



## Energy Security Toward a Stable Supply of Energy

Showa Shell supplies a massive volume of petroleum products to its customers, totaling approximately 40 million kiloliters per year, or 110,000 kiloliters per day. To ensure that there is no interruption in this supply, Showa Shell will do its utmost to soundly operate and maintain its supply chain—from procurement of crude oil to delivery of products to markets (factories, service stations, etc.)—while engaging in strong risk management to prevent shortages. (For information on supply chain risks and countermeasures, see p.22.)

Petroleum is a limited resource, but expansion of global energy demand is forecasted. The volume of energy consumption is forecasted to double by 2050, according to a scenario developed by Royal Dutch Shell plc and the International Energy Agency (IEA) in which the world's population increases by 50% with growth primarily in developing countries, and China and India are fully industrialized. If petroleum remains civilization's primary source of energy, in the not-too-distant future, humankind will face a grave energy crisis.

Japan is the world's third-largest consumer of petroleum, and it imports most of what it uses. Accordingly, Showa Shell has short-term and long-term missions as an energy supply firm to secure crude-oil sources and petroleum stockpiles, while building a diversified energy-supply system.

### ❖ **Securing a 70-day Private-Sector Oil Reserve**

Every country has as part of its national strategy the procurement of stable supplies of energy, and the strengthening of energy security. In compliance with Japan's Petroleum Stockpiling Law, both the government and the private sector are required to stockpile supplies of oil. Showa Shell stockpiles 70 days' worth of its annual sales volume of crude oil and petroleum products (not including LPG). The company maintains a stockpile of 50 days' worth of its annual imports of LPG.



### ❖ **Building a Diversified Energy Supply System**

Today, petroleum is Japan's principal energy resource, and if demand increases further, it will undoubtedly have an effect on both the environment and society. To reduce these effects, Showa Shell is diversifying energy sources by marketing bio-gasoline and Eco-Toyu, and by developing alternative energy sources. (For information on alternative energy activities, see p.11 - p.19.)





## ❖ Ties to Petroleum Suppliers

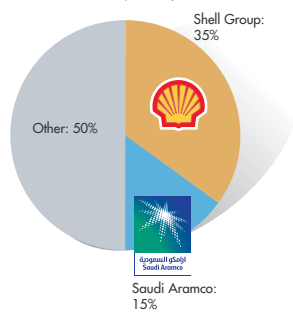
Through the global partnership between the Shell Group and Saudi Aramco, Showa Shell is expanding its energy menu, participating in technology sharing, and achieving efficiency in procurement. Further, through its Abu Dhabi representative office, the company is developing friendly ties with the oil industries of the oil-producing countries of the Middle East.

## Ties to Oil-Producing Countries

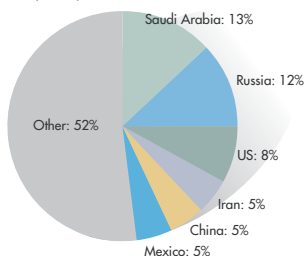
After the 1985 merger, the Shell Group owned 50% of the stock of Showa Shell. However, beginning in 2004, the Shell Group gradually transferred approximately 15% of its holdings to Saudi Aramco, the national oil company of Saudi Arabia, the world's largest oil producing nation. As of December 31, 2006, Showa Shell Sekiyu's shareholder composition is as follows: Shell Group, 35%, Saudi Aramco, 15%, and other general shareholders, 50%.

Saudi Aramco is the world's largest supplier of crude oil, and having it as a shareholder makes procurement of crude oil from Saudi Arabia easier. This is a significant contribution to the establishment of a stable and efficient supply structure.

### Shareholder Composition (As of December 31, 2006)



### Crude Oil Production (2006)



Source: BP Statistical Review of World Energy



Leaders of the three companies at the May 2004 signing ceremony.

Right: Abdallah S. Jum'ah, President and CEO of Saudi Aramco.  
Left: Haruyuki Niimi, Chairman and Representative Director, Showa Shell Sekiyu K.K.



At the stock transfer signing ceremony:  
Right: Abdulaziz F. Al-Khayyal, Senior Vice President of Saudi Aramco.  
Left: Rob Routs, Executive Director of Royal Dutch Shell plc.