines connecting our facilities with those of other companies in the same industrial zones have been installed for mutual supply of finished products, intermediate products and utilities, enabling us to capture synergy effects.



Distribution

We have optimized our product shipping bases, with domestic land shipping facilities located at our Kawasaki and Sakai refineries, while our Wakayama and Chiba refineries are well-equipped with overseas marine shipping facilities.

Our petroleum and petrochemical products are distributed directly to customers, or transported to various regions before being distributed by coastal vessel, tank truck, rail and pipeline to service stations. In addition, more than 40 shipping bases owned by other companies serve as relay stations for delivering petroleum products nationwide through mutual use and throughput agreements.



Fuel is transported both day and night to support the functioning of society.



Coastal vessel



Rail transport



Kawasaki refinery land shipping facilities, built to withstand earthquakes that may occur directly under the Tokyo metropolitan area (construction completed in March 2016)

Sales and export

Our service stations make full use of the expertise accumulated over our history of more than 120 years to provide a stable supply of high-quality products at fair prices. They provide fuels, lubricants, petrochemical products and services of the highest standards to meet the needs of our customers.

Number of service stations: 3423
as of March end, 2016; oil product sales under the Esso, Mobil and General brands

We utilize our high export capacity to transport our products overseas, mainly to countries in the Asia Pacific region and North, Central and South America. We are working to establish a cost-competitive supply chain in Australia and are planning construction of a fuel import terminal there (completion planned for 2018).



We offer a reasonably priced, stable supply of electric power through a combination of our efficient power generation and procurement from external sources. We are planning the construction of our own power plants in Shizuoka and Chiba prefectures.

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Before dawn, a service station prepares for another day of helping to support customers' day-to-day lives.



Insulating material for underground transmission line



Construction site for Australia terminal

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.

•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 drums from its Wakayama and Chiba refineries 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. Under 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 handed over free of charge to the city of Rikuzentakata on April 22 to serve the community as a fuel supply center.

When the Kumamoto Earthquake occurred in April 2016, we utilized our experience from the Great East Japan Earthquake to promptly begin efforts to supply oil products to the affected areas, along with other oil companies.

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

At the Kawasaki refinery, located in the Keihin coastal industrial area adjacent to the Tokyo metropolitan area on a convenient land and sea transport site, TonenGeneral Sekiyu's refining facilities and Tonen Chemical's petrochemical plant, its main manufacturing facility, are organically linked to 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 here are supplied to various companies in the same industrial area via pipeline, and are also shipped to destinations both in Japan and overseas.



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

Chiba refinery

The Chiba refinery, which aims to be one of Japan's best and most internationally competitive refineries, is located in the center of the Keiyo coastal industrial area in the Kanto region, Japan's largest consumer market. It plays an important role in maintaining a stable supply of petroleum products to the Kanto area. The refinery has the Group's only RFCC (resid fluid catalytic cracker) and MPHCC (mild pressure hydro cracker), as well as a mixed xylene recovery unit, and maintains efficient operations through alliances with adjacent refineries and chemical plants of industry partners. It is also one of the Group's most important export bases.



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.



Manufacturing and shipping base for lubricants

Tsurumi lube oil blending plant

The Tsurumi lube oil blending plant is situated in northeast Yokohama, in the heart of the Keihin industrial zone, a prime location for product transport to the Tokyo metropolitan area, a major consumer market. It specializes in automotive and machine lubricants, with integrated operations from manufacture to delivery. Mobil 1™, a synthetic motor oil, is one of the key products shipped from here. In November 2015, the plant began manufacturing and shipping lubricant products on consignment from Cosmo Sekiyu Lubricants Co., Ltd.

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 the highest level of operational safety with the utmost attention to environmental protection. The refinery, which has a long history, is an integrated production center for a number of petroleum products including gasoline, lubricants and aromatics in addition to specialty products such as aviation and automotive test fuels. Taking advantage of its large number of tanks and marine shipping facilities around an ideally situated harbor, the refinery significantly contributes to the domestic energy supply while responding flexibly to export needs.



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.

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

The TonenGeneral Research Center conducts strategic research and development based on its detailed analyses and assessments of energy trends. In our fuels segment, in an environment in which the supply and demand structure is undergoing changes, we conduct research that contributes to the maintenance of appropriate product quality, and implement technical studies to improve the profitability of our refineries. Since its establishment more than 70 years ago, our laboratory has focused on the development of lubricant products for automotive manufacturers based on our research of fundamental technology for next-generation lubricants, offering products that can improve various aspects of vehicle performance,



including fuel efficiency, reliability, and driving comfort. In our petrochemicals segment, we have resumed research and development for basic technologies as well as new products and applications for specialty chemical products, while continuing to engage 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.

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.

We began retail sales of low-voltage power in April 2016, coinciding with full deregulation of the low-voltage market, based on the abundant experience we have gained selling electric power produced at our in-house power generation facilities to external parties for over 20 years.

We offer new value to support day-to-day life and society via three solutions: energy solutions, providing support for day-to-day life; product solutions, for the creation of new value; and process solutions, for optimization.

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.



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.

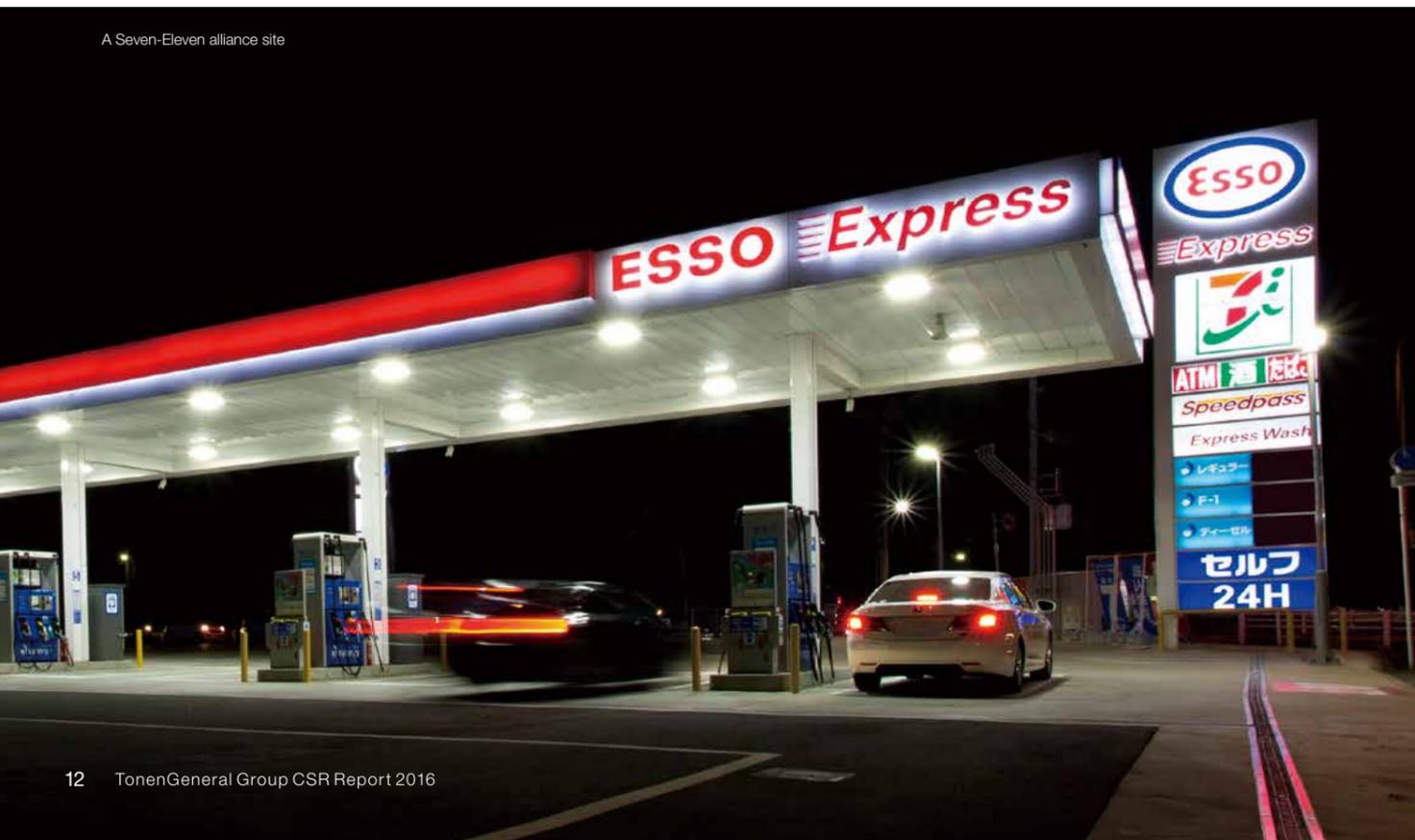
Industrial and wholesales

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.

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

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 genuine 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 serves international marine customers 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 high-value-added specialty products using an advanced quality control system. We market wax products nationwide in cooperation with Group refineries. In addition, we export base oils, mainly to Asian markets, via ExxonMobil's distribution channels.

Mobil SHC™



Mobil 1™



Chemical

Basic chemicals

Through operations integrated with our refineries, we manufacture competitive products, including 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; and aromatics (paraxylene, ortho-xylene, benzene, etc.) used as components in polyester fiber, plastic bottles and nylon fiber. Our products are sold not only in Japan, but in overseas markets as well.

Hydrocarbon resin

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

Polyethylene resin

NUC Corporation 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 its customers, including power cable manufacturers in Japan and overseas. In its performance material business, NUC develops and sells LDPE, L-LDPE, EVA and EEA products used in applications such as plastic packaging and containers. **NUC**

Fluids

Methyl ethyl ketone, a highly soluble and functional chemical, is used for a number of applications, 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**



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.

Electric Power

Ultra-high voltage and high voltage

We have in-house electric power generation systems at all of our refineries, and our Kawasaki refinery has been selling surplus power to external parties since 1994. We utilized this abundant energy supply experience to begin sales of ultra-high voltage electric power (over 20,000 volts), for use in factories, high-rise buildings, large commercial establishments, offices, etc.; and high-voltage electric power (over 6,000 volts) to corporate customers in October 2015.

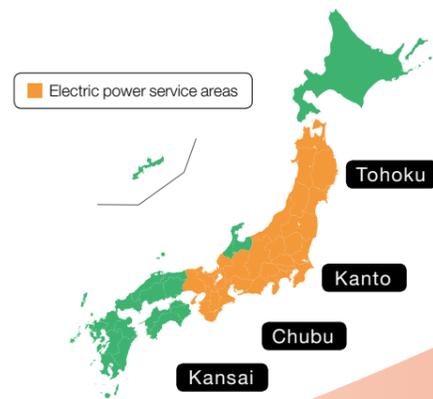
Low voltage

With full deregulation of the low-voltage market in April 2016, we began providing electric power services, featuring straightforward, user-friendly rate plans, to households and small businesses. We are pursuing a broad range of sales by diversifying our sales channels, offering services under our own "my denki" brand as well as individual dealer brands.



Electric power generation initiatives

We are implementing projects for the development of power plants to ensure an economic, long-term, stable supply of electric power. Based on applicable laws and regulations, we are conducting environmental assessments for the construction of the Shimizu Natural Gas Power Plant (Shizuoka City, Shizuoka) and the Ichihara Thermal Power Plant (Ichihara City, Chiba). In our development of electric power sources, we are utilizing the latest technologies and other means to mitigate effects on the environment. We began supplying electric power to high-voltage customers in the Tohoku, Kanto, Chubu and Kansai areas, and low-voltage customers in the Kanto, Chubu and Kansai areas, in September 2016.



ENERGY SOLUTIONS

Support for day-to-day life



Fuel sales Electric power supply Trusted brands

PRODUCT SOLUTIONS

Creation of new value



Chemical products Chemical products High-value-added lubricants

PROCESS SOLUTIONS

Optimization

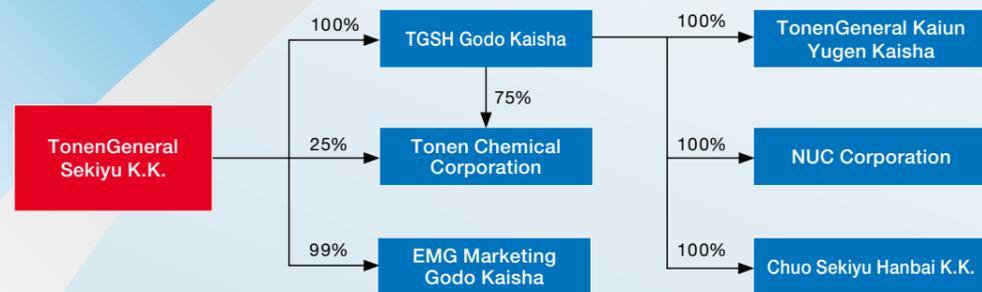


Speedpass+ Speedpass+ One-stop shopping

TONENGENERAL GROUP SOLUTIONS FOR A BRIGHTER FUTURE

With due attention to the global environment, we offer unique solutions, in energy supply, products and services, for a brighter future.

• Capital relationship of major group companies



TonenGeneral Sekiyu K.K.

Business Transport of crude oil and petroleum products; manufacture, processing and sales of petroleum and petrochemical products

Head office 1-8-15 Kohnan Minato-ku, Tokyo

Established July 26, 1947

Paid-in capital 35.1 billion yen

Listed exchange Tokyo Stock Exchange (securities code: 5012)

Shareholders Financial institutions, fund, other general shareholders

Number of shareholders 39,862 (as of December 31, 2015)

Number of employees 1,947 (as of December 31, 2015)

Fiscal year end December 31

EMG Marketing Godo Kaisha

Business Sales of petroleum and petrochemical products, overall management operations

Head office 1-8-15 Kohnan Minato-ku, Tokyo

Established December 11, 1961

Paid-in capital 20 billion yen

Ownership TonenGeneral Sekiyu K.K. ExxonMobil

Number of employees 592 (as of December 31, 2015)

Fiscal year end December 31

Tonen Chemical Corporation

Business Manufacture, processing and sales of petrochemical products

Head office 1-8-15 Kohnan Minato-ku, Tokyo

Established December 24, 1960

Paid-in capital 1 billion yen

Ownership TGSJ Godo Kaisha TonenGeneral Sekiyu K.K.

Number of employees 283 (as of December 31, 2015)

Fiscal year end December 31

NUC Corporation

Business Manufacture and sales of high-pressure low-density polyethylene and linear low-density polyethylene

Head office 1-8-15 Kohnan Minato-ku, Tokyo

Established January 11, 1961

Paid-in capital 2 billion yen

Shareholders TGSJ Godo Kaisha

Number of employees 239 (as of December 31, 2015)

Fiscal year end December 31

Singapore Branch Office

5 Temasek Boulevard,
#15-01 Suntec Tower Five, 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

TonenGeneral Americas L.L.C.

2800 Post Oak Blvd, Suite 4100 (Office 06)
Houston, TX 77056, U.S.A.

**NUC Corporation
Shanghai Representative Office**

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

Major business results

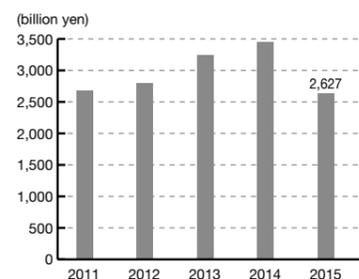
Major data		(billion yen)				
Segment	2011	2012	2013	2014	2015	
Production volume	Oil ¹ (1,000 kl)	26,871	27,534	27,118	31,704	33,518
	Chemical ² (1,000 tonnes)	2,529	2,769	2,856	2,670	2,811
Net sales	Oil ¹	2,425.2	2,533.8	2,896.8	3,104.2	2,355.5
	Chemical ²	251.9	271.1	344.3	346.9	272.4
	Total	2,677.1	2,804.9	3,241.2	3,451.1	2,627.9
Operating income	216.2	27.3	52.3	-72.9	2.0	
Net income	132.8	54.8	22.9	-14.0	0.1	

Breakdown of operating income

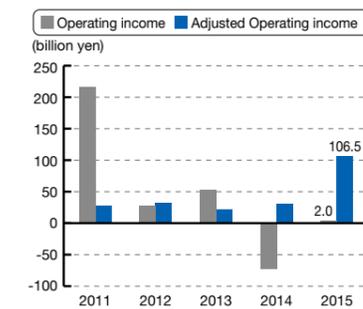
Inventory gain/loss etc.	189.1	4.4	47.0	-86.5	-87.1
Goodwill amortization	—	-8.5	-16.9	-17.3	-17.5
Adjusted operating income³	27.1	31.4	22.2	30.9	106.5
Oil ¹	24.1	31.5	1.7	17.7	79.8
	Chemical ²	3.0	-0.1	20.6	13.2

Major financial indicators

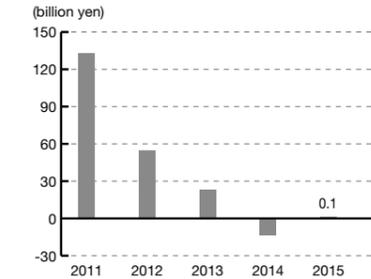
• Net sales



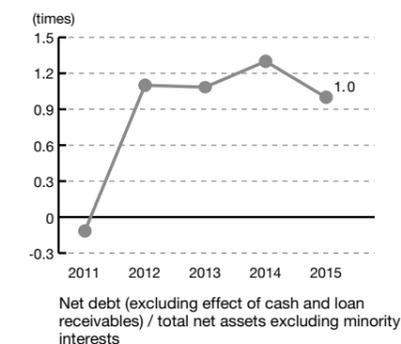
• Operating income (loss)



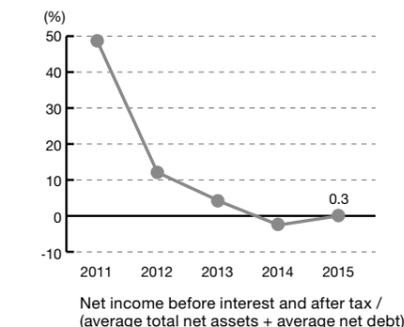
• Net income (loss)



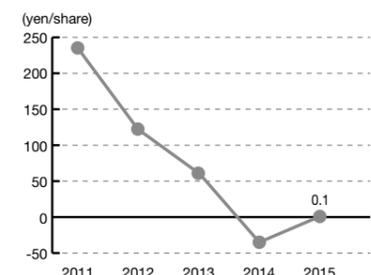
• Net D/E ratio



• Return on average capital employed



• 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.

