



Environmental **Social &**
REPORT
2005

JAPAN ENERGY CORPORATION

Japan Energy Corporation

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Social & Environmental Report 2005

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Editorial Policy

1. Japan Energy Corporation has been publishing an Environment Report since 2003. From this year we have expanded socially-inclined content and have published this report as the Social & Environmental Report 2005.

2. The triple bottom line of our CSR activities consists of the economic, environmental, and social aspects, and this report focuses on the latter two.

Looking at the economic aspect, for unconsolidated financial information see our website, and for Group financial information see the website of our holding company, Nippon Mining Holdings, Inc., their Business Reports, and their Annual Reports.

■ [Japan Energy Homepage](http://www.j-energy.co.jp/)

<http://www.j-energy.co.jp/>

■ [Nippon Mining Holdings Homepage](http://www.shinnikko-hd.co.jp/)

<http://www.shinnikko-hd.co.jp/>

3. For the structure of this report we have referred to the Ministry of the Environment's Environmental Reporting Guidelines (Fiscal Year 2003 Version), and the Global Reporting Initiative (GRI)'s GRI Sustainability Reporting Guidelines 2002*. For environmental accounting we have referred to the Japan Petroleum Energy Center's Investigation Report on the Introduction of Environmental Accounting in the Petroleum Industry (2002).

* The GRI Guidelines state that when an organization reports on activities or products and services from economic, environmental and social perspectives, it should state clearly how it is contributing toward a sustainable society, and this should be done in a way that is easy to understand for the organization itself and for its stakeholders.

Scope of the Report

1. Period Covered by the Report

This report covers the CSR activities of Japan Energy Corporation for the fiscal year 2004 (April 1, 2004 to March 31, 2005), but also includes part of the post April 2005 period.

2. Companies Covered by the Report

The financial data covers Japan Energy Group consolidated companies. The environmental initiatives (including site data) and environmental accounting cover Japan Energy Corporation and Kashima Oil Co., Ltd. All other areas, except where stated, relate to Japan Energy Corporation (non-consolidated).

Profile of Japan Energy Corporation

Within the Nippon Mining Holdings Group, which has Nippon Mining Holdings as its holding company, Japan Energy Corporation is the core operating company developing petroleum-related business from oil exploration and development to refining and marketing, extending to petrochemicals.

Company name	Japan Energy Corporation
Headquarters	10-1 Toranomon 2-chome, Minato-ku, Tokyo, Japan 105-8407
Founded	December 1905
Established	April 1, 2003
Capital	35 billion yen (as of April 11, 2005) * Fully owned by Nippon Mining Holdings, Inc.
President	Mitsunori Takahagi
Number of employees	2,623 (as of March 31, 2005) * Includes 1,247 employees dispatched to affiliated companies
Main Businesses	Oil & gas exploration, development and production Manufacturing and marketing of gasoline, naphtha, kerosene, gas oil, heavy fuel oil, LP gas, lubricating oils, etc. Manufacturing and marketing of petrochemical products, etc.



JOMO

“Japan Energy Corporation,” our company name, is intended to imply our responsibility to society as one of Japan’s leading companies in the energy industry for ensuring a stable supply of energy. At the same time, it also signifies our “energy” to develop new technologies and to promote new businesses.

“JOMO,” our corporate brand name, is derived from terms the “Joy of Motoring”

and the “Joy of Movement”.

The sphere-shaped graphic element in the JOMO corporate mark represents the “earth,” while the color gradations from blue to green symbolize a “clear and serene global environment of water, grass and trees.” The square graphic element in the top part of the corporate mark represents the “sky above us,” while the color gradation from reddish orange to yellow therein symbolize the “dawn to a new era.” By coordinating these two graphic elements, we intend to express our deep interest as a corporation in the earth and its environment. At the same time, the corporate mark is also intended to express that we are moving towards a “new era.”

Nippon Mining Holdings Group

The former Japan Energy Corporation and Nippon Mining & Metals Co., Ltd., jointly established a holding company, Nippon Mining Holdings, Inc., in September 2002, and made a new start as the Nippon Mining Holdings Group.

The Nippon Mining Holdings Group is unique with its identity in resources and energy, possessing operations with different operational characteristics and stages of growth. The Group’s core businesses are petroleum, resources and non-ferrous metals, electronic materials, and metal fabrication.



Japan Energy Corporation will fulfill its social responsibility through environmentally friendly operations and various social contribution activities.



Our Social Mission

Petroleum has contributed greatly to the development of the Japanese economy as a low-priced, stable source of energy. It is predicted that petroleum will continue to account for a large proportion of Japan's primary energy in the future. With environmental protection and safety as the foundation of our operations, Japan Energy Corporation will contribute to the development of society and the improvement of people's quality of life by maintaining a stable and efficient supply of energy and raw materials primarily in the form of petroleum products, and petrochemicals.

Our Mission – We Create Energy – and our activities

In April 1997, Japan Energy Corporation established its corporate mission, We Create Energy, as well as 5 business principles, Five Pledges for the purpose of achieving this mission. Using the word "Energy" in our corporate name as a keyword, We Create Energy means aiming to create a cohesive and dynamic society, by working through the 3 most important relationships of energy: the energy in people, the energy of the earth, and the energy of society. The Five Pledges address corporate ethics and social contribution; environment and safety; respect for the individuality; the customer-first approach; and profitable growth. These are principles that each director and employee should keep in mind in his or her daily work. Corporations exist within society and as such are citizens, and so in these pledges we also pledge to fulfill our responsibilities as a good corporate citizen. Soon after we established our mission and business principles, the Mission Promotion Headquarters Meeting, with the company president as the director-general, was held monthly, and since reorganization as Nippon Mining Holdings Group, the Corporate Principles Committee has met monthly, chaired by the company president, and through these we have been striving to increase awareness of the mission and the business principles, and to put them into practice. The Committee debates various topics including rigorous legal compliance, as well as issues related to corporate ethics; our approach to top prioritization of environment and safety and associated costs; case studies of corporate scandals; the status of social contribution programs, and so on. In April this year, we held the 100th Corporate Principles Committee. In 2003 we launched the Compliance Committee as a subsidiary body of the Corporate Principles Committee, and we have been striving to further consolidate compliance through

measures such as the establishment of the Basic Compliance Rules in 2004.

Our System for Promoting CSR

Corporate Social Responsibility (CSR) began to appear all over newspapers and magazines around 2002. Japan Energy Corporation is actively involved in CSR activities based on our belief that implementation and promotion of the Corporate Principles are precisely CSR activities. To take this a step further, we established the Corporate Social Responsibility (CSR) Department in January this year as the specialist division to drive all aspects of our CSR activities. The Corporate Social Responsibility Department drives operations in line with the company's triple bottom-line of economy, environment, and society particularly with strong awareness of the environmental and social aspects such as compliance, global environmental conservation, and social contribution.

Our Environmental Protection Activities

Japan Energy Corporation undertakes many initiatives to reduce the environmental load of all operations including the exploration, development and production of crude oil, as well as transportation, refining and marketing. We implement measures for energy conservation, prevention of air and water pollution, recycling and waste reduction, chemicals risk management, and soil contamination countermeasures, with consideration for characteristics of each operation and community in which we operate. As an environmental management system for promoting these continual improvement activities, we have clearly defined our environmental management system and its organization, as well as the role of every committee and the overall environmental audit methodology. In addition to this we have gained ISO14001 certification (the international standard for environmental management systems) at all refineries and plants. In January this year, we began supply of sulfur-free gasoline and diesel fuel, with sulfur content below 10ppm. We are also focusing on R&D for environmental improvement technologies including environmentally-friendly products in the fields of fuel oils, lubricating oils, and petrochemical products and waste plastic recycling. We are also actively involved in R&D for clean energy in preparation for the next generation. As another environmental protection activity, we are involved in conservation of forests, which are carbon dioxide sinks. In April this year, we endorsed the objectives of the Adopt-a-Forest

Promotion Operation promoted by Nagano Prefecture, and concluded an Adopt-a-Forest contract with Hara Village, Suwa District in Nagano. This means Japan Energy is the caretaker of Hara Village's forests, and we provide donation for maintenance of the forests in the village and volunteer employees undertake a part of maintenance activities.

We plan to continue to engage actively in forestry maintenance for global environmental conservation in the future.

Our Social Contribution Activities

Japan Energy Corporation develops a variety of social contribution programs that prioritize the areas of sports and culture, child welfare, welfare of disabled people, and global environmental conservation, and we actively support employee volunteer activities.

The initiative with the longest history among our activities is the JOMO Children's Story Award. Every year we collect original creative stories from the public, provide prizes for good works and compile them in the JOMO Children's Story book, Bouquet of Children's Stories. Last year was the 35th anniversary for this award.

Since 1992 we have been aiming to contribute to social welfare through this Bouquet of Children's Stories, and have had our sales networks purchase copies through the nationwide JOMO Association (the nationwide association of sales networks running JOMO stations) and the nationwide LP Gas JOMO Association (the nationwide association of LP gas sales networks), and the proceeds have been donated to the social welfare organization, Japan National Council of Social Welfare, and used to assist child welfare as the JOMO Scholarship Grant.

We would like to continue these activities permanently in the future. We also, strengthen our sports promotion programs, mainly with JOMO Basketball Clinic activities, and our support activities for disabled people's sports through Click Donation, and so on.

Participation in the UN Global Compact

Japan Energy Corporation was the 5th Japanese company to begin participating in the UN Global Compact in July 2002. Through practice of our Mission and our Business Principles, we are striving to comply with the 10 principles of the UN Global Compact relating to human rights, labor, environment, and anti-corruption. In addition to our global environmental conservation

initiatives, we are running social action programs, in which our employees are volunteers, working with NGOs to help in children's education.

Publication of the Social & Environmental Report 2005

Japan Energy Corporation has published its Environmental Report since 2003, but from this year, we have expanded the contents and are publishing it as the Social & Environmental Report 2005, covering all CSR activities. The content may still be far from sufficient, but we would like to reflect the voices of everyone in the way we manage our CSR, so please allow us to invite all opinions without reservation.

October 2005

Mitsunori Takahagi
President
Japan Energy Corporation

In April 1997, Japan Energy Corporation established our Mission, We Create Energy, and the Five Pledges as our Business Principles. Our Mission, We Create Energy, expresses the direction in which we need to progress, and the form we need to adopt, and expresses the values and mental readiness that should be shared by all directors and employees.

The Five Pledges of the Business Principles indicate the standards of conduct that should be honored by all directors and all employees in order to implement this Mission. They address: Corporate Ethics and Social Contribution; Environment & Safety; Respect for Individuality; the Customer-First Approach; and Profitable Growth. The process of each director and employee carrying out their daily duties with this in mind forms the foundation of the company's Mission and CSR activities.



Our Mission

WE CREATE ENERGY

for a more cohesive and dynamic society.

We activate the natural **Energy in People**,
placing a high value on individual imagination and creativity.

We use the **Energy of the Earth** wisely,
fully aware that the global environment forms the basis for
mankind's present and future existence.

We enhance the **Energy of Society**
by continually improving corporate performance and credibility,
and discharging our responsibility as a corporate citizen to discover
new values and additional areas for growth.

Our Business Principles

FIVE PLEDGES

To achieve our mission, we will:

Communicate openly about our policies, programs and performance, and
always act as a good corporate citizen.

Always give top priority to safety and the environment.

Foster a work environment based on teamwork and a can-do
spirit to offer innovative technologies, products and services.

Accurately identify and fully satisfy the ever-evolving needs of our customers.

Strive to achieve corporate growth through sustainable earnings
in close cooperation with our group of companies.

Implementation of Our Mission and Business Principles

Japan Energy Corporation's initiatives to achieve our Mission are based on a foundation of participation by all directors and employees, and their thoughtfulness and implementation in their day-to-day work. For this reason, we have established individual business principles for each department that fit with the nature of their operations, and each year we specify priority issues to be addressed, and evaluate the status of their implementation twice a year.

Initiatives on company-wide issues such as compliance, global environmental protection, and social action programs are driven primarily by the Corporate Principles Committee and the Compliance Committee.

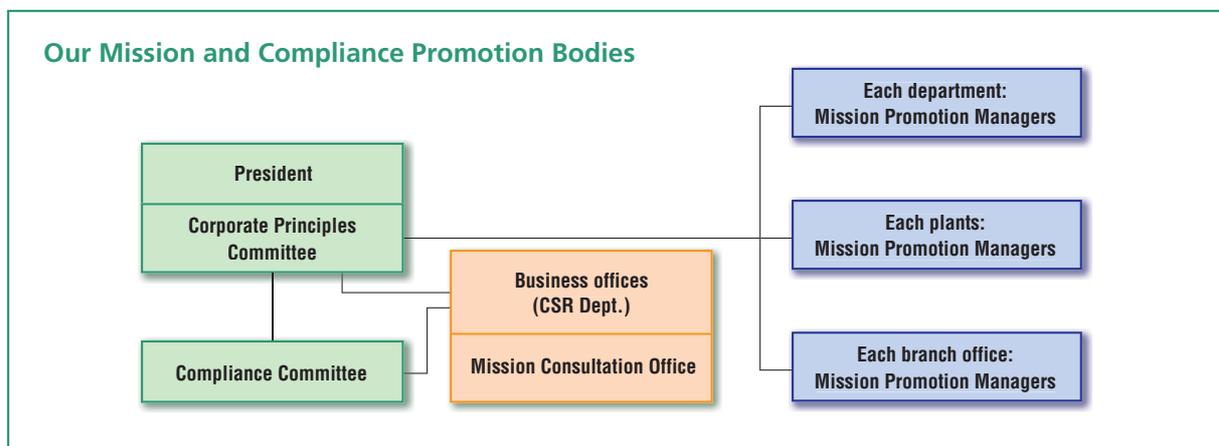
The Corporate Principles Committee is chaired by the company president, and the executive officers in charge of each department are its members. The body meets almost monthly to examine company-wide issues relating to the Mission and CSR, and make decisions on associated policies and actions. Decisions

made here are publicized proactively to the whole company through mission promotion officers in each department.

The Compliance Committee was established as a subsidiary body to the Corporate Principles Committee in July 2003. As the president's advisory body, it is chaired by the vice-president and is made up of the executive officers in charge of each department, the head of the Auditing Department, the General Administration & Public Relations Department, the Legal Department, and the Human Resources Department. The Committee meets twice a year.

The business offices of the Corporate Principles Committee and the Compliance Committee are both run by the Corporate Social Responsibility Department.

We opened the Mission Consultation Office in June 2001 as part of the efforts to promote our Mission. This body responds to questions, opinions and doubts related to the Mission raised by employees, and also functions as a corporate ethics hotline.



Corporate Governance

In June 1999, we separated the functions of management and execution of duties by introducing an executive officer system with the objective of increasing the efficiency of management and the transparency of our system of accountability. We also reorganized the Executive Committee and established the Board of Operating Officers and simultaneously abolished the Board of Executive Officers.

We are striving to further improve the efficiency and transparency of management. We have established the Corporate Principles Committee that meets every month, chaired by the president, and other advisory bodies at the highest level of management that give specialist consideration to company-wide issues including the Strategic Committee and the Monthly Performance Review Committee.

Participation in the United Nations Global Compact

The United Nations Global Compact (Below referred to as GC) is a movement proposed by UN Secretary-General Annan at the World Economic Forum held in Davos, Switzerland, in January 1999, and relates to the social responsibility of corporations. The aims of the GC are a good fit with our Mission, so in July 2002 we became one of the first Japanese corporations to announce our participation in the GC. We also participated from the outset in the Japanese body of participating corporations, the Global Compact Japan Network, launched in December 2003.

The spirit of the 10 principles in the 4 areas of human rights, labor, the environment, and anti-corruption proposed by the GC are encompassed within our Mission and we are complying with those 10 principles through the practice of our Mission and Business Principles.

Our Mission Guidebook, published in February 2002, contains sections on prohibition of unfair discrimination; environmental protection; clean relations with politicians, government and other public offices, and public officials; and prevention of child labor and forced labor, and this document was proactively publicized to all employees. In May 2004 we consolidated these ethics as rules in the Basic Compliance Rules, and have been striving to achieve comprehensive compliance with them.





Sales volumes of fuel oil in fiscal year 2004 increased 2.7% on the previous year to 29.62 million kiloliters. Product prices rose greatly due to the sharp rise in crude oil prices. Sales volumes of petrochemical products decreased, but their prices increased due to stronger demand in Asia. Sales volumes in LP gas and lubricating oils increased, as did their prices.

As a result, Japan Energy Group's net sales increased 13.4% on the previous year to 1,986.3 billion yen, and income before special items increased 144.3% to 87.8 billion yen on the back of profit growth due to the influence of inventory valuation after the appreciation in crude oil prices, as well as being supported by a good demand environment and improved market prices for petrochemicals.

