

# MANAGEMENT SYSTEM FOR SUSTAINABLE DEVELOPMENT

## Corporate governance

Showa Shell Sekiyu's corporate goals are to answer its shareholders' expectations through the improvement of its shareholder value by generating steady profits and continuing growth in a sustainable manner and to discharge its social responsibilities to customers, business partners, employees, society and all other stakeholders and work toward the sustainable development of the company and society, behaving itself suitably in Japanese society and market as a public company operating in Japan.

To achieve these goals, it has set about a series of corporate governance reforms such as the reduction in number of directors, the introduction of executive officer system, the enhancement of the company auditors' meeting and so on since 1997 in a bid to enhance scrutiny functions to check its performance with regard to efficient management, improvement in transparency, risk management and compliance.

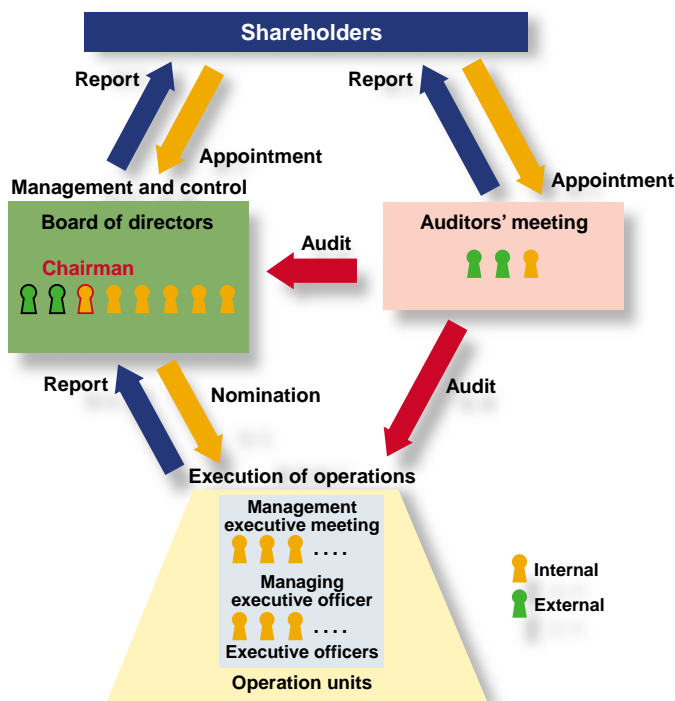
In April 2003, it implemented another corporate governance reform pursuing a further separation between management and executive functions in the present legal framework requiring the appointment of auditors, which brought into effect the following major improvements: the present 8 director system (reduction by 3), an increase of external directors (by 1 to 2) and the clarification of

the responsibilities and power of directors and executive officers and the roles of the board meeting.

In order to develop the optimum corporate governance structure for the company, we will always check the effectiveness of each function and continue to improve the system according to the following criteria, which explain our basic stance toward corporate governance:

- To quicken decision making and clarify accountability through the separation of management from the executive function.
- To reflect objective opinions of external persons to management and improve transparency through voluntary information disclosure.
- To develop scrutiny functions to ensure compliance and thorough risk management and implement betterments as required.
- To respect a consensus-based decision-making system to reflect diverse opinions and enhance the justifiability of decision and cultivate teamwork in the company's management as a strength of our corporate culture.
- In view of the company's capital composition in particular, to protect all shareholders' rights and interests including those of minority shareholders and show particular consideration for shareholders' equality.

Corporate governance structure (as of the end of April 2004)



Composition of directors

Title	Name
<b>Directors</b>	
Chairman and Representative Director	Haruyuki Niimi
President and Representative Director	John S. Mills
Vice President and Director	Masayoshi Satake
Vice President and Director	Roy D. Waight
Managing director	Shigeya Kato
Managing director	Yasuo Murayama
Director	H.K.Lim*
Director	Yoshihiko Miyauchi*
<b>Auditors</b>	
Full-Time Auditor	Hisao Nozaki
Full-Time Auditor	Takako Mohri*
Auditor	Akio Kioi*
<b>Executive officers</b>	
Managing executive officer	Jun Yui
Executive officer	Kanji Yamamoto
Executive officer	Hitoshi Sato
Executive officer	Yukimichi Ikemura
Executive officer	Rikiya Abe
Executive officer	Toshio Nakamura
Executive officer	Takara Tsutsui
Executive officer	Sadao Yokoyama
Executive officer	Hideo Degoshi
Executive officer	Masami Yamashita

\*External directors and auditors as defined in the commercial code.