

# JX Nippon Oil & Energy 2011 CSR Report



The Future of Energy, Resources and Materials  
**JX Nippon Oil & Energy**

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# The Great East Japan Earthquake – Impacts and Response

## Extent of Damages Incurred by the JX Nippon Oil & Energy Group

The JX Nippon Oil & Energy Group suffered unprecedented damages to its petroleum product supply infrastructure as a result of the Great East Japan Earthquake. This included the shutdown of the Sendai, Kashima and Negishi refineries, damages to oil depots and service stations situated along Japan's Pacific Coast, and the loss of a large number of tank trucks.

Moreover, interruptions in the supply chain, including road and rail routes, temporarily cut off disaster-stricken areas from the delivery of petroleum products immediately following the earthquake and tsunami.

### Primary Damages

- Sendai Refinery
  - Immediately after the earthquake: Shutdown of all equipment and facilities
  - Nearly all equipment and facilities damaged in the tsunami
  - A fire occurred at the truck shipment terminal in the western area of the site (fire extinguished on March 15, 2011)
- Kashima Refinery
  - Immediately after the earthquake: Shutdown of all equipment and facilities
  - Onsite roads and storage tanks damaged
  - Bridge and seawater pump station damaged in the tsunami
- Negishi Refinery
  - Immediately after the earthquake: Shutdown of all equipment and facilities
  - Production equipment suffered minor damages
- Kawasaki Plant
  - Immediately after the earthquake: Shutdown of all equipment and facilities
- Tohoku Branch Office
  - Immediately after the earthquake: Cutoff from all lifelines
- Oil depots and gas terminals
  - 14 oil depots and gas terminals located along Japan's Pacific Coast suffered damages
- Service stations
  - Multiple service stations in the Tohoku region, Ibaraki Prefecture and Chiba Prefecture suffered damages
  - Multiple service stations in the Greater Tokyo Metropolitan Area were forced to close due to power outages and/or running out of inventory

## Progress of Restoration and Rebuilding

We set up a disaster response headquarters immediately after the earthquake and quickly began to ascertain damages as well as launch the recovery effort. While giving utmost priority to supplying fuel to relief assistance vehicles and the disaster-stricken areas most in need, we collectively worked as a group to supply a stable flow of products to service stations, necessary fuel for relief work, and fuel for thermal power plants to make up for electricity shortages.

As a result of these efforts, we were able to begin providing stable supplies of our products to the disaster-stricken region at the beginning of April 2011.

In addition, we worked to restore and rebuild damaged refineries. Production was restored at the Kashima Refinery in June 2011 and operations returned to normal in November 2011. The Sendai Refinery is implementing measures under its restoration plan aimed at the restart of production for sometime at the end of March 2012. This plan calls for quickly restoring production, improving the refinery's response to disasters, and installing new, renewable energy power generation sources.

## Emergency Supply Response / Progress of Restoration and Rebuilding

### ● Production system

- Muroran, Mizushima, Marifu, and Oita refineries fully operational
- Mizushima Refinery: Increased production capacity by 20,000 barrels a day (March 21, 2011)
- Negishi Refinery: Topper operations restarted (March 21, 2011)
- Kashima Refinery: Production restarted (June 4, 2011)
- Sendai Refinery: Production scheduled to restart (end of March 2012)

### ● Supply system

- Products transported from the Mizushima, Marifu and Oita refineries to the Kanto region by tank truck
- Operations at 12 of the 14 oil depots and gas terminals damaged were restored provisionally, with shipments restarted sequentially thereafter
- Negishi Refinery: Transported products to Tohoku region on tank cars (railway)
- Osaka Refinery: Inventory meant for export shifted to domestic use and shipped
- Imported products from overseas
- Repositioned tank trucks from Western Japan and Hokkaido

### ● Sales system

- Implemented studies and repair work at all service stations in the Tohoku region and the Pacific Coast region of Ibaraki Prefecture and Chiba Prefecture aimed at the restoring facilities and equipment
- Ended closures of service stations due to inventory shortages (April, 11, 2011)
- Operations restarted at 95% of service stations in the Tohoku region, or 1,138 locations (April 14, 2011)

## Supporting the Disaster-hit Region

### Support through our Businesses

- **Donated fuel oil (heating oil and diesel) to local governments in the disaster-hit region**
- **Partnered with Tsutaya to announce charitable donations using T Card loyalty reward points would be accepted at ENEOS service stations where the T Card is accepted**
- **Supporting the future development of children from disaster-stricken areas with the ENEOS credit card**  
JX Nippon Oil & Energy has decided to donate 0.01% of purchases made by ENEOS credit card holders to ASHINAGA's fund for supporting children in need that lost a parent or parents in the earthquake or tsunami, in order to aid in their future development. Donations will be made based on the April 2011 billing cycle. However, we also donated part of the purchases made by ENEOS credit card holders between October 2010 and March 2011, totaling 12.6 million yen, to the same organization in May 2011.
- **Made repairs to ENE-FARM residential use fuel cells damaged in the quake or tsunami free of charge**

## Social Contribution Activities

### ● Provided charitable donations

JX Holdings and its three core operating companies donated some 300 million yen on behalf of the JX Group to the recovery effort through the Japanese Red Cross, while each JX Nippon Oil & Energy Group subsidiary also provided donations to local governments in the disaster-hit region.

