

CSR Report 2008

Corporate Social Responsibility Report



Energy in **People**



Energy of the **Earth**



Energy of **Society**

Editorial Policy

Japan Energy publishes a CSR report to disseminate information regarding the company's activities related to its corporate social responsibility.

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

We have also endeavored to address, to the extent possible, the opinions expressed in the Third-Party Opinions included in our CSR Report 2007, and those identified through questionnaires, etc.

• Scope of the Report

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

• Period Covered by the Report

This report covers CSR activities carried out during fiscal 2007 (April 1, 2007 to March 31, 2008). Some sections also cover activities from April 2008.

• Reference Guidelines

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

Differences between the Printed Report and the Report Posted on the Company's Web Site

The CSR Report 2008 consists of both a printed report and a report posted on our web site. The printed report emphasizes materiality – items that we believe will be of particular interest to society or that we consider important to report – in a condensed and easy-to-read format.

The report posted on our web site contains detailed information not included in the printed report, along with links to related web sites, headlines, and enhanced search functionality.



<http://www.j-energy.co.jp/cp/csr/report/2008/>



Our company name, Japan Energy, represents our social mission of providing a stable supply of energy as “one of Japan's leading energy companies,” while at the same time expressing the “energy” to develop new technologies and businesses. The abbreviation JOMO reflects both the “Joy of Motoring” and the “Joy of Movement.”

The sphere part of our corporate mark represents “the Earth,” with the gradual change in color from blue to green expressing a crystal-clear global environment of water, plants and trees. The square part represents the sky above us, with the gradual change from reddish orange to yellow representing the dawn of a new era. The combination of these two elements symbolizes both a deep concern for the Earth and its environment, and the image of moving toward a new era.

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CLOSE-UP

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For a More Cohesive and Dynamic Society

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

Our Roots are in Our Corporate Mission: "We Create Energy"

In April 1997, in order to continue to be trusted and valued as a member of society, we established our corporate mission – "We Create Energy" and "Five Pledges" to achieve our Mission – as a common set of values for all directors and employees to clearly show the direction our company should take. "We Create Energy" uses the term "Energy" from our company name to express our profound desire "for a more cohesive and dynamic society" with a constant awareness of our involvement with people, the earth and society to "activate the natural energy in people," "use the energy of the earth wisely," and "enhance the energy of society."

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

The Three Energies and Our CSR Activities

• Activating the Natural Energy in People

Each of our employees and directors shares a common purpose and strives daily to implement our corporate mission.

In particular, this includes Japan Energy and JOMO service stations and dealerships working together as Team JOMO to implement customer satisfaction management. From service station crew members to top management, everyone shares a desire to serve and achieve a superior level of customer's satisfaction. We are striving to create "Value Style stations" by proactively "developing stations that make customers want to come again." At the same time, we are working to satisfy all customers by training our staff to be rich in humanity in order to enhance the quality of our customer service.

Moreover, the realization of customer satisfaction leads to a favorable assessment of a company's image and brand, and such a high assessment from society in turn leads to more pride and joy for employees. In other words, "customer satisfaction management" can be enhanced through synergies between customer satisfaction and employee satisfaction.

In addition, all employees at refineries and plants participate in "Total Productive Maintenance (TPM)." This is one of the ways that the features and functions of workplaces, in a variety of business activities are utilized to create a free and open workplace environment in

which each employee's personality and capabilities are given full rein and respect, and in which women and men can further develop their own capabilities.

• Using the Energy of the Earth Wisely

Our main product is petroleum, which is a limited resource that must be used effectively, and in addition, its production and consumption place a significant burden on the environment in areas like global warming. The first commitment period of the Kyoto Protocol began in 2008, and the Toyako G8 summit held in Hokkaido in July highlighted the fact that this is a critical time for efforts to prevent global warming. Japan Energy considers the preservation of the global environment to be one of our important management issues, and we are undertaking a variety of measures to prevent global warming based on our Medium-Term Environmental Plan, which sets specific numerical targets such as for reductions in the amount of energy consumption.

One of our Five Pledges is to "Always give top priority to safety and the environment." Based on this pledge, we pursue energy savings and a reduced environmental impact in all business activities and stages of the supply chain, from petroleum exploration, development and production and refining to distribution and sales, and have established safety and crisis management systems as part of our activities related to safety and the global environment. At the same time, we are researching and developing next-generation energies and aggressively bringing environmentally friendly products to market, including biogasoline and other fuel oils, lubricating oils and petrochemical products.

Japan Energy also stresses environmental preservation in forests, which absorb carbon dioxide emissions and are home to a variety of animal and plant life, by providing funds for forest preservation in cooperation with a local government and an NPO. Our employees also actively participate in volunteer activities for forest preservation.

• Enhancing the Energy of Society

Japan Energy has always worked to address the needs of society through its business activities as an energy company. In addition, we contribute to society in the areas of promoting sports and culture, and aiding children's and special needs' groups, as well as proactively supporting employees' volunteer activities.

The JOMO Children's Story Award and the JOMO Children's Story Fund are two unique activities with a particularly long history. Every year we accept submissions of children's stories for a picture book with the theme of "heart-to-heart contact," and this year will be the 39th year for this activity. The JOMO Children's

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

Participating in the UN Global Compact

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

Taking CSR Further

Marking the 10th anniversary of the establishment of our Mission, we conducted an employee survey about CSR awareness in June 2007. This showed that the level of understanding and action with regard to CSR is not yet at an adequate level, and that more effort than we had foreseen will be required to fully instill our Mission. In light of the fact that our internal structure was insufficient for directly disseminating information from management, giving meaning to our Mission, and conveying the results of CSR activities, from February 2008, executives visited branches, refineries and plants to exchange ideas related to the Mission and CSR with employees. With the executives providing explanations in their own words directly to participants, employees gained a better understanding of our Mission, and we expect this to lead to self-driven implementation by each employee.

We also began publishing the quarterly magazine *Emerging* in April 2008 to promote two-way communication with employees. This magazine is further enhancing our CSR activities by incorporating the opinions of employees.

Based on our Mission of "We Create Energy," top management and all employees will act in good faith as good corporate citizens through open and highly transparent communication with all stakeholders, with the aim of achieving a sustainable society and growing as a company.

August 2008

Isao Matsushita

President and Chief Executive Officer
Japan Energy Corporation

Mission and Business Principles

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

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



Our Mission

WE CREATE ENERGY

For a more cohesive and dynamic society.

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

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

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

Our Business Principles

FIVE PLEDGES

To achieve our mission, we will:

- Communicate openly about our policies, programs and performance, and always act as a good corporate citizen.
- Always give top priority to safety and the environment.
- Foster a work environment based on teamwork and a can-do spirit to offer innovative technologies, products and services.
- Accurately identify and fully satisfy the ever-evolving needs of our customers.
- Strive to achieve corporate growth through sustainable earnings in close cooperation with our group of companies.

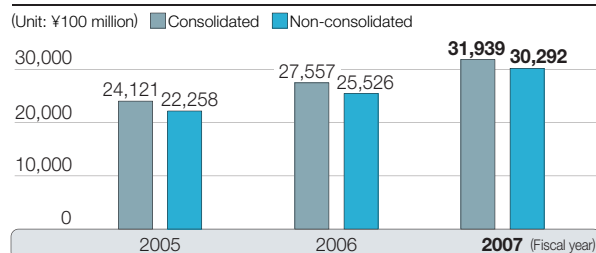
Corporate Information

Corporate Profile

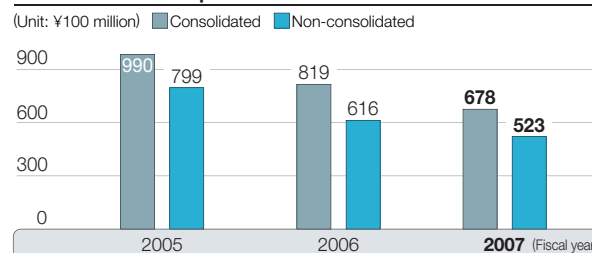
Name	Japan Energy Corporation
Head office	2-10-1 Toranomon, Minato-ku, Tokyo, Japan 105-8407
Founded	December 1905
Established	April 1, 2003
Capital	¥48 billion (Wholly owned by Nippon Mining Holdings, Inc.)

President	Isao Matsushita
Number of employees	2,490 (As of March 31, 2008)
Main lines of business	<ul style="list-style-type: none"> • Exploration, development and production of petroleum • Manufacture and marketing of gasoline, naphtha, kerosene, gas oil, heavy fuel oil, LP gas and lubricating oils • Manufacture and marketing of petrochemical products

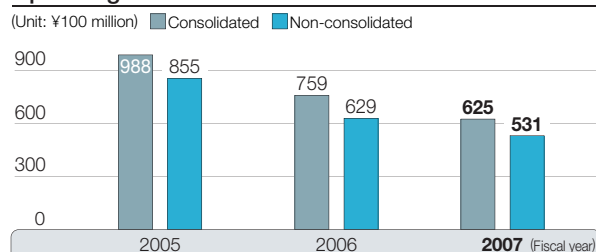
Net Sales



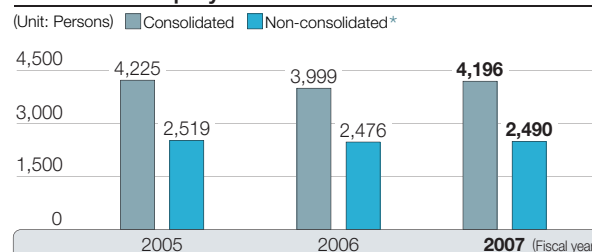
Income Before Special Items



Operating Income



Number of Employees



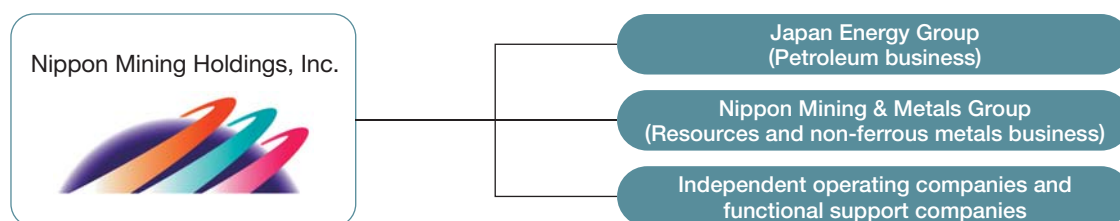
*The number of non-consolidated employees includes those dispatched to affiliates

Nippon Mining Holdings Group

The Nippon Mining Holdings Group, through its holding company Nippon Mining Holdings, Inc., carries out two major businesses: petroleum (Japan Energy) and metals (Nippon Mining & Metals Co., Ltd.). It is a comprehensive resources and energy group active in the fields of petroleum, petrochemicals, non-ferrous metals, and electronic materials. Through these businesses, it carries out its mission of the efficient, stable provision of

fundamental materials that support industries and individual lifestyles around the world.

