

# TonenGeneral Group CSR Report 2012

TonenGeneral Sekiyu EMG Marketing Tonen Chemical

## Move Nippon - Move Together





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## 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.

On June 1, 2012, the Group entered into a new business alliance with ExxonMobil as TonenGeneral Sekiyu K.K. acquired 99% ownership of EMG Marketing Godo Kaisha (formerly ExxonMobil Yugen Kaisha). The ExxonMobil Japan Group was thus renamed the TonenGeneral Group. There were also changes in management in light of the significant restructuring of capital relationships.

Reports up to 2011, under the old framework, consisted of a summary of Exxon Mobil Corporation's Corporate Citizenship Report and an introduction to activities undertaken in Japan by the former ExxonMobil Japan Group (now the TonenGeneral Group) to fulfill its responsibility as a good corporate citizen.

This report, published in 2012, is the first such report compiled independently by the TonenGeneral Group. The subtitle, "Move Nippon – Move Together," reflects our desire to work with stakeholders to contribute to Japan's growth.

The report is divided into two sections. Section 1 includes special features to help communicate the Group's approach to CSR activity under the new management framework. In addition to a roundtable discussion in which the three presidents of TonenGeneral Group companies present their views on current circumstances and a direction for the future, employees introduce health and safety initiatives, integral to the Group's corporate culture, and some of Japan's leading energy conservation initiatives. Section 2 reports on CSR activities implemented by the Group and the Group's fiscal 2011 environmental performance.



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### ■ Scope of the report

TonenGeneral Sekiyu K.K. and consolidated subsidiaries

- TonenGeneral Sekiyu K.K.
- Tonen Chemical Corporation (G.K.) (formerly Tonen Chemical Corporation (K.K.)<sup>1</sup>)
- EMG Marketing Godo Kaisha (formerly ExxonMobil Yugen Kaisha<sup>2</sup>)
- Chuo Sekiyu Hanbai K.K.
- TonenGeneral Kaiyun Yugen Kaisha
- Tonen Technology G.K. (formerly Tonen Technology K.K.)<sup>1</sup>)
- Tonen Chemical Nasu Corporation<sup>3</sup>

<sup>1</sup> Organization change on December 5, 2011

<sup>2</sup> Organization and name change on May 21, 2012

<sup>3</sup> Merged into Tonen Chemical Corp. on November 1, 2012

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### ■ Period covered

This report covers the period April 2011 to March 2012, however, financial data are taken from the January 2011 to December 2011 period. Some activities prior to and after the reporting period are also included.

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### ■ Publication date

December 2012

(next report: December 2013, previous report: December 2011)

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### ■ Referenced guidelines

- GRI Sustainability Reporting Guidelines, Version 3.1
- Environmental Reporting Guidelines (2012) of the Japanese Ministry of the Environment
- ISO26000

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# Company Overview

(As of June 30, 2012)

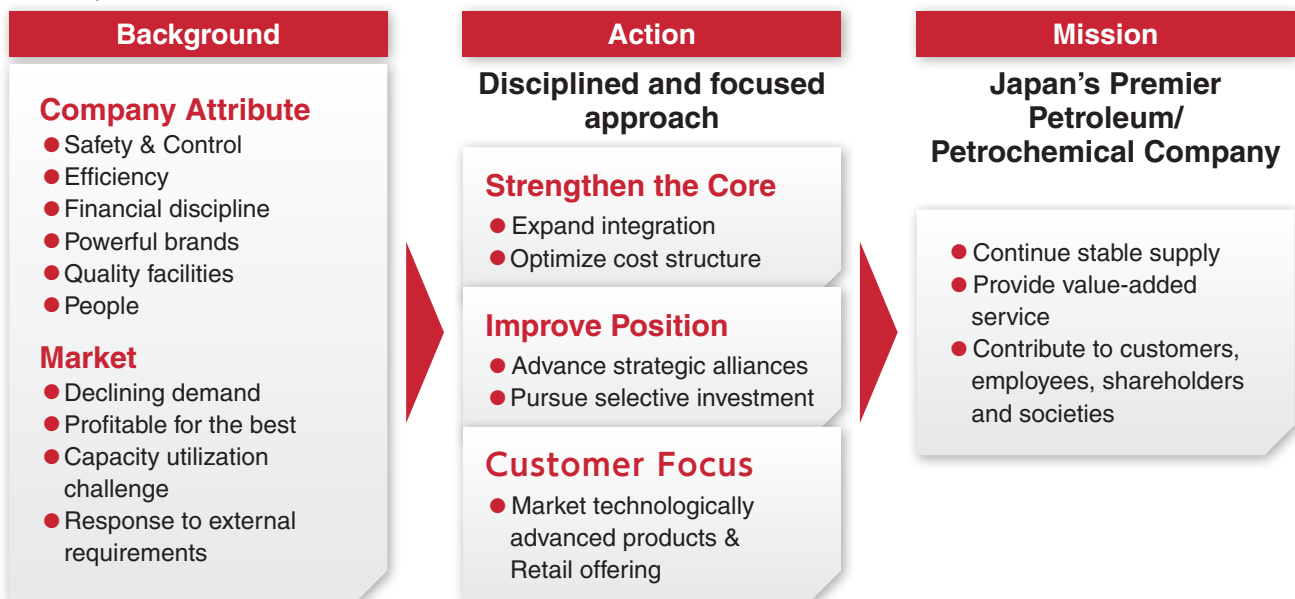


## Mission of the TonenGeneral Group

As a premier energy company with a long history in Japan, the TonenGeneral Group will:

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

Roadmap for Mission Attainment



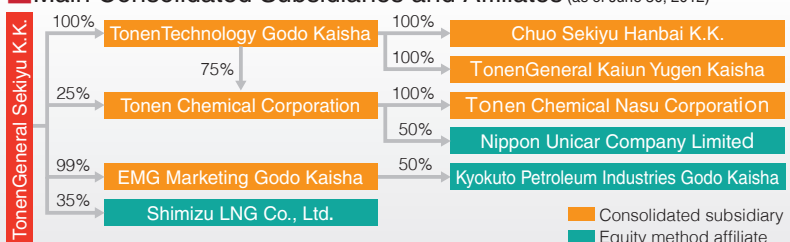
## Corporate History

The TonenGeneral Group comprises three lineages. The first began in 1893 when Socony and Vacuum Oil established Japanese branches in Yokohama and commenced kerosene and lubricant imports. This is where our petroleum product sales under the Esso and Mobil brands originated. The second line stems from Toa Nenryo Kogyo K.K. (later Tonen K.K.), established in 1939 to manufacture aviation fuel and lubricants. The third line originated with General Bussan (later General Sekiyu), which was formed from the fuel business of Mitsui & Co. when it was made independent after the dissolution of *zaibatsu* conglomerates in 1947. These three lineages merged into one as the ExxonMobil Japan Group in July 2000. However, the capital structure was complicated, with ExxonMobil Yugen Kaisha being wholly owned by ExxonMobil and 50.02% of shares in TonenGeneral Sekiyu, which is listed on the First Section of the Tokyo Stock Exchange, being owned by ExxonMobil Yugen Kaisha. In June 2012, the TonenGeneral Group was created with TonenGeneral Sekiyu at its center, effectively integrating refining, manufacturing and sales.

### DATA

**Established:** July 26, 1947 (TonenGeneral Sekiyu)  
**Paid-in capital:** 35.1 billion yen (TonenGeneral Sekiyu)  
**Net sales:** 2,671.1 billion yen<sup>1</sup>  
**Employees:** 2,876<sup>2</sup>  
**Business:** Manufacturing, processing and sales of petroleum and petrochemical products  
**Head office:** 1-8-15 Konan, Minato-ku, Tokyo

### Main Consolidated Subsidiaries and Affiliates (as of June 30, 2012)



<sup>1</sup> Based on TonenGeneral Sekiyu FY2011 consolidated earnings results. Does not include ExxonMobil Yugen Kaisha (currently EMG Marketing).

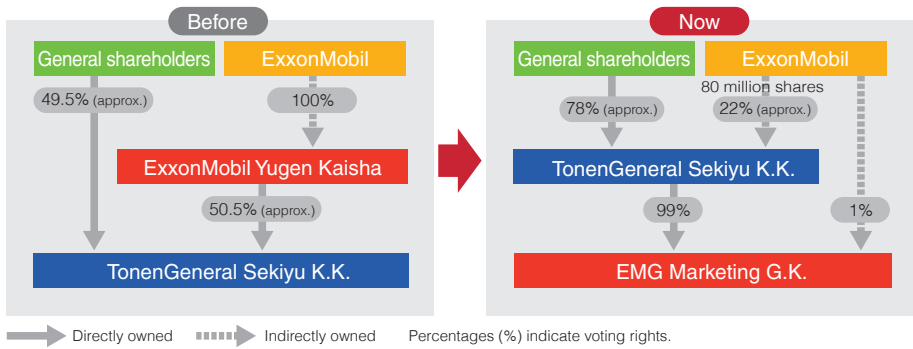
<sup>2</sup> Based on TonenGeneral Sekiyu consolidated earnings results as of June 30, 2012. Does not include ExxonMobil Yugen Kaisha (currently EMG Marketing).



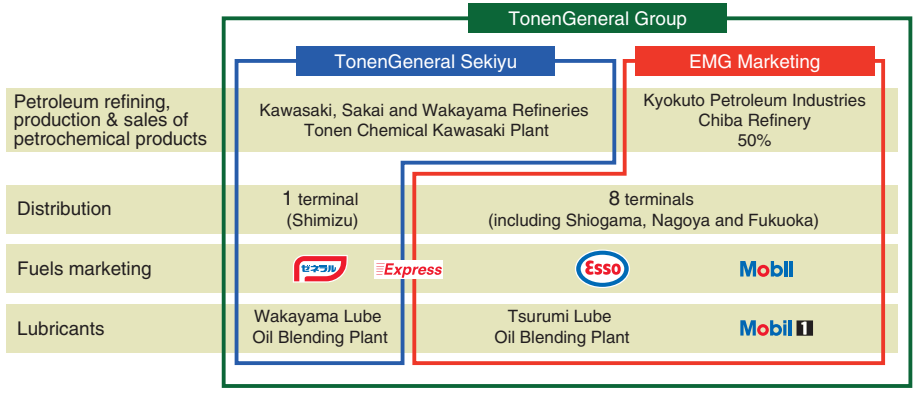


## Overview of June 2012 Capital Restructuring

TonenGeneral Sekiyu acquired 99% of shareholding in EMG Marketing Godo Kaisha (the former ExxonMobil Yugen Kaisha), entering into a new relationship with ExxonMobil.



The new structure enables the integrated management of production and sales as shown below.



ExxonMobil remains TonenGeneral Sekiyu's largest shareholder with 80 million shares, and cooperation with ExxonMobil continues in areas such as the use of fuel brands, the lubricants business, technical support, and supply.

### Continued Collaboration with ExxonMobil

<div style="background-color: red; color: white; padding: 5px; text-align: center; margin-bottom: 10px;">Use of fuel brands</div> <ul style="list-style-type: none"> <li>• </li> <li>• </li> <li>• </li> </ul>	<div style="background-color: red; color: white; padding: 5px; text-align: center; margin-bottom: 10px;">Lubricants business alliance</div> <ul style="list-style-type: none"> <li>• Use of Mobil brands (e.g. Mobil 1)</li> <li>• Production and quality control technology</li> <li>• Joint research and development</li> <li>• Use of ExxonMobil's global network for products and base oils</li> </ul>
<div style="background-color: red; color: white; padding: 5px; text-align: center; margin-bottom: 10px;">Technical support</div> <ul style="list-style-type: none"> <li>• Refining</li> <li>• Chemicals</li> <li>• Management system</li> </ul>	<div style="background-color: red; color: white; padding: 5px; text-align: center; margin-bottom: 10px;">Supply cooperation</div> <ul style="list-style-type: none"> <li>• Crude oil</li> <li>• Feedstocks</li> <li>• Product import and export</li> </ul>



# On becoming an organization chosen by customers, trusted by the community

**Jun Mutoh**  
President  
TonenGeneral Sekiyu K.K.

**Yasushi Onoda**  
President  
Tonen Chemical  
Corporation

**Takashi Hirose**  
President  
EMG Marketing Godo Kaisha



The 2011 Great East Japan Earthquake gave us cause to reflect on the significant role that oil, the mainstay of the TonenGeneral Group's business, plays in society. Now, in 2012, the year of our departure from the ExxonMobil Group, what must we do to ensure that oil continues to fulfill that role and to gain the trust of our communities? What does corporate social responsibility mean to the TonenGeneral Group? Three top executives of the TonenGeneral Group discuss these and other questions.



## The oil industry in the wake of the Great East Japan Earthquake

— After the Great East Japan Earthquake last year, public attention turned to energy issues. In this context, how do you see your mission as an energy company?

**Mutoh:** The Great East Japan Earthquake temporarily disrupted the supply of all types of energy, causing great hardship. However, the supply of oil products was the first to resume operation. This gave both consumers and those of us in the industry a renewed awareness of the importance of oil.

Of course, oil plays a crucial role not only in emergencies, but in supporting all facets of everyday life. As an energy company we naturally have a responsibility to ensure a safe and stable supply, but we must also implement corporate initiatives to reduce costs. In fact, an important part of our mission is to reduce overall energy costs in Japan through fair competition among different types of energy. Further, oil plays an essential role not only as fuel, but also as a raw material for petrochemical products. Concentrating our resources in these two areas where we excel will enable us to strengthen our business infrastructure, an advantage that will help us respond to consumer expectations.

**Onoda:** Oil really does support every aspect of our lives, and without it, whether as fuel or a raw material, we would not be able to carry out our daily activities. Therefore, the importance of our business as an oil company is significant and we feel a great sense of responsibility toward the community.

**Hirose:** To that end, we have always sought to diversify our operations. For example, current tensions in the Middle East, a principal source of crude oil, pose a significant risk to the stable supply of oil products. However, the TonenGeneral Group also procures crude supplies from places such as West Africa and Russia, making us less dependent on Mideast imports than other companies. This diversification is one of our strengths.

**Onoda:** Many alternatives to oil, whether as fuel or a raw material, are under development, but at present I think the development of an energy source that can replace oil in terms of the large number of consumers served, as well as the vast quantity produced and stably supplied, is doubtful.

**Mutoh:** I agree. Of course, research and technological development of alternative forms of energy, including renewables, is important and must continue, but practical application cannot be expected in the immediate future. The maintenance of a stable supply



at the present time and the future research and development of alternative sources of energy are two different issues and should be considered separately.

— In the aftermath of the March 11, 2011 disaster, service stations played a major role in recovery efforts by supplying fuel and other services.

**Hirose:** That's right. Oil is stored in terminals in various locations and can be transported anywhere in the country by tank truck, making it very advantageous in terms of logistics. This is one characteristic that contributes to its outstanding emergency response capability.

In addition, we are actively developing alliance sites with Seven-Eleven and are planning the rapid expansion of our network nationwide. Due to the effects of depopulation and other factors, there has been an increase in recent years of areas where there are few retail outlets or ATM's. To serve the needs of these areas in particular, these alliance sites function not only as refueling bases, but also play an important role in the local lifestyle infrastructure.

**Onoda:** The petrochemicals sector is also contributing to the resolution of some of the challenges faced by our communities.

One pressing issue in Japan is our aging society. This generates new needs, such as an increased demand for adult incontinence products, which are made using petroleum resin. To ensure an adequate response to society's needs, we must do our utmost to maintain our supply system.

We also have a responsibility to contribute to raising the standard of living of people in developing nations and to help resolve the challenges faced by communities there, especially in nearby Asian countries. For example, expanding exports of packaging, including plastic wrapping material made from our raw materials, can make a significant contribution to food safety and



sanitation.

Of course, such initiatives will generate an increase in the amount of waste produced, so they must be combined with countermeasures such as the promotion of recycling efforts. Our role is to contribute to economic growth and the improvement of living standards while keeping abreast of all the relevant issues. To this end, we need to ensure that partner companies to which we supply raw materials are not merely customers buying our products; we must also determine whether they are companies with whom we can share our values. It's important to discuss any issues that arise.

## Safety is not just the most important issue, it's a given

— What are your views on safety in the day-to-day operations of your refineries and other sites?



**Hirose:** First of all, safety management must be thoroughly implemented at all of our refineries. Needless to say, since our operations involve oil, a hazardous substance, the ExxonMobil philosophy that nothing is more important than safety

must be incorporated into all of our group's business activities.

**Mutoh:** I'm proud to say that we probably spend more time and money ensuring safety than any other company in Japan. In order to ensure safety not only at our refineries, but in our export operations as well, we dispatch our employees to transport companies, where they confer with transport operation managers and attend meetings where they communicate directly with drivers.

