

**NIPPON OIL CORPORATION CSR REPORT 2006**



**NIPPON OIL**  
Your Choice of Energy

# Corporate and Group Information

## Corporate and Group Overview

<b>Company name:</b>	Nippon Oil Corporation (NOC)
<b>Founded:</b>	May 10, 1888
<b>Representative Director, Chairman of the Board:</b>	Fumiaki Watari
<b>Representative Director, President:</b>	Shinji Nishio
<b>Capital:</b>	¥139.4 billion
<b>Nonconsolidated net sales:</b>	¥5,177.7 billion (FY2006)
<b>Consolidated net sales:</b>	¥6,118.0 billion (FY2006)
<b>Number of employees(non consolidated basis):</b>	2,270 (As of March 31, 2006)
<b>Number of employees(consolidated basis):</b>	13,628 (As of March 31, 2006)

### History

- 1888 NOC established
- 1931 Mitsubishi Oil Co., Ltd., established as a 50%-50% joint venture by three Mitsubishi Group companies (Mitsubishi headquarters, Mitsubishi Mining Company., Ltd., and MITSUBISHI SHOJIKAIISHA, LTD.,) and U.S.-based Associated Oil Company (later known as Getty Oil)
- 1933 Koa Oil Co., Ltd., established
- 1951 Nippon Petroleum Refining Company Limited established as a 50%-50% joint venture by NOC and Caltex
- 1968 Tohoku Oil Co., Ltd., established
- 1999 NOC and Mitsubishi Oil merged, creating Nippon Mitsubishi Oil Corporation
- 2002 Three Group refining companies merged, creating Nippon Petroleum Refining Company, Limited  
Corporate name changed from Nippon Mitsubishi Oil Corporation to Nippon Oil Corporation

## Financial Highlights

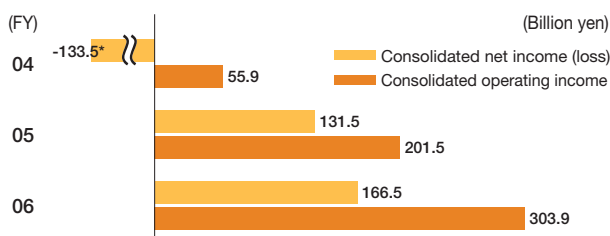
For detailed information on performance and financial data, please refer to the Company's *Annual Report*.

 <http://www.eneos.co.jp/english/ir/>

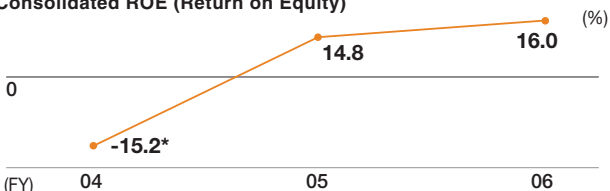
### Consolidated Net Sales



### Consolidated Net Income (Loss) and Consolidated Operating Income



### Consolidated ROE (Return on Equity)



\*This resulted from such factors as NOC's early application of accounting standards related to the impairment of fixed assets, which led to ¥171.5 billion in special losses.

## Third Medium-Term Consolidated Management Plan

In April 2005, the NOC Group began implementing its third medium-term consolidated management plan, which covers the three-year period through fiscal 2008. Designed to bolster the foundation for a future surge in the Group's development and performance, the plan calls for measures to ensure that each element of the Group's core operations (petroleum product refining and marketing operations, petrochemical operations, and oil and gas development operations) dependably generates cash inflow and to create an integrated operations system and to become a comprehensive energy company.

### Management Index Goals

#### 1. Financial Goals (FY2008)

Consolidated ordinary income: ¥190.0 billion (excluding the effect of inventory valuation factors)  
Consolidated ROE: 10%

#### 2. Cost Reductions and Improvements in Efficiency

The plan originally called for annual costs to be reduced ¥33.0 billion by cost reductions and efficiency boosts during the three years through fiscal 2008. However, in view of additional costs associated with the augmentation of safety countermeasures and environmental protection measures, higher costs associated with surges in prices of crude oil and other procured equipment and materials, and higher costs associated with the augmentation of capital investments in line with the strengthening of the Group's growth strategy, the Group now expects annual costs to be reduced ¥17.0 billion.

#### 3. Capital Investment Plan

The plan originally called for ¥500.0 billion of capital investment in growth business fields during the three years through fiscal 2008. However, because of additional capital investment projects planned in line with the strengthening of the Group's growth strategy, the Group now expects ¥570.0 billion of capital investment in growth business fields.

#### 4. Cash Flow Plan

The plan originally called for interest-bearing debt to be reduced to ¥900.0 billion or lower by the end of fiscal 2008. However, in view of the rise in operating costs associated with the surge in crude oil prices, the Group now expects interest-bearing debt to be approximately ¥1,130.0 billion at the end of fiscal 2008. The Group anticipates that its net debt-equity ratio will be approximately 70% at the end of fiscal 2008, which is approximately the level called for in the plan.

However, if promising investment opportunities emerge, the Group intends to respond flexibly through measures including the consideration of additional investments.

 <http://www.eneos.co.jp/english/ir/>  
For more information, please visit the Group's website.

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## Scope of Report

- Reporting period: This report focuses on fiscal 2006, ended March 31, 2006, but it may also include more recent information.
- Organizational units: The data and reports cover the 18 main companies of the NOC Group.  
(“NOC” refers to Nippon Oil Corporation alone. “NPRC” refers to Nippon Petroleum Refining Co., LTD., alone. “NOC Group” refers to the below-mentioned 18 companies.)

### ■ Main NOC Group Companies

<b>Petroleum product marketing</b>	● Nippon Oil Corporation* <sup>1</sup>
<b>Refining and processing of petroleum products</b>	● Nippon Petroleum Refining Co., Ltd. ● Nihonkai Oil Co., Ltd.
<b>Manufacture, processing, and sale of petrochemical products</b>	● Nippon Petrochemicals Co., Ltd.* <sup>2</sup>
<b>Exploration &amp; Production business</b>	● Nippon Oil Exploration Limited
<b>Oil storage</b>	● Nippon Oil Staging Terminal Co., Ltd. ● Okinawa CTS Corporation ● Shibushi Oil Storage Co., Ltd. ● Kamigoto Oil Storage Co., Ltd.
<b>Lubricants</b>	● Nippon Petroleum Processing Co., Ltd.* <sup>3</sup> ● Wakayama Petroleum Refining Co., Ltd.
<b>Oil transport</b>	● Nippon Oil Tanker Corporation
<b>Construction &amp; Engineering</b>	● NIPPO Corporation Co., Ltd.
<b>Others</b>	● Nippon Oil Trading Corporation ● Nippon Oil Real Estate Co., Ltd. ● Nippon Oil Business Services Co., Ltd. ● Nippon Oil Research Institute Co., Ltd. ● Nippon Oil Information Technology Corporation

\*1 Nippon Petroleum Gas was absorbed by NOC on July 1, 2005.

\*2 On April 1, 2006, Nippon Petrochemicals' head office departments (administrative, marketing, and R&D departments) were split off and merged into NOC.

\*3 Nippon Petroleum Processing is scheduled to be absorbed by Nippon Petroleum Refining in fiscal 2007.

## Editorial Objectives

This report has been prepared with the objective of providing conscientious and easy-to-understand disclosure of information related to the corporate social responsibility (CSR) activities of the Nippon Oil Corporation Group (NOC Group). This report has the following important features:

- This report was prepared with reference to *Environmental Report Guidelines (2003 Edition)* of the Ministry of the Environment and *GRI Sustainability Reporting Guidelines 2002*.
- Beginning with the issuance of the Group's *Environmental Report* in 2000, the Group has published reports focusing on its environment-related activities. In 2003, the Group issued its *Sustainability Report 2003*, which included reports on social matters. Recently, along with the positioning of CSR activities as a basis for corporate management, the name of this report has been changed to the *CSR Report (Corporate Social Responsibility Report)*.

# Nippon Oil Corporation Group Philosophy

## Your Choice of Energy

Creating the energy future and promoting prosperity and harmony with nature

### [Six values we respect]

Ethics

New ideas

Environmental harmony

Relationships

Global approaches

You



## Top Commitment

### What is the backbone of the new Group Philosophy?

To clearly express a corporate philosophy shared by all companies in the NOC Group, we had to consider the nature of our common goals, and we also had to give due attention to expressing the philosophy in a manner that is both simple and memorable. After debating such issues from the starting point of the Group's fundamental business principles, we finalized a new Group Philosophy in April 2006.

Reflecting our strong emphasis on meeting future energy needs and harmonizing our operations with the natural environment, we drafted the new philosophy: "Creating the energy future and promoting prosperity and harmony with nature."

We are committed to operating in accord with this philosophy and thereby steadily living up to our responsibilities to society.

### How and where does the NOC Group place its CSR efforts?

Having been striving to create and conform to an outstandingly rigorous code of corporate ethics for many years, we in 2004 began reevaluating the organizational framework of those efforts. As a result, we created a Groupwide CSR-oriented management promotion system centered on the NOC Group CSR Meeting. Currently, we have six CSR focus areas—Compliance, Respect for Human Rights and Dignity, Information Security, Social Contribution, Environment & Safety, and Quality Assurance—and everyone in the Group is striving concertedly to ensure that CSR policies in these fields are consistently conformed to throughout the day-to-day operations of Group units. To provide powerful support for this CSR promotion system, the CSR Department was established as a unit that reports directly to the president and has internal auditing functions as well as the role of planning CSR-oriented management measures and making related recommendations. The CSR Department is taking numerous concrete initiatives in line with its role. These moves have resulted in the creation of a unique CSR-oriented management promotion system that is extremely realistic and effective.

# Taking responsibility for meeting future energy needs while continually seeking environmental harmony

## How can a company that markets fossil fuel products promote “Environmental Harmony”?

The NOC Group is doing its utmost to “provide environmentally friendly energy” and “propose ways of increasing the efficiency of energy use.” Among the many concrete examples of our business initiatives that reflect this approach, we launched effectively sulfur-free (10ppm or less) gasoline and diesel products before regulations requiring such products took effect, and we have become the first in the world to commercialize household fuel cells using LPG and kerosene as fuel.

Moreover, in February 2006, the Group’s Rang Dong oil field associated gas recovery and utilization project in Vietnam was approved as a Clean Development Mechanism Project (CDM Project) under the Kyoto Protocol. The project is realizing the largest CO<sub>2</sub> emission reduction CDM Project in the world, and NOC’s approved methodology for the project will apply to future projects that seek to reduce CO<sub>2</sub> emissions through the utilization of associated gas. Nippon Oil is proud that its methodology will contribute to considerable CO<sub>2</sub> emission reductions around the world.

Our goal of “Environmental Harmony” means that we are seeking to preserve the natural environment in its original state while simultaneously helping enrich people’s lives and generate economic benefits. This is an important part of our emphasized goal of promoting comprehensively environmentally friendly corporate activities as a key to creating sustainable societies.

## What are the NOC Group’s concepts for the energy-oriented society of the future?

Petroleum is a precious and finite energy resource. Nowadays, we expect a transition away from using petroleum as a primary energy source and toward using petroleum as a secondary energy source used to produce hydrogen. In light of this, in March 2006, we established the ENEOS Hydrogen Trust Fund, which is proactively providing support for basic research projects related to the provision of hydrogen energy. This trust is an eloquent example of how we are putting the NOC Group philosophy into action.

Because we are very seriously considering the energy future of Japan and the world, we are doing our best to provide society with the products and systems required to boost the efficiency of energy usage and thereby help people enjoy high-quality and affluent lifestyles. We are also seeking to promote a worldwide shift of emphasis from volume to quality and a global rise in energy conservation consciousness. By doing this, we are confident that we can help foster the development of a true energy-conservation culture that is a key basis for the ideal energy-oriented society.

## Could I obtain more information about the Group’s CSR activities?

In April 2006, we expanded our website with the addition of the ENEOS Social Station section, which is entirely devoted to disclosing information related to the NOC Group’s CSR activities. Including sections focused on Environmental Harmony, Social Contribution, Social Responsibility, and Respect for Human Rights and Dignity, ENEOS Social Station comprehensively covers Group CSR activities ranging from major Groupwide projects to small local programs.

Since we are striving to augment our communication with stakeholders as a means of further increasing the quality of our CSR activities, we will be very pleased to receive comments and opinions from the readers of this brochure.

Representative Director,  
President,  
Nippon Oil Corporation



Shinji

Nishio



# Corporate Governance

## Basic Approach to Corporate Governance

The Group's basic approach to corporate governance is to augment its efforts to ensure the transparency and soundness of management in order to respond to the trust and confidence of all its stakeholders.

## Corporate Governance Units (Operational Execution, Supervision, and Control)

1. At NOC, the Board of Directors supervises and controls the operational execution of the representative directors and each director as well as makes important management decisions. Because the term of directors is one year, directors must be approved by the general meeting of shareholders each year.
2. To serve as a consultative body for the president, the Company has established the Executive Committee comprised of the president, executive vice presidents, and senior vice presidents.
3. To promote rapid and responsive operational execution and clarify responsibilities, NOC has adopted a divisional system and an executive officer system.
4. To strengthen Group management, the presidents of principal Group companies are included as members of NOC's Board of Directors, and items necessary for the Group's strategic management are discussed for approval of NOC's Board of Directors. In addition, meetings attended by the representative directors and senior vice presidents of NOC and the presidents of other Group companies are regularly held to promote the thorough implementation of fundamental strategies and facilitate exchanges of opinions.
5. Corporate auditors offers its opinions to the Board of Directors and also

audits directors' performance of their duties. In addition to attending important meetings, the corporate auditors receive reports on all items reported to Executive Committee. Furthermore, the corporate auditors regularly confer with the representative directors, exchange opinions with internal auditing units, and conduct interviews with directors and employees of Group companies. In addition, the Secretariat of Corporate Auditors has been established as a unit that is completely independent from operational execution units.

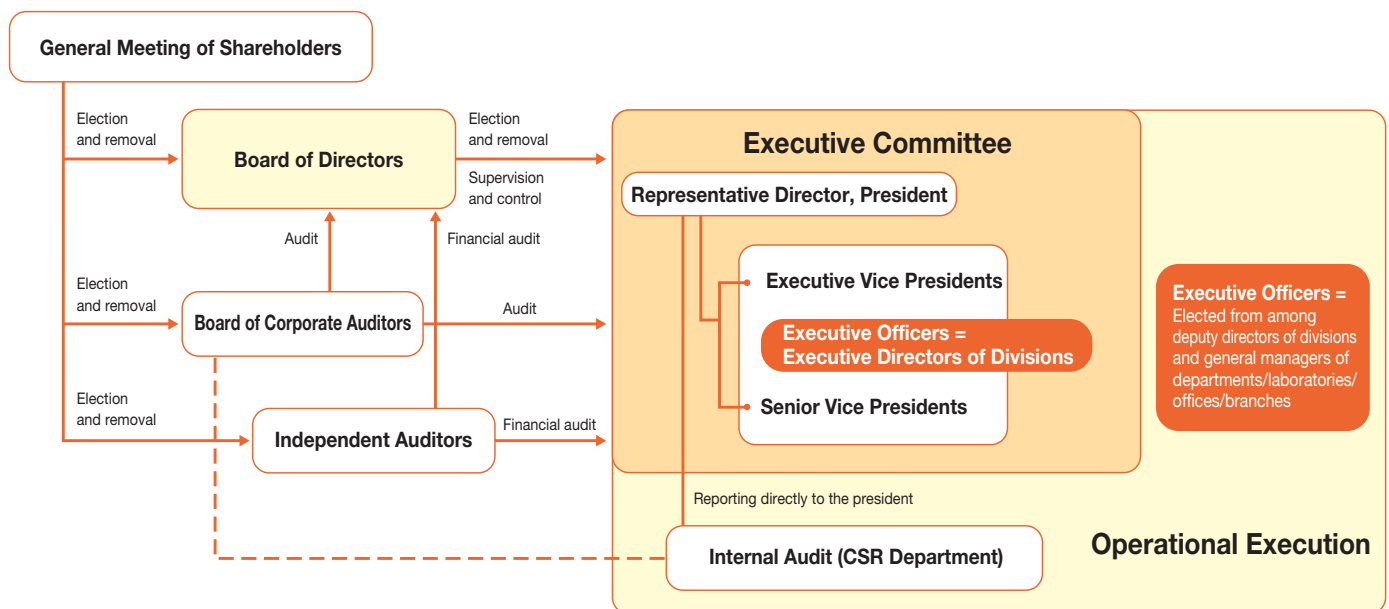
6. The CSR Department has been established as an internal auditing unit reporting directly to the president, and this department conducts internal audits.

## Building Internal Control Systems

As a part of its CSR-oriented management, the NOC Group has created compliance systems, information storage and management systems, risk management systems, efficient operational execution systems, auditing systems, and other internal control systems. In April 2006, NOC established its Internal Control Project Office, which is advancing with the rechecking and confirmation of the appropriateness of financial reporting and the effectiveness of all the Group's internal control systems.

In the future, the NOC Group will continue responding to internal and external changes related to its operations and business environment by establishing additional internal control systems that feature still-greater effectiveness.

### System for Operational Execution and Supervision and Control



# Reinforcement of CSR-Oriented Management

## CSR Meeting and the Six CSR Committees

The NOC Group has defined six focus areas in its efforts to promote CSR-oriented management, namely "Compliance," "Respect for Human Rights and Dignity," "Information Security," "Social Contribution," "Environment & Safety," and "Quality Assurance."

Next, the NOC Group CSR Meeting (called the CSR Committee until April 2006) was established to comprehensively supervise all CSR activities, and six specialized committees were established below the CSR Meeting to play a leading role in strengthening CSR activities in their respective fields.

The CSR Meeting's secretariat is the CSR Department, which was established in July 2004 and reports directly to the president. The CSR Department also handles the planning and coordination of CSR activities throughout the Group as well as internal audits of those activities.

