



TonenGeneral

TonenGeneral Group CSR Report 2013

TonenGeneral Sekiyu K.K. EMG Marketing GodoKaisha Tonen Chemical Corporation





Editorial Policy

The purpose of this report is to provide a clear overview of the TonenGeneral Group's approach to corporate social responsibility (CSR) and related initiatives.

A major change occurred on June 1, 2012, when the Group entered into a new business alliance with ExxonMobil in which TonenGeneral Sekiyu K.K. acquired 99% ownership of EMG Marketing Godo Kaisha (formerly ExxonMobil Yugen Kaisha). Based on the philosophy and management methods we acquired through experience with ExxonMobil, we will continue to work with our stakeholders to fulfill our responsibility as a good corporate citizen.

The report opens with a message from our president and a general introduction to the Group, followed by in-depth information on our CSR initiatives. The overall design and layout have been optimized for presentation in PDF format to enhance readability on computer screens for those who choose to download it from our website. Text, diagrams, graphs and tables have also been arranged for easy viewing without having to print.

We hope you enjoy reading this report and look forward to receiving your comments and suggestions.

Scope of the report

TonenGeneral Sekiyu K.K. and consolidated subsidiaries

Period covered

Fiscal 2012 (January 1, 2012 to December 31, 2012) Legally mandated environmental data covers April 1, 2012 to March 31, 2013.

Publication date

December 2013 (next report: December 2014, previous report: December 2012)

Referenced guidelines and standard

- GRI Sustainability Reporting Guidelines, Version 3.1
- Environmental Reporting Guidelines (2012) of the Japanese Ministry of the Environment
- ISO 26000

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TonenGeneral Sekiyu K.K.
Representative Director,
President

武藤潤

Jun Mutoh

Ensuring a safe, stable supply of energy at reasonable prices is the basis of our social contribution

Progress since the creation of the new TonenGeneral Group

The new TonenGeneral Group was created in June 2012 through a business alliance that united production and sales, centered on TonenGeneral Sekiyu. This transformed a global organization vertically divided by function and operation into an integrated, self-sufficient organization within Japan. Now, with nearly 120 years of history, we stand at the threshold of achieving optimal efficiency under our new management structure.

We have established three primary management objectives under this new structure: to take advantage of the integrated management of production and sales in order to facilitate speedy, more flexible decision-making processes; to pursue investment opportunities and allocate resources in accordance with the prevailing Japanese business environment; and to continue generating stable revenue and cash flow.

When our new structure was established over a year ago, we began making the necessary business process changes involving nearly 10,000 elements. Thanks to the understanding and cooperation of our customers and suppliers and the steady efforts of our employees, we were able to successfully complete this undertaking. Moreover, we are progressing ahead of schedule in areas such as reducing our reliance on the former majority shareholder and shifting to independent procurement of products and crude oil. Consequently, we are realizing the benefits of integration faster and on a broader scale than initially planned.



We contribute to society by providing a stable supply of products at reasonable prices

Energy is an integral aspect of our social infrastructure and therefore our efforts to ensure a safe, stable supply of high-quality products are vital for the wellbeing of society. While this responsibility is imperative under normal circumstances, we also face the significant challenge of maintaining and securing the supply chain in times of emergency or large-scale disaster, as we learned from the Great East Japan Earthquake. We are rising to this challenge by constantly anticipating potential scenarios and developing response plans while continuing to provide training to effectively implement these plans. We were fortunate while I was serving as manager of the Kawasaki Refinery that these preparations and implementation systems worked as well as they did when the Great East Japan Earthquake struck, enabling us to quickly resume operations.

We believe that reducing Japan's energy costs by offering quality products at reasonable prices is also a fundamental aspect of our social contribution. As we steadfastly meet these responsibilities by continually driving down costs, we must also secure an appropriate level of profit to sustain the stability of our business.

Safety, health, the environment and integrity

The processes that we employ to obtain business results are just as important as the results themselves. In the course of our business, the TonenGeneral Group gives top priority to maintaining the safety, security and health of our employees and contractors, our customers, and the general public as well as to protecting the environment. For this reason we have introduced and effectively deployed the Operations Integrity Management System (OIMS), a disciplined management framework, throughout our organization. We also uphold the value of maintaining high ethical standards beyond basic compliance and promote thorough understanding among our employees of the principle that adhering to our standards of corporate ethics is more important than obtaining business results.

Nevertheless, we experienced a failure to report a sulfur leak* that occurred at the Sakai Refinery in 2011. I sincerely apologize on behalf of the Group for this failure, which would never have occurred had we fully complied with regulations and now stands as a truly regrettable lesson. We resolve to learn from this experience and take the necessary actions to prevent future occurrences.

Human resources – the driving force in accomplishing our mission

To become Japan's premier petroleum and petrochemical company, we are dedicated to the mission of maintaining a stable supply of high-quality products, offering high-value-added services and making meaningful contributions to our customers, shareholders, employees and local communities. We have formulated a medium-term management plan to provide a road map for accomplishing this mission.

Our employees stand at the front line of implementing this plan. The TonenGeneral Group is an efficient team of select employees that attracts highly skilled human resources. With our new management system, we now depend more than ever before on recruiting goal-oriented individuals who can think independently and exercise initiative in pursuing their goals. My role as president is to establish an organizational framework that encourages employees to engage in the free and vigorous exchange of ideas and guide them in the direction that the TonenGeneral Group is taking.

In a broader sense, our mission is to deliver value to society through our business. We will continue our efforts to build win-win relationships with our stakeholders and contribute to society as a good corporate citizen trusted by the community.



* See page 27 for information about the sulfur leak at the Sakai Refinery.



About the TonenGeneral Group

▶ Our Mission



Fulfilling our mission more effectively through a new management structure

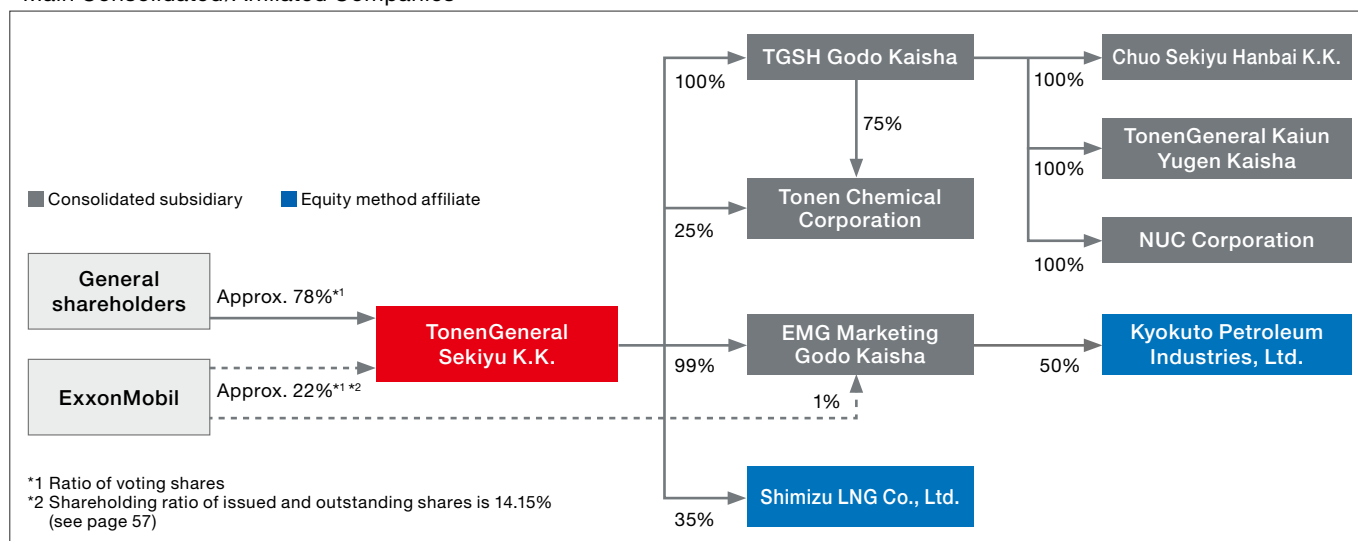
The new TonenGeneral Group was created in June 2012 through a business alliance that united production and sales, centered on TonenGeneral Sekiyu. With safe operations as a foundational management principle, we will leverage our accumulated strengths, including superior efficiency and the power of the Esso, Mobil and General brands, to make meaningful contributions to society. We have defined our mission as follows:

Mission of the TonenGeneral Group

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

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

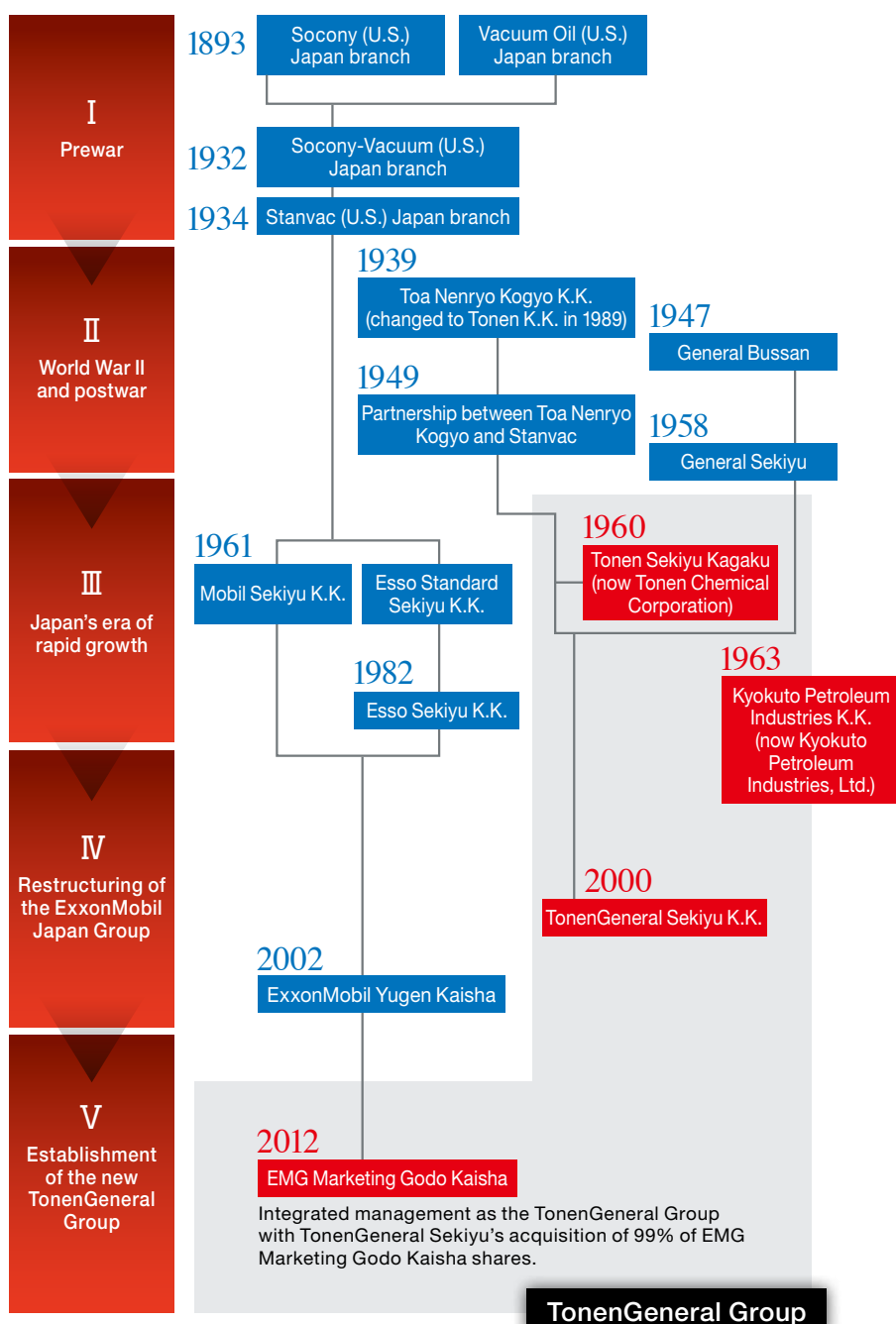
• Main Consolidated/Affiliated Companies



▶ Our 120-year History



After 120 years of business in Japan, we have achieved optimal efficiency under a new management structure.



Corporate Story 1

• Our Three Lineages

Standard Oil Company of New York (Socony) opened its first Japanese branch in Yokohama in 1893 to import and sell kerosene at a time when kerosene lamps were still used for lighting. Vacuum Oil Company also opened a branch in Yokohama that same year. Vacuum Oil's high-grade lubricants and technical services were factors in bringing Japan's textile spinning industry to world prominence. This was the origin of our petroleum product sales under the Esso and Mobil brands. The second line stems from Toa Nenryo Kogyo K.K., established in 1939 through joint capital investment to manufacture aviation gasoline and aviation lubricants, then regarded as high-tech products. Toa Nenryo Kogyo, an oil refining company, founded Tonen Sekiyu Kagaku in 1960 to expand its business into the petrochemical industry during the high-growth period of the Japanese economy. The third line originated with General Bussan, which was formed from the fuel business of Mitsui & Co. when it became independent after the dissolution of the *zaibatsu* conglomerates in 1947. The company later became involved in petroleum refining and the sale of petroleum products under the General brand.

Corporate Story 2

• Establishment of the ExxonMobil Japan Group

These three lineages merged into one as the ExxonMobil Japan Group in July 2000. The capital structure, however, remained divided, with ExxonMobil Yugen Kaisha wholly owned by ExxonMobil and ExxonMobil Yugen Kaisha possessing 50.02% of shares in TonenGeneral Sekiyu, which is listed on the First Section of the Tokyo Stock Exchange.

Corporate Story 3

• A Company Owned Primarily by Japanese Shareholders with Integrated Production and Sales Operations

In June 2012, the TonenGeneral Group was created with TonenGeneral Sekiyu at its center, effectively integrating production and sales. What had been a global organization divided vertically by function and operation was transformed into an integrated, self-sufficient organization within Japan. This evolution also means the Group has shifted to primarily Japanese ownership after having been foreign-owned for the majority of its existence, with a new management structure conducive to the achievement of optimal efficiency.

▶ Business Overview

Streamlined supply chain, from crude oil import to product sales



The TonenGeneral Group imports the optimal mix of crude oils and feedstocks from around the world. We efficiently produce a wide range of petroleum and petrochemical products at oil refineries in Japan and export some of these products overseas. We also demonstrate our comprehensive strengths as a Group through the systematic integration of operations from import, refining and manufacturing to distribution, sales and export.

Applying the world's most advanced technologies and expertise to all of our business activities, we bring the best to Japanese consumers.

○ Supply Chain

Crude Oil Transport



Demand for petroleum products in Japan is primarily supported by crude oil imported from oil producing countries. The TonenGeneral Group's refineries use crude oil from many regions, including the Middle East, Russia and West Africa. Diversifying our sources of procurement not only stabilizes our procurement of crude oil but also enables us to select and purchase crude oil on the basis of economic considerations including the market environment and conditions at our refining facilities. Most of the crude oil we import is delivered by 300,000 ton-class VLCC (Very Large Crude Carrier) tankers to TonenGeneral Sekiyu's three refineries and the Chiba Refinery of Kyokuto Petroleum Industries under long-term charter contracts.

Refining and Manufacturing



Our refineries and chemical plant efficiently produce LPG, gasoline, naphtha, kerosene, jet fuel, diesel oil, fuel oils, lubricants and other petroleum products, as well as chemical products, at low cost using advanced production systems and rigorous quality control, with an absolute commitment to safe operations and environmental preservation based on our OIMS (Operations Integrity Management System; see page 28). Throughout our extensive history of energy saving activities we have led the way in implementing advanced initiatives, which has consistently positioned our Group at the top of the industry in energy efficiency. Moreover, a Group company was the only one in the industry recognized by the Ministry of Economy, Trade and Industry as having achieved the target benchmarks set out in the Energy Conservation Law.

Distribution



Petroleum and petrochemical products produced at our refineries are transported by coastal vessel, tank truck, rail and pipeline to service stations nationwide carrying the Esso, Mobil and General brands, as well as to customers and terminals. In addition to the nine terminals we own and operate in Japan, more than 40 shipping bases owned by other companies serve as relay stations for delivering petroleum products nationwide through mutual use and throughput agreements.

We introduced Japan's first bottom-loading system at the Group's shipping facilities and tank trucks for stronger environmental protection, improved safety and faster loading.

Sales



Our Esso, Mobil and General service stations sell products with the full benefit of global management expertise. In fact, we lead the industry in promoting self-service stations, and our Express service stations offer the quickest, easiest service in the cleanest, most comfortable facilities. We are also developing Express stations with Seven-Eleven convenience stores and Doutor Coffee Shops under exclusive agreements, with new combined locations opening every year.

Apart from fuels, we also provide lubricants, petrochemical products and services of the highest global standards to meet the needs of our customers.

Technology, Research and Engineering

Engineering operations performed by our Manufacturing Research and Engineering division

The Group regards engineering as essential to becoming Japan's premier petroleum and petrochemical company. Our team of specialists in process engineering, equipment, systems and project-related technical fields utilize the latest information on domestic and global technology as well as technological support from ExxonMobil in continuous efforts to ensure the safe, high-performance and high-efficiency operation of our facilities. To pursue growth opportunities under our medium-term management plan and engage in large-scale endeavors, we take part in projects from the planning stage using systematic project engineering methods. We are seeking to further streamline our engineering functions and systems to cultivate competent engineers.



The TonenGeneral Research Center specializes in research and development for lubricants and fuels

Since its establishment more than 70 years ago, our laboratory has developed a number of advanced, high-performance lubricant products. Particularly with regard to passenger vehicle lubricants, through joint research with auto manufacturers we have developed products that can improve fuel efficiency, reliability and ease of use, and contribute to the development of environmental technologies for automobiles.

In fuels, we continuously seek sound, science-based solutions for fuel quality issues and energy-related challenges. This leads to our active engagement in joint research and study programs funded by the industry and the government from the planning phase. Based on these activities, we proactively make recommendations to related industries and to the government. We also provide technical support for ensuring fuel quality and performance at our refineries and in our Fuels Marketing segment.



About the TonenGeneral Group

▶ Refining and Manufacturing

Production system with a premium on safety



The fundamental role of our production operation is to manufacture petroleum and petrochemical products at low cost from the world's optimum crude oil and feedstocks at our four refineries and lube oil blending plant in Japan. With safety as our pre-eminent concern, we continue to pursue greater added value as we carry out our crude procurement and product export operations.

We also place great importance on environmental protection efforts, particularly our measures to mitigate climate change.

Kawasaki Refinery

One of Japan's largest integrated refinery and chemical plants

The Kawasaki Refinery is located on the Keihin oceanfront, a convenient land and sea transport site adjacent to the Tokyo metropolitan area, Japan's largest consumer market. This is our largest refinery and has one of the highest refining capacities in the country. It also has the largest FCC (fluid catalytic cracker) in Japan and the only H-Oil (heavy oil cracking/desulfurization unit) in the country.

The refinery is situated on the same site as the Tonen Chemical Corporation plant, enabling mutual product supply, sharing of facilities and organizational integration for a highly efficient production system.

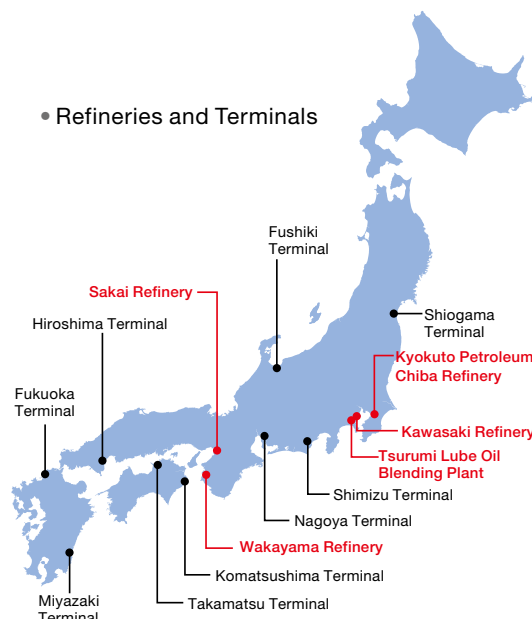
Sakai Refinery

Largest, highly energy-efficient production and shipping base in western Japan

The Sakai Refinery is located in the Sakai-Senboku coastal industrial area in Osaka, the largest consumer market in western Japan. In addition to refining, this integrated site also manufactures chemical products such as paraxylene and propylene, and boasts one of the best energy efficiency ratings in the country.

