

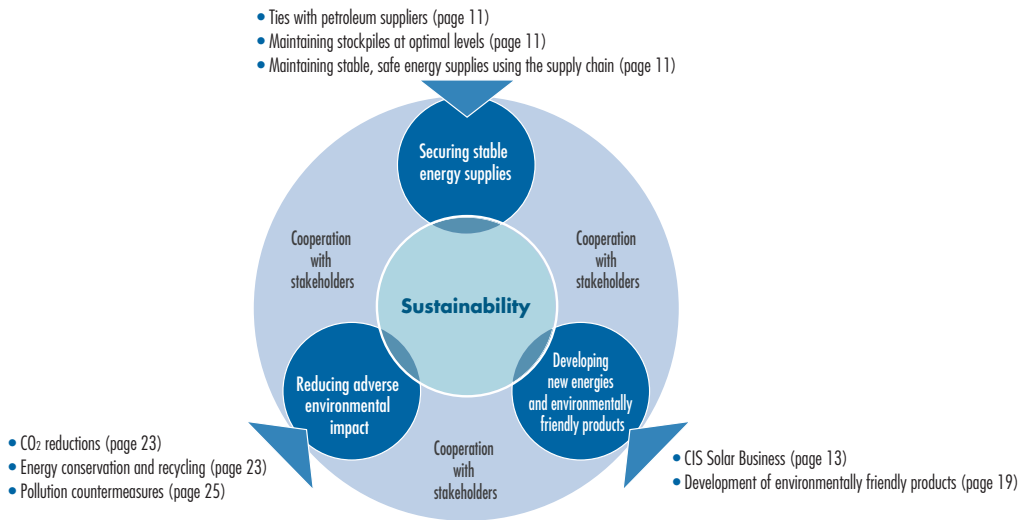
The Energy Challenge

Showa Shell Sekiyu is working together with its stakeholders to ensure a safe and stable supply of energy, and is meeting the challenge to reduce its adverse environmental impact by developing new sources of energy.

According to the World Energy Outlook 2008 published by the International Energy Agency (IEA), global demand for energy is going to increase by about 45% by 2030, compared to 2006, primarily driven by increasing demand from China and India. The Shell Energy Scenario to 2050 published by the Shell Group in 2008 identifies “Three Hard Truths” that will have to be overcome: expanding energy demand, slowing growth in energy supplies, and increasing restrictions imposed by environmental problems (CO2 emission reductions).

While continuing to work to meet the challenge of inhibiting any increases in CO2 emissions associated with increasing energy demand, and in preparation for the various possible future scenarios that the Three Hard Truths may give rise to, Showa Shell is striving to establish an environmentally friendly energy supply system. The Showa Shell Sekiyu Group has labeled this challenge the Energy Challenge, and is striving to work with its stakeholders to establish a sustainable energy supply system by conducting activities in three areas: (1) securing stable energy supplies, (2) reducing adverse environmental impact, and (3) developing new energies and environmentally friendly products.

Vision for Sustainable Development



- **Securing stable energy supplies**

To continue to deliver a safe and stable supply of energy to customers over a long period, Showa Shell Sekiyu is striving to optimize the supply systems in its supply chain, from crude oil procurement to the supply of finished products.

- **Developing new energies and environmentally friendly products**

While striving to develop products from the perspective of sustainability, the company is continuing to supply new energy sources and services with an eye toward meeting its customers' needs.

- **Reducing adverse environmental impact**

According to the Fundamental Policy on Health, Safety, Security, and Environmental Protection (HSSE), the company is striving to reduce its adverse environmental impact throughout its entire supply chain. Policies are being implemented to reduce CO2 emissions, as well as to combat air, water, and soil contamination.

Achievements and Objectives of Sustainability-Oriented Activities

The table below shows the key activities pursued by the Showa Shell Group in 2008, and the company's goals for the future. Showa Shell will continue to report on its performance and work toward achieving its objectives.

