This environmental report 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.
Corporate and Group Overview

Company name: Nippon Oil Corporation (NOC)
Found: May 10, 1888
Representative Director, Chairman of the Board: Fumiharu Wada
Representative Director, President: Shoji Nishio
Capital: ¥7,334.4 billion
Nonconsolidated net sales: ¥17,77.7 billion (FY2006)
Consolidated net sales: ¥16,118.5 billion (FY2006)
Number of employees (non consolidated basis): 13,608 (as of March 31, 2006)

History
1968
- Nippon Petroleum Refining Company Limited established as a 50%-50% joint venture by NOC and Calbe
1971
- Kawasaki Oil Co., Ltd., established
1990
- NOC and Mitsubishi Oil merged, creating Nippon Mitsubishi Oil Corporation
2000
- Three Group refining companies merged, creating Nippon Petroleum Refining Company, Limited
Corporation 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

Management Index Goals
1. Financial Goals (FY2006)
   - Consolidated ordinary income: ¥136.0 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 2006. 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 ¥570.0 billion of capital investment in growth business fields (growth business fields).
   - 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, with the strengthening of the Group’s growth strategy, the Group now expects ¥970.0 billion of capital investment in growth business fields.

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.

Main NOC Group Companies
- Petroleum product marketing
  - Nippon Petroleum Refining Co., Ltd.
  - Nippon Petroleum Processing Co., Ltd.
  - Nippon Petroleum Refining Co., Ltd.
- Exploration & Production business
  - Nippon Oil Exploration Limited
  - Nippon Oil Drilling Terminal Co., Ltd.
- Lubricants
  - Kawasaki Oil Co., Ltd.
- Oil transport
  - Nippon Oil Transport Corporation
  - Nippon Oil Corporation
- Construction & Engineering
  - Nippon Construction Co., Ltd.
  - Nippon Oil Trading Corporation
- Others
  - Nippon Oil Business Services Co., Ltd.
  - Nippon Oil Corporation

Contributing to the Environment/Community
- Environmentally Friendly Products and Services:
  - Natural gas
  - Bio-diesel

Social Contributions
- ENEOS Hydrogen Trust Fund
- Contributing to the Environment/Community
- International Cooperation, Sports Activities

Social Responsibility
- Compliance
- Enforcing Safety
- Crisis Management
- Quality Assurance
- Respect for Human Rights and Dignity
- Promoting Employee Capabilities
- Promoting Better Understanding of Human Rights
- CSR Initiatives at Service Stations
- Communication with Consumers
- Independent Review Report

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.

Main NOC Group Companies
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- Oil transport
  - Nippon Oil Transport Corporation
  - Nippon Oil Corporation
- Construction & Engineering
  - Nippon Construction Co., Ltd.
  - Nippon Oil Trading Corporation
- Others
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Contributing to the Environment/Community
- Environmentally Friendly Products and Services:
  - Natural gas
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- Respect for Human Rights and Dignity
- Promoting Employee Capabilities
- Promoting Better Understanding of Human Rights
- CSR Initiatives at Service Stations
- Communication with Consumers
- Independent Review Report

This report was 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:
- Beginning with the issuance of the Group’s Environmental Report in 2003, 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 piloting 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).
Corporate and Group Information

Corporate and Group Overview

Company name: Nippon Oil Corporation (NOC)
Founded: May 10, 1888
Representative Director, Chairman of the Board: Furuhar Watarib
Representative Director, President: Shigeki Nishio
Capital: ¥1,329.4 billion
Unconsolidated net sales: ¥6,177.7 billion (FY2006)
Consolidated net sales: ¥6,110.0 billion (FY2006)
Number of employees (consolidated basis): 2,270 (as of March 31, 2006)
Number of employees (non-consolidated basis): 13,628 (as of March 31, 2006)
Consolidated Net Income (Loss) and Consolidated Operating Income
Consolidated Net Sales

<table>
<thead>
<tr>
<th>Year (Fy)</th>
<th>Net Sales (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>¥6,110.0</td>
</tr>
<tr>
<td>2005</td>
<td>¥5,357.8</td>
</tr>
<tr>
<td>2004</td>
<td>¥4,252.4</td>
</tr>
</tbody>
</table>

Financial Highlights

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

http://www.enenos.co.jp/english/ir/

Consolidated Net Sales

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<td>2004</td>
<td>¥4,252.4</td>
</tr>
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</table>

Consolidated Net Income (Loss) and Consolidated Operating Income

<table>
<thead>
<tr>
<th>Year (Fy)</th>
<th>Net Income (Billion yen)</th>
<th>Operating Income (Billion yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>¥55.9</td>
<td>111.6</td>
</tr>
<tr>
<td>2005</td>
<td>¥63.0</td>
<td>146.0</td>
</tr>
<tr>
<td>2004</td>
<td>¥61.6</td>
<td>146.0</td>
</tr>
</tbody>
</table>

Consolidated ROE (Return on Equity)

<table>
<thead>
<tr>
<th>Year (Fy)</th>
<th>ROE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>16.0</td>
</tr>
<tr>
<td>2005</td>
<td>15.2</td>
</tr>
<tr>
<td>2004</td>
<td>14.8</td>
</tr>
</tbody>
</table>

Management Index Goals

1. Financial Goals (FY2006)
   - Consolidated ordinary income: ¥190.0 billion (excluding the effect of inventory valuation factors)
   - Consolidated ROE: 10%

2. Cost Reductions and Improvements in Efficiency
   - Plan originally called for annual costs to be reduced ¥23.0 billion by cost reductions and efficiency boosts during the three years through fiscal 2006. 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
   - Plan originally called for ¥500.0 billion of capital investment in growth business fields during the three years through fiscal 2006. However, because of additional capital investment projects planned in line with the strengthening of the Group’s growth strategy, the Group now expects ¥750.0 billion of capital investment in growth business fields.

4. Cash Flow Plan
   - Plan originally called for interest-bearing debt to be reduced to ¥500.0 billion or lower by the end of fiscal 2006. 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 ¥1,150.0 billion at the end of fiscal 2006. 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.

5. Additional Investment
   - If promising investment opportunities emerge, the Group intends to respond flexibly through measures including the consolidation of additional investments.

Scope of Report

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:

2. 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. Subsequently, along with the proceeding 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).

Corporate and Group Information

1. Corporate and Group Information
2. Scope of Report, Editorial Objectives
3. Nippon Oil Corporation Group Philosophy, Top Commitment
4. Corporate Governance
5. Reinforcement of CSR-Oriented Management

Environmental Harmony

7. Environmental Harmony

8. Environmental Management
9. Medium-Term Environmental Management Plan
10. Environmental Efficiency and Environmental Accounting
11. Activities to Reduce Environmental Impact: Overview of the NOC Group’s Environmental Impact
12. Global Warming Prevention Measures
13. Surveys and Countermeasures for Soil Contamination
14. Waste Reduction Measures
15. Environmentally Friendly Corporate Activities
16. Environmentally Friendly Products and Services: Premium Gasoline
17. Fuel Cells
18. Other Products and Services

Social Contributions

21. Social Contributions

22. ENEOS Hydrogen Trust Fund
23. Contributing to the Environment/Community
24. International Cooperation, Sports Activities

Social Responsibility

25. Social Responsibility

26. Compliance
27. Ensuring Safety
29. Crisis Management
30. Quality Assurance

31. Respect for Human Rights and Dignity
32. Promoting Employee Capabilities
33. Promoting Better Understanding of Human Rights
34. CSR Initiatives at Service Stations
35. Communication with Consumers
36. Independent Review Report

Main NOC Group Companies

- Nippon Oil Corporation*
- Nippon Petroleum Refining Co., Ltd.
- Nihon Oil Co., Ltd.
- Nippon Petrochemicals Co., Ltd.

Oil Storage

- Nippon Oil Exploration Ltd.
- Nippon Oil Staging Terminal Co., Ltd.
- Okinawa CCS Corporation
- Shikoku CCS Corporation
- Kagoshima CCS Co., Ltd.
- Kagoshima Oil Storage Co., Ltd.

Exploration & Production business

- Nippon Oil Drilling Company, Ltd.
- Wakayama Petroleum Refining Co., Ltd.

Lubricants

- Nippon Oil Trading Corporation
- Nippon Petroo Chemicals Co., Ltd.
- Nippon Petroo Chemicals Co., Ltd.*

Petroleum product marketing

- Nippon Oil Tanker Corporation
- Nippon Petroo Corporation Co., Ltd.
- Nippon Oil Trading Corporation
- Nippon Oil Real Estate Co., Ltd.
- Nippon Oil Business Services Co., Ltd.
- Nippon Oil Research Institute, Ltd.
- Nippon Oil Information Technology Corporation

* Nippon Petroleum is a newly established NOC on July 1, 2003.
** On April 1, 2006, Nippon Petroleum’s subsidiary, OilServ, Incorporated (petrochemical, marketing, and PBC department now) took charge of the NOC Group’s NOC Petroleum Refining Co., Ltd. (hereafter referred to as NOC).
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 ideally bringing us 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 extraordinarily 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 “promote 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 Pang Dang 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 CO2 emission reduction CDM Project in the world, and NOC’s approved methodology for the project will apply to future projects that seek to reduce CO2 emissions through the utilization of associated gas. Nippon Oil is proud that its methodology will contribute to considerable CO2 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 aiming 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.
Your Choice of Energy
Creating the energy future and promoting prosperity and harmony with nature

Nippon Oil Corporation Group Philosophy

Top Commitment

What is the backbone of the new Group Philosophy?
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How can a company that markets fossil fuel products promote “Environmental Harmony”?
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Since we are aiming 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.
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 representatives 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 important management decisions. Because the term of directors is one year, directors must be approved by the general meeting of shareholders each year.