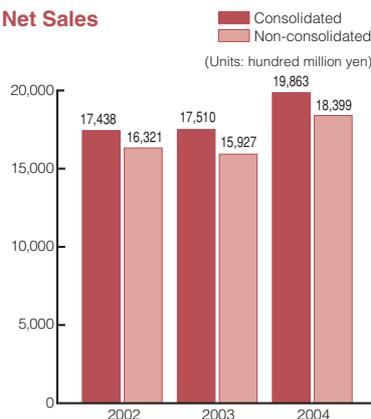
Financial Highlights (consolidated and non-consolidated)

Primary Affiliated Companies

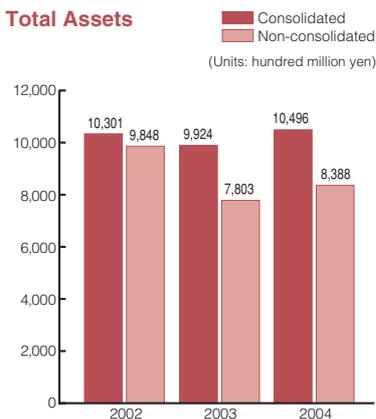
Japan Energy Development Co., Ltd.
 NMC Pearl River Mouth Oil Development Co., Ltd.
 Southern Highlands Petroleum Co., Ltd.
 Abu Dhabi Oil Co., Ltd.
 United Petroleum Development Co., Ltd.
 Kashima Oil Co., Ltd.
 JOMO-NET Sapporo Co., Ltd.
 JOMO-NET Tohoku Co., Ltd.
 JOMO-NET Kita-Kanto Co., Ltd.
 JOMO-NET Nishi-Tokyo Co., Ltd.
 JOMO-NET Higashi-Tokyo Co., Ltd.
 JOMO-NET Minami-Kanto Co., Ltd.
 JOMO-NET Tokai Co., Ltd.
 JOMO-NET Kyoto Co., Ltd.
 JOMO-NET Kansai Co., Ltd.
 JOMO-NET Sanyo Co., Ltd.
 JOMO-NET Kyushu Co., Ltd.
 J-Quest, Inc.
 JOMO Retail Service Co., Ltd.
 JOMO Sun Energy Co., Ltd.
 Japan Energy (Singapore) PTE., Ltd.
 Nikko Liquefied Gas Co., Ltd.
 KYO-Pro Co., Ltd.
 JOMO-PRO Kanto Co., Ltd.
 Petrocokes Ltd.
 Nissho Shipping Co., Ltd.
 Nippon Tanker Co., Ltd.
 Nichiyu Consulting and Engineering Co., Ltd.
 JOMO Enterprise Co., Ltd.
 JOMO Support System Co., Ltd.
 Irvine Scientific Sales Co., Inc.
 Nikko Real Estate Co., Ltd.

(As of March 31, 2005)

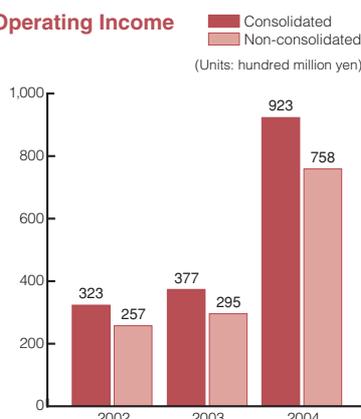
Net Sales



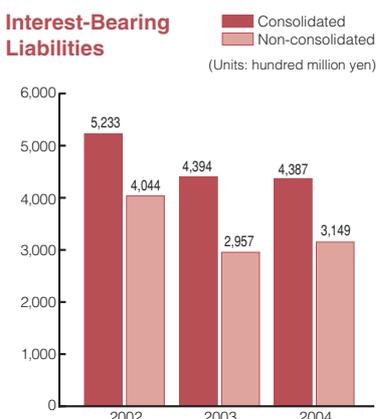
Total Assets



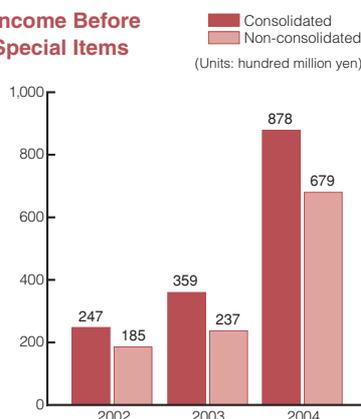
Operating Income



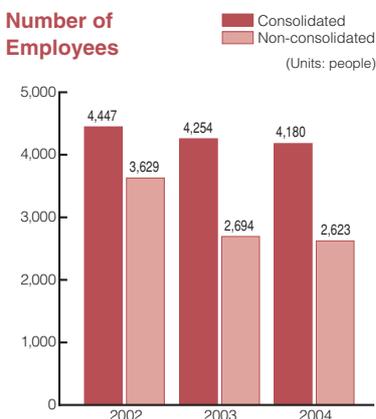
Interest-Bearing Liabilities



Income Before Special Items



Number of Employees



* The figures shown are rounded down if they are less than 100 million yen.

* These are the non-consolidated results of Japan Energy Electronic Materials Inc., for FY2002 (the year ended March 2003).

* Numbers of employees on a non-consolidated basis include employees dispatched to affiliated companies.

2005-2007 Medium-Term Management Plan

Nippon Mining Holdings Group set a medium-term management plan covering the period from 2005 to 2007 and the whole Group is working toward achieving its objectives. Japan Energy Group will also be implementing various policies to achieve the objectives of the plan that relate to the petroleum business.

The Income Before Special Items posted in Japan Energy Group's financial accounts for FY2004 had already achieved the target for FY2006 set in the previous medium-term management plan (FY2004 to FY2006). We see this as being due to the cost-reductions resulting from structural reforms, and the good operational environment.

In the current medium-term management plan (FY2005 – FY2007), we have stepped up our earnings base to secure a high level of earnings in response to the changing environment of the future. In addition to strengthening the competitive power of our existing businesses, we will strive to further reinforce our business structure by expanding our businesses as a growth strategy for the future. We will also actively promote CSR activities and other management issues.

Japan Energy Group's Medium-Term Management Plan

(1) Basic policy

- Reinforcing the competitiveness of our existing businesses
- Realization of a growth strategy
- Promoting CSR activities and dealing with other management issues

(2) Important issues

Reinforcing the competitiveness of our existing businesses

Refining Division

- Early realization of the e-Refinery initiative
 - Mizushima: Making it bottomless
 - Kashima: Increase added value through linkages in the industrial complex
 - Chita: Strengthen competitiveness of petrochemical business through investment in energy conservation, and other actions.
- Bring our refineries into the top echelon of cost-competitiveness in Japan

Retail Division

- Reinforce competitiveness by improving earnings from car maintenance, etc.

Growth Strategy

Increase profitability through large-scale capital investment

- Increase production of aromatic compound products

Promote resource development

- Promote development of Sanrikuoki and Iburioki gas fields

Promote new businesses

- Fuel cell business

Financial targets for FY2007

Net sales:	1,910 billion yen
Operating Income:	70 billion yen
Income Before Special Items:	65 billion yen

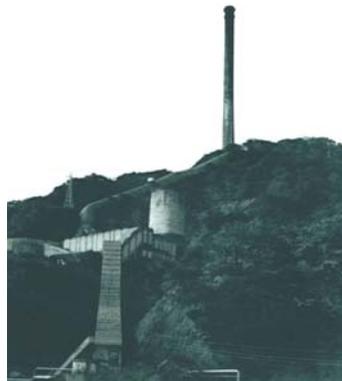
Principles of Environmental Protection

Japan Energy Corporation has prepared the Principles of Environmental Protection based on the section of our Mission that states “we use the energy of the earth wisely”, and the section of our Business Principles that states “always give top priority to safety and the environment”, and we are promoting initiatives to protect the environment, reduce environmental loads, and tackle global environmental problems.

Principles of Environmental Protection

1. We will strive to give consideration to the environment and prevent pollution in all of our operations.
2. So that we use resources wisely, we will strive to promote recycling and efficient use of the energy.
3. We will comply with all related laws and strive to secure environmental levels that generate trust in the community.
4. We will make efforts in the R&D of environmentally friendly products and technologies and contribute to improvement of the global environment.

The Origin of the Initiatives

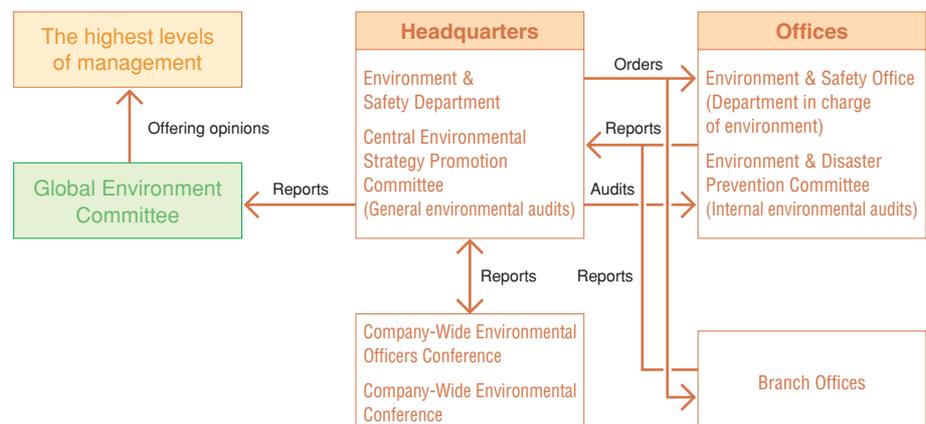


Our environmental initiatives can be traced back to when our predecessor organization, Kuhara Mining Co., invested a large sum of money to construct the Giant Stack to avoid air pollution from the Hitachi Mine in 1914. At the time, every company involved in copper ore mines and the smelting industry, which could be said to be the origin of Japanese industry, was agonizing over the battle with smoke pollution. After much trial and error, the final decision was to construct the world’s highest smokestack.

Environmental Management System

Environmental Management System and its Organization

The roles and general environmental auditing methods of the company-wide environmental management system and its organization, as well as each committee, are clearly laid out in the environmental protection rules, the outline, etc., and we are promoting environmental protection activities.



* ISO:
International Organization for Standardization
ISO14001:
The international standard for environmental
management systems

Systematic, Continual Environmental Improvement Activities

The environmental protection rules are the basis for our environmental improvement activities. In particular, we obtained ISO14001* certification at our refineries and plants by 1999, and we have been systematically and continually engaging in environmental improvement activities such as energy conservation, recycling and waste reduction, air and water pollution prevention, etc., with consideration given to the particular type of operations and regional characteristics of each site.

Status of ISO14001 Certification

	Mizushima	Chita	Funakawa	Sodegaura	Kawasaki	Kashima
Date of certification	1999.2.26	1999.3.5	1998.11.27	1998.3.18	1999.5.21	1999.3.12
Certifying institution	LRQA	JQA	LRQA	LRQA	JQA	JQA
Certification number	772494	JQA-EM 0353	771917	771512	JQA-EM 0427	JQA-EM 0373

Auditing System

In order to appropriately implement and maintain our environmental management system, we receive regular inspections from ISO certification institutions, and we conduct internal environmental audits based on the outline for internal auditing.

We improve any problem that pointed in the inspections and audits immediately, and verify the results of improvement in the follow-up inspections.



An on-site presentation in a TPM activity



Presentation ceremony for the JOMO Oil Master certificate

Education

Japan Energy Corporation considers environmental education to be the first step of environmental management.

We conduct educational programs as needed on environmental management relating to reducing environmental loads from production activities in the manufacturing division, and on deepening knowledge and improving technology for reducing the environmental loads of products in the marketing division.

At our refineries we are devoted to TPM activities (Total Productive Maintenance: productive maintenance with the participation of all employees). Due to the fact that environmental improvement initiatives are critical in these activities, we have been conducting environmental education programs, as well as devoting our energies to promoting acquisition of environmental-related qualifications that we have been working towards for some time.

The Sales Division, together with the dealerships and sales companies that run the service stations, has introduced the TACS^(*1) Program and the JOMO Lube Power-Up Program^(*2) to improve automobile fuel efficiency and reduce exhaust gas, and is conducting educational programs on providing customers with high-quality fuel, the most appropriate lubricating oil, and suitable maintenance.

(*1) TACS

This is an acronym of Top of Area to Customer's Satisfaction, meaning stores that provide top-level customer satisfaction in each region.

(*2) JOMO Lube Power-Up Program

This is a system of education and qualification for the purpose of improving product knowledge and management skills relating to sales of lubricating oils. Those who complete the program are awarded the qualification of JOMO Oil Master. It has received accreditation from the Health, Labor and Welfare Ministry's Business Career System.

Topics



Wind power generation facilities
Opened in March 2005, at the Kashima
Oil Refinery. Japan Energy Group's
second such facility.

Prevention of global warming is an urgent issue that the world must tackle as a whole. As part of this, Japan Energy Corporation has been engaged for some time in energy conservation in an attempt to reduce emissions of carbon dioxide, a greenhouse gas. In the future we aim to be at the forefront of the industry in reducing energy unit consumption, an issue on which the petroleum industry is currently focusing. We are endeavoring to reduce fuel consumption in the production processes and the transportation stage of our refineries and plants, while also striving to improve the fuel efficiency of automobiles by developing sulfur-free gasoline and gas oil, high-quality lubricating oils. In addition, we will work to prevent global warming through actively participating in funds that invest in overseas clean development mechanisms (CDMs)^(*1) in future.

The Kyoto Protocol came into effect in February this year. Japan is committed to achieving average greenhouse gas emissions between the fiscal years 2008 and 2012 at 6% (CO₂ equivalent) below fiscal 1990 levels.

The Kyoto Protocol recognizes clean development mechanisms, joint implementation^(*2) and emissions trading^(*3) as Kyoto Mechanisms for reducing greenhouse gases.

(*1) Clean development mechanisms (CDM)

Arrangements where advanced nations and developing nations implement energy conservation projects together and greenhouse gas reductions are transferred between them.

(*2) Joint implementation (JI)

Arrangements where advanced nations implement energy conservation projects together and greenhouse gas reductions are transferred between them.

(*3) Emissions trading

An arrangement where advanced nations trade emissions (including reductions from (*1) and (*2) above)

Energy Conservation at Refineries



Boiler waste heat recovery equipment

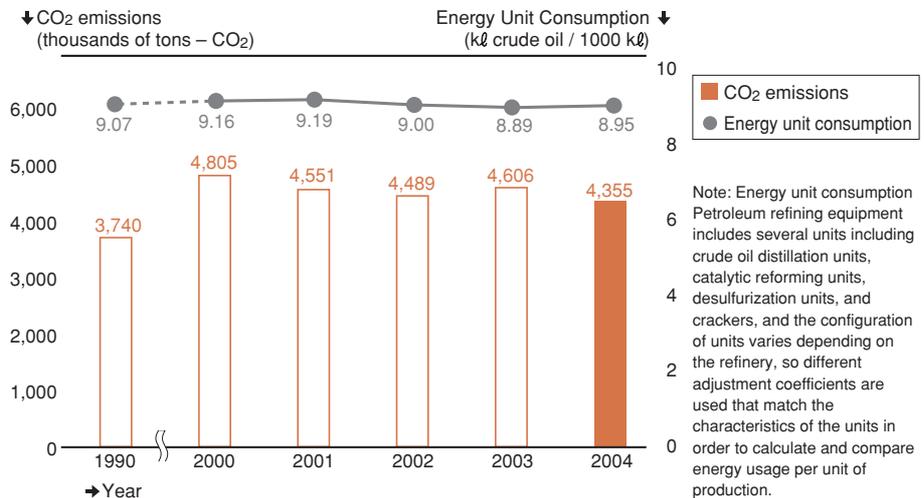
Carbon dioxide is emitted from refineries by combustion of fuel in the furnace during the process of crude oil treatment, and by the reforming reactions in the hydrogen production process. There have been several causes of increased fuel usage at refineries, such as the increase in crude oil treated, introducing deep desulfurization of diesel fuel, and lowering the benzene and sulfur contents of gasoline, but we have been keeping on saving energy by recovering waste heat, heat recovery using heat exchangers, reducing steam loss, and so on.

Due to the influence of accidents, etc., our energy unit consumption^(note) in FY2004 remained approximately equal to the previous year despite making efforts to reduce it such as improving our steam reforming units.



Liquefied carbon dioxide units
Carbon dioxide gas released from the refinery is collected and purified, and liquefied carbon dioxide is produced.