### ● Involved in volunteer activities led by the JX Group for assisting the post-quake recovery effort

The JX Group has solicited volunteers from all group companies to take part in volunteer activities in support of the recovery effort in disaster-stricken areas that were organized by volunteer centers set up locally. A total of more than 120 employees from the JX Nippon Oil & Energy Group participated in these activities as volunteers.

### ● Organized sports clinics in disaster-stricken areas

As part of our support for the rebuilding effort, we organized JX Basketball Clinic sessions for disaster-stricken areas. This included Fukushima Prefecture in May, Iwate Prefecture in July and Ibaraki Prefecture in August and September. In August, the JX-ENEOS Baseball Team took part in exhibition games and skills clinic held in Miyagi Prefecture in support of the recovery effort taking place in the Tohoku region.

(Reference: JX Holdings activities)

### ● Donated copies of *The Bouquet of Children's Stories* to disaster-stricken areas

As part of our aid to people affected by the earthquake and tsunami, in April 2011, we donated 10,000 copies of *The Bouquet of Children's Stories* (41) to evacuation centers in Miyagi and Iwate prefectures through Tsutaya and Culture Convenience Club Co., Ltd., which runs Tsutaya's T loyalty reward points program.

## Results of "E" Activities (Fiscal 2010)

### Ethics

Each and every one of our employees will engage in business activities with good faith and highly esteemed ethics.

### Compliance

Related Global Compact Principles

Principle 10: Work against corruption including extortion and bribery.

#### Legal Compliance Status Check

Legal Compliance Status Checks were held at all JX Nippon Oil & Energy Group sites both inside and outside of Japan as well as 24 designated affiliates between October and December 2010.

At each site and affiliate, business operations were checked on a group basis. Problems found during the course of these checks will be resolved by creating and executing a response plan.

In fiscal 2010, we conducted compliance inspections as well as performed checks on the progress of rules preparation work because this marked the first fiscal year since the merger. Already, more than half of the rules and regulations have been prepared, but work still must be done on rules and regulations requiring enactment, modification, or elimination.

#### Providing Legal Support to Our Overseas Subsidiaries

In fiscal 2010, we conducted a survey at 19 of our largest overseas subsidiaries and were able to confirm challenges associated with the strengthening of our local legal support system for these group companies. In fiscal 2011, personnel from our head office will visit overseas subsidiaries in North America and Latin America to check the status of compliance and provide guidance where necessary.

#### Business Ethics Training

The JX Nippon Oil & Energy Group has created a business ethics training program with the cooperation of experts in the field that teaches with the case method. During this program, both executive officers and employees alike learn how to question their actions and their surroundings as well as strengthen their ability to make ethical decisions. In fiscal 2010, we held a number of business ethics training sessions, including as part of rank-based training programs for promotions and also for employees to learn about CSR from the standpoint of our mission statement. All told, 50 sessions were held for a total of around 2,300 participants.

## Human Rights

Related Global Compact Principles

Principle 1: Support human rights advocacy and respect human rights; and

Principle 2: never be complicit in human rights abuses.

JX Nippon Oil & Energy strives to elevate its employees' awareness of human rights issues and under the basic policy to "eliminate all types of discrimination through respect for human rights" we are working to raise awareness about human rights matters. Additionally, we are implementing a wide range of measures from the standpoint of respect for human rights.

Specifically, we are proactively taking steps to make our workplaces more employee-friendly, which include the creation of an action plan supporting the development of the next generation, expanded mental health measures, better management of working hours, reduced overtime work (through the "Goodbye Overtime – Action 8" initiative), and the shortened working hours program.

### Measures During Human Rights Week

In November 2010, we called on employees of JX Nippon Oil & Energy and affiliates and their families to propose a human rights slogan for the company's human rights week (December 4 to December 10). We hold this contest every year as an opportunity to encourage employees and their families to think more about human rights issues. In fiscal 2010, there were a total of 3,808 submissions, including 332 from family members of employees. We selected a total of ten winners and 73 honorable mentions in the employee category as well as five winners and 29 honorable mentions for the family category.

### Supporting the development of the next generation

Japan's Ministry of Health, Labour and Welfare recognized that we have achieved our 3rd General Business Owner Action Plan under the Act for Measures to Support the Development of the Next Generation. As a result, we have acquired the right to use the next generation accreditation mark.

#### ● Overview of the 3rd Business Owner Action Plan (April 1, 2009 to March 31, 2011)

Target 1 Develop and run a program that provides peace of mind to employees that will be having a baby

Target 2 Develop and run a program that provides peace of mind to employees raising a child/children

Target 3 Provide a workplace environment that warmly looks after employees that are pregnant or raising a child/children

### Compilation of the Childcare Assistance Guidebook and Uploading to Our Intranet System

In October 2010, we compiled the Childcare Assistance Guidebook – Comprehensive Information for Employees Having a Baby or Raising Children and published it on our in-house intranet.

