

## PROFILE

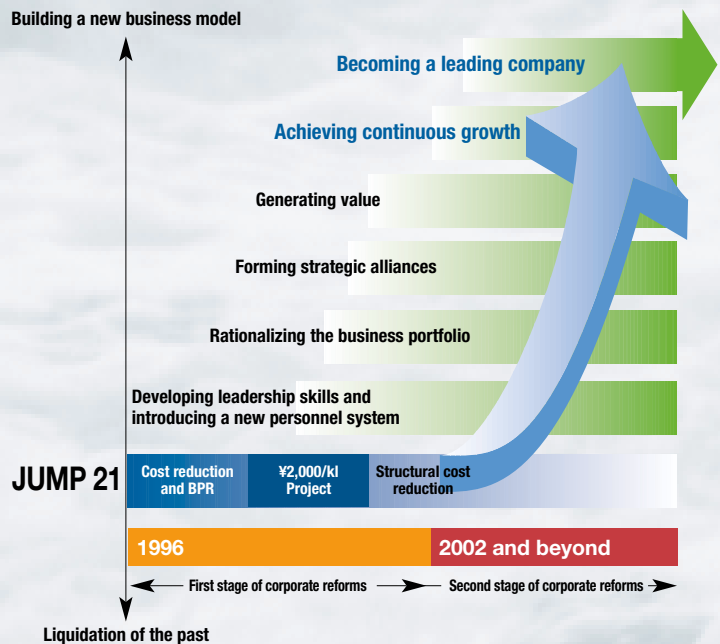
Showa Shell Sekiyu K.K. was formed as a result of the merger on equal terms in 1985 between Showa Oil Co., Ltd., established in 1931, and Shell Sekiyu K.K., which has operated in Japan for more than a century. Showa Shell has a unique corporate culture that features the best of both Japanese and Western management practices. While working to accurately grasp the needs of local customers, we are quickly and boldly taking on the challenges of the changing roles required of today's companies. This hybrid business style has enabled us to lead the Japanese oil industry in corporate reforms. As a member of the Royal Dutch/Shell Group, a multinational corporation operating in more than 100 countries, the Showa Shell Group benefits from its shared technologies, expertise and data, and continues to move forward with industry-leading structural reforms in order to remain highly competitive in today's deregulated, international energy market.

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# SUSTAINA

## Showa Shell Reform Roadmap



## Becoming a Leading Industry Participant

### ● Continually Improving Shareholders' Return

We are committed to generating steady capital gains and consistently paying high dividends.

### ● Superior Quality in Our Businesses

We are working to ensure transparency in all our management activities, based on a customer-driven business model designed to achieve strong profitability and continuous growth.

### ● Employee Pride and Satisfaction

While enabling all employees to make full use of their skills and evaluating and rewarding their performance accordingly, we are setting forth new challenges to encourage personal growth.

### ● Being a Responsible Member of Society

The Company's approach towards health, safety and environment (HSE) serves as a social benchmark, and the entire organization as well as each individual employee acts in a manner consistent with the Company's strong sense of corporate ethics.

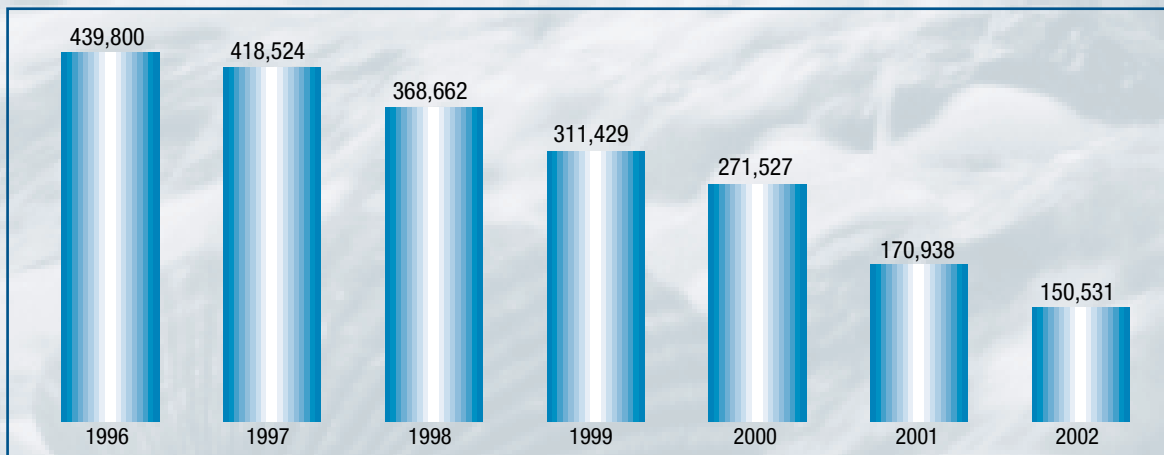
# BLE DEVELOPMENT

## Aiming for Sustainable Growth as an Industry Leader

Since the start of liberalization of Japan's oil industry in 1996, Showa Shell has been at the forefront of change, pursuing an ambitious program of restructuring focused on three key management reforms: concentrating management resources on the downstream oil business; promoting customer-led value generation; and implementing structural cost reductions. As a result, between 1996 and 2002, the Company reduced total costs by more than ¥110.0 billion and lowered interest-bearing debt from ¥440.0 billion to ¥150.0 billion. Through these reforms, Showa Shell has enhanced its strong cost competitiveness and financial base and is energetically taking on the challenge of its next phase of growth in the second stage of corporate reforms as a corporate group with a solid business structure that will allow it to outperform its competitors.

Interest-bearing Debt (Consolidated)

(¥ Million)



Reduction in Structural Costs for a Stronger Company

(¥ Billion)

### 1995~2002 (Unconsolidated basis)

Structural cost reduction excludes temporary increase of restructuring costs or negative factors such as alteration of depreciation methods and delivery cost reduction by the decrease of sales volume.