The Nippon Mining Holdings Group is involved in a wide range of businesses. A unique corporate group with a variety of operations adapted to each field's stage of growth and business characteristics, its activities include everything from fundamental materials for infrastructure-building to leading-edge IT materials that drive the field of nanotechnology.



Items posted on web site

- Fiscal 2007 Performance
- Total Assets
- Primary Affiliated Companies
- Organization Chart

Corporate Governance and Management

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

Group Management System and Corporate Governance

Under the holding company Nippon Mining Holdings, Inc., Japan Energy operates as the core company responsible for the group's petroleum business.

The Nippon Mining Holdings Group oversees group management with the aim of increasing corporate value through efficient management and the optimal allocation of resources at the group level, while respecting the autonomy of each operating company's business management.

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

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

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

Nippon Mining Holdings Group Mission

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

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

Nippon Mining Holdings Group Mission

To strive to achieve a stable and efficient supply of and the effective utilization of resources, materials and energy, while contributing to the creation of a better environment and a sustainable society.

Establishing System to Strengthen Internal Controls

Nippon Mining Holdings established the Internal Control Promotion Department in April 2006 to address, prepare for, and ensure smooth operations concerning legal and regulatory revisions related to internal controls mandated by the new Corporation Law, enacted in May 2006, and the requirement for an "evaluation system for internal controls regarding financial reports" by listed companies from their fiscal years beginning in or after April 2008 under the Financial Instruments and Exchange Act (J-SOX). In addition, the Group Internal Control Committee was established to allow Nippon Mining Holdings and its core business companies, including Japan Energy, to cross-organizationally discuss and examine policy on such matters as system improvements to group-wide internal controls, and to carry out the related planning, documentation and evaluation.

Japan Energy has also established the Internal Control Committee to establish a system for internal controls from fiscal 2008.

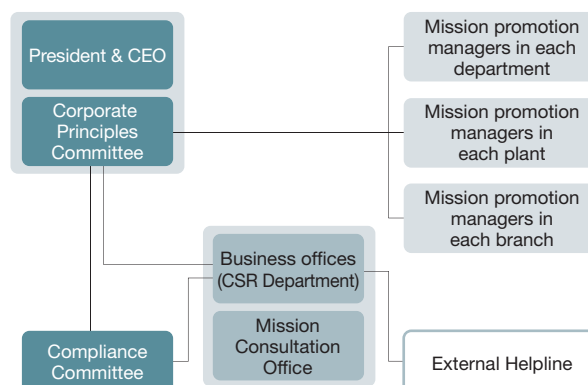
System for Promoting Our Mission and Compliance

Since establishment of our Mission in 1997, the Corporate Principles Committee, chaired by the president, has made it a rule to meet once a month. Made up of officers responsible for or supervising each department, this committee examines issues related to our Mission and CSR.

The Compliance Committee was established in July 2003 as a subsidiary body of the Corporate Principles Committee to set policies for companywide education and awareness activities, including at subsidiaries.

In addition, Mission promotion managers have been assigned to all departments, plants and branches, and they carry out activities based on the important themes related to compliance and CSR that are designated each year.

System for Promoting Our Mission and Compliance



Semiannual reports on the status of these activities are made to the Corporate Principles Committee and the Compliance Committee. The Compliance Committee also carries out an annual companywide survey of the status of compliance, including at subsidiaries, and implements measures as necessary.

Fundamental Compliance Policy

Established in May 2004, our Basic Compliance Rules state that, led by our top management, all employees shall earnestly abide by laws, social norms and corporate ethics. To this end, we have made it a basic policy to continuously upgrade our organizational culture and to ensure a system that prevents misconduct and establishes responsibilities while thoroughly clarifying the specific standards to be maintained.

As a means of further enhancing and strengthening the group compliance system, Nippon Mining Holdings established the Fundamental Group Compliance Guidelines in May 2006, and the Nippon Mining Group Compliance Committee is monitoring the status of compliance at the group level.

Participation in the United Nations Global Compact

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

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



<http://www.ungcjin.org/>
(Japanese only)

Risk Management

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

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

Business Continuity Plan (BCP) in Event of Major Earthquake

Japan Energy formulated a Business Continuity Plan in April 2004. This outlines basic policies related to business continuity to prepare in the event a major earthquake were to occur with Tokyo as the epicenter.

The purpose of this plan is to establish basic responses to maintain business continuity in order to avoid or minimize bodily harm to our stakeholders and damage to their property, and to maintain operational continuity or ensure the early return of important business areas. The plan consists of three basic policies:

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

In fiscal 2007, the company held an emergency response drill at the Head Office. The drill simulated the response to a major earthquake with Tokyo as the epicenter and included the summoning of the Emergency Response Team under the leadership of the President.



Drill envisioning a major earthquake with Tokyo as the epicenter.



Items posted on web site

- Training Program for Protection of Personal Information
- Asbestos: Survey and Measures
- Disaster Prevention and Emergency Measures
- Mission Consultation Office
- Concrete Standards of Compliance
- Reporting Accidents and Troubles
- Information Security Management
- Compliance Education

Energy in People

Activating the Natural Energy in People

The imagination and creativity of each individual employee are a company's source of vitalization.

The foundation for this is a lively workplace for employees. At Japan Energy, we are enhancing personnel and training systems based on the fundamental principle that activating the energy in employees leads to the company's further development.

One element of this is our emphasis on creating an environment in which women feel comfortable to work.



Cultivating imagination and creativity

Bringing satisfaction and joy

Striving to develop abilities



JOMO



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

**Realizing a Fulfilling
Job and an Active Life**

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



A Workplace in which Women can Thrive

Japan Energy strives to install systems and foster a culture in which women can freely express themselves and utilize their abilities in a vibrant workplace.

Promoting the Creation of Workplaces that Fully Utilize Women Companywide

Through a flat organization and transparent and fair personnel evaluations that respect and cultivate employees' individuality and ambitions, Japan Energy strives to fully enhance the abilities and aptitude of each employee.

This includes efforts to implement various systems and foster a culture that offers women a workplace in which they can thrive, and we have in fact been aggressively hiring women for the past 20 years. Today we are seeing an increase in the number of women in middle management, and we look forward to having women join senior management in the future.

In his 2006 New Year's address, our president advocated the creation of workplaces in which women could fully participate, and we are promoting these efforts organizationally on a companywide basis. The stage for active participation by women is steadily expanding, and we now have women participating in the head office study program (at domestic universities) and working overseas.

Launching Projects Staffed Mainly by Women

The project to create an easy-to-understand manual explaining the system and framework related to childbirth and childcare was launched as a project staffed primarily by women. In addition to being used by female employees preparing for childbirth, the manual also contains information for their supervisors and coworkers, and is laid out so that it can be followed in all workplaces.

Female employee volunteers have also set up an informal community on their own, which functions as a venue for people to converse freely regardless of position and workplace.

Outline of Main Childcare Leave and Nursing Care Leave Systems for Employees

Childcare

- (1) Childcare leave
Leave may be taken until the child becomes 2 years old. As a rule, this leave is unpaid, except for a maximum of the first five days of the leave.
- (2) Shortening of work hours
Employees may shorten their work hours by up to two hours per workday until the child starts their fourth year of elementary school.
- (3) Child nursing care
Employees may take up to 5 days leave a year until the child enters junior high school.
- (4) Reserve leave* for child nursing care
Employees can take up to 5 days leave a year until the child enters junior high school.

Nursing care

- (1) Nursing care leave
Employees may take up to 365 days leave per family member.
- (2) Shortening of work hours
Employees may shorten their work hours by up to two hours per workday for up to 365 days per family member.
- (3) Reserve leave* for nursing care
Up to 30 days.

*Reserve leave: Annual paid leave that was not taken and has expired may be accumulated and used for special purposes

Our activities

Please play an active role, to be a role model for the next generation of women

Toshihiko Ogawa

General Manager, General Administration & Human Resources Dept.

When I worked at our U.S. affiliate, I noticed that women worked actively in many departments. I am striving to create an environment in which it is even easier for women to work, looking at the examples of leading companies in both Japan and overseas. We are fortunate to have capable staff, and I hope to provide support so that they will be able to fully realize their potential.



1 Participant in the Head Office Study Program (at Domestic Universities)

Aiming to be a strong, flexible woman who works hard and takes care of her family

The Head Office Study Program was the main reason I wanted to work at Japan Energy

From the time I was in elementary school, I have always wanted to “use the power of chemistry to preserve the natural environment,” so I decided to go to a technical high school. When I was deciding where to work, my homeroom teacher told me that Japan Energy had a program to support employees who are high school graduates go to university at night, so I definitely wanted to join the company.

At the beginning of my second year with the company, from April 2008, I began using the Head Office Study Program, going to school while also working, with the company helping to pay for tuition, books, etc. The company is also allowing me to schedule my work hours around classes.

I am majoring in chemistry in order to deepen my knowledge of industrial chemistry, which is what I studied previously. I sometimes have late nights doing homework or writing reports after I get home. In one sense it is tough physically, but I am able to study in my field at an advanced level, and receive encouragement from my boss and coworkers.

Aiming to be a researcher who can assert her own opinions

I’m still a beginner, in only my second year with the company, but I am completely devoted to my work. I really like the way my bosses and coworkers discuss conditions for experiments – seriously but while also enjoying themselves – and I look forward to being able to actively express my opinions.

During regular conversations, however, I realize that, while they work very hard, their families and personal lives are very important to my bosses and coworkers, even though they are all men. I had thought of myself as the type of person who would live only for my work, but after working here I now also want to marry and have children. I hope to become a woman who is strong and flexible, and able to skillfully balance these goals in the future.



Saeko Murakoshi

Joined Japan Energy’s Petroleum Refining Research & Technology Center (Saitama Prefecture) in 2007.

Working in the Refining Process Group, conducting research and development in completely new processes for converting heavy fuel oil to light oil.



Miku Oshita (center),
Japan Energy (Singapore)
Pte Ltd.

Joined Japan Energy in 2004,
now covering various areas
including sales agency
operations for jet fuel and coal,
and exports of petroleum
products from Japan.



2 Overseas Staff Developing overseas markets through close communication with business partners

Keeping up with world affairs in the center of Southeast Asia's petroleum market

I was transferred to Singapore in April 2008, so I am still studying new operations and businesses, but with the support of many people at the company I look forward to coming to work every day.

Singapore is the center of the Southeast Asian petroleum market, and my job is to take advantage of that geographic location to strengthen relationships with our business partners and develop new relationships. Singapore is the hub of Asia, and I enjoy being able to promptly communicate partners' needs to head office while keeping up with world affairs. At the same time, it is difficult to take the huge amount of information I receive every day and quickly decide which information is useful, and what impact it will have.



Thinking about marriage and childcare, I want to support those around me while I can

When I joined the company, I hoped for a marketing position in which I could communicate directly with customers and business partners. I also liked the idea of an overseas posting, so I was very happy when I found out that I could work in a marketing position in Singapore.

When I was assigned, the company's in-house language training program was very helpful.