This guidebook provides an overview of our in-house programs as well as the applications for these programs that are available for employees having a baby or raising children. Our initiatives in support of the next generation and employees' work-life balance are not limited to female employees, as male employees are also expected to play a role whether they are a spouse, father, supervisor or colleague. It is our hope that this guidebook will help broaden employee understanding of our work-life balance support measures and help us develop a workplace environment where all employees are motivated and can thrive.

#### [Data]

##### ● Number of Employee Taking Parental Leave (By Gender)

Males 15 Females 32 Total 47

##### ● Number of Male and Female Employees

Males 6,384 Females 680 Total 7,064

##### ● Ratio of Female Managers

0.67%

### Promoting Career Opportunities for the Disabled

JX Nippon Oil & Energy has established the target to achieve a 2% employment rate of persons with disabilities, which exceeds the statutory employment rate of 1.8%. As of March 31, 2011, our employment rate of persons with disabilities stood at 2.17%.

## Labour Standards

Related Global Compact Principles

Principle 3: Uphold freedom of association and effectively recognize collective bargaining;

Principle 4: eliminate all forms of forced labour;

Principle 5: effectively abolish child labour; and

Principle 6: eliminate discrimination in employment and occupation.

### Dialog with Labour Union

JX Nippon Oil & Energy holds discussions with its labour union that cover a wide range of topics that include revisions to labour conditions. We also co-organize review meetings on support for the next generation and on reducing working hours where a vigorous exchange of views takes place.

### Ensuring Safety

We have initiated a wide range of measures across every aspect of our operations, from petroleum product production to distribution and sales, to prevent accidents and injuries before they occur and to handle accidents and injuries if they do occur. These actions form part of our broader commitment to continually ensure safe operations.

Our safety philosophy states "We will give top priority to safety in all of our business activities". Under this commitment, we are working to eliminate workplace injuries by initiating various safety measures and offering safety training for all of our employees, including those of our partner companies.

We have also launched an operational reform initiative at our refineries and plants to prevent accidents involving equipment before they occur.

In fiscal 2010, we focused our collective efforts on completely eliminating accidents and injuries at our facilities in accordance with our safety policy.

### JX Nippon Oil & Energy Group Safety Policy for Fiscal 2010

1. Rest assuredly implement all safety activities
2. Thoroughly abide by all rules
3. Enhance crisis management capabilities

#### [Data]

#### Number of Industrial Injuries

|             | Lost Worktime | No Lost Worktime | Frequency Rate*1 | Severity Rate*2 |
|-------------|---------------|------------------|------------------|-----------------|
| Fiscal 2010 | 1             | 20               | 0.112            | 0.000           |

\*1 Frequency Rate: The number of industrial injuries and/or fatalities that occur per 1 million working hours

Frequency Rate = (The number of industrial injuries and/or fatalities with more than one day of lost worktime / Total working hours) × 1,000,000

\*2 Severity Rate: The number of lost workdays per 1,000 working hours. Used as an indicator of the severity of injuries.

Severity Rate = (Total number of lost workdays / Total number of working hours) × 1,000



## Risk Management

### Crisis Management

JX Nippon Oil & Energy has established a basic policy to continue to supply its products during a large-scale disaster and fulfill its corporate social responsibilities as a supplier of petroleum products essential to Japan's economy and consumer lifestyles and as business that makes wide-reaching contributions to society. To fulfill these critical responsibilities, we have established a comprehensive disaster preparedness system that includes a business continuity plan for the occurrence of a major earthquake directly below the Greater Tokyo Metropolitan Area or the spread of a new strain of influenza.

A wide range of drills were organized for JX Group's Disaster Preparedness Week in fiscal 2010. These included an initial response drill under a disaster response headquarters in order to verify and confirm measures as well as enhance the understanding and heighten the awareness of employees toward disaster prevention.

### Information Security

In accordance with the five basic policies on corporate information security outlined below, information security at JX Nippon Oil & Energy involves the prevention of improper access, disclosure or divulcation of corporate information, which is an important corporate asset, and the protection of corporate information against illegal access both from within and outside the company. This enables us to maintain corporate information in a complete and secure manner as well as provide approved users access to this corporate information whenever it may be needed.

We have also enacted the JX Nippon Oil & Energy Privacy Policy as a basic policy governing our protection of personal information.

## Results of "A" Activities (Fiscal 2010)

### Advanced ideas

We constantly infuse our business activities with new ideas and stand committed to pioneering the future of energy, resources and materials.

### New Energy and New Businesses

#### Environmentally-friendly Multi Energy System

JX Nippon Oil & Energy is working to establish and propose optimized energy systems that are environmentally-friendly, economical and comfortable by combining a variety of different advanced energy devices. By encouraging the diffusion of such solutions we are working to help achieve a low-carbon society.

We are currently conducting verification testing at ENEOS SOENE House in Yokohama. Based on our experiences and results there, we are currently designing an environmentally-friendly multi energy system that combines our ENE-FARM residential use fuel cell, photovoltaic power generation system, and storage batteries into a single integrated system.