4. To strengthen Group management, the presidents of principal Group companies are included as members 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 ratification 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

NOC General Meeting of Shareholders

Election of Board of Directors

Executive Committee

Executive Officers = Executive Director = President; Chairman of the Directors = Executive Director = Corporate Auditors

Representative Director, President

Executive Vice Presidents

Executive Directors of Divisions

Senior Vice Presidents

Financial audit

Financial audit

Reporting directly to the president

Internal Audit (CSR Department)

Operational Execution

Executive Directors of Divisions

Corporate Officers

Independent Auditors

Board of Directors

Board of Corporate Auditors

Audit

Audit

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 Diversity,” “Information Security,” “Social Contributions,” “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 review 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.

Systematic Themes of the Six CSR Committees

The NOC Group’s CSR Promotion System

CSR Activities Execution

Promotion of CSR Activities

CSR Activities Execution

Divisional CSR

Branches

Refineries

Group Companies
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 representatives 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 representatives 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 a compliance system, 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.

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,” “Corporate Citizenship,” “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 Phllosophy, 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

NOC General Meeting of Shareholders

Board of Directors

Audit

Board of
Corporate Auditors

Representative Director, President

Executive Committee

Executive Vice Presidents

Executive Officers = Executive Directors of the NOC Group

Financial audit

Supervision and control

Operational Execution

Corporate Auditors

Independent Auditors

Internal Audit (CSR Department)

Election

Election

Election

CSR Department

CSR Planning and Executive

CSR-centered internal audits

CSR, social responsibility, and community activities

CSR Activities Execution

Division

Branches

Refineries

Group Companies

CSR Activities

Promotion of CSR Activities

NOC Group CSR Meeting (Members include senior executives of NOC and the president of each principal Group company)

Compliance Committee

Human Rights Committee

Information Security Committee

Corporate Citizenship Committee

Environment & Safety Committee

Quality Assurance Committee

Emphasized Themes of the Six CSR Committees

Six CSR Committees FY2006 Themes FY2007 Themes

Compliance Committee

1. Identification of talent risks
2. Thorough compliance with the antimonopoly laws
1. Confirming legal compliance of operations
2. Augmenting educational and training programs that promote awareness of fundamental legal issues

Human Rights Committee

1. Support for mental health and next-generation educational programs
2. Management of the appropriateness of working hours
1. Promoting greater communication
2. Promoting healthy work styles

Information Security Committee

Through protection of information on individuals and other confidential information
1. Through protection of information on individuals and other confidential information
2. Protecting social contribution activities from major disasters

Corporate Citizenship Committee

Creation of a menu of social contribution activities
1. Social contribution activities following major disasters

Environment & Safety Committee

1. Nutrient safety management system
2. Developing a new system of environmental protection programs superior to those of other industries
1. Recapturing safety culture and practices
2. Developing environmental protection programs superior to those of other industries

Quality Assurance Committee

1. Rebuilding quality assurance systems in line with customer expectations
2. Reforming the Group Quality Assurance Committee
1. Executing thorough measures to prevent complaints and problems related to quality assurance processes
2. Building quality assurance systems focused on items prescribed for outside audits
3. Increasing the quality of services provided
Efforts to set long-term energy goals and systematically work to attain them will be highly evaluated by society at large.

I am always surprised to hear people say Japan is poor in resources. If you look at Japan on a map, you will see Japan is surrounded by the ocean. There are many Japanese and Western restaurants, and, if you go to Shinbashi 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 differences 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 coffee grounds, and bananas peel obtained from restaurants. Efforts to reduce CO2 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 promote 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 600,000-ton reduction in CO2 emissions due to NOC’s Pang Dong oil field associated gas recovery and utilization project in Vietnam is a major reduction that corresponds to the amount of CO2 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*1 Consumer Survey 2005*, 26% 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 believe NOC in fiscal 2005 began offering environmental education courses using e-learning systems for employees at its head office and outside specialists. As of March 31, 2006, all employees of NOC Group 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.)

We will continue to develop new energy technologies.

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 Management Systems

The NOC Group has established the NOC Group Environmental & 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 1998, 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 10 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.

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 all 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

Environmental Management

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

**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 creative sustainable societies.

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

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

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<table>
<thead>
<tr>
<th>ISO 14001 Certified Business Sites</th>
<th>Company</th>
<th>ISO 14001 Certified Business Sites</th>
<th>Date certified</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Head Office</td>
<td>Nippon Oil Corporation</td>
<td>March 30, 2005</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Central Technical Research Laboratory</td>
<td>March 30, 2005</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>EPC branch offices</td>
<td>May 2, 2006</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>OPEC Import-Export Technical</td>
<td>December 13, 1998</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Nippon Oil Research Institute Co., Ltd.</td>
<td>May 22, 2006</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Nippon Petroleum Refining Co., Ltd.</td>
<td>May 22, 2006</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Misono Refinery</td>
<td>July 14, 1998</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Saitama Refinery</td>
<td>December 13, 1998</td>
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<td></td>
<td>Head Office</td>
<td>Shibushi Refinery</td>
<td>November 15, 1998</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Kitakyushu Refinery</td>
<td>April 25, 1996</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Toyama Refinery</td>
<td>June 19, 1999</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Nippon Oil Tanker Corporation</td>
<td>July 1, 1999</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Head Office</td>
<td>June 21, 2004</td>
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<tr>
<td></td>
<td>Head Office</td>
<td>Nippon Oil Information Technology Corporation</td>
<td>May 21, 2006</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Chubu Branch</td>
<td>March 3, 1997</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Kanto 1 Branch</td>
<td>December 25, 2004</td>
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<td></td>
<td>Head Office</td>
<td>Head Office</td>
<td>November 15, 1998</td>
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<td>Head Office</td>
<td>Head Office</td>
<td>September 5, 2001</td>
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<td>Head Office</td>
<td>Head Office</td>
<td>June 19, 1999</td>
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<td>Head Office</td>
<td>Head Office</td>
<td>June 21, 2004</td>
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<td></td>
<td>Head Office</td>
<td>Head Office</td>
<td>May 22, 2006</td>
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<td>Head Office</td>
<td>Head Office</td>
<td>May 22, 2006</td>
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<td>Head Office</td>
<td>Head Office</td>
<td>July 1, 1999</td>
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<td></td>
<td>Head Office</td>
<td>Xiapu Refinery</td>
<td>July 14, 1998</td>
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<td></td>
<td>Head Office</td>
<td>Xiamen Refinery</td>
<td>September 5, 2001</td>
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<td></td>
<td>Head Office</td>
<td>Nantong Refinery</td>
<td>May 22, 2006</td>
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<td></td>
<td>Head Office</td>
<td>Head Office</td>
<td>May 22, 2006</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Construction Department (Bank Construction General Company)</td>
<td>December 25, 2005</td>
</tr>
<tr>
<td></td>
<td>Head Office</td>
<td>Carsani Synergy</td>
<td>March 31, 2003</td>
</tr>
</tbody>
</table>

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 2006 began offering environmental education courses using e-learning systems for employees at all 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.

Environmental Harmony

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

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 temperatures 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 needed to lead us to the best ways to meet our energy needs over the long term.

I think that by steadily implementing such initiatives, one by one, NOC will acquire additional precious expertise and know-how while also laying a foundation for the future 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* Consumer Survey 2005*, 20% 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 to lead the future— 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 facilities that can acquire additional precious expertise and know-how while also laying a foundation for the future energy systems of the future. According to the Japan-U.S. Joint LOHAS* Consumer Survey 2005*, 20% 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 to lead the future—to create the energy future and to generate prescient dreams of the energy future.

I think what is needed is the courage to have dreams the way a naive child does. This is the courage to have dreams the way a naive child does. This is an environmental management systems.

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 sustainable 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 taxes 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 Harmony

Environmental Management

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.

*1 LOHAS is an acronym for “Lifestyles of Health and Sustainability,” which refers to lifestyles that give fair emphasis to promoting good health, conserving the natural environment, and creating sustainable societies.

*2 This is a survey of 2,115 consumers conducted by Japan-based E-Square, Inc., and U.S.-based NFO World Research, Inc. as part of the Environmental Management Systems at Dealerships and Sales Companies support program. (As of May 31, 2006)
Environmental Harmony

Medium-Term Environmental Management Plan

The NCC 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.