The refinery also generates synergies in the supply of products, feedstocks and utilities using pipelines connected with refineries of other companies in the same industrial complex. The land shipping terminal, the largest of its kind in the Kansai area, has introduced Japan's first bottom-loading system for better environmental protection, improved safety and faster loading.

• Refineries and Terminals



Wakayama Refinery

Integrated production center provides flexible support for global and domestic needs

The Wakayama Refinery is located in a quiet residential district adjacent to the rich fishing waters of the Kii Channel in a region known for its production of Arida tangerines. In these surroundings, the refinery maintains the world's highest level of operational safety with the utmost attention to environmental protection.

The refinery, which has a long history, is an integrated production center for a number of petroleum products including gasoline, lubricants and aromatics in addition to specialty products such as aviation and automotive test fuels.

Taking advantage of its large number of tanks and marine shipping facilities around an ideally situated harbor, the refinery significantly contributes to the domestic energy supply while responding flexibly to export needs.



Tsurumi Lube Oil Blending Plant

Manufacturing and shipping base for lubricants

Built in 1925 in Yokohama, this lube plant is within the greater Tokyo metropolitan area, Japan's largest consumer market. The plant specializes in lubricants for passenger vehicles, marine vessels and industrial use and carries out integrated operations from manufacturing to delivery. Mobil 1, a synthetic motor oil, is one of the key products shipped from this plant.



About the TonenGeneral Group

▶ Fuels Marketing

Our trusted brands:
Esso, Mobil and General



The TonenGeneral Group’s business is supported by its trusted brands. We offer a wide range of services that provide flexible support for society’s needs and supply a variety of reliable products including fuels, LPG, lubricants and chemicals. One of the Group’s strengths is adopting the world’s best practices with a customer-oriented approach.

○ Retail

The Group carries out the same initiatives nationwide for the Esso, Mobil and General brands to provide customers with a stable supply of quality petroleum products at reasonable prices. We lead the industry in the expansion of self-service stations and we are working to enhance customer convenience through innovative offerings under the Express brand. We continue to operate our service stations with attention to environmental and safety considerations while accurately responding to customers’ ever-changing expectations.

Express self-service stations

Our Express self-service stations operate under the concept of the quickest, easiest service in the cleanest, most comfortable facilities. For the further evolution of our brand value, we boost the tangible and intangible aspects of our services by enhancing sales promotion programs, improving customer service and ensuring clean environments at our service stations.

Convenience of Express

We implement an extensive range of initiatives to maintain and strengthen the top brand position of Express, which enjoys unparalleled customer support.



Industrial and Wholesales

In our Industrial and Wholesales segment, we provide a stable supply of industrial fuels, LPG and other products at competitive prices. We maintain solid partnerships of trust with our dealers to continue adding value that is unique and matches their respective sales strategies.

Industrial fuels

We sell a wide range of products manufactured from crude oil through distribution channels other than service stations. For example, we supply diesel oil mainly to public transport operators and the logistics industry. Today, kerosene and fuel oil A are not only used for heating, but are increasingly supplied to plant and hospital cogeneration systems. Fuel oil C is used as a heat source for boilers at thermal power stations and plants as well as fuel for large marine vessels.

LPG

The former General Sekiyu (now TonenGeneral Sekiyu) was the first Japanese company to import LPG products from the Middle East, paving the way for increased LPG consumption in Japan. The Kawasaki, Sakai and Wakayama refineries are the main centers for supplying LPG to bottling terminals and industrial plants nationwide. The Kawasaki and Sakai refineries, both located close to major markets, operate their own import terminals, contributing to a stable supply of LPG.



International Sales

Marine fuel

We maintain supply bases in Tokyo and Osaka bays, Japan's two key bay areas. These bases provide a stable supply of high-grade fuels produced at the Group's adjacent refineries. Our quality control team strives to maintain consistent product quality.



Aviation fuel

The Group provides high-quality aviation fuels and customer services. Along with our outstanding operations at airports, we supply aviation fuels, mainly jet fuel, to customers including major domestic and international airlines and public authorities.



About the TonenGeneral Group

▶ Lubricants and Specialties

Consolidation of world-class technologies

In our Lubricants and Specialties segment, we sell automotive lubricants with world-class brand power earned through support of grand prix races and other initiatives. Other products include industrial lubricants recommended by major international machinery manufacturers, aviation and marine lubricants supported by a reliable technical support system, and base oil and specialty products manufactured and sold in cooperation with our refineries.

○ Automotive Lubricants

Mobil-brand automotive lubricants protect engines effectively to help vehicles achieve the best performance under all conditions. We are especially proud of Mobil 1, a synthetic engine oil that delivers world-class performance. We are also involved in the joint development of next-generation products with major Japanese auto manufacturers to supply high-quality oils to better meet the needs of customers.

○ Industrial Lubricants

Mobil-brand industrial lubricants incorporate leading lubricant technology, and our vast expertise and experience have been used extensively to make significant contributions in areas such as improving equipment productivity and conserving energy. These efforts have resulted in the creation of the synthetic lubricant Mobil SHC featuring leading-edge technology.

○ Aviation and Marine Lubricants

We supply a wide variety of aviation lubricants and a range of technical support, earning us the trust of customers all over the world. With regard to marine lubricants, we supply quality products and services to meet the needs of our customers, including synthetic oils that help reduce the total cost of vessel operation. The Group serves international marine customers in Japan through a strategic alliance with ExxonMobil.

○ Base Oils and Specialties

Through our strategic partnership with ExxonMobil, we produce high-value-added specialty products using an advanced quality control system. We work together with Group refineries to ship wax products nationwide while seeking to expand exports to global markets. In addition, we export base oils mainly to Asia via ExxonMobil's distribution channels.

• High-grade oils

The Group offers an extensive line of oils, including the synthetic motor oil Mobil 1, to meet the needs of our customers in automotive, industrial, aviation and marine applications.

Mobil 1



Mobil Industrial Lubricants



▶ Chemical

Competitive product range through integrated operations with refining

Quality chemicals are indispensable for end products used in every aspect of our lives, from automotive products to cosmetics. We contribute to society by providing a stable supply of quality chemicals not only to the domestic market but also to the rapidly growing Asian market.

○ Basic Chemicals

With our competitive edge based on synergies with our refineries, we provide both the domestic and regional markets with a stable supply of olefins (ethylene, propylene, butadiene, etc.), which are the building blocks of chemical materials used in aircraft and automobile parts, electric and electronic components, food packaging and household items; along with aromatics (paraxylene, ortho-xylene, benzene, etc.) used as components in polyester fiber, plastic bottles and nylon fiber.

○ Petroleum Resins

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

○ Specialty Chemicals

Methyl ethyl ketone, a highly soluble and functional chemical, is used for a number of applications in diverse fields, ranging from solvents for paint and printing ink and resin treatment for electronic components to film molding for optical panels and chemical process solvents. Hydrocarbon solvent, which is manufactured in our petroleum refining facilities, is added to car paint, agricultural chemicals, metalworking oil and other products. These types of specialty chemicals work behind the scenes to enhance the convenience of our lives.

○ Polyethylene Resin

NUC Corporation, a fully-owned subsidiary of the TonenGeneral Group, is a specialized manufacturer of polyethylene resin with an unrivaled capability for consistently developing superior-grade products used in power cable insulation. NUC enjoys the solid trust of power cable manufacturers in Japan and overseas. In its performance material business, NUC develops and sells polyethylene products, including LDPE, L-LDPE, EVA and EEA used in films and other applications.



Hydrogenated petroleum resin



▶ Financial Report



Performance Overview

Consolidated net sales for 2012 amounted to 2,804.9 billion yen, an increase of 127.8 billion yen or 4.8% compared to the previous year, primarily due to the inclusion of EMG Marketing Godo Kaisha as a consolidated subsidiary from the second half of this year.

Consolidated operating income was 27.3 billion yen, a decrease of 188.9 billion yen from the previous year. The decline was mainly attributable to the absence of inventory gains realized in 2011 associated with the inventory valuation method change from LIFO (last-in-first-out) to WAC (weighted average cost).

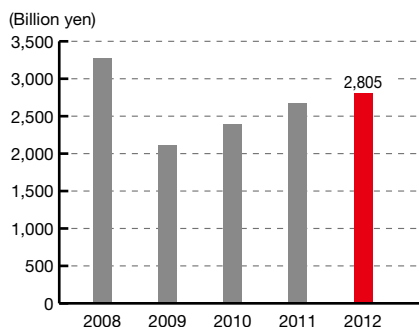
Consolidated ordinary income, which includes the addition of non-operating items such as interest expenses and foreign exchange losses, was 22.5 billion yen, a decrease of 195.0 billion yen from the previous year.

With extraordinary items including the gain from redemption upon dissolution of the battery separator film joint venture, favorable income tax, and other adjustments, consolidated net income amounted to 54.8 billion yen, a decrease of 78.0 billion yen from the previous year.

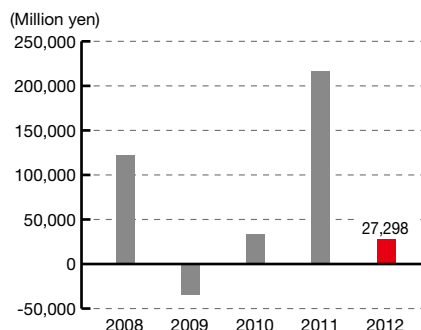


Major Financial Indicators

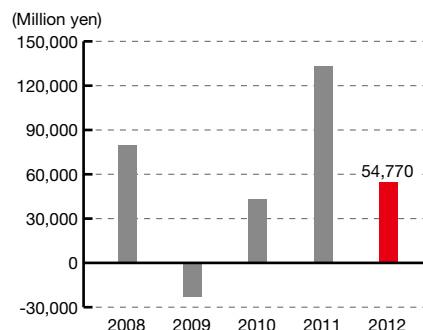
• Net Sales



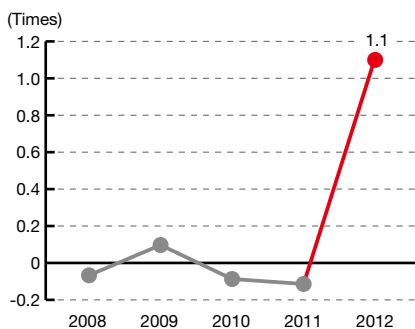
• Operating Income (loss)



• Net Income (loss)

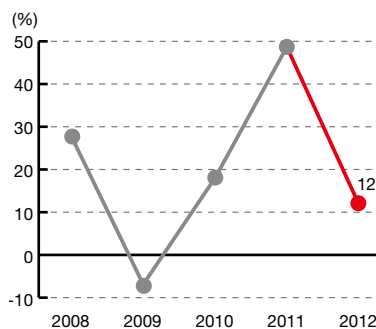


• Net D/E Ratio



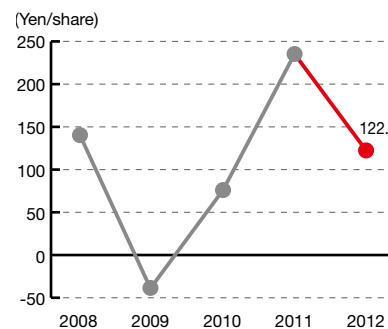
Net debt (excluding effect of cash and loan receivables) / total net assets excluding minority interests

• Return on Average Capital Employed



Net income before interest and after tax / (average total net assets + average net debt)

• Net Income per Common Share



Performance Overview by Segment

The following presentation of operating results for 2012 by segment excludes the goodwill amortization cost related to the acquisition of interest in EMG Marketing Godo Kaisha (8.5 billion yen in the period), which was not allocated to segments.

◆ Oil Segment

Oil segment operating income was 34.4 billion yen, a decrease of 177.4 billion yen compared to the previous year. As mentioned above, the vast majority of the decline is attributable to a change in inventory valuation method. Excluding inventory effects in both periods, Oil segment income for the current period was 31.5 billion yen or a 7.4 billion yen increase over the previous year. The result benefits from the additional contribution to the oil business attributable to the new consolidated subsidiary EMG Marketing Godo Kaisha.

◆ Chemical Segment

Chemical segment operating income totaled 1.4 billion yen, a 3.0 billion yen decrease from the previous year. The decrease in Chemical segment results from the previous year is mainly due to the decline in commodity chemical products margins affected by the domestic and external weak economic environments. Inventory effects included in Chemical segment income were 1.5 billion yen this year compared to 1.4 billion yen last year.



○ Management Indicators by Business Segment

(Million yen)

Major data	Segment	2008	2009	2010	2011	2012
Production volume	Oil*1 (1,000 kl)	28,665	30,143	29,188	26,871	27,534
	Chemical*2 (1,000 tonnes)	2,485	2,625	2,584	2,529	2,769
Sales amount	Oil*1	2,917,761	1,917,453	2,178,937	2,425,189	2,533,844
	Chemical*2	353,320	193,518	219,780	251,925	271,085
	Other*3	1,347	781	—	—	—
	Total	3,272,429	2,111,753	2,398,718	2,677,115	2,804,929
Operating profit	Oil*1	107,650	-38,414	31,518	211,971	34,369
	Chemical*2	13,917	3,821	2,010	4,399	1,391
	Other*3	174	33	—	—	—
	Adjustment*4	—	—	—	—	-8,462
	Total	121,742	-34,559	33,528	216,191	27,298

*1 Gasoline, naphtha, jet fuel, kerosene, diesel fuel, fuel oils, lubricants, LPG, etc.

*2 Ethylene, propylene, benzene, toluene, paraxylene, etc.

*3 Construction management included in Oil segment from 2010

*4 Goodwill amortization

▶ Corporate Governance



○ Basic Approach

We believe our straightforward business model, culture of integrity and legal compliance, governance practices, and management control systems are the keys for achieving long-term sustainable results.

The company's directors and employees are responsible for developing, approving and implementing plans and actions designed to achieve company objectives. We believe that the methods we employ to attain results are as important as the results themselves. Directors and employees are expected to observe the highest standards of integrity in the conduct of business. In addition, we are committed to fairness, honesty and integrity in our reports to shareholders.

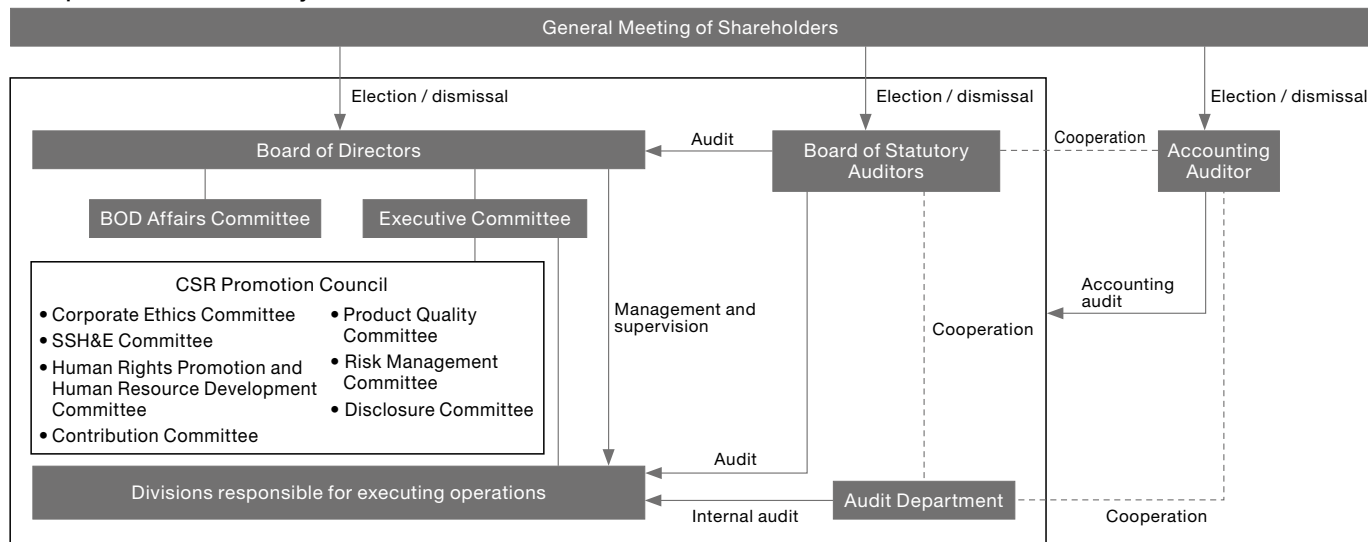
○ Corporate Governance Overview

TonenGeneral Sekiyu K.K. is the only listed company in the TonenGeneral Group and therefore employs a statutory auditors system. We believe that the statutory auditors system adopted by the company ensures effective corporate management, maximizing business expertise and knowledge, and affords appropriate corporate governance. We have determined that the current auditing system, under which the statutory auditors including outside statutory auditors monitor the details of business operations, is optimal, given the differing modes of operation in our business, including business entrusted between the company and associated companies. Moreover, the outside director brings independent perspectives to the decision-making process of the Board of Directors. The Tokyo Stock Exchange (TSE) requires listed companies to appoint at least one independent director/auditor who is unlikely to have conflicts of interest with general shareholders. As of September 1, 2013, TonenGeneral Sekiyu has registered with the TSE one outside director and two outside statutory auditors as its independent director/auditors.

Relevant Policies under the Standards of Business Conduct

- Directorships Policy
- Ethics Policy
- Conflicts of Interest Policy

• Corporate Governance System



○ Board of Directors

The duty of a director is to make appropriate decisions related to business management to maximize benefits to shareholders. As of September 1, 2013, the Board of Directors comprises nine directors, including one outside director. We believe the current composition of the Board is appropriate as it allows each director to effectively participate in business decisions through uninhibited discussion. The outside director is expected to bring an objective and neutral perspective to decision-making by the Board of Directors. The term of a director is in principle two years.

- Board of Directors Meetings and Attendance in 2012

Number of meetings: 20
Attendance of outside director: 100%

○ Statutory Auditors and the Board of Statutory Auditors

The main role of the statutory auditors and the Board of Statutory Auditors, as independent entities from the directors and the Board of Directors, is to audit the execution of duties by directors. As of September 1, 2013, there are three full-time statutory auditors, two of whom are outside members. The statutory auditors monitor the status and implementation of corporate governance and internal controls to ensure that decisions and the execution of business affairs by the Board of Directors are consistent with relevant laws and regulations, the Articles of Incorporation, and the company's Standards of Business Conduct (SBC; see page 21), and that appropriate benefits are secured for shareholders. Besides attending meetings of the Board of Directors and other important meetings, the statutory auditors visit the company's main facilities such as refineries, terminals and branch offices to audit operations. They receive regular briefings on business activities and operations management from directors, heads of divisions, directors of subsidiaries, and others. They also consult with an independent public accountant and the Audit Department on audit plans, receive reports on audit findings, and check resolutions and legal documents to be submitted to regular general meetings of shareholders for inconsistencies with the law or the Articles of Incorporation.

- Board of Statutory Auditors Meetings and Attendance in 2012

Number of meetings: 4
Attendance of outside statutory auditors: 100%

○ Executive Committee and CSR Promotion Council

The Executive Committee makes decisions regarding business operations in an expeditious manner and based on authority delegated from the Board of Directors. It comprises four directors, including two representative directors. The CSR Promotion Council has been established under the management of the Executive Committee to further our efforts as a good corporate citizen. Various related committees promote activities under the CSR Promotion Council, which is responsible for formulating CSR policies and action plans for the entire Group, providing guidance and advice to each committee, monitoring external evaluations, developing CSR reports and determining disclosure policies for CSR-related information.