Heat exchangers, which play a central role in energy conservation (Kawasaki refinery)

Focus 01

Pursuit of efficiency is an environmental initiative Implementation of refinery initiatives to reduce effects on the environment

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. Through our highly efficient refinery operations, we work to reduce effects on the environment.

In June 2016, the Agency for Natural Resources and Energy published the names of companies that had achieved the targets for energy benchmarks for FY2015 under the revised Energy Conservation Law of 2010. Of the 13 companies evaluated in the petroleum refining sector, TonenGeneral Sekiyu and the former Kyokuto Petroleum Industries (acquired by TonenGeneral Sekiyu in an absorption-type merger on July 1, 2015) were two out of the three companies to have achieved the benchmarks. TonenGeneral Sekiyu was the only company to have achieved the benchmarks for the five consecutive years since benchmark evaluation began in 2012. Tonen Chemical Corporation was one of three companies in the basic petrochemicals sector, out of 10 evaluated, recognized for having achieved the benchmarks, and was the only company in this sector to have achieved the benchmarks for four consecutive years. 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.

Comparing the average energy efficiency of the Group's four refineries and the energy efficiency of Tonen Chemical's

ethylene manufacturing facility to the average figures for refineries and ethylene manufacturing facilities in Japan, calculations based on the benchmark indicators indicate that emission reduction effects for CO₂, a greenhouse gas, of the Group's four refineries and Tonen Chemical's ethylene manufacturing facility surpass the average CO₂ emission reduction effects of refineries and ethylene manufacturing facilities in Japan by over 500,000 tons annually, equivalent to the total average annual CO₂ emissions of around 100,000 households*. Furthermore, in January 2016 the Group was recognized under the environmental rating scheme of the Development Bank of Japan (DBJ) for its advanced implementation of environmental initiatives.

Never resting on our past achievements, we will continue to strive for energy conservation to further reduce greenhouse gas emissions. The stated goal in our medium-term management plan is to improve energy conservation by 1% annually, which is equivalent to reducing CO₂ emissions by 50,000 tonnes per year.



DBJ environmental rating based on the following points

- 1 Systematic implementation of environmental management PDCA in all operations segments
- 2 Development of a system for the Group-wide implementation of energy conservation efforts
- 3 Environmental management aligned with the main business, in which the reduction of operational costs is integrated with the mitigation of effects on the environment

Refining processes and greenhouse gases

Crude oil is a mixture of hydrocarbons, including those refined into gasoline, kerosene, fuel oil and other products. In the first step of the refining process, crude oil is heated to 350°C, and the vapor is fed into an atmospheric distillation unit, where it is distilled into various components, or fractions, of different boiling points. The fractions are then cooled and returned to a liquid state for supply to other refining units for further processing. In these refining units, the fractions are repeatedly heated and cooled, and the resulting products are put into storage tanks. In this series of refining processes, greenhouse gases are generated through the burning of fuel used in the various heating processes. However, by effectively utilizing waste heat generated during the cooling processes, we can minimize the amount of fuel needed for the heating processes, thereby conserving energy while curbing the amount of greenhouse gases produced in our refining processes.

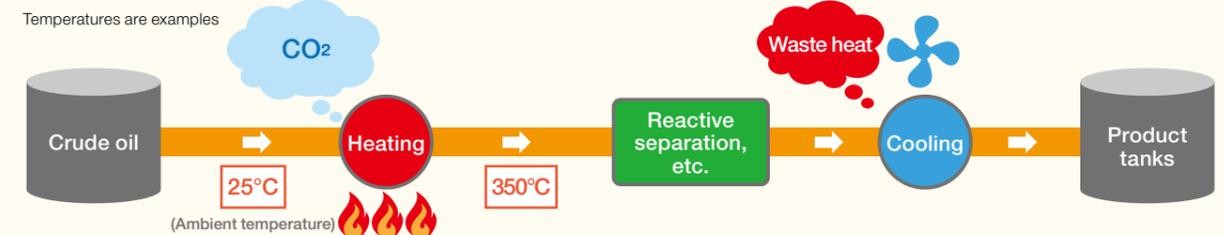
Reducing effects on the environment through the recovery of waste heat

One of the energy conservation initiatives implemented at our refineries is the effective utilization of waste heat. Waste heat generated in our cooling processes is recovered and used in crude oil heating processes, resulting in a reduction in the amount of fuel required for these processes, thus curbing the volume of greenhouse gas emissions generated by our refineries. Heat integration is another way that we effectively utilize waste heat.

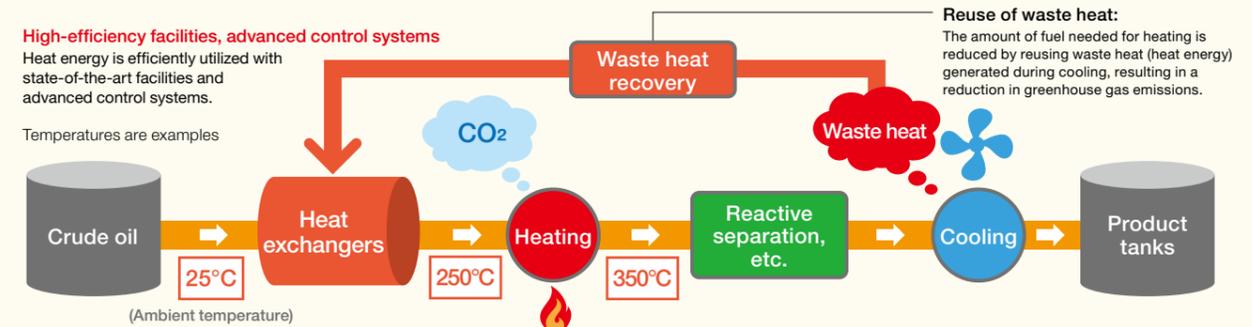
Our high-efficiency refining facilities, along with our advanced, computerized control systems, also contribute to refinery energy conservation, thus helping to reduce effects on the environment. High-efficiency facilities use less energy than conventional facilities, reducing the amount of fuel required for refining operations, resulting in a reduction in greenhouse gas emissions.

Though the effects of any individual energy conservation initiative may be small, the combined effects of several initiatives can be significant. By implementing all of our initiatives simultaneously throughout our refineries, we are working to reduce our greenhouse gas emissions by 50,000 tonnes per year. In this way, the pursuit of efficiency at our refineries is directly linked to the reduction of effects on the environment.

• No heat recovery system



• Heat recovery system



Comparison with average energy efficiency of refineries and ethylene plants in Japan

CO₂ emission reduction effects : 500,000 tonnes/year above average = equivalent to CO₂ emissions of around 100,000 households*

* Calculations based on data from the National Institute for Environmental Studies.

Meticulous management of data by our staff

Heat integration, advanced control systems and high-efficiency facilities have been introduced at many refineries in Japan. In the Group, the robust support of these technological aspects of our operations through meticulous management by our organization, corporate culture, and other non-technological aspects of our operations have enabled us to achieve world-class status in energy conservation.

Our main initiative in the non-technological aspect of our operations is the development of Group-wide systems.

In order to achieve our targets for energy efficiency improvements and reducing effects on the environment, we have formed organizations that span the entire Group. We have assigned an Energy Team Leader in our Manufacturing Technology & Engineering Division to oversee energy efficiency for the entire Group, and we have also assigned an Energy Leader at each of our refineries. We have set clear energy efficiency targets and designated persons in charge of and specific means for achieving the targets. In addition, for each efficiency measure that we implement, we analyze any deviations between the targets and the actual results, thus creating a cycle that leads to continuous improvement.

To quantitatively assess surplus energy in real time, we have also introduced a data visualization system that tracks where, when and for what purpose energy is being used. When surplus energy is detected, it is promptly reused in refining processes through the meticulous operations management of our refinery operators, who

are at the front lines of refinery operations. The daily identification of opportunities for improvement in our operations and the measures taken to achieve these improvements are reported at meetings of refinery operators every morning, of refinery executives every month, and of top management of the Group every quarter, ensuring that awareness concerning energy efficiency and reduction of effects on the environment is shared throughout our refineries and the entire Group.

As a result, recommendations for improvements are offered not only by our engineering staff, but by our operators as well, and these recommendations are collected and organized by the Energy Leaders. In addition, many of our operators participate in the annual Kawasaki International Eco-Tech Fair, where they present initiatives to reduce environmental effects being implemented at their respective refineries. Through these efforts, our operators are making significant contributions to the reduction of effects on the environment.

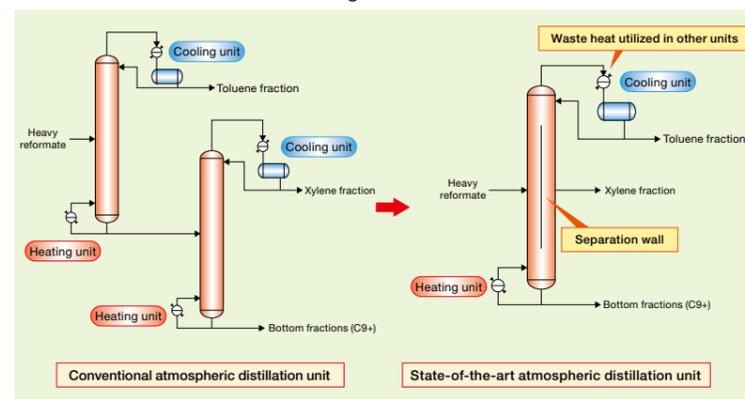
As a result of these initiatives, awareness of energy efficiency is shared throughout the Group, and a heightened sense of purpose regarding the reduction of effects on the environment has made our refineries world leaders in terms of attention to the environment.

Under our Mission for the Environment, which states that we will make effective use of limited resources and seek to maintain a sustainable environment, we are constantly pursuing efficiency at our refineries, and we will continue our Group-wide efforts to further reduce effects on the environment.

One of our initiatives

In April 2016, we completed construction of a state-of-the-art mixed xylene recovery unit at our Chiba refinery. Conventional refinery configurations require two atmospheric distillation units, each with its own heating and cooling units. However, at Group refineries, we have introduced the latest atmospheric distillation units equipped with separation walls, so that the functions of two separate atmospheric distillation units can be carried out in a single unit.

By reducing the number of atmospheric distillation units, heating units and cooling units at our refineries, we have increased our energy efficiency, enabling us to reduce the amount of fuel required for refining operations, thereby reducing greenhouse gas emissions. In addition, our refining units that generate waste heat are designed to allow this waste heat to be used in heating processes in other units, making our facilities highly energy-efficient and conducive to reducing effects on the environment.



Focus 02

Health - an irreplaceable asset

Attention to health, along with safety and the environment, is the foundation of the TonenGeneral Group's management and operations. We believe that the health of each and every employee is at the foundation of our corporate activities, and we are implementing various initiatives to create a safe workplace with the utmost consideration for health.



TonenGeneral Sekiyu K.K. selected as KENKO KEIEI Brand by METI and TSE for two consecutive years

On January 21, 2016, TonenGeneral Sekiyu K.K. was selected for the second consecutive year 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*). Under this program, enterprises that focus on and strategically carry out efforts with regard to their employees' health from the viewpoint of management are selected for introduction from among listed companies in designated industries. TonenGeneral was the only company chosen from the oil and coal products sector, one of 25 companies chosen for this

distinction out of 3,605 eligible companies in Japan. It is expected that these companies' efforts will vitalize their business organizations by enhancing employees' vitality and productivity, leading to improvement in the enterprises' performance, as well as stock prices.

TonenGeneral was selected in recognition of the following initiatives regarding health and productivity management.

* "KENKO KEIEI" is a registered trademark of the Workshop for the Management of Health on Company and Employee.



Evaluation point

1 Clear philosophy and policy regarding health and strong commitment of top management

The TonenGeneral Group's management philosophy and Health Policy, which are firmly rooted in our corporate culture, make it clear that attention to health, along with safety and the environment, is of the utmost importance for the continuity of our business and in maintaining our ability to contribute to the advancement of society, and that the health of our employees is indispensable to the progress and growth of our enterprise. The Group's top management are also strongly committed to health management, and have stated their intent to develop workplaces where employees can work vigorously and with a sense of purpose, offer support for employees' voluntary health maintenance and improvement, and be the kind of organization where employees look back positively on their careers after retirement.



Evaluation point

3 Medical examination subsidy system and practical utilization of results

In addition to illnesses caused by hazardous elements in the workplace, there are a number of illnesses, such as diabetes and high blood pressure, caused by lifestyle-related factors. In light of this, the Group has a subsidy system in place for complete medical examinations for employees aged 35 and older, with an annual usage rate of 98-99%. Based on the results of these examinations, our occupational health physicians make assessments on matters such as the necessity of lifestyle improvements, consultation with medical specialists, or further testing. Based on the results of these assessments, occupational health physicians and occupational health nurses provide individualized health guidance on lifestyle improvements, including diet and exercise, and also offer advice on consultation with medical specialists and further testing.

Evaluation point

4 Enhancement of mental health initiatives

We have enhanced our mental health initiatives in recent years through efforts such as providing mental health self-care training, mental health education for management, and support and regular follow-up consultations for employees returning to work after mental-health-related leaves of absence. In our initiatives concerning lifestyle-related illnesses and mental health, we take into account the lifestyle, work environment, personal relationships, and other circumstances of each employee to provide appropriate, individualized support.

Evaluation point

5 Personnel systems and programs that support work-life balance

The Group has implemented personnel systems and programs, such as actively promoting the full use of annual paid vacation, that support work-life balance. In 2015, 95% of employees' annual paid vacation was taken, and the average amount of overtime per month was 19.5 hours per person.

Evaluation point

2 Collaboration between the Occupational Health Department and the Industrial Hygiene Department for over 15 years

The Group handles petroleum and petrochemicals, which are hazardous substances. In our Industrial Hygiene Department and Occupational Health Department, which carry out health initiatives based on our Health Policy, industrial hygienists, occupational physicians and occupational health nurses have closely collaborated for over fifteen years in their respective fields to support the health of employees through the identification and mitigation of hazardous elements and the risks inherent in each type of work.



For further health management — Health promotion initiatives

In addition to providing support for health management, the Group is working to advance health promotion activities to reduce the risk of personal injuries and illnesses, including lifestyle-related illnesses, and maintain good health.

In developing our health promotion activities, we conducted a survey of Group employees in fiscal 2015 to help us "visualize" the health of our organization. With the cooperation of external academic organizations, we analyzed the results of the survey and employees' health data, and as a result, we found opportunities for improvement in three main areas: smoking, exercise, and sleep.

In order to position these results as a matter of priority for the Group and to encourage health promotion activities as an organization-wide initiative, the cross-functional Health Management Promotion Support Team was established as the principal organization for the promotion of health initiatives, and the TonenGeneral Group Health Promotion Plan, a mid-to long-term activity plan, was formulated to provide continuous support for employees' voluntary health promotion activities.

We believe these efforts will result in employees taking charge in finding happiness and fulfillment in their own lives, while improving the health of our workforce on the whole, thereby enabling the Group to fully carry out its mission for society. The results obtained by the analysis of the health survey and health data have been shared within the company through a health promotion white paper, and we have also compiled case study collections to introduce examples of health promotion by individuals and workplaces to help raise health awareness among employees in order to foster a corporate culture that encourages employees to take the initiative in their own

health promotion efforts.

In FY 2016, the first year of the TonenGeneral Group Health Promotion Plan, we aim to raise health awareness among a broad range of employees, including those with relatively little interest in health. Instead of simply focusing on health indicators such as the results of medical examinations, we are focusing on the behavioral aspects of lifestyle practices, and we encourage employees to pay attention to the health-related aspects of their own lifestyles by filling out a checklist on lifestyle behaviors.

We want Group employees to stay healthy not only during their careers, but after retirement as well. We believe that developing a work environment where employees can thrive and helping to extend the healthy life expectancy* of our employees after retirement will contribute not only to the health of the employees themselves and their families, but also to the entire Group and society as a whole. Health and a happy, prosperous life are irreplaceable.

The Group will continue to communicate to society the importance of doing what should be done, such as promoting the health of each and every individual, and we will continue to promote attention to safety and the promotion of health as the foundation for the management of our business.



Keynote speech by TonenGeneral Sekiyu K.K. Representative Director and President Jun Mutoh at the Nikkei BP Health Management Forum



Ms. Reiko Shiota, a presenter at the ceremony, and Jun Mutoh, representative director and president of TonenGeneral Sekiyu K.K.

* Healthy life expectancy
The length of time that one is in good health and free from health-related limitations. The difference between one's life expectancy and healthy life expectancy is the number of years that one lives in sub-optimal health, with health-related limitations. As the difference between life expectancy and healthy life expectancy increases, quality of life declines and medical and nursing care costs increase.

Management System

Under our values of honesty, integrity and fairness, the TonerGeneral Group seeks to maximize performance by demonstrating superior management and applying rigorous ethical standards to control management risks in order to provide support for day-to-day life and contribute to the development of a vibrant society.