Amount of carbon dioxide (CO₂) released and energy unit consumption



Energy Conservation in the Transportation Division

Transportation of petroleum products can be broadly divided into land transportation and sea transportation. In land transportation tank lorries and tank cars (railway) are used, while in sea transportation coastal tankers are used.

We improve the efficiency of product transportation by increasing the size of the tank lorries and coastal tankers, and we are cutting the amount of fuel used for transportation year by year.



A large tank truck (trailer-style)

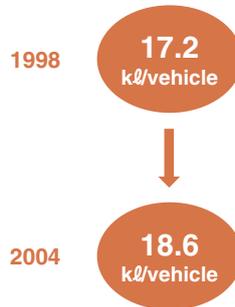
Land Transportation

By increasing the size of tank trucks used to deliver to service stations, we have increased the amount transported per delivery, and cut fuel usage by reducing the number of trips required.

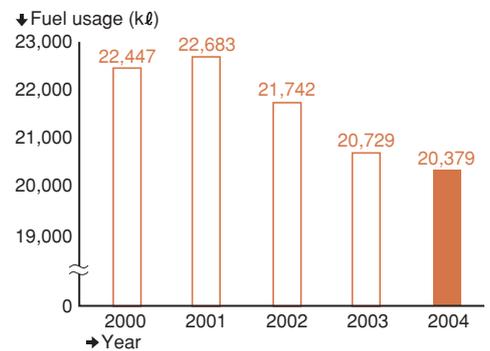
● Increased size of tank trucks



Average capacity



Annual fuel usage for tank trucks



A large coastal tanker – Nittan Maru No. 21

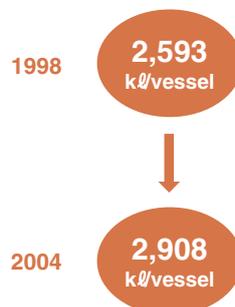
Marine Transportation

We have improved transportation efficiency by increasing the size of coastal tankers to cut fuel usage.

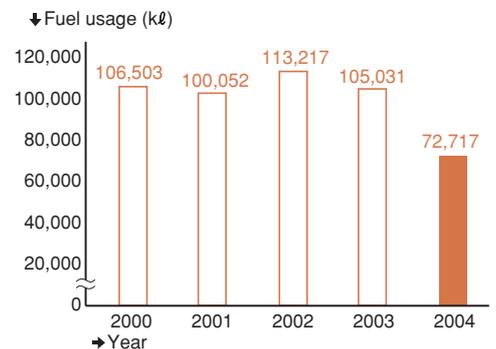
● Increased tanker size



Average ship size



Annual marine fuel usage



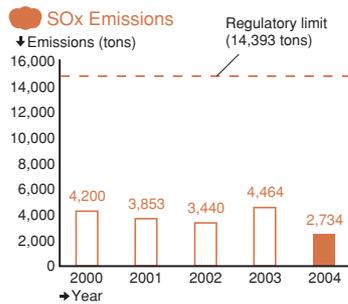
While crude oil accepted by the refinery is refined to produce various petroleum products, pollutants such as sulfur oxides, nitrogen oxides, soot and dust are generated from the furnace, boiler, and desulfurization units. We implement various environmental strategies to prevent these pollutants leading to air pollution.

Sulfur Oxides (SOx)

We mainly use gas with low sulfur content and low-sulfur heavy fuel oil as fuel in our furnaces and boilers. In some of our units we have set up tail gas treating equipment, and have realized emissions 35% below regulatory limits.



Sulfur recovery and tail gas treating unit

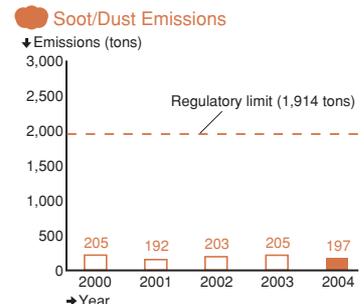


Soot and Dust

Refinery furnaces and boilers use more fuel gas than heavy fuel oils, so their combustion generates little soot and dust. In boilers that use a larger amount of heavy fuel oil, we set up electrostatic precipitators to reduce emissions. As a result we have achieved emissions 15% below regulatory limits.



Electrostatic precipitators

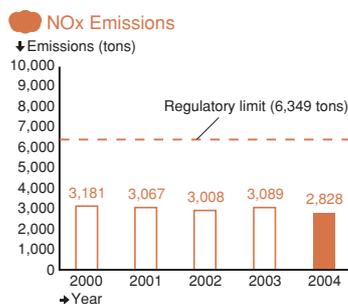


Nitrogen Oxides (NOx)

We use fuel with low nitrogen content in our furnaces and boilers. We have suppressed nitrogen oxide generation by using burners with improved combustion characteristics, and have set up flue-gas denitration equipment in some units, resulting in emissions 55% below regulatory limits.



Flue-gas denitration equipment

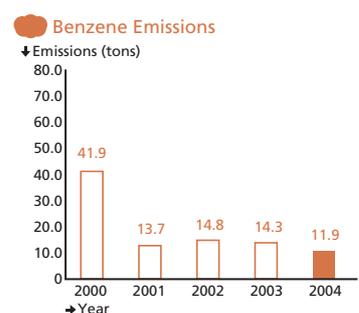


Volatile Organic Compounds (VOC)

To prevent release of volatile organic compounds (naphtha, benzene, toluene, and xylene contained in gasoline, etc.) into the atmosphere, we have rebuilt the tanks with floating roofs and set up vapor recovery facility in the offloading units. Using this preventative strategy, benzene emissions have been decreasing year by year.



Hydrocarbon Recovery Facility



Topics

The Kashima Oil Refinery has been actively participating in the Council for Voluntary Management of Benzene in the coastal area of Kashima, and in November 2004 this council was granted an award by the Ministry of the Environment for meritorious service in the protection of the atmospheric environment (division for organizations) at the Air Pollution Prevention Promotion Month awards ceremony.

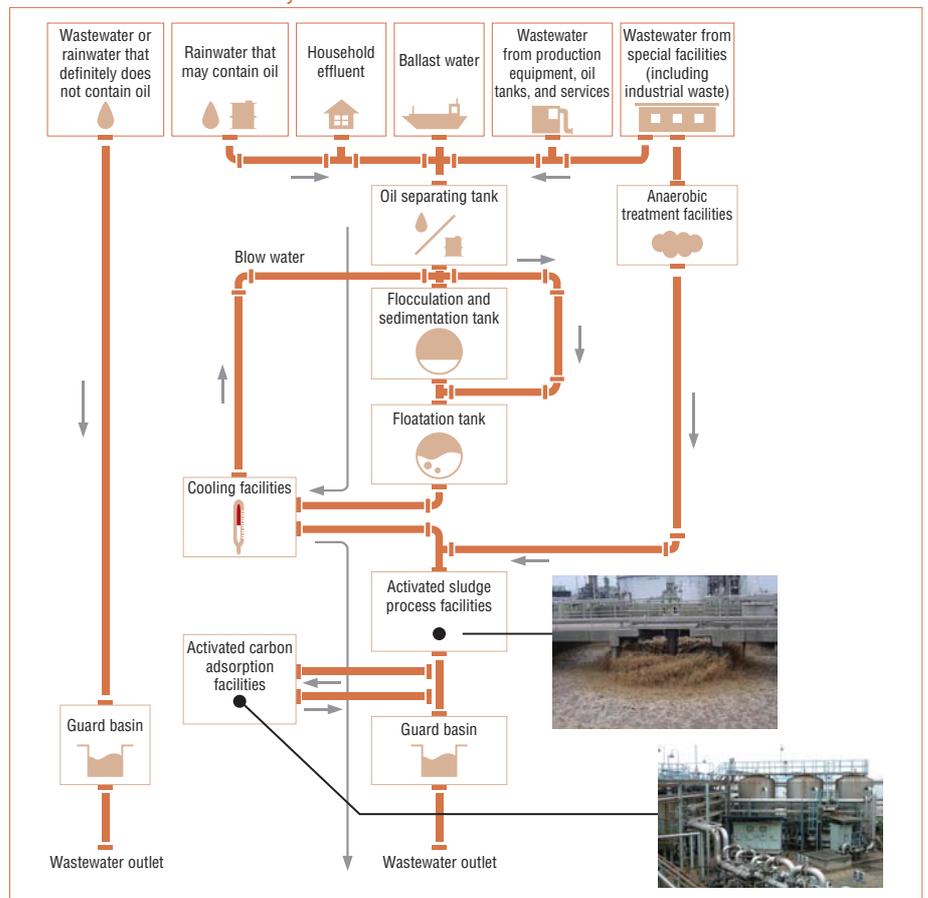
Wastewater Management at Refineries and Factories



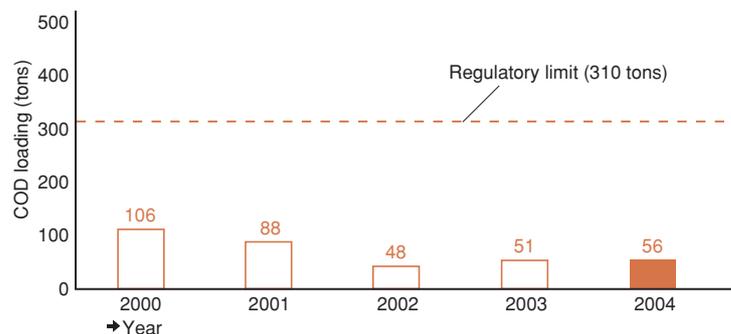
Wastewater treatment facilities

There are two types of wastewater from manufacture of petroleum products. One of them is flow down water from cooling tower that does not contain oil, or wastewater that contains oil and sludge. These wastewaters are separated by each individual system, and wastewater that contains oil is treated in activated sludge treatment facilities and activated carbon adsorption facilities. We manage wastewater as appropriate depending on indicators such as the chemical oxygen demand (COD) that express the degree to which wastewater is polluted. These indicators change depending on the amount of wastewater, etc., and we are endeavoring to cut back on this.

Polluted Water Treatment System



COD sludge loading



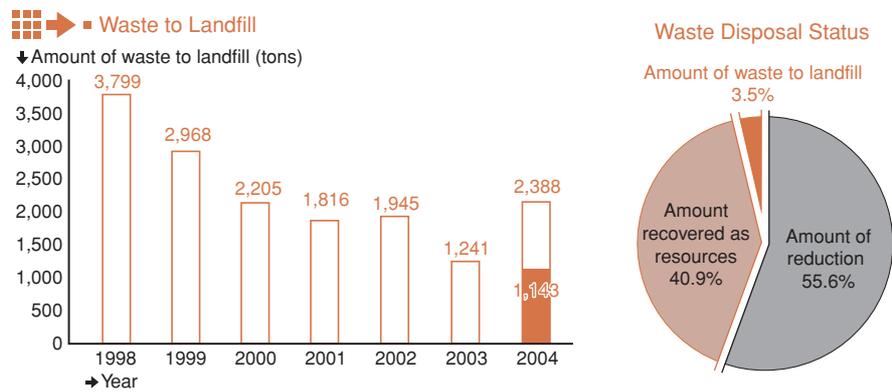
(The Kashima Oil Refinery is excluded because its waste is treated at Ibaraki Prefecture Kashima Sewerage Office's Fukushima Treatment Plant)

Waste reduction and chemicals management in refineries and factories are important initiatives for regional environmental protection.

Recycling & Waste Reduction Initiatives

Wastes generated at refineries include waste oil and sludge, ooze, spent acid, waste alkalis, dust collected from electrostatic precipitators, used solvents, and construction waste. We reduce the volume of some of these wastes using intermediate treatments such as oil recovery for waste oil and sludge, dehydration and incineration for ooze, and so on. We are also devoted to resource recovery methods such as re-refining waste oil, using ooze and collected dust as cement material and roadbase, and separation of construction materials.

Due to the impact of typhoons unexpected waste (1,245 tons) was generated in FY2004, and our waste to landfill increased, but we increased the proportion of waste we put to good use up to 96.5%.



Chemical Risk Management

Among the chemical substances used at refineries that are prescribed in the PRTR Law (Pollutant Release and Transfer Register Law: the Law Concerning the Reporting of the Release into the Environment of Specific Chemical Substances and Promoting Improvements in Their Management), the substances discharged or moved are the 10 types shown in Site Data (P36-P41), and we also store and manage PCBs (Polychlorinated Biphenyls) appropriately.

Strategies against Soil Contamination

We undertake studies to systematically search for soil contamination in the land where our refineries, factories, oil tanks, service stations and other company owned land are located. In FY2004 we completed the backfilling works being conducted since 2000, of areas where the soil contained oil content at the site of the former Funakawa Oil Refinery.



Backfilling works at the former Funakawa Oil Refinery



After completion of backfilling works at the former Funakawa Oil Refinery

We have produced a large lineup of products with reduced environmental loads to improve the environment at the stage where our customers use petroleum products.

Environmental Friendliness of Fuel Oil



Sulfur-free gasoline production units



JOMO station shop front posters

The Company offers environmentally friendly products that contribute to reduced emissions of carbon dioxide, which causes global warming, and reduction of toxic substances in exhaust gases.

Gasoline

- Premium gasoline

The company's premium gasoline, GP-1 Plus, has environmentally beneficial effects over regular gasoline such as better fuel economy due to its high-octane value, and better internal engine cleanliness due to addition of cleaning agents.

We have also been supplying sulfur-free gasoline with sulfur content less than 10ppm since May 2002, ahead of the regulations.

- Regular gasoline

We have been supplying sulfur-free gasoline with sulfur content less than 10ppm since January this year, ahead of the regulations.

When the sulfur content in gasoline is high, the catalytic performance of the vehicle's exhaust gas purification equipment deteriorates, and energy is used to regain this performance. Sulfur-free gasoline reduces the deterioration of the catalyst, contributing to reduced carbon dioxide emissions.

- Reducing benzene content

Since January 2000, we have reduced the content of benzene, a carcinogen, in our gasoline from 5% to 1% of the former values.

- Reduced vapor pressure

We have reduced vapor pressure to below 65kPa to suppress generation of summertime photochemical smog.

Diesel Fuel

Leading the regulations, we have been supplying sulfur-free diesel fuel with sulfur content less than 10ppm since January this year.

There is a demand for diesel particulate filters (DPF) in diesel cars to improve the atmospheric environment. Sulfur free diesel fuel is required to realize and maintain the good performance of these DPFs.

To reduce particulate matter (PM) and sulfur oxides released from diesel vehicles, we have sequentially reduced the sulfur content of diesel fuel to below 0.5% (1976), 0.2% (1992) and 0.05% (1997).

Environmental Friendliness of Lubricating Oils



JOMO DELSTAR DH-2



JOMO GE Power Oil

The Company, with its environment-friendly long-life and superior-biodegradable products, has contributed to energy conservation in automobiles and industrial machinery.

With the motto of "to be gentle on people, environment, and resources", we have been making efforts to research and develop environmentally friendly lubricating products. Responding to the further global environmental requirements, we put the JOMO ECO Series to the market in February 2004.

ECOシリーズ



Lubricating Oils for Automobiles

- JOMO DELSTAR DH-2 A low ash diesel engine oil suitable for every diesel engine, especially for those adapted exhaust gas regulation with DPFs. It has confirmed to the DH-2 standard (An engine oil standard made for trucks, buses, etc., with DPFs installed by the Japan Automobile Manufacturers Association, Inc., and the Petroleum Association of Japan).

- JOMO CNG Oil A performance-oil made for engines that use Compressed Natural Gas (CNG) and Liquefied Petroleum Gas (LPG), with superior oxidation stability. It is also low ash content and is the highest grade long-drain gas engine oil that cuts down on post-combustion deposits, contributing to lower maintenance costs.
- JOMO GE Power Oil

Environmental Friendliness of Lubricating Oils (continued)



JOMO DREAMER Series



JOMO Bio Hydro

- **JOMO DREAMER Series** We have developed the super-efficient, environmental-performance-conscious 0W-20 engine oil and increased the environmental performance. The existing products, 0W-30, 5W-40, and 10W-40 have all obtained the American Petroleum Institute's (API) highest grade (the SM Grade).

Industrial Lubricating Oils

- **JOMO Bio Turbine** 100% synthetic lubricating oils JOMO Bio Series have excellent oxidative stability and biodegradability, so if it leaks accidentally, the influence on water and soil will be reduced.
- **JOMO Bio Hydro**
- **JOMO Bio Transformer**
- **JOMO Bio Grease EP** We have obtained the Eco-Mark for all of these products.

Refrigeration Lubricants

We are the leading supplier of synthetic polyol ester based refrigeration lubricants as chloro-fluorocarbons (CFCs) alternative and these products now make up the largest world market share. We also led the industry in developing CFC-free refrigeration lubricants, and we are the dominant in Japanese market.

