

Energy of the **Earth**



Energy of **Society**



Energy in **People**



# CSR Report 2009

Corporate Social Responsibility Report

## JAPAN ENERGY CORPORATION

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## Energy in People

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## Energy of the Earth



## Energy of the Earth

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## Energy of Society



## Energy of Society

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## The Functions of the Printed Report and the Report Posted on the Company's Web Site

The CSR Report 2009 consists of both a printed report and a report posted on our Web site, with the report on the Web site as the primary report. The printed report emphasizes materiality – items that we believe will be of particular interest to society or that we consider important to report – in a condensed and easy-to-read format.

Please refer to our Web site for a comprehensive report on our CSR-related activities (in Japanese).

 <http://www.j-energy.co.jp/cp/csr/report/2009/>



## Editorial Policy

Japan Energy publishes a CSR report to disseminate information regarding its CSR-related activities. This report introduces our CSR activities in petroleum-related businesses, ranging from petroleum exploration to retail sales at JOMO service stations, focusing on the three types of energy on which our Mission is based – the Energy in People, the Energy of the Earth, and the Energy of Society. We have included special features that include interviews with people involved in various CSR-related activities.

We have also endeavored to address, to the best extent possible, the items raised in the Third-Party Opinions section included in our CSR Report 2008 and opinions from readers identified through questionnaires and other methods.

## Scope of the Report

This report focuses on the activities of Japan Energy Corporation, with additional information regarding some activities of the Japan Energy Group and group companies. Financial data includes the Japan Energy Group's consolidated subsidiaries. Environmental data, the Medium-Term Environmental Plan, and environmental accounting information are for Japan Energy Corporation and Kashima Oil Co., Ltd.

## Period Covered by the Report

This report covers CSR activities carried out during fiscal 2008 (April 1, 2008 to March 31, 2009). Some sections also cover activities from April 2009.

## Reference Guidelines

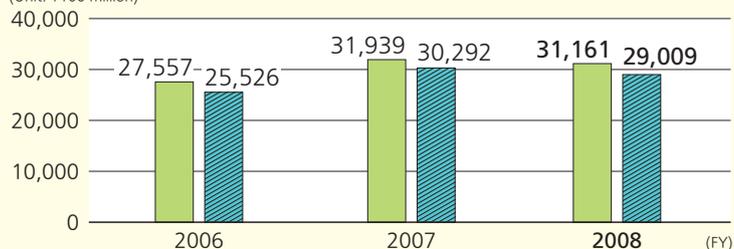
In this report, we have referred to the Environmental Reporting Guidelines (fiscal 2007 version), published by Japan's Ministry of the Environment. For environmental accounting, we have referred to the Ministry of the Environment's Environmental Accounting Guidelines (fiscal 2005 version) and the Study on the Introduction of Environmental Accounting in the Petroleum Industry (2000), published by the Japan Petroleum Energy Center.

## Corporate Information

Name	Japan Energy Corporation
Head office	2-10-1 Toranomon, Minato-ku, Tokyo 105-8407, Japan
Founded	December 1905
Established	April 1, 2003
Capital	¥48.0 billion (Wholly owned by Nippon Mining Holdings, Inc.)
President	Isao Matsushita
Number of employees	2,505 (As of March 31, 2009)
Main lines of business	<ul style="list-style-type: none"> <li>■ Exploration, development and production of petroleum and natural gas</li> <li>■ Manufacture and marketing of gasoline, naphtha, kerosene, gas oil, heavy fuel oil, LP gas and lubricating oils</li> <li>■ Manufacture and marketing of petrochemical products</li> </ul>

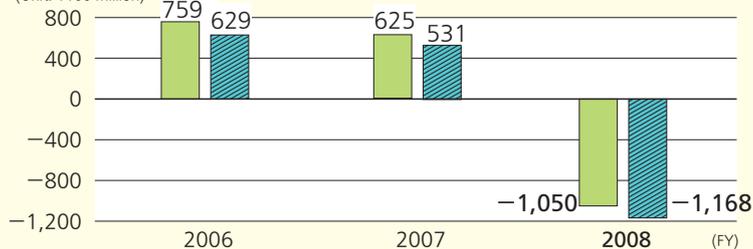
### Net Sales

(Unit: ¥100 million)



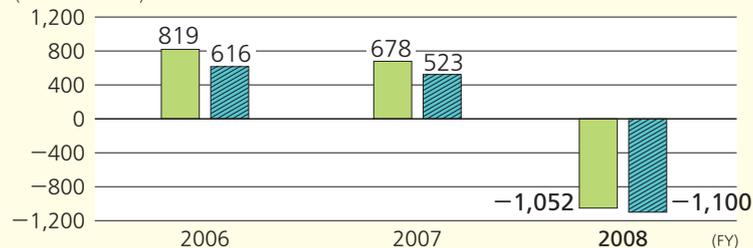
### Operating Income

(Unit: ¥100 million)



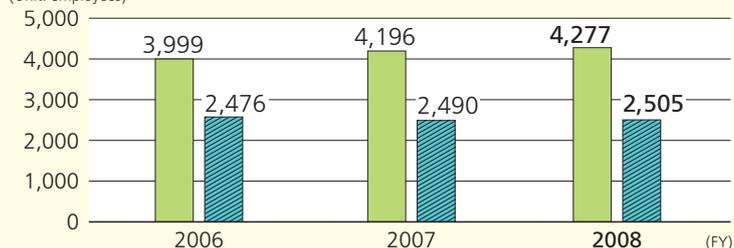
### Income Before Special Items

(Unit: ¥100 million)



### Number of Employees

(Unit: employees)





## For a More Cohesive and Dynamic Society

Japan Energy is an integrated energy company with businesses ranging from the upstream areas of petroleum exploration, development and production to the downstream areas of manufacturing and marketing of petroleum and petrochemical products. Our primary mission is to safely provide customers with a stable supply of the energy required by industry and for people's daily lives.

### The Roots of Our CSR Activities are in Our Corporate Mission: "We Create Energy"

In April 1997, in order to continue to be trusted and valued as a member of society, we established our corporate mission – "We Create Energy" – together with our "Five Pledges" business principles to achieve our Mission, as a common set of values for all directors and employees to clearly show the direction our company should take. "We

Create Energy" uses the word "energy" from our company name to express our profound desire "for a more cohesive and dynamic society" with a constant awareness of our interactions with people, the earth, and society to "activate the natural energy in people," "use the energy of the earth wisely," and "enhance the energy of society."

Our business activities, which are based on the fundamental principle that "We Create Energy," are themselves CSR activities.

## The Three Energies and Our CSR Activities

### ■ Activating the Natural Energy in People

Each of our directors and employees shares a common purpose and strives daily to implement our corporate mission. In particular, this includes Japan Energy as well as JOMO service stations and dealerships working together as one united Team JOMO to implement effective customer satisfaction management. From service station crew members to top management, everyone shares a desire to serve customers and achieve a superior level of customer satisfaction. We are striving to create “Value Style stations” by proactively “developing service stations that make customers want to come again.” At the same time, we are promoting continued staff development through personnel training programs.

Moreover, the realization of customer satisfaction leads to improvements in a company’s image and brand value, and a high assessment from society leads to more pride and joy for employees (employee satisfaction). In other words, “customer satisfaction management” can be enhanced through the synergies that are created when all directors and employees – not only in marketing divisions but also in production and administrative divisions – are constantly aware of customer satisfaction as they work.

In addition, all employees at refineries and plants participate in Total Productive Maintenance (TPM). This is one of the ways that the features and functions of workplaces in a variety of business activities are utilized to create a free and open workplace environment in which each employee’s personality and capabilities are given full rein and respect, and employees regardless of gender can further develop their own capabilities.

