

# Social



# Responsibility



**NIPPON OIL**  
Your Choice of Energy

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## Other Publication

### Annual Report 2009

A report on the strategies,  
activities, and performance  
of the Nippon Oil Group

This report can be obtained from:



[www.eneos.co.jp/  
english/ir/library](http://www.eneos.co.jp/english/ir/library)



## Editorial Note

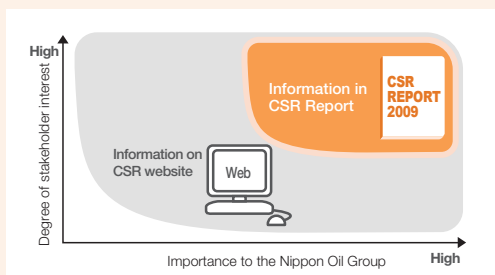
The CSR website provides a wide range of timely information (mainly in Japanese) concerning activities undertaken by the Nippon Oil Group to fulfill our corporate social responsibilities. Each June, we publish this CSR Report in printed form to illustrate the main themes of those CSR-related activities that are of greatest interest to stakeholders, and that the Nippon Oil Group believes are important to put in print.

This was our basic stance in compiling this year's "CSR Report 2009." However we also chose to reassess our collection methods for questionnaires to improve the accuracy of our selection of important themes.

Specifically, in addition to our previous method of allowing ordinary readers to send in questionnaire responses by fax, we conducted a questionnaire via the Company intranet to gather as much input as possible from Nippon Oil's most immediate stakeholders—its employees. As a result, we received valuable comments and suggestions from a total of roughly 3,500 people (see page 17 for more information). The opinions offered were then checked against the Nippon Oil Group Philosophy and our Fourth Medium-Term Management Plan. The Executive Committee also conducted in-depth discussion on the opinions. This process culminated in the selection of "Measures to help prevent global warming," "Stable energy supplies," and "Supporting the next generation" as the three major themes of this report.

In editing the report, we have tried to make it as easy to read and understand as we possibly could. We envisaged a report that provides Nippon Oil Group employees, who are responsible for carrying out the Group's CSR activities, an understanding of the Group's CSR initiatives, and that also serves as a useful tool for discussing the Group's CSR activities outside the Company. We hope that all of our other stakeholders will read the report as well.

### ● Scope of CSR-Related Information



### 【Gauging Stakeholder Interest in Topics】

- Questionnaire responses received from CSR Report 2008 and the CSR website
- Suggestions from independent reviewers
- Opinions of CSR experts
- Feedback received via the customer consultation service
- Questions received from mass media and research organizations

### 【Reference Publications】

- Environmental Reporting Guidelines (2007 Edition), Ministry of the Environment (Japan)
- GRI Sustainability Reporting Guidelines 2006

## Main Contents of CSR Website

[www.eneos.co.jp/company/csr](http://www.eneos.co.jp/company/csr) (Japanese only)

Please visit our CSR website, which provides information on all of the CSR-related activities of the Nippon Oil Group.

### Environmental

- Medium-Term Environmental Management Plan
- Environmental management
- Global warming prevention measures
- Activities to reduce environmental impact
- Environmental data, etc.

### Economic

- Compliance
- Corporate governance
- Information security
- Ensuring safety, etc.
- Crisis management
- Raising dividend levels
- Investor relations

### Social

- Social contribution
- Quality assurance, Customer consultation service
- Respect for human rights and dignity, etc.

## Scope of Report

### Reporting Period:

The report covers activities from April 1, 2008 to March 31, 2009 (fiscal 2008), and may also include more recent information.

### Companies Covered:

The report covers the 19 major companies in the Nippon Oil Group listed below (of which 15 are consolidated subsidiaries\*, accounting for 94% of net sales in fiscal 2008).

Nippon Oil Corporation, Nippon Petroleum Refining Co., Ltd., Nippon Oil Exploration Limited, Nippon Oil Trading Corporation, ENEOS Frontier Co., Ltd., ENEOS CELLTECH Co., Ltd., Nihonkai Oil Co., Ltd., Wakayama Petroleum Refining Co., Ltd., Nippon Oil Tanker Corporation, Nippon Oil Staging Terminal Co., Ltd., Okinawa CTS Corporation, Shibushi Oil Storage Co., Ltd., Kamigoto Oil Storage Co., Ltd., Nippon Oil Real Estate Co., Ltd., Nippon Oil Research Institute Co., Ltd., Nippon Oil Information Technology Corporation, Nippon Oil Business Services Co., Ltd., NISSEKI PLASTO Co., Ltd., NIPPO CORPORATION

\* ENEOS CELLTECH Co., Ltd., Shibushi Oil Storage Co., Ltd., Kamigoto Oil Storage Co., Ltd. and Nippon Oil Research Institute Co., Ltd. are all nonconsolidated subsidiaries.



# Management Commitment

In a conversation at the SOENE House (see page 10 for details), President and Representative Director Shinji Nishio and Ms. One Akiyama, president of Integrex Inc., met to discuss and share their views on CSR at the Nippon Oil Group. Integrex, one of Japan's best-known specialists in socially responsible investment research, was commissioned in fiscal 2008 to collect the Nippon Oil Group's CSR questionnaires and analyze the responses.



Location: the SOENE House

**Shinji Nishio**  
Representative Director, President  
Nippon Oil Corporation

## One Akiyama

President  
Integrex Inc.

Ms. Akiyama is a graduate of the Faculty of Economics, Keio University. In June 2001 she established Integrex Inc., a company that conducts fair and impartial surveys for socially responsible investing and supports companies in the fulfillment of corporate social responsibility. She currently serves as a member of the screening committee of the Toyo Keizai, Inc. Sustainability Reporting Award and is a member of the Administrative Board of Social Investment Forum Japan(SIF-Japan).

## For the future of energy and environmental harmony

**Akiyama:** I think that the Nippon Oil Group fulfills an important social responsibility by providing stable energy supplies. In addition to that, what activities do you undertake to help solve the problem of global warming in the effort to realize a low-carbon society?

**Nishio:** Because Japan is a country poor in energy resources, it wouldn't be practical to totally rely on a single source of energy. I believe the Nippon Oil Group's corporate mission is to ensure uninterrupted delivery of energy, which is essential to people's lives, in the most environmentally friendly manner, and consisting of an optimal mix of natural and fossil energies. It is important not only for industry, but also for households, to take steps to reduce CO<sub>2</sub> emissions. We are focusing attention on ENE-FARM (a residential-use fuel cell system) and solar power generation systems, which contribute to CO<sub>2</sub> reduction in homes. This SOENE House (energy-creating house) is equipped with a

variety of energy systems, including those that utilize natural energy such as the light and heat of the sun, and ENE-FARM. We opened the SOENE House with the aim of showcasing efficient methods of energy use to reduce environmental impact.

**Akiyama:** The SOENE House is a symbol of the optimal mix of natural energy and fossil energy. Hydrogen, which is used to power ENE-FARM, is said to have tremendous potential as a next-generation energy source, right?

**Nishio:** The realization of a hydrogen energy society will require substantial breakthroughs in hydrogen production, transportation and storage technologies. To speed this transition along, Nippon Oil has established the ENEOS Hydrogen Trust Fund and fosters trailblazing research. We also engage in demonstration projects, such as the concentrated installation of 150 ENE-FARM systems at “Hydrogen Town” in Fukuoka, Japan. With the full-scale sale of ENE-FARM set to begin in fiscal 2009, I believe that at last we stand at the starting point for the realization of a hydrogen energy society.

**Akiyama:** That’s a very interesting initiative. Is any other long-term research and development under way?

**Nishio:** We are devoting effort to research into next-generation solar cells that will use low-cost organic materials. We have established the ENEOS Lab at the University of Tokyo Research Center for Advanced Science and Technology, where leading authorities in the field and Nippon Oil employees cooperate in research. We also engage in research into new biomass fuels. At this time, the principal raw materials for biomass fuel are food staples like corn and sugarcane. The impact of these sources on the food supply, at a time when many people around the world are suffering from starvation, is a major problem. We are conducting research into the production of biomass fuels using grass, wood and other raw materials that don’t compete with our food supplies.

**Akiyama:** This effort truly puts into practice your Group Philosophy of “Creating the energy future.” You also implement various global warming prevention measures in your current business activities, am I right?

**Nishio:** We constantly consider environmental impact throughout the entire supply chain. We implement measures to increase energy efficiency at the refining and production stage and to reduce fuel consumption during product transport. A good example of this is our Clean Development Mechanism (CDM) project “Associated gas recovery and utilization project in Vietnam,” which has received the largest one-time issuance of CO<sub>2</sub> emissions reduction credits in the world.