Environmental Friendliness of Petrochemical Products

Topics



The sixth ozone protection and global warming prevention grand prix, examination committee special prize

In recognition of our contribution* to the reduction of 1,1,1-trichloroethane, an ozone-destroy substance, we were awarded "the sixth ozone protection and global warming prevention grand prix, examination committee special prize" in September 2003.

* Trial calculations indicate we achieved approximately a 50,000 ton/year reduction.

This is equivalent to roughly 25% of the peak demand (FY1993) for 1,1,1-trichloroethane.

The Company supplies environmental products such as industrial detergents used as substitutes for chlorinated detergents, and non-aromatic naphthenic solvents. We also succeeded in practical implementation of TS paraffin (normal paraffin used as a latent heat storage agent) which contributes to carbon dioxide reduction and energy conservation. This year we also commercialized naphthalene-free high-boiling point aromatic solvents.

NS Clean

Hydrocarbon type cleaner with excellent washing power, dehydrating ability, and reusability for removal of metal processing oil, particulate, water, etc. Used as a substitute for chlorinated detergents.

EM Clean

Highly soluble hydrocarbon detergent, which performs well removing hardly soluble substances from pitch and wax to urethane and epoxy resin. Can be used to complement NS Clean as a substitute for chlorinated detergents.

Nikko White

Highly biodegradable, low-smell cleaning agent, which does not contain aromatic hydrocarbons like toluene and xylene, which are atmospheric pollutants.

Cactus Solvent

Highly biodegradable, low-smell industrial solvent product, which does not contain aromatic hydrocarbons, which are atmospheric pollutant. Naphthenic industrial solvents and industrial volatile oil products have characteristics including non-normal hexane, low benzene, low aromatic, and naphthalene-free.

TS Paraffin (normal paraffin used as a latent heat storage agent)

Currently used in the field of construction materials, but in future it may be applied in the fields of construction, automobile air-conditioning, fibers, and so on, as energy conservation gains momentum.

Environmental Friendliness of LPG

Topics

Fuel Cells

In January 2005, at the Kawasaki LPG base, we began full-fledged implementation of a LPG-reforming type stationary fuel cell system.



LPG-reforming type stationary fuel cell system

Topics

Our Submissions to ENEX 2005 – The 29th Energy & Environment Exhibition

We submitted our LPG-reforming type stationary fuel cell system, hydrogen leak monitoring system, as well as the TS Paraffin and some others. We also gave panel-board and video presentations on our work on organic hydrides, which are a technology for the storage and supply of hydrogen for fuel cells, and wind power generation, etc.



Topics

Large-Scale Stationary Fuel Cell Trial Operations

We participated in the large-scale stationary fuel cell field trials started by the New Energy Foundation (NEF) this financial year. In the first half of this year we set up 12 fuel cells in general households and we are in the process of collecting operating data. We plan to set up an additional 18 in the second half of the year, and plan to install 150 over the 3 years to FY2007.

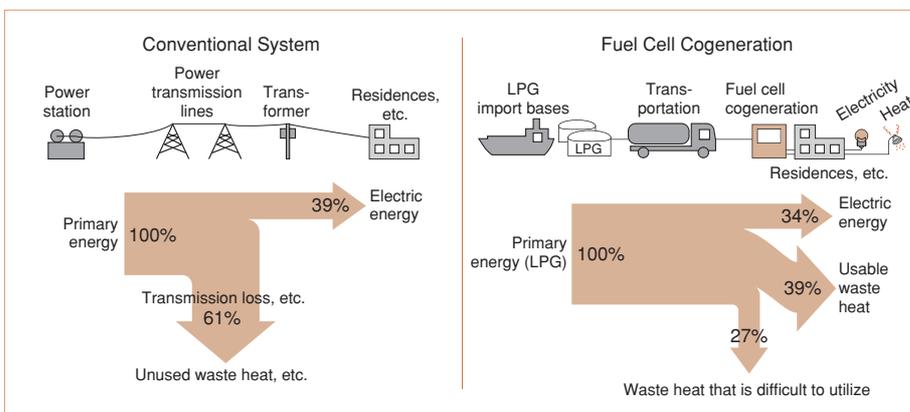
LPG is a weaker greenhouse gas than other fuels, and like natural gas it is a gaseous energy with a small environmental load. The energy supply and demand outlook for Japan up to 2030 sees demand for LPG rising as highly-efficient cogeneration systems and LPG vehicles become more numerous.

The Company is promoting LPG to the community as a clean energy, and is striving for the expansion of clean cogeneration fuel cells and LPG vehicles.

Dispersive Power Generators

Fuel cells and other cogeneration methods involve decentralized power generation, so energy loss is low, and are expected to contribute to energy conservation and reduced carbon dioxide. LPG, with its excellent portability, is the focus of much attention as an energy source for decentralized power generators that are predicted to increase dramatically in popularity. LPG demand is forecast to grow.

The Company has been working to promote the popularization of gas engine cogeneration (ECOWILL), general sales of which have already begun, and we are expanding field trials of fuel cell at LPG bases and the homes of employees. Starting in FY2005, we participated in a large-scale trial operations of stationary fuel cells, and have been promoting initiatives in lead up to the anticipated fuel cell era.



A model comparing the energy efficiency of the previous system and the decentralized system.

Low-Pollution LPG Vehicles

LPG vehicles do not contain black smoke and suspended particulate matter (SPM) in their exhaust emissions and their popularization is being pushed by national and regional governments as next-generation low-pollution vehicles with low levels of nitrogen oxide and hydrocarbon emissions.

The Company is actively engaged in promoting the popularization of LPG vehicles, for instance by implementing the system to support introduction of LPG vehicles within the JOMO Group since 1996, and we have steadily increased the number of vehicles in the Group year by year.

We cooperate with the franchisees of our service stations in efforts to recycle waste, reduce the amount of wastewater that results from cleaning cars and washing sites, prevent soil contamination, prevent release of vapors of gasoline, etc., and so on.

Initiatives to Reduce Environmental Loads

*3R:
 Reduce: suppressing waste generation
 Reuse: reusing waste appropriately
 Recycle: appropriate recycling of waste



Water recycling car wash machine



Car wash water recycling equipment

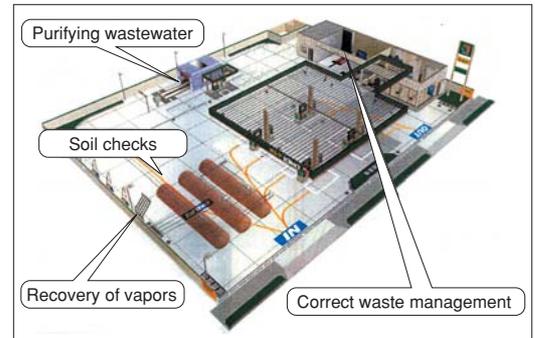
Waste Recycling

We promote the 3R* approach for used tires and oil, and other wastes.

Purifying Wastewater

All wastewater collected from the surface of the sites is collected in the oil separating tanks where the oil content and the sludge are removed. At service stations where car washing is common, a lot of water is used, so we have installed recycling equipment and we are using water resources effectively by economizing on water usage in car washes.

Dealing with the Environmental Loads of Service Stations

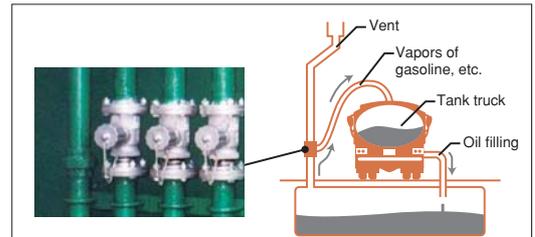


Preventing Soil Contamination

We systematically undertake oil pollution studies at service stations owned by Japan Energy to prevent soil contamination. We organized a comprehensive support system for soil protection around the underground tanks at service stations, called Japan Soil Solution Group (JSSG), and began providing support in November 2004. This is based on the results and experience from soil pollution risk control measures in our service stations, and is meant to support service stations not owned by us in consistent soil protection activities ranging from equipment and soil studies to soil restoration, aiming to prevent environmental burdens in advance at all JOMO service stations. This support also applies to underground facilities at our factories.

Vapor Recovery

We are progressing towards finding a way to set up collection equipment to recover fuel oil vapors released when tank lorries transfer gasoline to service station tanks.



Energy Conservation Initiatives



A service station with photovoltaic power generation panels installed

We have installed photovoltaic power generation panels to the roofs of our service stations and are introducing the clean energy of solar power generation. We are presently doing this at 16 service stations.

Preventing Static Electricity Accidents



Measuring instruments and POS machines fitted with static electricity removal sheets

For the safety of our customers, we are preventing static electricity accidents by installing equipment (static electricity removal sheet) in our measuring instruments and POS machines that removes static electricity from the body of our customers just by coming into contact with it. This is recognized by the Fire Department and has also been adopted by other companies.

We are actively engaged in R&D for environmental protection, such as clean energy, environmental improvement technologies and environmentally friendly products.

R&D in Clean Energy

Fuel Cells

In order to widely spread fuel cells, which now attract much attention as a highly efficient and clean technology, it is critical to establish the infrastructure (social basis).

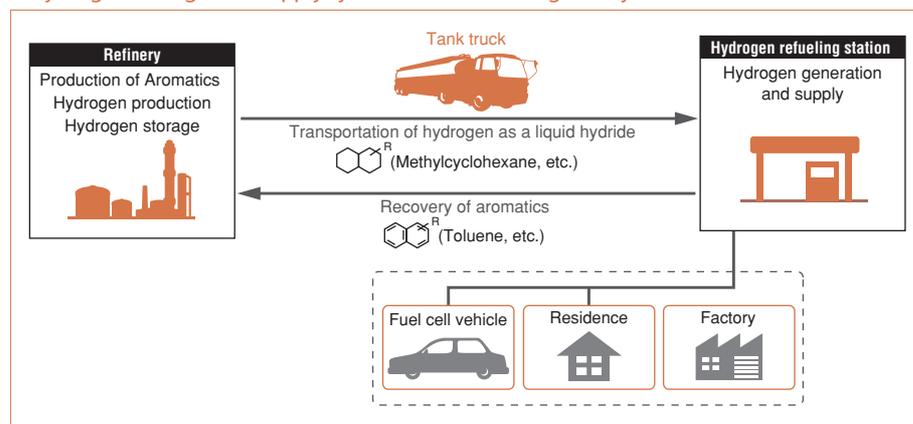
Aiming to utilize existing petroleum fuels such as kerosene and LPG effectively in a diverse range of fuel cells, Japan Energy researches and develops new catalysts and systems reducing the sulphur level of fuels to the ppb (parts per billion) order, and produce hydrogen efficiently.

Hydrogen Energy

We research and develop organic hydride method that enables us to facilitate easier storage and to supply of hydrogen in liquid form. The organic hydride method is a hydrogen transportation system using hydrogen transfer reactions represented by toluene and methyl cyclohexane, and is distinct in that it uses existing infrastructure.

We also develop a composite monitoring system for the early detection of hydrogen gas leaks at hydrogen refueling stations by combining 3 types of sensors (sound, gas, and image).

A hydrogen storage and supply system that utilizes organic hydrides



Environmentally Friendly Clean Energy

We are undertaking R&D related to environmentally friendly clean energy such as production technologies for paraffin-based fuel substrates that do not contain aromatic or olefin compounds.

We have also been contracted by the Japan Oil, Gas and Metals National Corporation to conduct R&D concerning new fuel oils, including use of new GTL^(*) technology to synthesize fuel oils from natural gas, and developing new production methods for bio-diesel fuels^(**) derived from plant oils. We are also engaged in developing solid superacid catalysts that have a broad range of uses in petroleum refining and petrochemical industries, and are useful in the treatment of diesel vehicle exhaust gas.

(*) GTL: Gas to Liquids

A technology for synthesizing liquid fuels (kerosene, diesel fuel, etc.) from natural gas (methane).

(**) Bio-Diesel Fuel (BDF)

A fuel substrate for diesel engine fuels made from the renewable resources such as used waste of tempura oils and plant oils.

Developing Environmentally Friendly Products

Gasoline & Diesel Fuel

Japan Energy is engaged in R&D that contributes to cutting back carbon dioxide, which causes global warming, and reduction of carbon dioxide and toxic substances in exhaust vehicle gases.

Lubricating Oil

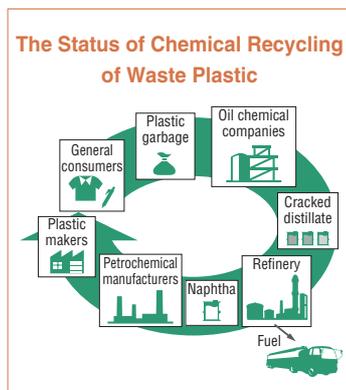
We are pushing forward with development of products that are friendliness on people, the environment, and resources with characteristics including energy conservation, long-life, biodegradability, and responsiveness to environmental regulations.

We are also developing the JOMO ECO Series, including the fire-resistant hydraulic oil, JOMO Hydria E, with 40-50% water content, low COD (chemical oxygen demand), and excellent for wastewater treatment.

Petrochemical Products

We consider the most important environmental challenges to be preventing destruction of the ozone layer, preventing global warming, reducing on regulated chemicals, energy and resource conservation, and people-friendliness. We have developed NS Clean as an environmentally friendly industrial detergent, and we have also developed high-boiling-point aromatic solvents that do not contain naphthenic solvents or naphthalenes as substitute solvents in response to strengthened regulations on toluene and xylene.

Developing Techniques for Environmental Improvement



Chemical Recycling of Waste Plastic

We are conducting R&D into treatment technologies where petroleum refining facilities are utilized to make petroleum products from thermally decomposed oil produced from factories that convert waste plastic into oil.

This technique was introduced to the Mizushima Oil Refinery from FY2004, and the light distillate from waste plastic cracked distillate is being treated in the petroleum refining facilities. In this way waste plastic cracked distillate can be recycled as a highly versatile petroleum product, making a significant contribution to forming a resource-recycling society.

Restoration of Contaminated Soil

We have been engaged in development of technologies for investigating and remediating soil contamination.

We developed new technologies of measuring on-site oil contamination and soil microorganisms.

We conduct R&D on purification technologies such as application of bio-surfactants^(*) to oil-contaminated soil, dioxin purifying technologies, contaminated soil purifying technologies using plants (phytoremediation technologies).

Reducing the Environmental Loads of Refinery Operations

We are conducting research to reduce the amount of fuel consumed by refinery operations and cut carbon dioxide emissions by using technologies that prevent contamination of equipment and technologies that automatically measure and monitor extreme processes (online sensing techniques).

We are also conducting research into recycling and reuse for the purpose of cutting down on spent solvent waste and reducing the associated environmental load.

Research Relating to Production Techniques for High-Performance Base Oil for Vehicle Engine Oil

High levels of quality, such as low sulphur content in diesel engine oils, are demanded for engine oil for vehicles, as are improved fuel efficiency and durability. Japan Energy manufactures high-performance lubricant base oil with techniques developed in-house, and we are continuing broad-based research into base oil production techniques to satisfy these needs.

^{*}Bio-surfactant
A surfactant derived from microorganisms that is highly biodegradable and works as an environmentally friendly oil detergent.

We have prepared environmental accounts that cover the following points such as our environmental costs for environmental protection, our investment including the costs of establishing and modifying environmental improvement equipment, and their resulting effects.

Environmental Costs

Units: millions of yen

Item	Total
1 Cost of environmental strategies of our products (decreasing the sulphur-content of heavy fuel oil and diesel fuel, improving the quality of gasoline, etc.)	24,161
2 Cost of reducing direct environmental loads	
(1) Cost of preventing pollution (preventing air pollution, water pollution, and soil contamination)	1,599
(2) Cost of protecting the global environment (Preventing global warming)	502
(3) Cost of waste treatment & recycling	250
3 Cost of environmental activities	
(1) Cost of management activities	336
(2) Costs of social activities	5
(3) Environmental donations and contributions	676
4 Cost of R&D for reducing environmental loads	1,536
Sum total	29,065

Investment

Units: millions of yen

Item	Total
1 Expenditures for establishment and modification of environmental improvement equipment	7,363
2 Management expense for maintenance of equipment (repairs and updates)	12,806
Sum total	20,169

Effects

Our operations impose loads on the global environment, but we have calculated the following effects as a result of our expenses incurred and funds invested for environmental improvement.

