

Notes to the Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Securities and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Security Exchange Law, fraction below one million yen is round off. It causes the totals in the financial statements are not equivalent to the sums of each item.

2. Summary of Significant Accounting Principles

(1) Principles of Consolidation

a) Consolidated subsidiaries as of December 31, 2005: (23 companies)

| | | |
|-------------------------------------|--------------------------------------------|----------------------------------------------|
| Showa Yokkaichi Sekiyu Co., Ltd. | Shoseki Overseas Oil Development Co., Ltd. | Shoseki Home Gas K.K. |
| Toa Oil Co., Ltd. (*3) | Petro Star Kansai K.K. | K.K. Shinyo Sekiyu |
| East Ogishima Oil Terminal Co., Ltd | Chuo Shell Sekiyu Hanbai K.K. (*2) | K.K. Marushin (*5) |
| Showa Shell Sempaku K.K. | Kanto Kouyu Energy Co., Ltd (*1) | K.K. Rising Sun |
| Shoseki Gas K.K. | Nakagawa Oil Co., Ltd. | Shoseki Engineering & Construction Co., Ltd. |
| Nippon Grease Co., Ltd. | Tokyo Shell Pack K.K. | Wakamatsu Gas K.K. (*4) |
| Shoseki Kako K.K. | Petro Star Kanto Co., Ltd. | Genex Co., Ltd. (*3) |
| Heiwa Kisen Kaisha, Ltd. | K.K. Sun Road | |

(*1) Shoseki Shoji K.K (consolidated subsidiary), has changed its name to Kanto Kouyu Energy Co., Ltd. as of January 1, 2005.

(*2) Chuo Shell Sekiyu Hanbai K.K. (consolidated subsidiary), has merged with Siris Co., Ltd. (consolidated subsidiary), and Anzen Sekiyu K.K. (consolidated subsidiary) from this financial year, which used to be an equity associate) as of July 1, 2005.

(*3) Toa Oil Co., Ltd., which was an equity associate, and its consolidated subsidiary, Genex Co., Ltd. have become consolidated subsidiaries due to additional acquisition of Toa shares issued by right offering.

(*4) K.K. CF Energy, which has changed its name to Wakamatsu Gas K.K., has become a consolidated subsidiary by business transfer on July 1, 2005.

(*5) K.K. Marushin has become a consolidated subsidiary from this financial year because of its increased materiality.

Companies, such as K.K. Hayawa are excluded from consolidation because their influence is immaterial to the consolidated financial statements.

b) Account closing dates

| | |
|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| March 31 | Toa Oil Co., Ltd., Genex Co., Ltd. |
| September 30 | Petro Star Kansai K.K., Petro Star Kanto Co., Ltd., Nakagawa Oil Co., Ltd., K.K. Sun Road, K.K. Sinyo Sekiyu, Shoseki Home Gas K.K. and K.K. Marushin |
| October 31 | Tokyo Shell Pack K.K. |

The consolidated financial statements incorporated the accounts of the above companies with adjustments for significant transactions arising after their accounts closed.

(2) Equity Associates

Equity associates as of December 31, 2005: (13 companies)

| | | |
|-----------------------------|--------------------------------------|-----------------------------------------|
| Seibu Oil Co., Ltd. | Toyotsu Sekiyu Hambai K.K. (*) | Niigata Joint Oil Stockpiling Co., Ltd. |
| Nissho Koyu K.K. | Japan Oil Network Co., Ltd. | Joyo Shell Sekiyu Hanbai K.K. |
| Marubeni Energy Corporation | Central Energy K.K. | Central Sekiyu Gas Co., Ltd. |
| Mieseki Shoji K.K. | Shell Sekiyu Osaka Sales Office K.K. | Shell Tokuhatsu K.K. |
| Daiya Shoseki K.K. | | |

(*) Toyotsu Sekiyu Hambai K.K. has become an equity associate from this financial year due to share acquisition issued by right offering.

Companies, such as Kyokuyo Co., Ltd., K.K. Onsite Power are excluded from the consolidated financial statements because their influence is immaterial.