In fiscal 2010, our environmentally-friendly multi energy system was selected to be used in the "Kukkura Hirugano" (commercial facility model), "GREENY Gifu" (home model), and traditional Japanese home (hilly and mountainous areas model) as part of the Next Generation Energy Infrastructure Demonstration Project launched by Gifu Prefecture. This project is seeking to find the best mix of energy sources and new energy technologies.

In October 2010, JX Nippon Oil & Energy launched sales of its "ENE WINDOW" in-home energy monitor. ENE WINDOW gathers and stores data from our photovoltaic power generation system as well as ENE-FARM residential fuel cells and on consumer electricity usage, making it possible to check the energy balance of the home and if electricity conservation targets are being met. By making energy usage clearer and easier to understand, we hope to foster greater efforts in the home to conserve electricity and be more energy efficient.

#### Photovoltaic Power Generation Systems

As an integrated energy company, JX Nippon Oil & Energy is focusing efforts on the sales of photovoltaic power generation systems in order to help fulfill the vision of a low-carbon society through the diffusion of environmentally-friendly energy systems

We opened the Photovoltaic Power Generation System Installation Training Center at our Kawasaki Terminal in June 2010 to prepare us for providing seamless services to our customers, spanning from system sales to installation work. Here, we launched a proprietary training program for dealerships selling the system, installation companies and our employees that focuses predominantly on practice installation work involving simulated roofs.

In October 2010, we launched sales of our ENEOS Condominium Unit Photovoltaic Power Generation System nationwide in Japan. This system uses a proprietary developed power conditioner and allocates photovoltaic cell modules for each condominium unit, making it easily installable on any property, whether it is a new building or existing building. As with owners of single-family detached homes, condominium unit owners can use the 10-year feed-in tariff system to sell back surplus energy generated from their individual systems. This makes it possible for individual households to reap the benefits of cutting back on their electricity usage.

## Measures for the Hydrogen Society of Tomorrow

JX Nippon Oil & Energy operates a total of three hydrogen stations, including the Yokohama Asahi Hydrogen Station, Kitakyushu Hydrogen Station and the newest addition, the Tokyo Sugunami Hydrogen Station built in December 2010 for The Research Association of Hydrogen Supply/Utilization Technology (HySUT). The JHFC Funabashi Mobile Hydrogen Station closed at the end of December 2010.

On January 13, 2011, JX Nippon Oil & Energy issued a joint statement together with three automakers and nine energy related companies on the development of hydrogen supply infrastructure and the domestic launch of fuel cell vehicles (FCV). In this statement, automakers, which have made great strides towards reducing costs, will aim to launch mass produced FCV for the domestic market primarily in four major urban areas first in 2015, while hydrogen supply providers will construct hydrogen supply stations at around 100 different locations by the year 2015.

As part of the measures to develop hydrogen supply infrastructure for the popularization of FCV starting in 2015, we have developed the "multi energy service station" concept where we will add a hydrogen supply station to our existing service stations. We envision that these multi energy service stations will supply fuel for every type of vehicle on the road, including gasoline, diesel, electricity and hydrogen. Electricity generated by photovoltaic power generation systems will be used to rapidly recharge electric vehicles, while biogasoline produced with a mix of bio-ETBE made from biomass will also be available. In addition to vehicle fuel, these multi energy service stations will supply hydrogen from our refineries for use in the fuel cells of local households and businesses. These measures will also help us coordinate a positive supply-demand balance because surplus renewable electricity generated in the local community will be purchased for use in electric vehicles.

We stand committed to achieving a sustainable low-carbon society through the use of hydrogen energy by establishing a foundation for the hydrogen supply business and promoting the greater use of residential use fuel cells in the future.

## Results of "R" Activities (Fiscal 2010)

### Relationship with society

As a member of the community, we actively engage in social contribution activities to grow together with society.

### Policy on social contribution activities

JX Nippon Oil & Energy proactively engages in social contribution activities to realize the JX Group Values of "Relationship with society" and "Harmony with the environment" and to help build a sustainable society. Under this policy on social contribution activities, in fiscal 2010 we engaged in a wide range of activities based on three key themes: (1) Continue to implement the same social contribution activities of each company before integration, (2) Establish social contribution activities that best represent the new JX Nippon Oil & Energy Group, and (3) establish a framework for the JX Children's Story Award (commissioned from JX Holdings).

### Advancement of Sports and Culture

JX Nippon Oil & Energy sponsors JX-ENEOS Baseball Team and the JX Sunflowers Women's Basketball Team.

#### JX-ENEOS Baseball Team

As part of the JX Nippon Oil & Energy Group's support for the sport of baseball, the JX-ENEOS Baseball Team and former team members host baseball clinics, while the company serves as a sponsor for the Rubber-ball Baseball Tournament of Japan Junior Sports Clubs Association and the NPB12 Team Junior Tournament ENEOS Cup. In addition, in November 2010, we were also a special sponsor for the 2nd Baseball World for Physically-Challenged in Japan held in Kobe.

#### JX Sunflowers

To advance the sport of basketball and promote interaction between communities, JX Nippon Oil & Energy has organized a team consisting of current JX Sunflowers members and a separate select team of former members, including Olympians, for the purpose of traveling across Japan to hold basic basketball skills clinics. These clinics were held 43 times in fiscal 2010 with a total of 1,480 people taking part.