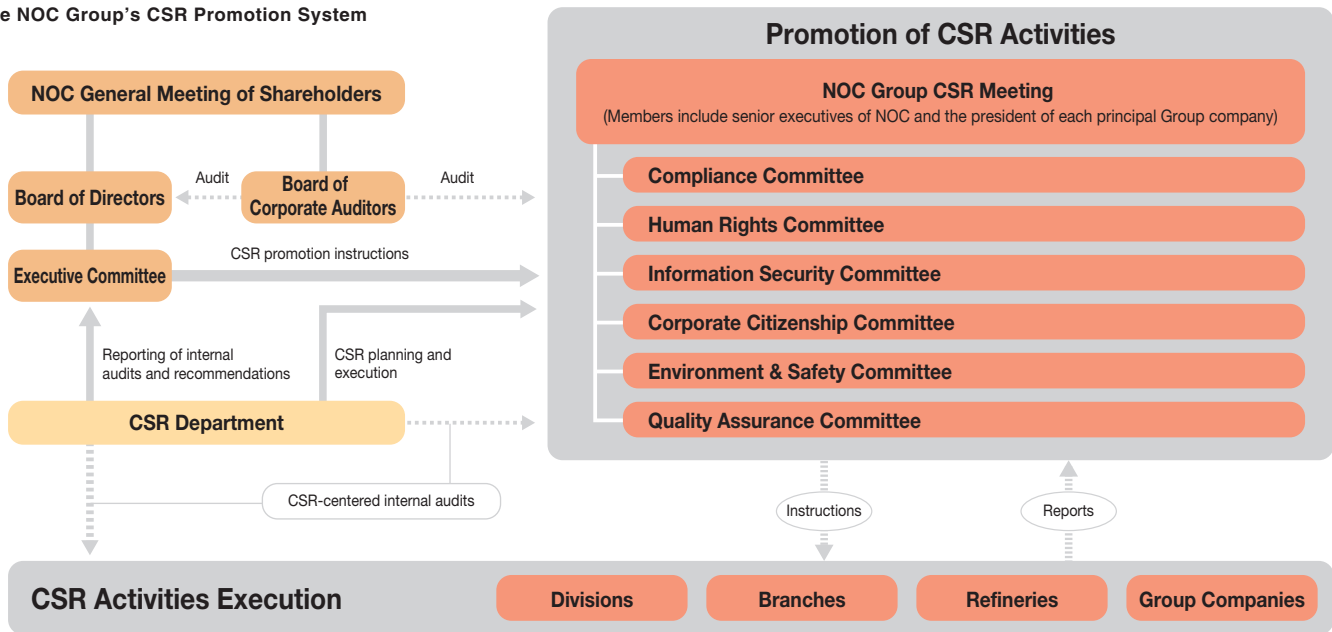
## Activities during Fiscal 2006

During fiscal 2006, the NOC Group CSR Meeting was convened five times and undertook discussions of the revision of the Group Philosophy, which is the starting point of all Group CSR activities. At the meetings, themes also are chosen for the six CSR committees to address during the fiscal year, and the performances of those committees are monitored.

The six CSR committees worked to reflect and show the direction of programs deliberated on and chosen by the CSR Meetings.

In addition, various other activities were undertaken with the goal of increasing CSR awareness throughout the Group. For example, CSR questionnaires were distributed to all the employees of the Group's principal companies, and CSR Management Ethics training courses were organized for managers.

### The NOC Group's CSR Promotion System



### Emphasized Themes of the Six CSR Committees

Six CSR Committees	FY2006 Themes	FY2007 Themes
Compliance Committee	<ol style="list-style-type: none"> <li>1. Identification of latent risks</li> <li>2. Thorough compliance with the antimonopoly laws</li> </ol>	<ol style="list-style-type: none"> <li>1. Confirming legal compliance of operations</li> <li>2. Augmenting educational and training programs that promote awareness of fundamental legal issues</li> </ol>
Human Rights Committee	<ol style="list-style-type: none"> <li>1. Support for mental health and next-generation educational programs</li> <li>2. Management of the appropriateness of working hours</li> </ol>	<ol style="list-style-type: none"> <li>1. Promoting greater communication</li> <li>2. Promoting healthy work styles</li> </ol>
Information Security Committee	Thorough protection of information on individuals and other confidential information	Thorough protection of information on individuals and other confidential information
Corporate Citizenship Committee	Creation of a menu of social contribution activities	Social contribution activities following major disasters
Environment & Safety Committee	<ol style="list-style-type: none"> <li>1. Rebuilding safety management systems</li> <li>2. Developing environmental protection programs superior to those of other industries</li> </ol>	<ol style="list-style-type: none"> <li>1. Rebuilding safety culture and practices</li> <li>2. Developing environmental protection programs superior to those of other industries</li> </ol>
Quality Assurance Committee	<ol style="list-style-type: none"> <li>1. Rebuilding quality assurance systems in line with customer expectations</li> <li>2. Reforming the Group Quality Assurance Committee</li> <li>3. ISO9001 evaluation</li> </ol>	<ol style="list-style-type: none"> <li>1. Executing thorough measures to prevent complaints and problems related to quality assurance processes</li> <li>2. Building quality assurance systems focused on items procured from outside</li> <li>3. Increasing the quality of services provided</li> </ol>



# Aiming for Environmental Harmony

## [The NOC Group Environmental Vision]

- As a comprehensive energy company, we will work to create a sustainable society.
- We will continue to offer energy and products that are environmentally friendly.
- We will continue to develop new energy technologies.

# Environmental Harmony

## Efforts to set long-term energy goals and systematically work to attain them will be highly evaluated by society at large



OneWorld Network Representative  
Environmental Consultant

### Mr. Peo Ekberg

I am always surprised to hear people say Japan is poor in resources. If you look at Japan on a map, you will see that Japan is surrounded by the ocean. There are many Japanese and Western restaurants, and, if you go to Shibuya you will see hordes of people. In fact, they are all resources.

Some people may be surprised to hear me suggest that you can obtain energy from the ocean and people, but, in cold areas of northern Europe, they have already succeeded in introducing heating systems powered by temperature differentials among different layers of the ocean and by human body heat.

The kind of imagination required to create those systems is what I believe is required to lead us to the best ways to meet our energy needs over the long term.

I think what is needed is the courage to have dreams the way a naive child has dreams. An automobile manufacturer in Sweden used this kind of imagination to create a car that runs on such fuel as leftover wine, coffee grinds, and banana peels obtained from restaurants.

Efforts to reduce CO<sub>2</sub> emissions that affect global warming have been initiated, but what is really needed is for energy companies to adopt long-term perspectives on their prospective evolution as energy companies.

I know that NOC is developing and making efforts to promoting more efficient energy alternatives. One example from NOC is the development of

household fuel cells. Amid the current energy environment, I believe NOC is doing its utmost to undertake these kinds of environmentally correct initiatives and achieve environmental harmony.

In addition, the annual 680,000-ton reduction in CO<sub>2</sub> emissions due to NOC's Rang Dong oil field associated gas recovery and utilization project in Vietnam is a major reduction that corresponds to the amount of CO<sub>2</sub> emissions from approximately 70,000 contemporary Japanese people.

I think that by steadily implementing such initiatives, one by one, NOC will acquire additional precious expertise and know-how while also laying a portion of the foundation for the energy systems of the future. Efforts to set long-term energy goals and systematically work to attain them will be highly evaluated by society at large.

According to the Japan-U.S. Joint LOHAS\*<sup>1</sup> Consumer Survey 2005\*<sup>2</sup>, 29% of Japanese are thinking and acting LOHAS, and the share of people wanting to choose renewable energy is clearly increasing. Amid this kind of an era, I think the role of a comprehensive energy company in society is twofold—to create the energy future and to generate prescient dreams of the energy future.

By slightly changing our perspectives on what “resources” are, we will be able to see a broader range of possibilities and opportunities. Energy companies have tremendous know-how and expertise, and they have large numbers of specialists. I believe that they will play a leading role in making more energy dreams attainable and thereby ushering in a more-environmentally harmonious energy future.

\*1 LOHAS is an acronym for “Lifestyles of Health and Sustainability,” which refers to lifestyles that give top emphasis to promoting good human health, conservation of the natural environment, and creation of sustainable societies.

\*2 This is a survey of 2,115 consumers conducted by Japan-based E-Square, Inc., and U.S.-based Natural Marketing Institute.



# Environmental Management

Making steady progress toward the NOC Group Philosophy by building improved environmental management systems and promoting increasingly effective environmental management.

## Environmental Management Systems

The NOC Group has established the NOC Group Environment & Safety Committee as a means of augmenting its Groupwide efforts related to the environmental and safety issues. (see pages 27 and 28 for more information related to safety)

## Expanding the Scope of ISO 14001 Certification

Since April 1996, when the Negishi Refinery became the first petroleum industry facility in Japan to obtain the ISO 14001 certification—an internationally recognized standard for environmental management systems—the NOC Group has proceeded to obtain certifications for its other facilities. Currently, such certification has been obtained for 39 facilities of 16 NOC Group companies.

In May 2006, ISO 14001 certification was obtained for all branch offices of the parent company as well as the head offices of 6 Group companies. As a means of helping Group companies concertedly promote environmental management, plans call for progressively obtaining certification for the remaining uncertified Group company head offices.

### ISO 14001 Certified Business Sites

Company	Certified business sites	Date certified
Nippon Oil Corporation	Head Office	March 25, 2005
	Central Technical Research Laboratory	March 25, 2005
	All 11 branch offices	May 22, 2006
	LPG import base (Niigata Terminal)	December 13, 1999
Nippon Petroleum Refining Co., Ltd.	Head Office	May 22, 2006
	Muroran Refinery	July 16, 1996
	Sendai Refinery	December 17, 1999
	Yokohama Refinery	December 10, 1996
	Negishi Refinery	April 24, 1996
	Osaka Refinery	June 29, 1999
	Mizushima Refinery	March 19, 1999
Marifu Refinery	July 1, 1999	
Nippon Oil Exploration Limited	Head Office	May 22, 2006
Nippon Petrochemicals Co., Ltd.	Kawasaki Office	May 31, 1999
Nippon Oil Trading Corporation	Head Office	May 22, 2006
Nihonkai Oil Co., Ltd.	Toyama Refinery (including Head Office)	August 6, 1996
Wakayama Petroleum Refining Co., Ltd.	Kainan Refinery (including Head Office)	March 3, 2000
Nippon Oil Tanker Corporation	Head Office	December 24, 2002
Nippon Oil Staging Terminal Co., Ltd.	Kiire Oil Terminal (including Head Office)	July 19, 1999
Okinawa CTS Corporation	Okinawa Office (including Head Office)	February 23, 2001
Shibushi Oil Storage Co., Ltd.	Shibushi Office	September 6, 2001
Kamigoto Oil Storage Co., Ltd.	Kamigoto Office	June 21, 2004
Nippon Oil Real Estate Co., Ltd.	Head Office	May 22, 2006
Nippon Oil Research Institute Co., Ltd.	Head Office	May 22, 2006
Nippon Oil Information Technology Corporation	Head Office	May 22, 2006
NIPPO Corporation Co., Ltd.	Head Office	December 25, 2004
	Construction Department (Kanto Construction Branch and Construction Department)	March 31, 2003
	Kanto 1 Branch	March 1, 2001
	Chubu Branch	June 1, 2001

(As of May 31, 2006)

### ENEOS EMS Environmental Policies (Excerpt)

Based on the following policies, the NOC Group will promote "environmental management."

1. In accordance with the NOC Group Environmental Vision, we will strive to achieve a sustained decrease in the environmental impact of the Group's operations in each business field.
2. To effectively reduce environmental impact, we will set and revise environmental goals and targets at regular intervals.
3. In accordance with the NOC Group CSR Policy, we will strive to ensure rigorous compliance with all environment-related laws and regulations.

## Support for Introduction of Environmental Management Systems at Dealerships and Sales Companies

NOC supports the environmental protection activities of its dealerships and sales companies. In fiscal 2006, representatives of dealerships and sales companies desiring to obtain ISO 14001 certification attended courses on how to obtain such certification held at NOC's head office. (All dealerships and sales companies that sent representatives to the course are aiming to obtain ISO 14001 certification during fiscal 2007.)

## Environmental Education Programs

NOC is working to improve and expand its environmental education programs to deepen the environmental consciousness of each individual employee. NOC in fiscal 2005 began offering environmental education courses using e-learning systems for employees at its head office and Central Technical Research Laboratory. As of March 31, 2006, all employees at the head office\*, Central Technical Research Laboratory, and all 11 branch offices had completed the courses. Other new education initiatives taken by NOC during fiscal 2006 include the e-mailing of an environmental magazine and the organization of environmental lectures by outside specialists.

\*Excluding directly operated oil depots



Lecture by *Akira Miyawaki*—Professor Emeritus at Yokohama National University and General Manager of the Japanese Center for International Studies in Ecology—entitled Life Giving Afforestation—Seeking Harmonious Coexistence Between Greenery and Energy.

# Medium-Term Environmental Management Plan

The NOC Group has prepared its Medium-Term Environmental Management Plan (FY2006 to FY2008) for implementation in tandem with its Third Medium-Term Consolidated Management Plan and is making steady progress in reducing the environmental impact of its activities.

## Principal Objectives and Achievements under the Medium-Term Environmental Management Plan

Principal Theme	Main Objectives	Main Achievements of FY2006	Main Targets of FY2006 - FY2008
Establishment of environmental management systems (Page 8)	Expand the scope of obtaining ISO 14001 certifications	<ul style="list-style-type: none"> <li>Environmental management systems introduced at all parent company branch offices and the head offices of six Group companies*</li> <li>Courses on how to obtain ISO 14001 certification held for dealerships and sales companies</li> </ul>	18 Group companies** obtain ISO 14001 certifications
Environmentally friendly products and services (Pages 18 to 20)	1. Expand sales of environmentally friendly products and services		
	<ul style="list-style-type: none"> <li>Automobile fuels</li> </ul>	<ul style="list-style-type: none"> <li>Promoted sales of new premium gasoline</li> <li>Promoted greater sales of sulfur-free gasoline and diesel fuel (Received the Environment Minister's Award for Activities that Help Prevent Global Warming in recognition of NOC's production and marketing of sulfur-free gasoline and development of gasoline desulfurizing technologies)</li> </ul>	<ul style="list-style-type: none"> <li>Increase sales of new premium gasoline</li> <li>Increase sales of sulfur-free gasoline and diesel fuel</li> </ul>
	<ul style="list-style-type: none"> <li>Environmentally friendly lubricants</li> </ul>	Promoted greater sales of environmentally friendly lubricants	Increase sales of environmentally friendly lubricants
	<ul style="list-style-type: none"> <li>Cogeneration systems</li> </ul>	Expanded ESCO business <sup>3</sup> and BOO business <sup>4</sup>	Promote ESCO business and BOO business
	2. Development and promotion of new energy sources		
	<ul style="list-style-type: none"> <li>Fuel cells</li> </ul>	<ul style="list-style-type: none"> <li>Marketed household fuel cells using LPG</li> <li>Commercialized the world's first household fuel cells using kerosene</li> </ul>	<ul style="list-style-type: none"> <li>Increase sales of household fuel cells using LPG</li> <li>Increase sales of household fuel cells using kerosene</li> </ul>
<ul style="list-style-type: none"> <li>Wind power generation</li> <li>LNG</li> </ul>	<ul style="list-style-type: none"> <li>Considered new business initiatives</li> <li>Expanded business based on integrated operations from exploration to sales</li> </ul>	<ul style="list-style-type: none"> <li>Promote implementation of new business initiatives</li> <li>Promote further business expansion</li> </ul>	
Activities to reduce the environmental impact (Pages 10 to 17)	1. Global warming prevention measures		
	(1) Energy conservation at refineries		
	<ul style="list-style-type: none"> <li>Specific energy consumption at refineries</li> </ul>	Reduced 18.2% compared with FY1991 level	Continue to reduce an average of 1% per year (Goal to reduce 20% from FY1991 levels by FY2011)
	(2) Application of the Kyoto mechanism		
	<ul style="list-style-type: none"> <li>Project for effective use of gases generated during production of the Rang Dong oil field in Vietnam</li> </ul>	Registered as CDM <sup>5</sup> with UN organization	Certified emission reductions issued
	<ul style="list-style-type: none"> <li>Carbon funds</li> </ul>	<ul style="list-style-type: none"> <li>Issuance of certified emission reductions of first World Bank's CDCF<sup>6</sup></li> <li>Conclusion of certified emission reductions sales contracts through JGRF<sup>7</sup></li> </ul>	Implement World Bank's CDCF and JGRF efforts
	2. Soil contamination countermeasures		
	<ul style="list-style-type: none"> <li>Promotion of surveys and countermeasures</li> </ul>	Implemented surveys and suitable measures (Surveys: 891; Measures: 43)	Complete surveys in progress at NOC and NPRC during FY2007
	<ul style="list-style-type: none"> <li>Development of soil remediation technology</li> </ul>	Performed verification tests of new low-cost soil remediation technology <sup>8</sup>	Begin actual application of new low-cost soil remediation technology
	3. Measures to reduce waste		
	NPRC attains zero emissions (waste volume disposed reduced 95.4% from FY1991 level <sup>9</sup> )	Accelerate schedule for zero emissions attainment by NOC Group companies <sup>10</sup>	
4. Reduction of environmental impact in offices			
	Reduced electric power, paper, and waste for final disposal <sup>11</sup>	Further reduce electric power, paper, and waste volume disposed	
Other environmental activities (Pages 17 and 23)	1. Green procurement		Increase green purchasing ratio to 100%
	2. Environmental contribution activities		
	<ul style="list-style-type: none"> <li>Donations to the National Land Afforestation Promotion Organization</li> </ul>	Approximately ¥20 million	Continue donations
	<ul style="list-style-type: none"> <li>Creation of 'ENEOS Forests'</li> </ul>	Three locations (Hokkaido, Nara Prefecture, Okayama Prefecture—cumulative total of four locations established)	Expand to six locations nationwide
	<ul style="list-style-type: none"> <li>Implementation of environmental education programs</li> </ul>	Implemented at six refineries throughout Japan	Continue programs

\*1 Nippon Petroleum Refining Co., Ltd. Nippon Oil Exploration Limited, Nippon Oil Real Estate Co., Ltd., Nippon Oil Trading Corporation, Nippon Oil Research Institute Co., Ltd., Nippon Oil Information Technology Corporation, NIPPO Corporation Co., Ltd.

\*2 Reduced to 18 Group companies by NOC's July 1, 2005 absorption of Nippon Petroleum Gas Co., Ltd.

\*3 Energy Service Company (Page 20)

\*4 Build-Own-Operate business format (Page 20)

\*5 Clean Development Mechanism (Page 13)

\*6 World Bank Community Development Carbon Fund

\*7 Japan GHG Reduction Fund

\*8 New remediation technology that differs from previous technologies particularly in that it does not require digging up the soil

\*9 Actual results regarding waste volume disposed for NPRC

\*10 Original target was having 16 Group companies (excluding Nippon Oil Exploration Limited and NIPPO Corporation Co., Ltd.) achieve zero emissions by FY2011.

\*11 Reduce electric power by 5%, paper usage by 11%, waste volume disposed by 20% (Compared with performance at NOC head office building in FY2005)

# Environmental Efficiency and Environmental Accounting

To promote continuous improvement in its environmental management, the NOC Group has introduced indicators of environmental efficiency and environmental accounting.

## Integrated Evaluation of Environmental Impact

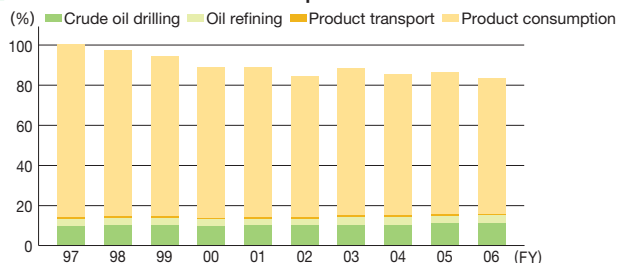
To reduce the environmental impact of all stages of its supply chains, the NOC Group conducts an integrated evaluation\* of its various environmental protection programs.