(3) Valuation Methods of Main Assets

a) Securities:

Securities with market value are stated at market value. Net unrealized gains or losses on these securities are reported as a component of the shareholders' equity in after-tax amount. Cost of securities sold is calculated by the moving average method.

Securities with no market value are valued at historical cost, based on the moving average method.

b) Derivatives:

Derivatives are stated at market value.

c) Inventories:

Inventories are stated at historical cost, mainly based on the weighted average method.

(4) Depreciation

a) Tangible fixed assets:

Straight-line method is adopted. The same standard as stipulated in the Corporate Tax Law is applied to the useful economic lives and the residual values. The main refining facilities in Kawasaki and Yokkaichi are depreciated with estimated useful economic lives of 20 years.

b) Intangible fixed assets:

Straight-line method is adopted. Software for in-house use is depreciated based on the straight-line method over the expected useful economic life of 5 years.

(5) Provisions

a) Provisions for bad debts:

For doubtful debts, allowances are calculated individually based on the estimated uncollectible amounts. For other debts, allowances are calculated based on the actual ratio of the past bad debt losses.

b) Provisions for bonuses:

Accrued bonuses for the current financial year are provided based on the estimated bonuses to be paid in the following year.

c) Provisions for retirement benefits:

Accrued retirement benefits for the current financial year is provided based on the estimated PBO and pension assets as at the current financial year end. Actuarial differences are amortized evenly within the following 13-15 years, which is the average remaining service years of employees. The past service liabilities are amortized evenly within 14 years, which was the average remaining service years of employees at occurrences. Differences at the accounting standards change are amortized evenly over the following 15 years, which used to be the average remaining service years of employees at that time.

d) Provisions for special repairs:

The companies are required to have periodical inspections and repairs for oil tanks under the Fire-fighting Law. Estimated accrued expenses for those inspections and repairs are provided.

(6) Currency Translation

Assets/Liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate as at the current financial year end. Translation differences are charged or credited to income.

(7) Accounting for Leases

Finance leases, whose ownership of the leased assets do not transfer to the lessees, are treated as the same way as operating leases.

(8) Hedge Accounting

Hedge accounting is not adopted.

(9) Consumption Tax

Consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax withheld upon sale and consumption tax paid by the Companies on their purchases of goods and services is not included in revenue and cost or expense items respectively in the accompanying consolidated statements of income.

(10) Valuation of Assets and Liabilities of Subsidiaries

Assets and liabilities of the subsidiaries are measured at the fair values when consolidated.

(11) Amortisation of Goodwill

Goodwill is amortised not more than 20 years, which is determined in consideration of its causes.

(12) Appropriation of Retained Earnings

Under the Commercial Code of Japan and the Articles of Incorporation of the Company, the appropriation of retained earnings proposed by the Board of Directors is subject to the shareholders' approval at a shareholders' meeting, which must be held within three months from the financial year-end. The appropriation charged to retained earnings, that is applicable to the preceding financial year, was approved at the shareholders' meeting and disposed of during the year. Dividends are paid to shareholders on the shareholders list as at the end of each financial year.

(13) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated cash flow statements are composed of cash in hand, withdrawal deposits, time deposits whose maturity do not exceed 3 months and low risk & volatile short-term investment with maturity within 3 months.

3. Accounting Change

Accounting standard for impairment of fixed assets:

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." The standard shall be effective from the financial year ended March 31, 2004 or thereafter. The Companies adopted it from the accounts ended December 31, 2004. As a result, net income before taxes and minority interests of 2004 decreased by 33,728 million yen.

4. Inventories

Inventories as of December 31, 2005 and 2004

| | Millions of yen | |
|--------------------------------|-----------------|----------|
| | 2005 | 2004 |
| Products | ¥ 86,212 | ¥ 64,961 |
| Crude & materials | 58,617 | 47,670 |
| Crude & materials afloat | 57,765 | 37,591 |
| Work in progress | 27,817 | 21,426 |
| Containers & stores | 6,273 | 4,830 |
| | ¥236,686 | ¥176,478 |

