



1 Collaboration with Affiliated Dealers

Showa Shell Group distributes gasoline and other oil products through a nationwide network of over 700 affiliated dealers and about 5,000 service stations.

Collaborative efforts with affiliated dealers, our most important business partners, are underway to make "Shell" the brand most trusted by customers, in which the "Showa Shell Royal Manager (SRM) System" plays a part. This system – designed to survive fierce market competition, ensure appropriate services to create outlets trusted by customers, and develop leaders of Showa Shell's SS network – was established in 1979 and hence has been in place for a quarter of a century. It is unique to Showa Shell. Those who are certified as "1st Grade SRM," the highest level of SRM, are considered an elite manager by the group companies and the oil industry.

The "National SRM Convention 2003" was held in Yokohama in July 2003, in which a total of some 800 qualified managers participated. Discussions heated up over the theme "Human Resource Development to Fulfill the Four Basic Principles of Outlet Planning."



Emblem of "1st Grade SRM"

Number of Managers Certified as SRM

	Number of Managers Certified (as of June 2004)
1st Grade SRM	327
2nd Grade SRM	2,746
3rd Grade SRM	12,119



2 Collaboration with Business Partners

In July 2000, Showa Shell Sekiyu held a briefing on its purchasing policy, inviting a total of 117 business partners. This briefing served as an occasion to present Showa Shell's stance on purchasing and obtain the partners' constructive opinions and suggestions, which together cemented the relationship between the two parties.



We continue to hold workshops with each business partner, pushing ahead with a collaborative framework from the viewpoint of supply chain management to create a win-win relationship.



3 Collaboration between Government, Industry and Academia

① Collaboration Based on Subsidies, etc. from the Public Sector

As for the collaborative framework with the public sector, research and development efforts are underway at Shell group's refineries on issues such as energy conservation measures, using subsidies provided by the Petroleum Energy Center (PEC), the New Energy Development Organization (NEDO), etc. In 2001, Showa Shell took part in a subsidized program for low-sulfur diesel, funded by the Tokyo Metropolitan Government, and distributed low-sulfur diesel on a preliminary basis.

Participation in JCAP

Showa Shell Sekiyu is a party to JCAP (Japan Clean Air Program), a program supported by the Ministry of Economy, Trade and Industry and conducted jointly by JAMA (Japan Automobile Manufacturers Association) and PAJ (Petroleum Association of Japan). In line with this, new types of fuels are being developed in response to the promotion of low-emission vehicles.

② Participation in Various Committees, Workshops and Joint Research

In addition to subsidized programs offered by the public sector, Showa Shell is a party to in industry groups as well as committees organized under the Agency for Natural Resources and Energy (METI), PAJ, etc. In the field of oil business, moreover, it outsources research and development programs to universities at home and abroad.

③ International Contributions

Overseas Solar Power Generation Projects in Collaboration with NEDO

One of Showa Shell Sekiyu's overseas projects concerns installation of Solar power generation systems in remote areas that have no access to power grids.



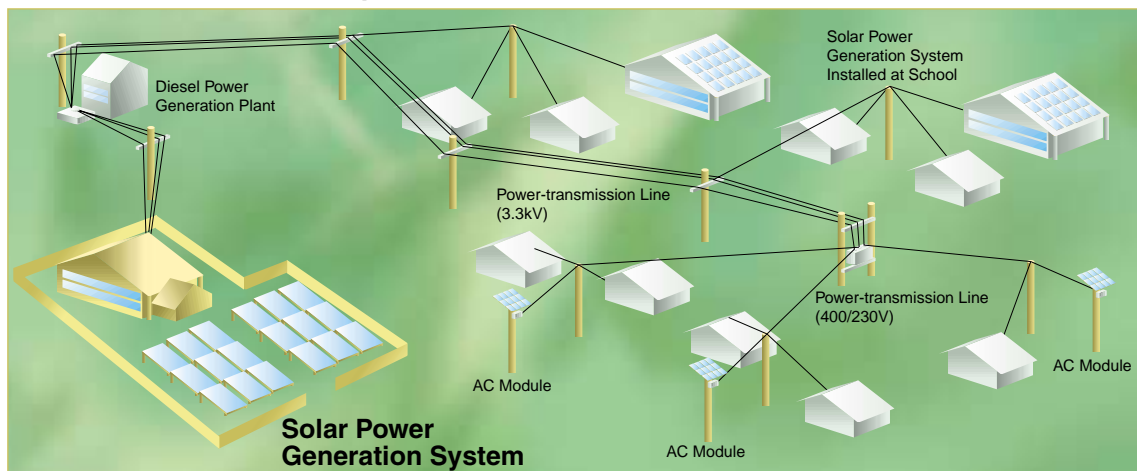
Kids delighted with a photovoltaic lighting system (Tibet Autonomous Region, China)

This project, sponsored primarily by NEDO, aims to supply stable power to remote areas, thereby contributing to fuel conservation. It started back in the early 1990s and has contributed to improving the lives of communities in Thailand (Kanchanaburi province, Yao Yai Island and Libong Island) and China (Tibet, Yunnan province, Inner Mongolia, etc.).

