

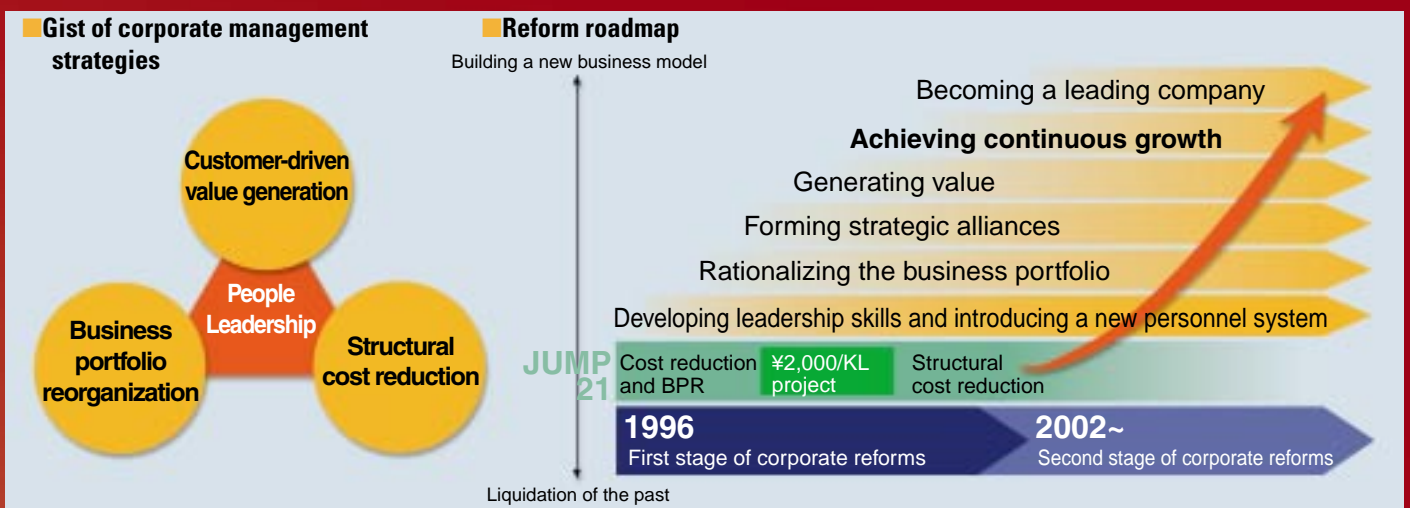


ECONOMIC PERFORMANCE

Development of a sound base for profit generation

In the waves of deregulation that began to sway Japan's oil industry in 1996, Showa Shell Sekiyu has been promoting a series of corporate reform efforts, leading off its competitors in the industry, and attained cost competitiveness and an enhanced financial base.

In the next stage, it aims to achieve dynamic growth on a continuous basis and move forward to firm its position as a leading company.



Having set about corporate reforms (JUMP21) in advance of others in 1996, the company has enhanced its financial base chiefly through cost reduction and concentrated management resources on the staple oil business by reviewing the entire business portfolio and selling off unprofitable operations so that it can generate reasonable profits in the liberalized market.

As a result of these efforts, our financial base is thoroughly reinforced presently and we are ranked among the top-class performers of the oil industry in terms of stock price, rating, etc.

The company will continue to implement its "second stage reforms," which started in 2002, through measures such as expansion of strategic investments, participation in a power generation business project, and capital-contribution partnerships with dealers, based on its four key management strategies: "Customer-driven value generation," "Structural cost reduction," "Rationalizing the business portfolio" and "Human resource development and leadership enhancement.

Rating information

Bonds and commercial papers (CP) issued by Showa Shell Sekiyu are rated as follows by Japanese and overseas rating organs.