- Remuneration for Directors and Statutory Auditors in 2012

Directors (excluding outside director): eight recipients, remuneration total: 282 million yen

Statutory auditors (excluding outside statutory auditors): one recipient, remuneration total: 19 million yen

Outside directors and statutory auditors: four recipients, remuneration total: 67 million yen

There are no directors or statutory auditors whose total consolidated remuneration is 100 million yen or more.

○ Corporate Governance of the TonenGeneral Group

TonenGeneral Sekiyu K.K. has signed a Comprehensive Service Agreement with subsidiary EMG Marketing Godo Kaisha, under which administrative and service functions are entrusted to EMG Marketing Godo Kaisha. In accordance with this agreement, an internal audit review is conducted by the Audit Department of EMG Marketing Godo Kaisha.

CSR Activities Report for 2012

Management P19

- CSR Management
- Standards of Business Conduct
- Risk Management
- Internal Controls System
- Compliance

Safety, Health and the Environment P28

Relationship with Stakeholders P46

- Customers
- Employees
- Business Partners
- Shareholders
- Local Communities

Management

CSR Management

Standards of Business Conduct

Risk Management

Internal Controls System

Compliance

As a premier energy company with a long history in Japan, the TonenGeneral Group seeks to maximize performance by demonstrating superior management and rigorous ethical standards to control operational risks.



CSR Management

The TonenGeneral Group has established a CSR management framework consisting of the CSR Promotion Council and the CSR Department.

Approach to CSR

The TonenGeneral Group believes that companies are integral members of society, which is why we strive to be a good corporate citizen in the communities where we operate.

This way of thinking has permeated every layer of our organization throughout our 12-year relationship with ExxonMobil, and has continued through the Group's June 2012 transition to the new relationship with ExxonMobil. We will maintain these corporate ideals and comply with relevant laws and regulations as we improve and expand initiatives that contribute to the development and vitalization of the communities around us. These endeavors will remain aligned with our Group mission as we advance in a concerted Group-wide effort to achieve the goals of our mission by embracing the high ethical standards detailed in our Standards of Business Conduct.

Reinforcing Our CSR Management Framework

In exercising the initiative to independently promote CSR activities as the TonenGeneral Group, we established the CSR Department within our Public and Government Relations Division on June 1, 2012. In July 2013 we established the CSR Promotion Council, chaired by the president, under the management of the Executive Committee, which has been charged with formulating the Group's CSR policies and action plans.

From August 2013, we broadened the organizational structure of the CSR Promotion Council to comprise seven committees responsible for all 18 policies of the Standards of Business Conduct.

Communication with Stakeholders



TonenGeneral Group Stakeholders



Customers

Customers of the TonenGeneral Group are those who visit our service stations and those who purchase petroleum or petrochemical products via pipelines, trucks, marine vessels or other means. Customer feedback fielded by our Marketing and Customer Service divisions is shared with Product Quality and other relevant divisions to facilitate prompt and appropriate responses.



Employees

A number of initiatives have been introduced to encourage employees to fully utilize and develop their abilities through their work and to help them balance their work and private lives while fulfilling their obligations.



Shareholders

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



Local communities

We place high priority on contributing to the development and vitalization of the communities in which we operate. We are strengthening linkages to communities through social contribution and cultural activities in diverse areas, including environmental conservation, health and welfare, community engagement, education, and culture and the arts.



Business partners

Suppliers, contractors, dealers and transportation companies are all vital business partners of the TonenGeneral Group. Ideas and issues that emerge through two-way communication are incorporated into the formulation of our business strategies.

CSR Promotion Council and its Seven Committees

The TonenGeneral Group has established a CSR Promotion Council, chaired by the president of TonenGeneral Sekiyu K.K. The council comprises the Corporate Ethics Committee, SSH&E Committee, Human Rights Promotion and Human Resource Development Committee, Contribution Committee, Product Quality Committee, Risk Management Committee and Disclosure Committee. At council meetings these seven committees present reports and recommendations on monitoring and improvement activities for the 18 policies of the Standards of Business Conduct.

Action Guidelines for the CSR Promotion Council and Seven Committees

CSR Promotion Council

We will maintain sound corporate ideals and comply with relevant laws and regulations in our endeavor to improve and expand initiatives that contribute to local development and vitalization as a good corporate citizen in the communities where we operate and under the guidance of our corporate mission.

- Formulate CSR policies and action plans
- Provide guidance and advice to each committee
- Monitor external evaluations
- Publish CSR reports and set disclosure policies for CSR-related information

• Corporate Ethics Committee

- Strengthen the foundation for business management with fairness and integrity through strict compliance with our policy on laws and corporate ethics
- Formulate specific policies and measures that support the above efforts
- Cultivate a corporate culture of internal controls and compliance

• SSH&E Committee

- Develop, fully coordinate and implement plans related to safety and disaster prevention, environmental preservation and industrial hygiene under the company's basic policies on the environment, safety, health and security, as well as other associated guidelines, laws and regulations

• Human Rights Promotion and Human Resource Development Committee

- Cultivate highly motivated and diverse human resources with excellent qualities as the strongest driving force of the TonenGeneral Group
- Develop personnel who are capable of meeting the requirements of our business strategies and can demonstrate results, and ensure a timely and optimal allocation of personnel
- Respect human rights and create a work environment free of human rights abuses and harassment

• Contribution Committee

- Publicize and promote social contribution activities undertaken by the TonenGeneral Group
- Develop new social contribution programs and assessment standards for the TonenGeneral Group and provide recommendations
- Assess and monitor new and existing social contribution activities

• Product Quality Committee

- Confirm the effective implementation of product quality control throughout the TonenGeneral Group in accordance with our management system, steward the performance of product quality control in each Group division and confirm the appropriate execution of product safety and chemical substance management

• Risk Management Committee

- Rationally assess the various risks surrounding the company and minimize any damage in the event a risk materializes by fulfilling the company's social responsibility to implement preventive activities to maintain and enhance corporate value

• Disclosure Committee

- Confirm the appropriate execution of disclosure management and related processes in the TonenGeneral Group

Standards of Business Conduct

● Standards of Business Conduct

The TonenGeneral Group has established a Standards of Business Conduct (SBC) as the basis for the conduct of operations performed by directors and employees. The 130-page SBC is printed in a convenient booklet format and distributed to all Group employees.

The SBC begins with the Guiding Principles (at right), comprising guidelines related to our relationships with the Group's various stakeholders, followed by the 18 policies, shown below, with greater detail on associated guidelines and procedures.

◆ 18 Policies

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

◆ Guidelines and Procedures

- Conflicts of Interest Guidelines
- Directorships Guidelines
- Gifts and Entertainment Guidelines
- Procedures for Cash Gifts
- Guidelines for Interactions with Government Officials

◆ Effectiveness of the Standards of Business Conduct

The Board of Directors of TonenGeneral Sekiyu K.K. is responsible for adopting and supervising the implementation of the Standards of Business Conduct. No member of the Group has the right to approve any exceptions to the basic policies or to offer exemption from liability. No intentional breach of these basic policies can be justified under any circumstances, regardless of the difficulties or pressures encountered in undertaking work responsibilities.



● Guiding Principles

The Standards of Business Conduct begins with the Guiding Principles, which describe the guidelines for our relationships with the Group's various stakeholders.

● Shareholders

Enhance the long-term value of funds invested by shareholders.

● Customers

Provide high-quality products and services at competitive prices and quickly deliver innovative solutions that meet customer needs.

● Employees

Endeavor to maximize opportunities for success and maintain diversity, open communication, trust, fair treatment and a safe work environment.

● Communities

Maintain high ethical standards as a good corporate citizen, comply with all laws, rules and regulations, and respect local and national cultures. Above all, we are dedicated to conducting safe and environmentally responsible operations.

Risk Management

The TonenGeneral Group strives to take appropriate risk management steps against all potential risks, for which it assumes worst-case scenarios.

Basic Approach

The TonenGeneral Group strives to identify every possible risk, from situations that could endanger the safety and health of the employees of the Group and its partners and residents of nearby communities to incidents that could harm the environment or disrupt the stable supply of petroleum products, as well as leakages of information that could adversely impact stakeholders. To prevent the occurrence of such risks, the TonenGeneral Group has established a risk management system, with specific actions detailed below. To minimize damage in the event a risk materializes, we act quickly, having prepared for worst-case scenarios based on our “no regrets” policy.

Risk Management System

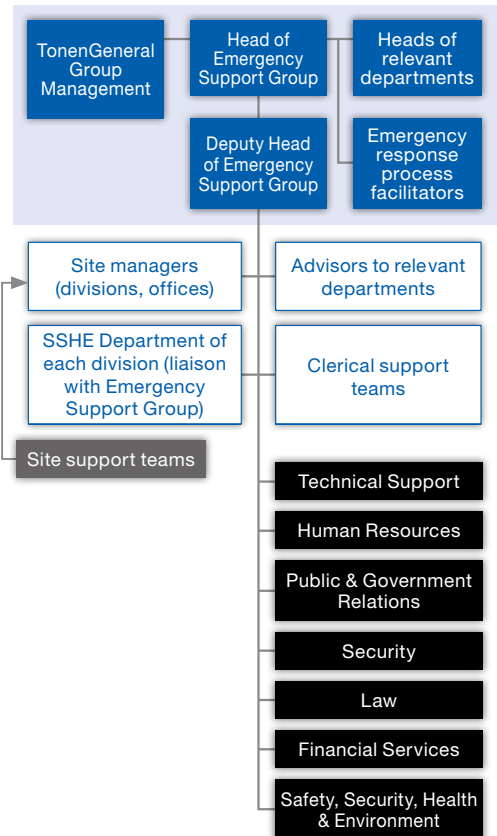
We have established a variety of risk assessment programs under our Operations Integrity Management System (OIMS; see pages 28–31) to minimize risks. We use OIMS to systematically evaluate new manufacturing and shipment facilities planned for construction, the technical aspects of existing facilities, procedures for operations and maintenance work, and compliance with applicable laws and regulations as well as internal rules.

In addition, should an incident occur, we activate the Emergency Support Group at our head office and major business sites and dispatch emergency site support teams. We conduct annual seminars, held over two and a half days, to train senior managers on the roles and procedures of the Emergency Support Group, of which they are members. We also hold classroom exercises throughout the company so that employees can learn how to handle possible scenarios such as earthquakes and new strains of influenza. Individual sites also hold annual disaster drills that address specific risk scenarios. To strengthen our ability to respond to emergencies, we have organized support teams comprising internal experts who can travel to disaster sites. These emergency site support teams are systematically prepared through on-site training at refineries and terminals in collaboration with business sites.

Response to the Great East Japan Earthquake

Our initial focus immediately following the Great East Japan Earthquake of 2011 was to confirm the safety of people in the affected areas, and we utilized our safety confirmation system to check on employees and their families as well as to disseminate information from the company as needed. We also responded appropriately to requests from governmental agencies and industry organizations such as the Petroleum Association of Japan. In addition, we formed individual teams under the Emergency Support Group at our head office to handle the transport of petroleum products to disaster-stricken areas, set up a temporary service station, distribute free petroleum products, and institute energy-conserving measures at all of our business sites including offices.

Risk Management System



BCP

Ensuring a stable supply of petroleum products that are essential for daily life and the functioning of society is at the heart of our mission, and we have created business continuity plans (BCPs) for potential emergencies to secure our ability to fulfill this mission. Although recent events differed from the scenarios we had assumed in previous BCPs for a new strain of influenza and possible earthquakes, we were able to act quickly and effectively by applying the BCP measures we had developed for worst-case scenarios. To improve existing BCPs, we incorporated the lessons we had learned from actual experiences, such as the actions taken to address new problems that arose as events unfolded and the methods we used to disseminate information to employees.

The type, frequency and associated risks of natural disasters we may face, however, such as the series of strong earthquakes expected to affect all areas adjacent to the Pacific Ocean and localized torrential rains, will constantly change. We must therefore reassess the worst-case scenarios for events covered under current BCPs. Moreover, we will regularly apply our verification program to reassess our emergency response plans and training programs and continually verify their effectiveness.

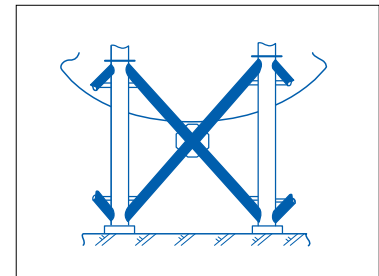
Industrial Safety

The TonenGeneral Group has been thorough in its efforts to prevent the occurrence of industrial incidents associated with natural disasters as a cornerstone of safe operations. For example, to prevent liquefaction at storage tank sites, we constructed cutoff walls using advanced engineering technology to prevent groundwater seepage. In view of the Great East Japan Earthquake that occurred in 2011, we are responding to the risks posed by earthquakes and tsunamis on manufacturing facilities at our sites by inspecting the strength of braces* attached to spherical tanks for high-pressure gas, promoting the assessment of compatibility with the quake-resistance standards at our facilities, and establishing procedures and other standards for tsunami response.

Information Security

To minimize the risk of information leakage, the TonenGeneral Group has established the TonenGeneral Information Security Policy (TGISP), which encompasses maintenance of information integrity, protection of confidential information, maintenance of information processing capability, and compliance with laws and regulations. The TGISP guides our efforts to continually enhance our level of security.

Individual departments have clearly defined their information security management roles and responsibilities and manage and protect confidential information, operational data and personal information. Our Information Systems Department is also working to further bolster information security.



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

Internal Controls System

The TonenGeneral Group exercises all necessary and appropriate controls in the conduct of corporate activities to fulfill its promise to shareholders, customers, employees and local communities.

Basic Approach

The TonenGeneral Group views high ethical standards, effective corporate governance, sound financial management, operational integrity and due consideration toward safety, health and the environment as fundamental to being a good corporate citizen. We believe the keys to consistently attaining performance targets over the long term are developing a straightforward business model, cultivating a highly principled corporate culture, complying with laws, executing corporate governance and maintaining a sound internal controls system.

System of Management Control

The basic principles, concepts and norms undergirding the TonenGeneral Group's internal controls are designated by the System of Management Control (SMC), which extends beyond the development and effective functioning of a sound internal controls system to define appropriate controls for each process. The SMC specifically requires the establishment of a governing authority that will clearly define the corporate policies to be observed and an approval authority for each operation. It also describes processes for which preventive controls are needed such as the segregation of duties. For those responsible for management and controls, the SMC lays out the basic standards for establishing effective controls and promotes awareness of their responsibilities for establishing and maintaining the management system as well as the procedures based on these standards.

Internal Controls System

The TonenGeneral Group exercises all necessary and appropriate controls in the conduct of corporate activities to fulfill its promise to shareholders, customers, employees and local communities. This includes establishing and implementing effective methods of control and continuously monitoring the status of compliance as well as resolving concerns related to controls in a timely manner. These efforts are coordinated through a system we call CIMS (Controls Integrity Management System), which provides a standardized, systematic approach for the entire Group to meet our commitments.

The following concrete goals are achieved with CIMS:

- Assess control risks pertaining to operations, finances and management, and reduce risks through cost-effective methods
- Apply a common risk assessment template for all internal processes and uniformly evaluate risks
- Encourage the establishment and documentation of internal controls processes aimed at mitigating risk for business processes determined to involve high risk
- Promote the timely reporting to management of concerns related to controlling the internal controls processes cited above as well as ethical issues
- Management undertakes appropriate measures for addressing issues related to controls or ethics and monitors progress of improvement

CIMS Controls Framework

Prevent weakening of controls resulting from internal or external changes



* Unit Internal Assessment: A self-evaluation undertaken by each division midway through the internal audit cycle

Examples of high-risk business processes include the receipt of orders and payments, credit management, shipment estimates, inventory management, contract management and the management of customers and vendors.

CIMS requires an effective, systematic method for change management with appropriate controls maintained during the implementation of change. Particularly with regard to the introduction of new processes or changes in high-risk processes, the system also calls for clarifying the responsibilities and segregation of duties related to the change, ascertaining the scope of impact and potential risks associated with the change, carrying out necessary training and monitoring the status and impact of the change.

● Checking Process for Maintaining the Soundness of the Internal Controls System

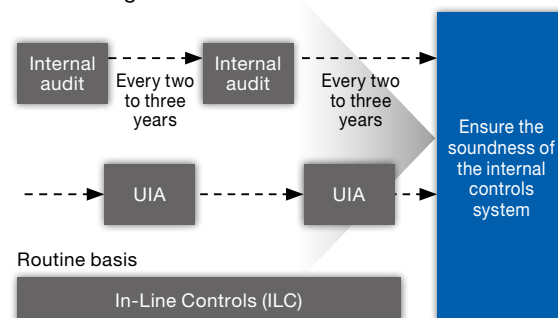
The TonenGeneral Group has three processes for internally checking the soundness of our internal controls system. First, we conduct internal audits to check our business processes. Our Audit Department, which exists independently from the business divisions, provides its independent audit opinion on the soundness of the business divisions' internal controls systems and reports its internal audit results to the Board of Directors. Each business division is subjected to an internal audit every two to three years. Actions to mitigate weaknesses in controls pointed out during audits are agreed upon by the division. After the actions have been addressed, improvements are reconfirmed during the next internal audit.

Under the second process, each division conducts a self-evaluation called a Unit Internal Assessment (UIA) midway through the internal audit cycle. The UIA is performed to confirm that issues identified during the internal audit have been addressed and mitigating actions have either been completed or are ongoing. It also checks whether controls are being appropriately and effectively implemented through evaluation by individuals who are not involved in the operation. In addition, UIA results serve as a reference during the internal audit and are recorded so that the same check can be performed by a third party to assess the validity of the evaluation. As with any weaknesses in controls pointed out by the internal audit, weaknesses discovered during the UIA are also reported to the officers responsible for the management and controls of the division, and progress on mitigation is monitored through the Controls Committee.

The third process is the regular application of internal controls to test and monitor the status of controls. This process is internally referred to as In-Line Controls (ILC), and their frequency and checkpoints are tailored to each business process. They also serve as a controls reminder. In some cases, continuous reviews are conducted in accordance with ILC checklists to ensure that effective measures are in place.

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

● Checking Process for Internal Controls



Compliance

The Group complies with all applicable laws and regulations and operates its business through sound corporate governance under its conviction that the methods used to achieve business results are as important as the results themselves.

Basic Approach

The Ethics Policy of the Tonen General Group calls on employees to place just as much emphasis on the methods used to achieve business results as on the results themselves and to act with the highest ethical standards and integrity, which requires compliance with all laws and regulations applicable to the Group's business operations.

Thorough Compliance through the Corporate Ethics Committee

With the restructuring of our capital in 2012, the TonenGeneral Group established a Corporate Ethics Committee under the CSR Promotion Council to monitor the status of compliance and educational activities and to formulate compliance policies and initiatives.

The representative director and vice president responsible for internal controls chairs the committee and the executive officer in charge of legal affairs serves as general secretary. Committee membership consists of the heads of the Controllers, Human Resources, Public and Government Relations, and Audit departments. The committee meets at least once every six months. Statutory auditors and the outside director also attend meetings as necessary.

At a meeting held in June 2013, the committee deliberated its activity policies as well as the content of its activities and received from each division reports on training plans and other matters.

Compliance System in the Workplace

To promote the thorough understanding and dissemination of key corporate policies such as our Ethics Policy, each division and office is assigned a specialized staff member with the title Control Advisor and a liaison staff member, who oversee control issues and are always available to consult with other employees. Depending on the specific content of a consultation, the Control Advisor and liaison staff member may directly offer advice or consult with specialized departments to support workplace compliance. In addition to Group-wide training, they also plan training programs that address the unique characteristics of each workplace. Moreover, they follow up and share information on issues raised by internal audits.

Under the TonenGeneral Group's rules regarding approval, the signing of certain contracts, information disclosure and payments require prior approval from specific departments. This ensures that each case is checked to confirm applicability of the subcontract law or that clauses prohibiting relationships with antisocial forces have been included in contracts.

In regard to import and export restrictions, we have a system for verifying that the counterparty and destination related to a contract are not subject to sanctions or restrictions under Japanese or foreign laws.