5. Securities

a) Investment securities as of December 31, 2005 and 2004

| | Millions of yen | |
|------------------------------------------------------------------|-----------------|---------|
| | 2005 | 2004 |
| Securities | ¥27,489 | ¥11,963 |
| Securities of non-consolidated subsidiaries and affiliates | 23,887 | 24,499 |
| | ¥51,377 | ¥36,462 |

b) Securities with market value as of December 31, 2005 and 2004

| | Millions of yen | | |
|----------------------------------|-----------------|-------------------|------------------------|
| | 2005 | | |
| | Historical cost | Fair market value | Unrealized gain (loss) |
| Securities with unrealized gain: | | | |
| Shares | ¥12,426 | ¥21,616 | ¥9,189 |
| Securities with unrealized loss: | | | |
| Shares | 0 | 0 | (0) |

| | Millions of yen | | |
|----------------------------------|-----------------|-------------------|------------------------|
| | 2004 | | |
| | Historical cost | Fair market value | Unrealized gain (loss) |
| Securities with unrealized gain: | | | |
| Shares..... | ¥1,851 | ¥6,155 | ¥4,304 |
| Securities with unrealized loss: | | | |
| Shares..... | 132 | 127 | (5) |

c) Securities sold in the accounts of 2005 and 2004

| | Millions of yen | |
|--------------------------------------|-----------------|------|
| | 2005 | 2004 |
| Amount of sold during the year | ¥471 | ¥103 |
| Realized gain..... | 91 | 23 |
| Realized loss..... | 0 | 2 |

d) Securities with no market value as of December 31, 2005 and 2004

| | Millions of yen | |
|----------------------|-----------------|--------|
| | 2005 | 2004 |
| Securities | | |
| Unlisted shares..... | ¥5,858 | ¥5,665 |
| Unlisted bonds..... | 15 | 15 |
| | ¥5,873 | ¥5,680 |

6. Short-term and Long-term Debts

a) Short-term debts as of December 31, 2005 and 2004

| | Millions of yen | |
|------------------------|-----------------|---------|
| | 2005 | 2004 |
| Short-term debts | ¥ 30,535 | ¥33,338 |
| Commercial paper..... | 86,000 | 23,000 |
| | ¥116,535 | ¥56,338 |

Note: The weighted average interest rates on short-term debts outstanding at the year-end were as follows:

| | % | |
|------------------------|------|------|
| | 2005 | 2004 |
| Short-term debts | 0.19 | 0.36 |
| Commercial paper..... | 0.03 | 0.01 |

b) Long-term debts as of December 31, 2005 and 2004

| | Millions of yen | |
|--------------------------------------------------------|-----------------|---------|
| | 2005 | 2004 |
| Loans from banks, other financial institutions, etc | | |
| Due from 2006 to 2015..... | ¥60,295 | ¥ — |
| Due from 2005 to 2014..... | — | 28,444 |
| 3.25 per cent straight bond due in 2005 (Note 1) | — | 15,000 |
| 0.71 per cent straight bond due in 2010 (Note 1) | 15,000 | 15,000 |
| | 75,295 | 58,444 |
| Less: due within one year | 11,366 | 24,299 |
| | ¥63,929 | ¥34,145 |

Notes: 1. Unsecured bonds.

2. The weighted average interest rate on long-term debts [excluding the one due in 1 year] from banks outstanding as of December 31, 2005 and 2004 were 1.68% and 1.65%, respectively.

Annual maturities of bonds

| | Millions of yen | |
|--------------------------------------------------|-----------------|---------|
| | 2005 | |
| Within one year | ¥ | — |
| More than one year less than two years..... | | — |
| More than two years less than three years | | — |
| More than three years less than four years | | — |
| More than four years less than five years | | 15,000 |
| More than five years | | — |
| | | ¥15,000 |

Annual maturities of long-term debts, (excl. bonds)

| | Millions of yen |
|--------------------------------------------------|-----------------|
| | 2005 |
| Within one year | ¥11,366 |
| More than one year less than two years | 7,664 |
| More than two years less than three years | 4,732 |
| More than three years less than four years | 11,734 |
| More than four years less than five years | 9,148 |
| More than five years | 15,651 |
| | ¥60,295 |

7. Lease Transactions

(1) Lessee

a) Finance leases

Finance leases, excluding those for which the ownership of the leased assets is considered to be transferred to the lessee, as of, and for the years ended December 31, 2005 and 2004.