(as of July 2004)

Long-term rating	
Rating and Investment Information Inc. (R&I)	A
Japan Credit Rating Agency Ltd.	A+p
Moody's Japan K.K.	Baa1
Short-term (CP) rating	
Rating and Investment Information Inc. (R&I)	a-1



1 Achievements in Finance

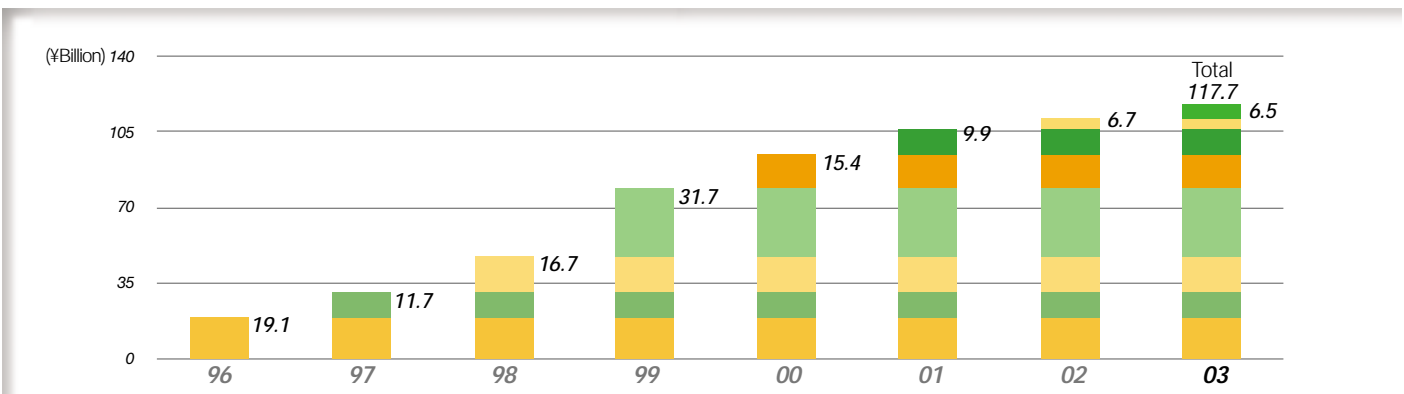
Progresses in Major Finance Indicators

Through Jump 21, a corporate reform program introduced in fiscal 1996, Showa Shell has strengthened its financial foundation by the structural cost reductions and satisfaction for the interest-bearing debt. As a result of these efforts, Showa Shell has achieved structural cost reductions of yen 117.7 billion, and continues to supply the petroleum products through the intensive low cost operation. Furthermore, Showa Shell is leading the industry in low debt dependence by eliminating yen 318.8 billion in interest-bearing debt during the same period.