In addition, since we handle petroleum and other hazardous materials at our refineries and other worksites, we must comply with all laws and regulations related to safety, health and the environment, such as the High Pressure Gas Safety Act, the Fire Service Act, the Industrial Safety and Health Act and the Air Pollution Control Act. We have therefore established a system that maintains a current list of applicable laws and regulations and facilitates regular collections of information on regulatory revisions and checks on the status of compliance at each workplace.

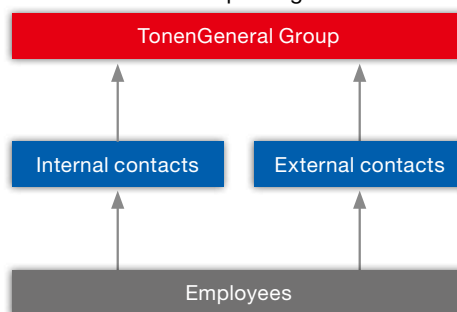
Relevant Policies under the Standards of Business Conduct (SBC)

- Ethics Policy
- Anticorruption Policy
- Alcohol and Drug Use Policy
- Gifts and Entertainment Policy
- Political Activities Policy
- International Operations Policy
- Antitrust Policy
- Open Door Communication Policy

Corporate Ethics Committee



Flow of Internal Reporting



The corporate policy of the TonenGeneral Group encourages employees to ask questions, express their concerns about any operation and recommend solutions. To ensure that this policy functions as intended, we set up a hotline to a specialized external firm in addition to an internal contact point in order to further safeguard anonymity and facilitate reporting by employees.

Compliance Training

Antitrust violations and bribery of public servants are severely penalized in Europe and the United States. In view of our relationship with ExxonMobil, we have actively sought compliance in these legal matters over the years by upholding our Antitrust Policy and Anticorruption Policy in addition to the Ethics Policy.

To raise knowledge and awareness among our workforce, staff members in our Law Department regularly organize training tailored to the specific operations of each workplace to explain the content of laws and specific situations that could arise. We have also published and disseminated to employees the Handbook on Antitrust Law, which addresses issues requiring attention when exchanging information with other companies or participating in industry associations. With respect to preventing bribery, employees who work with public servants and state enterprises in Japan and abroad are required to complete training that covers the Foreign Corrupt Practices Act of the United States as well as Japanese law.

We also regularly conduct trainings so that relevant employees can learn about issues such as insider trading, export and import restrictions and protection of personal information.

The Sulfur Leak at the Sakai Refinery

On June 11, 2011, a molten sulfur leak occurred at our Sakai Refinery, which was not properly reported to the fire and other relevant authorities at the time. The incident was revealed nearly one year later, in July 2012, through an anonymous report. In December 2012, we received and accepted without exception a summary order (200,000-yen penalty) for violating Article 23 (mandatory reporting of abnormal conditions) of the Act on the Prevention of Disasters in Petroleum Industrial Complexes and Other Petroleum Facilities. We truly regret that such a violation occurred despite all our best efforts to ensure legal compliance and would again like to offer our sincere apologies for the inconvenience and concern we have caused among the neighboring community, society at large and officials of the relevant authorities.

In response to the incident, we set up an independent investigation committee comprising outside experts to investigate what caused the incident and why it had not been properly reported. Subsequently we received recommendations for preventing a recurrence and improving our workplace culture, which we adopted by taking various measures such as educating our employees to rigorously comply with rules and procedures, and distributing posters and handbooks

to establish a thorough understanding of appropriate reporting across the Group.

Next we organized a second independent investigation committee to determine whether improvements intended to address the recommendations had been properly made and to check whether any issues had not been reported at our other refineries. In October 2013, we received the committee's report, which confirmed we had responded appropriately and no other incidents of reporting negligence had taken place. The content of this report was disclosed on October 22 and the TonenGeneral Sekiyu president issued a message to employees in an appeal to prevent a recurrence of the incident and to maintain efforts to ensure that the lessons that had been learned would not be lost.

As a company engaged in the oil refining business, the TonenGeneral Group affirms that operating its refineries in compliance with the law and maintaining safety constitute its foundation for efficient management, and that only with this foundation can we fulfill our social responsibility as a corporate citizen to provide a safe and stable supply of energy. We stand committed to preventing a recurrence and complying with the law.

For more information, please see "Investigation Report by the TonenGeneral Sekiyu K.K. Independent Investigation Committee for Operational Abnormality Reporting" at:



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

Safety, Health and the Environment

Attention to safety, health and the environment is indispensable to the continuation of our business. We therefore strive for flawless operations in order to conduct our business free of incidents in these three areas.

OIMS

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

Why We Consider Attention to Safety, Health and the Environment to be of the Utmost Importance

The TonenGeneral Group handles oil, a hazardous material, and takes responsibility for ensuring a stable, safe supply of energy in Japan at all times, and especially during times of crisis. Attention to safety, health and the environment is therefore of the utmost importance in maintaining our ability to consistently contribute to the advancement of society. We are currently establishing a system, to be completed by the end of 2013, for quantitatively assessing our progress in these three areas.

With respect to safety, we believe the very foundation of our enterprise depends on rigorously upholding our Safety Policy to completely secure the health and well-being of stakeholders, from employees and customers to local residents, before launching any business operation. TonenGeneral Group managers and employees aggressively work to prevent incidents, injuries and occupational hazards by continuously working to identify risks related to our business operations and taking action to minimize or eliminate them.

The health of our workforce is the key to corporate progress and growth. Our Health Policy focuses on industrial hygiene activities that exceed simple compliance with prevailing laws and regulations to meet broader standards that we voluntarily adopt in the absence of public mandates. At the same time, we share information and learnings with other companies and society as a whole to encourage the sustainable development of industrial hygiene across Japan.

Our concern for the environment is embodied in our Environment Policy, which guides our ongoing efforts to eliminate incidents that could have an adverse impact on the environment.

Relevant Policies under the Standards of Business Conduct

- Safety Policy
- Health Policy
- Environment Policy

● OIMS: Application and Guiding Principles

We exercise oversight of safety, health and the environment through OIMS (Operations Integrity Management System), which was independently developed by ExxonMobil in 1992. The TonenGeneral Group began adopting the system in the mid-1990s, and today it is the standard operating procedure for all our divisions.

The purpose of OIMS is to provide a systematic method for accomplishing the following objectives:

- Structurally and systematically identify, evaluate and control hazardous situations
- Thoroughly manage these situations to prevent exposing employees, contractor personnel, customers, the general public and the environment to associated risks
- Fully comply with laws and regulations related to safety, security, health and the environment

● Our Commitment to Operations Integrity

The inclusion of “integrity” in the name of our management system conveys our absolute commitment to achieving flawless operations, which means managing risks so that operations are free of incidents related to safety, security, health and the environment. Only flawless operations can provide the foundation for maximum productivity, and we intend to build on this foundation to strengthen our competitiveness, achieve efficiencies for delivering world-class performance, and further advance in our pursuit of growth opportunities. Eliminating risks to safety, security, health and the environment throughout all our business activities is our highest priority.

VOICE

OIMS Activities that Support Our “No Incidents, No Injuries, No Pollution” Ethic at Our Refineries

Tomoko Cho

OIMS Coordinator, Environment and Safety Department, Sakai Refinery



As the OIMS coordinator for the Environment and Safety Department at the Sakai Refinery, I support the development and promotion of OIMS activities we undertake here. In addition to convening regular meetings of the OIMS Promotion Committee, I also plan and conduct annual internal OIMS audits to verify and evaluate the status of OIMS activities and safety performance and recommend improvements.

This work is particularly satisfying when I can see how our daily OIMS efforts are helping to maintain the safety of operations.

As a member of the OIMS network of the new TonenGeneral Group, I believe our efforts to enable the management system to more effectively address business needs in Japan are a key to the future.

● OIMS Operation

We operate OIMS through a central framework of 11 Elements and 65 Expectations. The system incorporates the characteristics of management systems, evaluation, and responsibilities for management above the assessable unit, as defined below, which are shared Group-wide. This framework enables OIMS to be applied to the specific operations of each division.

- Divisional application of OIMS is guided by the 65 Expectations of the central framework adapted with due consideration for the differing styles of operation and associated risks in each division.
- Concrete procedures and methods relevant to each division were developed and implemented to deal with the potential risks inherent to their specific operations.
- Each division's application of OIMS is continuously evaluated to further enhance and strengthen the overall system.

● OIMS Structure

◆ Framework

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

◆ Characteristics of Management Systems

Properly designed and documented management systems that address all the Expectations set out in the OIMS framework are required for each operating unit. These management systems must incorporate the following five characteristics:

- Scope and objectives
- Processes and procedures
- Responsible and accountable resources
- Verification and measurement
- Feedback and improvement mechanisms

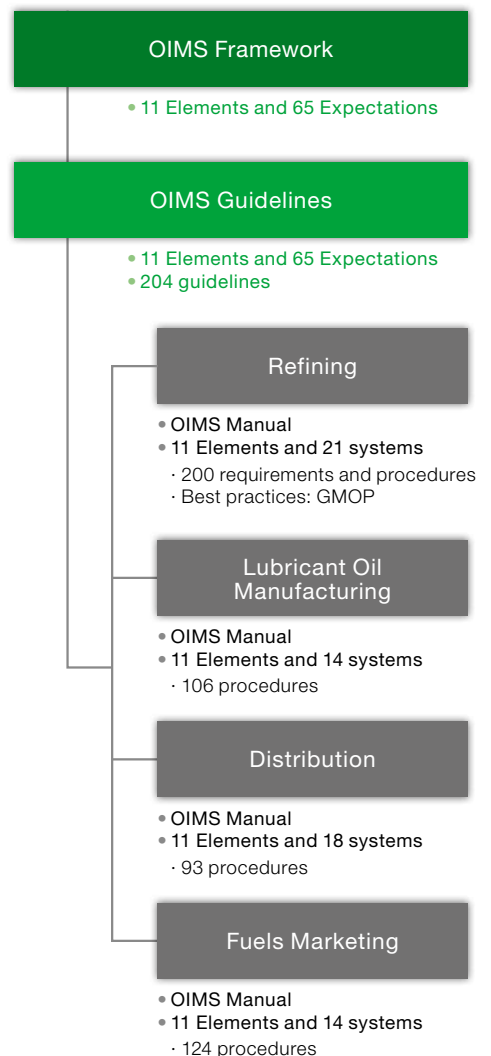
◆ Evaluation

Ongoing evaluation is essential to make sure that the Expectations in the framework are being met. OIMS involves internal and external assessment processes to gauge the degree to which the Expectations are being satisfied. These evaluations provide the information needed to further improve both performance and supportive management systems with respect to safety, security, health and the environment.

◆ Responsibilities for Management above the Assessable Unit

Some aspects of management require oversight and support above the level of the assessable unit, so the responsibilities of management above the assessable unit must be clear.

● OIMS Framework



• OIMS 11 Elements



Element 1: Management Leadership, Commitment and Accountability

Management establishes policy, provides perspective, sets expectations and provides resources such as budgets and human resources for successful operations. Assurance of Operations Integrity requires management leadership and commitment visible to the organization, and accountability at all levels.

Element 2: Risk Assessment and Management

Comprehensive risk assessments can reduce safety, health, environmental and security risks and mitigate the consequences of incidents by providing essential information for decision-making.

Element 3: Facilities Design and Construction

Inherent safety and security can be enhanced, and risk to health and the environment minimized, by using sound standards, procedures and management systems for facility design, construction and startup activities.

Element 4: Information/Documentation

Accurate information on the configuration and capabilities of processes and facilities, properties of products and materials handled, potential Operations Integrity hazards, and regulatory requirements is essential to assess and manage risk.

Element 5: Personnel and Training

Control of operations depends upon people. Achieving Operations Integrity requires the appropriate screening, careful selection and placement, ongoing assessment and proper training of employees, and the implementation of appropriate Operations Integrity programs.

Element 6: Operations and Maintenance

Operation of facilities within established parameters and according to regulations is essential. Doing so requires effective procedures, structured inspection and maintenance programs, reliable Operations Integrity critical equipment, and qualified personnel who consistently execute these procedures and practices.

Element 7: Management of Change

Changes in operations, procedures, site standards, facilities, or organizations must be evaluated and managed to ensure that Operations Integrity risks arising from these changes remain at an acceptable level.

Element 8: Third-Party Services

Third parties doing work on the company's behalf impact its operations and its reputation. It is essential that they perform in a manner that is consistent and compatible with the TonenGeneral Group's policies and business objectives.

Element 9: Incident Investigation and Analysis

Effective incident investigation, reporting and follow-up are necessary to achieve Operations Integrity. They provide the opportunity to learn from reported incidents and to use the information to take corrective action and prevent recurrence.

Element 10: Community Awareness and Emergency Preparedness

Effective management of stakeholder relationships is important to enhance the trust and confidence of the communities where we operate. Emergency planning and preparedness are essential to ensure that, in the event of an incident, all necessary actions are taken for the protection of the public, the environment and company personnel and assets.

Element 11: Operations Integrity Assessment and Improvement

Assessment of the degree to which expectations are met is essential to improve Operations Integrity and maintain accountability.

Safety Initiatives

Basic Approach

The TonenGeneral Group regards the maintenance of safety, health and the environment not simply as our highest priority, but as the foundation upon which all of our operations must be based. We are committed to upholding our industry-leading safety record while continuing flawless operations. Under our Safety Policy, we have established the seven guidelines listed at right.

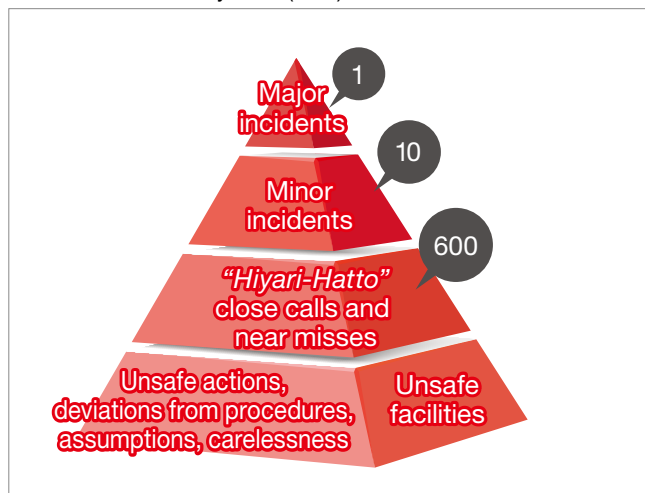
Safety Initiatives

Personnel Safety

We utilize OIMS to continuously strengthen our efforts to manage risks related to safety, health and the environment. Under this system, we also operate the Loss Prevention System (LPS) to give concrete form to our corporate slogan, "Nobody Gets Hurt." LPS activities seek to prevent incidents by focusing on employee behavior to discover and eliminate the causes of incidents involving people and equipment as well as near misses and the unsafe behavior of individuals that lead to such incidents. LPS has achieved remarkable results since its introduction in 2000.

More recently, we have sought to prevent any decline in the quality of our LPS activities over time or due to the changing composition of our workforce as employees retire. To this end, we continually train and reallocate key personnel to lead the LPS activities at each workplace. We also invite LPS specialists to assess our efforts.

Loss Prevention System (LPS)



Relevant Policy under the Standards of Business Conduct

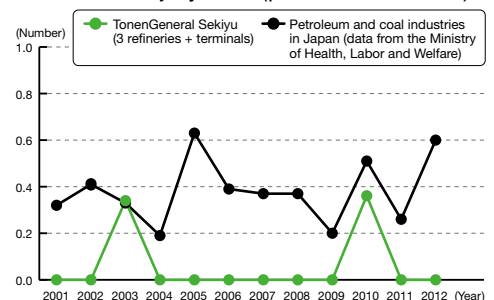
✓ Safety Policy

Safety Policy

The basic policy of the TonenGeneral Group is to conduct its business in a manner that protects the safety of employees, others involved in its operations, customers and the public. All employees of the TonenGeneral Group actively seek to prevent all incidents, injuries and occupational illnesses. The TonenGeneral Group is committed to continuous efforts to identify and eliminate or manage safety risks associated with its activities. Accordingly, our policy is to:

- Design and maintain facilities, establish management systems, provide training and conduct operations in a manner that safeguards people and property;
- Respond quickly, effectively, and with care to emergencies or accidents resulting from its operations, in cooperation with industry organizations and authorized government agencies;
- Comply with all applicable laws and regulations, and apply responsible standards where laws and regulations do not exist;
- Work with government agencies and others to develop responsible laws, regulations, and standards based on sound science and consideration of risk;
- Conduct and support research to extend knowledge about the safety effects of its operations, and promptly apply significant findings and, as appropriate, share them with employees, contractors, government agencies, and others who might be affected;
- Stress to all employees, contractors, and others working on its behalf their responsibility and accountability for safe performance on the job and encourage safe behavior off the job;
- Undertake appropriate reviews and evaluations of its operations to measure progress and to foster compliance with this policy.

Lost-time Injury Rate (per 1 million hours)

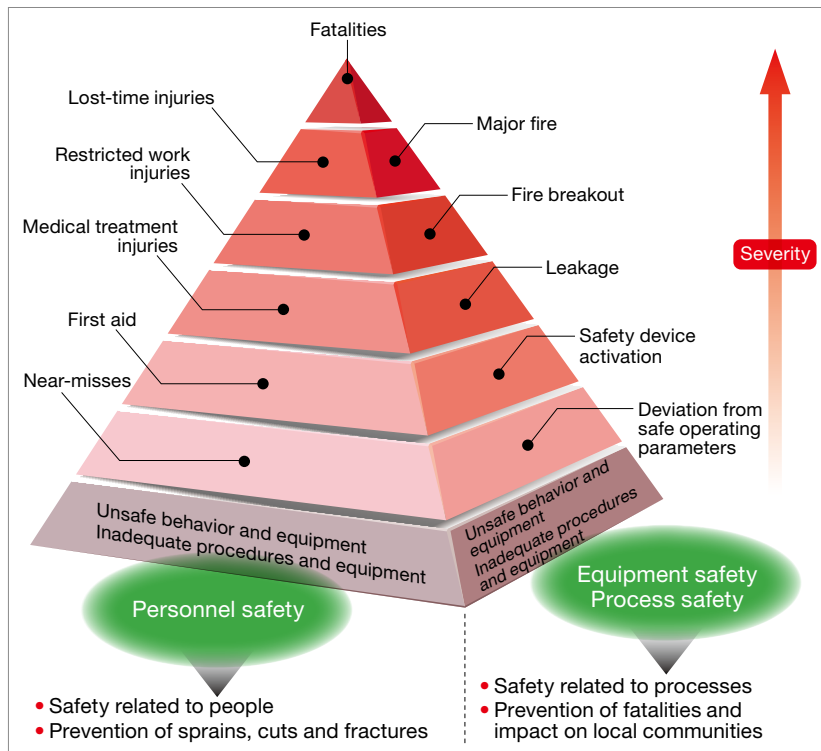


◆ **Equipment Safety**

Recent accidents involving fires and explosions in the oil and petrochemical industries have clearly shown that these incidents and associated damage to equipment can severely impact worksite operations and the surrounding areas.

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

• **Personnel and Equipment Safety**



◆ **Non-stationary Operation Safety**

Eliminating equipment-related incidents is a vital issue of the oil and petrochemical industries from the perspectives of social impact and preventing industrial injuries. In general, the root causes of equipment-related incidents involve operating procedures under non-stationary conditions and the management of maintenance operations. The equipment used in these industries for handling combustible materials, high temperatures, extreme pressures and toxic substances requires particularly rigorous oversight.

The Group's Work Permit System for equipment maintenance operations strictly regulates work conditions, operating requirements and operational procedures. We have also introduced a Work Permit Audit to confirm that these rules are adhered to at our operations sites and that operators and supervisors have the required knowledge. We designate specialized staff to conduct daily audits on work permits issued by each refinery, with a focus on high-risk operations. Auditors have the authority to suspend operations as needed, supervise the worksite on matters concerning work permits and call for the creation of improvement plans as necessary. We have achieved significant results in the dissemination and education of work permit rules, which are constantly being improved.



Work Permit Audit in progress

Health Initiatives

Since healthy employees benefit the entire community, the Group provides various programs to help employees lead healthier lives.