The impact of the Group's petroleum business activities at the product consumption stage is declining, as a consequence of sales of sulfur-free gasoline and diesel fuel (Chart 1). On the other hand, investment in equipment for desulfurizing gasoline and diesel fuel and other factors are increasing the impact at the refining stage. However, through initiatives to reduce energy consumption, the Group is striving to restrain total energy consumption at oil refineries (Chart 2).

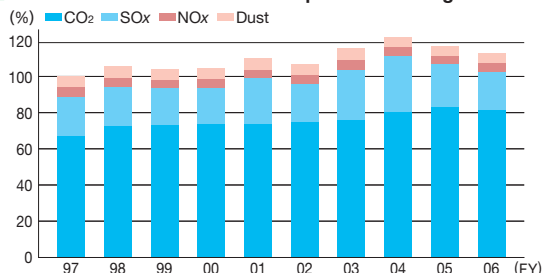
In addition, the Group's overall environmental efficiency—showing the relationship between the volume of production and the environmental impact of the Group's petroleum business—is improving consistently (Chart 3).

\*The evaluation was made using the LIME method (2003 version) of AIST (National Institute of Advanced Industrial Science and Technology).

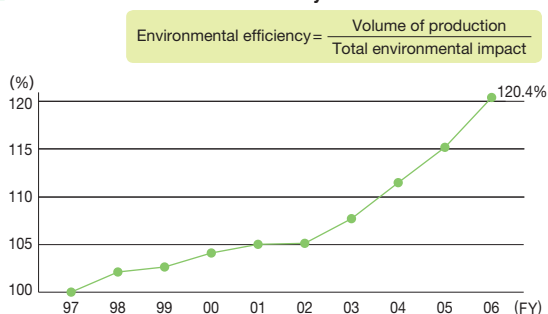
■ Chart 1: Total Environmental Impact



■ Chart 2: Total Environmental Impact in Refining



■ Chart 3: Environmental Efficiency



Note: Due to a reevaluation of CO<sub>2</sub> emissions calculation coefficients, figures for fiscal 2003 through fiscal 2005 have been revised.

## Outline of Environmental Accounting

The Group has used environmental accounting as a tool to evaluate the efficiency and effectiveness of environmental management since fiscal 2000. In fiscal 2006, environmental investments amounted to ¥17.2 billion for the introduction of energy-saving and other equipment, and the environment expenses amounted to ¥132.2 billion for the operation of environment-related equipment.

■ Environmental Accounting for FY2006 (Billion yen)

Major category		Sub-category	FY2005	FY2006
Environmental Investments	Target management	Measures to prevent global warming <sup>*1</sup>	0.5	8.9
		Environmentally friendly product development <sup>*2</sup>	1.9	1.1
		Surveys and measures for soil contamination <sup>*3</sup>	-	-
		Measures for waste treatment <sup>*4</sup>	0.00	0.00
	Compliance	Pollution prevention <sup>*5</sup>	14.1	5.6
		Waste treatment <sup>*6</sup>	-	0.01
		Green belts, etc. <sup>*7</sup>	0.00	0.01
	Internal management	Daily management <sup>*8</sup>	-	-
		Environmental measures for products <sup>*9</sup>	3.9	1.6
	Environmental remediation	Surveys and measures for soil contamination <sup>*10</sup>	-	-
		Levies for pollution <sup>*11</sup>	-	-
Total			20.4	17.2
Environmental Expenses	Target management	Measures to prevent global warming <sup>*1</sup>	5.2	7.1
		Environmentally friendly product development <sup>*2</sup>	8.0	7.9
		Surveys and measures for soil contamination <sup>*3</sup>	1.4	2.3
		Measures for waste treatment <sup>*4</sup>	2.8	4.6
	Compliance	Pollution prevention <sup>*5</sup>	19.7	23.9
		Waste treatment <sup>*6</sup>	1.5	1.6
		Green belts, etc. <sup>*7</sup>	0.6	0.5
	Internal management	Daily management <sup>*8</sup>	1.4	1.4
		Environmental measures for products <sup>*9</sup>	64.6	81.7
	Environmental remediation	Surveys and measures for soil contamination <sup>*10</sup>	0.4	-
		Levies for pollution <sup>*11</sup>	1.2	1.2
Total			106.8	132.2

\*1 Energy-saving and introduction of new energy technologies. Surveys and study of policies for reducing CO<sub>2</sub> emissions

\*2 Development of gasoline and diesel fuel that emit lower NO<sub>x</sub>, PM (particulate matter), and other substances in vehicle emissions. Promotion of environmentally friendly business activities (Development of fuel cells, expanding use of cogeneration systems, development and introduction of renewable energy equipment). Development of environmentally friendly lubricants, etc.

\*3 Voluntary surveys and measures for soil contamination

\*4 Activities to reduce the amount of waste for final disposal (use of recycled drum cans and other materials), environmental contribution activities, green procurement

\*5 Flue gas desulfurization, denitrification, and dust removal equipment, wastewater treating equipment (eliminating oil), noise and vibration reducing equipment

\*6 Outsourcing of waste processing

\*7 Maintenance of green belts in accordance with environmental laws and administrative guidance

\*8 Daily environmental management (personnel expenses of the environmental department, ISO 14001 certification, purchase of books, etc.)

\*9 Gasoline, diesel fuel, and heavy oil desulfurization equipment (reducing sulfur content of products), gasoline quality improvement equipment (increasing octane number, removal of benzene, etc.)

\*10 Soil surveys and measures for soil contamination in accordance with environmental laws and administrative guidance

\*11 Levies for pollution impact under the Law Concerning Pollution-Related Health Damage Compensation and Other Measures

# Activities to Reduce Environmental Impact: Overview of the NOC Group's Environmental Impact

The NOC Group is disclosing information on its environmental impact at each supply-chain stage.



**INPUT**

	FY2005	FY2006	Change
Electricity (Million kWh)	1.1	0.9	-0.2
Fuel (1,000 kl <sup>*1</sup> )	175	268	93
Water (1,000 tons)	12	20	8
Seawater (Million tons)	62	59	-3

<sup>\*1</sup> Crude oil equivalent

**INPUT**

### Exploration and development of oil and natural gas



#### Crude oil (Purchased)

FY2005	61.75 million kl
FY2006	62.26 million kl
Change	0.51 million kl

#### ● Nippon Oil Exploration Limited

Crude oil and condensate (Production) <sup>*2</sup>	Gas (Production) <sup>*2</sup>
FY2005 3.59 million kl	FY2005 2.8 billion m <sup>3</sup>
FY2006 3.72 million kl	FY2006 3.1 billion m <sup>3</sup>
Change 0.13 million kl	Change 0.3 billion m <sup>3</sup>

<sup>\*2</sup> Data of Japan Vietnam Petroleum Co., Ltd. and Nippon Oil Exploration (Malaysia) Limited

**OUTPUT**

	FY2005	FY2006	Change
CO <sub>2</sub> <sup>*4</sup> (1,000 tons)	1,033	609	-424
SO <sub>x</sub> (tons)	160	175	15
NO <sub>x</sub> (tons)	1,540	1,520	-20
Dust (tons)	30	33	3
COD (tons)	90	90	0
Waste volume disposed (tons)	26,250	34,634	8,384

<sup>\*4</sup> Includes leakage of methane gas

	FY2005	FY2006	Change
Electricity (Million kWh)	24	25	1
Fuel (1,000 kl <sup>*1</sup> )	208	232	24
Water (1,000 tons)	108	165	57
Seawater (Million tons)	129	120	-9

**INPUT**

### Transportation / Storage



#### Transportation

- Nippon Oil Tanker Corporation

#### Storage

- Nippon Oil Staging Terminal Co., Ltd.
- Okinawa CTS Corporation
- Shibushi Oil Storage Co., Ltd.
- Kamigoto Oil Storage Co., Ltd.

**OUTPUT**

	FY2005	FY2006	Change
CO <sub>2</sub> (1,000 tons)	575	641	66
SO <sub>x</sub> (tons)	10,564	12,237	1,673
NO <sub>x</sub> (tons)	38	28	-10
Dust (tons)	6	8	2
COD (tons)	0.2	0.2	0
Waste volume disposed (tons)	430	780	350
VOC (Benzene) (tons)	1	1	0
(Toluene) (tons)	2	0	-2
(Xylene) (tons)	23	0	-23

	FY2005	FY2006	Change
Electricity (Million kWh)	246	254	8
Fuel (1,000 kl*)	5,028	5,061	33
Water (1,000 tons)	84,299	87,098	2,799
Seawater (Million tons)	603	632	29

**INPUT**

**Refining / Production**



- Nippon Petroleum Refining Co., Ltd.
- Nippon Petrochemicals Co., Ltd.
- Nippon Petroleum Processing Co., Ltd.
- Nihonkai Oil Co., Ltd.
- Wakayama Petroleum Refining Co., Ltd.

**OUTPUT**

	FY2005	FY2006	Change
CO <sub>2</sub> (1,000 tons)	13,351 <sup>*5</sup>	13,237	-114
SO <sub>x</sub> (tons)	5,850	5,158	-692
NO <sub>x</sub> (tons)	7,735 <sup>*6</sup>	7,857	122
Dust (tons)	571	682	111
COD (tons)	485	506	21
Waste volume disposed (tons)	2,569	1,166	-1,403
VOC (Benzene) (tons)	38	34	-4
(Toluene) (tons)	111	113	2
(Xylene) (tons)	52	52	0

<sup>\*5</sup> Due to a reevaluation of emission coefficients, figures have been revised.  
<sup>\*6</sup> Figures have been revised.

	FY2005	FY2006	Change
Electricity (Million kWh)	34	27	-7
Fuel (1,000 kl*)	297	319	22
Water (1,000 tons)	141	161	20

**INPUT**

**Distribution / Sales**



- Nippon Oil Corporation <sup>\*3</sup>

<sup>\*3</sup> Nippon Petroleum Gas Co., Ltd. was absorbed by the parent company on July 1, 2005.

**OUTPUT**

	FY2005	FY2006	Change
CO <sub>2</sub> (1,000 tons)	814	878	64
SO <sub>x</sub> (tons)	4	4	0
NO <sub>x</sub> (tons)	4	2	-2
Dust (tons)	0.2	0.2	0
COD (tons)	1	0.4	-0.6
Waste volume disposed (tons)	218	12	-206

**INPUT Data**

**Electricity:**  
Volume purchased from outside  
**Fuel:**  
Usage for in-house power generation and other uses  
**Water:**  
Usage of fresh water and industrial water  
**Seawater:**  
Usage of water from the sea

**Customers (Consumption)**



Sales volume	FY2005	FY2006	Change
LPG (1,000 tons)	2,840	2,890	50
Gasoline (1,000 kl)	14,720	14,500	-220
Naphtha (1,000 kl)	6,280	6,610	330
Jet fuel (1,000 kl)	1,210	1,180	-30
Kerosene (1,000 kl)	7,710	7,820	110
Diesel fuel (1,000 kl)	8,770	8,610	-160
Fuel oil A (1,000 kl)	8,840	8,090	-750
Fuel oil C (1,000 kl)	7,950	8,840	890
Crude oil (1,000 kl)	2,050	2,520	470
Barter and other (1,000 kl)	29,910	35,290	5,380

Products

	FY2005	FY2006	Change
CO <sub>2</sub> (1,000 tons)	143,162	144,235	1,073

Note : CO<sub>2</sub> emissions were computed according to the Guidelines for Calculating Emissions of Greenhouse Gases by Businesses (Version 1.6), Ministry of the Environment.

# Activities to Reduce Environmental Impact: Global Warming Prevention Measures

To help prevent global warming, the NOC Group is working to reduce energy consumption in its manufacturing operations and to proactively utilize the Kyoto Protocol mechanisms.

## Measures in Japan

### Prevention measures in the refining division

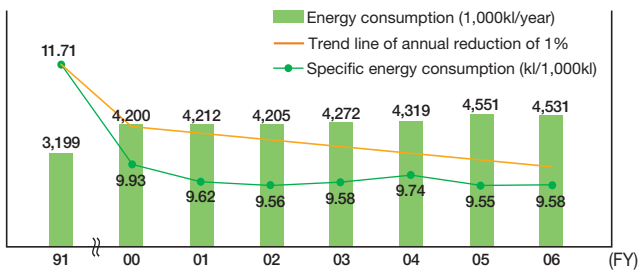
The NOC Group's refining units\*1 are seeking to realize a 20% (average 1%/year) reduction of specific energy consumption\*2 in fiscal 2011 compared to fiscal 1991, which is higher than the 10% reduction goal of the Petroleum Association of Japan (PAJ). The reduction achieved by the end of fiscal 2006 was 18.2% compared to fiscal 1991, which was already in excess of the PAJ target.

\*1 These include the Group's nine domestic refineries.

\*2 This is an energy conservation evaluation method used commonly in the oil industry, calculated by dividing the volume of energy consumption (kl: crude oil equivalent) by the volume of processed crude oil (1,000kl: atmospheric-distilled oil equivalent).

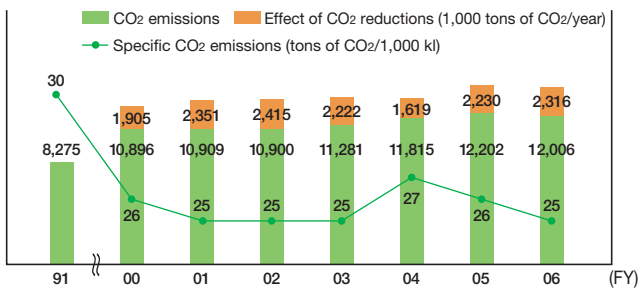
[http://www.paj.gr.jp/index\\_e.html](http://www.paj.gr.jp/index_e.html)  
For more information, please see the PAJ's website.

### Specific Energy Consumption and Energy Consumption at Oil Refineries



The NOC Group's energy consumption at oil refineries has risen above the fiscal 1991 level due to a rise in the volume of crude oil processed and the introduction of facilities to reduce the sulfur content of gasoline and diesel fuel; however, our specific energy consumption has fallen below the fiscal 1991 level due to energy conservation efforts.

### CO<sub>2</sub> Emissions and Specific CO<sub>2</sub> Emissions at Oil Refineries



\*After reevaluating the emission coefficient used, figures for FY2003 through FY2005 were revised.

### Transportation process measures

By increasing the efficiency of its distribution processes, the NOC Group reduced its fiscal 2006 fuel consumption for land and marine transport to 47,000kl (19%) below the fiscal 1991 level, which was already in excess of the reduction goal for fiscal 2011 (9%).

## Measures Abroad

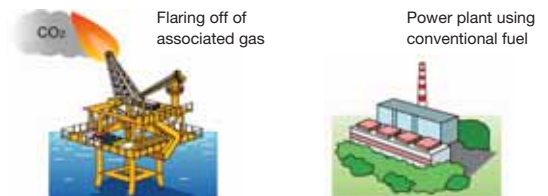
### Effective utilization of associated gas at the Rang Dong oil field in Vietnam

Japan Vietnam Petroleum Co., Ltd. (a subsidiary of Nippon Oil Exploration), had been flaring associated gas, which is generated as by-product of crude oil production at its Rang Dong oil field located offshore southern Vietnam. Currently, the company is recovering the associated gas and providing it through a new underwater pipeline to onshore electric power plants in Vietnam. This project enables power plants to reduce their consumption of other fuel, thereby realizing an approximately 6.8 million-ton reduction in CO<sub>2</sub> emissions (estimated annual reduction of 680,000 tons over 10 years). This amount is approximately equivalent to the amount of CO<sub>2</sub> annually absorbed by a 230km<sup>2</sup> forest of Japanese cypress trees, an area roughly three times the area within the Yamanote Line, which rings Tokyo's central districts.

In February 2006, this associated gas recovery and utilization project was approved as a Clean Development Mechanism Project\* (CDM Project) by the CDM Executive Board (CDM EB) of the United Nations Framework Convention on Climate Change (UNFCCC). The project is realizing the largest CO<sub>2</sub> emission reduction CDM Project in the world, and it is the first CDM Project involving associated gas recovery and utilization. After the actual emission reduction volume is verified, certified emission reduction credits will be issued.

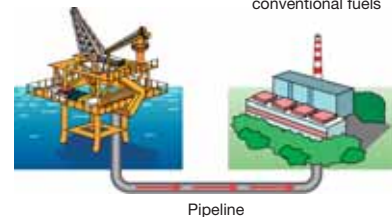
\*Within the framework of the Kyoto Protocol, when the industrialized countries and developing countries cooperatively achieve CO<sub>2</sub> emission reductions, the relevant UN unit will issue certified emission reduction credits corresponding to the size of the reduction.

### Before Associated Gas Recovery and Utilization Project



### After Associated Gas Recovery and Utilization Project

Associated gas recovered and provided to the power plants via a pipeline  
Power plants use associated gas to reduce their consumption of conventional fuels



### Participation in Carbon Funds

NOC is helping developing countries reduce their CO<sub>2</sub> emissions by participating in the World Bank Community Development Carbon Fund (CDCF) and the Japan GHG Reduction Fund (JGRF).

## Activities to Reduce Environmental Impact: Surveys and Countermeasures for Soil Contamination

Not restricting its efforts to specific harmful substances, the NOC Group has established its own voluntary criteria and is conducting surveys and implementing countermeasures to deal with oil-related soil and groundwater contamination.

### Basic Policy for Surveys and Remediation of Soil and Groundwater

The NOC Group established its basic policy for addressing soil and contamination issues with its "In-house guidelines for the survey and remediation of soil and groundwater" in fiscal 2002, and it has subsequently conducted systematic surveys and remediation measures for all sites with the potential for direct soil or groundwater contamination. We expect to complete the implementation of surveys at all sites of the NOC Group during fiscal 2007.

In addition to the specific harmful substances in Japan's Soil Contamination Countermeasures Law, the Group has voluntarily established its own criteria regarding oil contamination within its aforementioned guidelines. These criteria are also compliant with "the Petroleum Contamination Countermeasure Guidelines" issued by the Ministry of the Environment in March 2006.

### Results of Surveys and Countermeasures in FY2006

The results of fiscal 2006 surveys and countermeasures are shown in the following table.

Category	Surveys		Countermeasures	
	Number	Expenses (million yen)	Number	Expenses (million yen)
Service stations	870	544	38	802
Oil depots	15	32	2	256
Refineries and other business sites	5	92	3	460
Others	1	13	0	0
<b>Total</b>	<b>891</b>	<b>681</b>	<b>43</b>	<b>1,518</b>

After finding contamination exceeding the environmental standards at the following sites during fiscal 2006, the NOC Group notified local governments and undertook the countermeasures prescribed by the guidelines. We are expeditiously implementing decontamination measures at these sites and are striving to eliminate pollutants from them.