I am an ambitious person, so in the future I hope to get married and raise children while also continuing to work. Fortunately, Japan Energy strives to create a flexible working environment for women. This could mean that I will need to rely on the support of my coworkers in the future, so now I want to actively give them my support while I am able.

Together with Employees

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

Placement and Training that Respects the ambitions of Employees

Japan Energy implemented a "Self-Declaration System" in 1999. Once a year, employees file a report with the General Administration & Human Resources Department in which they express their opinions on their particular skills and future career goals, and make requests regarding where they want to work or other personal wishes.

Based on employees' suitability or skills for particular jobs, and with consideration for their intentions and desires, we place them in jobs or on career paths that they find rewarding and that make the most of their strengths.

Creating a Workplace that Empowers Women

We promote the creation of a workplace environment in which women can thrive, and the expansion of job opportunities for women.

Along with increasing our hiring of women and proactively transferring them to broaden their experience, we are working to create a climate in which female employees can thrive by revising personnel systems and promoting a common understanding of these systems among all employees.

Re-Employment of Retired Workers

With the enactment of the Law Concerning Stabilization of Employment of Older Persons, Japan Energy introduced a system for re-employing retired workers in fiscal 2006. All employees retiring at the mandatory retirement age of 60 who wish to be rehired are eligible for this system. This system allows employees to not only use the wealth of experience and knowledge they have built up over the years, but also to pass on technologies to the next generation of employees.

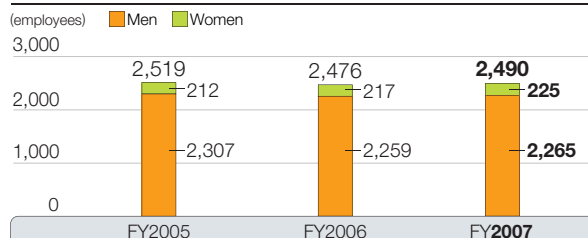
In fiscal 2007, 14 of the 19 employees who reached retirement age were re-employed.

Employment of Persons with Disabilities

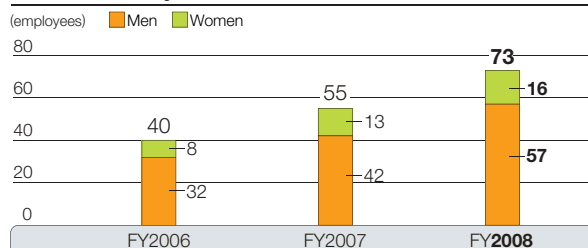
As of March 31, 2008, 32 employees (1.97% of the workforce) were persons with disabilities. The corresponding figure at the previous fiscal year-end was 1.86% of the workforce.

We are taking steps to create a workplace environment in which it is easy for persons with disabilities to work, and will strive to raise this figure in the future by proactively hiring people with disabilities.

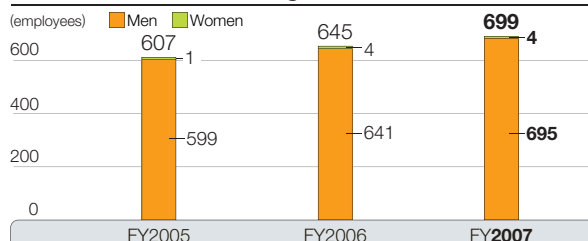
Number of Employees (fiscal year-end)



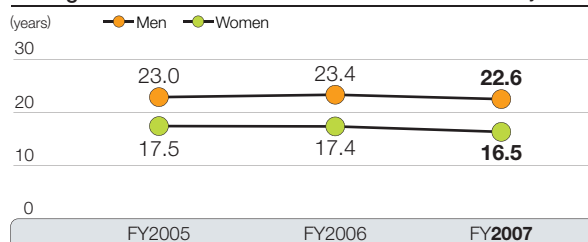
New University Graduates Hired



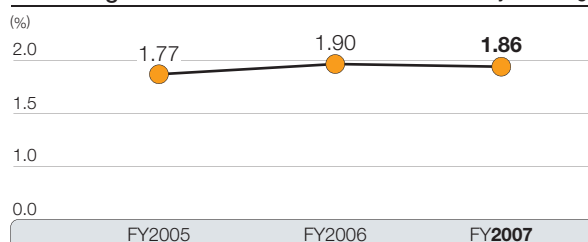
Men and Women in Management Positions (fiscal year-end)



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



Percentage of Workforce with Disabilities (fiscal year average)



Occupational Health and Safety Efforts

Japan Energy carries out comprehensive occupational health and safety efforts at all sites and branches, based on the safety and health management policy announced every fiscal year by the president.

During fiscal 2007, we promoted activities to identify and ameliorate potential causes of accidents and emphasized the prevention of accidents caused by human error. In addition, each site supported occupational health and safety efforts for employees with health concerns, through physical check-ups and follow-ups with company doctors. We also ensured that working hours for all employees were appropriate.

Proper Management of Working Hours

Japan Energy strives to appropriately manage working hours in order to ensure that our employees are in good health, including the offering of a flex-time system. Both the management and labor that are responsible for managing the number of hours staff work, check the status of business operations in thorough detail. They also closely monitor the number of hours worked and paid vacation taken.

The average number of hours worked per general employee in fiscal 2007 was 1,989 hours, and the number of paid vacation days taken was 16 days.

Safety Awareness at All Sites

The general manager at each Japan Energy site personally tours the site, looking for improvements that can be made and instructing managers on ways to prevent labor accidents.

Each worksite also conducts numerous safety activities. These include near-miss awareness, in which workers report things they are worried about or near-miss accidents; and illustrated lesson sheets, which are diagrams of a worksite that workers study in order to try to find potential points of danger.

In addition, sites that have experienced labor accidents are required to make certain reports: accident surveys, accident cause analysis sheets, and plans to prevent accident reoccurrence. The table above shows the number of accidents at Japan Energy (including Kashima Oil Co., Ltd.), including both those that resulted in lost work time and those that did not, over the past five years.

Number of Labor Accidents

(cases)

	FY2003	FY2004	FY2005	FY2006	FY2007
Resulting in lost work time	0	1	2	0	1
Not resulting in lost work time	2	3	3	3	0

Mental Health Care

Our mental health care activities in the past have focused on individual cases in which employees had to miss work for mental health reasons. From fiscal 2008, however, we have systematically established a mental health care program based on the concepts outlined in the Ministry of Health, Labour and Welfare's "Policy for Promoting the Mental Health of Workers." We proactively use outside specialist institutions to assist us not only in caring for employees who miss work, but also to manage companywide prevention programs. The following are some of the major measures to be taken:

- Creation of a "Mental Health Promotion Plan"
- Establishment of an in-house mental health counseling program
- Use of an external helpline
- Mental health education for management and general staff
- Stress checks for employees

Nurturing the Next Generation

We have implemented various programs based on the Law for Measures to Support the Development of the Next Generation, which requires companies to establish specific action plans to enable employees to balance work and child rearing. A new, two-year action plan was put in place from April 2007.

Action Plan from April 2007

- Further augment programs related to hiring and the work environment, including extending maternity leave.
- Take measures to make the return to work from maternity leave easier.



Certification obtained from the director of the Tokyo Labor Bureau in April 2007



Items posted on web site

- Fundamental Human Resource Policies
- Sexual Harassment
- Building Smooth Labor-Management Relations
- Enhancement of Childcare and Nursing Care Leave Programs
- Fair and Open Evaluation System
- Training Curriculum
- Helping Employees Stay Healthy

Energy of the Earth

Using the Energy of the Earth Wisely

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



From oil exploration to transportation

At JOMO service stations

In oil refining and manufacturing

In offices and R&D center

When transporting to service stations

Developing environmentally friendly products



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

Reducing the Environmental Impact of Our Business Activities



- For a beautiful earth for posterity



Preventing Global Warming

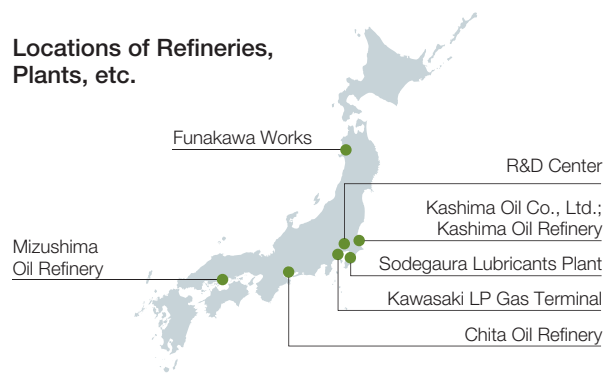
Japan Energy is promoting companywide measures to reduce greenhouse gas emissions, focusing on cross-organizational energy-saving activities at refineries.

Strengthening Environmental Preservation Activities, Focusing on the Three Refineries Central to Production

Our refining division, consisting primarily of our oil refineries, manufactures petroleum products including gasoline, kerosene and gas oil as part of our mission to provide a stable supply of energy. The division has another important mission, however, and that is to protect the earth's environment by installing energy-saving equipment and promoting efficient manufacturing technologies to prevent global warming.

Nevertheless, a closer look at the important issue of global environmental protection clearly shows that more work is required. We are taking a variety of energy-saving measures, focusing on the three refineries at Mizushima, Chita and Kashima that are our production centers, and have set a target of reducing the average of our unit energy consumption (energy consumed per unit of energy manufactured) between 2008 and 2012 to 8.59 (kℓ of crude oil / 1,000 kℓ) or lower.

Locations of Refineries, Plants, etc.



Sulfur-free gasoline manufacturing unit (Mizushima Oil Refinery)

Joint Ownership of Best Practices at Three Refineries

Each of our three refineries manufactures petroleum products with unique characteristics, but depending on the product, there are also cases in which the same facilities and processes are used. For these, the manufacturing processes at the three refineries are studied cross-organizationally, and the most efficient methods and procedures with the greatest energy savings are implemented at the other refineries. This "Lateral Project" was launched in 2004.

Exchanging information and pursuing commonalities among the refineries allows us to reevaluate facilities and processes from different angles, and this leads to new discoveries and ideas. As a result, we have achieved companywide joint ownership of best practices, which makes it possible to effectively introduce facilities and optimize processes.

Furthermore, in cooperation with other oil refining or petrochemical companies operating near our refineries, we have begun implementing energy-saving measures across companies on an industrial-complexwide basis.

Our activities

Strengthening energy-saving efforts, with the aim of further reducing environmental burdens

Masashi Sakura

General Manager, Refining Technology, Petroleum Refining Dept.

We recognize the importance of energy savings that lead to reductions in CO₂ emissions, and have always worked aggressively in this area at our refineries. We are currently pursuing further energy savings, however, to achieve the targets in the Medium-Term Environmental Plan. Specifically, we are strengthening efforts to reuse thermal energy recovered from the exhaust from refining units, installing control and support software so that facilities will be operated more efficiently and reviewing refining processes when major construction is undertaken. In addition, the joint use of information related to energy saving throughout the refining division is leading to efficient energy savings.