Improvements in the Atmospheric Environment

- Reduction in sulphur oxides released into the air
Amount of sulphur produced: 162,488 tons per year
- Reduction in benzene released into the air
Benzene recovered: 47 ton increase (compared to 1998)

Curtailing Resource Use

- Reduction in fuel usage due to energy conservation
Crude oil equivalent: 24,643kℓ reduction (compared to FY1990)
- Amount of waste oil recycled
Crude oil equivalent: 3,099kℓ per year

Converting the reduction in resource use to a monetary figure indicates a 780 million yen saving.

Compliance is a fundamental underlying premise of all Japan Energy operations, and all directors and employees are conscious that it is their minimum necessary duty as a corporate citizen and a community citizen to comply with laws and business ethics. Our fundamental policy, concrete standards and system of implementation are set in rules and we are striving to promote compliance.

Fundamental Compliance Policy

The Fundamental Policy of Japan Energy's Fundamental Compliance Rules is that, based on our Mission, and led by top management, each director and employee will behave earnestly in the public sphere and strictly adhere to rigorous legal compliance, and social norms and corporate policies, and, to that end, we will endeavor to establish a system of anti-corruption and responsibility while continually evolving our corporate culture.

Concrete Standards of Compliance

Japan Energy has listed the following 22 points as concrete standards that all directors and employees should adhere to, based on the above Fundamental Policy. These are only examples and due to the fact that the Fundamental Policy gives rise to many other rules to comply with, the Fundamental Compliance Rules relate to all other laws and regulations.

- | | | | |
|---|---|--|--|
| 1. Adherence to the Antimonopoly Act | 6. Fair relations with politicians, public agencies, and public officials | 12. Prohibition on receipt of gifts | 19. Assurance of the security of company information |
| 2. Prohibition of insider trading | 7. Consumer protection | 13. Prohibition of unfair discrimination | 20. Appropriate management of exports |
| 3. Environmental protection | 8. Disclosure of information, and accountability | 14. Prevention of sexual harassment | 21. Prohibition of trading for speculative purposes |
| 4. Safety management | 9. Dealing with anti-social forces | 15. Protection of personal information | 22. Rigorous crisis management |
| 5. Adherence to the Unfair Competition Prevention Law | 10. Appropriate accounting | 16. Prevention of child labor and forced labor | |
| | 11. Fair reporting of working hours | 17. Prohibition of conflicts of interest | |
| | | 18. Prohibition of private usage of company properties | |

Compliance Initiatives

System of Implementation

Japan Energy's compliance activities are driven by the Compliance Committee, which was established as a subsidiary body to the Corporate Principles Committee in July 2003. The committee sets policy for company-wide educational activities relating to compliance, and studies and evaluates the status of compliance promotion in each division every 6 months.

● The Mission Consultation Office for internal reporting

Japan Energy established the Mission Consultation Office in June 2001 as part of the efforts to promote our mission.

This body responds to questions, opinions and doubts raised by employees relating to the mission, and was established as a conduit for information on unethical behavior. The Whistleblower Protection Act, enacted in June 2004, prohibits dismissal, demotion, salary cuts, and other disadvantageous actions for whistleblowers.

Japan Energy strictly prohibits organizational and personal retaliation against people who disclose corruption, and clearly stipulates protection for whistleblowers.

Education & Trainings

Japan Energy has always promoted compliance as part of the implementation of our Mission and is persistent and honestly in taking every opportunity to educate all directors and employees on compliance so that the spirit of compliance takes root deeply. In FY2004 we ran education programs on compliance in training for the different levels of employees including new employee training and training for newly appointed managerial staff. We also conducted lectures and workshops with external lecturers under the theme of compliance targeting the Mission Promotion Managers in each division at head office and all other offices and facilities.

Important Points Relating to Compliance

● The violation of the Antimonopoly Act relating to the 1999 competitive bidding for supply of fuel oil to the Japan Defense Agency

In November 1999, the former Japan Energy Corporation (merged with Nippon Mining Holdings, Inc. in October 2003) received an order to pay surcharges after it was judged that the Antimonopoly Act had been violated in delivery of petroleum products to the Japan Defense Agency. Nippon Mining Holdings, Inc. acceded to the position of defendant and in February this year received the judgment and in April paid a surcharge of 483 million yen.

The Company took this opportunity to strengthen its adherence to the Antimonopoly Act and all other laws, and in November 1999 formed the Antimonopoly Act Compliance Promotion Committee, devoted to preventing reoccurrence, and presented the Fundamental Policy and the concrete standards of compliance in the Mission Guidebook, published in February 2002, and then in July 2003 the Antimonopoly Act Compliance Promotion Committee was dissolved to pave way for the establishment of the Compliance Committee, and other policies were adopted.

In April 2004, we revised the Antimonopoly Act Compliance Manual, and in addition to distributing it to all directors and employees, we held training sessions at sales sites in an effort to keep everyone well enough informed about it. The Fundamental Compliance Rules were established in May of the same year, and through the president's message we committed to initiatives to establish a system of anti-corruption and accountability, and to continually evolve the organization's ethical

culture to achieve earnest conduct in line with rigorous legal compliance, social norms, and corporate ethics.

● Leaks of customers' personal information

It was ascertained in June this year, through a study by our affiliate credit card company, Toyota Finance Corporation, that there had been incidents of people attempting unauthorized use of the Company's credit cards, JOMO Card Plus, to make purchases via internet using card numbers pretending to be the card owners. This was ascertained due to the fact that all the card numbers used without authorization had been initiated in the same store.

Due to a prompt response, no charges were made to customers' accounts, but concern and inconvenience to our customers did result, and for this we offer our sincere apologies.

For our part we have established a task force and will continue to strive to prevent reoccurrence through studies and investigations in cooperation with Toyota Finance.

In line with the enforcement of the Personal Information Protection Law in April this year, we have been implementing various management policies on retention and destroy customer information in the JOMO stations, but we will provide the group of our sales network with thorough guidance to ensure they undertake personal information management even more strictly.

The Course of Action for Purchasing Deals

The Purchasing Division revised its roles and accountability to laid out the fundamental rules of purchasing, one aspect of corporate conduct, in the Course of Action for Purchasing Deals, Fundamental Rules for Purchasing Deals, and Ethical Rules for People in Charge of Purchasing in October 1997. Based on our Mission and Business Principles established in April 1997, Japan Energy is building transparent, fair relationships with suppliers based on these fundamental rules.

Course of Action for Purchasing Deals

1. Transparency: Purchasing deals will be carried out in an open manner from start to finish.
2. Fairness: Selection of suppliers will be carried out based on fair evaluations.
3. Rigorous legal compliance: During purchasing deals, we will comply with all related regulations, and will not only observe the individual clauses of each law, but will also adhere to the spirit of compliance.
4. Ethics: The person in charge of purchasing will carry out purchasing duties based on a rigorous ethical viewpoint.
5. Environmental protection: We regard the environment as the most important thing, and endeavor to purchase materials that have good effect on environmental preservation.
6. Mutual trust: We will build relationships of trust with our suppliers, based on friendly partnerships.

Fundamental Rules for Purchasing Deals

1. Fair Entry Opportunities: We will provide companies that wish to trade with us fair opportunity to do so, and will respond to any proposals earnestly.
2. Fair evaluation: Selection of suppliers will be conducted based on a fair evaluation of product quality, price, delivery schedules, technical capabilities, performance, and so on.
3. Clear specification of purchasing procedures: We will clearly publicize the Course of Action for Purchasing Deals, Fundamental Rules for Purchasing Deals, registration procedures for new suppliers, and the various procedures from ordering through to payment, and the contact details for the person in charge as well.
4. Management of confidential information: We will strictly manage information received in the course of purchasing operations, and ensure maintenance of confidentiality.
5. Disclosure of the reasons behind selections: Where suppliers are not selected in tenders or competitive bids, we will clearly inform them, if requested, of the facts and reason behind the decision.
6. Fair and just negotiations: In tenders and competitive bids, we will not intentionally change conditions or negotiate prices that will be advantageous to particular suppliers.
7. Prohibition of improper reciprocal trading: We will not use our purchasing power or superior standing to force companies to purchase our company's products (including products of all Group companies) as a condition of a purchasing deal.
8. Environmental preservation: We will place a high value on the environmental perspective as well as product quality and price, and actively engage in green purchasing when procuring materials and services.
9. Independence of the Purchasing Division: The Purchasing Division will carry out decisions relating to purchasing deals independently from other divisions. Also, the authority to negotiate changes to the content of purchasing contracts is held solely by the Purchasing Division.

Ethical Rules for People in Charge of Purchasing

1. People in charge of purchasing are not permitted to have personal vested interests in suppliers.
2. People in charge of purchasing are not permitted to accept offers of entertainment or gifts outside the range of normal social custom and common sense.
3. People in charge of purchasing are not permitted to request donations from suppliers.

When divisions other than the Purchasing Division carry out purchasing deals, they must also adhere to the fundamental rules set by the Purchasing Division, which are stated above.

(Note) In July this year Nippon Mining Holdings Group's devoted purchasing company Nippon Mining Procurement, Inc. was established and began subcontracting Japan Energy's purchasing.

Japan Energy is actively engaged in social contribution programs as a corporate citizen, based on our Mission and Business Principles.

The continuing Mécénat (artistic and cultural support) activities, primarily the JOMO Children's Story Award, as well as JOMO Basketball Clinic and other sports promotion activities have been the centerpiece of our activities, and these have extended into child welfare and welfare for the disabled, and we wish to continue expanding these activities in the future.

We have enriched and strengthened forest preservation activities as an initiative to conserve the environment, and will continue combining this with employee volunteer activities.

JOMO Children's Story Award

In the JOMO Children's Story Award activity that we have been undertaking since 1970, we appeal for public contributions of creative stories with the theme of "heart-to-heart communication", and award prizes to the good works. We also publish a collection of the works called "Bouquet of Children's Stories" and provide them free of charge to many members of the public. Each year we receive about 10,000 entries, making this the largest children's story award in Japan. In the 35th JOMO Children's Story Award held in 2004 we received 8,982 general entries (junior high school students and older), and 843 entries in the children's division (elementary school children and under), making a combined total of 9,825 entries.



The 35th JOMO Children's Story Award Presentation Ceremony



The 35th Bouquet of Children's Stories

The JOMO Children's Story Fund / JOMO Scholarship Grant

The sales networks dealing with JOMO brand products, the Nationwide JOMO Association, the Nationwide JOMO LP Gas Association, and Japan Energy jointly run the JOMO Children's Story Fund with the objective of using the Bouquet of Children's Stories to aid social welfare. Dealership of our sales network purchase the Bouquet of Children's Stories books, as do affiliated companies and employees, and the proceeds are included in the Fund and are made available in the JOMO Scholarship Grant to children in nationwide children's homes and mothers and children's homes through the social welfare organization, Japan National Council of Social Welfare. In FY2004, the Grant assisted 246 children (including some who were already students) who entered universities, junior colleges, and vocational schools.

To allow people who find it difficult to read, such as visually impaired people, to enjoy the Bouquet of Children's Stories books, the Company also provides voice data to the Bouquet of Voices homepage operated by the Japan Philanthropic Association. The work of reading the stories aloud, called transliteration, is done by employees and their families.

- Japan Philanthropic Association's Bouquet of Voices Homepage
<http://www.koetaba.net/index.html>



Sports Promotion

● JOC Sports Award

In addition to turning out 8 players, as well as a coach and staff for the Japanese women's basketball team for the Athens Olympics held in 2004, we also provided support including provision of better facilities for Japanese team activities.

We received the Group Award for Outstanding Support for Top Athletes, which was newly created in FY2004 under the JOC Sports Award, sponsored by the Japanese Olympic Committee (JOC). This was in recognition for our co-operation in creating a sports society uniting regional governments, local residents, and corporations through our holding of the basketball clinic and our exchange activities with Kashiwa City, Chiba, the base for the JOMO Sunflowers.



● JOMO Basketball Clinic

The JOMO Basketball Clinic was started in 1995 with our basketball team players and coach deepening communication with local people through basketball, aiming to contribute to the popularization and advancement of basketball.

In FY2004 we held four clinics in May and June in Hokkaido, Kagoshima and other cities, as well as encouraging children in the earthquake-hit areas by setting up the "JOMO Basketball Clinic in Niigata, Niigata Chuetsu Earthquake Recovery Support Clinic" in Kashiwazaki City and Nagaoka City in December, the areas that were hit by the Niigata-Chuetsu Earthquake.

With the passing of the 10th year since beginning the clinic, this fiscal year, we have decided to meet the expectations of basketball fans across the nation by expanding the basketball clinic in frequency and content, as part of our strengthening of social action programs. We formed a full-time team made primarily of retired players, and in addition to the clinic we have been holding up until now, we held reinforcement courses that repeatedly guide particular teams and 1-day courses without restrictions on the age and sex of participants. We plan to hold about 60 to 70 clinics year-round and current players will also participate in the off-season.

- JOMO Basketball Clinic Homepage
http://www.j-energy.co.jp/jomo_clinic/



The Niigata Chuetsu Earthquake Recovery Support Clinic held in Nagaoka City

● J-League Official Sponsor

The Company has been cooperating in the development of the Japanese soccer world as a J-League Official Sponsor since 1994, and as the special support company for the JOMO Cup J-League Dream Match between 1995 and 2001, and the JOMO All Star Soccer since 2002.



Presentation of the Click Donation



The crew of JOMO station supplying fuel to the official cars of the 2005 Special Olympics World Winter Games, Nagano

Supporting Disabled People's Sports

● Athens Paralympics – Click Donation to support the Japan Team

Aiming to financially support Japan Team competing in the Paralympic Games held in Athens, Greece, in September 2004, Japan Energy carried out Click Donation on the Company's website between April and August 2004. We received the support of many people, and got 1,092,228 clicks. We donated one yen for each click, amounting to 1,092,228 yen, to the NPO, the Japan Paralympic Support Council, and through this organization we were able to support 163 Japanese Paralympic team members. The Japan team at the Athens Paralympic Games displayed enormously energetic efforts equal to those of the Olympics itself.

From April this year, we have been conducting Click Donation to support the Torino Paralympic Games to be held in March 2006.

■ Click Donation Homepage

http://www.j-energy.co.jp/cp/society/click_tp.php

● Support for the 2005 Special Olympics World Winter Games

For 8 days from February 26 to March 5 this year, the Special Olympics World Winter Games, held once every 4 years, was held in Nagano. To support these Games, where the people with intellectual disabilities demonstrate their achievement, we helped by supplying fuel to the official cars at Nagano Prefecture's JOMO stations, and by setting up Click Donation. The Click Donation was conducted between November 2004 and the end of the Games, March 5, 2005, and we received 1,265,389 clicks. We donated one yen for each click, amounting to 1,265,389 yen, to the NPO, the 2005 Special Olympics World Winter Games, Nagano (SONA).

Disaster Assistance

● Emergency support fund raising and the Matching Gift (add-on donation)

In April 2002, Japan Energy institutionalized employee fund-raising and the matching gift, wherein the Company donates a fixed amount in addition to the funds raised, for emergency support in times of disaster.

Since 2002 we have undertaken fund raising in support of the Afghanistan earthquake victims, the Iraq post-war recovery, and the Iran earthquake victims.

At the time of the Niigata Prefecture Chuetsu Earthquake that hit on October 23, 2004, we sent employees to the area to deliver support materials such as food and water provisions and portable cooking stoves, and conducted fund-raising among employees, raising 1,327,570 yen and equaling this with a matching gift of the same amount, we donated 2,655,140 yen to the Niigata Prefecture Red Cross.

During the Sumatra earthquake that hit on December 26 of the same year, Nippon Mining Holdings Group donated 10 million yen to the Japanese Red Cross, and also raised funds among employees totaling 798,973 yen, and added this same amount again with a matching gift to donate 1,597,946 yen to the NPO Japan Platform.

● Support of the Japan Rescue Dog Association

The NPO Japan Rescue Dog Association was formed after the Great Hanshin-Awaji Earthquake and raises rescue dogs with the help of volunteers.

Since December 2003, Japan Energy has opened its facilities and sites in Chigasaki City, Kanagawa Prefecture, for use by the association as training grounds. The association conducts training that simulates discovery and rescue of victims caught in the site in hypothetical disasters.

Forest Conservation Activities



Volunteers in Japanese red pine forest conservation activities



The Hara-mura-JOMO Ayumino-Mori Forest tree-planting volunteers

Japanese Red Pine Forest Conservation Activities

The Nakajo Field (Niigata Prefecture) of the Group company, Japan Energy Development Co., Ltd., began activities to conserve Japanese red pine forests in 1998 due to the fact that insect damage, worsened in the Japanese red pine forest, maintained as erosion control forest. Taking the initiative as a familiar example for environmental education, Japan Energy conducted forest conservation activities over two days between October 23 and 24, 2004, with 22 employee volunteers participating. We carried out thinning of Japanese red pines in our premises, undergrowth removal, and tree planting in the neighboring town park.