### ■ Using the Energy of the Earth Wisely

Our main product is petroleum, which is a limited natural resource that must be used effectively and the production and consumption of which places a significant burden on the environment in areas like global warming. Recently, there have been discussions about Japan’s new medium-term

targets for greenhouse gas reductions and rapid progress has been made in taking steps to prevent global warming. Japan Energy considers the preservation of the global environment to be one of our important management issues, and we are undertaking a variety of measures to prevent global warming with renewed emphasis based on our Medium-Term Environmental Plan, which sets specific numerical targets including reductions in the amount of energy consumption.

One of our Five Pledges is to “always give top priority to safety and the environment.” Based on this pledge, in all of our business activities and in all stages of the supply chain – from petroleum exploration, development, production, and refining to distribution and sales – we pursue energy savings and reduced environmental impact, and have established safety and crisis management systems as part of our activities related to safety and the global environment.

At the same time, we are researching and developing next-generation energies and aggressively bringing environmentally friendly products to market in the areas of fuel oil, lubricating oils, and petrochemicals. Japan Energy also stresses the environmental preservation of forests, which absorb CO<sub>2</sub> emissions and are home to a variety of animal and plant life, by providing funds for forest preservation in cooperation with a local government and an NPO. Our employees also actively participate in volunteer activities related to forest preservation.

### ■ Enhancing the Energy of Society

Japan Energy has always worked to address the needs of society through its business activities as an integrated energy company. In addition, we also contribute to society in the areas of promoting sports and culture, supporting children’s groups and special needs groups, and supporting the volunteer activities of employees. In particular, the JOMO Children’s Story Award and the JOMO Children’s Story Fund are two unique activities with a long history. Each year we accept submissions of children’s stories for a children’s picture book with the theme of “heart-to-heart contact,” and this year will be the 40th anniversary of this activity.

The JOMO Children's Story Fund was established in 1992, in cooperation with JOMO dealerships, which purchase the book *The Bouquet of Children's Stories*, with proceeds from sales of the book going to the Japan National Council of Social Welfare as an annual contribution. These contributions support scholarships to allow children living in child welfare facilities, mothers-and-children's homes, and foster families to graduate from high school and pursue higher education. We intend to continue to respond to the needs of society through these programs in the future.

### ■ Participating in the UN Global Compact

Japan Energy supports the 10 principles advocated by the UN Global Compact in relation to human rights, labor, the environment, and anticorruption. As a member of the local Japanese entity, the Global Compact Japan Network, we work to resolve international problems through our business activities and share the successes of those activities with other member companies.

### ■ Taking CSR Further

In June 2007, we conducted a survey of employee CSR awareness, which showed that the awareness and acts of employees with regard to CSR were not yet sufficient. As a result, directors visited branches, refineries, and plants between February and July 2008 to directly talk with employees to exchange ideas related to our Mission and CSR activities. A total of 1,166 employees participated in this exchange. In addition to deepening their understanding of our Mission, these discussions produced more than 200 opinions and suggestions for future initiatives. The problems and issues identified from the analysis of these opinions will be used to enhance our CSR activities going forward. We have designated "compliance," "the environment," and "customer satisfaction" as areas of focus for fiscal 2009 in pursuit of reinforcing our Mission and Business Principles in the minds of employees, and are diligently working to have all employees participate in CSR activities.



As I mentioned above, we consider our business activities themselves, based on the implementation of our Mission and Business Principles, to be CSR activities. Providing customers with a safe and stable supply of the energy required by industry and in our daily lives is our social mission as an integrated energy company. There have been incidents and accidents, like the fire at the Kashima Oil Refinery in fiscal 2008, but all directors and employees are resolutely devoting themselves to ensuring that there are no reoccurrences of these events.

The Nippon Mining Holdings Group is moving forward with negotiations for the business integration with Nippon Oil Corporation planned for 2010. At Japan Energy, as we respond to changes in society and within our operating environment, we will continue to take the same approach as in the past. Each employee, including top management, will strive to act in a manner befitting a good corporate citizen in accordance with our Mission of "We Create Energy," and through accurate and highly transparent communication with all stakeholders, we will work to continue to grow as a company and to contribute to the realization of a sustainable society.

August 2009

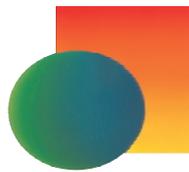
**Isao Matsushita**

President and Chief Executive Officer  
Japan Energy Corporation

# Mission and Business Principles

Our Mission, “We Create Energy,” indicates the Company’s direction and overall goal as well as the sense of values and commitment that all of our directors and employees must share. Our Business Principles consist of the Five Pledges, which are standards of action for realizing our Mission. Central to our CSR activities is ensuring that all directors and employees carry out their day-to-day work with a focus on our Mission and Business Principles.

Japan Energy’s Mission and Business Principles (Established in April 1997)



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 responsibility as a corporate citizen to discover new values and additional areas of 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.

# CSR Activities at Japan Energy

Japan Energy aims to support the realization of a more cohesive and dynamic society through its interactions with people, the earth, and society, in order to be a company that continues to be both trusted and needed as a member of society.

## Energy in People

### Activating the Natural Energy in People

The imagination and creativity of each individual employee are a company's source of vitalization. The foundation for activating this energy is by creating a lively workplace for employees. At Japan Energy, we are enhancing personnel and training systems based on the fundamental principle that activating the energy in employees leads to the Company's further development. One element of this is our emphasis on creating an environment in which women feel comfortable in their work.

- While fostering human strength, we provide society with quality products and show consideration for families.

- Cultivating imagination and creativity
- Bringing satisfaction and joy
- Striving to develop abilities

### Having a Fulfilling Job and an Active Life

- Gratitude and recognition from families and society
- Sustenance for active lives



- From oil exploration and development to transportation
- At JOMO service stations
- During oil refining and manufacturing
- In offices and R&D centers
- During transportation to service stations
- Developing environmentally friendly products

- Preventing global warming through energy savings
- Reducing waste material and effectively using resources
- Preventing water, soil, and air pollution
- Curtailing the use of harmful chemicals

### Reducing the Environmental Impact of Our Business Activities

- For a beautiful earth for the next generation

## Energy of the Earth

### Using the Energy of the Earth Wisely

In addition to providing a stable supply of energy, the effective use of energy to protect the earth's environment is one of Japan Energy's important missions. We are making significant efforts to raise awareness of the importance of promoting energy savings and reducing environmental impact, while at the same time proactively installing and upgrading equipment at refineries and other production facilities for greater energy efficiency.





# Energy of Society

## Enhancing the Energy of Society

Japan Energy has always been engaged in activities aimed at contributing to local communities and society, and among these activities, the JOMO Children's Story Award and the JOMO Children's Story Fund have been particularly well received. We consider it important for each director and employee to voluntarily participate in social contribution activities, and we support the volunteer activities of our employees.



● Fulfilling our responsibilities to society and stakeholders

Contributing to Local Communities, Meeting the Expectations of Customers and Business Partners, and Conforming to Social Standards

- Earning the trust of society and stakeholders
- Being needed

Legal compliance is a given

Ensuring safety, from petroleum exploration and development to sales

Striving to raise the quality of products and services

Contributing to the development of local communities

Carrying out fair business transactions

Nurturing the next generation

### Aiming for greater depth and a more solid footing in CSR activities

For Japan Energy to continue to be trusted and needed as a member of society, the most important issue going forward is to add greater depth and create a more solid footing in our CSR activities, and we are strengthening our framework for achieving these objectives. We are addressing the three major areas of "compliance," "the environment," and "customer satisfaction" through a system of introducing specific themes in each workplace (Plan), having all employees be aware of and participate in those plans (Do), reporting semiannually and evaluating the results of those activities (Check), and subsequently enhancing on those activities (Action).

