



2 Employment and Improvement of the Workplace

① Employment Status

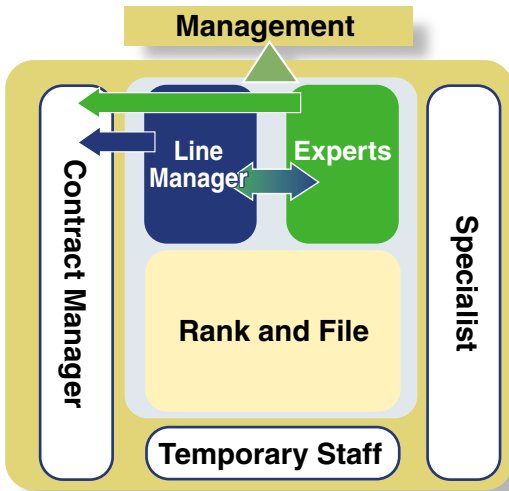
Makeup of the Current Workforce

• Stationing of Personnel

Showa Shell Sekiyu considers it necessary to employ the best qualified people for each business and put them in the right places to pursue its business strategy. In doing so, considerations must be given to what human resources are needed for the strategy, and what duties should be placed on each staff to make the most of his/her resources; they should not necessarily be employed on a permanent basis. There is also a need to manage human resources based on the concept of a "human resource portfolio" that is designed to enhance employees' motivation to contribute to the company.

In line with this policy, specific measures are in place to carry out future growth strategies, with necessary human resources defined as follows:

■ Human Resource Portfolio



- **Line Manager**
Those who pursue team performance, train their subordinates and activate their teams through cooperation with other organizations.
- **Expert**
Those who have broad experience and expertise in particular areas, which can be of use in improving performance.
- **Specialist (Contract Employee)**
Those who have top-notch expertise in particular areas and can contribute to improving performance by being engaged in a given project or duty for a given period of time, making the most of their expertise.
- **Contract Manager (Contract Employee)**
Those who are on a retirement program for managerial staff, with qualifications equivalent to those of experts.

• Recruitment

In line with the "Human Resource Portfolio," Showa Shell employs career personnel on an irregular basis as well as new graduates. In recruiting staff, a committee overseeing fair recruitment and the safeguarding of human rights is set up and the "ethical charter for corporate recruitment standards for new graduates" set out by Nippon Keidanren is observed. Efforts are thus underway to ensure fair recruitment, giving due considerations to human rights and corporate social responsibility.

	Total or Average
Number of Workforce *	1,031
Average Age	42.8
Average Length of Service	20.0

*1 The number of workforce, unconsolidated basis (the number of workforce including temporary transfer is 1,399)

Percentage of Female Workforce	Percentage of Female New Graduates (2002-2004)
18.4%	51.9%

As of December 31, 2003

The Current Payroll System and Welfare Program

• Policy on Salaries

Showa Shell Sekiyu's payroll system is designed to evaluate fairly the competences of each employee and his/her achievements in specific duties, the results of which serve as a basis to determine his/her next year's salary. In other words, those who have achieved outstanding results are expected to grow further and those who have made a poor showing are encouraged to make greater efforts. The philosophy of our performance- and merit-based system is to reward each employee based on his/her competences and achievements.

■ Starting Salaries (As of April 2004)

University Graduates	Graduate School Graduates
¥226,920	¥240,030

• Policy on Welfare

Showa Shell Sekiyu sees "welfare" through the interaction between "individual," "society" and "company." In principle, welfare should be promoted through self-help efforts, while the rest that is beyond the individual's capacity or can be better handled by society should be taken care of by the society he/she lives in. Companies, meanwhile, should back up each individual's self-help efforts and supplement the role of society. Based on this concept, we are creating a variety of programs so that employees can make the most of their competences.



②Improvement of the Workplace

Diversity and Inclusiveness

•Diversity and Inclusiveness Principle

For Showa Shell Sekiyu, “diversity” refers to the creation of a corporate culture that: places a premium on fairness and justice; respects different ideas and behaviors; improves the company’s problem-solving ability through contact with diversified ideas and values; educates and develops human resources in the course of its practice.