Category	Locations	Survey results				Countermeasures
		Soil		Groundwater		
		Substances	Multiplying factor (vs. standard value)	Substances	Multiplying factor (vs. standard value)	
Idle land	Tsukuba, Ibaraki Pref.	Lead (elution)	2	Lead	2	Under way
	Soka, Saitama Pref.	—	—	Benzene	3	Under way
	Fujisawa, Kanagawa Pref.	Benzene	3	Benzene	1	Under way
	Joetsu, Niigata Pref.	Benzene	5	Benzene	620	Completed
	Kashiwazaki, Niigata Pref.	Benzene	10	Benzene	530	Under way
	Nagoya, Aichi Pref.	—	—	Benzene	340	Under way
	Kashiwabara, Osaka Pref.	Benzene	4	Benzene	28	Under way
Business sites	Kounosu, Saitama Pref.	Benzene	86	Benzene	324	Under way
	Saitama, Saitama Pref.	Benzene	3	Benzene	42	Under way
	Kasugai, Aichi Pref.	—	—	Benzene	1	Under way
	Toyohashi, Aichi Pref.	Benzene	270	Benzene	3,500	Under way
		Lead (content)	1	—	—	
	Toyota, Aichi Pref.	Benzene	2	Benzene	1	Completed
	Obu, Aichi Pref.	Benzene	110	Benzene	1,200	Completed
	Okayama, Okayama Pref.	—	—	Benzene	98	Under way
	Fukuyama, Hiroshima Pref.	Benzene	2	Benzene	470	Under way
Fukuyama, Hiroshima Pref.	Benzene	5	Benzene	24	Under way	

### Soil Pollution Countermeasures

Established as a specialized soil contamination survey and analysis joint venture by NOC and NIPPO Corporation Co., Ltd., Green Search Co., Ltd. has conducted soil contamination surveys at more than 4,000 sites during its first three years of operations. In the future, plans call for the joint venture to draw on its accumulated know-how to implement diverse kinds of soil contamination surveys.

NIPPO Corporation is implementing soil and groundwater contamination countermeasure projects related to substances specified in Japan's Soil Contamination Countermeasures Law as well as projects involving contamination with oil, volatile organic compounds, and other substances. Working through its nationwide network of 500 offices, NIPPO Corporation is providing services with diverse remediation methods.



NIPPO Corporation's Soil Remediation Center equipped with this thermal soil-drying plant

### Research and Development into Low-Cost Soil Remediation Technologies

In October 2005, NOC created a specialized team in its Central Technical Research Laboratory to focus on the development of soil remediation technologies that are inexpensive and entail low levels of environmental impact.

In cooperation with NIPPO Corporation, NOC is developing soil and groundwater contamination remediation technologies that do not require excavation. The new technologies have been undergoing pilot testing at sites on the Group's idle land since fiscal 2006, and confirmation testing of performance at those sites is currently under way. Plans call for beginning the use of the new technologies at actual contamination sites during fiscal 2007.

Moreover, NIPPO Corporation has undertaken the in-house development of remediation technologies since fiscal 2001, and it is implementing remediation countermeasures involving a wide range of remediation technologies.

# Activities to Reduce Environmental Impact: Waste Reduction Measures

The NOC Group is pursuing waste-reduction and recycling activities that contribute to the formation of a recycling-based society.

## Waste Reduction Activities

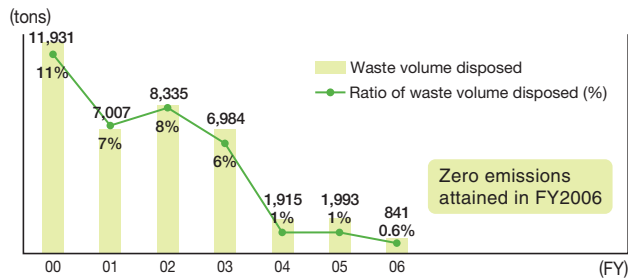
The NOC Group\*<sup>1</sup> has been making efforts to reduce waste and recycle materials, aiming to reduce waste (industrial waste and general waste) to the zero emissions\*<sup>2</sup> level by fiscal 2011. NPRC, which has refineries that generate significant waste, worked to reduce the waste volume disposed and achieve zero emissions earlier than the Group target, and it attained the zero emissions level in fiscal 2006. In addition, the entire NOC Group has accelerated its waste-reduction measures, moving its zero emissions target up from fiscal 2011 to fiscal 2008. The Group has already achieved the Petroleum Association of Japan's fiscal 2011 target of a 67% reduction in the volume of industrial waste disposed compared to the fiscal 1991 level.

The NOC Group regularly performs audits of the companies that it commissions to handle waste disposal work and strives to lower the risk of illegal disposal activities and other problematic behavior by commissioned waste disposal companies.

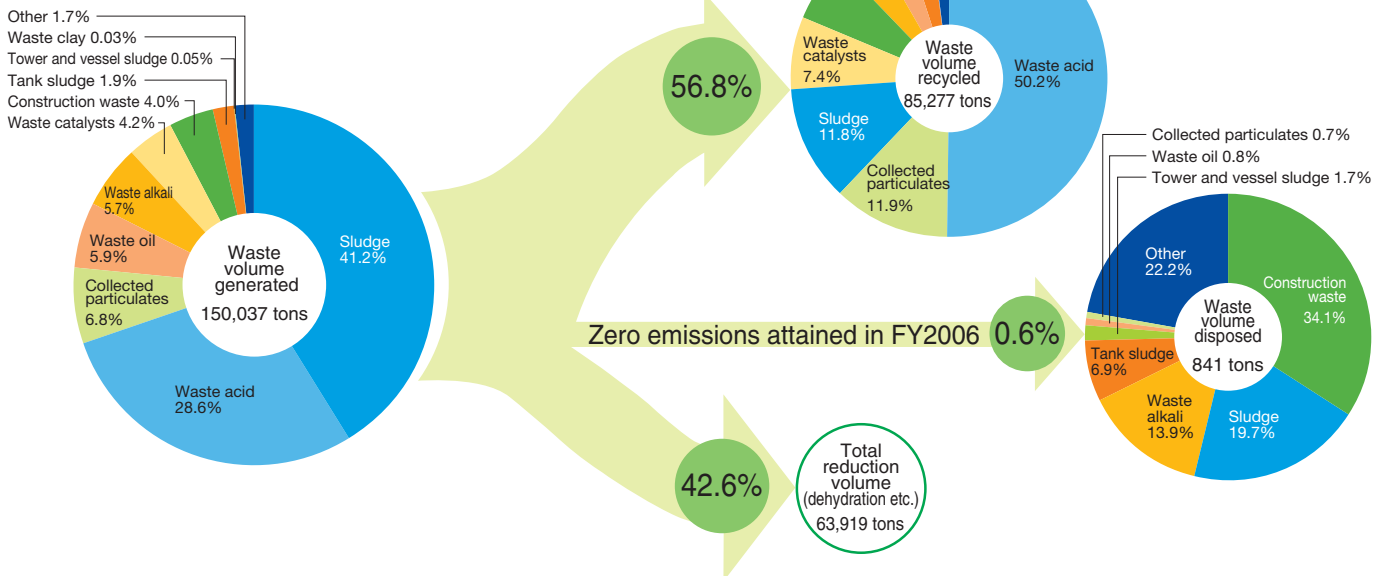
\*1 Excluding Nippon Oil Exploration Limited and NIPPO Corporation Co., Ltd.

\*2 The NOC Group's definition of "zero emissions":  $\frac{\text{Waste volume disposed}}{\text{Waste volume generated}} < 1\%$

### NPRC's Waste Volume Disposed and the Ratio of Waste Volume Disposed



### NPRC's Waste Treatment Activities (FY2006)



## Waste Recycling Efforts at Refineries

### 1. Sludge

Sludge is discharged during the wastewater treatment process. After it is drained and dehydrated, it is then recycled and used mainly as a material for manufacturing cement.

### 2. Waste Acid (Waste Sulfuric Acid)

After being used in high-octane gasoline manufacturing processes, sulfuric acid is sent to recycling companies to be recycled.

### 3. Collected Particulates

Dust and other particulates in combustion exhaust gases are collected with electric precipitator units and recycled as a raw material for cement manufacturing. After thermal recycling\*, this material is also recycled in roadbed material and other applications.

### 4. Waste Catalysts

Catalysts, which are used for oil desulfurization and other processes, become waste after losing the catalytic activity. These waste catalysts include useful metals, such as molybdenum and vanadium, and thus are collected as much as possible and then recycled by metal recycling companies.

\*The waste is not merely incinerated; energy generated during the incineration process is recovered and reused in power generation and other applications.



# Activities to Reduce Environmental Impact: Environmentally Friendly Corporate Activities

The NOC Group does its best to reduce environmental impact through its operations, from exploration and development activities through transport, refining, and manufacturing.

## Environmentally Friendly Exploration and Development

### Activities of Nippon Oil Exploration Limited

Nippon Oil Exploration Limited (NOEX) handles the unified management of the NOC Group's upstream exploration and development (E&D) operations. It is engaged in E&D projects related to oil and natural gas in Japan and 10 other countries.

Besides rigorously complying with all relevant environmental laws and regulations of the countries in which it operates, NOEX evaluates the environmental impact of each stage of its operations with regard to local land and marine ecosystems as well as air and water conditions. Based on this evaluation, it drafts an environmental management plan and implements that plan. NOEX has occupational health, safety, and environmental management systems (HSE-MS) that conform to international standards, and it is continually striving to make additional improvements that further reduce the environmental impact of its operations.

NOEX employs a water-based slurry in its offshore oil field development activities to minimize the impact of those activities on nearby marine ecosystems. All NOEX's marine production wells and other marine production facilities are from the initial design stages equipped with multiple levels of physical systems to prevent oil leaks and spills. To be prepared for all kinds of possible accidents, the facilities are loaded in advance with equipment for recovering spilled oil, and simulation oil spill recovery training sessions are regularly held.

To be prepared to respond to large-scale oil spill accidents, NOEX is a member of the oil spill cleanup associations of each country in which it operates. NOEX has also concluded a contract that gives it the right to quickly borrow large-scale oil spill cleanup equipment stored by the Petroleum Association of Japan in Malaysia and Singapore.

<http://www.noex.co.jp/>

For more information, please see NOEX's website.

## Environmentally Friendly Transportation

### Preventing Ecological Disruption due to Ballast Water

As a safety measure, oil tankers traveling with empty crude oil cargo tanks from Japan to oil exporting countries carry ballast water (seawater) in segregated ballast tanks, and this ballast water contains plankton and other oceanic microorganisms, which are then carried far from their origins. To prevent any negative impact on the marine ecosystems of oil exporting countries, the NOC Group tankers will act upon request by oil terminal harbor authorities and conduct relevant ballast-replacement pumping in the open ocean.

### Using Hull Paint Free of Endocrine Disrupters

The NOC Group previously used a tributyltin-based hull paint but immediately shifted to zinc-based paint when it was discovered that tributyltin might be an endocrine disrupter. Although zinc paint is somewhat less effective at preventing corrosion, the Group is using it in line with its emphasis on helping preserve ecosystems.

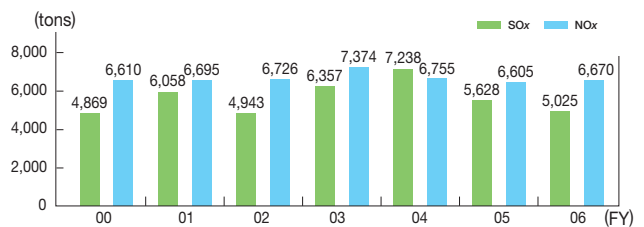
## Environmentally Friendly Refining and Manufacturing

### Preventing Air Pollution

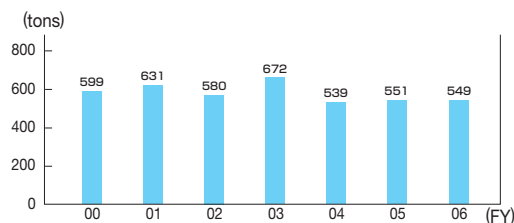
Regarding air pollutants (SO<sub>x</sub>, NO<sub>x</sub>, dust) created during fuel combustion, the NOC Group takes the countermeasures described below. We comply rigorously with the air pollution control laws of Japan and local governments.

SO <sub>x</sub> Countermeasures	NO <sub>x</sub> Countermeasures	Dust Countermeasures
<ul style="list-style-type: none"> <li>Fuels that generate low levels of sulfur by-product gases</li> <li>Exhaust gas desulfurizing equipment</li> </ul>	<ul style="list-style-type: none"> <li>Low-NO<sub>x</sub> burner equipment</li> <li>Exhaust gas denitration equipment</li> <li>Daily combustion management</li> </ul>	<ul style="list-style-type: none"> <li>Electric precipitator</li> <li>Daily combustion management</li> </ul>

### SO<sub>x</sub> and NO<sub>x</sub> Emission Volume\*



### Dust Emission Volume\*



\*Figures are for the NOC Group's nine domestic refineries/factories.

### Preventing Water Pollution

Wastewater from refining equipment is passed through a stripper unit that removes ammonia, hydrogen sulfide, and other substances. After being given higher-level purification treatments (oil separator unit, aggregating pressure flotation, sand filtration, bioreactor, and activated charcoal treatments) that eliminate oil, phenol, and other pollutants, the wastewater is discharged into the ocean. Wastewater from storage tank areas is given oil separator unit treatment to remove oil and then discharged. To prevent marine and riverine eutrophication, we are proceeding with a shift to the use of a non-phosphorus anti-corrosive additive in cycled cooling water.

## Chemical Management

The NOC Group has drafted its own in-house chemical management regulations that are designed to prevent pollution of the natural environment by chemicals and to improve work environments. To reduce risks, the Company uses management systems based on the Pollutant Release and Transfer Register (PRTR) Law (a law that promotes the improved measurement of the volume of specified chemical substances released into the environment as well as the improved management of such substances), and these systems have helped prevent such problems as splashing of waste catalysts during regular maintenance processes and the leakage of chemical substances during storage and transport processes. In addition, we use material safety data sheets (MSDSs) and strive to appropriately disclose chemical management related information.

## Compilation of Results Based on the PRTR Method

Since April 2001, the NOC Group has compiled data related to the release and transfer of specified chemical substances based on regulations established by the PRTR Law.

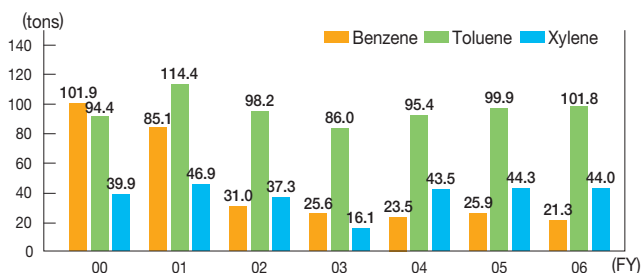
In fiscal 2006, the total substance release and transfer volume for the Group's nine domestic refineries was 404 tons. Most of the released and transferred substances were metals (molybdenum, nickel, vanadium, etc.) contained in waste catalysts and gasoline components (benzene, toluene, xylene, etc.). Of these, 55% were transferred as waste products, while 45% was released into the atmosphere and water. As a result of recycling measures and other efforts, the total substance release and transfer volume in fiscal 2006 was 416 tons less than in fiscal 2005.

## Reducing Emissions of Volatile Organic Compounds

The Japanese government's policy for reducing emissions of volatile organic compounds (VOCs) sets the target of reducing total emissions volume from factories and other stationary sources to 30% below the fiscal 2001 level by fiscal 2011.

In fiscal 2006, the Petroleum Association of Japan autonomously set the goal of reducing total emissions volume to 30% below the fiscal 2001 level, and NOC is taking various measures to attain this goal, with particular attention to measures at loading facilities.

### ■NPRC's Emission Volume of Benzene, Toluene, and Xylene



## Reducing the Environmental Impact in Offices

Having included the goal of reducing the environmental impact of its offices within its medium-term environmental management plan, the NOC Group is working to reduce the offices' electric power and paper consumption as well as waste for final disposal.

### 1. Reducing Electric Power Consumption

In line with the Ministry of the Environment's "cool biz" policy, the NOC Group has set office air conditioning thermostats at 28°C. In addition, each organizational unit is taking thorough steps to reduce electric power consumption through such measures as those to turn lights out during lunch breaks.

### 2. Reducing Paper Consumption

In addition to promoting the use of two-sided photocopies, in February 2005, we introduced an intranet system that enables people to accurately monitor and compare the volume of paper products consumed by individual companies and organizational units within the NOC Group. This system is proving to be an effective means of reducing paper consumption. In addition, we have worked to save energy and space by replacing multiple office automation (OA) products with single multifunction devices\*.

\*A single office automation device can handle the functions of such products as photocopiers, printers, facsimile machines, and scanners.

### 3. Reducing Waste Volume Disposed

For some time, the NOC Group has separated its waste items to promote recycling. Aiming to further reduce waste volume disposed, from 2006 we have begun working to separate different types of plastic waste items (soft plastics and hard plastics) in a way that facilitates their recycling.

Moreover, to further increase the share of wastepaper that is recycled and reduce the portion that is incinerated, we have introduced a more finely segmented separation system for wastepaper separation.

## Promoting Green Procurement

The NOC Group is promoting green procurement as a means of reducing the environmental impact of its operations with respect to all supply-chain stages.

### 1. Green Purchasing

The NOC Group is giving priority to environmentally friendly products when purchasing OA equipment and office supplies, and it is proactively purchasing low-pollution motor vehicles. In fiscal 2006, the green purchasing ratio for NOC and NPRC reached 98.9%. The green purchasing ratio for the NOC Group as a whole was 92.0% in fiscal 2006, and plans call for boosting it to 100% by fiscal 2008.

### 2. Increasing Procurement of Environmentally Friendly Items

The NOC Group is moving ahead with measures to avoid items that contain harmful chemical substances when procuring materials and other inputs for production processes from outside.

### 3. Increasing the Greenness of Suppliers

The NOC Group and its suppliers are making sustained cooperative efforts to reduce environmental impact. In fiscal 2006, we drafted the ENEOS Green Procurement Guidelines and secured the cooperation of suppliers to respond to a questionnaire regarding introduction of environmental management systems.

## Environmentally Friendly Products and Services: New Premium Gasoline

The NOC Group is working to develop and market high-quality fuels that help reduce atmospheric pollutants and greenhouse gases emitted from automobiles.

### Environmentally Friendly Premium Gasoline “ENEOS NEW VIGO”

The new premium gasoline product that NOC began supplying in January 2005 has earned a very high evaluation in the market.