● TonenGeneral Group Health Policy

Under its Health Policy, the TonenGeneral Group has established the Medicine and Occupational Health Department as an independent entity that manages workplace health. The department is particularly focused on industrial hygiene and has been promoting activities in this area.

● Promotion of Voluntary and Comprehensive Occupational Health Management Involving the Collaborative Work of Experts

In addition to industrial physicians and industrial health nurses, we have assigned industrial hygienists to our Medicine and Occupational Health Department. While this organizational structure is unusual in Japan, the staff members closely collaborate in their respective fields of expertise to undertake industrial hygiene activities that cover the three occupational health management functions designated by the government: work management, work environment management and health management. In terms of overall work flow, the industrial hygienists are responsible for upstream work and work environment management, while the industrial physicians and industrial health nurses are responsible for downstream health management. This system (see diagram below) enables each specialized staff member to fully apply his or her expertise.

Specifically, we undertake work environment management under the Guidelines on Investigating the Danger or Toxicity of Chemical Substances issued by the Ministry of Health, Labor and Welfare in 2006 and conduct voluntary risk assessment centered on the individual exposure measurement method of directly measuring worker exposure to adverse elements. We utilize this assessment method even in workplaces where work environment measurement is not legally required. In addition to assessing the chemical substances we handle, we also assess environmental elements such as noise. To date we have assessed over 4,600 items. We handle high-risk tasks by devising specific risk reduction measures, such as using less toxic substances, reducing exposure by sealing off affected areas and improving ventilation, and implementing rigorous work management.

For anyone working under some level of risk that remains even after measures related to work and the management of the work environment have been taken, we continue to undertake health management efforts that include health examinations associated with specific risks to further reduce the impact on worker health.

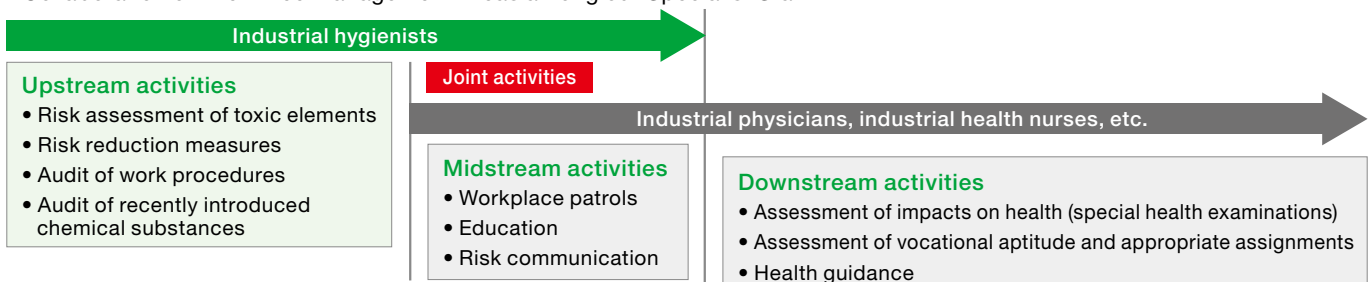
In addition, our industrial physicians, industrial hygienists and industrial health nurses collaborate in organizing workplace patrols and providing health education. They also identify good points as well as areas that need improvement in terms of the three management streams in order to develop a sound workplace environment.

For all these reasons, we believe the Medicine and Occupational Health Department and its system for overseeing the three management streams represent a significant strength of the TonenGeneral Group.

Relevant Policy under the Standards of Business Conduct

- Health Policy

• Collaboration on the Three Management Areas among our Specialist Staff



Support for Employee Health Management

In addition to the previously-mentioned measures for preventing occupational illnesses, the TonenGeneral Group follows up with health examinations that address specific health risks for each employee. We endeavor to prevent employee health risks by providing specific advice on diet and exercise with due consideration for the social background of each individual. We particularly encourage employees to take a greater interest in their health and exercise personal initiative in pursuing activities that lead to healthier lifestyles.

We also endorse the “Four Care” activities for mental health: self-care, care offered by line workers, care offered by on-site occupational health staff and care offered by resources outside the Group. In addition, we conduct regular mental health education and training to further improve the working environment as well as our overall response to mental health issues and the likelihood that staff members who experience such problems will return to work. Through these activities we are reinforcing our ability to determine which employees may be suffering from mental health problems and more effectively respond at an early stage.

A workplace environment that would not typically affect healthy workers may still cause problems for workers with compromised health conditions. The Group evaluates employees' medical fitness before assigning them to job categories involving a relatively high workload or health risks. For example, we have employees try out respiratory protective devices to identify any potential health issues before assigning them to positions that require their use. If any problem is discovered, the employee is exempted from those positions.

The Group voluntarily takes these steps, which are not legally mandated in Japan. Moreover, addressing each employee's health through these activities helps them achieve an appropriate work-health balance.

Contribution to Society

The Group proactively shares information to facilitate the sustainable development of industrial hygiene across Japan in addition to maintaining and improving the health of its employees. We have offered presentations on our voluntary risk assessment initiatives at academic conferences and received a Good Practice Award at a meeting of the Japan Society for Occupational Health in 2013 in recognition of our efforts to present high-quality, practical case studies for educating industrial health specialists.

We have been accepting students from university nursing departments as interns at various sites to support occupational health education in Japan (at the Shinagawa Head Office and Wakayama Refinery in 2011 and again at the Wakayama Refinery in 2012). We plan to accept interns at our Kawasaki and Wakayama refineries in 2013. During their internships, we provide students with practical opportunities to become acquainted with the actual work of occupational health personnel and to directly observe and listen to employees at the sites.

VOICE

A Job that Only I Can Fulfill

Toshihiro Nishikawa
Industrial Hygiene Advisor,
Sakai Refinery



As the industrial hygienist at the Sakai Refinery, I am responsible for ascertaining the levels of chemical substances, noise and other elements that on-site staff members are exposed to and for proposing preventive measures. I regularly check these levels and their impact on employee health. Industrial hygiene covers a broad area where a significant degree of expertise in various fields is needed, which consequently requires constant effort in building one's skills and knowledge. I am proud to be the only person at the refinery capable of this highly specialized work, and my job brings me satisfaction whenever someone consults with me on an issue related to our working environment.

Number of Students Accepted from University Nursing Departments

	2011	2012
Wakayama Refinery	5	5
Shinagawa Head Office	14	—

Environmental Activities

● Basic Philosophy

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

● Environment Policy

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

● Environmental Business Plan (EBP)

The Group's refineries, petrochemical plant, manufacturing plants and distribution division formulate EBPs for each refinery, plant or operational unit every year in accordance with the guidelines and goals of the TonenGeneral Group's EBP. The following components are required in these EBPs:

1. Environmental vision: Dissemination of the Environment Policy and environmental expectations throughout each organizational unit
2. Understanding the current situation: Analysis and assessment of recent trends in areas such as Environmental Performance Indicators (EPI), local community claims and the status of legal compliance
3. Factors of environment-related changes: A review of future trends in environmental regulations, on-site activities that impact environmental performance and environmental protection activities and the results of the Environmental Aspect Assessment (EAA), followed by the development of responses and priority setting
4. Environmental action plan: A statement of priority initiatives along with a budget and annual plans for the specific tasks incorporated into the business plan

EBPs are developed annually in parallel with business plans including budgets. They incorporate concrete action plans and quantitative targets and reflect due consideration for the actual circumstances of each plant or operational unit. The plans are then implemented and related progress is monitored. This PDCA cycle has been developed under OIMS (Operations Integrity Management System).

Relevant Policy under the Standards of Business Conduct

☑ Environment Policy

● Environment Policy

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

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

Collection and Evaluation of Environmental Protection Data

The Group routinely monitors environment-related data at all of its refineries and its petrochemical plant, releases timely reports on results to national and local governments, and effectively utilizes the summarized data in its environmental protection activities. Our Environmental Performance Indicators, shared commonly across the Group, provide the baseline for comparing data from all the refineries and for creating the Environmental Business Plan, and is used for planning and following up on environmental improvement activities.

To ensure that the Environmental Performance Indicators are firmly grounded in the same definitions, calculation methods and level of data accuracy throughout the Group, we have published a common manual that lists all relevant details. Reports are prepared using a common data collection template and are reviewed by the Environment Advisor* at the head office before being submitted with the approval of the respective business line. Data of the Group and Group companies is disclosed in the Group's CSR Report and is also compiled in a database for responding to surveys conducted by the Petroleum Association of Japan or the Japan Chemical Industry Association.

Assessment of Environmental Impact

Our refineries, petrochemical plant, lubricant plant and terminals identify the environmental impacts of their operations and regularly assess potential environmental risks. This assessment covers a wide range of items, including the release or discharge of regulated substances and the management of industrial waste, as well as effects on biodiversity; the natural environment; environmental resources in relation to water intake, land utilization, etc.; and local communities.

If the assessment reveals that any item is significantly impacting the environment, we consider and implement countermeasures and mitigation actions. We regularly reevaluate the environmental impact of all items and make necessary modifications taking into consideration changes in operations, equipment, laws and regulations, and the environment. The results are incorporated into the EBPs mentioned above.

For example, in assessing the environmental impact of the distribution division, we assigned four- or five-member teams, which included staff members from other terminals and SSHE advisors, to conduct assessments of all our terminals from September 2009 to February 2012. The results were compiled into an overall assessment of the entire distribution division with annual follow-up plans. The assessment also included a survey of the surrounding natural environment and endangered species, drawing upon references such as Environmental Sensitivity Index maps published by the government. Consequently, we discovered many locations, such as a nearby national park, that required special attention to the natural environment, and we renewed our commitment to carefully monitor these areas.

Data Collection Template for Environmental Performance Indicators

We collect data on 50 Environmental Performance Indicators every year and use them in reports and for identifying areas that require improvements.

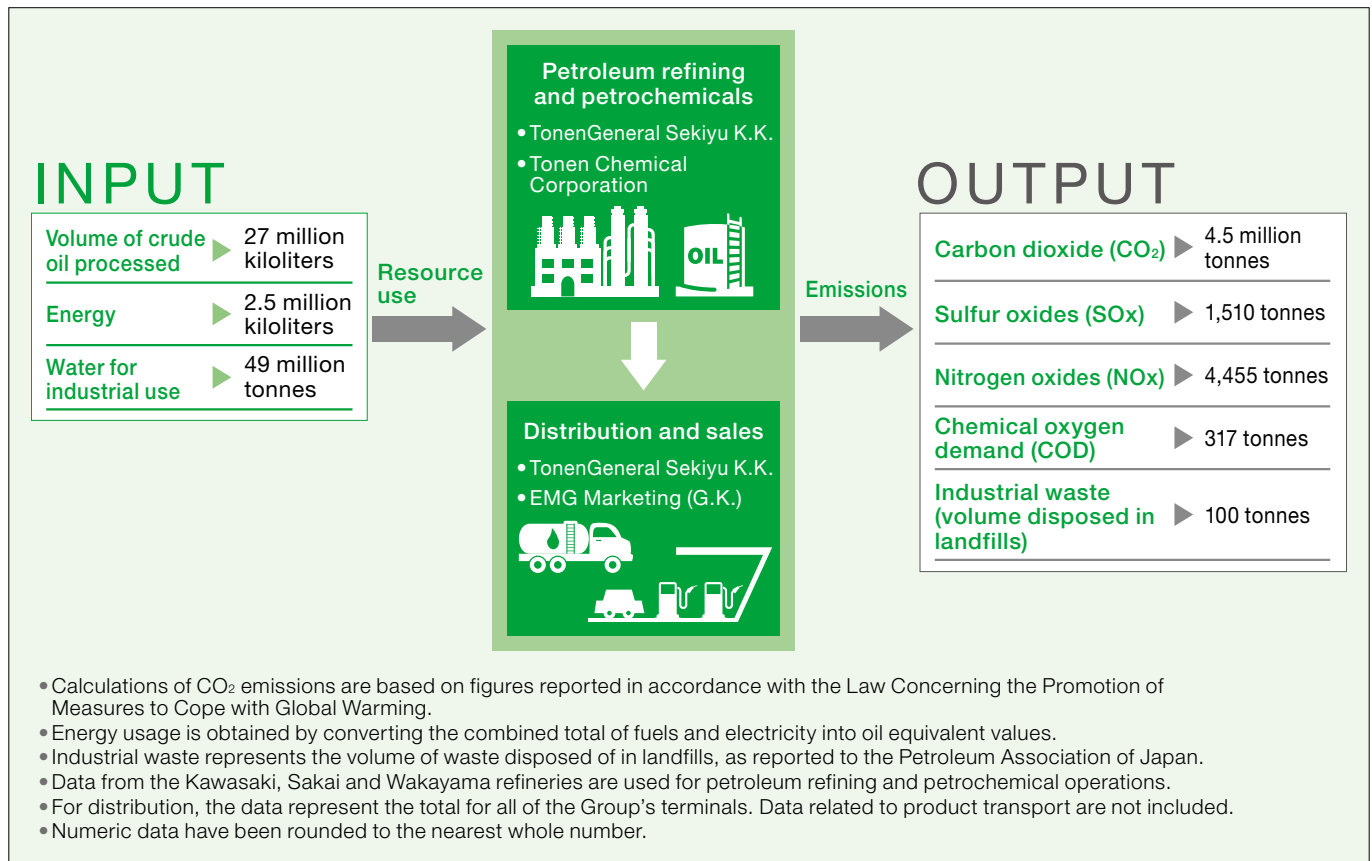
*Environment Advisors have been stationed in the Environment Department of our head office to oversee the entire TonenGeneral Group. As specialists, they manage and control all operations related to the environment.

Environmental Sensitivity Index Map



Environmental Sensitivity Index Map (Miyagi 33) published by the Second Regional Coast Guard Headquarters, Japan Coast Guard, in October 2008

Environmental Impact Associated with Business Activities (FY2012)



Legal and Regulatory Compliance

Environmental laws and regulations are wide-ranging and include the Basic Environment Act, Air Pollution Control Act, Water Pollution Prevention Act and Soil Contamination Countermeasures Act, which seek to prevent regional pollution, as well as the Law Concerning the Promotion of Measures to Cope with Global Warming and Act on the Rational Use of Energy, which focus on global issues. To comply with existing regulations, we carefully monitor our daily operations to ensure their level of impact remains within the limits of regulatory targets as well as local targets set by pollution prevention agreements with communities. A legal compliance assessment is conducted approximately every four years as an external audit under OIMS. Outside experts are invited to spend about three days at our sites, and the results are used to make improvements.

To identify future trends in environmental regulations, the Environment Department at the head office takes the lead in continuously monitoring public announcements by related ministries and developments in various committees. It also gathers information on commonly identified issues in the industry by participating in the committees of organizations such as the Petroleum Association of Japan and the Japan Petrochemical Industry Association, and incorporates this information into our EBPs and considerations for input into the early stages of policy development. At the same time, in accordance with our Environment Policy, we collaborate with the government and industry organizations to foster timely development of effective environmental laws and regulations based on sound science and due consideration of the risks, costs, and benefits, including effects on energy and product supply.

Environmental Communication

The Group releases a message from the TonenGeneral Sekiyu president to all employees every June, which is designated as Environment Month, to communicate the importance of environmental protection activities as part of day-to-day operations. Moreover, since there are many ways to protect the environment in the office or at home, the president releases a message to convey the significance of these activities as opportunities for seriously thinking about conserving energy and resources as a new cultural value.

Our refineries and petrochemical plant strive to improve employee awareness about environmental protection activities and to prevent environmental incidents through measures such as releasing newsletters and conducting environmental patrols during regularly scheduled maintenance. With regard to local communities, we hold public meetings to explain regularly scheduled maintenance, host plant tours, distribute our newsletters, and organize voluntary cleanup events for local areas. We view these events as opportunities to communicate the Group's absolute commitment to safe operations and environmental protection and our sincere desire to strengthen our partnerships and relationships of mutual trust with local communities.

Message from the President

President's Message for Environment Month, June 2013 (excerpt)

To all employees of the TonenGeneral Group:

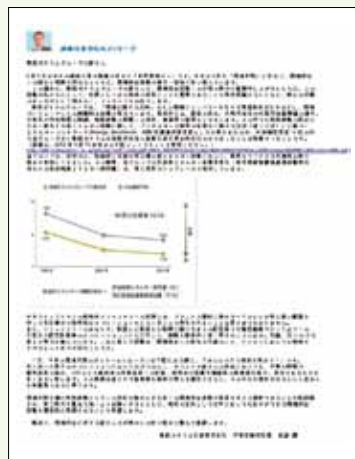
June 5 is World Environment Day, which was designated by the United Nations in response to a suggestion by Japan. Japan has also designated the entire month of June as Environment Month with the goal of raising public interest and understanding about environmental protection and to publicize and educate the public on practical ways to protect the environment.

I would like to take this opportunity to thank everyone at the TonenGeneral Group for the efforts you make every day to protect the environment. This message should encourage you to remember how important these activities are to us as employees as well as citizens of the world and convey my hope that these efforts will serve as the starting point for new initiatives. The slogan on the poster for this year's Environment Month is "Let's Save the Earth through Our Combined Effort!" There are many things we can do, not only in our operations but also in the office or at home, such as turning off unnecessary lighting and electrical appliances, switching to LEDs and other highly efficient lighting equipment and recycling used small electronic devices. I believe these activities are important; they also provide opportunities to seriously consider ways to conserve energy and resources as a new cultural value.

I hope this year's Environment Month will lead you to keep in mind that the many ways in which we are protecting the environment, such as our response to the risks of climate change, are the very backbone of our business and I encourage you to continue your efforts. I also expect you to actively engage in environmental activities outside the company as part of your responsibility as a citizen of this world.

Thank you again for your daily efforts to protect the environment.

Jun Mutoh
President, TonenGeneral Sekiyu K.K.



Newsletters for Environmental Communication

"Protect Tomorrow. Today." distributed by the Kawasaki Refinery

"Sakai Environment News" distributed by the Sakai Refinery

● Response to Climate Change Risk

◆ Energy Conservation at Refineries

The oil industry has upheld its target of reducing the average refinery energy consumption unit for FY2008 through FY2012 by 13% compared to FY1990 levels. The Group has consistently led the industry in energy conservation activities by implementing advanced initiatives at its refineries and petrochemical plant. As a result, we have continuously maintained our refinery energy consumption unit at the best levels in the industry. Our figures remained far below the industry average in FY2011 and FY2012.

In July 2012, the Agency for Natural Resources and Energy began releasing the names of companies that had achieved the targets for energy benchmarks under the Act on the Rational Use of Energy (Energy Conservation Law), enacted in April 2010. In the oil refining industry, TonenGeneral Sekiyu K.K. was publicly acknowledged as having achieved the targets in FY2011 for the second consecutive year. In the category of petrochemical base products manufacturers, Tonen Chemical Corporation received public recognition for having achieved the targets in FY2011. The Group will continue to aggressively pursue initiatives to further reduce public energy costs through energy conservation.

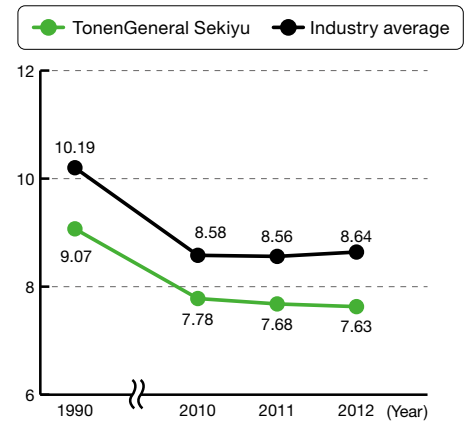
◆ Initiatives at the TonenGeneral Research Center

Our history of researching and developing lubricants extends more than 70 years into the past to the establishment of the Research Center, and we have developed a number of advanced high-performance lubricants. Our automotive lubricants, in particular, have significantly improved fuel efficiency through joint research with automakers and contribute to reducing automotive CO₂ emissions.