Of course, there's always room for improvement. Some may think that stringent safety rules negatively impact productivity, but this is a complete misperception.

Safety is the foundation upon which all of our productivity improvement initiatives must be based. Safety should not be viewed in relative terms as "the most important" element of refinery operations, rather, it should be considered a must and a given for all of our business activities.

**Onoda:** Past safety performance, no matter how outstanding, offers no guarantee of safety in the present. Since everyone has lapses of attention from time to time, we must determine how to identify safety issues, what steps to take for improvement and what kind of follow-up is needed. We must maintain a high awareness of safety as we repeat this process over and over. None of us is perfect when it comes to safety, so continuous improvement is the key to safe operations.

**Hirose:** Protecting our employees and our business partners is an important responsibility for us, and it's essential to share that sense of responsibility throughout the group.

**Onoda:** To that end, we want all of our employees to view their situations from a different perspective. We want them to think about how their families would be affected if they were injured and to realize that it's important to ensure safety to avoid causing pain and sorrow for their families and friends. By letting our employees know that we support them in their safety efforts, we can reinforce the understanding of safety throughout our entire workforce.

## Energy conservation can be achieved without extraordinarily large capital investments

— Tell us about your energy conservation efforts.

**Hirose:** We have successfully implemented energy conservation initiatives since the oil crises of the 1970's, and the systems that we established along with these efforts are some of our greatest strengths. As with safety, energy conservation awareness is shared throughout our companies and partner companies, as well as in our refining and chemical divisions, all of which are working as a team toward the success of energy conservation efforts.

In addition to our refineries and service stations, our energy conservation efforts extend to product

**Nothing is more important than safety. Since oil, a hazardous substance, is the mainstay of our business, there's no question that our companies and partner companies must work as a team to promote safety.** (Hirose)



**Our energy efficiency-related capital investments have not been exceptionally large, but the fact that our energy conservation performance is among the best in Japan attests to the high awareness and careful, efficient operations of our employees.** (Mutoh)

transport. We are switching to larger models for some of the several hundred tank trucks that regularly carry our products, while making adjustments in our transport operations in order to reduce waste and maximize efficiency.



**Mutoh:** Although our energy efficiency-related capital investments are on par with industry standards, our energy conservation performance is among the best in Japan. Key to this achievement are the employees involved in plant operations, who maintain a

high degree of energy conservation awareness while implementing operations with care and efficiency. As all of our employees view energy conservation as a normal part of operations, they naturally work to save energy on a day-to-day basis. There are many ways to conserve energy without making extraordinarily large capital investments.

Improving efficiency is important not only in terms of business, but from an environmental perspective as well. For example, fuel costs at our group refineries are currently about 100 billion yen per year. A ten percent improvement would yield a cost reduction of

around 10 billion yen, but it would also enable us to significantly reduce CO<sub>2</sub> emissions. Taking even small steps to reduce waste and improve efficiency results in significant benefits not only for the company, but for the environment as well.

**Onoda:** Just as with safety, it's important to repeat the processes over and over, 24 hours a day, 365 days a year. Our task does not end with capital investments; we must incorporate energy conservation into the work ethic and business culture of each refinery. To that end, raising the visibility of our energy consumption volume and monetary loss is very effective, but more important is how we use those figures. Rather than simply calculating the figures, we in management must also demonstrate to employees that we take this aspect of our operations very seriously. If there is a drop in efficiency at a refinery, management must rigorously examine the situation and ask for explanations from the employees involved. Repeating this process day in and day out encourages employees to think about measures they can take to optimize operations.

**Mutoh:** Companies that had achieved the targets for energy benchmarks under the Act on the Rational Use of Energy (Energy Conservation Law) were recently disclosed. In the oil industry, only two refiners, both TonenGeneral Group companies, achieved the targets. This attests to our excellence in energy conservation efforts in Japan and should serve as a source of pride and confidence for our employees.

It's also important to convey the reasons behind our efforts. If employees feel they're being made to do something without knowing why, their efforts quickly lose meaning and become activity merely for the sake of activity. This leads to reduced operational effectiveness.

Another issue to keep in mind is the current tendency to turn toward the utilization of wind, solar and other forms of renewable energy in response to climate change risks. While it's important to investigate alternative forms of energy, the actual CO<sub>2</sub> reduction in relation to the life cycle of the product must be monitored and verified. Focusing heavily on renewable energy while failing to implement steady energy conservation efforts would be a one-sided response.



## TonenGeneral Group stakeholders

— As you implement these activities, it's important to consider your stakeholders. Who are the stakeholders of the TonenGeneral Group?

**Mutoh:** Oil plays a vital role in supporting every aspect of the lives of people in our communities. Therefore, it is our responsibility to provide a safe and stable supply, as well as to work toward cost reduction. Before thinking about who our stakeholders are, we need to go back to our group's mission. I think the people and companies that support this mission are our stakeholders.

We have an excellent mission and the growth of our company is beneficial to society. This is why members of society, specifically, our customers, business partners and shareholders, want to do business with us and buy our products. I think these are our stakeholders.

One example is our alliance with Seven-Eleven, which we mentioned earlier. By combining service stations and convenience stores, we contribute to the lifestyle infrastructures of our communities. It is our shared vision that has enabled us to form this alliance and put our ideas into practice.

The same goes for our employees. If they're just working for a paycheck, there's no sense of fulfillment. As they go about their tasks, we want our employees to realize that in working for our group, with its robust mission, they can find fulfillment and a sense of purpose.

**Onoda:** I completely agree. The key word is "society." Our stakeholders are the people and companies that approve of our efforts to contribute to society and support us in those efforts.

**Mutoh:** We must also make sure that our CSR activities are not simply performed for their own sake. Especially now, after our departure from ExxonMobil, we must review our CSR programs and create our own CSR framework.

**Hirose:** We are well aware that from now on, we are responsible for our own supply stability and operational safety. In the past, ExxonMobil supported us to varying degrees in all of our business processes, from crude procurement to product sales, but now the

responsibility for carrying out these processes rests squarely on our shoulders. Along with more freedom to make our own decisions, the responsibility we must bear has increased considerably. We must face up to this responsibility and think seriously about how to best conduct our business operations, keeping in mind that even a single misstep on our part could shake the foundations of our company and have far-reaching impacts on society.

**Onoda:** Revisiting our mission will enable us to see clearly what needs to be changed and what should be maintained.

We also need to maintain a high degree of self-discipline as we determine how to run our business and we must take full responsibility for our actions. This will enable us to earn the trust of society.

**Mutoh:** Maintaining a high degree of safety and making continuous improvements were some of the strengths we acquired under ExxonMobil. I don't think there are any other companies in Japan that have incorporated these elements as thoroughly. Now we must develop and maintain this kind of culture for ourselves. It's a great challenge, but with our outstanding people, I'm confident we will move in the right direction.



## Employee diversity for a robust organization

— To that end, what do you look for in your employees?

**Mutoh:** First of all, we want people who identify with our mission and work with enthusiasm. We also look for people who don't simply do as they're told, but who can work creatively, thinking of their work objectives and taking the initiative to act accordingly. In other words, we look for independent, self-motivated people.

**Onoda:** Actually, when I talk with our employees, I get

**TonenGeneral Group stakeholders are the people and companies that approve of our efforts to contribute to society and support us in those efforts.** (Onoda)



**In a diverse organization, reaching agreement takes a great deal of energy, but achieving alignment through vigorous discussion strengthens cohesiveness. Diversity is essential for the development of a robust organization. (Mutoh)**

the feeling that even now they're waiting to be told what to do. As a member of the ExxonMobil group, we had a system that was already established to a certain degree, and employees who worked in accordance with this system tended to be favorably evaluated. Now, however, we need to maintain awareness of our own issues as well as think and act on our own, thereby taking responsibility for ourselves. Of course, this will not be easy, but I think many employees will find it a more interesting way to work.

**Hirose:** As we mentioned earlier, our departure from ExxonMobil brought added responsibility, but it also brought more freedom. However, making the most of this freedom requires a great deal of creativity. Therefore, we will place more emphasis on fostering creativity in our employee development initiatives.

**Onoda:** Employee diversity is a major area of focus for us. For example, having female employees work not only in our offices, but in our refineries as well, and also having women in management positions, is a feature of our group. Many companies have a disproportionate number of female employees in marketing and other positions where a "woman's perspective" is thought to be advantageous, but in our group, women are part of the teams working on site at our refineries, expressing their opinions and making valuable contributions. We will continue to utilize capable people, both male and female, in accordance with our employee development plans.

**Mutoh:** Having female operators has actually raised the level of safety at our refinery worksites. For example, if a valve is difficult to turn, male operators will just apply more force to open and close it, but the valve remains hard to turn. With female operators on site, someone will suggest that the valve be replaced with one that turns more easily. Then women can operate the valve and men no longer have to struggle to open

and close it. This helps to prevent injuries and other incidents caused by trying too hard to turn the valve. Actually, having female employees in our workforce is just a starting point in our employee diversification efforts. We need to establish a system for promoting diversity in our workforce not only in terms of gender, but also in terms of age, nationality and physical disabilities, as well as time constraints due to child care or looking after aging parents.

In a diverse organization, cohesiveness can be difficult to achieve. Strong leadership is required and reaching agreement on many issues takes a great deal of time and energy. But reaching a decision to the satisfaction of all parties concerned after a vigorous exchange of opinion reinforces the commitment of each of us to achieving our shared objectives, and this in turn strengthens the entire organization. Diversity is crucial for building a good, robust organization.

**Onoda:** This is the first CSR report we have developed since our departure from ExxonMobil. This report should be a point of reference that employees can look to when faced with challenges or uncertainty in their work. We want it to be the starting point for fostering independent, disciplined employees.

**Mutoh:** We want all of our employees to read this report and to feel proud when they see all the things our organization is doing. We also hope the report gives our stakeholders and others a better understanding of our philosophy and our organization.



# Business Overview

The TonenGeneral Group imports an optimal mix of crude oils and feedstocks from around the world. We efficiently produce a wide range of petroleum and petrochemical products at oil refineries in Japan and export some of these products overseas. We also maintain an integrated supply chain, from import, refining and manufacturing to distribution, sales and export. We apply the world's most advanced technologies and expertise to all of our business activities to bring the best to Japanese consumers.

## Crude Oil Transport

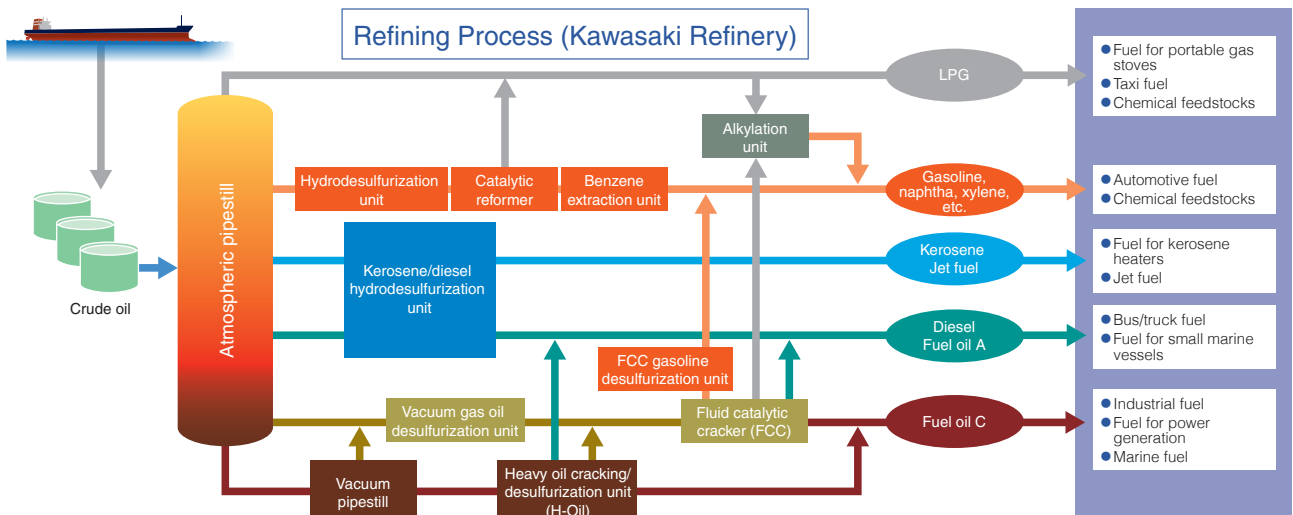
Crude oil used by the TonenGeneral Group is transported safely and efficiently to our four oil refineries in Japan from a number of regions, including the Middle East, Russia, West Africa, Australia and Southeast Asia.



## Refining and Production

Petroleum products, such as LPG, gasoline, naphtha, kerosene, diesel and lubricants, as well as petrochemical products, are manufactured at our oil refineries and our petrochemical plant using advanced production systems and rigorous quality control, with safety as the highest priority.

- **Kawasaki Refinery** Boasting the largest oil refining capacity in Japan, the refinery possesses the largest fluid catalytic cracking (FCC) unit and the only H-Oil (heavy oil cracking/desulfurization) unit in the country. Interconnection with Tonen Chemical's ethylene manufacturing facilities enables a highly efficient production system.
- **Sakai Refinery** One of Japan's leading refineries in terms of energy efficiency. Its loading terminal, the largest in the Kansai area, achieves safety and reliability using the country's first bottom-loading system. In addition to oil refining, this integrated site manufactures petrochemical products such as paraxylene and propylene.
- **Wakayama Refinery** An integrated production center for a number of petroleum products, including gasoline and other general fuels, lubricants, and aromatics, as well as specialty products such as aviation fuels and automotive test fuels. Making the most of its many tanks and marine shipping facilities, the refinery contributes to the domestic energy supply while providing flexible support for exports.
- **Chiba Refinery (Kyokuto Petroleum Industries)** Kyokuto Petroleum Industries was established as a fifty-fifty joint venture between the TonenGeneral Group and Mitsui Oil Co., Ltd. It is located in a petroleum complex in Chiba's Keiyo district.





## Distribution

Petroleum and petrochemical products produced at our refineries are transported to various regions and distributed to customers. Efficient distribution is enabled by oil terminals in nine locations: Shiogama, Fushiki (Toyama), Shimizu, Nagoya, Komatsushima (Tokushima), Takamatsu, Hiroshima, Fukuoka and Miyazaki. We conduct our operations with great attention to safety and efficiency.



## Sales

Our service stations take full advantage of expertise licensed from ExxonMobil. The fuels, lubricants, petrochemicals and other products and services we deliver are world-class, providing satisfaction to our customers.

### Fuels Marketing

- **Retail** Common marketing strategies are deployed nationwide for the Esso, Mobil and General brands to provide customers with a stable supply of high-quality petroleum products at fair prices. We are also leading the industry with the expansion of our self-service station network. We achieve differentiation through our Express-brand self-service stations, which employ a range of programs and initiatives, such as Speedpass, the Video Pump, Express Wash, Mobil 1 Centers, and on-site Seven-Eleven convenience stores and Doutor Coffee Shops. We operate our service stations in an environmentally-conscious manner while responding to the ever-changing needs of customers.
- **Industrial & wholesale** As well as providing a stable supply of products such as industrial fuels and LPG at competitive prices, we hold seminars with a focus on human resources development, a topic equally relevant to our dealers, on an ongoing basis.
- **Marine fuels** Supply bases in Tokyo and Osaka Bays provide a stable supply of high-quality fuel produced at adjacent TonenGeneral Group refineries.
- **Aviation fuels** The TonenGeneral Group provides high-quality aviation fuel and customer services.



### Lubricants & Specialty Products

The TonenGeneral Group meets wide-ranging needs for lubricants in automotive, industrial, aviation and marine applications.

- **Automotive lubricants** In addition to selling Mobil 1 and other Mobil-brand automotive lubricants in the Japanese market, the Group strives to better respond to customers' needs by cooperating with Japan's leading automakers in the development of next-generation products and the supply of high-quality oils.
- **Industrial lubricants** Mobil-brand industrial lubricants are the product of broad-ranging expertise and experience accumulated through research in this field. These lubricants greatly contribute to increased productivity and energy efficiency.
- **Aviation and marine lubricants** We offer an extensive lineup of aviation and marine lubricants comprising engine oils for aircraft and marine vessels, hydraulic oils, and grease. Through wide-ranging technical support, our aviation and marine lubricants have earned solid trust and backing from customers.



### Petrochemicals

The TonenGeneral Group's petrochemical products maintain solid cost competitiveness due to synergies achieved through integration with oil refining operations. The Group contributes extensively to society through the stable supply of high-quality chemical products not only in Japan, but also to the rapidly growing Asian market.