#### Compliance

While also obeying laws and regulations, each director and employee acts in the interest of society, while also conforming to social norms and complying with sound corporate ethics in a faithful manner.

#### The Environment

Each individual director and employee strives to reduce environmental impact in all of our business activities, in order to hand over a beautiful global environment to the next generation.

#### Customer Satisfaction

While doing their job, each director and employee constantly thinks about "What can I do to satisfy customers?" and consequently establishes goals to achieve that.

#### Framework for Pursuing CSR Activities



# Responsibilities and Activities in the Supply Chain

“Coming face-to-face with people and the earth through our energy business.” Japan Energy provides a stable supply of the energy that is indispensable to people’s daily lives. To do this, we have built an integrated supply chain from gas and oil field exploration, development, and production to marine transportation, refining and stockpiling, distribution, and a variety of services provided via JOMO service stations.

We pay particular attention to “the environment” and “safety” throughout the entire supply chain. As such, Japan Energy is keenly aware of its social responsibility as an integrated energy company, and as a result works toward creating a society in which people can live their lives with peace of mind.

## Oil exploration, development and production



## Crude oil transportation



## Refining and stockpiling at oil refineries



## Manufacturing and stockpiling of LP gas



## Manufacturing of lubricating oils



## Manufacturing of petrochemical products



The Japan Energy Group’s oil development business encompasses projects inside and outside Japan, from exploration (finding underground oil reserves) to development (drilling wells; building processing, storage, and shipping facilities; etc.) and oil production.

Our transportation activities are concerned with safety and environmental protection. When transporting crude oil in large tankers from the Middle East, we strive to transport the oil safely and prevent pollution from leakage into the sea, and to reduce energy consumption through improved transportation technologies.

Crude oil is transported from oil producing countries to our refineries. At the refinery, the crude oil is processed into fuel oils such as gasoline, and in addition petrochemicals, lubricating oils, and LP gas are produced as well. The stockpiling of crude oil and the stable supply of petroleum products are also important functions of refineries.

The Japan Energy Group operates three oil refineries within Japan, with the highest importance given to “maintaining safety and disaster prevention” and “environmental protection.” To achieve such objectives, all employees at refineries also participate in TPM (Total Productive Maintenance) activities.

### Addressing the expiration and reinstatement of temporary rates for gasoline excise tax and gas oil delivery tax

The temporary rates of gasoline excise tax and gas oil delivery tax were suspended in April 2008, but were subsequently reinstated the following month.

This led to expectations of a short-term concentration

of demand, and we therefore worked with dealerships operating JOMO service stations to ensure a stable supply of gasoline and gas oil.

Some service stations, however, did not have sufficient inventories, and there were cases in which service stations had to ask their customers to go to other service stations, but there were no major disruptions resulting in accidents.

#### Domestic transportation (coastal tankers)



#### Delivery terminals and LP gas secondary terminals



#### Domestic transportation (tank trucks)



#### Marketing of petroleum products



#### Marketing of LP gas

- Propane
- Butane
- Autogas

#### Marketing of lubricating oils

- Lubricating oils for automobiles
- Industrial-use lubricating oils
- Refrigeration lubricants, etc.

#### Marketing of petrochemical products

- Paraxylene
- Benzene
- Normal paraffin
- NS Clean
- Heavy aromatic solvents, etc.

Petroleum products are hazardous materials, and it is therefore important that we transport them safely from oil refineries to delivery terminals and JOMO service stations. The transportation methods used are by sea with coastal tankers and by land with tank trucks.

Delivery terminals receive the petroleum products produced at refineries for stockpiling and shipping, and play an important role as an intermediate base for providing those products to local JOMO service stations.

In addition to ensuring safety, we also work to reduce the environmental impact by pursuing efficiency in transportation.

JOMO service stations safely provide customers with petroleum products such as gasoline and engine oil. High safety standards are set to withstand unforeseen events like fires or earthquakes, while careful safety inspections are carried out and environmental protection measures – including preventing gasoline from evaporating into the air, preventing soil pollution due to leakage, and recycling waste materials – are also implemented.

We are also opening Value Style stations to support the daily lives of local residents with generous hospitality and a comfortable environment.

# Corporate Governance and Management

Japan Energy operates under the holding company Nippon Mining Holdings, Inc., and carries out its CSR activities, corporate governance, compliance, risk management, and other activities pursuant to Nippon Mining Holdings Group policies.

## Group Management System and Corporate Governance

Japan Energy operates under the holding company Nippon Mining Holdings, Inc., as the core company responsible for the group's petroleum business. The Nippon Mining Holdings Group oversees group management with the aim of increasing corporate value through efficient management and the optimal allocation of resources at the group level, while respecting the autonomy of each operating company's business management.

Japan Energy and its parent company Nippon Mining Holdings have concluded a basic contract related to management of the group that clarifies the standards upon which Nippon Mining Holdings manages and controls Japan Energy. In addition, the two companies work together on a joint committee, the Nippon Mining Holdings Group Management Conference, to create consistent medium- and long-term management plans.

Japan Energy is also engaged in corporate governance as a member of the Nippon Mining Holdings Group. The fundamental policy of Nippon Mining Holdings with regard to corporate governance is to separate group management and business execution under a holding company structure in order to effectively maintain group business control functions and management transparency.

We have abolished the former Board of Directors and Board of Auditors, and in their place we have established the Executive Committee and the Auditors Committee as a means of expediting decision making and simplifying our executive systems. The audit system was further strengthened in June 2007, when we increased the number of full-time statutory auditors.

## Nippon Mining Holdings Group Mission

The Nippon Mining Holdings Group CSR Committee formalized the Group Mission in May 2008.

The Nippon Mining Holdings Group Mission incorporates Japan Energy's Mission.

### Nippon Mining Holdings Group Mission

The Nippon Mining Holdings Group strives to achieve a stable and efficient supply of and the effective utilization of resources, materials, and energy, while contributing to the creation of a better environment and a sustainable society.

## Establishing a System to Strengthen Internal Controls

Nippon Mining Holdings established the Internal Control Promotion Department in April 2006 to prepare for the requirement of an "evaluation system for internal controls regarding financial reports" by listed companies from fiscal years beginning in or after April 2008, under the Financial Instruments and Exchange Act (J-SOX). In addition, the Group Internal Control Committee was established to allow Nippon Mining Holdings and its core operating companies, including Japan Energy, to cross-organizationally discuss and examine policy on matters including system improvements to group-wide internal controls, and to carry out the related planning and evaluation.

Japan Energy has also established the Internal Control Committee to actively promote the establishment of a system for internal controls. The evaluation for fiscal 2008, the first year in which this system was implemented, was noted in the Group's financial report as of the end of fiscal 2008, affirming that the internal control system is effective.

## Systems for Promoting Our Mission and Compliance

The Compliance Committee, established in July 2003 as a subsidiary organization of the Corporate Principles Committee, has primary responsibility for promoting compliance at Japan Energy, and sets companywide policies for compliance-related education and awareness activities.

In addition, all head office departments, plants, and branches set compliance themes each year, including subsidiaries, and report on the status of their implementation semiannually to the Compliance Committee. The Compliance Committee also surveys the state of compliance at all departments and subsidiaries, and follows up on those surveys as appropriate.

At the same time, Nippon Mining Holdings established the Nippon Mining Group Compliance Committee in October 2006, comprising representatives of Nippon Mining Holdings and core operating companies, to further enhance and strengthen the group's compliance system and to monitor the status of compliance promotion throughout the group. Nippon Mining

Holdings also holds the Nippon Mining Group Compliance Conference in which Japan Energy and other primary group companies participate.