◆ CO₂ Reduction

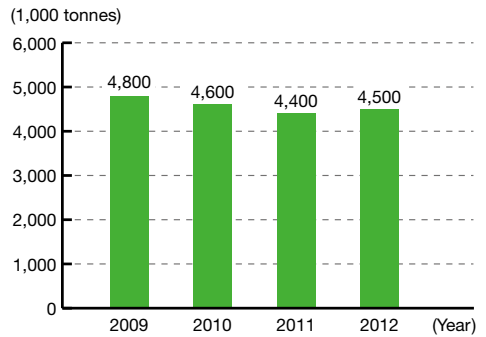
As shown in the graph at right, CO₂ emissions attributable to the combined total energy usage by TonenGeneral Sekiyu K.K., Tonen Chemical Corporation and EMG Marketing Godo Kaisha reported in accordance with the revised Energy Conservation Law, have declined from 4.8 million tonnes in FY2009 to 4.5 million tonnes in FY2012.

● Change in Refinery Energy Consumption Unit*¹



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

● CO₂ Emissions*²



*2 CO₂ emissions attributable to the combined total energy usage by TonenGeneral Sekiyu K.K., Tonen Chemical Corporation and EMG Marketing Godo Kaisha reported in accordance with the revised Energy Conservation Law

● Initiatives for Reducing Emissions of Volatile Organic Compounds

We recently installed cameras at the Group's refineries and petrochemical plant to visually identify volatile organic compounds (VOCs) that may be emitted through pipes, valves and tanks at our production sites. We regularly use these cameras to inspect our facilities in an effort to reduce VOC emissions.



Inspection of VOC emissions

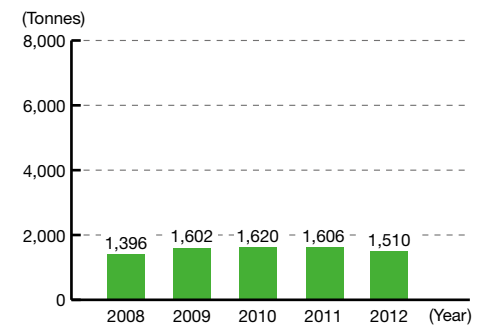
● Air Pollution Prevention Measures

Refineries and petrochemical plants generate sulfur oxides (SOx) and nitrogen oxides (NOx) in their furnaces and boilers when burning fossil fuel. We utilize devices that remove sulfur from fuel gases and flue gas desulfurizers to reduce SOx emissions and low-NOx burners, and flue gas denitrizers to reduce NOx emissions.

As shown in the graphs at right, the Group has maintained low levels of SOx and NOx emissions; approximately 10% and 60% of regulatory value (annual reference values), respectively.

● SOx (Sulfur Oxide) Emissions

Regulatory value (reference value):
11,500 tonnes/year

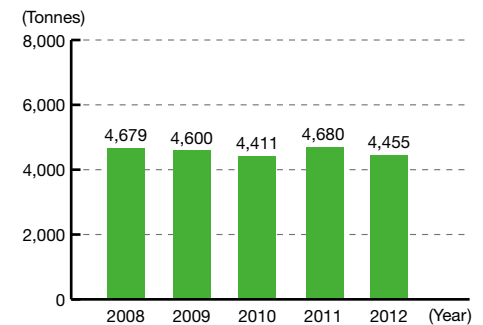


Note: Data represent combined total for the TonenGeneral Sekiyu K.K. refineries (Kawasaki, Sakai and Wakayama) and the Tonen Chemical Corporation Kawasaki Plant.

The calendar year (January 1 through December 31) is used for 2008 through 2010, and the fiscal year (April 1 through March 31) for 2011 and 2012.

● NOx (Nitrogen Oxide) Emissions

Regulatory value (reference value):
7,790 tonnes/year



Note: Data represent combined total for the TonenGeneral Sekiyu K.K. refineries (Kawasaki, Sakai and Wakayama) and the Tonen Chemical Corporation Kawasaki Plant.

The calendar year (January 1 through December 31) is used for 2008 through 2010, and the fiscal year (April 1 through March 31) for 2011 and 2012.

Water Pollution Prevention Measures

We apply every available method for recycling and reusing water in our refineries and petrochemical plants. Water that must be discharged into the ocean is first run through a processing system using oil separators and activated sludge to prevent any negative impact on the environment. As measured in terms of chemical oxygen demand (COD), a widely accepted water quality indicator, the Group has maintained a low level of approximately 40% of the total volume compared to the regulatory value (annual reference value) of the total pollutant load control.

Measures for Reducing Industrial Waste

The industrial waste discharged from our refineries and petrochemical plant primarily consists of oil-bearing sludge discharged during the cleaning of equipment and tanks, spent catalysts, and sludge from wastewater treatment equipment. We strive to reduce the volume of waste generated and to recycle the waste into raw materials and usable resources through intermediate processing. As a result, the volume of waste disposed of in landfills, a key indicator of industrial waste volume, dropped to 100 tonnes in FY2012, a reduction of approximately 95% over the 10-year period since FY2003.

Report in Accordance with the PRTR Law

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

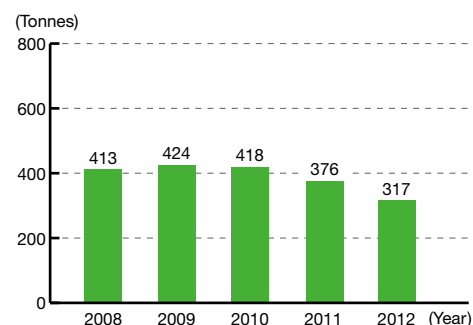
The substances released or transferred from our refineries, petrochemical plant and terminals primarily consist of the benzene, toluene, xylene, and normal hexane contained in gasoline, as well as phenol waste materials.

PRTR Substance Release and Discharge (FY2012) (Tonnes/year)

Government ordinance No.	PRTR substances	Volume released into the air	Volume discharged into waterways	Volume of waste material transferred	Total
1	Water-soluble zinc compounds	0	7	0	7
20	2-Aminoethanol	0	1	0	1
53	Ethylbenzene	3	0	0	3
80	Xylene	51	0	0	51
232	N,N-Dimethylformamide	0	1	0	1
296	1,2,4-Trimethylbenzene	2	0	0	2
300	Toluene	79	0	0	79
349	Phenol	0	0	140	140
351	1,3-Butadiene	1	0	0	1
392	Normal hexane	121	0	0	121
400	Benzene	24	0	0	24
455	Morpholine	0	10	1	11
Total		281	19	141	441

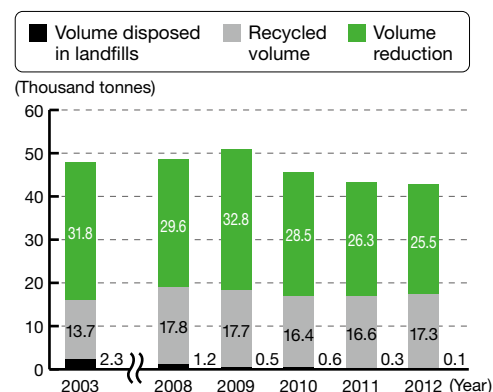
COD (Chemical Oxygen Demand) Emissions

Regulatory value (reference value):
951 tonnes/year



Note: Data represent combined total for the TonenGeneral Sekiyu K.K. refineries (Kawasaki, Sakai and Wakayama) and the Tonen Chemical Corporation Kawasaki Plant. The calendar year (January 1 through December 31) is used for 2008 through 2010, and the fiscal year (April 1 through March 31) for 2011 and 2012.

Industrial Waste Discharge



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

Note: Data represent the combined totals for the TonenGeneral Sekiyu refineries (Kawasaki, Sakai and Wakayama) and terminals, the Tonen Chemical Corporation Kawasaki Plant, and EMG Marketing Godo Kaisha terminals (only rounded values of 1 tonne or greater are listed).

● Measures for Preserving Soil and Groundwater Environments

The Group is actively protecting the soil and groundwater environments at its operational sites and the surrounding areas. Since the enforcement of the Soil Contamination Countermeasures Act in 2003, corporate responsibility for the environment has become increasingly important. The Group has voluntarily implemented a number of steps from a variety of perspectives to minimize its environmental impact, from upgrading facilities and improving operations management, to conducting environmental surveys and purification work.

● Measures to Prevent Soil and Groundwater Contamination

With regard to soil and groundwater contamination caused by leakage from aging facilities, our Environmental Services Department has been conducting environmental surveys and implementing purification measures to preserve the environment surrounding our facilities. We report to appropriate local government departments on any incidence of contamination levels exceeding environmental regulations, and we take corrective actions based on their guidance and in accordance with the Soil Contamination Countermeasures Act. Furthermore, depending on the specific facility, we apply our own environmental standards, which are more stringent than legally required, for greater effectiveness in preserving the surrounding environment.

● Measures to Prevent Leakage at Service Stations

To prevent leakage at our service stations, we are introducing equipment of the highest standard in Japan. For example, we are installing double-walled tanks as well as resin pipes and high-performance oil level gauges at new facilities. Moreover, using our Underground Tank Risk Management Program (URM Program), if we detect a high risk of leakage at one of our service stations, we reduce the risk through measures such as installing additional leakage control equipment. In addition, in the area of operations, we use OIMS as well as Service Station Safety Inspection Logs as we work with our dealers to ensure compliance with all relevant laws and regulations, carry out risk assessments, conduct regular facility inspections, and ensure proper management of fuel oil stocks. We also educate operators on the importance of soil contamination countermeasures.



Installation of flexible resin pipes

Site Data

The TonenGeneral Group's three refineries continuously manage environmental data as they strive to improve their environmental performance. The annual site data (environmental regulatory values, actual values and actual PRTR emissions) are reported as follows.

Kawasaki Refinery • TonenGeneral Sekiyu K.K. • Tonen Chemical Corporation

Address: 7-1 Ukishima-cho, Kawasaki-ku, Kawasaki-shi, Kanagawa 210-8523, Japan
Phone: (81) 44-288-8301 **Start of operations:** 1960 (TonenGeneral Sekiyu), 1962 (Tonen Chemical)
Site area: Approximately 2.05 million m² **Crude oil processing capacity:** 335,000 barrels/day
Ethylene production capacity: 478,000 tonnes/year



The Kawasaki Refinery is located on the Keihin oceanfront, a convenient land and sea transport site adjacent to the Tokyo metropolitan area, Japan's largest consumer market. It is the Group's largest refinery and employs a number of sophisticated, energy-saving systems as well as safety and environmental protection measures. Oil refining equipment is organically linked to a petrochemical plant on the same site, making the refinery a modern, highly efficient and productive site.

Control Status for Environmental Regulatory Values

	Applicable laws and regulations	Regulated item	Classification	Unit	Current regulatory value	FY2012 actual value (maximum value)
SOx	Air Pollution Control Act	Total volume	TG*1	Nm ³ /H	82.488	0.36(0.8)
			TCC*2	Nm ³ /H	101.678	2.93(5.0)
	Kawasaki City ordinance	Total volume	TG	g/10 ³ Kcal	0.34	0.001(0.003)
			TCC	g/10 ³ Kcal	0.34	0.01(0.016)
NOx	Air Pollution Control Act	Total volume	TG	Nm ³ /H	108.054	62.9(75.6)
			TCC	Nm ³ /H	140.13	76.8(97.6)
	Kawasaki City ordinance	Voluntary control value (4-year average)	Combined total for TG and TCC	tonnes/year	2,040	1,860*3
		Total volume (daily limit)	TG	g/10 ³ Kcal	0.26	0.14(0.16)
TCC	g/10 ³ Kcal		0.26	0.13(0.15)		
Particulate	Kawasaki City ordinance	Total volume	Combined total for TG and TCC	tonnes/year	363.7	290.5*3
Soot	Air Pollution Control Act	Concentration	Boiler	g/Nm ³	0.07*4	0.012(0.022)
			Petroleum-heating furnace	g/Nm ³	0.10*4	0.001(0.001)
			CO boiler	g/Nm ³	0.30*4	0.015(0.024)
	—	Soot release volume	TG	tonnes/year	—	42.8*3
			TCC	tonnes/year	—	56.6*3
COD	Water Pollution Prevention Act, city ordinance	Total volume	Combined total for TG and TCC	kg/day	1,691	902(1,203)
Nitrogen	Kawasaki City ordinance	Total volume	Combined total for TG and TCC	kg/day	1,146	691.8(800)
Phosphorous	Kawasaki City ordinance	Total volume	Combined total for TG and TCC	kg/day	86.4	22.6(31.9)

*1 TG: TonenGeneral Sekiyu K.K. *2 TCC: Tonen Chemical Corporation *3 Annual total *4 Concentration limit for each furnace

Sakai Refinery • TonenGeneral Sekiyu K.K.

Address: 1 Chikko Hamadera-cho, Nishi-ku, Sakai-shi, Osaka 592-8550, Japan
Phone: (81) 72-269-2011 **Start of operations:** 1965
Site area: Approximately 770,000 m² **Crude oil processing capacity:** 156,000 barrels/day



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

Control Status for Environmental Regulatory Values

	Applicable laws and regulations	Regulated item	Unit	Current regulatory value (maximum value)	FY2012 actual value (maximum value)
SOx	Air Pollution Control Act	Total volume	Nm ³ /H	90.6	2.7(11.0)
NOx	Air Pollution Control Act	Total volume	Nm ³ /H	114.2	22.7(27.3)
Soot	Air Pollution Control Act	Concentration	g/Nm ³	0.05	0.009(0.019)
COD	Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea, Osaka prefectural ordinances	Concentration	mg/l	9.3(15.0)	7.6(9.2)
		Total volume	kg/day	109.4(176.2)	60(85)
Nitrogen	Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea, Osaka prefectural ordinances	Concentration	mg/l	20(50)	6.3(14.3)
		Total volume	kg/day	228.8(270.8)	49(114)
Phosphorous	Law Concerning Special Measures for Conservation of the Environment of the Seto Inland Sea, Osaka prefectural ordinances	Concentration	mg/l	0.8(4.0)	0.3(0.7)
		Total volume	kg/day	9.8(29.1)	2.1(5.3)

Wakayama Refinery • TonenGeneral Sekiyu K.K.

Address: 1000 Hama, Hatsushima-cho, Arida-shi, Wakayama 649-0393, Japan
Phone: (81) 737-85-1010 **Start of operations:** 1941 **Site area:** Approximately 2.48 million m²
Crude oil processing capacity: 170,000 barrels/day

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



• Control Status for Environmental Regulatory Values

	Applicable laws and regulations	Regulated item	Unit	Current regulatory value	FY2012 actual value (maximum value)
SOx	Air Pollution Control Act	Total volume	Nm ³ /H	184.6	54.5 (88.0)
NOx	Pollution prevention agreements	Total volume	Nm ³ /H	186.4	121.3 (140.0)
Soot	Air Pollution Control Act	Concentration	g/Nm ³	0.05–0.15*1	0.001- (0.001-)
				0.2	0.124 (0.140)*2
COD	Water Pollution Prevention Act, Wakayama prefectural ordinances	Concentration	mg/l	25	2.8 (4.2)
		Total volume	kg/day	739.7	149.3 (192.1)
Nitrogen	Water Pollution Prevention Act, Wakayama prefectural ordinances	Concentration	mg/l	60	2.1 (3.0)
		Total volume	kg/day	397.6	201.2 (246.5)
Phosphorous	Water Pollution Prevention Act, Wakayama prefectural ordinances	Concentration	mg/l	8	0.1 (0.1)
		Total volume	kg/day	43.8	8.43 (11.22)

*1 Concentration limit for each furnace *2 CO boiler

Relationship with Stakeholders

Customers

Employees

Business Partners

Shareholders

Local Communities

As a good corporate citizen that enjoys the trust of its stakeholders, we strive toward sustainable management while maintaining the appropriate balance of economic growth, social development and environmental protection.



Relationship with Customers

The TonenGeneral Group believes it is essential to obtain the satisfaction of the customers who purchase our petroleum products and visit our service stations. Bearing this in mind, the Group strives to understand and effectively respond to customer needs and requests.

Basic Approach

The TonenGeneral Group works to supply a wide range of reliable products, including fuels, LP gas, lubricants, and petrochemical products. Our Customer Relations and Product Quality Policy, specified in our Standards of Business Conduct, is described below.

- Provide high-quality products that meet or exceed equipment specifications and consumer needs under all reasonable circumstances.
- Furnish services that reliably meet responsible standards of performance, efficiency, and courtesy.
- Furnish accurate and sufficient information about our products and services, including details of guarantees and warranties, so that customers can make informed purchasing decisions.
- Require truth in advertising and other communications.
- Actively encourage wholesalers, dealers, and service stations to adhere to equivalent standards when supplying Group products to customers.

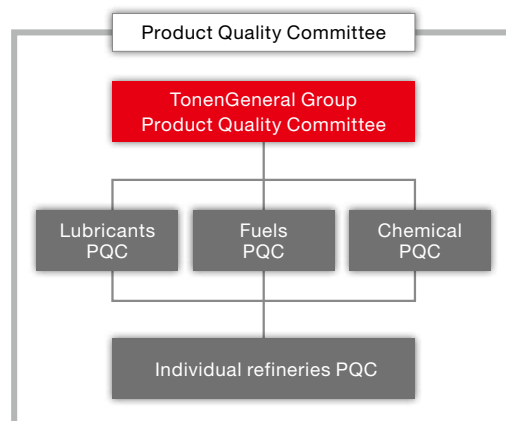
Quality Management Structure

The TonenGeneral Group employs the Product Quality Management System (PQMS), a proprietary system that oversees quality control activities for all processes from product manufacturing to sales. PQMS is based on risk management that satisfies the requirements of the ISO 9001 quality management system. We have significantly improved quality management by assessing relevant risks and implementing preventive measures, drawing upon a global knowledge base and best practices. We confirm the effectiveness of the system by periodically conducting specialized audits as part of PDCA (Plan-Do-Check-Act) cycles at all divisions subject to quality management in manufacturing, sales and other areas. We have obtained ISO 9001 certification at the Kawasaki, Wakayama and Sakai refineries, the Tsurumi Lube Oil Blending Plant, and the TonenGeneral Research Center to assure the public that our PQMS-based quality management activities are effectively safeguarding quality. In addition, an ISO certification body has confirmed that our quality management for lubricant production at the Wakayama Refinery is in full compliance

Relevant Policies under the Standards of Business Conduct

- ✓ Customer Relations and Product Quality Policy
- ✓ Product Safety Policy
- ✓ Antitrust Policy

Quality Management Structure



with the ATIEL Code of Practice, the guidelines of quality management required by the European Automobile Manufacturers' Association (ACEA) for base oil used in engine oil. Accordingly, TonenGeneral is the only Japanese refiner registered on the ATIEL website (<http://www.atiel.org/>).

To reinforce governance of quality management, we established the Product Quality Department at our head office as an organization independent of our business and manufacturing divisions to comprehensively oversee the quality management of the Group's products. The Product Quality Committee, established at each management level and encompassing processes from manufacturing to sales, regularly checks the execution status of quality management.

Quality Improvement Initiatives

To ensure that our products satisfy equipment specifications and to supply high-quality products that meet customer needs, the marketing division and the quality assurance, production control, and engineering divisions at our head office as well as our refineries, along with the TonenGeneral Research Center, collaborate to improve product quality and work on product development programs. In February 2013, the TonenGeneral Research Center of TonenGeneral Sekiyu K.K. received the Technological Development Award from Toyota Motor Corporation for continuously variable transmission (CVT) fluid FE, which represented years of lubricant technology development by the Center. We also received the Excellence in Quality Management Award for consistently ensuring a stable, incident-free supply of products to Toyota, as well as the Excellence in Cost Improvement Award.



Plaques and certificate of merit from Toyota Motor Corporation

Responding to Customer Needs

Customer feedback received by the marketing and customer service divisions is shared with all related divisions, including our Product Quality Department, to ensure fast and accurate response. In determining product quality design and specifications, we draw upon a database of our abundant worldwide experience and knowledge. We conduct thorough evaluations to ensure that each product satisfies legal requirements and industry standards such as the Japanese Industrial Standards (JIS), as well as the specifications in our customer contracts to prevent any problems in usage. These practices enable us to supply highly reliable, high-quality products.

