

## Social Commitment

### Creating Rewarding Workplace Environments

#### Basic Policy

Idemitsu strives to fulfill its management philosophy by developing personnel with an inherent code of conduct and the capability to make judgments and take action of their own accord, and by creating workplace environments in which employees are able to work with a sense of assurance and satisfaction.

## Employment and Support for Employee Growth

### Issues/Targets and Results

#### Employment

P	Fiscal 2016 Targets	D	Results	C	A	Evaluation/Improvements	P	Fiscal 2017 Targets (Plan)
	<ul style="list-style-type: none"> <li>Hire 94 graduates in April 2017</li> <li>Hiring of mid-career professionals in fiscal 2016 has been suspended, in principle</li> </ul>		<ul style="list-style-type: none"> <li>Hired 92 new graduates in April 2017</li> <li>Hired 8 mid-career professionals</li> </ul>			<ul style="list-style-type: none"> <li>Continued to hire new graduates of foreign nationality (2 hires)</li> <li>Mid-career professionals were hired in departments where they were needed</li> </ul>		<ul style="list-style-type: none"> <li>Hire 120 graduates in April 2018</li> <li>The hiring freeze on mid-career professionals has been lifted, and they will be hired as needed</li> </ul>

#### Skills development and education and training system

P	Fiscal 2016 Targets	D	Results	C	A	Evaluation/Improvements	P	Fiscal 2017 Targets (Plan)
	<ul style="list-style-type: none"> <li>Finish creating DVDs for self-evaluation meetings as tools for passing on Idemitsu's principles</li> <li>Begin cross-industry training and continually assess the programs while checking its effectiveness and areas for improvement</li> <li>Provide comprehensive guidance on a stable and ongoing basis and thus empower affiliate companies to carry out their own employee training programs</li> </ul>		<ul style="list-style-type: none"> <li>Systematically making DVDs for self-evaluation meetings</li> <li>Fully began cross-industry training programs from fiscal 2016. After reviewing the programs, we decided to continue them in fiscal 2017.</li> <li>Continued supporting affiliate companies to enable them to carry out their own employee training</li> </ul>			<ul style="list-style-type: none"> <li>By setting aside time to discuss the management philosophy and doing more than simply making DVDs, we have ensured that the philosophy has taken root</li> <li>In preparation for next fiscal year's cross-industry training programs, pointed out areas that need improvement and took appropriate measures</li> <li>The number of affiliates that can plan and implement their own training programs is growing</li> </ul>		<ul style="list-style-type: none"> <li>All 10 DVDs are scheduled to be completed by September 2017. Once completed, they are planned to be exhibited at meetings for HR managers and other events.</li> <li>Continue to implement the cross-industry training programs in fiscal 2017</li> <li>Provide only the minimum amount of support necessary for affiliate companies to conduct their own training programs</li> </ul>

## Employment

### Status of Employment

Idemitsu employees at the end of March 2017 stood at 9,139 for the Group as a whole,\*1 and 4,001 for Idemitsu on a non-consolidated basis. Recruitment is conducted based on personnel recruitment plans that were formulated in light of our business development plans and the age distribution of our workforce. In fiscal 2016, we hired new graduates, bringing on board 92 as of April 2017.

\*1 The number of regular employees of Idemitsu and consolidated subsidiaries (including equity-method affiliates)

### Philosophy on Welfare

With the aim of enabling employees to concentrate their efforts on their work with assurance and ensuring that employees and their families have a sense of security throughout their lives, Idemitsu has in place a range of welfare systems that are designed to complement national social security programs and are suited to each life stage, from the start of one's career to after retirement. In order to help provide employees and their families with a sense of security in their lives, we carry out health promotion activities in coordination with Idemitsu's health insurance association. Utilizing the Group's intranet, Idemitsu Insurance Service Co., Ltd. periodically sends out information that employees need when selecting insurance and conducts seminars targeting individual age groups while providing insurance consultations to explain the various insurance products available to them.

## Support for Employee Growth

### Skills Development and Education and Training System

The foundation of the Idemitsu Group's philosophy of employee development, as outlined in the Principles of Management, is "to ensure that each employee develops into a reliable person and is respected in society, while... engaging in mutual improvement through amicable competition." Accordingly, on-the-job development (OJD)<sup>2</sup> forms the core of employees' skills development. Off-the-job development (OFF-JD),<sup>3</sup> which complements OJD, is composed of specialized training suited to each job category and a Company-wide support program, which are outlined in the graph at right. The distinguishing feature of our program is that the skills development items offered to all employees cover not only knowledge and techniques, judgment and decision-making capabilities, planning and development capabilities, negotiation and coordination capabilities and other skills needed to perform occupational duties, but also independence, drive, reliability and other working attitudes as well as education and leadership that can also be considered indispensable skills.

