

Focusing On Customers and Strengthening Profitability



John S. Mills
President and COO

Over the past six years, Showa Shell has carried out a remarkable program of corporate reforms. This is a notable accomplishment even for the global Shell Group, and we are very proud of our efforts.

However, 2002 will undoubtedly be an extremely challenging year for Showa Shell. The Japanese economy remains sluggish, and our competitors are also aggressively working to improve their business performance. As we embark on the second stage of corporate reforms amid these difficult conditions, we recognize that it will be crucial to maximize our capabilities, pursue additional structural cost reductions, solidify relationships with customers and dealers, and expand our operations in order to achieve our commitments to stakeholders.

Furthermore, during 2002 we must build the necessary capabilities and business infrastructure not only to achieve our performance targets but also for sustainable growth. To do so, we must first optimize our current business areas while expanding the scope of core businesses in which we are extremely competitive.

Last year, we proposed a series of retail strategies entitled Retail Renaissance 21 to dealers, our most important business partners, to provide a common orientation for our future direction. During 2002, Showa Shell will work more closely with dealers to promote marketing activities. Our first such effort is Shell Pura environmentally friendly high-octane gasoline. Developed in response to the needs of customers, it has been extremely well received. Following its launch in the

Tokyo metropolitan area, the sales area was expanded to the Nagoya area, and we are investigating the possibility of launching Shell Pura nationwide in the future.

Over the long term, Showa Shell aims to expand its business activities to encompass an even wider range of energy products. We are currently studying the profitability and potential of new businesses such as gas-to-liquid (GTL), dispersed power, solar cells, and fuel cells. However, regardless of time frame, we believe that focusing on customers at all times is the key to success. To achieve sustainable growth, we must continue to satisfy customers by accurately gauging their needs and providing high-quality products and services that our competitors cannot match.

Showa Shell is working to gain market leadership by building a brand that customers choose first and support and maintaining our reputation as a company worthy of investment due to our sound financial structure and high operational efficiency. In laying this foundation, 2002 will be an extremely important year for Showa Shell. As both president and an employee of Showa Shell, I will spare no effort to achieve these goals. In doing so, I hope for the continued support of all of our stakeholders.

A handwritten signature in black ink that reads "John S. Mills". The signature is written in a cursive, slightly slanted style.

John S. Mills
President and COO