## Safety initiatives

**Akiyama:** I think that safety initiatives are an essential precondition for realizing the objectives you’ve spoken about. What kind of safety initiatives is Nippon Oil implementing?

**Nishio:** We make safe and secure operations our top priority at all times and spare no effort in accident and disaster prevention and in response measures when problems occur. We pay particular attention to safety at our refineries and plants, where we have installed a variety of disaster-prevention equipment to prepare

against accidents or disasters and periodically hold emergency drills.

**Akiyama:** I think that service stations are expected to play an important role in times of natural disaster and other emergency situations.

**Nishio:** We are installing emergency generators and emergency portable pumps at service stations to make fuel supply possible even during power outages. In this way, we are preparing service stations in advance to supply fuel in times of disaster to ensure a stable supply of petroleum products at all times. By the way, this SOENE House is disaster-ready thanks to its various independent energy systems.

## Putting the Group Philosophy into practice

**Akiyama:** The Nippon Oil Group periodically conducts a CSR questionnaire survey to assess CSR awareness and understanding of related issues among officers and employees, a project with which Integrex has assisted. The findings from the fiscal 2008 survey show that the Group has a good corporate climate. On the other hand, I feel there is room for further improvement in terms of the companywide penetration of the Group Philosophy and incorporating it into business operations.

**Nishio:** I believe that the most important CSR activity for the Nippon Oil Group is to sincerely put our Group Philosophy into practice. To that end, we must ensure that the philosophy is well embedded among officers and employees. They, in turn, must incorporate it into their own work practices; that is to say, they must be constantly aware of whether or not their behavior is in line with the philosophy. We conduct awareness-raising programs to ensure that all officers and employees can properly put the philosophy into practice.

**Akiyama:** In December 2008, you reached a management integration agreement with Nippon Mining Holdings. Even though the two companies operate in similar businesses, each has its own culture. I think the question of how you intend to share a common Group Philosophy after the integration is a very important one.

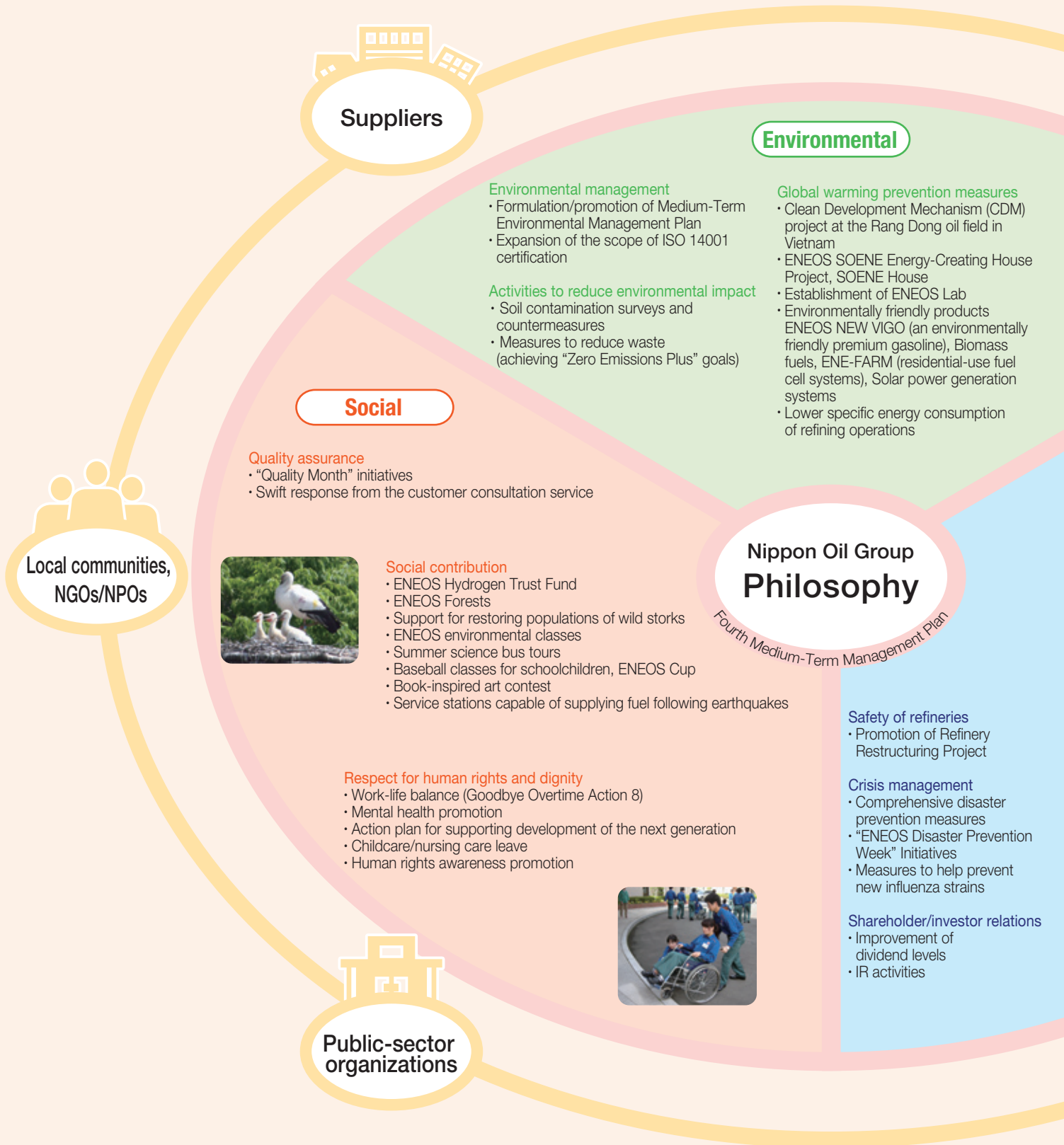
**Nishio:** Our aim is to develop the new company into one of the few corporate groups in the world with business lines that encompass energy, resources and materials. We will set forth a new Group Philosophy and intend to make it one that resonates with all members of society, not only with our employees and business partners. I want to contribute to the creation and development of a sustainable society by ensuring the rapid uptake of the new philosophy among all Group employees.

**Akiyama:** I think that CSR is the enactment of a cross-organizational group philosophy to mitigate the risk of a kind of divisional myopia, whereby each workplace narrowly pursues its own interests. In the coming years I hope to see the Group continue to work in unison to put the Group Philosophy into practice.

**Nishio:** We will continue striving to meet society’s demands based on our firm conviction that conscientiously putting the Group Philosophy into practice helps increase revenue and, by extension, leads to sustained corporate development.

# Overview of Nippon Oil Group's CSR Activities

The Nippon Oil Group is promoting CSR-oriented management as part of its efforts to realize a sustainable society. The Group's CSR activities are divided into three categories to address environmental, social and economic aspects.





**Customers,  
dealers**



**Economic**

**Compliance**

- Legal compliance status checks
- Internal reporting system (Compliance Hot Line)

**Corporate governance**

- Internal controls
- Outside directors, outside auditors
- Business ethics training



**Information security**

- Prevention of leaks of information on individuals and other confidential information

**Stable energy supplies**

- Securing supply from oil and gas fields developed by Nippon Oil
- Stronger partnerships with resource-rich countries



**Employees**



**Shareholders,  
investors,  
financial institutions**

**Nippon Oil Group Philosophy**  
Group Philosophy

**Your Choice of Energy**

Creating the energy future and promoting prosperity and harmony with nature

**CSR Promotion System**

**Nippon Oil Group CSR Meeting**

( Chairman: Nippon Oil President  
Members include senior executives of Nippon Oil 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

Head office, Branches, Refineries/Plants, Group companies

**Nippon Oil Group CSR Questionnaire 2008**

The Group conducted its third survey for assessing awareness among officers and employees of CSR and business ethics. A neutral and fair independent survey organization was asked to collect and analyze individual information, thus preserving response anonymity. The candid input gathered was then aggregated and reflected in management.

Target: All officers and employees (including contract and temporary employees) at the 19 principal companies in the Nippon Oil Group

Format: 27 questions, anonymous

Survey period: June 2008

Response rate: 87% (approx. 10,000 respondents)

**~ Key Questions and Responses ~**

Agree Somewhat agree Somewhat disagree Disagree

If asked, could you explain the Nippon Oil Group Philosophy?



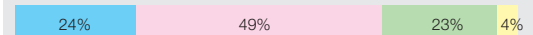
Do you understand the policies pursued by the organization's top management?



Is your workplace a pleasant place to work?



Would you report improper behavior by a colleague?



