

Year-end result for FY 2003

The ordinary profit of FY 2003 is 38.1 billion yen, beyond the forecast of 35.0 billion yen ordinary profit. (On Current Cost of Supply basis excluding stock effect, ordinary profit is 36.3 billion yen, increased by 24.0% compared with the last year). Consolidated NIAT is 21.0 billion yen increased by 12.5% compared with the last period.

**1.Main indicators
 [Consolidated]**

		Unit: ¥Mln	
Sales Proceeds	1,726,917	vs.2002	+106,557 (+6.6%)
Operating profit	35,974	"	+426 (-1.2%)
Ordinary profit	38,188	"	+1,913 (-4.8%)
Ordinary profit (CCS basis)	36,336	"	+7,024 (+24.0%)
NIAT	21,000	"	+2,334 (+12.5%)

[Unconsolidated]

		Unit: ¥Mln	
Sales volume	39,840 KKL	vs 2002	+13KKL (0.0%)
Sales proceeds	1,669,555	"	+113,376 (+7.3%)
Operating profit	31,013	"	+535 (+1.8%)
Ordinary profit	34,713	"	-1,686 (-4.6%)
Ordinary profit(CCS basis)	32,861	"	+7,251 (+28.3%)
Net income	19,951	"	+1,232 (+6.6%)

CCS: Current Cost of Supply / calculation based on the cost excluding stock evaluation effects

2. Business Outline

(1) Domestic economy and industrial environment

In the Japanese economy during this period, although employment rates were poor and consumer spending remained at a standstill, the economy as a whole showed at last the signs of improvement, as private sector industrial investment and corporate income improved, whilst exports increased.

In the international oil markets, as a result of heightened tension in the Middle East etc., the Dubai crude oil price reached 31 dollars per barrel. The crude oil price, however, fell dramatically after the Iraqi war began, plunged to the level of 22 dollars per barrel when the war ended. Thereafter, OPEC production reduction and relatively low crude oil stock level in the US brought upward trend of crude price, and the Dubai crude oil price reached around 28 dollars per barrel, the same level as the beginning of the year.

In the foreign currency markets, the exchange rate for the Japanese yen was 118 yen to the U.S. dollar at the beginning of the year. The foreign currency markets were stable, and the exchange rate stayed in the range between 116 yen and 122 yen up to the summer. The yen suddenly strengthened after September, reflecting the growing trade deficit in the US, and the exchange rate moved into the level below 110 yen to the US dollar in October. The trend continued as optimistic views over the Japanese economy prevailed, and the exchange rate was around 107 yen to the dollar at the end of year.

With respect to the domestic oil markets, the demand for gasoline steadily increased, but the demand for gas oil has declined. As for heating oils, the demand for kerosene rose because this year's temperature during the first quarter was much lower than the average year's throughout the nation. The demand for fuel oil used for general industrial purposes continued to decline, but the demand for fuel oil used for power generation dramatically rose, due to a string of nuclear power plants shutdowns, when compared with the last year.

The sales prices of petroleum products tended to decline due to intensified competition, and did not rise as quickly as the crude oil price.

(2) Business activities

[Corporate transformation]

In this business environment, we have enhanced the creation of added value through the pursuit of customer-oriented operations, rationalization of the Company's business portfolio and execution of structural cost reduction. We have also focused our efforts upon various measures to further transform the Company in all aspects of its business activities, strengthen our management base and maximize its profitability

[Marketing policy]

We initiated a strategy to strengthen our sales network, reaching an agreement for the purchase of a 33.4% equity in Marubeni Energy K.K., a subsidiary of Marubeni Corporation. We also continued to focus on investment in self-service facilities and expand the sales territory for a new high-octane gasoline called "Shell Pura", to the western parts and Niigata area to cover 21 prefectures or 70% of the Company's high-octane gasoline sales volume. We also enhanced sales promotions for the "Shell Shaken" car inspection service, and in October launched a "Shell Starlex Card", a renewed credit card for individual customers, winning approximately 160 thousand new memberships by the end of the year.