- **Basic chemicals** We provide domestic and foreign markets with a stable supply of olefins (ethylene, propylene, butadiene, etc.) and aromatics (paraxylene, orthoxylene, benzene, etc.), which are used as raw materials for chemical products.
- **Petroleum resins** Using the integration with oil refining operations to our advantage, we manufacture and sell hydrogenated and non-hydrogenated petroleum resins. These are used in a wide range of applications, including industrial adhesives, high-performance tape, "green" tires, hot melts for items like disposable diapers, and film modifiers for the packaging industry.
- **Specialty chemicals** Methyl ethyl ketone (MEK) provides strong solvency and high functionality and is used in diverse applications, from coating and printing ink solvents and resin processing for electronic components, to the formation of films for optical panels and solvents for chemical processes. Hydrocarbon solvents are used as ingredients for products such as automotive coatings, agrichemicals and metalworking oil.





# Safety and Health Culture Continues

**At the TonenGeneral Group, we maintain a thorough awareness of safety and health in all of our business operations. As the products we manufacture are hazardous substances, inattention to safety and health could not only put our employees at risk, it could also impact society. This is why we consider constant, careful attention to safety and health in our daily operations to be of the utmost importance. This firmly-rooted awareness of safety and health continues to be an integral part of our corporate culture.**

## Maintaining the “Nobody Gets Hurt” ethic in refinery operations

**Shinichi Kudo** Distillation & Desulfurization Section Process Department Kawasaki Refinery TonenGeneral Sekiyu K.K.

I joined the company in 2008 and I'm now in my fifth year at Kawasaki Refinery. I studied at the Training Center for six months after I entered the company and subsequently began working as a refinery operator. At the refinery, maintaining the “Nobody Gets Hurt” ethic is the top priority. Just tripping or falling down while walking through a work site could result in burns, lacerations or other injuries. In order to prevent these kinds of incidents, steps have been taken such as painting hazardous areas yellow to alert operators to risks. Having the operators paint the hazardous areas ourselves gives us an even greater awareness of possible risks and increases the effectiveness of our efforts to prevent injuries.

We also participate in training programs in accordance with a yearly training plan to ensure that we have a thorough knowledge of the many manuals and regulations involved in our work. Every time I find a solution to an operational problem or perform my assigned tasks flawlessly, I come one step closer to being a full-fledged operator, and this gives me a sense of purpose in my work. While I still have much to learn from the seasoned operators, I want to set an example for my younger colleagues by demonstrating that we can compensate for a lack of experience by developing our ability to foresee risks and never letting our guard down when it comes to safety.



## Analyzing risks to minimize impacts on health

**Hirohiko Nakahara** Industrial Hygiene Advisor Kawasaki Refinery Lead Medicine & Occupational Health EMG Marketing Godo Kaisha

As an industrial hygienist, I work to protect the health of employees by assessing on-site health risks, then formulating and proposing technical measures to minimize the impacts. Some on-site risks, such as the effects of exposure to chemicals or industrial noise, may not be immediately apparent and the health impacts may develop gradually over a long period of time. Industrial hygienists specialize in the assessment of risk factors. Although many people in Japan may not be familiar with the term “industrial hygienist,” it is a well-

established occupation in Western countries. As our profession is little-known in Japan, we take advantage of academic conferences and various committee meetings to share information and we are also finding more opportunities to solicit feedback. When I was in elementary school I dreamed of becoming a doctor, so working in a health-related field gives me a great sense of fulfillment. Through my activities as an industrial hygienist, I'll continue my efforts to protect employees' health and to enhance the quality of my profession.





## Preventing incidents by rooting out every possible risk

**Masashi Masaka** Fleet Supervisor Fleet Operations Delivery EMG Marketing Godo Kaisha

There are three fleet supervisors in Japan. We have achieved a zero-incident record by formulating and implementing measures to ensure safe delivery and operations for petroleum products.

Nationwide product delivery operations are performed by about 1,000 registered drivers who have passed the EMG Marketing certification process. We provide our drivers with additional training to improve their driving and product unloading skills. We also work to maintain an environment where safety is the top priority.

I place particular emphasis on pre-departure and post-arrival meetings with drivers. Even if we can only meet for a short time, we share information on recent incidents and discuss how these incidents could have been prevented, and I believe this really helps them to maintain and improve

their awareness of safety. Operating a tank truck, a large vehicle that carries hazardous substances, and performing unloading operations, which must be carried out late at night and early in the morning in all kinds of weather, require a great deal of concentration.

Great care must also be taken when unloading gasoline, kerosene or other products into underground tanks at service stations in order to prevent product contamination, which can significantly affect consumers.

Ultimately, it's imperative for drivers to comply with work procedures and visually confirm work processes. So



during my meetings with drivers, when we see the potential for incidents, then formulate and implement effective measures to prevent those incidents from occurring, I get a real sense of satisfaction. I'll keep working with drivers and others involved in product delivery to maintain our zero-incident record.

## Working together to maintain safety

**Kentaro Yamada** Territory Manager Chuo Sekiyu Hanbai Kabushiki Kaisha

I'm a territory manager in charge of 11 service stations in the Chugoku-Kyushu area extending from Okayama to Fukuoka. In addition to measures to ensure safe handling of hazardous substances, safety management at our service stations includes several other efforts to ensure customers' peace of mind when using our facilities. These include equipment inspections called "safety walks" as well as efforts to prevent traffic accidents and theft in our service stations. All of these measures are documented procedures and we place great importance on keeping our entire staff, including part-timers, informed of them.

To make sure that each person on our staff of over two hundred is working with a high degree of safety awareness, in addition to regular

communication with staff during my rounds of the service stations in my territory, I conduct periodic meetings with the managers and part-time leaders of each location. When I send written documents to my service stations, I attach information about any incidents that have occurred at our other service stations or those of our competitors. I always supplement the information with photos because I think photos or other illustrations capture the attention better than a written description alone.

Good safety management at our service stations is achieved through the efforts of each and every member of our staff. I'll continue my efforts to ensure that our entire staff keeps working as a team toward our common goal of maintaining safety.





# Energy Conservation Initiatives



As an energy supplier, the TonenGeneral Group is keenly aware of the importance of climate change issues. With heightened attention to energy issues in the wake of the 2011 Great East Japan Earthquake, energy conservation has become increasingly important. Here, four representatives of key divisions of the TonenGeneral Group discuss their continuing energy conservation efforts.

## Technological innovation and information sharing — initiatives at our refineries and chemical plant

**Hiroshige Kane** Technical Advisor  
 Technical Service Section Refinery Technology Department  
 Kawasaki Refinery TonenGeneral Sekiyu K.K.

Drawing on his experience as a process engineer to help bring energy efficiency improvement technology to refineries and the chemical plant.

In the manufacturing processes for petroleum and petrochemical products, raw materials and feedstocks are heated and cooled repeatedly. The key to energy conservation at our refineries and chemical plant is the effective recovery and utilization of the heat generated by the heating and cooling processes. We place great importance on the energy efficiency of the facilities at our production sites, and since the late 1980's we have been introducing cogeneration systems, which can supply steam and electricity simultaneously. We have also succeeded in the application of innovative technologies to optimize heat recovery systems encompassing multiple production units and processes.

As the awareness of the facility operators is critical to our energy conservation activities, we place particular emphasis on the sharing of information about energy use. We monitor the energy consumption of each unit and use this data to calculate the energy loss. Raising employee awareness of costs has enabled us to put energy conservation initiatives for our production sites into practice. We also take great care to keep flaring,



the burning of surplus gas generated in the refining process, to a minimum. One feature of our refineries and chemical plant is the efficient use of our facilities over a long period of time.

Needless to say, this has been achieved through thorough maintenance and the consistent efforts of our employees. The technological strength that is our group's legacy and our steady efforts toward improvement have led to solid results in our energy conservation activities.

## The Research Center — developing energy-saving fuels and lubricants, responding to changes in product regulations

**Keiichi Koseki, PhD** Strategic Planning Department Manager  
 TonenGeneral Research Center TonenGeneral Sekiyu K.K.

An opinion leader who handles planning and coordination with the oil industry and national agencies in government research on fuel and energy issues. A key member of committees involved in mandatory regulations and discussions on JIS quality.

The Research Center has worked for many years to offer high-value petroleum products to consumers based on our pioneering energy conservation technology, and our highly cost-effective products have contributed to the group's business as a result.



We have long been involved in deliberations about product specifications for automotive fuel, the mainstay of our business, with the technical committees of the Petroleum Association of Japan and with the Japan Automobile Manufacturers Association. Over the past several years, we have also been discussing comprehensive measures for fuel quality in terms of energy, CO<sub>2</sub>, fuel efficiency improvement and the environment, and will continue to bear these in mind in future discussions since it's important to take all aspects of fossil fuels into account.



Another important part of our product line is lubricants. By reducing the friction generated by moving machinery parts, lubricants play a crucial role in energy conservation efforts throughout society, by, for example, helping to improve automotive fuel efficiency. TonerGeneral develops and markets high-performance lubricants, and our automotive lubricants have enabled an increase in fuel efficiency of approximately 10 percent over the past 10 years. Lubricants are utilized in wind power facilities and other forms of electrical power generation and also contribute to other initiatives in the renewable energy sector.

### Using best practices to achieve our targets — response to the Energy Conservation Law

**Shoji Inoue** Senior Environment Advisor  
Environment Department TonerGeneral Sekiyu K.K.

Keeps track of TonerGeneral Group energy conservation initiatives as Environment Advisor. Compiles Energy Conservation Law-related statistics and reports them to the government and the Petroleum Association of Japan.



In July 2012, the Ministry of Economy, Trade and Industry's Agency for Natural Resources and Energy announced the companies that had achieved the targets for the benchmarks set out in the revised Energy

Conservation Law, which was enacted in April of 2010. In the oil refining industry, the only two companies thus designated were TonerGeneral Sekiyu K.K. and our group company Kyokuto Petroleum Industries Godo Kaisha. This was official recognition of the fact that our refineries operate with the highest efficiency of any in Japan. We are especially proud of the fact that energy consumption at our three refineries is 15 percent less than the national average. These achievements are the result of the highly energy-efficient facilities we have introduced at our refineries, as well as consistent on-site operational and managerial efforts. Another major factor in the success of our energy conservation initiatives is our well-developed system for sharing our efficiency best practices throughout the group. In addition, many local governments now require companies to set energy conservation targets and report the results. In some areas, the requirements are more stringent than those set forth in the Energy Conservation Law, so to ensure that we meet the local targets, we formulate and implement detailed energy conservation plans for each refinery and the chemical plant.

We are also pursuing energy conservation in our distribution segment. We are continuing our efforts to optimize energy efficiency by promoting the use of larger tank trucks and tankers to transport our products and increasing the loading ratio to reduce the number of trips required for distribution.

### Action plan for a low-carbon society and the future — external policy efforts

**Masayuki Enokida** Advisor  
External Relations Department Public and Government Relations Division  
EMG Marketing Godo Kaisha

External relations contact for the TonerGeneral Group's environmental policies

The oil industry is key to the supply of energy in Japan and we have a significant role in the enhancement of energy conservation both as individual companies and as an industry.

In response to calls from Nippon Keidanren (Japan Business Federation), the Petroleum Association of Japan formulated the Voluntary Action Plan on the Environment and we are working toward the achievement by the end of 2012 of numerical targets set for the improvement of the refinery energy consumption unit, an indicator of energy conservation at refineries. Also, in addition to the current voluntary action plans, Nippon Keidanren has developed the Commitment to a Low-Carbon Society to promote voluntary, proactive industry efforts from 2013, after the end of the first commitment period of the Kyoto Protocol. In support of this endeavor, the Petroleum Association of Japan has drawn up an industry-specific implementation plan focusing on energy conservation at refineries to pursue the simultaneous achievement of the 3E's of energy conservation policy (energy security, environmental protection, economic growth) while working toward a low-carbon society. As a member of the Petroleum Association of Japan, the TonerGeneral Group actively contributes to the development of this plan in a number of committees, ensuring that our philosophy is reflected in the completed plan.

In the near future, the government will begin developing the Climate Change Action Plan for implementation in 2013. Considering the fact that past



voluntary action plans in the industrial sector have produced tangible results, it follows that voluntary efforts in this sector will continue to receive support and will play a central role in climate change measures.

#### In conclusion

These four employees normally tackle energy conservation issues from different perspectives and in different locations. However, after their discussion, they stated that they found this opportunity to share information very productive. It also served as a reminder that despite their affiliations with different divisions, they all take energy conservation very seriously and are determined to contribute to energy conservation activities. All agreed that the discussion enabled them to share an awareness of the importance of individual efforts in the overall achievement of energy conservation initiatives.

# CSR Management

The TonenGeneral Group is putting in place a CSR management framework, built around the CSR Department, to enable us to move forward alongside stakeholders who support our mission.

## ■ Approach to CSR

The TonenGeneral Group believes that a company is one of the citizens that makes up a society and we strive to be a good corporate citizen in every community in which we operate.

This mentality survives the Group's June 2012 transition to the new relationship with ExxonMobil. Retaining the fine corporate ideals we cultivated as a member of the ExxonMobil group, we will continue to comply with relevant laws and regulations as we endeavor to improve and expand initiatives contributing to the development and vitalization of the communities where we operate.

Fundamental to these efforts is the Group's mission. Careful thought has been given to the societal role of the Group under the new corporate structure that took effect in June 2012, resulting in the establishment of our mission, as follows: As a premier energy company with firm foundations in Japan, we will

(1) maintain a stable supply of high-quality petroleum and petrochemical products; (2) respond swiftly to the ever-changing business environment and customer needs while offering high-value-added services; and (3) make meaningful contributions to our customers, employees, shareholders, local communities, and greater society. (see page 3)

The TonenGeneral Group will make every effort to fulfill this mission alongside stakeholders who support it.

## ■ Toward the Establishment of a CSR Policy

For almost 12 years, from July 2000 to May 2012, we operated according to a global standard established by ExxonMobil. Comprising rigorous safety standards, controls (see page 18) and rules, the global standard permeated all layers of the organization, facilitating activities to bring about continuous improvements. These activities are now firmly rooted in our corporate culture and are a source of strength for the TonenGeneral Group.

As we move forward with our newfound independence, we will clarify the changes that need or needn't be made in the promotion of our CSR activities. In addition, we will establish a CSR policy to give substance to the model we have put in place. On June 1, 2012, the Group established the CSR Department within our Public and Government Relations division to promote CSR activities. Our plan is to build a CSR management framework around this department.

## ■ TonenGeneral Group Stakeholders

The TonenGeneral Group views everyone who supports our mission, including employees and those who support our business, as stakeholders. Specifically, they are customers, suppliers and other business partners, shareholders, employees who work to see our mission realized, contractors, and people in local communities. It is our hope that our stakeholders will approve of our values and support the Group.

## ■ Communication with Stakeholders

In order to carry out our mission, the TonenGeneral Group places importance on two-way communication with customers, shareholders, employees, local communities and business partners. By actively engaging in communication with stakeholders, we aim to build up robust cooperative relationships.





# Corporate Governance

The TonenGeneral Group views operations integrity, due consideration toward health, safety and the environment, high ethical standards, effective corporate governance and sound financial management as fundamental to the business operations of a CSR-focused organization.

## Basic Approach

The TonenGeneral Group believes the keys to attaining performance targets continually over the long term are development of a straightforward business model, cultivation of a highly principled corporate culture, and compliance.

The Group uses the word “controls” as a general term meaning the direction, management and supervision of a range of business activities.