| | Millions of yen | | |
|------------------------------------------|-------------------|--------------------------|---------------|
| | 2005 | | |
| | Acquisition Costs | Accumulated Depreciation | Balance |
| Buildings, structures and tanks..... | ¥ 312 | ¥ 180 | ¥ 132 |
| Machinery and equipment..... | 1,189 | 614 | 575 |
| Other property, plant and equipment..... | 3,316 | 1,870 | 1,445 |
| Intangible fixed assets..... | 12 | 6 | 5 |
| | ¥4,830 | ¥2,672 | ¥2,157 |

| | Millions of yen | | |
|------------------------------------------|-------------------|--------------------------|---------|
| | 2004 | | |
| | Acquisition Costs | Accumulated Depreciation | Balance |
| Buildings, structures and tanks..... | ¥ 469 | ¥ 291 | ¥ 178 |
| Machinery and equipment..... | 2,745 | 1,446 | 1,298 |
| Other property, plant and equipment..... | 574 | 381 | 192 |
| | ¥3,788 | ¥2,119 | ¥1,669 |

Lease rental payments and depreciation for the years ended December 31, 2005 and 2004 amounted to 852 million yen and 696 million yen, respectively. Depreciation is calculated by the straight-line method over the lease term of the leased assets assuming no residual value.

Scheduled maturities of future lease rental payments of finance leases as of December 31, 2005 and 2004

| | Millions of yen | |
|---------------------------|-----------------|--------|
| | 2005 | 2004 |
| Due within one year | ¥2,261 | ¥1,672 |
| Due over one year | 4,510 | 3,345 |
| | ¥6,771 | ¥5,017 |

b) Operating Leases

| | Millions of yen | |
|---------------------------|-----------------|------|
| | 2005 | 2004 |
| Due within one year | ¥101 | ¥ 83 |
| Due over one year | 182 | 179 |
| | ¥284 | ¥263 |

(2) Lessor

Finance leases

Scheduled maturities of future lease rental payments of finance leases as of December 31, 2005 and 2004

| | Millions of yen | |
|---------------------------|-----------------|--------|
| | 2005 | 2004 |
| Due within one year | ¥1,421 | ¥1,053 |
| Due over one year | 3,191 | 2,294 |
| | ¥4,613 | ¥3,347 |

Note: They are sublease transactions.

8. Income Taxes

(1) Temporary differences that compose deferred tax assets and liabilities as of December 31, 2005 and 2004

| | Millions of yen | |
|--------------------------------------------------------------------|-----------------|-----------|
| | 2005 | 2004 |
| Deferred tax assets: | | |
| Non-deductible portion of provisions for retirement benefits | ¥31,508 | ¥30,572 |
| Loss on impairment of fixed assets | 14,496 | 13,720 |
| Non-deductible valuation loss of investment securities | 1,014 | 2,301 |
| Non-deductible portion of provisions for bad debts | 310 | 429 |
| Others | 16,475 | 13,508 |
| Sub-total | 63,805 | 60,532 |
| Valuation allowance | (15,090) | (14,383) |
| Total deferred tax assets | ¥48,715 | ¥46,148 |
| Deferred tax liabilities: | | |
| Reserve for deferred gains on fixed assets transactions | ¥ (9,038) | ¥ (8,989) |
| Unrealized gains on investment securities | (3,740) | (1,750) |
| Others | (5,873) | (546) |
| Total deferred tax liabilities | (18,652) | (11,286) |
| Net deferred tax assets / (liabilities) | ¥30,063 | ¥34,862 |

(2) Reconciliation between the statutory tax rate and the effective tax rate as of December 31, 2005 and 2004

| | 2004 |
|--------------------------------------------------------------|--------|
| Statutory tax rate | 42.0% |
| Permanent differences: | |
| Non-deductible expenses such as entertainment expenses | 1.56 |
| Non-taxable income such as dividend income | (3.27) |
| Loss on impairment of fixed assets | 47.88 |
| Decrease in deferred tax assets due to tax rate change | — |
| Others | 2.02 |
| Effective tax rate | 90.18% |

Note: Information on 2005 accounts is omitted because there was no significant difference between the normal effective statutory tax and the effective income tax rates.

