

"SAFETY & QUALITY FIRST 2009" GROUP-WIDE SAFETY AND QUALITY ASSURANCE INITIATIVE

To provide customers with reliable quality and safety, while contributing continuously to society through the stable supply of oil products and other forms of energy, the Showa Shell Group, including its dealers and affiliated companies, is engaged in a group-wide initiative to embed the concepts of safety and quality assurance. Under the banner of "Safety & Quality First 2009," we are again pursuing this group-wide initiative in 2009, with the goal of further solidifying gains in safety, reliability and quality, and leveraging this success to create an even more distinctive presence for Showa Shell.

Activities in 2008

Recognizing that quality is a core value to be provided to customers, and that ensuring reliable quality is essential to a company's continued survival, Showa Shell in 2007 launched a company-wide quality assurance program called "Quality First 2007." In 2008, we merged this quality initiative with safety assurance measures, which we promoted under the banner of "Safety & Quality First 2008," or "SQF2008" for short.

Along with sharing specific issues for improving safety performance and enhancing our quality control system among relevant departments, each department positioned and executed SQF2008 as a key item in its individual enactment of the HSSE Priority Strategy Action Plan* during the year.

* Based on a system operated by the Shell Group, the Showa Shell Group operates an HSSE Management System (HSSE-MS) to comprehensively manage risks pertaining to health, safety, security and the environment. Showa Shell formulates an annual HSSE Priority Strategy for improving performance in these areas based on a yearly HSSE review. All departments are then charged with drafting and enacting an HSSE Priority Strategy Action Plan for achieving strategy objectives.

Developments in 2009

Our range of SQF activities in 2008 resulted in fewer personal injuries in the workplace compared to the previous year, as well as the absence of any major facility incidents. Customer complaints related to quality were also at about half the level of the previous year. These outcomes are evidence of the success of our group-wide safety and quality assurance activities.

With that said, Showa Shell is experiencing rapid business development in next-generation CIS solar business, power generation business, and with the integration of its LPG operations. Responding to the new risks related to safety and quality from this growth is now an urgent task.

For 2009, our fundamental stance is to continuously implement our group-wide initiative under PDCA (Plan, Do, Check, Act) cycles and evolve the next stage of the program. Furthermore, we intend to move quickly to apply the aforementioned HSSE Management System to risks associated with business expansion. Doing so will clarify risks and measures for mitigating them, thus allowing us to deal properly with threats before they fully materialize.