### Controls Framework of the TonenGeneral Group

1	System of Management Control (SMC)	<ul style="list-style-type: none"> <li>• SMC = System of Management Control</li> <li>• Basic rules and standards for control of management</li> </ul>
2	Controls Integrity Management System (CIMS)	<ul style="list-style-type: none"> <li>• CIMS = Controls Integrity Management System</li> <li>• Provides processes for establishing control methods, monitoring compliance, and mitigating concerns as required</li> </ul>
3	Standards of Business Conduct (SBC)	<ul style="list-style-type: none"> <li>• SBC = Standards of Business Conduct</li> <li>• Basic policies and ethical standards for the execution of business operations</li> </ul>
4	Delegation of Authority Guide (DOAG)	<ul style="list-style-type: none"> <li>• DOAG = Delegation of Authority Guide</li> <li>• A framework for appropriate delegation of authority and ensuring appropriate levels of approval for business processes</li> </ul>

## Controls Systems

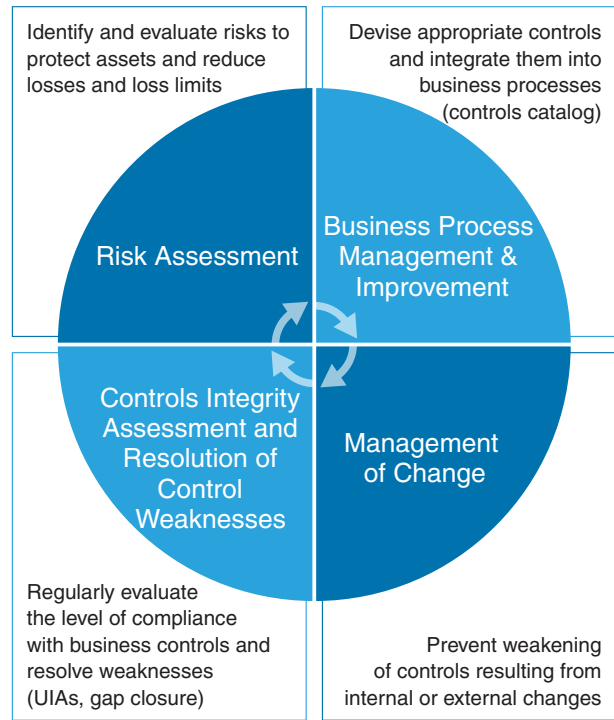
### System of Management Control (SMC)

The SMC outlines the basic rules, concepts and standards required for ensuring the establishment of a sound and effective management control system. The Group requires adherence to standards of control defined by the SMC in all aspects of company business. Key business procedures pertaining to general operating controls and internal accounting controls are defined according to these standards. Basic rules and concepts stipulated by the SMC are also reflected in the Group’s other systems, including the SBC, CIMS and DOAG.

### Controls Integrity Management System (CIMS)

CIMS is a systematically arranged set of regulations outlining the incorporation of effective controls into day-to-day business operations. CIMS prescribes the necessary framework for ensuring sustained integrity of controls in terms of a number of elements, namely “risk assessment”, “business process management and improvement”, “management of change”, and

“controls integrity assessment and resolution of control weaknesses”.



### Standards of Business Conduct (SBC)

The SBC clarifies basic policies that the Group’s directors and employees must comply with when carrying out their work. The SBC comprises 16 basic policies and guidelines associated with those policies. Directors and employees are required to observe these 16 basic policies at all times in the execution of business operations. The Group regards the methods used to achieve business results to be as important as the results themselves.

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

# Corporate Governance

## 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.

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.

## Activities for Confirming Proper Functioning of 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 control standards such as the System of Management Control.

## Audits, UIA and ILC

Each business division generally undergoes an internal audit once every three years. Midway through the three-year internal audit cycle (18 months after the most recent audit), each division carries out its own Unit Internal Assessment (UIA) to confirm the status of internal controls.

In addition to the UIA, each division conducts regular self-checks, called In-Line Control (ILC) checks, to verify the effectiveness of controls for its own business processes.

## Controls-Related Training

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.

## Open Communication

All employees of the TonenGeneral Group are expected to raise with the appropriate management personnel any concerns about non-compliance with company policies, guidelines and procedures, any concerns about non-compliance with the law, or any other internal issues pertaining to business procedures until an acceptable resolution is reached. The Group will promptly investigate any reports pointing to possible violations of the law, company policy or internal control procedures.

Points of contact for employees reporting or raising concerns about non-compliance issues are specified as 1) the employee's immediate superior; and 2) the first person of higher superiority than the employee's immediate superior within the same organization. Hotlines (telephone, e-mail and post) facilitating open-door communication are also available.

Employees may report or raise concerns about compliance issues openly or anonymously. Employees who do so openly are able to receive feedback on how the issue was handled and resolved. No employee shall be penalized for having reported or raised concerns about compliance issues. However, the system needs improvement, as indicated by its ineffectiveness in the case of the sulfur leak at our Sakai refinery. (see page 30)



## Overview of Corporate Governance at TonenGeneral Sekiyu K.K.

TonenGeneral Sekiyu K.K. is the only listed company in the TonenGeneral Group. Some directors of TonenGeneral Sekiyu K.K. also serve as directors of EMG Marketing Godo Kaisha and Tonen Chemical Corporation.

TonenGeneral Sekiyu K.K. employs a system of audit and supervisory board members. Under this system, members of the Audit & Supervisory Board, including outside members, carry out audits to gain detailed knowledge of and monitor the execution of business affairs, and an outside director participates in decision-making by the Board of Directors from an objective and neutral standpoint. The Tokyo Stock Exchange (TSE) also requires listed companies to install at least one independent director/auditor who is unlikely to have conflicts of interest with general shareholders. As of September 1, 2012, TonenGeneral Sekiyu has registered with the TSE one outside director and two outside Audit & Supervisory Board members as its independent director/auditors.

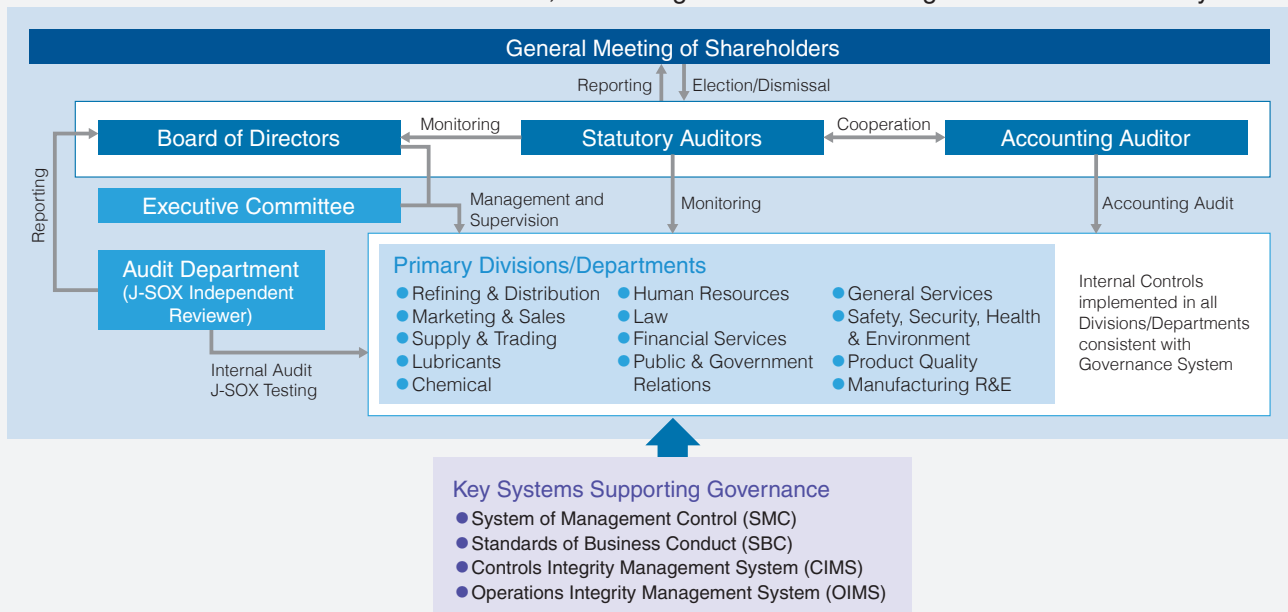
### Board of Directors

The duty of a director is to make appropriate decisions relating to business management in order to maximize benefits to shareholders. As of September 1, 2012, the Board of Directors comprises 10 directors, including one outside director. We believe the current composition of the board is appropriate as it allows each director to make effective business decisions through uninhibited discussion. The outside director is expected to bring an objective and neutral perspective to decision-making by the Board of Directors. The term of a director is generally two years.

### Audit & Supervisory Board and Board Members

The main role of the Audit & Supervisory Board and its members—which are independent of directors and the Board of Directors—is to audit the execution of duties by directors. As of September 1, 2012, there are three Audit & Supervisory Board members. All are full-time members, and two of the three are outside members. The Audit & Supervisory Board monitors the status and implementation of corporate governance and internal controls to ensure that decisions and the execution of business affairs by the Board of Directors are consistent with relevant laws and regulations, the Articles of Incorporation, and the company's Standards of Business Conduct, and that appropriate benefits are secured for shareholders. Besides attending meetings of the Board of Directors and other important meetings, Audit & Supervisory Board members visit the company's main facilities—such as refineries, terminals and branch offices—to audit operations. Members receive regular briefings on business activities and operations management from directors, heads of divisions, directors of subsidiaries, and others. They also consult with the independent public accountant and the Audit Department on audit plans, receive reports on audit findings, and check resolutions and legal documents to be submitted to regular general meetings of shareholders for inconsistencies with the law or the Articles of Incorporation.

### ● Framework: Conduct of Business and Affairs, Monitoring and Internal Auditing at TonenGeneral Sekiyu K.K.



# 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 risks identified by the TonenGeneral Group include events that could adversely impact the safety and health of the employees of the Group and its partners, as well as the residents of the communities surrounding its operational sites, events that could damage the environment, events that could disrupt the stable supply of petroleum products, and the adverse impact of information leakage on stakeholders. To prevent these risks, the TonenGeneral Group has established a risk management system and detailed specific measures as described below. In order to minimize the effects of such an event should one occur, we quickly implement measures that assume the worst-case scenario based on the principle of our no regrets policy.

## ■ Risk Management System

To minimize risks, we have implemented a variety of risk assessment programs based on the Operations Integrity Management System (OIMS). We apply OIMS to systematically evaluate new manufacturing and shipment facilities planned for construction, the technical aspects of existing facilities, procedures for operation and maintenance work, and compliance with applicable laws and regulations and internal rules.

Additionally, should an incident occur, we activate the Emergency Support Group at our head office and major business sites, and dispatch emergency site support teams. Every year, we hold basic training seminars (lasting 2.5 days) to provide training in the roles and procedures of the Emergency Support Group for the senior managers who are members of the group. We also provide classroom exercises throughout the entire company, including all relevant departments, for handling possible scenarios such as earthquakes and new strains of influenza. Individual sites also hold disaster drills every year for various risk scenarios.

To ensure our ability to respond quickly to emergencies, we have organized support teams comprising internal experts who can travel to disaster sites. These emergency site support teams are also systematically provided with on-site training at refineries and terminals in collaboration with business sites.

## ■ Emergency Response

Immediately following the Great East Japan Earthquake of 2011, we focused first on people's safety, and utilized our safety confirmation system to check on our employees and their family members, as well as to disseminate 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. Additionally, we formed individual teams under the Emergency Support Group at our head office to handle transportation of petroleum products to disaster-stricken areas, set up temporary service stations, distribute free petroleum products, and institute energy-conserving measures at all of our business sites, including offices.

## ■ BCP

Part of our mission is to ensure a stable supply of petroleum products, which are essential for daily life and the functioning of society. To fulfill this mission, we create business continuity plans (BCP) for potential emergencies. The scenarios we had assumed in previous BCPs for a new strain of influenza and possible earthquakes differed from recent actual events. Nevertheless, because we always plan BCP measures assuming worst-case scenarios, we were able to act quickly and effectively by applying these measures. Furthermore, we incorporated the lessons we learned from actual experiences, such as the actions we took to address new problems that arose as events unfolded and the method we used to disseminate information to all employees, as improvements into the existing BCPs. However, the types of natural disasters, such as the strong, successive earthquakes expected to affect all areas adjacent to the Pacific Ocean and localized torrential rains, as well as their frequency and associated risk, will continue to increase and change. Therefore, we must also reassess the worst-case scenarios for events for which we have already created BCPs. Based on our verification program, we will regularly reassess our emergency response plans and training programs, and continue to verify their effectiveness.

## ■ Information Security

To minimize the risk of information leakage, the TonenGeneral Group has adopted the TonenGeneral Information Security Policy (TGISP), which delineates the maintenance of information integrity, protection of confidential information, maintenance of information-processing capability, and compliance with laws and regulations. In this way, we are taking steps to enhance our security level.

Specifically, to manage and protect confidential information, operational data, and personal information, individual departments have clearly defined their information security management roles and responsibilities and are managing information security. Our Information Systems division is also working to further enhance our information security level.



# Operations Integrity Management System (OIMS)

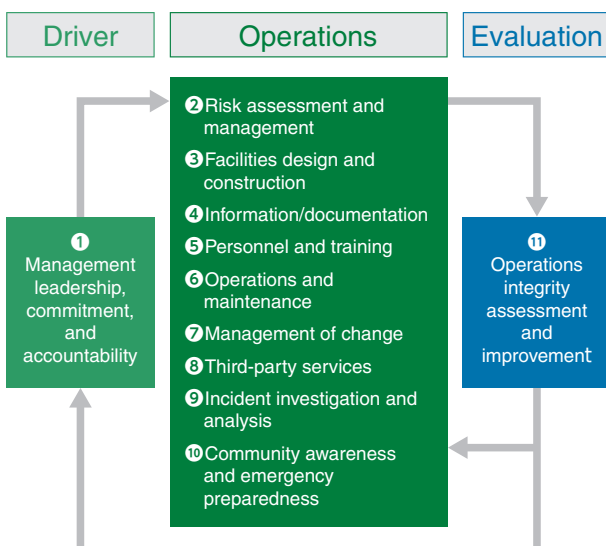
The Operations Integrity Management System (OIMS) is the cornerstone of our commitment to managing safety, security, health and environmental risks and achieving excellent business results.

## Basic Approach

The TonenGeneral Group's OIMS sets the standards and requirements we are expected to employ and allows us to identify and mitigate potential risks related to safety, security, health and the environment (SSH&E), enabling systematic and ongoing improvements in these areas. Adopted by the Group around 20 years ago, OIMS is used effectively as the core system for all SSH&E operations, having been fully embraced by all personnel from management to operators and contractors in all departments. This is demonstrated in our excellent SSH&E performance. In terms of safety initiatives, the Loss Prevention System (LPS), which focuses on process safety management in facilities design, construction and operation and the behavior of individual workers, as well as best practices for eliminating life-threatening events are also applied as part of continuing efforts to improve the safety of our operations under the slogan "Nobody Gets Hurt." In the area of environmental conservation, improvement activities are pursued through annually-formulated environmental business plans.

## OIMS Structure

OIMS consists of the 11 elements shown below and involves evaluation of each element to bring about continual improvements. In other words, OIMS is used to regularly evaluate the effectiveness of actual operations and facilitate the necessary improvements. Each element includes a number of expectations and management personnel in each division bear responsibility for ensuring the system is properly implemented by fulfilling all of these expectations.



## Effective Assessment and Best Practices

To determine the extent to which the expectations defined in OIMS are being met or applied, we routinely implement internal assessments (once a year) and external assessments (every 3-4 years). External assessments are usually carried out by around five teams of three to four experts who do not belong to the workplace or division under assessment and involve more than a week of examinations entailing inspection of documents and interviews. Interviews are extensive, covering personnel from management to regular employees and contractor personnel, and are conducted from various perspectives. Recent examinations have focused particularly on ascertaining whether OIMS is being effectively applied and put to good use in the various work processes. These examinations by teams of experts are also a chance to share information on effective systems and methods in place in other workplaces and divisions. These best practices are then introduced and applied to improve environmental, security, health and safety performance. In terms of the environment, for example, environmental checklists are used during regular maintenance of plant equipment. Before maintenance begins, all the foreseeable environmental issues are identified so that preventive measures can be taken.

## Process Safety Management

"Process safety management" is how the TonenGeneral Group refers to its safety management of the process equipment at our oil refineries and petrochemical plant. We strive to ensure safety in all aspects of equipment operations. Process safety management involves ensuring that process equipment is under control and that substances within a process are contained during operation of the equipment. The main objectives of process safety management in the TonenGeneral Group are to identify risks associated with process equipment and its operation and reduce those risks to a permissible level, as well as to devise necessary preventive measures through analysis of internal and external information on incidents and refinery safety performance. Risk assessments conducted in line with facility design flows entail identifying specific scenarios for safety and operational issues that might occur due to deviation from process parameters (e.g. abnormal pressure, temperature or flow) or operational errors, prioritizing and devising countermeasures for identified risks, and regularly evaluating the effectiveness of those measures. Incident investigation and analysis involves analyzing process safety incidents and near-incidents using incident risk analysis tools.

# Environmental Activities

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

## ■ Environmental Policy

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

### Environmental Policy

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

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

## ■ Environmental Business Plan (EBP)

Each year, all of our refineries and our petrochemical plant create five-year Environmental Business Plans with the goal of eliminating environmental incidents that could impact the environment and continuously improving their environmental performance. We review the previous year's plans and results, assess and project current and future environmental and business conditions, and evaluate public issues and regulatory trends, in order to develop both short- and medium/long-term plans. These plans are reviewed by management, who regularly monitor their progress.

## ■ Collection and Evaluation of Environmental Protection Data

The Group routinely monitors the environment-related data at all of its refineries and its petrochemical plant, reports the results to the national and local governments without fail, and effectively utilizes the summarized data in its environmental protection activities. Specifically, as common indicators within the Group, our Environmental Performance Indicators provide the base data for comparing data among the various plants and for creating the Environmental Business Plan, and are utilized for planning and following up on environmental improvement activities.

