

Top Commitment

New Foundation

Moving together toward sustainable development

In 2005, economic growth in Brazil, Russia, India, China, and other countries fueled the expansion of demand for petroleum, geographic risks heightened, and at the end of August, the oil-producing region of the southern United States was slammed by a major hurricane. As a result, the price of crude oil shot up to historic highs. In addition, the implementation of the Kyoto Protocol made environmental protection a matter of global concern.

Amid these rapidly changing circumstances in the oil business, the Showa Shell Group, as a Japanese oil company, needs to maintain its oil importing, refining, and marketing capabilities at a high level to fulfill its important social mission of providing a stable supply of oil to Japanese customers. At the same time, the group continues to consider the environmental impact of each of its business processes, as well as how to reduce that impact, remaining steadfast in its desire to achieve sustainable growth.

The year 2005 marked the 20th anniversary of the merger that gave birth to Showa Shell. Seizing on that occasion, 2005 has been designated the year of the group's "New Foundation," which calls on every company to make a new start and aim for renewed growth. In its core oil business, an alliance with AOC Holdings has allowed the group to secure a cost-competitive supply base. In another area, the group has decided to commence commercial manufacturing of CIS solar photovoltaics, an environmentally friendly new product, which has been a major success appropriate to the first year of the New Foundation.

The group has been putting a great deal of effort into corporate social responsibility (CSR)-related communication. In its corporate message, Zutto hashiro, Shell to hashiro ("Keep driving, with Shell"), Showa Shell expresses its desire to maintain long-term relationships of trust with stakeholders, to be the enterprise customers choose first, and to advance to meet the future, arm-in-arm with customers, stakeholders, and business partners. To facilitate the strengthening of its ties to business partners and deepen understanding of the New Foundation, the company has established the Izusan Foundation House. In addition, the company instituted its Environmental Photo Contest for the purpose of thinking and acting on environmental problems as national issues together with the public. The first year's contest drew many entries and had substantial impact. This sort of CSR-related communication continued in 2006 and will hopefully carry on far into the future.

Turning back to 2005, the high court rejected Showa Shell's appeal in the truly regrettable Japan Defense Agency fuel procurement cartel incident, and the guilty verdict handed down in this case stands. To prevent any recurrence of this sort of violation, Showa Shell is engaged in regulatory compliance and HSSE as its top priorities.

The Showa Shell Group requests the frank opinions and guidance of all its readers with regard to its 2006 CSR Report.

Haruyuki Niimi

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