The Hara-mura-JOMO Ayumino-Mori Forest

In April this year, we endorsed the objectives of Nagano Prefecture's Adopt-a-Forest Operation, and concluded an Adopt-a-Forest contract with Hara-Village, Suwa-District in Nagano Prefecture. Based on this contract, Japan Energy will cover Hara-Village for forest conservation expenses over the next five years, and undertake forest conservation activities run by our employees. On the 28th and 29th of May, employees and their families totaling 43 people participated in planting approximately 600 saplings in the Hara-mura-JOMO Ayumino-Mori Forest.

Contributing to Communities



530 Movement's award for distinguished service



Science class

Cleaning Activities / Let's Clean

Community cleaning activities have long been carried out at Japan Energy sites by employees. In FY2004, a total of approximately 800 people participated in cleaning activities at Mizushima, Chita, Funakawa, Sodegaura, Kawasaki, Toda (laboratory), and Kashima refinery (Kashima Oil Co., Ltd.).

In May this year, Toda City's (Saitama Prefecture) Toda 530 Movement Promotional Liaison Meeting awarded us with the prize for distinguished service to the 530 Movement (division for organizations) for our cleaning activities (The phonetic abbreviation of 53 in Japanese equates to the word for garbage, or waste, so 530 is short for "zero waste").

Science Class

In November 2004, we invited about 100 6th grade elementary school students from the local Toda City Niizo Elementary School to a science class at the Toda (research laboratory) in Toda City, Saitama Prefecture. In addition to explaining to them the fundamentals of petroleum in a quiz-format, we carried out experiments in fuel cells and environmental protection technologies.

Participation and Cooperation in Regional Disaster Prevention Activities

The Company cooperates with regional and surrounding corporations in disaster prevention activities at its refineries and factories.

The Funakawa Works concluded the Support Agreement Relating to Extinguishing of Large-Scale Fires in the Funakawa Region of Oga City, Akita Prefecture.

Participation in Minato-Net

The Company participates in the network of person in charge of social contribution activities from companies and organizations located in Minato-Ward, Tokyo, and is involved in collaborative events with the objective of contributing to the community, and is also undertaking exchange activities with different types of industrial organizations.

Opening of Facilities to the Public

The Company has opened the gymnastic facilities in its head office building for the use of people in the community as a *kendo* training place.

The Funakawa Works has kept its Japanese archery field open to the community since 1986, and in 2004 received a letter of gratitude from the local Oga City Sports Association.

Support for Employee Volunteer Activities



Charity second-hand book market



Charity English conversation classes for Kids



Tochigi Guide Dog Center cleaning volunteers

Volunteer Events

● Second-hand book charity market

Collaborating with other companies and an NGO, we run a charity second-hand book market to support developing countries.

In August 2004, we held a second-hand book market in parallel with a short cooking course in collaboration with Kikkoman Corporation and Key Coffee Inc. The proceeds from the event were donated to the Ethiopian water aid project of the NGO, Christian Child Welfare Association (CCWA) International Sponsorship Program (currently Child Fund Japan, NPO).

● English conversation charity

We are conducting charity English conversation classes in collaboration with the NGO, Minsai Center Japan, which assists children in Thailand, Laos and Cambodia to enter school. Employees and their families participated in English conversation classes conducted by American teachers, and the fees charged were donated to the NGO as grant. Four such events were held in FY2004 at head office and Toda.

● Tochigi Guide Dog Center cleaning volunteers

The Company has been doing employee volunteer cleaning activities at the Tochigi Guide Dog Center since the fall of 2003. In 2004, this was conducted twice, in spring and fall, and a total of 40 people participated. We have also set up donation boxes in our offices to support guide dog training at the Tochigi Guide Dog Center.

● Donating blood in the workplace

We facilitate workplace blood donations twice a year, and in addition to supporting initiatives by the Red Cross in every region to secure safe blood, we provide our employees with the opportunity to contribute to society. In FY2004, a total of approximately 400 employees cooperated in blood donations at 5 of our sites.

Volunteer Leave System

We recognize up to 3 days of leave a year for participation in social action programs. Only two people took this leave in FY2004 but in future we plan to encourage use of this system for instance by planning volunteer activities on weekdays that are easy for employees to participate in.

International Volunteer Leave System

For employees with over 3 years of service to the company who participate in international social action programs, we recognize between 6 months and two years of temporary leave. No one has done this to date.

JOMO Volunteer Network

This was launched in June 2004 with the objective of supporting directors and employees in autonomous volunteer activities. About 20 people are registered, and working actively at the core of our volunteer activities.

Volunteer Information Service

The Company provides information to employees on volunteer events planned in-house as well as social action programs sponsored by NPOs, etc., and actively supports employee participation in social action programs for instance by encouraging employees to participate in volunteer activities.

Collections for Volunteer Activities

As a social action program in which anyone can easily participate, since 1997 the Company has been collecting used stamps, used telephone cards, etc., and donating them to NGOs.

Between January and May this year we collected unused stamps and post cards ruined by writing mistakes and donated them to the NPO, Hunger Free World, for its anti-hunger project.

In March this year the Company collected unused telephone cards and donated them to the Darunee Scholarship Fund project run by the NGO, Minsai Center Japan. Through this we were able to provide student grants to 7 Laotian primary school students for 3 years.

The Company and four corporations participating in the Minato-Net collect PET bottle caps (polypropylene) and sell them to recycling companies, and donate the proceeds to the NGO, The Japan Committee For "Vaccine For The World's Children".

The shift in consciousness among customers from valuing simple materialistic richness towards valuing spiritual richness, that finds value in effective use of time, comfort, and convenience, is becoming stronger. Also, in addition to simply searching for high quality products, customers are also demanding total performance quality, such as service, technological capability, and customer service that can be relied on, as well as provision of comfortable space.

Japan Energy captures its thoughts toward customers with the words “smile life with JOMO”, and is developing attractive service stations only Japan Energy can provide.

Product Safety & Quality Assurance

Japan Energy Group has established the Quality Subcommittee, made up of quality personnels from every Group company and relevant people from research laboratories. The Subcommittee sets the yearly policy direction on quality and strives to work with the entire Group to assure and improve quality levels that satisfy our customers.

The policy direction for FY2005 is presented in 4 statements: eradication of quality-related problems; proactive response to quality regulations for improvement of atmospheric environment; improving quality-competitiveness; and proactive initiatives toward new fuels.

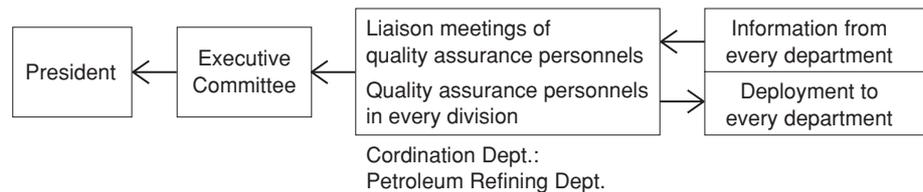
All refineries and factories have acquired ISO9001(*) certification and we expect flawless quality control.

*ISO
(International Organization for Standardization)
ISO9001: The international standard for quality management systems

Current state of ISO9001 certification

	Mizushima	Chita	Funakawa	Sodegaura	Kashima
Date of certification	1996.1.10	1994.2.9	1997.2.11	1996.10.8	1995.11.17
Certifying institution	LRQA	JQA	LRQA	LRQA	JQA
Certification number	0941885	JQA-0400	0957130	0955550	JQA-1042

The Company has established rules relating to quality management, quality assurance, and PL prevention activities and regularly holds liaison meetings of quality assurance personnels in order to prevent and to cope with quality-related problems. The system is as follows.



Protection of Personal Information



The Personal Information Protection Law Response Guide

In April this year, the Law Relating to Protection of Personal Information (below referred to as the Personal Information Protection Law) came into full effect, raising the bar of rigorous information management for companies that handle personal information.

As a result of these circumstances, in March this year, Japan Energy established its Personal Information Protection Policy and Fundamental Rules for Personal Information Protection, and set up a management system for personal information handled within the company. We have conducted basic education programs on the Personal Information Protection Law through e-learning for all employees, and also worked for understanding and rigorous legal compliance with the law by holding explanation sessions at head office and other business sites.

We prepared the Personal Information Protection Law Response Guide for JOMO stations and distributed it as a set of guidelines to correctly understand all the different types of personal information handled by the service stations, and to comply with the Personal Information Protection Law.

The Company's personal information protection policy can be seen in the privacy policy on the company website.

■ Privacy Policy Homepage

<http://www.j-energy.co.jp/guide/privacy/policy.php>

The Pursuit of Customer Satisfaction



Japan Energy is considerate of customer satisfaction (CS) as well as the employee satisfaction (ES) levels of station crews, and strives to improve ES in order to provide high-quality service to customers, while working on strategies to further heighten CS. As part of this endeavor, the Company established the JOMO Group TACS^{(*)1} Program, which includes the dealership and sales companies around the country, with whom we do business. At TACS2005, the 11th yearly TACS event we adopted the motto of "Face Up!" (Creating stores with the best faces and best competitiveness in each region), indicating the spirit to face the challenges of today's business environment front on. Three basic policies were adopted, as follows:

Developing stores supported by loyal customers

Evolution and realization of the Value Style concept

Creating profitable stores

Proposing back up plans to improve profitability

Strengthening employee development initiatives

Promoting JOMO personnel training programs

With these basic policies we have been strongly supporting the development of stores that are supported by loyal customers and the construction of a highly competitive sales system by developing measures to improve cost competitiveness and our marketing capability, pursuing customer satisfaction by improving customer service and cleanliness, proposing plans to improve car maintenance profits including body care and car care, and establishing Break Even Point (BEP) indicators for service station management.

We have also been striving to improve CS through training in cleanliness and customer service manner, as well as in-store surveys and customer surveys. Most store research consists of continued CS Surveys^{(*)2} that independently address JOMO station customer satisfaction, and the Club JOMO survey on the Internet. The CS Survey involves conducting studies on about 2,000 stores twice a year with the objective to improve service levels and customer satisfaction. The Club JOMO Survey is a study using the Internet that is conducted regularly on about 5,000 Club JOMO members, striving for a broad understanding of customers' evaluations and needs. In 1998 Japan Energy opened the JOMO Customer Center as a tool for communicating with customers to obtain a broad array of opinions, and set up a system whereby customers can contact us directly with a free call and express their opinions on improvement that could be made to our services, enquiries, etc.

(*)1 TACS

"This is an acronym for Top of Area to Customer's Satisfaction, meaning stores that provide top-level customer satisfaction in each region."

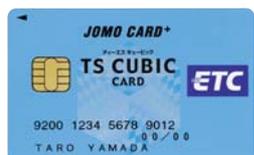
(*)2 CS Survey

A study of customer satisfaction that has been carried out since 1994. The researchers visited JOMO stations and evaluated field service, cleanliness, etc. We have a numerical target to achieve 150 points out of a possible 200.

JOMO Card Plus



JOMO Card Plus



ETC Card

The JOMO Card Plus is a partnership card with Toyota Finance featuring cash back for points gained through its use, as well as the ability to exchange points for frequent flyer points with airlines, many kinds of gift certificate and gift cards, vehicle accessories, and other broad array of attractive products. Since January this year we have cancelled annual membership fees for the accompanying ETC Card permanently.

JOMO Card Plus is a driver support card full of discount bonuses for customers.

Developing Stores Supported by Loyal Customers – Value Style



*** Ms. Yoko Shibata**
 CEO of Shibata Yoko Office.
 Born 1971.
 She has produced many popular restaurants including Rainbow Roll Sushi and the Pork Cutlet and Pork Cuisine Hirata Farm. Winner of Nikkei Woman magazine's Woman of the Year prize for the Hit-Maker division.

This fiscal year marks the real beginning of the Value Style Initiative for service stations. This initiative will revamp stores with a new style, aiming to make them places where customers can enjoy their time comfortably.

Rather than a gasoline stand that you use just because you have to, we aim to create stores supported by more loyal customers who come back again and again. We developed this with the concept of making them want to have a look, to want to come in, to want to come again. To ensure we are not restricted by the framework of thought of the petroleum industry, we commissioned Ms. Yoko Shibata(*) to join in this project. We plan to roll out JOMO stations that are attractive from the perspective of customers, and by 3 years' time, we plan to have increased the Value Style stations to 1,000 stores.

With the catch phrase of the Value Style stations, "smile life with JOMO", our focus is to gain customer loyalty particularly among women in their 20s and 30s who value lifestyle highly. Basically, with themes of smiles, fun, kindness, abundance and naturalness, shop designs are stylish and coherent inside and out will be adopted and we can provide a space for relaxation and enjoyment to the customers. More than just the exterior, we seek to improve the service quality of station crews through training in customer relations and cleanliness, aiming to create stations customers can use with peace of mind.

The main characteristics of the Value Style stations are as follows.



Value Style station

Coherent Design with Heightened Visibility

We are cutting down on excessive symbols inside and out of buildings, and standardizing easily-recognized symbols by making good use of the familiar characters.

We are standardizing sales rooms with sophisticated interior designs where each shop chooses one keynote color from among the four colors that make up the JOMO logo (red, blue, yellow, and green).



Value Style station
 Sales room

Setting up Space for Relaxation and Enjoyment

Sales rooms will have pleasant-feeling interior designs with the furniture and fragrance setting the stage for peace of mind.

We have set up café corners, magazine corners, kids' corners (coloring books), relaxation corners (equipped with free massage chairs), Bouquet of Children's Stories corners, non-smoking and partitioned-smoking corners, and so on.

Creating Top-Quality Customer Service and Cleanliness

Station crews will wear uniforms based on the Value Style concept giving an impression of cleanliness, and will provide high-quality customer service based on the Value Style training, focusing on customer service and cleanliness.



Value Style station
 Kids' corner (coloring books) and magazine corner



We want to bring more abundance and value to our customers' lives

The Value Style logo shows 2 little birds perched on a branch and a leaf
 The names of the birds are "happiness birds" – the two birds are always together
 They are a symbol of happiness, and are always wishing for the happiness of our customers
 The leaf represents naturalness and consideration of the environment
 This expresses the wish of the Value Style concept,
 for customers to be able to call by our stores with peace of mind

(Note) "Value", "Value Style", Value Style logo, "smile life", and "smile life with JOMO", are all registered trademarks of Japan Energy Corporation and their unauthorized use is prohibited.

Barrier Free Design



The Company is striving to develop service stations with universal design so that all customers can use them with peace of mind.

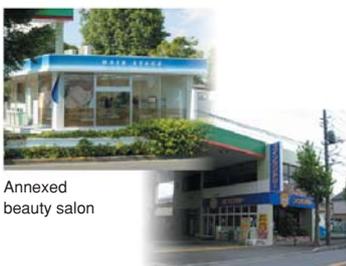
The main initiatives

Steps	Ramps have been constructed
Store entrance doors	Changed to automatic doors or sliding doors
Toilets	Space extended and railings fixed

(Note) There are 19 JOMO stations that provide full wheelchair access. (As of March 31, 2005)

Since the removal of the ban on self-service stations in April 1998, we have continued to increase the number of self-service stations to meet the needs of customers. We are pushing forward with the creation of attractive stations only provided by JOMO with the view to converting self-service stations to a barrier-free model that also includes refueling assistance.

Inter-Industry Annexing



Annexed beauty salon

Annexed coin laundry

Japan Energy is promoting collaboration with various industries in a way that utilizes the conditions imposed on the location of service stations to its advantage.

Continually pursuing customer satisfaction, the Company is proactively developing more convenient service stations.

Inter-industry annexed shops (as of March 31, 2005)

Beauty salons:	11	Beef bowl shops:	1
Coin laundries:	3	Restaurants:	1
Hamburger shops:	1	Lunch box shops:	1

Field Service Contest

In 1993, we held the first JOMO Field Service Contest National Games, and have continued holding with the aim to improve the quality of service at JOMO stations on a nationwide scale. The station crew are responsible for the safe handling of fuel oil and engine oil, which are dangerous substances, and also looking over the customer's vehicle thoroughly and offering suitable advice as diagnosticians. 28 reference points have been established upon which to grade the performance of on-site work in the contest from meeting the customer through to sending them off. Due to the increase in numbers of self-service stations in recent years, the distinction between customer service at full-service stations and self-service stations has become an important issue.

Also, starting in 2003, in addition to field service contests, we have been increasingly inviting professional customer service teachers to give special lectures and training sessions in customer service manner (including cleanliness training), and we have been striving to provide a broader range of service improvement programs for self-service stations.

The LPG Sales Talk Contest



A contest of marketing proposals for gas appliances is held with the aim to expand demand for and penetration of LPG, which is so convenient in our lives.

