



12 Environmental Accounting

Environmental accounting is a system to account for expenses for environmental conservation in Showa Shell Sekiyu's businesses. The fundamental framework for accounting is based on the "Guidelines for Environmental Accounting 2002," which has been established by the Ministry of the Environment.

Our group's activities by account item are as follows.

Cost within Business Areas

This item mainly accounts for costs needed to respond to environmental regulations such as air pollution control and water pollution control in performing operations of facilities such as refineries, depots and factories.

Upstream/downstream Sector Cost

It accounts for costs for the operation and maintenance of equipment for maintaining environmental quality of petroleum products, whose quality is specified while taking into account environmental loading in the consumption of those products (e.g., sulfur content in fuel oil and benzene content in gasoline).

In addition, our company contributes to increasing efficiency in energy consumption by our customers and making such consumption cleaner through manufacturing and sale of distributed power source systems and solar power generation systems.

The cost concerning Shell Pura, eco-conscious gasoline our company manufactures and sells, is also accounted for in this item.

Management Activity Cost

It accounts for costs concerning the operation of environment management systems such as HSSE-MS and ISO-14001.

Research and Development Cost

The Central Laboratory conducts various environment-related research and development activities including measurement analysis technologies concerning environment, purification technologies for contaminated soil and efficiency increase with solar power generation systems.

Social Activity Cost

Our social activities include the "Foundation for Promotions of Environmental Research" and public relations activities.

Amount of Capital Investment

(in millions of Yen)

Item	Overview and effect of major activity	Invested amount	Amount of expense
Business area cost	Pollution prevention cost	544.2	5,848.6
	Maintenance and management of air pollution control equipment		
	Maintenance and management of water pollution control equipment		
	Global environment conservation cost (energy conservation)		
	Resource circulation/waste disposal cost		
Upstream / downstream cost (Eco-conscious products)	Compensations including public health law	7,162.5	30,549.2
	Maintenance and management of low-sulfur diesel oil manufacturing facilities		
	Maintenance and management of reduced environmental loading gasoline manufacturing facilities		
	Maintenance and management of low-sulfur heavy oil manufacturing facilities		
	Manufacturing and sale of Shell Pura		
Management activity cost	Manufacturing and sale of solar power generation systems	44.6	
	Manufacturing and sale of distributed power source systems		
Research and development cost	Maintenance of HSSE management system and ISO-14001	688.0	256.0
	<ul style="list-style-type: none"> Research and development of technologies for utilizing new fuel oil for environmentally compatible applications Research and development of large diesel engine lubricants compliant with exhaust gas regulation 		
Social activity cost	Foundation for Promotion of Environmental Research		72.1
Responses to environmental damage	Purification of contaminated soil		333.0
Other cost			2.4
Total		8,394.7	37,105.9