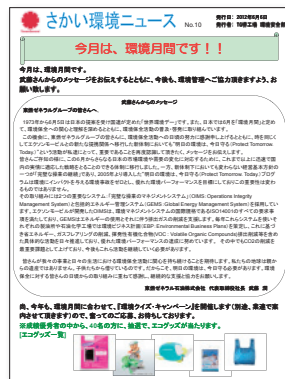
## ■ Assessment of Environmental Impact

Our refineries, petrochemical plant, and terminals identify the environmental impact of their activities and regularly assess their potential environmental risk. This assessment covers a wide range of targets, 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 (water intake, land utilization, etc.), and local communities. For any item determined to have significant environmental impact through this assessment, we consider and implement countermeasures and mitigation measures. We reevaluate the environmental impact of all items regularly and make necessary modifications taking into consideration changes in operations, equipment, laws and regulations, and the environment. The results are incorporated into our Environmental Business Plans.



## Environmental Policy

The Group sends a message from the TonenGeneral Sekiyu president to all employees every June, which is designated as Environment Month, to communicate the importance of environmental protection activities as part of day-to-day operations. Our refineries and petrochemical plant strive to improve employee awareness about environmental protection activities and to prevent environmental incidents through various measures such as the issuance of

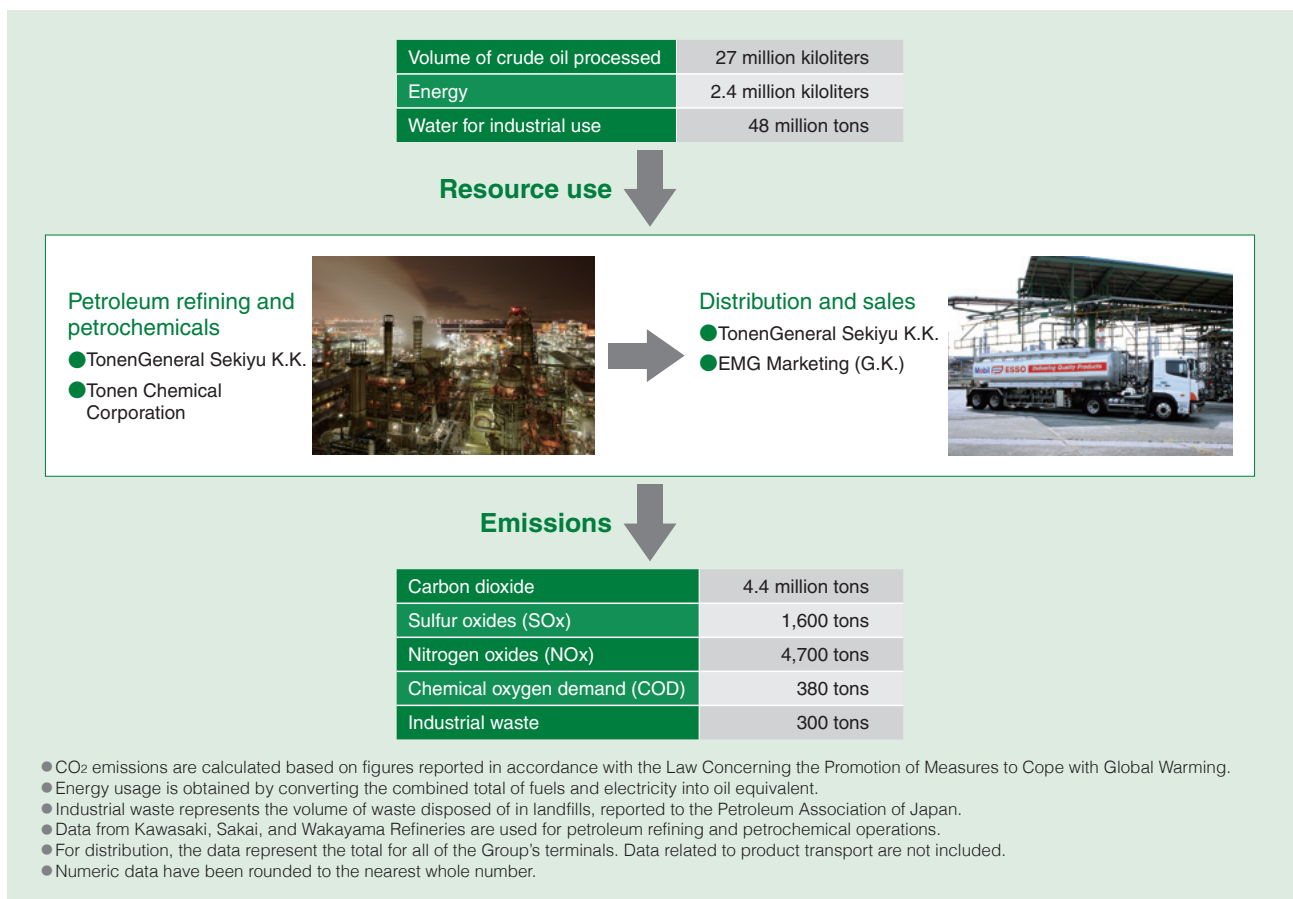


newsletters and the implementation of environmental patrols during regularly scheduled maintenance. With regard to local communities, we hold meetings to explain upcoming regularly scheduled maintenance, host plant tours, distribute our newsletters, and organize voluntary clean-up events for local areas. We view these events as opportunities to communicate the fact that the Group places the utmost importance on safe operations and environmental protection, and that we are endeavoring to enhance collaboration and relationships of mutual trust with local communities.

## Compliance with Applicable Laws and Regulations

The Group complies with various environment-related laws and regulations, including the Water Quality Pollution Control Act, the Air Pollution Control Act, the Law Concerning the Protection of the Ozone Layer and the Soil Contamination Countermeasures Act, as well as related ordinances of local governments and pollution prevention agreements signed with local municipalities.

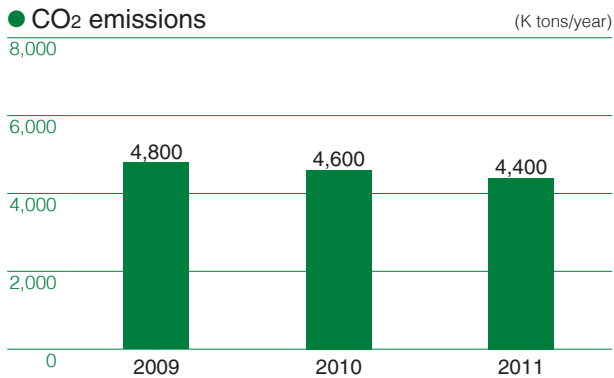
## Environmental Impact Associated with Business Activities



# Environmental Activities

## ■ CO<sub>2</sub> Reduction

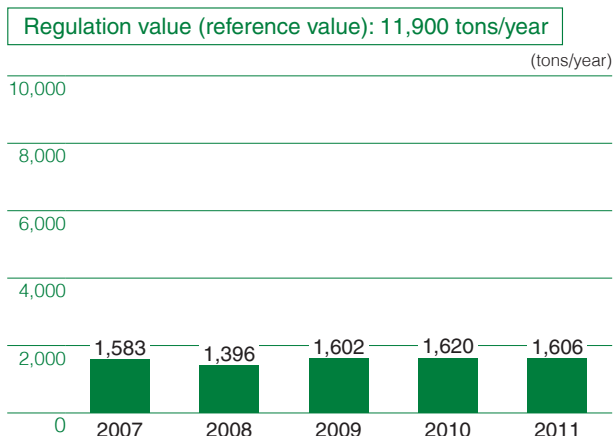
As shown in the following figure, CO<sub>2</sub> emissions attributable to the combined total energy usage by three companies - TonenGeneral Sekiyu K.K., Tonen Chemical Corporation, and EMG Marketing Godo Kaisha - reported in accordance with the revised Energy Saving Act (Law Concerning the Rational Use of Energy), have declined from 4.8 million tons in FY2009 and 4.6 million tons in FY2010 to 4.4 million tons in FY2011.



## ■ Air Pollution Prevention Measures

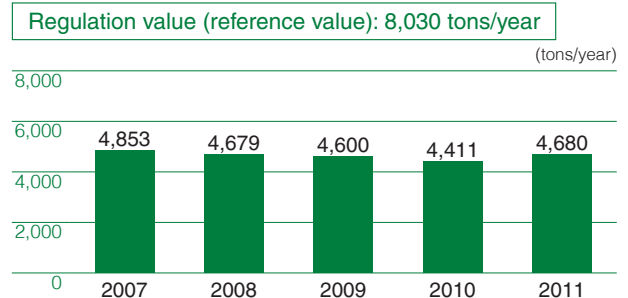
Refineries and petrochemical plants generate sulfur oxides (SO<sub>x</sub>) and nitrogen oxides (NO<sub>x</sub>) in their furnaces and boilers. To reduce SO<sub>x</sub> emissions, we utilize devices that remove sulfur from fuel gases and flue-gas desulfurizers; to reduce NO<sub>x</sub> emissions, we utilize low-NO<sub>x</sub> burners and flue-gas denitrizers. The Group has maintained low levels of SO<sub>x</sub> and NO<sub>x</sub> emissions; approximately 10% and 60% of the regulation values (annual reference values), respectively.

### ● SO<sub>x</sub> (sulfur oxide) emissions



Note: The data represent the combined total for the three TonenGeneral Sekiyu K.K. refineries (Kawasaki, Sakai, and Wakayama) and the Tonen Chemical Corporation Kawasaki Plant. The calendar year (January 1 through December 31) is used for 2007 through 2010, and the fiscal year (April 1 through March 31) for 2011.

### ● NO<sub>x</sub> (nitrogen oxide) emissions

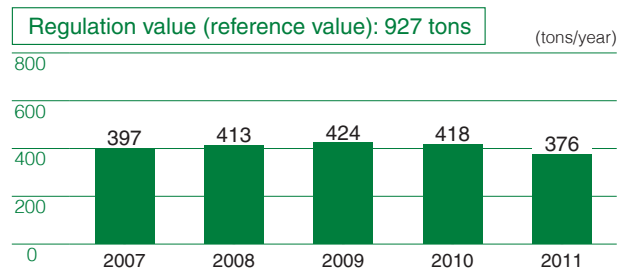


Note: The data represent the combined total for the three TonenGeneral Sekiyu K.K. refineries (Kawasaki, Sakai, and Wakayama) and the Tonen Chemical Corporation Kawasaki Plant. The calendar year (January 1 through December 31) is used for 2007 through 2010, and the fiscal year (April 1 through March 31) for 2011.

## ■ Water Pollution Prevention Measures

We do our best to recycle and reuse water in our refineries and petrochemical plants. When we must discharge water into the ocean, we process it using oil separators and activated sludge processing systems so that the discharged water does not negatively impact the environment. As measured in terms of chemical oxygen demand (COD), a water quality indicator, the Group has maintained a low level of approximately 50% of the total volume regulation value (annual reference value).

### ● COD (chemical oxygen demand) emissions

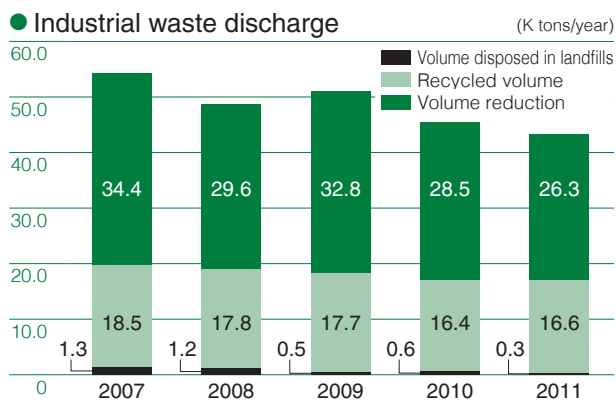


Note: The data represent the combined total for the three TonenGeneral Sekiyu K.K. refineries (Kawasaki, Sakai, and Wakayama) and the Tonen Chemical Corporation Kawasaki Plant. The calendar year (January 1 through December 31) is used for 2007 through 2010, and the fiscal year (April 1 through March 31) for 2011.

## ■ Measures for Reducing Industrial Waste

The industrial waste discharged from our refineries and petrochemical plant includes primarily oil-containing sludge discharged during the cleaning of equipment and tanks, used 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, which is an important indicator of industrial waste volume, has dropped to 300 tons/year (a 50% reduction from FY2010).





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

## ■ Report in accordance with the PRTR Law

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

The substances released or transferred from our refineries and petrochemical plants include primarily the benzene, toluene, xylene, and normal hexane contained in gasoline, as well as phenol and polychlorinated biphenyl waste materials.

## ● PRTR substance release and discharge

FY2011 release (tons/year)

Government ordinance No.	PRTR substances	Volume released into the air	Volume discharged into waterways	Volume of waste material transferred	Total
1	Water-soluble zinc compounds	0	4	0	4
20	2-Aminoethanol	0	8	0	8
53	Ethylbenzene	2	0	0	2
80	Xylene	52	0	0	52
232	N,N-Dimethylformamide	0	1	0	1
296	1,2,4-Trimethylbenzene	2	0	0	2
300	Toluene	92	0	0	92
349	Phenol	0	0	120	120
351	1,3-Butadiene	1	0	0	1
392	Normal hexane	131	0	0	131
400	Benzene	24	0	0	24
406	Polychlorinated biphenyl	0	0	1	1
455	Morpholine	0	11	4	15
	<b>Total</b>	<b>304</b>	<b>24</b>	<b>125</b>	<b>453</b>

Note: The data represent the combined total for the TonenGeneral Sekiyu K.K. Kawasaki Refinery, Sakai Refinery, Wakayama Refinery, and terminals; the Tonen Chemical Corporation Kawasaki Plant; and EMG Marketing Godo Kaisha terminals (only rounded values of 1 ton or greater are listed).

## ■ Measures for Preserving Soil and Groundwater Environments

The Group is taking active steps to protect the soil and groundwater environments at its operational sites and the surrounding areas. Since the start of the enforcement of the Soil Contamination Countermeasures Act in 2003, corporate responsibility for the environment has been increasing in importance. To fulfill our corporate responsibility, the Group has taken many voluntary steps from a variety of perspectives to minimize our environmental impact, including facilities enhancement, operations management improvement, environmental surveys, and purification work.

### Measures for Preventing Soil and Groundwater Contamination

With regard to soil and groundwater contamination caused by leakage from aging facilities, our Safety, Security, Health & Environment Department has been conducting environmental surveys and implementing purification measures to preserve the environment surrounding our facilities. Should a contamination level exceeding environmental regulations be discovered, we make it a rule to report it to and consult with the relevant departments in local governments, taking corrective actions based on their guidance and in accordance with the Soil Contamination Countermeasures Act. Furthermore, depending on the site of our facility, we apply internal standards that are stricter than the legally required environmental standards to help preserve the surrounding environment.

### ■ Measures to Prevent Leakage from Service Stations

To prevent leakage at our service stations, we are introducing equipment of the highest standard in Japan, for example, adopting double-walled tanks, as well as resin pipes and high-performance oil level gauges as new facilities. Furthermore, if our Underground Tank Risk Management Program (URM Program) determines that an existing service station poses a high risk in its current state, we install additional leakage control equipment to reduce the risk. Additionally, in the area of operations, we employ OIMS and Service Station Safety Inspection Logs as we work with our dealers to ensure compliance with all relevant laws and regulations, carry out risk assessment, conduct regular facility inspections, and ensure proper management of fuel oil stocks. We also educate operators on the importance of soil contamination countermeasures.

# Site Data

The three TonenGeneral Group refineries continuously manage environmental data in order to improve their environmental performance. The annual site data (environment-related regulation values, actual values, and actual PRTR emissions) are reported on these pages.

## Kawasaki Refinery | TonenGeneral Sekiyu K.K. Tonen Chemical Corporation

Address: 7-1 Ukishima-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa, 210-8523, Japan

Telephone: 044-288-8301

Start of operations: 1960 (TonenGeneral Sekiyu)  
1962 (Tonen Chemical)

Site area: Approximately 2.05 million m<sup>2</sup>

Crude oil processing capacity: 335,000 barrels/day

Ethylene production capacity: 478,000 tons/year



The Kawasaki Refinery is located on the Keihin oceanfront, a convenient land and sea transport site adjacent to the Tokyo metropolitan area, Japan's largest consumer market. It is the largest refinery within the Group, employing many sophisticated, energy-saving systems, and is also actively implementing safety and environmental protection measures. Here, oil refining equipment is organically linked to a petrochemical plant on the same site, making the Kawasaki Refinery a modern, highly efficient and productive site.