Corporate Governance

To build a relationship of cooperation with its stakeholders and enhance its corporate value in the medium and long term in accordance with its Corporate Philosophy, the TonerGeneral Group has reviewed and strengthened its corporate governance systems along with its response to the implementation of Japan's Corporate Governance Code.

Basic approach

We have set forth this "Basic Policy on Corporate Governance" in order to build an appropriate cooperative relationship with our stakeholders, including customers, employees, shareholders, business partners and local community members, and to enhance our corporate value in the medium and long term. The policy, which is posted on our website, comprises the following five chapters and related policies and criteria.

- Chapter 1 Corporate Philosophy of the Company Group
- Chapter 2 Basic Concepts of Corporate Governance
- Chapter 3 Securing the Rights and Equal Treatment of Shareholders, Communication with Shareholders
- Chapter 4 Relationships with Customers, Employees, Business Partners, and Local Communities
- Chapter 5 Responsibilities of the Board of Directors, etc.

The TonerGeneral Group believes that high ethical standards, effective corporate governance, sound financial controls, operational integrity, and due consideration for safety, health and the environment are the basics to being a "good corporate citizen" and that it is of the utmost importance to build a straightforward business model, foster a corporate culture of integrity, comply with laws, practice corporate governance, and implement key management control systems in order to achieve sustainable long-term performance goals.

The directors, statutory auditors and employees of the Group are responsible for developing, approving, and implementing plans to achieve the goals of the Group. In doing so, the methods employed to obtain results are just as important as the results themselves. Directors, statutory auditors and employees of the Group are expected to comply with the highest ethical standards in performing their duties. In addition, TonerGeneral Sekiyu K.K. strives to maintain fairness, honesty, and integrity when reporting to its shareholders.

The Group believes that sharing its corporate philosophy with stakeholders and properly disclosing not only financial but also non-financial information are important to building a relationship of cooperation with stakeholders. For this purpose, the Group makes its corporate philosophy available to the public through its company brochures, corporate social responsibility (CSR) reports, website,

etc. In addition, medium-term business plans are actively disclosed and published via announcements of financial results, information meetings for analysts and financial institutions, our website, etc.

Implementation of Corporate Governance Code

With the exception of the Supplementary Principle specified below, the TonerGeneral Group has implemented all of the principles set forth in the Corporate Governance Code, which includes 73 requirements. This implementation status has been disclosed in the Group's Basic Policy on Corporate Governance as well as its Corporate Governance Report, submitted to the Tokyo Stock Exchange in March 2016.

[Supplementary Principle 4.11.3 Analysis and evaluation of the effectiveness of the Board of Directors as a whole, and disclosure of a summary of the results]

In Chapter 5.2 (7) of its Basic Policy on Corporate Governance, the Group has set forth a policy regarding evaluation of the effectiveness of the Board of Directors and disclosure of a summary thereof. Regarding analysis and evaluation of the effectiveness of the Board of Directors, the Group has completed a survey of all of its directors and statutory auditors with the advice of an external organization, and will analyze and evaluate the effectiveness of the Board of Directors and disclose the results.

Overview of corporate governance

• Independence of outside directors and outside statutory auditors

The Group has adopted its own standards of independence for appointing outside directors and outside statutory auditors. 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, for whom there is no risk of conflicts of interest with general shareholders.

• Board of Directors

The Board of Directors makes decisions on significant managerial matters, including management strategies and business plans, oversees the performance of duties by directors,

and maximizes long-term corporate value by fulfilling the Group's missions for society, the environment, and stakeholders. With regard to the medium-term business plan, the Group makes the utmost effort to achieve the plan and to provide an explanation of its progress in the financial statements, etc., that it releases. The Group seeks to increase corporate value in a sustainable way over the long term by applying the experience and knowledge obtained in executing each medium-term business plan to the following one.

The Board of Directors as approved by the Ordinary General Meeting of Shareholders in March 2016 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. 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 from an independent perspective.

• Number of Board of Directors meetings and attendance of outside directors and outside statutory auditors in 2015

Number of meetings	16
Attendance	100%

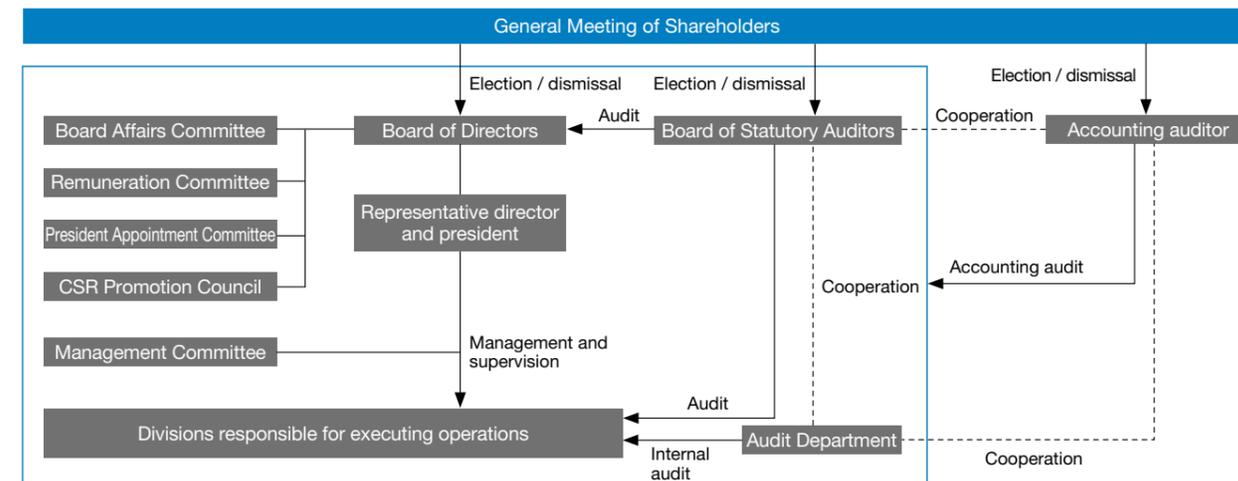
• The Board Affairs Committee, the President Appointment Committee and the Remuneration Committee

As an advisory body to the Board of Directors, the Board Affairs Committee, consisting of representative directors and outside directors, and the President Appointment Committee, consisting of the representative director and president and outside directors, have been established to ensure transparency and objectivity in decision-making processes for management structure, nomination of director and statutory auditor candidates, and nomination of the representative director and president. Remuneration for directors is determined in a fair and transparent manner by the Remuneration Committee, delegated by the Board of Directors and comprising outside directors and the representative director and president.

• Remuneration for directors and statutory auditors

A remuneration system for directors is in place to ensure that directors will fulfill their responsibilities for achieving the sustainable growth of the Group; specifically, remuneration for directors who execute the business of the Group comprises basic remuneration and variable remuneration based on business results. In addition, we have introduced a system for using TonerGeneral Sekiyu K.K. shares as part of the remuneration for directors that execute the business of the Group so that they have a shared interest in share price fluctuations, and to further enhance their morale and willingness to contribute to increasing corporate value. Remuneration for outside directors and statutory auditors includes only basic remuneration.

• Overview of corporate governance



• Remuneration for directors and statutory auditors in 2015

Directors and statutory auditors (excl. outside directors and outside statutory auditors)
 Number of recipients: 11 Total remuneration 277 million yen
 Outside directors and outside statutory auditors
 Number of recipients: 8 Total remuneration 50 million yen

• Management Committee and CSR Promotion Council

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

• Statutory auditors and Board of Statutory Auditors

The statutory auditors and the Board of Statutory Auditors are independent from the Board of Directors. In order to carry out their role of auditing directors' business execution, they monitor the establishment and state of implementation of corporate governance and internal controls systems and ensure that business decisions and execution by the Board of Directors comply with laws and regulations and the Company's Articles of Incorporation as well as internal standards of business conduct, and that shareholder interests are appropriately secured. Statutory auditors attend meetings of the Board of Directors and express their opinions when needed.

Currently there are four statutory auditors, including two outside statutory auditors, as approved by the Ordinary General Meeting of Shareholders in March 2016.

• Number of Board of Statutory Auditors meetings and attendance of outside statutory auditors in 2015

Number of meetings	16
Attendance	100%

• Link between statutory auditors, accounting auditors and internal auditors

The statutory auditors, in close coordination with the Audit Department and accounting auditors, audit various TonerGeneral 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.

Upon their request, the statutory auditors receive assistance in the execution of their duties from all Group employees, including those in the Audit Department. The Audit Department reports to the statutory auditors on the audit plan for the coming year and audit results.

Internal Controls System

The TonenGeneral Group has systems in place for the implementation of all necessary and appropriate controls in the conduct of its corporate activities to achieve its business performance targets over the long term on a continuing basis.

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.

The Group uses the word “controls” as a general term meaning the direction, management and supervision of a range of business activities. The Group has established effective internal controls systems by adopting language and policies, attitudes and approach, and processes that are shared by the entire Group.

The Group’s internal controls framework comprises the System of Management Control (SMC), the Standards of Business Conduct (SBC), the Controls Integrity Management System (CIMS), and the Delegation of Authority Guide (DOAG).

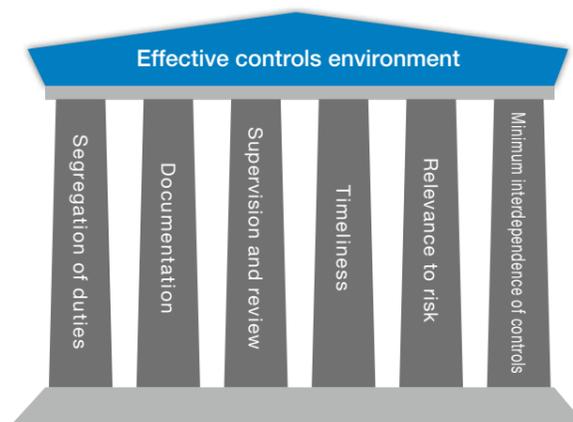
Controls systems shared by the entire Group

- Shared language and policies
- Shared attitudes and approach
- Shared processes

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.

The basic rules and concepts stipulated by the SMC are also reflected in the Group’s other systems, including the SBC, CIMS, and DOAG.



Standards of Business Conduct

The TonenGeneral Group believes that the methods we employ to attain results are as important as the results themselves. The Group has established the Standards of Business Conduct (SBC), which sets out clear policies to be used as the basis for the implementation of operations by directors and employees. The SBC is printed in a convenient booklet format and distributed to all Group employees so they can refer to it whenever needed.

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

- **Shareholders**
Enhance the long-term value of funds invested by shareholders by running the business profitably and responsibly.
- **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.

Controls Integrity Management System

The Group exercises all necessary and appropriate controls in the conduct of corporate activities to fulfill its promise to its stakeholders. 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 seven elements of CIMS



VOICE

Serving as a “guardian of controls”

Tsuyoshi Tobita Line Control Advisor, Marketing & Sales

The TonenGeneral Group has line control advisors (LCA), who serve as the “guardians of controls” for operations related to controls specific to each division. In my capacity as LCA for the sales division, I work with the division manager and the staff who implement controls to ensure controls compliance. I share the Group’s Gifts and Entertainment Policy, Antitrust Policy, and other practical information about controls and risks relevant to the operations of our staff members, particularly our

Delegation of Authority Guide (DOAG)

Decision-making authority and approval procedures for the day-to-day execution of business affairs of the Group are specified in the DOAG. The purpose of this guide is to maintain effective controls and maximize the efficiency of approval processes through appropriate allocation and delegation of decision-making authority among job positions within all organizational departments.

The DOAG, which is shared by all Group companies, enables the unified operation of the Group’s different functions, as well as the utilization of specialized knowledge in the Group and optimal decision-making processes for all Group companies. The DOAG specifies delegation of authority in the following 10 areas.

1	Organization and Corporate Matters	Policy setting, decisions on strategy, organizational changes, etc.
2	Budget	Investment budget approval, budget addition, etc.
3	Contracts, Agreements, Leases, and Commitments	Purchase requests, conclusion of contracts and agreements, etc.
4	Disbursements	Contractual payments, expense adjustments, non-contractual payments, etc.
5	Disposition and Write-down of Assets	Asset sales, exchange, transfer and disposal, write-downs, etc.
6	Customer Related Transactions	Credit limits, bad debt reserves, selling prices, etc.
7	Litigation and Claims	Complaints, settlements, etc.
8	Emergency Response to Third Parties	Emergency mutual aid agreements, provision of personnel/supplies, etc.
9	Release of Information to Third Parties	Provision of information to government/others, trademark/brand licensing, etc.
10	Other Matters	Case-by-case exceptional business travel expenses, membership qualifications, website creation, etc.

sales staff, who have frequent interactions with our dealers, who are also our customers.

The LCAs for the different divisions have formed a network, and we hold regular controls meetings where we share information across the various divisions. We can learn from the controls-related cases that occur in other divisions, and by sharing information about these cases within our own divisions, we continuously reinforce the controls system throughout the entire Group.



Checking process for maintaining the soundness of the internal controls system

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

1. In-Line Controls

In-Line Controls (ILC) is our most fundamental and important process for maintaining effective controls. With ILC, internal controls are regularly applied within each division to test and monitor the status of controls. ILC frequency and checkpoints are tailored to each business process. It also serves as a controls reminder. In some cases, continuous reviews are conducted in accordance with ILC checklists to ensure that effective measures are in place.

2. Unit Internal Assessment

Under the second process, each division conducts a self-evaluation called a Unit Internal Assessment (UIA) midway through the internal audit cycle (around 18 months after the most recent internal audit). The UIA is performed to confirm within the division that issues identified during the latest internal audit have been properly addressed and mitigating actions have either been completed or are ongoing. It also checks whether controls are being appropriately and effectively implemented through evaluation by employees who are not involved in the operations being audited. Any weaknesses discovered during the UIA are reported to the officers responsible for the management and controls of the division, and progress on mitigation is monitored through the Controls Committee and other opportunities.

3. Internal Audit

The Group confirms the soundness of our work-related controls through ILC, a process we apply to our day-to-day operations, and UIA, controls self-assessments performed by each division. We also employ internal audits for objective, independent confirmation of controls in our work flows and processes. Our Audit Department, which exists independently from the business divisions, provides its independent audit opinion on the soundness of the business divisions’ internal controls systems and reports its internal audit results to the Board of Directors. Each business division is subjected to an internal audit about every three years. Actions to mitigate weaknesses in controls identified during audits are agreed upon by the division. After the actions have been addressed, improvements are reconfirmed during the next internal audit.

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

improvement ensures that the soundness of our internal controls system is maintained. In addition, the Group executes the following activities to ensure effective controls.

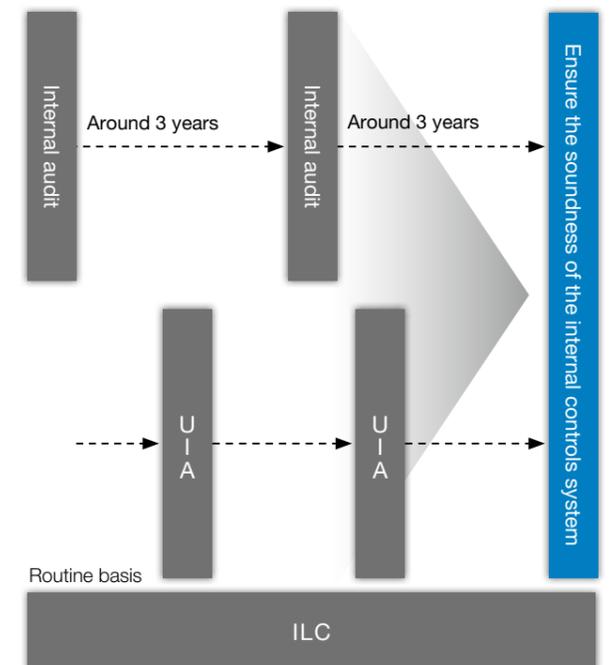
Annual Confirmation

All directors and employees of the TonenGeneral Group must annually confirm in writing whether they successfully performed their business operations for the year in accordance with the Standards of Business Conduct. All operating divisions must also report to their respective directors at the end of each year with written confirmation that all business activities that year were accurately reflected in financial statements in a timely manner and were executed appropriately in line with internal controls standards such as the System of Management Control.

Business Practices Review (BPR)

All directors and employees of the TonenGeneral Group, without exception, are required to participate in the Business Practices Review, a Group-wide training, once every four years to confirm that the Standards of Business Conduct are properly understood. Other training is implemented to heighten employee awareness and understanding of the main basic policies and systems besides the Standards of Business Conduct, namely the aforementioned SMC, CIMS and DOAG.

• Checking process for internal controls



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 Relations & CSR, 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 controls-related matters 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 Act 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 2015, the internal and external contacts were contacted a total of 14 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 2015, 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	1,298
Insider trading	295
Personal information protection laws	632

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. In accordance with the Guidelines for Interactions with Government Officials, for gifts to, entertaining of, hosting of and other interactions with government officials, we determine whether these activities involve any vested interests between the Group and the government officials in question, and in accordance with our conclusion, we implement restrictions and procedures that we have established voluntarily, and obtain the advance approval of multiple departments as 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.

TOPICS

In 2013, a leading company group's dealings with antisocial organizations became a matter of public concern. The TonenGeneral Group revised its approval regulations in 2012, and has consistently prohibited involvement with antisocial forces by taking measures such as including a clause prohibiting involvement with organized crime groups in all contracts signed by the Group, 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. In addition, with the institution of the Social Security and Tax Number system by the Japanese government on January 1, 2016, the Group established the Regulation for the Protection of Specific Personal Information, and is actively implementing initiatives, such as training for all relevant departments, to ensure legal compliance.

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.



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's mission as we advance in a concerted Group-wide effort to achieve the goals of our missions by embracing our seven values, with safety, health, and the environment, and honesty, integrity and fairness, at their core, and detailed in our Standards of Business Conduct.