\*2 On-the-job development (OJD): Mentoring staff at their workplace in a collaborative manner while encouraging their independence

\*3 Off-the-job development (OFF-JD): Conducting skills development training necessary for future growth in areas separate from staff's regular business activities

■ The Idemitsu Group's Education and Training System

Group Training					Means of Self-Development
Training Development Stage	Hierarchical Employee Training	Ability Development Training		Specialized Training	
		General Management	By Category	Employee Training by Age Range	
Basic Skills Acquisition	New employee education		Goal achievement training Problem solving training	Self-development training (basic)	Correspondence training course support system* TOEIC test-taking incentive system Acquisition of qualifications Attendance at outside seminars, etc.*
Practical Mastery	Introductory training for mid-career employees		Preparatory training for overseas assignments English proficiency training menu Business English school (complementary self-development program)	Age 30 Self-development training (Career Vision)	
Utilization of Practical Abilities		Cross-industry training		Age 40 Self-development training (STOP-LOCK)	
Utilization of Management Abilities	F1 training Management-level Training I (new appointments) Management-level Training II	Idemitsu Business School Sending to outside seminars	IT tool seminars (basic and applied courses)	Each department's specialized training plan	
Executive Officers and Above		Sending to executive seminars			

■ Available for choice by personnel   
 ■ Mandatory for all applicable personnel   
 ■ Available for selected personnel  
■ Trainees are designated   
 ■ Global personnel development

Available for choice by personnel, mandatory for all applicable personnel or trainees designated by responsible departments depending on programs

\*The educational training benefit system is available for any correspondence training program or course designated by the Ministry of Health, Labour and Welfare.

Helping Employees Gain Business Skills (non-consolidated basis)

Idemitsu has launched a number of seminars on strategic planning for mid-level trainees who have shown an interest, with the aim of helping them acquire necessary business skills. The participants learn about the meaning and importance of strategic thinking and study the basic process of proposing a business strategy while formulating scenarios that will facilitate the achievement of business goals, with an emphasis on reviewing case studies. After finishing with training, the participants use their newly acquired skills to address actual strategic issues at the Company. We plan to continue offering this training program as part of mid-level management instruction.

Fair Compensation

Basic Approach to Evaluation and Compensation

The basic approach to evaluation at Idemitsu involves the use of step-specific growth objectives, which constitute a common, Company-wide evaluative yardstick, to identify an employee's comprehensive competence. At the same time, a growth support system called Management by Objectives is used to check whether an employee is working to a standard and demonstrating capabilities appropriate to each growth step. Growth objectives, capability enhancement, set targets and the degree of achievement are confirmed in an interview with the employee's superior using an Action Plan Table. The evaluation results are used to determine the next objectives for growth and reflected in compensation (pay and allowances) as well as personnel assignments and transfers.

As a basic policy, we seek to uphold fair compensation based on the idea of guaranteeing a basic level of living for each employee. Our employee compensation structure focuses on respecting each employee's lifestyle, values and quality of family life. The structure thus plays the dual roles of serving as a steady source of income and providing compensation that reflects the scores of growth step evaluations (the degree of achievement of objectives) as previously noted.

Personnel Assignments and Transfers to Match the Right Person to the Right Place

Idemitsu does more than simply assign personnel to appropriate positions in line with changes in its business structure. We also consider changes in job description, job category and work location to be opportunities for employees to achieve new growth. Every autumn, Idemitsu employees have individual interviews with their superiors to talk about personal matters and desired transfers using Record of Activity Objectives sheets.<sup>\*4</sup> Their superiors then give them feedback and advice. These records are also submitted to the Human Resources Department and used to share information about the direction of each individual employee's development between superiors and the Human Resources Department and make transfer or assignment decisions.

<sup>\*4</sup> Record of Activity Objectives: An interview sheet used to discuss personal matters and career aspirations, including desired transfers, with one's superior. Designed to facilitate the sharing of thoughts and, in turn, create a better work environment for each employee. Also used as a tool to promote communication between employees and the Human Resources Department.

Educational Training for Developing Leadership (non-consolidated basis)



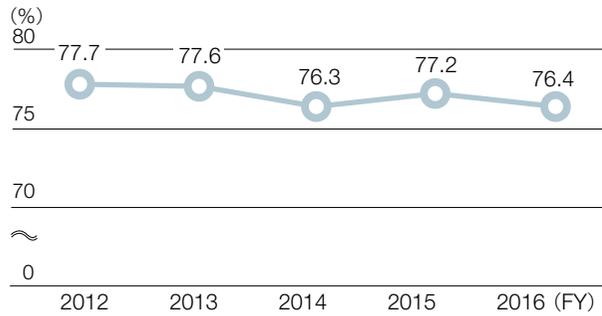
A workshop from the first cross-industry training program in 2016

With the aim of training personnel to demonstrate leadership rooted in their own convictions, we have begun cross-industry training programs in conjunction with other companies, including those in such industries as household products, automobiles, and insurance. We commenced the official program in fiscal 2016 after first conducting a trial program in fiscal 2015. Employees in their early 30s (23 individuals from four companies) participate in four training workshops to define their ideals as next-generation leaders and ultimately elucidate their own goals. The participants revealed that the workshops gave them a real sense of the future possibilities of cross-industry cooperation. They consider working with people from other companies as presenting great opportunities to encounter diverse values and ideas and to gain good people skills and creative vision. We plan to continue offering similar training going forward.