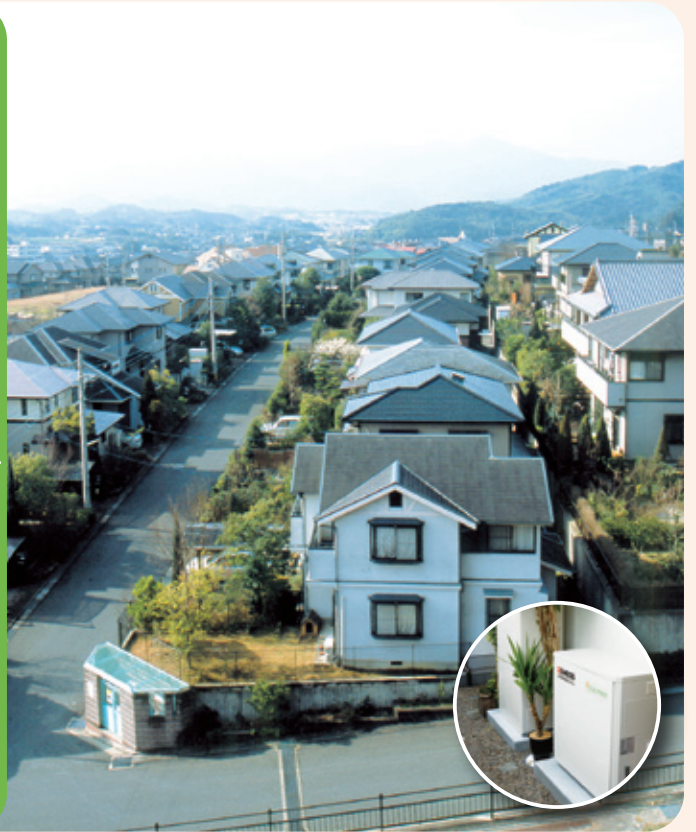
Does your workplace have a system for verifying or inquiring about work duties?





# Helping Prevent Global Warming through New Energy Systems

The Nippon Oil Group is playing an active role in efforts to prevent global warming. Along with continuing to meet challenges in residential-use fuel cell systems, solar power generation systems and other environmentally friendly new energy fields, the Group is enacting a variety of initiatives in each part of the supply chain of its existing oil business.



“Hydrogen Town” in Fukuoka, Japan, where Nippon Oil has installed 150 ENE-FARM systems (inset)

## New Energy Business

### ENE-FARM Residential-use Fuel Cell System Efficient Use of Energy

In fiscal 2007, Japan’s annual CO<sub>2</sub> emission volume totaled some 1.3 billion tons\*<sup>1</sup>, an increase of roughly 14% over the fiscal 1990 benchmark (1.14 billion tons) set in the Kyoto Protocol. Of this total, households accounted for approximately 0.18 billion tons of emissions, up around 41% compared with fiscal 1990, with roughly half of these emissions stemming from electricity and hot water use. Making reductions in household CO<sub>2</sub> emissions is an urgent task.

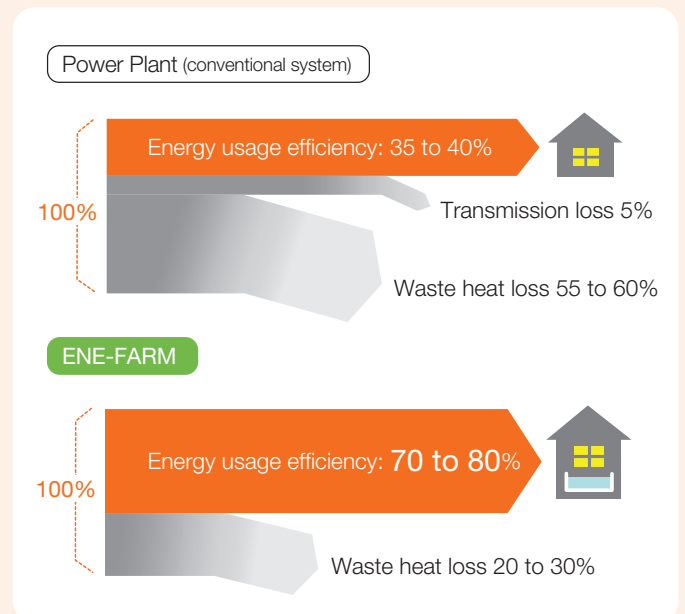
ENE-FARM is a highly efficient co-generation of heat and power (CHP) system that utilizes the chemical reaction between hydrogen derived from LPG, and oxygen in the air to simultaneously supply both electricity and heat (for hot water).

In conventional thermal power generation systems, electricity generated by the power plant is delivered to homes via power lines, leading to unusable heat at the power plant and electricity lost from transmission. The end-result is an actual energy efficiency of between 35 and 40%.

In contrast, ENE-FARM systems enable energy usage at a high total efficiency of between 70 and 80% by using electricity actually generated on site, and utilizing the heat produced from power generation to heat household water. The adoption of ENE-FARM systems has the potential to reduce CO<sub>2</sub> emissions

not only for individual households, but for Japan as a whole. From fiscal 2005 to fiscal 2008, Nippon Oil installed ENE-FARM systems in a total of 1,368 actual homes (40% of all systems installed in Japan) as part of a government-sponsored Large-Scale Demonstration Project.

Compared to conventional energy systems\*<sup>2</sup>, ENE-FARM





reduces annual CO<sub>2</sub> emissions from households by roughly 1,100 kg, equivalent to the amount of CO<sub>2</sub> absorbed by about 80 growing cedar trees in one year.

\*1 Source: Website of the Greenhouse Gas Inventory Office of Japan, Center for Global Environmental Research; same reference for data below.

\*2 "Conventional energy systems" as used here refers to cases in which energy from thermal power plants and conventional hot water heaters are used. CO<sub>2</sub> emissions for LPG and thermal electric power are 0.0587kg-CO<sub>2</sub> /MJ and 0.69kg-CO<sub>2</sub> kWh, respectively. According to Japan's Forestry Agency, one cedar tree absorbs approximately 14 kg of CO<sub>2</sub> per year.

Source: Operating data on Nippon Oil gathered from the government-sponsored Large-Scale Demonstration Project

**▶ ENE-FARM Systems Installed Under the Government-Sponsored Large-Scale Demonstration Project**

Fiscal Year	2005	2006	2007	2008	Total (systems)
Nippon Oil	142	311	408	507	1,368
Entire Project	480	777	930	1,120	3,307

**Utility for Decentralized Generation**

With conventional large-scale, power generation, there is the risk that damage from earthquakes or typhoons may interrupt the supply of electricity over wide areas for a substantial period of time. In contrast, distributed generation, such as with ENE-FARM systems, can continue to supply electricity and hot water as long as the installation site is undamaged, since the electricity and heat used are created on site.

Due to current legal restrictions, ENE-FARM systems are prevented from producing power during electrical outages. However, we intend to move forward with development work that will enable ENE-FARM systems to operate independently during times of disaster. These efforts will include steps to loosen present restrictions in the near future.

**Targets Going Forward**

From May 2009, Nippon Oil has led the industry world wide by launching ENE-FARM into the Japanese consumer market. In fiscal 2009, the Japanese government is offering a subsidy of up to ¥1.4 million per system for ENE-FARM adopters.



**What is ENE-FARM?**

The name "ENE-FARM" is derived from the words "energy" and "farm," so named because the creation of electricity and heat from hydrogen and oxygen is very similar to the production of agricultural crops from water and soil. The notion of energy self-sufficiency, a concept that will define energy use in the future, is also similar to the traditional view of farming.



At ENE-FARM developer and manufacturer ENEOS CELLTECH, the Nippon Oil Group commenced operations at a new plant in April 2009 to establish a framework for producing 10,000 systems per year in fiscal 2010. With these measures we aim to sell around 40,000 systems per year by 2015.

**"Hydrogen Town" in Fukuoka**

Nippon Oil, in conjunction with Japan's Fukuoka Prefecture and SAIBU GAS ENERGY, is creating the world's largest "Hydrogen Town" through the installation of LPG-powered ENE-FARM systems at a community gas housing estate\* in the city of Maebaru in Fukuoka. In February 2009, Nippon Oil completed installation of 150 ENE-FARM systems at the complex.

By having ENE-FARM systems used in homes under everyday living and usage conditions, Nippon Oil is demonstrating the energy savings and CO<sub>2</sub> reduction potential of ENE-FARM. At the same time, Nippon Oil is using the valuable data and input collected from residential users to make further improvements to the system.

\*Community gas housing estate means supplying households with LPG via pipelines by installing large LPG cylinders in residential areas with more than 70 households. A community gas utility business is a public service which requires a license in accordance with the Gas Business Act and on which an obligation to supply gas has been imposed.