9. Provisions for Retirement Benefits

The Companies operate various kinds of retirement benefit plans, such as contributory pension plan, qualified pension plan and severance payment plan.

(1) Provisions for retirement benefits as of December 31, 2005 and 2004

| | Millions of yen | |
|--------------------------------------------------------------------------------------------------------------|-----------------|------------|
| | 2005 | 2004 |
| Retirement benefit obligations | ¥(106,240) | ¥(102,076) |
| Pension assets | 15,212 | 10,041 |
| Unfunded retirements benefit obligations | (91,027) | (92,035) |
| Unrecognized actuarial differences | 10,889 | 13,308 |
| Unrecognized prior service costs | (624) | (681) |
| Transition difference arising from initial adoption of new accounting standard for retirement benefits | 1,085 | — |
| | ¥ (79,677) | ¥ (79,408) |

Notes: 1. Certain subsidiaries calculate the retirement benefit obligation by the simple method allowed under Japanese GAAP.

2. At the time of employees' retirement, in some cases extra benefits might be paid, which are not included in the retirement benefit obligations calculated by actuarial measurement.

3. Transition differences arising from initial adaptation of new accounting standard for retirement benefits are recognized due to the consolidation of the subsidiary in this financial year.

(2) The net periodic pension expense related to the retirement benefits for the 2005 and 2004 accounts

| | Millions of yen | |
|------------------------------------------------------------------------------|-----------------|--------|
| | 2005 | 2004 |
| Service cost | ¥2,132 | ¥2,084 |
| Interest cost | 2,496 | 2,491 |
| Expected return on pension assets | (56) | — |
| Amortization of unrecognized actuarial differences | 1,268 | 1,254 |
| Amortization of unrecognized prior service costs | (57) | (57) |
| Amortization of unrecognized differences at accounting standard change | 29 | — |
| | ¥5,812 | ¥5,773 |

Notes: 1. Service cost excludes employees' contributory pension plan operated by the Company.

2. Service cost includes net periodic pension expense incurred by the subsidiaries, which adopt the simple method.

(3) Assumptions used in calculation of the above information

| | As of December 31, 2005 | As of December 31, 2004 |
|---------------------------------------------------------|--------------------------|--------------------------|
| Allocation method for retirement benefits expense | Periodical straight line | Periodical straight line |
| Discount rate | 2.5% | 2.5% |
| Expected rate of return | 0.5% | 0% |

10. Derivatives

(1) Conditions of transactions

In the normal course of business, the Companies use derivatives to manage their exposures to market risks in compliance with their internal policies. The Companies do not use derivatives for speculative purposes. These instruments include foreign exchange contracts, foreign currency options, interest rate swaps, crude oil futures and forward contracts, oil products futures and forward contracts and crude oil options.

All such derivatives involve risks, including the credit risk of non-performance by counter-parties. However, in order to minimise the credit risk of non-performance by counterparties, the Companies deals these derivatives with major financial institutions and trading companies with a high credit rating.

(2) Current Value of Derivatives as at the end of 2005 and 2004

| | Millions of yen | | |
|--------------------------------|-------------------|----------------|------------------------|
| | December 31, 2005 | | |
| | Notional Amount | Fair Value | Unrealized Gain (loss) |
| Currency-related transactions | | | |
| To buy | ¥35,944 | ¥35,899 | ¥ (45) |
| To sell | 5,535 | 5,549 | (14) |
| | | | ¥ (59) |
| Commodity-related transactions | | | |
| To buy | 63,853 | 74,351 | 10,500 |
| To sell | 69,201 | 80,058 | (10,856) |
| | | | ¥ (356) |

| | Millions of yen | | |
|--------------------------------|-------------------|------------|------------------------|
| | December 31, 2004 | | |
| | Notional Amount | Fair Value | Unrealized Gain (loss) |
| Currency-related transactions | | | |
| To buy | ¥20,477 | ¥20,598 | ¥ 121 |
| To sell | 3,513 | 3,542 | (29) |
| | | | ¥ 92 |
| Commodity-related transactions | | | |
| To buy | 19,640 | 21,470 | 1,830 |
| To sell | 18,612 | 20,496 | (1,884) |
| | | | ¥ (54) |

Interest rate swaps, which meet specific matching criteria are not measured at fair value but the net amount to be paid or received under the swap contracts is recognized and included in interest expenses or income. The above information is presented excluding these interest rate swaps.