Going forward, as we strive to provide a stable supply of high-quality products, we will naturally pay attention to safety, and also pursue a reduced environmental impact through energy savings.



Measures to Prevent Global Warming at the Chita Oil Refinery

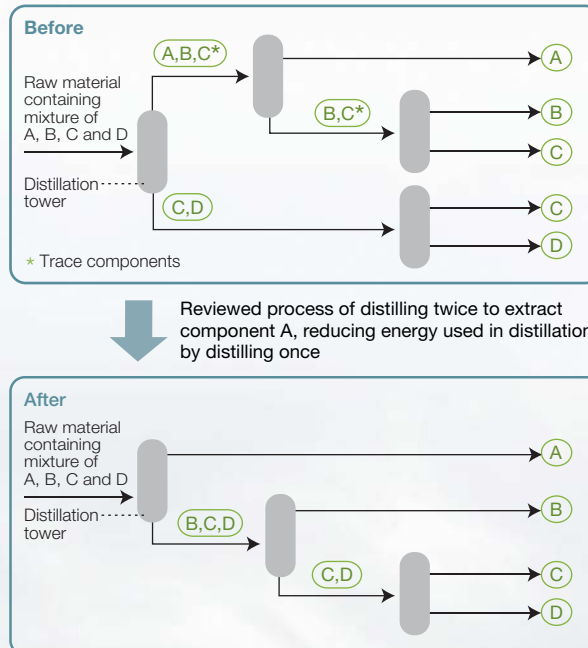
Promoting energy savings through a variety of measures, from improvements in plants and facilities to the creativity and imagination of employees

Efficiently Using Energy from an Optimal, Companywide Perspective

The Chita Oil Refinery is the production center responsible for manufacturing petrochemical materials, including the polyester raw material paraxylene and the nylon raw material cyclohexane. With demand for petrochemical products growing, a major restructuring of operations was carried out in June 2001 to optimize all of our refining facilities, and since that time the refinery has specialized in the manufacture of petrochemical materials.

We are also proactively taking steps to save energy, including facility improvements. As part of the Lateral Project, in May 2008 we reviewed the refining process flow. The Chita Oil Refinery has a distillation unit to extract high-purity benzene, toluene, xylene and paraxylene using several distillation towers. By changing the operational flow and consolidating the towers (see diagram), we succeeded in significantly reducing the energy used in distillation.

Changes in the Refining Process Flow under the Lateral Project



Utilizing Employees' Creativity and Imagination for Safety and Environmental Preservation

Japan Energy carries out Total Productive Maintenance (TPM), a program in which all employees participate to improve safety and environmental protection. TPM activities at the Chita Oil Refinery began in 1999. Among various TPM activities, this refinery has been particularly active in “mechanical improvements,” in which the employees devise and make their own equipment using their creativity and imagination to enhance energy savings and safety. For example, devices called “steam traps” are attached to the ends of the steam pipes that wind through the refinery to discharge condensed water, but when these devices break down, steam is exhausted and heat efficiency declines. However, employees figured out that by attaching a bell to the end of the pipe, it would be possible to quickly discover malfunctions during inspection rounds by the sound of the bell ring.

We have also installed operational support software packages to monitor the operating status of manufacturing facilities and to control operations automatically, and the development of this application was also one of our TPM activities. By automating delicate controls, operational safety was enhanced and the amount of steam used was reduced, and monitoring of the heating efficiency of furnace burners was strengthened, resulting in energy savings.

These TPM activities also make employees more conscious with regard to saving energy.



TPM activity using a display board



Steam trap inspection

Our activities

Striving to prevent global warming through energy savings using both systematic “facility improvements” and daily “TPM activities”

Katsuyuki Sasaki

Manager, Manufacturing Section, Chita Oil Refinery

We carry out two types of energy-saving activities: “facility improvements” and “TPM activities.” Facility improvements produce major results, but at the same time, they require that facilities be shut down while the upgrade is carried out, so we have no choice but to do this at the same time as the periodical repairs that are required every four years.

This makes daily improvement activities very important. To date, TPM activities have resulted in numerous improvements, which taken together have steadily yielded results. I want to continue to work to prevent global warming in the future, by pursuing energy savings through both facility improvements and TPM activities.



Environmental Protection Policies, System and Targets

Japan Energy established an environment management system for the purpose of engaging in environmental protection activities, and all of our refineries and plants are ISO 14001 certified. We also have environmental education programs that make employees aware of the importance of protecting the environment in all that they do.

Environmental Protection Policies

Japan Energy's Mission states that we will "use the energy of the Earth wisely" and the five pledges state that we will "always give top priority to safety and the environment." This thinking was the basis for the creation of our environmental policies, which guide us in protecting the environment, reducing environmental impact, and making efforts in various environmental problems.

Environmental Protection Policies

1. We will strive to prevent pollution by considering the environmental effects of all our operations.
2. To use resources wisely, we will strive to recycle and to use energy efficiently.
3. We will comply with all relevant laws and strive to attain environmental standards that earn the trust of the community.
4. We will contribute to improvement of the global environment through the research and development of environmentally friendly products and technologies.

ISO 14001 Certification Status

Japan Energy complies with environmental rules and regulations that help the company improve its ability to protect the environment.

All of our refineries and plants have received ISO 14001

certification, and we are currently using the fiscal 2004 version of the system. We have an organizational structure that takes environmental protection into account in each business field and region in which we operate.

ISO 14001 Certified Sites

	Mizushima	Chita	Funakawa	Sodegaura	Kawasaki	Kashima
Date certified	February 26, 1999	March 5, 1999	November 27, 1998	March 18, 1998	May 21, 1999	March 12, 1999
Certification body	LRQA	JQA	LRQA	LRQA	JQA	JQA
Certification Code	YKA 0772494	JQA-EM 0353	YKA 0771917	771512	JQA-EM 0427	JQA-EM 0373

Environmental Audits

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

Environmental Education

Refineries and sales departments each carry out environmental education to ensure that employees have a high level of awareness and knowledge with regard to environmental issues.

One of these activities is the Companywide Environmental Conference, which is held once a year and uses case studies that can be applied across the organization.

Environmental Accounting

We use environmental accounting to assess the effectiveness of our environmental management. Costs for products increased in fiscal 2007, primarily because of higher fuel costs associated with the jump in crude oil prices.

Environmental Costs

Millions of yen

Item	FY2007	FY2006
1. Environmental costs for products (decreasing sulfur content of heavy fuel and gas oil, improving quality of gasoline)	41,530	38,862
2. Direct cost of reducing environmental impact		
(1) Preventing pollution (air, water and soil pollution)	4,804	5,633
(2) Protecting the global environment (preventing global warming)	917	829
(3) Waste treatment, recycling	276	239
3. Cost of environmental activities		
(1) Management activities	403	388
(2) Social activities	27	22
(3) Environmental donations and contributions	715	634
4. R&D to reduce environmental impact	1,578	1,488
Total	50,250	48,095

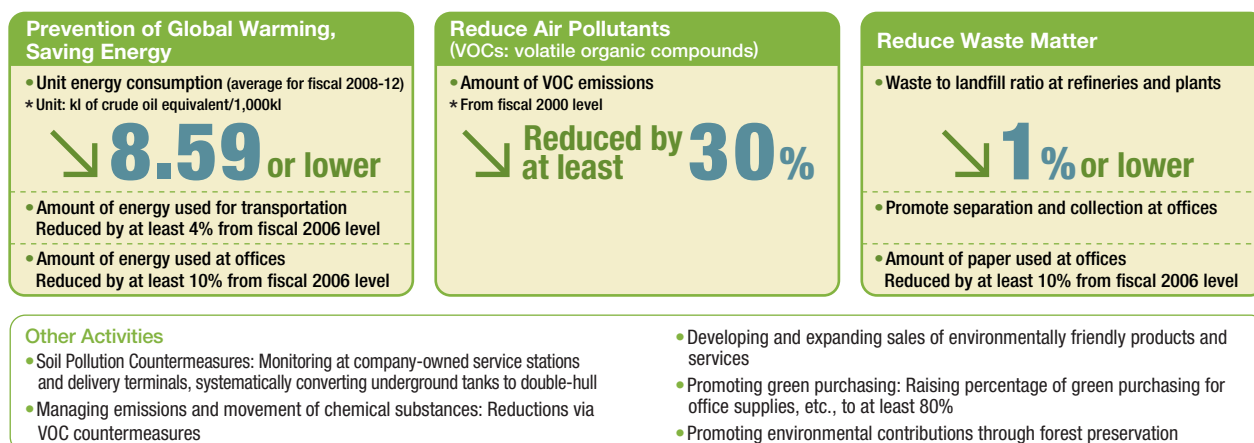
Investment

Millions of yen

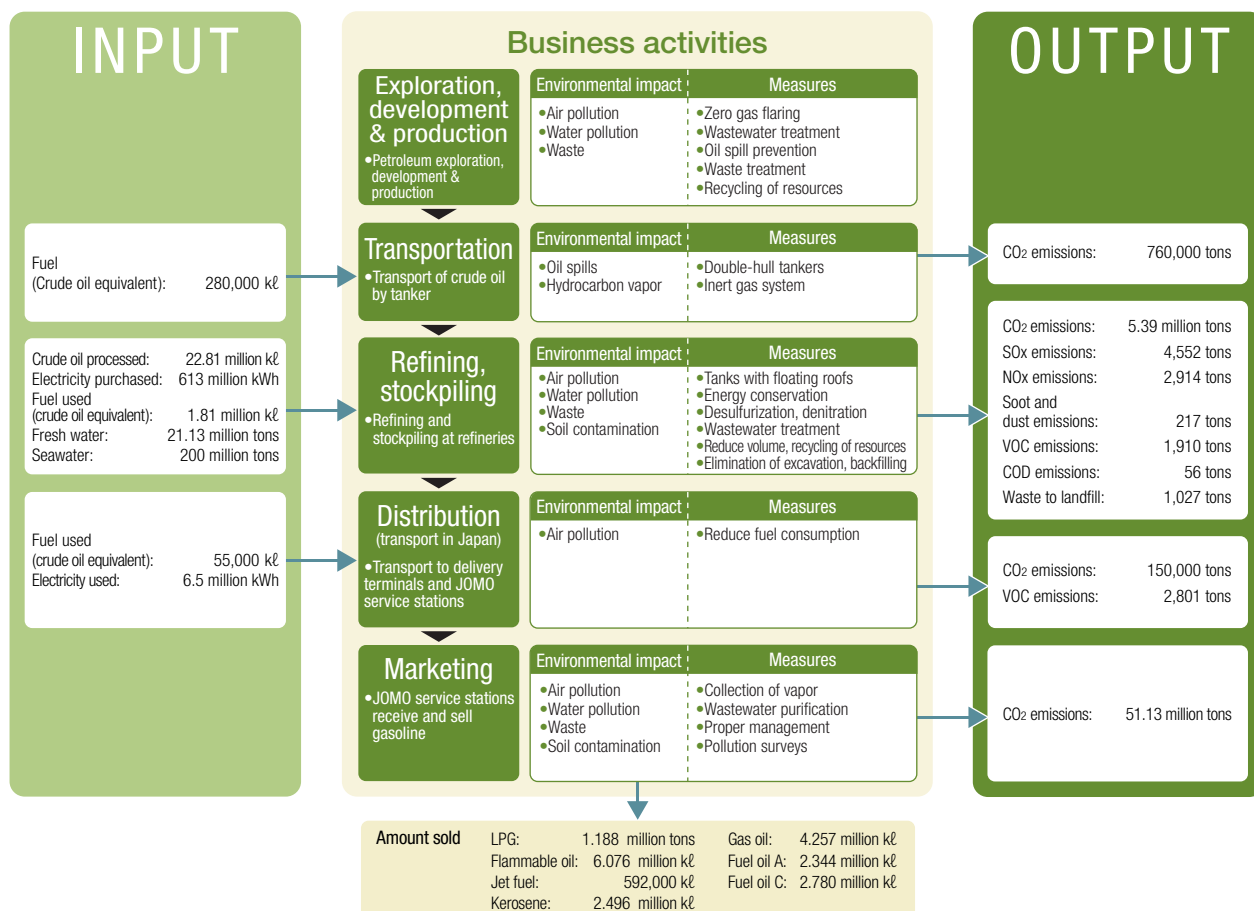
Item	FY2007	FY2006
1. Costs to build and improve environmental protection facilities	3,511	2,981
2. Costs to maintain equipment (repair and upgrade)	17,838	14,544
Total	21,349	17,525