#### Sponsorship of Wheelchair Basketball Tournaments

We sponsor the Japan Wheelchair Basketball Championship Tournament (May), the National Select Junior Wheelchair Basketball Tournament (July), the Japan Women's Wheelchair Basketball Tournament (November), the National Select Senior Wheelchair Basketball Tournament (November), and wheelchair basketball clinic (November, in Yamaguchi) in fiscal 2010.

In addition, employee volunteers took part in the Japan Wheelchair Basketball Championship Tournament in May and the Wheelchair Basketball Autumn Tournament in October (not sponsored by the company) to provide operational support and assistance.

## Click Donation in Support of Adaptive Sports

Between March 2010 and July 2011, we held a click donation program in support of the Special Olympics as the eighth installment of our Click Donation in Support of Adaptive Sports.

Period: March 2010 to July 2011

Recipient: Special Olympics Nippon

Amount donated: 6,032,630 yen (1 yen for each click)

\*The Click Donation in Support of Adaptive Sports first started in 2004 concluded in July 2011. During this timeframe, we donated a total of 32,931,549 yen to adaptive sports athletes and groups training to compete internationally.

Currently, we are conducting the Click Donation in Support of Forest Biodiversity Protection.

For further details about the Click Donation, visit the *Click Fund in Support of Adaptive Sports* page on our corporate website.

<http://www.noe.jx-group.co.jp/csr/click/disclosure/results.html> (available only in Japanese)

## JX Children's Story Award / *The Bouquet of Children's Stories*

The JX Children's Story Award organized by JX Holdings is a contest that recognizes the best works from among submissions of original children's literature on the theme of "heart-to-heart contact". Fiscal 2010 represented the 41<sup>st</sup> time these awards were handed out. The award has three categories, including "general", "junior high school" and "elementary school and under", providing an opportunity for persons of all ages, from adults to young children, to submit their original children's literature. The best works are also published in a collection called *The Bouquet of Children's Stories* for all to read. Copies of *The Bouquet of Children's Stories* are donated to foster homes, single-mother families and welfare facilities across Japan through the Tokyo Zen-i Bank and other social welfare organizations.

## Next Generation Development and Support

### JX Children's Story Fund

JX Holdings transfers all proceeds from copies of *The Bouquet of Children's Stories* purchased by dealerships operating ENEOS service stations and employees of the JX Group to the JX Children's Story Fund, which in turn makes donations to the Japan Council of Social Welfare. These donations are used to fund the JX Scholarship Program, which provides financial assistance to children from foster-care facilities, single-mother support facilities and foster homes who graduate from high school and will pursue higher education.

Since fiscal 2011, proceeds from these purchases are also being used to support children affected by the Great East Japan Earthquake.

### ENEOS Environmental Classes (School Visits)

JX Nippon Oil & Energy employees visit elementary schools and other sites to offer ENEOS environmental classes on topics such as the importance of oil to daily life, how petroleum products are created, the current state of global warming, and new environmentally-friendly energy sources. The employees use quizzes, experiments and observation of actual crude oil to present the material in an intuitive way to students. Classes were held at 41 schools across Japan in fiscal 2010, and were attended by roughly 2,400 children.

Experiments that compare hydrogen and carbon dioxide and experiments are always a favorite of participants, providing an enjoyable environment to learn about the environment and energy.

### ENEOS Forests School

JX Nippon Oil & Energy has been holding a one night two day environment and energy learning program for elementary schools students called ENEOS Forests School since fiscal 2007. Under the guidance and cooperation of KEEP, an organization working to protect Japan's forests, we have created a hands-on learning program that stimulates the five senses in order to teach students about the importance of nature and energy through forest expeditions, fort building, forest games and other activities, like starting camp fires. In fiscal 2010, we held the ENEOS Forests School on two occasions, once each in July and August, with 29 pairs of elementary school students and their guardians taking part for a total of 58 participants.

## Summer Holiday Science Bus Tour

JX Nippon Oil & Energy refineries work together with local newspaper companies across Japan to host the Summer Holiday Science Bus Tour Program.

Participants learn about how energy is related to their everyday life in a fun format, which helps children to broaden their awareness toward the environment. These bus tours were held at seven of our refineries in fiscal 2010, attracting a total of 555 participants, including children and their guardians.

## Environmental Protection

### ENEOS Forests

In a partnership with local governments and the National Land Afforestation Promotion Organization, the JX Nippon Oil & Energy Group is involved in a field of activities supporting the stewardship of specified sections of unmaintained forests in Japan. Named ENEOS Forests, these areas are located in nine locations spanning the eight prefectures of Hokkaido, Miyagi, Kanagawa, Nagano, Nara, Okayama (two forests), Yamaguchi and Oita.

At each of these ENEOS Forests, group employees and their family take part in activities led by local NPOs and other groups specializing in forest stewardship. In addition to conservation activities such as tree planting, thinning and brush clearing, participants get closer to nature by observing flora and fauna, building birdhouses, and lightly harvesting forest products.

In fiscal 2010, we conducted activities 18 times at nine locations, with a total of 1482 participants that included employees and their family.