Communication with stakeholders

The TonenGeneral Group endeavors to fulfill its responsibility to respond to the needs and expectations of our various stakeholders, and we continue our efforts to cultivate good relationships with stakeholders, both directly and indirectly. The Group's main opportunities for stakeholder engagement (see p. 54-71) are shown below.

In 2015 we conducted interviews with consumers, external CSR experts, persons involved in the oil industry, and persons involved in media and public relations, on topics such as the Group's CSR activities, CSR Report, and communication initiatives. Based on the many valuable opinions we received through these interviews, we conducted a survey through our website to more quantitatively gauge consumers' expectations of and interest in the TonenGeneral Group and oil companies in general.

As we seek to further strengthen cooperation with our stakeholders, we will continue to conduct interviews and surveys, incorporating the insights we gain regarding stakeholder expectations and the challenges facing society into our future initiatives.

TonenGeneral Group stakeholders and main opportunities for engagement

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.

- Employee forums presented by top management
- Management messages via e-mail, on-demand video, etc.
- Website, Group employee magazine and intranet

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.

- Communication by procurement, product quality, engineering, and other divisions
- Health and Safety Committee

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 sales and customer service divisions is shared with product quality and other relevant divisions to facilitate prompt and appropriate responses.

- Communication by sales, product quality, and other divisions
- Opinions gathered through customer service, surveys, and other means

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

- Issue reports (*Yukashoken Hokokusho*, business report, etc.)
- IR activities in Japan and overseas, transmission of information in Japanese and English
- Communication with shareholders

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 contributions 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.

- Dialog with regional administrations
- Social contribution activities
- Communication with local residents

CSR management framework reinforcement and the seven committees of the CSR Promotion Council

The TonenGeneral Group established the CSR & Stakeholder Communications Department within its Public Relations & CSR 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.

We have broadened the organizational structure of the CSR Promotion Council to comprise 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, which are responsible for all 18 policies of the Standards of Business Conduct.

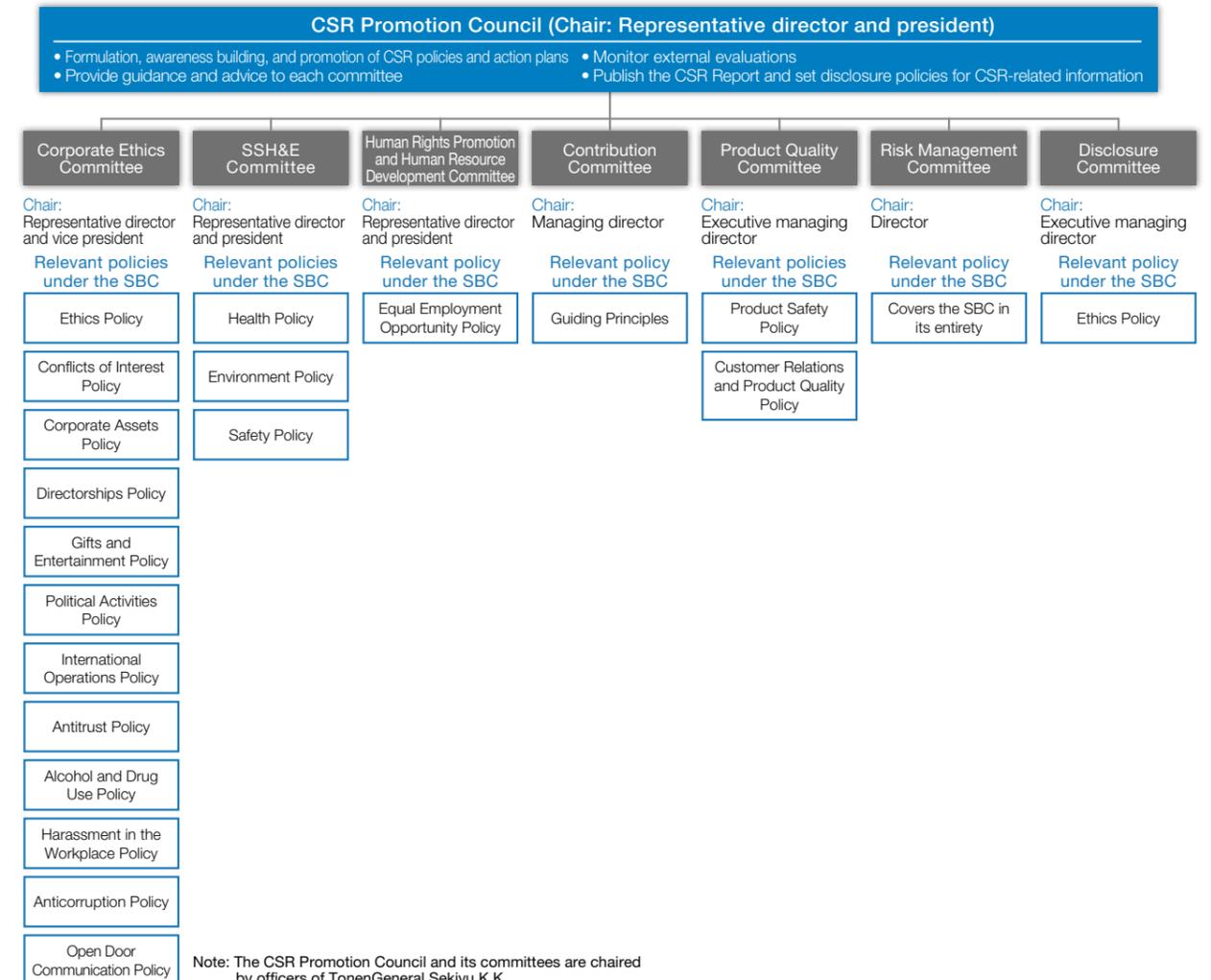
The CSR Promotion Council and its seven committees formulate the Group's CSR policies and action plans, upon which the relevant divisions base their CSR activities. The seven committees review these activities and report their implementation status to the CSR Promotion Council, thereby contributing to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

Major changes in 2015

- Reviewed the corporate governance system and changed the administration of the CSR Promotion Council from the president of TonenGeneral Sekiyu K.K. to the Board of Directors of the company.
- Expanded the managing function of the Disclosure Committee to deal with non-financial data and information, including the CSR Report, by establishing a sub-committee for non-financial information within the committee.

• The CSR Promotion Council

The organizational structure of the CSR Promotion Council and its seven committees is designed to cover all aspects of the Guiding Principles and the 18 policies of the Standards of Business Conduct (SBC).



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

	Action guidelines	2015 Plan		2015 Performance	2015 Performance Assessment	2016 Plan
Corporate Ethics Committee	<ul style="list-style-type: none"> 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 Cultivate a corporate culture of internal controls and compliance Formulate specific policies and measures to support the above efforts 	<ul style="list-style-type: none"> Ensure the maintenance of the foundation for business activities implemented with fairness and integrity <ol style="list-style-type: none"> Organize and systematize existing rules Follow up revisions to laws Ensure management of change for new Group companies Thoroughly implement training for new employees Implement training to increase employees' knowledge (harassment, legal matters, etc.) Confirm effectiveness of internal reporting system and other controls mechanisms Check status of compliance with Standards of Business Conduct Maintain controls compliance system <ol style="list-style-type: none"> Share lessons learned from intra-company controls-related issues to prevent reoccurrence Reflect analysis of examples from other companies 		<ul style="list-style-type: none"> Ensured the maintenance of the foundation for business activities implemented with fairness and integrity <ol style="list-style-type: none"> Organized and systematized existing rules Assigned owners for 340 laws, organized system for yearly follow-up Management of change confirmed by a team comprising members from Corporate Planning and Controller's, and the controls advisor Implemented training for new employees (27 operators, 51 office and engineering staff) in April Implemented training, including case discussion, for 750 members of middle management to raise understanding of harassment issues (Nov. 12) In addition to quarterly report to Board of Directors, discussed effectiveness in Corporate Ethics Committee (twice/year) Collected confirmation of compliance with Standards of Business Conduct from all Group employees (Dec.), reported results to Board of Directors (Feb. 2016) Maintain controls compliance system <ol style="list-style-type: none"> Any issues that occurred were shared in controls-related meetings at each business site In cooperation with Risk Management Committee, discussed implications for Group and status of response in the Corporate Ethics Office and Corporate Ethics Committee (twice/year) 	★★★	<ul style="list-style-type: none"> Continue to strengthen compliance with laws and our Corporate Ethics Policy Continue initiatives to enhance employee awareness and knowledge of policies Further promote and strengthen the organization and systematization of rules, further promote and strengthen legal compliance systems Thoroughly implement the above for new Group companies In cooperation with Risk Management Committee, analyze cases of non-compliance from other companies, check whether we have processes to avoid similar violations, and formulate countermeasures as needed
SSH&E Committee	<ul style="list-style-type: none"> 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 	<ol style="list-style-type: none"> Continue to confirm the effectiveness of measures to prevent the recurrence of the sulfur leak incident through audits and OIMS assessments Prevent occupational accidents and injuries, ensure safe facilities and operations, achieve safety targets for environmental protection (no incidents) Continue implementation of effective training to maintain safety Continue to strengthen disaster response Continue establishment of an effective environmental management system Consider obtaining rating under Development Bank of Japan environmental management rating scheme 		<ol style="list-style-type: none"> Employee lost-time injury rate (per 1 million hours): 0 Environmental management system (EMS): ISO14001-attested OIMS; ISO14001 attestation obtained by Kawasaki, Sakai, Wakayama, Chiba refineries Advanced Occupational Health and Industrial Hygiene activities Launched Energy Management Committee, covering entire Group Selected as "Kenko Keiei Meigara" by Ministry of Economy, Trade and Industry, and Tokyo Stock Exchange Received rating of "A" under Development Bank of Japan environmental management rating scheme 	★★★	<ol style="list-style-type: none"> Continue to confirm the effectiveness of measures to prevent the recurrence of the sulfur leak incident through audits and OIMS assessments Prevent occupational accidents and injuries, ensure safe facilities and operations, achieve safety targets for environmental protection <ul style="list-style-type: none"> Employee lost-time injury rate (per 1 million hours): 0 Serious accidents (Type A, Type B): 0 Continue implementation of effective training to maintain safety Continue to strengthen disaster response
Human Rights Promotion and Human Resource Development Committee	<ul style="list-style-type: none"> Cultivate high-quality, highly motivated and diverse human resources as TonenGeneral Group's greatest driving force 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 Ensure respect for human rights and foster a work environment free of human rights abuses and harassment 	<ol style="list-style-type: none"> Human rights promotion: Raise awareness and implement training for human rights promotion and policies regarding harassment Employment of persons with disabilities: Attain legally-mandated employment rate Human resource development: Hold Human Resource Committee meetings for entire Group and for each division, hold Cross-functional Rotation Council meetings 		<ol style="list-style-type: none"> Human rights promotion <ul style="list-style-type: none"> Held human rights slogan contest; winner entered in Tokyo Human Rights Promotion Council contest Sent e-mail reminders about preventing harassment in the workplace (Dec.) Training: Human rights training by function (total 128 times, 4,049 participants including contractor company staff) Employment of persons with disabilities <ul style="list-style-type: none"> Employment rate: 2.14% (+0.36%) Message from company president (Nov.) Human resource development <ul style="list-style-type: none"> Group-wide Human Resource Committee meetings (twice/year), division Human Resource Committee meetings (twice/year) Cross-functional Rotation Council meetings (5 times/year) Held Training Subcommittee meetings (twice/year), made annual training plan, selected executive officers for training and division/departments managers for leadership training 	★★★	<ol style="list-style-type: none"> Human rights promotion <ul style="list-style-type: none"> Hold human rights slogan contest Send e-mail reminders about harassment in the workplace Training: specific topics such as "creating a workplace where female employees can thrive" and "preventing maternity harassment" Employment of persons with disabilities <ul style="list-style-type: none"> Attain legally-mandated employment rate Message from company president Human resource development <ul style="list-style-type: none"> Group-wide Human Resource Committee meetings (twice/year), division Human Resource Committee meetings (twice/year) Cross-functional Rotation Council meetings (monthly) Training Subcommittee meetings (twice/year)
Contribution Committee	<ul style="list-style-type: none"> Develop and revise policy and standards for social contribution programs Assess and monitor social contribution activities Develop policy for approaching issues related to social contribution activities Cultivate and promote social contribution activities 	<ol style="list-style-type: none"> Expand and further energize our contribution programs with employee participation as a key element Implement social contribution activities with our dealers (target: three activities) Determine which divisions do not have a representative in the Contribution Committee and add those members to ensure integration of social contribution activities throughout the Group Conduct regular assessments of existing activities, develop programs for implementation in 2016 		<ol style="list-style-type: none"> In 2015, in addition to continuing existing contribution programs, implemented fuel coupon program for disaster-affected regions, served as official sponsor for Wakayama Kokutai, and presented TonenGeneral Children's Culture Award 50th anniversary events. Yokohama office employees lent support for Kawasaki refinery activities, and Yokohama office held its first blood drive Implemented social contribution activities with our business partners: three activities, 33 business partner participants <ul style="list-style-type: none"> Woodlands conservation activity (April, October) Jinoshima volunteer beach cleanup (June) Implemented social contribution activities with eleven division representatives by adding a member from our distribution division to the Contribution Committee Determined new social contribution activities at our Chiba refinery and Shimizu terminal 	★★★	<ol style="list-style-type: none"> Expand and further energize our contribution programs with employee participation as a key element Consider how to effectively utilize TonenGeneral Children's Culture Award, with a history of over 50 years, in contribution activities Check consistency of existing activities with new Group Philosophy Conduct regular assessments of existing activities, develop programs for implementation in 2017
Product Quality Committee	<ul style="list-style-type: none"> Confirm effective implementation of product quality control in accordance with our management system Review the performance of product quality control in each division Confirm the appropriate execution of product safety and chemical substance management 	<ul style="list-style-type: none"> Development and implementation of product quality improvement plans by all divisions in accordance with major items (product quality targets): <ol style="list-style-type: none"> Enhance initiatives to eliminate product quality incidents <ul style="list-style-type: none"> Enhance sharing of information about product quality incidents and near misses in effort to achieve target of zero occurrences of similar incidents/near misses Strengthen product quality management by contractor companies Enhance awareness and risk identification of work that is critical to product quality Strengthen product quality management system <ul style="list-style-type: none"> Identify weaknesses through TonenGeneral Product Quality Management System (TG PQMS) assessments and address identified weaknesses before incidents occur Use checklists to perform self-assessments Implement risk management appropriate to the business environment and contribute to profit improvement <ul style="list-style-type: none"> Manage risks appropriately in response to customer needs Achieve balance between maintaining market competitiveness and relaxing restrictions related to quality risk management Enhance quality management for chemical substances through systematization and organization of management systems <ul style="list-style-type: none"> Steady rollout of rules and procedures for quality management for chemical substances Implement effective training for product quality management and quality management for chemical substances 		<ol style="list-style-type: none"> Enhanced initiatives to eliminate product quality incidents <ul style="list-style-type: none"> 11 quality incidents in 2015 (26 in 2014) Cross-functional sampling and improvement of quality issues by Contractor Company Quality Management Improvement Team Continuously improved quality management through controls of work that is critical to product quality Strengthened sharing of quality incidents across related functions to prevent occurrence of similar incidents Promptly identified product quality concerns by incorporating quality risk checklists into projects and management of change procedures Strengthened product quality management system <ul style="list-style-type: none"> Further strengthened quality management system by addressing weaknesses identified in each division in the 2015 product quality audit and clearly specifying requirements Group divisions (4), third-party testing organizations (8) Established product quality rules, revised TG PQMS (clarification regarding consigned work) Enhanced quality management for chemical substances through systematization and organization of management systems <ul style="list-style-type: none"> Identified weaknesses in management processes through introduction of rules for quality management for chemical substances, promptly addressed and improved these weaknesses. Definite increase in product quality awareness among staff involved in quality management for chemical substances Established product quality rules and procedures for chemical substances and provided training Implemented effective training for product quality management and product quality management for chemical substances <ul style="list-style-type: none"> Raised understanding of product quality in all divisions and all types of work through training Continued implementation of quality incident response training (700 staff members completed training) Began quality risk assessments, jet fuel quality training, chemical substances quality training (2015-2016 plan) 	★★★	<ul style="list-style-type: none"> Major items (quality objectives) <ol style="list-style-type: none"> Enhance initiatives to eliminate product quality incidents <ul style="list-style-type: none"> Enhance sharing of information about product quality incidents and near misses in effort to achieve target of zero occurrences of similar incidents/near misses Enhance awareness and risk identification of work that is critical to product quality Strengthen product quality management by contractor companies Strengthen product quality management system <ul style="list-style-type: none"> Identify weaknesses through TG PQMS assessments and address identified weaknesses before incidents occur Use checklists to perform self-assessments Implement risk management appropriate to the business environment and contribute to profit improvement <ul style="list-style-type: none"> Manage risks appropriately in response to customer needs Relax restrictions related to quality risk management in a timely manner while maintaining market competitiveness Continue to improve quality management for chemical substances <ul style="list-style-type: none"> Thoroughly implement rules and procedures for quality management of chemical substances, establish framework to ensure legal compliance Implement effective training for product quality management and quality management for chemical substances
Risk Management Committee	<ul style="list-style-type: none"> Rationally assess the various risks involved in business operations and implement preventive measures Minimize potential damage in the event a risk materializes by fulfilling the Group's social responsibility to maintain and enhance corporate value 	<ol style="list-style-type: none"> Follow up existing risks Follow up risks identified in 2014 study of situations that caused serious impacts at other companies Regularly check status of potential risks Identify new risks by monitoring incidents and situations at other companies 		<ol style="list-style-type: none"> Reviewed the Group's response processes, as there were situations at other companies where adverse impacts intensified due to inadequate or inappropriate response Conducted review of risks that increase with changes in the business environment, as well as unmanifested risks Analyzed root causes, identified issues relevant to the Group, and assigned a sub-team for each issue to study responses and other matters, including necessity of responses Conducted more intensive study of risks in certain areas (cyber security, media exposure) 	★★★	<ol style="list-style-type: none"> Follow up risk response status Conduct regular, comprehensive review of potential risks using comprehensive risk maps Monitor incidents and situations with adverse impacts at other companies, determine whether similar risks exist in the Group In accordance with needs, study risks accompanying overseas assignments (country-specific risks, etc.)
Disclosure Committee	<ul style="list-style-type: none"> Ensure proper implementation of controls and procedures for TonenGeneral Group disclosures Ensure that disclosures accurately reflect actual status of business and are compliant with current rules of the Financial Services Agency, the Ministry of Finance and the Tokyo Stock Exchange, as well as relevant laws and regulations Ensure that information concerning the above is shared among the relevant divisions to ensure uniformity of disclosure among different sources Ensure proper disclosure of non-financial information 	<ol style="list-style-type: none"> Respond appropriately to planned revisions of accounting and disclosure laws Study processes for further increasing accuracy of disclosures 		<ol style="list-style-type: none"> Accurately grasped the effects of revisions to the tax system and other legal revisions, changes in accounting standards, and the establishment and restructuring of Group businesses on our financial accounting, and disclosed information appropriately Began using checklists to reduce errors made in the development of materials distributed with our quarterly earnings announcements and increase the accuracy of the information disclosed <p>Established Non-financial Subcommittee in addition to Financial Subcommittee, expanding scope of committee to include non-financial information (defined primarily as information of importance from a CSR perspective)</p>	★★★	<ol style="list-style-type: none"> Respond appropriately to revisions of laws and accounting standards and changes in business structure Strengthen and enhance processes for ensuring accuracy of disclosures Establish disclosure policy, carry out communication with stakeholders based on new Group Philosophy Share important items when disclosing non-financial information in 2016 Develop editorial policy and proposals for feature articles for 2016 CSR Report Identify medium-term challenges for CSR Report disclosure policy and discuss response measures