### Fundamental Compliance Policy

Established in May 2004, our Basic Compliance Rules state, "Led by our top management, all employees shall earnestly abide by laws, social norms and corporate ethics based on the Mission." To this end, we have made it a basic policy to "continuously upgrade our organizational culture and ensure a system that prevents misconduct and establishes responsibilities" as the fundamental compliance policy.

### Participating in the UN Global Compact



Japan Energy has supported the UN Global Compact and its 10 principles in the four areas of human rights, labor, the environment, and anticorruption since July 2002.

Please refer to the Global Compact Japan Network Web site for detailed information regarding these 10 principles.

<http://www.ungcjin.org/>

## Risk Management

Risk management is divided into risk assessment (preventative), risk control (dealing with problems), and risk communication (public relations). Japan Energy places particular emphasis on risk assessment as a way to proactively prevent problems from occurring. We use the HAZOP\* method at our refineries, which are the sites that present the greatest risk.

\*HAZOP (Hazard and Operability) study: A method for analyzing the safety of processes.

## Business Continuity Plan (BCP) in Event of Major Earthquake

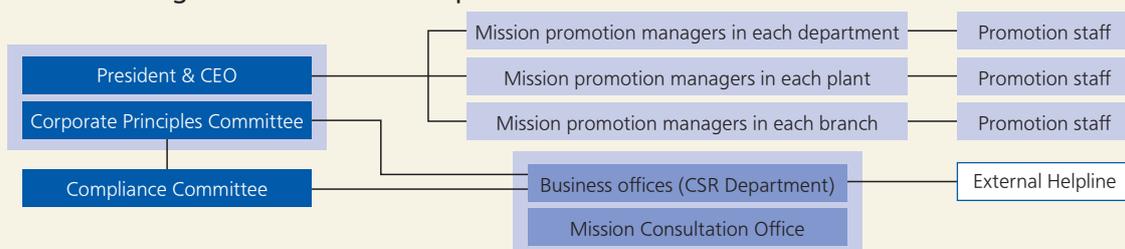
Japan Energy has formulated a business continuity plan in the event of a major earthquake with Tokyo as its epicenter. The purpose of this plan is to establish basic responses to maintain business continuity in order to avoid or minimize bodily harm to our stakeholders and damage to their property, and to maintain operational continuity or ensure the early return of important business areas. The plan consists of three basic policies:

- (1) Make the safety of employees and other stakeholders a top priority, and ensure recovery from the disaster and the prevention of a second disaster.
- (2) Do everything possible to continue supplying products to customers and business partners as needed.
- (3) Contribute to helping local communities recover from disasters in line with our social responsibility as a petroleum company.

The Company held the following emergency response drills during fiscal 2008, based on this plan and envisioning the occurrence of a major earthquake with Tokyo as its epicenter:

- Confirmation of the safety of head office staff via the emergency e-mail transmission system (September).
- Emergency response information gathering by business group and emergency response conferencing by business group (October).

### System for Promoting Our Mission and Compliance



#### Items posted on Web site

- Compliance (Concrete standards / Use of Mission Consultation Office / Education / Training on personal information protection / Compliance implementation)
- Risk management (Disaster prevention and emergency response / Information security / Asbestos inspections)
- Comparative table of UN Global Compact's 10 Principles and Japan Energy's CSR activities
- Report on accidents and incidents



## Together with Employees

Japan Energy operates under a personnel system that respects the desires of employees and evaluates their performance fairly and transparently, with the aim of creating a workplace in which all employees can realize their full potential.

### Creating an active workplace for employees

We are enhancing personnel and training systems based on the fundamental principle that activating the energy in employees leads to the Company's further development.

#### ●Fundamental Human Resource Policies

Japan Energy has four fundamental human resource policies:

1. Personnel assignments and rotation based on appropriate assignments and personnel development.
2. Performance evaluation and treatment emphasizing transparency, fairness, and effectiveness.
3. Employment conditions appropriate for the Company's capabilities and swift, systematic responses to the needs of society.
4. Proactively providing educational opportunities to develop the capabilities of individuals.

#### ●Promoting Placement and Training that Respects the Ambitions of Employees

Japan Energy implemented the "Self-Declaration System" in 1999. Once a year, employees file a report with the General Administration & Human Resources Department in which they express their opinions on their particular skills and future career goals, and make requests regarding where they would like to work or other personal wishes. Based on the suitability or skills of employees for particular jobs, and with consideration for their intentions and desires, we place employees in jobs or on career paths in which they will find satisfaction and that make the most of their strengths.

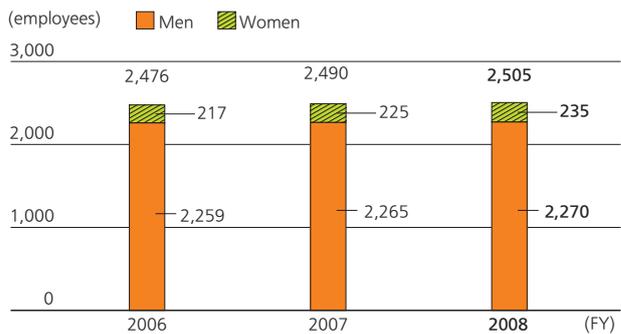
#### ●Creating a Workplace that Empowers Women

We promote the creation of a workplace environment in which women can thrive and promote the expansion of job opportunities for women. Along with increasing our hiring of women and proactively reassigning them to broaden their experience, we are working to create an atmosphere in which female employees can thrive by revising personnel systems and promoting a common understanding of these systems among all employees.

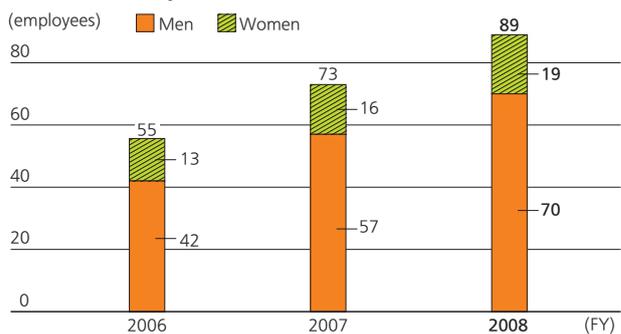
#### ●Preventing Sexual Harassment

Our policy of fair treatment and the details of that treatment with regard to sexual harassment are clearly stated in our workplace regulations, and we thoroughly inform and educate all employees, including managers and supervisors, regarding these policies. A consultation office has also been set up to consult and receive complaints regarding sexual harassment and intra-company personal relationships. When there are complaints made or consultations given, careful attention is paid to protecting the privacy of the person making the complaint, the situation is quickly investigated, and the appropriate measures to prevent a recurrence are implemented.

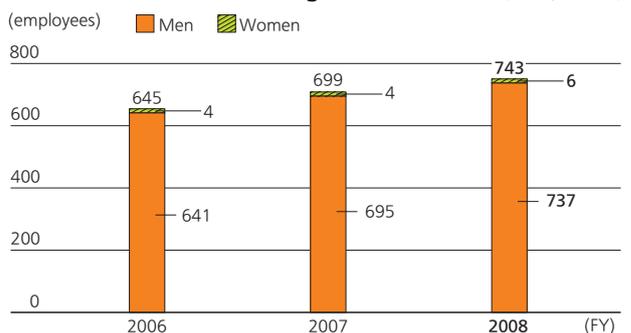
Number of Employees (fiscal year-end)



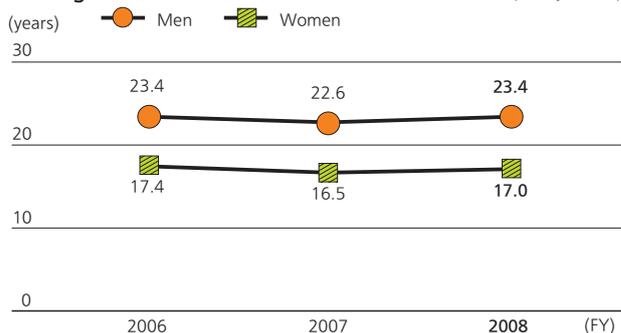
New University Graduates Hired



Men and Women in Management Positions (fiscal year-end)



Average Number of Continuous Years of Service (fiscal year-end)



# TOPICS

## Opportunities to Exchange Opinions

Japan Energy directors visited branches and plants between February and July 2008 to exchange opinions related to our Mission and CSR activities. This direct dialog between directors and employees led to a deeper understanding of our Mission, with 1,166 employees participating in 23 events at 19 locations nationwide.

