

Sustainable Growth Together with Society/ Corporate Social Responsibility in Action

Fulfilling Showa Shell's Corporate Social Responsibility

Management Philosophy and Basic Principles

Showa Shell's stated philosophy on long-term growth declares: "To enable Showa Shell to make ongoing contributions to society, the Company will strive to achieve sustainable growth by building a solid management platform and healthy corporate structure, while continuing to secure a reasonable profit." This philosophy of responsible growth forms the basis for the Company's Code of Conduct, a set of guidelines put in place to ensure that Showa Shell remains more than worthy of the full trust of all stakeholders.

The Code of Conduct offers a specific description of the Company's principles, in such categories as the following:

- The responsibilities that each Showa Shell employee should recognize.
- The profitability and efficiency needed to sustain the Company.
- The corporate ethics to be adhered to as a responsible member of society.

In addition, Showa Shell has established a Basic Policy on Safety, Health, and Environmental Conservation. This policy expands upon the Company's commitment to carry out safety, health, and environmental management, which is part of the mandate of the Code of Conduct.

Showa Shell has also created a Basic Policy on Diversity to make clear the Company's acceptance of diverse values and its respect for the personal traits and unique characteristics of each individual, as well as to raise awareness among employees regarding the issue of diversity. The Company recognizes that individuals with diverse backgrounds and experiences can inspire and complement each other in creating a vibrant organization, and are essential to increasing the value of the corporation over the long term.

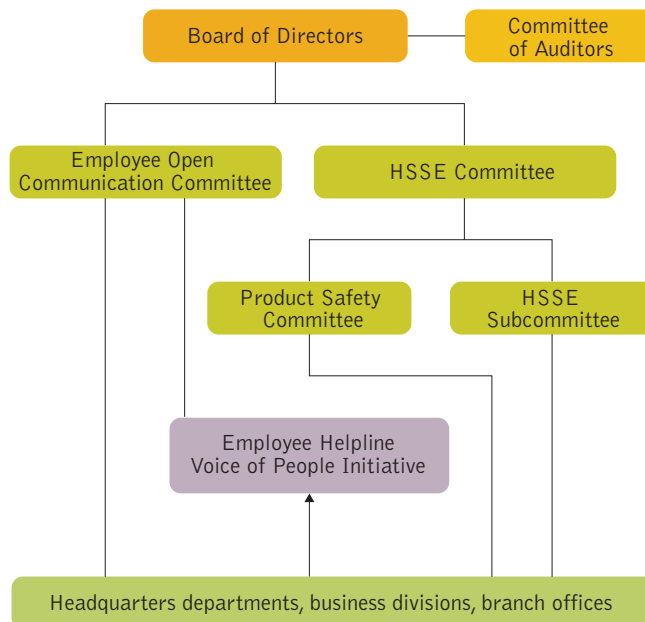


Organizations Dedicated to Social Responsibility

Showa Shell has sought to create a transparent corporate organization and build a dynamic workforce. Toward this end, the Company has created an Employee Open Communication Committee that is responsible for overseeing the Employee Helpline and the Voice of People initiative. This initiative is designed to enable employees to voice their concerns, opinions, and suggestions, which in turn can be directly incorporated into the Company's management plans.

The Health, Safety, Security, and Environment (HSSE) Committee at Showa Shell is responsible for overseeing the Company's efforts to promote its Basic Policy on Safety, Health, and Environmental Conservation, with an additional emphasis on promoting security. The HSSE Committee is served by subcommittees such as the Product Safety Committee and HSSE Subcommittee, which endeavor to raise awareness, educate employees, and conduct drills related to a wide range of issues including disaster prevention, occupational safety and health, product safety, and environmental conservation.

Showa Shell's human resource departments are primarily responsible for carrying out initiatives related to the Company's Basic Policy on Diversity, by striving to attract talented individuals and offering them suitable positions within the Company. These departments are also responsible for ensuring that the Company provides a full range of educational programs, as well as for promoting initiatives to help employees balance their work and home lives.



Protecting the Global Environment and Contributing to a Sustainable Society

Building Environmental Management Systems as Part of a Comprehensive Approach to Ensuring Safety and Environmental Conservation

The Showa Shell Group utilizes Health, Safety, Security, and Environment (HSSE) management systems as part of a comprehensive approach to risk management that targets complete prevention of disasters and accidents. HSSE management systems have been adopted within Showa Shell's refinery and logistics businesses, at the Company's headquarters, and at all branch offices and major affiliates of the Showa Shell Group.

Showa Shell has taken various initiatives to enable a more systematic approach to risk management. These efforts include the use of Risk Assessment Matrices (RAM) to conduct risk analysis, and the Hazard and Effect Management Process (HEMP), which enables the Company to identify and manage potential disaster causes. In addition, Showa Shell has established an HSSE Department to monitor HSSE issues at each of its offices and conduct reviews of HSSE issues at the management level.

In fiscal 2003, Showa Shell implemented numerous disaster prevention drills at various Company locations including participation in marine accident emergency response drills in Tokyo Bay and national crisis response drills. The Company also took part in the Aichi Prefecture Petrochemical Complex Disaster Prevention Drill at the Hekinan LPG base and conducted a fire prevention drill at its asphalt plant in Mie Prefecture.