Performance assessment criteria

- ★★★ Completed, or not yet completed but expected to be completed by due date
- ★★ Not yet completed; may not be completed by due date
- ★ Not yet completed; will not be completed by due date, or due date has already passed

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

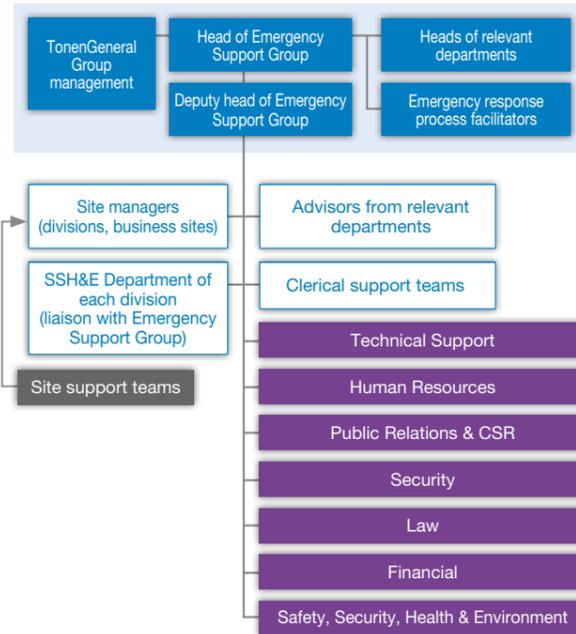
The Group strives to identify every possible risk, from situations that could endanger the safety and health of the employees of the Group and its partners and residents of nearby communities to incidents that could harm the environment or disrupt the stable supply of petroleum products, as well as leakages 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. 38-39). 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

One of our missions 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.

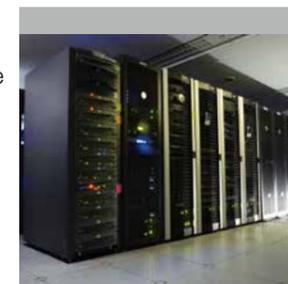
The Group participates in the Supply Cooperation Plan for fuel products, formulated by the Japanese government and the Petroleum Association of Japan. We also formulated a systematic series of BCPs for the Group, covering operations from supply to sales, and submitted them to the Ministry of Economy, 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 IT Security Practices (TGISP), which encompasses maintenance of information integrity, protection of confidential information, maintenance of information processing



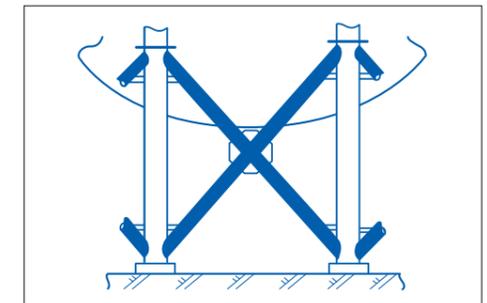
Server room

capability, and compliance with laws and regulations.

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 through efforts such as formulating cyberattack response procedures and training plans for the Cyber Security Incident Response Team (CSIRT).

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.



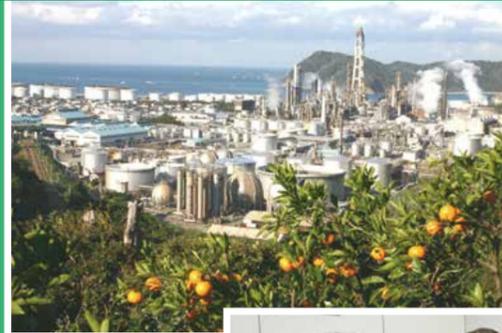
* Parts used for cross bracing, which reinforces steel frames, are erected at the base of spherical tanks to enhance their safety.

Regular inspections for potential risks

In addition to our disaster response and information security initiatives, we conduct regular inspections to check for potential risks. Under the Risk Management Committee, we use comprehensive risk maps to conduct comprehensive, detailed risk inspections, and we also monitor incidents, cases of misconduct, and other events that have occurred at other companies in our efforts to identify any new risks that may have emerged in our own companies. We evaluate the various risks inherent in our businesses and operations in a logical manner and take appropriate mitigation and prevention measures. In the event that risks do emerge, we fulfill our social responsibility by minimizing potential damage and loss, enabling us to maintain and improve our corporate value.

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

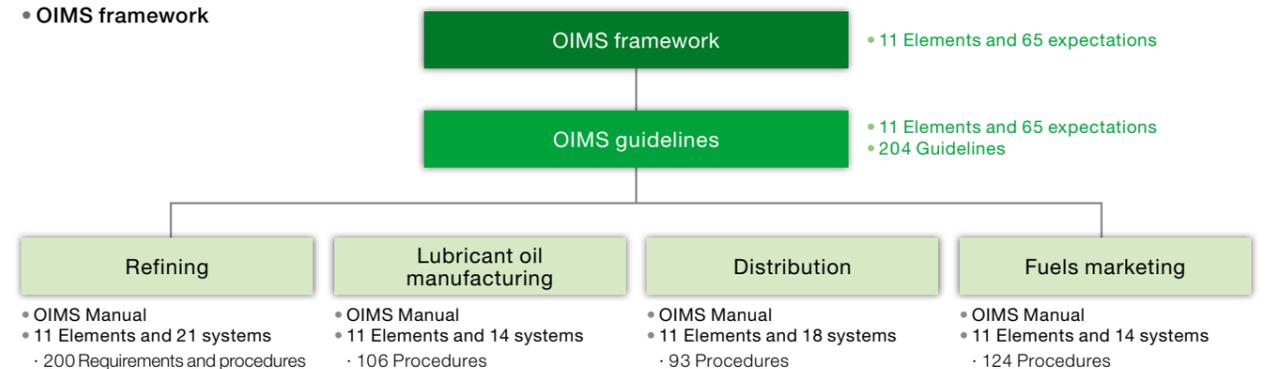
The framework comprising 11 elements is the core of OIMS and defines the common expectations the Group must meet to address the risks inherent in our business. The 11 elements are each composed of a basic principle and a number of expectations, which also include the requirements and processes for implementing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

• OIMS framework



• 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.

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

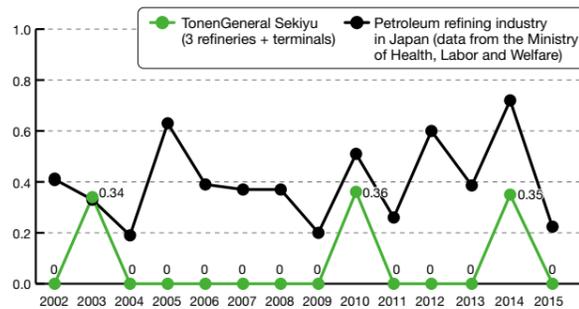
• Personnel safety

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 2015, in our refining, manufacturing and distribution segments, we had no fatalities and one lost-time injury for employees and contractor company personnel.

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

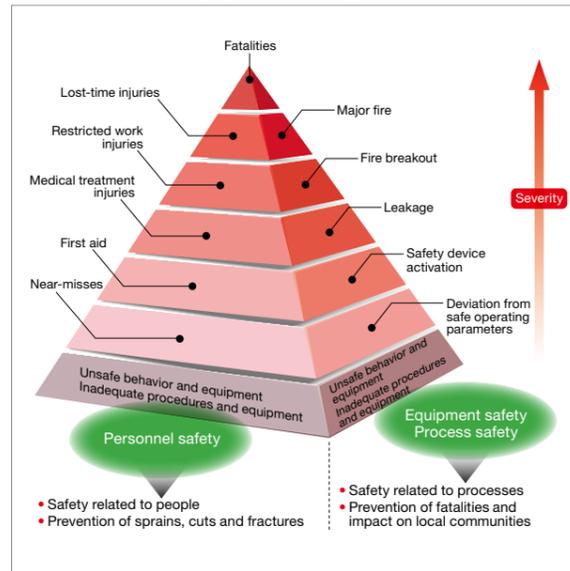


	2011	2012	2013	2014	2015
Number of employee lost-time injuries	0	0	0	1	0

• Equipment safety

Recent accidents involving fires and explosions in the oil and petrochemical industries have clearly shown that these

• Personnel and equipment safety



incidents and associated damage to equipment can severely impact worksite operations and the surrounding areas.

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

• 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

TonenGeneral Research Center makes safety calendars

The TonenGeneral Research Center began making safety calendars in 2015. For the illustrations, the Research Center solicited safety-themed drawings by children, and received many entries, not only from the children of its employees, but from those of its business partners as well.

The calendars, featuring illustrations with captions such as "Hold on to the rail when you use the stairs" (May), "Take small sips of water and rest in a cool place" (August), and "Pay attention while you're walking so you don't trip and fall" (December), are useful for sharing the Group's approach to safety and raising day-to-day safety awareness.

The TonenGeneral Research Center will continue this effort to foster safety awareness in an enjoyable way.



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).

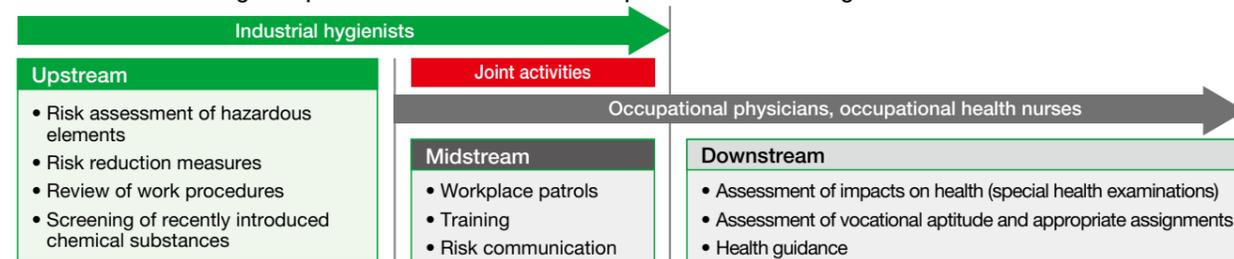
For example, as part of our work environment management efforts, we have conducted voluntary risk assessments based on direct measurements of employees' exposure to harmful elements for over fifteen years.

In addition, we conduct voluntary risk assessments for chemical substances other than the 640 for which mandatory risk assessments have been required in Japan since June 2016 by the Industrial Safety and Health Act. 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.



Regular workplace inspection by an occupational physician, an occupational health nurse and an industrial hygienist at the Sakai refinery

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



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. We have a subsidy system in place for complete medical examinations for employees over 35 years old. Based on the results of these examinations, we provide health guidance for diet, exercise, and other areas, to help employees achieve healthier lifestyles, and we also offer advice and other assistance in cases where further medical testing or treatment is needed. We utilize these medical examination results not only for health guidance, but also for assessing possible health risks from heavy workloads and medical fitness for particular jobs.

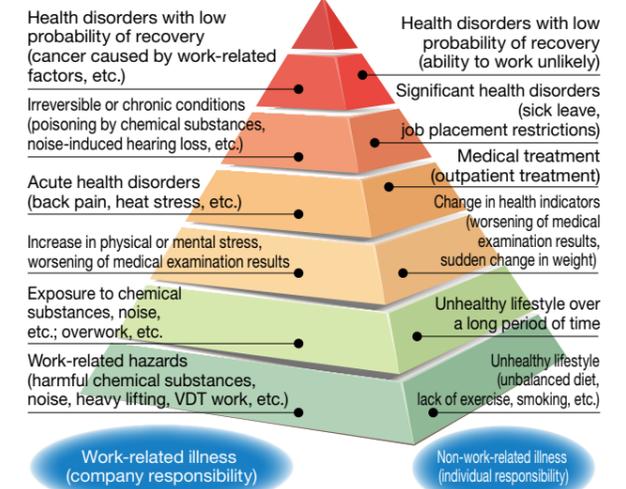
Our mental health initiatives include mental health self-care education programs and regular training and education for managers and supervisors, and we collaborate with our various workplaces and related divisions on efforts such as developing a mental health support system that offers support for employees returning to work after mental-health-related leaves of absence, periodic mental health consultations, and other services. 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's dedicated occupational physicians and occupational health nurses approach health management support by taking into account each employee's living conditions, work environment, relationships with family and colleagues, and other factors in order to provide support that is appropriate for each individual.

We believe it is important to maintain an awareness of health risks, and to mitigate these risks before they lead to incidents or adverse effects on health. This concept is illustrated in our health pyramid, shown at right. In addition to complying with applicable laws and regulations, we apply appropriate standards not required by law for risk-assessment-based implementation of occupational health initiatives. We support employee health management through the prevention of work-related illnesses, the management of health-related risks and attention to working conditions, and

voluntary programs for employees, including health awareness and health promotion initiatives.

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

Health pyramid



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.

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

Environment business planning (EBP)

The Group's refineries, petrochemical plant, lubricants plant and terminals implement environment business planning (EBP) for each refinery, plant or operational unit every year in accordance with the guidelines and goals of the Group. The following components are required for EBP.

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

EBP is conducted annually in parallel with business plans, including budgets, incorporating concrete action plans and quantitative targets, and reflecting 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, used by the entire Group, provide the baseline for comparing data from all the refineries and for environment business planning (EBP), and are 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.

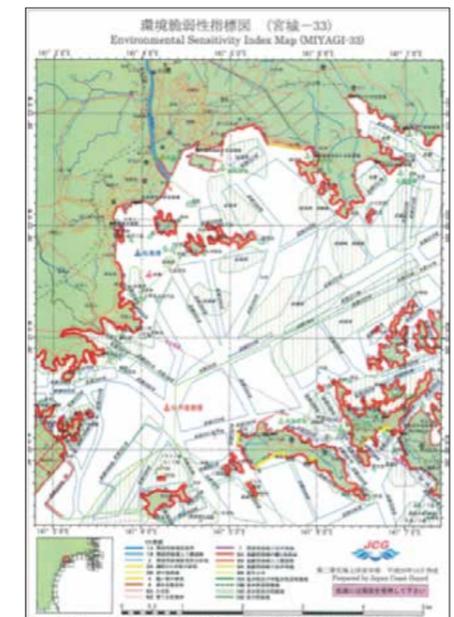
Assessment of environmental impact

Our refineries, petrochemical plant, lubricants 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.