A feasibility study is underway in collaboration with NEDO, Toyota Tsusho Corporation and Chubu Electric Power Company to install a solar power generation system in Tonga, which is scheduled for completion this September. This project is expected to take place through CDM (Clean Development Mechanism). Specifically, the Japan side will earn emission credits by reducing fuel consumption of diesel power generators and replacing kerosene lamps with electric bulbs, while the islanders will benefit from power to be supplied to interspersed islands, which will improve their lives and living conditions.



■ The Solar Power Generation System Installed in an Isolated Island in Thailand





4 Collaboration with Local Communities

The Showa Shell Group is committed to collaborating with and contributing to local communities through a variety of activities.

Showa Shell Sekiyu K.K.

In July and August 2004, Showa Shell Sekiyu held a series of "summer class in energy," inviting students from elementary and junior high schools in and around Odaiba (Tokyo), where its headquarters is located. In relation to the "Next-generation Energy Exhibition," which was held at the Shell Museum (located on the first floor of Showa Shell's head office building), a variety of programs were offered – e.g., a briefing on global warming and the company's approaches to alternative energy sources such as solar and fuel cells (countermeasures against global warming), building of model solar cars, and study tours to Ariake Hydrogen Station and a wind power plant (Tokyo Kazaguruma).



A scene from an "energy class" held at a hall in the head office building (with John S. Mills, president of Showa Shell Sekiyu K.K.)



A study tours to Ariake Hydrogen Station



Building a mini solar car



Hekinan LPG Base

Showa Shell Sekiyu took part in the "Aichi Prefecture Petrochemical Complex Disaster Prevention Drill" co-sponsored by the Aichi Prefectural Government, the Hekinan Municipal Government and the Fourth Regional Coast Guard Headquarters. A total of some 350 people from 19 organizations (the Aichi Prefectural Police, the Ground Self-Defense Force, the Japanese Red Cross Society and local companies) participated in the drill, with 56 vehicles including fire engines mobilized.



Affiliated Refineries

As members of the communities they operate in, three refineries comprising the Showa Shell Group's refinery division take part in a variety of community-based activities such as emergency drills and sports events.

Showa Yokkaichi Sekiyu Co., Ltd.

- Sponsoring the "Yokkaichi New Mix Wheelchair Tennis Competition"



- Cleaning commuting roads and their surrounding areas



- Demonstrating a large-capacity foam extinguisher (S-1 type)

About 150 people including the Mayor of Yokkaichi City, city council members, fire officers from Mie and other prefectures, staff members of companies in the complex and local residents observed the test.

Seibu Oil Co., Ltd.

- Sponsoring the "10th Seibu Sekiyu Kids Baseball Tournament"



- Participating in voluntary cleaning of the Motoyamamisaki Beach
- Participating in the Onoda City Joint Emergency Drill
- Co-sponsoring a year-end charity drive

Toa Oil Co., Ltd.

- Participating in social gatherings hosted by the following town associations:

Shiohama 3-chome (July and December 2003, January 2004/11/02)
Shiohama (December 2003)
Ohgimachi (August 2003)
Yotsuya (December 2003)

- Volunteer Activities

5S Activities / Cleaning Activities (June, September and December 2003)
Blood Donation Campaigns (September 2003, February 2004)





5 Communication

① Accountability to Shareholders

To be a Company Trusted by Individual Shareholders

Showa Shell Sekiyu has been striving to: ensure reasonable stock prices by improving the liquidity of shares in the stock market and creating a stable shareholder structure; and improve the value of the company and the Shell brand by converting its shareholders into “royal customers” and strengthening monitoring functions.