The employees who participated received detailed explanations to deepen their understanding of our Mission, and many expressed their opinions and hopes to the directors. More than 200 opinions and suggestions were made, and these were compiled into a list by the administrative office and posted on an electronic bulletin board. In addition, based on the results of the analysis of these comments, and the results of the employee CSR awareness survey carried out in 2007, problems and issues were identified and responses were considered, which are reflected in the fiscal 2009 activity policy.



Session for exchanging opinions



Enabing, an internal magazine to deepen understanding of our Mission

## Publication of “Guidebook for Supporting Employees for Child Care”

The “Guidebook for Supporting Employees for Child Care” was published in August 2008. This was compiled by a working group made up primarily of female employees and written from the perspective of women, based on the results of surveys of employees who had taken maternity leave. In addition to providing useful information for employees with small children, including an explanation of the Company’s child-care support system and an introduction of public systems, the guidebook also gives advice for understanding the needs of employees with young children and promotes mutual support throughout the workplace.

Activities for supporting the next generation’s development and both work and child care are not limited to female employees — husbands, fathers, supervisors, and coworkers — are all expected to play a variety of roles. Through this guidebook, all employees will be better able to understand how to support employees who care for children and help to create a lively and effective workplace.



Working group members editing the guidebook



Guidebook for Supporting Employees for Child Care



### Items posted on Web site

- Creating a workplace for realizing an individual’s true potential (Fair and transparent performance evaluation system / Smooth labor-management relations)
- Promoting diversity in the workplace
- Supporting the development of the next generation
- Promoting occupational health and safety



## For the Global Environment

Japan Energy established an environmental management system for the purpose of engaging in environmental protection activities, and all of our refineries and plants are ISO 14001 certified. The entire Group is also working toward the achievement of the three-year Medium-Term Environmental Plan.

### Environmental Protection Policies

Japan Energy's Mission states that we will "use the energy of the earth wisely," and one of the Five Pledges business principles state that we will "always give top priority to safety and the environment." This thinking was the basis for the creation of our environmental protection policies, which guide us in protecting the environment, reducing environmental impact, and addressing various environmental problems.

#### Specific Environmental Protection Policies

1. We will strive to prevent pollution by considering the environmental effects of all our operations.
2. We will strive to recycle and to use energy efficiently in order to use resources wisely.
3. We will comply with all relevant laws and strive to attain environmental standards that earn the trust of society.

### Environmental Management System

Japan Energy complies with environmental rules and regulations as the basis of its environmental management. In particular, all of our refineries and plants have received ISO 14001 certification (we are currently using the fiscal 2004 version of the system) and are actively working to improve the environment.

#### ● ISO 14001 Certification Status

	Mizushima	Chita	Funakawa	Sodegaura	Kawasaki	Kashima
Date certified	1999.2.26	1999.3.5	1998.11.27	1998.3.18	1999.5.21	1999.3.12
Certification body	LRQA	JQA	LRQA	LRQA	JQA	JQA
Certification Code	YKA 0772494	JQA-EM 0353	YKA 0771917	YKA 0771512	JQA-EM 0427	JQA-EM 0373

#### ● Environmental Audits

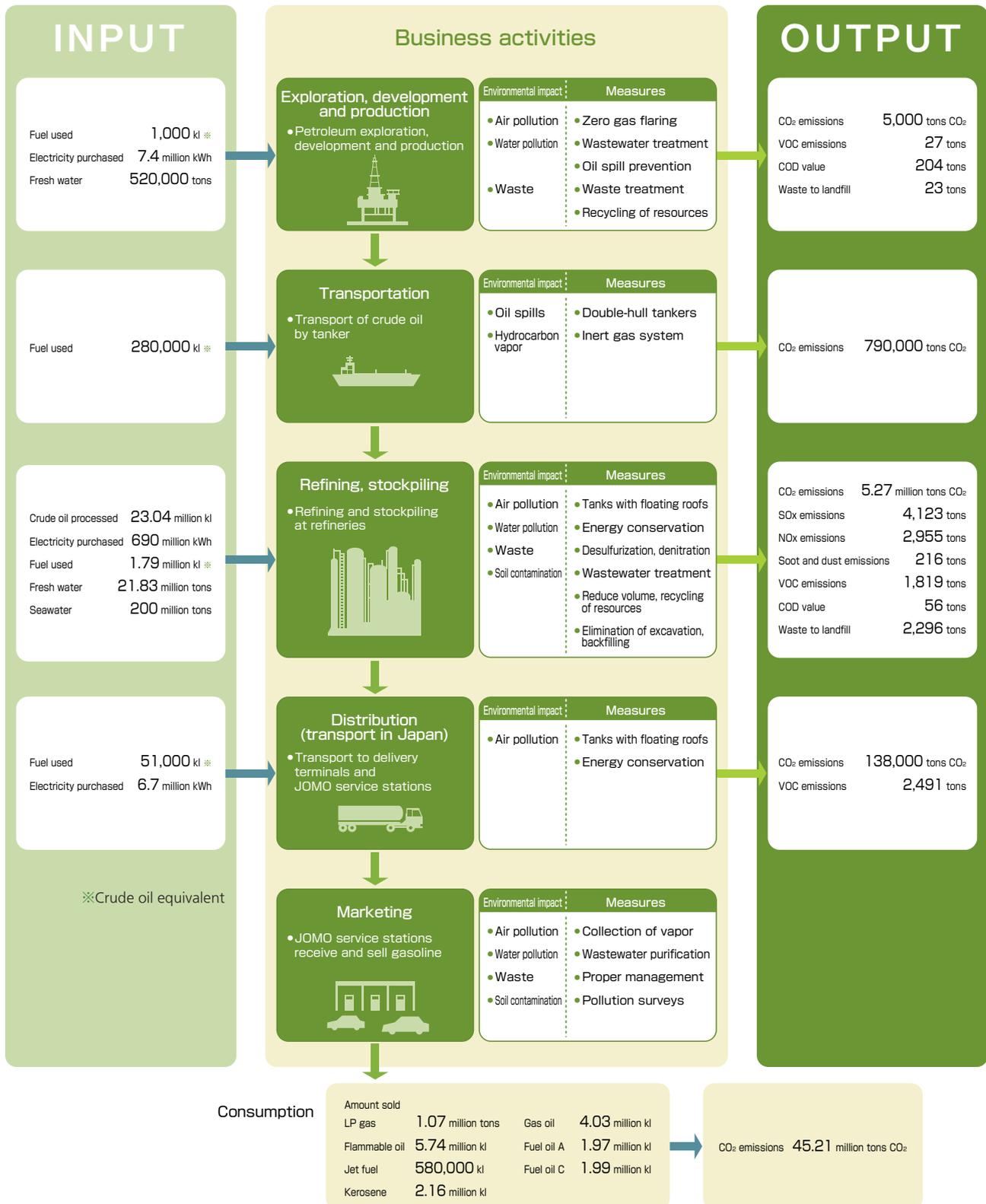
In addition to regular reviews by ISO certification institutions, Japan Energy carries out regular internal environmental audits (internal audits at each site and a comprehensive audit carried out by head office) to maintain and improve environmental management functions.