Medium-Term Environmental Plan for fiscal 2008-10

Japan Energy has formulated the following medium-term action plan to help prevent global warming and promote other measures to reduce the environmental impact of our activities in a variety of ways. This plan covers the entire group.



Material Balance



Items posted on web site

- Environmental Management System
- Details of Medium-Term Environmental Plan

Reducing Environmental Impact

As a producer and supplier of energy, we emphasize the reduction of environmental impact in a variety of ways, including the prevention of global warming, in our business activities.

Prevention of Global Warming

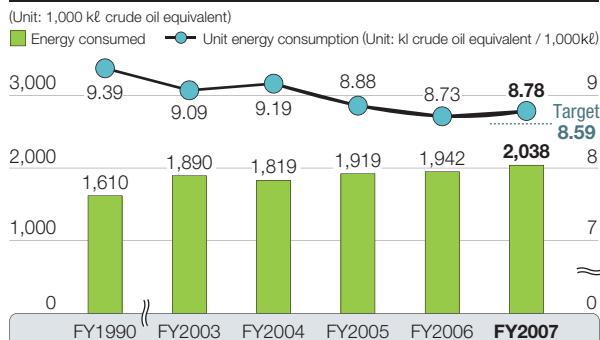
Contributing to the prevention of global warming, primarily by promoting measures to save energy, is our basic idea. We are working to reduce energy consumption at refineries and plants, in transportation, and in offices.

Energy Conservation at Refineries

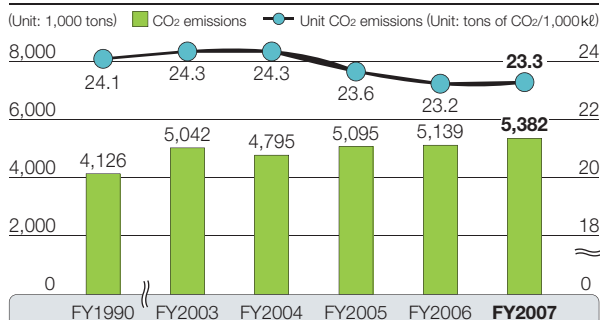
The amount of energy used at refineries fluctuates significantly in line with changes in demand for products. We manage this using an index called "unit energy consumption" with a view to contributing to the reduction of CO₂ emissions through the efficient use of energy.

Although progress was made in areas including the reduction of flare gas and the promotion of heat recovery in fiscal 2007, facility problems at the Mizushima and Kashima oil refineries and test operation of new facilities installed at the Kashima Oil Refinery resulted in a higher unit energy consumption.

Energy Consumption and Unit Energy Consumption



Carbon Dioxide (CO₂) Emissions and CO₂ Emission Intensity



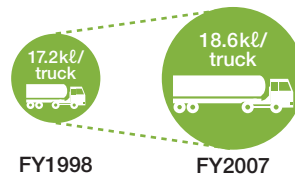
* The figures given in reports through last year were the company's direct emissions, but this has been adjusted to account for energy purchased and energy sold.

Energy Conservation in Transportation

Japan Energy transports petroleum products by either land or sea. Land transportation is carried out by tank trucks and railway tanker cars, while sea transport is carried out by coastal tankers.

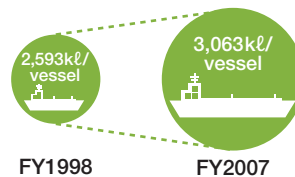
As shown below, we have for some time now been increasing the capacities of our coastal tankers and tank trucks in order to improve transportation efficiency, thereby consuming less fuel. We will continue to work for further energy conservation in transportation going forward.

Increased capacity of tank trucks (average truck size)



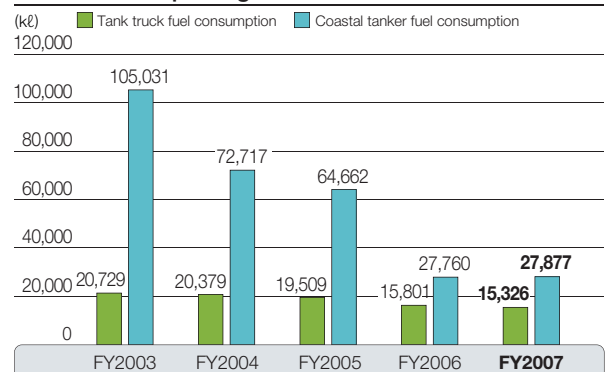
Large tank truck

Increased capacity of tankers (average ship size)



Large coastal tanker

Energy Consumption of Tank Trucks and Coastal Tankers Transporting Fuel Oil



* Based on the Law Concerning the Rational Use of Energy, we changed the method of calculation for energy consumption in fiscal 2006.

Energy Conservation in Offices

Office employees work to conserve electricity by taking steps in their immediate surroundings, including turning off lights during lunchtime or in areas with no people, turning off equipment that is not being used and controlling the temperature of air-conditioning.

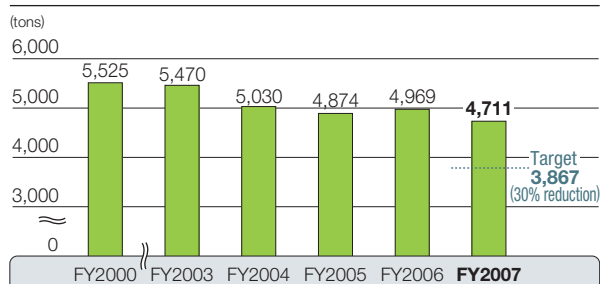
Reducing Emissions of Air Pollutants

Reducing VOCs (Volatile Organic Compounds) Emissions

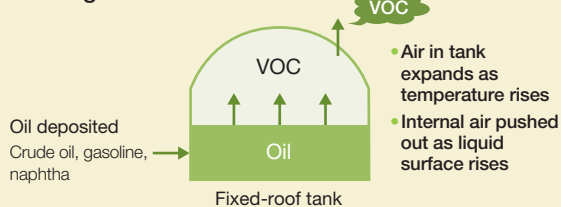
VOCs contained in naphtha and gasoline are recognized as a significant cause of photochemical smog, and we have been working to reduce emissions of these compounds into the air by our plants and facilities.

We plan to convert eight more tanks from a fixed-roof tank to a lower-emission internal floating-roof tank by the end of fiscal 2009. In fiscal 2007, one tank at the Funakawa Works (Akita Prefecture) was converted.

VOC Emissions



Conversion of Fixed-Roof Tank to Internal Floating-Roof Tank



VOCs from the stored oil evaporate and remain in the tank, and when oil is deposited or expands from a rise in temperature, these compounds are released from the tank.

A floating roof covering the surface cuts the evaporation of VOCs into the air in the tank, leading to a major reduction in the VOCs emitted when oil is deposited.

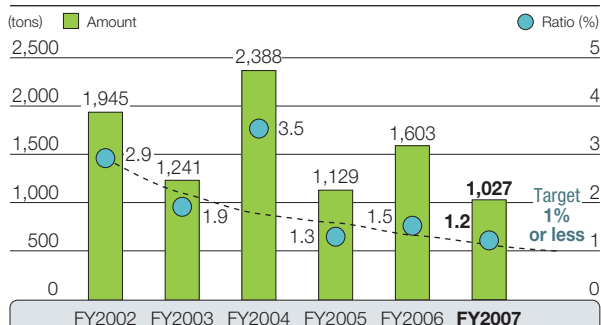
Reducing Waste Matter

Refineries and Plants

The waste generated at refineries includes a wide range of substances: waste oil, sludge, waste acid, waste alkali, dust collected from electrostatic precipitators, used catalysts and construction materials.

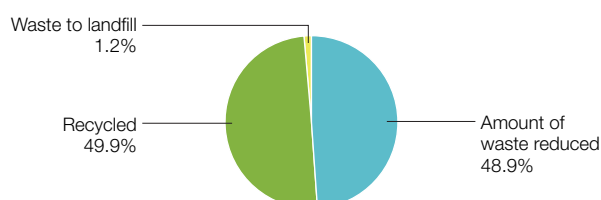
We reduce the amount of waste through oil recovery, dehydration, incineration and conversion to raw material for cement, and we promote recycling by re-refining waste oil. Through these efforts, we aim to reduce the amount of waste, as measured by the waste to landfill ratio, to 1% or less.

Waste to Landfill*



* Waste to landfill increased in fiscal 2004 because of unforeseen waste created by damage from high tides at the Mizushima Oil Refinery.

Status of Waste



Environmental Efforts at Offices

In addition to the above activities at refineries and plants, headquarters and branch offices aggressively work to separate and collect waste, and to reduce the amount of wastepaper.

JOMO service stations also collect waste oil and waste elements that are emitted.



Items posted on web site

- Participation in Clean Development Mechanisms (CDM)
- Environmental Impact Data (SOx, NOx, soot and dusts, water pollution)

Other Environmental Efforts

In addition to minimizing the environmental impact of our business activities, we are promoting the development of environmentally friendly products and new types of energy, and working to protect forests.

Soil Contamination Countermeasures

JOMO service stations are regularly monitored for soil contamination, and if contamination is discovered, appropriate measures, including public disclosure, are taken.

Efforts in the Funakawa Works

Soil remediation work on the premises of the Funakawa Works as well as on neighboring company-owned land began in fiscal 2001, and the work on the land outside the premises has been completed. The work currently underway inside the premises is scheduled for completion in fiscal 2010.