In FY2004, we held the National Games with the 10 people who won the regional contests, under the theme "comfortable and healthy lifestyles with floor heating". Proposals that captured the customers' perspectives, proposals that astutely capitalized on the characteristics of the region, and others, vied with one another.

The Human Resource System – aiming to build a transparent, fair system of evaluation –

In October 1999, we introduced a new human resource system that is more strictly based on employees' performance aiming to evaluate and treat them fairly.

Fundamental Policies

1. Establishment and implementation of a system of treatment that matches responsibility and performance
2. Establishment of a transparent, fair system of evaluation
3. Nurturing excellence at work

Evaluation System

The evaluation system is based on two central pillars. First one is the competency-based evaluation system that evaluates an employee's performance based on a distinctive competency model required to produce good results. The second is the outcome evaluation that evaluates an employee's performance (annual challenge & result declaration system) that evaluates performance results based on yearly work achievement targets set by the employees themselves.

In these evaluation systems, workers hold substantial, frank discussions with their superiors in interviews as part of the system and through this arrangement the transparency and fairness of evaluation is heightened, leading to the employees' future skill development.

Self-Declaration System

A system where employees regularly (once a year) voice their own ideas on the specialist skills they have cultivated and the future career ambitions they hold. This information is then used to promote effective staff allocation and education.

Education System

The Company carries out on-the-job training and collective education for each category of employee, in order to promote employee skill development. As a voluntary participation program for self-development, we have also prepared a menu of independent correspondence courses to support employees in obtaining the knowledge, skills and qualifications necessary to their careers. In addition we run personnel education programs such as the head office study system (study at domestic universities), the study abroad system, and the Management College system for selected employees to nurture future business leaders.

In FY2001, we introduced training sessions on our Mission and CSR activities into the education programs for each level of employee.

Japan Energy Education System Diagram

		Training by job category	Nurturing of business leaders (for selected employees)		Open college (for voluntary or selected applicants)	IT	Self-development support	Training by type of job
			(In-house)	(External)				
Executive Officers		Training sessions for corporate officers						
Management Level Employees	Level 6	Life plan seminars	Japan Energy Management College Management level Overseas employees business school business school		Financial analysis course Project management course Life plan seminars Training for immediate-decision-making skill development Cross-cultural business communication training	OA education	Correspondence courses In-house language lessons & in-house English examination	Education for employees in charge of marketing Education for employees in charge of administration Education for employees in charge of engineering
	Level 5							
	Level 4							
	Level 3							
	Level 2		Inter-industry exchange training					
Level 1	Training for new managers							
General Office Employees	Level 7	Scheduled training 3 years after joining the company New employee training		Study abroad				
	Level 6							
	Level 5							
	Level 4							
	Level 3							
Level 2								
Level 1	New employee training		Study at head office					
(Held by the Human Resources Dept.)								(Held by each department)

Employment of Disabled People

Japan Energy currently (as of March 31, 2005) employs 27 disabled people (1.5% of the all employees), which is an increase of 4 people (0.4%) since last year, and is below the legal limit of 1.8%. We will strive to meet the legal standard and actively recruit more disabled people this fiscal year.

Labor-Business Relations

Under the union shop system, Japan Energy has concluded an agreement with the Japan Energy Labor Union (1,988 members as of March 31, 2005) based on the spirit of mutual dependence and mutual trust. In accordance with this basic sentiment, the company is devoted to improving the working conditions of union members, and the labor union has proactively cooperated in solving management problems. These kinds of smooth labor-business relations are the foundation of the company's development.

A Good Working Environment for Women

The indicators as of March 31, 2005 are as follows.

Number of female employees:	225
Length of continuous service:	16.3 years for women (22.3 years as a whole)
Proportion of employees who are women:	8.60%
Proportion of women among new recruits:	12.5%
Proportion of women among management level employees:	0.17%

In accordance with the stipulations of the Equal Employment Opportunity Law, Japan Energy works proactively to prevent sexual harassment. Specifically, this has involved raising employee understanding by educating employees on topics they should heed in order to prevent sexual harassment, as well as the Company has a phone consultation hotline in place regularly.

Child Care and Nursing Care Leave

At present, the Company's child care and nursing care leave systems comply with laws. The number of employees who have taken leave for FY2004 is as follows.

Child care leave:	7 people	Nursing care leave:	0 people
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Initiatives to Support Fostering Next Generation Youths

As the Law to Promote Measures to Support Fostering Next-Generation Youths was enacted in April this year, companies are required to set up action plans to allow workers to find a balance between work and childcare in order to change the momentum of declining birthrates.

The Company has established the following action plan based on this law, with the plan to continue actively implementing a range of measures. We plan to achieve these targets and obtain the approval of the head of Tokyo Labour Bureau.

Action plan to support fostering next generation youths
(Period covered by plan: April 2005 to March 2007)

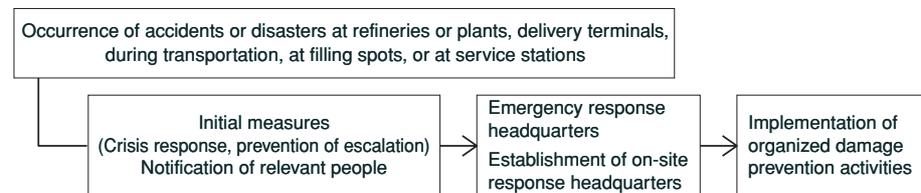
Target 1 Utilization of child care leave will be kept above the following minimum levels

Male employees	At least one male must use the leave during the plan's period of implementation
Female employees	The utilization rate will be at least 70%

Target 2 By March 2007, we will revise the present Rules for Child Care and Nursing Care Leave, and upgrade and expand measures such as the child care leave system and shortening of working hours.

Safety Initiatives

As the Company handles large amounts of dangerous substances and high-pressure gases in its operations, in addition to expending all the measures in disaster prevention, we have established crisis management rules and an appropriate response system in preparation for the possibility of emergency situations including natural disasters such as typhoons and earthquakes, and terrorist attacks. Particularly for our response to accidents and disasters at refineries and plants, delivery terminals, when transporting products in tank trucks, at filling stations and service stations, we have compiled the outline for the emergency system in times of disaster that sets up ways of emergency notification and gives the instructions for damage prevention so that we can promptly implement appropriate damage prevention measures, and we regularly check that this system is functioning.



Status of asbestos use

We are carrying out investigations into the usage of products that contain asbestos in our production facilities and our structures, as well as any harmful effects to the health of employees.

At the present time health effects have not been witnessed, but there are some packing materials and gaskets that use asbestos. There is also the possibility that some boards, slates, etc., used in structures contain asbestos. We have confirmed that none of these display dustability.

We plan to continue pushing forward with detailed investigations and measures to be taken.

Occurrence of Work-Related Accidents

The Company's history of industrial accidents requiring a work absence or not is as follows.

Number of industrial accidents

Year	2000	2001	2002	2003	2004
Industrial Accidents requiring a work absence	0	1	0	0	1
Industrial Accidents without any work absence	1	3	6	2	3

(Note) Industrial Accidents without any work absence are those where, despite suffering injury or illness caused by industrial accident, the scale of the accident is such that employees resume work the following day.

Initiatives Addressing the Problem of Passive Smoking

The Company adopts a policy of division of the workplace into smoking and nonsmoking areas. Since February 2003, we have banned smoking in work space at the head office, preceding enactment of the Health Promotion Law. Following this, the Mission Consultation Office received comments regarding smoking outside of working hours and in conference rooms, and we made efforts to ensure compliance with the rule of division of smoking and nonsmoking areas.

The FY2005 Companywide Health and Safety Policy instructs every work site and Branch office to rigorously enforce passive smoking countermeasures.

Risk Management

*HAZOP (Hazard and Operability Study)
A procedure for process safety analysis.

Risk management is divided into risk assessment, risk control, and risk communication, and Japan Energy places particular importance on prevention. Particularly at the refineries, which are the most risky of our operations, we have introduced the HAZOP^(*) procedures starting this fiscal year.

The Accident at the Kashima Refinery of Kashima Oil Co., Ltd.

We would like to take this opportunity to offer our deepest apology again for the great trouble and concern caused to local residents, government, and many others by the fire that broke out at Kashima Refinery's Number 1 Heavy Fuel Oil Desulfurization Unit on April 21, 2004.

The cause of the accident was the caulking of the furnace. To prevent future reoccurrence, we are improving the facilities and the operational management techniques. For details please refer to our website (Japanese Only).

■ The fire at the Kashima Oil Refinery

http://www.kashima-oil.co.jp/1rdfu201/fu201_idx.html

Data



Site Data

Environmental **Social &**
REPORT
2005

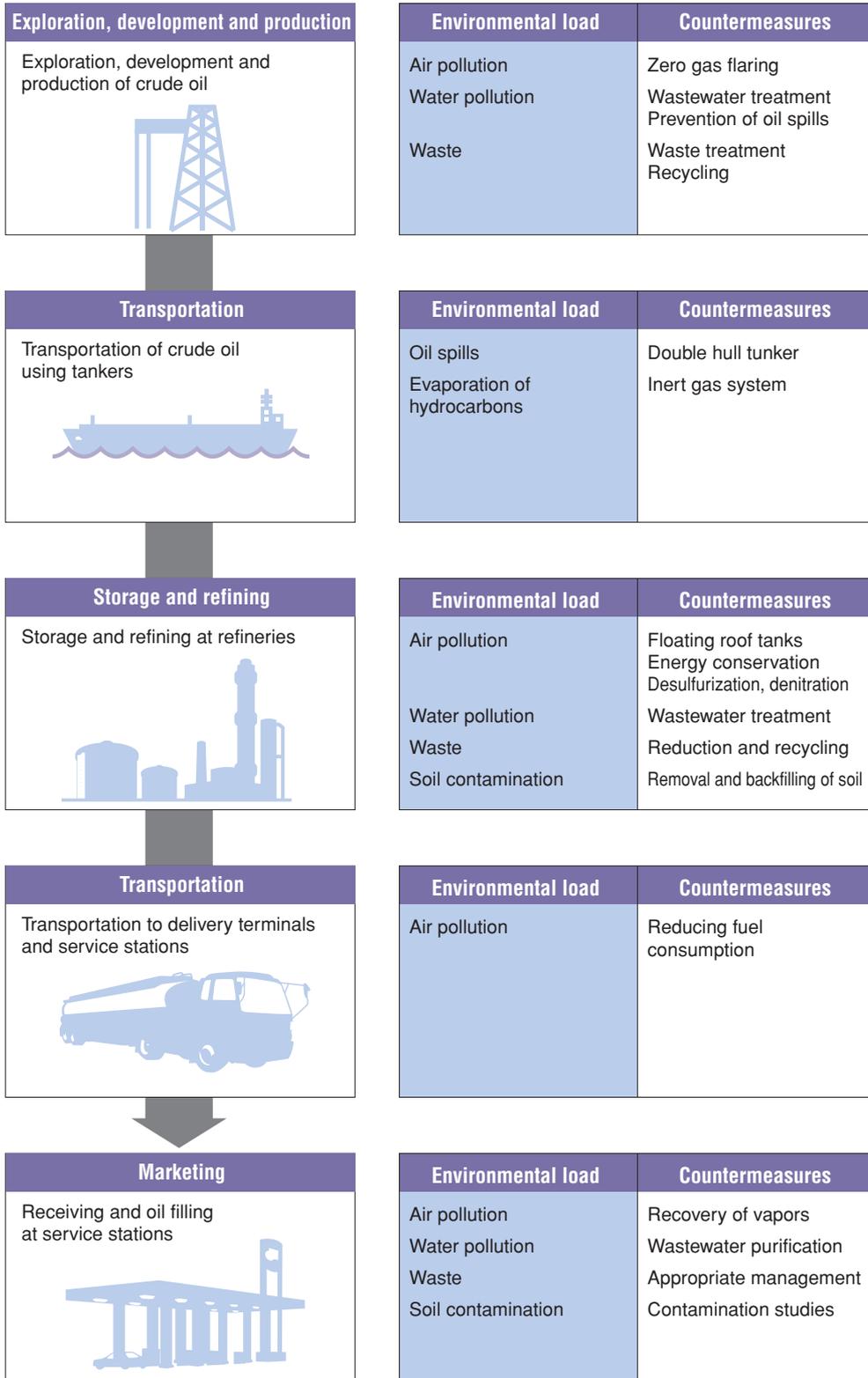


Environmental loads are generated during a variety of petroleum operation processes ranging from production and transportation of crude oil to production, transportation and marketing of final products.

All kinds of initiatives to reduce environmental loads are discussed in the Environment section, but the chart below collates the environmental loads resulting from our operations and corresponding countermeasures.

This collection of site data reports environmental performance of our refineries and plants.

Initiatives to Reduce the Environmental Loads of Operational Processes



Mizushima Oil Refinery



Name	Mizushima Oil Refinery
Location	2-1 Usiodori, Kurashiki-shi, Okayama, Japan
Site land area	1,647,800m ²
Date operations commenced	June 1961
Number of employees	388 (as of March 31, 2005)
Refining capacity	200,200 barrels per day

An integrated refinery that produces various petroleum products ranging from petroleum based fuel oils to normal paraffin, solvents, benzene, xylene, and other petrochemicals and lubricating oils.

As the center of the advanced industrial complex, we are heavily-equipped with pollution control facilities and we have outperformed strict emission regulations. At the neighboring Mizushima plant of Petrocokes Ltd., Japan Energy's heavy fuel oil is used to produce petroleum coke, and since April 1999, we have jointly managed the operations.

Substance	Regulatory laws, etc.	Details of regulation	Coverage	Regulatory limit	Measured value		Units
					Maximum	Average	
Air	Pollution prevention agreement	Regulation of total emissions	J Energy	149.6	95.7	73.9	Nm ³ /hour
			Petrocokes Ltd.	25.9	18.1	11.43	
			J Energy	187.8	66.5	37.4	
			Petrocokes Ltd.	28.7	9.5	4.7	
Particulate Matter	The Air Pollution Prevention Law	Regulation of concentration	For each facility	0.04 – 0.20	< 0.01 – 0.13	< 0.01 – 0.092	g/Nm ³

(Note) The maximum values of SOx and NOx exclude the period of ceased operations in August 2004 due to Typhoon 16.

Substance	Regulatory laws	Details of regulation	Coverage	Regulatory limit	Measured value		Units
					Maximum	Average	
COD	Pollution prevention agreement	Regulation of total emissions	J Energy	365	172.5	103.2	kg/day
			Petrocokes Ltd.	7	0.5	0.3	
Nitrogen	Pollution prevention agreement	Regulation of total emissions	J Energy	430	272.2	126.1	kg/day
			Petrocokes Ltd.	9	0.5	0.3	
Phosphorous	Pollution prevention agreement	Regulation of total emissions	J Energy	30.5	16.4	2.3	kg/day
			Petrocokes Ltd.	0.9	0.02	0.01	
Water quality	Regulations of the prefectural government	Regulation of concentration	For each discharge point	15 (10)	3.0 – 9.9	2.7 – 4.3	mg/ℓ
				40 (30)	5.8 – 14.0	3.0 – 4.0	
Oil content	Regulations of the prefectural government	Regulation of concentration	For each discharge point	2 (1)	< 0.5	< 0.5	mg/ℓ
Phenols	Regulations of the prefectural government	Regulation of concentration	For each discharge point	0.5	< 0.1	< 0.1	
Nitrogen	The Water Pollution Prevention Law	Regulation of concentration	For each discharge point	120(60)	0.9 – 4.7	0.7 – 2.2	mg/ℓ
Phosphorous	The Water Pollution Prevention Law	Regulation of concentration	For each discharge point	16 (8)	< 0.1 – 0.4	< 0.1 – 0.3	

Figures in brackets () are daily averages

Results of PRTR study

Substance	Emissions		Amount transferred	Sum total	Units
	Air	Water	Waste		
Ethylbenzene	0.2	0.0	0.0	0.2	Tons/year
Xylene	1.3	0.0	0.0	1.3	
Toluene	5.9	0.0	0.0	5.9	
Benzene	0.8	0.0	0.0	0.8	
Dioxins	0.5	0.0	0.0	0.5	

• Rounded to the nearest tenth. • Substances with no emissions or transfer are not included.

Green procurement

Segment	Item	Target	Result	Difference
Paper	Copier paper	Over 90% of the total amount procured	100%	+10%
	Paper for forms		100%	+10%
	Toilet paper		100%	+10%
	Tissue paper		100%	+10%
	Cardboard		100%	+10%
Stationery	Stationery	Over 90% of the total amount procured	99%	+9%
	Envelopes for offices		100%	+10%
	Window envelopes		100%	+10%
Uniforms	Work uniforms (overalls)	Over 90% of the total amount procured	100%	+10%
	Working gloves		100%	+10%

(Note) The standards of judgment used are from the Okayama Prefecture Green Procurement Guidelines.

