

Financial Performance

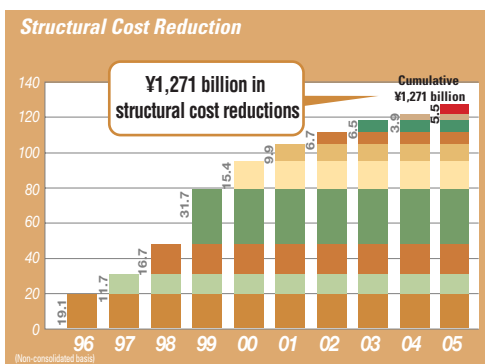
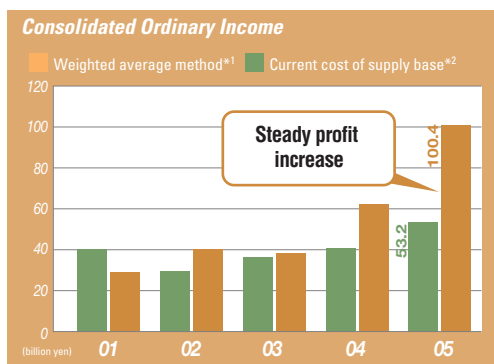
Performance Overview in the Fiscal Year Ended December 31, 2005

Sales increased 23.3% year-on-year to ¥2,268.4 billion on a consolidated basis, due to rising crude-oil prices and an increase in the volume of gasoline and kerosene sales. As a result of the improvement in the fuel oil margin, reductions in costs, the continuous rise of crude-oil prices, and the effects of a substantial increase in the value of inventories in comparison to the previous fiscal year, consolidated ordinary income surged 62.3% to ¥100.4 billion. Ordinary profit exclusive of the value of inventories, calculated on a current cost of supply basis, rose 31.8% to ¥53.2 billion.

From 1996 through 2004, Showa Shell put top priority on strengthening its financial foundation, taking on structural cost reductions, and achieved a cumulative

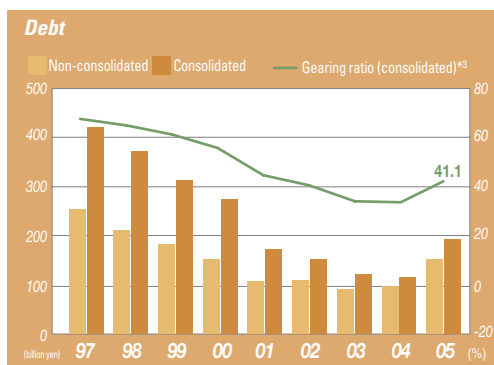
reduction of ¥127.1 billion. At present the company supplies petroleum products via a thoroughgoing, low-cost operation. In 2005, guided by the vision of Showa Shell's call for a "New Foundation," the company undertook vigorous programs directed at business expansion and growth.

Total assets at the end of the fiscal year were ¥1,145.1 billion, up ¥239.3 billion from the previous year. Primary factors in this rise included: growth in inventories, resulting from soaring crude-oil prices; additional investments in the petroleum refining business and wholesale electricity supply business; entry into the natural gas business; the addition of new consolidated subsidiaries; and an increase in holdings of investment securities as a result of strategic investments.



*1 Weighted average method: a method of determining in-stock inventory value at the end of an accounting period based on the average purchase price during that period.

*2 Current cost of supply base: Calculation using cost excluding the impact of evaluation on inventory

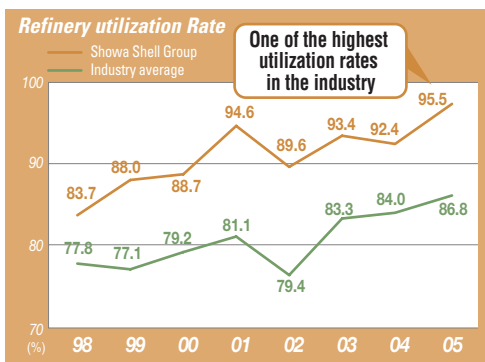
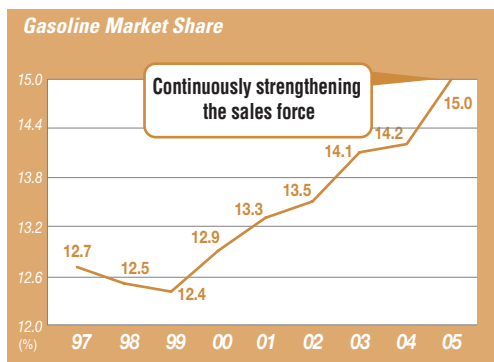


(as of June 2006)

Long-term Rating	
Rating and Investment Information, Inc. (R&I)	A
Japan Credit Rating Agency, Inc. (JCR)	A+p
Moody's Japan	Baa 1

Short-term (CP) Ratings	
Rating & Information, Inc. (R&I)	a-1

*3 Gearing ratio = borrowed capital / (equity capital + borrowed capital)



Study by Showa Shell