## Medium-Term Environmental Plan for Fiscal 2008—10

Environmental Issues	Medium-Term Environmental Plan Targets	Fiscal 2008 Results and Evaluation
<b>1. Prevention of global warming (energy conservation)</b>		
Oil refineries	Unit energy consumption 8.59kl of crude oil equivalent / 1,000kl or lower	Unit energy consumption 9.07kl of crude oil equivalent / 1,000kl (Reduction of 25,979kl of crude oil equivalent) <span style="float:right">△</span>
Transportation	Amount of energy used Reduction of at least 4%* (Reduction of at least 2,220kl of crude oil equivalent)	Amount of energy used -3,277kl crude oil equivalent (Reduction from fiscal 2006: 4,161kl of crude oil equivalent) <span style="float:right">○</span>
Offices (head office and branches)	Amount of energy used Reduction of at least 10%* 	Amount of energy used 8.6% reduction from fiscal 2006 <span style="float:right">○</span>
<b>2. Curtailment of emissions of atmospheric pollutants (reduction of VOCs ※Volatile organic compounds) ※Base year fiscal 2006</b>		
VOCs	Amount of VOC emissions 30% reduction* (Fiscal 2000 emission volume: 5,525 tons)	4,310tons (Reduction from fiscal 2000: △22.0%) <span style="float:right">△</span>
<b>3. Reducing waste matter (zero emission) ※Base year fiscal 2006</b>		
Refineries and plants	Waste to landfill ratio 1.0% or lower	2.86% (Note: Excluding soil treatment waste material at the Funakawa Plant, waste to landfill ratio is 0.62%.) <span style="float:right">△</span>
Offices (head office and branches)	Reduction in paper use (printer, copier, etc.) 10% reduction* 	6% reduction (printing on both sides of paper, reusing back of printouts, etc.) <span style="float:right">○</span>

Symbols: Fiscal 2010 targets already achieved: ◎ Not yet achieved: ○ On course ○; Additional measures being considered △; Unfavorable ×

## Material Balance





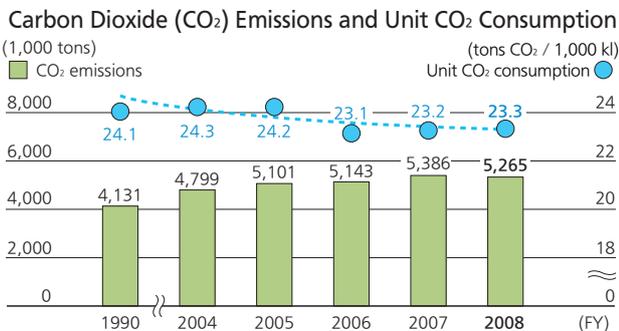
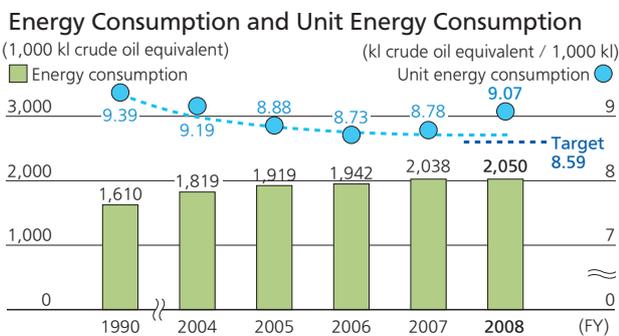
## Preventing Global Warming

The Japan Energy Group is working to prevent global warming through energy conservation measures in all of our business activities.

### ●Energy Conservation at Refineries

At Japan Energy, we strive to use energy efficiently as a means of curtailing CO<sub>2</sub> emissions.

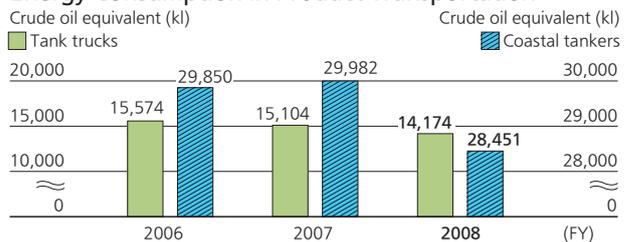
During fiscal 2008, we implemented measures that reduced energy consumption by approximately 26,000 crude oil equivalent kl, but with increased operations at the No. 1 Aroma Production Facility at the Kashima Oil Refinery, there was a slight increase in total energy consumption.



### ●Energy Conservation in Product Transportation

Japan Energy uses two basic means to transport its petroleum products – land transport (tank trucks, trucks, and railway tank cars) and marine transport (coastal tankers). During fiscal 2008, we increased the capacity (upgraded) of one coastal tanker, upgraded tank trucks to use less fuel, and reviewed our transportation methods (shifting to greater use of transportation by railway and ship).

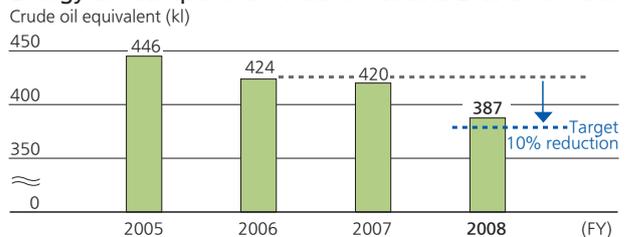
#### Energy Consumption in Product Transportation



### ●Energy Conservation in Offices

Japan Energy is promoting activities to conserve energy at the head office and branch offices. Measures implemented during fiscal 2008 included turning off the lights and office equipment during lunchtime and in areas where there are no people, and working with building owners on energy conservation measures. This resulted in a roughly 8% reduction in energy consumption compared with fiscal 2006.

#### Energy Consumption at Head Office and Branch Offices

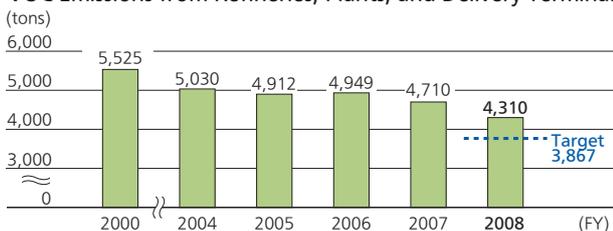


## Other Major Reductions in Environmental Impact

### ●Reducing VOC (Volatile Organic Compound) Emissions

We are reducing VOC emissions from oil refineries and delivery terminals by upgrading tanks with floating roofs, which have less environmental impact.

#### VOC Emissions from Refineries, Plants, and Delivery Terminals

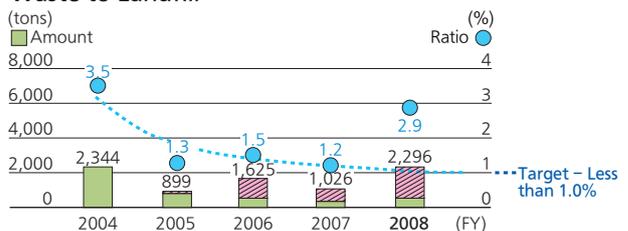


※1 Amounts of VOC emissions are based on the Petroleum Association of Japan's calculation method.  
 ※2 Amounts of VOC emissions from fiscal 2005 are revised based on reviews of tank data used in calculations.

### ●Reducing Waste Matter

We are promoting the recycling of waste matter into resources as a means of reducing the amount of waste, as measured by the waste to landfill ratio.