### ● Environment-related regulation value control status

	Laws and regulations	Regulation method	Classification	Unit	Current regulation value	FY2011 actual value (maximum value)	Remarks
SOx	Air Pollution Control Act	Regulation of total volume	TG <sup>1</sup>	Nm <sup>3</sup> /H	82.488	1.09 (3.4)	
			TCC <sup>2</sup>	Nm <sup>3</sup> /H	101.678	3.9 (9.3)	
	Kawasaki City ordinance	Regulation of total volume	TG	g/10 <sup>3</sup> Kcal	0.34	0.004 (0.013)	
			TCC	g/10 <sup>3</sup> Kcal	0.34	0.013 (0.038)	
NOx	Air Pollution Control Act	Regulation of total volume	TG	Nm <sup>3</sup> /H	108.054	67.7 (81.2)	
			TCC	Nm <sup>3</sup> /H	140.13	84.2 (116.4)	
	Kawasaki City ordinance	Voluntary control value (4-year average)	Combined total for TG and TCC	tons/year	2,040	1,910 <sup>3</sup>	
		Regulation of total volume (regulated daily)	TG	g/10 <sup>3</sup> Kcal	0.26	0.14 (0.16)	
		TCC	g/10 <sup>3</sup> Kcal	0.26	0.14 (0.21)		
Particulate	Kawasaki City ordinance	Regulation of total volume	Combined total for TG and TCC	tons/year	362	328.3 <sup>4</sup>	
Soot	Air Pollution Control Act	Regulation of concentration	Boiler	g/Nm <sup>3</sup>	0.07	0.010 (0.020)	Regulation of concentration at each furnace
			Petroleum-heating furnace	g/Nm <sup>3</sup>	0.1	0.001 (0.003)	Regulation of concentration at each furnace
			CO boiler	g/Nm <sup>3</sup>	0.3	0.018 (0.022)	Regulation of concentration at each furnace
	—	Soot release volume	TG	tons/year	—	59.0 <sup>4</sup>	
		TCC	tons/year	—	50.0 <sup>4</sup>		
COD	Water Quality Pollution Control Act, city ordinance	Regulation of concentration	Combined total for TG and TCC	mg/L	60	8.1 (16.0)	
		Regulation of total volume	Combined total for TG and TCC	kg/day	1,691	769 (1258)	
Nitrogen	Kawasaki City ordinance	Regulation of concentration	Combined total for TG and TCC	mg/L	50	5.2 (13.0)	
		Regulation of total volume	Combined total for TG and TCC	kg/day	1,155.3	627.7 (858)	
Phosphorus	Kawasaki City ordinance	Regulation of concentration	Combined total for TG and TCC	mg/L	8	0.7 (1.2)	
		Regulation of total volume <sup>3</sup>	Combined total for TG and TCC	kg/day	87.24	30.6 (38.8)	

<sup>1</sup> TG: TonenGeneral Sekiyu K.K. <sup>2</sup> TCC: Tonen Chemical Corporation <sup>3</sup> 2008-2011 average <sup>4</sup> Annual total  
Note: The environment-related regulation values and actual values are based on fiscal year April 1, 2011 through March 31, 2012.

### ● Actual FY2011 PRTR Emissions at TG Kawasaki Refinery

Government ordinance No.	PRTR substances	Actual emissions in FY2011 (kg/year)			
		Amount released into the air	Amount discharged into waterways	Volume of waste material transferred	Total
053	Ethylbenzene	19	0	0	19
071	Ferric chloride	0	220	0	220
080	Xylene	3,600	0	0	3,600
132	Cobalt and its compounds	19	0	0	19
296	1,2,4-Trimethylbenzene	370	0	0	370
297	1,3,5-Trimethylbenzene	35	0	0	35
300	Toluene	7,600	0	0	7,600
392	Normal hexane	22,000	0	0	22,000
400	Benzene	2,400	0	0	2,400
455	Morpholine	0	0	3,900	3,900
	<b>Total</b>	<b>36,043</b>	<b>220</b>	<b>3,900</b>	<b>40,163</b>

### ● Actual FY2011 PRTR Emissions at TCC Kawasaki Plant

Government ordinance No.	PRTR substances	Actual emissions in FY2011 (kg/year)			
		Amount released into the air	Amount discharged into waterways	Volume of waste material transferred	Total
001	Water-soluble zinc compounds	0	2,400	0	2,400
036	Isoprene	3.6	0	0	3.6
080	Xylene	13	0	0	13
232	N,N-Dimethylformamide	19	640	320	979
300	Toluene	1,100	0	0	1,100
351	1,3-Butadiene	1,300	0	0	1,300
400	Benzene	9,100	0	0	9,100
408	Poly (oxyethylene) =octylphenyl Ether	0	65	0	65
453	Molybdenum and its compounds	0	16	0	16
	<b>Total</b>	<b>11,536</b>	<b>3,121</b>	<b>320</b>	<b>14,977</b>



## Sakai Refinery | TonenGeneral Sekiyu K.K.

**Address:** 1 Chikko Hamadera-cho, Nishi-ku, Sakai-shi, Osaka, 592-8550, Japan  
**Telephone:** 072-269-2011 **Start of operations:** 1965 **Site area:** Approximately 770,000 m<sup>2</sup>  
**Crude oil processing capacity:** 156,000 barrels/day



The Sakai Refinery is located in the center of the Sakai coastal industrial area in Osaka, the largest consumer market in western Japan. At its shipping terminal, the Sakai Refinery adopted the first bottom loading system in Japan for better environmental protection, comprehensive safety and faster loading. The Sakai Refinery maintains a competitive edge, thanks to its proximity to a major market as well as its environmentally conscious, safe and efficient shipping facilities and operations.

### ● Environment-related regulation value control status

	Laws and regulations	Regulation method	Unit	Current regulation value	FY2011 actual value (maximum value)
SOx	Air Pollution Control Act	Regulation of total volume	Nm <sup>3</sup> /H	90.6	1.9 (4.0)
NOx	Air Pollution Control Act	Regulation of total volume	Nm <sup>3</sup> /H	114.2	21.5 (29.4)
Soot	Air Pollution Control Act	Regulation of concentration	g/Nm <sup>3</sup>	0.05	0.010 (0.014)
COD	Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea, Osaka prefectural ordinances	Regulation of concentration	mg/L	9.3 (Max. 15.0)	7.7 (9.3)
		Regulation of total volume	Kg/day	109.4 (Max. 176.2)	65 (91)
Nitrogen	Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea, Osaka prefectural ordinances	Regulation of concentration	mg/L	20 (Max. 50)	6.9 (21.2)
		Regulation of total volume	Kg/day	228.8 (Max. 270.8)	58 (180)
Phosphorus	Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea, Osaka prefectural ordinances	Regulation of concentration	mg/L	0.8 (Max. 4.0)	0.2 (0.7)
		Regulation of total volume	Kg/day	9.8 (Max. 29.1)	2.0 (5.5)

### ● Actual FY2011 PRTR Emissions

Government ordinance No.	PRTR substances	Actual emissions in FY2011 (kg/year)			
		Amount released into the air	Amount discharged into waterways	Volume of waste material transferred	Total
20	2-Aminoethanol	0	0	0	0
80	Xylene	3,900	0	0	3,900
262	Tetrachloroethylene	0	0	0	0
296	1,2,4-Trimethylbenzene	190	0	0	190
297	1,3,5-Trimethylbenzene	53	0	0	53
300	Toluene	7,200	0	0	7,200
392	Normal hexane	12,000	0	0	12,000
400	Benzene	1,800	14	0	1,814
438	Methylnaphthalene	0	0	0	0
Total		25,143	14	0	25,157

## Wakayama Refinery | TonenGeneral Sekiyu K.K.

**Address:** 1000 Hama, Hatsushima-cho, Arida-shi, Wakayama, 649-0393, Japan  
**Telephone:** 0737-85-1010 **Start of operations:** 1941 **Site area:** Approximately 2.48 million m<sup>2</sup>  
**Crude oil processing capacity:** 170,000 barrels/day



The Wakayama Refinery is located in a district adjacent to rich fishing waters in a region also known for the production of Arida tangerines and accordingly gives the utmost attention to environmental protection through collaboration with local communities. The refinery is an integrated production center for a number of petroleum products including gasoline, lubricants for cars and machinery, and raw materials for petrochemical products.

### ● Environment-related regulation value control status

	Laws and regulations	Regulation method	Unit	Current regulation value	FY2011 actual value (maximum value)	Remarks
SOx	Air Pollution Control Act	Regulation of total volume	Nm <sup>3</sup> /H	202.5	57.3 (119.9)	
NOx	Pollution Prevention Agreements	Regulation of total volume	Nm <sup>3</sup> /H	200	123.1 (148.0)	
Soot	Air Pollution Control Act	Regulation of concentration	g/Nm <sup>3</sup>	0.05	0.001- (0.001-)	Regulation of concentration at each furnace CO boiler
				0.2	0.116 (0.137)	
COD	Water Quality Pollution Control Act, Wakayama prefectural ordinances	Regulation of concentration	mg/L	25	3.2 (4.2)	
		Regulation of total volume	Kg/day	739.7	194.0 (247.1)	
Nitrogen	Water Quality Pollution Control Act, Wakayama prefectural ordinances	Regulation of concentration	mg/L	60	2.4 (3.0)	
		Regulation of total volume	Kg/day	397.6	203.7 (259.4)	
Phosphorus	Water Quality Pollution Control Act, Wakayama prefectural ordinances	Regulation of concentration	mg/L	8	0.1 (0.2)	
		Regulation of total volume	Kg/day	43.8	9.29 (14.14)	

### ● Actual FY2011 PRTR Emissions

New government ordinance No.	PRTR substances	Actual emissions in FY2011 (kg/year)			
		Amount released into the air	Amount discharged into waterways	Volume of waste material transferred	Total
001	Water-soluble zinc compounds	0	1,700	0	1,700
020	2-Aminoethanol	0	7,700	0	7,700
053	Ethylbenzene	690	0	0	690
080	Xylene	39,000	0	0	39,000
296	1,2,4-Trimethylbenzene	290	0	0	290
297	1,3,5-Trimethylbenzene	170	0	0	170
300	Toluene	31,000	0	0	31,000
349	Phenol	0	0	120,000	120,000
392	Normal hexane	19,000	0	0	19,000
400	Benzene	2,700	0	0	2,700
406	Polychlorinated biphenyl	0	0	1,100	1,100
453	Molybdenum and its compounds	0	0	250	250
455	Morpholine	0	11,000	0	11,000
Total		92,850	20,400	121,350	234,600

## Tsurumi Lube Oil Blending Plant | EMG Marketing Godo Kaisha

**Address:** 2-1 Anzen-cho, Tsurumi-ku, Yokohama-shi, Kanagawa, 230-0035, Japan  
**Telephone:** 045-503-7510 **Start of operations:** 1925 **Site area:** Approximately 137,000 m<sup>2</sup>  
**Lubrication oil manufacturing capacity:** 160,000 kl/year



Located in the northeastern part of Yokohama, the heart of the Keihin industrial area, this lube oil blending plant is within the greater Tokyo metropolitan area, Japan's largest consumer market. The plant is taking steps to improve environmental protection and safety in collaboration with neighboring corporations and is also actively involved in various activities in the local community. The plant specializes in lubricants for passenger vehicles and various types of machinery. It carries out integrated operations from manufacturing to shipping. Mobil 1, a synthetic engine oil, is one of the key products shipped from this plant.

# Health and Safety Initiatives

With the maintenance of safety, health, and the environment as our top priorities, we strive to achieve flawless operations, free of incidents related to safety, health, or the environment.

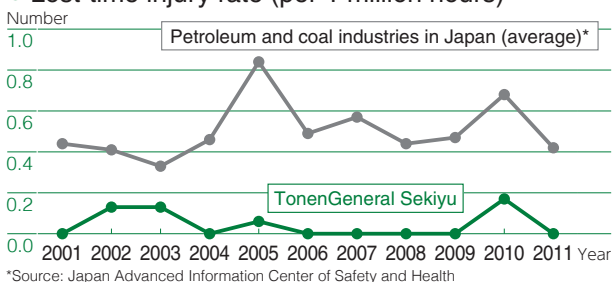
## Basic Philosophy

Our commitment to maintaining effective management policies is the guiding principle throughout the entire TonenGeneral Group. Our policy of maintaining our industry-leading safety and environmental record while continuing flawless operations has not changed. All business activities can have potential impacts on people or the environment, i.e., potential or manifested risks in terms of safety, health, and the environment. "Flawless operations" means managing these risks to achieve operations that are free of incidents related to safety, health, or the environment. In all processes within the business activities of the Group, ensuring safety, health, and environmental protection is our main principle and is given the highest priority.

## Safety Initiatives

We utilize OIMS as our safety management system to carry out continuous improvement activities. In 2000, the Group also introduced the Loss Prevention System (LPS), which focuses on employee behavior to discover and eliminate the causes of incidents and near misses, including the undesirable behaviors that precede them, thereby preventing injuries. LPS has produced positive results in our daily activities. More recently, to establish and promote safety in the workplace, the Group has designated LPS revitalization as a cornerstone of its safety initiatives, and has been providing re-education to employees as well as trainers and increasing the frequency of on-site observation. For 2011 and 2012, the Group is promoting "active mutual monitoring and advice in the workplace" as its highest-priority safety theme, with site managers encouraging mutual monitoring among employees to improve safety awareness.

### Lost-time injury rate (per 1 million hours)



## Initiatives for Enhancing Industrial Hygiene

Since the Ministry of Health, Labor and Welfare issued the Guidelines on Investigating the Danger or Toxicity of Chemical Substances in 2006, businesses have been

initiating voluntary control of chemical substances. Even before the guidelines were issued, however, the TonenGeneral Group had already implemented voluntary measures to minimize effects on the health of our employees as well as the employees of our contractors. For example, we have appointed industrial physicians and industrial hygienists to scientifically assess potentially adverse elements, such as chemical substances and noise, that may impact the human body, evaluate their risks and implement countermeasures. Our primary risk assessment method directly measures workers' exposure to adverse elements (individual exposure measurement) and calculates the risk based on a matrix of the concentration level of a toxic substance present during operation and its toxicity. Widely utilizing this assessment method even in workplaces where work environment measurement is not legally required, we have performed a total of 4,500 assessments. The adverse elements assessed are not limited to chemical substances and also include physical elements such as noise. For every task determined by assessment to be risky, we implement specific risk reduction measures. For example, for welding work inside tanks, we develop a ventilation plan in advance to ensure that the welder does not inhale welding-generated dust. We have also established rules for selecting appropriate protective gear based on risk assessment results. For respiratory protective devices, we select dust and gas masks with sufficient capacity for handling toxic substance concentration levels (such as half- and full-face masks and atmosphere-supplying respirators). Additionally, we carry out fit tests to ensure that the masks to be used fit the facial shape of each individual worker. For workers engaged in operations that pose a high health risk as determined by risk assessment, we have established a health follow-up system that incorporates special health examinations by industrial physicians. The Group is committed to protecting the health of our workers by continuously promoting industrial hygiene management based on voluntary risk assessment.

### Exposure level and health impact assessment matrix

		Exposure level				
		A	B	C	D	E
Health impact	I	Risk level 1				
	II		Risk			
	III					
	IV	Risk level 2				Risk level 3

Health impact I: Extremely toxic II: Toxic III: Harmful IV: Other substances



## ■ Regular Health Examinations and Health Guidance

After workers undergo health examinations, the Group implements aftercare measures commensurate with individual health risks and provides individualized health guidance, referring workers to outside medical institutions if necessary. Health guidance is designed to prevent disease by providing specific advice focusing on diet and exercise, as well as to increase employees' interest in their own health and help them voluntarily lead a healthier lifestyle.

## ■ Mental Health

To actively promote mental health care, the Group promotes four types of care (self-care, line-based care, care provided by on-site industrial hygienists, and care provided by outside health resources). We are also taking various measures, such as providing education and training (basic training targeting general employees, manager training targeting line managers, mental health seminars, etc.) for people involved to ensure that, when necessary, the workplace environment is improved, mental health issues are addressed, and employees receive support in returning to work; as well as disseminating pertinent information. Furthermore, we are working with managers and supervisors in each workplace to strengthen our mental health measures, for example, having industrial hygienists provide counseling as needed.

## ■ Work-Health Balance

A workplace environment that would not cause problems for workers in normal health could still cause problems for workers with compromised health conditions. For relatively risky job categories, the Group evaluates employees' medical fitness for such positions before assigning them. Specifically, employees who will be required to wear respiratory protective devices undergo a respiratory protective device use fitness test. Before an employee is assigned to a position requiring the use of a respiratory protective device or when the employee's health condition has changed, an industrial physician determines whether any problem exists that may adversely impact the employee's ability to wear a respiratory protective device based on a questionnaire and health exam records. If any problem is discovered, the employee is exempted from positions requiring the use of respiratory protective devices. These steps, while not mandated by Japanese law, are taken by the Group voluntarily. By addressing each employee's health condition through this series of steps, we aim to help our employees achieve an appropriate work-health balance.