JOMO Service Stations

■ Soil Contamination Survey

JOMO service stations are evaluated for the risk of soil contamination based on risk control measures for fuel leakage implemented in 2002. Soil gas surveys and boring surveys are being carried out, beginning with stations deemed at higher risk.

Secondary surveys had been carried out at 338 JOMO service stations as of fiscal 2007, and we plan to continue these surveys beyond fiscal 2007.

These surveys have identified 21 service stations as requiring soil and groundwater cleanup, and the contaminated soil is being restored at these locations. Of these, facilities have been repaired and pollutants removed at six service stations, and work is proceeding at the remaining 15.



Soil contamination survey

■ Preventive Measures

Along with soil contamination surveys and restoration measures, preventive measures are being systematically implemented to prevent leakage from underground tanks.

Many underground tanks at service stations have been in place for a long time and could begin to deteriorate. We are therefore working to reduce the risk of leakage and associated soil contamination by replacing this underground

equipment with double-walled tanks and plastic pipes.

A total of 16 of these projects were carried out during fiscal 2007.



Renovations installing double-walled tanks

Management of Chemicals and Harmful Substances

Identifying and Managing Emissions and Transfers of Chemical Substances

The amounts of chemical substances handled, released, and transferred at Japan Energy refineries and delivery terminals that are covered by the PRTR Law are measured and reported.

Most of our chemical emissions are benzene and toluene emitted from tanks and terminals. We strive to limit chemical emissions into the environment through the previously mentioned measures to curtail VOC emissions.

Management and Appropriate Treatment of PCBs

Our refineries, plants, delivery terminals and R&D Center appropriately store and maintain capacitors (266 units) and oils containing PCBs. We plan to treat these in stages over four years from fiscal 2009, and internal preparations are proceeding.



Inside a storage facility

Promoting Green Purchasing

Petroleum products are an important source of energy, but their use generates CO₂ emissions. We therefore have Green Procurement Guidelines for purchasing the additives (chemical raw materials) required for manufacturing petroleum products, which set conditions for choosing the suppliers from which we will do our purchasing. This green purchasing is based on our belief that we must do everything possible to reduce environmental impact during production and use of petroleum products.

We also promote the purchasing of environmentally friendly office supplies, and have set a target of these products accounting for 80% of all purchases.



Items posted on web site

- Information Disclosure on Release and Transfer of Chemicals
- Development of Technologies for Improving the Environment
- Wind Power Generation Facilities
- Environmental Efforts at JOMO Service Stations

Environmentally Friendly Products

Developing Environmentally Friendly Products

■ Biogasoline

Japan Energy began selling biogasoline (bio ETBE* blend), a mixture of conventional gasoline and plant-based fuel (on a distribution trial basis), in April 2007. As of June 2008, 10 JOMO service stations were selling biogasoline.



* **ETBE (ethyl tertiary butyl ether)**: A gasoline component stock made from bioethanol.

■ Sulfur-Free Fuels

Sulfur-free gasoline and gas oil have a sulfur content of 10 ppm (0.001%) or less. Not only do they offer cleaner vehicle exhaust; they also help curb global warming, contributing to improved functioning and durability of the exhaust treatment devices on environmentally friendly cars, and to improved gas mileage.

Clean Energy R&D

■ Fuel Cell Systems

We have been researching fuel cell systems, which generate electricity through an electrochemical reaction between hydrogen and oxygen, since the 1980s. We have been taking part in large-scale experiments with stationary fuel cells, and have already installed 104 JOMO ECOCUBE fuel cell systems in homes.



The JOMO ECOCUBE, a residential fuel cell.

■ Supplying Hydrogen Energy

In addition to developing kerosene desulfurization systems and reforming catalysts for hydrogen manufacturing, we continue to conduct R&D into highly efficient, compact "reforming reactors" using hydrogen separation membranes, and an "organic hydride method" for safely storing and supplying hydrogen in liquid form.

We also operate mobile hydrogen stations that are sent to events to supply hydrogen to fuel cell vehicles.

Contributing to Society by Protecting Forests

Forest Volunteer Activities Have Continued Since 2004

Japan Energy volunteers have been working to protect forests since 2004. The first project was a red pine forest in the Nakajo Field of Japan Energy Development Co., Ltd., in Niigata Prefecture.

Since fiscal 2005, we have also been providing funds to protect forests as a "forest foster parent" in Nagano and Okayama prefectures. Employees volunteer to participate in maintenance projects with local residents to support forests in these regions.

A total of 550 employees and family members participated in seven activities in these three forests during fiscal 2007.

In addition, as part of the Nippon Mining Holdings Group, we have been working since fiscal 2006 to maintain forests at the two former mine sites in Japan.



Takahashi JOMO Fureai-no-Mori (Okayama Prefecture)

"JOMO Forest Cup and Green Culture Festival" Awards Ceremony Held

Japan Energy has begun sponsoring the JOMO Forest Cup and Green Culture Festival picture show and composing contest, with "forests" as the theme.

This festival aims to "promote awareness of the importance of forests and achieve a society that is abundant in nature," and was first launched in fiscal 2007 by the NPO Green Earth Center as a contest for elementary and junior high school students. The first awards ceremony was held in Tokyo in December 2007, and nine elementary school children received awards in the picture story division, while nine elementary and eight junior high school students received awards in the composing division. The winners presented their works at the ceremony.



"JOMO Forest Cup and Green Culture Festival" Awards Ceremony



Items posted on web site

- Environmental Considerations in Fuel Oils, Lubricating Oils and Petrochemical Products
- Clean Energy R&D Details
- Chemical Recycling of Plastic Wastes

Energy of Society

Enhancing the Energy of Society

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



Legal compliance goes without saying

Ensuring safety, from petroleum exploration and development to sales

Striving to raise the quality of products and services

Contributing to development of local communities

Carrying out fair transactions

Supporting to children at children's facilities and foster families



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

Business Partners, and Conforming to Social Standards

- Fulfilling our responsibilities to society and stakeholders
- Earning the trust of society and stakeholders
- Being needed



Aiming to be a Company Trusted by Communities and Society

Recognizing that each director and employee is a member of the community and society, we contribute to society using our unique character.

Our Unique Social Contribution Activities

Japan Energy feels a strong sense of responsibility toward communities and society to be a good corporate citizen. Even though a company needs to pursue profits, it cannot meet the expectations and gain the trust of communities and society through that alone. We therefore engage in a variety of social contribution activities, making use of our corporate culture and the special features of our business "for a more cohesive and dynamic society," as called for in our Mission.

For example, we help children – our future – grow rich in spirit by operating the JOMO Children's Story Award, the JOMO Children's Story Fund and the JOMO Basketball Clinic. We also emphasize support for people with special needs and the victims of natural and other disasters.

In addition, our social contribution activities do not only take place within the corporate organization. We consider it important for all directors and employees to be conscious of their roles as corporate citizens and to voluntarily participate in activities, and we aggressively support employees' volunteer activities.

"JOMO Science Class"
at R&D Center



Strengthening Activities with the Establishment of the Corporate Social Responsibility Department

Japan Energy's social contribution activities have a long history, with the JOMO Children's Story Award going back to the 1970s. These efforts were further strengthened with the establishment of the Corporate Social Responsibility Department in 2005 as a contact point to comprehensively promote social contribution activities.

Going forward, the department will not only work to raise awareness of social contribution in all directors and employees, but also develop a variety of activities in cooperation with employees' families and members of the community.



JOMO Basketball Clinic

Our activities

Helping the next generation realize its dreams, and also contributing to environmental protection through the effective use of thinned wood

Kiyonobu Yokokoji

General Manager, CSR Dept.

Our current system for promoting social contribution activities is based on our Mission, "We Create Energy," and the "Five Pledges" toward that mission that were established in 1997. However, the JOMO Children's Story Award has an unbroken history going back to 1970, showing that social contribution activities are an important part of who we are. The JOMO Children's Story Award was expanded to also cover social welfare in 1992, when the JOMO Children's Story Fund was jointly established with our dealers. In this way, we have supported the realization of the dreams of the next generation for the past 16 years.

In addition, wood from forest thinning in Hara Village in Nagano Prefecture is used to make the paper on which the Bouquet of Children's Stories is printed. This contributes to the creation of healthy forests in Japan so that the forests can absorb greater amounts of CO₂. We look forward to continuing to promote social contribution activities in the future, as one way of implementing our Mission.



JOMO Children's Story Award and The Bouquet of Children's Stories

The JOMO Children's Story Award has been promoting "heart-to-heart contact" for 39 years, and also supports the creation of healthy forests.

The JOMO Children's Story Award also Helps to Protect Forests

The JOMO Children's Story Award is held every year, and 2008 will be its 39th year. Original stories on the theme "getting along well with others" are collected from the general public, with the best stories published as a collection called The Bouquet of Children's Stories. We receive many wonderful stories containing the thoughts of individual contributors, and this has been popular for many years.

The Bouquet of Children's Stories is printed on "3.9 Paper," which uses wood from forest thinning. In the past, thinned wood* was often left in the forest, which made it difficult for young trees to grow. The "3.9 Paper" business model effectively uses thinned wood as a raw material for paper, and in exchange the user of the paper pays the cost of transporting the thinned wood from domestic forests. This helps to protect domestic forests, which leads to increased CO₂ absorption, and also contributes to forestation by returning the profit from the thinned wood to the forest owners.

* **Thinned wood:** The wood cut when thinning forests to give them more light and promote their growth.

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

The Bouquet of Children's Stories



JOMO Children's Fund
(scholarship grants)



JOMO
Children's Fund



3.9 Paper
(forest protection activity)



B-(2)-060008



Supporting the Dreams and Independence of Children

The Bouquet of Children's Stories is purchased by dealerships that operate JOMO service stations, Nippon Mining Holdings group companies, Japan Energy affiliates, directors and employees. In addition to being distributed to the customers at JOMO service stations, the books are donated by service stations, refineries and plants to schools and preschools in their neighborhoods. Copies are also delivered to children's homes, mothers-and-children's homes, and other social welfare facilities around Japan, as well as to families with foster children. All sales are put into

the JOMO Children's Fund, and donated to the Japan National Council of Social Welfare at the awards ceremony held every November. The donation for fiscal 2007 was ¥24 million. Using these donations, the council has established a scholarship fund to help children in children's homes and single mother support centers, as well as foster children, to attend college or technical schools after graduating from high school. To date, more than 1,200 children have received scholarships.

Along with giving a sense of comfort to the people who read The Bouquet of Children's Stories, the book also helps children in financial need to become independent.

Looking to Japan Energy

We are very grateful for the JOMO scholarship program, which supports the desires of both foster children and parents

Hiromichi Kinouchi, Director
National Foster Parent Association of Japan

Shogo Sakai, Secretary General
National Foster Parent Association of Japan

Foster care places children who, for a variety of reasons cannot live with their own family, with foster families. Although some support for raising the children is provided by the government, the financial burden on the foster parents is still significant, and they are often not able to provide higher education after high school. Nevertheless, many of these parents want to provide the children who want to continue their education with that opportunity. In other words, higher education is the wish of both the children and the foster parents. For this reason, we are very grateful for the JOMO scholarship program, made possible by The Bouquet of Children's Stories.