Integrated Evaluation of Environmental Impact

To reduce the environmental impact of all stages of its supply chains, the NCC 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 all 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 scale using the CEMF method (2003 version of AIST: National Institute of Advanced Industrial Science and Technology) is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2003</th>
<th>FY2004</th>
<th>FY2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental impact</td>
<td>2.7</td>
<td>2.5</td>
<td>2.2</td>
</tr>
<tr>
<td>Environmental efficiency</td>
<td>0.4</td>
<td>0.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Overall environmental efficiency</td>
<td>0.8</td>
<td>1.0</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Outline of Environmental Accounting

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

<table>
<thead>
<tr>
<th>Environmental accounting for FY2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major category</td>
</tr>
<tr>
<td>Total expenses</td>
</tr>
<tr>
<td>Expenses for environmental accounting</td>
</tr>
<tr>
<td>Total investments</td>
</tr>
<tr>
<td>Expenses for environmental accounting</td>
</tr>
<tr>
<td>Total investments</td>
</tr>
<tr>
<td>Environmental benefits</td>
</tr>
<tr>
<td>Total gains</td>
</tr>
<tr>
<td>Total net income</td>
</tr>
<tr>
<td>Profit</td>
</tr>
</tbody>
</table>

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</tr>
<tr>
<td>Total net income</td>
</tr>
<tr>
<td>Profit</td>
</tr>
</tbody>
</table>

Environmental Efficiency and Environmental Accounting

Environmental Efficiency

To measure environmental efficiency, the NCC Group is using a variety of indicators such as energy consumption, water usage, and waste generation rates, and has established target values for each item.

<table>
<thead>
<tr>
<th>Environmental accounting for FY2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major category</td>
</tr>
<tr>
<td>Total expenses</td>
</tr>
<tr>
<td>Expenses for environmental accounting</td>
</tr>
<tr>
<td>Total investments</td>
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<td>Expenses for environmental accounting</td>
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<tr>
<td>Total gains</td>
</tr>
<tr>
<td>Total net income</td>
</tr>
<tr>
<td>Profit</td>
</tr>
</tbody>
</table>

Note: Due to a reevaluation of CO2 emissions calculation coefficients, figures for fiscal 2003 through fiscal 2005 have been revised.
Environmental Harmony

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.

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 petrochemical 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 de-sulfurizing gasoline and diesel fuel and other factors are increasing the impact at the refinery stage. However, through initiatives to reduce energy consumption, the Group is striving to restrain total energy consumption at all 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 will cease using the CMI method (2003 version of AEF, National Institute of Advanced Industrial Science and Technology).

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.

Outline of Environmental Accounting

The Group has used environmental accounting as a tool to evaluate the efficiency and effectiveness of environmental management since fiscal 2003. 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 environmental-related equipment.

Environmental Accounting for FY2006

(Billion yen)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy management</td>
<td>0.03</td>
</tr>
<tr>
<td>Environmental product development</td>
<td>1.9</td>
</tr>
<tr>
<td>Emission reduction investments</td>
<td>1.1</td>
</tr>
<tr>
<td>Total</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Environmental Accounting

<table>
<thead>
<tr>
<th>Sub-category</th>
<th>FY2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental product development</td>
<td>0.03</td>
</tr>
<tr>
<td>Emission reduction investments</td>
<td>0.02</td>
</tr>
<tr>
<td>Total</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Environmental Performance

<table>
<thead>
<tr>
<th>Indicator</th>
<th>FY2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy efficiency</td>
<td>106.8%</td>
</tr>
<tr>
<td>Environmental products</td>
<td>106.8%</td>
</tr>
<tr>
<td>Environmental investments</td>
<td>106.8%</td>
</tr>
</tbody>
</table>

Activities in the Environmental Impact (Page 19 to 17)

1. Global warming prevention measures
   - 11 Energy efficiency improvement measures
     - Specific energy consumption at refineries
       - Reduced 16.2% compared with FY1991 level

2. Application of the Kyoto mechanism
   -甲. Partnership for joint implementation activities
     - Reduced specific energy consumption at refineries
     - continued to strive to maintain a level of emissions equal to or below that of FY1991
   -乙. International greenhouse gas emission reduction transactions
     - Completed sale of certified emission reductions
     - Reduced specific energy consumption at refineries

3. Soil contamination countermeasures
   - Promotion of surveys and countermeasures
     - Completed surveys and suitable measures
     - Soil contamination at refinery sites
     - Reduced specific energy consumption at refineries

4. Development of soil contamination remediation technology
   - Tested the effectiveness of new technology
     - Increased yields of refined products
     - Reduced specific energy consumption at refineries

5. Measures to reduce waste
   - Developed measures to reduce waste
     - Reduced specific energy consumption at refineries

6. Reduction of environmental impact on offices
   - Reduced energy consumption
     - Reduced specific energy consumption at refineries

Other environmental activities (Pages 17 and 20)

1. Green procurement
   - Increased green purchasing ratio compared to FY1991 level

2. Environmental contribution activities
   - Activities related to local administration and environment protection

3. Activity disclosure
   - Sustainability report

4. Green purchasing ratio increased to 60.0%

5. Increased green purchasing ratio to 100%

6. Increased green purchasing ratio compared to FY1991 level

7. Reduced specific energy consumption at refineries

8. Continued to maintain a level of emissions equal to or below that of FY1991

9. Reduced specific energy consumption at refineries

10. Reduced specific energy consumption at refineries

11. Promoted surveys and suitable measures

12. Increased yields of refined products

13. Increased yields of refined products

14. Increased yields of refined products

15. Increased yields of refined products

16. Increased yields of refined products

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96. Increased yields of refined products

97. Increased yields of refined products

98. Increased yields of refined products

99. Increased yields of refined products

100. Increased yields of refined products

Note: Due to a modification of CO2 emissions calculation coefficients, figures for fiscal 2003 through 2005 have been revised.
### 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.

#### Exploration and development of oil and natural gas

<table>
<thead>
<tr>
<th>Product/Service</th>
<th>2005</th>
<th>2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil (Purchased)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil</td>
<td>61.75 million kL</td>
<td>62.26 million kL</td>
<td>+0.51 kL</td>
</tr>
<tr>
<td>Natural gas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Naphtha</td>
<td>1.540 million kL</td>
<td>1.526 million kL</td>
<td>-0.04 kL</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>3.7 million kL</td>
<td>3.1 million kL</td>
<td>-0.6 million kL</td>
</tr>
<tr>
<td>Jet fuel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil</td>
<td>0.15 million kL</td>
<td>0.15 million kL</td>
<td>0.0 million kL</td>
</tr>
</tbody>
</table>

#### Transportation / Storage

- **Nippon Oil Exploration Limited**
  - Crude oil and condensates (Production): 2.8 billion m³
  - Crude oil and condensates (Change): 3.1 billion m³
- **Kamigoto Oil Storage Co., Ltd.**
- **Shibushi Oil Storage Co., Ltd.**
- **Okinawa CTS Corporation**
- **Nippon Oil Tanker Corporation**
- **Nakajima Oil Co., Ltd.**
- **Wakayama Petroleum Refining Co., Ltd.**

#### Refining / Production

- **Nippon Oil Refining Co., Ltd.**
- **Nippon Petrochemicals Co., Ltd.**
- **Nippon Petroleum Processing Co., Ltd.**
- **Nippon Petroleum Refining Co., Ltd.**
- **Nippon Petrochemicals Co., Ltd.**
- **Nippon Petroleum Refining Co., Ltd.**

#### Distribution / Sales

- **Nippon Oil Corporation**

#### Customers (Consumption)

- **Customers (Sales)**
- **Customers (Net)**
- **Customers (Volume purchased from outside)**

### INPUT Data

- **Volume purchased from outside**
- **Data for in-house power generation and other uses**
- **Usage of fresh water and industrial water**
- **Usage of seawater**

### OUTPUT Data

- **Sales volume**
- **Sales volume (Net)**
- **Barter and other (1,000 kl)**

---

<table>
<thead>
<tr>
<th>Product/Service</th>
<th>2005</th>
<th>2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil (1,000 tons)</td>
<td>570</td>
<td>641</td>
<td>+71</td>
</tr>
<tr>
<td>So (tons)</td>
<td>160</td>
<td>175</td>
<td>+15</td>
</tr>
<tr>
<td>Naphtha (tons)</td>
<td>10,564</td>
<td>12,237</td>
<td>+1,673</td>
</tr>
<tr>
<td>Diesel fuel (tons)</td>
<td>580</td>
<td>580</td>
<td>0</td>
</tr>
<tr>
<td>Jet fuel (tons)</td>
<td>38</td>
<td>38</td>
<td>0</td>
</tr>
<tr>
<td>Crude oil and condensates (1,000 kl)</td>
<td>3,700</td>
<td>3,150</td>
<td>-550</td>
</tr>
<tr>
<td>Gas (Production)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil</td>
<td>0.2</td>
<td>0.2</td>
<td>0</td>
</tr>
<tr>
<td>Diesel fuel</td>
<td>2</td>
<td>0</td>
<td>-2</td>
</tr>
<tr>
<td>Crude oil and condensates (1,000 kl)</td>
<td>0.3</td>
<td>0.3</td>
<td>0</td>
</tr>
<tr>
<td>Waste volume disposed (tons)</td>
<td>26,250</td>
<td>34,634</td>
<td>+8,384</td>
</tr>
<tr>
<td>NDW (Benzene) (tons)</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

**Note:** Figures have been revised.
## Overview of the NOC Group’s Environmental Impact

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

### Exploration and Development of Oil and Natural Gas

<table>
<thead>
<tr>
<th>Parameter</th>
<th>FY2005</th>
<th>FY2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil (used in production)</td>
<td>1.1</td>
<td>0.9</td>
<td>-0.2</td>
</tr>
<tr>
<td>Water (1,000 tons)</td>
<td>175</td>
<td>269</td>
<td>93</td>
</tr>
<tr>
<td>Seawater (million tons)</td>
<td>62</td>
<td>59</td>
<td>-3</td>
</tr>
</tbody>
</table>

### Transportation / Storage

- **Nippon Oil Exploration Limited**
  - Crude oil and condensate
    - Gas (production): 3.1 billion m³
    - Gas (production): 0.3 billion m³
- **Nippon Oil and Tanker Corporation**
  - Nippon Oil Staging Terminal Co., Ltd.
  - Okinawa CTS Corporation
  - Shinbashi Oil Storage Co., Ltd.
  - Kamagari Oil Storage Co., Ltd.