NOC's previous premium gasoline product was guaranteed to be sulfur-free\*, thereby ensuring relatively clean exhaust gases. Moreover, it was the only gasoline product marketed in Japan that contained a friction modifier, which boosted fuel economy up to 3% or acceleration up to 5%. NOC's new premium gasoline product has all these benefits plus a new high-performance detergent that offers “the most advanced engine-cleaning up performance in Japan.” By cleaning grime from engine air valves, it helps reduce regulated emission gases (CO, HC, and NOx) by as much as 10% to 30%.

\*Sulfur-free means the sulfur content in gasoline and diesel fuel is 10ppm or less. “ppm”, or parts per million, is a measure of content, and 10ppm is 0.0010%.

#### New Premium Gasoline Features



- Fuel economy improvement up to 3% or acceleration improvement up to 5%\*1
- Reduces air valve grime 86%\*2
- Guarantee to have sulfur content of 10ppm or less

\*1 Compared with NOC's previous premium gasoline (based on an in-house study)

\*2 Reduction after engine use corresponding to 10,000km of driving (based on an in-house study)

### Sulfur-Free Automobile Fuels

Sulfur-free automobile fuels enable cleaner exhaust emissions and improved fuel economy. In anticipation of future environmental regulations, NOC began supplying sulfur-free regular gasoline and diesel fuel to customers in January 2005.

These sulfur-free fuels make it possible for automobile manufacturers to install new engines with dramatically improved fuel economy. In addition, sulfur-free diesel fuel promotes wider use in passenger cars of diesel engines, which offer superior fuel economy. By improving fuel economy, sulfur-free fuels reduce CO2 emissions and thereby help prevent global warming.

### New Technology Enabling Sulfur-Free Fuel “ROK-Finer®”

While previous gasoline desulfurizing technologies led to significantly lower octane levels, NOC and the Petroleum Energy Center have cooperatively developed a new desulfurization technology that minimizes the fall in octane levels. Numerous domestic and overseas patents have been obtained for this technology, called ROK-Finer®. NOC's exclusive patent rights related to the technology have already been adopted as the license by oil companies based in the United States and Europe, which have highly evaluated the technology.

\*Because the most distinctive characteristic of the ROK-Finer® process is that it removes sulfur while maintaining octane values, its name represents “research octane number keeping process refiner.”



A ROK-Finer® facility at the Sendai Refinery

### Receipt of the Environment Minister's Award for Activities that Help Prevent Global Warming

In recognition of NOC's achievements regarding “the production and marketing of sulfur-free gasoline and the development of gasoline desulfurization technologies,” the Company was awarded the 2005 Environment Minister's Award for Activities that Help Prevent Global Warming (Technology Development and Product Commercialization Section). Because of the high evaluation of our world-leading performance in manufacturing and marketing sulfur-free gasoline and in developing the ROK-Finer® process technology, we became the first company in the oil industry to win this award. NOC also won the 2005 Japan Petroleum Institute Award and the Fifth Green Sustainable Chemistry Award, the Environment Minister's Award.

At the award ceremony, Ms. Yuriko Koike, Minister of the Environment, presented the award to Senior Vice President Ikutoshi Matsumura, who was responsible for the ROK-Finer® development project. At that time, Ms. Koike stated that “it is hoped that each of the recipients will be a leader in activities to prevent global warming.”



Minister of the Environment Yuriko Koike and Senior Vice President Ikutoshi Matsumura



The logo for recipients of the Environment Minister's Award

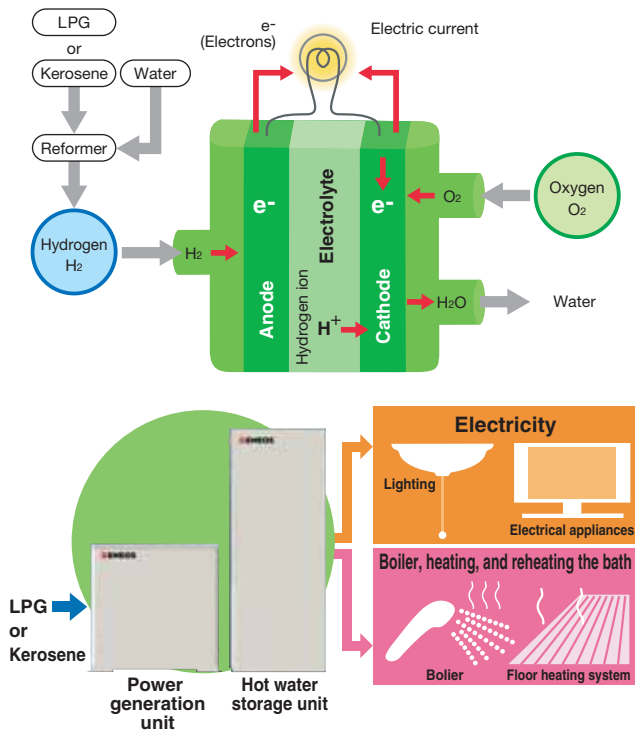
# Environmentally Friendly Products and Services: Fuel Cells

Having commercialized the world's first household fuel cell systems using LPG and kerosene, the NOC Group is offering these fuel cell systems for comfortable lifestyles that are in harmony with the environment.

## Principle of Fuel Cell Systems

Fuel cells reverse the process of water electrolysis—they generate electricity by combining hydrogen and oxygen. While oxygen can be obtained from the air, there is hardly any free hydrogen available in nature; so, hydrogen is obtained by causing a reaction between steam and such fuels as LPG and kerosene. Moreover, the heat generated when fuel cells generate electric power can be used in cogeneration systems that further increase the efficiency of energy utilization.

### Fuel Cell System



### Automotive Applications—Establishment of Hydrogen Station

As a participant in the Japanese government's Japan Hydrogen & Fuel Cell Demonstration Project (JHFC), NOC has installed and begun operating the JHFC Yokohama Asahi Hydrogen Station in Yokohama. This hydrogen station produces hydrogen from naphtha and supplies it to fuel cell vehicles.

Having leased a fuel cell vehicle from TOYOTA MOTOR CORPORATION, the NOC Central Technical Research Laboratory is actively using the vehicle to conduct demonstration testing of the hydrogen supply infrastructure at its hydrogen station.

## Commercialization of the World's First Household Fuel Cell Systems

After commercializing a household fuel cell system using LPG in March 2005, NOC undertook a large-scale pilot-testing program during fiscal 2006 involving the government-subsidized installation of the systems in 141 households, primarily in Tokyo and 10 nearby prefectures. During fiscal 2007, plans call for expanding the scope of the pilot-testing program to include systems installed at an additional 250-plus households throughout Japan.

In addition, after commercializing a household fuel cell system using kerosene in March 2006, NOC is planning to install the systems during fiscal 2007 in more than 100 households, primarily in Tokyo and 10 nearby prefectures as well as in the principal cities of the Hokkaido, Tohoku, and Hokuriku regions.

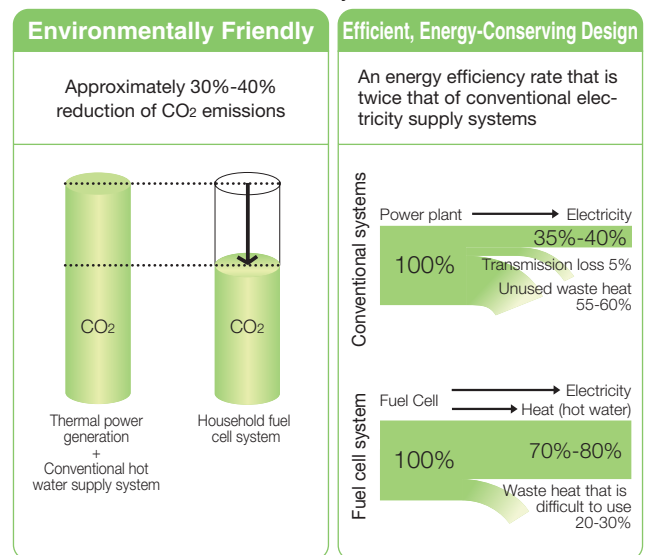
These household fuel cell systems are cogeneration systems that concurrently supply electric power and hot water. They offer high energy efficiency and reduced emissions of CO<sub>2</sub>, which is believed to account for more than one-half of greenhouse gases associated with global warming, and they emit almost no SO<sub>x</sub> or NO<sub>x</sub>, which cause air pollution and acid rain. These characteristics make them highly environmentally friendly energy systems.

### Commercialized NOC Household Fuel Cell Systems

	Systems using LPG	Systems using kerosene
Rated power output	750W	950W
Power generation efficiency	36% (LHV*)	35% (LHV)
Hot water tank volume	200L	200L
Heat-recovery ratio	42% (LHV)	46% (LHV)

\*Lower heating value (LHV) represents the net calorific value of fuels calculated by subtracting latent cooling due to the condensation of steam generated during combustion from the total calorific value.

### Merits of NOC Household Fuel Cell Systems



## Environmentally Friendly Products and Services: Other Products and Services

By expanding operations involving LNG, wind power, and diverse types of cogeneration systems, the NOC Group is working to provide environmentally friendly products and thereby reduce society's environmental impact.

### LNG Business

The NOC Group is developing its own natural gas fields in Malaysia and Indonesia. Natural gas is a clean energy source that, when burned, emits no SOx and less volume of NOx and CO<sub>2</sub>. The volume of global natural gas reserves is substantial, and they are quite evenly dispersed throughout the world. These features have attracted increasing attention to natural gas as a promising source of energy.

Regarding operations in Japan, in cooperation with Chugoku Electric Power Co., Inc., NOC completed the Mizushima LNG receiving terminal in April 2006 and will begin supplying gas to nearby gas companies and other customers. This makes NOC the first Japanese company to establish integrated operations from natural gas resource exploration and development through LNG liquefaction, storage, and marketing.

### Natural Gas-Fueled Power Generation Business

NOC is pursuing natural gas-fueled power generation business in cooperation with Tokyo Gas Co., Ltd. A joint venture of the partners, Kawasaki Natural Gas Generation Co., Ltd., is constructing a natural gas-fueled power generation plant with two 400,000kW power generation units. Construction began in February 2006, and the first of the two power generation units is scheduled to begin operating in April 2008.

### Wind Power

Having constructed a 1,500kW wind power generation unit at its Akita Oil Depot, NOC is using that unit to meet the internal power requirements of that depot and sell power to Tohoku Electric Power Co., Inc.

Besides responding to Japan's Renewable Portfolio Standard Law (RPS Law\*), which took full effect in April 2003, we are continuing to assess wind conditions at Group facilities and other locations and consider the further expansion of our clean wind power energy business.

\*The RPS Law obligates power companies to obtain use of a certain percentage of the electric power they market from new types of energy sources.



The wind power generation unit at the Akita Oil Depot

### Cogeneration Systems

Cogeneration systems use petroleum fuels, LPG, and natural gas to generate electric power while capturing waste heat from the electric power generation process and using that heat for such applications as heating, air conditioning, and steam supply. Because cogeneration systems enable more-efficient energy use, they also help reduce CO<sub>2</sub> emissions.

The NOC Group has accumulated strong technological capabilities as a result of its many years of experience in the cogeneration system business, and it offers a fully integrated set of services covering preliminary studies, design, construction, operational support, and maintenance processes. Moreover, we make cogeneration system proposals tailored to the electric power and heat-related needs of individual customers.

### ESCO Business

NOC is proactively developing its energy service company (ESCO) business\*<sup>1</sup>. For example, we have completed the installation of high-efficiency cogeneration facilities and other facilities at the prefectural government building and police head office of Aomori Prefecture and began operating those facilities from April 2006. In 2007, we plan to initiate build-own-operate (BOO) business\*<sup>2</sup> involving our direct handling of all processes from LNG procurement through the installation, operation, and administration of cogeneration facilities, beginning with a project at a manufacturing facility of Fujifilm Co., Ltd.

The NOC Group will continue to undertake and develop diverse kinds of energy business in response to diverse customer needs.

\*<sup>1</sup> ESCO business involves the provision of comprehensive energy conservation services, including those related to technologies, facilities, personnel, and funding, that aim to conserve energy without reducing customer convenience. Remuneration obtained corresponds to a portion of the customers' savings achieved due to higher energy efficiency.

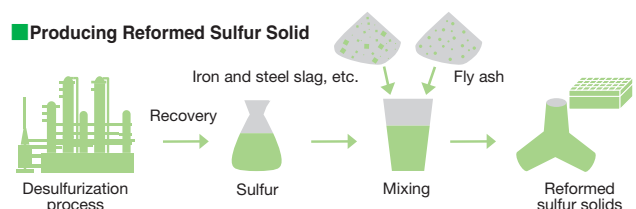
\*<sup>2</sup> BOO business is a kind of on-site energy system business that differs from ordinary on-site energy system business in that the contractor handles operational and administrative matters on behalf of the customer.

### Reformed Sulfur Solid

Sulfur recovered in the process of desulfurizing petroleum products can be mixed with such materials as iron and steel slag\* and fly ash to create new types of materials that can be used in place of concrete. NOC has been moving ahead with the development of such construction materials as reformed sulfur solid, which offers superior strength and impermeability to water as well as high levels of acid resistance. Reformed sulfur solid is an environmentally friendly product that helps recycle oyster shells and the by-products and waste products of various industries.

\*Slag is a nonmetallic residue generated when metal ores are melted and refined in blast furnaces.

#### Producing Reformed Sulfur Solid



# Contributing to Society as a Corporate Citizen

## [Basic Policy for Social Contribution Activities]

- The NOC Group works to achieve environmental harmony. The Group also values highly its ties with all its stakeholders and seeks to contribute to making a better, more pleasant lifestyle for everyone.
- The NOC Group actively pursues activities that make society better and more livable with the principal themes of “environment and energy” and “contribution to the community,” while also supporting the voluntary activities of employees that contribute to society.
- The NOC Group continues to contribute to society and aims to be the comprehensive energy company winning the maximum support from the general public.



## Social Contributions

**The establishment of the ENEOS Hydrogen Trust Fund is really a kind of social contribution that builds on the foundation of the Company's core business operations. Supporting work to overcome major challenges in basic technologies is highly meaningful.**



Chief Director,  
Japan Philanthropic Association

Ms. Yoko Takahashi

Looking at recent trends in corporate social contributions, you will see that there are noteworthy increases in contributions that relate to a company's core business operations as well as in contributions that entail direct participation by a company's employees. Previously, companies generally tended to clearly differentiate their business operations from their social contribution programs, thereby emphasizing that they were contributing to society as an ordinary corporate citizen. In contrast, an increasing number of companies are now making social contributions that draw on the resources of their core business operations. In other words, they are making good use of their technologies and human resources to generate considerable benefits for local communities and society.

On the other hand, there is a growing problem with companies that are losing their vitality because their employees no longer take pride in or have affection for them. Aside from monetary or materialistic issues, I think that if you enable employees to get a clear feeling that their own work helps contribute to society, it will augment their motivation to work and thereby help foster the kind of corporate culture that boosts corporate value.

But the actual number of companies moving ahead with social contribution programs related to their core businesses has not yet grown very large. In view of this, NOC's establishment of the ENEOS Hydrogen Trust Fund is really a kind of social contribution that builds on the foundation of the Company's core business. Supporting work to overcome major challenges in basic technologies related to the hydrogen production, transport, and storage of hydrogen is highly meaningful. In the future, NOC should further increase its PR activities focused on this kind of social contribution program. Individual offices and other Company units can make outstanding contributions to local

communities if they do things like sending employees to various locations to lead educational classes that promote better understanding of the concept of “sustainability” and that even children can understand.

I mentioned in NOC's *CSR Report 2005* that service stations can play very important roles at times of disasters and other emergencies, and it is important to constantly be ready to make full use of service stations' potential regarding those roles. Truly, fuels are a key part of the lifelines of assistance to regions affected by disasters, and the NOC nationwide network of about 11,000 service stations is supporting stable fuel supplies. Because this is Japan's largest such network, the Company has a particularly large responsibility to be a leader in making the most of the network's potential benefits to society. For most ordinary people, ENEOS service stations are like NOC's face. Because of this, I think it's very important for the Company to collaborate very closely with its dealerships and sales companies. If service stations throughout the country undertake social contribution activities that impress people with these activities being proactively publicized, it could have a huge beneficial effect on NOC's overall corporate image.

I also think NOC should do more publicizing, both within and outside the Company, of its international cooperation activities in Asia, the Middle East, and other parts of the world. Employees should be very proud when they see that many people in the general public know about the contributions of their own Company's overseas units.

In this regard, NOC's new specialized CSR website\* is indiscriminately providing information on social contribution activities and other CSR activities to those both inside and outside the Company, and I think this is a highly effective approach. Going a step further than just reporting on these activities, I hope NOC will explain to stakeholders in a clear and easily understandable way, its current social contribution goals and plans regarding future goals.

The NOC Group is working to foster greater corporate contribution initiatives through various methods that promote the horizontal integration of Group units, such as the establishment of a Corporate Citizenship Committee and a social contribution working group in which employees can participate. These efforts are helping increase the Group's social contribution capabilities. In the future, I'm hoping to see NOC move ahead with programs that promote participation not only of employees, but also of people from local communities.

\*The ENEOS Social Station website began operating on April 1, 2006.

## ENEOS Hydrogen Trust Fund

To promote the expeditious realization of a hydrogen-based society, NOC has established the ENEOS Hydrogen Trust Fund (Initial level of total assets: ¥1.5 billion), which has begun providing support for basic research projects related to the provision of hydrogen energy.

### Goals of the Fund

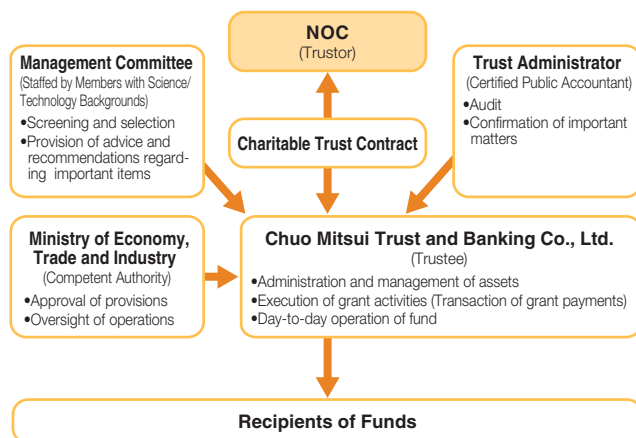
As reflected in the growing attention attracted by global warming and diverse other environmental problems, there is a growing need for new types of energy that do not generate CO<sub>2</sub> or harmful substances and that will facilitate the creation of a sustainable society.

Hydrogen is used in fuel cells and other applications, and it is believed to have great potential as a means of creating a sustainable society. However, realizing hydrogen's potential by building energy systems that can spread throughout society will require major technological innovations related to hydrogen production, transport, storage, and CO<sub>2</sub> fixation.

The ENEOS Hydrogen Trust Fund will offer stable financial support to "creative and pioneering basic research" related to hydrogen energy supplies. It is designed to provide ¥50 million of such support each year over a period of 30 years. In this way, NOC is seeking to promote basic research programs that can generate and verify new scientific principles, foster technological innovation, and facilitate the early onset of the hydrogen society.

