

Ensuring Safety

Policy for Ensuring Safety

"To ensure the safety of people as our highest priority, reduce and eliminate risks through the appropriate allocation of management resources and the maintenance and improvement of facilities, processes and work mechanisms with the aim to eliminate accidents and injuries while also making efforts to cultivate our safety culture" is the policy for ensuring safety. The ensuring of safety based on this policy is the result of management efforts and realizing zero accidents and disasters is the foremost achievement of these efforts. Based on this recognition, the following specific policies are established as the most important standard to be prioritized to ensure safety for the various criteria for determining value in each scene and stage in all our business activities including production, logistics, sales and research and development, in all our operations and all our activities.

1. Ensure the safety of people
2. Ensure the safety assurance of facilities and processes
3. Ensure safety in work mechanisms and procedures
4. Properly allocate and utilize management resources
5. Cultivate safety culture and promote safety management

System for Promoting HSSE Initiatives

Our group has traditionally positioned "Safety, Health and the Environment" as the foundation of its management, and has established the "Safety & Environmental Protection Headquarters" to promote initiatives to secure and preserve them. The executive in charge of safety and environment (director), who is delegated by the President and Representative Director, serves as the General Manager of the Safety & Environmental Protection Headquarters, overseeing the headquarters as the person in charge of safety, health, and environment.

The role of the Headquarters is to determine the Medium-term Management Plan, the annual basic policies and priority issues on HSSE, to assess and evaluate performance through audits, to maintain, review, and improve the Safety Management System and the Environmental Management System (Idemitsu Sustainability Report 2019 p. 16), and to instruct all executive departments and major group companies to secure management resources necessary to establish, implement, maintain, and continually improve the Management Systems. As a general rule, we have the Safety & Environmental Protection Headquarters Meeting once a year in December to decide on our group's annual basic policies for the next fiscal year.

Each executive department appoints a manager in charge of safety and environment to manage and promote the overall HSSE activities of the department, including the business sites under its management.

In addition, in order to confirm and promote the HSSE activities of each executive department, the General Manager of the Safety & Environmental Protection Headquarters or top management visits business sites to provide Safety and Environment-related instructions or safety patrols, or the Safety & Environmental Protection Headquarters secretariat conducts Safety and Environment audits at business sites. In particular, at our company's refineries and plants, the General Manager of the Safety & Environmental Protection Headquarters provides Safety and Environment-related instruction and safety patrol once a year, while the Safety & Environmental Protection Headquarters secretariat conducts Safety and Environment audit once a year.

Furthermore, in order to prevent large-scale disasters at our business sites, we have established the Safety and Safety Assurance

Advisory Committee, which consists of members, including external experts, as an advisory body to the Board of Directors or the President and Representative Director, with the aim of establishing more effective safety and safety assurance measures.

* Safety Management System: To promote safety management activities, safety management policies and objectives and targets are established. To achieve these objectives, a safety management plan is formulated, implemented, reviewed, and continuously improved

Activities and Results Based on the Annual Basic Policies on HSSE

Annual Basic Policies on HSSE in FY2018

Continue to take on the challenge of zero accidents, and aim for "Zero serious accidents", "Zero fatal and lost time injuries," and "Zero environmental anomalies." In particular, continue to promote "Strict adherence to livesaving rules" and "Caring for and encouraging peers."

Idemitsu Group's Safety, Health and Environmental Performance in 2018 (including partner companies) (Unit: cases)

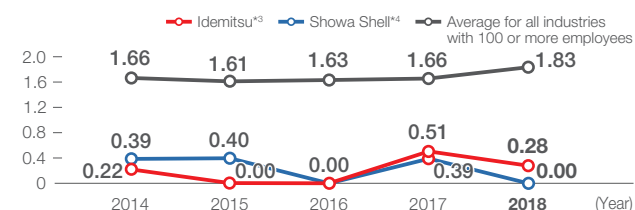
Serious accidents	1	In February 2018, an explosion and fire occurred at the Yokohama Plant of SDS Biotech K.K., including a fatality in the partner company (There were no serious accidents at refineries or plants)
Fatalities	1	(Including the above serious accidents)
Lost time injuries	16	
Environmental anomalies	0	

Showa Shell Group's Safety, Health and Environmental Performance in 2018 (including partner companies) (Unit: cases)

Serious accidents	0	
Fatalities	1	In April 2018, a fatality in the partner company by falling into the sea while moving 2 container ships that were berthing.
Lost time injuries	7	
Environmental anomalies	0	

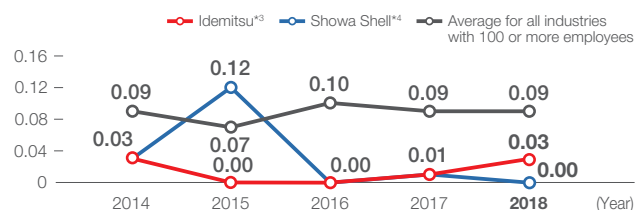
Frequency rate*1 (Frequency of occurrence of accidents)

*Excluding employees of partner companies



Severity rate*2 (Degree of severity of accident)

*Excluding employees of partner companies



*1 Number of fatalities and injuries due to work-related accidents per 1 million hours of actual work

*2 Number of lost working days per 1,000 hours of actual work

*3 Idemitsu's data covers Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, Prime Polymer Co., Ltd. Anesaki Works, BASF Idemitsu Co., Ltd.