#### Waste to Landfill



※Ratio = (Landfill / Waste) x 100  
 ※Waste to landfill increased in fiscal 2004 because of unforeseen waste created by damage from high tides at the Mizushima Oil Refinery.  
 ※Figures for fiscal 2005-8 include landfill from soil treatment at the Funakawa Works (shown by pink area).

## TOPICS

## Reducing Energy Used in Transportation based on the Medium-Term Environmental Plan

In addition to our previous efforts to conserve energy at refineries and plants, with the Revised Act on the Rational Use of Energy having taken effect in April 2006, designated shippers (those with transport volumes over a designated amount) were newly requested to seek rationalizations in energy used in transportation.

Japan Energy had already been pursuing efficiency through various means including increased capacity prior to the enactment of the revised act and has been working to reduce the amount of energy used in transportation. Under the Medium-Term Environmental Plan, we have set the target of a 4% reduction in energy used by fiscal 2010 relative to fiscal 2006 (an annual reduction of 1%) and are pursuing these reductions through the following measures.

## Reducing the Number of Trips

In cooperation with our partner transport operators, we are increasing the capacity of tank trucks and coastal tankers, and of storage tanks at delivery terminals and JOMO service stations, to reduce the number of deliveries and transfers made.

## ● Increased capacity of tank trucks (average truck capacity)



FY1998



FY2008



Large tank truck

## ● Increased capacity of coastal tankers (average ship capacity)



FY1998



FY2008



Large coastal tanker

## Upgrading to Fuel-Efficient Vehicles

We are working with our transport operators each year to successively replace older tank trucks with more-fuel-efficient vehicles, and are also providing broad support for acquisition of "Green Management Certification\*."



※The Green Management Certification system is administered by the Foundation for Promoting Personal Mobility and Ecological Transportation, which seeks to reduce the environmental impact of the trucking industry by inspecting the results of environmental improvement measures, and certifying and registering certified transport carriers.

Foundation for Promoting Personal Mobility and Ecological Transportation: <http://www.ecomo.or.jp/english/index.html>

## Promoting Planned Deliveries and Nighttime Deliveries in Urban Areas

In cooperation with JOMO dealerships, we are coordinating delivery schedules and making deliveries at night, when there is less traffic, to reduce unnecessary energy consumption.

Promoting Sales of Latent Heat PCM **ECOJOULE**®  
Contributing to energy conservation and reduced CO<sub>2</sub> emissions from air-conditioning in large buildings

Japan Energy is a leading Japanese manufacturer of high-purity normal paraffin with latent heat storage properties. Using the unique properties of normal paraffin, we have commercialized and began selling **ECOJOULE**® in July 2008.

**ECOJOULE**® stores cold energy at night, when rates for electricity are lower, and then releases the cold energy during the daytime so that the air-conditioning system uses less electricity during peak afternoon hours, thereby contributing to reduced CO<sub>2</sub> emissions.

During fiscal 2009, we worked to increase sales of the **ECOJOULE**® Heat Storage Air Conditioning System (Stationary Type), and in addition to making proposals to help conserve energy in the field of air-conditioning, we are pursuing research and development to expand the scope of application to other fields (building materials, automobile air-conditioning, highly functional textiles, etc.).

Stick type **ECOJOULE**®**ECOJOULE**® Gel-pack module**ECOJOULE**® gel-pack module installed in steam furnace.

※**ECOJOULE**®: The primary raw material is normal paraffin (with the property of repeatedly storing and releasing hot and cold energy as it changes from a liquid to a solid and vice versa), which is extracted from kerosene. Phase conversion can be made to happen at temperatures within the human comfort range.



## Items posted on Web site

- Environmental management (Environmental education / Fiscal 2008 environmental accounting)
- Curtailing emissions of air pollutants (Sulfur oxide (SO<sub>x</sub>) / Nitrogen oxide (NO<sub>x</sub>) / Soot and dust)
- Preventing water pollution
- Reducing waste matter (Refineries and plants / Offices, etc.)
- Investigating and addressing soil contamination
- Appropriate management of chemical and toxic substances
- Environmental considerations at JOMO service stations
- Environmental considerations in products and services
- Chemical recycling of waste plastic
- Green purchasing
- Environmental CSR activities
- Site report



## Together with Society

In addition to fulfilling our responsibilities to customers through effective customer satisfaction management, we also contribute to society as a corporate citizen by promoting sports and culture and by supporting employees' volunteer activities.

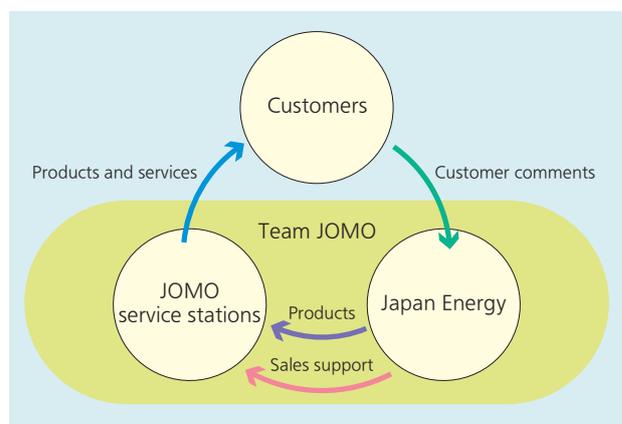
## Placing the Highest Importance on Customer Relations

In addition to improving quality, we also make every effort to provide high-value-added products by working together as one united Team JOMO to implement effective customer satisfaction management, with the aim of creating JOMO service stations that make customers feel at comfort and that inspire confidence and trust.

We are pursuing a field communications program at JOMO service stations, with the aim of developing a strong relationship of trust with customers to also sell maintenance products. This operations program seeks to gain the trust of customers by using daily vehicle inspections to deepen communication with customers so that the customer will want to leave these maintenance decisions up to the expertise of the service station crew member.

The JOMO Customer Center receives feedback, requests, and a variety of inquiries regarding JOMO service stations through a toll-free telephone line and e-mail. In addition to swiftly providing appropriate

responses, these customer comments are shared throughout the entire JOMO Group and are used as examples in the preparation of materials like customer service manuals to further raise the level of customer service at our service stations.



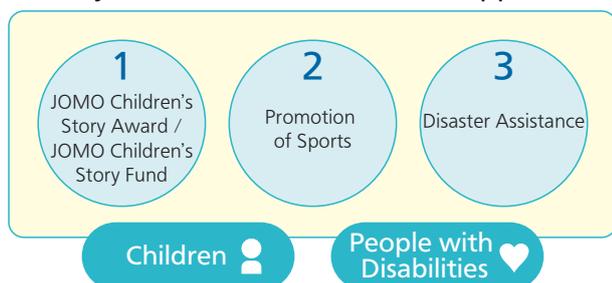
## Actively Contributing to Society

Japan Energy has always worked to enrich and develop society through social contribution activities. In pursuing these activities, we focus our support on children as well as people with disabilities in particular.

In addition to supporting children's social independence through the JOMO Children's Story Award and the JOMO Children's Story Fund, we also strive to promote sports through the JOMO Basketball Clinic and by supporting wheelchair basketball tournaments.

We also support community education by giving tours of our facilities for local residents, and through the JOMO Science Class and the JOMO Planet School in Toda City, where our R&D Center is located.

### Primary Areas and Main Focus of Support



JOMO Basketball Clinic



Tour of the Mizushima Oil Refinery



JOMO Planet School

### Disaster Assistance Provided in Fiscal 2008

	Area	Recipient	Amount
May	Myanmar Cyclone	Japan Platform	¥11,000,000
May	Earthquake in Sichuan Province, China	Japan Red Cross Society Yangquan City Charity Meeting Red Cross Society of China	¥13,000,000 215,240 yuan 50,000 yuan

※Includes donations from three Nippon Mining Holdings Group companies and local Chinese Group companies.