### Employee Job Satisfaction

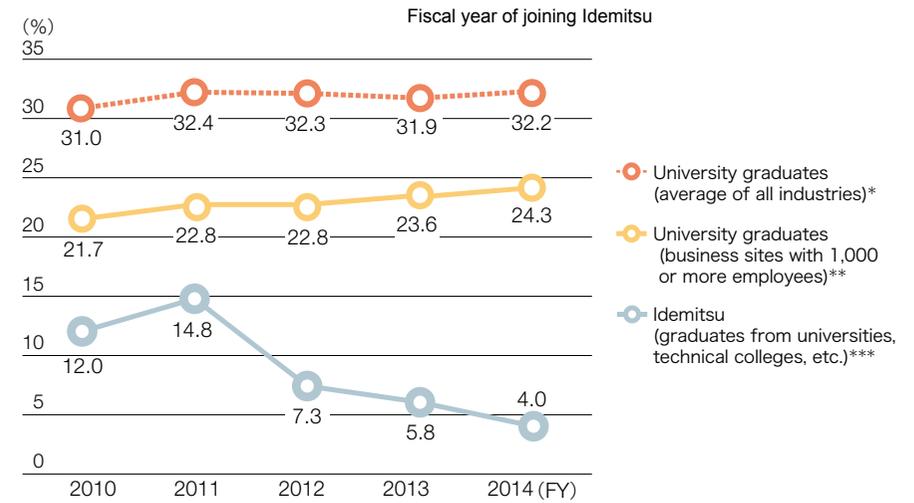
Idemitsu measures the level of employee job satisfaction by using the ratio of employees who have stated in their respective Records of Activity Objectives (submitted every year to the Human Resources Department) that their jobs are “rewarding” and the rate of attrition of new hires who quit within three years of joining the Company. In fiscal 2016, 76.4% of Idemitsu employees felt their jobs were rewarding, and the rate of attrition of new hires who joined in fiscal 2014 and have less than three years of service was 4.0%. In fiscal 2016, the ratio of employees who found their jobs rewarding remained above the 75% level.

#### Idemitsu Employees Who Feel Their Jobs Are Rewarding



Note: The results of a survey targeting all Idemitsu employees besides management-level employees defined under Paragraph 2, Article 41 of the Labor Standards Act in each job group, including employees temporarily transferred to non-consolidated subsidiaries and non-equity-method affiliates

#### Rate of Attrition of New Graduates Less Three Years After Hiring



Notes:

- \* The average rate of attrition of new university graduates within three years of hiring (for all industries surveyed by the Ministry of Health, Labour and Welfare)
- \*\* The average rate of attrition of new graduates three years after hiring for business sites with 1,000 or more employees (for all industries surveyed by the Ministry of Health, Labour and Welfare)
- \*\*\* The ratio of employees who were hired as new graduates in the corresponding fiscal year and left the Company within three years. The calculation method is retroactively aligned with the surveys conducted by the Ministry of Health, Labour and Welfare. The calculation includes all Idemitsu employees, including those temporarily transferred to non-consolidated subsidiaries and non-equity-method affiliates.

## Self-Management and Self-Reporting of Work Hours<sup>\*5</sup>

As a general rule, Idemitsu employees manage their own work hours and report the hours they have actually worked to their superiors. In fiscal 2009, we introduced a new Work Management System as a web tool to support employees' self-management and self-reporting of work hours. We utilize this system to comprehend the actual work conditions of employees and promote work-life balance<sup>\*6</sup> by reviewing and trying to improve work efficiency, working with individual employees or their superiors, and within the overall workplace. In fiscal 2016, Idemitsu employees<sup>\*7</sup> worked an average of 10.8 hours per month outside of official work times (weekday overtime and holidays) and took 11.2 out of 18.5 possible annual paid vacation days, or 60.9%.

To help employees achieve an appropriate work-life balance, we will strive to improve work efficiency and increase mutual support within the workplace. At the same time, we will appropriately manage employees' working hours while increasing the number of days of annual paid leave taken per person.

<sup>\*5</sup> Self-management and self-reporting of work hours: The Idemitsu Group uses the Work Management System posted on the Company intranet to collect data on the actual work hours reported by employees in accordance with the Standards for Measures to be Undertaken by Employers to Collect Accurate Information on Work Hours, a guideline issued by the Ministry of Health, Labour and Welfare.

<sup>\*6</sup> Work-life balance: A balance between work and personal life. According to an example definition provided by the Cabinet Office, it is an enriched lifestyle in which "working people can maintain their health and have enough time to spend with their families or friends as well as for personal development or for participating local community activities."

<sup>\*7</sup> All Idemitsu employees besides management-level employees as defined under Paragraph 2, Article 41 of the Labor Standards Act