

Fulfilling our responsibility as an energy company to create a sustainable future



Shigeya Kato
Chairman and Representative Director
Showa Shell Sekiyu K.K.

Management Philosophy

Showa Shell Sekiyu K.K. can only achieve a further leap and perpetual growth by constantly making its contribution to society, while securing reasonable profits and constructing a strong management base and sound corporate constitution. With this in mind, we set our corporate creed as follows:

- We will always endeavor for a break-through or technological innovation with a spirit of customer first, and for continual growth of the company, discharging our social responsibilities, including environmental preservation, a stable supply of energy, and operational safety.
- We will implement Japanese-style management adaptable to changes at our own discretion and on our own responsibility, while maintaining close relationships with Shell Group companies and cultivating our international business sense.
- We will aim to achieve our corporate goals and form a group of positive people full of vitality associated with each other through a noble ideal and trust.
- We will endeavor to improve productivity through an effort calling for everybody's participation for thinking and sweating together and construct an affluent future on the base of the company's unshakable footing.

Instituted in 1985

Striving for Sustainable Development

Having entered the first commitment period stipulated in the Kyoto Protocol adopted at the 3rd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP3) in 1997, the international community is stepping up its efforts to address global warming. At the L'Aquila G8 Summit held in Italy in July 2009, the G8 set a new goal for the developed countries of "reducing emissions of greenhouse gases in aggregate by 80% or more by 2050 compared to 1990 or more recent years." However, there was no agreement reached on the goal of cutting emissions by 50% worldwide, due to opposition by China and India.

The international community will continue to collaborate on establishing a worldwide numerical goal as they work toward the COP15 meeting, which is scheduled to be held in December, but aggressive action to achieve global warming prevention continues to be a pressing issue worldwide.

To contribute to the achievement of a low-carbon society through our business activities, we need to rebuild our management structure to be reflective of global environmental issues, and to rise to a new level of competitiveness, as we review our business practices and growth strategy.

Showa Shell Sekiyu's Energy Challenge

The mission of Showa Shell Sekiyu is to voluntarily fulfill its social responsibility as an energy company and to continue to secure a stable supply of high quality energy products and services by maintaining accurate projections about future demand. At the same time, the company is committed to pursuing its business activities in a way that promotes sustainable development.

It is undeniable that the world is going to continue to face energy problems in the future, due to such factors as violent fluctuations in oil prices over short periods caused by speculative investment practices, the depletion of easily accessible oil sources, and the increase in the worldwide population, particularly in the developing nations. To achieve stable energy supplies for Japan over the long term, Showa Shell is working hard to maintain an optimal supply system by partnering closely with oil-producing countries. The company is also striving to reduce its adverse environmental impact by taking active steps to reduce CO₂ emissions and to address issues of air, water, and soil contamination throughout its supply chain. In the development of new energies and environmentally friendly products, Showa Shell is striving to supply products that can meet the new needs of its customers, including CIS photovoltaic modules, and gas-to-liquids (GTL) fuels.

Communicating with Stakeholders

To continue to provide the products and services society needs, while maintaining good relations with all its stakeholders, including customers, community residents, shareholders, business partners, and employees, we believe it is important to conduct business in a way that is highly transparent, compliant, and trustworthy. Thus, we have developed an executive officer system and organizational structure that allow it to promptly address issues that the company needs to resolve. This new system will allow us to improve the quality of its communication and to achieve sustainable growth. We look forward to receiving feedback from its stakeholders regarding these changes.

Code of Conduct

Our Code of Conduct is based on Showa Shell's Management Philosophy, and establishes general and comprehensive standards of conduct for Showa Shell Sekiyu's corporate activities. Showa Shell is working to achieve global sustainability with measures that include ensuring regulatory compliance and maintaining a heightened awareness of its social, environmental, and economic responsibilities. Above all, the company is taking the below measures to fulfill its responsibilities to its stakeholders.

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| 1. Responsibility to Shareholders: | To be trusted with shareholders' investments and offer satisfying returns. |
| 2. Responsibility to Customers: | To win and retain customers by developing and offering products and services valued in terms of price, quality, safety, and the environment. Such services are based upon Showa Shell's expert knowledge of technology, the environment, and the industry. |
| 3. Responsibility to Employees: | To respect the characteristics and individuality of all employees and provide a safe working environment and positive working conditions. To further encourage employee development and utilization of their skills and promote employee participation in accordance with this Code of Conduct. |
| 4. Responsibility to Cooperating Companies: | To pursue mutually beneficial relationships with cooperating companies (including joint venture partners) and to endeavor to promote the practice of Code of Conduct principles. To make respect for the principles in this Code of Conduct one factor in commencing or continuing relationships with cooperating companies. |
| 5. Responsibility to Society: | To conduct business as a responsible corporate citizen, comply with the law, and respect basic human rights. To further give ample consideration to health, safety, security, and the environment in the quest for sustainable development. |

Striving to be a company that anticipates the needs of society and its customers, and makes social and environmental contributions by supplying energy



Jun Arai
President and Representative Director
Showa Shell Sekiyu K.K.