Chita Oil Refinery



Name	Chita Oil Refinery
Location	25 Kitahama-cho, Chita-shi, Aichi, Japan
Site land area	1,293,086m ²
Date operations commenced	October 1973
Number of employees	105 (as of March 31, 2005)

A petrochemical oriented refinery producing fuel oils such as gasoline, etc., as well as aromatic products such as paraxylene, cyclohexane, benzene, etc., and many kinds of solvents. One of the newest refineries in Japan, we created expansive green space all around the refinery and we are striving to maintain the landscape.

	Substance	Regulatory laws, etc.	Details of regulation	Regulatory limit	Measured value			Units
					Maximum	Minimum	Average	
Air	Average amount of sulfur in fuel used	Pollution prevention agreement	Amount contained	0.17	0.066	0.021	0.032	%

	Substance	Regulatory laws, etc.	Details of regulation	Regulatory limit	Measured value			Units
					Maximum	Minimum	Average	
Air	NOx	Pollution prevention agreement	Regulation of total emissions	78.97	32.25	11.22	24.89	Nm ³ /hour
	SOx			81.43	11.10	4.80	8.39	Nm ³ /hour
				1,609		210		Tons/year
	Particulate Matter			33.95	2.44	0.36	0.97	kg/hour

	Substance	Regulatory laws, etc.	Details of regulation	Regulatory limit	Measured value		Units	
					Minimum	Average		
Water quality	Wastewater volume	Pollution prevention agreement	Regulation of total emissions	880	641	277	Nm ³ /hour	
	COD			195	64.0	29.6	kg/day	
	SS			317	39.5	12.7	kg/day	
	Oil content			21	5.3	3.2	kg/day	
	Phenols			21	9.5	0.98	kg/day	
	COD			Maximum	20	8.8	—	mg/l
				Daily average	14	—	3.7	mg/l
	SS			Maximum	20	5.0	—	mg/l
				Daily average	15	—	1.8	mg/l
	Oil content			Maximum	1.0	0.5	≤ 0.5	mg/l
	Phenols			Maximum	1.0	0.9	≤ 0.1	mg/l
	Nitrogen			Daily average	20	1.7	0.6	mg/l
	Phosphorous			Daily average	2.0	0.4	≤ 0.1	mg/l

	Regulatory laws, etc.	Regulatory limit	Measured value	Units
Noise	Pollution prevention agreement	55	49 – 54	dB (A)
Vibration	Pollution prevention agreement	65	30 – 30	dB

Results of PRTR study

Units: Tons

Substance	Emissions		Amount transferred	Sum total
	Air	Water	Waste	
Ethylbenzene	0.02	0.0	0.0	0.02
Xylene	2.1	0.0	0.0	2.1
1,3,5-trimethylbenzene	0.1	0.0	0.0	0.1
Toluene	3.1	0.0	0.0	3.1
Benzene	0.6	0.0	0.0	0.6

• Rounded to the nearest tenth. • Substances with no emissions or transfer are not included.

Funakawa Works



Name	Funakawa Works
Location	162-1 Aza-ashizawa, Funagawa-Minato-Funagawa, Oga-shi, Akita, Japan
Site land area	280,608m ²
Date operations commenced	March 1939
Number of employees	65 (as of March 31, 2005)

Produces top-grade, high-value added petroleum based lubricating oils. Our petroleum refining operations has originated here. We have been actively engaged in environmental problem solving.

	Substance	Regulatory laws, etc.	Details of Regulation	Regulatory limit	Measured value	Units
Air	NOx	Pollution prevention agreement	Concentration regulations for each facility	180 – 200	90 – 130	ppm
	SOx	The Air Pollution Prevention Law	K-value regulations for each facility	8.76	1.04 – 6.07	—
	Particulate Matter	Pollution prevention agreement	Concentration regulations for each facility	0.15 – 0.3	0.007 – 0.023	g/Nm ³

	Substance	Regulatory laws, etc.	Regulatory limit	Measured value			Units
				Maximum	Minimum	Average	
Water quality	pH	Pollution prevention agreement	5.0 – 9.0	8.4	7.2	7.8	—
	COD		160	13.5	3.3	7.7	mg/ℓ
	SS		200	25.5	2.5	5.9	mg/ℓ
	Oil content		5	3.4	0.3	1.2	mg/ℓ
	Phenols		2	< 0.2	< 0.2	< 0.2	mg/ℓ

Sodegaura Lubricants Plant



Name	Sodegaura Lubricants Plant
Location	1 Kitasode, Sodegaura-shi, Chiba, Japan
Site land area	55,735m ²
Date operations commenced	April 1969
Number of employees	11 (as of March 31, 2005)

In 1969, as the supply base for lubricating oils, in Eastern Japan. Produces all kinds of lubricating oils for automobiles, ships, and industry, using advanced blending technology. Obtained ISO14001 certification at the early stage of 1998.

	Substance	Regulatory laws, etc.	Regulatory limit	Measured value			Units
				Maximum	Minimum	Average	
Water quality	pH	Pollution prevention agreement with Sodegaura City	6.5 – 8.6	8.3	7.3	7.8	—
	COD		10	6.5	3.4	4.9	mg/ℓ
	SS		20	8	< 4	4.3	mg/ℓ
	Oil content		1	1	< 1	< 1	mg/ℓ
	Nitrogen		—	9.4	2.8	5	mg/ℓ
	Phosphorous	—	0.77	0.21	0.4	mg/ℓ	

Kawasaki LP Gas Terminal



Name	Kawasaki LP Gas Terminal
Location	5-1, Mizue-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa, Japan
Site land area	44,441m ²
Date operations commenced	March 1968
Number of employees	20 (as of March 31, 2005)

We have been pushing forward with automation of the facility since the 1980s, and despite the small number of workers, the site ranks 3rd in Japan in annual output using tank trucks, which stands at 640,000 tons. We are striving toward five environmental targets. It has been six years since we obtained ISO14001 accreditation, and we have achieved consistent environmental improvements through devoted efforts in management and work improvement including cutting back on power and exhaust gas. As a local environmental activity, we have been carrying out regular cleaning activities in the region for 12 years in collaboration with 14 neighboring companies.

	Substance	Regulatory laws, etc.	Regulatory limit	Measured value			Units
				Maximum	Minimum	Average	
Water quality	COD	Kanagawa Prefecture regulations	130	20	17	19	mg/l
	BOD		130	9	2	5	mg/l
	SS		120	8	4	5	mg/l
	Wastewater temperature		Less than 38°C, and not more than 10°C over the existing water temperature where released.	27	9	17	°C
				Water temperature where released	26	9	18

Toda (Research Laboratory)



Name	Toda (research laboratory)
Location	3-17-35 Niizominam, Toda-shi, Saitama, Japan
Site land area	49,721m ²
Date operations commenced	April 1959
Number of employees	139 (as of March 31, 2005)

While striving to strike harmony with the surrounding environment, we are researching next-generation clean fuels and other energy- and environment-related subjects.

	Substance	Regulatory laws, etc.	Regulatory limit	Measured value			Units
				Maximum	Minimum	Average	
Water quality (sewage wastewater)	BOD	Toda City regulations	600	12	< 10	11	mg/l
	SS		600	12	< 5	6.8	mg/l
	Oil content		5	< 1	< 1	< 1	mg/l
	Nitrogen		240	14	< 0.1	3.7	mg/l
	Phosphorous		32	0.6	< 0.1	0.19	mg/l
	Phenols		5	< 0.02	< 0.02	< 0.02	mg/l

Results of PRTR study

Units: Tons

Substance	Emissions		Amount transferred		Sum total
	Air	Sewerage	Sewerage	Waste	
Toluene	0.0	0.0	0.0	0.5	0.5
Xylene	0.0	0.0	0.0	0.1	0.1

• Rounded to the nearest tenth. • Substances with no emissions or transfer are not included.

Kashima Oil Refinery of Kashima Oil Co., Ltd.



* Petrochemical Complex Renaissance Project
The aim of this project is for petroleum refining and petrochemical companies to gain international competitiveness and reduce environmental loads by overcoming inter-company obstacles and rivalry, increasing efficiency through organic link-ups, and building a highly-competitive foundation based on an advanced system of united management.

Name	Kashima Oil Refinery
Location	4 Touwada, Kamisu-machi, Kashima-gun, Ibaraki, Japan
Site land area	2,730,000m ²
Date operations commenced	April 1970
Number of employees	338 (as of March 31, 2005)
Refining capacity	190,000 barrels per day

An integrated refinery that produces a range of products from petroleum products to petrochemicals such as paraxylene. As the central refinery in the industrial complex, it has developed the Petrochemical Complex Renaissance Project^(*) in recent years, and is carrying out mutual adjustment of materials and fuels with other petrochemical companies.

The Kashima industrial complex is an environmentally friendly design where utility service facilities and waste treatment facilities are shared, and final treatment facilities for wastewater, and convenient green space are also owned by the companies.

	Substance	Regulatory laws, etc.	Details of Regulation	Regulatory limit	Measured value	Units
Air	NOx	Pollution prevention agreement	Regulation of total emissions	132	44.9 – 71.9	Nm ³ /hour
	SOx		Regulation of total emissions	343	48.2 – 163.4	Nm ³ /hour
	Particulate Matter		Concentration regulations for each facility	0.04 – 0.05	0 – 0.031	g/Nm ³

	Substance	Regulatory laws, etc.	Regulatory limit	Point of emission	Measured value			Units			
					Maximum	Minimum	Average				
Water quality	pH	Regulations of the Ibaraki prefectural government	5.8 – 8.6	1GB	8.2	8.0	8.1	—			
				2GB	8.2	7.8	8.1				
				Central Road	8.3	7.9	8.1				
				West No.2 Road	8.2	7.7	8.1				
	COD		10	3CW	8.2	7.8	8.0	mg/ℓ			
				1GB	1.9	0.3	1.0				
				2GB	4.2	0.3	1.0				
				Central Road	3.4	0.7	1.6				
				West No.2 Road	5.9	0.4	1.6				
				3CW	2.0	0.4	1.2				
				SS	10	1GB	8.4		0.3	1.9	mg/ℓ
						2GB	8.5		0.2	1.7	
Central Road	6.7	0.6	2.4								
West No.2 Road	9.5	0.6	2.5								
Oil content	1	3CW	8.9	0.2	2.3	mg/ℓ					
		1GB	0.9	< 0.5	0.6						
		2GB	0.7	< 0.5	0.5						
		Central Road	0.6	< 0.5	0.6						
Oil content	1	West No.2 Road	0.8	< 0.5	0.6	mg/ℓ					
		3CW	0.8	< 0.5	0.6						

	Substance	Regulatory laws, etc.	Regulatory limit	Measured value	Units
Offensive odors	Hydrogen sulfide	Regulations of the Ibaraki prefectural government	0.06	< 0.001	ppm
	Xylene	Pollution prevention agreement	2	< 0.1	ppm

Results of PRTR study

Units: Tons

Substance	Emissions			Sum total
	Air	Sewerage	Waste	
Ethylbenzene	1.8	0.2	0.0	2.0
Xylene	17.3	1.9	0.0	19.2
1,3,5-trimethylbenzene	0.1	0.0	0.0	0.1
Toluene	17.6	6.0	0.0	23.5
Nickel	0.0	0.0	1.4	1.4
Phenols	0.0	5.4	0.0	5.4
Cobalt and its compounds	0.0	0.0	1.9	1.9
Molybdenum and its compounds	0.0	0.0	20.4	20.4
Benzene	3.8	1.9	0.0	5.7

• Rounded to the nearest tenth. • Substances with no emissions or transfer are not included.

To improve the quality of our CSR activities and our Social & Environmental Report, which is a tool of communication, we received comments on them from two people.



Mr. Hiroji Tanaka

Professor at the Rikkyo University Graduate School of Economics Graduate Division
Board Member on the Japan Society for Business Ethics Study

Personal history

1954: Joined the Bank of Japan. Sent to Michigan State University, USA, in 1970.
1990-1995: Served successive posts as vice president, compliance officer, etc., at the US Chemical Bank.

From 2002 to present: serving as professor at the Rikkyo University Graduate School of Economics Graduate Division.

The Ministry of Economy, Trade and Industry & Japanese Standards Association's CSR Standards Committee

Continues actively working as a committee member and committee chairperson in committees including the ISO/SR Domestic Committee, the Cabinet Office's Research Group on Guidelines for the Private Sector in Relation to the Whistleblower Protection Act, etc.

This report succeeds in exposing the Company's characteristics by organizing a well-balanced selection of information judged to be important within 41 pages.

Firstly, the Message from the President transmits relevant information inside the company and externally, based on the Company's social mission and corporate principles. The Company's participation in and internalization of the UN's Global Compact is the best evidence that Japan Energy is developing its operations from an advanced, global perspective.

Secondly, economic reporting is restricted to the sections on financial highlights and the medium-term management plan, and the remainder is dealt with in the business reports and annual reports.

Thirdly, the environment, that Japan Energy prioritizes the highest of all, receives superior coverage including the details of the Company's environmental protection policies and environmental management system.

Fourthly, there are highly detailed, substantial descriptions of the Company's relations with society, including compliance, policies for purchasing deals, social contribution programs, as well as sections titled "for our customers", and "with our employees".

The main issues for improvement are as follows.

Firstly, there was little explanation of communication and dialogue with stakeholders. This supposed to be caused by the company's industry-specific characteristics, however, in order for the company to fulfill its CSR, it is important that it enriches its communication and dialogue with customers, suppliers, shareholders, employees, and the local community notwithstanding. Thus, the company will be able to gain the trust of society.

Secondly, it would be desirable for the company to explain the common principles, CSR policies and charter, supplier guidelines, etc., of the Group as a whole, as might be expected of the core operating company of Nippon Mining Holdings Group.

The third point concerns the overall structure. While the cover is clean-cut and succinct, as a symbol that will determine the first impression of a well-known company, more innovation is required. Because the company's corporate mission is to contribute to the development of society by maintaining a stable and efficient supply of petroleum products, energy and raw materials, it would be desirable to convey concrete information on health & safety, and risk management. Finally, understanding would be deepened if there was a glossary on specialist terminology.



Ms. Yoko Takahashi

Chief Director of the Japan Philanthropic Association

Personal history

After graduation from Tsuda College and working as a high school teacher, she received accreditation as a counselor from Sophia University, and then worked as a psychological counselor at Kanto Gakuin Junior - Senior High School.

From 1991 she worked at the Japan Philanthropic Association.

She worked as secretary-general and managing director, and since June 2001 has been in her present position.

Reading this report reveals it to be, on the whole, very easily digestible with abundant use of diagrams. The report clearly indicates that the company's leaders and all of its employees are fully devoted to the implementation of the Mission, We Create Energy. I suspect the issue of the future shall be how the company devotes itself to holding dialogue with its stakeholders.

Japan Energy's Mission contains the three elements of "the energy in people", "the energy of the earth", and "the energy of society", among these, I suspect, its relations with "people" form the vitality of Japan Energy's employees. From this perspective, I would like to see employees who work on site appearing in the report, with their impressions from participating in volunteer activities, and other ways where we can see the faces and hear the voices of the people who work at Japan Energy.

I think the environmental initiatives are easy to understand due to the presentation of figures spanning over several years. If there were innovative ideas championing the cause of the concrete initiatives and positive points, it would lead to a deeper understanding and further education.

With regard to social initiatives, the report presents concrete figures on indicators such as the work-environment from a female perspective and the employment rate of disabled people, allowing one to make an evaluation of these things. Going further, if concrete targets for 2010 were presented, for instance, this might show a clear direction to the company and enhance the significance of the report.

The details of social contribution programs are presented in a matter-of-fact way and the company's sincerity is conveyed, but the final impression gained is weak. I would like to see comments from the stakeholders and participants in each activity presented, showing its outcome and making a case to urge more participation.

I believe it is regrettable that the initiatives in the service stations were presented separately as environmental and service-oriented ones. Even though the operators are separate entities, in the eyes of the customers it is the same JOMO brand. If the customers could feel that environmental initiatives, as well as social action programs like the Bouquet of Children's Stories, were the product of all service station operators working together, and pouring their positive energy into society together, I think it would lead to the 3 energies growing stronger in a synergistic way.

In future I look forward to seeing the 3 aspects of the main business, the environment, and social action merging together organically, and if this could be done, I think a more integrated corporate image would come into view, and the report would become an even richer source of information.

Social & Environmental Report 2005

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Social & Environmental Report 2005

JAPAN ENERGY CORPORATION

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