“Inclusiveness” is also being addressed to respect and acknowledge the value of diversified ideas, backgrounds and viewpoints originating from differences in individuals – a means to make the most of them.



Basic Policy on “Diversity” and “Inclusiveness”

Showa Shell Sekiyu’s objective is to achieve its growth and self-realization of its employees by creating an environment where they can make the most of their resources – i.e., approaches that takes advantage of diversified human resources.

From this point of view, the basic policy on “diversity” and “inclusiveness” can be summarized as follows:

- We will manage diversity and inclusiveness as a critical subject in our business activity
- We will respect each staff’s values (that are compatible with our business principles) and personal differences which exists in our companies
- We will respect each employee’s need to balance work and personal demands
- We will provide fair opportunity for our employee to demonstrate their capability under the performance and merit systems
- We will provide opportunities for employees to share, learning, self-development, and internal/external communication, in order to support the acceptance and adoption of diversity and inclusiveness.
- We will apply the diversity and inclusiveness principles not only in our dealings with our employees but also to external stakeholders who are involved with our business activities.
- We will continue with improvement through reference to Diversity and Inclusiveness best practice
- We will promote a organisational culture in which all Showa Shell employees, contractors, and joint ventures share these commitments through our policies and our behaviours. (Showa Shell Sekiyu K.K.)
- We will promote an organizational culture in which all employees share these commitments through our policies and behaviors. (Affiliate companies)

Showa Shell Sekiyu’s in-house training includes programs for “diversity” and “inclusiveness” to promote and practice these concepts in the company. For instance, our training programs for new recruits and newly promoted managers include lectures on “diversity” and “inclusiveness” as well as on “human rights.” The purpose is to respect human rights, thereby creating a discrimination-free, lively workplace.





Respect for and Protection of Humans

Work and Life Balance

Policy on Support for Balancing Work and Life

As part of the "Diversity Principle," the "Basic Policy on Support for Work and Life Balance" is set forth as follows:

- We are committed to helping employees balance work and life, which in turn will bring sustainable development to the company.
- We fully support employees who are committed to bringing profits to the company continuously and are independent based on the principle of self-responsibility.
- We are committed to creating an environment in which employees aiming to balance work and life can make the most of their resources.

Implementation of "CHOOSE," a Support Program for Work and Life Balance

Showa Shell Sekiyu is pushing ahead with "CHOOSE," an in-house support program designed to provide employees with opportunities where, through support from their immediate superiors and colleagues, they can think about, discuss and act on the needs to balance work and life. A frank exchange of views on this critical theme is expected to contribute to further improving the workplace.

For the human resource managers of Showa Shell Sekiyu's consolidated subsidiaries, meanwhile, an awareness program was launched in 2004 concerning the "Basic Policy on Support for Work and Life Balance."

Systems to Support Work and Life Balance

System	Number of Employees on Leave (2003)
Child-care Leave	4
Family-care Leave	1
Short-time Service	0

Development of "General Business Owner Action Program" and Implementation of Joint Consultations

In line with the "Next Generation Nurturing Support Measures Promotion Law," Showa Shell Sekiyu plans to come up with the "Action Plans for Business Owners and Others," which will be submitted to the Ministry of Health, Labour and Welfare by the end of March 2005.

To this end, we are exploring systems that are expected of a company that has an advantage over other companies. In a bid to create an ideal workplace for employees, moreover, Showa Shell Sekiyu and All Showa Shell Sekiyu Worker's Union jointly set up the "Working Environment Ad Hoc Committee," which began to oversee joint consultations in June 2004, focusing on "support for work and life balance" and "working hours."

The "Working Environment Ad Hoc Committee" is supposed to submit a report to the company from the viewpoint of helping employees strike a balance between work and life, which will serve as a basis for preparing the "Action Plans for Business Owners and Others."

