



COMMITMENT TO SUSTAINABLE DEVELOPMENT

Engaged chiefly in business to supply petroleum energy, we believe we can contribute to the sustainable development of our society by discharging our responsibility to society through the three means interrelating with each other listed below.

1 Challenge of supplying energy

This does not only mean that we must supply petroleum energy steadily and economically, but we must also meet society's needs for clean energy friendly to the environment. Our contributions in this area can be, for example, supplying sulfur-free auto fuels, solar power and hydrogen for future fuel-cell cars.

2 Performance improvement in the environmental aspect of our business activities

Examples of our contributions in this area include the reduction of emissions and wastes from the Showa Shell Group's business activities, the mitigation of environmental impacts and the conservation of resources consumed in our business activities such as energy and water.

3 Performance improvement in the social aspect of our business activities

To protect health and safety of customers, the members of local communities and the employees of the Showa Shell Group and its business partners is one of our most important tasks as a company dealing in petroleum products.

Our contributions in this area may result from good business practices based on high moral standards, the realization of the workplace environments that extract the most out of our employees' potential, employment and tax payment.

These ideas of ours toward sustainable development are defined in our corporate philosophy and corporate goals. To realize them in our business activities, we established a corporate code of conduct in 1997 to set guidelines to be followed by the organizations and individual employees belonging to the Showa Shell Group.

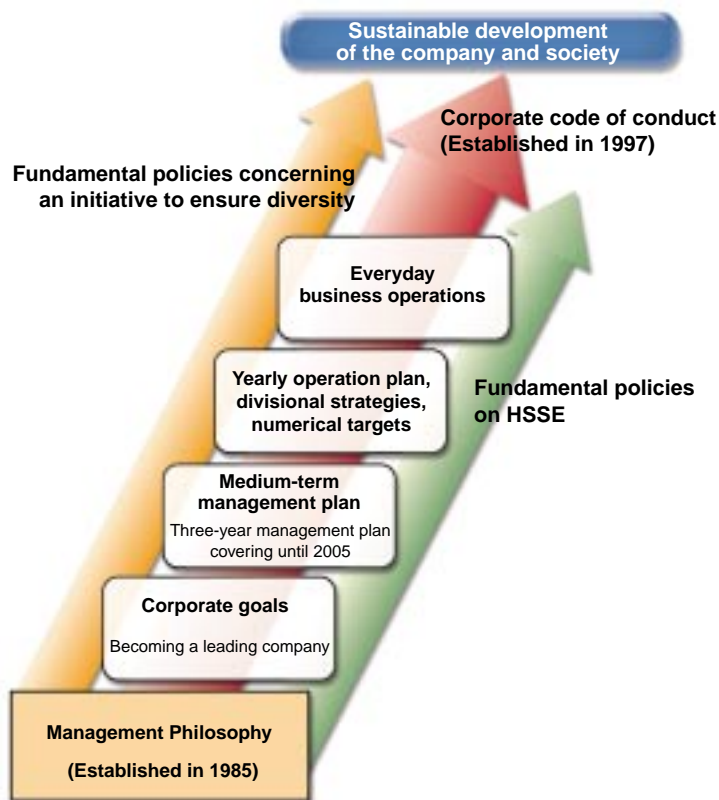
The Showa Shell Group dealing in petroleum products also places particular emphasis on HSSE (health, safety, security and environment) and has established its "Basic policy on HSSE" to provide specific guidelines for practicing in everyday operations.

We believe we ourselves need to accept diversity of people and develop the workplace environments where individuals varying in their sense of value, careers and background experiences can demonstrate their abilities to maximum extents by acknowledging and respecting their differences, giving stimuli and supplementing each other so that we may increase our corporate value continually. To uphold people's consciousness and put this belief into practice in our everyday operations, we have developed "Fundamental policies concerning our action to ensure diversity" and promote the activity.

*Sustainable development

This is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." This is the idea advocated in "Our Common Future," a report compiled in 1987 by the WCED (World Commission on Environment and Development), or the Brundtland commission, in the course of discussions at a United Nations level triggered by the earth environment problems in the 1980s.

