

MANAGEMENT VISION FOR SUSTAINABLE GROWTH



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Chairman and Representative Director

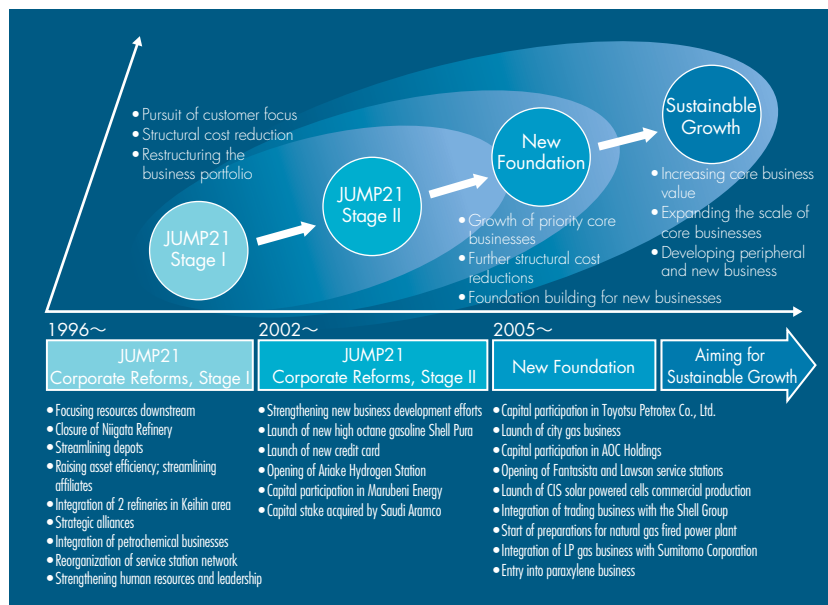
What is your vision for growth in Showa Shell Sekiyu?

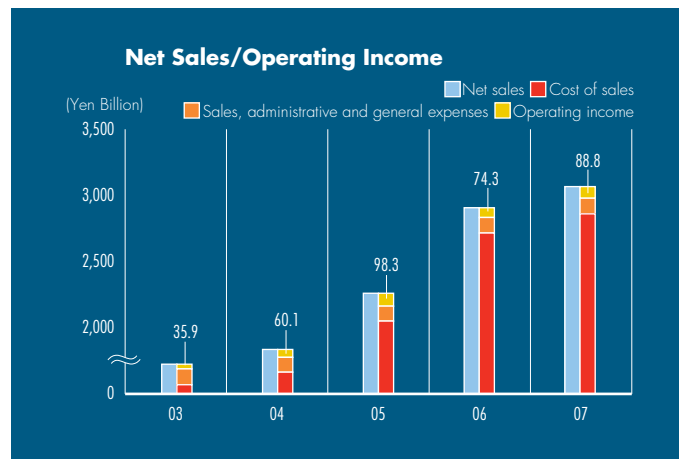
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Our mission is to provide our customers with oil and other energy products and high quality services in a safe, stable and sustainable manner. To fulfill this mission and become a leading company in every aspect of environmental, social, and economical dimensions, we began promoting drastic corporate reforms focused on structural cost reductions and a rearrangement of our business portfolio in 1996. Since 2005, the year we marked the 20th anniversary of our merger, we have been following a growth-oriented philosophy based on three pillars to achieve further corporate reforms and to create and provide new value to our customers. The three pillars are “to increase the value of our core business,” “to expand the scale of our core business,” and “to develop peripheral and new businesses.” At present these efforts continue.

This growth will be underpinned by establishing a sound customer base, maintaining a competitive edge in our financial position, promoting aggressive investment, and developing and training human resources. Above all else we consider leadership training and the developing of the ability of our human resources to be our important tasks in achieving high earnings. We are making great efforts in these areas. In the future the products and services that we provide to customers may change as advances in technology occur, but we believe that steadily implementing a strategy based on our basic philosophy listed above and maintaining competitiveness will enable us to sufficiently withstand major changes in the business environment.





What are the details of your growth strategy?

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In terms of “increasing core business value” and “expanding the scale of our core business,” we have plans to further increase our selling power in high value-added products and services. To begin with, in our oil business, which is centered on gasoline, we plan to do this through efforts in procurement based on our partnership with the Shell Group (Royal Dutch Shell plc) and Saudi Aramco (Saudi Arabian Oil Company). In refining, we plan to strengthen our ability to produce high value-added products based on stable capacity utilization, and in sales we plan to expand our service station network so that we can respond aptly and fully to the different needs of our customers in every region. Through these efforts we plan to boost our cost competitiveness and increase our market share of gasoline sales. To achieve these objectives, we will undertake capital investment aimed at the stable operation of our oil refineries and for retail expansion. We will expand exports when overseas profitability is better than profitability in domestic sales using the Shell Group global network.

In our LP gas business also, we are working with Sumitomo Corporation in a business integration that will strengthen our position by expanding the scale of the business and promoting cost improvement measures in logistics. In the special products business, we will offer high value-added products and services to meet the needs of our customers.

In 2008, in the “development of peripheral and new businesses,” we will focus particular attention on our solar powered cells business. CIS (copper, indium, selenium) solar powered cells developed by Showa Shell under commission from the New Energy and Industrial Technology Development Organization (NEDO), have been highly acclaimed for their superior manufacturing technology and their excellent design and environmental characteristics. In the year ahead, we plan to continue expediting the development of this business. In 2007 we commenced commercial production of the cells at our first plant, and we have already started constructing a second plant. We aim to further expand our production capacity of these cells to make this business into our second core business.

What is your view on sustainability to support your strategies for growth?

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As an energy company our mission is to provide customers with a safe and steady supply of energy over the long term. We also recognize that our mission is to work to create a sustainable society. Our strategy and vision take energy sustainability into consideration, and we are working for environmental sustainability in our efforts. To fulfill this mission, we promote thorough compliance through a strict framework for compliance with laws and regulations. We have also introduced the HSSE (health, safety, security, and environment) Management System used throughout the Shell Group to secure a sound framework for promoting corporate social responsibility.

In 2007, global warming increasingly became a serious worldwide issue. We responded to the issue by endeavoring to reduce CO₂ in our supply chain. We also have been promoting the development of products that have little burden on the environment, such as GTL (gas to liquids) fuel and solar powered cells. We also initiated activities with a focus on sustainability including the establishment of an energy vision that incorporates considerations such as sustainability and societal factors. As part of this we launched the Energy Sustainability Forum together with the Integrated Research System for Sustainability Science (IR3S), which is directed by The University of Tokyo. In 2008 we will continue to expand our area of activities aimed at sustainability.