Control of Chemical Substances

To protect the health and safety of everyone involved with our products, as well as the environment, the Group exercises complete control of the chemical substances contained in our products. We thoroughly implement our legal monitoring and compliance systems to ensure that we satisfy all legal requirements applicable to our products and chemical substances. Furthermore, we publish safety data sheets to provide the necessary safety information to customers and anyone else who may come into contact with our products.

We are continuously enhancing the safety management systems for our products and the chemical substances contained therein.

Safety Data Sheet for Ethylene



○ Creating Customer-Friendly Service Stations

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

At our service stations, we provide products and services that accurately address customer needs. Examples include Synergy brand high-quality fuels; our leading Mobil 1 brand lubricants; the Synergy Card, which can be used at Esso, Mobil, and General service stations nationwide; the Speedpass, with which customers can complete payments by simply holding the pass over the payment terminal; and a point system that enables customers to accumulate “nanaco” points through cash purchases.

In addition, the industry-leading Express brand self-service stations (numbering 928 locations as of the end of 2012) offer various innovative features. In addition to the aforementioned Speedpass, these stations feature the Video Pump (fuel pumps equipped with a high-resolution color display), the Express Wash (a car wash with high-performance equipment that offers simple, speedy and high-quality self-service car washing) and alliance sites with Seven-Eleven convenience stores and Doutor Coffee Shops. These features provide drivers with the quickest, simplest and cleanest services available.



Express brand self-service station



The Synergy Card offers discounts up to 7 yen per liter of fuel.



The Video Pump, featuring a high-luminance display, and Speedpass are user-friendly, interactive services.



Nanaco card users receive nanaco points each time they swipe their cards to refuel.

○ Mission of the Customer Service Division

The customer service division responds to requests and inquiries from dealers and customers. Every day we receive a large volume and wide variety of customer communications, from product inquiries and requests to complaints and compliments.

Petroleum products are an important source of the energy people need for their daily lives. All of us at TonenGeneral therefore work together to promptly deliver the highest quality services to our customers.

Relationship with Employees

The source of the TonenGeneral Group’s competitive edge is, above all, its people. We have implemented a number of policies to enable our employees to achieve their full potential through their work and attain a good work-life balance.

Basic Approach

The TonenGeneral Group considers its employees to be valuable assets and therefore supports them in achieving their full potential. Our human resources policies encourage the hiring of capable personnel and the development of competent leaders by providing a diverse range of job experiences and ample opportunities for education. The Standards of Business Conduct, which sets out the Group’s basic policies, clearly defines the guiding principle in the relationship between the company and employees as follows.

“The exceptional quality of our workforce provides a valuable competitive edge. To build on this advantage, we will strive to hire and retain the most qualified people available and to maximize their opportunities for success through training and development. We are committed to maintaining a safe work environment enriched by diversity and characterized by open communication, trust and fair treatment.”

Respect for Human Rights

The Group’s Standards of Business Conduct clearly prohibits any form of discrimination or harassment. We make continuous efforts to maintain a comfortable workplace, free of harassment or human rights violations.

Employees are required to report any incidence of harassment they may witness to their supervisors, a manager, or the Human Resources Division, which also operates a Harassment Consultation Center to accept direct complaints, eye-witness reports, and questions on what constitutes harassment in the workplace.

We have also designated human rights promotion representatives in each workplace to raise employee awareness. These representatives receive training in human rights and harassment issues and then conduct annual human rights training sessions in their respective workplaces.

Number of Employees

	2010	2011	2012
Number of employees	2,178	2,171	2,805*

*When EMG Marketing Godo Kaisha became a consolidated subsidiary of TonenGeneral Sekiyu K.K., the number of employees increased by 634 compared to the end of the previous fiscal year.

Relevant Policy under the Standards of Business Conduct

Harassment in the Workplace Policy

Diversity

In rapidly changing times, strong creativity and ideas based on diversity are essential for the sustainable development of any company. The Group respects the individuality of each employee and strives to provide a workplace that will maximize their talents. We also actively recruit female employees. The table at right shows the numbers of female employees hired into professional positions in the past three years and their percentage of the total.

Every TonenGeneral Group company seeks to create a workplace where diverse human resources can fully demonstrate their abilities. In addition, we are working to go beyond simply maintaining the statutory employment rate for challenged individuals by adhering to proactive hiring policies and promoting understanding throughout the Group.

Human Resource Development

Based on the belief that the source of the Group's competitive strength is, above all, its people, we have implemented an evaluation and human resources development system to help our employees grow and achieve their full potential through their work. The system comprises a number of human resources-related elements, such as hiring, allocation and development planning, education and training, and performance evaluation.

Relevant Policy under the Standards of Business Conduct

Equal Employment Opportunity Policy

Number of Employees Hired into Professional Positions*

	Total number of employees hired into professional positions (2011-2013)	Number of women	Percentage
Humanities majors	7	5	71%
Science and engineering majors	51	13	25%
Total	58	18	31%

* At Group companies

Ratio of Challenged Employees (%)

	2010	2011	2012	2013
TonenGeneral Sekiyu	1.82	1.79	1.85	2.13
EMG Marketing	1.56	1.92	1.61	2.17
Tonen Chemical	2.22	2.62	2.08	1.91

Statutory employment rate: 1.8% (until 2012); 2.0% (2013)

Structured Evaluation and Development Program

Hiring

Switch to centralized Group hiring for professional positions

- Hire individuals for the Group instead of each division

Allocation and Development of Human Resources

Introduce a company-wide structure for allocating human resources

- Develop human resources with an understanding of the integrated management of production and sales
- Further promote job rotation across divisions

Education and Training

Construct a new training system tailored to TonenGeneral

- Cultivate new values
- Develop leaders who can open new avenues

Performance Evaluation

Performance evaluation based on new values

- Promote the embodiment and dissemination of TonenGeneral values through self-evaluations and discussion with supervisors

● Evaluation System

Under our evaluation system, managers and employees share responsibility for managing the progress of employees' short-term performance goals and creating mid- to long-term career plans, as well as developing and implementing training plans through effective, ongoing communication.

Fair and objective performance evaluations are vital for human resource development. Multiple perspectives are therefore applied by having several supervisors, engaged in similar types of work, confer on employee evaluations to eliminate any potential personal bias.

The TonenGeneral Group applies creative methods to consistently encourage superior performance and fairly evaluate and reward results. Our evaluation standards emphasize each individual's contribution to the team in addition to the progress employees make toward achieving agreed-upon objectives. Evaluators seek input from multiple sources to arrive at a comprehensive and objective evaluation of employee performance. To encourage the acquisition and development of specialized knowledge, employees are asked to set personal business goals and development plans aligned with the goals of the company and to frequently review progress with their supervisors, who in turn provide ongoing feedback and coaching.

Additionally, the evaluation system calls for periodic gatherings of supervisors for the purpose of reaching a consensus on details related to the development of subordinates and personnel allocation plans.

● Training System

Our training system broadly consists of the Leadership Program for each job position and the Individual Effectiveness (IE) Program to improve the skills required of each individual. In contrast with short-term intensive programs, our Leadership Program is designed to steadily reinforce and strengthen skill acquisition over an extended period by incorporating a training camp format and involving leading business schools in Japan.

A distinctive feature of our IE Program is that employees take the initiative to attend courses for work-related skills they want to develop in consultation with supervisors, further reinforcing the key TonenGeneral Group values of self-reliance and self-determination.

Generational turnover is another issue we are addressing as many employees who joined the company around the same time approach retirement. Consequently, the Group is introducing a new educational system that will effectively accelerate the abilities of the next cohort of employees to seamlessly replace those who are retiring. This system, called Global Manufacturing Training (GMT), offers several thousand course hours related to areas such as operations, maintenance and engineering. Beyond simply introducing the system, we have assigned experts from various company divisions to serve as instructors to help evolve and expand the program. This carefully designed training program accelerates the upgrading of skills by each subsequent cohort of employees.

● Training Program (Overview)

Job Position	Reconstruction of Conventional Programs		New Program (GMT)	
	Job-specific training	Training for honing necessary skills	Opportunity for younger employees to work abroad	Personal development for management
Director	Director training			Participation in open-admission courses at business schools
Division manager	Division manager training			
Department manager	Division manager training		Opportunity to work abroad at ExxonMobil	Open-admission courses for management
Manager	Manager training Newly appointed manager training	Individual Effectiveness (IE) Program	Overseas Development Assignment (ODA)	
Employee	Follow-up training New employee training			

● Training per Employee (hours/year)

	2010	2011	2012
Hours	32.5	31.3	27.6

VOICE

Developing Human Resources with a Spirit of Self-reliance and Self-determination

Makoto Morishita

Client Services Department, Human Resources Division



We shifted to a new management system in June 2012 and also decided to rebuild our educational programs from the ground up. Our aim is to offer programs for developing human resources that embody TonenGeneral values, such as the spirit of self-reliance and self-determination required under the new system. At present, our internal educational programs are the IE (Individual Effectiveness) Program, which broadly encompasses all employees, and the Leadership Program, with sessions tailored to job rank.

The IE Program has been mainly structured from the standpoint of developing communication and practical business skills. The Leadership Program was designed in collaboration with highly respected educational institutions that are primarily focused on nurturing human resources capable of developing and implementing management strategies. We will continue building on these creative efforts because this is important work that directly affects the human resources forming the backbone of the TonenGeneral Group.

Work-Life Balance

The TonenGeneral Group recognizes how important maintaining a healthy work-life balance is to employees and has systems in place to support them.

Work-Parenting Balance

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

The Ministry of Health, Labor and Welfare has recognized the actions these companies have taken to support the raising of future generations by certifying them as having met its work-parenting balance standards and allowing the use of its "Kurumin" certification mark, shown at right.

We support employees in balancing their work and lives by encouraging them to take advantage of our flextime system. Furthermore, we have made progress at each refinery in reducing overtime through measures such as "no overtime days."

Paid Vacation

A maximum of 25 paid vacation days are granted to employees depending on their length of service, and employees throughout the entire Group are encouraged to take all of their paid vacation days. As a result of our improvement in operational efficiency, we have consistently ranked high among large companies in Japan in terms of the numbers of days of paid vacation both offered and taken and the ratio of paid vacation taken.

Annual Actual Overtime

Annual actual overtime has remained at between 19 and 20 hours per employee per month. We are striving to further reduce these hours through operational improvement projects and by introducing and establishing "no overtime days."

Total Annual Actual Working Hours

The average of total annual actual working hours, including actual overtime and paid vacation, was 2,050.6 hours for all industries in fiscal 2011, according to the "2011 General Survey on Working Hours" conducted by the Institute of Labor Administration, and 1,862 hours for the Group in 2011. Using this point of comparison, we believe we are providing a working environment in which employees can comfortably achieve a healthy balance between work and life.

Nursing Care Leave

Employees with family members who require nursing care may take nursing care leave of up to one year (an aggregate total of 93 days can be taken beyond one year). The system flexibly accommodates a variety of circumstances, allowing employees to take leave for consecutive days, a single day or by the hour.



"Kurumin" certification mark

Annual Paid Vacation

	2010	2011	2012
Paid vacation offered (days)	22.9	22.9	23.0
Paid vacation taken (days)	21.8	21.8	21.0
Ratio of paid vacation taken (%)	95.0	95.0	91.4

Overtime

(hours/month/person)

	2010	2011	2012
TonenGeneral Group average overtime	19.5	19.2	20.0

Total Annual Actual Working Hours

	2010	2011	2012
TonenGeneral Group average total annual actual working hours	1,863	1,862	1,882

Number of Employees Who Took Nursing Care Leave

	2010	2011	2012
Women	1	—	2
Men	2	2	4
Total	3	2	6

◆ **Maternity and Paternity Leave**

The Group offers longer maternity leave than legally required, allowing employees at their discretion to stay at home until their child reaches two years of age. An increasing number of male employees have been taking paternity leave. Furthermore, we have established a comprehensive childrearing support system, which includes permitting shorter workdays for employees with children through the fourth grade and granting partially paid time off to care for sick children.

To further support our employees in more effectively balancing work and life, and in an effort to promote the use of related systems, we have created an online reference guide which is accessible at any time and includes information about the content and application procedures for the systems.

• **Systems and Programs that Support a Work-Life Balance**

Support for Flexible Work Styles					
System	Flextime system, annual paid leave, floating leave, compensation days, telecommuting system for managers				
	<table border="1"> <thead> <tr> <th>Childbirth and Childcare</th> <th>Nursing Care</th> </tr> </thead> <tbody> <tr> <td>Maternity leave, special paid leave to care for wife during childbirth, childcare leave, shorter work hours for childcare, paid leave to care for a sick child, limits on overtime and work on holidays, exemption from late-night shifts, hospitalization benefits, subsidy for hiring a nursing care attendant, subsidy for hiring a home aide</td> <td>Nursing care leave (long and short term), limits on overtime and work on holidays, exemption from late-night shifts, hospitalization benefits, subsidy for hiring a nursing care attendant, subsidy for hiring a home aide</td> </tr> </tbody> </table>	Childbirth and Childcare	Nursing Care	Maternity leave, special paid leave to care for wife during childbirth, childcare leave, shorter work hours for childcare, paid leave to care for a sick child, limits on overtime and work on holidays, exemption from late-night shifts, hospitalization benefits, subsidy for hiring a nursing care attendant, subsidy for hiring a home aide	Nursing care leave (long and short term), limits on overtime and work on holidays, exemption from late-night shifts, hospitalization benefits, subsidy for hiring a nursing care attendant, subsidy for hiring a home aide
	Childbirth and Childcare	Nursing Care			
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Welfare Program					
Programs provided by external providers	Lodging in Japan and overseas Quality of life assistance (childcare coupons, subsidized nursing care, consultation services, support for celebrations, support for use of fitness club)				

○ **Communication with Employees**

To prevent any gaps in communication between Group management and employees, executives take every opportunity to disseminate information to all employees through email and our intranet. We also hold employee forums on a regular basis to provide an opportunity for face-to-face interaction between management and employees. Employee forums are held at all of our business sites in Japan and management members attend these events whenever possible to speak directly with employees.

• **Number of Employees Who Took Maternity/Paternity Leave**

	2010	2011	2012
Women	9	6	12
Men	1	3	2
Total	10	9	14

VOICE

Appreciation for an Excellent System

Kayoko Oda
Public and Government Relations



I am currently on my second childcare leave, and friends outside the company tell me I have been fortunate to receive the maternity and childcare support that the TonenGeneral Group offers. Grateful for the opportunity to devote time and attention to my infant daughter, the support has also made me want to contribute to the company more than ever before when I return to work.

Thanks to the excellent support this system provides for achieving a healthy work-life balance, many of my colleagues are taking an active role in raising their children. I've certainly experienced a good balance between my work and home life under this system since having my first child.

Relevant Policy under the Standards of Business Conduct

Open Door Communication Policy



Employee forum, facilitating interaction between management, including the president, and employees

Relationship with Business Partners

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

Basic Approach

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

Relationship with Suppliers

The TonenGeneral Group selects suppliers in a fair manner having put in place a set of purchasing rules based on company regulations. Accordingly, tasks related to purchasing agreements are performed from an independent standpoint by the Procurement Services Department, which is in charge of procuring direct and indirect materials, services, and construction work for facilities and operations.

Applying procurement expertise, experience and networks acquired over the years, the Procurement Services Department has built a framework that enables us to carry out procurement operations at optimal cost for the TonenGeneral Group. Moreover, the Group selects suppliers who are capable of consistently providing a high level of expertise and service and who actively seek greater efficiencies through ongoing improvements.

In the selection process, suppliers are comprehensively assessed on reliability of compliance. In concrete terms, we emphasize health, safety, the environment, information management and observance of the law, as well as price, quality, delivery, technological capability, and supply stability. In addition to legal compliance, suppliers are also required to comply with health and safety policies and other elements of our corporate standards, just like our employees, as well as specific compliance clauses incorporated into basic agreements.

For example, our agreements include an alcohol and regulated drugs clause under which we conduct snap inspections to prevent on-the-job incidents. Suppliers of our suppliers are also required to practice ethical behavior under the “corporate code of conduct and workplace harassment” clause. An audit clause allows us to conduct on-site audits of suppliers to monitor overall compliance with agreements.

At the end of the year, we send letters to major suppliers to deepen understanding and commitment to our compliance expectations and to request their cooperation with our policy on declining to follow the traditional Japanese custom of receiving summer and year-end gifts.

We believe this approach to CSR, through which performing our business in strict legal and regulatory compliance in turn strengthens the compliance of our suppliers, creates a ripple effect across our supply chain and society as a whole.

Note: In the TonenGeneral Group, procurement of crude oil, petroleum feedstocks and marine vessels is carried out by the operating divisions, while procurement of materials (including indirect materials), services and construction work for facilities and operations is handled by the Procurement Services Department.

VOICE

Ensuring Safety Together

Takuma Satou
General Manager,
Kawasaki TG Branch Office, Division-2
Shinko Plantech Co., Ltd.



While most companies expect contractors to deal with their own safety concerns, the TonenGeneral Group has determined that its sites and contractors must operate under the same safety practices. Our agreements incorporate the Group’s stringent policy on alcohol and drugs, and our sites undergo random inspections. This stance has enabled the Kawasaki TG Branch Office to surpass the milestone of 10 million hours of incident-free operation (zero lost-time incidents). We also recommend improvements in a collaborative effort to secure and strengthen the safety of work environments.

Communication with Dealers

We consider dealers to be key business partners of the TonenGeneral Group. Therefore, at the beginning of each year, our sales and marketing divisions for fuels and lubricants jointly hold the Grand Dealer Meeting to announce our sales policies for the year to our dealers. The Group also values two-way communication with regional EMG, IF and LPG associations that represent dealers and, when formulating Group strategies, carefully considers the ideas and issues they raise.

◆ Strengthening Dealer Business Foundations

Having established solid relationships of trust over the years, the TonenGeneral Group supports dealers in strengthening their business foundations by providing a range of programs for improving management skills in addition to sales promotion programs. In particular, the Group offers counseling in business plan development, from business analysis that takes into account anticipated environmental changes and related challenges, to network analysis associated with service station network restructuring, and business model optimization.

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



Training for dealers



Training for service station managers (Express University)

Top-Quality Delivery Service by Contract Carriers

Contract carriers that deliver the Group's products are vital business partners. We conduct a variety of training and education activities for all contract carriers to raise safety awareness, strengthen skills and upgrade facilities for safe delivery. In times of emergency as well as normal circumstances, the Group promptly teams up with contract carriers to ensure a stable supply of products.

• Major Activities Undertaken in Collaboration with Contract Carriers

1. Joint participation in training with local authorities and fire departments in regions where contract transport companies are located
2. Adoption of defensive driving training to delivery businesses serving the Group
3. Leading the industry in installing drive recorders on all vehicles to support safe operations
4. Hosting a truck rodeo competition (national driving skills competition) to bolster the skills of tank truck drivers and an unloading contest to deepen safety awareness
5. Offering contract transport companies BCP formulation counseling and support for periodic emergency response training



Checking on drivers carrying out work procedures

Relationship with Shareholders

TonenGeneral Sekiyu K.K. maintains a high level of competitiveness and capital efficiency and works continuously to increase shareholder value. To keep shareholders up to date on these efforts, we place shareholder communications as a top priority and employ a variety of methods for sharing information.

Basic Approach

TonenGeneral Sekiyu has long maintained a basic policy of disclosing information quickly, transparently and accurately to enable investors to fairly assess the company's value. TonenGeneral Sekiyu's management team and Board of Directors place the highest priority on communicating with shareholders and providing useful information about the company's performance and future outlook.

After acquiring ownership of EMG Marketing Godo Kaisha (formerly ExxonMobil Yugen Kaisha) in June 2012 and reviewing the business relationship with ExxonMobil and its affiliates, TonenGeneral Sekiyu made EMG Marketing a consolidated subsidiary in the TonenGeneral Group on June 30, 2012. In February 2013, we announced our medium-term management plan, which summarizes our business activities and goals for the five-year period from 2013 to 2017. TonenGeneral Sekiyu will continue in a timely manner to release information concerning the benefits and impact of the business integration resulting from the restructuring of the Group as well as progress in achieving our medium-term management plan.