**Creating Opportunities at Home to Talk about the Environment**

Nippon Oil has been involved in research, development and delivery of fuel cells for more than 20 years, leveraging hydrogen production technologies cultivated over the years operating as an integrated energy company. We believe that contributing to more efficient use of our precious and limited petroleum resources, and working to prevent global warming, are important missions for the Company.



**Masuhiro Yamaguchi**

General Manager,  
FC & PV System  
Business Department  
Nippon Oil Corporation

The adoption cost for ENE-FARM is still quite high. The consensus is that this price tag will need to drop to around ¥500,000 to be acceptable for ordinary households. We plan to use the start of system sales in the consumer market as an opportunity to put a mass production system in place that should lower costs further.

I think a clear benefit of ENE-FARM is that it allows users to make a definite environmental contribution right at home. I hope that those choosing to adopt an ENE-FARM system for their homes will use it as a chance to talk with their children about the importance of the environment and energy.



## Solar Power Generation Systems

### Reducing CO<sub>2</sub> by Using Renewable Energy

The Nippon Oil Group is involved not only in oil, but also in efforts to utilize solar energy as a renewable energy source. Solar power generation systems convert the sun's energy directly into electricity. An outstanding feature of such systems is that they emit no greenhouse gases during power generation. For example, installing a 4.2 kW solar power generation system will generate some 4,900 kWh of electric power each year, saving a typical household 45% on its energy bill annually and reducing CO<sub>2</sub> emissions by roughly 1,500 kg. Moreover, making solar power generation systems more compact has very little effect on their power-generating efficiency, making them suitable as distributed generation for powering every home.

#### Example: Installation of a 4.2 kW System

(Osaka, Japan Installation facing due south at 30° angle)



Projected Electricity  
Generated Annually

**4,909** kWh

Reduction in CO<sub>2</sub>

**1,544** kg-CO<sub>2</sub>

Approx.  
**45%**  
savings on  
energy bill

Reduction  
of approx.  
**28%**

\*Based on power generation simulations by Nippon Oil

### Encouraging Solar Power Generation System Uptake

In April 2009, Nippon Oil commenced with the full-scale sale of solar power generation systems, and will focus on encouraging the uptake of these systems as well as the ENE-FARM systems. Of the solar cells used to build solar power generation systems, thin-film solar cells hold the most promise for achieving lower

#### Solar Ships

In cooperation with Nippon Yusen Kabushiki Kaisha, Nippon Oil installed a 40 kW-class solar power generator on a car-carrier vessel in the first project of its kind in the world. While compensating for salt damage, wind pressure, vibration and other seaborne hazards has involved a great deal of trial and error, Nippon Oil is determined to make such systems practical to create a bright future for solar power generation.



Car-carrier vessel AURIGA LEADER equipped with solar power generators



**Naota Fujiwara**  
System Planning Group  
Energy System Development  
Department  
Nippon Oil Corporation

system costs. In January 2009, Nippon Oil teamed up with SANYO Electric to establish SANYO ENEOS Solar, a joint venture for the development of production technologies for thin-film solar cells, as well as the manufacture and sale of these products. The goal is to achieve commercialization as early as possible to begin supplying the market with dependable, high-performance products.

## More Initiatives in New Energy

### Ultra-high Efficiency Solar Cells

In April 2008, Nippon Oil established the ENEOS Lab at the University of Tokyo Research Center for Advanced Science and Technology and initiated research on next-generation, ultra-high efficiency solar cells.

Nippon Oil formed a comprehensive alliance with the center in 2005, when it began conducting joint research into new energy with the center, and carried out personnel exchanges including the dispatch of a Company researcher to serve as an associate professor.

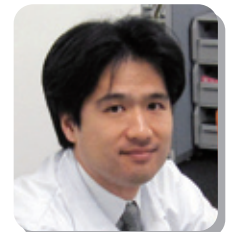
Going forward, Nippon Oil is taking steps to bolster and expand this research framework, and will pursue research into innovative power storage systems as an addition to ultra-high efficiency solar cells.

### Cellulosic Ethanol

Determined to solve issues surrounding the adoption of biomass fuels, namely supply stability, economic viability and competition with food sources, Nippon Oil has embarked on the development of fully integrated production technology for manufacturing cellulosic ethanol. To this end, in March 2009, Nippon Oil joined hands with Mitsubishi Heavy Industries, Toyota Motor Corporation, Kajima Corporation, Sapporo Engineering and Toray Industries to establish the Research Association of Innovative Bioethanol Technology. The association's ultimate goal is to develop production-process technology by 2015 that will enable the annual production of 200,000 kiloliters of bioethanol priced at ¥40 per liter to compete with crude oil. The University of Tokyo and a host of other research institutes have also signed on to this project.

### Working to Develop Ultra-High Efficiency Solar Cells

Being stationed at the ENEOS Lab allows the university professors and me to exchange views directly and efficiently, and conduct experiments in each other's labs. This allows real "fusion" of knowledge and ideas to occur. The new ideas that come out of this exchange are incorporated into our development of ultra-high efficiency solar cells.



**Keisuke Nakayama**  
Energy Device R&D Group  
Hydrogen & New Energy Research Lab  
Central Technical Research Laboratory  
Nippon Oil Corporation

## ENEOS SOENE Energy-Creating House Project

Nippon Oil launched the “ENEOS SOENE Energy-Creating House Project” to explore approaches to reducing CO<sub>2</sub>, and the relationship between living spaces and energy, with a focus on people’s daily lives.

The concept driving this project is to have people’s homes generate energy, while simultaneously creating ways to use that same energy at home. The aim is to develop combined residential energy systems tailored to the lifestyles that people live.

Examining the residence as an entire system, not simply the presence of many individual devices, is critical to building this optimized system. To this end, Nippon Oil completed the construction in March 2009 of SOENE House, an experimental residence and demonstration site for this project.

SOENE House actively utilizes solar and other forms of natural

energy, employing a system that uses fossil energy more efficiently. Nippon Oil is researching various combinations of energy devices, guided by a vision of offering the best mix of natural and fossil energies.

Through work on this project, Nippon Oil is helping to reduce CO<sub>2</sub>, while supporting the emergence of more comfortable and economical lifestyles.



View of SOENE House from the north



Solar power and water heating systems installed on the southern side of the roof

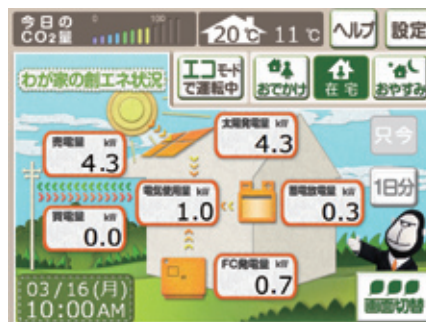


Energy devices installed at SOENE House  
(from left: ECO-FEEL, ECO-JOZU, ENE-FARM)

### Making CO<sub>2</sub> Emissions in the Home Visible

If operated efficiently, an optimal combination of ENE-FARM and other highly energy-efficient energy devices has the potential to reduce CO<sub>2</sub> even further.

SOENE House is installed with a Home Energy Management System (HEMS), which determines the extent of actual CO<sub>2</sub> emissions in real time. HEMS is a fun way for people to check their CO<sub>2</sub> footprint, while pursuing a more ecologically sound lifestyle.



HEMS monitor display



**Teizo Murakami**  
Home Energy Group  
Home Energy Department  
Nippon Oil Corporation

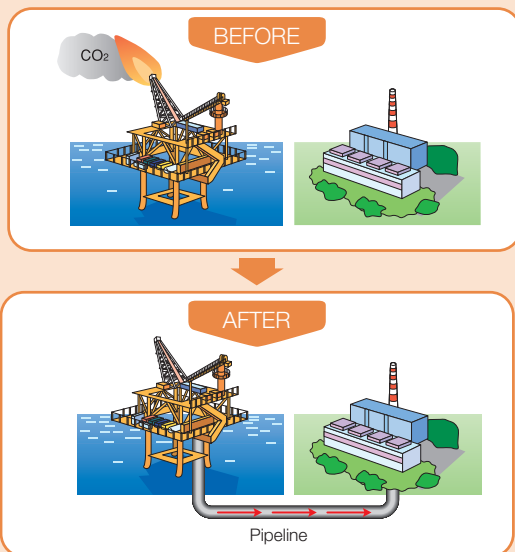
# Reducing CO<sub>2</sub> in Our Supply Chain

As part of proactive efforts to reduce CO<sub>2</sub> throughout our entire supply chain, the Nippon Oil Group works to reduce energy consumption, strategically utilize Kyoto mechanisms, and offer environmentally friendly products and services. CO<sub>2</sub> emissions originating in the supply chain amounted to 15.96 million tons in fiscal 2008, a decline of 0.73 million tons (or 4.6%) compared to fiscal 2007, due to initiatives taken to cut CO<sub>2</sub> at every stage.