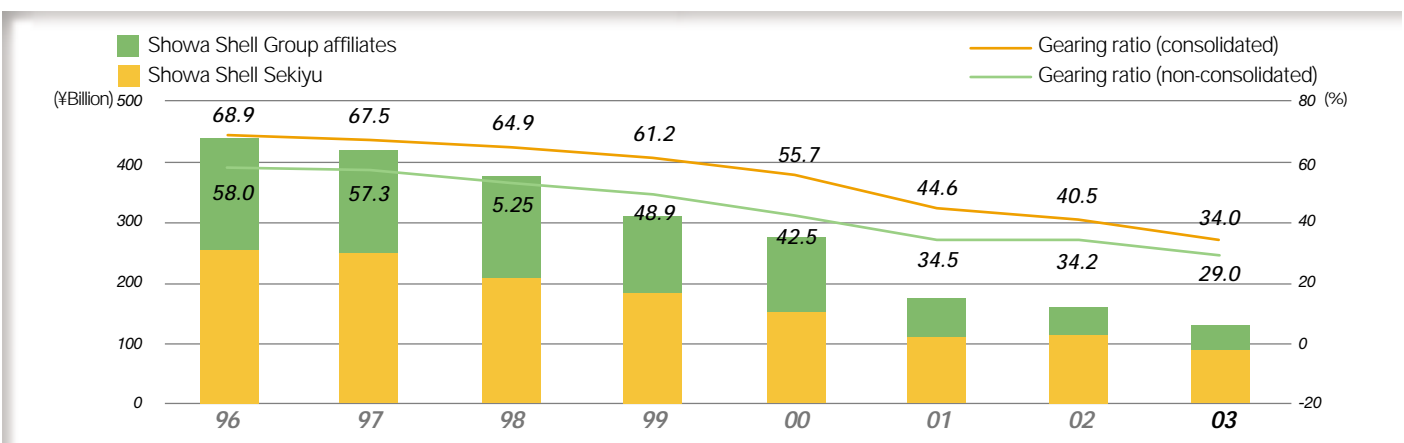
Please also refer to our website

<http://www.showa-shell.co.jp/ir>

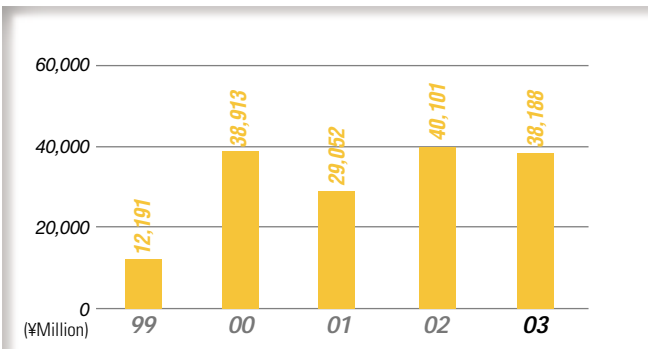
Structural Cost Reductions to Strengthen Financial Position(non-consolidated)