# Highlights

## Promoting Activities that Foster “Comfort,” “Confidence,” and “Goodwill” in Customers

### Creating JOMO Service Stations that are Appealing to Customers

We have developed Value Style stations that create a comfortable environment, thereby making customers want to visit, want to come in, and want to come back again. These stations have a consistent exterior and a comfortably designed interior, with a completely separated smoking area, a café, and a children’s play area to create a comfortable environment. There were 628 Value Style stations as of the end of March 2009, and we will aggressively increase this number going forward. We are also developing JOMO service stations incorporating universal design features so that all customers can use them easily with peace of mind.



お客様のライフスタイルをより豊かで価値あるものにしたい



Value Style station

### Emphasizing “Awareness” from a Customer Perspective

As part of our customer satisfaction management, we have been conducting an “Awareness” program at JOMO service stations since 2005.

The things that we see every day and casually take for granted can lead to new discoveries if we just look at them from a different perspective. This awareness can come from questions, impressions, or ideas from the station staff. This concept of awareness leads to service and hospitality that goes beyond customer expectations. Examples of awareness that our service stations have acted on to improve customer service include making air pumps and tire wax available in the area where cars are wiped dry after being washed. Individual service stations are able to act on their own in response to these Awareness Note written by station staff to improve the service provided.

Approximately 1,000 JOMO service stations around Japan implemented the Awareness program during fiscal 2008. We distribute examples of useful suggestions to other JOMO service stations so that they can be shared across the Japan Energy Group, which also has the added benefit of raising station staff awareness and thereby raising the level of customer-centered service provided.



Awareness Note

## Looking to Japan Energy

### Working together to earn the thanks of customers

We make efforts to provide a level of service that makes customers want to say “thank you.” To achieve this, all station staff utilize Awareness Notebooks, which are an enhanced version of Awareness Memos. In addition, staff have started to use Customer Notebooks in which they reply to the feedback written by customers within the same day. These activities generate valuable hints for providing service from a customer perspective.

Awareness Notebooks and Customer Notebooks are examples of our own original ideas. We expect that Japan Energy will continue to provide new proposals and tools to enhance customer service.



**Mr. Taketomo Kawayama**  
General Manager, Self Suminoe-Koen Station,  
Daito Sekiyu K.K.

# Highlights

## Children's Story Contest Themed on "Heart-to-Heart Contact"

### JOMO Children's Story Fund supports children become independent members of society

Each year we collect stories from the general public on the theme of "heart-to-heart contact," and this year will be this project's 40th anniversary.

We received 8,661 submissions during fiscal 2008, of which 18 were selected for inclusion in the "Bouquet of Children's Stories: Volume 39." Copies of this book were donated to social welfare facilities, and distributed nationwide via JOMO dealerships and affiliated companies.

The JOMO Children's Fund was jointly established in 1992 by Japan Energy along with the Nationwide JOMO Association and the Nationwide LP Gas JOMO Association, both of which are associations of JOMO dealerships, as a way to establish a social welfare role for the Bouquet of Children's Stories. The entire amount received from purchases of the book *The Bouquet of Children's Stories* by the Group's dealerships, affiliated companies, and employees is deposited in this fund, and subsequently donated to the Japan National Council of Social Welfare (Zenshakyo) at each year's award ceremony for the JOMO Children's Story Award. Zenshakyo uses these donations to administer JOMO Scholarship Grants, which provide financial assistance for children in child welfare facilities, mother-and-children's homes, and foster families to attend junior colleges, universities, or technical schools after graduating from high school. Donations totaled ¥23.0 million in fiscal 2008, and scholarships were given to 280 students in March 2009.

Japan Energy received a letter of appreciation from Zenshakyo in October 2008, making special note of the JOMO Scholarship Grant program on the occasion of the 100th anniversary of Zenshakyo's founding.



Award ceremony for the JOMO Children's Story Award

### Nurturing the next generation and protecting forests through the JOMO Children's Story Award



The Bouquet of Children's Stories

JOMO Children's Story Fund  
(scholarship grants)

JOMO 童話基金

3.9 Paper  
(forest protection activity)

3.9  
GREENSTYLE  
B-(2)-060008

## Looking to Japan Energy



Mr. Hideyuki Tsuchida  
Director, Kinka Gakuin (a child welfare facility)  
Vice President, National Council of Child Welfare Facilities

### JOMO Scholarship Grants help children realize their dreams

Our school has received assistance from JOMO Scholarship Grants for seven students who have consequently gone on to college or technical schools. Some of those students have already graduated, and are "living their dream" by working as staff in children's facilities.

There are many children who would like to pursue higher education but find it impossible for financial reasons. We therefore always encourage students wishing to continue their studies to apply for a JOMO Scholarship Grant because they are relatively easy to receive and do not need to be repaid.

I would like to thank Japan Energy for its assistance to date, and ask for its continued support to help children realize their dreams.

## TOPICS

## JOMO Basketball Clinic Fosters Children's Dreams

The JOMO Basketball Clinic teaches children throughout Japan the basic skills of basketball, and is taught by a full-time staff comprising former members of our women's basketball team, the JOMO Sunflowers. A total of 62 clinics were held during fiscal 2008, including one at the Philippine works of group company Nikko Metals Philippines Inc., with a total of 2,005 children attending.

Japan Energy also supports the Jr. NBA program operated by the National Basketball Association. Coaches from the JOMO Basketball Clinic provided instruction to the Japan Jr. NBA Team, and helped select team members, conducted four training camps, and supported the U.S. tour. Japan's team played one game each against New York and New Jersey Jr. NBA teams in January 2008 on the U.S. tour. Although the Japanese team lost both games, they put up a good fight against players who were more than 190cm tall, in the home of basketball.



JOMO Basketball Clinic



Game with New Jersey Jr. NBA Team

### «Voice Participants' Comments»

- The coaches taught me in a kind way how to do things I hadn't been able to do before, and how to make overall improvements. It was fun and easy to understand.
  - The coaches taught me as much as possible about how to shoot against a defender, and I was glad when they complemented me when I made a shot.
  - The instruction was kind and easy to understand, and very useful. Today we realized that we make too many unnecessary movements. I will try hard to become a better player!
  - It was really helpful when the coaches focused on boxing out and rebounding. Thank you.
  - I am not good at boxing out and also lose rebounds to the opposing team, but when I used what I had learned at the next day's practice game, I was able to box out opponents and get rebounds. That made me happy. Being taught by a member of the Japanese Olympic Team is a rare opportunity, and I want to use this to make the finals.
  - When on offense, I had not been good at holding back the defense, but thanks to all the coaches, I was able to hold back defensive players in a few seconds.
  - I will treasure the time the coaches spent teaching me.
- ※Boxing out and rebounding are names of defensive techniques.



#### Items posted on Web site

- Quality management
- Communication (Field communications program / Mystery shopping)
- Personnel development
- Services (At JOMO service stations / JOMO Card (Light and Plus) / JOMO Customer Center activities)
- Work with business partners
- Contributing to local communities
- Volunteer activities
- Other activities

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Japan Energy supports a forest preservation initiative sponsored by Japan's Forestry Agency. This CSR Report 2009 enhanced the use of thinned wood from forests in Hara Village, Nagano Prefecture, Japan. Making paper in this way preserves and expands forests, which absorb CO<sub>2</sub>.

This report was printed using plant-based ink to reduce emissions of volatile organic compounds(VOCs), which contribute to air pollution, and using environmentally friendly waterless printing.