*4 Showa Shell's data covers Showa Yokkaichi Sekiyu Co., Ltd., TOA Oil Co., Ltd., and Seibu Oil Co., Ltd.

The annual basic policies for FY2019 will follow the annual basic policies for FY2018. Based on the results described above, we are working to prevent accidents by adding the following items to our priority issues.

Annual Basic Policies on HSSE in FY2019

- Standardization to create and keep safety cultures for "Strict adherence to livesaving rules" including partner companies
- Promotion of countermeasures through exhaustive identification of potential risks and implementation of appropriate risk assessment

Safety and Health Initiatives

Efforts for Zero Accidents

In 2018, a serious accident (dust explosion fire accident) occurred at an affiliated company of Idemitsu Kosan, resulting in a fatality in the partner company. This was due to insufficient identification of potential risks. As a member of the accident investigation committee, we worked to identify the cause of the accident and supported to make preventive measures. Urgent investigations were conducted at domestic and overseas business sites to confirm that there were no similar risks. We will continue to strengthen our efforts to prevent serious accidents in all executive departments.

The number of work-related accidents (lost-time injuries and medical treatment cases) in our group in 2018 was lower than in 2017. This is the result of our efforts to thoroughly implement "Strict adherence to livesaving rules" such as the use of fall prevention devices, in order to prevent the recurrence of accidents that might lead to fatalities by falling from a high place occurred in 2016 and 2017. In FY2019, with the aim of achieving "Challenge of zero accidents," each department is promoting the PDCA cycle for safety and environmental management on its own initiative, and is working to continue safe and stable operations by identifying potential risks, including processes and equipment, and implementing appropriate risk assessment measures.

Safety and Safety Assurance Advisory Committee

In the FY2018 Safety and Safety Assurance Advisory Committee, we consulted on the "Efforts to achieve advanced safety assurance equivalent to Super-certification*" and received the reply that "Upgrading of risk assessment and strengthening of facility management and operation management by utilizing advanced technologies are important points." Based on this, the Tokuyama Plant obtained Super-certification in FY2019. The Chiba Plant also underwent an on-site inspection and applied.

In FY2019, we consulted the Committee as "Efforts to deal with increasingly severe natural disasters" and received the reply. We will consider and respond to it in the future.

* Super-certification: A system in which the Ministry of Economy, Trade and Industry certifies accredited manufactures that are engaged in advanced safety assurance, such as IoT, the use of big data, advanced risk assessment, and third-party evaluation of safety capabilities, as "Super-certification Manufactures (Specified Accredited Manufactures)" in response to diversifying disasters, aging of plants, and a decrease in the number of skilled employees.

Quality Control and Quality Assurance

Basic Approach to Quality

Our group has defined its basic stance on quality as "In order to ensure product safety and minimize the impact on people and the environment, we shall promote quality assurance activities that take into account the entire life cycle of our products and services, from development to consumption or disposal, and strive to improve customer satisfaction and protect consumers." In addition, the "basic quality assurance guidelines" which is the highest-level internal regulation on quality, sets forth the following quality assurance policy as the basic concept of quality.

1. We provide products and services of appropriate quality from the customer's perspective.
2. Develop environmentally conscious production activities and products.
3. Provide safe and secure products.
4. We will always ensure compliance and fulfill our social responsibilities.

Quality Control and Quality Assurance System

Our group's quality assurance system consists of 2 components: business units and affiliated companies, and a corporate-level system for overseeing these. In actual quality activities, these two systems work together to ensure that the Group as a whole implements its quality assurance policy.

Quality Control and Quality Assurance Systems in Each Business Division and Affiliated Company

Our group's business divisions and affiliated companies conduct quality management activities at every stage of our operations, from product development to manufacturing and sales, that contribute to the maintenance and improvement of the quality of products and services that meet the needs of customers and society. In addition, each business division and affiliated company has introduced a quality assurance management system to ensure the quality of products and services provided to customers. A total of 39 business units and affiliates in our group have acquired ISO 9001 certification. (As of July 1, 2019)

Quality Assurance System at the Corporate Level

The Quality Assurance Headquarters has been established as a corporate quality assurance organization to strengthen governance of quality throughout our group. The Quality Assurance Headquarters is headed by the executive in charge of quality assurance (director) appointed by the Board of Directors, and is headed by the heads of quality-related business divisions and the presidents of affiliated companies. The Quality Assurance Department of the Health, Safety, Security and Environment (HSSE) serves as its secretariat. The Quality Assurance Headquarters formulates policies for company-wide quality assurance activities and promotes the important issues such as maintenance, review and improvement of the quality assurance management system. Each business division follows its own PDCA cycle (Idemitsu Sustainability Report 2019 p. 42) in accordance with these policies. As a general rule, the Quality Assurance Headquarters meets once a year to monitor progress and determine our group's basic policies for the next fiscal year. We also conduct regular quality audits to improve the activities of each division.