## Exploration & Production

### Reducing CO<sub>2</sub> by effectively utilizing associated gas from crude oil production

By effectively utilizing associated gas from crude oil production Nippon Oil is promoting a CO<sub>2</sub> reduction project at the Rang Dong oil field off the southern coast of Vietnam, where Japan Vietnam Petroleum, a subsidiary of Nippon Oil Exploration, serves as the operator in production of crude oil. In February 2006, this project was registered with the UN as a CDM that will reduce CO<sub>2</sub> emissions by roughly 8 million tons.



#### Features

- ◆World's first project for the recovery and effective utilization of associated gas from crude oil production recognized as a CDM (Feb. 2006)
- ◆The estimated CO<sub>2</sub> reduction from the project is approx. 8 million tons (Dec. 2001 to Nov. 2011). Of this amount, emissions reduction credits equivalent to 4.49 million tons were issued for the period through 2005 (actually issued in Feb. 2008)—the largest one-time issuance of such credits in the world.

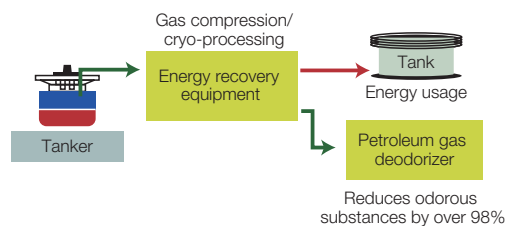
## Transportation & Storage

### Reducing CO<sub>2</sub> at the transportation and storage stages

When transporting crude oil, Nippon Oil uses large tankers to deliver to storage terminals efficiently. A variety of other energy-saving initiatives are also implemented to reduce CO<sub>2</sub>, including operation control to ensure proper tanker speed, and extensive, individualized energy control to maintain crude oil temperature at storage terminals.

#### Facilities for Processing Tanker Exhaust

Conceptual image of tanker exhaust processing facilities



At Nippon Oil Staging Terminal, nearly 70% of the volatile organic compounds (VOCs) in tanker exhaust are recovered by on-site facilities and later used as energy. This process also greatly reduces emissions of odorous substances.

This technology has won numerous awards, including the Nikkei Manufacturing Award (2008) and the Judges' Special Prize at the 37th Annual Japan Industrial Technology Awards, in recognition of its role in encouraging more effective energy use and contributing to environmental measures at crude oil staging terminals in oil-producing countries.

#### Features

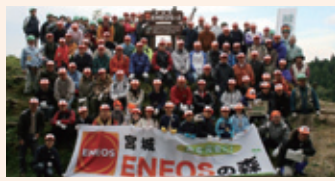
- ◆First facilities in Japan for processing tanker exhaust
- ◆Serves 3 functions: combating odor, countering VOCs and energy recovery
- ◆Unique process that causes VOCs to be directly absorbed into crude oil

### ► CO<sub>2</sub> Emissions in the Supply Chain

Companies Involved		Exploration & Production	Transportation & Storage	Refining & Production	Distribution & Sales	Total
		Nippon Oil Exploration Limited	Nippon Oil Tanker Corporation Nippon Oil Staging Terminal Co., Ltd. Okinawa CTS Corporation Shibushi Oil Storage Co., Ltd. Kamigoto Oil Storage Co., Ltd.	Nippon Petroleum Refining Co., Ltd. Nihonkai Oil Co., Ltd. Wakayama Petroleum Refining Co., Ltd. NISSEKI PLASTO Co., Ltd.	Nippon Oil Corporation	
CO <sub>2</sub> (10,000 tons)	FY07	53	65	1,483	68	1,669
	FY08	53	61	1,419	63	1,596
	Change	0	-4	-64	-5	-73

Non-Supply Chain Measures

● **Environmental Contribution Activities**  
 Forests fulfill a variety of functions, including their role in absorbing and sequestering CO<sub>2</sub> and preserving biodiversity. Recognizing this, Nippon Oil Group employees and their families take part in forest conservation, Satoyama ("local foothills") conservation and other volunteer environmental contribution activities.



Forest conservation activities at ENEOS Forests



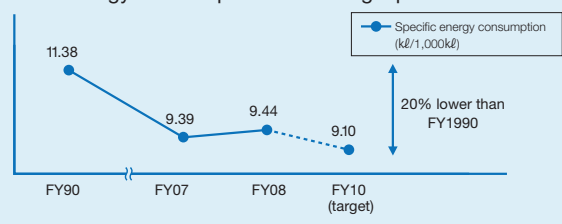
Satoyama conservation activities as part of "Tokyo Greenship Action"

## Refining & Production

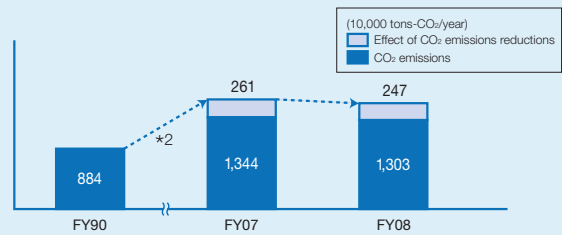
### Reducing CO<sub>2</sub> from refining operations

Refining operations generate approximately 80% of the total CO<sub>2</sub> emissions of the Nippon Oil Group. Our main priority is therefore to take measures to improve the energy efficiency of refining operations. For this reason, we have set a target of reducing specific energy consumption at the refining stage by 20% from the fiscal 1990 benchmark by fiscal 2010. The Nippon Oil Group is conducting a range of energy-saving activities to this end, including the development and adoption of cutting-edge technologies, production process improvements and reducing losses from waste heat.

#### ■ Specific Energy Consumption of Refining Operations\*1



#### ■ CO<sub>2</sub> Emissions of Refining Operations\*1



Specific energy consumption was 17.0% lower in fiscal 2008 than the fiscal 1990 benchmark (a reduction from 11.38 to 9.44). This improvement was equivalent in effect to cutting CO<sub>2</sub> emissions by 2.47 million tons.

\*1 Refers to the companies in Nippon Oil Group's refining division—Nippon Petroleum Refining Co., Ltd. (excluding the Kawasaki Plant), Nihonkai Oil Co., Ltd. and Wakayama Petroleum Refining Co., Ltd.  
 \*2 CO<sub>2</sub> emissions if no reductions in specific energy consumption relative to fiscal 1990 had taken place

## Distribution & Sales

### Reducing CO<sub>2</sub> at the distribution stage

At the distribution stage, Nippon Oil's efforts to raise distribution efficiency include optimizing transport routes, consolidating storage tanks and utilizing larger tanker trucks. We also take part in "Eco Drive" contests and other activities in our extensive efforts to implement efficient driving of tanker trucks.

### Reducing CO<sub>2</sub> by offering environmentally friendly products

■ **ENEOS NEW VIGO**: an environmentally friendly premium gasoline



This state-of-the-art product combines a friction modifier to improve fuel economy with a new cleaning detergent. The combination of these agents has yielded one of the most advanced fuels of its kind in Japan with cleaning properties, and is leading to lower emissions of CO<sub>2</sub> and other regulated exhaust gases. Meanwhile, the sulfur-free aspect of this fuel will enable increased adoption of direct-injection, lean-burn and other high efficiency engines.

#### ■ Biomass fuels

Attention is turning to these fuels as measures for countering global warming since the key raw materials are plants, which absorb CO<sub>2</sub> as they grow.

- ◆ In April 2007, we began trial sales of a biogasoline blended with ETBE\*3 as a form of bioethanol. In June 2009, Nippon Oil moved a step closer to full-scale adoption by expanding the sale of biogasoline to roughly 1,000 service stations.
- ◆ For diesel vehicles we developed BHD\*4, a biodiesel fuel produced from the hydrogenation of palm oil and other plant oils. From October 2007 to March 2008, we conducted a trial program in cooperation with the Tokyo Metropolitan Government, Toyota Motor Corporation and Hino Motors, Ltd, using BHD as fuel for city buses in Tokyo.



\*3 Ethyl Tertiary Butyl Ether  
 \*4 Bio Hydrofinned Diesel

### Reference

Consumption (Customers)		CO <sub>2</sub> emissions*5 (10,000 tons)
FY07	FY08	Change
13,143	11,163	-1,980 (-15.1%)

\*5 Figures refer to CO<sub>2</sub> emissions corresponding to fuel consumed by customers in operating automobiles, factories, etc. This is calculated by multiplying for each type of oil the Group's domestic fuel oil sales volume by the relevant emission coefficient.

