



## Business Highlights

Showa Shell is taking the first step toward the active management needed to increase the value and expand the scope of core businesses and develop peripheral and new businesses, all in order to realize the vision of the “New Foundation,” a business model that was launched in 2005.

### Changes Brought by the “New Foundation”

The company realized numerous plans to heighten productivity in production and sales alike. As a result, for the first time in the past 10 years, investments and financing on a consolidated basis significantly exceeded depreciation and amortization. In addition to the growth in the monetary figure, this shows that the company is on a growth track.

#### Developing Peripheral and New Businesses and Increasing the Value of Core Businesses

Showa Shell is moving forward with the development and marketing of new products and services in fields related to its core businesses. It is building a new business model on the promotion of diverse energy supply in its home solutions business—where the company intends to uncover and satisfy new customer needs—and other activities.

- **Japan’s First Gas-to-Liquid (GTL) Fuel**

Showa Shell supplied GTL fuel for the diesel hybrid shuttle buses—the first of its kind in Japan—that were in operation at the Aichi World Exposition.

Environmental Activities

- **Commercial Manufacturing of Next-Generation Copper Indium Selenide (CIS) solar photovoltaics**

After long years of research, Showa Shell has decided to commence commercial manufacturing of CIS solar photovoltaics in 2007.

Development of New Energy

- **Assumption of the Business Operations of Wakamatsu Gas K.K. and Wakamatsu Gas Fuel Equipment Co., Ltd.**

In April 2005, Showa Shell reached a basic agreement with Wakamatsu Gas and Wakamatsu Gas Fuel Equipment to transfer the business operations of the two firms to a wholly owned subsidiary of Showa Shell.

Developing Peripheral Businesses

- **New Investment: Toyotsu Petrotex Corp.**

This business alliance will allow Showa Shell to expand its retail petroleum products business in the Chukyo region, one of Japan’s core markets.

Strengthening Marketing Capabilities

- **New Investment: AOC Holdings, Inc.**

Showa Shell entered into this agreement to facilitate long-term, stable petroleum-product transactions with Fuji Oil Co., Ltd., of which AOC Holdings is the parent company.

Boosting Petroleum Refining Capacity and Cutting Costs

#### Increasing the Value of Core Businesses

In its core businesses of the refining, transport, and marketing of petroleum products, Showa Shell is reducing costs, upgrading operational capabilities, and eliminating bottlenecks at all phases, from procurement through supply. All these will lead to the generation of increased profits.

- **New Corporate Message**

To mark the 20th anniversary of the merger that led to its creation, Showa Shell formulated a Corporate Message for the purpose of promoting greater knowledge and understanding of the company’s activities and uniform corporate image.

Brand Strategy

- **Expanded Sales Area for New Shell Pura High-Octane Gasoline**

Sales of Shell Pura in Hokkaido commenced in April 2006. Shell Pura is now available in Tokyo, Osaka, Kyoto, Hokkaido, and 22 other prefectures.

Bolstering Marketing Capabilities

- **Rise in Shareholding Ratio of Saudi Arabian Oil Company**

Under the terms of a contract, the Shell Group transferred 5% of its holdings of Showa Shell shares to Saudi Aramco, which now holds 14.96% of Showa Shell shares.

Securing Sources of Crude Oil

- **New Specified Subsidiary: Toa Oil Co., Ltd.**

To strengthen its foundation, Showa Shell has made Toa Oil a specified subsidiary. Toa Oil’s core businesses are petroleum refining and wholesale electricity.

Increasing Petroleum Refining Capacity

- **Mix Xylene Manufacturing Facility**

Showa Shell made a capital investment in the construction of a mix xylene manufacturing facility with a capacity of 610,000 tonnes at its Yamaguchi oil refinery.

Increasing Petroleum Refining Capacity

#### Expanding the Scope of Core Businesses

Showa Shell will expand the scope of its core businesses through acquisitions and alliances. By reinforcing its capacity to procure and refine crude oil, and supplying and marketing petroleum products, Showa Shell is striving to increase sales by building a system to deliver products more efficiently and in a broader area.