### Overview of the ENEOS Hydrogen Trust Fund

<b>Objective</b>	Support basic research related to hydrogen energy supplies—a form of energy highly harmonious with the global environment—and thereby contribute to the realization of a hydrogen society
<b>Assets</b>	Total assets of ¥1.5 billion (Including ¥1.0 billion entrusted by April 2006 and ¥0.5 billion to be entrusted in fiscal 2008)
<b>Annual Support</b>	Up to a total value of ¥50 million per year (up to ¥10 million per year of support for individual projects)
<b>Supported Research</b>	Creative and pioneering basic research related to hydrogen production, transport, storage, and CO <sub>2</sub> fixation
<b>Supported Research Entities</b>	Those affiliated with universities, public research entities, and other nonprofit research organizations in Japan who are engaged in research programs corresponding to the above definition of "supported research"
<b>Support Allocation Method</b>	Public solicitation of proposals to be screened and judged by the fund's Management Committee



Charitable trusts are established by trustors for a specified public benefit objective by entrusting assets to a trust bank (the trustee), which operates in accordance with provisions of the trust (the charitable trust contract) in administering and managing the assets. All charitable trusts must be approved by Ministry of Economy, Trade and Industry (the competent authority).

### Operation of the Fund

The ENEOS Hydrogen Trust Fund will publicly solicit grant proposals for research projects in line with its objective. The nine members of the fund's Management Committee, all of whom have science/technology backgrounds, will strictly and fairly screen the proposals. In addition, the trustee, Chuo Mitsui Trust and Banking Co., Ltd., will be responsible for administering and managing funds entrusted by NOC, executing grant payments to recipients, and handling the day-to-day operation of the fund.

In April 2006, the Management Committee met for the first time. At this meeting, Professor Kenichiro Ota of Yokohama National University was selected to chair the committee, and the members undertook a lively discussion of the fund's management policies.

At the end of June 2006, the public solicitation of grant proposals was begun, and plans call for beginning the disbursal of grants from September 2006.



The first meeting of the Management Committee

ENEOS Hydrogen Trust Fund  
Management Committee Chairman  
**Mr. Kenichiro Ota**  
(Professor of Yokohama National University)



As seen in the case of nickel-hydrogen batteries, society has already begun making use of hydrogen energy technologies. However, it is expected that realizing the three prerequisites for sustainable society—energy security, environmental protection, and economic growth—will require dramatic improvements in our energy technologies and systems. The goal of realizing outstanding hydrogen energy technologies will require sustained scientific progress undertaken based on a long-term perspective. The ENEOS Hydrogen Trust Fund is expected to make a large contribution to facilitating such progress.



April 2006 launching ceremony for the ENEOS Hydrogen Trust Fund.  
Second from left: Mr. Kodaira, Director-General, Agency for Natural Resources and Energy,  
Second from right: Mr. Ota, Chairman of the fund's Management Committee

## Activities Contributing to the Environment

The NOC Group, as a comprehensive energy company, gives full consideration to the impact that energy consumption has on the environment. It therefore undertakes many environment and energy related activity initiatives intended to contribute to society.

### Creating “ENEOS Forests”

“ENEOS Forests” are being established as part of a joint program that allows us to form partnerships with regional governments and the National Land Afforestation Promotion Organization to preserve specified natural forest areas. Focusing primarily on the vicinity of Group refineries, the NOC Group had established four ENEOS Forests by the end of fiscal 2006 and plans to create an additional two during fiscal 2007. The NOC Group is emphasizing the many important roles of forestlands, including the absorption and storage of CO<sub>2</sub> as well as the preservation of biodiversity, and it is planning to continue actively working to help preserve forest resources.



### Participation in “Tokyo Greenship Action”

Since fiscal 2005, NOC has participated in “Tokyo Greenship Action,” a program to help preserve the natural environment that is sponsored by the Tokyo metropolitan government, corporations, nonprofit organizations (NPOs), and other groups. At the end of fiscal 2006, NOC Group volunteers had participated in seven campaigns to restore rice paddies in historical conservation areas.



### Environmental Education Activities

Working in cooperation with the Junior Eco Club (sponsored by Japan’s Ministry of the Environment), the NOC Group organizes environmental education classes for Eco Club members at its six refineries in Japan. Led by NOC employees in the roles of teachers, these classes seek to enhance children’s environmental awareness by providing them with easy-to-understand explanations of environmental and energy issues.



### “ENEOS Children’s Science Classes”

NOC regularly organizes “ENEOS Children’s Science Classes” at the Central Technical Research Laboratory for children living in the vicinity of that facility. These classes are designed to enable children to enjoyably learn about science, energy, and the environment. In fiscal 2006, these classes were held four times, and approximately 300 children participated.



## Activities Contributing to the Community

The NOC Group places a high value on its ties between the local communities served by its network of about 11,000 service stations and its branches, refineries, and overseas offices, and it is proactively working to contribute to those communities.

### “ENEOS Baseball Workshop”

Since 1997, current and former members of the NOC baseball team have held “ENEOS Baseball Workshops.” In fiscal 2006, these workshops were organized for little league teams in Kanagawa Prefecture and middle school teams in Kagoshima Prefecture, where the NOC baseball team has its spring training camp.



### Events at Refineries

To increase contact and deepen ties with local communities, each refinery organizes diverse enjoyable events, such as summer festivals and charity bazaars.



Children enjoying traditional Japanese drum lessons at the Negishi Refinery

### ENEOS Exhibit

Since 1963, NOC has provided an exhibit on oil-related matters at the Muroan Youth Science Museum. Renovated and renamed the ENEOS Exhibit in August 2005, this exhibit presents oil-related information in an easy-to-understand way.



The ENEOS Exhibit

### Hosting Children at “FC Tokyo” Soccer Games

As the main sponsor of the FC Tokyo J-League soccer team, NOC regularly distributes free tickets for “ENEOS Friend-Crew Seats” at team home games. In fiscal 2006, NOC invited 1,531 children at foster homes and other welfare facilities.



Letters from children expressing their appreciation of the ENEOS Friend-Crew Seats program



## International Cooperation

In addition to undertaking diverse environmental protection projects in oil-exporting countries, the NOC Group is proactive in its acceptance of trainees from abroad and international dispatches of specialists.

### Social Contribution Activities in Vietnam

The NOC Group is producing crude oil in the Rang Dong oil field offshore southern Vietnam. In March 2005, to commemorate the attainment of 100 million barrels of cumulative production at that field, the Group provided a grant for the construction of a rehabilitation facility for physically challenged children. For many years, we have provided financial assistance for such projects in Vietnam as those for the construction of primary schools, the procurement of medical supplies and equipment, and the support of refugees from typhoons and other natural disasters. We also participated in activities to celebrate International Children's Day and World Environment Day Tree Planting programs.

### Acceptance of Trainees and Sending of Specialists

The NOC Group annually accepts trainees from overseas and dispatches oil-related specialists to assist in various areas. These personnel exchanges help strengthen our relationships with foreign countries.

#### Feedback from a Trainee

Mr. Bevis Chen  
(Trainee from Taiwan)



While participating in a three-week training program of NOC's Community Engagement Office, I took a trip to Hokkaido and visited a branch office and the Mutoran Refinery to exchange ideas about programs to contribute to local communities. It was an experience that I will never forget.

At the Negishi Refinery and the Central Technical Research Laboratory, I was able to observe refining new product development processes, and I was left with the strong impression that NOC is a company that is giving top priority to environmental protection.

Moreover, to enable me to actually participate in CSR activities, I participated alongside NOC employees in the ENEOS Forests program. This participation entailed the thinning out of the trees and performing other tasks in a portion of forest, and I really enjoyed it. My training was a very significant experience that helped me better understand the importance within corporate management activities of CSR programs.

### Overseas Technical Cooperation Projects in Fiscal 2006

- Indonesia: Technology for generating electricity at oil refineries
- Iran: Countermeasures for sediment within oil storage tanks
- Saudi Arabia: Hydrocracking technology
- Vietnam: Evaluation of exploration results from offshore areas

## Support for Employees' Voluntary Social Contribution Activities

### Training Program for "Environmental Volunteer Leaders"

To raise the level of awareness of environmental issues among employees and train personnel who can participate actively in environmental volunteer programs, NOC has since fiscal 2005 offered a training program for "environmental volunteer leaders" focused on obtaining experience and practical training in forest preservation activities. In fiscal 2006, we held these training programs four times for a total of 72 participants.



## Support for Sports Activities

By supporting sports activities, NOC helps foster the healthy development of the next generation of people while also deepening its exchanges with local communities and promoting progress in sports culture.

### Establishment of NPO in Cooperation with the Yokohama BayStars

Aiming to promote progress in baseball and general sports culture within Kanagawa Prefecture, NOC has worked as a partner with the Yokohama BayStars professional baseball team, which has established an NPO called Yokohama BayStars Sports Community. Since fiscal 2007, this NPO has organized baseball classes and training programs for elementary and middle schools. As the NOC ENEOS Baseball Team is based in Kanagawa Prefecture, it cooperates with the NPO in implementing these programs, thereby making a significant contribution to progress in baseball and sports culture in Kanagawa Prefecture.



### Supporting Japan's National Baseball Team

Since 2001, NOC has been an official sponsor of Japan Baseball, an organization that interlinks professional and amateur teams and organizes national teams for international competitions. We are hoping to see the Japan team win a gold medal at the Beijing Olympic games.

### Sponsorship of the Junior Tournament ENEOS CUP

Since 2005, NOC has sponsored the 12-team Junior Tournament ENEOS CUP of Nippon Professional Baseball (NPB). This event is designed to enable youngsters to get a little closer to their dreams of becoming a professional baseball player.



The Yakult Swallows Junior team, which won the first annual Junior Tournament ENEOS CUP

# Being a Highly Fair and Honest Company

Aiming to be a company that inspires high levels of trust, the NOC Group is promoting CSR-oriented management and making relentless efforts to upgrade its CSR performance in four focus areas—"Compliance," "Ensuring Safety," "Crisis Management, and "Quality Assurance."

## Social Responsibility

**High levels of integrity lead to high levels of productivity. CSR is a challenge, and CSR programs should have long-term orientations.**



Professor at Reitaku University

Mr. Iwao Taka

### The Importance of Integrity

When they articulate their philosophy, companies are announcing the type of path their management will be following. The public announcement of a philosophy means the company is reinforcing its commitment to that philosophy and saying it will not waver in that commitment. The essential meaning of "integrity" is to consistently do as you say you will do. In the current era, I think it is increasingly important to create companies with high levels of integrity. Companies with integrity, also tend to have high levels of employee spirit as well as productivity.

### Increasing Concern for the Environment and Human Rights

The energy industry has some fundamental problems. First, people throughout the world are looking more critically at energy in general. For energy companies, mere strict legal compliance is not enough to earn recognition as a good corporate citizen. In particular, the industry is a lightning rod for criticism related to environmental protection issues, and it has to be sensitive to the potential for such criticism each time it undertakes a new activity.

Another sensitive point is human rights. For example, when energy companies take steps to obtain new exploration rights or begin producing oil in developing countries, there are cases in which the human rights of local residents will be violated in connection with those steps, even if the steps are as part of a national development project of the relevant country. Companies have to make sure that

human rights are protected and respected. Even companies that don't operate overseas but do import resources are in a position to speak out against human rights violations. Every company should be doing its best to promote the sound economic development of the developing countries they do business with.

### CSR is a Challenge

I think NOC is very proactive in its CSR activities, even when compared to other companies in the oil industry. At CSR training courses, for example, you will see the Company's top executives sitting in the front row in postures of earnest attentiveness. NOC doesn't just go through the motions of CSR—its top executives are leading participants in CSR programs, in efforts to change old-fashioned mind-sets within the Company, and in endeavors to move the Company forward. There are not so many companies that are as progressive as this.

CSR is a challenge. As I mentioned, "integrity" basically means maintaining the consistent between your words and your actions, and it is important to maintain an ethical management posture that is uncompromising. Actually doing this requires a company to continually improve its internal control systems while also restructuring decision-making authority in ways that facilitate the proper functioning of those systems. Moreover, when companies operate in countries with lax regulations, they must have the courage to keep the commitment to their universally applicable management principles related to environmental protection and human rights.

What is required to create a sustainable society? This is one of the most important questions humankind faces, and it is also a very challenging question. When I say it is a challenge, I mean that making progress in answering the question will not be so easy. The first step is to maintain the courage to maintain relentless efforts to make this progress.

Companies in the energy industry have a huge responsibility for the future of the world. It is important that they manage their operations based on a global perspective, do not shirk difficult challenges, and maintain an unwavering commitment to their principles.

The current age is one in which society is demanding that companies display moral rectitude. I am wholeheartedly applauding NOC's efforts to overcome the diverse CSR challenges it is facing.

# Compliance

Based on its belief that companies are public institutions, the NOC Group strives to act as an excellent corporate citizen in all of its operations while maintaining high ethical standards and constantly emphasizing fairness and honesty.

## Compliance-Related Activities

Against the backdrop of numerous recent corporate scandals, and the trend of globalization, companies are being required to shift from a single-minded focus on economic performance to a more-comprehensive perspective on fulfilling their responsibility to society and ensuring that all their activities are fair and open.

The first item of the NOC Group philosophy, "Six Values We Respect," is "Ethics (Fairness and Honesty)." Besides offering concrete action guidelines to promote rigorous legal compliance and high ethical standards on the parts of all Group officers and employees, this item strongly calls for such compliance and ethical standards to be consistently implemented in all aspects of Group operations. To ensure rigorous compliance, each Group company has established its own compliance rules.

In June 2005, the Group established the NOC Group Compliance Committee. Each Group company has stepped up its concerted efforts to ensure rigorous compliance.

## Legal Surveys and Compliance Performance Checks

Each year, the manager of each NOC Group department holds private interviews with each subordinate and otherwise performs checks of the department's compliance performance to confirm that the relevant company's operations and the behavior of the company's officers and employees do not conflict with relevant laws and regulations. If a problem or questionable case is discovered, measures to rectify the situation are immediately taken. Before the checks, surveys of laws and regulations related to the company's operations are performed, and other measures are taken to accumulate legal expertise enabling the prevention of legal compliance problems before they occur as well as the promotion of up-to-date, compliance-related knowledgeability among all the company's officers and employees.

## Compliance Training

### 1. Training

Various training courses are organized whenever necessary, which include legal knowledge training, training courses for employees with compliance responsibilities throughout Japan, and study groups focused on such subjects as the Antimonopoly Act and the Subcontract Act.

### 2. Legal Compliance and Operational Regulation Compliance Database

NOC has created a database of concrete measures and matters to keep in mind with regard to the laws and regulations associated with each NOC unit's operational field and regarding the maintenance of good compliance with those laws and regulations. Information in this database is shared throughout the Group.

### 3. E-Learning

E-learning courses on diverse laws and in-house regulations are available on NOC's intranet, and participation in those courses is mandatory.

### 4. "Fount of Compliance" Legal Affairs News Bulletin

Each week, NOC posts a compact and easy-to-understand issue of the "Fount of Compliance" legal affairs news bulletin on such issues as basic legal knowledge, what is considered "common sense" in society, and in-house rules.

## Internal Reporting System (Compliance Hot Line)

If NOC Group employees (including part-timers, temporary employees, and employees of temporary labor agencies) or employees of outsourcing companies or contractors doing work for the Group discover cases in which the NOC Group is not compliant with laws or regulations, they can report the situation through specialized in-house and external contact points that have been established to supplement the standard reporting system of reporting directly to one's hierarchical superiors. Reports of noncompliance are immediately investigated to confirm facts, and if violations of laws or regulations are discovered, such problems will be promptly solved. Employees reporting illegal behavior will not suffer any work-related disadvantages due to their having made reports.

## Information Security-Related Activities

Japan's full-scale implementation of the Personal Information Protection Law since April 2005 has further increased the rigor with which personal information must be handled. Accordingly, the NOC Group has taken various measures to increase the thoroughness of its information security capabilities.

Specifically, we have appointed a chief privacy officer (CPO) in NOC to assume responsibility for personal information management and also appointed information administrators to take responsibility for such management in each NOC Group department. In addition to these measures to upgrade and improve overall management systems for corporate information, we created two sets of regulations prescribing concrete methods for handling confidential information and personal information—"Confidential Information Handling Rules" and "Personal Information Protection Rules". Moreover, we drafted a Groupwide personal information protection policy and posted this policy on our website.

The NOC Group obtains a written pledge to rigorously manage information from each of its current and retired officers and employees, and the Group also provides e-learning courses and other educational courses that help ensure that all officers and employees are well acquainted with the nature of information-related rules and regulations.

### Five Fundamental Information Security Policies

1. Recognizing the importance of corporate information as an asset
2. Respecting the rights of individuals
3. Complying with laws and regulations
4. Emphasizing the interests of stakeholders
5. Implementing appropriate public relation activities

# Ensuring Safety

The NOC Group is striving to realize safe operations, prevent accidents and disasters, and ensure it is prepared to respond effectively if accidents or disasters occur.

## Approach to Safe Operations

When accidents and disasters occur, they may have a serious impact on local communities and corporate performance. Recognizing that “ensuring safety is basic to the management of its activities,” the NOC Group is going through the Plan-Do-Check-Action cycle on a continuing basis to maintain and augment safety in all aspects of operations, from exploration to sales.

## Preventing Accidents and Disasters

Each fiscal year, the NOC Group establishes individual priority objectives for each of its three main operational fields—refining and manufacturing, oil depots and gas terminals, and distribution—and implements safety initiatives to prevent accidents and disasters. In fiscal 2007, plans center on making these priority objectives still more ambitious than in the previous fiscal year and sustaining rigorous safety management activities on a continuing basis.

In particular, the NOC Group is striving to make additional efforts to increase safety and prevent accidents at refineries. In April 2006, NPRC established the Refinery Project Office, which has begun considering the proposal of fundamentally new kinds of accident prevention measures.

### Priority Objectives in Fiscal 2007 (Refineries and Factories)

#### (1) Strengthening autonomous self-safety management

- Carrying out reliable equipment maintenance management
- Standardizing operational procedures

#### (2) Eliminating labor accidents

- Rebuilding safety administration systems
- Augmenting safety education programs
- Enhancing safety guidance provided to partner companies

#### (3) Building risk management systems

- Building safety management standard systems
- Promoting effective MOC (management of change)
- Enhancing crisis management

## Strengthening Safety Management

In line with the fiscal 2007 refinery operation safety slogan—Total Participation in Creating a Renewed Safety Culture That Enables the Elimination of Accidents and Disasters—the NOC Group is maintaining a high level of vigilance and attentiveness to details as it carries out day-to-day refinery operations.

Aiming to eliminate labor accidents, NOC in July 2005 created a project team, including members from various departments, and put that team to work considering new approaches to the entire field of safety management.