Communication with Shareholders

Communication with shareholders involves far more than the legally and regulatory mandated disclosure of information. In addition to annual reports, Fact Books and timely website updates, we publish the Shareholder Brochure with dividend notices on a semi-annual basis, which includes a broad range of information as well as current performance data.

Our website offers a straightforward presentation of the Group's business structure. Visitors are readily able to navigate and find information on the user-friendly site. Web content encompasses a diverse range of useful information for shareholders and other stakeholders, from the latest investment data to service station campaigns. Standard information is also provided, such as our corporate profile and introductions to Group activities including CSR initiatives.

The site is updated frequently, so visit often.

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

In addition to these activities, TonenGeneral Sekiyu offers a variety of other channels through which securities analysts and institutional investors can obtain information on the company's financial performance and strategies. These include briefings on financial results, individual meetings and site visits, all attended by senior executives. For example, institutional investors and securities analysts were able to gain insight into the synergies and advantages for sales divisions generated by the integration of production and sales through a visit we arranged to a service station with an on-site Seven-Eleven convenience store in September 2012. We believe all shareholders benefit from activities like this in which opinion leaders in the securities industry gain a better understanding of our circumstances.

IR Information



Service station tour for institutional investors and securities analysts

○ Returns to Shareholders

We will continue to maintain a high level of competitiveness and capital efficiency as well as a strong focus on our shareholders. Our basic policy on returns to shareholders remains unchanged. In addition, we intend to provide stable dividends to shareholders from a long-term perspective even though our annual earnings fluctuate.

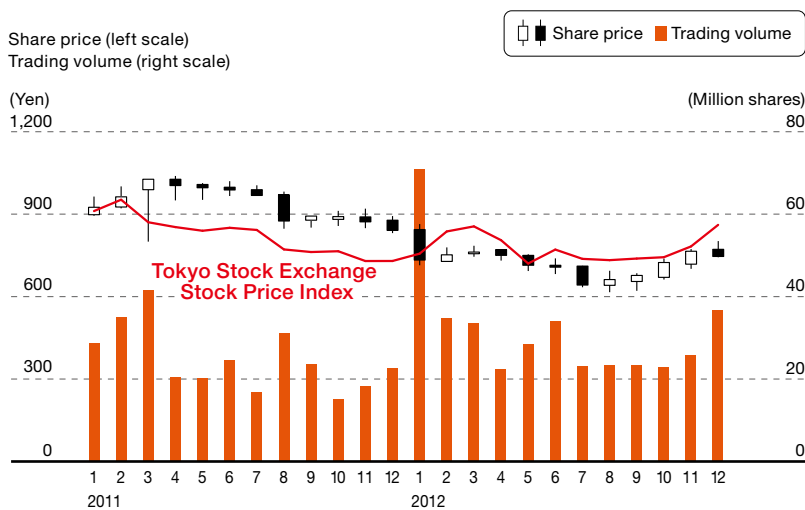
○ Stock Information (as of December 31, 2012)

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

Number of shares issued: 565,182,000 shares

Number of shareholders: 49,794 persons

◆ Monthly Share Price Range and Trading Volume



◆ Major Shareholders

Shareholder	Number of shares (thousand)	Percentage of total shares
Exxon Mobile Bay Limited Partnership	80,000	14.15
Japan Trustee Services Bank, Ltd. (Trust Account)	11,176	1.98
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,724	1.72
Kochi Shinkin Bank	8,509	1.51
Barclays Securities Japan Limited	6,000	1.06
SSBT OD05 Omnibus Account – Treaty Clients	5,558	0.98
Nippon Life Insurance Company	4,181	0.74
State Street Bank West Client – Treaty	2,993	0.53
Japan Trustee Services Bank, Ltd. (Trust Account 1)	2,836	0.50
Japan Trustee Services Bank, Ltd. (Trust Account 6)	2,803	0.50

Note: Treasury shares (200,628,000 shares or 35.50%) are excluded from the above list.

• Annual Dividends

	2008	2009	2010	2011	2012
Dividend per share (yen)	38.0	38.0	38.0	38.0	38.0
Dividend yield* (%)	4.2%	4.9%	4.3%	4.5%	5.1%

* Dividend per share divided by the year-end share price

• Shareholders' Memo

Fiscal year: January 1 to December 31

Annual general meeting of shareholders: March

Record dates: Voting rights for annual general meeting of shareholders: December 31

Year-end dividend: December 31

Interim dividend: June 30

Shareholder register manager (special account management institution):

Mitsubishi UFJ Trust and Banking Corporation

Handling office: Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency
Department 7-10-11,
Higashisuna, Koto-ku, Tokyo
137-8081, Japan
0120-232-711 (toll free)
<http://www.tr.mufg.jp/daikou/>

Unit of stock: 1,000 shares

Publication method:

Electronic publication

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

(Publication in the Nihon Keizai Shimbun when electronic publication is not possible)

Contributions to Local Communities

The TonenGeneral Group primarily fulfills its responsibility to local communities by delivering a stable supply of energy and ensuring safety and reliability. We also believe we have a key role in contributing to the development and vitalization of the communities in which we operate. In accordance with these beliefs, we are strengthening our connections to communities through social contributions and cultural activities in such diverse areas as environmental conservation, health and welfare, community engagement, education, and the arts and culture.

Head Office

◆ TonenGeneral Children's Culture Award and Music Awards (formerly ExxonMobil Children's Culture Award and Music Awards)

These awards recognize individuals who have contributed to the development and improvement of music and children's culture in Japan and encourage future achievements. The 47th Children's Culture Award and 43rd Music Awards were presented in 2012.



◆ Charity Run

The TonenGeneral Group supports the Tokyo YMCA International Charity Run, an event held to raise money to support outdoor activities for children with disabilities. In 2012, the Group entered 21 teams in the race, with family members and colleagues who turned out to support the runners bringing the total number of Group participants to around 180.



◆ Blood Drive

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



◆ Support for the Tonen International Scholarship Foundation

This foundation provides scholarships to foreign exchange students enrolled at Japanese graduate schools as a way to promote friendly relations between Japan and other countries and to broadly contribute to society. As of April 1, 2013, a total of 179 students from 24 countries have received scholarships since the foundation's establishment in 1989.



◆ Donations to Schools

Under this system, the company matches employee donations to schools, thereby doubling the amount donated.

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

This foundation was established in 1981 to financially support research related to energy and its effective utilization in Japan. Young scientists involved in unique, cutting-edge research and technological development apply every year. Over the 31 years of the foundation's history, grants totaling over 508 million yen have been awarded to 495 projects.



◆ Forest Conservation Activities (Adopt Forest Nijozan)

The TonenGeneral Goodwill Forest Maintenance Program is undertaken on Mt. Nijo in Taishi-cho, Osaka Prefecture, to help prevent the deterioration of woodlands due to a shortage of people in local communities to maintain them.



◆ Japan National Para-Swimming Championships

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



◆ Support for Areas Affected by the Great East Japan Earthquake

We share the joy of reading with children in communities that lost libraries during the Great East Japan Earthquake by providing gasoline through our Esso, Mobil and General service station network for mobile library buses that routinely circuit those areas.



Kawasaki Refinery

◆ Safety Training and Emergency Drills

The Kawasaki Refinery strengthens its linkages with the local community through emergency training programs. Activities include participating in joint public-private sector drills with large-capacity foam fire extinguishers used for responding to tank fires and holding training sessions to teach local residents how to use fire extinguishers.



◆ MUZA Kawasaki Lunchtime/Night Concerts



The refinery cosponsors these concerts in support of the Kawasaki – City of Music project promoted by Kawasaki City. It also hosts a children’s event featuring authors of children’s books on “Muza’s Day.”



◆ Cleanup Activities

Company and contractor employees cooperate in cleaning the roads around the refinery and the Kanagawa Rinkai Tetsudo railway station.



◆ Kawasaki International Eco-Tech Fair



◆ Flower Arrangement Classes

The Kawasaki Refinery hosts a flower arrangement class for women belonging to the Rokucho-kai club in the eastern region of Daishicho so they can enjoy this traditional Japanese form of artistic expression. Every three months we report to the classes about the refinery’s social contribution activities and have local participants and refinery personnel share ideas.



The Kawasaki International Eco-Tech Fair showcases Kawasaki City’s innovative, world-class environmental technology. Our exhibit introduced the environmental initiatives of the Group and energy-saving efforts by the Kawasaki Refinery. We also held an environmental quiz for children and received the Best Booth Award out of more than 240 entries.



Sakai Refinery

◆ Phoenix Monthly Newsletter

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



● Sakai City Opera Dress Rehearsal

Phoenix readers are invited to a dress rehearsal for a performance by the Sakai City Opera.



● Phoenix Christmas Concert

Since 2008, we have been inviting readers to a Christmas concert held at the Nankai Electric Railway's Hamadera Koen Station, a nationally registered tangible cultural property.



● Phoenix Tennis School

Employees offer tennis lessons on the refinery's courts to children who are new to the sport. The school celebrated its 40th anniversary in 2013.



◆ Volunteer Cleanup



Employees take part in a voluntary roadside cleanup organized in conjunction with environmental conservation efforts through the company's membership in the corporate network for the Sakai-Senboku Coastal Industrial Zone. More than 400 employees have participated in the cleanups, which are held six times a year.



◆ On-Site Learning Program



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



Wakayama Refinery

◆ Arida City Elementary School Students Observe Refinery Firefighting Drill

The Wakayama Refinery invites students from elementary schools in Arida City every year to observe refinery firefighting drills. The students learn about the importance of being prepared for emergencies and accidents by observing simulated rescues of people with injuries and fire hose drills.



◆ Hajikami Kofun Nagaya-no-Okimi Festival

Many people from the community take part in the annual Hajikami Kofun (tumulus) Nagaya-no-Okimi Festival, a local historical and cultural event that takes place in front of the tumulus located on the refinery grounds.



◆ Tangerine Orchard Patrols

From June to September every year, the refinery partners with local tangerine growers to survey tangerine groves. The refinery has participated in this project for more than 30 years in an effort to safeguard the surrounding environment.



◆ Jinoshima Volunteer Cleanup



Prior to the swimming season, the refinery conducts a beach cleanup on Jinoshima, an island located about 1 km off the coast adjacent to the refinery, in a joint effort with Arida City and the Arida City Tourism Office. In June 2013, a total of 323 volunteers participated, including 185 refinery workers and 138 who were affiliated with the refinery.

◆ Hatsushima Junior High School Extracurricular Firefighting Training



The refinery trains students in the use of fire extinguishers as part of the Hatsushima Junior High School extracurricular program. Students gain first-hand experience in putting out fires and using water hoses.

Tsurumi Lube Oil Blending Plant

◆ Spring Disaster Preparedness Drill



As part of Spring Fire Prevention Week, the self-protection and disaster prevention team of the Tsurumi Lube Oil Blending Plant conducted a joint drill with Anzen City's joint disaster prevention team and the Tsurumi Fire Department. The drill enabled us to reconfirm the respective responsibilities of each organization in the event of a disaster and forge closer ties with the local fire department.



◆ Japan-U.S. Joint Firefighting Drill

The Tsurumi Lube Oil Blending Plant is adjacent to a U.S. Navy oil storage facility. We took part in a collaborative exercise with the fire departments of the U.S. Navy, Yokohama City and Anzen City to reinforce the joint action framework for mitigating damage in the event of an incident on the grounds of the oil storage facility.



A fire drill at Tank 604



A U.S. Navy official reviews the drill.

◆ Disaster Preparedness and Evacuation Drill

An evacuation drill was conducted to prepare for a potential tsunami caused by an earthquake. After assembling at the emergency gathering site inside the Tsurumi Plant, participants evacuated to the upper floors of a nearby storage company.



An assembly at an evacuation site on the grounds of the Tsurumi Lube Oil Blending Plant



During an evacuation drill, employees go to the roof of a nearby storage company.

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HR2	CORE	Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	—
HR3	CORE	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	—
Aspect: Non-Discrimination			
HR4	CORE	Total number of incidents of discrimination and corrective actions taken.	—
Aspect: Freedom of Association and Collective Bargaining			
HR5	CORE	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	—
Aspect: Child Labor			
HR6	CORE	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	—
Aspect: Forced and Compulsory Labor			
HR7	ADD	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor.	—
Aspect: Security Practices			
HR8	ADD	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	—
Aspect: Indigenous Rights			
HR9	ADD	Total number of incidents of violations involving rights of indigenous people and actions taken.	—
Aspect: Assessment			
HR10	CORE	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	—
Aspect: Remediation			
HR11	CORE	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	—
Society			
		Disclosure on Management Approach	—
Aspect: Local Communities			
SO1	CORE	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	—
SO9	CORE	Operations with significant potential or actual negative impacts on local communities.	—
SO10	CORE	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	—
Aspect: Corruption			
SO2	CORE	Percentage and total number of business units analyzed for risks related to corruption.	—
SO3	CORE	Percentage of employees trained in organization's anti-corruption policies and procedures.	—
SO4	CORE	Actions taken in response to incidents of corruption.	27
Aspect: Public Policy			
SO5	CORE	Public policy positions and participation in public policy development and lobbying.	—
SO6	ADD	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	—
Aspect: Anti-Competitive Behavior			
SO7	ADD	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	Currently appealing a civil lawsuit filed by the Japanese government for unjust enrichment (please refer to our Annual Securities Report)
Aspect: Compliance			
SO8	CORE	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	27
Product Responsibility			
		Disclosure on Management Approach	46, 47
Aspect: Customer Health and Safety			
PR1	CORE	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	—
PR2	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	N/A
Aspect: Product and Service Labeling			
PR3	CORE	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	—
PR4	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	N/A
PR5	ADD	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	46, 47
Aspect: Marketing Communications			
PR6	CORE	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	47
PR7	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	N/A
Aspect: Customer Privacy			
PR8	ADD	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	—
Aspect: Compliance			
PR9	CORE	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	N/A

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

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(1) Subsequent events	N/A
(2) Extraordinary events	N/A
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We have conducted a third-party check to make sure the page numbers listed here in the content indices of the GRI Guidelines, Version 3.1, and the Environmental Reporting Guidelines (2012) of the Japanese Ministry of the Environment, correlate with the content of the TonenGeneral Group's CSR Report 2013.

As a result of the review, we confirm that the information on the page reference column has been properly presented.

Third-Party Opinion

1. Management Tools Based on Global Standards

The CSR management system of the TonenGeneral Group incorporates several management tools which appear to be rooted in the company's history and are based on global standards. One of these tools is the Standards of Business Conduct, which serves as the code of conduct with which directors and employees are expected to comply. As the foundation of the CSR management system for the entire Group, they represent fundamental rules that constitute the backbone of its governance and compliance structure. Spanning 130 pages, the Standards of Business Conduct contains 18 policies and guidelines for issues deemed essential to global enterprises, such as conflicts of interest, corruption prevention, fair trade and consideration for human rights. This makes this sophisticated code of conduct unparalleled in its completeness and systematic presentation compared to the codes of conduct adopted by other Japanese companies.

The CSR Promotion Council is an organizational entity that guarantees the effectiveness of the Standards of Business Conduct. Characterized by the sheer scale of its composition, another rarity among companies in Japan, the council provides comprehensive supervision over CSR-related activities. Moreover, it oversees the work of committees that report directly to the Group's Executive Committee on matters such as corporate ethics, environment and safety, promotion of human rights and human resource development, social contributions, quality control, risk management and disclosure.

These major facets of the company have all been viewed positively in assessing the effectiveness of its CSR management.

2. Commitment to Flawless Operations

Another factor unique to CSR management at the TonenGeneral Group is OIMS (Operations Integrity Management System), which functions as the management system for safety, health and the environment throughout its operations. Since the oil refining business involves oil, which is a flammable substance and can be hazardous, extra care must be taken to prevent incidents and manage safety. The Group therefore emphasizes "integrity" as a defining element of OIMS, and its rate of lost-time incidents has remained at low levels over the years. This is another achievement worthy of merit.

3. Response to the Sakai Refinery Incident

Incidents can occur even under the most rigorous organizational systems. The sulfur leak incident at the Sakai Refinery represented a problem in the post-incident process for handling legal matters.

While companies are of course responsible for seeking to eliminate these types of incidents, I feel this particular problem was responded to quickly and that the appropriate measures were taken. Following an investigation by an independent committee into the root causes of the incident, the company received recommendations that included preventive measures against a recurrence and improvements to its organizational culture. A second independent investigation committee was then set up to look into the implementation status of these recommendations as well as conditions at the other refineries. These actions should prove highly effective in preventing the occurrence of similar incidents and inappropriate processing. Considering that mistakes will always be a part of operations involving people, I hope to see the Group continue its efforts for improvement.

4. Future Challenges

I expect the Group to make further improvements to its information disclosure system in order to enhance the quality of its report. For example, "Environmental Impact Associated with Business Activities" should include the volume of manufactured products under "Output" to avoid giving the impression that only raw materials, energy and water used by the company result in environmental impact. Material input transforms into products and the environmental impact of disposed materials. When "Input amount of resources = Volume of products + Environmental impact" is not included in the report, whatever presentation of material balance that has been reported cannot be compatible with the content indices. Furthermore, since data for wastewater and VOC in this industry represent particularly vital information, it should be included under "Output" along with an explanation of corporate objectives and results. In regard to social obligations, information on diversity in the workplace is important from the standpoint of respecting human rights. The Group should start considering the disclosure of basic labor distribution data such as a breakdown of employees by gender.



Yoshinao Kozuma
Professor of Economics,
Sophia University

Professor Kozuma has chaired the Committee for the Revision of Reporting Guidelines of the Japanese Ministry of the Environment and has variously served as the chairman or a member of councils, review committees and research groups on CSR and the environment organized by the Ministry of the Environment; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism; Ministry of Agriculture, Forestry and Fisheries; the Cabinet Office; and the Japanese Institute of Certified Public Accountants.

Response to Third-Party Opinion

This is our second CSR report published as the TonenGeneral Group. After reflecting on our first report, we went to great lengths to describe in simple terms the Group's unique management systems in this report.

This is also the first report for which we sought a third-party opinion. I would like to express my gratitude to Professor Kozuma for quickly developing an understanding of these systems through the report and for his overall positive evaluation.

In regard to the improvements he has suggested, we will thoroughly consider his recommendations and incorporate them into the production of our next report.

Yoshikazu Yokoi
Manager, Public and Government Relations
Executive Officer, TonenGeneral Sekiyu K.K.



TonenGeneral Sekiyu K.K.

Business	Transport of crude oil and petroleum products; manufacturing, processing and sales of petroleum products and petrochemical products
Head office	W Building, 1-8-15 Konan, Minato-ku, Tokyo 108-8005, Japan Phone: (81) 3-5495-6000
Established	July 26, 1947
Paid-in capital	35.1 billion yen
Listed exchange	Tokyo Stock Exchange (security code: 5012)
Shareholders	ExxonMobil: 22%; Other general shareholders: 78% (ratio of voting shares)
Number of shareholders	49,794 (as of December 31, 2012)
Number of employees	1,617 (as of December 31, 2012)
Fiscal year end	December 31



EMG Marketing Godo Kaisha

Business	Sales of petroleum and petrochemical products, overall management operations
Head office	W Building, 1-8-15 Konan, Minato-ku, Tokyo 108-8005, Japan Phone: (81) 3-5495-6000
Established	December 11, 1961
Paid-in capital	50 billion yen
Ownership	TonenGeneral Sekiyu K.K.: 99%; ExxonMobil: 1%
Number of employees	645 (as of December 31, 2012)
Fiscal year end	December 31



Tonen Chemical Corporation

Business	Manufacturing, processing and sales of petrochemical products
Head office	W Building, 1-8-15 Konan, Minato-ku, Tokyo 108-8005, Japan Phone: (81) 3-5495-6000
Established	December 24, 1960
Paid-in capital	1 billion yen
Ownership	TonenGeneral Sekiyu K.K.: 25%; TGSB Godo Kaisha (100% owned subsidiary of TonenGeneral Sekiyu K.K.): 75%
Number of employees	393 (as of December 31, 2012)
Fiscal year end	December 31





Tonengeneral

Tonengeneral Group

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