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Aichi Prefecture petrochemical complex disaster prevention drill (October 2003)

ISO 14001 Certification and Annual Environmental Report

Prior to establishing the company's HSSE management systems, the Showa Shell Group acquired ISO 14001 certification at each of its refineries and its Hekinan LPG base. Showa Shell also publishes an annual environmental report entitled *Moderate*, which provides an overview of the Company's



progress in terms of reducing substances of environmental concern and industrial waste, and in terms of its efforts to promote recycling, energy conservation, and risk management for soil pollution.

Start of Nationwide Sales for Low-Sulfur Fuel

Showa Shell is also committed to developing and supplying clean energy that is friendly to the environment. In 2000, Showa Shell began offering a diesel oil with a sulfur content of less than 50 ppm in the Tokyo area. In April 2003, Showa Shell began offering low-sulfur diesel oil nationwide, except for Okinawa and other outlying islands. The start of nationwide sales for low-sulfur fuel was approximately two years ahead of the timetable set by government regulations.

In fiscal 2004, Showa Shell will offer sulfur-free gasoline and sulfur-free fuel with a sulfur content of less than 10 ppm. The Company also is promoting joint development projects and collaboration within the Showa Shell Group that will lay the groundwork for rapid commercialization of environmentally-friendly next-generation fuels such as hydrogen fuel for fuel cells, gas-to-liquid (GTL) fuels, and solar power generation.



S 50 low-sulfur (50 ppm) diesel oil

Contributing to Society through Solar Power Generation

Showa Shell's social contributions include initiatives to promote solar power generation in overseas areas without electricity. In addition to supplying equipment, the Company's initiatives involve sharing both technology and operating expertise in support of both regional autonomy and sustainable growth.

Showa Shell has been providing Thailand with solar power generation equipment for many years. As a result of this highly acclaimed initiative, in 2003 the Thai government committed to supplying 300,000 homes with solar cells in areas without access to electricity. Showa Shell has also participated in similar projects in Nepal and the People's Republic of China.



Solar power generation system in Libon Island, Thailand

Contributing to Society in Many Practical Fields

Supporting Young Environmental Researchers

The Showa Shell Sekiyu Foundation for Promotion of Environmental Research was established in 1995 to address the issue of a long-term, stable relationship between human beings and nature. Toward this end, the Foundation subsidizes natural and social sciences research related to environmental issues and strives to advance academic scholarship and social development.

In fiscal 2003, the year of the Foundation's ninth anniversary, hundreds of applications were received for support of study in two fields: innovative "seed research" related to the conservation of local ecologies and the global environment, and specific "general research" projects dealing with the preservation of a stable relationship between human activity and nature. After rigorous screening, the Foundation approved subsidies for 51 studies, with priority given to those proposed by younger researchers.



Presentation ceremony for 2003 subsidy awardees

The Shell Art Prize: Opening Doors for Young Painters

The Shell Art Prize/Showa Shell Modern Art Prize, first awarded in 1956, is a prestigious honor in the Japanese art world. Reintroduced as the all-new Shell Art Prize in 2003 with the goal of discovering the next generation of young artists. The art competition was open to the general public, with entries accepted from artists 40 years of age or under. The competition received 1,665 pieces submitted by 1,002 artists, and the exhibition of award winners held in January 2004 also attracted a large



Grand Prix runner-up prize winners
Top: Kyodatsu (*Collapse*) by Yukari Tsuji, Bottom: *Untitled* by Kanno Sakan



number of visitors.
The Shell

Art Prize is a flagship project in the Showa Shell Group's efforts to contribute to society, and Showa Shell remains committed to continuing to use the prize to help discover talented Japanese artists with great potential for future success.

Christmas Lectures Inspire Future Scientists

Showa Shell is a cosponsor of the Christmas Lectures with the Royal Institution of Great Britain, launched in the United Kingdom in 1826 to introduce children to the fun of "science." These courses are held in the United Kingdom each year around Christmas time, and an identical lecture has been given in Japan during summer vacation the following year ever since 1990. The fiscal 2003 lecture took place in Tokyo and Oita, and featured Professor Anthony Ryan from Sheffield University in the United Kingdom. Professor Ryan addressed the topic of "Materials: The Miracle of Chemistry," using experiments with everyday materials to make chemistry easy for the students to understand. Every year, the Christmas Lectures bring scientists who are at the top of their fields to Japan to teach children about the wonders of science.



Internship Program

Since 2001, Showa Shell has operated an internship program that enables students to gain work experience in a field related to their current area of specialization or future plans. In fiscal 2003, the Company welcomed 19 Japanese student interns to 11 different departments over a two-week period in July and August.

Refugee Assistance

Providing office space free of charge is only one of the ways in which Showa Shell has supported the refugee assistance activities of Refugees International Japan (RIJ) over the 25 years since its foundation. RIJ's "Light Up the Life of a Refugee Child" 2003 fundraising campaign, the 15th such campaign, began December 11 and ran for a week. In addition, Showa Shell and its group companies in Japan participated in the campaign lamp-lighting ceremony. Showa Shell will continue to support the refugee assistance activities of RIJ.

Shell Museum Renovated

The Shell Museum, located on the first floor of Showa Shell's head office building, has four parts (motor sports, the Memories of Shell exhibit, the Shell shop, and a café), and also features Formula One-related exhibits and events with guest Formula One racers. In fiscal 2003, Showa Shell renovated the Museum, resulting in a more open and sophisticated environment, and reopened it with plans for even better exhibits and events.