Notes  
 Data for fiscal 2008 include a portion of such data from Kyushu Oil following management integration in October 2008 and have been audited by a third party. Past-year data uses Kyushu Oil figures as reported to regulatory bodies.

CO<sub>2</sub> emissions are calculated based on version 2.4 of the Japanese Ministry of the Environment's manual dealing with the calculation and reporting of greenhouse gas emissions by businesses. This includes methane and dinitrogen monoxide.



# Our Efforts to Ensure Stable Energy Supplies

The Nippon Oil Group is engaged in oil and gas production operations in 12 countries. We are working to ensure stable energy supplies to Japan through partnerships with resource-rich countries.



## Securing Independently Developed Oil and Gas Fields

### Business Strategy for Achieving Stable Supplies

A long-term outlook published by the International Energy Agency (IEA) indicates that oil is expected to account for 30% of the world's primary energy supply in 2030. The Japanese government projection is for 35%. Oil is thus expected to remain a major component of the world's energy supplies. Moreover, supply and demand is expected to grow tighter over the medium-to long-term as demand from China and other emerging economies grows.

The Japanese government now seeks to raise the ratio of crude oil independently produced by Japan to 40% by 2030 in its New National Energy Strategy. In response, Nippon Oil Exploration, responsible for the Nippon Oil Group's upstream operations, aims to achieve production volume of over 200,000 barrels a day in fiscal 2015. The Fourth Medium-Term Management Plan has three strategies for continued growth.

- (1) Development of existing oil and gas fields mainly in four core regions (Southeast Asia, Oceania, the North Sea, U.S. Gulf of Mexico)
- (2) New oil and gas field exploration and production in the core regions, and in Libya, Iraq and other countries
- (3) Through (1) and (2), progressively expand production volume

Proper care for health, safety and environment (HSE) is critical in each stage of exploration, development and production at Nippon Oil Exploration. The Company therefore prioritizes HSE in its operations.

### Tackling further challenges in achieving stable supplies

A recent oil exploration boom in Libya has seen a number of the world's oil companies advancing their activities there. Nippon Oil Exploration opened its office in the Libyan capital, Tripoli, in 2005. We are working hard in this different culture to move our exploration activities forward.



**Hidetoshi Ohashi**  
Executive Officer, General Manager,  
Tripoli Office  
Nippon Oil Exploration Limited

Exploration succeeds if enough oil or natural gas is found to start commercial production. And only a few companies succeed. We aim to make the Libya project one of the main operations in ensuring stable energy supplies as we continue our efforts to meet the challenges of working new areas.

## Recent Initiatives

In May 2008, the government of Papua New Guinea and a group of partners that included Nippon Oil Exploration reached a basic agreement for conducting an LNG business, and commenced basic engineering work for the project. Subsequently, Nippon Oil Exploration acquired LNG and crude oil interests in Papua New Guinea from AGL Energy Limited, one of the main Australian gas suppliers, in December, followed by the acquisition of exploration blocks from Oil Search Limited, an oil and gas development firm, in January 2009. The LNG project in Papua New Guinea is the third major LNG project for Nippon Oil Exploration, following similar projects underway in Malaysia and Indonesia. Nippon Oil Exploration will keep the project secure as a source for stable supply.

In January 2009, Nippon Oil Exploration discovered natural gas in the U.K. waters of the North Sea. Having confirmed this promising gas deposit, we are examining how to commercialize it. In other areas, we are expanding our activities, such as exploration drilling at offshore blocks in Libya, the discovery of natural gas deposits in the U.S. Gulf of Mexico and the acquisition of offshore exploration blocks off the Malay Peninsula.

## Partnerships with Resource-Rich Countries

### Social Contribution Activities in Resource-Rich Countries

Ever since the start of production at the Rang Dong oil field in Vietnam, the Nippon Oil Group has actively promoted social contribution activities as a member of the local community in resource-rich countries. Over the years, the Group has helped build an elementary school in northern Vietnam near the border with Laos and a junior high school on the outskirts of Hanoi. In

the central regions of the country hit hardest by fighting during the Vietnam War, the Nippon Oil Group donated a rehabilitation center for physically disabled children. Nippon Oil employees regularly visit these facilities to interact with the children and follow up on their development.

In fiscal 2008, the Nippon Oil Group donated a new building to Binh Ang Junior High School in north-central Vietnam. In Malaysia, where the Nippon Oil Group is involved in natural gas production, the Group donated medical equipment to a general hospital.



New building at Binh Ang Junior High School

### Technology Collaboration in Resource-Rich Countries

Trials demonstrating the use of Recosul\* products for sewer systems commenced in the UAE city of Al Ain as part of a project enacted by the Japan Cooperation Center, Petroleum (JCCP) for putting basic infrastructure in place in oil-producing countries.

Conducted in cooperation with UAE University and other entities, the trial demonstration involves installation of Recosul sewer pipe and manhole products manufactured in Japan by the Abu Dhabi Sewerage Services Company to test their durability.

Sewer system infrastructure is an issue in the UAE. The country also produces a lot of sulfur as a byproduct of oil refining. Through Recosul technology, Nippon Oil hopes to contribute to the UAE and strengthen its ties with the country.



Recosul sewer pipe

\*Recosul is a building material similar to concrete made by mixing sulfur (a byproduct of oil refining) with a special additive and aggregate materials such as sand or gravel. The mixture is then poured into a mold where it hardens. Compared to conventional cement concrete, Recosul has superior strength and durability, being highly resistant to acid and salt. Recosul is already used in a variety of practical applications in Japan, including artificial reefs (algal reefs), U-shaped ditch and sewer pipes for wastewater drainage, and erosion-resistant panels for sewer facilities.

#### Being part of the school building donation was a great feeling

New solid classrooms are what the teachers and pupils in poor areas need. I am happy to have taken part in the donation program as an employee of the Company but as a Vietnamese citizen I am more than happy to see this meaningful program. The buildings will remain for many generations of pupils. I much hope that this program will continue in the years to come.



**Nguyen Thi Thu**  
Senior Group Manager  
Business Liaison Group  
Japan Vietnam Petroleum Company, Ltd.

#### Expectations for Recosul product trial demonstrations

The sulfur-hardening technology developed by Nippon Oil is expected to be a major boon for sulfur producers, those involved in sewerage systems and government officials in the UAE. We at UAE University are looking forward to the results of the trial demonstrations being conducted by JCCP.



**Abdel-Mohsen Onsy Mohamed, Ph. D.**  
Professor, UAE University



# Our Efforts for the Next Generation

The Nippon Oil Group formulates action plans for promoting a proper work-life balance in line with Japan's Law for Measures to Support the Development of the Next Generation. The Group aims to create a working environment where employees can feel comfortable planning for maternity and childrearing.



## Basic Approach

### Why We Focus on Fostering the Next Generation

Japan today faces a low birthrate problem that could have a serious effect on the nation's strength in the future. A well-adjusted home life, meanwhile, is fundamental to the ability of each employee to express their individual personality, achieve their potential and be enthusiastic in their work. Providing a working environment where employees can feel comfortable planning for the important life-events of maternity and childrearing, not only contributes to improved motivation and achievement among the employees, but also enhances the Company's productivity and Japanese society itself. Based on this understanding of the issue, the Nippon Oil Group has set up a variety of personnel systems to

### ▶ Action Plan Based on the Law for Measures to Support the Development of the Next Generation

Third Action Plan (April 1, 2009 to March 31, 2011)

Target	Measures
Implement work systems that enable maternity planning	Explore measures for actual situations faced by employees (ex. Expand applicable scope of system for shorter working hours)
Implement work systems that enable childrearing	Explore measures for actual situations faced by employees (ex. A childrearing leave system to allow a childcare acclimatization period for children; more flexible operation of system for shorter working hours, etc.)
Create a working environment that is welcoming to maternity and childrearing	Draft a guide for creating comfortable working environments. The content of the guide should emphasize the importance of fostering the next generation, and provide a list and explanations of systems to be used for life events to encourage the use and understanding of these systems

support fostering the next generation.

Specifically, a Human Rights Committee researches personnel system options, human rights awareness, human resource training and other issues, and the results are developed into Group personnel initiatives. The Nippon Oil Group also holds discussions between labor and management about its efforts to foster the next generation. Through these discussions, the Company has formulated general business operator action plans based on Japan's Law for Measures to Support the Development of the Next Generation.