### Refining / Production

- **Kamigoto Oil Storage Co., Ltd.**
- **Okinawa CTS Corporation**
- **Nippon Oil Staging Terminal Co., Ltd.**
- **Nippon Oil Tanker Corporation**
- **Wakayama Petroleum Refining Co., Ltd.**
- **Nihonkai Oil Co., Ltd.**
- **Nippon Petroleum Refining Co., Ltd.**

### Sales / Distribution

- **Nippon Oil Corporation**

### Customers (Consumption)

<table>
<thead>
<tr>
<th>Parameter</th>
<th>FY2005</th>
<th>FY2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas (1,000 m³)</td>
<td>8,713</td>
<td>8,520</td>
<td>-193</td>
</tr>
<tr>
<td>Fuel oil (1,000 m³)</td>
<td>2,840</td>
<td>2,850</td>
<td>1</td>
</tr>
<tr>
<td>Diesel oil (1,000 m³)</td>
<td>1,010</td>
<td>1,000</td>
<td>-10</td>
</tr>
<tr>
<td>Kerosene (1,000 m³)</td>
<td>1,133</td>
<td>1,130</td>
<td>-3</td>
</tr>
<tr>
<td>Gasoline (1,000 m³)</td>
<td>2,520</td>
<td>2,520</td>
<td>0</td>
</tr>
</tbody>
</table>

### Note

- Figures have been revised.
- **Guidelines for Calculating Emissions of Greenhouse Gases by Businesses (Version 1.6), Ministry of the Environment.**
- **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 seawater from the sea

---

### INPUT Data

- **Barter and other (1,000 kl)**
- **Crude oil (1,000 kl)**
- **Fuel oil C (1,000 kl)**
- **Fuel oil A (1,000 kl)**
- **Diesel fuel (1,000 kl)**
- **Kerosene (1,000 kl)**
- **Gasoline (1,000 kl)**
- **Sales volume**
- **Customers (Consumption)**
- **Barter and other (1,000 kl)**
- **Fuel oil C (1,000 kl)**
- **Fuel oil A (1,000 kl)**
- **Diesel fuel (1,000 kl)**
- **Kerosene (1,000 kl)**
- **Gasoline (1,000 kl)**

---

### OUTPUT Data

- **Crude oil (1,000 tons)**
- **SO₂ (tons)**
- **Dust (tons)**
- **COD (tons)**
- **Waste volume disposed (tons)**
- **COD (tons)**
- **Dust (tons)**
- **COD (tons)**
- **Waste volume disposed (tons)**

---

### Activities to Reduce Environmental Impact

- **Refining / Production**
- **Distribution / Sales**
- **Transportation / Storage**
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* are seeking to realize a 25% (average) 1% per year reduction of specific energy consumption* 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.

*A trend line of annual reduction of 1%

9.56
4,319
9.74

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

13

CSR Report 2006

...specific energy consumption has fallen below the fiscal 1991 level due to a rise in the volume of crude oil processed and the level of crude oil processing and the level of crude oil processing and the level due to energy conservation efforts.

By increasing the efficiency of its distribution processes, the NOC Group has realized a 2% per year reduction of specific energy consumption in the Company’s refining units.* The reduction achieved by the end of fiscal 2006 was 12.15%, compared to fiscal 1991, which was already in excess of the PAJ target.

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 offshore electric power plants in Vietnam. This project enables power plants to reduce their consumption of other fuels, thereby realizing an approximately 0.8 million ton carbon dioxide emissions (estimated annual reduction of 680,000 tons over 10 years). This amount is approximately equivalent to the amount of CO\(_2\) annually absorbed by a 226,000* forest of Japanese cypress trees, an area roughly three times the area within the Yaracoba Line, which runs today’s central district.

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 (EB) of the United Nations Framework Convention on Climate Change (UNFCCC). The project is realizing the largest CO\(_2\) 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.

Before Associated Gas Recovery and Utilization Project

Facing off of associated gas

Power plant using conventional fuel

After Associated Gas Recovery and Utilization Project

Associated gas recovered and provided to the power plants in Vietnam

Power plants use associated gas to reduce their consumption of conventional fuel

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 47,000 (10%) below the fiscal 1991 level, which was already in excess of the reduction goal for fiscal 2011 (9%).

Participation in Carbon Funds

NIOC is helping developing countries reduce their CO\(_2\) emissions by participating in the World Bank’s Carbon Development Carbon Fund (CCDCF) and the Japan GHG Reduction Fund (JGHRF).

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 Countermeasures Guidelines” issued by the Ministry of the Environment in March 2008.

Results of Surveys and Countermeasures in FY2006

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Surveys</th>
<th>Countermeasures Number of Surveys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services stations</td>
<td>870</td>
<td>38</td>
</tr>
<tr>
<td>Office buildings</td>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td>Plants</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Others</td>
<td>13</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>823</td>
<td>43</td>
</tr>
</tbody>
</table>

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

Research and Development into Low-Cost Soil Remediation Technologies

In October 2005, NIOC 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, NIOC is developing soil and groundwater contamination remediation technologies that do not require excavation. The new technologies have undergone 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 the beginning of the use of the new technologies at actual contamination sites during fiscal 2007.

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

NOC Group’s Soil Remediation Center (Hokkaido) is used for verification testing.
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 are seeking to realize a 30% (average 15%/year) reduction of specific energy consumption in fiscal 2010, 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.

* This is an energy conservation evaluation method used commonly in the oil industry, calculated by dividing the volume of energy consumption (in kL of oil equivalent) by the volume of processed crude oil (in 1,000 kL). (It is also referred to as “specific energy consumption”.)

http://www.paj.or.jp/index_e.html

For more information, please see the PAJ’s website.

Specific Energy Consumption and Energy Consumption at Oil Refineries

<table>
<thead>
<tr>
<th>Energy consumption (1,000kL/year)</th>
<th>Specific energy consumption (kL/1,000kL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2007</td>
</tr>
<tr>
<td>3,119</td>
<td>2,873</td>
</tr>
<tr>
<td>3,273</td>
<td>3,035</td>
</tr>
<tr>
<td>3,085</td>
<td>2,912</td>
</tr>
<tr>
<td>3,149</td>
<td>2,852</td>
</tr>
</tbody>
</table>

The NOC Group’s energy consumption of 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.

CO2 Emissions and Specific CO2 Emissions at Oil Refineries

<table>
<thead>
<tr>
<th>CO2 emissions (100,000 tons)</th>
<th>CO2 emissions (100,000 tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2007</td>
</tr>
<tr>
<td>24,000</td>
<td>22,000</td>
</tr>
</tbody>
</table>

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

Japan Vietnam Petroleum Co., Ltd. (a subsidiary of Nippon Oil Exploration), has been burning 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 CO2 emissions (estimated annual reduction of 680,000 tons over 10 years). This amount is approximately equivalent to the amount of CO2 annually absorbed by a 225km2 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, the associated gas recovery and utilization project was approved as a Clean Development Mechanism Project (CDM) Project by the CDM Executive Board (EB) of the United Nations Framework Convention on Climate Change (UNFCCC). The project is realizing the largest CO2 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.

Before Associated Gas Recovery and Utilization Project

<table>
<thead>
<tr>
<th>Filling off of associated gas</th>
<th>Power plant using conventional fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idle land</td>
<td>2006</td>
</tr>
<tr>
<td>Others</td>
<td>2007</td>
</tr>
<tr>
<td>Total</td>
<td>2006</td>
</tr>
<tr>
<td></td>
<td>2007</td>
</tr>
</tbody>
</table>

After Associated Gas Recovery and Utilization Project

<table>
<thead>
<tr>
<th>Associated gas recovery and utilization project</th>
<th>Power plants using associated gas to reduce their consumption of conventional fuels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idle land</td>
<td>2006</td>
</tr>
<tr>
<td>Others</td>
<td>2007</td>
</tr>
<tr>
<td>Total</td>
<td>2006</td>
</tr>
<tr>
<td></td>
<td>2007</td>
</tr>
</tbody>
</table>

Participation in Carbon Funds

The NOC Group is participating in the World Bank’s Bank Development Carbon Fund (CDD) and the Japan GHG Reduction Fund (JGHRF) to help developing countries reduce their CO2 emissions by participating in the World Bank’s Bank Development Carbon Fund (CDD) and the Japan GHG Reduction Fund (JGHRF).