★★★★ Excellent ★★ Satisfactory ★ Not satisfactory

	Field of Activity	Key Accomplishments in 2008	Rating	Future Objectives	Page
The Energy Challenge	Securing stable energy supplies	Developed activities focused on "safety and quality".	★★★★	<ul style="list-style-type: none"> Continue activities to ensure safety and quality. Painstakingly strive to ensure the stable operations of refineries. 	P.11-12
		Made efforts to improve refinery reliability.	★★★★		
	Developing new energies and environmentally friendly products	Launched production of CIS photovoltaic modules at the Second Miyazaki Plant (annual production capacity of 60MW).	★★★★	<ul style="list-style-type: none"> Develop competitive photovoltaic modules. Expand sales of biogasoline in 2010. Strengthen safety management at hydrogen stations. Keep working with the Tokyo Metropolitan Government and auto makers to conduct road tests on FTD fuel. Conduct demonstration projects related to new business models. 	P.13-18
		Conducted trial sales of biogasoline.	★★★★		
		Vehicles refueled at the Ariake Hydrogen Station reached more than 2,500.	★★★★		
		Conducted GTL fuel tests on company buses.	★★		
		Decided to install quick-charging equipment for electric vehicles at service stations.	★★★★		
	Reducing adverse environmental impacts	Reduced unit energy consumption at refineries to 8.05 (a 15% improvement over 1990).	★★	<ul style="list-style-type: none"> Continue implementing energy-saving measures. Continuously reduce environmental pollutants by achieving zero waste output. Continue to implement soil contamination countermeasures. 	P.23-26
		Achieved a rate of waste output of only 0.3% at refineries.	★★★★		
		Continuously implemented soil contamination countermeasures at non-service station sites.	★★★★		
Communicating with Stakeholders	Relations with employees	Introduced a community service leave system.	★★★★	<ul style="list-style-type: none"> Formulate a Third Action Plan for General Business Owners. Bolster follow-up activities after employee health exams. Conduct the Sixth Shell People Survey. Create sound workplace environments free of harassment. Hire even more diverse personnel. Strengthen leadership at all levels, and promote professional development. Improve the evaluator training provided to managers to help them better evaluate and train the people they manage. 	P.27-30
		Bolstered the health management system.	★★★★		
		Conducted the Fifth Shell People Survey.	★★		
		Hired diverse personnel.	★★★★		
		Promoted the leadership training and skill development of personnel.	★★★★		
		Strengthened the evaluator training provided to managers.	★★★★		
	Relations with shareholders	Updated the Investment Relations page of the company website.	★★★★	<ul style="list-style-type: none"> Continue to provide stable and attractive dividends. Disclose information in a fair and timely manner. Expand investor relations tools and events, and provide more opportunities for interactive communication. 	P.35-36
		Expanded investor relations events.	★★★★		
		Conducted a shareholder survey and received feedbacks.	★★		
		Paid stable and attractive dividends.	★★★★		
Relations with customers	Opened service stations with new formats.	★★★★	<ul style="list-style-type: none"> Expand the number of disaster-proof service stations. Launch new home security services. Improve the level of available home cleaning services. Further improve the skills of specialized staff who respond to customer inquiries. 	P.37-38	
	Developed the disaster-proof service station model.	★★			
	Added a network camera service to home security services menu.	★★			
	Expanded home cleaning services menu.	★★★★			
	Improved the skills of specialized staff who respond to customer inquiries.	★★★★			
Relations with business partners	Held safety conferences and zero-accident campaigns.	★★★★	<ul style="list-style-type: none"> Achieve zero occupational accidents and quality errors. Continue promoting the company-wide Safety and Quality First (SQF) campaign. Bolster personnel training programs. Expand involvement in eco-activities (ECO-TRY 21). Continue arranging executive visits to business partner work sites. 	P.39-40	
	Bolstered personnel training programs.	★★★★			
	Expanded involvement in eco-activities (ECO-TRY 21).	★★★★			
	Continued arranging executive visits to business partner sites.	★★★★			
Relations with the Community	Engaged in environmental education through the Environmental Photo Contest.	★★★★	<ul style="list-style-type: none"> Continue educating youth through the Environmental Photo Contest. Educate employees about biodiversity through participation in the Project for the Reforestation of Mt. Fuji. Cultivate young artists by holding the Shell Art Award contest. 	P.41-42	
	Promoted biodiversity by participating in the Project for the Reforestation of Mt. Fuji.	★★★★			
	Promoted next-generation education.	★★			
	Cultivated young artists by holding the Shell Art Award contest.	★★★★			
Sustainable Management Promotion System	Health, Safety, Security, and Environmental Management System (HSSE-MS)	Thoroughly ensured safety and quality through the implementation of the group-wide SQF2008 campaign.	★★	<ul style="list-style-type: none"> Reduce the number of occupational accidents and quality errors by promoting the group-wide SQF2009 campaign. Continue implementing the HSSE Priority Strategy Action Plan. Continue arranging HSSE site visits by executives. 	P.43-46
		Implemented the HSSE Priority Strategy Action Plan.	★★		
		Continued arranging HSSE site visits by executives.	★★★★		
	Corporate governance and internal control system	Published the <i>Compliance Book</i> .	★★★★	<ul style="list-style-type: none"> Improve the internal control system by conducting a compliance attitude survey. 	P.47-48
		Implemented a compliance-focused e-Learning program.	★★★★		