Q. How is Showa Shell tackling the challenge of sustainability-focused management?

A. Given the dramatic changes in the business environment facing Showa Shell, we formulated a Medium Term Business Vision entitled “EPOCH 2010: Conquer the Change, Pioneer the Future.” This vision is aimed at achieving sustainable growth over the medium term. It is based on the recognition that, to adapt to changing environmental conditions, it is going to be more important than ever for us to be able to predict the energy needs of the future and to determine the direction that we will have to take to meet those needs.

This Medium Term Business Vision is comprised of four key pillars: (1) strengthening the Oil Business to enhance profitability; (2) growing the CIS Solar Business; (3) developing the Energy and Home Solutions Businesses; and (4) fostering the seeds of future growth. These are all focused on securing stable energy supplies, reducing adverse environmental impacts, and developing new energies and environmentally friendly products, which form the core components of the Energy Challenge, and are intended to help us preserve the global environment and promote corporate growth.

Affected by a rising customer awareness of environmental issues, the aging of society with a declining fertility rate, changes in the industrial structure, and conversion to several new sources of energy, the demand structure for oil products has changed dramatically. We must anticipate ongoing structural changes in the oil industry and must promote efforts to optimize our supply chain. At our oil refineries, we must flexibly adapt to environmental changes, conduct operations in a safe and stable manner, and promote further investigations of energy-saving measures and environmental adaptations. As an energy company, Showa Shell is committed to fulfilling its responsibility to provide a stable supply of energy.

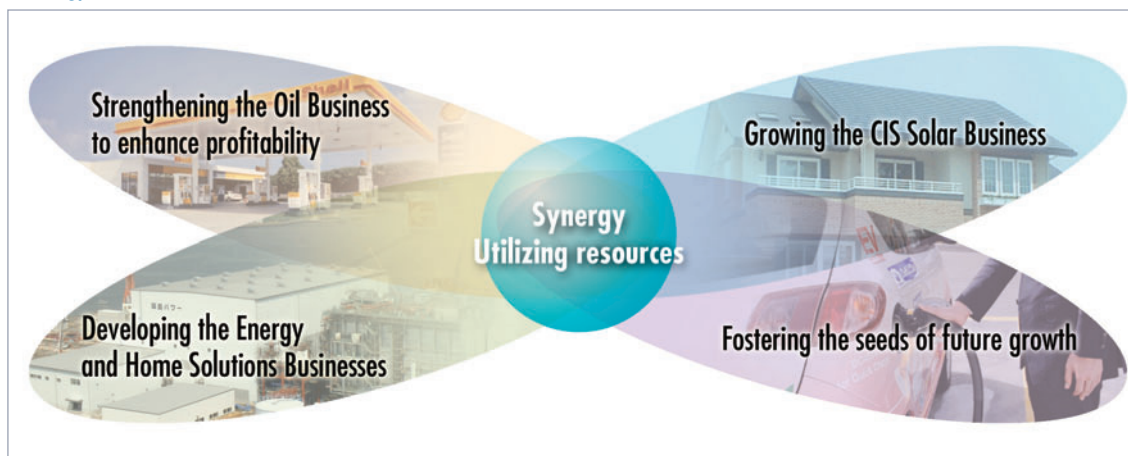
Q. What challenges does Showa Shell face as an energy company?

A. We are definitely seeing a further diversification of the needs of our car-driving customers. The time has actually come for Showa Shell to install equipment at its service stations that can meet the needs of all its customers, including high-speed rechargers for electric vehicles that run on solar power, hydrogen refueling equipment for fuel-cell vehicles, and biofuel pumping equipment. In consideration of these possibilities, Showa Shell is conducting tests in several new energy fields.

We are expecting to see a strong increase in demand, both in and outside Japan, for the CIS photovoltaic modules that we have already made commercially available. We are confident that the use of solar power is going to expand on a worldwide scale as efforts are made to achieve a low-carbon society, and Showa Shell also has plans to expand this business. We are currently investigating the establishment of a large plant in addition to two existing plants in Miyazaki. In the meantime, Showa Shell has established the Atsugi Research Center in Kanagawa Prefecture, and is urgently working on developing new technologies that will be recognized for their sophistication in the global market. Even in our electric power generation business, which is managed by a joint venture company using natural gas, we are promoting the construction of the Ohgishima Power Station, which is slated to start operations in 2010. There has been a temporary drop in demand resulting from the financial slowdown, but over the medium to long term, electricity demand is expected to grow steadily. Thus, the value of the electric power generation business, which generates cleaner energy than coal or oil, is expected to rise.

To foster the seeds of new growth, we have established the New Business Promotion Division, and are accelerating the commercial development of new businesses in conjunction with the Research and Development Division. Environmental issues are also an important factor in this field. Showa Shell's policy is to supply new energies and fuels, as well as related services, that have a low environmental impact, offer improved customer convenience, and provide added value.

Strategy Outlined in the Medium Term Business Vision



Sample Image of the Service Station of the Future

In addition to supplying oil products, such as gasoline, diesel, kerosene, and LPG, service stations will provide biofuel and GTL fuels, and will be equipped with hydrogen refueling equipment and high-speed rechargers to meet diversified energy needs. At service stations equipped to accommodate next-generation vehicles, Showa Shell can also provide maintenance services on the station equipment. The stations themselves use new energies and promote energy conservation with the use of solar power, fuel-cell batteries, and LED lighting. They also contribute to the environment and society by being ready to provide fuel supplies to emergency vehicles in the event of an earthquake or other disaster.