Prevention of Sexual Harassment

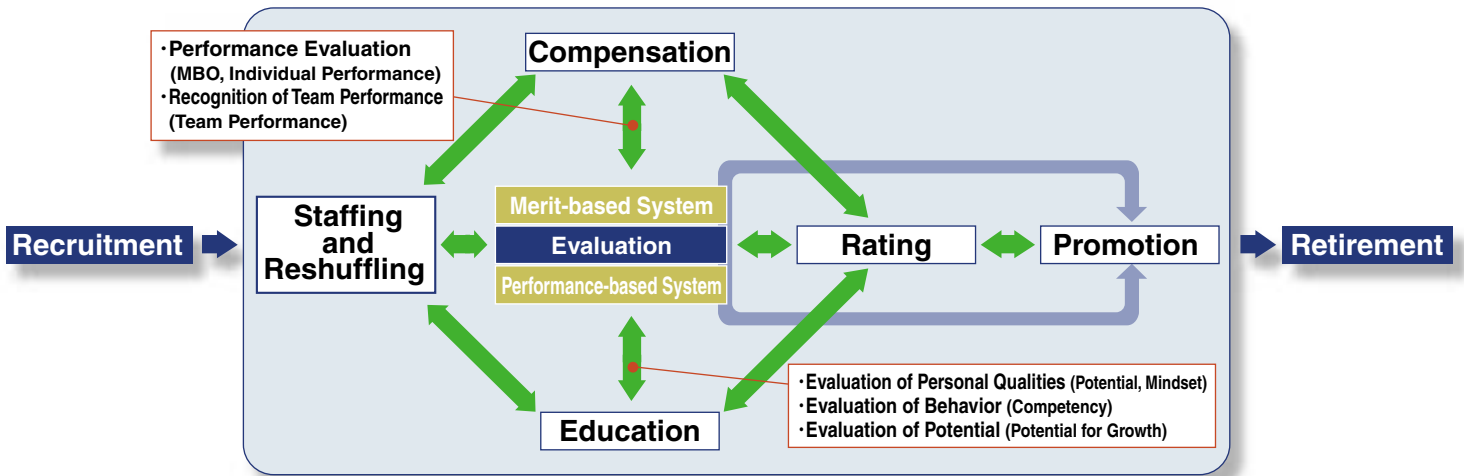
Basic Policy on Sexual Harassment

Showa Shell Sekiyu's "Code of Conduct" stipulates that "The company respects the personality and individuality of each employee, provides him/her with a safe workplace and good labor conditions, develops and makes the most of human resources, and encourages employees to participate in the implementation of business operations and this "Code of Conduct." Based on this policy, efforts are underway to create a workplace that is free from sexual harassment, with

a basic policy and guideline for the prevention of it mapped out. At the same time, counseling services are available to deal with particular cases and take preventive measures.

For the human resource managers of Showa Shell Sekiyu's consolidated subsidiaries, meanwhile, an awareness program was launched in 2004 concerning the "Basic Policy on Sexual Harassment."

③ Personnel Systems



System Overview

• Human Resources and Leadership as Critical Issues in Management

Showa Shell considers “human resources” and “leadership” the core of its business strategies and critical issues in its management. We are striving to realize the following vision of personnel administration:

• Vision of Personnel Administration

Create a corporate culture that brings sustainable development to the company and highly motivates all employees.

• Other Personnel Systems①

(Recognition of Team Performance)

The “Team Performance Recognition System” is in place to motivate each member of a team towards excellent team performance, and eventually create a corporate culture that improves the company’s performance.

A “team,” in this particular case, refers to any team organized for specific operations as well as a regular organization (departments, sections, etc.) – e.g., teams organized within departments and inter-organizational project teams.

• Other Personnel Systems② (Open Resource)

The “Open Resource System” is in place to make the most of each employee’s motivation and competence (thereby helping him/her achieve self-realization through his/her work), and activate the company through the sharing of human resources within Showa Shell’s group companies.

• Other Personnel Systems③

(Option Between Retirement Pay and Pension)

Employees are entitled to opt for “payment in advance,” where their retirement pay or pension is paid in installments through bonuses. This system is designed to meet the diversified needs of employees and encourage each of them to stand on their own.

• Personnel and Evaluation Systems

In line with the concept of human resource management based on “the vision of personnel administration”, the system outlined left is in place to create an environment where a comprehensive personnel system comes into play, strengthen “human resources” and “leadership,” and motivate each employee. Showa Shell is pushing ahead with its merit-based and performance-based systems.