■ Mechanism leading to the activity to embody our corporate creed



Management Philosophy

Showa Shell Sekiyu K.K. can only achieve a further leap and perpetual growth by constantly making its contribution to society, while securing reasonable profits and constructing a strong management base and sound corporate constitution. With this in mind, we set our corporate creed as follows:

- 1 We will always endeavor for a break-through or technological innovation with a spirit of customer first and for continual growth of the company, discharging our social responsibilities including environmental preservation, a stable supply of energy and operation safety.
- 2 We will implement Japanese-style management adaptable to changes at our own discretion and on our own responsibility, while maintaining close relationships with Shell group companies and cultivating our international business sense.
- 3 We will aim to achieve our corporate goals and form a group of positive people full of vitality associated with each other through a noble ideal and trust.
- 4 We will endeavor to improve productivity through an effort calling for everybody's participation for thinking and sweating together and construct an affluent future on the base of the company's unshakable footing.

(Established in 1985)

Corporate goals – Becoming a leading company

In our corporate reform activity we have promoted since 1996 leading off the industry, we have achieved structural cost reductions and improved our cost competitiveness and financial base substantially, while concentrating management resources to the downstream oil business, the core business of

the company. Further, we continued our all-out effort involving the group companies, calling it the second stage of corporate reforms toward sustainable growth started in 2002, in a bid to become a leading company meeting the following four requirements:

■ Continually Improving Shareholders' Return

We are committed to generating steady capital gains and consistently paying high dividends.

■ Superior Quality in Our Businesses

We are working to ensure transparency in all our management activities, based on a customer-driven business model designed to achieve strong profitability and continuous growth.

■ Employee Pride and Satisfaction

While enabling all employees to make full use of their skills and evaluating and rewarding their performance accordingly, we are setting forth new challenges to encourage personal growth.

■ Being a Responsible Member of Society

The Company's approach towards health, safety and environment (HSE) serves as a social benchmark, and the entire organization as well as each individual employee acts in a manner consistent with the Company's strong sense of corporate ethics.

Corporate code of conduct (excerpt: for the entire text, please see the end of this book)

The Showa Shell Group believes that it is essential to win stronger trust from its stakeholders such as shareholders, customers, employees, business partners and society for our sustainable growth and success in business.

For this belief, we established a corporate code of conduct, guidelines for the actions taken in the Showa Shell Group's business activities, based on our Management Philosophy in 1997 and defined in it specific behavioral norms concerning the following:

- Responsibility that must be recognized by the top management down to each individual employee.
- Profitability and efficiency that must be pursued for the company to remain as a going concern.

- Corporate ethics that must be honored for the company to be a responsible member of society.

This corporate code of conduct shall apply to all transactions made by or on behalf of the Showa Shell Group irrespective of scale and states an attitude expected of all employees in performing their duties.

Further, we consider that it is important that this code of conduct is driven home in the minds of the top management down to each individual employee and it is the management's responsibility to make it permeate throughout the organization.



7 principles for sustainable development Principles for Sustainable Development

Economy



Principle 1: Development of a sound base for profit generation

Profitability is essential to a sustainable future and contributes to prosperous society. We will endeavor to develop a sound base for profit generation through the increase of sales, the reduction of costs, gross profit improvement and effective management of working capitals.

p18

Principle 2: Provision of customer value



Without customers, our business will never be justified to exist. We are always aiming to win new customers from those who have not used our products or services yet, while we are endeavoring to enhance our relations with the existing customers.

We will answer to our customers' expectations by developing and offering products and services appearing attractive and innovative to them, endeavoring to surpass their expectations hopefully.

p21

Environment



Principle 3: Environmental protection

The natural environment is what supports every activity undertaken by mankind. We will continue our incessant efforts to find new approaches to mitigate environmental impacts from our business activities, products and services.

p24



Principle 4: Resource management

We can reduce the cost of our business activities and fulfill the needs of the future generations by effectively utilizing natural resources (for example, energy, soil and water). We will continue our incessant efforts to find better approaches to suppress the consumption of natural resources to necessary minimums.

p24

Society



Principle 5: Respect for people and protection

We aim to serve or receive all people with respect. We endeavor all the time not to do harm to people with our products, services or operations.

We will respect and find values in differences between individuals and in culture, and render active support so that people may demonstrate their potential abilities.

p36



Principle 6: Contribution to society

Irrespective of the place where we do our business, we are members of society. We will continue our incessant pursuit to develop appropriate means for contributing to the welfare of the local communities that accept our operations as well as society in general.

p43



Principle 7: Collaboration with stakeholders

We affect or are affected by our stakeholders, which consist of a large number of people from diverse tiers of society.

We will understand our stakeholders' interest in us, listen to their opinions and aim at meeting their expectations.

p46