### Report by the Independent Investigation Committee for the Sulfur Leak at TonenGeneral Sekiyu K.K. Sakai Refinery

The occurrence of the molten sulfur leak at the Sakai refinery of TonenGeneral Sekiyu K.K., and the violation of the duty to report the abnormal event in accordance with the Act on the Prevention of Disaster in Petroleum Industrial Complexes and Other Petroleum Facilities, including the fact that these two items were brought to light by an anonymous report, caused significant inconvenience and concern from a social aspect, especially for the local community, as well as for the authorities concerned, for which we offer our sincere apologies. Furthermore, as we have a strict policy of legal compliance, we deeply regret the fact that the incident necessitated a police investigation and referral of the case to prosecutors. On October 29, 2012, the Group received the investigation report issued by the Sulfur Leak Independent Investigation Committee, which had been commissioned to identify the root causes of the incident and develop measures to prevent recurrence. We fully accept the recurrence prevention measures recommended in the report and will implement them to prevent recurrence of this type of incident. (For details, please visit our website at the address below.)

► <http://www.tonengeneral.co.jp/citizenship/>

#### Measures to prevent recurrence of the sulfur leak:

- Further strengthen refinery safety controls
- Raise employee safety awareness for on-site operations

#### Measures to prevent recurrence of violation of the duty to report abnormal events in accordance with the Act on the Prevention of Disaster in Petroleum Industrial Complexes and Other Petroleum Facilities:

- Provide education and retraining to ensure all employees have a thorough understanding of refinery rules and procedures based on laws and regulations
- Clarify the incident reporting system
- Re-establish a system to audit and verify refinery legal compliance
- Under head office management leadership, re-instill in employees the importance of safety and legal compliance

As a lesson learned from the incident at our Sakai refinery, we will take steps to implement the above recommendations of the Sulfur Leak Independent Investigation Committee. In addition, we have entrusted a new Independent Investigation Committee (chairman: Professor Masamitsu Tamura) with an investigation of our other refineries (Kawasaki, Wakayama) to determine whether any other potential issues exist.

The conduct of safe and reliable operations at our refineries based on legal requirements and solid practices consistent with and in full compliance with those requirements is one of our most basic obligations as an oil refiner. Efficient operations built on this foundation executed correctly by all of our management and employees every day are essential to carrying out our responsibility as a corporate citizen to provide a safe and stable supply of energy. We will utilize the committee's recommendations to fortify both our procedures and actions in order to prevent recurrence of such an incident.

# Customer Relations

To ensure the business success of the TonenGeneral Group, 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 our customers' requests and interests and respond accurately to customer needs.

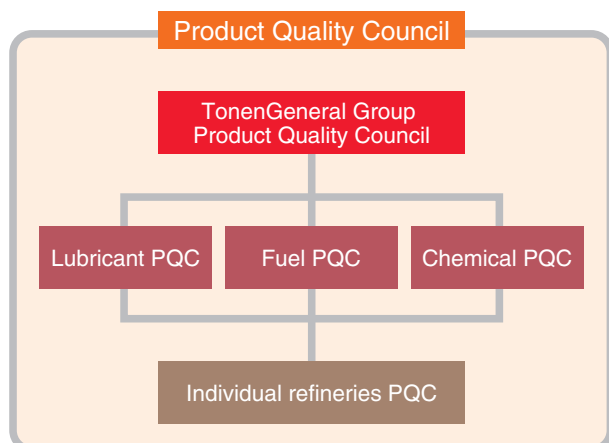
## Basic Approach

The TonenGeneral Group works to supply a wide range of reliable products, including fuels, LP gas, lubricants, and petrochemical products. Our strength lies in the fact that we have adopted all of the best practices that we have accumulated globally over the past years. 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.

## Quality Management Structure

We established the Product Quality Division at our head office as an organization independent of our business and manufacturing divisions to comprehensively manage the quality of the Group's products. We have also adopted a quality management system that oversees quality control activities throughout the entire process from product manufacturing to sales. By following the Plan-Do-Check-Act (PDCA) cycle, we continue to make improvements and carry out



proactive quality control activities. The Product Quality Council, established at each management level and encompassing manufacturing and sales, regularly checks the execution status of the quality management system. Our Kawasaki, Wakayama and Sakai refineries, as well as our Tsurumi Lube Oil Blending Plant, have obtained ISO 9001 certification and fully engage in quality control activities based on a proprietary quality management system.

## Quality Improvement Initiatives

To ensure that our products satisfy equipment specifications and to supply high-quality products that meet customer needs, the Retail 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.

## Response to Customer Needs

Customer feedback received by the Retail and Customer Service Divisions is shared with all related divisions, including our Product Quality Division, to ensure fast and accurate responses. When designing product quality or determining product specifications, we draw on the abundant experience and knowledge we have accumulated globally. 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, and that it is fit for use. 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 ensures complete control of the chemical substances contained in our products. To this end, to ensure that we satisfy all legal requirements applicable to our products and chemical substances, we are constantly enhancing our legal monitoring and compliance systems. Furthermore, using safety data sheets (SDS), we provide the necessary safety information to customers and all others involved with our products. We are continuously enhancing the safety management systems for these products and the chemical substances contained therein.



## ■ Creating Customer-Friendly Service Stations

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



At our service stations, we provide products and services that accurately address customer needs. Examples include the Synergy brand high-quality fuels; the top-of-the-line Mobil 1 brand lubricants; the Synergy card, which can be used at Esso, Mobil, and General service stations nationwide; the Speedpass, with which customers can complete payments by



simply holding the pass over the payment terminal; and a point system that enables customers to accumulate “nanaco” points through cash purchases. In addition, the industry-leading Express brand self-service stations (numbering 910 locations as of the end of 2011) offer various innovative features. In addition to the aforementioned Speedpass, these stations feature the Video Pump (fuel pumps equipped with a high-resolution color display), the Express Wash (a car wash with high-performance equipment that offers simple, speedy, and high-quality self-service car washing) and alliance sites with Seven-Eleven convenience stores and Doutor Coffee Shops. These features provide drivers with the quickest, simplest, and cleanest services available.



## ■ Customer Service Mission

The Customer Service Division responds to various requests and inquiries received from our dealers as well as from customers who purchase the Group’s products. Every day, customers send us a large number and wide variety of communications, including questions about our products, requests, complaints and compliments.



Petroleum products are an important source of the energy required to support people’s lives. All of us at the TonenGeneral Group are working as a team to provide our customers with prompt services of the highest possible quality.

# Employee Relations

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

As the Group considers its employees to be important assets, we provide support to help them achieve their full potential. For this reason, our human resources policies focus on hiring capable personnel and developing them into competent leaders by providing wide-ranging job experience and ample educational opportunities.

## ■ Human Resource Development and Fair Evaluation

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 performance evaluation, education and training, and workforce allocation planning. Under this system, our managers and employees share the responsibility for regular and effective communication to manage the progress of the employee's short-term performance goals and create long-term career plans, as well as developing and implementing training plans. Fair and objective performance evaluations are vital for human resource development.

At the same time, we must cope with the issue of generational turnover due to the retirement of many employees who joined the company around the same time. For this reason, the Group is also actively introducing a new educational system that effectively accelerates the development of younger employees. As part of this initiative, we are utilizing a computer-based training system called Global Manufacturing Training (GMT), which offers educational materials consisting of several thousand course units related to operations, maintenance, and engineering. Rather than simply introducing the system, we appoint experts from various divisions within the company as instructors to help us develop and expand the program. This carefully designed training program facilitates the more rapid development of our younger employees.

## ■ Respect for Human Rights In Our Workplaces

The Group's Standards of Business Conduct clearly state our zero tolerance policy for any kind of discrimination or harassment. We are actively and continuously taking steps to realize and maintain a

comfortable workplace that is free of harassment and human rights violations. For example, should an employee witness harassment, rather than ignoring or tolerating the incident, he or she is required to report it to his/her supervisor, management, or the Human Resources Division. The Human Resources Division also operates a Harassment Consultation Center, which accepts harassment complaints, reports of witnessed harassment, and questions on what constitutes harassment in the workplace.

Furthermore, in order to improve our employees' awareness of human rights, we have appointed a human rights promotion representative in each workplace. The representatives themselves receive training related to human rights and harassment and then work to promote awareness in their workplaces by holding annual human rights seminars.

## ■ Diversity

In rapidly changing times, strong creativity and ideas based on diversity are essential for the sustainable development of any company.

The Group respects the individuality of every employee and strives to provide a workplace that will maximize his or her talents. We also promote the active recruitment of female employees. The table below shows the numbers of female employees hired into professional positions in the past three years and their percentage of the total.

	2010-2012 Total number of employees hired into professional positions*	Number of females	Percentage
Humanities majors	6	4	67%
Science and engineering majors	55	14	25%
Total	61	18	30%

\* The number of employees hired by all companies within the Group.

The TonenGeneral Group also actively supports the Japan Women's Interest Network (JWIN), a voluntary network formed by female employees. The JWIN organization was initiated by female employees of all ages with the goal of furthering their careers, and engages in activities such as holding study groups with guest speakers from both inside and outside the company.



## ■ Employee-Friendly Workplace

As the Group considers it important for employees to achieve a good work-life balance, we provide support through various systems.

### Work-Parenting Balance

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

The steps taken by these companies in support of raising the next generation were recognized by the Ministry of Health, Labor and Welfare, which certified them as having met its standards for work-parenting balance, allowing them to use the “Kurumin” certification mark shown at right.



### Paid Vacation

A maximum of 25 paid vacation days are granted to employees depending on their length of service. Employees throughout the entire Group are encouraged to take all of their paid vacation days and the percentage of vacation days they actually use is much higher than at other large companies in Japan.

January-December 2011	General employees	Managers	Total
TonenGeneral Sekiyu K.K.	95%	97%	96%
EMG Marketing Godo Kaisha	93%	93%	93%
Tonen Chemical Corporation	95%	98%	96%

### Maternity and Paternity Leave

The Group offers a maternity leave that is longer than the legally mandated period, allowing employees who so wish to stay at home until their child reaches two years of age. The number of cases in which male employees take paternity leave has also been increasing. Furthermore, we have established a comprehensive childrearing support system, which includes permitting shorter workdays for employees with children up to fourth grade and granting partially paid time off to care for sick children.

### Nursing Care Leave

Employees whose family members require nursing

care are allowed to take a nursing care leave of up to one year (but may take such leave at any time as long as the aggregate number of days does not exceed 93). Our flexible system can accommodate a variety of situations, allowing employees to take nursing care leave as consecutive days, in single day units, or in hourly units.

January-December 2011	
Number of employees who took maternity/paternity leave	9 (6 female and 3 male employees)
Number of employees who took nursing care leave	2 (both male employees)

## ■ Communication with Employees

To ensure that there are no discrepancies in communication between Group management and employees, our executives take every opportunity to send information and messages to all employees through e-mails and our intranet. We also hold employee forums on a regular basis to provide an opportunity for bilateral, face-to-face communication between management and employees. Employee forums are held at all of our business sites in Japan and management members attend the forums whenever possible to speak directly with employees.



September 27, 2012 Employee Forum

# Contributions to Local Communities

The TonenGeneral Group fulfills its responsibility to local communities by delivering a stable supply of energy and ensuring safety and reliability. We also believe it is our very important duty to contribute to the development and vitalization of the communities in which we operate. In accordance with these beliefs, we are strengthening our links to communities through social contribution and cultural activities in diverse areas, including environmental conservation, health and welfare, community interaction, education, and the arts and culture.

## Head Office

### ExxonMobil Children's Culture Award and Music Awards (TonenGeneral Children's Culture Award and Music Awards from 2012)

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 provide encouragement in anticipation of future achievements. The 46th Children's Culture Award and the 41st Music Awards were presented in 2011.



ExxonMobil  
2011年度 エクソンモービル児童文化賞・音楽賞

### Charity Run

The TonenGeneral Group supports the Tokyo YMCA International Charity Run, an event held to raise money for children. In 2011, the Group entered 18 teams in the race, with family members and colleagues who turned out to support the runners bringing the total number of Group participants to around 140.



### Blood Drive

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



### Japan National Para-Swimming Championships

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



### Support for the Tonen International Scholarship Foundation

The foundation provides scholarships to foreign exchange students enrolled at Japanese graduate schools as a way to promote friendly relations between Japan and other countries and to make a wide-ranging contribution to society. A total of 166 students from 24 countries have received scholarships since the foundation's establishment in 1989.



### Support for the General Sekiyu R&D Encouragement and Assistance Foundation

This foundation was established in 1981 to provide financial assistance for research related to energy and its effective utilization in Japan. Applications are received each year from young researchers involved in unique, cutting-edge research and technological development. Over the 31 years of the foundation's history, a total of over 492 million yen in grants has been awarded to 479 projects.



### Donations to Schools

Under this system, the company matches donations made by employees to schools, doubling the amount of employees' donations.

### Adopt Forest Nijozan

Forest conservation activities are undertaken on Mount Nijo in Taishi-cho, Osaka Prefecture, to help prevent deterioration of woodlands due to a shortage of people in local communities to maintain them.



## Kawasaki Refinery

### Safety Training and Emergency Drills

Kawasaki Refinery strengthens its links with the local community through emergency training activities.



These include holding training sessions to teach local residents how to use fire extinguishers and participating in joint public-private sector emergency preparedness drills.

### MUZA Kawasaki Lunch Time/Night Concerts

The refinery co-sponsors the concerts as a supporter of the Kawasaki - City of Music project promoted by the city of Kawasaki.



### Kawasaki International Eco-Tech Fair

Environmental initiatives of the TonenGeneral Group and efforts by Kawasaki Refinery to improve energy efficiency and ensure safety are introduced at the fair.



### Job Shadow Program

A work experience program run by the refinery in collaboration with Junior Achievement Japan. Under the program, each high school student participant "shadows" an employee in order to gain first-hand insight into working life as well as to observe employees' approaches to and attitudes toward their work.



### Flower Arrangement Classes

Each month, Kawasaki Refinery hosts a flower arrangement class for women of the Rokucho-kai club at the community center in Tamachi. Once every three months, participants meet after class to exchange opinions with refinery personnel.





## Sakai Refinery

### Phoenix Monthly Newsletter

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



Sakai City Opera Dress Rehearsal: Readers are invited to a dress rehearsal for a regular opera performance by the Sakai City Opera.



Phoenix Christmas Concert: Readers are invited to a Christmas concert.



Phoenix Tennis School: Employees give tennis lessons on the refinery's courts to children who are new to the sport.

### Volunteer Cleanup

As a member of the corporate network for the Sakai-Senboku Coastal Industrial Zone, employees take part in a voluntary roadside cleanup organized in conjunction with environmental conservation efforts.



### On-Site Learning Program

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



## Wakayama Refinery

### Arida City Elementary School Students Observe Refinery Firefighting Drill

Each year, Wakayama Refinery invites fourth grade students from one of the six Arida City elementary schools to observe refinery firefighting drills.



### Hajikami Kofun Nagaya-no-Okimi Festival

A large number of people from the community take part in the annual Hajikami Kofun (tumulus) Nagaya-no-Okimi Festival, a local historical and cultural event.



### Jinoshima Volunteer Cleanup

Prior to the swimming season, the refinery conducts a beach cleanup on Jinoshima, an uninhabited island around 1km off the coast adjacent to the refinery.



### Hatsushima Junior High School Extracurricular Firefighting Training

The refinery conducts training in the use of fire extinguishers as part of the Hatsushima Junior High School extracurricular program.



### Tangerine Orchard Patrols

Every June to September, the refinery carries out monitoring surveys of tangerine trees along with local farmers.



## Tsurumi Lube Oil Blending Plant

### Firefighting Skill Competitions

The plant participates in annual competitions organized by Tsurumi Ward and Yokohama City in line with a recommendation by the local fire station to improve fire self-defense capability. The plant's firefighting team has performed consistently well, even winning on occasion, and the plant's emergency preparedness activities have been extensively publicized to the local community.



### Community Joint Emergency Preparedness Activities

Mutual trust developed through contact with local businesses is vital for joint emergency preparedness. In 2012, a tsunami drill was conducted involving evacuation to the highest point in the Anzen area, the upper floors of a storage company.



### Lifesaving Seminars

Lifesaving seminars are held for company employees and contractor employees working at the plant with the cooperation of the Tsurumi Fire Station. Participants learn correct procedures for using automated external defibrillators (AED), how to perform CPR and call an ambulance, and how to request assistance. The aim is for employees to acquire genuinely useful skills which can be used not only at the plant, but also in the community.