Measures Abroad

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

The NOC Group’s refining units are seeking to realize a 20% (average 10%/year) reduction of specific energy consumption at all NOC Group refineries. 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.

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 soil contamination within its aforementioned guidelines. These criteria are also compliant with “the Petroleum Contamination Countermeasures 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Surveys</th>
<th>Number of Remediation Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soil contamination</td>
<td>870</td>
<td>544</td>
</tr>
<tr>
<td>Benzene</td>
<td>15</td>
<td>32</td>
</tr>
<tr>
<td>Others</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>885</td>
<td>581</td>
</tr>
</tbody>
</table>

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.

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 these new technologies at actual contamination sites during fiscal 2007.

Moreover, NIPPO Corporation has undertaken the 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 to contribute to the formation of a recycling-based society.

**Waste Reduction Activities**

The NOC Group*1 has been making efforts to reduce waste and recycle materials, aiming to reduce waste (industrial waste and general waste) to the zero emissions*1*2 level by fiscal 2011. NPRC, which has references 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 2007. In addition, the entire NOC Group has accelerated its waste-reduction measures, setting 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” : < 1% Waste volume generated

**NPRC’s Waste Volume Disposed and the Ratio of Waste Volume Disposed FY2006**

<table>
<thead>
<tr>
<th>Waste Type</th>
<th>Waste Volume Disposed (Ton)</th>
<th>Ratio of Waste Volume Disposed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sludge</td>
<td>11,784</td>
<td>0.8%</td>
</tr>
<tr>
<td>Waste oil</td>
<td>4,280</td>
<td>0.3%</td>
</tr>
<tr>
<td>Waste acid</td>
<td>1,560</td>
<td>0.1%</td>
</tr>
<tr>
<td>Waste alkali</td>
<td>115,037</td>
<td>8.0%</td>
</tr>
<tr>
<td>Waste catalyst</td>
<td>105,837</td>
<td>7.3%</td>
</tr>
<tr>
<td>Tank sludge</td>
<td>1,880</td>
<td>0.1%</td>
</tr>
<tr>
<td>Construction waste (waste sludge)</td>
<td>155,037</td>
<td>10.6%</td>
</tr>
</tbody>
</table>

**NPRC’s Waste Treatment Activities (FY2006)**

- Sludge is discharged during the wastewater treatment process. After it is dried and denatured, it is then recycled and used mainly as a material for manufacturing cement.
- Waste Acid (Waste Sulfuric Acid)
  - After being used in high-volume gasoline manufacturing processes, sulfuric acid is sent to recycling companies to be recycled.
- 3. Collected Particulates
  - Dust and other particulates in combustion exhaust gasses are collected with electric precipitator units and recycled as a raw material for cement manufacturing. After thermal recycling, this material is also recycled in modified 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.

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

**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.

**Environmental Friendly Exploration and Development**

**Activities of Nippon Oil Exploration Limited**

Nippon Oil Exploration Limited (NDEX) 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 other countries.

Besides rigorously complying with all relevant environmental laws and regulations of the countries in which it operates, NDEX 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. NDEX has occupational health, safety, and environmental management systems (HSE-M) that conform to international standards, and it is continually striving to make additional improvements that further reduce the environmental impact of its operations.

NDEX employs a water-based slurry in its offshore 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 spills, NDEX 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.

**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). This ballast water contains plankton and other oceanic microorganisms, which are then carried far from their origin. 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 Disruptors**

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 disruptor. 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 (SOx, NOx, 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.

![Air Pollution Countermeasures Graph](image)

**SOx and NOx Emission Volume**

<table>
<thead>
<tr>
<th>Year</th>
<th>SOx Emissions</th>
<th>NOx Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>6,890</td>
<td>6,890</td>
</tr>
<tr>
<td>2002</td>
<td>6,890</td>
<td>6,890</td>
</tr>
<tr>
<td>2003</td>
<td>6,890</td>
<td>6,890</td>
</tr>
<tr>
<td>2004</td>
<td>6,890</td>
<td>6,890</td>
</tr>
<tr>
<td>2005</td>
<td>6,890</td>
<td>6,890</td>
</tr>
</tbody>
</table>

**Dust Emission Volume**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dust Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>6,890</td>
</tr>
<tr>
<td>2002</td>
<td>6,890</td>
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<td>2004</td>
<td>6,890</td>
</tr>
<tr>
<td>2005</td>
<td>6,890</td>
</tr>
</tbody>
</table>

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

**Environmentally Friendly Refining and Manufacturing**

**Preventing Water Pollution**

Wastewater from refining equipment is passed through a stopper 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 marine ecosystems, we are proceeding with a shift to the use of non-phosphorus anti-corrosive additive in cycled cooling water.
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*1 has been making efforts to reduce waste and recycling materials, aiming to reduce waste (industrial waste and general waste) to the zero emissions** level by fiscal 2011. NPRC, which has references 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 2007. 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 NPF Corporation Co., Ltd.
*2 The NOC Group’s definition of “zero emissions”:

- Total zero emissions: ≤ 1%
- Waste volume disposed: ≤ 1%
- Ratio of waste volume disposed: ≤ 1%

NPRC’s Waste Volume Disposed and the Ratio of Waste Volume Disposed

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Waste Volume Disposed</th>
<th>Ratio of Waste Volume Disposed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2006</td>
<td>110,674</td>
<td>1.1%</td>
</tr>
<tr>
<td></td>
<td>39,898</td>
<td>0.4%</td>
</tr>
<tr>
<td></td>
<td>25,058</td>
<td>0.3%</td>
</tr>
<tr>
<td></td>
<td>28,861</td>
<td>0.3%</td>
</tr>
<tr>
<td></td>
<td>31,101</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Environmentally Friendly Refining and Development

Activities of Nippon Oil Exploration Limited

Nippon Oil Exploration Limited (NDEX) 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 other countries.

Firstly, NDEX is striving to ensure that petroleum ash generated during oil refining is sent to recycling companies to be recycled. This is also applied to used catalysts that have been removed from oil refining processes.

Next, NDEX is striving to ensure that wastewater treatment facilities installed in Nippon Oil Exploration Limited’s offshore oil fields are continuously operated with minimal drawbacks. These facilities are designed to be able to achieve zero emissions and to continue to function even if accidents occur.

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 origin. To prevent any negative impact on the marine ecosystems of oil exporting countries, the NOC Group tankers will act upon request by terminal harbor authorities and conduct relevant ballast-replacement pumping in the open ocean.

Preventing Water Pollution

Wastewater from refining equipment is passed through a stripper unit that removes the oily essence. Wastewater from refining equipment is then subjected to a series of treatments to remove chlorides and other substances. Wastewater 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.

Other 1.9%

Sludge 1.9%

Other 0.05%

Sludge and other sludges 0.7%

Other 0.66%

Sludge and other sludges 0.7%

Other 0.66%

Sludge and other sludges 0.7%

Other 0.66%

Sludge and other sludges 0.7%

Other 0.66%

Sludge and other sludges 0.7%

Other 0.66%

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Other 0.66%

Sludge and other sludges 0.7%

Other 0.66%

Sludge and other sludges 0.7%

Other 0.66%

Sludge and other sludges 0.7%

Other 0.66%
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 (PRTF) 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 spilling 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 2008, the total substance release and transfer volume for the Group’s nine domestic references was 474 tons. Most of the released and transferred substances were metals (molybdenum, nickel, vanadium, etc.) contained in waste catalysts and gasoline components (benzene, toluene, xylenes, etc.), while 50% were transferred as waste products, while 45% contained in waste catalysts and gasoline components (benzene, toluene, xylenes, etc.). Of these, 55% were transferred as waste products, 45% contained in waste catalysts and gasoline components (benzene, toluene, xylenes, etc.).

In order to ensure that the content of the PRTR Report 2006 is educational and informative, a table has been included that shows the volume of each chemical substance released and transferred.

Reduction of emission levels of benzene, toluene, and xylene

A single office automation device can handle the functions of such products as photocopiers, to a questionnaire regarding introduction of environmental management Procurement Guidelines and secured the cooperation of suppliers to respond to reduce environmental impact. In fiscal 2006, we drafted the ENEOS Green Purchasing the NIPC’s target for reducing the volume of such substances to 30% below the fiscal 2001 level by fiscal 2011.

Reducing Electric Power Consumption

In line with the Ministry of the Environment’s “cool top” policy, the NOC Group has set office air conditioning thermostats at 26ºC. In addition, each organizational unit is taking thorough steps to reduce electric power consumption through such measures as to turn lights off during lunch breaks.

Reducing Paper Consumption

In addition to promoting the use of two-sided photocopies, in February 2006, we introduced an internet 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, facsimiles, and, in some cases, even the telephone.