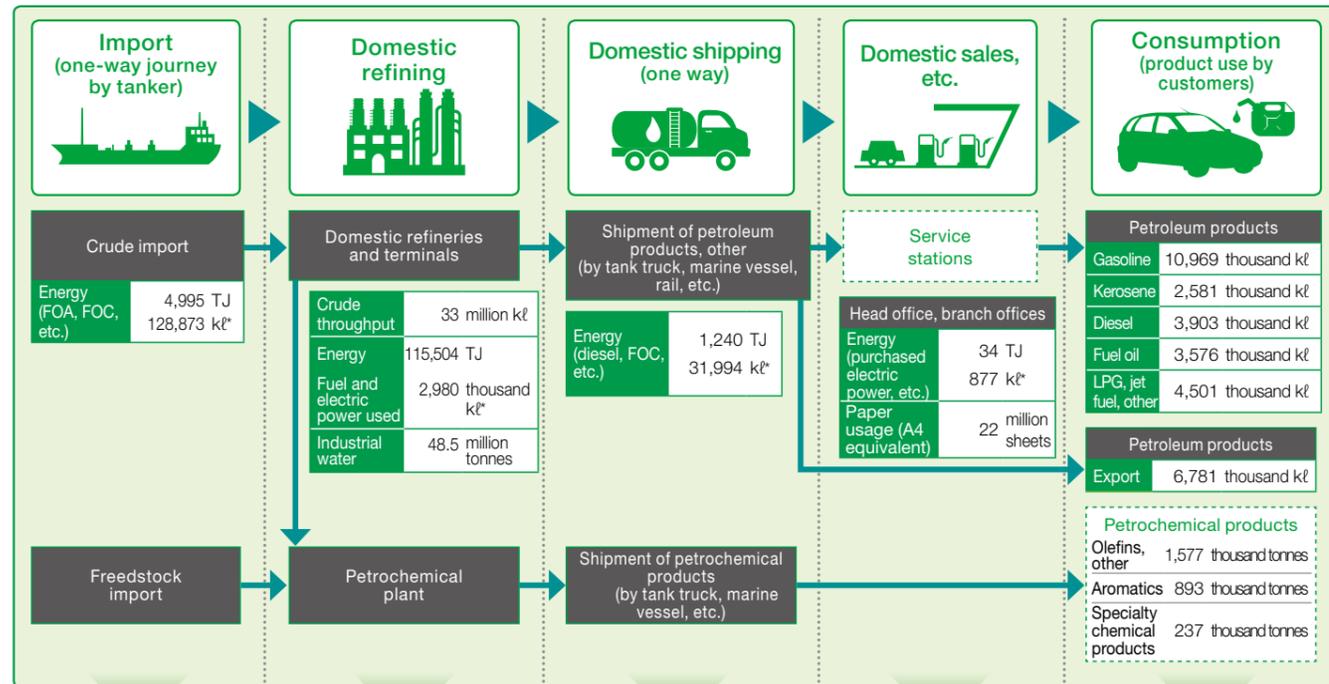
• Environmental sensitivity index map



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 (FY2015)

INPUT



* 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 TonenGeneral Sekiyu K.K. President Jun Mutoh for Environment Month, June 2016

To All Employees of the TonenGeneral Group

June has been designated as Environment Month. I would like to take this opportunity, first of all, to express my appreciation to all of you for your day-to-day efforts to protect the environment. I would also like to reaffirm the importance of these efforts to us, both as TonenGeneral employees and as inhabitants of the Earth, and urge you to continue your efforts and activities to help maintain a sustainable global environment.

The values of safety, health and the environment, along with honesty, integrity, and fairness, are of the utmost importance to the TonenGeneral Group. Based on these values, we work to uphold our mission for the environment, which is to make effective use of limited resources and seek to maintain a sustainable environment.

In January of this year, we were awarded the highest rating of "A" under the environmental rating scheme of the Development Bank of Japan (DBJ). We were highly evaluated on our use of the Operations Integrity Management System (OIMS) for the systematic implementation of environmental management PDCA in all of our operations segments.

Last year, we set forth the values that form the backbone of our Corporate Philosophy. These seven values are based on our core values of safety, health and the environment, along with honesty, integrity, and fairness, and also include taking on challenges, action, diversity, growth, and focus on customers. Let's take this opportunity to reaffirm our mission for the environment based on these values.

The environmental challenges that we currently face, including climate change, maintaining biological diversity, and securing stable supplies of resources such as energy, minerals, water, and food, are challenges that have affected people throughout the world for generations. These challenges cannot be resolved without broad-ranging cooperation and efforts, not only among international organizations, governments, and businesses, but among local communities and other stakeholders as well.

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 by the Wakayama refinery



We are working together as a team to resolve these challenges in accordance with our Group's stated mission for the environment, which is to make effective use of limited resources and seek to maintain a sustainable environment.

The fossil fuel petroleum is a limited natural resource utilized in our business. The advancement of our energy conservation and loss reduction initiatives in export, manufacturing, and product use throughout the supply chain, from the procurement of raw materials to the consumption and combustion of our products, contributes to the conservation of natural resources.

If the treatment and disposal of industrial waste products are incomplete, there will eventually be no more space available in landfills, which are utilized as final waste disposal sites. In addition, the reduction of environmental pollution through the proper treatment and disposal of smoke and wastewater contributes to the maintenance of biological diversity by helping to protect the natural habitats of nearby plants and animals. These and the many other environmental initiatives that we implement are instrumental in achieving our mission for the environment.

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 efficient use of limited resources, 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 planet.

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

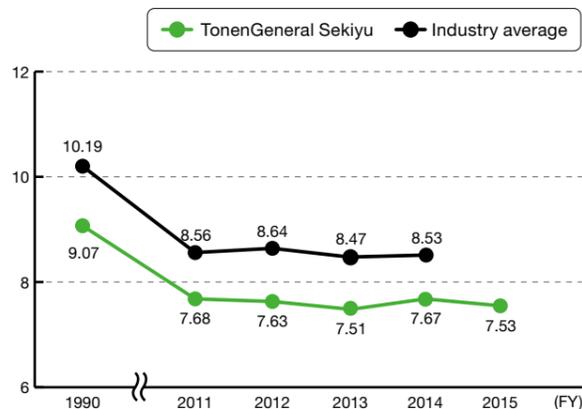
• Approach to the reduction of greenhouse gas emissions

The TonenGeneral Group believes that petroleum will continue to be a primary source of energy due to its economic feasibility, supply stability, safety, storability, and other characteristics. In order to contribute to society by maximizing our utilization of these characteristics while maintaining attention to the environment, we place the utmost importance on the cost-effective reduction of CO₂ emissions, and to that end, we are focusing on energy conservation initiatives at our refineries and chemical plant. As a result, TonenGeneral Sekiyu, Tonen Chemical Corporation and the former Kyokuto Petroleum Industries have been recognized by the Ministry of Economy, Trade and Industry's Agency for Natural Resources and Energy as having achieved the government's energy benchmarks under the Act on the Rational Use of Energy (Energy Conservation Law), enacted in April 2010.

In biofuels, the TonenGeneral Group is carrying out ETBE blending at its Kawasaki, Sakai and Chiba refineries, manufacturing products with attention to the atmospheric environment. In regard to renewable energy, in an advanced carbon cycle society, photosynthesis and other forms of CO₂ fixation will become increasingly important, and we are well aware of the importance of research and development and technological development in this area.

The Group will continue to aggressively pursue initiatives to reduce greenhouse gas emissions, mainly through our energy conservation efforts.

• Change in refinery unit energy consumption*



• 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 CO₂ 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

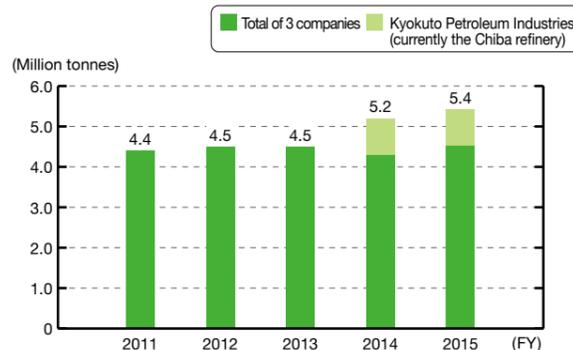
Research Center can contribute to a reduction in CO₂ emissions 350,000 tonnes greater than that of conventional lubricants.

• 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.

As shown in the graph below, CO₂ emissions attributable to the combined total energy usage by TonenGeneral Sekiyu, Tonen Chemical Corporation, EMG Marketing Godo Kaisha and Kyokuto Petroleum Industries have increased from 4.4 million tonnes in FY2011 to 5.4 million tonnes in FY2015; however, this increase can be attributed to the inclusion of Kyokuto Petroleum Industries (currently the TonenGeneral Sekiyu Chiba refinery) as a consolidated company starting in FY2014 in addition to the increase in production volume in FY2015 compared to FY2014. Due to the nature of refinery and plant operations, CO₂ emission volumes are proportionate to production volumes; however, we have confirmed that the CO₂ emission volume per production volume unit has decreased.

• CO₂ emissions



CO₂ emissions attributable to the combined total energy usage by TonenGeneral Sekiyu K.K., Tonen Chemical Corporation and EMG Marketing Godo Kaisha reported in accordance with the revised Energy Conservation Law. Data for FY2014 and after represent combined totals 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 (NOx) and ultraviolet rays from sunlight. While the industries associated with this concern had been required to reduce VOC emissions by 30% from 2000 levels by 2010, the oil industry, including the TonenGeneral Group, met this target before the deadline. Combined VOC emissions at our Kawasaki, Sakai, Wakayama and Chiba refineries and our distribution division was 5,020 tonnes in FY2015, 35% 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.

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

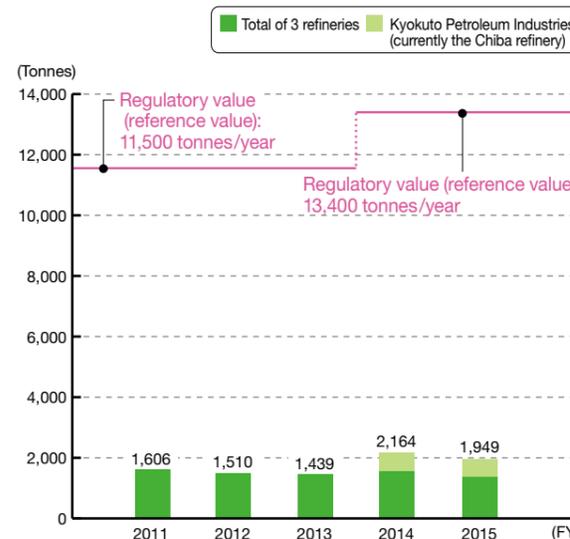
Air pollution prevention measures

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.

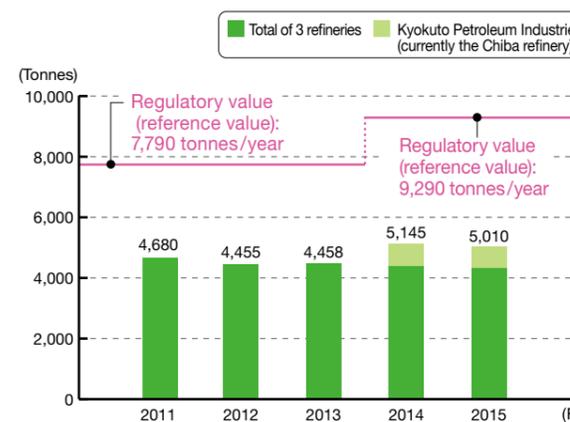
As shown in the graphs below, the Group has maintained low levels of SOx and NOx emissions; approximately 15% and 55% of regulatory value (annual reference values), respectively.

The increase in FY2014 can be attributed to the inclusion of Kyokuto Petroleum Industries (currently the Child refinery), as a consolidated company.

• SOx (sulfur oxide) emissions



• NOx (nitrogen oxide) emissions

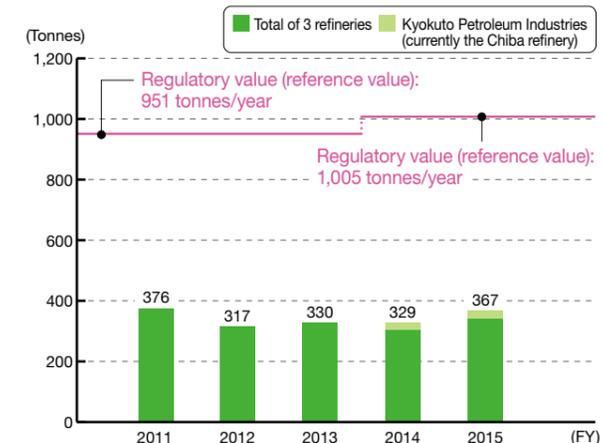


Note: Data on this page represent combined totals for the TonenGeneral Sekiyu K.K. and Tonen Chemical Corporation refineries and plant located in Kawasaki, Sakai and Wakayama. Data for FY2014 and after represent combined totals for the above and Kyokuto Petroleum Industries, Ltd. (currently the TonenGeneral Sekiyu Chiba refinery).

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 37% of the total volume compared to the regulatory value (annual reference value) of the total pollutant load control.

• COD (chemical oxygen demand) emissions



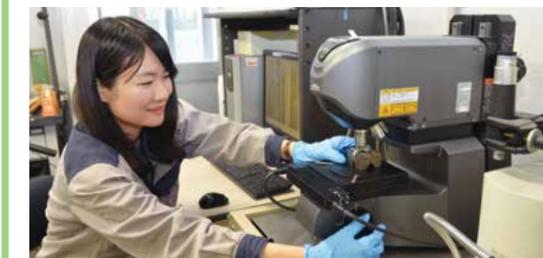
VOICE

Helping to improve automotive fuel efficiency

Reina Goto Lubricants, TonenGeneral Research Center

One of the activities of the TonenGeneral Research Center is the research and development of lubricants for automotive manufacturers. I am in charge of both the development of new transmission fluids and basic research for next-generation products.

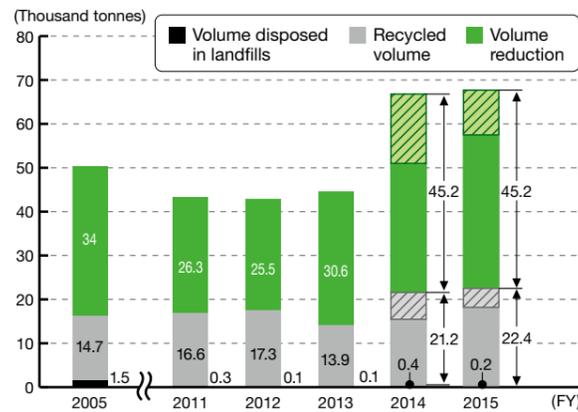
These days, the development of new products requires high performance in both parts protection, which is a basic function of lubricants, and fuel efficiency, resulting from the reduction of resistance caused by friction and agitation. Transmission fluids in particular are formulated to be compatible with specific hardware, so they must simultaneously satisfy a number of performance requirements. My work keeps me busy, but I get a sense of fulfillment knowing that my research contributes to the reduction of CO₂ emissions.



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 200 tonnes in FY2015, a reduction of approximately 87% over the 10-year period since FY2005.

Industrial waste discharge



Note: Data represent combined totals for the TonenGeneral Sekiyu K.K. refineries (Kawasaki, Sakai and Wakayama) and the Tonen Chemical Corporation Kawasaki plant. Data for FY2014 and after represent combined totals 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.

The Group spent 278 million yen on soil contamination investigation and control in FY2015.

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 molybdenum, cobalt and nickel compounds.

PRTR substance release and discharge (FY2015)

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	48	0	0	48
132	Cobalt and its compounds	0	0	31	31
232	N,N-Dimethylformamide	0	0	0	1
296	1,2,4-Trimethylbenzene	2	0	0	2
300	Toluene	87	0	0	87
309	Nickel compounds	0	0	12	12
351	1,3-Butadiene	1	0	0	1
392	Normal hexane	137	0	0	137
400	Benzene	23	0	0	23
453	Molybdenum and its compounds	0	0	90	90
455	Morpholine	0	13	8	21
	Total	301	22	141	465

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 survey

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

Approach to reducing greenhouse gas emissions associated with our electric power business

We are advancing our electric power business in line with market principles, with attention to the balance between energy security and environmental compatibility. We are currently proceeding with construction plans for thermal electric power plants in Shizuoka and Chiba prefectures. Both facilities will be equipped with state-of-the-art technology and are designed to be more efficient and generate fewer greenhouse gas emissions than conventional thermal electric power plants. If the

introduction of these types of innovative power generation facilities continues, they could eventually replace the older power generation plants in Japan. In addition, we are actively engaged in sustainable-energy initiatives, including our investment in the biomass electric power generation business of eREX New Energy Saiki Co., Ltd., and provision of land for the construction of a solar power plant in Arida City, Wakayama, by Kanden Energy Solution Co., Inc.

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 safety, health and the 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 m²
Crude oil processing capacity: 258,000 barrels/day*
Ethylene production capacity: 478,000 tonnes/year



Control status for environmental regulatory values

	Applicable laws and regulations	Regulated item	Classification	Unit	Current regulatory value	FY2015 actual value (maximum value)
SOx	Air Pollution Control Act	Total volume	TG*1	Nm ³ /H	82.488	0.5 (1.1)
			TCC*2	Nm ³ /H	101.678	1.6 (2.5)
	Kawasaki City ordinance	Total volume	TG	g/10 ³ Kcal	8	0.05 (0.10)
			TCC	g/10 ³ Kcal	8	0.12 (0.19)
NOx	Air Pollution Control Act	Total volume	TG	Nm ³ /H	104.432	66.6 (75.5)
			TCC	Nm ³ /H	140.13	72.3 (98.8)
	Kawasaki City ordinance	Voluntary control value (4-year average)	Combined total for TG and TCC	tonnes/year	2,040	1,962 *3
		Total volume (daily limit)	TG	g/10 ³ Kcal	6.3	3.23 (3.82)
			TCC	g/10 ³ Kcal	6.3	3.06 (4.09)
Particulate	Kawasaki City ordinance	Total volume	Combined total for TG and TCC	tonnes/year	353.9	319.2 *3
Soot	Air Pollution Control Act	Concentration	Boiler	g/Nm ³	0.07	0.014 (0.030)*4
			Petroleum-heating furnace	g/Nm ³	0.10	0.003 (0.019)*4
			CO boiler	g/Nm ³	0.30	0.020 (0.026)*4
	—	Soot release volume	TG	tonnes/year	—	62.2 *3
			TCC	tonnes/year	—	62.5 *3
COD	Water Pollution Prevention Act, city ordinance	Total volume	Combined total for TG and TCC	kg/day	1,678	930 (1,119)
Nitrogen	Kawasaki City ordinance	Total volume	Combined total for TG and TCC	kg/day	1,139	565 (701)
Phosphorous	Kawasaki City ordinance	Total volume	Combined total for TG and TCC	kg/day	85.7	24.5 (39.7)

*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 m²
Crude oil processing capacity: 156,000 barrels/day



Control status for environmental regulatory values

	Applicable laws and regulations	Regulated item	Unit	Current regulatory value (maximum value)	FY2015 actual value (maximum value)
SOx	Air Pollution Control Act	Total volume	Nm ³ /H	90.6	2.9 (5.8)
NOx	Air Pollution Control Act	Total volume	Nm ³ /H	114.2	22.0 (27.1)
Soot	Air Pollution Control Act	Concentration	g/Nm ³	0.05	0.013 (0.018)
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)	7.3 (9.9)
		Total volume	kg/day	109.4 (176.2)	57.8 (84.2)
Nitrogen	Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea, Osaka prefectural ordinances	Concentration	mg/l	20 (21.5)	8.8 (16.8)
		Total volume	kg/day	228.8 (270.8)	68.8 (131.9)
Phosphorous	Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea, Osaka prefectural ordinances	Concentration	mg/l	0.8 (2.3)	0.3 (0.6)
		Total volume	kg/day	9.8 (29.1)	2.1 (5.0)

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

Wakayama refinery • TonenGeneral Sekiyu K.K.