In January 2006, safety promotion teams were established at NOC’s head office and each of NPRC’s seven refineries. In addition to seeking to strengthen safety management systems, these teams are working to foster a corporate culture in which safety is the first priority. The teams are moving ahead with measures to strengthen safety management in departments that conduct operations at production facilities and that handle construction work as well as in contractors.

## Preparing for Potential Accidents and Disasters

Besides augmenting day-to-day safety management activities, the NOC Group proactively works to prepare for the possibility of accidents and disasters through measures that include the installation of various kinds of equipment and systems at refineries, factories, oil depots, and gas terminals.

### Disaster Prevention Equipment

#### 1. Oil Spill Countermeasures

Storage tanks are surrounded by several walls to keep gasoline or other products from flowing outside the oil depots. When oil is stored on ships, the vessels are surrounded by oil fences, and oil recovery vessels are kept ready to respond quickly if necessary.



Opening of oil fences in a marine pollution prevention drill

#### 2. Disaster Countermeasures

To put out fires, ample equipment for spraying extinguishing foam and water is kept ready, along with chemical fire trucks, aerial water cannon trucks, foam liquid transport trucks, and high-performance foam extinguishing systems. In addition, to deal with accidents and disasters on the water, the NOC Group keeps fire-fighting vessels ready.



Various types of fire-fighting equipment

## Upgrading Preparedness for Potential Disasters by Strengthening Crisis Management Systems



### Hiroshi Sato

Environment & Safety Group Manager  
at NPRC’s Sendai Refinery

At the Sendai Refinery, our fundamental action principle is “Safety Has Priority over Everything Else.” Based on this principle, we do everything needed to ensure safe operations while also readying ourselves for the possibility of disasters by preparing materials and equipment needed for disaster countermeasures and by working to create rapid and dependable response systems through the organization of comprehensive disaster response drills with total staff participation and diverse other types of drills.

To increase the smoothness of communication with people in local communities, we post information in local advertising publications, organize tours of the refinery, and regularly hold briefings with the heads of local governments.

We will continue resolutely carrying out various drills designed to promote safe operations and increase our ability to ensure the safety of people in local communities and our work force.

### 3. Large-Scale Earthquake Countermeasures

To monitor the condition of floating roof portions of oil storage tanks, we are installing video systems that include terrestrial monitoring displays linked with cameras installed on such locations as helicopters, balloons, and stacks.



A monitoring balloon used at the Mizushima Refinery



An image from a camera on the balloon

### Disaster Drills and Training

To deal quickly and effectively with accidents or disasters if they occur, the NOC Group has formed an internal organization to deal with fires and other contingencies and conducts comprehensive training exercises.



Comprehensive training exercise

### Communication Training

We regularly perform real-time simulation drills to ensure that, at the time of accidents or disasters, we will have the capabilities needed to provide news media and stakeholders with up-to-date information on continually changing situations regarding damage and countermeasures.



A countermeasures headquarters team

## Incidence of Labor Accidents

Data on labor accidents at the Group's refineries are shown in the tables below. The number of such accidents has been at a stable low level in recent years, but we are making additional efforts to eliminate them.

### Number of Labor Accidents (NPRC)

	Injury with lost workdays	Injury without lost workdays
FY2004	2	13
FY2005	1	9
FY2006	2	6

### Ratios Indicating Frequency\*1 and Severity\*2 of Accidents (NPRC)

	Frequency	Severity
FY2004	0.39	0.003
FY2005	0.21	0.001
FY2006	0.42	0.008

### Supplementary Information: Frequency and Severity Ratios by Industry

	All Industries		Chemical Industry		Petroleum Refining Industry	
	Frequency	Severity	Frequency	Severity	Frequency	Severity
2003	1.78	0.12	0.92	0.07	0.24	0.004
2004	1.85	0.12	0.88	0.06	0.20	0.005

Sources: Ministry of Health, Labor and Welfare, *Labor Accident Survey*. For petroleum refining, statistics are from the Labor Survey issued by the Petroleum Association of Japan.

\*1 This ratio indicates the frequency rate of lost work-time injuries and illnesses as a result of labor accidents for every one million hours worked.

\*2 This ratio indicates the seriousness of labor accidents that occur.

## Asbestos Investigation and Countermeasures

The NOC Group has investigated the use of asbestos at its facilities and has taken the countermeasures described below.

### 1. Results of Investigation

#### (1) Health Damage

The investigation revealed that there have been two deaths among current and former employees thus far from mesothelioma. In May 2006, it was decided to provide special survivors' annuity benefits based on the Law Concerning the Relief of Health Damage due to Asbestos in the case of one of the deceased, who was an operational supervisor.

We have provided medical examinations to employees, former employees, and their families at their request. At the end of April 2006, approximately 470 people had requested medical examinations, and approximately 90% of the medical examinations had been completed. The medical examinations performed so far have not identified anyone who had contracted lung cancer with mesothelioma or asbestos as the main cause. In addition, there have been no reports of injuries to the health of people living near our facilities.

#### (2) Situation Concerning the Use of Sprayed Asbestos

We have identified approximately 150 locations in facilities and structures where sprayed asbestos appears to have been used.

### 2. Public Announcement of Results of Investigation

In September and December 2005, press releases were issued that described the current results of the investigation and the planned countermeasures. Plans call for continuing to appropriately release information in the future.

### 3. Prospective Countermeasures

#### (1) Health Damage

If health examinations discover health damage due to asbestos, appropriate responses will be made in accordance with relevant laws.

#### (2) Sprayed Asbestos

We have implemented measures based on regulations associated with the Asbestos Disability Prevention Law with respect to approximately 150 locations where sprayable asbestos has been found. With the prevention of health hazards as our foremost concern, we have taken voluntary measures to remove asbestos from such locations as soon as possible, particularly enclosed spaces that are in constant use even though there is no immediate threat of asbestos becoming airborne. We are also taking steps regarding asbestos in other locations.

#### (3) Other Countermeasures

We are also moving forward with the replacement with asbestos-free materials of non-sprayable asbestos products used for insulating material, gasket, and other applications at production facilities and elsewhere. Asbestos-related work will be implemented in strict conformance with regulations associated with the Asbestos Disability Prevention Law and other relevant regulations, and top priority will be given to the prevention of health damage.

# Crisis Management

The NOC Group is working to create systems capable of effectively responding to the diverse risks associated with business activities.

## Crisis and Emergency Countermeasures

The NOC Group is creating systems designed to maintain awareness of potential accidents and other problems, to implement rapid and appropriate responses.

NOC has drafted its Crisis & Emergency Response Rules for dealing effectively with diverse crisis and emergency situations, and the Company further strengthened its crisis management system in July 2005 through the creation of the Crisis Management Group within the General Administration Department.

### Crisis & Emergency Response Rules

1. The following cases are considered to be emergency situations requiring Companywide response measures.
  - (1) Incidents involving injuries to people (or that may involve such injuries)
  - (2) Incidents involving major damage to the property of third parties (or that may involve such damage)
  - (3) Incidents that due to their nature, scale, degree of emergency, or degree of societal concern have a major detrimental impact on the Company's operations (or that may have such an impact)
2. When an emergency situation arises, the top manager on the scene will immediately report the incident via the general manager of the General Administration Department to the president of NOC.
3. Upon receiving such a report, the president will immediately form a countermeasure headquarters that will be led by the president or the highest level executive available, which will then comprehensively direct the implementation of emergency countermeasures.
4. The countermeasure headquarters will undertake unified information management while also determining countermeasures and directing the implementation of those countermeasures. The headquarters will also seek to identify the cause of the problem and prevent recurrence.

## Comprehensive Measures to Prevent Disasters

### Efforts Regarding Comprehensive Measures to Prevent Disasters

Aiming to be prepared in the case of a disaster comparable to a major earthquake directly below Tokyo, NOC is considering countermeasures of the following three types.

#### 1. Prior Preparations

We are preparing systems to confirm the safety status of all employees and are preparing emergency supplies that will meet the needs of employees unable to return to their homes. In addition, we are implementing emergency drills at refineries and other facilities designed to help prepare for major disasters, and we are moving ahead with the creation of support systems for the movement of reconstruction materials among refineries. We are also creating a system for the supply of petroleum products following major disasters.

#### 2. Rapid Response

In the case of earthquakes of approximately level six or greater on the Japanese seismic measurement scale, a countermeasures headquarters led by NOC's president will immediately be established in NOC's head office. The headquarters will (1) confirm the safety or status of all employees and their families, (2) confirm the damage or integrity of the NOC Group's business infrastructure, and (3) respond to emergency needs associated with the disaster response efforts of the central and local governments.

#### 3. Response at Recovery Stages

When the chaos immediately following a disaster subsides and the reconstruction process begins, the above-mentioned countermeasures headquarters will be reconfigured as the recovery countermeasures headquarters. This unit will (1) quickly establish product supply systems, (2) provide support for affected regions and communities, and (3) provide information to stakeholders.

## Responses to Accidents and Problems (Fiscal 2006)

We greatly regret the negative repercussions of the problems as described below. In addition to offering our sincere apologies for these incidents, we are doing our utmost to ensure such incidents do not recur.

Date	Nature of Accident	Corporate Action
July 2005	Based on information received from Nippon Shinpan Co., Ltd. (currently UFJ NICOS Co., Ltd.), personal information leaked from an Internet-based virtual shopping mall included personal information related to 88 ENEOS Card cardholders.	NOC posted information about the accident on its website and arranged for Nippon Shinpan (currently UFJ NICOS) to contact each of the 88 ENEOS Card cardholders and issue them new cards.
November 2005	It was determined that some of the oil filters handled by Nippon Oil Trading Corporation and sold at ENEOS-brand service stations were defective*. *During the installation process, the oil filters' seal packing would develop cracks that allowed oil to leak and may have led to engine damage.	Affected service stations were instructed to discontinue the sales of 110,000 such oil filters they had in their stock, and steps were taken to recover these filters and replace them. Moreover, notice of an autonomous product recall was made to relevant ministries, and the product recall was also publicized through newspaper advertisements and website notices. In addition, a specialized inquiry-response service was established.
February 2006	A pump within a hydrocracking facility at NPRC's Muroran Refinery caught fire. The refinery's own fire-fighting unit quickly responded and, with the aid of municipal fire-fighting units as well as the fire-fighting units of nearby corporate facilities, extinguished the fire in approximately three hours. The accident did not lead to any injuries or water pollution.	Two special units were established at NOC head office and the Muroran Refinery. These units took measures to determine the cause of the accident, quickly repair the affected facility, prevent recurrence of the problem, and provide emergency supplies to temporarily replace the affected facility's output.

# Quality Assurance

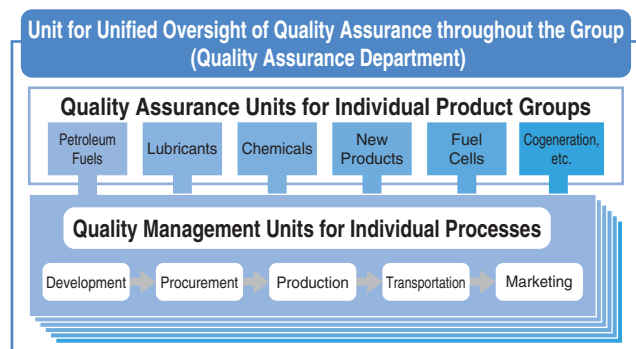
The NOC Group is working to improve the quality of its core ENEOS brand products as well as the quality of its services.

## Quality Assurance System

To provide high-quality products and services that satisfy customers, the NOC Group has drafted a set of clear-cut quality assurance rules and taken steps to clarify the quality assurance roles and responsibilities of each department. The Quality Assurance Department has responsibility for the unified supervision of quality assurance matters throughout the Group. Based on the policies determined by that department, six units have been established to take responsibility for quality assurance matters related to individual product categories, and these units have proven to be effective in managing quality assurance matters for each operational process related to each product category. This system is used to ensure the quality of products produced in-house, and a similar quality assurance system is used to ensure the quality of products purchased from other companies or obtained through barter transactions\*.

\*The major oil companies in Japan mutually assist each other by supplies of petroleum products on a barter basis. By helping reduce the distance products that must be transported, these barter transactions help reduce the environmental impact of oil companies' operations.

### Quality Assurance System






## Quality Assurance Activities in Fiscal 2006

NOC is seeking to identify and eliminate quality risk factors in each process from product development through marketing. The Company is undertaking diverse initiatives to reduce the number of quality complaints regarding its

refineries' products to zero and otherwise further improve its quality assurance performance.

### Examples of Quality Assurance Activities in Fiscal 2006

Production	Transportation	Marketing
<p><b>Zero-Complaint Activities</b></p> <ul style="list-style-type: none"> <li>● Reevaluation of process quality management and operating standards</li> <li>● Creation of horizontally integrated working groups to undertake product quality improvement campaigns</li> <li>● Drills to make rapid initial responses when quality irregularities arise, etc.</li> </ul> 	<p><b>Zero-Complaint Activities</b></p> <ul style="list-style-type: none"> <li>● "Thanks" campaigns that require truck drivers to greet service station staff and take steps to ensure that service station staff consistently cooperate in supervising shipment unloading processes</li> <li>● Increasing the strictness of tanker vessel leasing standards, etc.</li> </ul> 	<p><b>Customer Satisfaction Enhancement Activities</b></p> <ul style="list-style-type: none"> <li>● Implementation of customer service-related personnel training programs</li> <li>● Implementation of service station monitor check programs</li> <li>● Implementation of surveys aimed at enhancing customer satisfaction, etc.</li> </ul> 

## Customer Consultation Service

Since 2001, the NOC Group has operated a toll-free telephone consultation service that enables it to gather and respond to feedback from customers. This service operates every day from Monday through Saturday excluding the last and first days of the year and official holidays.

### ●Activities to Promote the Spirit of the "You (Ensuring the Satisfaction of Each and Every Customer) Policy"

The customer consultation service interacts with approximately 40,000 customers (fiscal 2006 level). Most of those interactions were customer inquiries, and the entire Group works concertedly to quickly respond to those inquiries with emphasis on further increasing the level of customer satisfaction.

### ●Activities to Make Use of Customer Feedback

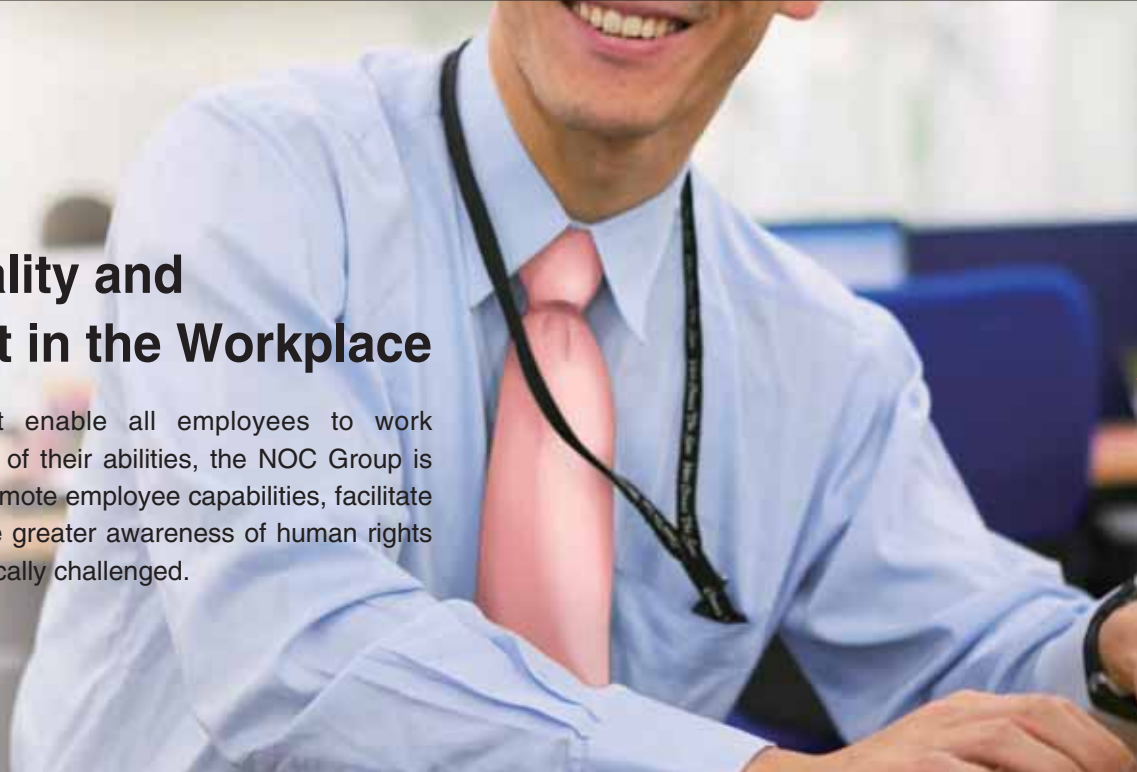
NOC makes use of customer feedback as a means of identifying potential ways the Company can improve its operations. The Customer Consultation Service provides information on customer feedback to directors and employees throughout the NOC Group while also contacting specific Group units to discuss potential improvements suggested by customers.

### ●Consultations Related to Service Stations

ENEOS-brand service stations numbered as of June 30, 2006 approximately 11,000, and all of these service stations are operated by independent service station management subsidiaries and franchisees. Accordingly, the Customer Consultation Service shares customer feedback related to service stations with service station management subsidiaries and franchisees and works to confirm that measures are taken at service stations in response to customer feedback.

## Aiming for Vitality and Self-Fulfillment in the Workplace

To create workplaces that enable all employees to work energetically and to the best of their abilities, the NOC Group is emphasizing measures to promote employee capabilities, facilitate women's success, encourage greater awareness of human rights issues, and support the physically challenged.



# Respect for Human Rights and Dignity

**When doing things that society will definitely require in the future, you should be a leader.**



Journalist  
(Previously a member of the editorial committee  
at *Nihon Keizai Shimbun (Nikkei)*)

### Ms. Fusako Fujiwara

We should all make a point of including "lifelong human resource development" among the features of our concepts of sustainable economic development. People are innately equipped with diverse kinds of creativity and other strengths, and societies can enrich themselves by making the most of every kind of person they include.

Although work is not the only thing in our lives, it consumes most of the waking hours and energy of employed adults on weekdays. Long periods spent engaged in full-time work, not to mention raising children, often diminish the quality and quantity of such highly rewarding parts of life as rest, recreation, and study. I hope that companies operating in developed societies will consistently manage their work forces with an eye to allowing all employees ample time and energy for full lives with ample amounts of rest, recreation, study, and other non-work-related experiences.

Since 2003, Japan's Law for Measures to Support the Development of the Next Generation requires all companies with 301 or more employees to draft action plans. Besides covering the employees of the company in question, these plans must also cover the provisions of support to nearby communities.

The UN Development Programme annually calculates human development indexes (HDIs) for member countries based on the countries' levels of health, education, living standards, and other factors. Most Japanese people are aware that Japan's HDI is among the highest, reflecting its population's lengthy average life spans as well as its superior performance in education, information access, and per capita income.