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 increased, we have introduced a more finely segmented separation system for wastepaper recycling.

Promoting Green Procurement

The NOC Group is promoting green procurement as a way 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-emission vehicles for motor vehicles. In fiscal 2006, the green purchasing ratio for NOC and NIPR was about 98.3%. The green purchasing ratio for the NOC Group as a whole was 92.5% 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. In order to encourage the development of alternative substitute products by suppliers, the company wrote a questionnaire to a number of relevant companies.

3. Increasing the Greenness of Suppliers

The NOC Group, like all companies, is making sustained corporate 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.

Environmental Harmony

Environmental 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.


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 partners 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 of the most distinctive characteristic of the ROK-Finer process is that it reduces sulfur actually reducing octane values, its name represents “research octane number keeping process”.

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. As a result of the high evaluation of our world-leading performance in manufacturing and marketing sulfur-free gasoline and in developing the ROK-Finer 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 Katsushi Matumura, who was responsible for the ROK-Finer development project. In his acceptance speech, Ms. Koike stated that “it is hoped that each of the recipients will be a leader in activities to prevent global warming.”

New Premium Gasoline Features

*1 Compared with NOC’s previous premium gasoline (based on an in-house study)
*2 Reduction offered at an engine corresponding to 10,000km of driving (based on an in-house study)
*3 Fuel economy improvement up to 3% or acceleration improvement up to 5%*
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 its offices’ electric power and paper consumption as well as waste for disposal.

1. Reducing Electric Power Consumption

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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.
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.

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

After commercializing a household fuel cell system using LPG in March 2006, 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 2008, 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 CO₂, which is believed to account for more than one-half of greenhouse gases associated with global warming, and they emit almost no SO₂ or NOx, which cause air pollution and acid rain. These characteristics make them highly environmentally friendly energy systems.

### Merits of NOC Household Fuel Cell Systems

#### Environmentally Friendly

- Approximately 30%-40% reduction of CO₂ emissions

#### Efficient, Energy-Saving Design

- An energy efficiency rate that is twice that of conventional electricity supply systems

### 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 SO₂ or NOx and less volume of NOx and CO₂. 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 Mizumachi 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 Hal-\n\-v blank Gas Generation Co., Ltd., constructed a natural gas-fueled power generation plant with two 400,000-kW power generation units. Construction began in February 2006, and the first of the two power generation units is scheduled to begin operation in April 2008.

#### Wind Power

Having constructed a 1,500-kW wind power generation unit at its Aizu 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 contract to new types of energy sources.

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### 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 CO₂ 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. 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-operate-own (BOO) businesses 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 Fujihigh Co., Ltd.

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

- **ESCO business involves the provision of comprehensive energy conservation services, including those related to technologies, facilities, procurement, and funding, that aim to conserve energy, in order to conserve customer resources and a portion of the customer's energy achieved due to higher energy efficiency.

- **BOO business is a kind of whole energy system business, which offers not only the cooling of the customer's end-use energy system business but also the contractual handling, operation, and administrative matters in all of the facilities.

### 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.

<table>
<thead>
<tr>
<th>Producing Reformed Sulfur Solid</th>
</tr>
</thead>
</table>
| ![Diagram](image)

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*“Bag is a chronologically media generated when instant oil is collected and refined in steel furnaces.
**Environmental Harmony**

**Environmentally Friendly Products and Services: Fuel Cells**

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### Environmental Harmony**

**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 Malaya and Indonesia. Natural gas is a clean energy source that, when burned, emits no SO₂ and less volume of NOₓ and CO₂. 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 Chubu Electric Power Co., Inc., NOC completed the Misakishima 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.

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

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* BOO business is a kind of on-site energy system business in that the contractor handles operational and administrative matters on behalf of the customer.

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### Reformed Sulfur Solid

Sulfur recovered in the process of desulphurizing 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 places 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 oil shell and the by-products and waste products of various industries.

---

* Bag is a carbon dioxide release when mixed with other materials and used in the fabric of buildings.

---

**Notes of NOC Household Fuel Cell Systems**

- Approximately 30%-40% reduction of CO₂ emissions
- Approximately 50%-60% increase in efficiency of energy utilization
- Natural gas, LPG, and kerosene as fuel

**Efficient, Energy-Conserving Design**

- An energy efficiency rate that is twice that of conventional electricity supply systems
- Electricity generated with the electricity generated by the reformer

**Reformed Sulfur Solid**

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---

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* Reformed sulfur solid is a product with a high degree of environmental friendliness, including its lightweight and high thermal conductivity.

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**Reforming Process**

1. Desulfurization process
2. Sulfur recovery
3. Sulfur solid
4. Iron and steel slag, etc.
5. Heat-recovery ratio
6. Hot water tank volume
7. Rated power output
8. Unused waste heat
9. Electrical current
10. Electricity/Energy-Conserving Design
11. Power plant
12. 100%
13. Electricity
14. Electricity
15. Mixed with such materials as iron and steel slag and fly ash to create new types of materials that can be used in places of concrete.
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 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.

Looking at recent trends in corporate social contributions, you will see that there are relatively fewer 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 the social contribution programs they embarked on, explaining that they were contributing to society as an ordinary corporate citizen. In contrast, an increasing number of companies are now making social contributions that are connected to the core operations of their business units. In other words, they are making good use of their technological 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 ambition for them. Aside from monetary or materialistic issues, I think that if you enable employees to get a clear feeling that their work helps contribute to society, it will augment their motivation to work and thereby help 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 business has not yet grown very large. In this vein, NOC has been making a huge contribution to NOC's overall corporate image.

I mentioned in NOC’s CSR Report 2006 that various stations can play very important roles in times of disasters and other emergencies, and it is important to constantly be ready to make full use of social resources potential regarding those roles. Truly, radio is a key part of the theme of assistance to regimes 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 was 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 home. Because of this, I think it is very important for the Company to collaborate very closely with dealers and sales companies. If service stations throughout the country undertake social contribution activities that improve people with those activities being proactively published, it could have a huge beneficial effect on NOC’s overall corporate image.

I also think that NOC should be 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 indispensable providing information on social contribution activities and other CSR activities to those both inside and outside the Company. It is my intention that it is a highly effective approach. Getting a step further than just reporting on these activities, I hope NOC will explain 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 am trying to see NOC move ahead with programs that promote participation not only of employees, but also of people from communities.

The ENEOS Social Station website began operating in April 2006.

Value of the ENEOS Hydrogen Trust Fund

NOC’s financial support to the Trust Fund is ¥50 million per year (up to ¥5 million per year of support for individual projects). 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.

Operation of the Fund

The ENEOS Hydrogen Trust Fund will publicly solicit grant proposals for research projects in line with its objectives. The managing board of the Trust Fund, which consists of 30 people, will be responsible for examining and managing the funds, entrusting to 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 began, and plans call for beginning the disbursement of grants from September 2006.

Table of Operations of the Fund

<table>
<thead>
<tr>
<th>Recipients of Funds</th>
<th>Expected Value of Grant</th>
<th>Expected Number of Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable Trust Control</td>
<td>¥100 million</td>
<td>3</td>
</tr>
<tr>
<td>Chuo Mitsui Trust and Banking Co., Ltd.</td>
<td>¥100 million</td>
<td>3</td>
</tr>
</tbody>
</table>

Charitable trusts are established to promote a given public benefit objective by soliciting assets from a fund or endowment which can be used in accordance with provisions of the trust (the charitable fund contract) in administering and managing the assets. All charitable trusts must be approved by Ministry of Finance. In this case, the charitable trust is required.
The NOC Group continues to contribute to society and aims to be the comprehensive energy company winning the maximum support from the general public. The NOC Group is working to foster greater corporate contribution initiatives through the establishment of a Corporate Citizenship Committee and a social contribution working committee.

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 the social contributions they were making. However, companies are now making social contributions that relate to 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. Employees should be very proud when they see that many people in the general public are now making social contributions that draw on the resources of their core business operations. Truly, fuels are a key part of the infrastructure that connects major regions and the NOC nationwide service stations make a huge beneficial effect on NOC’s overall corporate image.

Mr. Kenichiro Ota, Professor of Yokohama National University

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, CO2 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 CO2 fixation.

The NOC Hydrogen Trust Fund will enable financial support to “creative and pioneering basic research” related to hydrogen energy supplies.

It is designed to provide ¥5 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**

<table>
<thead>
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<tr>
<td>Assets</td>
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</tr>
<tr>
<td>Annual Support</td>
<td>¥100 million per year (up to ¥10 million per year of support for individual projects)</td>
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**Support Research**, “Creative and pioneering basic research related to hydrogen energy supplies, demand, and utilization.”

**Support Research Entities**, Those affiliated with universities, public research entities, and other corporate research organizations in Japan who are engaged in research programs corresponding to the above theme.

**Support Allocation Method**, Public solicitation of proposals to be screened and judged by the fund’s Management Committee.

**Trust Administrator**
Chuo Mitsui Trust and Banking Co., Ltd.

**Charitable Trust Contract**
The Charitable Trust Contract for ENEOS Hydrogen Trust Fund was signed on April 6, 2006.

**Charitable Trust Control**
The Management Committee holds the governing and supervisory roles in the fund.

**Operation of the Fund**
The ENEOS Hydrogen Trust Fund will publicly solicit grant proposals for research projects in line with its objectives.