11. Selling, General and Administrative Expenses

Major elements of selling, general and administrative expenses for the years ended December 31, 2005 and 2004

| | Millions of yen | |
|-----------------------------------------|-----------------|----------|
| | 2005 | 2004 |
| Transportation | ¥ 41,468 | ¥ 40,465 |
| Salaries..... | 29,478 | 28,293 |
| Rents | 4,843 | 5,151 |
| Depreciation | 5,498 | 5,285 |
| Research and development expenses | 2,030 | 1,928 |
| Others | 30,765 | 32,159 |
| | ¥114,084 | ¥113,280 |

12. Impairment Loss of Fixed Assets

As a minimum unit for generating cash flows, service stations were assessed individually, and other fixed assets were grouped by segments of management accounting. Assets used for rent and non-performing assets were assessed individually in principle.

Recoverable value was assessed comparing net selling price and value in use. Net selling price was mainly adopted for non-performing assets and value in use for other assets. Net selling prices, if material, were assessed according to the property appraisal standards. To calculate value in use, the future cash flows were discounted at 3.5%.

An impairment loss was recorded at the amount by which the carrying amount of each group of assets exceeded its recoverable value. For the year ended December 31, 2005, the Companies recognized impairment losses of 1,894 million yen on 58 groups of impaired fixed assets, which were accounted for as a special loss. They were primarily related to the significant decrease in the market value of the Companies' land as well as to the overall deterioration of their business environment. They consisted of the following:

| | Millions of yen | | |
|-----------------------------------------------|-----------------|--------------|---------------|
| | 2005 | | |
| | Land | Others | Total |
| Service stations (26 groups) | ¥638 | ¥ 132 | ¥ 770 |
| Assets for property business (2 groups) | 15 | 5 | 20 |
| Non-performing assets (30 groups)..... | 112 | 989 | 1,102 |
| | | | ¥1,894 |

| | Millions of yen | | |
|-----------------------------------------------|-----------------|--------|---------|
| | 2004 | | |
| | Land | Others | Total |
| Service stations (88 groups) | ¥15,106 | ¥ 452 | ¥15,559 |
| Assets for property business (2 groups) | 1,142 | — | 1,142 |
| Non-performing assets (231 groups)..... | 11,344 | 5,681 | 17,026 |
| | | | ¥33,728 |

13. Mortgaged Assets

As of December 31, 2005, 171,404 million yen assets were mortgaged for certain liabilities of the Companies (64,573 million yen).

14. Contingent Liabilities

The Companies had the following contingent liabilities as of December 31, 2005 and 2004:

| | Millions of yen | |
|---------------------------------------------------------------------|-----------------|--------|
| | 2005 | 2004 |
| Guarantees for: | | |
| Non-consolidated subsidiaries, affiliates and other companies | ¥6,507 | ¥6,838 |
| Employees | 1,514 | 1,478 |
| Discounts of notes receivable..... | 19 | 148 |
| | ¥8,040 | ¥8,464 |

15. Related Third Party Transactions

When transactions of the Company with its related third parties are more than 10% of the consolidated sales proceeds, or 10% of the total amount of the consolidated cost of sales, or 10% of the consolidated selling, general and administrative expenses, excluding transactions with consolidated subsidiaries, for the years ended December 31, 2005 and 2004 are disclosed by each item.

The Company discloses material balances and transactions with related third parties where such balances and transactions represent more than 1 per cent of the consolidated total assets, excluding transactions with consolidated subsidiaries.

