

Overview of Business Operations



Service Stations

At our service stations, together with our affiliated dealers who are our business partners, we promote the extension of services that meet the specific needs of our customers. We offer a full lineup of products, which is winning strong support from our customers. We are also bolstering training for service station staff. For example, we have set up the SRM (Shell Royal Manager) system, which serves as the standard for certification of future affiliated dealership managers. The staff must complete three levels of certification before qualifying for the management position of an affiliated dealership. From 2006, we will introduce a new certification programme for the positions of "oil meister" and "car life adviser." Through such initiatives, we aim to create service stations that more precisely meet our customers' car maintenance needs.



Distribution System

We are enhancing the efficiency of delivery operations and lowering distribution costs thanks to the introduction of massive shipments, made possible by larger tankers and tank trucks, the creation of a computer-controlled distribution system. We have also expanded the use of Driver-Controlled Delivery to raise tank truck utilisation rates, and are now making full use of night-time tank truck deliveries. Efficiency was further enhanced by the introduction of cell phones and tank trucks equipped with GPS (global positioning systems) in 2005. In addition, we have held a large number of meetings for service station managers and lorry drivers to improve communication, and are simultaneously introducing measures to ensure safety.



Liquefied Petroleum Gas (LPG)

Showa Shell handles four kinds of LPG: 1) Clean Propane, used in homes and at restaurants; 2) Clean Auto used in taxis; 3) Clean Butane for industrial and consumer gas applications, as well as basic materials for chemical products; and 4) Clean Mix, a mix of propane and butane. These gases can be stored in easy-to-carry, environmentally friendly dispensers, which make LPG easy to handle. Nationwide, there are currently 26,000,000 households that use LPG for cooking, water heating and air conditioning. Other applications include commercial, automotive, and industrial use. In the future, we anticipate the use of LPG in fuel batteries, serving as one of the fuels in a diversified power system.



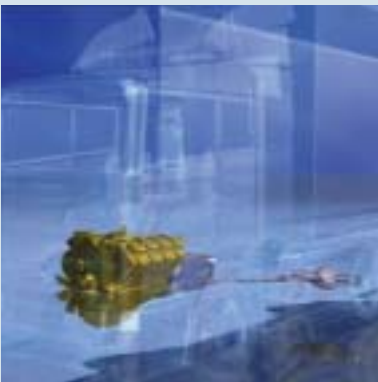
Jet and Tanker Fuel

Showa Shell sells fuel oil and lubricants for jets and tankers. The Shell Group supplies fuel to jets starting with their very first tankful. Today, the Shell Group supplies fuel to over 800 airports, in more than 80 countries. The Group also supplies tanker fuel and lubricants, servicing over 1,400 ports worldwide. Leveraging its global network, the Shell Group is expanding its sales activities in Japan and overseas. With regard to lubricants, the Shell Group markets a common brand for both jets and tankers.



Fuel for Industrial Uses

Showa Shell produces fuels for industrial use and sells these fuels directly to customers in the manufacturing, transport, and electric power industries, and also the agricultural, forestry and fisheries sectors, as well as the government and other public offices. As all industrial sectors in Japan work to resolve environmental issues, typified by recent efforts to reduce CO₂ emissions, their fuel needs will grow increasingly diverse. Showa Shell aims to face this challenge not merely as a fuel supplier, but also as a solution provider.



Lubricants and Grease

Concerning lubricants and grease, Showa Shell in collaboration with the Shell Group has developed over 1,000 varieties of lubricants and grease, for a wide product lineup designed to meet customers' needs, which change from moment to moment. The synthetic fuel XHVI™, made from natural gas, boasts a high viscosity index with superior stability, and is a base oil which is sulfur-free and contains no pungent hydrocarbons. In the unlikely event of an oil leak, we have developed an oil which will automatically be broken down by bacteria. In this way, we have gained a substantial lead over our competitors thanks to our development of such high-performance, environmentally friendly lubricants. In addition, we have created a highly efficient distribution system for delivering products to locations anywhere in Japan from our two production plants in Yokohama and Kobe.



Asphalt

Thanks to Showa Shell's extensive efforts in research and new product development, the Company is now able to supply asphalt that imposes a smaller environmental burden, which can be used for a variety of applications and which contributes to life in rural areas. Asphalt is known primarily for its use as a road covering. However, making use of its tenacity, it can be applied as a layer over pilings for substructures of civil engineering works, protecting the pilings from friction caused by land subsidence. Due to its properties of being waterproof, rust-resistant, sound-proof and vibration-proof, asphalt is suitable for a wide range of applications in civil engineering, construction and other industries.



Refining and Supply of Petroleum

In addition to the combined capacity of the Group's three refineries—the Yokkaichi Refinery of Showa Yokkaichi Sekiyu, the Keihin Refinery of Toa Oil, and the Yamaguchi Refinery of Seibu Oil—the Company has acquired equity stakes in AOC Holdings, thereby gaining access to Fuji Oil's Sodegaura Refinery and substantially increasing its supply capacity in the Tokyo area, where demand is especially strong. We actively invested in technology for limiting sulfur content in gasoline for automotive fuel to 10 ppm or less (sulfur-free). Through the pioneering of such sophisticated technologies, we will continue to undertake oil refining while proactively responding to customer needs.