However, societal changes have been reducing Japan's HDI, which last year slipped down yet another notch, to 11th. Japan is 14th in terms of the gender development index (GDI), which reflects disparities between the HDIs of men and women. Moreover, Japan is 43rd, just below Tanzania, in terms of the gender empowerment measurement (GEM), which reflects women's economic power and degree of participation in society's decision-making processes.

Japan's own statistics also indicate the reality of such trends. In the 20 years since Japan introduced its Equal Employment Opportunity Law, the number of women in corporate posts with decision-making power has been increasing, but the share of women in such posts remains extremely low. Moreover, more than half of employed women are part-time employees, temporary contract employees, or temporary labor dispatch agency employees. As a result, their wages remain low throughout their careers, and they are considerably disadvantaged if you factor in such situations as the minimal feeling of accomplishment many women get from their jobs and their low pension income levels.

On the other hand, there are rising expectations that women will increase their child-bearing and child-rearing efforts as a means of countering the fall in the shares of children and working-age people in Japan's population, and there are associated calls for measures to provide additional support for raising children and facilitating the long-term employment of working mothers. Regardless of this, if the current employment situation of Japanese men is left unchanged, neither men nor women will find it easy to find the time and energy to enjoy raising children. There are strong arguments made against improving employment situations—critics claim that such improvement is not feasible due to the powerful competitive pressures companies face. If the work situations of men are not reevaluated from a long-term perspective, it is unlikely that fundamental improvement will be realized.

There are some signs of weakening in the trend of decrease in the number of children born in developed countries where women are active throughout society. As NOC is the leader in its industry, I hope that the Company will also play a pioneering role in respect for human rights and dignity among its guiding principles and making systemic provisions for the application of this principle throughout its operations. While all companies will have to take these and other similar measures in the future, I hope that NOC will continue to be one of the pioneers in introducing a portion of such measures.



# Promoting Employee Capabilities

The NOC Group is working to create workplaces that enable all employees to work energetically and to the best of their abilities.

In fiscal 2006, the NOC Group worked to “foster a culture that enables every individual employee to work energetically and develop his or her individual personality and abilities” by emphasizing the themes of “promoting mental health,” “helping nurture the next generation,” and “appropriately managing work time.”

## Personnel Systems

To encourage the development and dynamic utilization of employees' capabilities, the NOC Group has moved ahead with reforms to its employee compensation and evaluation systems as well as other personnel systems.

The basic concepts of the NOC Group personnel systems are as follows.

### 1. Make Employment Conditions Reflect Each Employee's Most Recent Contributions (The Employee's Present Value)

Believing it important to appropriately evaluate each employee's contribution and to ensure benefits and compensation reflect that contribution in a timely way, we have reformed our compensation, evaluation, and retirement benefit systems.

### 2. Increase the Transparency, Fairness, and Acceptability of Personnel Evaluation Systems

To increase the transparency, fairness, and acceptability of our personnel evaluation systems, we conduct a continuing program of “evaluation training” for middle management responsible for operating the evaluation system who do their utmost to provide appropriate feedback on evaluation results to each and every employee.

### 3. Provide Opportunities for Employees to Make Full Use of Their Abilities

#### ●Entry System

Under this system, when employees have a strong desire and clear reasons for being assigned to certain jobs, whenever possible, they are assigned in accord with their requests. In fiscal 2006, close to 60 requests for specific positions were received, and, in 50% of the cases, the new assignments of these employees reflected their requests.

#### ●Internal Recruitment System

This system makes it possible for the Company to call for volunteers among employees for work in new business fields and projects. From fiscal 2005, we have called for applications from employees for three such projects, and, in each case, the number of applicants exceeded the number of positions.

## Human Resource Development

The NOC Group has had three types of human resource training thus far, namely, on-the-job training through experience in the workplace, off-the-job training, and self-fulfillment training. Our efforts are now directed at upgrading these three forms of human resource development while respecting the identity of employees.

We offer diverse voluntary off-the-job training courses, and the cumulative total number of participants in those courses reached approximately 440 during fiscal 2006.

In addition, each department intensively implements its own training courses aimed at passing on know-how and technology to the next generation. The Company also implements training programs designed to expedite the development of selected individuals being groomed to play leadership roles in the organization.

## Health Management

Believing that good physical and mental health are crucial bases that enable employees to energetically do their work, NOC creatively plans and implements various health programs.

### Mental Health Measures

In fiscal 2006, NOC gave special emphasis to mental health measures and implemented the following programs.

#### 1. Implementation of Mental Health Checks

All employees were offered a stress check program that helps them assess their own mental condition.

#### 2. Establishment of Advisory Service and Provision of Counseling

In addition to creating an in-house mental health advisory service, we cooperate with a specialist company to offer employees counseling within our employee assistance program (EAP).

#### 3. Implementation of Training for Managers

We implemented a mental health training program for managers and provide managers with guidance on how to manage their units with due consideration to subordinates' mental health.

#### 4. Drafting of Programs to Support Return to Work

Our EAP includes provisions for promoting the return to work of employees who have been on leave from work for long periods due to mental health issues.

## Helping Nurture the Next Generation

Based on the Law for Promoting Policies to Nurture the Next Generation, NOC has created its first action plan for supporting the next generation of employees.

Period of Plan: April 1, 2005, through March 31, 2007

Objectives: 1. Promoting the use of paid vacation time

2. Promoting the use of leaves of absence for child rearing

3. Increasing the length of leaves of absence for child rearing

4. Introducing a program allowing for a reduced number of work hours per day

### 1. Implementation of Next-Generation Nurture Support Action Plan

In fiscal 2006, we introduced a continuous vacation system to promote the use of annual allocations of paid vacation time and extended the length of leaves of absence for child rearing. In fiscal 2007, we introduced a program allowing for a reduced number of work hours per day.

### 2. Convocation of Worker-Management Conference

NOC held a conference to help representatives of the Company's labor union and management cooperatively consider policies to nurture the next generation.

### 3. Implementation of Training for Managers

Opportunities were created to explain policies to nurture the next generation to managers and encourage managers to support their subordinates in terms of assisting their work with child raising.

### 4. Promoting General Awareness of Next-Generation Nurture Support Measures

A “policies to nurture the next-generation” section was posted on NOC's intranet, and the Company's labor union also posted such information in its newsletter and took other measures to promote greater awareness.

## Supporting Women's Success

The NOC Group is proactively working to increase its hiring of women while continuously striving to prevent sexual harassment and create workplaces that facilitate women's successful work. In addition, to enable women to combine careers and child rearing, we are endeavoring to create an atmosphere that makes it easy for women to take full advantage of our systems of leaves of absence for child rearing and vacation days for child rearing.

### Consolidation of Job Categories

Aiming to help develop and effectively utilize human resources, in April 2004 NOC eliminated the administrative assistant job category within which the majority of female employees had been and merged this category with the general administration job category. As a result, numerous female employees will be able to enjoy more challenging jobs and a broader scope for using their work capabilities.

## Promoting Support of the Physically Challenged

Of the 18 main companies in the NOC Group, 11 have a legal obligation to employ a specified minimum percentage of physically challenged persons, and they are meeting this requirement (as of January 1, 2006).

\*Due to efforts to expedite the publication of this report, the date for calculating these percentages has been changed.

### Support Systems

NOC Group companies provide physically challenged employees with support to assist the employees in their working activities and daily lives led by the services of the Physically Challenged Employee Workplace Optimization Team, which includes advisors and representatives of physically challenged employees. To improve conditions for the physically challenged at NOC's head office, we have taken such measures as those to install restrooms and elevators suitable for persons in wheelchairs.

## Nursing Support System

NOC provides support to enable employees to continue working while also giving their relatives nursing care. The Company has introduced a nursing care leave system (allowing for leave of up to 93 days per person receiving nursing care) and a program allowing for a reduced number of work hours per day.

## Reemployment System

For fiscal 2007, NOC has introduced a system allowing for the reemployment of employees who retire upon their attainment of the mandatory retirement age but wish to continue working. In this way, we are proactively seeking to continue helping such workers make the most of their precious know-how, technology, and experience.

Excluding employees with health problems or other special situations, the majority of employees are eligible for this reemployment system.

## Discussions with the Company's Labor Union

With the goal of adjusting and improving labor conditions, NOC and its labor union engage in collective bargaining and discussions of diverse issues.

In addition, NOC and its labor union have jointly held a conference on policies to nurture the next generation, at which the participants engaged in lively exchanges of opinions.

Respect for  
Human Rights and  
Dignity

# Promoting Better Understanding of Human Rights

Respect for human rights and dignity is a fundamental part of production and other aspects of business activities.

## Human Rights Training

The NOC Group believes it is important for all management and employees to make business judgments, act, and make statements based on a good understanding of human rights. Based on this belief, we seek to promote the proper consciousness and understanding of human rights by designing training programs from a variety of perspectives and providing them to new employees, middle-level personnel, management personnel, directors, and other levels of employees. From fiscal 2006, we have begun offering e-learning courses for employees of NOC Group companies, and each of the Company's branches, refineries, and factories are making efforts to implement effective programs to increase awareness of human rights.

The NOC Group invited Mayumi Narita, a swimmer, who has won 15 Paralympic gold medals, to visit NOC and give a lecture. Her visit, in November 2005, offered a precious opportunity to learn about the perspective of the physically challenged.

## Promoting Better Understanding of Human Rights

We have established the Human Rights Enlightenment Office and the NOC Group Human Rights Enlightenment Liaison Meeting, which are working to promote better understanding of human rights throughout the NOC Group.

Every year during Human Rights Week in December, we ask employees of Group companies and their families to submit slogans related to human rights. In fiscal 2006, the following slogan received a Group award for excellence and was also submitted to the human rights slogan contest of the Industrial Federation for Human Rights, Tokyo, in which NOC is a member.

*"Take off your dark glasses of prejudice and take a look around.  
The good sides of every individual will become noticeable."*

Submitted by **the family of Tetsuya Kano**,  
previously of the Marketing Planning Department, NOC



# CSR Initiatives at Service Stations

The approximately 11,000 ENEOS-brand service stations throughout Japan are doing their utmost to promote customer satisfaction and confidence by providing top-quality service. In addition to selling gasoline and other petroleum products, ENEOS service stations also provide car wash, automobile safety check, oil change, and vehicle inspection services to assist customers in taking optimal care of their automobiles.

## Barrier-Free Spaces

NOC is moving forward with the installation of rest rooms and sloping entrances that facilitate the use of wheelchairs and service rooms that can meet the needs of a broad range of customers, including the physically challenged and senior citizens.

## Preventing Electrostatic-Caused Accidents

Since gasoline can be ignited even with a tiny spark due to static electricity, NOC has taken various countermeasures, including the installation of static electricity prevention sheets on all fuel dispensers at its self-service stations. In addition, service station staff wear uniforms treated to prevent static electricity.

## Preventing Fuel Contamination

To prevent the mixture of oil due to errors in unloading petroleum products into wrong storage tanks, NOC has introduced electronic control systems.

## Preventing Soil Contamination

To prevent soil contamination, NOC has been installing double-walled storage tanks at its service stations. In addition, NOC conducts soil surveys deliberately and, if contamination is discovered, takes appropriate measures.

## Disaster Countermeasures

Since service stations handle gasoline and other hazardous materials, full measures are taken to ensure resistance to damage due to earthquakes and fire. In addition, some ENEOS service stations, named "Disaster-Ready Service Stations," have their own electric power generators and water storage tanks. They are ready to continue to provide energy and water to members of the community following natural disasters when electric power, gas, and other "lifeline" utilities may not be operational.

## High-Value-Added Service

NOC's high-value-added service stations are equipped to provide car care services that include diagnoses and advice from professional staff. In addition to regular maintenance services, these outlets also provide vehicle inspection services.

## Fuel Cells at Service Stations

In addition to providing hydrogen for fuel cell automobiles, NOC is considering the installation of fixed fuel cell generators that will supply electricity and hot water to the surrounding community.

## Training Service Station Staff

To promote trust and confidence in the ENEOS brand, NOC believes that continually improving the quality of service station staff is essential. Accordingly, NOC conducts a wide range of training courses to support the training of staff employed at the service stations operated by dealerships and sales companies.

## ENEOS Card

Of the total value of payments made by customers using their ENEOS cards at service stations, 0.01% is donated to the National Land Afforestation Promotion Organization to support their activities to protect valuable forestlands.

## Protecting Personal Information

The NOC Group is working to protect personal information through activities that include the distribution of the *ENEOS Personal Information Protection Guidebook* and other related manuals.





# Communication with Consumers

In November 2005, the Hybrid Life Lab began a project entitled “Thinking Together with Housewives about Smart Lifestyles in the Near Future.” The member-participation-style project involves project partners—including freelance announcer Junko Kubo, architect Etsuko Eguchi, and economizing method advisor Yuki Wada—who hold discussions about environmental protection, household accounts, homes, and other issues at a website visited by housewife-members from throughout Japan. The project also involved the proactive distribution of a questionnaire to housewives and the gathering of information by members.

“Companies that operate with a sense of responsibility inspire a very good feeling.”  
“We are expecting information that even a child can understand and that helps spur communication between parents and children.”

Members of the Hybrid Life Lab viewed NOC’s CSR website while discussing environmental protection efforts and social contribution programs.

### **What kind of companies do you think are companies with good images?**

**Ms. Matsukawa:** The image from television commercials is that car and energy companies give a lot of attention to the natural environment.

**Ms. Sato:** It is similar to when mail-order companies recover cardboard and catalogs; I feel they are taking responsibility for their own operations.

**Ms. Hotta:** When they do such things as taking the trouble to use easily recyclable containers, then you get the impression they are doing just what they should be doing.

### **What do you think of companies handling petroleum products?**

**Ms. Oshita:** For me, the image of the service station I patronize is particularly strong. I never thought much about things like CSR activities.

### **Today, we would like to ask you some questions as you view the NOC Group’s CSR website. First, what do you think about NOC’s environmental protection activities?**

**Ms. Matsukawa:** I never had the opportunity to know about such a thing as the effective utilization of associated gas at an oil field, but from the explanation, I can imagine that it’s an amazing thing.

**Ms. Sato:** I can also understand the information about environmentally friendly activities at refineries, but, if I were to take one of those refinery tours along with those children, I think it would seem more real.

**Ms. Hotta:** Environmental issues are things that children learn a lot about in schools. They learn more about the environment in school than they do from their parents. The environmentally friendly things that the children learn at school often become rules of behavior for the whole family.

**Ms. Oshita:** I was particularly surprised to learn about “ENEOS Forests.” It’s hard to link service stations to forests, but knowing about this leaves me with a good image. I’m also very interested in fuel cells. It seems to me that, of the



(From left) Ms. Oshita and Ms. Sato

various environmental protection activities, fuel cells may be the things that will be the closest to housewives like us.

### **Next, let’s look at the social contribution activities.**

**Ms. Oshita:** The information about nearby ENEOS service stations having earthquake-resistant structures and fire-prevention measures is totally new to me. I now have a good understanding of how thorough their countermeasures are, and I’m quite reassured.

**Ms. Matsukawa:** The junior baseball workshops and science classes for children are very good ideas. If they supplemented those things with an educational pavilion conveniently located in the center of Tokyo, I would like to take my children there.

### **In conclusion, what is your overall impression of what we looked at today?**

**Ms. Hotta:** I have a clear understanding that NOC has a strong sense of responsibility and that it is really making the efforts to do the right things. I’ll be looking forward to seeing more easy-to-understand information from NOC in the future.

**Ms. Sato:** Summarizing and showing all those things in television commercials would be good. It’s a shame that they are doing so many good things that not so many people know about.

**Ms. Oshita:** I was amazed about how many things I didn’t know about. The NOC CSR website seems to be a very useful place—a site where children can learn a lot about society as well as a site that children and their parents can enjoy together.



(From left) Ms. Matsukawa and Ms. Hotta

## Hybrid Life Lab

### ● Project Concept

We want to propose “Hybrid Life,” a kind of life that is enjoyable and deeper because it skillfully combines existing things with new things.

# Independent Review Report

(TRANSLATION)

## Independent Review Report

May 29th, 2006

Mr. Shinji Nishio  
Representative Director, President  
Nippon Oil Corporation

Masamitsu Komuro  
Chief Executive Officer  
Mizuko Mase  
Executive Officer  
Tohatsu Environmental Research Institute Ltd.

### 1. Subject and Objective of Review

We have performed a review of certain information from 2005 April 1st through 2006 March 31st stated in the "NIPOPON OIL CORPORATION CSR REPORT 2006" ("CSR Report") prepared by Nippon Oil Corporation ("Company"). The purpose of our review was to provide conclusions from an independent standpoint about whether such information in the "CSR Report" was accurately measured and calculated in accordance with calculation methods, etc. adopted by the Company and whether significant items were disclosed without omission, with reference to Environmental Reporting Guidelines 2003 (issued by the Ministry of Environment) and GRI 2002 Sustainability Reporting Guidelines.

### 2. Responsibility of Management and Persons Reviewing the Environmental Report

The "CSR Report" is the responsibility of the Company's management. Our responsibility is to provide our conclusions with respect to the "CSR Report" from an independent standpoint.

### 3. Summary of Review

To obtain an adequate and valid standard of basis for providing limited assurance with respect to our provided conclusions, we performed our review with reference to the International Standard on Assurance Engagements (ISAE) 3000 (issued by the International Federation of Accountants in December 2003), Proposed Environmental Report Review Standard (issued by the Ministry of Environment in March 2004) and Environmental Information Review Practices Guidance (issued by The Japanese Association of Assurance Organizations for Environmental Information in January 2006).

### 4. Conclusions

With respect to the "CSR Report", our review did not identify items which were acknowledged to not be accurately measured or calculated in accordance with calculation methods, etc. adopted by the Company, or any significant items acknowledged to be omitted from disclosure, with reference to Environmental Reporting Guidelines 2003 (issued by the Ministry of Environment) and GRI 2002 Sustainability Reporting Guidelines.

### 5. Special Interests

There are no interests between the Company and Tohatsu Environmental Research Institute Ltd. or its engagement personnel, requiring disclosure based on the rules of The Japanese Association of Assurance Organizations for Environmental Information.

## Other Publications



These NOC publications can be obtained from website.

<http://www.eneos.co.jp/english/ir/library>



### Annual Report 2006

A report on the strategies, activities, and performance of the NOC Group



### Fact Book 2006

Date book for oil and petrochemicals markets and NOC Group financial data

# NIPPON OIL CORPORATION

3-12, Nishi Shimbashi 1-chome, Minato-ku, Tokyo 105-8412, Japan  
URL <http://www.eneos.co.jp/english/>



This environmental report review/registration mark indicates that the environmental information in this report is reliable insofar as it satisfies the environmental report review/registration mark standards of the Japanese Association of Assurance Organizations for Environmental Information.