[Manufacturing]

We enhanced safe and effective operation in the Company's group refineries, further reduced refining cost and improve the yield of higher-value products in order to strengthen our competitiveness. As countermeasures to environmental issues, we started the nationwide supply of low sulphur gas oil, which contains less than 50 p.p.m. sulphur, and we also took the initiative in the preparatory work for the production of "sulphur-free" gasoline and gas oil, containing less than 10 p.p.m. sulphur.

[Distribution]

We have been working to optimize our product distribution system by promoting the joint use of depots with other oil companies, streamlining the Company's distribution network and establishing focal control over product exchanges.

[Health, Safety & Environment]

In the area of health (H), safety (S) and environment (E), which is prioritized to any other activities, we added security (S) in its scope and redefined the area as HSSE, which represented the head letter of these four commitments. We also revised relevant internal rules and re-establish the management system.

[New Business]

We positively promoted businesses opportunities relating to solar cells, onsite power generation and countermeasures to land pollution. We started the experimental use of a new fuel called "GTL" (Gas To Liquid), which was made from natural gas. We also established K.K. Ogishima Power, a joint venture with Tokyo Gas K.K. and Shell Gas B.V. in order to prepare an environmental assessment on an electricity generation plant powered by liquefied natural gas.

[Business reengineering/ Cost Reduction]

We started the overall operation of a new SAP system in October as an IT tool in order to reengineer the business process of the company through the establishment of standardized transaction handling and integrated database. With regard to structural cost reduction, we have attained 6.5Bln yen structural cost reduction, beyond the annual target 5.0 Bln yen.

3.Profit and loss**[Consolidated]**

The consolidated Sales proceeds were 1,726.9 billion yen (6.6% increase compared with last year) as the sales price rose and the sales volume of gasoline, kerosene and fuel oil used for power generation also rose.

Then, the Profit and Loss Statement shows that the ordinary profit was ¥38.1 billion, a decrease of ¥1.9 billion compared with last year, because positive inventory valuation effect had significantly reduced when compared with last period. Excluding the effect of inventory valuation, Ordinary Profit was ¥36.3 billion, an increase of ¥7.0 billion from ¥29.3 billion in 2002.

NIAT was ¥21.0 billion (12.5% increase compared with 2002)

ROE on consolidated basis was 9.2%.

[Unconsolidated]

Total sales proceeds were ¥1,669.5 billion, (an increase of 7.3% when compared with last year). As to profit and loss, operating profit, ordinary profit and NIAT were ¥31.0 billion (1.8% increase), ¥34.7 billion (4.6% decrease) and ¥19.9 billion (6.6% increase) respectively.

Like consolidated result, when excluding the stock effects, the ordinary profit was ¥32.8 billion, an increase of ¥7.2 billion from ¥25.6 billion.

4.Dividend

We will pay a final dividend of 15 yen per share, giving a total dividend for the year of 25 yen per share.

5.Estimation of YR2004

We are assuming a crude oil price of \$26barrel and exchange rate of 110.0 yen /US\$ for year 2004. Based on these premises, we estimate the following business result.

Ordinary profit based on current cost of supply calculation excluding the stock evaluation effects, we expect to attain 40 billion yen, an increase of 3.7 billion yen compared with 36.3 billion yen in 2003. With regard to dividend, we are planning to pay total dividend of 30 yen per share (interim dividend / final dividend: 15yen each)

[Consolidated basis]

Sales	\1,650 bln
Ordinary Profit	\32 bln
Ordinary Profit (CCS)	\40 bln
Net Income	\18 bln

[Un-consolidated basis]

Sales	\1,580bln
Ordinary Profit	\28 bln
Ordinary Profit (CCS)	\36 bln
Net Income	\16 bln

6.Disposition of Corporate Auditors

Disposition of corporate auditors is stated in the different paper.