### Tokyo Greenship Action

The JX Nippon Oil & Energy Group has been involved in Tokyo Greenship Action which is an environmental conservation initiative involving Tokyo Metropolitan Government, private-sector companies and NGOs that aims to protect the remaining natural woodland areas of Tokyo since fiscal 2004. Under the lead of the Machida Historical Environment Management Union, JX Nippon Oil & Energy employees and their families are taking part in a Satoyama Initiative to restore arid fields using traditional agricultural methods in the Zushi Onoji Historical and Environmental Conservation Area of Machida City in Tokyo. In fiscal 2010, activities were held on eight occasions, with 220 participants taking part.

### Flowerbed Development Activities at Hibiya Park

We have been creating flowerbeds and planting seasonal flowers in urban parks in order to make these recreation sites even more appealing to visitors. We also hold basic landscaping classes on planting and pruning techniques. In fiscal 2010, these activities were held on five occasions, attracting a total of 92 volunteers that included employees and their families.

### The Reintroduction of the Oriental White Stork Plan Support Activities and ENEOS Living Creatures School

The JX Nippon Oil & Energy Group has been supporting the Reintroduction of the Oriental White Stork Plan since 2006. This project is based out of Toyooka City, Hyogo Prefecture and aims to help a variety of living creatures thrive once again.

Starting in fiscal 2009, we began hosting ENEOS Living Creatures School classes on biodiversity conservation for children living in the Kansai area. These classes have focused mainly on the topic of protecting oriental white storks. In fiscal 2010, classes were held in July and attended by around 20 elementary school students and their guardians. In fiscal 2011, we plan on making classes a one night two day program to achieve even greater learning results.

### ENEOS Credit Card Donation Program for the National Land Afforestation Promotion Organization

Ever since we began offering ENEOS credit cards in October 2001, we have donated 0.01% of the amount charged on these cards by customers at ENEOS service stations to the National Land Afforestation Promotion Organization. These funds are being used to help support environmental activities both in Japan and internationally. As of March 2011, cumulative donations stood at more than 178 million yen.

## ENEOS Hydrogen Trust Fund

The JX Nippon Oil & Energy Group established the ENEOS Hydrogen Trust Fund in March 2006 in order to help speed-up the realization of a hydrogen energy society through grants to fund basic research that is both innovative and pioneering.

This is the first public trust fund in Japan to focus exclusively on providing grants for research into hydrogen energy supply systems. It has enough funds to safely provide a total of 50 million yen (up to 10 million yen per project) in research grants each year for up to 30 years.

Of the 51 projects that applied in fiscal 2010, we provided grants to six based on a careful screening performed by the fund's steering committee.

## Community Engagement and Disaster Relief

The JX Nippon Oil & Energy Group implements a host of community contribution activities across Japan. These activities are introduced on the CSR Activity Topics page of our corporate website twice each month.

<http://www.noelx-group.co.jp/company/csr/topics/index.html> (available only in Japanese)

JX Nippon Oil & Energy provides relief assistance to areas struck by major natural disasters.

In fiscal 2010, we provided charitable donations to Miyazaki Prefecture and Kagoshima Prefecture following an outbreak of foot-and-mouth disease in July, and we provided additional charitable donations to Kagoshima Prefecture after its Amami region was hit with torrential rains in November.

In March 2011, the entire JX Group donated some 300 million yen through the Japanese Red Cross Society to aid the relief effort in the wake of the Great East Japan Earthquake.

## Supporting Volunteer Activities

JX Nippon Oil & Energy has a volunteer leave system to proactively support employees that engage in social contribution activities. In fiscal 2011 (July to March), 24 employees used this program to take a total of 28 days off for volunteer work.

## Results of "T" Activities (Fiscal 2010)

### Trustworthy products/services

**To continue being a company that is trusted and needed, we constantly strive to improve the quality of our products and services and live up to the expectations of society.**

JX Nippon Oil & Energy has established a policy on quality for the provision of products and services to customers, is considerate of the Earth's environment and safety, and is working to guarantee quality in every workplace, from manufacturing through to logistics and sales.

Furthermore, each of our refineries and plants has obtained ISO9001 certification for their quality management systems.

### Measures on the Frontlines of Sales

At service stations, where our products are delivered to end customers, we work together with service station operators to closely manage product quality and enhance customer service.

We proactively use training programs and conduct mystery shopper surveys to help improve customer service.

Our latest mystery shopper survey conducted in fiscal 2010 targeted 4,571 service stations across Japan, with 2,360, or 51.6%, receiving the highest possible score of S/A.

### ENEOS Customer Service Center Activities

JX Nippon Oil & Energy receives feedback from its valued customers through the ENEOS Customer Service Center. Our customer service center handles enquiries using easy-to-understand, considerate explanations and addresses complaints honestly and appropriately.

In fiscal 2010 (July 2010 to March 2011), we received a total of about 84,000 enquiries at the ENEOS Customer Service Center. Our customer service representatives answered a wide range of questions, including on our ENEOS credit card program.

