

CSR INITIATIVES

We will run our business based on a keen awareness of our corporate social responsibilities as a member of society. These responsibilities range from the stable supply of energy to more direct social contribution initiatives. As measures to cope global warming become a more urgent issue on the international agenda, we will focus our efforts on environmental issues in pursuit of global sustainability.

Basic Philosophy of CSR (Corporate Social Responsibility)

Showa Shell's mission is to fulfill its social responsibility to stakeholders and provide a reliable and stable supply of high quality products and services continuously over the long term. We are committed to supplying and developing efficient energy that does not place a burden on the environment while stably delivering oil-related products and services to customers in Japan on a long-term basis. In other words, we are determined not only to achieve short and mid-term economic gains but also to develop corporate activities that enable stakeholders to continue enjoying good standards of living far into the future from a long-term perspective. We will conduct our

business activities and social contribution activities in line with this philosophy.

We have disclosed information on these initiatives in "Moderate," Showa Shell's environmental report published since 1993, and then, since 2004, in our "CSR Report," which includes two elements, society and economy, in addition to information on environmental issues. In 2007, we published the first issue of the "Sustainability Report," which incorporates the perspective of global sustainability instead of focusing solely on environmental initiatives.

Tackling Environmental Issues in the Supply Chain

As part of our effort to construct a diverse energy supply system, we have been working on the development and commercialization of CIS solar powered cells, the first manufacturing plant of which we put into operation in 2007. We have started constructing a second plant, and plan to turn the photovoltaic module business into one of our core businesses. We are also putting effort into the development of high-quality products that have little environmental burden. We have pushed forward R&D on Shell Pura brand, an environmentally friendly high-octane gasoline that reduces harmful exhaust gases emitted from the engine, bio-gasoline that combines plant-derived bioethanol and oil-derived gas, and alternative fuels synthesized from natural gas (GTL fuels). We will reduce our burden on the environment through expansion of our capacity to supply these energies.

In each business area we are taking steps to reduce CO₂ emissions now and in the future. We are translating our mid-term energy conservation master plan into action by installing highly efficient machinery, heat recovery equipment, and energy-saving operational support systems at refineries, which account for approximately 85% of group-wide CO₂ emissions. In the area of transportation, we are making effort to implement further energy saving measures as a specified consignor under the revised Energy Conservation Act. Specifically, we are improving



From "CSR Report" to "Sustainability Report"

overland transportation efficiency by enlarging our tanker trucks, shortening transportation distances, and making highly efficient deliveries. For marine transportation, we have enlarged tanker sizes, adopted fuel oil additives, introduced electric propulsion ships in November 2007, and took other energy-saving measures. Moreover, the Group will continue making effort to reduce CO₂ emissions, including the possibility of making the best use of Kyoto Mechanism.

Social Initiatives

As a responsible member of society, Showa Shell is standing up to the challenge of ensuring global sustainability. What is more, we not only implement environmental measures in our businesses and undertake direct environmental protection activities, we also carry out social contribution activities in a range of fields, including fine arts and science.

Showa Shell established internal policies in 2006 in accordance with the Shell Group's policy on biodiversity protection. As part of those activities, we are participating in the Project for Reforestation of the Mt. Fuji Forest sponsored by the Organization for Industrial,

Spiritual and Cultural Advancement-International (OISCA-International). We hope that our Environment Photo Contest: Things to be Preserved and Ugly Scenes in the Neighborhood, which we started in 2005, will lead to protection of the global environment by encouraging people to think about the environment through photography of familiar scenes. We established the Shell Art Award in 1956, over a half-century ago, with the aim of discovering young Japanese artists.

We provide children, the bearers of the next-generation, with opportunities to learn about energy and science through Christmas Lecture—which is a British tradition of giving science experiment lecture—and our own Summer Vacation Energy Class.

With the aim of contributing to global sustainability, Showa Shell established the Energy Sustainability Forum (ESF) jointly with the Integrated Research System for Sustainability Science (IR3S), which is run by The University of Tokyo. Through the Forum, we are studying the theoretical approach of researchers in the field of energy sustainability and working to formulate an energy vision from the perspective of "Japan as part of Asia." The final objective is to propose to policymakers.



Christmas Lecture 2007: The Mystery of Numbers (Photo provided by the Yomiuri Newspaper)



Open symposium sponsored by IR3S: The Challenge of Energy Sustainability