We hope that in the future this program can be expanded to provide assistance not only for entering college or technical school, but also to assist students while they are in school. We look forward to reporting on children's growth and the paths they have taken after graduation to everyone who has helped to support them.



Thank-you letters from scholarship recipients



Looking to Japan Energy

People of all ages enjoy The Bouquet of Children's Stories, while waiting at the service station or as a present.

Kenichi Aoki,
Manager, Ishii Service Station Kita-kanto Company, JOMO-NET Co., Ltd.

We make The Bouquet of Children's Stories available for customers to read while they wait to have their car serviced, and give them copies to use as present for their families and friends as presents. There is a large shopping center near our service station, so on weekends and holidays we are visited by many families. People of all ages, from children to grandparents, enjoy the book, and some look forward to its publication every year. We also distribute copies to kindergartens and a children's hospital in our neighborhood, which makes a contribution to the local community.

I am very glad that we are able to support the dreams of children by purchasing the Bouquet of Children's Stories. I want to actively contribute to society, and would like to see Japan Energy continue to develop similar activities.



Customer Care

In addition to improving quality, to provide high-value-added products, we also make every effort to work together as one Team JOMO for “customer satisfaction management,” with the aim of creating JOMO service stations that customers like and trust.

Strengthening the Quality Control System

We feel very strongly that quality is the foundation of customer satisfaction, and in 2006 we established a groupwide Quality Policy.

Quality Policy

1. The Japan Energy Group will aggressively tackle environmental problems by developing and manufacturing environmentally friendly petroleum products, and stable supply of energy.
2. The Japan Energy Group will build and maintain a proper quality management system based on the ISO 9001 quality management system.
3. The Japan Energy Group will aim to eliminate all quality-related problems with a thorough quality control system covering everything from the manufacture of petroleum products to their storage, transportation and sale.

Based on this policy, the Liaison Meeting of Quality Assurance Personnel was established as a cross-group organization, and at the same time an administrative department was established in each product group, with each of these departments carrying out its own quality control.

In order to further enhance the quality of fuel oil, our main product, the Fuel Oil Quality Assurance Committee was established in March 2007. This committee designates major issues with regard to fuel oil quality each year, and takes appropriate measures to address those issues.

The following are the major quality assurance and control issues designated for fiscal 2008, and related measures are being implemented.

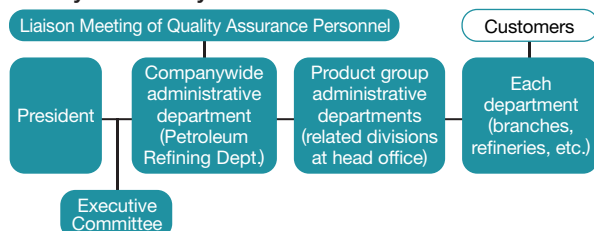
Squarely address environmental quality

Biofuels and sulfur reduction in fuels

Enhance quality control and assurance

- (1) Quality surveys at refineries and shared use of quality information
- (2) Strengthen cooperation between marketing and transportation divisions (strengthen and support quality training)

Quality Control System



JOMO CARDS (Light and Plus)

We introduced the JOMO CARD Plus in 2002 for the convenience and economy of our customers. In October 2006, we introduced the JOMO CARD Light, which entitles customers to extra benefits like a discount of 2 yen/liter on gasoline and gal oil and 1 yen/liter on kerosene, with no annual membership fees. Besides the benefits for customers, this card also makes JOMO service stations more competitive.



JOMO CARD Light



JOMO CARD Plus

Value Style: Pursuing Comfortable Space and the best Hospitality

We developed Value Style stations based on the concept of creating service stations that make customers want to have a visit, want to come in, and want to come back again. The stations have a consistent exterior, and the interior has a completely separated smoking area, a café and a children's area to create a comfortable atmosphere.

As of the end of March 2008, there were 613 Value Style stations across Japan, and we plan to further increase this number going forward.



Value Style station



Items posted on web site

- Status of ISO 9001 Certification
- Customer Care for LP Gas Users
- Partnerships with Business Partners
- Human Resource Development (Instilling a Sense of Hospitality)

Promoting “Awareness” from the View Point of Customers

JOMO service stations have had “Awareness” boxes since 2005. Things that we see every day and casually take for granted can lead to new discoveries if we just look at them from a different perspective. These new discoveries lead to awareness. The awareness can come from your impressions or ideas, or from something you think could be done better. When you start to think of awareness, you can anticipate what customers need, and this leads to service and hospitality that goes beyond customer expectations.

Examples of awareness that our service stations have acted on to improve customer service include lap blankets to make customers comfortable while waiting, and when servicing a car will require some time, calling customers on their mobile phone when the work is finished so they do not have to wait on the premises. Approximately 1,000 JOMO service stations around Japan used the awareness box system during fiscal 2007.

We are distributing examples of useful suggestions to JOMO service stations so they can be shared across the group, which has the added benefit of raising station staff awareness and thereby raising the level of customer-focused service.



Awareness Notes

Mystery Shoppers Evaluate Service Stations from a Customer Perspective

Since 1994, we have been conducting customer satisfaction surveys twice a year at the roughly 2,000 nationwide JOMO service stations.

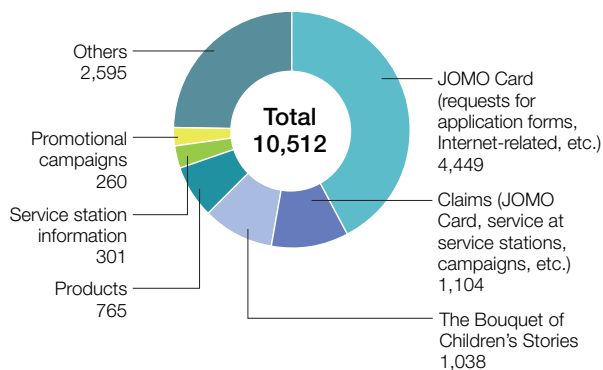
Starting in October 2006, we have had consumers act as “mystery shoppers” in order to get an unbiased, customer-centered view of things like fueling, maintenance, customer service, shop facilities, and cleanliness. Based on the results of those surveys, we hold study sessions for service station managers with the aim of further improving customer service.

JOMO Customer Center Puts Opinions and Requests to Customer Service

We launched the JOMO Customer Center in July 1998 to gather customer opinions and reflect these in our service. Customers can call a toll-free number or send e-mail for various inquiries, and give us their opinions and ideas on improvements that could be made.

These customer opinions and requests are put into a database and are used in creating targets for future improvements. We have also set up a dedicated web site to share this information within the group, to further raise the level of customer service at JOMO service stations.

Inquiries to the JOMO Customer Center (fiscal 2007)



Making JOMO Service Stations Barrier Free

JOMO Service Stations are incorporating universal design so that all customers can use them easily with peace of mind.

Main initiatives

- **Stairs and curbs:** Ramps installed
 - **Store entrance doors:** Automatic or sliding doors
 - **Restrooms:** Wide space and handrails, Western-style toilets
- Note: There are 26 JOMO service stations with restrooms that provide full wheelchair access.

- **Price list signs:** Yellow (barrier-free color) LED



A list of JOMO service stations with barrier-free restrooms is available at <http://www.j-energy.co.jp/station/ss/> (Japanese only)

Together with Society

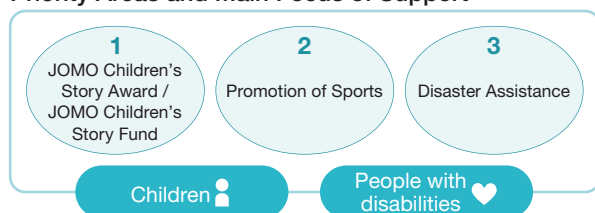
As a corporate citizen aiming “for a more cohesive and dynamic society,” we contribute to society through the promotion of sports and culture and through support for Japan Energy employees’ volunteer activities.

Social Contribution Priorities and Support Focus

Japan Energy has always worked to enrich and develop society through social contribution activities.

In pursuing these activities, we focus our support on “children” and “people with special needs” in particular.

Priority Areas and Main Focus of Support



1. JOMO Children's Story Award / JOMO Children's Story Fund

Helping Children Become Independent Members of Society

Please refer to the special feature on Page 28 for details of the JOMO Children's Story Award and the JOMO Children's Story Fund.

2. Promotion of Sports

JOMO Basketball Clinic

The JOMO Basketball Clinic teaches children throughout Japan the basic skills of basketball, and is taught by a full-time staff comprising former members of our women's basketball team, the JOMO Sunflowers. A total of 54 clinics were held during fiscal 2007, with 1,987 children attending.



JOMO Basketball Clinic

Supporting Wheelchair Basketball Tournaments

Japan Energy also helps promote wheelchair basketball as a sponsor of the Japan Wheelchair Basketball Federation Tournament (May), the national women's and senior tournaments (November), and wheelchair basketball clinics (September in Kumamoto, November in Hokkaido). Our employees also volunteered to assist with the operation of the May and November tournaments.



Wheelchair basketball clinic sponsored by Japan Energy (Hokkaido)

“Click Donation” Supports Sports for the Disabled

With the Click Donation system, visitors to our web site can click on an icon, and Japan Energy will make a donation to various organizations corresponding to the number of clicks at no charge to the person clicking on the icon. We supported the Special Olympics from November 2006 to October 2007 and received 4,953,660 clicks during that period. A donation of ¥1 per click was made to the NPO Special Olympics Nippon, and this supported the Japanese athletes who participated in the World Summer Games held in Shanghai in October 2007. The next Click Donation campaign, called “Heading to Beijing!” runs through September 2008 and will support sports for people with disabilities.



Click Donation Internet Site

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

3. Disaster Assistance

JOMO Fureai Fund and other Disaster Assistance

The JOMO Fureai Fund was launched in April 2006 to provide assistance to disaster victims. Executives and employees designate a fixed amount to be donated from their salary, and Japan Energy matches this amount.

During fiscal 2007, the fund provided support to victims of four natural disasters in Japan and overseas, including the Noto Peninsula Earthquake in March and the Niigata Prefecture Chuetsu Offshore Earthquake in July.

Support was also provided to victims of the earthquake in Niigata in the form of portable gas stoves and gas cartridges, drinking water, etc., provided through dealerships in the stricken area.

As of the end of March 2008, there were 637 participants in the fund, and the amount raised during fiscal 2007 was ¥14,063,000.

Disaster Assistance Provided in fiscal 2007

	Area	Recipient	Amount
April	Noto Peninsula Earthquake	Central Community Chest of Japan	¥1,000,000
July	Niigata Prefecture Chuetsu Offshore Earthquake*	Japan Red Cross Society	¥11,063,000
August	Earthquake in Peru	Japan Platform	¥1,000,000
December	Cyclone in Bangladesh	Japan Platform	¥1,000,000

* Includes donations from three Nippon Mining Holdings Group companies, the Kitakanto Branch Office, and the Kashima Oil Refinery

Community Activities

Community Cleanup

Japan Energy has a tradition of holding community cleanup activities at its sites.