### Measures during Quality Month

JX Nippon Oil & Energy has designated each November as "Quality Month" as part of our commitment to maintain a heightened awareness toward quality assurance and quality control across the entire company. During this month we also work together with our partner companies through a wide range of activities to enhance quality.

In fiscal 2010, under the theme "Implementing Best Practices – The Power of Individual Knowledge and Experience" as well as the slogan "Building an All New Approach to Quality Together using 'EARTH'", we held lectures at worksites, performed repeat inspections on daily operations, and conducted emergency response drills.

### EU REACH Compliance

In June 2007, the European Union enacted a new regulation on chemical substances called REACH\*.

\*Registration, Evaluation, Authorization and Restriction of Chemicals

This regulation requires that companies register safety performance data for nearly every chemical substance that was either produced in or imported to the European Union with a volume of more than one ton per year.

JX Nippon Oil & Energy works closely with related industry groups such as the Petroleum Association of Japan and the Japan Petrochemical Industry Association and has launched a contact meeting involving all of its departments to foster greater understanding of REACH regulations as well as encourage the sharing of related information and response expertise.

By November 2010, we had completed the registration of all chemical substances exported to the European Union that will likely exceed 1,000 tons per annum. Currently, we are preparing to register those chemical substances exports that do not exceed 1,000 tons.



## Results of "H" Activities (Fiscal 2010)

### Harmony with the environment

**We are committed to striking a harmonious balance between our business activities and the global environment by constantly being aware of the impacts these activities have on the natural environment.**

Related Global Compact Principles

Principle 7: Take precautionary approach to environmental challenges;

Principle 8: take initiatives to promote greater environmental responsibility; and

Principle 9: develop and diffuse environmentally friendly technologies.

### Environmental Policy and Medium-term Environmental Management Plan

We have established a medium-term environmental management plan covering the period from fiscal 2010 to fiscal 2012 based on the JX Nippon Oil & Energy Group Environmental Policy.

In order to steadily execute this plan, we have launched the JX Nippon Oil & Energy Group Environmental Management System (EMS) to promote consistent and integrated environmental management across the entire group.

### Global Warming Prevention Measures

#### Measures during Refining

Nearly 80% of the JX Nippon Oil & Energy Group's CO<sub>2</sub> emissions originate from refining. As a result, we consider improving the energy consumption efficiency of refining to be one of our most important tasks going forward. To that end, our Medium-term Environmental Management Plan contains the target to reduce specific energy consumption from refining by 3% compared to fiscal 2009.

In fiscal 2010, our specific energy consumption was 1.6% less than in fiscal 2009, representing a drop from 8.99 to 8.85.

This is the same effect as reducing our CO<sub>2</sub> emissions by 0.39 million tons.

#### Measures in Logistics

The JX Nippon Oil & Energy Group has compiled a mid- and long-term energy reduction plan (target reduction of 1% annually) for its logistics operations based on Japan's revised Energy Saving Act. Specific measures under this plan focus on efficiencies in logistics, such as optimizing transport routes, consolidating oil depots, and increasing the size of tank trucks and oil tankers, as well as on reducing fuel consumption, such as with idling stops.

In fiscal 2010, our CO<sub>2</sub> emissions associated with fuel consumption in domestic transport totaled 426,000 tons, representing a 1.2% drop over fiscal 2009 levels.

### Promote of Biodiversity Preservation Measures

The JX Nippon Oil & Energy Group established the JX Nippon Oil & Energy Group Guidelines on Biodiversity in November 2010. Based on our fundamental policy that states, "We will take measures considerate of biodiversity in every aspect of our business activities under the recognition that our business activities are deeply related to the Earth's biodiversity," we will ascertain and analyze the impacts of our business activities on biodiversity, strive to make improvements, as well as take part in activities that contribute to biodiversity preservation, such as nature protection and environmental education.

In fiscal 2010, we conducted 16 nature protection activities at nine locations across Japan, with a total of 1,285 participants that included employees and their families.

## Continually Reducing Our Environmental Impacts

The JX Nippon Oil & Energy Group is working to reduce waste and its environmental impacts on the soil, air and water.

We systemically conduct proper soil contamination surveys and remedial measures at the properties we own, including service stations and oil depots. In fiscal 2010, we conducted these eight of these surveys at our oil depots and 370 at service stations. A total of 9 sites were found to contain levels of designated hazardous substances, including lead and benzene, those exceeded the statutory standards defined in Japan's Soil Contamination Countermeasures Act. We promptly reported these findings to the local government and implemented clean-up work at each site in accordance with administrative directives.

### Mizushima Refinery Fails to Comply with Regular Inspections under the Air Pollution Control Act

In February 2011, we found out that certain facilities at our Mizushima Refinery and at group company Wakayama Petroleum Refining's Kainan Plant failed to comply with soot and dust concentration measurements under the Air Pollution Control Act.

Following this discovery, we initiated a thorough check of our measurements not only for soot and dust, but also other pollutants included in the Air Pollution Control Act such as SOx and NOx at all 16 of our group production sites in Japan. The results showed that, with the exception of the Mizushima Refinery and Wakayama Petroleum Refining's Kainan Plant, all other facilities were in full compliance with the Air Pollution Control Act.