**NOC (Trustor)**
ENEOS Oil and Gas, Ltd.

**Trust Administrator and management of assets**
Chuo Mitsui Trust and Banking Co., Ltd., which will act as the fund administrator.

**Recipients of Funds**
Grants will be made to universities, public research entities, and other corporate research organizations in Japan who are engaged in research programs corresponding to the above theme.

**Method**
Public solicitation of proposals to be screened and judged by the fund’s Management Committee.

**Assets**
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**Trust Administrator, Chuo Mitsui Trust and Banking Co., Ltd.**

**Chair of the Charitable Trust Committee, Professor Kenichiro Ota, Yokohama National University.**

**Governance of important matters, The Management Committee holds the governing and supervisory roles in the fund.**

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Activities Contributing to the Environment

The NOC Group, as an energy company, uses its activities to contribute to the environment, in the interests of economic growth and environmental protection, taking into account both energy development and environmental protection.

Creating "ENEOS Forests"

Since 2005, NOC has been promoting the "ENEOS Forests" project to preserve forest resources, which is sponsored by the Tokyo Environment Bureau and other organizations. The NOC Group has been working together with various organizations, such as NPOs, to promote initiatives to preserve forest areas. Now, NOC has established four "ENEOS Forests" by the end of fiscal 2006. Each "ENEOS Forest" is a unique forest that contributes to the environment, as well as the preservation of biodiversity, and it is planned to continue actively working to help preserve forest resources.

Environmental Education Activities

To increase contact and deepen understanding of environmental and energy issues, the NOC Group has been promoting environmental education activities since 1963. The NOC Group is very active in environmental education activities, such as "ENEOS Children's Science Classes" at the Muroran Youth Science Museum. These activities are open to the public and are designed to enable children to understand explanations of environmental and energy issues. The NOC Group is planning to promote many environment and energy related activities in the future.

Support for Sports Activities

As an energy company, NOC encourages energetic and healthy lifestyles through providing workplaces and promoting sports culture. The NOC Group has become the main sponsor of the FC Tokyo since 2001. NOC is supporting the 12-team Junior Tour in cooperation with the Yokohama BayStars, and it is planning to support professional baseball players. NOC is also planning to support international competitions, such as the Japan team's national Children's Day and World Environment Day Tree Planting programs. NOC is proactive in its acceptance of trainees from overseas, and it is planning to develop new international cooperation projects.
Activities Contributing to the Environment

The NOC Group, as a comprehensive energy company, gives full consideration to the impact on the environment, conservation, and nature in the course of its business activities, including the exploration, production, and distribution of energy.

Creating "ENEOS Forests"

Since 1993, NOC has been working to help preserve forest resources. In fiscal 2006, the NOC Group focused on the restoration of rice paddies. To continue actively working to help preserve forest resources, the NOC Group plans to create an additional two during fiscal 2007. The NOC Group is also considering the establishment of "forest areas. Focusing primarily on forest areas. Focusing primarily...".

In addition to undertaking diverse environmental protection projects in overseas oil-related areas, the NOC Group is also working on forestation Promotion Organizations and other natural disaster assistance. In March 2005, to commemorate the attainment of 100 million trees, the "ENEOS Forests" program has been launched. As part of this program, NOC employees and their families were invited to participate alongside NOC employees in the ENEOS Forests program.

Activities Contributing to the Community

The NOC Group values a sense of society and is contributing to the betterment of society. The NOC Group's projects are designed to promote a sense of society and contribute to the local community. The NOC Group is also stepping up activities to strengthen the local community and promote progress in sports culture.

Supporting Japan's National Baseball Team

Since 2001, NOC has been an official sponsor of Japan Baseball, an organization that互通 professional and amateur teams and organizes national and international matches. NOC regularly distributes free tickets for "ENEOS Friend-Crew" to children living in other welfare facilities.

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

The Importance of Integrity

When they articulate their philosophy, companies are announcing the type of CSR that they are in the business of. CSR training courses are in efforts to change old-fashioned mindsets within the company, and in endeavors to revamp the company toward. 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 position after the whistleblowing. Actually, companies need to continuously improve their 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 laws, they must have the courage to keep the commitment to their universal 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 easy. The first step is to maintain the courage to maintain integrity 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, not on local ones. Information in this database is shared to promote rigorous legal compliance and high ethical standards on the parts of all Group officers and employees, this item strongly calls for such commitment to their principles.

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, strict legal compliance is not enough to be recognized 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 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 it does business with.

Social Responsibility

Social Responsibility

Honest Company

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

Mr. Iwao Taka

Professor at Reitaku University

Social Responsibility

Social Responsibility

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," "Business Management," and "Quality Assurance."

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 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 pertinent checks of the department’s compliance performance to confirm that the relevant company’s operators 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 year in NOC’s respective areas, 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 in compliance 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 the relevant 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 Group-wide 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 in-company 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 relations activities
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 Hitotsubashi 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 reinvesting 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 operating in developing countries, there are cases in which the human rights of local residents will be violated in connection with those steps, even if those 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.

CSR is a Challenge

I think NOC’s top executives are leading participants in 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 attention. NOC’s training sessions go through the motions of CSR, with NOC’s top executives leading participants in CSR programs, in efforts to change old-fashioned mentalities within the Company and in endeavors to revitalize the Company’s management. 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 interaction between what you say and what you do, and it is important to maintain an ethical moral posture that is uncompromising. Actually doing requires a company to continually improve its internal control systems while also restructing decision-making authority in ways that facilitate the proper functioning of those systems. Moreover, when companies operate in countries with laws and regulations, they must have the courage to keep the commitment to their universally applicable management principles related to ethical and human rights.

What is required to create a sustainable society? This is one of the most important questions human society faces, and it is also a very challenging question. When I say it is a challenge, I mean that making progress in answering this question will not be so easy. The first step is to maintain the courage to make a comprehensive effort to make 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 stick to difficult challenges, and maintain an unwavering commitment to these principles.

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

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.

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

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Five Fundamental Information Security Policies

1. Recognising the importance of corporate information as an asset
2. Respect for the rights of individuals
3. Complying with laws and regulations
4. Emphasising 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, NOC established an official Plan-Do-Check-Action project, 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 safety-management
   - Carrying out risk management
   - Carrying out safe operations
   - Standardizing operational procedures
2. Enhancing 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 MCC (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 so it can carry out day-to-day refinery operations. Among efforts 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 NOC'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 top 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 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 spilled on ships, the vessels are surrounded by oil barriers, and oil recovery vessels are kept ready to respond quickly if necessary.

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

Upgrading Preparedness for Potential Disasters by Strengthening Crisis Management Systems

Hiroshi Sato

Environment & Safety Group Manager
NOC 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 realizing 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 with departments of comprehensive disaster response drills with total staff participation and diverse 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 meetings 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.

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
     - We have investigated potential health damage due to asbestos for employees, former employees, and their families at the request of the Social Security Council of the Ministry of Health, Labor and Welfare.
     - For petroleum refining, we have investigated potential health damage due to asbestos in other locations.
     - Medical examinations were carried out in 2001 and 2004. In 2001, medical examinations were carried out in 2004.
     - The results are as follows:

   - In 2001, 1.78% of employees had medical examinations. In 2004, 1.45% of employees had medical examinations.
   - In 2001, 0.03% of employees had medical examinations. In 2004, 0.003% of employees had medical examinations.

2. Public Announcement of Results of Investigation
   - We plan to carry out investigations on a continuing basis and promptly announce the results of those investigations.

3. Prospective Countermeasures
   - We will continue to take steps to remove asbestos from such locations as soon as possible, particularly those areas that are in constant use even though they have no immediate threat of asbestos becoming airborne. We will also be taking steps regarding asbestos in other locations.

(Other Countermeasures)

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

Incidence of Labor Accidents

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

Preparedness for Potential Accidents and Disasters

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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 continuous 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 establishment of a new safety and prevention office to further strengthen safety management systems and foster a corporate culture in which safety is the first priority. The teams are moving towards these objectives by strengthening safety management systems, these teams are working to foster a corporate culture in which safety is the first priority. The teams are moving towards these objectives by strengthening safety management systems.

Priority Objectives in Fiscal 2007 (Refineries and Factories)

1. Strengthening autonomous self-safety management
   - Carrying out reliable equipment maintenance management
   - Standardizing operational procedures
   - Ensuring labor accidents
   - Rebuilding safety administration systems
   - Augmenting safety education programs
   - Enhancing safety guidance provided to partner companies
   - Building risk management systems
   - Building safety management standard systems
   - Promoting effective MCC (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. Aimed at eliminating labor accidents, NOC has established 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 all 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 top 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 contractors.

Preparing for Potential Accidents and Disasters

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Upgrading Preparedness for Potential Disasters by Strengthening Crisis Management Systems

Hiroshi Sato
Coordinating Group Manager
at Nippon steel 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 reading ourselves for the possibility of disasters by preparing materials and equipment needed for disaster countermeasures and by seeking to create rapid and dependable response systems through the organization and preparation of comprehensive crisis and disaster response drills with total staff participation and diverse 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 government. 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 workforce.