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



Control status for environmental regulatory values

	Applicable laws and regulations	Regulated item	Unit	Current regulatory value	FY2015 actual value (maximum value)
SOx	Air Pollution Control Act	Total volume	Nm ³ /H	184.6	62.9 (145.0)
NOx	Pollution prevention agreements	Total volume	Nm ³ /H	186.4	134.1 (142.0)
Soot	Air Pollution Control Act	Concentration	g/Nm ³	0.05-0.15*1	0.001-0.008
				0.2	0.103 (0.110)*2
COD	Water Pollution Prevention Act, Wakayama prefectural ordinances	Concentration	mg/l	25	2.8 (4.4)
		Total volume	kg/day	739.7	264.8 (441.4)
Nitrogen	Water Pollution Prevention Act, Wakayama prefectural ordinances	Concentration	mg/l	60	2.1 (3.0)
		Total volume	kg/day	397.6	198.9 (320.1)
Phosphorous	Water Pollution Prevention Act, Wakayama prefectural ordinances	Concentration	mg/l	8	0.1 (0.2)
		Total volume	kg/day	43.8	8.5 (12.1)

*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 m²
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	FY2015 actual value (maximum value)
SOx	The Agreement on the Conservation of the Environment	Total volume		Nm ³ /H	77.98	34.5 (41.0)
NOx	The Agreement on the Conservation of the Environment	Total volume		Nm ³ /H	86.22	46.7 (53.1)
Soot	The Agreement on the Conservation of the Environment	Concentration	Boiler*1	g/Nm ³	0.04	0.012 (0.039)
			Petroleum-heating furnace*1	g/Nm ³	0.04	0.006 (0.014)
			Catalyst regeneration tower	g/Nm ³	0.05	0.009 (0.016)
COD	The Agreement on the Conservation of the Environment	Concentration		mg/l	17	8.1 (13.7)
		Total volume		kg/day	150	71.5 (123.1)
Nitrogen	The Agreement on the Conservation of the Environment*2	Concentration		mg/l	15	6.2 (13.7)
		Total volume		kg/day	125	53.7 (86.8)
Phosphorous	The Agreement on the Conservation of the Environment*2	Concentration		mg/l	1.5	0.16 (0.74)
		Total volume		kg/day	11	1.37 (3.41)

*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 m²
Polyethylene production capacity: 300,000 tonnes/year



Control status for environmental regulatory values

	Applicable laws and regulations	Regulated item	Unit	Current regulatory value	FY2015 actual value (maximum value)
COD	Water Pollution Prevention Act, city ordinance	Total volume	kg/day	148.3	34.9 (86.6)
Nitrogen	Kawasaki City ordinance	Total volume	kg/day	56.3	11.4 (23.3)
Phosphorous	Kawasaki City ordinance	Total volume	kg/day	5.91	1.34 (2.57)

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

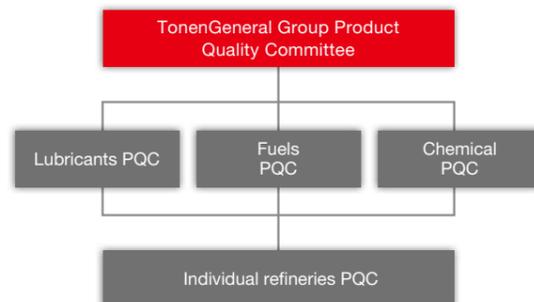
Quality management structure

The Group has established and effectively implements 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.

One of the features of TG PQMS is its contribution to significantly more effective quality management through the assessment of relevant risks and the implementation of preventive measures, drawing upon a global knowledge base and best practices.

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. For example, we confirm the effectiveness of the system

Quality management structure



by periodically conducting audits from a third-party perspective under the guidance of our product quality division as part of PDCA (Plan-Do-Check-Act) cycles at all of our refinery locations and business divisions, as well as contract manufacturer and third-party testing facilities. In 2015, audits were carried out at 11 sites as planned. When prompt improvements are required as a result of an audit, we conduct a follow-up audit within six months of the original audit. The main items we assess during an audit are compliance with TG PQMS and the implementation status of responses to gaps that have been identified during previous audits in the division being audited or in other divisions.

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.

We have obtained ISO 9001 certification at the Kawasaki, Wakayama, Sakai and Chiba refineries, 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/>).

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 immediately revise our safety data sheets in the event of new findings on the danger, toxicity or environmental impacts of our products.

In 2015, about 40% of the Group's safety data sheets for around 1,600 products, including fuels, petrochemicals and lubricants, were revised and provided to customers in a timely manner.

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, providing products and services that accurately address the ever-changing needs of our customers. Examples include Synergy brand high-quality fuels; lubricants, featuring our leading Mobil 1 brand; electronic payment and cash recharging of payment devices and cards; and conversion of accumulated points to 'nanaco' points, which may be used for purchases. In addition, in spring 2016, we introduced Drivers'Link, a program whereby we offer high-quality vehicle inspections, repairs, coatings, and automotive insurance.

In addition, the industry-leading Express brand self-service stations, numbering over 1,100 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.

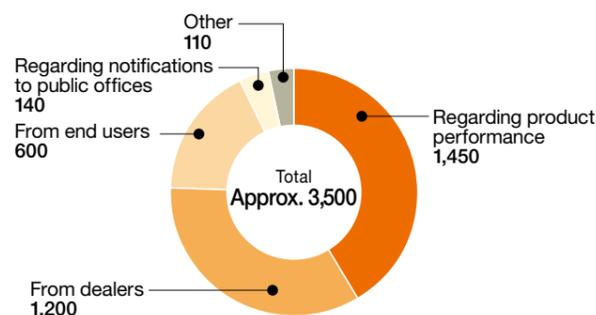


Speedpass+, a keychain device for electronic payment not only at our service stations, but also at convenience stores and restaurants

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 (2015)



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 experience 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 employees¹

	2013	2014	2015
Number of employees	2,921	3,512 ²	3,383

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*

	2014	2015
Average age	41.5	40.6
Average number of years of service	19.1	17.8
Number of female employees	239	260
Percentage of female employees	8.9	8.8
Number of managerial positions occupied by female employees	62	62
Percentage of managerial positions occupied by female employees	5.2	4.8

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

Relevant policy under the Standards of Business Conduct (SBC)

Harassment in the Workplace Policy

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. 30).

We have also designated a total of 86 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 FY2015, 4,005 persons, including staff from Chiba refinery and NUC, participated in human rights training sessions, and 750 persons participated in training sessions for management trainees on harassment in the workplace.

Diversity

In rapidly changing times, strong creativity and ideas based on diversity are essential for the sustainable development of any company. The Standards of Business Conduct, which sets out the Group's basic policies, clearly defines and places great significance on diversity, including gender diversity, and the Group respects the individuality of each employee and strives to provide a workplace that will maximize the talents of a diverse workforce.

Female employees of the Group are active in many occupations and positions, including engineering, sales, management, and shift work as refinery operators. In 2015, the Group appointed a female outside statutory auditor to its management team. We also actively recruit female employees. The table below shows the numbers of female employees hired into professional positions over the past three years and their percentage of the total.

In addition, in our efforts to promote the hiring of persons with disabilities, 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

	Total number of employees hired into professional positions (2014-2016)	Number of women	Percentage of women
Marketing, administrative and general	28	11	39
Engineering	47	8	17
Total	75	19	25

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

• Ratio of employees with disabilities (%)

	2013	2014	2015	2016
TonenGeneral Sekiyu	2.13	2.06	2.12	2.28
EMG Marketing	2.17	2.12	2.92	2.72
Tonen Chemical	1.91	1.96	2.02	3.09
NUC	1.67	1.16	2.24	2.20
Chuo Sekiyu Hanbai	0.95	0.85	1.71	2.35

Statutory employment rate: 18% (until 2012); 20% (from 2013)

Note: Percentages as of June 1 for each year

• Attrition rate for new graduates within first three years of employment (%)

	2011 Hires	2012 Hires	2013 Hires
Attrition rate within first three years of employment	5.8	2.0	3.1

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

Human resources 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.

• Evaluation and development system

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

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 assignments to other companies using our personnel loan program. A distinctive feature of our IE Program is that employees take the initiative to attend courses for work-related skills

• FY2016 Training programs

	Job-specific training	Training for honing necessary skills	Opportunities for younger employees to work outside the Group	Personal development for managers	Business needs	Business conceptual planning skills for young employees
Directors	Seminar for new directors					
Executive officers	Keidanren, Hitotsubashi University, Waseda University			Participation in open-admission courses at business schools	Training camp where participants train with experts	
Division managers	TonenGeneral management training			Open-admission courses for managers (Globis)	Persuasive speaking skills	
Supervisors	TonenGeneral leadership training Supervisor training	Individual Effectiveness (IE) Program	Personnel loan program (Mitsui & Co., Ltd.; Institute of Energy Economics, Japan; Ministry of Foreign Affairs)			
Employees	3-year follow-up 1-year follow-up New employee training					The Next Generation (TNG)

TOPICS

The Next Generation (TNG), a training program for young employees of the TonenGeneral Group, was introduced in 2014 as a practical way for young employees to acquire business conceptual planning skills. Participants are divided into teams, with executive officers and managers of the Group also participating in the activities to offer support to the team members and help enliven the discussions.

Over a six-month period, each team freely discusses and makes 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 presents its recommendations to senior management, followed by incisive question and answer sessions.

This initiative has been well received by both senior management and participants, and has also attracted the attention of Group employees.



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.

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*

	2013	2014	2015
Paid vacation offered (days)	23.1	22.6	22.5
Paid vacation taken (days)	21.8	21.0	21.4
Ratio of paid vacation taken (%)	94.4	92.6	95.0

• 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* (Hours/month/person)

	2013	2014	2015
TonenGeneral Group average overtime	18.8	19.2	19.5

• Total annual actual working hours

The average of total annual actual working hours, including actual overtime and paid vacation, was 2,056.2 hours for all industries in fiscal 2014, according to the 2015 General Survey on Working Hours conducted by the Institute of Labor Administration, and 1,851 hours for the Group in calendar year 2015. 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* (Hours)

	2013	2014	2015
TonenGeneral Group average total annual actual working hours	1,847	1,850	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*

	2013	2014	2015
Men	2	2	2
Women	0	0	1
Total	2	2	3

• 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*

	2013	2014	2015
Men	5	6	11
Women	10	10	10
Total	15	16	21

• Number of employees working reduced hours*

	2013	2014	2015
Men	0	0	0
Women	7	8	8
Total	7	8	8

* Totals 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				
	<table border="1"> <thead> <tr> <th>Childbirth and child care</th> <th>Nursing care</th> </tr> </thead> <tbody> <tr> <td>Maternity leave, special paid leave to care for wife during childbirth, child care leave, shorter work hours for child care, paid leave to care for a sick child, limits on overtime and work on holidays, exemption from late-night shifts, hospitalization benefits, subsidy for hiring a nursing care attendant, subsidy for hiring a home aide</td> <td>Nursing care leave (long and short term), limits on overtime and work on holidays, exemption from late-night shifts, hospitalization benefits, subsidy for hiring a nursing care attendant, subsidy for hiring a home aide</td> </tr> </tbody> </table>	Childbirth and child care	Nursing care	Maternity leave, special paid leave to care for wife during childbirth, child care leave, shorter work hours for child care, paid leave to care for a sick child, limits on overtime and work on holidays, exemption from late-night shifts, hospitalization benefits, subsidy for hiring a nursing care attendant, subsidy for hiring a home aide	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
	Childbirth and child care	Nursing care			
Maternity leave, special paid leave to care for wife during childbirth, child care leave, shorter work hours for child care, paid leave to care for a sick child, limits on overtime and work on holidays, exemption from late-night shifts, hospitalization benefits, subsidy for hiring a nursing care attendant, subsidy for hiring a home aide	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

Flexible working style for work-life balance

Sosuke Shiba Law Department

Since the birth of our first child in February 2016, I have utilized the company's child care leave and shortened working hours for child care. Using both of these systems allows employees with children less than one year old to reduce their working time by up to three hours per day, and then by up to two hours per day until the children are in the fourth grade of elementary school.

In the Law Department, where I work, employees are encouraged to pursue work-life balance, irrespective of gender. One of my colleagues is currently taking a one-year child care leave.

With shorter working hours, I feel my work is more concentrated. Leaving the office early allows me to spend more time with my family, and this gives me additional motivation to put forth my best efforts at work the next day.

Many companies are expanding their child care support initiatives, but there are still not many that have systems in place that their employees can actually use and where employees can receive support and understanding in the workplace. I really appreciate TonenGeneral's systems, and I'm grateful to my colleagues and supervisors for their support.



Communication with employees

To ensure that Group management and employees share common values as we work toward the achievement of our goals based on the Group's mission, we develop annual communication plans for management members to disseminate information to all employees via 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 March 2016, employee forums, in which members of management addressed employees directly, were held at 14 of our business sites across Japan, and were attended by a total of around 2,200 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

Promotion of women's active participation in the workforce

Based on its Equal Employment Opportunity Policy and related guidelines, the TonenGeneral Group uses fair and objective judgment in employee training, evaluation and remuneration, applying the same processes to all employees, regardless of gender. With systems that enable flexible work arrangements, a robust framework for paid vacation and leaves of absence, and an agreeable work environment that contributes to the attainment of work-life balance, we have created an environment that supports female employees in achieving their full potential.



Miyoko Nakajima
Engineer
Application Engineering Section
System Engineering Department
Manufacturing Technology &
Engineering Division

Spending less time worrying and more time working on solutions results in dramatic progress

I was hired mid-career, and am pursuing a career as an engineer. I'm currently involved in plant optimization using simulation, as well as the operation and development of operation support tools.

In the department where I'm currently assigned, there are three employees with children under preschool age, and the circumstances of these employees are taken into consideration in their work assignments. As for me, I took maternity and child-rearing leave, and I'm able to make effective use of my time after going home from work. We have breakfast and dinner together as a family, and even on weekday evenings I'm able to enjoy my private time pursuing my hobbies and interests, which include handicrafts and online English lessons. At work, I make no compromises in my field of specialization, and I sometimes serve as a leader for intra-departmental projects. I think TonenGeneral's corporate culture of "when it's time to work, work; when it's time to relax, relax" definitely supports work-life balance. This is one of the good points of this company that really stands out in comparison to my previous work experience.

There was a time when I worried about achieving balance between work and my private life. But realizing that spending less time worrying and more time working on solutions was the way to move forward, I got together with some like-

minded female employees and we set up an employee network at the Kawasaki refinery called the Kawasaki Work-Life Integration Network (KWin). With the company's support, we meet periodically to discuss work environment, career planning, life events and other matters. I feel like this network helps keep the refinery running smoothly by enabling employees working under different circumstances, such as fathers raising small children or women working shifts, to support each other, and it has also made me more appreciative of the fact that I'm able to do the kind of work I enjoy.

KWin has just begun, but in the future I'd like to implement more initiatives that will make the Kawasaki refinery the best refinery in the world for women to shine. I also hope to work with people from refineries around the world.



Thinking for oneself, commitment to excellence are the foundation of one's career

After entering the company as a new university graduate, I was assigned to a branch office in a sales position for the sales division. At the time, a woman working in sales was a rarity in the oil industry. However, with the support of my supervisors, colleagues and customers, I found the assignment to be very rewarding.

In addition to sales, I am fortunate to have had many opportunities to work in other areas, including corporate planning and coordination at the head office, student exchange programs and a number of projects, which has enabled me to gain varied and valuable work experience.

One of the main factors in the high degree of satisfaction I have found in my work is TonenGeneral's corporate culture of respecting the opinion of the individual, regardless of position, gender, age or career path.

From my very first year with the company, my opinions were sought in all facets of my work. Even though I made many mistakes as a new employee, the opportunity to express my opinions enabled me to better understand my

roles and responsibilities as a member of the team and the organization, and got me into the habit of thinking about the significance of each task I performed and how I could add more value and make greater contributions. Throughout my career, I have seen how employees in this organization think for themselves while respecting the opinions of others, taking responsibility for their own jobs with a commitment to further improving the efficiency and quality of their work to obtain even better results. This is the motivation that invigorates the entire organization and makes it a highly rewarding place to work. Under this corporate culture, female employees are playing active roles in various workplaces in every segment of the TonenGeneral Group's business, including refining, sales and management. Even so, the ratio of female employees in our organization is less than 10%, and the percentage of female managers is less than half that. Increasing the number of female employees is the first step in promoting the active participation of women in the workplace.



Atsuko Funo
Manager, Executive Support Office

Voice of an outside statutory auditor



Nobuko Takahashi
Outside Statutory Auditor
TonenGeneral Sekiyu K.K.