(1) Related third parties – Corporation

For the year ended December 31, 2005

| Name | Capital (millions yen) | Voting right Share owing (Share owned) | Millions of yen | |
|-----------------------------|---------------------------|----------------------------------------------|----------------------------------------|----------------------------------------------------------|
| | | | Transactions | Resulting account balances |
| Saudi Arabian Oil Co., Ltd | — | (Indirect 15.0%) | Purchase of crude oil and oil products | ¥586,763 Accounts payable (trade) ¥47,872 |
| Seibu Oil Co., Ltd. | 8,000 | Direct 38.0% | Purchase of oil products | 222,602 Accounts payable (trade) 38,244 |
| Toa Oil Co., Ltd. | 4,961 | Direct 37.5% | Refining on commission | 14,561 Other current liabilities 2,082 |
| | | | Payment of gasoline tax | 90,800 Accounts payable (other) 24,477 |
| Marubeni Energy Corporation | 2,350 | Direct 33.4% | Sale of oil products | 131,340 Accounts receivable (trade) 19,174 |

For the year ended December 31, 2004

| Name | Capital (millions yen) | Voting right Share owing (Share owned) | Millions of yen | |
|-----------------------------------|---------------------------------|----------------------------------------------|-------------------------------------|--------------------------------------------|
| | | | Transactions | Resulting account balances |
| Saudi Arabian Oil Co., Ltd | — | (Indirect 10.0%) | Purchase of crude oil and materials | ¥ 76,532 Accounts payable (trade) ¥21,430 |
| Seibu Oil Co., Ltd. | 8,000 | Direct 38.0% | Purchase of petroleum materials | 168,690 Accounts payable (trade) 38,582 |
| Toa Oil Co., Ltd. | 4,961 | Direct 37.4% | Trust of refining petroleum | 23,821 Other current liabilities 1,926 |
| | | | Payment of gasoline tax | 110,891 Accounts payable (other) 28,499 |
| Marubeni Energy Corporation | 2,350 | Direct 33.4% | Sale of petroleum materials | 105,643 Accounts receivable (trade) 14,342 |
| Shell Chemicals Japan Co., Ltd. | 250 | — | Sale of petrochemical products | 57,727 Accounts receivable (trade) 9,584 |
| Shell Eastern Trading (PTE), Ltd. | 714 (millions of US dollars) | — | Purchase of crude oil and materials | 265,803 Accounts payable (trade) 11,792 |

(2) Related third parties – Individuals

Material transactions and balances of the Company with related individuals, including shareholders and directors, representing more than 1 million yen for the years ended December 31, 2005 and 2004 are as follows.

For the year ended December 31, 2005

| Name | Post | Owner ship | Millions of yen | | | |
|----------------|-------------------------------------------------------------------------------------------------|------------|-----------------|----------------------------|---|---|
| | | | Transactions | Resulting account balances | | |
| Haruyuki Niimi | Representative director / Chairman of Zaidanhojin Showa Shell Sekiyu Kankyo Kenkyu Josei Zaidan | — | Donation | ¥38 | — | — |

For the year ended December 31, 2004

| Name | Post | Owner ship | Millions of yen | | | |
|----------------|-------------------------------------------------------------------------------------------------|------------|-----------------|----------------------------|---|---|
| | | | Transactions | Resulting account balances | | |
| Haruyuki Niimi | Representative director / Chairman of Zaidanhojin Showa Shell Sekiyu Kankyo Kenkyu Josei Zaidan | — | Donation | ¥35 | — | — |

16. Segment Information

(1) Business Segment Information For the year ended December 31, 2005

| | Millions of yen | | | | | |
|----------------------------------------------------------|-------------------|-------------------|----------------|-------------------|------------------|-------------------|
| | Oil business | Property business | Other business | Sub-total | Internal trade | Total |
| I. Total sales and operating profit | | | | | | |
| Total sales | | | | | | |
| (1) Sales to outside customers | ¥2,250,088 | ¥ 4,281 | ¥14,119 | ¥2,268,488 | ¥ — | ¥2,268,488 |
| (2) Inter-segment sales and transfers | 728 | 128 | 8,540 | 9,398 | (9,398) | — |
| Total sales | 2,250,817 | 4,410 | 22,659 | 2,277,887 | (9,398) | 2,268,488 |
| Operating expenses | 2,156,018 | 1,719 | 21,774 | 2,179,511 | (9,404) | 2,170,107 |
| Income from operations | ¥ 94,798 | ¥ 2,691 | ¥ 885 | ¥ 98,375 | ¥ 5 | ¥ 98,381 |
| II. Assets, depreciation and capital expenditures | | | | | | |
| Assets | ¥1,091,570 | ¥32,729 | ¥38,573 | ¥1,162,873 | ¥(17,682) | ¥1,145,191 |
| Depreciation | 22,197 | 926 | 854 | 23,979 | — | 23,979 |
| Impairment losses | 1,873 | 20 | — | 1,894 | — | 1,894 |
| Capital expenditures | 17,697 | 42 | 3,552 | 21,292 | — | 21,292 |