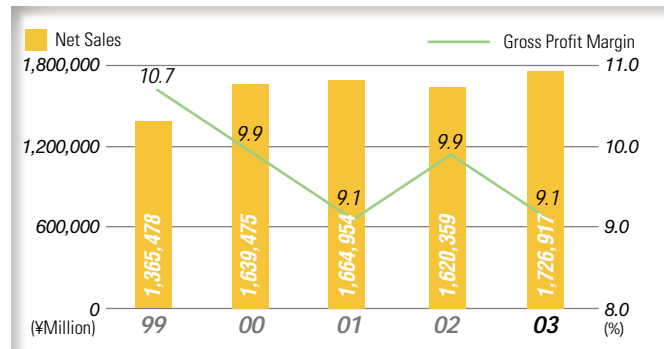
Borrowings



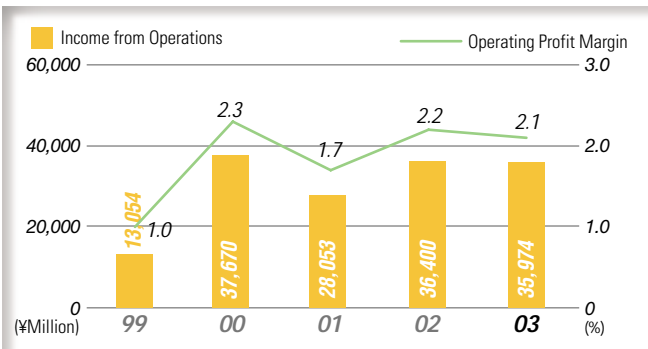
■ Ordinary Income



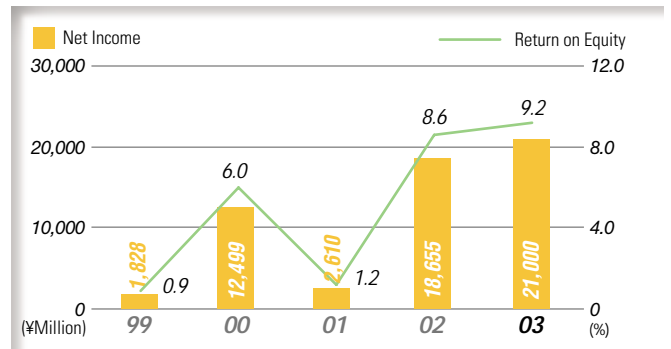
■ Net Sales / Gross Profit Margin



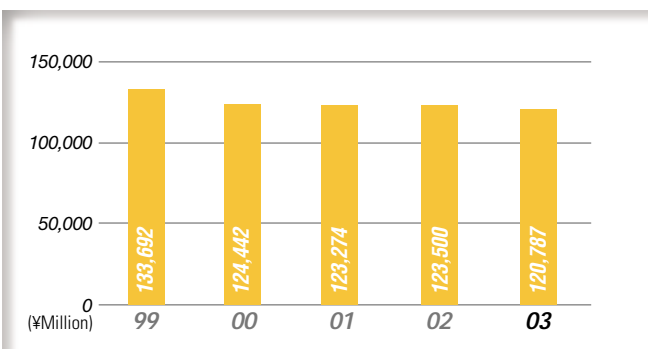
■ Income from Operations / Operating Profit Margin



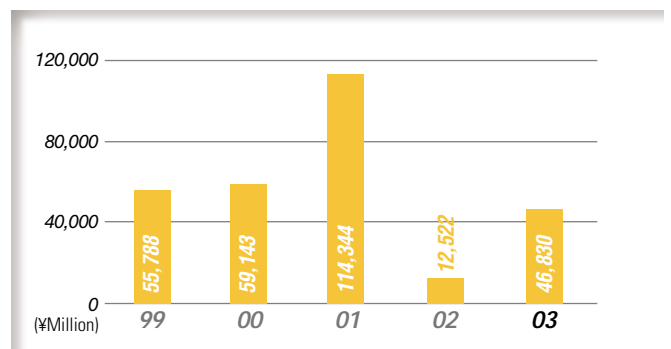
■ Net Income / Return on Equity



■ Selling, General and Administrative Expenses



■ Free Cash Flow





ECONOMIC PERFORMANCE

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2 Rationalization of the business portfolio –toward further growth

Major achievements

Since the start of corporate reforms in 1996, the company has rationalized its business portfolio by separating or integrating its affiliates to concentrate management resources on the downstream oil business as its core business.

In recent years, it has further enhanced the oil business by participating in Marubeni Energy on a capital contribution basis,

while looking to the future for continual growth by setting about demonstration tests of hydrogen, much expected next generation fuel, jointly with the national and Tokyo Metropolitan governments, launching a new natural gas power generation company and putting efforts in new business development outside of the oil business such as GTL (Gas to Liquids) and solar power generation.



Ariake hydrogen station



Solar power generation project at Kochi Airport

3 Policies on dividends and shareholders' returns and performance records

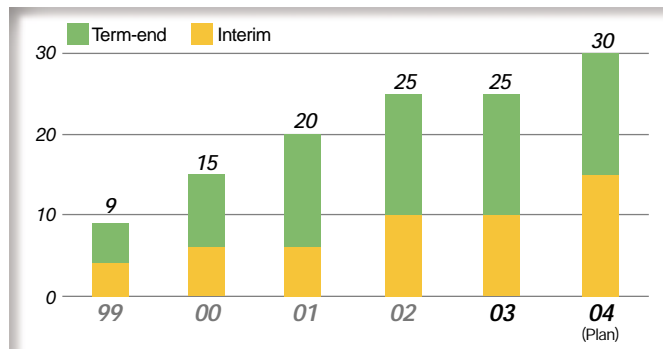
The company's stance toward TSR (including dividend policy)

The company intends to answer its shareholders' expectations with a rising stock price and increased dividends.

It has increased a dividend per share from ¥9 in 1999 to ¥25 in 2003, planning to pay ¥30 for this year. The company's stock price also stays at one of the highest levels in the industry.

*TSR (Total shareholder's return)

Transition of the company's dividend amount (¥)



Transition of the company's stock price