Profile

April 1976	Joined Shufunotomo Co., Ltd.
April 1986	Freelance journalist (to present)
June 2006	Director, Tokyo Stock Exchange, Inc.
June 2007	Outside Audit & Supervisory Board member, Benesse Corporation (currently Benesse Holdings, Inc.) (to present)
August 2007	Director, Tokyo Exchange Group, Inc. (currently Japan Exchange Group, Inc.)
June 2009	Outside Audit & Supervisory Board member, Japan Finance Corporation (to present)
March 2015	Outside Statutory Auditor, TonenGeneral Sekiyu K.K. (to present)
April 2015	Outside Director, Aioi Nissay Dowa Insurance Co., Ltd. (to present)
June 2015	Outside Director, Nishi-Nippon City Bank, Ltd. (to present)
May 2016	Prime Minister's Commendation for Contributors to Consumer Support for FY2016

breaks, but rather as opportunities. As the company transitions from an oil company to an energy company, it will add business-to-consumer businesses, such as its electric power business, to its existing business-to-business-to-customer business model, and this will require an innovative work approach. I think we'll see an increase in the number of workers who understand the link between a life-and-people-oriented outlook and new businesses, and take responsibility for managing their own work-life balance.

Growth of employees leads to growth of business

I took the position of statutory auditor with a keen awareness of challenges related to natural resources and energy. First of all, I wondered how the TonenGeneral Group was able to offer competitive products and services, based on its management foundation of safe operations, while maintaining one of the best energy conservation records in the industry in its core businesses of petroleum, petrochemicals and lubricants. The answer, I found, lies in the fact that the Board of Directors has taken responsibility for adopting and auditing the implementation status of the Standards of Business Conduct, which sets forth the Group's policies, and has thoroughly applied these policies in all aspects of the Group's operations. Another thing I noticed was that the Group fosters a corporate culture that focuses on obtaining results while maintaining integrity in all work processes and competing successfully while following the rules. The source of the Group's strong competitiveness is its people, and its relationship with its employees is clearly defined in the statement, "We will strive to maximize employees' opportunities for success, and we are committed to maintaining a work environment enriched by diversity and characterized by open communication, trust and fair treatment." As a statutory auditor, I will be watching to see if these principles continue to be thoroughly applied in all of the Group's workplaces.

The Group's promotion of diversity in its workforce and the support it provides to enable each employee, regardless of gender, to achieve balance between work and personal obligations, such as child care and nursing care, deserve special mention. The fact that the Group has many female employees who are proud to say they don't need special treatment is very impressive. I also applaud those male employees who have chosen to take child care leave, shortened working hours or nursing care leave, which should not be seen as career detours or



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 an October 2015 explanatory meeting about our supply department, during which we explained our initiatives for supply-chain and inventory optimization, our export business and collaboration with others. 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



Explanation session by our supply segment for institutional investors and securities analysts

Returns to shareholders

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

• Annual dividends

	2011	2012	2013	2014	2015
Dividend per share (yen)	38.0	38.0	38.0	38.0	38.0

Stock information (as of December 31, 2015)

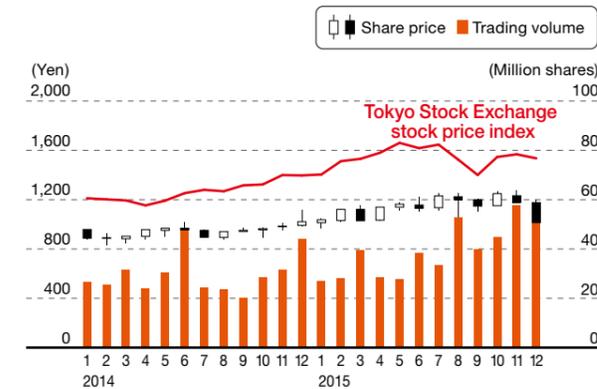
Number of shares authorized to be issued: 880,937,982

Number of shares issued* : 565,182,000

Number of shareholders: 39,862

* 199,182,000 treasury shares were canceled on February 29, 2016. The number of shares issued after the cancellation was 366,000,000 as of the same date.

• Monthly share price range and trading volume



• Major shareholders

Shareholder	Number of shares (thousand)	Percentage of total shares
MITSUI & CO., LTD.	36,000	6.37
The Master Trust Bank of Japan, Ltd. (Trust account)	14,584	2.58
Japan Trustee Services Bank, Ltd. (Trust account)	14,575	2.58
Kochi Shinkin Bank	8,547	1.51
STATE STREET BANK WEST CLIENT – TREATY 505234	7,261	1.28
STATE STREET BANK AND TRUST COMPANY 505223	6,116	1.08
Barclays Securities Japan Limited	6,000	1.06
MOBIL OIL EXPLORATION AND PRODUCING SOUTHEAST INC.	5,970	1.06
Japan Trustee Services Bank, Ltd. (Trust account 9)	5,185	0.92
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	4,275	0.76

Treasury shares (200,936,000 shares; 35.55%) are excluded from the above major shareholders. The company confirmed that MOBIL OIL EXPLORATION AND PRODUCING SOUTHEAST INC. concluded the sales of all of its remaining shares of TonenGeneral stock (February 2016)

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 UFJ Trust and Banking Corporation

Corporate Agency

Department

7-10-11 Higashisuna

Koto-ku, Tokyo

137-8081, Japan

0120-232-711 (toll free)

<http://www.tr.mufg.jp/daikou/>

Unit of stock: 1,000 shares

Publication method:

Electronic publication

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

(Publication in the Nihon Keizai 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 contract carriers that deliver our products, and with the dealers who sell 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 actively seek greater efficiencies through ongoing improvements, in addition to consistently providing a high level of expertise and service.

In the selection process, suppliers are comprehensively assessed on reliability. 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 suppliers with whom we started doing business during the year 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 sending and receiving summer and year-end gifts. We believe this approach to CSR, through which we perform our business in strict legal and regulatory compliance, in turn strengthens the compliance of our suppliers, and 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.



A 30-kiloliter tank truck

• Main efforts undertaken in collaboration with contract carriers

1. 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 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.

2. 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.

3. 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.

4. Establishment of business contingency plan (BCP) system

To fulfill its responsibility of providing a stable supply of energy, the Group has established the Disaster Recovery Center in Osaka, Japan, as a back-up office for delivery operations in emergency situations, including major earthquakes that could occur directly under the Tokyo metropolitan area and in the Nankai Trough. We also hold periodic emergency response training with contract carriers to improve the efficiency of the BCP system.

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



EMG 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 Marketing & Sales management 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 employees in areas such as service station operation and management, enhancement of product sales, cleanliness, safety management, and training of new staff.



Counseling model



Marketing & Sales management seminar

VOICE

Working together on technological innovations for lubricants

Kiyoshiba Mase

General Manager
Organic Material Engineering Division, Toyota Motor Corporation

We have been working with the TonenGeneral Group on automotive lubricants research and development for over 60 years. Our jointly developed products include factory-fill lubricants used in our manufacturing facilities, and Toyota's Castle brand genuine lubricants, which are manufactured and shipped by TonenGeneral.

The focus of our research and development with the TonenGeneral Group in recent years has been the improvement of fuel efficiency through lubricants. Through frank discussion and concerted efforts, researchers from both sides working together have succeeded in



developing lubricants with fuel-efficient performance and high reliability. We have also made joint announcements at research institutes regarding our results in this area.

We will continue working together, seeking even greater technological innovations for lubricant products.

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.

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 local fire departments and the Japan Coast Guard. At our Shimizu terminal, along with the Dragon Hyper Command Unit, which was established by the Fire and Disaster Management Agency to respond to large-scale disasters based on lessons learned from the Great East Japan Earthquake, we held disaster prevention training to cope with petroleum complex incidents that could affect the energy and industrial infrastructure.



Wakayama prefecture industrial complex emergency drill



Firefighting training at the Shimizu terminal

• 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. By observing fire hose drills and simulated rescues of people with injuries, the attendees learn about the importance of being prepared for accidents and emergencies.



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, our environmental quiz for children was a great success once again this year.



• Beach cleanup in Futtsu

Around 200 participants, comprising employees and their families from the Chiba refinery, the head office and branch offices, as well as TonenGeneral Group dealers and their families, participated in a volunteer beach cleanup held for the first time by the Chiba refinery on the Futtsu shore in May 2016.



• 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 2016, a total of 340 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 voluntary roadside cleanups organized in conjunction with environmental conservation efforts through the company's membership in the corporate network for the Sakai-Senboku Coastal Industrial Zone. In 2015, more than 370 employees participated in the cleanups, which are held six times a year. Our Kawasaki refinery, Tsurumi lube oil blending plant and other business sites also participate in cleanup efforts organized by local neighborhood associations.



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 2015, the Children's Culture Award was presented for the fiftieth time, and the Music Awards for the forty-fifth time. Both awards were granted certification as "This is MECENAT 2016" by the Association for Corporate Support of the Arts.



Children's Culture Award and Music Awards logo, created by Taro Gomi



• Children's Culture Award 50th anniversary commemorative events

To celebrate the fiftieth anniversary of the TonenGeneral Children's Culture Award, the TonenGeneral Group held commemorative events for children that engaged the minds and imaginations of young audiences in Kawasaki, Sakai, Wakayama, and Chiba, where refining and other operations of the TonenGeneral Group are located. The events featured performances by Puppet Theatre PUK, recipient of the second Children's Culture Award in 1967, and the Kazenoko Theatre Company, recipient of the eleventh Children's Culture Award in 1976, presented for a total of over 1,800 attendees, including local residents as well as children from local elementary schools and their parents, who were delighted with the performances.



• Phoenix Christmas Concert

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



• 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 2015, which marked the forty-second year of this initiative, a total of 34 children of preschool and elementary school age participated in the lessons.



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, 2016, a total of 197 students from 29 countries have received scholarships of 665 million yen in total since the foundation's establishment in 1989.



• 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 565 million yen have been awarded to 547 projects and 901 recipients.



• Shimizu terminal holds interactive event for children

The Shimizu terminal held an interactive event called "The Amazing World of Oil - Let's Refuel at Maaru Service Station!!" at Kodomo Creative Town Maaru in Shizuoka City. Fifty-seven children took part in the event. After learning some basic facts about petroleum and how an engine runs on gasoline, the children were given the opportunity to simulate refueling operations, using Speedpass and other means, at a mock service station.



• On-site learning program

Our Kawasaki, Sakai, Wakayama and Chiba refineries and Shimizu terminal welcome students from local elementary and junior high schools to on-site learning programs, and students from local technical colleges to internships, in order to help them learn about local businesses and deepen their interest in their communities.



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 events for children on Muza Day. This year, we offered activities including a concert by Asobue using a variety of wind instruments, and an experimental show and a workshop for making flutes out of straws by Galileo Kobo. The activities attracted a total of over 700 visitors.

• Refinery tours for local elementary and junior high schools

Students from local elementary and junior high schools are invited to Group refineries as opportunities to learn about petroleum refining and safety. In 2015, 27 elementary school teachers from Osaka prefecture visited the Sakai refinery as part of their research on social studies education.



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 2015, the Group entered 14 teams comprising a total of 70 runners in the race.



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.

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G4-EC8	Significant indirect economic impacts, including the extent of impacts	68-71
Procurement practices		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	—
Environmental		
Materials		
G4-EN1	Materials used by weight or volume	46
G4-EN2	Percentage of materials used that are recycled input materials	—
Energy		
G4-EN3	Energy consumption within the organization	46
G4-EN4	Energy consumption outside of the organization	—
G4-EN5	Energy intensity	18-20, 48
G4-EN6	Reduction of energy consumption	18-20, 48
G4-EN7	Reductions in energy requirements of products and services	—
Water		
G4-EN8	Total water withdrawal by source	46
G4-EN9	Water sources significantly affected by withdrawal of water	—
G4-EN10	Percentage and total volume of water recycled and reused	—
Biodiversity		
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	45
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	—
Emissions		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	46
G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	46
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	46
G4-EN18	Greenhouse gas (GHG) emissions intensity	—
G4-EN19	Reduction of greenhouse gas (GHG) emissions	48
G4-EN20	Emissions of ozone-depleting substances (ODS)	—
G4-EN21	NOx, SOx, and other significant air emissions	46, 48-49

Specific standard disclosures		Report page
Effluents and waste		
G4-EN22	Total water discharge by quality and destination	—
G4-EN23	Total weight of waste by type and disposal method	46, 50
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
Products and services		
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	—
Compliance		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Not applicable
Transport		
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	—
Overall		
G4-EN31	Total environmental protection expenditures and investments by type	—
Supplier environmental assessment		
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	66
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	—
Environmental grievance mechanisms		
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	—
Social		
Labor practices and decent work		
Employment		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	58
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	57-62
G4-LA3	Return to work and retention rates after parental leave, by gender	60-62
Labor/Management relations		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	—
Occupational health and safety		
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	40
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	—
Training and education		
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	57-59
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	58
Diversity and equal opportunity		
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	57-58
Equal remuneration for women and men		
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	58
Supplier assessment for labor practices		
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	66
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	—
Labor practices grievance mechanisms		
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	30
Human rights		
Investment		
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	34-35, 57
Non-discrimination		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	—

Specific standard disclosures		Report page
Freedom of association and collective bargaining		
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
Child labor		
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
Forced or compulsory labor		
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor	Not applicable
Security practices		
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	—
Indigenous rights		
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	Not applicable
Assessment		
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	30
Supplier human rights assessment		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	66
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	—
Human rights grievance mechanisms		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	30
Society		
Local communities		
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	—
Anti-corruption		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and significant risks identified	26-31
G4-SO4	Communication and training on anti-corruption policies and procedures	26-31
G4-SO5	Confirmed incidents of corruption and actions taken	Not applicable
Public policy		
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Not applicable
Anti-competitive behavior		
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Not applicable
Compliance		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Not applicable
Supplier assessment for impacts on society		
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	66
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	—
Grievance mechanisms for impacts on society		
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	30
Product responsibility		
Customer health and safety		
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	35
Product and service labeling		
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	54-55
Marketing communications		
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
Customer privacy		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	—
Compliance		
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

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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 2016.

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. Systematization of the Group's corporate philosophy

This year, the TonenGeneral Group documented its corporate philosophy to express its vision and direction, thereby making the philosophy itself more systematized and organized. This resulted in the increased unity of the TonenGeneral Group's CSR management with its business activities, and the establishment of a well-ordered system for advancing its initiatives. As an achievement that will lead to the development of a framework for more efficient implementation of CSR activities, this is highly commendable.

Up to now, the Group's direction was based on its corporate values, including good corporate citizenship, safety and business ethics, and integrity. Business activities were determined by the Management Committee, and CSR activities by the CSR Promotion Council. The implementation system for these activities was derived from and supported by functional management systems and internal controls systems, including OIMS, SMC, CIMS, SBC, and DOAG. However, a corporate philosophy that would serve as a psychological anchor for employees was needed in order to foster a sense of solidarity and a sound organizational culture to ensure the long-term growth of the Group for the improvement of its corporate value.

The planned business integration with JX Holdings was announced on August 31 of this year, and I hope the spirit of this brilliant corporate philosophy will be passed on to the new organization.

2. Corporate governance policy

After the enactment of the Corporate Governance Code ("the Code") in June 2015, the TonenGeneral Group formulated and published its Basic Policy on Corporate Governance. The Code is a standardized code of conduct for corporate governance for listed companies. Companies may choose the best policies by which to carry out the principles contained in the code, on condition of a "comply or explain" approach, and thus companies' discretionary powers are recognized under the Code. The fact that the Group already had governance-related policies in place has enabled it to achieve a high level of corporate governance.

Furthermore, the Group has already checked the status of its corporate governance against the Code, and for the one instance of a policy with a non-compliant supporting principle, the Group explained the fact that their plan for addressing the matter is under discussion. Both of the above are appropriate measures that are to be commended.

3. Selection for the KENKO KEIEI Brand

In January 2016, TonenGeneral Sekiyu was 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)" for the second consecutive year. Out of 3,605 listed companies in Japan eligible for the KENKO KEIEI Brand designation, only 25 were selected, and of those, only 14 earned this distinction for two consecutive years. The management team of the TonenGeneral Group, which upholds safety, health and the environment as its important values, has demonstrated a strong commitment to health and productivity management, and the Group has robust systems in place for implementation. In addition, in 2015 the Group asked its employees to fill out a questionnaire to get a better picture of the health of the organization as a whole. The data were analyzed, and the results were utilized in the TonenGeneral Group Health Promotion Plan, and were also shared with employees in a health promotion report. It is because of sustained efforts like these that the Group was selected for the KENKO KEIEI Brand.

4. Future Challenges

In regard to issues that were identified in past years, steady improvements have been made, such as a significant expansion of reporting boundaries for the employment rate of persons with disabilities, and the establishment of the Non-financial Reporting Committee under the Disclosure Committee of the CSR Promotion Council.

However, a challenge that remains is the disclosure of standardized data on a consolidated basis. The numbers of male and female employees on a consolidated basis, which should serve as basic data for diversity measures and policies, is not clear, and it is difficult to ascertain from the reporting boundaries the extent of the environmental impacts of the Group as a whole. In addition, employee-related data is limited to the Group's three main companies. I urge the Group to continue making improvements on these points.

Response to third-party opinion

We have utilized Professor Kozuma's opinion for the continuous improvement of the CSR Report since 2013.

In response to an issue identified last year, lack of clear responsibility for management functions for production of the CSR Report, we have established a subcommittee under the Disclosure Committee of the CSR Promotion Council, thereby achieving a more robust CSR promotion system.

We also sought to enhance the information we provide with regard to "PDCA for CSR management" to enable our stakeholders to easily assess the Group's status.

We deeply appreciate Professor Kozuma's generally positive evaluation of this year's report. We will consider his recommendations for the reporting of standardized data on a consolidated basis, and utilize them in our CSR activities, and in the development of our next CSR Report.

Reiko Kawakubo
Executive Officer
Public Relations & CSR
TonenGeneral Sekiyu K.K.