Approximately 850 employees took part in cleaning activities during fiscal 2007, held at the Mizushima Oil Refinery, Chita Oil Refinery, Funakawa Works, Sodegaura Lubricants Plant, Kawasaki LP Gas Terminal, R&D Center, Hokkaido Branch and Kashima Oil Refinery (Kashima Oil Co., Ltd.).



Let's Clean (Hokkaido Branch)

Participation in Local Disaster Prevention Activities

To ensure safety in local communities, Japan Energy refineries and plants cooperate with neighboring companies and local governments in disaster prevention activities, and strive to improve technologies for preventing and fighting fires.

Firefighting teams from Japan Energy's R&D Center placed first and runner-up in a firefighting competition held by the Toda City fire department in October 2007.



Community Education Activities

Japan Energy sites hold tours for their local communities. The R&D Center has been holding a "JOMO Science Class" since 2004, making its testing facilities available for students of the Toda Municipal Niizo Elementary School. At the request of Toda City, Japan Energy researchers have also visited a local elementary school to teach JOMO I Love Science Classes since 2007.

The center also makes use of the roughly 1,300 trees and shrubs on its site to hold a JOMO Nature Class and JOMO Neighborhood Exploration activities. Another of our ongoing activities to develop children's interest in science is the JOMO Planet School, which uses telescopes to teach basic astronomy.

Fiscal 2007 Educational Activities in Pictures

R&D Center



JOMO Nature Class



JOMO I Love Science Class



JOMO Planet School

Mizushima Oil Refinery



Tour for local residents (Takahashi City)



Tour for families of refinery employees



Items posted on web site

- Participation in Minato-Net
- Participation in Minato Eco-conscious Consortium
- Opening Japan Energy Facilities to the public
- Walk the World
- Volunteer Leave Systems
- JOMO Volunteer Network
- Second-Hand Book Fair Charity
- Collecting Items to Donate
- Charity English Conversation Class
- Support for Guide Dog Training Facilities
- In-House Blood Donor Clinics
- CO₂ Reduction Activities by Employees and Executives

Third-Party Opinions

To make this CSR Report a more effective means of communicating our CSR activities, we asked two outside experts for their opinions.



Mr. Nobuo Gohara

Professor, Toin University of Yokohama Law School
Lawyer

Personal history

Graduated from Department of Science, Tokyo University
Appointed public prosecutor in 1983. After working at positions including public prosecutor for Investigation Dept., Secretariat of the Fair Trade Commission and public prosecutor, Tokyo District Public Prosecutor's Office, special detective, Hiroshima District Public Prosecutor's Office, and associate prosecutor, Nagasaki Public Prosecutor's Office, in 2003 was appointed guest professor at Toin University of Yokohama Law School. In 2005, became a professor of law at Toin University of Yokohama Law School and Director, Compliance Research Center of Toin University of Yokohama. In 2006, left the prosecutor's office but continues to teach at Toin University of Yokohama Law School and practices law.
Publications include: "Legal Compliance Will Ruin Japan," published by Shincho Shinsho (2007) "Corporate Law and Compliance" (author and editor), published by Toyo Keizai Shinposha (2006)

The special features in this year's CSR Report explain the company's activities in terms of the three energies, expanding on the Corporate Mission of "We Create Energy." Bringing the term "energy," which is also in the company name, to the forefront makes the report easy to understand and creates a strong, positive impression. The fact that the report covers not only Japan Energy but also explanations of CSR activities related to the Nippon Mining Holdings Group's mission and governance structure, makes the report more persuasive.

The topics covered to explain the creation of the three energies are the promotion of a workplace in which women can thrive for "Energy in People," reducing environmental impact through more efficient use of energy for the "Energy of the Earth," and the JOMO Children's Story Award for "Energy of Society." The use of these familiar, specific themes makes the narrative easy to understand. This conveys the fact that the company is addressing current needs like empowering female employees and addressing global warming, but not at the expense of its ongoing social contribution activities. A variety of other topics are also introduced, including improving the work environment, environmental protection and customer satisfaction. These are also important CSR activities for addressing the needs of the company's various stakeholders and achieving its Corporate Mission.

Compared with last year's report, which featured responsibilities and actions in the supply chain and dealt directly with the company's primary mission of providing a stable, safe and efficient supply of energy, however, I felt that this year's report was somewhat weak in terms of the company's core business of "providing energy," and focused more on peripheral activities.

Given today's high prices for oil and other materials and heightened concern regarding energy procurement, the steady execution of the basic mission of maintaining stable procurement and supplies of energy is itself an important element of CSR. I would have liked to see this addressed from a different perspective from last year's report.

CSR encompasses all activities through which companies respond to the needs of society. Today, energy-related issues are society's greatest concern, and overcoming various difficulties to maintain business activities that contribute to a stable supply of energy is itself the most important "energy" for Japanese society.

I look forward to Japan Energy's future activities as a comprehensive energy company.



Ms. Yoko Takahashi

Chief Director of the Japan Philanthropic Association

Personal history

After graduating from Tsuda College, worked as a high school teacher. After being certified as a counselor at Sophia University, worked as a counselor at Kanto Gakuin Junior and Senior High School. Joined Japan Philanthropic Association in 1991, where she worked as secretary-general and managing director before assuming her present position as chief director in June 2001. Has a wide range of contacts in government, industry and non-profit organizations, and working with them, she supports both companies' and individuals' involvement in philanthropic activities.

Publications include: Introduction to Philanthropy, published by Kainan Books

Enjoy Volunteering from Age 60, published by Nihon Kajo Publishing

This year's booklet, with concentrated content and fewer pages, lowers barriers for readers. The arrangement, with the top message clearly stated at the beginning and the entire report based on the Corporate Mission, is easier to follow.

I also feel that in addition to consolidating what were separate sections for separate departments, the presentation and wording did not have enough cross-cutting discussion to give readers a full picture. I like the fact that the report honestly and straightforwardly addresses current conditions, but the environment and energy section in particular was technical and difficult to understand, and I don't think it gives a clear picture to general customers. I would have preferred simpler explanations. The fact that the company's core business is energy makes it necessary to take into account that non-specialists have a variety of different ways of looking at these issues, and to clearly convey the company's vision for the future to a wide range of people.

The "Awareness Notes" discussed in the "Customer Care" section is very valuable. Even though this is a unique activity, the explanation was not very detailed and did not make a strong impression. I believe a clearer picture of the flow of how many suggestions are received and how they are used would express the company's plans and outlook for the future, and be more meaningful as a forward-looking report.

Going forward, social contribution activities will need to become more thoroughly instilled as part of corporate culture. Expanding the scope of support of JOMO Fureai Fund to areas other than the disaster assistance could lead to greater participation by employees in terms of both donations and volunteering.

Japan Energy should be very proud of the JOMO Children's Story Award. I found the section on this, and on the involvement of service stations to be very interesting. Even though people from the foster care association were featured, however, I think that conveying the gratitude of the children and episodes that would touch readers would give a fuller sense of the program's significance and possibilities for the future. In addition, if the general public were able to participate in the activities of the JOMO Children's Story Fund, customers would get a better sense of the company wanting to "connect with society." Stakeholders are partners for the promotion of CSR. I hope that the report will create contact points that allow Japan Energy to connect with society.

Explanation of Terms

Term, Abbreviation	Explanation
Xylene	An aromatic hydrocarbon, it has two methyl groups (CH ₃) substituted in place of two hydrogen atoms in benzene. There are three isomers of xylene: ortho, meta and para. Xylene is an oily liquid that is colorless, transparent, toxic and flammable. It is obtained from petroleum reformat and is a raw material for organic solvents and synthetic resins.
Photochemical smog	The nitrogen oxide and hydrocarbons in car exhaust undergo chemical change when they react with the ultraviolet rays from the sun in the atmosphere, thus producing photochemical smog. Oxidants are air pollutants and one of the main components of photochemical smog.
Sulfur-free	Reducing the sulfur content in gasoline and gas oil to 10 ppm or less.
Catalyst	A substance that remains unchanged itself but alters the speed of chemical reactions of other substances. An example is the desulfurization of heavy fuel oil, which commonly uses the hydrodesulfurization method. High-temperature, high-pressure heavy fuel oil is injected with hydrogen, subjecting it to solid catalysts inside the reaction chamber. A hydrocracking reaction of the sulfur compounds results in the sulfur being removed as hydrogen sulfide. Catalysts have a life span and are replaced when they lose their ability to alter the speed of chemical reactions.
COD contamination	An index for water pollution, COD (Chemical Oxygen Demand) is a measure of the oxidant required to degrade organic compounds in water. It is a major index for measuring pollution by organic compounds in sea water and lake water.
Sludge	Solid matter generated when deteriorated oil reacts with dissolved oxygen.
Denitration	The process and technology for removing nitrogen oxide from exhaust gas. The most common method of denitration is the ammonia catalytic reduction method in which ammonia is used as a reductant.
Desulfurization	Reducing the sulfur content of petroleum by causing a reaction between the sulfur and hydrogen, thus removing the sulfur in the form of hydrogen sulfide. In addition to the desulfurization of petroleum products, the removal of sulfur oxide from exhaust emitted during combustion is called flue gas desulfurization.
Toluene	An aromatic hydrocarbon, it has a methyl group (CH ₃) substituted in place of one hydrogen atom in benzene. It is a toxic, colorless, flammable liquid with a distinct odor. It is obtained from distillation of coal tar and the breakdown and reforming of petroleum. It is a raw material for dyes, explosives and synthetic resins. It is also commonly used as solvent as a main ingredient in paint thinners, and is also known as toluol.
Naphtha	Also known as unrefined gasoline (intermediate gasoline), it is mainly used as a raw material for petrochemical products. It has a fractional distillation range of between approximately 30° and 200°C.
Biogasoline	A regular gasoline blended with plant-based bio ETBE (ethyl tertiary butyl ether), a substance created by synthesizing petroleum-based gas with ethanol, which is derived from plants like corn and sugar cane. Biogasoline is a regular gasoline that has passed the standards of JIS (Japan Industrial Standards) and the Quality Control Law (Law on the Quality Control of Gasoline and Other Fuels), and can be used as original regular gasoline.
Particulate matter	The particles contained in the smoke from smokestacks.
Benzene	A colorless liquid with aroma, it is insoluble in water. Also known as benzol. It is extremely volatile and easily ignitable. Because benzene is toxic, its use is restricted under Occupational Health and Safety Law and must be handled with care. Its molecular formula is C ₆ H ₆ and it is the most basic substance of the aromatic hydrocarbons.
Delivery terminals	A relay station where products refined at refineries can be efficiently delivered to where they will be consumed. Stockpiling at delivery terminals has advantages such as ensuring a stable supply and reducing distribution costs.

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