3. Large-Scale Earthquake Countermeasures

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

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.

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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

Health Damage

The investigation revealed that there have been two deaths among current and former employees due to 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. As of the end of April 2008, approximately 470 people had requested medical examinations, and approximately 90% of the medical examinations had been completed. The medical examinations performed to far have not identified anyone who had contracted lung cancer with mesothelioma or asbestosis 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. For petroleum refining, we have identified 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 conformity with regulations associated with the Asbestos Disability Prevention Law and other relevant regulations, and top priority will be given to the prevention of health damages.

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 propagate information about the results.

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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 and Emergency Response Rules

1. The following cases are considered to be emergency situations requiring Company-wide 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 deleterious impact on the Company’s operations (or that may have such an impact)
   - (4) 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.

2. Upon receiving such a report, the president will immediately form a countermeasures headquarters that will be led by the president or the highest level executive available, which will then comprehensively direct the implementation of emergency countermeasures.

3. The countermeasures headquarters will undertake unified information management and also determine countermeasures and direct 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

Among efforts to be prepared in the case of a disaster compared 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 a major earthquake 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 emergencies needed to address 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.

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.

Quality Assurance Units for Individual Product Groups

The NOC Group has established quality assurance units for individual product groups. These units have proven to be effective in establishing product supply systems, providing support for affected regions and communities, and providing information to stakeholders.

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

Examples of Quality Assurance Activities in Fiscal 2006

- **Zero-Complaint Activities**
  - Notification of process quality management and development
  - Fixation of consistently superior works, products, and services
  - Creation of customer satisfaction enhancement projects
  - Taking steps to ensure that service station staff receive adequate training in the appropriate conduct
  - Conducting interviews of tank vessel leasing students

- **Quality Management Units for Individual Processes**
  - Development
  - Procurement
  - Production
  - Transportation
  - Marketing

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 cooperatively to quickly respond to those inquiries with emphasis on further increasing the level of customer satisfaction.

- **Activities to Make Use of Customer Feedback**
  - The NOC Group 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**
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Examples of Quality Assurance Activities in Fiscal 2006

- **Production**
  - **Zero-Complaint Activities**
    - Implementation of customer-related personnel training programs
    - Renovation of process quality management and control systems
  - **Customer Satisfaction Enhancement Activities**
    - Implementation of customer satisfaction-enhancement programs
    - Renovation of processes at tank vessel loading facilities

- **Transportation**
  - **Zero-Complaint Activities**
    - Introduction oficorn technology for overcoming waiting times at service stations
    - Implementation of measures to ensure safety (e.g., driver training programs)
  - **Customer Satisfaction Enhancement Activities**
    - Introduction of services designed to enhance customer satisfaction

- **Marketing**
  - **Zero-Complaint Activities**
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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 cooperatively 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 franchises. Accordingly, the Customer Consultation Service shares customer feedback related to service stations with service station management subsidiaries and franchises and seeks to confirm that measures are taken at service stations in response to customer feedback.

Responses to Accidents and Problems (Fiscal 2006)

We greatly regret the negative repercussions of the problems described below. In addition to offering our sincere apologies for these incidents, we are doing our utmost to prevent such incidents from reoccurring.

<table>
<thead>
<tr>
<th>Date</th>
<th>Nature of Accident</th>
<th>Corporate Action</th>
</tr>
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<tbody>
<tr>
<td>July 2005</td>
<td>Nippon Steel Corporation's Sapporo plant had an accident involving a pump within a hydrocracking facility.</td>
<td>Nippon Steel Corporation posted information about the accident on its website and arranged for Nippon Steel's president to oust UFJ NICOS to contact each of the 88 ENEOS Card cardholders and issue new cards.</td>
</tr>
<tr>
<td>November 2005</td>
<td>Two special units were established at NOC headquarters and the Muroran Refinery. During the investigation process, the 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 published through newspaper advertisements and website notices.</td>
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</tr>
<tr>
<td>February 2006</td>
<td>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.</td>
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</table>
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, thereby realizing 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.

4. 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 these 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 these courses reached approximately 440 during fiscal 2005.

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 creativity plans and implements 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 subordinate mental health.

4. Drafting of Program to Support Return to Work

Our EAP includes provisions for promoting the return to work of employees who have been on leave for 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.

<table>
<thead>
<tr>
<th>Period of Plan</th>
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</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>1. Promoting the use of paid vacation time</td>
</tr>
<tr>
<td></td>
<td>2. Promoting the use of flexible work hours for child rearing</td>
</tr>
<tr>
<td></td>
<td>3. Increasing the length of leaves of absence for child rearing</td>
</tr>
<tr>
<td></td>
<td>4. Introducing programs allowing for individual number of work hours per day</td>
</tr>
</tbody>
</table>

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. Donation of Workers' 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 considering their work with child-rearing.

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 has written a notice in its newsletter and took other measures to promote greater awareness.

Respect for Human Rights and Dignity

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

Ms. Fusako Fujiwara

Journalist (Previously a member of the editorial committee at Nikkanshimbun Falakai)

We should all make a point of including "making human resource development among employees one of our social responsibilities" in our management. People are increasingly 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 our life, recreation, and study. I hope that companies operating in developed societies will consistently manage their workforces in a way that allows 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 provision of support to nearby communities.

The UN Development Programme annually calculates human development index (HDI) for member countries based on the countries’ levels of health, education, life expectancy, and other factors. Most Japanese people are aware that Japan’s HDI is among the highest, reflecting its population’s lengthy average life span 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 in 14th in terms of the gender development index (GDI), which reflects disparity between the HDIs of men and women. Moreover, Japan is 33rd, just below Tanzania, in terms of the gender empowerment measure (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’s 1984 Employment Equality 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 they 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 share 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 for child-bearing and child-rearing efforts as a means of countering the fall in the share of children and working-age people in Japan’s population.

In addition, each department intensively implements its own training programs aimed at passing on know-how and technology to the next generation. The number of participants in those courses reached approximately 440 during fiscal 2006.

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

Respect for Human Rights and Dignity

Respect for Human Rights and Dignity

Promoting Employee Capabilities

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.

Aiming for Vitality and Self-Fulfillment in the Workplace

[Image]
Respect for Human Rights and Dignity

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

Jounalist (Previously a member of the editorial committee at Nihon Kaisai Shimbun [NKS])
Ms. Fusako Fujinara

We should all make a point of including “building human resource development” among our group’s most significant sustainable development objectives. People are increasingly 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 hours spent engaged in full-time work, not to mention raising children, often detract the quality and quantity of such highly rewarding parts of our lives, recreation, and study. I hope that companies operating in developed societies will constantly manage their workforces 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.

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However, social changes have been reducing Japan’s HDI, which last year slipped down yet another notch. In 2015, Japan is 14th in terms of the gender development index (GDI), which reflects disparities between the HDIs of men and women. Moreover, Japan is 31st, just below Tanzania, in terms of the gender empowerment measure (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 chances of women in such posts remain 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 they factor in such situations as the minimal feeling of accomplishment many women get from child-bearing and child-rearing efforts as a means of countering the fall in the total number of births. 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 organization.

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,” emphasizing the themes of “protecting mental health,” “helping nurture the next generation,” and “appropriately managing work time.”

Personnel Systems

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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.

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In addition, each department intensively implements its own training courses aimed at passing on the 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.

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

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In addition, each department intensively implements its own training courses aimed at passing on the 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.
Supporting Women’s Success

The NOC Group is proactively working to increase the 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 leave for 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). To improve conditions for the physically challenged, the NOC Group has increased the number of employees with disabilities from 210 (as of March 31, 2005) to 287 (as of December 31, 2006). The NOC Group is proactively working to continue helping such workers make the most of their precious know-how, technology, and experience.

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 90 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 potential and strengths.

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.
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Barrier-Free Spaces

NOC is moving forward with the installation of rest rooms and sitting arrangements 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 sheaths 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 all to errors in unloading petroleum products into 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.

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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. In fiscal 2006, the following slogan received a Group award for promoting better understanding of human rights throughout the NOC Group.

"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 Tatsuya 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.

Respect for Human Rights and Dignity

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

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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 catalogues, so 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 I sure would like 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 school. 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 hear 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 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. Matsukawa: 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. Sato: 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 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.

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
Data book for oil and petrochemicals markets and NOC Group financial data
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 involved project partners—including freelance announcer Junko Kubo, architect Etsuko Eguchi, and economizing method advisor Yuki Wada—who held 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 catalogues, 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 am also very interested in fuel cells. It seems to me that, of the 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. Oshita and Ms. Sato
(From left) Ms. Matsukawa and Ms. Hotta

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

PROJECT CONCEPT

Hybrid Life Lab

We want to propose “Hybrid Life,” a kind of life that is enjoyable and deeper because it skillfully combines existing things with new things.
This environmental report/review registration mark indicates that the environmental information in this report satisfies the environmental report review/registration mark standards of the Japanese Association of Assurance Organizations for Environmental Information.