Going forward, we will take steps to strengthen our environmental management system and ensure proper compliance with laws in order to prevent any reoccurrences. We will accomplish this by organizing employee training programs on environmental laws that include the above violations, performing an annual audit on the environmental measurements taken by pollution control managers at each of our business sites, and having our head office implement an annual audit on the audits performed at each business site.

## Developing and Providing Environmentally-friendly Products and Services

### Motor Oil

JX Nippon Oil & Energy launched sales of "ENEOS Premium Motor Oil SUSTINA" in November 2010.

SUSTINA is a high performance 100% chemically-synthesized oil developed using our proprietary high performance chemically-synthesized base oil "WBASE" and our proprietary additive technology "ZP Technology".

Compared to engine oils used to boost fuel economy currently on the market today, SUSTINA achieves an up to 2% improvement in fuel economy, double the sustained engine cleaning performance, and double the sustained fuel economy\*. SUSTINA received the highest international grade (API: SN; ILSAC: GF-5) for engine oil after this rating was established in October 2010.

\*Compared to engine oils used to boost fuel economy with a viscosity grade of API: SM or ILSAC: GF-4.

Performance will vary based on actual usage and viscosity grade.

### Biogasoline

JX Nippon Oil & Energy began selling biogasoline with a mix of ETBE (ethyl tertiary butyl ether) made from plant-based bioethanol in June 2009. We began selling biogasoline in the Kyushu region in September 2010 and Osaka Prefecture in January 2011. We also expanded the number of service stations in Ibaraki and Chiba prefectures carrying this biogasoline product. At the end of March 2011, we have a total of some 2,000 service stations across Japan that offer biogasoline.

## Utilizing the Kyoto Mechanisms

JX Nippon Oil & Energy and Mitsubishi Corporation have teamed up with Gazprom Neft, one of Russia's largest oil companies, on an associated gas capture project at the Yety-Purovkoe oil field. In July 2010, this project became Russia's first-ever joint implementation project. A joint implementation project represents one method for reducing greenhouse gas emissions stipulated in the Kyoto Protocol in which two developed nations cooperate to initiate a greenhouse gas reduction project in either of their countries. Based on the emissions reductions from this project, the country implementing the project can then issue emissions credits.

Under this project, associated gas from the Gazprom Neft-owned Yety-Purovkoe oil field located in the Yamalo-Nenets Autonomous Okrug in Russia that had been burned is now being recovered using a newly constructed pipeline and supplied to other parts of Russia as fuel. As a result, a total of some 3.1 million tons of CO<sub>2</sub> equivalent emissions credits are expected to be issued for this project between August 2009 when the pipeline started operations and the end of December 2012. In January 2011, emissions credits for a total of 290,000 tons of CO<sub>2</sub> reduced between August 2009 and the end of December 2009 were issued. This represented the first time that the Government of Russia issued emissions credits.

[Data]

**The JX Nippon Oil & Energy Group Medium-term Environmental Management Plan for the period from Fiscal 2010 to Fiscal 2012**

| Key Themes  | Name of Measure  | Specific Details  |
|---|--|---|
| I. Promote measures to prevent global warming and preserve biodiversity | (1) Develop and provide environmentally-friendly products and services   | Develop and expand sales of environmentally-conscious fuel oils, lubricants, and petrochemicals   |
|   |  | Develop and expand sales of next generation technologies, including fuel cells, photovoltaic cells, storage batteries and hydrogen technologies   |
|   | (2) Reduce CO <sub>2</sub> emissions across the entire supply chain      | Aim to reduce specific energy consumption by 3% (compared to fiscal 2009)   |
|   | (3) Take part in activities for the betterment of the environment        | Promote environmental protection, environmental education and environmental awareness that is considerate of global warming prevention and biodiversity preservation                                |
|   | (4) Utilize the Kyoto Mechanisms   | Implement global warming prevention measures that utilize the Kyoto Mechanisms  |
| II. Continually reduce environmental impacts                            | (1) Perform soil contamination studies and take relevant measures        | Facilities in operation: Continually perform studies on and take measures to prevent spills offsite<br>Decommissioned facilities: Continually perform systematic studies and take relevant measures |
|   |  | Development of cleanup technologies: Develop lower cost methods for cleanup   |
|   | (2) Take steps to reduce VOC   | Continually reduce the usage of volatile organic compounds (VOCs)   |
|   | (3) Take steps to reduce waste   | Achieve the Zero Emission Plus goals (waste-to-landfill ratio of less than 0.5%)  |
|   | (4) Strive to reduce the environmental impacts of offices                | Reduce paper usage, trash and electricity consumption of offices  |
|   |  | Promote green purchasing  |
|   |  | Encourage business partners to go green   |
| III. Enhance the environmental management system                        | (1) Expand Environmental Management System (EMS) within the supply chain | Encourage designated affiliates and consolidated subsidiaries to acquire ISO14001 certification or maintain a JX Nippon Oil & Energy Group-compliant EMS  |
|   |  | Help dealerships establish EMS  |



Data appearing in this report is from the period spanning April 2010 to March 2011.  
(This also includes certain activities and plans that took place prior to March 2010 or after March 2011.)