For the year ended December 31, 2004

| | Millions of yen | | | | | |
|----------------------------------------------------------|-----------------|-------------------|----------------|------------|----------------|------------|
| | Oil business | Property business | Other business | Sub-total | Internal trade | Total |
| I. Net sales and operating profit | | | | | | |
| Net sales | | | | | | |
| (1) Sales to outside customers | ¥1,826,064 | ¥ 4,243 | ¥ 9,136 | ¥1,839,445 | ¥ — | ¥1,839,445 |
| (2) Inter-segment sales and transfers | 128 | 130 | 6,695 | 6,954 | (6,954) | — |
| Total sales | 1,826,193 | 4,374 | 15,832 | 1,846,399 | (6,954) | 1,839,445 |
| Operating expenses | 1,769,195 | 1,855 | 15,157 | 1,786,207 | (6,948) | 1,779,259 |
| Income from operations | ¥ 56,998 | ¥ 2,518 | ¥ 674 | ¥ 60,192 | ¥ (6) | ¥ 60,185 |
| II. Assets, depreciation and capital expenditures | | | | | | |
| Assets | ¥ 849,187 | ¥28,720 | ¥ 8,536 | ¥ 886,444 | ¥19,378 | ¥ 905,823 |
| Depreciation | 23,612 | 1,013 | 27 | 24,653 | — | 24,653 |
| Loss on impairment of fixed assets | 15,559 | 18,168 | — | 33,728 | — | 33,728 |
| Capital expenditures | 14,379 | 146 | 22 | 14,548 | — | 14,548 |

Notes: 1. Businesses are classified based on the companies' internal definition.

2. Main products and businesses by each segment

(1) Oil business: Gasoline, naphtha, kerosene, gas oil, fuel oil, lubricating oil, LPG, asphalt, petrochemical products

(2) Property business: Property lettings and management

(3) Others business: Engineering, sale of automobile products, city gas business, electric power supply business

3. "Internal trade" did not include any operating expenses that could not be allocated.

4. Corporate assets are fully allocated to each segment and not included in assets in "Internal trade."

5. Long-term prepaid expenses and their depreciation are included in depreciation and capital expenditures.

(2) Geographic Segment Information

For the years ended December 31, 2005 and 2004, geographic segment information has been omitted as the Companies have no consolidated subsidiaries or branches domiciled in countries or regions other than Japan.

(3) Overseas Sales

For the year ended December 31, 2005

| | Millions of yen | | |
|---------------------------------------------------------------------------|-----------------|----------------|------------------|
| | Asia | Others | Total |
| Overseas sales | ¥125,583 | ¥92,901 | ¥ 218,484 |
| Consolidated sales proceeds | | | 2,268,488 |
| Overseas sales as a percentage of total consolidated sales proceeds | 5.5% | 4.1% | 9.6% |

For the year ended December 31, 2004

| | Millions of yen | | |
|----------------------------------------------------------------------|-----------------|---------|-----------|
| | Asia | Others | Total |
| Overseas sales | ¥118,311 | ¥82,117 | ¥ 200,429 |
| Consolidated net sales | | | 1,839,445 |
| Overseas sales as a percentage of total consolidated net sales | 6.4% | 4.5% | 10.9% |

Notes: 1. Countries and regions are classified on the basis of geographic proximity.

2. Main countries included in each geographic segment are as follows;

(1) AsiaSingapore, China, Republic of Korea

(2) Others...U.A.E., U.S.A, United Kingdom, Switzerland

3. Overseas sales are sales of the Company and its consolidated subsidiaries outside Japan.