Guided by its third such action plan, the Nippon Oil Group will explore and implement a variety of initiatives to create a working environment that warmly supports the important life-events of maternity and childrearing.

### ▶ Support Systems for Fostering the Next Generation (Childrearing)

System	Summary
Childrearing leave system	14 calendar days of paid leave from the start of leave Provision of information terminals for those who want them *Actual employee usage in fiscal 2007/2008 (during 2 <sup>nd</sup> Action Plan): Men 16, Women 20
Shorter working hours system	Available to persons with children in 3 <sup>rd</sup> grade of elementary school or lower
Childrearing leave	When raising children under 3 years of age, 3 days/year until the end of the fiscal year of the child's third birthday
Nursing care leave	When providing nursing care to children in 3 <sup>rd</sup> grade or lower, 5 days/year *5 days guaranteed nursing care leave for persons with children not yet in elementary school



## Promoting Work-Life Balance

### “Goodbye Overtime Action 8” Initiatives

Nippon Oil has a program called “Goodbye Overtime Action 8” to reduce work outside of regular hours. The purpose of the program is to encourage employees to balance work and home life so they can achieve their potential and sharpen their work. This will enhance productivity and foster good relationships between Nippon Oil and its employees.

### ► Overview of “Goodbye Overtime Action 8”

Program	Summary
I. “8 P.M. Rule for Everyone” Program	Chimes at 7 and 8 p.m. encourage employees to go home
II. “No Sunday Work” Program	General ban on working on Sunday
III. “No Overtime Day” Program	Around one day a week at the department (group) level
IV. “Minus 30 Minutes” Program	Everyone to leave the office 30 minutes before quitting time at least once a month
V. “Extra-Hours Work Order Flow” Program	If no overtime is requested, leave at regular quitting time
VI. “Until When and How Much” Program	Supervisors: Clarify purpose, timeframe and quality (i.e., until when and how much) when requesting overtime Staff: Accept only after telling supervisor of other work tasks
VII. “Managers Take Holiday as an Example” Program	Cultivate an environment conducive to taking holidays
VIII. “Do Your Work Yourself” Program	As far as possible, managers are to prepare presentations and other materials themselves

### “Family Days and Weeks” Initiative (Nov. 9 to Nov. 22, 2008)

In line with a Cabinet of Japan-backed movement for revitalizing ties between families and communities, the Nippon Oil Group conducted “Family Days and Weeks” from November 9 to November 22, 2008, using it to

strengthen its “Goodbye Overtime Action 8” program. The initiative helped employees recognize their own role in countering Japan’s low birthrate and fostering the next generation, and consider their work-life balance.



### Realizing the importance of family

I took a month’s leave from work when my fourth child was born. Handling housework and childrearing was hectic, and a lot tougher than I imagined. But the experience taught me the joy of raising a child, and showed me how important family is. Recently, I’ve started thinking it might be time for number five.



**Masaaki Mizukawa**  
Power Generation Group  
Negishi Refinery  
Nippon Petroleum Refining Co., Ltd.  
Daigo (son), 1

### Taking childrearing leave a second time

I took childrearing leave when each of my two sons was born. I wanted to breastfeed both children and use cloth diapers for as long as possible, and I wanted my leave to coincide with my eldest son entering nursery school. Our system for long-term leave to raise children was really a big help for me.



**Emiko Tsukahara**  
Advertising Group  
Public Relations Department  
Nippon Oil Corporation  
Yoshiki (son), 3 Shungo (son), 1

### Environment and Energy Classes for Kids

The Nippon Oil Group offers various forms of environment and energy education for the next generation.

#### ENEOS Environmental Classes

Nippon Oil employees can apply to participate in this program. Volunteer applicants visit elementary and junior high schools to give classes on the environment and energy. Classes use experiments and quizzes to make learning fun for students. ENEOS received positive feedback from students after the classes, with comments such as: “I learned to enjoy experiments,” and “I admire ENEOS for its thinking on the global environment.”



### Comments from One Lecturer

Being at a school rather than my usual working environment and being at the center of the students’ attention as a representative of ENEOS gave me a great feeling of responsibility and excitement. Teaching the class was also a great opportunity for me to reflect upon the relationships between society, the Company and myself. It was an invaluable experience that I will never forget.



**Hiroshi Wakahara**  
Product Procurement Group  
Supply & Manufacturing Department  
Nippon Oil Corporation

#### ENEOS Forest Outdoor Classes

This two-day overnight program from Nippon Oil teaches children the importance of nature and energy to our lives through a fun nature experience that engages all of the senses.



# Comments from Stakeholders and Nippon Oil's Response

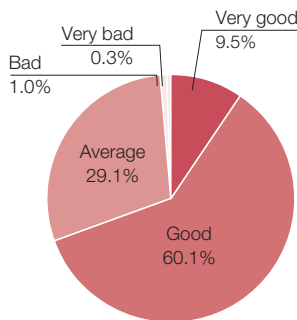
The Nippon Oil Group is supported by numerous and diverse stakeholders. We review our survey and interviewing methods to obtain opinions and suggestions from a large number of stakeholders and link this input to our business and CSR activities.

## Results of Questionnaire Concerning CSR Report 2008

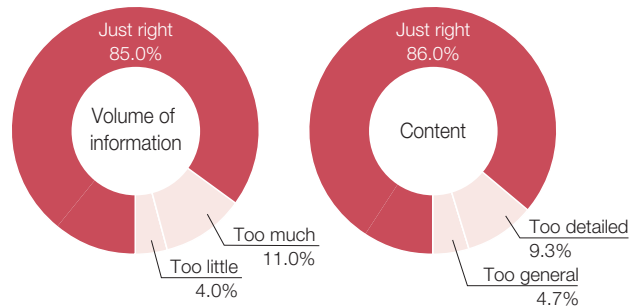
### Overview of the Questionnaire

1. Number of respondents: 3,471 (including 3,401 Nippon Oil Group employees)
2. Response tools: the Nippon Oil corporate website, the Company intranet, questionnaire forms, the Customer Consultation Service, etc.

1. What did you think about the reporting centered on three main themes?



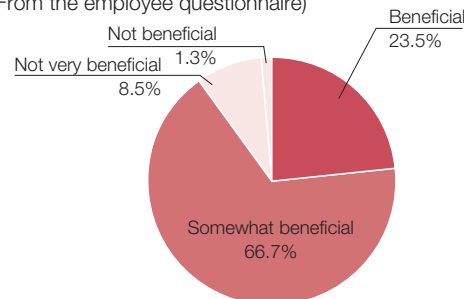
2. The report was 20 pages long, compared to 36 pages for the previous report. What do you think about the volume of information and content of the report?



3. What sort of content about the Nippon Oil Group's CSR activities do you think should be included? (Top 5 items)

Nature conservation activities	66%
Environmentally friendly products and services	54%
Environmental classes for children	52%
Disaster relief	49%
Waste reduction	46%

4. Is this report beneficial for communicating the Nippon Oil Group's CSR activities to people outside the Group? (From the employee questionnaire)



## CSR Initiatives in Response to Stakeholder Feedback

The table below shows opinions and suggestions from stakeholders taken from the CSR Report 2008 reader questionnaire and the CSR website and initiatives undertaken by the Nippon Oil Group in response.

Opinions and suggestions	Nippon Oil Group response
I'd like to know more about the stable supply of oil.	In exploration and production operations, we pursue various initiatives to supply from oil fields developed independently by the Nippon Oil Group. See P13-14 for details. We also engage in activities to ensure the stable supply of oil at the transportation, storage, refining, production, distribution and retail sales stages. Details are posted on the corporate website.
Please provide detailed information on current Group-wide environmental activities from the perspective of environmental education for employees.	As one facet of employee environmental education, we provide environmental education e-learning to all employees of Nippon Oil Corporation and six Group companies. Approximately 10,000 employees have taken the course to date. To encourage people to actively participate in environmental volunteer activities, we hold Environmental Volunteer Leader Training for Group employees and their families three times a year, emphasizing direct experience and practical training in forest preservation activities.
To ensure that CSR activities do not become an exercise in self-gratification, you should obtain additional third-party opinions and otherwise solicit opinions from various people.	We conducted a large-scale questionnaire survey to solicit opinions from various stakeholders, obtaining responses from about 3,500 people. We obtain opinions and suggestions from CSR specialists and questions from the mass media and research institutions and use them to improve our CSR activities.