SOCIAL PERFORMANCE

Respect for and Protection of Humans

Human Resource Development

● Personnel Systems and Competency

Based on the understanding that employees grow through their work, Showa Shell is training professionals systematically and efficiently in each business areas, providing them with opportunities for growth and combining personnel development and evaluation systems in an organic way. At the same time, due respect is paid to the personality and motivation of each employee, while efforts are underway to develop independent-minded employees who are needed in the coming years.

Specifically, we provide employees with opportunities to display their talents and skills by staffing or reshuffling the organization. In addition, on-the-job and off-the-job training programs are in place in accordance with training guidelines primarily for "departmental competency": an array of knowledge, skills and actions needed to improve the performance of a department. Personnel development programs are conducted through a

combination of on-the-job training, off-the-job training (group education programs and seminars), and self-development efforts, taking advantage of each employee's motivation: aspirations to brush up his/her talents and acquire advanced expertise.

The details of "departmental competency" and its training programs are open to all employees, serving as guidelines for those devoted to self-development efforts.

● A Leave System to Support Self-development Efforts

A leave system is in place to allow employees to take a leave of absence for self-development purposes, thereby developing the company and contributing to society. (A total of five employees went on leave in fiscal 2003).

Hierarchical Training	Departmental Training										Training Support System		
Coaching Training	Departmental Training / Sales	Departmental Training / Production	Departmental Training / Supply and Distribution	Departmental Training / Trading International Sales	Departmental Training / Corporate	Departmental Training / Research and Development	Departmental Training / Accounting and Finance	Departmental Training / Information System	Departmental Training / Legal Affairs	Departmental Training / Human Resource and General Affairs	Correspondence Course	Lease of Educational Materials	Studying-abroad Program
Training for Newly Promoted Managers													
Brush-up Training													
Follow-up Training													
Training for New Recruits													
	Sales	Production	Supply and Distribution	Trading International Sales	Corporate	Research and Development	Accounting and Finance	Information System	Legal Affairs	Human Resource and General Affairs	Excerpts from Departmental Competency		
	Consulting Resources	Information Processing Resources	Information Analysis Resources	Negotiation Skill	Information Analysis Resources	Creativity	Planning Skill	Information Processing Resources	Analysis Resources	Information-gathering Resources			
	Channel Leadership	Flexibility	Flexibility	Language Skill	Foresight	Logicity	Suggestion Skill	Performance Analysis Resources	Logicity	Negotiation Skill			
	Negotiation Skill	Leadership	Negotiation Skill	Creativity	Planning Skill	Suggestion Skill	Leadership	Logicity	Risk Management	Leadership			
			Resolution	Suggestion Skill	Foresight	Risk Management	System Thinking	Negotiation Skill	Suggestion Skill				
								Leadership	Risk Management				

④ A System to Reflect Employees' Opinions in Management

Awareness Survey of Employees

Showa Shell Sekiyu has a system to reflect employees' opinions in its management, Specifically, an awareness survey is conducted every year and a half to:

- Provide employees with an opportunity to express their opinions on the company and its corporate culture.
- Help employees keep track of the company's present situation.
- Hold a dialogue with employees, based on the results of the survey.
- Develop and implement action plans to solve problems.

A Communication Program with the Top Management

Showa Shell Sekiyu's top management participates in an engagement program a couple of times a year to sit down with the rank and file, middle management and department managers. The participants, through this program, discuss the gap between what their role and value ought to be and the reality to come up with and carry out specific action plans.

3 Human Rights Protection and Affirmative Action

① Approaches to Human Rights Protection and Affirmative Action

Showa Shell Sekiyu's code of behavior stipulates that "We operate as a responsible member of society, abide by laws and regulations and respect basic human rights." "Human rights protection" and "affirmative action" constitute the basis of our policy.

Accordingly, the training programs for new recruits and newly promoted managers include lectures on human rights as part of in-house educational activities.

② Elimination of Child Labor and Forced Labor

Naturally, Showa Shell Sekiyu provides no opportunity for children to work and has nothing whatsoever to do with forced labor, as its code of behavior stipulates that "We are committed to create an ideal workplace."