# Relations with Business Partners

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

## ■ Basic Approach

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

## ■ Relations with Suppliers

The TonenGeneral Group selects suppliers in a fair manner having put in place a set of purchasing rules based on company regulations. Accordingly, tasks related to purchasing agreements are performed from an independent standpoint by the Procurement Services Department, which is in charge of procuring direct and indirect materials, services, and construction work for facilities and operations. Applying the global procurement knowledge, experience and networks acquired in the past within the ExxonMobil Group, we are building a framework that will enable us to carry out procurement operations at the optimal cost for the TonenGeneral Group.

The Group looks for suppliers that can provide a high level of expertise and service on a consistent basis and that aim for additional efficiencies through ongoing improvements. In the selection process, suppliers are comprehensively assessed on price, quality, delivery, technological capability, and supply stability, as well as reliability of compliance in terms of health, safety, the environment, information management and observance of the law. In addition to legal compliance, suppliers are also required to comply with health and safety policies and other elements of our Standards of Business Conduct, just like our employees, and clauses relating to such compliance are incorporated into basic agreements.

\* 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 carried out by the Procurement Services Department.

## ■ Communication with Dealers

Our dealers are important business partners of the TonenGeneral Group. Our sales and marketing divisions for fuels and lubricants jointly hold a Grand Dealer Meeting at the beginning of each year to convey sales policies for the year to our dealers. The EMG, IF and LPG Associations in each region are made up of dealers in that region. The TonenGeneral

Group places great value on two-way communication with each association and ideas and issues emerging through this contact are carefully considered and reflected in the formulation of Group strategies.

## Strengthening Dealer Business Foundations

Having built up strong relationships of trust over the years, the TonenGeneral Group supports efforts by dealers to strengthen their business foundations by providing, in addition to sales promotion programs, a range of programs designed to improve business management. In particular, the Group offers dealers counseling for business plan formulation. This includes business analysis, taking into account anticipated environmental changes and associated difficulties, network analysis, which ties into service station network restructuring, and business model optimization.

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



Training for industrial and wholesales dealers



Training for service station managers (Express University)

## ■ Top-Quality Delivery Service by Contract Carriers

Contract carriers that deliver the Group's products are vital business partners, too. The following training and education activities are implemented for all contract carriers as a way to maintain and raise safety awareness and motivation. In the event of a serious incident, the Group promptly teams up with contract carriers to ensure customer safety and peace of mind.

1. Emergency response training and BCP formulation counseling: Disaster response training and scenario-based case studies for installing alternative organizations and chains of command in emergencies.
2. Application of Smith System driver training to delivery businesses serving the Group.
3. Hosting a truck rodeo competition (national driving skills competition) intended to raise the skills of drivers.
4. Holding an unloading contest for tank truck drivers and a safety awareness campaign.
5. Support for, or joint participation in, training with local authorities and fire departments in the regions where transport companies are located.



# Shareholder Relations

**TonenGeneral Sekiyu maintains a high level of competitiveness and capital efficiency and works hard to increase shareholder value. To ensure that shareholders are apprised of these efforts, we place great importance on shareholder communications and we employ several methods for disclosing information.**

## ■ Basic Approach

TonenGeneral Sekiyu has for many years maintained a basic policy of carrying out accurate, highly transparent and timely information disclosure so that investors can make a fair assessment of the company's worth. TonenGeneral Sekiyu's management team and its Board of Directors believe that communicating with shareholders and providing useful information about the company's performance and future outlook is of the utmost importance.

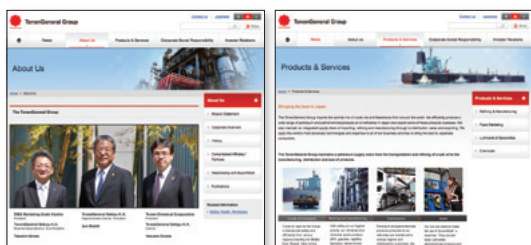
After acquiring ownership of EMG Marketing Godo Kaisha (formerly ExxonMobil Yugen Kaisha) in June 2012 and reviewing the business relationship with Exxon Mobil Corporation and its affiliates, TonenGeneral Sekiyu made EMG Marketing a consolidated subsidiary in the TonenGeneral Group on June 30, 2012. TonenGeneral Sekiyu will continue to make information available in order to clarify the benefits and integration effects resulting from the restructuring of the Group.

## ■ Communication with Shareholders

Communication with shareholders goes beyond the disclosure of information as prescribed in laws and regulations. In addition to annual operating reports, Fact Books, and timely website updates, the Shareholder Brochure sent out twice a year with dividend notices includes information on a range of topics and the latest performance data.



With the shift to a management framework integrating sales and manufacturing functions, the TonenGeneral Group website has been completely revamped. The central concepts of this project were to communicate the Group's business structure in a straightforward manner and to make it easy for visitors to navigate the



website and find information. The website contains a diverse range of information useful to shareholders and other stakeholders, including the latest information for investors and information on service station campaigns. A company overview and other basic information are also provided along with introductions to the many different activities we carry out, including CSR initiatives. Please visit the site, which is updated frequently.

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

In addition to the above activities, TonenGeneral Sekiyu offers a number of opportunities for making information available to securities analysts and institutional investors, thereby communicating the company's financial performance and strategies. These include briefings on financial results, individual meetings and visits to company facilities attended by senior executives. One example is a visit to a service station with an on-site Seven-Eleven convenience store arranged for institutional investors and securities analysts in September 2012. In addition to observation of the TonenGeneral Group's Express self-service station and the on-site Seven-Eleven in joint operation, the event was also an opportunity to inform participants about synergies and advantages for sales divisions generated by the integration of sales and manufacturing, with explanations of programs such as Speedpass and Express Wash and a Q&A session. We believe giving opinion leaders in the securities industry a better understanding of our circumstances through such activities is beneficial for all shareholders.

## ■ Returns to Shareholders

We will continue to maintain a high level of competitiveness and capital efficiency and to focus on our shareholders. Our basic policy on returns to shareholders remains unchanged. We will continue our efforts to provide stable dividends to shareholders based on a long-term perspective without being influenced by fluctuations in our annual earnings.

	(Year)				
	2007	2008	2009	2010	2011
Dividend per share (yen) <sup>1</sup>	37.5	38.0	38.0	38.0	38.0
Dividend yield <sup>2</sup>	3.4%	4.2%	4.9%	4.3%	4.5%

<sup>1</sup> Dividends are ordinarily paid twice a year — an interim dividend paid in September of the said year, following approval by the Board of Directors, to shareholders of record as of June 30; and a year-end dividend paid in March the subsequent year, following approval at the general meeting of shareholders, to shareholders of record as of December 31. For example, the ¥38 per share dividend for 2010 is the sum total of the interim dividend paid in September 2010 (¥19 per share) and the year-end dividend paid in March 2011 (¥19 per share).

<sup>2</sup> Dividend per share divided by the year-end share price.

# GRI Content Index

G3.1 Disclosure	Description	Page No.
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1.2	Description of key impacts, risks, and opportunities.	[P5-10][P21]
<b>2 Organizational Profile</b>		
2.1	Name of the organization.	[P2]
2.2	Primary brands, products, and/or services.	[P3-4][P11-12]
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	[P3-4]
2.4	Location of organization's headquarters.	[P3]
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	[P11-12]
2.6	Nature of ownership and legal form.	[P3-4]
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	[P11-12]
2.8	Scale of the reporting organization, including: <ul style="list-style-type: none"> <li>• Number of employees;</li> <li>• Number of operations;</li> <li>• Net sales (for private sector organizations) or net revenues (for public sector organizations);</li> <li>• Total capitalization broken down in terms of debt and equity (for private sector organizations); and</li> <li>• Quantity of products or services provided.</li> </ul>	[P3-4]
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: <ul style="list-style-type: none"> <li>• The location of, or changes in operations, including facility openings, closings, and expansions; and</li> <li>• Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).</li> </ul>	[P3-4]
2.10	Awards received in the reporting period.	—
<b>3 Report Parameters</b>		
<b>Report Profile</b>		
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3.4	Contact point for questions regarding the report or its contents.	[P2]
<b>Report Scope and Boundary</b>		
3.5	Process for defining report content, including: <ul style="list-style-type: none"> <li>• Determining materiality;</li> <li>• Prioritizing topics within the report; and</li> <li>• Identifying stakeholders the organization expects to use the report.</li> </ul>	[P17]
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	[P2]
3.7	State any specific limitations on the scope or boundary of the report.	[P2]
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	N/A
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	[P24]
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	N/A
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	[P2][P3-4]
<b>GRI content index</b>		
3.12	Table identifying the location of the Standard Disclosures in the report.	[P39-41]
<b>Assurance</b>		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	[P42]
<b>4 Governance, Commitments, and Engagement</b>		
<b>Governance</b>		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	[P18-20]
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	[P20]
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	[P20]
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	[P19][P20]
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	—
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	[P20]
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	—
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	[P3]
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	[P18-20]
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	[P18-20]
<b>Commitments to External Initiatives</b>		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	[P21]
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	—
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> <li>• Has positions in governance bodies;</li> <li>• Participates in projects or committees;</li> <li>• Provides substantive funding beyond routine membership dues; or</li> <li>• Views membership as strategic.</li> </ul>	—



Stakeholder Engagement		
4.14		List of stakeholder groups engaged by the organization. [P17]
4.15		Basis for identification and selection of stakeholders with whom to engage. [P17]
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. [P17][P31-32][P33-34][P37][P38]
4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. —

## 5 Management Approach and Performance Indicators

Economic		
		Disclosure on Management Approach —
aspect: Economic Performance		
EC1	CORE	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. —
EC2	CORE	Financial implications and other risks and opportunities for the organization's activities due to climate change. —
EC3	CORE	Coverage of the organization's defined benefit plan obligations. —
EC4	CORE	Significant financial assistance received from government. N/A
aspect: Market Presence		
EC5	ADD	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation. —
EC6	CORE	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. —
EC7	CORE	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. —
aspect: Indirect Economic Impacts		
EC8	CORE	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. [P35-36]
EC9	ADD	Understanding and describing significant indirect economic impacts, including the extent of impacts. —
Environmental		
		Disclosure on Management Approach [P22]
aspect: Materials		
EN1	CORE	Materials used by weight or volume. [P24]
EN2	CORE	Percentage of materials used that are recycled input materials. —
aspect: Energy		
EN3	CORE	Direct energy consumption by primary energy source. [P24]
EN4	CORE	Indirect energy consumption by primary source. —
EN5	ADD	Energy saved due to conservation and efficiency improvements. —
EN6	ADD	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. —
EN7	ADD	Initiatives to reduce indirect energy consumption and reductions achieved. —
aspect: Water		
EN8	CORE	Total water withdrawal by source. [P24]
EN9	ADD	Water sources significantly affected by withdrawal of water. —
EN10	ADD	Percentage and total volume of water recycled and reused. —
aspect: Biodiversity		
EN11	CORE	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. —
EN12	CORE	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. —
EN13	ADD	Habitats protected or restored. —
EN14	ADD	Strategies, current actions, and future plans for managing impacts on biodiversity. —
EN15	ADD	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. —
aspect: Emissions, Effluents, and Waste		
EN16	CORE	Total direct and indirect greenhouse gas emissions by weight. [P25]
EN17	CORE	Other relevant indirect greenhouse gas emissions by weight. —
EN18	ADD	Initiatives to reduce greenhouse gas emissions and reductions achieved. [P25]
EN19	CORE	Emissions of ozone-depleting substances by weight. [P24]
EN20	CORE	NO, SO, and other significant air emissions by type and weight. [P25]
EN21	CORE	Total water discharge by quality and destination. —
EN22	CORE	Total weight of waste by type and disposal method. [P25-26]
EN23	CORE	Total number and volume of significant spills. [P30]
EN24	ADD	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. —
EN25	ADD	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. —
aspect: Products and Services		
EN26	CORE	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. [P16]
EN27	CORE	Percentage of products sold and their packaging materials that are reclaimed by category. —
aspect: Compliance		
EN28	ADD	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations. [P30]
aspect: Transport		
EN29	ADD	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. —
aspect: Overall		
EN30	ADD	Total environmental protection expenditures and investments by type. —
Labor Practices and Decent Work		
		Disclosure on Management Approach [P33-34]
aspect: Employment		
LA1	CORE	Total workforce by employment type, employment contract, and region, broken down by gender. —
LA2	CORE	Total number and rate of new employee hires and employee turnover by age group, gender, and region. —
LA3	ADD	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation. —
LA15	CORE	Return to work and retention rates after parental leave, by gender. —
aspect: Labor/Management Relations		
LA4	CORE	Percentage of employees covered by collective bargaining agreements. —
LA5	CORE	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements. —

aspect: Occupational Health and Safety			
LA6	ADD	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.	—
LA7	CORE	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities, by region and by gender.	[P29]
LA8	CORE	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	[P29-30]
LA9	ADD	Health and safety topics covered in formal agreements with trade unions.	—
aspect: Training and Education			
LA10	CORE	Average hours of training per year per employee by gender, and by employee category.	—
LA11	ADD	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	—
LA12	ADD	Percentage of employees receiving regular performance and career development reviews, by gender.	—
aspect: Diversity and Equal Opportunity			
LA13	CORE	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	—
aspect: Equal Remuneration for Women and Men			
LA14	CORE	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	—
Human Rights			
		Disclosure on Management Approach	—
aspect: Investment and Procurement Practices			
HR1	CORE	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	—
HR2	CORE	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	—
HR3	CORE	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	—
aspect: Non-Discrimination			
HR4	CORE	Total number of incidents of discrimination and corrective actions taken.	—
aspect: Freedom of Association and Collective Bargaining			
HR5	CORE	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	—
aspect: Child Labor			
HR6	CORE	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	—
aspect: Forced and Compulsory Labor			
HR7	CORE	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	—
aspect: Security Practices			
HR8	ADD	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	—
aspect: Indigenous Rights			
HR9	ADD	Total number of incidents of violations involving rights of indigenous people and actions taken.	—
aspect: Assessment			
HR10	CORE	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	—
aspect: Remediation			
HR11	CORE	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	—
Society			
		Disclosure on Management Approach	—
aspect: Local Communities			
SO1	CORE	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	—
SO9	CORE	Operations with significant potential or actual negative impacts on local communities.	—
SO10	CORE	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	—
aspect: Corruption			
SO2	CORE	Percentage and total number of business units analyzed for risks related to corruption.	—
SO3	CORE	Percentage of employees trained in organization's anti-corruption policies and procedures.	—
SO4	CORE	Actions taken in response to incidents of corruption.	[P30]
aspect: Public Policy			
SO5	CORE	Public policy positions and participation in public policy development and lobbying.	—
SO6	ADD	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	—
aspect: Anti-Competitive Behavior			
SO7	ADD	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	—
aspect: Compliance			
SO8	CORE	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	—
Product Responsibility			
		Disclosure on Management Approach	[P31]
aspect: Customer Health and Safety			
PR1	CORE	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	—
PR2	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	—
aspect: Product and Service Labeling			
PR3	CORE	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	—
PR4	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	—
PR5	ADD	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	[P31]
aspect: Marketing Communications			
PR6	CORE	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	—
PR7	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	—
aspect: Customer Privacy			
PR8	ADD	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	—
aspect: Compliance			
PR9	CORE	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	—



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Note: The English translation of this report, based on the original Japanese version, was developed by the TonenGeneral Group.

## Report on Review Findings

ERM Japan Ltd. (ERM) has reviewed the CSR Report 2012 issued by the TonenGeneral Group. Within the review, ERM has referenced the G3 Sustainability Reporting Guidelines Version 3.1 of the Global Reporting Initiative (GRI) and the Environmental Reporting Guidelines (2012) of the Japanese Ministry of the Environment. The findings of the review are as follows.

1. The information required under each of the guidelines, as stated in the content indices, was confirmed on the corresponding pages of the report.

### 2. Other Observations

The report states that key CSR themes of the TonenGeneral Group are health and safety and energy conservation, and that stakeholders are those who share or understand the Group's mission. These themes are explained in detail in the discussion between the three presidents of the TonenGeneral Group companies, and can be regarded as the basic policy behind the CSR activities which the Group is promoting

under the new Group structure introduced in June 2012. ERM had the impression that the direction for promotion of those activities has been established.

In light of the above, the TonenGeneral Group will be expected to report in next year's CSR Report on the policies for advancing CSR activities, policy promotion frameworks, monitoring and evaluation of these activities, and the activities that were actually implemented across the entire Group. It will be particularly important to report on how current CSR activities differed from earlier activities, why they differed, and how the activities will affect the TonenGeneral Group in the future, as well as, the implications for stakeholders and whether the changes will be beneficial to them.



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