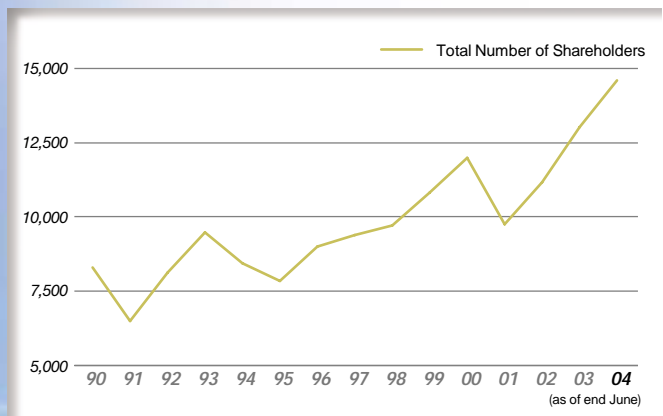
Specific Measures

• Increasing Dividends

1999	2000	2001	2002	2003	2004
¥9	¥15	¥20	¥25	¥25	¥30 (Estimate)

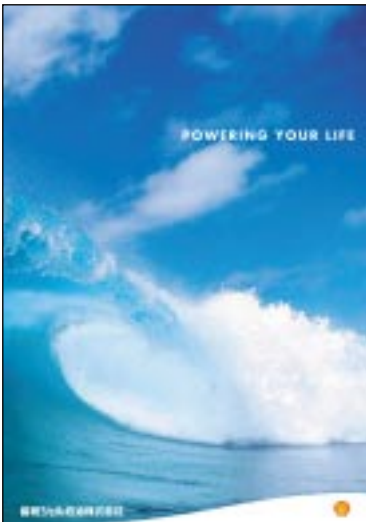
- Introducing online voting system for a shareholders' meeting (from March 2003, the 91st general shareholders' meeting)
- Reducing the minimum lot of shares to be traded: from 1000 to 100 (as from October 2002)
- Implementing a shareholder special benefit plan on a trial basis (in the half year ending September 2003)
- Conducting a questionnaire survey among shareholders (in the half year ending September 2003)

■ Transition of the Number of Shareholders

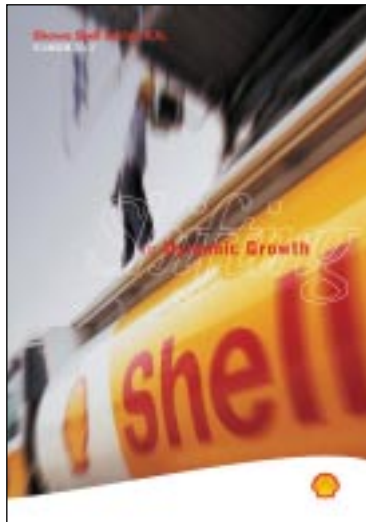


② Report System to Society

The following publications are available so that the stakeholders can better understand Showa Shell's wide range of activities (Please also refer to our website):



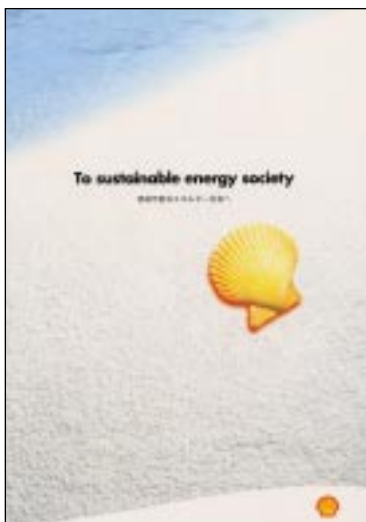
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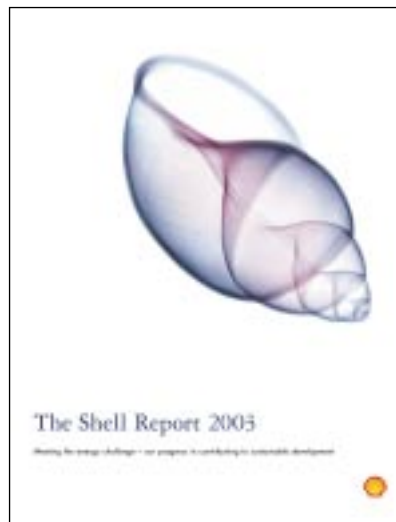
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⑤

- ① "POWERING YOUR LIFE"
<http://www.showa-shell.co.jp/profile>
- ② "Annual Report 2003"
<http://www.showa-shell.co.jp/ir/annual>
- ③ "Fact Book 2003"
<http://www.showa-shell.co.jp/ir/factbook>
- ④ "To sustainable energy society"
- ⑤ "The Shell Report 2003"
<http://www.shell.co.jp/index.html>

Shell Museum

The Shell Museum, located on the first floor of Showa Shell's head office building, has four parts (motor sports, the Memories of Shell exhibit, the Shell shop and a café), and also features Formula One-related exhibits and events with guest Formula One racers – each of which has been well received by a variety of audiences (motor sports fans, family parties, etc.) ever since its establishment. In fiscal 2003, the museum was renovated, resulting in a more open and sophisticated environment, and reopened with plans for even better exhibits and events.