## Independent Opinions

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**Kikuko Tatsumi**

Board Member  
Chairperson, Environment Committee  
Nippon Association of Consumer Specialists

An essential precondition for enjoying a worry-free life is that energy, the foundation of the economy and day-to-day life, be sustainable. When we consider the sustainability of our way of life in Japan, our meager 40% self-sufficiency rate for foodstuffs is a constant topic of conversation. Yet the sobering fact that our self-sufficiency rate for energy is 4% tends to become obscured in the buzz around “energy conservation.” Given these circumstances, expectations are all the higher for Nippon Oil, which expounds a philosophy of “Creating the energy future,” “Stable energy supplies,” and “Environmental harmony.”

For this year’s CSR report, Nippon Oil selected three themes based on an extensive survey of stakeholder interests and expectations. These themes closely correspond to my own interests and expectations with respect to the Nippon Oil Group. The global warming problem cannot be avoided, and the problem of fossil fuel resource depletion lies just ahead.

I am convinced that the key phrase “Creating the energy future” is integral to efforts to achieve a low-carbon society and, by extension, is also linked with stable energy supplies. I learned from the report that Nippon Oil is pouring effort into the development and marketing of new energy in preparation for a low-carbon society and has robust support programs for both internal and external R&D. In reading the report, I came away with a brighter outlook on the future of energy.

I think that from now on knowing product life cycles and choosing products and companies will be a consumer role. For that to happen, it is necessary to explain the product life cycle concept to consumers. Just since last year the term “carbon footprint” (which expresses total greenhouse gas emissions during the entire life cycle of a product converted to CO<sub>2</sub> emissions) has become a hot topic in Japan. One conceivable approach to explaining the concept is to use solar panels as an example.

Also, in the section of the report about the stable supply of energy, the upstream circumstances surrounding products, such as partnerships with resource-producing countries, are explained from the standpoint of sustainability. The method of communicating this information is the key issue, and the ENEOS contact points closest to people are service stations. I hope that these excellent points of communication will be further utilized as a communication tool in addition to the CSR Report and corporate website.



**Yoshie Komuro**

President and Representative Director  
Work-Life Balance Co., Ltd.

The expression “work-life balance” refers to all aspects of the concept of increasing synergy between work and home life and of activities to increase this synergy. A particular requirement for companies is to meet the expectations of customers and society by taking advantage of the capabilities, viewpoints and ideas of all employees, including people with disabilities or those with time constraints imposed by childcare or nursing care.

In the coming years, as the proportion of the baby boom generation that requires nursing care increases, we will enter an era in which employees in their most productive years who are the children of baby boomers, including male employees, will choose leave of absence or shorter working hour options in order to provide parental nursing care. It is essential to begin aiming now at achieving a work-life balance, to create workplace environments in which even people facing time constraints can work with pride and contribute value to society while properly fulfilling their roles in family and community life.

The Nippon Oil Group has workplaces that facilitate childcare planning for male and female employees alike and take advantage of workforce diversity: for instance, the Group has an above-average rate of employment of people with disabilities, contributes to society through new job creation and already has more than ten male employees who have taken childcare leave, a relatively high figure among Japanese corporations. This accomplishment merits high praise from the perspective of benefiting local communities through the valuable workplace experience of these employees.

The promotion of work-life balance is no longer an issue confined to a single company. This is because if efforts don’t extend beyond Nippon Oil to the companies employing the spouses of Nippon Oil employees, ultimately cooperation in the household is impossible and work-life balance cannot be realized. Put differently, it is important to implement work-life balance in the entire environment surrounding the company—in other words, in society at large.

To that end, the role of Nippon Oil in reviewing employee work styles, actively implementing measures such as “Goodbye Overtime Action 8,” and fundamentally developing an environment conducive to raising future generations is likely to increase in importance. I have high expectations that, as befits an industry leader, the Nippon Oil Group will implement measures to realize greater work-life balance.

## Corporate and Group Overview

Company name: Nippon Oil Corporation  
 Founded: May 10, 1888  
 Representative Director, Chairman of the Board: Fumiaki Watari  
 Representative Director, President: Shinji Nishio  
 Capital: ¥139.4 billion  
 Consolidated net sales: ¥7,389.2 billion (FY2008)  
 Nonconsolidated net sales: ¥6,658.1 billion (FY2008)  
 Number of employees: 14,144 (March 31, 2009)  
 (consolidated basis)  
 Number of employees: 2,454 (March 31, 2009)  
 (nonconsolidated basis)

### History

1888 Nippon Oil Company established  
 1931 Mitsubishi Oil Co., Ltd., established as a 50%-50% joint venture by three Mitsubishi Group companies (Mitsubishi headquarters, Mitsubishi Mining Co., Ltd. and MITSUBISHI SHOJIKAISHA, LTD.), and U.S.-based Associated Oil Company (later known as Getty Oil)  
 1933 Koa Oil Co., Ltd. established  
 1951 Nippon Petroleum Refining Company Limited established as a 50%-50% joint venture by Nippon Oil and Caltex  
 1960 Kyushu Oil Co., Ltd. established  
 1968 Tohoku Oil Co., Ltd., established  
 1999 Nippon Oil and Mitsubishi Oil merged, creating Nippon Mitsubishi Oil Corporation  
 2002 Three Group refining companies (Nippon Mitsubishi Petroleum Refining, Koa Oil and Tohoku Oil) merged, creating Nippon Petroleum Refining Company, Ltd. Company name changed from Nippon Mitsubishi Oil Corporation to Nippon Oil Corporation  
 October 2008: Management integration with Kyushu Oil

### ENEOS Baseball Club Wins 9<sup>th</sup> championship

The ENEOS Baseball Club (representing Yokohama) beat its own record for the number of championships won by winning its ninth championship at the 79<sup>th</sup> Intercity Baseball Tournament. With this latest victory, the club clinched its first championship title in 13 years.



## Financial Highlights

Please refer to the FSA securities filings, shareholder communications and other IR materials published on our website for details regarding operations, financial data and the Fourth Medium-Term Management Plan.

[www.eneos.co.jp/english/ir](http://www.eneos.co.jp/english/ir)

### Consolidated Net Sales

(Billions of yen)

FY06	FY07	FY08
6,624.3	7,524.0	7,389.2

### Consolidated ordinary income and consolidated net income

(Billions of yen)

	FY06	FY07	FY08
Ordinary income	186.6	275.7	-275.4
Net income	70.2	148.3	-251.6

### Consolidated return on equity (ROE)

FY06	FY07	FY08
5.9%	11.8%	-22.6%

# Learn about Nippon Oil via Our Website

(Japanese only)

We invite you to visit our website ([www.eneos.co.jp](http://www.eneos.co.jp)) for content that provides greater understanding of the Nippon Oil Group. The site features information on the Group's history, technology development capabilities and research results, as well as a wealth of information on oil based on the Group's extensive experience and knowledge regarding the oil industry.



## ▶ A Pictorial History of 120 Years of Nippon Oil

🔗 [www.eneos.co.jp/company/history120](http://www.eneos.co.jp/company/history120)

In 2008 Nippon Oil celebrated the 120th anniversary of its founding in 1888. This section tells the story of the Group's development through the years using photographs and video.



## ▶ ENEOS MUSEUM

🔗 [www.eneos.co.jp/company/museum](http://www.eneos.co.jp/company/museum)

The Nippon Oil Group employs many different manufacturing technologies and is engaged in a wide range of research and development. The ENEOS MUSEUM showcases commendations for outstanding technologies and products the Group has received over the years from government agencies, foundations, media organizations and academic societies.



## ▶ Our Business and the Energy of Tomorrow

🔗 [www.eneos.co.jp/company/brand](http://www.eneos.co.jp/company/brand)

This section introduces the Nippon Oil Group's businesses from oil exploration and production to refining and marketing, as well as new energy sources, such as fuel cells.



## ▶ ENEOS Techno Station

🔗 [www.eneos.co.jp/company/techno](http://www.eneos.co.jp/company/techno)

The Nippon Oil Group engages in multiple and diverse research activities in a number of areas, such as quality improvement and environmental response. With a view to the future energy requirements of society, we pursue wide-ranging R&D themes that extend well beyond oil-related projects.



## ▶ A Guidebook to Oil

🔗 [www.eneos.co.jp/binran](http://www.eneos.co.jp/binran)

To benefit society by disseminating relevant information, in June 2008 we launched the online edition of "A Guidebook to Oil." The popular printed version of this technical publication on oil compiled by Nippon Oil has been through 19 editions since the first printing in 1921. The handbook contains extensive and detailed information concerning oil, including the history and current state of the oil industry and applications for petroleum products.



## ▶ ENEOS TV

🔗 [www.eneos-tv.jp](http://www.eneos-tv.jp)

This section provides an easy-to-understand video presentation of the Nippon Oil Group's products, services, and CSR activities.

# **NIPPON OIL CORPORATION**

**Your Choice of Energy**

